Company Number: 04001406

FUTURAGENE LIMITED

Report & Accounts

For the year ended 31 December 2018

FUTURAGENE LIMITED

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FUTURAGENE LIMITED

DIRECTORS AND ADVISERS

Directors	Walter Schalka (Chairman) Stanley Hirsch (Chief Executive Officer) John Corre FCA (Chief Financial Officer)
Scientific Advisory Panel	Professor Marc Van Montagu (Chairman) Professor Oded Shoseyov *Shinitiro Oda* Dr Alan Gould
Statutory auditor	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
Solicitors	Fox Williams LLP 10 Finsbury Square London EC2A 1AF
Company number	04001406
Registered office	10 Finsbury Square London EC2A 1AF

FUTURAGENE LIMITED

STRATEGIC REPORT

The Directors present the strategic report for FuturaGene Limited for the year ended 31 December 2018.

PRINCIPAL ACTIVITY
The principal activity of the Company continues to act as the Holding Company for a Group which deals with the acquisition, development and commercialisation of intellectual property licensed from a number of universities and research institutes in the field of agricultural biotechnology.

BUSINESS REVIEW
The Company continued to expand its activities in the year under review, with subsidiary companies in Brazil and China both adding to their sphere of activities. In addition, major progress was made in the Regulatory and Public Affairs fields. Subsequent to the approval from CTNBio (the Brazilian regulatory authority) in April 2015 for the de-regulation of our main product (H421) in Brazil, the Company has continued to expand the field testing of the yield-enhanced eucalyptus in a graded and responsible manner. Because of issues with obtaining certification of Genetically Modified Organism ("GMO") products from the Forestry Stewardship Council (FSC), it is considered unlikely that there will be major commercial deployment of the product before 2023.

The results for the year, as in the prior year, are affected by significant forex profits (2017: losses) resulting from movements primarily in GDP and USD exchange rates and impairment charges in relation to investments in and receivables from subsidiary entities.

RESEARCH & DEVELOPMENT
The Company and the Company's subsidiaries continued to concentrate their research and development efforts in eucalyptus, which is the largest sustainable forest species for the pulp and paper industry.

PRINCIPAL RISKS AND UNCERTAINTIES
The principal risks and uncertainties relate primarily to the regulatory process carried out by our Brazilian subsidiary. In a similar fashion to the drug industry, which has to undertake extensive safety and efficacy testing in order to obtain regulatory clearance from national drug authorities, the deregulation of genetically modified plants and trees is a long process. Prior to any commercial sales, our biotechnology products are subject to a multi-year deregulation process. As mentioned above we received approval from CTNBio for de-regulation of our main product (H421) in Brazil, and this will allow us, in due course, and subject to certification from the FSC as mentioned above, to commercially deploy this product in Brazil. We have not yet applied for deregulation in any other country.

An additional uncertainty in the process of deregulation and commercial deployment of products such as the Company's, is contributed by the action of activist bodies (NGOs), who have in some jurisdictions taken arbitrary actions or resorted to the courts to delay deployment of genetically modified crops. Whilst the Company is setting in place the tools for dialogue with such bodies, the intended actions of such organisations and their consequences are unpredictable.

KEY PERFORMANCE INDICATORS
Because the Company does not yet have any significant turnover, and does not expect to have significant turnover over the next few years, the Directors have determined that the Key Performance Indicators should relate to the Company's progress in relation to the acceptance of GMO eucalyptus trees, and the continuing progress of the Gansu Yellowhorn project in China.

John Corre
Chief Financial Officer

.... 2019 10 June 2019

FUTURAGENE LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 2018.

GENERAL INFORMATION
FuturaGene Limited is a private limited company and is incorporated and domiciled in the UK. The Company's registered number is 04001406.

RESULTS AND DIVIDENDS
The loss on ordinary activities attributable to shareholders after taxation amounted to £12,192,000 (2017: £6,407,000). The Directors do not recommend payment of a dividend (2017: £nil).

DIRECTORS
The Directors who held office during the year are shown below.

Executive Directors
Stanley Hirsch
John Corre

Non-executive Director
Walter Schalka

SCIENTIFIC ADVISORY PANEL
FuturaGene Limited has formed a distinguished panel of scientific advisors who are internationally recognised for their expertise and invaluable contributions in plant biology, physiology and pathology as well as breeding agronomy and genomics. The members of the panel are shown below.

Professor Marc Van Montagu (Chairman)
Professor Oded Shoseyov
Shinitiro Oda
Dr. Alan Gould

EMPLOYEE INVOLVEMENT
The Directors recognise the importance of employee involvement established by good communications and working relationships. The decentralised nature of the Company's activities necessitates that the practical application of this policy is the responsibility of local management in a manner appropriate to their circumstances.

