

**Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH)**

*(incorporated with limited liability in the Republic of Austria)*

**US\$500,000,000 5.750% Senior Notes Due 2026 Guaranteed by**

**Suzano Papel e Celulose S.A.**

*(incorporated in the Federative Republic of Brazil)*

**Issue Price 99.065%**



Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), the Issuer, a company incorporated with limited liability under the laws of the Republic of Austria, is offering US\$500 million aggregate principal amount of 5.750% Senior Notes due 2026, or the Notes. The Notes will be unconditionally and irrevocably guaranteed by Suzano Papel e Celulose S.A., the Guarantor, the parent company of the Issuer, a corporation (*sociedade por ações*) organized under the laws of the Federative Republic of Brazil, pursuant to a guarantee, or the Guarantee.

The Notes will mature on July 14, 2026. Interest on the Notes will be paid on January 14 and July 14, commencing on January 14, 2017. The Notes will bear interest at a rate equal to 5.750% per annum.

The Issuer may redeem the Notes in whole at any time, or in part from time to time, at a redemption price based on a “make-whole” premium, plus accrued and unpaid interest, if any, to the redemption date. The Notes may also be redeemed, in whole or in part, at 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date, in the event of certain changes in tax laws, as set forth in this listing memorandum.

The Notes will be the Issuer’s senior unsecured obligations and will rank equally with all of the Issuer’s other unsecured senior indebtedness and senior to all of the Issuer’s subordinated indebtedness. The Guarantee will be a senior unsecured obligation of the Guarantor and will rank equally with all of the Guarantor’s other senior unsecured indebtedness and senior to all of the Guarantor’s subordinated indebtedness. The Notes and the Guarantee will be effectively subordinated in right of payment to all of the Issuer’s and the Guarantor’s secured indebtedness, and the Notes and the Guarantee will also be effectively subordinated in right of payment to all liabilities, including trade payables, of the subsidiaries of the Guarantor (other than the Issuer). For a more detailed description of the Notes and the Guarantee, see “Description of the Notes.”

Application has been made to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange. This listing memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 10, 2005, as amended.

**Investing in the Notes involves risks that are described in the “Risk Factors” section beginning on page 15 of this listing memorandum.**

The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the Securities Act, or the securities laws of any state or any other jurisdiction and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act, or Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the Securities Act, or Rule 144A, and outside the United States to non-U.S. persons in reliance on Regulation S. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Notes, see “Transfer Restrictions.”

We expect that delivery of the Notes will be made to investors in book-entry form through The Depository Trust Company, or DTC, and its participants, including Clearstream Banking S.A. and the Euroclear System, on or about July 14, 2016.

***Global Coordinators and Bookrunners***

**J.P. Morgan      Santander**

***Joint Bookrunners***

**BB Securities    Bradesco BBI    BTG Pactual    Itaú BBA**

The date of this confidential listing memorandum is October 28, 2016

We are responsible for the information contained in this listing memorandum. We have not authorized anyone to give you any other information, and we take no responsibility for any other information that others may give you. You should not assume that the information contained in this listing memorandum is accurate as of any date other than the date on the front of this listing memorandum.

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Unless otherwise indicated or the context otherwise requires, all references in this listing memorandum to:

- “we,” “our,” “us,” “Suzano” and “Guarantor” are to Suzano Papel e Celulose S.A., a corporation (*sociedade por ações*) organized under the laws of Brazil and its subsidiaries (except when the context clearly indicates otherwise);
- “Issuer” are to Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), a company incorporated with limited liability under the laws of Austria;
- the “Notes” are to the U.S.\$500,000,000 5.750% Senior Notes offered by the Issuer hereunder;
- “Austria” are to the Republic of Austria; and
- “Brazil” are to the Federative Republic of Brazil.

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**This listing memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this listing memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or the affairs of our subsidiaries or that the information set forth in this listing memorandum is correct as of any date subsequent to the date of this listing memorandum.**

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J.P. Morgan Securities LLC, Santander Investment Securities Inc., Banco Bradesco BBI S.A., Banco BTG Pactual S.A. – Cayman Branch, BB Securities Limited and Itau BBA USA Securities, Inc., will act as initial purchasers, or the Initial Purchasers, with respect to the offering of the Notes. This listing memorandum is personal to you and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Notes. You are authorized to use this listing memorandum solely for the purpose of considering the purchase of the Notes.

The Initial Purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this listing memorandum. Nothing contained in this listing memorandum is, or shall be relied upon as, a promise or representation by the Initial Purchasers.

None of the U.S. Securities and Exchange Commission, or the SEC, any state securities commission or any other regulatory authority, has approved or disapproved the Notes or the Guarantee nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this listing memorandum. Any representation to the contrary is a criminal offense.

We intend to list the Notes on the Official List and to trading on the Euro MTF Market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Euro MTF Market takes no responsibility for the contents of this listing memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this listing memorandum.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this listing memorandum and the purchase, offer or sale of the Notes and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the Initial Purchasers or their agents have any responsibility therefor. The Notes are subject to restrictions on transferability and resale, and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this listing memorandum entitled "Risk Factors," "Plan of Distribution" and "Transfer Restrictions."

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this listing memorandum;
- you have not relied on the Initial Purchasers or their agents or any person affiliated with the Initial Purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the Notes other than those as set forth in this listing memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers or their agents.

**In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this listing memorandum. Any representation to the contrary is a criminal offense.**

**The offering is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities**

Act and applicable state securities laws, pursuant to registration or exemption therefrom. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this listing memorandum under the caption “Transfer Restrictions.” You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This listing memorandum may only be used for the purpose for which it has been published. None of the Initial Purchasers or any of their agents are making any representation or warranty as to the accuracy or completeness of the information contained in this listing memorandum, and nothing contained in this listing memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Initial Purchasers or any of their agents assumes responsibility for the accuracy or completeness of the information contained in this listing memorandum.

We and the Initial Purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, the Notes offered hereby. We and the Initial Purchasers also reserve the right to sell or place less than all of the Notes offered hereby.

#### **NOTICE TO PROSPECTIVE INVESTORS WITHIN BRAZIL**

THE NOTES (AND THE RELATED GUARANTEE) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE BRAZILIAN SECURITIES COMMISSION (*COMISSÃO DE VALORES MOBILIÁRIOS*), OR THE CVM. THE NOTES (AND THE RELATED GUARANTEE) MAY NOT BE OFFERED OR SOLD IN BRAZIL, EXCEPT IN CIRCUMSTANCES THAT DO NOT CONSTITUTE A PUBLIC OFFERING OR UNAUTHORIZED DISTRIBUTION UNDER BRAZILIAN LAWS AND REGULATIONS. THE NOTES (AND THE RELATED GUARANTEE) ARE NOT BEING OFFERED INTO BRAZIL. DOCUMENTS RELATING TO THE OFFERING OF THE NOTES, AS WELL AS INFORMATION CONTAINED THEREIN, MAY NOT BE SUPPLIED TO THE PUBLIC IN BRAZIL, NOR BE USED IN CONNECTION WITH ANY PUBLIC OFFER FOR SUBSCRIPTION OR SALE OF THE NOTES TO THE PUBLIC IN BRAZIL.

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#### **NOTICE TO INVESTORS IN AUSTRIA**

This listing memorandum has not been and will not be (i) approved (*gebilligt*) by the Austrian Financial Markets Authority (FMA) or (ii) deposited (*hinterlegt*) with the *Oesterreichische Kontrollbank Aktiengesellschaft*. The offer of the Notes is not a public offering in accordance with the Austrian Capital Market Act (*Kapitalmarktgesetz*), as amended. This listing memorandum will not be passported as a prospectus into Austria via the competent authority of another member state of the European Economic Area. This listing memorandum has been prepared on the basis that any offer of the Notes in Austria will be made on the basis of an exemption of the obligation to publish a prospectus pursuant to § 3 of the Austrian Capital Markets Act, as amended. This listing memorandum shall not be circulated or publicly distributed in Austria or to Austrian investors. No public advertisement for an offer of the Notes may be made or carried out in Austria.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

This listing memorandum is for distribution only to and directed only at persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, or (iii) are outside the United Kingdom (all such persons together being referred to as “relevant persons”). This listing memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this listing memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE EEA**

This listing memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will

be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this listing memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorised, nor do they authorise, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Member State.

## FORWARD-LOOKING STATEMENTS

This listing memorandum contains forward-looking statements, principally under “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Industry” and “Business.” These forward-looking statements include, but are not limited to, statements regarding our future results of operations, financial position, plans, estimates, expectations, strategies and projections. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that affect or may affect our business, results of operations, financial results, cash flow, financial condition, outlook and price of the Notes. Although we believe that these forward-looking statements are based upon reasonable assumptions, these statements are subject to risks, uncertainties and assumptions, and accordingly they are not guarantees of future results. Therefore, our actual performance may differ significantly from the estimates due to several factors, some of which are beyond our control.

The following factors, among others, may adversely affect our estimates and assumptions:

- general macroeconomic, political and business conditions in Brazil, particularly in the regions where we operate or intend to operate, as well as in the principal foreign markets where we currently operate;
- material changes in currency exchange rates, including appreciation or depreciation of the *real*;
- changes in market prices, consumer preferences and competitive conditions;
- our ability to anticipate trends in the pulp and paper industry, including changes in capacity and fluctuations in industry prices;
- management’s expectations and estimates regarding our future financial performance, financing plans and the effects of competition;
- implementation of our operating and/or financial strategy and capital expenditure plans, including the expansion of our activities into new segments in which we currently do not operate, and the related impact on the level of our outstanding indebtedness;
- our ability to produce and deliver our products on a timely basis;
- our ability to implement our expansion projects, as well as manage the costs of such projects;
- amendments or changes in laws and regulations affecting the pulp and paper industry;
- an increase or decrease in the demand for pulp and paper products;
- increased competition in the pulp and paper industry;
- our level of indebtedness and other financial obligations, including our ability to obtain financing on favorable terms and conditions if and when necessary;
- our ability to maintain and improve our logistical structure;
- our ability to maintain commercial relationships with suppliers and customers;
- our compliance with covenants contained in the instruments governing our debt;
- volatility of the prices of the raw materials we sell or purchase to use in our business;
- government interventions resulting from changes in economic conditions, in taxes or the regulatory frameworks of Brazil and the other countries in which we operate;

- the adoption of tariffs, trade barriers, sanitary regulations or other import restrictions by countries to which we export or plan to export our products;
- developments in, or changes to, Brazilian accounting practices;
- adverse outcomes of litigation and other legal proceedings in which we are involved;
- other factors that may adversely affect our financial condition, liquidity and results of operations; and
- other risks presented under “Risk Factors.”

Other risks and uncertainties may adversely affect our results, which may differ materially from the expectations expressed in the forward-looking statements. Considering the risks and uncertainties involved, the forward-looking statements presented herein may not prove accurate, and our actual results may differ materially from the expectations expressed in the forward-looking statements due to, among others, the factors mentioned above. Because of these risks and uncertainties, you should not rely on these forward-looking statements to make an investment decision.

Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “believe,” “may,” “estimate,” “continue,” “potential,” “anticipate,” “intend,” “will,” “expect” and similar expressions are intended to identify forward-looking statements. Forward-looking statements and estimates speak only as of the date they were made, and neither we nor the Initial Purchasers undertake any responsibility to update or publicly release any revision of such forward-looking statements after we distribute this listing memorandum to reflect new information, future events or other factors. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. While we continually review trends and uncertainties affecting our results of operations and financial condition, we do not intend to update any particular forward-looking statements contained in this listing memorandum.

## ENFORCEMENT OF JUDGMENTS

### Brazil

The Issuer is a company incorporated with limited liability under the laws of Austria and the Guarantor is a corporation (*sociedade por ações*) incorporated under the laws of Brazil. All, or substantially all, of our directors and officers and certain advisors named herein reside outside the United States. As a result, it may not be possible, or it may be difficult, for you to effect service of process upon us or these other persons within the United States, or to enforce judgments obtained in United States courts against us or them, including those predicated upon the civil liability provisions of the federal securities laws of the United States.

In the terms and conditions of the Notes, we will (1) agree that the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, the City of New York, will **have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise** out of or in connection with the Notes and, for such purposes, irrevocably submit to the jurisdiction of such courts and (2) name an agent for service of process in the Borough of Manhattan, the City of New York.

We have been advised by our internal Brazilian general counsel that a judgment of a United States court for civil liabilities predicated upon the federal securities laws of the United States may be enforced in Brazil, subject to certain requirements described below. Such counsel has advised us that a judgment obtained outside Brazil against us, the Issuer or the persons described above would be enforceable in Brazil without retrial or re-examination of the merits of the original action including, without limitation, any final judgment for payment of a sum certain of money rendered by any such court, provided that such judgment has been previously recognized by the Superior Court of Justice of Brazil (*Superior Tribunal de Justiça*), or STJ. In order to be recognized by the STJ, a foreign judgment must meet the following conditions:

- it must comply with all formalities necessary for its enforcement under the laws of the jurisdiction where it was rendered;
- it must have been issued by a competent court after proper service of process on the parties;
- it must be final and therefore not subject to appeal;
- it must not be contrary to Brazilian national sovereignty or public policy or violate human dignity;
- it must not violate a final and unappealable decision issued by a Brazilian court;
- it must not violate the exclusive jurisdiction of the Brazilian courts; and
- it must be duly authenticated by a competent Brazilian consulate and be accompanied by a sworn translation thereof into Portuguese, unless an exemption is provided by an international treaty to which Brazil is a signatory.

The recognition process may be time-consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that recognition would be obtained, that the recognition process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment, including for violation of the securities laws of countries other than Brazil, including the federal securities laws of the United States.

We have also been advised that:

- original actions may be brought in connection with this listing memorandum predicated solely on the federal securities laws of the United States in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against Suzano or its directors and officers thereof and certain advisors named herein, provided that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, national sovereignty or equitable principles and provided further that Brazilian courts can assert jurisdiction over such actions; and



- the ability of a creditor to satisfy a judgment by attaching certain assets of Suzano or its directors and officers and certain advisors named herein is limited by provisions of Brazilian law, given that assets are located in Brazil.

A plaintiff (whether Brazilian or non-Brazilian) who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real estate property in Brazil must provide a bond to guarantee the payment of the defendant's legal fees and court expenses in connection with court procedures for the collection of payments under the Notes and the Guarantee. The bond must have a value sufficient to satisfy the payment of court fees and defendant's attorney fees, as determined by a Brazilian judge. This requirement does not apply (1) when an exemption is provided by an international agreement or treaty that Brazil is a signatory; (2) in the case of claims for collection on a *título executivo extrajudicial* (an instrument which may be enforced in Brazilian courts without a review on the merits, which is not the case of the Notes or the Guarantee), in the case of enforcement of foreign judgments that have been duly recognized by the STJ; or (3) counterclaims as established, according to Article 83 of the Brazilian Code of Civil Procedure (*Código de Processo Civil*). Notwithstanding the foregoing, we cannot assure you that recognition of any judgment will be obtained, that the process described above can be conducted in a timely manner, or that Brazilian courts will enforce a judgment for violation of the federal securities laws of the United States with respect to the Notes.

In addition, if proceedings were brought in the courts of Brazil seeking to enforce the obligations of the Guarantor under the Notes, it would not be required to discharge its obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation to pay amounts denominated in a currency other than Brazilian currency, which is payable in Brazil, may only be satisfied in Brazilian currency at the exchange rate prevailing on the market on the date of payment, as published by the Brazilian Central Bank (*Banco Central do Brasil*), or Central Bank. Accordingly, if the Guarantor were to be declared bankrupt, all of its credits denominated in foreign currencies would be converted into *reais* at the prevailing rate on the date of the declaration. We cannot assure that such rate of exchange will afford full compensation of the amount invested in the Notes plus any accrued interest.

## **Austria**

The United States and Austria do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for payment of money rendered by the courts of the State of New York and the federal courts of the United States, in each case sitting in the Borough of Manhattan, the City of New York, based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Austria.

However, if the party in whose favor such final judgment is rendered brings a new suit in a competent court in Austria, such party may submit to the Austrian court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Issuer or its managing directors will be regarded by an Austrian court only as evidence of the outcome of the dispute to which such judgment relates, and an Austrian court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Austria.

## LIMITATIONS BY AUSTRIAN CAPITAL MAINTENANCE RULES AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

### Austrian Capital Maintenance Rules

The issue and sale of the Notes may be subject to Austrian capital maintenance rules (*Kapitalerhaltungsvorschriften*) pursuant to Austrian corporate law, in particular Section 82 of the Austrian Act on Limited Liability Companies (*Gesetz über Gesellschaften mit beschränkter Haftung*), or GmbHG, as the net proceeds of the Notes may particularly be used for financing or refinancing capital expenditures and investments in one or more “Eligible Green Projects” by companies of the Suzano Group. See “Use of Proceeds.”

The GmbHG prohibits an Austrian limited liability company from returning equity to its shareholders (*Verbot der Einlagenrückgewähr*) in circumstances other than as a distribution of profits (if, to the extent and as long as available for distribution under Austrian law), by a reduction of share capital or as liquidation surplus on liquidation of that corporation. The provisions on the prohibition to repay capital also cover benefits granted by an Austrian limited liability company to its shareholders where no “adequate consideration” is received in return. Such consideration must, as a minimum standard, not be less than a comparable consideration, which would have been received by an unrelated third party granting such benefit. Any agreement between an Austrian limited liability company and its shareholder and/or any third party granting an advantage to the shareholder which would not, or not in the same way, have been granted for the benefit of an unrelated third party is void and may not be entered into by such company. Accordingly, net proceeds from the issue and sale of the Notes used for financing or refinancing capital expenditures and investments in one or more Eligible Green Projects have to be assessed on the basis of such limitations imposed by Austrian law.

Austrian courts have broadly interpreted the mandatory principle of Austrian law prohibiting the return of equity from a limited liability company to its shareholder. The prohibition also encompasses cases where a limited liability company incurs indebtedness for the benefit of its shareholder without an adequate consideration and in cases where doubts exist towards the reliability and solvency of the borrower (i.e. the shareholder) which could give reason to believe that potential recourse claims against the shareholder might fail.

Although third parties are not normally addressees of the prohibition to return equity, any transaction contravening Austrian capital maintenance rules would nevertheless be regarded void vis-à-vis the third party if such third party knew or should have known that such transaction was processed in violation of the grantor’s capital maintenance obligations. Details of the principle of forbidden return of equity to the shareholder are, however, highly controversial. Moreover, Austrian capital maintenance rules are subject to ongoing court decisions and it cannot be ruled out that future court rulings may not further limit the access of creditors and/or shareholders to assets of subsidiaries constituted in the form of a corporation.

### Austrian Insolvency Law

The Issuer is incorporated under the laws of Austria, thus a rebuttable presumption exists that such entity also has its respective “center of main interests” in Austria. In the event of an insolvency of a company having its “center of main interests” in Austria, insolvency proceedings may be initiated in Austria. Such proceedings will be governed by Austrian law (for example, if the “center of main interests” of such company is within Austria or if such company has an “establishment” in the territory of the Republic of Austria or, where the E.U. Insolvency Regulation does not apply, if such company has assets in Austria). Under certain circumstances, insolvency proceedings may also be opened in Austria in accordance with Austrian law with respect to the assets of companies that are not organized under Austrian law.

The following is a brief description of certain aspects of Austrian insolvency law. The law relating to insolvency is regulated by the Austrian Insolvency Act (*Insolvenzordnung* - IO), or the AIA.

Insolvency proceedings (*Insolvenzverfahren*) are opened by a court in the event that the debtor is insolvent (*zahlungsunfähig*) (i.e., unable to pay its debts as and when they fall due) or over-indebted within the meaning of the AIA (*überschuldet*) (i.e., its liabilities exceed the value of its assets in combination with a negative prognosis on its ability to continue as a going concern (*negative Fortbestehensprognose*)). Under Austrian law, insolvency proceedings may be initiated either by the (insolvent) company or a creditor by filing an application to that effect

with a court of competent jurisdiction. If insolvency proceedings are initiated upon a creditor's request, such creditor will have to show that the debtor is insolvent or over-indebted. In the event that the debtor is at imminent risk of being unable to pay its debts as and when they fall due (*drohende Zahlungsunfähigkeit*), insolvency proceedings may be initiated only upon the debtor's request.

If the debtor has submitted, together with its application requesting the opening of insolvency proceedings, an application for the commencement of restructuring proceedings (*Sanierungsverfahren*), the court may order the opening of either (i) insolvency proceedings or (ii) restructuring proceedings. The legal provisions regulating restructuring proceedings do not apply to insolvency proceedings.

If it is the debtor that has applied for the initiation of insolvency proceedings and has submitted to the court a restructuring plan (*Sanierungsplan*) that offers a recovery rate of at least 20% payable to the unsecured creditors over a maximum period of two years, any proceedings so initiated by the court will be in the form of restructuring proceedings. A debtor may also submit a restructuring plan in the course of insolvency proceedings that are already in progress whereupon such proceedings will continue as restructuring proceedings. For the debtor's restructuring plan to be approved by the court it must meet certain criteria specified by law.

The purpose of a restructuring plan is to enable a debtor to be released from a portion of its debts (not to exceed 80% of the aggregate amount thereof) and to continue its business operations. A restructuring plan has to be approved by a "qualified majority" of the debtor's unsecured creditors. A "qualified majority" refers to a majority of the debtor's unsecured creditors present at the respective court hearing, provided that such majority represents more than 50% of the aggregate amount of all claims of the unsecured creditors being present at such hearing. Once the debtor has complied with the terms of a restructuring plan that was duly approved by the creditors and confirmed by the court, it will be released from its remaining outstanding unsecured debts. Unsecured creditors whose claims under the restructuring plan have not been satisfied in accordance with the plan's terms may enforce their individual claims against the debtor, in which case the restructuring proceedings will be continued as insolvency proceedings.

If the restructuring proceedings have been initiated and the debtor has submitted a restructuring plan that offers a recovery rate of at least 30% to the unsecured creditors over a maximum two-year period after the approval of such restructuring plan, the debtor qualifies for self-administration (*Sanierungsverfahren mit Eigenverwaltung*).

Unless the debtor qualifies for self-administration, it is not allowed as of the date of the opening of the insolvency or the restructuring proceedings, as the case may be, to dispose of the assets belonging to the insolvency estate (*Insolvenzmasse*). The opening of insolvency proceedings takes effect on the day following the publication of the court's order opening such proceedings in the official online database of Austrian insolvencies ([www.edikte.justiz.gv.at](http://www.edikte.justiz.gv.at)). After the opening of insolvency proceedings, transactions of the debtor with respect to assets belonging to the insolvency estate have no effect against the creditors of the insolvency estate.

Upon its decision to open the insolvency proceedings, the court will appoint an insolvency administrator (*Insolvenzverwalter*) and may, depending on the nature and the size of the debtor's business (either ex officio or upon the request of the creditors' meeting (*Gläubigerversammlung*)), appoint a creditors' committee (*Gläubigerausschuss*) charged with monitoring and assisting the insolvency administrator in the discharge of its duties. After the opening of insolvency proceedings (and unless the debtor qualifies for self-administration), only the insolvency administrator is entitled to act on behalf of the insolvency estate.

Under Austrian law, an insolvency administrator's role is to continue the debtor's business with a view to enabling a potential reorganization of such business either by implementing the debtor's restructuring plan or by a sale of the debtor's assets. If neither a restructuring plan nor a sale of the debtor's business is possible, the insolvency administrator will discontinue the debtor's business operations. As a result of the ensuing insolvency proceedings, the debtor's assets will be liquidated and the proceeds realized thereby will be distributed to the debtor's creditors, with the debtor remaining liable for any portion of its debts not satisfied by such proceeds.

If the debtor qualifies for self-administration, the court will proceed with the appointment of a restructuring administrator (*Sanierungsverwalter*) to monitor the activities of the debtor. In such case, certain transactions are either subject to the restructuring administrator's approval or may be performed only by the restructuring administrator.

Creditors (*Insolvenzgläubiger*) wishing to assert their claims against the debtor must participate in the insolvency proceedings and file their claim with the competent court within the time period set out in the court order opening the insolvency proceedings. At the respective examination hearing (*Prüfungstagsatzung*), the insolvency administrator has to declare whether it acknowledges or contests each of the claims filed with the court. If the insolvency administrator acknowledges a creditor's claim, such creditor will be entitled to participate in the insolvency proceedings and the pro rata distribution to unsecured creditors that will follow. If a creditor's claim is contested by the insolvency administrator, the creditor will have to seek enforcement of its claim in civil proceedings and only then participate in the insolvency proceedings.

Claims of unsecured creditors which were created before the opening of the insolvency proceedings rank *pari passu* among themselves. Certain claims which lawfully arose against the insolvency estate after the opening of the insolvency proceedings (privileged claims (*Masseforderungen*)) enjoy priority in insolvency proceedings.

Claims which are secured by collateral, such as a mortgage, a pledge over bank accounts or shares, an assignment of receivables for security purposes or a security transfer of moveable assets (preferential claims (*Absonderungsrechte*)), are entitled to preferential payment in the distribution of the proceeds resulting from the realization of the charged asset. Creditors who have a right to preferential treatment may participate in the pro rata distribution to the unsecured creditors only to the extent that the proceeds from the realization of the assets charged to them did not cover their claims or if they have waived their right to preferential treatment. Secured creditors do not have a voting right with respect to the approval of the restructuring plan to the extent their claim is covered by security. Claims relating to the payment of taxes, social security contributions and employee compensation are not, as such, privileged or preferential claims under Austrian law.

The costs of the insolvency proceedings and certain liabilities accrued during such proceedings constitute privileged claims (*Masseforderungen*) and rank senior to all other insolvency claims (*Insolvenzforderungen*). Claims of creditors with a right of segregation of assets (*Aussonderungsberechtigte*), such as creditors with a retention of title or trustees, remain unaffected by the opening of insolvency proceedings.

Once insolvency proceedings have been opened it is no longer possible to obtain an execution lien with respect to assets belonging to the insolvency estate. All execution proceedings against the debtor are subject to an automatic stay during the duration of the insolvency proceeding (*Vollstreckungssperre*). Execution liens obtained within the last 60 days prior to the opening of insolvency proceedings expire upon the opening of such insolvency proceedings.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Financial Information**

The Issuer and Guarantor are not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, or the Exchange Act.

The Guarantor maintains its books and records in *reais* and prepares its consolidated financial statements in accordance with:

- The International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, and
- The accounting practices adopted in Brazil, or BR GAAP, including: (i) Brazilian corporate law (Law No. 6,404, dated December 15, 1976, as amended, including the provisions of Law No. 11,638, dated December 28, 2007, Law No. 11,941, dated May 27, 2009 and Law No. 12,431, dated June 24, 2011), or the Brazilian Corporate Law, (ii) the accounting pronouncements issued by the Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*), or the CPC, and (iii) rules and regulations issued by the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM, applicable to us as a public company in Brazil.

This listing memorandum contains our audited consolidated financial statements as of and for the years ended December 31, 2015, 2014, and 2013 and our unaudited interim consolidated financial information as of March 31, 2016, and for the three-month periods ended March 31, 2016 and 2015, prepared in accordance with BR GAAP and IFRS in Brazilian *reais*.

Our financial information should be read together with our audited annual consolidated financial statements and our unaudited interim consolidated financial information and the corresponding notes thereto, which are included in this listing memorandum.

The Issuer is exempt from publishing stand-alone audited financial statements (i.e. balance sheet, income statement, notes, management report) under Austrian law. However, the Issuer has prepared unaudited, short-form financial statements as of December 31, 2015, in the form included in the attached Exhibit A.

### **Accounting Standards Issued But Not Effective Yet**

As of January 1, 2016, a set of new standards and interpretations became effective, but we have not adopted these amendments while preparing these financial statements:

- a) Agriculture: Bearer plants (amendments to CPC 27 / IAS 16 and CPC 29 / IAS 41) – The amendments require bearer plants that meet the definition of living plants to be accounted for as property, plant and equipment and included within the scope of CPC 27 / IAS 16 Property, Plant and Equipment, instead of CPC 29 / IAS 41. We evaluated the new amendments and concluded that our biological assets do not meet the definition of bearer plants, so these amendments will not have any impact on our financial statements.
- b) IFRS 9 Financial instruments – Replaces IAS 39, except for recognition and derecognition of financial instruments. It also includes reviewed requirements for classifying and measuring financial instruments, a new model for expected loss of credit for calculating the impairment of financial assets and new requirements on hedge accounting. IFRS 9 becomes effective for annual periods beginning on or after January 1, 2018. We are evaluating the impacts of this standard on our financial statements.
- c) IFRS 15 Revenue from contracts with customers – Requires the entity to recognize revenue reflecting the consideration to which it expects to be entitled in exchange for the control of goods or services. The standard becomes effective on or after January 1, 2018. We are evaluating the impacts of this standard on our financial statements.

In addition, the following new standards or amendments are not expected to have a significant impact on our consolidated financial statements:

- a) Accounting of acquisition of interests in joint operations (amendments to CPC 19 / IFRS 11);
- b) Acceptable methods of depreciation and amortization (amendments to CPC 27 / IAS 16 and CPC 04 / IAS 38);
- c) Sale or contribution of assets between an investor and its associate/joint venture (amendments to CPC 36 / IFRS 10 and CPC 18 / IAS 28); and
- d) Investment entities: Exceptions to consolidation (amendments to CPC 36 / IFRS 10, CPC 45 / IFRS 12 and CPC 18 / IAS 28).

The Brazilian Accounting Pronouncements Committee, or CPC, has not issued accounting pronouncement or amendment to effective pronouncements corresponding to all new IFRS standards. Thus, early adoption is not permitted for entities disclosing their financial statements in accordance with accounting practices adopted in Brazil.

### Currency Information

All references herein to the “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of Brazil. All references to “U.S. dollars,” “dollars” or “US\$” are to U.S. dollars. On March 31, 2016, the exchange rate for *reais* into U.S. dollars was R\$3.5589 to US\$1.00, based on the selling rate as reported by the Central Bank. The selling rate was R\$3.9048 to US\$1.00 as of December 31, 2015, R\$2.6562 to US\$1.00 as of December 31, 2014 and R\$2.3426 to US\$1.00 as of December 31, 2013, in each case, as reported by the Central Bank. The *real*/U.S. dollar exchange rate fluctuates widely, and the selling rate as of March 31, 2016 may not be indicative of future exchange rates. See “Exchange Rates” for information regarding recent exchange rates for the Brazilian currency.

Solely for the convenience of the reader, we have translated certain amounts included in “Summary Financial and Operating Information,” “Capitalization,” “Selected Financial and Operating Data” and elsewhere in this listing memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank as of March 31, 2016 of R\$3.5589 to US\$1.00. The U.S. dollar equivalent information presented in this listing memorandum is provided solely for the convenience of investors and should not be construed as implying that the amounts in *reais* represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate.

### Market and Other Information

We make statements in this listing memorandum about a number of estimates, including market estimates, historical and predicted characteristics of several types of products, sales in the pulp and paper industry, and our competitive position and market share in the pulp and paper industry in Brazil and abroad. Information on the Brazilian and international pulp and paper industry and market presented herein is based on reports prepared by the independent consulting firms. Hawkins Wright Ltd., or Hawkins Wright; Jaakko Pöyry NLK Inc., or Pöyry; Pulp and Paper International; and publications and information disclosed by the Brazilian Tree Industry (*Indústria Brasileira de Árvores*), or IBÁ.

Unless otherwise indicated, all macroeconomic data were obtained from the Central Bank, the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, and the Getulio Vargas Foundation (*Fundação Getulio Vargas*), or FGV.

We believe that such sources of information are reasonably reliable and we have no reason to believe that any of this information is inaccurate in any material respect; however, we have not independently verified such information and make no representation as to the accuracy of such information.

### Rounding

Certain percentages and other amounts included in this listing memorandum have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

### **Special Note Regarding Financial Measures**

The body of generally accepted accounting principles is commonly referred to as “GAAP.” For this purpose, a non-GAAP financial measure is generally defined by the United States Securities and Exchange Commission, or the SEC, as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable U.S. GAAP measure. We have disclosed EBITDA in this listing memorandum, which is a so-called non-GAAP financial measure. EBITDA, which is defined by CVM Instruction 527, as earnings before interest, taxes, depreciation and amortization, or EBITDA, adjusted to exclude the effects of non-controlling interests in our subsidiaries, income tax, social contribution, net financial expenses and depreciation and amortization. We have also disclosed Adjusted EBITDA in this listing memorandum. Adjusted EBITDA is defined as further adjusted to exclude non-recurring and non-cash items. See “Summary Financial and Operating Information—Other Financial Data” for a reconciliation of EBITDA and Adjusted EBITDA to net income. EBITDA margins means EBITDA divided by net sales revenue, and Adjusted EBITDA margin means Adjusted EBITDA divided by net sales revenue, both expressed as a percentage. The non-GAAP financial measures described in this listing memorandum are not a substitute for the GAAP measures of net income or other performance measures. Our determination of EBITDA and Adjusted EBITDA does not purport to be SEC- or CVM-compliant.

Our management believes that disclosure of EBITDA and Adjusted EBITDA provides useful information to investors, financial analysts and the public in their review of our operating performance and their comparison of our operating performance to the operating performance of other companies in the same industry and other industries. This is because EBITDA and Adjusted EBITDA are generally perceived as more objective and comparable measures of operating performance and liquidity. For example, interest expense is dependent on the capital structure and credit rating of a company. However, debt levels, credit ratings and, therefore, the impact of interest expense on earnings vary significantly between companies. Similarly, the tax positions of individual companies can vary because of their differing abilities to take advantage of tax benefits and the differing jurisdictions in which they transact business. Finally, companies differ in the age and method of acquisition of productive assets, and thus the relative costs of those assets, as well as in the depreciation method (straight-line, accelerated or units of production), which can result in considerable variation in depreciation and amortization expenses between companies. Therefore, for comparison purposes, our management believes that EBITDA and Adjusted EBITDA are useful as objective and comparable measures of operating profitability because they exclude these elements of earnings that do not provide information about the current operations of existing assets.

Moreover, our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and Adjusted EBITDA in the same fashion.

We also disclose an adjusted operational cash generation metric in this listing memorandum, which is a non-GAAP information, but which we believe is also an important management measure of financial performance in a capital intensive industry such as ours. Adjusted Operating Cash Generation is defined as our Adjusted EBITDA, less payments for investments in sustaining capital expenditures.

Net debt means total of loans and financing including debentures and excluding cash equivalents and financial investments.

The operating cash flow calculated for the years ended December 31, 2015, 2014 and 2013 reached a total of R\$2,350,709 thousand, R\$1,447,602 thousand and R\$40,735 thousand, respectively.

## SUMMARY

*This summary highlights information contained in this listing memorandum. This summary does not contain all of the information you should consider before investing in the Notes. You should read this entire listing memorandum carefully to better understand our business, organizational and corporate structure and the structure of this offering, including the information contained in “The Offering,” “Risk Factors,” “Selected Financial and Operating Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our annual audited consolidated financial statements and our unaudited interim financial information and the corresponding notes thereto, before making a decision to invest in the Notes.*

### The Issuer

Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), or the Issuer, is a company incorporated with limited liability under the laws of Austria, having its registered office at 1010 Vienna, Fleischmarkt 1. The Issuer is a wholly-owned trading company of the Guarantor.

### The Guarantor

#### Overview

We believe we are one of the largest vertically integrated producers of pulp and paper in Latin America, with over 90 years of experience in the pulp and paper industry. We operate mainly in the pulp (paper grade and fluff) and paper (paperboard and printing and writing) segments.

We are the second largest producer of eucalyptus pulp in the world and the fifth largest producer of market pulp, according to Hawkins Wright. We believe we are one of Brazil’s largest paper producers, and based on data from IBÁ, we accounted for nearly 40% of the printing and writing paper and paperboard produced in Brazil in 2015.

Our industrial facilities consist of (i) three integrated pulp mills, being two in the State of São Paulo (which we refer to as the Suzano Unit and Limeira Unit) and one in the State of Bahia (which we refer to as the Mucuri Unit); (ii) one non-integrated paper production unit in the State of São Paulo (which we refer to as the Rio Verde Unit); (iii) a pulp production unit in the State of Maranhão (which we refer to as the Imperatriz Unit); (iv) certain facilities located in Brazil, China and Israel (which we refer to as FuturaGene), with subsidiaries in England and Argentina, engaged in biotechnology activities; and (v) commercial offices in China, the United States and Switzerland.

Our eucalyptus pulp production satisfies 100% of our requirements for paper production, and we sell the remaining production as market pulp. As of March 31, 2016, our total eucalyptus pulp production capacity was 4.5 million tons per year, of which 3.5 million tons was sold as market pulp and the remainder was used for the production of 1.3 million tons of paper and paperboard, which amounts to a total annual production capacity of approximately 4.8 million tons of finished products (paper, paperboard and pulp).

In 2015, we announced a R\$30 million investment to adapt one of the printing and writing machines in the Suzano Unit for the production of fluff pulp and, as a result, we believe we became a pioneer in the use of hardwood for the production of this type of pulp. Operations started in December 2015, and we have the flexibility to produce up to 100,000 tons of either fluff pulp or printing and writing paper.

The scale of our production capacity, the proximity of our planted forests to our mills and the integration of our pulp and paper production process allow us to benefit from substantial economies of scale and low production costs. Our Limeira, Suzano and Rio Verde Units are primarily focused on the domestic market and are located near the City of São Paulo, the largest consumer market in Brazil according to data from IBÁ and RISI, located approximately 90 km from the Port of Santos, an important export hub, and approximately 220 km from our planted forests. Our Mucuri Unit is focused primarily on export markets, and is located approximately 320 km from the Port of Vitória, approximately 250 km from Portocel, a port specialized in exporting pulp and paper located in the State of Espírito Santo, and approximately 75 km from our planted forests. The Imperatriz Unit, in Maranhão, is also focused primarily on export markets and is located approximately 600 km from the Port of Itaquí and approximately



150 km from our planted forests. Exports are carried from the unit to the port by rail, allowing for very competitive transportation costs. The relatively short distances between our planted forests, our mills and most of our domestic customers or export facilities provide us with relatively low transportation costs, which in turn results in lower total production costs.

Our shares are traded on the special listing segment of BM&FBOVESPA, Level 1, which demands high levels of corporate governance. Additionally, 42% of our share capital is free float as of March 31, 2016.

## **Our Strategy**

### ***General***

Our goal is to consolidate our position as one of the most profitable and competent business organizations in the forestry industry. We pursue continuous development through a set of measures and innovations that enable us to deliver consistent economic and financial results. Cash generation allows us to execute strategic initiatives aimed at maximizing return on invested capital and creating more value for shareholders, based on the pillars of structural competitiveness, adjacent businesses and reshaping of the industry.

***Structural Competitiveness: continuous improvement in operating efficiency and in the competitiveness of its assets.***

We aim to improve our operating efficiency and the competitiveness of our assets by continually improving our product quality, investing in research and development and conducting initiatives to promote excellence in the management of our industrial and forestry operations. To achieve this, we invest our modernizing and streamlining assets to reduce unit production costs and increase the productivity of forestry, industrial and administrative operations, and continue to analyze and implement actions to capture operating efficiency gains.

The main initiative under this pillar is Project 5.1, which consists of retrofitting and debottlenecking the Imperatriz Unit in the State of Maranhão and the Mucuri Unit in the State of Bahia. Estimated capital expenditure is R\$1.1 billion over the next two years (2016 and 2017). This investment will enable us to reduce our production costs by reducing our consumption of raw materials and diluting our fixed costs, which consequently will help us reach what we consider our optimum cost structure.

Our management practices and processes include: (i) using gene-enhancement and cloning technology to boost forestry yields; and (ii) implementing a matrix budget to streamline fixed costs and expenses.

***Adjacent Businesses: focus on value-added products, adjacent to our current portfolio, using our forestry base with high profitability and with scalability.***

We constantly invest in the research and development of innovative and value-added products to maximize the profitability of our forestry base and portfolio. The pillar of adjacent businesses pursues new uses for the asset base by diversifying our product portfolio to reduce volatility. For example, we have announced investments in biotechnology (FuturaGene), lignin, fluff pulp production and tissue production.

***Reshaping of the industry: strategy to redesign the industry framework to improve industry returns and reduce its volatility.***

This pillar seeks ways to reduce the volatility in our returns. In our capital-intensive industry, return on invested capital, is highly dependent on external variables (such as foreign exchange rate and pulp prices). The goal is to execute a strategy aimed at lower volatility through M&A transactions and/or alliances, which could have vertical or horizontal orientation and may include national and international initiatives.

The long-term strategy remains centered on profitability with the aim of becoming an even more innovative and efficient company that combines operational excellence and sustainability in our operations. We aim to ensure our economic, social and environmental sustainability by creating more value for our shareholders and continually enhancing our corporate governance practices.

## **Our Competitive Strengths**

We believe our competitive strengths include the following:

### ***Vertically integrated operations and low production costs.***

Our vertically integrated operations assure us the flexibility needed to adjust our production and pulp and paper sales according to market conditions. We produced approximately 3.4 million tons of market pulp in 2015. We registered a production cash cost for market pulp of R\$642/ton (equivalent to US\$193/ton, at a *reais* to U.S. dollars exchange rate of R\$3.33 to U.S.\$1.00) in 2015, which, according to Hawkins Wright's studies, is one of the most competitive cash production costs in the world.

Due to the high level of integration between our pulp and paper production, we have a low cost for converting pulp into paper. Our low production costs reflect the following factors:

We use advanced cloning techniques and silviculture practices to manage our renewable planted forests, which enable our eucalyptus trees to reach maturity in only seven years (a significantly shorter period compared to the wood grown by its competitors abroad). The acquisition of a controlling interest in the biotechnology company FuturaGene, combined with our competence in eucalyptus research and development, enables us to accelerate our capture of productivity gains in our forestry operations and to expand beyond our own operations by applying this technology on the planted forests of third parties.

In addition, our forests are located close to its mills. The forests that supply wood to the Mucuri Unit are located within 75 km from the unit, while the forests supplying wood to the Imperatriz Unit are on average 150 km from the unit. For the units in São Paulo, the average wood supply distance is approximately 220 km.

Moreover, the electricity generated during the pulp production process ensures the energy self-sufficiency of our production units.

### ***Leader in plant genetics research and development.***

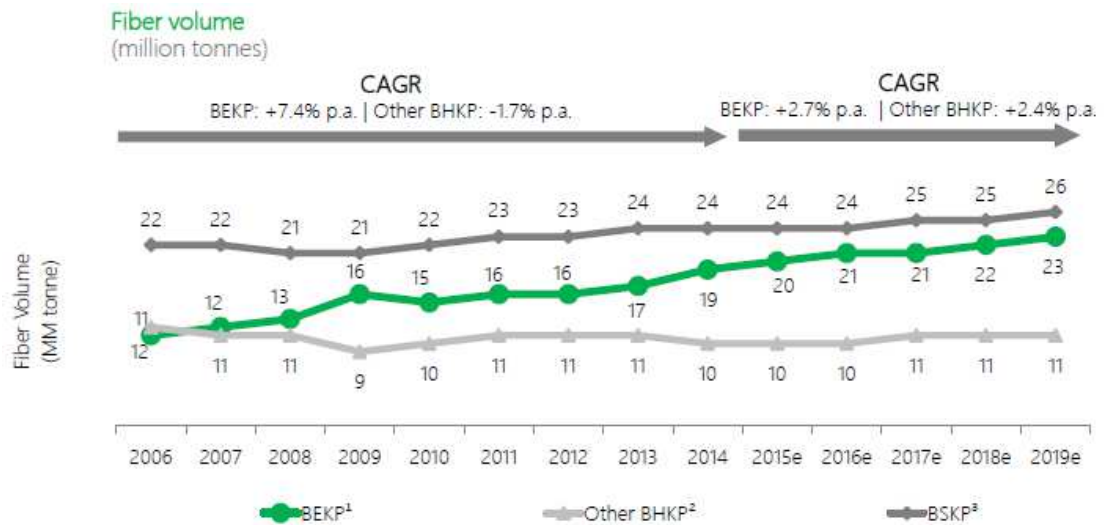
We believe FuturaGene, our wholly-owned subsidiary, is a leader in plant genetics research and development for the forestry, bioenergy and biofuel industries. With research facilities in Brazil, China and Israel, FuturaGene develops sustainable technologies to meet the growing demand for fiber, fuel and energy crops. In 2015, Brazil's National Biosafety Technical Commission, or CTNBio, approved the commercial use of the higher-yield eucalyptus developed by FuturaGene.

### ***Superior production quality.***

Sheets of printing and writing paper made from eucalyptus fiber present better formation and distribution, higher printing quality and improved opacity, uniformity, softness and bulk compared to paper produced using other fibers. Likewise, our paperboard is recognized for its exceptional printing quality, surface smoothness, stiffness and for its superior performance during printing, cutting, folding and packaging processes, which are characteristics essential to packaging production. Due to the characteristics conferred by eucalyptus pulp to printing and writing paper and sanitary tissue, demand for the fiber grew by 7.1% in 2015 compared to 2014, according to the Pulp and Paper Products Council.

We are constantly investing in the research and development of new products and applications to meet the needs of our clients.

The following chart shows the increase in volumes of eucalyptus fiber compared to other fibers, mainly resulting in its competitiveness.



### ***Diversified products and markets with solid operating cash generation.***

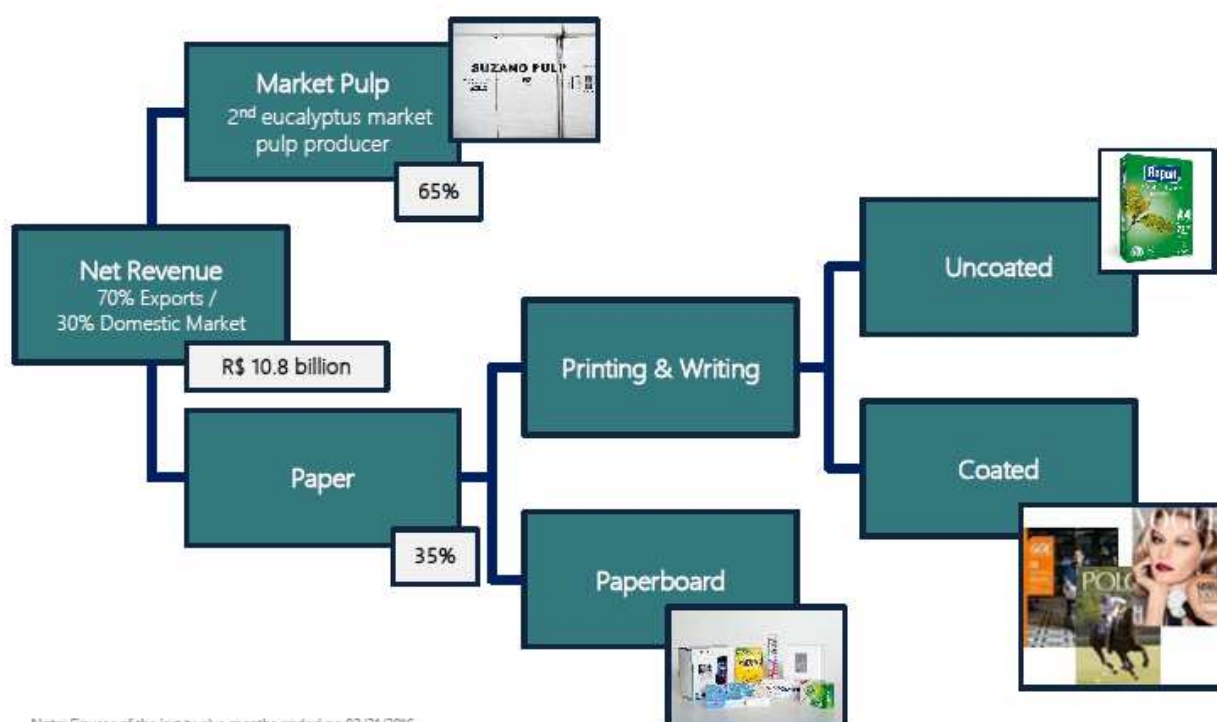
By producing pulp and paper for the domestic and international markets, we enjoy benefits from diversification, which effectively positions us to capture the growth potential of the domestic market and to take advantage of opportunities in the international market.

These factors support:

- Leadership and a strong brand in the Brazilian paper market: we believe that our leadership position and the strength of our brands, such as Report, Reciclato and Paperfect, are key drivers of our paper businesses in Brazil.
- Well positioned for exports: in 2015, 69.4% of our net revenue came from exports, which are shipped to over 90 countries, while 87.6% of our market pulp sales volume and 36.2% of our paper sales volume are exported.
- Solid operating cash generation: despite the high volatility in pulp prices, we maintained strong operating cash generation, which has generated funds and enabled us to secure financing for its operations. In addition to our history of consistent operating cash generation, supported by our export operations, we usually enjoy access to export financing facilities at competitive interest rates for both shorter and longer-term commitments.

### ***Diversified and complementary product portfolio.***

We have a balanced and complementary product portfolio comprising market pulp, paperboard, uncoated paper and coated paper, with market pulp accounting for more than half of our net sales revenue. The following flowchart shows all of the products developed by us and their respective contribution to our net revenue in the last twelve months ending on March 31, 2016:



Note: Figures of the last twelve months ended on 03/31/2016.

Source: Internal Suzano presentation

We believe we are the first company in the world to use hardwood fiber to produce fluff pulp on an industrial scale, which is used to make diapers and feminine hygiene products. We first entered this market in December 2015. Some of the project's advantages include the increased flexibility to produce either fluff pulp or printing and writing paper in relation to our current production capacity as well as lower costs for customers.

### ***High social and environmental standards.***

In addition to contributing to our sustainable development and social responsibility, we believe that our success in defining and complying with high social and environmental standards give our an additional competitive advantage, especially for sales to clients in Europe and North America. We believe we were one of the first to produce recycled offset paper in Brazil on an industrial scale, which is marketed under the brand Reciclato. We also were one of the world's first pulp and paper companies and the first in the Americas to receive the international certification ISO 14001 for compliance with environmental management standards at our Mucuri Unit, which is also certified by the Forest Stewardship Council (FSC). The Suzano Unit has been FSC-certified since December 2006. The Imperatriz Unit has been FSC-certified since its startup.

We are dedicated to providing services to the community by participating in and providing financial support to various projects, including through the Ecofuturo Institute, a non-governmental organization that we sponsored that promotes environmental and education activities, among other initiatives.

### ***Experienced management team focused on value creation.***

We are managed by a highly experienced team of professionals and many of our directors and senior executives hold many years of experience in the pulp and paper industry. Our business management model is aligned with global standards of business excellence and is focused on creating value for all shareholders. We are constantly enhancing our corporate governance practices, with the main initiatives including: (i) listing on the Level 1 Special Corporate Governance Practices listing segment of the São Paulo Stock Exchange (BM&FBOVESPA) since 2004; (ii) implementation of a Code of Conduct applicable to all Suzano Group companies in 2006; (iii) creation of three advisory committees to our board of directors (Sustainability & Strategy, Management and Audit); and (iv) reorganization of our board of directors to include four Independent Directors, in accordance with the standards of the Brazilian Corporate Governance Institute (IBGC).

***Financial policies focused on mitigating liquidity risks.***

Our financial management is oriented by policies and guidelines focused on mitigating liquidity risks. Consequently, we maintain a balance of cash and cash equivalents that we believe is sufficient to cover our short-term debt liabilities, which reduces the risk of needing to roll over debt and access debt markets during stress scenarios. For the same reason, we only enter into derivatives transactions for the purpose of hedging cash flow, and in all cases through basic, linear and liquid instruments. We maintain low leverage levels in the normal course of business, with additional debt limited to the need to fund growth projects, considering the servicing of this debt and the project's cash generation.

**Recent Developments**

On April 13, 2016, as part of our liability management program, we entered into a NCE transaction valued at R\$600 million, securitized by *Certificados de Recebíveis do Agronegócio* (Agribusiness Credit Receivables Certificates or CRAs) at a cost of 98% of CDI with interest payable semiannually and principal payable in a lump sum due April 2020.

In June 2016, we became a member of TwoSides Brasil, a non-profit organization created to promote sustainability in the print, paper and forestry industries. We expect our involvement in this organization to have an institutional focus, and intend to support the organization's efforts in the pulp and paper sector and promote discussions about sustainability in our sector.

## THE OFFERING

The following summary is a brief summary of some of the terms of this offering and is not intended to be complete. For a more detailed description of the Notes, see “Description of the Notes.”

|                                     |                                                                                                                                                                                                                                                                                |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuer</b> .....                 | Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), a company incorporated with limited liability under the laws of Austria , incorporated on November 27, 1993, registered with the Austrian commercial register under FN 62444f (commercial court of Vienna). |
| <b>Notes Offered</b> .....          | US\$500,000,000 in aggregate principal amount of 5.750% Senior Notes due 2026.                                                                                                                                                                                                 |
| <b>Guarantee</b> .....              | Suzano Papel e Celulose S.A., the parent company of the Issuer, will irrevocably and unconditionally guarantee on a senior unsecured basis the full and punctual payment of principal, interest and all other amounts that may become due and payable in respect of the Notes. |
| <b>Issue Price</b> .....            | 99.065% of the principal amount of the Notes, plus accrued interest, if any, from July 14, 2016.                                                                                                                                                                               |
| <b>Maturity Date</b> .....          | July 14, 2026.                                                                                                                                                                                                                                                                 |
| <b>Interest</b> .....               | Interest will accrue on the Notes at the annual rate of 5.750% from the original date of issuance under the indenture.                                                                                                                                                         |
| <b>Interest Payment Dates</b> ..... | January 14 and July 14, commencing on January 14, 2017.                                                                                                                                                                                                                        |
| <b>Ranking</b> .....                | The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank equally with all of its other existing and future unsecured and unsubordinated obligations of the Issuer.                                                                               |

The Guarantee will be an unsecured, unsubordinated obligation of the Guarantor and will rank equally with all of its other existing and future unsecured and unsubordinated obligations.

The Notes and the Guarantee will effectively rank junior to all secured debt of the Issuer and the Guarantor to the extent of the value of the assets securing that indebtedness. The Notes and the Guarantee will also be structurally subordinated to all liabilities (including such owed to trade creditors and preferred stockholders) of the Guarantor’s non-guarantor subsidiaries other than the Issuer.

As of March 31, 2016, on an adjusted basis, after giving effect to this offering and the application of the net proceeds therefrom on the basis described under “Capitalization,” and after excluding intercompany balances and intercompany guarantees:

- Suzano would have had R\$15,835.6 million of consolidated outstanding indebtedness, of which R\$3,559.0 million was secured indebtedness of Suzano; and
- Suzano would have had total indebtedness of R\$9,634.5 million, including R\$3,559.0 million of secured indebtedness that is already included in the amount of consolidated secured debt indicated above.

|                       |       |
|-----------------------|-------|
| <b>Security</b> ..... | None. |
|-----------------------|-------|

|                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Use of Proceeds</b> .....            | We estimate that the net proceeds from the sale of the Notes will be approximately US\$492.8 million after deducting underwriting discounts and offering expenses. An amount equal to the net proceeds will be allocated to finance or refinance capital expenditures and investments in one or more “Eligible Green Projects.” See “Use of Proceeds.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Optional Redemption</b> .....        | We may redeem the Notes in whole at any time, or in part from time to time, at a redemption price based on a “make-whole” premium, plus accrued and unpaid interest, if any, to the redemption date, <i>provided</i> that the Notes in an aggregate principal amount equal to at least US\$300 million remain outstanding immediately after the occurrence of any partial redemption of the Notes. See “Description of the Notes—Optional Redemption—Optional Redemption with a Make-Whole Premium.”                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Redemption for Tax Reasons</b> ..... | We may redeem the Notes, in whole but not in part, at 100% of their principal amount plus accrued and unpaid interest and additional amounts, if any, at any time upon the occurrence of specified events relating to Brazilian, Austrian or other relevant jurisdictions’ tax laws. See “Description of the Notes—Optional Redemption—Optional Redemption for Taxation Reasons.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Change of Control</b> .....          | Upon the occurrence of certain change of control events (as defined in the Description of the Notes), the Issuer will be required to offer to purchase each holder’s Notes at a price equal to 101% of the principal amount, plus accrued and unpaid interest. See “Description of the Notes—Certain Covenants—Repurchase of Notes upon a Change of Control.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Certain Covenants</b> .....          | <p>The Notes will be issued under an indenture with Deutsche Bank Trust Company Americas, as trustee. The indenture governing the Notes will contain covenants that, among other things, will limit Suzano’s ability and the ability of Suzano’s restricted subsidiaries (including, in certain cases, the Issuer) to:</p> <ul style="list-style-type: none"> <li>• enter into sale and leaseback transactions;</li> <li>• enter into transactions with affiliates;</li> <li>• create liens; and</li> <li>• consolidate, merge or sell all or substantially all of our assets.</li> </ul> <p>In addition, the indenture will, among other things, require us to provide reports to the Trustee and holders of the Notes.</p> <p>These covenants are subject to a number of important exceptions, limitations and qualifications, which are described under “Description of the Notes.”</p> |
| <b>Additional Amounts</b> .....         | All payments of principal and interest by the Issuer in respect of the Notes will be made without withholding or deduction for any Brazilian, Austrian or other relevant jurisdictions’ taxes or other governmental charges unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts as are necessary to ensure that the holders of the Notes receive the same amount as such holders would have received without such withholding or deduction, subject to certain exceptions. See “Description of the Notes—Payment of Additional Amounts.”                                                                                                                                                                                                  |

|                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Additional Notes</b>                                              | We may from time to time and, without consent of the holders of the Notes, issue additional notes of the same series and having the same terms in all material respects as the Notes initially issued in this offering except that interest will accrue on the additional notes from their date of issuance. See “Description of the Notes—Additional Notes.”                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Events of Default</b> .....                                       | For a discussion of certain events of default that will permit acceleration of the principal of the Notes plus accrued interest, see “Description of the Notes—Defaults and Remedies—Events of Default.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Substitution of the Issuer</b> .....                              | The Issuer may, without the consent of holders of the Notes and subject to certain conditions, be replaced and succeeded by Suzano or any wholly-owned subsidiary of Suzano as principal debtor in respect of the Notes. See “Description of the Notes—Substitution of the Issuer.”                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Risk Factors</b> .....                                            | Potential investors in the Notes should carefully consider the matters set forth under the caption “Risk Factors” prior to making an investment decision with respect to the Notes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Form and Denomination</b> .....                                   | The Notes sold in the United States in reliance on Rule 144A will be evidenced by a note in global form called a restricted global note, which will be deposited with a custodian for, and registered in the name of a nominee of, DTC. The Notes sold outside the United States in reliance on Regulation S will be evidenced by a separate note in global form called a Regulation S note, which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfers of beneficial interests between the restricted global note and the Regulation S global note are subject to certification requirements. The Notes will be issued in fully registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. See “Description of the Notes.” |
| <b>Trading and Listing</b> .....                                     | Application has been made to list the Notes on the Euro MTF Market of the Luxembourg Stock Exchange.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Governing Law</b> .....                                           | The indenture, the Notes and the Guarantee will be governed by, and will be construed in accordance with, the laws of the State of New York.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Trustee, Paying Agent,<br/>Registrar and Transfer Agent</b> ..... | Deutsche Bank Trust Company Americas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |



## SUMMARY FINANCIAL AND OPERATING INFORMATION

*The following is a summary of our consolidated financial and operating information at the dates and for each of the years or periods indicated. You should read the following information together with our consolidated financial statements prepared in accordance with IFRS and the corresponding notes thereto included elsewhere in this listing memorandum and with “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”*

|                                                                  | For the three-month period<br>ended March 31, |                              |                    | For the year ended December 31,             |                    |                              |                  |
|------------------------------------------------------------------|-----------------------------------------------|------------------------------|--------------------|---------------------------------------------|--------------------|------------------------------|------------------|
|                                                                  | 2016                                          | 2016                         | 2015               | 2015                                        | 2015               | 2014                         | 2013             |
| <b>Summary Consolidated Income Statement Information</b>         | <i>(in thousands of US\$)<sup>(1)</sup></i>   | <i>(in thousands of R\$)</i> |                    | <i>(in thousands of US\$)<sup>(1)</sup></i> |                    | <i>(in thousands of R\$)</i> |                  |
| Net sales revenue.....                                           | 761,003                                       | 2,708,332                    | 2,147,378          | 2,872,899                                   | 10,224,361         | 7,264,599                    | 5,688,625        |
| Cost of goods sold.....                                          | (447,769)                                     | (1,593,566)                  | (1,388,491)        | (1,737,685)                                 | (6,184,246)        | (5,355,664)                  | (4,190,315)      |
| <b>Gross profit .....</b>                                        | <b>313,233</b>                                | <b>1,114,766</b>             | <b>758,887</b>     | <b>1,135,215</b>                            | <b>4,040,115</b>   | <b>1,908,935</b>             | <b>1,498,310</b> |
| <b>Operating income (expenses)</b>                               |                                               |                              |                    |                                             |                    |                              |                  |
| Selling expenses .....                                           | (29,073)                                      | (103,468)                    | (80,695)           | (115,200)                                   | (409,986)          | (300,796)                    | (250,996)        |
| General and administrative expenses.....                         | (27,161)                                      | (96,662)                     | (101,631)          | (128,025)                                   | (455,629)          | (392,761)                    | (377,049)        |
| Equity pick-up in subsidiaries and affiliates...                 | (801)                                         | (2,849)                      | -                  | -                                           | -                  | -                            | -                |
| Other operating income, net.....                                 | (107)                                         | (381)                        | (7,816)            | (29,368)                                    | (104,516)          | 14,191                       | 105,302          |
| <b>Operating profit before net financial income (loss) ....</b>  | <b>256,092</b>                                | <b>911,406</b>               | <b>568,745</b>     | <b>862,622</b>                              | <b>3,069,984</b>   | <b>1,229,569</b>             | <b>975,567</b>   |
| <b>Net financial income (expenses)</b>                           |                                               |                              |                    |                                             |                    |                              |                  |
| Financial income .....                                           | 282,850                                       | 1,006,634                    | 76,737             | 80,188                                      | 285,380            | 265,351                      | 246,429          |
| Financial expense .....                                          | (79,468)                                      | (282,820)                    | (1,813,196)        | (1,324,534)                                 | (4,713,885)        | (1,858,863)                  | (1,501,970)      |
| <b>Net loss before income and social contribution taxes.....</b> | <b>459,473</b>                                | <b>1,635,220</b>             | <b>(1,167,714)</b> | <b>(381,725)</b>                            | <b>(1,358,521)</b> | <b>(363,943)</b>             | <b>(279,974)</b> |
| <b>Income and social contribution taxes</b>                      |                                               |                              |                    |                                             |                    |                              |                  |
| Current.....                                                     | (25,083)                                      | (89,267)                     | (2,362)            | (5,353)                                     | (19,052)           | (17,480)                     | (9,924)          |
| Deferred.....                                                    | (118,378)                                     | (421,295)                    | 407,617            | 127,067                                     | 452,219            | 119,917                      | 69,439           |
| <b>Net income (loss) .....</b>                                   | <b>316,013</b>                                | <b>1,124,658</b>             | <b>(762,459)</b>   | <b>(260,011)</b>                            | <b>(925,354)</b>   | <b>(261,506)</b>             | <b>(220,459)</b> |
| <b>Earnings (losses) per share (basic):</b>                      |                                               |                              |                    |                                             |                    |                              |                  |
| Common shares.....                                               | 0.27193                                       | 0.96776                      | (0.65721)          | (0.22402)                                   | (0.79728)          | (0.22570)                    | (0.19055)        |

|                                                | For the three-month period ended March 31, |                       |                        | For the year ended December 31, |                   |                       |           |
|------------------------------------------------|--------------------------------------------|-----------------------|------------------------|---------------------------------|-------------------|-----------------------|-----------|
|                                                | 2016                                       | 2016                  | 2015                   | 2015                            | 2015              | 2014                  | 2013      |
| Class A preferred shares.....                  | 0.29912                                    | 1.06454               | (0.72293)              | (0.24643)                       | (0.87701)         | (0.24828)             | (0.20961) |
| Class B preferred shares.....                  | 0.29911                                    | 1.06452               | (0.70968)              | (0.24473)                       | (0.87097)         | (0.25806)             | (0.22581) |
| <b>Earnings (losses) per share (diluted):</b>  |                                            |                       |                        |                                 |                   |                       |           |
| Common shares.....                             | 0.27099                                    | 0.96441               | (0.65511)              | (0.22323)                       | (0.79444)         | (0.22485)             | (0.18989) |
| Class A preferred shares.....                  | 0.29808                                    | 1.06085               | (0.72062)              | (0.24555)                       | (0.87389)         | (0.24735)             | (0.20888) |
| Class B preferred shares.....                  | 0.29911                                    | 1.06452               | (0.70968)              | (0.24473)                       | (0.87097)         | (0.25806)             | (0.22581) |
|                                                |                                            |                       |                        |                                 |                   |                       |           |
| Summary Consolidated Balance Sheet Information | As of March 31,                            |                       | As of December 31,     |                                 |                   |                       | 2013      |
|                                                | 2016                                       | 2016                  | 2015                   | 2015                            | 2014              | 2014                  |           |
|                                                | (in thousands of US\$) <sup>(1)</sup>      | (in thousands of R\$) | (in thousands of US\$) |                                 |                   | (in thousands of R\$) |           |
| <b>Current assets</b> .....                    | <b>1,994,286</b>                           | <b>7,097,463</b>      | <b>1,851,420</b>       | <b>6,589,019</b>                | <b>6,609,424</b>  | <b>6,471,714</b>      |           |
| Cash and cash equivalents ....                 | 477,139                                    | 1,698,089             | 415,085                | 1,477,246                       | 3,686,115         | 3,689,640             |           |
| Financial investments .....                    | 322,145                                    | 1,146,481             | 272,795                | 970,850                         | -                 | -                     |           |
| Trade receivables.....                         | 495,084                                    | 1,761,955             | 529,928                | 1,885,960                       | 1,207,398         | 1,474,141             |           |
| Inventories .....                              | 392,855                                    | 1,398,133             | 369,776                | 1,315,996                       | 1,077,081         | 905,256               |           |
| Recoverable taxes .....                        | 181,434                                    | 645,705               | 167,730                | 596,936                         | 475,632           | 310,001               |           |
| Prepaid expenses.....                          | 10,563                                     | 37,592                | 10,437                 | 37,146                          | 18,325            | 8,721                 |           |
| Other current assets .....                     | 115,066                                    | 409,508               | 85,668                 | 304,885                         | 144,873           | 83,955                |           |
| <b>Non-current assets</b> .....                | <b>6,087,959</b>                           | <b>21,666,437</b>     | <b>6,089,232</b>       | <b>21,670,966</b>               | <b>21,510,032</b> | <b>20,677,629</b>     |           |
| Biological assets.....                         | 1,179,561                                  | 4,197,938             | 1,160,614              | 4,130,508                       | 3,659,421         | 2,965,872             |           |
| Other long-term assets.....                    | 245,069                                    | 872,175               | 242,940                | 864,599                         | 877,288           | 935,460               |           |
| Property, plants and equipment .....           | 4,573,788                                  | 16,277,654            | 4,593,058              | 16,346,234                      | 16,681,253        | 16,551,707            |           |
| Intangible assets.....                         | 88,094                                     | 313,519               | 92,620                 | 329,625                         | 292,070           | 224,590               |           |
| Investments .....                              | 1,447                                      | 5,151                 | -                      | -                               | -                 | -                     |           |
| <b>Total assets</b> .....                      | <b>8,082,245</b>                           | <b>28,763,900</b>     | <b>7,940,652</b>       | <b>28,259,985</b>               | <b>28,119,456</b> | <b>27,149,343</b>     |           |
| <b>Current liabilities</b> .....               | <b>1,024,256</b>                           | <b>3,645,225</b>      | <b>986,421</b>         | <b>3,510,574</b>                | <b>3,067,645</b>  | <b>2,281,390</b>      |           |
| Trade accounts payable.....                    | 152,395                                    | 542,358               | 163,387                | 581,477                         | 501,555           | 876,556               |           |
| Commercial transactions with suppliers.....    | -                                          | -                     | 58,011                 | 206,454                         | 251,544           | -                     |           |
| Loans and financing.....                       | 642,819                                    | 2,287,728             | 510,975                | 1,818,510                       | 1,795,355         | 1,007,157             |           |
| Debentures.....                                | -                                          | -                     | -                      | -                               | -                 | 1,386                 |           |
| Tax liabilities <sup>(3)</sup> .....           | 36,476                                     | 129,816               | 15,815                 | 56,285                          | 54,525            | 54,060                |           |
| Payroll and related charges .....              | 33,965                                     | 120,877               | 46,301                 | 164,782                         | 141,489           | 125,650               |           |
| Unrealized derivative losses.....              | 69,793                                     | 248,387               | 79,046                 | 281,317                         | 27,152            | 16,852                |           |
| Other liabilities <sup>(4)</sup> .....         | 88,808                                     | 316,059               | 112,886                | 401,749                         | 296,025           | 199,729               |           |
| <b>Non-current liabilities</b> .....           | <b>4,159,696</b>                           | <b>14,803,942</b>     | <b>4,371,387</b>       | <b>15,557,330</b>               | <b>14,736,679</b> | <b>14,180,714</b>     |           |
| Loans and financing.....                       | 3,313,977                                  | 11,794,111            | 3,622,574              | 12,892,378                      | 11,965,230        | 11,736,172            |           |
| Debentures.....                                | -                                          | -                     | -                      | -                               | -                 | 132,270               |           |
| Unrealized derivative losses .....             | 94,504                                     | 336,329               | 99,417                 | 353,814                         | 100,116           | 16,187                |           |
| Accounts payable.....                          | 6,040                                      | 21,494                | 9,916                  | 35,289                          | 32,878            | 8,727                 |           |
| Deferred income and social .....               | 409,962                                    | 1,459,015             | 291,632                | 1,037,889                       | 1,479,235         | 1,634,210             |           |

|                                                 | As of<br>March 31, |                   | As of<br>December 31, |                   |                   |                   |
|-------------------------------------------------|--------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|
|                                                 | 2016               | 2016              | 2015                  | 2015              | 2014              | 2013              |
| contribution taxes.....                         |                    |                   |                       |                   |                   |                   |
| Commitments related to asset acquisitions ..... | 197,661            | 703,457           | 206,114               | 733,538           | 635,598           | 170,899           |
| Other liabilities.....                          | 137,553            | 489,536           | 141,735               | 504,422           | 523,622           | 482,249           |
| <b>Equity.....</b>                              | <b>2,898,292</b>   | <b>10,314,733</b> | <b>2,582,843</b>      | <b>9,192,081</b>  | <b>10,315,132</b> | <b>10,687,239</b> |
| Capital .....                                   | 1,753,843          | 6,241,753         | 1,753,843             | 6,241,753         | 6,241,753         | 6,241,753         |
| Capital reserves.....                           | (55,202)           | (196,460)         | (57,853)              | (205,892)         | (217,912)         | (235,998)         |
| Profits reserve.....                            | 198,414            | 706,137           | 198,414               | 706,137           | 1,852,294         | 2,187,427         |
| Accumulated Profit.....                         | 319,562            | 1,137,290         | —                     | —                 | —                 | —                 |
| Equity valuation adjustment .                   | 693,597            | 2,468,444         | 697,147               | 2,481,076         | 2,530,217         | 2,494,057         |
| Other comprehensive income (loss) .....         | (11,923)           | (42,431)          | (8,709)               | (30,993)          | (91,220)          | 0                 |
| <b>Total equity and liabilities.....</b>        | <b>8,082,245</b>   | <b>28,763,900</b> | <b>7,940,652</b>      | <b>28,259,985</b> | <b>28,119,456</b> | <b>27,149,343</b> |

*Notes:*

- (1) Solely for the convenience of the reader, *reais* amounts as of and for the year ended December 31, 2015, and the three-month period ended March 31, 2016, have been translated into U.S. dollars at the selling rate as of March 31, 2016, of R\$3.5589 to US\$1.00.
- (2) As of December 31, 2014 and 2013, the amounts of R\$251,544 thousand and R\$253,380 thousand, respectively, related to Confirming Operations, which refers to transactions by our suppliers with certain financial institutions in order to receive in advance the amounts due, were categorized as Trade Accounts Payable on our balance sheet. As of December 31, 2015, the amount of R\$206,454 thousand related to Confirming Operations, was categorized as Loans and Financing. As of March 31, 2016, we did not have any amount recorded under Confirming Operations. For 2013, tax liabilities included tax liabilities plus income and social security contributions.
- (3) For 2013, tax liabilities included: tax liabilities plus income and social security contributions.
- (4) Other liabilities include: commitments related to asset acquisitions, accounts payable, dividends and interest on shareholders equity payable and advances from customers.

## Other Financial Information

|                                       | For the three-month period<br>ended March 31,                    |                                                  |          | For the year ended December 31,                       |                                                  |          |         |
|---------------------------------------|------------------------------------------------------------------|--------------------------------------------------|----------|-------------------------------------------------------|--------------------------------------------------|----------|---------|
|                                       | 2016                                                             | 2016                                             | 2015     | 2015                                                  | 2015                                             | 2014     | 2013    |
|                                       | (in millions of US\$, unless otherwise indicated) <sup>(1)</sup> | (in millions of R\$, unless otherwise indicated) |          | (in millions of US\$, unless otherwise indicated) (1) | (in millions of R\$, unless otherwise indicated) |          |         |
| EBITDA <sup>(2)</sup>                 | 355                                                              | 1,264                                            | 924      | 1,261                                                 | 4,489                                            | 2,446    | 1,865   |
| EBITDA Margin <sup>(3)</sup>          | 46.70%                                                           | 46.70%                                           | 43.00%   | 43.90%                                                | 43.90%                                           | 33.70%   | 32.80%  |
| Adjusted EBITDA <sup>(2)</sup>        | 357                                                              | 1,269                                            | 932      | 1,291                                                 | 4,594                                            | 2,452    | 1,781   |
| Adjusted EBITDA margin <sup>(4)</sup> | 46.90%                                                           | 46.90%                                           | 43.40%   | 44.90%                                                | 44.90%                                           | 33.80%   | 31.30%  |
| Net debt <sup>(5)</sup>               | 3,157.5                                                          | 11,237.3                                         | 11,429.4 | 3,445.7                                               | 12,262.8                                         | 10,074.5 | 9,187.4 |
| Net sales revenue                     | 761                                                              | 2,708                                            | 2,147    | 2,873                                                 | 10,224                                           | 7,265    | 5,689   |

*Notes:*

- (1) Solely for the convenience of the reader, *reais* amounts for the year ended December 31, 2015 and for the three-month period ended March 31, 2016, have been translated into U.S. dollars at the selling rate at March 31, 2016, of R\$3.5589 to US\$1.00. See “Exchange Rates” for further information about recent fluctuations in exchange rates.
- (2) We calculate EBITDA by adding back the following items to our net income (loss) for the period: net financial results, income and social contribution taxes, and depreciation and amortization. We calculate Adjusted EBITDA by excluding non-recurring and non-cash items. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS

and should not be considered as an alternative to net income as a measure of operating performance, or for operating cash flows, or as a measure of liquidity. EBITDA does not have a standardized meaning, and our definitions of EBITDA may not be comparable with those used by other companies. EBITDA presents limitations that limit their usefulness as a measure of profitability, as a result of them not considering certain costs arising from business, which may affect, significantly, our profits, as well as financial expenses, taxes and depreciation. Our management considers EBITDA, Adjusted EBITDA and Adjusted Operating Cash Generation, notwithstanding the limitations previously mentioned, and in conjunction with other accounting and financial information available, as reasonable indicators for comparisons between us and our principal competitors on the market. These non-accounting measures are used by market participants for comparative analysis of the results of business in the sector and as an indicator of our capacity to generate cash flow, albeit with certain limitations. EBITDA, Adjusted EBITDA and Adjusted Operating Cash Generation is calculated as follows:

|                                                                                                                                                        | For the three-month period<br>ended March 31, |                      |            | For the year ended December 31,         |              |                      |              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------|------------|-----------------------------------------|--------------|----------------------|--------------|
|                                                                                                                                                        | 2016                                          | 2016                 | 2015       | 2015                                    | 2015         | 2014                 | 2013         |
|                                                                                                                                                        | (in millions of<br>US\$) <sup>(1)</sup>       | (in millions of R\$) |            | (in millions of<br>US\$) <sup>(1)</sup> |              | (in millions of R\$) |              |
| <b>EBITDA Reconciliation</b>                                                                                                                           |                                               |                      |            |                                         |              |                      |              |
| (+) Net income (loss)                                                                                                                                  | 316                                           | 1,125                | (762)      | (260)                                   | (925)        | (262)                | (221)        |
| (-) Net financial result                                                                                                                               | (203)                                         | (724)                | 1,736      | 1,244                                   | 4,429        | 1,594                | 1,256        |
| (-) Income and social<br>contribution taxes                                                                                                            | 143                                           | 511                  | (405)      | (122)                                   | (433)        | (102)                | (60)         |
| (+) Depreciation,<br>amortization and depletion                                                                                                        | 99                                            | 353                  | 355        | 399                                     | 1,420        | 1,216                | 889          |
| <b>EBITDA</b>                                                                                                                                          | <b>355</b>                                    | <b>1,264</b>         | <b>924</b> | <b>1,261</b>                            | <b>4,489</b> | <b>2,446</b>         | <b>1,865</b> |
| Sale of participation in the<br>Capim Branco plant                                                                                                     | -                                             | -                    | -          | -                                       | -            | -                    | (125)        |
| Adjustment to fair value of<br>biological assets                                                                                                       | -                                             | -                    | -          | (7)                                     | (23)         | (13)                 | (95)         |
| Additional performance<br>bonus                                                                                                                        | -                                             | -                    | -          | -                                       | -            | -                    | 26           |
| Partial write-off of<br>expenses related to<br>suspended projects                                                                                      | -                                             | -                    | -          | -                                       | -            | -                    | 61           |
| Commercial agreement<br>with suppliers                                                                                                                 | -                                             | -                    | -          | -                                       | -            | (32)                 | -            |
| Provision (reversal) for<br>losses with property, plant<br>and equipment, write-offs,<br>taxes, doubtful accounts<br>and provision of<br>contingencies | 1                                             | 4                    | 8          | 14                                      | 48           | 22                   | -            |
| Fire in the warehouse of<br>Itaqui                                                                                                                     | (1)                                           | (3)                  | 1          | -                                       | 1            | -                    | -            |
| Loss from Embu sale                                                                                                                                    | -                                             | -                    | -          | 6                                       | 21           | -                    | -            |
| Refund of fuel credit in<br>Maranhão                                                                                                                   | -                                             | -                    | -          | 12                                      | 41           | -                    | -            |
| Equity pick-up in<br>subsidiaries and affiliates                                                                                                       | 1                                             | 3                    | -          | -                                       | -            | -                    | -            |
| Other                                                                                                                                                  | -                                             | 1                    | -          | 5                                       | 16           | 29                   | 50           |
| <b>Adjusted EBITDA</b>                                                                                                                                 | <b>357</b>                                    | <b>1,269</b>         | <b>932</b> | <b>1,291</b>                            | <b>4,593</b> | <b>2,452</b>         | <b>1,781</b> |
| Sustaining capital<br>expenditures                                                                                                                     | (103)                                         | (367)                | (223)      | (312)                                   | (1,109)      | (999)                | (666)        |
| <b>Adjusted Operating Cash<br/>Generation</b>                                                                                                          | <b>253</b>                                    | <b>902</b>           | <b>709</b> | <b>979</b>                              | <b>3,484</b> | <b>1,453</b>         | <b>1,115</b> |

(3) EBITDA margin means EBITDA divided by net sales revenue, expressed as a percentage.

(4) Adjusted EBITDA margin means Adjusted EBITDA divided by net sales revenue, expressed as a percentage.

(5) Net debt means total of loans and financing including debentures and excluding cash equivalents and financial investments as show in the following table:

|                                               | As of March 31,             |                       |                   | As of December 31,          |                       |                   |                   |
|-----------------------------------------------|-----------------------------|-----------------------|-------------------|-----------------------------|-----------------------|-------------------|-------------------|
|                                               | 2016                        | 2016                  | 2015              | 2015                        | 2015                  | 2014              | 2013              |
|                                               | (in thousands<br>of U.S.\$) | (in thousands of R\$) |                   | (in thousands<br>of U.S.\$) | (in thousands of R\$) |                   |                   |
| <b>Net debt reconciliation</b>                |                             |                       |                   |                             |                       |                   |                   |
| Total current loans and financing.....        | 642,819                     | 2,287,728             | 2,119,262         | 510,975                     | 1,818,510             | 1,795,355         | 1,007,157         |
| Total non-current loans and<br>financing..... | 3,313,977                   | 11,794,111            | 13,178,065        | 3,622,574                   | 12,892,378            | 11,965,230        | 11,736,172        |
| Debentures.....                               | -                           | -                     | -                 | -                           | -                     | -                 | 133,656           |
| <b>Total loans and financing .....</b>        | <b>3,956,795</b>            | <b>14,081,839</b>     | <b>15,297,327</b> | <b>4,133,549</b>            | <b>14,710,888</b>     | <b>13,760,585</b> | <b>12,876,985</b> |
| Cash and cash equivalents.....                | (477,139)                   | (1,698,089)           | (3,867,968)       | (415,085)                   | (1,477,246)           | (3,686,115)       | (3,689,640)       |
| Financial investment .....                    | (322,145)                   | (1,146,481)           | -                 | (272,795)                   | (970,850)             | -                 | -                 |
| <b>Net debt .....</b>                         | <b>3,157,512</b>            | <b>11,237,269</b>     | <b>11,429,359</b> | <b>3,445,669</b>            | <b>12,262,792</b>     | <b>10,074,470</b> | <b>9,187,345</b>  |

## **RISK FACTORS**

*An investment in the Notes involves a high degree of risk. You should carefully consider the risks described below and all information included in this listing memorandum before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The market price of the Notes could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may adversely affect us. Additional risks or uncertainties not currently known by us, or currently considered immaterial by us, may also significantly affect our business.*

### **Risks Relating to Us and to the Pulp and Paper Industry**

***Our products' prices are greatly affected by international market prices, which may adversely impact us.***

The prices we are able to obtain for our products depend on prevailing world prices for market pulp. World pulp prices have historically been cyclical and subject to significant fluctuations over short periods of time depending on a number of factors, including:

- global demand for pulp products;
- global pulp production capacity and inventories;
- strategies adopted by major pulp producers, and the availability of products that would replace our products at more competitive prices; and
- availability of substitutes for our pulp products.

Our prices may be further affected by variations in foreign exchange rates as it affects the value of the currencies of the main producers and consumers of pulp.

Additionally, paper prices, although they are more stable than pulp prices, are determined by supply and demand conditions in the markets in which they are sold. Therefore, the prices of paper sold by us fluctuate due to various factors that are beyond our control, including the fluctuation in pulp prices and the specific characteristics of the markets in which we operate. Price fluctuations occur not only from year to year, but also within a given year as a result of global and regional economic conditions, capacity constraints, mill openings and closures, supply of and demand for both raw materials and finished products, among other factors.

All of these factors are beyond our control, and we cannot guarantee that pulp and paper market prices and the demand for our products will remain favorable for our business without adverse variations, which may negatively impact our ability to operate our mills or our production facilities in an economically viable manner and could adversely impact our operating revenues, operating income and net income.

***We face significant competition in some of our lines of business, which may adversely affect our market share in the pulp and paper industry and our profitability.***

We face substantial competition in both the domestic and export markets from a large number of companies, some of which have greater financial resources and lower capital costs than us. In the domestic paper market, we face competition from national and international products manufactured by Brazilian and foreign companies. In the international pulp and paper markets, we compete with larger producers that, compared to us, have greater financial strength, higher production and distribution capacity, a larger consumer base and more product variety.

Pulp imports do not compete with us in Brazil due to lower logistical and production costs in Brazil. However, the oversupply of coated paper in the world market, the anti-dumping measures adopted in other countries, the use of imported coated paper for alternative purposes and, especially, during periods of prolonged appreciation of the *real* against the U.S. dollar, may increase competition in Brazil from producers of imported paper. Additionally, if the Brazilian government were to decrease import taxes, or in the event of sustained

appreciation of the *real* against the U.S. dollar, competition in Brazil from international producers may increase. The occurrence or continuation of any of the foregoing events could adversely affect us.

Additionally, the pulp and paper markets are served by numerous companies located in different countries. If we are unable to remain competitive against these producers in the future, our market share may be adversely affected. In addition, downward pressure on the prices of pulp and paper by our competitors, who may be better equipped to sustain lower prices, may affect our profitability.

***We face significant operational risks that can result in the partial shutdown of our operations, which may adversely affect our financial condition and results of operations.***

We face operational risks that may result in the partial or temporary suspension of our operations and loss of production. Such outages may be caused by factors associated with equipment failure, accidents, fires, strikes, weather, exposure to natural disasters and chemical product spills, among other environmental hazards. The occurrence of these events may result in bodily injuries or death of our employees or service providers in serious damage to our property or a material decrease in the volume or increase in production costs, any of which may adversely affect our financial condition. During the normal course of our business, we depend on the continuous availability of logistics and transportation networks, including roads, railways, warehouses and ports. Such operations may be disrupted by factors beyond our control, such as natural disasters and labor stoppages. For example, on May 31, 2016, there was a fire at our plant in the city of Suzano, state of São Paulo, which resulted in the disruption of our local operations, including the temporary disruption of the plant's paper production, for a few days.

Any interruption in the supply of inputs for the operation of our industrial and forestry units, or any interruption in the delivery of our finished products to clients could cause a material adverse impact on our results of operations and revenues. We have entered into contracts with third parties to provide transportation and logistics services. The early termination of these contracts or our inability to renew them or negotiate new contracts with other service providers could adversely affect our financial and operating condition.

***Our insurance coverage may be insufficient to cover our losses, especially in case of damage to our planted forests.***

Our insurance coverage may be insufficient to cover losses to our mills caused by fire, general third-party liability for accidents, accounts receivable, operational risks and international and domestic transportation if we suffer any catastrophic claim or if there is a particular clause excluding the coverage. In addition, we do not maintain insurance coverage against fire, pests, disease and other risks to our planted forests. The incurrence of losses or other liabilities that are not covered by insurance or that exceed the limits of our insurance coverage could result in significant and unexpected additional costs. Moreover, the terms and conditions for the renewal of our insurance policies may change in the future depending upon market circumstances and the type and amount of risks insured. See "Business—Insurance." We cannot assure that we will be able to renew our current policies, or to do so under favorable terms.

***We receive certain tax benefits that may be suspended, cancelled or not renewed, any of which may adversely affect our financial condition. Any changes in the tax code may also adversely affect us.***

We receive certain tax benefits by virtue of our production facilities and investment projects in under-developed regions in Brazil, which are covered by the Superintendence for Development of the Northeast (*Superintendência do Desenvolvimento do Nordeste*), or SUDENE. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Tax Incentives and Tax Credits."

We also benefit from tax incentives based on state and federal district laws, which may become subject to constitutionality challenges based on the argument that the benefits we receive require the unanimous approval of the National Board of Financial Policy (*Conselho Nacional de Política Fazendária*), a federal agency composed of the state treasurers of each Brazilian state and the federal district.

We cannot assure you that the tax incentives we currently benefit from will be maintained, renewed or that we will obtain new tax incentives on favorable terms. In the event of constitutional challenges or if we fail to

comply with specific obligations to which we are subject in connection with the tax benefits described above, such benefits may be suspended or cancelled, and we may be required to pay the taxes due in the last five years in full, plus penalties and interest, which may adversely affect us. Additionally, we cannot assure you that we will be able to renew these tax benefits when they expire, or to obtain additional tax benefits under favorable conditions. States, the federal district and federal governments frequently implement changes to the tax regimes, such as changes in tax rates and the calculation basis of taxes, that may affect us or our customers. Some of these changes may result in the increase of tax charges and in the change, reduction or cancellation of tax benefits. If our current tax benefits are cancelled or not renewed, we may be adversely affected.

***Our short- and long-term loans and financing may require us to use a significant portion of our cash flow to service our indebtedness.***

As of March 31, 2016, our consolidated gross debt totaled R\$14,082 million (US\$3,957 million), our consolidated net debt was R\$11,273 million (US\$3,158 million) and Adjusted EBITDA for the three-month period ended March 31, 2016 was R\$1,269 million (US\$357 million). During 2015, we continued to implement initiatives to deleverage our company, improve financial efficiency and actively manage our financial liabilities to optimize our strong cash generation and anticipated the payment of R\$4,261 million (US\$1,197 million) of our outstanding debt. Our indebtedness profile may require us to use a significant portion of our available cash flow from operations to pay principal and interest on such indebtedness.

***We are highly dependent on our planted forest areas for the supply of wood, which is essential to our production processes and any damage to our forest areas may adversely affect us.***

In 2015, most of the wood used in our production processes was supplied by our own forestry operations, which include planted forest areas located in close proximity to our production facilities. The wood market in Brazil is very limited, as most pulp and paper producers utilize wood extracted from their own planted forests to meet their wood requirements. In addition, in acquiring land for our forests, we compete with cultivators of other crops, which could ultimately raise the purchase price of land or make it more difficult to hire third parties to cultivate the eucalyptus required to meet our production needs.

Our planted forests are subject to natural threats, such as drought, fire, pests and diseases, which may reduce our supply of wood or increase the price of wood we acquire. Since we do not have insurance to cover these natural threats, we would not be reimbursed in the event of losses. Moreover, our planted forest areas are also subject to other threats, such as loss of possession due to social unrest or theft of our timber. Claims of adverse possessors for our planted areas in Brazil could affect our use of such properties, and ultimately cause an adverse effect on our business and financial condition. Therefore, any actual damage to our own planted forests could adversely affect us.

***More stringent environmental regulation could increase our costs.***

Our activities are subject to extensive environmental regulation, including in relation to gas emissions, liquid effluents and solid residues disposal, reforestation and odor control, and maintenance of a land reserve and permanent preservation areas. Furthermore, our activities, both industrial and forestry, require periodic renewal of environmental permits.

Environmental standards that are applicable to us are issued at the federal, state and municipal levels, and changes in the laws, rules, policies or procedures adopted in the enforcement of the current laws may adversely affect us. In Brazil, violations of environmental laws, regulations and authorizations could result in administrative, civil or criminal penalties for us, our management and our employees, including fines, imprisonment and interruption of our activities and dissolution of our corporate entity.

Administrative infractions can also result in substantial fines, suspension of operations, suspension of operating permits and imposition of restricted rights (such as barring entering into contracts with public entities, credit restriction, among others), in addition to criminal penalties for us. Changes in environmental laws or regulations, or in the interpretation thereof, or in the administrative procedures and policies adopted under current environmental laws and regulations could require us to invest additional resources in environmental compliance and the renewal of our licenses and adversely affect us. Additionally, non-compliance with or a violation of any



such laws and regulations could result in the revocation of our licenses and suspension of our activities or in our responsibility for environmental remediation costs, which could be substantial. Moreover, failure to comply with environmental laws and regulations could restrict our ability to obtain financing from financial institutions and, under certain circumstances, our corporate shareholder structure could be disregarded in order to enable claimants to recover on environmental claims against us. We cannot assure that our expenses with environmental regulation compliance will not be significant or that we will be able to renew our licenses.

Additionally, in April 2016, several countries (including Brazil) signed the Paris Agreement, a new global environmental accord adopting the Intended Nationally Determined Contributions, or the INDCs. The INDCs are commitments of each country to publicly outline what post-2020 climate actions they intend to take with respect to carbon emissions under the new international agreement. The Brazilian INDCs include increasing the share of sustainable biofuels and other renewables in the Brazilian national energy matrix, reducing to zero the amount of illegal deforestation, increasing reforestation and forest restoration and enhancing native forest management. We expect that there will be increased regulation related to greenhouse gases and climate change that may materially affect us, as a result of the Brazilian INDCs, directly (through increased capital expenditures and investment to comply with new regulations) and indirectly (by affecting prices for transportation, energy and other inputs). In addition, the physical effects of climate change also may materially and adversely affect our operations, such as by changing air temperature and water levels, and subjecting us to unusual or different weather-related risks. Both the regulations related to climate change and the changes in existing regulations, as well as the physical effects of climate change generally, could result in increased liabilities and capital expenditures, all of which could have a material adverse effect on our business and results of operations.

***We depend on third-party suppliers for a material portion of our wood requirements and may be adversely affected by shortages of wood or increases in its price.***

Wood is the principal raw material used for the production of our pulp and paper products and we depend on third-party suppliers for a material portion of our wood requirements. We enter into medium- and long-term supply agreements with third-party wood suppliers, for terms that may vary between one and two forest growth cycles, of six to eight years each, as development or forest partnership contracts. If additional volume is needed, we enter into market wood purchase agreements as standing forest purchases or from the mill, on a short- or long-term basis, varying in accordance with the volume agreed upon. Any interruption in wood supply that represents a material reduction in the wood available for our production processes may adversely affect our operating results and financial condition.

***We depend on few suppliers for certain raw materials, such as fuel oil, caustic soda, BTMCP pulp and natural gas. Our inability to preserve relationships with our current suppliers or to find suitable replacements may adversely affect us.***

We have few sources for certain raw materials that are essential for the production of pulp and paper, including fuel oil, caustic soda, BTMCP pulp and natural gas. We enter into medium-term supply agreements with such suppliers. Any significant reduction in the supply or increase in prices, on behalf of the relevant supplier, of any of these raw materials could adversely affect our products' mix or availability and, consequently, our results of operations.

***Failure to obtain the necessary permits and licenses could adversely affect our operations.***

We depend on the issuance of permits and licenses from various governmental agencies in order to undertake certain of our activities. In order to obtain licenses for certain activities that are expected to have a significant environmental impact, certain investments in conservation are required to offset such impact. Furthermore, we have licenses to operate our plants, which are usually valid for five years from the date of issuance and may be renewed for equal periods. The operational licenses require, among other things, that we periodically report our compliance with emissions standards set by environmental agencies.

Failure to obtain, renew or comply with our operating licenses may cause delays in our deployment of new activities, increased costs, monetary fines or even suspension of the affected activity.

***Changes in the quality of the credit risk of our customers and suppliers to whom we have made advances, sales through credit lines or loans may adversely affect us.***

In the markets in which we operate, it is typical, and often a condition for competitive participation, for pulp and paper producers to make advances to suppliers or to make sales to customers on credit. When we make advances, sales on credit or loans to our suppliers or customers, we assume their credit risk. Therefore, changes in the macroeconomic environment, the market conditions in which our suppliers and our customers operate, in addition to problems related to the management of our suppliers and clients, may significantly affect their ability to make payments to us, directly impacting our assets and working capital.

These practices also expose us to the risk of a significant divergence between the rates under which we obtain financing from third parties and the rates that we grant to our customers and suppliers. We cannot assure you that we will always be able to match the terms under which we provide financing for our customers and suppliers with the terms of financing provided to us. Any increase in our customers' and suppliers' credit risk or divergence between their and our capital costs may materially adversely affect our assets, shareholders' equity and results.

***Investments by our competitors in increased production capacity in the coming years may adversely affect us.***

Our competitors, including some that are new to the pulp and paper market, have recently made several announcements regarding investments towards expanding their production capacity. If some or all of these announcements result in increased production capacity by our competitors, there may be an imbalance between supply and demand which may result in a decrease in pulp prices. Therefore, any significant drop in pulp prices could adversely affect our operating margins, profitability and return on capital.

Additionally, due to an increase in the supply of pulp to the market, we may be required to temporarily adjust our volume of production to suit the reduced demand for our products, incurring the risk of operating with idle capacity and, consequently, higher production costs.

***Some of our financing agreements include important covenants, including covenants to maintain financial ratios, and cross-default provisions. Any default arising from a breach of these covenants could have a material adverse effect on us.***

We are party to several financing agreements that require us to comply with specific covenants, including financial covenants such as the maintenance of net debt to Adjusted EBITDA ratios, and contain cross-default and cross-acceleration provisions. A default of certain terms of our financing agreements that is not waived by the relevant creditors may result in an acceleration of the maturity of the debt under other of our financing agreements due to cross-default provisions. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness." Our assets and cash flow may be insufficient to pay the full outstanding balance under such financing agreements, upon any acceleration of payments following an event of default. If such events were to occur, our financial condition and share price could be adversely affected.

***Risks related to acquisitions and strategic partnerships could adversely affect our business and growth prospects. Moreover, some of our competitors may be better positioned to acquire pulp and paper companies.***

We completed major acquisitions in 2010 and 2011, and, as part of our business strategy, we may acquire other businesses or enter into strategic partnerships in Brazil or other countries, although we are not actively pursuing any such acquisitions as of the date of this listing memorandum. Unexpected events, changes in market conditions as well as the failure to successfully integrate new businesses or manage strategic alliances, could adversely affect our performance. Moreover, the global pulp and paper sector may experience a phase of consolidation and many companies are currently competing for acquisition opportunities. If we attempt to engage in future acquisitions, we would be subject to certain risks, including that we could fail to select the best partners or fail to effectively plan and manage any alliance strategy, the acquisitions could increase our costs, our financial metrics may change significantly, our management's attention could be diverted from other business concerns and we could lose key employees of the acquired company. In addition, any major acquisition may be subject to regulatory approval.

***A reduction in our credit ratings may increase our borrowing costs and/or restrict the availability of new capital or financings.***

The Notes have been assigned a rating by S&P and Fitch. Standard & Poor's Ratings Services has rated our risk on a global scale at BB+ with a stable outlook. Fitch Ratings has rated the risk of our senior notes and our risk on global scale at BB+ with a positive outlook.

The ratings address the likelihood of payment of principal at the Notes' maturity. The ratings also address the timely payment of interest on each interest payment date. The ratings of the Notes are not a recommendation to purchase, hold or sell the Notes, and the ratings do not comment on market price or suitability for any particular investor. We cannot assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. The assigned ratings may be raised or lowered depending, among other factors, on the rating agencies' respective assessment of our financial strength.

Credit ratings impact our financial condition generally, including the interest rates we pay on funds that we borrow and the market's perception of our financial strength, which in turn could have a material adverse effect on our ability to make payments on the Notes and the Guarantee.

If the ratings on the Notes were reduced and the market were to perceive any such reduction as a deterioration of our financial strength, our cost of borrowing would likely increase and our net income could decrease, all of which could have a material adverse effect on us.

In addition, our credit rating is sensitive to any change in the Brazilian sovereign credit rating. The credit rating of the Brazilian sovereign has been downgraded in 2015 and 2016, and is no longer investment grade. Any further lowering of the Brazilian sovereign credit ratings may have additional adverse consequences on our ability to obtain financing or our cost of financing, and consequently, on our results of operations and financial condition.

***Unfavorable outcomes in litigation may negatively affect our results of operations, cash flows and financial condition.***

In the ordinary course of our business, we are engaged in several tax, civil (including environmental) and labor disputes involving significant monetary claims. An unfavorable outcome in a material legal proceeding may result in our being required to pay substantial amounts of money, which could materially adversely affect our results of operations, cash flows and financial condition. For more information on these proceedings, see "Business—Legal and Administrative Proceedings."

***Global economic conditions and events may adversely affect the demand for and the price of our products.***

Demand for pulp and paper is directly related to the growth of the world economy and the economic conditions of the markets in which we sell our products. Currently, Europe, North America and China are the main consumer markets of the industry. Any slowing of economic growth in these regions could adversely affect the price and volume of our exports and thus impact our operating performance and our financial results until such excess volume of supply can be allocated to other markets.

In addition, on June 23, 2016, the United Kingdom (U.K.), held a referendum on its membership in the European Union (E.U.), and a majority of U.K. voters voted to exit the E.U., or Brexit. The announcement of the results of the June referendum has already created significant political, social and macroeconomic uncertainty. For example, S&P has downgraded the U.K.'s credit rating from AAA to AA, and Fitch downgraded the U.K.'s credit rating from AA+ to AA-. Moreover, the announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations.

Negotiations will likely commence sometime in the near future to determine the future terms of the U.K.'s relationship with the E.U., including the terms of trade between the U.K. and the E.U. The effects of Brexit will depend on any agreements the U.K. makes to retain access to E.U. markets either during a transitional period or more permanently. Brexit could adversely affect European or worldwide economic or market conditions and could contribute to instability in global financial markets. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws to replace or replicate.

Any of these effects of Brexit, and others related to Brexit that we cannot anticipate, could adversely affect demand and prices for products in the U.K. and EU markets, including our products.

***Any deterioration of labor relations with our employees could adversely affect us***

We depend on intensive use of labor in our activities. Most of our employees are represented by unions and their employment contracts are regulated by collective bargaining agreements. New collective bargaining agreements may have shorter terms than our previous agreements and, if we are not able to negotiate collective bargaining agreements on acceptable terms to us, we may be subject to a significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages, which could have a material adverse effect on us and the market price of the Notes.

Additionally, changes in safety and outsourcing regulations may result in an increase in our labor-related costs. As of March 2016, we had 11,135 workers employed by third-party subcontractors and outsourcing companies. We may be considered liable for any employment obligations relating to such employees, or a direct employment relationship may be established with the outsourced employees and us in accordance to the existing regulation. The introduction of stricter legal and framework regarding the use of outsourced employees or third-party subcontractors and/or the imposition of additional obligations on the contractor of outsourced services, may increase our labor-related costs and may adversely affect our business and operations.

In accordance with existing labor laws and regulations, we are required to provide and ensure the proper use of safety equipment for our employees and other individuals working on our worksites. If we fail to provide all necessary safety equipment and ensure the proper use of the safety equipment, or if we work with companies that are not sufficiently committed to ensuring the safety of their own employees, we may be held liable for any accidents that take place at our worksites. Any accidents at our worksites may expose us to the payment of indemnifications, fines and penalties.

In addition, any changes to existing safety regulations may impose additional obligations on us and result in an increase in our expenses with respect to safety equipment and procedures. For instance, changes imposing reduced workday for safety reasons may result in a reduced productivity, forcing us to hire additional staff. Similarly, provisions requiring us to install or buy additional safety equipment could increase our labor-related costs and adversely affect our operating costs and results.

***Social movements and the possibility of expropriation may affect the normal use of, damage, or deprive us of the use of or fair value of, our properties.***

Activist groups in Brazil advocate land reform and property redistribution by invading and occupying rural areas. For example, on June 13, 2016, protesters from the Landless Workers Movement (*Movimento dos Trabalhadores Sem Terra*) occupied part of the forestry area of our Mucuri Unit. Although this recent occupation did not interrupt our industrial activities, future invasions or occupations of our units may disrupt our industrial activities for longer periods of time and may consequently have a material adverse effect on our business and results of operations. In addition, our land may be subject to expropriation by the Brazilian government. Under Brazilian law, the federal government, upon payment of compensation, may expropriate land that is not in compliance with mandated local “social functions,” including rational and adequate exploitation of land, adequate use of available natural resources, preservation of the environment, compliance with labor laws, among others. If the Brazilian government expropriates a substantial part of our properties, our results of operations may be adversely affected to the extent that the government’s compensation proves to be inadequate. Moreover, we may be forced to accept public debt bonds, which have limited liquidity, instead of cash as compensation for expropriated land.

***More stringent trade barriers in key export markets may adversely affect us.***

Brazilian exporters have been increasingly affected by measures taken by importing countries to protect local producers. The competitiveness of Brazilian companies has led certain countries to establish trade barriers to limit the access of Brazilian companies to their markets or even to subsidize local producers. Some countries may impose quotas on Brazilian products, and delays in allocating these quotas or changes in laws or policies regarding these quotas can adversely affect our exports. For example, in the first quarter of 2016, the U.S. Department of

Commerce, or the Department of Commerce, and the International Trade Commission or, the ITC, announced their decisions regarding dumping proceedings against a number of countries, including Brazil. Among other measures, the Department of Commerce and the ITC applied anti-dumping margins on uncoated paper sales on the investigated countries, including a 22.37% margin on us. We may request an annual review of the decision pursuant to the relevant legislation.

Any of the aforementioned restrictions may affect our export volume and, as a result, our sales from export markets and financial condition. In the case of newly created trade barriers in our key export markets, it may be difficult for us to sell our products in other markets at favorable conditions, which may cause a material adverse effect upon us.

### **Risks Relating to Brazil**

***Brazilian economic and political conditions and perceptions of these conditions in the international market have a direct impact on our business and our access to international capital and debt markets, and could adversely affect our business, financial position and operating results.***

We conduct a substantial amount of our operations in Brazil, and we sell part of our products to customers in the domestic market. For the year ended December 31, 2015, 30.6% of our net revenues were derived from Brazil. Accordingly, our financial condition and results of operations are substantially dependent on economic conditions in Brazil. Brazil's gross domestic product, or GDP, in *real* terms, grew by 2.7% in 2013, 0.1% in 2014 and shrank by 3.8% in 2015. We cannot assure that GDP will increase or remain stable in the future. Future developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the consumption of our products. As a result, these developments could impair our business strategies, results of operations or financial condition.

The Brazilian economy has been characterized by frequent, and occasionally drastic, intervention by the Brazilian government, which has often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and other policies have often involved wage and price controls, depreciation of the *real*, controls on remittances abroad, fluctuations of the Central Bank's base interest rate, as well as other measures. We have no control over, nor can we foresee, any measures or policies that the Brazilian government may adopt in the future. We may be materially adversely affected by changes in the policies of the Brazilian government, in addition to other general economic factors, including, without limitation:

- political, economic and social instability;
- monetary policies;
- political elections;
- inflation;
- exchange rate fluctuations;
- exchange controls and restrictions on remittances abroad;
- tax policy and amendments to the tax legislation;
- interest rates;
- liquidity of domestic and foreign capital and lending markets;
- government control of the production of our products;
- restrictive environmental and *real* estate laws and regulations; and
- other political, social and economic policies or developments in or affecting Brazil.

Uncertainty as to whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and the securities issued by Brazilian companies.

More recently, Brazil has been experiencing a severe political crisis and the Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing *Lava Jato* (Car Wash) investigation, which is being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. As a result of the ongoing *Lava Jato* investigation, a number of senior politicians, including congressmen and officers of some of the major state-owned companies in Brazil have resigned or been arrested. Other senior elected officials and other public officials in Brazil are being investigated for allegations of unethical and illegal conduct identified during the *Lava Jato* investigation. The matters that have come, and may continue to come, to light as a result of, or in connection with the *Lava Jato* investigation and related anti-corruption inquiries have adversely affected and we expect that they will continue to adversely affect the Brazilian markets and trading prices of securities issued by Brazilian issuers.

In addition, the Brazilian Congress opened impeachment proceedings against President Dilma Rousseff on December 2, 2015 for allegedly breaking budget laws as she increased economic stimulus during her re-election campaign last year. On April 17, 2016, the Brazilian Congress voted in favor of the admissibility of the impeachment proceedings and the Brazilian Senate voted in favor of impeachment on May 11, 2016, removing President Rousseff from the presidency for up to 180 days to defend herself in her impeachment trial. Brazil's Vice President, Michel Temer, was named Acting President of Brazil on May 12, 2016, in response to President Rousseff's temporary removal from office. As Acting President, Mr. Temer has full presidential powers to govern Brazil, and has appointed a new cabinet to govern during the impeachment period. The impeachment proceedings have generated volatility and we expect that they will continue to generate volatility in the Brazilian markets and trading prices of securities issued by Brazilian issuers. We cannot predict either the outcome of the impeachment proceedings or their effects on the Brazilian economy.

In addition, the Brazilian economy has experienced a sharp downturn in recent years due, in part, to the interventionist economic and monetary policies of the Brazilian government and the global drop in commodities prices. The acting Brazilian government has proposed the terms of a fiscal reform to stimulate the economy and avoid the forecasted budget deficit for 2016, but it is uncertain whether the acting government will be able to gather the required support in the Brazilian Congress to pass the reform. As of the date of this listing memorandum, many of the proposed public expenses in Brazil's budget have been maintained and it is not clear whether other expenses will be reduced or entirely eliminated. If some or all of these public expenses are maintained, Brazil will continue to run a budget deficit for 2016. Citing political challenges and primary deficits, on September 9, 2015, S&P downgraded Brazil to non-investment grade status with a negative outlook. Furthermore, on September 10, 2015, as a result of the downgrade of Brazil, S&P downgraded the ratings of more than 30 Brazilian companies. On February 17, 2016, S&P further downgraded Brazil's credit ratings. These and other future developments in the Brazilian economy and governmental policies may materially adversely affect us.

Uncertainty over whether the acting Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the securities issued abroad by Brazilian companies. Historically, the political scenario in Brazil has influenced the performance of the Brazilian economy; in particular, political crises have affected the confidence of investors and the public in general, which adversely affected the economic development in Brazil.

***Fluctuations in the value of the real against the value of the U.S. dollar may adversely affect us and the markets for Brazilian securities and may adversely affect our ability to pay interest and principal under the Notes.***

Fluctuations of the value of the *real* against the U.S. dollar have affected and will continue to affect our financial condition and results of operations and, consequently, our ability to pay interest and principal under the Notes.

Our export revenues are directly affected by exchange rate variation. Depreciation of the *real* against the U.S. dollar will increase such revenues when denominated in reais, while appreciation of the *real* against the U.S. dollar will decrease such export revenues. Our revenues in the domestic market are also affected by exchange rate

fluctuation, to the extent that imported products quoted in U.S. dollars become more or less competitive in the domestic market depending on the exchange rate variation.

Furthermore, some of our costs and operating expenses are also affected by fluctuations of the value of the *real* against the U.S. dollar, including export insurance, freight costs and the cost of certain chemicals we use as raw materials. Depreciation of the *real* against the U.S. dollar will increase such costs, while appreciation of the *real* against the U.S. dollar will reduce these costs.

Additionally, we may be adversely affected by depreciations of the *real* against the U.S. dollar, since a significant portion of our debt is expressed in U.S. dollars. Depreciation, or even a foreign exchange rate that is less favorable, may increase our financial expenses arising from these debts and other obligations in U.S. dollars, as well as adversely affect our ability to comply with certain financial covenants under financing agreements, which require us to maintain specific financial ratios. On the other hand, a significant appreciation of the *real* against the U.S. dollar may significantly affect our cost structure and negatively affect our competitiveness in export markets. As of December 31, 2015, and March 31, 2016, 65.8% and 66.3%, respectively, of our gross indebtedness was denominated in foreign currency.

As a result of inflationary pressures, the Brazilian currency has been devalued periodically in the past in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past implemented various economic plans and utilized a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, in 2011, 2012 and 2013 the *real* depreciated against the U.S. dollar by 11.2%, 8.2% and 14.6%. As of March 31, 2012, the U.S. dollar-*real* exchange rate was R\$1.8918 per US\$1.00. As of December 31, 2012, the U.S. dollar-*real* exchange rate was R\$2.0435 per US\$1.00. As of March 31, 2013, the U.S. dollar-*real* exchange rate was R\$1.9883 per US\$1.00. As of December 31, 2013, the U.S. dollar-*real* exchange rate was R\$2.3426 per US\$1.00. As of December 31, 2014, the U.S. dollar-*real* exchange rate was R\$2.6562 per US\$1.00. As of March 31, 2015, the U.S. dollar-*real* exchange rate was R\$3.2080 per US\$1.00. As of December 31, 2015, the U.S. dollar-*real* exchange rate was R\$3.9048 per US\$1.00. As of March 31, 2016, the U.S. dollar-*real* exchange rate was R\$3.5589 per US\$1.00. There can be no assurance that the *real* would not depreciate or be devalued against the U.S. dollar again.

Devaluations of the *real* relative to the U.S. dollar could create additional inflationary pressures in Brazil, lead to increases in interest rates, limit our access to foreign financial markets and prompt the adoption of recessionary policies by the Brazilian government. Conversely, the appreciation of the *real* against the U.S. dollar may lead to a deterioration of Brazil's current account and balance of payments and cause a decrease of Brazilian exports. Any of the foregoing developments may negatively affect the Brazilian economy as a whole, and, consequently, our results of operations and the market price of the Notes.

The Central Bank has intervened occasionally to control unstable movements in the foreign exchange rate. We cannot predict whether the Central Bank will continue to let the *real* float freely. Accordingly, it is not possible to predict what impact the Brazilian government's exchange rate policies may have on us. We cannot assure that in the future the Brazilian government will not impose a band within which the *real* U.S. dollar-*real* exchange rate could fluctuate or set fixed exchange rates, nor can we predict what impact such an event might have on our business, financial position or operating results.

***Economic and market conditions in other countries, including in the United States and emerging market countries, may materially and adversely affect the Brazilian economy and, therefore, our financial condition and the market value of the Notes.***

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other countries, including the United States and other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or conditions in other countries, including the United States and other emerging market countries, have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable

outflows of funds and declines in the amount of foreign currency invested in Brazil, as well as limited access to international capital markets, all of which may materially and adversely affect our ability to borrow funds at an acceptable interest rate or to raise equity capital when and if we should have such a need. The volatility in market prices for Brazilian securities has increased from time to time, and investors' perception of increased risk due to crises in other countries, including the United States and other emerging market countries, may also lead to a reduction in the market price of the Notes. We depend on third-party financing to carry out our activities, especially to finance our capital expenditures and working capital. In circumstances of limited liquidity, credit availability may be scarce, expensive or nonexistent, and we may be unable to reach out to the market to obtain the required financing for our activities and to honor our financial commitments.

### **Risks Relating to the Notes and the Guarantee**

#### ***An active trading market for the Notes may not develop.***

The Notes constitute a new issue of securities, for which there is no existing market. Although we intend to use commercially reasonable efforts to list the Notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market, we cannot provide any assurances that the application will be accepted. Further, no assurance can be provided regarding the future development of a market for the Notes, your ability to sell your Notes, or the price at which you may be able to sell your Notes. Accordingly, we cannot assure that an active trading market for the Notes will develop or, if a trading market develops, that it will continue. The lack of an active trading market for the Notes would have a material adverse effect on the market price and liquidity of the Notes. If a market for the Notes develops, the Notes may trade at a discount from their initial offering price.

#### ***The Guarantor's obligations under the Guarantee will be junior to the Guarantor's secured debt obligations as well as to other statutory preferences, effectively junior to debt obligations of the Guarantor's subsidiaries and adversely affected by the solvency or insolvency of the Guarantor's subsidiaries.***

The Guarantee will constitute a senior unsecured obligation of the Guarantor. The Guarantee will rank equal in right of payment with all of the Guarantor's other existing and future senior unsecured indebtedness. Although the Guarantee will provide the holders of the Notes with a direct, but unsecured, claim on the Guarantor's assets and property, payment on the Guarantee under the Notes will be subordinated to the secured debt of the Guarantor to the extent of the assets and property securing such debt, as well as to other statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses, among others. Payment on the Guarantee under the Notes will also be structurally subordinated to the payment of secured and unsecured debt and other obligations of the Guarantor's subsidiaries. In the event of a bankruptcy, liquidation or judicial or extrajudicial reorganization of any of the Guarantor's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment in full of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Guarantor.

Upon a liquidation or reorganization of the Guarantor, any right of the holders of the Notes to participate in the assets of the Guarantor, including the capital stock of its subsidiaries, will be subject to the prior claims of the Guarantor's secured creditors, as well as to other statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses, and any such right to participate in the assets of the Guarantor's subsidiaries will be subject to the prior claims of the creditors of its subsidiaries. The Indenture includes a covenant limiting the ability of the Guarantor and its subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions. In such a scenario, enforcement of the Guarantee under the Notes may be jeopardized and noteholders may lose some or all of their investment.

As of March 31, 2016, on a consolidated basis, the Guarantor had R\$14,082 million (US\$3,957 million) aggregate amount of debt outstanding, of which R\$3,559 million (US\$1,000 million) was secured.

The Issuer's ability to make payments on the Notes depends on its receipt of payments from Suzano.

The Issuer is a wholly-owned trading company of Suzano and has no substantial assets or liabilities. Holders of the Notes must rely on the Guarantor's operations to pay amounts due in connection with the Notes. The ability of the Issuer to make payments of principal, interest and any other amounts due under the Notes is



contingent on its receipt from the Guarantor of amounts sufficient to make these payments, and, in turn, on the Guarantor's ability to make these payments. In the event that the Guarantor is unable to make such payments for any reason, the Issuer will not have sufficient resources to satisfy its obligations under the Indenture governing the Notes.

***Brazilian bankruptcy laws may be less favorable to investors than bankruptcy and insolvency laws in other jurisdictions.***

If we are unable to pay our indebtedness, including our obligations under the Notes, we may become subject to bankruptcy proceedings in Brazil. The bankruptcy laws of Brazil currently in effect are significantly different from, and may be less favorable to creditors than, those of certain other jurisdictions. Noteholders may have limited voting rights at creditors' meetings in the context of a court reorganization proceeding. In addition, in the event of our bankruptcy, all of our debt obligations, including the Guarantee of the Notes, which are denominated in foreign currency, will be converted into reais at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure investors that such rate of exchange will afford full compensation of the amount invested in the Notes plus accrued interest.

***Brazil's foreign exchange policy may affect our ability to make money remittances outside Brazil with respect to the Guarantee.***

Under current Brazilian regulations, we are not required to obtain authorization from the Central Bank in order to make payments in U.S. dollars outside Brazil to holders of the Notes, including under the Guarantee. However, we cannot assure that these regulations will continue to be in force at the time we may be required to perform our payment obligations under the Notes or the Guarantee. If these regulations or their interpretation are modified and an authorization from the Central Bank is required, we would be required to seek an authorization from the Central Bank to transfer the amounts under Notes or the Guarantee out of Brazil or, alternatively, make such payments with funds held by us outside Brazil. We cannot assure that such an authorization will be obtained or that such funds will be available. If such authorization is not obtained, we may be unable to make payments to holders of the Notes in U.S. dollars. If we are unable to obtain the required approvals as needed for the payment of amounts owed by the Guarantor through remittances from Brazil, we may have to seek other lawful mechanisms to effect payment of amounts due under the Notes. However, we cannot assure you that other remittance mechanisms will be available in the future, and even if they are available in the future, we cannot assure you that payment on the Notes would be possible through such mechanism.

***The interests of our controlling shareholder may conflict with the interests of the holders of the Notes.***

Our controlling shareholder has the power to, among other things, elect a majority of the members of our board of directors and to decide any matters requiring shareholder approval, including related-party transactions, corporate reorganizations and dispositions, and the timing and payment of any future dividends, subject to the requirements of mandatory dividends under Brazilian Corporate Law. We have entered into, and we intend to continue to enter into, arm's-length commercial and financial transactions with our controlling shareholder and related companies. Commercial and financial transactions between related parties and us may result in conflicts of interest, which may adversely affect us. See "Related Party Transactions."

***We may be unable to purchase the Notes upon a specified change of control event, which would result in an event of default under the indenture governing the Notes.***

The terms of the Notes will require the Issuer to make an offer to repurchase the Notes upon the occurrence of a specified change of control event at a purchase price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest to the date of the repurchase and additional amounts, if any. Any financing arrangements we may enter into may require repayment of amounts outstanding upon the occurrence of a change of control event. It is possible that we will not have sufficient funds at the time of the change of control to fund the required repurchase of Notes by the Issuer or that restrictions in our credit facilities and other financing arrangements will not permit the Issuer to effect the required repurchases. See "Description of the Notes—Certain Covenants—Repurchase of Notes upon a Change of Control".

***Judgments of Brazilian courts enforcing the Issuer's or the Guarantor's obligations, as applicable, under the Notes, the Indenture governing the Notes or the Guarantee would be payable only in reais.***

If proceedings are brought in the courts of Brazil seeking to enforce the guarantor's obligations under the guarantee, the guarantor would not be required to discharge its obligations in a currency other than reais. Any judgment obtained against the guarantor in Brazilian courts in respect of any payment obligations under the guarantee would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (1) on the date of actual payment, (2) on the date on which such judgment is rendered or (3) on the date on which collection or enforcement proceedings are started against us. We cannot assure you that this amount in reais will afford you full compensation of the amount sought in any such litigation.

***Enforcement of civil liabilities and judgments against the Issuer, the Guarantor or any of their or our respective directors or officers may be difficult.***

The Issuer is a company incorporated with limited liability under the laws of Austria. All of its assets are located outside the United States. In addition, the Issuer's directors are non-residents of the United States, and all or a substantial portion of the assets of such person are or may be located outside the United States. The Guarantor is a corporation (*sociedade por ações*) incorporated under the laws of Brazil. A significant portion of our assets and a substantial majority of our operations are located, and a substantial majority of our revenues are derived, outside the United States. In addition, our directors are non-residents of the United States, and all or a substantial portion of the assets of such person are or may be located outside the United States.

As a result of the above, investors may be unable to effect service of process within the United States upon such persons, or to enforce judgments against them obtained in the United States courts, including judgments predicated upon the civil liability provisions of the United States federal and state securities laws. There is uncertainty as to whether the courts of Brazil, Austria or other jurisdictions would enforce (i) judgments of United States courts obtained against the Issuer or us or such affiliated persons, predicated upon the civil liability provisions of the United States federal and state securities laws or (ii) in original actions brought in such countries, liabilities against the Issuer or us or such affiliated persons, predicated upon the United States federal and state securities laws. See "Enforceability of Judgments."

***The Notes will be subject to transfer restrictions which could limit your ability to resell your Notes.***

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be altered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions." Consequently, a holder of Notes must be able to bear the economic risk of its investment in the Notes for the term of the Notes.

***We may redeem the Notes prior to maturity.***

The Notes are redeemable at our option in the event of certain changes in applicable taxes and at our option for any other reason. We may choose to redeem those Notes at times when prevailing interest rates may be relatively low. Accordingly, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

***The Guarantee may not be enforceable if deemed fraudulent and declared void.***

The Guarantee may not be enforceable under Brazilian law. While Brazilian law does not prohibit the granting of guarantees, in the event that we were to become subject to a reorganization proceeding or to bankruptcy, our Guarantee, if granted up to two years before the declaration of bankruptcy, may be deemed to have been fraudulent and declared void, based upon our being deemed not to have received fair consideration in exchange for the guarantee. In the event of a judicial reorganization, the Guarantee may be declared unenforceable against the Guarantor if a bankruptcy court considers that the Guarantor did not receive fair consideration in

exchange for the Guarantee. Under Brazilian law, a guarantee is considered an accessory obligation to the underlying or principal obligation, and Brazilian law establishes that the nullity of the principal obligation causes the nullity of the accessory obligation. Therefore, a judgment obtained in a court outside Brazil against a Guarantor for enforcement of a guarantee in respect of obligations that have been considered null, may not be confirmed by the Superior Court of Justice of Brazil.

## EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the *real*/U.S. dollar exchange rate to float freely and, since then, the *real*/U.S. dollar exchange rate has fluctuated considerably. Until early 2003, the value of the *real* declined in relation to the U.S. dollar and then began to stabilize. The *real* depreciated against the U.S. dollar in 2013. In 2014, the *real* depreciated 13.4% against the U.S. dollar, and on December 31, 2014 the exchange rate of the *real* in relation to the U.S. dollar was R\$2.6562 per US\$1.00. In 2015, the *real* further depreciated against the U.S. dollar and on December 31, 2015, the *real*/U.S. dollar exchange rate was R\$3.9048 per US\$1.00. In the past, the Central Bank has intervened occasionally to control unstable movements of exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate through a currency band system or otherwise. The *real* may fluctuate against the U.S. dollar substantially in the future. For further information on these risks, see “Risk Factors—Risks Relating to Brazil—Fluctuations in the value of the *real* against the value of the U.S. dollar may adversely affect us and the markets for Brazilian securities and may adversely affect our ability to pay interest and principal under the Notes.”

The following table sets forth the period end, average, high and low foreign exchange market selling rates published by the Central Bank expressed in *reais* per U.S. dollar for the periods indicated.

| Year ended December 31,          | Reais per US\$1.00 |        |                        |            |
|----------------------------------|--------------------|--------|------------------------|------------|
|                                  | High               | Low    | Average <sup>(1)</sup> | Period-end |
| 2011.....                        | 1.9016             | 1.5345 | 1.6705                 | 1.8758     |
| 2012.....                        | 2.1121             | 1.7024 | 1.9524                 | 2.0435     |
| 2013.....                        | 2.4457             | 1.9528 | 2.1641                 | 2.3426     |
| 2014.....                        | 2.7403             | 2.1974 | 2.3586                 | 2.6562     |
| 2015.....                        | 4.1949             | 2.5754 | 3.3360                 | 3.9048     |
| 2016 (through July 6, 2016)..... | 4.1558             | 3.2098 | 3.6883                 | 3.3242     |

Source: Central Bank

Note:

(1) Represents the average of the exchange rates for each year.

|                                       | Reais per US\$1.00 |        |                        |            |
|---------------------------------------|--------------------|--------|------------------------|------------|
|                                       | High               | Low    | Average <sup>(1)</sup> | Period-end |
| January 2016.....                     | 4.1558             | 3.9048 | 4.0453                 | 4.0428     |
| February 2016.....                    | 4.0492             | 3.8653 | 3.9737                 | 3.9796     |
| March 2016.....                       | 3.9913             | 3.5589 | 3.7039                 | 3.5589     |
| April 2016.....                       | 3.6921             | 3.4508 | 3.5659                 | 3.4508     |
| May 2016.....                         | 3.6168             | 3.4645 | 3.5393                 | 3.5951     |
| June 2016.....                        | 3.6126             | 3.2098 | 3.4245                 | 3.2098     |
| July 2016 (through July 6, 2016)..... | 3.3242             | 3.2298 | 3.2731                 | 3.3242     |

Source: Central Bank

Note:

(1) Represents the average of the lowest and highest rates in the month.

On March 31, 2016, the *real*/U.S. dollar exchange rate was R\$3.5589 per US\$1.00.

## USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Notes will be approximately US\$492.8 million after deducting underwriting discounts and offering expenses. The Notes will be issued by Suzano's wholly-owned subsidiary Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), incorporated under the laws of Austria and an amount equal to the net proceeds from the sale of the Notes will be allocated by us to finance or refinance capital expenditures and investments in one or more "Eligible Green Projects" in Brazil. Eligible Green Projects include (i) developed and completed projects with disbursements made during the preceding eighteen months, (ii) existing projects with disbursements made following the issue date of the Notes and (iii) projects with commitments after the issuance date of the Notes up to the maturity date.

Eligible Green Projects include, but are not limited to:

- *Sustainable Forestry*: Expenditures related to (i) sustainably managing forests that comply with international and national standards for sustainable forestry such as FSC, Cerflor (PEFC) or equivalent certification and (ii) restoration of native forest cover from degraded land;
- *Conservation*: Expenditures related to projects that maintain or develop conservation areas, and protect any native animal or plant species or habitats;
- *Water Management*: Development and installation of technologies and systems that improve the quality of treated wastewater, or increase water efficiency through reduced consumption of water and water reuse;
- *Energy Efficiency*: Expenditures related to projects that increase energy efficiency, including through reduction in fossil fuel consumption; and
- *Renewable Energy*: Expenditures related to projects that reduce Greenhouse Gas (GHG) emissions through the substitution of fossil fuels with renewable sources and/or the generation of energy from renewable sources.

We will establish systems to track and monitor the amount equal to the net proceeds of the Notes and our accounting department will be responsible for allocation to the Eligible Green Projects, which will be reviewed by our Sustainability/Environmental Department. Pending allocation of the net proceeds from the sales of the Notes to Eligible Green Projects, we will temporarily invest an amount equal to the balance of such net proceeds in cash, cash equivalents and/or financial investments which consist of mainly bank deposits, repurchase commitments, investment funds, time deposits and cash available abroad in U.S. dollars. Payment of principal and interest on the Notes will be made from our general funds and will not be directly linked to the performance of any Eligible Green Project.

We will work with an independent consultant with recognized expertise in environmental and social issues to advice on the development of our eligibility criteria and processes for compliance with the Green Bond Principles and annually obtain and make publicly available until full allocation of the net proceeds of the Notes, a second party opinion from such consultant in respect of compliance with such criteria.

Until the full allocation of the net proceeds of the Notes to the Eligible Green Projects, we will (i) provide relevant impact metrics related to the Eligible Green Projects (ii) a confirmation by an independent consultant with expertise in environmental and social issues that an amount equal to the net proceeds of the Notes were disbursed for qualifying Eligible Green Projects and (iii) a confirmation by external audit on allocation of proceeds from the sale of the Notes to Eligible Green Projects.

## CAPITALIZATION

The following table sets forth information regarding our consolidated capitalization as of March 31, 2016 derived from our unaudited interim consolidated financial information as of March 31, 2016:

- on an actual basis; and
- as adjusted to reflect the receipt of the net proceeds from the issuance of the Notes in this offering estimated at approximately US\$ 492.8 million, after deducting underwriting discounts and offering expenses that are payable by us.

The following table should be read together with “Summary Financial and Operating Information,” “Selected Financial and Operating Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as our unaudited interim consolidated financial information as of and for the three-month period ended March 31, 2016, included elsewhere in this listing memorandum.

|                                                  | As of March 31, 2016 <sup>(1)</sup> |         |                            |         |
|--------------------------------------------------|-------------------------------------|---------|----------------------------|---------|
|                                                  | Actual                              |         | As adjusted <sup>(2)</sup> |         |
|                                                  | R\$                                 | US\$    | R\$                        | US\$    |
|                                                  | <i>(in millions)</i>                |         |                            |         |
| <b>Indebtedness</b>                              |                                     |         |                            |         |
| Non-current indebtedness..                       | 11,794.1                            | 3,314.0 | 13,547.9                   | 3,806.8 |
| <b>Shareholders’ Equity</b> .....                | 10,314.7                            | 2,898.3 | 10,314.7                   | 2,898.3 |
| <b>Total capitalization</b> <sup>(3)</sup> ..... | 22,108.8                            | 6,212.3 | 23,862.6                   | 6,705.1 |

### Notes

- (1) *Real* amounts shown in the “Actual” column above are derived from our unaudited consolidated balance sheet as of March 31, 2016. Solely for the convenience of the reader, amounts in *reais* have been translated for convenience only to U.S. dollars at an exchange rate of R\$3.5589 per US\$1.00, which was the commercial selling rate for U.S. dollars in effect on March 31, 2016, as reported by the Central Bank.
- (2) Numbers in the “As Adjusted” column are adjusted to reflect the gross proceeds from the issuance of the Notes in this offering in the amount of U.S.\$495.3 (R\$ 1,762.7 million) less underwriting discounts and offering expenses that are payable by us in the estimated amount of U.S.\$2.5 million (R\$8.9 million).
- (3) Total capitalization corresponds to total indebtedness plus shareholder’s equity.

Since March 31, 2016, there has been no material change to our capitalization, except as otherwise disclosed herein.

The following table sets forth information regarding the Issuer’s capitalization as of March 31, 2016 derived from the the Issuer’s unaudited interim consolidated financial information as of March 31, 2016:

- on an actual basis; and
- as adjusted to reflect the receipt of the net proceeds from the issuance of the Notes in this offering estimated at approximately US\$ 492.8 million, after deducting underwriting discounts and offering expenses that are payable by us.

The following table should be read together with “Summary Financial and Operating Information,” “Selected Financial and Operating Data” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” as well as our unaudited interim consolidated financial information as of and for the three-month period ended March 31, 2016, included elsewhere in this listing memorandum.

|                                                  | As of March 31, 2016 <sup>(1)</sup> |         |                            |         |
|--------------------------------------------------|-------------------------------------|---------|----------------------------|---------|
|                                                  | Actual                              |         | As adjusted <sup>(2)</sup> |         |
|                                                  | R\$                                 | US\$    | R\$                        | US\$    |
|                                                  | <i>(in millions)</i>                |         |                            |         |
| <b>Indebtedness</b>                              |                                     |         |                            |         |
| Non-current indebtedness..                       | 11,794.1                            | 3,314.0 | 13,547.9                   | 3,806.8 |
| <b>Shareholders’ Equity</b> .....                | 10,314.7                            | 2,898.3 | 10,314.7                   | 2,898.2 |
| <b>Total capitalization</b> <sup>(3)</sup> ..... | 22,108.8                            | 6,212.3 | 23,862.6                   | 6,705.0 |

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*Notes*

- (4) *Real* amounts shown in the “Actual” column above are derived from our unaudited consolidated balance sheet as of March 31, 2016. Solely for the convenience of the reader, amounts in *reais* have been translated for convenience only to U.S. dollars at an exchange rate of R\$3.5589 per US\$1.00, which was the commercial selling rate for U.S. dollars in effect on March 31, 2016, as reported by the Central Bank.
- (5) Numbers in the “As Adjusted” column are adjusted to reflect the gross proceeds from the issuance of the Notes in this offering in the amount of U.S.\$495.3 (R\$ 1,762.7 million) less underwriting discounts and offering expenses that are payable by us in the estimated amount of U.S.\$2.5 million (R\$8.9 million).
- (6) Total capitalization corresponds to total indebtedness plus shareholder’s equity.

Since March 31, 2016, there has been no material change to the Issuer’s capitalization, except as otherwise disclosed herein.

## SELECTED FINANCIAL AND OPERATING DATA

The selected financial data related to the balance sheet and income statement as of and for the years ended December 31, 2015, 2014 and 2013 have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013, which are included elsewhere in this listing memorandum. The selected financial data related to the balance sheet and income statement as of March 31, 2016 and for the three-month periods ended March 31, 2016 and 2015 have been derived from our unaudited interim consolidated financial information as of March 31, 2016, and for the three-month periods ended March 31, 2016 and 2015, which are included elsewhere in this listing memorandum.

All of the following data reflects, in the opinion of our management, a proper presentation of our consolidated financial condition and consolidated results of operations for the respective periods. You should read this selected consolidated financial data in conjunction with our annual and interim consolidated financial statements and the corresponding footnotes thereto included in this listing memorandum.

| Selected<br>Consolidated<br>Income<br>Statement<br>Data                          | For the three-month period<br>ended March 31,   |                              |                    | For the year ended December 31,                 |                    |                              |                  |
|----------------------------------------------------------------------------------|-------------------------------------------------|------------------------------|--------------------|-------------------------------------------------|--------------------|------------------------------|------------------|
|                                                                                  | 2016                                            | 2016                         | 2015               | 2015                                            | 2015               | 2014                         | 2013             |
|                                                                                  | <i>(in thousands<br/>of US\$)<sup>(1)</sup></i> | <i>(in thousands of R\$)</i> |                    | <i>(in thousands<br/>of US\$)<sup>(1)</sup></i> |                    | <i>(in thousands of R\$)</i> |                  |
| Net sales<br>revenue.....                                                        | 761,003                                         | 2,708,332                    | 2,147,378          | 2,872,899                                       | 10,224,361         | 7,264,599                    | 5,688,625        |
| Cost of goods<br>sold .....                                                      | (447,769)                                       | (1,593,566)                  | (1,388,491)        | (1,737,685)                                     | (6,184,246)        | (5,355,664)                  | (4,190,315)      |
| <b>Gross profit .....</b>                                                        | <b>313,233</b>                                  | <b>1,114,766</b>             | <b>758,887</b>     | <b>1,135,215</b>                                | <b>4,040,115</b>   | <b>1,908,935</b>             | <b>1,498,310</b> |
| <b>Operating<br/>income<br/>(expenses)</b>                                       |                                                 |                              |                    |                                                 |                    |                              |                  |
| Selling<br>expenses.....                                                         | (29,073)                                        | (103,468)                    | (80,695)           | (115,200)                                       | (409,986)          | (300,796)                    | (250,996)        |
| General and<br>administrative<br>expenses .....                                  | (27,161)                                        | (96,662)                     | (101,631)          | (128,025)                                       | (455,629)          | (392,761)                    | (377,049)        |
| Equity pick-<br>up in<br>subsidiaries<br>and<br>affiliates.....                  | (801)                                           | (2,849)                      | -                  | -                                               | -                  | -                            | -                |
| Other<br>operating<br>income, net .....                                          | (107)                                           | (381)                        | (7,816)            | (29,368)                                        | (104,516)          | 14,191                       | 105,302          |
| <b>Operating<br/>profit before<br/>net financial<br/>income (loss) ....</b>      | <b>256,092</b>                                  | <b>911,406</b>               | <b>568,745</b>     | <b>862,622</b>                                  | <b>3,069,984</b>   | <b>1,229,569</b>             | <b>975,567</b>   |
| <b>Net financial<br/>income<br/>(expenses)</b>                                   |                                                 |                              |                    |                                                 |                    |                              |                  |
| Financial<br>income .....                                                        | 282,850                                         | 1,006,634                    | 76,737             | 80,188                                          | 285,380            | 265,351                      | 246,429          |
| Financial<br>expense.....                                                        | (79,468)                                        | (282,820)                    | (1,813,196)        | (1,324,534)                                     | (4,713,885)        | (1,858,863)                  | (1,501,970)      |
| <b>Net loss before<br/>income and<br/>social<br/>contribution<br/>taxes.....</b> | <b>459,473</b>                                  | <b>1,635,220</b>             | <b>(1,167,714)</b> | <b>(381,725)</b>                                | <b>(1,358,521)</b> | <b>(363,943)</b>             | <b>(279,974)</b> |
| <b>Income and<br/>social<br/>contribution</b>                                    |                                                 |                              |                    |                                                 |                    |                              |                  |



|                                                 | For the three-month period<br>ended March 31, |                       |                               | For the year ended December 31, |                   |                   |                  |
|-------------------------------------------------|-----------------------------------------------|-----------------------|-------------------------------|---------------------------------|-------------------|-------------------|------------------|
|                                                 | 2016                                          | 2016                  | 2015                          | 2015                            | 2015              | 2014              | 2013             |
| <b>taxes</b>                                    |                                               |                       |                               |                                 |                   |                   |                  |
| Current .....                                   | (25,083)                                      | (89,267)              | (2,362)                       | (5,353)                         | (19,052)          | (17,480)          | (9,924)          |
| Deferred .....                                  | (118,378)                                     | (421,295)             | 407,617                       | 127,067                         | 452,219           | 119,917           | 69,439           |
| <b>Net income (loss) .....</b>                  | <b>316,013</b>                                | <b>1,124,658</b>      | <b>(762,459)</b>              | <b>(260,011)</b>                | <b>(925,354)</b>  | <b>(261,506)</b>  | <b>(220,459)</b> |
| <b>Earnings (losses) per share (basic):</b>     |                                               |                       |                               |                                 |                   |                   |                  |
| Common shares .....                             | 0.27193                                       | 0.96776               | (0.65721)                     | (0.22402)                       | (0.79728)         | (0.22570)         | (0.19055)        |
| Class A preferred shares .....                  | 0.29912                                       | 1.06454               | (0.72293)                     | (0.24643)                       | (0.87701)         | (0.24828)         | (0.20961)        |
| Class B preferred shares .....                  | 0.29911                                       | 1.06452               | (0.70968)                     | (0.24473)                       | (0.87097)         | (0.25806)         | (0.22581)        |
| <b>Earnings (losses) per share (diluted):</b>   |                                               |                       |                               |                                 |                   |                   |                  |
| Common shares .....                             | 0.27099                                       | 0.96441               | (0.65511)                     | (0.22323)                       | (0.79444)         | (0.22485)         | (0.18989)        |
| Class A preferred shares .....                  | 0.29808                                       | 1.06085               | (0.72062)                     | (0.24555)                       | (0.87389)         | (0.24735)         | (0.20888)        |
| Class B preferred shares .....                  | 0.29911                                       | 1.06452               | (0.70968)                     | (0.24473)                       | (0.87097)         | (0.25806)         | (0.22581)        |
| <b>Selected Consolidated Balance Sheet Data</b> | <b>As of<br/>March 31,</b>                    |                       | <b>As of<br/>December 31,</b> |                                 |                   |                   |                  |
|                                                 | <b>2016</b>                                   | <b>2016</b>           | <b>2015</b>                   | <b>2015</b>                     | <b>2014</b>       | <b>2013</b>       |                  |
|                                                 | (in thousands of US\$) <sup>(1)</sup>         | (in thousands of R\$) | (in thousands of US\$)        | (in thousands of R\$)           |                   |                   |                  |
| <b>Current assets.....</b>                      | <b>1,994,286</b>                              | <b>7,097,463</b>      | <b>1,851,420</b>              | <b>6,589,019</b>                | <b>6,609,424</b>  | <b>6,471,714</b>  |                  |
| Cash and cash equivalents ....                  | 477,139                                       | 1,698,089             | 415,085                       | 1,477,246                       | 3,686,115         | 3,689,640         |                  |
| Financial investments .....                     | 322,145                                       | 1,146,481             | 272,795                       | 970,850                         | -                 | -                 |                  |
| Trade receivables .....                         | 495,084                                       | 1,761,955             | 529,928                       | 1,885,960                       | 1,207,398         | 1,474,141         |                  |
| Inventories .....                               | 392,855                                       | 1,398,133             | 369,776                       | 1,315,996                       | 1,077,081         | 905,256           |                  |
| Recoverable taxes .....                         | 181,434                                       | 645,705               | 167,730                       | 596,936                         | 475,632           | 310,001           |                  |
| Prepaid expenses.....                           | 10,563                                        | 37,592                | 10,437                        | 37,146                          | 18,325            | 8,721             |                  |
| Other current assets.....                       | 115,066                                       | 409,508               | 85,668                        | 304,885                         | 144,873           | 83,955            |                  |
| <b>Non-current assets .....</b>                 | <b>6,087,959</b>                              | <b>21,666,437</b>     | <b>6,089,232</b>              | <b>21,670,966</b>               | <b>21,510,032</b> | <b>20,677,629</b> |                  |
| Biological assets .....                         | 1,179,561                                     | 4,197,938             | 1,160,614                     | 4,130,508                       | 3,659,421         | 2,965,872         |                  |
| Other long-term assets.....                     | 245,069                                       | 872,175               | 242,940                       | 864,599                         | 877,288           | 935,460           |                  |
| Property, plants and equipment .....            | 4,573,788                                     | 16,277,654            | 4,593,058                     | 16,346,234                      | 16,681,253        | 16,551,707        |                  |
| Intangible assets.....                          | 88,094                                        | 313,519               | 92,620                        | 329,625                         | 292,070           | 224,590           |                  |
| Investments .....                               | 1,447                                         | 5,151                 | -                             | -                               | -                 | -                 |                  |
| <b>Total assets .....</b>                       | <b>8,082,245</b>                              | <b>28,763,900</b>     | <b>7,940,652</b>              | <b>28,259,985</b>               | <b>28,119,456</b> | <b>27,149,343</b> |                  |
| <b>Current liabilities.....</b>                 | <b>1,024,256</b>                              | <b>3,645,225</b>      | <b>986,421</b>                | <b>3,510,574</b>                | <b>3,067,645</b>  | <b>2,281,390</b>  |                  |
| Trade accounts payable.....                     | 152,395                                       | 542,358               | 163,387                       | 581,477                         | 501,555           | 876,556           |                  |
| Commercial transactions with suppliers.....     | -                                             | -                     | 58,011                        | 206,454                         | 251,544           | -                 |                  |
| Loans and financing.....                        | 642,819                                       | 2,287,728             | 510,975                       | 1,818,510                       | 1,795,355         | 1,007,157         |                  |
| Debentures.....                                 | -                                             | -                     | -                             | -                               | -                 | 1,386             |                  |
| Tax liabilities <sup>(3)</sup> .....            | 36,476                                        | 129,816               | 15,815                        | 56,285                          | 54,525            | 54,060            |                  |

|                                                    | As of<br>March 31, |                   | As of<br>December 31, |                   |                   |                   |
|----------------------------------------------------|--------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|
|                                                    | 2016               | 2016              | 2015                  | 2015              | 2014              | 2013              |
| Payroll and related charges .....                  | 33,965             | 120,877           | 46,301                | 164,782           | 141,489           | 125,650           |
| Unrealized derivative losses.....                  | 69,793             | 248,387           | 79,046                | 281,317           | 27,152            | 16,852            |
| Other liabilities <sup>(4)</sup> .....             | 88,808             | 316,059           | 112,886               | 401,749           | 296,025           | 199,729           |
| <b>Non-current liabilities.....</b>                | <b>4,159,696</b>   | <b>14,803,942</b> | <b>4,371,387</b>      | <b>15,557,330</b> | <b>14,736,679</b> | <b>14,180,714</b> |
| Loans and financing.....                           | 3,313,977          | 11,794,111        | 3,622,574             | 12,892,378        | 11,965,230        | 11,736,172        |
| Debentures.....                                    |                    |                   |                       |                   |                   | 132,270           |
| Unrealized derivative losses....                   | 94,504             | 336,329           | 99,417                | 353,814           | 100,116           | 16,187            |
| Accounts payable.....                              | 6,040              | 21,494            | 9,916                 | 35,289            | 32,878            | 8,727             |
| Deferred income and social contribution taxes..... | 409,962            | 1,459,015         | 291,632               | 1,037,889         | 1,479,235         | 1,634,210         |
| Commitments related to asset acquisitions .....    | 197,661            | 703,457           | 206,114               | 733,538           | 635,598           | 170,899           |
| Other liabilities.....                             | 137,553            | 489,536           | 141,735               | 504,422           | 523,622           | 482,249           |
| <b>Equity.....</b>                                 | <b>2,898,292</b>   | <b>10,314,733</b> | <b>2,582,843</b>      | <b>9,192,081</b>  | <b>10,315,132</b> | <b>10,687,239</b> |
| Capital .....                                      | 1,753,843          | 6,241,753         | 1,753,843             | 6,241,753         | 6,241,753         | 6,241,753         |
| Capital reserves.....                              | (55,202)           | (196,460)         | (57,853)              | (205,892)         | (217,912)         | (235,998)         |
| Profits reserve .....                              | 198,414            | 706,137           | 198,414               | 706,137           | 1,852,294         | 2,187,427         |
| Accumulated Profit.....                            | 319,562            | 1,137,290         | —                     | —                 | —                 | —                 |
| Equity valuation adjustment .                      | 693,597            | 2,468,444         | 697,147               | 2,481,076         | 2,530,217         | 2,494,057         |
| Other comprehensive income (loss) .....            | (11,923)           | (42,431)          | (8,709)               | (30,993)          | (91,220)          | 0                 |
| <b>Total equity and liabilities.....</b>           | <b>8,082,245</b>   | <b>28,763,900</b> | <b>7,940,652</b>      | <b>28,259,985</b> | <b>28,119,456</b> | <b>27,149,343</b> |

*Notes:*

- (1) Solely for the convenience of the reader, *reais* amounts as of and for the year ended December 31, 2015, and the three-month period ended March 31, 2016, have been translated into U.S. dollars at the selling rate as of March 31, 2016, of R\$3.5589 to US\$1.00.
- (2) As of December 31, 2014 and 2013, the amounts of R\$251,544 thousand and R\$253,380 thousand, respectively, related to Confirming Operations, which refers to transactions by our suppliers with certain financial institutions in order to receive in advance the amounts due, were categorized as Trade Accounts Payable on our balance sheet. As of December 31, 2015, the amount of R\$206,454 thousand related to Confirming Operations, was categorized as Loans and Financing. As of March 31, 2016, we did not have any amount recorded under Confirming Operations. For 2013, tax liabilities included tax liabilities plus income and social security contributions.
- (3) For 2013, tax liabilities included: tax liabilities plus income and social security contributions.
- (4) Other liabilities include: commitments related to asset acquisitions, accounts payable, dividends and interest on shareholders equity payable and advances from customers.

