

# Suzano Austria GmbH

(incorporated as a limited liability company in the Republic of Austria)

**U.S.\$750,000,000 6.000% Senior Notes Due 2029**

**Guaranteed by**

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

(incorporated in the Federative Republic of Brazil)

and

**Fibria Celulose S.A.**

(incorporated in the Federative Republic of Brazil)

**Issue Price for Reopened 2029 Notes: 103.987% plus accrued interest from January 15, 2019**



Suzano Austria GmbH, the Issuer, a company incorporated as a limited liability company under the laws of the Republic of Austria on December 8, 1987, is offering U.S.\$750 million aggregate principal amount of 6.000% Senior Notes due 2029, (the “Notes”). The Notes will be unconditionally and irrevocably guaranteed by (a) Suzano Papel e Celulose S.A., the parent company of the Issuer, a corporation (*sociedade por ações*) organized under the laws of the Federative Republic of Brazil (“Suzano”), pursuant to the Suzano Guarantee (as defined below); and (b) concurrent with the completion of this offering, by Suzano, pursuant to the Suzano Guarantee, and by Fibria Celulose S.A., a corporation (*sociedade por ações*) organized under the laws of the Federative Republic of Brazil (“Fibria”), pursuant to the Fibria Guarantee (as defined below).

The Notes are being offered as a further issuance of the Issuer’s 6.000% Senior Notes due 2029, and will be consolidated with, and form a single series with, the U.S.\$1,000,000,000 principal amount of notes that were originally issued on September 20, 2018, or the “Original Notes”. During the periods subject to certain U.S. selling restrictions, the Notes offered pursuant to Regulation S will have temporary CUSIPs and ISINs. The Notes will become full fungible with the Original Notes following the termination of such U.S. selling restrictions. See “Listing and General Information.”

The Notes will mature on January 15, 2029. Interest on the Notes will be paid on January 15 and July 15, commencing on July 15, 2019.

The Notes will bear interest at a rate equal to 6.000% per annum. Prior to the Par Call Date (as defined below), 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 Issuer will also have the right, at any time on or after the Par Call Date (as defined below), to redeem the Notes, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount of the Notes being redeemed to such 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.

Purchasers of Notes will be required to pay accrued interest totaling U.S.\$3.33 per U.S.\$1,000 principal amount of Notes, from and including January 15, 2019 up to (but excluding) February 5, 2019, the date we expect to deliver the Notes. The Notes will have terms identical to the Original Notes, other than the issue date and offering price.

On March 15, 2018, we and our controlling shareholders entered into a Voting Agreement with the controlling shareholders of Fibria, pursuant to which our and Fibria’s controlling shareholders agreed on the terms and conditions of the merger of shares (*incorporação de ações*) (the “Merger”) between us and Fibria. See “The Merger.” The Merger was consummated on January 14, 2019.

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

We have agreed, subject to certain conditions, to offer to exchange the Notes for substantially identical notes registered under the U.S. Securities Act of 1933, as amended, or the “Securities Act.” See “Exchange Offer; Registration Rights.”

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading the notes on the Euro MTF market. This listing memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated July 10, 2005, as amended.

**Investing in the Notes involves risks that are described in the “Risk Factors” section beginning on page 9 of this listing memorandum.**

The Notes and the Note Guarantee have not been, registered under the Securities Act or any state securities laws and 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.” In addition, during the periods subject to certain U.S. selling restrictions, the Notes offered pursuant to Regulation S will have temporary CUSIPs and ISINs.

The delivery of the Notes was 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 February 5, 2019.

*Global Coordinators & Joint Bookrunners*

**BofA Merrill Lynch    HSBC    J.P. Morgan    **Mizuho**  
**Securities**    Santander    Scotiabank**

The date of this listing memorandum is March 13, 2019.

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

- “we,” “our,” “us,” and “Suzano” 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, a limited liability company incorporated under the laws of Austria;
- the “Original Notes” are to the U.S.\$1,000,000,000 6.000% Senior Notes due 2029 issued by the Issuer on September 20, 2018;
- the “Notes” are to the U.S.\$750,000,000 6.000% Senior Notes due 2029 offered by the Issuer hereunder;
- “Fibria” are to Fibria Celulose S.A., a corporation (*sociedade por ações*) organized under the laws of Brazil and its subsidiaries (except where the context clearly indicates otherwise);
- “Guarantors” are to Suzano and Fibria;
- “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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HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA LLC, Santander Investment Securities Inc., and Scotia Capital (USA) Inc. will act as initial purchasers, or the Initial Purchasers, with respect to the offering of the Notes. This listing memorandum 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 Note Guarantees 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.

Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading the Notes on the Euro MTF market. 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 and the Note Guarantees 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 INVESTORS IN AUSTRIA**

This listing memorandum has not been and will not be (i) approved (*gebilligt*) by the Austrian Financial Markets Authority (*Finanzmarktaufsichtsbehörde* – FMA) or published (*veröffentlicht*) in accordance with the Austrian Capital Market Act (*Kapitalmarktgesetz*), as amended, or (ii) deposited (*hinterlegt*) with *Oesterreichische Kontrollbank Aktiengesellschaft*. The offer of the Notes is not a public offering subject to an obligation to publish a prospectus in accordance with the Austrian Capital Market Act. 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 (“EEA”). This listing memorandum has been prepared on the basis that any offer of the Notes in Austria or an invitation to submit an offer for purchase of Notes will be made on the basis of an exemption from the obligation to publish a prospectus pursuant to § 3 of the Austrian Capital Markets Act. 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 WITHIN BRAZIL**

THE NOTES (AND THE RELATED NOTE GUARANTEES) 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 NOTE GUARANTEES) 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 NOTE GUARANTEES) 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 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**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## FORWARD-LOOKING STATEMENTS

This listing memorandum and the other documents incorporated by reference into this listing memorandum contain or may contain “forward-looking statements” within the meaning of the Securities Act and U.S. Securities Exchange Act of 1934, or the “Exchange Act.” Forward looking terms such as “may,” “will,” “could,” “should,” “would,” “plan,” “potential,” “intend,” “anticipate,” “project,” “target,” “believe,” “estimate” or “expect” and other words, terms and phrases of similar nature are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are statements which are not historical fact and involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Such forward-looking statements may include, but are not limited to, statements related to:

- the impact of the Merger (as defined below) on Suzano’s earnings, credit rating, market value and growth rate;
- the expected strategic and integration opportunities and other synergies from the Merger and the expected financial and other benefits therefrom;
- the future composition of Suzano’s management team and directors and those of its subsidiaries, including Fibria;
- the future growth opportunities, expected earnings, expected capital expenditures, future financing requirements and estimated future dividends or other distributions; and
- the expectation that Suzano and its subsidiaries will remain compliant with debt covenants and other contractual obligations.

Forward-looking statements in this listing memorandum are based on current expectations and assumptions made by the management of Suzano. Although the management of Suzano believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements. We can give no assurance that they will prove to be correct. Additionally, forward-looking statements are subject to various risks and uncertainties which could cause actual results and experience to differ materially from the anticipated results or expectations expressed in this listing memorandum. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements, or that could contribute to such differences, include, without limitation, the risks and uncertainties set forth under the section entitled “Risk Factors.” Some of the key risks and uncertainties include statements related to:

- Suzano’s direction and future operation and the implementation of Suzano’s principal operating strategies;
- difficulties, unexpected costs and delays in integrating Suzano’s and Fibria’s businesses, business models and cultures after the Merger and the inability to realize synergies, efficiencies or cost savings from the Merger;
- general economic, political and business conditions, both in Brazil and in Suzano’s and Fibria’s principal export markets;
- industry trends and the general level of demand for, and change in the market prices of, Suzano’s and Fibria’s products;
- the performance of the Brazilian and world economies, including deterioration in world economic conditions;
- existing and future governmental regulation, including tax, labor, pension and environmental laws and regulations and export or import tariffs (as applicable) in Brazil and in other markets in which Suzano and Fibria operate or to which Suzano and Fibria export their products;

- the competitive nature of the industries in which Suzano and Fibria operate;
- Suzano's level of capitalization, including the levels of Suzano's indebtedness and overall leverage;
- the cost and availability of financing;
- Suzano's acquisitions, joint ventures, strategic alliances or divestiture plans, and ability to successfully integrate the operations of businesses or other assets that Suzano acquires, including through the Merger;
- the implementation of Suzano's financing strategy and capital expenditure plans;
- inflation and fluctuations in currency exchange rates, including the Brazilian *real* and the U.S. dollar;
- legal and administrative proceedings to which Suzano or Fibria are or become party;
- the volatility of the prices of the raw materials Suzano and Fibria sell or purchase to use in their businesses; and
- other statements included in this listing memorandum that are not historical.

The foregoing list is not intended to be exhaustive, and there may be other key risks that are not listed above that are not presently known to us or that we currently deem immaterial. Should one or more of these or other risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by the forward-looking statements made by us contained in this listing memorandum. As a result of the foregoing, readers should not place undue reliance on the forward-looking statements contained in this listing memorandum. The forward-looking statements contained in this listing memorandum are expressly qualified in their entirety by the foregoing cautionary statements. All such forward-looking statements are based upon information available as of the date of this listing memorandum or other specified date and speak only as of such date. Suzano disclaims any intention or obligation to update or revise any forward-looking statements in this listing memorandum as a result of new information or future events, except as may be required under applicable securities law.



## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This listing memorandum incorporates important business and financial information about us and Fibria that is not included in or delivered with the listing memorandum. The U.S. Securities and Exchange Commission, or the “SEC”, allows us to “incorporate by reference” information filed with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this listing memorandum, and certain later information that we or Fibria file with the SEC will automatically update and supersede this information. We incorporate by reference the following documents:

- Fibria’s annual report on Form 20-F for the year ended December 31, 2017, filed with the SEC on February 27, 2018 (SEC File No. 001-15018), which we refer to as the “Fibria 2017 Form 20-F”;
- Our submission on Form 6-K furnished to the SEC on January 10, 2019 (SEC File No. 333-226596) with respect to the final exchange ratio for common shares of Fibria and Suzano and the final redemption value of Holding (as defined below) for the Closing of the Merger;
- Our submission on Form 6-K furnished to the SEC on January 3, 2019 (SEC File No. 333-226596) with respect to adjustments to the cash portion of the Merger;
- Our submission on Form 6-K furnished to the SEC on January 2, 2019 (SEC File No. 333-226596) with respect to the exchange ratio for common shares of Fibria and Suzano and the redemption value of Holding (as defined below) for the Closing of the Merger;
- Our submission on Form 6-K furnished to the SEC on November 29, 2018 (SEC File No. 333-226596) with respect to the closing steps to consummate the Merger;
- Our submission on Form 6-K furnished to the SEC on November 29, 2018 (SEC File No. 333-226596) with respect to the approval of the Merger by the European antitrust authority;
- Our submission on Form 6-K furnished to the SEC on November 14, 2018 (SEC File No. 333-226596) with respect to the approval of the Merger by ANTAQ;
- Our submission on Form 6-K furnished to the SEC on October 25, 2018 (SEC File No. 333-226596) with respect to the integral reduction of the existing firm financial commitment with certain international financial institutions to finance the cash portion of the Merger, whose disbursement was subject, among other conditions, to the consummation of the Merger;
- Fibria’s submission on Form 6-K furnished to the SEC on October 24, 2018 (SEC File No. 001-15018), except for pages 2 and 3 of the document, containing Fibria’s unaudited condensed consolidated interim financial information at September 30, 2018, which we refer to as the “Fibria Unaudited Interim Financial Statements”;
- Our submission on Form 6-K furnished to the SEC on October 12, 2018 (SEC File No. 333-226596) with respect to the approval of the Merger by the Brazilian competition authority; and

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this listing memorandum to the extent that a statement contained in this listing memorandum modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this listing memorandum.

These documents are available on the SEC’s website at [www.sec.gov](http://www.sec.gov) and from other sources. You may read and copy any materials filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an Internet site that contains reports, proxy and

information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>). These documents will also be available free of charge at the offices of a paying agent and will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Information contained on or accessible through our website is not incorporated by reference in, and shall not be considered a part of, this listing memorandum.

## ENFORCEMENT OF JUDGMENTS

### Brazil

The Issuer is a limited liability company incorporated 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, which service must be in accordance with Brazilian law if made in Brazil, or after sufficient evidence of the parties' absence (*revelia*) has been given, in accordance with applicable law;
- it must be effective under the laws of the country where the foreign judgment is granted;
- it must not be contrary to Brazilian national sovereignty, or public policy or good morals 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 (i) duly authenticated by a Brazilian consulate in the United States or, (ii) if the place of signing is a contracting state to the Convention Abolishing the Requirement of Legalization for Foreign Public Documents dated October 5, 1961, apostilled, and, in either case, must be accompanied by a sworn translation 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 (although pursuant to our bylaws disputes between us and our shareholders are required to be resolved through arbitration, this mandatory arbitration requirement does not apply to actions against us, whether by holders of our shares or of our ADSs, that are not predicated on Brazilian laws); 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 Note Guarantees. 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 Note Guarantees), 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 Guarantors 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 any of the Guarantors 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 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, or any other court in the United States 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 Issuer intends to use the net proceeds from the sale of the Notes by the Issuer for the repayment of Suzano's indebtedness.

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 balance sheet 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 direct or indirect shareholders or other members of the group of companies (side-stream or up-stream) where no "adequate consideration" is received in return or no special corporate benefit of the company from such transaction exists. An adequate 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 or which does not provide for a special corporate benefit of the company is void and may not be entered into by such company.

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 direct or indirect shareholder (or for the benefit of another member of the group controlled by its direct or indirect shareholder) without an adequate consideration or a special corporate benefit for the company 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.

Accordingly, net proceeds from the issue and sale of the Notes used for the repayment of indebtedness, have to be assessed on the basis of such limitations imposed by Austrian law.

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, which are generally made on a case-by-case basis in light of the specific facts of the relevant case, 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 Austria or, where the E.U. Insolvency Regulation (Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings) 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*) (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. This includes all taxes, fees, tariffs, social security contributions and any other public assessment concerning the insolvency estate if and to the extent that the facts and circumstances triggering any such obligation are established during the insolvency proceeding.

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.

An Austrian court may appoint a trustee (*Kurator*) for the Notes to exercise the rights and represent the interests of holders of the Notes on their behalf in which case the ability of holders of the Notes to pursue their rights under the Notes individually may be significantly limited. Pursuant to the Austrian Notes Trustee Act (*Kuratorenengesetz*), a trustee may be appointed upon the request of any interested party (e.g. a holder of the Notes) or upon the initiative of the competent court, for the purposes of representing the common interests of the holders in matters concerning their collective rights. In particular, this may occur if insolvency proceedings are initiated against the Issuer, in connection with any amendments to the terms and conditions of the Notes or changes relating to the Issuer, or under other similar circumstances, including also restructuring scenarios. If a trustee is appointed, the trustee will exercise the collective rights and represent the interests of all of the holders of the Notes and will be entitled to make statements on their behalf which shall be binding on all holders. Where a trustee represents the

interests and exercises the rights of holders, this may conflict with or otherwise adversely affect the interests of individual or all holders. Investors should note that a trustee will not be subject to any instructions given by single holders of Notes or the holders' meeting and that the trustee is obliged to act in the best interest of all holders, not taking into account particular interests of certain holders or groups of holders.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Statements

Suzano maintains its books and records in *reais* and prepares its consolidated financial statements in accordance with International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB.

This listing memorandum contains our consolidated financial statements as of December 31, 2017 and 2016 and for the three years ended December 31, 2017, which have been prepared in accordance with IFRS, as issued by the IASB, and our unaudited condensed consolidated interim financial information as of September 30, 2018 and for the three and nine-month periods ended September 30, 2018 and 2017 presented in accordance with IAS 34 Interim Financial Reporting, as issued by IASB.

This listing memorandum incorporates by reference Fibria's audited consolidated financial statements as of December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, which have been prepared in accordance with IFRS as issued by IASB and are presented in *reais*, and also incorporates by reference the Fibria Unaudited Interim Financial Statements presented in accordance with IAS 34 Interim Financial Reporting, as issued by IASB.

Our financial information should be read together with these annual financial statements and interim financial information, and the corresponding notes thereto, and independent auditor's reports thereon, 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 and for the year ended December 31, 2017, in the form included in the attached Exhibit A.

### 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 "U.S.\$" are to U.S. dollars. On January 28, 2019, the exchange rate for reais into U.S. dollars was R\$3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank. The real/U.S. dollar exchange rate fluctuates widely, and the selling rate as of January 28, 2019 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 "Capitalization," "Selected Financial 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 September 28, 2018 of R\$4.004 per U.S.\$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, the Pulp and Paper Products Council, or PPPC, and RISI Inc., an information provider for the global forest products industry, or RISI.

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 Non-IFRS Financial Measures**

A non-IFRS financial measure is any financial measure that is presented other than in accordance with all relevant accounting standards under IFRS. We have disclosed EBITDA in this listing memorandum, which is considered a non-IFRS financial measure in accordance with CVM Instruction 527. EBITDA is defined by the CVM, as earnings before net financial results, taxes, depreciation and amortization, or EBITDA. We have also presented Adjusted EBITDA in this listing memorandum. Adjusted EBITDA is defined as EBITDA as further adjusted to exclude expenses with Fibria's transaction (the Merger), fair value adjustment of biological assets, provision for land and forest impairment (State of Piauí), complement of provision for variable remuneration, provision for intangible assets – research agreement (Futuragene), provision for wood inventory damaged, provision for losses with sales and scrapping of forest machines, sale of distribution center (Anchieta), provision (reversal) for losses with property, plant and equipment, write-offs, taxes, doubtful accounts and provision of contingencies, fire in the warehouse of Itaqui, franchises with claims in the period, loss from Embu sale, refund of fuel credit in Maranhão, land conflict agreement, equity in earnings of associates, land invasion – landless movement (MST Movimento dos sem-terra), tax ISS – provision, forest supplies, prescribed dividends, write-off of supplier (Coopercarga), reconciliation adjustments, wood for donation - (UF Espírito Santo), tax credits, project (Maranhão) – inventory adjustment, insurance receipt (Sidersa) – wood in Minas Gerais – MG, wastepaper inventory adjustment, revenue from credits of Eletrobrás, inventory adjustment - property/ biological, retroactive contributions – antidumping, write-off of IPI credits – (São Paulo) subsidiary, wood inventory adjustment, issue with genetic material – arrangement leasing – (Vale Florestar), Additional Provision for – Complement – share-based compensation plan (long-term), provision related to PERT (*programa de regularização tributária*) – tax regularization program, donations/sponsorships, write-off of inventory and review PIS/COFINS, according with customer (Valmet), adjustments VAT (value added) not realizable (tax credits), Gale (Maranhão), compensation per claim (Mucuri and Maranhão) and accounts receivable (Vale Florestar). See “Summary Financial and Operating Information—Other Financial Data” for a reconciliation of EBITDA and Adjusted EBITDA to net income. EBITDA Margin 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-IFRS financial measures described in this listing memorandum are not a substitute for the IFRS measures of net income or other performance measures.

Our management believes that disclosure of EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin 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, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin are generally perceived as more objective and comparable measures of operating performance. 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, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin 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, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA, Adjusted EBITDA, EBITDA Margin and Adjusted EBITDA Margin in the same fashion.

We also disclose an adjusted operational cash generation metric in this listing memorandum, which is a non-IFRS financial measure, 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, as described above, less payments for investments in maintaining capital expenditures.

Net Debt means total of loans and financing and debentures including commercial transactions with suppliers and excluding cash equivalents and financial investments, which is a non-IFRS financial measure important for Suzano because some financing operations have covenants related to maintain this amount in determinable levels, following market practices for this kind of operations.

Each of these non-IFRS financial measures is an important measure used by our management to assess our financial and operating performance. Management used the amount of Adjusted EBITDA and Net Debt to determine acceptable levels of liquidity considering that these two non-IFRS financial measures are also base for the calculation of covenants in financing contracts. We believe that the disclosure of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, and Net Debt provides useful supplemental information to investors and financial analysts in their review of our operating performance and in the comparison of such operating performance to the operating performance of other companies in the same industry or in other industries that have different capital structures, debt levels and/or income tax rates. Other companies may calculate EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, and Net Debt differently, and therefore our presentation of EBITDA, Adjusted EBITDA, EBITDA Margin, Adjusted EBITDA Margin, and Net Debt may not be comparable to other similarly titled measures used by other companies. The presentation of non-IFRS financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with IFRS. We urge you to review the reconciliations of the non-IFRS financial measures presented.

#### **New standards, revisions and interpretations not effective yet**

IASB issued and approved the following accounting standards/interpretations that are not yet effective and we did not early adopt them for the preparation of this interim information.

Our management evaluated or is evaluating and measuring the impacts of adopting the following standards/interpretations:

- *IFRS 16 – Leases*. Replaces IAS 17 and essentially requires that lessees recognize future payments in their liabilities and the right to use a leased item in assets for practically all lease agreements. Therefore, financial lease and operating lease agreements receive similar accounting treatment, although certain short-term leases or those for small amounts are outside the scope of this standard. This standard will be effective as of January 1, 2019.

Based on preliminary assessments, we believe that the biggest impact produced by this standard is related to the recognition in the balance sheet of the lease agreements of land used to plant eucalyptus forests, with terms of up to 3 cycles of forest formation, around 21 years (see note 20.2 to our unaudited consolidated interim financial information). However, as of the date hereof, we were still analyzing these and other lease agreements, as well as the transition criterion to be adopted to implement the new standard.

- *IFRIC 23 Uncertainty over Income Tax Treatments*. Clarifies the accounting of tax positions that have not yet been accepted by tax authorities. Both IAS 12/CPC 32 income taxes and the new interpretation

IFRIC 23 apply only to income tax and social contribution. IFRIC 23 does not introduce new disclosures, but rather reinforces the need to comply with certain reporting requirements on (i) judgments made; (ii) assumptions or other estimates used; and (iii) potential impact of uncertainties that are not reflected in the financial statements. This standard will be effective as of January 1, 2019.

We are evaluating the impacts of adoption of the new standards in our financial statements.

## SUMMARY

*This summary highlights information contained elsewhere 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 the corresponding notes thereto, before making a decision to invest in the Notes.*

### The Issuer

Suzano Austria GmbH, or the Issuer, is a limited liability company incorporated under the laws of Austria, registered under registration number FN 62444f with the companies’ register of the Commercial Court of Vienna, with its corporate seat in Vienna and its business address at 1010 Vienna, Fleischmarkt 1. The Issuer is our wholly-owned trading company, with indefinite term of duration, and its corporate purpose is the acquisition, sale and participation of and in other companies. The Issuer’s capital is €36,336.42 and divided into quotas, all held and fully paid in by Suzano.

### Suzano

#### Overview

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

We are the second largest producer of eucalyptus pulp in the world and the fifth largest producer of market pulp in the world, according to Hawkins Wright. We believe we are one of Brazil’s largest paper producers, and based on data from the Brazilian Tree Industry Association (*Indústria Brasileira de Árvores*) (“IBÁ”), we accounted for nearly 38% of the printing and writing paper and 26% of the paperboard produced in Brazil in 2017.

Our structure includes administrative offices in Salvador and São Paulo, two integrated pulp and paper production facilities in the state of São Paulo (Suzano and Limeira Units), a non-integrated paper production facility in the state of São Paulo (Rio Verde Unit), an integrated pulp, paper and tissue facility in the state of Bahia (Mucuri Unit), an integrated pulp and tissue facility in the state of Maranhão (Imperatriz Unit), and FuturaGene, a biotechnology research and development subsidiary. We own one of the largest distribution structures for paper and graphic products in South America.

Our eucalyptus pulp production satisfies 100% of our requirements for paper production, and we sell the remaining production as market pulp. As of December 31, 2017, our total eucalyptus pulp installed production capacity was 4.6 million tons per year, and our total sales volume was 4.8 million tons, of which 3.6 million tons were sold as market pulp and the remainder was used for the production of 1.2 million tons of paper and paperboard.

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 190 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 74 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 184 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 the B3 (*Brasil, Bolsa, Balcão*), which demands high levels of corporate governance.

## **Recent Developments**

### ***Merger with Fibria***

Fibria is the world's largest producer of market pulp, with an aggregate installed capacity of 7.25 million metric tons of eucalyptus pulp per year. Fibria's forest base is broad and diversified. As of December 31, 2017, it was comprised of approximately 1,092 thousand hectares (owned and leased, excluding the forestry partnership program areas and the forest base linked to the sale of forest assets in Southern Bahia State and Losango) located in seven Brazilian states. Approximately 656 thousand hectares of Fibria's total forestry land consisted of planted areas, approximately 374 thousand hectares consisted of conservation areas with native vegetation, and 61 thousand hectares were occupied through other uses (such as roads).

On March 15, 2018, each of Suzano Holding S.A., David Feffer, Daniel Feffer, Jorge Feffer and Ruben Feffer (collectively, the "Suzano Controlling Shareholders") and Votorantim and BNDESPAR (the "Fibria Controlling Shareholders"), along with Suzano, as intervening party, entered into the Voting Agreement (*Compromisso de Voto e Assunção de Obrigações*) (the "Voting Agreement"). Pursuant to the Voting Agreement, the Fibria Controlling Shareholders and the Suzano Controlling Shareholders agreed on the terms and conditions of a merger of shares (*incorporação de ações*) (the "Merger"), to be set forth in the Merger Agreement entered into by Suzano and Fibria on July 26, 2018 (the "Merger Agreement"), and agreed to exercise their voting rights with respect to the Fibria Shares (as defined below) and Suzano Shares (as defined below), respectively, in favor of the combination of the operations and shareholder bases of Fibria and Suzano by means of the Merger. On March 27, 2018, the Fibria Board of Directors, including the independent members thereof, resolved to approve, without restrictions or reservations, the adherence of Fibria to the Voting Agreement for the fulfillment of the obligations applicable to Fibria, and on March 29, 2018, a wholly-owned subsidiary of Suzano (" Holding") became party to the Voting Agreement, in each case as required by the agreement.

On November 29, 2018, the European Commission in the European Union approved the Merger, and all of the conditions precedent for the Merger were fulfilled.

On January 14, 2019, the Merger was consummated and Fibria became a wholly owned subsidiary of Suzano. On such date, holders of all of the issued and outstanding common shares of Fibria ("Fibria Shares") at the record date set in accordance with the Merger Agreement received common shares of Suzano with no par value ("Suzano Shares"), and holders of Fibria Shares represented by ADSs ("Fibria ADSs", and, together with Fibria Shares, "Fibria Securities") at the record date set in accordance with the Merger Agreement and the Second Amended and Restated Deposit Agreement, dated as of August 12, 2009, among Fibria, Citibank, N.A., as the Fibria ADS depository (the "Fibria Depository"), and the owners and beneficial owners from time to time of Fibria ADSs issued thereunder (the "Fibria Deposit Agreement") received Suzano Shares represented by ADSs ("Suzano ADSs", and, together with Suzano Shares, "Suzano Securities").

Prior to the issuance of the Notes, Fibria, together with Suzano, the Issuer and the Trustee, will have executed a supplemental indenture pursuant to which Fibria will become a guarantor of the Notes and the Original Notes.

As of the date of this listing memorandum, Suzano intends to merge Fibria into Suzano as soon as practicable, subject to receipt of the requisite regulatory or other approvals and consents and completion of required

procedures customary for such a transaction, after which Fibria would cease to exist and all of Fibria's rights and obligations would be succeeded to by Suzano, pursuant to Brazilian law.

We believe that the Merger has enabled the creation of a solid company with top-notch, strategically located assets that is equipped to supply clients with its products on all continents in an efficient manner. We expect the Merger to reduce operating costs and generate synergies in our areas of forestry, logistics and overhead, which will increase our competitiveness both in Brazil and overseas. We believe the Merger will also enhance our stability of supply, and customers will benefit from continuity in service, through a greater portfolio of resources in relation to forestry, manufacturing sites and logistical options. We anticipate that the combination of our operations and shipping volumes with those of Fibria will allow us to ship products globally more efficiently and become an even more reliable supplier. Finally, we expect the Merger to result in positive externalities in the form of environmental and social benefits, as a result of our activities and our commitment to meet, and exceed, environmental standards and reduce CO<sub>2</sub> emission rates.

For more information, see “Unaudited Pro Forma Condensed Consolidated Financial Information,” “The Merger” and “Risk Factors—Risks Relating to the Merger.”

### ***Resources Obtained***

In October 2018, Suzano obtained funds from Santander (an affiliate of Santander Investment Securities Inc.), Bradesco, Rabobank, BNP Paribas and The Bank of Nova Scotia (an affiliate of Scotia Capital (USA) Inc.) in the aggregate amount of U.S.\$450 million, in the form of an Advance on Currency Exchange Contract (*Adiantamento de Contrato de Câmbio – ACC*), maturing between October and November 2019, with an average interest rate of 3.84 % *per annum* (“p.a.”).

In December 2018, in connection with the Merger, Suzano entered into a Term of Commitment with Banco do Brasil to issue debentures in the Brazilian market in the amount of R\$4 billion, maturing one (1) year after issue date. On January 7, 2019, Suzano issued debentures in the Brazilian market pursuant to the Term of Commitment.

### ***Fibria Dividend Proposal***

On October 31, 2018, Fibria published a call notice for an extraordinary shareholders' meeting to be held on December 3, 2018, to approve the distribution of interim dividends on an extraordinary basis, in the amount of approximately R\$2.8 billion (the “Interim Dividend”). On that same date, Fibria also published a Notice to the Market informing that, if the Interim Dividend distribution proposal is approved, the cash portion to be paid by Suzano in the context of the Merger would be reduced in proportion to the dividends distributed, in accordance with the Protocol and Justification (as defined in the Voting Agreement). On December 3, 2018, the Extraordinary Shareholders' Meeting approved the payment of the Interim Dividend and the cash portion to be paid by Suzano pursuant to the Merger was adjusted accordingly.

### ***Fibria Agribusiness Credit Receivables***

Certain of Fibria's outstanding Agribusiness Receivables Certificates (“CRAs”) provided that their maturity would automatically accelerate upon a change of control of Fibria. Therefore, Fibria sought consents from holders of such CRAs in order to complete the Merger. Fibria obtained the requisite consents from seven out of the nine outstanding series of CRAs. On January 17, 2019, Suzano paid R\$ 16.9 million to holders of such CRAs, as premium for the consent and waiver of their right to declare the early maturity of the CRAs as a result of the Merger. Upon the closing of the Merger, the two remaining series for which consents were not obtained matured and were repaid in full by Suzano, in the amounts of R\$ 184 million and R\$ 675 million.

## 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, a limited liability company incorporated under the laws of Austria.
<b>Notes Offered</b> .....	U.S.\$ 750,000,000 in aggregate principal amount of 6.000% Senior Notes due 2029. Upon consummation of this offering, the aggregate principal amount of our 6.000% Senior Notes due 2029 will be U.S.\$ 1,750,000,000.
<b>Guarantors</b> .....	Suzano Papel e Celulose S.A. and, concurrent with the completion of this offering, Fibria Celulose S.A.
<b>Suzano 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>Fibria Guarantee</b> .....	Concurrent with the completion of this offering, Fibria Celulose S.A. 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 and pursuant to the Indenture (the Suzano Guarantee, together with the Fibria Guarantee, the “ <u>Note Guarantees</u> ”). See “Description of the Notes—Fibria Guarantee.”
<b>Issue Price</b> .....	103.987 % of the face amount, plus accrued interest in the amount of U.S.\$ 2,500,000 for the period from, and including, January 15, 2019, to but excluding February 5, 2019.
<b>Final Maturity Date</b> .....	The Notes will mature on January 15, 2029.
<b>Interest</b> .....	Interest will accrue on the Notes at the annual rate of 6.000% from January 15, 2019.
<b>Interest Payment Dates</b> .....	January 15 and July 15, commencing on July 15, 2019.
<b>Fungibility of Notes</b> .....	The Notes are being offered as a further issuance of securities of the Issuer’s Original Notes, pursuant to Section 2.12 of, and governed by, the indenture dated as of September 20, 2018 between the Issuer, the Guarantor and Deutsche Bank Trust Company Americas, as trustee, registrar, paying agent and transfer agent (the “Indenture”).

The Notes will be consolidated and form a single series with the Issuer’s outstanding U.S.\$1,000,000,000 6.000% Senior Notes due 2029 that were originally issued on September 20, 2018. The Notes will have terms identical to the Original Notes, other than the issue date and offering price. The Notes will become fully fungible with the Original Notes following the termination of certain U.S. selling restrictions. During the periods subject to certain U.S. selling restrictions, the Notes offered pursuant to Regulation S will have temporary CUSIPs and ISINs.

See “Listing and General Information.”



<b>Ranking</b> .....	<p>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.</p> <p>The Note Guarantees will be the unsecured, unsubordinated obligations of the Guarantors and will rank equally with all of their respective other existing and future unsecured and unsubordinated obligations.</p> <p>The Notes and the Note Guarantees will effectively rank junior to all secured debt of the Issuer and the Guarantors to the extent of the value of the assets securing that indebtedness. The Notes and the Note Guarantees will also be structurally subordinated to all liabilities (including such owed to trade creditors and preferred stockholders) of the Guarantors' non-guarantor subsidiaries other than the Issuer.</p>
<b>Security</b> .....	None.
<b>Use of Proceeds</b> .....	We estimate that the net proceeds from the sale of the Notes will be approximately U.S.\$ 776.3 million after deducting initial purchasers' discounts and offering expenses. An amount equal to the net proceeds will be allocated for the repayment of indebtedness. See "Use of Proceeds."
<b>Optional Redemption</b> .....	<p>Prior to October 15, 2028 (the "<u>Par Call Date</u>"), 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, provided that the Notes in an aggregate principal amount equal to at least U.S.\$ 150 million remain outstanding immediately after the occurrence of any partial redemption of the Notes. At any time on or after the Par Call Date, we may redeem the Notes, in whole or in part at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount of the Notes being redeemed to such redemption date.</p> <p>See "Description of the Notes—Optional Redemption—Optional Redemption with a Make-Whole Premium."</p>
<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>Exchange Offer; Registration Rights</b> .....	Pursuant to a registration rights agreement between the Issuer, Suzano and the Initial Purchasers, we have agreed to use our commercially reasonable efforts to offer, to holders who are able to make certain representations, notes having substantially identical terms as the Notes being offered by this listing memorandum (except that the exchange notes will not contain terms with respect to transfer restrictions or provisions for payment of additional interest), in exchange for surrender of the Notes in a registered exchange offer. We will use our commercially reasonable efforts to consummate the

registered exchange offer by the later of (a) 360 days after the date of the issuance of the Original Notes, or (b) 30 days after the Merger Closing Date.

Under certain circumstances, the Issuer has also agreed to file a shelf registration statement with respect to resale of the Notes being offered by this listing memorandum and use its reasonable best efforts to keep such shelf registration statement effective until three years after its effective date. The interest rate on the Notes being offered by this listing memorandum is subject to increase under certain circumstances if the Issuer does not comply with its obligations under the registration rights agreement. There can be no assurance that we will be able to consummate the exchange offer described above. See “Exchange Offer; Registration Rights.”

**Certain Covenants** ..... The Indenture governing the Notes contains covenants that, among other things, limit Suzano’s ability and the ability of Suzano’s restricted subsidiaries (including, in certain cases, the Issuer) to:

- enter into sale and leaseback transactions;
- enter into transactions with affiliates;
- create liens; and
- consolidate, merge or sell all or substantially all of our assets.

In addition, the Indenture, among other things, requires us to provide reports to the Trustee and holders of the Notes.

These covenants are subject to a number of important exceptions, limitations and qualifications, which are described under “Description of the Notes.”

**Additional Amounts** ..... 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.”

**Additional Notes** ..... We may from time to time and, without consent of the holders of the Notes, issue additional notes having the same terms in all material respects as the Notes initially issued in this offering except that the date from which interest will accrue may be different. See “Description of the Notes—Additional Notes.”

**Events of Default** ..... 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.”

**Substitution of the Issuer** ..... 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,” and “Taxation.”

**Risk Factors** ..... 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.

**Taxation** ..... It is expected that the Notes issued by the Issuer pursuant to this listing memorandum are issued pursuant to a “qualified reopening” for U.S. federal income tax purposes and, accordingly, will be fungible with the Original Notes. For further information, see “Taxation—Certain United States Federal Income Tax Considerations” below.

**Form and Denomination** ..... 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 U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. See “Description of the Notes.”

The Notes offered hereby and sold in reliance on Regulation S will have temporary CUSIP and ISIN numbers during a 40-day distribution compliance period commencing on their date of issuance. After such 40-day distribution compliance period, the Notes offered hereby and sold in reliance on Regulation S will have the same CUSIP and ISIN numbers as, and will be fungible with, the Original Notes offered and sold in reliance on Regulation S. The Notes offered and sold in reliance on Rule 144A will have, commencing on their date of issuance, the same CUSIP and ISIN numbers as, and will be fungible with, the Original Notes offered and sold in reliance on Rule 144A.

The Notes have not been registered under the Securities Act or the laws of any other jurisdiction. As a result, the notes are subject to limitations on transferability and resale. For more information see “Transfer Restrictions”.

**CUSIP** ..... Rule 144A: 86964WAC6  
Reg S (temporary): A8372TAJ7  
Reg S (permanent) A8372TAF5

**ISIN** ..... Rule 144A: US86964WAC64  
Reg S (temporary): USA8372TAJ72  
Reg S (permanent): USA8372TAF50

**Common Code** ..... Rule 144A: 186872029  
Reg S: 186871634

<b>Trading and Listing</b> .....	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market.
<b>Governing Law</b> .....	The indenture, the Notes, the Note Guarantees and the Registration Rights Agreement will be governed by, and will be construed in accordance with, the laws of the State of New York.
<b>Trustee, Paying Agent, Registrar and Transfer Agent ...</b>	Deutsche Bank Trust Company Americas.

## 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 the Merger**

***The expected benefits from operating as a combined enterprise with Fibria may not be achieved.***

Although since the signing of the Voting Agreement on March 15, 2018, several market analysts have made public statements with respect to the expected benefits of the combined operations of Suzano and Fibria, the integration of two large companies presents significant challenges. No assurance can be given that Suzano and Fibria will be able to integrate their respective operations without encountering difficulties, which may include, among other things, the loss of key employees, diversion of management attention, the disruption of our respective ongoing businesses or possible inconsistencies in standards, procedures and policies. There can also be no assurance as to the extent to which the synergies anticipated and expected by the market from the Merger, or as to the timing for their realization, or as to the expenses that will be incurred in connection with realizing synergic benefits from the Merger. In particular, it may be difficult for us to realize anticipated cost savings from the combination of the companies' production facilities. It may also be difficult for us to realize anticipated synergic benefits from the joint acquisition of raw materials, sharing of improved production techniques and integration of administrative departments.

***The Unaudited Pro Forma Condensed Consolidated Financial Information included in this listing memorandum may not be representative of our results after the Merger.***

The Unaudited Pro Forma Condensed Consolidated Financial Information (as defined herein) included elsewhere in this listing memorandum has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the transactions been consummated as of the dates indicated, nor is it indicative of the future operating results or financial position of Suzano after the assumed consummation of the transactions. The Unaudited Pro Forma Condensed Consolidated Financial Information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price to Fibria's assets and liabilities. The purchase price allocation reflected in the Unaudited Pro Forma Combined Condensed Financial Information included elsewhere in this listing memorandum is preliminary, and the final allocation of the purchase price will be based upon the final fair value calculations of the assets and liabilities of Fibria as of the date of the completion of the Merger.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect future events that may occur, including the costs related to a potential integration and any future nonrecurring charges resulting from the Merger, and does not consider potential impacts of current market conditions on revenues or expenses efficiencies. The Unaudited Pro Forma Condensed Consolidated Financial Information is based in part on certain assumptions that we believe are reasonable under the circumstances. Our assumptions may not prove to be accurate over time.

***We will be more leveraged following the Merger and a material portion of our cash flow will have to be used to service our obligations.***

As of September 30, 2018, Fibria had R\$ 21.4 billion of consolidated total debt. As of September 30, 2018, Suzano had R\$ 23.8 billion of consolidated total debt. See "Unaudited Pro Forma Condensed Consolidated Financial Information." After giving effect to the completion of the Merger and the financing arrangements entered into by Suzano in connection with the Merger, we had approximately R\$ 63.8 billion of consolidated total debt

(composed of current and non-current loans and financing and debentures) on a pro forma basis as of the completion of the Merger.

We are subject to the risks normally associated with significant amounts of debt, which could have important consequences to you. Our indebtedness could, among other things: (i) require us to use a substantial portion of our cash flow from operations to pay our obligations, thereby reducing the availability of our cash flow to fund working capital, operations, capital expenditures, dividend payments, strategic acquisitions, expansion of our operations and other business activities; (ii) increase our vulnerability to general adverse economic and industry conditions; (iii) limit, along with financial and other restrictive covenants in our debt instruments, our ability to borrow additional funds or dispose of assets; and (iv) place us at a competitive disadvantage compared to our competitors that have less debt.

We may also need to refinance all or a portion of our debt on or before maturity, and we may not be able to do this on commercially reasonable terms or at all.

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

#### ***Our products' prices are greatly affected by international market prices over which we have little control.***

Pulp markets are typically cyclical, and our pulp prices follow international market prices, which are determined by supply and demand, global pulp production capacity and global economic conditions. Such prices can also be affected by exchange rate fluctuations between the currencies of main producing and consuming countries, movement of inventories, diverging price expectations, business strategies adopted by other producers and availability of substitutes for our products. All of these factors are beyond our control and may have a significant impact on the demand for pulp and, consequently, on our operational margins, profitability and return on invested capital ("ROIC").

Additionally, paper prices are determined by supply and demand conditions in the markets in which they are sold. Therefore, the price of paper sold by us fluctuates due to various factors, 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, market seasonality and currency of the producing countries, among other factors.

We cannot assure that pulp and paper market prices and demand for our products will remain favorable to us without any adverse fluctuations. In case of oscillations, our ability to operate our plants in an economically viable manner may be negatively affected.

#### ***Drought in some regions of Brazil, resulting in water scarcity and related rationing, may adversely affect our business and results of operations.***

Some regions might have drought conditions during some seasons of the year, which could result in acute shortages of water and/or implementation of rationing to restrict usage. Although some of our units are located in the affected areas, this would not affect all of our operations simultaneously. Suzano units have processes in place for the efficient use of water. In order to maintain and improve our units' efficiency in water usage, our operations teams periodically review such processes. We also have a contingency plan in place for the units that could possibly be affected by water shortages. Nevertheless, we cannot assure that very severe droughts or governmental measures to address drought conditions will not have an impact on our units' operations, with a resulting adverse effect on our business and results of operations.

#### ***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 partial or temporary suspension of our operations and in 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, among other impacts, result in serious damage to our property, a decrease in production or an increase in production costs, any of which may adversely affect our financial condition and results of operations.

During the normal course of our business, we depend on the continuous availability of logistics and transportation networks, including roads, railways, warehouses and ports, among others. Such operations may be disrupted by factors beyond our control, such as social movements, natural disasters and labor strikes. For example, the general strike of truck drivers in May 2018 throughout Brazil resulted in a temporary suspension of our production operations over some days, which in turn caused losses in production of our pulp and paper products. In order to end the strike, the Brazilian federal government made several concessions to the truck drivers, which may have an adverse effect on our costs of logistics and distribution of products. Any interruption in the supply of inputs for the operation of our industrial and forestry units or 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 with similar conditions could adversely affect our financial and operating condition.

Any interruption in the supply of inputs for the operation of our industrial and forestry units or 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 with similar conditions could adversely affect our financial and operating condition.

Adverse weather patterns may significantly affect the flow of rivers used in manufacturing operations and may cause adverse impacts on our industrial units.

Although our units are already very efficient with regard to water use, we continue to improve consumption efficiency in addition to having a contingency plan for possible shortages in the areas where our operations are located. However, we cannot guarantee that very severe droughts or governmental measures to deal with drought conditions will not have adverse effects on our forestry, logistical and industrial activities, consequently affecting our business and results of operations.

***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 general third-party liability for accidents, 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, thefts, pests, and other risks to our planted forests. The incurrence of losses or other liabilities that are not covered by insurance, due to the limited extent of the insurance coverage, losses that exceed the limits of our insurance coverage or any other reason that prevents reimbursement or indemnification, 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 receive certain tax benefits in Brazil that may be suspended, cancelled or not renewed, any of which may adversely affect our financial condition and net cash flow generation. 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 underdeveloped regions in Brazil, which are covered by the Superintendence for Development of the Northeast (*Superintendência do Desenvolvimento do Nordeste*, or “SUDENE”) and the Brazilian Internal Revenue (*Receita*

*Federal do Brasil*, or “RFB”). See “Management’s Discussion and Analysis of Financial Condition and Results of Operation —Tax Incentives and Tax Credits.”

We also benefit from tax incentives based on state laws, such as PROMARANHAO in the State of Maranhão and Desenvolve in the State of Bahia, published through Ordinance-GABIN nº 435/18 and Decree nº 18.270/18, respectively. Suzano has complied with the legal requirements in order to attend the formalities of the Convention nº 190/2017 by the National Board of Financial Policy (*Conselho Nacional de Política Fazendária*, or “CONFAZ”) to validate the referred tax incentives and now awaits for the confirmation from the Tax Authorities. We cannot assure you that the tax incentives we currently benefit from will be maintained or renewed, particularly, but not exclusively, in light of deteriorating macroeconomic conditions that may lead to changes in current material incentives, such as the exemption of export revenues from social security contributions, the *Regime Especial de Aquisição de Bens de Capital para Empresas Exportadoras*, which is a special regime for the acquisition of capital goods by exporting companies, and *Preponderante Exportador*, among others. If such tax benefits are not effectively renewed, this could have a material adverse effect on our generation of net cash flow. 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.

With respect to our exports, we are a beneficiary of a special regime for the reintegration of tax values for exporting companies, called *Reintegra (Regime Especial de Reintegração de Valores Tributários para as Empresas Exportadoras)*, which is a program created by the Brazilian federal government to encourage the export of manufactured products.

The Brazilian federal government, as well as the state and municipal 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, adversely affecting our business.

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

The Indenture governing the Notes does not contain any covenants preventing us from incurring additional indebtedness. Accordingly, we may incur additional debt from time to time in the ordinary course of business to finance our operations and working capital or refinance existing indebtedness.

As of September 30, 2018, Suzano’s and Fibria’s consolidated gross debt was R\$23.8 billion and R\$21.4 billion, respectively, and under certain conditions, 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, making that cash flow unavailable for dividend payments or other purposes. A default under our financial agreements that is not waived by the relevant creditors may result in an acceleration of the maturity of the outstanding balance of such debt, and may also accelerate the maturity of other debt that benefits from cross-default or cross-acceleration provisions. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operation —Indebtedness.” If such events were to occur, our financial condition and share price could be adversely affected.

***If we are not able to manage the potential problems and risks related to acquisitions and strategic partnerships, our business and growth prospects could be adversely affected.***

We have completed major acquisitions and formed strategic alliances, and, as part of our business strategy, we may acquire other assets or businesses or enter into strategic partnerships in Brazil or other countries. Unexpected events or changes in market conditions, as well as the failure to successfully integrate new businesses or manage strategic alliances, could adversely affect our commercial and financial performance or prevent us from realizing expected gains. 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 strategic alliance.



Additionally, any new acquisition or strategic alliance could increase our costs, impacting our financial metrics. Our management's attention could be diverted from other business concerns and we could lose key employees of the acquired company.

***Some of our competitors may be better positioned to acquire pulp and paper companies.***

Other companies operating in the same segments may compete with us for acquisition and alliance opportunities. Strategic acquisitions or alliances by our competitors could affect our ability to enter into or consummate acquisitions and alliances that are necessary to expand our business. Further, we may face elevated costs associated with restructuring and/or financing in relation to acquisitions or strategic partnerships in comparison to our competitor companies. Companies that are better positioned to enter into acquisitions or alliances may benefit from preferable production costs, which may affect our competitiveness. Moreover, any significant acquisition may be subject to regulatory approval.

***We could be harmed by a failure or interruption of our information technology systems or automated machinery.***

Our operations are heavily reliant on information technology systems to efficiently manage production process. Therefore, disruptions to these systems, caused by obsolescence, technical failures or intentional acts, may impact or even paralyze our business and negatively impact our operations. In addition, any failure of our systems related to confidential information, caused by external cyber-attacks or internal actions, including negligence and/or misconduct of our employees, can have a negative impact on our reputation against competitors and external agents (government, regulators, suppliers and others).

Our information technology systems may be vulnerable to external actions such as natural disasters, viruses, cyber-attacks, and other security breaches. Any damage or interruption may cause a negative adverse effect on the results of Suzano's business, including fines, obligations to clients or legal litigation.

We may be subject to breaches of automation systems causing partial and / or temporary shutdowns of operations and/or improper access to strategic information, in addition to change or loss of relevant data. Costs to address the vulnerability and/or problems mentioned may be significant and may temporarily affect our operations.

We maintain technical safety controls and monitoring systems to deal with these threats. While these measures are designed to prevent, detect, and respond to unauthorized activities in our systems, certain types of attacks may have a material adverse effect on our business and reputation.

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 a reduced workday for safety reasons may result in 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.

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

The ratings address the likelihood, according to the respective evaluation methodology of each rating agency, of the payment of our debt and obligations at their maturity. The ratings also address the timely payment of interest and other costs on each interest payment date. The ratings are not a recommendation to purchase, hold or sell any security issued by us, and the ratings do not necessarily affect the market price or suitability of any security issued by us for any particular investor. The assigned ratings to us may be raised, lowered or held constant depending, among other factors, on the rating agencies' respective assessment of our financial strength. We cannot assure you that our rating will remain for any given period of time or that the rating will not be lowered or withdrawn.

Credit ratings may 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.

If our credit ratings 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 Brazilian sovereign credit ratings. The credit ratings of the Brazilian sovereign were downgraded in 2015 and 2016, and are no longer investment grade according to the methodologies of the major global rating agencies. Any further lowering of 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 dealings, we and our officers are party to numerous tax, civil (including environmental) and labor disputes involving, among other penalties, significant monetary claims. An unfavorable outcome against us may result in our being required to pay substantial amounts of money, which could materially adversely affect our reputation, results of operations, cash flows and financial condition. For more information on tax, civil (including environmental), labor and other proceedings, see "Business—Legal and Administrative Proceedings."

***We depend on third-party suppliers for between 20% to 30% of our wood requirements and may be adversely affected by shortages of wood or increases in its price.***

Medium- and long-term supply agreements with wood suppliers may vary between 1 to 2 forest cycles, each cycle lasting 6 to 8 years. Lease agreements or forest partnerships have an average term of 14 to 15 years.

Wood price conditions have a more significant effect on short-term contracts (spot), which are subject to cyclical and circumstantial variations of wood demand in the different regions where we operate. Short-term contracts comprise less than 20% of our wood requirements. Medium- and long-term contracts do not expose us to adverse price and market condition risks, since in those contracts the price of wood and adjusting indexes are determined in advance.

Our wood resources may not be sufficient to satisfy our production needs, in which case we may seek additional wood supply from third parties through agreements to purchase wood, either through purchases of standing forests or purchases of wood delivered to our factories.

Any interruption to our supply representing a significant reduction in available wood for processing may adversely affect our operational results and financial conditions.

***Changes in the credit risk of 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 or the market conditions under 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 to 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.

***We depend on few suppliers for certain raw materials, such as fuel oil, caustic soda, bleached chemo thermo mechanical pulp (BTCMP), natural gas and paper and pulp industrial capital goods, its services and maintenance.***

We have few sources for certain raw materials that are essential for the production of pulp and paper, including fuel oil, caustic soda, BTCMP, natural gas and third party industry technology (maintenance). We enter into medium and long 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, margin or availability and, consequently, our results of operations.

***Significant fluctuations in the value of the real against the value of the U.S. dollar may adversely affect our revenues, our indebtedness, and the markets for Brazilian securities.***

Fluctuations in the value of the *real* against the U.S. dollar can affect our financial condition and results of operations.

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 in 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 depreciation of the *real* against the U.S. dollar, since a significant portion of our debt is expressed in U.S. dollars. Depreciation or appreciation of the *real* against the U.S. dollar may increase or decrease, as applicable, our financial expenses arising from these debt 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 a result of inflationary pressures in recent years, the Brazilian *real* has been periodically devalued in relation to the U.S. dollar and other foreign currencies. The Brazilian federal 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 *real*, the U.S. dollar and other currencies. There can be no assurance that the *real* will not depreciate or be devalued again against the U.S. dollar or against any other foreign currency.

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

The Central Bank of Brazil has occasionally intervened in recent years to control unstable movements in the foreign exchange rate. We cannot predict whether the Central Bank of Brazil will continue to let the *real* float

freely. Accordingly, it is not possible to predict what impact the Brazilian federal government's exchange rate policies may have on us. We cannot assure that in the future the Brazilian federal government will not impose a currency 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.

***Fluctuations in interest rates could increase the cost of servicing our debt and negatively affect our overall financial performance.***

Our financial results are affected by changes in interest rates, such as the London Interbank Offered Rate (“LIBOR”), the CDI and the Brazilian Long Term Interest Rate (*Taxa de Juros de Longo Prazo*, or “TJLP”). LIBOR rates have significantly increased in recent years due to regulatory changes to U.S. money market funds (“MMFs”). The three-month LIBOR rate was 1.6943% p.a., 0.9979% p.a. and 0.6127% p.a. as of December 31, 2017, 2016 and 2015. The CDI rate has fluctuated significantly in the past in response to the expansion or contraction of the Brazilian economy, attempts to manage inflation, Brazilian government policies and other factors. After falling significantly during 2017, the CDI rate was 6.89% p.a. as of December 31, 2017, while it was 13.63% p.a. and 14.14% p.a. as of December 31, 2016 and 2015, respectively. The TJLP rate was 6.75% p.a., 7.50% p.a. and 7.50% p.a. as of December 31, 2017, 2016 and 2015, respectively.

A significant increase in interest rates, particularly TJLP, CDI or LIBOR, or the inflation rate index for consumer goods (*Índice Nacional de Preços ao Consumidor Amplo*, or “IPCA”) could have a material adverse effect on our financial expenses since a significant part of our debt (BNDES loans, Agribusiness Credit Receivable Certificates - CRA and Export Prepayment Facilities) is linked to these rates. On the other hand, a significant reduction in the CDI rate could adversely impact our financial revenues derived from investment activities, since a material portion of our cash is invested in Brazilian money market instruments that are linked to the CDI rate.

On July 27, 2017, the head of the Financial Conduct Authority (the “FCA”), announced the FCA's intention to phase out the use of LIBOR by the end of 2021. Because the statements made by the head of the FCA are recent, there is no definitive information regarding the future utilization of LIBOR or of any particular replacement rate. As such, the potential effect of any such event on our financial expenses cannot yet be determined and, at this time, it is not possible to predict the effect of establishing any alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes, the impact of using alternative reference rates or the content of other reforms may adversely affect our financial expenses or have a material adverse effect on our business and financial results.

***Investments by our competitors to enhance pulp production capacity in the following years may adversely affect our results.***

At moments of prospective future overspending, it is common for competitors to announce new capacity projects. If a significant part of those projects is confirmed and such investments are made, there may be an imbalance between supply and demand that may cause a reduction in pulp prices. Investments in new capacity by third parties may have a significant impact on pulp prices and, consequently, on our operational margins, profitability and ROIC. Further, due to an increased pulp supply in the market, we may be forced to adjust, even if temporarily, our production volume, to adapt to a decreased product demand.

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

The pulp and paper market is extremely competitive. We face substantial competition in both domestic and international markets from a large number of companies, some of which have extensive access to financial resources and low capital costs. In the domestic market, we face competition from national products, produced by companies of Brazilian and international groups, and imported products. In the international market, we compete against companies with large production and distribution capacities, significant consumer base and great variety of products.

Pulp imports do not presently represent serious competition for us in the domestic market due to the low logistical and production costs of local producers. However, the oversupply of coated paper in the world market,

the antidumping measures adopted in other countries and the use of imported coated paper for alternative purposes, 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 federal 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. There is a continuous need for reduction in the production costs of pulp and paper so that we can follow the volatility of prices, with smaller impacts on our profitability.

***Liquidity restriction periods may increase our costs, limit the terms or even preclude the funding in the market, which may adversely affect our operations.***

Brazilian paper and pulp companies have made significant investments during the last few years in order to compete more efficiently and on a larger scale in the international market. This trend towards consolidation has enhanced the need for resources and diversification of financing sources among national and foreign financial institutions.

In this context, we depend on third-party capital to conduct our business, by means of financing transactions to support our investments and working capital. In liquidity restriction periods, such as the ones of 2008 and 2009 that occurred due to the international financial crisis, credit lines may become excessively short, expensive or even unavailable. Under these circumstances, there is a higher risk of not achieving success in financing and refinancing transactions, meaning that there is a higher possibility of failure in obtaining financing in the market in order to pay down existing indebtedness, as well as a higher risk of raising these funds at an elevated cost, which may adversely affect our results.

***Social crisis in the relationship with communities and class entities may affect the regular use, cause damage, or deprive us of the use of or fair value compensation of our properties.***

Activist groups in Brazil advocate for land reform and property redistribution by invading and occupying rural areas, which can interrupt our industrial activities and, consequently, negatively affect our production and operational results. In addition, our land may be subject to expropriation by the Brazilian federal 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 and compliance with labor laws, among others. If the Brazilian federal government expropriates 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.

***Any deterioration of labor relations among 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.

Additionally, changes in safety and outsourcing regulations may result in an increase in our labor-related costs. We may be considered secondarily liable for any employment obligations relating to such employees or a direct employment relationship may be established by the labor courts with the outsourced employees and us, according to the current regulation in force.

The introduction of a stricter legal 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. The number of accidents in our facilities have been decreasing, amounting to 98, 87 and 66 in 2015, 2016 and 2017, respectively.

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 a reduced workday for safety reasons may result in 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.

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

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.

Governmental agencies or other competent authorities may provide new rules or additional regulations even stricter than the ones in force, or they may pursue a stricter interpretation of the existing laws and regulations, which could require us to invest additional resources in environmental compliance or to restrict our ability to operate as currently done. Additionally, noncompliance 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.

In December 2015, several countries (including Brazil) signed the Paris Agreement, a new global environmental agreement adopting the Intended Nationally Determined Contributions, or “INDCs”, as the measures taken to reduce its emissions after 2020. The INDC that applies to Brazil provides for an increase in the share of sustainable biofuels and other sources of renewable energy in the Brazilian national energy mix, as well as zero deforestation, reforestation, forest restoration and enhancement of the native forest management. We may be materially affected by the regulation related to greenhouse gases and climate change, which causes an increase in capital expenditures and investments to comply with such laws, and indirectly, by changes in 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.

***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 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 as applicable may cause delays in our deployment of new activities, increased costs, monetary fines or even suspension of the affected activity.

***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 economic conditions. 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.

***Our exports are subject to special risks that may adversely affect our business.***

We export to different regions of the world, which makes us subject to special political and regulatory risks, including currency controls in countries where we have payments receivable, possible formal or informal trade barriers and incentive policies and subsidies favoring local producers in many regions.

Thus, our future financial performance will depend on the economic, political and social conditions of our main export markets (Europe, Asia and North America). Thus, our future financial performance will depend on the economic, political and social conditions of our main export markets (Europe, Asia and North America). As a result, factors that are beyond our control include:

- imposition of barriers to trade or the granting of commercial incentives in favor of local producers;
- changes in economic policies and/or conditions of the countries to which we export, which may affect our export capacity and, consequently, our business and operating results;
- logistics costs, including disruptions in shipping or reduced availability of freight transportation;
- significant fluctuations in global demand for pulp products, which could impact our sales, operating income and cash flows;
- the deterioration of global economic conditions, which could impair the financial condition of some of our customers or foreign suppliers, thereby increasing bad debts or non-performance by our foreign suppliers;
- changes in revenues due to variations in foreign currency exchange rates;
- controls on currency exchange; and
- adverse consequences deriving from the need to comply with more stringent regulatory requirements in foreign countries, including environmental rules, regulations and certification requirements.

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

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.

Any of the aforementioned restrictions may affect our export volume and, as a result, our sales from export markets and our 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 on us.

***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.***

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, whether emerging market countries or not. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the domestic or international capital markets to fluctuate. Developments or conditions in other countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and reductions 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. 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 face difficulties in our regular activities and in honoring our financial commitments.

***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.***

Most of the wood used in our production processes is 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. Still, 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.

Our planted forest areas are also subject to other threats, considering their wide territorial coverage and proximity to a significant number of neighbors and local communities. A poorly managed relationship (reactive, rather than preventative) can intensify social occurrences, such as loss of possession due to social unrest or squatter invasion, theft of our timber, or arson. Therefore, any action that is not taken through the means of a respectful, harmonious and transparent relationship with the local community may result in real damage to our planting and transit areas and may significantly adversely affect our operating results.

## **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, 2017, 30.5% 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, decreased in real terms by 3.8% in 2015 and 3.6% in 2016. In 2017, real Brazilian GDP grew by 1.0% compared to 2016. We cannot guarantee 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 federal government, which has often changed monetary, credit and other policies to influence Brazil's economy. The Brazilian federal 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 of Brazil'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 federal government may adopt in the future. We may be materially adversely affected by changes in the policies of the Brazilian federal 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 federal 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 experienced a severe political crisis and the Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing Car Wash (*Lava Jato*) 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 Car Wash 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 Car Wash investigation. Further, in 2015, Brazilian prosecutors announced Operation *Zelotes*, an investigation into large corporations and banks that are alleged to have bribed tax officials to reduce their assessments. The matters that have come, and may continue to come, to light as a result of, or in connection with, the Car Wash or *Zelotes* investigations 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. Please see “Business—Legal and Administrative Proceedings—Brazilian Press Reports of Alleged Tax Investigations” for information about allegations made in the Brazilian press regarding our alleged involvement in Operation *Zelotes*.

The Brazilian Congress also opened impeachment proceedings against President Dilma Rousseff on December 2, 2015 for allegedly breaking budget laws as she increased economic stimulus during her reelection campaign. On April 17, 2016, the Brazilian Lower House of Representatives voted in favor of the admissibility of the impeachment proceedings and the Brazilian Senate voted in favor of commencing the impeachment process on May 12, 2016, removing Ms. Rousseff from the presidency for up to 180 days to defend herself in her impeachment trial. Brazil’s Vice President at the time, Michel Temer, was named Acting President of Brazil on May 12, 2016, in response to Ms. Rousseff’s temporary removal from office. On August 31, 2016, the Brazilian Senate voted in favor of the impeachment, thereby definitively removing Ms. Rousseff from office through the end of her term, and Mr. Temer was sworn in as the country’s new president. The impeachment proceedings resulted in

volatility in the Brazilian markets, affecting the trading prices of securities issued by Brazilian issuers. Mr. Temer himself had corruption charges levied against him with the Supreme Court on June 26, 2017 by then-Prosecutor-General Rodrigo Janot. On August 2, 2017, the Brazilian House of Representatives voted to temporarily interrupt the investigation of such corruption charges against the President while he held office. On January 1, 2019, Jair Bolsonaro was sworn in as the country's new president, following the presidential election of October 2018. We cannot predict the effects of these recent developments and the current ongoing political uncertainties on the Brazilian economy.

Further, the Brazilian economy has experienced a sharp downturn in recent years due, in part, to the interventionist economic and monetary policies of the Brazilian federal government and the global drop in commodities prices. As of this date, Brazil's government has proposed to loosen its budget targets for all years through 2020, but it is uncertain whether the acting government will be able to gather the required support in the Brazilian Congress to pass the reform. 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. On August 15, 2017, S&P removed Brazil from CreditWatch and affirmed its 'BB' rating and 'negative' outlook. On January 11, 2018, S&P reduced its rating of Brazil from BB to BB-, and, on February 23, 2018, Fitch reduced its rating of Brazil from BB to BB-. These and other future developments in the Brazilian economy and governmental policies may materially adversely affect us.

Uncertainty over whether the acting Brazilian federal 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, including the Notes. 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 economic development in Brazil. Any such uncertainty or political changes may likewise adversely affect our financial condition and results of operation.

***Changes in Brazilian fiscal policies and tax laws may adversely affect us.***

The Brazilian federal government has frequently implemented and may continue to implement changes in its fiscal policies, including, but not limited to, changes to tax rates, fees, sectorial charges and occasionally the collection of temporary contributions. Some of these measures may result in tax hikes that may negatively affect our business. Increases in taxes could also materially adversely impact industry profitability and the prices of our services, restrict our ability to do business in our existing and target markets and cause our financial results to be negatively impacted. If we are unable to pass on the additional costs associated with such fiscal policy changes to our clients through the prices we charge for our services, we may be adversely affected.

**Risks Relating to the Notes and the Note Guarantees**

***The Guarantors' obligations under the Note Guarantees will be junior to the Guarantors' secured debt obligations as well as to other statutory preferences, effectively junior to debt obligations of the Guarantors' respective subsidiaries and adversely affected by the solvency or insolvency of the Guarantors' respective subsidiaries.***

The Note Guarantees will constitute senior unsecured obligations of the Guarantors. The Note Guarantees will rank equal in right of payment with all of the Guarantors' other existing and future senior unsecured indebtedness. Although the Note Guarantees will provide the holders of the Notes with a direct, but unsecured, claim on the Guarantors' assets and property, payment on the Note Guarantees under the Notes will be subordinated to the secured debt of the Guarantors 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 Note Guarantees under the Notes will also be structurally subordinated to the payment of secured and unsecured debt and other obligations of the Guarantors' respective subsidiaries. In the event of a

bankruptcy, liquidation or judicial or extrajudicial reorganization of any of the Guarantors' respective 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 Guarantors.

Upon a liquidation or reorganization of the Guarantors, any right of the holders of the Notes to participate in the assets of the Guarantors, including the capital stock of its subsidiaries, will be subject to the prior claims of the Guarantors' 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 Guarantors' respective subsidiaries will be subject to the prior claims of the creditors of its subsidiaries. The Indenture includes a covenant limiting the ability of the Guarantors and their respective subsidiaries to create or suffer to exist liens, although this limitation is subject to significant exceptions. In such a scenario, enforcement of the Note Guarantees under the Notes may be jeopardized and noteholders may lose some or all of their investment.

As of September 30, 2018, on a consolidated basis, Suzano had R\$ 23.8 billion (U.S.\$ 5.9 billion) aggregate amount of debt outstanding (composed of current and non-current loans and financing and debentures), of which R\$ 1.7 billion (U.S.\$ 0.4 billion) was secured. As of September 30, 2018, on a consolidated basis, Fibria had R\$21.4 billion (U.S.\$5.3 billion) aggregate amount of debt outstanding (composed of current and non-current loans and financing and debentures).

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, but has substantial liabilities, including, as of the date of this listing memorandum, U.S.\$700 million 5.750% Notes maturing on July 14, 2026, U.S.\$1 billion 7.000% Notes maturing on March 16, 2047 and the U.S.\$1 billion 6.000% Original Notes maturing on January 15, 2029. Holders of the Notes must rely on Suzano'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 Suzano of amounts sufficient to make these payments, and, in turn, on Suzano's ability to make these payments. In the event that Suzano is unable to make such payments for any reason and in a timely manner, 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 Note Guarantees, 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. In addition, our creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the assets at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the Notes.

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

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 Note Guarantees. 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 Note Guarantees. 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 Note Guarantees 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 Guarantors 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. Our controlling shareholders may have an interest in making acquisitions, disposals of assets, partnerships, seeking financing or making other decisions that may conflict with the interests of the holders of the Notes. 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" and "The Offering."

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

If proceedings are brought in the courts of Brazil seeking to enforce the Guarantors' obligations under the Note Guarantees, the Guarantors would not be required to discharge their obligations in a currency other than *reais*. Any judgment obtained against the Guarantors in Brazilian courts in respect of any payment obligations under the Note Guarantees 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 limited liability company incorporated 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 Guarantors are corporations (*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 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. As the United States and Austria do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, 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 may not be enforceable, either in whole or in part, in Austria. See “Enforcement 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.

Pursuant to the terms of the Registration Rights Agreement, we intend to file a registration statement with the SEC and to cause that registration statement to become effective with respect to the exchange notes to be issued in exchange for the Notes offered hereby. The SEC, however, has broad discretion to declare any registration statement effective and may delay or deny the effectiveness of any registration statement for a variety of reasons.

***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 Note Guarantees may not be enforceable if deemed fraudulent and declared void.***

The Note Guarantees 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 Note Guarantees, 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 Note Guarantees. In the event of a judicial reorganization, the Note Guarantees may be declared unenforceable against the Guarantors if a bankruptcy court considers that the Guarantors did not receive fair consideration in exchange for the Note Guarantees. 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.

## THE MERGER

### Overview

Fibria is the world's largest producer of market pulp, with an aggregate installed capacity of 7.25 million metric tons of eucalyptus pulp per year. Fibria's forest base is broad and diversified. As of December 31, 2017, it was comprised of approximately 1,092 thousand hectares (owned and leased, excluding the forestry partnership program areas and the forest base linked to the sale of forest assets in Southern Bahia State and Losango) located in seven Brazilian states. Approximately 656 thousand hectares of Fibria's total forestry land consisted of planted areas, approximately 374 thousand hectares consisted of conservation areas with native vegetation, and 61 thousand hectares was occupied through other uses (such as roads).

On March 15, 2018 each of Suzano Holding S.A., David Feffer, Daniel Feffer, Jorge Feffer and Ruben Feffer (collectively, the "Suzano Controlling Shareholders") and Votorantim and BNDESPAR (the "Fibria Controlling Shareholders"), along with Suzano, as intervening party, entered into the Voting Agreement (*Compromisso de Voto e Assunção de Obrigações*) (the "Voting Agreement"). Pursuant to the Voting Agreement, the Fibria Controlling Shareholders and the Suzano Controlling Shareholders agreed on the terms and conditions of a merger of shares (*incorporação de ações*) (the "Merger"), to be set forth in the Merger Agreement entered into by Suzano and Fibria on July 26, 2018 (the "Merger Agreement"), and agreed to exercise their voting rights with respect to the Fibria Shares (as defined below) and Suzano Shares (as defined below), respectively, in favor of the combination of the operations and shareholder bases of Fibria and Suzano by means of the Merger. On March 27, 2018, the Fibria Board of Directors, including the independent members thereof, resolved to approve, without restrictions or reservations, the adherence of Fibria to the Voting Agreement for the fulfillment of the obligations applicable to Fibria, and on March 29, 2018, Holding (defined below) became party to the Voting Agreement, in each case as required by the agreement.

In connection with the consummation of the Merger:

- Suzano contributed capital to a wholly owned subsidiary ("Holding"), in cash, resulting in the issuance of new shares, all owned by Suzano.
- The shares of Fibria were merged into Holding, which issued 553,733,881 common shares and 553,733,881 redeemable preferred shares (assuming no further issuance of Fibria or Suzano shares prior to the completion of the Merger). One common share and one redeemable preferred share of Holding was exchanged for each share of Fibria. As a result of such merger of shares, Fibria became a wholly owned subsidiary of Holding;
- Immediately after issuance of common and redeemable preferred shares, all redeemable preferred shares issued by Holding were redeemed for R\$ 50.20 in cash (as adjusted as of January 3, 2019, the "Merger Closing Date") per share and immediately cancelled;
- At the same time, each common share of Holding was exchanged for 0.4613 shares of Suzano, resulting in the issuance of 255,437,439 shares of Suzano;
- Thereafter, Holding legally merged into Suzano and ceased to exist. The share price of R\$36.95 used to value the consideration was based on the market price at the time of the acquisition on January 3, 2019. For the purposes of the September 30, 2018 pro forma adjustments related to the consideration paid, we used the January 3, 2019 share price of R\$36.95 per share; and
- After the conclusion of the Merger, Suzano became the sole shareholder of Fibria.

On the Merger Closing Date, Fibria became a wholly owned subsidiary of Suzano, and holders of all of the issued and outstanding common shares of Fibria ("Fibria Shares") at the record date set in accordance with the Merger Agreement received Suzano Shares, and holders of Fibria Shares represented by ADSs ("Fibria ADSs"), and, together with Fibria Shares, "Fibria Securities") at the record date set in accordance with the Merger Agreement and the Second Amended and Restated Deposit Agreement, dated as of August 12, 2009, among Fibria,

Citibank, N.A., as the Fibria ADS depository (the “Fibria Depository”), and the owners and beneficial owners from time to time of Fibria ADSs issued thereunder (the “Fibria Deposit Agreement”) received Suzano Shares represented by ADSs (“Suzano ADSs”, and, together with Suzano Shares, “Suzano Securities”).

Prior to the issuance of the Notes, Fibria, together with Suzano, the Issuer and the Trustee, will have executed a supplemental indenture pursuant to which Fibria will become a guarantor of the Notes.

As of the date of this listing memorandum, Suzano intends to merge Fibria into Suzano as soon as practicable, subject to receipt of the requisite regulatory or other approvals and consents and completion of required procedures customary for such a transaction, after which Fibria would cease to exist and all of Fibria’s rights and obligations would be succeeded to by Suzano, pursuant to Brazilian law.

We believe that the Merger enabled the creation of a solid company with top-notch, strategically located assets that is equipped to supply clients with its products on all continents in an efficient manner. We believe the Merger will reduce operating costs and generate substantial synergies in our areas of forestry, logistics and overhead, which will increase our competitiveness both in Brazil and overseas. We also believe that the Merger will enhance our stability of supply, and customers will benefit from continuity in service, through a greater portfolio of resources in relation to forestry, manufacturing sites and logistical options. We expect that the combination of our operations and shipping volumes with those of Fibria will allow us to ship products globally more efficiently and become an even more reliable supplier. Finally, we expect the Merger will result in substantial positive externalities in the form of environmental and social benefits, as a result of our activities and our commitment to meet, and exceed, environmental standards and reduce CO<sub>2</sub> emission rates.

Suzano’s management analyzed the expected synergies from the Merger based on past comparable transactions, such as the merger of Aracruz Celulose S.A. and Votorantim Celulose e Papel, S.A. in Brazil, and data from market experts in the fields of logistics and forestry. Independent market analysts estimated that the Merger could generate a present value of approximately R\$ 8 billion to R\$ 10 billion related to forestry, logistics, procurement and administrative activities.

For more information, see “Unaudited Pro Forma Condensed Consolidated Financial Information” and “Risk Factors—Risks Relating to the Merger.”

## **Financing Obtained by Suzano for the Merger**

### ***Credit Facilities***

Suzano executed binding commitments with certain international financial institutions to provide financing facilities. The proceeds of such financing, as well as other financings obtained by Suzano, including the local debentures and senior notes described elsewhere in this listing memorandum, were used to finance part of the cash consideration paid to current shareholders of Fibria, as well as for general corporate purposes, including exports of Suzano.

In connection with the Merger, Suzano has entered into certain commitment letters with a syndicate of lenders, including BNP Paribas, Coöperatieve Rabobank U.A., JP Morgan Chase Bank, N.A. and Mizuho Bank, Ltd., which acted as lead arrangers on the financing facilities related to the Merger and affiliates of which are the global coordinators and joint bookrunners for the offering of the Notes under this listing memorandum. All of the Initial Purchasers, either directly or through affiliates, will be lenders under these facilities. Subject to the terms and conditions of these commitment letters, the lenders committed to provide (i) U.S.\$ 6.9 billion (equivalent to R\$ 27.6 billion) under a bridge loan, or the “Bridge Loan”, and (ii) U.S.\$ 2.3 billion (equivalent to R\$ 9.2 billion) under an export prepayment facility, or the “EPP” and, collectively with the Bridge Loan, the “Facilities.” The lenders’ commitments are subject to certain conditions, including the execution and delivery of the definitive financing documentation for the Facilities. On July 31, 2018, the commitment letters were amended to reduce the aggregate commitments under the Bridge Loan from U.S.\$ 6.9 billion to U.S.\$ 4.5 billion (equivalent to R\$ 27.6 billion and R\$ 17.6 billion, respectively). Effective as of September 27, 2018, the aggregate commitments under the Bridge Loan were further reduced from U.S.\$ 4.5 billion to U.S.\$ 2.3 billion (equivalent to R\$ 17.6 billion and R\$ 9.2 billion respectively). Effective as of October 30, 2018, the aggregate commitments under the Bridge Loan

were further reduced to fully cancel the Bridge Loan, leaving only the EPP remaining in an amount of up to U.S.\$ 2.3 billion (equivalent to R\$ 9.2 billion).

*Borrower and Guarantor.* The borrower under both Facilities will be Suzano Pulp and Paper Europe S.A., a trading company incorporated in Switzerland and wholly owned by Suzano, and the Facilities will be guaranteed by Suzano, Suzano Trading Ltd., Fibria, Fibria International Trade GmbH and any subsidiary of Suzano that, at the time of determination, meets certain asset and revenue thresholds set forth in the agreements. Fibria, Fibria International Trade GmbH and other subsidiaries of Fibria will become guarantors within 30 days of the Closing Date. Suzano has the right, subject to certain conditions, to cause the borrower under each of the Facilities to be replaced by a qualified wholly owned subsidiary of Suzano.

*Availability period.* The commitments are available from March 15, 2018 through March 15, 2019 or, in the event that any governmental authority approval required in connection with the Merger has not been obtained prior to such date, September 15, 2019.

*Use of proceeds.* The proceeds of the EPP must be used for debt refinancing and financing of pre-export transactions, including expected pre-export transactions of Fibria or subsidiaries of Fibria that will become subsidiaries of Suzano upon consummation of the Merger.

*Interest.* Loans outstanding under the Facilities will bear interest at LIBOR for the relevant interest period plus margin determined based on the credit ratings for long-term foreign currency denominated debt of Suzano.

*Maturity.* The EPP will mature on the earlier date of (a) six years after March 15, 2018 and (b) five years following the borrowing date.

*Prepayments and Redemptions.* Except in certain circumstances and subject to certain procedural requirements, voluntary reductions of the unutilized commitments and prepayments of borrowings under the Facilities will be permitted at any time, in minimum principal amounts, without premium or penalty.

*Security.* The EPP will be secured by a lien on certain qualified receivables of the borrower and certain collateral accounts in which the proceeds of such receivables are deposited.

*Covenants.* The Facilities will contain a number of affirmative and negative covenants, including:

- Obligation to comply with certain reporting requirements;
- Obligation to take actions to ensure that its obligations under the loan documents will at all times constitute unconditional and unsubordinated general obligations thereof ranking at least *pari passu* with all of its other present and future unsubordinated debt;
- Negative pledge;
- Limitations on transactions with affiliates;
- Obligation to comply with the use of proceeds set forth in the agreements;
- Limitations on restricted payments;
- Limitations on hedging;
- Limitations on dispositions;
- Limitations on investments;
- Limitations on merger, consolidation, liquidation or sale of substantially all assets; and
- Compliance with law, sanctions, anticorruption and anti-money laundering laws.



*Conditions.* The obligation of the lenders to provide their respective portions of the financing is subject to a number of conditions as further set forth below.

- Execution and delivery of the Bridge Loan and the EPP;
- Delivery of a certificate from Suzano, as borrower, certifying that all conditions to closing under the Merger Agreement will be satisfied at the Closing Date;
- Approval of the Merger by the shareholders of Suzano and Fibria, the consummation of the Merger in accordance with the Merger Agreement, no amendment or modification of the Protocol and Justification (as defined in the Voting Agreement) and no condition has been waived by Suzano in a manner that is materially adverse to the lenders;
- Delivery of certain corporate documents relating to the borrowers and guarantors, certificates, opinions of counsel, financial statements and other customary closing documents;
- The accuracy of certain specified representations and warranties as of the borrowing date; and
- Nonexistence of certain specified events of default.

There can be no assurance that these conditions will be satisfied or that the financing will be funded when required.

The information set forth above regarding the Facilities is only a summary and is qualified in its entirety by reference to the final financing agreements, which, as of the date of this filing, have not been executed.

In October 2018, Suzano also entered into an Advance on Currency Exchange Contract (ACC) to finance the remaining payment, in the amount of U.S.\$ 450 million (equivalent to R\$ 1,801.8 million as of September 30, 2018). Furthermore, the Company obtained U.S.\$ 500.0 million (equivalent to R\$ 1,989.1 million as of September 30, 2018) of Senior Notes issued on November 6, 2018, U.S.\$ 2,300.0 million (equivalent to R\$ 9,209.2 million as of September 30, 2018) under an export prepayment facility, or the “EPP”, and the Company also has credit lines approved with certain financial institutions for the execution of financing agreements in an amount of R\$ 2,119.3 million.