FINANCIAL RISK MANAGEMENT
The Company's activities expose it to a variety of financial risks. Note 14 details the business and foreign currency risks facing the Company and the Company's strategy for mitigating them.

EVENTS AFTER THE REPORTING PERIOD
Since the year end, the Ultimate Holding Company funded the Company with loan capital of $17 million *(approx. £14 million) which, together with bank balances held at 31 December 2018, covers anticipated* expenditure for the Company and its' subsidiaries for 2019. On 21 May 2019, the total loan received in 2019 of $17 million and the $1.1 million received during the year, currently held in creditors for £859,000, was converted to equity by way of share capital.

FUTURAGENE LIMITED

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant available information of which the Company's auditor was unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006.

AUDITOR

A resolution to re-appoint the auditor, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Approved by the board of Directors and signed on behalf of the board

John Corre
Chief Financial Officer
.........................2019 10 June 2019

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURAGENE LIMITED

OPINION

We have audited the financial statements of FuturaGene Limited (the Company') for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURAGENE LIMITED (CONTINUED)

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its' environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company, to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FUTURAGENE LIMITED (CONTINUED)

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Jacqueline Oakes
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 13 June 2019

The maintenance and integrity of the *www.futuragene.com* web site is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the accounts since they were initially presented on the web site

FUTURAGENE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Administrative expenses	2	**(15,037)**	(2,210)
Operating loss		**(15,037)**	(2,210)
Finance income	6	**36**	19
Foreign exchange profit(loss)		**2,809**	(4,216)
Loss before tax		**(12,192)**	(6,407)
Taxation	7	**-**	-
Loss for the year		**(12,192)**	(6,407)

There was no other comprehensive income (2017: £nil)

FUTURAGENE LIMITED

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained deficit £'000	Total equity £'000
At 1 January 2017	**574**	**81,765**	**2,415**	**2,450**	**(83,512)**	**3,692**
Total comprehensive income for the year	-	-	-	-	(6,407)	(6,407)
Share based payment	-	-	-	247	-	247
Shares issued	9	2,457	-	-	-	2,466
At 1 January 2018	**583**	**84,222**	**2,415**	**2,697**	**(89,919)**	**(2)**
Total comprehensive income for the year	-	-	-	-	(12,192)	(12,192)
Share based payment	-	-	-	(39)	-	(39)
Shares issued	59	11,748	-	-	-	11,807
At 31 December 2018	**642**	**95,970**	**2,415**	**2,658**	**(102,111)**	**(426)**

FUTURAGENE LIMITED

STATEMENT OF FINANCIAL POSITION
at 31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Current assets			
Trade and other receivables	11	**3**	-
Cash and cash equivalents		**478**	83
		481	83
Total assets		**481**	83
LIABILITIES			
Current liabilities			
Trade and other payables	12	**(907)**	(85)
			(85)
Net current liabilities		**(426)**	(2)
Net liabilities		**(426)**	(2)
EQUITY			
Share capital	13	**642**	583
Share premium account	16	**95,970**	84,222
Share option reserve	5	**2,658**	2,697
Capital redemption reserve	16	**2,415**	2,415
Retained deficit	16	**(102,111)**	(89,919)
Total equity		**(426)**	(2)

The financial statements were approved by the Board of Directors on ...10 June... 2019 and were signed on its behalf by

Stanley Hirsch
Director

John Corre
Director

Company No. 04001406

FUTURAGENE LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Net cash used in operating activities	(7,577)	(5,155)
Investing activities		
Investment in subsidiaries	(4,730)	(1,035)
Interest received	36	19
Net cash used in investing activities	(4,694)	(1,016)
Financing Activities		
New loans	859	-
Proceeds on issue of shares	11,807	2,466
Net cash generated from financing activities	12,666	2,466
Net increase/(decrease) in cash and cash equivalents	395	(3,705)
Cash and cash equivalents at beginning of year	83	3,788
Cash and cash equivalents at end of year	478	83

FUTURAGENE LIMITED
STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

NOTES TO THE STATEMENT OF CASHFLOWS

Reconciliation of net loss to net cash used in operating activities

	2018	2017
	£'000	£'000
Loss before tax	(12,192)	(6,407)
Interest received	(36)	(19)
Impairment of intercompany loans	9,743	777
Impairment of investments	4,730	1,035
Share based payment (credit)/expense	(39)	247
Increase in trade and other receivables	(9,746)	(776)
Decrease in trade and other payables	(37)	(12)
Cash flows used in operating activities	(7,577)	(5,155)

Reconciliation of liabilities arising from financing activities

	2017	Cash Flows	2018
	£'000	£'000	£'000
Due to Suzano Trading Ltd	-	859	859
	2016	**Cash flows**	**2017**
	£'000	**£'000**	**£'000**
Due to Suzano Trading Ltd	-	-	-

FUTURAGENE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2018

1. ACCOUNTING POLICIES

1.1. Basis of accounting

FuturaGene Limited is a private limited company, limited by shares, incorporated in England and Wales. The address of the registered office is 10 Finsbury Square, London, EC2A 1AF.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the EU.