## Other Financial Information

|                                       | For the three-month period<br>ended March 31,                    |                                                  |          | For the year ended December 31,                                  |                                                  |          |         |
|---------------------------------------|------------------------------------------------------------------|--------------------------------------------------|----------|------------------------------------------------------------------|--------------------------------------------------|----------|---------|
|                                       | 2016                                                             | 2016                                             | 2015     | 2015                                                             | 2015                                             | 2014     | 2013    |
|                                       | (in millions of US\$, unless otherwise indicated) <sup>(1)</sup> | (in millions of R\$, unless otherwise indicated) |          | (in millions of US\$, unless otherwise indicated) <sup>(1)</sup> | (in millions of R\$, unless otherwise indicated) |          |         |
| EBITDA <sup>(2)</sup>                 | 355                                                              | 1,264                                            | 924      | 1,261                                                            | 4,489                                            | 2,446    | 1,865   |
| EBITDA Margin <sup>(3)</sup>          | 46.70%                                                           | 46.70%                                           | 43.00%   | 43.90%                                                           | 43.90%                                           | 33.70%   | 32.80%  |
| Adjusted EBITDA <sup>(2)</sup>        | 357                                                              | 1,269                                            | 932      | 1,291                                                            | 4,594                                            | 2,452    | 1,781   |
| Adjusted EBITDA margin <sup>(4)</sup> | 46.90%                                                           | 46.90%                                           | 43.40%   | 44.90%                                                           | 44.90%                                           | 33.80%   | 31.30%  |
| Net debt <sup>(5)</sup>               | 3,157.5                                                          | 11,237.3                                         | 11,429.4 | 3,445.7                                                          | 12,262.8                                         | 10,074.5 | 9,187.4 |

|                   |     |       |       |       |        |       |       |
|-------------------|-----|-------|-------|-------|--------|-------|-------|
| Net sales revenue | 761 | 2,708 | 2,147 | 2,873 | 10,224 | 7,265 | 5,689 |
|-------------------|-----|-------|-------|-------|--------|-------|-------|

*Notes:*

- (1) Solely for the convenience of the reader, *reais* amounts for the year ended December 31, 2015 and for the three-month period ended March 31, 2016, have been translated into U.S. dollars at the selling rate at March 31, 2016, of R\$3.5589 to US\$1.00. See "Exchange Rates" for further information about recent fluctuations in exchange rates.
- (2) We calculate EBITDA by adding back the following items to our net income (loss) for the period: net financial results, income and social contribution taxes, and depreciation and amortization. We calculate Adjusted EBITDA by excluding non-recurring and non-cash items. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance, or for operating cash flows, or as a measure of liquidity. EBITDA does not have a standardized meaning, and our definitions of EBITDA may not be comparable with those used by other companies. EBITDA presents limitations that limit their usefulness as a measure of profitability, as a result of them not considering certain costs arising from business, which may affect, significantly, our profits, as well as financial expenses, taxes and depreciation. Our management considers EBITDA, Adjusted EBITDA and Adjusted Operating Cash Generation, notwithstanding the limitations previously mentioned, and in conjunction with other accounting and financial information available, as reasonable indicators for comparisons between us and our principal competitors on the market. These non-accounting measures are used by market participants for comparative analysis of the results of business in the sector and as an indicator of our capacity to generate cash flow, albeit with certain limitations. EBITDA, Adjusted EBITDA and Adjusted Operating Cash Generation is calculated as follows:

|                                                                                                                                         | For the three-month period<br>ended March 31, |                      |            | For the year ended December 31,         |              |                      |              |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------|------------|-----------------------------------------|--------------|----------------------|--------------|
|                                                                                                                                         | 2016                                          | 2016                 | 2015       | 2015                                    | 2015         | 2014                 | 2013         |
|                                                                                                                                         | (in millions of<br>US\$) <sup>(1)</sup>       | (in millions of R\$) |            | (in millions of<br>US\$) <sup>(1)</sup> |              | (in millions of R\$) |              |
| <b>EBITDA Reconciliation</b>                                                                                                            |                                               |                      |            |                                         |              |                      |              |
| (+) Net income (loss)                                                                                                                   | 316                                           | 1,125                | (762)      | (260)                                   | (925)        | (262)                | (221)        |
| (-) Net financial result                                                                                                                | (203)                                         | (724)                | 1,736      | 1,244                                   | 4,429        | 1,594                | 1,256        |
| (-) Income and social contribution taxes                                                                                                | 143                                           | 511                  | (405)      | (122)                                   | (433)        | (102)                | (60)         |
| (+) Depreciation, amortization and depletion                                                                                            | 99                                            | 353                  | 355        | 399                                     | 1,420        | 1,216                | 889          |
| <b>EBITDA</b>                                                                                                                           | <b>355</b>                                    | <b>1,264</b>         | <b>924</b> | <b>1,261</b>                            | <b>4,489</b> | <b>2,446</b>         | <b>1,865</b> |
| Sale of participation in the Capim Branco plant                                                                                         | -                                             | -                    | -          | -                                       | -            | -                    | (125)        |
| Adjustment to fair value of biological assets                                                                                           | -                                             | -                    | -          | (7)                                     | (23)         | (13)                 | (95)         |
| Additional performance bonus                                                                                                            | -                                             | -                    | -          | -                                       | -            | -                    | 26           |
| Partial write-off of expenses related to suspended projects                                                                             | -                                             | -                    | -          | -                                       | -            | -                    | 61           |
| Commercial agreement with suppliers                                                                                                     | -                                             | -                    | -          | -                                       | -            | (32)                 | -            |
| Provision (reversal) for losses with property, plant and equipment, write-offs, taxes, doubtful accounts and provision of contingencies | 1                                             | 4                    | 8          | 14                                      | 48           | 22                   | -            |
| Fire in the warehouse of Itaquí                                                                                                         | (1)                                           | (3)                  | 1          | -                                       | 1            | -                    | -            |
| Loss from Embu sale                                                                                                                     | -                                             | -                    | -          | 6                                       | 21           | -                    | -            |
| Refund of fuel credit in Maranhão                                                                                                       | -                                             | -                    | -          | 12                                      | 41           | -                    | -            |
| Equity pick-up in subsidiaries and affiliates                                                                                           | 1                                             | 3                    | -          | -                                       | -            | -                    | -            |
| Other                                                                                                                                   | -                                             | 1                    | -          | 5                                       | 16           | 29                   | 50           |
| <b>Adjusted EBITDA</b>                                                                                                                  | <b>357</b>                                    | <b>1,269</b>         | <b>932</b> | <b>1,291</b>                            | <b>4,593</b> | <b>2,452</b>         | <b>1,781</b> |
| Sustaining capital expenditures                                                                                                         | (103)                                         | (367)                | (223)      | (312)                                   | (1,109)      | (999)                | (666)        |

|                                           |            |            |            |            |              |              |              |
|-------------------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|
| <b>Adjusted Operating Cash Generation</b> | <b>253</b> | <b>902</b> | <b>709</b> | <b>979</b> | <b>3,484</b> | <b>1,453</b> | <b>1,115</b> |
|-------------------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|

- (3) EBITDA margin means EBITDA divided by net sales revenue, expressed as a percentage.  
(4) Adjusted EBITDA margin means Adjusted EBITDA divided by net sales revenue, expressed as a percentage.  
(5) Net debt means total of loans and financing including debentures and excluding cash equivalents and financial investments as show in the following table:

|                                            | As of March 31,          |                       |                   | As of December 31,       |                       |                   |                   |
|--------------------------------------------|--------------------------|-----------------------|-------------------|--------------------------|-----------------------|-------------------|-------------------|
|                                            | 2016                     | 2016                  | 2015              | 2015                     | 2015                  | 2014              | 2013              |
|                                            | (in thousands of U.S.\$) | (in thousands of R\$) |                   | (in thousands of U.S.\$) | (in thousands of R\$) |                   |                   |
| Net debt reconciliation                    |                          |                       |                   |                          |                       |                   |                   |
| Total current loans and financing ....     | 642,819                  | 2,287,728             | 2,119,262         | 510,975                  | 1,818,510             | 1,795,355         | 1,007,157         |
| Total non-current loans and financing..... | 3,313,977                | 11,794,111            | 13,178,065        | 3,622,574                | 12,892,378            | 11,965,230        | 11,736,172        |
| Debentures .....                           | -                        | -                     | -                 | -                        | -                     | -                 | 133,656           |
| <b>Total loans and financing .....</b>     | <b>3,956,795</b>         | <b>14,081,839</b>     | <b>15,297,327</b> | <b>4,133,549</b>         | <b>14,710,888</b>     | <b>13,760,585</b> | <b>12,876,985</b> |
| Cash and cash equivalents .....            | (477,139)                | (1,698,089)           | (3,867,968)       | (415,085)                | (1,477,246)           | (3,686,115)       | (3,689,640)       |
| Financial investment .....                 | (322,145)                | (1,146,481)           | -                 | (272,795)                | (970,850)             | -                 | -                 |
| <b>Net debt .....</b>                      | <b>3,157,512</b>         | <b>11,237,269</b>     | <b>11,429,359</b> | <b>3,445,669</b>         | <b>12,262,792</b>     | <b>10,074,470</b> | <b>9,187,345</b>  |

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our consolidated financial condition and results of operations should be read together with our audited consolidated financial statements prepared in accordance with BR GAAP and IFRS as of and for the years ended December 31, 2015, 2014 and 2013, included in this listing memorandum, and with our unaudited interim consolidated financial information, prepared in accordance with BR GAAP and IFRS, as of and for the three-month periods ended March 31, 2016 and 2015, and the corresponding notes thereto, in addition to the information under "Presentation of Financial and Other Information," "Summary Financial and Operating Information" and "Selected Financial and Operating Data."*

*The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those discussed in the forward-looking statements for several reasons, including, without limitation, the risks described in "Forward-Looking Statements" and "Risk Factors." The results for the three-month period ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.*

### Summary of Critical Accounting Policies

Critical accounting practices are those that significantly affect our consolidated financial condition and results of operations and that require difficult, subjective or complex judgments by our management, and often require our management to make estimates about the impact of factors that are inherently uncertain. Accounting estimates are used to measure and recognize certain assets and liabilities in our consolidated financial statements. When we make these estimates to determine amounts to be recorded in our consolidated financial statements, we take into account past and recurring events and assumptions regarding future events, as well as other objective and subjective considerations. Critical accounting policies subject to estimates include the definition of the useful life of property, plant and equipment and goodwill; allowance for doubtful accounts; provision for inventory losses; valuation allowance for investments; impairment of property, plant and equipment and goodwill; deferred income and social contribution taxes; rates and time periods applied in the calculation of the present value of certain assets and liabilities; provisions for contingencies and actuarial liabilities; calculation of the fair value of share-based payment plans and financial instruments; and estimates used for elaboration of sensitivity analysis in connection with derivative financial instruments. The settlement of transactions involving these estimates may significantly differ from those recorded in the consolidated financial statements due to inaccuracies inherent in the estimation process. We review the estimates and assumptions at least on a quarterly basis.

#### ***Inventory***

Inventories are stated at their average acquisition or production cost, which does not exceed market value. We record provisions for inventories with low turnover ratio or that are outdated whenever we deem necessary.

#### ***Property, Plant and Equipment***

Property, plant and equipment are recorded at their cost of acquisition or construction, net of recoverable taxes, including interest and other financial charges incurred in the project's design or development, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment from financial lease agreements are recognized by the lower amount between the present value of minimum lease payments and the fair value of the related assets, plus, when applicable, initial direct costs incurred in the transaction.

Items of property, plant and equipment are depreciated using the straight-line method, as explained in the relevant footnotes to our consolidated financial statements in the profit or loss statement of the year, based on the economic-useful life of the assets, and leased items are depreciated by the shortest period between the estimated useful of the asset and the term of the contract.

On December 31, 2015, we revised the economic-useful life of our assets and did not identify adjustments that should be made to the estimated economic-useful life of each item.

Maintenance and repair expenses of key industrial equipment that do not significantly increase the useful life of these assets are recorded directly as profit or loss in the year when they are incurred.

### ***Biological Assets***

Biological assets are measured at fair value, less sales costs, and any changes are recognized in profit or loss. The valuation of eucalyptus forests was made by the management using the Income Approach method, as described in note 12 to our audited financial statement, based on the future cash flows discounted to present value, in order to reflect the economic model of a business unit solely concerned with the eucalyptus forest.

### ***Goodwill***

Goodwill refers to the positive difference between the amount transferred for acquisition, and the net fair value of assets and liabilities acquired, from an entity. Goodwill balance is not amortized, but should be attributed to one or more cash-generating units, which are not subject to certain impairment tests at least once a year. If the recoverable value of the cash-generating unit is less than the book value of the investment, including goodwill, an impairment loss is recognized with a corresponding entry in profit or loss for the year. Impairment losses, when incurred, cannot be reversed in subsequent periods.

### ***Contingencies***

On an annual basis, we review and, if indicated, revise the net book value of our assets with the purpose of identifying events or changes in economic, operating or technological circumstances, which may result in the deterioration or loss of an asset's value. When such events or circumstances are verified so that the net book value of our assets exceed the respective recoverable amount, we record an impairment provision, thereby adjusting net book value to recoverable amount.

Contingent assets are only recorded when court decision favorable to us were not able to be appealed and the amount can be reliably measured. Contingent liabilities are recognized by observing: (i) contingent liability taking into account remote losses are not provisioned nor disclosed; (ii) contingent liability taking into account possible loss not as a provision but as an explanatory note; and (iii) contingent liability taking into account probable losses in an amount deemed sufficient by management and legal counsel to cover future cash disbursements.

When we determined the fair value of our assets, we took into account all the costs including implementation, renovation and maintenance, net of taxes.

### ***Actuarial Liabilities***

Defined benefit plans are evaluated by an independent actuarial appraiser at the end of each fiscal year to ensure that the current contribution rates are sufficient to provide for adequate reserves. Actuarial gains or losses are recognized directly in shareholders' equity and directly recorded in our income statement under financial expenses.

### ***Current and Deferred Corporate Income Tax and Social Contribution on Net Income***

Income tax and social contribution in the fiscal year are determined based on current and deferred tax bases. These taxes are calculated based on the tax laws in force on the balance sheet date in countries where we and our subsidiaries operate, and are recognized in the income statement, except when referring to items recorded in shareholders' equity.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities and they are related to income tax levied by the same tax authority on the same entity subject to taxation. A deferred income and social contribution tax asset is recognized for tax losses, tax credits and unused deductible temporary differences when it is probable that future profits subject to taxation will be available to be used against such assets.

Deferred income and social contribution tax assets are revised at each reporting date and will be deducted as their realization is no longer probable.

Income tax and social contribution tax, both calculated based on taxable income, are calculated at the rates prevailing at the dates of the balance sheets. For 2015, these rates were 25% for income tax (15% on taxable income plus 10% for profits exceeding the value resulting of R\$20 thousand multiplied by the number of months of the respective assessment period). Additions to book income of temporarily nondeductible expenses or exclusions temporarily non-taxable upon determination of current taxable profit, generate deferred tax credits or debits, respectively. Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities, and they relate to income taxes from the same tax authority incident on the same entity. A deferred income taxable and social contribution taxable asset is registered as a tax loss. By the same rational, when there is a taxable base, the deferred asset can be used to offset part of the payable income tax and social contribution tax (to the effect of 30% of the asset's value). Deferred income tax and social contribution tax assets are reviewed each reporting date and are reduced to the extent that their realization becomes improbable. Estimates and tax recovery assumptions are supported by projections of taxable income taking into consideration market, financial and business assumptions. Accordingly, these estimates are subject to error.

### ***Share-based Payments***

A portion of our executives and managers compensation is paid under (i) a share-based payment plan settled in cash, and (ii) a share-based payment plan settled in stock with the option of a settlement in cash.

Our expenses with our share-based payment plan settled in cash are initially recognized in our income statement during the period in which services are being provided to us, with a corresponding entry in financial liabilities, based on the fair value at the moment that compensation benefits under such plan are granted. We then re-evaluate this liability at fair value on the date of each balance sheet, and variations are recorded under administrative expenses in our income statement.

Our expenses with our share-based payment plan settled in stock with the option of a settlement in cash are recognized in our income statement in the same way as the expenses with our share-based payment plan settled in cash described above. However, at the exercise of an option with settlement in shares, the financial liability is reclassified to an account in our shareholders' equity called "stock options reserve." If the settlement is in cash, we settle this financial liability by paying the relevant executive or manager in cash.

### ***Financial Instruments***

We recognize financial instruments at the moment we become a party to the contractual provisions relating to these instruments. Once recognized, our financial instruments are recorded at fair value plus transaction costs relating directly to the acquisition or issuance of those financial instruments, except for financial assets and liabilities classified in this category at fair value based on the result, in which case the expenses are recognized directly in our results for the period. Subsequent measurements happen on the date of each balance sheet, in accordance with the rules applicable to each type of financial asset and liability. We do not adopt "hedge accounting," as provided under CVM rules.

The fair value of financial instruments actively traded on the organized markets is determined based on the market quotes on the balance sheets closing dates. In the lack of an active market, the fair value is determined through valuation techniques, which include the use of recent market arm's length transactions, benchmark to the fair value of similar financial instruments, discounted cash flows analysis or other valuation models.

## **Principal Factors Affecting Our Revenues and Operating Results**

### ***Principal Operating Factors***

Our results of operations for the years ended December 31, 2015, 2014 and 2013, and the three-month period ended March 31, 2016 have been significantly influenced, and our results of operations will continue to be influenced, by a variety of operating factors, including:

- capacity and production volumes;
- volume of pulp sales;

- allocation of our pulp exports per region;
- volume of paper sales;
- allocation of our paper sales between local and international markets;
- wood supply;
- cost of raw materials;
- energy matrix; and
- logistics costs.

### ***Principal Macroeconomic Factors***

#### ***Volatility of International Prices***

The variation of the *real* against the U.S. dollar has affected and will continue to affect our financial condition and consolidated operating results when expressed in *reais*, in addition to impacting our revenues, expenses and assets denominated in foreign currency.

Sales revenues from exports and, therefore, our operating cash flow, are directly and immediately affected by the variation of the average exchange rate between the *real* and the U.S. dollar. In the years ended December 31, 2015, 2014 and 2013, net sales revenue derived from exports denominated in U.S. dollars represented, respectively, 69.4%, 58.0% and 52.4% of our net sales revenue. The depreciation of the real causes an increase in such revenues when expressed in *reais*, while the appreciation of the real results in lower sales revenue from exports. Revenues in the domestic market are indirectly influenced by the variation of the exchange rate, given that the imported paper quoted in U.S. dollars gains or loses competitiveness in the domestic market depending on the exchange rate.

Our costs and operating expenses, such as freight and insurance costs related to exports and costs of chemicals used as raw materials, among others, are also affected by currency fluctuations. Therefore, the depreciation of the real results in increases in such costs and expenses, when expressed in *reais*, while the appreciation of the real results in the reduction of costs and expenses.

Our consolidated balance sheet items indexed in foreign currency, especially short- and long-term loans and financing, foreign accounts and accounts receivable from clients and inventory abroad, are also directly affected by variations in exchange rates.

The current and non-current portions of our consolidated indebtedness denominated in foreign currency totaled R\$9,677 million, or 65.8% of our gross indebtedness as of December 31, 2015. This amount is almost entirely tied to the U.S. dollar and therefore the exchange rate variations directly affect our results at the end of each fiscal year.

#### ***Inflation***

Our financial condition and results of operations are also affected by inflation. Costs and expenses, with the exception of certain U.S. dollar-denominated expenses (such as those related to export sales and chemical raw material purchases), are generally incurred in *reais* and tend to reflect the effects of inflation.

#### ***Interest Rates***

Exposure to interest rate fluctuations is essentially related to:

- Fluctuations in LIBOR, which affect our loans denominated in U.S. dollars; and



- Fluctuations in the Brazilian Long Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, and the Brazilian Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or CDI, which affects investments and loans denominated in *reais*.

The interest rate applicable to our financial investments denominated in *reais* is based on the CDI. Our financial investments denominated in U.S. dollars earn interest based on rates tied to U.S. Treasury notes.

#### *Capacity and Production Volume*

Our results are also affected by capacity and production volume constraints.

#### *United States*

Our financial condition and results of operations are influenced by macroeconomic conditions in the United States.

In the past years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity and greater volatility. Global economic conditions deteriorated significantly between 2007 and 2009, and the United States fell into recession. On August 6, 2011, Standard & Poor's downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years.

During 2015 and 2016, the United States economy has continued its gradual recovery since the global economic and financial crisis of 2007-2008. In 2015, consumer sentiment reached its highest level in over 10 years, in spite of volatility associated with the impact of falling oil prices and a slowdown in key economies such as China. Labor market conditions and household and business spending maintained modest improvements. In 2015, the United States economy recovered jobs lost during the recession, adding almost 2.73 million jobs in 2015, while total unemployment fell to 5.0% in December 2015. Despite stronger economic data in various regions, wage growth, energy prices, credit market volatility, emerging market and geopolitical concerns continue to weigh on investor sentiment.

The U.S. economy is believed to have expanded by an annualized rate of 0.5% during the first quarter of 2016 according to the U.S. Bureau of Economic Analysis's advance estimate, below the average annual increase of 2.4% for the 12 months ended 2015. According to the New York Federal Reserve's economic staff report of April 15, 2016, U.S. gross domestic product, or GDP, is expected to expand by 2.0% in 2016 and 1.75% in 2017. This moderate pace of growth should keep interest rates and inflation low by historical standards.

The Bureau of Labor Statistics preliminarily reported that employers added a monthly average of 209,000 net new payroll jobs during the first quarter of 2016, as compared to 196,000 in the corresponding period in the prior year. U.S. employers added 215,000 jobs in March of 2016, versus the trailing twelve-month average of 234,000. Despite the return to pre-recession unemployment rates (5.0% as of March 2016), the number of long-term unemployed and the labor force participation rate (the latter of which is near a 38-year low) remain disappointing for many economists.

The 10-year U.S. Treasury yield ended the first quarter of 2016 at 1.78%, down over 50 basis points from the prior quarter-end, but up from its recent low of 1.68% on January 30, 2015. 10-year U.S. Treasury yields have remained well below its historic average over the last few decades, in large part due to market expectations that the Federal Reserve Open Market Committee will only moderately raise the federal funds rate over the next few years.

#### *China*

Our financial condition and results of operations are influenced by macroeconomic conditions in China as China is a significant consumer of the products of our industry.

The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The People's Republic of China, or China, government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant

control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of the productive assets in Chinese is still owned by the Chinese government. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

China experienced a long period of economic growth that peaked in 2007 when the economy began to decelerate. We believe that a number of factors have contributed to this deceleration, including appreciation of the RMB, which has adversely affected China's exports, and excess production capacity. In addition, we believe the deceleration has been exacerbated by the global crisis in the financial services and credit markets, which has resulted in significant volatility and dislocation in the global capital markets, as well as a general economic slowdown in the countries that purchase Chinese exports.

In part due to lower export demand resulting from slow economic recoveries in the United States and Europe and a weak economic environment in Japan, China's GDP growth decelerated since 2012. China's year-over-year GDP growth rate in 2015, 6.9%, slowed from 7.3% in 2014 and 7.4% in 2013.

Slowing economic growth in China could result in weakening growth and demand for our products which could reduce our revenues and income. The failure of the Chinese to continue to grow at historical or anticipated rates, or at all, and any slowdowns or declines in the Chinese economy or consumer spending, may materially and adversely affect our business, financial condition, results of operations and prospects. In addition, in the event of a recovery in the Chinese economy, renewed high growth levels may lead to inflation. The Chinese government's attempts to control inflation may adversely affect the business climate and growth of private enterprise. Moreover, our profitability may be adversely affected if prices for our products rise at a rate that is insufficient to compensate for the rise in inflation.

## **Brazil**

Our financial condition and results of operations are influenced by the Brazilian macroeconomic environment. The effects of the global financial crisis in Brazil in 2008 and 2009 were moderate in comparison with the effects of previous crises. While liquidity in the Brazilian banking industry was affected by the global financial crisis, the Central Bank provided liquidity to the Brazilian market during this period. Brazil's gross GDP decreased 0.2% in 2009 and increased by 7.6%, 3.9%, 1.8%, 2.7%, and 0.1% in 2010, 2011, 2012, 2013 and 2014, respectively. The Brazilian economy began to stall in 2014 due to a number of factors including weak fiscal policies, lower commodity prices, decreased internal consumption and reduced foreign investment resulting from increased political and market instability. Accordingly, Brazil's GDP contracted by 3.8% in 2015.

The inflation rate index for consumer goods (*Índice Nacional de Preços ao Consumidor Amplo*), or the IPCA, as published by the IBGE, was 5.91%, 6.41% and 10.67% in 2013, 2014 and 2015, respectively.

After appreciating for several years, the *real* has depreciated significantly against the U.S. dollar since 2011. After reaching an exchange rate of R\$1.66 per US\$1.00 as of December 31, 2010, in 2011, the *real* depreciated against the U.S. dollar by 12.5%, reaching an exchange rate of R\$1.87 per US\$1.00 as of December 31, 2011. In 2012, the *real* depreciated against the U.S. dollar by 9.9%, reaching an exchange rate of R\$2.04 per US\$1.00 as of December 31, 2012. During 2013, the *real* continued to depreciate against the U.S. dollar by 14.7%, reaching an exchange rate of R\$2.34 per US\$1.00 as of December 31, 2013. As a result of the aforementioned political and economic instability, the *real* also continued its decline against the U.S. dollar in 2014 and 2015, reaching R\$2.66 per US\$1.00 on December 31, 2014 and R\$3.90 per US\$1.00 on December 31, 2015. As of March 31, 2016, the *real*/U.S. dollar exchange rate was R\$3.56 per US\$1.00.

In response to the effects of the global financial crisis on the Brazilian economy, in 2009 the Central Bank significantly reduced the *Sistema Especial de Liquidação e Custódia*, or SELIC, rate, from 13.75% to 8.75% as of December 31, 2009. In 2010, the Central Bank raised the SELIC rate to 10.75%. The SELIC rate was gradually lowered to 7.50% in August 2012. To control inflation during 2013, the Central Bank gradually raised the SELIC rate to 10.00% in December. The Central Bank continued to raise the SELIC rate to 11.75% in December 2014 and 14.25% in July 2015, where it remains as of the date of this listing memorandum.

The table below shows GDP growth, inflation rates and average interest rates in Brazil and the real/U.S. dollar exchange rate for the periods indicated:

|                                                                           | Three-month period ended<br>March 31, |          | Year ended December 31, |          |          |
|---------------------------------------------------------------------------|---------------------------------------|----------|-------------------------|----------|----------|
|                                                                           | 2016                                  | 2015     | 2015                    | 2014     | 2013     |
| GDP growth <sup>(1)</sup> .....                                           | N/A                                   | (0.2)%   | (3.8)%                  | 0.1%     | 2.7%     |
| CDI rate <sup>(2)</sup> .....                                             | 3.25%                                 | 2.81%    | 13.24%                  | 10.81%   | 8.06%    |
| TJLP (end of period) <sup>(3)</sup> .....                                 | 7.50%                                 | 5.50%    | 7.00%                   | 5.00%    | 5.00%    |
| SELIC rate (end of period) <sup>(4)</sup> .....                           | 14.25%                                | 12.75%   | 14.25%                  | 11.75%   | 10.00%   |
| Increase (decrease) in <i>real</i> value against<br>the U.S. dollar ..... | 10.26%                                | (41.77)% | (32.0)%                 | (13.39)% | (14.70)% |
| Selling exchange rate (at period end) R\$<br>per US\$1.00 .....           | R\$3.56                               | R\$3.21  | R\$3.90                 | R\$2.66  | R\$2.34  |
| Average exchange rate R\$ per US\$1.00 <sup>(5)</sup> .....               | R\$3.70                               | R\$3.14  | R\$3.39                 | R\$2.35  | R\$2.16  |
| Inflation (deflation) (IGP-M) <sup>(6)</sup> .....                        | 2.97%                                 | 3.15%    | 10.54%                  | 3.68%    | 5.53%    |
| Inflation (deflation) (IPCA) <sup>(7)</sup> .....                         | 2.62%                                 | 3.83%    | 10.67%                  | 6.41%    | 5.91%    |

Sources: BNDES, Central Bank, FGV, IBGE and LCA Consultores.

Notes:

- (1) Source: IBGE. Revised series.
- (2) The Interbank Deposit Certificate (*Certificado de Depósito Interbancário*), or the CDI rate, is the average daily interbank deposit rate in Brazil (at the end of each month and annually).
- (3) Long-Term Interest Rate (*Taxa de Juros de Longo Prazo*), or the TJLP, represents the interest rate applied by the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, for long-term financing (at the end of the period).
- (4) The benchmark interest rate payable to holders of some securities issued by the Brazilian government and traded on the SELIC.
- (5) Average of the selling exchange rate for the last day of each month during the period.
- (6) The inflation rate is the general index of market prices (*Índice Geral de Preços do Mercado*), or the IGP-M, as calculated by FGV.
- (7) The inflation rate is the IPCA, as calculated by the IBGE.

## Tax Incentives and Tax Credits

The Brazilian government has granted tax incentives to develop industrial activities in certain regions, including SUDENE. In general, tax incentives linked to SUDENE: (i) apply only to the income tax and surtax, but not to the social contribution tax; (ii) are usually valid for 10 years; (iii) are usually related to industrial projects or the expansion, modernization and/or diversification of industrial projects; and (iv) must be reinvested in the operating activities of the companies that received these incentives.

Our Imperatriz and Mucuri Units receive a tax benefit granted by SUDENE that result in a 75% reduction of the income tax applicable to its cellulose and paper activities until December 31, 2024. Moreover, we are currently allowed to carry out the accelerated depreciation of the assets acquired for our Imperatriz Unit until December 31, 2018.

The tax reduction resulting from this benefit is not accounted for as a revenue in our consolidated income statement. However, at the end of each fiscal year, after we determine our consolidated net income, the tax reduction for the year is partially allocated to our capital reserve as a tax incentive reserve, in accordance with the legal obligation not to distribute the tax benefit as dividends. Our tax reduction in the three-month period ended March 31, 2016 amounted to R\$89,225 thousand. We did not use the tax benefit in the three-month period ended March 31, 2015.

Whenever we record a loss in a particular fiscal year, this loss may be offset against future taxable income, thus generating a tax credit. In general, these tax credits: (i) may be offset against income and social contribution taxes due in any year in which we have taxable income, up to the limit of 30% of income and social contribution taxes then due; and (ii) are not subject to an expiration date.

We also benefit from several tax incentives granted by Brazilian states and by the federal district that grant to us the reduction or deferral in the payment of the tax on circulation of goods and services, or ICMS.

## Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements and final information prepared and presented in accordance with IFRS. References to increases or decreases in any year or period are made by comparison with the corresponding prior year or period, except as the context otherwise indicates.

### Three-Month Period ended March 31, 2016 compared to Three-Month Period ended March 31, 2015.

The table below sets forth our results of operations for the three-month periods ended March 31, 2016 and 2015:

|                                                                      | For the three-month period ended<br>March 31, |                    | % variance    |
|----------------------------------------------------------------------|-----------------------------------------------|--------------------|---------------|
|                                                                      | 2016                                          | 2015               |               |
|                                                                      | (in thousands of R\$)                         |                    |               |
| Net sales revenue .....                                              | 2,708,332                                     | 2,147,378          | 26.1%         |
| Cost of goods sold .....                                             | (1,593,566)                                   | (1,388,491)        | 14.8%         |
| <b>Gross profit .....</b>                                            | <b>1,114,766</b>                              | <b>758,887</b>     | <b>46.9%</b>  |
| <b>Operating income (expenses)</b>                                   | <b>(203,360)</b>                              | <b>(190,142)</b>   | <b>6.9%</b>   |
| Selling expenses.....                                                | (103,468)                                     | (80,695)           | 28.2%         |
| General and administrative expenses .....                            | (96,662)                                      | (101,631)          | (4.9)%        |
| Equity pick-up in subsidiaries and affiliates .....                  | (2,849)                                       | -                  | N/A           |
| Other expense, net .....                                             | (381)                                         | (7,816)            | (95.1)%       |
| Other operating income (expense), net .....                          | -                                             | -                  | -             |
| <b>Operating profit before net financial income (loss) .....</b>     | <b>911,406</b>                                | <b>568,745</b>     | <b>60.2%</b>  |
| <b>Net financial income (expenses)</b>                               | <b>723,814</b>                                | <b>(1,736,459)</b> | <b>N/A</b>    |
| Financial income .....                                               | 1,006,634                                     | 76,737             | N/A           |
| Financial expenses .....                                             | (282,820)                                     | (1,813,196)        | (84.4)%       |
| <b>Net income (loss) before income and social contribution taxes</b> | <b>1,635,220</b>                              | <b>(1,167,714)</b> | <b>N/A</b>    |
| <b>Income and social contribution taxes</b>                          | <b>(510,562)</b>                              | <b>405,255</b>     | <b>N/A</b>    |
| Current.....                                                         | (89,267)                                      | (2,362)            | N/A           |
| Deferred.....                                                        | (421,295)                                     | 407,617            | N/A           |
| <b>Net income (loss) .....</b>                                       | <b>1,124,658</b>                              | <b>(762,459)</b>   | <b>247.5%</b> |

### Net sales revenue

Net sales revenue increased 26.1%, or R\$560,954 thousand, from R\$2,147,378 thousand in the three-month period ended March 31, 2015 to R\$2,708,332 thousand in the corresponding period in 2016, mainly due to the increase in pulp and paper sales (as described below), the increase in pulp prices (with depreciation of the *real* offsetting the decreased list prices in U.S. dollar), increased paper prices in the domestic market and the depreciation of the *real* against the U.S. dollar, which had a positive impact on export revenue.

Net sales revenue from pulp increased 29.3%, or R\$417,147 thousand, from R\$1,424,683 thousand in the three-month period ended March 31, 2015 to R\$1,841,830 thousand in the corresponding period in 2016. Net sales revenue from pulp represented 66.3% of total net sales in the three-month period ended March 31, 2015, compared to 68.0% in the corresponding period in 2016. Our average domestic and international net sales price of pulp in the three-month period ended March 31, 2016 was R\$2,033/ton, 22.3% higher than for the corresponding period in 2015 of R\$1,663/ton, reflecting the increase of the *real* against the U.S. dollar.

Net sales revenue from paper increased 19.9%, or R\$143,807 thousand, from R\$722,695 thousand in the three-month period ended March 31, 2015 to R\$866,502 thousand in the corresponding period in 2016. Net sales revenue from paper represented 33.7% of total net sales in the three-month period ended March 31, 2015, compared to 32.0% in the corresponding period in 2016. The increase in net revenue from paper in the three-month period ended March 31, 2015 compared to the corresponding period in 2016 is explained by the price increase announced and by the higher sales volume. Our average domestic and international net sales price of paper in the three-month period ended March 31, 2016 was R\$3,159/ton, 12.8% higher than in the corresponding period in 2015 of R\$2,801/ton.

#### ***Cost of goods sold***

Cost of goods sold increased 14.8%, from R\$1,388,491 thousand in the three-month period ended March 31, 2015 to R\$1,593,566 thousand in the corresponding period in 2016, primarily as a result of the increase in pulp sales volume, the effect of exchange rate variation on raw materials linked to the U.S. dollar and lower energy sales.

#### ***Gross profit***

Gross profit increased 46.9%, or R\$355,879 thousand, from R\$758,887 thousand in the three-month period ended March 31, 2015 to R\$1,114,766 thousand in the corresponding period in 2016, due to the factors mentioned above. Our gross margin for the three-month period ended March 31, 2016 was 41.1% compared to 35.3% in the corresponding period in 2015. This increase is mainly due to the increase in sales revenues related to the depreciation of the *real* against the U.S. dollar, and was partially offset by a 11.1% increase in our variable costs, which are not fully subject to exchange rate variation.

#### ***Selling, general and administrative expenses***

Selling expenses increased 28.2%, or R\$22,773 thousand, from R\$80,695 thousand in the three-month period ended March 31, 2015 to R\$103,468 thousand in the corresponding period in 2016. This increase was mainly the result of an increase in sales volume and its overall impact on logistics expenses.

General and administrative expenses decreased 4.9%, or R\$4,969 thousand from R\$101,631 thousand in the three-month period ended March 31, 2015 to R\$96,662 thousand in the same period in 2016. This decrease was mainly due to lower expenses with variable compensation.

#### ***Other income, net***

Other income had a net loss of R\$381 thousand in the three-month period ended March 31, 2016, compared to a net loss of R\$7,816 thousand in the same period in 2015. On March 31, 2016, the amount referred to R\$4,144 thousand in write-offs related to losses and claims with biological assets and R\$1,275 thousand with property, plant and equipment. On March 31, 2015, the amount referred to R\$5,514 thousand in write-offs related to losses and claims with biological assets and R\$3,266 thousand with property, plant and equipment.

#### ***Net financial income (expenses)***

Net financial income increased to a gain of R\$723,814 thousand in the three-month period ended March 31, 2016, from a loss R\$1,736,459 thousand in the same period in 2015. This increase was largely due to the effects from exchange rate variation. Monetary and exchange rate variation generated a positive impact of R\$698,180 million in the quarter ended March 31, 2016, due to the impact of *real* appreciation of 8.9% between March 1, 2016 (R\$3.90 to U.S.\$1.00) and March 31, 2016 (R\$3.56 to U.S.\$1.00), which resulted in a decrease of *real* amounts of debt recorded on our balance sheet.

#### ***Income (loss) before income and social contribution taxes***

Income before income and social contribution taxes increased 240.0%, or R\$2,802,934 thousand, from a loss of R\$1,167,714 thousand in the three-month period ended March 31, 2015 to a gain of R\$1,635,220 thousand in the same period in 2016, for the reasons mentioned above.

### ***Income and social contribution taxes***

Income and social contribution taxes increased from a gain of R\$405,225 thousand in the three-month period ended March 31, 2015 to an expense of R\$510,562 thousand in the same period of 2016, as a result of the significant increase in income before income and social contribution taxes, which led to a decrease in the deferred portion of these taxes.

### ***Net income (loss)***

As a result of the factors described in more detail above, net income increased 247.5%, or R\$1,887,117 thousand, from a loss of R\$762,459 thousand in the three-month period ended March 31, 2015 to a net income of R\$1,124,658 thousand in the corresponding period in 2016.

### **Year ended December 31, 2015 compared to Year ended December 31, 2014.**

The table below sets forth our results of operations for the years ended December 31, 2015 and 2014:

|                                                                  | <b>For the year ended December 31,</b>                   |                    | <b>% variance</b> |
|------------------------------------------------------------------|----------------------------------------------------------|--------------------|-------------------|
|                                                                  | <b>2015</b>                                              | <b>2014</b>        |                   |
|                                                                  | <i>(in thousands of R\$, unless otherwise indicated)</i> |                    |                   |
| Net sales revenue .....                                          | 10,224,361                                               | 7,264,599          | 40.7%             |
| Cost of goods sold .....                                         | (6,184,246)                                              | (5,355,664)        | 15.5%             |
| <b>Gross profit .....</b>                                        | <b>4,040,115</b>                                         | <b>1,908,935</b>   | <b>111.6%</b>     |
| <b>Operating income (expenses)</b>                               | <b>(970,131)</b>                                         | <b>(679,366)</b>   | <b>42.8%</b>      |
| Selling expenses.....                                            | (409,986)                                                | (300,796)          | 36.3%             |
| General and administrative expenses .....                        | (455,629)                                                | (392,761)          | 16.0%             |
| Other operating (expense) income, net.....                       | (104,516)                                                | 14,191             | N/A               |
| <b>Operating profit before net financial income (loss) .....</b> | <b>3,069,984</b>                                         | <b>1,229,569</b>   | <b>149.7%</b>     |
| <b>Net financial income (expenses)</b>                           | <b>(4,428,505)</b>                                       | <b>(1,593,512)</b> | <b>N/A</b>        |
| Financial income .....                                           | 285,380                                                  | 265,351            | 7.5%              |
| Financial expenses .....                                         | (4,713,885)                                              | (1,858,863)        | 153.6%            |
| <b>Net loss before income and social contribution taxes</b>      | <b>(1,358,521)</b>                                       | <b>(363,943)</b>   | <b>273.3%</b>     |
| <b>Income and social contribution taxes</b>                      | <b>433,167</b>                                           | <b>102,437</b>     | <b>323.0%</b>     |
| Current.....                                                     | (19,052)                                                 | (17,480)           | 9.0%              |
| Deferred.....                                                    | 452,219                                                  | 119,917            | 277.1%            |
| <b>Net income (loss) .....</b>                                   | <b>(925,354)</b>                                         | <b>(261,506)</b>   | <b>253.9%</b>     |

### ***Net sales revenue***

Net sales revenue increased 40.7%, or R\$2,959,762 thousand, from R\$7,264,599 thousand in the year ended December 31, 2014 to R\$10,224,361 thousand in the corresponding period in 2015, driven by higher pulp prices in *reais*, due to the currency's depreciation against the U.S. dollar, higher list prices and higher sales volume. The sales volume of paper and pulp in 2015 was 4.5 million tons, compared to 4.2 million tons in 2014.

Net sales revenue from pulp increased 71.5%, or R\$2,752,103 thousand, from R\$3,851,303 thousand in the year ended December 31, 2014 to R\$6,603,406 thousand in the corresponding period in 2015. Net sales revenue from pulp represented 53.0% of total net sales in the year ended December 31, 2014, compared to 64.6% in the corresponding period in 2015. Our average domestic and international net sales price of pulp in the year ended December 31, 2015 was R\$2,006/ton, 48.5% higher than the corresponding period in 2014 of R\$1,351/ton, reflecting the 41.6% depreciation in the *real* in 2015.

Net sales revenue from paper increased 6.1%, or R\$207,659 thousand, from R\$3,413,296 thousand in the year ended December 31, 2014 to R\$3,620,955 thousand in the corresponding period in 2015. Net sales revenue from paper represented 47.0% of total net sales in the year ended December 31, 2014, compared to 35.4% in the corresponding period in 2015. Our average domestic and international net sale price of paper in the year ended December 31, 2015 was R\$2,944/ton, 14.1% higher than in the corresponding period in 2014 of R\$2,581/ton.

### ***Cost of goods sold***

Total cost of goods sold increased 15.5%, or R\$828,582 thousand, from R\$5,355,664 thousand in the year ended December 31, 2014 to R\$6,184,246 thousand in the corresponding period in 2015. This increase is explained by higher wood costs due to the longer average distance in the supply mix, higher logistics expenses due to the increase in pulp sales volume, the effect from exchange variation on raw materials linked to the U.S. dollar and on logistics expenses in the export market, and higher fixed and variable industrial costs. Despite this increase, the ratio of cost of goods sold to net sales revenue decreased from 73.7% in the year ended December 31, 2014 to 60.5% in the corresponding period of 2015, due to the depreciation of the *real* to U.S. dollar, which directly impacted U.S. dollar-denominated sales to international markets and due to a corporate program to control and reduce our costs and expenses.

### ***Gross profit***

Gross profit increased 111.6%, or R\$2,131,180 thousand, from R\$1,908,935 thousand in the year ended December 31, 2014 to R\$4,040,115 thousand in the corresponding period in 2015, as a result of the factors mentioned above. Our gross margin for the year ended December 31, 2015 was 39.5% compared to 26.3% in the corresponding period in 2014. This increase is mainly due to the increase in sales revenues to external markets as a result from the exchange rate variation during the period and was partially offset by a 14.1% increase in our variable costs, which are not fully subject to exchange rate variation.

### ***Selling, general and administrative expenses***

Selling expenses increased 36.3%, or R\$109,190 thousand, from R\$300,796 thousand in the year ended December 31, 2014 to R\$409,986 thousand in the year ended December 31, 2015. This increase was mainly a result of an increase in logistical expenses driven by the Brazilian real depreciation (an increase of 41.6% from an average of R\$2.36 to U.S.\$1.00 in the year ended December 31, 2014, as compared to an average exchange rate of R\$3.34 to U.S.\$1.00 in the corresponding period of 2015), increased sales volume and the more extensive geographic distribution of sales.

General and administrative expenses increased 16.0%, or R\$62,868 thousand, from R\$392,761 thousand in the year ended December 31, 2014 to R\$455,629 thousand in the same period in 2015. This increase was mainly due to higher expenses related to variable compensation, information and technology (IT) costs and labor claims. Administrative expenses as a ratio of net revenue was 4.5% for the year ended December 31, 2015, decreasing 0.9% from the ratio in 2014. The decrease in selling expenses and, general and administrative expenses as a percentage of net sales revenue was mainly due to the offsetting of expenses by increased sales volume from the Imperatriz Unit and to the implementation of the cost-cutting initiatives established in the matrix budget process.

### ***Other operating (expense) income, net***

Other operating expense amounted to R\$104,516 thousand in 2015, compared to an income of R\$14,191 thousand in 2014. On December 31, 2015, we wrote-off R\$46,657 thousand related to losses and claims of biological assets and R\$6,507 thousand related to property, plant and equipment as compared to write-offs of R\$17,431 thousand related to obsolete operating assets and R\$16,005 thousand for the constitution of a provision for losses on operating assets in December 31, 2014. On December 31, 2015, we wrote-off a R\$40,943 thousand of ICMS credit not approved in the state of Maranhão and a R\$20,731 thousand from the loss from the sale of Embu-São Paulo production unit to Ibema as compared to a R\$31,500 thousand write-off related to a commercial agreement with our former supplier, due to credits outstanding from the commercial relationship, and a R\$10,756 write-off related to the receipt of a portion of the credits from compulsory loans claimed through lawsuits against Centrais Elétricas Brasileiras S.A. – Eletrobrás.

### ***Net financial income (expenses)***

Net financial expenses increased to R\$4,428,505 thousand in the year ended December 31, 2015, of R\$1,593,512 thousand in the corresponding period in 2014. This increase was largely due to the effect from exchange rate variations in the period and results from derivative operations.

Monetary and exchange variation generated a negative impact of R\$2,828,407 thousand in the year ended December 31, 2015, due to the impact of *real* depreciation between January 1, 2015 (R\$2.66 to U.S.\$1.00) and December 31, 2015 (R\$3.90 to U.S.\$1.00) of the year, which resulted in the increase of *real* amounts of debt recorded on our balance sheet. We recorded a loss in derivative operations recorded of R\$630,251 thousands in the year ended December 31, 2015, compared to a loss of R\$57,390 thousand in the corresponding period of 2014.

#### ***Net loss before income and social contribution taxes***

Net loss before income and social contribution taxes increased 273.3%, or R\$994,578 thousand, from R\$363,943 thousand in the year ended December 31, 2014 to R\$1,358,521 thousand in the corresponding period in 2015, due to the factors mentioned above.

#### ***Income and social contribution taxes***

Gain from income and social contribution taxes increased 323.0%, or R\$330,730 thousand, from a gain of R\$102,437 thousand in the year ended December 31, 2014 to a gain of R\$433,167 thousand in the corresponding period in 2015 as a result of the significant increase in net loss before income and social contribution taxes, which led to an increase in the deferred portion of these taxes.

#### ***Net income (loss)***

Net loss increased R\$663,848 thousand, from R\$261,506 thousand in the year ended December 31, 2014 to R\$925,354 thousand in the corresponding period in 2015. This increase in net loss was a result of the factors mentioned above.

#### **Year ended December 31, 2014 compared to Year ended December 31, 2013.**

The table below sets forth our results of operations for the years ended December 31, 2014 and 2013:

|                                                                  | <b>For the year ended December 31,</b> |                    | <b>% variance</b> |
|------------------------------------------------------------------|----------------------------------------|--------------------|-------------------|
|                                                                  | <b>2014</b>                            | <b>2013</b>        |                   |
|                                                                  | <i>(in thousands of R\$)</i>           |                    |                   |
| Net sales revenue .....                                          | 7,264,599                              | 5,688,625          | 27.7%             |
| Cost of goods sold .....                                         | (5,355,664)                            | (4,190,315)        | 27.8%             |
| <b>Gross profit .....</b>                                        | <b>1,908,935</b>                       | <b>1,498,310</b>   | <b>27.4%</b>      |
| <b>Operating income (expenses)</b>                               | <b>(679,366)</b>                       | <b>(522,743)</b>   | <b>30.0%</b>      |
| Selling expenses.....                                            | (300,796)                              | (250,996)          | 19.8%             |
| General and administrative expenses .....                        | (392,761)                              | (377,049)          | 4.2%              |
| Other operating (expense) income, net.....                       | 14,191                                 | 105,302            | (86.5%)           |
| <b>Operating profit before net financial income (loss) .....</b> | <b>1,229,569</b>                       | <b>975,567</b>     | <b>26.0%</b>      |
| <b>Net financial income (expenses)</b>                           | <b>(1,593,512)</b>                     | <b>(1,255,541)</b> | <b>26.9%</b>      |
| Financial income .....                                           | 265,351                                | 246,429            | 7.7%              |
| Financial expenses .....                                         | (1,858,863)                            | (1,501,970)        | 23.8%             |
| <b>Net loss before income and social contribution taxes</b>      | <b>(363,943)</b>                       | <b>(279,974)</b>   | <b>30.0%</b>      |
| <b>Income and social contribution taxes</b>                      | <b>102,437</b>                         | <b>59,515</b>      | <b>72.1%</b>      |
| Current.....                                                     | (17,480)                               | (9,924)            | 76.1%             |
| Deferred.....                                                    | 119,917                                | 69,439             | 72.7%             |
| <b>Net income (loss) .....</b>                                   | <b>(261,506)</b>                       | <b>(220,459)</b>   | <b>18.6%</b>      |

#### ***Net sales revenue***

Net sales revenue increased 27.7%, or R\$1,575,974 thousand, from R\$5,688,625 thousand in the year ended December 31, 2013 to R\$7,264,599 thousand in the corresponding period in 2014 due to the 50.4% increase in pulp sales volume resulting from the startup of the new plant in Imperatriz in the State of Maranhão, and to the 8.8% increase in paper prices (as described below).

Net sales revenue from pulp increased 49.4%, or R\$1,274,015 thousand, from R\$2,577,288 thousand in the year ended December 31, 2013 to R\$3,851,303 thousand in the corresponding period in 2014. Net sales



revenue from pulp represented 45.3% of total net sales in the year ended December 31, 2013, compared to 53.0% in the same period in 2014. Our average domestic and international net sale price of pulp in the year ended December 31, 2014 was R\$574/ton, 8.9% less than for the same period in 2013 of R\$630/ton, reflecting an increase production volume due to the beginning of operations of the new Imperatriz Unit in the State of Maranhão.

Net sales revenue from paper increased 9.7%, or R\$301,959 thousand, from R\$3,111,337 thousand in the year ended December 31, 2013 to R\$3,413,296 thousand in the corresponding period in 2014. Net sales revenue from paper represented 47.0% of total net sales in the year ended December 31, 2014, compared to 54.7% in the corresponding period in 2013. Our average domestic and international net sale price of paper in the year ended December 31, 2014 was R\$2,581/ton, 8.8% higher than in the corresponding period in 2013 of R\$2,372/ton reflecting an increase in paper prices.

#### ***Cost of goods sold***

Total cost of goods sold increased 27.8%, or R\$1,165,349 thousand, from R\$4,190,315 thousand in the year ended December 31, 2013 to R\$5,355,664 thousand in the corresponding period in 2014. This increase was mainly a result of an increase in sales volume during 2014. Our gross margin for the year ended December 31, 2014 was 26.3% and was stable compared to the same period in the previous year.

#### ***Gross profit***

Gross profit increased 27.4%, or R\$410,625 thousand, from R\$1,498,310 thousand in the year ended December 31, 2013 to R\$1,908,935 thousand in the corresponding period in 2014, for the reasons mentioned above.

#### ***Selling, general and administrative expenses***

Selling expenses increased 19.8%, or R\$49,800 thousand, from R\$250,996 thousand in the year ended December 31, 2013 to R\$300,796 thousand in the corresponding period in 2014 mainly as a result of higher sales volume.

General and administrative expenses increased 4.2%, or R\$15,712 thousand, from R\$377,049 thousand in the year ended December 31, 2013 to R\$392,761 thousand in the corresponding period in 2014.

The 10.4%, or R\$65,512 thousand increase in selling, general and administrative expenses as a ratio of net revenue mainly reflects the offsetting of expenses by increased sales volume from the Imperatriz Unit, as well as the implementation of the cost-cutting initiatives established in the matrix budget.

#### ***Other operating (expense) income, net***

Other income amounted to a net gain of R\$14,191 thousand in 2014, compared to a net gain of R\$105,302 thousand in 2013, a net decrease of 86.5%, or R\$91,111 thousand, mainly due to the non-recurring proceeds from the divestment of our interest in the Consórcio Capim Branco Energia S.A., or Capim Branco, amounting to R\$124,835 thousand.

#### ***Net financial income (expenses)***

Net financial expenses increased 26.9%, or R\$337,971 thousand, from R\$1,255,541 thousand in the year ended December 31, 2013 to R\$1,593,512 thousand in the corresponding period in 2014, mainly as a result of the increase in gross debt by 6.9% and the end of the capitalization of interests increased from the Maranhão Project.

#### ***Net loss before income and social contribution taxes***

Net loss before income and social contribution taxes increased to R\$363,943 thousand in the year ended December 31, 2014, from R\$279,974 thousand in the corresponding period in 2013. This increase is largely due to the same factors mentioned above.

### ***Income and social contribution taxes***

Gain from income and social contribution taxes increased 72.1%, or R\$42,922 thousand, from a gain of R\$59,515 thousand in the year ended December 31, 2013 to a gain of R\$102,437 thousand in the corresponding period in 2014.

### ***Net income (loss)***

Net loss increased 18.6%, or R\$41,047 thousand, from R\$220,459 thousand in the year ended December 31, 2013 to R\$261,506 thousand in the year ended in December 31, 2014, for the reasons described above.

### **Liquidity and Capital Resources**

Our principal sources of liquidity consist of the following:

- cash flows from operating activities; and
- current and non-current loans.

Our principal cash requirements consist of the following:

- investments in maintaining our production capacity;
- investments in projects focused on additional property, plant and equipment aiming to improve our structural competitiveness and on adjacent businesses;
- payment of debt service (amortization of principal and payment of interest);
- payment of dividends and interest on shareholders' equity; and
- acquisition of other companies.

As of March 31, 2016, our cash, cash equivalent and financial investments which consist mainly of bank deposit certificates, compromised transactions, investment funds and funds available abroad in U.S. dollars, were R\$2,844,570 thousand. For more information, see note 5 to our financial statements, included elsewhere in this listing memorandum.

### **Sources and Uses of Funds**

#### ***Operating Activities***

Our operating activities provided cash flow of R\$821,350 thousand during the three-month period ended March 31, 2016, R\$2,350,709 thousand during the year ended December 31, 2015, R\$1,447,602 thousand during the year ended December 31, 2014 and R\$40,735 thousand during the year ended December 31, 2013. Cash flow from our operating activities increased during the three-month period ended March 31, 2016 due to the an increase in sales revenue and the depreciation of the *real* against the U.S. dollar.

#### ***Investing Activities***

Our investing activities used net cash of R\$493,719 thousand during the three-month period ended March 31, 2016. Our investment activities used net cash of R\$2,350,762 thousand during the year ended December 31, 2015, R\$1,393,694 thousand during the year ended December 31, 2014 and R\$1,924,218 thousand during the year ended December 31, 2013.

During the three-month period ended March 31, 2016, investing activities for which we used cash primarily consisted of (i) R\$138,839 thousand of financial applications and (ii) R\$355,495 thousand acquisitions of property, plant, equipment and intangible and biological assets.

During 2015, investing activities for which we used cash primarily consisted of investments of (i) R\$401,280 thousand of property, plant and equipment mainly related to the expansion projects, particularly modernization projects to increase structural competitiveness and side businesses, such as Fluff production; (ii) R\$1,044,416 thousand of biological assets related to acquisitions to maintain the industrial and forest areas; and (iii) R\$934,186 thousand in short-term investments, including investment funds and bank deposit certificates (CDB). These investments were offset by R\$41,868 thousand related to the receipt of proceeds from asset sales.

During 2014, investing activities for which we used cash primarily consisted of investments of (i) R\$606,764 thousand mainly related to expansion projects, particularly in remaining investments related to the construction of the Maranhão factory; and (ii) R\$743,551 thousand mainly related to acquisitions to maintain the industrial and forest areas. These investments were offset by R\$9,478 thousand related to the receipt of proceeds from asset sales.

During 2013, investing activities for which we used cash primarily consisted of investments of (i) R\$1,662,268 thousand related to the construction of the Maranhão industrial and forest unit; (ii) R\$592,792 thousand in acquisitions related to the maintenance of industrial and forest areas. These investments were offset by R\$333,240 thousand related to the receipt of proceeds from asset sales, of which R\$314,370 thousand corresponds to the sale of our participation in Capim Branco through our subsidiaries.

### ***Financing Activities***

Financing activities used net cash of R\$42,114 thousand during the three-month period ended March 31, 2016 and R\$2,484,199 thousand during the year ended December 31, 2015, and used net cash of R\$173,651 thousand during the year ended December 31, 2014 and provided R\$1,097,088 thousand during the year ended December 31, 2013.

During the three-month period ended March 31, 2016, our principal uses of financing included (i) repayment of R\$672,537 thousand of our indebtedness and (ii) payment of R\$33,598 thousand for the net results of hedging transactions.

During the three-month period ended March 31, 2016, our principal sources of financing were (i) treasury shares used to finance the compensation plan using R\$8,514 thousand in shares; and (ii) R\$655,507 thousand in new financing loans, which mainly consisted of R\$609,615 thousand in Export Financing (ACC), and R\$45,892 thousand from our “BNDES Finem” credit line.

During the year ended December 31, 2015, our principal uses of financing included: (i) repayment of R\$5,872,353 thousand of our indebtedness, (ii) payment of R\$269,936 thousand in dividends and (iii) payment of R\$251,646 thousand for the net results of hedging transactions.

During the year ended December 31, 2015, our principal sources of financing were (i) treasury shares used to finance the compensation plan using R\$8,514 thousand in shares; and (ii) R\$3,901,222 thousand in new financing loans, which mainly consisted of R\$2,209,490 thousand in Syndicated Loans, R\$875,000 thousand in Credit Export Notes (NCE) and Export Financing Agreements, and R\$413,055 thousand from our “BNDES Finem” credit line.

During the year ended December 31, 2014, our principal uses of financing included (i) repayment of R\$2,730,952 thousand of our indebtedness, and (ii) payment of R\$122,180 thousand in dividends.

During the year ended December 31, 2014, our principal sources of financing were (i) R\$16,117 thousand in proceeds for the net results of hedging transactions; (ii) treasury shares used to finance the compensation plan using R\$8,514 thousand in shares; and (iii) R\$2,654,850 thousand in new financing loans, which mainly consisted of R\$1,783,835 thousand in Credit Export Notes (NCE), R\$163,956 thousand in Rural Credit, and R\$432,407 thousand from our “BNDES Finem” credit line.

During the year ended December 31, 2013, our principal uses of financing included (i) repayment of R\$2,849,089 thousand of our indebtedness; (ii) payment of R\$99,997 thousand in dividends; (iii) payment of R\$27,921 thousand for the net results of hedging transactions; and (iv) R\$50,816 thousand in the purchase of our own shares.

During the year ended December 31, 2013, our principal source of financing was R\$4,124,891 thousand in new financing loans, which mainly consisted of R\$1,020,684 thousand in Export Credit Agency (ECA) loan agreements for imports, R\$1,714,000 thousand in Credit Export Notes (NCE), and R\$1,263,705 thousand from our “BNDES Finem” credit line.

### ***Capital Expenditures***

Capital expenditures decreased 2.5%, from R\$1.786 billion in the year ended December 31, 2014 to R\$1.742 billion in the corresponding period in 2015. For 2016, the total estimated investment is R\$2.4 billion, of which R\$1.1 billion will be used in maintenance, R\$605 million in structural competitiveness projects, R\$325 million in adjacent business projects, R\$115 million to conclude the Maranhão Project, R\$100 million in the wastewater treatment plant at the Mucuri mill and R\$110 million in other investments..

Our management reaffirms our focus, along with innovation, sustainability, and operational excellence to consolidate its position as one of the forest-based business organizations with the greatest profitability and competence in the industry.

We seek continuous development by adopting a set of measures and innovations that result in our presentation of consistent economic and financial results. Cash flow generation allowed for deleveraging and achievement of strategic goals to maximize return on invested capital and create more value for the shareholders, based on the pillars of structural competitiveness, adjacent business and redesign of the industry.

We have announced Project 5.1 as part of our structural competitiveness pillar, which consists of industrial modernization and removing bottlenecks, increasing the capacity in the Imperatriz (State of Maranhão) and Mucuri (State of Bahia) units, and increasing and approximating the forest base in these places.

The capital expenditure for Project 5.1 is estimated to be a total of R\$1.14 billion to be disbursed during 2016 and 2017. This investment will allow for the reduction of the cash cost of production due to lower consumption of inputs and dilution of fixed costs, and, thus, will help us get closer to what we consider to be our optimal structural cost, with greater value creation for shareholders.

The adjacent business pillar seeks new uses for the asset base, diversifying our products. We have announced in this regard investments in biotechnology (FuturaGene), in the production of fluff pulp (R\$30 million), in lignin (R\$70 million) and the tissue segment (R\$425 million).

Our management reaffirms its long-term profitability strategy and remains committed to becoming an increasingly innovative company, with operational excellence and sustainability in its operations.

Our investment estimates are merely hypothetical data and do not constitute any promise of investment on our part. Our forecasts contemplate, mainly, the industrial and forest maintenance timeline of the current units, the disbursement flow of the investments in modernization and removal of bottlenecks to gain structural competitiveness, and the adjacent projects.

We may alter this timeline from time to time, according to its strategic planning. The timeline and its actual implementation are subject to factors outside of our control, such as compliance with deadlines by third parties, the availability of funding, changes to the applicable regulations, and the current economic situation, which may adversely impact the timeline and its implementation, render them unfeasible or fail to make business sense for us.

The premises taken into consideration by us are subject to risks and uncertainties that may result in non-achievement of the expectations, or they may be substantially different from what was expected.

Our management's comments on new products and services, innovation, and development are as follows:

In 2015, our portfolio was reinforced with the commencement of production and sales of fluff pulp, named Eucafluff. We are the first company in the world to use hardwood to produce fluff, catering mainly to the disposable diaper and sanitary napkins market.

Eucafluff production is concentrated at the Suzano Unit, located in the State of São Paulo. We are one of the very few companies to offer fluff certified by the Forest Stewardship Council (FSC). The R\$30 million investment in the modernization of a printing and writing paper machine has allowed for flexibility in the production of this type of paper and of Eucafluff. The annual production capacity of this machine is 100,000 tons.

According to data from the consulting company RISI, for 2014, the fluff pulp market in Brazil has been estimated to be around 292,000 tons, made up solely by imports of softwood from the U.S. or Argentina. Our presence is of extreme importance in the domestic market. The global demand for fluff pulp is estimated at 5.6 million tons, with an estimated growth of around 3.7% per year. In Brazil and in emerging markets, growth in the fluff market may reach 4.3% per year.

We have invested in the development of products with Eucafluff along with the leading disposable diaper and sanitary napkin manufacturers, both in Brazil and abroad. This confirmed the potential for replacement of softwood fluff for Eucafluff at around 70% for sanitary napkins and 30% for diapers, with performance gains in the final product. Moreover, product tests in U.S. laboratories showed that when the diapers were produced with the Suzano fiber, they gained 10% more flexibility, 20% more compressibility (which may lead to a thinner product), and a 30% reduction in rewet (making the product drier). Our clients had similar results. Finally, the de-fearing of Eucafluff in our clients' mills has shown an important reduction in their power consumption when compared to softwood, which allows for significant economic gain in its operations.

The product began to be sold in December 2015, with seven approved clients in Brazil and other domestic and foreign clients in advanced stages of product approval. Eucafluff is produced in 300 g/m<sup>2</sup> and 700 g/m<sup>2</sup> coils and is one of the few fluff pulps in the market that has the FSC certification.

In 2015, we also announced a R\$70 million investment to install a lignin extraction pilot plant, and by-products, in the Limeira Unit (São Paulo). With a capacity of 20,000 tons per year and the commencement of production set for the second quarter of 2017, we will start to operate in the kraft lignin sector and in a new technological frontier of the industry. Lignin may be used as raw material from a renewable source to replace petrochemicals in several applications of high added value.

We will be the first producer of kraft lignin and by-products in Latin America, and the first in the world to produce lignin from eucalyptus, which will open up unique opportunities to explore the identified potential.

We also announced our entry into the tissue segment (paper for sanitary purposes), with a R\$425 million investment to build two production units of jumbo rolls and finished products in the Imperatriz (Maranhão) and Mucuri (Bahia) units, each one with a capacity of 60,000 tons. Operations are estimated to commence in the second half of 2017. This initiative allows us to find a structural tax solution (monetizing ICMS sales tax credits) and establish competitive industrial partnerships with the main tissue producers. Our potential partners will benefit from our operational competitiveness, arising from the paper machine to be integrated into the pulp unit, and due to the fact that we are present in more than 90% of the cash cost, and logistics.

In 2015, we also received approval from CTNBio through FuturaGene for the commercial use of genetically modified eucalyptus. Field experiments conducted in several Brazilian regions showed that this eucalyptus would allow for a 20% increase in the wood volume when compared to the conventional clone. The FuturaGene's GMO eucalyptus was the first clone approved for commercial purposes by CTNBio and represents the most significant benchmark in the wood industry since the adoption of the clonal technology. This approval also marks the beginning of a new phase of sustainable forest management, with Brazil becoming the first country to conclude the development cycle of this technology that allows for more production with fewer resources.

This broad range of new businesses that innovate and shift paradigms contributes to growth, with investments in highly profitable and scalable projects, helping to build avenues of diversification and generating sustainable value.

### ***Indebtedness***

As of March 31, 2016, our total consolidated outstanding indebtedness was R\$14,081,839 thousand, of which R\$2,287,728 thousand represented current indebtedness and R\$11,794,111 thousand represented non-current

indebtedness and of which R\$3,559,022 thousand was secured. Below is a description of our consolidated financings and loans (excluding local Brazilian debentures):

|                                                     |                        |         | Interest Rate* | March 31,                      |                               | December 31,                   |                               |
|-----------------------------------------------------|------------------------|---------|----------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|                                                     | Index                  |         |                | 2016<br>(in thousands of US\$) | 2016<br>(in thousands of R\$) | 2015<br>(in thousands of US\$) | 2015<br>(in thousands of R\$) |
| <b>Fixed Assets:</b>                                |                        |         |                |                                |                               |                                |                               |
| BNDES – Finem                                       | Fixed rate / TJLP      | (a) (b) | 7.90%          | 364,244                        | 1,296,308                     | 380,392                        | 1,353,777                     |
| BNDES – Finem                                       | Currency basket / US\$ | (c)     | 6.48%          | 168,682                        | 600,324                       | 189,827                        | 675,576                       |
| BNDES – Finame                                      | Fixed rate / TJLP      | (b)     | 4.67%          | 5,936                          | 21,126                        | 6,177                          | 21,982                        |
| FNE – BNB                                           | Fixed rate             | (c)     | 5.65%          | 55,137                         | 196,228                       | 56,420                         | 200,794                       |
| FINEP                                               | Fixed rate             | (c)     | 4.20%          | 13,003                         | 46,277                        | 14,035                         | 49,948                        |
| Rural Credit                                        | Fixed rate             |         | 6.50%          | 32,099                         | 114,236                       | 31,590                         | 112,424                       |
| Financial leasing                                   | CDI / US\$             |         |                | 8,077                          | 28,744                        | 9,165                          | 32,619                        |
| Export Credit Agency – ECA                          | US\$                   | (c) (d) | 2.44%          | 404,328                        | 1,438,964                     | 441,509                        | 1,571,288                     |
| <b>Working capital:</b>                             |                        |         |                |                                |                               |                                |                               |
| Export financing                                    | US\$                   | (e)     | 4.56%          | 799,154                        | 2,844,108                     | 702,912                        | 2,501,592                     |
| Export credit note                                  | CDI                    | (f)     | 14.43%         | 849,194                        | 3,022,197                     | 864,662                        | 3,077,244                     |
| Senior Notes                                        | US\$                   | (g)     | 5.88%          | 644,663                        | 2,294,290                     | 717,507                        | 2,553,535                     |
| Trade notes discount-Vendor                         |                        |         |                | 12,928                         | 46,010                        | 10,810                         | 38,470                        |
| Bank Credit Note – CCB                              | CDI                    | (h)     |                | -                              | -                             | 50,092                         | 178,271                       |
| Syndicated Loan                                     | Libor                  | (i)     | 2.62%          | 596,961                        | 2,124,524                     | 654,517                        | 2,329,362                     |
| <b>Other</b>                                        |                        |         |                | 2,389                          | 8,503                         | 3,935                          | 14,006                        |
|                                                     |                        |         |                | 3,956,795                      | 14,081,839                    | 4,135,550                      | 14,710,888                    |
| <b>Current Portion (includes interest payments)</b> |                        |         |                | <b>642,819</b>                 | <b>2,287,728</b>              | <b>510,975</b>                 | <b>1,818,510</b>              |
| <b>Non-Current Portion</b>                          |                        |         |                | <b>3,313,977</b>               | <b>11,794,111</b>             | <b>3,622,574</b>               | <b>12,892,378</b>             |

\* Average Annual Interest Rate as of March 31, 2016

**Notes:**

- (a) On March 31, 2016, we had six financing agreements with BNDES Finem, related to plant, property and equipment.
- (b) Terms of capitalization corresponds to those exceeding 6% of the long-term interest rate, or TJLP, published by the Central Bank.
- (c) Loans and financing are secured, depending on the agreement, by: (i) plant mortgages; (ii) rural properties; (iii) fiduciary sale of the asset being financed; (iv) guarantee from shareholders, and (v) bank guarantee.
- (d) We currently have three ECA-backed credit facilities (export agency, or ECA). In October 2006, we entered into a loan agreement in the amount of US\$150 million with BNP Paribas and Société Générale, in the proportion of 50% each and guaranteed by the ECA Finnvera, to finance imported equipment for our Mucuri Unit. In December 2012, we entered into a loan agreement in the amount of approximately US\$169 million with BNP Paribas, through its subsidiary Fortis Bank SA/NV, Nordea Bank AB, Société Générale and AB Svensk Exportkredit, for a term up to 9.5 years and guaranteed by the ECA Exportkreditnämnden (EKN) for equipment to be installed in our Imperatriz Unit. Also in December 2012, we entered into a loan agreement in the amount of approximately US\$337 million with BNP Paribas, through its subsidiary Fortis Bank SA/NV, Nordea Bank Finland Plc and Société Générale, for a term up to 9.5 years and guaranteed by the ECA Finnvera, for equipment to be installed in our Imperatriz Unit. The total amount contracted in these three ECA-backed facilities is approximately US\$656 million. All the agreements establish covenants regarding the maintenance of determined levels of leverage, which are verified for compliance after 60 and 120 days of the closing of the months of June and December of each fiscal year, respectively. With regard to the financial results of December 2015, we met all the established levels. The next scrutiny will be based on the financial results of June 2016.
- (e) From January to March 2016, no new Export Financing operation was contracted, and the variation is justified by the appreciation of the *real* against the U.S. dollar (R\$/US\$3.9048 in December 2015 and R\$/US\$3.5589 in March 2016).
- (f) In April 2015, two Export Credit Notes (NCE) were issued under the compulsory modality in the amount of R\$100,000 each, maturing in August and December 2015. In June 2015, we contracted a NCE transaction of R\$675,000, which was securitized as an Agribusiness Receivables Certificate (CRA) and made available to the market at a cost of 101% of the CDI, while interest will be paid bi-annually and the principal in a single installment in 2019. In February 2016, we pre-paid a NCE of R\$73,500, which would mature in March 2021.
- (g) In September 2010, through our subsidiary Suzano Trading, we placed in the international market US\$650 million in Senior Notes due on January 23, 2021, with semiannual interest payments of 5.875% p.a. and return for investors of 6.125% p.a. We are guarantor of the issue, which corresponds to a senior obligation without security interest of the issuer or us and is entitled to the same rights as other obligations of similar nature of these companies. Between September 2013 and July 2014, through our international subsidiary Suzano Trading, we repurchased US\$4.3 million of principal amount of the Senior Notes issued.

- (h) In March 2015, we entered into two Bank Credit Note, or CCB, transactions operations in the amount of R\$123,000 and maturity in one year. In March 2016, Suzano pre-paid in advance R\$31,000 relating to CCB of Vale Florestar.
- (i) In May 2015, through our subsidiary Suzano Pulp and Paper Europe, we contracted a syndicated loan with BNP Securities Corp., HSBC Securities (USA) Inc., Rabobank Curacao N.V. and Banco Santander, S.A., in the amount of US\$600 million, with payment of quarterly interest and amortization of the principal between May 2018 and May 2020. This loan has clauses establishing the maintenance of certain levels of leverage, which are verified and have compliance confirmed after 60 and 120 days from the end of June and December of each fiscal year, respectively. With regard to the financial results of December 2015, we met all the established levels. The next scrutiny will be based on the financial results of June 2016.

## **Quantitative and Qualitative Disclosure of Market Risks**

We are exposed to various market risks, including changes in foreign currency exchange rates and interest rates. We utilize certain derivative instruments to hedge against a possible appreciation of the *real* against the U.S. dollar. Our funding operations and our foreign currency hedge policy are guided by the fact that the majority of our net revenues are derived from exports denominated in U.S. dollars, while the majority of our production costs are denominated in *reais*. This structural exposure allows us to contract export financing facilities in U.S. dollars at more competitive costs than local funding sources, and to match our debt service with the flow of receivables from sales, providing a natural cash hedge for these commitments. Our excess revenues in U.S. dollars that are not linked to our debt obligations or other U.S. dollar-denominated obligations are sold in the currency market as these funds enter Brazil. We do not apply hedge accounting as allowed by accounting practices adopted in Brazil.

For additional protection, we sell U.S. dollars in the futures markets. These sales in the futures markets are limited to a minor portion of the excess currency flows over a period of eighteen months and, therefore, are matched to the amount of U.S. dollars available for sale in the near term. We operate with what we believe are the most liquid financial instruments in the market and we do not contract leveraged operations or operations that incorporate other forms of options that would alter our ultimate hedging objectives. In addition, we do not hold any dual-index debt or debt with any other forms of implicit options. We maintain what we believe are strict risk-management controls and our financial statements reflect the market value of all of our financial assets and liabilities.

In addition, we use swap contracts to exchange floating interest rates for fixed interest rates and contracts to set pulp prices, which reduce the effects of potential variations on our cash flow.



## INDUSTRY

### Introduction

Pulp can be manufactured from a number of raw materials, such as wood, bagasse and bamboo, and it is classified based on the type of wood or fiber that is derived from the corresponding raw material as well as its processing system, and whether the pulp will be bleached. Bleached pulp is used for several purposes, including printing and writing, specialty and tissue papers. Unbleached pulp exhibits a brown color and is used in the production of packages, corrugated board, paperboard, packaging papers and bags.

The most common raw material that we use to produce paper is wood. Different tree species yield different fiber characteristics and, consequently, affect paper attributes such as strength, softness and opacity.

There are two types of wood pulp that can be processed into pulp: hardwood pulp and softwood pulp. Hardwood pulp is produced using hardwood trees, such as eucalyptus, aspen, birch and acacia, which have shorter fibers and are generally better suited to manufacture coated and uncoated printing and writing, tissue paper, specialty papers such as image paper, decor laminate paper as well as packaging paperboard. Short fibers are generally best suited for the manufacture of wood-free paper with good printability, smoothness, brightness and uniformity. Softwood pulp is produced using softwood trees, such as pine, spruce and fir, and it is used to manufacture papers that require greater durability and strength, such as kraftliner, newsprint, catalogues, boards and lightweight coated paper.

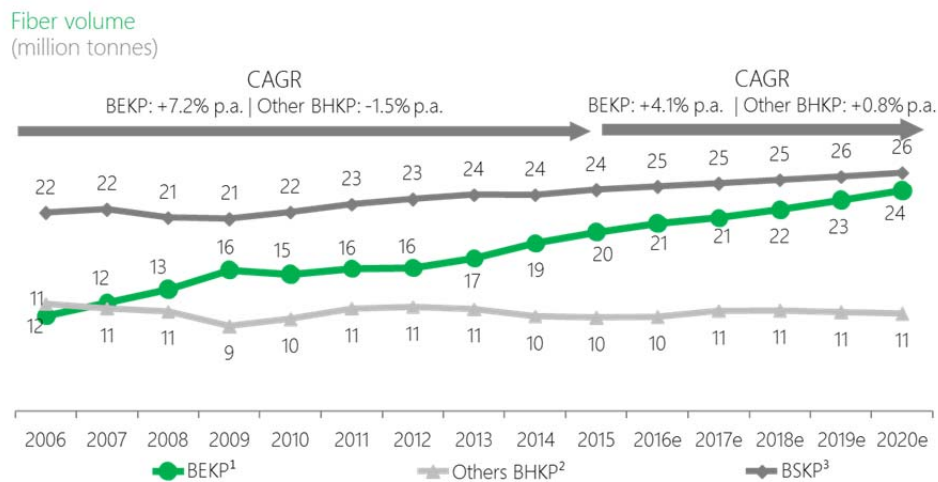
Pulp can be produced by integrated pulp and paper companies or by market pulp producers who sell the pulp to non-integrated or semi-integrated paper producers. In 2015, approximately 35% of global pulp virgin fiber production was “market pulp”; that is, pulp sold by pulp mills and bought by paper mills. This percentage is increasing due to the recent closings of a number of integrated paper mills. We produce only hardwood pulp from our renewable forests of planted eucalyptus trees. We believe that hardwood pulp derived from eucalyptus is superior to pulp produced from other hardwood trees because of the greater consistency and uniformity of its fibers, which improves the opacity, formation, bulk, softness and printability of paper. Eucalyptus pulp is widely accepted among producers of printing and writing paper and tissue papers worldwide because of its properties, and it has represented an increasing percentage of the world production of hardwood pulp. Moreover, eucalyptus trees have a shorter growth cycle (seven years) than other hardwood trees, yield higher productivity per planted hectare and normally require a small amount of space between them to grow.

### Characteristics of operating markets

#### *Pulp*

According to Hawkins Wright (a consulting firm specialized in the market pulp industry), total global capacity of eucalyptus pulp reached 21.2 million tons in 2015, located predominately in Latin America, with 18.7 million tons. Brazil is the world’s largest producer of eucalyptus pulp, with 14.1 million tons of capacity in 2015, followed by Uruguay with 2.5 million tons. Other regions, such as Asia, produce different types of hardwood pulp, while softwood pulp production was concentrated mainly in the Northern Hemisphere, with Canada and the United States producing 51% of the world’s total softwood pulp.

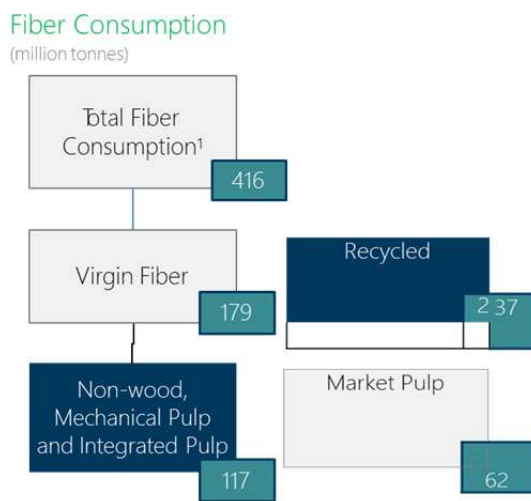
As demonstrated in the chart below, the competitiveness of eucalyptus fiber leads to fiber substitution:



Source: Hawkins Wright (Apr/16)

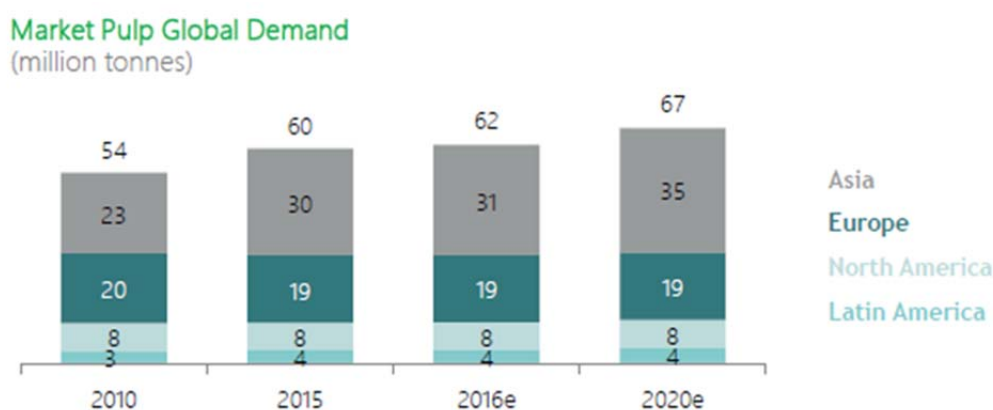
<sup>1</sup> Bleached Eucalyptus Kraft Pulp | <sup>2</sup> Bleached Hardwood Kraft Pulp | <sup>3</sup> Bleached Softwood Kraft Pulp

Globally, as demonstrated in the chart below contemplating a survey conducted by Pöyry and Hawkins Wright, the pulp market represented 14% of the consumption of pulp for paper production:



Source: Pöyry (2015) and Hawkins Wright (April 2016)

The increasing demand for market pulp is driven by the consumption of fiber in Asia, which has invested in non-integrated paper mills. The increasing supply comes from Latin America, the most competitive region for the production of pulp.



| CAGR Demanda  | 2010 – 2015  | 2016e – 2020e |
|---------------|--------------|---------------|
| North America | 0.0%         | +0.2%         |
| Europe        | -0.8%        | +0.3%         |
| Asia/Africa   | +5.5%        | +3.6%         |
| Latin America | +1.9%        | +2.1%         |
| Oceania       | +1.5%        | +4.4%         |
| <b>Total</b>  | <b>+2.4%</b> | <b>+2.1%</b>  |

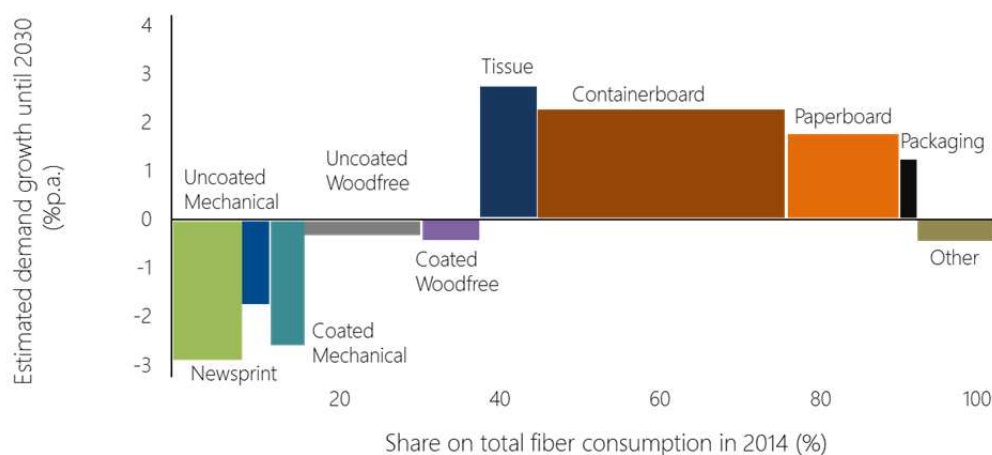
Source: Hawkins Wright (April 2016)

According to data from Hawkins Wright, the global demand for bleached market pulp in 2015 reached 59.9 million tons, of which 50% was for hardwood pulp and 40% was for softwood pulp. In 2015 eucalyptus pulp, the market segment in which we operate represented 62% of the global market of hardwood pulp.

During the last ten years, according to data from Hawkins Wright, the demand for eucalyptus pulp grew at an annual rate of 7.7%, while the demand for other types of hardwood pulp retracted 1.5% per year and that of softwood pulp grew at an annual rate of 1.1%.

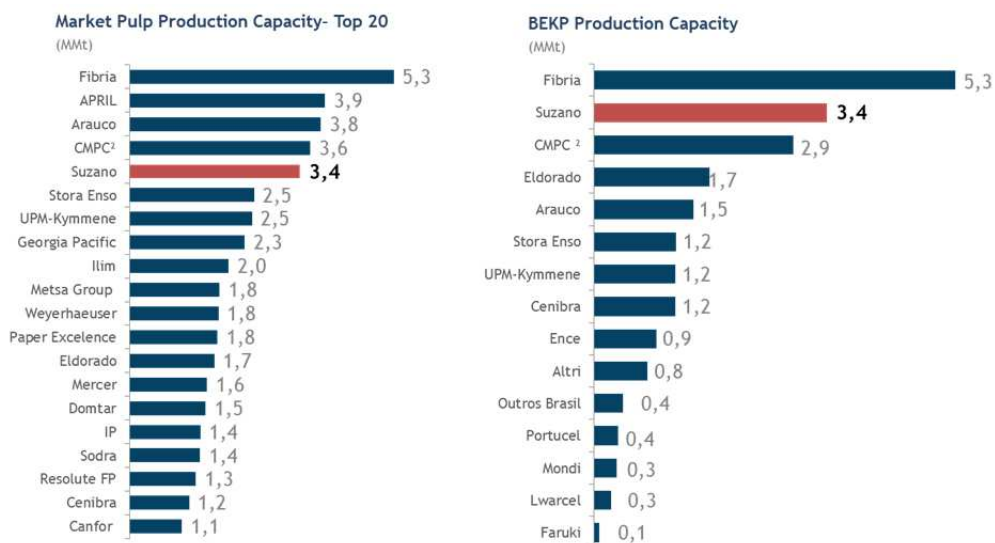
According to Hawkins Wright 2015 End Use Survey, the main paper products that used market pulp in 2015 were tissue paper (35%), printing and writing paper (30%), specialty papers (15%), fluff (10%) and other (11%). Notably, the first segment represents 57% of the end use of the pulp sold by us in 2015.

The demand for paper for sanitary purposes (tissue) is impacted by culture, economic growth (GDP) and country development (urbanization). This segment's share in the total demand for paper should grow as a function of greater demand in developing countries, according to the chart below:



Source: Pöyry (2015)

According to a study we conducted based on Hawkins Wright study, we believe we are in fifth place in terms of global pulp production and the mills already in operation at full capacity, with a market share of 5.6%, while the global leader in the market accounts for only 8.9% of the market. We also believe we are the second largest producer of hardwood pulp in the world, with a 10.5% market share.

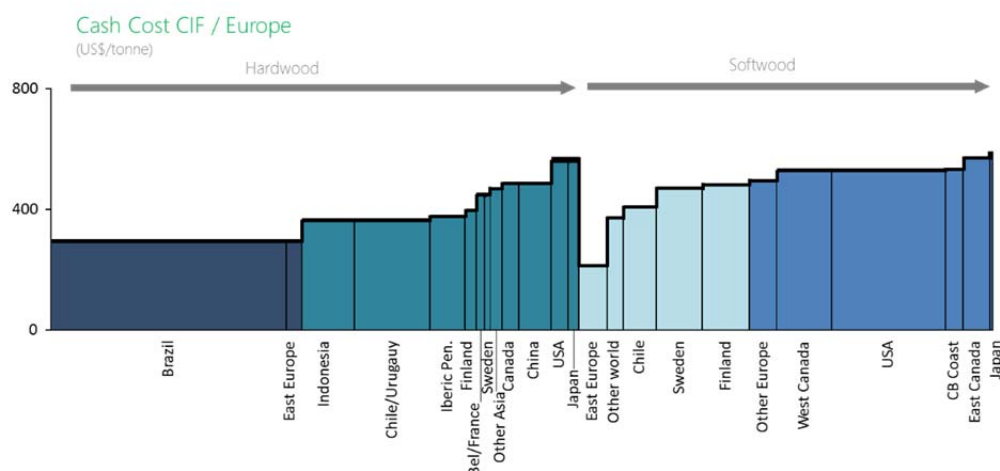


Source: Hawkins Wright (April 2015) and Suzano

| World's Largest Market Pulp Producers |                         |                               |                                           |
|---------------------------------------|-------------------------|-------------------------------|-------------------------------------------|
| Ranking                               | Company                 | Country/Region                | Capacity<br>(in thousands of tons / year) |
| 1                                     | Fibria                  | Brazil                        | 5,573                                     |
| 2                                     | Arauco                  | Chile / Argentina             | 3,850                                     |
| 3                                     | CMPC <sup>2</sup>       | Chile / Brazil                | 3,625                                     |
| 4                                     | APRIL                   | Indonesia / China             | 3,600                                     |
| 5                                     | Suzano                  | Brazil                        | 3,456                                     |
| 6                                     | APP and Affiliates      | Asia / Europe / North America | 3,195                                     |
| 7                                     | UPM-Kymmene             | Finland / Uruguay             | 2,540                                     |
| 8                                     | Stora Enso              | Nordic countries/ Brazil      | 2,503                                     |
| 9                                     | Georgia Pacific         | USA                           | 2,310                                     |
| 10                                    | Ilim                    | Russia                        | 1,995                                     |
| 11                                    | Metsa Group             | Finland / Sweden              | 1,810                                     |
| 12                                    | Weyerhaeuser            | USA / Canada                  | 1,785                                     |
| 13                                    | IP                      | USA / Russia / France         | 1,770                                     |
| 14                                    | Eldorado                | Brazil                        | 1,700                                     |
| 15                                    | Mercer                  | Canada / Germany              | 1,555                                     |
| 16                                    | Domtar                  | USA / Canada                  | 1,545                                     |
| 17                                    | Sodra                   | Sweden / Norway               | 1,415                                     |
| 18                                    | Resolute Forest Product | Canada                        | 1,325                                     |
| 19                                    | Cenibra                 | Brazil                        | 1,275                                     |
| 20                                    | Canfor Corporation      | Canada                        | 1,050                                     |
| <b>20 largest producers</b>           |                         |                               | <b>47,885</b>                             |

Source: Taken from *Outlook for Market Pulp* – Dec 2015, Hawkins Wright, but considers *full capacity*. Figures do not account for industrial pulp.

Brazil has some of the lowest pulp production costs in the world. The chart below shows the cash cost (CIF Europe) of market pulp, which comprises the total costs of production. Hawkins Wright gathered the data in December 2015 and the amounts are expressed in dollars per ton:



Source: Hawkins Wright (April 2016)

Among the competitive advantages in Brazil are: (i) availability of productive land, (ii) excellent soil and climate conditions, (iii) forest planted in short cycles, (iv) potential for recovery of degraded areas and (v) low cost of formation and maintenance.

### ***Paper***

The paper market is divided into four principal segments: printing and writing paper, packing paper, specialty paper and tissue paper. We are active in the printing and writing, packing paper and specialty paper segments. Printing and writing paper is used in books, magazines, catalogues, commercial printing, forms, variable data, photocopying and newspapers. Packing paper is used for both primary and secondary packing materials, and is used in the food, pharmaceutical, cosmetics, electronics, cleaning products, personal hygiene, toy and shoe industries. Specialty papers include carbonless copy paper, recycled paper, decorative paper, paper with security features, self-adhesive paper and cigarette paper. According to Pöyry Management Consulting a consulting firm specializing in market paper industry, in 2014 writing and printing paper accounted for 26% of the total demand for paper, while 50% was attributable to packing paper, 8% to tissue paper and 16% to other paper products.

According to Pöyry Management Consulting, global demand for paper is expected to grow 1.5% per year between 2015 and 2019, driven by emerging countries. The chart below shows global paper demand in each region and by type of paper:

|                             | 2010      | 2014    | 2015e     | 2019e |
|-----------------------------|-----------|---------|-----------|-------|
| Total Demand (million tons) | 391       | 422     | 431       | 459   |
|                             | 2010-2014 |         | 2015-2019 |       |
|                             | 2.0%      |         | 1.5%      |       |
| CAGR Calculation            |           |         |           |       |
| Countries                   | Sales     | % Sales |           |       |
| China                       | 111,64    | 26%     |           |       |
| Others Asia                 | 81,142    | 19%     |           |       |
| North America               | 76,906    | 18%     |           |       |
| Western Europe              | 74,142    | 18%     |           |       |
| Latin America               | 28,793    | 7%      |           |       |
| Others                      | 26,588    | 6%      |           |       |
| Eastern Europe              | 22,627    | 5%      |           |       |
| WORLD TOTAL                 | 422,096   | 100 %   |           |       |
|                             |           |         |           |       |
| Segment                     | Sales     | % Sales |           |       |
| Bags and Corrugated Board   | 159,909   | 38%     |           |       |
| P&W                         | 111,33    | 26%     |           |       |
| Cartonboard                 | 52,051    | 12%     |           |       |
| Tissue                      | 32,457    | 8%      |           |       |
| Specialties                 | 35,21     | 8%      |           |       |
| Newsprint                   | 31,014    | 7%      |           |       |
| Total                       | 421,971   | 100 %   |           |       |

Source: World Fibre Outlook up to 2025 (Pöyry 2013)

Different factors influenced and influence the growth of global demand for paper, such as: (i) GDP growth; (ii) population growth; and (iii) increase in per capita consumption.

At the same time, in markets considered “mature,” such as Japan, Western Europe and North America, paper and paperboard consumption has been growing at a slower rate, due to: (i) a drop in population growth rates; (ii) improvement in the types of and ease of access to electronic media and cable television; and (iii) reduction in the average density, or grammage, of paper.

Paper prices tend to be less volatile than the price of pulp. However, since pulp is a material input in terms of costs for the production of paper, increases in the price of this input tend to influence global paper prices. In 2015, the average price of eucalyptus pulp we sold was R\$2,006/ton, while the average net price of paper was R\$2,944/ton.

## BUSINESS

### Overview

We believe we are one of the largest vertically integrated producers of pulp and paper in Latin America, with over 90 years of experience in the pulp and paper industry. We operate mainly in the pulp (paper grade and fluff) and paper (paperboard and printing and writing) segments.

We are the second largest producer of eucalyptus pulp in the world and the fifth largest producer of market pulp, according to Hawkins Wright. We believe we are one of Brazil's largest paper producers, and based on data from IBÁ, we accounted for nearly 40% of the printing and writing paper and paperboard produced in Brazil in 2015.

Our industrial facilities consist of (i) three integrated pulp mills, being two in the State of São Paulo (which we refer to as the Suzano Unit and Limeira Unit) and one in the State of Bahia (which we refer to as the Mucuri Unit); (ii) one non-integrated paper production unit in the State of São Paulo (which we refer to as the Rio Verde Unit); (iii) a pulp production unit in the State of Maranhão (which we refer to as the Imperatriz Unit); (iv) certain facilities located in Brazil, China and Israel (which we refer to as FuturaGene) with subsidiaries in England and Argentina, engaged in biotechnology activities; and (v) commercial offices in China, the United States and Switzerland.

Our eucalyptus pulp production satisfies 100% of our requirements for paper production, and we sell the remaining production as market pulp. As of March 31, 2016, our total eucalyptus pulp production capacity was 4.5 million tons per year, of which 3.5 million tons was sold as market pulp and the remainder was used for the production of 1.3 million tons of paper and paperboard, which amounts to a total annual production capacity of approximately 4.8 million tons of finished products (paper, paperboard and pulp).

In 2015, we announced a R\$30 million investment to adapt one of the printing and writing machines in the Suzano Unit for the production of fluff pulp and, as a result, we believe we became a pioneer in the use of hardwood for the production of this type of pulp. Operations started in December 2015, and we have the flexibility to produce up to 100,000 tons of either fluff pulp or printing and writing paper.

The scale of our production capacity, the proximity of our planted forests to our mills and the integration of our pulp and paper production process allow us to benefit from substantial economies of scale and low production costs. Our Limeira, Suzano and Rio Verde Units are primarily focused on the domestic market and are located near the City of São Paulo, the largest consumer market in Brazil according to data from IBÁ and RISI, located approximately 90 km from the Port of Santos, an important export hub, and approximately 220 km from our planted forests. Our Mucuri Unit is focused primarily on export markets, and is located approximately 320 km from the Port of Vitória, approximately 250 km from Portocel, a port specialized in exporting pulp and paper located in the State of Espírito Santo, and approximately 75 km from our planted forests. The Imperatriz Unit, in Maranhão, is also focused primarily on export markets and is located approximately 600 km from the Port of Itaqui and approximately 150 km from our planted forests. Exports are carried from the unit to the port by rail, allowing for very competitive transportation costs. The relatively short distances between our planted forests, our mills and most of our domestic customers or export facilities provide us with relatively low transportation costs, which in turn results in lower total production costs.

Our shares are traded on the special listing segment of BM&FBOVESPA, Level 1, which demands high levels of corporate governance. Additionally 42% of our share capital is free float as of March 31, 2016.

### Our Strategy

#### *General*

Our goal is to consolidate our position as one of the most profitable and competent business organizations in the forestry industry. We pursue continuous development through a set of measures and innovations that enable us to deliver consistent economic and financial results. Cash generation allows us to execute strategic initiatives



aimed at maximizing return on invested capital and creating more value for shareholders, based on the pillars of structural competitiveness, adjacent businesses and reshaping of the industry.

***Structural Competitiveness: continuous improvement in operating efficiency and in the competitiveness of its assets.***

We aim to improve our operating efficiency and the competitiveness of our assets by continually improving our product quality, investing in research and development and conducting initiatives to promote excellence in the management of our industrial and forestry operations. To achieve this, we invest our modernizing and streamlining assets to reduce unit production costs and increase the productivity of forestry, industrial and administrative operations, and continue to analyze and implement actions to capture operating efficiency gains.

The main initiative under this pillar is Project 5.1, which consists of retrofitting and debottlenecking the Imperatriz Unit in the State of Maranhão and the Mucuri Unit in the State of Bahia. Estimated capital expenditure is R\$1.1 billion over the next two years (2016 and 2017). This investment will enable us to reduce our production costs by reducing our consumption of raw materials and diluting our fixed costs, which consequently will help us reach what we consider our optimum cost structure.

Our management practices and processes include: (i) using gene-enhancement and cloning technology to boost forestry yields; and (ii) implementing a matrix budget to streamline fixed costs and expenses.

***Adjacent Businesses: focus on value-added products, adjacent to our current portfolio, using our forestry base with high profitability and with scalability.***

We constantly invest in the research and development of innovative and value-added products to maximize the profitability of our forestry base and portfolio. The pillar of adjacent businesses pursues new uses for the asset base by diversifying our product portfolio to reduce volatility. For example, we have announced investments in biotechnology (FuturaGene), lignin, fluff pulp production and tissue production.

***Reshaping of the industry: strategy to redesign the industry framework to improve industry returns and reduce its volatility.***

This pillar seeks ways to reduce the volatility in our returns. In our capital-intensive industry, return on invested capital is highly dependent on external variables (such as foreign exchange rate and pulp prices). The goal is to execute a strategy aimed at lower volatility through M&A transactions and/or alliances, which could have vertical or horizontal orientation and may include national and international initiatives.

The long-term strategy remains centered on profitability with the aim of becoming an even more innovative and efficient company that combines operational excellence and sustainability in our operations. We aim to ensure our economic, social and environmental sustainability by creating more value for our shareholders and continually enhancing our corporate governance practices.

## **Our Competitive Strengths**

We believe our competitive strengths include the following:

### ***Vertically integrated operations and low production costs.***

Our vertically integrated operations assure us the flexibility needed to adjust our production and pulp and paper sales according to market conditions. We produced approximately 3.4 million tons of market pulp in 2015. We registered a production cash cost for market pulp of R\$642/ton (equivalent to US\$193/ton, at a *reais* to U.S. dollars exchange rate of R\$3.33 to U.S.\$1.00) in 2015, which, according to Hawkins Wright's studies, is one of the most competitive cash production costs in the world.

Due to the high level of integration between our pulp and paper production, we have a low cost for converting pulp into paper. Our low production costs reflect the following factors:

We use advanced cloning techniques and silviculture practices to manage our renewable planted forests, which enable our eucalyptus trees to reach maturity in only seven years (a significantly shorter period compared to the wood grown by its competitors abroad). The acquisition of a controlling interest in the biotechnology company FuturaGene, combined with our competence in eucalyptus research and development, enables us to accelerate our capture of productivity gains in our forestry operations and to expand beyond our own operations by applying this technology on the planted forests of third parties.

In addition, our forests are located close to its mills. The forests that supply wood to the Mucuri Unit are located within 75 km from the unit, while the forests supplying wood to the Imperatriz Unit are on average 150 km from the unit. For the units in São Paulo, the average wood supply distance is approximately 220 km.

Moreover, the electricity generated during the pulp production process ensures the energy self-sufficiency of our production units.

***Leader in plant genetics research and development.***

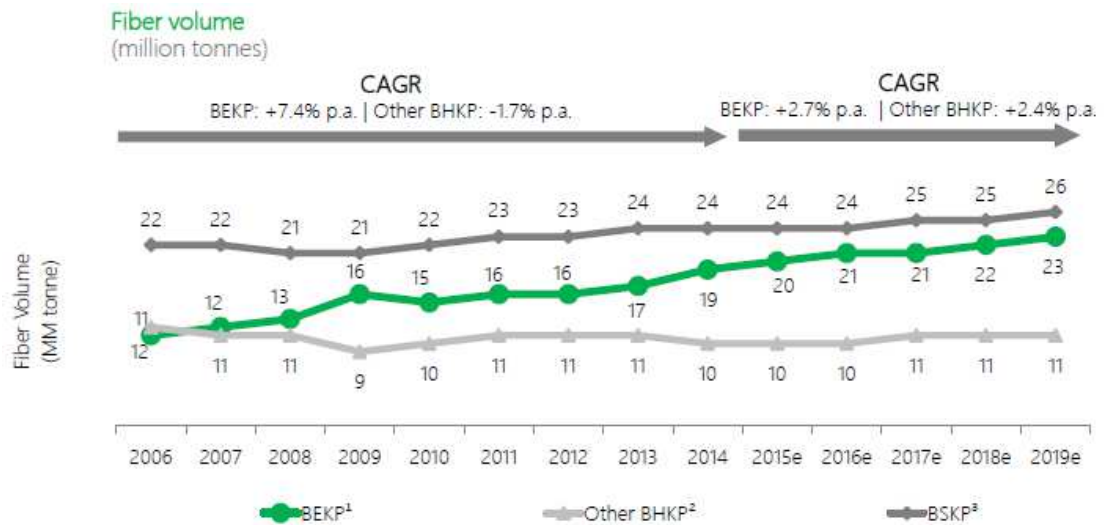
We believe FuturaGene, our wholly-owned subsidiary, is a leader in plant genetics research and development for the forestry, bioenergy and biofuel industries. With research facilities in Brazil, China and Israel, FuturaGene develops sustainable technologies to meet the growing demand for fiber, fuel and energy crops. In 2015, Brazil's National Biosafety Technical Commission, or CTNBio, approved the commercial use of the higher-yield eucalyptus developed by FuturaGene.

***Superior production quality.***

Sheets of printing and writing paper made from eucalyptus fiber present better formation and distribution, higher printing quality and improved opacity, uniformity, softness and bulk compared to paper produced using other fibers. Likewise, our paperboard is recognized for its exceptional printing quality, surface smoothness, stiffness and for its superior performance during printing, cutting, folding and packaging processes, which are characteristics essential to packaging production. Due to the characteristics conferred by eucalyptus pulp to printing and writing paper and sanitary tissue, demand for the fiber grew by 7.1% in 2015 compared to 2014, according to the Pulp and Paper Products Council.

We are constantly investing in the research and development of new products and applications to meet the needs of our clients.

The following chart shows the increase in volumes of eucalyptus fiber compared to other fibers, mainly resulting in its competitiveness.



### ***Diversified products and markets with solid operating cash generation.***

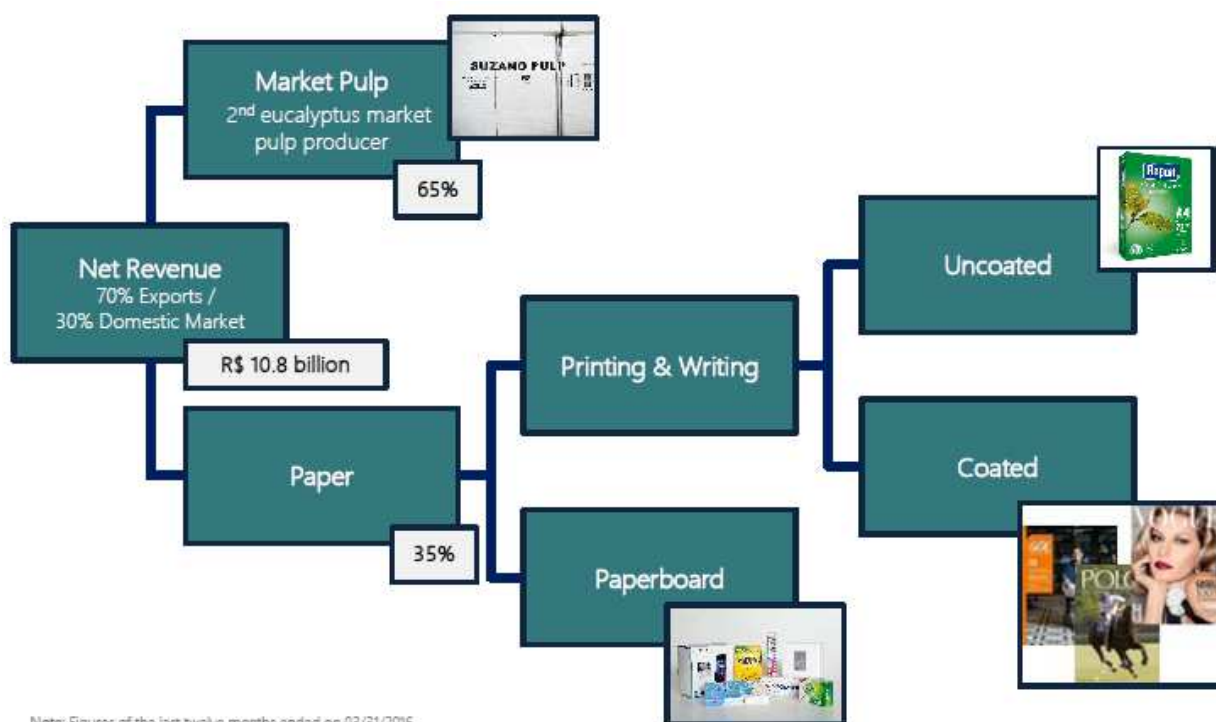
By producing pulp and paper for the domestic and international markets, we enjoy benefits from diversification, which effectively positions us to capture the growth potential of the domestic market and to take advantage of opportunities in the international market.

These factors support:

- Leadership and a strong brand in the Brazilian paper market: we believe that our leadership position and the strength of our brands, such as Report, Reciclato and Paperfect, are key drivers of our paper businesses in Brazil.
- Well positioned for exports: in 2015, 69.4% of our net revenue came from exports, which are shipped to over 90 countries, while 87.6% of our market pulp sales volume and 36.2% of our paper sales volume are exported.
- Solid operating cash generation: despite the high volatility in pulp prices, we maintained strong operating cash generation, which has generated funds and enabled us to secure financing for its operations. In addition to our history of consistent operating cash generation, supported by our export operations, we usually enjoy access to export financing facilities at competitive interest rates for both shorter and longer-term commitments.

### ***Diversified and complementary product portfolio.***

We have a balanced and complementary product portfolio comprising market pulp, paperboard, uncoated paper and coated paper, with market pulp accounting for more than half of our net sales revenue. The following flowchart shows all of the products developed by us and their respective contribution to our net revenue in the last twelve months ending on March 31, 2016:



Source: Internal Suzano presentation

We believe we are the first company in the world to use hardwood fiber to produce fluff pulp on an industrial scale, which is used to make diapers and feminine hygiene products. We first entered this market in December 2015. Some of the project's advantages include the increased flexibility to produce either fluff pulp or printing and writing paper in relation to our current production capacity as well as lower costs for customers.

### ***High social and environmental standards.***

In addition to contributing to our sustainable development and social responsibility, we believe that our success in defining and complying with high social and environmental standards give our an additional competitive advantage, especially for sales to clients in Europe and North America. We believe we were one of the first to produce recycled offset paper in Brazil on an industrial scale, which is marketed under the brand Reciclato. We also were one of the world's first pulp and paper companies and the first in the Americas to receive the international certification ISO 14001 for compliance with environmental management standards at our Mucuri Unit, which is also certified by the Forest Stewardship Council (FSC). The Suzano Unit has been FSC-certified since December 2006. The Imperatriz Unit has been FSC-certified since its startup.

We are dedicated to providing services to the community by participating in and providing financial support to various projects, including through the Ecofuturo Institute, a non-governmental organization that we sponsored that promotes environmental and education activities, among other initiatives.

### ***Experienced management team focused on value creation.***

We are managed by a highly experienced team of professionals and many of our directors and senior executives hold many years of experience in the pulp and paper industry. Our business management model is aligned with global standards of business excellence and is focused on creating value for all shareholders. We are constantly enhancing our corporate governance practices, with the main initiatives including: (i) listing on the Level 1 Special Corporate Governance Practices listing segment of the São Paulo Stock Exchange (BM&FBOVESPA) since 2004; (ii) implementation of a Code of Conduct applicable to all Suzano Group companies in 2006; (iii) creation of three advisory committees to our board of directors (Sustainability & Strategy, Management and Audit);

and (iv) reorganization of our board of directors to include four Independent Directors, in accordance with the standards of the Brazilian Corporate Governance Institute (IBGC).

### ***Financial policies focused on mitigating liquidity risks.***

Our financial management is oriented by policies and guidelines focused on mitigating liquidity risks. Consequently, we maintain a balance of cash and cash equivalents that we believe is sufficient to cover our short-term debt liabilities, which reduces the risk of needing to roll over debt and access debt markets during stress scenarios. For the same reason, we only enter into derivatives transactions for the purpose of hedging cash flow, and in all cases through basic, linear and liquid instruments. We maintain low leverage levels in the normal course of business, with additional debt limited to the need to fund growth projects, considering the servicing of this debt and the project's cash generation.

### **History**

We are controlled by a group of companies whose activities began in 1924, when Leon Feffer, our founder, first entered the paper business to resell national and imported paper used for business cards, writing pads and stationary. In the late 1930s, with the purchase of its first machine, the Suzano Group began to produce its own paper. In the 1950s, Companhia Suzano was formed, becoming what we believe to be the first global industrial-scale producer of eucalyptus pulp. In the mid-1960s, Companhia Suzano became the first paper producer to use 100% eucalyptus pulp in the production of printing and writing paper, as described in the book "The History of the Pulp and Paper Industry in Brazil" (*"A História da Indústria de Celulose e Papel no Brasil"*), published by the Brazilian Technical Association of Paper and Pulp (*Associação Brasileira Técnica de Papel e Celulose*), or the ABTCP, in 2004.

On December 8, 1987, we were incorporated under the name Bahia Sul Celulose S.A., or Bahia Sul, as a joint venture between Vale S.A., or Vale, and Companhia Suzano. In the beginning of 2001, Companhia Suzano acquired all of the shares of Bahia Sul that were previously held by Vale, thereby increasing its ownership interest in us to 100% of our voting stock and 73% of our total stock. In September 2001, Bahia Sul and Companhia Suzano's management teams were joined to create synergies and execute a solid growth strategy within the pulp and paper sectors. In September 2002, Companhia Suzano's held an exchange offer of preferred shares without voting rights issued by Bahia Sul for new preferred shares without voting rights issued by us, in order to acquire all outstanding preferred shares of Bahia Sul. Upon completion of the exchange offer, Companhia Suzano's increased its share in the total capital of Bahia Sul to 93.9%.

Following the consolidation of Companhia Suzano's indirect controlling interest in us, our pulp and paper business was strategically fortified, and subsequently Companhia Suzano expanded its integrated business producing a diversified portfolio of paper and pulp products for domestic and international markets. The consolidation of Companhia Suzano and Bahia Sul's operations also allowed for substantial cost savings and other synergies, thus concluding an important stage in our organizational restructuring.

In 2004, Companhia Suzano merged into Bahia Sul, with the resulting entity named Suzano Bahia Sul Papel e Celulose S.A. In that same year, we became listed on the Level 1 segment of the BM&FBOVESPA, thus guaranteeing transparency in our operations and accountability to our shareholders. Upon the 2004 merger, we adopted the corporate name Suzano Bahia Sul Papel e Celulose S.A., and in July 2006, our corporate name was changed to our current name, Suzano Papel e Celulose S.A.

In March 2005, we acquired control of Ripasa S.A. Celulose e Papel, or Ripasa, through a joint venture with Fibria, a company of the Votorantim group. In 2006, we completed the acquisition Ripasa completed by a restructuring transaction in which the shareholders of Ripasa received shares of Suzano and Fibria, as well as cash, in exchange for their shares of Ripasa. In 2007, CADE approved the acquisition of Ripasa by Fibria and us.

On February 7, 2007, our shareholders, BNDES Participações S.A., or BNDESPar, and Suzano Holding S.A., or Suzano Holding, held a secondary public offering of 23.6 million of our preferred class "A" shares for the total amount of R\$543,696,011. With this offering, our free float increased to 42.3% of our total capital stock and the Shareholders' Agreement between Suzano Holding S.A. and BNDES was ended, as BNDES held less than 5% of our share capital.

On March 30, 2007, we acquired the 50% stake that Fibria held in Embu Unit of Ripasa. That unit was incorporated into the our capital on August 31, 2007.

On August 29, 2008, our shareholders' meeting approved the total spin-off of Ripasa. A portion of Ripasa's equity was used to form Asapir Produção Florestal e Comércio Ltda., or Asapir, while the rest of its net equity was transferred, in equal parts, to us and Fibria, for the purpose of transforming Ripasa into a productive unit under a consortium, Conpacel, for the marketing of products independently.

On July 19, 2010, through our subsidiary, Suzano Trading Ltd., we completed the indirect acquisition of the whole share capital of Futuragene plc (currently Futuragene Limited). Futuragene Limited is a pioneer in biotechnology research and development, focused on forestry cultivation and bio-combustibles, among other things. FuturaGene develops sustainable technologies, with a strong environmental focus on supplying the growing demand for fibers, fuels, food and on optimizing the usage of natural resources, such as land and water resources.

On September 23, 2010, our subsidiary Suzano Trading Ltd. completed the offering of our US\$650 million 5.875% senior notes due 2021, guaranteed by us. We used the proceeds from that offering for general corporate purposes.

On January 31, 2011, we acquired all of Fibria's interest in Conpacel's assets, which included 50% of Conpacel's paper and pulp mill and 50% of approximately 76,000 hectares, of which approximately 71,000 hectares consist of developable land, 53,000 hectares of which were owned and 18,000 hectares of which were leased. The acquisition price was R\$1,450 million.

On February 28, 2011, we acquired the paper distribution operations of KSR Distribuidora, or KSR, held by Fibria, for R\$50 million.

To boost participation in the Latin American market paper, the operations of Limeira Unit (formerly, Conpacel), were fully integrated, which resulted in the addition of pulp and paper. In addition, the capillarity of KSR distribution network was expanded and integrated into the SPP-Nemo S.A. Comercial Exportadora, or SPP-Nemo. We believe that the merger of the two companies resulted in the largest distributor of paper and printing products in South America.

On May 15, 2012, we announced a public offering of primary distribution of shares to the market. The offering resulted in capital increase of R\$1.5 billion. The offering was just one component of a comprehensive package of financial shield during the investment phase of the construction of the plant in Maranhão. This financial planning strengthened our liquidity and mitigated the need for refinancing.

In March 2013, we announced that we concluded with Vale and Cemig Capim Branco Energia S.A., a definitive agreement for the sale of our stake in Consórcio Capim Branco Energia. The transaction was completed on May 28, 2013.

As scheduled, on December 30, 2013, operations began at the pulp production unit, Imperatriz, in the State of Maranhão.

On August 8, 2014, due to the fulfillment of all conditions precedent provided for in the share purchase and sale agreement entered into on June 4, 2014, we completed the direct acquisition of all shares issued by *Vale Florestar Fundo de Investimentos em Participações*, or VFFIP, held by Vale S.A., BNDESPAR, *Fundação dos Economistas Federais*, and *Fundação Petrobrás de Seguridade Social* or, PETROS, for R\$528,941 thousand, with a down payment of R\$44,998 thousand on the closing date and the outstanding balance in annual and successive installments of 10 to 15 years, with the first of those installments payable one year after the settlement date. The main asset of VFFIP consists of all shares of Vale Florestar S.A., which owns 45,000 hectares of eucalyptus forests planted in leased areas in the State of Pará, which will be used to supply wood to our Imperatriz Unit in the State of Maranhão.

On April 9, 2015, the National Biosafety Technical Commission (CTNBio) approved the application of its subsidiary, FuturaGene Brazil Ltda. technology for commercial use of genetically modified eucalyptus productivity increase - H421 event.

In 2015, we announced our three-pillar strategy: structural competitiveness, adjacent businesses and reshaping the industry. Through the pillar of structural competitiveness, we announced investments to modernize and increase the capacity of the Imperatriz Unit in the State of Maranhão and the Mucuri Unit in the State of Bahia and to increase and locate the forest base closer to these locations. In addition to an expected increase in total production capacity to 5.1 million tons in 2018, we believe that these projects will contribute to an approach focused on cost structure optimization.

The pillar of adjacent businesses seeks new uses of our asset base, diversifying our products. In 2015, we commenced the production of fluff pulp and announced investments in lignin and the tissue segment.

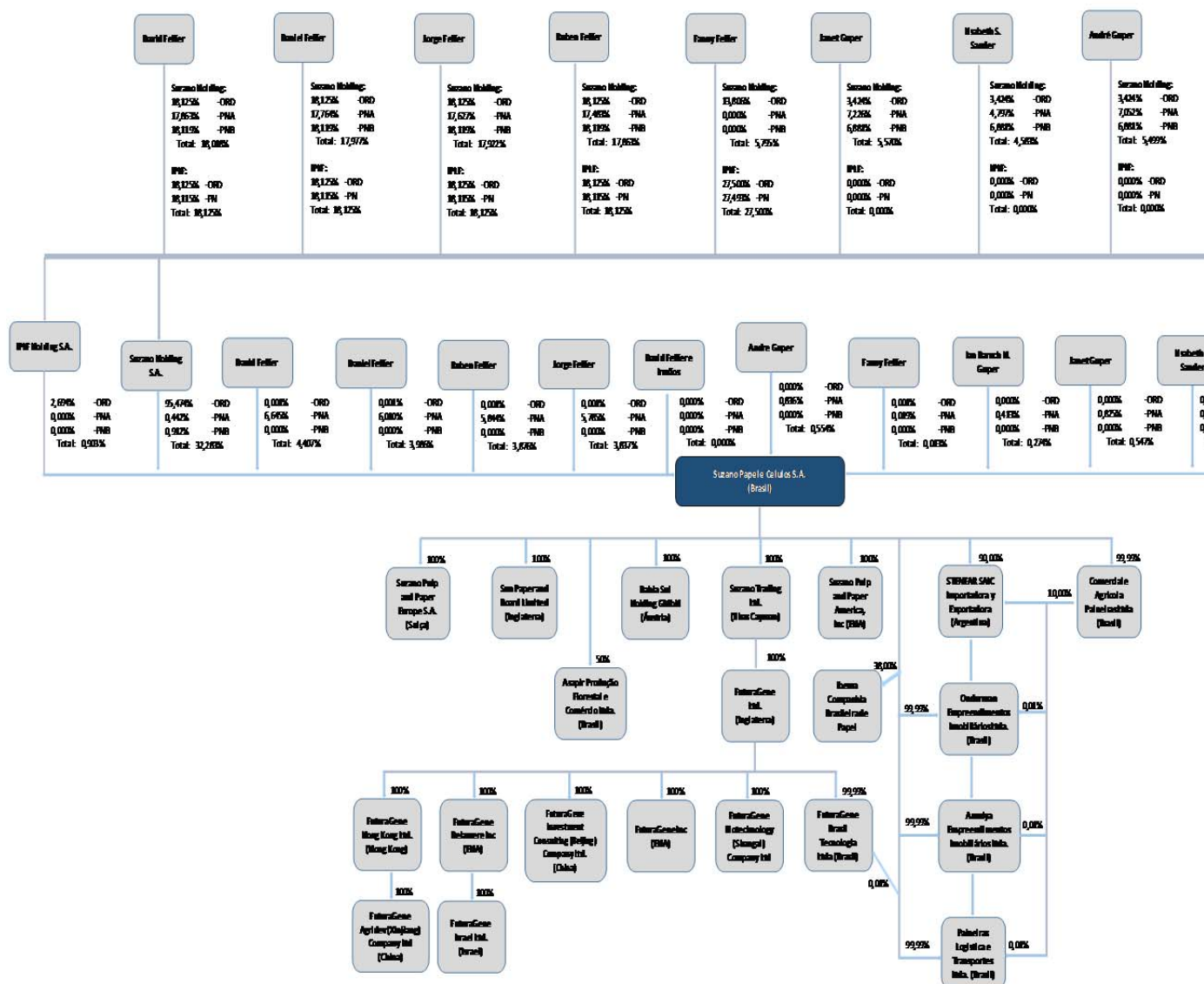
On January 4, 2016, we entered into operation Ibema Participações S.A., or Ibemapar, and Ibema Companhia Brasileira de Papel, or Ibema. We currently hold a 38% of the shares in capital of Ibema and we will hold 49.9% of the shares when the exclusion of assets unrelated to their paperboard operation is completed. Ibema has two industrial units of cardboard, one located in Turvo in the State of Paraná and another located in Embu in the State of São Paulo, the latter of which we sold to Ibema.

### **Recent Developments**

On April 13, 2016, as part of our liability management program, we entered into a NCE transaction valued at R\$600 million, securitized by *Certificados de Recebíveis do Agronegócio* (Agribusiness Credit Receivables Certificates or CRAs) at a cost of 98% of CDI with interest payable semiannually and principal payable in a lump sum due April 2020.

In June 2016, we became a member of TwoSides Brasil, a non-profit organization created to promote sustainability in the print, paper and forestry industries. We expect our involvement in this organization to have an institutional focus, and intend to support the organization's efforts in the pulp and paper sector and promote discussions about sustainability in our sector.

## Our Corporate Structure





## Pulp and Paper

We produce a variety of eucalyptus pulp and paper products, including pulp used in our paper production processes, as well as market pulp. We sell pulp to the domestic market and to the export market. We produce uncoated and coated printing and writing paper and paperboard. Within the printing and writing paper category, we produce products of different sizes and shapes, such as cut paper for general purposes (cut-size), folio size and reels. Our sales are not concentrated in any specific customer, in either the domestic or the export markets. For the three-month period ended March 31, 2016, we had no single customer which accounted for more than 10% of our net sales revenue.

The following table sets forth our total net sales, by product, for the years ended December 31, 2015, 2014 and 2013 and for the three-month periods ended March 31, 2016 and 2015:

|                                              | For the three-months ended March 31, |                          |              | For the year ended December 31, |                          |              |              |
|----------------------------------------------|--------------------------------------|--------------------------|--------------|---------------------------------|--------------------------|--------------|--------------|
|                                              | 2016                                 | 2016                     | 2015         | 2015                            | 2015                     | 2014         | 2013         |
|                                              | (US\$ millions,<br>except %)         | (R\$ millions, except %) |              | (US\$ millions,<br>except %)    | (R\$ millions, except %) |              |              |
| Pulp Net sale....                            |                                      |                          |              |                                 |                          |              |              |
| Domestic market .....                        | 61                                   | 216                      | 196          | 231                             | 822                      | 609          | 523          |
| Export market .....                          | 456                                  | 1,626                    | 1,229        | 1,624                           | 5,781                    | 3,242        | 2,054        |
| <b>Total pulp net sales .....</b>            | <b>517</b>                           | <b>1,842</b>             | <b>1,425</b> | <b>1,855</b>                    | <b>6,603</b>             | <b>3,851</b> | <b>2,577</b> |
| Paper Net sales .....                        |                                      |                          |              |                                 |                          |              |              |
| Domestic market .....                        | 158                                  | 561                      | 475          | 649                             | 2,309                    | 2,441        | 2,186        |
| Export market .....                          | 86                                   | 306                      | 247          | 368                             | 1,312                    | 972          | 925          |
| <b>Total paper net sales .....</b>           | <b>244</b>                           | <b>867</b>               | <b>723</b>   | <b>1,017</b>                    | <b>3,621</b>             | <b>3,413</b> | <b>3,111</b> |
| <b>Total net sales .....</b>                 | <b>761</b>                           | <b>2,708</b>             | <b>2,147</b> | <b>2,873</b>                    | <b>10,224</b>            | <b>7,265</b> | <b>5,689</b> |
| Domestic market (% of total net sales) ..... | 28.7%                                | 28.7%                    | 31.3%        | 30.6%                           | 30.6%                    | 42.0%        | 47.6%        |
| Export market (% of total net sales) .....   | 71.3%                                | 71.3%                    | 68.7%        | 69.4%                           | 69.4%                    | 58.0%        | 52.4%        |

## Pulp and Paper Production Process

We have a three-stage paper production process: (i) planting and harvesting forests; (ii) pulp manufacturing; and (iii) paper manufacturing. Consistent with our strategy of conducting our business in accordance with the highest environmental standards, we use plantation and harvesting techniques that are environmentally friendly, such as minimum-impact cultivation and soil preparation techniques that avoid erosion and maintain more humidity in the soil, which promote high levels of efficiency and productivity.

## Planting and Harvesting Forests

The development of our planted forests starts in our nurseries, where we use the most modern cloning technology available, and in third-party nurseries that use our genetic materials. The saplings we produce in our nurseries are a variety of eucalyptus that increases the production of pulp and are well suited for the climate and other geographic aspects of the micro-regions in which they will be planted. A harvester is used to cut, de-limb and debark the trees, and to cut them into logs. Part of the bark and leaves of the harvested trees is left in the planted forests. A forwarder carries the logs to the edge of the planting area, where a loader loads the logs onto a truck for transportation to the mill.

The management of our forests is the base that sustains our business, based on the planting and management of renewable forests, aims for a competitive supply of wood through long-term planning, development and application of genetic improvements. As of March 31, 2016, we owned or leased approximately 1.1 million hectares of land, of which approximately 550 thousand hectares were used for eucalyptus cultivation and the balance for forestry reserves, ensuring compliance with the law that determines the percentage of area for legal and permanent preservation reserves located mainly along the rivers. Our production units are in compliance with or exceed environmental standards – both Brazilian and international – for the production of pulp and paper.

Given the high degree of integration between the production of pulp and paper, we have a low conversion cost of pulp to paper.

Several factors account for our competitive advantage with regard to the cost of wood for the production of pulp: (1) favorable topographic, climate and soil conditions in the regions of Brazil where we operate; (2) advanced genetic improvement and harvesting technology; (3) low average distances between our planted forests and mills, which are among the shortest in the world; (4) our clone selection system, which improves our forests' yield and industrial performance, integrating our forestry and industrial activities; and (5) our advanced techniques to maximize soil potential, such as mosaic plantation and minimum environmental impact cultivation techniques. Together, these factors enable us to enjoy: (1) a high and increasing average volume of wood per planted hectare; (2) a higher concentration of fibers per ton of harvested wood; (3) the sustainable development of our operations; (4) relatively low operating costs; and (5) eucalyptus tree harvest rotations of approximately seven years, a period shorter than the harvest rotation periods in other regions of the world.

### ***Pulp Manufacturing***

The pulp manufacturing process takes place in two stages:

*The “Kraft” Cooking Process.* The logs received in our pulp mills are further debarked, if necessary, and fed through chipping machines. The wood chips are then transferred by a conveyor system to the digester where they are “cooked” with sodium sulphate and caustic soda. This “kraft” cooking process is known for minimizing damage to the pulp fibers, thereby preserving their uniformity and strength. During the cooking process, the cellulose fibers are separated from lignin and resins to produce unbleached pulp. In a pre-bleaching stage, the unbleached pulp is then washed and subjected to an oxygen delignification process that, combined with the kraft process, removes approximately 95.0% of the lignin. At this point, a small portion of the pulp fiber that was produced is used to make certain types of paperboard. The lignin and by-products of the kraft process form a substance known as “black liquor” and are separated and piped to evaporators, to increase the concentration of solids. Thereafter, the black liquor is sent to recovery boilers. In the recovery boilers, the black liquor is used as fuel to produce steam and electricity for the production process, and approximately 99.0% of the chemicals used in the kraft cooking process are recovered for reuse.

*Bleaching.* The next stage in manufacturing bleached pulp is the chemical bleaching process. Our current bleaching complex consists of a series of medium-density bleaching towers through which the delignified pulp passes. Each bleaching tower contains a different mixture of bleaching agents. Production of conventional bleached pulp employs a process that utilizes chlorine, chlorine-dioxide and caustic soda, while the Elemental Chlorine Free, which is our bleaching process, does not use elemental chlorine. At the end of this stage, the bleached pulp, still in its liquid state, is transferred to storage towers. Thereafter, the bleached pulp may be transferred directly to our paper machines in our Mucuri, Suzano and Limeira Units, by truck to our Rio Verde Unit or, in the case of market pulp, to drying machines where the pulp will be dried, molded into sheets, cut and baled.

### ***Paper Manufacturing***

We produce (i) uncoated woodfree printing and writing paper at all of our production facilities; (ii) coated woodfree printing and writing paper at our Suzano Unit; and (iii) paperboard at our Suzano Unit. We start the paper production process by sending the pulp to refiners, which increases the fibers' resistance. The pulp slurry is then fed into the paper mill, where it is mixed with fillers and additives to provide the necessary properties required by the end users. These additives include synthetic sizing, precipitated calcium carbonate (the alkaline process), optical dyes, and others. During the paper and paperboard production process, the sheet is formed, pressed and dried. At the end of the process, jumbo rolls are converted into reels, folio sheets and cut-size paper. In the case of coated

paper, the paper is subjected to further treatments, including coating one or both sides of the paper with ink, depending on the type of product and finishing, before being cut to the specifications of the customer or the converter.

We monitor production through a computerized system, which controls each stage of the production process. Our production, marketing and sales personnel manage the programming and control of our paper production process. In this manner, we are able to plan, optimize and customize different product runs and to anticipate, respond and adapt to seasonal variations and customer preferences.

### ***Pulp and Paper Production Schedule***

Our integrated pulp and paper mills operate three shifts, 24 hours a day, every day of the year, with the exception of scheduled maintenance periods. The dates of these maintenance periods are flexible and may be moved as a result of factors such as production, market conditions and supply of materials. We keep an inventory of certain spare parts that we consider critical to the production process or that are difficult to replace. We have also developed a close relationship with our suppliers to ensure access to spare parts.

### **Pulp Production and Sales**

Our information set forth in this section refers to information previously published by IBÁ. Our information for the three-month period ended March 31, 2016, compared to the corresponding period in 2015, is available in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### ***Pulp Production***

We produce eucalyptus pulp to supply our paper production operations and for sale as market pulp. We produced 3.4, 3.0 and 1.9 million tons of market pulp in 2015, 2014 and 2013, respectively. Our pulp production in the years ended December 31, 2015, 2014 and 2013 accounted for 19.6%, 18.1% and 12.8%, respectively, of the total pulp produced in Brazil during these periods, according to IBÁ. In the three-month period ended March 31, 2016, we produced 0.9 million tons of pulp, representing 20.1% of total pulp production in Brazil in this period, according to IBÁ.

The following table sets forth our total eucalyptus pulp production, total Brazilian pulp production and our eucalyptus pulp production as a percentage of total Brazilian pulp production for the years ended December 31, 2015, 2014 and 2013 and for the three-month periods ended March 31, 2016 and 2015.

|                                             | For the three-month period ended March 31, |             | For the year ended December 31, |             |             |
|---------------------------------------------|--------------------------------------------|-------------|---------------------------------|-------------|-------------|
|                                             | 2016                                       | 2015        | 2015                            | 2014        | 2013        |
|                                             | <i>(in thousands of tons, except %)</i>    |             |                                 |             |             |
| Our total pulp production .....             | 912                                        | 796         | 3,373                           | 2,982       | 1,932       |
| Total Brazilian hardwood pulp production    | 4,528                                      | 4,138       | 17,214                          | 16,465      | 15,129      |
| <b>Total Brazilian production (%) .....</b> | <b>20.1</b>                                | <b>19.2</b> | <b>19.6</b>                     | <b>18.1</b> | <b>12.8</b> |

### ***Pulp Sales***

In the three-month period ended March 31, 2016, we sold 0.9 million tons of pulp. In the years ended December 31, 2015, 2014 and 2013, we sold 3.3 million tons, 2.9 million tons and 1.9 million tons of pulp as market pulp respectively, 13.9%, 16.8% and 21.9% of which was sold in the domestic market and 86.1%, 83.2% and 78.1% of which was sold in the export market.

The following table sets forth our domestic and export sales of pulp for the periods indicated.

|                              | For the three-month period ended March 31, |      | For the year ended December 31, |         |         |
|------------------------------|--------------------------------------------|------|---------------------------------|---------|---------|
|                              | 2016                                       | 2015 | 2015                            | 2014    | 2013    |
|                              | <i>(in tons)</i>                           |      |                                 |         |         |
| <b>Our pulp sales volume</b> |                                            |      |                                 |         |         |
| Domestic .....               | 100                                        | 135  | 456,044                         | 477,801 | 414,518 |

|                     |            |            |                  |                  |                  |
|---------------------|------------|------------|------------------|------------------|------------------|
| International ..... | 806        | 721        | 2,835,244        | 2,372,511        | 1,480,414        |
| <b>Total .....</b>  | <b>906</b> | <b>857</b> | <b>3,291,288</b> | <b>2,850,312</b> | <b>1,894,931</b> |

### *Pulp Exports*

The table below sets forth our pulp net sales by geographic region for the periods indicated.

| Pulp net sales<br>by geographic<br>region | For the three-month period ended<br>March 31, |              |                   |              | For the year ended<br>December 31, |              |                   |              |                   |              |
|-------------------------------------------|-----------------------------------------------|--------------|-------------------|--------------|------------------------------------|--------------|-------------------|--------------|-------------------|--------------|
|                                           | 2016                                          |              | 2015              |              | 2015                               |              | 2014              |              | 2013              |              |
|                                           | R\$<br>(thousand)                             | Total<br>(%) | R\$<br>(thousand) | Total<br>(%) | R\$<br>(thousand)                  | Total<br>(%) | R\$<br>(thousand) | Total<br>(%) | R\$<br>(thousand) | Total<br>(%) |
| Brazil .....                              | 216,017                                       | 11.7         | 195,675           | 13.7         | 822,293                            | 12.5         | 609,396           | 15.8         | 523,206           | 20.3         |
| Asia.....                                 | 712,810                                       | 38.7         | 596,908           | 41.9         | 2,664,453                          | 40.3         | 1,570,698         | 40.8         | 940,401           | 36.5         |
| Europe.....                               | 623,475                                       | 33.9         | 422,847           | 29.7         | 2,130,942                          | 32.3         | 1,169,069         | 30.4         | 785,353           | 30.5         |
| North<br>America.....                     | 268,949                                       | 14.6         | 181,690           | 12.8         | 883,421                            | 13.4         | 461,334           | 12.0         | 289,926           | 11.2         |
| Others .....                              | 20,579                                        | 1.1          | 27,563            | 1.9          | 102,297                            | 1.5          | 40,806            | 1.1          | 38,402            | 1.5          |
| <b>Exports.....</b>                       | <b>1,625,813</b>                              | <b>88.3</b>  | <b>1,229,008</b>  | <b>86.3</b>  | <b>5,781,113</b>                   | <b>87.5</b>  | <b>3,241,907</b>  | <b>84.2</b>  | <b>2,054,082</b>  | <b>79.7</b>  |
| <b>Total .....</b>                        | <b>1,841,830</b>                              | <b>100%</b>  | <b>1,424,683</b>  | <b>100%</b>  | <b>6,603,406</b>                   | <b>100%</b>  | <b>3,851,303</b>  | <b>100%</b>  | <b>2,577,288</b>  | <b>100%</b>  |

### *Pulp Customers*

We have long-term relationships with substantially all of our market pulp customers in the domestic and export markets. On average, our contracts with these customers have a three-year term. Our sales contracts typically provide for the sale of our market pulp at prices announced each month, based on the prices announced by several independent suppliers of eucalyptus pulp in Brazil (including us), Chile and Europe.

These prices may vary among the different geographic regions in which our customers are located. Usually the price arrangements under our sales contracts are consistent with prices for our other sales within the same region. Our sales contracts provide for early termination in the event of a material breach, insolvency of one of the parties or a force majeure event of an extended duration.

Our customers generally purchase our products using commercial credit provided by us. We have a diversified customer base for our pulp products and no customer, domestic or foreign, accounted for more than 10% of our total sales of pulp products in 2015. We believe we have a good knowledge base to manage our credit risk portfolio through financial (letters of credit and insurance) and non-financial instruments (guarantees).

### **Paper Production and Sales**

We sell our paper products in Brazil and abroad. The markets we seek to serve are large and very competitive. We have improved our market share in Brazil. Although price is very important in these markets, we believe that customers that have high-quality standards prefer our products due to the value and quality our papers impart to their final products. This preference is shared among customers of all segments, from producers of notebooks and non-promotional materials, to more sophisticated customers, such as producers of promotional materials, high-quality packaging, food packaging and art books.

Our information set forth in this section refers to information previously published by IBÁ. Our information for the three-month period ended March 31, 2016, compared to the corresponding period in 2015 is available in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The table below sets forth our paper net revenues by geographic region for the periods indicated.

| Paper net<br>revenues by<br>geographic<br>region | For the three-month period ended<br>March 31, |              |                   |              | For the year ended<br>December 31, |              |                   |              |                   |              |
|--------------------------------------------------|-----------------------------------------------|--------------|-------------------|--------------|------------------------------------|--------------|-------------------|--------------|-------------------|--------------|
|                                                  | 2016                                          |              | 2015              |              | 2015                               |              | 2014              |              | 2013              |              |
|                                                  | R\$<br>(thousand)                             | Total<br>(%) | R\$<br>(thousand) | Total<br>(%) | R\$<br>(thousand)                  | Total<br>(%) | R\$<br>(thousand) | Total<br>(%) | R\$<br>(thousand) | Total<br>(%) |
| <b>Brazil</b>                                    | 560,662                                       | 64.7         | 475,452           | 65.8         | 2,308,970                          | 63.8         | 2,440,944         | 71.5         | 2,185,989         | 70.3         |

|                                                |                |            |                |            |                  |            |                  |            |                  |            |
|------------------------------------------------|----------------|------------|----------------|------------|------------------|------------|------------------|------------|------------------|------------|
| Central and South America <sup>(1)</sup> ..... | 131,548        | 15.2       | 120,997        | 16.7       | 648,637          | 17.9       | 465,403          | 13.6       | 389,362          | 12.5       |
| North America.....                             | 85,681         | 9.9        | 70,567         | 9.8        | 365,662          | 10.1       | 363,529          | 10.7       | 361,359          | 11.6       |
| Europe .....                                   | 43,020         | 5.0        | 29,817         | 4.1        | 144,017          | 4.0        | 118,007          | 3.5        | 139,822          | 4.5        |
| Others .....                                   | 45,591         | 5.3        | 25,862         | 3.6        | 153,669          | 4.2        | 25,413           | 0.7        | 34,805           | 1.1        |
| Exports.....                                   | 305,840        | 35.3       | 247,243        | 34.2       | 1,311,985        | 36.2       | 972,352          | 28.5       | 925,348          | 29.7       |
| <b>Total .....</b>                             | <b>866,502</b> | <b>100</b> | <b>722,695</b> | <b>100</b> | <b>3,620,955</b> | <b>100</b> | <b>3,413,296</b> | <b>100</b> | <b>3,111,337</b> | <b>100</b> |

Note:

(1) Excluding Brazil.

### **Paper Customers**

Our customers generally purchase our products using commercial credit provided by our company. We have a diversified customer base for our paper products and no customer, domestic or foreign, accounted for more than 10% of our total sales of paper products in 2015. We believe we have a good knowledge base to manage our credit risk portfolio through financial (letters of credit and insurance) and non-financial (guarantees) instruments. Additionally, we believe that our strategy to diversify our paper clients' portfolio improves the credit risk performance due to the lower correlation among large, medium, small and micro sized clients.

### **Seasonality**

Forest products, such as pulp and paper products, are typically cyclical. Changes in inventories are usually important in price determination. Furthermore, paper demand depends largely on general economic conditions and, since production capacity slowly adjusts to changes in demand, these changes also contribute to the cyclical nature of the industry. Changes in production capacity may also affect prices. In Brazil, specifically, paper demand increases in the second half of the year, mainly due to the production of notebooks and books for the beginning of a new school year, which begins in February, and governmental programs such as the National Didactic Book Program (*Programa Nacional do Livro Didático*).

Compared to the pulp market, the market for paper has a larger number of producers and consumers and greater product differentiation. Although the price of paper is cyclical and historically tied to the price of pulp, with a slight time difference, it is generally considered less volatile than the price of pulp. The main factors affecting the price of the paper are economic activity, the ability to expand production and the fluctuation in exchange rates.

Nevertheless, seasonality has not caused significant impacts on us over last three years. For this reason, we do not measure the impacts of seasonality in our results.

### **Raw Materials**

The principal raw materials used in pulp and paper production are described below.

#### **Wood**

We use fibers from three primary sources for the production of our paper: (i) our pulp; (ii) recycled paper; and (iii) mechanical pulp. Recycled paper and mechanical pulp are used in the interior layers of certain types of paperboard. We use eucalyptus trees for the production of all of our pulp.

The management of our planted forests is a key resource for wood. As of March 31, 2016, we owned or leased a total of 1.1 million hectares of land in the States of Bahia, Espírito Santo, Minas Gerais, Tocantins, Pará, Piauí, Maranhão and São Paulo.

#### **Recycled Paper and Mechanical Pulp**

Pre- and post-consumption recycled paper and mechanical pulp are used in the production of the interior layers of certain types of paperboard. Recycled paper is also the raw material used in the production of our Reciclato<sup>®</sup> paper, which, when production began in 2001, was the first recycled uncoated printing and writing paper produced on an industrial scale in Brazil. In 2015, 63.8 % of revenue from paper sales came from domestic sales.