#### ***June 2018 Debentures***

Suzano issued debentures in the Brazilian market in connection with the Merger, with the following characteristics:

- Issue amount: R\$ 4,681.1 million (U.S.\$ 1,164.1 million);
- Date of issuance: June 29, 2018;
- Maturity: eight (8) years from the issuance date;
- Payments: semiannual; and
- Yield: 112.50% of CDI p.a.

#### ***Original Notes due 2029***

Suzano also issued the Original Notes due 2029 in the international market in connection with the Merger, with the following characteristics:

- Issue amount: U.S.\$1,000.0 million;
- Date of issuance: September 20, 2018;

- Maturity: January 15, 2029;
- Payments: semiannual; and
- Yield: 6.125% p.a.

#### ***January 2019 Debentures***

In December 2018, in connection with the Merger, Suzano entered into a Term of Commitment with Banco do Brasil to issue debentures in the Brazilian market in the amount of R\$4 billion, maturing one (1) year after the issue date. On January 7, 2019, Suzano issued the debentures under the Term of Commitment, with the following characteristics:

- Issue amount: R\$ 4,000.0 million (U.S.\$ 999 million);
- Date of issuance: January 7, 2019;
- Maturity: one (1) year from the issuance date;
- Payments: every 90 days; and
- Yield: 112.0% of CDI p.a.

## EXCHANGE RATES<sup>1</sup>

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 of Brazil has allowed the *real*/U.S. dollar exchange rate to float freely, which resulted in increasing exchange rate volatility. Until early 2003, the *real* declined against the U.S. dollar. Between 2006 and 2008, the *real* strengthened against the U.S. dollar, except in the most severe periods of the global economic crisis. Given turmoil in international markets and the then-applicable Brazilian macroeconomic outlook, the *real* depreciated against the U.S. dollar from mid-2011 to early 2016. In particular, during 2015, due to the poor economic conditions in Brazil, including as a result of political instability, the *real* devalued at a rate much higher than in previous years. On September 24, 2015, the *real* fell to its lowest level since the introduction of the currency, at R\$ 4.195 per U.S.\$ 1.00. Overall in 2015, the *real* depreciated 32%, reaching R\$ 3.905 per U.S.\$ 1.00 on December 31, 2015. In early 2016, the *real* faced continuing fluctuations, primarily as a result of Brazil's political instability, and appreciated against the U.S. dollar from March 2016 until early 2017. For most of 2017, the *real* continued to fluctuate, and has depreciated against the U.S. dollar since the beginning of 2018. As of September 28, 2018, the exchange rate for *reais* into U.S. dollars was R\$ 4.004 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. There can be no assurance that the *real* will not depreciate further against the U.S. dollar. The *real* may fluctuate against the U.S. dollar substantially in the future.

The Central Bank of Brazil has intervened occasionally to attempt to control instability in foreign exchange rates. We cannot predict whether the Central Bank of Brazil or the Brazilian federal government will continue to allow the *real* to float freely or will intervene in the exchange rate market by re-implementing a currency band system or otherwise. The *real* may depreciate or appreciate substantially against the U.S. dollar in the future.

Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian federal government in the future. See "Risk Factors—Risks Relating to Brazil."

The following tables set forth the selling rate, expressed in *reais* per U.S. dollar (R\$/U.S.\$), for the periods indicated, as reported by the Central Bank of Brazil:

<b>Year Ended December 31</b>	<b>Period-end</b>	<b>Average<sup>(1)</sup></b>	<b>Low</b>	<b>High</b>
2013.....	2.343	2.161	1.953	2.446
2014.....	2.656	2.355	2.197	2.740
2015.....	3.905	3.339	2.575	4.195
2016.....	3.259	3.483	3.119	4.156
2017.....	3.308	3.193	3.051	3.381
2018.....	3.875	3.656	3.139	4.188
<b>Nine-Month Period Ended September 30,</b>	<b>Period-end</b>	<b>Average<sup>(2)</sup></b>	<b>Low</b>	<b>High</b>
2018.....	4.004	3.603	4.004	4.188
<b>Month</b>	<b>Period-end</b>	<b>Average<sup>(3)</sup></b>	<b>Low</b>	<b>High</b>
January 2018.....	3.162	3.211	3.139	3.270
February 2018.....	3.245	3.242	3.173	3.282
March 2018.....	3.324	3.279	3.225	3.338
April 2018.....	3.481	3.408	3.310	3.504
May 2018.....	3.737	3.636	3.531	3.750
June 2018.....	3.856	3.773	3.691	3.900
July 2018.....	3.755	3.829	3.712	3.926
August 2018.....	4.054	3.931	3.707	4.150
September 2018.....	4.055	4.112	3.969	4.208

<sup>1</sup> NTD: To be updated.

<b>Month</b>	<b>Period-end</b>	<b>Average<sup>(3)</sup></b>	<b>Low</b>	<b>High</b>
October 2018.....	3.718	3.758	3.636	4.027
November 2018.....	3,705	3,701	3,697	3,705
December 2018.....	3.875	3.885	3.829	3.933
January 2019.....	3,652	3,742	3,652	3,859
February.....	3,738	3,724	3,669	3,776
March (through March 8, 2019).....	3,868	3,832	3,783	3,868

*Source:* Central Bank of Brazil.

- (1) Represents the average of the exchange rates on the closing of each day during the year.
- (2) Represents the average of the exchange rates on the closing of each day during the nine-month period.
- (3) Represents the average of the exchange rates on the closing of each day during the month.

As of March 8, 2019, the exchange rate for reais into U.S. dollars was R\$3,868 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank.

## **USE OF PROCEEDS**

We estimate that the net proceeds from the sale of the Notes will be approximately U.S.\$ 776.3 million after deducting initial purchasers' discounts and offering expenses payable by us. The Notes will be issued by Suzano's wholly-owned subsidiary Suzano Austria GmbH, incorporated under the laws of Austria. We intend to use the net proceeds for the repayment of indebtedness.

## CAPITALIZATION

The following table sets forth information regarding our consolidated capitalization as of September 30, 2018 derived from our unaudited interim consolidated accounting information as of September 30, 2018:

- 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 U.S.\$ 776.3 million, after deducting initial purchasers' 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," included elsewhere in this listing memorandum.

	As of September 30, 2018			
	Actual <sup>(1)</sup>		As adjusted <sup>(2)</sup>	
	(in million)		(in million)	
	U.S.\$	R\$	U.S.\$	R\$
<b>Current and Non-current debt</b>				
Current loans and financing	421.0	1,685.8	421.0	1,685.8
Debentures (current)	20.9	83.6	20.9	83.6
Non-current loans and financing .....	4,342.6	17,387.9	5,118.9	20,496.2
Debentures (non-current)	1,164.2	4,661.5	1,164.2	4,661.5
<b>Shareholders' Equity</b> .....	<b>2,659.1</b>	<b>10,647.2</b>	<b>2,659.1</b>	<b>10,647.2</b>
<b>Total capitalization</b> <sup>(3)</sup> .....	<b>8,607.8</b>	<b>34,466.0</b>	<b>9,384.1</b>	<b>37,574.3</b>

### Notes

- (1) *Real* amounts shown in the "Actual" column above are derived from our unaudited consolidated balance sheet as of September 30, 2018. 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\$ 4.004 per U.S.\$ 1.00, which was the commercial selling rate for U.S. dollars in effect on September 28, 2018, as reported by the Central Bank of Brazil. On January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.
- (2) Numbers in the "As adjusted" column are adjusted to reflect the net proceeds after deducting initial purchasers' discounts and offering expenses payable by us from the gross proceeds of the issuance of the Notes in the amount of U.S.\$ 779.9 million (R\$ 3,122.7 million) less initial purchasers' discounts and offering expenses that are payable by us in the estimated amount of U.S.\$ 3.6 million (R\$ 14.5 million). 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\$ 4.004 per U.S.\$ 1.00, which was the commercial selling rate for U.S. dollars in effect on September 28, 2018, as reported by the Central Bank of Brazil. On January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00. See "Exchange Rates" for further information on recent fluctuations in exchange rates.
- (3) Total capitalization is defined as total current plus non-current debt (excluding current portion) plus shareholder's equity.

Since September 30, 2018, there has been no material change to our capitalization, except as otherwise disclosed herein.

## SELECTED FINANCIAL DATA

The following tables present a summary of our selected financial and operating data at the dates and for each of the periods indicated. You should read the following information together with our financial statements, including the notes thereto, included elsewhere in this listing memorandum, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

### SUZANO – STATEMENTS OF INCOME (LOSS) DATA

	For the nine-month period ended September 30,			For the year ended December 31,				
	2018	2018	2017	2017	2016	2015	2014	2013
	<i>(in millions of U.S.\$)(1), except per share data</i>			<i>(in millions of R\$), except per share data</i>				
Net sales revenue .....	2,551.0	10,214.2	7,428.2	10,580.7	9,839.2	10,162.1	7,264.6	5,688.6
Cost of sales .....	(1,306.6)	(5,231.6)	(4,665.1)	(6,496.3)	(6,563.1)	(6,147.4)	(5,355.7)	(4,190.3)
<b>Gross profit</b> .....	<u>1,244.4</u>	<u>4,982.6</u>	<u>2,763.1</u>	<u>4,084.4</u>	<u>3,276.1</u>	<u>4,014.7</u>	<u>1,908.9</u>	<u>1,498.3</u>
Operating income (expenses)								
Selling expenses .....	(108.2)	(433.3)	(295.0)	(423.3)	(416.3)	(410.0)	(300.8)	(251.0)
General and administrative expenses .....	(137.3)	(549.6)	(356.1)	(529.0)	(427.1)	(455.6)	(392.7)	(377.0)
Equity in earnings of associates ....	1.0	3.9	4.8	5.9	(7.1)	—	—	—
Other operating income (expenses), net.....	9.1	36.6	(7.5)	140.5	(1,150.6)	(104.5)	14.2	105.3
<b>Operating profit before net financial income (expenses)</b> .....	<u>1,009.0</u>	<u>4,040.2</u>	<u>2,109.3</u>	<u>3,278.5</u>	<u>1,275.0</u>	<u>3,044.6</u>	<u>1,229.6</u>	<u>975.6</u>
<b>Net financial income (expenses)</b>								
Financial income .....	53.8	215.5	593.0	379.0	2,277.9	304.3	265.4	246.4
Financial expenses .....	(1,574.8)	(6,305.4)	(876.0)	(1,397.9)	(1,156.2)	(4,713.9)	(1,858.9)	(1,502.0)
<b>Net income (loss) before taxes</b> .....	<u>(512.0)</u>	<u>(2,049.7)</u>	<u>1,826.3</u>	<u>2,259.6</u>	<u>2,396.7</u>	<u>(1,365.0)</u>	<u>(363.9)</u>	<u>(280.0)</u>
<b>Income taxes</b>								
Current .....	(104.9)	(420.1)	(137.7)	(202.2)	(188.8)	(19.1)	(17.5)	(9.9)
Deferred .....	331.6	1,327.7	(223.8)	(236.4)	(530.1)	454.4	119.9	69.4
<b>Net income (loss) for the year</b> .....	<u>(285.3)</u>	<u>(1,142.1)</u>	<u>1,464.8</u>	<u>1,821.0</u>	<u>1,677.8</u>	<u>(929.7)</u>	<u>(261.5)</u>	<u>(220.5)</u>
Income (loss) for the period attributable to controlling shareholders	(285.4)	(1,142.9)	1,464.7	—	—	—	—	—
Income for the period attributed to non-controlling shareholders	0.2	0.8	—	—	—	—	—	—
<b>Basic earnings per share</b>								
Common .....	(0.26105)	(1.04524)	1.34181	1.66804	1.53922	(0.85429)	(0.24071)	(0.20321)
<b>Diluted earnings per share</b>								
Common .....	(0.26105)	(1.04524)	1.34024	1.66433	1.53430	(0.85429)	(0.24071)	(0.20321)

(1) For convenience purposes only, amounts in *reais* for the nine months ended September 30, 2018 have been translated to U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars at September 28, 2018 as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

## SUZANO – BALANCE SHEET DATA

Assets	As of September 30,		As of December 31,				
	2018	2018	2017	2016	2015	2014	2013
	<i>(in millions of U.S.\$)(1)</i>		<i>(in millions of R\$)</i>				
<b>Current assets</b>							
Cash and cash equivalents .....	426.0	1,705.8	1,076.8	1,614.7	1,477.2	3,686.1	3,689.6
Financial investments.	2,813.3	11,264.6	1,631.5	2,080.6	970.9	—	—
Trade accounts receivables .....	689.7	2,761.6	2,297.8	1,548.7	1,842.6	1,207.4	1,474.1
Inventories .....	386.0	1,545.6	1,198.3	1,318.9	1,326.4	1,077.1	905.3
Recoverable taxes .....	71.7	287.1	301.0	425.8	596.9	475.6	310.0
Derivative financial instruments .....	128.1	512.9	77.1	367.1	158.9	39.3	10.0
Advances to suppliers	18.2	72.7	86.5	532.7	27.0	9.7	34.5
Other assets.....	41.8	167.3	119.6	113.0	132.5	114.3	48.1
Assets held for sale ....	1.5	6.1	11.5	—	50.0	—	—
<b>Total current assets..</b>	<b>4,576.3</b>	<b>18,323.5</b>	<b>6,800.1</b>	<b>8,001.5</b>	<b>6,582.4</b>	<b>6,609.5</b>	<b>6,471.6</b>
<b>Non—current assets</b>							
Receivables from other related parties	—	—	—	13.0	—	—	—
Recoverable taxes .....	54.4	217.7	283.8	349.5	433.1	481.6	510.6
Deferred taxes.....	1.5	6.0	2.6	4.6	2.6	1.1	1.1
Derivative financial instruments .....	32.3	129.3	56.8	77.0	36.5	20.8	26.0
Advances to suppliers	60.5	242.2	221.6	216.6	251.3	247.8	251.9
Judicial deposits.....	32.2	129.0	113.6	87.1	61.7	59.5	61.4
Receivables from land expropriation .....	15.8	63.1	61.0	56.7	56.7	56.7	56.7
Other assets.....	15.6	62.5	31.5	37.0	22.7	9.7	27.8
	212.2	849.8	770.8	841.5	864.6	877.2	935.5
Biological assets .....	1,249.5	5,002.9	4,548.9	4,072.5	4,130.6	3,659.4	2,965.9
Property, plant and equipment .....	4,253.8	17,032.2	16,211.2	16,235.3	16,346.2	16,681.3	16,551.7
Intangible assets.....	86.6	346.9	188.4	219.6	329.6	292.1	224.6
Investments.....	2.6	10.6	6.8	0.9	—	—	—
	5,592.6	22,392.6	20,955.3	20,528.3	20,806.4	20,632.8	19,742.2
<b>Total non—current assets .....</b>	<b>5,804.8</b>	<b>23,242.4</b>	<b>21,726.1</b>	<b>21,369.8</b>	<b>21,671.0</b>	<b>21,510.0</b>	<b>20,677.7</b>
<b>Total assets .....</b>	<b>10,381.1</b>	<b>41,566.0</b>	<b>28,526.2</b>	<b>29,371.3</b>	<b>28,253.4</b>	<b>28,119.5</b>	<b>27,149.3</b>

(1) For convenience purposes only, amounts in *reais* for the period as of September 30, 2018 have been translated to U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars at September 28, 2018 as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See “Exchange Rates” for further information about recent fluctuations in exchange rates.



## SUZANO – BALANCE SHEET DATA

Liabilities	As of September 30,		As of December 31,				
	2018	2018	2017	2016	2015	2014	2013
	<i>(in millions of U.S.\$)(1)</i>		<i>(in millions of R\$)</i>				
<b>Current liabilities</b>							
Trade accounts payables .....	161.7	647.6	621.2	582.9	581.5	501.6	876.6
Loans and financing .....	421.0	1,685.8	2,115.1	1,594.7	2,025.0	2,046.8	1,007.2
Debentures .....	20.9	83.6	-	-	-	-	-
Derivative financial instruments .....	485.5	1,944.0	23.8	250.4	281.3	27.2	16.9
Taxes payable .....	33.0	132.0	125.8	78.2	56.3	54.5	54.1
Payroll and charges .....	60.1	240.8	196.5	165.0	164.8	141.5	125.7
Liabilities for assets acquisitions .....	154.0	616.5	83.2	85.8	91.3	79.1	6.8
Dividends payable .....	0.5	2.0	180.6	371.0	0.1	0.1	0.6
Advance from customers .....	14.2	56.8	92.5	514.8	32.1	7.8	7.4
Other liabilities .....	75.4	301.9	280.4	187.1	278.2	209.0	186.1
<b>Total current liabilities .....</b>	<b>1,426.3</b>	<b>5,711.0</b>	<b>3,719.1</b>	<b>3,829.9</b>	<b>3,510.6</b>	<b>3,067.6</b>	<b>2,281.4</b>
<b>Non-current liabilities</b>							
Loans and financing .....	4,342.6	17,387.9	10,076.8	12,418.1	12,892.4	11,965.2	11,736.2
Debentures .....	1,164.2	4,661.5	-	-	-	-	-
Derivative financial instruments .....	319.1	1,277.6	104.1	221.0	353.8	100.1	16.2
Liabilities for assets acquisitions .....	132.8	531.6	502.8	609.1	733.5	635.6	170.9
Provision for contingencies .....	87.8	351.7	317.1	246.6	198.6	218.6	206.6
Employee benefits .....	89.3	357.6	351.3	339.0	263.1	277.5	255.1
Deferred taxes .....	116.5	466.3	1,787.4	1,549.6	1,035.7	1,479.2	1,634.2
Share-based compensation plans .....	36.6	146.7	38.3	18.9	42.7	27.6	20.5
Other liabilities .....	6.7	26.9	12.7	14.1	35.2	32.9	141.0
<b>Total non-current liabilities .....</b>	<b>6,295.6</b>	<b>25,207.7</b>	<b>13,190.5</b>	<b>15,416.4</b>	<b>15,555.0</b>	<b>14,736.7</b>	<b>14,180.7</b>
<b>Total liabilities .....</b>	<b>7,722.0</b>	<b>30,918.7</b>	<b>16,909.6</b>	<b>19,246.3</b>	<b>19,065.6</b>	<b>17,804.3</b>	<b>16,462.1</b>
<b>Equity</b>							
Share capital .....	1,558.9	6,241.8	6,241.8	6,241.8	6,241.8	6,241.8	6,241.8
Capital reserves .....	95.1	380.6	394.8	203.7	83.0	85.8	76.2
Treasury shares .....	(54.5)	(218.3)	(241.1)	(273.7)	(288.9)	(303.7)	(312.2)
Profits reserves .....	723.4	2,896.4	2,922.8	1,638.6	701.8	1,852.3	2,187.4
Other reserves .....	604.1	2,418.9	2,298.3	2,314.6	2,450.1	2,439.0	2,494.0
Retained (loss) .....	(271.6)	(1,087.3)	-	-	-	-	-
<b>Total equity .....</b>	<b>2,655.4</b>	<b>10,632.1</b>	<b>11,616.6</b>	<b>10,125.0</b>	<b>9,187.8</b>	<b>10,315.2</b>	<b>10,687.2</b>
Non-controlling interest in subsidiaries' equity .....	3.8	15.1	-	-	-	-	-
<b>Total equity and liabilities .....</b>	<b>10,381.1</b>	<b>41,566.0</b>	<b>28,526.2</b>	<b>29,371.3</b>	<b>28,253.4</b>	<b>28,119.5</b>	<b>27,149.3</b>

(1) For convenience purposes only, amounts in *reais* for the period as of September 30, 2018 have been translated to U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars at September 28, 2018 as reported by the Central Bank. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

## Other Financial Data

	For the nine-month period ended September 30,			For the year ended December 31,			
	2018	2018	2017	2017	2017	2016	2015
	<i>(in millions of U.S.\$, unless otherwise indicated) (1)</i>			<i>(in millions of U.S.\$, unless otherwise indicated) (1)</i>			
		<i>(in millions of R\$, unless otherwise indicated)</i>		<i>(in millions of R\$, unless otherwise indicated)</i>			
EBITDA <sup>(4)</sup>	1,302.6	5,215.5	3,156.4	1,169.2	4,681.3	2,678.5	4,464.1
EBITDA Margin <sup>(2)</sup>	51.1%	51.1%	42.5%	44.2%	44.2%	27.2%	43.9%
Adjusted EBITDA <sup>(4)</sup>	1,303.9	5,220.8	3,212.8	1,157.7	4,635.3	3,863.8	4,568.2
Adjusted EBITDA Margin <sup>(3)</sup>	51.1%	51.1%	43.3%	43.8%	43.8%	39.3%	45.0%
Net Debt <sup>(5)</sup>	2,709.4	10,848.4	9,283.0	2,368.5	9,483.6	10,317.5	12,469.3
Net sales revenue	2,551.0	10,214.2	7,428.2	2,642.5	10,580.7	9,839.2	10,162.1

### Notes:

- Solely for the convenience of the reader, *reais* amounts as of September 30, 2018 and as of December 31, 2017, have been translated into U.S. dollars at the selling rate on September 28, 2018, of R\$ 4.004 to U.S.\$ 1.00. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See “Exchange Rates” for further information about recent fluctuations in exchange rates.
- EBITDA margin means EBITDA divided by net sales revenue, expressed as a percentage.
- Adjusted EBITDA margin means Adjusted EBITDA divided by net sales revenue, expressed as a percentage.
- We calculate EBITDA as defined by CVM, 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 expenses with Fibria’s transaction (the Merger), fair value adjustment of biological assets, provision for land and forest impairment (Piauí state), complement of provision for variable remuneration, provision for intangible assets – research agreement (Futuragene), provision for wood inventory damaged, provision for losses with sales and scrapping of forest machines, sale of distribution center – Anchieta, provision (reversal) for losses with property, plant and equipment, write-offs, taxes, doubtful accounts and provision of contingencies, fire in the warehouse of Itaqui, franchises with claims in the period, loss from Embu sale, refund of fuel credit in Maranhão, land conflict agreement, equity in earnings of associates, land invasion – landless movement (MST Movimento dos sem-terra), tax ISS – provision, forest supplies, prescribed dividends, write-off of supplier (Coopercarga), reconciliation adjustments, wood for donation – (UF Espírito Santo), tax credits, project (Maranhão) – inventory adjustment, insurance receipt (Sidersa) – wood in Minas Gerais – MG, wastepaper inventory adjustment, revenue from credits of Eletrobrás, inventory adjustment - property/ biological, retroactive contributions – antidumping, write-off of IPI credits - (São Paulo) subsidiary, wood inventory adjustment, issue with genetic material – arrangement leasing – (Vale Florestar), Additional Provision for – Complement – share-based compensation plan (long-term), provision related to PERT (programa de regularização tributária) – tax regularization program, donations/sponsorships, write-off on inventory, review PIS/COFINS, according with customer (Valmet), adjustments VAT (value added) not realizable (tax credits), Gale (Maranhão), compensation per claim (Mucuri and Maranhão) and accounts receivable (Vale Florestar). 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. See “Presentation of Financial and Other Information–Special Note Regarding Non-IFRS Financial Measures” for further information. EBITDA, Adjusted EBITDA and Adjusted Operating Cash Generation is calculated as follows:

	For the nine-month period ended September 30,			For the year ended December 31,			
	2018	2018	2017	2017	2017	2016	2015
	<i>(in millions of U.S.\$)<sup>(1)</sup></i>			<i>(in millions of U.S.\$)<sup>(1)</sup></i>			
<b>EBITDA Reconciliation</b>		<i>(in millions of R\$)</i>		<i>(in millions of R\$)</i>			

Net income (loss)	(285.2)	(1,142.1)	1,464.7	454.8	1,821.0	1,677.8	(929.7)
(+/-) Net financial result	1,521.0	6,089.9	283.0	254.5	1,018.9	(1,121.7)	4,409.6
(+/-) Income and social contribution taxes	(226.7)	(907.6)	361.5	109.5	438.6	718.9	(435.3)
(+) Depreciation, amortization and depletion	293.5	1,175.3	1,047.2	350.3	1,402.8	1,403.5	1,419.5
<b>EBITDA</b>	<b>1,302.6</b>	<b>5,215.5</b>	<b>3,156.4</b>	<b>1,169.2</b>	<b>4,681.3</b>	<b>2,678.5</b>	<b>4,464.1</b>
Expenses with Fibria's Transaction	9.4	37.7	-	-	-	-	-
Fair value adjustment of biological assets	(1.5)	(6.0)	25.3	(48.1)	(192.5)	780.7	(23.1)
Provision for land and forest impairment (Piauí state)	-	-	-	-	-	276.9	-
Complement of provision for Variable Remuneration	-	-	8.3	6.6	26.5	-	-
Provision for intangible assets – Research agreement (Futuragene)	-	-	-	4.7	18.8	-	-
Provision for wood inventory damaged	-	-	-	4.1	16.3	-	-
Provision for losses with sales and scrapping of forest machines	-	-	-	3.5	14.0	-	-
Sale of Distribution Center – Anchieta	-	-	(31.4)	(7.8)	(31.4)	-	-
Provision (reversal) for losses with property, plant and equipment, write-offs, taxes, doubtful accounts and provision of contingencies	1.8	7.4	48.1	17.0	68.0	120.9	49.3
Fire in the warehouse of Itaqui	-	-	-	-	-	(3.0)	0.8
Franchises with claims in the period	-	-	-	-	-	3.0	-
Loss from Embu sale	-	-	-	-	-	-	20.7
Refund of fuel credit in Maranhão	-	-	-	-	-	-	40.9
Land conflict agreement	-	-	11.8	2.9	11.8	-	-
Equity in earnings of associates	(1.0)	(3.9)	(4.8)	(1.5)	(5.9)	7.1	-
Land invasion - landless movement (MST Movimento sem terra)	-	-	1.9	0.5	1.9	-	-
Tax ISS – Provision	-	-	-	-	-	-	(0.5)
Forest Supplies	-	-	-	-	-	-	1.4
Prescribed Dividends	-	-	-	-	-	-	(1.0)
Write-off of supplier (Coopercarga)	-	-	-	-	-	-	4.0
Reconciliation adjustments	0.2	0.7	(7.0)	0.5	2.0	1.6	1.4
Wood for donation - (UF Espírito Santo)	-	-	-	-	-	-	0.4
Tax Credits	-	-	-	-	-	4.6	-
Project (Maranhão) - Inventory Adjustment	-	-	-	-	-	2.2	9.9
Insurance receipt (Sidersa) - Wood in Minas Gerais - MG	-	-	-	-	-	(0.3)	-
Wastepaper Inventory Adjustment	-	-	-	-	-	6.8	-
Revenue from Credits of Eletrobrás	-	-	-	-	-	(10.2)	-
Inventory Adjustment - Property/Biological	-	-	-	-	-	(5.1)	-
Retroactive contributions - Antidumping	-	-	2.2	0.5	2.2	-	-
Write-off of IPI credits - (São Paulo) subsidiary	-	-	0.7	0.2	0.7	-	-
Wood Inventory Adjustment	-	-	9.6	2.4	9.6	-	-

Issue with genetic material - Arrangement Leasing - Vale Florestar	-	-	-	(2.7)	(10.7)	-	-
Additional Provision for – Complement – share-based compensation plan (long-term)	-	-	-	3.8	15.1	-	-
Provision related to PERT (Programa de Regularização Tributária) - Tax Regularization Program	-	-	2.4	0.6	2.4	-	-
Donations and Sponsorships	-	-	-	1.3	5.2	-	-
Write-off of Inventory	4.3	17.1	-	-	-	-	-
Review PIS/COFINS	0.9	3.7	-	-	-	-	-
Accordinging with customer (Valmet)	(13.2)	(52.8)	-	-	-	-	-
Adjustments VAT (value added) Not Realizable (Tax Credits)	0.7	2.9	-	-	-	-	-
Gale (Maranhão)	0.4	1.6	-	-	-	-	-
Compensation per claim (Mucuri and Maranhão)	(0.8)	(3.1)	-	-	-	-	-
Accounts receivable (Vale Florestar)	-	-	(10.7)	-	-	-	-
<b>Adjusted EBITDA</b>	<b>1,303.9</b>	<b>5,220.8</b>	<b>3,212.8</b>	<b>1,157.7</b>	<b>4,635.3</b>	<b>3,863.8</b>	<b>4,568.2</b>
Maintenance capital expenditures	(219.8)	(880.2)	(752.0)	(274.7)	(1,099.8)	(1,158.1)	(1,108.7)
<b>Adjusted Operating Cash Generation</b>	<b>1,084.1</b>	<b>4,340.6</b>	<b>2,460.8</b>	<b>883.0</b>	<b>3,535.5</b>	<b>2,705.7</b>	<b>3,459.5</b>

(1) Solely for the convenience of the reader, *reais* amounts as of September 30, 2018 and as of December 31, 2017, have been translated into U.S. dollars at the selling rate on September 28, 2018, of R\$ 4.004 to U.S.\$ 1.00. On January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

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

	As of September 30,			As of December 31,			
	2018 <i>(in millions of U.S.\$)<sup>(1)</sup></i>	2018 <i>(in millions of R\$)</i>	2017	2017 <i>(in millions of U.S.\$)<sup>(1)</sup></i>	2017	2016	2015
<b>Net Debt reconciliation</b>							
Total current loans and financing.....	421.0	1,685.8	1,785.4	528.2	2,115.1	1,594.7	2,025.0
Total non-current loans and financing.....	4,342.6	17,387.9	11,347.5	2,516.7	10,076.8	12,418.1	12,892.4
Total current debentures .....	20.9	83.6	-	-	-	-	-
Total non-current debentures .....	1,164.2	4,661.5	-	-	-	-	-
<b>Total debt .....</b>	<b>5,948.7</b>	<b>23,818.8</b>	<b>13,132.9</b>	<b>3,044.9</b>	<b>12,191.9</b>	<b>14,012.8</b>	<b>14,917.4</b>
Cash and cash equivalents .....	(426.0)	(1,705.8)	(1,439.8)	(268.9)	(1,076.8)	(1,614.7)	(1,477.2)
Financial investment .....	(2,813.3)	(11,264.6)	(2,410.2)	(407.5)	(1,631.5)	(2,080.6)	(970.9)
<b>Net Debt.....</b>	<b>2,709.4</b>	<b>10,848.4</b>	<b>9,283.0</b>	<b>2,368.5</b>	<b>9,483.6</b>	<b>10,317.5</b>	<b>12,469.3</b>

Notes:

- (1) Solely for the convenience of the reader, *reais* amounts as of September 30, 2018 and as of December 31, 2017, have been translated into U.S. dollars at the selling rate on September 28, 2018, of R\$ 4.004 to U.S.\$ 1.00. On January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

## UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Set forth below are the unaudited pro forma condensed consolidated balance sheet as of September 30, 2018 and the unaudited pro forma condensed consolidated statements of income for the nine-month period ended September 30, 2018 and for the year ended December 31, 2017 (together with the related notes, the “Unaudited Pro Forma Condensed Consolidated Financial Information”). The Unaudited Pro Forma Condensed Consolidated Financial Information combines the historical consolidated balance sheets of Suzano and Fibria giving effect to the Merger described below. The Unaudited Pro Forma Condensed Consolidated Financial Information has been derived from the historical consolidated financial statements of Suzano, which is the acquirer for accounting purposes as well, which are included elsewhere in this listing memorandum.

The Unaudited Pro Forma Condensed Consolidated Financial Information has been presented for informational purposes only. The Unaudited Pro Forma Condensed Consolidated Financial Information does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Suzano would have been if the Merger had occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or consolidated financial position.

On March 15, 2018, Suzano Holding S.A., together with the other Suzano Controlling Shareholders, entered into the Voting Agreement with the Fibria Controlling Shareholders, and Suzano as an intervening party, by which the Suzano Controlling Shareholders and the Fibria Controlling Shareholders agreed to exercise their voting rights so as to effect the combination of the operations and the shareholdings of Fibria and Suzano, by means of a merger of shares (*incorporação de ações*) under Brazilian law.

In connection with the consummation of the Merger:

- Suzano contributed capital to a wholly owned subsidiary (“Holding”), in cash, resulting in the issuance of new shares, all owned by Suzano.
- The shares of Fibria were merged into Holding, which issued 553,733,881 common shares and 553,733,881 redeemable preferred shares (assuming no further issuance of Fibria or Suzano shares prior to the completion of the Merger). One common share and one redeemable preferred share of Holding was exchanged for each share of Fibria. As a result of such merger of shares, Fibria became a wholly owned subsidiary of Holding;
- Immediately after issuance of common and redeemable preferred shares, all redeemable preferred shares issued by Holding were redeemed for R\$ 50.20 in cash (as adjusted as of January 3, 2019, the “Merger Closing Date”) per share and immediately cancelled;
- At the same time, each common share of Holding was exchanged for 0.4613 shares of Suzano, resulting in the issuance of 255,437,439 shares of Suzano;
- Thereafter, Holding legally merged into Suzano and ceased to exist. The share price of R\$36.95 used to value the consideration was based on the market price at the time of the acquisition on January 3, 2019. For the purposes of the September 30, 2018 pro forma adjustments related to the consideration paid, we used the January 3, 2019 share price of R\$36.95 per share; and
- After the conclusion of the Merger, Suzano became the sole shareholder of Fibria.

As of the date of this listing memorandum, Suzano intends to merge Fibria into Suzano as soon as practicable, subject to receipt of the requisite regulatory or other approvals and consents and completion of required procedures customary for such a transaction, after which Fibria would cease to exist and all of Fibria’s rights and obligations would be succeeded to by Suzano, pursuant to Brazilian law.

Financing already obtained by the Company as of September 30, 2018 includes R\$ 4,661.1 million of debentures issued on June 29, 2018 and U.S.\$ 1,000.0 million (equivalent to R\$ 4,016.9 million as of September 30, 2018) of Senior Notes issued on September 20, 2018 (see note 1.1 (a) of Suzano’s unaudited condensed interim financial information), totaling R\$ 8,678.0 million, which was used to finance the cash consideration paid to current shareholders of Fibria.

To finance the remaining payment, of R\$ 19,119.4 million, related to the Merger, Suzano has obtained (i) U.S.\$ 450.0 million (equivalent to R\$ 1,801.8 million as of September 30, 2018) under an Advance on Currency Exchange Contract (ACC) in October 2018, (ii) U.S.\$ 500.0 million (equivalent to R\$ 1,989.1 million as of September 30, 2018) of Senior Notes issued on November 6, 2018, (iii) R\$ 4,000.0 million of debentures issued on January 7, 2019 (iv) U.S.\$ 2,300.0 million (equivalent to R\$ 9,209.2 million as of September 30, 2018) under an export prepayment facility, or the “EPP”, and (v) the Company also has credit lines approved with certain financial institutions for the execution of financing agreements in an amount of R\$ 2,119.3 million.

As per the adjustments envisaged in the Merger Agreement, the Final Value of the Adjusted Cash Installment corresponds to the redemption amount per redeemable preferred share in the Holding Company, which originally was equivalent to fifty-two reais and fifty centavos (R\$ 52.50), (i) less the amount of dividends, interest on equity and other amounts declared and/or paid by Fibria between March 15, 2018 and the January 14, 2019 (“Date of Consummation”) of the Operation, which corresponds to the Interim dividends declared by Fibria in the Extraordinary Shareholders General Meeting held on December 3, 2018 and paid in Brazil on December 12, 2018, in the amount of five reais and three centavos (R\$5.03) per share issued by Fibria, and (ii) plus two reais and seventy-three centavos (R\$ 2.73), corresponding to the variation in the average daily rate of the Brazilian interbank deposits expressed as an annual percentage, based on two hundred fifty-two (252) business days, calculated and disclosed daily by B3 S.A. – Brasil, Bolsa e Balcão (“DI Rate”), between March 15, 2018 and the Date of Consummation of the Operation (inclusive), considering that between January 10, 2019 (inclusive) and January 14, 2019 (inclusive) the DI Rate was estimated at six point four zero percent (6.40%) per annum. Upon the completion of the Merger, the Fibria Shares and the Fibria ADSs ceased to be traded on the B3 and on the NYSE, respectively.

**Suzano Papel e Celulose S.A.**  
**Unaudited Pro Forma Condensed Balance Sheet**  
**As of September 30, 2018**  
**(In millions of reais)**

	Suzano	Fibria	Pro Forma Adjustment	Pro Forma	Note
<b>Current assets</b>					
Cash and cash equivalents	1,705.8	4,945.8	(2,783.3)	3,868.3	(l)
Financial investments	11,264.6	3,691.9	(8,678.0)	6,278.5	(g)
Trade accounts receivable	2,761.6	2,146.4	-	4,908.0	
Inventories	1,545.6	2,948.1	607.5	5,101.2	(b)
Recoverable taxes	287.1	1,729.8	-	2,016.9	
Derivative financial instruments	512.9	79.3	-	592.2	
Advance to suppliers	72.7	-	-	72.7	
Other assets	167.3	278.5	-	445.8	
Assets held for sale	6.1	-	-	6.1	
<b>Total current assets</b>	<b>18,323.5</b>	<b>15,819.8</b>	<b>(10,853.8)</b>	<b>23,289.7</b>	
<b>Non-current assets</b>					
Receivables from other related parties	-	12.0	-	12.0	
Financial investments	-	170.2	-	170.2	
Recoverable taxes	217.7	569.4	-	787.1	
Deferred taxes	6.0	124.5	685.9	816.4	(d)
Derivative financial instruments	129.3	336.4	-	465.7	
Advances to suppliers	242.2	661.4	-	903.6	
Judicial deposits	129.0	193.3	-	322.3	
Receivables from land expropriation	63.1	-	-	63.1	
Other assets	62.5	112.8	-	175.3	
	<b>849.8</b>	<b>2,180.0</b>	<b>685.9</b>	<b>3,715.7</b>	
Biological assets	5,002.9	4,472.1	-	9,475.0	
Property, plant and equipment	17,032.2	15,483.5	6,866.8	39,382.5	(c)
Intangible assets	346.9	4,554.8	16,242.2	21,143.9	(d) (e)
Investments	10.6	188.4	-	199.0	
	<b>22,392.6</b>	<b>24,698.8</b>	<b>23,109.0</b>	<b>70,200.4</b>	
<b>Total non-current assets</b>	<b>23,242.4</b>	<b>26,878.8</b>	<b>23,794.9</b>	<b>73,916.1</b>	
<b>Total assets</b>	<b>41,566.0</b>	<b>42,698.6</b>	<b>12,941.0</b>	<b>97,205.8</b>	
<b>Current liabilities</b>					
Trade accounts payables	647.6	3,344.7	109.6	4,101.9	(f)
Loans and financing	1,685.8	2,286.4	-	3,972.1	
Debentures	83.6	-	-	83.6	
Derivative financial instruments	1,944.0	417.6	-	2,361.6	
Taxes payable	132.0	185.1	-	317.1	
Payroll and charges	240.8	211.7	-	452.5	
Liabilities for assets acquisitions	616.5	-	-	616.5	
Dividends payable	2.0	6.4	-	8.4	
Advance from customers	56.8	-	-	56.8	
Other liabilities	301.9	169.4	-	471.3	
<b>Total current liabilities</b>	<b>5,711.0</b>	<b>6,621.3</b>	<b>109.6</b>	<b>12,441.8</b>	
<b>Non-current liabilities</b>					
Loans and financing	17,387.9	19,064.3	18,664.6	55,116.8	(g)
Debentures	4,661.5	-	-	4,661.5	
Derivative financial instruments	1,277.6	176.5	-	1,454.0	
Liabilities for assets acquisitions	531.6	-	-	531.6	
Provision for contingencies	351.7	204.5	975.3	1,531.5	(h)
Employee benefits	357.6	-	-	357.6	
Deferred taxes	466.3	-	-	466.3	
Share-based compensation plans	146.7	-	-	146.7	
Other liabilities	26.9	420.2	-	447.0	
<b>Total non-current liabilities</b>	<b>25,207.8</b>	<b>19,865.5</b>	<b>19,639.9</b>	<b>64,713.2</b>	
<b>Equity</b>	<b>10,647.2</b>	<b>16,211.8</b>	<b>(6,808.5)</b>	<b>20,050.5</b>	(i)
<b>Total equity and liabilities</b>	<b>41,566.0</b>	<b>42,698.6</b>	<b>12,941.0</b>	<b>97,205.8</b>	

**Suzano Papel e Celulose S.A.**  
**Unaudited Pro Forma Condensed Statement of Income**  
**Nine-month Period Ended September 30, 2018**  
**(In millions of reais, except per share data)**

	Suzano	Fibria	Pro Forma Adjustment	Pro Forma	Note
Net sales revenue	10,214.3	14,251.7	-	24,466.0	
Cost of sales	(5,231.6)	(7,750.2)	(156.7)	(13,138.4)	(c)
Gross profit	<u>4,982.7</u>	<u>6,501.5</u>	<u>(156.7)</u>	<u>11,327.6</u>	
Operating incomes (expenses)					
Selling expenses	(433.3)	(638.2)	(180.0)	(1,251.4)	(e)
General and administrative expenses	(549.6)	(267.8)	-	(817.4)	
Equity in earnings of associates	3.9	0.7	-	4.6	
Other operating expenses, net	36.6	(99.3)	-	(62.7)	
	<u>(942.4)</u>	<u>(1,004.6)</u>	<u>(180.0)</u>	<u>(2,127.0)</u>	
Operating profit before net financial income (expenses)	4,040.3	5,497.0	(336.7)	9,200.6	
Net financial income (expenses)					
Financial income	215.5	250.2	-	465.6	
Financial expenses	(6,305.4)	(3,587.9)	(1,023.9)	(10,917.2)	(g)
	<u>(6,090.0)</u>	<u>(3,337.6)</u>	<u>(1,023.9)</u>	<u>(10,451.6)</u>	
Net income (loss) before income taxes	(2,049.7)	2,159.3	(1,360.5)	(1,251.0)	
Income taxes	907.6	(624.7)	462.6	745.5	(j)
Net income (loss) for the period	<u>(1,142.1)</u>	<u>1,534.6</u>	<u>(897.9)</u>	<u>(505.5)</u>	
Attributable to					
Shareholders of the Company	(1,142.9)	1,528.1	(897.9)	(512.7)	
Non-controlling interests	0.8	6.5	-	7.3	
Basic earnings per share	(1.04524)			(0.38012)	(k)
Diluted earnings per share	(1.04524)			(0.38012)	(k)



**Suzano Papel e Celulose S.A.**  
**Unaudited Pro Forma Condensed Statement of Income**  
**Year Ended December 31, 2017**  
(In millions of reais, except per share data)

	Suzano	Fibria	Pro Forma Adjustment	Pro Forma	Note
Net sales revenue	10,580.7	11,739.2	-	22,319.8	
Cost of sales	(6,496.3)	(8,248.4)	(208.9)	(14,953.6)	(c)
Gross profit	<u>4,084.4</u>	<u>3,490.7</u>	<u>(208.9)</u>	<u>7,366.2</u>	
Operating incomes (expenses)					
Selling expenses	(423.3)	(547.2)	(240.0)	(1,210.6)	(e)
General and administrative expenses	(529.0)	(285.7)	-	(814.7)	
Equity in earnings of associates	5.9	0.0	-	5.9	
Other operating income (expenses), net	140.5	(339.7)	-	(199.2)	
	<u>(805.9)</u>	<u>(1,172.6)</u>	<u>(240.0)</u>	<u>(2,218.5)</u>	
Operating profit before net financial income (expenses)	3,278.5	2,318.1	(448.9)	5,147.7	
Net financial income (expenses)					
Financial income	379.0	657.0	-	1,036.0	
Financial expenses	(1,397.9)	(1,439.7)	(1,365.2)	(4,202.7)	(g)
	<u>(1,018.8)</u>	<u>(782.7)</u>	<u>(1,365.2)</u>	<u>(3,166.7)</u>	
Net income (loss) before taxes	2,259.6	1,535.4	(1,814.0)	1,981.0	
Income taxes	(438.6)	(442.1)	616.8	(263.9)	(j)
Net income (loss) for the year	<u>1,821.0</u>	<u>1,093.3</u>	<u>(1,197.3)</u>	<u>1,717.0</u>	
Attributable to					
Shareholders of the Company	1,821.0	1,085.3	(1,197.3)	1,709.0	
Non-controlling interests	-	8.0	-	8.0	
Basic earnings per share	1.66804	-	-	1.26865	(k)
Diluted earnings per share	1.66433	-	-	1.26639	(k)

## 1. Basis of Presentation

The pro forma condensed financial information has been derived from the audited historical consolidated financial statements of Suzano and Fibria for the year ended December 31, 2017, and from the unaudited historical consolidated interim financial statements of Suzano and Fibria as of September 30, 2018 and for the nine-month period then ended, for both Suzano and Fibria. The historical financial statements of Suzano are included elsewhere in this listing memorandum, the historical financial statements of Fibria are incorporated by reference elsewhere in this listing memorandum, and the Unaudited Pro Forma Condensed Consolidated Financial Information should be read in conjunction with, and is qualified in its entirety by reference to, such historical financial statements and the related notes contained therein. The pro forma adjustments are based upon currently available information and certain estimates and assumptions, and actual results may differ from the pro forma adjustments. However, management believes that these estimates and assumptions provide a reasonable basis for presenting the significant effects of the contemplated transactions and that the pro forma adjustments are factually supportable and give appropriate effect to those estimates and assumptions.

The pro forma adjustments have been prepared as if the Merger Closing Date had taken place on September 30, 2018, in the case of the unaudited pro forma condensed balance sheet and, on January 1, 2017, in the case of the unaudited pro forma condensed statements of income.

## 2. Pro Forma Adjustments and Assumptions

The unaudited pro forma condensed financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Suzano would have been had the Merger been completed on the dates assumed, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position.

Suzano has performed a preliminary valuation analysis of the fair market value of Fibria's assets to be acquired and liabilities to be assumed. Using the total consideration for the Merger, Suzano has estimated the allocations to such assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as if the Merger Closing Date had been September 30, 2018 (in millions of *reais*):

		Note
Cash consideration <sup>(1)</sup>	27,797.4	
Suzano Shares issue (255 million shares at R\$ 36.95 per share)	9,438.4	
Total consideration	37,235.8	(a)
Book value of Fibria's shareholders' equity	16,137.3	
Interim dividend declared on October 31, 2018	(2,783.3)	(1)
Elimination of book value of existing goodwill	(4,230.5)	
Book value of Fibria's shareholders' equity, net of goodwill and Interim dividends	9,123.5	
Fair value adjustments		
Inventories	607.5	
Property, plant and equipment	6,866.8	
Customer relationships	3,600.0	
Possible loss contingencies	(975.3)	
Loans and financing	454.8	
Deferred Taxes	685.9	
Total fair value impacts	11,239.7	
Total pro forma goodwill	16,872.6	

(1) The cash consideration is adjusted in accordance with the fluctuation in CDI from March 15, 2018 to the Date of Consummation and the distribution of the Interim dividends by Fibria which reduced the cash consideration to be paid by Suzano under the terms of the merger.

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma balance sheet and income statement. The final purchase price allocation will be determined when Suzano has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include (1) changes in fair values of property, plant and equipment, (2) changes in allocations to intangible assets such as contracts with customers and suppliers, technology and customer relationships as well as goodwill and (3) other changes to assets and liabilities.

The pro forma adjustments are based on currently available information and certain estimates and assumptions and, therefore, the actual effects of these transactions will differ from the pro forma adjustments. We have only included material adjustments that are directly attributable to the Merger, factually supportable and, with respect to the statement of income, expected to have a continuing impact on the consolidated results. A general description of the Merger and adjustment is provided as follows:

- (a) Consideration paid was estimated based on the terms of the transaction considering that all holders of Fibria Shares will receive Suzano Shares and cash as offered in the Merger. Consideration consists of R\$ 27,797.4 million to be paid in cash plus 255,437,439 million Suzano Shares issued on the Merger Closing Date. In this Unaudited Pro Forma Condensed Consolidated Financial Information, the Suzano Shares issued have been valued using the January 3, 2019 quoted market price of R\$ 36.95 per share.
- (b) The adjustment represents the adjustment of Fibria's inventory to fair value at September 30, 2018 of R\$ 607.5 million. The fair value calculation is preliminary and subject to change. The fair value was determined based on the estimated selling price of the inventory less selling expenses and a normal profit margin on those manufacturing and selling efforts. We do not expect the increase to have a continuing impact; therefore, fair value adjustment is not included in statement of income.
- (c) The adjustment represents the adjustment of Fibria's property, plant and equipment to fair value on September 30, 2018 in the amount of R\$ 6,866.8 million. The fair value calculation is preliminary and subject to change. The land was valued using the market approach method based on price generated by market transactions. The other fixed assets were valued using the cost method, which is based on the principle of substitution, using the cost to replace assets adjusted to inflation rate as an indicator of their fair value. The related increase in depreciation expense, assuming a remaining depreciation expense of R\$ 208.9 million for the year ended December 31, 2017 and R\$ 156.7 million for the nine-month period ended September 30, 2018, is allocated as Cost of Sales. The depreciation is calculated using the straight-line method over the estimated remaining useful lives of the related property, plant and equipment disclosed in Fibria's annual financial statements. The calculation of the depreciation expense adjustment is as disclosed below:

	Fair value adjustment	Useful lives (in years)	Estimated Depreciation Expense (in millions of reais)	
			Year Ended December 31, 2017	Nine-month Period Ended September 30, 2018
Buildings	1,109.5	25.00	44.4	33.3
Machinery, equipment and facilities	2,991.1	18.18	164.5	123.4
			208.9	156.7

The market prices and general inflation rate were used in the calculation above. However, specialized indexes may be applicable depending on the nature of the property, plant and equipment rates reflected, which were double the general inflation rate used above; in addition, prices may vary upon the finalization of the purchase price allocation. If the amount of the fair value adjustment related to Fibria's property, plant and equipment were to increase by a further R\$ 6,866.8 million, goodwill would reduce by such amount and the related increase in depreciation would be R\$ 417.8 million for the year ended December 31, 2017 and R\$ 313.3 million for the nine-month period ended September 30, 2018.

- (d) The adjustment reflects the net increase in goodwill at September 30, 2018 consisting of the elimination of the book value of Fibria's existing goodwill in the amount of R\$ (4,230.5) million plus the goodwill generated by the Merger of R\$ 16,872.6 million. The adjustment on deferred taxes of R\$ 685.9 million represents the reversal of the deferred tax liability of the eliminated Fibria's goodwill. It is worth noting that the calculation is a preliminary estimate and the final amount of goodwill may change upon finalization of the purchase price allocation, as disclosed. The factors that make up the final goodwill amount are expected to include mostly synergies from combining operations for cost savings in fields such as forestry, logistics, selling, general and administrative expenses and procurement, which will increase the

parties' competitiveness both in Brazil and overseas. The Company believes that all these initiatives could generate synergies and cash saving in the amount close to the goodwill.

- (e) The adjustment represents R\$ 3,600.0 million due to recognition of the fair value of major customer relationships at September 30, 2018 and related amortization expense of R\$ 240.0 million for the year ended December 31, 2017 and R\$ 180.0 million for the nine-month period ended September 30, 2018, the amortization is allocated in Selling Expense. As disclosed in Fibria's December 31, 2017 financial statements, its client base is concentrated, with approximately 46% of revenue generated by sales to three major clients. Accordingly, valuation of the major customer relationships was calculated using estimated discounted cash flows. If we used a different assumption, the adjustment could differ significantly. The amortization is calculated using the straight-line method over the expected life of the customer relationship (15 years).
- o If Suzano had considered 100% of Fibria's customer list instead of 46% as described above, the value of Fibria's customer relationships would have been increased by approximately R\$ 4,226.1 million, goodwill would have been reduced by such amount and the related increase in amortization would have been R\$ 281.7 million for the year ended December 31, 2017 and R\$ 211.3 million for the nine-month period ended September 30, 2018.
- (f) Represents the liability for payment of estimated transaction costs of R\$ 109.6 million related to the Merger. The historical consolidated balance sheet and income statement of Suzano and Fibria do not reflect any transaction costs related to the Merger for the periods presented.
- (g) It is assumed that as of September 30, 2018 the cash consideration of R\$ 27,797.4 million will be paid as follows (in millions of *reais*):

	<i>(in millions of reais)</i>
Cash consideration	27,797.4
(-) Senior Notes issued on September 20, 2018 (U.S.\$ 1,000)	(4,016.9)
(-) Debentures issued on June 29, 2018	(4,661.1)
Cash consideration paid using financial investments	(8,678.0)
(-) Advances on Currency Exchange Contracts (ACCs) (U.S.\$ 450)	(1,801.8)
(-) Senior Notes issued on November 6, 2018 (U.S.\$ 500)	(1,989.1)
(-) Debentures issued on January 7, 2019	(4,000.0)
(-) Export prepayment facility or the "EPP" (U.S.\$2.300)	(9,209.2)
(-) Secured credit line with financial Institutions in BRL	(2,119.3)
Resources obtained by the Company after September	(19,119.4)

The financial investments of R\$ 8,678.0 million shown above were received up to September 30, 2018 due to the issuance of a debenture of R\$ 4,661.1 million and Senior Notes of R\$ 4,016.9 million.

For purposes of the pro forma income statement, financial expenses were calculated for the total of the consideration amounting to R\$ 27,797.4 million.

The related financial expense was R\$ 1,365.2 million for the year ended December 31, 2017 and R\$ 1,023.9 million for the nine-month period ended September 30, 2018. It is assumed that the secured credit line would bear interest at LIBOR plus approximately 2.0% p.a. in USD which is assumed equivalent to a nominal interest rate of 4.9% p.a., without considering any exchange rate variation impacts for the variation of the real (the Company's functional currency) against the USD. For the year ended December 31, 2017, if the USD had weakened/strengthened by 5% against the real with all other variables held constant, the pro forma financial income/expenses would have been increased by approximately R\$ 1,458.0 million due to the foreign exchange impacts from translation of the USD-

denominated long-term debt. For the nine-month period ended September 30, 2018, if the USD had weakened/strengthened by 5% against the real with all other variables held constant, the pro forma financial income/expenses would have been increased by approximately R\$ 1,093.5 million, due to the foreign exchange impacts from translation of USD-denominated long-term debt. Additionally, the amount of R\$ 454.8 million reflects a reduction due to fair value adjustment on loans and financing, defined as disclosed in the Fibria Unaudited Interim Financial Statements.

- (h) The adjustment reflects the preliminary estimation of the fair value of legal proceedings disclosed as being possible losses by Fibria's management. Management estimates that 10% of the total amount disclosed as possible losses at September 30, 2018 represents the fair value estimate of the possible loss contingencies considering the probability of the loss and experience of actual payments. However, any liability recognition for possible losses will depend on Suzano's ability to make a reliable estimate of the fair value of the related contingencies based on the information available, including the ability to define probabilities of the different potential outcomes, the related cash flows and discount rates. Due to the high level of subjectivity around the realization of such contingencies based on the information currently available, no related amounts have been recorded in the pro forma condensed income statements. Suzano is required to recognize a contingent liability assumed in a business combination at the Merger date, even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Based on that requirement, in the preliminary assessment for the preparation of the pro forma Suzano management identified significant possible loss contingencies disclosed in Fibria's December 31, 2017 Financial Statements.

	<i>Amount of possible loss (in millions of reais)</i>
Possible tax contingencies	
Claim to reimburse development agency tax incentive	142.6
Offset of 1997 tax losses which was only partially approved	233.6
Tax assessment - swap of industrial and forestry assets	2,225.2
Tax assessment - income from Fibria Trading International II	382.6
Tax assessment - disallowance of depreciation, amortization and depletion expenses - 2010	673.7
Tax assessment – on income of foreign subsidiaries in 2011	64.3
Tax assessment – for joint-operated entity, Veracel	116.9
Other tax liabilities (706 tax claims)	3,657.0
Subtotal – tax	7,495.9
Possible civil contingencies	
Company's trucks from causing damage to federal highways	1,771.8
Others (620 claims)	484.9
Subtotal – civil	2,256.7
Total possible tax contingencies	<u>9,752.6</u>

Suzano believes that this adjustment is factually supportable based on the following:

- i. The total amount of possible loss contingencies are those described in Fibria's financial statements as of December 31, 2017, which is the latest information available. Fibria's Management states in their September 30, 2018 interim financial statements that no material change occurred from the December 31, 2017 position.
- ii. Amounts disclosed are those related to possible losses, in which case the probability of loss must be considered to be higher than remote as defined by IAS 37 "Provisions, Contingent Liabilities and

Contingent Assets.” Management assumes that potential contingent losses with a probability of occurrence below 10% would be considered remote and that the possible losses disclosed thus have at least a 10% probability of occurrence. An analysis of the probability of the loss has not been concluded. The probability of loss will depend on a detailed evaluation of the specific facts of the claim including documentation, interpretation of the applicable regulation, applicable due process, among others. In the case of the probability of a possible loss of 30%, the adjustment would have been R\$ 2,925 million.

- iii. Amounts disclosed in the financial statements of Fibria are the amounts of the legal cases as of the balance sheet date that are subject to interest rates through settlement, normally using rates determined through the *Sistema Especial de Liquidação e Custódia* (Special System for Settlement and Custody, or SELIC), the settlement system for most of the Brazilian central government’s domestic securities, which are also assumed to be a reasonable estimate of the rate which would be used to discount future cash flows to present value. Thus the disclosed amounts are assumed to be discounted present values.
- (i) Represents the elimination of Fibria’s shareholders equity plus the issuance of 255,437,439 shares of Suzano at R\$ 36.95 per share (note a) plus transaction costs (note f).
- (j) Reflects the income tax effect in the pro forma income statements based on the statutory rate of Brazilian income tax and social contribution of 34%. No deferred tax balances are reflected in the September 30, 2018 pro forma condensed balance sheet as Suzano has a viable tax plan that it intends to implement which will permit the tax and accounting basis to be the same after the Merger.
- (k) The basic and diluted earnings per share were adjusted considering the issuance of 255,437,439 shares of Suzano, as shown below:

In millions of *reais*, except for per share data

	Nine-month Period Ended September 30, 2018		Year Ended December 31, 2017	
	Basic	Diluted	Basic	Diluted
Weighted average number of shares	1,093.4	1,093.4	1,091.7	1,094.1
Shares issued by Holding (Suzano)	255.4	255.4	255.4	255.4
Total pro forma weighted average number of shares	1,348.8	1,348.8	1,347.1	1,349.5
Pro forma net (loss) income attributable to Shareholders of Suzano	(512.7)	(512.7)	1,709.0	1,709.0
Pro forma earnings per share (R\$)	(0.38012)	(0.38012)	1.26865	1.26639

- (l) On October 31, 2018 Fibria declared an Interim dividend on an extraordinary basis in the amount of R\$ 2.8 billion, under the terms of the merger, this reduced the cash consideration to be paid by Suzano in the same amount. On December 3, 2018, the Extraordinary Shareholders’ General Meeting approved the payment of the Interim dividend, which was paid in Brazil on December 12, 2018.

## 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 as of and for the years ended December 31, 2017, 2016 and 2015 presented in accordance with IFRS, as issued by the International Accounting Standards Board (IASB), included in this listing memorandum, and with our unaudited consolidated interim financial information as of September 30, 2018 and for the three and nine-month periods ended September 30, 2018 and 2017 presented in accordance with IAS 34 Interim Financial Reporting, as issued by IASB, and the corresponding notes thereto, in addition to the information under "Selected Financial 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."*

### 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, printing and writing and tissue) 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 38% of the printing and nearly 26% of the writing paper and paperboard produced in Brazil in 2017.

Our structure includes administrative offices in Salvador and São Paulo, two integrated pulp and paper production facilities in the state of São Paulo (the Suzano and Limeira Units), a non-integrated paper production facility in the state of São Paulo (the Rio Verde Unit), an integrated pulp, paper and tissue facility in the state of Bahia (the Mucuri Unit); an integrated pulp and tissue facility in the state of Maranhão (the Imperatriz Unit), and FuturaGene, a biotechnology research and development subsidiary. We own one of the largest distribution structures for paper and graphic products in South America. Further, we maintain representative offices in China and England, subsidiaries in the U.S., Switzerland, Argentina and Austria and research labs in Israel, China and Brazil. For more information on Suzano's businesses, see "Business—Overview" and "Business—Our Corporate Structure."

### Summary of Critical Accounting Policies

When preparing our consolidated financial statements, our management used estimates, judgments and accounting assumptions about the future affecting the application of our accounting policies and our assets, liabilities, income and expenses. Actual results may differ from such estimates.

We review our estimates and assumptions continuously and any change thereof will be prospectively recognized.

See below information on judgments and assumptions used while applying accounting policies that have significant effects on the amounts recognized in our financial statements and which have significant risk of causing material adjustment:

### ***Financial Instruments***

The fair values of quoted financial instruments are based on current market prices. If the market for financial instruments is not active, we establish the fair value using valuation techniques. These techniques include recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models that adopt maximum use of market inputs and rely to a lesser extent on entity-specific inputs (see note 4 to our financial statements).

### ***Biological Assets***

The discounted cash flow methodology is used to calculate the fair value of forest biological assets, whereby several critical economic and forest assumptions are made with a high level of judgment (see notes 3.1.6 and 13 to our financial statements).

### ***Useful life and recoverable value of tangible and intangible assets***

The useful life of our relevant tangible assets was defined by our management and is considered in the specifications of machine and equipment manufacturers, at the operational level of industrial units, and the quality of preventive and corrective maintenance. Our intangible assets with defined useful life are defined by our management. These estimates involve a high degree of judgment and uncertainties. In the event of changes and circumstances indicating that the book value of one of our assets or group of assets may not be recoverable, our management will re-evaluate and adjust the useful life of our assets according to the new outlook (see notes 15 and 16 to our financial statements).

### ***Deferred income tax***

The recognition and amount of deferred tax assets depend on the future generation of taxable income, which requires the use of estimates related to our future performance.

These estimates are part of a long-term plan, which is reviewed annually by our management and submitted to our board of directors for approval. This long-term plan is designed using several macroeconomic variables, such as exchange and interest rates; variables applicable to our market segment, such as curves of expected offer/supply and projected sale prices; operating variables, such as expected production costs and volumes. This set of variables evidences our judgment regarding the expected materialization of these assumptions and uncertainties.

Our management understands that, based on projected results and recorded results, the realization of deferred credit assets is probable (see note 12 to our financial statements).

### ***Actuarial liability***

We have actuarial commitments of post-employment benefits related to health insurance for former employees. These commitments and costs depend on a series of economic and demographic assumptions, mainly discount rates, long-term inflation, variation in medical and hospital costs, and variability in the actuarial table used, which imply some level of judgment regarding the assumptions adopted.

These estimates are reviewed annually by our management and may differ from our actual results due to changes in market and economic conditions (see note 22 to our financial statements).

### ***Contingencies***

We are currently involved in certain labor, civil and tax proceedings. The provision for legal proceedings is recorded based on our management's evaluation and on the advice of internal and external legal counsel, and are subject to a high level of judgment (see note 21 to our financial statements).

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

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

Our results of operations for the years ended December 31, 2017, 2016 and 2015 have been 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;
- list processes; and
- logistics costs.

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

#### *Volatility of Currency Exchange Rates*

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 affected by the variation of the average exchange rate between the *real* and the U.S. dollar. In the years ended December 31, 2017, 2016 and 2015, net sales revenue derived from exports represented 69.5%, 66.7% and 69.5%, respectively. Our exports sales are mainly denominated in U.S. dollars. 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\$ 8.6 billion, or 70.5% of our gross indebtedness as of December 31, 2017. 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. See “– Brazil” for further information on the 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 TJLP and the 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.

## **Brazil**

We are a Brazilian company with significant operations in Brazil, and accordingly our financial condition and results of operations are influenced by the Brazilian macroeconomic environment. See “Risk Factors—Risks Relating to Brazil.” After recording strong to moderate growth in prior years, 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 grew by only 0.50% in 2014 (compared to 3.00% in 2013), and decreased in real terms by 3.55% and 3.46% in 2015 and 2016, respectively. In 2017, Brazilian GDP grew by 1.0% due to substantial increase in family consumption.

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%, 10.67%, 6.29% and 2.95% in 2013, 2014, 2015, 2016 and 2017, respectively.

During 2013, the *real* continued to depreciate against the U.S. dollar by 12.8%, reaching an exchange rate of R\$ 2.34 per U.S.\$ 1.00 as of December 31, 2013. As a result of the political and economic instability, the *real* also continued its decline against the U.S. dollar in 2014 and 2015, reaching R\$ 2.66 per U.S.\$ 1.00 on December 31, 2014 and R\$ 3.9048 per U.S.\$ 1.00 on December 31, 2015. In early 2016, the *real* faced continuing fluctuations, primarily as a result of Brazil’s political instability, and appreciated against the U.S. dollar from March 2016 until early 2017. For most of 2017, the *real* continued to fluctuate, and has depreciated against the U.S. dollar since the beginning of 2018. As of December 31, 2017, the *real*/U.S. dollar exchange rate was R\$ 3.3080 per U.S.\$ 1.00. On September 28, 2018, the *real*/U.S. dollar exchange rate was R\$ 4.004 per U.S.\$ 1.00. There can be no assurance that the *real* will not depreciate or appreciate further against the U.S. dollar. The *real* may fluctuate against the U.S. dollar substantially in the future.

To control inflation during 2013, the Central Bank of Brazil gradually raised the *Sistema Especial de Liquidação e Custódia*, or SELIC, rate to 10.00% in December. The Central Bank of Brazil continued to raise the SELIC rate to 11.75% in December 2014 and 14.25% in July 2015. On December 2017, the SELIC rate was lowered to 7.0%.

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:

	As of and for the year ended		
	December 31,		
	2017	2016	2015
GDP growth <sup>(1)</sup> .....	0.99%	(3.46)%	(3.5)%
CDI rate <sup>(2)</sup> .....	9.93%	14.00%	13.24%
TJLP (end of period) <sup>(3)</sup> .....	7.00%	5.50%	7.00%
SELIC rate (end of period) <sup>(4)</sup> .....	7.00%	13.75%	14.25%
Increase (decrease) in <i>real</i> value against the U.S. dollar .....	(1.79)%	19.30%	(32.0)%
Selling exchange rate (at period end)			
R\$ per U.S.\$ 1.00 .....	R\$ 3.31	R\$ 3.26	R\$ 3.90
Average exchange rate R\$ per U.S.\$ 1.00 <sup>(5)</sup> .....	R\$ 3.19	R\$ 3.48	R\$ 3.34
Inflation (deflation) (IGP-M) <sup>(6)</sup> .....	(0.53)%	7.19%	10.54%
Inflation (deflation) (IPCA) <sup>(7)</sup> .....	2.95%	6.29%	10.67%

(i) Sources: Bloomberg, BNDES, Central Bank of Brazil, FGV, IBGE and LCA Consultores.

(ii) Notes:

(1) Source: IBGE. Revised series.

(2) The CDI rate is the average daily interbank deposit rate in Brazil (at the end of each month and annually).

(3) 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 federal 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.

### **Global Market**

While our operating results for our business segments are driven by a number of business-specific factors, changes in our operating results are closely tied to changes in general economic conditions in the markets we operate, including in particular North America, Europe and China. Factors that impact the demand for our products include income per capita, growth in developing economies, especially China, substitution with other products, such as plastic and digital products. Product prices are affected by general economic trends, inventory levels, currency exchange rate movements and worldwide capacity utilization.

The international market prices of our pulp have fluctuated significantly, and we believe that they will continue to do so in light of supply and demand balance such as the increase in demand for pulp in China or new projects being developed and possible expansions.

Significant increases in the international market prices of our products, and consequently, the prices that we are able to charge, would likely increase our net revenues and our results of operations to the extent that we are able to maintain our operating margins and increased prices do not reduce sales volumes of our products. Conversely, significant decreases in the international market prices of our products, and consequently, the prices that we charge, would likely reduce our net revenues and our results of operations if we are unable to increase our operating margins or these reduced prices do not result in increased sales volumes of our products.

World pulp prices are cyclical because demand for paper depends heavily on general economic conditions and because production capacity adjusts slowly to changes in demand. For the nine-month period ended September 30, 2018, BEKP average reference prices in North America, Europe and Asia were U.S.\$ 1,222, U.S.\$ 1,034 and U.S.\$ 766 per ton, respectively.

We have long-term sales relationships with substantially all of our pulp and paper customers in the domestic and the export markets. These contracts generally provide for the sale of our market pulp at prices we announce each month. These prices may vary among the different geographic areas where our customers are located. The price arrangements under our long-term contracts are generally consistent with prices for our other sales within the same region and follow the established list price of BEKP announced by major global pulp producers.

### **Tax Incentives and Tax Credits**

The Brazilian federal government has granted tax incentives to develop industrial activities in certain regions. In the northeast of Brazil, the Superintendence for Development of the Northeast (*Superintendência do Desenvolvimento do Nordeste*), or SUDENE, and the RFB, play an important role in managing such tax incentives connected with industrial activities in the north-eastern area. In general, tax incentives managed by SUDENE and RFB (i) apply only to the income tax and surtax, but not to the social contribution tax; (ii) are usually valid for 10 years; (iii) usually relate to the expansion, modernization and/or diversification of industrial projects; and (iv) must be reinvested in operating activities by the companies that receive the tax incentives.

Our Imperatriz and Mucuri Units received this tax benefit granted by SUDENE and RFB, which results in a 75.0% reduction of the income tax applicable to the pulp and paper activities operated by such units. The benefit is applicable for the production line number 2 of the Mucuri Unit until December 31, 2018 and for the production line number 1 of the Mucuri and Imperatriz Units until December 31, 2024.

The tax reduction resulting from 75% income tax reduction is not accounted for as 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 each year is partially allocated to our capital reserve as a tax incentive reserve, in accordance with the obligation under Brazilian law to not distribute the tax benefit as dividends. Our tax reduction for the period ended September 30, 2018 amounted to R\$ 158.1 million.

In addition, we are allowed to carry out accelerated depreciation of the assets until December 31, 2018, which consists of full depreciation of assets related to our Imperatriz and Mucuri units, in the same year of acquisition or up to the fourth year following the acquisition for income tax purposes. Furthermore, we are also a beneficiary of federal tax benefits programs that grant the suspension of social contribution taxes (*Programa de Integração Social*, or “PIS”, and *Contribuição para Financiamento da Seguridade Social*, or “COFINS”) on internal purchases and imports of raw materials, intermediate products, packaging materials and certain assets. As of September 30, 2018, these benefits totaled R\$ 100.4 million.

With respect to our exports, we are a beneficiary of a special regime for the reintegration of tax values for exporting companies, called *Reintegra (Regime Especial de Reintegração de Valores Tributários para as Empresas Exportadoras)*, which is a program created by the Brazilian federal government to encourage the export of manufactured products. The amount available for compensation in 2018 is R\$ 49.1 million (credits are recognized in our results as “cost of goods sold”). In 2016 and 2017, the rates on export revenue were 0.1% and 2%, respectively. From January 2018 until May 2018, the rate was 2% and, starting in September 2018 up to December 2018, the rate is 0,1%.

Whenever we record a tax loss carryforward in a particular fiscal year, such loss is not subject to an expiration date and can be offset only against future taxable income, up to the limit of 30.0% of such taxable income.

As for state taxes, the state of Maranhão grants a state tax benefit, called “PROMARANHAO,” according to which the tax on consumption of goods and services (*serviços imposto sobre operações relativas à circulação de mercadorias e sobre prestações de serviços de transporte interestadual e intermunicipal e de comunicação*, or ICMS) due on acquisitions of inputs, imported inputs and assets within the state of Maranhão is deferred. In September 2018, our balance of ICMS credit in Maranhão was R\$ 143.4 million. Maranhão Unit also has R\$ 25.3 million of deferred ICMS credits related to fixed assets. We expect that the sale of energy in our plant and our new line of paper (*tissue*) will consume part of this credit. Additionally, we signed an agreement with the state of Maranhão granting a transfer of our accumulated ICMS to third parties, which should speed up the consumption of our ICMS credit. In the event that we reach a negative balance of ICMS credit, the amount owed to tax authorities in the state of Maranhão should be discounted by 75%, due to the local tax benefit.

In addition, our Bahia Unit benefits from another state tax benefit, the “Desenvolve Program,” which defers ICMS due on acquisitions of inputs, imported inputs and assets within the state of Bahia. In September 2018, our balance of ICMS credit in Bahia totaled R\$ 2.3 million. This Unit also has R\$ 19.3 million in deferred ICMS credit related to fixed assets. Our cut size project and our new tissue line in Mucuri are initiatives developed to benefit from these credits. In the event that we reach a negative balance of ICMS credit, the amount owed to the tax authorities in the state of Bahia would be discounted by 70% to 80%, due to the local tax benefit.

## Results of Operations

The following discussion of our results of operations is based on our annual consolidated financial statements and interim financial information prepared and presented in accordance with IAS 34 Interim Financial Reporting, as issued by IASB. 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.

*Nine-month period ended September 30, 2018  
compared to nine-month period ended September  
30, 2017*

	For the nine-month period ended September 30,			% variance
	2018	2018	2017	
	(in millions of U.S.\$) (1)	(in millions of R\$)		
Net sales revenue	2,551.0	10,214.2	7,428.2	37.5%
Cost of sales	(1,306.6)	(5,231.6)	(4,665.1)	12.1%
<b>Gross profit</b>	<b>1,244.4</b>	<b>4,982.6</b>	<b>2,763.1</b>	<b>80.3%</b>
Selling expenses	(108.2)	(433.3)	(295.0)	46.9%
General and administrative expenses	(137.3)	(549.6)	(356.1)	54.3%
Equity in earnings of associates	1.0	3.9	4.8	(18.8%)
Other operating income (expenses), net	9.1	36.6	(7.5)	n.m.
<b>Operating income (expenses)</b>	<b>(235.4)</b>	<b>(942.4)</b>	<b>(653.8)</b>	<b>44.1%</b>

*Nine-month period ended September 30, 2018  
compared to nine-month period ended September  
30, 2017*

	For the nine-month period ended September 30,			% variance
	2018	2018	2017	
<b>Operating profit before net financial income (expenses)</b>	<b>1,009.0</b>	<b>4,040.2</b>	<b>2,109.3</b>	<b>91.5%</b>
Financial income	53.8	215.5	593.0	(63.7%)
Financial expenses	(1,574.8)	(6,305.4)	(876.0)	619.8%
<b>Net financial income (expenses)</b>	<b>(1,521.0)</b>	<b>(6,089.9)</b>	<b>(283.0)</b>	<b>2,051.9%</b>
<b>Net income (loss) before taxes</b>	<b>(512.0)</b>	<b>(2,049.7)</b>	<b>1,826.3</b>	<b>n.m.</b>
Current	(104.9)	(420.1)	(137.7)	205.1%
Deferred	331.6	1,327.7	(223.8)	(693.3%)
<b>Income taxes</b>	<b>226.7</b>	<b>907.6</b>	<b>(361.5)</b>	<b>n.m.</b>
<b>Net income (loss) for the period</b>	<b>(285.3)</b>	<b>(1,142.1)</b>	<b>1,464.8</b>	<b>n.m.</b>

(1) For convenience purposes only, amounts in *reais* for the nine months ended September 30, 2018 have been translated into U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars as of September 28, 2018, as reported by the Central Bank of Brazil. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

*Net sales revenue*

Net sales revenue increased 37.5%, or R\$ 2,786.0 million, from R\$ 7,428.2 million in the nine-month period ended September 30, 2017 to R\$ 10,214.2 million in the corresponding period in 2018, mainly due to higher hardwood pulp list prices in USD (average FOEX in Europe in the nine-month period ended September 30, 2018 of U.S.\$ 1,034, compared to U.S.\$ 779 in the nine-month period ended September 30, 2017) a weaker real and by the higher price of paper sold in both the export and local markets.

Net sales revenue from pulp increased 43.6%, or R\$ 2,101.5 million, from R\$ 4,819.2 million in the nine-month period ended September 30, 2017 to R\$ 6,920.7 million in the corresponding period in 2018, due to an increase in pulp prices. Net sales revenue from pulp represented 64.9% of total net sales revenue in the nine-month period ended September 30, 2017, compared to 67.8% in the corresponding period in 2018.

Net sales revenue from pulp exports increased 46.4%, or R\$ 2,027.4 million in 2018, from R\$ 4,369.0 million in the nine-month period ended September 30, 2017 to R\$ 6,396.4 million in the corresponding period in 2018. Pulp exports represented 86.9% of net revenues of foreign market revenues in the nine-month period ended in 2018 (48.6% from Asia, 35.3% from Europe, 15.5% from North America and 0.6% from South and Central America).

Our average international net sales price of pulp in 2018 increased 31%, or U.S.\$ 177/ton, from U.S.\$ 576/ton in the nine-month period ended September 30, 2017 to U.S.\$ 752/ton in the corresponding period in 2018. In the domestic market, the average net pulp sales price increased 51%, or R\$ 799/ton, from R\$ 1,574/ton in the nine-month period ended in September 30, 2017 to R\$ 2,373/ton in the corresponding period in 2018.

Net sales revenue from paper increased 26.2%, or R\$ 684.6 million, from R\$ 2,608.9 million in the nine-month period ended September 30, 2017 to R\$ 3,293.5 million in the corresponding period in 2018. Net sales revenue from paper represented 35.1% of total net sales in the nine-month period ended September 30, 2017, compared to 32.2% in the corresponding period in 2018. The increase in net sales revenue from paper in the nine-month period ended September 30, 2018 compared to the corresponding period in 2017 is largely due to a combination of higher sales volume and price increase. Net revenue from paper exports represented 13.1% of our net revenues of foreign market in the nine-month period ended September 30, 2018 (57.7% from South and Central America, 16.8% from Europe, 14.2% from North America and 11.3% from Asia and Africa). Net sales revenue from paper in the domestic market increased 27.2%, or R\$ 498.3 million, from R\$ 1,830.7 million in the nine-month period ended September 30, 2017 to R\$ 2,329.0 million in the corresponding period in 2018, impacted mainly by price increase.

The average international net paper sales price in 2018 increased 10.6%, or U.S.\$ 93/ton, from U.S.\$ 883/ton in the nine-month period ended September 30, 2017 to U.S.\$ 976/ton in the corresponding period in

2018. In the domestic market, the average net paper sales price increased 16.2%, or R\$ 515/ton, from R\$ 3,175/ton in the nine-month period ended in September 30, 2017 to R\$ 3,690/ton in the corresponding period in 2018.

#### *Cost of sales*

Cost of sales increased 12.1%, from R\$ 4,665.1 million in the nine month period ended September 30, 2017 to R\$ 5,231.6 million in the corresponding period in 2018, primarily as a result of (i) an increase in other costs, such as a higher cost related to the general strike of truck drivers in May 2018 throughout Brazil during the first half of 2018; (ii) a decrease in the Regime Especial de Reintegração de Valores Tributários para as Empresas Exportadoras - Reintegra benefit (a special tax credit benefit for exporting companies allowing for a tax credit relating to a percentage of revenues originated from exports), and (iii) an increase of the prices of our industrial supplies. The unit of cost of goods sold increased 13.6%, from R\$ 1,321/ton in the nine-month period ended September 30, 2017 to R\$ 1,501/ton in the corresponding period in 2018 above the period inflation of 4.5%.

#### *Gross profit*

Gross profit increased 80.3%, or R\$ 2,219.6 million, from R\$ 2,763.1 million in the nine-month period ended September 30, 2017 to R\$ 4,982.6 million in the corresponding period in 2018, due to the factors mentioned above. Our gross margin for the nine-month period ended September 30, 2018 was 48.8% compared to 37.2% in the corresponding period in 2017. This increase is mainly due to higher list prices for hardwood pulp and a weaker real.

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

Selling expenses increased 46.9%, or R\$ 138.3 million, from R\$ 295.0 million in the nine-month period ended September 30, 2017 to R\$ 433.3 million in the corresponding period in 2018. The main variation is due to an increase of R\$ 76.0 million in the consumer goods business, and higher logistics expenditures due to an increase of the distribution freight rate.

General and administrative expenses increased 54.3%, or R\$ 193.5 million, from R\$ 356.1 million in the nine-month period ended September 30, 2017 to R\$ 549.6 million in 2018. The variation is due to higher expenses with personnel expenses and compensation plans based on net income, and an increase of R\$ 26.0 million in the consumer goods business.

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

Other operating income (expenses), net was a gain of R\$ 36.6 million in the nine-month period ended September 30, 2018, compared to a net loss of R\$ 7.5 million in the same period in 2017. The fluctuation is mainly due to: (i) gain of contractual indemnity in the amount of R\$ 51.8 million (equivalent to €10 million); (ii) loss resulting from disposal of property, plant and equipment and biological assets in the amount of R\$ 1.9 million in 2018 compared to a gain in the amount of R\$ 39.7 million in the same period in 2017; (iii) gain in the fair value of biological assets in the amount of R\$ 5.9 million in 2018 compared to a loss of R\$ 25.3 million in the same period in 2017.