A summary of the more important Company accounting policies is given below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2. Going concern

The Company made a loss for the year of £12.2m and had net current liabilities of £0.4m. The Directors have prepared forecasts for at least twelve months from the date of approval of the financial statements. The forecasts show that the Company is reliant on the financial support of the Ultimate Holding Company. Since the year end, the Ultimate Holding Company funded the Company with loan capital of $17 million (approx. £14 million) which, together with bank balances held at 31 December 2018, covers anticipated expenditure for the Company and its' subsidiaries for 2019. On 21 May 2019, the total loan received in 2019 of $17 million and the $1.1 million received during the year, currently held in creditors for £859,000, was converted to equity by way of share capital. The Intermediate Holding Company, Suzano Trading Limited, has provided a letter of support to the Company. The Directors have reasonable expectation that the Company has adequate resources and support of the Ultimate Holding Company to continue in operational existence for the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing its consolidated financial statements.

1.3. New standards and interpretations

New and amended standards adopted by the Company

The Company has adopted "IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" for the first time this period. However, they have not materially impacted the annual financial statements of the Company.

New standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company or Company's accounting periods beginning after 1 January 2019 or later periods and have not been early adopted.

- IFRS 16: Leases

The Company does not currently have any lease arrangements and therefore the application of this standard is not expected to have any impact.

1. ACCOUNTING POLICIES (continued)

1.4. Basis of preparation and consolidation

The preparation of financial statement in conformity with IFRS required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher amount of judgement or complexity, or areas where assumption and estimates are significant to the financial statements are disclosed in note 1.5.

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

These financial statements have been prepared under the historical cost convention.

1.5. Critical accounting judgments and key sources of estimation uncertainty

To be able to prepare accounts according to generally accepted accounting principles, management and the Board of Directors must make estimates and assumptions that affect the asset and liability items and revenue and expense items recorded in the final accounts as well as other information. There were no critical accounting judgements in the year. Key sources of estimation uncertainty are set out below.

Share-based payments

In determining the fair value of equity-settled share-based payments and the related charge to the income statement, the Company makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Company's employee turnover, the timing with which options will be exercised and the future volatility in the price of the Company's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Company could materially affect the reported value of share-based payments.

Impairment of investments in subsidiaries and amounts owned by subsidiary undertakings

Determining whether the Company's investments in subsidiaries and amounts owed by subsidiary undertakings are impaired requires judgement and estimation. Management have reviewed the performance of each subsidiary and their net assets at the balance sheet date. Given the uncertainties over future cash inflows to all subsidiaries, management have fully impaired all their investments and amounts owed by subsidiary undertakings. As at 31 December 2018 the carrying value of investments was £nil (2017: £nil) after impairment provision of £4,730,000 (20017: £1,035,000). As at 31 December 2018 the amounts owed by subsidiary undertakings of £54,759,000 (2017: £45,087,000) has been fully impaired.

1.6. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Pounds Sterling which is the Company's functional and presentation currency.

1. ACCOUNTING POLICIES (continued)

1.6 Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange-rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Unsettled intercompany loans made by one Company member to another in a currency that is different from the borrower's functional currency are recorded at the rate of exchange ruling at the date the loan is made. At each balance sheet date thereafter, until it is repaid, the loan is translated at the closing rate and any exchange difference reported in the borrower's income statement.

Unsettled intercompany loans made by one Company member to another in a currency that is different from the lender and borrower's functional currency are recorded at the rate of exchange ruling at the date the loan is made. At each balance sheet date thereafter, until it is repaid, the loan is translated at the closing rate and any exchange differences reported in the borrower's and lender's income statements respectively.

1.7. Taxation

The tax expense represents the sum of the tax currently payable. The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

1.8. Investments

Investments in subsidiaries are stated at cost less any provision for impairment.

1.9. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. The carrying value of capitalised goodwill is reviewed if events or changes in circumstances indicate a potential impairment. Any impairment is charged to the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.10. Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying value may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

1. ACCOUNTING POLICIES (continued)

1.11. Share-based compensation

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the income statement.

Equity settled

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non-market based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the income statement, with a corresponding adjustment to equity. Fair value is measured by the use of a Black Sholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

When share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium account.