## ***Energy***

We use several sources of energy. Our primary source of energy, steam, is derived from our pulp and paper production process and is generated by burning black liquor in the recovery boiler. See “—Pulp and Paper Production Process—Pulp”. A secondary source of energy, also derived from our pulp and paper production process, involves the burning of wood waste (bark and thin wood) in auxiliary boilers. Our auxiliary boilers can also generate energy by burning natural gas and oil.

We aim to reduce our energy consumption and increase our self-sufficiency. At our Mucuri Unit and our Imperatriz Unit, we produce 100% of the energy consumed, mostly by means of renewable sources including wood waste reuse. This is possible because of the kraft chemical recovery process adopted in our mills, which allows us to recover chemicals used in the pulp production process and to use the wood residues from wood cooking to generate power. See “—Pulp Manufacturing—The “Kraft” Cooking Process”. At a later stage, the chemical recovery process is completed with quicklime that along with sodium sulphate and caustic soda form green liquor and white liquor, which is then reapplied to the wood cooking process with minimum make up. Therefore, our chemical recovery process allows us to generate power in an environmentally friendly manner.

In 2014, we began the production of energy for exportation as the Mucuri Unit through optimization of steam generation in boilers. This additional volume added to the surplus energy generated by the Maranhão Unit meets our demand for energy for our paper factories.

## ***Chemicals***

A variety of chemicals, including sodium sulphate, sodium hydroxide (caustic soda), sodium chlorate, chloride, hydrogen peroxide and oxygen, are utilized in the paper production process, mainly in the pulp production phase. In the production of and coated paper, we use various additives, primarily kaolin, calcium carbonate, latex, starch, bleaches and binders. The chemicals used in the pulp production process are recovered and recycled within our pulp mills.

All chemical waste is treated in order to conform to the most current standards and practices of the pulp and paper industry worldwide. The chemicals used in the pulp and paper industry are commonly used in a variety of other industrial activities and do not present a uniquely hazardous threat. Notwithstanding this fact, we strictly adhere to all safety rules and regulations related to the transport, storage and production of chemical products. In addition, we maintain an insurance policy to cover liability in the event of an accident in the transportation, storage or production of chemical products.

## ***Transportation***

An important component of our competitive position is our low transportation costs, particularly with respect to: (i) the cost of transporting logs from our planted forests to the pulp mills and (ii) the cost of transporting pulp and paper to the consumer market. In the years ended December 31, 2013, 2014 and 2015 and in the three-month period ended March 31, 2016, logistics costs accounted for 10.3%, 12.2%, 14.0% and 15.2% of our cost of goods sold, respectively.

Our scale of production, the proximity of our planted forests to our pulp mills and our planted forests in relation to our factories and the integration of the processes of pulp and paper production give us substantial economies of scale and lower production costs. Our Suzano and Rio Verde Units, in the State of São Paulo, are strategically located near our major customers for paper products and approximately 90 kilometers from the Port of Santos, and are located at an average distance of 220 kilometers from our planted forests. Our Limeira Unit also has these advantages. Our Mucuri Unit, which primarily services the external market, is strategically located at an average of 75 kilometers from our planted forests, approximately 250 kilometers from Portocel, a port that specializes in the exportation of paper and pulp, and approximately 320 kilometers from the Port of Vitória. The Imperatriz Unit, in Maranhão, which also primarily services the external market, is located approximately 600 kilometers from the port of Itaqui, and the associated planted forests are located an average of 150 kilometers from the port. The proximity of our forests, factories, domestic clients and ports, allow us to enjoy relatively low transportation costs, which, in turn, provides a competitive cost structure for exports.

## Marketing and Distribution

We have our own sales teams for our pulp and paper business units, which sell our products in both the domestic and international markets, to final consumer or distribution intermediaries. We sell our products in both the domestic and export markets. In the years ended December 31, 2015, 2014 and 2013, 69.4%, 58.0% and 52.4%, respectively, of our net sales revenue from market pulp and paper products were attributable to sales made outside of Brazil. Domestically, we have a sales staff consisting of employees operating in various regions of Brazil.

### *Pulp*

Our pulp business unit's commercial strategy is based on three pillars: strong relationships, long-term partnerships and differentiated services. To ensure proximity with our national and international customers and that our products are tailored to their needs, we use a Brazilian sales team, which services Latin America, and local sales teams in the United States, Switzerland and China. In Brazil and in each one of our international offices, we have technical assistance departments that focus in our customers' needs, with the purpose of providing our customers with smart technical solutions for their transition from other types of fiber to eucalyptus fiber. We organize annual technical workshops, in Brazil and in each of the countries where we operate, to share with our customers and international offices our innovative initiatives, technical developments and market strategy.

### *Paper*

In 2015 63.8 % of our paper sales were made in Brazil. In order to better serve this market, we have divided it into seven segments, designing different commercial and marketing strategies for each segment:

- *Packaging*: this is the main end use of our paperboard sales and involves production of packaging for the pharmaceutical, cosmetic, tobacco, toys, clothing, shoes, food, beverage, hygiene and cleaning industries;
- *Promotional*: this segment mainly involves coated paper sales and production of promotional flyers, catalogues, displays and signs;
- *Editorial*: this segment accounts for the production of books, magazines and newspapers and involves the sale of all of the paper types that we produce (coated, uncoated and paperboard);
- *Notebooks*: this segment involves the production of notebooks and diaries in both the local and export markets, and uses uncoated paper and paperboard;
- *Mailing*: this segment mainly involves the production of forms and invoices, which use uncoated paper;
- *Office*: this segment encompasses three sub-segments (copying, competition and corporate) and involves the commercialization of uncoated paper in cut-size format, mainly A4; and
- *Retail*: this segment involves the commercialization of uncoated paper in cut-size format, mainly A4, in stationery stores, self-service businesses and convenience stores.

In order to serve the first five segments listed above, we combine different distribution channels: large paper volumes are sold directly to publishers and converters and small paper volumes are sold through publishing distributors. In the office and retail segments, sales are made indirectly, through paper distributors.

We own paper and graphic products distributors, one in Brazil and one in Argentina, Stenfar S.A.I.C. Importadora y Exportadora, Stenfar. For domestic distribution, we rely on four regional distribution centers: two in São Paulo, one in Serra (Espírito Santo) and one in São José dos Pinhais (Paraná), as well as our 16 local distribution centers, in the cities of Campinas and Ribeirão Preto (State of São Paulo), Belém (State of Pará), Brasília (Federal District), Campo Grande (State of Mato Grosso do Sul), Londrina (State of Paraná), Fortaleza (State of Ceará), Goiânia (State of Goiás), Manaus (State of Amazonas), Porto Alegre (State of Rio Grande do Sul),

Recife (State of Pernambuco), Rio de Janeiro (State of Rio de Janeiro), Salvador (State of Bahia) and Uberlândia (State of Minas Gerais).

Other than distributing our own line of paperboard and printing and writing paper, we also distribute other product lines to reach the graphics, editorial and consumer segments and to public agencies. Stenfar, our distributor of paper and computer supplies operating in Argentina, has been operating for 58 years and has an important and active presence in the market. Stenfar has three subsidiaries: Buenos Aires, Córdoba e Mar del Plata. Stenfar services the graphics, editorial and consumer segments and public agencies, working with printing and writing paper, paperboard and computer supplies. According to market estimates on paper and computer supplies distributions, Stenfar is one of the largest distributors in its market in the area.

Our distribution operations in Brazil and through Stenfar reinforce our commitment to strengthen our distribution channels. Stenfar, a company-owned distributor of paper and computer supplies, has been operating in Argentina for 58 years and has an active presence and important share of the market. The distributor has three branches, in the cities of Buenos Aires, Córdoba and Mar del Plata. Stenfar distributes printing and writing paper, paperboard and computer supplies for the graphics, publishing, consumer, converter and government entities segments. Based on market estimates made for the paper and graphics products distribution sector, we believe that Stenfar is one of the largest local distributors operating in this sector.

In addition to providing our customers a more complete portfolio of services and products, our distribution operations in Brazil and Stenfar's distribution operations in Argentina reinforce our commitment to strengthen our distribution channels, increasing our network and directly benefitting our clients through greater proximity and agility in serving them.

In addition to our own lines of paperboard and writing and printing paper, we also distribute other product lines, for the graphics, publishing, consumer, converter and government entities segments.

## **Competition**

The pulp industry is highly competitive as top 20 producers supply approximately 75% of the global market. We face substantial competition from numerous producers of paper and hardwood market pulp, including major Brazilian producers, such as Fibria, Eldorado, CMPC and Celulose Nipo Brasileira S.A. — Cenibra. Many factors influence competitive position, including mill efficiency and operating rates and the availability, quality and cost of wood, energy, water, chemicals, logistics and labor, and exchange rate fluctuations. Latin American pulp producers have structural cost advantages over other global competitors, mainly in North America and Europe, due to their shorter harvest periods and higher land productivity, which is only partially offset by geographical distance from the end markets of North America and Europe. As such, Latin American pulp producers are our biggest competitors and key competitive factors are operational efficiency and exchange rate fluctuations. Many of our competitors enjoy cost advantages similar to ours, including low production costs, and have access to similar sources of funding to finance their expansion projects. The international pulp and paper markets are highly competitive and involve a large number of producers worldwide. As a vertically integrated pulp and paper producer, we compete not only with other vertically integrated pulp and paper producers, but also with companies that produce only pulp or paper. Many of these producers have greater financial resources than we do and enjoy lower financing costs. However, as the second largest producer of eucalyptus pulp, we maintain our competitive advantage by keeping productions costs low, maintaining long-term contracts with our customers and vertically integrating our operations.

Of our paper sales, 81.7% are made to South and Central American clients. Our market share varies in each of our consumer markets. Of paper export revenues, revenue from Latin American sales represented 42.1%, 47.9% and 49.4% of total paper export revenue in 2013, 2014 and 2015, respectively. Revenue from European sales represented 15.1%, 12.1% and 11.0% of total paper export revenue in 2013, 2014 and 2015, respectively, and revenue from North American sales represented 39.1%, 37.4% and 27.9% of total paper export revenue in 2013, 2014 and 2015, respectively.

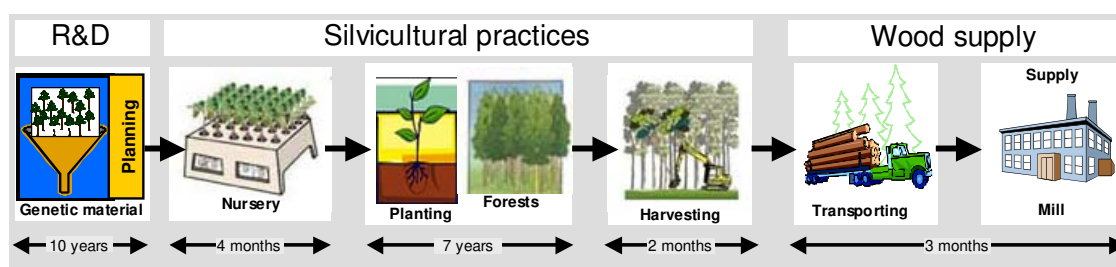


## Property, Plant and Equipment

### *Eucalyptus Planted Forests*

#### *General*

One of our greatest strengths is that we are a fully integrated low-cost producer of pulp and paper. That is due, in part, to the low cost of cultivating and processing eucalyptus trees compared to other species. As shown in the illustration below, the short growth cycle of our eucalyptus trees — seven years — presents a significant competitive advantage in relation to the costs associated with other fibers. For more information about our low wood costs, see “—Raw Materials—Wood.”



Our planted forests along with those of our partners are concentrated in the south of the State of Bahia, in the north of the State of Espírito Santo, in the State of São Paulo, in the east of the State of Minas Gerais, the states of Tocantins, Pará and in southwest of the State of Maranhão, and in north and east of the State of Maranhão and Piauí.

The table and chart below set forth the location and capacity of our eucalyptus planted forests as of March 31, 2016:

| Location                                               | Total Area Owned<br>(thousand hectares) | Planted Area<br>(thousand hectares) |
|--------------------------------------------------------|-----------------------------------------|-------------------------------------|
| States of Bahia, Espírito Santo and Minas Gerais ..... | 271                                     | 201                                 |
| State of São Paulo.....                                | 188                                     | 132                                 |
| States of Tocantins, Maranhão, Pará, and Piauí ....    | 635                                     | 217                                 |
| <b>Total .....</b>                                     | <b>1094</b>                             | <b>550</b>                          |



*Map of location Eucalyptus Planted Forests*

#### *Assisted Growth*

For new plantings, we use both seeds and clones selected for their characteristics, such as height and diameter, productivity per hectare, lack of branches below the crown, suitability to local soil and climate conditions, and resistance to disease. Saplings grown from selected seeds and clones are initially cultivated inside climate-controlled greenhouses for 30 days. These saplings are then transferred to outdoor nurseries, where they are allowed to grow for another 70 to 90 days, after which they are moved to be planted.

We conduct research specific to each of our growing regions, utilizing general concepts of plant physiology and genetics. In the future, our productivity may increase through cloned hybrid cuttings or selected seeds. The research program also continues to seek ways to improve the uniformity of wood quality and maintain ecological balance by studying the soil, plant nutrition and pest control.

### *Ecological Balance*

Since the adoption of minimum-impact cultivation techniques in 1989, there has been an increase in the organic material present in our planted areas and subsequent improvement in water retention and soil fertility. Moreover, our policy is to plant eucalyptus interspersed with native species in mosaic development in order to preserve biodiversity. Of the total planted area, approximately 14.3% is harvested yearly, all of which is replanted thereafter. We seek to protect our planted forests from disease by establishing biological reserves and from fire by keeping the lanes between our production units of eucalyptus trees unobstructed and by maintaining a fire brigade.

### *Harvesting*

Eucalyptus trees are harvested by our employees and by independent contractors through an automated system and, in some cases, manually. Logs are generally transported to our pulp mills as needed and we store small amounts of logs at all of our production facilities. Logs to be used in our production facilities in São Paulo are currently stored in the forests for an average of two to five months to allow them to dry before transportation. In Bahia, logs are transferred to the mill 40 days after harvesting.

### *Plant Locations and Capacity*

#### *General*

We produce pulp and paper products from five modern operating facilities consisting of: (i) three integrated pulp and paper mills: two in the State of São Paulo, which we refer to as the Suzano Unit and the Limeira Unit, and another in the State of Bahia, which we refer to as the Mucuri Unit, (ii) one pulp mill in the State of Maranhão, which we refer to as the Imperatriz Unit; and (iii) one non-integrated paper production unit in the State of São Paulo, which we refer to as the Rio Verde Unit. The following table identifies our pulp and paper mills, sets forth the nominal capacity of and the products produced at each mill, as of March 31, 2016.

| <b>Unit/Location</b>    | <b>Major Products</b> | <b>Production Capacity<br/>(thousand tons/year)</b> |
|-------------------------|-----------------------|-----------------------------------------------------|
| Mucuri Unit — Bahia     | Integrated Pulp       | 200                                                 |
|                         | Market Pulp           | 1,540                                               |
|                         | Paper                 | 250                                                 |
| Suzano Unit — São Paulo | Integrated Pulp       | 460                                                 |
|                         | Market Pulp*          | 170                                                 |
|                         | Paper*                | 560                                                 |
| Limeira — São Paulo     | Integrated Pulp       | 300                                                 |
|                         | Market Pulp           | 350                                                 |
|                         | Paper                 | 390                                                 |
| Rio Verde — São Paulo   | Integrated Pulp       | —                                                   |
|                         | Market Pulp           | —                                                   |
|                         | Paper                 | 50                                                  |
| Imperatriz Unit         | Integrated Pulp       | —                                                   |
|                         | Market Pulp           | 1,500                                               |
|                         | Paper                 | —                                                   |

\* Flexibility to produce either fluff pulp or printing and writing paper.

As of March 31, 2016, our facilities had produced approximately 912 million tons of total market pulp and approximately 297 million tons of paper. The following table sets forth our total pulp and paper production for the periods indicated:

| <b>Production</b>           | <b>2013</b>  | <b>2014</b>                    | <b>2015</b>  | <b>March 31, 2016</b> |
|-----------------------------|--------------|--------------------------------|--------------|-----------------------|
|                             |              | <i>(in thousand tons/year)</i> |              |                       |
| Market Pulp.....            | 1,932        | 2,982                          | 3,373        | 912                   |
| Paper.....                  | 1,293        | 1,301                          | 1,209        | 297                   |
| <b>Total production ...</b> | <b>3,225</b> | <b>4,283</b>                   | <b>4,582</b> | <b>1,209</b>          |

## Research and Development

Our research and development activities, which employ natural resource specialists, are principally directed at increasing eucalyptus wood productivity and optimizing industrial processes, making our production more efficient and developing new products through: (i) improving the use of eucalyptus fiber in the manufacture of pulp, paper and paperboard; (ii) developing new applications for eucalyptus fiber including nanomaterials; (iii) conducting environmental research; and (iv) developing eucalyptus bio-refinery to obtain renewable base chemicals . Our researchers in the industrial and natural resources areas work in close coordination with each other and with production, marketing and sales personnel. Our research and development facilities are located in the States of São Paulo and Bahia. Our policy is to continue to make investments in these kinds of research and development projects.

Our main forestry research focuses on natural growth, assisted growth, soil, nutrition and handling. Several research activities are developed in our own laboratories located in the States of São Paulo and Bahia. We have also developed several projects in partnership with research institutes and universities in Brazil and abroad. We direct our research and development activities at techniques to improve the productivity of eucalyptus trees, aimed at obtaining a more efficient production and supporting the development of new products. We try to identify the characteristics of the wood and pulp that are essential to the production of high-quality paper.

In addition, we develop planted forest handling activities, through research on different types of soil, by checking the soil nutrition in order to seek greater levels of productivity and a more efficient forestry culture. We also invest in biotechnology related to the culture of tissues and mapping of molecular markers, and we maintain a close relationship with several universities and private research institutes both in Brazil and abroad that actively research these fields.

We are also participating in two eucalyptus genome projects. The first project named Forest is sponsored by the Eucalyptus Genome Consortium, a consortium of Brazilian pulp and paper product companies, and by the State of São Paulo Research Foundation (*Fundação de Amparo à Pesquisa do Estado de São Paulo*), or FAPESP. The second project, named Genolyptus, is sponsored by the Brazilian Ministry of Science and Technology (*Ministério da Ciência e Tecnologia*).

We are also participating in two eucalyptus genome projects. The first project named Forest is sponsored by the Eucalyptus Genome Consortium, a consortium of Brazilian pulp and paper product companies, and by the State of São Paulo Research Foundation (*Fundação de Amparo à Pesquisa do Estado de São Paulo*), or FAPESP. The second project, named Genolyptus, is sponsored by the Brazilian Ministry of Science and Technology (*Ministério da Ciência e Tecnologia*).

Our main industrial research focuses in new applications for eucalyptus fiber, an example of this platform was the launch of innovative Eucafluff in November 2015, which corresponds to the first eucalyptus fiber applications to market fluff. Regarding bio-refinery platform, we began the eucalyptus lignin production in a pilot plant in December 2011 and we will start an operation of a demonstration plant, on an industrial scale, with a capacity of 20,000 tons/year. This will be the first lignin eucalyptus plant in the world.

Regarding nanotechnology, we build and operate a nanofiber pilot plant since 2012, developing some marketing applications. We plan to build an industrial plant soon. We also develop technologies to transform industrial waste grits and dregs, into market products, according our environmental research platform. Biofuels are also included in this initiative.

## **Environmental Matters**

### ***General***

We are committed to producing pulp and paper with a minimum of waste production and with the lowest impact on natural resources and the environment. Our continuing goal is to avoid and mitigate adverse impacts on the environment by controlling our emissions into the air and water, preserve biodiversity and by fully complying with Brazilian environmental regulations and recognized international environmental standards. In 1996, we were the first pulp and paper company in the world, and the first company in Brazil to obtain the ISO 14001 certification for our planted forests in the State of Bahia. These forests are also certified by the FSC and PEFC. Our environmental protection investments in 2015 totaled R\$10 million in respect of our industrial units and R\$10.5 million in respect of our forestry units. Consistent with our environmental protection efforts, as of March 31, 2016, approximately 44.2%, or 483,806 hectares, of all the land we own or lease were used for preservation.

Our environmental policy seeks to:

- contribute to social and economic development while supporting environmental protection by the adoption of innovative management procedures and remain a benchmark reference on environmental protection;
- prevent pollution, from research through installation, operation and commercialization of our products;
- develop and stimulate environmental education in a systemic and participative manner in order to promote environmental consciousness among our partners, collaborators and community;
- promote protection of water resources, seeking a sustainable atmospheric and soil conditions and biodiversity conservation in the areas in which we operate; and
- extend and share the preservation and sustainable management programs among community and organized sectors of society.

Our environmental policy establishes a commitment with respect to environmental conservation, through reducing our consumption of natural resources and mitigating the impacts of our activities. At the Forestry Unit, approximately R\$27.9 million were invested in monitoring and conserving natural resources and biodiversity, restoration projects, discussions with organized segments of civil society regarding best management practices, meeting certification demands, environmental education programs and sustainable development of local communities, among others.

Our environmental policy and environmental management system are aligned with the most advanced international standards. In 2015, costs incurred for compliance with environmental law were approximately R\$9 million. We have the ISO 14001 certification, which attests to our environmental management system, at all our industrial units, and Mucuri Unit was the first in the pulp and paper sector globally to obtain this certification in 1996. We also have received other certifications, including ISO 9001, OHSAS 18001, CERFLOR and FSC (Forest Stewardship Council), which attests that our forest management is environmentally correct and socially just. The FSC seal, created by different multisector international organizations, has strong international recognition and is also labeled in several of our products and our clients' products. We operate, therefore, under strict compliance with environmental laws and regulations.

Sustainability, which we define as the ability to meet our current goals in producing wood, pulp and paper in a way that neither the environment and the people are affected in order to maintain future goals and values for all society, guides all of our actions and intentions and involves building bases for an expansion that integrates competitive operations, environmental responsibility and quality relationships.

## ***Water***

Proactive management of water use and reuse seeks tools and technologies that allow the rational use of water resources, essential for the production of pulp and paper, both in terms of industrial operation and for forest productivity. We have been granted rights for water collection from rivers, wells and reservoirs for use in our unit's mills and forests. We have a permanent commitment to increase the efficiency of operations and consequently reduce consumption – which has occurred every year through internal reuse and improvement of industrial processes.

## ***Solid Waste and Wastewater***

Waste management is present in our processes and operations, both industrial and forestry. Wastewater treatment at all industrial sites takes place in own Sewage Treatment Plants (STPs), and includes the primary treatment (physical) and secondary treatment (biological), a stage in which oxygen and nutrients are added, and pH is controlled. At the Limeira and Maranhão units, activated sludge technology is used for secondary treatment, while aerated lagoons are used at the Suzano and Mucuri units. We have composting plants at the Limeira, Suzano and Rio Verde units. In addition, as members of the Brazilian Industry of Trees (IBÁ) and the Business Commitment to Recycling (Cempre), we participate in discussions about the industry's plans under the National Solid Waste Plan, established by the federal government.

## ***Biodiversity***

Our forestry practices reflect our concern for biodiversity, from planning to implementation. Today we plan and implement our forest management operations using mosaic landscapes approach, where eucalyptus stands are intermingled with native vegetation. We seek to connect the main native fragments, forming ecological corridors, contributing to the fauna and flora preservation. Furthermore, we also work with minimal cultivation, where planting is done with low soil interference (crop residues - twigs, leaves and bark - are kept on the ground, contributing to the fertility and protection against erosion). This model provides a suitable environment for conserving and maintaining biodiversity.

We reserve approximately 44.2% of our total land, or 483,806 hectares, as environmental preservation areas. This total includes Permanent Preservations (i.e. riparian forests), Legal Reserves, and High-Value Conservation Areas. We carry out periodic monitoring of fauna and flora in order to ensure its perpetuity. This monitoring has occurred since 2008 in Bahia, and since 2013 in São Paulo and Maranhão.

In 2015, we continued our partnership with The Nature Conservancy (TNC), a non-governmental organization, to craft Biodiversity Conservation Plans, which cover the remaining forest biomes in the Atlantic Forest, Cerrado and Caatinga, resulting in the Conservation Area Plan (PCA), which sets for strategies for conserving biodiversity. We also continued our partnership with WWF-Brazil Corporate Partnership, where companies from a variety of industries exchange ideas and tools on how to improve their environmental management. We are the only company in the pulp and paper sector involved in the partnership.

## ***Climate Change***

The issue of climate change incorporates our continuous search to adopt best practices in the management of greenhouse gas emissions (GHG), consisting of the pillars of quantification, reduction and compensation.

In 2008, as one of the founding members, we began a partnership with Fundação Getúlio Vargas (FGV) in the Brazilian Program GHG-Protocol, which aims to identify and account for emissions from the production process considering the direct emissions from our operational control sources (scope 1), indirect emissions from electricity consumption (scope 2) and activities associated with its production chain, but not controlled by us (scope 3). This tool is designed in accordance with the GHG Protocol methodology of the World Resources Institute (WRI).

In 2009, we became part of its business platform, *Empresas Para Clima*, or Companies for Climate, launched in October of that year in partnership with The Prince of Wales's Corporate Leaders Group (CLG) network, whose mission is to mobilize, sensitize and articulate business leaders for global management of climate change.

Regarding the reduction of emissions, several continuous improvement campaigns are deployed in industrial plants and in forest areas, as well as technological investments in order to reduce the generation of greenhouse gases, increasing environmental gains and meeting the demands of customers, investors and consumers. Our investment in electricity self-generation and export to the grid (UNIs Mucuri and Imperatriz) avoided the issuance of 571,532.67 tons of CO<sub>2</sub> equivalent in 2015.

Our goal is to be a model of environmental management. We are constantly developing pioneer projects relating to the preservation of hydro resources, soil and biodiversity. As a result of our improvement of the production process, we have reduced water and fuel oil consumption in our industrial units, organic loads in final effluents and the odor from our production units through gas emissions control. Furthermore, the second production line at our Mucuri Unit was developed to achieve the lowest water consumption possible, using the best technology available.

We also adopt a policy to reuse the energy resulting from our production process. Our industrial units produce a significant portion of their energy requirements, and today 83% comes from renewable fuels (such as black liquor and biomass), and only 17% from non-renewable resources (such as natural gas and fuel oil). Our Mucuri and Imperatriz Units are also almost self-sufficient in energy. In fact, today both units are selling energy to the grid. All investments in energy are paying off: In 2015, we had a 41% reduction in the purchase of electricity from the grid.

In respect of residues and effluents from our industrial units, we carry out a broad management program aiming at reducing such residues and controlling and reducing potential risks to the environment. Moreover, we have established partnerships with third parties for the use of these residues as fertilizer and other recycled materials. Consequently, we now generate revenue from what previously were expenses, in addition to helping the environment. In 2009, the Environmental Company of the State of São Paulo (*Companhia Ambiental do Estado de São Paulo*), or Cetesb granted us a license to use the biomass ashes from the boilers in our Suzano Unit as fertilizers in our forests in São Paulo, the first time such a license was granted in the industry.

Beyond our ISO, OAHAS, FSC and PEFC certifications, our environmental commitments are also supported and monitored by relevant organizations and coalitions, including: Global Pact; Fundação Getúlio Vargas /Centro de Estudos em Sustentabilidade (FGV-CES); Coalizão Brasil Clima, Floresta e Agricultura (Climate, Forest and Agriculture Brazilian Coalition). In addition, we maintain a strong partnership with recognized forums and organizations to discuss and share sustainable knowledge: WWF-Brazil; WWF / New Generation Plantation; TNC (The Nature Conservancy); CI (International Conservation), The Forest Dialogue; Diálogos Florestais Nacionais (Brazilian Forest Dialogue); Fórum Florestal (Forest Forum); IBA (Brazilian Tree Industry) and Instituto Ethos (Ethos Institute).

In 2010, we were the first pulp and paper company in Brazil to calculate our carbon footprint by measuring the gas emission throughout our products' entire life cycle, from raw materials production and distribution through sale, use and disposal, which represents a broader exercise than the greenhouse gases inventory that we have been doing since 2003.

We also have a strong commitment to community service and participate in and fund a variety of projects, including projects supported by the Instituto Ecofuturo, a non-governmental organization that we have created and sponsor, whose purpose is to generate and divulge knowledge and practices that contribute to the creation of a sustainability culture. We are party to several other national and international initiatives, including the Chicago Climate Exchange, the largest exchange of carbon credits from planted forests, the Brazilian Corporate Council for Sustainable Growth (*Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável*), the World Business Council for Sustainable Development and the GHG Protocol Brazil.

### ***Brazilian Environmental Regulation***

The Brazilian federal constitution assigns to the federal government, the states, the federal district and the municipalities the responsibility for environmental protection and preservation of Brazilian fauna and flora. The authority to enact laws and issue regulations with respect to environmental protection is exercised concurrently by the federal government, the states and the municipalities. The municipalities have authority to enact laws and issue regulations only with respect to matters of local interest or to supplement federal and state laws.

The National Environmental Policy has established that the regular operation of activities causing actual or potential pollutants or using natural resources, or that, in any manner, result in environmental degradation, are subject to previous environmental licensing requirements. This procedure is necessary both for the initial installation of the facility and for any expansions of such facilities. The environmental licensing process basically follows three consecutive stages: preliminary license, installation license and operating license.

Regarding licensing procedures, municipalities have the jurisdiction to license facilities that only have a local environmental impact. Where the environmental impact of the facility is more widespread but still confined to one state, state governments have the jurisdiction to license such facilities. But if a facility generates an environmental impact on more than one state or involves strategic interest (such as nuclear plants or Indian lands), the federal government has jurisdiction to license the facilities.

Our activities are currently licensed by the following state agencies: (i) the São Paulo State Secretariat for the Environment (*Secretaria Estadual de Meio Ambiente de São Paulo*), or SMA and the Environmental Company of the State of São Paulo (*Companhia Ambiental do Estado de São Paulo*), or CETESB; (ii) the State Council for Environmental Policy (*Conselho Estadual de Política Ambiental*) and the State Foundation for the Environment (*Fundação Estadual do Meio Ambiente*) in the State of Minas Gerais; (iii) the State Council for the Environment (*Conselho Estadual de Meio Ambiente*) and the State of Bahia Environmental Institute (*Instituto de Meio Ambiente da Bahia*), or IMA, in the State of Bahia; (iv) the State of Espírito Santo Environmental Institute (*Instituto do Meio Ambiente do Espírito Santo*), in the State of Espírito Santo, (v) the State Secretariat for the Environment and Renewable Resources (*Secretaria Estadual de Meio Ambiente e Recursos Naturais*), or SEMA, in the State of Maranhão; (vi) the Nature Institute (*Instituto da Natureza*) in the State of Tocantins; and (vii) the State Secretariat for the Environment and Water Resources (*Secretaria Estadual de Meio Ambiente e Recursos Hídricos*) in the State of Piauí.

The preparation of an Environmental Impact Study and its corresponding Environmental Impact Report is required for purposes of licensing activities with significant environmental impact. In any such event, investments are required in order to compensate for the environmental negative impacts. The amount of investment made to compensate for the environmental impact must be up to 0.5% of the total cost of the development. Since our principal activities began before the environmental compensation law, we were not required to invest to compensate for the environmental impact for projects performed before the year 2000, as set forth in the Law that established the National System of Conservation Units - SNUC. However, new activities started after the institution of SNUC are subject to environmental compensation, which may result in new investments to compensate for the environmental impact of new projects.

We have licenses for the operation of our plants, which are generally valid for five years from date of issuance and may be renewed for additional five-year periods. The operating permits require, among other things, that we periodically report our compliance with certain emissions standards set forth by the appropriate environmental agencies. With regard to our plans, we are currently either (i) in compliance with all operating and environmental licenses or (ii) in the process of renewing these licenses.

Our forestry activities are concurrently regulated by the federal government and the state governments of the States of São Paulo, Bahia, Espírito Santo, Minas Gerais, Piauí, Tocantins and Maranhão. The planting and harvesting of trees can only be done in accordance with a plan previously approved by the state agencies, except for the State of São Paulo, where a forestry license is not required. Furthermore, in observance of the new Forestry Code (Federal Law n. 12.561/2012). In general we must keep at least 20% of our landholdings covered with native forests or replanted with indigenous tree species as a legal reserves (*reserva legal*). Legal reserves must be registered with a new program named the Rural Environmental Registration (CAR – *Cadastro Ambiental Rural*). In such system, the land owners shall provide information on all the environmentally protected areas to the environmental agency. However, this restriction increases to 35% in the Northern region savannah and to 80% in the Amazon forest. Also according to federal law, native vegetation from areas along rivers and other water bodies as well as steep slopes and hilltops are to be treated as permanent preservation areas, which are essential to the conservation of water resources, scenery, animal, human and plant health, biodiversity and soil in the area. Our forestry operations are in compliance with all applicable laws and regulations. See “—Environmental Matters.”

Our operations are subject to various environmental laws and regulations, including those relating to air emissions, effluent discharges, solid waste, odor and reforestation. In Brazil, individuals or legal entities that violate



environmental laws can be punished by criminal sanctions that range from fines, imprisonment and confinement, in the case of individuals, or dissolution, in the case of legal entities. In addition, administrative sanctions that can be imposed include, among others:

- fines that may reach up to R\$10 million if operating without a license and R\$50 million in the case of environmental damages;
- partial or total suspension of activities;
- forfeiture or restriction of tax incentives or benefits; and
- forfeiture or suspension of participation in credit lines with official credit establishments.

In addition to criminal and administrative sanctions, pursuant to Brazilian environmental laws, the violator must also provide compensation and reimbursement for the damage that was caused to the environment and third parties. At the civil level, there is joint and strict liability for environmental damages. This means that the obligation to compensate for the damage caused to the environment may affect each and every individual or legal entity directly or indirectly involved, regardless of the existence of actual fault by the agents. Therefore, the engagement of third parties to carry out any intervention in our operations, such as the final disposal of waste, does not exempt the contracting party from eventual damages to the environment caused by the contractor. In addition, environmental laws provide for the possibility of piercing the corporate veil, in relation to the controlling shareholder, whenever such corporate veil is an obstacle for the reimbursement of damages caused to the environment.

Using advanced technology, our operations comply with all applicable Brazilian laws and regulations, and we believe that we also meet all recognized international standards to which we or Brazil are signatories. In the past five years, we have not received any administrative penalties or warnings that might be considered relevant or material fines in respect to violations of Brazil's environmental laws or policies.

## Awards

Over the last few years, we have received awards and recognition that reaffirmed the strong perception of our shareholders, suppliers and customers, among others, in relation to our values, transparency and social and environmental responsibility.

In the management area in both 2014 and 2015, we were ranked as one of the "Best & Biggest" companies in Brazil by *Exame* magazine and *Valor Econômico* newspaper also ranked us in their list of the 1,000 largest companies for both years. In 2015 and 2016, RISI, Inc., a pulp and paper industry think tank, recognized Walter Schalka as the best CEO in the pulp and paper industry in Latin America; *Valor Econômico* newspaper also named Schalka a "Valor Executive", a title given to executives across 23 industries. *Você RH* magazine recognized Carlos Alberto Griner, Chief Human Resources Officer, as "HR Profession of the Year" in 2015 and, for the fourth consecutive year in 2014, "Best HR Professional in the Pulp and Paper Industry". Walter Schalka also won the *Você RH* magazine award in the category "Best HR Partner CEO" in 2014. In 2015, Suzano was also among the best 150 great places to work

In the sustainability area, the Brazilian Pulp and Paper Technical Association, or ABTCP chose us, represented by FuturaGene, as winner of the category "Innovation in Research, Development and Technology" at the Industry Highlights Awards in 2015. In 2014, the ABTCP chose us as the winner of the "Social Responsibility" category at the Best in Pulp and Paper Industry Awards.

With respect to the quality and sale of our products, in 2014, the Graphprint Award placed us first in the categories of "Printing & Writing Paper – Coated", "Printing & Writing Paper – Uncoated", "Paperboard" and "Recycled Paper" and SPP-KSR (before it was integrated in our operations) won the category "Distribution". In 2015, we were recognized for excellence in the same categories, as well as the category of "Distribution". We won Fernando Pini Awards for Printing Excellence in the category "Best supplier of coated or uncoated paperboard for printing" in 2015 and "Best coated and uncoated paper board for printing" and "Best coated printing paper" in 2014. In 2015, we won the Best Brands Award in the category "White and Colored Papers for Printing/Copying" with our

Suzano Report®. In the same year, we were also elected “Best Printing Paper Manufacturer and Distributor” by the Werner Klatt Awards and “Best Printing Paper Manufacturer and Distributor” by the Padre José de Anchieta Awards.

## **Industrial and Intellectual Property**

In spite of our research and development activities and investment in trademarks, we are not dependent on any particular patent, trademark, license, royalty agreement, industrial agreement or new production process.

### ***Trademarks***

We have registered many of our trademarks, including, as the case may be, our multi-purpose paper trademark “Report®,” in countries across five continents, including, among others, the United States and Canada, countries that form part of the European Union, and countries located in Latin America, Africa, Asia and Oceania.

More specifically in Brazil, we have registered, or are applying for registration, with the National Industrial Property Institute (*Instituto Nacional da Propriedade Industrial*), or INPI several of our trademarks, including Report®, Paperfect®, Suzano®, Cartão Supremo®, Artwork®, Reciclato®, Pólen®, Alta Alvura®, Super 6®, Couché Suzano® and Suzano Pulp®.

### ***Patents***

We have applied for registration or have registered the patents covering the following main processes with the INPI:

- process for obtaining special board with security features for pharmaceutical packages and others (board “F”);
- method for genetic transformation of plant cells;
- machinery for production of cellulose pads;
- reversible process for conversion of paper pulp production into dissolving pulp production and process for production of dissolving pulp;
- lignin static mixer; and
- process for production of calcium chloride and carbon dioxide.

## **Insurance**

We believe that we maintain adequate insurance coverage for our facilities with respect to our operational and commercial risks. Consistent with industry norms and practice in Brazil, we do not maintain insurance coverage for fire and other risks to our planted forests. Nonetheless, we adopt a series of measures, such as, maintenance of a firefighting brigade and keeping unobstructed the lanes between our production units of eucalyptus trees, which historically has significantly prevented the spread of fires. We use the amounts we would otherwise pay as premiums for fire insurance to implement preventive and safety measures, such as installing fire towers and fire control equipment and training firefighting personnel. It is our policy to maintain insurance coverage for our inventory of wood.

## Employees

### *General*

As of March 31, 2016, we employed a total of 7,533 employees, distributed as follows:

|                             | <b>As of March 31, 2016</b> |
|-----------------------------|-----------------------------|
| Management .....            | 232                         |
| Specialists/Engineers ..... | 1,378                       |
| Administrative .....        | 1,077                       |
| Operations .....            | 4,846                       |
| <b>Total .....</b>          | <b>7,533</b>                |

As of March 31, 2016 we used 11,135 workers employed by third-party subcontractors and service providers, for many of our operations and for substantially all of the transportation of wood, pulp and other raw materials. Approximately 78% of the workers in our planted forests are our own employees, predominantly used in the automated harvesting process. Approximately 64% of the workers employed by third parties work in our forestry operations.

Our relationship with our employees is subject to the terms and conditions set forth in each of the collective labor agreements executed by us with the local unions to which our employees belong.

### *Compensation*

In addition to receiving a fixed salary, our employees participate in a profit sharing program based on the achievement of certain personal and corporate targets, which seek to stimulate our employees to effectively contribute to our growth. We also provide the following benefits to our employees, among others: life insurance, health care plans, day-care allowance, dental care, meals or meal vouchers, transportation vouchers, and educational support for our employees' children.

The compensation of the members of our board of directors and board of executive officers is determined annually at our shareholders' meeting, in accordance with our bylaws. Our board of directors is responsible for the distribution of such amount between its members and the members of our board of executive officers. Our shareholders' meeting held on April 25, 2016 approved the global compensation for the members of our board of directors and board of executive officers for the fiscal year of 2016 in the amount of up to R\$57 million.

### *Long-Term Incentive Plan Based on Phantom Shares*

We have a long-term incentive plan for our officers and certain members of our board of directors, which is settled in cash and based on the market price of our shares. Annually, if certain performance targets established by our Management Committee are met, our main executives are granted "phantom shares" in the amount resulting from the division of their salaries by the average market price of our shares at closing in the 90 trading days prior to the grant date. We grant the phantom shares in addition to the salaries of our executives and limit the total number of phantom shares granted to the value of six salaries. The phantom shares vest within one to three years and, after which period they can be "granted" to us at an exercise price corresponding to a given percentage over the average market price of our shares at closing in the 90 trading days prior to the exercise date and the amounts distributed to our shareholders in the period between the grant and exercise of the phantom share option. This percentage is calculated based on our performance for the relevant period in comparison with our competitors' performance, and may vary between 75% and 125%. All phantom shares must be exercised within three years of vesting.

### *Share-Based Payment Plan*

On August 29, 2008, our shareholders approved our share-based payment plan and, on August 10, 2009, our board of directors, assisted by a special committee, approved the rules applicable to such plan. Under this plan, we may grant stock options for the acquisition of our class A preferred shares to our officers, directors and other employees. These options may not exceed 2% of our paid in capital stock and have different vesting cycles: the first tranche of 12.5% of the options vested in June 2010; the second tranche of 12.5% of the options vests in

June 2011; and the last tranche of 75% of the options vested in June 2012. All options expired on December 31, 2012. Our executives and managers currently receive part of their compensation pursuant to this share-based payment plan.

## **Material Agreements**

### ***Financing Agreements***

For a description of the main agreements comprising our short and long-term indebtedness as of March 31, 2016, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness”.

### ***Other Material Agreements***

#### ***Transportation Agreement with Ferrovia Norte Sul S.A.***

On July 13, 2009, we entered into an agreement with Ferrovia Norte Sul S.A., as amended, for the railroad transportation of pulp to be produced in our industrial unit in the State of Maranhão.

#### ***Agreement for Temporary Use of Itaqui Port***

On January 2, 2014, we entered into an agreement for temporary use of an area in Itaqui Port, as amended, for storing and exportation of the pulp produced in our industrial unit in the State of Maranhão.

## **Legal and Administrative Proceedings**

We are party to a number of legal actions arising from our normal business activities, including general civil, tax and employee litigation and administrative and environmental proceedings. The liability that could arise with respect to these actions is described below, according to each of their natures. Although the amounts of any liability that could arise with respect to these actions cannot be accurately predicted, in our opinion, except as described below, such actions, if decided adversely, would not, individually or in the aggregate, have a material adverse effect on our financial condition. The following summarizes the legal and administrative proceedings to which we are party to in Brazil and the approximate amounts in dispute and provisioned for in these proceedings as of the date of this listing memorandum.

### ***Tax Proceedings***

As of March 31, 2016, we were involved in approximately 357 administrative and judicial tax related proceedings, 264 as defendants and 93 as plaintiffs. These claims involve matters of Social Integration Program (*PIS*), Tax for Social Security Financing, *COFINS*, tax on manufactured products, *IMI*, tax on sale of goods and services, *ICMS*, tax on services, *ISS*, income tax and contribution on net profits, *IRPJ/CSLL*, and social security contributions.

As of March 31, 2016, we had provisions of R\$173.5 million related to tax-related claims for which our legal counsel considers that the likelihood of loss is probable. This total amount includes provisions for tax matters related to *PIS* and *COFINS* credits that are not related to ongoing tax claims.

In addition, the total amount related to proceedings in which we are defendants, and for which our legal counsel considers the likelihood of loss possible, is approximately R\$266.6 million. As of March 31, 2016, there are no provisions accrued regarding such claims.

As of March 31, 2016, we were not defendants in any tax and social security contributions claims in which the individual amount in dispute was considered relevant (higher than 0.5% of our net equity).

### ***Labor Proceedings***

As of March 31, 2016, we were involved in 2,108 labor proceedings and we had provisions in the total amount of approximately R\$27.4 million for probable losses in connection to these proceedings. In addition, the

total amount related to labor claims in which we are defendants, and for which our legal counsel considers the likelihood of loss possible, is approximately R\$33.8 million, and, as of March 31, 2016, there were no provisions accrued regarding such claims.

The labor claims involve matters usually challenged by industrial employees, such as overtime, termination payments, requests for additional compensation for allegedly unsafe labor conditions, in addition to lawsuits filed by outsourced and third parties employees claiming that we are secondarily or jointly liable for compensation owed to them by their original employers.

We are the defendant in four material labor claims filed by employees' representative unions from the regions where our employees are established, claiming for the payment of allegedly unsafe labor conditions premium to employees listed by the employees' representative unions in such claims. The total amount under dispute is approximately R\$28 million, R\$4.8 million of which we classify as probable loss. As of March 31, 2016 we had provisions for the full amount of probable loss in connection with these proceedings.

We are also a party to administrative proceedings initiated by the Labor Public Prosecutor Office discussing matters in connection with the regular course of our business.

### ***Civil Proceedings***

As of March 31, 2016, we were involved in 252 judicial civil proceedings. We had provisioned R\$1,916 thousand for contingencies related to probable losses in these cases. There are also civil proceedings, for which the probability of losses is possible and that are not recognized in the provision for contingencies, involving a total amount in dispute of approximately R\$3,885 thousand. These proceedings refer mainly to indemnification claims, real estate possession challenges and claims for the revision of contractual provisions.

We have four relevant civil legal lawsuits, which are related to environmental disputes and were all filed by the Federal Public Prosecution Office challenging the jurisdiction of the municipal or State agency authorities to grant environmental licenses. The Federal Public Prosecution Office alleges that the environmental licensing proceeding should be carried out by the Brazilian Federal Environmental Agency – IBAMA. Our counsel deems the risks associated with such cases to be remote, since IBAMA does not recognize its jurisdiction to perform the licensing proceedings and there is no clear legal ground to sustain such jurisdiction. The risks involved in such cases are the creation of unfavorable precedents, delays in our plantation schedule and the suspension of the Maranhão unit activities during a period. We are waiting for the Lower Court's pronouncement.

In addition, we are involved in a dispute related to possible environmental damage in Cubatão/SP, allegedly caused by Cia Santista, a company that was acquired by Ripasa, which in turn was acquired by Suzano. This lawsuit has lasted for over 30 years and involves 46 other companies. Our counsel deems the risks associated with such cases to be remote. We are waiting for the Lower Court's pronouncement.

We are involved in a civil lawsuit related to differences of operation fees in a port area. The first instance court rendered a decision, based on a technical document issued by an expert, deeming the claims filed by the Federal Public Prosecution Office groundless. Our counsel deems the risks associated with such case to be remote. The Federal Public Prosecution Office filed an appeal against such court decision and we are waiting for the second instance court's decision.

We are also involved in a dispute alleging that our trucks are overweight and may have caused damage to federal roads. An unfavorable decision may impact our transportation logistics. We and our external lawyers deem the risks associated with such case to be remote. We are waiting for the Lower Court's pronouncement.

### ***Brazilian Press Reports of Alleged Tax Investigations***

There have been reports in the Brazilian press alleging that we and certain other Brazilian companies have made payments to companies held by officials of the Brazilian Board of Tax Appeals (*Conselho Administrativo de Recursos Fiscais*), or CARF. In light of such press reports, we performed an internal assessment of our payments,

which did not reveal any wrongdoing or violation of applicable laws. As of the date of this listing memorandum, we have not received any notice or summons from any government authority involving any investigation related to improper payments to any such officials. Nonetheless, we cannot assure you that we are not currently under investigation that we have not yet been notified, or that we will not face potential lawsuit, liability and/or damage to our reputation from such allegations or any such investigation, if commenced or notified.

## MANAGEMENT

We are managed by a board of directors and a board of executive officers. Compensation for our management team is partially based on performance. For additional information see “Business—Employees—Compensation.”

### Board of Directors

Our board of directors is the decision-making body responsible for determining general guidelines and policies for our business, including our overall long-term strategies, as well as the control and oversight of our performance. Our board of directors is also responsible for, among other things, supervising our executive officers’ actions. It holds meetings on a quarterly basis and whenever called by its chairman, any of its vice-chairmen or our chief executive officer. Currently, our board of directors consists of nine members, four of which are independent members. The following table sets forth the name, age, position, date of election and term expiration of each of the members of our board of directors:

| Name                                   | Age | Position       | Date of Election | Term Expiration |
|----------------------------------------|-----|----------------|------------------|-----------------|
| David Feffer                           | 59  | President      | April 25, 2016   | 2018            |
| Claudio Thomaz Lobo Sonder             | 74  | Vice-President | April 25, 2016   | 2018            |
| Daniel Feffer                          | 56  | Vice-President | April 25, 2016   | 2018            |
| Antonio de Souza Corrêa Meyer          | 69  | Member         | April 25, 2016   | 2018            |
| Jorge Feffer                           | 55  | Member         | April 25, 2016   | 2018            |
| Marco Antonio Bologna                  | 61  | Member         | April 25, 2016   | 2018            |
| Nildemar Secches                       | 67  | Member         | April 25, 2016   | 2018            |
| Rodrigo Kede de Freitas Lima           | 44  | Member         | April 25, 2016   | 2018            |
| Maria Priscila Rodini Vansetti Machado | 58  | Member         | July 1, 2016     | 2018            |

The following is a summary of the business experience of our current directors:

**David Feffer.** Mr. Feffer has served as our chief executive officer since 2003, and currently serves as the president of our board of directors, a member of our Sustainability and Strategy committee and as the coordinator of our Management Committee. Mr. Feffer joined Suzano Group in 1974 and has 42 years of experience in the pulp and paper industry. In 2015, Mr. Feffer was appointed as president of the board of directors of Polpar S.A. and holds the following positions in other companies: (i) chief executive officer of IPLF Holding S.A.; and (ii) chief executive officer of Premesa S.A. He is also member of the International Advisory Board of Lafarge and member of the following social and cultural organizations: chairman of the board of the Antonietta and Leon Feffer School; member of the deliberative board of the Israelita Albert Einstein Hospital; member of the board of the Brazilian Foundation for Sustainable Development; vice-chairman of the board and president of the superior council of Ecofuturo Institute – Future for Sustainable Development (Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável); and chairman of the board of trustees and vice-chairman of the executive board of the Arymax Foundation (Fundação Arymax). Mr. Feffer attended courses in business at Columbia University, the Aspen Institute, and IMD (Switzerland). Mr. David Feffer is the son of Mr. Max Feffer, who played a central role in the consolidation of the Suzano Group and in innovations to the pulp and paper industry in Brazil.

**Claudio Thomaz Lobo Sonder.** Mr. Sonder currently serves as vice-president of our board of directors, coordinator of our Sustainability and Strategy Committee, and as a member of our Audit Committee. Since April 2013, Mr. Sonder has also acted as the vice-president of the board of directors and vice-chief executive officer of IPLF Holding S.A. In April 2015, he was appointed as vice-president of the board of directors of Polpar S.A. Mr. Sonder also holds the following positions in other companies: (i) president of Alden Desenvolvimento Imobiliário Ltda.; (ii) member of the directive board and member of the superior council Ecofuturo Institute – Future for Sustainable Development (*Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável*); (iii) member of the board of directors of MDS, SGPS, S.A.; (iv) president of Premesa S.A.; (v) member of the board of trustees and member of the executive board of Fundação Arymax; (vi) member of the board of directors of Lojas Renner S.A.; (vii) member of the board of directors of Grupo RBS S.A.; and (viii) vice-president of the deliberative board of the Israelita Albert Einstein Hospital. Mr. Sonder is former president of the board of directors and chief executive officer of Hoechst do Brasil Química e Farmacêutica S.A. (1983-1993). Mr. Sonder holds a degree in

chemical engineering and economics from Mackenzie University and specializations obtained in Munich, Germany, and Boston, Massachusetts.

**Daniel Feffer.** Mr. Feffer currently serves as vice-president of our board of directors and as a member of our Sustainability and Strategy Committee. Mr. Feffer was the Assistant Secretary of Culture of the State of São Paulo in 1977. Mr. Feffer has been with us since 1978, and served as an assistant to our board of executive officers, marketing and communications manager and special products manager. Mr. Feffer also holds the following positions in other companies: (i) chairman of ICC Brasil; (ii) vice-chief executive officer and vice-chairman of the board of directors of the Arymax Foundation (*Fundação Arymax*); (iii) chairman of the directive board and vice-chairman of the senior council of the Ecofuturo Institute – Future for Sustainable Development (*Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável*); (iv) member of the council of IBÁ; (v) member of the council of IEDI – *Instituto Econômico para Desenvolvimento Industrial*; (vi) founding member of the council of *Compromisso Todos Pela Educação*; (vii) member of the council of FIESP; (viii) member of the council of MBC – *Movimento Brasil Competitivo*; (ix) member of the council of ICC International; (x) member of the council of IRICE – *Instituto de Relações Internacionais e Comércio Exterior*. Mr. Feffer graduated from Mackenzie Law School and holds specializations from the Fundação Getúlio Vargas (FGV) in Brazil; Harvard University, and Massachusetts Institute of Technology in the United States; IMD in Switzerland; and LBS-London Business School in England. Mr. Feffer is also the son of Mr. Max Feffer.

**Antonio de Souza Corrêa Meyer.** Mr. Meyer currently serves as a member of our board of directors. Over the past five years, Mr. Meyer has served as a member of the board of directors of Suzano Holding and IPLF Holding S.A. Mr. Meyer also holds the following positions in other companies: (i) a member of the International Bar Association, the Brazilian Bar Association and the São Paulo Lawyers Institute; (ii) a member of the board of directors of the Institute of Lawyers of São Paulo (*Instituto dos Advogados de São Paulo*); (iii) chairman of the of the board of directors of the Center of Studies of Law Firms (*Centro de Estudos das Sociedades de Advogados*); (iv) a member of the advisory committee of the University of São Paulo Medical School; (v) a member of Deliberative Council of Legal and Legislative Issues (*Conselho Superior de Assuntos Jurídicos e Legislativos*) and the Mediation and Reconciliation Council (*Câmara de Mediação e Conciliação*) of FIESP; and (vi) a member of the board of directors of the São Paulo Oncology Institute (*Instituto de Oncologia de São Paulo*) at the Otavio Frias de Oliveira Hospital. Mr. Meyer was the Secretary of Justice and Secretary of Public Security of the State of São Paulo, and was legal counsel and chairman of legislative committee of the American Chamber of Commerce for Brazil (1987-1989). Mr. Meyer was recognized with an award for Judicial Merit from the Court of Justice of the State of São Paulo. Mr. Meyer is a graduate of the law school of the University of São Paulo. Mr. Meyer is a founding partner of the law firm Machado, Meyer, Sendacz e Opice Advogados.

**Jorge Feffer.** Mr. Feffer currently serves as a member of our board of directors and a member of our Sustainability and Strategy Committee. Mr. Feffer first joined us in 1979 as a planning assistant and has 37 years of experience in the pulp and paper industry. Over the past five years, Mr. Feffer has held the following positions in other companies: (i) vice-president of the directive board and member of the superior council of the Ecofuturo Institute – Future for Sustainable Development (*Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável*); and (ii) member of the board of trustees of Fundação Arymax. In 2015, he became the founder and sponsor of the Library of Social Criticism, in partnership with *Realizações Editora Espaço Cultural*. In 1978, Mr. Feffer was Assistant Secretary of Culture, Science and Technology of the State of São Paulo. Mr. Feffer is a graduate of the Business Administration School of the Armando Álvares Penteado Foundation. Mr. Jorge Feffer is also the son of Mr. Max Feffer.

**Marco Antonio Bologna.** Mr. Bologna currently serves as a member of our board of directors and as a coordinator of our Audit Committee. Mr. Bologna currently holds the following positions in other companies: (i) chief executive officer of Banco Fator; and (ii) member of the board of directors of Multiplus Fidelidade. He previously held the following positions: (i) chief executive officer of TAM S.A., the controlling company of TAM Linhas Aéreas S.A.; (ii) member of the board of directors of TAM S.A.; (iii) chief executive director of Tam Linhas Aéreas; (iv) vice-chief financial officer and director of market relations for Tam Linhas Aéreas; and (v) member of the board of directors of WTorre Properties. In 2008, Mr. Bologna was the president of Grupo WTorre S/A. Mr. Bologna was the chief executive officer of TAM S.A. from 2004 to 2007, where Mr. Bologna had worked since 2001 when he was invited by commander Rolim Adolfo Amaro to be the vice-president of finance, management and market relations. Previously, Mr. Bologna worked in the financial sector for 24 years, at French and Brazilian



banks, Lloyds Bank, Chase Manhattan, Itamarati and Inter American Express. Mr. Bologna holds a degree in products engineering from the Polytechnic School of the University of São Paulo with a specialization in financial services from Manchester Business School.

**Nildemar Secches.** Mr. Secches currently serves as a member of our board of directors and as a member of our Sustainability and Strategy Committee. Mr. Secches also holds the following positions in other companies: (i) vice-president of the board of directors of WEG S/A; (ii) vice-president of the board of directors of Iochpe-Maxion S.A.; (iii) member of the board of directors of Ultrapar Participações S.A.; and (iv) member of the board of directors of Itaú-Unibanco since 2012. From 1972 to 1990, Mr. Secches worked at BNDES, where he was a director from 1987 to 1990. From 1990 to 1994, Mr. Secches was the general director of the corporate group for Iochpe-Maxion Holding Industrial. From 1995 to 2008, Mr. Secches was the president of Empresas Perdigão, which specializes in the production of food. From 2007 to 2013, Mr. Secches was the president of BR Foods. Carlos), a graduate degree in finance from the Pontifical Catholic University of Rio de Janeiro and a doctorate degree in economy from Unicamp (Campinas).

**Rodrigo Kede de Freitas Lima.** Mr. Kede currently serves as a member of our board of directors. Over the past five years, Mr. Kede has held the following positions in other companies: (i) chief executive officer of IBM Brasil, (ii) vice-president of Global Technology Services of IBM Brasil, (iii) global vice-president of Sales and Transformation of IBM Brasil; (iv) chief financial officer of IBM Latin America; (v) chief financial officer for IBM Brasil; and (vi) president and member of the board of directors of TOTVS. Mr. Kede also holds the following positions in other companies: (i) chief executive officer for IBM Latin America; (ii) member of the board of directors of IBEF (Brazilian Institute of Financial Executives); (iii) member of the board of directors of AmCham (American Chamber of Commerce); and (iv) member of the board of directors of the International Advisory Board of FDC (*Fundação Dom Cabral*). Mr. Kede holds an undergraduate degree in mechanical and production engineering from Pontifícia Universidade Católica (PUC - RJ) and holds a Master of Business Administration (MBA) degree from Instituto Brasileiro de Mercados de Capital, currently INSPER.

**Maria Priscila Rodini Vansetti Machado.** Mrs. Vansetti currently serves as a member of our board of directors. Mrs. Vansetti graduated in Agronomic Engineering from Escola Superior de Agricultura “Luiz de Queiróz” of the University of São Paulo (ESALQ/USP) and specialized in Executive Management from Wharton School (University of Pennsylvania). She started her career at DuPont Brasil in 1981, in the agricultural division, holding leadership positions in the areas of Regulatory Affairs, Institutional Relations and Research & Development. In 1996, she was transferred to Wilmington, Delaware, where she held various positions in the areas of Development and Marketing. In 2008, she was promoted to Business Director of DuPont Canada, and was relocated to the Mississauga unit, Ontario, Canada.

### Advisory Committees of the Board of Directors

Our board of directors currently has three advisory committees: a Management Committee, a Sustainability and Strategy Committee, and an Audit Committee. The following table sets forth the name, position, date of election and term expiration for each of the respective members of our Management Committee, Sustainability and Strategy Committee and Audit Committee:

| Management Committee                  |             |                  |                 |
|---------------------------------------|-------------|------------------|-----------------|
| Name                                  | Position    | Date of Election | Term Expiration |
| David Feffer                          | Coordinator | April 26, 2016   | 2018            |
| Claudio Thomas Lobo Sonder            | Member      | April 26, 2016   | 2018            |
| Gustavo Kehl Jobim                    | Member      | April 26, 2016   | 2018            |
| Murilo Cesar Lemos dos Santos Passos  | Member      | April 26, 2016   | 2018            |
| Walter Schalka                        | Member      | April 26, 2016   | 2018            |
| Sustainability and Strategy Committee |             |                  |                 |
| Name                                  | Position    | Date of Election | Term Expiration |
| Claudio Thomaz Lobo Sonder            | Coordinator | April 26, 2016   | 2018            |
| Daniel Feffer                         | Member      | April 26, 2016   | 2018            |
| David Feffer                          | Member      | April 26, 2016   | 2018            |
| Jorge Feffer                          | Member      | April 26, 2016   | 2018            |
| Nildemar Secches                      | Member      | April 26, 2016   | 2018            |

| Name                       | Audit Committee |                  | Term Expiration |
|----------------------------|-----------------|------------------|-----------------|
|                            | Position        | Date of Election |                 |
| Marco Antonio Bologna      | Coordinator     | April 26, 2016   | 2018            |
| Claudio Thomaz Lobo Sonder | Member          | April 26, 2016   | 2018            |
| Carlos Biedermann          | Member          | April 26, 2016   | 2018            |

The following is a summary of the business experience of the current members of our Management Committee, Sustainability and Strategy Committee and Audit Committee who are not members of our board of directors:

**Carlos Biedermann.** Mr. Biedermann currently serves as a member of our Audit Committee. Mr. Biedermann has an undergraduate degree in administration and public administration from Universidade Federal do Rio Grande do Sul (UFRGS) and a graduate degree in capital markets from Fundação Getúlio Vargas (FGV). Currently, Mr. Biedermann also holds the following positions in other companies: (i) member of the audit committee of Grupo Algar; (ii) member of the audit committee of BB Seguridade; (iii) member of the board of directors of Valmont; (iv) member of the Board of AmCham of Rio Grande do Sul and of Agenda 2020; and (v) chairman of the board of directors of Porto Alegre Health Care. Since 2002, Mr. Biedermann has also been a leading partner in PricewaterhouseCoopers (PwC). Previously, he was chairman of the audit committee for five years and vice-president between 2013 and 2014 of the Brazilian Institute of Corporate Governance (IBGC), as well as a member of the board of directors for six years and counselor for two years of Young Presidents Organization (YPO/WPO), the first independent member of the board of directors of the company Calçados Azaleia and member of the administrative council for about 15 years of Santa Casa de Misericórdia de Porto Alegre.

**Gustavo Kehl Jobim.** Mr. Jobim currently serves as a member of our Management Committee. With respect to the companies that are part of our economic group, he held or still holds the following positions: (i) since April 2014, executive vice-president officer of Suzano Holding; (ii) since April 2014, executive vice-president officer of IPLF Holding S.A.; (iii) since 2015, officer of Premesa S.A.; (iv) since 2015, member of the board of directors of MDS, SGPS, S.A.; and (v) since 2014, member of the board of directors of Brasil Supply S.A. Since 2011, Mr. Jobim has been a partner and member of the board of directors of Mais Próxima Comercial e Distribuidora S.A. From 2003 to 2011, he was partner and investments officer of GPS Administradora de Recursos S.A. Before 2003, he acted in the offices of Goldman Sachs & Co. in New York, London and Miami, and also at Banco Sul América, Brasilpar Serviços Financeiros and Microcomp Computadores e Sistemas. Mr. Jobim has an undergraduate degree in administration from Universidade de São Paulo (USP) and an MBA degree from the Wharton School, University of Pennsylvania.

**Murilo César Lemos dos Santos Passos.** Mr. Passos currently serves as a member of our Management Committee. Mr. Passos currently holds the following positions in other companies: (i) member of the board of directors of So Martinho S.A., Odontoprev, Tegma and Brasilagro, and (ii) vice-president of the advisory council of the FNQ. Mr. Passos was our chief executive officer until May 2006 and has worked in the pulp and paper industry for 27 years. From 1971 to 1977, he worked in the Ministry of Industry and Commerce at the Industrial Development Council (*Conselho de Desenvolvimento Industrial*), in the following positions: assistant to the Minister; executive secretary of the Commission for Pulp and Paper; and group coordinator of the Industrial Development Council. From 1977 to 1989, Mr. Passos held several positions as manager and executive officer at Companhia Vale do Rio Doce (CVRD), and between 1989 and 1990 he was executive officer of Forest Products, Environment and Metallurgy. Mr. Passos also held the position of chief executive officer of Celulose Nipo Brasileira (CENIBRA) and of Florestas Rio Doce S.A. Mr. Passos is a chemical engineer with a degree from the Federal University of Rio de Janeiro.

## Board of Executive Officers

Our board of executive officers is responsible for executing general business and all related and necessary or advisable measures, except for those matters attributed to our shareholders' meeting or our board of directors, pursuant to applicable law or our bylaws. Our board of executive officers consists of a chief executive officer and four to nine executive officers, each of whom must be a Brazilian resident (but do not need to be one of our shareholders), with recognized technical and administrative experience. Our executive officers are appointed by our board of directors for one-year term and are eligible for re-election. Currently, our board of executive officers

consists of five executive officers. The following table sets forth selected information regarding the current members of our board of executive officers:

| Name                         | Age | Position                                                          | Date of Election | Term Expiration |
|------------------------------|-----|-------------------------------------------------------------------|------------------|-----------------|
| Walter Schalka               | 55  | Chief Executive Officer and Acting Executive Officer – Operations | April 26, 2016   | 2017            |
| Marcelo Feriozzi Bacci       | 46  | Chief Financial Officer and Investor Relations Director           | April 26, 2016   | 2017            |
| Alexandre Chueri Neto        | 57  | Executive Officer – Forestry Business Unit                        | April 26, 2016   | 2017            |
| Carlos Anibal de Almeida Jr. | 46  | Executive Officer – Pulp and Paper Business Unit                  | April 26, 2016   | 2017            |
| Carlos Alberto Griner        | 52  | Human Resources Officer                                           | April 26, 2016   | 2017            |

The following is a summary of the business experience of our current executive officers who are not members of the board of directors or related committees:

**Walter Schalka.** Mr. Schalka currently serves as our Chief Executive Officer. Mr. Schalka started his career at Citibank, followed by the Holding company of Grupo Klabin Maepar. In 1989 he joined Dixie Toga, and became president in 1991. In 2005, he joined Grupo Votorantim as President of Votorantim Cimentos, being responsible for our operations in Brazil and 14 other countries. Mr. Schalka was elected as the CEO of the Year 2015 and 2016 in Latin America by RISI. Mr. Schalka is an engineer and graduated from Instituto Tecnológico da Aeronáutica (ITA) and has a post graduate degree in administration from Fundação Getúlio Vargas (FGV), and executives programs at IMD and Harvard Business School.

**Marcelo Feriozzi Bacci.** Mr. Bacci currently serves as our Chief Financial Officer and Investor Relations Director since 2014. Mr. Bacci has also been the Executive Vice-President of Suzano Holding S.A., our controlling shareholder, between 2011 and 2014. Prior to Suzano, Mr. Bacci was the Chief Executive Officer of CPMais Serviços de Meio Ambiente S.A., Chief Financial Officer of Louis Dreyfus Commodities Group for Latin America and Chief Financial Officer of Promon S.A.. Mr Bacci is also currently Chairman of the Board of Ibema Companhia Brasileira de Papel. Mr. Bacci holds a BA in Public Administration from the Fundação Getulio Vargas (FGV) and a Master's degree (MBA) from the Stanford University Graduate School of Business.

**Alexandre Chueri Neto.** Mr. Chueri currently serves as our Executive Officer – Forest Business Unit. Mr. Chueri started his career in 1984 as a consultant for Ideadeco Ltda, working on the areas of irrigation and agribusiness. In 1987, he joined Construtora Norberto Odebrecht S.A. as manager of agricultural and agro industrial projects. Mr. Chueri joined Ciplan – Cimento Planalto S.A. in 1991 as managing director. Mr. Chueri graduated from ESALQ/USP of Piracicaba in 1982 with a degree in agricultural and forestry engineering and a master's degree in administration from FGV/SP.

**Carlos Anibal de Almeida Jr.** Mr. Almeida currently serves as the Executive Officer responsible for our pulp and paper business units. Before Suzano, Mr. Almeida worked for General Electric, where he ultimately held the position of sales general manager for the Latin American division of GE Industrial Systems. Mr. Almeida holds an electrical engineering degree from the Federal University of Minas Gerais and a master's degree in business administration from IBMEC (São Paulo).

**Carlos Alberto Griner.** Mr. Griner currently serves as our Human Resources Officer and Officer of Institutional Relations and Sustainability. Prior to Suzano, Mr. Griner spent over 10 years at GE, where he held several important positions in Brazil and abroad, including manager of human resources for aviation operations, global director of human resources for information technology, in the United States, and director of human resources for Mexico and Latin America, in Mexico. Prior to joining GE, Mr. Griner worked in various companies in the Infrastructure and services industries, including Carioca Engenharia, CR Almeida, Comlurb and Bureau Veritas. Mr. Griner was vice president of the Brazilian Association of Human Resources - SP from 2010 to 2012. Mr. Griner holds a degree in civil engineering from the State University of Rio de Janeiro and a post graduate degree in business administration from the Federal University of Rio de Janeiro (COPPEAD).

## Fiscal Council

Pursuant to Brazilian Corporate Law, our fiscal council is independent from our management and our external auditors. Members of our fiscal council serve a one-year term that ends at the shareholders' meeting the

year following their election. The fiscal council is primarily responsible for reviewing management's activities, our financial statements and to report its findings to our shareholders.

Our fiscal council is a permanent body comprised of three members, with an equal number of alternates. The following table sets forth the name, position, date of election and term expiration for each member of our fiscal council:

| Name                             | Age | Position  | Date of Election | Term Expiration |
|----------------------------------|-----|-----------|------------------|-----------------|
| Luiz Augusto Marques Paes        | 54  | Member    | April 25, 2016   | 2017            |
| Rubens Barletta                  | 69  | Member    | April 25, 2016   | 2017            |
| Alessandro Golombiewski Teixeira | 44  | Member    | April 25, 2016   | 2017            |
| Roberto Figueiredo Mello         | 67  | Alternate | April 25, 2016   | 2017            |
| Luiz Gonzaga Ramos Schubert      | 79  | Alternate | April 25, 2016   | 2017            |
| Amauri Sebastião Niehues         | 56  | Alternate | April 25, 2016   | 2017            |

The following is a summary of the business experience of the current members of our fiscal council:

**Luiz Augusto Marques Paes.** Mr. Paes currently serves as a member of our Fiscal Council. Since 1991, Mr. Paes has been the managing partner of Almeida Prado, Paes e Caruso Consultoria Empresarial Ltda., in the tax consulting and advisory industry. Mr. Paes is also a member of the fiscal council of JSL S.A., a public company that provides logistics services. Previously, he was a member of the fiscal council of Cyrela Commercial Properties S.A., a real estate developer. Mr. Paes holds a law degree from the University of São Paulo.

**Rubens Barletta.** Mr. Barletta currently serves as a member of our Fiscal Council. Mr. Barletta is an effective member of the fiscal council of the following companies: (i) Banco Alfa de Investimento S.A., Financeira Alfa S.A. – Crédito, Financiamento e Investimentos; and (ii) Alfa Holdings S.A. From 1999 to 2010 he held the position of effective member of the fiscal councils of Financeira Alfa S.A. – Crédito, Financiamento e Investimentos and Consórcio Alfa de Administração S.A. Mr. Barletta has been a partner at Barletta, Schubert e Luiz Sociedade de Advogados, firm specializing in private law with an emphasis on corporate law, since June of 2009. From 1961 to 2008 he was an employee, trainee and then partner at Escritório de Advocacia Augusto Lima S/C. Mr. Barletta holds a law degree from São Bernardo do Campo Law School.

**Alessandro Golombiewski Teixeira.** Mr. Teixeira currently serves as a member of our Fiscal Council. He was a founder and CEO of ABDI (Brazilian Agency for Industrial Development) between 2005 and 2007. In May 2007, Alessandro Teixeira became CEO of Apex-Brasil (Brazilian Trade and Investment Promotion Agency). In 1998, Mr. Teixeira was awarded the title of “Young Leader” from the Sasakawa Foundation of Japan. In April 2007, he received the rank of Commander from the Ordem do Rio Branco for his services to the country. He was named “Personality of the Year 2008 - Latin America” by the British newspaper *Financial Times* and, in August 2009, received the Troféu Guri award from RBS Group. Between 2008 and 2010, Mr. Teixeira was Chairman of WAIPA (World Association of Investment Promotion Agencies), an entity that assembles agencies for promoting investments from more than 160 countries. In January 2011, Mr. Teixeira became Secretary of the Executive Department of the Brazilian Ministry of Development, Industry and Foreign Trade. From August 2013 to March 2014, Mr. Teixeira was the special advisor within the personal advisory of the President of Brazil. Since February 2015, Alessandro Teixeira has been the CEO of ABDI and executive secretary of CNDI (National Council of Industrial Development). Mr. Teixeira has a doctorate degree in industrial and technology economics from University of Sussex, England, awarded on January 29, 2010. He also has a master's degree in Latin American economics from Universidade de São Paulo (USP) and a bachelor's degree in economics from Universidade Federal do Rio Grande do Sul.

**Roberto Figueiredo Mello.** Mr. Mello currently serves as an alternate member of our Fiscal Council. Mr. Mello has been a partner at Pacaembu Serviços e Participações Ltda. since 1988 and was a member of the fiscal council of Barclay's Bank (1995-2002), an officer of Vocal Comércio Veículos Ltda. (1989-1998) and an officer of SPP – Nemo S.A. Coml. Exportadora (1986-1998). Mr. Mello holds a degree in law from the University of São Paulo.

**Luiz Gonzaga Ramos Schubert.** Mr. Schubert currently serves as an alternate member of our Fiscal Council. Mr. Schubert has been a member of the law firm of Dr. Augusto Esteves de Lima Junior since

January 1973. Mr. Schubert is also a member of the fiscal council of Banco Alfa de Investimento S.A. and Financeira Alfa S.A. – Crédito, Financiamento e Investimentos. Mr. Schubert is also an alternate member of the fiscal council of Alfa Holdings S/A and Consórcio Alfa de Administração S.A. From 1999 to 2010, he held the position of member of the supervisory board of the Bank Alfa de Investimento S.A.. He has been, since June 2009, as a partner at Barletta, Schubert e Luiz Sociedade de Advogados, firm specializing in private law, with emphasis in corporate law. From 1972 to March 2009, he participated as an intern and then a member of the Law Offices of Augusto Lima S/C. Mr. Schubert holds a law degree from São Bernardo do Campo Law School.

**Amauri Sebastião Niehues.** Mr. Niehues currently serves as an alternate member of our Fiscal Council. Mr. Niehues started his career at Banco do Brasil in 1980, where he occupied the positions of trade superintendent, state superintendent, human resources management officer and general manager of the high income strategic unit. Over the last five years, Mr. Niehues has held the positions of full member of the board of directors of Sete Brasil, member of the board of directors of Brasilprev Seguros e Previdência S.A., alternate member of the deliberative board of PREVI, the pension fund for employees of Banco do Brasil, alternate member of the deliberative board of Brasilcap S.A., and full member of the deliberative board of CASSI, an assistance fund for employees of Banco do Brasil. He is certified by IBGC, the Brazilian Institute of Corporate Governance. Mr. Niehues has an undergraduate degree in business administration from Fundação Faculdade Municipal de Educação, Ciências e Letras of Paranaíba and a law degree from Faculdade de Direito de Curitiba, both in the State of Paraná. He also holds a graduate degree in agribusiness from FIA - Fundação Instituto de Administração/Universidade de São Paulo (USP) and a specialization course in strategic management from Universidade Federal de Minas Gerais.

## Management of the Issuer

The issuer is managed by a board of directors (*Geschäftsführung*). The Issuer's board of directors is the decision-making body responsible for the management of the company. Currently, the Issuer's board of directors consists of two members. The following table sets forth the name, addresses, and power of representation of each of the members of the Issuer's board of directors:

**Marcelo Feriozzi Bacci**, Avenida Brigadeiro Faria Lima, 1355, 8th floor, BRA- 01452-919 Sao Paulo/SP, managing director who represents the Issuer jointly with another director or authorized officer. Mr. Bacci currently serves as our Chief Financial Officer and Investor Relations Director since 2014. Mr. Bacci has also been the Executive Vice-President of Suzano Holding S.A., our controlling shareholder, between 2011 and 2014. Prior to Suzano, Mr. Bacci was the Chief Executive Officer of CPMais Serviços de Meio Ambiente S.A., Chief Financial Officer of Louis Dreyfus Commodities Group for Latin America and Chief Financial Officer of Promon S.A.. Mr. Bacci is also currently Chairman of the Board of Ibema Companhia Brasileira de Papel. Mr. Bacci holds a BA in Public Administration from the Fundação Getulio Vargas (FGV) and a Master's degree (MBA) from the Stanford University Graduate School of Business.

**Carlos Anibal Fernandes de Almeida Junior**, Avenida Brigadeiro Faria Lima, 1355, 8th floor, BRA- 01452 -919 Sao Paulo/SP, managing director who represents the Issuer jointly with another director or authorized officer. Mr. Almeida currently serves as the Executive Officer responsible for our pulp and paper business units. Before Suzano, Mr. Almeida worked for General Electric, where he ultimately held the position of sales general manager for the Latin American division of GE Industrial Systems. Mr. Almeida holds an electrical engineering degree from the Federal University of Minas Gerais and a master's degree in business administration from IBMEC (São Paulo).

## PRINCIPAL SHAREHOLDERS

As of March 31, 2016, our capital stock fully subscribed and paid in was R\$6,241,753,032.16, divided into 1,107,738,677 shares, 371,148,532 of which are common shares, 734,649,326 of which are class A preferred shares and 1,940,819 of which are class B preferred shares.

The table below sets forth information relating to the amount of shares held directly or indirectly by shareholders, members of the board of directors or executive officers who hold 5% or more of our capital stock, as of March 31, 2016.

| Shareholder                 | Common Shares      |            | Class A Preferred Shares |            | Class B Preferred Shares |            | Total Shares         | Total Capital (%) |
|-----------------------------|--------------------|------------|--------------------------|------------|--------------------------|------------|----------------------|-------------------|
|                             | Number             | %          | Number                   | %          | Number                   | %          |                      |                   |
| Controlling shareholder     |                    |            |                          |            |                          |            |                      |                   |
| Suzano Holding S.A.....     | 354,349,459        | 95.5       | 3,245,077                | 0.4        | 17,698                   | 0.9        | 357,612,234          | 32.3              |
| Other direct shareholders   |                    |            |                          |            |                          |            |                      |                   |
| David Feffer.....           | 2,280              | 0.0        | 48,815,984               | 6.6        | —                        | 0.0        | 48,818,264           | 4.4               |
| Daniel Feffer.....          | 2,280              | 0.0        | 44,151,315               | 6.0        | —                        | 0.0        | 44,153,595           | 4.0               |
| Jorge Feffer.....           | 2,279              | 0.0        | 42,497,581               | 5.8        | —                        | 0.0        | 42,499,860           | 3.8               |
| Ruben Feffer.....           | 2,280              | 0.0        | 42,930,798               | 5.8        | —                        | 0.0        | 42,933,078           | 3.9               |
| Other Controlling Group and |                    |            |                          |            |                          |            |                      |                   |
| Related Parties.....        | 10,003,760         | 2.7        | 74,086,473               | 10.1       | 3,883                    | 0.2        | 84,094,116           | 7.6               |
| Management.....             | —                  | 0.0        | 5,542,553                | 0.8        | —                        | 0.0        | 5,542,553            | 0.5               |
| Treasury.....               | 6,786,194          | 1.8        | 8,844,997                | 1.2        | 1,909,699                | 98.4       | 17,540,890           | 1.6               |
| BNDESPAR.....               | —                  | 0.0        | 75,909,985               | 10.3       | —                        | 0.0        | 75,909,985           | 6.9               |
| Other shareholders.....     | —                  | 0.0        | 388,624,563              | 52.9       | 9,539                    | 0.5        | 388,634,102          | 35.1              |
| <b>Total.....</b>           | <b>371,148,532</b> | <b>100</b> | <b>734,649,326</b>       | <b>100</b> | <b>1,940,819</b>         | <b>100</b> | <b>1,107,738,677</b> | <b>100</b>        |

Suzano Holding S.A. is our controlling shareholder and holds 354,349,459 (or 95.5%) of our common shares, 3,245,077 (or 0.4%) of our class A preferred shares and 17,698 (or 0.9%) of our class B preferred shares, representing 32.3% of our total capital stock. The controlling shareholders of Suzano Holding S.A. are David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer, Fanny Feffer, Janet Guper, Lisabeth S. Guper, André Guper, Pedro Noah Hornett Guper and Ian Baruch Hornett Guper.

### Shareholders' Agreement

Currently, we have only one shareholders' agreement. This shareholders' agreement was entered into on May 30, 2011, by Suzano Holding, as our controlling shareholder, David Feffer, Daniel Feffer, Fanny Feffer, Jorge Feffer and Ruben Feffer, as the controlling shareholders of Suzano Holding, and BNDESPar.

The shareholders' agreement came into effect on June 27, 2011, as a result of the subscription by BNDESPar of the totality of the second series of our fifth issuance of convertible debentures and the respective surplus shares it is entitled to after the conversion of the securities. The agreement will remain in effect so long as BNDESPar holds at least 5% ownership in our company. The shareholders' agreement will terminate in the event that, at any time, our shares come to be listed on the *Novo Mercado* listing segment of the BM&FBOVESPA.

### Exercising Voting Rights and Power of Control

While the shareholders' agreement is in effect, BNDESPar will have the right to approve decisions relating to the following matters: (1) changes in the preferences, advantages and conditions for redemption, or amortization of one or more class of preferred shares issued by us or our subsidiaries, or the creation of a new type or class of share by us or our subsidiaries; (2) transformation, merger, split, incorporation or any other acts of corporate reorganization involving us or our subsidiaries, including by means of swaps, payment in kind through shares or the transfer of rights to subscribe to shares (except with respect to subsidiaries whose capital stock is directly or indirectly held by us in a portion equal to or greater than 99%); and (3) the cancellation of our registration as a publicly-held company or cancellation of our listing on the Level 1 segment of the BM&FBOVESPA.

Given that the matters listed above must be previously approved by BNDESPar before being submitted for deliberation by us or any of our subsidiaries, when applicable, BNDESPar is obligated to refrain from voting at our or our subsidiaries' ordinary or extraordinary general shareholders' meetings, except in accordance with the provisions of the above paragraph.

Furthermore, through the shareholders' agreement, BNDESPar waives the right to withdraw from our company, notwithstanding any such rights granted under applicable law, if it previously approved of the matter giving rise to such right in accordance with the procedure described above.

### ***Transfer of Control***

In the event of a transfer of control of our company, BNDESPar will have the right to sell all of its shares, including shares resulting from the conversion of debentures. In this event, BNDESPar shall be entitled to do so jointly with the selling shareholder transferring control over our company for the same price per share and under the same conditions as the selling shareholder. If there is a discrepancy in the terms of the offer for such selling of shares between different types and classes, the totality of shares must be acquired under the best terms offered. This right complies with the laws and regulations in force, including the listing regulations for the Level 1 segment of the BM&FBOVESPA.

If the potential purchaser refuses to complete the purchase of all the shares that BNDESPar has proposed to sell while exercising its right to participate in the joint sale, the selling shareholder will be prevented from selling any shares it holds to the potential purchaser.

The following permitted transfers are exempt from BNDESPar's right of joint sale: (1) direct or indirect transfers of shares we have issued between any of the following persons: (a) Suzano Holding; (b) David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer and Fanny Feffer; (c) their respective spouses or partners; (d) their descendants until the second generation; (e) entities controlling Suzano Holding, provided that the controlling shareholder is David Feffer and/or Daniel Feffer and/or Jorge Feffer and/or Ruben Feffer and/or Fanny Feffer; and (f) entities controlled by, directly or indirectly, our Suzano Holding and/or the David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer and Fanny Feffer; (2) direct or indirect transfers of shares issued by Suzano Holding between the following persons: (a) David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer and Fanny Feffer; (b) their respective spouses or partners; (c) their descendants until the second generation; (d) entities controlled by, directly or indirectly, the persons mentioned in item (a) of this sub-item (2) above; or (3) entering into a shareholders' agreement between any persons or entities indicated in items (1) to (2) above, as our or Suzano Holding's shareholders.

The shareholders' agreement specifies that the shares issued by Suzano Holding and held by David Feffer, Daniel Feffer, Jorge Feffer or Ruben Feffer can be transferred to a holding company and held by them, in the proportion of 25% each of the capital stock. Such holding company would in turn hold 72.5% of the capital stock of Suzano Holding. Under the terms of the shareholders' agreement, the parties expressly recognize that such consolidation of interest in this holding company will also be considered a permitted transfer and, accordingly, will not involve BNDESPar's right of joint sale. To effect such a transfer, the transferring shareholders must abstain from taking any measures to register a public offer with the effect of transferring control of our company based on such consolidation. If the permitted transfers result in the transfer of control of our company to a third party other than David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer or Fanny Feffer or any other persons or companies or listed above, or if the public offer to acquire shares for the transfer of a control of our company is carried out under the provisions of article 254-A of Law No. 6,404/76, BNDESPar's right of joint sale will be applicable.

The execution of permitted transfers is conditioned on receipt of an express statement, in writing, from the purchaser of the shares that such purchaser of the shares agrees to become part of the Shareholders' Agreement, ensuring that such purchaser of the shares is bound to observe the terms and conditions of the shareholders' agreement.

### ***Restrictions on the Voting Rights of the Members of Our Board of Directors***

We and Suzano Holding must take all measures required to ensure that the members of our board of directors and our other managers, or those of any of our subsidiaries that have been elected or nominated by Suzano Holding, BNDESPar or us, or who may be elected or nominated by Suzano Holding, BNDESPar or us, always vote pursuant to the provisions of our shareholders' agreement.

### **Gifts of Shares**

On October 13, 2015, Fanny Feffer, shareholder of Suzano Holdings, which controls us, entered into an arrangement with respect to transfer of shares of Suzano Holdings held by her, representing 21.03% of Suzano Holdings' shares. The recipients were André Guper, Pedro Noah Hornett Guper, Ian Baruch Hornett Guper, Janet Guper and Lisabeth S. Sander, or the New Suzano Holdings Shareholders. Under the terms of this arrangement, the ownership and the voting rights in these shares were transferred to the New Suzano Holdings Shareholders, and the New Suzano Holdings Shareholders entered into and agreed to the terms of the Shareholders' Agreement. Upon the above mentioned transfer of shares, the parties to the shareholders' agreement are David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer, Fanny Feffer, the New Suzano Holdings Shareholders and BNDESPar.



## **RELATED PARTY TRANSACTIONS**

According to our corporate policy, we only enter into related party transactions on an arms-length basis, reflecting the standard market terms that we would have achieved with a third-party. We consider related parties those that are under common control with us, or those over which we exercise significant influence. Before entering into related party transactions, we carry out all of the appropriate analysis and studies. We believe that all transactions with related parties are carried out in the best interest of our company and in accordance with ordinary market practices. Our material agreements involving related parties as of the date of this listing memorandum were the following:

### **Transactions with Suzano Holding S.A.**

Our most relevant related party transactions are with our controlling shareholder, Suzano Holding S.A. As of March, 2016, we had a total of R\$5,349 thousand of transactions with Suzano Holding S.A. of which R\$4,432 thousand is related to administrative expenses sharing and R\$917 thousand is related to the guarantees provided by Suzano Holding S.A. We pay 90% of market price for these guarantees.

### **Freight and distribution with Paineiras Logística**

Paineiras Logística is a subsidiary of Suzano and its main operation is freight and distribution of Suzano's products in the internal market. During the three-month period ended March 31, 2016, and in the year ended December 31, 2015, our expenses from these transactions were R\$226,316 thousand and R\$55,280 thousand, respectively.

### **Commercial transactions with subsidiaries**

We are engaged in commercial pulp and paper transactions with our main subsidiaries, Suzano Trading, Suzano America, Suzano Europe and Ibema, as well as in commercial pulp transactions with Ibema.

### **Other transactions**

We also enter into a series of ordinary course pulp and paper sales, expense sharing and land lease transactions with certain other parties controlled by some of our controlling shareholders. For more information, see Note 11 to our consolidated financial statements.

## DESCRIPTION OF THE NOTES

The following summary describes certain material provisions of the notes (the “Notes”) and the Indenture, which is incorporated by reference in this listing memorandum. This summary is subject to and qualified in its entirety by reference to the provisions of the Indenture and Notes. Capitalized terms used in the following summary and not otherwise defined herein shall have the meaning ascribed to them in the Indenture. Copies of the Indenture are available as described under “Listing and General Information” in this listing memorandum.

In this Description of the Notes, the term “Suzano” refers only to Suzano Papel e Celulose S.A., and any successor obligor on the Notes, and not to any of its Subsidiaries or Affiliates. You can find the definitions of certain terms used in this description under “—Certain Definitions.”

Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), or the “Issuer,” will issue the Notes under an indenture (the “Indenture”) among the Issuer, Suzano, as guarantor, and Deutsche Bank Trust Company Americas, as trustee (in such capacity, the “Trustee”), registrar (in such capacity, the “Registrar”), paying agent (and together with any other paying agents under the Indenture, each a “Paying Agent” and, collectively, the “Paying Agents”) and transfer agent (in such capacity, a “Transfer Agent,” and together with any other transfer agents under the Indenture, the “Transfer Agents”). The terms of the Notes include those stated in the Indenture.

### Basic Terms of Notes

The Notes:

- are unsecured unsubordinated obligations of the Issuer, ranking equally in right of payment with all other existing and future unsecured and unsubordinated obligations of the Issuer;
- are fully, unconditionally and irrevocably guaranteed by Suzano, which guarantee ranks equally in right of payment with all other existing and future unsecured and unsubordinated obligations of Suzano;
- are issued in an initial aggregate principal amount of U.S.\$500,000,000 and in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 above such amount;
- mature on July 14, 2026, on which date the principal amount will be paid in full;
- bear interest commencing the date of issue at 5.750% per annum, payable semiannually on each January 14 and July 14 of each year, commencing on January 14, 2017 to holders of record on the January 2 or July 2, as applicable, immediately preceding the interest payment date; and
- bear interest on overdue principal, and pay interest on overdue interest, at the lesser of (i) 2% per annum higher than the per annum rate set forth on the cover of this listing memorandum and (ii) the maximum rate permitted by applicable law.
- Interest will be computed on the basis of a 360-day year of twelve 30-day months. Payment of interest on the Notes will be paid in immediately available funds by check or, if requested, for holders of more than U.S.\$10 million of Notes, by wire transfer to the account specified by such holder.

### Additional Notes

Subject to the covenants described below, the Issuer may, from time to time and without your consent as a holder of the Notes, issue notes under the Indenture having the same terms in all respects as the Notes except that interest will accrue on the additional notes from their date of issuance; *provided, however*, that unless such notes are issued under a separate CUSIP, either such additional notes are part of the same “issue” within the meaning of United States Treasury Regulation Sections 1.1275-1(f) or 1.1275-2(k), or such additional notes are not issued with

more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes. The Notes offered hereby and any additional notes will be treated as a single class for all purposes under the Indenture and will vote together as one class on all matters with respect to the Notes. Unless the context otherwise requires, references to the “Notes” for all purposes under the Indenture and in this “Description of the Notes” include any additional notes that are issued.

### **Payment of Additional Amounts**

All payments of principal and interest by the Issuer in respect of the Notes or by Suzano in respect of the Note Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, or other governmental charges of whatever nature imposed or levied by or on behalf of Austria, Brazil or any other jurisdiction or political subdivision thereof from or through which a payment is made or in which the Issuer or Suzano (or any successor to the Issuer or Suzano) is organized or is a resident for tax purposes having power to tax (a “Relevant Taxing Jurisdiction”), unless the Issuer or Suzano is compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or Suzano will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay such additional amounts as may be necessary to ensure that the net amounts receivable by holders of Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would have been received in respect of the Notes in the absence of such withholding or deduction (“Additional Amounts”). No such Additional Amounts shall be payable:

- in respect of any taxes, duties, assessments or governmental charges that would not have been so withheld or deducted but for the existence of any present or former connection between the holder or beneficial owner of the Note (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a partnership, a limited liability company or a corporation) and the Relevant Taxing Jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, other than the mere holding of the Note or enforcement of rights and the receipt of payments with respect to the Note;
- in respect of Notes presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of such Note would have been entitled to such Additional Amounts, on surrender of such Note for payment on the last day of such period of 30 days;
- in respect of any taxes, duties, assessments or other governmental charges that would not have been so withheld or deducted but for the failure by the holder, the beneficial owner of the Note, or, in the case of amounts payable to the Trustee, the Trustee to (i) make a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled, or (ii) comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction, if (1) compliance is required by the Relevant Taxing Jurisdiction, as a precondition to, exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and (2) the Issuer has given the holders or the Trustee, as applicable, at least 30 days’ notice that holders will be required to provide such certification, identification or other requirement; *provided* that, in no event, shall such holder’s, beneficial owner’s, or Trustee’s requirement to make a valid and legal claim for exemption from or reduction of such taxes require such holder, beneficial owner or the Trustee to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder, beneficial owner or the Trustee been required to file U.S. IRS Forms W-8 or W-9, as applicable;

- in respect of any estate, inheritance, gift, sales, transfer, capital gains, excise or personal property or similar tax, assessment or governmental charge;
- any withholding or deduction imposed on a payment that is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive;
- any withholding or deduction that is imposed on the Note that is presented for payment, where presentation is required, by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting such Note to another paying agent;
- in respect of any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal of or interest on the Notes; or
- in respect of any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment on a Note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of the Relevant Taxing Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

For purposes of the above, “Relevant Date” means, with respect to any payment on a Note, whichever is the later of: (i) the date on which such payment first becomes due; and (ii) if the full amount payable has not been received by the Trustee on or prior to such due date, the date on which notice is given to the holders that the full amount has been received by the Trustee.

Any reference in this listing memorandum, the Indenture or the Notes to principal, interest or any other amount payable in respect of the Notes by the Issuer or the Note Guarantee by Suzano will be deemed also to refer to any Additional Amount, unless the context requires otherwise, that may be payable with respect to that amount under the obligations referred to in this subsection.

The Issuer and Suzano shall promptly pay when due any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in any Relevant Taxing Jurisdiction from the execution, delivery or registration of each note or any other document or instrument referred to herein or therein except, in certain cases, for taxes, charges or similar levies resulting from certain registrations of transfer or exchange of Notes.

The foregoing obligation will survive termination or discharge of the Indenture, payment of the Notes and/or the resignation or removal of the Trustee or any agent hereunder.

## **Optional Redemption**

### *Optional Redemption with a Make-Whole Premium*

The Issuer may redeem the Notes, in whole at any time, or in part from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount thereof, and (2) the sum of the present values, calculated as of the redemption date, of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the redemption date) due after the redemption date through the maturity date of the Notes, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, plus in each case any accrued and unpaid interest and Additional Amounts, if

any, on such Notes to the redemption date, as calculated by the Independent Investment Banker; *provided* that Notes in an aggregate principal amount equal to at least U.S.\$300 million remain outstanding immediately after the occurrence of any partial redemption of Notes.

For purposes of the above:

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an

Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Issuer.

“Comparable Treasury Price” means, with respect to any redemption date (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer” means J.P. Morgan Securities LLC or its Affiliates which are primary United States government securities dealers and not less than two other leading primary United States government securities dealers in New York City reasonably designated by the Issuer; *provided* that if any of the foregoing cease to be a primary United States government securities dealer in New York City (a “Primary Treasury Dealer”), the Issuer will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 pm New York time on the third Business Day preceding such redemption date.

#### *Redemption for Taxation Reasons*

If as a result of any change in or amendment to the laws or treaties (or any rules or regulations thereunder) of any Relevant Taxing Jurisdiction, or any amendment to or change in an official interpretation, administration or application of such laws, treaties, rules, or regulations (including a holding by a court of competent jurisdiction), which change or amendment or change in official position becomes effective on or after the issue date of the Notes or, with respect to a successor, after the date a successor assumes the obligations under the Notes, the Issuer or Suzano or the successor have or will become obligated to pay Additional Amounts as described above under “— Payment of Additional Amounts” in excess of the Additional Amounts that the Issuer or Suzano would be obligated to pay if payments were subject to withholding or deduction at a rate of 15% (or at a rate of 25% in case the holder of the Notes is resident in a tax haven jurisdiction, i.e., countries which do not impose any income tax or which impose it at a maximum rate lower than 20% or where the laws impose restrictions on the disclosure of ownership composition or securities ownership) as a result of the taxes, duties, assessments and other governmental charges described above (the “Minimum Withholding Level”), the Issuer may, at its option, redeem all, but not less than all, of the Notes, at a redemption price equal to 100% of their principal amount, together with interest and Additional Amounts accrued to the date fixed for redemption, upon publication of irrevocable notice not less than 30 days nor more than 90 days prior to the date fixed for redemption. No notice of such redemption may be given earlier than 90

days prior to the earliest date on which the Issuer would, but for such redemption, be obligated to pay the Additional Amounts above the Minimum Withholding Level, were a payment then due. The Issuer shall not have the right to so redeem the Notes in the event it becomes obliged to pay Additional Amounts which are less than the Additional Amounts payable at the Minimum Withholding Level. Notwithstanding the foregoing, the Issuer shall not have the right to so redeem the Notes unless: (i) it has taken measures it considers reasonable to avoid the obligation to pay Additional Amounts; and (ii) it has complied with all applicable regulations to legally effect such redemption; *provided, however*, that for this purpose reasonable measures shall not include any change in the Issuer's, Suzano's or any successor's jurisdiction of incorporation or organization or location of its principal executive or registered office.

In the event that the Issuer elects to so redeem the Notes, it will deliver to the Trustee: (i) a certificate, signed in the name of the Issuer by two of its directors or by its attorney in fact in accordance with its articles of association, stating that the Issuer is entitled to redeem the Notes pursuant to their terms and setting forth a statement of facts showing that the condition or conditions precedent to the right of the Issuer to so redeem have occurred or been satisfied; and (ii) an Opinion of Counsel (as provided for in the Indenture) to the effect that the Issuer has or will become obligated to pay Additional Amounts in excess of the Additional Amounts payable at the Minimum Withholding Level as a result of the change or amendment and that all governmental approvals necessary for the Issuer to effect the redemption have been obtained and are in full force and effect.

#### *Optional Redemption Procedures*

Notice of any redemption will be delivered in accordance with the procedures of the Depository Trust Company ("DTC") or, in the case of any certificated Notes, mailed by first-class mail, postage prepaid, to holders of the Notes at their respective registered addresses, in each case at least 30 but not more than 60 days before the redemption date. For so long as the Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange and the rules of the exchange require, the Issuer and Suzano will cause notices of redemption to also be published as described in "—Notices" below.

Notes called for redemption will become due on the date fixed for redemption. The Issuer will pay the redemption price for any Note together with accrued and unpaid interest thereon through the redemption date. On and after the redemption date, interest will cease to accrue on the Notes as long as the Issuer has deposited with the paying agent funds in satisfaction of the applicable redemption price pursuant to the Indenture. Upon redemption of Notes by the Issuer, such Notes will be cancelled.

#### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

#### **Guarantee**

Suzano will fully, unconditionally and irrevocably guarantee to each holder and the Trustee all of the obligations of the Issuer pursuant to the Indenture and the Notes (the "Note Guarantee"), including the full and prompt payment of principal and interest on the Notes, when and as the same become due and payable, whether at maturity, upon redemption or repurchase, by declaration of acceleration or otherwise, and including any Additional Amounts required to be paid. Any obligation of the Issuer to make a payment may be satisfied by causing Suzano to make such payment. Suzano will comply with all then-applicable Central Bank regulations to legally effect any payments under the Note Guarantee.

The Note Guarantee will terminate upon:

- (1) a sale or other disposition (including by way of consolidation or merger) of Suzano or the sale or disposition of all or substantially all the assets of Suzano (other than to the Issuer) otherwise permitted by the Indenture, or

- (2) discharge or defeasance of the Notes, as described under the captions “—Satisfaction and Discharge” and “—Defeasance.”

## **Ranking**

The Notes will be unsecured and unsubordinated obligations of the Issuer and will rank equally with any and all other existing and future unsecured and unsubordinated obligations of the Issuer.

The Note Guarantee will be an unsecured, unsubordinated obligation of Suzano, ranking equally with all of its other existing and future unsecured and unsubordinated obligations. The Notes and the Note Guarantee will effectively rank junior to all secured debt of Suzano to the extent of the value of the assets securing that debt. Although the Indenture will contain limits on the ability of the Issuer and Suzano to incur secured debt, the limitation is subject to a number of significant exceptions. See “Certain Covenants—Limitation on Liens.”

Under Brazilian law, as a general rule, holders of the Notes and the Note Guarantee will not have any claim whatsoever against non-guarantor Subsidiaries of Suzano. Claims of creditors of such non-guarantor Subsidiaries of Suzano, including trade creditors, generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of Suzano’s creditors, including holders of the Notes. The Notes, therefore, will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Suzano’s non-guarantor Subsidiaries. The Indenture will not limit the incurrence of Debt and Disqualified Stock of Suzano’s Subsidiaries. Moreover, the Indenture will not impose any limitation on the incurrence by any of Suzano’s Subsidiaries of liabilities that are not considered Debt or Disqualified Stock under the Indenture.

As of March 31, 2016, on an as adjusted basis after giving effect to this offering and the application of the net proceeds therefrom on the basis described under “Capitalization,” and after excluding intercompany balances and intercompany guarantees:

- Suzano would have had R\$15,835.6 million of outstanding consolidated indebtedness, of which R\$3,559.0 million was secured indebtedness of Suzano; and
- Suzano would have had total indebtedness of R\$9,634.5 million (including trade payables), including R\$3,559.0 million of secured indebtedness that is already included in the amount of consolidated secured debt indicated above.

## **Open Market Purchases**

The Issuer or its Affiliates may at any time purchase the Notes in the open market or otherwise at any price.

## **Certain Covenants**

The Indenture will contain covenants that impose limitations and restrictions on the Issuer and also will set forth covenants that will be applicable to Suzano and its Subsidiaries, including, among others, the following:

### *Ranking*

Each of the Issuer and Suzano will ensure that its respective obligations under the Indenture, the Notes and the Note Guarantee will at all times constitute direct and unconditional obligations of the Issuer or Suzano, ranking at all times at least *pari passu* in priority of payment among themselves and with all other senior Debt of such Person, except to the extent any such other Debt ranks above such obligations by reason of Liens permitted under the covenant described under “—Limitation on Liens.”

### *Limitation on Liens*

Suzano will not, and will not permit any Subsidiary to, directly or indirectly, incur or permit to exist any Lien securing the payment of Debt on any of its properties or assets, whether owned at the Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the Notes or the Note Guarantee, as applicable, are secured equally and ratably with (or, if the obligation to be secured by the Lien is subordinated in right of payment to the Notes or any Note Guarantee, prior to) the obligations so secured for so long as such obligations are so secured.

### *Limitation on Sale and Leaseback Transactions*

Suzano will not, and will not permit any Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any Property unless Suzano or such Subsidiary would be entitled to create a Lien on such Property or asset securing the Attributable Debt without equally and ratably securing the Notes pursuant to the covenant described under the heading “—Limitation on Liens,” in which case, the corresponding Lien will be deemed incurred pursuant to such provision.

### *Repurchase of Notes upon a Change of Control*

Not later than 30 days following a Change of Control that results in a Rating Decline, the Issuer or Suzano shall make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount plus accrued interest to the date of purchase.

An “Offer to Purchase” must be made by written offer, which will specify the principal amount of Notes subject to the offer and the purchase price. The offer must specify an expiration date (the “expiration date”) not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the “purchase date”) not more than five Business Days after the expiration date. The offer must include information concerning the business of Suzano and its Subsidiaries which the Issuer in good faith believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender Notes pursuant to the offer.

A holder may tender all or any portion of its Notes pursuant to an Offer to Purchase, subject to the minimum denomination requirement and the requirement that any portion of a Note tendered must be in a multiple of U.S.\$1,000 principal amount. Holders are entitled to withdraw Notes tendered up to the close of business on the expiration date. On the purchase date, the purchase price will become due and payable on each Note accepted for purchase pursuant to the Offer to Purchase, and interest on Notes purchased will cease to accrue on and after the purchase date provided that payment is made available on that date.

The Issuer will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws and regulations in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

The Issuer is only required to offer to repurchase the Notes in the event that a Change of Control results in a Rating Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, the Issuer would not be required to offer to repurchase the Notes. In addition, neither the Issuer nor Suzano will be required to make an Offer to Purchase upon a Change of Control if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer or Suzano and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase, or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indenture as described above under the caption “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.



Notwithstanding anything to the contrary contained herein, an Offer to Purchase may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

Certain existing and/or future Debt of the Issuer or Suzano may provide that a Change of Control is a default or require repurchase upon a Change of Control. Moreover, the exercise by the noteholders of their right to require the Issuer to purchase the Notes could cause a default under other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer. In addition, any remittance of funds outside of Brazil to noteholders or the Trustee may require the consent of the Central Bank, which may not be granted. The Issuer's ability to pay cash to the noteholders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holder of the Notes to require that the Issuer purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The provisions under the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or amended as described in "—Amendments and Waivers."

*Limitation on Transactions with Affiliates*

- (a) Suzano will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, renew or extend any transaction or arrangement including the purchase, sale, lease or exchange of property or assets, or the rendering of any service with any Affiliate of Suzano (a "Related Party Transaction"), except upon fair and reasonable terms no less favorable to Suzano or of its Subsidiaries than could be obtained in a comparable arm's-length transaction with a Person that is not an Affiliate of Suzano.
- (b) In any Related Party Transaction or series of Related Party Transactions with an aggregate value in excess of U.S.\$20 million (or the equivalent thereof at the time of determination), Suzano must first deliver to the Trustee an Officer's Certificate to the effect that such transaction or series of related transactions are on fair and reasonable terms no less favorable to Suzano or such Subsidiary than could be obtained in a comparable arm's length transaction and is otherwise compliant with the terms of the Indenture.
- (c) The foregoing paragraphs do not apply to:
  - (1) any transaction between Suzano and any of its Subsidiaries or between or among Subsidiaries of Suzano;
  - (2) any transaction between Suzano or any of its Subsidiaries, on the one hand, and any joint venture, on the other, on market terms;
  - (3) the payment of reasonable and customary regular fees to directors of Suzano who are not employees of Suzano;
  - (4) any issuance or sale of Equity Interests (other than Disqualified Stock);
  - (5) transactions or payments (including loans and advances) pursuant to any employee, officer or director compensation or benefit plans, customary indemnifications or arrangements entered into in the ordinary course of business;
  - (6) transactions pursuant to agreements in effect on the Issue Date and described in the listing memorandum, as amended, modified or replaced from time to time so long as the amended, modified or new agreements, taken as a whole, are no less favorable to Suzano and its Subsidiaries than those in effect on the date of the Indenture;

- (7) any Sale and Leaseback Transaction otherwise permitted under the caption “—Limitation on Sale and Leaseback Transactions” if such transaction is on market terms;
- (8) transactions with customers, clients, distributors, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business and on market terms;
- (9) the provision of administrative services to any joint venture on substantially the same terms provided to or by Subsidiaries of Suzano; and
- (10) any guarantee or security granted by an affiliate of Suzano in favor of Suzano or any of its Subsidiaries on market terms.

#### *Financial Reports*

So long as any new Notes remain outstanding:

- (a) Suzano will
  - (1) in the event Suzano is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, provide the Trustee and the holders of Notes with annual financial statements audited by an internationally recognized firm of independent public accountants within 120 days of the end of each fiscal year and unaudited quarterly financial statements within 90 days of the end of each of the first three fiscal quarters of each fiscal year, in each case prepared in accordance with Applicable GAAP and accompanied by a discussion and analysis substantially in the format of the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that is included in this listing memorandum, in each case prepared in Portuguese and English, unless such information is publicly available on Suzano’s website; or
  - (2) in the event Suzano is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, provide the Trustee, promptly after their filing with the United States Securities and Exchange Commission (the “SEC”), for further delivery to a holder upon request by any such holder, with copies of:
    - (x) annual reports on Form 20-F (or any successor form) filed with the SEC, and, if required by applicable securities law, a reconciliation to U.S. GAAP;
    - (y) reports on Form 6-K (or any successor form) that include quarterly financial statements filed with the SEC; and
    - (z) such other reports on Form 6-K (or any successor form) relating to the occurrence of an event that would be required to be report thereon;

unless such filings are publicly available on the SEC’s EDGAR System;
- (b) Upon request, Suzano will provide the Trustee, for further delivery to a holder upon request by such holder, with copies (including English translations of documents in other languages) of all public filings made by it with any stock exchange or securities regulatory agency promptly after their respective filing.
- (c) At any time when Suzano is not subject to or is not current in its reporting obligations under Section 13 or 15(d) of the Exchange Act, Suzano will make available, upon request, to any holder of Notes and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act.

- (d) In addition, the Indenture will provide that Suzano shall at all times comply with the periodic reporting requirements of the Luxembourg Stock Exchange or any other stock exchange, if any, on which the Notes may be listed, in each case as in effect at the time of reporting so long as the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market or any such other stock exchange.
- (e) Delivery of these reports and information to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable for information contained therein, including the Issuer's or Suzano's compliance with any of its covenants in the indenture (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

*Reports to Trustee*

Suzano will deliver to the Trustee:

- (1) within 120 days after the end of each fiscal year an Officer's Certificate stating that the Issuer and Suzano have fulfilled their obligations under the Indenture or, if there has been a Default, specifying the Default and its nature and status; and
- (2) as soon as possible and in any event within 10 days after it becomes aware or should reasonably become aware of the occurrence of a Default, an Officer's Certificate setting forth the details of the Default, and the action which the Issuer or Suzano, as applicable, proposes to take with respect thereto.

*Consolidation, Merger or Sale of Substantially All Assets*

- (a) Neither Suzano nor the Issuer will, in a single transaction or a series of related transactions:
  - consolidate with or merge with or into any Person, or
  - sell, convey, transfer, assign, or otherwise dispose of all or substantially all of its assets (determined on a consolidated basis for Suzano and its Subsidiaries) as an entirety or substantially an entirety, in one transaction or a series of related transactions, to any Person, or
  - permit any Person to merge with or into Suzano or the Issuer; in each case unless
- (1) either: (x) Suzano or the Issuer, as applicable, is the continuing Person; or (y) the resulting, surviving or transferee Person (the "Successor Company") is (A) in the event of a merger of Suzano, a corporation organized and validly existing under the laws of Brazil or any political subdivision thereof, the United States of America or any state thereof or the District of Columbia or any other country member of the Organization for Economic Co-operation and Development (OECD) or (B) in the event of a merger of the Issuer, an entity organized and validly existing under the laws of Austria, the United States of America or any state thereof or the District of Columbia or any other country member of the Organization for Economic Co-operation and Development (OECD), and, in each case, expressly assumes by supplemental indenture, executed and delivered to the Trustee, in form as set forth in the Indenture or as otherwise satisfactory to the Trustee, all of the obligations of Suzano under the Indenture and the Guarantee;
- (2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing;
- (3) (i) if Suzano is organized under Brazilian law or the Issuer is organized under Austrian law, as applicable, and Suzano or the Issuer merges with a corporation, or the Successor Company is,

organized under the laws of the United States, any State thereof or the District of Columbia or any country member of the OECD, or (ii) if Suzano or the Issuer is organized under the laws of the United States, any State thereof or the District of Columbia and merges with a corporation, or the Successor Company is, organized under the laws of Brazil or the Austria, as applicable, or any country member of the OECD, then Suzano, the Issuer or the Successor Company will have delivered to the Trustee an Opinion of Counsel from each of Brazilian or Austrian, as applicable, U.S. and the successor jurisdiction counsel to the effect that, as applicable, the holders of the Notes will not recognize income, gain or loss for U.S. jurisdiction or Brazilian or Austrian jurisdiction, as applicable, or the successor jurisdiction income tax purposes as a result of such transaction; and

- (4) Suzano, the Issuer or the Successor Company, as the case may be, delivers to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that the consolidation, merger or transfer and the supplemental indenture (if any) comply with the Indenture;

*provided*, that clause (2) does not apply to the consolidation or merger of Suzano or the Issuer with or into any of Suzano's Subsidiaries or the consolidation or merger of a Subsidiary of Suzano with or into Suzano or the Issuer.

- (b) Suzano shall not sell or otherwise transfer any Equity Interest in the Issuer (other than directors' qualifying shares) to any other Person other than a Subsidiary of Suzano unless Suzano becomes the direct obligor under the Notes.
- (c) Upon the consummation of any transaction effected in accordance with these provisions, if Suzano or the Issuer, as applicable, is not the continuing Person, the Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Suzano under the Note Guarantee or the Issuer under the Indenture with the same effect as if such successor Person had been named as Suzano or the Issuer, as applicable, in the Indenture. Upon such substitution, unless the successor is one or more of Suzano's Subsidiaries, Suzano or the Issuer, as applicable, will be released from its obligations under the Indenture or the Note Guarantee.

#### *Maintenance of Properties*

Suzano will cause all properties used or useful in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of Suzano may be necessary so that the business of Suzano and its Subsidiaries may be properly and advantageously conducted at all times; *provided* that nothing shall prevent Suzano or any of its Subsidiaries from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of Suzano, desirable in the conduct of the business of Suzano and its Subsidiaries taken as a whole.

#### **Substitution of the Issuer**

The Issuer may, without the consent of any holder of the Notes (and, by purchasing any Notes, each holder expressly consents to the provisions of this section), be substituted by (a) Suzano or (b) any Wholly Owned Subsidiary of Suzano as principal debtor in respect of the Notes (in each case, in that capacity, the "Successor Issuer"); provided that the following conditions are satisfied:

- (a) such documents will be executed by the Successor Issuer, the Issuer, Suzano and the Trustee as may be necessary to give full effect to the substitution, including (i) a supplemental indenture under which the Successor Issuer assumes all of the Issuer's obligations under the Indenture and the Notes and, unless Suzano's then existing guarantee remain in full force and effect, substitute guarantee issued by Suzano in respect of the Notes and (ii) a Subsidiary guarantee by the Issuer (collectively, the "Issuer Substitution Documents");

- (b) the Issuer Substitution Documents will contain covenants (i) to ensure that each holder of the Notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of Additional Amounts (but replacing references to Austria with references to the jurisdiction of organization of the Successor Issuer); and (ii) to indemnify each holder and beneficial owner of the Notes against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such holder or beneficial owner of the Notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made and (b) which are imposed on such holder or beneficial owner of the Notes by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the Notes resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made;
- (c) the Successor Issuer will deliver, or cause the delivery, to the Trustee of opinions from counsel reasonably satisfactory to the Trustee in the jurisdiction of organization of the Successor Issuer, Austria, Brazil, Luxembourg and New York as to the validity, legally binding effect and enforceability of the Issuer Substitution Documents, the Indenture, the Notes and Suzano's Notes Guarantee and specified other legal matters, as well as an officers' certificate and opinion as to compliance with the provisions of the Indenture, including those provisions described under this section;
- (d) the Successor Issuer will appoint a process agent in the Borough of Manhattan in The City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes, the Indenture and the Issuer Substitution Documents;
- (e) no Event of Default has occurred and is continuing; and
- (f) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Successor Issuer, Austria, Brazil and Luxembourg for the purpose of such substitution.

Upon the execution of the Issuer Substitution Documents, any substitute guarantee and compliance with the other conditions in the Indenture relating to the substitution, the Successor Issuer will be deemed to be named in the Notes as the principal debtor in place of the Issuer, any reference in this "Description of the Notes" to the Issuer shall from then on be deemed to refer to the Successor Issuer and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Successor Issuer.

Not later than 10 business days after the execution of the Issuer Substitution Documents, the Successor Issuer will give notice thereof to the holders of the Notes. Notice of any such substitution shall be published in accordance with the provisions set forth under "—Notices."

Notwithstanding any other provision of the Indenture, Suzano will (unless it is the Successor Issuer) promptly execute and deliver any documents or instruments necessary or that the Trustee may reasonably request, to ensure that Suzano's guarantee is in full force and effect for the benefit of the holders and beneficial owners of the Notes following the substitution.

See "Taxation—Certain Material U.S. Federal Income Tax Considerations."

## **Default and Remedies**

### *Events of Default*

An "Event of Default" occurs if:

- (1) the Issuer defaults in the payment of the principal or any related Additional Amounts, if any, of any Note when the same becomes due and payable at maturity, upon acceleration or redemption, or otherwise;
- (2) the Issuer defaults in the payment of interest or any related Additional Amounts, if any, on any Note when the same becomes due and payable, and the default continues for a period of 30 days;
- (3) Suzano or the Issuer fails to comply with the covenants described under the captions “—Certain Covenants—Consolidation, Merger or Sale of Substantially All Assets”;
- (4) the Issuer or Suzano, as the case may be, defaults in the performance of or breaches any other of its covenants or agreements in the Indenture or under the Notes and the default or breach continues for a period of 60 consecutive days after written notice to the Issuer and/or Suzano, as the case may be, by the Trustee acting at the written direction of holders of 25% or more in aggregate principal amount of the Notes, or to the Issuer, Suzano and the Trustee by the holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Debt of Suzano or any of its Subsidiaries having an outstanding principal amount of U.S.\$75 million (or the equivalent thereof at the time of determination) or more in the aggregate for all such Debt of all such Persons (i) an event of default that results in such Debt being due and payable prior to its scheduled maturity or (ii) failure to make a principal payment when due and such defaulted payment is not made, waived or extended within the applicable grace period;
- (6) one or more final and non-appealable judgments or orders for the payment of money are rendered against the Issuer, Suzano or any of its Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final and non-appealable judgment or order that causes the aggregate amount for all such final and non-appealable judgments or orders outstanding and not paid or discharged against all such Persons to exceed U.S.\$75 million or the equivalent thereof at the time of determination (in excess of amounts which Suzano’s insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Issuer, Suzano or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a trustee, receiver, *administrador judicial*, liquidator, custodian or other similar official of it or any substantial part of its Property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days; or a final order for relief is entered against the Issuer, Suzano or such Subsidiaries under relevant bankruptcy laws as now or hereafter in effect;
- (8) the Issuer, Suzano or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary (i) commences a voluntary case or other proceeding seeking liquidation, reorganization, *recuperação judicial ou extrajudicial* or other relief with respect to itself or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (ii) consents to the appointment of or taking possession by a receiver, *administrador judicial*, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, Suzano or any such Subsidiaries or for all or substantially all of the Property of the Issuer, Suzano or any such Subsidiaries or (iii) effects any general assignment for the benefit of creditors (an event of default specified in clause (7) or (8) a “bankruptcy default”);
- (9) the Note Guarantee ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or Suzano denies or disaffirms its obligations under the Note Guarantee;

- (10) any event occurs that under the laws of Brazil, Austria or any political subdivision thereof or any other country has substantially the same effect as any of the events a bankruptcy default; or
- (11) all or substantially all of the undertaking, assets and revenues of the Issuer, Suzano or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or the Issuer, Suzano or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary is prevented by any such Person for a period of 60 consecutive days or longer from exercising normal control over all or substantially all of its undertaking, assets and revenues.

#### *Consequences of an Event of Default*

If an Event of Default, other than a bankruptcy default with respect to the Issuer, Suzano or any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary, occurs and is continuing under the Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and to Suzano (and to the Trustee if the notice is given by the holders), may, and the Trustee at the request of such holders shall, declare the unpaid principal of and accrued interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal and interest will become immediately due and payable. If a bankruptcy default occurs, the unpaid principal of and accrued interest on the Notes then outstanding will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder. In this case, Suzano will be required, and will agree in the Indenture, to duly comply with any and all then-applicable Central Bank regulations for remittance of funds outside of Brazil.

The holders of a majority in principal amount of the outstanding Notes by written notice to the Issuer, Suzano and to the Trustee may waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by the declaration of acceleration, have been cured or waived,
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and
- (3) the Issuer or Suzano has deposited with the trustee of a sum sufficient to pay all sums paid or advanced by the Trustee and the reasonable fees, expenses, disbursements and advances of the Trustee, its agents and counsel, in each case incurred in connection with such Event of Default.

Except as otherwise provided in “—Consequences of an Event of Default” or “—Amendments and Waivers— Amendments with Consent of Holders” the holders of a majority in principal amount of the outstanding Notes may, by notice to the Trustee, waive an existing Default and its consequences. Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of holders of Notes not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from holders of Notes.

A holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the holder has previously given to the Trustee written notice of a continuing Event of Default;
- (2) holders of at least 25% in aggregate principal amount of outstanding Notes have made written request to the Trustee to institute proceedings in respect of the Event of Default in its own name as Trustee under the Indenture;
- (3) holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liabilities or expenses to be incurred in compliance with such request;
- (4) the Trustee within 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (5) during such 60-day period, the holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that is inconsistent with such written request.

Notwithstanding anything to the contrary, the right of a holder of a Note to receive payment of principal of or interest on its Note on or after the Stated Maturity thereof, or to bring suit for the enforcement of any such payment on or after such dates, may not be impaired or affected without the written consent of that holder.

If any Event of Default occurs and is continuing and is known to a responsible officer of the Trustee (it being understood and agreed that any Event of Default other than a default in payment of principal and/or interest with respect to the Notes will only be known by the Trustee upon a responsible officer of the Trustee's receipt of a written notice specifying such Event of Default at its Corporate Trust Office), the Trustee will send notice of the Event of Default to each holder within 90 days after it occurs, unless the Event of Default has been cured; *provided* that, except in the case of a default in the payment of the principal of or interest on any Note, the Trustee may withhold the notice if and so long as a trust committee of trust officers of the Trustee in good faith determines that withholding the notice is in the interest of the holders.

#### **No Liability of Directors, Officers, Employees, Incorporators, Members and Stockholders**

No director, officer, employee, incorporator, member or stockholder of the Issuer or Suzano, as such, will have any liability for any obligations of the Issuer or Suzano under the Notes, the Note Guarantee or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. This waiver may not be effective to waive liabilities under U.S. securities laws or under the Brazilian corporate law, and it is the view of the U.S. Securities and Exchange Commission that such a waiver is against public policy.

#### **Amendments and Waivers**

##### *Amendments Without Consent of Holders.*

The Issuer, Suzano and the Trustee may amend or supplement the Indenture or the Notes without notice to or the consent of any noteholder:

- (1) to cure any ambiguity, defect or inconsistency in the Indenture or the Notes;
- (2) to comply with the covenant described under the caption “—Certain Covenants—Consolidation, Merger or Sale of Substantially All Assets”;
- (3) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (4) to provide for uncertificated Notes in addition to or in place of Certificated Notes;



- (5) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;
- (6) to provide for or confirm the issuance of additional notes; or
- (7) to make any other change that does not materially, adversely affect the rights of any holder or to conform the Indenture to this “Description of the Notes” as evidenced by an Opinion of Counsel delivered to the Trustee.

*Amendments With Consent of Holders.*

- (a) Except as otherwise provided in “—Default and Remedies—Consequences of an Event of Default” or paragraph (b), the Issuer, Suzano and the Trustee may amend the Indenture and the Notes with the written consent of the holders of a majority in principal amount of the outstanding Notes and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Issuer or Suzano with any provision of the Indenture or the Notes.
- (b) Notwithstanding the provisions of paragraph (a), without the consent of each holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting holder):
  - (1) reduce the principal amount of or change the Stated Maturity of any installment of principal of any Note;
  - (2) reduce the rate of or change the payment date of any interest payment on any Note;
  - (3) reduce the amount payable upon the redemption of any Note in respect of an optional redemption, change the times at which any Note may be redeemed or, once notice of redemption has been given, change the time at which it must thereupon be redeemed;
  - (4) after the time an Offer to Purchase is required to have been made, reduce the purchase amount or purchase price, or extend the latest expiration date or purchase date thereunder;
  - (5) make any Note payable in currency or at any place other than that stated in the Note;
  - (6) impair the right of any holder of Notes to institute suit for the enforcement of any payment on or with respect to any Note;
  - (7) make any change in the percentage of the principal amount of the Notes required for amendments or waivers;
  - (8) modify or change any provision of the Indenture affecting the ranking of the Notes in a manner adverse to the holders of the Notes; or
  - (9) make any change in the Note Guarantee that would materially and adversely affect the holders of Notes.

It is not necessary for holders of the Notes to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

The Luxembourg Stock Exchange will be notified of any amendment regardless of whether noteholders’ approval is required.

Neither Suzano nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1)

- (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to the Trustee for cancellation; or
- (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable and the Issuer or Suzano has irrevocably deposited or caused to be deposited with the Trustee as funds in trust solely for the benefit of the holders, U.S. dollars or U.S. Government Obligations, in amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

- (2) no Default or Event of Default has occurred and will continue after the date of the deposit or will occur as a result of the deposit and the deposit will not result in a breach or violation of, or constitute a default under, any other material instrument to which the Issuer, Suzano or any of its Subsidiaries is a party or by which the Issuer, Suzano or any of its Subsidiaries is bound;
- (3) the Issuer, Suzano or any of its Subsidiaries has paid or caused to be paid all other sums payable by it under the Indenture; and
- (4) the Issuer and Suzano have delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer and Suzano must deliver an Officer's Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge of the Indenture have been satisfied.

### **Defeasance**

The Issuer may elect to:

- (1) discharge most of its obligations in respect of the Notes and the Indenture, not including obligations related to the defeasance trust or to the replacement of Notes or its obligations to the Trustee ("legal defeasance") or
- (2) discharge its obligations under most of the covenants, as set forth in the Indenture (and the events listed in clauses (4), (5), (6), (9) and (11) under "—Default and Remedies—Events of Default" will no longer constitute Events of Default) ("covenant defeasance") by irrevocably depositing in trust with the Trustee U.S. dollars or U.S. Government Obligations sufficient to pay principal of and interest on the Notes to maturity or redemption and by meeting certain other conditions, including delivery to the Trustee of either a ruling received from the Internal Revenue Service or an Opinion of Counsel to the effect that the holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the

defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case. In the case of legal defeasance or discharge, such an opinion could not be given absent a change of law after the date of the Indenture. In addition, in the case of any legal defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel in each of Austria, Brazil and any other jurisdiction in which the Issuer or Suzano is organized or is resident for tax purposes, to the effect that holders of the applicable Notes will not recognize income, gain or loss in the relevant jurisdiction (as applicable) as a result of such deposit and defeasance and will be subject to taxes in the relevant jurisdiction (other than withholding taxes) (as applicable) on the same amounts, in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred. In the case of any legal defeasance, the defeasance would in each case be effective when 90 days have passed since the date of the deposit in trust.

In the case of either discharge or defeasance, the Note Guarantee will terminate.

### **Concerning the Trustee**

Deutsche Bank Trust Company Americas is the Trustee under the Indenture, with its corporate office in the Borough of Manhattan, New York City.

Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity and/or security satisfactory to it against any loss, liability or expense.

The holders may have access to the Indenture at the corporate office of the Trustee.

### *Replacement of Trustee*

The Trustee may resign at any time by 30 days prior written notice to the Issuer and Suzano.

The holders of a majority in principal amount of the outstanding Notes may remove the Trustee by 30 days prior written notice to the Trustee.

If the Trustee is no longer eligible pursuant to the Trust Indenture Act of 1939, as amended (the “Trust Indenture Act”), any holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee.

The Issuer shall remove the Trustee if: (i) the Trustee is no longer eligible pursuant to the Trust Indenture Act; (ii) the Trustee is adjudged a bankrupt or an insolvent; (iii) a receiver or other public officer takes charge of the Trustee or its property; or (iv) the Trustee becomes incapable of acting. In addition, the Issuer may remove the Trustee at any time for any reason to the extent the Issuer has given the Trustee at least 30 days’ written notice and as long as no Default or Event of Default has occurred and is continuing.

A resignation or removal of the Trustee and appointment of a successor trustee will become effective only upon the successor trustee’s acceptance of appointment as provided in this Section.

If the Trustee has been removed by the holders, holders of a majority in principal amount of the Notes may appoint a successor trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer will promptly appoint a successor trustee, *provided, however*, that in case of a bankruptcy, the resigning Trustee will have the right to appoint a successor trustee within

10 Business Days after giving of such notice of resignation if the Issuer has not already appointed a successor trustee. If the successor trustee does not deliver its written acceptance within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the holders of a majority in principal amount of the outstanding Notes may appoint a successor trustee or may petition any court of competent jurisdiction for the appointment of a successor trustee.

Upon delivery by the successor trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee will, upon payment of its charges, transfer all property held by it as Trustee to the successor trustee, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor trustee will have all the rights, powers and duties of the Trustee under the Indenture. Upon request of any successor trustee, the Issuer will execute any and all instruments for fully vesting in and confirming to the successor trustee all such rights, powers and trusts. The Issuer will give notice of any resignation and any removal of the Trustee and each appointment of a successor trustee to all holders, and include in the notice the name of the successor trustee and the address of its Corporate Trust Office.

### **Paying Agents**

The Trustee will initially act as the paying agent for the Notes. The Issuer may appoint other paying agents in addition to the initial paying agent.

### **Transfer and Exchange**

The Trustee will initially act as the transfer agent and registrar for the Notes. A holder may transfer or exchange Notes at the office designated by the Issuer for such purposes, which initially will be the Corporate Trust Office of the Trustee in New York, New York. The registrar may require a holder, among other things, to furnish appropriate endorsements and transfer documents in the form provided and as specified in the Indenture. See “Book Entry, Delivery and Form—Global Notes” and “—Certificated Notes” for a description of additional transfer restrictions applicable to the Notes. Upon any change in the registrar, the Issuer will publish a notice on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

No service charge will be imposed in connection with any transfer or exchange of any Note, but the Issuer may in general require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith.

### **Listing**

In the event that the Notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, the Issuer and Suzano will use their commercially reasonable efforts to maintain such listing; *provided*, that if such listing of the Notes shall be obtained and it subsequently becomes impracticable or unduly burdensome, in the good faith determination of the Issuer and Suzano, to maintain, due to changes in listing requirements occurring subsequent to the Issue Date, Suzano may de-list the Notes from the Luxembourg Stock Exchange; and, in the event of any such de-listing, Suzano shall use commercially reasonable efforts to obtain an alternative admission to listing, trading and/or quotation of the Notes by another listing authority, exchange or system within or outside the European Union as it may reasonably decide, provided, that if such alternative admission is not available or is, in the Issuer and Suzano’s reasonable opinion, unduly burdensome, the Issuer and Suzano shall have no further obligation in respect of any listing of the Notes.

### **Notices**

As long as Notes in global form are outstanding, notices to be given to holders will be given to the depository, in accordance with its applicable policies as in effect from time to time. If the Issuer issues Notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the Trustee’s records, and will be deemed given when mailed. For so long as any Notes are listed on the Luxembourg Stock Exchange and traded on the Euro MTF market and in accordance with the rules and regulations

of the Euro MTF market of the Luxembourg Stock Exchange, the Issuer will publish all notices to holders on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

### **Governing Law**

The Indenture, the Notes and the Note Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

### **Prescription**

Claims filed in the courts of the State of New York for payment of principal and interest in respect of the Notes (including Additional Amounts) will be subject to the applicable statute of limitations for such claims, which is currently six years.

### **Consent to Jurisdiction**

Each of the parties to the Indenture will irrevocably submit to the jurisdiction of any New York State or United States Federal court sitting in the City of New York in respect of any suit, action or proceeding arising out of or relating to the Indenture or any Note or Note Guarantee. Each of the parties to the Indenture will irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding brought in such courts and any claim that any such suit, action or proceeding brought in such courts, has been brought in an inconvenient forum and any right to which it may be entitled on account of place of residence or domicile. To the extent that the Issuer or Suzano has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process with respect to itself or its property, each of the Issuer and Suzano has irrevocably waived such immunity in respect of (i) its obligations under the Indenture and (ii) any Note or Note Guarantee. Each of the parties to the Indenture will agree that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding on them and may be enforced in any court to the jurisdiction of which each of them is subject by a suit upon such judgment, *provided*, that service of process is effected upon the Issuer in the manner specified in the following paragraph or as otherwise permitted by law.

As long as any of the Notes remain outstanding, the Issuer and Suzano will at all times have an authorized agent in the City of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to the Indenture or any Note or Note Guarantee. Service of process upon such agent and written notice of such service mailed or delivered to the Issuer shall to the extent permitted by law be deemed in every respect effective service of process upon the Issuer or Suzano in any such legal action or proceeding. The Issuer and Suzano will appoint Corporation Service Company as their agent for such purpose, and covenant and agree that service of process in any suit, action or proceeding may be made upon it at the office of such agent at 1180 Avenue of the Americas, Suite 210, New York, NY 10036, United States (or at such other address or at the office of such other authorized agent as the Issuer or Suzano may designate by written notice to the Trustee).

### **Judgment Currency**

U.S. dollars are the sole currency of account and payment for all sums due and payable by the Issuer and Suzano under the Indenture, the Notes and the Note Guarantee. If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum due hereunder in U.S. dollars into another currency, the Issuer and Suzano will agree, to the fullest extent that they may legally and effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Trustee determines a Person could purchase U.S. dollars with such other currency in New York, New York, on the Business Day immediately preceding the day on which final judgment is given.

The obligation of each of the Issuer and Suzano in respect of any sum due to any noteholder or the Trustee in U.S. dollars shall, to the extent permitted by applicable law, notwithstanding any judgment in a currency other than U.S. dollars, be discharged only to the extent that on the Business Day following receipt of any sum adjudged to be so due in the judgment currency such noteholder or Trustee may in accordance with normal banking procedures purchase U.S. dollars in the amount originally due to such Person with the judgment currency. If the amount of U.S. dollars so purchased is less than the sum originally due to such Person, each of the Issuer and Suzano agrees, jointly and severally, as a separate obligation and notwithstanding any such judgment, to indemnify such Person against the resulting loss; and if the amount of U.S. dollars so purchased is greater than the sum originally due to such Person, such Person will, by accepting a Note, be deemed to have agreed to repay such excess.

### **Certain Definitions**

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable GAAP” means either (i) generally accepted accounting principles in Brazil, which are based on the Brazilian corporate law, the rules and regulations of the Brazilian securities commission and the accounting standards issued by the Brazilian Institute of Independent Accountants (*Institute dos Auditores Independentes do Brasil*, IBRACON) (whether or not Suzano or any of its Subsidiaries or Affiliates is otherwise subject to such rules) as in effect as in effect from time to time, or (ii) International Financial Reporting Standards as in effect from time to time (IFRS).

“Attributable Debt” means, in respect of a Sale and Leaseback Transaction the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Austria” means the Republic of Austria and any branch of power, ministry, department, authority or statutory corporation or other entity (including a trust) owned or controlled directly or indirectly by it or any of the foregoing or created by law as a public entity.

“Brazil” means The Federative Republic of Brazil and any branch of power, ministry, department, authority or statutory corporation or other entity (including a trust) owned or controlled directly or indirectly by it or any of the foregoing or created by law as a public entity.

“Business Day” means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in the City of New York or São Paulo.

“Capital Lease” means, with respect to any Person, any lease of any Property which, in conformity with Applicable GAAP, is required to be capitalized on the balance sheet of such Person.

“Capital Stock” means, with respect to any Person, any and all shares of stock of a corporation, partnership interests or other equivalent interests (however designated, whether voting or non-voting) in such Person’s equity, including any Preferred Stock, entitling the holder to receive a share of the profits and losses, and a distribution of assets, after liabilities, of such Person.

“Central Bank” means the Brazilian Central Bank (Banco Central do Brasil).

“Change of Control” means the consummation of any transaction by which (i) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than a person or group that includes any one or more of the Permitted Holders, becomes after the date hereof the “beneficial owner” (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the outstanding Voting Stock of Suzano or (ii) (x) the Permitted Holders cease to “beneficially own” (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, collectively, at least 50% of the total voting power of the outstanding Voting Stock of Suzano, (y) any “person” or “group” (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than a person or group that includes any one or more of the Permitted Holders, becomes after the date hereof the “beneficial owner” (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of a greater percentage of the total voting power of the outstanding Voting Stock of Suzano than the percentage beneficially owned collectively by the Permitted Holders, and (z) the Permitted Holders cease to have, directly or indirectly, the power to direct or cause the direction of the management and policies of Suzano.

“Consolidated Net Tangible Assets” means the total amount of assets of Suzano and its Subsidiaries on a consolidated basis, less current liabilities, less depreciation, amortization and depletion, less goodwill, trade names, trademarks, patents and other intangibles, calculated based on the most recent balance sheet for which internal financial statements are available, all calculated in accordance with Applicable GAAP and calculated on a pro forma basis to give effect to any acquisition or disposition of companies, divisions, lines of businesses or operations by Suzano and its Subsidiaries subsequent to such date and on or prior to the date of determination.

“Debt” means, with respect to any Person, without duplication,

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments, excluding obligations in respect of trade letters of credit or bankers’ acceptances issued in respect of trade accounts payables to the extent not drawn upon or presented, or, if drawn upon or presented, to the extent the resulting obligation of the Person is paid within 10 Business Days;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, all conditional sale obligations and all obligations of such person under any title retention agreement, excluding trade payables arising in the ordinary course of business;
- (5) all obligations of such Person as lessee under Capital Leases;
- (6) all Debt of other Persons guaranteed by such Person to the extent so guaranteed;
- (7) all Debt of other Persons secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person;
- (8) all obligations of such Person under Hedging Agreements;
- (9) all Disqualified Equity Interests issued by such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (10) all Preferred Stock issued by a Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends;

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person.

The amount of Debt of any Person will be deemed to be:

- (a) with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation;
- (b) with respect to Debt secured by a Lien on an asset of such Person but not otherwise the obligation, contingent or otherwise, of such Person, the lesser of (x) the fair market value of such asset on the date the Lien attached and (y) the amount of such Debt;
- (c) with respect to any Debt issued with original issue discount, the face amount of such Debt less the remaining unamortized portion of the original issue discount of such Debt;
- (d) with respect to any Hedging Agreement, the net amount payable if such Hedging Agreement terminated at that time due to default by such Person; and
- (e) otherwise, the outstanding principal amount thereof.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Equity Interests” means Equity Interests that by their terms or upon the happening of any event are:

- (1) required to be redeemed or redeemable at the option of the holder prior to the Stated Maturity of the Notes for consideration other than Qualified Equity Interests, or
- (2) convertible at the option of the holder into Disqualified Equity Interests or exchangeable for Debt;

*provided* that Equity Interests will not constitute Disqualified Equity Interests solely because of provisions giving holders thereof the right to require repurchase or redemption upon a “Change of Control” occurring prior to the Stated Maturity of the Notes if those provisions:

- (a) are no more favorable to the holders than the covenant described under the caption “—Repurchase of Notes Upon a Change of Control” and
- (b) specifically state that repurchase or redemption pursuant thereto will not be required prior to the Issuer’s repurchase of the Notes as required by the Indenture.

“Disqualified Stock” means Capital Stock constituting Disqualified Equity Interests.

“Equity Interests” means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

“Event of Default” has the meaning given to it under “—Default and Remedies—Events of Default.”

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“Fitch” means Fitch Ratings Inc. and its successors.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to



take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided* that the term “Guarantee” does not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Agreement” means (i) any interest rate swap agreement, interest rate cap agreement or other agreement designed to protect against fluctuations in interest rates or (ii) any foreign exchange forward contract, currency swap agreement or other agreement designed to protect against fluctuations in foreign exchange rates or (iii) any commodity or raw material futures contract or any other agreement designed to protect against fluctuations in raw material prices.

“Hedging Obligations” means the obligations of any Person pursuant to any Hedging Agreement.

“Investment Grade” means “BBB-” or higher by S&P, “Baa3” or higher by Moody’s or “BBB-” or higher by Fitch, or the equivalent of such global ratings by S&P, Moody’s or Fitch.

“Issue Date” means July 14, 2016.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or Capital Lease).

“Marketable Securities” means publicly traded debt or equity securities that are listed for trading on a national securities exchange and that were issued by a corporation with debt securities rated at least “AA-” from S&P or “Aa3” from Moody’s.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Note Guarantee” means the guarantee of the Notes by Suzano pursuant to the Indenture.

“Officer’s Certificate” means a certificate signed by any of the chief executive officer, the chief operating officer, the chief financial officer, the chief accounting officer, the treasurer, a director, the general counsel or any vice president of the Issuer or Suzano.

“Opinion of Counsel” means a written opinion of counsel, who may be an employee of or counsel for the Issuer or Suzano (except as otherwise provided in the Indenture), as reasonably acceptable to the Trustee.

“Permitted Holders” means (i) Suzano Holding S.A. or any Affiliate thereof, Fanny Feffer, David Feffer, Daniel Feffer, Jorge Feffer and Ruben Feffer, or any of their respective successors, or (ii) an entity that is directly or indirectly controlled by one or more of the Persons listed in clause (i).

“Permitted Liens” means:

- (1) any Lien existing on the date of the Indenture, and any extension, renewal or replacement thereof or of any Lien in clauses (2) or (3) below; provided, however, that the total amount of Debt so secured is not increased plus any fees and expenses in connection with such extension, renewal or replacement;
- (2) any Lien on any property or assets (including Capital Stock of any person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the Indenture; provided that (a) the aggregate principal amount of Debt secured by the Liens will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (b) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of

Suzano or any of its Subsidiaries; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the person so acquired;

- (3) any Lien securing Debt incurred for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; provided that the lenders of such Debt expressly agree to limit their recourse in respect of such Debt to assets (including Capital Stock of the project entity) and/or revenues of such project with an aggregate value of not more than the amount of such Debt; and provided, further, that the Lien is incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of Suzano or any Subsidiary;
- (4) any Lien existing on any property or assets of any person before that person's acquisition (in whole or in part) by, merger into or consolidation with Suzano or any of its Subsidiaries after the date of the Indenture; provided that the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation;
- (5) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of Suzano or any of its Subsidiaries in the ordinary course of business;
- (6) any Liens granted to secure borrowings from, directly or indirectly, (a) Banco Nacional de Desenvolvimento Econômico e Social—BNDES (including borrowings from any Brazilian governmental bank with funds provided by Brazilian regional funds including *Financiadora de Estudos e Projetos – FINEP*, *Fundo de Desenvolvimento do Nordeste – FDNE*, *Banco do Nordeste do Brasil* and *Fundo de Desenvolvimento do Centro Oeste – FCO*), or any other Brazilian governmental development bank or credit agency or (b) any international or multilateral development bank or government-sponsored agency, export-import bank or official export-import credit insurer;
- (7) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds, judicial deposits or other similar guarantees in proceedings being contested in good faith to which Suzano or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which Suzano or any its Subsidiaries is a party or deposits for the payment of rent, in each case made in the ordinary course of business;
- (8) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;
- (9) any rights of set-off of any Person with respect to any deposit account of Suzano or any of its Subsidiaries arising in the ordinary course of business;
- (10) any Lien on cash or cash equivalents securing Hedging Agreements or other similar transactions in the ordinary course of business;
- (11) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by Applicable GAAP;
- (12) any Liens on the receivables of Suzano or any of its Subsidiaries securing the obligations of such Person under any line of credit or working capital facility; provided that the aggregate amount of receivables securing Debt shall not exceed 80% of Suzano's and its Subsidiaries' aggregate outstanding receivables from time to time; and

- (13) in addition to the foregoing Liens set forth in clauses (1) through (12) above, Liens securing Debt of Suzano or any of its Subsidiaries which do not in aggregate principal amount, at any time of determination, exceed 15% of Suzano's Consolidated Net Tangible Assets (the "General Liens Basket").

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" means, with respect to any Person, any Capital Stock of such Person that has preferential rights over any other Capital Stock of such Person with respect to dividends, distributions or redemptions or upon liquidation.

"Property" means (i) any land, buildings, machinery and other improvements and equipment located therein, (ii) any intangible assets, including, without limitation, any brand names, trademarks, copyrights and patents and similar rights and any income (licensing or otherwise), proceeds of sale or other revenues therefrom.

"Qualified Equity Interests" means all Equity Interests of a Person other than Disqualified Equity Interests.

"Qualified Stock" means all Capital Stock of a Person other than Disqualified Stock.

"Rating Agency" means S&P, Fitch or Moody's; or if S&P, Fitch or Moody's are not making rating of the Notes publicly available, an internationally recognized U.S. rating agency or agencies, as the case may be, selected by the Issuer, which will be substituted for S&P, Fitch or Moody's, as the case may be.

"Rating Decline" means that at any time within 90 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible down grade by either Rating Agency) after the earlier of the date of public notice of a Change of Control and of the Issuer's intention or that of any Person to effect a Change of Control, (i) in the event the Notes are assigned an Investment Grade rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event the Notes are not assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the Notes by at least two of the Rating Agencies shall be decreased by one or more categories, *provided* that there shall be no Rating Decline to the extent the Notes continue to have an Investment Grade Rating by at least one of the Ratings Agencies.