#### *Operating profit before net financial income (expenses)*

Operating profit before net financial income (expense) increased 91.5%, or R\$ 1,931.0 million, from R\$ 2,109.3 million in the nine-month period ended September 30, 2017 to R\$ 4,040.2 million in the corresponding period in 2018, due to higher pulp list price, the weaker BRL and the higher paper prices in the domestic and export market. Our operating margin for the nine-month period ended September 30, 2018 was 39.6% compared to 28.4% in the corresponding period in 2017.

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

Net financial income decreased to a loss of R\$ 6,089.9 million in the nine-month period ended September 30, 2018, from a loss of R\$ 283.0 million in the same period in 2017. This was largely due to (i) a loss recorded for monetary and exchange variation in the period amounting to R\$ 1,421,7 million, and (ii) a loss generated by

derivatives operations in the amount of R\$ 3,848.5 million (of which R\$ 1,655.9 million related to hedging operations entered into in connection with the financing of the Merger with Fibria).

#### *Net income (loss) before taxes*

Net income (loss) before taxes decreased R\$ 3,876.0 million, from a gain of R\$ 1,826.3 million in the nine-month period ended September 30, 2017 to a loss of R\$ 2,049.7 million in the same period in 2018.

#### *Income taxes*

Income taxes decreased R\$ 1,269.1 million, from an expense of R\$ 361.5 million in the nine-month period ended September 30, 2017, as compared to an income of R\$ 907.6 million during the corresponding period in 2018. This resulted from the decrease of net income (expense) before taxes, partially offset by an increase in the use of tax benefits related to the increase of taxable income. The increase of taxable income was primarily due to the increase of temporary adjustments of hedge and foreign exchange expenses.

#### *Net income (loss) for the period*

Net income decreased R\$ 2,606.9 million, from net income of R\$ 1,464.8 million in the nine-month period ended September 30, 2017 to a net loss of R\$ 1,142.1 million during the corresponding period in 2018.

#### *Year ended December 31, 2017 compared to Year ended December 31, 2016*

The table below sets forth our results of operations for the years ended December 31, 2017 and 2016:

	<b>For the year ended December 31,</b>			<b>% variance</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>	
	<i>(in millions of U.S.\$)(1)</i>	<i>(in millions of R\$)</i>		
Net sales revenue .....	2,642.5	10,580.7	9,839.2	7.5%
Cost of sales .....	(1,622.5)	(6,496.3)	(6,563.1)	(1.0%)
<b>Gross profit</b> .....	<b>1,020.1</b>	<b>4,084.4</b>	<b>3,276.1</b>	<b>24.7%</b>
Selling expenses .....	(105.7)	(423.3)	(416.3)	1.7%
General and administrative expenses ...	(132.1)	(529.0)	(427.1)	23.9%
Equity in earnings of associates .....	1.5	5.9	(7.1)	n.m.
Other operating income (expenses), net..	35.1	140.5	(1,150.6)	n.m.
<b>Operating income (expenses)</b>	<b>(201.3)</b>	<b>(805.9)</b>	<b>(2,001.1)</b>	<b>(59.7%)</b>
<b>Operating profit before net financial income (expenses)</b> .....	<b>818.8</b>	<b>3,278.5</b>	<b>1,275.0</b>	<b>157.1%</b>
Financial income .....	94.7	379.0	2,277.9	(83.4%)
Financial expenses .....	(349.1)	(1,397.9)	(1,156.2)	20.9%
<b>Net financial income (expenses)</b>	<b>(254.4)</b>	<b>(1,018.8)</b>	<b>1,121.7</b>	<b>n.m.</b>
<b>Net income before taxes</b>	<b>564.3</b>	<b>2,259.6</b>	<b>2,396.7</b>	<b>(5.7%)</b>
Current .....	(50.5)	(202.2)	(188.8)	7.1%
Deferred .....	(59.0)	(236.4)	(530.1)	(55.4%)
<b>Income taxes</b>	<b>(109.5)</b>	<b>(438.6)</b>	<b>(718.9)</b>	<b>(39.0%)</b>
<b>Net income for the year</b> .....	<b>454.8</b>	<b>1,821.0</b>	<b>1,677.8</b>	<b>8.5%</b>

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2017 have been translated to U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars as of September 28, 2018 as reported by the Central Bank of Brazil. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

#### *Net sales revenue*

Net sales revenue increased 7.5%, or R\$ 741.5 million, from R\$ 9,839.2 million in the year ended December 31, 2016 to R\$ 10,580.7 million in the corresponding period in 2017, mainly due to an increase in the list

price of hardwood pulp (average FOEX in Europe in 2017 was U.S.\$ 819 compared to U.S.\$ 696 in 2016) and an increase in volume sold (4.8 million tons in 2017 compared to 4.7 million tons in 2016). These gains were partially offset by the 8.5% appreciation of the *real* in 2017 and an 8.5% reduction in prices of paper exported.

Net revenue from sales in the domestic market decreased 1.7% or R\$ 54.1 million, from R\$ 3,276.2 million in December 31, 2016 to R\$ 3,222.2 million in 2017, impacted mainly by the macroeconomic scenario in Brazil, while net revenue from exports increased 12.1% or R\$ 795.6 million, from R\$ 6,562.9 million in December 31, 2016 to R\$ 7,358.5 million in 2017, reflecting a decline in international paper prices.

Net sales from pulp increased 12.6%, or R\$ 776.4 million, from R\$ 6,144.1 million in the year ended December 31, 2016 to R\$ 6,920.5 million in 2017, due to the increase in international pulp prices, partially offset by the *real* appreciation. Net sales revenue from pulp represented 62.4% of total net sales in the year ended December 31, 2016, compared to 65.4% in the corresponding period in 2017.

Net revenue from pulp exports increased 15.7%, or R\$ 855.9 million in 2017, from R\$ 5,440.3 million in the year ended December 31, 2016 to R\$ 6,296.2 million in 2017. Pulp exports represented 91.0% of total net revenues (pulp) in 2017 (43.0% from Asia, 32.7% from Europe, 14.0% from North America and 1.3% from South and Central America.) The average net pulp sales price in 2017 increased 19.9%, or U.S.\$ 99/ton, from U.S.\$ 499/ton in the year ended December 31, 2016 to U.S.\$ 598/ton in 2017. In the domestic market, the average net pulp sales price increased 9.7%, or R\$ 168/ton, from R\$ 1,740/ton in the year ended December 31, 2016 to R\$ 1,908/ton in 2017.

Net sales revenue from paper decreased 0.9%, or R\$ 34.8 million, from R\$ 3,695.0 million in the year ended December 31, 2016 to R\$ 3,660.2 million in 2017 due to the lower sales volume and the effects of exchange variation on exports to foreign markets. Foreign markets represented 29.0% of total net sales revenues for paper in 2017. Of our total net revenues for sales of paper, 16.6% came from South and Central America, excluding Brazil, 7.0% from North America, and 5.4% from Asia, Europe and Africa, while 71.0% came from domestic sales to customers in Brazil.

The average international net paper sales price in 2017 was stable in relation to 2016, from U.S.\$ 889/ton in the year ended December 31, 2016 to U.S.\$ 889/ton in 2017. In the domestic market, the average net pulp sales price increased 1.4%, or R\$ 44/ton, from R\$ 3,140/ton in the year ended December 31, 2016 to R\$ 3,184/ton in 2017.

#### *Cost of sales*

Cost of sales decreased 1.0%, or R\$ 66.8 million, from R\$ 6,563.1 million in the year ended December 31, 2016 to R\$ 6,496.3 million in the corresponding period in 2017. The unit of cost of goods sold decreased 3.3%, from R\$ 1,391/ton on December 31, 2016 to R\$ 1,345/ton in 2017 due to (i) an increase on sales of electric energy and (ii) an increase of the nominal rate in 2017 of the *Regime Especial de Reintegração de Valores Tributários para as Empresas Exportadoras – Reintegra* benefit (a special tax credit benefit for exporting companies allowing for tax credit relating to a percentage of revenues originated from exports) impacting cost of our goods sold.

#### *Gross profit*

Gross profit increased 24.7%, or R\$ 808.3 million, from R\$ 3,276.1 million in the year ended December 31, 2016 to R\$ 4,084.4 million in the corresponding period in 2017, due to the factors mentioned above. Our gross margin for the year ended December 31, 2017 was 38.6% compared to 33.3% in the corresponding period in 2016. This increase is mainly due to higher list prices for hardwood pulp, which was partially offset by the stronger *real*. For the paper segment (32.9% in 2016 to 30.1% in 2017), this margin reduction is mainly due to higher cost of production and the *real* appreciation.



### *Selling, general and administrative expenses*

Selling expenses increased 1.7%, or R\$ 7.0 million, from R\$ 416.3 million in the year ended December 31, 2016 to R\$ 423.3 million in 2017. The main variation is due to an increase in logistic costs in the amount of R\$ 22.0 million. Selling expenses as a ratio of net revenue remained stable at 4.0%.

General and administrative expenses increased 23.9%, or R\$ 101.9 million, from R\$ 427.1 million in the year ended December 31, 2016 to R\$ 529.0 million in 2017. The variation is due to the increase in variable compensation. Administrative expenses as a ratio of net revenue increased 0.6%, from 4.4% in the year ended December 31, 2016 to 5.0% in 2017.

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

Other operating income (expenses), net was R\$ 140.5 million in the year ended December 31, 2017, compared to other loss, net of R\$ 1,150.6 million in 2016 affected primarily by the adjustment to fair value of biological assets, which amounted to R\$ 192.5 million (non-cash). The adjustment is mainly related to the higher gross wood price in the states of Maranhão and Pará, which was partially offset by a reduction in forest productivity, as well as by other operating and economic factors, such as changes in planted area, inflation, discount rate, future costs with forest formation, among others.

### *Net financial income (expenses)*

Net financial income (expenses) decreased to a loss of R\$ 1,018.8 million in the year ended December 31, 2017, from a gain of R\$ 1,121.7 million in the same period in 2016. This decrease was largely due to the effects of exchange rate and monetary variations and the results with derivatives.

Monetary and exchange rate variations generated a negative impact of R\$ 179.4 million in the year ended December 31, 2017, compared to a gain of R\$ 1,367.3 million in 2016. Contributing to this result was the effect from exchange variation on balance sheet exposure between the opening and closing balances of the year, with an accounting effect on the mark-to-market adjustment of the portion of debt in foreign currency, though with cash effects limited only to debt maturities or amortizations. Derivative transactions recorded a gain of R\$ 73.3 million in 2017, compared to a gain of R\$ 528.8 million in 2016.

Financial expenses increased 20.9% or R\$ 241.7 million, from R\$ 1,156.2 million in December 31, 2016 to R\$ 1,397.9 million in 2017. Excluding non-recurring effects from debt pre-payments, our financial expenses would have been R\$ 1,054.6 million, a decrease of 3.3% comparing to the 2016 recorded net financial expenses, as a result of our lower leverage ratio and the effect of liability management operations, which reduced the cost of our outstanding debt.

### *Net income before taxes*

Net income before taxes decreased R\$ 137.1 million, from a gain of R\$ 2,396.7 million in the year ended December 31, 2016 to a gain of R\$ 2,259.6 million in the same period in 2017.

### *Income taxes*

Income taxes decreased 39.0% or R\$ 280.3 million, from an expense of R\$ 718.9 million in the year ended December 31, 2016, as compared to an expense of R\$ 438.6 million in 2017. This resulted mainly from the adoption starting on January 1, 2017 of new methodology for the recognition of exchange variation for tax purposes.

### *Net income for the year*

Net income increased 8.5%, or R\$ 143.2 million, from a net income of R\$ 1,677.8, million in the year ended December 31, 2016 to net income of R\$ 1,821.0 million in 2017.

**Year ended December 31, 2016 compared to Year ended December 31, 2015**

The table below sets forth our results of operations for the years ended December 31, 2016 and 2015:

	For the year ended December 31,			% variance
	2016 <i>(in millions of U.S.\$)(1)</i>	2016 <i>(in millions of R\$)</i>	2015	
Net sales revenue .....	2,457.3	9,839.2	10,162.1	(3.2)%
Cost of sales.....	(1,639.1)	(6,563.1)	(6,147.4)	6.8%
<b>Gross profit</b> .....	<b>818.2</b>	<b>3,276.1</b>	<b>4,014.7</b>	(18.4)%
Selling expenses.....	(104.0)	(416.3)	(410.0)	1.5%
General and administrative expenses .....	(106.7)	(427.1)	(455.6)	(6.3)%
Equity in earnings of associates .....	(1.8)	(7.1)	-	n.m.
Other operating income (expenses), net.....	(287.4)	(1,150.6)	(104.5)	1,000.8%
<b>Operating income (expenses)</b>	<b>(499.8)</b>	<b>(2,001.1)</b>	<b>(970.1)</b>	<b>106.3%</b>
<b>Operating profit before net financial income (expenses)</b> .....	<b>318.4</b>	<b>1,275.0</b>	<b>3,044.6</b>	<b>(58.1)%</b>
Financial income .....	568.9	2,277.9	304.3	648.7%
Financial expenses.....	(288.8)	(1,156.2)	(4,713.9)	(75.5)%
<b>Net financial income (expenses)</b>	<b>280.1</b>	<b>1,121.7</b>	<b>(4,409.6)</b>	<b>n.m.</b>
<b>Net income (loss) before taxes</b>	<b>598.6</b>	<b>2,396.7</b>	<b>(1,365.0)</b>	<b>n.m.</b>
Current .....	(47.2)	(188.8)	(19.1)	888.5%
Deferred .....	(132.4)	(530.1)	454.4	n.m.
<b>Income taxes</b>	<b>(179.5)</b>	<b>(718.9)</b>	<b>435.3</b>	<b>n.m.</b>
<b>Net income (loss) for the year</b> .....	<b>419.0</b>	<b>1,677.8</b>	<b>(929.7)</b>	<b>n.m.</b>

(1) For convenience purposes only, amounts in *reais* for the year ended December 31, 2016 have been translated to U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars as of September 28, 2018 as reported by the Central Bank of Brazil. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See “Exchange Rates” for further information about recent fluctuations in exchange rates.

*Net sales revenue*

Net sales revenue decreased 3.2%, or R\$ 322.9 million, from R\$ 10,162.1 million in the year ended December 31, 2015 to R\$ 9,839.2 million in the corresponding period in 2016, mainly due to the increase in pulp and paper sales (as described below), increased paper prices in the domestic market, which was partially offset by a decrease in pulp prices (reflecting the appreciation of the *real* and the decreased list prices in U.S. dollar), and the appreciation of the *real* against the U.S. dollar, which had a negative impact on our export revenue.

Net sales revenue from pulp decreased 6.5%, or R\$ 427.9 million, from R\$ 6,572.0 million in the year ended December 31, 2015 to R\$ 6,144.1 million in 2016. Net sales revenue from pulp represented 64.7% of total net sales in the year ended December 31, 2015, compared to 62.4% in the corresponding period in 2016. Our average domestic and international net sales price of pulp in the year ended December 31, 2016 was R\$ 1,740/ton, a 13.3% decrease from the price of R\$ 2,006/ton in 2015, reflecting the appreciation of the *real* against the U.S. dollar, which resulted in lower list prices in U.S. dollars.

Net sales revenue from paper increased 2.9%, or R\$ 104.9 million, from R\$ 3,590.1 million in the year ended December 31, 2015 to R\$ 3,695.0 million in 2016. Net sales revenue from paper represented 35.2% of total net sales in the year ended December 31, 2015, compared to 37.6% in the corresponding period in 2016. The increase in net revenue from paper in the year ended December 31, 2016 compared to the corresponding period in 2015 is largely due to the increase in the price of paper and the higher sales volume. Our average domestic and international net sales price of paper in the year ended December 31, 2016 was R\$ 3,128/ton, 6.3% higher than in the corresponding period in 2015 of R\$ 2,944/ton.

### *Cost of sales*

Cost of sales increased 6.8%, from R\$ 6,147.4 million in the year ended December 31, 2015 to R\$ 6,563.1 million in the corresponding period in 2016, primarily as a result of the increase in the volume of pulp sales, the effect of exchange rate variation on raw materials linked to the U.S. dollar and lower energy sales. The main variation is related to other costs of R\$ 313.2 million, due to (i) an increase in the purchase of third party inputs for fluff manufacturing, at the time a new product within our pulp segment; and (ii) a reduction of the nominal rate in 2016 of the *Regime Especial de Reintegração de Valores Tributários para as Empresas Exportadoras* – Reintegra benefit (a special tax credit benefit for exporting companies allowing for tax credit relating to a percentage of revenues originated from exports) impacting cost of our goods sold.

### *Gross profit*

Gross profit decreased 18.4%, or R\$ 738.6 million, from R\$ 4,014.7 million in the year ended December 31, 2015 to R\$ 3,276.1 million in the corresponding period in 2016, due to the factors mentioned above. Our gross margin for the year ended December 31, 2016 was 33.3% compared to 39.5% in the corresponding period in 2015. This reduction is mainly due to the significant decline in the gross margin of the pulp segment (44.9% in 2015 to 33.6% in 2016), affected by the 14% drop in the average exchange rate in 2016, when compared to 2015, since most sales in the pulp segment are made to the foreign market. In addition, there was a negative variation in the average unit cost affected by general stoppages, leading to a loss in cost efficiency. For the paper segment (29.7% in 2015 to 32.9% in 2016), we improved our profitability through a policy of price increases in 2016 in the domestic market, where the largest sales for the paper segment are concentrated.

### *Selling, general and administrative expenses*

Selling expenses increased 1.5%, or R\$ 6.3 million, from R\$ 410.0 million in the year ended December 31, 2015 to R\$ 416.3 million in 2016. The main variation is due to an increase in personnel expenses in the amount of R\$ 14.3 million and R\$ 14.8 million of other expenses, partially offset by decrease in logistics costs in the amount of R\$ 10.9 million and R\$ 11.9 million services expenses.

General and administrative expenses decreased 6.3%, or R\$ 28.5 million, from R\$ 455.6 million in the year ended December 31, 2015 to R\$ 427.1 million in 2016. The variation is due to the decrease in personnel expenses in the amount of R\$ 40.1 million partially offset by an increase of other expenses in the amount of R\$ 13.3 million.

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

Other operating income (expenses), net was R\$ 1,150.6 million in the year ended December 31, 2016, compared to a net loss of R\$ 104.5 million in 2015. For 2016, the amount mainly related to a R\$ 780.7 million adjustment to fair value of biological assets, a provision of R\$ 276.9 million for impairment of lands and forests in the State of Piauí and a partial loss of R\$ 78.8 million of intangible assets.

### *Operating profit before net financial income (expenses)*

Operating profit before net financial income (expenses) decreased 58.1%, or R\$ 1,769.6 million, from R\$ 3,044.6 million in the year ended December 31, 2015 to R\$ 1,275.0 million in the corresponding period in 2016, due to the factors mentioned above, represented by non-cash items allocated in the pulp segment, such as adjustment to fair value of biological assets and impairment of lands and forests in the State of Piauí. Our operating margin for the year ended December 31, 2016 was 13.0% compared to 30.0% in the corresponding period in 2015.

### *Net financial income (expenses)*

Net financial income increased to a gain of R\$ 1,121.7 million in the year ended December 31, 2016, from a loss of R\$ 4,409.6 million in the same period in 2015. This increase was largely due to the effects of exchange rate variations. Monetary and exchange rate variations generated a positive impact of R\$ 1,367.3 million in the year ended December 31, 2016, compared to a loss of R\$ 2,828.4 million in 2015, due to the impact of the appreciation

of the *real* of 19.3% between January 1, 2016 (R\$ 4.0387 to U.S.\$ 1.00) and December 31, 2016 (R\$ 3.2591 to U.S.\$ 1.00), which resulted in a decrease of debt in *real* terms recorded on our balance sheet.

#### *Net income (loss) before taxes*

Net income (loss) before taxes increased R\$ 3,761.7 million, from a loss of R\$ 1,365.0 million in the year ended December 31, 2015 to an income of R\$ 2,396.7 million in the same period in 2016, for the reasons mentioned above.

#### *Income taxes*

Income taxes resulted in a benefit of R\$ 435.3 million in the year ended December 31, 2015, as compared to an expense of R\$ 718.9 million in 2016. This resulted from the significant increase in income before income tax, which was a loss of R\$ 1,365.1 million in the year ended December 31, 2015 and a profit of R\$ 2,396.7 million in the same period ended 2016, as we were able to apply tax loss carry forward in 2015 but not in 2016, leading to an increase in the deferred portion of these taxes. Additionally, we used the tax benefit granted by SUDENE, in the amount of R\$ 124.1 million calculated based on exploration profit at our Mucuri/BA and Imperatriz/MA units.

#### *Net income (loss) for the year*

Net income increased R\$ 2,607.5 million, from a net loss of R\$ 929.7 million in the year ended December 31, 2015 to net income of R\$ 1,677.8 million in 2016.

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

We believe that our working capital is sufficient for our present requirements.

#### *Operating Activities*

Net cash provided by operating activities totaled R\$ 2,153.9 million in the nine-month period ended September 30, 2017, compared to net cash provided in operating activities of R\$ 3,696.5 million in the nine-month period ended September 30, 2018. This increase of R\$ 1,542.6 million was primarily due to: (i) an increase of the positive impact of the exchange rate and monetary variations in the nine-month period ended September 30, 2018 of R\$ 1,939.2 million, (ii) an increase on the positive impact in derivatives in the amount of R\$ 4,029.9 million, (iii) a decrease in deferred taxes of R\$ 1,551.5 million, and (iv) a variation due to a loss of the period of R\$ 2,606.9 million.

Net cash provided by operating activities totaled R\$ 3,067.9 million during the year ended December 31, 2017, compared to net cash provided by operating activities of R\$ 3,075.5 million during the year ended December 31, 2016 and R\$ 2,674.8 million during the year ended December 31, 2015.

#### *Investing Activities*

During the nine-month period ended September 30, 2018, investing activities used cash of R\$ 11,469.0 million, primarily related to (i) R\$ 899.7 million in acquisitions of property, plant, equipment, (ii) R\$ 9,472.4 million from financial investments, net and (iii) R\$ 315.9 million in acquisition of subsidiaries.

Investing activities used net cash of R\$ 1,008.3 million during the year ended December 31, 2017. During the year ended December 31, 2017 investing activities for which we used cash primarily consisted of (i) R\$ 867.9 million in acquisitions of property, plant, equipment and intangible and (ii) R\$ 912.4 million in acquisitions of biological assets formation and acquisition of forests, which was partially offset by the receipt of R\$ 687.3 million from financial investments and R\$ 84.7 million from proceeds from sales of assets.

Investing activities used net cash of R\$ 3,342.5 million during the year ended December 31, 2016. During the year ended December 31, 2016, investing activities used cash primarily related to acquisitions of fixed assets, intangible assets and biological assets, consisting of (i) R\$ 335.8 million for expansion projects, mainly modernization projects to increase structural competitiveness and adjacent businesses, such as the production of

tissue and lignin and the Desgargalamento project of the Empress Factory, (ii) R\$ 1,158.1 million in the acquisition for the expansion and maintenance of forest and industrial assets, (iii) R\$ 830.4 million concerning the acquisition of forest assets and rural properties of Siderúrgica Vale do Pindaré and Cosima Siderurgica do Maranhão Ltda., and (iv) R\$ 1,053.4 million on short term financial applications, which include funds of investments and bank deposit certificates, being offset by the receipt of asset sold of R\$ 35.2 million.

Investing activities used net cash of R\$ 2,557.2 million during the year ended December 31, 2015. During 2015, investing activities used cash primarily for investments consisting of (i) R\$ 536.9 million in 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\$ 1,115.3 million of biological assets related to acquisitions to maintain the industrial and forest areas, and (iii) R\$ 934.2 million in short term investments, including investment funds and bank deposit certificates. These investments were offset by the receipt of R\$ 41.9 million in proceeds from asset sales.

### ***Financing Activities***

Financing activities provided net cash of R\$ 8,243.7 million during the nine-month period ended September 30, 2018. Financing activities used cash of R\$ 1,008.8 million during the nine-month period ended September 30, 2017.

During the nine-month period ended September 30, 2018, our principal sources of financing were (i) R\$ 13,253.0 million in loans and financing and debentures, which mainly consisted of R\$ 2,433.7 million (U.S.\$ 750 million) in export pre-payment (EPP), R\$ 4,681.1 million (U.S.\$ 1,214.0 million) in debentures (local bonds) issued in Brazil, R\$ 1,281.0 million (U.S.\$ 330.0 million) in NCE (Export Credit Notes), R\$ 275.0 million (U.S.\$ 70.0 million) in CPR (Rural Finance Notes) and R\$ 4,076.3 million (U.S.\$ 1,000.0 million) in Senior Notes (bond). During the nine-month period ended September 30, 2018, our principal uses of financing included payment of R\$ 3,473.9 million of our indebtedness, which mainly consisted of R\$ 1,946.9 million (U.S.\$ 600 million) in EPP, R\$ 448.4 million (U.S.\$ 120 million) in EPP, R\$ 200 million in CRA (Agro Business Credits) and R\$ 55.0 million in NCE.

Financing activities used net cash of R\$ 2,612.1 million during the year ended December 31, 2017. During the year ended December 31, 2017, our principal uses of financing included (i) repayment of R\$ 4,533.7 million of our indebtedness, (ii) repayment of R\$ 117.9 million of liabilities for assets acquisitions, (iii) program of repurchase of shares in an amount of R\$ 0.08 million, (iv) payment of R\$ 570.6 million in dividends.

During the year ended December 31, 2017, our principal sources of financing were (i) treasury shares used to finance the compensation plan in shares in the amount of R\$ 8.5 million; (ii) R\$ 39.7 million net results of derivatives; and (iii) R\$ 2,562.0 million new financing, especially R\$ 2,315.6 million of Senior Notes (bonds) and R\$ 109.6 million in Fundo FIDC.

Financing activities provided net cash of R\$ 566.1 million during the year ended December 31, 2016. During the year ended December 31, 2016, our principal uses of financing included (i) repayment of R\$ 4,853.0 million of our indebtedness, (ii) repayment of R\$ 72.4 million of liabilities for assets acquisitions and (iii) payment of R\$ 299.9 million in dividends.

During year ended December 31, 2016, our principal sources of financing were (i) treasury shares used to finance the compensation plan using R\$ 8.5 million in shares; (ii) R\$ 5,665.6 million in financing loans, which mainly consisted of R\$ 1,056.6 million in advances on currency exchange contracts (*Adiantamento sobre Contratos de Câmbio – ACC*), R\$ 116.2 million from our “BNDES Finem” credit line, R\$ 2,500.0 million in NCE, R\$ 1,629.6 million in senior notes, and (iii) receiving of R\$ 117.3 million for the net results of hedging transactions.

Financing activities used net cash of R\$ 2,601.8 million during the year ended December 31, 2015. During the year ended December 31, 2015, our principal uses of financing included: (i) repayment of R\$ 6,124.0 million of our indebtedness, (ii) repayment of R\$ 72.5 million of liabilities for assets acquisitions, (iii) payment of R\$ 269.9 million in dividends and (iv) payment of R\$ 251.7 million 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\$ 8.5 million in shares; and (ii) R\$ 4,107.8 million in financing loans, which mainly consisted of R\$ 2,209.5 million in syndicated loans with local banks, R\$ 875.0 million in NCE and Export Financing Agreements, and R\$ 413.1 million from our “BNDES Finem” credit line, rural credit R\$ 108.3 million and bank credit R\$ 123 million.

### Capital Expenditures

Capital expenditures totaled R\$ 1,755.1 million in the year ended December 31, 2017, R\$ 2,636.7 million in the year ended December 31, 2016 and R\$ 1,741.8 million in the year ended December 31, 2015. In 2017 R\$ 1.1 billion was allocated to industrial and forestry maintenance. Investments in projects related to structural competitiveness and adjacent businesses projects amounted to R\$ 490 million and were allocated mainly to the debottlenecking project at the Imperatriz Unit in the state of Maranhão and to the tissue projects in the states of Maranhão and Bahia. Other investments amounted to R\$ 166 million, which included projects such as: installation of a new cut size line, new crystallizer; and new wastewater treatment plant in Mucuri, in the state of Bahia.

For 2018, we expect capital expenditures in the amount of R\$ 2.8 billion, of which R\$ 1.2 billion corresponds to sustaining capital expenditures and R\$ 1.6 billion to the adjacent businesses and structural competitiveness projects. During the nine-month period ended September 30, 2018, our total capital expenditure amounted to R\$2,147.8 million, of which R\$ 880.2 million was invested in industrial and forest maintenance. Investments in structural competitiveness and adjacent businesses projects amounted to R\$ 1,043.1 million, which primarily consisted of the acquisition of Facepa (R\$ 267.9 million), the acquisition of land and forests from Duratex (R\$ 512.8 million) and the tissue (Maranhão and Bahia states) and lignin projects. Investments in retrofitting the wastewater treatment plant at the Mucuri Unit (Bahia state) and other projects amounted to R\$ 224.5 million.

### Indebtedness

As of September 30, 2018, our total consolidated outstanding indebtedness (which includes current and non-current loans and financing and current and non-current debentures) was R\$ 23,818.8 million, of which R\$ 1,769.4 million represented current indebtedness of which R\$ 83.6 million refers to current indebtedness related to debentures and R\$ 22,049.4 million represented non-current indebtedness, of which R\$ 4,661.5 million refers to non-current indebtedness related to debentures and of which R\$ 1,453.6 million was secured against assets. Below is a description of our consolidated financings and loans:

Property, plant and equipment:	Index	Interest Rate*	September 30,		December 31,		
			2018	2018	2017	2017	
			(in millions of U.S.\$) <sup>(1)</sup>	(in millions of R\$)	(in millions of U.S.\$) <sup>(1)</sup>	(in millions of R\$)	
BNDES – Finem .....	Fixed rate /TJLP	(a) (b)	7.17%	87.2	349.3	84.9	339.8
BNDES – Finem .....	Currency basket/U.S.\$	(b)	7.20%	43.7	174.8	41.2	165.1
BNDES – Finame .....	Fixed rate/TJLP	(a)	5.24%	0.9	3.4	1.2	4.7
FNE – BNB .....	Fixed rate	(b)	6.39%	56.8	227.3	61.1	244.5
FINEP .....	Fixed rate	(b)	4.00%	3.7	14.8	5.1	20.6
Financial leasing .....	CDI/U.S.\$		-	5.0	20.1	4.9	19.7
Export Credit Agency - ECA .....	U.S.\$/LIBOR	(b) (c)	3.62%	237.5	951.0	216.0	864.8
<b>Working capital:</b>							
Export financing	U.S.\$/LIBOR		5.90%	106.4	425.8	210.9	844.4
Export credit notes	CDI		6.72%	993.6	3,978.5	726.1	2,907.2
Senior Notes	U.S.\$/Fixed rate	(d)	6.13%	2,397.6	9,600.0	1,181.5	4,730.8
Trade notes discount-Vendor			-	-	-	8.3	33.4
Syndicated Loan	U.S.\$/LIBOR	(e)	3.41%	749.7	3,001.9	496.2	1,986.7
Fund of Investments in Receivables		(h)		5.3	21.4	6.2	24.7
Rural producer certificate	CDI	(g)	7.42%	68.6	274.5	-	-

Property, plant and equipment:	Index	Interest Rate*	September 30,		December 31,	
			2018	2018	2017	2017
			(in millions of U.S.\$) <sup>(1)</sup>	(in millions of R\$)	(in millions of U.S.\$) <sup>(1)</sup>	(in millions of R\$)
Other			7.7	30.9	1.4	5.6
<b>Current Portion (includes interest payments)</b>			421.0	1,685.8	528.2	2,115.1
<b>Non-Current Portion</b>			4,342.6	17,387.9	2,516.7	10,076.8

\* Average Annual Interest Rate as of September 30, 2018

Notes:

- 1) For convenience purposes only, amounts in *reais* for the nine months ended September 30, 2018 and for the year ended December 31, 2017 have been translated to U.S. dollars using a rate of R\$ 4.004 to U.S.\$ 1.00, the commercial selling rate for U.S. dollars at September 28, 2018 as reported by the Central Bank of Brazil. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. As of January 28, 2019, the real/U.S. dollar exchange rate was R\$ 3.768 per U.S.\$ 1.00, based on the selling rate as reported by the Central Bank of Brazil. See “Exchange Rates” for further information about recent fluctuations in exchange rates.
- (a) Transactions subject to TJLP published by the Central Bank of Brazil. If the index rate exceeds 6% p.a., the excess portion is included within the principal and subject to interest.
- (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 order to fund the import of equipment for the pulp production in the unit located in Maranhão, Suzano obtained financing in the amount of approximately U.S.\$ 535 million, with terms of up to 9.5 years, guaranteed by the export credit agencies Finnvera and EKN. These agreements establish covenants related to the maintenance of certain leverage levels, which are verified for compliance twice a year (June and December). As of the date hereof, Suzano met all covenants established in the agreements.
- (d) In the last quarter of 2017, Suzano, through its subsidiary Suzano Trading, repurchased Senior Notes in the amount of U.S.\$ 456 million and, through Suzano Austria GmbH, reopened the issues of Senior Notes in the amount of: i) U.S.\$ 200 million, maturing on July 14, 2026, with interest corresponding to 4.62% p.a., to be paid semiannually, in January and July; and ii) U.S.\$ 200 million, maturing on March 16, 2047, with interest corresponding to 6.30% p.a., to be paid semiannually, in March and September. Additionally, in March 2017, Suzano Austria GmbH, issued U.S.\$ 300 million in Senior Notes due on March 16, 2047, with semiannual interest payments of 7.00% p.a. and final return for investors of 7.38% p.a., and in September 2018, Suzano Austria GmbH issued Senior Notes in the amount of US \$ 1.0 billion, with interest of 6.000% p.a. and maturing in 2029 (Note 1.1 a) i) in our unaudited condensed consolidated interim financial information as of September 30, 2018.
- (e) In February 2018, Suzano, through its subsidiary Suzano Europa, contracted a syndicated loan in the amount of U.S.\$ 750 million, with payment of quarterly interest and amortization of the principal between February 2021 and February 2023. (See note 1.1 a) vii) in our unaudited condensed consolidated interim financial information as of September 30, 2018.
- (f) In the third quarter of 2018, two NCEs were contracted, in the amount of R\$ 1.3 billion, indexed to CDI and maturing in 2026.
- (g) In the third quarter of 2018, a Rural Financial Producer Certificate was contracted, in the amount of R\$ 275 million, indexed to CDI and maturing in 2026.
- (h) See note (7.1) in our unaudited condensed consolidated interim financial information as of September 30, 2018.

Certain financing agreements have financial and non-financial covenants. Financial covenants establish some maximum levels of leverage, normally expressed as a ratio of Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), which are met by Suzano on the date of these financial statements. Non-financial covenants establish the maximum level of assignment of receivables, guarantees to third parties and sale of operating assets, which are also compliant.

## Debt

### Export Financing (Syndicated Loan, Export Financing)

In February 2018, we, through our subsidiary Suzano Pulp and Paper Europe SA, signed a five-year export prepayment agreement in the amount of U.S.\$ 750.0 million, with quarterly interest payments of 1.15% p.a. plus quarterly LIBOR conditioned on Suzano current risk rating. A portion of these funds was used to amortize U.S.\$ 600.0 million of Export Prepayment (EPP) in connection with our liability management strategy.

In February 2018, we settled in advance U.S.\$ 600.0 million of export prepayment agreements signed by our subsidiary Suzano Pulp and Paper Europe S.A.

On September 30, 2018, we had an outstanding balance under the EPP agreement signed in 2011 of U.S.\$ 81.8 million (equivalent to R\$ 327.5 million), with semiannual interest at LIBOR plus 3.55% p.a., maturing in ten years and with semiannual amortizations starting from the ninth installment.

#### *Export Credit Agency (ECA)*

In May 2013, we raised funds through two import financing operations (ECA – Export Credit Agency) for equipment to be installed at the pulp production unit in Maranhão. The total contracted amount is equivalent to U.S.\$ 535.0 million, with maturity of up to 9.5 years and interest at the LIBOR rate plus 1.36% p.a. These agreements have clauses establishing the maintenance of certain leverage levels, which are verified and whose compliance is 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 2017, we met all the established levels. The next calculation will be based on the results of December 2017. On September 30, 2018, the balance was R\$ 918.6 million (U.S.\$ 242.1 million).

Loans from ECAs are guaranteed by the equipment financed by the institution.

#### *Export Credit Notes (NCE)*

In August 2018, we obtained funds from Banco Safra S.A. in the aggregate amount of R\$ 786 million, with R\$ 511 million in the form of NCE and R\$ 275 million in the form of CPR, all maturing in August 2026, with an interest rate of 1.03% p.a. plus CDI, to be paid semi-annually. The net proceeds of the NCE will be used to finance Suzano's exports and the net proceeds of the CPR will be used to finance Suzano's production costs. Suzano has also contracted a cross currency interest rate swap to set the interest cost in US dollars.

In July 2018, we obtained financing through the issuance of an NCE, in the amount of R\$ 770.6 million, maturing 8 years from the issue date and with an interest rate of CDI plus 0.99% p.a., paid semiannually. This agreement is linked to a swap agreement to convert *reais* into U.S. dollars at R\$ 3.8530/U.S.\$ 1.00, and exchange the variable rate for a fixed rate of 5.7050% p.a. plus exchange variation. On July 31, 2018, the outstanding principal balance was R\$ 770.6 million.

In 2016, we carried out four public distributions of Agribusiness Credit Receivables Certificates, guaranteed by the Export Credit Notes (NCE) issued thereby.

The first distribution occurred in April 2016, in the amount of R\$ 600.0 million, with maturity of principal in 2020, semiannual interest payments and interest rate of 98% of the CDI. The second and third distributions in June 2016 were conducted in the total amount of R\$ 300.0 million, as follows: R\$ 200.0 million with maturity of principal in 2018 and R\$ 100.0 million with maturity in 2019, and annual payments of semiannual interest at 97% of the CDI and 97.5% of the CDI, respectively. The fourth distribution occurred in November 2016, in the amount of R\$ 1,000.0 million, with maturity of principal in 2020, semiannual interest payments and interest rate of 96% of the CDI.

In June 2015, we concluded the public distribution of 675,000 Agribusiness Receivables Certificates (CRA) totaling R\$ 675.0 million, with interest rate of 101% of the CDI, semiannual interest payments and maturity of principal in June 2019.

In June 2015, we signed an NCE agreement in the amount of R\$ 331.0 million, with maturity in 2018 and interest rate of 118.90% of the CDI. This agreement is linked to a swap agreement to convert *reais* into U.S. dollars and exchange the variable rate for a variable rate plus spread, with the final cost being six-month LIBOR plus 3.90% p.a. plus foreign exchange currency. On September 30, 2018, the outstanding principal balance was R\$ 169.6 million (U.S.\$ 42.3 million).

In March 2012, we contracted an NCE facility in the aggregate amount of R\$ 274.8 million, with maturity in 2020, interest equivalent to 114% of the CDI to be paid semiannually and amortization of principal in five annual payments from 2016. On September 30, 2018, the outstanding principal balance was R\$ 110.7 million (U.S.\$ 27.6 million).



### *National fixed-interest notes (FINEP – BNB - FNE)*

In August 2012, we signed a financing agreement with *Financiadora de Estudos e Projetos* (FINEP), in the total amount of R\$ 43.0 million at 4.00% p.a., monthly interest rate during the grace period, until July 2014 and principal and monthly interest beginning in August 2014 and final maturity in August 2020.

In October 2014, we signed an industrial financing agreement with Banco do Nordeste (BNB), in the total amount of R\$ 200.0 million at a fixed interest rate of 4.71% p.a. (with the bonus for prompt payments of 15%, the rate is 4.00% p.a.), quarterly interest payments during the grace period, until October 2016 and principal and monthly interest starting in November 2016 and final maturity in October 2024.

In October 2016, we signed an industrial financing agreement with Banco do Nordeste (BNB), in the total amount of R\$ 346.0 million at a fixed interest rate of 10.00% p.a. (with the bonus for prompt payments of 15%, the rate is 8.50% p.a.), quarterly interest payment during the grace period, until December 2019 and the principal and monthly interest starting in January 2020 and final maturity in December 2026. As of September 30, 2018, the amount of R\$ 73.7 million was disbursed and the balance of the agreement may be disbursed until the end of 2019.

### *International fixed-interest notes (Senior Notes)*

#### *Suzano 2021 Notes*

In September 2010, through our subsidiary Suzano Trading Ltd., we raised U.S.\$ 650.0 million in the international capital markets, through the issuance of senior notes due 2021 with an interest rate of 5.875% p.a. On September 30, 2018, the outstanding principal balance was U.S.\$ 189.0 million.

#### *Green Bond Suzano 2026 (“Green Bonds”)*

In July 2016, through our subsidiary Suzano Austria GmbH, we issued Green Bonds in the international market, with a maturity in 2026, a fixed interest rate of 5.75% p.a., in a principal amount of U.S.\$ 500.0 million. We believe our Green Bonds represented a tremendous innovation for the sector, as the issue complied with the Green Bond Principles as defined by the International Capital Market Association (“Green Bond Principles”) and was the first Green Bond Principles-compliant issuance in U.S. dollars in Latin America. The bonds have semiannual interest payments. These funds were used for investments in projects with environmental benefits that contribute to the achievement of our long-term sustainability goals. This transaction is fully guaranteed by Suzano.

In September 2017, through our subsidiary Suzano Austria GmbH, we issued an additional U.S.\$ 200.0 million principal amount of Green Bonds. The funds obtained from the issue were used for investments in projects with environmental benefits already defined in the Green Bond Principles.

#### *Suzano 2047 Bonds (30-year Bonds)*

In March 2017, through our subsidiary Suzano Austria GmbH, we concluded the issue of 30-year bonds in the aggregate principal amount of U.S.\$ 300.0 million in the international markets, with maturity in 2047 and a fixed interest rate of 7.00% p.a. The bonds have semiannual interest payments. This transaction is fully guaranteed by Suzano.

In September 2017, through our subsidiary Suzano Austria GmbH, we issued an additional U.S.\$ 200.0 million principal amount of our 2047 Bonds. In November 2018, we issued another U.S.\$ 500.0 million principal amount of our 2047 Bonds.

#### *Suzano 2029 Bonds (10-year Bonds)*

In September 2018, through our subsidiary Suzano Austria GmbH, we issued an aggregate principal amount of U.S.\$ 1,000.0 million of bonds in the international markets, with maturity in January 2029 and a fixed interest rate of 6.00% p.a. The bonds have semiannual interest payments.

### *BNDES financing*

The Brazilian Development Bank (BNDES) has been an important source of debt financing for our capital investments.

In April 2012, we signed a revolving credit agreement totaling R\$ 1,200.0 million, used to finance current forest and industrial investments, social projects, environmental investments, as well as R&D and Innovation projects between 2012 and 2017. This loan will bear interest indexed to a long-term nominal interest rate, TJLP plus spread, or exchange variation plus spread, or a fixed rate in *reais*.

In May 2018, we signed a revolving credit agreement totaling R\$ 1,500.0 million, used to finance current forest and industrial investments, social projects, environmental investments, as well as R&D and innovation projects between 2018 and 2022. This loan will bear interest, which can be indexed to a long-term nominal interest rate, TJLP plus spread, or exchange variation plus spread, or a fixed rate in *reais*, to be paid every three months during a grace period, then monthly during the amortization period.

Loans from BNDES are guaranteed by mortgage of property, plant and equipment items.

### *Acquisition Financing*

In connection with the Merger, Suzano entered into certain commitment letters with a syndicate of lenders, including BNP Paribas, Coöperatieve Rabobank U.A., JP Morgan Chase Bank, N.A. and Mizuho Bank, Ltd., which acted as lead arrangers on the financing facilities related to the Merger and affiliates of which are the global coordinators and joint bookrunners for the offering of the Notes under this listing memorandum. All of the Initial Purchasers, either directly or through affiliates, will be lenders under these facilities. Subject to the terms and conditions of these commitment letters, the lenders committed to provide (i) U.S.\$ 6.9 billion under the Bridge Loan, and (ii) U.S.\$ 2.3 billion under the EPP and, collectively with the Bridge Loan, the “Facilities.” The lenders’ commitments are subject to certain conditions, including the execution and delivery of the definitive financing documentation for the Facilities. In July 2018, the commitment letters were amended to reduce the aggregate commitments under the Bridge Loan from U.S.\$ 6.9 billion to U.S.\$ 4.5 billion. Effective as of September 27, 2018, the aggregate commitments under the Bridge Loan were further reduced from U.S.\$ 4.5 billion to U.S.\$ 2.3 billion. Effective as of October 30, 2018, the aggregate commitments under the Bridge Loan were further reduced to fully cancel the Bridge Loan, leaving only the EPP remaining in an amount of up to U.S.\$ 2.3 billion. The proceeds of such financing were used to finance part of the cash consideration paid to current shareholders of Fibria, as well as for general corporate purposes, including exports of Suzano. For more information, see “The Merger—Financing Obtained by Suzano for the Merger.”

In June 2018, Suzano also issued debentures in the Brazilian market to finance a portion of the cash consideration for the Merger, with a maturity in 2026, half of the payments in 2025, yield of 112.5% of CDI p.a., in the amount of R\$ 4,681.1 million (U.S.\$ 1,250.0 million). The notes have semiannual interest payments. In October 2018, Suzano also entered into an Advance on Currency Exchange Contract (ACC) to finance the remaining payment, in the amount of U.S.\$ 450 million (equivalent to R\$ 1,801.8 million as of September 30, 2018). Furthermore, the Company obtained U.S.\$ 500.0 million (equivalent to R\$ 1,989.1 million as of September 30, 2018) of Senior Notes issued on November 6, 2018, U.S.\$ 2,300.0 million (equivalent to R\$ 9,209.2 million as of September 30, 2018) under an export prepayment facility, or the “EPP”, and the Company also has credit lines approved with certain financial institutions for the execution of financing agreements in an amount of R\$ 2,119.3 million. In December 2018, in connection with the Merger, we entered into a Term of Commitment to issue debentures in the Brazilian market in the amount of R\$4 billion, maturing in one (1) year as of the issue date. In January 2019, Suzano issued debentures in the Brazilian market pursuant to the Term of Commitment, with a maturity in 2019, yield of 112% of CDI p.a., in the amount of R\$ 4,000.0 million (U.S.\$ 999.0 million). The notes have quarterly interest payments. For more information, see “The Merger—Financing Obtained by Suzano for the Merger.”

### *Covenants*

Currently, only the financing facilities from the Export Credit Agency have financial covenants. The agreements establish minimum interest coverage and maximum leverage ratios measured in December and June each year. At December 31, 2017, we were in compliance with all covenants, which are required under certain long-term borrowings.

## Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of September 30, 2018.

Consolidated	As of September 30, 2018					
	Total Book Value	Total Future Value	Payments due by period			
			Less than 1-year	1 – 3 years	3 - 5 years	More than 5 years
<i>(in millions of R\$)</i>						
<b>Contractual obligations</b>						
Total debt commitments <sup>(a)</sup> .....	23,818.8	38,630.5	2,976.9	2,852.1	10,331.2	22,470.5
Derivative financial instruments .....	3,221.6	3,645.3	2,172.8	647.6	576.9	248.0
Trade accounts payable .....	647.6	647.6	647.6	0.0	0.0	0.0
Operating leases <sup>(b)</sup> .....	-	-	154.5	302.9	276.5	639.9
Purchase obligations <sup>(c)</sup> .....	-	7,959.5	896.8	2,211.8	1,106.0	3,745.0
Others <sup>(d)</sup> .....	1,476.9	1,620.8	955.4	130.0	327.4	208.0
<b>Total</b> .....	<b>29,164.9</b>	<b>52,503.7</b>	<b>7,804.0</b>	<b>6,144.4</b>	<b>12,618.0</b>	<b>27,311.4</b>

- (a) The amounts disclosed below refer to contracted cash flows not discounted and, therefore, may not be reconciled with the amounts disclosed in the balance sheet.
- (b) Includes lease of areas, offices, properties, vehicles, call centers, hardware equipment and installation services.
- (c) Includes land leases and all take-or-pay contracts with transport suppliers, electric power, diesel, gas and chemicals.
- (d) Includes accounts payable for assets acquisitions and others accounts payable.

We guarantee coverage of healthcare costs for former employees, their spouses and dependents while they are minors. As of September 30, 2018, our estimated future obligations amounted to R\$ 357.6 million.

## Research and development, patents and licenses, etc.

For information on research and development, please see “Business – Research and Development.”

## Trends

We do not foresee any significant increase in the worldwide supply of wood pulp for the next 24 months, given that new capacities take at least 30 months to be constructed and we are not aware of any project with significant scale currently being developed. On the demand side, we expect the market to remain at current levels or slightly increase 1.4 million tons of pulp per year, resulting from stronger economic activity and a greater degree of substitution from recycled to virgin fibers and from long to short fibers. Assuming global pulp supply and demand trends during 2018 are in line with expectations, as noted above, we expect pulp prices to remain stable with a potential tendency for increase resulting from the expected growth in demand. However, unexpected shifts in global economic activity could lead to lower demand for pulp, which could have a negative effect on worldwide pulp prices and, accordingly, on our results of operations.

## Off-balance sheet arrangements

We did not have any off-balance sheet arrangements as of September 30, 2018, and we did not have any such arrangements for the year ended December 31, 2017, other than as described in “— Contractual Obligations.”

## Quantitative and Qualitative Disclosure of Market Risks

We are exposed to various market risks, including changes in foreign currency exchange rates, interest rates, correction indexes and prices of commodities that may affect the financial results of Suzano. In order to manage the impacts in the results in adverse scenarios, Suzano has provided procedures for the monitoring of political exposure for the implementation of risk management.

The policies establish the limits and instruments to be implemented with the goal of: (i) protection of cash flow due to currency devaluation, (ii) interest rate exposure mitigation, (iii) reduction in the impacts of commodity price fluctuation and (iv) exchange of debt indexes.

In the process of market risk management, the identification, evaluation and implementation, as well as the contracting of financial instruments for risk protection are performed. The Development Management area accompanies the fulfillment of the limits established in Suzano's policies.

### Exchange Rate Risk

As a predominantly exporting company, our results are exposed to exchange variations. As such, fluctuations in the exchange rate, especially with regards to the U.S. dollars, may impact operating results.

We issue debt securities in the international markets as an important part of the capital structure that is also exposed to fluctuations in the exchange rate. The mitigation of these risks comes from our own exports, which creates a natural hedge. Furthermore, we employ dollar sales in futures markets, including strategies with options, as a way to ensure attractive levels of operating margins for a portion of our income. The sales in futures markets are limited to a percent of the currency over the 18-month horizon and, as such, are dependent on the availability of exchange ready for sale in the short-term.

The net exposure of assets and liabilities in foreign currency, which is substantially in U.S dollars, is set forth below:

	9/30/2018	12/31/2017	12/31/2016
	<i>(in millions of R\$)</i>		
<b>Assets</b>			
Cash and cash equivalents .....	1,307.8	585.5	787.9
Trade accounts receivable.....	1,952.1	1,544.6	932.3
Derivative financial instruments .....	636.6	133.9	444.2
	<u>3,896.5</u>	<u>2,264.0</u>	<u>2,164.4</u>
<b>Liabilities</b> .....			
Trade accounts payables .....	(101.7)	(45.5)	(24.6)
Loans and financing.....	(14,180.6)	(8,616.8)	(9,367.9)
Liabilities for asset acquisitions.....	(337.9)	(332.2)	(354.7)
Derivative financial instruments .....	(3,208.2)	(126.8)	(397.5)
	<u>(17,828.4)</u>	<u>(9,121.3)</u>	<u>(10,144.7)</u>
<b>Liability exposure</b> .....	<u>(13,931.9)</u>	<u>(6,857.3)</u>	<u>(7,980.3)</u>

### Sensitivity Analysis – Foreign Exchange Exposure

For purposes of risk analysis, we use scenarios to evaluate the sensitivity that the variations in active and passive positions, indexed in foreign currency, may suffer. We take as a base case the values recognized in accounting on September 30, 2018 and December 31, 2017 and, from there onwards, appreciations and depreciations are simulated, between 25% and 50%, of the *real* compared to other foreign currencies. The following table shows the probable values and the variations based on them.

	9/30/2018		
	As of	Effect on income and equity	
	Probable	Possible Increase (Δ25%)	Remote Increase (Δ50%)
	<i>(in millions of R\$)</i>		
Cash and cash equivalents .....	1,307.8	326.9	653.9
Trade accounts receivable.....	1,952.1	488.0	976.0
Trade accounts payables .....	(101.7)	(25.4)	(50.8)
Loans and financing.....	(14,180.6)	(3,545.1)	(7,090.3)
Liabilities for assets acquisitions .....	(337.9)	(84.5)	(169.0)
Derivatives Non Deliverable Forward ("NDF").....	(693.5)	(2,903.5)	(5,807.1)
Derivatives Swap.....	(1,072.7)	(2,396.4)	(4,814.7)
Derivatives Options .....	(805.4)	(2,949.9)	(6,210.9)
		<u>(11,090.0)</u>	<u>(22,512.9)</u>

	12/31/2017		
	As of	Effect on income	
	Probable	Possible Increase ( $\Delta 25\%$ )	Remote Increase ( $\Delta 50\%$ )
		<i>(in millions of R\$)</i>	
Cash and cash equivalents .....	585.5	146.4	292.8
Trade accounts receivable.....	1,544.6	386.2	772.4
Trade accounts payables .....	(45.5)	(11.4)	(22.8)
Loans and financing.....	(8,616.8)	(2,154.2)	(4,308.4)
Liabilities for assets acquisitions .....	(332.2)	(83.0)	(166.1)
Derivatives Swap.....	(18.7)	(243.4)	(486.7)
Derivatives Options .....	25.8	(320.2)	(964.5)
		<b>(2,279.7)</b>	<b>(4,883.4)</b>

### Commodity Price Risk

We are exposed to commodity prices reflected primarily in the sale price of cellulose in the international market. Increases and decreases in production capacities in the global market, as well as the macroeconomic conditions may impact our operational results.

It is not possible to guarantee that prices will remain at levels that are beneficial to our results. We may use financial instruments to mitigate the sales price of part of the production, but in certain cases the employment of price protection for cellulose may not be available.

We are also exposed to international oil prices, reflected in the logistical costs of transportation and commercialization.

### Sensitivity analysis – Exposure to Commodity Prices

We did not have open assets indexed to commodities in 2017.

### Derivatives by contract type

As of September 30, 2018, December 31, 2017 and December 31, 2016, the open positions of derivatives negotiated in the over-the-counter market, grouped by class of asset and reference index, are represented below.

Consolidated	Notional value in U.S.\$ millions			Fair value in millions of R\$		
	2018	2017	2016	2018	2017	2016
<b>Cash flow</b>						
<b>Exchange hedge</b>						
Zero-cost collar (R\$ vs. U.S.\$) .....	2,265.0	1,485.0	800.0	(375.5)	25.8	123.1
Fixed Swap (U.S.\$) vs. CDI .....	50.0	50.0	-	(4.1)	5.4	-
Fixed Swap CDI vs. (U.S.\$) .....	-	50.0	-	-	(2.5)	-
NDF (MXN vs. U.S.\$).....	-	-	0.3	-	-	0.1
<b>Subtotal .....</b>	<b>2,315.0</b>	<b>1,585.0</b>	<b>800.3</b>	<b>(379.5)</b>	<b>28.7</b>	<b>123.2</b>
<b>Commodity hedge</b>						
Bunker (oil) .....	-	-	1.5	-	-	2.9
<b>Subtotal .....</b>	<b>-</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>-</b>	<b>2.9</b>
<b>Debt hedge</b>						
<b>Exchange hedge</b>						
Swap CDI vs. Fixed (U.S.\$) .....	801.8	291.7	291.7	(541.4)	(21.6)	0.7
Swap CDI vs. LIBOR (U.S.\$) .....	-	-	150.0	-	-	(157.8)
Swap Fixed (U.S.\$) vs. CDI .....	-	-	29.5	-	-	(5.7)
<b>Subtotal .....</b>	<b>801.8</b>	<b>291.7</b>	<b>471.2</b>	<b>(541.4)</b>	<b>(21.6)</b>	<b>(162.7)</b>
<b>Interest hedge</b>						
Swap LIBOR vs. Fixed (U.S.\$) ....	763.5	19.8	46.3	(2.6)	(1.1)	(3.6)
Swap Coupon vs. Fixed (U.S.\$)....	-	-	220.0	-	-	13.0
<b>Subtotal .....</b>	<b>763.5</b>	<b>19.8</b>	<b>266.3</b>	<b>(2.6)</b>	<b>(1.1)</b>	<b>9.4</b>
<b>Total in derivatives (Cash Flow)</b>	<b>3,880.3</b>	<b>1,896.5</b>	<b>1,539.3</b>	<b>(923.5)</b>	<b>6.0</b>	<b>(27.3)</b>

	Notional value in U.S.\$ millions			Fair value in millions of R\$		
<b>Fibria's operation</b>						
<b>Exchange hedge</b>						
Zero cost collar (R\$ x U.S.\$).....	1,300.0	-	-	(430.0)	-	-
NDF (R\$ x U.S.\$).....	2,900.0	-	-	(689.4)	-	-
<b>Subtotal</b> .....	<b>4,200.0</b>	-	-	<b>(1,119.4)</b>	-	-
<b>Debt hedge</b>						
<b>Exchange hedge</b>						
Swap CDI vs. Fixed (U.S.\$) .....	1,650.0	-	-	(531.3)	-	-
<b>Subtotal</b> .....	<b>1,650.0</b>	=	=	<b>(531.3)</b>	=	=
<b>Interest hedge</b>						
<b>Exchange hedge</b>						
Swap LIBOR vs. Fixed (U.S.\$) ....	2,000.0	-	-	(5.2)	-	-
<b>Subtotal</b> .....	<b>2,000.0</b>	=	=	<b>(5.2)</b>	=	=
<b>Total in derivatives (Fibria's Operation)</b>	<b>7,850.0</b>	-	-	<b>(1,655.9)</b>	=	=
<b>Total in derivatives</b> .....	<b>11,730.3</b>	<b>1,896.5</b>	<b>1,539.3</b>	<b>(2,579.4)</b>	<b>6.0</b>	<b>(27.3)</b>
<b>Current assets</b>				<b>512.9</b>	77.1	<b>367.1</b>
<b>Non-current assets</b>				<b>129.3</b>	56.8	<b>77.0</b>
<b>Current liabilities</b>				<b>(1,944.0)</b>	(23.8)	<b>(250.4)</b>
<b>Non-current liabilities</b>				<b>(1,277.6)</b>	(104.1)	<b>(221.0)</b>
<b>Total</b>				<b>(2,579.5)</b>	<b>6.0</b>	<b>(27.3)</b>

## BUSINESS

### The Issuer

Suzano Austria GmbH, or the Issuer, is a limited liability company incorporated under the laws of Austria on December 8, 1987, registered under registration number FN 62444f with the companies register of the Commercial Court of Vienna, with its corporate seat in Vienna and its business address at 1010 Vienna, Fleischmarkt 1. The Issuer is our wholly-owned trading company, with indefinite term of duration, and its corporate purpose is the acquisition, sale and participation of and in other companies. The Issuer's capital is €36,336.42 and divided into quotas, all held and fully paid in by Suzano.

### History and Development

We are incorporated under the laws of Brazil under the name Suzano Papel e Celulose S.A., as a corporation with unlimited duration. We have the legal status of a *sociedade por ações*, or a stock corporation, under the Brazilian Corporation Law. Our principal place of business is located at Avenida Brigadeiro Faria Lima, 1355, 8th floor, São Paulo, SP, 01452-919, Brazil (telephone: +55 11 3503-9000). Our website address is <http://ir.suzano.com.br>. Investor information can be found on our website under the caption of "Investor Relations." Information contained on or accessible through our website is, however, not incorporated by reference in, and should not be considered a part of this listing memorandum.

Our 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 stationery. 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, according to "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 Companhia Vale do Rio Doce - CVRD (currently Vale S.A.), or Vale, and Companhia Suzano. In 2001, Companhia Suzano acquired all of the shares of Bahia Sul that were previously held by Vale, increasing its ownership interest to 100% of our voting stock and 73% of our total stock. In 2002, Companhia Suzano 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. Concurrent with completion of the exchange offer, Companhia Suzano's share in Bahia Sul's capital stock increased to 93.9%.

In 2004, Companhia Suzano merged into Bahia Sul, with the resulting entity named Suzano Bahia Sul Papel e Celulose S.A. In the same year, we listed our shares on the Level 1 segment of the BM&FBOVESPA (former name of B3), thus guaranteeing transparency in our operations and accountability to our shareholders. In July 2006, our corporate name was changed to our current name, Suzano Papel e Celulose S.A.

In 2012, we completed a R\$ 1.5 billion capital increase through a public offering of new shares in the market. The proceeds of the capital increase were used, in part, to finance the construction of our new pulp production unit in the state of Maranhão, which began operations in March 2013.

In 2015, we announced a new three-pillar business strategy: structural competitiveness, adjacent businesses and reshaping the industry. As part of our structural competitiveness strategy, we announced investments to modernize and increase the capacity of our mills and to increase and locate the forest base closer to our mills. In addition to an expected increase in total production capacity, we believe that these projects have been contributing to an approach focused on cost structure optimization. Our adjacent businesses strategy seeks new uses of our asset base and diversification of our products. In 2015, we commenced the production of fluff pulp and announced investments in lignin and the tissue segment. As part of our strategy to reshape the industry, we explore new paths and seek opportunities for reducing our business exposure to market volatility.

In September 2017, we approved the admission of our shares for trading on the listing segment called *Novo Mercado* of B3, followed by the conversion of the preferred shares issued by us into common shares at the ratio of one preferred share, class “A” or class “B”, for one common share. In addition, we also approved the restatement of our bylaws to adapt them to *Novo Mercado* rules and a change of our methodology to calculate mandatory dividends, also reflecting best corporate governance practices. We concluded the migration to *Novo Mercado* segment of B3 in November 2017.

On March 15, 2018, we entered into a voting agreement with our controlling shareholders, and Fibria’s controlling shareholders, namely Votorantim S.A. and BNDES Participações S.A. - BNDESPAR, by means of which the parties have agreed to exercise their voting rights in order to combine the operations and shareholder bases of Suzano and Fibria through a corporate reorganization.

On January 14, 2019, the Merger was consummated and holders of Fibria Securities at the record date set in accordance with the Merger Agreement and the Fibria Deposit Agreement received Suzano Securities.

Fibria is a corporation (*sociedade por ações*) with unlimited duration, organized under the laws of the Federative Republic of Brazil, with principal place of business at Avenida Brigadeiro Faria Lima, 1355, 8th floor, São Paulo, SP, 01452-919, Brazil, as of December 31, 2018, Fibria’s capital stock was R\$9,740.7 million, divided into 553,733,881 common shares without par value. For further information on Fibria, see Fibria’s filings with the SEC incorporated by reference into this listing memorandum. See “Incorporation of Certain Documents by Reference.”

## **Industry**

Pulp can be either recycled or virgin pulp. Recycled pulp is made from used materials such as printing and writing papers, newsprint, packaging and other types of carton board. Virgin 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 derived from the corresponding raw material as well as the processing system used and whether the pulp will be bleached. Bleached pulp is used for several purposes, including printing and writing, specialty and tissue papers. Unbleached pulp has a brown color and is used in the production of packages, corrugated board, paperboard, packaging papers and bags.

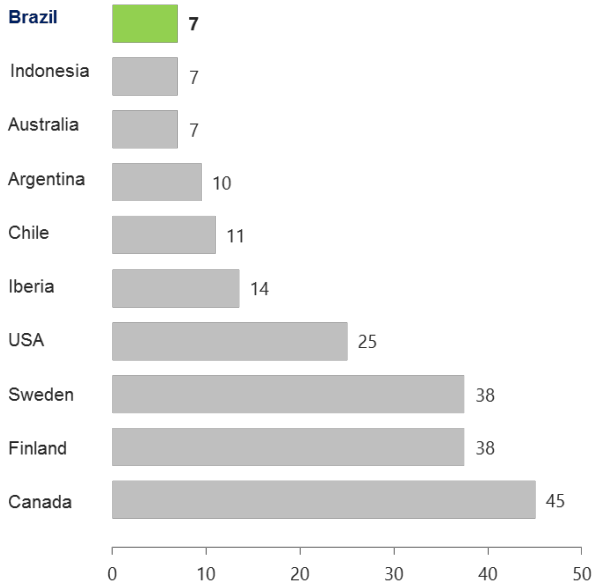
The most common raw material that we use to produce paper is wood pulp. Different tree species yield different fiber characteristics and, consequently, different paper attributes such as strength, softness and opacity.

There are two types of wood 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 paper, tissue paper, specialty papers such as image paper, décor laminate paper as well as packaging paperboard. Short fibers are generally best suited for the manufacture of woodfree 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.

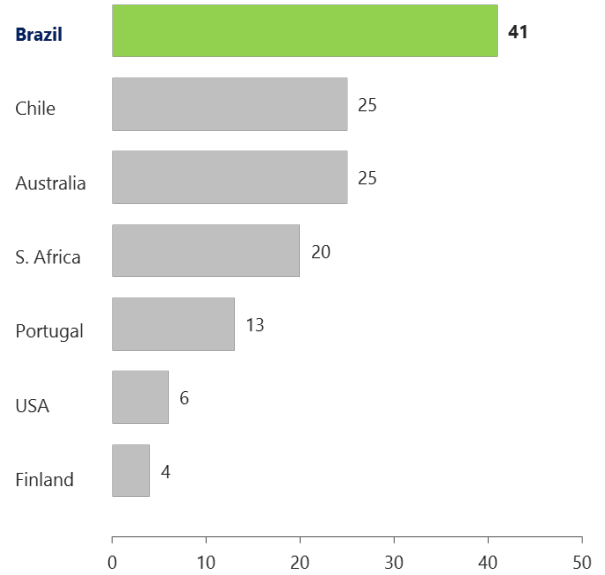
Pulp can be produced by integrated paper producers or by market pulp producers who sell the pulp to nonintegrated or semi-integrated paper producers. In 2016, approximately 36% of global pulp virgin fiber production was “market pulp” (Hawkins Wright – The Outlook for Market Pulp (August 2017)); that is, pulp sold by pulp mills and bought by paper mills. This percentage is increasing due to the expansion of market pulp producers, such as Suzano. We produce only hardwood pulp from our renewable forests of planted eucalyptus trees. 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 than other hardwood trees (seven years in Brazil), higher yield productivity per planted hectare and normally only require a small amount of space between them to grow.



**Tree Harvest (years)**



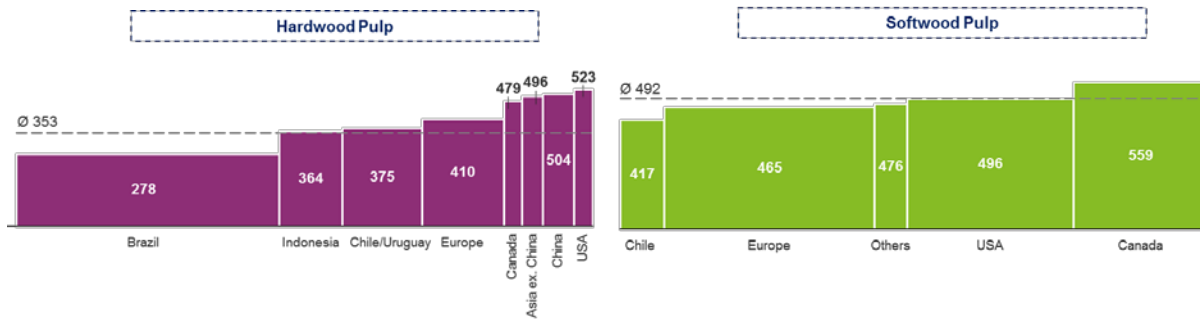
**Hardwood yield (m<sub>2</sub>/ha/yr)**



Source: “LatAm Pulp & Paper, Only a Maintenance Stoppage”, Credit Suisse Equity Research, April 19, 2016.

Brazil’s competitive advantage is driven by the fact that Brazil has the fastest tree growth rates in the world and the highest productivity rate. Thus, Brazilian pulp producers have the lowest production cost in the global market.

**Cash cost 2017 – CIF Europe (USD/ton)**

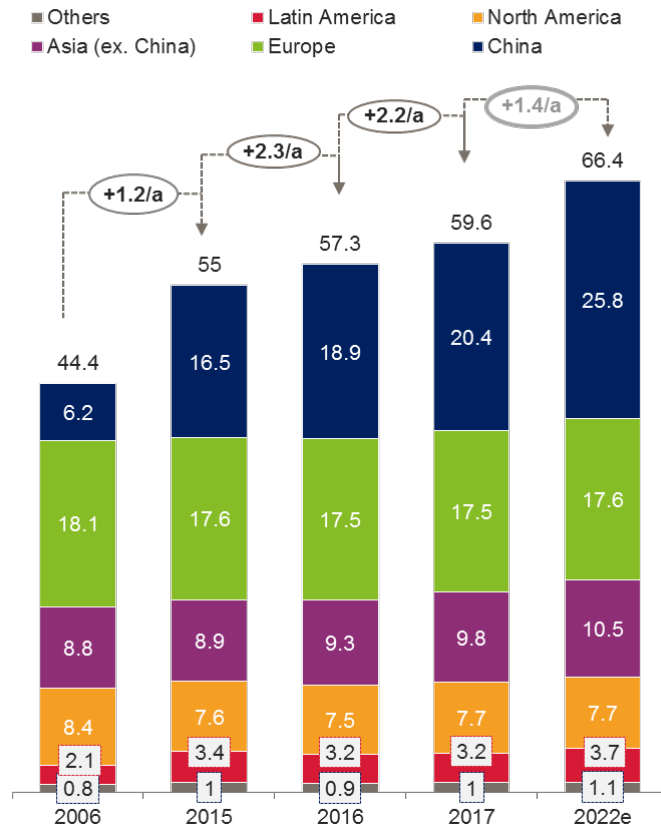


Source: Hawkins Wright, 2018, Suzano and Fibria.

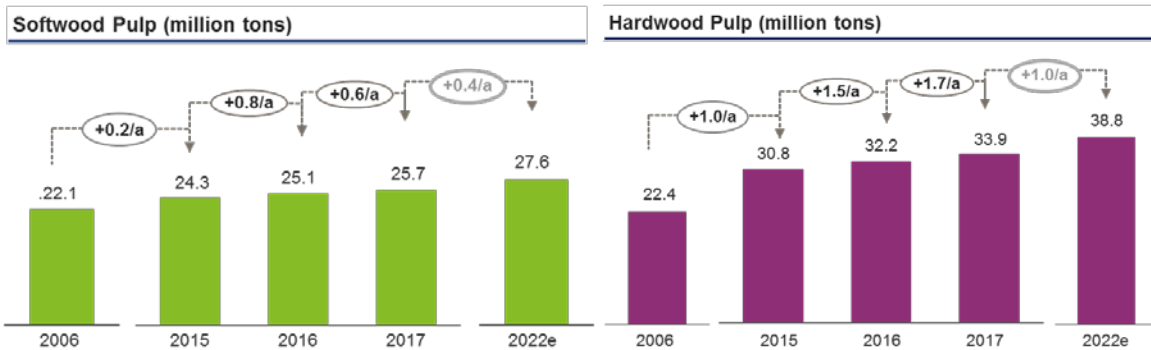
The key drivers of global virgin pulp demand growth are packaging, tissue and special paper. These grades presented CAGR from 2005 to 2016 of 2.7%, 3.5% and 1.1% respectively.

Paper consumption in China has been the main driver of demand growth over the past years. According to PPPC, global demand for pulp (including softwood pulp and hardwood pulp) and for tissue is expected to continue increasing in the following years.

### Global pulp demand by region (million tons)

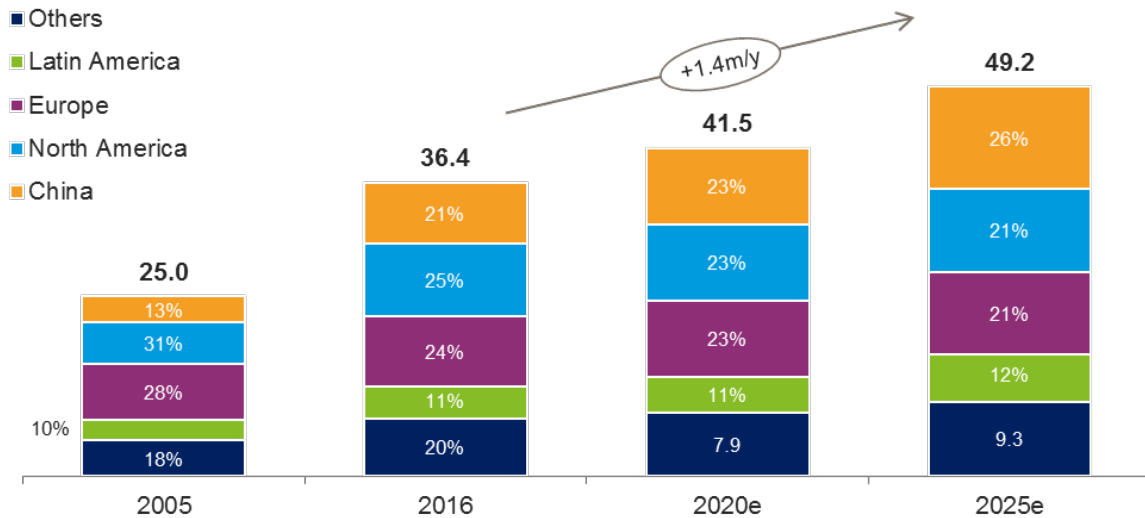


Source: Pulp and Paper Products Council – PPPC Special Research Note (SRN) as of March 2018.



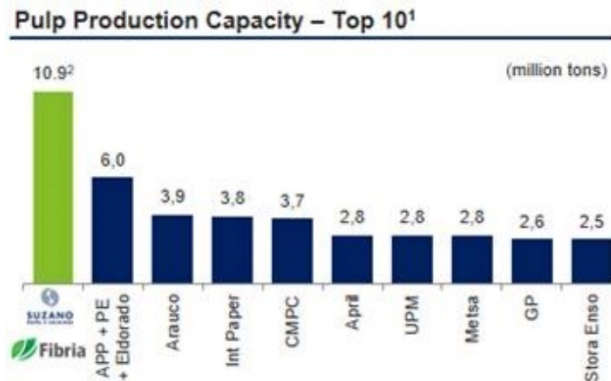
Source: Pulp and Paper Products Council – PPPC Special Research Note (SRN) as of March 2018.

## World Tissue Demand Projection (million tons)

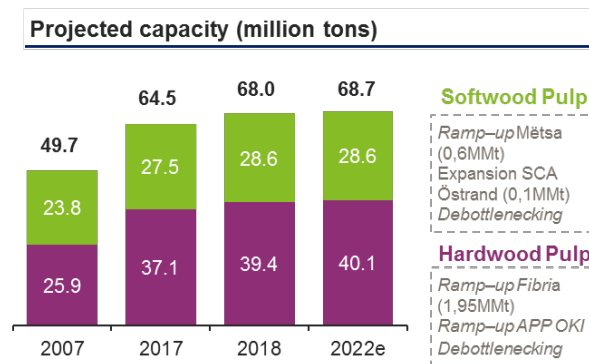


Source: RISI, Outlook for Tissue Business 2016.

According to Hawkins Wright, Suzano and Fibria are among the top 10 market pulp producers in terms of capacity, with a combined 10.9% market share. Our projected capacity is expected to increase, with relatively stable production costs.



Source: Hawkins Wright, 2018, Suzano and Fibria.



Source: Hawkins Wright, 2018.

## Capital Expenditures

Our principal capital expenditures are made in industrial and forestry maintenance, and investment projects related to our structural competitiveness and adjacent business strategy. For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Sources and Uses of Funds—Capital Expenditures.”

## Overview

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

We are the second largest producer of eucalyptus pulp in the world and the fifth largest producer of market pulp in the world, 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 38% of the printing and writing paper and 26% of the paperboard produced in Brazil in 2017.

Our structure includes administrative offices in Salvador and São Paulo, two integrated pulp and paper production facilities in the state of São Paulo (Suzano and Limeira Units), a non-integrated paper production facility in the state of São Paulo (Rio Verde Unit), an integrated pulp, paper and tissue facility in the state of Bahia (Mucuri Unit), an integrated pulp and tissue facility in the state of Maranhão (Imperatriz Unit), and FuturaGene, a biotechnology research and development subsidiary. We own one of the largest distribution structures for paper and graphic products in South America.

Our eucalyptus pulp production satisfies 100% of our requirements for paper production, and we sell the remaining production as market pulp. As of December 31, 2017, our total eucalyptus pulp installed production capacity was 4.6 million tons per year, and our total sales volume was 4.8 million tons, of which 3.6 million tons were sold as market pulp and the remainder was used for the production of 1.2 million tons of paper and paperboard.

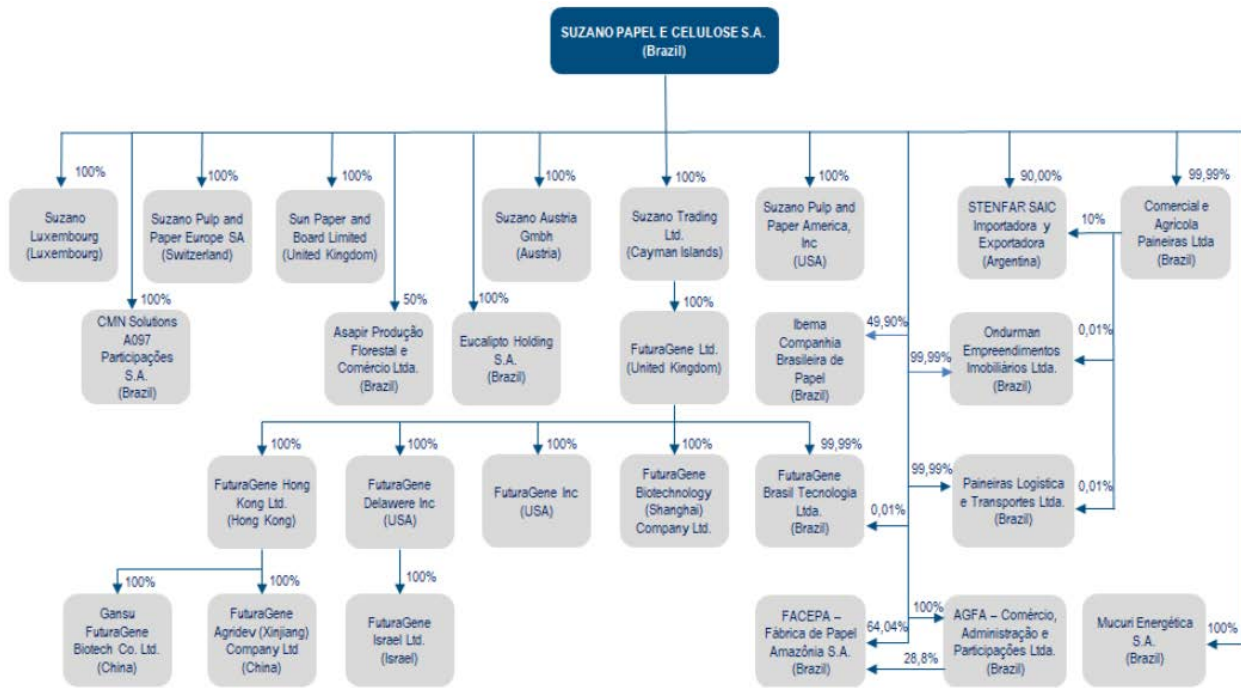
In 2015, we announced a R\$ 30 million investment to adapt one of the printing and writing machines in the Suzano Unit for the production of fluff pulp, and, as a result, we believe we became a pioneer in the use of hardwood for the production of this type of pulp. Operations started in December 2015, 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 190 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 74 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 184 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 the B3 (*Brasil, Bolsa, Balcão*), which demands high levels of corporate governance. Our shares are also listed and traded (in the form of ADRs) on the New York Stock Exchange.

## Our Corporate Structure

The following shows our corporate structure as of September 30, 2018.



Following the completion of the Merger, Fibria became our direct wholly owned subsidiary. We currently intend to merge Fibria into Suzano as soon as practicably possible, subject to receipt of the requisite regulatory and other approvals and completion of required procedures customary for such a transaction.