Cash settled

For cash-settled share-based payment transactions, the Company measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Company re-measures the fair value of the liability at each reporting date and the date of settlement with any changes in fair value recognised in the income statement.

1.12. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short term bank deposits that are not restricted as to withdrawal or use, less overdrafts repayable on demand.

1.13. Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14. Trade and other receivables

Trade and other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

1.15. Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1. ACCOUNTING POLICIES (continued)

1.15. Financial liabilities and equity (continued)

Interest bearing bank loans, overdrafts and other loans are initially recorded at fair value, which is ordinarily equal to the proceeds received net of transaction costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. EXPENSES BY NATURE

	2018 £'000	2017 £'000
Scientific Advisory Panel	**15**	20
Research and development expenditure (3rd party)	**5**	-
Directors Fees	**54**	11
Impairment expense	**14,402**	1,664
Legal & Professional fees	**3**	3
Audit & Tax Fees	**28**	30
Patent costs	**43**	18
Travel and motor expenses	**2**	4
Consultancy fees	**467**	152
Share based payment (credit)/expense	**(6)**	247
Telephone and post	**2**	2
Sponsorship & Subscriptions	**14**	43
Other	**8**	16
	15,037	2,210

Management has determined the operating segments by considering the segment information that is reported internally to the chief operating decision-maker, the Board of Directors. For management purposes, the Company is currently organised into one operating division. The division is the operating segment for which the Company reports its segment information internally to the Board of Directors.

3. SERVICES PROVIDED BY THE COMPANY'S AUDITOR

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for the audit of the Company annual financial statements	**21**	25
Fees payable to the Company's auditor and its associates for other services to the Company:		
Tax compliance services	**6**	6
Total	**27**	31

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

4. DIRECTORS' REMUNERATION

The Company's policy is to set the remuneration of senior executives (including executive Directors) at a level to attract and retain executives of appropriate ability, experience and integrity to manage the affairs of the Company and for this to be reviewed annually. Directors' emoluments (including non-executive Directors) are as follows:

	2018 £'000	2017 £'000
Sums paid to third parties for Directors' services	54	11
	54	11
Remuneration of highest paid director:		
Sums paid to third parties for Director's services	54	11
	54	11

The gain on exercise of Directors' share options was £186,000 (2017: £ NIL).

The highest paid Director exercised 165,541 share options in the year (2017: NIL). The gain on exercise was £124,000 (2017: £NIL).

In June 2012, the Company set up the FuturaGene Limited Share Option Scheme 2012 ("the Scheme") (see Note 6 below). Directors have been granted options as follows:

	No. of Options outstanding	% of Issued Capital	Date from which exercisable	Expiry date
Stanley Hirsch	1,341,522	1.045%	Immediately prior to Triggering Event	10th anniversary of grant date
John Corre	670,761	0.522%	Immediately prior to Triggering Event	10th anniversary of grant date

Details of the Triggering Event are provided below.

In June 2012, the Company set up the FuturaGene Limited Share Option Scheme 2012 ("the Scheme"). Options at a price of $1.59 (approx. £1) have been granted to a total of 25 Directors, senior employees, consultants and members of the Scientific Advisory Board. Under the Scheme, a maximum of 10% of the Company's Issued Share Capital may be granted to employees of the Company and members of the Scientific Advisory Panel. The Scheme has a "non-dilution" provision, whereby, if the Company issues any new shares further employee options will be granted so that the total amount of options does not fall below 10% of the Issued Share Capital. This "non-dilution" provision applies only while the total investment by the Suzano Company and others is less than $220 million.

5. SHARE-BASED PAYMENTS

	2018 Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	5,066,182	£1
Granted during the year	92,938	£1
Forfeited during the year	(56,257)	£1
Exercised during the year	(633,271)	£1
Outstanding at the end of the year	4,469,592	£1
Exercisable at the end of the year	-	-

	2017 Number of share options	Weighted average exercise price
Outstanding at the beginning of the year	5,176,838	£1
Forfeited during the year	(110,656)	£1
Outstanding at the end of the year	5,066,182	£1
Exercisable at the end of the year	-	£1

The options will vest and become exercisable as follows:

- 33% of the Options vested and became exercisable on 5 February 2016
- 12% of the Options shall vest and become exercisable on 1 January 2018 unless a Qualifying IPO occurs prior to such date
- The remaining options shall vest and become exercisable by reference to the first to occur (only) of a Commercial Use Event and a Qualifying IPO as follows:
  - where a Qualifying IPO occurs prior to 1 January 2018, 27% of the Options granted under this Option Deed shall vest and become exercisable immediately prior to the occurrence of the Qualifying IPO; or
  - where a Qualifying IPO occurs after 1 January 2018 or where a Commercial Use Event occurs after 1 January 2019, 15% of the Options granted under this Option Deed shall vest and become exercisable immediately (i) prior to the occurrence of the Qualifying IPO, or (ii) upon the Commercial Use Event;
  - 13.33% of the Options granted under this Option Deed shall vest and become exercisable on the first anniversary of the Qualifying IPO or Commercial Use Event;
  - 13.33% of the Options under this Option Deed shall vest and become exercisable on the second anniversary of the Qualifying IPO or Commercial Use Event; and
  - 13.34% of the Options under this Option Deed shall vest and become exercisable on the third anniversary of the Qualifying IPO or Commercial Use Event.
- In the event of a sale:
  - 50% of the Options that are not already vested at such time shall vest and become exercisable upon the occurrence of a Sale; and
  - 50% of the Options that are not already vested at such time shall vest and become exercisable on the first anniversary of the Sale,
  (If Sale occurs after a Commercial Use Event or Qualifying IPO, then this paragraph takes precedence for the vesting dates)

The options outstanding at 31 December 2018 had a weighted average remaining contractual life of 5.2 years (2017: 5.9 years). During the year ended 31 December 2018, 92,938 options were granted (2017: No options granted). The estimated fair value of the options granted in 2018 is £34,971. Options granted to consultants have been valued indirectly at the fair value of the instruments granted.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

5. SHARE-BASED PAYMENTS (continued)

The value of the options is measured by the use of a Black Sholes model. The inputs into the model were as follows:

	Granted 23 January 2018	Granted 27 January 2016
Share price at grant date	£1.22 ($1.59)	£1 ($1.59)
Exercise price	£1.22 ($1.59)	£1 ($1.59)
Volatility	40% 41% 41% 33% 35% & 37%	40% 41% 41% 33% & 35%
Expected life	5 years	5 years
Risk free rate	0.63% 0.72% 0.80% 1.66% 0.97% & 0.632%	0.63% 0.72% 0.80% 1.66% & 0.97%
Expected dividend yield	0.0%	0.0%

Expected volatility was determined by calculating the historical volatility of comparable Companies' share prices over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Company recognised a total credit of £6,000 related to equity-settled share-based payment transactions in the current year (2017:expense £247,000).

6. FINANCE COSTS AND FINANCE INCOME

	2018 £'000	2017 £'000
Bank interest receivable	36	19
	36	19

7. INCOME TAX

	2018 £'000	2017 £'000
Current tax on income for the period	-	-

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	(12,192)	(6,407)
Current tax at 19% (2017: 19%)	(2,316)	(1,217)
Effects of:		
Non-deductible expenses	2,743	1,135
Income not taxable for tax purposes	(8)	-
Deferred tax not recognised	419	82
Total tax charge	-	-

At 31 December 2018 the Company had net losses to carry forward of approximately £4.2 million (2017: £3.6 million). The deferred tax asset on these tax losses of £0.7 million (2017: £0.6 million) has not been recognised due to uncertainty of recovery.

8. GOODWILL

Company

	£'000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	11,212
Aggregate Impairment	
At 1 January 2017, 31 December 2017 and 31 December 2018	(11,212)
Net Book Amount	
At 31 December 2017 and 31 December 2018	-

Goodwill carried represents the goodwill acquired on the acquisition of FuturaGene Inc. and residual excess cost over the fair values of the net assets acquired on the acquisitions of FuturaGene Delaware Inc. and FuturaGene Hong Kong Limited.

Impairment test for goodwill

In view of the uncertainty of timing of achievement, where relevant, of long-term milestones and both the timing and quantum of future cash flows together with the absence of comparable market or cost data, the carrying values in respect of acquisitions were unable to support calculations applied under IFRS and IAS rules and have therefore been written off to the consolidated income statement in the relevant periods. In practice little has changed since the dates of the acquisitions and the Directors continue to believe that the acquisitions represented worthwhile opportunities.