"R\$" means the *real*, being the lawful currency in Brazil.

"Sale and Leaseback Transaction" means, with respect to any Person, an arrangement whereby such Person enters into a lease of property previously transferred by such Person to the lessor.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Significant Subsidiary" of any Person means any Subsidiary of Suzano, or any group of Subsidiaries, if taken together as a single entity, that would be a "significant subsidiary" of such Person within the meaning of Rule 1-02 under Regulation S-X promulgated pursuant to the Securities Act.

"Stated Maturity" means (i) with respect to any Debt, the date specified as the fixed date on which the final installment of principal of such Debt is due and payable or (ii) with respect to any scheduled installment of principal of or interest on any Debt, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Debt, not including any contingent obligation to repay, redeem or repurchase prior to the regularly scheduled date for payment.

“Subsidiary” means with respect to any Person, any corporation, limited liability company, partnership, association or other business entity of which more than 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more Subsidiaries of such Person (or a combination thereof).

“Trustee” means the party named as such in this Description of the Notes until a successor replaces it and, thereafter, means the Successor.

“U.S. GAAP” means generally accepted accounting principles in the U.S. as in effect from time to time.

“U.S. Government Obligations” means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, *provided* that the full faith and credit of the United States of America is pledged in support thereof.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned Subsidiary” means a Subsidiary of which at least 95% of the Capital Stock (other than directors’ qualifying shares) is directly or indirectly owned by the Guarantor.

### **Book Entry, Delivery and Form**

The Notes are being offered and sold to qualified institutional buyers in reliance on Rule 144A (“Rule 144A Notes”). Notes also may be offered and sold in offshore transactions in reliance on Regulation S (“Regulation S Notes”). Notes were issued at the closing of this offering against payment in immediately available funds.

Rule 144A Notes are represented by one or more notes in registered, global form without interest coupons (collectively, the “Rule 144A Global Notes”). Regulation S Notes are represented by one or more notes in registered, global form without interest coupons (collectively, the “Regulation S Global Notes” and, together with the Rule 144A Global Notes, the “Global Notes”).

The Global Notes were deposited upon issuance with the Trustee as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case, for credit to an account of a direct or indirect participant in DTC as described below. Through and including the 40th day after the later of the commencement of this offering and the closing of this offering (such period through and including such 40th day, the “restricted period”), beneficial interests in the Regulation S Global Notes may be held only through the Euroclear System (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream”) (as indirect participants in DTC), unless transferred to a person that takes delivery through a Rule 144A Global Note in accordance with the certification requirements described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—Exchanges Between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in certificated form except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) are subject to certain restrictions on transfer and bear a restrictive legend as described under “Transfer Restrictions.” Regulation S Notes also bear the legend as described under “Transfer Restrictions.” In addition, transfers of beneficial interests in the Global Notes are subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

## Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised us that DTC is a limited purpose trust company created to hold securities for its participating organizations (collectively, the “participants”) and to facilitate the clearance and settlement of transactions in those securities between participants through electronic book entry changes in accounts of its participants. The participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly (collectively, the “indirect participants”). Persons who are not participants may beneficially own securities held by or on behalf of DTC only through the participants or the indirect participants.

The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the Global Notes, DTC will credit the accounts of participants designated by the initial purchasers with portions of the principal amount of the Global Notes; and
- (2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the Global Notes).

Investors in the Global Notes who are participants in DTC’s system may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are participants in such system. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank S.A./N.V., as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests may be affected by the lack of a physical certificate evidencing such interests.

**Except as described below, owners of interests in the Global Notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or “holders” thereof under the Indenture for any purpose.**

Payments in respect of the principal of, and interest and premium and additional interest, if any, on a Global Note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, the Issuer and the Trustee will treat the persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee, the transfer agent,

registrar, the paying agent nor any agent of the Issuer, nor the Trustee has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interest in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the Global Notes; or
- (2) any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest) is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the participants or the indirect participants and will not be our responsibility or that of DTC or the Trustee. Neither the Issuer nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the Notes, and the Issuer and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Transfer Restrictions," transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counter-party in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf of delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC reserves the right to exchange the Global Notes for legended notes in certificated form, and to distribute such notes to its participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither the Issuer nor the Trustee nor any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Exchange of Global Notes for Certificated Notes**

A Global Note is exchangeable for definitive notes in registered certificated form (“Certificated Notes”) if:

- (1) DTC (a) notifies the Issuer that it is unwilling or unable to continue as depositary for the Global Notes and DTC fails to appoint a successor depositary or (b) has ceased to be a clearing agency registered under the Exchange Act;
- (2) The Issuer, at its option, notifies the Trustee in writing that it has elected to cause the issuance of the Certificated Notes; or
- (3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in “Transfer Restrictions,” unless that legend is not required by applicable law.

### **Exchange of Certificated Notes for Global Notes**

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Transfer Restrictions.”

### **Exchanges Between Regulation S Notes and Rule 144A Notes**

Beneficial interests in the Regulation S Global Notes may be exchanged for beneficial interests in the Rule 144A Global Notes only if:

- (1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and
- (2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a person:
  - (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;
  - (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and
  - (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interest in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected in DTC by means of an instruction originated by the DTC participant and approved by the Trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the

Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interest in such other Global Note for so long as it remains such an interest. Transfers between Regulation S and Rule 144A Notes will need to be done on a delivery free of payment basis and separate arrangements will need to be made outside of DTC for payment.



## TAXATION

*The following discussion addresses certain material Austrian, Brazilian and U.S. federal income tax consequences (and certain EU related tax consequences) of acquiring, holding and disposing of the Notes. Although there presently is no income tax treaty between Brazil and the United States, the tax authorities of the two countries have had discussions that may culminate in such a treaty. We cannot assure, however, as to whether or when a treaty will enter into force or how it will affect holders of the Notes. Each prospective purchaser is urged to consult its own tax advisor about the particular Austrian, Brazilian and U.S. federal income tax consequences (and certain EU related tax consequences) to it of an investment in the Notes.*

### **Certain Material Austrian Tax Considerations**

*This section on taxation contains a brief summary of the Issuer's understanding with regards to certain important Austrian principles which are of significance in connection with the purchase, holding or sale of the Notes in Austria. This summary does not purport to exhaustively describe all possible Austrian tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. This summary is based on the currently applicable tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may be effected with retroactive effect and may negatively impact on the tax consequences described herein. It is recommended that potential investors in the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes shall in any case be borne by the investor. For the purposes of the following summary, it is assumed that the Notes are legally and factually offered to an indefinite number of persons.*

### **General remarks**

Individuals having a domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*), both as defined in sec. 26 of the Austrian Federal Fiscal Procedures Act (*Bundesabgabenordnung*), in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*), both as defined in sec. 27 of the Austrian Federal Fiscal Procedures Act, in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Special tax rules apply in case the Notes are held by an investor via an entity which qualifies as a domestic or foreign investment fund. These rules are not discussed herein.

Both in case of unlimited and limited (corporate) income tax liability, Austria's right to tax may be restricted by applicable double taxation treaties.

### **Austrian tax aspects of the Notes**

Pursuant to sec. 27(1) of the Austrian Income Tax Act (*Einkommensteuergesetz*), the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest; the tax basis is the amount of the earnings received (sec. 27a(3)(1) of the Austrian Income Tax Act);

- income from realized increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realization (including, potentially, the assumption of the Issuer's obligations by a Substitute Issuer as described under "Description of the Notes – Substitution of the Issuer") of assets that lead to income from the letting of capital (including zero coupon bonds); the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs, in each case including accrued interest (sec. 27a(3)(2)(a) of the Austrian Income Tax Act); and
- income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realization of forward contracts like options, futures and swaps and other derivatives such as index certificates (the mere exercise of an option does not trigger tax liability); *e.g.*, in the case of index certificates, the tax basis amounts to the sales proceeds or the redemption amount minus the acquisition costs (sec. 27a(3)(3)(c) of the Austrian Income Tax Act).

Also the withdrawal of the Notes from a securities account (*Depotentnahme*) and circumstances leading to a restriction of Austria's taxation right regarding the Notes *vis-à-vis* other countries, *e.g.* a relocation from Austria (*Wegzug*), are in general deemed to constitute a sale (*cf.* sec. 27(6) of the Austrian Income Tax Act). The tax basis in this case amounts to the fair market value minus the acquisition costs (sec. 27a(3)(2)(b) of the Austrian Income Tax Act).

#### *Resident individual Noteholders*

Individuals subject to unlimited income tax liability in Austria holding the Notes as non-business assets are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to withholding tax (*Kapitalertragsteuer*) at a flat rate of 27.5%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income from the Notes without an Austrian nexus, the income must be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). The acquisition costs must not include ancillary acquisition costs (*Anschaffungsnebenkosten*; sec. 27a(4)(2) of the Austrian Income Tax Act). Expenses with a direct economic nexus to income subject to a flat income tax rate pursuant to sec. 27a(1) of the Austrian Income Tax Act, such as bank charges and custody fees, must not be deducted (sec. 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Sec. 27(8) of the Austrian Income Tax Act, *inter alia*, provides for the following restrictions on the offsetting of losses: negative income from realized increases in value and from derivatives may be neither offset against interest from bank accounts and other non-securitized claims *vis-à-vis* credit institutions (except for cash settlements and lending fees) nor against income from private foundations, foreign private law foundations and other comparable legal estates (*Privatstiftungen, ausländische Stiftungen oder sonstige Vermögensmassen, die mit einer Privatstiftung vergleichbar sind*); income subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act may not be offset against income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation); negative investment income not already offset against positive investment income may not be offset against other types of income. The Austrian custodian agent has to effect the offsetting of losses by taking into account all of a taxpayer's securities accounts with the custodian agent, in line with sec. 93(6) of the Austrian Income Tax Act, and to issue a written confirmation to the taxpayer to this effect.

Individuals subject to unlimited income tax liability in Austria holding the Notes as business assets are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income from the Notes with an Austrian nexus, the income is subject to withholding tax at a flat rate of 27.5%. While withholding tax has the effect of final taxation for income from the letting of capital, income from realized increases in value and income from derivatives must be included in the investor's income tax return

(nevertheless income tax at the flat rate of 27.5%). In case of investment income from the Notes without an Austrian nexus, the income must always be included in the investor's income tax return and is subject to income tax at the flat rate of 27.5%. In both cases upon application the option exists to tax all income subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Expenses with a direct economic nexus to income subject to a flat income tax rate pursuant to sec. 27a(1) of the Austrian Income Tax Act, such as bank charges and custody fees, must not be deducted (sec. 20(2) of the Austrian Income Tax Act); this also applies if the option to regular taxation is exercised. Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realization of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to income tax at the flat rate of 27.5%, are primarily to be offset against income from realized increases in value of such financial assets and derivatives and with appreciations in value of such assets within the same business unit (*Wirtschaftsgüter desselben Betriebes*); only 55% of the remaining negative difference may be offset against other types of income.

#### *Resident corporate Noteholders*

Pursuant to sec. 7(2) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*), corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on income in the sense of sec. 27(1) of the Austrian Income Tax Act from the Notes at a rate of 25%. In the case of income in the sense of sec. 27(1) of the Austrian Income Tax Act from the Notes with an Austrian nexus, the income is subject to withholding tax at a flat rate of 27.5%. However, a 25% rate may pursuant to sec. 93(1a) of the Austrian Income Tax Act be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the corporate income tax liability. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act withholding tax is not levied in the first place. Losses from the sale of the Notes can be offset against other business income.

Pursuant to sec. 13(3)(1) in connection with sec. 22(2) of the Austrian Corporate Income Tax Act, private foundations (*Privatstiftungen*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding the Notes as non-business assets are subject to interim taxation at a rate of 25% on interest income, income from realized increases in value and income from derivatives (*inter alia*, if the latter are in the form of securities). Pursuant to the Austrian tax authorities' view, the acquisition costs must not include ancillary acquisition costs. Expenses with a direct economic nexus to investment income such as bank charges and custody fees must not be deducted (sec. 12(2) of the Austrian Corporate Income Tax Act). Interim tax does generally not fall due insofar as distributions subject to withholding tax are made to beneficiaries in the same tax period. In case of investment income from the Notes with an Austrian nexus, the income is in general subject to withholding tax at a flat rate of 27.5%. However, a 25% rate may pursuant to sec. 93(1a) of the Austrian Income Tax Act be applied by the withholding agent, if the debtor of the withholding tax is a corporation. Such withholding tax can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act withholding tax is not levied.

#### *Non-resident Noteholders*

Individuals and corporations subject to limited (corporate) income tax liability in Austria are taxable on investment income from the Notes if they have a permanent establishment (*Betriebsstätte*) in Austria and the Notes as well as the income from the Notes are attributable to such permanent establishment (*cf.* sec. 98(1)(3) of the Austrian Income Tax Act, sec. 21(1)(1) of the Austrian Corporate Income Tax Act). Individuals subject to limited income tax liability in Austria are also taxable on interest in the sense of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*, see below) from the Notes if withholding tax is levied on such interest (this does not apply, *inter alia*, to individuals falling within the scope of the Austrian EU Withholding Tax Act; *cf.* sec. 98(1)(5)(b) of the Austrian Income Tax Act). Under applicable double taxation treaties, relief from Austrian income tax might be fully or partially available. However, Austrian credit institutions must not provide for such relief at source; instead, the investor may file an application for repayment of tax with the competent Austrian tax office.

#### **EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act – implementing Council Directive 2003/48/EC of 3 June

2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent (*Zahlstelle*) to a beneficial owner who is an individual resident in another EU Member State (or in certain dependent or associated territories, which currently include, *inter alia*, Aruba, the British Virgin Islands, Guernsey, the Isle of Man, Jersey and Montserrat) are subject to EU withholding tax (*EU-Quellensteuer*) of 35%. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from EU withholding tax if the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her state of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years.

Pursuant to Council Directive (EU) 2015/2060 of November 10, 2015 repealing Council Directive 2003/48/EC, the latter was in general repealed with effect from January 1, 2016. However, pursuant to detailed grandfathering provisions, Austria shall in general continue to apply Council Directive 2003/48/EC until 31 December 2016.

### ***Tax treaties Austria/Switzerland and Austria/Liechtenstein***

The Treaty between the Republic of Austria and the Swiss Confederation on Cooperation in the Areas of Taxation and Capital Markets and the Treaty between the Republic of Austria and the Principality of Liechtenstein on Cooperation in the Area of Taxation provide that a Swiss, respectively Liechtenstein, paying agent has to withhold a tax amounting to 25% or 27.5%, respectively, on, *inter alia*, interest income, dividends and capital gains from assets booked with an account or deposit of such Swiss, respectively Liechtenstein, paying agent if the relevant holder of such assets (*i.e.* in general individuals on their own behalf and as beneficial owners of assets held by a domiciliary company (*Sitzgesellschaft*)) is tax resident in Austria. The same applies to such income from assets managed by a Liechtenstein paying agent if the relevant holder of the assets (*i.e.* in general individuals as beneficial owners of a transparent structure) is tax resident in Austria. For Austrian income tax purposes this withholding tax has the effect of final taxation regarding the underlying income if the Austrian Income Tax Act provides for the effect of final taxation for such income. The treaties, however, do not apply to interest covered by the agreements between the European Community and the Swiss Confederation, respectively the Principality of Liechtenstein, regarding Council Directive 2003/48/EC on taxation of savings income in the form of interest payments. The taxpayer can opt for voluntary disclosure instead of the withholding tax by expressly authorising the Swiss, respectively Liechtenstein, paying agent to disclose to the competent Austrian authority the income, which subsequently has to be included in the income tax return.

### ***Austrian inheritance and gift tax***

Austria does not levy inheritance or gift tax.

Certain gratuitous transfers of assets to private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Transfer Tax Act (*Stiftungseingangssteuergesetz*) if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of management in Austria. Certain exemptions apply in cases of transfers *mortis causa* of financial assets within the meaning of sec. 27(3) and (4) of the Austrian Income Tax Act (except for participations in corporations) if income from such financial assets is subject to income tax at a flat rate pursuant to sec. 27a(1) of the Austrian Income Tax Act. The tax basis is the fair market value of the assets transferred minus any debts which are economically linked to the assets transferred, calculated at the time of transfer. The tax rate generally is 2.5%, with a higher rate of 25% applying in special cases. Special provisions apply to transfers of assets to entities falling within the scope of the tax treaty between Austria and Liechtenstein.

In addition, there is a special notification obligation for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a

period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Transfer Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may trigger fines of up to 10% of the fair market value of the assets transferred.

Further, gratuitous transfers of the Notes may trigger income tax at the level of the transferor pursuant to sec. 27(6) of the Austrian Income Tax Act (see above).

### **Certain Material Brazilian Tax Considerations**

*The following discussion is a summary of the Brazilian tax considerations relating to the acquisition, ownership or disposition of the Notes by an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation (“Non-Resident Holder”). The following is a general discussion only, and, therefore, it does not specifically address all of the Brazilian tax considerations applicable to any particular Non-Resident Holder. It is based upon the tax laws and regulations of Brazil as in effect on the date of this listing memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations, which may result in different tax consequences than those described below.*

### **PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.**

Generally, a holder that is a Non-Resident Holder is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, based on the fact that the Issuer is considered domiciled abroad, any income (including interest and original issue discount, if any) paid by the Issuer in respect of the Notes issued by it in favor of a Non-Resident Holder should not be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made with funds held by the Issuer outside of Brazil.

### ***Capital Gains on the Sale or Disposition of Notes***

According to Law No.10,833 of December 29, 2003 gains realized on the disposition (including, under certain circumstances, as a result of the assumption of the Issuer’s obligations by a Substitute Issuer, as described under “Description of the Notes—Substitution of Issuer”) or sale of assets located in Brazil by a Non-Resident Holder are subject to income tax in Brazil, regardless of whether the sale or the disposition is made by a Non-Resident Holder to another non-resident or to a resident in Brazil.

Based on the fact that the Notes are issued and registered abroad, gains on the sale or other disposition of the Notes made outside Brazil by a non-resident of Brazil should not be subject to Brazilian taxes. Notwithstanding, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation will prevail in the courts of Brazil.

If gains recognized by a Non-Resident Holder from the sale or other disposition of the Notes were to be subject to tax in Brazil, under current law such gains generally would be subject to income tax in Brazil at a rate of 15% (or 25% if such Non-Resident Holder is located in a country or locality which does not impose any income tax or which impose it at a maximum rate lower than 20% (or 17%, if such country or locality observes OECD International Fiscal Transparency Guidelines as set forth in the Normative Ruling of the Brazilian Internal Revenue Service (*Instrução Normativa da Secretaria da Receita Federal*) No. 1.530 of December 19, 2014), or where the internal laws impose restrictions on the disclosure of ownership composition, or do not allow the identification of the effective beneficiary of the income attributed to non-residents), unless a lower rate is provided for in an applicable tax treaty between Brazil and the country where the Non-Resident Holder is domiciled.

Law No. 13,259 of March 16, 2016 determined a new progressive taxation method over capital gains that will come in force on January 1, 2017, replacing the current 15% general rate. Capital gains will be subject to income tax based on the following rates:

- (i) 15% on any capital gain not exceeding R\$5,000,000.00;
- (ii) 17.5% on the portion of the capital gain between R\$5,000,000.00 and R\$10,000,000.00;
- (iii) 20% on the portion of the capital gain between R\$10,000,000.00 and R\$30,000,000.00; or
- (iv) 22.5% on the portion of the capital gain exceeding R\$30,000,000.00.

#### ***Payments made by Guarantors***

In the event the Issuer fails to timely pay principal, interest or any other amounts that may be due and payable in respect of the Notes, the Guarantor, which is considered, for purposes of Brazilian taxation, resident or domiciled in Brazil will be required to pay such amount to the Non-Resident Holder. In spite of the lack of a clear regulation regarding payments by a person who is resident or domiciled in connection with this type of obligation, we believe that there are grounds to sustain that this transaction should be viewed as a new credit transaction between the Issuer and the Guarantor, which is not subject to taxation in Brazil. If this view does not prevail in case of a tax dispute, the amounts paid by the Guarantor to a Non-Resident Holder in respect of the Notes (including any additional amount to ensure that the non-resident holder receives the amounts due in respect of the Notes net of income tax) could be subject to the Brazilian withholding income tax at a rate of up to 25%, depending on the nature of the payment and the location of the Non-Resident Holder.

#### ***Discussion of Low or Nil Tax Jurisdictions***

Law No.11.727 of June 23, 2008 introduced a broader concept of “Low or Nil Tax Jurisdiction” applicable to transactions subject to Brazilian transfer pricing rules. Pursuant to Law No. 11,727, a jurisdiction is considered a privileged tax regime for purposes of Brazilian taxation if it (i) does not impose income tax or imposes it at a maximum rate lower than 20%; (ii) grants tax advantages to non-residents (a) without requiring the non-resident to carry out a substantial economic activity in the jurisdiction or (b) prohibiting the non-resident to exercise a substantial economic activity in the jurisdiction; or (iii) does not impose income tax on income generated abroad or imposes it at a maximum rate lower than 20%; or (iv) restricts the disclosure of ownership composition or such non-resident's economic transactions (*operações econômicas*). In addition, on June 4, 2010, the Brazilian Internal Revenue Service enacted the Normative Ruling (*Instrução Normativa*) No. 1,037, listing the countries and jurisdictions considered Low or Nil Tax Jurisdictions.

Although the “Low or Nil Tax Jurisdiction” concept was construed in connection with transfer pricing rules, there is no assurance that Brazilian tax authorities will not attempt to apply the “Low or Nil Tax Jurisdiction” concept to other types of transactions.

#### ***Gains on the Notes – Resident Holder***

An individual, entity or organization that is considered a tax resident according to Brazilian domestic law is taxed in a world-wide basis. Individuals are subject to Individuals’ Income Tax, or IRPF and entities and organizations, in general, are subject to Corporate Income Tax, or IRPJ, Social Contribution on Net Profit, or CSLL, and also may be subject to the contribution to the PIS and COFINS.

#### ***Resident Holder – Individuals***

An individual that qualifies as Resident Holder is subject to IRPF on all its income, despite the fact of being or not derived from Brazil. As a rule, foreign source income is taxed at progressive rates up to 27.5%. If the income qualifies as capital gain, the applicable rate follows the same rule valid for a Non-Resident Holder: 15% until January 1, 2017 and progressive taxation, from 15% to 22.5%, after January 1, 2017, as provided by Law No.13,259. There is also the possibility of offsetting the tax paid on the source country. Resident Holders should consult with their own tax advisors regarding the applicable rates and the possibility of tax offsetting.

#### ***Resident Holder – Entities and Organizations***

Income realized by an entity or organization that qualifies as a Resident Holder is generally subject to IRPJ, at tax rate of 25%, and CSLL, at a 9% tax rate, according to Decree N° 3,000 of March 26, 1999 and Law No. 7,689

of December 15, 1988, respectively. The revenue may be also subject to PIS, at 0.65% tax rate, and COFINS, at a 4% tax rate, if it qualifies as financial revenue rather than capital gain, according to Decree N° 8,426 of April 1, 2015. Resident Holders should consult with their own tax advisors regarding the applicable rates.

### ***Other Tax considerations***

In addition to withholding income tax, Brazilian law imposes a Tax on Foreign Exchange Transactions (Imposto sobre Operações de Crédito, Câmbio e Seguro, ou Relativas a Títulos e Valores Mobiliários), or IOF/Exchange, due on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38%, including foreign exchange transactions in connection with payments under the guarantee by the Guarantor to Non-Resident Holders. According to Section 15, XIX of the Decree No. 6,306, exchange transactions in connection with cross-border financings or loans entered into on or after October 23, 2008, are subject to IOF/Exchange at a zero percent rate. The Brazilian government is permitted to increase this rate at any time up to 25%.

### ***Stamp, Transfer or Similar Taxes***

Generally, there is no stamp, transfer or other similar tax in Brazil with respect to the transfer, assignment or sale of any debt instrument outside Brazil (including the Notes) nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the Notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian states.

*Prospective purchasers of Notes are advised to consult with their tax advisors as to the consequences under the tax laws of the country of which they are residents, of a purchase of Notes, including, but not limited to, the consequences of receipt of interest or capital gain and sale redemption of Notes.*

### **Certain Material U.S. Federal Income Tax Considerations**

The following is a summary of certain material U.S. federal income tax considerations that may be relevant to a U.S. Holder, as defined below. This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with holders that will hold Notes as capital assets and acquired the Notes upon original issuance at their issue price. It does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, entities taxed as partnerships for U.S. federal income tax purposes or partners therein, non-U.S. Holders present in the United States for 183 days or more during the taxable year, holders that have ceased to be U.S. citizens or lawful permanent residents of the United States, persons that will hold Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction or persons that have a “functional currency” other than the U.S. dollar. In addition, this discussion does not consider the effect of any applicable state, local or foreign tax laws, or any aspect of U.S. federal taxation other than income taxation (such as estate and gift tax laws, the alternative minimum tax or Medicare tax on net investment income).

For purposes of this discussion, “U.S. Holder” means a beneficial owner of Notes that is an individual who is a citizen or resident of the United States or a domestic corporation or any person that is otherwise subject to U.S. federal income tax on a net income basis in respect of the Notes. A “non-U.S. Holder” means a beneficial owner of Notes that is not a U.S. Holder.

**Each holder should consult its own tax advisor regarding the tax consequences of the acquisition, ownership and disposition of the Notes, including the relevance to your particular situation of the considerations discussed below, as well as the relevance to your particular situation of state, local or other tax laws.**

### ***U.S. Federal Income Tax Consequences to U.S. Holders***

#### ***Payments of Interest***

Payments of interest on the Notes and original issue discount (“OID”), if any, accrued with respect to the Notes (as described below), including the amount of any withholding taxes and any additional amounts paid with respect thereto, generally will be taxable to a U.S. Holder as ordinary interest income at the time that the payments accrue or are received, in accordance with the U.S. Holder’s method of accounting for U.S. federal income tax purposes.

It is expected, and this discussion assumes, that the Notes will not be issued with original issue discount (“OID”) in an amount equal to or in excess of a *de minimis* amount. In general, however, if the Notes are issued with OID that is equal to or more than a *de minimis* amount, regardless of a U.S. Holder’s regular method of accounting for U.S. federal income tax purposes, the U.S. Holder will have to include OID as ordinary gross income under a “constant yield method” before the receipt of cash attributable to such income.

With certain exceptions, as noted below, any foreign withholding tax that is imposed on payments of interest will be treated as a foreign income tax that is eligible (subject to generally applicable limitations and conditions under U.S. tax laws) for credit against a U.S. Holder’s federal income tax liability or, at the U.S. Holder’s election, for deduction in computing the U.S. Holder’s taxable income. Payments of interest on the Notes generally will constitute foreign-source “passive category income” for U.S. foreign tax credit purposes. The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of the deduction involves the application of complex rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

#### *Dispositions of the Notes*

A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption or other taxable disposition (including, under certain circumstances, the assumption of the Issuer’s obligations by a Substitute Issuer, as described under “Description of the Notes— Substitution of Issuer”) of the Notes in an amount equal to the difference between the amount realized on the disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the U.S. Holder’s adjusted tax basis in the Notes. A U.S. Holder’s adjusted tax basis in a Note generally will equal the amount paid therefor increased by the amount of any OID included in the U.S. Holder’s income with respect to the Note and reduced by the amount of any principal paid on the Note. Gain or loss realized by a U.S. Holder on a sale, exchange, redemption or other disposition of the Notes generally will be long-term capital gain or loss if, at the time of the disposition, the Notes have been held for more than one year. The deduction of capital losses is subject to limitations. U.S. Holders should consult their own tax advisors concerning the U.S. federal income tax consequences to them of an assumption of the Issuer’s obligations by a Substitute Issuer.

Any gain or loss recognized by a U.S. Holder on the sale, exchange, redemption or other taxable disposition of a Note generally will be U.S.-source gain or loss. Consequently, in the case of a gain from the disposition of a Note that is subject to foreign income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for the tax unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid during the taxable year.

#### ***Information Reporting and Backup Withholding***

Payments of principal, interest, and accruals of OID in respect of the Notes and the proceeds of sale or other disposition of Notes that are paid within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, unless the Holder is a corporation (other than an S Corporation) or other exempt recipient and demonstrates this fact if so required. Payments to a U.S. Holder that is not an exempt recipient may also be subject to backup withholding, unless the U.S. Holder provides an accurate taxpayer identification number and certifies that it has not lost its exemption from backup withholding. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that certain required information is timely furnished to the IRS. Non-U.S. Holders generally are exempt from backup withholding, but non-U.S. Holders may have to comply with certification procedures to prove entitlement to this exemption. Holders



should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes.

### **Certain EU Related Tax Considerations**

Under Council Directive 2003/48/EC, or the Directive, on the taxation of savings income, each Member State of the European Union was required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. The Directive was, however, repealed with effect from January 1, 2016 in the case of Member States other than Austria and will be repealed with effect from January 1, 2017 in the case of Austria.

Austria will, until January 1, 2017 (unless during such period it elects otherwise), operate a withholding system in relation to such payments instead of an information reporting system. The rate of withholding is 35%. However, the beneficial owner of the interest (or similar income) payment may elect that certain provision of information procedures should be applied instead of withholding, provided that certain conditions are met.

The repeal of the Directive is to prevent overlap with the new mandatory automatic exchange of financial account information being implemented under Council Directive 2011/16/EU on Administrative Cooperation in the Field of Taxation (as amended), or the DAC. The DAC is generally broader in scope than the Directive, although it does not impose withholding taxes.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted or agreed to adopt similar measures to the Directive. Some of those measures have been revised to be aligned with the DAC, and other such measures may be similarly revised in the future.

If a payment under a Note were to be made and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to, the Directive, neither the Issuer, the Guarantor, nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Note as a result of the imposition of such withholding tax.

### **The Proposed Financial Transactions Tax**

The European Commission has published a proposal, or the Commission's Proposal, for a Directive for a common financial transactions tax, or the FTT, in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, or the participating Member States. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## CERTAIN ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended, or ERISA, imposes certain requirements on “employee benefit plans” (as defined in ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA’s general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan’s investments be made in accordance with the documents and instruments governing the Plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), prohibit certain transactions involving the assets of an ERISA Plan (Section 4975 of the Code also imposes prohibitions for certain plans that are not subject to Title I of ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, “**Plans**”)) and prohibits certain persons (referred to as “parties in interest” or “disqualified persons”) from having certain relationships to Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code.

Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, depending in part on the type of Plan fiduciary making the decision to acquire a Note and the circumstances under which such decision is made. Included among the exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), PTCE 96-23 (for transactions managed by in-house asset managers) and ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code (relating to transactions with certain service providers). There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving Notes.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other laws (“**Similar Laws**”). Fiduciaries of such plans should consult with their counsel before purchasing any Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, each original or subsequent purchaser or transferee of any Note that is or may become a Plan is responsible for determining that its purchase and holding of such Note will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each person acquiring the Notes will be deemed to have represented and agreed that (a) either (i) it is not, and is not purchasing the Notes on behalf of, and, for so long as it holds the Notes or interests in Notes will not be, a Plan or a governmental plan, church plan, non-U.S. or other plan that is subject to Similar Laws, or (ii) its acquisition, holding or disposition of the Notes or interests in Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law); and (b) it will not transfer any such Note to any person unless such person could itself truthfully make the foregoing representations and agreements.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR’S PARTICULAR CIRCUMSTANCES.

## PLAN OF DISTRIBUTION

J.P. Morgan Securities LLC, Santander Investment Securities Inc., Banco Bradesco BBI S.A., Banco BTG Pactual S.A. – Cayman Branch, BB Securities Limited and Itau BBA USA Securities, Inc., are acting as the Initial Purchasers for the offering of the Notes. Under the terms and subject to the conditions contained in a purchase agreement among Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), Suzano Papel e Celulose S.A. and the Initial Purchasers, Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH) and Suzano Papel e Celulose S.A. have agreed to sell to the Initial Purchasers the principal amount of the Notes set forth opposite its name in the table below:

| <b>Initial Purchaser</b>                    | <b>Principal<br/>Amount of Notes (in<br/>US\$)</b> |
|---------------------------------------------|----------------------------------------------------|
| J.P. Morgan Securities LLC.....             | 142,858,000                                        |
| Santander Investment Securities Inc.....    | 142,858,000                                        |
| Banco Bradesco BBI S.A. ....                | 53,571,000                                         |
| Banco BTG Pactual S.A. – Cayman Branch..... | 53,571,000                                         |
| BB Securities Limited .....                 | 53,571,000                                         |
| Itau BBA USA Securities, Inc. ....          | 53,571,000                                         |
| <b>Total</b> .....                          | <b>US\$500,000,000</b>                             |

Subject to the terms and conditions set forth in the purchase agreement, the Initial Purchasers have, severally and not jointly, agreed to purchase all of the Notes sold under the purchase agreement if any of these Notes are purchased.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

BB Securities Limited is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that BB Securities Limited intends to effect sales of the Notes in the United States, it will do so only through Banco do Brasil Securities LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law. BB Securities Asia Pte. Ltd. may be involved in the sales of the Notes in Asia.

Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC and may not make sales of any notes in the United States or to U.S. persons. All sales of notes in the United States or to U.S. persons by this Initial Purchaser will be made through Bradesco Securities Inc., its affiliated broker-dealer registered with the SEC, as agent.

Banco BTG Pactual S.A. – Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A. – Cayman Branch intends to effect sales of the Notes in the United States, it will do so only through BTG Pactual US Capital LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this listing memorandum. After the initial offering, the offering price or any other term of the offering may be changed. The Initial Purchasers may offer and sell notes through certain of their respective affiliates. The Notes have not been registered under the Securities Act or any state securities laws. The Initial Purchasers propose to offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The Initial Purchasers will not offer or sell the Notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the

Securities Act. Each purchaser of the Notes will be deemed to have made acknowledgments, representations and agreements as described under “Transfer Restrictions.”

The Initial Purchasers have agreed that, except as permitted by the purchase agreement, they will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and the Initial Purchasers will have sent to each broker/dealer to which they sell the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under “Transfer Restrictions.”

We and the Issuer have agreed that we will not, for a period of 90 days after the date of this listing memorandum, without first obtaining the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Issuer or the Guarantor and having a tenor of more than one year.

In connection with the offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The Initial Purchasers must close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the Initial Purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Initial Purchasers or their respective affiliates from time to time have provided in the past, and may provide in the future, services such as investment banking, financial advisory, securities trading, investment management, principal investment, hedging, broker dealer and commercial banking services to us and our affiliates in the ordinary course of business for which they have received, or may receive, customary fees and commissions and reimbursement of expenses. In addition, certain Initial Purchasers or their affiliates are lenders under one or more of our credit facilities. In their capacity as lenders, such Initial Purchasers may in the future seek a reduction of a loan commitment to us, or impose incremental pricing or collateral requirements with respect to such facilities or credit agreements. See Management’s Discussion and Analysis of Financial Condition and Results of Operations—Indebtedness. Moreover, we have brought an action in Brazilian courts against Banco J.P. Morgan S.A. over certain non-material inflation indexation amounts that we claim to be owed from 1989 in respect of certain investments. As of the date of this listing memorandum, this action remains pending.

In addition, in the ordinary course of their respective business activities, the Initial Purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own accounts and for the accounts of their respective customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the Initial Purchasers or their affiliates has a lending relationship with us, certain of those Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their affiliates may hedge, their credit exposure to us, consistent with their customary risk management policies. Typically, these Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future

trading prices of the Notes offered hereby. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented, warranted and agreed, severally and not jointly, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this listing memorandum to the public in that Relevant Member State other than:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Issuer for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

#### **Notice to Prospective Investors in United Kingdom**

Each Initial Purchaser has, severally and not jointly, represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

#### **Notice to Prospective Investors in Brazil**

The Notes (and the related Guarantee) have not been, and will not be, registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM. The Notes (and the related Guarantee) may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution under Brazilian laws and regulations. The Notes (and the related Guarantee) are not being offered into Brazil. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil, nor be used in connection with any public offer for subscription or sale of the Notes to the public in Brazil.

### **Notice to Prospective Investors in Austria**

This Notes have not been and will not be registered with the Austrian Financial Markets Authority (FMA). The offer of Notes is not a public offering in accordance with the Austrian Capital Market Act (*Kapitalmarktgesetz*), as amended. An offer of the Notes or an invitation to submit an offer for purchase of the Notes in Austria, if any, will only be made on the basis of an exemption of the obligation to publish a prospectus pursuant to § 3 of the Austrian Capital Markets Act, as amended. This listing memorandum and any other document relating to an offer of Notes or an invitation to submit an offer for purchase of Notes shall not be circulated or publicly distributed in Austria or to Austrian investors. No public advertisement for an offer of Notes may be made or carried out in Austria.

### **Notice to Prospective Investors in Canada**

The Notes may be sold only to purchasers in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### **Notice to Prospective Investors in Chile**

The offering of the Notes will begin on July 7, 2016 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The Notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As with all unregistered securities, the Issuer of the Notes is not required to disclose public information about the Notes in Chile. The Notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

*La oferta de los valores comienza el 7 del julio del 2016 y está acogida a la NCG 336 de la superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.*

### **Notice to Prospective Investors in Colombia**

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the Notes to their Colombian clients.

### **Notice to Prospective Investors in Hong Kong**

Each Initial Purchaser has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **Notice to Prospective Investors in Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each Initial Purchaser has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

### **Notice to Prospective Investors in Peru**

The Notes and the information contained in this listing memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this listing memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the SMV nor have they been registered under the Peruvian Securities Market Law (Ley del Mercado de Valores) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

### **Notice to Prospective Investors in Singapore**

Each Initial Purchaser has acknowledged that this listing memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this listing memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; (ii) where no consideration is or will be given for the transfer; (iii) where the transfer is by operation of law; (iv) as specified in Section 276(7) of the SFA; or (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Notice to Prospective Investors in Switzerland**

This listing memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this listing memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this offering document nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

### **General**

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this listing memorandum.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. It is not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at its sole discretion.

### **Settlement**

We expect to deliver the Notes against payment for the Notes on or about July 14, 2016, which will be the fifth business day following the date of this listing memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in three business days, unless the parties to any such trade expressly agree otherwise. Therefore, purchasers who wish to trade Notes on the date of pricing or the next two succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers who wish to trade the Notes prior to their date of delivery herewith should consult their advisor.



## TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act or any securities laws of any jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other securities laws. Accordingly, the Notes are being offered hereby only (a) to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act), or QIBs, in compliance with Rule 144A under the Securities Act and (b) in offers and sales that occur outside the United States to persons other than U.S. persons (“non-U.S. purchasers,” which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)), in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S. As used herein, the terms “offshore transactions,” “United States” and “U.S. person” have the respective meanings given to them in Regulation S.

Each purchaser of Notes that is purchasing in a sale made in reliance on Rule 144A or Regulation S will be deemed to have represented and agreed as follows:

- (1) It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above);
- (2) It understands that the Notes are being offered in transactions not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act or any securities laws of any jurisdictions, and that the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) It shall not resell or otherwise transfer any of such Notes, except:
  - to the Issuer, the Guarantor or any of their subsidiaries;
  - pursuant to a registration statement which has been declared effective under the Securities Act;
  - within the United States to a QIB in compliance with Rule 144A under the Securities Act;
  - outside the United States to non-U.S. purchasers in offshore transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
  - pursuant to another available exemption from the registration requirements of the Securities Act;
- (4) It agrees that it will give notice of any restrictions on transfer of such Notes to each person to whom it transfers the Notes;
- (5) It understands that the certificates evidencing the Notes (other than the Regulation S Global Notes) will bear a legend substantially to the following effect unless otherwise agreed by us and the trustee:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER OR HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, IS (A) A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) OR (B) NOT A U.S. PERSON, AS SUCH TERM IS DEFINED IN RULE 902 UNDER THE SECURITIES ACT, AND IS PURCHASING THIS NOTE IN AN “OFFSHORE TRANSACTION” PURSUANT TO RULE 903 OR 904 OF REGULATION S AND, WITH RESPECT TO (A) AND (B), EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO

EACH SUCH ACCOUNT, AND (2) AGREES FOR THE BENEFIT OF SUZANO AUSTRIA GMBH (PREVIOUSLY KNOWN AS BAHIA SUL HOLDINGS GMBH) AND THE GUARANTOR THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE RESALE RESTRICTION TERMINATION DATE (AS DEFINED IN THE NEXT PARAGRAPH), EXCEPT (A) (I) TO SUZANO AUSTRIA GMBH (PREVIOUSLY KNOWN AS BAHIA SUL HOLDINGS GMBH) OR THE GUARANTOR OR ANY SUBSIDIARY THEREOF, OR (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR (III) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, OR (IV) (D) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE REQUIREMENTS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (V) PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS, AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “US PERSON” HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

THE RESALE RESTRICTION TERMINATION DATE WILL BE THE DATE:

(1) THAT IS AT LEAST ONE YEAR AFTER THE LAST ORIGINAL ISSUE DATE HEREOF; AND  
(2) ON WHICH SUZANO AUSTRIA GMBH (PREVIOUSLY KNOWN AS BAHIA SUL HOLDINGS GMBH) INSTRUCTS THE TRUSTEE THAT THIS LEGEND (OTHER THAN THE FIRST PARAGRAPH HEREOF) SHALL BE DEEMED REMOVED FROM THIS NOTE, IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE RELATING TO THIS NOTE.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH PARAGRAPH 2A(V) ABOVE, SUZANO AUSTRIA GMBH (PREVIOUSLY KNOWN AS BAHIA SUL HOLDINGS GMBH), THE GUARANTOR AND THE TRUSTEE RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.\*

\* This legend (other than the first paragraph hereof) shall be deemed removed from the face of this Note without further action of the Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), the Guarantor, Deutsche Bank Trust Company Americas, as trustee, or the holders of this Note at such time as Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH) and the guarantor instruct the trustee to remove such legend pursuant to the Indenture.

- (6) If it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S Global Note offered pursuant to this listing memorandum, it acknowledges and agrees that, until the expiration of the 40-day “distribution compliance period” within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a QIB taking delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, and that each Regulation S Global Note will contain a legend to substantially the following effect:

PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)), THIS NOTE MAY NOT BE REOFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS

DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

- (7) It is not, and for so long as it holds the Notes or interests in Notes will not be, (a) a Plan, an entity whose underlying assets include the assets of any such Plan or a governmental plan, church plan, non-U.S. or other plan that is subject to Similar Law or (b) its acquisition, holding or disposition of the Notes or interests in Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan, non-U.S. or other plan, a violation of any Similar Law);
- (8) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Notes, as well as holders of the Notes;
- (9) It acknowledges that the trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), the Guarantor and the trustee that the restrictions set forth herein have been complied with; and
- (10) It acknowledges that Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), the Guarantor, the trustee, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it will promptly notify Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), the Guarantor, the trustee and the Initial Purchasers. If such purchaser is acquiring the Notes as a fiduciary or agent for one or more investor accounts, such purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

## LISTING AND GENERAL INFORMATION

The Notes have been accepted for clearance and settlement through DTC, Euroclear and Clearstream. The CUSIP and ISIN numbers for the Notes are as follows:

|                   | <u><b>Restricted Global Note</b></u> | <u><b>Regulation S Global Note</b></u> |
|-------------------|--------------------------------------|----------------------------------------|
| CUSIP.....        | 05674XAA9                            | A9890AAA8                              |
| ISIN.....         | US05674XAA90                         | USA9890AAA81                           |
| COMMON CODES..... | 144182260                            | 144182979                              |

Copies of our audited consolidated annual financial statements as of and for the years ended December 31, 2015, 2014 and 2013, our unaudited interim consolidated financial information as of and for the three-month period ended March 31, 2016 and our future audited consolidated annual financial statements, and our future unaudited quarterly consolidated financial statements, if any, and the indenture (including forms of Notes and guarantees), as well as English-language copies of the articles of association and by-laws of Suzano Austria GmbH (previously known as Bahia Sul Holdings GmbH), will be available free of charge at the offices of the Luxembourg listing agent. In addition, from and after the date the Notes are admitted to listing with the Official List of the Luxembourg Stock Exchange and so long as it is required by the rules of such exchange, English-language copies of the articles of association and by-laws of the guarantors will be made available, upon request, at the offices of the Luxembourg listing agent.

Except as disclosed in this listing memorandum, there has been no material adverse change in our financial position since March 31, 2016, the date of our latest financial statements included in this listing memorandum.

Except as disclosed in this listing memorandum, we are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as we are aware is any such litigation or arbitration threatened.

We intend to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF Market. We will comply with any undertakings assumed or undertaken by us from time to time to the Luxembourg Stock Exchange in connection with the Notes, and we will furnish to them all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing of the Notes.

The issuance of the Notes was authorized by our board of directors.

KPMG Auditores Independentes has agreed to the inclusion of its report in this listing memorandum in the form and context in which it is included.

Except as disclosed in this listing memorandum, since December 31, 2015, the date of our last published audited financial statements, there has been no material adverse change in our revenues or expenditures, or financial position.

## **RESPONSIBLE PERSONS**

We are furnishing this listing memorandum solely for use by prospective investors in connection with their consideration of investment in the securities and for Luxembourg listing purposes. The Issuer, together with the Guarantor, confirm that, having taken all reasonable care to ensure that such is the case:

- the information contained in this listing memorandum is true, to the best of their knowledge, and correct in all material respects and is not misleading;
- they, to the best of their knowledge, have not omitted other material facts, the omission of which would make this listing memorandum as a whole misleading; and
- they accept responsibility for the information they have provided in this listing memorandum.

## **LEGAL MATTERS**

Certain legal matters in connection with the offering of the Notes will be passed upon by Cleary Gottlieb Steen & Hamilton LLP, U.S. counsel to the Issuer and the Guarantor, and by Linklaters LLP, U.S. counsel to the Initial Purchasers. Certain matters of Brazilian law relating to the Notes will be passed upon by the internal Brazilian general counsel to the Issuer and the Guarantor, and by Pinheiro Guimarães Advogados, Brazilian counsel to the Initial Purchasers. Certain matters of Austrian law relating to the Notes will be passed upon by Weber Rechtsanwälte GmbH, Austrian counsel to the Issuer and the Guarantor.

## **INDEPENDENT AUDITORS**

The individual and consolidated financial statements of Suzano Papel e Celulose S.A., as of and for the years ended December 31, 2015, 2014 and 2013, included elsewhere in this listing memorandum, have been audited by KPMG Auditores Independentes, independent auditors, as stated in their report included elsewhere in this listing memorandum.

With respect to the unaudited interim financial information for the periods ended March 31, 2016 and 2015, included elsewhere in this listing memorandum, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included elsewhere in this listing memorandum, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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## Independent Auditors' Report on Review of Interim Financial Statements

To the Board of Directors and Board of Executive Officers of  
**Suzano Papel e Celulose S.A.**  
Salvador - BA

### Introduction

We have reviewed the accompanying individual and consolidated condensed balance sheets of Suzano Papel e Celulose S.A. ("the Company"), as at March 31, 2016, the individual and consolidated condensed statements of income, comprehensive income, changes in equity, cash flows and value added for the three month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the interim financial statements")

Management is responsible for the preparation and fair presentation of these individual and consolidated interim financial statements in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements 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 Brazilian and International 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**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Company as at March 31, 2016, and its financial performance and its cash flows for the three month period then ended in accordance with CPC 21 (R1) and IAS 34, "Interim Financial Reporting".

São Paulo, April 26, 2016

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Carla Bellangero  
Accountant CRC 1SP196751/O-4



**SUZANO PAPEL E CELULOSE S.A.**  
**UNAUDITED CONDENSED BALANCE SHEET**  
**March 31, 2016 and December, 31, 2015**  
(In thousands of reais - R\$)

| Assets                                        | Note | Parent Company |                   | Consolidated   |                   | Liabilities                                            | Note | Parent Company |                   | Consolidated   |                   |
|-----------------------------------------------|------|----------------|-------------------|----------------|-------------------|--------------------------------------------------------|------|----------------|-------------------|----------------|-------------------|
|                                               |      | March 31, 2016 | December 31, 2015 | March 31, 2016 | December 31, 2015 |                                                        |      | March 31, 2016 | December 31, 2015 | March 31, 2016 | December 31, 2015 |
| Current assets                                |      |                |                   |                |                   |                                                        |      |                |                   |                |                   |
| Cash and cash equivalents                     | 5    | 992,131        | 569,135           | 1,698,089      | 1,477,246         | Trade accounts payable                                 | 17   | 493,374        | 540,096           | 542,358        | 581,477           |
| Financial investments                         | 6    | 1,095,671      | 922,728           | 1,146,481      | 970,850           | Loans and financing                                    | 18   | 2,248,299      | 1,939,391         | 2,287,728      | 2,024,964         |
| Trade receivables                             | 7    | 3,175,059      | 3,521,841         | 1,761,955      | 1,885,960         | Unrealized derivative losses                           | 4    | 141,801        | 184,669           | 248,387        | 281,317           |
| Inventories                                   | 8    | 1,053,083      | 895,663           | 1,396,133      | 1,315,996         | Tax liabilities                                        |      | 102,234        | 41,999            | 129,816        | 56,285            |
| Receivables from related parties              | 11   | 2,000          | 14,100            | -              | -                 | Payroll and charges                                    |      | 116,701        | 159,598           | 120,877        | 164,782           |
| Recoverable taxes                             | 9    | 617,498        | 586,716           | 645,705        | 596,936           | Debits payable to related parties                      | 11   | 50,270         | 109,952           | -              | -                 |
| Prepaid expenses                              |      | 36,812         | 36,217            | 37,592         | 37,146            | Commitments related to asset acquisitions              | 22   | 87,526         | 82,803            | 96,341         | 91,326            |
| Unrealized derivative gains                   | 4    | 215,764        | 40,440            | 335,895        | 158,930           | Accounts payable                                       |      | 104,828        | 127,858           | 203,423        | 278,365           |
| Advances to suppliers                         |      | 406            | 565               | 406            | 565               | Commercial transactions with suppliers                 | 17.1 | -              | -                 | -              | -                 |
| Assets held for sale                          |      | -              | 50,000            | -              | 50,000            | Dividends and interest on shareholders' equity payable | 23.7 | -              | -                 | -              | -                 |
| Receivables from energy sales                 |      | 12,833         | 49,328            | 12,833         | 49,328            | Advance from customers                                 |      | 9,318          | 15,358            | 16,295         | 32,058            |
| Other receivables                             |      | 54,026         | 28,057            | 60,374         | 46,062            | Total current liabilities                              |      | 3,354,351      | 3,201,724         | 3,645,225      | 3,510,574         |
| Total current assets                          |      | 7,255,283      | 6,714,790         | 7,097,463      | 6,589,019         |                                                        |      |                |                   |                |                   |
| Long-term assets                              |      |                |                   |                |                   |                                                        |      |                |                   |                |                   |
| Biological assets                             | 12   | 4,307,470      | 4,234,664         | 4,197,938      | 4,130,508         | Non-current liabilities                                |      |                |                   |                |                   |
| Receivables from related parties              | 11   | 13,000         | -                 | 13,000         | -                 | Loans and financing                                    | 18   | 7,386,162      | 8,062,950         | 11,794,111     | 12,892,378        |
| Taxes and social contributions to offset      | 9    | 343,538        | 433,070           | 343,538        | 433,070           | Unrealized derivative losses                           | 4    | 219,573        | 345,152           | 336,329        | 353,814           |
| Deferred income and social contribution taxes | 13   | -              | -                 | 2,354          | 2,583             | Debits payable to related parties                      | 11   | 4,394,240      | 4,821,230         | -              | -                 |
| Unrealized derivative gains                   | 4    | -              | 11,284            | 112,544        | 36,463            | Commitments related to asset acquisitions              | 22   | 605,794        | 634,059           | 703,457        | 733,538           |
| Advances to suppliers                         |      | 237,044        | 251,287           | 237,044        | 251,287           | Accounts payable                                       |      | 12,756         | 16,302            | 21,494         | 35,289            |
| Judicial deposits                             |      | 55,809         | 56,040            | 61,409         | 61,653            | Provision for contingencies                            | 19   | 198,920        | 194,602           | 202,827        | 198,559           |
| Other receivables                             |      | 100,697        | 77,808            | 102,286        | 79,543            | Provision for actuarial liabilities                    | 20   | 268,241        | 263,141           | 268,241        | 263,141           |
|                                               |      | 5,057,558      | 5,064,153         | 5,070,113      | 4,995,107         | Deferred income and social contribution taxes          | 13   | 1,337,757      | 916,631           | 1,459,015      | 1,037,889         |
|                                               |      |                |                   |                |                   | Share-based payments                                   | 21   | 18,468         | 42,722            | 18,468         | 42,722            |
|                                               |      |                |                   |                |                   | Provision for losses of investments in subsidiaries    | 14   | 355,782        | 304,959           | -              | -                 |
|                                               |      |                |                   |                |                   | Total non-current liabilities                          |      | 14,797,693     | 15,601,748        | 14,803,942     | 15,537,330        |
| Investments                                   | 14   | 296,995        | 300,843           | 5,151          | -                 | Equity                                                 |      |                |                   |                |                   |
| Property, plant and equipment                 | 15   | 15,750,390     | 15,817,652        | 16,277,654     | 16,346,234        | Capital                                                |      | 6,241,753      | 6,241,753         | 6,241,753      | 6,241,753         |
| Intangible assets                             | 16   | 106,551        | 98,115            | 313,519        | 329,625           | Capital reserves                                       |      | (196,460)      | (196,460)         | (202,892)      | (202,892)         |
|                                               |      | 16,153,936     | 16,216,610        | 16,596,324     | 16,675,859        | Profits reserve                                        |      | 706,137        | 706,137           | 706,137        | 706,137           |
|                                               |      |                |                   |                |                   | Equity valuation adjustment                            |      | 2,468,444      | 2,481,076         | 2,468,444      | 2,481,076         |
|                                               |      |                |                   |                |                   | Other comprehensive income                             |      | (42,431)       | (30,993)          | (42,431)       | (30,993)          |
|                                               |      |                |                   |                |                   | Retained earnings/ accumulated losses                  |      | 1,137,290      | -                 | 1,137,290      | -                 |
|                                               |      |                |                   |                |                   | Total equity                                           | 23   | 10,314,733     | 9,192,081         | 10,314,733     | 9,192,081         |
| Total non-current assets                      |      | 21,211,494     | 21,280,763        | 21,666,437     | 21,670,966        |                                                        |      |                |                   |                |                   |
|                                               |      |                |                   |                |                   |                                                        |      |                |                   |                |                   |
| Total assets                                  |      | 28,466,777     | 27,995,553        | 28,763,900     | 28,259,985        | Total equity and liabilities                           |      | 28,466,777     | 27,995,553        | 28,763,900     | 28,259,985        |

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



**SUZANO PAPEL E CELULOSE S.A.**  
**UNAUDITED CONDENSED INCOME STATEMENT**  
**March 31, 2016 and 2015**

(In thousands of reais - R\$)

|                                                             | Note | Parent Company   |                    | Consolidated     |                    |
|-------------------------------------------------------------|------|------------------|--------------------|------------------|--------------------|
|                                                             |      | 03/31/2016       | 03/31/2015         | 03/31/2016       | 03/31/2015         |
| Net sales revenue                                           | 27   | 2,609,146        | 2,129,629          | 2,708,332        | 2,147,378          |
| Cost of goods sold                                          | 29   | (1,315,123)      | (1,261,662)        | (1,593,566)      | (1,388,491)        |
| <b>Gross profit</b>                                         |      | <b>1,294,023</b> | <b>867,967</b>     | <b>1,114,766</b> | <b>758,887</b>     |
| <b>Operating income (expenses)</b>                          |      |                  |                    |                  |                    |
| Selling Expenses                                            | 29   | (205,154)        | (205,732)          | (103,468)        | (80,695)           |
| General and administrative expenses                         | 29   | (85,938)         | (92,724)           | (96,662)         | (101,631)          |
| Equity pick-up in subsidiaries and affiliates               | 14   | (53,232)         | (40,180)           | (2,849)          | -                  |
| Other operating income, net                                 | 24   | (3,278)          | (10,594)           | (381)            | (7,816)            |
| <b>Operating profit before net financial income (loss)</b>  |      | <b>946,421</b>   | <b>518,737</b>     | <b>911,406</b>   | <b>568,745</b>     |
| <b>Net financial income (expenses)</b>                      | 26   |                  |                    |                  |                    |
| Financial income                                            |      | 956,314          | 75,345             | 1,006,634        | 76,737             |
| Financial expense                                           |      | (272,760)        | (1,764,158)        | (282,820)        | (1,813,196)        |
| <b>Net loss before income and social contribution taxes</b> |      | <b>1,629,975</b> | <b>(1,170,076)</b> | <b>1,635,220</b> | <b>(1,167,714)</b> |
| <b>Income and social contribution taxes</b>                 |      |                  |                    |                  |                    |
| Current                                                     | 9    | (84,191)         | -                  | (89,267)         | (2,362)            |
| Deferred                                                    | 13   | (421,126)        | 407,617            | (421,295)        | 407,617            |
| <b>Net loss for the year</b>                                |      | <b>1,124,658</b> | <b>(762,459)</b>   | <b>1,124,658</b> | <b>(762,459)</b>   |
| <b>Losses per share for the year</b>                        | 23.6 |                  |                    |                  |                    |
| Basic - Common                                              |      | 0.96776          | (0.65721)          | 0.96776          | (0.65721)          |
| Basic - Class A Preferred                                   |      | 1.06454          | (0.72293)          | 1.06454          | (0.72293)          |
| Basic - Class B Preferred                                   |      | 1.06452          | (0.70968)          | 1.06452          | (0.70968)          |
| Diluted - Common                                            |      | 0.96441          | (0.65511)          | 0.96441          | (0.65511)          |
| Diluted - Class A Preferred                                 |      | 1.06085          | (0.72062)          | 1.06085          | (0.72062)          |
| Diluted - Class B Preferred                                 |      | 1.06452          | (0.70968)          | 1.06452          | (0.70968)          |

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



**SUZANO PAPEL E CELULOSE S.A.**  
**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**March 31, 2016 and 2015**

(In thousands of reais - R\$)

|                                                                                        | Note | Parent Company   |            | Consolidated     |            |
|----------------------------------------------------------------------------------------|------|------------------|------------|------------------|------------|
|                                                                                        |      | 03/31/2016       | 03/31/2015 | 03/31/2016       | 03/31/2015 |
| <b>Net loss for the year</b>                                                           |      | <b>1,124,658</b> | (762,459)  | <b>1,124,658</b> | (762,459)  |
| Other comprehensive loss                                                               |      | (11,438)         | (7,393)    | (11,438)         | (7,393)    |
| Exchange variation on conversion of financial statements<br>and on foreign investments | 14   | (11,438)         | (7,393)    | (11,438)         | (7,393)    |
| <b>Total comprehensive income (loss)</b>                                               |      | <b>1,113,220</b> | (769,852)  | <b>1,113,220</b> | (769,852)  |

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



**UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY**  
**March 31, 2016 and December 31, 2015**  
(In thousands of reais - R\$)

|                                                                                                        | Note | Capital reserves |                |                       |                        |                | Profit reserve |                              | Equity valuation adjustment / Other comprehensive income | Retained earnings | Total      |
|--------------------------------------------------------------------------------------------------------|------|------------------|----------------|-----------------------|------------------------|----------------|----------------|------------------------------|----------------------------------------------------------|-------------------|------------|
|                                                                                                        |      | Capital          | Tax incentives | Stock options granted | Costs with share issue | Treasury stock | Legal reserve  | Reserve for capital increase |                                                          |                   |            |
| <b>Balances on December 31, 2014</b>                                                                   | 23   | 6,241,753        | 75,317         | 25,939                | (15,442)               | (303,726)      | 231,926        | 1,620,368                    | 2,438,997                                                | -                 | 10,315,132 |
| <u>Total comprehensive income (loss)</u>                                                               |      |                  |                |                       |                        |                |                |                              |                                                          |                   |            |
| Net loss for the year                                                                                  |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | (925,354)         | (925,354)  |
| Actuarial gain, net of deferred income and social contribution taxes                                   |      | -                | -              | -                     | -                      | -              | -              | -                            | 21,107                                                   | -                 | 21,107     |
| Exchange variation on conversion of financial statements and on foreign investments                    |      | -                | -              | -                     | -                      | -              | -              | -                            | 39,120                                                   | -                 | 39,120     |
| <u>Equity transactions with shareholders:</u>                                                          |      |                  |                |                       |                        |                |                |                              |                                                          |                   |            |
| Stock options granted                                                                                  |      | -                | -              | (2,848)               | -                      | -              | -              | -                            | -                                                        | -                 | (2,848)    |
| Treasury stock used to meet the share-based compensation plan                                          |      | -                | -              | -                     | -                      | 14,868         | -              | -                            | -                                                        | -                 | 14,868     |
| Dividends paid                                                                                         |      | -                | -              | -                     | -                      | -              | -              | (270,004)                    | -                                                        | -                 | (270,004)  |
| Reversal of time-barred dividends                                                                      |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | 60                | 60         |
| <u>Internal changes in equity:</u>                                                                     |      |                  |                |                       |                        |                |                |                              |                                                          |                   |            |
| Partial realization of equity valuation adjustment, net of deferred income and social contribution tax |      | -                | -              | -                     | -                      | -              | -              | -                            | (49,141)                                                 | 49,141            | -          |
| Dividends proposed by the Management                                                                   |      | -                | -              | -                     | -                      | -              | -              | (300,000)                    | -                                                        | -                 | (300,000)  |
| Dividends subject to approval by the Management                                                        |      | -                | -              | -                     | -                      | -              | -              | 300,000                      | -                                                        | -                 | 300,000    |
| Absorption of loss for the year                                                                        |      | -                | -              | -                     | -                      | -              | -              | (876,153)                    | -                                                        | 876,153           | -          |
| <b>Balances on December 31, 2015</b>                                                                   |      | 6,241,753        | 75,317         | 23,091                | (15,442)               | (288,858)      | 231,926        | 474,211                      | 2,450,083                                                | -                 | 9,192,081  |
| Net loss for the year                                                                                  |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | 1,124,658         | 1,124,658  |
| Actuarial gain, net of deferred income and social contribution taxes                                   |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | -                 | -          |
| Exchange variation on conversion of financial statements and on foreign investments                    |      | -                | -              | -                     | -                      | -              | -              | -                            | (11,438)                                                 | -                 | (11,438)   |
| <u>Equity transactions with shareholders:</u>                                                          |      |                  |                |                       |                        |                |                |                              |                                                          |                   |            |
| Stock options granted                                                                                  |      | -                | -              | (5,761)               | -                      | -              | -              | -                            | -                                                        | -                 | (5,761)    |
| Treasury stock used to meet the share-based compensation plan                                          |      | -                | -              | -                     | -                      | 15,193         | -              | -                            | -                                                        | -                 | 15,193     |
| Dividends paid                                                                                         |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | -                 | -          |
| Reversal of time-barred dividends                                                                      |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | -                 | -          |
| <u>Internal changes in equity:</u>                                                                     |      |                  |                |                       |                        |                |                |                              |                                                          |                   |            |
| Partial realization of equity valuation adjustment, net of deferred income and social contribution tax |      | -                | -              | -                     | -                      | -              | -              | -                            | (12,632)                                                 | 12,632            | -          |
| Dividends proposed by the Management                                                                   |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | -                 | -          |
| Dividends subject to approval by the Management                                                        |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | -                 | -          |
| Absorption of loss for the year                                                                        |      | -                | -              | -                     | -                      | -              | -              | -                            | -                                                        | -                 | -          |
| <b>Balances on March 31, 2016</b>                                                                      | 23   | 6,241,753        | 75,317         | 17,330                | (15,442)               | (273,665)      | 231,926        | 474,211                      | 2,426,013                                                | 1,137,290         | 10,314,733 |

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



**SUZANO PAPEL E CELULOSE S.A.**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**March 31, 2016 and 2015**  
(In thousands of reais - R\$)

|                                                                                          | Note | Parent Company   |                  | Consolidated     |                  |
|------------------------------------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                                                                          |      | 03/31/2016       | 03/31/2015       | 03/31/2016       | 03/31/2015       |
| <b>Cash from operating activities</b>                                                    |      |                  |                  |                  |                  |
| <b>Net loss for the year</b>                                                             |      | 1,124,658        | (762,459)        | 1,124,658        | (762,459)        |
| <b>Adjustment to reconcile net income (loss) to net provided by operating activities</b> |      |                  |                  |                  |                  |
| Depreciation, depletion and amortization                                                 |      | 159,882          | 1,939,202        | 112,195          | 1,673,523        |
| Income from sale of property, plant and equipment and biological assets                  |      | 348,056          | 351,873          | 352,989          | 355,467          |
| Equity pick-up in subsidiaries and affiliates                                            | 24   | (114)            | (1,391)          | (114)            | (1,376)          |
| Exchange and monetary variations, net                                                    | 14   | 53,232           | 40,180           | 2,849            | -                |
| Interest expenses, net                                                                   |      | (625,371)        | 1,418,491        | (596,501)        | 1,180,909        |
| Derivative losses, net                                                                   |      | 212,582          | 283,243          | 218,147          | 287,259          |
| Fair value adjustment of biological assets                                               |      | (278,244)        | 221,831          | (259,679)        | 217,059          |
| Income from deferred income and social contribution taxes                                | 12   | -                | -                | -                | -                |
| Interest on actuarial liabilities                                                        | 13.1 | 421,126          | (407,617)        | 421,295          | (407,617)        |
| (Reversal) Addition to provision for contingencies                                       | 20   | 8,575            | 7,757            | 8,575            | 7,757            |
| Expenses with share-based payments                                                       | 19   | (2,071)          | 3,714            | (1,939)          | 2,378            |
| Addition to allowance for doubtful accounts                                              | 21   | (1,869)          | 7,511            | (1,869)          | 7,511            |
| (Reversal) Addition of provision for deduction                                           | 7    | 314              | 2,452            | 786              | 2,452            |
| Provision for inventory losses and write-offs                                            |      | 118              | (301)            | (56,262)         | 10,681           |
| Provision and write-off of losses with property and equipment and biological assets      | 8    | 720              | (887)            | 720              | (887)            |
| Realization of loss from goodwill from asset divestment                                  | 24   | 5,419            | 8,780            | 5,419            | 8,780            |
| Other provisions                                                                         | 24   | -                | -                | -                | -                |
|                                                                                          |      | 17,409           | 3,566            | 17,779           | 3,150            |
| <b>Changes in :</b>                                                                      |      | (295,423)        | (787,504)        | (415,503)        | (495,887)        |
| Increase (decrease) in related parties                                                   |      | (8,208)          | 2,981            | -                | -                |
| (Increase) decrease in accounts receivable                                               |      | 78,648           | (229,749)        | (161,922)        | 128,193          |
| Increase in inventories                                                                  |      | (159,851)        | (84,271)         | (84,568)         | (136,059)        |
| Decrease in recoverable taxes                                                            |      | 71,893           | 18,145           | 55,770           | 18,682           |
| Decrease in other current and non-current assets                                         |      | 24,931           | (23,844)         | 38,746           | (63,106)         |
| (Increase) decrease in trade accounts payable                                            |      | (42,123)         | (128,829)        | 15,257           | (111,078)        |
| (Decrease) Increase in other current and non-current liabilities                         |      | 66,327           | (10,946)         | 18,478           | 18,284           |
| Payment of interest                                                                      |      | (192,099)        | (233,084)        | (191,262)        | (237,975)        |
| Payment of other taxes and contributions                                                 |      | (126,569)        | (89,995)         | (95,766)         | (101,064)        |
| Payment of income and social contribution taxes                                          |      | (8,372)          | (8,112)          | (10,236)         | (11,764)         |
| <b>Net cash provided by operating activities</b>                                         |      | <u>989,117</u>   | <u>389,239</u>   | <u>821,350</u>   | <u>415,177</u>   |
| <b>Cash flows from investing activities</b>                                              |      |                  |                  |                  |                  |
| Additions to investments, net of cash received                                           |      | -                | -                | -                | -                |
| Additions to property, plant and equipment                                               | 15   | (136,759)        | (32,759)         | (135,890)        | (34,291)         |
| Additions to intangible assets                                                           | 16   | (3,683)          | (235)            | (3,683)          | (235)            |
| Additions to biological assets                                                           | 12   | (221,296)        | (239,126)        | (215,922)        | (234,067)        |
| Proceeds from asset divestment                                                           |      | 615              | 2,749            | 615              | 2,749            |
| Financial investments                                                                    | 6    | (138,714)        | -                | (138,639)        | -                |
| <b>Net cash used in investing activities</b>                                             |      | <u>(499,839)</u> | <u>(269,371)</u> | <u>(493,719)</u> | <u>(265,844)</u> |
| <b>Cashflows from financing activities</b>                                               |      |                  |                  |                  |                  |
| Funding                                                                                  | 18   | 651,983          | 322,304          | 655,507          | 333,304          |
| Settlement of derivative operations                                                      | 4.10 | (54,243)         | 1,130            | (33,598)         | (3,283)          |
| Payment of loans and debentures                                                          | 18   | (672,536)        | (528,657)        | (672,537)        | (528,657)        |
| Payment of dividends                                                                     |      | -                | -                | -                | -                |
| Dividends (acquisition) of own shares                                                    | 23.4 | 8,514            | 8,514            | 8,514            | 8,514            |
| <b>Net cash used in financing activities</b>                                             |      | <u>(66,282)</u>  | <u>(196,709)</u> | <u>(42,114)</u>  | <u>(190,122)</u> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                              |      | <u>422,996</u>   | <u>(76,841)</u>  | <u>220,843</u>   | <u>181,853</u>   |
| Cash and cash equivalents at the beginning of the year                                   | 5    | 569,135          | 2,615,579        | 1,477,246        | 3,686,115        |
| Cash and cash equivalents at the end of the year                                         | 5    | <u>992,131</u>   | <u>2,538,738</u> | <u>1,698,089</u> | <u>3,867,968</u> |
| <b>Statement of the reduction in cash and cash equivalents</b>                           |      | <u>422,996</u>   | <u>(76,841)</u>  | <u>220,843</u>   | <u>181,853</u>   |

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



**SUZANO PAPEL E CELULOSE S.A.**  
**Statement of Value Added**  
**March 31, 2016 and 2015**

(In thousands - R\$)

|                                                              | Parent Company     |                    | Consolidated       |                    |
|--------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                              | 03/31/2016         | 03/31/2015         | 03/31/2016         | 03/31/2015         |
| <b>Income</b>                                                |                    |                    |                    |                    |
| Sale of goods, products and services                         | 2,867,470          | 2,341,201          | 2,969,163          | 2,361,550          |
| Other income                                                 | 6,293              | 6,479              | 9,190              | 9,257              |
| Income from construction of own assets                       | 118,883            | 86,272             | 118,883            | 86,272             |
| Allowance for doubtful accounts                              | (314)              | (2,452)            | (786)              | (2,452)            |
|                                                              | <u>2,992,332</u>   | <u>2,431,500</u>   | <u>3,096,450</u>   | <u>2,454,627</u>   |
| <b>Input acquired from third parties</b>                     |                    |                    |                    |                    |
| Cost of products and goods sold and services rendered        | (1,054,378)        | (995,058)          | (1,054,378)        | (995,058)          |
| Supplies, electricity, outsourced services and others        | (317,429)          | (319,562)          | (387,485)          | (337,513)          |
|                                                              | <u>(1,371,807)</u> | <u>(1,314,620)</u> | <u>(1,441,863)</u> | <u>(1,332,571)</u> |
| <b>Gross added value</b>                                     | <u>1,620,525</u>   | <u>1,116,880</u>   | <u>1,654,587</u>   | <u>1,122,056</u>   |
| Depreciation, amortization and depletion                     | (348,056)          | (351,873)          | (352,989)          | (355,467)          |
| <b>Net added value produced by the Company</b>               | <u>1,272,469</u>   | <u>765,007</u>     | <u>1,301,598</u>   | <u>766,589</u>     |
| <b>Added value from transfers</b>                            |                    |                    |                    |                    |
| Equity pick-up in subsidiaries and affiliates                | (53,232)           | (40,180)           | (2,849)            | -                  |
| Financial income                                             | (59,803)           | 489,294            | (54,595)           | 430,976            |
|                                                              | <u>(113,035)</u>   | <u>449,114</u>     | <u>(57,444)</u>    | <u>430,976</u>     |
| <b>Distribution of added value</b>                           | <u>1,159,434</u>   | <u>1,214,121</u>   | <u>1,244,154</u>   | <u>1,197,565</u>   |
| Personnel                                                    | 218,919            | 216,182            | 230,764            | 220,062            |
| Direct compensation                                          | 174,020            | 174,971            | 185,012            | 178,325            |
| Benefits                                                     | 35,707             | 31,265             | 36,560             | 31,791             |
| F.G.T.S. (Government Severance Indemnity Fund for Employees) | 9,192              | 9,946              | 9,192              | 9,946              |
| Taxes, fees and contributions                                | 543,728            | (439,986)          | 540,044            | (443,234)          |
| Federal                                                      | 565,817            | (405,846)          | 562,133            | (409,094)          |
| State                                                        | (23,353)           | (35,301)           | (23,353)           | (35,301)           |
| Municipal                                                    | 1,264              | 1,161              | 1,264              | 1,161              |
| Value distributed to providers of capital                    | (727,871)          | 2,200,384          | (651,312)          | 2,183,196          |
| Interest                                                     | (743,357)          | 2,185,067          | (669,218)          | 2,167,435          |
| Rentals                                                      | 15,486             | 15,317             | 17,906             | 15,761             |
| Value distributed to shareholders                            | 1,124,658          | (762,459)          | 1,124,658          | (762,459)          |
| Net loss for the year                                        | 1,124,658          | (762,459)          | 1,124,658          | (762,459)          |
| <b>Distribution of added value</b>                           | <u>1,159,434</u>   | <u>1,214,121</u>   | <u>1,244,154</u>   | <u>1,197,565</u>   |





Suzano Papel e Celulose S.A.  
Notes to Unaudited Condensed Interim Financial Statements  
*\*\*In millions of Brazilian reais, unless otherwise stated\*\*\**

## 1 Company Information

Suzano Papel e Celulose S.A. (hereinafter referred to as the "Company" or "Suzano") is a corporation with head office in the city of Salvador, state of Bahia, which, together with its subsidiaries (hereinafter referred to as "Consolidated") has five industrial units in Brazil: one each in Bahia and Maranhão and three in São Paulo. These industrial units produce hardwood pulp from eucalyptus, paper and electricity.

Pulp and paper are sold in the international market directly by the Company, as well as through its direct and indirect subsidiaries and sales offices in Argentina, China, the United States, England and Switzerland.

The Company's corporate purpose also includes the commercial operation of eucalyptus forest for its own use and for sale to third parties, the operation of port terminals, and the holding of interest, as partner or shareholder, in any other company or project.

The Company is controlled by Suzano Holding S.A., which holds a 95.5% interest in the common shares of its capital stock.

### 1.1 Notable events in the three-month period ended March 31, 2016

#### a) Operational events

##### i) Acquisition of eucalyptus forests

On January 27, 2016, the Company entered into with Eco Brasil Florestas S.A. ("Eco Brasil") an instrument for acquisition of eucalyptus forests, through which Suzano acquired from Eco Brasil the estimated area of seven million and five hundred thousand (7,500,000) cubic meters of eucalyptus forests located in the state of Tocantins.

Wood Acquisition Operation aims to increase the wood supply to Imperatriz unit, to support the expansion of its pulp production. In the period ended March 31, 2016, the Company prepaid the amount of R\$30,000 recorded as other receivables under non-current assets.

##### ii) Revision of duties and affirmative decision in dumping process

On January 12, 2016, the U.S. Department of Commerce delivered a new decision revising the anti-dumping duty on Suzano from 33.09% to 22.16%, to be levied solely on sheet and cut size uncoated paper exported to the United States.

On February 9, 2016, the International Trade Commission ("ITC"), which is responsible for verifying if imports from countries under investigation are adversely affecting the U.S. market, provided final and affirmative decision on dumping process against Australia, Brazil, China, Indonesia and Portugal, ratifying the levy of anti-dumping duties on sales by such countries to the USA. ITC's decision maintained the 22.16% rate for the Company.



On March 3, 2016, ITC approved the request for review with its technical department on the bases presented and provided complementary decision that adjusts rate to 22.37% for the Company.

In any case, Suzano can request the annual revisions envisaged in applicable laws.

b) Corporate events

i) Operation with Ibema

On January 4, 2016, after all the conditions precedent were met and approvals from all regulatory agencies were obtained, the operation with Ibema and Ibemapar was concluded.

From that date, Ibema owns the unit in Embu, São Paulo, and Ibemapar and Suzano are shareholders of Ibema in the initial proportion of sixty-two percent (62%) and thirty-eight percent (38%), respectively, of its capital stock.

The control of the investee is shared, and this investment is classified as a joint arrangement, recognized at the acquisition cost of R\$8,000 (capital contribution) and evaluated through the equity method of accounting.

## **2 Presentation of the Quarterly Information**

### **2.1 Preparation basis and presentation**

The Company's parent company and consolidated quarterly information statements for the periods ended March 31, 2016 and 2015 were prepared and are presented in accordance with technical pronouncement CPC 21 (R1) Interim Statements and in accordance with international standard IAS 34, using the same accounting policies, judgments, estimates and assumptions adopted in the preparation and presentation of financial statements for the year ended December 31, 2015, as described in the note 3. Therefore the intermediate financial statement should be read in conjunction with the financial statements of December 31, 2015.

The consolidated quarterly information include direct and indirect subsidiaries and joint operations and business, whose reporting dates coincide with those of the Company, except for Futuragene PLC, whose reference date is February 29, 2016, and which has no material impact on the consolidated figures.

The issue of the quarterly information was approved by the Company's Board of Directors on April 26, 2016. The economic group comprising direct and indirect subsidiaries and joint ventures included in the preparation of consolidated quarterly information is composed of the following entities:

|                                                                 | Type of interest  | Interest in capital (%) |            |
|-----------------------------------------------------------------|-------------------|-------------------------|------------|
|                                                                 |                   | 3/31/2016               | 12/31/2015 |
| Amulya Empreendimentos Imobiliários Ltda. ("Amulya")            | Direct            | 100,00%                 | 100,00%    |
| Asapir Produção Florestal e Comércio Ltda. ("Asapir")           | Direct            | 50,00%                  | 50,00%     |
| Bahia Sul Holding GmbH ("BHOL")                                 | Direct            | 100,00%                 | 100,00%    |
| Ondurman Empreendimentos Imobiliários Ltda. ("Ondurman")        | Direct            | 100,00%                 | 100,00%    |
| Comercial e Agrícola Paineiras Ltda. ("Paineiras")              | Direct            | 100,00%                 | 100,00%    |
| Stenfar S.A Indl. Coml. Imp. Y. Exp. ("Stenfar")                | Direct / Indirect | 100,00%                 | 100,00%    |
| Paineiras Logística e Transportes Ltda. ("Paineiras Logística") | Direct            | 100,00%                 | 100,00%    |
| Sun Paper and Board Limited ("Sun Paper")                       | Direct            | 100,00%                 | 100,00%    |
| Suzano Pulp and Paper America Inc. ("Suzano America")           | Direct            | 100,00%                 | 100,00%    |
| Suzano Pulp and Paper Europe S.A. ("Suzano Europa")             | Direct            | 100,00%                 | 100,00%    |
| Suzano Trading Ltd. ("Suzano Trading")                          | Direct            | 100,00%                 | 100,00%    |
| FuturaGene Ltd. ("Futuragene")                                  | Indirect          | 100,00%                 | 100,00%    |
| Ibema Companhia Brasileira de Papel ("Ibema")                   | Direct Joint      | 38,00%                  | -          |

## 2.2 Functional currency and presentation currency

The Company's functional currency is the Brazilian Real (BRL), same currency of presentation of the subsidiaries' quarterly information. The quarterly information of each subsidiary, which is also that used as basis of evaluation of investments by the equity accounting method, is prepared based on each entity's functional currency.

Monetary assets and liabilities denominated in foreign currency are translated into the Brazilian real (BRL) using the exchange rate effective on the respective balance sheets dates. Gains and losses resulting from the adjustment of these assets and liabilities, verified between the exchange rate effective on the date of transaction and end of periods are recognized as financial income or expenses in the income statement.

Concerning foreign subsidiaries, their monetary assets and liabilities are translated from their functional currency to Brazilian reais, using the exchange rates of balance sheets closing dates and respective revenues and expenses accounts are translated by the monthly average rates of the periods. Concerning non-monetary assets and liabilities, they are translated from their functional currency to Brazilian reais by exchange rate of the accounting transaction date (historical rate).

Gains and losses from exchange variation on investments in foreign subsidiaries are measured under the equity accounting method, and gains and losses from exchange variation calculated in the process for consolidating the quarterly information (Cumulative Translation Adjustment ("CTA")) are recognized in other comprehensive income.

The exchange rates applied when translating the quarterly information of foreign subsidiaries into the reporting currency of the quarterly information are the following:

| Currency | Name           | Country        | Subsidiary                       | Final rate |            | Average rate |           |
|----------|----------------|----------------|----------------------------------|------------|------------|--------------|-----------|
|          |                |                |                                  | 3/31/2016  | 12/31/2015 | 3/31/2016    | 3/31/2015 |
| USD      | U.S. Dollar    | United States  | Suzano Trading<br>Suzano America | 3.5589     | 3.9048     | 3.9100       | 2.8634    |
| GBP      | Pound Sterling | United Kingdom | FuturaGene<br>Sun Paper          | 5.1181     | 5.7881     | 5.5957       | 4.3344    |
| CHF      | Swiss Franc    | Switzerland    | Suzano Europa                    | 3.7153     | 3.9284     | 3.9323       | 3.0090    |
| EUR      | Euro           | European Union | Bahia Sul Holdings               | 4.0539     | 4.2504     | 4.3086       | 3.2172    |
| ARS      | Argentine Peso | Argentina      | Stenfar                          | 0.2438     | 0.3016     | 0.2668       | 0.3278    |

## 2.3 Use of estimates and judgments

When preparing this quarterly information, Management used judgments, estimates and assumptions to apply certain accounting policies and practices. Actual results may differ from such estimates. Estimates and assumptions are continuously revised and their effects are recognized prospectively.

The quarterly information and the annual financial statements for the fiscal year ended December 31, 2015 were prepared using reliable critical accounting estimates and assumptions and should be read jointly in order to provide a proper understanding of the information updated through March 31, 2016.

## 2.4 Presentation of information by operating segment

The information was prepared and is presented in a way consistent with the internal information provided to the executive officers for decision-making. Management defined Pulp and Paper as the Group's operational segments.

## 2.5 Statements of added value

The Company prepared parent company and consolidated statements of added value, which are presented together with the quarterly information under BR GAAP applicable to publicly held companies, while they represent additional financial information under IFRS.

## 3 Critical accounting practices

This quarterly information and the financial statements for the fiscal year ended December 31, 2015 were prepared using consistent accounting practices and should be considered jointly for an adequate understanding of the- information at March 31, 2016.

The reclassifications in the comparative financial statements were conducted for better presentation and comparison with information for the period ended March 31, 2016. On December 31, 2015, the amount of R\$206,454 recorded in the balance sheet was reclassified from commercial transactions with suppliers to loans and financing, within current liabilities, related to confirming operations. On March 31, 2015, the amounts of R\$135,273 and R\$137,533 in the parent company and consolidated statement of cash flow, respectively, were reclassified among operating, investing and financing activities, mostly also related to confirming operations.

## 4 Financial instruments

### 4.1 Management of financial risks

#### a) Overview

In the three-month period ended March 31, 2016, there were no significant changes in the financial risk management policies and procedures compared to those reported in Note 4 to the financial statements of December 31, 2015. The main financial risks considered by Management are:

- Credit risk;
- Liquidity risk;
- Currency risk;
- Market risk and risk of changes in raw material prices;
- Interest rate risk; and
- Capital risk.

The Company does not adopt hedge accounting. Therefore, all results (gains and losses) from derivative operations (settled and outstanding) are fully recognized in the Parent company and Consolidated statements of income for the periods, as presented in Note 25.

#### b) Valuation

All operations with financial instruments are recognized in the Company's quarterly information, as shown below. No reclassifications between categories were made during the period.

|                                              |      | Parent Company |            | Consolidated |            |
|----------------------------------------------|------|----------------|------------|--------------|------------|
|                                              | Note | 3/31/2016      | 12/31/2015 | 3/31/2016    | 12/31/2015 |
| Assets                                       |      |                |            |              |            |
| Fair value through profit or loss            |      |                |            |              |            |
| Cash and cash equivalents                    | 5    | 992,131        | 569,135    | 1,698,089    | 1,477,246  |
| Financial investments                        | 6    | 1,095,671      | 922,728    | 1,146,481    | 970,850    |
| Unrealized gains from derivative operations  | 4    | 215,764        | 51,724     | 448,439      | 195,393    |
| Loans and receivables                        |      |                |            |              |            |
| Trade accounts receivable                    | 7    | 3,175,059      | 3,521,841  | 1,761,955    | 1,885,960  |
|                                              |      | 5,478,625      | 5,065,428  | 5,054,964    | 4,529,449  |
| Liabilities                                  |      |                |            |              |            |
| Liabilities through amortizable cost         |      |                |            |              |            |
| Trade accounts payable                       |      | 493,374        | 540,096    | 542,358      | 581,477    |
| Loans and financing                          | 17   | 9,634,461      | 10,002,341 | 14,081,839   | 14,917,342 |
| Loans with related parties                   | 11   | 4,426,140      | 4,892,504  | -            | -          |
| Commitments related to asset acquisitions    | 21   | 693,320        | 716,862    | 799,798      | 824,864    |
| Fair value through profit or loss            |      |                |            |              |            |
| Unrealized losses from derivative operations | 4    | 361,374        | 529,821    | 584,716      | 635,131    |
|                                              |      | 15,608,669     | 16,681,624 | 16,008,711   | 16,752,360 |

### 4.2 Fair value versus book value

In the period ended March 31, 2016, there were no significant changes to the criteria used to determine the market value of assets or financial instruments compared to those reported in Note 4 to the financial statements of December 31, 2015.



A comparison between the fair value and carrying value of outstanding financial instruments is shown below:

|                                                                        | Consolidated      |                   |                   |                   |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                        | 3/31/2016         |                   | 12/31/2015        |                   |
|                                                                        | Book Value        | Fair Value        | Book Value        | Fair Value        |
| <b>Assets</b>                                                          |                   |                   |                   |                   |
| Cash and cash equivalents                                              | 1,698,089         | 1,698,089         | 1,477,246         | 1,477,246         |
| Financial investments                                                  | 1,146,481         | 1,146,481         | 970,850           | 970,850           |
| Unrealized gains from derivative operations (current and non-current)  | 448,439           | 448,439           | 195,393           | 195,393           |
| Trade accounts receivable                                              | 1,761,955         | 1,761,955         | 1,885,960         | 1,885,960         |
|                                                                        | <u>5,054,964</u>  | <u>5,054,964</u>  | <u>4,529,449</u>  | <u>4,529,449</u>  |
| <b>Liabilities</b>                                                     |                   |                   |                   |                   |
| Trade accounts payable                                                 | 542,358           | 542,358           | 581,477           | 581,477           |
| Loans and financing (current and non-current)                          | 14,081,839        | 13,761,970        | 14,917,342        | 15,833,785        |
| Commitments related to asset acquisitions                              | 799,798           | 633,899           | 824,864           | 636,504           |
| Unrealized losses from derivative operations (current and non-current) | 584,716           | 584,716           | 635,131           | 635,131           |
|                                                                        | <u>16,008,711</u> | <u>15,522,943</u> | <u>16,958,814</u> | <u>17,686,897</u> |

### 4.3 Credit risk

The book value of financial assets representing the maximum exposure to credit risk on the date of the quarterly information was as follows:

|                                             | Note | Parent Company   |                  | Consolidated     |                  |
|---------------------------------------------|------|------------------|------------------|------------------|------------------|
|                                             |      | 3/31/2016        | 12/31/2015       | 3/31/2016        | 12/31/2015       |
| <b>Assets</b>                               |      |                  |                  |                  |                  |
| Cash and cash equivalents                   | 5    | 992,131          | 569,135          | 1,698,089        | 1,477,246        |
| Financial investments                       | 6    | 1,095,671        | 922,728          | 1,146,481        | 970,850          |
| Trade accounts receivable                   | 7    | 3,175,059        | 3,521,841        | 1,761,955        | 1,885,960        |
| Unrealized gains from derivative operations | 4    | 215,764          | 51,724           | 448,439          | 195,393          |
| <b>Total</b>                                |      | <u>5,478,625</u> | <u>5,065,428</u> | <u>5,054,964</u> | <u>4,529,449</u> |

### 4.4 Liquidity risk

The following tables show the maturities of financial liabilities settled with cash, including the estimated payment of interest and exchange variation. The amounts disclosed below refer to contracted cash flows not discounted at future value and, therefore, may not be reconciled with the amounts disclosed in the balance sheet.

|                                           | Note | 3/31/2016         |                  |                  |                   |                   |
|-------------------------------------------|------|-------------------|------------------|------------------|-------------------|-------------------|
|                                           |      | Future Value      | Up to 1 year     | 1 - 2 years      | 2 - 5 years       | More than 5 years |
| <b>Consolidated</b>                       |      |                   |                  |                  |                   |                   |
| <b>Liabilities</b>                        |      |                   |                  |                  |                   |                   |
| Loans and financing                       | 17   | 16,495,486        | 2,382,909        | 2,018,710        | 11,232,868        | 860,998           |
| Trade accounts payable                    |      | 542,358           | 542,358          |                  |                   |                   |
| Commitments related to asset acquisitions | 21   | 872,492           | 93,694           | 92,983           | 273,445           | 412,370           |
| Derivatives payable <sup>(a)</sup>        | 4    | 526,458           | 261,242          | 168,801          | 96,414            | -                 |
| Other accounts payable                    |      | 224,796           | 224,796          |                  |                   |                   |
|                                           |      | <u>18,661,590</u> | <u>3,504,999</u> | <u>2,280,494</u> | <u>11,602,727</u> | <u>1,273,368</u>  |
|                                           | Note | 12/31/2015        |                  |                  |                   |                   |
|                                           |      | Future Value      | Up to 1 year     | 1 - 2 years      | 2 - 5 years       | More than 5 years |
| <b>Consolidated</b>                       |      |                   |                  |                  |                   |                   |
| <b>Liabilities</b>                        |      |                   |                  |                  |                   |                   |
| Loans and financing                       | 17   | 18,870,887        | 3,084,727        | 2,336,556        | 9,733,487         | 3,716,117         |
| Trade accounts payable                    |      | 581,477           | 581,477          | -                | -                 | -                 |
| Commitments related to asset acquisitions | 21   | 882,051           | 109,948          | 106,316          | 286,358           | 379,429           |
| Derivatives payable <sup>(a)</sup>        | 4    | 782,808           | 289,603          | 273,558          | 219,647           | -                 |
| Other accounts payable                    |      | 313,532           | 278,243          | 35,289           | -                 | -                 |
|                                           |      | <u>21,430,755</u> | <u>4,343,998</u> | <u>2,751,719</u> | <u>10,239,492</u> | <u>4,095,546</u>  |

The cash flows included in the maturity analyses of the Company are not expected to occur prior to the established term or in amounts that are materially different from those presented.

The following table shows the maturity of derivative operations:

| Consolidated<br>Derivatives | 3/31/2016       |                  |                 |                 |                  |                            |
|-----------------------------|-----------------|------------------|-----------------|-----------------|------------------|----------------------------|
|                             | Future Value    | Up to 1<br>month | 1 - 3<br>months | 3 - 6<br>months | 6 - 12<br>months | 1 - 2 years<br>2 - 5 years |
| Assets <sup>(a)</sup>       | 506,652         | 52,872           | 13,903          | 65,178          | 210,629          | 157,277                    |
| Liabilities <sup>(a)</sup>  | 526,458         | 28,602           | 12,654          | 87,447          | 132,539          | 168,801                    |
|                             | <u>(19,806)</u> | <u>24,270</u>    | <u>1,249</u>    | <u>(22,269)</u> | <u>78,090</u>    | <u>(11,526)</u>            |
|                             |                 |                  |                 |                 |                  | <u>(89,620)</u>            |

(a) The classification between assets and liabilities of derivative operations differs from the amounts presented in the balance sheet as it considers the future value.

#### 4.5 Market risk

On March 31, 2016, the net principal of operations contracted for Zero-Cost Collar is US\$350 million. Their maturities are distributed between October 2016 and January 2017, in addition to US\$8.9 million in oil bunker futures, in order to lock-in the operating margins of a minority portion of sales over this period.

The cash effect of these operations occurs only on their maturity dates, when they will generate cash disbursements or inflows, considering that the advantage of the Zero-Cost Collar is not having reimbursement or receipt of cash if exchange rate is within the contracted range.

In addition to currency hedge and commodity operations, swap contracts are also contracted that exchange floating interest rates for fixed rates in order to reduce the effects from interest rate variation on the amount of debt, as well as swap contracts that exchange various interest rates for inflation rates in order to minimize the mismatch between the various financial assets and liabilities. On March 31, 2016, the Company had outstanding (i) US\$150 million in CDI swaps for six-month LIBOR, (ii) US\$227 million in swaps of currency coupon for 3-month LIBOR; (iii) US\$72.8 million in LIBOR swap to U.S. dollar fixed rate; and (iv) US\$171 million in fixed interest rate swaps in U.S. dollar for the CDI.

#### 4.6 Market risk - exchange rate

The following table shows the net exposure in foreign currency:

| Consolidated                              | 3/31/2016 (in R\$ thousand) |               |               |                |                 |                     | 12/31/2015 (in R\$ thousand) |              |               |               |                 |                     |
|-------------------------------------------|-----------------------------|---------------|---------------|----------------|-----------------|---------------------|------------------------------|--------------|---------------|---------------|-----------------|---------------------|
|                                           | USD                         | EUR           | GBP           | CHF            | ARS             | Total               | USD                          | EUR          | GBP           | CHF           | ARS             | Total               |
| Cash and cash equivalents                 | 501,599                     | 58            | 57,817        | 159,360        | 7,617           | 726,451             | 783,430                      | 63           | 25,721        | 89,902        | 30,714          | 929,830             |
| Trade accounts receivable                 | 1,086,785                   | 19,626        | 12,455        | -              | 31,611          | 1,150,477           | 1,164,345                    | 4,962        | 15,075        | -             | 28,320          | 1,212,702           |
| Trade accounts payable                    | (71,745)                    | -             | (1,547)       | (2,880)        | (22,130)        | (98,302)            | (39,050)                     | -            | (608)         | (2,380)       | (14,046)        | (56,084)            |
| Loans and financing                       | (9,338,537)                 | -             | -             | -              | -               | (9,338,537)         | (9,676,957)                  | -            | -             | -             | -               | (9,676,957)         |
| Commitments related to asset acquisitions | (420,147)                   | -             | -             | -              | -               | (420,147)           | (455,495)                    | -            | -             | -             | -               | (455,495)           |
| Derivative Options                        | (3,558,900)                 | -             | -             | -              | -               | (3,558,900)         | (1,952,400)                  | -            | -             | -             | -               | (1,952,400)         |
| Derivative NDF                            | (1,134)                     | -             | -             | -              | (34,165)        | (35,299)            | (360,305)                    | -            | -             | -             | (72,532)        | (432,837)           |
| Derivative Swap                           | (189,437)                   | -             | -             | -              | -               | (189,437)           | (227,785)                    | -            | -             | -             | -               | (227,785)           |
| <b>TOTAL</b>                              | <b>(11,991,516)</b>         | <b>19,684</b> | <b>68,725</b> | <b>156,480</b> | <b>(17,067)</b> | <b>(11,763,694)</b> | <b>(10,764,218)</b>          | <b>5,025</b> | <b>40,188</b> | <b>87,522</b> | <b>(27,544)</b> | <b>(10,659,026)</b> |



## Sensitivity analysis - foreign exchange exposure

For the purpose of analyzing the sensitivity to market risks, the Company jointly analyzes the long and short positions in foreign currency, using as the probable scenario the amounts already booked.

The other scenarios were created considering the depreciation and appreciation of the Brazilian real against other currencies at the rates of 25% and 50%.

The following table presents the potential impacts on results assuming these scenarios:

|                                           | 3/31/2016          |                    |                    |                  |                  |
|-------------------------------------------|--------------------|--------------------|--------------------|------------------|------------------|
|                                           | Probable           | Incr. (Δ of 25%)   | Incr. (Δ of 50%)   | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated USD x BRL</b>             |                    |                    |                    |                  |                  |
| Cash and cash equivalents                 | 501.600            | 125.400            | 250.800            | (125.400)        | (250.800)        |
| Loans and financing                       | (9.338.537)        | (2.334.634)        | (4.669.269)        | 2.334.634        | 4.669.269        |
| Trade accounts receivable                 | 1.086.785          | 271.696            | 543.392            | (271.696)        | (543.392)        |
| Trade accounts payable                    | (71.746)           | 17.936             | 35.873             | (17.936)         | (35.873)         |
| Derivative Swap                           | (188.361)          | 9.809              | 19.618             | (9.809)          | (19.618)         |
| Derivative Options                        | 62.697             | (62.697)           | (62.697)           | (62.697)         | (62.697)         |
| Derivative Convertibility                 | 1.764              | (3.949)            | (4.386)            | (3.075)          | (2.638)          |
| Derivative NDF                            | 1.397              | (1.397)            | (1.397)            | (1.397)          | (1.397)          |
| Derivative Oil                            | 601                | 150                | 301                | (150)            | (301)            |
| Derivative Options Oil                    | (2.843)            | (711)              | (1.422)            | 711              | 1.422            |
| Commitments related to asset acquisitions | (420.147)          | (105.037)          | (210.073)          | 105.037          | 210.073          |
| <b>TOTAL</b>                              | <b>(8.366.790)</b> | <b>(2.083.432)</b> | <b>(4.099.259)</b> | <b>1.948.221</b> | <b>3.964.048</b> |

|                               | 3/31/2016     |                  |                  |                  |                  |
|-------------------------------|---------------|------------------|------------------|------------------|------------------|
|                               | Probable      | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated ARS x BRL</b> |               |                  |                  |                  |                  |
| Cash and cash equivalents     | 7.617         | 1.904            | 3.808            | (1.904)          | (3.808)          |
| Trade accounts receivable     | 31.611        | 7.903            | 15.805           | (7.903)          | (15.805)         |
| Trade accounts payable        | (22.130)      | (5.532)          | (11.065)         | 5.532            | 11.065           |
| Derivative NDF                | 7.931         | 1.983            | 3.966            | (1.983)          | (3.966)          |
| <b>TOTAL</b>                  | <b>25.029</b> | <b>6.257</b>     | <b>12.515</b>    | <b>(6.257)</b>   | <b>(12.515)</b>  |

|                               | 3/31/2016      |                  |                  |                  |                  |
|-------------------------------|----------------|------------------|------------------|------------------|------------------|
|                               | Probable       | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated CHF x BRL</b> |                |                  |                  |                  |                  |
| Cash and cash equivalents     | 159.360        | 39.840           | 79.680           | (39.840)         | (79.680)         |
| Trade accounts payable        | (2.880)        | (720)            | (1.440)          | 720              | 1.440            |
| <b>TOTAL</b>                  | <b>156.480</b> | <b>39.120</b>    | <b>78.240</b>    | <b>(39.120)</b>  | <b>(78.240)</b>  |

|                               | 3/31/2016     |                  |                  |                  |                  |
|-------------------------------|---------------|------------------|------------------|------------------|------------------|
|                               | Probable      | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated GBP x BRL</b> |               |                  |                  |                  |                  |
| Cash and cash equivalents     | 57.817        | 14.454           | 28.908           | (14.454)         | (28.908)         |
| Trade accounts receivable     | 12.455        | 3.114            | 6.227            | (3.114)          | (6.227)          |
| Trade accounts payable        | (1.547)       | (387)            | (774)            | 387              | 774              |
| <b>TOTAL</b>                  | <b>68.724</b> | <b>17.181</b>    | <b>34.362</b>    | <b>(17.181)</b>  | <b>(34.362)</b>  |

|                               | 3/31/2016    |                  |                  |                  |                  |
|-------------------------------|--------------|------------------|------------------|------------------|------------------|
|                               | Probable     | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated EUR x BRL</b> |              |                  |                  |                  |                  |
| Cash and cash equivalents     | 58           | 15               | 29               | (15)             | (29)             |
| Trade accounts receivable     | 19.626       | 4.906            | 9.813            | (4.906)          | (9.813)          |
| <b>TOTAL</b>                  | <b>5.025</b> | <b>1.256</b>     | <b>2.512</b>     | <b>(1.256)</b>   | <b>(2.512)</b>   |

## 4.7 Market risk - interest rates

On March 31, 2016, notional position in derivatives pegged to fixed rates totaled R\$2,092,115 (R\$2,242,867 on December 31, 2015).

### Sensitivity analysis - exposure to interest rates

For the sensitivity analysis of operations impacted by the rates: Fixed, Libor, and U.S. dollar coupon, the Company adopted as the probable scenario the amounts already booked. On March 31, 2016, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market interest rates.



The following table shows the potential impacts on the results in the event of these scenarios:

|                                   | 3/31/2016        |                  |                  |                 |                  |
|-----------------------------------|------------------|------------------|------------------|-----------------|------------------|
|                                   | Probable         | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr.(Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Fixed</b>         |                  |                  |                  |                 |                  |
| Derivative Swap                   | (188.361)        | 23.470           | 46.691           | (23.729)        | (47.727)         |
| Derivative NDF                    | 1.887            | 35               | 80               | (55)            | (99)             |
| Derivative Options                | 62.697           | (29.752)         | (47.189)         | 5.967           | 24.345           |
| <b>TOTAL</b>                      | <b>(123.775)</b> | <b>(6.247)</b>   | <b>(417)</b>     | <b>(17.816)</b> | <b>(23.480)</b>  |
|                                   |                  |                  |                  |                 |                  |
|                                   | 3/31/2016        |                  |                  |                 |                  |
|                                   | Probable         | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr.(Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Libor</b>         |                  |                  |                  |                 |                  |
| Derivative Swap                   | (188.361)        | (2.025)          | (4.043)          | 2.033           | 4.074            |
| <b>TOTAL</b>                      | <b>(188.361)</b> | <b>(2.025)</b>   | <b>(4.043)</b>   | <b>2.033</b>    | <b>4.074</b>     |
|                                   |                  |                  |                  |                 |                  |
|                                   | 3/31/2016        |                  |                  |                 |                  |
|                                   | Probable         | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr.(Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Dollar Coupon</b> |                  |                  |                  |                 |                  |
| Derivative NDF                    | 1.887            | 1.004            | 2.032            | (1.011)         | (1.999)          |
| Derivative Options                | 62.697           | (7.271)          | (2.516)          | (16.850)        | (21.678)         |
| Derivative Swap                   | (19.462)         | -                | -                | -               | -                |
| <b>TOTAL</b>                      | <b>45.122</b>    | <b>(6.267)</b>   | <b>(484)</b>     | <b>(17.861)</b> | <b>(23.677)</b>  |

#### 4.8 Market risk - commodity prices

On March 31, 2016, there was no exposure of contracts pegged to pulp commodity prices (R\$22,029 on December 31, 2015). On March 31, 2016, with regard to hedged freight costs, the Company's long position in oil bunker is R\$196,022 (R\$123,103 on December 31, 2015).

##### Sensitivity analysis - exposure to commodity prices

For the sensitivity analysis of operations pegged to commodity prices, the Company adopts as the probable scenario the amounts already booked. On March 31, 2016, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market price of commodities.

The following table shows the potential impacts on the results in the event of these scenarios:

|                                 | 3/31/2016      |                  |                  |                 |                  |
|---------------------------------|----------------|------------------|------------------|-----------------|------------------|
|                                 | Probable       | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr.(Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Commodities</b> |                |                  |                  |                 |                  |
| Derivative Oil                  | 601            | 5.321            | 10.641           | (5.321)         | (10.641)         |
| Derivative Options Oil          | (2.843)        | (7.11)           | (1.422)          | 711             | 1.422            |
| <b>TOTAL</b>                    | <b>(2.242)</b> | <b>4.610</b>     | <b>9.219</b>     | <b>(4.610)</b>  | <b>(9.219)</b>   |

## 4.9 Outstanding derivatives

On March 31, 2016 and December 31, 2015, the consolidated positions of outstanding derivatives, grouped by asset or index, with all trading on the over-the-counter market, are presented below:

| Description                               | Maturities            | Notional value on |            | Fair value on |             | Equity balances on |            |            |            |
|-------------------------------------------|-----------------------|-------------------|------------|---------------|-------------|--------------------|------------|------------|------------|
|                                           |                       | 3/31/2016         | 12/31/2015 | 3/31/2016     | 12/31/2015  | 3/31/2016          |            | 12/31/2015 |            |
|                                           |                       |                   |            |               |             | Payable            | Receivable | Payable    | Receivable |
| <b>Foreign Currency Swaps</b>             |                       |                   |            |               |             |                    |            |            |            |
| Long Position - US\$ Libor                |                       | 259.027           | 284.202    | 253.050       | 282.290     | -                  | -          | -          | -          |
| Short Position - US\$ Fixed Rate          | 4/1/2016 to 11/4/2019 | 259.027           | 284.202    | (264.161)     | (293.128)   | -                  | -          | -          | -          |
| Long Position - US\$ PRE                  |                       | 605.145           |            | 599.028       |             | -                  | -          | -          | -          |
| Short Position - R\$ % DI                 |                       | 609.615           |            | (607.379)     |             | -                  | -          | -          | -          |
| <b>Subtotal</b>                           |                       |                   | -          | (19.462)      | (10.838)    | 19.462             |            | 10.838     | -          |
| <b>Index and Rate Swaps</b>               |                       |                   |            |               |             |                    |            |            |            |
| Long Position - R\$ % DI (b)              | 4/1/2016 to 11/4/2019 | 331.335           | 331.335    | 368.977       | 360.911     | -                  | -          | -          | -          |
| Short Position - US\$ Libor (b)           |                       | 533.835           | 585.720    | (557.338)     | (619.549)   | -                  | -          | -          | -          |
| <b>Subtotal</b>                           |                       |                   | -          | (188.361)     | (258.638)   | 557.338            | 368.977    | 258.638    | -          |
| <b>Currency Swaps - NDF</b>               |                       |                   |            |               |             |                    |            |            |            |
| Long Position in R\$ x US\$               | 4/1/2016 to 11/4/2019 | 242.005           | 265.526    | (32.483)      | 231         | 32.483             | -          | -          | 231        |
| Short Position in R\$ x US\$              |                       | 242.005           | 622.699    | 34.370        | (81.676)    | -                  | 34.370     | 81.676     | -          |
| Long Position in US\$ x MXN               |                       | 6.803             |            | (491)         |             | 491                | -          | -          | -          |
| Short Position in US\$ x ARS              |                       | 53.028            | 72.532     | 7.931         | 10.963      | 88                 | 8.019      | -          | 10.963     |
| <b>Subtotal</b>                           |                       | 543.841           | 960.757    | 9.327         | (70.483)    | 33.062             | 42.389     | 81.676     | 11.193     |
| <b>Currency Swap</b>                      |                       |                   |            |               |             |                    |            |            |            |
| Short Position in R\$ x US\$              | 4/1/2016 to 1/2/2017  | 6.050.130         | 1.952.400  | 62.697        | (121.955)   | 95.207             | 157.904    | -          | -          |
| Long Position in R\$ x US\$               |                       |                   |            |               |             |                    |            |            |            |
| <b>Subtotal</b>                           |                       | 6.050.130         | 1.952.400  | 62.697        | (121.955)   | 95.207             | 157.904    | 121.955    | -          |
| <b>Commodity Swaps</b>                    |                       |                   |            |               |             |                    |            |            |            |
| Short Position in Pulp BHKP               | 4/1/2016 to 11/4/2019 | -                 | 22.029     | -             | (548)       | -                  | -          | 548        | -          |
| Long Position in Oil                      |                       | 79.108            | 88.095     | 601           | (3.681)     | 734                | 1.336      | 3.681      | -          |
| Long Position in Oil (ZCC)                |                       | 22.890            | 35.008     | (2.843)       | (4.449)     | 2.936              | 92         | 4.448      | -          |
| <b>Subtotal</b>                           |                       | 101.998           | 145.132    | (2.242)       | (8.677)     | 3.670              | 1.428      | 8.677      | -          |
| <b>Other</b>                              |                       |                   |            |               |             |                    |            |            |            |
| Long Position - Exchange Coupon           | 4/1/2016 to 11/4/2019 | 1.805.800         | 1.483.824  | 2.216.553     | 2.483.280   | -                  | -          | -          | -          |
| Short Position - US\$ Fixed Libor         |                       | 1.535.499         | 1.483.824  | (2.214.789)   | (2.452.427) | -                  | -          | -          | -          |
| <b>Subtotal</b>                           |                       | 1.535.499         | -          | 1.764         | 30.853      | 2.214.789          | 2.216.553  | -          | 30.853     |
| <b>Total Result in Derivatives</b>        |                       | 9.633.945         | 5.412.035  | (136.277)     | (439.738)   | 2.923.528          | 2.787.251  | 481.784    | 42.046     |
| <b>Value at Risk (VaR) <sup>(a)</sup></b> |                       |                   |            | 51.590        | 140.290     |                    |            |            |            |

<sup>(a)</sup> VaR with 1-day holding period, with a confidence level of 95%

<sup>(b)</sup> Through one day gain or loss, the fair value contracting (R\$12,243) was considered a transaction cost, without any direct impact on mark-to-market adjustment of the derivative portfolio. Cost will be recognized proportionally to the term of operation, until the entire amount is recognized at maturity. On March 31, 2016 the amount to be recognized was R\$7,391

On March 31, 2016 and December 31, 2015, these consolidated positions, grouped by counterparty, are presented below:

| Description                         | Notional value on |                  | Fair value on    |                  | Equity balances on |                  |                |               |
|-------------------------------------|-------------------|------------------|------------------|------------------|--------------------|------------------|----------------|---------------|
|                                     | 3/31/2016         | 12/31/2015       | 3/31/2016        | 12/31/2015       | 3/31/2016          |                  | 12/31/2015     |               |
|                                     |                   |                  |                  |                  | Payable            | Receivable       | Payable        | Receivable    |
| <b>Foreign Currency Swaps</b>       |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparties</b>               |                   |                  |                  |                  |                    |                  |                |               |
| BTG Pactual                         | 157.344           | 172.636          | (5.372)          | (5.491)          | 5.372              | -                | 5.491          | -             |
| Santander                           | 295.441           | 55.783           | (5.071)          | (2.667)          | 5.071              | -                | 2.667          | -             |
| Standard Chartered                  | 50.842            | 55.783           | (2.914)          | (2.680)          | 2.914              | -                | 2.680          | -             |
| Bradesco                            | 365.015           | -                | (6.105)          | -                | 6.105              | -                | -              | -             |
| SubTotal                            | -                 | -                | (19.462)         | (10.838)         | 19.462             | -                | 10.838         | -             |
| <b>Index and Rate Swaps</b>         |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparty</b>                 |                   |                  |                  |                  |                    |                  |                |               |
| Bradesco                            | 533.835           | 585.720          | (188.361)        | (258.638)        | 557.338            | 368.977          | 258.638        | -             |
| SubTotal                            | -                 | -                | (188.361)        | (258.638)        | 557.338            | 368.977          | 258.638        | -             |
| <b>Currency Swap - NDF</b>          |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparties</b>               |                   |                  |                  |                  |                    |                  |                |               |
| <b>Long Position in R\$ x US\$</b>  |                   |                  |                  |                  |                    |                  |                |               |
| Itaú BBA                            | 242.005           | 265.526          | (32.483)         | 231              | 32.483             | -                | -              | 231           |
| <b>Short Position in R\$ x US\$</b> |                   |                  |                  |                  |                    |                  |                |               |
| Itaú BBA                            | 242.005           | 265.526          | 34.370           | (1.661)          | -                  | 34.370           | 1.661          | -             |
| Votorantim                          | -                 | 181.456          | -                | (40.843)         | -                  | -                | 40.843         | -             |
| Santander                           | -                 | 175.716          | -                | (39.172)         | -                  | -                | 39.172         | -             |
| <b>Long Position in US\$ x MXN</b>  |                   |                  |                  |                  |                    |                  |                |               |
| Standard Chartered                  | 6.803             | -                | (491)            | (1.431)          | 491                | -                | 1.431          | -             |
| <b>Long Position in US\$ x ARS</b>  |                   |                  |                  |                  |                    |                  |                |               |
| Mercado Rofex                       | -                 | 26.846           | -                | 4.138            | -                  | -                | -              | 4.138         |
| HSBC                                | 9.253             | -                | 120              | -                | -                  | 120              | -              | -             |
| Standard Chartered                  | -                 | -                | -                | -                | -                  | -                | -              | -             |
| Banco Patagonia                     | 43.774            | 45.686           | 7.811            | 6.825            | 88                 | 7.899            | -              | 6.825         |
| Subtotal                            | -                 | -                | 9.327            | (70.483)         | 33.062             | 42.389           | 81.676         | 11.193        |
| <b>Currency Options</b>             |                   |                  |                  |                  |                    |                  |                |               |
| <b>Short Position in R\$ x US\$</b> |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparties</b>               |                   |                  |                  |                  |                    |                  |                |               |
| Itaú BBA                            | 1.512.532         | 732.150          | 11.160           | (48.831)         | 33.285             | 44.445           | 48.832         | -             |
| Standard Chartered                  | 355.890           | 195.240          | 1.498            | (6.460)          | 0                  | 1.498            | 6.460          | -             |
| JP Morgan                           | 1.601.505         | 546.672          | 14.825           | (28.156)         | 19.220             | 34.045           | 28.156         | -             |
| Votorantim                          | 1.156.643         | 478.338          | 25.075           | (38.507)         | 2.385              | 27.460           | 38.507         | -             |
| Santander                           | 960.903           | -                | 8.704            | -                | 30.767             | 39.471           | -              | -             |
| Bank of America                     | 462.657           | -                | 1.435            | -                | 9.549              | 10.984           | -              | -             |
| SubTotal                            | -                 | -                | 62.697           | (121.955)        | 95.207             | 157.904          | 121.955        | -             |
| <b>Commodity Swap - Oil</b>         |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparty</b>                 |                   |                  |                  |                  |                    |                  |                |               |
| Standard Chartered                  | -                 | 96.179           | -                | (2.910)          | -                  | -                | 2.910          | -             |
| JP Morgan                           | 79.108            | 9.677            | 601              | (3.059)          | 734                | 1.336            | 3.059          | -             |
| Subtotal                            | -                 | -                | 601              | (5.969)          | 734                | 1.336            | 5.969          | -             |
| <b>Commodity Options - Oil</b>      |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparty</b>                 |                   |                  |                  |                  |                    |                  |                |               |
| Standard Chartered                  | 15.176            | 17.247           | (1.881)          | (2.160)          | 1.924              | 42               | 2.160          | -             |
| JP Morgan                           | 7.714             | -                | (962)            | -                | 1.012              | 50               | -              | -             |
| Subtotal                            | -                 | -                | (2.843)          | (2.160)          | 2.936              | 92               | 2.160          | -             |
| <b>Commodity Swap - Pulp</b>        |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparty</b>                 |                   |                  |                  |                  |                    |                  |                |               |
| Standard Chartered                  | -                 | 22.029           | -                | (548)            | -                  | -                | 548            | -             |
| Subtotal                            | -                 | -                | -                | (548)            | -                  | -                | 548            | -             |
| <b>Other</b>                        |                   |                  |                  |                  |                    |                  |                |               |
| <b>Counterparty</b>                 |                   |                  |                  |                  |                    |                  |                |               |
| JP Morgan                           | 1.535.499         | 1.483.824        | 1.764            | 30.853           | 2.214.789          | 2.216.553        | -              | 30.853        |
| Subtotal                            | -                 | -                | 1.764            | 30.853           | 2.214.789          | 2.216.553        | -              | 30.853        |
| <b>Total results in Derivatives</b> | <b>9.633.945</b>  | <b>5.412.035</b> | <b>(136.277)</b> | <b>(439.738)</b> | <b>2.923.528</b>   | <b>2.787.251</b> | <b>481.784</b> | <b>42.046</b> |

#### 4.10 Settled derivatives

In the three-month periods ended March 31, 2016 and 2015, the accumulated positions of settled derivatives, grouped by asset or index, with all trading on the over-the-counter market were as follows:

| Description                                  | Maturities             | Three-month period ended      |           |                                              |           |
|----------------------------------------------|------------------------|-------------------------------|-----------|----------------------------------------------|-----------|
|                                              |                        | Notional value accumulated on |           | Fair value (settlement value) accumulated on |           |
|                                              |                        | 3/31/2016                     | 3/31/2015 | 3/31/2016                                    | 3/31/2015 |
| <b>Currency Swaps</b>                        |                        |                               |           |                                              |           |
| Short Position in R\$ x US\$                 | 2015: Jan/15 to Mar/15 | -                             | 121,181   |                                              | (253)     |
| Long Position in R\$ x US\$                  | 2016: Jan/16 to Mar/16 | 369,536                       | 40,394    | (80,296)                                     | 1,640     |
| Long Position in US\$ x MXN                  |                        | 743                           |           | (50)                                         |           |
| Long Position in US\$ x ARS                  |                        | 66,746                        | 45,125    | 18,869                                       | (675)     |
| Subtotal                                     |                        |                               | -         |                                              | 711       |
| <b>Commodity Swap</b>                        |                        |                               |           |                                              |           |
| Short Position in Pulp BHKP                  | 2015: Jan/15 to Mar/15 | 5,979                         | 12,484    | (475)                                        | (164)     |
| Long Position in Oil                         | 2016: Jan/16 to Mar/16 | 9,654                         | 3,580     | (4,441)                                      | 192       |
| Short Position in Oil                        |                        | 2,250                         |           | -                                            |           |
| Subtotal                                     |                        |                               | -         |                                              | 28        |
| <b>Other</b>                                 |                        |                               |           |                                              |           |
| Long Position - Exchange Coupon              | 2015: Jan/15 to Mar/15 | 256,860                       | 161,574   | 3,715                                        | 2,544     |
| Short Position - US\$ Fixed Libor            | 2016: Jan/16 to Mar/16 | 256,860                       | 161,574   | -                                            | -         |
| Subtotal                                     |                        |                               | -         |                                              | 2,544     |
| <b>Total results in Swaps <sup>(a)</sup></b> |                        |                               | -         | (62,678)                                     | 3,283     |

(a) On March 31, 2016, the Company received derivative premium totaling R\$29,096 from short positions not overdue and therefore not included in the table above.

#### 4.11 Capital management

The main objective of Suzano's capital management is to ensure it maintains a solid credit rating, in addition to mitigating risks that may affect capital availability in business development.

To achieve this, the Company monitors constantly significant indicators, such as: a) consolidated financial leverage index, which is the total net debt divided by adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"); b) management of contractual financial covenants, maintaining safety margin to not exceed these covenants.

Management prioritizes new loans denominated in the same currency of its main cash generation source, in order to obtain a natural hedge in the long term for its cash flow.

Thus, the Company manages its capital structure and makes adjustments based on changes in economic conditions.

|                                    | Parent Company |             | Consolidated |             |
|------------------------------------|----------------|-------------|--------------|-------------|
|                                    | 3/31/2016      | 12/31/2015  | 3/31/2016    | 12/31/2015  |
| Loans and financing                | 9,634,461      | 10,002,341  | 14,081,839   | 14,917,342  |
| (-) Cash and financial investments | (2,087,802)    | (1,491,863) | (2,844,570)  | (2,448,096) |
| Net debt                           | 7,546,659      | 8,510,478   | 11,237,269   | 12,469,246  |
| Shareholders' equity               | 10,314,733     | 9,192,081   | 10,314,733   | 9,192,081   |
| Shareholders' equity and net debt  | 17,861,392     | 17,702,559  | 21,552,002   | 21,661,327  |

#### 4.12 Fair value hierarchy

The financial instruments calculated at fair value, are presented in accordance with the levels defined below:

- Level 1 - Prices quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than the prices quoted in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for assets or liabilities that are not based on observable market variables (unobservable inputs).

|                                           | Fair value on<br>3/31/2016 | Consolidated |            |         |
|-------------------------------------------|----------------------------|--------------|------------|---------|
|                                           |                            | Level 1      | Level 2    | Level 3 |
| <b>Assets</b>                             |                            |              |            |         |
| Cash and cash equivalents                 | 1,698,089                  | 699,734      | 998,355    | -       |
| Financial Investments                     | 1,146,481                  | -            | 1,146,481  | -       |
| Derivatives <sup>(a)</sup>                | 466,530                    | -            | 465,102    | 1,428   |
|                                           |                            | 699,734      | 2,609,938  | 1,428   |
| <b>Liabilities</b>                        |                            |              |            |         |
| Derivatives <sup>(a)</sup>                | 614,467                    | -            | 610,797    | 3,670   |
| Loans and financing                       | 14,081,839                 | -            | 14,081,839 | -       |
| Commitments related to asset acquisitions | 799,798                    | -            | 799,798    | -       |
|                                           |                            | -            | 15,492,434 | 3,670   |

|                                           | Fair value on<br>12/31/2015 | Consolidated |            |         |
|-------------------------------------------|-----------------------------|--------------|------------|---------|
|                                           |                             | Level 1      | Level 2    | Level 3 |
| <b>Assets</b>                             |                             |              |            |         |
| Cash and cash equivalents                 | 1,477,246                   | 948,144      | 529,102    | -       |
| Financial Investments                     | 970,850                     | -            | 970,850    | -       |
| Derivatives <sup>(a)</sup>                | 42,046                      | -            | 41,964     | 82      |
|                                           |                             | 948,144      | 1,541,916  | 82      |
| <b>Liabilities</b>                        |                             |              |            |         |
| Derivatives <sup>(a)</sup>                | 481,784                     | -            | 473,025    | 8,759   |
| Loans and financing                       | 15,627,331                  | -            | 15,627,331 | -       |
| Commitments related to asset acquisitions | 636,504                     | -            | 636,504    | -       |
|                                           |                             | -            | 16,736,860 | 8,759   |

<sup>(a)</sup> The classification between assets and liabilities of derivative operations differs from the amounts presented in the balance sheet as it considers as assets or liabilities all payment flows classified as gains and losses in the long term.



#### 4.13 Guarantees

On March 31, 2016, the Company had guarantees pegged to consolidated accounts receivable operations related to exports amounting to US\$282 million, equivalent to R\$1,003,262 on this date.

### 5 Cash and Cash Equivalents

|                       | Parent Company        |                       | Consolidated            |                         |
|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|                       | 3/31/2016             | 12/31/2015            | 3/31/2016               | 12/31/2015              |
| Cash and banks        |                       |                       |                         |                         |
| In Brazil             | 139,717               | 18,724                | 141,511                 | 19,950                  |
| Abroad                | -                     | -                     | 699,734                 | 900,565                 |
|                       | <u>139,717</u>        | <u>18,724</u>         | <u>841,245</u>          | <u>920,515</u>          |
| Financial investments |                       |                       |                         |                         |
| In Brazil             | 825,697               | 521,146               | 830,127                 | 527,466                 |
| Abroad                | 26,717                | 29,265                | 26,717                  | 29,265                  |
|                       | <u>852,414</u>        | <u>550,411</u>        | <u>856,844</u>          | <u>556,731</u>          |
|                       | <u><u>992,131</u></u> | <u><u>569,135</u></u> | <u><u>1,698,089</u></u> | <u><u>1,477,246</u></u> |

On March 31, 2016, these consolidated investments yielded interest at rates varying between 95% and 110% of the CDI (97% and 110% on December 31, 2015), except for financial investments amounting to R\$26 under repurchase agreements yielding 75% of the CDI (amount of R\$23 on December 31, 2015).

### 6 Financial Investments

|                                        | Average annual remuneration rate | Parent Company          |                       | Consolidated            |                       |
|----------------------------------------|----------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                                        |                                  | 3/31/2016               | 12/31/2015            | 3/31/2016               | 12/31/2015            |
| <b>Investment funds <sup>(a)</sup></b> |                                  |                         |                       |                         |                       |
| Itaú Investment Grade                  | 100.8%                           | 434,156                 | 572,468               | 455,063                 | 606,221               |
| Itaú Referenciado DI                   | 100.9%                           | 572,043                 | 243,711               | 601,946                 | 258,080               |
|                                        |                                  | <u>1,006,199</u>        | <u>816,179</u>        | <u>1,057,009</u>        | <u>864,301</u>        |
| <b>Financial investments</b>           |                                  |                         |                       |                         |                       |
| Bank Deposit Certificates              | 99.2%                            | 89,472                  | 106,549               | 89,472                  | 106,549               |
|                                        |                                  | <u>89,472</u>           | <u>106,549</u>        | <u>89,472</u>           | <u>106,549</u>        |
|                                        |                                  | <u><u>1,095,671</u></u> | <u><u>922,728</u></u> | <u><u>1,146,481</u></u> | <u><u>970,850</u></u> |

<sup>(a)</sup> On March 31, 2016, the Consolidated column includes interest of Futuragene Brasil (2.6% of quotas), Paineiras (1.8% of quotas), Ondurman and Amulya (0.6% of total quotas) — 3.0% of quotas, 2.1% of quotas, and 0.5% of total quotas, respectively, on December 31, 2015 — in market investment fund.

On March 31, 2016, the Company has financial investments allocated to two investment funds administered by Banco Itaú backed by fixed-income funds for private credit and Bank Deposit Certificates (“CDB”).



Investment funds operate with daily liquidity, have a conservative profile and are available for sale. Investments in CDB are made only in high-grade, low-risk papers of financial institutions.

## 7 Trade Accounts Receivable

### 7.1 Breakdown of balances

|                                 | Parent Company   |                  | Consolidated     |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 3/31/2016        | 12/31/2015       | 3/31/2016        | 12/31/2015       |
| Domestic clients                |                  |                  |                  |                  |
| Third parties                   | 598,940          | 701,367          | 598,946          | 701,368          |
| Subsidiaries                    | 7                | 6                | -                | -                |
| Related Parties <sup>(a)</sup>  | 57,435           | 16,478           | 57,435           | 16,478           |
| Foreign clients                 |                  |                  |                  |                  |
| Third parties                   | 26,435           | 26,096           | 1,147,844        | 1,209,368        |
| Subsidiaries                    | 2,537,143        | 2,822,481        | -                | -                |
| Related Parties <sup>(a)</sup>  | -                | -                | 3,456            | 3,770            |
| Allowance for doubtful accounts | (44,901)         | (44,587)         | (45,726)         | (45,024)         |
|                                 | <u>3,175,059</u> | <u>3,521,841</u> | <u>1,761,955</u> | <u>1,885,960</u> |

<sup>(a)</sup> See Note 11.

### 7.2 Analysis of maturities

|                   | Parent Company |               | Consolidated   |                |
|-------------------|----------------|---------------|----------------|----------------|
|                   | 3/31/2016      | 12/31/2015    | 3/31/2016      | 12/31/2015     |
| Amounts overdue:  |                |               |                |                |
| Up to two months  | 39,900         | 31,460        | 116,734        | 66,967         |
| Two to six months | 28,167         | 22,048        | 28,954         | 24,749         |
| Over six months   | 45,552         | 36,791        | 47,335         | 37,089         |
|                   | <u>113,619</u> | <u>90,299</u> | <u>193,023</u> | <u>128,805</u> |

### 7.3 Changes in allowance for doubtful accounts in the period

|                                                | Parent Company           |                 | Consolidated    |                 |
|------------------------------------------------|--------------------------|-----------------|-----------------|-----------------|
|                                                | Three-month period ended |                 |                 |                 |
|                                                | 3/31/2016                | 3/31/2015       | 3/31/2016       | 3/31/2015       |
| Opening balance                                | (44,587)                 | (25,278)        | (45,024)        | (25,748)        |
| Credits accrued in the period                  | (1,307)                  | (2,525)         | (1,779)         | (2,525)         |
| Credits recovered in the period                | 993                      | 73              | 993             | 73              |
| Credits definitively written-off from position | -                        | 603             | -               | 603             |
| Foreign exchange variation                     | -                        | -               | 84              | (49)            |
| Closing balance                                | <u>(44,901)</u>          | <u>(27,127)</u> | <u>(45,726)</u> | <u>(27,646)</u> |

## 8 Inventories

|                                 | Parent Company   |                | Consolidated     |                  |
|---------------------------------|------------------|----------------|------------------|------------------|
|                                 | 3/31/2016        | 12/31/2015     | 3/31/2016        | 12/31/2015       |
| Finished goods                  |                  |                |                  |                  |
| Pulp                            |                  |                |                  |                  |
| Domestic                        | 143,275          | 87,930         | 143,275          | 87,930           |
| Foreign                         | -                | -              | 255,511          | 341,856          |
| Paper                           |                  |                |                  |                  |
| Domestic                        | 225,992          | 168,382        | 225,992          | 168,382          |
| Foreign                         | -                | -              | 77,864           | 67,920           |
| Work in process                 | 65,286           | 45,616         | 65,286           | 45,616           |
| Raw materials                   | 396,942          | 404,975        | 396,942          | 404,975          |
| Maintenance and other materials | 221,588          | 188,760        | 233,263          | 199,317          |
|                                 | <b>1,053,083</b> | <b>895,663</b> | <b>1,398,133</b> | <b>1,315,996</b> |

On March 31, 2016, the Parent Company and Consolidated balances of inventories are net of provision for losses amounting to R\$43,222, of which: i) finished goods totaled R\$685; ii) raw materials totaled R\$24,162; and iii) maintenance materials totaled R\$18,375 (R\$42,466 on December 31, 2015, of which: i) finished goods totaled R\$703; ii) raw materials totaled R\$23,502; and iii) maintenance materials totaled R\$18,261.

No inventory items were given as collateral for or guarantee of liabilities for the periods presented.

## 9 Recoverable taxes

|                                                                | Parent Company |                  | Consolidated   |                  |
|----------------------------------------------------------------|----------------|------------------|----------------|------------------|
|                                                                | 3/31/2016      | 12/31/2015       | 3/31/2016      | 12/31/2015       |
| IRPJ and CSLL - advances and withheld taxes                    | 170,214        | 158,747          | 174,736        | 163,237          |
| PIS and COFINS - on acquisition of fixed assets <sup>(a)</sup> | 64,901         | 70,275           | 64,901         | 70,275           |
| PIS and COFINS - other operations <sup>(b)</sup>               | 231,909        | 323,731          | 231,909        | 323,731          |
| ICMS - on acquisition of fixed assets <sup>(a)</sup>           | 75,197         | 75,795           | 75,197         | 75,795           |
| ICMS - other operations <sup>(b)</sup>                         | 256,478        | 230,029          | 265,604        | 235,651          |
| Other taxes and contributions <sup>(c)</sup>                   | 171,349        | 169,207          | 185,908        | 169,315          |
| Provision for losses of ICMS credits                           | (9,012)        | (7,998)          | (9,012)        | (7,998)          |
|                                                                | <b>961,036</b> | <b>1,019,786</b> | <b>989,243</b> | <b>1,030,006</b> |
| Total current assets                                           | 617,498        | 586,716          | 645,705        | 596,936          |
| Total non-current assets                                       | 343,538        | 433,070          | 343,538        | 433,070          |

<sup>(a)</sup> Credits whose realization is linked to the depreciation period of the corresponding asset.

<sup>(b)</sup> Credits available for immediate realization.

<sup>(c)</sup> On March 31, 2016, includes the amount of R\$158,731 referring to credits of the Special Regime of Tax Refunds for Export Companies ("Reintegra"), in accordance with Law 13,043/2014 and Decrees 8,415 of February 27, 2015 and 8,543 of October 21, 2015 (on December 31, 2015, the amount was R\$157,021).



### **9.1 Income tax and social contribution on net income**

Represents IRPJ and CSLL credits paid by estimate during the year whose adjusted calculation base at the end of the fiscal year was a tax loss, taxes withheld on financial investments and restatement based on the Selic rate. The credits are used to offset other federal taxes due and withholding taxes payable.

### **9.2 Social integration program ("PIS") and Contribution for social security financing ("COFINS")**

The amounts refer substantially to the credits from inputs and services acquired for product manufacturing, the sale of which were not taxed upon billing, as they were exported, and on the acquisition of property, plant and equipment and services related to the Imperatriz/MA industrial unit, whose part of tax credit will be based on the depreciation term of these assets. The Company will realize these credits with debits deriving from business activities and through other federal tax carryforwards.

### **9.3 State value-added tax on goods and services ("ICMS")**

On March 31, 2016, the credits of R\$82,794 and R\$141,176 of the Mucuri - BA and Imperatriz - MA units, respectively (R\$80,264 and R\$125,297, respectively, on December 31, 2015) were chiefly due to the non-utilization of credits in outflows of tax-exempted pulp and paper exports.

The Company requested that the Treasury Department of the States of Bahia and Maranhão inspect and ratify these credits for their realization. The amounts of R\$63,489 and R\$26,375 in Bahia and Maranhão, respectively, are ratified and may be used for the offsetting authorized by the ICMS (State VAT) Regulations or traded in the active market.

The Company recorded a provision for the partial loss of these ICMS credits of Maranhão in the amount of R\$9,012 (R\$7,988 on December 31, 2015).

## **10 Timber Development Program**

On March 31, 2016, the balance of advances of financial resources and inputs for timber development amounted to R\$237,450, classified under current and non-current assets (R\$251,852 on December 31, 2015).

This development program is a system whereby independent producers plant eucalyptus at their own farms in order to supply the agricultural product (timber) to the Company, with these advances not subject to valuation by fair value.

## 11 Related parties

### 11.1 Balances and transactions in the three-month period ended March 31, 2016

| Transactions                   | Nature of the main operation               | ASSETS                   |               | LIABILITIES           |                          | RESULT                   |
|--------------------------------|--------------------------------------------|--------------------------|---------------|-----------------------|--------------------------|--------------------------|
|                                |                                            | Current                  | Non-current   | Current               | Non-current              | Income (expenses)        |
| <b>With subsidiaries</b>       |                                            |                          |               |                       |                          |                          |
| Suzano Trading                 | Sale of pulp and paper                     | 2,516,929 <sup>(b)</sup> | -             | 33,499 <sup>(a)</sup> | 4,394,240 <sup>(a)</sup> | 1,296,721 <sup>(b)</sup> |
| Paineiras                      | Land lease                                 | -                        | -             | 417                   | -                        | (1,136)                  |
| Paineiras Logística            | Commissioning of road transport            | 2,000                    | -             | 11,641                | -                        | (55,280)                 |
| Stenfar                        | Sale of paper                              | 20,215 <sup>(b)</sup>    | -             | 4,713                 | -                        | 20,318 <sup>(b)</sup>    |
| Ondurman                       | Land lease                                 | -                        | -             | -                     | -                        | (3,743)                  |
| Amulya                         | Land lease                                 | -                        | -             | -                     | -                        | (2,504)                  |
| Futuragene                     | Shared expenses                            | 6 <sup>(d)</sup>         | -             | -                     | -                        | -                        |
|                                |                                            | <b>2,539,150</b>         | <b>-</b>      | <b>50,270</b>         | <b>4,394,240</b>         | <b>1,254,376</b>         |
| <b>With related parties</b>    |                                            |                          |               |                       |                          |                          |
| Suzano Holding S.A.            | Guarantees and administrative expenses     | -                        | -             | 330                   | -                        | (5,349)                  |
| IPLF Holding S.A.              | Shared expenses                            | -                        | -             | -                     | -                        | -                        |
| Central                        | Sale of paper                              | 13,933 <sup>(b)</sup>    | -             | 13,417 <sup>(c)</sup> | -                        | 11,333 <sup>(b)</sup>    |
| Nemonorte                      | Real-estate consulting services            | -                        | -             | -                     | -                        | (58)                     |
| Mabex                          | Aircraft services                          | -                        | -             | -                     | -                        | -                        |
| Lazam - MDS                    | Insurance consulting and advisory services | -                        | -             | -                     | -                        | (77)                     |
| Ecofuturo                      | Social services                            | -                        | -             | 2                     | -                        | (875)                    |
| Bexma                          | Administrative expenses                    | -                        | -             | -                     | -                        | -                        |
| Ibema                          | Sale of pulp                               | 43,502                   | 13,000        | 527                   | -                        | 31,920                   |
| Shareholders                   | Dividends and interest on equity           | -                        | -             | 122                   | -                        | -                        |
|                                |                                            | <b>57,435</b>            | <b>13,000</b> | <b>14,398</b>         | <b>-</b>                 | <b>36,893</b>            |
| <b>Between related parties</b> |                                            |                          |               |                       |                          |                          |
| Stenfar                        | Shared expenses                            | 3,456                    | -             | -                     | -                        | (309)                    |
| IPLF Holding S.A.              | Shared expenses                            | -                        | -             | 3,456                 | -                        | 309                      |
|                                |                                            | <b>3,456</b>             | <b>-</b>      | <b>3,456</b>          | <b>-</b>                 | <b>-</b>                 |
|                                |                                            | <b>2,600,041</b>         | <b>13,000</b> | <b>68,124</b>         | <b>4,394,240</b>         | <b>1,291,269</b>         |

### 11.2 Balances in the three-month period ended December 31, 2015 and transactions in the three-month period ended March 31, 2015

| Transactions                   | Nature of the main operation               | ASSETS                   |             | LIABILITIES           |                          | RESULT                   |
|--------------------------------|--------------------------------------------|--------------------------|-------------|-----------------------|--------------------------|--------------------------|
|                                |                                            | Current                  | Non-current | Current               | Non-current              | Income (expenses)        |
| <b>With subsidiaries</b>       |                                            |                          |             |                       |                          |                          |
| Suzano Trading                 | Sale of pulp and paper                     | 2,786,432 <sup>(b)</sup> | -           | 72,033 <sup>(a)</sup> | 4,821,230 <sup>(a)</sup> | 1,015,125 <sup>(b)</sup> |
| Paineiras                      | Land lease                                 | -                        | -           | 417                   | -                        | (1,252)                  |
| Paineiras Logística            | Commissioning of road transport            | 14,100                   | -           | 29,928                | -                        | (55,506)                 |
| Stenfar                        | Sale of paper                              | 36,049 <sup>(b)</sup>    | -           | 7,574                 | -                        | 17,540 <sup>(b)</sup>    |
| Ondurman                       | Land lease                                 | -                        | -           | -                     | -                        | (3,454)                  |
| Amulya                         | Land lease                                 | -                        | -           | -                     | -                        | (2,441)                  |
| Futuragene                     | Shared expenses                            | 6 <sup>(d)</sup>         | -           | -                     | -                        | -                        |
|                                |                                            | <b>2,836,587</b>         | <b>-</b>    | <b>109,952</b>        | <b>4,821,230</b>         | <b>970,012</b>           |
| <b>With related parties</b>    |                                            |                          |             |                       |                          |                          |
| Suzano Holding S.A.            | Guarantees and administrative expenses     | 15                       | -           | 345                   | -                        | (9,923)                  |
| IPLF Holding S.A.              | Shared expenses                            | 2                        | -           | -                     | -                        | 6                        |
| Central                        | Sale of paper                              | 16,461 <sup>(b)</sup>    | -           | 15,493 <sup>(c)</sup> | -                        | 6,702 <sup>(b)</sup>     |
| Nemonorte                      | Real-estate consulting services            | -                        | -           | -                     | -                        | (68)                     |
| Mabex                          | Aircraft services                          | -                        | -           | -                     | -                        | (10)                     |
| Lazam - MDS                    | Insurance consulting and advisory services | -                        | -           | -                     | -                        | (81)                     |
| Ecofuturo                      | Social services                            | -                        | -           | -                     | -                        | (872)                    |
| Bexma                          | Administrative expenses                    | -                        | -           | -                     | -                        | 40                       |
| Shareholders                   | Dividends and interest on equity           | -                        | -           | 114                   | -                        | -                        |
|                                |                                            | <b>16,478</b>            | <b>-</b>    | <b>15,952</b>         | <b>-</b>                 | <b>(4,206)</b>           |
| <b>Between related parties</b> |                                            |                          |             |                       |                          |                          |
| Stenfar                        | Shared expenses                            | 3,770                    | -           | -                     | -                        | 654                      |
| IPLF Holding S.A.              | Shared expenses                            | -                        | -           | 3,770                 | -                        | (654)                    |
|                                |                                            | <b>3,770</b>             | <b>-</b>    | <b>3,770</b>          | <b>-</b>                 | <b>-</b>                 |
|                                |                                            | <b>2,856,835</b>         | <b>-</b>    | <b>129,673</b>        | <b>4,821,230</b>         | <b>965,805</b>           |

<sup>(a)</sup> New loans through subsidiaries (Note 17, items f and h).

<sup>(b)</sup> Pulp and paper sales operations;

<sup>(c)</sup> Vendor operations classified as loans and financing (Note 17)

<sup>(d)</sup> Includes telephone, facilities and administrative expenses.

Legend of names of related parties:

Bexma Comercial Ltda. ("Bexma")  
 Central Distribuidora de Papéis Ltda. ("Central")  
 Instituto Ecofuturo - Futuro para o Desenvolvimento Sustentável ("Ecofuturo")  
 Lazam MDS Corretora e Adm. Seguros S.A. ("Lazam-MDS")  
 Mabex Representações e Participações Ltda. ("Mabex")  
 Nemonorte Imóveis e Participações Ltda. ("Nemonorte")

Transactions with subsidiaries and related parties are recorded under the following items in the balance sheet:

|                                                      | Note | Parent Company     |                    | Consolidated    |                 |
|------------------------------------------------------|------|--------------------|--------------------|-----------------|-----------------|
|                                                      |      | 3/31/2016          | 12/31/2015         | 3/31/2016       | 12/31/2015      |
| <b>Balance receivable</b>                            |      |                    |                    |                 |                 |
| Trade accounts receivable                            | 7    | 2.594.585          | 2.838.967          | 60.891          | 20.248          |
| Receivables from subsidiaries - current              |      | 2.000              | 14.100             | -               | -               |
| Receivables with other related parties - non-current |      | 13.000             | -                  | 13.000          | -               |
|                                                      |      | <u>2.609.585</u>   | <u>2.853.067</u>   | <u>73.891</u>   | <u>20.248</u>   |
| <b>Balance payable</b>                               |      |                    |                    |                 |                 |
| Dividends and Interest on Equity payable             |      | (122)              | (114)              | (122)           | (114)           |
| Loans and financing                                  | 17   | (13.747)           | (15.838)           | (13.747)        | (15.838)        |
| Trade accounts payable                               |      | (529)              | -                  | (529)           | -               |
| Obligations with related parties - current           |      | (50.270)           | (109.952)          | -               | -               |
| Obligations with related parties - non-current       |      | (4.394.240)        | (4.821.230)        | -               | -               |
|                                                      |      | <u>(4.458.908)</u> | <u>(4.947.134)</u> | <u>(14.398)</u> | <u>(15.952)</u> |
|                                                      |      | <u>(1.849.323)</u> | <u>(2.094.067)</u> | <u>59.493</u>   | <u>4.296</u>    |

### 11.3 Management compensation

On March 31, 2016, expenses related to the compensation of key management personnel, which include the Board of Directors, Fiscal Council and Board of Executive Officers, in addition to certain executives, recognized in the statement of income for the period amounted to R\$36,255 at the Parent Company and on a consolidated basis (R\$36,905 at the Parent Company and on a consolidated basis on March 31, 2015).

|                              | Parent Company |               | Consolidated  |               |
|------------------------------|----------------|---------------|---------------|---------------|
|                              | 3/31/2016      | 3/31/2015     | 3/31/2016     | 3/31/2015     |
| <b>Short-term benefits</b>   |                |               |               |               |
| Salary or compensation       | 5,539          | 4,262         | 5,539         | 4,262         |
| Direct and indirect benefits | 489            | 1,453         | 489           | 1,453         |
| Bonus                        | 4,753          | 5,351         | 4,753         | 5,351         |
|                              | <u>10,781</u>  | <u>11,066</u> | <u>10,781</u> | <u>11,066</u> |
| <b>Long-term benefits</b>    |                |               |               |               |
| Share-based compensation     | 25,474         | 25,839        | 25,474        | 25,839        |
|                              | <u>25,474</u>  | <u>25,839</u> | <u>25,474</u> | <u>25,839</u> |
| <b>Total</b>                 | <u>36,255</u>  | <u>36,905</u> | <u>36,255</u> | <u>36,905</u> |

Short-term benefits include fixed compensation (salaries and fees, vacation, mandatory "13<sup>th</sup> salary" bonus), and payroll charges (company share of contributions to social security - INSS) and variable compensation such as profit sharing, bonus and benefits (company car, health plan, meal voucher, grocery voucher, life insurance and private pension plan).



Long-term benefits include the stock option plan and phantom shares for executives and key management members, in accordance with the specific regulations (see Note 20).