## ***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 coated and uncoated printing and writing paper, paperboard, tissue paper, market pulp and fluff pulp. 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 year ended December 31, 2017, no single customer accounted for more than 15.0% of our consolidated net sales revenue.

### ***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 de-bark 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, targeting of a competitive supply of wood through long-term planning and development and application of genetic improvements. As of December 31, 2017, we owned or leased approximately 1.2 million hectares of land, of which approximately 587 thousand hectares were used for eucalyptus cultivation and the balance for forestry reserves, ensuring compliance with Brazilian law that determines the percentage of area required 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: favorable topographic, climate and soil conditions in the regions of Brazil where we operate; advanced genetic improvement and harvesting technology; low average distances between our planted forests and mills, which are among the shortest in the world; our clone selection system, which improves our forests' yield and industrial performance, integrating our forestry and industrial activities; and our advanced techniques to maximize soil potential, such as mosaic plantation and minimum environmental impact cultivation techniques. Together, these factors enable us to enjoy: a high and increasing average volume of wood per planted hectare; a higher concentration of fibers per ton of harvested wood; the sustainable development of our operations; relatively low operating costs; and 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 de-barked, 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 our elemental chlorine free 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 production facilities 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 our Mucuri Unit, Limeira Unit, Suzano Unit and Rio Verde Unit; (ii) coated woodfree printing and writing paper at our Suzano Unit and Limeira 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**

#### ***Pulp Production***

We produce eucalyptus pulp to supply our paper production operations and for sale as market pulp. We produced 3.5 million tons, 3.5 million tons and 3.4 million tons of market pulp in 2017, 2016 and 2015, respectively. Our pulp production in the years ended December 31, 2017, 2016 and 2015 accounted for 18.2%, 18.5% and 19.6%, respectively, of the total pulp produced in Brazil during these periods, 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, 2017, 2016 and 2015.

	For the year ended December 31,		
	2017	2016	2015
	<i>(in thousands of tons, except %)</i>		
Our total pulp production .....	3,541	3,473	3,373
Total Brazilian hardwood pulp production .....	19,492	18,773	17,214
<b>Total Brazilian production (%)</b>	<b>18.2</b>	<b>18.5</b>	<b>19.6</b>

### *Pulp Sales*

In the years ended December 31, 2017, 2016 and 2015, we sold 3.6 million tons, 3.5 million tons and 3.3 million tons of pulp as market pulp respectively, 10.3%, 11.7% and 13.9% of which was sold in the domestic market and 89.7%, 88.3% and 86.1% 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 year ended December 31,		
	2017	2016	2015
	<i>(in tons)</i>		
<b>Our pulp sales volume</b>			
Domestic .....	373,873	412,630	456,044
International .....	3,240,992	3,117,486	2,835,244
<b>Total .....</b>	<b>3,614,865</b>	<b>3,530,116</b>	<b>3,291,288</b>

### *Pulp Exports*

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

Pulp net sales by geographic region	For the year ended December 31,					
	2017		2016		2015	
	R\$ (million)	Total (%)	R\$ (million)	Total (%)	R\$ (million)	Total (%)
<b>Brazil .....</b>	<b>624.3</b>	<b>9.0</b>	<b>703.8</b>	<b>11.5</b>	<b>820.8</b>	<b>12.5</b>
Asia .....	2,976.5	43.0	2,502.3	40.7	2,664.5	40.5
Europe .....	2,262.2	32.7	1,962.5	31.9	2,101.0	32.0
North America .....	966.8	14.0	898.4	14.6	883.4	13.4
Others .....	90.7	1.3	77.0	1.3	102.3	1.6
<b>Exports .....</b>	<b>6,296.2</b>	<b>91.0</b>	<b>5,440.3</b>	<b>88.5</b>	<b>5,751.2</b>	<b>87.5</b>
<b>Total .....</b>	<b>6,920.5</b>	<b>100.0</b>	<b>6,144.1</b>	<b>100.0</b>	<b>6,572.0</b>	<b>100.0</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. 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. 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 paper imparts 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.

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

Paper net revenues by geographic region	For the year ended December 31,					
	2017		2016		2015	
	R\$ (million)	Total (%)	R\$ (million)	Total (%)	R\$ (million)	Total (%)
<b>Brazil</b>	<b>2,597.8</b>	<b>71.0</b>	<b>2,572.4</b>	<b>69.6</b>	<b>2,278.1</b>	<b>63.5</b>
Central and South America (1)	608.4	16.6	568.3	15.4	648.6	18.1
North America.....	255.0	7.0	327.7	8.9	365.7	10.2
Europe.....	139.6	3.8	143.0	3.9	144.0	4.0
Others.....	59.4	1.6	83.6	2.3	153.7	4.2
<b>Exports.....</b>	<b>1,062.4</b>	<b>29.0</b>	<b>1,122.6</b>	<b>30.4</b>	<b>1,312.0</b>	<b>36.5</b>
<b>Total.....</b>	<b>3,660.2</b>	<b>100.0</b>	<b>3,695.0</b>	<b>100.0</b>	<b>3,590.1</b>	<b>100.0</b>

(1) Excludes 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. 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 portfolio of paper clients improves our credit risk performance due to lower correlation between 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, since production capacity slowly adjusts to changes in demand. Therefore, we can expect seasonal changes in paper net revenues in Brazil depending on such factors. 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 paper are economic activity, ability to expand production and fluctuation in exchange rates.

Nevertheless, seasonality has not caused significant impacts on us over the 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 December 31, 2017, we owned or leased a total of approximately 1.2 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 2017, 71.0% 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 at the Mucuri Unit through optimization of steam generation in boilers. This additional volume, added to the surplus energy generated by the Maranhão Unit, almost meets our demand for energy for our paper factories. The missing volume is purchased on the energy market in long and short-term contracts according to our strategy and price attractiveness.

### ***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 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, 2017, 2016 and 2015, logistics costs accounted for 14.9%, 14.4% and 14.0% 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 190 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 distance of 74 kilometers from our planted forests and is 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 184 kilometers from the port. The proximity of our forests, factories, domestic clients and ports allows 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, 2017, 2016, and 2015, 69.5%, 66.7% and 69.5%, 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 to ensure 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 on 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 2017, 71.0% 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 distributors for our paper and graphic products, one in Brazil and one in Argentina, Stenfar S.A.I.C. Importadora y Exportadora and 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 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 is a company-owned distributor of paper and computer supplies operating in Argentina through which we conduct such distribution operations. Stenfar has been operating for more than 58 years and has an important and active presence in the market. Stenfar has three subsidiaries in Buenos Aires, Córdoba and 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 distribution, we believe Stenfar is one of the largest distributors in its market in the area.

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, enlarging our network and directly benefiting 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. The top 20 producers currently 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 production costs low, maintaining long-term contracts with our customers and vertically integrating our operations.

For the year ended December 31, 2017, of our total net revenues from sales of paper, 16.6% came from South and Central American clients (excluding Brazil), making up more than half of our total net revenues from exports to foreign markets. Our net revenues from sales of paper within the Brazilian domestic market constituted 71.0% of our total net revenues from sales of paper for the year ended December 31, 2017. Of our total net revenue for paper exports, revenue from South and Central American sales (excluding Brazil) represented 57.3%, 50.6% and 49.4% of our total net revenues from exports of paper in 2017, 2016, 2015, respectively. Revenue from European

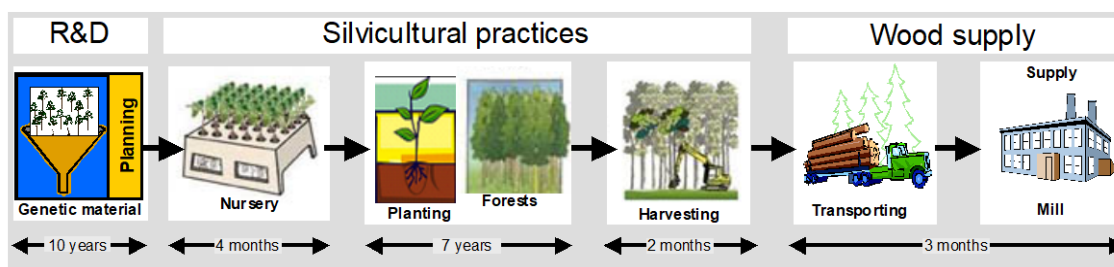
sales represented 13.1%, 12.7% and 11.0% of our total net revenues from exports of paper in 2017, 2016, 2015, respectively, and revenue from North American sales represented 24.0%, 29.2% and 27.9% of our total net revenues from exports of paper in 2017, 2016, 2015, respectively.

## Property, Plant and Equipment

### *Eucalyptus Planted Forests*

#### *General*

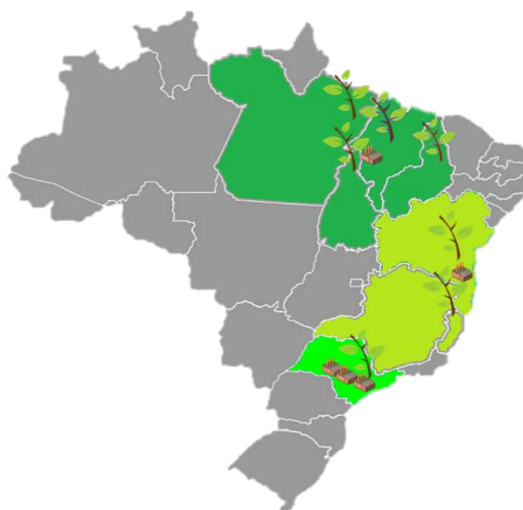
One of our greatest strengths is that we are a fully integrated low-cost producer of pulp and paper. That is due, in part, to the low cost of cultivating and processing eucalyptus trees compared to other species. As shown in the illustration below, the short growth cycle of our eucalyptus trees — seven 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 planted eucalyptus forests as of December 31, 2017:

<b>Location</b>	<b>Total Area Owned</b> <i>(thousand hectares)</i>	<b>Planted Area</b> <i>(thousand hectares)</i>
States of Bahia, Espírito Santo and Minas Gerais .....	279	196
State of São Paulo .....	193	132
States of Tocantins, Maranhão, Pará, and Piauí.....	730	258
<b>Total</b> .....	<b>1,203</b>	<b>587</b>



## *Map of location of 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: two integrated pulp and paper production facilities in the state of São Paulo (the Suzano and Limeira Units), a non-integrated paper production facility in the state of São Paulo (the Rio Verde Unit), an integrated pulp, paper and tissue facility in the state of Bahia (the Mucuri Unit); and an integrated pulp and tissue facility in the state of Maranhão (the Imperatriz Unit). The following table identifies our pulp and paper mills and sets forth the nominal capacity of and the products produced at each mill, as of December 31, 2017.

<b>Unit/Location</b>	<b>Major Products</b>	<b>Production Capacity (thousand tons/year)</b>
Mucuri Unit — Bahia	Integrated Pulp	200
	Market Pulp	1,480
	Paper	250
	Tissue	60
Suzano Unit — São Paulo	Integrated Pulp	450
	Market Pulp	70
	Fluff <sup>1</sup>	100
	Paper <sup>1</sup>	550
Limeira – São Paulo	Integrated Pulp	290
	Market Pulp	400
	Paper	400
Rio Verde — São Paulo	Integrated Pulp	-
	Market Pulp	-
	Paper	50

Imperatriz Unit	Integrated Pulp	60
	Market Pulp	1,590
	Paper	-
	Tissue	60
Facepa <sup>2</sup>	Integrated Pulp	-
	Market Pulp	-
	Tissue	50

<sup>1</sup> Flexibility to produce either fluff pulp or printing and writing paper.

<sup>2</sup> Facepa figures were consolidated in Suzano's figures as of September 30, 2018.

For the year ended on December 31, 2017, our facilities had produced 3.5 million tons of total market pulp and approximately 1.2 million tons of paper. The following table sets forth our total pulp and paper production for the periods indicated:

Production	2017	2016	2015
		<i>(in thousand tons/year)</i>	
Market Pulp.....	3,541	3,473	3,373
Paper.....	1,157	1,182	1,209
<b>Total production.....</b>	<b>4,698</b>	<b>4,655</b>	<b>4,582</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 a 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 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*).

Our main industrial research focuses on new applications for eucalyptus fiber. An example of this platform was the launch of our innovative Eucafluff in November 2015, which was the first application of eucalyptus fiber for market fluff. Regarding bio-refinery platform, we began 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 thousand tons/year. This will be the first eucalyptus lignin plant in the world.

In 2015, we 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 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, which allows for more production with fewer resources.

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

## **Environmental Matters**

### ***General***

We are committed to produce 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, preserving 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 International Organization for Standardization 14001 (ISO 14001) certification for our planted forests in the State of Bahia. Our forests are also certified by the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC). Our environmental protection investments in 2017 totaled R\$ 76.2 million in respect of our industrial units and R\$ 13.0 million in respect of our forestry units. Our environmental policy seeks to:

- contribute to social and economic development while supporting environmental protection by the adoption of innovative management procedures and remaining 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 sustainable atmospheric and soil conditions and biodiversity conservation in the areas in which we operate; and
- extend and share our preservation and sustainable management programs among our community and organized sectors of society.

We are also committed to respect and preserve the environment, through reducing our consumption of natural resources and mitigating the impacts of our activities. At the forestry unit, R\$ 27.2 million have been 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 2017, costs incurred for compliance with environmental law were approximately R\$ 11.0 million. We have the ISO 14001 certification, which attests to our environmental management system, at all our industrial units, and our 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/PEFC (Program Endorsement Forest Council) 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.



Our environmental commitments are also supported and monitored by relevant organizations and coalitions, including the Global Pact for the Environment, the *Fundação Getúlio Vargas /Centro de Estudos em Sustentabilidade* (FGV-CES) and *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 knowledge on sustainability, including the World Wildlife Fund-Brazil, the World Wildlife Fund / New Generation Plantation, The Nature Conservancy, CI (International Conservation), The Forest Dialogue, *Diálogos Florestais Nacionais* (Brazilian Forest Dialogue), *Fórum Florestal* (Forest Forum), IBÁ (Brazilian Tree Industry Association), *Instituto Ethos* (Ethos Institute), the Brazilian Corporate Council for Sustainable Growth (*Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável*) and the GHG Protocol Brazil.

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 share knowledge and practices that contribute to creating a culture of sustainability. In 2017, we invested R\$ 3.5 million on its maintenance.

### **Water**

Our proactive management of water use and reuse utilizes tools and technologies that allow 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.

In 2017, we leveraged our initiatives through important partnerships such as The Nature Conservancy, the world's largest environmental organization. Through the “*Nascentes do Rio Mucuri Project*”, we commenced activities aimed at promoting the sustainability of the river, as well as encouraging initiatives to protect natural springs and restore native vegetation. The region chosen for this work has Atlantic Forest remnants, one of the most biodiverse biomes on the planet, and currently occupies only 12% of its original area in Brazil.

We also invested in the installation of new equipment and processes, such as the new effluent treatment station (using activated sludge technology, which reduces the organic load launched in the Mucuri River) in Mucuri. On this project alone, we invested over R\$ 100.0 million as a demonstration of our strong commitment for a better and more sustainable environment.

### **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 our 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 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.

In respect of residues and effluents from our industrial units, we carry out a broad management program aimed 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.

## ***Biodiversity***

Our forestry practices reflect our concern for biodiversity, from planning to implementation. Today we plan and implement our forest management operations using the 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 preservation of fauna and flora. 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 fertility and protecting against erosion). This model provides a suitable environment for conserving and maintaining biodiversity.

We reserve approximately 44.7% of our total land, or 538,168 hectares as environmental preservation areas. This total includes permanent preservation areas (i.e. riparian forests), legal reserves, high-value conservation areas, and other natural areas dedicated to environmental preservation, which exceed the requirements set by Brazilian law and global practice in the pulp and paper industry. 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.

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 strategies for conserving biodiversity. We also continued our partnership with World Wildlife Fund-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 (“GHG”) emissions, consisting of pillars of quantification, reduction and compensation.

In 2008, as one of the founding members, we began a partnership with 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).

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, increase environmental gains and meet the demands of customers, investors and consumers.

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.

In order to act more strategically, in 2017 we resumed our life cycle analysis studies and began a low carbon strategic assessment. This study seeks to identify and analyze the main value attributes that connect climate change to competitive management, as well as producing strategic guidelines for our climate governance.

We have also adopted a policy to reuse the energy resulting from our production process. Our industrial units produce a significant portion of their energy requirements, and currently approximately 85% comes from renewable fuels (such as black liquor and biomass), and the remaining 15% 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, currently both units are selling energy to the grid. In 2016 and in 2017, we added 700,000 MWh and 689,000 MWh to the public grid, respectively.

## ***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 that cause actual or potential pollutants, that use natural resources or that, in any manner, result in environmental degradation are subject to prior environmental licensing requirements. This procedure is necessary both for the initial installation of the facility and for any expansion 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 a strategic interest (such as nuclear plants or indigenous 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*), or COPAM and the State Foundation for the Environment (*Fundação Estadual do Meio Ambiente*), or FEAM, in the State of Minas Gerais; (iii) the State Council for the Environment (*Conselho Estadual de Meio Ambiente*), or CEPRAM 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 SMA, in the State of Maranhão; (vi) the Nature Institute (*Instituto da Natureza*), or NATURANTINS, in the State of Tocantins; and (vii) the State Secretariat for the Environment and Water Resources (*Secretaria Estadual de Meio Ambiente e Recursos Hídricos*), or SEMAR, in the State of Piauí.

The preparation of an environmental impact study and its corresponding environmental impact report, or EIA/RIMA, is required for purposes of licensing activities with significant environmental impact. In any such event, investments are required in order to compensate for negative environmental 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 reserve (*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 up 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 severe 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 of violations of Brazil’s environmental laws or policies.

## **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 multipurpose 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®, Suzano Pulp®, EucaFluff and Max Pure® and Mimmo®.

### ***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 the lanes between our production units of eucalyptus trees unobstructed, 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 December 31, 2017, we employed a total of 7,830 employees, distributed as follows:

	<u>As of December 31, 2017</u>
Management .....	577
Specialists/Engineers .....	1,060
Administrative .....	1,096
Operations .....	5,097
<b>Total .....</b>	<b><u>7,830</u></b>

As of December 31, 2017, we used 12,221 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 50.1% of the workers employed by third parties work in our forestry operations, 49% in our industrial operations and the remaining in other operational and administrative functions. In the years of 2015, 2016 and 2017, the number of accidents in our facilities have been decreasing, amounting to 98, 87 and 66, respectively.

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, meal vouchers, cafeteria, food vouchers, transportation vouchers, Christmas food basket or voucher, toys or toy vouchers for employees with children up to 12 years old, educational support for our employees’ children, support for our employees with children with special needs, payroll loans, private pension plan and awards for period of service.

The compensation of the members of our board of directors and board of executive officers is determined annually at our ordinary 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 26, 2018 approved the global compensation for the members of our board of directors, fiscal council and board of executive officers for the fiscal year of 2018 in the amount of up to R\$ 60.4 million. For more information on the compensation of Suzano's board of directors, board of executive officers and fiscal council, see "Management–Compensation."

### ***Phantom Shares Plan***

Our phantom shares plan 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. The phantom shares vest within three years of working at Suzano; after such period, they can be redeemed by the executive 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.

### ***Stock Option Plan***

On August 29, 2008, our shareholders approved our share-based payment plan, establishing the main terms regarding stock options for the acquisition of our class A preferred shares for our officers, directors and other employees. The terms and conditions to grant such stock options were approved by the board of directors, assisted by a special committee. The options granted under such plan may not exceed 2% of our paid in capital stock. Certain executives currently receive part of their compensation pursuant to this share-based payment plan.

On January 18, 2013, 9 million stock options were granted, divided into five tranches of 1,800,000 options each. The vesting period for each of the tranches depends on the performance of the beneficiary during the vesting period, meaning that such vesting period can be anticipated if the relevant performance goals are achieved.

The options are vested as follows: (i) the first tranche is vested within 24 months, and may have vesting reduced to 12 months; (ii) the second tranche is vested within 36 months, and may have vesting reduced to 24 months; (iii) the third tranche is vested within 60 months, and may have vesting reduced to 36 months; (iv) the fourth tranche is vested within 72 months, and may have vesting reduced to 48 months; and (v) the fifth tranche is vested within 84 months, and may have vesting reduced to 60 months. Once the options are vested, the beneficiary has 90 days to exercise the options.

On November 10, 2017, we converted our class A preferred shares into common shares, as approved by the shareholders on September 29, 2017 by both the extraordinary general shareholder meeting and the special class A shareholder meeting.

### ***Share Appreciation Rights Plan***

Since 2014 we make available to certain of our executives and employees a Share Appreciation Rights Plan, under which the payment, in cash, is linked to the price of our shares. The difference between this plan and the Phantom Shares Plan is the fact that there is a minimum appreciation requirement for vesting.

The options have an exercise price (or minimum level of share appreciation) that represents the average of the last 90 trading days prior to the grant date. The plan is composed of one tranche with a vesting period ending three years after the grant and maturing six months after the end of the vesting period. After 5 years, the options are exercised automatically.

The beneficiary is invited to participate in the plan. The acceptance by the beneficiary requires the investment of an amount equivalent to 5% of the grant at the date of the grant, and 20% at the end of the vesting period, which must be deposited in our bank account.

The beneficiary's gain varies depending on the performance of our shares and may vary up to 25% more depending on the relative performance of our shares and the competing shares. 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%.

## **Material Agreements**

### ***Financing Agreements***

For a description of the main agreements comprising our short and long-term indebtedness as of September 30, 2018, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Sources and Uses of Funds—Indebtedness."

## **Legal and Administrative Proceedings**

### ***Overview***

We are party to a large 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.

### ***Tax Proceedings***

As of September 30, 2018, we were involved in approximately 647 administrative and judicial tax-related proceedings, 323 as defendants and 324 as plaintiffs. These claims involve matters of Social Integration Program (*PIS*), Tax for Social Security Financing (*COFINS*), tax on manufactured products (*IPI*), 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 (*INSS*).

As of September 30, 2018, we had provisions of R\$ 298.7 million related to tax 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\$ 1,051.3 million. As of September 30, 2018, there are no provisions accrued regarding such claims.

As of September 30, 2018, 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 with the likelihood of loss probable or possible).

### ***Labor Proceedings***

As of September 30, 2018, we were involved in 3,559 labor proceedings and we had provisions in a total amount of R\$ 49.1 million for probable losses in connection with 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 R\$ 47.6 million, and, as of September 30, 2018, 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-party employees claiming that we are secondarily or jointly liable for compensation owed to them by their original employers.

We are the defendant in six material labor claims, of which (i) four were 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, and (ii) two were filed by the Labor Public Prosecutors' Office, discussing allegedly outsourcing irregularities.

As of September 30, 2018, the total amount under dispute in three of the material labor claims filed by employees' representative unions was approximately R\$ 32.3 million. For one of these claims, we provisioned the amount of R\$ 4.5 million, which we classify as probable loss. For the other two claims, the amount under dispute is approximately R\$ 23.2 million, which we classify as possible loss and, as such, we had no provisions in connection with these two proceedings. With respect to the fourth claim filed by employees' representative unions, we have no estimated amount under dispute and we classify the risk of loss as possible.

With respect to the two labor claims filed by the Labor Public Prosecutors' Office, we classify the risks associated with these claims as possible. As of the date of this listing memorandum, it is not possible to determine the amount under dispute, since these actions are in their early stages and there are no reliable and objective parameters available to estimate the amount under dispute.

### ***Civil Proceedings***

As of September 30, 2018, we were involved in 464 judicial civil proceedings. We had provisioned R\$ 3.8 million 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\$ 107.1 million. 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 acknowledge having 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 for a period of time. We are waiting for the superior 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 a specialist, 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.

In addition, we are involved in a dispute related to possible environmental damage in Cubatão, a city in the State of São Paulo, allegedly caused by Cia Santista, a company that was acquired by Ripasa, which in turn was acquired by Suzano in 2008. This lawsuit has lasted for over 30 years and involves 46 other companies. The lawsuit is a dispute seeking reparation for the environmental damage to Serra do Mar's State Park (an especially protected area) allegedly caused by several companies that maintained activities in the industrial district of Cubatão until the 1990s.

On September 2017, the lawsuit was ruled in favor of the plaintiff, sentencing the defendant companies to recover the damages allegedly caused or, should the environment be already recovered, to pay a compensation of equal value of the cost of the recovery. This compensation would be allocated to expand Serra do Mar's State Park. The ruling, however, did not determined the amount that should be paid as compensation, leaving the definition of this value to a latter procedural stage.

This ruling was contested by the companies by means of *Embargos de Declaração*, appeals that aimed to obtain reconsideration of the decision from the Judge. These appeals were rejected in January 2018. The companies



then appealed to the State Supreme Court. As of the date of this listing memorandum, a ruling on this appeal remains pending.

***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 an investigation of which we have not yet been notified, or that we will not face potential lawsuits, 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 by our executive officers. The address of our management is Avenida Brigadeiro Faria Lima, 1355, 9th Floor, São Paulo, State of São Paulo, Brazil.

### Board of Directors

Our board of directors (*conselho de administração*) 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 whenever called by its chairman, any of its vice-chairmen or our chief executive officer. Currently, our board of directors consists of eight members, four of which are independent members. Under the provisions of the *Novo Mercado*, at least 20% of the members of our board of directors must be independent directors, as defined under Brazilian law. 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	62	President	April 26, 2018	2020
Claudio Thomaz Lobo Sonder	76	Vice-President	April 26, 2018	2020
Daniel Feffer	59	Vice-President	April 26, 2018	2020
Antonio de Souza Corrêa Meyer	72	Member	April 26, 2018	2020
Jorge Feffer	58	Member	April 26, 2018	2020
Nildemar Secches	70	Member	April 26, 2018	2020
Rodrigo Kede de Freitas Lima	46	Member	April 26, 2018	2020
Maria Priscila Rodini Vansetti Machado	60	Member	April 26, 2018	2020

(1) The term of the mandates of our elected directors shall terminate on the date of our annual general shareholders' meeting in charge of evaluating our financial statements for the year ended December 31, 2019.

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

**David Feffer.** Mr. Feffer has served as chief executive officer of Suzano Holding S.A. since 2003, and currently serves as the chairman of our board of directors, a member of our Sustainability and Strategy Committee and as the coordinator of our Management Committee. In 2001, Mr. Feffer became a member the board of directors and chief executive officer 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 chairman of the Directors' Committee of the School ALEF-Peretz and a member of the following social and cultural organizations: member of the Decision-Making Committee of the Israelita Albert Einstein Hospital (*Associação Beneficente Israelita Brasileira Hospital Albert Einstein*); vice-chairman of the Directors' Committee and chairman of the senior board of Ecofuturo Institute – Future for Sustainable Development (*Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável*); and chairman of the board of curators and vice-chairman of the executive board of the Arymax Foundation (*Fundação Arymax*). Mr. Feffer attended specialization courses at Harvard Business School, Columbia University, the Aspen Institute, Singularity University, Stanford University and IMD in Switzerland.

**Claudio Thomaz Lobo Sonder.** Mr. Sonder currently serves as vice-chief executive officer, vice-chairman of the board of directors of Suzano Holding S.A., coordinator of our Sustainability and Strategy Committee, member of our fiscal council and member of our Management Committee. Since April 2013, Mr. Sonder has also acted as the vice-chairman of the board of directors and vice-chief executive officer of IPLF Holding S.A. In April 2015, he was appointed as vice-chairman of the board of directors of Polpar S.A. Mr. Sonder also holds the following positions in other companies: (i) executive officer of Alden Desenvolvimento Imobiliário Ltda.; (ii) member of the Directors' Committee and member of the senior board 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) executive officer of Premesa S.A.; (v) member of the board of curators and member of the executive board of Fundação Arymax; and (vi) member of the board of directors of the RBS S.A. group. Mr. Sonder is former chairman 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-chairman of our board of directors and as a member of our Sustainability and Strategy Committee. Mr. Feffer also holds the following positions in other companies: (i) chairman of the board of ICC Brasil; (ii) vice-chairman of the board of curators and chairman of the executive board of the Arymax Foundation (*Fundação Arymax*); (iii) chairman of the Directors' Committee and vice-chairman of the senior board of the Ecofuturo Institute – Future for Sustainable Development (*Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável*); (iv) member of the board of IBÁ; (v) member of the board of IEDI – *Instituto Econômico para Desenvolvimento Industrial*; (vi) founding member of the board of *Compromisso Todos Pela Educação*; (vii) member of the board of FIESP; (viii) member of the board of MBC – *Movimento Brasil Competitivo*; and (ix) executive member of the board of ICC – International Chamber of Commerce. Mr. Feffer graduated from Mackenzie Law School and holds specializations from the FGV in Brazil; Harvard University, and Massachusetts Institute of Technology in the United States; IMD in Switzerland; and LBS -London Business School in England.

**Antonio de Souza Corrêa Meyer.** Mr. Meyer currently serves as a member of the board of directors of Suzano Holding S.A. Mr. Meyer has served as a member of the board of directors of IPLF Holding S.A. since 2003 and holds the following positions in other companies: (i) member of the International Bar Association, the Brazilian Bar Association and the São Paulo Lawyers Institute; (ii) director of the board of directors of the Institute of Lawyers of São Paulo (*Instituto dos Advogados de São Paulo*); (iii) member of the executive board of the Center of Law Firm Studies (*Centro de Estudos das Sociedades de Advogados*); (iv) member of the advisory committee and board of curators of the University of São Paulo Medical School; (v) 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; (vi) director of the São Paulo Oncology Institute (*Instituto de Oncologia de São Paulo*) at the Otavio Frias de Oliveira Hospital; and (vii) member of the Merger and Acquisition Committee (CAF) of B3. Mr. Meyer was previously the Secretary of Justice and Secretary of Public Security of the State of São Paulo, director and president of the São Paulo Association of Lawyers (*Associação dos Advogados de São Paulo*), a member of ABRASCA – the Legislative Committee of the Brazilian Association of Public Companies (*Associação Brasileira das Companhias Abertas*), and 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 and 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 member of our Sustainability and Strategy Committee. Mr. Feffer first joined Nemofeffer S.A. (now Suzano Holding S.A.) in 1979 as a planning assistant and has 38 years of experience in the pulp and paper industry. Mr. Feffer has previously served as (i) vice-chief corporate counsel of Suzano Holding S.A.; (ii) vice-chief corporate officer of IPLF Holding S.A.; (iii) executive officer of Premesa S.A.; and (iv) managing director of Nemonorte Imóveis e Participações Ltda. Over the past five years, Mr. Feffer has held the following positions in other companies: (i) vice-chairman of the Directors' Committee and member of the senior board of the Ecofuturo Institute – Future for Sustainable Development (*Instituto Ecofuturo – Futuro para o Desenvolvimento Sustentável*); and (ii) member of the board of directors of Fundação Arymax. In 2015, he sponsored and founded the Library of Social Criticism, in partnership with the publishing house *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.

**Nildemar Secches.** Mr. Secches currently serves as a member of our board of directors and 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-chairman of the board of directors of Iochpe-Maxion S.A.; and (iii) member of the board of directors of Ultrapar Participações S.A. He served as a member of the board of directors of Itaú-Unibanco between 2002 and 2017. 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 managing corporate officer of the Iochpe-Maxion Industrial Holding Group and from 1995 to 2008 he was the president of Empresas Perdigão, which specializes in the production of food. From 2007 to 2013, Mr. Secches was the chairman of the board of directors of BR Foods. He holds an undergraduate degree in mechanical engineering from the University of São Paulo, a graduate degree in finance from the Pontifical Catholic University of Rio de Janeiro and a doctoral degree in economy from UNICAMP (Campinas).

**Rodrigo Kede de Freitas Lima.** Mr. Kede currently serves as a member of our board of directors. He is also the chief service officer of IBM in New York and a member of the advisory of the FDC (*Fundação Dom Cabral*). Beginning in 1993, Mr. Kede has held the following positions during his time at IBM: (i) chief executive officer of IBM Latin America, (ii) chief executive officer of IBM Brasil, (iii) vice-chief executive officer of IBM Service Unit – Brazil; global vice-chief executive officer of strategy and processing of IBM Brasil; (iv) chief financial officer of IBM Latin America; and (v) chief financial officer for IBM Brasil. Mr. Kede has also served as chief executive officer and a member of the board of directors of TOTVS. Until 2017, he served as the chairman of the board of directors of the Brazilian Institute of Finance Executives (*Instituto Brasileiro de Executivos Financeiros*) and AmCham (American Chamber of Commerce). Mr. Kede holds an undergraduate degree in mechanical and production engineering from Pontifícia Universidade Católica (PUC - RJ) and an MBA from *Instituto Brasileiro de Mercados de Capital*, currently INSPER, and Harvard Business School.

**Maria Priscila Rodini Vansetti Machado.** Mrs. Vansetti currently serves as a member of our board of directors. In 2017, she was appointed global chief strategy and business development officer of Corteva Agrisciences, the agricultural division of DowDuPont. Mrs. Vansetti started at DuPont Brasil in 1981, beginning in the agricultural division and going on to hold leadership positions in the Regulatory, Institutional Relations and Research & Development areas. She transferred to Wilmington, Delaware in 1996, where she specialized in Development and Marketing, and in 2008 she was appointed business director of DuPont Canada. Mrs. Vansetti previously held the following positions: (i) global chief strategic planning officer of DuPont Crop Protection; (ii) chief executive officer of DuPont Brasil; and (iii) vice-chief executive officer of DuPont Crop Protection for DuPont Brazil and DuPont Latin America. Mrs. Vansetti currently serves as a member of the board of directors of the International Center in Indianapolis, Indiana, and of the Inter-American Dialogue, in Washington, D.C. She has also been a member of the following social and cultural organizations: (i) member of the board of directors of AmCham (American Chamber of Commerce); (ii) member of the board of directors of the Brazilian Association of Chemical Industry (*Associação Brasileira da Indústria Química*); (iii) member of the agribusiness board of FIESP; and (iv) member of the board of directors of CropLife Canada. Mrs. Vansetti holds an undergraduate degree in agronomic engineering from *Escola Superior de Agricultura “Luiz de Queiróz”* of the University of São Paulo (ESALQ/USP) and a specialization in executive management and global strategy leadership from the Wharton School (University of Pennsylvania).

## Executive Officers

Our executive officers (*diretores*) are 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 and/or our bylaws. Our executive officers consist 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 eight executive officers. The following table sets forth selected information regarding the current members of our board of executive officers:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Date of Election</b>	<b>Term Expiration</b>
Walter Schalka	58	Chief Executive Officer	January 14, 2019	January 13, 2020
Marcelo Feriozzi Bacci	49	Chief Financial Officer and Investor Relations Officer	January 14, 2019	January 13, 2020
Aires Galhardo	41	Executive Officer – Pulp Operation	January 14, 2019	January 13, 2020
Carlos Anibal Fernandes de Almeida Jr.	49	Executive Officer – Pulp Transactions	January 14, 2019	January 13, 2020
Alexandre Chueri Neto	59	Executive Officer – Forestry Business Unit	January 14, 2019	January 13, 2020
Leonardo Barretto de Araujo Grimaldi	44	Executive Officer – Paper Business Unit	January 14, 2019	January 13, 2020
Christian Orglmeister	44	Executive Officer – People & Management	January 14, 2019	January 13, 2020
Fernando de Lellis Garcia Bertolucci	53	Executive Officer – Research & Development	January 14, 2019	January 13, 2020

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 joined us in January 2013 and has served as our Chief Executive Officer since. 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 their 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 the FGV, and executive programs at IMD and Harvard Business School.

**Marcelo Feriozzi Bacci.** Mr. Bacci currently serves as our Chief Financial Officer and Investor Relations Officer 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 FGV and a Master's degree (MBA) from the Stanford University Graduate School of Business.

**Aires Galhardo.** Mr. Galhardo currently serves as the Executive Officer responsible for our pulp operations. Previously, since July 2011, Mr. Galhardo had been an Officer without specific designation of Fibria. From 2011 to September 2016, he was the officer responsible for managing Fibria's forestry plantations. In addition to this responsibility, as from 2016 he has also taken over responsibility for Fibria's industrial and engineering operations. Previously, between 2005 and 2011, he worked as general forestry manager and forestry logistics manager for Votorantim Celulose e Papel S.A. (as Fibria was formerly called), and from 2000 to 2005 he had been logistics manager at Companhia de Bebidas das Américas – Ambev (a quoted company in the beverages production and sales sector, which was merged into Ambev S.A. in 2014). Mr. Galhardo holds a B.Sc. in Business Administration from the Getúlio Vargas Foundation (FGV).

**Carlos Anibal de Almeida Jr.** Mr. Almeida currently serves as the Executive Officer responsible for our pulp business unit. 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).

**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.

**Leonardo Barretto de Araujo Grimaldi.** Mr. Grimaldi currently serves as the Executive Officer for our paper business unit. Mr. Grimaldi joined us in 2000, having occupied different positions in our Marketing and Commercial areas until he became Commercial Operating Officer in 2011. He is responsible for our global paper sales and has lead the *Suzano Mais* initiative. Mr. Grimaldi holds a degree in business administration from the FGV and has attended graduate programs at the Wharton School of Business and the Singularity University in Silicon Valley.

**Christian Orglmeister.** Mr. Orglmeister currently serves as our Executive Officer – People & Management. He began his career at Armazéns Gerais Columbia, after which we worked at the international consulting firm Arthur D. Little. Between 2000 and 2002, he worked at the logistics startup Intecom of Grupo Martins, after which he worked at A.T. Kearney for four years in the operations area. In 2006, he joined The Boston Consulting Group, where he led the People, Organization and Governance practice and the Family Business practice in South America. In 2015, he became Managing Director of the BCG offices in Brazil. During his 20 years as consultant, Christian assisted some of the leading Brazilian and international business groups on strategy, governance, people and digital transformation. Since 2016, he has been an independent member of the People Committee of the Board of Suzano.

Mr. Orglmeister holds an engineering degree from FEI, a graduate degree from Fundação Getúlio Vargas and an Executive MBA from TRIUM (LSE, HEC and NYU).

**Fernando de Lellis Garcia Bertolucci.** Mr. Bertolucci is Chief Technology & Innovation Officer at Suzano, responsible for leading the technological innovation process across the company. He holds a bachelor's degree in Agronomy Engineering and a master's degree in Genetic Improvement of Plants from the Federal University of Lavras, Higher School of Agriculture (ESAL/UFLA), and has 28 years of experience in the forestry products industry. He is currently responsible for technological development in the areas of Genetic Improvement, Biotechnology, Forest Management, Process Development, Pulp and Paper Products, Consumer Goods and Biorefinery. He has a graduate degree and has completed specialization programs in Forest Management (UFLA), Corporate Management (Dom Cabral Foundation), Product Development (University of Cambridge), Strategic Innovation (IMD, Switzerland) and Global Executive Academy (MIT, USA).

## Fiscal Council

Pursuant to the Brazilian Corporation 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. Under our bylaws, the members of the fiscal council must sign, before taking office, a compliance statement in accordance with the *Novo Mercado* rules. The following table sets forth the name, position, date of election and term expiration for each member of our fiscal council:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Election</u>	<u>Term Expiration</u>
Eraldo Soares Peçanha	67	Member	April 26, 2018	2019
Luiz Augusto Marques Paes	57	Member	April 26, 2018	2019
Rubens Barletta	72	Member	April 26, 2018	2019
Kurt Janos Toth	71	Alternate	April 26, 2018	2019
Roberto Figueiredo Mello	70	Alternate	April 26, 2018	2019
Luiz Gonzaga Ramos Schubert	81	Alternate	April 26, 2018	2019

The following is a summary of the business experience of the current members of our fiscal council:

**Eraldo Soares Peçanha.** Mr. Peçanha currently serves as a permanent member of our fiscal council. Mr. Peçanha has previously held the following positions in other companies: (i) internal audit and controller manager of Aracruz Celulose S.A. (1974-1996); (ii) controlling company and computing director of CSN-Cia. Siderúrgica Nacional (1996-2003); (iii) controlling officer and executive director of corporate governance of Embratel SA (2003-2008); and (iv) executive director of customer services of Icatu Seguros S.A. (2008-2011). He was a member of the Fiscal Council of JBS from December 2016 to September 2017 and the Fiscal Council of Cadam S.A. from January 2017 onwards. Mr. Peçanha has acted as member of the fiscal council of the following public companies: Vale, Net Serviços de Comunicação and Ideiasnet; and of the following privately owned companies: Ferrovia Centro Atlântica, Itá Energética and Officer Distribuidora Prod. Tecnologia. Mr. Peçanha has acted as member of the fiscal council for private pension entities owned by companies where he worked. Mr. Peçanha holds a degree in accounting and business administration from Cândido Mendes University. Since 2012, he has been working as a consultant in the fields of corporate governance, controlling and processes and accounting and financial systems.

**Luiz Augusto Marques Paes.** Mr. Paes has been a permanent member of our fiscal council since 1997. He is the managing partner of Almeida Prado, Paes e Caruso Consultoria Empresarial Ltda., where he provides legal advice and tax and corporate consulting. Mr. Paes is also a permanent member of the fiscal council of JSL S.A., Movida Participações S.A. and CPFL Energia S.A. Mr. Paes holds a law degree from the University of São Paulo.

**Rubens Barletta.** Mr. Barletta is a permanent member of our fiscal council. Mr. Barletta is also a permanent member of the fiscal councils of the following companies: (i) Banco Alfa de Investimento S.A.; and (ii) Alfa Holdings S.A. From 1999 to 2010 he served as a permanent member of the fiscal councils of Financeira Alfa S.A. – Crédito, Financiamento e Investimentos. Mr. Barletta has been a partner at Barletta, Schubert e Luiz

Sociedade de Advogados, a firm specializing in private law, since 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.

**Kurt Janos Toth.** Mr. Toth currently serves as a member of our fiscal council. Mr. Toth previously enjoyed a long tenure at BNDES, having occupied the following positions: (i) economist in the Internal Control Department(2006-2008); (ii) chief of the Credit Department (1988-2006); (iii) chief of the Industrial Projects Department – Capital Assets and Traditional Industries (1984-1986); (iv) manager of the Industrial Projects Department – Capital Assets and Traditional Industries (1978-1984); and (v) economist in the Industrial Projects Department – Capital Assets and Traditional Industries (1973-1978); intern (1971-1973). Mr. Toth has served as member of the fiscal councils of the following companies: (a) Eletropaulo Metropolitana Eletricidade de São Paulo S.A. (2008-2010); (b) AES Tietê S.A. (2008-2015); (c) Fundação de Assistência e Previdência Social of BNDES (2011-2015); (d) AES Elpa S.A. (2008-2015); (e) Eletropaulo Comunicações Ltda. (2010-2011); (f) AES Communications Rio de Janeiro S.A. (2010-2018); (g) Centrais Elétricas Brasileiras S. A. – ELETROBRÁS (2003-2006); (h) Vale do Rio Doce (1993/1994). Mr. Toth holds a degree in economics from the *Universidade Federal Fluminense*.

**Roberto Figueiredo Mello.** Mr. Mello currently serves as an alternate member of our fiscal council and has been a partner at Pacaembu Serviços e Participações Ltda. since 1988. Mr. Mello has been 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. He is also a member of the fiscal council of *Financeira Alfa S.A. – Crédito, Financiamento e Investimentos* and an alternate member of the fiscal council of *Consórcio Alfa de Administração S.A.* From 1999 to 2010, he held the position of permanent member of the fiscal council of Bank Alfa de Investimento S.A. Mr. Schubert has been a member of the law firm of Dr. Augusto Esteves de Lima Junior since 1973 and a partner at Barletaa, Schubert e Luiz Sociedade de Advogados, a firm specializing in private law, since 2009. From 1972 to March 2009, Mr. Schubert 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.

## Audit Committee

Our audit committee is an advisory committee to our board of directors, providing assistance in matters involving our accounting, internal controls, financial reporting and compliance. It also recommends the appointment of our independent auditors to our board of directors and evaluates the effectiveness of our internal financial and legal compliance controls.

Our audit committee is governed by a charter, which was approved by our board of directors in 2016 and sets forth rules with respect to duties and responsibilities of the committee, its structure and functioning, as well as rights and obligations of its members. It is composed of at least two (2) and at most nine (9) members, appointed by our board of directors for a term equivalent to the term of office of the members of our board of directors that decided upon installation of our audit committee.

As of September 30, 2018, the members of our audit committee, on an individual basis and as a group, directly owned less than 1.0% of our common shares.

The following table sets forth the name, position, date of election and term expiration for each of the members of our audit committee:

Name	Audit Committee		
	Position	Date of Election	Term Expiration (1)
Claudio Thomaz Lobo Sonder	Member	May 28, 2018	2020
Carlos Biedermann	Member	May 28, 2018	2020

(1) The term of the mandates of the members of our audit committee shall terminate on the date of our annual general shareholders' meeting in charge of evaluating our financial statements for the year ended December 31, 2019.

The following is a summary of the business experience of the current member of our audit committee who is not a member of our board of directors:

**Carlos Biedermann.** Mr. Biedermann currently serves as a member of our audit committee. Mr. Biedermann holds a B.A. in Business Administration and a B.A. in Public Administration from the Federal University of Rio Grande do Sul (UFRGS) and a graduate degree in Capital Markets from the Getúlio Vargas Foundation (FGV). Currently he is (i) a member of Suzano's Audit Committee; (ii) a member of the Audit Committee of the Algar Group, a Brazilian holding company whose core business is information technology and telecommunications, agribusiness, construction, services and tourism; (iii) coordinator of the Audit Committee of the Cornélio Brennan Group, which operates in the real estate development, energy, glass and cement industries; (iv) a member of the Audit Committee of Grupo Solar, a manufacturing branch of the Coca-Cola System in Brazil; (v) a member of the Board of the American Chamber of Commerce (AmCham) of Rio Grande do Sul; of the Association of Marketing and Sales Executives of Brazil (ADV B), and of Agenda 2020; (vi) Chairman of the Deliberative Board of Grêmio FBPA; (vii) a member of the Board of Directors of Lojas Lebes; (viii) a member of the Advisory Board of Farmácias São João; and (iv) a member of the Board of Directors of Maiojama. Previously, Mr. Biedermann was (a) a lead partner of PricewaterhouseCoopers (PwC) from 2002 to 2015; (b) chairman of the Audit Committee for five years and vice-president from 2013 to 2014 of the Brazilian Corporate Governance Institute (IBGC), a non-profit organization that works to promote best corporate governance practices; (c) a member of the Board of Directors for six years and director for two years of the Young Presidents Organization (YPO/WPO), a global network of executive officers; (d) the first independent member of the Board of Directors of Calçados Azaleia, a Brazilian footwear company; (e) a member of the Administrative Board for 15 years of Santa Casa de Misericórdia de Porto Alegre, a group of seven hospitals of various specialties located in Porto Alegre, Rio Grande do Sul; (f) a member of the Audit Committee of BB Seguridade, a Brazilian insurer of Banco do Brasil engaged in insurance products, private pension plans, capitalization and brokerage services; (g) a member of the Board of Directors of Valmont, a company operating in the agribusiness sector; and (h) Chairman of the Board of Porto Alegre Health Care, a non-profit group composed of public and private players focused on promoting the city of Porto Alegre and medical tourism.

#### Other Advisory Committees of our Board of Directors

In addition to our audit committee, our board of directors currently has two other advisory committees: (i) a management committee and (ii) a sustainability and strategy 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 and our sustainability and strategy committee:

<b>Management Committee</b>			
<b>Name</b>	<b>Position</b>	<b>Date of Election</b>	<b>Term Expiration (1)</b>
David Feffer	Chairman	May 28, 2018	2020
Claudio Thomaz Lobo Sonder	Member	May 28, 2018	2020
Murilo Cesar Lemos dos Santos Passos	Member	May 28, 2018	2020
Walter Schalka	Member	May 28, 2018	2020

<b>Sustainability and Strategy Committee</b>			
<b>Name</b>	<b>Position</b>	<b>Date of Election</b>	<b>Term Expiration (1)</b>
Claudio Thomaz Lobo Sonder	Chairman	May 28, 2018	2020
Daniel Feffer	Member	May 28, 2018	2020
David Feffer	Member	May 28, 2018	2020
Jorge Feffer	Member	May 28, 2018	2020
Nildemar Secches	Member	May 28, 2018	2020

(1) The term of the mandates of the members of committees shall terminate on the date of our annual general shareholders' meeting in charge of evaluating our financial statements for the year ended December 31, 2019.

The following is a summary of the business experience of the current member of our management committee, who is not a member of our board of directors:

**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.

## 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 sets forth the name, addresses, and power of representation of each of the members of the Issuer's board of directors:

**Marcelo Feriozzi Bacci**, with business address at Avenida Brigadeiro Faria Lima, 1355, 8th floor, BRA-01452-919 São 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 Officer since 2014. Mr. Bacci has also been the Executive VicePresident 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 FGV and a Master's degree (MBA) from the Stanford University Graduate School of Business.

**Carlos Anibal Fernandes de Almeida Junior**, with business address at 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 business unit. 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).

## Compensation

Aggregate compensation for the members of our board of directors and our 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 26, 2018 approved the global compensation for the members of our board of directors, fiscal council and board of executive officers for the fiscal year of 2018 in the amount of up to R\$ 60.4 million.

For the nine-month period ended September 30, 2018, the aggregate compensation provided to our board of directors, fiscal council and board of executive officers was R\$ 87.0 million, which includes bonuses in the aggregate amount of R\$ 11.1 million. For the years ended December 31, 2017, 2016 and 2015, the aggregate compensation of all of our directors, officers and members of our fiscal council was R\$ 49.5 million, R\$ 38.9 million and R\$ 38.1 million, respectively, which includes bonuses in the aggregate amount of R\$ 20.6 million, R\$ 16.4 million, R\$ 17.3 million, respectively. In addition, for 2017, 2016 and 2015 we paid an aggregate of R\$ 350.8 million, R\$ 277.3 million and R\$ 301.5 million into our pension plan on behalf of our directors.

The Brazilian Corporation Law requires that members of our fiscal council receive remuneration equal to at least 10% of the average amount paid to our executive officers. Members of our board of directors, fiscal council and board of executive officers are entitled to compensation for their service, consisting of fixed and variable

remuneration, benefits and participation in our long-term incentive plan. Information on elements of compensation for the year ended December 31, 2017 is detailed in the table below (the percentages reflect the percentage of total remuneration represented by the category):

<b>Elements of Remuneration</b>	<b>Board of Directors</b>	<b>Board of Executive Officers (Statutory)</b>	<b>Fiscal Council</b>
Fixed Remuneration.....	58.7%	27.5%	100.0%
Benefits.....	2.2%	3.3%	0.0%
Variable Remuneration .....	39.1%	42.9%	0.0%
Long Term Incentive Plan .....	0.0%	26.2%	0.0%
<b>TOTAL.....</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

In addition to receiving a fixed salary, certain members of our board of directors and our entire board of executive officers participate in a profit-sharing program based on the achievement of certain personal and corporate goals. We also provide the following benefits, among others, to certain members of our board of directors and our entire board of executive officers: life insurance, health care plans, dental care, meal vouchers, transport, payroll loans and private pension plans. In addition to the benefits, we offer our management team long-term incentive programs. A quick overview of such programs follows below.

#### *Phantom Shares Plan*

Our phantom shares plan 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. The phantom shares vest within three years of working at Suzano and, after such period they can be redeemed by the executive 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.

#### *Stock Option Plan*

On August 29, 2008, our shareholders approved our share-based payment plan, establishing the main terms regarding stock options for the acquisition of our class A preferred shares for our officers, directors and other employees. The terms and conditions to grant such stock options were approved by the board of directors, assisted by a special committee. The options granted under such plan may not exceed 2% of our paid-in capital stock. Certain executives currently receive part of their compensation pursuant to this share-based payment plan.

On January 18, 2013, 9 million stock options were granted, divided into five tranches of 1,800,000 options each. The vesting period for each of the tranches depends on the performance of the beneficiary during the vesting period, meaning that such vesting period can be anticipated if the relevant performance goals are achieved.

The options are vested as follows: (i) the first tranche is vested within 24 months, and may have vesting reduced to 12 months; (ii) the second tranche is vested within 36 months, and may have vesting reduced to 24 months; (iii) the third tranche is vested within 60 months, and may have vesting reduced to 36 months; (iv) the fourth tranche is vested within 72 months, and may have vesting reduced to 48 months; and (v) the fifth tranche is vested within 84 months, and may have vesting reduced to 60 months. Once the options are vested, the beneficiary has 90 days to exercise the options.

On November 10, 2017, we converted our class A preferred shares into common shares, as approved by the shareholders on September 29, 2017 by both the extraordinary general shareholder meeting and the special class A shareholder meeting.

#### *Share Appreciation Rights Plan*

Since 2014, we make available to certain of our executives and employees a Share Appreciation Rights Plan, under which the payment, in cash, is linked to the price of our shares. The difference between this plan and the Phantom Shares Plan is the fact that there is a minimum appreciation requirement for vesting.

The options have an exercise price (or minimum level of share appreciation) that represents the average of the last 90 trading days prior to the grant date. The plan is composed of one tranche with a vesting period ending three years after the grant and maturing six months after the end of the vesting period. After 5 years, the options are exercised automatically.

The beneficiary is invited to participate in the plan. The acceptance by the beneficiary requires the investment of an amount equivalent to 5% of the grant at the date of the grant, and 20% at the end of the vesting period, which must be deposited in our bank account.

The beneficiary's gain varies depending on the performance of our shares and may vary up to 25% more depending of the relative performance of our shares and the competing shares. 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%.

*Maximum, Minimum and Average Individual Remuneration of the Board of Directors, Board of Executive Officers (Statutory) and Fiscal Council*

<b>Year 2017</b>	<b>Number of Members</b>	<b>Number of Remunerated Members</b>	<b>Highest Remuneration (R\$)</b>	<b>Lowest Remuneration (R\$)</b>	<b>Average Remuneration (R\$)</b>
Board of Directors	9.00	9.00	7,029,876.49	241,456.28	1,444,120.01
Board of Executive Officers (Statutory)	6.83	6.83	11,259,426.87	3,516,033.49	5,287,347.64
Fiscal Council	3.00	3.00	114,117.80	114,117.80	114,117.80

Note on Calculations:

The average annual remuneration of each body was calculated by dividing the total amount of annual compensation (fixed, variable, indirect benefits and charges) for each body by the number of remunerated members in the respective body.

The lowest annual individual remuneration (fixed, variable, indirect benefits and charges) of each body excludes all members of the respective body who have held the position for less than 12 months.

The highest annual individual remuneration (fixed, variable, indirect benefits and charges) of each body makes no exclusions, considering all remuneration received by the respective member for functions exercised in the last 12 months.

**Share Ownership**

As of September 30, 2018, the members of our board of directors and our executive officers, other than members of the Feffer family, as a group, directly owned less than 1.0% of our common shares. See "Principal Shareholders" and "Related Party Transactions."

## PRINCIPAL SHAREHOLDERS

As of September 30, 2018, our capital stock fully subscribed and paid in was R\$ 6,241.8 million, divided into 1,105,826,145 common shares.

The table below presents certain information as of September 30, 2018, regarding (i) any person known to us as the owner of 5% or more of our outstanding common stock, (ii) total amount of the common stock owned by the members of our board of directors, executive officers and fiscal council; and (iii) total amount of the common stock owned by our related parties.

Shareholder	Number of Common Shares	Total Capital (%)
Suzano Holding S.A (1).....	367,612,234	33.2%
David Feffer .....	52,741,764	4.8%
Daniel Feffer.....	48,077,095	4.3%
Jorge Feffer .....	46,423,360	4.2%
Ruben Feffer.....	46,856,578	4.2%
Other Related Parties (2) .....	56,398,803	5.1%
Board of Directors, Executive Officers and Fiscal Council .....	5,144,780	0.5%
<i>Public Float:</i>		
BNDESPAR .....	75,909,985	6.9%
Mondrian Investment Partners Limited.....	72,878,900	6.6%
Other shareholders.....	321,740,642	29.1%
Treasury Shares .....	12,042,004	1.1%
<b>Total</b> .....	<b>1,105,826,145</b>	<b>100%</b>

(1) The controlling shareholders of Suzano Holding S.A. are David Feffer, Daniel Feffer, Jorge Feffer and Ruben Feffer.

(2) Includes other relatives of the Feffer family.

In addition, as of September 30, 2018, 1.4% of our common shares were held in the form of ADSs.

Our major shareholders do not have different voting rights.

### Shareholders' Agreements

#### *Feffer Voting Agreement*

David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer and Suzano Holding S.A. are parties to a voting agreement dated September 28, 2017 relating to their respective stakes in our company. The voting agreement became effective on November 10, 2017 and shall be in force for an initial 10-year term, which will be automatically renewed for another 10-year period unless any shareholder provides notice of non-renewal two years prior to the initial expiration. On January 16, 2019, Alden Fundo de Investimento em Ações – which has, among its members, the signatories of the Voting Agreement – joined the agreement. The voting agreement (a) will terminate automatically if the shareholders' agreement of Suzano Holding is terminated, and (b) may be terminated at any time by any two of David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer and any of their successors or permitted assignees. The shareholders' agreement Suzano Holding was entered into on September 28, 2017 and similarly will be in force for an initial 10-year term, which will automatically renew for another 10-year term unless a shareholder provides notice of non-renewal two years prior to the initial expiration.

Pursuant to the voting agreement, the parties are required to vote as a block at our shareholders' meetings. Prior to each of our shareholders' meetings, the parties are required to hold a meeting to determine the vote to be cast by each party with respect to all matters submitted for voting at such shareholders' meeting. Each party is entitled to one vote at such preliminary meetings, and decisions are taken by vote of the majority of the shares bound by the agreement.

#### **Feffer Stock Transfer Agreement**

David Feffer, Daniel Feffer, Jorge Feffer and Ruben Feffer are parties to a stock transfer agreement dated as of, and effective on, September 28, 2017, which will be in force for an initial 10-year term, to be automatically

renewed for an additional 10-year period unless any party provides notice of non-renewal during the year prior to the year of expiration.

Pursuant to the stock transfer agreement, each party and its successors agrees to not transfer, sell, assign or encumber shares subject to the stock transfer agreement (including through market transactions on an exchange), subject to certain exceptions, without the prior written consent of the other parties.

The stock transfer agreement also includes customary rights of first offer and rights of first refusal to all parties in the event of a sale or transfer of one of the parties. Moreover, the stock transfer agreement prohibits the transfer of shares to a third party that, directly or indirectly, engages in a competing activity, or that presents a common interest with whom engages in a competing activity, in each case with respect to our company.

#### **BNDESPAR Shareholders Agreement**

The BNDESPAR Shareholders Agreement was entered into by and among Suzano Controlling Shareholders, BNDESPAR, and Suzano, as intervening party, on March 15, 2018, to establish certain rights and obligations of the parties. It came into effect upon the completion of the Merger.

## RELATED PARTY TRANSACTIONS

According to our corporate policy, we only enter into related party transactions on an arms-length basis, reflecting 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.

### Transactions with Suzano Holding S.A.

The transactions with our controlling shareholder, Suzano Holding S.A. in the nine-month period ended September 30, 2018, totaled R\$ 9.0 million, mainly related to administrative expenses sharing and to a lesser extent to guarantees provided by Suzano Holding S.A.

### Other transactions

Until December 31, 2017 we were engaged in commercial pulp and paper transactions with our main related party, Central Distribuidora de Papeis Ltda., which was controlled by a relative of our controlling shareholders, and we are currently engaged in commercial pulp transactions with Ibema Companhia Brasileira de Papel. Ibema Companhia Brasileira de Papel (“Ibema”) is a joint venture between us and Ibema Participações S.A. (“Ibemapar”) concluded in January 2016. Currently, we hold 49.9% of Ibema’s share capital and Ibemapar holds the remaining 50.1%.

In the nine-month period ended September 30, 2018, in the nine-month period ended September 30, 2017, in the year ended December 31, 2017 and in the year ended December 31, 2016, our net revenues from these transactions was R\$ 128.0 million, R\$ 48.3 million, R\$ 80.1 million and R\$ 119.2 million, respectively.

We also enter into expense sharing and land lease transactions with certain other parties controlled by some of our controlling shareholders in the ordinary course of business.

## DESCRIPTION OF THE NOTES

The following summary describes certain material provisions of 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, issued the Notes under the indenture dated as of September 20, 2018 (the “Indenture”) among the Issuer, Suzano, as guarantor, and Deutsche Bank Trust Company Americas, as trustee, registrar, paying agent and transfer agent.

On September 20, 2018, the Issuer issued U.S.\$1,000,000,000 in aggregate principal amount of Original Notes due January 15, 2029 under the Indenture. The Notes offered hereunder are a further issuance of and will be consolidated with the Original Notes and will form a single series of Notes and will vote as one class for all purposes under the Indenture, including for purposes of determining whether the required percentage of holders of record has given approval or consent to an amendment or waiver or joined in directing the trustee to take certain actions on behalf of all holders. The terms of the Notes include those stated in the Indenture.

The Notes offered hereby and sold in reliance on Regulation S will have temporary CUSIP and ISIN numbers during a 40-day distribution compliance period commencing on their date of issuance. After such 40-day distribution compliance period, the Notes offered hereby sold in reliance on Regulation S will have the same CUSIP and ISIN numbers as, and will be fungible with, the Original Notes sold in reliance on Regulation S. The Notes offered and sold in reliance on Rule 144A will have, commencing on their date of issuance, the same CUSIP and ISIN numbers as, and will be fungible with, the Original Notes and offered and sold in reliance on Rule 144A. See “Listing and General Information.”

### Basic Terms of Notes

The Indenture does not limit the aggregate principal amount of the debt securities that may be issued under the Indenture. The initial outstanding principal amount of the Original Notes was U.S.\$1,000,000,000. The Notes are issued in an initial aggregate principal amount of U.S.\$750,000,000 and in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 above such amount. Upon consummation of this offering, the aggregate principal amount of Suzano Austria GmbH’s 6.000% Senior Notes due 2029 will be U.S.\$1,750,000,000.

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;
- concurrent with the completion of this offering, will be fully, unconditionally and irrevocably guaranteed by Fibria, which guarantee will rank equally in right of payment with all other existing and future unsecured and unsubordinated obligations of Fibria;
- are issued in minimum denominations of U.S.\$ 200,000 and integral multiples of U.S.\$ 1,000 above such amount;
- bear interest payable semiannually on each January 15 and July 15 of each year, commencing on January 15, 2019 to holders of record on the 13<sup>th</sup> of January or 13<sup>th</sup> of July, 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 the date from which interest will accrue; *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 the Guarantors in respect of the Note Guarantees 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 the Guarantors (or any successor to the Issuer or the Guarantors) is organized or is a resident for tax purposes having power to tax (a “Relevant Taxing Jurisdiction”), unless the Issuer or the Guarantors are compelled by law to deduct or withhold such taxes, duties, assessments, or governmental charges. In such event, the Issuer or the Guarantors 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 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 Guarantees by the Guarantors 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 the Guarantors 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***

Prior to the Par Call Date (as defined below), 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) (a) 101% of the principal amount thereof if the redemption date is prior to September 15, 2019 or (b) 100% of the principal amount thereof if the redemption date is after September 15, 2019, 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) as if the bonds were redeemed on the Par Call Date, 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.\$ 150 million remain outstanding immediately after the occurrence of any partial redemption of Notes. At any time on or after the Par Call Date, the Issuer will have the right to redeem the Notes, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus accrued and unpaid interest on the principal amount of the Notes being redeemed to such redemption date.

*For purposes of the above:*

“Par Call Date” means October 15, 2028.

“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 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 Par Call Date, as applicable.

“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 Dealers” means BNP Paribas Securities Corp., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Mizuho Securities USA LLC or any of their 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 or the Note Guarantees, the Issuer or the Guarantors 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 the Guarantors 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, the Guarantors' 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.

### ***Special Mandatory Redemption***

Following the consummation of the Merger, the provisions of the Original Notes regarding special mandatory redemption ceased to apply, and shall not apply to the Notes.

### ***Optional and Mandatory 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 Sinking Fund***

There will be no sinking fund payments for the Notes.

### **Suzano 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 "Suzano 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 Suzano Guarantee.

The Suzano Guarantee will terminate upon discharge or defeasance of the Notes, as described under the captions "—Satisfaction and Discharge" and "—Defeasance."

### **Fibria Guarantee**

Concurrent with the completion of this offering, Fibria will become a guarantor under the Indenture and execute and deliver to the Trustee, together with an Officers' Certificate and an Opinion of Counsel, a supplemental indenture to the Indenture, pursuant to which Fibria 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 "Fibria 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 Fibria to make such payment. Fibria will comply with all then-applicable Central Bank regulations to legally effect any payments under the Fibria Guarantee. Thereafter, Fibria shall be a guarantor for all purposes of the Indenture.

The Fibria Guarantee will terminate upon:

a sale or other disposition (including by way of consolidation or merger) of Fibria, following which Fibria is no longer a direct or indirect Subsidiary of Suzano otherwise permitted by the Indenture; or

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 Guarantees will be the unsecured, unsubordinated obligations of the Guarantors, ranking equally with all of their respective other existing and future unsecured and unsubordinated obligations. The Note Guarantees will effectively rank junior to all secured debt of the Guarantors to the extent of the value of the assets securing that debt. Obligations under the Note Guarantees shall be joint and several as between Suzano and Fibria. Although the Indenture will contain limits on the ability of the Issuer and the Guarantors 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 Guarantees 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.

### **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 the Guarantors will ensure that its respective obligations under the Indenture, the Notes and the Note Guarantees will at all times constitute direct and unconditional obligations of the Issuer or the Guarantors, 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 Guarantees, 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 Guarantees, 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 of Suzano (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 offering 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 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:
    - a. 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;
    - b. reports on Form 6-K (or any successor form) that include quarterly financial statements filed with the SEC; and
    - c. 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) None of Suzano, Fibria or 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 and Fibria and its Subsidiaries, as the case may be) 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, Fibria or the Issuer; in each case unless
- (1) either: (x) Suzano, Fibria 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 or Fibria, as the case may be, 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, Fibria or the Issuer, as the case may be, under the Indenture, the Suzano Guarantee and the Fibria Guarantee, as applicable;
- (2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing;
- (i) if Suzano or Fibria is organized under Brazilian law or the Issuer is organized under Austrian law, as applicable, and Suzano, Fibria 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, Fibria 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, Fibria, 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
- (3) Suzano, Fibria, 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, Fibria 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, Fibria 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, Fibria 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 or Fibria under the Suzano Guarantee or the Fibria Guarantee, respectively, as the case may be, or the Issuer under the Indenture with the same effect as if such successor Person had been named as Suzano, Fibria or the Issuer, as applicable, in the Indenture. Upon such substitution, unless the successor is one or more of Suzano's Subsidiaries, Suzano, Fibria or the Issuer, as applicable, will be released from its obligations under the Indenture, the Suzano Guarantee, or the Fibria Guarantee, as applicable.

### ***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, Fibria 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 the Guarantors' then existing Guarantees remain in full force and effect, substitute guarantees issued by the Guarantors 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 the Note Guarantees 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, the Guarantors will (unless one of them is the Successor Issuer, then in such case, only the other Guarantor shall) promptly execute and deliver any documents or instruments necessary or that the Trustee may reasonably request, to ensure that the Note Guarantees are in full force and effect for the benefit of the holders and beneficial owners of the Notes following the substitution.

See “Taxation—Certain United States 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, Fibria 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 in relation to the Notes 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, except for any Debt of Fibria or Suzano that becomes due and payable within 60 days of the consummation of the Merger (whether as a result of an event of default or otherwise), as a result of the consummation of the Merger, and is remedied within 60 days of the consummation of the Merger;

- (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 undismitted 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) any of the Note Guarantees ceases to be in full force and effect, other than in accordance with the terms of the Indenture, or any of the Guarantors denies or disaffirms its obligations under the Note Guarantees;
- (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, the Guarantors or any of Suzano's Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries that, taken together, would constitute a Significant Subsidiary, occurs and is continuing with respect to any Notes 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 the Guarantors (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, the Guarantors 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, the Guarantors 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 the Guarantors have 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 of any Note 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 of Notes 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 of Notes 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 the Guarantors, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Note Guarantees 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, the Guarantors and the Trustee may amend or supplement the Indenture with respect to the Notes without notice to or the consent of any noteholder:

- (1) to cure any ambiguity, defect or inconsistency in the Indenture with respect to the Notes;
- (2) to comply with the covenant described under the caption “—Certain Covenants—Consolidation, Merger or Sale of Substantially All Assets” with respect to the Notes;
- (3) to evidence and provide for the acceptance of an appointment by a successor trustee with respect to the Notes;
- (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 of Notes 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, the Guarantors 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 the Guarantors 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 with respect to the Notes;
- (5) make any Note payable in currency or at any place other than that stated in the relevant 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 Guarantees 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 or will become due and payable within one year due to maturity or redemption and the Issuer or the Guarantors have irrevocably deposited or caused to be deposited with the Trustee as funds in trust solely for the benefit of the holders of Notes, 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 in respect of the Notes;
- (2) no Default or Event of Default has occurred in respect of the Notes 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 in respect of the Notes; and
  - (4) the Issuer and the Guarantors 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 and in case of redemption, has given notice of redemption.

In addition, the Issuer and the Guarantors 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 in respect of the Notes 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") with respect to the Notes 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 of Notes 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 the Guarantors are 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 legal defeasance of any Notes, the Note Guarantees with respect to such Notes 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 depositary, 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 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 Guarantees 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 Guarantees. 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 the Guarantors have 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 any Guarantor has irrevocably waived such immunity in respect of (i) its obligations under the Indenture and (ii) any Note or Note Guarantees. 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 the Guarantors 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 Guarantees. 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 any Guarantor in any such legal action or proceeding. The Issuer and the Guarantors 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 the Guarantors 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 the Guarantors under the Indenture, the Notes and the Note Guarantees. 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 the Guarantors 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 the Guarantors 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 the Guarantors agree, 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 (Instituto 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.

“Guarantors” means Suzano, and, upon the effectiveness of the Fibria Guarantee, Fibria.

“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 February 5, 2019.

“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).

“Merger” means the corporate reorganization that resulted in the ownership by Suzano of Fibria Celulose S.A., a publicly held corporation (*sociedade anônima de capital aberto*) organized under the laws of Brazil.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Note Guarantees” means the Suzano Guarantee and, upon the effectiveness of the Fibria Guarantee, the Fibria Guarantee, 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, Suzano or Fibria, as applicable.

“Opinion of Counsel” means a written opinion of counsel, who may be an employee of or counsel for the Issuer, Suzano or Fibria, as applicable (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, David Feffer, Daniel Feffer, Jorge Feffer, Ruben Feffer, Lisabeth S. Sander, Janet Guper, André Guper, Pedro Noah Hornett Guper and Ian

Baruch Hornett Guper, 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) 130% of 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 17% 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 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 such Notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event such Notes are not assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of such 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 such 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 Agreement” means the Commitment of Vote and Assumption of Obligations (*Compromisso de Voto e Assunção de Obrigações*) by and between, on one side, Suzano Holding S.A., David Feffer, Daniel Feffer, Jorge Feffer, And Ruben Feffer, and on the other side, Votorantim S.A. and BNDES Participações S.A. – BNDESPAR and, as an agent, Suzano Papel E Celulose S.A., dated as of March 15, 2018.

“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 Suzano.

### **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 will be 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 will be 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 by Reg S persons, 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 to a Reg S person. See “— Exchanges Between Regulation S Notes and Rule 144A Notes.”

The Notes offered hereby and sold in reliance on Regulation S will have temporary CUSIP and ISIN numbers during a 40-day distribution compliance period commencing on their date of issuance. After such 40-day distribution compliance period, the Notes offered hereby sold in reliance on Regulation S will have the same CUSIP and ISIN numbers as, and will be fungible with, the Original Notes sold in reliance on Regulation S. The Notes offered and sold in reliance on Rule 144A will have, commencing on their date of issuance, the same CUSIP and ISIN numbers as, and will be fungible with, the Original Notes and offered and sold in reliance on Rule 144A.



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, the 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 depository for the Global Notes and DTC fails to appoint a successor depository 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 depository (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.

## EXCHANGE OFFER; REGISTRATION RIGHTS

*The following description of the Registration Rights Agreement is a summary only of certain provisions of the registration rights agreement and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which is available upon request.*

We have agreed, pursuant to a registration rights agreement with the initial purchasers, for the benefit of the holders of the Notes, that we will, at our cost, use our commercially reasonable efforts to offer, to holders who are able to make certain representations, the Exchange Notes in exchange for surrender of the Notes in a registered exchange offer. We will use our commercially reasonable efforts to consummate the registered exchange offer by the later of (a) 360 days after the date of the issuance of the Original Notes, or (b) 30 days after the Merger Closing Date. We will keep the registered exchange offer open for not less than 20 business days (or longer if required by applicable law) after the date notice of the registered exchange offer is mailed to the holders of the Notes. For each Note surrendered to us pursuant to the registered exchange offer, the holder of such Note will receive an Exchange Note having a principal amount equal to that of the surrendered Note. Interest on each Exchange Note will accrue from the last interest payment date on which interest was paid on the Note surrendered in exchange therefor or, if no interest has been paid on such Note, from the date of its original issue.

Under existing SEC interpretations, the Exchange Notes would be freely transferable by holders of the Notes other than our affiliates after the registered exchange offer without further registration under the Securities Act if the holder of the Exchange Notes represents that it is acquiring the Exchange Notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the Exchange Notes and that it is not our affiliate, as such terms are interpreted by the SEC; provided that participating broker-dealers receiving Exchange Notes in the registered exchange offer will have a prospectus delivery requirement with respect to resales of such Exchange Notes. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to Exchange Notes (other than a resale of an unsold allotment from the original sale of the Notes) with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we are required to allow participating broker-dealers and other persons, if any, with similar prospectus delivery requirements to use the prospectus contained in the exchange offer registration statement in connection with the resale of such Exchange Notes.

A holder of Notes (other than certain specified holders) who wishes to exchange such Notes for Exchange Notes in the registered exchange offer will be required to make certain representations, including to represent that any Exchange Notes to be received by it will be acquired in the ordinary course of its business and that it has no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Notes and it does not intend to participate in any such distribution and that it is not our “affiliate,” as defined in Rule 405 of the Securities Act, or if it is an affiliate, that it will comply (at its own expense) with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

In the event that (i) any changes in law or applicable interpretations of the staff of the SEC do not permit us, upon advice of our outside counsel, to effect such a registered exchange offer, (ii) for any other reason the registered exchange offer is not consummated by the later of (a) 360 days after the date of the issuance of the Original Notes, or (b) 30 days after the Merger Closing Date, (iii) the Initial Purchasers so request with respect to Notes not eligible to be exchanged for Exchange Notes in the registered exchange offer, (iv) any holder of Notes (other than an Initial Purchaser) is not eligible to participate in the registered exchange offer or does not receive freely tradable Exchange Notes in the registered exchange offer other than by reason of such holder being our affiliate or (v) any Initial Purchaser does not receive freely tradable Exchange Notes in exchange for Notes constituting any portion of an unsold allotment (it being understood that (x) the requirement that an Initial Purchaser deliver a prospectus containing the information required by Item 507 or 508 of Regulation S-K under the Securities Act in connection with sales of such Notes shall result in such Exchange Notes not being freely tradable; and (y) the requirement that a participating broker-dealer deliver the prospectus contained in the exchange offer registration statement in connection with sales of Exchange Notes shall not result in such Exchange Notes being not “freely tradable”), we will, at our cost, (a) as promptly as practicable, file (or confidentially submit) a shelf registration statement covering resales of the Notes or the Exchange Notes, as the case may be, provided that we shall not be required to file a shelf registration statement or supplement any existing shelf registration statement during any statutory or self-imposed blackout or quiet period, (b) use our commercially reasonable efforts to cause the shelf

registration statement to be declared effective under the Securities Act and (c) use our commercially reasonable efforts to keep the shelf registration statement effective until the earlier of the date that is three years after it becomes effective or such shorter period that will terminate when all the Notes covered by the shelf registration statement have been sold pursuant to the shelf registration statement, provided that we shall not be obligated to keep the shelf registration statement effective, supplemented or amended during any statutory or self-imposed blackout or quiet period. We will, in the event a shelf registration statement is filed, among other things, provide to each holder for whom such shelf registration statement was filed, copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the Notes or the Exchange Notes, as the case may be. A holder selling such Notes or Exchange Notes pursuant to the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such holder (including certain indemnification obligations).

If on the later of (a) the 360th day following the date of the issuance of the Original Notes, or (b) the 30th day following the Merger Closing Date, neither the registered exchange offer has been consummated nor the shelf registration statement has been declared effective, (a “Registration Default”), special interest will accrue on the principal amount of the Notes and the Exchange Notes affected by such Registration Default (in addition to the stated interest on such Notes and the Exchange Notes) from and including the date on which such Registration Default shall occur to but excluding the date on which the Registration Default has been cured. Special interest will accrue at a rate of 0.25% p.a. during the 90-day period immediately following the occurrence of such Registration Default and shall increase by 0.25% p.a. at the end of each subsequent 90-day period, but in no event shall such rate exceed 0.75% p.a. Following the cure of such Registration Default, the accrual of such special interest will cease, and the interest rate applicable to the affected Notes will revert to the original rate.

Holders of Notes will be required to make certain representations to us in order to participate in the exchange offer and will be required to deliver information to be used in connection with the registration statement. By acquiring exchange Notes, a holder will be deemed to indemnify us against certain losses arising out of information furnished by such holder in writing for inclusion in any registration statement.

## 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*).

Tax considerations which are potentially relevant to investors subject to a special tax regime, such as for example governmental authorities, charities, foundations or investment or pension funds, and special tax rules that may apply, for example, where an investor holds the Notes via an entity which qualifies as an Austrian or non-Austrian investment fund for tax purposes are not addressed 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 Successor 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 Derivat*) 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.

#### *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 Austrian interest within the meaning of sec. 27(2)(2) of the Austrian Income Tax Act and Austrian accrued interest within the meaning of sec. 27(6)(5) of the Austrian Income Tax Act if withholding tax is levied on such (accrued) interest (*cf.* sec. 98(1)(5)(b) of the Austrian Income Tax Act). This will not apply, *inter alia*, to individuals resident in a state with which Austria maintains automatic exchange of information (residence in such state will have to be proven by presentation of a residence certificate). Austrian (accrued) interest within the present context is generally constituted if the debtor of the interest has a residence, place of effective management or seat in Austria or is an Austrian branch of a non-Austrian credit institution, or the securities are issued by an Austrian issuer. 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.

#### ***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.**

#### ***Interest***

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 income tax in Brazil, under current law such gains generally would be subject to income tax in Brazil at progressive rates from 15% to 22.5% 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 has been in force since January 1, 2017. Capital gains are 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 Guarantors, which are each 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 Guarantors, 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 Guarantors 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 social contributions on revenue or 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: a progressive taxation, from 15% to 22.5% since January 1, 2017, as provided by Law No.13,259. There is also the possibility of offsetting the income tax paid on the source country. Resident Holders should consult with their own tax advisors regarding the applicable rates and the possibility of income 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 a 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 Note Guarantees by the Guarantors to Non-Resident Holders. According to Section 15-B, XII of the Decree No. 6,306 of December 2007, exchange transactions in connection with cross-border financings or loans with an average term of more than 180 days, are subject to IOF/Exchange at a zero percent rate. If the notes are redeemed in a period of less than 180 days after the issuance date, the IOF/Exchange rate will be levied at a 6% rate plus applicable fines and interest. The Brazilian government is permitted to increase this rate at any time up to 25%, but only with respect to future foreign exchange transactions.

### ***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 United States Federal Income Tax Considerations**

The following is a summary of certain U.S. federal income tax considerations that may be relevant to U.S. holders and, to the extent provided below, non-U.S. holders (each as defined below) (together, “holders”). This summary is based on provisions of the Internal Revenue Code of 1986, as amended, applicable Treasury regulations, laws, rulings and decisions now in effect, all of which are subject to change, possibly with retroactive effect. This summary deals only with beneficial owners of Notes that will hold Notes as capital assets, and does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, 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, nonresident alien

individuals present in the United States for more than 182 days in a taxable year, entities or arrangements taxed as partnerships for U.S. federal income tax purposes or the partners therein, persons subject to the alternative minimum tax, or U.S. holders that have a “functional currency” other than the U.S. dollar.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, foreign tax laws or the Medicare tax on net investment income. Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a “U.S. holder” is a beneficial owner of a Note that, for U.S. federal income tax purposes, is a citizen or resident of the United States or a U.S. domestic corporation or that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the Note. A “non-U.S. holder” is a beneficial owner of a Note that, for U.S. federal income tax purposes, is an individual, corporation, foreign estate, or foreign trust that is not a U.S. holder.