9. INTANGIBLE ASSETS

Company	**Customer contract £'000**	**Intellectual property £'000**	**Total £'000**
Cost			
At 1 January 2017, 31 December 2017 and 31 December 2018	1,500	750	2,250
Aggregate impairment			
At 1 January 2017, 31 December 2017 and 31 December 2018	(1,500)	(750)	(2,250)
Net book amount			
At 31 December 2017 and 31 December 2018	-	-	-

10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Total £'000
Cost	
At 1 January 2017	37,480
Additions	1,035
31 December 2017	38,515
Additions	4,730
At 31 December 2018	**43,245**
Provision for impairment	
At 1 January 2017	37,480
Impairment	1,035
31 December 2017	38,515
Impairment	4,730
At 31 December 2018	**43,245**
Net book value at 31 December 2018	**-**
Net book value at 31 December 2017	-

The investments in subsidiary undertakings held by the Company at 31 December 2018 were as follows:

	Principal place of business and country of incorporation	% holding	Registered office
FuturaGene Inc.	USA	100	415 Columbia St, Ste 2000 PO Box 970 Lafayette IN 47902-0970 USA
FuturaGene Delaware Inc.	USA	100	470 Atlantic Avenue, 4th floor, Boston, MA 02210 USA
FuturaGene Israel Limited	Israel	100	P.O. Box 199, 2 Pekeris Street, Rehovot, Israel
FuturaGene Brasil Tecnologia Limited	Brazil	100	Avenida Brigadeiro Faria Lima, 1355 – 7th floor, City and State of São Paulo, Brazil, 01452-919

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

	Principal place of business and country of incorporation	% holding	Registered office
FuturaGene Hong Kong Limited	Hong Kong	100	Room 601, 6/F., Kimberley House, 35 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong
FuturaGene Biotechnology (Shanghai),Co. Limited	China	100	Building 5, 4th Floor Juke Biotechnology Sciences Park 333 Guiping Road, Xuhui District Shanghai 200233, China
FuturaGene AgriDev (Xinjiang) Limited	China	100	Building 5, 4th Floor Juke Biotechnology Sciences Park 333 Guiping Road, Xuhui District Shanghai 200233, China
Gansu FuturaGene Biotech Co. Ltd	China	100	Building 5, 4th Floor Juke Biotechnology Sciences Park 333 Guiping Road, Xuhui District Shanghai 200233, China

The shares in FuturaGene Israel limited are held by FuturaGene Delaware Inc. The shares in FuturaGene AgriDev (Xinjiang) Limited and Gansu FuturaGene Biotech Co. Ltd are held by FuturaGene Hong Kong Limited.

All subsidiaries have the same principal activity.

There are restrictions in both China and Brazil regarding the remittance of funds back to the Company.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	£'000	£'000
Due within one year		
Other receivables	**3**	-
	3	-

Amounts owed by subsidiary undertakings are stated net of provisions of £54,759,000 (2017: £45,087,000); this equates to a movement of £9,672,000 (2017: £777,000) which has been charged to the Company's statement of comprehensive income.

Trade receivables are non-interest bearing and generally have a 30-90 day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation to their fair value.

12. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Falling due within one year		
Due to Suzano Trading Ltd	**859**	-
Accruals and deferred income	**48**	85
	907	85

All financial liabilities are measured at amortised cost. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms

The directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

13. CALLED UP EQUITY SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised	**2,000**	2,000

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
128,375,341 *(2017: 116,682,847) ordinary shares of £0.005 each*	**642**	583

The movement on Share Capital in the year to 31 December 2018 is made up as follows:

	Ordinary shares of £0.005 each
Issued Share Capital at 1 January 2018	116,682,847
On 23 January 2018 11,692,494 shares were issued at £1 each	11,692,494
Total Issued Share Capital at 31 December 2018	**128,375,341**

14. FINANCIAL INSTRUMENTS

Financial risk management

The Company's financial instruments comprise cash, receivables, and payables arising directly from the operations of the Company and loan balances. The main risks arising from the Company's financial instruments are interest rate risk and foreign currency risk.

The Company centrally manages borrowings, investment or surplus funds and financial risks, including foreign exchange risks. The objective of holding financial instruments is to provide efficient cash and tax management and effective funding for the Company. The Company's financial instruments comprise cash along with various items, such as trade creditors. It is and continues to be the Company's policy that no speculative trading in derivatives shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk and interest rate risk.

Liquidity risk
The Company finances its subsidiaries operations by way of loans. The Company has continued with its policy of ensuring that there are sufficient funds to meet the expected funding requirements of the Company's operations and investment opportunities. The Company has continued to monitor its liquidity position through budgetary procedures and cash flow analysis.

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Company has investment in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. These risks are regularly monitored by the Board.

Interest rate risk
Interest income arises from investment of cash and short-term deposits held by the Company. Interest rate risk is managed by monitoring market rates to ensure that optimal returns are achieved.

Credit risk
The Company has no significant concentrations of credit risk.

The carrying value of all the Company's financial assets approximates fair value and they are classified as loans and receivables, being the total of cash and cash equivalents and trade and other receivables.

The carrying value of all the Company's financial liabilities approximates fair value and they are classified as trade and other payables.