## 12 Biological Assets

Biological assets are reforested eucalyptus forests in the growth phase, used to supply wood to pulp plants. The changes in the balances of biological assets in the respective periods are shown below:

|                                 | <b>Parent Company</b>   | <b>Consolidated</b>     |
|---------------------------------|-------------------------|-------------------------|
| Balance on December 31, 2014    | 3,743,131               | 3,659,421               |
| Additions <sup>(a)</sup>        | 1,135,766               | 1,115,320               |
| Depletion in the year           | (602,418)               | (602,418)               |
| Gain on fair value adjustment   | 23,145                  | 23,145                  |
| Other write-offs <sup>(b)</sup> | <u>(64,960)</u>         | <u>(64,960)</u>         |
| Balance on December 31, 2015    | 4,234,664               | 4,130,508               |
| Additions <sup>(a)</sup>        | <b>221,298</b>          | <b>215,922</b>          |
| Depletion in the period         | <b>(144,127)</b>        | <b>(144,127)</b>        |
| Other write-offs <sup>(b)</sup> | <u><b>(4,365)</b></u>   | <u><b>(4,365)</b></u>   |
| Balance on December 31, 2016    | <u><b>4,307,470</b></u> | <u><b>4,197,938</b></u> |

(a) On March 31, 2016, the costs with land leasing totaling R\$5,376 (December 31, 2015 - R\$ 20,446) incurred at subsidiaries were eliminated for the consolidated figures.

(b) On March 31, 2016, the amount of R\$221 refers to sales made in the period, and R\$4,144 to other write-offs related to losses and claims (on December 31, 2015, the amounts were R\$18,303 and R\$46,657, respectively).

The fair value of biological assets is calculated on an annual basis, as reported in Note 12 to the Company's annual financial statements. There were no events in this period that indicate material changes in the balances of such assets. The company monitors quarterly the fair value of biological assets, related to exhaustion and new incorporated forest areas, to measure if there is any material change.

### 13 Deferred income and social contribution taxes

The Company, based on expected generation of future taxable income as determined by a technical study approved by Management, recognized deferred tax assets over temporary differences, income and social contribution tax loss carryforwards, which do not expire.

Deferred income and social contribution taxes are originated as follows:

|                                                         | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---------------------------------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                                         | <b>3/31/2016</b>      | <b>12/31/2015</b> | <b>3/31/2016</b>    | <b>12/31/2015</b> |
| <b>Non-current assets</b>                               |                       |                   |                     |                   |
| Income tax                                              |                       |                   |                     |                   |
| Credits over tax losses                                 | <b>705,256</b>        | 743,526           | <b>707,610</b>      | 746,109           |
| Credits over temporary differences:                     |                       |                   |                     |                   |
| - Credits over provisions                               | <b>226,023</b>        | 265,286           | <b>226,023</b>      | 265,286           |
| Credits over effects of Law 11,941/09 and IFRS          | <b>225,936</b>        | 255,633           | <b>225,936</b>      | 255,633           |
|                                                         | <b>1,157,215</b>      | 1,264,445         | <b>1,159,569</b>    | 1,267,028         |
| Social contribution                                     |                       |                   |                     |                   |
| Credits over social contribution tax loss carryforwards | <b>118,256</b>        | 153,973           | <b>118,256</b>      | 153,973           |
| Credits over temporary differences:                     |                       |                   |                     |                   |
| - Credits over provisions                               | <b>81,368</b>         | 95,503            | <b>81,368</b>       | 95,503            |
| Credits over effects of Law 11,941/09 and IFRS          | <b>81,337</b>         | 92,028            | <b>81,337</b>       | 92,028            |
|                                                         | <b>280,961</b>        | 341,504           | <b>280,961</b>      | 341,504           |
| <b>Total non-current assets:</b>                        | <b>1,438,176</b>      | 1,605,949         | <b>1,440,530</b>    | 1,608,532         |
| <b>Non-current liabilities</b>                          |                       |                   |                     |                   |
| Income tax                                              |                       |                   |                     |                   |
| Debits over accelerated depreciation                    | <b>807,359</b>        | 604,209           | <b>807,359</b>      | 604,209           |
| Debits over goodwill amortization                       | <b>117,903</b>        | 117,334           | <b>117,903</b>      | 117,334           |
| Debits over effects of Law 11,941/09 and IFRS           | <b>1,329,577</b>      | 1,293,234         | <b>1,418,737</b>    | 1,382,394         |
|                                                         | <b>2,254,839</b>      | 2,014,777         | <b>2,343,999</b>    | 2,103,937         |
| Social contribution                                     |                       |                   |                     |                   |
| Debits over goodwill amortization                       | <b>42,445</b>         | 42,240            | <b>42,445</b>       | 42,240            |
| Debits over effects of Law 11,941/09 and IFRS           | <b>478,649</b>        | 465,563           | <b>510,747</b>      | 497,661           |
|                                                         | <b>521,094</b>        | 507,803           | <b>553,192</b>      | 539,901           |
| <b>Total non-current liabilities</b>                    | <b>2,775,933</b>      | 2,522,580         | <b>2,897,191</b>    | 2,643,838         |
| Total non-current assets, net                           | -                     | -                 | <b>2,354</b>        | 2,583             |
| Total non-current liabilities, net                      | <b>1,337,757</b>      | 916,631           | <b>1,459,015</b>    | 1,037,889         |
|                                                         | <b>1,337,757</b>      | 916,631           | <b>1,456,661</b>    | 1,035,306         |

The breakdown of accumulated tax losses and social contribution tax loss carryforwards is shown below:

|                                           | Parent Company   |            | Consolidated     |            |
|-------------------------------------------|------------------|------------|------------------|------------|
|                                           | 3/31/2016        | 12/31/2015 | 3/31/2016        | 12/31/2015 |
| Tax losses                                | <b>2.821.024</b> | 2.974.104  | <b>2.830.440</b> | 2.984.436  |
| Social contribution tax loss carryforward | <b>1.313.951</b> | 1.710.812  | <b>1.313.951</b> | 1.710.812  |

### 13.1 Reconciliation of the effects of income tax and social contribution on profit or loss

|                                                                                     | Parent Company   |                                    | Consolidated     |                |
|-------------------------------------------------------------------------------------|------------------|------------------------------------|------------------|----------------|
|                                                                                     | 3/31/2016        | Three-month period ended 3/31/2015 | 3/31/2016        | 3/31/2015      |
| Income (Loss) before income and social contribution taxes                           | 1.629.975        | (1.170.076)                        | 1.635.220        | (1.167.714)    |
| Income and social contribution taxes at the nominal rate of 34%                     | (554.192)        | 397.826                            | (555.975)        | 397.023        |
| Adjustment for accounting of tax rate:                                              |                  |                                    |                  |                |
| Tax effects of Law 11,941/09 and IFRS                                               | 8.485            | (1.587)                            | -                | -              |
| Tax incentive - Reduction SUDENE <sup>(a)</sup>                                     | 89.225           | -                                  | 89.225           | -              |
| Income and social contribution taxes on the result of equity interest               | (42.735)         | 14.939                             | (23.669)         | 28.601         |
| Profit or loss taxed at effective rates that differ from nominal rate               | -                | -                                  | (3.462)          | (3.165)        |
| Reintegra credit                                                                    | 582              | 9.936                              | 582              | 9.936          |
| Other non-deductible effects                                                        | (6.682)          | (13.497)                           | (17.263)         | (27.140)       |
| <b>Income tax</b>                                                                   |                  |                                    |                  |                |
| Current                                                                             | (180)            | -                                  | (4.897)          | (2.045)        |
| Deferred                                                                            | (347.294)        | 299.718                            | (347.463)        | 299.718        |
|                                                                                     | <b>(347.474)</b> | <b>299.718</b>                     | <b>(352.360)</b> | <b>297.673</b> |
| <b>Social Contribution</b>                                                          |                  |                                    |                  |                |
| Current                                                                             | (84.011)         | -                                  | (84.370)         | (317)          |
| Deferred                                                                            | (73.832)         | 107.899                            | (73.832)         | 107.899        |
|                                                                                     | <b>(157.843)</b> | <b>107.899</b>                     | <b>(158.202)</b> | <b>107.582</b> |
| Income and social contribution taxes income recorded as profit or loss in the years | <b>(505.317)</b> | <b>407.617</b>                     | <b>(510.562)</b> | <b>405.255</b> |
| Effective rate of income and social contribution taxes recorded as profit or loss   | 31%              | -                                  | 31%              | -              |

(a) The Company used the benefit of reducing 75% calculated based on Exploration Profit of Mucuri/BA and Imperatriz/MA units.

On March 31, 2015, the Company recorded tax losses; therefore, there is no effective rate for this period.

Deferred income tax expense in the period is composed of: a) use of tax benefit of Stimulated Accelerated Depreciation ("DAI"), with deferred income tax totaling R\$203,151 and b) tax credits on use of tax losses and on temporary differences amounting to R\$144,312.

Deferred social contribution expenses is composed of: a) realization of tax credits on tax loss carryforwards amounting to R\$35,717; and b) realization of tax credits on temporary differences amounting to R\$38,115.

### 13.2 Tax incentives

The industrial units at Mucuri/BA and Imperatriz/MA are located in an area under the supervision of SUDENE, the agency for the development of northeast Brazil, and are benefitted by tax incentives for a 75% reduction in the income tax on the exploration profit and the DAI.

For Mucuri/BA unit, lines 1 and 2 have tax benefit for 75% of income tax on the exploration profit up to the calendar years 2024 and 2018, respectively. Imperatriz unit is benefitted from tax incentive until 2024. This tax incentive is calculated in profit or loss of stimulated operations calculated based on the exploration profit. The result obtained from this tax benefit is the reduction in income tax expense. The amount reduced from income tax is allocated to the capital reserve account, pursuant to law.

The benefit of DAI represents the deferred payment of Income Tax ("IRPJ") and is not applicable to Social Contribution on net Income ("CSLL"). This tax benefit is controlled in the part "B" of Tax Accounting Records ("ECF") and hence does not affect depreciation expenses recorded for such assets in subsequent years.

At the Mucuri/BA unit, full depreciation of property, plant and equipment acquired for Line 2 took place with the operational start-up of the Line. For other items of property, plant and equipment of the units of Bahia and Maranhão, the tax incentive obtained, which applied to acquisitions taking place until December 2018, may be exercised up to 4 years after acquisition of the asset.

## 14 Investments

| Subsidiaries                                  | Information on Subsidiaries on 3/31/2016 |                                     |                 |                                                  | Equity Accounting |           | Investments and (Provision) for Investment Losses |            |
|-----------------------------------------------|------------------------------------------|-------------------------------------|-----------------|--------------------------------------------------|-------------------|-----------|---------------------------------------------------|------------|
|                                               | Balance sheet                            |                                     |                 | Result in the three-month period ended 3/31/2016 |                   |           |                                                   |            |
|                                               | Assets                                   | Current and Non-Current Liabilities | Adjusted Equity |                                                  | 3/31/2016         | 3/31/2015 | 3/31/2016                                         | 12/31/2015 |
| <b>Subsidiaries and direct joint ventures</b> |                                          |                                     |                 |                                                  |                   |           |                                                   |            |
| Amulya                                        | 63,211                                   | 49,794                              | 13,417          | 859                                              | 859               | 779       | 13,417                                            | 12,557     |
| Asapir                                        | 14,628                                   | 12,256                              | 2,372           | (214)                                            | (107)             | 2,245     | 1,185                                             | 1,293      |
| Bahia Sul Holdings                            | 56                                       | -                                   | 56              | (4)                                              | (4)               | 4         | 56                                                | 63         |
| Ondurman (a)                                  | 83,237                                   | 57,503                              | (59,695)        | 1,856                                            | (2,267)           | (2,329)   | (59,695)                                          | (57,427)   |
| Paineiras (a)                                 | 404,453                                  | 121,516                             | 255,189         | 1,559                                            | 305               | 800       | 255,190                                           | 255,559    |
| Paineiras Logística                           | 16,948                                   | 15,924                              | 1,024           | (5,416)                                          | (5,416)           | (702)     | 1,024                                             | 4,440      |
| Stenfar (a)                                   | 102,827                                  | 71,432                              | 20,307          | 3,892                                            | 900               | (3,475)   | 15,411                                            | 20,717     |
| Sun Paper                                     | 6,251                                    | 692                                 | 5,559           | 73                                               | 67                | 726       | 5,559                                             | 6,214      |
| Suzano America (a)                            | 421,187                                  | 378,842                             | (55,576)        | 1,044                                            | 2,716             | (22,929)  | (55,576)                                          | (54,180)   |
| Suzano Europa (a)                             | 3,246,793                                | 3,184,595                           | (101,683)       | 2,557                                            | 50,294            | (33,352)  | (101,683)                                         | (148,429)  |
| Suzano Trading                                | 7,085,445                                | 7,224,019                           | (138,828)       | (128,754)                                        | (97,732)          | 18,053    | (138,828)                                         | (44,923)   |
| Ibema                                         | 403,997                                  | 390,342                             | 13,655          | (7,497)                                          | (2,847)           | -         | 5,153                                             |            |
|                                               |                                          |                                     |                 |                                                  | (53,232)          | (40,180)  | (58,787)                                          | (4,116)    |
| <b>Total investments</b>                      |                                          |                                     |                 |                                                  |                   |           | 296,995                                           | 300,843    |
| <b>Total provisions for losses</b>            |                                          |                                     |                 |                                                  |                   |           | (355,782)                                         | (304,959)  |
| <b>Indirect subsidiaries</b>                  |                                          |                                     |                 |                                                  |                   |           |                                                   |            |
| Futuragene Ltd.                               | 93,092                                   | 32,259                              | 60,833          | 3,243                                            | (29,356)          | (28,339)  | 60,833                                            | 36,310     |
| Stenfar (a)                                   | 102,827                                  | 71,432                              | 20,307          | 3,892                                            | 373               | 1,633     | 3,139                                             | 3,440      |
|                                               |                                          |                                     |                 |                                                  | (28,983)          | (26,706)  | 63,972                                            | 39,750     |

(a) The shareholders' equity of these subsidiaries considers the elimination of the unrealized profits.



## 14.1 Changes in investments

|                                                | Parent Company  |                |
|------------------------------------------------|-----------------|----------------|
|                                                | 3/31/2016       | 12/31/2015     |
| Opening balance                                | (4,116)         | 247,740        |
| Equity accounting                              | (53,232)        | (306,204)      |
| Exchange variation in investees <sup>(a)</sup> | (11,438)        | 39,120         |
| Capital increase <sup>(b)</sup>                | 2,000           | 8,550          |
| Share acquisition <sup>(c)</sup>               | 8,000           | 6,679          |
| Closing balance                                | <u>(58,786)</u> | <u>(4,116)</u> |

<sup>(a)</sup> Includes exchange variation on translation of financial statements and foreign investments.

<sup>(b)</sup> During the first quarter of 2016, the Company increased capital stock in the amount of R\$2,000 in Paineiras Logística.

<sup>(c)</sup> See Note 1, b) i).





## 15 Property, Plant and Equipment

| Parent Company                   |              |                         |              |                 |                  |                                     |
|----------------------------------|--------------|-------------------------|--------------|-----------------|------------------|-------------------------------------|
|                                  | Buildings    | Machinery and equipment | Other assets | Lands and farms | Work in progress | Total property, plant and equipment |
| Annual average depreciation rate | 3.86%        | 5.23%                   | 18.23%       | -               | -                | -                                   |
| <b>Cost</b>                      |              |                         |              |                 |                  |                                     |
| Balances on December 31, 2014    | 2,525,758    | 14,639,844              | 230,797      | 3,822,859       | 402,977          | 21,622,235                          |
| Transfers                        | 117,120      | 410,183                 | 33,512       | 9,943           | (570,758)        | -                                   |
| Transfers between other assets   | (b) (17,266) | (77,066)                | (1,903)      | (1,291)         | (15,377)         | (112,903)                           |
| Additions                        | (200)        | 118,709                 | 12,643       | -               | 392,734          | 523,886                             |
| Write-offs                       | (a) (1,100)  | (34,400)                | (1,539)      | (12,196)        | -                | (49,235)                            |
| Interest capitalization          | -            | -                       | -            | -               | 6,930            | 6,930                               |
| Balance on December 31, 2015     | 2,624,312    | 15,057,270              | 273,510      | 3,819,315       | 216,506          | 21,990,913                          |
| Transfers                        | 10,836       | 96,716                  | 6,647        | 2,877           | (117,076)        | -                                   |
| Transfers between other assets   | (b) -        | 1,711                   | -            | -               | (9,695)          | (7,984)                             |
| Additions                        | -            | 18,041                  | 512          | -               | 118,206          | 136,759                             |
| Write-offs                       | (a) (275)    | (3,869)                 | (352)        | (1)             | -                | (4,497)                             |
| Balance on March 31, 2016        | 2,634,873    | 15,169,869              | 280,317      | 3,822,191       | 207,941          | 22,115,191                          |
| <b>Depreciation</b>              |              |                         |              |                 |                  |                                     |
| Balances on December 31, 2014    | (609,553)    | (4,710,743)             | (145,310)    | -               | -                | (5,465,606)                         |
| Transfers between other assets   | (b) 10,031   | 65,328                  | 2,590        | -               | -                | 77,949                              |
| Write-offs                       | (a) 965      | 25,138                  | 984          | -               | -                | 27,087                              |
| Depreciation                     | (86,327)     | (706,703)               | (19,661)     | -               | -                | (812,691)                           |
| Balance on December 31, 2015     | (684,884)    | (5,326,980)             | (161,397)    | -               | -                | (6,173,261)                         |
| Transfers                        | -            | 1,721                   | (1,721)      | -               | -                | -                                   |
| Write-offs                       | (a) 124      | 2,921                   | 177          | -               | -                | 3,222                               |
| Depreciation                     | (19,116)     | (169,295)               | (6,351)      | -               | -                | (194,762)                           |
| Balance on March 31, 2016        | (703,876)    | (5,491,633)             | (169,292)    | -               | -                | (6,364,801)                         |
| <b>Residual value</b>            |              |                         |              |                 |                  |                                     |
| Balance on March 31, 2016        | 1,930,997    | 9,678,236               | 111,025      | 3,822,191       | 207,941          | 15,750,390                          |
| Balance on December 31, 2015     | 1,939,428    | 9,730,290               | 112,113      | 3,819,315       | 216,506          | 15,817,652                          |

|                                  |     |               |             |           |           | Consolidated    |                     |
|----------------------------------|-----|---------------|-------------|-----------|-----------|-----------------|---------------------|
|                                  |     | Machinery and | Other       | Lands and | Work      | Total property, |                     |
|                                  |     | Buildings     | equipment   | assets    | farms     | in progress     | plant and equipment |
| Annual average depreciation rate |     | 3.86%         | 5.23%       | 18.23%    | -         | -               | -                   |
| <b>Cost</b>                      |     |               |             |           |           |                 |                     |
| Balances on December 31, 2014    |     | 2,527,065     | 14,646,051  | 239,455   | 4,338,167 | 402,977         | 22,153,715          |
| Transfers                        |     | 117,792       | 411,720     | 32,418    | 10,429    | (572,359)       | -                   |
| Transfers between other assets   | (b) | (17,266)      | (77,066)    | (1,903)   | (1,291)   | (15,376)        | (112,902)           |
| Additions                        |     | (21)          | 119,554     | 15,058    | 975       | 394,334         | 529,900             |
| Write-offs                       | (a) | (1,100)       | (34,401)    | (1,734)   | (12,196)  | -               | (49,431)            |
| Interest capitalization          |     | -             | -           | -         | -         | 6,930           | 6,930               |
| Balances on December 31, 2015    |     | 2,626,470     | 15,065,858  | 283,294   | 4,336,084 | 216,506         | 22,528,212          |
| Transfers                        |     | 10,836        | 96,716      | 6,647     | 2,877     | (117,076)       | -                   |
| Transfers between other assets   | (b) | -             | 1,711       | -         | -         | (9,695)         | (7,984)             |
| Additions                        |     | (58)          | 17,723      | 230       | (211)     | 118,206         | 135,890             |
| Write-offs                       | (a) | (276)         | (3,869)     | (352)     | (1)       | -               | (4,498)             |
| Balances on March 31, 2016       |     | 2,636,972     | 15,178,139  | 289,819   | 4,338,749 | 207,941         | 22,651,620          |
| <b>Depreciation</b>              |     |               |             |           |           |                 |                     |
| Balances on December 31, 2014    |     | (610,208)     | (4,713,702) | (148,552) | -         | -               | (5,472,462)         |
| Transfers between other assets   | (b) | 10,031        | 65,328      | 2,590     | -         | -               | 77,949              |
| Write-offs                       | (a) | 965           | 25,138      | 1,142     | -         | -               | 27,245              |
| Depreciation                     |     | (86,469)      | (707,510)   | (20,731)  | -         | -               | (814,710)           |
| Balances on December 31, 2015    |     | (685,681)     | (5,330,746) | (165,551) | -         | -               | (6,181,978)         |
| Transfers                        |     | -             | 1,721       | (1,721)   | -         | -               | -                   |
| Write-offs                       | (a) | 124           | 2,921       | 177       | -         | -               | 3,222               |
| Depreciation                     |     | (19,149)      | (169,463)   | (6,598)   | -         | -               | (195,210)           |
| Balances on March 31, 2016       |     | (704,706)     | (5,495,567) | (173,693) | -         | -               | (6,373,966)         |
| <b>Residual value</b>            |     |               |             |           |           |                 |                     |
| Balances on March 31, 2016       |     | 1,932,266     | 9,682,572   | 116,126   | 4,338,749 | 207,941         | 16,277,654          |
| Balances on December 31, 2015    |     | 1,940,789     | 9,735,112   | 117,743   | 4,336,084 | 216,506         | 16,346,234          |

a) In addition to disposals, write-offs include obsolescence and scrapping.

b) Includes transfers between the lines of inventory, intangible assets and non-current assets held for sale.

Machinery and equipment include amounts recognized as financial leasing outlined in Note 17.2.



On December 31, 2015, the Company conducted the annual asset impairment testing and no evidence of impairment was identified.

### 15.1 Assets given as collateral

On March 31, 2016, the Company and its subsidiaries had property, plant and equipment given as collateral in loan operations and lawsuits amounting to R\$10,619,292 (R\$10,932,132 on December 31, 2015).

### 15.2 Capitalized expenses

In the period ended March 31, 2016, no expenses were capitalized. During 2015, interests were capitalized in the amount of R\$6,930 referring to the investments in the implementation of the new digester system of Suzano unit.

## 16 Intangible Assets

### 16.1 Goodwill

The Company maintains goodwill not subject to amortization on investments in Vale Florestar and Paineiras Logística in the amounts of R\$45,435 and R\$10, respectively.

### 16.2 Intangible assets with determined useful life

|                                | Useful life (years) | Book Cost      | Accumulated Amortization | Exchange Rate Variation | Parent Company and Consolidated |                |
|--------------------------------|---------------------|----------------|--------------------------|-------------------------|---------------------------------|----------------|
|                                |                     |                |                          |                         | Residual Values                 |                |
|                                |                     |                |                          |                         | 3/31/2016                       | 12/31/2015     |
| <b>KSR <sup>(a)</sup></b>      |                     |                |                          |                         |                                 |                |
| Customer relationship          | 5                   | 22,617         | (22,617)                 | -                       | -                               | 754            |
| <b>Other intangible assets</b> |                     |                |                          |                         |                                 |                |
| Trademarks and patents         | 10                  | 1,420          | (852)                    | -                       | 568                             | 347            |
| Software                       | 5                   | 96,568         | (36,030)                 | -                       | 60,538                          | 51,569         |
| Other intangible assets        |                     | -              | -                        | -                       | -                               | -              |
| <b>Parent Company Balance</b>  |                     | <b>120,605</b> | <b>(59,499)</b>          | <b>-</b>                | <b>61,106</b>                   | <b>52,670</b>  |
| <b>Futuragene</b>              |                     |                |                          |                         |                                 |                |
| R&D Agreements                 | 18.8                | 153,316 (a)    | (90,641)                 | 140,948                 | 203,623                         | 227,685        |
| Other License Agreements       | 11.8                | 3,436 (a)      | (3,250)                  | 3,159                   | 3,345                           | 3,825          |
| <b>Consolidated Balance</b>    |                     | <b>277,357</b> | <b>(153,390)</b>         | <b>144,107</b>          | <b>268,074</b>                  | <b>284,180</b> |

a) Amount translated at the original U.S. dollar exchange rate on the date of calculation of the gain from allocation of the price paid.

On March 31, 2016, the amounts of R\$4,942 in the Parent Company and R\$9,427 in the Consolidated were amortized (R\$18,332 and R\$33,627, respectively, on December 31, 2015).

On December 31, 2015, no evidence of impairment was identified.

## 17 Loans and Financing

| Index                                              | Annual average interest rate on 3/31/2016 |         | Maturity | Parent Company |            | Consolidated |            |            |
|----------------------------------------------------|-------------------------------------------|---------|----------|----------------|------------|--------------|------------|------------|
|                                                    |                                           |         |          | 3/31/2016      | 12/31/2015 | 3/31/2016    | 12/31/2015 |            |
| Property, plant and equipment:                     |                                           |         |          |                |            |              |            |            |
| BNDES - Finem                                      | Fixed rate / TJLP                         | (a) (b) | 7.90%    | 2016 a 2024    | 1,275,821  | 1,335,246    | 1,296,308  | 1,353,777  |
| BNDES - Finem                                      | Currency basket / US\$                    | (b)     | 6.48%    | 2016 a 2022    | 600,324    | 675,576      | 600,324    | 675,576    |
| BNDES - Finame                                     | Fixed rate / TJLP                         | (a)     | 4.67%    | 2016 a 2024    | 21,126     | 21,982       | 21,126     | 21,982     |
| FNE - BNB                                          | Fixed rate                                | (b)     | 5.65%    | 2016 a 2024    | 196,228    | 200,794      | 196,228    | 200,794    |
| FINEP                                              | Fixed rate                                | (b)     | 4.20%    | 2016 a 2020    | 46,277     | 49,948       | 46,277     | 49,948     |
| Rural credit                                       | Fixed rate                                |         | 6.50%    | 2016           | 114,236    | 112,424      | 114,236    | 112,424    |
| Financial lease                                    | CDI / US\$                                |         |          | 2016 a 2022    | 28,744     | 32,619       | 28,744     | 32,619     |
| Export Credit Agency - ECA                         | US\$                                      | (b) (c) | 2.50%    | 2016 a 2022    | 1,438,964  | 1,571,288    | 1,438,964  | 1,571,288  |
|                                                    |                                           |         |          |                | 3,721,720  | 3,999,877    | 3,742,207  | 4,018,408  |
| Working capital:                                   |                                           |         |          |                |            |              |            |            |
| Export financing                                   | US\$                                      | (d)     | 4.60%    | 2016 a 2022    | 2,844,108  | 2,501,592    | 2,844,108  | 2,501,592  |
| Export credit note                                 | CDI / Taxa fixa                           | (e)     | 14.43%   | 2016 a 2021    | 3,022,197  | 3,077,244    | 3,022,197  | 3,077,244  |
| Senior Notes                                       | US\$ / Taxa fixa                          | (f)     | 5.88%    | 2021           | -          | -            | 2,294,290  | 2,553,535  |
| Trade notes discount-Vendor                        |                                           |         |          | 2016           | 46,010     | 38,470       | 46,010     | 38,470     |
| Bank Credit Note-CCB                               | CDI                                       | (g)     |          | 2016 a 2016    | -          | 178,271      | -          | 178,271    |
| Syndicated Loan                                    | Libor                                     | (h)     | 2.62%    | 2018 a 2020    | -          | -            | 2,124,524  | 2,329,362  |
| Confirming operations                              |                                           |         |          | 2016           | -          | 206,454      | -          | 206,454    |
| Other                                              |                                           |         |          | 2016           | 426        | 433          | 8,503      | 14,006     |
|                                                    |                                           |         |          |                | 5,912,741  | 6,002,464    | 10,339,632 | 10,898,934 |
|                                                    |                                           |         |          |                | 9,634,461  | 10,002,341   | 14,081,839 | 14,917,342 |
| Current (including interest payable)               |                                           |         |          |                | 2,248,299  | 1,939,391    | 2,287,728  | 2,024,964  |
| Non-current                                        |                                           |         |          |                | 7,386,162  | 8,062,950    | 11,794,111 | 12,892,378 |
| Non-current loans and financing mature as follows: |                                           |         |          |                |            |              |            |            |
| 2017                                               |                                           |         |          |                | 1,057,719  | 1,398,348    | 1,057,719  | 1,398,348  |
| 2018                                               |                                           |         |          |                | 1,717,164  | 1,822,151    | 2,432,124  | 2,605,788  |
| 2019                                               |                                           |         |          |                | 2,953,180  | 3,014,360    | 3,905,401  | 4,058,317  |
| 2020                                               |                                           |         |          |                | 801,228    | 852,056      | 1,261,279  | 1,354,486  |
| 2021                                               |                                           |         |          |                | 638,636    | 753,023      | 2,911,730  | 3,244,635  |
| 2022                                               |                                           |         |          |                | 142,127    | 147,265      | 145,308    | 149,942    |
| 2023 onwards                                       |                                           |         |          |                | 76,108     | 75,747       | 80,550     | 80,862     |
|                                                    |                                           |         |          |                | 7,386,162  | 8,062,950    | 11,794,111 | 12,892,378 |

- (a) Term of capitalization corresponds to those exceeding 6% of the Long-term interest rate ("TJLP") published by the Central Bank of Brazil;
- (b) Loans and financing are secured, depending on the agreement, by (i) plant mortgages; (ii) rural properties; (iii) fiduciary sale of the asset being financed; (iv) guarantee from shareholders, and (v) bank guarantee.
- (c) In October 2006, the Company contracted a US\$150 million loan agreement with BNP Paribas and Société Générale, in the proportion of 50% each, to finance imported equipment for the Mucuri/BA unit. In May 2013, the Company obtained funds through two import financing operations (ECA - Export Credit Agency) for equipment to be installed in the future pulp producing unit in Maranhão. The total amount contracted is equivalent to US\$535 million, for a term of up to 9.5 years, from AB Svensk Exportkredit, BNP Paribas, through its subsidiary Fortis Bank SA/NV, Nordea Bank Finland Plc, Nordea Bank AB and Société Générale, with guarantee furnished by the Export Credit Agencies FINNVERA and EKN. All the agreements establish covenants regarding the maintenance of determined levels of leverage, which are verified for compliance after 60 and 120 days of the closing of the months of June and December of each fiscal year, respectively. With regard to the results of June 2015, the Company met all the established levels. The next scrutiny will be based on the results of December 2015.
- (d) In the year from January to March 2016, no new Export Financing operation was contracted, and the variation is justified by the appreciation of the Brazilian real against the U.S. dollar (R\$/US\$ 3.9048 in December 2015 and R\$/US\$ 3.5589 in March 2016).
- (e) In April 2015, two Export Credit Notes (NCE) were issued under the compulsory modality in the amount of R\$100,000 each, maturing in August and December 2015. In June 2015, the Company contracted an NCE transaction of R\$675,000, guaranteed by an Agribusiness Receivables Certificate (CRA) and made available to the market at a cost of 101% of the CDI, while interest will be paid bi-annually and the principal in a single installment in 2019. In February 2016, the Company settled a NCE of R\$73,500, which would mature in March 2021.

- (f) In September 2010, the Company, through its subsidiary Suzano Trading, placed in the international market US\$650 million in Senior Notes due on January 23, 2021, with semiannual interest payments of 5.875% p.a. and return for investors of 6.125% p.a. The Company is guarantor of the issue, which corresponds to a senior obligation without security interest of the issuer or the Company and is entitled to the same rights as other obligations of similar nature of these companies. Between September 2013 and July 2014, the Company, through its international subsidiary Suzano Trading, repurchased US\$4.3 million of principal amount of the Senior Notes issued.
- (g) In March 2015, the Company contracted two Bank Credit Note ("CCB") operations in the amount of R\$123,000 and maturity in 1 year. In March 2016, Suzano settled in advance R\$31,000 relating to CCB of Vale Florestar.
- (h) In May 2015, the Company, through its subsidiary Suzano Pulp and Paper Europe, contracted a syndicated loan in the amount of US\$600 million, with payment of quarterly interest and amortization of the principal between May 2018 and May 2020. This loan has clauses establishing the maintenance of certain levels of leverage, which are verified and have compliance confirmed after 60 and 120 days from the end of June and December of each fiscal year, respectively. With regard to the results of June 2015, the Company met all the established levels. The next scrutiny will be based on the results of December 2015.

## 17.1 Changes in loans and financing

|                               | Parent Company   |                   | Consolidated      |                   |
|-------------------------------|------------------|-------------------|-------------------|-------------------|
|                               | 3/31/2016        | 3/31/2015         | 3/31/2016         | 3/31/2015         |
| Opening balance               | 10,002,341       | 12,279,088        | 14,917,342        | 14,012,129        |
| Funding                       | 651,984          | 322,304           | 655,507           | 333,304           |
| Recognized interest           | 184,326          | 235,973           | 240,689           | 263,960           |
| Exchange variation            | (430,880)        | 1,201,627         | (870,823)         | 1,554,433         |
| Settlement of principal       | (672,536)        | (528,657)         | (672,536)         | (528,657)         |
| Settlement of interest        | (108,137)        | (184,876)         | (198,598)         | (234,934)         |
| Funding costs                 | (3)              | -                 | (3)               | -                 |
| Amortization of funding costs | 7,366            | 6,539             | 10,261            | 7,735             |
|                               | <u>9,634,461</u> | <u>13,331,998</u> | <u>14,081,839</u> | <u>15,407,970</u> |

## 17.2 Financial lease agreements

The financial lease agreements under which the Company and its subsidiaries undertake the risks and benefits inherent to ownership are classified as financial lease agreements.

The Company has financial lease agreements related to equipment used in the pulp industrial process. These agreements are denominated in U.S. dollar or the CDI overnight rate and contain purchase option clauses for these assets upon the expiration of the lease term, which varies from 8 to 15 years, for a price substantially lower than their fair value. Management intends to exercise the purchase options on the dates estimated in each agreement.

The amounts booked as property, plant and equipment, net of depreciation, and the present value of mandatory installments of the agreement (financing) corresponding to these assets are stated below:

|                                                              | <b>Parent Company and Consolidated</b> |                   |
|--------------------------------------------------------------|----------------------------------------|-------------------|
|                                                              | <b>3/31/2016</b>                       | <b>12/31/2015</b> |
| Machinery and equipment                                      | <b>108,565</b>                         | 108,565           |
| (-) Accumulated depreciation                                 | <b>(95,905)</b>                        | (95,335)          |
| Property, plant and equipment, net                           | <b>12,660</b>                          | 13,230            |
| Present value of mandatory installments (financing):         |                                        |                   |
| Less than 1 year                                             | <b>5,092</b>                           | 5,509             |
| From 1 to 5 years                                            | <b>23,652</b>                          | 25,830            |
| Over 5 years                                                 | -                                      | 1,280             |
| Total present value of mandatory installments (financing)    | <b>28,744</b>                          | 32,619            |
| Financial charges to be recognized in the future             | <b>10,500</b>                          | 6,911             |
| Total mandatory installments at the expiration of agreements | <b>39,244</b>                          | 39,530            |

### 17.3 Transaction costs and premiums of securities issues

On March 31, 2016, the balances of funding costs to be apportioned to consolidated profit or loss are as follows:

| Nature          | Total cost     | Amortization     | Exch. Rate Variation | <b>Consolidated</b>            |                   |
|-----------------|----------------|------------------|----------------------|--------------------------------|-------------------|
|                 |                |                  |                      | <b>Balance to be amortized</b> |                   |
|                 |                |                  |                      | <b>3/31/2016</b>               | <b>12/31/2015</b> |
| Senior Notes    | 29,284         | (59,614)         | 58,398               | <b>28,068</b>                  | 32,394            |
| NCE             | 73,405         | (47,722)         | -                    | <b>25,683</b>                  | 28,983            |
| Prepayment      | 1,636          | (552)            | -                    | <b>1,084</b>                   | 1,163             |
| Import (ECA)    | 101,736        | (51,999)         | -                    | <b>49,737</b>                  | 53,679            |
| Syndicated Loan | 19,824         | (4,621)          | 2,446                | <b>17,649</b>                  | 20,887            |
| FNE             | 730            | (111)            | -                    | <b>619</b>                     | 652               |
| FINEM           | 42             | -                | -                    | <b>42</b>                      | -                 |
| Rural Credit    | 34             | (28)             | -                    | <b>6</b>                       | 14                |
| Total           | <b>226,691</b> | <b>(164,647)</b> | <b>60,844</b>        | <b>122,888</b>                 | 137,772           |

The total cost of Senior Notes was converted into Real at the USD rate on the funding date (US\$ 1.6942), and amortizations, on the respective dates, were converted at the closing USD rate. The total ECA cost includes expenses related to insurance premiums, fees and rates.

The total cost of the syndicated loan was converted into Real at the Swiss Franc rate on the funding date (CHF 3.3795), and amortizations were converted on the respective dates at the closing USD rate.

## 17.4 Confirming operations

On December 31, 2015, the Company entered into contracts with financial institutions to structure confirming operations with its main suppliers. This type of operation does not change the commercial conditions or any other contractual aspects established.

In compliance with Official CVM Letter 01/2016 of February 18, 2016, the Company reclassified the amounts of these transactions on December 31, 2015 from commercial operations with suppliers to loans and financing.

In the period ended March 31, 2016, the Company does not have outstanding balances of this nature.

| 12/31/2015       |                |            |                   |          |
|------------------|----------------|------------|-------------------|----------|
| Operation amount | Financial cost | Net amount | Average rate p.m. | Maturity |
| 206,454          | 15,624         | 190,830    | 1.1180%           | 1/6/2016 |

## 18 Provision for Contingencies

### 18.1 Changes in provisions for contingencies

| Parent Company          |                       |              |           |                    |                        |                      |
|-------------------------|-----------------------|--------------|-----------|--------------------|------------------------|----------------------|
|                         | Balance on 12/31/2015 | New lawsuits | Reversals | Monetary variation | Settlement of lawsuits | Balance on 3/31/2016 |
| Tax and social security | 167,185               | 6,329        | (7,187)   | 7,182              | (1)                    | 173,508              |
| Labor                   | 25,428                | 362          | (1,501)   | 681                | (1,474)                | 23,496               |
| Civil                   | 1,989                 | -            | (74)      | 1                  | -                      | 1,916                |
|                         | 194,602               | 6,691        | (8,762)   | 7,864              | (1,475)                | 198,920              |

| Consolidated            |                       |              |           |                    |                        |                      |
|-------------------------|-----------------------|--------------|-----------|--------------------|------------------------|----------------------|
|                         | Balance on 12/31/2015 | New lawsuits | Reversals | Monetary variation | Settlement of lawsuits | Balance on 3/31/2016 |
| Tax and social security | 167,185               | 6,329        | (7,187)   | 7,182              | (1)                    | 173,508              |
| Labor                   | 29,385                | 496          | (1,503)   | 725                | (1,700)                | 27,403               |
| Civil                   | 1,989                 | -            | (74)      | 1                  | -                      | 1,916                |
|                         | 198,559               | 6,825        | (8,764)   | 7,908              | (1,701)                | 202,827              |

### 18.2 Tax and Social Security Suits and Proceedings

The company is a defendant in approximately 264 administrative and legal proceedings on tax and social security issues that discuss matters related to various taxes such as PIS, COFINS, IPI, ICMS, ISS, corporate income tax/social contribution and social security contribution, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

The Company adhered to the REFIS tax installment program - Law 11,941/09 for certain proceedings, amounting to nearly R\$13,459 which is duly provisioned for, and interest and fines will be paid through the use of tax loss and social contribution tax loss carryforwards.

The Company is a defendant in proceedings whose probability of loss is deemed as possible, amounting to around R\$266,575, for which no provision was accrued.



On March 31, 2016, the Company and its subsidiaries hold R\$38,124 in judicial deposits related to these proceedings (R\$37,869 on December 31, 2015).

### **18.3 Labor claims**

On March 31, 2016, the Company was a defendant in approximately 2,108 labor claims, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

In general, labor claims are related primarily to matters frequently contested by employees in agribusiness companies, such as certain wages and/or severance payments, in addition to suits filed by outsourced employees of the Company.

The Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$33,854, for which no provision was accrued.

On March 31, 2016, the Company and its subsidiaries hold R\$23,285 in judicial deposits related to these proceedings (R\$23,784 on December 31, 2015).

### **18.4 Civil claims**

On March 31, 2016, the Company is a defendant in approximately 252 civil claims.

Civil proceedings are related primarily to payment of damages, such as those resulting from contractual obligations, work-related injuries, possessory actions, environmental claims and others.

The Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$3,885, for which no provision was constituted.

## **19 Actuarial Liabilities**

On March 31, 2016, there were no changes to the defined-benefit plans and there were no significant changes to the sensitivity analysis compared to those reported in Note 20 to the financial statements of December 31, 2015. The actuarial study is updated on an annual basis for disclosure in the financial statements of December 31, 2016.

On March 31, 2016, the amount of the future liabilities of these benefits was R\$268,241 (R\$263,141 on December 31, 2015).

The key economic and biometric assumptions used in the calculations of health and life insurance are shown below:

|                                                  |                   |
|--------------------------------------------------|-------------------|
| Discount rate - health plan                      | <b>7.30% p.a.</b> |
| Discount rate - life insurance                   | <b>7.30% p.a.</b> |
| Medical cost growth rate above basic inflation   | <b>3.0% p.a.</b>  |
| Economic inflation                               | <b>5.70% p.a.</b> |
| Biometric table of general mortality             | <b>AT-2000</b>    |
| Biometric table of mortality of disabled persons | <b>IAPB 57</b>    |

The changes in the actuarial liabilities are shown below:



#### Parent Company and Consolidated

|                                     |                       |
|-------------------------------------|-----------------------|
| Opening balance on 12/31/2014       | 277,463               |
| Interest on actuarial liability     | 33,629                |
| Actuarial loss                      | (31,981)              |
| Benefits paid in the year           | (15,970)              |
| Opening balance on 12/31/2015       | <u>263,141</u>        |
| Interest on actuarial liability     | <u>8,575</u>          |
| Benefits paid in the period         | <u>(3,475)</u>        |
| <b>Closing balance on 3/31/2016</b> | <b><u>268,241</u></b> |

## 20 Share-Based Payments

In the period ended March 31, 2016, the Company has two (2) share-based compensation Plans: i) Share-based payment in cash; and ii) Payment in shares or alternatively in cash (Stock option plan of Class A preferred shares). These plans did not undergo any changes in their characteristics and measurement criteria since the financial statements of December 31, 2015 (Note 21). On March 31, 2016, there were 8,845 thousand class A preferred treasury shares to guarantee the options granted by the Plan.

On March 1, 2016, the Company granted the Program “Deferral 2015”, related to the complement of the additional bonus for 2015. The grace period and maturity of the plan to exercise the shares will occur on March 1, 2019 and 2020.

The abovementioned installments will only be due if the executive is an employee of the Company on the payment date. In case of termination of the employment by initiative of the Company or by initiative of the executive, before the abovementioned periods are completed, the executive will not be entitled to receive all outstanding incentives.

The installments of this program will be adjusted by the variation in the price of the Company’s shares (SUZB5) between the granting and the payment period. On dates when the SUZB5 stock is not traded, the quote of the previous trading session will be considered.

Price per Share: the share price is calculated based on the average quote of the 90 previous trading sessions starting from the closing quote on the last business day of the month prior to the month of the grant.

Shares and options granted and subscribed to by the beneficiaries will not entitle their holders to dividends.

For plans with grants until 2013, the same conditions set for previous programs remain valid until the settlement date.





## 20.1 Changes to long-term incentive plans

### i. Phantom shares

Parent Company and Consolidated  
3/31/2016

| Program                 | Grant Date | Fair value on the grant date | Fair value at the end of the period | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date | Available at the beginning of the period | Granted in the Period | Exercised        | Exercised due to dismissal | Transfer | Abandoned/ Prescribed | Abandoned/ Prescribed due to dismissal | Available at the end of the period | Weighted average price of exercised shares |
|-------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-----------------------|------------------|----------------------------|----------|-----------------------|----------------------------------------|------------------------------------|--------------------------------------------|
| ILP 2009 A - Mar08      | 3/1/2008   | R\$ 34.74                    | R\$ 15.96                           | 3/1/2013                      | 3/1/2016                      | 7,259                                    | -                     | 7,259            | -                          | -        | -                     | -                                      | -                                  | 16.93                                      |
| ILP 2010                | 3/1/2010   | R\$ 23.86                    | R\$ 15.96                           | 3/1/2013                      | 3/1/2016                      | 18,362                                   | -                     | 18,362           | -                          | -        | -                     | -                                      | -                                  | 16.93                                      |
| ILP 2011                | 3/1/2011   | R\$ 18.64                    | R\$ 15.96                           | 3/1/2014                      | 3/1/2017                      | 43,175                                   | -                     | 27,039           | -                          | -        | -                     | -                                      | 16,136                             | 16.93                                      |
| ILP 2012                | 3/1/2012   | R\$ 7.49                     | R\$ 15.96                           | 3/1/2015                      | 3/1/2018                      | 157,838                                  | -                     | 72,209           | 12,755                     | -        | -                     | -                                      | 72,874                             | 17.32                                      |
| ILP 2011 (F)            | 3/1/2011   | R\$ 18.64                    | R\$ 15.96                           | 3/1/2014                      | 3/1/2017                      | 7,159                                    | -                     | -                | -                          | -        | -                     | -                                      | 7,159                              | -                                          |
| ILP 2012 (PE)           | 9/30/2012  | R\$ 9.00                     | R\$ 15.96                           | 9/30/2015                     | 9/30/2018                     | 25,225                                   | -                     | 25,225           | -                          | -        | -                     | -                                      | -                                  | 16.93                                      |
| ILP 2013                | 3/1/2013   | R\$ 6.58                     | R\$ 15.96                           | 3/1/2016                      | 3/1/2019                      | 938,117                                  | -                     | 824,365          | -                          | -        | -                     | 72,036                                 | 41,716                             | 20.41                                      |
| Programa Especial 2012c | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 3/31/2015                     | 3/31/2016                     | 140,000                                  | -                     | 140,000          | -                          | -        | -                     | -                                      | -                                  | 15.53                                      |
| SAR 2014                | 4/1/2014   | R\$ 8.93                     | R\$ 16.53                           | 4/1/2017                      | 4/1/2019                      | 904,390                                  | -                     | -                | -                          | -        | -                     | 81,758                                 | 822,632                            | -                                          |
| Deferral 2014           | 3/1/2015   | R\$ 10.80                    | R\$ 15.96                           | 3/1/2018                      | 3/1/2018                      | 270,106                                  | -                     | -                | -                          | -        | -                     | 21,107                                 | 248,999                            | -                                          |
| Deferral 2014           | 3/1/2015   | R\$ 10.80                    | R\$ 15.96                           | 3/1/2019                      | 3/1/2019                      | 270,106                                  | -                     | -                | -                          | -        | -                     | 21,107                                 | 248,999                            | -                                          |
| SAR 2015                | 4/1/2015   | R\$ 11.69                    | R\$ 16.03                           | 4/1/2018                      | 4/1/2020                      | 740,248                                  | -                     | -                | -                          | -        | -                     | 57,307                                 | 682,941                            | -                                          |
| SAR 2015 - September    | 9/1/2015   | R\$ 15.99                    | R\$ 15.11                           | 9/1/2018                      | 9/1/2020                      | 4,340                                    | -                     | -                | -                          | -        | -                     | -                                      | 4,340                              | -                                          |
| ILP 2015                | 9/1/2015   | R\$ 15.99                    | R\$ 15.96                           | 9/1/2018                      | 9/1/2021                      | 43,778                                   | -                     | -                | -                          | -        | -                     | -                                      | 43,778                             | -                                          |
| Deferral 2015           | 3/1/2016   | R\$ 16.93                    | R\$ 15.96                           | 3/1/2019                      | 3/1/2019                      | -                                        | 91,369                | -                | -                          | -        | -                     | -                                      | 91,369                             | -                                          |
| Deferral 2015           | 3/1/2016   | R\$ 16.93                    | R\$ 15.96                           | 3/1/2020                      | 3/1/2020                      | -                                        | 91,369                | -                | -                          | -        | -                     | -                                      | 91,369                             | -                                          |
| <b>TOTAL</b>            |            |                              |                                     |                               |                               | <b>3,570,103</b>                         | <b>182,738</b>        | <b>1,114,458</b> | <b>12,755</b>              |          |                       | <b>253,315</b>                         | <b>2,372,312</b>                   | <b>17.28</b>                               |

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| Program                    | Grant Date | Fair value on the grant date | Fair value at the end of the period | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date | Available at the beginning of the period | Granted in the Period | Exercised      | Exercised due to dismissal | Transfer | Abandoned/ Prescribed | Abandoned/ Prescribed due to dismissal | Available at the end of the period | Weighted average price of exercised shares |
|----------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-----------------------|----------------|----------------------------|----------|-----------------------|----------------------------------------|------------------------------------|--------------------------------------------|
| ILP 2008 (PN) Mar09        | 3/1/2009   | R\$ 15.11                    | R\$ 18.11                           | 3/1/2012                      | 3/1/2015                      | 43,549                                   | -                     | 43,549         | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| ILP 2009 A - Mar08         | 3/1/2008   | R\$ 34.74                    | R\$ 18.11                           | 3/1/2013                      | 3/1/2016                      | 8,474                                    | -                     | 1,215          | -                          | -        | -                     | -                                      | 7,259                              | 17.30                                      |
| ILP 2008 A - Mar08 / Mar12 | 3/1/2008   | R\$ 34.74                    | R\$ 18.11                           | 3/1/2012                      | 3/1/2015                      | 6,347                                    | -                     | 6,347          | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| ILP 2009 - Mar09 / Mar12   | 3/1/2009   | R\$ 15.11                    | R\$ 18.11                           | 3/1/2012                      | 3/1/2015                      | 9,838                                    | -                     | 9,838          | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| ILP 2009 M - Sep09 / Sep12 | 9/1/2009   | R\$ 15.11                    | R\$ 18.11                           | 9/1/2012                      | 9/1/2015                      | 28,408                                   | -                     | 20,446         | -                          | -        | -                     | 7,962                                  | -                                  | 17.30                                      |
| ILP 2010                   | 3/1/2010   | R\$ 23.86                    | R\$ 18.11                           | 3/1/2013                      | 3/1/2016                      | 159,926                                  | -                     | 105,149        | -                          | -        | -                     | 36,415                                 | 18,362                             | 17.30                                      |
| ILP 2011                   | 3/1/2011   | R\$ 18.64                    | R\$ 18.11                           | 3/1/2014                      | 3/1/2017                      | 88,003                                   | -                     | 3,678          | -                          | -        | -                     | 41,150                                 | 43,175                             | 17.30                                      |
| ILP 2012                   | 3/1/2012   | R\$ 7.49                     | R\$ 18.11                           | 3/1/2015                      | 3/1/2018                      | 865,572                                  | -                     | 573,741        | 46,826                     | -        | -                     | 87,167                                 | 157,838                            | 17.30                                      |
| ILP 2011 (F)               | 3/1/2011   | R\$ 18.64                    | R\$ 18.11                           | 3/1/2014                      | 3/1/2017                      | 7,159                                    | -                     | -              | -                          | -        | -                     | -                                      | 7,159                              | -                                          |
| ILP 2012 (PE)              | 9/30/2012  | R\$ 9.00                     | R\$ 18.11                           | 9/30/2015                     | 9/30/2018                     | 35,225                                   | -                     | 10,000         | -                          | -        | -                     | -                                      | 25,225                             | 17.30                                      |
| ILP 2013                   | 3/1/2013   | R\$ 6.58                     | R\$ 22.64                           | 3/1/2016                      | 3/1/2019                      | 1,159,918                                | -                     | -              | 44,104                     | -        | 76,400                | 101,297                                | 938,117                            | 17.30                                      |
| Programa Especial 2012a    | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 3/31/2015                     | 3/31/2015                     | 70,000                                   | -                     | 70,000         | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012b    | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 6/30/2014                     | 6/30/2014                     | 30,000                                   | -                     | 9,923          | -                          | -        | 20,077                | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012b    | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 3/31/2015                     | 3/31/2015                     | 30,000                                   | -                     | 22,317         | -                          | -        | 7,683                 | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012b    | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 3/31/2015                     | 3/31/2015                     | 40,000                                   | -                     | 40,000         | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012c    | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 3/31/2015                     | 3/31/2015                     | 80,000                                   | -                     | 80,000         | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012c    | 12/21/2012 | R\$ 5.55                     | R\$ 15.53                           | 3/31/2016                     | 3/31/2016                     | 140,000                                  | -                     | -              | -                          | -        | -                     | -                                      | 140,000                            | -                                          |
| SAR 2014                   | 4/1/2014   | R\$ 8.93                     | R\$ 19.05                           | 4/1/2017                      | 4/1/2019                      | 997,617                                  | -                     | -              | -                          | -        | 93,227                | -                                      | 904,390                            | -                                          |
| Deferral 2014              | 3/1/2015   | R\$ 10.80                    | R\$ 18.11                           | 3/1/2018                      | 3/1/2018                      | -                                        | 304,558               | 1,705          | 2,660                      | -        | 30,087                | -                                      | 270,106                            | 17.30                                      |
| Deferral 2014              | 3/1/2015   | R\$ 10.80                    | R\$ 18.11                           | 3/1/2019                      | 3/1/2019                      | -                                        | 304,558               | 1,705          | 2,660                      | -        | 30,087                | -                                      | 270,106                            | 17.30                                      |
| SAR 2015                   | 4/1/2015   | R\$ 11.69                    | R\$ 18.16                           | 4/1/2018                      | 4/1/2018                      | -                                        | 747,600               | -              | -                          | -        | 7,352                 | -                                      | 740,248                            | -                                          |
| SAR 2015 - September       | 9/1/2015   | R\$ 15.99                    | R\$ 17.42                           | 9/1/2018                      | 9/1/2018                      | -                                        | 4,340                 | -              | -                          | -        | -                     | -                                      | 4,340                              | -                                          |
| ILP 2015                   | 9/1/2015   | R\$ 15.99                    | R\$ 18.11                           | 9/1/2018                      | 9/1/2018                      | -                                        | 62,540                | -              | 2,085                      | -        | 16,677                | -                                      | 43,778                             | 17.30                                      |
| <b>TOTAL</b>               |            |                              |                                     |                               |                               | <b>3,800,036</b>                         | <b>1,423,596</b>      | <b>999,613</b> | <b>98,335</b>              |          | <b>281,590</b>        | <b>273,991</b>                         | <b>3,570,103</b>                   | <b>17.30</b>                               |

### ii. Class A preferred shares stock option

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| Program      | Granted series | Grant date | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date and expiration | Prices            | Number of Shares |                  |                                |          |                              |
|--------------|----------------|------------|-------------------------------|----------------------------------------------|-------------------|------------------|------------------|--------------------------------|----------|------------------------------|
|              |                |            |                               |                                              | On the grant date | Granted          | Exercised        | Not exercised due to dismissal | Expired  | Total in effect on 3/31/2016 |
| Program 3    | Series I       | 1/18/2013  | 1/18/2015                     | 4/18/2015                                    | 3,53              | 1,800,000        | 1,800,000        | -                              | -        | -                            |
|              | Series II      | 1/18/2013  | 1/18/2016                     | 4/18/2016                                    | 3,71              | 1,800,000        | 1,800,000        | -                              | -        | -                            |
|              | Series III     | 1/18/2013  | 1/18/2018                     | 4/18/2018                                    | 3,91              | 1,800,000        | 1,800,000        | -                              | -        | -                            |
|              | Series IV      | 1/18/2013  | 1/18/2019                     | 4/18/2019                                    | 3,96              | 1,800,000        | -                | -                              | -        | 1,800,000                    |
|              | Series V       | 1/18/2013  | 1/18/2020                     | 4/18/2020                                    | 3,99              | 1,800,000        | -                | -                              | -        | 1,800,000                    |
| <b>Total</b> |                |            |                               |                                              |                   | <b>9,000,000</b> | <b>5,400,000</b> | <b>-</b>                       | <b>-</b> | <b>3,600,000</b>             |

## 20.2 Recognition and measurement of the fair value of share-based payments

### i. Phantom shares plan

Since the Plan is settled in cash, Suzano has to revise the fair value of the phantom shares at every reporting date. This value is then multiplied by the Total Shareholder Return ("TSR") in the period (which varies between 75% and 125%, depending on the performance of SUZB5 in relation to its peers in Brazil).

### ii. Stock option plan

To measure the fair value of the class A preferred shares stock options of Program 2 and Program 3, the Company used, respectively, the mathematical model of approximation for options Bjerk Sund & Stensland, and the Binomial model, which considers the dividends distribution rate and the following mathematical assumptions:

| Description of assumptions                                   | Indexes              |                        |                        |
|--------------------------------------------------------------|----------------------|------------------------|------------------------|
|                                                              | Options              |                        |                        |
|                                                              | Program III          | SAR 2014               | SAR 2015               |
| Calculation Model                                            | Binomial             | Monte Carlo Simulation | Monte Carlo Simulation |
| Asset base price <sup>(a)</sup> (per share)                  | R\$ 7.73             | R\$ 15,96              | R\$ 15,96              |
| Expectation of volatility <sup>(b)</sup>                     | 40.47% p.a.          | 36.82% p.a.            | 34.77% p.a.            |
| Phantom stock/options average life expectancy <sup>(c)</sup> | Equal to option life | Equal to option life   | Equal to option life   |
| Dividends expectancy <sup>(d)</sup>                          | 3.49% p.a.           | 2.94% p.a.             | 2.94% p.a.             |
| Risk-free weighted average interest rate <sup>(e)</sup>      | average of 8.99%     | average of 11.90%      | average of 12.83%      |

(a) The asset base price was defined considering the arithmetic average of the closing price of the last 90 trading sessions for SUZB5 share;

(b) The expectation of volatility was calculated for each exercise date, taking into account the remaining time to complete the vesting period, as well as the historical volatility of returns, considering a standard deviation of 745 observations of returns;

(c) The expectation of average life of phantom stocks and stock options was defined by the remaining term until the limit exercise date;

(d) The expectation of dividends was defined based on historical earnings per share of the Company;

(e) Risk-free weighted average interest rate used was the BRL yield curve (DI expectation) observed on the open market, which is the best comparison basis with the Brazilian market risk-free interest rates. The rate used for each exercise date changes according to the vesting period.

The amounts corresponding to the services received and recognized in the quarterly information are presented below:

|                                  | Parent Company and Consolidated      |            |                |            |
|----------------------------------|--------------------------------------|------------|----------------|------------|
|                                  | Liabilities and Shareholders' Equity |            | Profit or Loss |            |
|                                  | 3/31/2016                            | 12/31/2015 | 3/31/2016      | 12/31/2015 |
| <b>Non-current liabilities</b>   |                                      |            |                |            |
| Provision for phantom stock plan | 18.468                               | 42.722     | 2.787          | (5.904)    |
| <b>Shareholders' equity</b>      |                                      |            |                |            |
| Stock option reserve             | 17.330                               | 23.091     | (918)          | (1.607)    |
| <b>Profit or loss</b>            |                                      |            | 1.869          | (7.511)    |

## **21 Commitments Related to Asset Acquisitions**

On March 31, 2016, these commitments totaled R\$693,320 in the Parent Company and R\$799,798 in the Consolidated, and are classified under current and non-current liabilities (R\$716,862 and R\$824,864, respectively, on December 31, 2015).

### **21.1 Real estate receivables certificates (“CRI”)**

The Company and its subsidiaries carried out transactions involving the acquisition of land and reforestation through CRI. On March 31, 2016, the commitments related to the acquisition of land, farms, reforestation and houses under construction in Maranhão totaled R\$62,172 in the Parent Company and R\$168,650 in the Consolidated, presented under Commitment from acquisition of assets in current and non-current liabilities (R\$59,483 and R\$167,485, respectively, on December 31, 2015).

### **21.2 Acquisition of Vale Florestar Fundo de Investimento em Participações (“VFFIP”)**

On August 8, 2014, the acquisition of VFFIP was concluded for the sum of R\$528,941, with a down payment of R\$44,998 on the contract date. The outstanding balance of R\$483,943 will be paid in 10 to 15 years, of which R\$195,551 is restated at the variation of the Broad Consumer Price Index (“IPCA”), and R\$288,392 is restated at the variation of the U.S. dollar exchange rate, plus usual market interest rates.

On March 31, 2016, the total restated outstanding balance is R\$631,148 at the Parent Company and Consolidated, recorded under Commitments from acquisition of assets in current and non-current liabilities (R\$657,379 on December 31, 2015).

## **22 Shareholders’ Equity**

### **22.1 Authorized capital**

By resolution of the Board of Directors or Shareholders' Meeting, the capital may be increased, independent of an amendment to the Bylaws, up to the limit of 260,040 thousand common shares, 517,080 thousand class “A” preferred shares and 3,000 thousand class “B” preferred shares, all exclusively book-entry shares.

### **22.2 Capital stock**

On March 31, 2016, the capital stock of the Company was R\$6,241,753, divided into 1,107,739 thousand shares without par value, of which 371,149 thousand are registered common shares, 734,649 thousand are class A preferred shares and 1,941 thousand are Class B preferred shares. A total of 17,541 thousand shares are held in treasury, of which 6,786 thousand are common shares, 8,845 thousand are class A preferred shares, and 1,910 thousand are class B preferred shares.

The composition of the capital stock is presented below:

| SHAREHOLDER                             | COMMON SHARES      |               | CLASS A PREFERRED SHARES |               | CLASS B PREFERRED SHARES |               | TOTAL SHARES         |               |
|-----------------------------------------|--------------------|---------------|--------------------------|---------------|--------------------------|---------------|----------------------|---------------|
|                                         | NUMBER             | %             | NUMBER                   | %             | NUMBER                   | %             | NUMBER               | %             |
| Suzano Holding S.A.                     | 354,349,459        | 95.47         | 3,245,077                | 0.44          | 17,698                   | 0.91          | 357,612,234          | 32.28         |
| Controlling Shareholders and Management | 10,012,879         | 2.70          | 258,024,704              | 35.12         | 3,883                    | 0.20          | 268,041,466          | 24.20         |
| <b>Subtotal</b>                         | <b>364,362,338</b> | <b>98.17</b>  | <b>261,269,781</b>       | <b>35.56</b>  | <b>21,581</b>            | <b>1.11</b>   | <b>625,653,700</b>   | <b>56.48</b>  |
| Treasury                                | 6,786,194          | 1.83          | 8,844,997                | 1.20          | 1,909,699                | 98.40         | 17,540,890           | 1.58          |
| BNDESPAR                                | -                  | -             | 75,909,985               | 10.33         | -                        | -             | 75,909,985           | 6.85          |
| Other shareholders                      | -                  | -             | 388,624,563              | 52.91         | 9,539                    | 0.49          | 388,634,102          | 35.09         |
| <b>TOTAL</b>                            | <b>371,148,532</b> | <b>100.00</b> | <b>734,649,326</b>       | <b>100.00</b> | <b>1,940,819</b>         | <b>100.00</b> | <b>1,107,738,677</b> | <b>100.00</b> |

On March 31, 2016, SUZB5 preferred stock ended the period quoted at R\$12.66 (R\$18.69 on December 31, 2015).

## 22.3 Reserves

### i. Profit reserve

The Reserve for Capital Increase is composed of 90% of the remaining balance of net income for the year, after dividends and legal reserve, and aims to ensure the Company adequate operational conditions.

The Special Statutory Reserve includes the remaining 10% of the remaining balance of net income for the year and aims to ensure the distribution of dividends.

### ii. Capital reserve

The Capital Reserve is composed of the balances of the tax incentive reserve, the stock option reserve, the treasury shares and the costs directly attributable to the Share Offering, which are primarily composed of the expenses with the fees and commissions charged by legal counsel, consultants and auditors.

## 22.4 Treasury shares

|                                   | Number of shares |                  |                  |                   | R\$<br>(‘000)  | Average<br>price per<br>(R\$) |
|-----------------------------------|------------------|------------------|------------------|-------------------|----------------|-------------------------------|
|                                   | Common           | Pref. A          | Pref. B          | Total             |                |                               |
| Balance on 12/31/2014             | 6.786.194        | 12.444.988       | 1.909.699        | 21.140.881        | 303.726        | 14,37                         |
| Shares sold <sup>(a)</sup>        | -                | (1.800.000)      | -                | (1.800.000)       | (14.868)       | 8,26                          |
| Shares transferred <sup>(b)</sup> | -                | 9                | -                | 9                 | -              | -                             |
| Balance on 12/31/2015             | 6.786.194        | 10.644.997       | 1.909.699        | 19.340.890        | 288.858        | 14,94                         |
| Shares sold <sup>(a)</sup>        | -                | (1.800.000)      | -                | (1.800.000)       | (15.193)       | 8,44                          |
| <b>Balance on 3/31/2016</b>       | <b>6.786.194</b> | <b>8.844.997</b> | <b>1.909.699</b> | <b>17.540.890</b> | <b>273.665</b> | <b>15,60</b>                  |

<sup>(a)</sup> Treasury shares used to meet the share-based compensation plan (Note 20).

<sup>(b)</sup> Reversal of loan by transfer of shares held by the Directors to Suzano Papel e Celulose.

## 22.5 Equity valuation adjustment and other comprehensive income

### i. Equity Valuation Adjustment

The Company recorded in this balance sheet's item the corresponding entries of deemed cost adjustments upon the adoption of the IFRS on January 1, 2009. This reserve changes as a result of the realization of items in property, plant and equipment as well as other offsetting entries arising from the adoption of IFRS.

### ii. Other Comprehensive Income (Loss)

The Company recorded under this balance sheet item the corresponding entries to exchange variation arising from conversion of quarterly information of subsidiaries located abroad, exchange variation on investees abroad, gains or losses from the restatement of actuarial liabilities and the income (loss) from the conversion of debentures of the 5<sup>th</sup> issue into shares for Related Parties, net of deferred income and social contribution taxes.

## 22.6 Earnings (losses) per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average common shares issued during the period, excluding the common shares acquired by the Company and held as treasury shares.

|                                                 |                |                   |                   | 3/31/2016 |
|-------------------------------------------------|----------------|-------------------|-------------------|-----------|
|                                                 | Common         | Class A Preferred | Class B Preferred | Total     |
| Loss attributed to shareholders                 | 352,616        | 772,008           | 33                | 1,124,658 |
| Weighted average number of shares in the period | 371,149        | 734,649           | 1,941             | 1,107,739 |
| Weighted average treasury shares                | (6,786)        | (9,445)           | (1,910)           | (18,141)  |
| Weighted average number of outstanding shares   | 364,363        | 725,204           | 31                | 1,089,598 |
| <b>Basic earnings per share</b>                 | <b>0.96776</b> | <b>1.06454</b>    | <b>1.06452</b>    |           |

|                                                 |                  |                   |                   | 3/31/2015 |
|-------------------------------------------------|------------------|-------------------|-------------------|-----------|
|                                                 | Common           | Class A Preferred | Class B Preferred | Total     |
| Loss attributed to shareholders                 | (239,463)        | (522,973)         | (22)              | (762,459) |
| Weighted average number of shares in the period | 371,149          | 734,649           | 1,941             | 1,107,739 |
| Weighted average treasury shares                | (6,786)          | (11,245)          | (1,910)           | (19,941)  |
| Weighted average number of outstanding shares   | 364,363          | 723,404           | 31                | 1,087,798 |
| <b>Basic loss per share</b>                     | <b>(0.65721)</b> | <b>(0.72293)</b>  | <b>(0.70968)</b>  |           |

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average of outstanding preferred and common shares assuming the conversion of all preferred and common shares that would cause dilution. The Company presents two categories of potential shares that would cause dilution: call options exercisable at the discretion of the holder and debentures convertible into common and preferred shares.

|                                               | 3/31/2016      |                   |                   |
|-----------------------------------------------|----------------|-------------------|-------------------|
|                                               | Common         | Class A Preferred | Class B Preferred |
| Loss attributed to shareholders               | 351,396        | 773,230           | 33                |
| Weighted average number of outstanding shares | 364,363        | 725,204           | 31                |
| Adjustment by stock options                   | -              | 3,674             | -                 |
| Weighted average number of shares (diluted)   | 364,363        | 728,878           | 31                |
| <b>Diluted earnings per share</b>             | <b>0.96441</b> | <b>1.06085</b>    | <b>1.06452</b>    |

|                                               | 3/31/2015        |                   |                   |
|-----------------------------------------------|------------------|-------------------|-------------------|
|                                               | Common           | Class A Preferred | Class B Preferred |
| Loss attributed to shareholders               | (238,697)        | (523,740)         | (22)              |
| Weighted average number of outstanding shares | 364,363          | 723,404           | 31                |
| Adjustment by stock options                   | -                | 3,384             | -                 |
| Weighted average number of shares (diluted)   | 364,363          | 726,788           | 31                |
| <b>Diluted loss per share</b>                 | <b>(0.65511)</b> | <b>(0.72062)</b>  | <b>(0.70968)</b>  |

## 22.7 Dividends

| Date of Approval AGO/E | Total amount (R\$ '000) | Amount per share |            |            | Shareholding position | Payment date |
|------------------------|-------------------------|------------------|------------|------------|-----------------------|--------------|
|                        |                         | Common           | Pref. A    | Pref. B    |                       |              |
| 4/30/2015              | 150,000                 | R\$0.12922       | R\$0.14214 | R\$0.34409 | 4/30/2015             | 5/11/2015    |
| 11/11/2015             | 120,000                 | R\$0.10337       | R\$0.11370 | R\$0.34408 | 11/12/2015            | 11/24/2015   |

On December 31, 2015, Company management proposes to pay dividends totaling R\$300,000 to be attributed to retained earnings reserve and considered and voted at the Annual and Extraordinary Shareholders' Meeting of April 25, 2016.

## 23 Other Operating Income, Net

|                                                                                                         | Parent Company |           | Consolidated |           |
|---------------------------------------------------------------------------------------------------------|----------------|-----------|--------------|-----------|
|                                                                                                         | 3/31/2016      | 3/31/2015 | 3/31/2016    | 3/31/2015 |
| Income (loss) from sale of other products                                                               | 713            | 1,368     | 4,899        | 4,160     |
| Income (loss) from sale of property, plant and equipment and biological assets                          | 114            | 1,391     | 114          | 1,376     |
| Provision for loss and write-offs of property, plant and equipment and biological assets <sup>(a)</sup> | (5,419)        | (8,780)   | (5,419)      | (8,780)   |
| Amortization of intangible assets                                                                       | (754)          | (1,131)   | (5,240)      | (4,417)   |
| Lease of land with subsidiaries                                                                         | (2,504)        | (2,441)   | -            | -         |
| Other operating income, net                                                                             | 4,572          | (1,001)   | 5,265        | (155)     |
| Total other operating income                                                                            | 5,399          | 2,759     | 10,278       | 5,536     |
| Total other operating expenses                                                                          | (8,677)        | (13,353)  | (10,659)     | (13,352)  |
| Other operating income (expenses), net                                                                  | (3,278)        | (10,594)  | (381)        | (7,816)   |

<sup>(a)</sup> On March 31, 2016, the amount referred to R\$4,144 in write-offs related to losses and claims with biological assets and R\$1,275 with property, plant and equipment. On March 31, 2015, the amount referred to R\$5,514 in write-offs related to losses and claims with biological assets and R\$3,266 with property, plant and equipment.

## 24 Operating lease agreements

The Company maintains operating lease agreements related to the lease of areas, offices, properties, call centers, hardware equipment and installation services, whose agreements were executed in Brazilian real and Management has no intention of buying the assets at the end of the agreement, and the term of the agreements are not equivalent to a significant portion of the useful life of assets.



Operating lease payments are recognized as operating expenses in the Company's income statement.

| Description                         | Monthly installment<br>amount<br>R\$ ('000) | Index               | Maturity               |
|-------------------------------------|---------------------------------------------|---------------------|------------------------|
| Administrative offices and deposits | 1 to 1.092                                  | IGP-M and IPCA/IBGE | 5/2/2016 to 1/27/2024  |
| Call center and licenses            | 18 to 233                                   | IGP-DI              | 8/15/2016 to 9/30/2017 |
| Hardware equipment                  | 2 to 17                                     | IGP-M               | 4/16/2016 to 6/1/2016  |

The minimum payments of maturing operating were as follows:

|                         | <b>3/31/2016</b> |
|-------------------------|------------------|
| Less than 1 year        | <b>23,237</b>    |
| From 1 year to 3 years  | <b>20,103</b>    |
| From 3 years to 5 years | <b>21,220</b>    |
| Total installments due  | <b>64,560</b>    |

## 25 Net Financial Result

|                                                                  | Parent Company |             | Consolidated |             |
|------------------------------------------------------------------|----------------|-------------|--------------|-------------|
|                                                                  | 3/31/2016      | 3/31/2015   | 3/31/2016    | 3/31/2015   |
| Interest income                                                  | 37,570         | 70,088      | 38,877       | 70,839      |
| Other financial income                                           | 7,808          | 5,257       | 9,898        | 5,898       |
| Total financial income                                           | 45,378         | 75,345      | 48,775       | 76,737      |
| Interest expenses                                                | (261,035)      | (293,415)   | (267,013)    | (298,715)   |
| Other financial expenses                                         | (11,725)       | (9,708)     | (15,807)     | (11,268)    |
| Total financial expenses                                         | (272,760)      | (303,123)   | (282,820)    | (309,983)   |
| Monetary and exchange variations on loans and financing          | 856,664        | (1,549,711) | 889,026      | (1,526,188) |
| Monetary and exchange variations on other assets and liabilities | (223,971)      | 310,507     | (190,846)    | 240,034     |
| Monetary and exchange variation, net                             | 632,693        | (1,239,204) | 698,180      | (1,286,154) |
| Derivative gains                                                 | 154,346        | 11,283      | 313,202      | 25,033      |
| Derivate losses                                                  | 123,897        | (233,114)   | (53,523)     | (242,092)   |
| Net derivative income (loss)                                     | 278,243        | (221,831)   | 259,679      | (217,059)   |
| Financial income                                                 | 956,314        | 75,345      | 1,006,634    | 76,737      |
| Financial expenses                                               | (272,760)      | (1,764,158) | (282,820)    | (1,813,196) |
| Net financial income (expenses)                                  | 683,554        | (1,688,813) | 723,814      | (1,736,459) |

## 26 Net Revenue

|                            | Parent Company   |           | Consolidated     |           |
|----------------------------|------------------|-----------|------------------|-----------|
|                            | 3/31/2016        | 3/31/2015 | 3/31/2016        | 3/31/2015 |
| <b>Gross sales revenue</b> | <b>2,883,055</b> | 2,358,982 | <b>2,988,361</b> | 2,379,589 |
| <b>Deductions</b>          |                  |           |                  |           |
| Sales taxes <sup>(a)</sup> | (258,324)        | (211,572) | (260,831)        | (214,172) |
| Returns and cancelations   | (13,316)         | (15,191)  | (16,929)         | (15,449)  |
| Discounts and rebates      | (2,269)          | (2,590)   | (2,269)          | (2,590)   |
| <b>Net Revenue</b>         | <b>2,609,146</b> | 2,129,629 | <b>2,708,332</b> | 2,147,378 |

<sup>(a)</sup> Includes 1% up to November 2015 and 2.5% as of December 2015 of gross domestic sales, relating to the social contribution paid to Brazil's National Institute of Social Security (INSS), valid indefinitely, as per Law 12,546/11, Article 8, Annex I and its amendments.

## 27 Information by Segment

### 28.1 Operating segment

The information presented under "Not segmented" is related to expenses not directly attributed to the pulp and paper segments, such as, expenses with information technology, net financial result, administrative expenses and others which are not allocated.

|                             | 3/31/2016  |           |                              |            | 3/31/2015  |           |                              |             |
|-----------------------------|------------|-----------|------------------------------|------------|------------|-----------|------------------------------|-------------|
|                             | Pulp       | Paper     | Not segmented <sup>(a)</sup> | Total      | Pulp       | Paper     | Not segmented <sup>(a)</sup> | Total       |
| Net revenue                 | 1,841,830  | 866,502   | -                            | 2,708,332  | 1,424,683  | 722,695   | -                            | 2,147,378   |
| Net financial income (loss) | -          | -         | 723,814                      | 723,814    | -          | -         | (1,736,459)                  | (1,736,459) |
| Other operating income, net | -          | -         | (381)                        | (381)      | -          | -         | (7,816)                      | (7,816)     |
| Operating income (loss)     | 695,239    | 219,397   | 720,584                      | 1,635,220  | 456,237    | 120,324   | (1,744,275)                  | (1,167,714) |
|                             |            |           |                              |            |            |           |                              |             |
| Total assets                | 3/31/2016  |           |                              |            | 12/31/2015 |           |                              |             |
|                             | 13,909,100 | 4,859,487 | 9,995,314                    | 28,763,900 | 13,984,101 | 4,990,287 | 9,285,597                    | 28,259,985  |

<sup>(a)</sup> The Company does not manage this information by business segment, therefore allocating to the non-segmented flow.

### 28.2 Information on geographic areas

|                           | 3/31/2016 |         |           | 3/31/2015 |         |           |
|---------------------------|-----------|---------|-----------|-----------|---------|-----------|
|                           | Pulp      | Paper   | Total     | Pulp      | Paper   | Total     |
| Net revenue               | 1,841,830 | 866,502 | 2,708,332 | 1,424,683 | 722,695 | 2,147,378 |
| Domestic market           | 216,017   | 560,662 | 776,679   | 195,675   | 475,452 | 671,127   |
| Foreign market            | 1,625,813 | 305,840 | 1,931,653 | 1,229,008 | 247,243 | 1,476,251 |
| Asia                      | 712,810   | 15,079  | 727,889   | 596,908   | 15,069  | 611,977   |
| Europe                    | 623,475   | 43,020  | 666,495   | 422,847   | 29,817  | 452,664   |
| North America             | 268,949   | 85,681  | 354,630   | 181,690   | 70,567  | 252,257   |
| South and Central America | 20,579    | 131,548 | 152,127   | 27,563    | 120,997 | 148,560   |
| Africa                    | -         | 30,512  | 30,512    | -         | 10,793  | 10,793    |



## 28 Expenses by Nature

|                                          | Parent Company   |                  | Consolidated     |                  |
|------------------------------------------|------------------|------------------|------------------|------------------|
|                                          | 3/31/2016        | 3/31/2015        | 3/31/2016        | 3/31/2015        |
| <b>Cost of Product Sold</b>              |                  |                  |                  |                  |
| Personnel expenses                       | 120,224          | 112,903          | 120,224          | 112,903          |
| Variable cost                            | 739,346          | 709,382          | 768,853          | 691,700          |
| Logistics cost                           | 66,170           | 53,806           | 239,858          | 217,838          |
| Depreciation, depletion and amortization | 313,272          | 320,717          | 313,272          | 320,717          |
| Other costs                              | 76,111           | 64,854           | 151,359          | 45,333           |
|                                          | <u>1,315,123</u> | <u>1,261,662</u> | <u>1,593,566</u> | <u>1,388,491</u> |
| <b>Selling expenses</b>                  |                  |                  |                  |                  |
| Personnel expenses                       | 15,801           | 14,112           | 31,566           | 21,265           |
| Services                                 | 3,752            | 11,357           | 10,618           | 10,975           |
| Logistics cost                           | 178,838          | 172,452          | 49,791           | 42,053           |
| Depreciation and amortization            | 693              | 761              | 855              | 856              |
| Other expenses <sup>(a)</sup>            | 6,070            | 7,050            | 10,638           | 5,546            |
|                                          | <u>205,154</u>   | <u>205,732</u>   | <u>103,468</u>   | <u>80,695</u>    |
| <b>Administrative expenses</b>           |                  |                  |                  |                  |
| Personnel expenses                       | 48,415           | 58,795           | 52,756           | 61,484           |
| Services                                 | 18,066           | 17,065           | 20,571           | 20,077           |
| Depreciation and amortization            | 6,030            | 4,784            | 6,405            | 5,052            |
| Other expenses <sup>(b)</sup>            | 13,427           | 12,080           | 16,930           | 15,017           |
|                                          | <u>85,938</u>    | <u>92,724</u>    | <u>96,662</u>    | <u>101,631</u>   |
|                                          | <u>1,606,215</u> | <u>1,560,118</u> | <u>1,793,696</u> | <u>1,570,817</u> |

(a) Includes provision for doubtful accounts, insurance, materials (use and consumption), expenses with travel, accommodation, participation in trade fairs and events.

(b) Includes corporate expenses, insurance, materials (use and consumption), social projects and donations, expenses with travel and accommodation.

## 29 Insurance Coverage

In order to protect its assets and liabilities, the Company takes insurance cover for risks that, may lead to losses that significantly impact the assets and/or results of the Company.

Some of the main insurance types contracted by the Company are:

- **Operating risks:** Coverage against material damage caused to buildings, machinery and equipment, furniture and fixtures caused by fire, lightning and explosion, removal of debris, flooding, breakdown of machinery and electrical damage, as well as loss of gross revenue caused by the interruption of production arising from material damages. On March 31, 2016, in the Parent Company, the insured amount was R\$24,968,579 and the maximum limit of damages is R\$5,320,000.
- **Directors and officers liability (D&O):** Coverage taken to protect the civil liability of executives against losses and damages arising from their activities as Directors, Executive Officers and Managers of the Company. On March 31, 2016, in the Consolidated, the insured amount was R\$120,000.

- **Civil and general liability:** To reimburse the Company for damages arising from final and unappealable court decisions or agreements previously approved and authorized by the insurance company caused by involuntary damages, whether material and/or physical, to third parties as a result of the industrial and/or commercial activities, including accidental pollution. The insurance also covers, among other things, the liability of the employer, contingent vehicles, and products within Brazil. On March 31, 2016, in the Consolidated, the insured amount was R\$20,000.

### 30 Events after the reporting period

#### Dividend payment

On April 25, 2016, the Annual Shareholders Meeting approved the Management proposal for distribution of dividends to shareholders in the amount of R\$300,000, to be allocated towards the Income Reserves, as follows: R\$ 0.25800 per common share; R\$ 0.28380 per class A preferred share; and R\$ 0.34352 per class B preferred share. The dividends will be paid (credit to account) to shareholders of record on this date, within ten (10) days from the date of the Meeting. Shares will be traded “ex-rights” starting April 26, 2016.

#### NCE transaction

On April 13, 2016, to continue its liability management program, the Company entered into a NCE transaction of R\$600,000, guaranteed by a CRA, at cost of 98% of the CDI, while interest will be paid bi-annually and the principal in a single installment in April 2020.



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## Independent Auditors' Report on the Financial Statements

To the Directors and Executive Officers of  
Suzano Papel e Celulose S.A.  
Salvador - BA

We have audited the accompanying individual and consolidated financial statements of Suzano Papel e Celulose S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2015, and the related statements of income, comprehensive income, changes in equity, cash flows and value-added for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the individual and consolidated financial statements**

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Suzano Papel e Celulose S.A. as at December 31, 2015, and its individual and consolidated financial performance and respective cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and IFRS as issued by IASB.

São Paulo, February 18, 2016

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Carla Bellangero  
Accountant CRC 1SP196751/O-4

## Suzano Papel e Celulose S.A.

### Balance Sheet December 31, 2015 and 2014 (In thousands - R\$)

| Assets                                        | Note | Parent Company       |                      | Consolidated         |                      |
|-----------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                               |      | December 31,<br>2015 | December 31,<br>2014 | December 31,<br>2015 | December 31,<br>2014 |
| Current assets                                |      |                      |                      |                      |                      |
| Cash and cash equivalents                     | 5    | 569.135              | 2.615.579            | 1.477.246            | 3.686.115            |
| Financial investments                         | 6    | 922.728              | -                    | 970.850              | -                    |
| Trade receivables                             | 7    | 3.521.841            | 2.602.814            | 1.885.960            | 1.207.398            |
| Inventories                                   | 8    | 895.663              | 819.472              | 1.315.996            | 1.077.081            |
| Receivables from related parties              | 11   | 14.100               | 7.985                | -                    | -                    |
| Recoverable taxes                             | 9    | 586.716              | 473.673              | 596.936              | 475.632              |
| Prepaid expenses                              |      | 36.217               | 17.328               | 37.146               | 18.325               |
| Unrealized derivative gains                   | 4    | 40.440               | 30.219               | 158.930              | 39.266               |
| Advances to suppliers                         |      | 565                  | 9.711                | 565                  | 9.711                |
| Assets held for sale                          |      | 50.000               | -                    | 50.000               | -                    |
| Receivables from energy sales                 |      | 49.328               | 66.157               | 49.328               | 66.157               |
| Other receivables                             |      | 28.057               | 15.544               | 46.062               | 29.739               |
| Total current assets                          |      | 6.714.790            | 6.658.482            | 6.589.019            | 6.609.424            |
| Long-term assets                              |      |                      |                      |                      |                      |
| Biological assets                             | 12   | 4.234.664            | 3.743.131            | 4.130.508            | 3.659.421            |
| Receivables from related parties              | 11   | -                    | 3.680                | -                    | -                    |
| Taxes and social contributions to offset      | 9    | 433.070              | 481.626              | 433.070              | 481.626              |
| Deferred income and social contribution taxes | 13   | -                    | -                    | 2.583                | 1.143                |
| Unrealized derivative gains                   | 4    | 11.284               | -                    | 36.463               | 20.826               |
| Advances to suppliers                         |      | 251.287              | 247.779              | 251.287              | 247.779              |
| Judicial deposits                             |      | 56.040               | 53.652               | 61.653               | 59.499               |
| Other receivables                             |      | 77.808               | 65.113               | 79.543               | 66.415               |
|                                               |      | 5.064.153            | 4.594.981            | 4.995.107            | 4.536.709            |
| Investments                                   | 14   | 300.843              | 331.658              | -                    | -                    |
| Property, plant and equipment                 | 15   | 15.817.652           | 16.156.629           | 16.346.234           | 16.681.253           |
| Intangible assets                             | 16   | 98.115               | 122.396              | 329.625              | 292.070              |
|                                               |      | 16.216.610           | 16.610.683           | 16.675.859           | 16.973.323           |
| Total non-current assets                      |      | 21.280.763           | 21.205.664           | 21.670.966           | 21.510.032           |
| Total assets                                  |      | 27.995.553           | 27.864.146           | 28.259.985           | 28.119.456           |

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

## Suzano Papel e Celulose S.A.

### Balance Sheet December 31, 2015 and 2014 (In thousands - R\$)

| Liabilities                                            | Note | Parent Company       |                      | Consolidated         |                      |
|--------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                                        |      | December 31,<br>2015 | December 31,<br>2014 | December 31,<br>2015 | December 31,<br>2014 |
| <b>Current liabilities</b>                             |      |                      |                      |                      |                      |
| Trade accounts payable                                 | 17   | 540.096              | 477.768              | 581.477              | 501.555              |
| Loans and financing                                    | 18   | 1.732.937            | 1.751.040            | 1.818.510            | 1.795.355            |
| Unrealized derivative losses                           | 4    | 184.669              | 26.664               | 281.317              | 27.152               |
| Tax liabilities                                        |      | 41.999               | 48.843               | 56.285               | 54.525               |
| Payroll and charges                                    |      | 159.598              | 138.219              | 164.782              | 141.489              |
| Debits payable to related parties                      | 11   | 109.952              | 61.140               | -                    | -                    |
| Commitments related to asset acquisitions              | 22   | 82.803               | 71.503               | 91.326               | 79.092               |
| Accounts payable                                       |      | 127.736              | 147.402              | 278.243              | 208.997              |
| Commercial transactions with suppliers                 | 17.1 | 206.454              | 251.544              | 206.454              | 251.544              |
| Dividends and interest on shareholders' equity payable | 23.7 | 122                  | 114                  | 122                  | 114                  |
| Advance from customers                                 |      | 15.358               | 5.826                | 32.058               | 7.822                |
| Total current liabilities                              |      | 3.201.724            | 2.980.063            | 3.510.574            | 3.067.645            |
| <b>Non-current liabilities</b>                         |      |                      |                      |                      |                      |
| Loans and financing                                    | 18   | 8.062.950            | 10.276.504           | 12.892.378           | 11.965.230           |
| Unrealized derivative losses                           | 4    | 345.152              | 100.004              | 353.814              | 100.116              |
| Debits payable to related parties                      | 11   | 4.821.230            | 1.685.927            | -                    | -                    |
| Commitments related to asset acquisitions              | 22   | 634.059              | 529.621              | 733.538              | 635.598              |
| Accounts payable                                       |      | 16.302               | 18.035               | 35.289               | 32.878               |
| Provision for contingencies                            | 19   | 194.602              | 211.883              | 198.559              | 218.540              |
| Provision for actuarial liabilities                    | 20   | 263.141              | 277.463              | 263.141              | 277.463              |
| Deferred income and social contribution taxes          | 13   | 916.631              | 1.357.977            | 1.037.889            | 1.479.235            |
| Share-based payments                                   | 21   | 42.722               | 27.619               | 42.722               | 27.619               |
| Provision for losses of investments in subsidiaries    | 14   | 304.959              | 83.918               | -                    | -                    |
| Total non-current liabilities                          |      | 15.601.748           | 14.568.951           | 15.557.330           | 14.736.679           |
| <b>Equity</b>                                          |      |                      |                      |                      |                      |
| Capital                                                |      | 6.241.753            | 6.241.753            | 6.241.753            | 6.241.753            |
| Capital reserves                                       |      | (205.892)            | (217.912)            | (205.892)            | (217.912)            |
| Profits reserve                                        |      | 706.137              | 1.852.294            | 706.137              | 1.852.294            |
| Equity valuation adjustment                            |      | 2.481.076            | 2.530.217            | 2.481.076            | 2.530.217            |
| Other comprehensive income                             |      | (30.993)             | (91.220)             | (30.993)             | (91.220)             |
| Total equity                                           | 23   | 9.192.081            | 10.315.132           | 9.192.081            | 10.315.132           |
| <b>Total equity and liabilities</b>                    |      | <b>27.995.553</b>    | <b>27.864.146</b>    | <b>28.259.985</b>    | <b>28.119.456</b>    |

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

## Suzano Papel e Celulose S.A.

### Statement of Income

Fiscal years ended December 31, 2015 and 2014

(In thousands - R\$)

|                                                             | Note | Parent Company     |                  | Consolidated       |                  |
|-------------------------------------------------------------|------|--------------------|------------------|--------------------|------------------|
|                                                             |      | 12/31/2015         | 12/31/2014       | 12/31/2015         | 12/31/2014       |
| Net sales revenue                                           | 27   | 10,089,705         | 7,075,999        | 10,224,361         | 7,264,599        |
| Cost of goods sold                                          | 29   | (5,533,686)        | (4,858,972)      | (6,184,246)        | (5,355,664)      |
| <b>Gross profit</b>                                         |      | <b>4,556,019</b>   | <b>2,217,027</b> | <b>4,040,115</b>   | <b>1,908,935</b> |
| <b>Operating income (expenses)</b>                          |      |                    |                  |                    |                  |
| Selling Expenses                                            | 29   | (883,138)          | (698,979)        | (409,986)          | (300,796)        |
| General and administrative expenses                         | 29   | (409,905)          | (356,960)        | (455,629)          | (392,761)        |
| Equity pick-up in subsidiaries and affiliates               | 14   | (306,204)          | (17,180)         | -                  | -                |
| Other operating income, net                                 | 24   | (112,372)          | 4,266            | (104,516)          | 14,191           |
| <b>Operating profit before net financial income (loss)</b>  |      | <b>2,844,400</b>   | <b>1,148,174</b> | <b>3,069,984</b>   | <b>1,229,569</b> |
| <b>Net financial income (expenses)</b>                      | 26   |                    |                  |                    |                  |
| Financial income                                            |      | 274,142            | 259,254          | 285,380            | 265,351          |
| Financial expense                                           |      | (4,496,115)        | (1,788,916)      | (4,713,885)        | (1,858,863)      |
| <b>Net loss before Income and social contribution taxes</b> |      | <b>(1,377,573)</b> | <b>(381,488)</b> | <b>(1,358,521)</b> | <b>(363,943)</b> |
| <b>Income and social contribution taxes</b>                 |      |                    |                  |                    |                  |
| Current                                                     | 9    | -                  | (2)              | (19,052)           | (17,480)         |
| Deferred                                                    | 13   | 452,219            | 119,984          | 452,219            | 119,917          |
| <b>Net loss for the year</b>                                |      | <b>(925,354)</b>   | <b>(261,506)</b> | <b>(925,354)</b>   | <b>(261,506)</b> |
| <b>Losses per share for the year</b>                        | 23.6 |                    |                  |                    |                  |
| Basic - Common                                              |      | (0.79728)          | (0.22570)        | (0.79728)          | (0.22570)        |
| Basic - Class A Preferred                                   |      | (0.87701)          | (0.24828)        | (0.87701)          | (0.24828)        |
| Basic - Class B Preferred                                   |      | (0.87097)          | (0.25806)        | (0.87097)          | (0.25806)        |
| Diluted - Common                                            |      | (0.79444)          | (0.22485)        | (0.79444)          | (0.22485)        |
| Diluted - Class A Preferred                                 |      | (0.87389)          | (0.24735)        | (0.87389)          | (0.24735)        |
| Diluted - Class B Preferred                                 |      | (0.87097)          | (0.25806)        | (0.87097)          | (0.25806)        |

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

## Suzano Papel e Celulose S.A.

Statement of Comprehensive Income  
Fiscal years ended December 31, 2015 and 2014  
(In thousands - R\$)

|                                                                                     | Note | Parent Company          |                         | Consolidated            |                         |
|-------------------------------------------------------------------------------------|------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                                                                     |      | 12/31/2015              | 12/31/2014              | 12/31/2015              | 12/31/2014              |
| <b>Net loss for the year</b>                                                        |      | <b>(925,354)</b>        | (261,506)               | <b>(925,354)</b>        | (261,506)               |
| Other comprehensive income (loss)                                                   |      | <b>60,227</b>           | (7,040)                 | <b>60,227</b>           | (7,040)                 |
| Exchange variation on conversion of financial statements and on foreign investments | 14   | <b>39,120</b>           | (3,561)                 | <b>39,120</b>           | (3,561)                 |
| Actuarial (loss) gain                                                               | 20   | <b>31,981</b>           | (5,271)                 | <b>31,981</b>           | (5,271)                 |
| Deferred income and social contribution taxes                                       |      | <b>(10,874)</b>         | 1,792                   | <b>(10,874)</b>         | 1,792                   |
| <b>Total comprehensive income</b>                                                   |      | <b><u>(865,127)</u></b> | <b><u>(268,546)</u></b> | <b><u>(865,127)</u></b> | <b><u>(268,546)</u></b> |

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



## Suzano Papel e Celulose S.A.

### Statement of Changes in Equity Fiscal years ended December 31, 2015 and 2014 (In thousands - R\$)

|                                                                                                        |           | Capital reserves |                |                       |                        |                  | Profit reserve |                              |                                                          |                   |                   |
|--------------------------------------------------------------------------------------------------------|-----------|------------------|----------------|-----------------------|------------------------|------------------|----------------|------------------------------|----------------------------------------------------------|-------------------|-------------------|
|                                                                                                        | Note      | Capital          | Tax incentives | Stock options granted | Costs with share issue | Treasury stock   | Legal reserve  | Reserve for capital increase | Equity valuation adjustment / Other comprehensive income | Retained earnings | Total             |
| <b>Balances on December 31, 2013</b>                                                                   | <b>23</b> | <b>6,241,753</b> | <b>75,317</b>  | <b>16,367</b>         | <b>(15,442)</b>        | <b>(312,240)</b> | <b>231,926</b> | <b>1,955,501</b>             | <b>2,494,057</b>                                         | <b>-</b>          | <b>10,687,239</b> |
| <u>Total comprehensive income (loss):</u>                                                              |           |                  |                |                       |                        |                  |                |                              |                                                          |                   |                   |
| Net loss for the year                                                                                  |           | -                | -              | -                     | -                      | -                | -              | -                            | -                                                        | (261,506)         | (261,506)         |
| Actuarial loss net of deferred taxes                                                                   |           | -                | -              | -                     | -                      | -                | -              | -                            | (3,479)                                                  | -                 | (3,479)           |
| Exchange variation on investments                                                                      |           | -                | -              | -                     | -                      | -                | -              | -                            | (3,561)                                                  | -                 | (3,561)           |
| <u>Equity transactions with shareholders:</u>                                                          |           |                  |                |                       |                        |                  |                |                              |                                                          |                   |                   |
| Stock options granted                                                                                  |           | -                | -              | 9,572                 | -                      | -                | -              | -                            | -                                                        | -                 | 9,572             |
| Treasury stock used to meet the share-based compensation plan                                          |           | -                | -              | -                     | -                      | 8,514            | -              | -                            | -                                                        | -                 | 8,514             |
| Dividends paid                                                                                         |           | -                | -              | -                     | -                      | -                | -              | (122,208)                    | -                                                        | -                 | (122,208)         |
| Reversal of time-barred dividends                                                                      |           | -                | -              | -                     | -                      | -                | -              | -                            | -                                                        | 561               | 561               |
| <u>Internal changes in equity:</u>                                                                     |           |                  |                |                       |                        |                  |                |                              |                                                          |                   |                   |
| Partial realization of equity valuation adjustment, net of deferred income and social contribution tax |           | -                | -              | -                     | -                      | -                | -              | -                            | (48,020)                                                 | 48,020            | -                 |
| Dividends proposed by the Management                                                                   |           | -                | -              | -                     | -                      | -                | -              | (150,000)                    | -                                                        | -                 | (150,000)         |
| Dividends subject to approval by the Management                                                        |           | -                | -              | -                     | -                      | -                | -              | 150,000                      | -                                                        | -                 | 150,000           |
| Absorption of loss for the year                                                                        |           | -                | -              | -                     | -                      | -                | -              | (212,925)                    | -                                                        | 212,925           | -                 |
| <b>Balances on December 31, 2014</b>                                                                   | <b>23</b> | <b>6,241,753</b> | <b>75,317</b>  | <b>25,939</b>         | <b>(15,442)</b>        | <b>(303,726)</b> | <b>231,926</b> | <b>1,620,368</b>             | <b>2,438,997</b>                                         | <b>-</b>          | <b>10,315,132</b> |
| <u>Total comprehensive income (loss):</u>                                                              |           |                  |                |                       |                        |                  |                |                              |                                                          |                   |                   |
| Net loss for the year                                                                                  |           | -                | -              | -                     | -                      | -                | -              | -                            | -                                                        | (925,354)         | (925,354)         |
| Actuarial gain, net of deferred income and social contribution taxes                                   |           | -                | -              | -                     | -                      | -                | -              | -                            | 21,107                                                   | -                 | 21,107            |
| Exchange variation on conversion of financial statements and on foreign investments                    |           | -                | -              | -                     | -                      | -                | -              | -                            | 39,120                                                   | -                 | 39,120            |
| <u>Equity transactions with shareholders:</u>                                                          |           |                  |                |                       |                        |                  |                |                              |                                                          |                   |                   |
| Stock options granted                                                                                  |           | -                | -              | (2,848)               | -                      | -                | -              | -                            | -                                                        | -                 | (2,848)           |
| Treasury stock used to meet the share-based compensation plan                                          |           | -                | -              | -                     | -                      | 14,868           | -              | -                            | -                                                        | -                 | 14,868            |
| Dividends paid                                                                                         |           | -                | -              | -                     | -                      | -                | -              | (270,004)                    | -                                                        | -                 | (270,004)         |
| Reversal of time-barred dividends                                                                      |           | -                | -              | -                     | -                      | -                | -              | -                            | -                                                        | 60                | 60                |
| <u>Internal changes in equity:</u>                                                                     |           |                  |                |                       |                        |                  |                |                              |                                                          |                   |                   |
| Partial realization of equity valuation adjustment, net of deferred income and social contribution tax |           | -                | -              | -                     | -                      | -                | -              | -                            | (49,141)                                                 | 49,141            | -                 |
| Dividends proposed by the Management                                                                   |           | -                | -              | -                     | -                      | -                | -              | (300,000)                    | -                                                        | -                 | (300,000)         |
| Dividends subject to approval by the Management                                                        |           | -                | -              | -                     | -                      | -                | -              | 300,000                      | -                                                        | -                 | 300,000           |
| Absorption of loss for the year                                                                        |           | -                | -              | -                     | -                      | -                | -              | (876,153)                    | -                                                        | 876,153           | -                 |
| <b>Balances on December 31, 2015</b>                                                                   | <b>23</b> | <b>6,241,753</b> | <b>75,317</b>  | <b>23,091</b>         | <b>(15,442)</b>        | <b>(288,858)</b> | <b>231,926</b> | <b>474,211</b>               | <b>2,450,083</b>                                         | <b>-</b>          | <b>9,192,081</b>  |

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

# Suzano Papel e Celulose S.A.

## Statement of Cash Flows Fiscal years ended December 31, 2015 and 2014 (In thousands - R\$)

| Note                                                                                                    | Parent Company     |                    | Consolidated       |                    |
|---------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                                                                         | 12/31/2015         | 12/31/2014         | 12/31/2015         | 12/31/2014         |
| <b>Cash and cash equivalents from operating activities</b>                                              |                    |                    |                    |                    |
| <b>Net loss for the year</b>                                                                            | (925,354)          | (261,506)          | (925,354)          | (261,506)          |
| <b>Adjustment to reconcile net income (loss) to cash and cash equivalents from operating activities</b> | 6,778,146          | 3,181,811          | 5,829,002          | 3,070,262          |
| Depreciation, depletion and amortization                                                                | 1,402,163          | 1,203,598          | 1,419,477          | 1,216,132          |
| Income from sale of property, plant and equipment and biological assets                                 | (600)              | (474)              | (641)              | (432)              |
| Equity pick-up in subsidiaries and affiliates                                                           | 306,204            | 17,180             | -                  | -                  |
| Exchange and monetary variations, net                                                                   | 3,553,055          | 842,643            | 2,807,372          | 725,478            |
| Interest expenses, net                                                                                  | 1,113,187          | 994,224            | 1,137,476          | 1,010,924          |
| Derivative losses, net                                                                                  | 635,821            | 58,709             | 630,251            | 57,390             |
| Fair value adjustment of biological assets                                                              | (23,145)           | (12,847)           | (23,145)           | (12,847)           |
| Income from deferred income and social contribution taxes                                               | (452,219)          | (119,984)          | (452,219)          | (119,917)          |
| Interest on actuarial liabilities                                                                       | 33,629             | 31,539             | 33,629             | 31,539             |
| (Reversal) Addition to provision for contingencies                                                      | (35,883)           | 5,804              | (38,110)           | 6,749              |
| Expenses with share-based payments                                                                      | 31,499             | 22,382             | 31,499             | 22,382             |
| Addition to allowance for doubtful accounts                                                             | 21,308             | 10,718             | 21,425             | 10,012             |
| (Reversal) Addition of provision for deduction                                                          | (613)              | (5,254)            | 67,861             | (11,809)           |
| Provision for inventory losses and write-offs                                                           | 19,589             | 7,598              | 19,589             | 7,598              |
| Write-off of unratified tax credits                                                                     | 40,943             | -                  | 40,943             | -                  |
| Provision and write-off of losses with property and equipment and biological assets                     | 53,164             | 39,664             | 53,164             | 39,664             |
| Realization of loss from goodwill from asset divestment                                                 | 20,731             | -                  | 20,731             | -                  |
| Other provisions                                                                                        | 59,313             | 86,311             | 59,700             | 87,399             |
| <b>Changes in current and non-current operating assets and liabilities:</b>                             | (866,385)          | (1,364,815)        | (2,552,939)        | (1,361,154)        |
| Increase (decrease) in related parties                                                                  | 1,830,032          | (3,053)            | -                  | -                  |
| (Increase) decrease in accounts receivable                                                              | (1,057,894)        | 208,727            | (824,881)          | 326,878            |
| Increase in inventories                                                                                 | (112,839)          | (114,589)          | (275,563)          | (180,555)          |
| Decrease in recoverable taxes                                                                           | 36,510             | 38,329             | 28,249             | 50,583             |
| Decrease in other current and non-current assets                                                        | 9,692              | 20,749             | 20,988             | 7,220              |
| (Increase) decrease in trade accounts payable                                                           | 61,546             | (371,108)          | 92,235             | (399,343)          |
| (Decrease) Increase in other current and non-current liabilities                                        | (99,739)           | 195,171            | 22,884             | 224,967            |
| Payment of interest                                                                                     | (1,061,281)        | (909,014)          | (1,100,351)        | (923,752)          |
| Payment of other taxes and contributions                                                                | (405,638)          | (379,050)          | (449,726)          | (405,021)          |
| Payment of income and social contribution taxes                                                         | (66,774)           | (50,977)           | (66,774)           | (62,131)           |
| <b>Net cash and cash equivalents provided by operating activities</b>                                   | <b>4,986,407</b>   | <b>1,555,490</b>   | <b>2,350,709</b>   | <b>1,447,602</b>   |
| <b>Cash and cash equivalents from investing activities</b>                                              |                    |                    |                    |                    |
| Additions to investments, net of cash received                                                          | -                  | (43,994)           | -                  | (43,994)           |
| Additions to property, plant and equipment                                                              | (395,266)          | (603,718)          | (401,280)          | (606,764)          |
| Additions to intangible assets                                                                          | (12,748)           | (8,863)            | (12,748)           | (8,863)            |
| Additions to biological assets                                                                          | (1,064,862)        | (762,745)          | (1,044,416)        | (743,551)          |
| Proceeds from asset divestment                                                                          | 41,868             | 9,478              | 41,868             | 9,478              |
| Financial investments                                                                                   | (886,887)          | -                  | (934,186)          | -                  |
| <b>Net cash and cash equivalents used in investing activities</b>                                       | <b>(2,317,895)</b> | <b>(1,409,842)</b> | <b>(2,350,762)</b> | <b>(1,393,694)</b> |
| <b>Cash and cash equivalents from financing activities</b>                                              |                    |                    |                    |                    |
| Funding                                                                                                 | 1,672,992          | 2,654,850          | 3,901,222          | 2,654,850          |
| Settlement of derivative operations                                                                     | (254,173)          | 10,407             | (251,646)          | 16,117             |
| Payment of loans and debentures                                                                         | (5,872,353)        | (2,729,819)        | (5,872,353)        | (2,730,952)        |
| Payment of dividends                                                                                    | (269,936)          | (122,180)          | (269,936)          | (122,180)          |
| Dividends (acquisition) of own shares                                                                   | 8,514              | 8,514              | 8,514              | 8,514              |
| <b>Net cash and cash equivalents used in financing activities</b>                                       | <b>(4,714,956)</b> | <b>(178,228)</b>   | <b>(2,484,199)</b> | <b>(173,651)</b>   |
| Exchange variation on cash and cash equivalents                                                         | -                  | -                  | 275,383            | 116,218            |
| <b>Reduction in cash and cash equivalents</b>                                                           | <b>(2,046,444)</b> | <b>(32,580)</b>    | <b>(2,208,869)</b> | <b>(3,525)</b>     |
| Cash and cash equivalents at the beginning of the year                                                  | 2,615,579          | 2,648,159          | 3,686,115          | 3,689,640          |
| Cash and cash equivalents at the end of the year                                                        | 569,135            | 2,615,579          | 1,477,246          | 3,686,115          |
| <b>Statement of the reduction in cash and cash equivalents</b>                                          | <b>(2,046,444)</b> | <b>(32,580)</b>    | <b>(2,208,869)</b> | <b>(3,525)</b>     |

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

## Suzano Papel e Celulose S.A.

### Statement of Value Added Fiscal years ended December 31, 2015 and 2014 (In thousands - R\$)

|                                                              | Note | Parent Company     |                    | Consolidated       |                    |
|--------------------------------------------------------------|------|--------------------|--------------------|--------------------|--------------------|
|                                                              |      | 12/31/2015         | 12/31/2014         | 12/31/2015         | 12/31/2014         |
| <b>Income</b>                                                |      |                    |                    |                    |                    |
| Sale of goods, products and services                         | 27   | 11,047,326         | 8,026,440          | 11,195,335         | 8,223,537          |
| Other income                                                 |      | 41,031             | 100,020            | 48,887             | 109,945            |
| Income from construction of own assets                       |      | 355,364            | 822,985            | 355,364            | 822,985            |
| Allowance for doubtful accounts                              | 7    | (21,308)           | (10,718)           | (21,425)           | (10,012)           |
|                                                              |      | <u>11,422,413</u>  | <u>8,938,727</u>   | <u>11,578,161</u>  | <u>9,146,455</u>   |
| <b>Input acquired from third parties</b>                     |      |                    |                    |                    |                    |
| Cost of products and goods sold and services rendered        |      | (4,235,266)        | (3,741,290)        | (4,235,266)        | (3,723,179)        |
| Supplies, electricity, outsourced services and others        |      | (1,723,880)        | (1,927,568)        | (1,945,882)        | (2,021,892)        |
|                                                              |      | <u>(5,959,146)</u> | <u>(5,668,858)</u> | <u>(6,181,148)</u> | <u>(5,745,071)</u> |
| <b>Gross added value</b>                                     |      | <u>5,463,267</u>   | <u>3,269,869</u>   | <u>5,397,013</u>   | <u>3,401,384</u>   |
| Depreciation, amortization and depletion                     |      | (1,402,163)        | (1,203,598)        | (1,419,477)        | (1,216,132)        |
| <b>Net added value produced by the Company</b>               |      | <u>4,061,104</u>   | <u>2,066,271</u>   | <u>3,977,536</u>   | <u>2,185,252</u>   |
| <b>Added value from transfers</b>                            |      |                    |                    |                    |                    |
| Equity pick-up in subsidiaries and affiliates                | 14   | (306,204)          | (17,180)           | -                  | -                  |
| Financial income                                             | 26   | 1,117,127          | 638,486            | 1,258,657          | 677,354            |
|                                                              |      | <u>810,923</u>     | <u>621,306</u>     | <u>1,258,657</u>   | <u>677,354</u>     |
| <b>Distribution of added value</b>                           |      | <u>4,872,027</u>   | <u>2,687,577</u>   | <u>5,236,193</u>   | <u>2,862,606</u>   |
| <b>Personnel</b>                                             | 29   | 935,935            | 836,174            | 957,859            | 852,317            |
| Direct compensation                                          |      | 761,297            | 682,641            | 780,557            | 696,973            |
| Benefits                                                     |      | 134,961            | 115,884            | 137,625            | 117,694            |
| F.G.T.S. (Government Severance Indemnity Fund for Employees) |      | 39,677             | 37,649             | 39,677             | 37,650             |
| Taxes, fees and contributions                                |      | (550,387)          | (181,744)          | (561,423)          | (127,318)          |
| Federal                                                      |      | (382,720)          | (119,464)          | (393,628)          | (82,137)           |
| State                                                        |      | (172,534)          | (65,933)           | (172,534)          | (48,179)           |
| Municipal                                                    |      | 4,867              | 3,653              | 4,739              | 2,998              |
| Value distributed to providers of capital                    |      | 5,411,833          | 2,294,653          | 5,765,111          | 2,399,113          |
| Interest                                                     |      | 5,339,100          | 2,204,293          | 5,687,162          | 2,307,012          |
| Rentals                                                      |      | 72,733             | 90,360             | 77,949             | 92,101             |
| Value distributed to shareholders                            |      | (925,354)          | (261,506)          | (925,354)          | (261,506)          |
| Net loss for the year                                        |      | (925,354)          | (261,506)          | (925,354)          | (261,506)          |
| <b>Distribution of added value</b>                           |      | <u>4,872,027</u>   | <u>2,687,577</u>   | <u>5,236,193</u>   | <u>2,862,606</u>   |

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

## 1 Company Information

Suzano Papel e Celulose S.A. (hereinafter referred to as the "Company" or "Suzano") is a corporation with head office in the city of Salvador, state of Bahia, which, together with its subsidiaries (hereinafter referred to as "Consolidated") has six industrial units in Brazil: one each in Bahia and Maranhão and four in São Paulo. These industrial units produce hardwood pulp from eucalyptus, paper and electricity.

Pulp and paper are sold in the international market directly by the Company, as well as through its direct and indirect subsidiaries and sales offices in Argentina, China, the United States, England and Switzerland.

The Company's corporate purpose also includes the commercial operation of eucalyptus forest for its own use and for sale to third parties, the operation of port terminals, and the holding of interest, as partner or shareholder, in any other company or project.

The Company is controlled by Suzano Holding S.A., which holds a 95.5% interest in the common shares of its capital stock.

### 1.1 Notable events in 2015 and 2014

#### a) Operational events

##### i. Start of production and sale of fluff pulp

On December 7, 2015, the Company started producing and selling fluff pulp, which was named Eucafluff.

Eucafluff production is concentrated in the Suzano unit located in São Paulo and is certified by the Forest Stewardship Council ("FSC"). The investment of R\$30,000 in modernizing a printing and writing machine provided flexibility in the production of this type of paper and of Eucafluff. The annual production capacity of the machine is 100,000 tons.

##### ii. Investigation of dumping

On August 19, 2015, the U.S. Department of Commerce published a preliminary decision in connection with an investigation of dumping involving imports of certain types of uncoated papers from Australia, Brazil, China, Indonesia and Portugal. This decision set initially antidumping duties of 33.09% on the Company's exports of uncoated paper (sheet or cut size) to the country.

In 2015, the anti-dumping duties totaled R\$28,019 and were allocated to the profit or loss for as cost of these products exported and will remain deposited with the U.S. government at least until the final decision is taken, which is expected in the first quarter of 2016. If the final decision is favorable to Suzano, the amounts deposited will be refunded to the Company. In case of an

unfavorable decision, the Company can appeal for a review and, until the review is decided, the amounts will remain with the U.S. government.

iii. Contracting of a syndicated pre-export financing transaction

On May 14, 2015, continuing its financial liabilities management program (Liability Management Program), the Company contracted, through its subsidiary Suzano Pulp and Paper Europe SA ("Suzano Europe"), a syndicated pre-export financing transaction in the amount of US\$600 million for a term of five years, with amortization of principal starting from the 36<sup>th</sup> month, and margin of LIBOR plus interest of 2% p.a. initially, which could vary according to Suzano's ratings (Note 18).

iv. Approval of genetically modified eucalyptus for commercial use

On April 9, 2015, the National Biosafety Technical Commission ("CTNBio"), a collegiate responsible, among other things, for setting the standards and technical guidelines related to activities involving authorization for commercial use of genetically modified organisms in Brazil, has approved the request from FuturaGene Brasil Ltda. ("Futuragene") for the commercial use of genetically modified eucalyptus - event H421. The decision is still subject to appealing, in accordance with the applicable laws.

v. Operation with Ibema Participações S.A. ("Ibemapar") and Ibema Companhia Brasileira de Papel ("Ibema")

On March 18, 2015, the Company's Board of Directors had approved an operation with Ibemapar and Ibema, in which Suzano will become holder of a 49.90% interest in the shares of Ibema's capital. Suzano's interest in Ibema's capital will be 38% until the complete exclusion of the assets not related to the paperboard operation.

Through this operation, Suzano sells its paperboard mill located in Embu, São Paulo, to Ibema for R\$50,000, to be paid through the assumption of Suzano's debts by Ibema of the same amount. The Company will inject capital of R\$8,000 in domestic currency in Ibema.

On December 31, 2015, the amount of R\$50,000 recorded under Assets held for sale is composed of: a) Inventories of R\$11,429; b) Net Property, Plant and Equipment of R\$25,228; and, c) Intangible Assets of R\$13,343, net of impairment losses amounting to R\$20,731, which was recorded in profit or loss (Note 24).

This operation was conducted after approval from Brazil's antitrust agency ("CADE") and the National Electric Power Agency ("ANEEL") and was performed on January 4, 2016 after the usual conditions precedent were met. After this operation, Ibema will have two production units with annual paperboard production capacity of 140,000 tons, and a professional and independent management team, while control will be shared by Suzano and Ibemapar.

vi. Acquisition of Vale Florestar Fundo de Investimento em Participações ("VFFIP")

On August 8, 2014, due to the fulfillment of all conditions precedent provided for in the Share Purchase and Sale Agreement entered into on June 4, 2014, the

Company concluded the direct acquisition of all shares issued by VFFIP held by Vale S.A., BNDES Participações S.A. (“BNDESPAR”), Fundação dos Economistas Federais (“FUNCEF”), and Fundação Petrobrás de Seguridade Social (“PETROS”) for R\$528,941, with a down payment of R\$44,998 on the settlement date and the outstanding balance in annual and successive installments of ten (10) to fifteen (15) years, with the first of those installments payable one (1) year after the settlement date.

The main asset of VFFIP consists of all the shares of the capital of VFSA, which owns 45,000 hectares of eucalyptus forests planted in leased areas in the state of Pará, which will be used to supply wood to the new Maranhão unit. (Note 14.2).

vii. Early redemption of Debentures of the 2nd series of the 3rd Issue

On June 6, 2014, the Company carried out the early redemption of all debentures of the 2<sup>nd</sup> Series of the 3<sup>rd</sup> Issue of Unsecured Non-Convertible Debentures of the Company. The settlement was made on June 11, 2014 for the restated nominal value plus a premium, totaling R\$164,371, with the consequent cancelation of the Debentures.

viii. Beginning of operations and pulp exports at the new industrial unit in Maranhão

In the first quarter of 2014, production of premium eucalyptus pulp started at the Maranhão unit. The first export shipment of this pulp to third parties occurred in March 2014, with the consequent recognition of the unit's results in the Company's profit or loss.

The unit in Maranhão has eucalyptus market pulp production capacity of 1.5 million tons/year and surplus power generation of 100 MW.

b) Corporate events

i. Merger and dissolution of subsidiaries

On September 30, 2014, the Extraordinary Shareholders' Meeting (AGE) of the Company approved: a) Merger of subsidiaries: i) Vale Florestar S.A. (“VFSA”); and ii) Suzano Energia Renovável Ltda. (“SER”), with the net assets of R\$480,552 and R\$41,083, respectively, merged into the Company; and b) dissolution of the subsidiary Aanisan Empreendimentos e Participações Ltda. (“Aanisan”), which has no net assets to be reverted to Suzano.

ii. Extinction of Vale Florestar Fundo de Investimento em Participações (“VFFIP”)

On September 25, 2014, the General Meeting of Shareholders of the Fund approved the early liquidation of VFFIP and the transfer of assets in the fund's portfolio to Suzano in the net amount of R\$448.

## 2 Presentation of the Financial Statements

### 2.1 Preparation basis and presentation

The parent company and consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (“IFRS”) issued

by the International Accounting Standards Board ("IASB") and the accounting practices adopted in Brazil ("BR GAAP").

The consolidated financial statements include direct and indirect subsidiaries and joint operations, whose reporting dates coincide with those of the Company.

The issue of the financial statements was approved by the Company's Board of Directors on February 18, 2016.

## 2.2 Functional currency and presentation currency

The Company's functional currency is the Brazilian Real (BRL), same currency of presentation of the subsidiaries' financial statements. The financial statements of each subsidiary, which is also that used as basis of evaluation of investments by the equity accounting method, is prepared based on each entity's functional currency.

Monetary assets and liabilities denominated in foreign currency are translated into the Brazilian real (BRL) using the exchange rate effective on the respective balance sheets dates. Gains and losses resulting from the adjustment of these assets and liabilities, verified between the exchange rate effective on the date of transaction and end of years are recognized as financial income or expenses in the income statement.

Concerning foreign subsidiaries, their monetary assets and liabilities are translated from their functional currency to Brazilian reais, using the exchange rates of balance sheets closing dates and respective revenues and expenses accounts are translated by the monthly average rates of the years. Concerning non-monetary assets and liabilities, they are translated from their functional currency to Brazilian reais by exchange rate of the accounting transaction date (historical rate).

Gains and losses from exchange variation on investments in foreign subsidiaries are measured under the equity accounting method, and gains and losses from exchange variation calculated in the process for consolidating the financial statements are recognized in other comprehensive income (Cumulative Translation Adjustment ("CTA")).

The exchange rates applied when translating the financial statements of foreign subsidiaries into the reporting currency of the financial statements are the following:

| Currency | Name           | Country        | Subsidiary                       | Final rate    |            | Average rate  |            |
|----------|----------------|----------------|----------------------------------|---------------|------------|---------------|------------|
|          |                |                |                                  | 12/31/2015    | 12/31/2014 | 12/31/2015    | 12/31/2014 |
| USD      | U.S. Dollar    | United States  | Suzano Trading<br>Suzano America | <b>3.9048</b> | 2.6562     | <b>3.3315</b> | 2.3536     |
| GBP      | Pound Sterling | United Kingdom | FuturaGene<br>Sun Paper          | <b>5.7881</b> | 4.1405     | <b>5.0929</b> | 3.8729     |
| CHF      | Swiss Franc    | Switzerland    | Suzano Europa                    | <b>3.9284</b> | 2.6836     | <b>3.4568</b> | 2.5711     |
| EUR      | Euro           | European Union | Bahia Sul Holdings               | <b>4.2504</b> | 3.2270     | <b>3.6930</b> | 3.1225     |
| ARS      | Argentine Peso | Argentina      | Stenfar                          | <b>0.3016</b> | 0.3172     | <b>0.3539</b> | 0.2858     |

## **2.3 Use of estimates and judgments**

When preparing these financial statements, Management used judgments, estimates and assumptions affecting the application of the Companies' accounting policies and practices and the amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

Estimates and assumptions are continuously revised. Estimate reviews are recognized prospectively.

Information on judgments on the application of accounting policies that have significant effects on amounts recognized in the financial statements and information on uncertainties over assumptions and estimates with significant risk of causing material adjustment in the following year are included in the following notes:

- a) Fair value measurement in Note 4 - Financial instruments and Note 12 - Biological assets. Due to determination of evaluation techniques, assumptions based on market conditions, and judgment for determination of fair value;
- b) Judgments in Note 15 - Property, plant and equipment, Note 16 - Intangible assets and Note 18.2 - Financial lease agreements. Due to the useful life of assets, capacity of obtaining return on assets and determination of whether a contract contains a lease and its classification;
- d) Uncertainties over assumptions and estimates in Note 13 - Deferred income and social contribution taxes, Note 19 - Provision for contingencies and Note 20 - Actuarial liabilities. Due to the availability of future taxable income against which tax losses can be used, classification and measurement of value deemed sufficient to cover probable losses, and assumptions used in actuarial calculation.

## **2.4 Presentation of information by operating segment**

The information was prepared and is presented in a way consistent with the internal information provided to the executive officers for decision-making. Management defined Pulp and Paper as the Group's operational segments.

## **2.5 Statements of added value**

The Company prepared individual and consolidated statements of added value (DVA), which are presented together with the financial statements under BR GAAP applicable to publicly held companies, while they represent additional financial information under IFRS.

## **3 Critical accounting practices**

Suzano, its subsidiaries and joint operations adopted the accounting practices described below consistently in all the years reported in these financial statements.



The reclassifications in the comparative financial statements were conducted for better presentation and comparison with information for the year ended December 31, 2015:

- a) On December 31, 2014, the amount of R\$251,544 was reclassified from trade accounts payable to commercial transactions with suppliers, in current liabilities, related to confirming operations;
- b) On December 31, 2014, the amounts of R\$17,253 and R\$17,212 in the parent company and consolidated statement of cash flow, respectively, were reclassified among operating, investing and financing activities.

### **3.1 Cash and cash equivalents**

Cash and cash equivalents include balances of cash, banks and marketable securities maturing in three months or less from their initial contracting date, which are subject to insignificant risk of change in their fair value. Securities in this category are classified under financial assets at fair value through profit or loss.

### **3.2 Financial instruments**

Financial instruments are recognized as of the date the Company becomes party of financial instruments contractual provisions. These are initially recorded at their fair value, plus transaction costs which are directly attributable to their acquisition or issue, except for the financial assets and liabilities classified under the fair value category through profit or loss, where these costs are directly recorded in the income statement for the year. Their subsequent measure occurs every balance sheet date according to the rules set forth for each type of financial assets and liabilities classification.

The Company does not adopt hedge accounting as required by CPC 38, 39 and 40.

The fair value of financial instruments actively traded on the organized markets is determined based on the market quotes on the balance sheets closing dates. In the lack of an active market, the fair value is determined through valuation techniques, which include the use of recent market arm's length transactions, benchmark to the fair value of similar financial instruments, discounted cash flows analysis or other valuation models.

The gain or loss from the initial recognition of financial assets and liabilities, arising from the difference between the fair value and present value of cash flows from the instrument discounted at the contractual rate, called day 1 profit or loss, is recognized as profit or loss proportionally to the duration of the operation until the full amount is considered at maturity, if the fair value is not observable directly in an open market.

Financial assets are classified among the categories below according to the purpose to which they were acquired or issued:

- i. Financial assets measured at fair value through profit or loss

These include financial assets held for trading and those assets designated in the initial recognition at fair value through profit or loss and derivatives. These are classified as held for trading if originated with the purpose of sale or repurchase in the short term. These are measured at their fair value at every balance sheet date. Interest rates, monetary restatement, exchange variation

and those variations deriving from fair value valuation are recognized as financial income or expenses in the income statement when incurred.

ii. Loans (granted) and receivables

These include non-derivative financial assets with fixed or determinable payments, but not quoted on the active market. After initial recognition, these are measured by the amortized cost through the effective interest rate method. Interest rates, monetary restatement, exchange variation, less impairment, when applicable, are recognized as financial income or expenses in the income statement when incurred.

The Company does not hold financial assets that would be classified in the held-to-maturity investments category.

Financial liabilities are classified between the categories below according to the nature of financial instruments contracted or issued:

iii. Financial liabilities measured at fair value through profit or loss

These include financial liabilities usually traded before maturity, liabilities designated in the initial recognition at fair value through profit or loss and derivatives. They are measured by their fair value at every balance sheet date. Interest rates, monetary restatement, exchange variation and those variations deriving from fair value valuation, where applicable, are recognized in the income statement when incurred.

iv. Financial liabilities not measured at fair value

Non-derivative financial liabilities that are not usually traded before maturity. After the initial recognition, they are measured by the amortized cost through the effective interest rate method. The interest rates, monetary restatement and exchange variation, where applicable, are recognized in the income statement when incurred.

### **3.3 Trade accounts receivable**

Accounts receivable from customers are booked at the amount billed on the sale date and shown under current assets. Amounts denominated in foreign currency are translated at the exchange rate on the closing date of the balance sheet. Considering the average term for receipt of bills receivable, their amount corresponds to fair value. In the case of doubtful accounts, and in accordance with internal policy, an allowance is accrued in an amount deemed sufficient by the Management to cover eventual losses in the accounts receivable realization.

### **3.4 Inventories**

Inventories are shown at the lowest value between average acquisition or production cost and the realization value. Imports in progress are presented at the cost incurred until the balance sheet date. Cost of wood transferred from biological assets is equivalent to its fair value plus harvest and freight costs. The balance of inventories is presented net of provisions for losses established to cover losses identified by Management.

### **3.5 Assets held for sale**

Assets or net non-current assets held for sale are classified as such if it is highly probable that they will be recovered primarily through sale instead of their continuous use.

These assets are normally measured by the lowest amount between their book value and their fair value less selling expenses. Possible impairment loss is initially allocated to goodwill and then to remaining assets and liabilities. Losses arising from this valuation are recognized in profit or loss. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

### **3.6 Biological assets**

Biological assets are measured at fair value, less sales costs, and any changes are recognized in profit or loss (Note 12).

### **3.7 Investments - business combination**

Business combinations are recorded using the acquisition method when control is transferred to the Company. The consideration is generally measured at fair value, as well as identifiable net assets acquired. Any goodwill from the transaction is tested annually for impairment. Gains from a beneficial purchase are recognized immediately in profit or loss. Transaction costs are recorded in profit or loss as incurred, except for costs related to the issue of debt or equity instruments.

### **3.8 Property, plant and equipment**

Property, plant and equipment items are recorded at the cost of acquisition or construction, net of recoverable taxes, including interest and other financial charges incurred during the project design or development, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment from financial lease agreements are recognized by the lower amount between the present value of minimum lease payments and the fair value of the related assets, plus, when applicable, initial direct costs incurred in the transaction.

Items of property, plant and equipment are depreciated using the straight-line method in the profit or loss statement of the year, based on the economic-useful life of each item (Note 15) and leased items are depreciated by the shortest period between the estimated useful of the asset and the term of the contract.

On December 31, 2015, the Company revised the useful life of its assets and did not identify adjustments that should be made to the estimated economic useful life of each item.

Maintenance and repair expenses of key industrial equipment that do not significantly increase the useful life of these assets are booked directly as profit or loss in the year when they are incurred.

### **3.9 Intangible assets**

#### **i. Goodwill**

Goodwill is the positive difference between the amount transferred for acquisition and the net fair value of assets and liabilities acquired from an entity. Goodwill balance is not amortized but should be attributed to one or more cash generating units, which are subject to impairment tests at least once a year. If the recoverable value of the cash generating unit is less than the book value of the investment including goodwill, an impairment loss is recognized with a corresponding entry in profit or loss for the year. Impairment losses, when incurred, cannot be reversed in subsequent periods.

#### **ii. Intangible assets with defined useful life**

Other intangible assets acquired by the Company and that have defined useful lives are measured at cost, less amortization based on the useful lives and accumulated impairment losses.

### **3.10 Dividends and interest on shareholders' equity payable**

Distribution of dividends or interest on equity is recognized as liabilities, pursuant to corporate law and the Company's bylaws, up to the limit of minimum mandatory dividends. The surplus dividends declared by Management are presented under proposed dividends, together with the profit reserves in shareholders' equity. When the surplus is approved by shareholders, the portion is transferred to current liabilities.

### **3.11 Other assets and liabilities (current and non-current)**

Assets are recognized only when it is probable that the economic benefit associated with the transaction will flow to the entity and its cost or value can be measured reliably. Contingent assets are not recognized.

A liability is recognized when the Company has a legal or constructive obligation arising from a past event, and it is probable that an economic resource will be required to settle this liability.

### **3.12 Current and deferred Corporate income tax ("IRPJ") and social contribution on net income ("CSLL")**

Income tax and social contribution in the fiscal year are determined based on current and deferred bases. These taxes are calculated based on the tax laws in force on the balance sheet date in countries where the Company and its subsidiaries operate, and are recognized in the income statement, except when referring to items recorded in shareholders' equity.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities and they are related to income tax levied by the same tax authority on the same entity subject to taxation. A deferred income and social contribution tax asset is recognized for tax losses, tax credits and unused deductible temporary differences when it is probable that future profits subject to taxation will be available to be used against such assets.

Deferred income and social contribution tax assets are revised at each reporting date and will be deducted as their realization is no longer probable.

### **3.13 Provisions**

Provisions are recognized based on past events, if the Company has a legal or constructive obligation that can be reliably ascertained and for which it is probable that economic resources will be required for settlement. Provisions are recorded based on the best estimates of the risks involved.

### **3.14 Contingent assets and liabilities**

Contingent assets are recorded only when court decisions favorable to the Company are final and unappealable and whose amount can be reliably measured.

Contingent liabilities are recognized according to following criteria: i) Contingent liability whose probability of loss is remote is not recorded in provision or disclosed; ii) Contingent liability whose probability of loss is possible is not recorded in provision, but disclosed in the notes to the financial statements; and, iii) Contingent liability whose probability of loss is probable is recorded in provision for an amount deemed sufficient by the Management and its legal advisors to cover future cash disbursements.

### **3.15 Actuarial liabilities**

The defined benefit plans are evaluated by an independent actuary in order to determine the commitments with health care plans and life insurance provided to active employees and retirees, at the end of each year.

Actuarial gains or losses are recognized directly in shareholders' equity. The interest rates on actuarial liability are directly recorded in the income statement under financial expenses.

### **3.16 Share-based payments**

The Company's executives and managers receive their compensation partially as: i) share-based payment plans to be paid in cash; and ii) share-based payment plans to be paid with shares, and alternatively in cash.

Plan-related expenses i) e ii) are firstly recognized in the income statement as administrative expenses against financial liabilities during the vesting period (grace period) when services will be rendered. The financial liability is measured again by its fair value every balance sheet date and its variation is recorded in the income statement as administrative expenses.

However, at the option exercise date, if such options are exercised by executive in order to receive Company shares, financial liabilities are reclassified to a shareholders' equity account called "Stock options reserve". In case of option exercise paid in cash, the Company settles the financial liability on behalf of the officer.

### **3.17 Government grants and assistance**

Government grants and assistance are recognized when it is reasonably certain that the conditions established by the granting governmental authority were observed and that these subsidies will be obtained. These are recorded as revenue or expense deduction in the income statement for the period of

enjoyment of benefit and subsequently are allocated to the tax incentives reserve under shareholders' equity.

### **3.18 Adjustment at present value of assets and liabilities**

Noncurrent monetary assets and liabilities are monetarily restated, therefore, they are adjusted by their present value. The present value adjustment of current monetary assets and liabilities is calculated and only recorded, if deemed as relevant when compared to the financial statements taken as a whole. For the purposes of recording and determining materiality, the present value adjustment is calculated taking into account contractual cash flows and explicit interest rates, and implicit interest rates in certain cases, of respective assets and liabilities. Based on the analyses made and the Management's best estimate, the present value adjustment of current monetary assets and liabilities is irrelevant when compared to the financial statements taken as a whole, thus, no adjustments were recorded.

### **3.19 Operating revenue**

Operating revenue from product sales are stated at their net amounts excluding taxes, returns, unconditional discounts and bonus to clients. Sales revenue is recognized when its amounts can be measured reliably, all risks and rewards inherent to the product are transferred to the buyer, the Company no longer has any relation with the goods sold and it is probable that the economic benefits will be generated for the Company. Revenues are not recognized if there is significant uncertainty to their realization.

### **3.20 Related parties**

The Company's policy for conducting business and operations with related parties establishes that these operations must observe typical market prices and conditions as well the corporate governance practices adopted by the Company and those recommended and/or required by law.

### **3.21 Standards issued but not effective yet**

As of January 1, 2016, a set of new standards and interpretations will become effective, but the Company has not adopted these amendments while preparing these financial statements:

- a) Agriculture: Bearer plants (amendments to CPC 27 / IAS 16 and CPC 29 / IAS 41) - The amendments require bearer plants that meet the definition of living plants to be accounted for as property, plant and equipment and included within the scope of CPC 27 / IAS 16 Property, Plant and Equipment, instead of CPC 29 / IAS 41. The Company evaluated the new amendments and concluded that its biological assets do not meet the definition of bearer plants, so these amendments will not have any impact on its financial statements.
- b) IFRS 9 Financial instruments - It replaces IAS 39, except for recognition and derecognition of financial instruments. It also includes reviewed requirements for classifying and measuring financial instruments, a new model for expected loss of credit for calculating the impairment of financial assets and new requirements on hedge accounting. IFRS 9 becomes

effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impacts of this standard on its financial statements.

- c) IFRS 15 Revenue from contracts with customers - It requires the entity to recognize revenue reflecting the consideration to which it expects to be entitled in exchange for the control of goods or services. The standard becomes effective on or after January 1, 2018. The Company is evaluating the impacts of this standard on its financial statements.

In addition, the following new standards or amendments are not expected to have a significant impact on the Company's consolidated financial statements:

- a) Accounting of acquisition of interests in joint operations (amendments to CPC 19 / IFRS 11);
- b) Acceptable methods of depreciation and amortization (amendments to CPC 27 / IAS 16 and CPC 04 / IAS 38);
- c) Sale or contribution of assets between an investor and its associate/joint venture (amendments to CPC 36 / IFRS 10 and CPC 18 / IAS 28);
- d) Investment entities: Exceptions to consolidation (amendments to CPC 36 / IFRS 10, CPC 45 / IFRS 12 and CPC 18 / IAS 28).

The Brazilian Accounting Pronouncements Committee (CPC) has not issued accounting pronouncement or amendment to effective pronouncements corresponding to all new IFRS standards. Thus, early adoption is not permitted for entities disclosing their financial statements in accordance with accounting practices adopted in Brazil.

## **4 Financial instruments**

### **4.1 Management of financial risks**

#### **a) Overview**

The Company's Management is focused on generating consistent and sustainable results over time. Factors of external risk related to fluctuations in market prices may introduce an unwelcome level of volatility in the Company's cash flows and income statement. To manage this volatility, so as to not distort or hinder the Company's consistent growth over a long time, the Company has policies and procedures for managing market risk.

These policies seek to: (i) protect the Company's cash flows and assets against fluctuations in the market prices of raw material and products, exchange rates and interest rates, price and restatement indexes, or other assets or instruments traded in liquid or other markets ("market risk") to which the value of the assets, liabilities and cash flows of the Company are exposed; and (ii) optimize the process of contracting financial instruments for protection against exposure to risk, drawing on natural hedges and correlations between the prices of different assets and markets, avoiding any waste of funds used to contract inefficient operations. All financial transactions entered into by the Company have the objective of protecting it against existing exposures, with the assumption of new risks prohibited, except those arising from the operating activities of Suzano.



The process to manage market risk comprises the following sequential and recurring phases: (i) identification of risk factors and the exposure of the value of the assets, cash flows and results of the Company to market risks; (ii) measuring and reporting the values at risk; (iii) evaluating and formulating strategies for managing market risks; and (iv) implementing and monitoring the performance of strategies.

The Company uses the most liquid financial instruments and: (i) does not contract leveraged transactions or other types of embedded options that alter the ultimate purpose of hedging; (ii) does not hold dual-index debt or other forms of implicit options; and (iii) does not hold operations that require margin deposits or other forms of guarantees for the credit risk of the counterparties. The main financial risks considered by Management are:

- Credit risk;
- Liquidity risk;
- Currency risk;
- Market risk and risk of changes in raw material prices;
- Interest rate risk; and
- Capital risk.

The Company does not adopt hedge accounting. Therefore, all results (gains and losses) from derivative operations (settled and outstanding) are fully recognized in the Parent company and Consolidated statements of income, as presented in Note 25.

## b) Valuation

All operations with financial instruments are recognized in the Company's financial statements, as shown below. No reclassifications between categories were made during the fiscal year.

|                                              |      | Parent Company |            | Consolidated |            |
|----------------------------------------------|------|----------------|------------|--------------|------------|
|                                              | Note | 12/31/2015     | 12/31/2014 | 12/31/2015   | 12/31/2014 |
| Assets                                       |      |                |            |              |            |
| Fair value through profit or loss            |      |                |            |              |            |
| Cash and banks                               | 5    | 569,135        | 2,615,579  | 1,477,246    | 3,686,115  |
| Financial investments                        | 6    | 922,728        | -          | 970,850      | -          |
| Unrealized gains from derivative operations  | 4    | 51,724         | 30,219     | 195,393      | 60,092     |
| Loans and receivables                        |      |                |            |              |            |
| Trade accounts receivable                    | 7    | 3,521,841      | 2,602,814  | 1,885,960    | 1,207,398  |
|                                              |      | 5,065,428      | 5,248,612  | 4,529,449    | 4,953,605  |
| Liabilities                                  |      |                |            |              |            |
| Liabilities through amortizable cost         |      |                |            |              |            |
| Trade accounts payable                       | 17   | 540,096        | 477,768    | 581,477      | 501,555    |
| Loans and financing                          | 18   | 9,795,887      | 12,027,544 | 14,710,888   | 13,760,585 |
| Loans with related parties                   | 11   | 4,892,504      | 1,729,398  | -            | -          |
| Commitments related to asset acquisitions    | 22   | 716,862        | 601,124    | 824,864      | 714,690    |
| Fair value through profit or loss            |      |                |            |              |            |
| Unrealized losses from derivative operations | 4    | 529,821        | 126,668    | 635,131      | 127,268    |
|                                              |      | 16,475,170     | 14,962,502 | 16,752,360   | 15,104,098 |



## 4.2 Fair value versus book value

The financial instruments recorded on the balance sheets, such as cash and banks, loans and financing, are stated at their contractual values. The marketable securities and derivative agreements, which are used solely for hedge purposes, are valued at their fair value.

To determine the fair value of assets or liquid financial instruments traded in public markets, the closing market quote on the date of the balance sheet was used. The fair value of interest rate and index swaps is calculated as the present value of their future cash flows, discounted at the current interest rates available for operations with similar conditions and remaining terms. This calculation is made based on the BM&FBovespa and Brazilian Financial and Capital Markets Association (ANBIMA) quotes for interest rate operations denominated in Brazilian real, and the British Bankers Association and Bloomberg for operations in LIBOR. The fair value of futures or forward currency contracts is determined using forward currency rates prevailing on the dates of the balance sheet, according to BM&FBovespa quotes.

In order to determine the fair value of assets or financial instruments traded on the over-the-counter markets or without liquidity, several assumptions and methods are used based on normal market conditions (and not for settlement or forced sale) at each balance-sheet date, including the use of option pricing models, such as Black & Scholes, and estimates of future discounted cash flows. The fair value of agreements for pulp and paper pricing is obtained through the price quotes for corresponding instruments with similar conditions and remaining terms with major players in this market. Finally, the fair value of agreements for oil bunker pricing is based on the Platts index quotes.

The result of financial instruments trading is recognized on the closing or contracting dates of the operations, on which the Company undertakes to buy or sell these instruments. The liabilities deriving from the contracting of financial instruments are eliminated from our financial statements only when these instruments expire or when the risks, obligations and rights deriving therefrom are transferred.

A comparison between the fair value and carrying value of outstanding financial instruments is shown below:

|                                                                        | Consolidated      |                   |                   |                   |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                        | 12/31/2015        |                   | 12/31/2014        |                   |
|                                                                        | Book Value        | Fair Value        | Book Value        | Fair Value        |
| <b>Assets</b>                                                          |                   |                   |                   |                   |
| Cash and cash equivalents                                              | 1,477,246         | 1,477,246         | 3,686,115         | 3,686,115         |
| Financial investments                                                  | 970,850           | 970,850           | -                 | -                 |
| Unrealized gains from derivative operations (current and non-current)  | 195,393           | 195,393           | 60,092            | 60,092            |
| Trade accounts receivable                                              | 1,885,960         | 1,885,960         | 1,207,398         | 1,207,398         |
|                                                                        | <b>4,529,449</b>  | <b>4,529,449</b>  | <b>4,953,605</b>  | <b>4,953,605</b>  |
| <b>Liabilities</b>                                                     |                   |                   |                   |                   |
| Trade accounts payable                                                 | 581,477           | 581,477           | 501,555           | 501,555           |
| Loans and financing (current and non-current)                          | 14,710,888        | 15,627,331        | 13,760,585        | 14,651,963        |
| Commitments related to asset acquisitions                              | 824,864           | 636,504           | 714,690           | 782,112           |
| Unrealized losses from derivative operations (current and non-current) | 635,131           | 635,131           | 127,268           | 127,268           |
|                                                                        | <b>16,752,360</b> | <b>17,480,443</b> | <b>15,104,098</b> | <b>16,062,898</b> |

### 4.3 Credit risk

Sales and credit policies, which are determined by the Management of the Company and its subsidiaries, aim to minimize any risks arising from their clients' default. This objective is achieved through meticulous selection of the client portfolio, which takes into account payment capacity (credit analysis) and diversification of sales (risk pooling), as well as the guarantees or financial instruments contracted to mitigate credit risks, mainly export credit insurance policies and domestic sales.

Requests for credit to clients are duly analyzed using a credit analysis model that includes qualitative and quantitative aspects for determining credit limits, which are submitted for approval according to established hierarchy. In some cases, the approval from the management's meeting and the Credit Committee is applicable.

The Company accrues provisions for all amounts overdue more than 90 days and not renegotiated by clients, and for which there are no real guarantees. The Company also accrues provisions for outstanding amounts from clients under judicial reorganization.

To mitigate credit risk, the financial operations of Suzano are diversified across various banks, with more than 95% of these operations concentrated in banks rated AAA by the main credit rating agencies.