U.S. holders that use an accrual method of accounting for tax purposes (“accrual method holders”) generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the “book/tax conformity rule”). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below, although it is not clear to what types of income the book/tax conformity rule applies. This rule generally is effective for tax years beginning after December 31, 2017 or, for debt securities issued with original issue discount, for tax years beginning after December 31, 2018. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

**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.**

### ***Qualified Reopening***

We intend to treat the Notes offered hereby as issued in a “qualified reopening” of the Original Notes for U.S. federal income tax purposes. Provided such treatment is respected, for U.S. federal income tax purposes, the Notes will be considered to have the same issue date and issue price as the Original 2029 Notes. The remainder of this discussion assumes that the Notes are treated as having been issued in a “qualified reopening” of the Original Notes.

### ***U.S. Holders***

*Payments of Interest and Additional Amounts.* Subject to the discussion of amortizable bond premium and pre-issuance accrued interest below, the gross amount of stated interest and Additional Amounts (*i.e.*, without reduction for withholding tax at the appropriate withholding tax rate applicable to the U.S. holder) will be taxable to a U.S. holder as ordinary interest income at the time it accrues or is actually or constructively received, in accordance with the holder’s method of accounting for U.S. federal income tax purposes. To the extent a U.S. holder’s purchase price for a Note includes interest accrued on the Note prior to its purchase (“pre-issuance accrued interest”), payments of such interest should not be included in income.

Subject to generally applicable restrictions and conditions, withholding tax paid at the appropriate rate applicable to the U.S. holder will be treated as foreign income tax eligible (i) for credit against a U.S. holder’s U.S. federal income tax liability, or (ii) at the election of such U.S. holder, for deduction in computing such U.S. holder’s taxable income (provided that the U.S. holder elects to deduct, rather than credit, all foreign income taxes paid or accrued for the relevant taxable year). Interest and Additional Amounts will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute “passive category income” for U.S. foreign tax credit purposes. The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of such deduction, involves the application of 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 or deductions in their particular situations.

*Amortizable Bond Premium.* A U.S. holder will be considered to have purchased a Note with bond premium equal to the excess of the purchase price (excluding the amount paid for pre-issuance accrued interest) over the stated principal amount and may generally elect to amortize the bond premium as an offset to interest income, using a constant yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. holder on or after the first taxable year for which the election applies and may not be revoked without the consent of the IRS. A U.S. holder that elects to amortize such bond premium, must reduce its tax basis in the Note by the amount of the bond premium amortized during its holding period.

In addition, because the Notes may be redeemed prior to maturity at a price in excess of their principal amount, the deduction for amortizable bond premium may be reduced or delayed. U.S. holders should consult their tax advisors about these special rules.

*Sale, Exchange and Retirement of Notes.* Upon the sale, exchange or retirement of a Note (including, under certain circumstances, the assumption of the Issuer's obligations by a Successor Issuer, as described under "Description of the Notes—Substitution of the Issuer"), a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. holder's tax basis in such Note. A U.S. holder's tax basis in a Note will generally equal the cost of the Note to such holder, excluding any amounts attributable to pre-issuance accrued interest and reduced by any amortizable bond premium applied to reduce interest on the Note. Gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Capital gain or loss recognized by a U.S. holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to withholding tax, a U.S. holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to applicable conditions and limitations) against tax due on other income treated as derived 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. U.S. holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes.

*Specified Foreign Financial Assets.* Individual U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$ 50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

### ***Information Reporting and Backup Withholding***

Information returns will be filed with the IRS in connection with payments on the Notes made to, and the proceeds of dispositions of Notes effected by, certain U.S. holders. In addition, certain U.S. holders may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Non-U.S. holders may be required to comply with applicable certification procedures to establish that they are not U.S. holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain specified foreign financial assets.

## **The Proposed Financial Transactions Tax**

The European Commission has published a proposal, (the “Commission’s Proposal”), for a Directive for a common financial transactions tax (“FTT”), in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (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”) 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

HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Mizuho Securities USA LLC, Santander Investment Securities Inc., and Scotia Capital (USA) Inc. are acting as the Representatives of the Initial Purchasers for the offering of the Notes. Under the terms and subject to the conditions contained in a purchase agreement among the Issuer, Suzano Papel e Celulose S.A. and the Initial Purchasers, the Issuer and Suzano Papel e Celulose S.A. have agreed to sell to the several Initial Purchasers the principal amount of the Notes set forth opposite its name in the table below:

<b>Initial Purchaser</b>	<b>Principal Amount of Notes (in U.S.\$)</b>
HSBC Securities (USA) Inc.....	U.S.\$125,000,000
J.P. Morgan Securities LLC.....	U.S.\$125,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	U.S.\$125,000,000
Mizuho Securities USA LLC.....	U.S.\$125,000,000
Santander Investment Securities Inc. ....	U.S.\$125,000,000
Scotia Capital (USA) Inc. ....	U.S.\$125,000,000
<b>Total</b> .....	<b><u>U.S.\$ 750,000,000</u></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.

The Initial Purchasers propose initially to offer the Notes at the offering prices set forth on the cover page of this listing memorandum. After the initial offering, the offering prices 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 60 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.

The Original Notes are listed, and we intend to list the Notes offered hereby on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF Market. The Initial Purchasers have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and any market making activities with respect to the notes may be discontinued at any time without notice. In addition, such market making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, no assurance can be given as to the liquidity of or the trading market for the Notes.

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. In connection with the Merger, Suzano has entered into certain commitment letters with a syndicate of lenders, including JP Morgan Chase Bank, N.A. and Mizuho Bank, Ltd., which acted as lead arrangers on the financing facilities related to the Merger and affiliates of which are the global coordinators and joint bookrunners for the offering of the Notes under this listing memorandum. Subject to the terms and conditions of these commitment letters, the lenders committed to provide (i) U.S.\$ 6.9 billion under a bridge loan and (ii) U.S.\$ 2.3 billion under an export prepayment facility, or EPP. In July 2018, the commitment letters were amended to reduce the aggregate commitments under the Bridge Loan from U.S.\$ 6.9 billion to U.S.\$ 4.5 billion. Effective as of September 27, 2018, the aggregate commitments under the Bridge Loan were further reduced from U.S.\$ 4.5 billion to U.S.\$ 2.3 billion. Effective as of October 30, 2018, the aggregate commitments under the Bridge Loan were further reduced to fully cancel the Bridge Loan, leaving only the EPP remaining in an amount of up to U.S.\$ 2.3 billion. For more information, see "The Merger—Financing Obtained by Suzano for the Merger." Moreover, we have brought an action in Brazilian courts against Banco J.P. Morgan S.A., an affiliate of one of the global coordinators and joint bookrunners for the offering of the Notes under this listing memorandum, 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. Certain of the Initial Purchasers, or their affiliates, who have a lending relationship with us 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**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **Notice to Prospective Investors in United Kingdom**

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in Directive 2003/71/EC, as amended) (i) who 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, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

### **Notice to Prospective Investors in Brazil**

The Notes (and the related Note Guarantees) 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 Note Guarantees) may not be issued, distributed, offered, placed or sold in Brazil, except in circumstances that do not constitute a public offering or unauthorized distribution, placement or distribution under Brazilian laws and regulations. The Notes (and the related Note Guarantees) are not being offered into Brazil. Documents relating to the offering of the Notes, as well as any information contained therein, may not be distributed 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**

The Notes and this listing memorandum have not been and will not be registered with the Austrian Financial Markets Authority. The offer of the Notes is not a public offering subject to an obligation to publish a prospectus in accordance with the Austrian Capital Market Act. This listing memorandum will not be passported as a prospectus into Austria via the competent authority of another member state of the EEA. This listing memorandum has been prepared on the basis that any offer of the Notes in Austria or any invitation to submit an offer for purchase of the Notes will be made on the basis of an exemption from the obligation to publish a prospectus pursuant to § 3 of the Austrian Capital Markets Act. This listing memorandum or any 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 the 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 listing memorandum (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 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers 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 January 29, 2019 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 29 enero del 2019 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**

The Notes will not be offered or sold 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. No advertisement, invitation or document relating to the Notes, has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, 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, the Notes will not be offered or sold 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 organized 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**

This listing memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this listing memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, 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, 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, in each case, subject to compliance with conditions set forth in 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 is an accredited investor securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 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 under Section 274 of the SFA or to a relevant person (as 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.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **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.

## **Notice to Prospective Investors in the Dubai International Financial Centre**

This listing memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This listing memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this listing memorandum nor taken steps to verify the information set forth herein and has no responsibility for the listing memorandum. The Notes to which this listing memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this listing memorandum you should consult an authorized financial advisor.

## **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. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion.

## **Settlement**

We delivered the Notes against payment for the Notes on February 5, 2019, which was the fifth business day following the date of the final offering 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 two 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 or within two days thereof 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 hereof should consult their advisor.

## TRANSFER RESTRICTIONS

The Notes are subject to restrictions on transfer as summarized below. Each purchaser of Notes that is purchasing in a sale made in reliance on Rule 144A or Regulation S will be deemed to have acknowledged that 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 not an affiliate (as defined in Rule 144 under the Securities Act) of the Issuer or the Guarantors, that it is not acting on the Issuer or the Guarantors’ behalf, that 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 understands that none of the Issuer, the Guarantors, or the Initial Purchasers nor any person representing the Issuer, the Guarantors or the Initial Purchasers have made any representation to it with respect to the Issuer, the Guarantors or the offering of the Notes, other than the information contained in this listing memorandum. It represents that it is relying only on this listing memorandum in making its investment decision with respect to the Notes. It agrees that it has had access to such financial and other information concerning the Issuer, the Guarantors and the Notes as it has deemed necessary in connection with its decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer and the Guarantors.
- (4) It shall not resell or otherwise transfer any of such Notes, except:
  - (a) to the Issuer, the Guarantors or any of their subsidiaries;
  - (b) pursuant to a registration statement which has been declared effective under the Securities Act;
  - (c) for so long as the Notes are eligible for resale under Rule 144A, within the United States to a person the seller reasonably believes is a QIB that is purchasing for its own account or for the account of another QIB in compliance with Rule 144A under the Securities Act;
  - (d) 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
  - (e) pursuant to another available exemption from the registration requirements of the Securities Act;

- (5) It agrees that it will give notice of any restrictions on transfer of such Notes to each person to whom it transfers the Notes;
- (6) It understands that the Rule 144A Global Note will bear a legend substantially to the following effect, unless otherwise agreed by us and the trustee and which will be used to notify transferees of the foregoing restrictions on transfer. This legend may only be removed at the option of the Issuer.

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 AND THE GUARANTORS 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 (I) TO SUZANO AUSTRIA GMBH OR THE GUARANTORS OR ANY SUBSIDIARY THEREOF, OR (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR (III) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, OR (IV) 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, AND IN EACH OF SUCH CASES 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.

- (7) 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 person the seller reasonably believes is 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:

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. PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

- (8) 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);

- (9) It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the Notes, as well as holders of the Notes;
- (10) 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, the Guarantors and the trustee that the restrictions set forth herein have been complied with; and

It acknowledges that Suzano Austria GmbH, the Guarantors, 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, the Guarantors, 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 Notes offered hereby and sold in reliance on Regulation S will have temporary CUSIP, ISIN and Common Code numbers during a 40-day distribution compliance period commencing on their date of issuance.

After such 40-day distribution compliance period, the Notes offered hereby and sold in reliance on Regulation S will have the same CUSIP, ISIN and Common Code numbers as, and will be fungible with, the 6.000% Senior Notes due 2029 originally issued on September 20, 2018 and offered and sold in reliance on Regulation S. The Notes offered and sold in reliance on Rule 144A will have, commencing on their date of issuance, the same CUSIP, ISIN and Common Code numbers as, and will be fungible with, the 6.000% Senior Notes due 2029 originally issued on September 20, 2018 and offered and sold in reliance on Rule 144A, as set forth below:

	<u>2029 Notes</u>	<u>Regulation S Global Note (during 40-day Period)</u>	<u>Regulation S Global Note (after 40-day Period)</u>
	<u>Restricted Global Note</u>		
CUSIP .....	86964WAC6	A8372TAJ7	A8372TAF5
ISIN .....	US86964WAC64	USA8372TAJ72	USA8372TAF50
Common Code.....	186872029	190254496	186871634

The Notes have not been registered under the Securities Act or the laws of any other jurisdiction. As a result, the notes are subject to limitations on transferability and resale. For more information see “Transfer Restrictions.”

Copies of our audited consolidated annual financial statements as of and for the years ended December 31, 2017, 2016 and 2015 and our unaudited interim consolidated accounting information as of and for the for the three-month and nine-month periods ended September 30, 2018 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 the Issuer, 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 on 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 September 30, 2018, 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.

The Original Notes are listed, and we have applied to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading 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 on January 29, 2019.

## **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 Suzano, 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 Suzano, 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 & Co KG, Austrian counsel to the Issuer and Suzano.

## INDEPENDENT AUDITORS

The consolidated financial statements of Suzano as of December 31, 2016 and for each of the two years in the period ended December 31, 2016 included in this listing memorandum, have been audited by KPMG Auditores Independentes (referred to as “KPMG”), independent auditors, as stated in their report appearing herein.

The consolidated financial statements of Suzano as of December 31, 2017 and for the year ended December 31, 2017 included in this listing memorandum have been audited by PricewaterhouseCoopers Auditores Independentes (referred to as “PwC”), independent auditors, as stated in their report appearing herein.

Fibria’s financial statements and management’s assessment of the effectiveness of internal control over financial reporting (which is included in Management’s Report on Internal Control over Financial Reporting) incorporated in this listing memorandum by reference to Fibria’s Annual Report on Form 20-F for the year ended December 31, 2017 have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their report incorporated by reference herein.

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# Suzano Papel e Celulose S.A.

Unaudited condensed consolidated interim financial information  
as of September 30, 2018.

(In thousands of R\$, unless otherwise stated)



## Balance Sheet

	<u>Note</u>	<u>9/30/2018</u>	<u>12/31/2017</u> Revised (Note 2.2)
<b>Current assets</b>			
Cash and cash equivalents	5	1,705,762	1,076,833
Financial Investments	6	11,264,567	1,631,505
Trade accounts receivable	7	2,761,578	2,297,763
Inventories	8	1,545,585	1,198,265
Recoverable taxes	9	287,116	300,988
Derivative financial instruments	4	512,861	77,090
Advances to suppliers	10	72,673	86,499
Other assets		167,284	119,610
Assets held for sale	15	<u>6,114</u>	<u>11,535</u>
<b>Total current assets</b>		<u>18,323,540</u>	<u>6,800,088</u>
<b>Non current assets</b>			
Recoverable taxes	9	217,719	283,757
Deferred taxes	12	5,960	2,606
Derivative financial instruments	4	129,258	56,820
Advances to suppliers	10	242,189	221,555
Judicial deposits	22.5	129,034	113,613
Receivables from land expropriation	17	63,108	60,975
Other assets		<u>62,542</u>	<u>31,466</u>
		849,810	770,792
Biological assets	13	5,002,922	4,548,897
Property, plant and equipment	15	17,032,182	16,211,228
Intangible assets	16	346,887	188,426
Investments	14	<u>10,633</u>	<u>6,764</u>
		22,392,624	20,955,315
<b>Total non-current assets</b>		<u>23,242,434</u>	<u>21,726,107</u>
<b>Total assets</b>		<u>41,565,974</u>	<u>28,526,195</u>

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

# Suzano Papel e Celulose S.A.

Unaudited condensed consolidated interim financial information  
as of September 30, 2018.

(In thousands of R\$, unless otherwise stated)



## Balance Sheet

	<u>Note</u>	<u>9/30/2018</u>	<u>12/31/2017</u> Revised (Note 2.2)
<b>Current liabilities</b>			
Trade accounts payable	18	647,598	621,179
Loans and financing	19	1,685,752	2,115,067
Debentures	21	83,580	-
Derivative financial instruments	4	1,944,042	23,819
Taxes payable		132,002	125,847
Payroll and charges		240,797	196,467
Liabilities for assets acquisitions	25	616,514	83,155
Dividends payable		2,037	180,550
Advance from customers		56,788	92,545
Other liabilities		<u>301,881</u>	<u>280,437</u>
<b>Total current liabilities</b>		<u>5,710,991</u>	<u>3,719,066</u>
<b>Non current liabilities</b>			
Loans and financing	19	17,387,922	10,076,789
Debentures	21	4,661,480	-
Derivative financial instruments	4	1,277,552	104,077
Liabilities for assets acquisitions	25	531,616	502,831
Provision for contingencies	22	351,670	317,069
Employee benefits	23	357,645	351,263
Deferred taxes	12	466,255	1,787,413
Share-based compensation plans	24	146,721	38,320
Other liabilities		<u>26,882</u>	<u>12,756</u>
<b>Total non-current liabilities</b>		<u>25,207,743</u>	<u>13,190,518</u>
<b>Total liabilities</b>		<u>30,918,734</u>	<u>16,909,584</u>
<b>Equity</b>			
Share Capital	26.1	6,241,753	6,241,753
Capital reserves		380,564	394,801
Treasury shares	26.2	(218,265)	(241,088)
Profits reserve		2,896,429	2,922,817
Other reserves	26.3	2,418,918	2,298,328
Retained loss		<u>(1,087,296)</u>	<u>-</u>
		<u>10,632,103</u>	<u>11,616,611</u>
Non-controlling interest in subsidiaries' equity		15,137	-
<b>Total equity and liabilities</b>		<u>41,565,974</u>	<u>28,526,195</u>

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



# Suzano Papel e Celulose S.A.

Unaudited condensed consolidated interim financial information  
as of September 30, 2018.

(In thousands of R\$, unless otherwise stated)



## Statement of Income

	Note	3Q18	3Q17	9M18	9M17
Net sales revenue	28	4,005,524	2,578,462	10,214,225	7,428,170
<b>Cost of sales</b>	30	<b>(1,963,077)</b>	<b>(1,539,795)</b>	<b>(5,231,572)</b>	<b>(4,665,096)</b>
<b>Gross profit</b>		<b>2,042,447</b>	<b>1,038,667</b>	<b>4,982,653</b>	<b>2,763,074</b>
<b>Operating income (expenses)</b>					
Selling expenses	30	(160,988)	(89,725)	(433,250)	(295,041)
General and administrative expenses	30	(198,576)	(123,807)	(549,596)	(356,095)
Equity in earnings of associates	14	3,990	(8)	3,867	4,814
Other operating income (expenses), net	30	47,136	(3,115)	36,597	(7,472)
<b>Operating profit before net financial income (expenses)</b>		<b>1,734,009</b>	<b>822,012</b>	<b>4,040,271</b>	<b>2,109,280</b>
<b>Net financial income (expenses)</b>	27				
Financial income		133,722	584,902	215,456	592,955
Financial expenses		(2,096,710)	(315,222)	(6,305,425)	(876,018)
<b>Net (loss) income before taxes</b>		<b>(228,979)</b>	<b>1,091,692</b>	<b>(2,049,698)</b>	<b>1,826,217</b>
<b>Income taxes</b>	12				
Current		(97,275)	(51,292)	(420,147)	(137,696)
Deferred		218,646	(231,140)	1,327,747	(223,797)
<b>Net (loss) income for the period</b>		<b>(107,608)</b>	<b>809,260</b>	<b>(1,142,098)</b>	<b>1,464,724</b>
<b>Result of the period attributed to the controlling shareholders</b>		<b>(107,780)</b>	<b>809,260</b>	<b>(1,142,856)</b>	<b>1,464,724</b>
<b>Result of the period attributed to non-controlling shareholders</b>		<b>172</b>	<b>-</b>	<b>758</b>	<b>-</b>
<b>Basic (loss) earnings per share</b>					
Common	26.4	(0.09854)	0.74109	(1.04524)	1.34181
<b>Diluted (loss) earnings per share</b>					
Common	26.4	(0.09854)	0.74022	(1.04524)	1.34024

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

# Suzano Papel e Celulose S.A.

## Unaudited condensed consolidated interim financial information as of September 30, 2018

(In thousands of R\$, unless otherwise stated)



### Statement of Comprehensive Income

	Note	3Q18	3Q17	9M18	9M17
<b>Net (loss) income for the period</b>		<b>(107,608)</b>	809,260	<b>(1,142,098)</b>	1,464,724
Other comprehensive income (loss)		<b>36,964</b>	(22,656)	<b>176,150</b>	3,338
Items that may be subsequently reclassified to profit or loss					
Exchange variation on conversion of financial statements and on foreign investments	26.3	<b>36,964</b>	(22,656)	<b>176,150</b>	3,338
<b>Total comprehensive income (loss)</b>		<b>(70,644)</b>	<b>786,604</b>	<b>(965,948)</b>	<b>1,468,062</b>
<b>Result of the period attributed to the controlling shareholders</b>		<b>(70,816)</b>	786,604	<b>(966,706)</b>	1,468,062
<b>Result of the period attributed to non-controlling shareholders</b>		<b>172</b>	-	<b>758</b>	-

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

# Suzano Papel e Celulose S.A.

Unaudited condensed consolidated interim financial information  
as of September 30, 2018

(In thousands of R\$, unless otherwise stated)



## Statement of Changes in Equity

Note	Capital reserves					Retained reserve			Other reserves	Retained earnings	Total	Non-controlling interest	Total equity	
	Share Capital	Tax incentives	Stock options granted	Share issuance costs	Treasury shares	Legal reserve	Reserve for capital increase	Special statutory reserve						
<b>Balances at December 31, 2016</b>	26	6,241,753	199,402	19,754	(15,442)	(273,665)	316,526	1,206,884	115,211	2,314,567	-	10,124,990	-	10,124,990
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	-	1,464,724	1,464,724	-	1,464,724
Net income for the period		-	-	-	-	-	-	-	-	3,338	-	3,338	-	3,338
Exchange variation on conversion of financial statements of foreign subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-
Equity transactions with shareholders:														
Stock options granted		-	-	1,161	-	-	-	-	-	-	-	1,161	-	1,161
Sale of treasury shares to meet stock-based compensation plan		-	-	-	-	8,514	-	-	-	-	-	8,514	-	8,514
Initial participation of non-controllers		-	-	-	-	-	-	-	-	-	-	-	-	-
Internal changes in equity:														
Transfer between reserves		-	-	-	-	-	16,653	1,849	-	-	(18,503)	-	-	-
Partial realization of assets' deemed cost adjustment, net of deferred taxes		-	-	-	-	-	-	-	(44,020)	44,020	-	-	-	-
Issue of treasury shares to employees		-	-	(7,038)	-	7,038	-	-	-	-	-	-	-	-
Cancellation of treasury		-	-	-	-	17,107	-	-	-	-	(17,107)	-	-	-
<b>Balances at September 30, 2017</b>	26	6,241,753	199,402	13,877	(15,442)	(241,006)	316,526	1,223,537	117,060	2,273,885	1,473,134	11,602,726	-	11,602,726
<b>Balances at December 31, 2017</b>	26	6,241,753	396,006	14,237	(15,442)	(241,088)	406,898	2,281,328	234,591	2,298,328	-	11,616,611	-	11,616,611
Total comprehensive income (loss)		-	-	-	-	-	-	-	-	-	(1,142,856)	(1,142,856)	758	(1,142,098)
Net income (loss) for the period		-	-	-	-	-	-	-	-	176,150	-	176,150	-	176,150
Exchange variation on conversion of financial statements of foreign subsidiaries	26.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity transactions with shareholders:														
Stock options granted		-	-	72	-	-	-	-	-	-	-	72	-	72
Sale of treasury shares to meet stock-based compensation plan		-	-	-	-	8,514	-	-	-	-	-	8,514	-	8,514
Participation of non-controllers arising from a business combination		-	-	-	-	-	-	-	-	-	-	-	14,379	14,379
Internal changes in equity:														
Transfer between reserves		-	-	-	-	-	3,230	359	-	-	-	3,589	-	3,589
Partial realization of assets' deemed cost adjustment, net of deferred taxes		-	-	-	-	-	-	-	(55,560)	55,560	-	-	-	-
Issue of treasury shares to employees		-	-	(14,309)	-	14,309	-	-	-	-	-	-	-	-
Dividends		-	-	-	-	-	(29,977)	-	-	-	-	(29,977)	-	(29,977)
<b>Balances at September 30, 2018</b>	26	6,241,753	396,006	-	(15,442)	(218,265)	406,898	2,254,581	234,950	2,418,918	(1,087,296)	10,632,103	15,137	10,647,240

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

**Suzano Papel e Celulose S.A.**  
**Unaudited condensed consolidated interim financial information**  
**as of September 30, 2018**

(In thousands of R\$, unless otherwise stated)



**Statement of Cash Flows**

	Note	9/30/2018	9/30/2017
<b>Cash and cash equivalents from operating activities</b>			
<b>Net (loss) income for the period</b>		<b>(1,142,098)</b>	1,464,724
<b>Adjustment to</b>			
Depreciation, depletion and amortization		1,175,272	1,047,170
(Income) loss from sale of property, plant and equipment and biological assets	30	1,935	(39,769)
Equity in (earnings) loss of unconsolidated companies	14	(3,867)	(4,814)
Exchange and monetary variations, net		1,655,901	(283,271)
Interest expenses, net		500,836	596,507
Derivative (gains) losses, net	27	3,848,539	(181,405)
Fair value adjustment of biological assets	13	(5,954)	25,268
Deferred taxes	12	(1,327,747)	223,797
Interest on employee benefits	23	25,851	28,517
Provision for contingencies	22	8,990	25,640
Share-based compensation plans	24	117,780	39,231
Allowance for doubtful accounts, net	7	6,433	28,217
Reversal of/(addition to) provision for discounts		28,978	(10,195)
Provision for (reversal of) inventory losses and write-offs	8	(23,140)	11,961
Provision for losses (impairment) and write-off with property, plant and equipment and biological assets	30	15,503	31,646
Other provisions		156,718	(19,437)
<b>Decrease (increase) in assets</b>			
Trade accounts receivables		(395,989)	(317,748)
Inventories		(291,489)	(77,670)
Recoverable taxes		52,700	(37,320)
Other current and non-current assets		(115,955)	297,815
<b>Increase (decrease) in liabilities</b>			
Trade accounts payables		21,721	83,414
Other current and non-current liabilities		(64,755)	(212,370)
Tax payable		751,758	604,381
Payment of interest		(662,497)	(724,397)
Other taxes and contributions paid		(389,467)	(405,755)
Income taxes paid		(249,476)	(40,199)
<b>Net cash provided by operating activities</b>		<b>3,696,481</b>	<b>2,153,938</b>
<b>Cash flows from investing activities</b>			
Cash from acquisition of subsidiaries		21,431	-
Additions to property, plant and equipment	15	(899,692)	(610,886)
Additions to intangible assets		(6,350)	(7,929)
Additions to biological assets	13	(840,223)	(623,986)
Proceeds from sale of assets		44,131	61,098
Additions (reduction) in financial investments, net		(9,472,426)	(133,106)
Acquisition of subsidiaries		(315,904)	-
<b>Net cash used in investing activities</b>		<b>(11,469,033)</b>	<b>(1,314,809)</b>
<b>Cash flow from financing activities</b>			
Proceeds from loans and financing	19	8,571,900	2,418,438
Issue of Debentures		4,681,100	-
Payment of derivative transactions	4	(1,263,050)	147,204
Payment of loans and financings	19	(3,473,928)	(3,101,826)
Payment of dividends		(210,205)	(370,741)
Sale of treasury shares to meet stock-based compensation plan		8,514	8,514
Liabilities for assets acquisitions		(70,666)	(110,348)
<b>Net cash (used in) provided by financing activities</b>		<b>8,243,665</b>	<b>(1,008,759)</b>
Exchange variation on cash and cash equivalents		157,816	(5,291)
<b>Increase (reduction) in cash and cash equivalents</b>		<b>628,929</b>	<b>(174,921)</b>
Cash and cash equivalents at the beginning of the period	5	1,076,833	1,614,697
Cash and cash equivalents at the end of the period	5	1,705,762	1,439,776
<b>Statement of the increase (reduction) in cash and cash equivalents</b>		<b>628,929</b>	<b>(174,921)</b>

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

# Suzano Papel e Celulose S.A.

Notes to the Unaudited condensed consolidated interim financial information  
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## 1 Company Information

Suzano Papel e Celulose S.A., hereinafter referred to as the “Suzano”, together with its subsidiaries hereinafter referred to as “Company”, with registered office in the city of Salvador, state of Bahia, Brazil, is a corporation whose shares (SUZB3) are traded on B3 S.A. – Brasil, Bolsa, Balcão (“B3”).

The Company has seven (7) industrial units in Brazil: one each in Bahia, Maranhão, Ceará and Pará and three in São Paulo. These industrial units produce hardwood pulp from eucalyptus, paper (coated paper, paperboard, uncoated paper and cut size paper) and jumbo rolls of sanitary paper (consumer goods - tissue) to serve the domestic and international markets. Pulp and paper are sold in the international market directly by Suzano, as well as through its subsidiaries in Argentina, the United States and Switzerland and its sales offices in China and England.

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, and the generation and sale of electricity.

The Company is controlled by Suzano Holding S.A., through a Voting Agreement whereby it holds 50.04% of the common shares of its share capital.

The issue of this unaudited condensed consolidated interim financial information was approved by the Company's Executive Board on October 25, 2018.

### 1.1 Major events in the nine-month period ended September 30, 2018

#### a) Operational events

##### i) Senior Notes Offer (“Notes 2029”)

On September 17, 2018, the Company issued in the international market, through its wholly-owned subsidiary Suzano Austria, Senior Notes in the amount of US\$ 1.0 billion (corresponding to R\$ 4.7 billion). The Notes mature in 11 years and were issued with a coupon (interest) of 6.0% per annum, which will be paid semi-annually.

The net proceeds will be fully utilized for general corporate purposes, including the financing of the transaction with Fibria (Note 1.1 b) i)).

##### ii) Resources obtained

On August 27, 2018, the Company capitalized funds of the Export Credit Note (“NCE”) and the Rural Productive Credit (“CPR”) in the amount of R\$ 511,000 and R\$ 275,000, respectively, maturing in August 2026 and interest rate of 1.03% per year plus Interbank Deposit Certificate (“CDI”), payable semi-annually.

The net proceeds will be fully used to finance the Company's exports in the case of NCE and to finance costing activities in the case of CPR. For all of the volume object of this fund-raising, the Company contracted the corresponding hedge to the exchange rate with a cost of 5.60% of the dollar pre-fixed per year plus exchange variation.

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On July 31, 2018, the Company obtained funds in the form of an Export Credit Note in the amount of R\$ 770,600, maturing in July 2026 with an interest rate of 0.99% per annum plus CDI, which will be paid semi-annually.

The net proceeds will be fully used to finance the Company's exports. For all of the volume object of this fund-raising, the Company contracted the respective hedge to the exchange rate with a cost of 5.71% of the dollar pre-fixed per year plus exchange variation.

### iii) Auction of the Port of Itaqui (MA)

On July 27, 2018, the Company participated in the public auction, promoted by National Agency for Waterway Transportation ("ANTAQ"), a regulatory agency, to lease public areas and infrastructure for handling and storage of general paper and pulp. The Company presented the winning proposal for the concession of the 53,545 square meters area in the Port of Itaqui (MA).

The new terminal project, estimated by ANTAQ at R\$ 215 million, represents another step in the investment cycle carried out by the Company. The initial concession of the site is 25 years.

### iv) Debentures

On June 29, 2018, the Company issued R\$ 4,681,100 in 6<sup>th</sup> issue, single series, non-convertible debentures maturing in June 2026 with interest rate of 112.50% of CDI.

The net proceeds will be fully used to partially pay the cash portion of the acquisition of the common shares of Fibria's (Note 1.1 b i)). For this debenture issue, denominated in Brazilian *Real*, the Company has already contracted a cross currency interest rate swap to fix the interest cost of 5.74% of the dollar pre-fixed per annum.

### v) Trucker's strike

In May 2018, a general strike of truck drivers across Brazil interrupted the transportation of goods and products across the country for a few days, resulting in shortages of fuel and other products, causing a temporary suspension of production in most industries. Despite efforts to minimize the adverse impact of the strike, the Company's production operations were suspended for a few days, resulting in a loss of production volume of approximately 80,000 tons of pulp and approximately 25,000 tons of paper. As of June 1<sup>st</sup>, 2018, operations at Suzano's plants were gradually resumed.

### vi) Acquisition of land and forests in the state of São Paulo

On February 5, 2018, Suzano entered into an Agreement for the Purchase of Forestry Assets, Purchase of Rural Properties, Purchase Option and Other Covenants, with Conditions Precedent, with Duratex S.A. ("Duratex"), through itself and its affiliates, of the following assets:

(i) Around nine thousand and five hundred (9,500) hectares of rural land and one million and two hundred thousand cubic meters (1,200,000 m<sup>3</sup>) of forests, which reflects the

## Suzano Papel e Celulose S.A.

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potential of production of existing and already implemented forests in the areas acquired, for R\$ 308.1 million; and

(ii) Option to purchase for the acquisition approximately twenty thousand (20,000) hectares of rural properties in the same region and five million and six hundred thousand (5,600,000) cubic meters of forests, which reflects the potential of production of existing and already implemented forests, for the price of R\$ 749.3 million, which was exercised by Suzano on July 2, 2018 and acquired completed on August 31, 2018.

On April 4, 2018, the Administrative Council of Economic Defense (CADE) approved this transaction without restrictions.

The amount of R\$ 532,450 was paid on the respective closing dates of the tranches and the remaining balance of R\$ 527,819, adjusted by the Extended Consumer Price Index ("IPCA"), will be paid in the respective maturities in up to 12 months (Note 25).

vii) Export prepayment facility

On February 8, 2018, the Company contracted, through its wholly owned subsidiary Suzano Pulp and Paper Europe S.A. ("Suzano Europe"), an export prepayment facility, structured in a syndicated form, amounting to US\$ 750 million (corresponding to R\$ 2,451.9 million), with final maturity of 5 years and grace period of 3 years, which has Suzano and Suzano Trading Ltd. ("Suzano Trading"), another subsidiary of Suzano, as guarantors.

The proceeds will be used to settle the export prepayment transaction contracted on May 14, 2015, in the amount of US\$ 600 million (corresponding to R\$ 1,081.1 million) and to finance export operations.

The new operation reduces borrowing cost in U.S. dollar, extending the average debt term and eliminates financial covenants. The cost of the original line was Libor + 1.75%, the new line cost Libor + 1.35%

### **b) Corporate events**

i) Voting Commitment and assumption of obligations

On March 15, 2018, Suzano Holding S.A., jointly with other controlling shareholders of the Company (collectively, the "Controlling Shareholders of the Company"), entered into with the controlling shareholders of Fibria Celulose S.A. ("Fibria" and, jointly with Suzano, the "Companies"), Votorantim S.A. and BNDES Participações S.A. – BNDESPAR ("BNDESPAR") (collectively the "Controlling Shareholders of Fibria"), with Suzano as intervening consenting party, a Commitment to Vote and Assumption of Obligations, whereby the Controlling Shareholders of the Company and the Controlling Shareholders of Fibria agreed to exercise their voting rights to combine the operations and shareholding base of the Suzano and of Fibria, through corporate restructuring.

A corporate restructuring was submitted to the shareholders of the Companies, which will result in the following: (a) the ownership, by Suzano, of all the shares issued by Fibria; and (b) in the receipt by the shareholders of Fibria, for each common share issued by Fibria, of (i) fifty-two *reais* and fifty *centavos* (R\$ 52.50), restated at the variation of

## Suzano Papel e Celulose S.A.

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the CDI rate from March 15, 2018 to the effective payment date, to be paid in a single installment on the date of consummation of the operation; and (ii) 0.4611 common shares of Suzano, to be delivered on the date of consummation of the operation.

Shareholders of Fibria holding American Depositary Receipts ("ADR") will be entitled to receive Suzano ADRs, observing the same exchange ratio. To do so, Suzano will adopt measures to (i) register the operation with the U.S. Securities and Exchange Commission; and (ii) list the ADRs of Suzano in the same listing segment with the New York Stock Exchange where Fibria's ADRs are currently listed.

Once the operation is consummated, the shares and ADRs issued by Fibria will no longer be traded on B3 S.A. and the New York Stock Exchange (NYSE), respectively.

In accordance with the Voting Commitment, if any restrictions imposed by antitrust authorities in Brazil and/or other countries are too burdensome, Suzano may choose not to consummate the operation, upon payment to Fibria of a break-up fee equivalent to R\$ 750 million. The break-up fee may entail certain other conditions of non-consummation of the operation, as expressly envisaged in the Voting Commitment.

In the context of the transaction and subject to the closing of the transaction, on March 15, 2018, the Controlling Shareholders of the Company entered into a Voting Agreement and other covenants with BNDES ("BNDESPAR Voting Agreement"), establishing certain governance commitments, financial and environmental policies of the Company, and limiting the transfer of the shares in the Company held by the Controlling Shareholders of the Company.

Suzano secured firm commitments from certain international financial institutions to contract financing facilities, in the total amount of US\$ 4.5 billion, after reductions of the amount initially contracted, whose disbursement is conditioned, among other things, on the consummation of the operation. Proceeds from said financing will be used to finance a part of the installment in cash and combined exports of the Companies.

### ii) Approval of the operation

On June 1, 2018, the Company received notice of the Federal Trade Commission, a competitive authority in the United States, granting early conclusion of the transaction analysis between Suzano and Fibria, which represents the authorization of the unrestricted operation in the United States of America.

On July 26, 2018, Suzano's Board of Directors and Fiscal Council approved, among other matters, the conclusion of the Protocol and Justification between Suzano, Fibria Celulose SA and Eucalipto Holding SA, which establishes the terms and conditions of the corporate reorganization that will allow the combination of the operations and shareholding bases of Suzano and Fibria, object of the Commitment of Voting and Assumption of Obligations celebrated on March 15, 2018 and disclosed through the Company's Relevant Fact of March 16, 2018 (Note 1.1 b) i)).

On August 8, 2018, the Declaration of Efficiency was issued by the Securities and Exchange Commission of the United States of America ("SEC") for the registration statement filed by Suzano with the SEC.



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On August 31, 2018, the Company received notice of the State of Administration for Market Regulation (SAMR), authority responsible for competition matters in China, approving the operation between Suzano and Fibria without restrictions in China.

On September 6, 2018, the Company received the notice from the Turkish competition authority that the transaction involving Suzano and Fibria has been approved without restrictions in Turkey.

On September 13, 2018, at Extraordinary General Meeting (AGE), all matters related to the corporate reorganization were approved with a view to combining the operations and shareholder base of the Companies.

On October 11, 2018, the Company received the notification from CADE (Administrative Council for Economic Defense), the Brazilian competition authority, approving without restrictions the transaction involving Suzano and Fibria, which is subject to the elapse of the legal term, according to the applicable law (Note 32 i)).

Consummation of the operation is subject to typical conditions for operations of this nature, including approval by antitrust authorities in the European Union.

### iii) Acquisition of company in Tissue segment (Facepa)

On January 19, 2018, Brazil's antitrust agency CADE approved without restrictions the acquisition of around 92.84% of the total capital of the mill of Facepa – Fábrica de Papel da Amazônia ("Facepa") by Suzano.

On March 1, 2018, once all the conditions precedent were implemented and all the approvals obtained from competent government authorities, the direct and indirect acquisition of approximately 92.84% of the total capital and 99.99% of the common capital of Facepa was concluded. Suzano acquired 100% of the control of AGFA - Comércio, Administração e Participações Ltda. ("AGFA"), which holds 28.8% of Facepa, and directly acquired 64.0% from the controlling shareholders of Facepa, thus totaling 92.84%. AGFA is a company with no commercial operation and whose balance sheet basically includes the investment in Facepa.

With the acquisition, in addition to Facepa's units in Belém (PA) and Fortaleza (CE), the Company already operates its own sanitary paper units in Mucuri (BA) and Imperatriz (MA).

The amount paid for the acquisition was R\$ 267,876, made on the date of the acquisition and a contingent amount of R\$ 40,000, which is conditioned on the non-materialization of indemnifiable losses by the sellers, totaling R\$ 307,876. (Note 14.1 i)).

### iv) Acquisition of company in the energy segment (PCH Mucuri)

On February 19, 2018, after the fulfillment of all the conditions precedent and after approval was obtained from competent government authorities, the operation for the acquisition of all the shares issued by Mucuri Energética S.A. ("PCH Mucuri") was concluded. PCH Mucuri owns a small hydroelectric plant located in the cities of Carlos Chagas and Pavão in the State of Minas Gerais.

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The amount paid for the acquisition was R\$ 48,028 on the date of conclusion of the acquisition. (Note 14.1 ii)).

## 2 Presentation of the Unaudited condensed consolidated interim

### 2.1 Preparation basis and presentation

The unaudited condensed consolidated interim financial information was prepared and is presented in accordance with international standard IAS 34 Interim Financial Reporting, as issued by the International Accounting Standard Board ("IASB").

The interim information was prepared using the historical cost as the basis of value, except for certain financial assets and liabilities and biological assets that are measured at fair value.

The Company affirms that all the information relevant to its interim information is reported and that it corresponds to that used by the Management for its administration.

#### 2.1.1 Condensed consolidated

The unaudited condensed consolidated interim financial information was prepared based on the information provided by Suzano and its subsidiaries on the reporting date, as well as in accordance with consistent accounting practices and policies, except for Futuragene PLC., whose reporting date is August 31, 2018, but whose information does not have significant impact on consolidated result.

The subsidiaries are consolidated as from the date of ownership control up to the date control ceases to exist. In the case of joint control (joint venture) with other companies, these investments are measured by the equity method for the consolidated interim information.

In the consolidation process, the balances in the balance sheet and income statement accounts corresponding to the transactions carried out with subsidiaries are eliminated, as well as the unrealized gains and losses and the investments in these subsidiaries and their respective equity accounting results.

### 2.2 Revised of comparative figures

The financial statements as of December 31, 2017, presented for comparison purposes, were revised to reflect the reclassifications of advances for the acquisition of wood, in the amount of R\$ 12,870, from Other Accounts Receivable to Advances to Suppliers. The adjustment was a reclassification between items of Current Assets, did not change the total of this group, and also do not change the total of the Assets.

The following item was reclassified in the statement of cash flows, between operating and financing activities: (i) Commitments for the acquisition of assets, in the amounts of R\$110,348.

The Company concluded the revision is not relevant to the financial statements.

### **3 Accounting policies**

The interim financial information was prepared using accounting practices consistent with those used in the preparation of the annual financial statements at December 31, 2017, except for the application of the new accounting standards as of January 1<sup>st</sup>, 2018, although, despite the application, there was no material impact on the interim information, as mentioned in the financial statements as of December 31, 2017. This interim financial information should be considered jointly with the annual financial statements.

#### **3.1 Accounting policies adopted**

##### **3.1.1 Financial instruments – IFRS 9**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Company opted for the modified transition method that comparative figures have not been restated.

The adoption of IFRS 9 Financial Instruments from January 1<sup>st</sup>, 2018 resulted in changes in accounting policies however considering the assessment made by Company there was no material impact or adjustments in January 1<sup>st</sup>, 2018 due to the new standard.

###### **(i) Classification and measurement**

The Company classifies its financial assets in the following categories: (a) amortized cost and (b) at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired as explained below:

###### **(a) Amortized cost**

Are financial assets held by the Company (i) in order to receive their contractual cash flow and not to sell to realization a profit or loss and (ii) whose contractual terms give rise, on specified dates, to cash flows that exclusively, payments of principal and interest on the principal amount outstanding.

It includes the balance of cash and cash equivalents and trade accounts receivable. Any changes are recognized in income statement under "Financial income" or "Financial expenses", depending on the outcome.

###### **(b) Financial assets at fair value through profit or loss**

That are either designated in this category or not classified in any of the other categories.

Are the balance of financial investments and derivative financial instruments. Any changes are recognized in the income statement under "Financial income" or "Financial expenses", depending on its outcome.

###### **(ii) Impairment of financial assets**

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The Company revised its impairment methodology under IFRS 9. On January 1<sup>st</sup>, 2018, the Company started to apply IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade accounts receivable. The total impact of the change in impairment methodology on January 1<sup>st</sup>, 2018 was not material.

## 3.1.2 Revenue recognition – IFRS 15

The Company has adopted IFRS 15 Revenue from Contracts with Customers on January 1<sup>st</sup>, 2018 which resulted in changes in accounting policies, opting the modified transition method that comparative figures have not been restated.

The Company recognizes revenues from contracts with customers as at which the products to customers transfer of control, represented by the ability to determine the use of products and obtain substantially all the remaining benefits from the products.

The Company follows the conceptual framework of the standard, based on the five-step model: (i) identification of contracts with customers; (ii) identification of performance obligations under contracts; (iii) determining the transaction price; (iv) allocation of the transaction price to the performance obligation provided for in the contracts and (v) recognition of revenue when the performance obligation is met.

The transaction confirmation is based on the parameters provided by the corresponding Incoterms (International Commercial Terms) and credit confirmation to the completion of the transaction. Revenue is the net sales revenue, net of taxes, discounts and returns. The revenue is recognized when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

### (a) Sale of products

The recognition of revenue for domestic and export pulp and paper sales is based on the following principles:

(i) Domestic market - sales are mainly made on credit. Revenue is recognized when the customer receives the product, whether on the carrier's premises or at its own premises, at which rewards of ownership are transferred and the performance obligation is satisfied.

(ii) Export market - export orders are normally supplied from third party warehouses located near strategic markets; sales are mainly made on credit. Revenue is recognized as per the Incoterm parameters.

## 3.2 New standards, revisions and interpretations not yet in force

IASB issued and approved the following accounting standards/interpretations that are not yet effective and the Company did not early adopt them for the preparation of this interim information.

The Management evaluated or is evaluating and measuring the impacts of adopting the following standards/interpretations:

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i) IFRS 16 – Leases – It replaces IAS 17 and essentially requires that lessees recognize future payments in their liabilities and the right to use a leased item in assets for practically all lease agreements. Therefore, financial lease and operating lease agreements receive similar accounting treatment, although certain short-term leases or those for small amounts are outside the scope of this standard. This standard will be effective as of January 1<sup>st</sup>, 2019.

The Company, based on preliminary assessments, believes that the biggest impact produced by this standard is related to the recognition in the balance sheet of the lease agreements of land used to plant eucalyptus forests, with terms of up to 3 cycles of forest formation, around 21 years (Note 19.4), but for the reporting date, the Company was still analyzing these and other lease agreements, as well as the transition criterion to be adopted to implement the new Standard.

ii) IFRIC 23 Uncertainty over Income Tax Treatments – Clarifies the accounting of tax positions that have not yet been accepted by tax authorities. Both IAS 12/CPC 32 Income Taxes and the new interpretation IFRIC 23 apply only to Income Tax and Social Contribution. IFRIC 23 does not introduce new disclosures, but reinforces the need to comply with certain reporting requirements on (i) judgments made; (ii) assumptions or other estimates used; and (iii) potential impact of uncertainties that are not reflected in the financial statements. This standard will be effective as of January 1<sup>st</sup>, 2019.

The Company is evaluating the impacts of adoption on the new standard in its financial statement.

## 4 Financial Instruments and Risks

### 4.1 Management of financial risks

#### a) Overview

In the nine-month period ended September 30, 2018, 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, 2017.

The main financial risk factors considered by Management are:

- Liquidity risk;
- Credit risk;
- Currency risk;
- Interest rate risks.

The Company does not adopt hedge accounting. Therefore, all results (gains and losses) from derivative operations (settled and outstanding) are fully recognized in the Consolidated statements of income of the periods, as presented in Note 27.

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### b) Measurement

All operations with financial instruments are recognized in the Company's interim information, as shown below. As a result of the adoption of IFRS 9, no material change in the measurement of financial instruments methodology applied for the prior year.

	Note	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Assets</b>			
At fair value through profit or loss			
Financial investments	6	<b>11,264,567</b>	1,631,505
Derivative financial instruments	4.3	<b>642,119</b>	133,910
At amortized costs			
Cash and cash equivalents	5	<b>1,705,762</b>	1,076,833
Trade accounts receivable	7	<b>2,761,578</b>	2,297,763
		<u><b>16,374,026</b></u>	<u>5,140,011</u>
<b>Liabilities</b>			
At amortized cost			
Trade accounts payable	18	<b>647,598</b>	621,179
Loans and financing	19	<b>19,073,674</b>	12,191,856
Debentures	21	<b>4,745,060</b>	-
Liabilities for asset acquisition	25	<b>1,148,130</b>	585,986
At fair value through profit or loss			
Derivative financial instruments	4.5	<b>3,221,594</b>	127,896
		<u><b>28,836,056</b></u>	<u>13,526,917</u>

### c) Fair value versus book value

The comparison between the fair value and carrying value of outstanding financial instruments, at their amortized cost, is shown below:

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	9/30/2018		12/31/2017	
	Book Value	Fair Value	Book Value	Fair Value
<b>Assets</b>				
Cash and cash equivalents	1,705,762	1,705,762	1,076,833	1,076,833
Financial investments	11,264,567	11,264,567	1,631,505	1,631,505
Trade accounts receivable	2,761,578	2,761,578	2,297,763	2,297,763
Derivative financial instruments (current and non-current)	642,119	642,119	133,910	133,910
	<u>16,374,026</u>	<u>16,374,026</u>	<u>5,140,011</u>	<u>5,140,011</u>
<b>Liabilities</b>				
Trade accounts payables	647,598	647,598	621,179	621,179
Loans and financing (current and non-current)	19,073,674	21,037,765	12,191,856	13,755,352
Debentures	4,745,060	5,101,190	-	-
Liabilities for asset acquisitions (current and non-current)	1,148,130	1,092,417	585,986	564,292
Derivative financial instruments (current and non-current)	3,221,594	3,221,594	127,896	127,896
	<u>28,836,056</u>	<u>31,100,564</u>	<u>13,526,917</u>	<u>15,068,719</u>

## 4.2 Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted, and include contractual interest payments, therefore, may not be reconciled with the amounts disclosed in the balance sheet.

	9/30/2018					
	Total Book Value	Total Future Value	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
<b>Liabilities</b>						
Trade accounts payables	647,598	647,598	647,598	-	-	-
Loans and financing	19,073,674	29,422,939	2,602,265	2,340,904	8,376,679	16,103,091
Debentures	4,745,060	9,207,621	374,561	511,167	1,954,456	6,367,437
Liabilities for asset acquisitions	1,148,130	1,291,999	653,520	103,135	327,363	207,981
Derivative financial instruments	3,221,594	3,645,253	2,172,780	647,649	576,860	247,964
Other accounts payable	328,763	328,763	301,881	26,882	-	-
	<u>29,164,819</u>	<u>44,544,173</u>	<u>6,752,605</u>	<u>3,629,737</u>	<u>11,235,358</u>	<u>22,926,473</u>
	12/31/2017					
	Total Book Value	Total Future Value	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
<b>Liabilities</b>						
Trade accounts payables	621,179	621,179	621,179	-	-	-
Loans and financing	12,191,856	15,897,299	2,704,902	2,686,542	4,930,467	5,575,388
Liabilities for asset acquisitions	585,986	713,723	95,284	9,698	187,686	421,055
Derivative financial instruments	127,896	97,412	24,092	63,971	9,349	-
Other accounts payable	293,193	293,193	280,437	12,756	-	-
	<u>13,820,110</u>	<u>17,622,806</u>	<u>3,725,894</u>	<u>2,772,967</u>	<u>5,127,502</u>	<u>5,996,443</u>

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### 4.3 Credit risk

The book value of financial assets representing the exposure to credit risk on the date of the interim information was as follows:

	Note	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Assets</b>			
Cash and cash equivalents	5	<b>1,705,762</b>	1,076,833
Financial investments	6	<b>11,264,567</b>	1,631,505
Trade accounts receivable	7	<b>2,761,578</b>	2,297,763
Derivative financial instruments		<b>642,119</b>	133,910
		<u><b>16,374,026</b></u>	<u>5,140,011</u>

The Counterparties, mostly financial institutions with whom the Company conducts transactions classified under cash and cash equivalents, financial investments and derivatives financial instruments, are rated by the rating agencies Fitch Ratings, Standard & Poor's and Moody's. The risk rating is as follows:

Risk rating <sup>(a)</sup>	Cash and cash equivalents and financial investments		Derivative financial instruments	
	<u>9/30/2018</u>	<u>12/31/2017</u>	<u>9/30/2018</u>	<u>12/31/2017</u>
AAA	<b>7,591,765</b>	2,168,810	<b>328,744</b>	65,510
AA+	<b>5,128,778</b>	169,881	<b>299,775</b>	51,231
AA	<b>64,371</b>	207,925	-	3,143
AA-	<b>137,225</b>	113,623	<b>13,600</b>	14,026
A	<b>47,137</b>	45,753	-	-
A-	<b>1,051</b>	2,330	-	-
BB	<b>2</b>	16	-	-
	<u><b>12,970,329</b></u>	<u>2,708,338</u>	<u><b>642,119</b></u>	<u>133,910</u>

<sup>(a)</sup> We use the Brazilian Risk Rating and the rating is given by rating agencies Fitch Ratings, Standard & Poor's and Moody's.

The risk rating of trade accounts receivable is as follows:



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	<u>9/30/2018</u>	<u>12/31/2017</u>
Low Risk <sup>(a)</sup>	<b>2,716,004</b>	2,262,628
Average Risk <sup>(b)</sup>	<b>24,371</b>	21,016
High Risk <sup>(c)</sup>	<b>58,681</b>	52,859
	<u><b>2,799,056</b></u>	<u>2,336,503</u>

(a) No past due and delay up to 30 days.

(b) Overdue between 30 and 90 days.

(c) Overdue more than 90 days and renegotiated with the client or with security interest.

## 4.4 Market risk

### 4.4.1 Exchange rate risk

The net exposure of assets and liabilities in foreign currency which is substantially in U.S. dollars, are demonstrated below:

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Assets</b>		
Cash and cash equivalents	<b>1,307,774</b>	585,541
Trade accounts receivable	<b>1,952,066</b>	1,544,633
Derivative financial instruments	<b>636,600</b>	133,910
	<u><b>3,896,440</b></u>	<u>2,264,084</u>
<b>Liabilities</b>		
Trade accounts payables	<b>(101,690)</b>	(45,548)
Loans and financing	<b>(14,180,594)</b>	(8,616,807)
Liabilities for asset acquisitions	<b>(337,943)</b>	(332,193)
Derivative financial instruments	<b>(3,208,211)</b>	(126,781)
	<u><b>(17,828,438)</b></u>	<u>(9,121,329)</u>
<b>Liability exposure</b>	<u><b>(13,931,998)</b></u>	<u>(6,857,245)</u>

Foreign denominated balances are primarily denominated in US Dollars.

### Sensitivity analysis – foreign exchange exposure

For market risk analysis, the Company uses scenarios to jointly evaluate the long and short positions in foreign currency, and the possible effects on its results. The probable

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scenario represents the amounts already booked, as they reflect the translation into Brazilian reais on the base date of the balance sheet.

The other scenarios were created considering the depreciation of the Brazilian *real* against the U.S. dollar at the rates of 25% and 50%.

This analysis assumes that all other variables, in particular interest rates, remain constant, the following table presents the potential impacts on results assuming these scenarios:

	9/30/2018		
	As of	Effect on Income and Equity	
	Probable	Possible Increase (Δ 25%)	Remote Increase (Δ 50%)
Cash and cash equivalents	1,307,774	326,944	653,887
Trade accounts receivable	1,952,066	488,017	976,033
Trade accounts payables	(101,690)	(25,422)	(50,845)
Loans and financing	(14,180,594)	(3,545,149)	(7,090,297)
Liabilities for asset acquisitions	(337,943)	(84,486)	(168,971)
Derivatives <i>Non Deliverable Forward</i> ("NDF") <sup>(a)</sup>	(693,529)	(2,903,544)	(5,807,089)
Derivatives Swap <sup>(a)</sup>	(1,072,653)	(2,396,414)	(4,814,731)
Derivatives Options <sup>(a)</sup>	(805,429)	(2,949,900)	(6,210,908)
		<u>(11,089,953)</u>	<u>(22,512,921)</u>

(a) For the notional amounts of derivatives, see Note 4.5.

### 4.4.2 Interest rate risk

Fluctuations in interest rates could result in increase or decrease in costs of new financing and operations already contracted.

The Company constantly seeks alternatives to use financial instruments in order to avoid negative impacts on its cash flows.

### Sensitivity analysis – exposure to interest rates

For market risk analysis, the Company uses scenarios to evaluate the sensitivity that variations in operations impacted by the rates: CDI, Long Term Interest Rate ("TJLP"), Special System for Settlement and Custody ("SELIC") and London Interbank Offered Rate ("LIBOR") may have on its results. The probable scenario represents the amounts already booked, as they reflect the best estimate of the Management.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. The other scenarios were developed considering appreciation 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:

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	9/30/2018		
	As of	Effect on Income and Equity	
	Probable	Possible Increase ( Δ 25%)	Remote Increase ( Δ 50%)
<b>CDI</b>			
Cash and cash equivalents	397,988	6,607	13,316
Financial investments	9,239,424	153,380	309,142
Loans and financing	(4,253,649)	(341,375)	(413,085)
Debentures	(4,745,060)	(380,813)	(460,808)
Derivative Swaps	(1,072,652)	949,578	1,867,252
Derivative Options	(805,429)	(155,860)	(282,602)
		<u>231,517</u>	<u>1,033,215</u>
<b>Special System for Settlement and Custody ("SELIC")</b>			
Financial investments	2,025,143	33,618	67,759
		<u>33,618</u>	<u>67,759</u>
<b>TJLP</b>			
Loans and financing	(216,461)	(3,653)	(7,306)
		<u>(3,653)</u>	<u>(7,306)</u>
<b>LIBOR</b>			
Loans and financing	(4,378,718)	(24,740)	(49,480)
Derivative Swap	(7,865)	288,702	569,456
		<u>263,962</u>	<u>519,976</u>

### 4.5 Derivative financial instruments

The Company determines the fair value of derivative contracts and recognizes that these amounts can differ from the amounts realized in the event of early settlement. The amounts reported by the Company are based on an estimate and using data provided from a third party, which is reviewed by management.

#### a) Outstanding derivatives by type of contract

On September 30, 2018 and December 31, 2017, the consolidated positions of outstanding derivatives are presented below:

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	Notional value in US\$		Fair value	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
<b>Cash flow</b>				
<b>Exchange hedge</b>				
Zero-cost collar (R\$ vs. US\$)	2,265,000	1,485,000	(375,455)	25,822
NDF (R\$ x US\$)	50,000	-	(4,087)	-
Fixed Swap (US\$) vs. CDI	-	50,000	-	5,356
Fixed Swap CDI vs. US\$	-	50,000	-	(2,485)
<b>Subtotal</b>	<b>2,315,000</b>	<b>1,585,000</b>	<b>(379,542)</b>	<b>28,693</b>
<b>Debt hedge</b>				
<b>Exchange hedge</b>				
Swap CDI vs. Fixed (US\$)	801,772	291,725	(541,402)	(21,562)
<b>Subtotal</b>	<b>801,772</b>	<b>291,725</b>	<b>(541,402)</b>	<b>(21,562)</b>
<b>Interest hedge</b>				
Swap LIBOR vs. Fixed (US\$)	763,492	19,841	(2,647)	(1,117)
<b>Subtotal</b>	<b>763,492</b>	<b>19,841</b>	<b>(2,647)</b>	<b>(1,117)</b>
<b>Total in derivatives (Cash Flow)</b>	<b>3,880,264</b>	<b>1,896,566</b>	<b>(923,591)</b>	<b>6,014</b>
<b>Fibra's operation</b>				
<b>Exchange hedge</b>				
Zero cost collar	1,300,000	-	(429,975)	-
NDF (R\$ x US\$)	2,900,000	-	(689,441)	-
<b>Subtotal</b>	<b>4,200,000</b>	<b>-</b>	<b>(1,119,416)</b>	<b>-</b>
<b>Debt hedge</b>				
<b>Exchange hedge</b>				
Swap CDI x Fixed (US\$)	1,650,000	-	(531,251)	-
<b>Subtotal</b>	<b>1,650,000</b>	<b>-</b>	<b>(531,251)</b>	<b>-</b>
<b>Interest hedge</b>				
Swap Libor x Fixed (US\$)	2,000,000	-	(5,217)	-
<b>Subtotal</b>	<b>2,000,000</b>	<b>-</b>	<b>(5,217)</b>	<b>-</b>
<b>Total in derivatives (Fibra's operation)</b>	<b>7,850,000</b>	<b>-</b>	<b>(1,655,884)</b>	<b>-</b>
<b>Total in derivatives</b>	<b>11,730,264</b>	<b>1,896,566</b>	<b>(2,579,475)</b>	<b>6,014</b>
Current assets			512,861	77,090
Non-current assets			129,258	56,820
Current liabilities			(1,944,042)	(23,819)
Non-current liabilities			(1,277,552)	(104,077)
			<b>(2,579,475)</b>	<b>6,014</b>

Fair value does not represent an obligation for immediate disbursement or cash receipt, given that such effect will only occur on the dates of contractual fulfillment or on the maturity of each transaction, when the result will be determined, depending on the case and market conditions on agreed dates.

Contracts outstanding on September 30, 2018 are over-the-counter operations without any margin or early settlement clause imposed due to mark-to-market variations.

As mentioned in Note 1.1 b) i) related to the corporate reorganization transaction with Fibria, the Company obtained firm commitments from certain international financial institutions to contract financing, totaling US\$ 4.5 billion, whose disbursement is

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conditional, among others conditions, to the consummation of the transaction. The proceeds of such financing will be used to settle part of the cash portion of this transaction determined in *Reais-R\$*. In order to mitigate the currency risk between the origin of dollar resources and the commitment in *Reais*, the Company increased the use of the currency hedge derivatives in the period.

As the business under acquisition is usually precified in US\$ and the guaranteed credit line obtained is also in US\$, management strategy is to hedge the final consideration to be paid in US\$, entering into derivative contracts.

### b) Fair value by maturity date

Derivatives mature as follows:

Maturity of derivatives	Net Fair value	
	9/30/2018	12/31/2017
In 2018	(20,171)	53,270
In 2019	(1,453,611)	(16,064)
In 2020	(221,378)	(31,192)
In 2021	228,579	-
In 2022	190,561	-
In 2023	142,488	-
In 2024	117,099	-
In 2025	(740,186)	-
In 2026	(822,856)	-
	<u>(2,579,475)</u>	<u>6,014</u>

### c) Long and short position of outstanding derivatives

On September 30, 2018 and December 31, 2017, the consolidated positions of outstanding derivatives are presented below:

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	Currency	Notional value		Fair value	
		9/30/2018	12/31/2017	9/30/2018	12/31/2017
<b>Debt hedge</b>					
<b>Assets</b>					
Swap CDI vs. Fixed (US\$)	R\$	8,888,288	950,000	138,199	22,525
Swap LIBOR vs. Fixed (US\$)	US\$	2,763,492	19,841	5,519	65,517
<b>Subtotal</b>				<b>143,718</b>	<b>88,042</b>
<b>Liabilities</b>					
Swap CDI vs. Fixed (US\$)	US\$	2,451,772	291,725	(1,210,852)	(44,087)
Swap LIBOR vs. Fixed (US\$)	US\$	2,763,492	19,841	(13,383)	(66,634)
<b>Subtotal</b>				<b>(1,224,235)</b>	<b>(110,721)</b>
<b>Total swap agreements</b>				<b>(1,080,517)</b>	<b>(22,679)</b>
<b>Cash flow</b>					
Zero-cost collar (US\$ vs. R\$)	US\$	3,565,000	1,485,000	(805,429)	25,822
Swap Fixed (US\$) vs. CDI	US\$	-	50,000	-	5,356
NDF (R\$ x US\$)	US\$	2,950,000	-	(693,529)	-
Swap CDI x Fixed (US\$)	US\$	-	50,000	-	(2,485)
<b>Subtotal</b>				<b>(1,498,958)</b>	<b>28,693</b>
<b>Total in derivatives</b>				<b>(2,579,475)</b>	<b>6,014</b>

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## d) Settled derivatives

In the three and nine-month period ended September 30, 2018 and 2017, the consolidated positions of settled derivatives were as follows:

	Cash paid / Received amount (In thousand of R\$)			
	3Q18	3Q17	9M18	9M17
<b>Cash flow</b>				
<b>Exchange hedge</b>				
Zero-cost collar (R\$ vs. US\$)	(8,472)	665	1,693	665
NDF (R\$ vs. US\$)	(998,139)	-	(998,139)	11,110
NDF (MXN vs. US\$)	-	-	-	39
<b>Subtotal</b>	<b>(1,006,611)</b>	665	<b>(996,446)</b>	11,814
<b>Commodity hedge</b>				
Bunker (oil)	-	-	-	2,631
<b>Subtotal</b>	-	-	-	2,631
<b>Debt hedge</b>				
<b>Exchange hedge</b>				
Swap CDI vs. Fixed (US\$)	(705)	-	(6,387)	49,588
Swap Fixed (US\$) vs. CDI	-	-	-	(8,809)
<b>Subtotal</b>	<b>(705)</b>	-	<b>(6,387)</b>	40,779
<b>Interest hedge</b>				
Swap LIBOR vs. Fixed (US\$)	-	-	(615)	(1,544)
Swap Coupon vs. Fixed (US\$)	-	-	-	15,824
<b>Subtotal</b>	-	-	<b>(615)</b>	14,280
<b>Total in derivatives <sup>(a)</sup></b>	<b>(1,007,316)</b>	665	<b>(1,003,448)</b>	69,504

<sup>(a)</sup> In the period ended September 30, 2018 and 2017 there was a receipt of R\$ 259,602 and R\$ 77,700 respectively, related to unhedged options and therefore not presented in the table above.

## 4.6 Capital management

The main objective of Company's capital management is to ensure and maintain a solid credit rating, in addition to mitigating risks that may affect capital availability in business development.

The Company monitors constantly significant indicators, such as:

- i) consolidated financial leverage index, which is the total net debt divided by adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA");
- ii) 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. The Company manages its capital structure and makes adjustments based on changes in economic conditions.

## Suzano Papel e Celulose S.A.

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	<u>9/30/2018</u>	<u>12/31/2017</u>
Loans and financing	19,073,674	12,191,856
Debentures	4,745,060	-
(-) Cash and financial investments	<u>(12,970,329)</u>	<u>(2,708,338)</u>
<b>Net debt</b>	<b>10,848,405</b>	9,483,518
Shareholders' equity controlling	10,632,103	11,616,611
Shareholders' equity non-controlling	15,137	-
<b>Shareholders' equity and net debt</b>	<b><u>21,495,645</u></b>	<b><u>21,100,129</u></b>

### 4.7 Fair value hierarchy

The financial instruments and other interim information items assessed 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).



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	9/30/2018			
	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Financial investments	11,264,567	4,612,652	6,651,915	-
Derivative financial instruments	642,119	-	642,119	-
Biological assets <sup>(a)</sup>	5,002,922	-	-	5,002,922
	<u>16,909,608</u>	<u>4,612,652</u>	<u>7,294,034</u>	<u>5,002,922</u>
<b>Liabilities</b>				
Derivative financial instruments	3,221,594	-	3,221,594	-
	<u>3,221,594</u>	<u>-</u>	<u>3,221,594</u>	<u>-</u>
	12/31/2017			
	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Financial Investments	1,631,505	-	1,631,505	-
Derivative financial instruments	133,910	-	133,910	-
Biological assets <sup>(a)</sup>	4,548,897	-	-	4,548,897
	<u>6,314,312</u>	<u>-</u>	<u>1,765,415</u>	<u>4,548,897</u>
<b>Liabilities</b>				
Derivative financial instruments	127,896	-	127,896	-
	<u>127,896</u>	<u>-</u>	<u>127,896</u>	<u>-</u>

<sup>(a)</sup> Changes in fair value of biological assets are shown in Note 13.

## 4.8 Guarantees

The Company has as guarantee letters of credit and credit insurance policies. In the period ended September 30, 2018, consolidated accounts receivable operations pegged to exports amount to US\$ 476 million (equivalent to R\$1,909,840) (December 31, 2017 US\$ 429 million, equivalent to R\$ 1,421,446).

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### 5 Cash and Cash Equivalents

	<u>9/30/2018</u>	<u>12/31/2017</u>
Cash and banks		
Local currency	30,057	19,124
Foreign currency	<u>1,307,774</u>	<u>583,604</u>
	1,337,831	602,728
Financial investments		
Local currency	367,931	472,168
Foreign currency	<u>-</u>	<u>1,937</u>
	367,931	474,105
	<u>1,705,762</u>	<u>1,076,833</u>

Financial investments in local currency are low risk and highly liquidity and correspond to investments indexed to the CDI. On September 30, 2018, the interest rates on financial investments ranged between 92% and 104% of CDI index (December 31, 2017, the interest rates ranged between 94% and 110% of CDI index).

### 6 Financial Investments

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Financial assets measured at fair value through profit or loss held for trading</b>		
Investment funds <sup>(a)</sup>	4,612,652	1,593,066
Bank Deposit Certificates ("CDB") <sup>(b)</sup>	4,626,772	38,439
Government Securities <sup>(c)</sup>	2,025,143	-
	<u>11,264,567</u>	<u>1,631,505</u>

<sup>(a)</sup> Investment funds invest in fixed income instruments, diversified between private institution bonds and government bonds, are remunerated at a rate between 73.3% and 100.8% of CDI index rate at September 30, 2018. Investment portfolios are frequently monitored by the Company for the purpose of checking compliance with the investment policy, which seeks low risk and high liquidity of securities. The risk classification of these assets is presented on Note 4.3.

<sup>(b)</sup> Bank Deposit Certificates ("CDBs") were remunerated on average at 102.06% of the CDI at September 30, 2018 (December 31, 2017, was remunerated at 102.48%).

<sup>(c)</sup> Government securities are investments in Treasury Financial Letter ("LFT") remunerated at 100% of the SELIC rate.

### 7 Trade Accounts Receivable

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## 7.1 Breakdown of balances

	<u>9/30/2018</u>	<u>12/31/2017</u>
Domestic customers		
Third parties	<b>776,328</b>	735,627
Receivables Investment Fund ("FIDC") <sup>(a)</sup>	<b>21,873</b>	25,825
Related parties	<b>48,660</b>	28,652
Foreign customers		
Third parties	<b>1,952,195</b>	1,546,399
Allowance for doubtful accounts	<b>(37,478)</b>	(38,740)
	<u><b>2,761,578</b></u>	<u>2,297,763</u>

<sup>(a)</sup> In 2017 the Company created the FIDC, that is a vehicle with the purpose with of acquiring credit rights originated from sales made by Suzano to facilitate credit to certain clients. FIDC is an investment fund that acquires receivables and securities representing credit rights. The FIDC has a two year term with renew rights under certain conditions. On September 30, 2018, Suzano has a co-obligation and retains substantial credit risk, accordingly Suzano recorded an accounts receivable of R\$ 21,873 and a liability of R\$ 21,384 net of transaction costs (Note 19). (December 31, 2017 R\$ 25,825 and R\$ 24,665, respectively).

## 7.2 Past due securities

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Past due:</b>		
Up to 30 days	<b>88,794</b>	67,239
From 31 and 60 days	<b>19,537</b>	16,066
From 61 and 90 days	<b>4,834</b>	3,949
From 91 and 120 days	<b>3,335</b>	2,831
From 121 and 180 days	<b>5,724</b>	9,423
Over 180 days	<b>49,622</b>	39,905
	<u><b>171,846</b></u>	<u>139,413</u>
% Total overdue receivables.	<u><b>6%</b></u>	<u>6%</u>

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### 7.3 Changes in allowance for doubtful accounts

	<u>3Q18</u>	<u>3Q17</u>	<u>9M18</u>	<u>9M17</u>
Balance at beginning of the period	<b>(38,602)</b>	(44,763)	<b>(38,740)</b>	(44,517)
Credits accrued in the period	<b>(2,767)</b>	(13,414)	<b>(11,315)</b>	(33,163)
Credits recovered in the period	<b>1,256</b>	2,666	<b>4,882</b>	4,946
Credits definitively written-off from position	<b>2,589</b>	11,268	<b>7,851</b>	28,491
Exchange variation	<b>46</b>	24	<b>(156)</b>	24
Balance at end of the period	<u><b>(37,478)</b></u>	<u>(44,219)</u>	<u><b>(37,478)</b></u>	<u>(44,219)</u>

The Company has guarantees for overdue securities in its commercial transactions, through credit insurance policies, letters of credit and collateral. Part of these guarantees is equivalent to the need to recognize allowance for doubtful accounts, in accordance with the credit policy (Note 4.3).

## 8 Inventories

	<u>9/30/2018</u>	<u>12/31/2017</u>
Finished goods		
Pulp		
Domestic	<b>176,774</b>	82,008
Foreign	<b>238,443</b>	198,380
Paper		
Domestic	<b>233,480</b>	200,683
Foreign	<b>67,007</b>	67,223
Consumer Goods		
Domestic	<b>21,659</b>	6,376
Work in process	<b>69,493</b>	63,797
Raw materials	<b>513,565</b>	399,086
Spare Parts	<b>225,164</b>	180,712
	<u><b>1,545,585</b></u>	<u>1,198,265</u>

As of September 30, 2018, inventories are net of estimated losses in the amounts of R\$ 31,055 (December 31, 2017, R\$ 51,911).

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## 8.1 Estimated loss movement

	<u>3Q18</u>	<u>3Q17</u>	<u>9M18</u>	<u>9M17</u>
Balance at the beginning of the period	<b>(40,447)</b>	(27,957)	<b>(51,911)</b>	(28,206)
Estimated loss	<b>(4,240)</b>	(10,410)	<b>(8,111)</b>	(10,422)
Estimated loss reversal	<b>3,193</b>	471	<b>4,588</b>	471
Write-off inventories	<b>10,439</b>	-	<b>24,379</b>	261
Balance at the end of the period	<u><b>(31,055)</b></u>	<u>(37,896)</u>	<u><b>(31,055)</b></u>	<u>(37,896)</u>

The additions and reversals of estimated and direct losses are recognized in the statement of income under the item cost of the product.

In the nine-month period ended September 30, 2018, additional write-offs for specific projects were directly recognized in the income statement in the amount of R\$ 19,616 (September 30, 2017 R\$ 3,416).

No inventory items were given as collateral for or guarantee of liabilities for the periods presented.

## 9 Recoverable Taxes

	<u>9/30/2018</u>	<u>12/31/2017</u>
Withholding tax and prepaid income tax and social contribution	<b>52,232</b>	58,823
PIS and COFINS - on acquisition of fixed assets <sup>(a)</sup>	<b>56,637</b>	58,767
PIS and COFINS - other operations	<b>38,915</b>	50,077
ICMS - on acquisition of fixed assets <sup>(b)</sup>	<b>73,761</b>	71,603
ICMS - other operations <sup>(c)</sup>	<b>222,426</b>	280,384
Reintegra Program <sup>(d)</sup>	<b>49,148</b>	71,376
Other taxes and contributions	<b>23,345</b>	4,298
Provision for the impairment of ICMS credits <sup>(e)</sup>	<b>(11,629)</b>	(10,583)
	<u><b>504,835</b></u>	<u>584,745</u>
Current assets	<b>287,116</b>	300,988
Non-current assets	<b>217,719</b>	283,757

(a) Social Integration Program ("PIS") / Social Security Funding Contribution ("COFINS") - Credits whose realization is linked to the depreciation period of the corresponding asset.

(b) Value-added Tax on Sales and Services ("ICMS") - Credits from the entry of goods destined for property, plant and equipment are recognized in the ratio of 1/48 from the entry and on a monthly basis, as per the bookkeeping of ICMS Control on Property, Plant and Equipment – CIAP.

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- (c) ICMS credits accrued due to the volume of exports and credit generated in operations of entry of products. Credits are concentrated in the state of Maranhão, where the Company realizes the credits through "Transfer of Accrued Credit" (sale of credits to third parties), after approval from the State Ministry of Finance. Credits are also being realized through consumption in its consumer goods (tissue) operations in the domestic market that are already operational in Maranhão.
- (d) Special Regime of Tax Refunds for Export Companies ("Reintegra"). Reintegra is as program that aims to refund the residual costs of taxes paid throughout the exportation chain to taxpayers, in order to make them more competitive on international markets.
- (e) Provision for discount on sales to third parties of accrued credit of ICMS in item "c" above.

## 10 Advance to Suppliers

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Advance to Suppliers</b>		
Forestry development program <sup>(a)</sup>	225,025	237,466
Advance for the purchase of finished product	-	33,324
Advance to suppliers <sup>(b)</sup>	<u>89,837</u>	<u>37,264</u>
	<u><b>314,862</b></u>	<u><b>308,054</b></u>
<b>Current assets</b>	<b>72,673</b>	86,499
<b>Non current assets</b>	<b>242,189</b>	221,555

(a) Advances of funds and inputs for timber development.

(b) Advances to suppliers for the purchase of third-party materials, services and timber.

## 11 Related Parties

<u>Related parties</u>	<u>Type of operation</u>	<u>Type of interest</u>
Bexma Comercial Ltda. ("Bexma")	Administrative expenses	Controlled by key management personnel
Bizma Investimentos Ltda. ("Bizma")	Investment fund management	Controlled by key management personnel
Central Distribuidora de Papéis Ltda. ("Central")	Sale of paper	Controlled by close family personnel
Ibema Cia Brasileira de Papel ("Ibema")	Sale of paper	Joint venture
Instituto Ecofuturo - Futuro para o Desenvolvimento Sustentável ("Ecofuturo")	Social services	Controlled by key management personnel
IPLF Holding S.A. ("IPLF")	Shared corporate costs and expenses	Controlled by key management personnel
Lazam MDS Corretora e Adm. Seguros S.A. ("Lazam-MDS")	Insurance advisory and consulting	Controlled by key management personnel
Mabex Representações e Participações Ltda. ("Mabex")	Aircraft services (freight)	Controlled by key management personnel
Nemonorte Imóveis e Participações Ltda. ("Nemonorte")	Real estate advisory	Controlled by key management personnel
Suzano Holding S.A. ("Holding")	Grant of suretyship and administrative costs	Immediate Parent

### 11.1 Balance sheets on September 30, 2018

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Item of balance sheet	Assets		Liabilities	
	Current		Current	
	Trade receivables		Trade payables	
Holding	3		122	
IPLF	1		-	
Bexma	1		-	
Ibema	48,553	(a)	6,376	
Bizma	1		-	
	<b>48,559</b>		<b>6,497</b>	

(a) Pulp and paper sales operations.

## 11.2 Balances sheets on December 31, 2017

Item of balance sheet	Assets		Liabilities	
	Current		Current	
	Trade receivables		Trade payables	
Holding	-		141	
Ecofuturo	4		45	
Ibema	28,628	(a)	6,954	
	<b>28,632</b>		<b>7,140</b>	

(a) Pulp and paper sales operations.

## 11.3 Transactions in the three and nine-month period ended September 30, 2018 and 2017

	Income Statement				Income Statement			
	3Q18		3Q17		9M18		9M17	
	Income	Expenses	Income	Expenses	Income	Expenses	Income	Expenses
Holding	7	(3,032)	5	(3,516)	42	(9,090)	347	(10,666)
IPLF	1	-	-	-	3	-	9	(8)
Central	-	-	1,161	-	-	-	4,056	-
Nemonorte	-	(228)	-	(481)	-	(228)	-	(1,368)
Mabex	-	42	-	(78)	-	(83)	-	(285)
Bexma	2	-	4	-	8	-	-	-
Lazam - MDS	-	-	-	(61)	-	(31)	4	(309)
Ecofuturo	-	-	-	(925)	2	(1,750)	-	(2,822)
Ibema	71,351	(7,344)	14,960	-	127,926	(7,344)	43,907	-
Bizma	1	-	-	-	14	-	-	-
	<b>71,362</b>	<b>(10,562)</b>	<b>16,130</b>	<b>(5,061)</b>	<b>127,994</b>	<b>(18,525)</b>	<b>48,323</b>	<b>(15,458)</b>

(a) Pulp and paper sales operations.

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### 11.4 Management compensation

For the three and nine-month periods ended September 30, 2018 and 2017, 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, are shown below:

	<u>3Q18</u>	<u>3Q17</u>	<u>9M18</u>	<u>9M17</u>
<b>Short-term benefits</b>				
Salary or compensation	17,979	4,434	37,478	18,135
Direct and indirect benefits	734	959	2,172	2,100
Bonus	3,721	5,153	14,150	16,088
	<u>22,434</u>	<u>10,546</u>	<u>53,800</u>	<u>36,323</u>
<b>Long-term benefits</b>				
Share-based compensation	13,331	6,215	63,530	33,456
	<u>13,331</u>	<u>6,215</u>	<u>63,530</u>	<u>33,456</u>
	<u>35,765</u>	<u>16,761</u>	<u>117,330</u>	<u>69,779</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 (Note 24).