Foreign currency exposure
The Company's principal exposure to exchange rate fluctuations arises on the translation of loan balances into Sterling for accounting purposes. Cash balances are held primarily in sterling and dollars and are used to defray expenditure incurred and to be incurred in these currencies. Exchange differences arise on conversion of the dollar balances into sterling for accounting purposes. The Board continues to monitor the position.

At 31 December 2018 a strengthening or weakening of sterling against the dollar by 5% with all other variables held constant would respectively have reduced or increased reported cash balances and profit & loss account by less than £23,000 (2017: Less than £1,000).

14. FINANCIAL INSTRUMENTS (continued)

Interest rate risk
The Company's interest bearing assets comprise only cash and cash equivalents which earn interest at a variable rate.

At 31 December 2018 a change of 1% in interest rates would increase/decrease interest received and cash balances by £ less than £1,000 (2017: Less than £1,000).

Credit risk
At the year end the Company had trade debtors of £nil (2017: £Nil)

During the year the Company used only commercial banks and no credit limits were exceeded as no overdraft facilities are in place. Therefore, the Company's' exposure to credit risk relates to the carrying value of cash and cash equivalents and trade and other receivables, being £481,000 (2017: £83,000).

Liquidity risk
The Company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure it has sufficient available funds for operations and planned expansions. The Company monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

Capital risk management
The Company's objectives when managing capital (share capital plus reserves) are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

At the year end, the capital available to the Company is negative £481,000 (2017: negative £2,000).

15. RELATED PARTY TRANSACTIONS

During the year the Company increased its investment in its subsidiaries by £4,730,000 (2017: £1,035,000). The amounts have been fully impaired.

Payments by the Company to its subsidiaries during the year as working capital amounted to £9,672,000 (2017: £777,000).

Intercompany balances owing to FuturaGene Limited at 31 December 2018 amounted to £54,759,000 (2017: £45,087,000). All amounts outstanding have been fully impaired.

During the year, the Company charged £53,395 (2017: £10,976) to the income statement in respect of consultancy services provided by British Israel Investments Limited. Mr. J Corre, who is a director of the Company, is also a director of British Israel Investments Limited. At the year-end £nil (2017: £nil) remained outstanding.

During the year Suzano Group loaned the Company £859,000 (2017: £NIL). At the year end the Company owed Suzano Company £859,000 (2017: £NIL). The loan consists of two tranches, £468,000 maturing 22 January 2019 and $391,000 maturing 7 March 2019, both at 0% interest.

15. RELATED PARTY TRANSACTIONS (continued)

Remuneration of key management personnel
The Directors of the Company are also considered to be key management personnel, being persons responsible for the planning, controlling and directing the activities as defined in IAS 24 related party disclosures. There are no other individuals that are considered to be key management personnel.

	2018	2017
	£'000	£'000
Short-term employee benefits	**54**	11
Other long-term benefits	**-**	-
Share-based payments	**(6)**	247
	48	258

16. EQUITY RESERVES

The nature and purpose of each equity reserve in the Statement of Financial Position is as follows:

a. **Share capital**

This represents the nominal value of the equity shares.

b. **Share premium**

This represents the excess over nominal value of the fair value of the consideration received for equity shares.

c. **Capital redemption reserve**

In accordance with s733 of the Companies Act 2006, this reserve arose as a result of the purchase of its own shares by the Company out of the Company's profits.

d. **Foreign exchange reserve**

This reserve relates to the fact that the Company has subsidiaries which report in currencies other than sterling, and the resulting fluctuation in exchange rates.

e. **Share option reserve**

This reserve relates to the fair value of the options granted which has been charged to the income statement over the vesting period of the options and related taxation recognised in equity.

f. **Retained deficit**

This represents accumulated losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2018

17. CONTROL

The Ultimate Holding Company of FuturaGene Limited and the entity which includes FuturaGene Limited and its subsidiaries in its consolidated financial statements is Suzano Papel e Celulose SA, a company based in Sao Paulo, Brazil, which is involved in the production and distribution of pulp and paper products. The address of Suzano Papel e Celulose SA where the accounts are publicly available is R. João Cordeiro, 281, Turmalina - MG, 39660-000, Brazil.

18. EVENTS AFTER THE REPORTING PERIOD

Since the year end, the Ultimate Holding Company funded the Company with loan capital of $17 million (approx. £14 million) which, together with bank balances held at 31 December 2018, covers anticipated expenditure for the Company and its' subsidiaries for 2019. On 21 May 2019, the total loan received in 2019 of $17 million and the $1.1 million received during the year, currently held in creditors for £859,000, was converted to equity by way of share capital.

Suzano Papel e Celulose S.A.