The book value of financial assets representing the maximum exposure to credit risk on the date of the financial statements was as follows:

|                                             |      | Parent Company |            | Consolidated |            |
|---------------------------------------------|------|----------------|------------|--------------|------------|
|                                             | Note | 12/31/2015     | 12/31/2014 | 12/31/2015   | 12/31/2014 |
| Assets                                      |      |                |            |              |            |
| Cash and banks                              | 5    | 569.135        | 2.615.579  | 1.477.246    | 3.686.115  |
| Financial Investments                       | 6    | 922.728        | -          | 970.850      | -          |
| Trade accounts receivable                   | 7    | 3.521.841      | 2.602.814  | 1.885.960    | 1.207.398  |
| Unrealized gains from derivative operations | 4    | 51.724         | 30.219     | 195.393      | 60.092     |
| Total                                       |      | 5.065.428      | 5.248.612  | 4.529.449    | 4.953.605  |

### 4.4 Liquidity risk

The following tables show the maturities of financial liabilities settled with cash, including the estimated payment of interest and exchange variation. The amounts disclosed below refer to contracted cash flows not discounted at future value and, therefore, may not be reconciled with the amounts disclosed in the balance sheet.

|                                           |      | 31/12/2015        |                  |                  |                   |                   |
|-------------------------------------------|------|-------------------|------------------|------------------|-------------------|-------------------|
| Consolidated                              | Note | Future Value      | Up to 1 year     | 1 - 2 years      | 2 - 5 years       | More than 5 years |
| <b>Liabilities</b>                        |      |                   |                  |                  |                   |                   |
| Loans and financing                       | 18   | 18,664,433        | 2,878,273        | 2,336,556        | 9,733,487         | 3,716,117         |
| Trade accounts payable                    | 17   | 581,477           | 581,477          | -                | -                 | -                 |
| Commitments related to asset acquisitions | 22   | 882,051           | 109,948          | 106,316          | 286,358           | 379,429           |
| Derivatives payable <sup>(1)</sup>        | 4    | 782,808           | 289,603          | 273,558          | 219,647           | -                 |
| Commercial transactions with suppliers    | 17.1 | 206,454           | 206,454          | -                | -                 | -                 |
| Other accounts payable                    |      | 313,532           | 278,243          | 35,289           | -                 | -                 |
|                                           |      | <u>21,430,755</u> | <u>4,343,998</u> | <u>2,751,719</u> | <u>10,239,492</u> | <u>4,095,546</u>  |
|                                           |      | 31/12/2014        |                  |                  |                   |                   |
| Consolidated                              | Note | Future Value      | Up to 1 year     | 1 - 2 years      | 2 - 5 years       | More than 5 years |
| <b>Liabilities</b>                        |      |                   |                  |                  |                   |                   |
| Loans and financing                       | 18   | 21,512,473        | 2,524,312        | 2,470,045        | 8,966,098         | 7,552,018         |
| Trade accounts payable                    | 17   | 501,555           | 501,555          | -                | -                 | -                 |
| Commitments related to asset acquisitions | 22   | 1,045,564         | 104,624          | 103,936          | 307,408           | 529,596           |
| Derivatives payable <sup>(1)</sup>        | 4    | 69,028            | 15,810           | 4,332            | 48,885            | -                 |
| Commercial transactions with suppliers    | 17.1 | 251,544           | 251,544          | -                | -                 | -                 |
| Other accounts payable                    |      | 241,875           | 208,997          | 32,878           | -                 | -                 |
|                                           |      | <u>23,622,039</u> | <u>3,606,842</u> | <u>2,611,192</u> | <u>9,322,390</u>  | <u>8,081,614</u>  |

The cash flows included in the maturity analyses of the Company are not expected to occur prior to the established term or in amounts that are materially different from those presented.

The following table shows the maturity of derivative operations:

| Consolidated<br>Derivatives | 12/31/2015   |                  |                 |                 |                  |             |             |
|-----------------------------|--------------|------------------|-----------------|-----------------|------------------|-------------|-------------|
|                             | Future Value | Up to 1<br>month | 1 - 3<br>months | 3 - 6<br>months | 6 - 12<br>months | 1 - 2 years | 2 - 5 years |
| Assets <sup>(1)</sup>       | 216,091      | 99,643           | 11,031          | 31,163          | 18,364           | 50,416      | 5,474       |
| Liabilities <sup>(1)</sup>  | 782,808      | 109,402          | 37,949          | 67,826          | 74,426           | 273,558     | 219,647     |
|                             | (566,717)    | (9,759)          | (26,918)        | (36,663)        | (56,062)         | (223,142)   | (214,173)   |

<sup>(1)</sup> The classification between assets and liabilities of derivative operations differs from the amounts presented in the balance sheet as it considers the future value.

## 4.5 Market risk

The contracting of financing and the currency hedge policy of the Company are guided by the fact that more than 50% of net revenue comes from exports with prices negotiated in U.S. dollar, while most of the production costs is tied to the Brazilian real (BRL). This structure allows the Company to contract export financing in U.S. dollar and to reconcile financing payments with the flows of receivables from sales in foreign market, providing a natural cash hedge for these commitments. The surplus revenue in U.S. dollar not linked to debt commitments and other obligations is sold in the currency market as the funds enter the country.

As additional protection, short positions in the futures markets may be contracted to ensure attractive levels of operating margins for a portion of revenue. Sales in the futures market are limited to a minority percentage of the surplus foreign currency over an 18-month time horizon and therefore are matched to the availability of currency for sale in the short term.

On December 31, 2015, the net principal of operations contracted for forward sale of U.S. dollar through Non Deliverable Forwards (“NDFs”) and Zero-Cost Collar is US\$159.5 million and US\$500 million, respectively. Their maturities are distributed between January 2016 and January 2017 in order to lock-in the operating margins of a minority portion of sales over this period. The cash effect of these operations occurs only on their maturity dates, when they will generate cash disbursements or inflows, considering that the advantage of the Zero-Cost Collar is not having reimbursement or receipt of cash if exchange rate is within the contracted range.

In addition to currency hedge operations, swap contracts are also contracted that exchange floating interest rates for fixed rates in order to reduce the effects from interest rate variation on the amount of debt, as well as swap contracts that exchange various interest rates for inflation rates in order to minimize the mismatch between the various financial assets and liabilities. On December 31, 2015, the Company had outstanding (i) US\$150 million in CDI swaps for six-month LIBOR, (ii) US\$380 million in swaps of currency coupon for 3-month LIBOR; and (iii) US\$72.8 million in LIBOR swap to U.S. dollar fixed rate.

#### 4.6 Market risk - exchange rate

The following table shows the net exposure in foreign currency:

| Consolidated                              | 12/31/2015 (in R\$ thousand) |              |               |               |                 |                     | 12/31/2014 (in R\$ thousand) |               |               |               |              |                    |
|-------------------------------------------|------------------------------|--------------|---------------|---------------|-----------------|---------------------|------------------------------|---------------|---------------|---------------|--------------|--------------------|
|                                           | USD                          | EUR          | GBP           | CHF           | ARS             | Total               | USD                          | EUR           | GBP           | CHF           | ARS          | Total              |
| Cash and cash equivalents                 | 783,430                      | 63           | 25,721        | 89,902        | 30,714          | 929,830             | 969,668                      | 50            | 33,103        | 58,470        | 2,335        | 1,063,626          |
| Trade accounts receivable                 | 1,164,345                    | 4,962        | 15,075        | -             | 28,320          | 1,212,702           | 525,480                      | 22,388        | 6,817         | -             | 29,119       | 583,804            |
| Trade accounts payable                    | (39,050)                     | -            | (608)         | (2,380)       | (14,046)        | (56,084)            | (32,119)                     | -             | (610)         | (922)         | (11,378)     | (45,029)           |
| Loans and financing                       | (9,676,957)                  | -            | -             | -             | -               | (9,676,957)         | (7,498,798)                  | -             | -             | -             | -            | (7,498,798)        |
| Commitments related to asset acquisitions | (455,495)                    | -            | -             | -             | -               | (455,495)           | (333,302)                    | -             | -             | -             | -            | (333,302)          |
| Derivative Options                        | (1,952,400)                  | -            | -             | -             | -               | (1,952,400)         | -                            | -             | -             | -             | -            | -                  |
| Derivative NDF                            | (360,305)                    | -            | -             | -             | (72,532)        | (432,837)           | (1,246,050)                  | -             | -             | -             | (12,219)     | (1,258,269)        |
| Derivative Swap                           | (227,785)                    | -            | -             | -             | -               | (227,785)           | (1,352,679)                  | -             | -             | -             | -            | (1,352,679)        |
| <b>TOTAL</b>                              | <b>(10,764,217)</b>          | <b>5,025</b> | <b>40,188</b> | <b>87,522</b> | <b>(27,544)</b> | <b>(10,659,026)</b> | <b>(8,967,800)</b>           | <b>22,438</b> | <b>39,310</b> | <b>57,548</b> | <b>7,857</b> | <b>(8,840,647)</b> |

#### Sensitivity analysis - foreign exchange exposure

For the purpose of analyzing the sensitivity to market risks, the Company jointly analyzes the long and short positions in foreign currency, using as the probable scenario the amounts already booked.

The other scenarios were created considering the depreciation and appreciation of the Brazilian real against other currencies at the rates of 25% and 50%.

The following table presents the potential impacts on results assuming these scenarios:

|                                           |  | 12/31/2015         |                    |                    |                  |                  |
|-------------------------------------------|--|--------------------|--------------------|--------------------|------------------|------------------|
|                                           |  | Probable           | Incr. (Δ of 25%)   | Incr. (Δ of 50%)   | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated USD x BRL</b>             |  |                    |                    |                    |                  |                  |
| Loans and financing                       |  | (9,676,957)        | (2,419,239)        | (4,838,479)        | 2,419,239        | 4,838,479        |
| Trade accounts receivable                 |  | 1,164,345          | 291,086            | 582,173            | (291,086)        | (582,173)        |
| Trade accounts payable                    |  | (39,050)           | (9,762)            | (19,525)           | 9,762            | 19,525           |
| Derivative Swap                           |  | (258,638)          | (157,597)          | (315,194)          | 157,597          | 315,194          |
| Derivative Options                        |  | 30,853             | 7,713              | 15,427             | (7,713)          | (15,427)         |
| Derivative Convertibility                 |  | (81,445)           | (90,542)           | (180,960)          | 90,670           | 181,471          |
| Derivative NDF                            |  | (121,955)          | (381,015)          | (837,288)          | 357,066          | 829,956          |
| Derivative Pulp                           |  | (548)              | (137)              | (274)              | 137              | 274              |
| Derivative Oil                            |  | (3,681)            | (920)              | (1,840)            | 920              | 1,840            |
| Derivative Oil Options                    |  | (4,449)            | (1,112)            | (2,225)            | 1,112            | 2,225            |
| Commitments related to asset acquisitions |  | (455,495)          | (113,874)          | (227,748)          | 113,874          | 227,748          |
| <b>TOTAL</b>                              |  | <b>(9,447,020)</b> | <b>(2,875,399)</b> | <b>(5,825,932)</b> | <b>2,851,577</b> | <b>5,819,111</b> |
|                                           |  | 12/31/2015         |                    |                    |                  |                  |
|                                           |  | Probable           | Incr. (Δ of 25%)   | Incr. (Δ of 50%)   | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated ARS x BRL</b>             |  |                    |                    |                    |                  |                  |
| Cash and cash equivalents                 |  | 30,714             | 7,678              | 15,357             | (7,678)          | (15,357)         |
| Trade accounts receivable                 |  | 28,320             | 7,080              | 14,160             | (7,080)          | (14,160)         |
| Trade accounts payable                    |  | (14,046)           | (3,512)            | (7,023)            | 3,512            | 7,023            |
| Derivative NDF                            |  | 10,963             | 2,741              | 5,481              | (2,741)          | (5,481)          |
| <b>TOTAL</b>                              |  | <b>55,951</b>      | <b>13,987</b>      | <b>27,975</b>      | <b>(13,987)</b>  | <b>(27,975)</b>  |
|                                           |  | 12/31/2015         |                    |                    |                  |                  |
|                                           |  | Probable           | Incr. (Δ of 25%)   | Incr. (Δ of 50%)   | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated CHF x BRL</b>             |  |                    |                    |                    |                  |                  |
| Cash and cash equivalents                 |  | 89,902             | 22,476             | 44,951             | (22,476)         | (44,951)         |
| Trade accounts payable                    |  | (2,380)            | (595)              | (1,190)            | 595              | 1,190            |
| <b>TOTAL</b>                              |  | <b>87,522</b>      | <b>21,881</b>      | <b>43,761</b>      | <b>(21,881)</b>  | <b>(43,761)</b>  |
|                                           |  | 12/31/2015         |                    |                    |                  |                  |
|                                           |  | Probable           | Incr. (Δ of 25%)   | Incr. (Δ of 50%)   | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated GBP x BRL</b>             |  |                    |                    |                    |                  |                  |
| Cash and cash equivalents                 |  | 25,721             | 6,430              | 12,860             | (6,430)          | (12,860)         |
| Trade accounts receivable                 |  | 15,075             | 3,769              | 7,537              | (3,769)          | (7,537)          |
| Trade accounts payable                    |  | (608)              | (152)              | (304)              | 152              | 304              |
| <b>TOTAL</b>                              |  | <b>40,188</b>      | <b>10,047</b>      | <b>20,093</b>      | <b>(10,047)</b>  | <b>(20,093)</b>  |
|                                           |  | 12/31/2015         |                    |                    |                  |                  |
|                                           |  | Probable           | Incr. (Δ of 25%)   | Incr. (Δ of 50%)   | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated EUR x BRL</b>             |  |                    |                    |                    |                  |                  |
| Trade accounts payable                    |  | 5,025              | 1,256              | 2,512              | (1,256)          | (2,512)          |
| <b>TOTAL</b>                              |  | <b>5,025</b>       | <b>1,256</b>       | <b>2,512</b>       | <b>(1,256)</b>   | <b>(2,512)</b>   |

#### 4.7 Market risk - interest rates

On December 31, 2015, notional position in derivatives pegged to fixed rates totaled R\$2,242,867 (R\$3,699,801 on December 31, 2014, pegged to fixed rates linked to Interbank Deposit Certificate ("CDI")).

#### Sensitivity analysis - exposure to interest rates

For the sensitivity analysis of operations impacted by the rates: Fixed, Libor, and U.S. dollar coupon, the Company adopted as the probable scenario the amounts already booked. On December 31, 2015, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market interest rates.

The following table shows the potential impacts on the results in the event of these scenarios:

|                                   | 12/31/2015       |                  |                  |                  |                  |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                   | Probable         | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Pre</b>           |                  |                  |                  |                  |                  |
| Derivative Swap                   | (258,638)        | 29,823           | 59,222           | (30,268)         | (61,004)         |
| Derivative NDF                    | (81,445)         | (147)            | (291)            | 151              | 305              |
| Derivative Options                | (121,955)        | (28,724)         | (57,590)         | 28,743           | 57,702           |
| <b>TOTAL</b>                      | <b>(462,038)</b> | <b>952</b>       | <b>1,341</b>     | <b>(1,374)</b>   | <b>(2,997)</b>   |
|                                   |                  |                  |                  |                  |                  |
|                                   | 12/31/2015       |                  |                  |                  |                  |
|                                   | Probable         | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Libor</b>         |                  |                  |                  |                  |                  |
| Derivative Swap                   | (258,638)        | (3,235)          | (6,447)          | 3,258            | 6,540            |
| <b>TOTAL</b>                      | <b>(258,638)</b> | <b>(3,235)</b>   | <b>(6,447)</b>   | <b>3,258</b>     | <b>6,540</b>     |
|                                   |                  |                  |                  |                  |                  |
|                                   | 12/31/2015       |                  |                  |                  |                  |
|                                   | Probable         | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Dollar Coupon</b> |                  |                  |                  |                  |                  |
| Derivative NDF                    | (81,445)         | (1,974)          | (3,919)          | 2,005            | 4,043            |
| Derivative Options                | (121,955)        | 8,069            | 16,005           | (8,211)          | (16,571)         |
| Derivative Swap                   | (10,838)         | 1,825            | 3,587            | (1,891)          | (3,851)          |
| <b>TOTAL</b>                      | <b>(214,238)</b> | <b>7,920</b>     | <b>15,673</b>    | <b>(8,097)</b>   | <b>(16,379)</b>  |

#### 4.8 Market risk - commodity prices

On December 31, 2015, the exposure of contracts pegged to pulp commodity prices totals R\$22,029 (R\$50,760 on December 31, 2014). On December 31, 2015, with regard to hedged freight costs, the Company's long position in oil bunker is R\$123,103 (on December 31, 2014, the Company did not have any long position for this derivative).

##### Sensitivity analysis - exposure to commodity prices

For the sensitivity analysis of operations pegged to commodity prices, the Company adopts as the probable scenario the amounts already booked. On December 31, 2015, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market price of commodities.

The following table shows the potential impacts on the results in the event of these scenarios:

|                                 | 12/31/2015     |                  |                  |                  |                  |
|---------------------------------|----------------|------------------|------------------|------------------|------------------|
|                                 | Probable       | Incr. (Δ of 25%) | Incr. (Δ of 50%) | Decr. (Δ of 25%) | Decr. (Δ of 50%) |
| <b>Consolidated Commodities</b> |                |                  |                  |                  |                  |
| Derivative Pulp                 | (548)          | (1,572)          | (3,144)          | 1,572            | 3,144            |
| Derivative Oil                  | (3,681)        | 5,938            | 11,876           | (5,938)          | (11,876)         |
| Derivative Oil Options          | (4,449)        | 3,870            | 4,373            | 2,705            | 2,077            |
| <b>TOTAL</b>                    | <b>(8,678)</b> | <b>8,236</b>     | <b>13,105</b>    | <b>(1,661)</b>   | <b>(6,655)</b>   |

## 4.9 Outstanding derivatives

On December 31, 2015 and 2014, the consolidated positions of outstanding derivatives, grouped by asset or index, with all trading on the over-the-counter market, are presented below:

| Description                                | Maturities            | Notional value on |                  | Fair value on    |                 | Equity balances on |               |                |               |
|--------------------------------------------|-----------------------|-------------------|------------------|------------------|-----------------|--------------------|---------------|----------------|---------------|
|                                            |                       | 12/31/2015        | 12/31/2014       | 12/31/2015       | 12/31/2014      | 12/31/2015         |               | 12/31/2014     |               |
|                                            |                       |                   |                  |                  |                 | Payable            | Receivable    | Payable        | Receivable    |
| <b>Foreign Currency Swaps</b>              |                       |                   |                  |                  |                 |                    |               |                |               |
| Long Position - US\$ Libor                 | 1/1/2016 to 11/4/2019 | 284,202           | 263,637          | 282,290          | 257,028         | -                  | -             | -              | -             |
| Short Position - US\$ Fixed Rate           |                       | 284,202           | 263,637          | (293,128)        | (269,768)       | -                  | -             | -              | -             |
| SubTotal                                   |                       | -                 | -                | (10,838)         | (12,740)        | 10,838             | -             | 12,740         | -             |
| <b>Index and Rate Swaps</b>                |                       |                   |                  |                  |                 |                    |               |                |               |
| Long Position - R\$ % DI <sup>(2)</sup>    | 1/1/2016 to 11/4/2019 | 331,335           | 331,335          | 360,911          | 353,480         | -                  | -             | -              | -             |
| Short Position - US\$ Libor <sup>(2)</sup> |                       | 585,720           | 398,430          | (619,549)        | (416,130)       | -                  | -             | -              | -             |
| SubTotal                                   |                       | -                 | -                | (258,638)        | (62,650)        | 258,638            | -             | 126,339        | 63,690        |
| <b>Currency Swap - NDF</b>                 |                       |                   |                  |                  |                 |                    |               |                |               |
| Long Position in R\$ x US\$                | 1/1/2016 to 11/4/2019 | 265,526           | 79,686           | 231              | 3,277           | -                  | 231           | -              | 3,277         |
| Short Position in R\$ x US\$               |                       | 622,699           | 1,166,364        | (81,676)         | (24,232)        | 81,676             | -             | 24,455         | 224           |
| Long Position in US\$ x ARS                |                       | 72,532            | 12,219           | 10,963           | (278)           | -                  | 10,963        | 278            | -             |
| SubTotal                                   |                       | 960,757           | 1,258,269        | (70,483)         | (21,233)        | 81,676             | 11,193        | 24,733         | 3,501         |
| <b>Currency Options</b>                    |                       |                   |                  |                  |                 |                    |               |                |               |
| Short Position in R\$ x US\$               | 1/1/2016 to 1/2/2017  | 1,952,400         | -                | (121,955)        | -               | -                  | -             | -              | -             |
| SubTotal                                   |                       | 1,952,400         | -                | (121,955)        | -               | -                  | -             | -              | -             |
| <b>Commodity Swap</b>                      |                       |                   |                  |                  |                 |                    |               |                |               |
| Short Position in Pulp BHKP                | 1/1/2016 to 11/4/2019 | 22,029            | 50,760           | (548)            | (116)           | 548                | -             | -              | -             |
| Long Position in Oil                       |                       | 88,095            | -                | (3,681)          | -               | 3,681              | -             | -              | -             |
| Long Position in Oil (ZCC)                 |                       | 35,008            | -                | (4,449)          | -               | 4,448              | -             | -              | -             |
| SubTotal                                   |                       | 145,132           | 50,760           | (8,677)          | (116)           | 8,677              | -             | 321            | 205           |
| <b>Other</b>                               |                       |                   |                  |                  |                 |                    |               |                |               |
| Long Position - Currency Coupon            | 1/1/2016 to 11/4/2019 | 1,483,824         | 690,612          | 2,483,280        | 2,314,902       | -                  | -             | -              | -             |
| Short Position - US\$ Fixed Libor          |                       | 1,483,824         | 690,612          | (2,452,427)      | (2,285,339)     | -                  | -             | -              | -             |
| SubTotal                                   |                       | -                 | -                | 30,853           | 29,563          | -                  | 30,853        | -              | 29,562        |
| <b>Total Result in Derivatives</b>         |                       | <b>5,412,035</b>  | <b>2,661,708</b> | <b>(439,738)</b> | <b>(67,176)</b> | <b>481,784</b>     | <b>42,046</b> | <b>164,133</b> | <b>96,958</b> |
| <i>Value at Risk (VaR) <sup>(1)</sup></i>  |                       |                   |                  | <b>140,290</b>   | <b>23,952</b>   |                    |               |                |               |

<sup>(1)</sup> VaR with 1-day holding period, with a confidence level of 95%

<sup>(2)</sup> Through one day gain or loss, the fair value contracting (R\$12,243) was considered a transaction cost, without any direct impact on mark-to-market adjustment of the derivative portfolio. Cost will be recognized proportionally to the term of operation, until the entire amount is recognized at maturity. On December 31, 2015 the amount to be recognized was R\$8,078

On December 31, 2015 and 2014, these consolidated positions, grouped by counterparty, are presented below:

| Description                         | Notional value on |                  | Fair value on    |                 | Equity balances on |               |                |               |
|-------------------------------------|-------------------|------------------|------------------|-----------------|--------------------|---------------|----------------|---------------|
|                                     | 12/31/2015        | 12/31/2014       | 12/31/2015       | 12/31/2014      | 12/31/2015         |               | 12/31/2014     |               |
|                                     |                   |                  |                  |                 | Payable            | Receivable    | Payable        | Receivable    |
| <b>Foreign Currency Swaps</b>       |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparties</i>               |                   |                  |                  |                 |                    |               |                |               |
| BTG Pactual                         | 172,636           | 168,773          | (5,491)          | (7,295)         | 5,491              | -             | -              | -             |
| Santander                           | 55,783            | 47,432           | (2,667)          | (2,695)         | 2,667              | -             | -              | -             |
| Standard Chartered                  | 55,783            | 47,432           | (2,680)          | (2,750)         | 2,680              | -             | -              | -             |
| SubTotal                            | -                 | -                | (10,838)         | (12,740)        | 10,838             | -             | 12,740         | -             |
| <b>Index and Rate Swaps</b>         |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparty</i>                 |                   |                  |                  |                 |                    |               |                |               |
| Bradesco                            | 585,720           | 398,430          | (258,638)        | (62,650)        | 258,638            | -             | -              | -             |
| SubTotal                            | -                 | -                | (258,638)        | (62,650)        | 258,638            | -             | 126,339        | 63,690        |
| <b>Currency Swap - NDF</b>          |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparties</i>               |                   |                  |                  |                 |                    |               |                |               |
| <b>Long Position in R\$ x US\$</b>  |                   |                  |                  |                 |                    |               |                |               |
| Itaú BBA                            | 265,526           | 39,843           | 231              | 1,639           | -                  | 231           | -              | 1,639         |
| Votorantim                          | -                 | 39,843           | -                | 1,639           | -                  | -             | -              | 1,639         |
| <b>Short Position in R\$ x US\$</b> |                   |                  |                  |                 |                    |               |                |               |
| Itaú BBA                            | 265,526           | 79,686           | (1,661)          | (1,431)         | 1,661              | -             | 1,431          | -             |
| Votorantim                          | 181,456           | 515,595          | (40,843)         | (13,580)        | 40,843             | -             | 13,686         | 107           |
| Santander                           | 175,716           | 571,083          | (39,172)         | (9,220)         | 39,172             | -             | 9,338          | 117           |
| <b>Long Position in US\$ x ARS</b>  |                   |                  |                  |                 |                    |               |                |               |
| Mercado Rofex                       | 26,846            | -                | 4,138            | -               | -                  | 4,138         | -              | -             |
| Standard Chartered                  | -                 | 12,219           | -                | -               | -                  | -             | -              | -             |
| Banco Patagonia                     | 45,686            | -                | 6,825            | (278)           | -                  | 6,825         | 278            | -             |
| SubTotal                            | -                 | -                | (70,483)         | (21,232)        | 81,676             | 11,193        | 24,733         | 3,501         |
| <b>Currency Options</b>             |                   |                  |                  |                 |                    |               |                |               |
| <b>Short Position in R\$ x US\$</b> |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparties</i>               |                   |                  |                  |                 |                    |               |                |               |
| Itaú BBA                            | 732,150           | -                | (48,831)         | -               | 48,832             | -             | -              | -             |
| Standard Chartered                  | 195,240           | -                | (6,460)          | -               | 6,460              | -             | -              | -             |
| JP Morgan                           | 546,672           | -                | (28,156)         | -               | 28,156             | -             | -              | -             |
| Santander                           | 478,338           | -                | (38,507)         | -               | 38,507             | -             | -              | -             |
| SubTotal                            | -                 | -                | (121,955)        | -               | 121,955            | -             | -              | -             |
| <b>Commodity Swap - Oil</b>         |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparty</i>                 |                   |                  |                  |                 |                    |               |                |               |
| JP Morgan                           | 9,677             | -                | (3,059)          | -               | 3,059              | -             | -              | -             |
| Standard Chartered                  | 96,179            | -                | (2,910)          | -               | 2,910              | -             | -              | -             |
| SubTotal                            | -                 | -                | (5,969)          | -               | 5,969              | -             | -              | -             |
| <b>Commodity Options - Oil</b>      |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparty</i>                 |                   |                  |                  |                 |                    |               |                |               |
| Standard Chartered                  | 17,247            | -                | (2,160)          | -               | 2,160              | -             | -              | -             |
| SubTotal                            | -                 | -                | (2,160)          | -               | 2,160              | -             | -              | -             |
| <b>Commodity Swap - Pulp</b>        |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparty</i>                 |                   |                  |                  |                 |                    |               |                |               |
| Standard Chartered                  | 22,029            | 50,760           | (548)            | (116)           | 548                | -             | -              | -             |
| SubTotal                            | -                 | -                | (548)            | (116)           | 548                | -             | 321            | 205           |
| <b>Other</b>                        |                   |                  |                  |                 |                    |               |                |               |
| <i>Counterparty</i>                 |                   |                  |                  |                 |                    |               |                |               |
| JP Morgan                           | 1,483,824         | 690,612          | 30,853           | 29,562          | -                  | 30,853        | -              | -             |
| SubTotal                            | -                 | -                | 30,853           | 29,562          | -                  | 30,853        | -              | 29,562        |
| <b>Total results in Derivatives</b> | <b>5,412,035</b>  | <b>2,661,708</b> | <b>(439,738)</b> | <b>(67,176)</b> | <b>481,784</b>     | <b>42,046</b> | <b>164,133</b> | <b>96,958</b> |



#### 4.10 Settled derivatives

In the years ended December 31, 2015 and 2014, the accumulated positions of settled derivatives, grouped by asset or index, with all trading on the over-the-counter market were as follows:

| Description                           | Maturities             | Year ended                    |            |                                              |            |
|---------------------------------------|------------------------|-------------------------------|------------|----------------------------------------------|------------|
|                                       |                        | Notional value accumulated on |            | Fair value (settlement value) accumulated on |            |
|                                       |                        | 12/31/2015                    | 12/31/2014 | 12/31/2015                                   | 12/31/2014 |
| <b>Foreign Currency Swaps</b>         |                        |                               |            |                                              |            |
| Long Position - US\$ Libor            | 2014: Jan/14 to Dec/14 | 263.358                       | 815.356    | (9.695)                                      | (10.067)   |
| Short Position - US\$ Fixed Rate      | 2015: Jan/15 to Dec/15 | 263.358                       | 815.356    | -                                            | -          |
| SubTotal                              |                        | -                             | -          | (9.695)                                      | (10.067)   |
| <b>Index and Rate Swaps</b>           |                        |                               |            |                                              |            |
| Long Position - % DI                  | 2014: Jan/14 to Dec/14 | 462.780                       | 398.430    | 27.162                                       | 13.043     |
| Short Position - US\$ Fixed Rate      | 2015: Jan/15 to Dec/15 | -                             | 398.430    | -                                            | -          |
| SubTotal                              |                        | -                             | -          | 27.162                                       | 13.043     |
| <b>Currency Swap</b>                  |                        |                               |            |                                              |            |
| Long and Short Position in R\$ x US\$ | 2014: Jan/14 to Dec/14 | 2.010.131                     | 693.295    | (267.586)                                    | 7.801      |
| Long Position in US\$ x ARS           | 2015: Jan/15 to Dec/15 | 137.338                       | 63.749     | (3.329)                                      | (1.382)    |
| SubTotal                              |                        | -                             | -          | (270.915)                                    | 6.419      |
| <b>Commodity Swap</b>                 |                        |                               |            |                                              |            |
| Short Position in Pulp BHKP           | 2014: Jan/14 to Dec/14 | 58.340                        | 53.151     | (3.821)                                      | (575)      |
| Long Position in Oil                  | 2015: Jan/15 to Dec/15 | 37.659                        | -          | (4.602)                                      | -          |
| SubTotal                              |                        | -                             | -          | (8.423)                                      | (575)      |
| <b>Other</b>                          |                        |                               |            |                                              |            |
| Long Position - Currency Coupon       | 2014: Jan/14 to Dec/14 | 1.151.112                     | 212.496    | 10.225                                       | 7.297      |
| Short Position - US\$ Fixed Libor     | 2015: Jan/15 to Dec/15 | 1.151.112                     | 212.496    | -                                            | -          |
| SubTotal                              |                        | -                             | -          | 10.225                                       | 7.297      |
| <b>Total results in Swaps</b>         |                        | -                             | -          | (251.646)                                    | 16.117     |

#### 4.11 Capital management

The main objective of Suzano's capital management is to ensure it maintains a solid credit rating and debt ratios in order to support its operations and maximize shareholder value. The Company manages its capital structure and makes adjustments based on changes in economic conditions.

|                                   | Parent Company |             | Consolidated |             |
|-----------------------------------|----------------|-------------|--------------|-------------|
|                                   | 12/31/2015     | 12/31/2014  | 12/31/2015   | 12/31/2014  |
| Loans and financing               | 9,795,887      | 12,027,544  | 14,710,888   | 13,760,585  |
| (-) Cash and cash equivalents     | (1,491,863)    | (2,615,579) | (2,448,096)  | (3,686,115) |
| Net debt                          | 8,304,024      | 9,411,965   | 12,262,792   | 10,074,470  |
| Shareholders' equity              | 9,192,081      | 10,315,132  | 9,192,081    | 10,315,132  |
| Shareholders' equity and net debt | 17,496,105     | 19,727,097  | 21,454,873   | 20,389,602  |

#### 4.12 Fair value hierarchy

The financial instruments calculated at fair value, are presented in accordance with the levels defined below:

- Level 1 - Prices quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than the prices quoted in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for assets or liabilities that are not based on observable market variables (unobservable inputs).

|                                           | Fair value on<br>12/31/2015 | Consolidated   |                   |              |
|-------------------------------------------|-----------------------------|----------------|-------------------|--------------|
|                                           |                             | Level 1        | Level 2           | Level 3      |
| <b>Assets</b>                             |                             |                |                   |              |
| Cash and banks                            | 1,477,246                   | 948,144        | 529,102           | -            |
| Financial Investments                     | 970,850                     | -              | 970,850           | -            |
| Derivatives <sup>(1)</sup>                | 42,046                      | -              | 41,964            | 82           |
|                                           |                             | <u>948,144</u> | <u>1,541,916</u>  | <u>82</u>    |
| <b>Liabilities</b>                        |                             |                |                   |              |
| Derivatives <sup>(1)</sup>                | 481,784                     | -              | 473,025           | 8,759        |
| Loans and financing                       | 15,627,331                  | -              | 15,627,331        | -            |
| Commitments related to asset acquisitions | 636,504                     | -              | 636,504           | -            |
|                                           |                             | <u>-</u>       | <u>16,736,860</u> | <u>8,759</u> |

|                                           | Fair value on<br>12/31/2014 | Consolidated     |                   |            |
|-------------------------------------------|-----------------------------|------------------|-------------------|------------|
|                                           |                             | Level 1          | Level 2           | Level 3    |
| <b>Assets</b>                             |                             |                  |                   |            |
| Cash and banks                            | 3,686,115                   | 1,076,067        | 2,610,048         | -          |
| Financial Investments                     | -                           | -                | -                 | -          |
| Derivatives <sup>(1)</sup>                | 96,958                      | -                | 96,753            | 205        |
|                                           |                             | <u>1,076,067</u> | <u>2,706,801</u>  | <u>205</u> |
| <b>Liabilities</b>                        |                             |                  |                   |            |
| Derivatives <sup>(1)</sup>                | 164,134                     | -                | 163,813           | 321        |
| Loans and financing                       | 14,651,963                  | -                | 14,651,963        | -          |
| Commitments related to asset acquisitions | 782,112                     | -                | 782,112           | -          |
|                                           |                             | <u>-</u>         | <u>15,597,888</u> | <u>321</u> |

<sup>(b)</sup> The classification between assets and liabilities of derivative operations differs from the amounts presented in the balance sheet as it considers as assets or liabilities all payment flows classified as gains and losses in the long term.

#### 4.13 Guarantees

On December 31, 2015, the Company had guarantees pegged to consolidated accounts receivable operations related to exports amounting to US\$272 million, equivalent to R\$1,062,184 on this date.

## 5 Cash and Cash Equivalents

|                       | Parent Company |            | Consolidated |            |
|-----------------------|----------------|------------|--------------|------------|
|                       | 12/31/2015     | 12/31/2014 | 12/31/2015   | 12/31/2014 |
| Cash and banks        |                |            |              |            |
| In Brazil             | 18,724         | 18,114     | 19,950       | 25,122     |
| Abroad                | -              | -          | 900,565      | 1,050,945  |
|                       | 18,724         | 18,114     | 920,515      | 1,076,067  |
| Financial investments |                |            |              |            |
| In Brazil             | 521,146        | 2,584,784  | 527,466      | 2,597,367  |
| Abroad                | 29,265         | 12,681     | 29,265       | 12,681     |
|                       | 550,411        | 2,597,465  | 556,731      | 2,610,048  |
|                       | 569,135        | 2,615,579  | 1,477,246    | 3,686,115  |

On December 31, 2015, these consolidated investments yielded interest at rates varying between 97% and 110% of the CDI (90.0% and 110.0% on December 31, 2014), except for an amount of R\$23 of total consolidated cash in repurchase commitments, which are investments with daily liquidity, yielding 75% of the CDI (amount of R\$383 yielding 75% of the CDI on December 31, 2014).

## 6 Financial Investments

|                              | Average remuneration rate | Parent Company | Consolidated           |
|------------------------------|---------------------------|----------------|------------------------|
|                              |                           | 12/31/2015     | 12/31/2015             |
| <b>Investment funds</b>      |                           |                |                        |
| Itaú Investment Grade        | 103.7% of CDI             | 572.468        | 606.221 <sup>(1)</sup> |
| Itaú Referenciado DI         | 101.3% of CDI             | 243.711        | 258.080 <sup>(1)</sup> |
|                              |                           | 816.179        | 864.301                |
| <b>Financial investments</b> |                           |                |                        |
| Bank Deposit Certificates    | 101.2% of CDI             | 106.549        | 106.549                |
|                              |                           | 106.549        | 106.549                |
|                              |                           | 922.728        | 970.850                |

(1) The Consolidated column includes interest of Futuragene Brasil (3.0% of quotas), Paineiras (2.1% of quotas), Ondurman and Amulya (0.5% of quotas summed) in market investment fund.

In December 31, 2015, the Company has financial investments allocated to two investment funds administered by Banco Itaú backed by fixed-income funds for private credit and Bank Deposit Certificates ("CDB").

Investment funds operate with daily liquidity, have a conservative profile and are available for sale. Investments in CDB are made only in high-grade, low-risk papers of financial institutions.

## 7 Trade Accounts Receivable

### 7.1 Breakdown of balances

|                                 | Parent Company   |                  | Consolidated     |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 12/31/2015       | 12/31/2014       | 12/31/2015       | 12/31/2014       |
| Domestic clients                |                  |                  |                  |                  |
| Third parties                   | 701,367          | 625,625          | 701,368          | 626,799          |
| Subsidiaries                    | 6                | 758              | -                | -                |
| Related Parties <sup>(1)</sup>  | 16,478           | 22,209           | 16,478           | 22,209           |
| Foreign clients                 |                  |                  |                  |                  |
| Third parties                   | 26,096           | 21,072           | 1,209,368        | 580,934          |
| Subsidiaries                    | 2,822,481        | 1,958,428        | -                | -                |
| Related Parties <sup>(1)</sup>  | -                | -                | 3,770            | 3,204            |
| Allowance for doubtful accounts | (44,587)         | (25,278)         | (45,024)         | (25,748)         |
|                                 | <u>3,521,841</u> | <u>2,602,814</u> | <u>1,885,960</u> | <u>1,207,398</u> |

(a) See Note 11.

### 7.2 Analysis of maturities

|                   | Parent Company |               | Consolidated   |                |
|-------------------|----------------|---------------|----------------|----------------|
|                   | 12/31/2015     | 12/31/2014    | 12/31/2015     | 12/31/2014     |
| Amounts overdue:  |                |               |                |                |
| Up to two months  | 31,460         | 13,330        | 66,967         | 70,533         |
| Two to six months | 22,048         | 4,143         | 24,749         | 4,288          |
| Over six months   | 36,791         | 37,726        | 37,089         | 41,464         |
|                   | <u>90,299</u>  | <u>55,199</u> | <u>128,805</u> | <u>116,285</u> |

### 7.3 Changes in provision for allowance for doubtful accounts in the year

|                                                | Parent Company  |                 | Consolidated    |                 |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                | 12/31/2015      | 12/31/2014      | 12/31/2015      | 12/31/2014      |
| Opening balance                                | (25,278)        | (16,074)        | (25,748)        | (18,170)        |
| Credits accrued in the period                  | (21,575)        | (10,998)        | (22,587)        | (11,614)        |
| Credits recovered in the period                | 267             | 280             | 1,162           | 1,602           |
| Credits definitively written-off from position | 1,999           | 1,514           | 1,999           | 1,788           |
| Foreign exchange variation                     | -               | -               | 150             | 646             |
| Closing balance                                | <u>(44,587)</u> | <u>(25,278)</u> | <u>(45,024)</u> | <u>(25,748)</u> |

## 8 Inventories

|                                 | Parent Company |                | Consolidated     |                  |
|---------------------------------|----------------|----------------|------------------|------------------|
|                                 | 12/31/2015     | 12/31/2014     | 12/31/2015       | 12/31/2014       |
| Finished goods                  |                |                |                  |                  |
| Pulp                            |                |                |                  |                  |
| Domestic                        | 87,930         | 92,210         | 87,930           | 92,210           |
| Foreign                         | -              | -              | 341,856          | 183,923          |
| Paper                           |                |                |                  |                  |
| Domestic                        | 168,382        | 197,591        | 168,382          | 197,591          |
| Foreign                         | -              | -              | 67,920           | 65,179           |
| Work in process                 | 45,616         | 33,721         | 45,616           | 33,721           |
| Raw materials                   | 404,975        | 329,356        | 404,975          | 329,356          |
| Maintenance and other materials | 188,760        | 166,594        | 199,317          | 175,101          |
|                                 | <b>895,663</b> | <b>819,472</b> | <b>1,315,996</b> | <b>1,077,081</b> |

On December 31, 2015, the Parent Company and Consolidated balances of inventories are net of provision for losses amounting to R\$42,466, of which i) finished goods totaled R\$703; ii) raw materials totaled R\$23,502; and iii) maintenance materials totaled R\$18,261 (R\$29,029 on December 31, 2014, of which: i) finished goods totaled R\$928; ii) raw materials totaled R\$8,111; and iii) materials in production totaled R\$84; and iv) maintenance materials totaled R\$19,906. These losses are recognized in profit or loss under cost of goods sold.

No inventory items were given as collateral for or guarantee of liabilities for the years presented.

## 9 Recoverable taxes

|                                                                | Parent Company   |                | Consolidated     |                |
|----------------------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                                | 12/31/2015       | 12/31/2014     | 12/31/2015       | 12/31/2014     |
| IRPJ and CSLL - advances and withheld taxes                    | 158,747          | 125,312        | 163,237          | 125,425        |
| PIS and COFINS - on acquisition of fixed assets <sup>(1)</sup> | 70,275           | 100,376        | 70,275           | 100,376        |
| PIS and COFINS - other operations <sup>(2)</sup>               | 323,731          | 405,184        | 323,731          | 405,185        |
| ICMS - on acquisition of fixed assets <sup>(1)</sup>           | 75,795           | 75,157         | 75,795           | 75,157         |
| ICMS - other operations <sup>(2)</sup>                         | 230,029          | 165,638        | 235,651          | 167,403        |
| Other taxes and contributions <sup>(3)</sup>                   | 169,207          | 92,965         | 169,315          | 93,045         |
| Provision for losses of ICMS credits                           | (7,998)          | (9,333)        | (7,998)          | (9,333)        |
|                                                                | <b>1,019,786</b> | <b>955,299</b> | <b>1,030,006</b> | <b>957,258</b> |
| Total current assets                                           | 586,716          | 473,673        | 596,936          | 475,632        |
| Total non-current assets                                       | 433,070          | 481,626        | 433,070          | 481,626        |

<sup>(1)</sup> Credits whose realization is linked to the depreciation period of the corresponding asset.

<sup>(2)</sup> Credits available for immediate realization.

<sup>(3)</sup> On December 31, 2015, includes the amount of R\$157,021 referring to credits of the Special Regime of Tax Refunds for Export Companies ("Reintegra"), in accordance with Law 13,043/2014 and Decree 8,415 from February 27, 2015 (on December 31, 2014, the amount was R\$82,286). The credits are recognized in income under "cost of goods sold".

### **9.1 Income tax and social contribution on net income**

Represents IRPJ and CSLL credits paid by estimate during the year whose adjusted calculation base at the end of the fiscal year was a tax loss, taxes withheld on financial investments and restatement based on the Selic rate. The credits are used to offset other federal taxes due and withholding taxes payable.

### **9.2 Social integration program (“PIS”) and Contribution for social security financing (“COFINS”)**

The amounts refer substantially to the credits from inputs and services acquired for product manufacturing, the sale of which were not taxed upon billing, as they were exported, and on the acquisition of property, plant and equipment and services related to the Imperatriz/MA industrial unit, whose part of tax credit will be based on the depreciation term of these assets. The Company will realize these credits with debits deriving from business activities and through other federal tax carryforwards.

### **9.3 State value-added tax on goods and services (“ICMS”)**

On December 31, 2015, the credits of R\$80,264 and R\$125,297 of the Mucuri - BA and Imperatriz - MA units, respectively (R\$77,772 and R\$72,593, respectively, on December 31, 2014) were chiefly due to the non-utilization of credits in outflows of tax-exempted pulp and paper exports.

The Company requested that the Treasury Department of the States of Bahia and Maranhão inspect and ratify these credits for their realization. The amounts of R\$67,722 and R\$31,650 in Bahia and Maranhão, respectively, are ratified and may be used for the offsetting authorized by the ICMS (State VAT) Regulations or traded in the active market.

In the year ended December 31, 2015, the Company reverted R\$40,943 relating to ICMS credits on fuel oil not ratified in the state of Maranhão for the period from October 31, 2013 to September 30, 2014.

In the year ended December 31, 2015, the Company reversed all of its provision for ICMS losses in Bahia due to commercial actions implemented since 2014, to use the ICMS credit through internal paper sale transactions (On December 31, 2014, the provision amounted to R\$9,333). During the year, the Company recorded a provision for the partial loss of these ICMS credits of Maranhão in the amount of R\$7,988.

## **10 Timber Development Program**

On December 31, 2015, the balance of advances of financial resources and inputs for timber development amounted to R\$251,852, classified under current and non-current assets (R\$257,490 on December 31, 2014).

This development program is a system whereby independent producers plant eucalyptus at their own farms in order to supply the agricultural product (timber) to the Company, with these advances not subject to valuation by fair value.

## 11 Related parties

### 11.1 Balances and transactions in the fiscal year ended December 31, 2015

| Transactions                   | Nature of the main operation               | ASSETS           |             | LIABILITIES    |                  | RESULT            |
|--------------------------------|--------------------------------------------|------------------|-------------|----------------|------------------|-------------------|
|                                |                                            | Current          | Non-current | Current        | Non-current      | Income (expenses) |
| <b>With subsidiaries</b>       |                                            |                  |             |                |                  |                   |
| Suzano Trading                 | Sale of pulp and paper                     | 2.786.432        | (2)         | 72.033         | (1)              | 5.202.095 (2)     |
| Paineiras                      | Land lease                                 | -                | -           | 417            | -                | (5.078)           |
| Paineiras Logística            | AFCl and Commissioning of road transport   | 14.100           | (3)         | 29.928         | -                | (226.316)         |
| Stenfar                        | Sale of paper                              | 36.049           | (2)         | 7.574          | -                | 84.219 (2)        |
| Ondurman                       | Land lease                                 | -                | -           | -              | -                | (14.009)          |
| Amulya                         | Land lease                                 | -                | -           | -              | -                | (9.953)           |
| Futuragene                     | Shared expenses                            | 6                | (5)         | -              | -                | 39                |
|                                |                                            | <b>2.836.587</b> | <b>-</b>    | <b>109.952</b> | <b>4.821.230</b> | <b>5.030.997</b>  |
| <b>With related parties</b>    |                                            |                  |             |                |                  |                   |
| Suzano Holding S.A.            | Guarantees and administrative expenses     | 15               | -           | 345            | -                | (27.100)          |
| IPLF Holding S.A.              | Shared expenses                            | 2                | -           | -              | -                | 23                |
| Central                        | Sale of paper                              | 16.461           | -           | 15.493         | (4)              | 47.928 (2)        |
| Nemonorte                      | Real-estate consulting services            | -                | -           | -              | -                | (320)             |
| Mabex                          | Aircraft services                          | -                | -           | -              | -                | (277)             |
| Lazam - MDS                    | Insurance consulting and advisory services | -                | -           | -              | -                | (342)             |
| Ecofuturo                      | Social services                            | -                | -           | -              | -                | (3.642)           |
| Bexma                          | Administrative expenses                    | -                | -           | -              | -                | 39                |
| Shareholders                   | Dividends and interest on equity           | -                | -           | -              | -                | -                 |
|                                |                                            | <b>16.478</b>    | <b>-</b>    | <b>15.838</b>  | <b>-</b>         | <b>16.309</b>     |
| <b>Between related parties</b> |                                            |                  |             |                |                  |                   |
| Stenfar                        | Shared expenses                            | 3.770            | -           | -              | -                | 523               |
| IPLF Holding S.A.              | Shared expenses                            | -                | -           | 3.770          | -                | (523)             |
|                                |                                            | <b>3.770</b>     | <b>-</b>    | <b>3.770</b>   | <b>-</b>         | <b>-</b>          |
|                                |                                            | <b>2.856.835</b> | <b>-</b>    | <b>129.560</b> | <b>4.821.230</b> | <b>5.047.306</b>  |

### 11.2 Balances and transactions in the fiscal year ended December 31, 2014

| Transactions                   | Nature of the main operation               | ASSETS           |              | LIABILITIES   |                  | RESULT            |
|--------------------------------|--------------------------------------------|------------------|--------------|---------------|------------------|-------------------|
|                                |                                            | Current          | Non-current  | Current       | Non-current      | Income (expenses) |
| <b>With subsidiaries</b>       |                                            |                  |              |               |                  |                   |
| Suzano Trading                 | Sale of pulp and paper                     | 1.945.222        | (2)          | 43.471        | (1)              | 3.539.490 (2)     |
| Paineiras                      | Land lease                                 | 741              | -            | 403           | -                | (6.472)           |
| Paineiras Logística            | AFCl and Commissioning of road transport   | 7.130            | 3.680 (3)    | 17.229        | -                | (81.536)          |
| Stenfar                        | Sale of paper                              | 14.062           | (2)          | 37            | -                | 61.323 (2)        |
| Ondurman                       | Land lease                                 | -                | -            | -             | -                | (13.423)          |
| Amulya                         | Land lease                                 | -                | -            | -             | -                | (9.549)           |
| Futuragene                     | Shared expenses                            | 16               | (5)          | -             | -                | 48 (5)            |
|                                |                                            | <b>1.967.171</b> | <b>3.680</b> | <b>61.140</b> | <b>1.685.927</b> | <b>3.489.881</b>  |
| <b>With related parties</b>    |                                            |                  |              |               |                  |                   |
| Suzano Holding S.A.            | Guarantees and administrative expenses     | -                | -            | 2.686         | -                | (34.574)          |
| IPLF Holding S.A.              | Shared expenses                            | -                | -            | -             | -                | 591               |
| Central                        | Sale of paper                              | 22.209           | -            | 21.494        | (4)              | 59.727 (2)        |
| Nemonorte                      | Real-estate consulting services            | -                | -            | -             | -                | (799)             |
| Mabex                          | Aircraft services                          | -                | -            | -             | -                | (516)             |
| Lazam - MDS                    | Insurance consulting and advisory services | -                | -            | 27            | -                | (324)             |
| Ecofuturo                      | Social services                            | -                | -            | -             | -                | (3.229)           |
| Bexma                          | Administrative expenses                    | -                | -            | -             | -                | 93                |
| Shareholders                   | Dividends and interest on equity           | -                | -            | 114           | -                | -                 |
|                                |                                            | <b>22.209</b>    | <b>-</b>     | <b>24.321</b> | <b>-</b>         | <b>20.969</b>     |
| <b>Between related parties</b> |                                            |                  |              |               |                  |                   |
| Stenfar                        | Shared expenses                            | 3.204            | -            | -             | -                | 541               |
| IPLF Holding S.A.              | Shared expenses                            | -                | -            | 3.204         | -                | (541)             |
|                                |                                            | <b>3.204</b>     | <b>-</b>     | <b>3.204</b>  | <b>-</b>         | <b>-</b>          |
|                                |                                            | <b>1.992.584</b> | <b>3.680</b> | <b>88.664</b> | <b>1.685.927</b> | <b>3.510.850</b>  |

- (1) New loans through subsidiaries (Note 18, items 6 and 8).  
(2) Pulp and paper sales operations;  
(3) Advance for future capital increase "AFCl".  
(4) Vendor operations classified as loans and financing (Note 18)  
(5) Includes telephone, facilities and administrative expenses.

#### Legend of company names:

Amulya Empreendimentos Imobiliários Ltda. ("Amulya")  
Bexma Comercial Ltda. ("Bexma")  
Central Distribuidora de Papéis Ltda. ("Central")  
Comercial e Agrícola Paineiras Ltda. ("Paineiras")

Instituto Ecofuturo - Futuro para o Desenvolvimento Sustentável ("Ecofuturo")  
Lazam MDS Corretora e Adm. Seguros S.A. ("Lazam-MDS")  
Mabex Representações e Participações Ltda. ("Mabex")  
Nemonorte Imóveis e Participações Ltda. ("Nemonorte")  
Ondurman Empreendimentos Imobiliários Ltda. ("Ondurman")  
Paineiras Logística e Transportes Ltda. ("Paineiras Logística")  
Stenfar S.A Indl. Coml. Imp. Y. Exp. ("Stenfar")

Transactions with subsidiaries and related parties are recorded under the following items in the balance sheet:

|                                                | Note | Parent Company     |                    | Consolidated    |                 |
|------------------------------------------------|------|--------------------|--------------------|-----------------|-----------------|
|                                                |      | 12/31/2015         | 12/31/2014         | 12/31/2015      | 12/31/2014      |
| <b>Balance receivable</b>                      |      |                    |                    |                 |                 |
| Trade accounts receivable                      | 7    | 2,838,967          | 1,981,395          | 20,248          | 25,413          |
| Receivables from subsidiaries - current        |      | 14,100             | 7,985              | -               | -               |
| Receivables from subsidiaries - non-current    |      | -                  | 3,680              | -               | -               |
|                                                |      | <u>2,853,067</u>   | <u>1,993,060</u>   | <u>20,248</u>   | <u>25,413</u>   |
| <b>Balance payable</b>                         |      |                    |                    |                 |                 |
| Dividends and Interest on Equity payable       |      | -                  | (114)              | -               | (114)           |
| Loans and financing                            | 18   | (15,838)           | (22,504)           | (15,838)        | (22,504)        |
| Trade accounts payable                         |      | -                  | (1,703)            | -               | (1,703)         |
| Obligations with related parties - current     |      | (109,952)          | (61,140)           | -               | -               |
| Obligations with related parties - non-current |      | (4,821,230)        | (1,685,927)        | -               | -               |
|                                                |      | <u>(4,947,020)</u> | <u>(1,771,388)</u> | <u>(15,838)</u> | <u>(24,321)</u> |
|                                                |      | <u>(2,093,953)</u> | <u>221,672</u>     | <u>4,410</u>    | <u>1,092</u>    |

### 11.3 Management compensation

On December 31, 2015, expenses related to the compensation of key management personnel, which include the Board of Directors, Fiscal Council and Board of Executive Officers, in addition to certain executives, recognized in the statement of income for the year amounted to R\$86,685 at the Parent Company and on a consolidated basis (R\$78,189 and R\$78,207, respectively, on December 31, 2014).

|                              | Parent Company |               | Consolidated  |               |
|------------------------------|----------------|---------------|---------------|---------------|
|                              | 12/31/2015     | 12/31/2014    | 12/31/2015    | 12/31/2014    |
| <b>Short-term benefits</b>   |                |               |               |               |
| Salary or compensation       | 20,183         | 17,771        | 20,183        | 17,789        |
| Direct and indirect benefits | 2,802          | 1,728         | 2,802         | 1,728         |
| Bonus                        | 18,591         | 23,848        | 18,591        | 23,848        |
|                              | <u>41,576</u>  | <u>43,347</u> | <u>41,576</u> | <u>43,365</u> |
| <b>Long-term benefits</b>    |                |               |               |               |
| Share-based compensation     | 45,109         | 34,842        | 45,109        | 34,842        |
|                              | <u>45,109</u>  | <u>34,842</u> | <u>45,109</u> | <u>34,842</u> |
| <b>Total</b>                 | <u>86,685</u>  | <u>78,189</u> | <u>86,685</u> | <u>78,207</u> |

Short-term benefits include fixed compensation (salaries and fees, vacation, mandatory "13<sup>th</sup> salary" bonus), and payroll charges (company share of contributions to social security - INSS) and variable compensation such as profit sharing, bonus and benefits (company car, health plan, meal voucher, grocery voucher, life insurance and private pension plan).



Long-term benefits include the stock option plan and phantom shares for executives and key management members, in accordance with the specific regulations (see Note 21).

## 12 Biological Assets

Biological assets are reforested eucalyptus forests in the growth phase, used to supply wood to pulp plants. The changes in the balances of biological assets in the respective fiscal years are shown below:

|                                 | <u>Parent Company</u>   | <u>Consolidated</u>     |
|---------------------------------|-------------------------|-------------------------|
| Balance on December 31, 2013    | 3.023.522               | 2.965.872               |
| Additions <sup>(1)</sup>        | 762.745                 | 743.551                 |
| Merger VFSA                     | 428.785                 | 428.785                 |
| Merger SER                      | 6.866                   | -                       |
| Depletion in the year           | (455.385)               | (455.385)               |
| Gain on fair value adjustment   | 12.847                  | 12.847                  |
| Other write-offs <sup>(2)</sup> | (36.249)                | (36.249)                |
| Balance on December 31, 2014    | 3.743.131               | 3.659.421               |
| Additions <sup>(1)</sup>        | <b>1.135.766</b>        | <b>1.115.320</b>        |
| Depletion in the year           | <b>(602.418)</b>        | <b>(602.418)</b>        |
| Gain on fair value adjustment   | <b>23.145</b>           | <b>23.145</b>           |
| Other write-offs <sup>(2)</sup> | <b>(64.960)</b>         | <b>(64.960)</b>         |
| Balance on December 31, 2015    | <b><u>4.234.664</u></b> | <b><u>4.130.508</u></b> |

(a) On December 31, 2015, the costs with land leasing totaling R\$ 20,446 (December 31, 2014 - R\$ 19,194) incurred at subsidiaries were eliminated for the consolidated figures.

(b) On December 31, 2015, the amount of R\$18,303 refers to sales made in the year, and R\$46,657 to other write-offs related to losses and claims (on December 31, 2014, the amounts were R\$8,744 and R\$27,505, respectively).

The valuation of eucalyptus forests was made by the Management using the Income Approach method, based on the future cash flows discounted to present value, in order to reflect the economic model of a business unit solely concerned with the eucalyptus forest.

When the Company determined the fair value of its assets, it took into account all the costs including implementation, renovation and maintenance, net of taxes.

The flow projections based on the expected production of vertical tree bark existing on the balance sheets reference date consider forest average growth cycle of seven years, average productivity obtained by the Annual Average Increase ("IMA") of 35.1m<sup>3</sup> / hectare / year and forest formation costs until the appropriate cutting period of the vertical tree (harvest period, i.e., matured assets). Sales average price of eucalyptus of R\$56.36/m<sup>3</sup> (R\$54.63/m<sup>3</sup> in 2014) was based on expert research for each region and transactions conducted by the Company with independent third parties. The discount rate was 10.39% p.a. On December 31, 2015, the Company had 56,863 hectares of areas considered mature assets, and 374,814 hectares considered immature assets, for a total of 431,677 thousand hectares planted eligible for calculation.

The Company manages the financial risks related to agricultural activities in a preventive manner. In the case of risks related to losses from fire, there is constant monitoring through strategically located watchtowers and fire alarm systems and fire brigades are maintained and trained to fight fires in forest areas. To mitigate risks from

edaphoclimatic factors, the weather is monitored through meteorological stations and, in the event of pests and diseases, our Department of Forestry Research and Development includes an area that specializes in physiological and phytosanitary aspects of the Company, which also has procedures to diagnose and act rapidly against any occurrences and losses.

The Company does not have any type of government incentive related to biological assets, or biological assets given as collateral on the dates of these financial statements.

On December 31, 2015, fair value adjustment was a gain of R\$23,145 (December 31, 2014 - gain of R\$12,847), which is annually recognized in profit or loss under other operating income (expenses).

### **13 Deferred income and social contribution taxes**

The Company, based on expected generation of future taxable income as determined by a technical study approved by Management, recognized deferred tax assets over temporary differences, income and social contribution tax loss carryforwards, which do not expire.

Deferred income and social contribution taxes are originated as follows:

|                                                         | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---------------------------------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                                         | <b>12/31/2015</b>     | <b>12/31/2014</b> | <b>12/31/2015</b>   | <b>12/31/2014</b> |
| <b>Non-current assets</b>                               |                       |                   |                     |                   |
| Income tax                                              |                       |                   |                     |                   |
| Credits over tax losses                                 | <b>743,526</b>        | 614,987           | <b>746,109</b>      | 616,130           |
| Credits over temporary differences:                     |                       |                   |                     |                   |
| Credits over provisions                                 | <b>265,286</b>        | 196,000           | <b>265,286</b>      | 196,000           |
| Credits over effects of Law 11,941/09 and IFRS          | <b>255,633</b>        | 151,273           | <b>255,633</b>      | 151,273           |
|                                                         | <b>1,264,445</b>      | 962,260           | <b>1,267,028</b>    | 963,403           |
| Social contribution                                     |                       |                   |                     |                   |
| Credits over social contribution tax loss carryforwards | <b>153,973</b>        | 103,357           | <b>153,973</b>      | 103,357           |
| Credits over temporary differences:                     |                       |                   |                     |                   |
| Credits over provisions                                 | <b>95,503</b>         | 70,308            | <b>95,503</b>       | 70,308            |
| Credits over effects of Law 11,941/09 and IFRS          | <b>92,028</b>         | 54,457            | <b>92,028</b>       | 54,457            |
|                                                         | <b>341,504</b>        | 228,122           | <b>341,504</b>      | 228,122           |
| <b>Total non-current assets:</b>                        | <b>1,605,949</b>      | 1,190,382         | <b>1,608,532</b>    | 1,191,525         |
| <b>Non-current liabilities</b>                          |                       |                   |                     |                   |
| Income tax                                              |                       |                   |                     |                   |
| Debits over accelerated depreciation                    | <b>604,209</b>        | 609,854           | <b>604,209</b>      | 609,854           |
| Debits over goodwill amortization                       | <b>117,334</b>        | 123,569           | <b>117,334</b>      | 123,569           |
| Debits over effects of Law 11,941/09 and IFRS           | <b>1,293,234</b>      | 1,301,802         | <b>1,382,394</b>    | 1,390,962         |
|                                                         | <b>2,014,777</b>      | 2,035,225         | <b>2,103,937</b>    | 2,124,385         |
| Social contribution                                     |                       |                   |                     |                   |
| Debits over goodwill amortization                       | <b>42,240</b>         | 44,485            | <b>42,240</b>       | 44,485            |
| Debits over effects of Law 11,941/09 and IFRS           | <b>465,563</b>        | 468,649           | <b>497,661</b>      | 500,747           |
|                                                         | <b>507,803</b>        | 513,134           | <b>539,901</b>      | 545,232           |
| <b>Total non-current liabilities</b>                    | <b>2,522,580</b>      | 2,548,359         | <b>2,643,838</b>    | 2,669,617         |
| Total non-current assets, net                           | -                     | -                 | <b>2,583</b>        | 1,143             |
| Total non-current liabilities, net                      | <b>916,631</b>        | 1,357,977         | <b>1,037,889</b>    | 1,479,235         |
|                                                         | <b>916,631</b>        | 1,357,977         | <b>1,035,306</b>    | 1,478,092         |

The breakdown of accumulated tax losses and social contribution tax loss carryforwards is shown below:

|                                           | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|-------------------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                           | <b>12/31/2015</b>     | <b>12/31/2014</b> | <b>12/31/2015</b>   | <b>12/31/2014</b> |
| Tax losses                                | <b>2,974,104</b>      | 2,459,946         | <b>2,984,436</b>    | 2,464,518         |
| Social contribution tax loss carryforward | <b>1,710,812</b>      | 1,148,406         | <b>1,710,812</b>    | 1,148,406         |

### 13.1 Reconciliation of the effects of income tax and social contribution on profit or loss

|                                                                                     | Parent Company |            | Consolidated |            |
|-------------------------------------------------------------------------------------|----------------|------------|--------------|------------|
|                                                                                     | 12/31/2015     | 12/31/2014 | 12/31/2015   | 12/31/2014 |
| Loss before income and social contribution taxes                                    | (1.377.573)    | (381.488)  | (1.358.521)  | (363.943)  |
| Income and social contribution taxes at the nominal rate of 34%                     | 468.375        | 129.706    | 461.897      | 123.741    |
| Adjustment for accounting of tax rate:                                              |                |            |              |            |
| Tax effects of Law 11,941/09 and IFRS                                               | 480            | 1.719      | -            | -          |
| Taxes levied on profits of subsidiaries abroad                                      | (10.767)       | (4.867)    | (10.767)     | (4.867)    |
| Income and social contribution taxes on the result of equity interest               | (13.150)       | (1.076)    | -            | -          |
| Profit or loss taxed at effective rates that differ from nominal rate               | -              | -          | (12.574)     | (11.515)   |
| Reintegra credit                                                                    | 25.432         | 10.900     | 25.432       | 10.900     |
| Other non-deductable effects                                                        | (18.152)       | (16.400)   | (30.822)     | (15.822)   |
| <b>Income tax</b>                                                                   |                |            |              |            |
| Current                                                                             | -              | -          | (17.688)     | (14.367)   |
| Deferred                                                                            | 330.630        | 88.224     | 330.630      | 88.175     |
|                                                                                     | 330.630        | 88.224     | 312.942      | 73.808     |
| <b>Social Contribution</b>                                                          |                |            |              |            |
| Current                                                                             | -              | (2)        | (1.364)      | (3.113)    |
| Deferred                                                                            | 121.589        | 31.760     | 121.589      | 31.742     |
|                                                                                     | 121.589        | 31.758     | 120.225      | 28.629     |
| Income and social contribution taxes income recorded as profit or loss in the years | 452.219        | 119.982    | 433.167      | 102.437    |

On December 31, 2015, the Company recorded tax losses; therefore, there is no effective rate for this period.

### 13.2 Tax incentives

The industrial units at Mucuri-BA and Imperatriz-MA are located in an area under the supervision of SUDENE, the agency for the development of northeast Brazil, and are benefitted by tax incentives for a 75% reduction in the income tax on the exploration profit and the Stimulated Accelerated Depreciation ("DAI").

For Mucuri-BA unit, lines 1 and 2 have tax benefit for 75% of income tax on the exploration profit up to the calendar years 2024 and 2018, respectively. Imperatriz unit is benefitted from tax incentive until 2024. This tax incentive is calculated in profit or loss of stimulated operations calculated based on the exploration profit. The result obtained from this tax benefit is the reduction in income tax expense. The amount reduced from income tax is allocated to the capital reserve account, pursuant to law. In the fiscal year ended December 31, 2015, the Company recorded tax losses and did not use said benefit.

The benefit of DAI represents the deferred payment of Income Tax ("IRPJ") and is not applicable to Social Contribution on net Income ("CSLL"). This tax benefit is controlled in the Taxable Income Control Register ("LALUR") and hence does not affect depreciation expenses recorded for such assets in subsequent years.

At the Mucuri-BA unit, full depreciation of property, plant and equipment acquired for Line 2 took place with the operational start-up of the Line. For other items of property, plant and equipment of the units of Bahia and Maranhão, the tax incentive obtained, which applied to acquisitions taking place until December 2018, may be exercised up to 4 years after acquisition of the asset.

## 14

## Investments

| Subsidiaries                                  | Information on Subsidiaries on 12/31/2015 |               |                                     |                 |                                     | Equity Accounting |            | Investments and (Provision) for Investment Losses |            |
|-----------------------------------------------|-------------------------------------------|---------------|-------------------------------------|-----------------|-------------------------------------|-------------------|------------|---------------------------------------------------|------------|
|                                               | Equity Interest %                         | Balance sheet |                                     |                 | Result in the year ended 12/31/2015 | 12/31/2015        | 12/31/2014 | 12/31/2015                                        | 12/31/2014 |
|                                               |                                           | Assets        | Current and Non-Current Liabilities | Adjusted Equity |                                     |                   |            |                                                   |            |
| <b>Subsidiaries and direct joint ventures</b> |                                           |               |                                     |                 |                                     |                   |            |                                                   |            |
| Aanisan (b)                                   | -                                         | -             | -                                   | -               | -                                   | -                 | (8)        | -                                                 | -          |
| Amulya                                        | 100.00%                                   | 62,942        | 50,384                              | 12,558          | 3,095                               | 3,095             | 2,827      | 12,557                                            | 9,464      |
| Asapir                                        | 50.00%                                    | 15,054        | 12,466                              | 2,588           | 1,382                               | 691               | (1,605)    | 1,293                                             | (397)      |
| Bahia Sul Holdings                            | 100.00%                                   | 63            | -                                   | 63              | (70)                                | (70)              | (13)       | 63                                                | 38         |
| Ondurman                                      | 100.00%                                   | 82,305        | 58,427                              | (57,427)        | 5,920                               | (9,518)           | (9,640)    | (57,427)                                          | (47,911)   |
| Paineiras                                     | 100.00%                                   | 404,045       | 121,991                             | 255,558         | 3,485                               | (1,526)           | (222)      | 255,559                                           | 257,240    |
| Paineiras Logística                           | 100.00%                                   | 36,912        | 32,472                              | 4,440           | (3,819)                             | (3,819)           | (5,403)    | 4,440                                             | 779        |
| SER                                           | (b)                                       | -             | -                                   | -               | -                                   | -                 | (784)      | -                                                 | -          |
| Stenfar                                       | 90.00%                                    | 114,079       | 79,675                              | 24,157          | 5,870                               | 585               | 3,265      | 20,717                                            | 15,943     |
| Sun Paper                                     | 100.00%                                   | 6,875         | 661                                 | 6,214           | 149                                 | 149               | 1,021      | 6,214                                             | 4,333      |
| Suzano America                                | (a)                                       | 446,495       | 401,081                             | (54,180)        | 2,903                               | (50,964)          | (1,023)    | (54,180)                                          | (17,589)   |
| Suzano Europa                                 | (a)                                       | 3,526,559     | 3,463,369                           | (148,428)       | 9,443                               | (147,691)         | (8,328)    | (148,429)                                         | (18,021)   |
| Suzano Trading                                | 100.00%                                   | 7,863,187     | 7,876,832                           | (44,923)        | (65,861)                            | (97,136)          | 5,027      | (44,923)                                          | 43,861     |
| Vale Florestar S/A                            | -                                         | -             | -                                   | -               | -                                   | -                 | (2,294)    | -                                                 | -          |
|                                               |                                           |               |                                     |                 |                                     | (306,204)         | (17,180)   | (4,116)                                           | 247,740    |
| <b>Total investments</b>                      |                                           |               |                                     |                 |                                     |                   |            | 300,843                                           | 331,658    |
| <b>Total provisions for losses</b>            |                                           |               |                                     |                 |                                     |                   |            | (304,959)                                         | (83,918)   |
| <b>Indirect subsidiaries</b>                  |                                           |               |                                     |                 |                                     |                   |            |                                                   |            |
| Futuragene PLC.                               | 100.00%                                   | 61,887        | 25,577                              | 36,310          | (30,422)                            | (29,356)          | (28,339)   | 36,310                                            | 35,564     |
| Stenfar                                       | 10.00%                                    | 114,079       | 79,675                              | 24,157          | 5,870                               | 478               | 1,633      | 3,440                                             | 9,797      |
|                                               |                                           |               |                                     |                 |                                     | (28,878)          | (26,706)   | 39,750                                            | 45,361     |

- a) The shareholders' equity of these subsidiaries considers the elimination of the unrealized profits.  
b) On September 30, 2014, the subsidiary SER was merged into the Company and the subsidiary Aanisan was dissolved.

## 14.1 Changes in investments

|                                         | Parent Company |            |
|-----------------------------------------|----------------|------------|
|                                         | 12/31/2015     | 12/31/2014 |
| Opening balance                         | 247,740        | 260,993    |
| Equity accounting                       | (306,204)      | (17,180)   |
| Exchange variation in investees (a)     | 39,120         | (3,561)    |
| Acquisition of Vale Florestar (b)       | -              | 482,846    |
| Capital increase (c)                    | 8,550          | 46,277     |
| Share acquisition (d)                   | 6,679          | -          |
| Merger of subsidiary Vale Florestar (b) | -              | (480,552)  |
| Merger of subsidiary SER                | -              | (41,083)   |
| Closing balance                         | (4,116)        | 247,740    |

- (a) Includes exchange variation on investment and translation adjustment of foreign subsidiaries' financial statements.  
(b) In September 2014, VFFIP was dissolved in advance and the subsidiary VFSA was merged into the Company (Note 1.1 a) vi).  
(c) During 2015, capital increase in the amounts of R\$1,000, R\$7,480 and R\$70 in the subsidiaries Asapir, Paineiras Logística and Bahia Sul Holding, respectively. In 2014, capital increases of R\$725, R\$35,250, R\$700, R\$7,500, R\$1,534, R\$1,000 and R\$66 in the subsidiaries Amulya, SER, Ondurman, Paineiras, Paineiras Logística, Asapir and Bahia Sul Holding, respectively. At Paineiras, capital reduction of R\$498.  
(d) On April 1, 2015, Suzano acquired from Paineiras Comercial the amount of 17,626 shares of Stenfar, increasing its stake in this subsidiary from 68.58% to 90%.

## 14.2 Acquisition of VFFIP and VFSA

On August 8, 2014, the Company acquired full control of the shares of VFFIP and VFSA. The transaction is in line with the Company's strategy of pursuing structural competitiveness in order to maximize business profitability, and its main benefits are increased harvest flexibility, forest management and long-term payment.

The accounting criteria used to book the transaction followed the provisions of CPC 15 (R1) - Business combination.

The standard establishes that in case of a preexisting relationship between the acquirer and the acquired company, when the business combination in fact terminated the preexisting relationship, the acquirer must recognize, separately from the business combination, the gain or loss from the effective settlement of the contract.

In compliance with said standard, the Management of the Company analyzed this preexisting relationship separately and verified that: i) neither the agreement for purchase and sale of standing forests nor the contract rescission entered into between the parties envisaged any fine for early rescission; and ii) comparing the agreement with current operations in the market for the purchase and sale of standing forests, from the acquirer's viewpoint the agreement is neither favorable nor unfavorable to the Company. The Management therefore concluded that there are no gains or losses to be recorded from the termination of the preexisting relationship.

Suzano incurred costs related to the acquisition of these assets, which were included in profit or loss for the period when incurred.

The net assets acquired are stated as follows:

| <u>In thousands of reais (R\$ '000)</u> | <u>VFFIP</u>   | <u>VFSA</u>    |                                         | <u>VFFIP</u>   | <u>VFSA</u>    |
|-----------------------------------------|----------------|----------------|-----------------------------------------|----------------|----------------|
| <b>Current</b>                          | <b>7</b>       | <b>13,173</b>  | <b>Current</b>                          | <b>72</b>      | <b>1,387</b>   |
| Cash and cash equivalents               | 7              | 11,664         | Trade accounts payable                  | 72             | 196            |
| Trade accounts receivable               | -              | 2              | Financing                               | -              | 5              |
| Inventory                               | -              | 1,246          | Taxes and contributions payable         | -              | 556            |
| Advances to suppliers/employees         | -              | 188            | Provision for labor claims              | -              | 630            |
| Taxes recoverable                       | -              | 73             |                                         |                |                |
| <b>Non-current</b>                      | <b>483,570</b> | <b>519,171</b> | <b>Non-current</b>                      | <b>-</b>       | <b>46,096</b>  |
| Long-term financial investments         | 872            | -              | Financing                               | -              | 45,000         |
| Prepaid expenses                        | 6              | -              | Deferred tax liability                  | -              | 1,096          |
| Biological Assets - Eucalyptus          | -              | 417,800        |                                         |                |                |
| Biological Assets - Other specimen      | -              | 36             |                                         |                |                |
| Taxes recoverable                       | -              | 22,383         |                                         |                |                |
| Deferred Income Tax                     | -              | 27,790         | <b>Total net of identifiable assets</b> | <b>483,505</b> | <b>484,861</b> |
| Investment property                     | -              | 24,223         |                                         |                |                |
| Investment - Vale Florestar             | 482,692        | -              |                                         |                |                |
| Property, plant and equipment           | -              | 26,461         |                                         |                |                |
| Intangible assets                       | -              | 478            |                                         |                |                |
| <b>Total Assets</b>                     | <b>483,577</b> | <b>532,344</b> | <b>Total Liabilities</b>                | <b>483,577</b> | <b>532,344</b> |

The net assets were valued by external appraisers engaged by the Company to determine their fair values. The Income Approach method was used in determining the fair value of the biological assets, which is based on preparing a future cash flow discounted to present value. The method considers that the fair value of an asset is related to the present value of the free cash flows generated by the asset in the future.

Intangible assets were valued by external appraisers to determine their fair value, though they did not qualify for booking in accordance with the criteria under CPC 04 - Intangible assets.

The net assets acquired that were valued based on their fair values are shown below:

|                                           | R\$           |
|-------------------------------------------|---------------|
| Net assets acquired at cost               | 483,505       |
| Total net assets at fair value            | 483,505       |
| Total consideration transferred           | 528,941       |
| <b>Goodwill from business combination</b> | <b>45,436</b> |

The goodwill calculated, corresponding to 8.6% of the consideration transferred, is attributable mainly to the operating synergies in the forest management of the areas acquired.

## 15 Property, Plant and Equipment

|                                    |  | Parent Company |                         |              |                 |                  |
|------------------------------------|--|----------------|-------------------------|--------------|-----------------|------------------|
|                                    |  | Buildings      | Machinery and equipment | Other assets | Lands and farms | Work in progress |
| Annual average depreciation rate   |  | 4.39%          | 5.46%                   | 16.93%       | -               | -                |
| <b>Cost</b>                        |  |                |                         |              |                 |                  |
| Balance on December 31, 2013       |  | 1,733,606      | 10,229,985              | 169,106      | 3,778,037       | 4,879,093        |
| Transfers (c)                      |  | 757,831        | 4,346,544               | 21,914       | 19,326          | (5,145,615)      |
| Transfers between other assets (d) |  | 24,223         | 3,253                   | -            | -               | (16,257)         |
| Additions (b)                      |  | 92             | 128,343                 | 40,452       | 619             | 649,612          |
| Merger VFSA                        |  | 24,949         | 29                      | 1,024        | -               | -                |
| Merger SER                         |  | -              | -                       | -            | 34,035          | -                |
| Write-offs (a)                     |  | (14,943)       | (68,310)                | (1,699)      | (9,158)         | -                |
| Interest capitalization            |  | -              | -                       | -            | -               | 36,144           |
| Balances on December 31, 2014      |  | 2,525,758      | 14,639,844              | 230,797      | 3,822,859       | 402,977          |
| Transfers (c)                      |  | 117,120        | 410,183                 | 33,512       | 9,943           | (570,758)        |
| Transfers between other assets (d) |  | (17,266)       | (77,066)                | (1,903)      | (1,291)         | (15,377)         |
| Additions                          |  | (200)          | 118,709                 | 12,643       | -               | 392,734          |
| Write-offs                         |  | (1,100)        | (34,400)                | (1,539)      | (12,196)        | -                |
| Interest capitalization            |  | -              | -                       | -            | -               | 6,930            |
| Balance on December 31, 2015       |  | 2,624,312      | 15,057,270              | 273,510      | 3,819,315       | 216,506          |
| <b>Depreciation</b>                |  |                |                         |              |                 |                  |
| Balance on December 31, 2013       |  | (546,097)      | (4,119,215)             | (130,927)    | -               | -                |
| Transfers (c)                      |  | 11,479         | (12,329)                | 850          | -               | -                |
| Transfers between other assets (d) |  | -              | (314)                   | -            | -               | (314)            |
| Write-offs (a)                     |  | 2,165          | 46,585                  | 966          | -               | -                |
| Depreciation                       |  | (77,100)       | (625,470)               | (16,199)     | -               | -                |
| Balances on December 31, 2014      |  | (609,553)      | (4,710,743)             | (145,310)    | -               | -                |
| Transfers between other assets (d) |  | 10,031         | 65,328                  | 2,590        | -               | -                |
| Write-offs                         |  | 965            | 25,138                  | 984          | -               | -                |
| Depreciation                       |  | (86,327)       | (706,703)               | (19,661)     | -               | -                |
| Balance on December 31, 2015       |  | (684,884)      | (5,326,980)             | (161,397)    | -               | -                |
| <b>Residual value</b>              |  |                |                         |              |                 |                  |
| Balance on December 31, 2015       |  | 1,939,428      | 9,730,290               | 112,113      | 3,819,315       | 216,506          |
| Balance on December 31, 2014       |  | 1,916,205      | 9,929,101               | 85,487       | 3,822,859       | 402,977          |

|                                  |     |           |                         |              |                 |                  | Consolidated                        |
|----------------------------------|-----|-----------|-------------------------|--------------|-----------------|------------------|-------------------------------------|
|                                  |     | Buildings | Machinery and equipment | Other assets | Lands and farms | Work in progress | Total property, plant and equipment |
| Annual average depreciation rate |     | 4.39%     | 5.46%                   | 16.93%       | -               | -                | -                                   |
| <b>Cost</b>                      |     |           |                         |              |                 |                  |                                     |
| Balance on December 31, 2013     |     | 1,739,914 | 10,234,476              | 177,483      | 4,327,559       | 4,879,093        | 21,358,525                          |
| Transfers                        | (c) | 758,267   | 4,347,000               | 22,065       | 19,339          | (5,146,671)      | -                                   |
| Transfers between other assets   | (d) | 24,223    | 3,253                   | -            | -               | (16,255)         | 11,221                              |
| Additions                        | (b) | 108       | 129,603                 | 40,582       | 1,205           | 650,666          | 822,164                             |
| Merger VFSA                      |     | 24,949    | 29                      | 1,024        | -               | -                | 26,002                              |
| Write-offs                       | (a) | (20,396)  | (68,310)                | (1,699)      | (9,936)         | -                | (100,341)                           |
| Interest capitalization          |     | -         | -                       | -            | -               | 36,144           | 36,144                              |
| Balances on December 31, 2014    |     | 2,527,065 | 14,646,051              | 239,455      | 4,338,167       | 402,977          | 22,153,715                          |
| Transfers                        |     | 117,792   | 411,720                 | 32,418       | 10,429          | (572,359)        | -                                   |
| Transfers between other assets   | (d) | (17,266)  | (77,066)                | (1,903)      | (1,291)         | (15,376)         | (112,902)                           |
| Additions                        |     | (21)      | 119,554                 | 15,058       | 975             | 394,334          | 529,900                             |
| Write-offs                       |     | (1,100)   | (34,401)                | (1,734)      | (12,196)        | -                | (49,431)                            |
| Interest capitalization          |     | -         | -                       | -            | -               | 6,930            | 6,930                               |
| Balance on December 31, 2015     |     | 2,626,470 | 15,065,858              | 283,294      | 4,336,084       | 216,506          | 22,528,212                          |
| <b>Depreciation</b>              |     |           |                         |              |                 |                  |                                     |
| Balance on December 31, 2013     |     | (552,032) | (4,121,257)             | (133,529)    | -               | -                | (4,806,818)                         |
| Transfers                        | (c) | 11,479    | (12,330)                | 851          | -               | -                | -                                   |
| Transfers between other assets   | (d) | -         | (313)                   | -            | -               | -                | (313)                               |
| Write-offs                       | (a) | 7,618     | 46,585                  | 966          | -               | -                | 55,169                              |
| Depreciation                     |     | (77,273)  | (626,387)               | (16,840)     | -               | -                | (720,500)                           |
| Balances on December 31, 2014    |     | (610,208) | (4,713,702)             | (148,552)    | -               | -                | (5,472,462)                         |
| Transfers between other assets   | (d) | 10,031    | 65,328                  | 2,590        | -               | -                | 77,949                              |
| Write-offs                       |     | 965       | 25,138                  | 1,142        | -               | -                | 27,245                              |
| Depreciation                     |     | (86,469)  | (707,510)               | (20,731)     | -               | -                | (814,710)                           |
| Balance on December 31, 2015     |     | (685,681) | (5,330,746)             | (165,551)    | -               | -                | (6,181,978)                         |
| <b>Residual value</b>            |     |           |                         |              |                 |                  |                                     |
| Balances on December 31, 2015    |     | 1,940,789 | 9,735,112               | 117,743      | 4,336,084       | 216,506          | 16,346,234                          |
| Balances on December 31, 2014    |     | 1,916,857 | 9,932,349               | 90,903       | 4,338,167       | 402,977          | 16,681,253                          |

- a) In addition to disposals, write-offs include obsolescence and scrapping.
- b) Additions to Works in progress mainly refer to the construction of the pulp plant in the state of Maranhão.
- c) Composed substantially of transfers related to the construction of the pulp plant in Maranhão, the balance relates to the transfer to intangible assets.
- d) Refer substantially to the transfer of the Embu unit to the available-for-sale group. The remaining balance refers to the transfer to intangible assets. Includes transfers between the lines of inventory, intangible assets, investment properties and non-current assets held for sale.

Machinery and equipment include amounts recognized as financial leasing outlined in Note 18.2.

On December 31, 2015, the Company conducted the annual asset impairment testing and no evidence of impairment was identified.

## 15.1 Assets given as collateral

On December 31, 2015, the Company and its subsidiaries had property, plant and equipment given as collateral in loan operations and lawsuits amounting to R\$10,932,132 (R\$11,772,855 on December 31, 2014).

## 15.2 Capitalized expenses

During 2015, interests were capitalized in the amount of R\$6,930 referring to the investments in the implementation of the new digester system of Suzano unit.



## 16 Intangible Assets

### 16.1 Goodwill

The Company maintains goodwill not subject to amortization on investments in Vale Florestar and Paineiras Logística in the amounts of R\$45,435 and R\$10, respectively.

A total of R\$34,047 relating to the investments of B.L.D.S.P.E. Celulose e Papel S.A. (merged subsidiary) was realized due to sale of Embu unit. (Note 1.1, item a) v).

### 16.2 Intangible assets with determined useful life

|                                | Useful life (years) | Book cost      | Accumulated amortization | Exchange rate variation | Parent Company and Consolidated |                |
|--------------------------------|---------------------|----------------|--------------------------|-------------------------|---------------------------------|----------------|
|                                |                     |                |                          |                         | Residual values                 |                |
|                                |                     |                |                          |                         | 12/31/2015                      | 12/31/2014     |
| <b>KSR <sup>(a)</sup></b>      |                     |                |                          |                         |                                 |                |
| Customer relationship          | 5                   | 22.617         | (21.863)                 | -                       | 754                             | 5.278          |
| <b>Other intangible assets</b> |                     |                |                          |                         |                                 |                |
| Trademarks and patents         | 10                  | 1.176          | (829)                    | -                       | 347                             | 441            |
| Software                       | 5                   | 83.433         | (31.864)                 | -                       | 51.569                          | 37.185         |
| <b>Parent Company Balance</b>  |                     | <b>107.226</b> | <b>(54.556)</b>          | <b>-</b>                | <b>52.670</b>                   | <b>42.904</b>  |
| <b>Futuragene</b>              |                     |                |                          |                         |                                 |                |
| R&D agreements                 | 18.8                | 153.316 (a)    | (95.125)                 | 169.494                 | 227.685                         | 166.649        |
| Other license agreements       | 11.8                | 3.436 (a)      | (3.411)                  | 3.800                   | 3.825                           | 3.024          |
| <b>Other intangible assets</b> |                     |                |                          |                         |                                 |                |
| Software                       | 5                   | 24             | (24)                     | -                       | -                               | 1              |
| <b>Consolidated Balance</b>    |                     | <b>264.002</b> | <b>(153.116)</b>         | <b>173.294</b>          | <b>284.180</b>                  | <b>212.578</b> |

- a) Amount translated at the original U.S. dollar exchange rate on the date of calculation of the gain from allocation of the price paid.

On December 31, 2015, the amounts of R\$18,332 in the Parent Company and R\$62,077 in the Consolidated were amortized (R\$13,301 and R\$30,524, respectively, on December 31, 2014).

On December 31, 2015, no evidence of impairment was identified.

## 17 Trade Accounts Payable

|                    | Parent Company |                | Consolidated   |                |
|--------------------|----------------|----------------|----------------|----------------|
|                    | 12/31/2015     | 12/31/2014     | 12/31/2015     | 12/31/2014     |
| Domestic suppliers | 511,233        | 450,216        | 525,393        | 456,526        |
| Foreign suppliers  | 28,863         | 27,552         | 56,084         | 45,029         |
|                    | <b>540,096</b> | <b>477,768</b> | <b>581,477</b> | <b>501,555</b> |

The Company normally operates with average payment period of approximately 41 days for its operating suppliers. With regard to suppliers of property, plant and equipment items or those linked to structural projects, the terms are established in each commercial negotiation, without a specific average term.

## 17.1 Commercial transactions with suppliers

Confirming operations, which are recorded on the balance sheet as commercial transactions with suppliers, refer to transactions by suppliers of the Company with certain financial institutions in order to receive in advance the amounts due, with the approval of the Company. On December 31, 2015, confirming operations amounted to R\$206,454 in Parent Company and Consolidated (R\$251,544 on December 31, 2014) (Note 3).

## 18 Loans and Financing

|                                                    | Index                  |              | Annual average interest rate on 12/31/2015 | Maturity     | Parent Company |            | Consolidated |            |
|----------------------------------------------------|------------------------|--------------|--------------------------------------------|--------------|----------------|------------|--------------|------------|
|                                                    |                        |              |                                            |              | 12/31/2015     | 12/31/2014 | 12/31/2015   | 12/31/2014 |
| Property, plant and equipment:                     |                        |              |                                            |              |                |            |              |            |
| BNDES - Finem                                      | Fixed rate /TJLP       | (1) (2) (10) | 7.95%                                      | 2016 to 2024 | 1,335,246      | 1,784,305  | 1,353,777    | 1,784,305  |
| BNDES - Finem                                      | Currency basket / US\$ | (2) (10)     | 6.44%                                      | 2016 to 2022 | 675,576        | 2,614,936  | 675,576      | 2,614,936  |
| BNDES - Finame                                     | Fixed rate /TJLP       | (1) (2)      | 4.69%                                      | 2016 to 2024 | 21,982         | 25,425     | 21,982       | 25,425     |
| FNE - BNB                                          | Fixed rate             | (2)          | 5.75%                                      | 2016 to 2024 | 200,794        | 57,441     | 200,794      | 57,441     |
| FINEP                                              | Fixed rate             | (2)          | 4.21%                                      | 2016 to 2020 | 49,948         | 50,823     | 49,948       | 50,823     |
| Rural credit                                       | Fixed rate             | (9)          | 6.50%                                      | 2016         | 112,424        | 169,511    | 112,424      | 169,511    |
| Financial lease                                    | CDI / US\$             |              |                                            | 2016 to 2022 | 32,619         | 25,450     | 32,619       | 25,450     |
| Export Credit Agency - ECA                         | US\$                   | (2) (3)      | 2.44%                                      | 2016 a 2022  | 1,571,288      | 1,229,931  | 1,571,288    | 1,229,931  |
|                                                    |                        |              |                                            |              | 3,999,877      | 5,957,822  | 4,018,408    | 5,957,822  |
| Working capital:                                   |                        |              |                                            |              |                |            |              |            |
| Export financing                                   | US\$                   | (4)          | 4.56%                                      | 2016 to 2022 | 2,501,592      | 1,896,408  | 2,501,592    | 1,896,408  |
| Export credit note                                 | CDI / Fixed rate       | (5)          | 14.52%                                     | 2016 to 2021 | 3,077,244      | 4,070,046  | 3,077,244    | 4,070,046  |
| Senior Notes                                       | US\$ / Fixed rate      | (6)          | 5.88%                                      | 2021         | -              | -          | 2,553,535    | 1,732,670  |
| Trade notes discount-Vendor                        |                        |              |                                            | 2016         | 38,470         | 54,312     | 38,470       | 54,312     |
| Bank Credit Note-CCB                               | CDI                    | (7)          | 13.53%                                     | 2016         | 178,271        | 46,175     | 178,271      | 46,175     |
| Syndicated Loan                                    | Libor                  | (8)          | 2.60%                                      | 2018 to 2020 | -              | -          | 2,329,362    | -          |
| Other                                              |                        |              |                                            | 2016         | 433            | 2,781      | 14,006       | 3,152      |
|                                                    |                        |              |                                            |              | 5,796,010      | 6,069,722  | 10,692,480   | 7,802,763  |
|                                                    |                        |              |                                            |              | 9,795,887      | 12,027,544 | 14,710,888   | 13,760,585 |
| Current (including interests payable)              |                        |              |                                            |              | 1,732,937      | 1,751,040  | 1,818,510    | 1,795,355  |
| Non-current                                        |                        |              |                                            |              | 8,062,950      | 10,276,504 | 12,892,378   | 11,965,230 |
| Non-current loans and financing mature as follows: |                        |              |                                            |              |                |            |              |            |
| 2016                                               |                        |              |                                            |              | -              | 1,467,241  | -            | 1,467,241  |
| 2017                                               |                        |              |                                            |              | 1,398,348      | 1,462,111  | 1,398,348    | 1,462,111  |
| 2018                                               |                        |              |                                            |              | 1,822,151      | 1,825,255  | 2,605,788    | 1,825,255  |
| 2019                                               |                        |              |                                            |              | 3,014,360      | 2,502,531  | 4,058,317    | 2,502,531  |
| 2020                                               |                        |              |                                            |              | 852,056        | 1,679,431  | 1,354,486    | 1,679,431  |
| 2021                                               |                        |              |                                            |              | 753,023        | 1,107,811  | 3,244,635    | 2,796,537  |
| 2022                                               |                        |              |                                            |              | 147,265        | 225,025    | 149,942      | 225,025    |
| 2023 onwards                                       |                        |              |                                            |              | 75,747         | 7,099      | 80,862       | 7,099      |
|                                                    |                        |              |                                            |              | 8,062,950      | 10,276,504 | 12,892,378   | 11,965,230 |

- (a) Term of capitalization corresponds to those exceeding 6% of the Long-term interest rate ("TJLP") published by the Central Bank of Brazil;
- (b) Loans and financing are secured, depending on the agreement, by (i) plant mortgages; (ii) rural properties; (iii) fiduciary sale of the asset being financed; (iv) guarantee from shareholders, and (v) bank guarantee.
- (c) In October 2006, the Company contracted a US\$150 million loan agreement with BNP Paribas and Société Générale, in the proportion of 50% each, to finance imported equipment for the Mucuri/BA unit. In May 2013, the Company obtained funds through two import financing operations (ECA - Export Credit Agency) for equipment to be installed in the future pulp producing unit in Maranhão. The total amount contracted is equivalent to US\$535 million, for a term of up to 9.5 years, from AB Svensk Exportkredit, BNP Paribas, through its subsidiary Fortis Bank SA/NV, Nordea Bank Finland Plc, Nordea Bank AB and Société Générale, with guarantee furnished by the Export Credit Agencies FINNVERA and EKN. All the agreements establish covenants regarding the maintenance of determined levels of leverage, which are verified for compliance after 60 and 120 days of the closing of the months of June and December of each fiscal year, respectively. With regard to the results of June 2015, the Company met all the established levels. The next scrutiny will be based on the results of December 2015.
- (d) In the year from January to December 2015, no new export financing operation was contracted, and the variation is justified by the appreciation of the U.S. dollar against the Brazilian real (R\$/US\$ 2.6562 in December 2014 and R\$/US\$ 3.9048 in December 2015).

- (e) In April 2015, two Export Credit Notes (NCE) were issued under the compulsory modality in the amount of R\$100,000 each, maturing in August and December 2015. In June 2015, the Company contracted an NCE transaction of R\$675,000, guaranteed by an Agribusiness Receivables Certificate (CRA) and made available to the market at a cost of 101% of the CDI, while interest will be paid bi-annually and the principal in a single installment in 2019. In addition, in the months of June to September, the Company settled in advance the amount of R\$1,531,000 in NCE, which would mature between 2016 and 2021.
- (f) In September 2010, the Company, through its subsidiary Suzano Trading, placed in the international market US\$650 million in Senior Notes due on January 23, 2021, with semiannual interest payments of 5.875% p.a. and return for investors of 6.125% p.a. The Company is guarantor of the issue, which corresponds to a senior obligation without security interest of the issuer or the Company and is entitled to the same rights as other obligations of similar nature of these companies. Between September 2013 and July 2014, the Company, through its international subsidiary Suzano Trading, repurchased US\$4.3 million of principal amount of the Senior Notes issued.
- (g) In March 2015, the Company contracted two Bank Credit Note ("CCB") operations in the amount of R\$123,000 and maturity in 1 year.
- (h) In May 2015, the Company, through its subsidiary Suzano Pulp and Paper Europe, contracted a syndicated loan in the amount of US\$600 million, with payment of quarterly interest and amortization of the principal between May 2018 and May 2020. This loan has clauses establishing the maintenance of certain levels of leverage, which are verified and have compliance confirmed after 60 and 120 days from the end of June and December of each fiscal year, respectively. With regard to the results of June 2015, the Company met all the established levels. The next scrutiny will be based on the results of December 2015.
- (i) Between May and June 2015, the Company contracted rural credit transactions in the total amount of R\$108,300 and maturing in one year.
- (j) In the months of May and June 2015, the Company settled in advance a BNDES-Finem transaction in the amount of R\$2,690,752.

## 18.1 Changes in loans and financing

|                               | Parent Company   |                   | Consolidated      |                   |
|-------------------------------|------------------|-------------------|-------------------|-------------------|
|                               | 12/31/2015       | 12/31/2014        | 12/31/2015        | 12/31/2014        |
| Opening balance               | 12.027.544       | 11.205.065        | 13.760.585        | 12.743.329        |
| Funding                       | 1.672.992        | 2.654.850         | 3.901.222         | 2.654.850         |
| Recognized interest           | 893.192          | 829.738           | 1.053.077         | 917.212           |
| Exchange variation            | 1.926.567        | 662.977           | 2.871.789         | 854.940           |
| Settlement of principal       | (5.872.353)      | (2.598.991)       | (5.872.353)       | (2.600.124)       |
| Settlement of interest        | (877.587)        | (799.897)         | (1.015.806)       | (887.401)         |
| Loan added by merger          | -                | 46.367            | -                 | 46.367            |
| Funding costs                 | (16.351)         | (23.638)          | (39.395)          | (23.638)          |
| Amortization of funding costs | 41.883           | 51.073            | 51.769            | 55.050            |
|                               | <u>9.795.887</u> | <u>12.027.544</u> | <u>14.710.888</u> | <u>13.760.585</u> |

## 18.2 Financial lease agreements

The financial lease agreements under which the Company and its subsidiaries undertake the risks and benefits inherent to ownership are classified as financial lease agreements.

The Company has financial lease agreements related to equipment used in the pulp and paper industrial process. These agreements are denominated in U.S. dollar or the CDI overnight rate and contain purchase option clauses for these assets upon the expiration of the lease term, which varies from 8 to 15 years, for

a price substantially lower than their fair value. Management intends to exercise the purchase options on the dates estimated in each agreement.

The amounts booked as property, plant and equipment, net of depreciation, and the present value of mandatory installments of the agreement (financing) corresponding to these assets are stated below:

|                                                              | <b>Parent Company and Consolidated</b> |                   |
|--------------------------------------------------------------|----------------------------------------|-------------------|
|                                                              | <b>12/31/2015</b>                      | <b>12/31/2014</b> |
| Machinery and equipment                                      | <b>108,565</b>                         | 108,565           |
| (-) Accumulated depreciation                                 | <b>(95,335)</b>                        | (86,721)          |
| Property, plant and equipment, net                           | <b>13,230</b>                          | 21,844            |
| Present value of mandatory installments (financing):         |                                        |                   |
| Less than 1 year                                             | <b>5,509</b>                           | 3,758             |
| From 1 to 5 years                                            | <b>25,830</b>                          | 17,470            |
| Over 5 years                                                 | <b>1,280</b>                           | 4,222             |
| Total present value of mandatory installments (financing)    | <b>32,619</b>                          | 25,450            |
| Financial charges to be recognized in the future             | <b>6,911</b>                           | 5,100             |
| Total mandatory installments at the expiration of agreements | <b>39,530</b>                          | 30,550            |

### 18.3 Transaction costs and premiums of securities issues

On December 31, 2015, the balances of funding costs to be apportioned to consolidated profit or loss are as follows:

| Nature          | Total cost     | Amortization     | Exch. Rate Variation | <b>Consolidated</b>            |                   |
|-----------------|----------------|------------------|----------------------|--------------------------------|-------------------|
|                 |                |                  |                      | <b>Balance to be amortized</b> |                   |
|                 |                |                  |                      | <b>12/31/2015</b>              | <b>12/31/2014</b> |
| Senior Notes    | 29,284         | (63,811)         | 66,921               | <b>32,394</b>                  | 26,382            |
| NCE             | 73,405         | (44,422)         | -                    | <b>28,983</b>                  | 38,194            |
| Prepayment      | 1,636          | (473)            | -                    | <b>1,163</b>                   | 1,479             |
| Import (ECA)    | 101,736        | (48,057)         | -                    | <b>53,679</b>                  | 70,350            |
| Syndicated Loan | 19,824         | (3,548)          | 4,611                | <b>20,887</b>                  | -                 |
| FNE             | 730            | (78)             | -                    | <b>652</b>                     | -                 |
| Rural Credit    | 34             | (20)             | -                    | <b>14</b>                      | -                 |
| Total           | <b>226,649</b> | <b>(160,409)</b> | <b>71,532</b>        | <b>137,772</b>                 | 136,405           |

The total cost of Senior Notes was converted into Real at the USD rate on the funding date (US\$ 1.6942), and amortizations, on the respective dates, were converted at the closing USD rate. The total ECA cost includes expenses related to insurance premiums, fees and rates.

The total cost of the syndicated loan was converted into Real at the Swiss Franc rate on the funding date (CHF 3.3795), and amortizations were converted on the respective dates at the closing USD rate.

## 19 Provision for Contingencies

### 19.1 Changes in provisions for contingencies

|                         | Parent Company           |               |                 |                       |                           |                          |
|-------------------------|--------------------------|---------------|-----------------|-----------------------|---------------------------|--------------------------|
|                         | Balance on<br>12/31/2014 | New lawsuits  | Reversals       | Monetary<br>variation | Settlement<br>of lawsuits | Balance on<br>12/31/2015 |
| Tax and social security | 174,755                  | 26,278        | (54,083)        | 20,238                | (3)                       | 167,185                  |
| Labor                   | 34,533                   | 6,152         | (13,927)        | 9,300                 | (10,630)                  | 25,428                   |
| Civil                   | 2,595                    | 145           | (448)           | 291                   | (594)                     | 1,989                    |
|                         | <u>211,883</u>           | <u>32,575</u> | <u>(68,458)</u> | <u>29,829</u>         | <u>(11,227)</u>           | <u>194,602</u>           |
|                         | Consolidated             |               |                 |                       |                           |                          |
|                         | Balance on<br>12/31/2014 | New lawsuits  | Reversals       | Monetary<br>variation | Settlement<br>of lawsuits | Balance on<br>12/31/2015 |
| Tax and social security | 174,755                  | 26,278        | (54,083)        | 20,238                | (3)                       | 167,185                  |
| Labor                   | 41,190                   | 6,784         | (16,786)        | 10,081                | (11,884)                  | 29,385                   |
| Civil                   | 2,595                    | 145           | (448)           | 291                   | (594)                     | 1,989                    |
|                         | <u>218,540</u>           | <u>33,207</u> | <u>(71,317)</u> | <u>30,610</u>         | <u>(12,481)</u>           | <u>198,559</u>           |

### 19.2 Tax and Social Security Suits and Proceedings

The company is a defendant in approximately 260 administrative and legal proceedings on tax and social security issues that discuss matters related to various taxes such as PIS, COFINS, IPI, ICMS, ISS, corporate income tax/social contribution and social security contribution, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

The Company adhered to the REFIS tax installment program - Law 11,941/09 for certain proceedings, amounting to nearly R\$13,398 which is duly provisioned for, and interest and fines will be paid through the use of tax loss and social contribution tax loss carryforwards.

The Company is a defendant in proceedings whose probability of loss is deemed as possible, amounting to around R\$212,734, for which no provision was accrued.

On December 31, 2015, the Company and its subsidiaries hold R\$37,869 in judicial deposits related to these proceedings (R\$37,096 on December 31, 2014).

### 19.3 Labor claims

On December 31, 2015, the Company was a defendant in approximately 2,100 labor claims, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

In general, labor claims are related primarily to matters frequently contested by employees in agribusiness companies, such as certain wages and/or severance payments, in addition to suits filed by outsourced employees of the Company. In addition, the Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$29,040, for which no provision was accrued.

On December 31, 2015, the Company and its subsidiaries hold R\$23,784 in judicial deposits related to these proceedings (R\$22,291 on December 31, 2014).

#### **19.4 Civil claims**

On December 31, 2015, the Company is a defendant in approximately 240 civil claims.

Civil proceedings are related primarily to payment of damages, such as those resulting from contractual obligations, work-related injuries, possessory actions, environmental claims and others.

The Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$1,410, for which no provision was constituted.

On December 31, 2015, the Company does not hold judicial deposits related to these proceedings (R\$112 on December 31, 2014).

## **20 Actuarial Liabilities**

### **20.1 Defined benefits plans**

The Company guarantees four defined-benefit plans for life to a certain group of retirees:

- Sepaco health insurance program: ensures coverage of healthcare costs with an accredited network and Hospital Sepaco for former employees who requested retirement by 2003 (until 1998 for Ripasa's former employees), as well as their spouses for life and dependents while they are minors.
- Bradesco health insurance program: ensures coverage of healthcare costs with Bradesco Saúde for a group of former employees, who exceptionally, according to the Company's criteria and resolution, were vested with rights related to the compliance with Articles 30 and 31 of Law 9,656/98.
- Health care plan Sul América Saúde (Limeira unit, former Conpacel): Ensures the payment of healthcare costs by Sul América for the group of former employees with rights thereto, pursuant to the criteria and rights associated with compliance with Articles 30 and 31 of Federal Law 9,656/98.
- Life insurance: life insurance benefit provided to retirees by Bradesco.

On December 31, 2015, the amount of the future liabilities of these benefits was R\$263,141 (R\$277,463 on December 31, 2014).

The key economic and biometric assumptions used in the calculations of health and life insurance are shown below:

## 20.2 Key actuarial economic and biometric assumptions used in the calculations

|                                                  | Actuarial assumptions |            |
|--------------------------------------------------|-----------------------|------------|
|                                                  | 2015                  | 2014       |
| Discount rate - health plan                      | 7.30% p.a.            | 6.15% p.a. |
| Discount rate - life insurance                   | 7.30% p.a.            | 6.15% p.a. |
| Medical cost growth rate above basic inflation   | 3.0% p.a.             | 3.0% p.a.  |
| Economic inflation                               | 5.70% p.a.            | 5.0% p.a.  |
| Biometric table of general mortality             | AT-2000               | AT-2000    |
| Biometric table of mortality of disabled persons | IAPB 57               | IAPB 57    |

On December 31, 2015, the sensitivity of the balance of actuarial liabilities to the changes in the main assumptions used, considering that all others remain unchanged, is as follows:

|                              | Change | Increase in assumption | Decrease in assumption |
|------------------------------|--------|------------------------|------------------------|
| Discount rate                | 0.50%  | Decrease of 5.23 %     | Increase of 5.75 %     |
| Growth rate of medical costs | 0.50%  | Increase of 6.89 %     | Decrease of 6.31 %     |
| Mortality rate               | 1 year | Increase of 3.78 %     | Decrease of 3.82 %     |

## 20.3 Changes in actuarial liabilities

|                                 | 12/31/2015 | 12/31/2014 |
|---------------------------------|------------|------------|
| Opening balance                 | 277.463    | 255.138    |
| Interest on actuarial liability | 33.629     | 31.539     |
| Actuarial loss (gain)           | (31.981)   | 5.271      |
| Benefits paid in the year       | (15.970)   | (14.485)   |
| Closing balance                 | 263.141    | 277.463    |

## 21 Share-Based Payments

### 21.1 Share-based compensation plans paid in currency

The Company has a long-term incentive plan ("ILP") for its senior management linked to the Company share price and paid in Brazilian real ("BRL"). The general conditions were established for the acquisition and grant by the Company of phantom shares to these executives (beneficiaries), which are defined each year in specific regulations and administrated by the Management Committee, in accordance with the guidelines and conditions established by the Company's Bylaws and Board of Directors.

The number of phantom shares to be granted is determined by dividing the amount of wages paid, based on: i) the achievement of goals; ii) the discretionary value allocated by the Executive Board; and iii) vested quantities, based on the beneficiary's short-term compensation investment, limited to two salaries, plus a similar amount contributed by the Company, by the average of the closing price of the Company's preferred stock in the last 90 trading sessions.



Vesting conditions are considered fully met after a grace period of three years, and if applicable, until a limit period of six years as of the grant date. Vesting conditions are not fully met when: i) in the programs in which vesting is possible, as item (iii) in the previous article, in case of the dismissal for just cause or voluntary resignation (in these cases, the beneficiary automatically loses any right to the exercise the phantom shares granted with no indemnification whatsoever, except only in vesting-related quantities); and ii) in the case of dismissal without just cause or retirement before the vesting of the phantom shares, entitling the beneficiary to the right to immediately exercise all phantom shares.

The exercise price of each phantom share is determined by the average of the Company's preferred stock over the last 90 sessions as of the exercise date, plus dividends and interest on equity distributed between the grant and exercise date, multiplied by a percentage of the Company's performance in relation to its competitors, where applicable.

As approved at the meeting of the Management Committee in October 2012, the value of the shares of all programs in force until December 31, 2012 will be fixed in the minimum amount of R\$ 9.00 per share.

In 2012, the Company granted the programs Programas Especial 2012a (previously ILP Especial I), Programa Especial 2012b, and Programa Especial 2012c (previously ILP Especial II).

The Programa Especial 2012a has a minimum fixed redemption value of R\$9.00 and a maximum of R\$15.53 per share.

The Programa Especial 2012b and Programa Especial 2012c have a minimum guaranteed redemption value of R\$9.00, but no maximum fixed value.

On March 1, 2013, the Programa ILP 2013 was granted. This program of phantom shares has a vesting period of 3 years from the date of grant and maturity in 6 years from the date of grant. The exercise price of the phantom shares is based on the average price in the last 90 trading sessions prior to the exercise date.

The Company granted on April 1, 2014 and 2015 and September 1, 2015 the Share Appreciation Rights (SAR) Program of phantom options, exclusively for new inclusions as of that date.

In this program, participants should invest 5% of the total amount corresponding to the number of options at the grant date and 20% after three years to acquire the option. The amounts will be calculated based on the average quote of the 90 previous trading sessions starting from the closing quote on the last business day of the month prior to the month of the grant.

This program has a vesting period of 3 years and term of 5 years from the grant date. The calculation of the amount to be paid by the beneficiary upon exercising the options will also be based on the average stock price in the 90 previous trading sessions as from the last day of the month prior to the exercise date.



On March 1, 2015, the Company granted the Program “Diferimento 2014”, related to the complement of the additional bonus for 2014. The grace period and maturity of the plan to exercise the shares will occur on March 1, 2018 and 2019.

On September 1, 2015, the Company also launched the “LTI 2015” Program. The grace period and expiry date of the plan for exercising the stock options will be September 1, 2018, and this program has the same rules for redemption as the LTI plans in force until 2012, except for the minimum amount fixed for the redemption of the phantom shares.

The abovementioned installments will only be due if the executive is an employee of the Company on the payment date. In case of termination of the employment by initiative of the Company or by initiative of the executive, before the abovementioned periods are completed, the executive will not be entitled to receive all outstanding incentives.

On dates when the SUZB5 stock is not traded, the quote of the previous trading session will be considered. Options granted and subscribed to by the beneficiaries will not entitle their holders to dividends.

For plans with grants until 2013, the same conditions set for previous programs remain valid until the settlement date.

## **21.2 Share-based compensation plan paid in shares or alternatively in currency (class A preferred stock options)**

At the Extraordinary Shareholders’ Meeting held on August 29, 2008, the Company’s Stock Option Plan (Plan) - Class A Preferred Shares was approved.

The plan establishes the Company’s general conditions for the acquisition and granting of stock options to its executives, management and employees (beneficiaries), which are defined in specific regulations and administrated by the Management Committee in accordance with the guidelines and conditions established by the Company’s Bylaws and the Board of Directors.

According to the Plan, the options granted cannot exceed 2% of the Company’s total paid-up and subscribed capital stock, and must derive from, as suggested by the Management Committee and approved by the Board of Directors: (i) the issue of new shares, within the limit of the Company’s authorized capital; and/or (ii) treasury shares.

At the Board of Directors’ meeting held on August 11, 2010 (grant date), the second Program of the Plan were approved, in which the Company granted stock options to beneficiaries, as well as, it defined the following conditions so that these beneficiaries are entitled to exercise these options (vesting and non-vesting conditions): i) in cases of the termination of employment with cause, request for voluntary termination of employment or retirement, the beneficiary will automatically lose any right to exercise the options granted thereto, without indemnification; ii) in cases of dismissal without cause or retirement, the terms foreseen for exercise of the phantom shares will be anticipated and the beneficiary will be entitled to immediately exercise a proportional number of shares *pro rata* to the vesting period of the phantom shares; iii) in the lack of any situation (i) mentioned above, the vesting conditions are deemed fully met, thus allowing the beneficiary to exercise his/her options under the terms defined by regulation.

During the grace period of options exercise, the beneficiary is prohibited from selling or encumbering these options.

The exercise price per share was R\$15.53 for Program 2, less dividends and interest on equity distributed between the grant date and the option exercise, both adjusted based on the Company's Weighted Average Cost of Capital ("WACC") calculated by renowned financial institutions.

The Extraordinary Shareholders' Meeting held on April 30, 2013 approved the 3<sup>rd</sup> Stock Option Program. This program gives beneficiaries the right to acquire the Company shares at a fixed price, provided targets related to the following aspects are met: (i) Appreciation of the Company's shares; (ii) Net Debt/Earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio; and (iii) Return on Equity (ROE). If the targets mentioned above are exceeded, the vesting period of the tranches options will be reduced by 12 months.

The vesting periods and maturity of Program 2 and Program 3 are as follows:

| Program   | Vesting period                                             | Number of class "A" preferred shares                 |
|-----------|------------------------------------------------------------|------------------------------------------------------|
| Program 2 | 1 <sup>st</sup> exercise date: from 8/1/2013 to 12/31/2015 | 120,000 shares or 20% of total shares under option   |
|           | 2 <sup>nd</sup> exercise date: from 8/1/2014 to 12/31/2015 | 120,000 shares or 20% of total shares under option   |
|           | 3 <sup>rd</sup> exercise date: from 8/1/2015 to 12/31/2015 | 360,000 shares or 60% of total shares under option   |
| Program 3 | 1 <sup>st</sup> exercise date: from 1/18/2015 to 4/18/2015 | 1,800,000 shares or 20% of total shares under option |
|           | 2 <sup>nd</sup> exercise date: from 1/18/2016 to 4/18/2016 | 1,800,000 shares or 20% of total shares under option |
|           | 3 <sup>rd</sup> exercise date: from 1/18/2018 to 4/18/2018 | 1,800,000 shares or 20% of total shares under option |
|           | 4 <sup>th</sup> exercise date: from 1/18/2019 to 4/18/2019 | 1,800,000 shares or 20% of total shares under option |
|           | 5 <sup>th</sup> exercise date: from 1/18/2020 to 4/18/2020 | 1,800,000 shares or 20% of total shares under option |

On December 31, 2015, there were 10,645 thousand preferred treasury shares to guarantee the options granted by the Plan.

## 21.3 Changes to long-term incentive plans

### i. Phantom shares

| Parent Company and Consolidated |            |                              |                                     |                               |                               |                                          |                       |           |                            |          |                       |                                        |                                    |                                            |
|---------------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-----------------------|-----------|----------------------------|----------|-----------------------|----------------------------------------|------------------------------------|--------------------------------------------|
|                                 |            |                              |                                     |                               |                               |                                          |                       |           |                            |          |                       |                                        |                                    | 12/31/2015                                 |
| Program                         | Grant Date | Fair value on the grant date | Fair value at the end of the period | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date | Available at the beginning of the period | Granted in the Period | Exercised | Exercised due to dismissal | Transfer | Abandoned/ Prescribed | Abandoned/ Prescribed due to dismissal | Available at the end of the period | Weighted average price of exercised shares |
| ILP 2008 (PN) Mar09             | 3/1/2009   | RS 15.11                     | RS 18.11                            | 3/1/2012                      | 3/1/2015                      | 43,549                                   | -                     | 43,549    | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| ILP 2009 A - Mar08              | 3/1/2008   | RS 34.74                     | RS 18.11                            | 3/1/2013                      | 3/1/2016                      | 8,474                                    | -                     | 1,215     | -                          | -        | -                     | -                                      | 7,259                              | 17.30                                      |
| ILP 2008 A - Mar08 / Mar12      | 3/1/2008   | RS 34.74                     | RS 18.11                            | 3/1/2012                      | 3/1/2015                      | 6,347                                    | -                     | 6,347     | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| ILP 2009 - Mar09 / Mar12        | 3/1/2009   | RS 15.11                     | RS 18.11                            | 3/1/2012                      | 3/1/2015                      | 9,838                                    | -                     | 9,838     | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| ILP 2009 M - Sep09 / Sep12      | 9/1/2009   | RS 15.11                     | RS 18.11                            | 9/1/2012                      | 9/1/2015                      | 28,408                                   | -                     | 20,446    | -                          | -        | -                     | 7,962                                  | -                                  | 17.30                                      |
| ILP 2010                        | 3/1/2010   | RS 23.86                     | RS 18.11                            | 3/1/2013                      | 3/1/2016                      | 159,926                                  | -                     | 105,149   | -                          | -        | -                     | 36,415                                 | 18,362                             | 17.30                                      |
| ILP 2011                        | 3/1/2011   | RS 18.64                     | RS 18.11                            | 3/1/2014                      | 3/1/2017                      | 88,003                                   | -                     | 3,678     | -                          | -        | -                     | 41,150                                 | 43,175                             | 17.30                                      |
| ILP 2012                        | 3/1/2012   | RS 7.49                      | RS 18.11                            | 3/1/2015                      | 3/1/2018                      | 865,572                                  | -                     | 573,741   | 46,826                     | -        | -                     | 87,167                                 | 157,838                            | 17.30                                      |
| ILP 2011 (F)                    | 3/1/2011   | RS 18.64                     | RS 18.11                            | 3/1/2014                      | 3/1/2017                      | 7,159                                    | -                     | -         | -                          | -        | -                     | -                                      | 7,159                              | 17.30                                      |
| ILP 2012 (PE)                   | 9/30/2012  | RS 9.00                      | RS 18.11                            | 9/30/2015                     | 9/30/2018                     | 35,225                                   | -                     | 10,000    | -                          | -        | -                     | -                                      | 25,225                             | 17.30                                      |
| ILP 2013                        | 3/1/2013   | RS 6.58                      | RS 22.64                            | 3/1/2016                      | 3/1/2019                      | 1,159,918                                | -                     | -         | 44,104                     | -        | 76,400                | 101,297                                | 938,117                            | 17.30                                      |
| Programa Especial 2012a         | 12/21/2012 | RS 5.55                      | RS 15.53                            | 3/31/2015                     | 3/31/2015                     | 70,000                                   | -                     | 70,000    | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012b         | 12/21/2012 | RS 5.55                      | RS 15.53                            | 6/30/2014                     | 6/30/2014                     | 30,000                                   | -                     | 9,923     | -                          | -        | 20,077                | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012b         | 12/21/2012 | RS 5.55                      | RS 15.53                            | 3/31/2015                     | 3/31/2015                     | 30,000                                   | -                     | 22,317    | -                          | -        | 7,683                 | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012b         | 12/21/2012 | RS 5.55                      | RS 15.53                            | 3/31/2015                     | 3/31/2015                     | 40,000                                   | -                     | 40,000    | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012c         | 12/21/2012 | RS 5.55                      | RS 15.53                            | 3/31/2015                     | 3/31/2015                     | 80,000                                   | -                     | 80,000    | -                          | -        | -                     | -                                      | -                                  | 17.30                                      |
| Programa Especial 2012c         | 12/21/2012 | RS 5.55                      | RS 15.53                            | 3/31/2016                     | 3/31/2016                     | 140,000                                  | -                     | -         | -                          | -        | -                     | -                                      | 140,000                            | -                                          |
| SAR 2014                        | 4/1/2014   | RS 8.93                      | RS 19.05                            | 4/1/2017                      | 4/1/2019                      | 997,617                                  | -                     | -         | -                          | -        | 93,227                | -                                      | 904,390                            | -                                          |
| Deferral 2014                   | 3/1/2015   | RS 10.80                     | RS 18.11                            | 3/1/2015                      | 3/1/2018                      | -                                        | 304,558               | 1,705     | 2,660                      | -        | 30,087                | -                                      | 270,106                            | 17.30                                      |
| Deferral 2014                   | 3/1/2015   | RS 10.80                     | RS 18.11                            | 3/1/2015                      | 3/1/2019                      | -                                        | 304,558               | 1,705     | 2,660                      | -        | 30,087                | -                                      | 270,106                            | 17.30                                      |
| SAR 2015                        | 4/1/2015   | RS 11.69                     | RS 18.16                            | 4/1/2015                      | 4/1/2018                      | -                                        | 747,600               | -         | -                          | -        | 7,352                 | -                                      | 740,248                            | -                                          |
| SAR 2015 - September            | 9/1/2015   | RS 15.99                     | RS 17.42                            | 9/1/2015                      | 9/1/2018                      | -                                        | 4,340                 | -         | -                          | -        | -                     | -                                      | 4,340                              | -                                          |
| ILP 2015                        | 9/1/2015   | RS 15.99                     | RS 18.11                            | 9/1/2015                      | 9/1/2018                      | -                                        | 62,540                | -         | 2,085                      | -        | 16,677                | -                                      | 43,778                             | 17.30                                      |
| TOTAL                           |            |                              |                                     |                               |                               | 3,800,036                                | 1,423,596             | 999,613   | 98,335                     | -        | 281,590               | 273,991                                | 3,570,103                          | 17.30                                      |

| Program                                | Grant Date | Fair value on the grant date | Fair value at the end of the period | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date | Available at the beginning of the period | Granted in the Period | Exercised      | Exercised due to dismissal | Transfer <sup>(1)</sup> | Abandoned/ Prescribed due to dismissal | Available at the end of the period | 12/31/2014                                 |
|----------------------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-----------------------|----------------|----------------------------|-------------------------|----------------------------------------|------------------------------------|--------------------------------------------|
|                                        |            |                              |                                     |                               |                               |                                          |                       |                |                            |                         |                                        |                                    | Weighted average price of exercised shares |
| ILP 2007 (PN)                          | 3/1/2008   | R\$ 34.74                    | R\$ 9.00                            | 3/1/2011                      | 3/1/2014                      | 13,043                                   | -                     | 13,043         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2008 (PN) Mar09                    | 3/1/2009   | R\$ 15.11                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 55,769                                   | -                     | 12,220         | -                          | -                       | -                                      | 43,549                             | 9.00                                       |
| ILP 2009 A - Mar08                     | 3/1/2008   | R\$ 34.74                    | R\$ 10.08                           | 3/1/2013                      | 3/1/2016                      | 11,663                                   | -                     | 3,189          | -                          | -                       | -                                      | 8,474                              | 9.00                                       |
| ILP 2008 A - Mar08 / Mar12             | 3/1/2008   | R\$ 34.74                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 11,663                                   | -                     | 5,316          | -                          | -                       | -                                      | 6,347                              | 9.00                                       |
| ILP 2008 - Jan09 / Sep12 (ii)          | 1/1/2009   | R\$ 18.01                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 16,502                                   | -                     | 16,502         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2007 (PE)                          | 8/1/2008   | R\$ 34.74                    | R\$ 10.08                           | 9/1/2014                      | 9/1/2014                      | 10,125                                   | -                     | 10,125         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2007 (PN) - PA                     | 3/1/2008   | R\$ 43.38                    | R\$ 9.00                            | 3/1/2011                      | 3/1/2014                      | 2,837                                    | -                     | 2,837          | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2009 - Mar09 / Mar12               | 3/1/2009   | R\$ 15.11                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 14,724                                   | -                     | 4,886          | -                          | -                       | -                                      | 9,838                              | 9.00                                       |
| ILP 2009 M - Sep09 / Sep12             | 9/1/2009   | R\$ 15.11                    | R\$ 10.08                           | 9/1/2012                      | 9/1/2015                      | 35,017                                   | -                     | 6,609          | -                          | -                       | -                                      | 28,408                             | 9.00                                       |
| ILP 2010                               | 3/1/2010   | R\$ 23.86                    | R\$ 10.08                           | 3/1/2013                      | 3/1/2016                      | 87,251                                   | -                     | 18,354         | -                          | 91,029                  | -                                      | 159,926                            | 9.00                                       |
| ILP 2011                               | 3/1/2011   | R\$ 18.64                    | R\$ 10.08                           | 3/1/2014                      | 3/1/2017                      | 363,730                                  | -                     | 247,957        | 27,770                     | -                       | -                                      | 88,003                             | 9.00                                       |
| ILP 2012                               | 3/1/2012   | R\$ 7.49                     | R\$ 10.08                           | 3/1/2015                      | 3/1/2018                      | 946,776                                  | -                     | -              | 75,820                     | 89,360                  | 94,744                                 | 865,572                            | 9.00                                       |
| ILP 2011 (F)                           | 3/1/2011   | R\$ 18.64                    | R\$ 10.08                           | 3/1/2014                      | 3/1/2017                      | 7,159                                    | -                     | -              | -                          | -                       | -                                      | 7,159                              | -                                          |
| ILP 2009 (J)                           | 9/1/2010   | R\$ 17.25                    | R\$ 10.08                           | 9/1/2013                      | 9/1/2016                      | 3,441                                    | -                     | 3,441          | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2012 (PE)                          | 9/30/2012  | R\$ 9.00                     | R\$ 10.08                           | 9/30/2015                     | 9/30/2018                     | 35,225                                   | -                     | -              | -                          | -                       | -                                      | 35,225                             | -                                          |
| ILP 2013                               | 3/1/2013   | R\$ 6.58                     | R\$ 10.08                           | 3/1/2016                      | 3/1/2019                      | 1,224,987                                | -                     | -              | 57,203                     | 117,059                 | 124,925                                | 1,159,918                          | 8.97                                       |
| Programa Especial 2012a <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2014                     | 3/31/2014                     | 70,000                                   | -                     | 70,000         | -                          | -                       | -                                      | 70,000                             | 9.00                                       |
| Programa Especial 2012a <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 70,000                                   | -                     | -              | -                          | -                       | -                                      | 70,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 6/30/2014                     | 6/30/2014                     | 30,000                                   | -                     | -              | -                          | -                       | -                                      | 30,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2014                     | 3/31/2014                     | 40,000                                   | -                     | 40,000         | -                          | -                       | -                                      | 40,000                             | 9.00                                       |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 30,000                                   | -                     | -              | -                          | -                       | -                                      | 30,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 40,000                                   | -                     | -              | -                          | -                       | -                                      | 40,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2014                     | 3/31/2014                     | 60,000                                   | -                     | 60,000         | -                          | -                       | -                                      | 60,000                             | 9.00                                       |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 80,000                                   | -                     | -              | -                          | -                       | -                                      | 80,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2016                     | 3/31/2016                     | 140,000                                  | -                     | -              | -                          | -                       | -                                      | 140,000                            | -                                          |
| SAR 2014                               | 4/1/2014   | R\$ 8.93                     | R\$ 8.16                            | 4/1/2017                      | 4/1/2019                      | -                                        | 1,012,539             | -              | -                          | -                       | 14,922                                 | 997,617                            | -                                          |
| <b>TOTAL</b>                           |            |                              |                                     |                               |                               | <b>3,399,912</b>                         | <b>1,012,539</b>      | <b>514,479</b> | <b>160,793</b>             | <b>297,448</b>          | <b>234,591</b>                         | <b>3,806,036</b>                   | <b>9.00</b>                                |

<sup>(1)</sup> Shares received due to transfer of employees from Futuragene and Suzano Holding to Suzano Papel e Celulose SA.

<sup>(2)</sup> Programa ILP Especial I was renamed Programa Especial 2012a and Programa ILP Especial II was renamed Programa Especial 2012b and Programa Especial 2012c.

## ii. Class A preferred shares stock option

12/31/2015

| Program      | Granted series | Grant date | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date and expiration | Prices<br>On the grant date | Number of Shares |                  |                                |                |                               |
|--------------|----------------|------------|-------------------------------|----------------------------------------------|-----------------------------|------------------|------------------|--------------------------------|----------------|-------------------------------|
|              |                |            |                               |                                              |                             | Granted          | Exercised        | Not exercised due to dismissal | Expired        | Total in effect on 12/31/2015 |
| Program 2    | Series I       | 8/11/2010  | 8/1/2013                      | 12/31/2015                                   | 5.97                        | 80,000           | -                | -                              | 80,000         | -                             |
|              | Series II      | 8/11/2010  | 8/1/2014                      | 12/31/2015                                   | 5.97                        | 80,000           | -                | -                              | 80,000         | -                             |
|              | Series III     | 8/11/2010  | 8/1/2015                      | 12/31/2015                                   | 5.97                        | 240,000          | -                | -                              | 240,000        | -                             |
| Program 3    | Series I       | 1/18/2013  | 1/18/2015                     | 4/18/2015                                    | 3.53                        | 1,800,000        | 1,800,000        | -                              | -              | -                             |
|              | Series II      | 1/18/2013  | 1/18/2016                     | 4/18/2016                                    | 3.71                        | 1,800,000        | 1,800,000        | -                              | -              | -                             |
|              | Series III     | 1/18/2013  | 1/18/2018                     | 4/18/2018                                    | 3.91                        | 1,800,000        | -                | -                              | -              | 1,800,000                     |
|              | Series IV      | 1/18/2013  | 1/18/2019                     | 4/18/2019                                    | 3.96                        | 1,800,000        | -                | -                              | -              | 1,800,000                     |
|              | Series V       | 1/18/2013  | 1/18/2020                     | 4/18/2020                                    | 3.99                        | 1,800,000        | -                | -                              | -              | 1,800,000                     |
| <b>Total</b> |                |            |                               |                                              |                             | <b>9,400,000</b> | <b>3,600,000</b> | <b>-</b>                       | <b>400,000</b> | <b>5,400,000</b>              |

## 21.4 Recognition and measurement of the fair value of share-based payments

### i. Phantom shares plan

Since the Plan is settled in cash, Suzano has to revise the fair value of the phantom shares at every reporting date. This value is then multiplied by the Total Shareholder Return ("TSR") in the period (which varies between 75% and 125%, depending on the performance of SUZB5 in relation to its peers in Brazil).

### ii. Stock option plan

To measure the fair value of the class A preferred shares stock options of Program 2 and Program 3, the Company used, respectively, the mathematical model of approximation for options Bjerkstrand & Stensland, and the Binomial model, which considers the dividends distribution rate and the following mathematical assumptions:

| Description of assumptions                                   | Indexes            |                      |                        |                        |
|--------------------------------------------------------------|--------------------|----------------------|------------------------|------------------------|
|                                                              | Options            |                      |                        |                        |
|                                                              | Program II         | Program III          | SAR 2014               | SAR 2015               |
| Calculation Model                                            | Bjersund-Stensland | Binomial             | Monte Carlo Simulation | Monte Carlo Simulation |
| Asset base price <sup>(1)</sup>                              | R\$7.02/share      | R\$7.73/ share       | R\$8.93/ share         | R\$10.93/ share        |
| Expectation of volatility <sup>(2)</sup>                     | 40.02% p.a.        | 40.47% p.a.          | 36.82 % p.a.           | 34.77 % p.a.           |
| Phantom stock/options average life expectancy <sup>(3)</sup> | 2.59 years         | Equal to option life | Equal to option life   | Equal to option life   |
| Dividends expectancy <sup>(4)</sup>                          | 3.49% p.a.         | 3.49% p.a.           | 2.94% p.a.             | 2.94% p.a.             |
| Risk-free weighted average interest rate <sup>(5)</sup>      | average of 8.02%   | average of 8.99%     | average of 11.90%      | average of 12.83%      |

(1) The asset base price was defined considering the arithmetic average of the closing price of the last 90 trading sessions for SUZB5 share;

(2) The expectation of volatility was calculated for each exercise date, taking into account the remaining time to complete the vesting period, as well as the historical volatility of returns, considering a standard deviation of 745 observations of returns;

(3) The expectation of average life of phantom stocks and stock options was defined by the remaining term until the limit exercise date;

(4) The expectation of dividends was defined based on historical earnings per share of the Company;

(5) Risk-free weighted average interest rate used was the BRL yield curve (DI expectation) observed on the open market, which is the best comparison basis with the Brazilian market risk-free interest rates. The rate used for each exercise date changes according to the vesting period.

The amounts corresponding to the services received and recognized in the financial statements are presented below:

|                                  | Parent Company and Consolidated      |            |                 |                 |
|----------------------------------|--------------------------------------|------------|-----------------|-----------------|
|                                  | Liabilities and Shareholders' Equity |            | Profit or Loss  |                 |
|                                  | 12/31/2015                           | 12/31/2014 | 12/31/2015      | 12/31/2014      |
| <b>Non-current liabilities</b>   |                                      |            |                 |                 |
| Provision for phantom stock plan | 42,722                               | 27,619     | (27,993)        | (12,810)        |
| <b>Shareholders' equity</b>      |                                      |            |                 |                 |
| Stock option reserve             | 23,091                               | 25,939     | (3,506)         | (9,572)         |
| <b>Result</b>                    |                                      |            | <b>(31,499)</b> | <b>(22,382)</b> |

## 22 Commitments Related to Asset Acquisitions

On December 31, 2015, these commitments totaled R\$716,862 in the Parent Company and R\$824,864 in the Consolidated, and are classified under current and non-current liabilities (On December 31, 2014, they totaled R\$601,124 and R\$714,690, respectively).

### 22.1 Real estate receivables certificates ("CRI")

The Company and its subsidiaries carried out transactions involving the acquisition of land and reforestation through CRI. On December 31, 2015, the commitments related to the acquisition of land, farms, reforestation and houses under construction in Maranhão totaled R\$59,483 in the Parent Company and R\$167,485 in the Consolidated, presented under Commitment from acquisition of assets in current and non-current liabilities (R\$58,159 and R\$171,725, respectively, on December 31, 2014).

| Acquiring companies              | Suzano                                        | Ondurman                          | Amulya                            |
|----------------------------------|-----------------------------------------------|-----------------------------------|-----------------------------------|
| <i>Features of the agreement</i> |                                               |                                   |                                   |
| Amount of the agreement          | 51,716                                        | 75,000                            | 59,379                            |
| Type of property                 | Houses under construction                     | Land                              | Land                              |
| Type of agreement                | CRI                                           | CRI                               | CRI                               |
| Insurance / issuing company      | RB Capital Companhia de<br>Securitização      | Brazilian Securities              | Brazilian Securities              |
| Trustee                          | Pentágono                                     | Oliveira Trust Dist. Tit.<br>Mob. | Oliveira Trust Dist. Tit.<br>Mob. |
| Date of issue                    | 12/13/2012                                    | 10/27/2009                        | 2/21/2011                         |
| Final term                       | 12/13/2024                                    | 10/27/2023                        | 2/21/2025                         |
| Number of installments           | 11                                            | 168                               | 168                               |
| Payment periods                  | Annually                                      | Monthly                           | Monthly                           |
| Term                             | 12 year (including 24<br>months grace period) | 14 years                          | 14 years                          |
| Readjustment index               | IPCA                                          | TR                                | TR                                |
| Compensatory interest            | 5.68% p.a.                                    | 11.40% p.a.                       | 11.23% p.a.                       |

## 22.2 Acquisition of VFFIP

On August 8, 2014, the acquisition of VFFIP was concluded for the sum of R\$528,941, with a down payment of R\$44,998 on the contract date. The outstanding balance of R\$483,943 will be paid in 10 to 15 years, of which R\$195,551 is restated at the variation of the Broad Consumer Price Index ("IPCA"), and R\$288,392 is restated at the variation of the U.S. dollar exchange rate, plus usual market interest rates.

On December 31, 2015, the total restated outstanding balance is R\$657,379 at the Parent Company and Consolidated, recorded under Commitments from acquisition of assets in current and non-current liabilities (R\$542,965 on December 31, 2014).

## 23 Shareholders' Equity

### 23.1 Authorized capital

By resolution of the Board of Directors or Shareholders' Meeting, the capital may be increased, independent of an amendment to the Bylaws, up to the limit of 260,040 thousand common shares, 517,080 thousand class "A" preferred shares and 3,000 thousand class "B" preferred shares, all exclusively book-entry shares.

### 23.2 Capital stock

On December 31, 2015, the capital stock of the Company was R\$6,241,753, divided into 1,107,739 thousand shares without par value, of which 371,149 thousand are registered common shares, 734,649 thousand are class A preferred shares and 1,941 thousand are Class B preferred shares. A total of 19,341 thousand shares are held in treasury, of which 6,786 thousand are common shares, 10,645 thousand are class A preferred shares, and 1,910 thousand are class B preferred shares.

The composition of the capital stock is presented below:

| SHAREHOLDER                             | COMMON SHARES      |               | CLASS A PREFERRED SHARES |               | CLASS B PREFERRED SHARES |               | TOTAL SHARES         |               |
|-----------------------------------------|--------------------|---------------|--------------------------|---------------|--------------------------|---------------|----------------------|---------------|
|                                         | NUMBER             | %             | NUMBER                   | %             | NUMBER                   | %             | NUMBER               | %             |
| Suzano Holding S.A.                     | 354,349,459        | 95.47         | 3,245,077                | 0.44          | 17,698                   | 0.91          | 357,612,234          | 32.28         |
| Controlling Shareholders and Management | 10,012,879         | 2.70          | 256,224,704              | 34.88         | 3,883                    | 0.20          | 266,241,466          | 24.03         |
| <b>Sub Total</b>                        | <b>364,362,338</b> | <b>98.17</b>  | <b>259,469,781</b>       | <b>35.32</b>  | <b>21,581</b>            | <b>1.11</b>   | <b>623,853,700</b>   | <b>56.32</b>  |
| Treasury                                | 6,786,194          | 1.83          | 10,644,997               | 1.45          | 1,909,699                | 98.40         | 19,340,890           | 1.75          |
| BNDESPAR                                | -                  | -             | 75,909,985               | 10.33         | -                        | -             | 75,909,985           | 6.85          |
| Other shareholders                      | -                  | -             | 388,624,563              | 52.90         | 9,539                    | 0.49          | 388,634,102          | 35.08         |
| <b>TOTAL</b>                            | <b>371,148,532</b> | <b>100.00</b> | <b>734,649,326</b>       | <b>100.00</b> | <b>1,940,819</b>         | <b>100.00</b> | <b>1,107,738,677</b> | <b>100.00</b> |

On December 31, 2015, SUZB5 preferred stock ended the year quoted at R\$18.69 (R\$11.25 on December 31, 2014).

## 23.3 Reserves

### i. Profit reserve

The Reserve for Capital Increase is composed of 90% of the remaining balance of net income for the year, after dividends and legal reserve, and aims to ensure the Company adequate operational conditions.

The Special Statutory Reserve includes the remaining 10% of the remaining balance of net income for the year and aims to ensure the distribution of dividends.

### ii. Capital reserve

The Capital Reserve is composed of the balances of the tax incentive reserve, the stock option reserve, the treasury shares and the costs directly attributable to the Share Offering, which are primarily composed of the expenses with the fees and commissions charged by legal counsel, consultants and auditors.

## 23.4 Treasury shares

|                                   | Number of shares |                   |                  | R\$ ('000)     | Average (R\$) |
|-----------------------------------|------------------|-------------------|------------------|----------------|---------------|
|                                   | Common           | Pref. A           | Pref. B          |                |               |
| Balance on 12/31/2013             | 6.786.194        | 14.244.988        | 1.909.699        | 312.240        | 13,61         |
| Shares purchased                  | -                | (1.800.000)       | -                | (8.514)        | 4,73          |
| Balance on 12/31/2014             | 6.786.194        | 12.444.988        | 1.909.699        | 303.726        | 14,37         |
| Shares sold <sup>(1)</sup>        | -                | (1.800.000)       | -                | (14.868)       | 8,26          |
| Shares transferred <sup>(2)</sup> | -                | 9                 | -                | -              | -             |
| <b>Balance on 12/31/2015</b>      | <b>6.786.194</b> | <b>10.644.997</b> | <b>1.909.699</b> | <b>288.858</b> | <b>14,94</b>  |

<sup>(1)</sup> Treasury shares used to meet the share-based compensation plan (Note 21).

<sup>(2)</sup> Reversal of loan by transfer of shares held by the Directors to Suzano Papel e Celulose.

## 23.5 Equity valuation adjustment and other comprehensive income

### i. Equity Valuation Adjustment

The Company recorded in this balance sheet's item the corresponding entries of deemed cost adjustments upon the adoption of the IFRS on January 1, 2009. This reserve changes as a result of the realization of items in property, plant and equipment as well as other offsetting entries arising from the adoption of IFRS.

## ii. Other Comprehensive Income (Loss)

The Company recorded under this balance sheet item the corresponding entries to exchange variation arising from conversion of financial statements of subsidiaries located abroad, exchange variation on investees abroad, gains or losses from the restatement of actuarial liabilities and the income (loss) from the conversion of debentures of the 5<sup>th</sup> issue into shares for Related Parties, net of deferred income and social contribution taxes.

## 23.6 Earnings (losses) per share

### Basic

Basic earnings per share is calculated by dividing the profit attributable to the Company's shareholders by the weighted average common shares issued during the period, excluding the common shares acquired by the Company and held as treasury shares.

|                                                 |           |                   |                   | 12/31/2015 |
|-------------------------------------------------|-----------|-------------------|-------------------|------------|
|                                                 | Common    | Class A Preferred | Class B Preferred | Total      |
| Loss attributed to shareholders                 | (290,500) | (634,827)         | (27)              | (925,354)  |
| Weighted average number of shares in the period | 371,149   | 734,649           | 1,941             | 1,107,739  |
| Weighted average treasury shares                | (6,786)   | (10,795)          | (1,910)           | (19,491)   |
| Weighted average number of outstanding shares   | 364,363   | 723,854           | 31                | 1,088,248  |
| Basic loss per share                            | (0.79728) | (0.87701)         | (0.87097)         |            |

|                                                 | 12/31/2014 |                   |                   |           |
|-------------------------------------------------|------------|-------------------|-------------------|-----------|
|                                                 | Common     | Class A Preferred | Class B Preferred | Total     |
| Loss attributed to shareholders                 | (82,236)   | (179,263)         | (8)               | (261,506) |
| Weighted average number of shares in the period | 371,149    | 734,649           | 1,941             | 1,107,739 |
| Weighted average treasury shares                | (6,786)    | (12,645)          | (1,910)           | (21,341)  |
| Weighted average number of outstanding shares   | 364,363    | 722,004           | 31                | 1,086,398 |
| Basic loss per share                            | (0.22570)  | (0.24829)         | (0.25806)         |           |

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average of outstanding preferred and common shares assuming the conversion of all preferred and common shares that would cause dilution. The Company presents two categories of potential shares that would cause dilution: call options exercisable at the discretion of the holder and debentures convertible into common and preferred shares.

|                                               |           |                   |                   | 12/31/2015 |
|-----------------------------------------------|-----------|-------------------|-------------------|------------|
|                                               | Common    | Class A Preferred | Class B Preferred | Total      |
| Loss attributed to shareholders               | (289,465) | (635,862)         | (27)              | (925,354)  |
| Weighted average number of outstanding shares | 364,363   | 723,854           | 31                | 1,088,248  |
| Adjustment by stock options                   | -         | 3,770             | -                 | 3,770      |
| Weighted average number of shares (diluted)   | 364,363   | 727,624           | 31                | 1,092,018  |
| Diluted loss per share                        | (0.79444) | (0.87389)         | (0.87097)         |            |

|                                               | 12/31/2014       |                   |                   |
|-----------------------------------------------|------------------|-------------------|-------------------|
|                                               | Common           | Class A Preferred | Class B Preferred |
| Loss attributed to shareholders               | (81,927)         | (179,572)         | (8)               |
| Weighted average number of outstanding shares | 364,363          | 722,004           | 31                |
| Adjustment by stock options                   | -                | 3,966             | -                 |
| Weighted average number of shares (diluted)   | 364,363          | 725,970           | 31                |
| <b>Diluted loss per share</b>                 | <b>(0.22485)</b> | <b>(0.24735)</b>  | <b>(0.25806)</b>  |

## 23.7 Dividends

| Date of Approval AGO/E | Total amount (R\$ '000) | Amount per share |            |            | Shareholding position (reference date) | Payment date |
|------------------------|-------------------------|------------------|------------|------------|----------------------------------------|--------------|
|                        |                         | Common           | Pref. A    | Pref. B    |                                        |              |
| 4/30/2014              | 122,000                 | R\$0.10545       | R\$0.11600 | R\$0.34523 | 4/30/2014                              | 5/12/2014    |
| 4/30/2015              | 150,000                 | R\$0.12922       | R\$0.14214 | R\$0.34409 | 4/30/2015                              | 5/11/2015    |
| 11/11/2015             | 120,000                 | R\$0.10337       | R\$0.11370 | R\$0.34408 | 11/12/2015                             | 11/24/2015   |

On December 31, 2015, Company management proposes to pay dividendstotaling R\$300,000 to be attributed to retained earnings reserve.