### 12 Current and Deferred 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:



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	<u>9/30/2018</u>	<u>12/31/2017</u>
Income tax loss carryforward	390,153	575,248
Social contribution tax loss carryforward	6,627	29,830
Provision for tax, civil and labor liabilities	98,996	103,631
Temporary differences provision (operational and others)	263,491	203,831
Exchange variation losses (net) - payable on a cash basis for tax purposes	687,908	82,793
Losses on derivatives	877,021	29,943
Other temporary differences	157,459	112,050
<b>Non-current assets</b>	<b>2,481,655</b>	<b>1,137,326</b>
Tax benefit of goodwill - goodwill not amortized for accounting purposes	12,386	10,063
Property, plant and equipment - deemed cost adjustment	1,563,133	1,603,987
Biological assets - fair value	149,878	90,461
Tax accelerated depreciation	1,189,433	1,183,115
Gains on derivatives	-	31,988
Other temporary differences	27,120	2,519
<b>Non-current liabilities</b>	<b>2,941,950</b>	<b>2,922,133</b>
<b>Total non-current assets, net</b>	<b>5,960</b>	<b>2,606</b>
<b>Total non-current liabilities, net</b>	<b>466,255</b>	<b>1,787,413</b>

The income tax loss carryforward, negative basis of social contribution and accelerated depreciation are only achieved by the Income Tax (IRPJ).

The breakdown of accumulated tax losses and social contribution tax loss carryforwards is shown below:

	<u>9/30/2018</u>	<u>12/31/2017</u>
Tax loss carryforward	1,560,613	2,300,993
Social contribution tax loss carryforward	73,632	331,445

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## 12.1 Reconciliation of the effects of income tax and social contribution on profit or loss

	3Q18	3Q17	9M18	9M17
Net (loss) income before taxes	(228,979)	1,091,692	(2,049,698)	1,826,217
Income and social contribution expenses at statutory nominal rate - 34%	77,853	(371,175)	696,897	(620,914)
<b>Tax effect on permanent differences:</b>				
Tax incentive - Reduction SUDENE <sup>(a)</sup>	63,102	46,509	158,135	104,434
Equity method	1,357	(5,304)	1,315	4,496
Taxation difference - Subsidiaries <sup>(b)</sup>	(10,322)	25,052	46,949	118,380
Credit related to Reintegra program	10,216	9,628	36,891	27,593
Higher taxation on foreign subsidiaries	(23,007)	2,788	(23,007)	(5,017)
Other	2,173	10,070	(9,582)	9,535
	<u>121,371</u>	<u>(282,432)</u>	<u>907,600</u>	<u>(361,493)</u>
<b>Income tax</b>	<b>(41,555)</b>	<b>(22,249)</b>	<b>(229,113)</b>	<b>(61,756)</b>
Current	150,896	(173,575)	943,906	(177,333)
Deferred	109,341	(195,824)	714,793	(239,089)
<b>Social Contribution</b>	<b>(55,720)</b>	<b>(29,043)</b>	<b>(191,034)</b>	<b>(75,940)</b>
Current	67,750	(57,565)	383,841	(46,464)
Deferred	12,031	(86,608)	192,807	(122,404)
<b>Income tax and social contribution benefits (expenses) in the periods</b>	<b>121,371</b>	<b>(282,432)</b>	<b>907,600</b>	<b>(361,493)</b>
<b>Effective rate of income and social contribution tax expenses</b>	<b>53.0%</b>	<b>25.9%</b>	<b>44.3%</b>	<b>19.8%</b>

(a) Refers to the benefit of reducing 75% of the income tax calculated based on Profits from exploration on the units Mucuri (BA) and Imperatriz (MA).

(b) Refers, substantially, to the difference between the nominal rate of the Company and its subsidiaries in Brazil and abroad.

## 13 Biological Assets

The changes in the balances of biological assets in the respective periods are shown below:

Balances on December 31, 2016	4,072,528
Additions <sup>(a)</sup>	912,368
Depletion for the year	(551,135)
Gain on adjustment to fair value <sup>(b)</sup>	192,504
Disposal of forests	(28,030)
Other write-offs	(49,338)
Balances on December 31, 2017	<u>4,548,897</u>
<b>Additions <sup>(a)</sup></b>	<b>986,614</b>
<b>Depletion for the period</b>	<b>(516,948)</b>
<b>Gain on adjustment to fair value</b>	<b>5,954</b>
<b>Disposal of forests</b>	<b>(14,817)</b>
<b>Other write-offs</b>	<b>(6,778)</b>
<b>Balances on September 30, 2018</b>	<b><u>5,002,922</u></b>

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- (a) Refers to the formation and acquisition of forests, of which R\$ 611,950 of forest formation and R\$ 376,664 of forest acquisition (December 31, 2017, R\$ 775,954 and R\$ 136,414, respectively). The costs incurred to lease lands with subsidiaries are eliminated.
- (b) The gain reported in 2017 is mainly due to the gross wood price in the regions of Maranhão and Pará and the maintenance of other assumptions.

The Company's biological assets are mainly made of eucalyptus forest for reforestation used to supply wood to pulp and paper mills and are located in the states of São Paulo, Bahia, Espírito Santo, Maranhão, Minas Gerais, Pará, Piauí and Tocantins. Permanent preservation and legal reserve areas were not included in the calculation of fair value due to its nature.

The fair value of eucalyptus forests is determined semiannually through the income approach method by using the Discounted Cash Flow method.

## 14 Investments

	<b>Joint Venture</b>
	<b>Ibema</b>
Balance at December 31, 2016	<u>873</u>
Equity method	5,872
Other	<u>19</u>
Balance at December 31, 2017	<u>6,764</u>
<b>Equity method</b>	<b>3,869</b>
<b>Balance at September 30, 2018</b>	<b><u>10,633</u></b>

The financial information of joint venture is shown below:

	<b>Joint Venture</b>	
	<b>Ibema</b>	
	<b>9/30/2018</b>	<b>12/31/2017</b>
<b>Equity interest %</b>	49.9%	49.9%
<b>Total assets</b>	<b>343,721</b>	334,827
<b>Total liabilities</b>	<b>334,002</b>	334,009
<b>Adjusted equity <sup>(a)</sup></b>	<b>9,719</b>	818
<b>Net income for the period</b>	<b>8,676</b>	9,790

- (a) Adjusted for unrealized profits with parent company.

### 14.1 Business Combination

In order to determine the accounting policies for registration of the transactions described in the following notes 14 i) and ii), the provisions in IFRS 3 - Business Combination and application of the equity method.

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Suzano incurred costs related to the acquisition described in the following notes 14 i) and ii) of these assets, which were included in the statement of income for the period when incurred.

Net assets were evaluated by Management and an independent appraisers was hired to assist in determining the fair values. The Income Approach methodology was used to determine the fair value of the assets and liabilities of Facepa and PCH Mucuri, which is based on the preparation of the future cash flow discounted to present value. This method considers that the fair value of an asset is related to the present value of the net cash flows generated by the asset in the future.

Intangible assets were evaluated by independent appraisers for the purpose of fair value assignment.

### (i) Facepa

On March 1, 2018, the Company acquired direct and indirect control of 92.84% of the shares of Facepa - Fábrica de Papel da Amazônia S.A.

The net assets acquired are presented below, and the accounting numbers are very close to the fair value numbers:

<b>Facepa Fabrica de Papel da Amazônia S.A.</b>			
<b>Asset</b>	<b>3/1/2018</b>	<b>Liabilities</b>	<b>3/1/2018</b>
<b>Current</b>		<b>Current</b>	
Cash and cash equivalents	12,743	Trade accounts payable	21,814
Trade accounts receivable	49,315	Loans and financing	5,277
Inventories	20,162	Taxes payable	8,087
Recoverable taxes	13,710	Advances to suppliers	595
Other assets	2,011	Dividends payable	1,717
		Other liabilities with transaction	9,762
<b>Total current assets</b>	<b>97,941</b>	Other liabilities (rebates)	1,214
		<b>Total current liabilities</b>	<b>48,466</b>
<b>Non-current</b>		<b>Non-Current</b>	
Recoverable taxes	425	Loans and financing	21,399
Judicial deposits	1,341	Labor provision	1,350
Other assets	290	Other liabilities	418
Investment	423		
Property, plant and equipment	77,431	<b>Total non-current liabilities</b>	<b>23,167</b>
Intangible	211		
<b>Total non-current assets</b>	<b>80,121</b>	<b>Total net</b>	<b>106,429</b>
<b>Total assets</b>	<b>178,062</b>	<b>Total liabilities</b>	<b>178,062</b>

The assets identified in the valuation, based on their fair values, are presented as follows:

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	<u>Values</u>
Net assets of Facepa	106,429
Net assets acquired of AGFA <sup>(a)</sup>	590
Intangible - Trademarks	21,598
Intangible - Customer relationship	28,505
Intangible - Non-Compete	3,374
Property, plant and equipment	<u>49,814</u>
<b>Total net assets at fair value</b>	<b>210,310</b>
Total consideration transferred / to be transferred	307,876
Non-controlling interest <sup>(b)</sup>	<u>15,016</u>
<b>Goodwill on business combination</b>	<b><u><u>112,582</u></u></b>

(a) As mentioned in Note 1.1 b) iii), AGFA is a non-operating company and was acquired in the Facepa transaction, considering 100% of the shares. The balance of the net assets refer to accounts receivable with Facepa and balance in bank account.

(b) The non-controlling interest's was proportionate share of the acquired entity's net identifiable assets.

Goodwill, which corresponds to 36.6% of the consideration transferred, is attributable mainly to the expectation of future profitability due to the operational synergies related to the tissue segment.

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and loss for the period ended 30 September 2018 would have been R\$ 271.413 and R\$ 3.759 respectively (unaudited). This information regarding net revenue and loss was obtained through the aggregation of the amounts of the acquiring and acquired companies and does not represent the actual amounts consolidated for the period.

The net revenue and profit that impacted the consolidation are R\$ 216,404 and R\$ 10,585, respectively.

### (ii) PCH Mucuri

On February 19, 2018, the Company acquired control of 100.00% of the shares of PCH Mucuri.

The net assets acquired are presented below, and the accounting numbers are very close to the fair value numbers:

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<b>Mucuri Energética S.A.</b>			
<b>Asset</b>	<b>2/19/2018</b>	<b>Liabilities</b>	<b>2/19/2018</b>
<b>Current</b>		<b>Current</b>	
Cash and cash equivalents	8,692	Trade accounts payable	255
Trade accounts receivable	2,663	Loans and financing	5,439
Recoverable taxes	111	Related parts	4
Prepaid expenses	17	Taxes payable	540
<b>Total current assets</b>	<b>11,483</b>	Sector charges	12
		Securities	57
		Other provisions	12,328
<b>Non-current</b>		<b>Total current liabilities</b>	<b>18,635</b>
Judicial deposits	1,682	<b>Non-current</b>	
Financial investments	2,472	Loans and financing	47,808
Property, plant and equipment	110,459	Labor provision	550
Deferred	9	Provision TAC (Conduct Adjustment Commitment)	11,500
Intangible	109	<b>Total non-current liabilities</b>	<b>59,858</b>
<b>Total non-current assets</b>	<b>114,731</b>		
		<b>Total net</b>	<b>47,721</b>
<b>Total assets</b>	<b>126,214</b>	<b>Total liabilities</b>	<b>126,214</b>

The net assets evaluated based on their fair values are shown below:

	<u>Values</u>
Net assets acquired	47,721
<b>Total net assets at fair value</b>	<b>47,721</b>
Total consideration transferred	<u>48,028</u>
<b>Goodwill on business combination</b>	<u><b>307</b></u>

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and loss for the period ended 30 September 2018 would have been R\$ 19,040 and R\$ 110,907 respectively (unaudited). This information regarding net revenue and profit was obtained through the aggregation of the amounts of the acquiring and acquired companies and does not represent the actual amounts consolidated for the period.

The net revenue and profit that impacted the consolidation are R\$ 15,803 and R \$ 1,915, respectively.

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## 15 Property, Plant and Equipment

	Buildings	Machinery and equipment	Other assets	Land and farms	Added value <sup>(d)</sup>	Work in progress	Total
<b>Annual average depreciation rate</b>	<b>3.46%</b>	<b>5.40%</b>	<b>17.65%</b>	-	-	-	-
<b>Cost</b>							
Balances on December 31, 2016	2,683,827	15,345,570	299,131	4,368,577	-	390,671	23,087,775
Transfers	141,161	485,182	3,297	3,920	-	(633,560)	-
Transfers between other assets <sup>(b)</sup>	(4,500)	4,434	(7,035)	-	-	(8,705)	(15,806)
Additions	4,648	106,422	6,527	2,257	-	731,740	851,594
Write-offs <sup>(a)</sup>	(9,463)	(95,277)	(13,525)	(26,161)	-	(4,697)	(149,123)
Interest capitalization	-	-	-	-	-	8,286	8,286
Balances on December 31, 2017	2,815,673	15,846,331	288,395	4,348,592	-	483,735	23,782,726
Transfers	71,004	224,003	11,481	745,070	-	(1,051,559)	-
Transfers between other assets <sup>(b)</sup>	4,500	1,164	988	-	-	(2,077)	4,575
Additions	1,679	99,552	9,142	1,206	-	1,150,216	1,261,795
Acquisition Facepa	18,505	46,165	1,920	7,446	49,814	4,691	128,540
Acquisition PCH Mucuri	102,376	3,781	26	4,273	-	2	110,458
Write-offs <sup>(a)</sup>	(8,495)	(65,199)	(1,013)	(22,291)	-	-	(96,998)
Interest capitalization	-	-	-	-	-	1,498	1,498
<b>Balances on September 30, 2018</b>	<b>3,005,242</b>	<b>16,155,798</b>	<b>310,938</b>	<b>5,084,296</b>	<b>49,814</b>	<b>586,506 <sup>(c)</sup></b>	<b>25,192,594</b>
<b>Depreciation</b>							
Balances on December 31, 2016	(762,686)	(5,908,943)	(180,866)	-	-	-	(6,852,495)
Transfers	8	270	(278)	-	-	-	-
Write-offs <sup>(a)</sup>	3,172	64,536	13,145	-	-	-	80,853
Depreciation	(70,315)	(701,822)	(27,719)	-	-	-	(799,856)
Balances on December 31, 2017	(829,821)	(6,545,959)	(195,718)	-	-	-	(7,571,498)
Transfers	7	1,391	(1,398)	-	-	-	-
Write-offs <sup>(a)</sup>	1,318	59,243	195	-	-	-	60,756
Depreciation	(58,822)	(568,578)	(22,271)	-	-	-	(649,671)
<b>Balances on September 30, 2018</b>	<b>(887,318)</b>	<b>(7,053,903)</b>	<b>(219,192)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,160,413)</b>
<b>Net</b>							
<b>Balances on September 30, 2018</b>	<b>2,117,924</b>	<b>9,101,895</b>	<b>91,746</b>	<b>5,084,296</b>	<b>49,814</b>	<b>586,506 <sup>(c)</sup></b>	<b>17,032,181</b>
Balances on December 31, 2017	1,985,852	9,300,372	92,677	4,348,592	-	483,735 <sup>(c)</sup>	16,211,228

(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 for sale, related to semi-trucks R\$ 6,047 and R\$ 67 related to vehicle (December 31, 2017, semi-trucks R\$ 7,035 and commercial property R\$ 4,500).

(c) The balance of work in progress comes from investments made in line with its strategy to maximize return for shareholders, of which: (i) adjacent business R\$ 88,278; (ii) structural competitiveness R\$ 406,801 and (iii) other investments R\$ 91,426 (December 31, 2017, (i) adjacent business R\$ 134,299; (ii) structural competitiveness R\$ 264,606; and (iii) other investments R\$ 84,830).

(d) See note 14.1 i)

Machinery and equipment include amounts recognized as financial leasing outlined in Note 19.4.

On September 30, 2018, the Company did not identify any event that indicates impairment of assets.

### 15.1 Assets given as collateral

On September 30, 2018, assets given as collateral in loan operations and lawsuits amounted to R\$ 11,449,579 (R\$ 11,571,632 on December 31, 2017).

## 16 Intangible Assets

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## 16.1 Goodwill

	<u>9/30/2018</u>	<u>12/31/2017</u>
Vale Florestar S.A.	45,435	45,435
Paineiras Logística	10	10
Facepa <sup>(a)</sup>	112,582	-
PCH Mucuri <sup>(a)</sup>	307	-
	<u>158,334</u>	<u>45,445</u>

<sup>(a)</sup> Companies acquired in the first quarter of 2018. (Notes 14.1 i) and ii)).

On September 30, 2018, the Company did not identify any event that indicates impairment of assets.

## 16.2 Intangible assets with indefinite useful life

On September 30, 2018 and December 31, 2017, the amount related to other intangible assets with indefinite useful life was R\$1,196.

## 16.3 Intangible assets with determined useful life

	Trademarks and patents	Softwares	Customer relationship	Non Compete	R&D Agreements	Total
<b>Useful life (years)</b>	<b>8.4</b>	<b>5</b>	<b>2.5</b>	<b>5</b>	<b>18.8</b>	
Acquisition cost	1,635	120,718	-	-	196,023	318,376
Accumulated amortization	(920)	(49,533)	-	-	(94,976)	(145,429)
Balances on December 31, 2016	715	71,185	-	-	101,047	172,947
Acquisitions	-	8,054	-	-	-	8,054
Foreign currency translation adjustment	-	-	-	-	1,284	1,284
Amortization	(105)	(21,825)	-	-	(8,339)	(30,268)
Write-offs	-	-	-	-	(18,937)	(18,937)
Transfers and others	-	8,705	-	-	-	8,705
<b>Book balance</b>	<b>610</b>	<b>66,119</b>	<b>-</b>	<b>-</b>	<b>75,055</b>	<b>141,785</b>
Acquisition cost	1,635	137,477	-	-	178,370	317,482
Accumulated amortization	(1,025)	(71,358)	-	-	(103,315)	(175,698)
Balances on December 31, 2017	610	66,119	-	-	75,055	141,785
<b>Acquisitions</b>	<b>-</b>	<b>6,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,349</b>
Acquisition PCH Mucuri/Facepa	17	749	-	-	-	766
Acquisition of assets identified in FACEPA	21,598	-	28,505	3,374	-	53,478
Foreign currency translation adjustment	-	-	-	-	15,221	15,221
Amortization	(75)	(17,215)	-	-	(5,627)	(22,917)
Amortization PCH Mucuri/Facepa	(13)	(499)	-	-	-	(512)
Amortization of assets identified in FACEPA	(1,845)	-	(6,651)	(394)	-	(8,890)
Transfers and others	-	2,077	-	-	-	2,077
<b>Book balance</b>	<b>20,293</b>	<b>57,580</b>	<b>21,854</b>	<b>2,981</b>	<b>84,649</b>	<b>187,357</b>
Acquisition cost	23,250	146,652	28,505	3,374	193,591	395,373
Accumulated amortization	(2,958)	(89,072)	(6,651)	(394)	(108,942)	(208,017)
Balances on September 30, 2018	20,293	57,580	21,854	2,981	84,649	187,357

## 17 Receivables from land expropriation

In the nine-month period ended September 30, 2018, there was no change in the nature and opinion of the Management and the legal advisors regarding the information reported on December 31, 2017.



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On September 30, 2018 the total receivables from land expropriation is R\$ 63,108 (December 31, 2017, the amount was R\$ 60,975).

### 18 Trade accounts payable

	<u>9/30/2018</u>	<u>12/31/2017</u>
Domestic suppliers	545,908	575,631
Foreign suppliers	101,690	45,548
	<u>647,598</u>	<u>621,179</u>

### 19 Loans and Financing

	Index	Annual average interest rate on 9/30/2018	Maturity	9/30/2018	12/31/2017	
<b>Property, plant and equipment:</b>						
BNDES - Finem	(a) (b)	Fixed rate /TJLP	7.17%	2019 to 2030	349,312	339,798
BNDES - Finem	(b)	Currency basket / US\$	7.20%	2019 to 2022	174,783	165,125
BNDES - Finame	(a)	Fixed rate /TJLP	5.24%	2018 to 2024	3,412	4,708
FNE - BNB	(b)	Fixed rate	6.39%	2024 to 2026	227,284	244,452
FINEP	(b)	Fixed rate	4.00%	2020	14,788	20,577
Financial lease		CDI/US\$	-	2018 to 2022	20,114	19,686
Export Credit Agency - ECA	(b) (c)	US\$/LIBOR	3.62%	2022	951,029	864,761
				<u>1,740,722</u>	<u>1,659,107</u>	
<b>Working capital:</b>						
Export financing		US\$/LIBOR	5.90%	2021 a 2022	425,837	844,388
Export credit note	(f)	CDI	6.72%	2018 a 2026	3,978,459	2,907,200
Senior Notes	(d)	US\$/Fixed rate	6.13%	2021 a 2047	9,599,958	4,730,800
Trade notes discount-Vendor		-	-	-	-	33,363
Syndicated Loan	(e)	US\$/LIBOR	3.41%	2023	3,001,851	1,986,691
Fund of Investments in Receivables	(h)	-	-	2018	21,384	24,665
Rural Producer Certificate	(g)	CDI	7.42%	2026	274,547	-
Other		-	-	2018 a 2025	30,916	5,642
				<u>17,332,952</u>	<u>10,532,749</u>	
				<u>19,073,674</u>	<u>12,191,856</u>	
<b>Current Portion (includes interest payments)</b>				<b>1,685,752</b>	<b>2,115,067</b>	
<b>Non-current Porties</b>				<b>17,387,922</b>	<b>10,076,789</b>	
Non-current loans and financing mature as follows:						
2019				151,783	2,122,767	
2020				2,243,714	2,599,279	
2021				2,676,457	1,121,216	
2022				1,522,068	123,745	
2023				378,202	53,160	
2024				39,710	34,084	
2025 onwards				10,375,988	4,022,538	
				<u>17,387,922</u>	<u>10,076,789</u>	

(a) Transaction subject to Long-term Interest Rate ("TJLP") published by the Central Bank of Brazil. If the index rate exceed 6% p.a., the exceeding portion is included within the principal and subject to the interest.

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- (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 order to fund the import of equipment's for the pulp production in the unit located in Maranhão, Suzano obtained financed approximately the amount of US\$ 535 million, with terms up to 9.5 years, guaranteed by the Export Credit Agencies Finnvera and EKN. These agreements establish covenants related to the maintenance of certain leverage levels, which are verified for compliance twice a year (June and December). Until this moment, the Company met all covenants established in the agreements.
- (d) In the last quarter of 2017, Suzano, through its subsidiary Suzano Trading, repurchased Senior Notes in the amount of (i) US\$ 456 million and, through Suzano Áustria, reopened the issues of Senior Notes in the amount of: US\$ 200 million, maturing on July 14, 2026, with interest corresponding to 4.62% p.a., to be paid semiannually, in January and July; and (ii) US\$ 200 million, maturing on March 16, 2047, with interest corresponding to 6.30% p.a., to be paid semiannually, in March and September. Additionally, in March 2017, Suzano Áustria, issued US\$ 300 million in Senior Notes due on March 16, 2047, with semiannual interest payments of 7.00% p.a. and final return for investors of 7.38% p.a. Additionally, in September 2018, there was a new issue of Senior Notes, in the amount of US \$ 1.0 billion, with interest of 6% per annum and maturing in 2029 (Note 1.1 a) i).
- (e) In February 2018, the Company, through its subsidiary Suzano Europa, contracted a syndicated loan in the amount of US\$ 750 million, with payment of quarterly interest and amortization of the principal between February 2021 and February 2023 (Note 1.1 a) vii)).
- (f) In the third quarter of 2018, two Export Credit Notes were contracted, amount of R\$ 1.3 billion, indexed to CDI and maturing in 2026.
- (g) In the third quarter of 2018, a Rural Financial Producer Certificate was contracted, amount of R\$ 275 million, indexed to CDI and maturing in 2026.
- (h) See (note 7.1)

Certain financing agreements have financial and non-financial covenants. Financial covenants establish some maximum levels of leverage, normally expressed as a ratio of Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), which are met by the Company on the date of these financial statements. Non-financial covenants establish the maximum level of assignment of receivables, guarantees to third parties and sale of operating assets, which are also compliant.

### 19.1 Changes in loans and financing

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Balances on December 31, 2016	<u>14,012,779</u>
Funding	2,561,954
Exchange variation	81,849
Settlement of principal	(4,533,736)
Settlement of interest	(1,025,117)
Interest expenses and other costs	1,041,995
Transaction costs and other costs	<u>52,132</u>
Balances on December 31, 2017	<u>12,191,856</u>
<b>Funding</b>	<b>8,571,900</b>
<b>Addition from acquisition of subsidiaries</b>	<b>79,923</b>
<b>Exchange variation</b>	<b>1,776,547</b>
<b>Settlement of principal</b>	<b>(3,473,928)</b>
<b>Settlement of interest</b>	<b>(528,012)</b>
<b>Interest expenses and other costs</b>	<b>539,506</b>
<b>Transaction costs and other costs</b>	<b>(84,118)</b>
<b>Balances on September 30, 2018</b>	<b><u>19,073,674</u></b>

## 19.2 Transaction costs and premiums of securities issues

Nature	Total cost	Amortization	Balance to be amortized	
			9/30/2018	12/31/2017
Senior Notes	115,911	(68,176)	<b>47,735</b>	27,280
NCE	77,457	(54,534)	<b>22,923</b>	23,076
Import (ECA)	101,811	(83,290)	<b>18,521</b>	26,386
Syndicated Loan	41,560	(26,886)	<b>14,674</b>	6,479
Debentures	20,295	(675)	<b>19,620</b>	-
Other	<u>7,728</u>	<u>(4,156)</u>	<b>3,572</b>	2,424
Total	<b><u>364,762</u></b>	<b><u>(237,717)</u></b>	<b><u>127,045</u></b>	<u>85,645</u>

The cost of funding in foreign currency is amortized on the contractual dates based on the effective interest rate and the currency of origin, and is converted into Brazilian *reais* for reporting purposes.

## 19.3 Guarantees for loans and financings

Some loan and financing contracts have clauses of guarantee of the financed equipment itself or other fixed assets indicated by the Company (Note 15.1).

## 19.4 Lease agreements

### i) Financial lease agreements

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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:

	<u>9/30/2018</u>	<u>12/31/2017</u>
Machinery and equipment	<b>108,160</b>	108,160
(-) Accumulated depreciation	<b>(100,852)</b>	(99,452)
Property, plant and equipment, net	<u><b>7,308</b></u>	<u>8,708</u>
Present value of mandatory installments (financing):		
Less than 1 year	<b>5,747</b>	4,632
From 1 to 5 years	<b>14,367</b>	15,054
Total present value of mandatory installments (financing)	<u><b>20,114</b></u>	<u>19,686</u>
Financial charges to be recognized in the future	<b>3,333</b>	2,770
Total mandatory installments at the expiration of agreements	<u><b>23,447</b></u>	<u>22,456</u>

### ii) Operating lease agreements

Operating lease payments are recognized as operating expenses in the Company's income statement.

<u>Description</u>	<u>Monthly installment amount</u>	<u>Index</u>	<u>Maturity</u>
Administrative offices and deposits	1 to 1,163	IGP-M <sup>(a)</sup> and IPCA <sup>(b)</sup> /IBGE <sup>(c)</sup>	11/30/2018 to 1/27/2024
Call center and licenses	1 to 120	IGP-DI <sup>(d)</sup>	12/31/2018
Land	182 to 2,047	IGP-M, IPCA/IBGE and others	10/01/2018 to 10/19/2045

(a) General market price index calculated by Getúlio Vargas Foundation (IGP-M).

(b) Broad Consumer Price Index (IPCA).

(c) Brazilian Institute of Geography and Statistics (IBGE).

(d) General prices Index – Internal Availability (IGP-DI).

The minimum payments of maturing operating will be as follows:

	<u>9/30/2018</u>
Less than 1 year	<b>180,610</b>
From 1 year to 3 years	<b>335,654</b>
From 3 years to 5 years	<b>295,787</b>
More than 5 years	<b>639,871</b>
Total installments due	<u><b>1,451,922</b></u>

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## 20 Other commitments

In the normal course of its operations, the Company enters into contracts and commercial commitments to guarantee better operating conditions to expand its business. The most relevant are:

- i) Contracts for future sale of finished products, backed by performance sale operations recorded in the short term. The amounts are initially recognized in "advances from customers" and are recorded in income as these products are delivered. On September 30, 2018, the contracts of future sale of finished products recorded under "Advances from Customers" do not have an outstanding balance (R\$ 63,201 on December 31, 2017).

## 21 Debentures

The debentures 6<sup>th</sup> issuance occurred on June 29, 2018, in a single series, with a nominal unit value of R\$ 1. The Debentures will not be convertible into shares issued by the Company (Note 1.1 a) iv)).

Issue	Serie	Issuance amount	9/30/2018			Index	Annual rate of interest	Due date
			Current	Non-current	Current and Non-current			
6 <sup>a</sup>	Single	4,681,100	83,580	4,661,480	4,745,060	CDI	112.50%	6/29/2026
		Total	83,580	4,661,480	4,745,060			

## 22 Provision for Contingencies

### 22.1 Changes in provisions for contingencies

	Balance on 12/31/2017	New lawsuits due to acquisition of subsidiaries	New lawsuits	Reversals	Inflation adjustment	Settlement of lawsuits	Balance on 9/30/2018
Tax and social security	273,324	-	49,373	(13,606)	3,592	(13,939)	298,744
Labor	40,363	1,900	22,067	(4,784)	7,367	(17,802)	49,111
Civil	3,382	-	97	(2)	338	-	3,815
	317,069	1,900	71,537	(18,392)	11,297	(31,741)	351,670

### 22.2 Tax and Social Security Suits and Proceedings

On September 30, 2018, the Company was a defendant in 323 administrative proceedings as well as tax and social security lawsuits in which the disputed matters related to diverse taxes such as IRPJ/Social Contribution ("CSLL"), PIS, COFINS, Tax on Industrialized Products ("IPI"), social security contributions, Rural Property Tax ("ITR"), State Value-Added Tax ("ICMS"), Tax on Services ("ISS") and Urban Property Tax ("IPTU"), whose amounts are provisioned for when the likelihood of loss is deemed probable by the Company's external legal counsel and the Management.

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With the issuance of Provisional Measure nº 783/2017, which was subsequently converted into Law nº 13,496/2017, due to the benefits of reducing interest, fines and legal charges, the Company opted to migrate certain debts that were covered by REFIS - Law nº 11,941/09, not yet consolidated, and to offset other debts with probable probability of loss, being provisioned on September 30, 2018 the amounts of said debts in the amount of R\$ 4,398, already considering legal reductions and amounts paid in advance to the Revenue Federal Government of Brazil, whose consolidation still depends on a normative act to be issued by the said Public Organ.

## 22.3 Labor claims

On September 30, 2018, the Company was a defendant in 3,559 labor claims.

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.

## 22.4 Civil claims

On September 30, 2018, the Company is a defendant in approximately 464 civil claims.

Civil proceedings are related primarily to payment of damages, such as those resulting from contractual obligations, traffic-related injuries, possessory actions, environmental claims and others.

## 22.5 Judicial deposits

On September 30, 2018, the Company has judicial deposits of R\$ 129,034, of which R\$ 81,343 refer to labor lawsuits, R\$ 43,716 refer to tax and social security lawsuits and R\$ 3,975 refer to civil lawsuits (on December 31, 2017, the amount of R\$ 113,613, of which R\$ 69,599 refer to labor lawsuits and R\$ 44,014 refer to tax and social security lawsuits).

## 22.6 Lawsuits with possible tax contingencies

The Company is involved in tax, civil and labor lawsuits, as they involve risks with a possible likelihood probability of loss (not probable), according to Management and its legal counsel, which are not recorded in the company's books:

	<u>9/30/2018</u>	<u>12/31/2017</u>
Tax and social security	1,051,311	1,026,950
Labor	47,618	14,268
Civil	107,096	23,666
	<u>1,206,025</u>	<u>1,064,884</u>

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The Company is a defendant in lawsuits whose likelihood of loss is deemed possible, in the amount of R\$ 1,051,311 for which no provision is recorded. Of this amount, R\$ 841,991 refers to a tax-deficiency notice of PIS and COFINS, from 2007 to 2013, which was not considered yet in the lower court by the Federal Revenue Service of Brazil. The other tax and social security lawsuits are related to a variety of taxes such as social security, IRPJ, ITR, ICMS, Withholding Income Tax ("IRRF"), PIS and COFINS, mainly due to differences in the interpretation of the applicable tax rules and information provided in ancillary obligations.

## 23 Employee benefits

### 23.1 Defined benefits plans

The Company guarantees coverage of healthcare costs for former employees who retired by 2003 (until 1998 for former employees of Ripasa, current Limeira unit), as well as their spouses for life and dependents while they are minors.

For other group of former employees, who exceptionally, according to the Company's criteria and resolution or according with rights related to the compliance with pertinent legislation, the Company ensures the healthcare program.

The Company offers life insurance benefit provided to retirees.

### 23.2 Changes in actuarial liabilities

Opening balance on December 31, 2016	339,009
Interest on actuarial liability	38,022
Actuarial loss	(4,173)
Benefits paid in the period	<u>(21,595)</u>
Opening balance on December 31, 2017	351,263
Interest on actuarial liability	<b>25,851</b>
Benefits paid in the period	<b><u>(19,469)</u></b>
<b>Closing balance on September 30, 2018</b>	<b><u>357,645</u></b>

## 24 Share-Based compensation plans

On September 30, 2018, the Company had two share-based compensation plans long term: (i) Payment in Phantom Shares Plan in cash and (ii) Share Appreciation Rights ("SAR"), both paid in currency.

These plans did not undergo any changes in their characteristics and measurement criteria since the financial statements of December 31, 2017.

### 24.1 Phantom Stock Option Plan

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	<u>9/30/2018</u>	<u>12/31/2017</u>
	<u>Shares (No.)</u>	<u>Shares (No.)</u>
<b>Available at the beginning of the period/year</b>	<b>5,055,519</b>	3,048,991
Granted during the period/year	<b>1,415,476</b>	3,035,488
Exercised <sup>(a)</sup>	<b>(240,983)</b>	(695,532)
Exercised due to dismissal <sup>(a)</sup>	<b>(122,746)</b>	(161,270)
Abandoned / prescribed due to dismissal	<b>(515,660)</b>	(172,158)
<b>Available at the end of the period</b>	<b><u>5,591,606</u></b>	<b><u>5,055,519</u></b>

<sup>(a)</sup> For share options exercised and those exercised due to employment termination, the average price on September 30, 2018 and December 31, 2017 was R\$ 47.93 and R\$ 19.84, respectively.

## 24.2 Common stock option plan

Program	Granted series	Grant date	1 <sup>st</sup> exercise date	2 <sup>nd</sup> exercise date and expiration	Price on the grant date	Granted shares	Exercised shares	Total in effect on 9/30/2018
Program III	Series I	01/18/13	01/18/15	04/18/15	3.53	1,800,000	1,800,000	-
	Series II	01/18/13	01/18/16	04/18/16	3.71	1,800,000	1,800,000	-
	Series III	01/18/13	01/18/18	04/18/18	3.91	1,800,000	1,800,000	-
	Series IV	01/18/13	01/18/19	04/18/19	3.96	1,800,000	1,800,000	-
	Series V	01/18/13	01/18/20	04/18/20	3.99	1,800,000	1,800,000	-
<b>Total</b>						<b>9,000,000</b>	<b>9,000,000</b>	-

## 24.3 Balance sheet and income statement balances

The amounts corresponding to the services received and recognized in the financial statements are presented below:

	<u>Liabilities and equity</u>		<u>Income Statement</u>			
	<u>9/30/2018</u>	<u>12/31/2017</u>	<u>3Q18</u>	<u>3Q17</u>	<u>9M18</u>	<u>9M17</u>
<b>Non-current liabilities</b>						
Provision for phantom stock plan	<b>146,721</b>	38,320	<b>(41,123)</b>	(20,113)	<b>(117,708)</b>	(38,069)
<b>Shareholders' equity</b>						
Stock option reserve	-	14,237	-	(362)	<b>(72)</b>	(1,162)
<b>Total general and administrative expenses from share-based transactions</b>			<b>(41,123)</b>	(20,475)	<b>(117,780)</b>	(39,231)



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### 25 Liabilities for asset acquisitions

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Land acquisition</b>		
Land acquired from third parties <sup>(a)</sup>	101,335	102,059
Vale Florestar Fundo de Investimento em Participações ("VFFIP") <sup>(b)</sup>	478,419	483,927
Duratex <sup>(c)</sup>	527,819	-
<b>Land acquisition</b>		
Fábrica de Papel da Amazônia ("FACEPA") <sup>(d)</sup>	40,557	-
	<u>1,148,130</u>	<u>585,986</u>
<b>Total current liabilities</b>	<b>616,514</b>	83,155
<b>Total non-current liabilities</b>	<b>531,616</b>	502,831

(a) Refers to obligations with the acquisition of land, farms, reforestation and houses built in Maranhão, restated by the IPCA.

(b) On August 2014, Suzano acquired VFFIP majority shareholder of Vale Florestar S.A, for a total amount of R\$ 528,941 with a down payment of R\$ 44,998 and outstanding balance with due up to August 2029. The monthly settlements are subject to interest and restated at the variation of the U.S. dollar exchange rate and partially restated by variation of the Broad Consumer Price Index ("IPCA").

(c) Refers to the commitments related to the acquisition of rural properties and forests (biological assets), restated by the IPCA with maturity in December 2018 and August 2019.

(d) Acquired in March 2018, for the amount of R\$ 307,876, upon payment of R\$ 267,876 and the remaining R\$ 40,000, restated at the Broad Consumer Price Index ("IPCA"), adjusted by any losses incurred through the payment date, in accordance with the agreement, with maturities in March 2023 and March 2028 (Note 1.1 b) iii)).

### 26 Equity

#### 26.1 Share Capital

On September 30, 2018, the share capital of Suzano is R\$ 6,241,753, divided into 1,105,826,145 registered, book-entry common shares without par value.

The composition of the capital stock is presented below:

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Shareholder	Common Shares	
	Number	(%)
Suzano Holding S.A.	367,612,234	33.24%
Controlling Shareholders	185,693,440	16.80%
<b>Subtotal</b>	<b>553,305,674</b>	<b>50.04%</b>
Management	69,948,940	6.33%
Treasury	12,042,004	1.09%
BNDESPAR	75,909,985	6.86%
Mondrian Investment Partners	72,878,900	6.59%
Other shareholders	321,740,642	29.09%
<b>Total</b>	<b>1,105,826,145</b>	<b>100.00%</b>

By resolution of the Board of Directors, the capital may be increased, irrespective of any amendment to the Bylaws, up to the limit of 780,120 thousand common shares, all exclusively book-entry shares.

On September 30, 2018, SUZB3 common shares ended the period quoted at R\$ 48.08 (R\$ 18.69 on December 31, 2017).

## 26.2 Treasury shares

	Number of shares				R\$	Average price per share
	Common	Pref. A	Pref. B	Total		(R\$)
Balance on December 31, 2016	6,786,194	8,846,932	1,912,532	17,545,658	273,665	15.60
Shares sold <sup>(a)</sup>	-	(1,800,000)	-	(1,800,000)	(15,552)	8.64
Shares transferred <sup>(b)</sup>	7,055,810	(7,055,810)	-	-	-	-
Shares canceled <sup>(c)</sup>	-	-	(1,912,532)	(1,912,532)	(17,107)	8.94
Repurchase of shares <sup>(d)</sup>	-	8,878	-	8,878	82	9.24
Balance on 12/31/2017	13,842,004	-	-	13,842,004	241,088	17.42
<b>Shares sold <sup>(a)</sup></b>	<b>(1,800,000)</b>	<b>-</b>	<b>-</b>	<b>(1,800,000)</b>	<b>(22,823)</b>	<b>12.68</b>
<b>Balance on 9/30/2018</b>	<b>12,042,004</b>	<b>-</b>	<b>-</b>	<b>12,042,004</b>	<b>218,265</b>	<b>18.13</b>

(a) Treasury shares used to meet the share-based compensation plan.

(b) On September 29, 2017, the Company approved the proposal for migration to the Novo Mercado Listing Segment of B3 S.A. – Brasil, Bolsa, Balcão (“B3”) and the consequent conversion of all preferred shares issued by the Company into common shares at the ratio of one (1) preferred share, class “A” or class “B”, for one (1) common share.

(c) On April 28, 2017, the Annual and Extraordinary Shareholders Meeting approved the cancellation of 1,912,532 class B preferred shares.

(d) Repurchase of shares related to withdrawal rights exercised by shareholders who did not adhere to the conversion of preferred shares to common shares.

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## 26.3 Other reserves

	Conversion of debentures - 5 <sup>th</sup> issue	Actuarial gains/losses <sup>(a)</sup>	Exchange variation/ Conversion reserves	Deemed cost <sup>(a)</sup>	Total
Balances on December 31, 2016	(45,745)	(55,503)	(11,384)	2,427,199	2,314,567
Actuarial losses net of deferred income and social contribution taxes	-	2,754	-	-	2,754
Gains from conversion of operations abroad	-	-	38,006	-	38,006
Partial realization of cost adjustment attributed to assets, net of deferred income and social contribution taxes	-	-	-	(56,999)	(56,999)
Balances on December 31, 2017	(45,745)	(52,749)	26,622	2,370,200	2,298,328
Gains from conversion of operations abroad	-	-	176,150	-	176,150
Partial realization of cost adjustment attributed to assets, net of deferred income and social contribution taxes	-	-	-	(55,560)	(55,560)
Balances on September 30, 2018	(45,745)	(52,749)	202,772	2,314,640	2,418,918

(a) Amount net of the effects of deferred income and social contribution taxes.

## 26.4 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 year, excluding the common shares acquired by the Company and held as treasury shares.

As described in item b) of Note 26.2, in November 2017, the Company migrated to the Novo Mercado segment. Thus, all preferred shares were converted into common shares at the ratio of one preferred share for one common share; Considering that there was no change in capital stock, with mere conversion of preferred shares, for the purposes of calculation and presentation of earnings per share, this conversion was made retrospectively.

	3Q18	3Q17	9M18	9M17
(Loss) earnings attributed to shareholders	(107,780)	809,260	(1,142,856)	1,464,724
Weighted average number of shares in the period	1,105,826	1,105,826	1,105,826	1,106,457
Weighted average treasury shares	(12,042)	(13,833)	(12,431)	(14,853)
Weighted average number of outstanding shares	1,093,784	1,091,993	1,093,395	1,091,604
Total basic (loss) earnings per common share	(0.09854)	0.74109	(1.04524)	1.34181

### Diluted

Diluted earnings per share is calculated by adjusting the weighted average of outstanding common shares assuming the conversion of all common shares that would cause dilution.

	3Q18	3Q17	9M18	9M17
(Loss) earnings attributed to shareholders	(107,780)	809,260	(1,142,856)	1,464,724
Weighted average number of outstanding shares	1,093,784	1,091,993	1,093,395	1,091,604
Adjustment by stock options	-	1,275	-	1,275
Weighted average number of shares (diluted)	1,093,784	1,093,268	1,093,395	1,092,879
Total diluted (loss) earnings per common share	(0.09854)	0.74022	(1.04524)	1.34024

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## 26.5 Dividends

The minimum dividends for each Fiscal Year should be equivalent to the lowest of: (i) twenty-five percent (25%) of the net income from the year adjusted pursuant to article 202 of Brazilian Corporations Law; or (ii) ten percent (10%) of the Company's operating cash generation in the respective fiscal year."

On December 31, 2017, the Company calculated dividends as follows:

	<u>12/31/2017</u>
Net Income for the year	1,807,433
Accrual of legal reserve - 5%	(90,372)
Accrual of reserve for tax incentives	<u>(196,604)</u>
Dividend calculation base	1,520,457
Minimum mandatory dividends - 25%	380,115
Dividends paid in advance as interest on own capital	<u>(199,835)</u>
	<u>180,280</u>

The Company, revised the calculation of the proposed dividends for the fiscal year ended December 31, 2017 as follows:

<u>Article 26, c), i)</u>		<u>Article 26, c), ii)</u>	
Net Income under statutory book for the year	1,807,433	Net Income under statutory book for the year	1,807,433
<b>Net Income Allocation:</b>		(-) Financial income	(379,049)
Legal Reserve 5% - Art. 31, "a" of the Bylaws and Art. 193 of Federal Law 6,404/76	90,372	(+) Financial expenses	1,397,889
Tax Incentive Result (Profit from Exploration) Art. 19 of Decree 1,598/77	<u>196,604</u>	(+) Depreciation/Amortization/Depletion	1,402,778
<b>Dividend distribution base</b>	<b>1,520,458</b>	(+) IRPJ / CSLL	<u>431,632</u>
Proposed dividends	380,115	<b>EBITDA</b>	<b>4,660,683</b>
Interest on own capital	199,835	(-) Fair Value of Biological Assets	(192,504)
(-) Withholding Income Tax on interest on own capital	<u>(29,975)</u>	(+) Other non-recurring adjustments	<u>146,720</u>
<b>Minimum mandatory dividends payable</b>	<b>210,255</b>	<b>Adjusted EBITDA*</b>	<b>4,614,899</b>
		(-) Sustaining CAPEX	<u>(1,099,771)</u>
		<b>Operating Cash Generation - GCO</b>	<b><u>3,515,128</u></b>
		<b>Dividends - Art 26, "c" of the Bylaws</b>	<b>351,513</b>
		Interest on equity	199,835
		(-) Withholding Income Tax on interest on own capital	<u>(29,975)</u>
		<b>Minimum mandatory dividends payable</b>	<b>181,653</b>

Based on the calculation above, the amount of R\$ 351,513 was considered as minimum mandatory dividends for fiscal year 2017, of which the net amount of R\$169,860 was paid as interest on own capital, with the balance of R\$ 181,653 remaining payable. The difference of R\$ 1,373 between the amount previously disclosed in December 31, 2017 (R\$ 180,28) and the minimum dividend calculated in accordance with article 26, c), item ii) of the Bylaws off the Company was deemed immaterial by the Management and therefore the financial statements for the fiscal year ended December 31, 2017 will not be restated.

Even though the minimum mandatory dividend amounted R\$ 351,513, Management submitted to the Annual Shareholders' Meeting held on April 26, 2018, and approved the proposal for total dividends related to the fiscal year of 2017 in the amount of R\$ 380,115, which was paid on December 11, 2017 by interest on equity the amount of R\$ 199,835 and on May 9, 2018 the remaining balance.

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### 27 Net Financial Result

	<u>3Q18</u>	<u>3Q17</u>	<u>9M18</u>	<u>9M17</u>
Income from financial investments	128,236	64,620	206,962	226,603
Other financial income	5,486	1,706	8,494	22,010
Total financial income	<u>133,722</u>	<u>66,326</u>	<u>215,456</u>	<u>248,613</u>
Loan interest expenses	(297,425)	(281,736)	(661,140)	(745,159)
Other interest expenses	(26,042)	(19,639)	(80,381)	(75,010)
Other financial expenses	(151,911)	(13,847)	(293,651)	(55,849)
Total financial expenses	<u>(475,378)</u>	<u>(315,222)</u>	<u>(1,035,172)</u>	<u>(876,018)</u>
Monetary and exchange variations on loans and financing	(234,205)	358,854	(1,743,817)	239,487
Monetary and exchange variations on other assets and liabilities	(20,052)	(18,014)	322,103	(76,550)
Monetary and exchange variation, net	<u>(254,257)</u>	<u>340,840</u>	<u>(1,421,714)</u>	<u>162,937</u>
Derivative (loss) gain	(1,367,075)	177,736	(3,848,539)	181,405
Financial income	<u>133,722</u>	<u>584,902</u>	<u>215,456</u>	<u>592,955</u>
Financial expenses	<u>(2,096,710)</u>	<u>(315,222)</u>	<u>(6,305,425)</u>	<u>(876,018)</u>
Financial result, net	<u>(1,962,988)</u>	<u>269,680</u>	<u>(6,089,969)</u>	<u>(283,063)</u>

### 28 Net Sales Revenue

	<u>3Q18</u>	<u>3Q17</u>	<u>9M18</u>	<u>9M17</u>
<b>Gross sales</b>	<b>4,389,899</b>	2,873,272	<b>11,207,225</b>	8,271,357
<b>Deductions:</b>				
Present value adjustment	(1,477)	(2,601)	(3,421)	(6,319)
Returns and cancelations	(16,272)	(10,137)	(49,381)	(36,740)
Discounts and rebates	(4,709)	(1,291)	(7,867)	(5,929)
	<u>4,367,441</u>	<u>2,859,243</u>	<u>11,146,556</u>	<u>8,222,369</u>
Taxes on sales	(361,917)	(280,781)	(932,331)	(794,199)
<b>Net sales revenue</b>	<b><u>4,005,524</u></b>	<b><u>2,578,462</u></b>	<b><u>10,214,225</u></b>	<b><u>7,428,170</u></b>

The table below shows the breakdown of consolidated net revenue by foreign and domestic markets, specifying the countries where sales in the export market are more significant:

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	3Q18		3Q17	
	Net revenue	% Total net revenue	Net revenue	% Total net revenue
<b>Domestic market (Brazil)</b>	<b>1,148,996</b>	<b>29%</b>	807,192	31%
<b>Foreign market</b>	<b>2,856,528</b>	<b>71%</b>	1,771,270	69%
China	746,283	19%	85,534	3%
Hong Kong	419,414	10%	215,623	8%
United States	363,872	9%	544,514	21%
France	224,927	6%	204,109	8%
Germany	185,722	5%	1,675	0%
Italy	142,281	4%	83,556	3%
Turkey	133,296	3%	33,094	1%
Peru	59,212	1%	146,531	6%
United Kingdom	59,189	1%	48,791	2%
Spain	47,845	1%	188,161	7%
South Korea	47,108	1%	17,680	1%
Singapore	43,345	1%	29,416	1%
Egypt	42,429	1%	28,633	1%
Other countries	341,605	9%	143,953	6%
<b>Total net revenue</b>	<b>4,005,524</b>	<b>100%</b>	<b>2,578,462</b>	<b>100%</b>

	9M18		9M17	
	Net revenue	% Total net revenue	Net revenue	% Total net revenue
<b>Domestic market (Brazil)</b>	<b>2,853,340</b>	<b>28%</b>	2,280,943	31%
<b>Foreign market</b>	<b>7,360,885</b>	<b>72%</b>	5,147,227	69%
China	1,717,085	17%	223,934	3%
Hong Kong	1,153,866	11%	1,084,795	15%
United States	986,623	10%	965,683	13%
France	678,328	7%	805,839	11%
Germany	441,592	4%	202,665	3%
Italy	359,899	4%	236,206	3%
Turkey	309,697	3%	134,564	2%
United Kingdom	188,283	2%	130,028	2%
Peru	137,576	1%	162,757	2%
South Korea	128,222	1%	58,901	1%
Spain	133,618	1%	335,334	5%
Argentina	122,253	1%	82,867	1%
Egypt	107,067	1%	43,775	1%
Other countries	896,777	9%	679,880	9%
<b>Total net revenue</b>	<b>10,214,225</b>	<b>100%</b>	<b>7,428,170</b>	<b>100%</b>

# Suzano Papel e Celulose S.A.

Notes to the Unaudited condensed consolidated interim financial information  
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(In thousands of R\$, unless otherwise stated)



## 29 Information by Segment and Geographic Areas

### 29.1 Criteria for identifying operating segments

The Company evaluates the performance of its business segments through the operating result. The information presented under "Not Segmented" is related to income statement and balance sheet items not directly attributed to the pulp and paper segments, such as, net financial result and income and social contribution taxes expenses, in addition to the balance sheet classification items of assets and liabilities.

The operating segments defined by Management are as follows:

- i) Pulp: comprises production and sale of hardwood eucalyptus pulp and fluff mainly to supply the foreign market, with any surplus sold in the domestic market.
- ii) Paper: comprises production and sale of paper to meet the demands of both domestic and international markets.

### 29.2 Information on operating segments

	3Q18				3Q17			
	Pulp	Paper	Not segmented	Total	Pulp	Paper	Not segmented	Total
<b>Net sales revenue</b>	<b>2,688,871</b>	<b>1,316,653</b>	-	<b>4,005,524</b>	1,637,455	941,007	-	2,578,462
Domestic market (Brazil)	193,414	955,582	-	1,148,996	156,434	650,758	-	807,192
Foreign market	2,495,457	361,071	-	2,856,528	1,481,021	290,249	-	1,771,270
Asia	1,259,338	36,115	-	1,295,453	684,712	7,207	-	691,919
Europe	857,490	48,468	-	905,958	520,124	31,194	-	551,318
North America	362,041	60,219	-	422,260	260,320	73,087	-	333,407
South and Central America	16,588	208,356	-	224,944	15,865	173,917	-	189,782
Africa	-	7,913	-	7,913	-	4,844	-	4,844
<b>Cost of sales</b>	<b>(1,155,471)</b>	<b>(807,606)</b>	-	<b>(1,963,077)</b>	<b>(914,252)</b>	<b>(625,543)</b>	-	<b>(1,539,795)</b>
<b>Gross profit</b>	<b>1,533,401</b>	<b>509,047</b>	-	<b>2,042,447</b>	723,204	315,463	-	1,038,667
Gross margin (%)	57.0%	38.7%	-	51.0%	44.2%	33.5%	-	40.3%
<b>Operating income (expenses)</b>	<b>(73,902)</b>	<b>(234,536)</b>	-	<b>(308,438)</b>	(97,614)	(150,398)	31,359	(216,655)
Selling expenses	(55,166)	(105,822)	-	(160,988)	(41,173)	(48,552)	-	(89,725)
General and administrative expenses	(64,915)	(133,661)	-	(198,576)	(43,332)	(80,475)	-	(123,807)
Other operating income (expenses), net	46,178	957	-	47,136	(13,109)	(21,364)	31,359	(3,115)
Equity pick-up	-	3,990	-	3,990	-	(8)	-	(8)
<b>Operating profit before net financial income (expense)</b>	<b>1,459,498</b>	<b>274,511</b>	-	<b>1,734,009</b>	625,589	165,066	31,359	822,012
Operating margin (%)	54.3%	20.8%	-	43.3%	38.2%	17.5%	-	31.9%
<b>Financial result, net</b>	-	-	(1,962,988)	(1,962,988)	-	-	269,680	269,680
<b>Income (loss) before taxes</b>	<b>1,459,498</b>	<b>274,511</b>	<b>(1,962,988)</b>	<b>(228,979)</b>	625,589	165,066	301,038	1,091,692
<b>Income taxes</b>	-	-	121,371	121,371	-	-	(282,432)	(282,432)
<b>Net income (loss) for the period</b>	<b>1,459,498</b>	<b>274,511</b>	<b>(1,841,617)</b>	<b>(107,608)</b>	625,589	165,066	18,606	809,260
Profit margin for the period (%)	54.3%	20.8%	-	-2.7%	38.7%	15.1%	-	30.9%
<b>Depreciation, depletion and amortization</b>	<b>292,842</b>	<b>104,486</b>	<b>18,074</b>	<b>415,402</b>	249,166	99,661	-	348,827
<b>Products sold (in tons)</b>	<b>902,737</b>	<b>336,024</b>	-	<b>1,238,762</b>	829,003	306,370	-	1,135,372
Foreign market	828,442	90,014	-	918,455	742,937	101,633	-	844,571
Domestic market (Brazil)	74,296	246,010	-	320,306	86,065	204,736	-	290,801

# Suzano Papel e Celulose S.A.

## Notes to the Unaudited condensed consolidated interim financial information as of September 30, 2018.

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	9M18				9M17			
	Pulp	Paper	Not segmented	Total	Pulp	Paper	Not segmented	Total
<b>Net sales revenue</b>	<b>6,920,649</b>	<b>3,293,576</b>	-	<b>10,214,225</b>	4,819,221	2,608,950	-	7,428,170
Domestic market (Brazil)	524,341	2,328,999	-	2,853,340	450,222	1,830,722	-	2,280,943
Foreign market	6,396,308	964,577	-	7,360,885	4,368,999	778,228	-	5,147,227
Asia	3,108,361	80,173	-	3,188,534	2,199,230	25,283	-	2,224,513
Europe	2,259,516	162,527	-	2,422,043	1,437,489	91,371	-	1,528,860
North America	993,779	137,098	-	1,130,877	679,923	206,245	-	886,168
South and Central America	34,652	556,744	-	591,396	52,357	433,679	-	486,036
Africa	-	28,035	-	28,035	-	21,650	-	21,650
<b>Cost of sales</b>	<b>(3,114,369)</b>	<b>(2,117,203)</b>	-	<b>(5,231,572)</b>	<b>(2,834,300)</b>	<b>(1,830,796)</b>	-	<b>(4,665,096)</b>
<b>Gross profit</b>	<b>3,806,281</b>	<b>1,176,372</b>	-	<b>4,982,653</b>	<b>1,984,920</b>	<b>778,154</b>	-	<b>2,763,074</b>
Gross margin (%)	55.0%	35.7%	-	48.8%	41.2%	29.8%	-	37.2%
<b>Operating income (expenses)</b>	<b>(305,889)</b>	<b>(636,494)</b>	-	<b>(942,382)</b>	<b>(269,950)</b>	<b>(432,360)</b>	48,517	<b>(653,793)</b>
Selling expenses	(158,253)	(274,997)	-	(433,250)	(116,305)	(178,736)	-	(295,041)
General and administrative expenses	(183,105)	(366,491)	-	(549,596)	(124,633)	(231,462)	-	(356,095)
Other operating income (expenses), net	35,470	1,127	-	36,597	(29,012)	(26,976)	48,517	(7,472)
Equity pick-up	-	3,867	-	3,867	-	4,814	-	4,814
<b>Operating profit before net financial income (expense)</b>	<b>3,500,392</b>	<b>539,878</b>	-	<b>4,040,271</b>	<b>1,714,970</b>	<b>345,793</b>	48,517	<b>2,109,280</b>
Operating margin (%)	50.6%	16.4%	-	39.6%	35.6%	13.3%	-	28.4%
<b>Financial result, net</b>	-	-	(6,089,969)	(6,089,969)	-	-	(283,063)	(283,063)
<b>Income (loss) before taxes</b>	<b>3,500,392</b>	<b>539,878</b>	<b>(6,089,969)</b>	<b>(2,049,698)</b>	<b>1,714,970</b>	<b>345,793</b>	(234,546)	<b>1,826,217</b>
<b>Income taxes</b>	-	-	907,600	907,600	-	-	(361,493)	(361,493)
<b>Net income (loss) for the period</b>	<b>3,500,392</b>	<b>539,878</b>	<b>(5,182,369)</b>	<b>(1,142,098)</b>	<b>1,714,970</b>	<b>345,793</b>	(596,039)	<b>1,464,724</b>
Profit margin for the period (%)	50.6%	16.4%	-	-11.2%	35.6%	13.3%	-	19.7%
<b>Depreciation, depletion and amortization</b>	<b>830,178</b>	<b>345,094</b>	-	<b>1,175,272</b>	<b>752,974</b>	<b>294,196</b>	-	<b>1,047,170</b>
<b>Total assets<sup>(a)</sup></b>	<b>19,925,228</b>	<b>7,400,851</b>	<b>14,239,895</b>	<b>41,565,974</b>	<b>18,550,278</b>	<b>6,261,363</b>	<b>4,626,658</b>	<b>29,438,299</b>
<b>Total liabilities<sup>(a)</sup></b>	<b>647,878</b>	<b>679,933</b>	<b>29,590,923</b>	<b>30,918,734</b>	<b>732,191</b>	<b>619,496</b>	<b>16,483,886</b>	<b>17,835,573</b>
<b>Equity of controlling shareholders</b>	-	-	10,632,103	10,632,103	-	-	11,602,726	11,602,726
<b>Equity of non-controlling shareholders</b>	-	-	15,137	15,137	-	-	-	-
<b>Total equity</b>	-	-	10,647,240	10,647,240	-	-	11,602,726	11,602,726
<b>Products sold (in tons)</b>	<b>2,580,649</b>	<b>995,377</b>	-	<b>3,486,026</b>	<b>2,678,011</b>	<b>854,307</b>	-	<b>3,532,318</b>
Foreign market	2,359,652	274,244	-	2,633,896	2,391,938	277,727	-	2,669,665
Domestic market (Brazil)	220,997	631,134	-	852,131	286,073	576,580	-	862,653

(a) The Company evaluation based on operating segments is only made for assets and liabilities comprising the measurement of Return on Invested Capital ("ROIC"), since this is used in the decision-making process.

## 29.3 Net sales by products

The table below shows the breakdown of paper consolidated net sales by product:

	3Q18	3Q17	9M18	9M17
<b>Products</b>				
Market pulp <sup>(a)</sup>	2,688,871	1,639,736	6,920,650	4,821,502
Printing and writing paper <sup>(b)</sup>	1,090,073	733,099	2,694,177	2,038,894
Paperboard	209,690	168,750	548,142	485,592
Other	16,890	36,877	51,256	82,182
<b>Total Revenue</b>	<b>4,005,524</b>	<b>2,578,462</b>	<b>10,214,225</b>	<b>7,428,170</b>

(a) Fluff pulp is not material (around 1% of the total net sales) and thus was included in Market Pulp sales.

(b) Tissue paper is a recently product released and its revenues represented less than 3.5% of the total net sales thus was included in Printing and writing paper.



# Suzano Papel e Celulose S.A.

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(In thousands of R\$, unless otherwise stated)



## 30 Expenses by Nature

	3Q18	3Q17	9M18	9M17
<b>Cost of sales</b>				
Personnel expenses	(172,178)	(137,233)	(471,023)	(402,751)
Variable cost	(916,628)	(754,158)	(2,406,689)	(2,133,133)
Logistics cost	(289,406)	(233,274)	(777,669)	(696,274)
Depreciation, depletion and amortization	(405,801)	(340,218)	(1,146,740)	(1,021,166)
Other costs	(179,064)	(74,912)	(429,451)	(411,772)
	<b>(1,963,077)</b>	<b>(1,539,795)</b>	<b>(5,231,572)</b>	<b>(4,665,096)</b>
<b>Selling expenses</b>				
Personnel expenses	(39,982)	(25,274)	(102,933)	(77,275)
Services	(24,053)	(11,991)	(62,275)	(29,865)
Logistics cost	(85,282)	(55,453)	(216,334)	(152,204)
Depreciation and amortization	(1,159)	(882)	(3,302)	(2,763)
Other expenses <sup>(a)</sup>	(10,512)	3,875	(48,406)	(32,934)
	<b>(160,988)</b>	<b>(89,725)</b>	<b>(433,250)</b>	<b>(295,041)</b>
<b>Administrative and general expenses</b>				
Personnel expenses	(115,892)	(73,530)	(340,625)	(207,871)
Services	(44,934)	(23,287)	(116,927)	(70,431)
Depreciation and amortization	(8,443)	(7,727)	(25,230)	(23,241)
Other expenses <sup>(b)</sup>	(29,307)	(19,263)	(66,814)	(54,552)
	<b>(198,576)</b>	<b>(123,807)</b>	<b>(549,596)</b>	<b>(356,095)</b>
<b>Other operating (expenses) income</b>				
Result from disposal of other products	1,223	1,597	3,090	7,669
Result from disposal of property, plant and equipment and biological assets	3,144	35,641	(1,935)	39,769
Provision for loss and write-off of property, plant and equipment and biological assets <sup>(c)</sup>	(3,202)	(27,723)	(15,502)	(31,646)
Amortization of intangible assets	(2,055)	(2,057)	(5,611)	(6,191)
Result on the update of the fair value of biological assets	-	-	5,954	(25,268)
Provision for losses on realization of assets	-	(24,305)	-	(24,305)
Judicial agreements and contractual indemnity	51,846	10,671	51,846	30,902
Other operating income (expenses), net	(3,820)	3,061	(1,246)	1,598
	<b>47,136</b>	<b>(3,115)</b>	<b>36,597</b>	<b>(7,472)</b>

(a) Includes allowance 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.

(c) On September 30, 2018, the amount refers to R\$ 12,294 of write-offs related to losses and damages with biological assets and R\$ 3,208 with property, plant and equipment (September 30, 2017, the amount refers to R\$ 27,935 of write-offs related to losses and damages with biological assets and R\$ 3,711 with property, plant and equipment).

## 31 Complementary cash flow information of non-cash transactions

	9/30/2018	9/30/2017
Recoverable taxes	(188,638)	(202,557)
Tax payable	188,638	-
Exchange variation on subsidiaries	176,150	3,338
Additions to property, plant and equipment	(363,601)	-
Additions to biological assets	(146,391)	-
Liabilities for assets acquisitions	509,993	-

## 32 Events after the reporting period

## Suzano Papel e Celulose S.A.

Notes to the Unaudited condensed consolidated interim financial information  
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*(In thousands of R\$, unless otherwise stated)*



### i) Approval of the transaction with Fibria by CADE

On October 11, 2018, a decision approving the merger involving the operation between Suzano and Fibria, which is subject to the legal deadline, was published on the CADE website, under the terms of the applicable legislation.

Consummation of the operation is subject to typical conditions for operations of this nature, including approval by antitrust authorities in the European Union.

### ii) Integral Reduction in Financial Commitment

On October 25, 2018, the Company announced that it approved, in connection with the transaction aimed at combining the operations and shareholding bases of the Company and Fibria (Note 1.1 b) i) through a corporate reorganization in accordance with the terms disclosed, the integral reduction of the existing firm financial commitment with certain international financial institutions to finance the cash portion of the transaction.

The reduction described above refers to one line of credit, still remaining another line in the amount of US\$ 2.3 billion.

**Report of independent registered  
public accounting firm**

To the Board of Directors and Shareholders  
Suzano Papel e Celulose S.A.  
São Paulo - SP

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Suzano Papel e Celulose S.A. and its subsidiaries (the “Company”) as of December 31, 2017, and the related consolidated statement of income/(loss), of comprehensive income/(loss), changes in equity and cash flows for the year ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year ended December 31, 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Basis for opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Auditores Independentes  
São Paulo, Brazil  
May 16, 2018

We have served as the Company’s auditor since 2017.

## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
Suzano Papel e Celulose S.A.

We have audited the accompanying consolidated balance sheet of Suzano Papel e Celulose S.A. and subsidiaries (“the Company”) as of December 31, 2016, and the related consolidated statements of income/(loss), comprehensive income/(loss), changes in equity and cash flows for each of the years in the two-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Suzano Papel e Celulose S.A. and subsidiaries as of December 31, 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

São Paulo, Brazil  
May 16, 2018

KPMG Auditores Independentes

**Suzano Papel e Celulose S.A.**  
**Consolidated Balance Sheets**  
**as of December 31, 2017 and 2016**



*(In thousands of Brazilian reais, unless otherwise indicated)*

	Note	2017	2016
<b>Current assets</b>			
Cash and cash equivalents	5	1,076,833	1,614,697
Financial Investments	6	1,631,505	2,080,615
Trade accounts receivable	7	2,297,763	1,548,741
Inventories	8	1,198,265	1,318,905
Recoverable taxes	9	300,988	425,758
Derivative financial instruments	4	77,090	367,145
Advances to suppliers	10	73,629	532,655
Other assets		132,480	112,952
Assets held for sale	15	11,535	—
<b>Total current assets</b>		<b>6,800,088</b>	<b>8,001,468</b>
<b>Non-current assets</b>			
Receivables from other related parties	11	—	13,000
Recoverable taxes	9	283,757	349,536
Deferred taxes	12	2,606	4,624
Derivative financial instruments	4	56,820	77,035
Advances to suppliers	10	221,555	216,578
Judicial deposits	21.6	113,613	87,097
Receivables from land expropriation	17	60,975	56,721
Other assets		31,466	36,947
		<b>770,792</b>	<b>841,538</b>
Biological assets	13	4,548,897	4,072,528
Property, plant and equipment	15	16,211,228	16,235,280
Intangible assets	16	188,426	219,588
Investments	14	6,764	873
		<b>20,955,315</b>	<b>20,528,269</b>
<b>Total non-current assets</b>		<b>21,726,107</b>	<b>21,369,807</b>
<b>Total assets</b>		<b>28,526,195</b>	<b>29,371,275</b>

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

**Suzano Papel e Celulose S.A.**  
**Consolidated Balance Sheets**  
**as of December 31, 2017 and 2016**



*(In thousands of Brazilian reais, unless otherwise indicated)*

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>Current liabilities</b>			
Trade accounts payable	18	621,179	582,918
Loans and financing	19	2,115,067	1,594,720
Derivative financial instruments	4	23,819	250,431
Taxes payable		125,847	78,175
Payroll and charges		196,467	165,030
Liabilities for assets acquisitions	24	83,155	85,748
Dividends payable	25.6	180,550	370,998
Advance from customers	20	92,545	514,766
Other liabilities		280,437	187,088
<b>Total current liabilities</b>		<u>3,719,066</u>	<u>3,829,874</u>
<b>Non-current liabilities</b>			
Loans and financing	19	10,076,789	12,418,059
Derivative financial instruments	4	104,077	221,047
Liabilities for assets acquisitions	24	502,831	609,107
Provision for contingencies	21	317,069	246,634
Employee benefits	22	351,263	339,009
Deferred taxes	12	1,787,413	1,549,563
Share-based compensation plans	23	38,320	18,850
Other liabilities		12,756	14,143
<b>Total non-current liabilities</b>		<u>13,190,518</u>	<u>15,416,412</u>
<b>Equity</b>			
Share Capital	25.1	6,241,753	6,241,753
Capital reserves	25.2	394,801	203,714
Treasury shares	25.3	(241,088)	(273,665)
Retained earnings	25.4	2,922,817	1,638,620
Other reserves	25.5	2,298,328	2,314,567
		<u>11,616,611</u>	<u>10,124,989</u>
<b>Total equity and liabilities</b>		<u>28,526,195</u>	<u>29,371,275</u>

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

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

**Consolidated Statements of income/(loss)  
for the years ended December 31, 2017, 2016 and 2015**

*(In thousands of Brazilian reais, unless otherwise indicated)*



	<u>Note</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net sales revenue .....	27	10,580,673	9,839,162	10,162,081
Cost of sales .....	29	<u>(6,496,304)</u>	<u>(6,563,080)</u>	<u>(6,147,395)</u>
<b>Gross profit</b> .....		<b>4,084,369</b>	3,276,082	4,014,686
<b>Operating income (expenses)</b>				
Selling expenses .....	29	<u>(423,325)</u>	(416,310)	(409,986)
General and administrative expenses .....	29	<u>(528,974)</u>	(427,100)	(455,629)
Equity in earnings of associates .....	14	5,872	(7,127)	—
Other operating income (expenses), net .....	29	<u>140,510</u>	<u>(1,150,561)</u>	<u>(104,516)</u>
		<u>(805,917)</u>	(2,001,098)	(970,131)
<b>Operating profit before net financial income (expenses)</b> .....		<b>3,278,452</b>	1,274,984	3,044,555
<b>Net financial income (expenses)</b> .....				
	26			
Financial income .....		379,049	2,277,924	304,261
Financial expenses .....		<u>(1,397,889)</u>	<u>(1,156,204)</u>	<u>(4,713,885)</u>
		<u>(1,018,840)</u>	1,121,720	(4,409,624)
<b>Net income (loss) before taxes</b> .....		<b>2,259,612</b>	2,396,704	(1,365,069)
<b>Income taxes</b> .....				
	12			
Current .....		<u>(202,187)</u>	(188,817)	(19,052)
Deferred .....		<u>(236,431)</u>	<u>(530,072)</u>	454,445
<b>Net income (loss) for the year</b> .....		<b><u>1,820,994</u></b>	<b><u>1,677,815</u></b>	<b><u>(929,676)</u></b>
<b>Basic earnings per share</b>				
Common .....	25.6	<b>1.66804</b>	1.53922	(0.85429)
<b>Diluted earnings per share</b> .....				
Common .....	25.6	<b>1.66433</b>	1.53430	(0.85429)

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

Suzano Papel e Celulose S.A.

**Consolidated Statements of Comprehensive income/(loss)  
for the years ended December 31, 2017, 2016 and 2015**

*(In thousands of Brazilian reais, unless otherwise indicated)*



	Note	2017	2016	2015
<b>Net income (loss) for the year</b> .....		<b>1,820,994</b>	1,677,815	(929,676)
Other comprehensive income (loss) .....		<b>40,760</b>	(81,639)	60,227
<b>Items that will not be reclassified to profit or loss</b> .....				
Actuarial gain (loss) .....	22	<b>4,173</b>	(54,422)	31,981
Tax effect regarding above items .....		<b>(1,419)</b>	18,503	(10,874)
<b>Items that may be subsequently reclassified to profit or loss</b> .....				
Exchange variation on conversion of financial statements and on foreign investments .....		<b>38,006</b>	(45,720)	39,120
<b>Total comprehensive income (loss)</b> .....		<b><u>1,861,754</u></b>	<u>1,596,176</u>	<u>(869,449)</u>

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



Suzano Papel e Celulose S.A.

Consolidated Statements of Changes in Equity  
for the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian reais, unless otherwise indicated)



	Note	Capital reserves				Profit reserve			Other reserves	Retained earnings	Total	
		Share Capital	Tax incentives	Stock options granted	Share issuance costs	Treasury shares	Legal reserve	Reserve for capital increase				Special statutory reserve
Balances on December 31, 2014 . . .		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 . . . . .		—	—	—	—	—	—	—	—	—	(929,676)	(929,676)
Actuarial gain net of deferred taxes . . . . .		—	—	—	—	—	—	—	21,107	—	—	21,107
Exchange variation on conversion of financial statements of foreign subsidiaries . . . . .		—	—	—	—	—	—	—	39,120	—	—	39,120
<u>Equity transactions with shareholders:</u>												
Stock options granted . . . . .		—	—	3,506	—	—	—	—	—	—	—	3,506
Sale of treasury shares to meet stock-based compensation plan . . . . .		—	—	—	—	8,514	—	—	—	—	—	8,514
Dividends distributed . . . . .		—	—	—	—	—	—	(270,004)	—	—	—	(270,004)
Reversal of time-barred dividends . . . . .		—	—	—	—	—	—	—	—	—	60	60
<u>Allocation of profit for the year:</u>												
Partial realization of assets' deemed cost adjustment, net of deferred taxes . . . . .		—	—	—	—	—	—	—	—	(49,141)	49,141	—
Dividends proposed by the Management . . . . .		—	—	—	—	—	—	(300,000)	—	—	—	(300,000)
Dividends subject to approved in the shareholders meeting . . . . .		—	—	—	—	—	—	300,000	—	—	—	300,000
Issue of treasury shares to employees . . . . .		—	—	(6,354)	—	6,354	—	—	—	—	—	—
Absorption of loss for the year . . . . .		—	—	—	—	—	—	(880,475)	—	—	880,475	—
Balances on December 31, 2015 . . .		<u>6,241,753</u>	<u>75,317</u>	<u>23,091</u>	<u>(15,442)</u>	<u>(288,858)</u>	<u>231,926</u>	<u>469,889</u>	<u>—</u>	<u>2,450,083</u>	<u>—</u>	<u>9,187,759</u>

Suzano Papel e Celulose S.A.

Consolidated Statements of Changes in Equity  
for the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian reais, unless otherwise indicated)



	Note	Share Capital	Capital reserves			Profit reserve			Other reserves	Retained earnings	Total	
			Tax incentives	Stock options granted	Share issuance costs	Treasury shares	Legal reserve	Reserve for capital increase				Special statutory reserve
<u>Total comprehensive income (loss)</u>												
Net income for the year . . . .		—	—	—	—	—	—	—	—	1,677,815	1,677,815	
Actuarial loss net of deferred taxes . . . . .		—	—	—	—	—	—	—	(35,919)	—	(35,919)	
Exchange variation on conversion of financial statements of foreign subsidiaries . . . . .		—	—	—	—	—	—	—	(45,720)	—	(45,720)	
<u>Equity transactions with shareholders:</u>												
Stock options granted . . . .		—	—	3,341	—	—	—	—	—	—	3,341	
Sale of treasury shares to meet stock-based compensation plan . . . . .		—	—	—	—	8,515	—	—	—	—	8,515	
Dividends distributed . . . . .		—	—	—	—	—	—	(300,000)	—	—	(300,000)	
Reversal of time-barred dividends . . . . .		—	—	—	—	—	—	—	—	26	26	
<u>Allocation of profit for the year:</u>												
Partial realization of assets <sup>3</sup> deemed cost adjustment, net of deferred taxes . . . .		—	—	—	—	—	—	—	(53,877)	53,877	—	
Reserve for tax incentives Sudene-reduction of 75% . . . . .		—	124,085	—	—	—	—	—	—	(124,085)	—	
Transfer between reserves . . . . .		—	—	—	—	84,600	1,036,985	115,220	—	(1,236,805)	—	
Issue of treasury shares to employees . . . . .		—	—	(6,678)	—	6,678	—	—	—	—	—	
Minimum mandatory dividends . . . . .		—	—	—	—	—	—	—	—	(370,828)	(370,828)	
Balances on December 31, 2016 . . . . .	25	<u>6,241,753</u>	<u>199,402</u>	<u>19,754</u>	<u>(15,442)</u>	<u>(273,665)</u>	<u>316,526</u>	<u>1,206,874</u>	<u>115,220</u>	<u>2,314,567</u>	<u>—</u>	<u>10,124,989</u>

Suzano Papel e Celulose S.A.

Consolidated Statements of Changes in Equity  
for the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian reais, unless otherwise indicated)



	Note	Share Capital	Capital reserves			Profit reserve			Other reserves	Retained earnings	Total	
			Tax incentives	Stock options granted	Share issuance costs	Treasury shares	Legal reserve	Reserve for capital increase				Special statutory reserve
<b>Total comprehensive income (loss)</b>												
Net income for the year		—	—	—	—	—	—	—	—	1,820,994	1,820,994	
Actuarial gain net of deferred taxes		—	—	—	—	—	—	—	2,754	—	2,754	
Exchange variation on conversion of financial statements of foreign subsidiaries		—	—	—	—	—	—	—	38,006	—	38,006	
<b>Equity transactions with shareholders:</b>												
Stock options granted		—	—	1,521	—	—	—	—	—	—	1,521	
Sale of treasury shares to meet stock-based compensation plan		—	—	—	—	8,514	—	—	—	—	8,514	
Treasury shares acquired		—	—	—	—	(82)	—	—	—	—	(82)	
Interest on own capital	25.8	—	—	—	—	—	—	—	—	(199,835)	(199,835)	
Reversal of time-barred dividends		—	—	—	—	—	—	—	—	29	29	
<b>Allocation of profit for the year:</b>												
Partial realization of assets' deemed cost adjustment, net of deferred taxes		—	—	—	—	—	—	—	(56,999)	56,999	—	
Cancelation of treasury Reserve for tax incentives Sudene-reduction of 75%	25.2	—	—	—	—	17,107	—	—	—	(17,107)	—	
Transfer between reserves		—	—	—	—	—	90,372	1,074,444	119,380	—	(1,284,196)	
Issue of treasury shares to employees		—	—	(7,038)	—	7,038	—	—	—	—	—	
Minimum mandatory dividends	25.7	—	—	—	—	—	—	—	—	(180,280)	(180,280)	
<b>Balances on December 31, 2017</b>	<b>25</b>	<b>6,241,753</b>	<b>396,006</b>	<b>14,237</b>	<b>(15,442)</b>	<b>(241,088)</b>	<b>406,898</b>	<b>2,281,318</b>	<b>234,600</b>	<b>2,298,328</b>	<b>—</b>	<b>11,616,611</b>

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

Suzano Papel e Celulose S.A.