## 24 Other Operating Income, Net

|                                                                                 | Parent Company |            | Consolidated |            |
|---------------------------------------------------------------------------------|----------------|------------|--------------|------------|
|                                                                                 | 12/31/2015     | 12/31/2014 | 12/31/2015   | 12/31/2014 |
| Income (loss) from sale of other products                                       | (11,708)       | (7,997)    | 5,608        | 4,397      |
| Income (loss) from sale of fixed and biological assets                          | 600            | 474        | 641          | 432        |
| Income (loss) from adjustment of fair value of biological assets                | 23,145         | 12,847     | 23,145       | 12,847     |
| Provision for loss and write-offs of fixed and biological assets <sup>(1)</sup> | (53,164)       | (39,664)   | (53,164)     | (39,664)   |
| Commercial agreement with suppliers <sup>(2)</sup>                              | -              | 31,500     | -            | 31,500     |
| Receipt of lawsuits <sup>(3)</sup>                                              | -              | -          | -            | 10,756     |
| Amortization of intangible assets                                               | (4,523)        | (4,523)    | (19,815)     | (15,326)   |
| Lease of land with subsidiaries                                                 | (9,953)        | (9,549)    | -            | -          |
| Realization of goodwill through sale of assets <sup>(4)</sup>                   | (20,731)       | -          | (20,731)     | -          |
| Loss from Tax Credits <sup>(5)</sup>                                            | (40,943)       | -          | (40,943)     | -          |
| Other operating income, net                                                     | 4,905          | 21,178     | 743          | 9,249      |
| Total other operating income                                                    | 28,650         | 65,999     | 30,137       | 69,181     |
| Total other operating expenses                                                  | (141,022)      | (61,733)   | (134,653)    | (54,990)   |
| Other operating income (expenses), net                                          | (112,372)      | 4,266      | (104,516)    | 14,191     |

(a) On December 31, 2015, the amount referred to R\$46,657 in write-offs related to losses and claims with biological assets and R\$6,507 with property, plant and equipment. On December 31, 2014, the amount substantially comprises R\$17,431 referred to the write-off of obsolete operating assets and R\$16,005 referred to the constitution of a provision for losses on operating assets.

(b) Refers to a commercial agreement with a former supplier of the Company, due to credits outstanding from the commercial relationship.

(c) The amount is related to the receipt of a portion of the credits from compulsory loans claimed through lawsuits against Centrais Elétricas Brasileiras S.A. - Eletrobrás.

(d) The amount refers to the loss from the sale of Embu-SP production unit to Ibema, material fact mentioned in Note 1.1 a) v).

(e) The amount refers to the write-off of ICMS credit not approved in the state of Maranhão (Note 9.3).



## 25 Operating lease agreements

The Company maintains operating lease agreements related to the lease of areas, offices, properties, a call center, hardware equipment and installation services, whose agreements were executed in Brazilian real and Management has no intention of buying the assets at the end of the agreement, and the term of the agreements are not equivalent to a significant portion of the useful life of assets.

Operating lease payments are recognized as operating expenses in the Company's income statement.

| Description                         | Installment amount<br>R\$ (thousand) | Index               | Maturity               |
|-------------------------------------|--------------------------------------|---------------------|------------------------|
| Administrative offices and deposits | 1 to 987                             | IGP-M and IPCA/IBGE | 2/28/2016 to 1/27/2024 |
| Call center and licenses            | 18 to 233                            | IGP-DI              | 8/15/2016 to 9/30/2017 |
| Hardware equipment                  | 2 to 40                              | IGP-M               | 3/25/2016 to 6/1/2016  |

The minimum payments of maturing operating were as follows:

|                         | 12/31/2015 |
|-------------------------|------------|
| Less than 1 year        | 25,260     |
| From 1 year to 3 years  | 21,556     |
| From 3 years to 5 years | 20,981     |
| Total installments due  | 67,797     |

## 26 Net Financial Result

|                                                                  | Parent Company |             | Consolidated |             |
|------------------------------------------------------------------|----------------|-------------|--------------|-------------|
|                                                                  | 12/31/2015     | 12/31/2014  | 12/31/2015   | 12/31/2014  |
| Interest income                                                  | 265,458        | 244,889     | 269,188      | 246,506     |
| Other financial income                                           | 8,684          | 14,365      | 16,192       | 18,845      |
| Total financial income                                           | 274,142        | 259,254     | 285,380      | 265,351     |
| Interest expenses                                                | (1,177,690)    | (1,028,094) | (1,203,143)  | (1,049,516) |
| Other financial expenses                                         | (39,636)       | (42,481)    | (52,084)     | (54,211)    |
| Total financial expenses                                         | (1,217,326)    | (1,070,575) | (1,255,227)  | (1,103,727) |
| Monetary and exchange variations on loans and financing          | (3,282,273)    | (857,021)   | (3,286,245)  | (908,314)   |
| Monetary and exchange variations on other assets and liabilities | 639,305        | 197,389     | 457,838      | 210,568     |
| Monetary and exchange variation, net                             | (2,642,968)    | (659,632)   | (2,828,407)  | (697,746)   |
| Derivative gains                                                 | (14,929)       | 49,433      | 156,777      | 64,680      |
| Derivate losses                                                  | (620,892)      | (108,142)   | (787,028)    | (122,070)   |
| Net derivative income (loss)                                     | (635,821)      | (58,709)    | (630,251)    | (57,390)    |
| Financial income                                                 | 274,142        | 259,254     | 285,380      | 265,351     |
| Financial expenses                                               | (4,496,115)    | (1,788,916) | (4,713,885)  | (1,858,863) |
| Net financial income (expenses)                                  | (4,221,973)    | (1,529,662) | (4,428,505)  | (1,593,512) |

## 27

## Net Revenue

|                            | Parent Company    |            | Consolidated      |            |
|----------------------------|-------------------|------------|-------------------|------------|
|                            | 12/31/2015        | 12/31/2014 | 12/31/2015        | 12/31/2014 |
| <b>Gross sales revenue</b> | <b>11,107,460</b> | 8,186,665  | <b>11,263,266</b> | 8,391,809  |
| <b>Deductions</b>          |                   |            |                   |            |
| Sales taxes <sup>(a)</sup> | (957,621)         | (950,441)  | (970,974)         | (958,938)  |
| Returns and cancellations  | (52,664)          | (144,537)  | (60,461)          | (152,584)  |
| Discounts and rebates      | (7,470)           | (15,688)   | (7,470)           | (15,688)   |
| <b>Net Revenue</b>         | <b>10,089,705</b> | 7,075,999  | <b>10,224,361</b> | 7,264,599  |

- a) Includes 1% up to November 2015 and 2.5% for December 2015 of gross revenue, relating to the social contribution paid to Brazil's National Institute of Social Security (INSS), valid indefinitely, as per Law 12,546/11, Article 8, Annex I and its amendments.

## 28

## Information by Segment

## 28.1 Operating segment

The information presented under "Not segmented" is related to expenses not directly attributed to the pulp and paper segments, such as, expenses with information technology, net financial result, administrative expenses and others which are not allocated.

|                             | 12/31/2015 |           |                              |             | 12/31/2014 |           |                              |             |
|-----------------------------|------------|-----------|------------------------------|-------------|------------|-----------|------------------------------|-------------|
|                             | Pulp       | Paper     | Not segmented <sup>(1)</sup> | Total       | Pulp       | Paper     | Not segmented <sup>(1)</sup> | Total       |
| Net revenue                 | 6.603.405  | 3.620.955 | -                            | 10.224.360  | 3.851.303  | 3.413.296 | -                            | 7.264.599   |
| Net financial income (loss) | -          | -         | (4.428.505)                  | (4.428.505) | -          | -         | (1.593.512)                  | (1.593.512) |
| Other operating income, net | -          | -         | (104.516)                    | (104.516)   | -          | -         | 14.191                       | 14.191      |
| Operating income (loss)     | 2.248.530  | 925.969   | (4.533.021)                  | (1.358.522) | 603.463    | 611.915   | (1.579.321)                  | (363.943)   |
|                             |            |           |                              |             |            |           |                              |             |
| Total assets                | 12/31/2015 |           |                              |             | 12/31/2014 |           |                              |             |
|                             | 13.984.101 | 4.990.287 | 9.285.597                    | 28.259.985  | 13.444.974 | 4.878.378 | 9.796.104                    | 28.119.456  |

- (a) The Company does not manage this information by business segment, therefore allocating to the non-segmented flow.

## 28.2 Information on geographic areas

|                           | 12/31/2015 |           |            | 12/31/2014 |           |           |
|---------------------------|------------|-----------|------------|------------|-----------|-----------|
|                           | Pulp       | Paper     | Total      | Pulp       | Paper     | Total     |
| Net revenue               | 6,603,406  | 3,620,955 | 10,224,361 | 3,851,303  | 3,413,296 | 7,264,599 |
| Domestic market           | 822,293    | 2,308,970 | 3,131,263  | 609,396    | 2,440,944 | 3,050,340 |
| Foreign market            | 5,781,113  | 1,311,985 | 7,093,098  | 3,241,907  | 972,352   | 4,214,259 |
| Asia                      | 2,664,453  | 78,071    | 2,742,524  | 1,570,698  | 12,501    | 1,583,199 |
| Europe                    | 2,130,942  | 144,017   | 2,274,959  | 1,169,069  | 118,007   | 1,287,076 |
| North America             | 883,421    | 365,662   | 1,249,083  | 461,334    | 363,529   | 824,863   |
| South and Central America | 102,297    | 648,637   | 750,934    | 40,806     | 465,403   | 506,209   |
| Africa                    | -          | 75,598    | 75,598     | -          | 12,912    | 12,912    |

## Expenses by Nature

|                                          | Parent Company   |                  | Consolidated     |                  |
|------------------------------------------|------------------|------------------|------------------|------------------|
|                                          | 12/31/2015       | 12/31/2014       | 12/31/2015       | 12/31/2014       |
| <b>Cost of Product Sold</b>              |                  |                  |                  |                  |
| Personnel expenses                       | 477,416          | 431,804          | 477,416          | 431,804          |
| Variable cost                            | 3,123,211        | 2,731,557        | 3,058,399        | 2,680,526        |
| Logistics cost                           | 213,081          | 174,795          | 866,682          | 654,822          |
| Depreciation, depletion and amortization | 1,227,164        | 1,139,597        | 1,227,164        | 1,139,597        |
| Other costs                              | 492,814          | 381,219          | 554,585          | 448,914          |
|                                          | <u>5,533,686</u> | <u>4,858,972</u> | <u>6,184,246</u> | <u>5,355,664</u> |
| <b>Selling expenses</b>                  |                  |                  |                  |                  |
| Personnel expenses                       | 61,212           | 54,188           | 96,698           | 78,733           |
| Services                                 | 46,619           | 37,386           | 51,725           | 36,188           |
| Logistics cost                           | 717,306          | 576,570          | 209,823          | 157,285          |
| Depreciation and amortization            | 2,926            | 2,767            | 3,528            | 3,116            |
| Other expenses <sup>(1)</sup>            | 55,075           | 28,068           | 48,211           | 25,474           |
|                                          | <u>883,138</u>   | <u>698,979</u>   | <u>409,986</u>   | <u>300,796</u>   |
| <b>Administrative expenses</b>           |                  |                  |                  |                  |
| Personnel expenses                       | 261,570          | 227,925          | 275,242          | 236,222          |
| Services                                 | 75,042           | 61,776           | 91,756           | 69,793           |
| Depreciation and amortization            | 21,150           | 15,775           | 22,582           | 16,660           |
| Other expenses <sup>(2)</sup>            | 52,143           | 51,484           | 66,049           | 70,086           |
|                                          | <u>409,905</u>   | <u>356,960</u>   | <u>455,629</u>   | <u>392,761</u>   |
|                                          | <u>6,826,729</u> | <u>5,914,911</u> | <u>7,049,861</u> | <u>6,049,221</u> |

(a) Includes provision for doubtful accounts, insurance, materials (use and consumption), expenses with travel, accommodation, participation in trade fairs and events.

(b) Includes corporate expenses, insurance, materials (use and consumption), social projects and donations, expenses with travel and accommodation.

## 30 Insurance Coverage

In order to protect its assets and liabilities, the Company takes insurance cover for risks that, may lead to losses that significantly impact the assets and/or results of the Company.

Some of the main insurance types contracted by the Company are:

- **Operating risks:** Coverage against material damage caused to buildings, machinery and equipment, furniture and fixtures caused by fire, lightning and explosion, removal of debris, flooding, breakdown of machinery and electrical damage, as well as loss of gross revenue caused by the interruption of production arising from material damages. On December 31, 2015, in the Parent Company, the insured amount was R\$24,968,579 and the maximum limit of damages is R\$5,320,000.
- **Directors and officers liability (D&O):** Coverage taken to protect the civil liability of executives against losses and damages arising from their activities as Directors, Executive Officers and Managers of the Company. On

December 31, 2015, in the Consolidated, the insured amount was R\$120,000.

- **Civil and general liability:** To reimburse the Company for damages arising from final and unappealable court decisions or agreements previously approved and authorized by the insurance company caused by involuntary damages, whether material and/or physical, to third parties as a result of the industrial and/or commercial activities, including accidental pollution. The insurance also covers, among other things, the liability of the employer, contingent vehicles, and products within Brazil. On December 31, 2015, in the Consolidated, the insured amount was R\$10,000.

## **31 Events after the reporting period**

### **Acquisition of eucalyptus forests**

On January 27, 2016, the Company entered into with Eco Brasil Florestas S.A. ("Eco Brasil") an instrument for acquisition of eucalyptus forests, through which Suzano acquired from Eco Brasil the estimated area of seven million and five hundred thousand (7,500,000) cubic meters of eucalyptus forests located in the state of Tocantins.

Wood Acquisition Operation aims to increase the wood supply to Imperatriz unit, to support the expansion of its pulp production.

### **Operation with Ibema**

On January 4, 2016, after all the conditions precedent were met and approvals from all regulatory agencies were obtained, the operation with Ibema and Ibemapar was concluded.

From that date, Ibema owns the unit in Embu, São Paulo, and Ibemapar and Suzano are shareholders of Ibema in the initial proportion of sixty-two percent (62%) and thirty-eight percent (38%), respectively, of its capital stock.

### **Revision of duties and affirmative decision in dumping process**

On January 12, 2016, the U.S. Department of Commerce delivered a new decision revising the anti-dumping duty on Suzano from 33.09% to 22.16%, to be levied solely on sheet and cut size uncoated paper exported to the United States.

On February 9, 2016, the International Trade Commission ("ITC"), which is responsible for verifying if imports from countries under investigation are adversely affecting the U.S. market, provided final and affirmative decision on dumping process against Australia, Brazil, China, Indonesia and Portugal, ratifying the levy of anti-dumping duties on sales by such countries to the USA. ITC's decision does not change the current scenario, which maintains the 22.16% rate for Suzano.

In any case, Suzano can request the annual revisions envisaged in applicable laws.



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## Independent Auditors' Report on the Financial Statements

To the Directors and Executive Officers of  
Suzano Papel e Celulose S.A.  
Salvador - BA

We have audited the accompanying individual and consolidated financial statements of Suzano Papel e Celulose S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2014, and the related statements of income, comprehensive income, changes in equity cash flows and value-added for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion on the individual and consolidated financial statements**

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Suzano Papel e Celulose S.A. as at December 31, 2014, and its individual and consolidated financial performance and respective cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and IFRS as issued by IASB.

São Paulo, March 4, 2015

KPMG Auditores Independentes  
CRC 2SP014428/O-6

Carla Bellangero  
Accountant CRC 1SP196751/O-4

# Suzano Papel e Celulose S.A.

## Balance Sheets December 31, 2014 and 2013

(In thousands - R\$)

| Assets                                        | Note | Parent Company       |                      | Consolidated         |                      |
|-----------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                               |      | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| <b>Current assets</b>                         |      |                      |                      |                      |                      |
| Cash and Cash Equivalents                     | 5    | 2,615,579            | 2,648,159            | 3,686,115            | 3,689,640            |
| Trade receivables                             | 6    | 2,668,971            | 2,760,655            | 1,273,555            | 1,474,141            |
| Inventories                                   | 7    | 819,472              | 713,613              | 1,077,081            | 905,256              |
| Receivables from related parties              | 10   | 7,985                | 2,666                | -                    | -                    |
| Recoverable taxes                             | 8    | 473,673              | 306,906              | 475,632              | 310,001              |
| Prepaid expenses                              |      | 17,328               | 6,813                | 18,325               | 8,721                |
| Unrealized derivative gains                   | 4    | 30,219               | 2,534                | 39,266               | 10,013               |
| Advances to suppliers                         |      | 9,711                | 34,529               | 9,711                | 34,529               |
| Receivables from properties and forests sold  |      | 3,654                | 6,931                | 3,654                | 6,931                |
| Other receivables                             |      | 11,890               | 23,242               | 26,085               | 32,482               |
| Total current assets                          |      | 6,658,482            | 6,506,048            | 6,609,424            | 6,471,714            |
| <b>Non-current assets</b>                     |      |                      |                      |                      |                      |
| Long-term assets                              |      |                      |                      |                      |                      |
| Biological assets                             | 11   | 3,743,131            | 3,023,522            | 3,659,421            | 2,965,872            |
| Receivables from related parties              | 10   | 3,680                | 44,821               | -                    | -                    |
| Taxes and social contributions to offset      | 8    | 481,626              | 510,578              | 481,626              | 510,578              |
| Deferred income and social contribution taxes | 12   | -                    | -                    | 1,143                | 1,075                |
| Unrealized derivative gains                   | 4    | -                    | -                    | 20,826               | 25,967               |
| Advances to suppliers                         |      | 247,779              | 251,910              | 247,779              | 251,910              |
| Judicial deposits                             |      | 53,652               | 55,913               | 59,499               | 61,431               |
| Other receivables                             |      | 65,113               | 83,217               | 66,415               | 84,499               |
|                                               |      | 4,594,981            | 3,969,961            | 4,536,709            | 3,901,332            |
| Investments                                   | 13   | 331,658              | 326,234              | -                    | -                    |
| Property, plant and equipment                 | 14   | 16,156,629           | 15,993,588           | 16,681,253           | 16,551,707           |
| Intangible assets                             | 15   | 122,396              | 64,193               | 292,070              | 224,590              |
|                                               |      | 16,610,683           | 16,384,015           | 16,973,323           | 16,776,297           |
| Total non-current assets                      |      | 21,205,664           | 20,353,976           | 21,510,032           | 20,677,629           |
| <b>Total assets</b>                           |      | <b>27,864,146</b>    | <b>26,860,024</b>    | <b>28,119,456</b>    | <b>27,149,343</b>    |

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

# Suzano Papel e Celulose S.A.

## Balance Sheets December 31, 2014 and 2013

(In thousands - R\$)

| Liabilities                                            | Note | Parent Company       |                      | Consolidated         |                      |
|--------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                                        |      | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| <b>Current liabilities</b>                             |      |                      |                      |                      |                      |
| Trade accounts payable                                 |      | 729,312              | 857,227              | 753,099              | 876,556              |
| Loans and financing                                    | 16   | 1,751,040            | 955,462              | 1,795,355            | 1,007,157            |
| Debentures                                             | 16.4 | -                    | 1,386                | -                    | 1,386                |
| Unrealized derivative losses                           | 4    | 26,664               | 15,206               | 27,152               | 16,852               |
| Tax liabilities                                        |      | 48,843               | 50,795               | 53,751               | 52,586               |
| Payroll and charges                                    |      | 138,219              | 122,329              | 141,489              | 125,650              |
| Debits payable to related parties                      | 10   | 61,140               | 49,094               | -                    | -                    |
| Debt from acquisition of assets                        | 20   | 71,503               | -                    | 79,092               | 6,789                |
| Accounts payable                                       |      | 147,402              | 109,026              | 208,997              | 184,859              |
| Dividends and interest on shareholders' equity payable | 21.7 | 114                  | 647                  | 114                  | 647                  |
| Income and social contribution taxes                   |      | -                    | -                    | 774                  | 1,474                |
| Advance from customers                                 |      | 5,826                | 6,555                | 7,822                | 7,434                |
| Total current liabilities                              |      | 2,980,063            | 2,167,727            | 3,067,645            | 2,281,390            |
| <b>Non-current liabilities</b>                         |      |                      |                      |                      |                      |
| Loans and financing                                    | 16   | 10,276,504           | 10,249,603           | 11,965,230           | 11,736,172           |
| Debentures                                             | 16.4 | -                    | 132,270              | -                    | 132,270              |
| Unrealized derivative losses                           | 4    | 100,004              | 14,662               | 100,116              | 16,187               |
| Debits payable to related parties                      | 10   | 1,685,927            | 1,486,879            | -                    | -                    |
| Debt from acquisition of assets                        | 20   | 529,621              | 58,569               | 635,598              | 170,899              |
| Accounts payable                                       |      | 18,035               | 8,727                | 32,878               | 8,727                |
| Provision for contingencies                            | 17   | 211,883              | 200,413              | 218,540              | 206,642              |
| Provision for actuarial liabilities                    | 18   | 277,463              | 255,138              | 277,463              | 255,138              |
| Deferred income and social contribution taxes          | 12   | 1,357,977            | 1,513,087            | 1,479,235            | 1,634,210            |
| Share-based payments                                   | 19   | 27,619               | 20,469               | 27,619               | 20,469               |
| Provision for losses of investments in subsidiaries    | 13   | 83,918               | 65,241               | -                    | -                    |
| Total non-current liabilities                          |      | 14,568,951           | 14,005,058           | 14,736,679           | 14,180,714           |
| <b>Equity</b>                                          |      |                      |                      |                      |                      |
| Capital                                                |      | 6,241,753            | 6,241,753            | 6,241,753            | 6,241,753            |
| Capital reserves                                       |      | (217,912)            | (235,998)            | (217,912)            | (235,998)            |
| Profits reserve                                        |      | 1,852,294            | 2,187,427            | 1,852,294            | 2,187,427            |
| Equity valuation adjustment                            |      | 2,438,997            | 2,494,057            | 2,438,997            | 2,494,057            |
| Total equity                                           | 21   | 10,315,132           | 10,687,239           | 10,315,132           | 10,687,239           |
| <b>Total liabilities</b>                               |      | <b>27,864,146</b>    | <b>26,860,024</b>    | <b>28,119,456</b>    | <b>27,149,343</b>    |

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



# Suzano Papel e Celulose S.A.

## Statement of Income

Fiscal years ended December 31, 2014 and 2013

(In thousands - R\$)

|                                                             | Note | Parent Company    |                   | Consolidated      |                   |
|-------------------------------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
|                                                             |      | December 31, 2014 | December 31, 2013 | December 31, 2014 | December 31, 2013 |
| Net sales revenue                                           | 25   | 7,075,999         | 5,557,858         | 7,264,599         | 5,688,625         |
| Cost of goods sold                                          | 27   | (4,858,972)       | (3,879,655)       | (5,355,664)       | (4,190,315)       |
| <b>Gross profit</b>                                         |      | <b>2,217,027</b>  | <b>1,678,203</b>  | <b>1,908,935</b>  | <b>1,498,310</b>  |
| <b>Operating income (expenses)</b>                          |      |                   |                   |                   |                   |
| Selling Expenses                                            | 27   | (698,979)         | (483,514)         | (300,796)         | (250,996)         |
| General and administrative expenses                         | 27   | (356,960)         | (337,604)         | (392,761)         | (377,049)         |
| Equity pick-up in subsidiaries and affiliates               | 13   | (17,180)          | (36,762)          | -                 | -                 |
| Other operating income, net                                 | 22   | 4,266             | 87,381            | 14,191            | 105,302           |
| <b>Operating profit before net financial income (loss)</b>  |      | <b>1,148,174</b>  | <b>907,704</b>    | <b>1,229,569</b>  | <b>975,567</b>    |
| <b>Net financial income (loss)</b>                          | 24   |                   |                   |                   |                   |
| Financial income                                            |      | 259,254           | 256,176           | 265,351           | 246,429           |
| Financial expense                                           |      | (1,788,916)       | (1,452,315)       | (1,858,863)       | (1,501,970)       |
| <b>Net loss before Income and social contribution taxes</b> |      | <b>(381,488)</b>  | <b>(288,435)</b>  | <b>(363,943)</b>  | <b>(279,974)</b>  |
| <b>Income and Social Contribution Taxes</b>                 |      |                   |                   |                   |                   |
| Current                                                     | 8    | (2)               | (1,413)           | (17,480)          | (9,924)           |
| Deferred                                                    | 12   | 119,984           | 69,389            | 119,917           | 69,439            |
| <b>Net loss for the year</b>                                |      | <b>(261,506)</b>  | <b>(220,459)</b>  | <b>(261,506)</b>  | <b>(220,459)</b>  |
| <b>Losses per share for the year</b>                        | 21.6 |                   |                   |                   |                   |
| Basic - Common                                              |      | (0.22570)         | (0.19055)         | (0.22570)         | (0.19055)         |
| Basic - Class A Preferred                                   |      | (0.24828)         | (0.20961)         | (0.24828)         | (0.20961)         |
| Basic - Class B Preferred                                   |      | (0.25806)         | (0.22581)         | (0.25806)         | (0.22581)         |
| Diluted - Common                                            |      | (0.22485)         | (0.18989)         | (0.22485)         | (0.18989)         |
| Diluted - Class A Preferred                                 |      | (0.24735)         | (0.20888)         | (0.24735)         | (0.20888)         |
| Diluted - Class B Preferred                                 |      | (0.25806)         | (0.22581)         | (0.25806)         | (0.22581)         |

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

**Suzano Papel e Celulose S.A.**  
**Statement of Comprehensive Income**  
**Fiscal years ended December 31, 2014 and 2013**  
*(In thousands - R\$)*

|                                               | Note | Parent Company       |                      | Consolidated         |                      |
|-----------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                               |      | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| <b>Net loss for the year</b>                  |      | <b>(261,506)</b>     | <b>(220,459)</b>     | <b>(261,506)</b>     | <b>(220,459)</b>     |
| Other comprehensive income (loss)             |      | (7,040)              | 29,115               | (7,040)              | 29,115               |
| Exchange variation on foreign investments     | 13   | (3,561)              | (2,107)              | (3,561)              | (2,107)              |
| Actuarial (loss) gain                         | 18   | (5,271)              | 47,307               | (5,271)              | 47,307               |
| Deferred income and social contribution taxes |      | 1,792                | (16,085)             | 1,792                | (16,085)             |
| <b>Total comprehensive loss</b>               |      | <b>(268,546)</b>     | <b>(191,344)</b>     | <b>(268,546)</b>     | <b>(191,344)</b>     |

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

**Suzano Papel e Celulose S.A.**  
**Statement of Changes in Equity**  
**Fiscal years ended December 31, 2014 and 2013**  
*(In thousands - R\$)*

|                                                                                                    | Note | Capital reserves |                |                       |                                    |                        | Profits reserve |               |                              | Equity valuation adjustment / Other comprehensive income | Retained earnings | Total     |                        |
|----------------------------------------------------------------------------------------------------|------|------------------|----------------|-----------------------|------------------------------------|------------------------|-----------------|---------------|------------------------------|----------------------------------------------------------|-------------------|-----------|------------------------|
|                                                                                                    |      | Capital          | Tax incentives | Stock options granted | Mandatorily convertible debentures | Costs with share issue | Treasury stock  | Legal reserve | Reserve for capital increase |                                                          |                   |           | Special Bylaws reserve |
| Balance on December 31, 2012                                                                       | 21   | 6,240,709        | 75,317         | 1,356                 | 832                                | (15,442)               | (273,522)       | 231,926       | 2,136,992                    | 100,891                                                  | 2,503,019         | -         | 11,002,078             |
| Total comprehensive income (loss)                                                                  |      |                  |                |                       |                                    |                        |                 |               |                              |                                                          |                   |           |                        |
| Net loss for the year                                                                              |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        |                   | (220,459) | (220,459)              |
| Actuarial gain net of deferred taxes                                                               |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        | 31,222            | -         | 31,222                 |
| Exchange variation on investments                                                                  |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        | (2,107)           | -         | (2,107)                |
| Equity transactions with shareholders:                                                             |      |                  |                |                       |                                    |                        |                 |               |                              |                                                          |                   |           |                        |
| Capital increase upon conversion of debentures                                                     |      | 1,044            | -              | -                     | (832)                              | -                      | -               | -             | -                            | -                                                        | -                 | -         | 212                    |
| Stock options granted                                                                              |      | -                | -              | 15,011                | -                                  | -                      | -               | -             | -                            | -                                                        | -                 | -         | 15,011                 |
| Treasury shares purchased                                                                          |      | -                | -              | -                     | -                                  | (38,718)               | -               | -             | -                            | -                                                        | -                 | -         | (38,718)               |
| Dividends paid                                                                                     |      | -                | -              | -                     | -                                  | -                      | -               | -             | (100,000)                    | -                                                        | -                 | -         | (100,000)              |
| Internal changes in equity:                                                                        |      |                  |                |                       |                                    |                        |                 |               |                              |                                                          |                   |           |                        |
| Partial realization of equity valuation adjustment, net of deferred income and social contribution |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | (38,077)                                                 | 38,077            | -         |                        |
| Dividends proposed by the Management                                                               |      | -                | -              | -                     | -                                  | -                      | -               | -             | (122,000)                    | -                                                        | -                 | -         | (122,000)              |
| Dividends subject to approval by the Management                                                    |      | -                | -              | -                     | -                                  | -                      | -               | -             | 122,000                      | -                                                        | -                 | -         | 122,000                |
| Absorption of loss for the year                                                                    |      | -                | -              | -                     | -                                  | -                      | -               | (181,491)     | (891)                        | -                                                        | -                 | 182,382   | -                      |
| Balance on December 31, 2013                                                                       | 21   | 6,241,753        | 75,317         | 16,367                | -                                  | (15,442)               | (312,240)       | 231,926       | 1,955,501                    | -                                                        | 2,494,057         | -         | 10,687,239             |
| Total comprehensive income (loss)                                                                  |      |                  |                |                       |                                    |                        |                 |               |                              |                                                          |                   |           |                        |
| Net loss for the year                                                                              |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        |                   | (261,506) | (261,506)              |
| Actuarial loss net of deferred taxes                                                               |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        | (3,479)           | -         | (3,479)                |
| Exchange variation on investments                                                                  |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        | (3,561)           | -         | (3,561)                |
| Equity transactions with shareholders:                                                             |      |                  |                |                       |                                    |                        |                 |               |                              |                                                          |                   |           |                        |
| Stock options granted                                                                              |      | -                | -              | 9,572                 | -                                  | -                      | -               | -             | -                            | -                                                        | -                 | -         | 9,572                  |
| Treasury stock used to meet the share-based compensation plan                                      |      | -                | -              | -                     | -                                  | 8,514                  | -               | -             | -                            | -                                                        | -                 | -         | 8,514                  |
| Dividends paid                                                                                     |      | -                | -              | -                     | -                                  | -                      | -               | (122,208)     | -                            | -                                                        | -                 | -         | (122,208)              |
| Reversal of time-barred dividends                                                                  |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | -                                                        | 561               | 561       |                        |
| Internal changes in equity:                                                                        |      |                  |                |                       |                                    |                        |                 |               |                              |                                                          |                   |           |                        |
| Partial realization of equity valuation adjustment, net of deferred income and social contribution |      | -                | -              | -                     | -                                  | -                      | -               | -             | -                            | (48,020)                                                 | 48,020            | -         |                        |
| Dividends proposed by the Management                                                               |      | -                | -              | -                     | -                                  | -                      | -               | (150,000)     | -                            | -                                                        | -                 | -         | (150,000)              |
| Dividends subject to approval by the Management                                                    |      | -                | -              | -                     | -                                  | -                      | -               | 150,000       | -                            | -                                                        | -                 | -         | 150,000                |
| Absorption of loss for the year                                                                    |      | -                | -              | -                     | -                                  | -                      | -               | (212,925)     | -                            | -                                                        | 212,925           | -         | -                      |
| Balance on December 31, 2014                                                                       | 21   | 6,241,753        | 75,317         | 25,939                | -                                  | (15,442)               | (303,726)       | 231,926       | 1,620,368                    | -                                                        | 2,438,997         | -         | 10,315,132             |

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

# Suzano Papel e Celulose S.A.

## Statement of Cash Flows

Fiscal years ended December 31, 2014 and 2013

(In thousands - R\$)

| Note                                                                                  | Parent Company    |                   | Consolidated      |                   |
|---------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                                       | December 31, 2014 | December 31, 2013 | December 31, 2014 | December 31, 2013 |
| <b>Cash and cash equivalents from operating activities</b>                            |                   |                   |                   |                   |
| Net loss for the year                                                                 | (261,506)         | (220,459)         | (261,506)         | (220,459)         |
| Adjustment to reconcile net income (loss) to cash and cash equivalents from operating | 3,186,731         | 2,564,756         | 3,075,142         | 2,386,058         |
| Depreciation, depletion and amortization expenses                                     | 1,203,598         | 877,260           | 1,216,132         | 889,386           |
| Income from sale of property, plant and equipment and biological assets               | (474)             | (5,501)           | (432)             | (5,901)           |
| Equity pick-up in subsidiaries and affiliates                                         | 13 17,180         | 36,762            | -                 | -                 |
| Exchange and monetary variations, net                                                 | 842,643           | 874,062           | 725,438           | 703,709           |
| Interest expenses, net                                                                | 994,224           | 812,045           | 1,010,924         | 831,853           |
| Derivative gains, net                                                                 | 58,709            | 19,039            | 57,390            | 13,914            |
| Fair value adjustment of biological assets                                            | 11 (12,847)       | (99,998)          | (12,847)          | (95,179)          |
| Deferred income and social contribution taxes                                         | 12.1 (119,984)    | (69,389)          | (119,917)         | (69,439)          |
| Interest on actuarial liabilities                                                     | 18 31,539         | 26,991            | 31,539            | 26,991            |
| Addition to provision for contingencies                                               | 17 5,804          | 364               | 6,749             | 108               |
| Additional provision for share-based payments                                         | 19 22,382         | 26,114            | 22,382            | 26,114            |
| Profit (loss) from divestment                                                         | 22 -              | (124,835)         | -                 | (124,835)         |
| Addition to allowance for doubtful accounts                                           | 6 10,718          | 7,793             | 10,012            | 7,987             |
| (Reversal) Addition of provision for deduction                                        | (5,254)           | (1,859)           | (11,809)          | 8,154             |
| Provision for inventory losses                                                        | 7 7,598           | 13,172            | 7,598             | 13,172            |
| Provision for losses with property, plant and equipment and write-offs                | 22 39,664         | 79,394            | 39,664            | 54,504            |
| Addition to other provisions                                                          | 91,231            | 93,342            | 92,318            | 105,520           |
| Changes in current and non-current operating assets and liabilities:                  | (1,352,482)       | (2,636,422)       | (1,348,821)       | (2,124,864)       |
| Decrease (increase) in accounts receivable                                            | 142,569           | (823,692)         | 260,721           | (296,891)         |
| Increase in inventories                                                               | (114,589)         | (201,075)         | (180,555)         | (242,360)         |
| Decrease (increase) in recoverable taxes                                              | 38,329            | (302,998)         | 50,583            | (291,009)         |
| Decrease (increase) in other current and non-current assets                           | 90,983            | (50,063)          | 77,453            | (30,431)          |
| Decrease in trade accounts payable                                                    | (371,108)         | (330,558)         | (399,343)         | (327,187)         |
| Increase in other current and non-current liabilities                                 | 200,375           | 380,229           | 233,224           | 406,766           |
| Payment of interest                                                                   | (909,014)         | (856,608)         | (923,752)         | (872,938)         |
| Payment of other taxes and contributions                                              | (379,050)         | (412,819)         | (405,021)         | (427,318)         |
| Payment of income and social contribution taxes                                       | (50,977)          | (38,838)          | (62,131)          | (43,496)          |
| Net cash and cash equivalents (used in) provided by operating activities              | 1,572,743         | (292,125)         | 1,464,814         | 40,735            |
| <b>Cash and cash equivalents from investment activities</b>                           |                   |                   |                   |                   |
| Additions to investments, net of cash received                                        | (43,994)          | -                 | (43,994)          | -                 |
| Additions to property, plant and equipment                                            | 14 (603,718)      | (1,654,825)       | (606,764)         | (1,662,268)       |
| Additions to intangible assets                                                        | 15 (8,863)        | (2,409)           | (8,863)           | (2,409)           |
| Additions to biological assets                                                        | 11 (762,745)      | (592,756)         | (743,551)         | (592,781)         |
| Proceeds from asset divestment                                                        | 5,402             | 18,480            | 5,402             | 18,870            |
| Receivables from divestment                                                           | -                 | 314,370           | -                 | 314,370           |
| Net cash and cash equivalents used in investment activities                           | (1,413,918)       | (1,917,140)       | (1,397,770)       | (1,924,218)       |
| <b>Cash and cash equivalents from financing activities</b>                            |                   |                   |                   |                   |
| Funding                                                                               | 16 2,654,850      | 4,124,891         | 2,654,850         | 4,124,891         |
| Settlement of derivative operations                                                   | 4.10 (2,770)      | (29,002)          | 2,981             | (27,921)          |
| Payment of loans and debentures                                                       | 16 (2,729,819)    | (2,805,753)       | (2,730,952)       | (2,849,089)       |
| Payment of dividends and interest on shareholders' equity                             | (122,180)         | (99,977)          | (122,180)         | (99,977)          |
| Dividends (acquisition) of own shares                                                 | 21.4 8,514        | (50,816)          | 8,514             | (50,816)          |
| Net cash and cash equivalents (used in) provided by financing activities              | (191,405)         | 1,139,343         | (186,787)         | 1,097,088         |
| Exchange variation on cash and cash equivalents                                       | -                 | -                 | 116,218           | 138,427           |
| Reduction in cash and cash equivalents                                                | (32,580)          | (1,069,922)       | (3,525)           | (647,968)         |
| Cash and cash equivalents at the beginning of the year                                | 5 2,648,159       | 3,718,081         | 3,689,640         | 4,337,608         |
| Cash and cash equivalents at the end of the year                                      | 5 2,615,579       | 2,648,159         | 3,686,115         | 3,689,640         |
| Reduction in cash and cash equivalents                                                | (32,580)          | (1,069,922)       | (3,525)           | (647,968)         |

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

# Suzano Papel e Celulose S.A.

## Statement of Value Added

Fiscal years ended December 31, 2014 and 2013

(In thousands - R\$)

|                                                              | Note | Parent Company       |                      | Consolidated         |                      |
|--------------------------------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
|                                                              |      | December 31,<br>2014 | December 31,<br>2013 | December 31,<br>2014 | December 31,<br>2013 |
| <b>Income</b>                                                |      |                      |                      |                      |                      |
| Sale of goods, products and services                         | 25   | 8,026,440            | 6,378,856            | 8,223,537            | 6,518,310            |
| Other income                                                 |      | 100,020              | 250,440              | 109,945              | 268,361              |
| Income from construction of own assets                       |      | 822,985              | 1,652,544            | 822,985              | 1,652,544            |
| Allowance for doubtful accounts                              | 6    | (10,718)             | (7,793)              | (10,012)             | (7,987)              |
|                                                              |      | <u>8,938,727</u>     | <u>8,274,047</u>     | <u>9,146,455</u>     | <u>8,431,228</u>     |
| <b>Input acquired from third parties</b>                     |      |                      |                      |                      |                      |
| Cost of products and goods sold and services rendered        |      | (3,741,290)          | (1,905,428)          | (3,723,179)          | (1,905,428)          |
| Supplies, electricity, outsourced services and others        |      | <u>(1,927,568)</u>   | <u>(3,747,028)</u>   | <u>(2,021,892)</u>   | <u>(3,827,437)</u>   |
|                                                              |      | <u>(5,668,858)</u>   | <u>(5,652,456)</u>   | <u>(5,745,071)</u>   | <u>(5,732,865)</u>   |
| <b>Gross added value</b>                                     |      | <u>3,269,869</u>     | <u>2,621,591</u>     | <u>3,401,384</u>     | <u>2,698,363</u>     |
| Depreciation, amortization and depletion                     |      | <u>(1,203,598)</u>   | <u>(877,260)</u>     | <u>(1,216,132)</u>   | <u>(889,386)</u>     |
| <b>Net added value produced by the Company</b>               |      | <u>2,066,271</u>     | <u>1,744,331</u>     | <u>2,185,252</u>     | <u>1,808,977</u>     |
| <b>Added value from transfers</b>                            |      |                      |                      |                      |                      |
| Equity pick-up in subsidiaries and affiliates                | 13   | (17,180)             | (36,762)             | -                    | -                    |
| Financial income                                             | 24   | <u>638,486</u>       | <u>633,839</u>       | <u>677,354</u>       | <u>599,843</u>       |
|                                                              |      | <u>621,306</u>       | <u>597,077</u>       | <u>677,354</u>       | <u>599,843</u>       |
| <b>Distribution of added value</b>                           |      | <u>2,687,577</u>     | <u>2,341,408</u>     | <u>2,862,606</u>     | <u>2,408,820</u>     |
| Personnel                                                    | 27   | 836,174              | 688,419              | 852,317              | 708,802              |
| Direct compensation                                          |      | 682,641              | 561,536              | 696,973              | 579,434              |
| Benefits                                                     |      | 115,884              | 96,436               | 117,694              | 98,828               |
| F.G.T.S. (Government Severance Indemnity Fund for Employees) |      | 37,649               | 30,447               | 37,650               | 30,540               |
| Taxes, fees and contributions                                |      | (181,744)            | (214,578)            | (127,318)            | (194,708)            |
| Federal                                                      |      | (119,464)            | (248,192)            | (82,137)             | (228,413)            |
| State                                                        |      | (65,933)             | 30,055               | (48,179)             | 30,055               |
| Municipal                                                    |      | 3,653                | 3,559                | 2,998                | 3,650                |
| Value distributed to providers of capital                    |      | 2,294,653            | 2,088,026            | 2,399,113            | 2,115,185            |
| Interest                                                     |      | 2,204,293            | 1,989,922            | 2,307,012            | 2,015,328            |
| Rentals                                                      |      | 90,360               | 98,104               | 92,101               | 99,857               |
| Value distributed to shareholders                            |      | (261,506)            | (220,459)            | (261,506)            | (220,459)            |
| Net loss for the year                                        |      | (261,506)            | (220,459)            | (261,506)            | (220,459)            |
| <b>Distribution of added value</b>                           |      | <u>2,687,577</u>     | <u>2,341,408</u>     | <u>2,862,606</u>     | <u>2,408,820</u>     |

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

## 1 Company Information

Suzano Papel e Celulose S.A. (hereinafter referred to as the "Company") is a corporation with head office in the city of Salvador, state of Bahia, which, together with its subsidiaries (hereinafter referred to as "Consolidated") has six industrial units in Brazil: one each in Bahia and Maranhão and four in São Paulo. These industrial units produce hardwood pulp from eucalyptus, paper and electricity.

Pulp and paper are sold in the international market directly by the Company, as well as through its direct and indirect subsidiaries and sales offices in Argentina, China, the United States, England and Switzerland.

The Company's corporate purpose also includes the commercial operation of eucalyptus forest for its own use and for sale to third parties, the operation of port terminals, and the holding of interest, as partner or shareholder, in any other company or project.

The Company is controlled by Suzano Holding S.A., which holds a 95.5% interest in the common shares of its capital stock.

The issue of these financial statements was approved by the Company's Board of Directors on March 4, 2015.

### 1.1 Notable events in 2014 and 2013

#### a) Corporate Events

##### i. Merger and dissolution of subsidiaries

On September 30, 2014, the Extraordinary Shareholders' Meeting (AGE) of the Company approved: a) Merger of subsidiaries: i) Vale Florestar S.A. ("VFSA"); and ii) Suzano Energia Renovável Ltda. ("SER"), with the net assets of R\$480,552 and R\$41,083, respectively, merged into the Company; and b) dissolution of the subsidiary Aanisan Empreendimentos e Participações Ltda. ("Aanisan"), which has no net assets to be reverted to Suzano.

##### ii. Extinction of Vale Florestar Fundo de Investimento em Participações ("VFFIP")

On September 25, 2014, the General Meeting of Shareholders of the Fund approved the early liquidation of VFFIP and the transfer of assets in the fund's portfolio to Suzano in the net amount of R\$448.

##### iii. Capital increase resulting from the conversion of debentures of the 5<sup>th</sup> issue of the Company

Due to the maturity of debentures of the 5<sup>th</sup> issue of the Company on December 16, 2013, a total of two hundred ninety-three (293) outstanding debentures of the 1<sup>st</sup> series and five hundred eighty-five (585) outstanding debentures of the 2<sup>nd</sup> series were converted, represented by the issue of twenty thousand, four hundred sixty-eight (20,468) common shares and forty thousand, eight hundred ninety-six (40,896) class

A preferred shares, at the unit price of seventeen reais and four centavos (R\$17.04) and seventeen reais and one centavo (R\$17.01), respectively, totaling R\$1,044.

- iv. Divestment of the interest held by the Company through a subsidiary in the Capim Branco Energia Consortium ("Consortium")  
On May 28, 2013, the Company concluded its divestment from the Consortium. The amount obtained from the divestment was R\$314,370, after retentions for contingent liabilities and conditions negotiated, resulting in R\$124,835 (Note 22).

- v. Stock Buyback Program for Class A Preferred Shares issued by the Company ("Program")

On February 21, 2013, the Program approved by the Board of Directors of the Company was concluded. A total of 12,000 thousand class A preferred shares were repurchased for R\$84,835, of which R\$46,117 paid until December 31, 2012 and R\$38,718 paid between January and February 2013. The shares were acquired in accordance with the Program approved by the Board of Directors and pursuant to applicable laws.

The shares acquired under the Program will be held in treasury to cover the beneficiaries of the stock option plans, as well as to meet the long-term incentive plan of the Company.

#### b) Operational Events

##### i. Acquisition of VFFIP

On August 8, 2014, the Company, through a Notice to the Market, announced that due to the fulfillment of all conditions precedent provided for in the Share Purchase and Sale Agreement entered into on June 4, 2014, the direct acquisition of all shares issued by VFFIP held by Vale S.A., BNDES Participações S.A. - BNDESPAR, Fundação dos Economistas Federais - FUNCEF, and Fundação Petrobrás de Seguridade Social - PETROS for R\$528,941, with a down payment of R\$44,998 on the settlement date and the outstanding balance in annual and successive installments of ten (10) to fifteen (15) years, with the first of those installments payable one (1) year after the settlement date.

The main asset of VFFIP consists of all the shares of the capital of VFSA, which owns 45,000 hectares of eucalyptus forests planted in leased areas in the state of Pará, which will be used to supply wood to the new Maranhão Unit. (Note 13.2).

##### ii. Early redemption of Debentures of the 2<sup>nd</sup> series of the 3<sup>rd</sup> Issue

On June 6, 2014, the Company announced to its shareholders and the general market the optional early redemption of all debentures of the 2<sup>nd</sup> Series of the 3<sup>rd</sup> Issue of Unsecured Non-Convertible Debentures of the Company. The settlement was made on June 11, 2014 for the restated nominal value plus a premium, totaling R\$164,371, with the consequent cancelation of the Debentures.

##### iii. Beginning of operations and pulp exports at the new industrial unit in Maranhão

In the first quarter of 2014, production of premium eucalyptus pulp started at the Maranhão Unit. The first export shipment of this pulp to third parties occurred in March 2014, with the consequent recognition of the unit's results in the Company's profit or loss

On December 31, 2013, the Company announced the operational startup of its new pulp production unit in Imperatriz, Maranhão, with the production of the first bale of pulp, which is already certified by FSC and according to schedule. The new unit in Maranhão has eucalyptus market pulp production capacity of 1.5 million tons/year and surplus power generation of 100 MW.

iv. Suspension of Projects: new Pulp Unit in Piauí ("Piauí Project") and SER

On March 12, 2013, in compliance with Article 157, Paragraph 4, of Law 6,404/76 and CVM Instruction 358/2002, as amended, the Company informed its shareholders and the market in general that it decided to suspend indefinitely the implementation of SER, the wood pellet production unit, and the new pulp production unit in the state of Piauí.

As a result of the above-mentioned events, which altered the circumstances and probability of recovery of the investments made in these projects, the Company recognized in the Consolidated result for the fiscal year ended December 31, 2013 the losses related to investments in the amount of R\$60,877, recorded under Other Operating Income, net.

## **2 Presentation of the Financial Statements and Critical Accounting Practices**

### **2.1 Presentation of the financial statements**

#### **2.1.1 Preparation basis and presentation**

The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil (BR GAAP).

The individual financial statements of the parent company were prepared in accordance with BR GAAP, which, in the case of the Company, differ from the separate financial statements in accordance with IFRS regarding the recognition of equity income in subsidiaries that have negative equity, pursuant to item 39A of CPC 18.

The Board of Directors authorized the issue of the individual and consolidated financial statements on March 4, 2015.

The preparation of these financial statements requires the use of certain critical estimates and judgment on the part of Management for the application of certain accounting practices. Areas involving a high level of judgment or complexity, or areas in which the assumptions and estimates are relevant for preparing financial statements are described in Note 3.

#### **2.1.2 Consolidated financial statements**

The consolidated financial statements include direct and indirect subsidiaries, jointly-controlled companies, in addition to exclusive investment funds (Note 5).



The reference date of the subsidiaries' financial statements included in the consolidation coincides with those of the Company.

### 2.1.3 Foreign currency translation

The Company's functional currency is the Brazilian Real (BRL), same currency of presentation of the subsidiaries' financial statements. The financial statements of each subsidiary, which is also that used as basis of evaluation of investments by the equity accounting method, is prepared based on each entity's functional currency.

Monetary assets and liabilities denominated in foreign currency are translated into the Brazilian real (BRL) using the exchange rate effective on the respective balance sheets dates. Gains and losses resulting from the adjustment of these assets and liabilities, verified between the exchange rate effective on the date of transaction and end of years are recognized as financial income or expenses in the income statement.

Concerning foreign subsidiaries, their monetary assets and liabilities are translated from their functional currency to Brazilian Reais, using the exchange rates of balance sheets closing dates and respective revenues and expenses accounts are translated by the monthly average rates of the years. Concerning non-monetary assets and liabilities, they are translated from their functional currency to Brazilian Reais by exchange rate of the accounting transaction date (historical rate). These subsidiaries are measured under the equity accounting method, whose results are recognized at the proportion of the Company's investments.

The exchange rates applied when translating the financial statements of foreign subsidiaries into the reporting currency of the financial statements are the following:

| Currency | Name           | Country        | Subsidiary                       | Final rate    |            | Average rate  |            |
|----------|----------------|----------------|----------------------------------|---------------|------------|---------------|------------|
|          |                |                |                                  | 12/31/2014    | 12/31/2013 | 12/31/2014    | 12/31/2013 |
| USD      | U.S. Dollar    | United States  | Suzano Trading<br>Suzano America | <b>2.6562</b> | 2.3426     | <b>2.3536</b> | 2.1576     |
| GBP      | Pound Sterling | United Kingdom | FuturaGene<br>Sun Paper          | <b>4.1405</b> | 3.8728     | <b>3.8729</b> | 3.3777     |
| CHF      | Swiss Franc    | Switzerland    | Suzano Europa                    | <b>2.6836</b> | 2.6304     | <b>2.5711</b> | 2.3300     |
| EUR      | Euro           | European Union | Bahia Sul Holdings               | <b>3.2270</b> | 3.2265     | <b>3.1225</b> | 2.8675     |
| ARS      | Argentine Peso | Argentina      | Stenfar                          | <b>0.3172</b> | 0.3593     | <b>0.2858</b> | 0.3898     |

### 2.1.4 Presentation of information by operating segment

The information was prepared and is presented in a way consistent with the internal information provided to the executive officers for decision-making. Management defined Pulp and Paper as the Group's operational segments.

### 2.1.5 Statements of added value

The Company prepared individual and consolidated statements of added value (DVA), pursuant to technical pronouncement CPC 9 - Statement of Added Value, which are presented together with the financial statements under BR GAAP applicable to publicly held companies, while they represent additional financial information under IFRS.

## **2.2 Critical accounting practices**

The critical accounting practices adopted by the Company while preparing these financial statements are consistent with those used in the financial statements for the fiscal year ended December 31, 2013.

### **2.2.1 Cash and cash equivalents**

Cash and cash equivalents include balances of cash, banks and marketable securities maturing in three months or less from their initial contracting date, which are subject to insignificant risk of change in their fair value. Securities in this category are classified under financial assets at fair value through profit or loss.

### **2.2.2 Financial instruments**

Financial instruments are recognized as of the date the Company becomes party of financial instruments contractual provisions. These are initially recorded at their fair value, plus transaction costs which are directly attributable to their acquisition or issue, except for the financial assets and liabilities classified under the fair value category through profit or loss, where these costs are directly recorded in the income statement for the year. Their subsequent measure occurs every balance sheet date according to the rules set forth for each type of financial assets and liabilities classification.

The Company does not adopt hedge accounting as required by CPC 38, 39 and 40.

The fair value of financial instruments actively traded on the organized markets is determined based on the market quotes on the balance sheets closing dates. In the lack of an active market, the fair value is determined through valuation techniques, which include the use of recent market arm's length transactions, benchmark to the fair value of similar financial instruments, discounted cash flows analysis or other valuation models.

The gain or loss from the initial recognition of financial assets and liabilities, arising from the difference between the fair value and present value of cash flows from the instrument discounted at the contractual rate, called day 1 profit or loss, is recognized as profit or loss proportionally to the duration of the operation until the full amount is considered at maturity, if the fair value is not observable directly in an open market. Financial assets are classified among the categories below according to the purpose to which they were acquired or issued:

i. Financial assets measured at fair value through profit or loss

These include financial assets held for trading and those assets designated in the initial recognition at fair value through profit or loss and derivatives. These are classified as held for trading if originated with the purpose of sale or repurchase in the short term. These are measured at their fair value at every balance sheet date. Interest rates, monetary restatement, exchange variation and those variations deriving from fair value valuation are recognized as financial income or expenses in the income statement when incurred.

ii. Loans (granted) and receivables

These include non-derivative financial assets with fixed or determinable payments, but not quoted on the active market. After initial recognition, these are measured by the amortized cost through the effective interest rate method. Interest rates, monetary restatement, exchange variation, less impairment, when applicable, are recognized as financial income or expenses in the income statement when incurred.

The Company does not hold financial assets that would be classified in the held-to-maturity investments category.

Financial liabilities are classified between the categories below according to the nature of financial instruments contracted or issued:

i. Financial liabilities measured at fair value through profit or loss

These include financial liabilities usually traded before maturity, liabilities designated in the initial recognition at fair value through profit or loss and derivatives. They are measured by their fair value at every balance sheet date. Interest rates, monetary restatement, exchange variation and those variations deriving from fair value valuation, where applicable, are recognized in the income statement when incurred.

ii. Financial liabilities not measured at fair value

Non-derivative financial liabilities that are not usually traded before maturity. After the initial recognition, they are measured by the amortized cost through the effective interest rate method. The interest rates, monetary restatement and exchange variation, where applicable, are recognized in the income statement when incurred.

### **2.2.3 Trade accounts receivable**

Accounts receivable from customers are booked at the amount billed on the sale date and shown under Current Assets. Amounts denominated in foreign currency are translated at the exchange rate on the closing date of the balance sheet. Considering the average term for receipt of bills receivable, their amount corresponds to fair value. In the case of doubtful accounts, and in accordance with internal policy, an allowance is accrued in an amount deemed sufficient by the Management to cover eventual losses in the accounts receivable realization.

### **2.2.4 Inventories**

Inventories are shown at the lowest value between average acquisition or production cost and the realization value. Imports in progress are presented at the cost incurred

until the balance sheet date. Cost of raw material transferred from biological assets is equivalent to its fair value plus harvest and transport costs. The balance of inventories is presented net of provisions for losses established to cover losses identified by Management.

#### **2.2.5 Non-current assets held for sale**

The Company classifies assets as non-current assets held for sale when there is immediate availability of sale in their current conditions, their sale is highly probable, the appropriate management hierarchy level is committed to the sale plan and a firm program has been initiated to find a buyer and conclude the plan.

Assets held for sale are measured by the lower value of their book value and their fair value less sale-related expenses. Once classified as held-for-sale, Intangible Assets and Property, Plant and Equipment can no longer be amortized or depreciated.

#### **2.2.6 Biological assets**

Biological assets refer to the own eucalyptus reforestation forests and are measured at their fair value, less estimated sales costs at the moment of harvest. All of the wood acquired is used to produce pulp.

The determination of fair value for the forest biological assets includes a complex exercise of judgment and estimation that requires an understanding of the Company's business, the utilization of this asset during the manufacturing process, opportunities and restrictions to use timber, and the forest formation and growth cycle.

The discounted cash flow method was used to determine the fair value of these assets using the assumptions of cubic volume of wood expected by crop year, formation, including land costs and an average forest formation cycle of 7 years. The sale price of eucalyptus used in the calculation was based on expert research for each region and transactions conducted by the Company with independent third parties. Results from changes in fair value are recorded as profit or loss on an annual basis under Other Operating Income or Other Operating Expenses.

### **2.2.7 Investments - Business combination**

In the consolidated financial statements, business acquisitions are booked using the acquisition method, and any identifiable assets acquired and liabilities assumed are recognized at the fair value on the acquisition date.

The difference between the net values of the identifiable assets acquired and liabilities assumed on the acquisition date and the consideration transferred, when positive, is recognized in the consolidated financial statements as goodwill from business combination under intangible assets. If the reverse happens, the gain is immediately recognized in profit or loss for the year.

In the individual financial statements, the Company applies the requirements of Technical Interpretation ICPC 09 - Individual Financial Statements, Separate Financial Statements, Consolidated Statements and Application of Equity Accounting, which requires any amounts exceeding the acquisition cost considering the Company's share of the fair value of the identifiable net assets, liabilities and contingent liabilities of the acquired company on the acquisition date to be recognized as goodwill and added to the book value of the investment.

### **2.2.8 Property, plant and equipment**

Property, plant and equipment items are recorded at the cost of acquisition or construction, net of recoverable taxes, including interest and other financial charges incurred during the project design or development, less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment from financial lease agreements are recognized by the lower amount between the present value of minimum lease payments and the fair value of the related assets, plus, when applicable, initial direct costs incurred in the transaction.

Items of property, plant and equipment are depreciated using the straight-line method in the profit or loss statement of the year, based on the economic-useful life of each item (Note 14) and leased items are depreciated by the shortest period between the estimated useful of the asset and the term of the contract.

On December 31, 2014, the Company revised the useful life of its assets and did not identify material adjustments that should be made to the estimated economic useful life of each item.

Maintenance and repair expenses of key industrial equipment that do not significantly increase the useful life of these assets, such as expenses with scheduled shutdowns, are booked directly as profit or loss in the year when they are incurred.

#### **2.2.9 Intangible assets**

##### **i. Goodwill**

Goodwill is the positive difference between the amount transferred for acquisition and the net fair value of assets and liabilities acquired from an entity. Goodwill balance is not amortized but should be attributed to one or more cash generating units, which are subject to impairment tests at least once a year. If the recoverable value of the cash generating unit is less than the book value of the investment including goodwill, an impairment loss is recognized with a corresponding entry in profit or loss for the year. Impairment losses, when incurred, cannot be reversed in subsequent periods.

##### **ii. Intangible assets with defined useful life**

Other intangible assets acquired by the Company and that have defined useful lives are measured at cost, less amortization based on the useful lives and accumulated impairment losses.

#### **2.2.10 Trade accounts payable**

Trade accounts payable are obligations arising from the acquisition of assets or services in the normal course of operations and booked at the billed amount. Amounts denominated in foreign currency are translated at the exchange rate on the closing date of the balance sheet.

#### **2.2.11 Loans and Financing**

Loans and financing are initially recognized at fair value, net of transaction costs incurred when applicable. These are subsequently presented at amortized cost, i.e. plus charges and interest in proportion to the period incurred, based on the effective interest rate method.

#### **2.2.12 Dividends and interest on shareholders' equity payable**

Distribution of dividends or interest on equity is recognized as liabilities, pursuant to corporate law and the Company's bylaws, up to the limit of minimum mandatory dividends. The surplus dividends declared by Management are presented under Proposed Dividends, together with the profit reserves in shareholders' equity. When the surplus is approved by shareholders, the portion is transferred to current liabilities.

#### **2.2.13 Other assets and liabilities (current and non-current)**

Assets are recognized only when it is probable that the economic benefit associated with the transaction will flow to the entity and its cost or value can be measured reliably. Contingent assets are not recognized.

A liability is recognized when the Company has a legal or constructive obligation arising from a past event, and it is probable that an economic resource will be required to settle this liability.

#### **2.2.14 Current and deferred Income Tax and Social Contribution**

Income tax (IRPJ) and social contribution (CSLL) in the fiscal year are determined based on current and deferred bases. These taxes are calculated based on the tax laws in force on the balance sheet date in countries where the Company and its subsidiaries operate, and are recognized in the income statement, except when referring to items recorded in shareholders' equity.

Deferred tax assets and liabilities are offset if there is a legal right to offset current tax assets and liabilities and they are related to income tax levied by the same tax authority on the same entity subject to taxation. A deferred income and social contribution tax asset is recognized for tax losses, tax credits and unused deductible temporary differences when it is probable that future profits subject to taxation will be available to be used against such assets.

Deferred income and social contribution tax assets are revised at each reporting date and will be deducted as their realization is no longer probable.

#### **2.2.15 Provisions**

Provisions are recognized based on past events, if the Company has a legal or constructive obligation that can be reliably ascertained and for which it is probable that economic resources will be required for settlement. Provisions are recorded based on the best estimates of the risks involved.

#### **2.2.16 Provision for contingencies**

Provisions for contingencies observe the following criteria: i) for cases in which the possibility of loss is remote, no provision is accrued; ii) for cases in which the outlook of loss is deemed possible by external legal advisors, the Company, complementing this opinion, carries out an individual analysis of the proceedings considering the history of outcomes in similar cases where the possibility of loss was considered probable, and constitutes a provision of a part of the amount considered sufficient, at the time, for the loss expected in each proceeding; and iii) for cases in which the possibility of loss is probable, the Management accrues a provision

#### **2.2.17 Actuarial liabilities**

The defined benefit plans are evaluated by an independent actuary in order to determine the commitments with health care plans and life insurance provided to active employees and retirees, at the end of each year.

Actuarial gains or losses are recognized directly in shareholders' equity. The interest rates on actuarial liability are directly recorded in the income statement under "Financial Expenses".

#### **2.2.18 Share-based payments**

The Company's executives and managers receive their compensation partially as: i) share-based payment plans to be paid in cash; and ii) share-based payment plans to be paid with shares, and alternatively in cash.

Plan-related expenses i) e ii) are firstly recognized in the income statement as administrative expenses against financial liabilities during the vesting period (grace period) when services will be rendered. The financial liability is measured again by its

fair value every balance sheet date and its variation is recorded in the income statement as administrative expenses.

However, at the option exercise date, if such options are exercised by executive in order to receive Company shares, financial liabilities are reclassified to a shareholders' equity account called "Stock options reserve". In case of option exercise paid in cash, the Company settles the financial liability on behalf of the officer.

#### **2.2.19 Government grants and assistance**

Government grants and assistance are recognized when it is reasonably certain that the conditions established by the granting governmental authority were observed and that these subsidies will be obtained. These are recorded as revenue or expense deduction in the income statement for the period of enjoyment of benefit and subsequently are allocated to the tax incentives reserve under shareholders' equity.

#### **2.2.20 Adjustment at present value of assets and liabilities**

Noncurrent monetary assets and liabilities are monetarily restated, therefore, they are adjusted by their present value. The present value adjustment of current monetary assets and liabilities is calculated and only recorded, if deemed as relevant when compared to the financial statements taken as a whole. For the purposes of recording and determining materiality, the present value adjustment is calculated taking into account contractual cash flows and explicit interest rates, and implicit interest rates in certain cases, of respective assets and liabilities. Based on the analyses made and the Management's best estimate, the Company concluded that the present value adjustment of current monetary assets and liabilities is irrelevant when compared to the financial statements taken as a whole, thus, no adjustments were recorded.

#### **2.2.21 Income statement**

Operating revenue from product sales are stated at their net amounts excluding taxes, returns, unconditional discounts and bonus to clients. Sales revenue is recognized when its amounts can be measured reliably, all risks and rewards inherent to the product are transferred to the buyer, the Company no longer has any relation with the goods sold and it is probable that the economic benefits will be generated for the Company. Revenues are not recognized if there is significant uncertainty to their realization.

#### **2.2.22 Related parties**

The Company's Policy for conducting business and operations with related parties establishes that these operations must observe typical market prices and conditions as well the corporate governance practices adopted by the Company and those recommended and/or required by law.

#### **2.2.23 Standards issued but not effective yet**

The following standards, interpretations and amendments to the standards issued by IASB and/or CPC are not yet effective as of December 31, 2014, and were not adopted by the Company in advance:



IFRS 9 - Financial Instruments: the new rule has amended instructions regarding the classification and measurement of financial assets, including a new model of provisioning for doubtful accounts based on expected losses, in addition to complementing the new general hedge accounting requirements published in 2013. IFRS 9 is effective for fiscal years starting on or after January 1, 2018.

IFRS 15 - Revenue from contracts with customers: establishes new requirements for recognizing revenue from goods and services. Entities must apply a five-stage model to determine when to recognize the revenue and how much. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to customers, for the amount that the entity expects is entitled to. IFRS 15 is effective for fiscal years starting on or after January 1, 2017.

There are no other standards, interpretations and/or amendment to standards whose application could, the Company expects, generate material impact in its financial statements.

### 3 Critical accounting estimates and assumptions

The preparation of the individual and consolidated financial statements in accordance with IFRS and CPC norms requires the Management to make judgments, estimates and assumptions that affect the application of accounting policies and reported values of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

Estimates and assumptions are continuously revised. Revisions of accounting estimates are recognized in the fiscal year in which they occur and in any future fiscal years affected.

Estimates and assumptions based on historical experience and on the analysis of relevant factors by the Management, classified as being able to generate significant risks of causing material adjustments to the financial statements over the next fiscal years, are included in the following Notes:

| Estimate / Assumption                                                                                                                                        | Note      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Financial instruments - Determination of valuation techniques and assumptions based on market conditions for fair value measurement and sensitivity analysis | 4         |
| Deferred income tax and social contribution - Recognition of deferred tax assets and liabilities related to temporary differences and tax losses             | 12        |
| Biological assets - Assumptions and judgments used to determine fair value                                                                                   | 11        |
| Property, plant and equipment / Intangible assets with determined useful life - Useful life used and analysis of the ability to obtain return on assets      | 14 and 15 |
| Provision for contingency - Measurement of the amount considered sufficient to cover probable and possible losses, when applicable                           | 17        |
| Actuarial Liabilities - Assumptions and actuarial calculation used to determine liabilities arising from the plans                                           | 18        |

## **4 Financial instruments**

### **4.1 Management of financial risks**

#### **a) Overview**

The Company's Management is focused on generating consistent and sustainable results over time. Factors of external risk related to fluctuations in market prices may introduce an unwelcome level of volatility in the Company's cash flows and income statement. To manage this volatility, so as to not distort or hinder the Company's consistent growth over a long time, the Company has policies and procedures for managing market risk.

These policies seek to: (i) protect the Company's cash flows and assets against fluctuations in the market prices of raw material and products, exchange rates and interest rates, price and restatement indexes, or other assets or instruments traded in liquid or other markets ("market risk") to which the value of the assets, liabilities and cash flows of the Company are exposed; and (ii) optimize the process of contracting financial instruments for protection against exposure to risk, drawing on natural hedges and correlations between the prices of different assets and markets, avoiding any waste of funds used to contract inefficient operations. All financial transactions entered into by the Company have the objective of protecting it against existing exposures, with the assumption of new risks prohibited, except those arising from the operating activities of Suzano.

The process to manage market risk comprises the following sequential and recurring phases: (i) identification of risk factors and the exposure of the value of the assets, cash flows and results of the Company to market risks; (ii) measuring and reporting the values at risk; (iii) evaluating and formulating strategies for managing market risks; and (iv) implementing and monitoring the performance of strategies. Assessing and controlling risk exposures are supported by integrated operational systems, with the adequate separation of functions in the reconciliations with counterparties.

The Company uses the most liquid financial instruments and: (i) does not contract leveraged transactions or other types of embedded options that alter the ultimate purpose of hedging; (ii) does not hold dual-index debt or other forms of implicit options; and (iii) does not hold operations that require margin deposits or other forms of guarantees for the credit risk of the counterparties. The main financial risks considered by Management are:

- Credit risk;
- Liquidity risk;
- Currency risk;
- Market risk and risk of changes in raw material prices;
- Interest rate risk; and
- Capital risk.

The Company does not adopt hedge accounting. Therefore, all results (gains and losses) from derivative operations (settled and outstanding) are fully recognized in the Parent company and Consolidate statements of income, as presented in Note 24.

## b) Valuation

All operations with financial instruments are recognized in the Company's financial statements, as shown below. No reclassifications between categories were made during the fiscal year.

|                                              |      | Parent Company |            | Consolidated |            |
|----------------------------------------------|------|----------------|------------|--------------|------------|
|                                              | Note | 12/31/2014     | 12/31/2013 | 12/31/2014   | 12/31/2013 |
| Assets                                       |      |                |            |              |            |
| Fair value through profit or loss            |      |                |            |              |            |
| Cash and banks                               | 5    | 2.615.579      | 35.532     | 3.686.115    | 1.073.027  |
| Financial investments                        | 5    | -              | 2.341.472  | -            | 2.345.458  |
| Exclusive Funds                              | 5    | -              | 271.155    | -            | 271.155    |
| Unrealized gains from derivative operations  | 4    | 30.219         | 2.534      | 60.092       | 35.980     |
| Loans and receivables                        |      |                |            |              |            |
| Trade accounts receivable                    | 6    | 2.602.814      | 2.760.655  | 1.207.398    | 1.474.141  |
|                                              |      | 5.248.612      | 5.411.348  | 4.953.605    | 5.199.761  |
| Liabilities                                  |      |                |            |              |            |
| Liabilities through amortizable cost         |      |                |            |              |            |
| Trade accounts payable                       |      | 477.768        | 857.227    | 501.555      | 876.556    |
| Loans and financing                          | 16   | 12.027.544     | 11.205.065 | 13.760.585   | 12.743.329 |
| Loans with related parties                   | 10   | 1.729.398      | 1.525.218  | -            | -          |
| Debentures                                   | 17   | -              | 133.656    | -            | 133.656    |
| Debt from acquisition of asset               | 20   | 601.124        | 58.569     | 714.690      | 177.688    |
| Fair value through profit or loss            |      |                |            |              |            |
| Unrealized losses from derivative operations | 4    | 126.668        | 29.868     | 127.268      | 33.039     |
|                                              |      | 14.962.502     | 13.809.603 | 15.104.098   | 13.964.268 |

## 4.2 Fair value versus book value

The financial instruments recorded on the balance sheets, such as cash and banks, loans and financing, are stated at their contractual values. The marketable securities and derivative agreements, which are used solely for hedge purposes, are valued at their fair value.

To determine the fair value of assets or liquid financial instruments traded in public markets, the closing market quote on the date of the balance sheet was used. The fair value of interest rate and index swaps is calculated as the present value of their future cash flows, discounted at the current interest rates available for operations with similar conditions and remaining terms. This calculation is made based on the BM&FBovespa and Brazilian Financial and Capital Markets Association (ANBIMA) quotes for interest rate operations denominated in Brazilian real, and the British Bankers Association and Bloomberg for operations in LIBOR. The fair value of futures or forward currency contracts is determined using forward currency rates prevailing on the dates of the balance sheet, according to BM&FBovespa quotes.

The fair value of debt deriving from the 2<sup>nd</sup> series of the 3<sup>rd</sup> issue of the Company's debentures is calculated based on the secondary market quotes published by ANBIMA on the balance sheet date on December 31, 2013. In order to determine the fair value of assets or financial instruments traded on the over-the-counter markets or without liquidity, several assumptions and methods are used based on normal market conditions (and not for settlement or forced sale) at each balance-sheet date, including the use of option pricing models, such as Black & Scholes and Garman-Kolhagen, and estimates of future discounted cash flows. The fair value of agreements for pulp and paper pricing is

obtained through the price quotes for corresponding instruments with similar conditions and remaining terms with major players in this market. Finally, the fair value of agreements for oil pricing, when applicable, is based on the New York Mercantile Exchange quotes (NYMEX).

The result of financial instruments trading is recognized on the closing or contracting dates of the operations, on which the Company undertakes to buy or sell these instruments. The liabilities deriving from the contracting of financial instruments are eliminated from our financial statements only when these instruments expire or when the risks, obligations and rights deriving therefrom are transferred.

A comparison between the fair value and carrying value of outstanding financial instruments is shown below:

#### INSTRUMENTOS FINANCEIROS

|                                                                        | Consolidated      |                   |                   |                   |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                                                        | 12/31/2014        |                   | 12/31/2013        |                   |
|                                                                        | Book Value        | Fair Value        | Book Value        | Fair Value        |
| <b>Assets</b>                                                          |                   |                   |                   |                   |
| Cash and cash equivalents                                              | 3.686.115         | 3.686.115         | 3.689.640         | 3.689.640         |
| Unrealized gains from derivative operations (current and non-current)  | 60.092            | 60.092            | 35.980            | 35.980            |
| Trade accounts receivable                                              | 1.207.398         | 1.207.398         | 1.474.141         | 1.474.141         |
|                                                                        | <u>4.953.605</u>  | <u>4.953.605</u>  | <u>5.199.761</u>  | <u>5.199.761</u>  |
| <b>Liabilities</b>                                                     |                   |                   |                   |                   |
| Trade accounts payable                                                 | 501.555           | 501.555           | 876.556           | 876.556           |
| Loans and financing (current and non-current)                          | 13.760.585        | 14.651.963        | 12.743.329        | 13.672.655        |
| Debentures (current and non-current)                                   | -                 | -                 | 133.656           | 178.862           |
| Debt from acquisition of asset                                         | 714.690           | 782.112           | 177.688           | 170.636           |
| Unrealized losses from derivative operations (current and non-current) | 127.268           | 127.268           | 33.039            | 33.039            |
|                                                                        | <u>15.104.098</u> | <u>16.062.901</u> | <u>13.964.268</u> | <u>14.931.748</u> |

### 4.3 Credit risk

Sales and credit policies, which are determined by the Management of the Company and its subsidiaries, aim to minimize any risks arising from their clients' default. This objective is achieved through meticulous selection of the client portfolio, which takes into account payment capacity (credit analysis) and diversification of sales (risk pooling), as well as the guarantees or instruments contracted to mitigate credit risks, mainly export credit insurance policies.

Requests for credit to clients are duly analyzed using a credit analysis model that includes qualitative and quantitative aspects for determining credit limits, which are submitted to management for approval.

The Company accrues provisions for all amounts overdue more than 90 days and not renegotiated by clients, and for which there are no real guarantees. The Company also accrues provisions for outstanding amounts from clients under judicial reorganization.

To mitigate credit risk, the financial operations of Suzano are diversified across various banks, with more than 95% of these operations concentrated in banks rated AAA by the main credit rating agencies.

The book value of financial assets representing the maximum exposure to credit risk on the date of the financial statements was as follows:

|                                             |      | Parent Company |            | Consolidated |            |
|---------------------------------------------|------|----------------|------------|--------------|------------|
|                                             | Note | 12/31/2014     | 12/31/2013 | 12/31/2014   | 12/31/2013 |
| Assets                                      |      |                |            |              |            |
| Cash and banks                              | 5    | 2.615.579      | 35.532     | 3.686.115    | 1.073.027  |
| Financial Investments                       | 5    | -              | 2.341.472  | -            | 2.345.458  |
| Exclusive Funds                             | 5    | -              | 271.155    | -            | 271.155    |
| Trade accounts receivable                   | 6    | 2.602.814      | 2.760.655  | 1.207.398    | 1.474.141  |
| Unrealized gains from derivative operations | 4    | 30.219         | 2.534      | 60.092       | 35.980     |
| Total                                       |      | 5.248.612      | 5.411.348  | 4.953.605    | 5.199.761  |

#### 4.4 Liquidity risk

The following tables show the maturities of financial liabilities settled with cash, including the estimated payment of interest and exchange variation. The amounts disclosed below refer to contracted cash flows not discounted at future value and, therefore, may not be reconciled with the amounts disclosed in the balance sheet.

|                                        |      | 12/31/2014   |              |             |             |                   |
|----------------------------------------|------|--------------|--------------|-------------|-------------|-------------------|
| Consolidated                           | Note | Future Value | Up to 1 year | 1 - 2 years | 2 - 5 years | More than 5 years |
| <b>Liabilities</b>                     |      |              |              |             |             |                   |
| Loans and financing                    | 16   | 21.512.473   | 2.524.312    | 2.470.045   | 8.966.098   | 7.552.018         |
| Trade accounts payable                 |      | 501.555      | 501.555      | -           | -           | -                 |
| Debt from acquisition of asset         |      | 1.045.564    | 104.624      | 103.936     | 307.408     | 529.596           |
| Derivatives payable <sup>(1)</sup>     | 4    | 69.028       | 15.810       | 4.332       | 48.885      | -                 |
| Commercial Transactions with suppliers |      | 251.544      | 251.544      |             |             |                   |
| Other accounts payable                 |      | 241.875      | 208.997      | 32.878      | -           | -                 |
|                                        |      | 23.622.039   | 3.606.842    | 2.611.192   | 9.322.390   | 8.081.614         |

|                                |      | 12/31/2013        |                  |                |                  |                   |
|--------------------------------|------|-------------------|------------------|----------------|------------------|-------------------|
| Consolidated                   | Note | Book value        | Up to 1 year     | 1 - 2 years    | 2 - 5 years      | More than 5 years |
| <b>Liabilities</b>             |      |                   |                  |                |                  |                   |
| Loans and financing            | 16   | 12.743.329        | 1.007.157        | 959.074        | 5.488.114        | 5.288.984         |
| Trade accounts payable         |      | 876.556           | 876.556          | -              | -                | -                 |
| Debt from acquisition of asset |      | -                 | -                | -              | -                | -                 |
| Derivatives payable            | 4    | 33.039            | 22.765           | 9.540          | 734              | -                 |
| Other accounts payable         |      | 193.586           | 184.859          | 8.727          | -                | -                 |
|                                |      | <b>13.846.510</b> | <b>2.091.337</b> | <b>977.341</b> | <b>5.488.848</b> | <b>5.288.984</b>  |

The cash flows included in the maturity analyses of the Company are not expected to occur prior to the established term or in amounts that are materially different from those presented.

The following table shows the maturity of derivative operations:

| Consolidated Derivatives   | 12/31/2014              |               |                |              |               |               |                  |
|----------------------------|-------------------------|---------------|----------------|--------------|---------------|---------------|------------------|
|                            | Book value / Fair Value | Up to 1 month | 1 - 3 months   | 3 - 6 months | 6 - 12 months | 1 - 2 years   | 2 - 5 years      |
| Assets <sup>(1)</sup>      | 96,958                  | 4,139         | 66             | 19,371       | 18,413        | 31,968        | 23,001           |
| Liabilities <sup>(1)</sup> | 164,134                 | 2,678         | 3,439          | 9,685        | 14,104        | 5,937         | 128,291          |
|                            | <b>(67,176)</b>         | <b>1,461</b>  | <b>(3,373)</b> | <b>9,685</b> | <b>4,309</b>  | <b>26,032</b> | <b>(105,291)</b> |

<sup>(1)</sup> The classification between assets and liabilities of derivative operations differs from the amounts presented in the balance sheet as it considers as assets or liabilities all payment flows classified as gains and losses in the long term.

| Consolidated<br>Derivatives | 12/31/2013 |                  |                 |                 |                  |             |             |
|-----------------------------|------------|------------------|-----------------|-----------------|------------------|-------------|-------------|
|                             | Book value | Up to 1<br>month | 1 - 3<br>months | 3 - 6<br>months | 6 - 12<br>months | 1 - 2 years | 2 - 5 years |
| Assets                      | 35,980     | 1,764            | 1,765           | 4,440           | 6,553            | 11,146      | 10,312      |
| Liabilities                 | 33,039     | 1,390            | 5,785           | 4,999           | 10,591           | 9,540       | 734         |
|                             | 2,941      | 374              | (4,020)         | (559)           | (4,038)          | 1,606       | 9,578       |

#### 4.5 Market risk

The contracting of financing and the currency hedge policy of the Company are guided by the fact that more than 50% of net revenue comes from exports with prices in U.S. dollar, while most of the production costs is tied to the Brazilian real (BRL). This structure allows the Company to contract export financing in U.S. dollar and to reconcile financing payments with the flow of receivables from sales, providing a natural cash hedge for these commitments. The surplus revenue in U.S. dollar not linked to debt commitments and other obligations is sold in the currency market as the funds enter the country.

As additional protection, short positions in the futures markets may be contracted to ensure attractive levels of operating margins for a portion of revenue. Sales in the futures market are limited to a minority percentage of the surplus foreign currency over an 18-month time horizon and therefore are matched to the availability of currency for sale in the short term.

On December 31, 2014, the net principal of operations contracted for forward sale of U.S. dollar through Non Deliverable Forwards ("NDFs") was US\$409.1 million. Their maturities are distributed between January 2015 and January 2016 in order to lock-in the operating margins of a minority portion of sales over this period. The cash effect of these operations occurs only on their maturity dates, when they generate cash disbursements or inflows, depending on the case.

In addition to currency hedge operations, swap contracts are also contracted that exchange floating interest rates for fixed rates in order to reduce the effects from interest rate variation on the amount of debt, as well as swap contracts that exchange various interest rates for inflation rates in order to minimize the mismatch between the various financial assets and liabilities. On December 31, 2014, the Company had outstanding (i) US\$99.3 million in swaps to lock-in LIBOR in financing contracts, (ii) US\$260 million in swaps of currency coupon for 3-month fixed LIBOR; and (iii) US\$150 million in CDI to 6-month Libor swaps.

On December 31, 2013, the net principal of operations contracted for forward sale of U.S. dollar through Non Deliverable Forwards ("NDFs") was US\$39.1 million. Their maturities are distributed between January 2014 and January 2016 in order to lock-in the operating margins of a minority portion of sales over this period. The cash effect of these operations occurs only on their maturity dates, when they generate cash disbursements or inflows, depending on the case.

In addition to currency hedge operations, swap contracts are also contracted that exchange floating interest rates for fixed rates in order to reduce the effects from interest rate variation on the amount of debt, as well as swap contracts that exchange various interest rates for inflation rates in order to minimize the mismatch between the various financial assets and liabilities. On December 31, 2013, the Company had outstanding (i)

US\$188 million in swaps to lock-in LIBOR in financing contracts, and (ii) US\$340 million in swaps of currency coupon for 3-month fixed LIBOR.

#### 4.6 Market risk - exchange rate

The following table shows the net exposure in foreign currency:

|                                | 12/31/2014 (in R\$ thousand) |     |         |        |           | 12/31/2013 (in R\$ thousand) |     |         |        |           |
|--------------------------------|------------------------------|-----|---------|--------|-----------|------------------------------|-----|---------|--------|-----------|
|                                | USD                          | GBP | CHF     | ARS    | Total     | USD                          | GBP | CHF     | ARS    | Total     |
| Consolidated                   |                              |     |         |        |           |                              |     |         |        |           |
| Trade accounts receivable      | 263,904                      | -   | 290,781 | 29,119 | 583,804   | 493,478                      | 41  | 215,944 | 32,004 | 741,467   |
| Trade accounts payable         | 32,119                       | 610 | 922     | 11,378 | 45,029    | 42,485                       | 502 | 1,715   | 12,544 | 57,247    |
| Loans and financing            | 7,498,798                    | -   | -       | -      | 7,498,798 | 7,047,100                    | -   | -       | -      | 7,047,100 |
| Debt from acquisition of asset | 333,302                      | -   | -       | -      | 333,302   | -                            | -   | -       | -      | -         |
| Derivative NDF                 | 1,246,050                    | -   | -       | 12,219 | 1,258,269 | 91,643                       | -   | -       | -      | 91,643    |
| Derivative Swap                | 1,352,679                    | -   | -       | -      | 1,352,679 | 1,237,418                    | -   | -       | -      | 1,237,418 |
|                                |                              |     |         |        |           |                              |     |         |        |           |
|                                | 12/31/2013 (in R\$ thousand) |     |         |        |           | 12/31/2012 (in R\$ thousand) |     |         |        |           |
|                                | USD                          | GBP | CHF     | ARS    | Total     | USD                          | GBP | CHF     | ARS    | Total     |
| Consolidated                   |                              |     |         |        |           |                              |     |         |        |           |
| Trade accounts receivable      | 493,478                      | 41  | 215,944 | 32,004 | 741,467   | 303,534                      | 35  | 171,519 | 30,466 | 505,554   |
| Trade accounts payable         | 42,485                       | 502 | 1,715   | 12,544 | 57,247    | 20,729                       | 43  | 1,316   | 10,320 | 32,409    |
| Loans and financing            | 7,047,100                    | -   | -       | -      | 7,047,100 | 4,724,308                    | -   | -       | -      | 4,724,308 |
| Derivative NDF                 | 91,643                       | -   | -       | -      | 91,643    | 171,102                      | -   | -       | 4,826  | 175,928   |
| Derivative Swap                | 1,237,418                    | -   | -       | -      | 1,237,418 | 1,480,029                    | -   | -       | -      | 1,480,029 |

#### Sensitivity analyses - Foreign exchange exposure

For the purpose of analyzing the sensitivity to market risks, the Company jointly analyzes the long and short positions in foreign currency, using as the probable scenario the amounts already booked.

The other scenarios were created considering the depreciation and appreciation of the Brazilian real against other currencies at the rates of 25% and 50%.

The following table presents the potential impacts on results assuming these scenarios:

|                                | 12/31/2014         |                            |                            |                            |                            |
|--------------------------------|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                | Probable           | Appreciation<br>(Δ of 25%) | Appreciation<br>(Δ of 50%) | Depreciation<br>(Δ of 25%) | Depreciation<br>(Δ of 50%) |
| <b>Consolidated BRL x USD</b>  |                    |                            |                            |                            |                            |
| Loans and financing            | (7,498,798)        | (1,874,699)                | (3,749,399)                | 1,874,699                  | 3,749,399                  |
| Trade accounts receivable      | 263,904            | 65,976                     | 131,952                    | (65,976)                   | (131,952)                  |
| Trade accounts payable         | (32,119)           | (8,030)                    | (16,059)                   | 8,030                      | 16,059                     |
| Debt from acquisition of asset | (333,302)          | (83,325)                   | (166,651)                  | 83,325                     | 166,651                    |
| Derivative Swap                | (75,389)           | (97,365)                   | (207,696)                  | 123,298                    | 233,629                    |
| Derivative NDF                 | (20,954)           | (268,500)                  | (537,000)                  | 268,500                    | 537,000                    |
| <b>TOTAL</b>                   | <b>(7,696,658)</b> | <b>(2,265,943)</b>         | <b>(4,544,853)</b>         | <b>2,291,876</b>           | <b>4,570,786</b>           |
|                                |                    |                            |                            |                            |                            |
|                                | 12/31/2013         |                            |                            |                            |                            |
|                                | Probable           | Appreciation<br>(Δ of 25%) | Appreciation<br>(Δ of 50%) | Depreciation<br>(Δ of 25%) | Depreciation<br>(Δ of 50%) |
| <b>Consolidated ARS x BRL</b>  |                    |                            |                            |                            |                            |
| Trade accounts receivable      | 29,119             | 7,280                      | 14,559                     | (7,280)                    | (14,559)                   |
| Trade accounts payable         | (11,378)           | (2,845)                    | (5,689)                    | 2,845                      | 5,689                      |
| Derivative NDF                 | (278)              | (3,128)                    | (6,257)                    | 3,128                      | 6,257                      |
| <b>TOTAL</b>                   | <b>17,463</b>      | <b>1,307</b>               | <b>2,614</b>               | <b>(1,307)</b>             | <b>(2,614)</b>             |



| <b>Consolidated CHF x BRL</b> | <b>Probable</b> | <b>Appreciation<br/>(Δ of 25%)</b> | <b>Appreciation<br/>(Δ of 50%)</b> | <b>Depreciation<br/>(Δ of 25%)</b> | <b>Depreciation<br/>(Δ of 50%)</b> |
|-------------------------------|-----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Trade accounts receivable     | 290,781         | 72,695                             | 145,391                            | (72,695)                           | (145,391)                          |
| Trade accounts payable        | (922)           | (230)                              | (461)                              | 230                                | 461                                |
| <b>TOTAL</b>                  | <b>289,860</b>  | <b>72,465</b>                      | <b>144,930</b>                     | <b>(72,465)</b>                    | <b>(144,930)</b>                   |

| <b>Consolidated GBP x BRL</b> | <b>Probable</b> | <b>Appreciation<br/>(Δ of 25%)</b> | <b>Appreciation<br/>(Δ of 50%)</b> | <b>Depreciation<br/>(Δ of 25%)</b> | <b>Depreciation<br/>(Δ of 50%)</b> |
|-------------------------------|-----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Trade accounts payable        | (610)           | (153)                              | (305)                              | 153                                | 305                                |
| <b>TOTAL</b>                  | <b>(610)</b>    | <b>(153)</b>                       | <b>(305)</b>                       | <b>153</b>                         | <b>305</b>                         |

| <b>Consolidated BRL x USD</b> | <b>12/31/2013</b>  |                                    |                                    |                                    |                                    |
|-------------------------------|--------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                               | <b>Probable</b>    | <b>Appreciation<br/>(Δ of 25%)</b> | <b>Appreciation<br/>(Δ of 50%)</b> | <b>Depreciation<br/>(Δ of 25%)</b> | <b>Depreciation<br/>(Δ of 50%)</b> |
| Loans and financing           | (7,047,100)        | (1,761,775)                        | (3,523,550)                        | 1,761,775                          | 3,523,550                          |
| Trade accounts receivable     | 493,478            | 123,370                            | 246,740                            | (123,370)                          | (246,740)                          |
| Trade accounts payable        | (42,485)           | (10,621)                           | (21,243)                           | 10,621                             | 21,243                             |
| Derivative Swap               | (19,382)           | (4,845)                            | (9,691)                            | 4,845                              | 9,691                              |
| Derivative NDF                | (7,952)            | (22,460)                           | (44,920)                           | 22,460                             | 44,920                             |
| <b>TOTAL</b>                  | <b>(6,623,441)</b> | <b>(1,676,332)</b>                 | <b>(3,352,664)</b>                 | <b>1,676,332</b>                   | <b>3,352,664</b>                   |

| <b>Consolidated ARS x BRL</b> | <b>Probable</b> | <b>Appreciation<br/>(Δ of 25%)</b> | <b>Appreciation<br/>(Δ of 50%)</b> | <b>Depreciation<br/>(Δ of 25%)</b> | <b>Depreciation<br/>(Δ of 50%)</b> |
|-------------------------------|-----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Trade accounts receivable     | 32,004          | 8,001                              | 16,002                             | (8,001)                            | (16,002)                           |
| Trade accounts payable        | (12,544)        | (3,136)                            | (6,272)                            | 3,136                              | 6,272                              |
| <b>TOTAL</b>                  | <b>19,460</b>   | <b>4,865</b>                       | <b>9,730</b>                       | <b>(4,865)</b>                     | <b>(9,730)</b>                     |

| <b>Consolidated CHF x BRL</b> | <b>Probable</b> | <b>Appreciation<br/>(Δ of 25%)</b> | <b>Appreciation<br/>(Δ of 50%)</b> | <b>Depreciation<br/>(Δ of 25%)</b> | <b>Depreciation<br/>(Δ of 50%)</b> |
|-------------------------------|-----------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Trade accounts receivable     | 215,944         | 53,986                             | 107,972                            | (53,986)                           | (107,972)                          |
| Trade accounts payable        | (1,715)         | (429)                              | (858)                              | 429                                | 858                                |
| <b>TOTAL</b>                  | <b>214,229</b>  | <b>53,557</b>                      | <b>107,115</b>                     | <b>(53,557)</b>                    | <b>(107,115)</b>                   |

#### 4.7 Market risk - interest rates

On December 31, 2014, the exposure of financial instruments pegged to the Interbank Certificate of Deposit ("CDI") rate was R\$3,699,801 (R\$3,219,986 on December 31, 2013).

On December 31, 2013, the exposure of financial instruments pegged to interest rates (Interbank Certificate of Deposit - "CDI") was R\$3,219,986 (R\$3,106,476 on December 31, 2012)

#### Sensitivity analysis - Exposure to interest rates

For the sensitivity analysis of operations impacted by the rates: CDI, Libor, U.S. dollar Coupon and Pulp Coupon, the Company adopted as the probable scenario the amounts already booked. On December 31, 2014, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market interest rates.



The following table shows the potential impacts on the results in the event of these scenarios:

| 12/31/2014                     |             |                  |                 |                 |                 |
|--------------------------------|-------------|------------------|-----------------|-----------------|-----------------|
| Consolidated Pre               | Probable    | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Loans and financing            | (3,699,801) | (924,950)        | (1,849,901)     | 924,950         | 1,849,901       |
| Debt from acquisition of asset | (459,980)   | (114,995)        | (229,990)       | 114,995         | 229,990         |
| Swap                           | (62,650)    | 18,558           | 22,239          | 9,954           | 4,900           |
| Derivative NDF                 | (21,232)    | (14,189)         | (27,731)        | 14,888          | 30,533          |
| TOTAL                          | (4,243,663) | (1,035,577)      | (2,085,383)     | 1,064,788       | 2,115,323       |

| 12/31/2014                         |          |                  |                 |                 |                 |
|------------------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Libor                 | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative Swap and Convertibility | (45,827) | 11,355           | 8,258           | 17,642          | 20,832          |
| Derivative Pulp                    | (116)    | (32)             | (64)            | 32              | 64              |
| TOTAL                              | (45,943) | 11,324           | 8,195           | 17,674          | 20,896          |

| 12/31/2014                 |          |                  |                 |                 |                 |
|----------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Dollar Coupon | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative NDF             | (21,232) | 2,998            | 5,971           | (3,022)         | (6,069)         |
| Derivative Swap            | (75,389) | 24,355           | 33,756          | 4,102           | (6,830)         |
| TOTAL                      | (96,621) | 27,353           | 39,728          | 1,080           | (12,899)        |

| 12/31/2014               |          |                  |                 |                 |                 |
|--------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Pulp Coupon | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative Pulp          | (116)    | 122              | 243             | (123)           | (248)           |
| TOTAL                    | (116)    | 122              | 243             | (123)           | (248)           |

| 12/31/2014              |          |                  |                 |                 |                 |
|-------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated ARS Coupon | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative NDF          | (278)    | 7                | 14              | (7)             | (14)            |
| TOTAL                   | (278)    | 7                | 14              | (7)             | (14)            |

| 12/31/2013          |           |                  |                 |                 |                 |
|---------------------|-----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Pre    | Probable  | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Loans and financing | 3,219,986 | 804,997          | 1,609,993       | (804,997)       | (1,609,993)     |
| Derivative NDF      | (7,952)   | (1,840)          | (3,578)         | 1,953           | 4,028           |
| TOTAL               | 3,212,034 | 803,156          | 1,606,415       | (803,044)       | (1,605,965)     |

| 12/31/2013                         |          |                  |                 |                 |                 |
|------------------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Libor                 | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative Swap and Convertibility | 29,871   | 1,698            | 3,368           | (1,728)         | (3,489)         |
| Derivative Pulp                    | (3,034)  | (109)            | (219)           | 110             | 220             |
| TOTAL                              | 26,837   | 1,589            | 3,150           | (1,618)         | (3,269)         |

| 12/31/2013                 |          |                  |                 |                 |                 |
|----------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Dollar Coupon | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative NDF             | (7,952)  | 434              | 862             | (440)           | (887)           |
| Derivative Swap            | (15,944) | 101              | 200             | (103)           | (209)           |
| TOTAL                      | (23,896) | 535              | 1,062           | (544)           | (1,096)         |

| 12/31/2013               |          |                  |                 |                 |                 |
|--------------------------|----------|------------------|-----------------|-----------------|-----------------|
| Consolidated Pulp Coupon | Probable | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| Derivative Pulp          | (3,034)  | 354              | 704             | (357)           | (718)           |
| TOTAL                    | (3,034)  | 354              | 704             | (357)           | (718)           |

#### 4.8 Market risk - commodity prices

On December 31, 2014, the following exposure of contracts pegged to pulp commodity prices totals R\$50,760 (R\$91,643 on December 31, 2013):

On December 31, 2013, the following exposure of contracts pegged to pulp commodity prices totals R\$91,643 (R\$171,102 on December 31, 2012):

#### Sensitivity analysis - Exposure to commodity prices

For the sensitivity analysis of operations pegged to commodity prices, the Company adopted as the probable scenario the amounts already booked. On December 31, 2014, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market prices of commodities.

For the sensitivity analysis of operations pegged to commodity prices, the Company adopted as the probable scenario the amounts already booked. On December 31, 2013, the other scenarios were developed considering positive and negative variations of 25% and 50% in the market prices of commodities.

The following table shows the potential impacts on the results in the event of these scenarios:

|                                        | 12/31/2014   |                  |                 |                 |                 |
|----------------------------------------|--------------|------------------|-----------------|-----------------|-----------------|
|                                        | Probable     | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| <b>Consolidated</b><br>Derivative Pulp | (116)        | (12,641)         | (25,282)        | 12,641          | 25,282          |
| <b>TOTAL</b>                           | <b>(116)</b> | <b>(12,641)</b>  | <b>(25,282)</b> | <b>12,641</b>   | <b>25,282</b>   |

|                                                                     | 12/31/2013     |                  |                 |                 |                 |
|---------------------------------------------------------------------|----------------|------------------|-----------------|-----------------|-----------------|
|                                                                     | Probable       | Incr. (Δ of 25%) | Inc. (Δ of 50%) | Dec. (Δ of 25%) | Dec. (Δ of 50%) |
| <b>Consolidated</b><br>Contracts pegged to commodity<br>prices PULP | (3,034)        | (23,754)         | (47,508)        | 23,754          | 47,508          |
| <b>TOTAL</b>                                                        | <b>(3,034)</b> | <b>(23,754)</b>  | <b>(47,508)</b> | <b>23,754</b>   | <b>47,508</b>   |

## 4.9 Outstanding derivatives

On December 31, 2014 and 2013, the consolidated positions of outstanding derivatives, grouped by asset or index, with all trading on the over-the-counter market, are presented below:

| Description                       | Maturities  | Notional value on |                  | Fair value on   |              | Equity balances on |               |               |               |
|-----------------------------------|-------------|-------------------|------------------|-----------------|--------------|--------------------|---------------|---------------|---------------|
|                                   |             | 12/31/2014        | 12/31/2013       | 12/31/2014      | 12/31/2013   | 12/31/2014         |               | 12/31/2013    |               |
|                                   |             |                   |                  |                 |              | Payable            | Receivable    | Payable       | Receivable    |
| <b>Foreign currency swaps</b>     |             |                   |                  |                 |              |                    |               |               |               |
| Long Position - US\$ Libor        | 1/1/2015 to | 263.637           | 440.934          | 257.028         | 430.651      | -                  | -             | -             | -             |
| Short Position - US\$ Fixed Rate  | 11/4/2019   | 263.637           | 440.934          | (269.768)       | 450.033      | -                  | -             | -             | -             |
| SubTotal                          |             |                   |                  | (12.740)        | (19.382)     | 12.740             | -             | 19.382        | -             |
| Value at Risk (VaR) (1)           |             |                   |                  | 343             | 296          | -                  | -             | -             | -             |
| <b>Index and Rate Swaps</b>       |             |                   |                  |                 |              |                    |               |               |               |
| Long Position - R\$ % DI (2)      | 1/1/2015 to | 331.335           | -                | 353.480         | -            | -                  | -             | -             | -             |
| Short Position - US\$ Libor (2)   | 12/5/2018   | 398.430           | -                | (416.130)       | -            | -                  | -             | -             | -             |
| SubTotal                          |             |                   |                  | (62.650)        | -            | 126.339            | 63.690        | -             | -             |
| Value at Risk (VaR) (1)           |             |                   |                  | 6.228           | -            | -                  | -             | -             | -             |
| <b>Currency Swap - NDF</b>        |             |                   |                  |                 |              |                    |               |               |               |
| Long Position in R\$ x US\$       | 1/1/2015 to | 79.686            | 89.019           | 3.277           | (1.787)      | -                  | 3.277         | 1.787         | -             |
| Short Position in R\$ x US\$      | 1/8/2016    | 1.166.364         | 180.661          | (24.232)        | (6.165)      | 24.455             | 224           | 8.699         | 2.534         |
| Long Position in US\$ x ARS       |             | 12.219            | -                | (278)           | -            | 278                | -             | -             | -             |
| SubTotal                          |             |                   |                  | (21.233)        | (7.952)      | 24.733             | 3.501         | 10.486        | 2.534         |
| Value at Risk (VaR) (1)           |             |                   |                  | 16.719          | 985          | -                  | -             | -             | -             |
| <b>Commodity Swap</b>             | 1/1/2015 to |                   |                  |                 |              |                    |               |               |               |
| Short Position in Pulp BHKP       | 1/8/2016    | 50.760            | 91.643           | (116)           | (3.034)      | -                  | -             | -             | -             |
| SubTotal                          |             |                   |                  | (116)           | (3.034)      | 321                | 205           | 3.171         | 137           |
| Value at Risk (VaR) (1)           |             |                   |                  | 152             | 312          | -                  | -             | -             | -             |
| <b>Other</b>                      |             |                   |                  |                 |              |                    |               |               |               |
| Long Position - Currency Coupon   | 1/1/2015 to | 690.612           | 796.484          | 2.314.902       | 2.668.584    | -                  | -             | -             | -             |
| Short Position - US\$ Fixed Libor | 1/3/2018    | 690.612           | 796.484          | 2.285.339       | 2.635.275    | -                  | -             | -             | -             |
| SubTotal                          |             |                   |                  | 29.563          | 33.309       | -                  | 29.562        | -             | 33.309        |
| Value at Risk (VaR) (1)           |             |                   |                  | 510             | 461          | -                  | -             | -             | -             |
| <b>Total results in swaps</b>     |             | <b>2.661.708</b>  | <b>1.598.741</b> | <b>(67.176)</b> | <b>2.941</b> | <b>164.134</b>     | <b>96.958</b> | <b>33.039</b> | <b>35.980</b> |

(1) VaR with 1-day holding period, with a confidence level of 95%

(2) Through one day gain or loss, the fair value upon contracting (R\$12,246) was considered as acquisition cost, without any direct impact on mark-to-market adjustment of the derivative portfolio. Cost will be recognized proportionally to the term of the operation, until the entire amount is recognized at maturity. On 12/31/2014 the amount to be recognized was R\$10,834.

On December 31, 2014 and 2013, the same consolidated positions, grouped by counterparty, are presented below:

| Description                         | Notional value on |                  | Fair value on   |              | Equity balances on |               | Equity balances on |               |
|-------------------------------------|-------------------|------------------|-----------------|--------------|--------------------|---------------|--------------------|---------------|
|                                     | 12/31/2014        | 12/31/2013       | 12/31/2014      | 12/31/2013   | 12/31/2014         |               | 12/31/2013         |               |
|                                     |                   |                  |                 |              | Payable            | Receivable    | Payable            | Receivable    |
| <b>Foreign currency swaps</b>       |                   |                  |                 |              |                    |               |                    |               |
| <b>Counterparties</b>               |                   |                  |                 |              |                    |               |                    |               |
| BTG Pactual <sup>(1)</sup>          | 168,773           | 194,125          | (7,295)         | (10,905)     |                    |               |                    |               |
| Merrill Lynch                       | -                 | 29,283           | -               | (203)        |                    |               |                    |               |
| Santander <sup>(2)</sup>            | 47,432            | 167,329          | (2,695)         | (4,836)      |                    |               |                    |               |
| Standard Chartered                  | 47,432            | 50,199           | (2,750)         | (3,438)      |                    |               |                    |               |
| SubTotal                            |                   |                  | (12,740)        | (19,382)     | 12,740             | -             | 19,382             | -             |
| <b>Index and Rate Swaps</b>         |                   |                  |                 |              |                    |               |                    |               |
| <b>Counterparties</b>               |                   |                  |                 |              |                    |               |                    |               |
| Bradesco                            | 398,430           |                  | (62,650)        |              |                    |               |                    |               |
| SubTotal                            |                   |                  | (62,650)        |              | 126,339            | 63,690        | -                  | -             |
| <b>Currency Swaps - NDF</b>         |                   |                  |                 |              |                    |               |                    |               |
| <b>Counterparties</b>               |                   |                  |                 |              |                    |               |                    |               |
| <b>Long Position in R\$ x US\$</b>  |                   |                  |                 |              |                    |               |                    |               |
| Itaú BBA                            | 39,843            |                  | 1,639           |              |                    | 1,639         |                    |               |
| Votorantim                          | 39,843            |                  | 1,639           |              |                    | 1,639         |                    |               |
| Rabobank                            | -                 | 89,019           | -               | (1,787)      |                    |               |                    |               |
| <b>Short Position in R\$ x US\$</b> |                   |                  |                 |              |                    |               |                    |               |
| Itaú BBA                            | 79,686            | 5,552            | (1,431)         | (547)        | 1,431              |               |                    |               |
| Rabobank                            | -                 | 89,019           | -               | 2,534        |                    |               |                    |               |
| Votorantim                          | 515,595           | 86,091           | (13,580)        | (8,152)      | 13,686             | 107           |                    |               |
| Santander                           | 571,083           | -                | (9,220)         | -            | 9,338              | 117           |                    |               |
| <b>Long Position in US\$ x ARS</b>  |                   |                  |                 |              |                    |               |                    |               |
| Standard Chartered                  | 12,219            | -                | (278)           | -            | 278                |               |                    |               |
| SubTotal                            |                   |                  | (21,232)        | (7,952)      | 24,733             | 3,501         | 10,486             | 2,534         |
| <b>Commodity Swap - Pulp</b>        |                   |                  |                 |              |                    |               |                    |               |
| <b>Counterparties</b>               |                   |                  |                 |              |                    |               |                    |               |
| Nordea Bank Finland P/C             | -                 | 5,552            | -               | 137          |                    |               |                    |               |
| Standard Chartered                  | 50,760            | 86,091           | (116)           | (3,171)      |                    |               |                    |               |
| SubTotal                            |                   |                  | (116)           | (3,034)      | 321                | 205           | 3,171              | 137           |
| <b>Other</b>                        |                   |                  |                 |              |                    |               |                    |               |
| <b>Counterparty</b>                 |                   |                  |                 |              |                    |               |                    |               |
| JP Morgan                           | 690,612           | 796,484          | 29,562          | 33,309       |                    |               |                    |               |
| SubTotal                            |                   |                  | 29,562          | 33,309       | -                  | 29,562        | -                  | 33,309        |
| <b>Total result in swaps</b>        | <b>2,661,708</b>  | <b>1,598,741</b> | <b>(67,176)</b> | <b>2,941</b> | <b>164,134</b>     | <b>96,958</b> | <b>33,039</b>      | <b>35,980</b> |

<sup>1)</sup> Current name of bank UBS Pactual

<sup>2)</sup> Transfer of the derivative portfolio of Standard Bank to Santander.

#### 4.10 Settled derivatives

On December 31, 2014 and 2013, the accumulated positions of settled derivatives, grouped by asset or index, with all trading on the over-the-counter market were as follows:

| Description                       | Maturities                    | 12-month period ended |            |                                              |            |
|-----------------------------------|-------------------------------|-----------------------|------------|----------------------------------------------|------------|
|                                   |                               | Notional value on     |            | Fair value (settlement value) accumulated on |            |
|                                   |                               | 12/31/2014            | 12/31/2013 | 12/31/2014                                   | 12/31/2013 |
| <b>Foreign currency swaps</b>     | <b>2013: Jan/13 to Dec/13</b> |                       |            |                                              |            |
| Long Position - US\$ Libor        | <b>2014: Jan/14 to Dec/14</b> | 815,356               | 1,562,971  | (10,068)                                     | (18,786)   |
| Short Position - US\$ Fixed Rate  |                               | 815,356               | 1,562,971  |                                              |            |
| SubTotal                          |                               |                       |            | (10,068)                                     | (18,786)   |
| <b>Rate and index swaps</b>       | <b>2013: Jan/13 to Dec/13</b> |                       |            |                                              |            |
| Long Position - % DI              | <b>2014: Jan/14 to Dec/14</b> | 398,430               | -          |                                              | -          |
| Short Position - US\$ Fixed Rate  |                               | 398,430               | -          | (132)                                        | -          |
| SubTotal                          |                               |                       |            | (132)                                        | -          |
| <b>Currency swaps</b>             | <b>2013: Jan/13 to Dec/13</b> |                       |            |                                              |            |
| Short Position in R\$ x US\$      | <b>2014: Jan/14 to Dec/14</b> | 592,359               | 821,339    | (167)                                        | (9,335)    |
| Long Position in R\$ x US\$       |                               | 100,936               | 509,516    | 7,942                                        | -          |
| Long Position in US\$ x ARS       |                               | 63,749                | 118,301    | (1,382)                                      | (940)      |
| SubTotal                          |                               |                       |            | 6,394                                        | (10,275)   |
| <b>Commodity swaps</b>            | <b>2013: Jan/13 to Dec/13</b> |                       |            |                                              |            |
| Short Position in Pulp BHKP       | <b>2014: Jan/14 to Dec/14</b> | 53,151                | 104,503    | (579)                                        | (2,928)    |
| SubTotal                          |                               |                       |            | (579)                                        | (2,928)    |
| <b>Other</b>                      | <b>2013: Jan/13 to Dec/13</b> |                       |            |                                              |            |
| Long Position - Currency Coupon   | <b>2014: Jan/14 to Dec/14</b> | 212,496               | 281,112    | 7,367                                        | 4,067      |
| Short Position - US\$ Fixed Libor |                               | 212,496               | 281,112    |                                              |            |
| SubTotal                          |                               |                       |            | 7,367                                        | 4,067      |
| <b>Total result in swaps</b>      |                               |                       |            | 2,981                                        | (27,921)   |

#### 4.11 Capital management

The main objective of Suzano's capital management is to ensure it maintains a solid credit rating and debt ratios in order to support its operations and maximize shareholder value. The Company manages its capital structure and makes adjustments based on changes in economic conditions.

|                                   | Parent Company     |             | Consolidated       |             |
|-----------------------------------|--------------------|-------------|--------------------|-------------|
|                                   | 12/31/2014         | 12/31/2013  | 12/31/2014         | 12/31/2013  |
| Loans and financing               | <b>12,027,544</b>  | 11,205,065  | <b>13,760,585</b>  | 12,743,329  |
| Debentures                        | -                  | 133,656     | -                  | 133,656     |
| (-) Cash and cash equivalents     | <b>(2,615,579)</b> | (2,648,159) | <b>(3,686,115)</b> | (3,689,640) |
| Net debt                          | <b>9,411,965</b>   | 8,690,562   | <b>10,074,470</b>  | 9,187,345   |
| Shareholders' equity              | <b>10,315,132</b>  | 10,687,239  | <b>10,315,132</b>  | 10,687,239  |
| Shareholders' equity and net debt | <b>19,727,097</b>  | 19,377,801  | <b>20,389,602</b>  | 19,874,584  |

#### 4.12 Fair value hierarchy

The financial instruments calculated at fair value, are presented in accordance with the levels defined below:

- Level 1 - Prices quoted (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than the prices quoted in active markets included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for assets or liabilities that are not based on observable market variables (unobservable inputs).

| Consolidated                              |                             |                  |                  |            |
|-------------------------------------------|-----------------------------|------------------|------------------|------------|
|                                           | Fair value on<br>12/31/2014 | Level 1          | Level 2          | Level 3    |
| <b>Assets</b>                             |                             |                  |                  |            |
| Cash and banks                            | 3.686.115                   | 1.076.067        | 2.610.048        | -          |
| Financial Investments                     | -                           | -                | -                | -          |
| Exclusive Fund Paperfect                  | -                           | -                | -                | -          |
| Derivatives <sup>(1)</sup>                | 96.958                      | -                | 96.753           | 205        |
|                                           |                             | <u>1.076.067</u> | <u>2.706.801</u> | <u>205</u> |
| <b>Liabilities</b>                        |                             |                  |                  |            |
| Derivatives                               | 164.134                     | -                | 163.813          | 321        |
| Loans and financing                       | 14.651.963                  | -                | 14.651.963       | -          |
| Commitments related to asset acquisitions | 782.112                     | -                | 782.112          | -          |
|                                           |                             | <u>-</u>         | <u>163.813</u>   | <u>321</u> |

| Consolidated             |                             |                  |                  |              |
|--------------------------|-----------------------------|------------------|------------------|--------------|
|                          | Fair value on<br>12/31/2013 | Level 1          | Level 2          | Level 3      |
| <b>Assets</b>            |                             |                  |                  |              |
| Cash and banks           | 1,073,027                   | 1,073,027        | -                | -            |
| Financial Investments    | 2,345,458                   | -                | 2,345,458        | -            |
| Exclusive Fund Paperfect | 164,681                     | -                | 164,681          | -            |
| Exclusive Fund Report    | 106,474                     | 106,474          | -                | -            |
| Derivatives              | 35,980                      | -                | 35,843           | 137          |
|                          |                             | <u>1,179,501</u> | <u>2,545,982</u> | <u>137</u>   |
| <b>Liabilities</b>       |                             |                  |                  |              |
| Derivatives              | 33,039                      | -                | 29,868           | 3,171        |
|                          |                             | <u>-</u>         | <u>29,868</u>    | <u>3,171</u> |

<sup>(c)</sup> The classification between assets and liabilities of derivative operations differs from the amounts presented in the balance sheet as it considers as assets or liabilities all payment flows classified as gains and losses in the long term.

#### 4.13 Guarantees

On December 31, 2014, the Company had guarantees pegged to consolidated accounts receivable operations related to exports amounting to US\$171 million, equivalent to R\$454,086 on this date.

On December 31, 2013, the Company had guarantees pegged to consolidated accounts receivable operations related to exports amounting to US\$260,102, equivalent to R\$609,316 on this date.

## 5 Cash and Cash Equivalents

### CAIXA E EQUIVALENTES DE CAIXA

|                       | Parent Company |            | Consolidated |            |
|-----------------------|----------------|------------|--------------|------------|
|                       | 12/31/2014     | 12/31/2013 | 12/31/2014   | 12/31/2013 |
| Cash and banks        |                |            |              |            |
| In Brazil             | 18.114         | 35.532     | 25.122       | 36.777     |
| Abroad                | -              | -          | 1.050.945    | 1.036.250  |
|                       | 18.114         | 35.532     | 1.076.067    | 1.073.027  |
| Financial investments |                |            |              |            |
| In Brazil             | 2.584.784      | 2.311.603  | 2.597.367    | 2.315.589  |
| Abroad                | 12.681         | 29.869     | 12.681       | 29.869     |
|                       | 2.597.465      | 2.341.472  | 2.610.048    | 2.345.458  |
| Exclusive funds       | -              | 271.155    | -            | 271.155    |
|                       | 2.615.579      | 2.648.159  | 3.686.115    | 3.689.640  |

On December 31, 2014 and 2013, these consolidated investments and funds yielded interest at rates varying between 90.0% and 110.0% of the CDI, except for an amount of R\$383 of total consolidated cash (R\$5,044 in 2013) in Repurchase Commitments, which are investments with daily liquidity, yielding 75% of the CDI.

Investments in balanced funds enjoy daily liquidity and are diversified between bank Certificates of Deposit ("CDB") and repurchase agreements. Funds are managed by Banco BTG Pactual S/A ("Banco BTG"), whose portfolios are as follows:

|                                  | Parent Company and Consolidated |            |
|----------------------------------|---------------------------------|------------|
|                                  | 12/31/2014                      | 12/31/2013 |
| <b>Investment Fund Paperfect</b> |                                 |            |
| Investment CDB                   | 58,000                          | 82,064     |
| Repurchase agreements            | 405,228                         | 82,821     |
| Deductions <sup>(1)</sup>        | (875)                           | (204)      |
|                                  | 462,353                         | 164,681    |
| <b>Investment Fund Report</b>    |                                 |            |
| Investment funds                 | -                               | 106,609    |
| Deductions <sup>(1)</sup>        | -                               | (135)      |
|                                  | -                               | 106,474    |
|                                  | 462,353                         | 271,155    |

<sup>(1)</sup> Includes expenses with auditing, administration fee and withholding income tax.

## 6 Trade Accounts Receivable

### 6.1 Breakdown of balances

|                                 | Parent Company   |                  | Consolidated     |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 12/31/2014       | 12/31/2013       | 12/31/2014       | 12/31/2013       |
| Domestic clients                |                  |                  |                  |                  |
| Third parties                   | 625.625          | 726.389          | 626.799          | 730.100          |
| Subsidiaries                    | 758              | 696              | -                | -                |
| Related Parties <sup>(1)</sup>  | 22.209           | 18.783           | 22.209           | 18.783           |
| Foreign clients                 |                  |                  |                  |                  |
| Third parties                   | 21.072           | 20.988           | 580.934          | 738.090          |
| Subsidiaries                    | 1.958.428        | 2.009.873        | -                | -                |
| Related Parties <sup>(1)</sup>  | -                | -                | 3.204            | 5.338            |
| Allowance for doubtful accounts | (25.278)         | (16.074)         | (25.748)         | (18.170)         |
|                                 | <u>2.602.814</u> | <u>2.760.655</u> | <u>1.207.398</u> | <u>1.474.141</u> |

(a) See Note 10.

### 6.2 Analysis of maturities

#### AGING LIST DE CLIENTES

|                   | Parent Company |               | Consolidated   |               |
|-------------------|----------------|---------------|----------------|---------------|
|                   | 12/31/2014     | 12/31/2013    | 12/31/2014     | 12/31/2013    |
| Amounts overdue:  |                |               |                |               |
| Up to two months  | 13.330         | 16.928        | 70.533         | 29.502        |
| Two to six months | 4.143          | 7.169         | 4.288          | 8.296         |
| Over six months   | 37.726         | 30.643        | 41.464         | 35.906        |
|                   | <u>55.199</u>  | <u>54.740</u> | <u>116.285</u> | <u>73.704</u> |

### 6.3 Changes in provision for allowance for doubtful accounts in the year

|                                                | Parent Company  |                 | Consolidated    |                 |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                | 12/31/2014      | 12/31/2013      | 12/31/2014      | 12/31/2013      |
| Opening balance                                | (16,074)        | (21,948)        | (18,170)        | (24,239)        |
| Credits accrued in the period                  | (10,998)        | (8,519)         | (11,614)        | (9,171)         |
| Credits recovered in the period                | 280             | 726             | 1,602           | 1,184           |
| Credits definitively written-off from position | 1,514           | 13,667          | 1,788           | 13,537          |
| Foreign exchange variation                     | -               | -               | 646             | 519             |
| Closing balance                                | <u>(25,278)</u> | <u>(16,074)</u> | <u>(25,748)</u> | <u>(18,170)</u> |



## 7 Inventories

|                                 | Parent Company |                | Consolidated     |                |
|---------------------------------|----------------|----------------|------------------|----------------|
|                                 | 12/31/2014     | 12/31/2013     | 12/31/2014       | 12/31/2013     |
| Finished goods                  |                |                |                  |                |
| Pulp                            |                |                |                  |                |
| Domestic                        | 92,210         | 45,780         | 92,210           | 45,780         |
| Foreign                         | -              | -              | 183,923          | 116,992        |
| Paper                           |                |                |                  |                |
| Domestic                        | 197,591        | 183,849        | 197,591          | 183,849        |
| Foreign                         | -              | -              | 65,179           | 65,730         |
| Work in process                 | 33,721         | 31,701         | 33,721           | 31,701         |
| Raw materials                   | 329,356        | 303,694        | 329,356          | 303,800        |
| Maintenance and other materials | 166,594        | 148,589        | 175,101          | 157,404        |
|                                 | <b>819,472</b> | <b>713,613</b> | <b>1,077,081</b> | <b>905,256</b> |

On December 31, 2014, the Parent Company and Consolidated balances of inventories are net of provision for losses amounting to R\$29,029, of which: i) finished goods totaled R\$928; ii) raw materials totaled R\$8,111; iii) materials in production totaled R\$84; and iv) maintenance materials totaled R\$19,906 (R\$54,406 in 2013, of which i) finished goods totaled R\$243; ii) raw materials totaled R\$32,225; and iii) maintenance materials totaled R\$21,938).

No inventory items were given as collateral for or guarantee of liabilities for the periods presented.

## 8 Recoverable taxes

|                                                                | Parent Company |                | Consolidated   |                |
|----------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                | 12/31/2014     | 12/31/2013     | 12/31/2014     | 12/31/2013     |
| IRPJ and CSLL - advances and withheld taxes                    | 125,312        | 87,570         | 125,425        | 88,742         |
| PIS and COFINS - on acquisition of fixed assets <sup>(1)</sup> | 100,376        | 134,475        | 100,376        | 134,475        |
| PIS and COFINS - other operations <sup>(2)</sup>               | 405,184        | 379,567        | 405,185        | 379,569        |
| ICMS - on acquisition of fixed assets <sup>(1)</sup>           | 75,157         | 42,058         | 75,157         | 42,058         |
| ICMS - other operations <sup>(2)</sup>                         | 165,638        | 123,292        | 167,403        | 125,072        |
| Other taxes and contributions                                  | 92,965         | 61,383         | 93,045         | 61,524         |
| Provision for losses of ICMS credits                           | (9,333)        | (10,861)       | (9,333)        | (10,861)       |
|                                                                | <b>955,299</b> | <b>817,484</b> | <b>957,258</b> | <b>820,579</b> |
| Total current assets                                           | <b>473,673</b> | <b>306,906</b> | <b>475,632</b> | <b>310,001</b> |
| Total non-current assets                                       | <b>481,626</b> | <b>510,578</b> | <b>481,626</b> | <b>510,578</b> |

(1) Credits whose realization is linked to the depreciation period of the corresponding asset.

(2) Credits available for immediate realization.

### 8.1 Income tax and social contribution on net income

Represents IRPJ and CSLL credits paid by estimate during the period whose adjusted calculation base at the end of the fiscal year was a tax loss, taxes withheld on financial investments and restatement based on the Selic rate. The credits are used to offset other federal taxes due and withholding taxes payable.

## **8.2 Social integration program (“PIS”) and Contribution for social security financing (“COFINS”)**

The amounts refer substantially to the credits from inputs and services acquired for product manufacturing, the sale of which were not taxed upon billing, as they were exported, and on the acquisition of property, plant and equipment and services related to the Imperatriz/MA industrial unit, whose tax credit will be based on the depreciation term of these assets. The Company will realize these credits with debits deriving from business activities and through other federal tax carryforwards.

## **8.3 State value-added tax on goods and services (“ICMS”)**

On December 31, 2014, the amounts of R\$77,772 and R\$82,398 of the Mucuri - BA and Imperatriz - MA units, respectively (R\$90,509 and R\$20,879, respectively, in 2013) were chiefly due to the non-utilization of credits in outflows of tax-exempted pulp and paper exports.

The Company requested that the Bahia State Treasury Department and the State of Maranhão inspect and ratify, respectively, these credits for their realization. In Bahia, the amount of R\$58,350 has been ratified and may be used for the offsetting authorized by the ICMS (State VAT) Regulations or traded in the active market, for which the average discount considered is approximately 12% over the credit amount. The Company recorded a provision for the partial loss of these ICMS credits of Bahia in the amount of R\$9,333 (R\$10,861 in 2013), and awaits the conclusion of the ratification of the credits in maranhão.

On December 31, 2013, the amount of R\$90,509 of the Mucuri - BA unit (R\$90,768 on December 31, 2012) was chiefly due to the non-utilization of credits in outflows of tax-exempted pulp and paper exports. To realize these credits, the Company requested that the Bahia State Treasury Department inspect and ratify these credits, which are already ratified in the amount of R\$66,854 (R\$37,901 on December 31, 2012). The ratified amounts may be used for the offsetting authorized by the Bahia State ICMS (State VAT) Regulations or traded in the active market, for which the average discount considered is approximately 12% over the credit amount. The Company recorded a provision for the partial loss of these credits in the amount of R\$10,861 (R\$10,892 on December 31, 2012).

## **9 Timber Development Program**

On December 31, 2014, the balance of advances of financial resources and inputs for timber development amounted to R\$257,490, classified under current and non-current assets (R\$286,439 in 2013).

This development program is a system whereby independent producers plant eucalyptus at their own farms in order to supply the agricultural product (timber) to the Company, with these advances not subject to valuation by fair value.

On December 31, 2013, the balance of advances of financial resources and inputs for timber development amounted to R\$286,439, classified under current and non-current assets (R\$293,773 on December 31, 2012).

This development program is a system whereby independent producers plant eucalyptus at their own farms in order to supply the agricultural product (timber) to the Company, with these advances not subject to valuation by fair value.

## 10 Related parties

### 10.1 Balances and transactions in the fiscal year ended December 31, 2014

|                                |                                            | ASSETS           |              | LIABILITIES   |                        | RESULT            |
|--------------------------------|--------------------------------------------|------------------|--------------|---------------|------------------------|-------------------|
| Transactions                   | Nature of the main operation               | Current          | Non-current  | Current       | Non-current and Equity | Income (expenses) |
| <b>With subsidiaries</b>       |                                            |                  |              |               |                        |                   |
| Suzano Trading                 | Sale of pulp and paper                     | 1.945.222        | (2) -        | 43.471        | (1) 1.685.927          | (1) 3.539.490     |
| Paineiras                      | Land lease                                 | 741              | -            | 403           | -                      | (6.472)           |
| Paineiras Logística            | AFCl and Commissioning of road transport   | 7.130            | 3.680        | (3) 17.229    | -                      | (81.536)          |
| Stenfar                        | Sale of paper                              | 14.062           | (2) -        | 37            | -                      | 61.323            |
| Ondurman                       | Land lease                                 | -                | -            | -             | -                      | (13.423)          |
| Amulya                         | Land lease                                 | -                | -            | -             | -                      | (9.549)           |
| Futuragene                     | Shared expenses                            | 16               | (6) -        | -             | -                      | 48                |
|                                |                                            | <b>1.967.171</b> | <b>3.680</b> | <b>61.140</b> | <b>1.685.927</b>       | <b>3.489.881</b>  |
| <b>With related parties</b>    |                                            |                  |              |               |                        |                   |
| Suzano Holding S.A.            | Guarantees and administrative expenses     | -                | -            | 2.686         | -                      | (34.574)          |
| IPLF Holding S.A.              | Shared expenses                            | -                | -            | -             | -                      | 591               |
| Central                        | Sale of paper                              | 22.209           | -            | 21.494        | (4) -                  | 59.727            |
| Nemonorte                      | Real-estate consulting services            | -                | -            | -             | -                      | (799)             |
| Mabex                          | Aircraft services                          | -                | -            | -             | -                      | (516)             |
| Lazam - MDS                    | Insurance consulting and advisory services | -                | -            | 27            | -                      | (324)             |
| Ecofuturo                      | Social services                            | -                | -            | -             | -                      | (3.229)           |
| Bexma                          | Administrative expenses                    | -                | -            | -             | -                      | 93                |
| Shareholders                   | Dividends and interest on equity           | -                | -            | 114           | -                      | -                 |
|                                |                                            | <b>22.209</b>    | <b>-</b>     | <b>24.321</b> | <b>-</b>               | <b>20.969</b>     |
| <b>Between related parties</b> |                                            |                  |              |               |                        |                   |
| Stenfar                        | Shared expenses                            | 3.204            | -            | -             | -                      | 541               |
| IPLF Holding S.A.              | Shared expenses                            | -                | -            | 3.204         | -                      | (541)             |
|                                |                                            | <b>3.204</b>     | <b>-</b>     | <b>3.204</b>  | <b>-</b>               | <b>-</b>          |
|                                |                                            | <b>1.992.584</b> | <b>3.680</b> | <b>88.664</b> | <b>1.685.927</b>       | <b>3.510.850</b>  |

### 10.2 Balances and transactions in the fiscal year ended December 31, 2013

| Transactions            | Nature of the main operation               | ASSETS    |             | LIABILITIES |                        | RESULT            |               |           |
|-------------------------|--------------------------------------------|-----------|-------------|-------------|------------------------|-------------------|---------------|-----------|
|                         |                                            | Current   | Non-current | Current     | Non-current and Equity | Income (expenses) |               |           |
| With subsidiaries       |                                            |           |             |             |                        |                   |               |           |
| Suzano Trading          | Sale of pulp and paper                     | 2,006,426 | (2)         | -           | 39,297 (1)             | 1,486,879 (1)     | 2,442,603 (2) |           |
| Suzano Europe           | Refunded expenses                          | -         |             | -           | 16 (6)                 | -                 | -             |           |
| Paineiras               | AFCl and Property lease                    | 741       |             | 7,500 (3)   | 4,745                  | -                 | (12,545) (5)  |           |
| Paineiras Logística     | AFCl and Commissioning of road transport   | 511       |             | 1,184 (3)   | 2,538                  | -                 | (21,532)      |           |
| Stenfar                 | Sale of paper                              | 4,654     | (2)         | -           | 64                     | -                 | 27,347 (2)    |           |
| Ondurman                | AFCl and Property lease                    | 679       |             | 700 (3)     | -                      | -                 | (14,188)      |           |
| Amulya                  | AFCl and Property lease                    | -         |             | 725 (3)     | -                      | -                 | (10,006)      |           |
| Asapir                  | Refunded expenses                          | -         |             | -           | 850 (6)                | -                 | -             |           |
| SER                     | AFCl e Shared expenses                     | 64        | (6)         | 34,650 (3)  | 1,584 (6)              | -                 | -             |           |
| Bahia Sul Holdings GmbH | AFCl                                       | -         |             | 62 (3)      | -                      | -                 | -             |           |
| Futuragene              | Shared expenses                            | 160       | (6)         | -           | -                      | -                 | 27 (6)        |           |
|                         |                                            | 2,013,235 |             | 44,821      |                        | 49,094            | 1,486,879     | 2,411,706 |
| With related parties    |                                            |           |             |             |                        |                   |               |           |
| Suzano Holding S.A.     | Guarantees and administrative expenses     | 161       |             | -           | 4,757                  | -                 | (34,575)      |           |
| Tec 2 Doc Serviços      | Sale of paper                              | -         |             | -           | -                      | -                 | 17,381 (7)    |           |
| Central                 | Sale of paper                              | 18,614    |             | -           | 16,302 (4)             | -                 | 65,417 (2)    |           |
| Nemonorte               | Real-estate consulting services            | -         |             | -           | -                      | -                 | (646)         |           |
| Mabex                   | Aircraft services                          | -         |             | -           | -                      | -                 | (658)         |           |
| Lazam - MDS             | Insurance consulting and advisory services | -         |             | -           | 94                     | -                 | (458)         |           |
| Ecofuturo               | Social services                            | -         |             | -           | -                      | -                 | (4,066)       |           |
| Bexma                   | Administrative expenses                    | 8         |             | -           | -                      | -                 | 133           |           |
| IPLF Holding S.A.       | Credit from tax lawsuits                   | -         |             | -           | 504 (6)                | -                 | -             |           |
| Shareholders            | Dividends and interest on equity           | -         |             | -           | 647                    | -                 | -             |           |
|                         |                                            | 18,783    |             | -           | 22,304                 | -                 | 42,528        |           |
| Between related parties |                                            |           |             |             |                        |                   |               |           |
| Stenfar                 | Shared expenses                            | 2,667     |             | -           | -                      | -                 | 61            |           |
| IPLF Holding S.A.       | Shared expenses                            | -         |             | -           | 2,667                  | -                 | (61)          |           |
|                         |                                            | 2,667     |             | -           | 2,667                  | -                 | -             |           |
|                         |                                            | 2,034,685 |             | 44,821      |                        | 74,065            | 1,486,879     | 2,454,234 |

(1) Refer mainly to the "2021 Notes" and import financing contracted by the subsidiary Suzano Trading and transferred to the Company in export prepayment operations, at the rates and terms shown in Note 16.

(2) Pulp and paper sales operations;

- (3) Advance for future capital increase "(AFCI)".  
(4) Vendor operations classified as loans and financing (Note 16)  
(5) Electricity sold through February 2013 and property lease.  
(6) Includes telephone, facilities and administrative expenses.  
(7) The company Tec2Doc Serviços de Tecnologia e Documentos Ltda ("Tec2Doc Serviços", formerly Agaprint Indl. e Coml. Ltda) was sold on September 2, 2013, and the results presented refer to the period of eight (8) months.

#### Legend of company names:

Amulya Empreendimentos Imobiliários Ltda. ("Amulya")  
Bexma Comercial Ltda. ("Bexma")  
Central Distribuidora de Papéis Ltda. ("Central")  
Comercial e Agrícola Paineiras Ltda. ("Paineiras")  
Futuragene Brasil Tecnologia Ltda. ("Futuragene")  
Instituto Ecofuturo - Futuro para o Desenvolvimento Sustentável ("Ecofuturo")  
Lazam MDS Corretora e Adm. Seguros S.A. ("Lazam-MDS")  
Mabex Representações e Participações Ltda. ("Mabex")  
Nemonorte Imóveis e Participações Ltda. ("Nemonorte")  
Ondurman Empreendimentos Imobiliários Ltda. ("Ondurman")  
Paineiras Logística e Transportes Ltda. ("Paineiras Logística")  
Stenfar S.A Indl. Coml. Imp. Y. Exp. ("Stenfar")  
Suzano Pulp and Paper Europe S.A. ("Suzano Europa")

Transactions with subsidiaries and related parties are recorded under the following items in the balance sheet:

|                                                |      | Parent Company     |                    | Consolidated    |                 |
|------------------------------------------------|------|--------------------|--------------------|-----------------|-----------------|
|                                                | Note | 12/31/2014         | 12/31/2013         | 12/31/2014      | 12/31/2013      |
| <b>Balance receivable</b>                      |      |                    |                    |                 |                 |
| Trade accounts receivable                      | 6    | 1.981.395          | 2.029.352          | 25.413          | 21.450          |
| Receivables from subsidiaries - current        |      | 7.985              | 2.666              | -               | -               |
| Receivables from subsidiaries - non-current    |      | 3.680              | 44.821             | -               | -               |
|                                                |      | <u>1.993.060</u>   | <u>2.076.839</u>   | <u>25.413</u>   | <u>21.450</u>   |
| <b>Balance payable</b>                         |      |                    |                    |                 |                 |
| Dividends and Interest on Equity payable       |      | (114)              | (647)              | (114)           | (647)           |
| Loans and financing                            | 16   | (22.504)           | (19.418)           | (22.504)        | (19.418)        |
| Trade accounts payable                         |      | (1.703)            | (2.239)            | (1.703)         | (2.239)         |
| Obligations with related parties - current     |      | (61.140)           | (49.094)           | -               | -               |
| Obligations with related parties - non-current |      | (1.685.927)        | (1.486.879)        | -               | -               |
|                                                |      | <u>(1.771.388)</u> | <u>(1.558.277)</u> | <u>(24.322)</u> | <u>(22.304)</u> |
|                                                |      | <u>221.672</u>     | <u>518.562</u>     | <u>1.091</u>    | <u>(854)</u>    |

### 10.3 Management compensation

On December 31, 2014, expenses related to the compensation of key management personnel, which include the Board of Directors, Fiscal Council and Board of Executive Officers, in addition to certain executives, recognized in the statement of income for the year amounted to R\$78,189 at the Parent Company and R\$78,207 on a consolidated basis (R\$75,868 and R\$77,013 in 2013, respectively).

|                              | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                              | <b>12/31/2014</b>     | <b>12/31/2013</b> | <b>12/31/2014</b>   | <b>12/31/2013</b> |
| <b>Short-term benefits</b>   |                       |                   |                     |                   |
| Salary or compensation       | 17,771                | 19,101            | 17,789              | 20,181            |
| Direct and Indirect Benefits | 1,728                 | 1,083             | 1,728               | 1,148             |
| Bonus                        | 23,848                | 27,561            | 23,848              | 27,561            |
|                              | <b>43,347</b>         | <b>47,745</b>     | <b>43,365</b>       | <b>48,890</b>     |
| <b>Long-term benefits</b>    |                       |                   |                     |                   |
| Share-based compensation     | 34,842                | 28,123            | 34,842              | 28,123            |
|                              | <b>34,842</b>         | <b>28,123</b>     | <b>34,842</b>       | <b>28,123</b>     |
| <b>Total</b>                 | <b>78,189</b>         | <b>75,868</b>     | <b>78,207</b>       | <b>77,013</b>     |

Short-term benefits include fixed compensation (salaries and fees, vacation, mandatory “13<sup>th</sup> salary” bonus), and payroll charges (company share of contributions to social security - INSS) and variable compensation such as profit sharing, bonus and benefits (company car, health plan, meal voucher, grocery voucher, life insurance and private pension plan).

Long-term benefits include the Stock Option Plan and Phantom Shares for executives and key management members, in accordance with the specific regulations (see Note 19).

## 11 Biological Assets

Biological assets are reforested eucalyptus forests in the growth phase, used to supply wood to pulp plants. The summarized changes in the balances of biological assets in the respective fiscal years are shown below:

|                                 | <b>Parent Company</b> | <b>Consolidated</b> |
|---------------------------------|-----------------------|---------------------|
| Balance on December 31, 2012    | 2,696,797             | 2,643,940           |
| Additions <sup>(1)</sup>        | 592,755               | 592,781             |
| Depletion in the year           | (301,853)             | (301,853)           |
| Gain on fair value adjustment   | 99,998                | 95,179              |
| Transfers <sup>(2) (3)</sup>    | (29,350)              | (29,350)            |
| Other write-offs <sup>(4)</sup> | (34,825)              | (34,825)            |
| Balance on December 31, 2013    | 3,023,522             | 2,965,872           |
| Additions <sup>(1)</sup>        | 762,745               | 743,551             |
| Merger VFSA                     | 428,785               | 428,785             |
| Merger SER                      | 6,866                 | -                   |
| Depletion in the year           | (455,385)             | (455,385)           |
| Gain on fair value adjustment   | 12,847                | 12,847              |
| Other write-offs <sup>(4)</sup> | (36,249)              | (36,249)            |
| Balance on December 31, 2014    | <b>3,743,131</b>      | <b>3,659,421</b>    |

- 1) The costs with land leasing incurred at subsidiaries were eliminated for the consolidated figures.
- 2) Expenses with land improvements reclassified to Property, Plant and Equipment;
- 3) Wood harvest for formation of the opening Inventory of the Maranhão Unit and forests acquired from third parties in the physical/forestry inventory phase.
- 4) On December 31, 2014, the amount of R\$27,505 related to damages (fire/theft). In 2013, it includes the amount of R\$28,757 related to the suspension of the SER and Piauí Projects (Note 1.1 b) iv).

The valuation of eucalyptus forests was made by the Management using the Income Approach method, based on the future cash flows discounted to present value, in order to reflect the economic model of a business unit solely concerned with the eucalyptus forest.

When the Company determined the fair value of its assets, it took into account all the costs including implementation, renovation and maintenance, net of taxes.

The flow projections based on the expected production of vertical tree bark existing on the balance sheets reference date consider forest average growth cycle of seven years, average productivity obtained by the Annual Average Increase ("IMA") of 35.2m<sup>3</sup> / hectare / year (36.8 m<sup>3</sup> in 2013) and forest formation costs until the appropriate cutting period of the vertical tree (harvest period, i.e., matured assets). Sales average net price was R\$54.63/m<sup>3</sup> (R\$51.79/m<sup>3</sup> in 2013). The discount rate was 9.7% p.a. On December 31, 2014, the Company had 50,737 hectares of areas considered mature assets, and 363,614 hectares considered immature assets, for a total of 414,351 thousand hectares planted eligible for calculation.

The Company manages the financial risks related to agricultural activities in a preventive manner. In the case of risks related to losses from fire, there is constant monitoring through strategically located watchtowers and fire alarm systems and fire brigades are maintained and trained to fight fires in forest areas. To mitigate risks from edaphoclimatic factors, the weather is monitored through meteorological stations and, in the event of pests and diseases, our Department of Forestry Research and Development includes an area that specializes in physiological and phytosanitary aspects of the Company, which also has procedures to diagnose and act rapidly against any occurrences and losses.

The Company does not have any type of government incentive related to biological assets, or biological assets given as collateral on the dates of these financial statements.

On December 31, 2014, the fair value calculated was again of R\$12,847 (R\$99,998 in the parent company and R\$95,179 in the consolidated in 2013).

## **12 Deferred income tax and social contribution taxes**

The Company, based on expected generation of future taxable income as determined by a technical study approved by Management, recognized deferred tax assets over temporary differences, income and social contribution tax loss carryforwards, which do not expire.

Deferred income and social contribution taxes are originated as follows:

|                                                         | Parent Company   |                  | Consolidated     |                  |
|---------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                         | 12/31/2014       | 12/31/2013       | 12/31/2014       | 12/31/2013       |
| <b>Non-current assets</b>                               |                  |                  |                  |                  |
| Income tax                                              |                  |                  |                  |                  |
| Credits over tax losses                                 | 614,987          | 543,434          | 616,130          | 544,442          |
| Credits over temporary differences:                     |                  |                  |                  |                  |
| Credits over provisions                                 | 196,000          | 189,605          | 196,000          | 189,654          |
| Credits over effects of Law 11,941/09 and IFRS          | 151,273          | 141,417          | 151,273          | 141,417          |
|                                                         | <u>962,260</u>   | <u>874,456</u>   | <u>963,403</u>   | <u>875,513</u>   |
| Social contribution                                     |                  |                  |                  |                  |
| Credits over social contribution tax loss carryforwards | 103,357          | 88,294           | 103,357          | 88,294           |
| Credits over temporary differences:                     |                  |                  |                  |                  |
| Credits over provisions                                 | 70,308           | 68,005           | 70,308           | 68,023           |
| Credits over effects of Law 11,941/09 and IFRS          | 54,457           | 50,910           | 54,457           | 50,910           |
|                                                         | <u>228,122</u>   | <u>207,209</u>   | <u>228,122</u>   | <u>207,227</u>   |
| <b>Total non-current assets:</b>                        | <u>1,190,382</u> | <u>1,081,665</u> | <u>1,191,525</u> | <u>1,082,740</u> |
| <b>Non-current liabilities</b>                          |                  |                  |                  |                  |
| Deferred income tax                                     |                  |                  |                  |                  |
| Debits over accelerated depreciation                    | 609,854          | 580,142          | 609,854          | 580,142          |
| Debits over goodwill amortization                       | 123,569          | 123,000          | 123,569          | 123,000          |
| Debits over effects of Law 11,941/09 and IFRS           | 1,301,802        | 1,358,331        | 1,390,962        | 1,447,392        |
|                                                         | <u>2,035,225</u> | <u>2,061,473</u> | <u>2,124,385</u> | <u>2,150,534</u> |
| Social contribution                                     |                  |                  |                  |                  |
| Debits over goodwill amortization                       | 44,485           | 44,280           | 44,485           | 44,280           |
| Debits over effects of Law 11,941/09 and IFRS           | 468,649          | 488,999          | 500,747          | 521,061          |
|                                                         | <u>513,134</u>   | <u>533,279</u>   | <u>545,232</u>   | <u>565,341</u>   |
| <b>Total non-current liabilities</b>                    | <u>2,548,359</u> | <u>2,594,752</u> | <u>2,669,617</u> | <u>2,715,875</u> |
| Total non-current assets, net                           | -                | -                | 1,143            | 1,075            |
| Total non-current liabilities, net                      | <u>1,357,977</u> | <u>1,513,087</u> | <u>1,479,235</u> | <u>1,634,210</u> |
|                                                         | <u>1,357,977</u> | <u>1,513,087</u> | <u>1,478,092</u> | <u>1,633,135</u> |

The breakdown of accumulated tax losses and social contribution tax loss carryforwards is shown below:

|                                           | Parent Company |            | Consolidated |            |
|-------------------------------------------|----------------|------------|--------------|------------|
|                                           | 12/31/2014     | 12/31/2013 | 12/31/2014   | 12/31/2013 |
| Tax losses                                | 2,459,946      | 2,173,735  | 2,464,518    | 2,177,768  |
| Social contribution tax loss carryforward | 1,148,406      | 981,044    | 1,148,406    | 981,044    |

## 12.1 Reconciliation of the effects of income tax and social contribution on profit or loss

|                                                                                     | Parent Company |            | Consolidated |            |
|-------------------------------------------------------------------------------------|----------------|------------|--------------|------------|
|                                                                                     | 12/31/2014     | 12/31/2013 | 12/31/2014   | 12/31/2013 |
| Net income (loss) before income and social contribution taxes                       | (381,488)      | (288,435)  | (363,943)    | (279,974)  |
| Exclusion of equity accounting result                                               | 17,180         | 36,762     | -            | -          |
| Net loss after excluding equity accounting results                                  | (364,308)      | (251,673)  | (363,943)    | (279,974)  |
| Income and social contribution taxes at the nominal rate of 34%                     | 123,865        | 85,569     | 123,741      | 95,191     |
| Adjustment for accounting of tax rate:                                              |                |            |              |            |
| Income tax on subsidiaries abroad                                                   | (4,867)        | (2,068)    | -            | -          |
| Exchange effect of translating foreign subsidiaries' financial statements           | -              | -          | (20,569)     | (31,085)   |
| Tax effects over adjustments to Law 11,941/09 and IFRS                              | 1,719          | (453)      | -            | -          |
| Other                                                                               | (735)          | (15,072)   | (735)        | (4,591)    |
| <b>Income Tax</b>                                                                   |                |            |              |            |
| Current                                                                             | -              | (1,291)    | (14,367)     | (8,037)    |
| Deferred                                                                            | 88,224         | 51,021     | 88,175       | 51,071     |
|                                                                                     | 88,224         | 49,730     | 73,808       | 43,034     |
| <b>Social Contribution</b>                                                          |                |            |              |            |
| Current                                                                             | (2)            | (122)      | (3,113)      | (1,887)    |
| Deferred                                                                            | 31,760         | 18,368     | 31,742       | 18,368     |
|                                                                                     | 31,758         | 18,246     | 28,629       | 16,481     |
| Income and social contribution taxes income recorded as profit or loss in the years | 119,982        | 67,976     | 102,437      | 59,515     |

On December 31, 2014 and 2013, the Company recorded tax losses; therefore, there is no effective rate for these periods.

## 12.2 Tax incentives

The Company has tax incentives for a 75% reduction in the income tax until calendar year 2018, calculated based on the exploration profit proportional to the net revenues from pulp at the subsidized unit in Mucuri/BA. The result obtained from this tax benefit is the reduction in income tax expense and, during the distribution of profits from the year, the amount reduced from the expense is allocated to the capital reserve account, pursuant to law. In the fiscal years ended December 31, 2014 and 2013, the Company recorded tax losses and hence did not use said benefit.

The industrial unit at Mucuri/BA is located in an under-developed micro-region in an area under the supervision of SUDENE, the agency for the development of northeast Brazil. Hence, it has the benefit of accelerated depreciation incentive for tax purposes, which involves full depreciation of property, plant and equipment since the start-up of the unit. The accelerated depreciation incentive represents the deferred payment of Income Tax (IRPJ) and is not applicable to Social Contribution on net Income (CSLL). This tax benefit is controlled in the Taxable Income Control Register (LALUR) and hence does not affect depreciation expenses recorded for such assets in subsequent years.

## 12.3 Transitional Tax Regime ("RTT")

In the fiscal years ended December 31, 2014 and 2013, the Company and its subsidiaries chose to calculate income tax and social contribution on net income in accordance with the RTT, which aims to ensure tax neutrality by eliminating the accounting effects arising from the application of Law 11,638/07 and Provisional Presidential Decree (MP) 449/08, made into Law 11,941/09, through registrations at LALUR (book registry of actual income) and auxiliary controls.



Federal Law 12,973/14 was enacted on May 14, 2014, which permanently regulates the tax effects arising from the accounting adjustments introduced by IFRS in the country. The provisions of the Law are mandatorily valid from 2015, with the option of early adoption from 2014 by taxpayers. The Company did not exercise the option of early adoption for the calendar year 2014.

## 13 Investments

| Subsidiaries                           |         | Information on Subsidiaries on 12/31/2014 |               |                                     |                 |                     | Equity Accounting |            | Investments and (Provision) for Investment Losses |          |
|----------------------------------------|---------|-------------------------------------------|---------------|-------------------------------------|-----------------|---------------------|-------------------|------------|---------------------------------------------------|----------|
|                                        |         | Equity Interest %                         | Balance sheet |                                     |                 | Result for the year |                   |            |                                                   |          |
|                                        |         |                                           | Assets        | Current and Non-Current Liabilities | Adjusted Equity |                     | Year ended:       |            |                                                   |          |
|                                        |         |                                           |               |                                     |                 |                     | 12/31/2014        | 12/31/2013 |                                                   |          |
| Subsidiaries and direct joint ventures |         |                                           |               |                                     |                 |                     |                   |            |                                                   |          |
| Asapir                                 |         | 50.00%                                    | 15,358        | 16,152                              | (794)           | (3,210)             | (1,605)           | (1,192)    | (397)                                             | 208      |
| Paineiras                              | (b)     | 100.00%                                   | 401,694       | 122,971                             | 257,240         | 4,608               | (222)             | (1,152)    | 257,240                                           | 250,462  |
| Suzano Trading                         | (a)     | 100.00%                                   | 3,742,893     | 3,699,029                           | 43,864          | (711)               | 5,027             | (22,255)   | 43,861                                            | 42,047   |
| Sun Paper                              | (a)     | 100.00%                                   | 4,854         | 521                                 | 4,333           | 792                 | 1,021             | 699        | 4,333                                             | 3,312    |
| SER                                    | (c)     | -                                         | -             | -                                   | -               | (784)               | (784)             | (11,458)   | -                                                 | 6,611    |
| Paineiras Logistica                    |         | 99.99%                                    | 21,134        | 20,355                              | 779             | (5,404)             | (5,403)           | 4,648      | 779                                               | 4,647    |
| Aanisan                                | (c)     | -                                         | -             | -                                   | -               | (8)                 | (8)               | (11)       | -                                                 | 7        |
| Epicares                               |         | -                                         | -             | -                                   | -               | -                   | -                 | 2,521      | -                                                 | -        |
| Vale Florestar S/A                     | (c)     | -                                         | -             | -                                   | -               | (2,294)             | (2,294)           | -          | -                                                 | -        |
| Stenfar                                | (a)/(b) | 68.58%                                    | 71,962        | 40,784                              | 25,740          | 8,240               | 3,265             | (1,391)    | 15,943                                            | 13,029   |
| Suzano America                         | (a)/(b) | 100.00%                                   | 251,904       | 223,765                             | (17,589)        | 2,633               | (1,023)           | (13,630)   | (17,589)                                          | (16,566) |
| Bahia Sul Holdings                     | (a)     | 100.00%                                   | 50            | 9                                   | 41              | (14)                | (13)              | (19)       | 38                                                | (11)     |
| Suzano Europa                          | (a)/(b) | 100.00%                                   | 542,609       | 506,143                             | (18,020)        | 5,344               | (8,328)           | (3,241)    | (18,021)                                          | (9,694)  |
| Ondurman                               | (b)     | 100.00%                                   | 79,800        | 61,841                              | (47,909)        | 5,151               | (9,640)           | (9,295)    | (47,911)                                          | (38,970) |
| Amulya                                 | (b)     | 99.99%                                    | 61,954        | 52,490                              | 9,464           | 2,827               | 2,827             | 19,014     | 9,464                                             | 5,911    |
|                                        |         |                                           |               |                                     |                 |                     | (17,180)          | (36,762)   | 247,740                                           | 260,993  |
| Total investments                      |         |                                           |               |                                     |                 |                     |                   |            | 331,658                                           | 326,234  |
| Total provisions for losses            |         |                                           |               |                                     |                 |                     |                   |            | (83,918)                                          | (65,241) |
| Indirect subsidiaries                  |         |                                           |               |                                     |                 |                     |                   |            |                                                   |          |
| Futuragene PLC.                        | (a)     | 100.00%                                   | 41,711        | 6,147                               | 35,564          | (30,673)            | (28,339)          | (37,179)   | 35,564                                            | 22,923   |
| Stenfar                                | (a)/(b) | 31.42%                                    | 71,962        | 40,784                              | 25,740          | 8,240               | 1,633             | 1,197      | 9,797                                             | 8,164    |
| SER                                    |         | -                                         | -             | -                                   | -               | (784)               | -                 | (8)        | -                                                 | 7        |
| Amulya                                 | (b)     | 0.01%                                     | 61,954        | 52,490                              | 9,464           | 2,827               | -                 | 2          | -                                                 | 6        |
|                                        |         |                                           |               |                                     |                 |                     | (26,706)          | (35,988)   | 45,361                                            | 31,100   |

- a) The equity accounting of these foreign direct and indirect subsidiaries includes an exchange variation gain amounting to R\$7,860 (R\$15,658 in 2013).
- b) The shareholders' equity of these subsidiaries considers the elimination of the unrealized profits.

### 13.1 Changes in investments

|                                                              | Parent Company |               |
|--------------------------------------------------------------|----------------|---------------|
|                                                              | 12/31/2014     | 12/31/2013    |
| Opening balance                                              | 260,993        | 482,417       |
| Equity accounting and foreign exchange variation             | (17,180)       | (36,762)      |
| Exchange variation in investees (other comprehensive income) | (3,561)        | (2,107)       |
| Acquisition of Vale Florestar                                | 482,846        | -             |
| Capital increase                                             | 46,277 (c)     | 4,766 (a)     |
| Merger of subsidiary Vale Florestar                          | (480,552)      | -             |
| Merger of subsidiary SER                                     | (41,083)       | -             |
| Sale of subsidiary Epícares                                  | -              | (187,321) (b) |
| Closing balance                                              | 247,740        | 260,993       |

- (a) In 2013, capital increase in the amounts of R\$1,848, R\$1,041 and R\$18,877 in the subsidiaries Amulya, Ondurman and Stenfar, respectively. At Asapir capital reduction of R\$17,000.
- (b) Divestment on May 28, 2013, related to the divestment from the Capim Branco Energia Consortium.
- (c) In 2014, capital increases of R\$725, R\$35,250, R\$700, R\$7,500, R\$1,534, R\$1,000 and R\$66 in the subsidiaries Amulya, SER, Ondurman, Paineiras, Paineiras Logística, Asapir and Bahia Sul Holding, respectively. At Paineiras, capital reduction of R\$498.

## 13.2 Acquisition of VFFIP and VFSA

On August 8, 2014, the Company acquired full control of the shares of VFFIP and VFSA. The transaction is in line with the Company's strategy of pursuing structural competitiveness in order to maximize business profitability, and its main benefits are increased harvest flexibility, forest management and long-term payment.

The accounting criteria used to book the transaction followed the provisions of CPC 15 (R1) - Business Combination.

The standard establishes that in case of a preexisting relationship between the acquirer and the acquired company, when the business combination in fact terminated the preexisting relationship, the acquirer must recognize, separately from the business combination, the gain or loss from the effective settlement of the contract.

In compliance with said standard, the Management of the Company analyzed this preexisting relationship separately and verified that: i) neither the agreement for purchase and sale of standing forests nor the contract rescission entered into between the parties envisaged any fine for early rescission; and ii) comparing the agreement with current operations in the market for the purchase and sale of standing forests, from the acquirer's viewpoint the agreement is neither favorable nor unfavorable to the Company. The Management therefore concluded that there are no gains or losses to be recorded from the termination of the preexisting relationship.

Suzano incurred costs related to the acquisition of these assets, which were included in profit or loss for the period when incurred.

The net assets acquired are stated as follows:

| <u>In thousands of reais (R\$ '000)</u> | <u>VFFIP</u>   | <u>VFSA</u>    |                                         | <u>VFFIP</u>   | <u>VFSA</u>    |
|-----------------------------------------|----------------|----------------|-----------------------------------------|----------------|----------------|
| <b>Current</b>                          | <b>7</b>       | <b>13,173</b>  | <b>Current</b>                          | <b>72</b>      | <b>1,387</b>   |
| Cash and cash equivalents               | 7              | 11,664         | Trade accounts payable                  | 72             | 196            |
| Trade accounts receivable               | -              | 2              | Financing                               | -              | 5              |
| Inventory                               | -              | 1,246          | Taxes and contributions payable         | -              | 556            |
| Advances to suppliers/employees         | -              | 188            | Provision for labor claims              | -              | 630            |
| Taxes recoverable                       | -              | 73             |                                         |                |                |
| <b>Non-current</b>                      | <b>483,570</b> | <b>519,171</b> | <b>Non-current</b>                      | <b>-</b>       | <b>46,096</b>  |
| Long-term financial investments         | 872            | -              | Financing                               | -              | 45,000         |
| Prepaid expenses                        | 6              | -              | Deferred tax liability                  | -              | 1,096          |
| Biological Assets - Eucalyptus          | -              | 417,800        |                                         |                |                |
| Biological Assets - Other specimen      | -              | 36             |                                         |                |                |
| Taxes recoverable                       | -              | 22,383         |                                         |                |                |
| Deferred Income Tax                     | -              | 27,790         | <b>Total net of identifiable assets</b> | <b>483,505</b> | <b>484,861</b> |
| Investment property                     | -              | 24,223         |                                         |                |                |
| Investment - Vale Florestar             | 482,692        | -              |                                         |                |                |
| Property, plant and equipment           | -              | 26,461         |                                         |                |                |
| Intangible assets                       | -              | 478            |                                         |                |                |
| <b>Total Assets</b>                     | <b>483,577</b> | <b>532,344</b> | <b>Total Liabilities</b>                | <b>483,577</b> | <b>532,344</b> |

The net assets were valued by external appraisers engaged by the Company to determine their fair values. The Income Approach method was used in determining the fair value of the biological assets, which is based on preparing a future cash flow discounted to present value. The method considers that the fair value of an asset is related to the present value of the free cash flows generated by the asset in the future.

Intangible assets were valued by external appraisers to determine their fair value, though they did not qualify for booking in accordance with the criteria under CPC 04 - Intangible Assets.

The net assets acquired that were valued based on their fair values are shown below:

|                                           | <b>R\$</b>    |
|-------------------------------------------|---------------|
| Net assets acquired at cost               | 483,505       |
| Total net assets at fair value            | 483,505       |
| Total consideration transferred           | 528,941       |
| <b>Goodwill from business combination</b> | <b>45,436</b> |

The goodwill calculated, corresponding to 8.6% of the consideration transferred, is attributable mainly to the operating synergies in the forest management of the areas acquired.

## 14 Property, Plant and Equipment

|                                  |     | Parent Company |                         |              |                 |                  |
|----------------------------------|-----|----------------|-------------------------|--------------|-----------------|------------------|
|                                  |     | Buildings      | Machinery and equipment | Other assets | Lands and farms | Work in progress |
| Annual average depreciation rate |     | 4.66%          | 5.24%                   | 16.77%       | -               | -                |
| <b>Cost</b>                      |     |                |                         |              |                 |                  |
| Balance on December 31, 2012     |     | 1,705,304      | 10,094,304              | 163,938      | 3,787,299       | 3,133,094        |
| Transfers                        |     | 31,401         | 129,534                 | (1,155)      | (1,557)         | (152,642)        |
| Additions                        | (b) | -              | 34,921                  | 6,808        | 21,993          | 1,782,987        |
| Write-offs                       |     | (3,099)        | (28,774)                | (485)        | (29,698)        | (44,290)         |
| Interest capitalization          |     | -              | -                       | -            | -               | 159,944          |
| Balance on December 31, 2013     |     | 1,733,606      | 10,229,985              | 169,106      | 3,778,037       | 4,879,093        |
| Transfers                        | (c) | 782,054        | 4,349,797               | 21,914       | 19,326          | (5,161,872)      |
| Additions                        | (b) | 92             | 128,343                 | 40,452       | 619             | 649,612          |
| Merger VFSA                      |     | 24,949         | 29                      | 1,024        | -               | -                |
| Merger SER                       |     | -              | -                       | -            | 34,035          | -                |
| Write-offs                       | (a) | (14,943)       | (68,310)                | (1,699)      | (9,158)         | -                |
| Interest capitalization          |     | -              | -                       | -            | -               | 36,144           |
| Balance on December 31, 2014     |     | 2,525,758      | 14,639,844              | 230,797      | 3,822,859       | 402,977          |
| <b>Depreciation</b>              |     |                |                         |              |                 |                  |
| Balance on December 31, 2012     |     | (494,455)      | (3,671,791)             | (121,662)    | -               | -                |
| Transfers                        |     | (15,886)       | (2,421)                 | (831)        | -               | -                |
| Write-offs                       |     | 1,239          | 19,395                  | 642          | -               | -                |
| Depreciation                     |     | (36,995)       | (464,398)               | (9,076)      | -               | -                |
| Balance on December 31, 2013     |     | (546,097)      | (4,119,215)             | (130,927)    | -               | -                |
| Transfers                        | (c) | 11,479         | (12,643)                | 850          | -               | -                |
| Write-offs                       | (a) | 2,165          | 46,585                  | 966          | -               | -                |
| Depreciation                     |     | (77,100)       | (625,470)               | (16,199)     | -               | -                |
| Balance on December 31, 2014     |     | (609,553)      | (4,710,743)             | (145,310)    | -               | -                |
| <b>Residual value</b>            |     |                |                         |              |                 |                  |
| Balance on December 31, 2014     |     | 1,916,205      | 9,929,101               | 85,487       | 3,822,859       | 402,977          |
| Balance on December 31, 2013     |     | 1,187,509      | 6,110,770               | 38,179       | 3,778,037       | 4,879,093        |

|                                         |     |                  |                         |                  |                  |                    | Consolidated                        |
|-----------------------------------------|-----|------------------|-------------------------|------------------|------------------|--------------------|-------------------------------------|
|                                         |     | Buildings        | Machinery and equipment | Other assets     | Lands and farms  | Work in progress   | Total property, plant and equipment |
| <b>Annual average depreciation rate</b> |     | <b>4.66%</b>     | <b>5.24%</b>            | <b>16.77%</b>    | <b>-</b>         | <b>-</b>           | <b>-</b>                            |
| <b>Cost</b>                             |     |                  |                         |                  |                  |                    |                                     |
| Balance on December 31, 2012            |     | 1,711,501        | 10,095,567              | 172,059          | 4,329,805        | 3,134,661          | 19,443,593                          |
| Transfers                               |     | 31,553           | 129,937                 | (823)            | 4,473            | (153,533)          | 11,607                              |
| Additions                               | (b) | -                | 38,722                  | 7,181            | 24,221           | 1,784,028          | 1,854,152                           |
| Write-offs                              |     | (3,140)          | (29,750)                | (934)            | (30,940)         | (46,008)           | (110,772)                           |
| Interest capitalization                 |     | -                | -                       | -                | -                | 159,944            | 159,944                             |
| Balance on December 31, 2013            |     | 1,739,914        | 10,234,476              | 177,483          | 4,327,559        | 4,879,093          | 21,358,525                          |
| Transfers                               | (c) | <b>782,490</b>   | <b>4,350,253</b>        | <b>22,065</b>    | <b>19,339</b>    | <b>(5,162,926)</b> | <b>11,221</b>                       |
| Additions                               | (b) | <b>108</b>       | <b>129,603</b>          | <b>40,582</b>    | <b>1,205</b>     | <b>650,666</b>     | <b>822,164</b>                      |
| Merger VFSA                             |     | <b>24,949</b>    | <b>29</b>               | <b>1,024</b>     | <b>-</b>         | <b>-</b>           | <b>26,002</b>                       |
| Write-offs                              | (a) | <b>(20,396)</b>  | <b>(68,310)</b>         | <b>(1,699)</b>   | <b>(9,936)</b>   | <b>-</b>           | <b>(100,341)</b>                    |
| Interest capitalization                 |     | -                | -                       | -                | -                | <b>36,144</b>      | <b>36,144</b>                       |
| Balance on December 31, 2014            |     | <b>2,527,065</b> | <b>14,646,051</b>       | <b>239,455</b>   | <b>4,338,167</b> | <b>402,977</b>     | <b>22,153,715</b>                   |
| <b>Depreciation</b>                     |     |                  |                         |                  |                  |                    |                                     |
| Balance on December 31, 2012            |     | (500,392)        | (3,671,576)             | (123,803)        | -                | -                  | (4,295,771)                         |
| Transfers                               |     | (15,886)         | (2,421)                 | (831)            | -                | -                  | (19,138)                            |
| Write-offs                              |     | 1,273            | 18,805                  | 711              | -                | -                  | 20,789                              |
| Depreciation                            |     | <b>(37,027)</b>  | <b>(466,065)</b>        | <b>(9,606)</b>   | <b>-</b>         | <b>-</b>           | <b>(512,698)</b>                    |
| Balance on December 31, 2013            |     | <b>(552,032)</b> | <b>(4,121,257)</b>      | <b>(133,529)</b> | <b>-</b>         | <b>-</b>           | <b>(4,806,818)</b>                  |
| Transfers                               | (c) | <b>11,479</b>    | <b>(12,643)</b>         | <b>851</b>       | <b>-</b>         | <b>-</b>           | <b>(313)</b>                        |
| Write-offs                              | (a) | <b>7,618</b>     | <b>46,585</b>           | <b>966</b>       | <b>-</b>         | <b>-</b>           | <b>55,169</b>                       |
| Depreciation                            |     | <b>(77,273)</b>  | <b>(626,387)</b>        | <b>(16,840)</b>  | <b>-</b>         | <b>-</b>           | <b>(720,500)</b>                    |
| Balance on December 31, 2014            |     | <b>(610,208)</b> | <b>(4,713,702)</b>      | <b>(148,552)</b> | <b>-</b>         | <b>-</b>           | <b>(5,472,462)</b>                  |
| <b>Residual value</b>                   |     |                  |                         |                  |                  |                    |                                     |
| Balance on December 31, 2014            |     | <b>1,916,857</b> | <b>9,932,349</b>        | <b>90,903</b>    | <b>4,338,167</b> | <b>402,977</b>     | <b>16,681,253</b>                   |
| Balance on December 31, 2013            |     | <b>1,187,882</b> | <b>6,113,219</b>        | <b>43,954</b>    | <b>4,327,559</b> | <b>4,879,093</b>   | <b>16,551,707</b>                   |

- a) In addition to disposals, write-offs include obsolescence and scrapping.
- b) Additions to Works in Progress mainly refer to the construction of the pulp plant in the state of Maranhão.
- c) Composed substantially of transfers related to the construction of the pulp plant in Maranhão, the balance relates to the transfer to intangible assets.

Machinery and equipment include amounts recognized as financial leasing outlined in Note 16.2.

On December 31, 2014, the Company conducted the annual asset impairment testing and no evidence of impairment was identified.

#### 14.1 Assets given as collateral

On December 31, 2014, the Company and its subsidiaries had property, plant and equipment given as collateral in loan operations and lawsuits amounting to R\$11,772,855 (R\$11,179,424 on December 31, 2013).

On December 31, 2013, the Company and its subsidiaries had property, plant and equipment given as collateral in loan operations and lawsuits amounting to R\$11,179,424 (R\$9,266,185 on December 31, 2012).

#### 14.2 Capitalized expenses

In the quarter ended March 31, 2014, interests were capitalized in the amount of R\$36,144 referring to the investments in the construction of the new plant in the state of Maranhão (R\$159,944 in 2013). The amount calculated considers net funding from investments at the average rate of 89% of the CDI overnight interbank rate. No new capitalization of interest was carried out after said date.

On December 31, 2013, interests were capitalized in the amount of R\$159,944 referring to the investments in the construction of the new plant in the state of Maranhão (R\$41,242 on December 31, 2012). The amount calculated considers net funding from investments at the average rate of 81.73% of the CDI overnight interbank rate.

## 15 Intangible Assets

### 15.1 Goodwill

The Company maintains a balance of goodwill not subject to amortization on investments in B.L.D.S.P.E. Celulose e Papel S.A. (a subsidiary already merged), Vale Florestar and Paineiras Logística in the amounts of R\$34,047, R\$45,435 and R\$10, respectively.

### 15.2 Intangible assets with determined useful life

|                                | Useful life<br>(years) | Book Cost      | Accumulated<br>Amortization | Exchange<br>Rate<br>Variation | Parent Company and Consolidated |                |
|--------------------------------|------------------------|----------------|-----------------------------|-------------------------------|---------------------------------|----------------|
|                                |                        |                |                             |                               | Residual Values                 |                |
|                                |                        |                |                             |                               | 12/31/2014                      | 12/31/2013     |
| <b>KSR <sup>(a)</sup></b>      |                        |                |                             |                               |                                 |                |
| Customer relationship          | 5                      | 22,617         | (17,339)                    | -                             | 5,278                           | 9,801          |
| <b>Other intangible assets</b> |                        |                |                             |                               | -                               | -              |
| Trademarks and Patents         | 10                     | 1,176          | (735)                       | -                             | 441                             | 648            |
| Software                       | 5                      | 55,287         | (18,102)                    | -                             | 37,185                          | 19,687         |
| <b>Balance Parent Company</b>  |                        | <b>79,080</b>  | <b>(36,176)</b>             | <b>-</b>                      | <b>42,904</b>                   | <b>30,136</b>  |
| <b>Futuragene</b>              |                        |                |                             |                               |                                 |                |
| R&D Agreements                 | 18.8                   | 153,316 (a)    | (52,942)                    | 66,275                        | 166,649                         | 157,356        |
| Other License Agreements       | 11.8                   | 3,436 (a)      | (1,898)                     | 1,486                         | 3,024                           | 3,039          |
| <b>Other intangible assets</b> |                        |                |                             |                               |                                 |                |
| Software                       | 5                      | 24             | (23)                        | -                             | 1                               | 2              |
| <b>Consolidated Balance</b>    |                        | <b>235,856</b> | <b>(91,039)</b>             | <b>67,761</b>                 | <b>212,578</b>                  | <b>190,533</b> |

- a) Amount translated at the original U.S. dollar exchange rate on the date of calculation of the gain from allocation of the price paid.

On December 31, 2014, the amounts of R\$13,301 in the Parent Company and R\$30,524 in the Consolidated were amortized (R\$9,988 and R\$24,164, respectively, in 2013).

On December 31, 2014, no evidence of impairment was identified.

On December 31, 2013, the amounts of R\$9,988 in the Parent Company and R\$24,164 in the Consolidated were amortized (R\$10,338 and R\$19,293, respectively, in 2012).

On December 31, 2013, no evidence of impairment was identified.

## 16

## Loans and Financing

|                                                    | Index                      | Annual average interest rate on 12/31/2014 | Maturity     | Parent Company |            | Consolidated |            |
|----------------------------------------------------|----------------------------|--------------------------------------------|--------------|----------------|------------|--------------|------------|
|                                                    |                            |                                            |              | 12/31/2014     | 12/31/2013 | 12/31/2014   | 12/31/2013 |
| Property, plant and equipment:                     |                            |                                            |              |                |            |              |            |
| BNDES - Finem                                      | Fixed rate / TJLP (1) (2)  | 7.05%                                      | 2015 to 2023 | 1,784,305      | 1,977,233  | 1,784,305    | 1,977,233  |
| BNDES - Finem                                      | Currency basket / US\$ (2) | 5.76%                                      | 2015 to 2022 | 2,614,936      | 2,195,893  | 2,614,936    | 2,195,893  |
| BNDES - Finame                                     | Fixed rate / TJLP (1) (2)  | 4.64%                                      | 2015 to 2024 | 25,425         | 3,511      | 25,425       | 3,511      |
| FNE - BNB                                          | Fixed rate (2)             | 8.50%                                      | 2015 to 2017 | 57,441         | 75,642     | 57,441       | 75,642     |
| FINEP                                              | Fixed rate (2)             | 4.31%                                      | 2015 to 2020 | 50,823         | 49,597     | 50,823       | 49,597     |
| Rural credit                                       | Fixed rate                 | 5.50%                                      | 2015         | 169,511        | 20,436     | 169,511      | 20,436     |
| Financial lease                                    | CDI / US\$                 |                                            | 2015 to 2022 | 25,450         | 33,873     | 25,450       | 33,873     |
| Export Credit Agency - ECA                         | US\$ (2) (3)               | 1.93%                                      | 2015 to 2022 | 1,229,931      | 1,233,947  | 1,229,931    | 1,233,947  |
| Working capital:                                   |                            |                                            |              |                |            |              |            |
| Export financing                                   | US\$ (4)                   | 4.01%                                      | 2015 to 2022 | 1,896,408      | 2,054,668  | 1,896,408    | 2,054,668  |
| Export credit note                                 | CDI / Fixed rate (5)       | 12.48%                                     | 2015 to 2021 | 4,070,046      | 3,514,454  | 4,070,046    | 3,514,454  |
| Senior Notes                                       | US\$ / Fixed rate (6)      | 5.88%                                      | 2021         | -              | -          | 1,732,670    | 1,525,848  |
| Trade notes discount-Vendor                        |                            |                                            | 2015         | 54,312         | 42,566     | 54,312       | 42,566     |
| Loan Banco do Brasil                               | CDI (7)                    | 12.74%                                     | 2016         | 46,175         | -          | 46,175       | -          |
| Other                                              |                            |                                            | 2015         | 2,781          | 3,245      | 3,152        | 15,661     |
|                                                    |                            |                                            |              | 12,027,544     | 11,205,065 | 13,760,585   | 12,743,329 |
| Current (including interests payable)              |                            |                                            |              | 1,751,040      | 955,462    | 1,795,355    | 1,007,157  |
| Non-current                                        |                            |                                            |              | 10,276,504     | 10,249,603 | 11,965,230   | 11,736,172 |
| Non-current loans and financing mature as follows: |                            |                                            |              |                |            |              |            |
| 2015                                               |                            |                                            |              | -              | 959,074    | -            | 959,074    |
| 2016                                               |                            |                                            |              | 1,467,241      | 2,209,113  | 1,467,241    | 2,209,113  |
| 2017                                               |                            |                                            |              | 1,462,111      | 1,940,820  | 1,462,111    | 1,940,820  |
| 2018                                               |                            |                                            |              | 1,825,255      | 1,338,181  | 1,825,255    | 1,338,181  |
| 2019                                               |                            |                                            |              | 2,502,531      | 2,060,391  | 2,502,531    | 2,060,391  |
| 2020                                               |                            |                                            |              | 1,679,431      | 692,944    | 1,679,431    | 692,944    |
| 2021                                               |                            |                                            |              | 1,107,811      | 924,481    | 2,796,537    | 2,411,050  |
| 2022 onwards                                       |                            |                                            |              | 232,124        | 124,600    | 232,124      | 124,600    |
|                                                    |                            |                                            |              | 10,276,504     | 10,249,603 | 11,965,230   | 11,736,172 |

- (a) Term of capitalization corresponds to those exceeding 6% of the Long-Term Interest Rate ("TJLP") published by the Central Bank of Brazil;
- (b) Loans and financing are secured, depending on the agreement, by (i) plant mortgages; (ii) rural properties; (iii) fiduciary sale of the asset being financed; (iv) guarantee from shareholders, and (v) bank guarantee.
- (c) In March 2004, the Company obtained funds from BNP Paribas in the amount of US\$20 million and in October 2006, the Company contracted a US\$150 million loan agreement with BNP Paribas and Société Générale, in the proportion of 50% each, to finance imported equipment for the Mucuri/BA unit. In May 2013, the Company obtained funds through two import financing operations (ECA - Export Credit Agency) for equipment to be installed in the future pulp producing unit in Maranhão. The total amount contracted is equivalent to US\$535 million, for a term of up to 9.5 years, from AB Svensk Exportkredit, BNP Paribas, through its subsidiary Fortis Bank SA/NV, Nordea Bank Finland Plc, Nordea Bank AB and Société Générale, with guarantee furnished by the Export Credit Agencies FINNVERA and EKN. All the agreements establish covenants regarding the maintenance of determined levels of leverage, which are verified for compliance after 60 and 120 days of the closing of the months of June and December of each fiscal year, respectively. As of June 2014, the Company met all the established levels. The next scrutiny will be based on the results of December 2014.
- (d) In July 2014, the conditions of a US\$50 million Export Financing agreement in the portfolio were renegotiated and the maturity postponed from 2016 to 2019. In October and November 2014, the Company contracted two Advances on Export Contracts (ACC) in the total amount of US\$ 50 million and maturing in six months.
- (e) In October 2014, the Company settled in advance three Export Credit Notes (NCE) in the mandatory modality, totaling R\$102,500, and contracted on the same date a new Note for the same amount, thus changing the maturity from 1.4 years to 3 years. In November 2014, the terms of two US\$1,200,000 NCEs in the portfolio were renegotiated and the maturity was postponed from 2016 and 2017 to 2020. In the same month, a compulsory NCE was contracted in the amount of R\$100,000 and maturing in five months.
- (f) In September 2010, the Company, through its subsidiary Suzano Trading, placed in the international market US\$650 million in Senior Notes due on January 23, 2021, with semiannual interest payments of 5.875% p.a. and return for investors of 6.125% p.a. The Company is guarantor of the issue, which corresponds to a senior

obligation without security interest of the issuer or the Company and is entitled to the same rights as other obligations of similar nature of these companies. Between September 2013 and July 2014, the Company, through its international subsidiary Suzano Trading, repurchased US\$4.3 million of principal amount of the Senior Notes issued.

- (g) Due to the merger of Vale Florestar, a debt of R\$45,000 (principal) maturing in 2016 was added to the portfolio.

## 16.1 Changes in loans and financing

|                               | Parent Company    |                   | Consolidated      |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
|                               | 12/31/2014        | 12/31/2013        | 12/31/2014        | 12/31/2013        |
| Opening balance               | 11,205,065        | 8,628,485         | 12,743,329        | 10,017,275        |
| Funding                       | 2,654,850         | 4,124,891         | 2,654,850         | 4,124,891         |
| Recognized interest           | 829,738           | 641,066           | 917,212           | 724,648           |
| Exchange variation            | 662,977           | 699,151           | 854,940           | 887,213           |
| Settlement of principal       | (2,598,991)       | (2,212,088)       | (2,600,124)       | (2,255,424)       |
| Settlement of interest        | (799,897)         | (560,781)         | (887,401)         | (643,373)         |
| Loan added through merger     | 46,367            | -                 | 46,367            | -                 |
| Funding costs                 | (23,638)          | (158,626)         | (23,638)          | (158,626)         |
| Amortization of funding costs | 51,073            | 42,967            | 55,050            | 46,725            |
|                               | <u>12,027,544</u> | <u>11,205,065</u> | <u>13,760,585</u> | <u>12,743,329</u> |

## 16.2 Financial lease agreements

The financial lease agreements under which the Company and its subsidiaries undertake the risks and benefits inherent to ownership are classified as financial lease agreements.

The Company has financial lease agreements related to equipment used in the pulp and paper industrial process. These agreements are denominated in U.S. dollar or the CDI overnight rate and contain purchase option clauses for these assets upon the expiration of the lease term, which varies from 8 to 15 years, for a price substantially lower than their fair value. Management intends to exercise the purchase options on the dates estimated in each agreement.

The amounts booked as property, plant and equipment, net of depreciation, and the present value of mandatory installments of the agreement (financing) corresponding to these assets are stated below:

|                                                              | <b>Parent Company and Consolidated</b> |                   |
|--------------------------------------------------------------|----------------------------------------|-------------------|
|                                                              | <b>12/31/2014</b>                      | <b>12/31/2013</b> |
| Machinery and equipment                                      | <b>108.565</b>                         | 150.582           |
| (-) Accumulated depreciation                                 | <b>(86.721)</b>                        | (120.475)         |
| Property, plant and equipment, net                           | <b>21.844</b>                          | 30.107            |
| Present value of mandatory installments (financing):         |                                        |                   |
| Less than 1 year                                             | <b>3.758</b>                           | 12.949            |
| From 1 to 5 years                                            | <b>17.470</b>                          | 14.430            |
| Over 5 years                                                 | <b>4.222</b>                           | 6.494             |
| Total present value of mandatory installments (financing)    | <b>25.450</b>                          | 33.873            |
| Financial charges to be recognized in the future             | <b>5.100</b>                           | 7.337             |
| Total mandatory installments at the expiration of agreements | <b>30.550</b>                          | 41.210            |

### 16.3 Transaction costs and premiums of securities issues

On December 31, 2014, the balances of funding costs to be apportioned to consolidated profit or loss are as follows:

| <b>Nature</b> | <b>Total cost</b> | <b>Amortization</b> | <b>Exch. Rate Variation</b> | <b>Consolidated</b>            |                   |
|---------------|-------------------|---------------------|-----------------------------|--------------------------------|-------------------|
|               |                   |                     |                             | <b>Balance to be amortized</b> |                   |
|               |                   |                     |                             | <b>12/31/2014</b>              | <b>12/31/2013</b> |
| Senior Notes  | 29,284            | (19,530)            | 16,628                      | <b>26,382</b>                  | 27,219            |
| NCE           | 58,401            | (20,207)            | -                           | <b>38,194</b>                  | 38,177            |
| Prepayment    | 20,531            | (19,052)            | -                           | <b>1,479</b>                   | 9,829             |
| Import (ECA)  | 101,151           | (30,801)            | -                           | <b>70,350</b>                  | 89,430            |
| Rural credit  | 94                | (94)                | -                           | -                              | 21                |
| Total         | <b>209,461</b>    | <b>(89,684)</b>     | <b>16,628</b>               | <b>136,405</b>                 | 164,676           |

The total cost of Senior Notes was converted into Real at the USD rate on the funding date (US\$ 1.6942), and amortizations, on the respective dates, were converted at the closing USD rate. The total ECA cost includes expenses related to insurance premiums, fees and rates.

### 16.4 Debentures

The 3<sup>rd</sup> issue, carried out in August 2004 is composed of two series. On April 9, 2013, the Company exercised the option to redeem the Debentures of the 1<sup>st</sup> series of the 3<sup>rd</sup> issue, in the total amount of R\$594,150. On June 11, 2014, the Company carried out the optional early redemption of the Debentures of the 2<sup>nd</sup> series of the 3<sup>rd</sup> issue in the total amount of R\$164,371. The Company canceled the redeemed Debentures (Note 1.1 b) ii).



## 17 Provision for Contingencies

### 17.1 Changes in provisions for contingencies

| Parent Company          |                          |               |                 |                       |                           |                          |
|-------------------------|--------------------------|---------------|-----------------|-----------------------|---------------------------|--------------------------|
|                         | Balance on<br>12/31/2013 | New lawsuits  | Reversals       | Monetary<br>variation | Settlement<br>of lawsuits | Balance on<br>12/31/2014 |
| Tax and social security | 171,177                  | 21,219        | (24,990)        | 15,515                | (8,166)                   | 174,755                  |
| Labor                   | 21,911                   | 13,625        | -               | 2,081                 | (3,084)                   | 34,533                   |
| Civil                   | 7,325                    | 486           | (4,536)         | (105)                 | (575)                     | 2,595                    |
|                         | <u>200,413</u>           | <u>35,330</u> | <u>(29,526)</u> | <u>17,491</u>         | <u>(11,825)</u>           | <u>211,883</u>           |
| Consolidated            |                          |               |                 |                       |                           |                          |
|                         | Balance on<br>12/31/2013 | New lawsuits  | Reversals       | Monetary<br>variation | Settlement<br>of lawsuits | Balance on<br>12/31/2014 |
| Tax and social security | 171,177                  | 21,219        | (24,990)        | 15,515                | (8,166)                   | 174,755                  |
| Labor                   | 28,140                   | 14,813        | (243)           | 2,081                 | (3,601)                   | 41,190                   |
| Civil                   | 7,325                    | 486           | (4,536)         | (105)                 | (575)                     | 2,595                    |
|                         | <u>206,642</u>           | <u>36,518</u> | <u>(29,769)</u> | <u>17,491</u>         | <u>(12,342)</u>           | <u>218,540</u>           |

## **17.2 Tax and Social Security Suits and Proceedings**

The company is a defendant in approximately 260 administrative and legal proceedings on tax and social security issues that discuss matters related to various taxes such as PIS, COFINS, IPI, ICMS, corporate income tax and social security contribution, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

The Company adhered to the REFIS tax installment program - Law 11,941/09 for certain proceedings, amounting to nearly R\$12,796, which is duly provisioned for, and interest and fines will be paid through the use of tax loss and social contribution tax loss carryforwards.

The Company is a defendant in proceedings whose probability of loss is deemed as possible, amounting to around R\$345,634, for which a provision of R\$28,112 was accrued.

On December 31, 2014, the Company holds R\$37,096 in judicial deposits related to these proceedings (R\$45,165 in 2013).

On December 20, 2013, when the period for joining the REFIS-Law 12,865/13 program reopened, the Company paid in cash the principal amount of R\$2,347, with full reduction of fine and partial reduction of interest due, paid through the use of tax loss and social contribution tax loss carryforwards.

In addition, the Company is a defendant in proceedings whose probability of loss is deemed as possible, amounting to around R\$548,757, for which a provision of R\$26,785 was constituted.

On December 31, 2013, the Company holds R\$45,165 in judicial deposits related to these proceedings (R\$44,728 on December 31, 2012).

## **17.3 Labor claims**

On December 31, 2014, the Company was a defendant in approximately 1,795 labor claims, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

In general, labor claims are related primarily to matters frequently contested by employees in industrial companies, such as wages and severance payments, in addition to suits filed by employees of outsourced service providers of the Company. For proceedings whose outlook of loss is deemed probable, the Company has provisions amounting to R\$30,829.

In addition, the Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$35,106, for which a provision of R\$10,361 is accrued.

On December 31, 2014, the Company holds R\$22,291 in judicial deposits related to these proceedings (R\$15,953 in 2013).

On December 31, 2013, the Company was a defendant in approximately 1,617 labor claims, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

In general, labor claims are related to matters frequently contested by employees in industrial companies, such as wages and severance payments, in addition to suits filed by employees of outsourced service providers of the Company. For proceedings whose outlook of loss is deemed probable, the Company has provisions amounting to R\$19,666.

In addition, the Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$30,895, for which a provision of R\$9,268 is constituted.

On December 31, 2013, the Company holds R\$15,953 in judicial deposits related to these proceedings (R\$9,824 on December 31, 2012).

#### **17.4 Civil claims**

On December 31, 2014, the Company is a defendant in approximately 220 civil claims, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

Civil proceedings are related primarily to payment of damages, such as those resulting from work-related injuries, possessory action, environmental claims and others. For proceedings whose outlook of loss is deemed probable, the Company has provisions amounting to R\$2,558.

In addition, the Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$123, for which a provision of R\$37 is constituted.

On December 31, 2014, the Company holds R\$112 in judicial deposits related to these proceedings (R\$313 in 2013).

The Company is a defendant in approximately 185 civil claims, which are provisioned for when the probability of loss is deemed as probable by the Company's external legal advisors and by the Management.

In general, civil proceedings are related to payment of damages, such as those resulting from work-related injuries, possessory action, environmental claims and others. For proceedings whose outlook of loss is deemed probable, the Company has provisions amounting to R\$3,981.

In addition, the Company is a defendant in proceedings whose probability of loss is deemed as possible, in the approximate amount of R\$231, for which a provision of R\$69 is constituted.

On December 31, 2013, the Company holds R\$313 in judicial deposits related to these proceedings (R\$329 on December 31, 2012).

## **18 Actuarial Liabilities**

### **18.1 Defined benefits plans**

The Company guarantees four defined-benefit plans for life to a certain group of retirees:

- Sepaco health insurance program: ensures coverage of healthcare costs with an accredited network and Hospital Sepaco for former employees who requested retirement by 2003 (until 1998 for Ripasa's former employees), as well as their spouses for life and dependents while they are minors.
- Bradesco health insurance program: ensures coverage of healthcare costs with Bradesco Saúde for a group of former employees, who exceptionally, according to the Company's criteria and resolution, were vested with rights related to the compliance with Articles 30 and 31 of Law 9,656/98.
- Health care plan Sul América Saúde (Limeira unit, former Conpacel): Ensures the payment of healthcare costs by Sul América for the group of former employees with rights thereto, pursuant to the criteria and rights associated with compliance with Articles 30 and 31 of Federal Law 9,656/98.
- Life insurance: life insurance benefit provided to retirees by Bradesco.

On December 31, 2014, the amount of the future liabilities of these benefits was R\$277,463 (R\$255,138 in 2013).

The Company guarantees four defined-benefit plans for life to a certain group of retirees:

- Sepaco health insurance program: ensures coverage of healthcare costs with an accredited network and Hospital Sepaco for former employees who requested retirement by 2003 (until 1998 for Ripasa's former employees), as well as their spouses for life and dependents while they are minors.
- Bradesco health insurance program: ensures coverage of healthcare costs with Bradesco Saúde for a group of former employees, who exceptionally, according to the Company's criteria and resolution, were vested with rights related to the compliance with Articles 30 and 31 of Law 9,656/98.
- Health care plan Sul América Saúde (Limeira unit, former Conpacel): Ensures the payment of healthcare costs by Sul América for the group of former employees with rights thereto, pursuant to the criteria and rights associated with compliance with Articles 30 and 31 of Federal Law 9,656/98.
- Life insurance: life insurance benefit provided to retirees by Bradesco.

On December 31, 2013, the amount of the future liabilities of these benefits was R\$255,138 (R\$289,277 on December 31, 2012).

The key economic and biometric assumptions used in the calculations off health and life insurance are shown below:

## 18.2 Key actuarial economic and biometric assumptions used in the calculations

|                                                  | Actuarial assumptions |            |
|--------------------------------------------------|-----------------------|------------|
|                                                  | 2014                  | 2013       |
| Discount rate - health plan                      | 6.15% p.a.            | 6.5% p.a.  |
| Discount rate - life insurance                   | 6.15% p.a.            | 6.25% p.a. |
| Medical cost growth rate above basic inflation   | 3.0% p.a.             | 3.0% p.a.  |
| Economic inflation                               | 5.0% p.a.             | 5.0% p.a.  |
| General mortality biometric table                | AT-2000               | AT-2000    |
| Biometric table of mortality of disabled persons | IAPB 57               | IAPB 57    |

On December 31, 2014, the sensitivity of the balance of actuarial liabilities to the changes in the main assumptions used, considering that all others remain unchanged, is as follows:

|                                   | Change | Increase in assumption | Reduction in assumption |
|-----------------------------------|--------|------------------------|-------------------------|
| Discount rate                     | 0.50%  | Reduction of 5.71 %    | Increase of 6.66 %      |
| Rate of increase of medical costs | 0.50%  | Increase of 6.85 %     | Reduction of 5.92 %     |
| Mortality                         | 1 year | Increase of 4.24 %     | Reduction of 3.85 %     |

## 18.3 Changes in actuarial liabilities

|                                 | 12/31/2014 | 12/31/2013 |
|---------------------------------|------------|------------|
| Opening balance                 | 255,138    | 289,277    |
| Interest on actuarial liability | 31,539     | 26,991     |
| Actuarial loss (gain)           | 5,271      | (47,307)   |
| Benefits paid in the year       | (14,485)   | (13,823)   |
| Closing balance                 | 277,463    | 255,138    |

## 19 Share-Based Payments

### 19.1 Share-based compensation plans paid in currency

The Company has a long-term incentive plan (ILP) for its senior management linked to the Company share price and paid in Brazilian real (BRL). The general conditions were established for the acquisition and grant by the Company of phantom shares to these executives (beneficiaries), which are defined each year in specific regulations and administrated by the Management Committee, in accordance with the guidelines and conditions established by the Company's Bylaws and Board of Directors.

The number of phantom shares to be granted is determined by dividing the amount of wages paid, based on: i) the achievement of goals; ii) the discretionary value allocated by the Executive Board; and iii) vested quantities, based on the beneficiary's short-term compensation investment, limited to two salaries, plus a similar amount contributed by the Company, by the average of the closing price of the Company's preferred stock in the last 90 trading sessions.

Vesting conditions are considered fully met after a grace period of three years, and if applicable, until a limit period of six years as of the grant date. Vesting conditions

are not fully met when: i) in the programs in which vesting is possible, as item (iii) in the previous article, in case of the dismissal for just cause or voluntary resignation (in these cases, the beneficiary automatically loses any right to the exercise the phantom shares granted with no indemnification whatsoever, except only in vesting-related quantities); and ii) in the case of dismissal without just cause or retirement before the vesting of the phantom shares, entitling the beneficiary to the right to immediately exercise all phantom shares.

The exercise price of each phantom share is determined by the average of the Company's preferred stock over the last 90 sessions as of the exercise date, plus dividends and interest on equity distributed between the grant and exercise date, multiplied by a percentage of the Company's performance in relation to its competitors, where applicable.

As approved at the meeting of the Management Committee in October 2012, the value of the shares of all programs in force until December 31, 2012 will be fixed in the minimum amount of R\$ 9.00 per share.

In 2012, the Company granted the programs Programas Especial 2012a (previously ILP Especial I), Programa Especial 2012b, and Programa Especial 2012c (previously ILP Especial II).

The Programa Especial 2012a has a minimum fixed redemption value of R\$9.00 and a maximum of R\$15.53 per share.

The Programa Especial 2012b and Programa Especial 2012c have a minimum guaranteed redemption value of R\$9.00, but no maximum fixed value.

On March 1, 2013, the Programa ILP 2013 was granted. This program of phantom shares has a vesting period of 3 years from the date of grant and maturity in 6 years from the date of grant. The exercise price of the phantom shares is based on the average price in the last 90 trading sessions prior to the exercise date.

The Company granted on April 1, 2014 the Share Appreciation Rights (SAR) Program 2014 of phantom options, exclusively for new inclusions as of that date.

In this program, participants should invest 5% of the total amount corresponding to the number of options at the grant date and 20% after three years to acquire the option. The amounts will be calculated based on the average quote of the 90 previous trading sessions starting from the closing quote on the last business day of the month prior to the month of the grant.

This program has a vesting period of 3 years and term of 5 years from the grant date. The calculation of the amount to be paid by the beneficiary upon exercising the options will also be based on the average stock price in the 90 previous trading sessions as from the last day of the month prior to the exercise date.

On dates when the SUZB5 stock is not traded, the quote of the previous trading session will be considered. Options granted and subscribed to by the beneficiaries will not entitle their holders to dividends.

For plans with grants until 2013, the same conditions set for previous programs remain valid until the settlement date.

## **19.2 Share-based compensation plan paid in shares or alternatively in currency (Class A preferred stock options)**

At the Extraordinary Shareholders' Meeting held on August 29, 2008, the Company's Stock Option Plan (Plan) - Class A Preferred Shares was approved.

The plan establishes the Company's general conditions for the acquisition and granting of stock options to its executives, management and employees (beneficiaries), which are defined in specific regulations and administrated by the Management Committee in accordance with the guidelines and conditions established by the Company's Bylaws and the Board of Directors.

According to the Plan, the options granted cannot exceed 2% of the Company's total paid-up and subscribed capital stock, and must derive from, as suggested by the Management Committee and approved by the Board of Directors: (i) the issue of new shares, within the limit of the Company's authorized capital; and/or (ii) treasury shares.

At the Board of Directors' meeting held on August 10, 2009 and August 11, 2010 (grant dates), the first (already ended) and second Program of the Plan were approved, in which the Company granted stock options to beneficiaries, as well as, it defined the following conditions so that these beneficiaries are entitled to exercise these options (vesting and non-vesting conditions): i) in cases of the termination of employment with cause, request for voluntary termination of employment or retirement, the beneficiary will automatically lose any right to exercise the options granted thereto, without indemnification; ii) in cases of dismissal without cause or retirement, the terms foreseen for exercise of the phantom shares will be anticipated and the beneficiary will be entitled to immediately exercise a proportional number of shares *pro rata* to the vesting period of the phantom shares; iii) in the lack of any situation (i) mentioned above, the vesting conditions are deemed fully met, thus allowing the beneficiary to exercise his/her options under the terms defined by regulation.

During the grace period of options exercise, the beneficiary is prohibited from selling or encumbering these options.

The Exercise Price per share was R\$15.53 for Program 2, less dividends and interest on equity distributed between the grant date and the option exercise, both adjusted based on the Company's Weighted Average Cost of Capital (WACC) calculated by renowned financial institutions.

The Extraordinary Shareholders' Meeting held on April 30, 2013 approved the 3<sup>rd</sup> Stock Option Program. This program gives beneficiaries the right to acquire the Company shares at a fixed price, provided targets related to the following aspects are met: (i) Appreciation of the Company's shares; (ii) Net Debt/EBITDA ratio; and (iii) Return on Equity (ROE). If the targets mentioned above are exceeded, the vesting period of the tranches options will be reduced by 12 months.

The vesting periods and maturity of Program 2 and Program 3 are as follows:

| Program   | Vesting Period                                             | Number of Class "A" preferred shares                 |
|-----------|------------------------------------------------------------|------------------------------------------------------|
| Program 2 | 1 <sup>st</sup> exercise date: from 8/1/2013 to 12/31/2015 | 120,000 shares or 20% of total shares under option   |
|           | 2 <sup>nd</sup> exercise date: from 8/1/2014 to 12/31/2015 | 120,000 shares or 20% of total shares under option   |
|           | 3 <sup>rd</sup> exercise date: from 8/1/2015 to 12/31/2015 | 360,000 shares or 60% of total shares under option   |
| Program 3 | 1 <sup>st</sup> exercise date: from 1/18/2015 to 4/18/2015 | 1,800,000 shares or 20% of total shares under option |
|           | 2 <sup>nd</sup> exercise date: from 1/18/2016 to 4/18/2016 | 1,800,000 shares or 20% of total shares under option |
|           | 3 <sup>rd</sup> exercise date: from 1/18/2018 to 4/18/2018 | 1,800,000 shares or 20% of total shares under option |
|           | 4 <sup>th</sup> exercise date: from 1/18/2019 to 4/18/2019 | 1,800,000 shares or 20% of total shares under option |
|           | 5 <sup>th</sup> exercise date: from 1/18/2020 to 4/18/2020 | 1,800,000 shares or 20% of total shares under option |

On December 31, 2014, there were 12,445 thousand preferred treasury shares to guarantee the options granted by the Plan.

## 19.3 Changes to long-term incentive plans

### i. Phantom shares

Parent Company and Consolidated

| Program                                | Grant Date | Fair value on the grant date | Fair value at the end of the period | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date | Available at the beginning of the period | Granted in the Period | Exercised      | Exercised due to dismissal | Transfer <sup>(1)</sup> | Abandoned/ Prescribed due to dismissal | Available at the end of the period | Weighted average price of exercised shares |
|----------------------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-----------------------|----------------|----------------------------|-------------------------|----------------------------------------|------------------------------------|--------------------------------------------|
| ILP 2007 (PN)                          | 3/1/2008   | R\$ 34.74                    | R\$ 9.00                            | 3/1/2011                      | 3/1/2014                      | 13,043                                   | -                     | 13,043         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2008 (PN) Mar09                    | 3/1/2009   | R\$ 15.11                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 55,769                                   | -                     | 12,220         | -                          | -                       | -                                      | 43,549                             | 9.00                                       |
| ILP 2009 A - Mar08                     | 3/1/2008   | R\$ 34.74                    | R\$ 10.08                           | 3/1/2013                      | 3/1/2016                      | 11,663                                   | -                     | 3,189          | -                          | -                       | -                                      | 8,474                              | 9.00                                       |
| ILP 2008 A - Mar08 / Mar12             | 3/1/2008   | R\$ 34.74                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 11,663                                   | -                     | 5,316          | -                          | -                       | -                                      | 6,347                              | 9.00                                       |
| ILP 2008 - Jan09 / Sep12 (ii)          | 1/1/2009   | R\$ 18.01                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 16,502                                   | -                     | 16,502         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2007 (PE)                          | 8/1/2008   | R\$ 34.74                    | R\$ 10.08                           | 9/1/2014                      | 9/1/2014                      | 10,125                                   | -                     | 10,125         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2007 (PN) - PA                     | 3/1/2008   | R\$ 43.38                    | R\$ 9.00                            | 3/1/2011                      | 3/1/2014                      | 2,837                                    | -                     | 2,837          | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2009 - Mar09 / Mar12               | 3/1/2009   | R\$ 15.11                    | R\$ 10.08                           | 3/1/2012                      | 3/1/2015                      | 14,724                                   | -                     | 4,886          | -                          | -                       | -                                      | 9,838                              | 9.00                                       |
| ILP 2009 M - Sep09 / Sep12             | 9/1/2009   | R\$ 15.11                    | R\$ 10.08                           | 9/1/2012                      | 9/1/2015                      | 35,017                                   | -                     | 6,609          | -                          | -                       | -                                      | 28,408                             | 9.00                                       |
| ILP 2010                               | 3/1/2010   | R\$ 23.86                    | R\$ 10.08                           | 3/1/2013                      | 3/1/2016                      | 87,251                                   | -                     | 18,354         | -                          | 91,029                  | -                                      | 159,926                            | 9.00                                       |
| ILP 2011                               | 3/1/2011   | R\$ 18.64                    | R\$ 10.08                           | 3/1/2014                      | 3/1/2017                      | 363,730                                  | -                     | 247,957        | 27,770                     | -                       | -                                      | 88,003                             | 9.00                                       |
| ILP 2012                               | 3/1/2012   | R\$ 7.49                     | R\$ 10.08                           | 3/1/2015                      | 3/1/2018                      | 946,776                                  | -                     | -              | 75,820                     | 89,360                  | 94,744                                 | 865,572                            | 9.00                                       |
| ILP 2011 (F)                           | 3/1/2011   | R\$ 18.64                    | R\$ 10.08                           | 3/1/2014                      | 3/1/2017                      | 7,159                                    | -                     | -              | -                          | -                       | -                                      | 7,159                              | -                                          |
| ILP 2009 (J)                           | 9/1/2010   | R\$ 17.25                    | R\$ 10.08                           | 9/1/2013                      | 9/1/2016                      | 3,441                                    | -                     | 3,441          | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2012 (PE)                          | 9/30/2012  | R\$ 9.00                     | R\$ 10.08                           | 9/30/2015                     | 9/30/2018                     | 35,225                                   | -                     | -              | -                          | -                       | -                                      | 35,225                             | -                                          |
| ILP 2013                               | 3/1/2013   | R\$ 6.58                     | R\$ 10.08                           | 3/1/2016                      | 3/1/2019                      | 1,224,987                                | -                     | -              | 57,203                     | 117,059                 | 124,925                                | 1,159,918                          | 8.97                                       |
| Programa Especial 2012a <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2014                     | 3/31/2014                     | 70,000                                   | -                     | 70,000         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| Programa Especial 2012a <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 70,000                                   | -                     | -              | -                          | -                       | -                                      | 70,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 6/30/2014                     | 6/30/2014                     | 30,000                                   | -                     | -              | -                          | -                       | -                                      | 30,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2014                     | 3/31/2014                     | 40,000                                   | -                     | 40,000         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 30,000                                   | -                     | -              | -                          | -                       | -                                      | 30,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 40,000                                   | -                     | -              | -                          | -                       | -                                      | 40,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2014                     | 3/31/2014                     | 60,000                                   | -                     | 60,000         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2015                     | 3/31/2015                     | 80,000                                   | -                     | -              | -                          | -                       | -                                      | 80,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 10.08                           | 3/31/2016                     | 3/31/2016                     | 140,000                                  | -                     | -              | -                          | -                       | -                                      | 140,000                            | -                                          |
| SAR 2014                               | 4/1/2014   | R\$ 8.93                     | R\$ 8.16                            | 4/1/2017                      | 4/1/2019                      | -                                        | 1,012,539             | -              | -                          | -                       | -                                      | 14,922                             | 997,617                                    |
| <b>TOTAL</b>                           |            |                              |                                     |                               |                               | <b>3,399,912</b>                         | <b>1,012,539</b>      | <b>514,479</b> | <b>160,793</b>             | <b>297,448</b>          | <b>234,391</b>                         | <b>3,800,036</b>                   | <b>9.00</b>                                |

<sup>(1)</sup> Shares received due to transfer of employees from Futuragene and Suzano Holding to Suzano Papel e Celulose SA.

<sup>(2)</sup> Programa ILP Especial I was renamed Programa Especial 2012a and Programa ILP Especial II was renamed Programa Especial 2012b and Programa Especial 2012c.



| Program                                | Grant Date | Fair value on the grant date | Fair value at the end of the period | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date | Available at the beginning of the period | Granted in the Period | Exercised      | Exercised due to dismissal | Transfer <sup>(1)</sup> | Abandoned/ Prescribed due to dismissal | 12/31/2013                         |                                            |
|----------------------------------------|------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|------------------------------------------|-----------------------|----------------|----------------------------|-------------------------|----------------------------------------|------------------------------------|--------------------------------------------|
|                                        |            |                              |                                     |                               |                               |                                          |                       |                |                            |                         |                                        | Available at the end of the period | Weighted average price of exercised shares |
| ILP 2006 (PN)                          | 5/1/2007   | R\$ 23.38                    | R\$ 9.00                            | 9/1/2010                      | 9/1/2013                      | 650                                      | -                     | 650            | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2007 (PN)                          | 3/1/2008   | R\$ 34.74                    | R\$ 9.00                            | 3/1/2011                      | 3/1/2014                      | 21,448                                   | -                     | 9,278          | -                          | 873                     | -                                      | 13,043                             | 9.00                                       |
| ILP 2008 (PN) Mar-09                   | 3/1/2009   | R\$ 15.11                    | R\$ 9.00                            | 3/1/2012                      | 3/1/2015                      | 110,287                                  | -                     | 62,407         | -                          | 7,889                   | -                                      | 55,769                             | 9.00                                       |
| ILP 2009 A - Mar08                     | 3/1/2008   | R\$ 34.74                    | R\$ 9.00                            | 3/1/2013                      | 3/1/2016                      | 64,485                                   | -                     | 56,164         | -                          | 3,342                   | -                                      | 11,663                             | 9.00                                       |
| ILP 2008 A - Mar08 / Mar12             | 3/1/2008   | R\$ 34.74                    | R\$ 9.00                            | 3/1/2012                      | 3/1/2015                      | 21,029                                   | -                     | 12,708         | -                          | 3,342                   | -                                      | 11,663                             | 9.00                                       |
| ILP 2008 - Jan09 / Sep12 (i)           | 1/1/2009   | R\$ 18.01                    | R\$ 9.00                            | 3/1/2012                      | 9/1/2015                      | 9,767                                    | -                     | -              | 9,767                      | -                       | -                                      | -                                  | -                                          |
| ILP 2008 - Jan09 / Sep12 (ii)          | 1/1/2009   | R\$ 18.01                    | R\$ 9.00                            | 3/1/2012                      | 3/1/2015                      | 16,502                                   | -                     | -              | -                          | -                       | -                                      | 16,502                             | -                                          |
| ILP 2007 (PE)                          | 8/1/2008   | R\$ 34.74                    | R\$ 9.00                            | 9/1/2014                      | 9/1/2014                      | 10,125                                   | -                     | -              | -                          | -                       | -                                      | 10,125                             | -                                          |
| ILP 2007 (PN) - PA                     | 3/1/2008   | R\$ 43.38                    | R\$ 9.00                            | 3/1/2011                      | 3/1/2014                      | 5,356                                    | -                     | 2,519          | -                          | -                       | -                                      | 2,837                              | 9.00                                       |
| ILP 2009 - Mar09 / Mar12               | 3/1/2009   | R\$ 15.11                    | R\$ 9.00                            | 3/1/2012                      | 3/1/2015                      | 55,241                                   | -                     | 45,403         | -                          | 4,886                   | -                                      | 14,724                             | 9.00                                       |
| ILP 2009 M - Sep09 / Sep12             | 9/1/2009   | R\$ 15.11                    | R\$ 9.00                            | 9/1/2012                      | 9/1/2015                      | 127,998                                  | -                     | 101,111        | 2,307                      | 2,475                   | -                                      | 27,055                             | 9.00                                       |
| ILP 2010                               | 3/1/2010   | R\$ 23.86                    | R\$ 9.00                            | 3/1/2013                      | 3/1/2016                      | 182,926                                  | -                     | 129,356        | 6,018                      | 3,284                   | -                                      | 50,836                             | 9.00                                       |
| ILP 2011                               | 3/1/2011   | R\$ 18.64                    | R\$ 9.00                            | 3/1/2014                      | 3/1/2017                      | 395,168                                  | -                     | 61,470         | 21,841                     | 10,723                  | -                                      | 322,580                            | 9.00                                       |
| ILP 2012                               | 3/1/2012   | R\$ 7.49                     | R\$ 9.00                            | 3/1/2015                      | 3/1/2018                      | 1,009,121                                | -                     | 143,721        | 45,110                     | 39,319                  | -                                      | 859,609                            | 9.00                                       |
| ILP 2011 (F)                           | 3/1/2011   | R\$ 18.64                    | R\$ 9.00                            | 3/1/2014                      | 3/1/2017                      | 7,159                                    | -                     | -              | -                          | -                       | -                                      | 7,159                              | -                                          |
| ILP 2009 (J)                           | 9/1/2009   | R\$ 17.25                    | R\$ 9.00                            | 9/1/2013                      | 9/1/2016                      | 3,441                                    | -                     | -              | -                          | -                       | -                                      | 3,441                              | -                                          |
| Programa Especifico - Mar09/Sep12      | 6/1/2009   | R\$ 15.11                    | R\$ 9.00                            | 9/1/2012                      | 9/1/2015                      | 23,275                                   | -                     | 23,275         | -                          | -                       | -                                      | -                                  | 9.00                                       |
| ILP 2012 (PE)                          | 9/30/2012  | R\$ 9.00                     | R\$ 9.00                            | 9/30/2015                     | 9/30/2018                     | 35,225                                   | -                     | -              | -                          | -                       | -                                      | 35,225                             | -                                          |
| ILP 2013                               | 3/1/2013   | R\$ 6.58                     | R\$ 8.94                            | 3/1/2016                      | 3/1/2019                      | -                                        | 1,180,153             | 35,953         | -                          | -                       | 62,014                                 | 1,082,186                          | 7.70                                       |
| Programa Especial 2012a <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2014                     | 3/31/2014                     | 70,000                                   | -                     | -              | -                          | -                       | -                                      | 70,000                             | -                                          |
| Programa Especial 2012a <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2015                     | 3/31/2015                     | 70,000                                   | -                     | -              | -                          | -                       | -                                      | 70,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2014                     | 3/31/2014                     | 30,000                                   | -                     | -              | -                          | -                       | -                                      | 30,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2014                     | 3/31/2014                     | 40,000                                   | -                     | -              | -                          | -                       | -                                      | 40,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2015                     | 3/31/2015                     | 30,000                                   | -                     | -              | -                          | -                       | -                                      | 30,000                             | -                                          |
| Programa Especial 2012b <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2015                     | 3/31/2015                     | 40,000                                   | -                     | -              | -                          | -                       | -                                      | 40,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2014                     | 3/31/2014                     | 60,000                                   | -                     | -              | -                          | -                       | -                                      | 60,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2015                     | 3/31/2015                     | 80,000                                   | -                     | -              | -                          | -                       | -                                      | 80,000                             | -                                          |
| Programa Especial 2012c <sup>(2)</sup> | 12/21/2012 | R\$ 5.55                     | R\$ 9.00                            | 3/31/2016                     | 3/31/2016                     | 140,000                                  | -                     | -              | -                          | -                       | -                                      | 140,000                            | -                                          |
| <b>TOTAL</b>                           |            |                              |                                     |                               |                               | <b>2,659,203</b>                         | <b>1,180,153</b>      | <b>684,015</b> | <b>85,043</b>              | <b>76,133</b>           | <b>62,014</b>                          | <b>3,084,417</b>                   | <b>9.00</b>                                |

<sup>(1)</sup> Shares received due to transfer of employees from Futuragene to Suzano Papel e Celulose SA.

<sup>(2)</sup> Programa ILP Especial I was renamed Programa Especial 2012a and Programa ILP Especial II was renamed Programa Especial 2012b and Programa Especial 2012c

## ii. Class “A” preferred shares stock option

|              |                |            |                               |                                              | 12/31/2014        |                  |                  |                                |         |                               |
|--------------|----------------|------------|-------------------------------|----------------------------------------------|-------------------|------------------|------------------|--------------------------------|---------|-------------------------------|
|              |                |            |                               |                                              | Prices            | Number of Shares |                  |                                |         |                               |
| Program      | Granted series | Grant date | 1 <sup>st</sup> exercise date | 2 <sup>nd</sup> exercise date and expiration | On the grant date | Granted          | Exercised        | Not exercised due to dismissal | Expired | Total in effect on 12/31/2014 |
| Program 2    | Series I       | 8/11/2010  | 8/1/2013                      | 12/31/2015                                   | 5.97              | 80,000           | -                | -                              | -       | 80,000                        |
|              | Series II      | 8/11/2010  | 8/1/2014                      | 12/31/2015                                   | 5.97              | 80,000           | -                | -                              | -       | 80,000                        |
|              | Series III     | 8/11/2010  | 8/1/2015                      | 12/31/2015                                   | 5.97              | 240,000          | -                | -                              | -       | 240,000                       |
| Program 3    | Series I       | 1/18/2013  | 1/18/2015                     | 4/18/2015                                    | 3.53              | 1,800,000        | 1,800,000        | -                              | -       | -                             |
|              | Series II      | 1/18/2013  | 1/18/2016                     | 4/18/2016                                    | 3.71              | 1,800,000        | -                | -                              | -       | 1,800,000                     |
|              | Series III     | 1/18/2013  | 1/18/2018                     | 4/18/2018                                    | 3.91              | 1,800,000        | -                | -                              | -       | 1,800,000                     |
|              | Series IV      | 1/18/2013  | 1/18/2019                     | 4/18/2019                                    | 3.96              | 1,800,000        | -                | -                              | -       | 1,800,000                     |
|              | Series V       | 1/18/2013  | 1/18/2020                     | 4/18/2020                                    | 3.99              | 1,800,000        | -                | -                              | -       | 1,800,000                     |
| <b>Total</b> |                |            |                               |                                              |                   | <b>9,400,000</b> | <b>1,800,000</b> | -                              | -       | <b>7,600,000</b>              |

## 19.4 Recognition and measurement of the fair value of share-based payments

### i. Phantom shares plan

Since the Plan is settled in cash, Suzano has to revise the fair value of the phantom shares at every reporting date. This value is then multiplied by the Total Shareholder Return (TRS) in the period (which varies between 75% and 125%, depending on the performance of SUZB5 in relation to its peers in Brazil).

## ii. Stock option plan

To measure the fair value of the Class A preferred shares stock options of Program 2 and Program 3, the Company used, respectively, the mathematical model of approximation for options Bjersund & Stensland, and the Binomial model, which considers the dividends distribution rate and the following mathematical assumptions:

| Description of assumptions                                    | Indexes            |                      |                        |
|---------------------------------------------------------------|--------------------|----------------------|------------------------|
|                                                               | Options            |                      |                        |
|                                                               | Program II         | Program III          | SAR 2014               |
| Calculation Model                                             | Bjersund-Stensland | Binomial             | Monte Carlo Simulation |
| Asset base price <sup>(1)</sup>                               | R\$7.02/ share     | R\$ 7.73/ share      | R\$ 8.93/ share        |
| Expectation of volatility <sup>(2)</sup>                      | 40.02% p.a.        | 40.47% p.a.          | 36.82 % p.a.           |
| Phantom stocks/options average life expectancy <sup>(3)</sup> | 2.59 years         | Equal to option life | Equal to option life   |
| Dividends expectancy <sup>(4)</sup>                           | 3.49% p.a.         | 3.49% p.a.           | 2.94% p.a.             |
| Risk-free weighted average interest rate <sup>(5)</sup>       | average of 8.02%   | average of 8.99%     | average of 11.90%      |

(1) The asset base price was defined considering the arithmetic average of the closing price of the last 90 trading sessions for SUZB5 share;

(2) The expectation of volatility was calculated for each exercise date, taking into account the remaining time to complete the vesting period, as well as the historical volatility of returns, considering a standard deviation of 90 observations of returns;

(3) The expectation of average life of phantom stocks and stock options was defined by the remaining term until the limit exercise date;

(4) The expectation of dividends was defined based on historical earnings per share of the Company;

(5) Risk-free weighted average interest rate used was the BRL yield curve (DI expectation) observed on the open market, which is the best comparison basis with the Brazilian market risk-free interest rates. The rate used for each exercise date changes according to the vesting period.

The amounts corresponding to the services received and recognized in the financial statements are presented below:

|                                     | Parent Company and Consolidated      |               |                 |                 |
|-------------------------------------|--------------------------------------|---------------|-----------------|-----------------|
|                                     | Liabilities and Shareholders' equity |               | Profit or loss  |                 |
|                                     | 12/31/2014                           | 12/31/2013    | 12/31/2014      | 12/31/2013      |
| <b>Non-current liabilities</b>      |                                      |               |                 |                 |
| Provision for phantom stocks plan   | 27,619                               | 20,469        | (12,810)        | (14,182)        |
| Provision for stock option plan     | -                                    | -             | -               | 1,759           |
| Total share-based compensation plan | <u>27,619</u>                        | <u>20,469</u> |                 |                 |
| <b>Shareholders' equity</b>         |                                      |               |                 |                 |
| Stock option reserve                | <u>25,939</u>                        | <u>16,367</u> | <u>(9,572)</u>  | <u>(13,691)</u> |
| <b>Profit or loss</b>               |                                      |               | <u>(22,382)</u> | <u>(26,114)</u> |

## 20 Debts Related to Asset Acquisitions

On December 31, 2014, these debts totaled R\$601,124 in the Parent Company and R\$714,690 in the Consolidated, and are classified under Current and Non-current liabilities (In 2013, they totaled R\$58,569 and R\$177,688, respectively).

On December 31, 2013, debts are related to the acquisition of land, farms, reforestation and houses under construction in Maranhão, totaling R\$177,688 in the Consolidated, presented under Debt from Acquisition of Assets in Current and Non-Current Liabilities (R\$176,456 on December 31, 2012).

## 20.1 Real Estate Receivables Certificates (“CRI”)

The Company and its subsidiaries carried out transactions to acquire land for reforestation and houses in Maranhão, signing the following agreements:

| Acquiring companies              | Suzano                                      | Ondurman                       | Amulya                         |
|----------------------------------|---------------------------------------------|--------------------------------|--------------------------------|
| <i>Features of the agreement</i> |                                             |                                |                                |
| Amount of the agreement          | 51,716                                      | 75,000                         | 59,379                         |
| Type of property                 | Houses under construction                   | Land                           | Land                           |
| Type of agreement                | CRI                                         | CRI                            | CRI                            |
| Insurance / issuing company      | RB Capital Companhia de Securitização       | Brazilian Securities           | Brazilian Securities           |
| Trustee                          | Pentágono                                   | Oliveira Trust Dist. Tit. Mob. | Oliveira Trust Dist. Tit. Mob. |
| Date of issue                    | 12/13/2012                                  | 10/27/2009                     | 2/21/2011                      |
| Final term                       | 12/13/2024                                  | 10/27/2023                     | 2/21/2025                      |
| Number of installments           | 11                                          | 168                            | 168                            |
| Payment periods                  | Annually                                    | Monthly                        | Monthly                        |
| Term                             | 12 years (including 24 months grace period) | 14 years                       | 14 years                       |
| Readjustment index               | IPCA index                                  | Reference Rate                 | Reference Rate                 |
| Compensatory interest            | 5.68% p.a.                                  | 11.40%/p.a.                    | 11.23%/p.a.                    |

On December 31, 2014, these debts totaled R\$58,159 in the Parent Company and R\$171,725 in the Consolidated (In 2013, they totaled R\$58,569 and R\$177,688, respectively).

## 20.2 Acquisition of VFFIP

On August 8, 2014, the acquisition of VFFIP was concluded for the sum of R\$528,941, with a down payment of R\$44,998 on the contract date. The outstanding balance of R\$483,943 will be paid in 10 to 15 years, of which R\$195,551 is restated at the variation of the Broad Consumer Price Index (“IPCA”), and R\$288,392 is restated at the variation of the U.S. dollar exchange rate, plus usual market interest rates.

The main asset held by VFFIP was the shares in VFSA which owned eucalyptus forests in Pará.

On December 31, 2014, the total restated outstanding balance is R\$542,965 at the Parent Company and Consolidated, recorded under Debt from Acquisition of Assets in Current and Non-Current Liabilities. (Note 1.1 b).

## 21 Shareholders’ Equity

### 21.1 Authorized capital

By resolution of the Board of Directors or Shareholders' Meeting, the capital may be increased, independent of an amendment to the Bylaws, up to the limit of 260,040 thousand common shares, 517,080 thousand class “A” preferred shares and 3,000 thousand class “B” preferred shares, all exclusively book-entry shares.

### 21.2 Capital stock

On December 31, 2014, the capital stock of the Company was R\$6,241,753, divided into 1,107,739 thousand shares without par value, of which 371,149 thousand are registered common shares, 734,649 thousand are class A preferred shares and 1,941 thousand are

Class B preferred shares. A total of 21,141 thousand shares are held in treasury, of which 6,786 thousand are common shares, 12,445 thousand are class A preferred shares, and 1,910 thousand are class B preferred shares.

The composition of the capital stock is presented below:

| SHAREHOLDER                             | COMMON SHARES      |               | CLASS A PREFERRED SHARES |               | CLASS B PREFERRED SHARES |               | TOTAL SHARES         |               |
|-----------------------------------------|--------------------|---------------|--------------------------|---------------|--------------------------|---------------|----------------------|---------------|
|                                         | NUMBER             | %             | NUMBER                   | %             | NUMBER                   | %             | NUMBER               | %             |
| Suzano Holding S.A.                     | 354,349,459        | 95.47         | 3,245,073                | 0.44          | 17,698                   | 0.91          | 357,612,230          | 32.28         |
| Controlling Shareholders and Management | 10,009,122         | 2.70          | 216,093,860              | 29.41         | 650                      | 0.03          | 226,103,632          | 20.41         |
| <b>Sub Total</b>                        | <b>364,358,581</b> | <b>98.17</b>  | <b>219,338,933</b>       | <b>29.86</b>  | <b>18,348</b>            | <b>0.95</b>   | <b>583,715,862</b>   | <b>52.69</b>  |
| Treasury                                | 6,786,194          | 1.83          | 12,444,988               | 1.69          | 1,909,699                | 98.40         | 21,140,881           | 1.91          |
| BNDESPAR                                | -                  | -             | 97,132,396               | 13.22         | -                        | -             | 97,132,396           | 8.77          |
| Other shareholders                      | 3,757              | 0.00          | 405,733,009              | 55.23         | 12,772                   | 0.66          | 405,749,538          | 36.63         |
| <b>TOTAL</b>                            | <b>371,148,532</b> | <b>100.00</b> | <b>734,649,326</b>       | <b>100.00</b> | <b>1,940,819</b>         | <b>100.00</b> | <b>1,107,738,677</b> | <b>100.00</b> |

On December 31, 2014, SUZB5 preferred stock ended the period quoted at R\$11.25 (R\$9.24 in 2013).

On December 31, 2013, the capital stock of the Company was R\$6,241,753, divided into 1,107,739 thousand shares without par value, of which 371,149 thousand are registered common shares, 734,649 thousand are class A preferred shares and 1,941 thousand are Class B preferred shares. A total of 22,941 thousand shares are held in treasury, of which 6,786 thousand are common shares, 14,245 thousand are class A preferred shares, and 1,910 thousand are class B preferred shares.

The composition of the capital stock is presented below:

| SHAREHOLDER                 | COMMON SHARES      |               | CLASS A PREFERRED SHARES |               | CLASS B PREFERRED SHARES |               | TOTAL SHARES         |               |
|-----------------------------|--------------------|---------------|--------------------------|---------------|--------------------------|---------------|----------------------|---------------|
|                             | NUMBER             | %             | NUMBER                   | %             | NUMBER                   | %             | NUMBER               | %             |
| Suzano Holding S.A.         | 354,349,459        | 95.47         | 3,245,073                | 0.44          | 17,698                   | 0.91          | 357,612,230          | 32.27         |
| David Feffer                | 2,280              | 0.00          | 48,815,984               | 6.65          | -                        | -             | 48,818,264           | 4.41          |
| Daniel Feffer               | 2,280              | 0.00          | 44,151,315               | 6.01          | -                        | -             | 44,153,595           | 3.99          |
| Jorge Feffer                | 2,279              | 0.00          | 42,497,581               | 5.78          | -                        | -             | 42,499,860           | 3.84          |
| Ruben Feffer                | 2,280              | 0.00          | 42,930,798               | 5.84          | -                        | -             | 42,933,078           | 3.88          |
| Shareholders and Management | 10,003,760         | 2.70          | 79,502,635               | 10.82         | 3,183                    | 0.16          | 89,509,578           | 8.08          |
| <b>Sub-Total</b>            | <b>364,362,338</b> | <b>98.17</b>  | <b>261,143,386</b>       | <b>35.54</b>  | <b>20,881</b>            | <b>1.07</b>   | <b>625,526,605</b>   | <b>56.47</b>  |
| BNDESPAR                    | -                  | -             | 129,509,862              | 17.63         | -                        | -             | 129,509,862          | 11.69         |
| Treasury                    | 6,786,194          | 1.83          | 14,244,988               | 1.94          | 1,909,699                | 98.40         | 22,940,881           | 2.07          |
| Other shareholders          | -                  | -             | 329,751,090              | 44.89         | 10,239                   | 0.53          | 329,761,329          | 29.77         |
| <b>TOTAL</b>                | <b>371,148,532</b> | <b>100.00</b> | <b>734,649,326</b>       | <b>100.00</b> | <b>1,940,819</b>         | <b>100.00</b> | <b>1,107,738,677</b> | <b>100.00</b> |

On December 31, 2013, SUZB5 preferred stock ended the period quoted at R\$9.24 (R\$7.02 on December 31, 2012).

## 21.3 Reserves

### i. Profit reserve

The Reserve for Capital Increase is composed of 90% of the remaining balance of net income for the year, after dividends and legal reserve, and aims to ensure the Company adequate operational conditions.

The Special Statutory Reserve includes the remaining 10% of the remaining balance of net income for the year and aims to ensure the distribution of dividends.

## ii. Capital reserve

The Capital Reserve is composed of the balances of the tax incentive reserve, the stock option reserve, the treasury shares and the costs directly attributable to the Share Offering, which are primarily composed of the expenses with the fees and commissions charged by legal counsel, consultants and auditors.

### 21.4 Treasury shares

|                              | Number of shares |                   |                  | R\$<br>('000)     | Average price<br>(R\$) |
|------------------------------|------------------|-------------------|------------------|-------------------|------------------------|
|                              | Common           | Pref. A           | Pref. B          |                   |                        |
| Balance on 12/31/2012        | 6,786,194        | 8,948,388         | 1,909,699        | 17,644,281        | 15.50                  |
| Shares purchased             | -                | 5,296,600         | -                | 5,296,600         | 7.31                   |
| Balance on 12/31/2013        | 6,786,194        | 14,244,988        | 1,909,699        | 22,940,881        | 13.61                  |
| Shares sold <sup>(1)</sup>   | -                | (1,800,000)       | -                | (1,800,000)       | 4.73                   |
| <b>Balance on 12/31/2014</b> | <b>6,786,194</b> | <b>12,444,988</b> | <b>1,909,699</b> | <b>21,140,881</b> | <b>14.37</b>           |

<sup>(1)</sup> Treasury shares used to meet the share-based compensation plan (Note 19).

On February 21, 2013, the Program approved by the Board of Directors of the Company was concluded. A total of 12,000 thousand class A preferred shares were repurchased for R\$84,835, of which R\$46,117 paid until December 31, 2012 and R\$38,718 paid between January and February 2013. The shares were acquired in accordance with the Program approved by the Board of Directors and pursuant to applicable laws.

The shares acquired under the Program will be held in treasury to cover the beneficiaries of the stock option plans, as well as to offset the long-term incentive plan of the Company.

### 21.5 Equity valuation adjustment and other comprehensive income

#### i. Equity Valuation Adjustment

The Company recorded under "Other Comprehensive Income" the corresponding entries of deemed cost adjustments upon the adoption of the IFRS on January 1, 2009. This reserve changes as a result of the realization of items in property, plant and equipment as well as other offsetting entries arising from the adoption of IFRS.

#### ii. Other Comprehensive Income (Loss)

The Company recorded under this balance sheet item the corresponding entries to Exchange Variation on investees abroad, gains or losses from the restatement of actuarial liabilities and the income (loss) from the conversion of debentures of the 5<sup>th</sup> issue into shares for Related Parties, net of deferred income and social contribution taxes.



## 21.7 Dividends

| Date of Approval AGO/E | Total amount (R\$ '000) | Amount per share |             |             | Record date | Payment date |
|------------------------|-------------------------|------------------|-------------|-------------|-------------|--------------|
|                        |                         | Common           | Pref. A     | Pref. B     |             |              |
| 4/30/2014              | 122,000                 | R\$ 0.10545      | R\$ 0.11600 | R\$ 0.34523 | 5/2/2014    | 5/12/2014    |
| 4/30/2013              | 100,000                 | R\$ 0.08655      | R\$ 0.09521 | R\$ 0.34519 | 5/2/2013    | 5/10/2013    |
| 4/30/2013 (a)          |                         | R\$ 0.03984      | R\$ 0.04669 | -           |             |              |

(a) Proportional portion of dividends *pro-rata* attributable to shares issued on July 5 and 16, 2012.

On December 31, 2014, the Management proposed the payment of dividends amounting to R\$150,000, with the amount deducted from the existing balance of the Profit Reserve.

## 22 Other Operating Income, Net

|                                                                   | Parent Company          |                        | Consolidated |            |
|-------------------------------------------------------------------|-------------------------|------------------------|--------------|------------|
|                                                                   | 12/31/2014              | 12/31/2013             | 12/31/2014   | 12/31/2013 |
| Income (loss) from sale of other products                         | (7.997)                 | (4.085)                | 4.397        | 8.438      |
| Income (loss) from sale of fixed and biological assets            | 474                     | 5.501                  | 432          | 5.901      |
| Income (loss) from divestment                                     | -                       | 124.835 <sup>(1)</sup> | -            | 124.835    |
| Income (loss) from restatement of fair value of biological assets | 12.847                  | 99.998                 | 12.847       | 95.179     |
| Provision for loss with fixed assets and write-offs               | (39.664) <sup>(2)</sup> | (6.900)                | (39.664)     | (6.900)    |
| Commercial agreement with Suppliers <sup>(3)</sup>                | 31.500                  | -                      | 31.500       | -          |
| Reorganization expenses                                           | -                       | (8.456)                | -            | (8.456)    |
| Additional performance bonus                                      | -                       | (23.569)               | -            | (25.729)   |
| Partial write-off of suspended projects <sup>(4)</sup>            | -                       | (85.749)               | -            | (60.877)   |
| Lawsuits received <sup>(5)</sup>                                  | -                       | -                      | 10.756       | -          |
| Amortization of intangible assets                                 | (4.523)                 | (4.523)                | (15.326)     | (14.426)   |
| Other operating income (expenses), net                            | 11.629                  | (9.671)                | 9.249        | (12.663)   |
| Total other operating income                                      | 65.999                  | 230.334                | 69.181       | 234.353    |
| Total other operating expenses                                    | 61.733                  | (142.953)              | (54.990)     | (129.051)  |
| Other operating income (expenses), net                            | 4.266                   | 87.381                 | 14.191       | 105.302    |

(a) Divestment of interest in the Capim Branco Energia Consortium (Note 1.1 a) iv)).

(b) Amount substantially composed of the write-off of obsolete operating assets of R\$17,431 and accrual for losses on operating assets of R\$16,005.

(c) Refers to a commercial agreement with a former supplier of the Company, due to credits outstanding from the commercial relationship.

(d) Includes expenses related to the suspension of projects (see Note 1.1. b) iv).

(e) The amount is related to the receipt of a portion of the credits from compulsory loans claimed through lawsuits against Centrais Elétricas Brasileiras S.A - Eletrobrás.

## 23 Operating lease agreements

The Company maintains operating lease agreements related to the lease of areas, offices, properties, a call center, hardware equipment and installation services, whose agreements were executed in Brazilian real and Management has no intention of buying the assets at the end of the agreement, and the term of the agreements are not equivalent to a significant portion of the useful life of assets.

Operating lease payments are recognized as operating expenses in the Company's income statement.

| Description                         | Installment amount<br>R\$ (thousand) | Index               | Maturity               |
|-------------------------------------|--------------------------------------|---------------------|------------------------|
| Administrative offices and deposits | 1 to 952                             | IGP-M and IPCA/IBGE | 2/28/2015 to 1/27/2024 |
| Call center and licenses            | 17 to 207                            | IGP-DI              | 5/19/2015 to 9/30/2017 |
| Hardware equipment                  | 2 to 21                              | IGP-M               | 3/27/2015 to 4/16/2016 |

The minimum payments of maturing operating were as follows:

|                         | <u>12/31/2014</u>    |
|-------------------------|----------------------|
| Less than 1 year        | <b>16,926</b>        |
| From 1 year to 3 years  | <b>17,636</b>        |
| From 3 years to 5 years | <b>20,126</b>        |
| Total installments due  | <u><b>54,688</b></u> |

## 24 Net Financial Result

|                                                                  | Parent Company            |                           | Consolidated              |                           |
|------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                                                  | 12/31/2014                | 12/31/2013                | 12/31/2014                | 12/31/2013                |
| Interest income                                                  | 244,889                   | 247,130                   | 246,506                   | 248,102                   |
| Other financial income                                           | 14,365                    | 9,046                     | 18,845                    | (1,673)                   |
| Total financial income                                           | <u>259,254</u>            | <u>256,176</u>            | <u>265,351</u>            | <u>246,429</u>            |
| Interest expenses                                                | (1,028,094)               | (729,694)                 | (1,049,516)               | (750,999)                 |
| Other financial expenses                                         | (42,481)                  | (16,376)                  | (54,211)                  | (24,664)                  |
| Total financial expenses                                         | <u>(1,070,575)</u>        | <u>(746,070)</u>          | <u>(1,103,727)</u>        | <u>(775,663)</u>          |
| Monetary and exchange variations on loans and financing          | (857,021)                 | (654,474)                 | (908,314)                 | (833,036)                 |
| Monetary and exchange variations on other assets and liabilities | 197,389                   | (32,732)                  | 210,568                   | 120,643                   |
| Monetary and exchange variation, net                             | <u>(659,632)</u>          | <u>(687,206)</u>          | <u>(697,746)</u>          | <u>(712,393)</u>          |
| Derivative gains                                                 | 49,433                    | 17,988                    | 64,680                    | 31,084                    |
| Derivate losses                                                  | (108,142)                 | (37,027)                  | (122,070)                 | (44,999)                  |
| Net derivative income (loss)                                     | <u>(58,709)</u>           | <u>(19,039)</u>           | <u>(57,390)</u>           | <u>(13,914)</u>           |
| Financial income                                                 | <u>259,254</u>            | <u>256,176</u>            | <u>265,351</u>            | <u>246,429</u>            |
| Financial expenses                                               | <u>(1,788,916)</u>        | <u>(1,452,315)</u>        | <u>(1,858,863)</u>        | <u>(1,501,970)</u>        |
| Net financial income (expenses)                                  | <u><b>(1,529,662)</b></u> | <u><b>(1,196,139)</b></u> | <u><b>(1,593,512)</b></u> | <u><b>(1,255,541)</b></u> |

## 25 Net Revenue

|                          | Parent Company          |                         | Consolidated            |                         |
|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                          | 12/31/2014              | 12/31/2013              | 12/31/2014              | 12/31/2013              |
| Gross sales revenue      | 8,186,665               | 6,444,849               | 8,391,809               | 6,589,727               |
| Deductions               |                         |                         |                         |                         |
| Sales taxes (a)          | (950,441)               | (820,998)               | (958,938)               | (829,685)               |
| Returns and cancelations | (144,537)               | (52,203)                | (152,584)               | (57,627)                |
| Discounts and rebates    | (15,688)                | (13,790)                | (15,688)                | (13,790)                |
| Net Revenue              | <u><b>7,075,999</b></u> | <u><b>5,557,858</b></u> | <u><b>7,264,599</b></u> | <u><b>5,688,625</b></u> |

- a) Includes the social contribution paid to Brazil's National Institute of Social Security (INSS), instituted by Law 12,715/12 and Decree 7,828/12 corresponding to 1% of gross revenue, valid through indefinitely, as per the change published in Law 13,043 of November 13, 2014.



## 26 Information by Segment

### 26.1 Operating segment

The information presented under “Not Segmented” is related to expenses not directly attributed to the Pulp and Paper segments, such as, expenses with information technology, net financial result, administrative expenses and other.

|                             | 12/31/2014 |           |               |             | 12/31/2013 |           |               |             |
|-----------------------------|------------|-----------|---------------|-------------|------------|-----------|---------------|-------------|
|                             | Pulp       | Paper     | Not segmented | Total       | Pulp       | Paper     | Not segmented | Total       |
| Net revenue                 | 3,851,303  | 3,413,296 | -             | 7,264,599   | 2,577,288  | 3,111,337 | -             | 5,688,625   |
| Net financial income (loss) | -          | -         | (1,593,512)   | (1,593,512) | -          | -         | (1,255,541)   | (1,255,541) |
| Other operating income, net | -          | -         | 14,191        | 14,191      | -          | -         | 105,302       | 105,302     |
| Operating income (loss)     | 603,463    | 611,915   | (1,579,321)   | (363,943)   | 412,388    | 457,877   | (1,150,239)   | (279,974)   |
| Total assets                | 13,444,974 | 4,878,378 | 9,796,104     | 28,119,456  | 13,837,746 | 7,063,976 | 6,247,621     | 27,149,343  |

### 26.2 Information on geographic areas

|                           | 12/31/2014 |           |           | 12/31/2013 |           |           |
|---------------------------|------------|-----------|-----------|------------|-----------|-----------|
|                           | Pulp       | Paper     | Total     | Pulp       | Paper     | Total     |
| Net revenue               | 3,851,303  | 3,413,296 | 7,264,599 | 2,577,288  | 3,111,337 | 5,688,625 |
| Domestic market           | 609,396    | 2,440,944 | 3,050,340 | 523,206    | 2,185,989 | 2,709,195 |
| Foreign market            | 3,241,907  | 972,352   | 4,214,259 | 2,054,082  | 925,348   | 2,979,430 |
| Asia                      | 1,570,698  | 12,501    | 1,583,199 | 940,401    | 30,226    | 970,627   |
| Europe                    | 1,169,069  | 118,007   | 1,287,076 | 785,353    | 139,822   | 925,175   |
| North America             | 461,334    | 363,529   | 824,863   | 289,926    | 361,359   | 651,285   |
| South and Central America | 40,806     | 465,403   | 506,209   | 38,402     | 389,362   | 427,764   |
| Africa                    | -          | 12,912    | 12,912    | -          | 4,579     | 4,579     |

## 27 Expenses by Nature

|                                          | Parent Company   |                  | Consolidated     |                  |
|------------------------------------------|------------------|------------------|------------------|------------------|
|                                          | 12/31/2014       | 12/31/2013       | 12/31/2014       | 12/31/2013       |
| <b>Cost of Product Sold</b>              |                  |                  |                  |                  |
| Personnel expenses                       | 431,804          | 333,931          | 431,804          | 333,931          |
| Variable cost                            | 2,731,557        | 2,102,765        | 2,680,526        | 2,063,428        |
| Logistics cost                           | 174,795          | 59,294           | 654,822          | 431,157          |
| Depreciation, depletion and amortization | 1,139,597        | 792,382          | 1,139,597        | 829,208          |
| Other costs                              | 381,219          | 591,283          | 448,914          | 532,591          |
|                                          | <u>4,858,972</u> | <u>3,879,655</u> | <u>5,355,664</u> | <u>4,190,315</u> |
| <b>Selling expenses</b>                  |                  |                  |                  |                  |
| Personnel expenses                       | 54,188           | 44,038           | 78,733           | 66,887           |
| Services                                 | 37,386           | 20,673           | 36,188           | 31,284           |
| Logistics cost                           | 576,570          | 390,218          | 157,285          | 123,235          |
| Depreciation and amortization            | 2,767            | 2,518            | 3,116            | 2,920            |
| Other expenses <sup>(1)</sup>            | 28,068           | 26,067           | 25,474           | 26,669           |
|                                          | <u>698,979</u>   | <u>483,514</u>   | <u>300,796</u>   | <u>250,996</u>   |
| <b>Administrative expenses</b>           |                  |                  |                  |                  |
| Personnel expenses                       | 227,925          | 211,817          | 236,222          | 217,040          |
| Services                                 | 61,776           | 60,670           | 69,793           | 66,925           |
| Depreciation and amortization            | 15,775           | 9,750            | 16,660           | 10,426           |
| Other expenses <sup>(2)</sup>            | 51,484           | 55,368           | 70,086           | 82,658           |
|                                          | <u>356,960</u>   | <u>337,604</u>   | <u>392,761</u>   | <u>377,049</u>   |
|                                          | <u>5,914,911</u> | <u>4,700,773</u> | <u>6,049,221</u> | <u>4,818,360</u> |

(a) Includes provision for doubtful accounts, insurance, materials (use and consumption), expenses with travel, accommodation, participation in trade fairs and events.

(b) Includes corporate expenses, insurance, materials (use and consumption), social projects and donations, expenses with travel and accommodation.

## 28 Insurance Coverage

In order to protect its assets and liabilities, the Company takes insurance cover for risks that, may lead to losses that significantly impact the assets and/or results of the Company.

Some of the main insurance types contracted by the Company are:

- **Operating Risks:** Coverage against material damage caused to buildings, machinery and equipment, furniture and fixtures caused by fire, lightning and explosion, removal of debris, flooding, breakdown of machinery and electrical damage, as well as Loss of Gross Revenue caused by the interruption of production arising from material damages. On December 31, 2014, in the Parent Company, the insured amount was R\$17,813,510 and the maximum limit of damages is R\$3,747,500.
- **Directors and Officers Liability (D&O):** Coverage taken to protect the civil liability of Executives against losses and damages arising from their activities as Directors, Executive Officers and Managers of the Company. On December 31, 2014, in the Consolidated, the insured amount was R\$70,000.

- **Civil and General Liability:** To reimburse the company for damages arising from final and unappealable court decisions or agreements previously approved and authorized by the insurance company caused by involuntary damages, whether material and/or physical, to third parties as a result of the industrial and/or commercial activities, including accidental pollution. The insurance also covers, among other things, the liability of the employer, contingent vehicles, and products within Brazil. On December 31, 2014, in the Consolidated, the insured amount was R\$10,000.

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## EXHIBIT A

# FINANCIAL STATEMENT

**Suzano Austria GmbH**

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Financial Statement for the year 2015

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Suzano Austria GmbH

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To  
Suzano Austria GmbH  
Fleischmarkt 1/3.Stk.  
1010 Wien

## **Report on the Compilation of Financial Statements of Suzano Austria GmbH**

We have been engaged to compile the following financial statements of Suzano Austria GmbH as of 31 December 2015 – consisting of the balance sheet, the income statement, and the notes – on the basis of the accounting and the inventory as well as the provisions of applicable accounting and valuation methods.

The submitted documentation, accounting and inventory records – the regularity or plausibility of which we did not check in compliance with our engagement – as well as the information provided to us served as the basis for the compilation of the financial statements. You are responsible for the preparation of the inventory and the financial statements pursuant to Austrian Commercial Code (Unternehmensgesetzbuch - UGB) and the supplementary provisions of the Company's Articles of Association.

We did not perform either an audit, a review of the financial statements or an assurance engagement or agreed-upon procedures and, therefore, do not provide an assurance (confirmation) on financial statements.

You are responsible for the accuracy as well as the exhaustiveness of the documentation and information provided to us; a responsibility which also applies vis-à-vis the users of the financial statements compiled by us. In this context, we refer to the Letter of Representation which you signed on our request.

The compilation engagement was carried out under the provisions of the expert opinion KFS/RL 26 "Principles for the Compilation of Financial Statements". The General Conditions of Contract for the Public Accounting Professions (AAB), issued by the Austrian Chamber of Public Accountants and Tax Advisors (KWT), as of 21<sup>st</sup> of February 2011, shall apply to this compilation engagement.

Any distribution to third parties of the financial statements compiled by us is only permissible upon inclusion of the compilation report.

If the financial statements compiled by us are distributed to any third parties, the provisions stipulated in Point 8. AAB for the Public Accounting Professions of KWT on the liability vis-à-vis third parties shall apply.



| Assets                   | 2015-12-31       | 2014-12-31       |
|--------------------------|------------------|------------------|
| <b>A. Current Assets</b> |                  |                  |
| I. Bank deposits         | 14,802.46        | 15,519.27        |
| <b>Total assets</b>      | <b>14,802.46</b> | <b>15,519.27</b> |



| Liabilities and Owner's Equity                              | 2015-12-31        | 2014-12-31        |
|-------------------------------------------------------------|-------------------|-------------------|
| <b>A. Capital and Reserves</b>                              |                   |                   |
| I. Stated Capital                                           | 36,336.42         | 36,336.42         |
| II. Capital Reserves                                        |                   |                   |
| 1. Not appropriated                                         | 80,000.00         | 60,000.00         |
| III. Balance Sheet Loss                                     | -104,533.96       | -83,817.15        |
| <i>thereof loss carried forward from the previous years</i> | <i>-83,817.15</i> | <i>-79,185.97</i> |
|                                                             | <b>11,802.46</b>  | <b>12,519.27</b>  |
| <b>B. Provisions</b>                                        |                   |                   |
| 1. Other provisions                                         | 3,000.00          | 3,000.00          |
| <b>Total Liabilities and Owner's Equity</b>                 | <b>14,802.46</b>  | <b>15,519.27</b>  |



|                                                        | 2015               | 2014              |
|--------------------------------------------------------|--------------------|-------------------|
| <b>1. Other operating expenses</b>                     |                    |                   |
| a) Other                                               |                    |                   |
| Fees and contribution                                  | 0.00               | 50.88             |
| Transaction costs                                      | 100.00             | 50.90             |
| Legal and consulting costs                             | 18,866.40          | 3,092.40          |
|                                                        | <b>18,966.40</b>   | <b>3,194.18</b>   |
| <b>2. Operating result</b>                             | <b>-18,966.40</b>  | <b>-3,194.18</b>  |
| <b>3. Other interest and similar income</b>            | <b>0.59</b>        | <b>0.00</b>       |
| <b>4. Financial result</b>                             | <b>0.59</b>        | <b>0.00</b>       |
| <b>5. Loss from operating activities</b>               | <b>-18,965.81</b>  | <b>-3,194.18</b>  |
| <b>6. Taxes on income and revenue</b>                  | <b>1,751.00</b>    | <b>1,437.00</b>   |
| <b>7. Net loss</b>                                     | <b>-20,716.81</b>  | <b>-4,631.18</b>  |
| <b>8. Loss carried forward from the previous years</b> | <b>-83,817.15</b>  | <b>-79,185.97</b> |
| <b>9. Balance sheet loss</b>                           | <b>-104,533.96</b> | <b>-83,817.15</b> |



Suzano Austria GmbH

## Assets

### A. Current Assets

#### I. Cash and cash equivalents

Composition:

|                                 | Cur. year | Previous year |
|---------------------------------|-----------|---------------|
| 2802 Banco do Brasil 5030450001 | 14,802.46 | 15,519.27     |

## Liabilities and Shareholders' Equity

### A. Capital and Reserves

Composition:

|                    | 2015-12-31  | 2014-12-31 |
|--------------------|-------------|------------|
| Stated Capital     | 36,336.42   | 36,336.42  |
| Capital Reserves   | 80,000.00   | 60,000.00  |
| Balance Sheet Loss | -104,533.96 | -83,817.15 |
|                    | 11,802.46   | 12,519.27  |

Movement of Retained Earnings:

|                                              |             |
|----------------------------------------------|-------------|
| Balance Sheet Loss per 2015-01-01            | -83,817.15  |
| Distribution of profit                       | 0.00        |
| Loss carried forward from the previous years | -83,817.15  |
| Loss for the year                            | -20,716.81  |
| Balance Sheet Loss per 2015-12-31            | -104,533.96 |

### B. Provisions

#### 1. Other provisions

|                               | Cur. year | Previous year |
|-------------------------------|-----------|---------------|
| Other provisions              | 3,000.00  | 3,000.00      |
| 3050 Consulting cost accruals |           |               |



**Income Statement****1. Other operating expenses****a. Other**

Composition:

|                            | 2015             | 2014            |
|----------------------------|------------------|-----------------|
| Fees and contribution      | 0.00             | 50.88           |
| Transaction costs          | 100.00           | 50.90           |
| Legal and consulting costs | 18,866.40        | 3,092.40        |
|                            | <u>18,966.40</u> | <u>3,194.18</u> |

**2. Operating result**

In the year 2015 the Operating result is € -18,966.40 (previous year: € -3,194.18).

**3. Other interest and similar income**

Composition:

|                                          | Cur. year | Previous year |
|------------------------------------------|-----------|---------------|
| 8100 Interest proceeds from bank credits | 0.59      | 0.00          |

**4. Financial result**

In the year 2015 the Financial result is € 0.59 (previous year: € 0.00).

**5. Loss from operating activities**

In the year 2015 the Operating result is € -18,965.81 (previous year: € -3,194.18).

**6. Taxes on income and revenue**

Composition:

|                                       | Cur. year       | Previous year   |
|---------------------------------------|-----------------|-----------------|
| 8500 Corporate tax                    | 1,750.00        | 1,437.00        |
| 8530 corporation tax previous periods | 1.00            | 0.00            |
|                                       | <u>1,751.00</u> | <u>1,437.00</u> |

**7. Net loss**

In the year 2015 the Net loss is € -20,716.81 (previous year: € -4,631.18).



## 5. Notes to the Financial Statements

### Accounting and valuation methods

#### General information

The financial statements as of December 31, 2015 have been prepared and are in compliance with the Austrian Commercial Code (Unternehmensgesetzbuch - UGB) in its currently valid version. The financial year corresponds to the calendar year from January 1, 2015 to December 31, 2015.

The financial statements have been prepared observing the Austrian Generally Accepted Accounting Principles and the general standard of sec. 222 para. 2 UGB to present a true and fair view of the net assets, financial position and results of operations.

The principle of completeness has been observed as well as the principle of individual valuation of assets and liabilities. Valuation is based upon the going-concern principle.

Exercise of prudence in the preparation of the financial statements has been observed by the accruals principle. In particular only profits and gains realised at balance sheet date have been recognised and all risks and expected losses have been taken into account.

The standards for classification and valuation of the sec. 195 to 211 UGB and sec. 222 to 235 UGB apply.

#### Parent company

Pursuant to sec. 237 subpara. 12 UGB below is reported about that company that prepares the consolidated financial statements for the largest group of companies:

|                                                   |                                                                |
|---------------------------------------------------|----------------------------------------------------------------|
| Parent company:                                   | Suzano Papel e Celulose S.A.                                   |
| Registered office:                                | Av. Professor Magalhaes Neto, 1752<br>BRA-41.810-012, Salvador |
| Parent's ownership interest:                      | 100%                                                           |
| Commercial register:                              | Commercial Register State of Bahia<br>2930001633-1             |
| Place of publication of the financial statements: | Salvador, Brasil                                               |



## Notes to individual income statement items

The income statement is prepared in accordance with the total expenditure format.

## Other mandatory disclosures

### Average number of employees

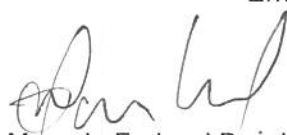
The average number of employees divided into wage earners and salaried employees (sec. 239 para. 1 subpara. 1 UGB):

|                    | 2015 | 2014 |
|--------------------|------|------|
| Wage earners       | 0    | 0    |
| Salaried employees | 0    | 0    |
| Sum                | 0    | 0    |

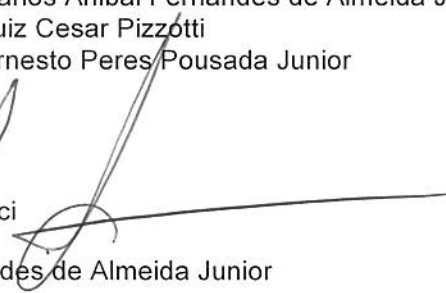
### Details of the members of the management board

In the reporting year 2015 following persons have been members of the management board:

| Name                                      | since      | until      |
|-------------------------------------------|------------|------------|
| Marcelo Feriozzi Bacci                    | 2014-03-31 |            |
| Carlos Anibal Fernandes de Almeida Junior | 2016-01-18 |            |
| Luiz Cesar Pizzotti                       | 2008-01-15 | 2015-10-13 |
| Ernesto Peres Pousada Junior              | 2008-01-15 | 2016-07-07 |



Marcelo Feriozzi Bacci



Carlos Anibal Fernandes de Almeida Junior

.....  
date, signature of managing directors





Suzano Austria GmbH

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To  
Vienna CityTax Steuerberater GmbH  
Untere Donaustraße 13-15  
1020 Wien

## Representation Letter

This Representation Letter is provided in connection with the financial statements for the fiscal year from 1 January 2015 to 31 December 2015 compiled by you. With this Representation Letter we confirm that, based on the documentation and information provided to you, you were in the position to compile financial statements which present a true and fair view of the Company's financial position as of 31 December 2015 and of its financial performance from 1 January 2015 to 31 December 2015 in accordance with the Austrian Commercial Code (Unternehmensgesetzbuch - UGB).

We as members of the management board responsible for the preparation of financial statements provide assurance to you as the certified tax adviser appointed to compile the above referenced financial statements with regard to the following:

The documentation, accounting and inventory records as well as the information sent to you for the compilation of the financial statements were provided to you in full and to the best of our knowledge and belief.

All business transactions subject to accounting in the above mentioned fiscal year were continuously and completely recorded in the submitted books and records.

We have ensured that even the data not printed out are available at any time within the scope of the legally stipulated retention duties and deadlines and can be rendered readable within a suitable period of time.

We are responsible for the preparation of the financial statements and the compilation of the management report in accordance with the applicable accounting requirements. This responsibility comprises in particular basic decisions on the presentation of business transactions and assets and liabilities in the financial statements, the selection and application of appropriate accounting and valuation methods, and making accounting estimates reasonable with regard to the respective conditions.

In the financial statements compiled by you, all assets, obligations, risks and limitations that are to be reported on the balance sheet, all expenses and income as well as all the information required have been taken into account.

We are responsible for the prevention and detection of infringements of employees and the establishment and maintenance of an appropriate internal control system.



We are responsible for the establishment of an adequate accounting and internal control system in order to ensure that business transactions with and between related parties are recorded as such in the accounting records and are disclosed in accordance with the applicable accounting provisions.

All records, documentation, and information (particularly with regard to the risks for which accruals have to be set up, to contingent losses from pending transactions, to pending and imminent legal and other disputes, and to the impairment of receivables) necessary for the compilation of the financial statements were communicated to you. Such information and/or facts may be:

- a) Events after the balance sheet date material for the valuation at the balance sheet date,
- b) Particular circumstances that endanger the Company's position as a going concern or the true and fair view of the Company's financial position and performance or that materially influence the informative value of the financial statements,
- c) An overview of those companies with which the Company was affiliated or in which the Company held participating interests during the fiscal year and/or at the balance sheet date,
- d) Liabilities from the issuance and transfer of bills of exchange, from bonds, guarantees and other legal and contractual contingencies,
- e) Letters of comfort,
- f) Legal and contractual collaterals for liabilities (including contingent liabilities), e.g. liens, security interest and retentions of title in relation to recorded assets,
- g) Obligations to return assets recorded in the balance sheet and obligations to take back assets not recorded in the balance sheet,
- h) Derivative financial instruments (e.g. option transactions and forward contracts in relation to foreign currencies, interest rates, securities and indexes, as well as interest rate swaps and currency swaps),
- i) Agreements or other legal circumstances that are or will be material for the valuation of the Company's economic situation due to their subject matter, term, potential penalties or other reasons (e.g. agreements with suppliers, customers, shareholders or affiliated companies, as well as consortium agreements, supply agreements, option agreements, lease agreements and trust agreements, as well as agreements with regard to obligations to be fulfilled subject to earnings), and



Suzano Austria GmbH

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- j) Financial obligations arising from these agreements as well as other material financial obligations (e.g. due to major repairs required in the near future).

We accept the fact that the English translation of this representation letter is presented for our convenience only and that the German wording is the only legally binding version.

Confirmed on behalf of Suzano Austria GmbH, represented by

Vienna, on August 8th, 2016

Members of the Management Board:

  
Carlos Anibal Fernandes de Almeida Junior

  
Marcelo Feriozzi Bacci



# General Conditions of Contract for the Public Accounting Professions (AAB 2010)

Laid down by the Working Group for Fees and Conditions of Contract of the Chamber of Public Accountants and Tax Advisors, recommended for use by the Board of the Chamber of Public Accountants and Tax Advisors in its decision of March 8, 2000, and revised by the Working Group for Fees and Conditions of Contract on May 23, 2002, on October 21, 2004, on December 18, 2006, on August 31, 2007, on February 26, 2008, on June 30, 2009 as well as on March 22, 2010

## Preamble and General Points

(1) The General Conditions of Contract for the professions in the field of public accounting are divided into four sections: Section I deals with contracts for services, excluding contracts concerning bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions; Section II deals with contracts for rendering services in the field of bookkeeping, payroll accounting and administration and assessment of taxes and contributions; Section III covers contracts not regarded as contracts for the rendering of services, while Section IV is devoted to consumer business covered by the Austrian Consumer Act.

(1) In the event that individual provisions of these General Conditions of Contract are void, this shall not affect the validity of the remaining provisions. The invalid provision shall be replaced by a valid provision that is as close as possible to the desired objective.

(3) The person entitled to exercise profession in the field of public accounting shall be obliged to render the services negotiated in accordance with the principles of due professional care and conduct. He/she shall have the right to engage suitable staff for the execution of the contract. This shall apply to all sections of The General Conditions of Contract.

(4) Finally, foreign law shall only be taken into account by the person entitled to exercise the profession, if this has been explicitly agreed upon in writing. This shall apply to all sections of the General Conditions of Contract.

(5) The work prepared in the offices of the person entitled to exercise the profession may, at the discretion of the person entitled to exercise the profession, be carried out with or without using electronic data processing. In case electronic data processing is used, the client – not the person entitled to exercise the profession – is obliged to effect the registrations or notifications required under the relevant provisions of the Data Protection Act.

(6) The client undertakes not to employ staff of the person entitled to exercise the profession during and within one year after termination of the contractual relationship, either in his/her company or in an associated company, failing which he/she shall be obliged to pay the person entitled to exercise the profession the amount of the annual salary of the employee taken over.

## SECTION I

### 1. Scope

(1) The General Conditions of Contract in Section I shall apply to contracts concerning (statutory and voluntary) audits with or without auditor's certificate, expert opinions, court expert opinions, preparation of annual financial statements and other financial statements, tax consultancy and other services to be rendered within the framework of a contract for the rendering of services, excluding bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

(2) The General Conditions of Contract shall apply, if their use has been explicitly or tacitly agreed upon. Furthermore, in the absence of another agreement, they shall be used for reference to facilitate interpretation.

(3) Point 8 shall also apply to third parties whose services, in certain cases, may be enlisted by the contractor for the execution of the contract.

### 2. Scope and Execution of Contract

(1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) Should the legal situation change subsequent to delivering a final professional statement, the person entitled to exercise the profession shall not be obliged to inform the client of changes or of the consequences thereof. This shall also apply to the completed parts of a contract.

(3) An application submitted by the person entitled to exercise the profession to an authority (e.g. tax office, social security institution) by electronic means, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to submit such an application.

### 3. Client's Obligation to Provide Information and Submit Complete Set of Documents

(1) The client shall make sure that all documents required for the execution of the contract be placed in good time and without special request at the disposal of the person entitled to exercise the profession and that he/she be informed of all events and circumstances which may be of significance for the execution of the contract. This shall also apply to documents, events and circumstances which become known only after the person entitled to exercise the profession has commenced his/her work.

(2) The client shall confirm in writing that all documents submitted, all information provided and explanations given in the context of audits, expert opinions and expert services are complete. This statement may be made on the forms specifically designed for this purpose.

(3) If the client fails to disclose considerable risks in connection with the preparation of annual financial statements and other statements, the contractor shall not be obliged to render any compensation in this respect.

### 4. Maintenance of Independence

(1) The client shall be obliged to take all measures to make sure that the independence of the employees of the person entitled to exercise the profession be maintained and shall refrain from jeopardizing their independence in any way. In particular, this shall apply to offers of employment and to offers to accept contracts on their own account.

(2) The client consents that their personal details, meaning their name and the type and scope of the services, including the performance period, agreed between the professional practitioner and the client (both audit and non-audit services), shall be handed within the information network (network), to which the professional practitioner belongs, and for this purpose transferred to the other members of the information network (network) including abroad (a list of all recipients of communications shall be sent to the client at their request by the commissioned professional practitioner) for the purpose of examination of the existence of grounds of bias or grounds for exclusion within the meaning of Sections 271 et seq. of the Company Code (UGB). For this purpose the client expressly releases the professional practitioner in accordance with the Data Protection Act and in accordance with Section 91 Subsection 4 Clause 2 of the Auditing, Tax Advising and Related Professions Act (WTBG) from their obligation to maintain secrecy. Moreover, the client acknowledges in this regard that in states which are not EU members a lower level of data protection than in the EU may prevail. The client can revoke this consent at any time in writing to the professional practitioner.

### 5. Reporting Requirements

(1) In the absence of an agreement to the contrary, a written report shall be drawn up in the case of audits and expert opinions.

(2) All information and opinions of the person entitled to exercise the profession and his employees shall only be binding provided they are set down or confirmed in writing. Written opinions shall only be those on which there is a company signature. Written opinions shall in no circumstances be information sent electronically, specifically not via e-mail.

(3) Transmission errors cannot be excluded when information and data is transmitted electronically. The person entitled to exercise the profession and his employees shall not be liable for losses which arise as a result of electronic transmission. Electronic transmission shall be exclusively at the client's risk. The client is aware that confidentiality is not guaranteed when the Internet is used. Furthermore, amendments or supplements to documents transmitted shall only be permissible subject to explicit approval.

(4) Receipt and forwarding of information to the person entitled to exercise the profession and his employees are not always guaranteed when the telephone is used, in particular in conjunction with automatic telephone answering systems, fax, e-mail and other electronic means of communication. As a result, instructions and important information shall only be deemed to have been received by the person entitled to exercise the profession provided they are also received in writing, unless explicit confirmation of receipt is provided in individual instances. Automatic confirmation that items have been transmitted and read shall not as such constitute explicit confirmations of receipt. This shall apply in particular to the transmission of decisions and other information relating to deadlines. As a result, critical and important notifications must be sent to the person entitled to exercise the profession by post or courier. Delivery of documents to employees outside the firm's offices shall not count as delivery.

(5) The client agrees to being sent recurrent general tax law and general commercial law information by the person entitled to exercise the profession via electronic means. This shall not apply to unsolicited information in accordance with § 107 of the Austrian Telecommunications Act (TKG).

### 6. Protection of Intellectual Property of the Person Entitled to Exercise the Profession

(1) The client shall be obliged to ensure that reports, expert opinions, organizational plans, drafts, drawings, calculations and the like, issued by the person entitled to exercise the profession, be used only for the purpose specified in the contract (e.g. pursuant to Section 44 Para. 3 Austrian Income Tax Act 1988). Furthermore, professional statements made by the person entitled to exercise the profession may be passed on to a third party for use only with the written consent of the person entitled to exercise the profession.

(2) The use of professional statements made by the person entitled to exercise the profession for promotional purposes shall not be permitted, a violation of this provision shall give the person entitled to exercise the profession the right to terminate without notice to the client all contracts not yet executed.



(3) The person entitled to exercise the profession shall retain the copyright on his/her work. Permission to use the work shall be subject to the written consent by the person entitled to exercise the profession.

#### 7. Correction of Errors

(1) The person entitled to exercise the profession shall have the right and shall be obliged to correct all errors and inaccuracies in his/her professional statement which subsequently come to light and shall be obliged to inform the client thereof without delay. He/she shall also have the right to inform a third party acquainted with the original statement of the change.

(2) The client has the right to have all errors corrected free of charge, if the contractor can be held responsible for them, this right will expire six months after completion of the services rendered by the person entitled to exercise the profession and/or – in cases where a written statement has not been delivered – six months after the person entitled to exercise the profession has completed the work that gives cause to complaint.

(3) If the contractor fails to correct errors which have come to light, the client shall have the right to demand a reduction in price. The extent to which additional claims for damages can be asserted is stipulated under Point 8.

#### 8. Liability

(1) The person entitled to exercise the profession shall only be liable for violating intentionally or by gross negligence the contractual duties and obligations entered into.

(2) In cases of gross negligence, the maximum liability for damages due from the appointed person entitled to exercise the profession is tenfold the minimum insurance sum of the professional liability insurance according to Section 11 of the Act on Professions in the Field of Public Accounting (WTBG) in the currently valid version.

(3) Any action for damages may only be brought within six months after those entitled to assert a claim have gained knowledge of the damage, but not later than three years after the occurrence of the (primary) loss following the incident upon which the claim is based, unless other statutory limitation periods are laid down in other legal provisions.

(4) Should Section 275 of the Austrian Business Enterprise Code (Commercial Code, UGB) be mandatorily applicable, the liability provisions pursuant to Section 275 shall apply where these represent mandatory law, even in cases where several persons have participated in the execution of the contract or where several activities requiring compensation have taken place, irrespective of whether other participants have acted with intent.

(5) In cases where a formal audit certificate is issued, the applicable limitation period shall commence at the latest at the time of issue of said audit certificate.

(6) If activities are carried out by enlisting the services of a third party, e.g. a data-processing company, and the client is informed thereof, any warranty claims and claims for damages which arise against the third party according to law and in accordance with the conditions of the third party, shall be deemed as having been passed on to the client. The person entitled to exercise the profession shall only be liable for fault in choosing the third party.

(7) The person entitled to exercise the profession shall not be liable to a third party, if his/her professional statements are passed on by the client without the approval or knowledge of the person entitled to exercise the profession.

(8) The above provisions shall apply not only vis-à-vis the client but also vis-à-vis third parties, if the person entitled to exercise the profession, in exceptional cases, should be liable for his/her work. The maximum sum of liability shall be valid only once for all parties injured, including the compensation claims of the client, even if several persons (the client and a third party or several third parties) have been wronged, the claims of the aggrieved parties shall be satisfied in the order in which the claims have been raised.

#### 9. Secrecy, Data Protection

(1) According to Section 91 WTBG the person entitled to exercise the profession shall be obliged to maintain secrecy in all matters that become known to him/her in connection with his work for the client, unless the client releases him/her from this duty or he/she is bound by law to deliver a statement.

(2) The person entitled to exercise the profession shall be permitted to hand on reports, expert opinions and other written statements pertaining to the results of his/her services to third parties only with the permission of the client, unless he/she is required to do so by law.

(3) The person entitled to exercise the profession is authorized to process personal data entrusted to him/her within the framework of the purpose of the contract or to have them processed by a third party according to Point 8 Item 5. The person entitled to exercise the profession shall guarantee that according to Section 15 of the Data Protection Act secrecy be maintained. According to Section 11 of the Data Protection Act the material made available to the person entitled to exercise the profession (data carrier, data, control numbers, analyses and programs) as well as all results obtained as a result of the work provided shall be returned to the client, unless the client has requested in writing that the material and/or results be transferred to a third party. The person entitled to exercise the profession shall be obliged to take measures to ensure that the client can meet his/her obligation to provide information according to Section 26 of the Data Protection Act. The client's instructions required for this purpose shall be given in writing to the person entitled to exercise the profession. Unless a fee has been negotiated for providing such information, the client shall be charged only the actual efforts undertaken. The client shall meet his/her obligation to provide information to those concerned and/or to register in the data processing register, unless the contrary has been explicitly agreed in writing.

#### 10. Termination

(1) Unless otherwise agreed in writing or stipulated by force of law, either contractual partner shall have the right to terminate the contract at any time with immediate effect. The fee shall be calculated according to Point 12.

(2) However, a continuing agreement (even with a flat fee) – always to be presumed in case of doubt – may, without good reason (cf. Section 88 Item 4 WTBG), only be terminated at the end of the calendar month by observing a period of notice of three months, unless otherwise agreed in writing.

(3) Except for cases listed in Item 5, in case of termination of a continuing agreement only those tasks shall be part of the list of jobs to be completed and finished that can be completed fully or to the largest part within the period of notice, with financial statements and annual income tax returns being deemed to be subject to successful completion within two months calculated from the balance sheet date. In this case the above-mentioned jobs actually have to be completed within a reasonable period of time, if all documents and records required are provided without delay and if no good reason within the meaning of Section 88 Paragraph 4 WTBG is cited.

(4) In case of a termination according to Item 2 the client shall be informed in writing within one month which assignments at the time of termination are considered to be part of the work to be completed.

(5) If the client is not informed within this period about the assignments still to be carried out, the continuing agreement shall be deemed terminated upon completion of the tasks under way at the date when the notice of termination is served.

(6) Should it happen that in case of a continuing agreement as defined under Items 2 and 3 – for whatever reason – more than two similar jobs which are usually completed only once a year (e.g. financial statements or annual tax returns etc.) are to be completed, any such jobs exceeding this number shall be regarded as assignments to be completed only with the client's explicit consent. If applicable, the client shall be informed of this explicitly in the statement pursuant to Item 4.

#### 11. Default in Acceptance and Failure to Cooperate on the part of the Client

If the client defaults on acceptance of the services rendered by the person entitled to exercise the profession or fails to carry out a task incumbent on him/her either according to Point 3 or imposed on him/her in another way, the person entitled to exercise the profession shall have the right to terminate the contract without prior notice. His/her fees shall be calculated according to Point 12. Default in acceptance or failure to cooperate on the part of the client shall also justify a claim for compensation made by the person entitled to exercise the profession for the extra time and labor hereby expended as well as for the damage caused, if the person entitled to exercise the profession does not invoke his/her right to terminate the contract.

#### 12. Entitlement to Fee

(1) If the contract fails to be executed (e.g. due to termination), the person entitled to exercise the profession shall be entitled to the negotiated fee, provided he/she was prepared to render the services and was prevented from so doing by circumstances caused by the client (Section 1168 of the Civil Code (ABGB)); in this case the person entitled to exercise the profession need not deduct the amount he/she obtained or could have obtained through alternative use of his/her own professional services or those of his/her employees.

(2) If the client fails to cooperate and the assignment cannot be carried out because of lack of cooperation, person entitled to exercise the profession shall also have the right to set a reasonable grace period on the understanding that, if this grace period expires without results, the contract shall be deemed cancelled and the consequences indicated in Item 1) shall apply.

(1) If the person entitled to exercise the profession terminates the contract without good reason and at an inopportune moment, he/she shall compensate the client for the damage caused according to Point 8.

(1) If the client – having been made aware of the legal situation – agrees that the person entitled to exercise the profession duly completes the task, the work shall be completed accordingly.

#### 13. Fee

(1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved.

(2) Proper understanding between the person entitled to exercise the profession and their principals is most effectively achieved by clearly expressed remuneration agreements.

(3) The smallest service unit which may be charged is a quarter of an hour.

(4) Travel time to the extent required is also charged in most cases.

(5) Study of documents which, in terms of their nature and extent, may prove necessary for preparation of the person entitled to exercise the profession in his/her own office may also be charged





as a special item

- (6) Should a remuneration already agreed upon prove inadequate as a result of the subsequent occurrence of special circumstances or special requirements of the principal, additional negotiations for the agreement of a more suitable remuneration are usual. This also usually applies where inadequate fixed sum remunerations are concerned.
- (7) Persons entitled to exercise the profession also include charges for supplementary costs and value-added (turnover) tax in addition to the above.
- (8) Supplementary costs also include documented or flatrate cash expenses, travelling expenses (first class for train journeys, sleeping car (wagon lits) if necessary, dietary requirements, mileage allowance, photocopy costs and similar supplementary costs.
- (9) Should particular third party liabilities be involved, the necessary insurance premiums also count as supplementary costs.
- (10) Personnel and material expenses for the preparation of reports, expertises and similar documents are also viewed as supplementary costs.
- (11) For the execution of a commission wherein mutual conclusion involves several persons entitled to exercise the profession, each of the latter will charge his/her own remuneration.
- (12) Remunerations and advance payments required are due immediately after receipt of their written claim should no other agreements exist. Where payments of remuneration are made later than 14 days after the due date, default interest may be charged. Where mutual business transactions are concerned, a default interest rate of 8% above the base rate is agreed upon (Cf. Section 352 of the Austrian Business Enterprise Code (Commercial Code, UGB)).
- (13) Time limitation is in accordance with Section 1486 of the Austrian Civil Code (ABGB), starting at the time of conclusion of the service involved or a later rendering of accounts after an appropriate time-limit.
- (14) An objection may be raised in writing against bills presented by the appointed trustee up to 4 weeks after the date of presentation. Otherwise the bill is considered as accepted. Filing of a bill in the accounting system of the recipient is also considered as acceptance.
- (15) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for laesio enormis (lesion beyond moiety) among entrepreneurs, is hereby renounced.

#### 14. Other Provisions

- (1) In addition to the reasonable rate or fee charged, the person entitled to exercise the profession shall have the right to claim reimbursement of expenses. He/she can ask for advance payments and can make delivery of the results of his/her (continued) work dependent on satisfactory fulfillment of his/her demands. In this context reference shall be made to the legal right of retention (Section 471 of the Civil Code (ABGB), Section 369 of the Austrian Business Enterprise Code (Commercial Code, UGB)). If the right of retention is wrongfully exercised, the person entitled to exercise the profession shall be liable only in case of gross negligence up to the outstanding amount of his/her fee. As regards standing orders, the provision of further services may be denied until payment of previous services has been effected. This shall analogously apply if services are rendered in instalments and fee instalments are outstanding.
- (2) After all the data to be archived, which has been prepared by the public accountant and tax advisor, has been delivered to the client or to the succeeding public accountant and tax advisor, the person entitled to exercise the profession shall be entitled to delete the data in question.
- (3) With the exception of obvious essential errors, a complaint concerning the work of the person entitled to exercise the profession shall not justify the retention of remuneration owed in accordance with Item 1.
- (4) Offsetting the remuneration claims made by the person entitled to exercise the profession in accordance with Item 1 shall only be permitted, if the demands are uncontested and legally valid.
- (5) At the request and expense of the client, the person entitled to exercise the profession shall hand over all documents received from the client within the scope of his/her activities. However, this shall not apply to correspondence between the person entitled to exercise the profession and his/her client, to original documents in his/her possession or to documents which have to be kept in accordance with the directive on money laundering. The person entitled to exercise the profession may make or retain copies or duplicates of the documents to be returned to the client. The client shall be obliged to bear these expenses in so far as these copies or duplicates may be required as a proof of the orderly execution of all professional duties by the person entitled to exercise the profession.
- (6) In the event of termination of the contract, the contractor shall be entitled to charge an appropriate fee for further queries after termination of the contract and for granting access to the relevant information about the audited company.
- (7) The client shall fetch the documents handed over to the person entitled to exercise the profession within three months after the work has been completed. If the client fails to do so, the person entitled to exercise the profession shall have the right to return them to the client at the cost of the client or to charge safe custody charges, if the person entitled to exercise the profession can prove that he/she has asked the client twice to pick up the documents handed over.
- (8) The person entitled to exercise the profession shall have the right to compensation of any fees that are due by use of any available deposited funds, clearing balances, trust funds or other liquid resources at his/her disposal even if these funds are explicitly intended for safe keeping, if the client had to reckon with a counterclaim of the person entitled to exercise the profession.
- (9) To safeguard an existing or future fee payable, the person entitled to exercise the profession shall have the right to transfer a balance held by the client with the tax office or another balance held by the client in connection with charges and contributions, to a trust account. In this case the client shall be informed about the transfer. Subsequently, the amount secured may be collected either after agreement has been reached with the client or after enforceability by execution has been declared.

#### 15. Applicable Law, Place of Performance, Jurisdiction

- (1) The contract, its execution and the claims resulting from it shall be exclusively governed by Austrian law.
- (2) The place of performance shall be the place of business of the person entitled to exercise the profession.
- (3) In case of disputes, the court of the place of performance shall be the competent court.

#### 16. Supplementary Provisions for Audits

- (1) For statutory audits of financial statements which are carried out in order to issue a formal audit certificate (e.g. Section 268 and the following sections of the Company Code), the purpose of the contract, unless otherwise agreed to in writing, shall not be to investigate whether regulations concerning tax laws or specific regulations, e.g. price fixing, restriction of competition and foreign exchange regulations have been adhered to. Neither shall the purpose of the statutory audit of financial statements be to investigate whether the business is run in an economical, efficient and expedient manner. Within the framework of a statutory audit of a financial statement there shall be no obligation to detect the falsification of accounts or other irregularities.
- (2) When a qualified or unqualified audit certificate is issued within the scope of a statutory audit of the annual financial statement, the audit certificate issued shall be appropriate for the respective type of business organization.
- (3) If financial statements are published together with the audit certificate, they shall only be published in the form confirmed or explicitly permitted by the auditor.
- (4) If the auditor revokes his/her audit certificate, the further use thereof shall no longer be permitted. If the financial statements have been published with the audit certificate, the revocation thereof shall also be published.
- (5) For other statutory and voluntary audits of financial statements as well as for other audits, the above principles shall apply accordingly.

#### 17. Supplementary Provisions concerning the Preparation of Annual Financial Statements and Other Financial Statements, Consultation and Other Services to be Provided within the Framework of a Contract for the Rendering of Services

- (1) The person entitled to exercise the profession, when performing the aforementioned activities, shall be justified in accepting information provided by the client, in particular figures, as correct. However, he/she is obliged to inform the client of any errors identified by him/her. The client shall present the person entitled to exercise the profession with all important documents required for keeping deadlines, in particular tax assessment notices, in good time so as to ensure that the person entitled to exercise the profession has a reasonable amount of time, but not less than one week, to process the information.
- (1) In the absence of written agreements to the contrary, consultation shall consist of the following activities:
  - a) preparing annual tax returns for income tax and corporate tax as well as value-added tax (VAT) on the basis of the financial statements and other documents and papers required for taxation purposes and to be submitted by the client or prepared by the contractor.
  - b) examining the tax assessment notices for the tax returns mentioned under a).
  - c) negotiating with the fiscal authorities in connection with the tax returns and notices mentioned under a) and b).
  - d) participating in external tax audits and assessing the results of external tax audits with regard to the taxes mentioned under a).
  - e) participating in appeal procedures with regard to the taxes mentioned under a). If the person entitled to exercise the profession receives a flat fee for regular tax consultation, in the absence of written agreements to the contrary, the activities mentioned under d) and e) shall be invoiced separately.
- (3) Particular matters pertaining to income tax, corporate tax and ratable value tax return as well as all matters relating to value-added tax, withholding tax on salaries and wages and other taxes and duties shall only be prepared on the basis of a specific contract. This shall also apply to



- a) processing non-recurring matters pertaining to tax, e.g. inheritance tax, capital transfer tax, land transfer tax,
  - b) the defense and consultation in penal procedures relating to the taxes mentioned,
  - c) providing consultation and expert opinions in matters pertaining to the foundation, restructuring, merger, capital increase and decrease, and reorganization of a company, entry and retirement of a shareholder or partner, sale of a business, winding up, management consultancy and other activities according to Sections 3 to 5 of the Act on Professions in the Field of Public Accounting (WTBG).
  - d) the preparation of applications to the Register of Companies in connection with annual financial statements, including the keeping of records required.
- (4) Provided the preparation of the annual value added tax return is part of the contract accepted, this shall not include the examination of any particular accounting conditions nor the examination of whether all relevant value added tax concessions have been utilized, unless the person entitled to exercise the profession can prove that he/she has been commissioned accordingly.
- (5) The aforementioned paragraphs shall not apply to services requiring particular expertise provided by an expert.

## SECTION II

### 18. Scope

The General Conditions of Contract in Section II shall apply to contracts for the rendering of services in the field of bookkeeping, payroll accounting and the administration and assessment of payroll-related taxes and contributions.

### 19. Scope and Execution of Contract

- (1) Reference shall be made to Items 3 and 4 of the Preamble.

(1) The person entitled to exercise the profession shall be justified in regarding information and documents presented to him/her by the client, in particular figures, as correct and complete and in using them as a basis for accounting. The person entitled to exercise the profession shall not be obliged to identify errors, unless he/she has been specifically instructed to do so in writing. However, if errors are identified, he/she shall inform the client thereof.

(3) If a flat fee has been negotiated for the activities mentioned in Point 18, in the absence of written agreements to the contrary, representation in matters concerning all types of tax audits and audits of payroll-related taxes and social security contributions including settlements concerning tax assessments and the basis for contributions, preparation of reports, appeals and the like shall be invoiced separately.

(4) Particular individual services in connection with the services mentioned in Point 18, in particular ascertaining whether the requirements for statutory social security contributions are met, shall be dealt with only on the basis of a specific contract and shall be treated according to Section I or Section III of the General Conditions of Contract.

(5) Any application submitted to authorities (e.g. tax office, social insurance institution) electronically, shall be regarded as neither signed by the person entitled to exercise the profession nor by the person authorized to transmit the application.

### 20. Client's Duty to Cooperate

The client shall make sure that all information and documents required for bookkeeping, payroll accounting and administration and assessment of payroll-related taxes and contributions be placed at the disposal of the person entitled to exercise the profession on an agreed date without his/her specific request.

### 21. Termination

(1) Unless otherwise agreed to in writing, either contractual partner may terminate the contract at the end of each month with three months' notice without giving a particular reason.

(2) If the client repeatedly fails to fulfill his/her duties according to Point 20, the person entitled to exercise the profession shall have the right to terminate the contract immediately without prior notice.

(3) If the person entitled to exercise the profession delays in rendering services due to reasons for which he/she is solely responsible, the client shall have the right to terminate the contract immediately without prior notice.

(4) In case of a termination of the contractual relationship only those assignments shall be considered part of the contract which the contractor is already working on or major parts of which can be completed within the period of notice and which are notified to the client within one month.

### 22. Fee and Entitlement to Fee

(1) Unless otherwise agreed to in writing, the fee shall be considered agreed upon for one year at a time.

(2) If the contract is terminated pursuant to Point 21 Item 2 the person entitled to exercise the profession shall have the right to the full fee negotiated for three months. This shall also apply if the client fails to observe the period of notice.

(3) If the contract is terminated pursuant to Point 21 Item 3, the person entitled to exercise the profession shall only have the right to the fee corresponding to the services rendered up to this point, provided they are of value to the client.

(4) If a flat fee has not been negotiated, the fee shall be calculated pursuant to Item 2 according to the monthly average of the current year of contract until termination.

(5) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved. Furthermore, the basics standardized under section 13 apply.

(6) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.

### 23. Other Provisions

In all other cases, the provisions of Section I of the General Conditions of Contract shall apply accordingly.

## SECTION III

### 24. Scope

(1) The General Conditions of Contract in Section III shall apply to all contracts not mentioned in the previous sections, which are not to be regarded as contracts for rendering services and are not related to the contracts mentioned in the previous sections.

(2) In particular, Section III of the General Conditions of Contract shall apply to contracts concerning the non-recurring participation in negotiations, to services as an agent in matters pertaining to insolvency, to contracts concerning non-recurring interventions and the handling of the individual matters mentioned in Point 17 Item 3 in the absence of a continuing agreement.

### 25. Scope and Execution of Contract

- (1) Reference shall be made to Items 3 and 4 of the Preamble.

(2) The person entitled to exercise the profession shall be justified in regarding and obliged to regard information and documents presented to him/her by the client, in particular figures, as correct and complete. In case of penal procedures he/she shall protect the rights of the client.

(3) The person entitled to exercise the profession shall not be obliged to identify errors, unless he/she has been specifically instructed to do so in writing. However, if he/she identifies errors, the client shall be informed accordingly.

### 26. Client's Duty to Cooperate

The client shall make sure that all the necessary information and documents be placed at the disposal of the person entitled to exercise the profession in good time and without his/her special request.

### 27. Termination

Unless otherwise agreed to in writing or stipulated by force of law, either contractual party shall have the right to terminate the contract at any time with immediate effect (Section 1020 of the Civil Code (ABGB)).

### 28. Fee and Entitlement to Fee

(1) Unless the parties agreed that the services would be rendered free of charge or unless explicitly stipulated otherwise, an appropriate remuneration in accordance with Sections 1004 and 1152 of the Austrian Civil Code (ABGB) is due. Unless a different agreement has demonstrably been reached, payments by the client shall in all cases be credited against the oldest debt. The claim for remuneration by the person entitled to exercise the profession is based upon an agreement concluded between him/her and the principal involved. Furthermore, the basics standardized under section 13 apply.

(2) In the event of termination the fee shall be calculated according to the services rendered up to this point, provided they are of value to the client.

(3) Application of § 934 ABGB (Austrian Civil Code) within the meaning of § 351 Austrian Business Enterprise Code (Commercial Code, UGB), i.e. rescission for *laesio enormis* (lesion beyond moiety) among entrepreneurs, is hereby renounced.



The reference in Point 23 to provisions in Section I shall apply accordingly.

#### SECTION IV 30. Scope

The Conditions of Contract of Section IV shall only apply to consumer business in accordance with the Consumer Act (Federal Law of March 8, 1979/Federal Law Gazette No. 140 as amended).

#### 31. Supplementary Provisions for Consumer Transactions

(1) Contracts between persons entitled to exercise the profession and consumers shall fall under the obligatory provisions of the Consumer Act.

(1) The person entitled to exercise the profession shall only be liable for the deliberate and gross negligent violation of the obligations assumed.

(1) Contrary to the limitation laid down in Point 6 Item 2 of the General Conditions of Contract, the duty to compensate on the part of the person entitled to exercise the profession shall not be limited in case of gross negligence.

(1) Point 8 Item 3 of the General Conditions of Contract (asserting claims for damages within a certain period) shall not apply.

(1) Right of Withdrawal according to Section 3 of the Consumer Protection Act

1If the consumer has not made his/her contract statement in the office usually used by the person entitled to exercise his/her profession, he/she may withdraw from the contract application or the contract proper. This withdrawal may be declared until the contract has been concluded or within one week after its conclusion; the period commences as soon as a document has been handed over to the consumer which contains at least the name and the address of the person entitled to exercise the profession as well as instructions on the right to revoke the contract, but no earlier than the conclusion of the contract.

2The consumer shall not have the right to withdraw from the contract.

3 1. if the consumer himself/herself established the business relationship concerning the conclusion of this contract with the person entitled to exercise the profession or his/her agent.

4 2. if the conclusion of the contract has not been preceded by any talks between the parties involved or their agents or

5 3. in case of contracts where the mutual services have to be provided immediately, if the contracts are usually concluded outside the offices of the persons entitled to exercise the profession, and the fee agreed upon does not exceed €15.

6In order to become legally effective, the revocation shall be declared in writing. It is sufficient if the consumer returns a document that contains his/her contract declaration or that of the person entitled to exercise the profession to the person entitled to exercise the profession with a note which reveals that the consumer rejects the conclusion or the maintenance of the contract. It is sufficient if this declaration is dispatched within a week.

7If the consumer withdraws from the contract according to Section 3 of the Consumer Act,

8 1. the person entitled to exercise the profession shall return all benefits received, including all statutory interest, calculated from the day of receipt, and to compensate the consumer for all necessary and useful expenses incurred in this matter,

9 2. the consumer shall pay for the value of the services rendered by the person entitled to exercise the profession as far as they are of a clear and predominant benefit to him/her.

10According to Section 4 Paragraph 3 of the Consumer Act claims for damages shall remain unaffected.

(1) Cost Estimates according to Section 5 of the Consumer Act

1The consumer shall pay for the preparation of a cost estimate in accordance with Section 1170a of the Austrian Civil Code by the person entitled to exercise the profession only, if this payment obligation has been notified to the consumer beforehand.

2If the contract is based on a cost estimate prepared by the person entitled to exercise the profession, its correctness shall be deemed warranted as long as the opposite has not been explicitly declared.

(1) Correction of Errors: Supplement to Point 7

1If the person entitled to exercise the profession is obliged according to Section 932 of the Austrian Civil Code to improve or complement his/her services, he/she shall execute this duty at the place where the matter was transferred to him/her. If it is in the interest of the consumer to have the work and the documents returned by the person entitled to exercise the profession, the consumer may carry out this transfer at his/her own risk and expense.

(1) Jurisdiction: Instead of Point 15 Item 3:

1If the domicile or the usual residence of the consumer is within the country or if he/she is employed within the country, in case of an action against him/her according to Sections 88, 89, 93 Paragraph 2 and 104 Paragraph 1 JN the jurisdiction of a court shall depend on the district where the consumer has his domicile, usual residence or place of employment.

(1) Contracts on Recurring Services

(a) Contracts which oblige the person entitled to exercise the profession to render services and the consumer to effect repeated payments and which have been concluded for an indefinite period or a period exceeding one year, may be terminated by the consumer at the end of the first year, and after the first year at the end of every six months, by adhering to a two-month period of notice.

(b) If the total work is regarded as a service that cannot be divided on account of its character, the extent and price of which is determined already at the conclusion of the contract, the first date of termination may be postponed until the second year has expired. In case of such contracts the period of notice may be extended to a maximum of six months.

(c) If the execution of a certain contract indicated in lit.a) 1 requires considerable expenses on the part of the person entitled to exercise the profession and if he/she informed the consumer about this not later than when the contract was concluded, reasonable dates of termination and periods of notice which deviate from lit.a) and b) and which fit the respective circumstances may be agreed.

(d) If the consumer terminates the contract without complying with the period of notice, the termination shall become effective at the next termination date which follows the expiry of the period of notice.