Consolidated Statements of Cash Flows  
for the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian reais, unless otherwise indicated)



	Note	2017	2016	2015
<b>Net income (loss) for the year</b> .....		<b>1,820,994</b>	1,677,815	(929,676)
<b>Adjustment to reconcile net income (loss) to cash flow from operating activities</b> .....		<b>2,499,848</b>	2,322,774	5,827,506
Depreciation, depletion and amortization .....		<b>1,402,778</b>	1,403,518	1,419,477
Income from sale of property, plant and equipment and biological assets .....	29	<b>(29,005)</b>	(9,767)	(641)
Equity in earnings of unconsolidated companies .....	14	<b>(5,872)</b>	7,127	—
Exchange and monetary variations, net .....		<b>2,273</b>	(1,442,918)	2,807,372
Interest expenses, net .....		<b>877,313</b>	1,000,287	1,137,476
Derivative gains (losses), net .....	26	<b>(73,271)</b>	(528,839)	630,251
Fair value adjustment of biological assets .....	13	<b>(192,504)</b>	780,666	(23,145)
Deferred taxes .....	12	<b>236,431</b>	530,072	(454,445)
Interest on actuarial liabilities .....	22	<b>38,022</b>	36,856	33,629
Provision (reversal) for contingencies .....	21	<b>35,645</b>	20,498	(38,110)
Share-based compensation plans .....	23	<b>33,715</b>	2,808	32,228
Allowance for doubtful accounts, net .....	7	<b>32,397</b>	17,005	21,425
Reversal of/(addition to) provision for discounts .....		<b>(9,497)</b>	(35,497)	67,861
Provision for inventory losses and write-offs .....	8	<b>24,384</b>	9,564	19,589
Write-off of tax credits .....		<b>5,438</b>	—	40,943
Provision for losses (impairment) and write-off of property, plant and equipment and biological assets ..	29	<b>66,707</b>	316,646	53,164
Loss in fixed assets disposal .....	29	<b>—</b>	—	20,731
Partial write-off of intangible assets .....		<b>18,845</b>	78,799	—
Other provisions .....		<b>36,049</b>	135,949	59,701
<b>Decrease (increase) in assets</b> .....		<b>(722,342)</b>	212,908	(781,482)
Trade accounts receivable .....		<b>117,762</b>	(47,846)	(312,414)
Inventories .....		<b>8,702</b>	(39,689)	(86,701)
Recoverable taxes .....		<b>410,879</b>	(483,406)	20,987
<b>Increase (decrease) in liabilities</b> .....		<b>63,236</b>	(4,696)	92,235
Trade accounts payable .....		<b>595,443</b>	1,176,052	469,910
Other current and non-current liabilities .....		<b>(1,006,869)</b>	(1,102,090)	(1,100,351)
Payment of interest .....		<b>(598,617)</b>	(545,751)	(449,726)
Other taxes and contributions paid .....		<b>(121,177)</b>	(90,532)	(75,503)
<b>Net cash flow provided by operating activities</b> .....		<b>3,067,859</b>	3,075,539	2,674,785
<b>Cash flow from investing activities</b> .....		<b>(859,880)</b>	(885,999)	(536,830)
Additions to property, plant and equipment .....	15	<b>(8,054)</b>	(11,640)	(12,748)
Additions to intangible assets .....		<b>(912,368)</b>	(1,426,699)	(1,115,320)
Additions to biological assets .....	13	<b>84,694</b>	35,235	41,868
Proceeds from sales of assets .....		<b>687,274</b>	(1,053,381)	(934,186)
Additions (reduction) in financial investments .....		<b>(1,008,334)</b>	(3,342,484)	(2,557,216)
<b>Net cash flow used in investing activities</b> .....		<b>(1,008,334)</b>	(3,342,484)	(2,557,216)

Suzano Papel e Celulose S.A.

Consolidated Statements of Cash Flows  
for the years ended December 31, 2017, 2016 and 2015

(In thousands of Brazilian reais, unless otherwise indicated)



	Note	2017	2016	2015
<b>Cash flow from financing activities</b>				
Proceeds from loans and financing .....	19	2,561,954	5,665,635	4,107,776
Payment of derivative transactions .....	4	39,695	117,261	(251,646)
Payment of loans and financings .....	19	(4,533,736)	(4,853,038)	(6,123,996)
Liabilities for assets acquisitions .....		(117,865)	(72,364)	(72,533)
Payment of dividends .....		(570,568)	(299,926)	(269,936)
Sale of treasury shares to meet share-based compensation plan .....		8,514	8,514	8,514
Repurchase of treasury shares .....		(83)	—	—
<b>Net cash flow used in financing activities</b> .....		<b>(2,612,089)</b>	566,082	(2,601,821)
Exchange variation on cash and cash equivalents .....		14,700	(161,686)	275,383
<b>Increase (reduction) in cash and cash equivalents</b> .....		<b>(537,864)</b>	137,451	(2,208,869)
Cash and cash equivalents at the beginning of year .....	5	1,614,697	1,477,246	3,686,115
Cash and cash equivalents at end of year .....	5	1,076,833	1,614,697	1,477,246
<b>Statement of the increase (reduction) in cash and cash equivalents</b> .....		<b>(537,864)</b>	137,451	(2,208,869)

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

## **1 Company Operations**

Suzano Papel e Celulose S.A. (“Suzano”), together with its subsidiaries (the “Company”), is a listed corporation, whose shares are traded on Novo Mercado segment of B3 S.A. – Brasil, Bolsa, Balcão (“B3”), headquartered in the city of Salvador, state of Bahia, Brazil.

Suzano has five (5) industrial units in Brazil: Bahia, Maranhão and three units in São Paulo. These industrial units produce hardwood pulp from eucalyptus and paper (coated paper, paperboard, uncoated paper, cut size paper) and jumbo rolls of sanitary paper (consumer goods – tissue paper), paper to serve the domestic and international markets, in addition to generating energy for the Company’s consumption and selling surplus energy to third parties. Pulp, paper and consumer goods are sold in the international market directly by Suzano, as well as through its subsidiaries in Argentina, the United States and Switzerland and its sales offices in China and England.

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. through a Voting Agreement, which holds a 50.04% interest in the common shares of its share capital.

The issue of these financial statements was approved by the Company’s Executive Board on May 16, 2018.

### **1.1 Major events in 2017 and 2016**

#### **a) Operational Events**

##### **i) Repurchase of Senior Notes (“Notes 2021”)**

In the second semester of 2017, the Company, through its subsidiary Suzano Trading Ltd. (“Suzano Trading”), repurchased Senior Notes due 2021, in the total amount of US\$ 456 million.

The repurchases were carried out through a market transaction, based on the value in the secondary market plus a premium of 0.50 percentage points.

The original value of the Notes 2021 was US\$ 650 million, with repurchase transactions since 2015, the outstanding balance on December 31, 2017 is US\$ 190 million.

##### **ii) Start of tissue production and sale – Mucuri Unit (BA) and Imperatriz Unit (MA)**

On September 11, 2017, the Company started the production and sale of tissue paper.

On November 22, 2017, the Company started to produce tissue at the Imperatriz (MA) unit.

The total estimated investment was R\$ 540,000 and considers the total production capacity of 120,000 tons/year of tissue, with a maximum conversion capacity of 60,000 tons.

##### **iii) Reopening of bonds (“Notes 2026 and 2047”)**

On September 5, 2017, the Company reopened Senior Notes 2026 and Senior Notes 2047 and Suzano Áustria GmbH (“Suzano Áustria”) on the following additional volume were issued: i) US\$ 200 million interest of 4.625% p.a., paid semiannually, each January and July, with maturity date on July 14, 2026 (“Notes 2026”); and ii) US\$ 200 million, interest of 6.300% p.a., paid semiannually, each March and September, with maturity date on March 16, 2047 (“Notes 2047,” and together with Notes 2026, referred to as “Notes”).

## Suzano Papel e Celulose S.A.

### Notes to the Financial Statements At December 31, 2017

*(In thousands of Brazilian reais, unless otherwise indicated)*



Suzano plans to use the proceeds from the Notes 2026 issue to finance or refinance its capital needs and to invest in Eligible Green Projects, and the proceeds from the Notes 2047 for general corporate purposes and to repurchase US\$ 146 million in the Senior Notes due 2021 bonds (Note 1.1 a), i)).

#### iv) Senior Notes Offering (“Notes 2047”)

On March 9, 2017, the Company issued in the international market, through its wholly-owned subsidiary Suzano Áustria, Senior Notes in the aggregate principal amount of US\$ 300 million. This 30-year senior Notes were issued for a coupon (interest) of 7.0% p.a., paid semiannually as from September 2017.

#### v) Revision of duties and affirmative decision in dumping process

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.

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 of America.

On March 3, 2016, the International Trade Commission (“ITC”) approved the request for review of the anti-dumping duty and provided complementary decision that adjusts rate to 22.37% for the Company.

Suzano will request the annual tax revisions envisaged in applicable USA laws.

In the fiscal years ended December 31, 2016 and 2015, the recognition of anti-dumping duties totaled R\$ 57,642 and R\$ 28,056, respectively, and recorded in profit or loss for the year as cost of these products exported and will remain deposited with the U.S. government at least until the final decision is taken.

#### vi) Acquisition of Forestry Assets and Rural Properties.

On December 8, 2016, the Company concluded the transaction underlying the Agreement for the Purchase and Sale of Forestry Assets, and the Rural Properties Purchase and Sale Commitment and Other Covenants, whereby, among others, the Company acquired a part of the real estate and forestry assets held by Companhia Siderúrgica Vale do Pindaré and by COSIMA – Siderúrgica do Maranhão Ltda.

The assets acquired include: i) approximately 75,000 hectares of properties in the states of Maranhão and Tocantins, of which approximately 40,000 hectares is arable land; and, ii) planted forests on said arable lands (“Acquisition of Forestry Assets”). The total price paid for the acquisition of the properties and forests is US\$ 245 million (equivalent to R\$ 830,354 in Brazilian currency), which was fully settled on the closing date.

### **b) Corporate events**

#### i) Acquisition of companies in the Tissue business

On December 3, 2017, the Company entered into a Purchase Agreement and Other Covenants for the direct and indirect acquisition of approximately 92.84% of the total capital and 99.99% of the common shares of FACEPA Fábrica de Papel da Amazônia S.A. (“FACEPA”), which is subject to certain contractual and legal conditions that are typical to transactions of this nature, including approval by Brazil’s antitrust authorities.

The total consideration for the shares acquired will be R\$ 310,000, subject to adjustments.

FACEPA produces and markets a wide range of paper products including paper towels, napkins, diapers, tissue paper and tissues under various brands, with a strong presence in the Northern and Northeastern regions of Brazil. FACEPA has plants located in the cities of Belém, Pará and Fortaleza, Ceará, with installed capacity of around 50,000 tons/year.

The acquisition is aligned with Suzano's goals of expanding its operations in pulp adjacent markets and will strengthen its consumer goods business unit in the tissue business.

ii) Migration to Novo Mercado, conversion of preferred shares into common shares

On September 29, 2017, the Company approved: i) the proposed migration of the Company to the special listing segment called Novo Mercado of Brazilian Stock Market B3 and the consequent admission of its shares for trading on the Novo Mercado; ii) the conversion of all preferred shares issued by the Company into common shares at the ratio of one (1) preferred share, class "A" or class "B", for one (1) common share; iii) the changes to the Company's Bylaws to adapt them to Novo Mercado Rules; and iv) the change in the methodology to calculate mandatory dividends, also reflecting best corporate governance policies.

The migration of the Company to Novo Mercado segment of B3 was concluded on November 10, 2017.

iii) Full merger of subsidiary Amulya Empreendimentos Imobiliários Ltda. ("Amulya").

On August 31, 2017, the Extraordinary Shareholders Meeting of Suzano discussed and voted on the merger of its subsidiary Amulya, which total net assets amount to R\$ 37,106.

## **2 Presentation of the Financial Statements**

### **2.1 Preparation basis and presentation**

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and present all significant information that should be reported in the financial statements which is consistent with that used by the Management of the Company in its functions. The main accounting policies applied in the preparation of these financial statements are presented in Note 3.

The financial statements were prepared using the historical cost as the basis of value, except for available-for-sale financial assets and biological assets that are measured at fair value.

The preparation of financial statements requires the use of certain significant accounting estimates and the exercise of judgment by Management in applying the Company's accounting practices. The areas requiring a higher level of judgment and which are more complex, as well as areas in which assumptions and estimates are significant for the financial statements, are disclosed in Note 3.2.

#### **2.1.1 Consolidated financial statements**

The consolidated financial statements have been prepared using information from Suzano and its subsidiaries on the same base date, as well as in accordance with consistent accounting policies.

The subsidiaries are consolidated as from the date control is obtained, until the date control ceases to exist. In the case of joint control (joint venture) with other companies, these investments are measured by the equity method.



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

**Notes to the Financial Statements  
At December 31, 2017**

*(In thousands of Brazilian reais, unless otherwise indicated)*



In the consolidation process, the balances in the balance sheet and income statement accounts corresponding to the transactions with subsidiaries are eliminated, as well as the unrealized gains and losses and the investments in these subsidiaries and their respective equity accounting results.

Companies included in the Company's consolidated financial statements are the following:

Investee	Nature of the main operation	Country	Type of interest	Interest in capital(%)	
				2017	2016
Amulya Empreendimentos Imobiliários Ltda ("Amulya") <sup>(a)</sup>	Land lease	Brazil	Direct	—	100%
Asapir Produção Florestal e Comércio Ltda ("Asapir")	Loan agreement	Brazil	Joint operation	50%	50%
Comercial e Agrícola Paineiras Ltda ("Paineiras")	Land lease	Brazil	Direct	100%	100%
FuturaGene Ltd ("Futuragene")	Biotechnology research and development	United Kingdom	Indirect	100%	100%
Ibema Companhia Brasileira de Papel ("Ibema")	Production and sale of paperboard	Brazil	Joint venture	49.9%	38%
Ondurman Empreendimentos Imobiliários Ltda ("Ondurman")	Land lease	Brazil	Direct	100%	100%
Paineiras Logística e Transporte Ltda ("Paineiras Logística")	Commissioning of road transport	Brazil	Direct	100%	100%
Stenfar S.A. Indll. Coml. Imp. Y. Exp. ("Stenfar")	Sale of paper and computer materials	Argentina	Direct/Indirect	100%	100%
Sun Paper and Board Limited ("Sun Paper")	Shared expenses	United Kingdom	Direct	100%	100%
Suzano Áustria GmbH ("Suzano Áustria")	Capital raising	Austria	Direct	100%	100%
Suzano Pulp and Paper America Inc ("Suzano América")	Sale of pulp and paper	United States	Direct	100%	100%
Suzano Pulp and Paper Europe S.A. ("Suzano Europa")	Sale of pulp and paper	Switzerland	Direct	100%	100%
Suzano Trading Ltd ("Suzano Trading")	Sale of pulp and paper	Cayman Islands	Direct	100%	100%

<sup>(a)</sup> See Note 1.1 b), iii).

**2.2 Functional currency and presentation currency**

The information included in the financial statements are measured using the currency of the main economic environment in which the subsidiary operates (the "functional currency").

The financial statements are presented in Brazilian real, which is Suzano's functional currency, and the Company's presentation currency.

**a) Foreign-currency translation**

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency 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.

**b) Foreign subsidiaries**

Foreign subsidiaries prepare their individual financial statements in their functional currency.

When these consolidated financial statements are translated for presentation purposes these subsidiaries have their assets and liabilities translated from their functional currency to Brazilian reais on the balance sheet date, using the exchange rates of balance sheet closing date and respective revenues and expenses accounts are translated by the monthly average rates of the years.

Gains and losses from exchange variation calculated in the translation process for consolidation of the financial statements are recognized in other reserves, as “Exchange variation on conversion of financial statements of foreign subsidiaries”

The functional currency of foreign subsidiaries are the following:

<u>Subsidiary</u>	<u>Country</u>	<u>Currency name</u>
Suzano Trading	Cayman Islands	
Suzano América	United States	U.S. Dollar
Suzano Áustria	Austria	
FuturaGene		
Sun Paper	United Kingdom	Pound Sterling
Suzano Europa	Switzerland	Swiss Franc
Stenfar	Argentina	Argentine Peso

**2.3 Presentation of information by operating segment**

The Board of Directors has been identified as the Chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments. The operating segments are:

- i) Pulp: comprises production and sale of hardwood eucalyptus pulp and fluff mainly to supply the foreign market, with any surplus sold in the domestic market.
- ii) Paper: comprises production and sale of paper to meet the demands of both domestic and international markets. Consumer goods (tissue) sales are classified under this segment due to its immateriality.

**3 Accounting policies**

Suzano, and its associates adopted the accounting policies described below consistently in all the years reported in these financial statements.

### 3.1 Principal accounting policies

#### 3.1.1 Cash and cash equivalents

Cash and cash equivalents includes balances of cash, banks and highly liquid investments maturing within 90 days from their initial contracting date, which are subject to insignificant risk of change in their value.

#### 3.1.2 Financial assets and liabilities

##### a) Overview

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 issuance, except for the financial assets and liabilities classified under the fair value through profit or loss category, where these costs are directly recorded as financial income. Their subsequent measure occurs every balance sheet date according to IFRS standards for each type of financial assets and liabilities category.

The Company does not adopt hedge accounting.

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.

In the absence of a quoted price, the gain or loss after the initial recognition arising from the difference between the fair value and present value of cash flow is recognized in the statement of income (loss).

##### b) Financial assets

Financial assets are classified in 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

This category includes financial assets held for trading, assets designated in the initial recognition at fair value through profit or loss and derivatives. They are classified as held for trading if originated with the purpose of sale or repurchase in the short term and measured at their fair value at every balance sheet date. Interest rates, 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 and receivables

This category includes non-derivative financial assets with fixed or determinable payments, but not quoted on the active market. After initial recognition, they are measured by the amortized cost through the effective interest rate method. Interest rates, 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.

##### c) Financial liabilities

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. Other liabilities

Other liabilities are initially recognized at fair value, net of any attributable transaction costs and, subsequently, stated at the amortized cost through the effective interest rate method. The interest rates, and exchange variation, when applicable, are recognized in the income statement when incurred.

### **3.1.3 Trade accounts receivable**

Trade accounts receivable from customers are recorded at the nominal amount on the sale date in the normal course of the Company's activities, plus exchange rate variation in case of amounts denominated in foreign currency. Considering the short average term for receipt of accounts receivable, their amount corresponds to fair value. If the receivables term is equivalent to one year or less, receivables are classified under current assets, otherwise they are presented as non-current assets.

Based on an individual analysis, an impairment is accrued in an amount considered sufficient by Management to support losses in the accounts receivable. The expense is recognized in the income statement as "Selling Expenses".

### **3.1.4 Inventories**

Inventories are shown at the lowest value between average acquisition or production cost, net of recoverable taxes, and its net realizable value. Imports in transit 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 estimated losses established to support impairment losses identified or estimated by Management.

### **3.1.5 Non-current assets held for sale**

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 and when sale is highly probable.

They are measured by the lowest amount between their book value and their fair value less selling expenses.

Possible impairment loss is initially allocated to goodwill, in the case of investment, 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.

### **3.1.6 Biological assets**

Biological assets (reforestation eucalyptus forests, with a seven-year growth cycle from planting to harvest) are measured at fair value, less estimated sales costs during the cutting process. Fair value was calculated using the discounted cash flow method in accordance with the yield cycle of these assets.

Significant assumptions in calculating the fair value of biological assets are shown in Note 13. The fair value of biological assets is detailed calculated semiannually, however in a quarterly basis the Company evaluated the main assumptions to confirm that is no significant difference that could impact the fair value of biological assets registered in prior period.

Gain or loss from changes in fair value of biological assets is recognized in the period they occur, in other operating income/expenses. The depletion value of the biological assets is based on harvest of wood and included the previous recognized fair value.

### **3.1.7 Investments**

Investments are represented by the Company's interest in other associates or in jointly-controlled companies (joint venture) and measured by the equity method of accounting.

### **3.1.8 Business combination**

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The cost of an acquisition is measured by the sum of consideration transferred, measured at fair value on the acquisition date. Transaction costs directly attributable to the acquisition are recorded as expense when incurred.

Initially, the goodwill is measured as the surplus of the consideration transferred in relation to the net assets acquired at fair value. After initial recognition, the goodwill is measured at cost, less any accumulated impairment.

### **3.1.9 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 probable impairment losses, when incurred.

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).

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. Depreciation is based on the estimated useful life of the asset.

Annually, the Company revised the useful life of its assets based on use and estimated use of assets and did not identify the need for adjustments to the used economic useful life.

Maintenance and repair expenses of key industrial equipment that do not significantly increase the useful life of these assets, referred to as General Stoppage costs, are recorded directly in the income statement in the year when they are incurred in costs of goods sold.

### **3.1.10 Intangible assets**

- i) Goodwill based on expected future profitability

Goodwill is the positive difference between the amount transferred for acquisition and the net fair value of assets acquired from a company. Goodwill should be attributed to one or more Cash Generating Units ("CGU's"), which are subject to impairment tests at least once a year and it's not amortized.

- ii) Intangible assets with defined useful life

Other intangible assets acquired by the Company that have defined useful lives are measured at cost, less amortization based on the useful lives and accumulated impairment losses, when incurred.

### **3.1.11 Impairment of non-financial assets**

Assets with indefinite useful life, such as goodwill, are not subject to amortization and are tested annually to identify possible need for impairment. Goodwill impairment is reviewed annually or more frequently if events or changes in circumstances indicate possible impairment.

Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the book value cannot be recovered. An impairment loss is recognized when the book value of an asset exceeds its recoverable value, which is the highest between the fair value of an asset less its disposal costs and value in use.

For the purposes of impairment assessment assets are grouped in the lowest levels for which cash in flows are identified separately CGU. For this test, goodwill is allocated to the CGU or groups of CGU that should benefit from the business combination from which the goodwill originated, and are identified according to the operating segment.

Non-financial assets, except goodwill, which have been adjusted for impairment, are reviewed subsequently for analysis of a possible reversal of impairment on the balance sheet date. Goodwill impairment recognized in the income statement should not be reversed.

### **3.1.12 Dividends and interest on own capital**

Distribution of dividends or interest on own capital is recognized as liabilities, pursuant to corporate law and the Company's bylaws, up to the limit of minimum mandatory dividends. Any additional dividend declared by Management is presented under proposed dividends, together with the profit reserves in shareholders' equity. When approved by the shareholders, the amount is transferred to current liabilities.

### **3.1.13 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.

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.

#### **3.1.14 Trade accounts payable**

Trade accounts payable are obligations payable for goods or services that were acquired in the normal course of business. They are classified as current liabilities if payment is due in up to one year, or non-current liabilities if payable in a longer term.

They are initially recognized at their fair value and, subsequently, measured at amortized cost using the effective tax rate method.

#### **3.1.15 Loans and financing**

Loans and financing are initially recognized at their fair value, net of costs incurred in the transaction and are subsequently stated at amortized cost. Any difference between the amounts raised (net of transaction costs) and the total amount payable is recognized in the statement of income during the period in which the loans are outstanding, using the effective tax rate method.

Loans and financing are classified as current liabilities unless the Company has an unconditional right to defer the settlement of liabilities for at least 12 months after the balance sheet date.

General and specific loan costs directly attributed to the acquisition, construction or production of a qualified asset, which is an asset that necessarily demands a substantial period of time to be ready for use or sale, are capitalized as a part of the cost of asset when it is probable that they will result in future economic benefits for the entity and that these costs may be measured with reliability. Other loan costs are recognized as expense in the period they are incurred.

#### **3.1.16 Current and deferred income tax and social contribution**

The current and deferred income tax and social contribution are calculated based on the tax laws in force on the balance sheet date in countries where the Company operates, and are recognized in the income statement, except at the proportion they are related with items directly recorded in shareholders' equity.

Deferred income tax and social contribution are recognized using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their amounts in the financial statements, except in business combinations whose initial recognition of an asset or liability does not affect the accounting or tax result.

Current and deferred tax assets and liabilities are presented net in balance sheet when there is the legal right and intention to offset them upon the calculation of current assets, and when they are related to the same tax authority and the same legal entity.

Deferred income tax and social contribution arising from recognized for tax losses, tax credits and unused deductible temporary differences are recognized when it is probable that future profits subject to taxation will be available to be used against such assets.

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

#### **3.1.17 Contingent assets and liabilities**

Contingent assets are recorded only when court decisions are favorable to the Company, as well as its final, unappealable and amount can be reliably measured.

Contingent liabilities are recognized according to following criteria: i) Contingent liabilities with probability of loss remote are not recorded or disclosed; ii) Contingent liabilities its the probability of loss possible are not recorded, but disclosed in the notes to the financial statements; and, iii) Contingent liabilities with probable loss are recorded in provision for an amount considered sufficient by the Management and its legal advisors to cover future cash disbursements.

### **3.1.18 Provisions**

Provisions are recognized when: (i) the Company has a current and constructive obligation as a result of past events; (ii) it is probable that an outflow of funds is necessary to settle the obligation; and (iii) the value can be estimated with reliability. Provisions do not include future operating losses.

### **3.1.19 Employee benefits**

The actuarial liabilities are evaluated by an independent actuary and reviewed by management 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 in Other Comprehensive Income (Other Reserves) and will not reclassified to profit or loss in a subsequent period.

### **3.1.20 Share based payments**

The Company's executives and managers receive their compensation partially as share-based payment plans to be settled in cash and shares, and alternatively in cash.

Plan-related expenses are firstly recognized in the income statement as a corresponding entry to financial liabilities during the vesting period (grace period) when services will be rendered. The financial liability is measured 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.

### **3.1.21 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.

### **3.1.22 Share Capital**

Common shares are classified under shareholders' equity.

Incremental costs directly attributable to the issue of new shares or options are stated under shareholders' equity as a deduction from the amount raised, net of taxes.



### **3.1.23 Revenue recognition**

Revenue comprises the fair value of consideration received or receivable for the sale of products and services in the normal course of the Company's activities. 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, significant risks and rewards inherent to the product are transferred to the buyer, that is, 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.

#### **a) Sale of products**

Suzano manufactures and sells a variety of products in the industry (hardwood pulp from eucalyptus, paper (coated paper, paperboard, uncoated paper and cut size), and jumbo rolls of paper for sanitary purposes (consumer goods)) in the domestic and foreign markets. Sale of products are recognized whenever the Company transfers control of the asset to the end client (third party), which assumes total control over the products, and there is no additional performance obligation that can affect the acceptance of products by the client.

#### **b) Sale of energy**

The Company sells, indirectly, the surplus energy produced as a by-product of the industrial process.

#### **c) Financial income**

Financial income is recognized according to the term elapsed on an accrual basis using the effective tax rate method.

### **3.1.24 Leases**

The Company leases certain property, plant and equipment items. Leases of property, plant and equipment, in which the Company has substantially all risks and benefits of ownership, are classified as financial leases. These are capitalized at the start of the lease at the lowest value between the fair value of the leased asset and the present value of minimum lease payments.

Each lease installment paid is allocated partially to liabilities and partially to financial charges, thereby obtaining a constant rate on the debt balance payable. The corresponding liabilities, net of financial charges, are included in loans. Interest on financial expenses is recognized in the statement of income during the lease period, to produce a constant periodical interest rate on the balance of liabilities for each period. Depreciation is based on the estimated useful life of the asset.

Payments of operating leases (net of any incentives received from the lessor) are recognized in the statement of income during the lease period.

### **3.1.25 Related-party transactions**

The operations with related parties must observe typical market prices and conditions for similar transaction as well the corporate governance practices adopted by the Company and those recommended and/or required by law.

### **3.2 Critical estimates, judgments and accounting assumptions**

When preparing these financial statements, Management used estimates, judgments and accounting assumptions about the future affecting the application of the Companies' accounting policies and policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

The Company reviews its estimates and assumptions continuously and any change thereof is prospectively recognized.

See below information on judgments and assumptions used while applying accounting policies that have significant effects on the amounts recognized in the financial statements and which have significant risk of causing material adjustment:

#### **3.2.1 Financial Instruments**

The fair values of quoted financial instruments are based on current market prices. If the market for a financial instruments is not active, the Company establishes the fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. (Note 4)

#### **3.2.2 Biological assets**

The discounted cash flow methodology is used to calculate the fair value of forest biological assets, whereby several critical economic and forest assumptions are made with a high level of judgment (Note 3.1.6 and 13).

#### **3.2.3 Useful life and recoverable value of tangible and intangible assets**

The useful life of relevant tangible assets was defined by management and in the specifications of machine and equipment manufacturers, at the operational level of industrial units and the quality of preventive and corrective maintenance. The intangible assets with defined useful life are defined by management. These estimated involves a high degree of judgment and uncertainties. In the case of events or changes in circumstances indicating that the book value of an asset or group of assets may not be recoverable, Management will re-evaluate and adjust the asset's useful life according to the new outlook. (Notes 15 and 16).

#### **3.2.4 Deferred income tax and social contribution**

The recognition and amount of deferred tax assets depend on the future generation of taxable income, which requires the use of estimates related to the Company's future performance.

These estimates are part of a long-term plan, which is reviewed annually by Management and submitted to Board of Directors for the approval. This plan is drawn up using several macroeconomic variables, such as exchange and interest rates; variables in the market segment, such as curves of expected offer/supply and projected sale prices; operating variables, such as expected production costs and volumes. This set of variables evidences the Company's level of judgment regarding the expected materialization of these assumptions and uncertainties.

Management understands that, based on projected results and recorded results, the realization of deferred credit assets is probable (Note 12).

### **3.2.5 Actuarial liability**

The Company has actuarial commitments of post-employment benefits related to health insurance for former employees. These commitments and costs depend on a series of economic and demographic assumptions, mainly discount rates, long-term inflation, variation in medical and hospital costs, and variability in the actuarial table used, which imply some level of judgment regarding the assumptions adopted.

These estimates are reviewed annually by management and can differ from the actual results due to changes in market and economic conditions (Note 22).

### **3.2.6 Contingencies**

The Company is currently involved in certain labor, civil and tax proceedings. The provision for legal proceeds is recorded based on Management's evaluation and on the advice of internal and external legal counsel, and are subject to a high level of judgment (Note 21).

### **3.3 New standards, revisions and interpretations not yet effective**

The following standards were issued and approved by IASB, which are not effective yet and the Company has not early adopted while preparing these financial statements.

The Management evaluated or is evaluating and measuring the impacts of the adoption of the following standards:

a) IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets. IFRS 9 becomes effective for annual periods beginning on or after January 1, 2018.

The Company evaluated the changes introduced by this new standard and, based on analyses conducted up to the conclusion of these financial statements, concluded that the mapped impact expected on estimated losses with allowance for doubtful accounts will be immaterial in relation to the trade accounts receivables. For other financial instruments, the Company did not identify any impact in relation to its current structure of financial instruments.

b) IFRS 15 Revenue from contracts with customers – It replaces the existing IAS 18 / IAS 11, IFRS 15 mainly determines that revenue should be recognized through transfer of control to the client instead of transfer of risks and benefits. While IAS 18 established that the achievement of performance obligations, recognized over the time or in a certain moment, identified in agreements are crucial for evaluating the consideration to which it expects to be entitled in exchange for the control of goods or services, hence the portion of revenue to be recognized. IFRS 15 is effective for the years beginning on January 1, 2018.

The Company evaluated the changes introduced by this new standard and, based on analyses, did not identify any changes that cause any impact on its financial statements, given that: (i) all the revenue recognition criteria are already met; and (ii) the Company does not have performance obligations after the delivery of assets, that is, the Company meets the performance obligation by transferring the asset promised to the customer in a specific moment. This procedure is applicable to the Company for the domestic and export markets.

c) IFRS 16 – Leases – replaces IAS 17 and essentially requires that lessees recognize future payments in liabilities and the right to use a leased item in assets for practically all lease agreements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard will be effective as of January 1, 2019.

The Company, based on preliminary assessments, believes that the biggest impact of this standard is related to the recognition on the balance sheet of the lease agreements for land used to plant eucalyptus forests, with 3 forest cycles of eucalyptus, approximately 21 years (Note 20.3 i)). However until the reporting date, the Company continues to analyse these and other lease agreements to choose the transition criterion to the new Standard.

d) IFRIC 23 Uncertainty over Income Tax Treatments – Clarifies the accounting of tax positions that have not yet been accepted by tax authorities. Both IAS 12/CPC 32 Income Taxes and the new interpretation IFRIC 23 apply only to Income Tax and Social Contribution. IFRIC 23 does not introduce new disclosures, but reinforces the need to comply with certain reporting requirements on (i) judgments made; (ii) assumptions or other estimates used; and (iii) potential impact of uncertainties that are not reflected in the financial statements. This standard will be effective as of January 1, 2019.

The Company is assessing the changes introduced by this new interpretation and, based on analyses made until the closing of this financial information, did not identify any major changes that cause any impact on its financial information.

## **4 Financial Instruments and Risks**

### **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, exchange variations and volatility of macroeconomic indexes may introduce an unwelcome level of volatility in the Company's cash flows and income statement. To manage this volatility, in a way that does not distort or hinder its consistent growth over a long time, Suzano has policies and procedures for managing market risk.

These policies aim 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 adjustment 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 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 its operating activities.

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 liquid financial instruments: (i) does not contract leveraged operations or other forms of embedded options that change its purpose of protection (hedge); (ii) it does not have double indexed debt or

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other forms of implied options; and (iii) does not have any operations that require margin deposits or other forms of collateral for counterparty credit risk.

The main financial risk factors considered by Management are:

- Liquidity risk;
- Credit risk;
- Currency risk;
- Interest rate risks;
- Risk of changes in commodity prices; 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 Consolidated Statements of income/(loss), as presented in Note 26.

**b) Measurement**

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.

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
At fair value through profit or loss			
Financial investments . . . . .	<b>6</b>	<b>1,631,505</b>	2,080,615
Derivative financial instruments (current and non-current) . . . . .	<b>4.3</b>	<b>133,910</b>	444,180
At amortized cost			
Cash and cash equivalents . . . . .	<b>5</b>	<b>1,076,833</b>	1,614,697
Trade accounts receivable . . . . .	<b>7</b>	<b>2,297,763</b>	1,548,741
		<u><b>5,140,011</b></u>	<u>5,688,233</u>
<b>Liabilities</b>			
At amortized cost			
Trade accounts payable . . . . .	<b>18</b>	<b>621,179</b>	582,918
Loans and financing . . . . .	<b>19</b>	<b>12,191,856</b>	14,012,779
Liabilities for assets acquisitions . . . . .	<b>24</b>	<b>585,986</b>	694,855
At fair value through profit or loss			
Derivative financial instruments (current and non-current) . . . . .	<b>4.5</b>	<b>127,896</b>	471,478
		<u><b>13,526,917</b></u>	<u>15,762,030</u>

**c) Fair value versus book value**

Normal purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus

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transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, if any, are initially recognized at fair value, and transaction costs are expensed in the income statement.

In order to determine the fair value of assets or financial instruments traded in liquid and public markets was used the closing market quote on the date of the balance sheet. 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 B3 and Brazilian Financial and Capital Markets Association (ANBIMA) quotes for interest rate operations denominated in Brazilian real, and the British Bankers Association and Bloomberg quotes for operations in London InterBank Offered Rate (“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 B3 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 bunker oil 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.

The comparison between the fair value and carrying value of outstanding financial instruments is shown below:

	2017		2016	
	Book Value	Fair Value	Book Value	Fair Value
<b>Assets</b>				
Cash and cash equivalents . . . . .	1,076,833	1,076,833	1,614,697	1,614,697
Financial investments . . . . .	1,631,505	1,631,505	2,080,615	2,080,615
Trade accounts receivable . . . . .	2,297,763	2,297,763	1,548,741	1,548,741
Derivative financial instruments . . . . .	133,910	133,910	444,180	444,180
	<u>5,140,011</u>	<u>5,140,011</u>	<u>5,688,233</u>	<u>5,688,233</u>
<b>Liabilities</b>				
Trade accounts payable . . . . .	621,179	621,179	582,918	582,918
Loans and financing (current and non-current) . . . . .	12,191,856	13,755,352	14,012,779	14,334,732
Liabilities for assets acquisitions (current and non-current) . . . . .	585,986	564,292	694,855	700,754
Derivative financial instruments . . . . .	127,896	127,896	471,478	471,478
	<u>13,526,917</u>	<u>15,068,719</u>	<u>15,762,030</u>	<u>16,089,882</u>

**4.2 Liquidity risk**

The Company's guidance is to maintain a strong cash and financial investment position to meet its financial and operating obligations. The amount kept as cash is used for payments expected in the normal course of its operations, while the surplus amount is invested in highly liquid financial investments.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted, and include contractual interest payments, therefore, may not be reconciled with the amounts disclosed in the balance sheet.

	2017					
	Total Book Value	Total Future Value	Less than one year	Between one and two years	Between two and five years	Over five years
<b>Liabilities</b>						
Trade accounts payable . . . . .	621,179	621,179	621,179	—	—	—
Loans and financing . . . . .	12,191,856	15,897,299	2,704,902	2,686,542	4,930,467	5,575,388
Liabilities for assets acquisitions . . . . .	585,986	713,723	95,284	9,698	187,686	421,055
Derivative financial instruments . . . . .	127,896	97,412	24,092	63,971	9,349	—
Other accounts payable . . . . .	293,193	293,193	280,436	12,757	—	—
	<u>13,820,110</u>	<u>17,622,806</u>	<u>3,725,893</u>	<u>2,772,968</u>	<u>5,127,502</u>	<u>5,996,443</u>
	2016					
	Total Book Value	Total Future Value	Less than one year	Between one and two years	Between two and five years	Over five years
<b>Liabilities</b>						
Trade accounts payable . . . . .	582,918	582,918	582,918	—	—	—
Loans and financing . . . . .	14,012,779	17,262,517	2,231,491	3,215,466	9,356,691	2,458,869
Liabilities for assets acquisitions . . . . .	694,855	806,967	87,239	9,517	190,616	519,595
Derivative financial instruments . . . . .	471,478	386,459	245,865	130,787	9,807	—
Other accounts payable . . . . .	201,231	201,231	187,088	14,143	—	—
	<u>15,963,261</u>	<u>19,240,092</u>	<u>3,334,601</u>	<u>3,369,913</u>	<u>9,557,114</u>	<u>2,978,464</u>

**4.3 Credit risk**

The Company has sales and credit policies, determined by the Management, which aim to mitigate any risks arising from their clients' default. This 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 reduce these risks, such as credit insurance policies, both for exports and domestic sales.

The Company's credit evaluation matrix is based on an analysis of the qualitative and quantitative aspects for determining credit limits to clients on an individual basis. After analyses, they are submitted for approval

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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 Company maintains its financial operations diversified across various banks, with most of these operations concentrated in prime banks rated high grade by the main risk rating agencies.

The book value of financial assets representing the exposure to credit risk on the date of the financial statements was as follows:

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>			
Cash and cash equivalents .....	<b>5</b>	<b>1,076,833</b>	1,614,697
Financial investments .....	<b>6</b>	<b>1,631,505</b>	2,080,615
Trade accounts receivable .....	<b>7</b>	<b>2,297,763</b>	1,548,741
Derivative financial instruments .....		<u><b>133,910</b></u>	<u>444,180</u>
		<u><b>5,140,011</b></u>	<u>5,688,233</u>

The Other Parties, mostly financial institutions with whom the Company conducts transactions classified under cash and cash equivalents, financial investments and derivatives receivable, are rated by the rating agencies Fitch Ratings, Standard & Poor's and Moody's. The risk rating is as follows:

<b>Brazilian Risk Rating</b>	<u>Cash and cash equivalents and financial investments</u>		<u>Derivatives receivable</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
AAA .....	<b>2,168,810</b>	1,559,566	<b>65,510</b>	92,490
AA+ .....	<b>169,881</b>	1,759,006	<b>51,231</b>	73,768
AA .....	<b>207,925</b>	133,741	<b>3,143</b>	—
AA- .....	<b>113,623</b>	242,985	<b>14,026</b>	266,650
A+ .....	—	—	—	11,272
A .....	<b>45,753</b>	2	—	—
A- .....	<b>2,330</b>	—	—	—
BB .....	<b>16</b>	12	—	—
	<u><b>2,708,338</b></u>	<u>3,695,312</u>	<u><b>133,910</b></u>	<u>444,180</u>

		<u>2017</u>	<u>2016</u>
<b>Trade accounts receivable</b>			
Low Risk .....	(a)	<b>2,223,888</b>	1,460,902
Average Risk .....	(b)	<b>21,016</b>	21,358
High Risk .....	(c)	<b>52,859</b>	66,481
		<u><b>2,297,763</b></u>	<u>1,548,741</u>

(a) Not past due and delay up to 30 days



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- (b) Delay between 30 and 90 days
- (c) Delay over than 90 days and renegotiated by clients or with guarantees

The amounts do not consider the Allowance for Doubtful Accounts of R\$ 38,740 and R\$ 44,517 on December 31, 2017 and 2016, respectively.

#### **4.4 Market risk**

The Company is exposed to several market risks, the main ones being the variation in exchange rates, interest rates, inflation rates and commodity prices that may affect its results and financial situation.

To reduce the impacts on results in adverse scenarios, the Company has processes to monitor exposures and policies that support the implementation of risk management.

The policies establish the limits and instruments to be implemented for the purpose of: (i) protecting cash flow due to currency mismatch, (ii) mitigating exposure to interest rates, (iii) reducing the impacts of fluctuation in commodity prices, and (iv) change of debt indexes.

The market risk management process comprises identification, assessment and implementation of the strategy, with the actual contracting of adequate financial instruments.

An independent area monitors if the limits established in the Company's financial policy are met for the maximum volume of operations contracted.

##### **4.4.1. Exchange rate risk**

The contracting of financing and the currency derivative policy of the Company are guided by the fact that around 70% 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, using the international bond market as an important portion of its capital structure, and providing a natural cash hedge for these commitments.

In addition, the Company contracts short positions in the futures markets, including strategies involving options, to ensure attractive levels of operating margins for a portion of revenue. Sales in the futures market are limited to a percentage of the net surplus foreign currency (net exposure) over an 18-month time horizon and therefore are matched to the availability of currency for sale in the short term.

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The net exposure of assets and liabilities in foreign currency which is substantially in U.S. dollars, are demonstrated below:

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents .....	585,541	787,888
Trade accounts receivable .....	1,544,633	932,269
Derivative financial instruments .....	133,910	444,180
	<u>2,264,084</u>	<u>2,164,337</u>
<b>Liabilities</b>		
Trade accounts payable .....	(45,548)	(24,630)
Loans and financing .....	(8,616,807)	(9,367,865)
Liabilities for asset acquisitions .....	(332,193)	(354,664)
Derivative financial instruments .....	(126,781)	(397,468)
	<u>(9,121,329)</u>	<u>(10,144,627)</u>
<b>Liability exposure</b> .....	<u>(6,857,245)</u>	<u>(7,980,290)</u>

Foreign denominated balances are primarily denominated in U.S. Dollars.

**Sensitivity analysis – foreign exchange exposure**

For market risk analysis, the Company uses scenarios to jointly evaluate the long and short positions in foreign currency, and the possible effects on its results. The probable scenario represents the amounts already booked, because they reflect the conversion into Brazilian real on the reporting date.

The other scenarios were created considering the 25% and 50% depreciation of the Brazilian real against the U.S. dollar.

This analysis assumes that all other variables, in particular interest rates, remain constant, the following table presents the potential impacts on results assuming these scenarios:

	<u>2017</u>		
	<u>As of</u>	<u>Effect on Income</u>	
	<u>Probable</u>	<u>Possible Increase (Δ25%)</u>	<u>Remote Increase (Δ50%)</u>
Cash and cash equivalents .....	585,541	146,385	292,771
Trade accounts receivable .....	1,544,749	386,187	772,374
Trade accounts payable .....	(45,548)	(11,387)	(22,774)
Loans and financing .....	(8,616,807)	(2,154,202)	(4,308,405)
Liabilities for assets acquisitions .....	(332,193)	(83,048)	(166,096)
Derivatives Swap .....	(18,692)	(243,371)	(486,742)
Derivatives Options .....	25,821	(320,243)	(964,545)
		<u>(2,279,679)</u>	<u>(4,883,417)</u>

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#### 4.4.2 Interest rate risk

Fluctuations in interest rates could result in increase or decrease in costs of new financing and operations already contracted.

The Company constantly seeks alternatives to use financial instruments in order to avoid negative impacts on its cash flows.

#### Sensitivity analysis – exposure to interest rates

For market risk analysis, the Company uses scenarios to evaluate the sensitivity that variations in operations impacted by the rates: Interbanking Deposit Rates (“CDI”), Long Term Interest Rate (“TJLP”) and Libor may have on its results. The probable scenario represents the amounts already booked, as they reflect the best estimates of the Management.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant. The other scenarios were developed considering appreciation 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:

	2017		
	As of	Effect on Income and Equity	
	Probable	Possible Increase (Δ25%)	Remote Increase (Δ50%)
<b>Interbank deposit certificate (“CDI”)</b>			
Cash and cash equivalents . . . . .	449,254	8,065	16,264
Financial investments . . . . .	1,673,541	30,042	60,587
Loans and financing . . . . .	(2,907,908)	(52,201)	(105,275)
Derivative Swap . . . . .	(18,692)	24,198	48,180
Derivative Options . . . . .	25,821	(24,908)	(47,526)
		<u>(14,804)</u>	<u>(27,770)</u>
<b>Long-term interest rate (“TJLP”)</b>			
Loans and financing . . . . .	(209,954)	(3,674)	(7,348)
		<u>(3,674)</u>	<u>(7,348)</u>
<b>London InterBank Offered Rate (“Libor”)</b>			
Loans and financing . . . . .	(3,701,405)	(16,086)	(32,173)
Derivative Swap . . . . .	(1,116)	1,116	1,116
		<u>(14,970)</u>	<u>(31,057)</u>

#### 4.4.3 Commodity price risk

The Company is exposed to commodity prices that reflect mainly on the pulp sale price in the foreign market. The dynamics of opening and closing production capacities in the global market and the macroeconomic conditions may have an impact on the operating results.

It is not possible to guarantee that the price will be maintained at levels favorable to the results. The Company can use financial instruments to reduce the sale price of a part of its production; however, at times, contracting a hedge for pulp price may not be available.

The Company is also exposed to international oil prices, which reflects on logistical costs for selling to the export market.

On December 31, 2017, there is no long position in bunker oil (long position of R\$ 2,861 on December 31, 2016) to hedge its logistics costs.

#### 4.5 Derivative financial instruments

The Company determines the fair value of derivative contracts and recognizes that these amounts can differ from the amounts realized in the event of early settlement. The amounts reported by the Company are based on an estimate and using data provided from a third party, which is reviewed by management.

##### a) Outstanding derivatives by type of contract

On December 31, 2017 and 2016, the consolidated positions of outstanding derivatives are presented below:

	Notional value in US\$		Fair value	
	2017	2016	2017	2016
<b>Cash flow</b>				
<b>Exchange hedge</b>				
Zero-cost collar (R\$ vs. US\$) . . . . .	1,485,000	800,000	25,822	123,122
Fixed Swap (US\$) vs. CDI . . . . .	50,000	—	5,356	—
Fixed Swap CDI vs. US\$ . . . . .	50,000	—	(2,485)	—
NDF (MXN vs. US\$) . . . . .	—	331	—	95
<b>Subtotal</b> . . . . .	<b>1,585,000</b>	<b>800,331</b>	<b>28,693</b>	<b>123,217</b>
<b>Commodity hedge</b>				
Bunker (oil) . . . . .	—	1,526	—	2,861
<b>Subtotal</b> . . . . .	<b>—</b>	<b>1,526</b>	<b>—</b>	<b>2,861</b>
<b>Debt hedge</b>				
<b>Exchange hedge</b>				
Swap CDI vs. Fixed (US\$) . . . . .	291,725	291,725	(21,562)	709
Swap CDI vs. Libor (US\$) . . . . .	—	150,000	—	(157,773)
Swap Fixed (US\$) vs. CDI . . . . .	—	29,500	—	(5,668)
<b>Subtotal</b> . . . . .	<b>291,725</b>	<b>471,225</b>	<b>(21,562)</b>	<b>(162,732)</b>
<b>Interest hedge</b>				
Swap Libor vs. Fixed (US\$) . . . . .	19,841	46,312	(1,117)	(3,627)
Swap Coupon vs. Fixed (US\$) . . . . .	—	220,000	—	12,983
<b>Subtotal</b> . . . . .	<b>19,841</b>	<b>266,312</b>	<b>(1,117)</b>	<b>9,356</b>
<b>Total in derivatives, net</b> . . . . .	<b>1,896,566</b>	<b>1,539,394</b>	<b>6,014</b>	<b>(27,298)</b>
Current assets . . . . .			77,090	367,145
Non-current assets . . . . .			56,820	77,035
Current liabilities . . . . .			(23,819)	(250,431)
Non-current liabilities . . . . .			(104,077)	(221,047)
			<b>6,014</b>	<b>(27,298)</b>

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Fair value does not represent an obligation for immediate disbursement or cash receipt, given that such effect will only occur on the dates of contractual fulfillment or on the maturity of each transaction, when the result will be determined, depending on the case and market conditions on the agreed dates.

Contracts outstanding on December 31, 2017 are over-the-counter operations without any margin or early settlement clause imposed due to mark-to-market variations.

Each existing contract and respective protected risks are described bellow:

- i) DI vs. US\$ Swap: positions in conventional swaps exchanging the variation in the Interbank Deposit (“DI”) rate for a fixed rate in dollars. The purpose is to change the currency of debt indexes from reais to dollars;
- ii) DI vs. Libor Swap: positions in conventional swaps exchanging the variation in the Interbank Deposit (“DI”) rate for a floating rate in dollars. The purpose is to change the currency of debt indexes from reais into dollars;
- iii) US\$ vs. DI Swap: positions in conventional swaps exchanging the variation in the fixed rate in dollars for Interbank Deposit (“DI”) rate. The purpose is to revert debts in dollars to reais;
- iv) Libor vs. Fixed Swap: positions in conventional swaps exchanging the floating rate for a fixed rate in dollars. The purpose is to hedge the cash flow from fluctuations in the US interest rate;
- v) Coupon vs. US\$ Swap: positions in swaps exchanging dollar coupon for a fixed offshore dollar rate in order to reduce debt costs;
- vi) Zero-Cost Collar: positions in an instrument consisting of a simultaneous combination of purchase of put options and sale of call options in dollars, with the same principal amount and maturity, in order to hedge cash flows from exports. According to this strategy, a range is fixed where there is no deposit or receipt of a financial margin on position adjustments;
- vii) US\$ vs. MXN\$ NDF: long positions in dollars and short positions in Mexican peso in order to protect the sale of products in the Mexican market;
- viii) Bunker (oil): long positions in bunker oil in order to protect logistics costs related to contracting maritime freight.

**b) Fair value net by maturity date**

Derivatives mature as follows:

Maturity of derivatives	Net fair value	
	2017	2016
In 2017 .....	—	113,957
In 2018 .....	<b>53,270</b>	(40,936)
In 2019 .....	<b>(16,064)</b>	(49,690)
In 2020 .....	<b>(31,192)</b>	(50,629)
	<b><u>6,014</u></b>	<b><u>(27,298)</u></b>

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**c) Long and short position of outstanding derivatives**

On December 31, 2017 and 2016, the consolidated positions of outstanding derivatives are presented below:

	Currency	Notional value		Fair value	
		2017	2016	2017	2016
<b>Debt hedge</b>					
<b>Assets</b>					
Swap CDI vs. Fixed (US\$) . . . . .	R\$	<b>950,000</b>	950,000	<b>22,525</b>	73,590
Swap CDI vs. Libor (US\$) . . . . .	R\$	—	331,335	—	347,900
Swap Fixed (US\$) vs. CDI . . . . .	US\$	—	29,500	—	95,447
Swap Libor vs. Fixed (US\$) . . . . .	US\$	<b>19,841</b>	46,312	<b>65,517</b>	149,210
Swap Coupon vs. Fixed (US\$) . . . . .	US\$	—	220,000	—	88,682
<b>Subtotal</b> . . . . .				<b>88,042</b>	754,829
<b>Liabilities</b>					
Swap CDI vs. Fixed (US\$) . . . . .	US\$	<b>291,725</b>	291,725	<b>(44,087)</b>	(72,881)
Swap CDI vs. Libor (US\$) . . . . .	US\$	—	150,000	—	(505,673)
Swap Fixed (US\$) vs. CDI . . . . .	R\$	—	100,374	—	(101,115)
Swap Libor vs. Fixed (US\$) . . . . .	US\$	<b>19,841</b>	46,312	<b>(66,634)</b>	(152,837)
Swap Coupon vs. Fixed (US\$) . . . . .	US\$	—	220,000	—	(75,699)
<b>Subtotal</b> . . . . .				<b>(110,721)</b>	(908,205)
<b>Total swap agreements</b> . . . . .				<b>(22,679)</b>	(153,376)
<b>Cash flow</b>					
Zero-cost collar (US\$ vs. R\$) . . . . .	US\$	<b>1,485,000</b>	800,000	<b>25,822</b>	123,122
Swap Fixed (US\$) vs. CDI . . . . .	US\$	<b>50,000</b>	—	<b>5,356</b>	—
Swap CDI x Fixed (US\$) . . . . .	US\$	<b>50,000</b>	—	<b>(2,485)</b>	—
NDF (MXN x US\$) . . . . .	US\$	—	331	—	95
<b>Subtotal</b> . . . . .				<b>28,693</b>	123,217
<b>Commodity hedge</b>					
Bunker (oil) . . . . .	US\$	—	1,526	—	2,861
<b>Subtotal</b> . . . . .				—	2,861
<b>Total in derivatives</b> . . . . .				<b>6,014</b>	(27,298)

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**d) Settled derivatives**

In the year ended December 31, 2017 and 2016, the consolidated positions of settled derivatives were as follows:

	Cash paid / Received amount	
	2017	2016
<b>Cash flow</b>		
<b>Exchange hedge</b>		
Zero-cost collar (R\$ vs. US\$) . . . . .	28,159	10,805
NDF (R\$ vs. US\$) . . . . .	11,110	(151,199)
NDF (MXN vs. US\$) . . . . .	39	(52)
NDF (ARS vs. US\$) . . . . .	—	17,069
Exchange lock (US\$ vs. R\$) . . . . .	—	34,118
<b>Subtotal</b> . . . . .	<b>39,308</b>	<b>(89,259)</b>
<b>Commodity hedge</b>		
Pulp . . . . .	—	(475)
Bunker (oil) . . . . .	2,631	902
<b>Subtotal</b> . . . . .	<b>2,631</b>	<b>427</b>
<b>Debt hedge</b>		
<b>Exchange hedge</b>		
Swap CDI vs. Fixed (US\$) . . . . .	78,411	24,726
Swap Fixed (US\$) vs. CDI . . . . .	(8,809)	(69,039)
Swap CDI vs. Libor (US\$) . . . . .	(162,769)	28,792
<b>Subtotal</b> . . . . .	<b>(93,167)</b>	<b>(15,521)</b>
<b>Interest hedge</b>		
Swap Libor vs. Fixed (US\$) . . . . .	(2,588)	(6,026)
Swap Coupon vs. Fixed (US\$) . . . . .	15,824	14,774
<b>Subtotal</b> . . . . .	<b>13,236</b>	<b>8,748</b>
<b>Total in derivatives</b> <sup>(a)</sup> . . . . .	<b>(37,992)</b>	<b>(95,605)</b>

<sup>(a)</sup> On December 31, 2017 and 2016, refers to the receipt of premium on derivatives amounting to R\$ 77,687 and R\$ 212,868, respectively, from short positions on unexpired options and is hence not presented in the table above.

**4.6 Capital management**

The main objective of Company's capital management is to ensure and maintain a solid credit rating, in addition to mitigating risks that may affect capital availability in business development.

The Company monitors constantly significant indicators, such as:

- i) consolidated financial leverage index, which is the total net debt divided by adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA");

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- ii) 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. The Company manages its capital structure and makes adjustments based on changes in economic conditions.

	<u>2017</u>	<u>2016</u>
Loans and financing .....	<b>12,191,856</b>	14,012,779
(-) Cash and financial investments .....	<b>(2,708,338)</b>	(3,695,312)
Net debt .....	<b>9,483,518</b>	10,317,467
Shareholders' equity .....	<b>11,616,611</b>	10,124,989
Shareholders' equity and net debt .....	<b><u>21,100,129</u></b>	<u>20,442,456</u>

#### **4.7 Fair value hierarchy**

The financial instruments and other financial statement items assessed at fair value are presented in accordance with the levels defined below:

All the information relevant to Company's financial statements, and only this information, is reported and corresponds to that used by the Management for its activities.

- 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).

	<u>2017</u>			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets</b>				
Financial investments .....	<b>1,631,505</b>	—	<b>1,631,505</b>	—
Derivative financial instruments .....	<b>133,910</b>	—	<b>133,910</b>	—
Biological assets <sup>(a)</sup> .....	<b>4,548,897</b>	—	—	<b>4,548,897</b>
	<b><u>6,314,312</u></b>	<u>—</u>	<b><u>1,765,415</u></b>	<b><u>4,548,897</u></b>
<b>Liabilities</b>				
Loans and financing .....	<b>13,755,352</b>	—	<b>13,755,352</b>	—
Liabilities for assets acquisitions .....	<b>564,292</b>	—	<b>564,292</b>	—
Derivative financial instruments .....	<b>127,896</b>	—	<b>127,896</b>	—
	<b><u>14,447,540</u></b>	<u>—</u>	<b><u>14,447,540</u></b>	<u>—</u>



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	2016			
	Fair value	Level 1	Level 2	Level 3
<b>Assets</b>				
Financial Investments . . . . .	2,080,615	—	2,080,615	—
Derivative financial instruments . . . . .	444,180	—	444,180	—
Biological assets <sup>(a)</sup> . . . . .	4,072,528	—	—	4,072,528
	<u>6,597,323</u>	<u>—</u>	<u>2,524,795</u>	<u>4,072,528</u>
<b>Liabilities</b>				
Loans and financing . . . . .	14,334,732	—	14,334,732	—
Liabilities for assets acquisitions . . . . .	700,754	—	700,754	—
Derivative financial instruments . . . . .	471,478	—	471,478	—
	<u>15,506,964</u>	<u>—</u>	<u>15,506,964</u>	<u>—</u>

(a) Changes in fair value of biological assets and other details regarding assumptions used to measure such values are shown in Note 13.

**4.8 Guarantees**

The Company has as guarantee letters of credit and credit insurance policies.

On December 31, 2017, consolidated accounts receivable operations linked to exports amount to US\$ 429 million, equivalent to R\$ 1,421,446 (US\$ 274 million, or R\$ 893,435, on this date).

**5 Cash and Cash Equivalents**

	2017	2016
Cash and banks		
Local currency . . . . .	<b>19,124</b>	5,308
Foreign currency . . . . .	<b>583,604</b>	787,888
	<u><b>602,728</b></u>	793,196
Financial investments		
Local currency . . . . .	<b>472,168</b>	821,501
Foreign currency . . . . .	<b>1,937</b>	—
	<u><b>474,105</b></u>	821,501
	<u><b>1,076,833</b></u>	<u>1,614,697</u>

Financial investments in local currency are low risk and highly liquid, and correspond to investments indexed to the Interbanking Deposit Certificate (“CDI”). On December 31, 2017 and 2016, the interest rates on financial investments ranged between 94% and 110% of CDI index.

## 6 Financial Investments

	<u>2017</u>	<u>2016</u>
<b>Financial assets measured at fair value through profit or loss held for trading</b>		
Investment funds <sup>(a)</sup> . . . . .	<b>1,593,066</b>	1,512,582
Bank Deposit Certificates (“CDB”) <sup>(b)</sup> . . . . .	<b>38,439</b>	568,033
	<u><b>1,631,505</b></u>	<u><b>2,080,615</b></u>

- (a) Investment funds invest in fixed income instruments, diversified between private institution bonds and government bonds, are remunerated at a rate between 74.4% and 105.1% of CDI index rate at 12/31/2017 and 12/31/2016. Investment portfolios are frequently monitored by the Company for the purpose of checking compliance with the investment policy, which seeks low risk and high liquidity of securities. The risk classification of these assets is described in Note 4.3.
- (b) Bank Deposit Certificates (“CDB”) were remunerated at a percentage of Interbanking Deposit Certificate (“CDI”) of 102.48% (December 31, 2017, 101.99%).

## 7 Trade Accounts Receivable

### 7.1 Breakdown of balances

	<u>2017</u>	<u>2016</u>
Domestic customers		
Third parties . . . . .	<b>735,647</b>	626,520
Receivables Investment Fund (“FIDC”) <sup>(a)</sup> . . . . .	<b>25,825</b>	—
Related parties . . . . .	<b>28,632</b>	32,759
Foreign customers		
Third parties . . . . .	<b>1,546,399</b>	933,979
Allowance for doubtful accounts . . . . .	<b>(38,740)</b>	(44,517)
	<u><b>2,297,763</b></u>	<u><b>1,548,741</b></u>

- (a) In 2017 the Company created the Receivable Investment Fund (“FIDC”), that is a vehicle with the purpose with of acquiring credit rights originated from sales made by Suzano to facilitate credit to certain clients. FIDC is an investment fund that acquires receivables and securities representing credit rights. The FIDC has a two year term with renew rights under certain conditions. The Company has a co-obligation and retains substantial credit risk, accordingly the Company recorded an accounts receivable of R\$ 25,825 and a liability of R\$ 24,665 net of transaction costs (Note 19).

## 7.2 Past due securities

	<u>2017</u>	<u>2016</u>
<b>Past due:</b>		
Up to 30 days . . . . .	67,239	69,778
From 31 and 60 days . . . . .	16,066	12,822
From 61 and 90 days . . . . .	3,949	6,535
From 91 and 120 days . . . . .	2,831	6,966
From 121 and 180 days . . . . .	9,423	3,514
Over 180 days . . . . .	39,905	56,959
	<u>139,413</u>	<u>156,574</u>
% Total overdue receivables . . . . .	<u>6%</u>	<u>9%</u>

## 7.3 Changes in allowance for doubtful accounts

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Balance at the beginning of the year . . . . .</b>	<b>(44,517)</b>	<b>(45,024)</b>	<b>(25,748)</b>
<b>Provisions for bad debt . . . . .</b>	<b>(38,486)</b>	<b>(18,578)</b>	<b>(22,587)</b>
<b>Recoveries . . . . .</b>	<b>6,089</b>	<b>1,573</b>	<b>1,162</b>
<b>Write-offs . . . . .</b>	<b>36,726</b>	<b>17,379</b>	<b>1,999</b>
<b>Exchange variation . . . . .</b>	<b>1,448</b>	<b>133</b>	<b>150</b>
<b>Balance at the end of the year . . . . .</b>	<b><u>(38,740)</u></b>	<b><u>(44,517)</u></b>	<b><u>(45,024)</u></b>

The Company has guarantees for overdue securities in its commercial transactions, through credit insurance policies, letters of credit and collateral in order to cover losses with doubtful accounts, in accordance with the credit policy (Note 4.3).

## 8 Inventories

	<u>2017</u>	<u>2016</u>
Finished goods		
Pulp . . . . .		
Domestic . . . . .	82,008	84,771
Foreign . . . . .	198,380	287,131
Paper . . . . .	—	—
Domestic . . . . .	200,683	230,029
Foreign . . . . .	67,223	69,043
Consumer Goods . . . . .	—	—
Domestic . . . . .	6,376	—
Work in process . . . . .	63,797	57,708
Raw materials . . . . .	399,086	427,783
Spare Parts . . . . .	180,712	162,440
	<u>1,198,265</u>	<u>1,318,905</u>

*(In thousands of Brazilian reais, unless otherwise indicated)*

Direct write-offs and provision for obsolescence are recognized under profit or loss and in cost of goods sold.

No inventory items were given as collateral for or guarantee of liabilities for the years presented.

### 8.1 Changes in provision for losses

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year	(28,206)	(42,466)	(29,029)
Constitution of provisions	(31,482)	(2,809)	(15,081)
Write-off inventories	7,777	17,069	1,644
Balance at the end of the year	<u>(51,911)</u>	<u>(28,206)</u>	<u>(42,466)</u>

## 9 Recoverable taxes

	<u>2017</u>	<u>2016</u>
Withholding tax and prepaid Income Tax and Social Contribution	58,823	282,073
PIS and COFINS - on acquisition of fixed assets <sup>(a)</sup>	58,767	62,232
PIS and COFINS - other operations	50,076	23,761
ICMS - on acquisition of fixed assets <sup>(b)</sup>	71,603	68,393
ICMS - other operations <sup>(c)</sup>	280,384	301,578
Reintegra Program <sup>(d)</sup>	71,376	32,514
Other taxes and contributions	4,298	16,144
Provision for the impairment of ICMS credits <sup>(e)</sup>	(10,583)	(11,401)
	<u>584,745</u>	<u>775,294</u>
Current assets	300,988	425,758
Non-current assets	283,757	349,536

- (a) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) Credits whose realization is linked to the depreciation period of the corresponding asset.
- (b) Value-added Tax on Sales and Services (ICMS) Credits from the entry of goods destined for property, plant and equipment are recognized in the ratio of 1/48 from the entry and on a monthly basis, as per the bookkeeping of ICMS Control on Property, Plant and Equipment – CIAP.
- (c) ICMS credits accrued due to the volume of exports and credit generated in operations of entry of products. Credits are concentrated in the states of Bahia and Maranhão, where the Company realizes the credits through “Transfer of Accrued Credit” (sale of credits to third parties), after approval from the State Ministry of Finance. Credits are also being realized through consumption in its consumer goods (tissue) operations in the domestic market that are already operational in Bahia and Maranhão.
- (d) Special Regime of Tax Refunds for Export Companies (Reintegra). Reintegra is a program that aims to refund the residual costs of taxes paid throughout the exportation chain to taxpayers, in order to make them more competitive on international markets.
- (e) Provision for discount on sale to third parties of ICMS accrued credit mentioned in item “c” above.

## 10 Advances to suppliers

### 10.1 Forestry Development Program

The forestry development program, is directed towards encouraging regional forest production whereby independent producers plant eucalyptus at their own farms in order to supply the agricultural product (timber) to Suzano. One of the purpose of the program is to achieve the social and economic development of the regions where the Company operates.

Through the forestry development program, the Company provides technology, technical assistance, inputs and funding depending on the type of agreement, and is guaranteed wood for its pulp production. Even though the Company supports producers providing technical assistance in forest management; the Company does not have joint control over the any decision taken in the farms.

These advances will be settled through delivery of wood by forest producers. However, the producers are allowed to sell their production to other market players, but the advances should be paid in cash.

On December 31, 2017 and 2016, the balance of advance to suppliers amounted R\$ 237,466 and R\$ 232,992, respectively, classified as current and non-current liabilities, depending on the terms.

### 10.2 Advance for the purchase of finished product

On December 31, 2017, the Company had paid advance for the purchase of finished product through its subsidiary Suzano Trading in the amount of US\$ 10 million, equivalent to R\$ 33,324 (R\$ 476,611 on December 31, 2016).

## 11 Related parties transactions

<u>Related parties</u>	<u>Type of operation</u>	<u>Type of interest</u>
Bexma Comercial Ltda. (“Bexma”)	Administrative expenses	Controlled by key management personnel
Central Distribuidora de Papéis Ltda. (“Central”)	Sale of paper	Controlled by close family personnel
Instituto Ecofuturo -Futuro para o Desenvolvimento Sustentável (“Ecofuturo”)	Social services	Controlled by key management personnel
IPLF Holding S.A. (“IPLF”)	Shared corporate costs and expenses	Controlled by key management personnel
Lazam MDS Corretora e Adm. Seguros S.A. (“Lazam-MDS”)	Insurance advisory and consulting	Controlled by key management personnel
Mabex Representações e Participações Ltda. (“Mabex”)	Aircraft services (freight)	Controlled by key management personnel
Nemonorte Imóveis e Participações Ltda. (“Nemonorte”)	Real estate advisory	Controlled by key management personnel
Suzano Holding S.A. (“Holding”)	Grant of suretyship and administrative costs	Immediate Parent

(In thousands of Brazilian reais, unless otherwise indicated)

### 11.1 Balances and transactions at December 31, 2017

Item of balance sheet	ASSETS		LIABILITIES		INCOME STATEMENT	
	Current		Current		Revenue	Expenses
	Accounts receivable	Trade accounts payables	Loans and financing			
Holding	—	—	141	374	(14,177)	
IPLF	—	—	—	28	—	
Central	—	—	—	(4,056)	2,895	
Nemonorte	—	—	—	—	(1,233)	
Mabex	—	—	—	—	(294)	
Bexma	—	—	—	13	—	
Lazam-MDS	—	—	—	—	(378)	
Ecofuturo	4	45	—	5	(3,789)	
Ibema	28,628 <sup>(a)</sup>	6,954	—	83,706 <sup>(a)</sup>	—	
	<b>28,632</b>	<b>6,999</b>	<b>141</b>	<b>80,070</b>	<b>(16,976)</b>	

### 11.2 Balances and transactions at December 31, 2016

Item of balance sheet	ASSETS		LIABILITIES	INCOME STATEMENT	
	Current	Non-current	Current	Revenue	Expenses
	Accounts receivable	Receivables from other related parties	Payables to related parties		
Holding	1,000	—	31	776	(19,752)
IPLF	11	—	—	22	—
Central	9,036 <sup>(a)</sup>	—	—	47,273 <sup>(a)</sup>	—
Nemonorte	—	—	—	—	(287)
Mabex	—	—	—	—	(171)
Lazam-MDS	—	—	—	—	(343)
Bexma	12	—	—	13	—
Ecofuturo	—	—	400	—	(4,499)
Ibema	22,441 <sup>(a)</sup>	13,000	7,591	94,381 <sup>(a)</sup>	(22,502)
	<b>32,500</b>	<b>13,000</b>	<b>8,022</b>	<b>142,466</b>	<b>(47,554)</b>

(a) Pulp and paper sales operations.

### 11.3 Balances and transactions at December 31, 2015

<u>Item of balance sheet</u>	<u>INCOME STATEMENT</u>	
	<u>Revenue</u>	<u>Expenses</u>
Holding .....	940	(28,041)
IPLF .....	23	—
Central .....	47,928	—
Nemonorte .....	—	(321)
Mabex .....	—	(277)
Lazam-MDS .....	—	(342)
Bexma .....	39	—
Ecofuturo .....	—	(3,642)
	<u>48,930</u>	<u>(32,623)</u>

### 11.4 Management compensation

On December 31, 2017 and 2016, expenses related to the compensation of key management personnel include the Board of Directors, Fiscal Council and Board of Executive Officers, in addition to certain executives, recognized in profit or loss for the year.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Short-term benefits</b>			
Salary or compensation .....	<b>24,774</b>	20,593	20,183
Direct and indirect benefits .....	<b>2,959</b>	1,997	2,802
Bonus .....	<b>26,819</b>	20,181	18,591
	<b>54,552</b>	42,771	41,576
<b>Long-term benefits</b>			
Share-based compensation .....	<b>33,554</b>	29,323	45,109
	<b>33,554</b>	29,323	45,109
	<b>88,106</b>	72,094	86,685

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 23).

## 12 Current and deferred 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.

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Deferred income and social contribution taxes are originated as follows:

	<u>2017</u>	<u>2016</u>
Income Tax loss carryforward . . . . .	<b>575,248</b>	694,810
Social contribution tax loss carryforward . . . . .	<b>29,830</b>	81,199
Provision for tax, civil and labor liabilities . . . . .	<b>103,631</b>	78,610
Temporary differences provision (operational and others) . . . . .	<b>203,831</b>	180,733
Exchange variation losses (net) - payable on a cash basis for tax purposes <sup>(a)</sup> . . . . .	<b>82,793</b>	—
Biological assets - fair value . . . . .	—	18,895
Losses on derivatives . . . . .	<b>29,943</b>	156,804
Other temporary differences . . . . .	<b>112,050</b>	103,913
<b>Non-current assets</b> . . . . .	<b>1,137,326</b>	1,314,964
Tax benefit of goodwill - goodwill not amortized for accounting purposes . . . . .	<b>10,063</b>	3,750
Property, plant and equipment - deemed cost adjustment and impairment . . . . .	<b>1,603,987</b>	1,608,733
Biological assets - fair value . . . . .	<b>90,461</b>	—
Tax accelerated depreciation . . . . .	<b>1,183,115</b>	1,100,239
Gains on derivatives . . . . .	<b>31,988</b>	143,459
Other temporary differences . . . . .	<b>2,519</b>	3,722
<b>Non-current liabilities</b> . . . . .	<b>2,922,133</b>	2,859,903
<b>Total non-current assets, net</b> . . . . .	<b>2,606</b>	4,624
<b>Total non-current liabilities, net</b> . . . . .	<b>1,787,413</b>	<b>1,549,563</b>

(a) Starting from January 1, 2017, the Company adopted the exchange variation at cash method for calculating income tax and social contribution.

The income tax loss carryforward, negative basis of social contribution and accelerated depreciation are only achieved by the Income Tax (IRPJ).

The breakdown of accumulated tax losses and social contribution tax loss carryforwards is shown below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax loss carryforward . . . . .	<b>2,300,993</b>	2,779,241	2,984,436
Social contribution tax loss carryforward . . . . .	<b>331,445</b>	902,216	1,710,812



**12.1 Reconciliation of the effects of income tax and social contribution on profit or loss**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income (loss) before taxes . . . . .	<b>2,259,612</b>	2,396,704	(1,365,069)
Income tax and social contribution benefit (expense) at statutory nominal rate - 34% . . . . .	<b>(768,268)</b>	(814,879)	464,123
<b>Tax effect on permanent differences:</b>			
Taxation on profit of subsidiaries abroad . . . . .	<b>(104,918)</b>	(7,880)	(10,767)
Tax incentive - Reduction SUDENE <sup>(a)</sup> . . . . .	<b>196,604</b>	124,085	—
Equity method . . . . .	<b>1,996</b>	2,422	—
Rate difference for foreign subsidiaries . . . . .	<b>151,504</b>	20,327	(12,574)
Credit related to Reintegra program . . . . .	<b>39,180</b>	1,812	25,432
Interest on own capital . . . . .	<b>67,944</b>	—	—
Higher taxation on foreign subsidiaries . . . . .	<b>(11,789)</b>	(20,135)	(19,685)
Other . . . . .	<b>(10,870)</b>	(24,640)	(11,136)
	<u><b>(438,618)</b></u>	<u>(718,888)</u>	<u>435,343</u>
<b>Income tax</b>			
Current . . . . .	<b>(80,607)</b>	(16,502)	(17,688)
Deferred . . . . .	<b>(189,203)</b>	(481,054)	332,267
	<u><b>(269,810)</b></u>	<u>(497,556)</u>	<u>314,579</u>
<b>Social Contribution</b>			
Current . . . . .	<b>(121,580)</b>	(172,315)	(1,364)
Deferred . . . . .	<b>(47,228)</b>	(49,018)	122,178
	<u><b>(168,808)</b></u>	<u>(221,333)</u>	<u>120,814</u>
Income and social contribution tax expenses in the years . . . . .	<u><b>(438,618)</b></u>	<u>(718,888)</u>	<u>435,343</u>
Effective rate of income and social contribution tax expenses . . . . .	19.4%	30.0%	31.9%

- <sup>(a)</sup> Refers to the benefit of reducing 75% of the income tax calculated based on Profits from exploration on the units Mucuri (BA) and Imperatriz (MA).

**12.2 Tax incentives**

Suzano has tax incentives involving partial income tax reduction and Incentivized Accelerated Depreciation (“DAI”) produced by operations conducted in areas of the Northeast Development Superintendence (“SUDENE”) in the regions of Mucuri and Imperatriz. The income tax reduction incentive is calculated on the profit from the operations (profit from exploration) and takes into account the allocation of operating profit at the incentivized production levels during the periods defined for the benefit for each product, which in general are 10 years. The Incentive for Lines 1 and 2 of Mucuri expires in 2024 and 2018, respectively.

The DAI Benefit is applicable to acquisitions of property, plant and equipment items from calendar year 2006 to December 31, 2018 and consists of full depreciation of the asset, within the year of acquisition or up to the 4<sup>th</sup> year after the acquisition, for the unit in Maranhão, which can be deducted from the income tax calculation basis.

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 Imperatriz (MA), the tax incentive obtained, which applied to acquisitions taking place until December 31, 2018.

### 13 Biological assets

Below are the changes in the balances of biological assets in the years ended on the respective dates:

Opening Balances on January 01, 2015	3,659,421
Additions	1,115,320
Harvests in the year (depletion)	(602,418)
Gain on adjustment to fair value	23,145
Disposal of forests	(18,303)
Other write-offs <sup>(c)</sup>	<u>(46,657)</u>
Balances on December 31, 2015	4,130,508
Additions <sup>(a)</sup>	1,426,699
Harvests in the year (depletion)	(565,331)
Loss on adjustment to fair value <sup>(b)</sup>	(780,666)
Disposal of forests	(24,341)
Other write-offs <sup>(c)</sup>	<u>(114,341)</u>
Balances on December 31, 2016	4,072,528
<b>Additions <sup>(a)</sup></b>	<b>912,368</b>
<b>Harvests in the year (depletion)</b>	<b>(551,135)</b>
<b>Gain on adjustment to fair value <sup>(b)</sup></b>	<b>192,504</b>
<b>Disposal of forests</b>	<b>(28,030)</b>
<b>Other write-offs <sup>(c)</sup></b>	<b><u>(49,338)</u></b>
<b>Balances on December 31, 2017</b>	<b><u>4,548,897</u></b>

<sup>(a)</sup> Refers to formation and acquisition of forests. In 2016, the Company acquired forests from Queiroz Galvão for approximately R\$ 507 million. Leased land costs incurred with subsidiaries in the amount of R\$ 22,624 (R\$ 21,789 on December 31, 2016) were excluded from the consolidated statements;

<sup>(b)</sup> The loss recorded in 2016 is mainly composed of reduction of Average Annual Growth (“IMA”) in the regions of Bahia and Pará, reduction in the average negotiated market price (gross of taxes) of wood in São Paulo, other economic effects and operating forest turnover. The gain reported in 2017 is mainly due to the gross wood price in the regions of Maranhão and Pará and the maintenance of other assumptions;

<sup>(c)</sup> Represent operational write-offs of forests during the forest formation period.

The Company’s biological assets are mainly made of eucalyptus forest for reforestation used to supply wood to pulp and paper mills and are located in the states of São Paulo, Bahia, Maranhão, Minas Gerais, Pará and Tocantins. Permanent preservation and legal reserve areas were not included in the calculation of fair value due to its nature.

The fair value of eucalyptus forests is determined semiannually through the income approach method by using the Discounted Cash Flow method.

*(In thousands of Brazilian reais, unless otherwise indicated)*

The assumptions used in determining the fair value of biological assets were:

- i) Average cycle of forest formation of 7 years;
- ii) Forests are measured at their fair value as of the plantation year;
- iii) Mean annual increment – IMA consists of the estimated volume of production of wood with bark in m<sup>3</sup> per hectare, ascertained based on the genetic material used in each region, forestry policies and forest management, production potential, climate factors and soil conditions;
- iv) The estimated average standard cost per hectare includes expenses on forestry and forest management each year of formation of the biological cycle of the forests, plus costs of land lease agreements and own land opportunity cost;
- v) The average eucalyptus gross sale prices were based on specialized research on transactions made by the Company with third parties or weighted by the cost of formation plus cost of capital plus estimated margin for regions where there is no market benchmark available;
- vi) Discount rate used in cash flows is calculated based on capital structure and other economic assumptions for a participant in the independent business of selling timber (forests).

The pricing model considers net cash flows, after deduction of taxes on profit at the applicable rates.

Main assumptions for calculation of fair value of the biological assets:

<u>Assumptions Used</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Planted useful area (hectare) . . . . .	<b>470,338</b>	450,474	431,677
Mature assets . . . . .	<b>106,008</b>	84,084	56,863
Immature assets . . . . .	<b>364,330</b>	366,390	374,814
Average annual growth (IMA) - m/hectare . . . . .	<b>33.06</b>	33.80	36.50
Average gross sale price of eucalyptus - R\$/m <sup>3</sup> . . . . .	<b>69.19</b>	53.45	56.36
Utilization cost of Company's assets that contribute - % . . .	<b>4.44%</b>	5.00%	5.00%
Discount rate - % . . . . .	<b>9.11%</b>	10.54%	10.39%

The Company manages the financial risks related to agricultural activities in a preventive manner, by reducing 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, an area specialized in physiological and phytosanitary aspects, has procedures to diagnose and act rapidly against any occurrences and losses.

### **Sensitivity analysis**

The calculation of fair value of the biological assets falls under Level 3 in the hierarchy set forth in IFRS 13 – Measurement of Fair Value, due to the complexity and structure of calculation.

The main assumptions, IMA and Average Price are the most sensitive, given that any increase in these assumptions causes significant gains and any reduction thereof causes significant negative impacts on fair value measurement.

#### 14 Investments

	<u>Joint venture</u>
	<u>Ibema</u>
Balance on December 31, 2015 .....	—
Investment Acquisition .....	8,000
Equity method .....	(7,127)
Balance on December 31, 2016 .....	<u>873</u>
<b>Equity method</b> .....	<b>5,872</b>
<b>Other</b> .....	<b>19</b>
<b>Balance on December 31, 2017</b> .....	<b><u>6,764</u></b>

The financial information of joint venture in 2017 is shown below:

	<u>Joint Venture</u>	
	<u>Ibema</u>	
	<u>2017</u>	<u>2016</u>
<b>Equity interest %</b> .....	<b>49.9%</b>	38%
<b>Total assets</b> .....	334,827	321,581
<b>Total liabilities</b> .....	334,009	330,716
<b>Adjusted equity</b> <sup>(a)</sup> .....	818	(9,135)
<b>Net income (loss) for the year</b> .....	9,790	(17,132)

<sup>(a)</sup> Adjusted for unrealized profits with parent company.

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15 Property, Plant and Equipment

	Buildings	Machinery and equipment	Other assets	Land	Work in progress	Total
<b>Annual average depreciation rate</b> .....	<b>3.45%</b>	<b>5.25%</b>	<b>17.52%</b>	—	—	—
<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 .....	(17,266)	(77,066)	(1,903)	(1,291)	(15,376)	(112,902)
Additions .....	(21)	119,554	15,058	975	401,264	536,830
Write-offs .....	(1,100)	(34,401)	(1,734)	(12,196)	—	(49,431)
Balances on December 31, 2015 .....	2,626,470	15,065,858	283,294	4,336,084	216,506	22,528,212
Transfers .....	59,153	278,749	17,609	229,269	(584,780)	—
Transfers between other assets .....	—	32,593	—	—	(27,577)	5,016
Additions .....	(22)	88,561	11,018	(80)	786,522	885,999
Write-offs .....	(1,774)	(120,191)	(12,790)	(4,159)	—	(138,914)
Provision for losses (impairment) .....	—	—	—	(192,538)	—	(192,538)
Balances on December 31, 2016 .....	2,683,827	15,345,570	299,131	4,368,577	390,671	23,087,775
<b>Transfers</b> .....	<b>141,161</b>	<b>485,182</b>	<b>3,297</b>	<b>3,920</b>	<b>(633,560)</b>	<b>—</b>
<b>Transfers between other assets</b> .....	<b>(4,500)</b>	<b>4,434</b>	<b>(7,035)</b>	<b>—</b>	<b>(8,705)</b>	<b>(15,806)</b>
<b>Additions</b> .....	<b>4,648</b>	<b>106,422</b>	<b>6,527</b>	<b>2,257</b>	<b>740,026</b>	<b>859,880</b>
<b>Write-offs</b> .....	<b>(9,463)</b>	<b>(95,277)</b>	<b>(13,525)</b>	<b>(26,162)</b>	<b>(4,697)</b>	<b>(149,124)</b>
<b>Balances on December 31, 2017</b> .....	<b>2,815,673</b>	<b>15,846,331</b>	<b>288,395</b>	<b>4,348,592</b>	<b>483,735<sup>(c)</sup></b>	<b>23,782,726</b>

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	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other assets</u>	<u>Land</u>	<u>Work in progress</u>	<u>Total</u>
<b>Depreciation</b>						
Balances on December 31, 2014 .....	(610,208)	(4,713,702)	(148,552)	—	—	(5,472,462)
Transfers between other assets .....	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)
Balances on December 31, 2015 .....	(685,681)	(5,330,746)	(165,551)	—	—	(6,181,978)
Transfers .....	(41)	1,830	(1,789)	—	—	—
Write-offs .....	(a) 759	111,525	12,552	—	—	124,836
Depreciation .....	(77,723)	(691,552)	(26,078)	—	—	(795,353)
Balances on December 31, 2016 .....	(762,686)	(5,908,943)	(180,866)	—	—	(6,852,495)
<b>Transfers .....</b>	<b>8</b>	<b>270</b>	<b>(278)</b>	—	—	—
<b>Write-offs .....</b>	<b>(a) 3,172</b>	<b>64,536</b>	<b>13,145</b>	—	—	<b>80,853</b>
<b>Depreciation .....</b>	<b>(70,315)</b>	<b>(701,822)</b>	<b>(27,719)</b>	—	—	<b>(799,856)</b>
<b>Balances on December 31, 2017 .....</b>	<b>(829,821)</b>	<b>(6,545,959)</b>	<b>(195,718)</b>	—	—	<b>(7,571,498)</b>
<b>Net</b> .....						
<b>Balances on December 31, 2017 .....</b>	<b><u>1,985,852</u></b>	<b><u>9,300,372</u></b>	<b><u>92,677</u></b>	<b><u>4,348,592</u></b>	<b><u>483,735<sup>(c)</sup></u></b>	<b><u>16,211,228</u></b>
Balances on December 31, 2016 .....	<u>1,921,141</u>	<u>9,436,627</u>	<u>118,265</u>	<u>4,368,577</u>	<u>390,671</u>	<u>16,235,280</u>

- (a) In addition to disposals, write-offs include obsolescence and scrapping;
- (b) Includes transfers between the lines of Inventory, Intangible assets and Assets held for sale, of which: i) Semi-trailers (R\$ 7,035); and ii) Commercial property (R\$ 4,500);
- (c) The balance of Construction in Progress comes from investments made, of which: i) adjacent business - R\$ 134,299; ii) structural competitiveness - R\$ 264,606; and iii) other investments - R\$ 84,830 (On December 31, 2016, i) adjacent business - R\$ 143,677; ii) structural competitiveness - R\$ 187,626; and iii) other investments - R\$ 59,368).
- (d) During 2017 the Company capitalized, interests in the amount of R\$ 8,286 referring to the investments in adjacent business and structural competitiveness (December 31, 2016 the amount of R\$ 3,448 and December 31, 2015 R\$ 6,930), at the average rate of 0.79% per month.

Machinery and equipment include amounts recognized as financial leasing outlined in Note 20.1.

On December 31, 2017, the Company did not identify any event that implied impairment of its assets.

### **15.1 Assets given as collateral**

On December 31, 2017, the Company and its subsidiaries had property, plant and equipment given as collateral in loans and financings and lawsuits amounting to R\$ 11,571,632 (R\$ 11,155,204 on December 31, 2016).

## **16 Intangible Assets**

### **16.1 Goodwill**

	<u>2017</u>	<u>2016</u>
Vale Florestar S.A. ....	45,435	45,435
Paineiras Logística .....	10	10
	<u>45,445</u>	<u>45,445</u>

### **16.2 Intangible assets with indetermined useful life**

On December 31, 2017 and 2016, Suzano calculated goodwill on acquisition of Vale Florestar S.A. (Vale Florestar), an already merged investment, in the amounts of R\$ 45,445 and R\$ 1,196 equivalent to others.

The goodwill on Vale Florestar is mainly attributable to operating synergies related to forest management of areas assumed through land lease agreements for up to 3 cycles (21 years).

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### 16.3 Intangible assets with determined useful life

	Customer relationship	Trademarks and patents	Software	R&D Agreements	Other	Total
Useful life (years) . . . . .	5	10	5	18.8	11.8	—
Acquisition cost . . . . .	22,617	1,176	82,237	309,711	8,129	423,883
Accumulated amortization . . . . .	(21,863)	(829)	(31,864)	(82,026)	(3,108)	(139,703)
Balances on December 31, 2015 . . . . .	754	347	50,373	227,685	5,021	284,180
Acquisitions . . . . .	—	—	11,640	—	—	11,640
Foreign currency translation adjustment . . . . .	—	—	—	(38,318)	(256)	(38,574)
Amortization . . . . .	(754)	(91)	(17,669)	(12,950)	(387)	(31,851)
Write-offs . . . . .	—	—	(277)	(75,370)	(3,182)	(78,829)
Transfers and other . . . . .	—	459	27,118	—	—	27,577
<b>Book Balance . . . . .</b>	<b>—</b>	<b>715</b>	<b>71,185</b>	<b>101,047</b>	<b>1,196</b>	<b>174,143</b>
Acquisition cost . . . . .	22,617	1,635	120,718	196,023	3,495	344,488
Accumulated amortization . . . . .	(22,617)	(920)	(49,533)	(94,976)	(3,495)	(171,541)
Balances on December 31, 2016 . . . . .	—	715	71,185	101,047	—	172,947
<b>Acquisitions . . . . .</b>	<b>—</b>	<b>—</b>	<b>8,054</b>	<b>—</b>	<b>—</b>	<b>8,054</b>
<b>Foreign currency translation adjustment . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,284</b>	<b>—</b>	<b>1,284</b>
<b>Amortization . . . . .</b>	<b>—</b>	<b>(105)</b>	<b>(21,825)</b>	<b>(8,339)</b>	<b>—</b>	<b>(30,268)</b>
<b>Write-offs . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(18,937)</b>	<b>—</b>	<b>(18,937)</b>
<b>Transfers and other . . . . .</b>	<b>—</b>	<b>—</b>	<b>8,705</b>	<b>—</b>	<b>—</b>	<b>8,705</b>
<b>Book Balance . . . . .</b>	<b>—</b>	<b>610</b>	<b>66,119</b>	<b>75,055</b>	<b>—</b>	<b>141,785</b>
Acquisition cost . . . . .	22,617	1,635	137,477	178,370	3,495	343,594
Accumulated amortization . . . . .	(22,617)	(1,025)	(71,358)	(103,315)	(3,495)	(201,810)
<b>Balances on December 31, 2017 . . . . .</b>	<b>—</b>	<b>610</b>	<b>66,119</b>	<b>75,055</b>	<b>—</b>	<b>141,785</b>

### 17 Receivables from land expropriation

On July 1, 1987, the merged subsidiary Companhia Santista de Papel filed an Action for Damages for Indirect Expropriation, in order to obtain indemnification for an owned property, which had been declared as a public use area (property included in the State Serra do Mar State Park, in the city of Cubatão, state of São Paulo). On December 2, 2004, the action resulted in a final and unappealable decision in favor of the Company.

Suzano's Management and legal advisors expect the expropriation amount to be transferred by 2020, notwithstanding the discussion on extending the payment term to 2024, when all expropriation amounts must be settled.

On December 31, 2017, the amount was R\$ 60,975 (R\$ 56,721 on December 31, 2016).



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**18 Trade accounts payable**

	<u>2017</u>	<u>2016</u>
Domestic suppliers .....	<b>575,631</b>	558,288
Foreign suppliers .....	<b>45,548</b>	24,630
	<u><b>621,179</b></u>	<u>582,918</u>

**19 Loans and Financing**

Property, plant and equipment	Index		Interest Rate	Maturity	<u>2017</u>	<u>2016</u>
BNDES – Finem .....	Fixed rate /TJLP	(a) (b)	7.19%	2018 to 2026	339,798	1,096,648
BNDES – Finem .....	Currency basket / US\$	(b)	6.52%	2018 to 2023	165,125	490,718
BNDES – Finame .....	Fixed rate /TJLP	(a)	5.55%	2018 to 2024	4,708	18,548
FNE – BNB .....	Fixed rate	(b)	6.28%	2018 to 2026	244,452	218,937
FINEP .....	Fixed rate	(b)	4.00%	2018 to 2020	20,577	35,263
Financial leasing .....	CDI / US\$			2018 to 2022	19,686	23,632
Export Credit Agency - ECA .....	US\$	(b) (c)	3.05%	2018 to 2022	864,761	1,078,696
					<u>1,659,107</u>	<u>2,962,442</u>
<b>Working capital:</b>						
Export financing (“NCE”) .....	US\$		4.89%	2018 to 2022	844,388	1,940,764
Export credit note .....	CDI		6.89%	2018 to 2020	2,907,200	3,242,035
Senior Notes .....	US\$	(d)	6.22%	2021 to 2047	4,730,800	3,787,755
Trade notes discount- Vendor .....				2018	33,363	32,957
Syndicated Loan .....	US\$	(e)	3.32%	2018 to 2020	1,986,691	1,950,463
Fund of Investments in Receivables .....		(f)		2018	24,665	—
Other .....				2018	5,642	96,363
<b>Current Portion (includes interest payments) .....</b>					<b>2,115,067</b>	<b>1,594,720</b>
<b>Non-Current Portion .....</b>					<b>10,076,789</b>	<b>12,418,059</b>

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Property, plant and equipment	Index	Interest Rate	Maturity	2017	2016
Non-current loans and financing mature as follows:					
2018 .....				—	2,488,976
2019 .....				<b>2,122,767</b>	2,569,759
2020 .....				<b>2,599,279</b>	2,807,001
2021 .....				<b>1,121,216</b>	2,733,599
2022 .....				<b>123,745</b>	105,600
2023 .....				<b>53,160</b>	60,531
2024 .....				<b>34,084</b>	43,479
2025 onwards .....				<b>4,022,538</b>	1,609,114
				<b><u>10,076,789</u></b>	<b><u>12,418,059</u></b>

- (a) Transaction subject to Long-term Interest Rate (“TJLP”) published by the Central Bank of Brazil. If the index rate exceed 6% p.a., the exceeding portion is included within the principal and subject to the interest.
- (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 Holding, and (v) bank guarantee.
- (c) In order to fund the import of equipment’s for the pulp production in the unit located in Maranhão, Suzano obtained financed approximately the amount of US\$ 535 million, with terms up to 9.5 years, guaranteed by the Export Credit Agencies Finnvera and EKN. These agreements establish covenants related to the maintenance of certain leverage levels, which are verified for compliance twice a year (June and December). Until this moment, the Company met all covenants established in the agreements.
- (d) In September, November and December 2017, Suzano, through its subsidiary Suzano Trading, repurchased Senior Notes in the amount of US\$ 146 million, US\$ 309 million and US\$ 623 thousand, respectively, and, through Suzano Áustria, reopened the issues of Senior Notes in the amount of: i) US\$ 200 million, maturing on July 14, 2026, with interest corresponding to 4.625% p.a., to be paid semiannually, in January and July; and ii) US\$ 200 million, maturing on March 16, 2047, with interest corresponding to 6.300% p.a., to be paid semiannually, in March and September. In March 2017, Suzano, through its subsidiary Suzano Áustria, issued US\$ 300 million in Senior Notes due on March 16, 2047, with semiannual interest payments of 7.00% p.a. and final return for investors of 7.38% p.a. (Note 1.1 a), i), iii) and v)).
- (e) In May 2015, the Company, through its subsidiary Suzano Europa, 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 2017, the Company met all the established levels.
- (f) See Note 7.1 (a).

Certain financing agreements have financial and non-financial covenants. Financial covenants establish maximum levels of leverage, normally expressed as a ratio of Net Debt to Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), which are met by the Company on the date of these financial statements. Non-financial covenants establish the maximum level of assignment of receivables, guarantees to third parties and sale of operating assets, which are also met.

**19.1 Changes in loans and financing**

Balances on December 31, 2014	14,012,129
Borrowings	4,107,775
Interest expense and others costs	1,104,846
Exchange variation	2,871,789
Repayments - principal amount	(6,123,996)
Interest paid	(1,015,806)
Transaction costs and others costs	(39,395)
Balances on December 31, 2015	14,917,342
Borrowings	5,665,635
Interest expense and others costs	996,076
Exchange variation	(1,651,688)
Repayments - principal amount	(4,853,038)
Interest paid	(1,012,334)
Transaction costs and others costs	(49,214)
Balances on December 31, 2016	14,012,779
<b>Borrowings</b>	<b>2,561,954</b>
<b>Interest expense and others costs</b>	<b>1,041,995</b>
<b>Exchange variation</b>	<b>81,849</b>
<b>Repayments - principal amount</b>	<b>(4,533,736)</b>
<b>Interest paid</b>	<b>(1,025,117)</b>
<b>Transaction costs and others costs</b>	<b>52,132</b>
<b>Balances on December 31, 2017</b>	<b>12,191,856</b>

**19.2 Transaction costs and premiums of securities issues**

<u>Nature</u>	<u>Total cost</u>	<u>Amortization</u>	<u>Balance to be amortized</u>	
			<u>2017</u>	<u>2016</u>
Senior Notes	81,268	(53,988)	<b>27,280</b>	29,694
NCE	67,845	(44,769)	<b>23,076</b>	33,322
Import (ECA)	101,811	(75,425)	<b>26,386</b>	38,896
Syndicated Loan	20,015	(13,536)	<b>6,479</b>	11,780
Other	5,574	(3,150)	<b>2,424</b>	1,878
<b>Total</b>	<b>276,513</b>	<b>(190,868)</b>	<b>85,645</b>	<b>115,570</b>

Transaction costs are related to operations in foreign currency are amortized for the contractual terms and based on the effective interest rate and the original currency after it is converted into Reais for reporting purposes.

### 19.3 Guarantees for loans and financings

Certain loans and financing contracts have clauses of guarantee of the financed equipment itself or other fixed assets indicated by the Company (Note 15.1).

### 19.4 Financial lease agreements

The Company has financial lease agreements related to equipment used in the pulp and paper industrial process, in which the Company assumes the risks and benefits inherent to the property. Some 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 5 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:

	<u>2017</u>	<u>2016</u>
Machinery and equipment . . . . .	<b>108,160</b>	108,565
(-) Accumulated depreciation . . . . .	<b>(99,452)</b>	(97,617)
Property, plant and equipment, net . . . . .	<b>8,708</b>	10,948
Present value of mandatory installments (financing):		
Less than 1 year . . . . .	<b>4,632</b>	4,796
From 1 to 5 years . . . . .	<b>15,054</b>	18,836
Total present value of mandatory installments (financing) . . . . .	<b>19,686</b>	23,632
Financial charges to be recognized in the future . . . . .	<b>2,770</b>	5,937
Total mandatory installments at the expiration of agreements . . . . .	<b>22,456</b>	29,569

### 19.5 Operating lease agreements

The Company maintains operating lease agreements related to the lease of areas, offices, properties, vehicles, call centers, hardware equipment and installation services, whose agreements were executed in Brazilian real. 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.

Land lease agreements to form eucalyptus forests, the terms of which can be as much as 21 years (3 cycles of forest formation) and have renewal option clauses. Payments made are recorded as cost of forest formation under "Biological Assets".

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Operating lease payments are recognized as operating expenses in the Company's income statement.

<u>Description</u>	<u>Monthly installment amount</u>	<u>Index</u>	<u>Maturity</u>
Administrative offices and deposits . . . . .	1 to 1,170	IGP-M <sup>(a)</sup> and IPCA <sup>(b)</sup> /IBGE <sup>(c)</sup>	1/30/2018 to 1/27/2024
Call center and licenses . . . . .	1 to 149	IGP-DI <sup>(d)</sup>	9/30/2018
Land . . . . .	181.52 to 2,047	IGP-M, IPCA/IBGE and others	1/30/2017 to 10/19/2045

(a) General market price index calculated by the Getúlio Vargas Foundation (IGP-M)

(b) Broad Consumer Price Index (IPCA)

(c) Brazilian Institute of Geography and Statistics (IBGE)

(d) General prices Index - Internal Availability (IGP-DI)

The minimum payments of maturing operating were as follows:

	<u>2017</u>
Less than 1 year . . . . .	<b>162,284</b>
From 1 year to 3 years . . . . .	<b>294,217</b>
From 3 years to 5 years . . . . .	<b>270,761</b>
More than 5 years . . . . .	<b>556,800</b>
Total installments due . . . . .	<b><u>1,284,062</u></b>

**20 Advance from customers**

In the normal course of its operations, the Company enters into contracts and commercial commitments to guarantee improvement to the operating conditions to expand its business.

Contracts for future sale of finished products, backed by performance sale operations recorded in the short term. The amounts are initially recognized in "Advances from Customers" and are recorded in income as these products are delivered. On December 31, 2017, the amount of R\$ 63,201 was recorded in "Advances from Customers" (R\$ 495,918 on December 31, 2016).

**21 Provision for Contingencies**

**21.1 Provisions for contingencies**

	<u>2017</u>	<u>2016</u>
Tax provisions . . . . .	<b>273,324</b>	206,365
Labor provisions . . . . .	<b>40,363</b>	38,430
Civil provisions . . . . .	<b>3,382</b>	1,839
	<b><u>317,069</u></b>	<u>246,634</u>

(In thousands of Brazilian reais, unless otherwise indicated)

## 21.2 Changes in provisions for contingencies

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Balance at the beginning of the year . . . . .	246,634	198,559	218,540
Additions . . . . .	44,440	47,002	33,207
Reversal of accrued amounts . . . . .	(8,795)	(26,504)	(71,317)
Interest . . . . .	51,867	40,259	30,610
Settlement . . . . .	(17,077)	(12,682)	(12,481)
Balance at the end of the year . . . . .	<u>317,069</u>	<u>246,634</u>	<u>198,559</u>

## 21.3 Tax and Social Security Suits and Proceedings

On December 31, 2017, the Company was a defendant in administrative proceedings as well as tax and social security lawsuits in which the disputed matters related to diverse taxes such as IRPJ/CSLL<sup>(a)</sup>, PIS, COFINS, IPI<sup>(b)</sup>, pension contributions, ITR<sup>(c)</sup>, ICMS, ISS<sup>(d)</sup> and IPTU<sup>(e)</sup>, whose amounts are provisioned for when the likelihood of loss is deemed probable by the Company's external legal counsel and the Management.

The Company joined the Tax Recovery Program (REFIS) – Law 11,941/09, regarding certain lawsuits, totaling an inflation-adjusted principal of approximately R\$ 13,665, which is duly provisioned for, and the related interest and fines will be paid using the tax loss and negative social contribution, which were already informed by the Company to the Federal Revenue Service of Brazil and are awaiting consolidation.

When issued Provisional Measure 783/2017, subsequently converted into Law 13,496/2017, due to benefits of reduction in the interest, fines and legal charges, the Company opted to migrate some debts covered by REFIS – Law 11,941/09, not consolidated yet, and settle other debts whose loss is deemed probable. These debts are recorded in provision amounting to R\$ 5,367 on December 31, 2017, already considering legal deductions and amounts prepaid to the Federal Revenue Service of Brazil and the Office of the General Counsel for the Federal Treasury, whose consolidation must probably occur in the first quarter of 2018.

- (a) Income Tax (IRPJ) and Social Contribution (CSLL)
- (b) Tax on Manufactured Products (IPI)
- (c) Rural Land Tax (ITR)
- (d) Tax on Services (ISS)
- (e) Urban Land and Building Tax (IPTU)

## 21.4 Labor claims

On December 31, 2017, the Company was a defendant in 3,208 labor claims (probable, possible and remote).

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.

### 21.5 Civil claims

On December 31, 2017, the Company is a defendant in approximately 405 civil claims (probable, possible and remote).

Civil proceedings are related primarily to payment of damages, such as those resulting from contractual obligations, traffic-related injuries, possessory actions, environmental claims and others.

### 21.6 Judicial deposits

On December 31, 2017, the Company has judicial deposits of R\$ 113,613, of which R\$ 69,599 refer to labor lawsuits and R\$ 44,014 to tax and social security lawsuits (on December 31, 2016, the amount was R\$ 87,097, of which R\$ 37,663 refer to labor lawsuits and R\$ 49,434 refer to tax and social security lawsuits).

### 21.7 Lawsuits with possible tax contingencies

The Company is involved in tax, civil and labor lawsuits, as they involve risks with a possible likelihood probability of loss (not probable), according to Management and its legal counsel, which are not recorded in the company's books.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax provisions .....	<b>1,026,950</b>	193,922	212,734
Labor provisions .....	<b>14,268</b>	38,667	29,810
Civil provisions .....	<b>23,666</b>	1,310	1,410
	<u><b>1,064,884</b></u>	<u>233,899</u>	<u>243,954</u>

The Company is a defendant in lawsuits whose likelihood of loss is deemed possible, in the approximate amount of R\$ 1,026,950, for which no provision is recorded. Of this amount, R\$ 810,401 refers to a tax-deficiency notice of PIS and COFINS, from 2007 to 2013, which was not considered yet in the First instance by the Brazilian Federal Revenue Service. The other tax and social security lawsuits are related to a variety of taxes such as social security, IRPJ, ITR, ICMS, IRRF, PIS and COFINS, mainly due to differences in the interpretation of the applicable tax rules and information provided in ancillary obligations.

Additionally, our joint venture Ibema disclosed in its financial statements contingencies with possible likelihood probability of loss amounting R\$ 89,242, mainly of tax nature.

## 22 Employee benefits

### 22.1 Defined benefits plans

The Company guarantees coverage of healthcare costs for former employees who retired by 2003 (until 1998 for former employees of Ripasa, current Limeira unit), as well as their spouses for life and dependents while they are minors.

For other group of former employees, who exceptionally, according to the Company's criteria and resolution or according with rights related to the compliance with pertinent legislation, the Company ensures the healthcare program.

The Company offers life insurance benefit provided to retirees.

**22.2 Key actuarial economic and biometric assumptions used in the calculations of liability**

	<u>2017</u>	<u>2016</u>
Discount rate—health plan . . . . .	<b>5.39% p.a</b>	5.65% p.a.
Discount rate—life insurance . . . . .	<b>5.39% p.a</b>	5.65% p.a.
Medical cost growth rate above basic inflation . . . . .	<b>3.25% p.a</b>	3.00% p.a.
Economic inflation . . . . .	<b>4.40% p.a</b>	5.50% p.a.
Biometric table of general mortality . . . . .	<b>AT-2000</b>	AT-2000
Biometric table of mortality of disabled persons . . . . .	<b>IAPB 57</b>	IAPB 57

On December 31, 2017, 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:

	<u>Change</u>	<u>Increase in liability</u>	<u>Decrease in liability</u>
Discount rate . . . . .	0.50%	Decrease of 5.71%	Increase of 6.31%
Medical cost growth rate . . . . .	0.50%	Increase of 6.46%	Decrease of 5.90%
Mortality . . . . .	1 year	Increase of 0.64%	Decrease of 0.51%

**22.3 Changes in actuarial liabilities**

Opening balance on January 01, 2015 . . . . .	277,463
Interest on actuarial liability . . . . .	33,629
Actuarial gain . . . . .	(31,981)
Benefits paid in the year . . . . .	<u>(15,970)</u>
Balance at December 31, 2015 . . . . .	263,141
Interest on actuarial liability . . . . .	36,856
Actuarial loss . . . . .	54,422
Benefits paid in the year . . . . .	<u>(15,410)</u>
Balance at December 31, 2016 . . . . .	339,009
Interest on actuarial liability . . . . .	<b>38,022</b>
Actuarial gain . . . . .	<b>(4,173)</b>
Benefits paid in the year . . . . .	<u><b>(21,595)</b></u>
<b>Closing balance on December 31, 2017 . . . . .</b>	<u><b>351,263</b></u>

**23 Share-Based Compensation Plans**

For the year ended December 31, 2017, the Company has two (2) share-based compensation Plans: i) Payment in phantom shares in cash; and ii) Payment in class-A preferred shares or alternatively in cash.

Certain executives, management and employees (beneficiaries) are entitled to the plan. The general acquisition conditions, such as exercise price, number of shares, vesting period and grant of stock options to these executives (beneficiaries) are defined in specific regulations in accordance with the guidelines and conditions established by the Company's Bylaws and the Board of Directors.

These plans did not undergo any changes in their characteristics and measurement criteria since the financial statements of December 31, 2016.



*(In thousands of Brazilian reais, unless otherwise indicated)*

### 23.1 Phantom Stock Options (“PSO”)

The Company has a long-term remuneration plan for certain executives and Management’s key members linked to the Company share price and paid in cash.

During 2017, the Company granted the Share Appreciation Rights (SAR) and SAR PLUS 2017 Programs of phantom share options. In this program, beneficiaries should invest 5% of the total amount corresponding to the number of options of phantom shares at the grant date and 20% after three years to acquire the option. The Company also granted Long-Term Incentive (LTI) programs to its key members as part of its retention policy. In this program, the beneficiary does not make any investment.

The vesting period of options may vary from 3 to 5 years, as of the grant date, in accordance with the characteristics of each plan.

The price of the share is calculated based on the average share 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. The installments of these programs will be adjusted by the variation in the price of the Suzano’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.

The phantom share options will only be due if the beneficiary 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 beneficiary, before the vesting period is completed, the executive will not be entitled to receive all benefits, unless otherwise established in the agreements.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>Number of</u>	<u>Number of</u>	<u>Number of</u>
	<u>shares</u>	<u>shares</u>	<u>shares</u>
<b>Available at the beginning of the year</b> . . . . .	<b>3,048,991</b>	3,570,103	3,800,036
Granted during the year . . . . .	<b>3,035,488</b>	1,092,921	1,423,596
Intercompany transfer . . . . .	—	32,061	—
Abandoned / prescribed due to voluntary . . . . .	—	—	(281,590)
Exercised <sup>(a)</sup> . . . . .	<b>(695,532)</b>	(1,144,900)	(999,613)
Exercised due to dismissal <sup>(a)</sup> . . . . .	<b>(161,270)</b>	(138,896)	(98,335)
Abandoned / prescribed due to dismissal . . . . .	<b>(172,158)</b>	(362,298)	(273,991)
<b>Available at the end of the year</b> . . . . .	<b><u>5,055,519</u></b>	<u>3,048,991</u>	<u>3,570,103</u>

<sup>(a)</sup> For share options exercised and those exercised due to employment termination, the average prices on December 31, 2017 and 2016 were R\$ 19.84 and R\$ 10.63, respectively.

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On December 31, 2017, outstanding phantom shares option plans are as follows:

<u>Program</u>	<u>Grant date</u>	<u>2<sup>nd</sup> exercise date</u>	<u>Fair value on the grant date</u>	<u>2017</u>
				<u>No. of options granted</u>
ILP 2012 .....	3/1/2012	3/1/2018	R\$ 7.49	13,426
Deferral 2014 .....	3/1/2015	3/1/2018	R\$10.80	208,727
Deferral 2014 .....	3/1/2015	3/1/2019	R\$10.80	208,727
SAR 2015 .....	4/1/2015	4/1/2020	R\$11.69	594,239
SAR 2015 - September .....	9/1/2015	9/1/2020	R\$15.99	4,340
ILP 2015 .....	9/1/2015	9/1/2021	R\$15.99	25,016
Deferral 2015 .....	3/1/2016	3/1/2019	R\$16.93	76,992
Deferral 2015 .....	3/1/2016	3/1/2020	R\$16.93	76,992
SAR 2016 .....	4/1/2016	4/1/2021	R\$15.96	611,713
PLUS 2016 .....	4/1/2016	4/1/2021	R\$15.96	204,673
SAR 2016 - October .....	10/3/2016	10/3/2021	R\$11.03	8,934
SAR 2017 .....	4/3/2017	4/3/2022	R\$13.30	1,019,186
PLUS 2017 .....	4/3/2017	4/3/2022	R\$13.30	255,627
ILP 2017 - 36 .....	4/3/2017	4/3/2020	R\$13.30	406,016
ILP 2017 - 48 .....	4/3/2017	4/3/2021	R\$13.30	406,016
ILP 2017 - 60 .....	4/3/2017	4/3/2022	R\$13.30	406,016
ILP 2017 - H .....	4/4/2017	4/4/2022	R\$13.30	11,278
ILP 2017 - CAB .....	5/1/2017	5/1/2020	R\$13.30	307,141
ILP 2017 - 36 Oct. ....	10/2/2020	10/2/2020	R\$15.87	126,444
ILP 2017 - 48 Oct. ....	10/2/2021	10/2/2021	R\$15.87	42,008
ILP 2017 - 60 Oct. ....	10/2/2022	10/2/2022	R\$15.87	42,008
<b>TOTAL .....</b>				<b><u>5,055,519</u></b>

**23.2 Class A common stock options or alternatively in cash**

The options granted cannot exceed 2% of the Company's total paid-up and subscribed share capital, and must derive from: i) the issue of new shares, within the limit of the Company's authorized capital; and/or ii) treasury shares.

The Program III gives beneficiaries the right to acquire the Company shares at a fixed price at the end of the vesting period. 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 Over Invested capital (ROIC), the vesting period will be reduced by 12 months for series I and II and by 24 months for series III, IV and V.

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During the vesting period of options exercise, the beneficiary is prohibited from selling or encumbering these options.

Program	Granted series	Grant date	1 <sup>st</sup> exercise date	2 <sup>nd</sup> exercise date and expiration	Price on the grant date	Granted shares	Exercised shares	Total in effect on 2017
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>7,200,000</b>	<b>1,800,000</b>

On December 31, 2017, there were 13,842,004 common treasury shares to guarantee the options granted by the Plan.

### 23.3 Measurement assumptions

In the case of the phantom shares plan, since the settlement is in cash, the fair value of options is remeasured at the end of each period based on the Monte Carlo (MMC) method, which is 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).

The fair value of the Class A common stock option plan of Program III, was estimated based on the binomial probability model, which considers the dividends distribution rate and the following assumptions:

Description of assumptions	Indexes				
	Options				
	Program III	SAR 2014	SAR 2015	SAR 2016 and Plus 2016	SAR 2017 and Plus 2017
Calculation Model	Binomial	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Asset base price (per share)	R\$ 7.73	R\$ 18.88	R\$ 18.88	R\$ 18.88	R\$ 18.88
Expectation of volatility <sup>(a)</sup>	40.47% p.a.	36.82% p.a.	34.77% p.a.	33.85% p.a.	38.35% p.a.
Phantom stock/options average life expectancy <sup>(b)</sup>	Equal to option life				
Dividends expectancy <sup>(c)</sup>	3.49% p.a.	2.94% p.a.	2.94% p.a.	4.80% p.a.	5.94% p.a.
Risk-free weighted average interest rate <sup>(d)</sup>	8.99%	11.90%	12.83%	14.33%	10.23%

- <sup>(a)</sup> 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;
- <sup>(b)</sup> The expectation of average life of phantom stocks and stock options was defined by the remaining term until the limit exercise date;
- <sup>(c)</sup> The expectation of dividends was defined based on historical earnings per share of the Suzano;
- <sup>(d)</sup> 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.

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The amounts corresponding to the services received and recognized in the financial statements are presented below:

	Liabilities and equity		Income Statement		
	2017	2016	2017	2016	2015
<b>Non-current liabilities</b>					
Provision for phantom stock plan	38,320	18,850	(32,192)	529	(29,380)
<b>Shareholders' equity</b>					
Stock option reserve	14,237	19,754	(1,523)	(3,337)	(2,848)
<b>Total general and administrative expenses from share-based transactions</b>			<u>(33,715)</u>	<u>(2,808)</u>	<u>(32,228)</u>

**24 Liabilities for assets acquisitions**

	Land Acquisition	
	2017	2016
Land acquired from third parties	102,058	159,458
Acquisition of Vale Florestar Fundo de Investimento em Participações ("VFFIP")	483,927	535,398
	<u>585,985</u>	<u>694,856</u>

On August 2014, Suzano acquired VFFIP majority shareholder of Vale Florestar, for a total amount of R\$ 528,941 with a down payment of R\$ 44,998 and outstanding balance with due up to August 2029 (Note see 16.2). The monthly settlements are subject to interest and restated at the variation of the U.S. dollar exchange rate and partially restated by variation of the Broad Consumer Price Index ("IPCA").

**25 Equity**

**25.1 Share Capital**

On December 31, 2017, the share capital of Suzano is R\$ 6,241,753, divided into 1,105,826,145 registered, nominal and book entry without par value.

The share capital is composed as follows:

Shareholder	Common Shares	
	Number	(%)
Suzano Holding S.A.	367,612,234	33.24
Controlling Shareholders	185,693,440	16.80
<b>Subtotal</b>	<b>553,305,674</b>	<b>50.04</b>
Management	71,474,485	6.46
Treasury	13,842,004	1.25
BNDESPAR	75,909,985	6.86
Mondrian Investment Partners	72,878,900	6.59
Others shareholders	318,415,097	28.79
<b>Total</b>	<b>1,105,826,145</b>	<b>100.00</b>

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By resolution of the Board of Directors, the share capital may be increased, independent of an amendment to the Bylaws, up to the limit of 780,120 thousand common shares, all exclusively book-entry shares.

On December 31, 2017, SUZB3 common stock ended the year priced at R\$ 18.69 (on December 31, 2016, SUZB5 preferred stock was priced at R\$ 14.20).

#### 25.2 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.

#### 25.3 Treasury shares

	Common	Number of shares		Total	R\$	Average price per share (R\$)
		Pref. A	Pref. B			
Balance on December 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 . . . . .	—	9	—	9	—	—
Balance on December 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
Shares transferred . . . . .	—	1,935	2,833	4,768	—	—
Balance on December 31, 2016 . . . . .	6,786,194	8,846,932	1,912,532	17,545,658	273,665	15.60
Shares sold <sup>(a)</sup> . . . . .	—	(1,800,000)	—	(1,800,000)	(15,552)	8.64
Shares transferred <sup>(b)</sup> . . . . .	7,055,810	(7,055,810)	—	—	—	—
Shares canceled <sup>(c)</sup> . . . . .	—	—	(1,912,532)	(1,912,532)	(17,107)	8.94
Repurchase of shares <sup>(d)</sup> . . . . .	—	8,878	—	8,878	82	9.24
<b>Balance on December 31, 2017 . . . . .</b>	<b>13,842,004</b>	<b>—</b>	<b>—</b>	<b>13,842,004</b>	<b>241,088</b>	<b>17.42</b>

<sup>(a)</sup> Treasury shares used to meet the share-based compensation plan (Note 23).

<sup>(b)</sup> See Note 1.1 b), ii).

<sup>(c)</sup> On April 28, 2017, the Annual and Extraordinary Shareholders Meeting approved the cancellation of 1,912,532 class B preferred shares.

<sup>(d)</sup> Repurchase of shares related to withdrawal rights exercised by shareholders who did not adhere to the conversion of preferred shares to common shares.

#### 25.4 Retained earnings

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.

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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.

**25.5 Other reserves**

	<u>Other comprehensive income</u>				
	<u>Conversion of debentures - 5<sup>th</sup> issue</u>	<u>Actuarial gains/losses <sup>(a)</sup></u>	<u>Foreign exchange/ Conversion reserves</u>	<u>Deemed Cost <sup>(a)</sup></u>	<u>Total</u>
Balances on December 31, 2014 . . . . .	(45,745)	(40,691)	(4,784)	2,530,217	2,438,997
Actuarial losses net of deferred income and social contribution taxes . . . . .	—	21,107	—	—	21,107
Losses from conversion of operations abroad . . . . .	—	—	39,120	—	39,120
Partial realization of cost adjustment attributed to assets, net of deferred income and social contribution taxes . . . . .	—	—	—	(49,141)	(49,141)
Balances on December 31, 2015 . . . . .	(45,745)	(19,584)	34,336	2,481,076	2,450,083
Actuarial losses net of deferred income and social contribution taxes . . . . .	—	(35,919)	—	—	(35,919)
Losses from conversion of operations abroad . . . . .	—	—	(45,720)	—	(45,720)
Partial realization of cost adjustment attributed to assets, net of deferred income and social contribution taxes . . . . .	—	—	—	(53,877)	(53,877)
Balances on December 31, 2016 . . . . .	(45,745)	(55,503)	(11,384)	2,427,199	2,314,567
<b>Actuarial gain net of deferred income and social contribution taxes . . . . .</b>	<b>—</b>	<b>2,754</b>	<b>—</b>	<b>—</b>	<b>2,754</b>
<b>Gains from conversion of operations abroad . . . . .</b>	<b>—</b>	<b>—</b>	<b>38,006</b>	<b>—</b>	<b>38,006</b>
<b>Partial realization of cost adjustment attributed to assets, net of deferred income and social contribution taxes . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(56,999)</b>	<b>(56,999)</b>
<b>Balances on December 31, 2017 . . . . .</b>	<b>(45,745)</b>	<b>(52,749)</b>	<b>26,622</b>	<b>2,370,200</b>	<b>2,298,328</b>

(a) Net of deferred tax effects

**25.6 Earnings (losses) per share**

**Basic**

Basic earnings (loss) 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.

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As described in Note 1.1 b) ii), in November 2017, the Company migrated to the Novo Mercado segment. Thus, all preferred shares were converted into common shares at the ratio of one preferred share for one common share. Considering that there was no change in share capital, only with conversion of preferred to common shares, for the purposes of calculation and presentation of earnings per share, this conversion was considered retrospectively.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Earnings attributed to shareholders . . . . .	<b>1,820,994</b>	1,677,815	(929,676)
Weighted average number of shares in the year . . . .	<b>1,106,297</b>	1,107,739	1,107,739
Weighted average treasury shares . . . . .	<b>(14,597)</b>	(17,696)	(19,494)
Weighted average number of outstanding shares . . .	<b>1,091,700</b>	1,090,043	1,088,245
<b>Total basic earnings (loss) per common share . . .</b>	<b><u>1.66804</u></b>	<u>1.53922</u>	<u>(0.85429)</u>

#### **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average of outstanding common shares assuming the conversion of all common shares that would cause dilution. The Company presents dilution potential: call options exercisable at the discretion of the holder.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Earnings attributed to shareholders . . . . .	<b>1,820,994</b>	1,677,815	(929,676)
Weighted average number of outstanding shares . . .	<b>1,091,700</b>	1,090,043	1,088,245
Adjustment by stock options . . . . .	<b>2,428</b>	3,493	—
Weighted average number of shares (diluted) . . . .	<b>1,094,128</b>	1,093,536	1,088,245
<b>Total diluted earnings (loss) per common share . . . . .</b>	<b><u>1.66433</u></b>	<u>1.53430</u>	<u>(0.85429)</u>

#### **25.7 Allocation of net income from the year and dividends**

In accordance with the Company's Bylaws, Article 26, item c), the Management proposes the payment of minimum mandatory dividends based on the net income for the year, as shown below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income (loss) under statutory book for the year . . .	<b>1,807,433</b>	1,691,998	(925,354)
Legal reserve - 5% . . . . .	<b>(90,372)</b>	(84,600)	—
Tax incentive reserve . . . . .	<b>(196,604)</b>	(124,085)	—
Calculation basis . . . . .	<b>1,520,457</b>	1,483,313	(925,354)
Minimum mandatory dividends - 25% . . . . .	<b>380,115</b>	370,828	—
Anticipated dividends as interest on own capital <sup>(a)</sup> . . .	<b>(199,835)</b>	—	300,000
	<b><u>180,280</u></b>	<u>370,828</u>	<u>300,000</u>

<sup>(a)</sup> See Note 25.7.

*(In thousands of Brazilian reais, unless otherwise indicated)*

### **25.8 Interest on own capital**

On November 24, 2017, the Company, at the Board of Directors' Meeting, approved the proposal to pay shareholder remuneration in the form of interest on own capital, in the total gross amount of R\$ 199,835, corresponding to R\$ 0.183 per share issued by the Company, except treasury shares. The amount was paid to shareholders on December 11, 2017

## **26 Net Financial Result**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Income from financial investments .....	<b>285,888</b>	333,168	269,188
Other financial income .....	<b>19,890</b>	48,636	35,073
Total financial income .....	<b>305,778</b>	381,804	304,261
Loan interest expenses .....	<b>(1,035,986)</b>	(991,796)	(1,107,296)
Other interest expenses .....	<b>(108,410)</b>	(104,023)	(98,323)
Other financial expenses .....	<b>(74,080)</b>	(60,385)	(49,608)
Total financial expenses .....	<b>(1,218,476)</b>	(1,156,204)	(1,255,227)
Monetary and exchange variations on loans and financing .....	<b>(163,418)</b>	1,619,202	(3,286,245)
Monetary and exchange variations on other assets and liabilities .....	<b>(15,995)</b>	(251,921)	457,838
Monetary and exchange variation, net .....	<b>(179,413)</b>	1,367,281	(2,828,407)
Derivative gain (loss) .....	<b>73,271</b>	528,839	(630,251)
Financial income .....	<b>379,049</b>	2,277,924	304,261
Financial expenses .....	<b>(1,397,889)</b>	(1,156,204)	(4,713,885)
Financial result, net .....	<b><u>(1,018,840)</u></b>	<u>1,121,720</u>	<u>(4,409,624)</u>



**27 Net Sales Revenue**

The table below shows the breakdown of consolidated net revenue by foreign and domestic markets, specifying the countries where sales in the export market are more significant:

	2017		2016		2015	
	Net revenue	% Total net revenue	Net revenue	% Total net revenue	Net revenue	% Total net revenue
<b>Domestic market</b> .....	<b>3,222,158</b>	<b>30%</b>	3,276,248	33%	3,098,883	30%
<b>Foreign market</b> .....	<b>7,358,515</b>	<b>70%</b>	6,562,914	67%	7,063,198	70%
China .....	<b>1,786,629</b>	<b>24%</b>	1,279,134	19%	1,259,251	18%
United States .....	<b>1,392,159</b>	<b>19%</b>	1,359,651	21%	1,349,034	19%
Hong Kong .....	<b>1,230,631</b>	<b>17%</b>	1,001,465	15%	1,261,900	18%
France .....	<b>475,442</b>	<b>6%</b>	503,649	8%	385,673	5%
Germany .....	<b>441,506</b>	<b>6%</b>	377,619	6%	439,625	6%
Italy .....	<b>378,874</b>	<b>5%</b>	611,150	9%	846,338	12%
Canada .....	<b>310,726</b>	<b>4%</b>	74,830	1%	—	0%
Spain .....	<b>246,184</b>	<b>3%</b>	132,323	2%	121,459	2%
Turkey .....	<b>197,880</b>	<b>3%</b>	144,031	2%	128,744	2%
United Kingdom .....	<b>195,828</b>	<b>3%</b>	186,436	3%	139,467	2%
Netherlands .....	<b>178,647</b>	<b>2%</b>	241,008	4%	—	0%
Argentina .....	<b>160,207</b>	<b>2%</b>	158,425	2%	71,296	1%
Peru .....	<b>128,083</b>	<b>2%</b>	101,807	2%	56,124	1%
Other countries .....	<b>235,720</b>	<b>3%</b>	391,386	6%	1,004,286	14%
<b>Total net revenue</b> .....	<b><u>10,580,673</u></b>	<b><u>100%</u></b>	<u>9,839,162</u>	<u>100%</u>	<u>10,162,081</u>	<u>100%</u>

	2017	2016	2015
<b>Gross sales</b> .....	<b>11,752,459</b>	11,033,809	11,219,866
<b>Deductions</b>			
Taxes on sales <sup>(a)</sup> .....	<b>(1,114,998)</b>	(1,087,566)	(970,974)
Presente value adjustment .....	—	(20,620)	(18,880)
Returns and cancelations .....	<b>(50,199)</b>	(76,654)	(60,461)
Discounts and rebates .....	<b>(6,589)</b>	(9,807)	(7,470)
<b>Net sales revenue</b> .....	<b><u>10,580,673</u></b>	<u>9,839,162</u>	<u>10,162,081</u>

<sup>a)</sup> Includes 1% up to November 2015 and 2.5% as of December 2015 of gross revenue from 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.

**28 Information by Segment and Geographic Areas****28.1 Criteria for identifying operating segments**

The information presented under "Not Segmented" is related to income statement and balance sheet items not directly attributed to the pulp and paper segments, such as, net financial result and income and social contribution taxes expenses, in addition to the balance sheet classification items of assets and liabilities (see Note 2.3).

## 28.2 Information on operating segments

	2017			
	Pulp	Paper	Not segmented	Total
<b>Net sales revenue</b> .....	6,920,494	3,660,179	—	10,580,673
Domestic market (Brazil) .....	624,320	2,597,838	—	3,222,158
Foreign market .....	6,296,174	1,062,341	—	7,358,515
Asia .....	2,976,504	32,950	—	3,009,454
Europe .....	2,262,162	139,457	—	2,401,619
North America .....	966,789	255,086	—	1,221,875
South and Central America .....	90,719	608,445	—	699,164
Africa .....	—	26,404	—	26,404
<b>Cost of sales</b> .....	(3,937,036)	(2,559,268)	—	(6,496,304)
<b>Gross profit</b> .....	2,983,458	1,100,911	—	4,084,369
<i>Gross margin (%)</i> .....	43.1%	30.1%	—	38.6%
<b>Operating income (expenses)</b> .....	(104,985)	(749,449)	48,517	(805,917)
Selling expenses .....	(163,879)	(259,446)	—	(423,325)
General and administrative expenses .....	(185,141)	(343,833)	—	(528,974)
Other operating income (expenses), net .....	244,035	(152,042)	48,517	140,510
Equity pick-up .....	—	5,872	—	5,872
<b>Operating profit before net financial income</b> .....	2,878,473	351,462	48,517	3,278,452
<i>Operating margin (%)</i> .....	41.6%	9.6%	—	31.0%
<b>Financial result, net</b> .....	—	—	(1,018,840)	(1,018,840)
<b>Income (loss) before income taxes</b> .....	2,878,473	351,462	(970,323)	2,259,612
<b>Income taxes</b> .....	—	—	(438,618)	(438,618)
<b>Net income (loss) for the year</b> .....	2,878,473	351,462	(1,408,941)	1,820,994
<i>Profit margin for the year (%)</i> .....	41.6%	9.6%	—	17.2%
<b>Depreciation, depletion and amortization</b> .....	1,007,280	395,498	—	1,402,778
<b>Total assets</b> .....	18,901,493	6,336,499	3,288,203	28,526,195
<b>Total liabilities</b> .....	637,451	643,594	15,628,539	16,909,584
<b>Total equity</b> .....	—	—	11,616,611	11,616,611
<b>Products sold (in tons)</b> .....	3,614,865	1,180,465	—	4,795,330
Foreign market .....	3,240,992	374,232	—	3,615,224
Domestic market Brazil .....	373,873	806,233	—	1,180,106

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	2016			
	Pulp	Paper	Not segmented	Total
<b>Net sales revenue</b> .....	6,144,123	3,695,039	—	9,839,162
Domestic market (Brazil) .....	703,820	2,572,428	—	3,276,248
Foreign market .....	5,440,303	1,122,611	—	6,562,914
Asia .....	2,502,344	32,054	—	2,534,398
Europe .....	1,962,469	143,036	—	2,105,505
North America .....	898,442	327,718	—	1,226,160
South and Central America .....	71,725	568,253	—	639,978
Africa .....	5,323	51,550	—	56,873
<b>Cost of sales</b> .....	(4,082,147)	(2,480,933)	—	(6,563,080)
<b>Gross profit</b> .....	2,061,976	1,214,106	—	3,276,082
<i>Gross margin (%)</i> .....	33.6%	32.9%	—	33.3%
<b>Operating income (expenses)</b> .....	(1,347,490)	(653,608)	—	(2,001,098)
Selling expenses .....	(177,098)	(239,212)	—	(416,310)
General and administrative expenses .....	(149,485)	(277,615)	—	(427,100)
Other operating income (expenses), net .....	(1,020,907)	(129,654)	—	(1,150,561)
Equity pick-up .....	—	(7,127)	—	(7,127)
<b>Operating profit before net financial in</b> .....	714,486	560,498	—	1,274,984
<i>Operating margin (%)</i> .....	11.6%	15.2%	—	13.0%
<b>Financial result, net</b> .....	—	—	1,121,720	1,121,720
<b>Income (loss) before income taxes</b> .....	714,486	560,498	1,121,720	2,396,704
<b>Income taxes</b> .....	—	—	(718,889)	(718,889)
<b>Net income (loss) for the year</b> .....	714,486	560,498	402,831	1,677,815
<i>Profit margin for the year (%)</i> .....	11.6%	15.2%	—	17.1%
<b>Depreciation, depletion and amortization</b> .....	1,006,222	397,296	—	1,403,518
<b>Total assets</b> .....	17,765,172	6,830,676	4,775,427	29,371,275
<b>Total liabilities</b> .....	815,332	704,409	17,726,545	19,246,286
<b>Total equity</b> .....	—	—	10,124,989	10,124,989
<b>Products sold (in tons)</b> .....	3,528,378	1,188,404	—	4,716,782
Foreign market .....	3,117,814	361,996	—	3,479,810
Domestic market Brazil .....	410,564	826,408	—	1,236,972

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	2015			
	Pulp	Paper	Not segmented	Total
<b>Net sales revenue</b> .....	6,571,996	3,590,085	—	10,162,081
Domestic market (Brazil) .....	820,785	2,278,098	—	3,098,883
Foreign market .....	5,751,211	1,311,987	—	7,063,198
Asia .....	2,664,452	78,071	—	2,742,523
Europe .....	2,101,040	144,017	—	2,245,057
North America .....	883,422	365,663	—	1,249,085
South and Central America .....	102,297	648,637	—	750,934
Africa .....	—	75,599	—	75,599
<b>Cost of sales</b> .....	(3,623,661)	(2,523,734)	—	(6,147,395)
<b>Gross profit</b> .....	2,948,335	1,066,352	—	4,014,686
<i>Gross margin (%)</i> .....	44.9%	29.7%	—	39.5%
<b>Operating income (expenses)</b> .....	(418,434)	(551,697)	—	(970,131)
Selling expenses .....	(187,118)	(222,868)	—	(409,986)
General and administrative expenses .....	(159,470)	(296,159)	—	(455,629)
Other operating income (expenses), net ..	(71,846)	(32,670)	—	(104,516)
Equity pick-up .....	—	—	—	—
<b>Operating profit before net financial in</b> .....	2,529,901	514,654	—	3,044,555
<i>Operating margin (%)</i> .....	38.5%	14.3%	—	30.0%
<b>Financial result, net</b> .....	—	—	(4,409,624)	(4,409,624)
<b>Income (loss) before income taxes</b> .....	2,529,901	514,654	(4,409,624)	(1,365,069)
<b>Income taxes</b> .....	—	—	435,393	435,393
<b>Net income (loss) for the year</b> .....	2,529,901	514,654	(3,974,231)	(929,676)
<i>Profit margin for the year (%)</i> .....	38.5%	14.3%	—	-9.1%
<b>Depreciation, depletion and amortization</b> ..	1,013,856	405,621	—	1,419,477
<b>Total assets</b> .....	17,862,968	7,066,887	3,323,582	28,253,437
<b>Total liabilities</b> .....	460,653	855,498	17,749,527	19,065,678
<b>Total equity</b> .....	—	—	9,187,759	9,187,759
<b>Products sold (in tons)</b> .....	3,275,936	1,225,957	—	4,501,892
Foreign market .....	2,820,579	403,016	—	3,223,595
Domestic market Brazil .....	455,356	822,941	—	1,278,297

**28.3 Paper net sales by products**

The table below shows the breakdown of paper consolidated net sales by product.

Products	2017	2016	2015
Market pulp <sup>(a)</sup> .....	6,920,494	6,144,123	6,571,996
Printing and writing paper <sup>(b)</sup> .....	2,265,093	2,233,995	2,175,168
Paperboard .....	1,273,540	1,357,829	1,343,335
Others .....	121,546	103,215	71,582
<b>Total net sales</b> .....	10,580,673	9,839,162	10,162,081

<sup>(a)</sup> Fluff pulp is a product recently released and its revenue is not material (around 1% of the total net sales), thus it was included in “Market Pulp” sales.

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<sup>(b)</sup> Tissue paper is a product recently released and its revenues represented less than 1% of the total net sales, thus it was included in “Printing and writing paper” sales.

**29. Expenses by Nature**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Cost of sales</b>			
Personnel expenses . . . . .	<b>(546,090)</b>	(507,311)	(477,416)
Variable cost . . . . .	<b>(2,994,349)</b>	(2,907,344)	(2,892,196)
Logistics cost . . . . .	<b>(963,379)</b>	(944,119)	(866,682)
Depreciation, depletion and amortization . . .	<b>(1,367,856)</b>	(1,373,355)	(1,393,367)
Other costs . . . . .	<b>(624,630)</b>	(830,951)	(517,734)
	<b>(6,496,304)</b>	(6,563,080)	(6,147,395)
<b>Selling expenses</b>			
Personnel expenses . . . . .	<b>(106,083)</b>	(111,022)	(96,698)
Services . . . . .	<b>(45,593)</b>	(39,854)	(51,725)
Logistics cost . . . . .	<b>(220,944)</b>	(198,973)	(209,823)
Depreciation and amortization . . . . .	<b>(3,547)</b>	(3,439)	(3,528)
Other expenses <sup>(a)</sup> . . . . .	<b>(47,158)</b>	(63,022)	(48,212)
	<b>(423,325)</b>	(416,310)	(409,986)
<b>Administrative expenses</b>			
Personnel expenses . . . . .	<b>(309,019)</b>	(235,153)	(275,242)
Services . . . . .	<b>(105,522)</b>	(85,911)	(91,756)
Depreciation and amortization . . . . .	<b>(31,375)</b>	(26,724)	(22,582)
Other expenses <sup>(b)</sup> . . . . .	<b>(83,058)</b>	(79,312)	(66,049)
	<b>(528,974)</b>	(427,100)	(455,629)
<b>Other operating (expenses) income</b>			
Result from disposal of other products . . . . .	<b>4,765</b>	13,952	5,608
Result from disposal of property, plant and equipment and biological assets . . . . .	<b>29,005</b>	9,767	641
Provision for loss and write-off of property, plant and equipment and biological assets <sup>(c)</sup> . . . . .	<b>(66,707)</b>	(124,108)	(53,164)
Provision for land losses (impairment) . . . . .	<b>—</b>	(192,538)	—
Amortization of intangible assets . . . . .	<b>(8,303)</b>	(15,136)	(19,815)
Adjustment to fair value of biological assets <sup>(d)</sup> . . . . .	<b>192,504</b>	(780,666)	23,145
Partial write-off of intangible assets (Note 16.3) . . . . .	<b>(18,845)</b>	(78,799)	—
Tax recovery . . . . .	<b>5,613</b>	15,672	11,206
Receipt of royalties . . . . .	<b>2,603</b>	—	—
Loss in fixed assets disposal . . . . .	<b>—</b>	—	(20,731)
Loss from Tax credits . . . . .	<b>—</b>	—	(40,943)
Land conflict agreement . . . . .	<b>(11,779)</b>	—	—
Other operating income (expenses), net . . . . .	<b>11,654</b>	1,295	(10,463)
	<b>140,510</b>	(1,150,561)	(104,516)
	<b>(7,308,093)</b>	(8,557,050)	(7,117,526)

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- (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.
- (c) In 2017, the amount referred to R\$ 49,338 in write-offs related to losses and claims with biological assets, R\$ 17,369 with property, plant and equipment, and R\$ 2,846 in reversal of provision for write-off of biological assets.
- (d) See Note 13.

### 30 Supplementary cash flow information

#### Non-cash transactions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Offsets of other taxes payable . . . . .	<b>(363,614)</b>	(413,053)	(3,475)
Actuarial liability gains (losses) . . . . .	<b>4,173</b>	(54,422)	31,981
Exchange variation on investees . . . . .	<b>38,006</b>	(45,720)	39,120
Reversal of time-barred dividends . . . . .	<b>29</b>	26	60
Minimum mandatory dividends . . . . .	<b>(180,280)</b>	(370,828)	(300,000)

### 31 Events subsequent to the reporting date

#### i) Acquisition of FACEPA – Approval by CADE

On January 19, 2018, Brazil's antitrust agency CADE approved, without restrictions, the acquisition of around 92.84% of the total capital of FACEPA by Suzano, as mentioned in Note 1.1 b) i). The acquisition was finalized on March 1, 2018 directly and indirectly, of approximately 92.84% of the total capital stock and 99.99% of the ordinary share capital of Facepa. From this date Suzano acquired control over FACEPA operations.

The amount paid for the acquisition was R\$ 267,876, made on the date of the acquisition and a contingent amount of R\$ 40,000, which is conditioned on the non-materialization of indemnifiable losses by the sellers, totaling R\$ 307,876.

The Company did not finalize the identification and measurement of the fair value of the assets acquired and the liabilities assumed in this business combination and recognized the consideration transferred preliminarily as intangible assets.

#### ii) Acquisition of land and forests in the state of São Paulo

On February 5, 2018, the Company entered into an Agreement for the Purchase of Forestry Assets, Purchase of Rural Properties, Purchase Option and Other Covenants, with Conditions Precedent, with Duratex S.A. ("Duratex"), through itself and its affiliates, under which:

- (i) it acquired around nine thousand and five hundred (9,500) hectares of rural land and one million and two hundred thousand cubic meters (1,200,000 m<sup>3</sup>) of forests, which reflects the potential of production of existing and already implemented forests in the areas acquired, in the na central region of the state of São Paulo, for R\$ 308.1 million; and (ii) it acquired an option to purchase approximately twenty thousand

(20,000) hectares of rural properties in the same region and five million and six hundred thousand (5,600,000) cubic meters of forests, which reflects the potential of production of existing and already implemented forests in the properties subject-matter of the option, for the price of R\$ 749,4 million, with the option able to be exercised, at the sole discretion of Suzano, through July 2, 2018.

On April 4, 2018, CADE approved without restrictions the acquisition of land and forests in the State of São Paulo from Duratex

### **iii) Export prepayment facility**

On February 8, 2018, the Company contracted, through its wholly owned subsidiary Suzano Pulp and Paper Europe S.A. (“Suzano Europe”), an export prepayment facility, structured in a syndicated form, amounting to US\$ 750 million, with final maturity of 5 years and grace period of 3 years, which has Suzano and Suzano Trading Ltd. (“Suzano Trading”), another subsidiary of Suzano, as guarantors.

The proceeds will be used to settle the export prepayment transaction contracted on May 14, 2015, in the amount of US\$ 600 million and to finance export operations.

The new operation reduces borrowing cost in U.S. dollar, extending the average debt term and eliminates financial covenants.

### **iv) Voting Commitment and Assumption of Obligations**

On March 15, 2018, Suzano Holding S.A., jointly with other controlling shareholders of the Company (collectively, the “Controlling Shareholders of the Company”), entered into with the controlling shareholders of Fibria Celulose S.A. (“Fibria” and, jointly with Suzano, the “Companies”), Votorantim S.A. and BNDES Participações S.A. – BNDESPAR (“BNDESPAR”) (collectively the “Controlling Shareholders of Fibria”) and with Suzano as intervening consenting party, a Commitment to Vote and Assumption of Obligations, whereby the Controlling Shareholders of the Company and the Controlling Shareholders of Fibria agreed to exercise their voting rights to combine the operations and shareholding base of the Company and of Fibria, through a corporate restructuring.

The corporate restructuring will be submitted to the shareholders of each of the Companies, which will result in the following: a) the ownership, by Suzano, of all the shares issued by Fibria; and (b) the receipt by the shareholders of Fibria, for each common share issued by Fibria, of (i) fifty-two reais and fifty cents (R\$ 52.50), adjusted in accordance with CDI from March 15, 2018 to the effective payment date, to be paid in a single installment on the date of completion of the merger; and (ii) 0.4611 common shares of Suzano, to be delivered on the date of completion of the merger.

Shareholders of Fibria holding American Depositary Shares (“ADS”) will be entitled to receive Suzano ADSs, in accordance with the same exchange ratio.

In connection with the delivery of Suzano shares and Suzano ADSs to holders of Fibria shares and Fibria ADSs, respectively, Suzano will (i) register the Suzano shares to be delivered (unless an exemption from such registration is available) with the U.S. Securities and Exchange Commission; and (ii) apply to list the Suzano ADSs on the New York Stock Exchange where Fibria’s ADSs are currently listed.

Once the transaction is consummated, the shares and ADSs issued by Fibria will no longer be traded on B3 S.A. and the New York Stock Exchange, respectively.

In accordance with the Voting Commitment, if any restrictions imposed by antitrust authorities in Brazil and/or other countries are too burdensome, as determined by the production capacity of any required divestiture, Suzano may choose not to consummate the transaction, upon payment to Fibria of a break-up fee equivalent to R\$ 750 million. The break-up fee is also payable upon the non-completion of the merger as a result of certain other circumstances, as set forth in the Voting Commitment.

In the context of the transaction and subject to the closing of the transaction, on March 15th, 2018, the Controlling Shareholders of the Company entered into a Voting Agreement and other covenants with BNDESPAR (“BNDESPAR Voting Agreement”), establishing certain governance and financial commitments to be complied with by the Company and limiting the transfer of certain shares issued by the Company and held by the Controlling Shareholders of the Company.

Suzano has secured firm financing commitments from certain international financial institutions for a total amount of US\$ 9.2 billion, the disbursement of which is conditioned, among other things, on the completion of the merger. Proceeds from said financing will be used to finance a part of the cash consideration paid to holders of Fibria securities and the combined exports of the companies.

Completion of the merger is subject to typical conditions precedent for transactions of this nature, including approval by antitrust authorities in Brazil and abroad.

**v) Acquisition of a company in the energy segment (Mucuri PCH)**

On February 19, 2018, after the fulfillment of all the conditions precedent and after approval was obtained from competent government authorities, the operation with Queiroz Galvão Energia S.A. for the acquisition of all the shares issued by Mucuri Energética S.A. (“PCH Mucuri”) was concluded. PCH Mucuri owns a small hydroelectric plant located in the cities of Carlos Chagas and Pavão.

The amount paid for this acquisition was R\$ 41,996 at the date of completion of the acquisition. The Company did not finalize the identification and measurement of the fair value of the assets acquired and the liabilities assumed in this business combination and recognized the consideration transferred preliminarily as intangible assets.

**vi) Approval by CADE of the acquisition of land and forests**

On April 4, 2018, CADE approved without restrictions the acquisition of land and forests in the State of São Paulo from Duratex (Note 1.1 a) i). On April 27, 2018 was paid R\$ 150,300 related to the first installment for the acquisition.



**EXHIBIT A**

# FINANZIAL STATEMENTS

**Suzano Austria GmbH**

Financial Statements for the year 2017

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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. Dezember 2017 – 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.

This compilation report and the terms used within are only a translation of the original German compilation report.

<b>Assets</b>	2017-12-31 EUR	2016-12-31 EUR
<b>A. Fixed assets</b>		
I. Financial assets		
1. Loans to affiliated companies	<b>1,007,004,414.00</b>	<b>0.00</b>
<b>B. Current assets</b>		
I. Accounts receivable and other assets		
1. Accounts receivable - Affiliated companies <i>thereof with a remaining maturity of more than one year</i>	23,028,197.43 0.00	453,687,978.35 441,473,868.00
2. Other receivables and assets <i>thereof with a remaining maturity of more than one year</i>	21,945.00 21,945.00	0.00 0.00
	<u>23,050,142.43</u>	<u>453,687,978.35</u>
II. bank balances	18,418,967.49	4,928,046.53
	<u><b>41,469,109.92</b></u>	<u><b>458,616,024.88</b></u>
<b>Total assets</b>	<u><b>1,048,473,523.92</b></u>	<u><b>458,616,024.88</b></u>

Shareholder's equity and liabilities	2017-12-31 EUR	2016-12-31 EUR
<b>A. Negative Capital</b>		
I. Nominal capital called	36,336.42	36,336.42
<i>Nominal capital</i>	36,336.42	36,336.42
<i>Capital paid in</i>	36,336.42	36,336.42
II. Capital reserves		
1. not appropriated	80,000.00	80,000.00
III. Balance Sheet Loss	-71,359,464.04	-30,845,532.61
<i>thereof loss carried forward from the previous years</i>	-30,845,532.61	-104,533.96
	<b>-71,243,127.62</b>	<b>-30,729,196.19</b>
<b>B. Provisions</b>		
1. Other provisions	<b>7,500.00</b>	<b>3,000.00</b>
<b>C. Liabilities</b>		
1. Debenture loans	1,119,424,692.76	488,606,304.86
<i>thereof with a remaining maturity of up to one year</i>	26,364,089.74	488,606,304.86
<i>thereof with a remaining maturity of more than one year</i>	1,093,060,603.02	0.00
2. Accounts payable - Trade	143,835.94	735,916.21
<i>thereof that derived from affiliated companies</i>	0.00	708,628.96
<i>thereof with a remaining maturity of up to one year</i>	143,835.94	735,916.21
3. Other liabilities	140,622.84	0.00
<i>thereof taxes</i>	134,880.90	0.00
<i>thereof social security</i>	5,741.94	0.00
<i>thereof with a remaining maturity of up to one year</i>	140,622.84	0.00
	<b>1,119,709,151.54</b>	<b>489,342,221.07</b>
<i>thereof with a remaining maturity of up to one year</i>	26,648,548.52	489,342,221.07
<i>thereof with a remaining maturity of more than one year</i>	1,093,060,603.02	0.00
<b>Total shareholder's equity and liabilities</b>	<b>1,048,473,523.92</b>	<b>458,616,024.88</b>

**Profit and Loss Account**

January 1, 2017 - December 31, 2017

	2017 EUR	2016 EUR
<b>1. Other operating income</b>	<b>568,708.81</b>	<b>395,845.77</b>
<b>2. Personnel expenses</b>		
a) Salaries	182,969.80	0.00
b) Social security costs	140,622.84	0.00
	<b>323,592.64</b>	<b>0.00</b>
<b>3. Other operating expenses</b>		
legal and consulting costs	7,500.00	394,439.22
transaction costs	4,177,844.77	2,741,029.89
	<b>4,185,344.77</b>	<b>3,135,469.11</b>
<b>4. Subtotal no. 1 to 3 (Operating profit)</b>	<b>-3,940,228.60</b>	<b>-2,739,623.34</b>
<b>5. Other interest and similar income</b>	<b>46,349,876.87</b>	<b>12,227,834.91</b>
<b>6. Expenditure related to financial assets</b>	<b>37,907,737.24</b>	<b>27,311,155.36</b>
<b>7. Interest payable and similar expenses</b>	<b>45,014,092.46</b>	<b>12,916,304.86</b>
<b>8. Subtotal no. 5 to 7 (Financial result)</b>	<b>-36,571,952.83</b>	<b>-27,999,625.31</b>
<b>9. Loss from operating activities</b>	<b>-40,512,181.43</b>	<b>-30,739,248.65</b>
<b>10. Taxes on income and revenue</b>	<b>1,750.00</b>	<b>1,750.00</b>
<b>11. Earnings after taxes</b>	<b>-40,513,931.43</b>	<b>-30,740,998.65</b>
<b>12. Net loss for the year</b>	<b>-40,513,931.43</b>	<b>-30,740,998.65</b>
<b>13. Loss carried forward from the previous years</b>	<b>-30,845,532.61</b>	<b>-104,533.96</b>
<b>14. Balance sheet loss</b>	<b>-71,359,464.04</b>	<b>-30,845,532.61</b>

# Explanatory Remarks on the Balance Sheet and the Profit and Loss Account

Suzano Austria GmbH

## 1 Assets

### A. Fixed assets

#### I. Financial assets

Balance 2017-01-01	431,186,888.00
Receipt	626,360,493.60
Unplanned depreciation	<u>-50,542,967.60</u>
Balance 2017-12-31	<u>1,007,004,414.0</u> <u>0</u>

	<u>Cur. year</u>	<u>Previous year</u>
Rentals to comp with affil assets	<u>1,007,004,414.00</u>	<u>0.00</u>

### B. Current assets

#### I. Accounts receivable and other assets

##### 1. Accounts receivable - Affiliated companies

	<u>Cur. year</u>	<u>Previous year</u>
Claims against affiliated companies	0.00	441,473,868.00
Interest receivables	<u>23,028,197.43</u>	<u>12,214,110.35</u>
	<u>23,028,197.43</u>	<u>453,687,978.35</u>

##### 2. Other receivables and assets

	<u>Cur. year</u>	<u>Previous year</u>
Caution money	<u>21,945.00</u>	<u>0.00</u>

#### II. bank balances

	<u>Cur. year</u>	<u>Previous year</u>
Banco do Brasil 5030450001	0.00	7,894.27
Itau BBA	3,787,922.68	883,763.01
Debt discount	<u>14,631,044.81</u>	<u>4,036,389.25</u>
	<u>18,418,967.49</u>	<u>4,928,046.53</u>



# Explanatory Remarks on the Balance Sheet and the Profit and Loss Account

Suzano Austria GmbH

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## 2 Liabilities and Owner's Equity

### A. Negative Capital

	2017-12-31	2016-12-31
Nominal capital called	36,336.42	36,336.42
Capital reserves	80,000.00	80,000.00
Balance Sheet Loss	-71,359,464.04	-30,845,532.61
	-71,243,127.62	-30,729,196.19

	Cur. year	Previous year
Annual loss	-40,513,931.43	-30,740,998.65
PY loss add carry	-30,845,532.61	-104,533.96
	-71,359,464.04	-30,845,532.61

### B. Provisions

	Status 2017-01-01	Utilized	Charged	Status 2017-12-31
Other provisions	3,000.00	3,000.00	7,500.00	7,500.00

	Cur. year	Previous year
Consulting cost accruals	7,500.00	3,000.00

### C. Liabilities

#### 1. Debenture loans

	Cur. year	Previous year
Bond	1,064,260,400.00	475,690,000.00
Interest liabilities	24,816,109.31	12,916,304.86
Other Liabilities bond	1,547,980.43	0.00
Agio	28,800,203.02	0.00
	1,119,424,692.76	488,606,304.86

# Explanatory Remarks on the Balance Sheet and the Profit and Loss Account

Suzano Austria GmbH

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## 2. Accounts payable - Trade

	<u>Cur. year</u>	<u>Previous year</u>
Liabilities affiliated companies	0.00	708,628.96
Delivery liabilities	143,802.02	27,253.33
Acceptance commitments	33.92	33.92
	<u>143,835.94</u>	<u>735,916.21</u>

## 3. Other liabilities

	<u>Cur. year</u>	<u>Previous year</u>
Wage tax	116,426.65	0.00
Employer contribution	10,082.86	0.00
Employer surcharge	983.69	0.00
Communal tax	7,377.70	0.00
Vienna employer contribution	10.00	0.00
Social security offices	5,741.94	0.00
	<u>140,622.84</u>	<u>0.00</u>

# Explanatory Remarks on the Balance Sheet and the Profit and Loss Account

Suzano Austria GmbH

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## 3 Profit and Loss Account

### 1. Other operating income

#### Other

	<u>Cur. year</u>	<u>Previous year</u>
Agio	483,743.25	394,530.07
Market profit FC transaction	69,460.59	1,315.70
Profit FC transaction affiliated companies	<u>15,504.97</u>	<u>0.00</u>
	<u><u>568,708.81</u></u>	<u><u>395,845.77</u></u>

### 2. Personnel expenses

#### a. Salaries

	<u>Cur. year</u>	<u>Previous year</u>
Wages	<u>182,969.80</u>	<u>0.00</u>

#### b. Social security costs

	<u>Cur. year</u>	<u>Previous year</u>
Legal social costs employee	5,741.94	0.00
Wage tax	116,426.65	0.00
Employer contribution	10,082.86	0.00
Employer surcharge	983.69	0.00
Communal tax	7,377.70	0.00
Vienna employer contribution	<u>10.00</u>	<u>0.00</u>
	<u><u>140,622.84</u></u>	<u><u>0.00</u></u>

### 3. Other operating expenses

#### Other

	<u>2017</u>	<u>2016</u>
legal and consulting costs	7,500.00	394,439.22
transaction costs	<u>4,177,844.77</u>	<u>2,741,029.89</u>
	<u><u>4,185,344.77</u></u>	<u><u>3,135,469.11</u></u>

# Explanatory Remarks on the Balance Sheet and the Profit and Loss Account

Suzano Austria GmbH

<b>4. Subtotal no. 1 to 3 (Operating profit)</b>	2017 €	-3,940,228.60
	2016 €	-2,739,623.34
<b>5. Other interest and similar income</b>		
	Cur. year	Previous year
Interest proceeds from bank credits	137,418.96	13,724.56
Int and similar proceeds affil-comp	46,212,457.91	12,214,110.35
	<u>46,349,876.87</u>	<u>12,227,834.91</u>
<b>6. Expenditure related to financial assets</b>		
	Cur. year	Previous year
Disagio	412,831.10	160,528.33
Market loss bond	37,494,906.14	27,150,627.03
	<u>37,907,737.24</u>	<u>27,311,155.36</u>
<b>7. Interest payable and similar expenses</b>		
	Cur. year	Previous year
Interest for bank credits	45,014,092.46	12,916,304.86
<b>8. Subtotal no. 5 to 7 (Financial result)</b>	2017 €	-36,571,952.83
	2016 €	-27,999,625.31
<b>9. Loss from operating activities</b>	2017 €	-40,512,181.43
	2016 €	-30,739,248.65
<b>10. Taxes on income and revenue</b>		
	Cur. year	Previous year
Corporate tax	1,750.00	1,750.00
<b>11. Net loss for the year</b>	2017 €	-40,513,931.43
	2016 €	-30,740,998.65

**Notes to the Financial Statements for the Financial Year 2017****Suzano Austria GmbH****General information**

The financial statements as of December 31, 2017 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, 2017 to December 31, 2017.

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.

**Accounting and valuation principles**

The Financial Statements were prepared under the Generally Accepted Accounting Principles, giving a true and fair view of the Company's financial position.

The principle of completeness was applied at preparation of the Financial Statements.

The evaluation of assets and liabilities was carried out considering the principle of individual items valuation and the going concern concept.

The principle of prudence was considered by showing only the realized gains at balance sheet date. All recognizable risks and possible future losses arisen in the fiscal year were taken into account.

Valuation principles changed so far, as the foreign currency receivables and liabilities are converted using the reference exchange rate, which is published by OENB (Austrian National Bank). The valuation changes were essential, for better statement of a true and fair view of the net assets, financial position and results of operations.

Foreign currency receivables are converted using the exchange rate at the date of initial recognition or at balance sheet date if lower.

Accruals are calculated according to legal requirements and considering all recognizable risks and anticipated losses.

Liabilities are valued at repayment amounts. Foreign currency liabilities are converted using the exchange rate of initial recognition or at balance sheet date if higher.

**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 BRA-41.810-012, Salvador
Parent's ownership interest:	100%
Commercial register:	Commercial Register State of Bahia 2930001633-1
Place of publication of the financial statements:	Salvador, Brasil

## Notes regarding balance sheet items

### Fixed assets

	Acquisition/Production cost		Cumulated depreciation		Book value
	2017-01-01 2017-12-31	Admissions Disposals	2017-01-01 2017-12-31	Depreciations Write-ups	2017-01-01 2017-12-31
<b>Fixed assets</b>					
<b>Financial assets</b>					
Loans to affiliated companies	441,157,875.60	626,360,493.60	9,970,987.60	50,542,967.60	431,186,888.00
	<u>1,067,518,369.20</u>	<u>0.00</u>	<u>60,513,955.20</u>	<u>0.00</u>	<u>1,007,004,414.00</u>

Financial assets are valued at acquisition cost or at the lower market value.

### Negative Equity

The company shows a negative equity in the balance sheet amounting to EUR .

The management of the company comments on the question whether the company is overindebted in terms of Austrian insolvency law as follows:

An overindebtedness in terms of Austrian insolvency law does not exist, because the letter of comfort has been signed by the parent company Suzano Papel e Celulose S.A. whereupon that covenant to provide financial support jointly and severally, to meet its financial obligations as and when they fall due.

### Liabilities

	Total	thereof maturity up to 1 year	thereof maturity of more than 1 year	thereof maturity between 1 and 5 years	thereof maturity over 5 years
<b>Liabilities</b>					
Debenture loans	1,119,424,692.7		1,093,060,603.0		1,093,060,603.0
	6	26,364,089.74	2	0.00	2
Previous year	488,606,304.86	488,606,304.86	0.00	-475,690,000.00	475,690,000.00
Accounts payable - Trade	143,835.94	143,835.94	0.00	0.00	0.00
Previous year	735,916.21	735,916.21	0.00	0.00	0.00
thereof that derived from affiliated companies	0.00	0.00	0.00	0.00	0.00
Previous year	708,628.96	708,628.96	0.00	0.00	0.00
Other liabilities	140,622.84	140,622.84	0.00	0.00	0.00
Previous year	0.00	0.00	0.00	0.00	0.00
thereof taxes	134,880.90	134,880.90	0.00	0.00	0.00
Previous year	0.00	0.00	0.00	0.00	0.00
thereof social security	5,741.94	5,741.94	0.00	0.00	0.00
Previous year	0.00	0.00	0.00	0.00	0.00
Total Liabilities	<u>1,119,709,151.5</u>		<u>1,093,060,603.0</u>		<u>1,093,060,603.0</u>
	4	26,648,548.52	2	0.00	2
Previous year	<u>489,342,221.07</u>	<u>489,342,221.07</u>	<u>0.00</u>	<u>-475,690,000.00</u>	<u>475,690,000.00</u>

## 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):

	<u>2017</u>	<u>2016</u>
Wage earners	0	0
Salaried employees	1	0
Sum	<u>1</u>	<u>0</u>

### Details of the members of the management board

In the reporting year 2017 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	

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 2017 to 31 December 2017 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 2017 and of its financial performance from 1 January 2017 to 31 December 2017 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 on September 17, 2018, represented by

Members of the Management Board:

Carlos Anibal Fernandes de Almeida Junior

Marcelo Feriozzi Bacci

I am / 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

- 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).

I (We) accept the fact that this representation letter and the terms used within are only a translation of the original German representation letter and that this representation letter is governed by the laws of the Republic of Austria.

Confirmed on behalf of Suzano Austria GmbH on September 17, 2018 , represented by

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 handled 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 installments and fee installments 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).
  - a) 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.

1(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 8 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.

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