Financial Statements of
December 31, 2018 and independent auditor's
report on the parent company and
consolidated financial statements.

suzano

MANAGEMENT REPORT

MESSAGE FROM MANAGEMENT

The year 2018 represents an important milestone in the history of Suzano, the company resulting from the integration between Suzano Pulp & Paper and Fibria Celulose. Concluded on January 14, 2019, the combination of two successful and globally relevant companies effectively creates opportunities to build a future with even greater capacity to create value and to share these accomplishments with all our related parties.

The combination, announced in March 2018, became part of the organization's day-to-day routine throughout the year. The process of approval by the shareholders of both companies and by local and international regulatory agencies began soon after the announcement and was concluded in late November 2018, which enabled the combination of shareholdings to be consummated in January 2019.

Meanwhile, the company's team and structure were being prepared for this new phase. Internal processes and controls are being adjusted to comply with the Sarbanes-Oxley Act (SOX) since our ADSs would be traded on the New York Stock Exchange (NYSE), which was another important milestone for the company.

The efforts to prepare the new company were made in parallel with various challenges and accomplishments. The year 2018 was marked by high volatility in the local exchange rate and a positive scenario for pulp prices in international markets, despite the uncertainty regarding the recovery of the Brazilian economy and the worsening of this situation by the nationwide truck drivers' strike in May.

Even before this scenario, Suzano remained focused on its strategy and on delivering robust results. This effort was recognized by the market with the various accolades garnered by Suzano, such as Valor Company 2018, the highest honor conferred by the newspaper Valor Econômico, as well as figuring on the lists of the Best Companies to Work For and Best Companies for Launching a Career, both from the magazine Você S/A, and of the world's best employers, based on the survey Global 2000 – World's Best Employers conducted by Forbes magazine.

There were many other achievements. Over the last year, for example, Suzano concluded the acquisition of Facepa and invested over R$1 billion in the acquisition of approximately 30,000 hectares of land and forests in São Paulo state. The company was the winner of the auction of ports in Maranhão state, announced the sanitary paper brands Mimmo® and Max Pure®, and launched Bluecup® and Bluecup Bio®, the first paperboard for cups that is 100% biodegradable and compostable, made from renewable resources and produced in Brazil.

Suzano also delivered record-high Adjusted EBITDA (R$6.8 billion) and Operational Cash Generation (R$5.4 billion) in 2018, and created an effective funding structure to support the merger with Fibria that involved issuing bonds, debentures, export credit notes and farm product bonds. On January 14, 2019, the merger was concluded with the payment of R$27.8

billion to the shareholders of Fibria, which became shareholders of Suzano with the conversion of one (1) Fibria share into 0.4613 Suzano share plus a cash portion of R$50.20.

With the combination of the two companies, Suzano is transformed into an even more competitive and robust company for making investments that improve its services and for blazing new paths based on the sustainable use of natural resources. Always caring for the environment and for people, the company is aware that the size of its responsibility is proportional to its geographic footprint and to the scale of its operations as the world's leading producer of eucalyptus pulp and Latin America's leading producer of printing & writing paper.

Suzano now embarks on its journey to build a better future, for which it relies on its more than 37,000 direct and indirect employees, who are people that inspire and transform each day and, like the entire organization, understand that it's only good for Suzano if it's good for the world.

This new phase begins with the company's drive to always be at the forefront and to adopt Innovation as a path for building and sharing its achievements, always with an eye on long-term goals and on the organization's perpetuity. In the short term, capturing synergies will be an important source of creating value to be shared among all stakeholders.

The Management.

OVERVIEW

Suzano's nearly centennial history has been marked by constant transformation, pioneering actions and innovation. Its product portfolio includes coated and uncoated printing and writing paper, paperboard, tissue paper, market pulp and fluff pulp.

With operations in more than 80 countries and annual production capacity of 3.6 million tons of pulp and 1.4 million tons of paper, Suzano always strives to find a different way to do better.

Suzano's management model drives growth based on meritocracy, a long-term vision and a firm commitment to all stakeholders, always underpinned by social and environmental responsibility.

INNOVATION

With 95 years of history, Suzano is a bio-based company that uses renewable resources to make pulp and paper from eucalyptus forests planted specifically for such purpose, serving companies around the world with a comprehensive and diversified portfolio.

Seeking to innovate, break paradigms and creating value sustainably, Suzano invests in adjacent businesses based on the use of renewable raw materials and biotechnology: fluff pulp, which is used to make diapers and sanitary napkins; lignin, in a move towards the biorefinery concept; and tissue, with the construction of two units to produce paper reels for conversion into tissue paper.

FORESTRY BUSINESS UNIT

Suzano's forestry assets were spread across eight Brazilian states, each with a different climate, soil type and genetic heritage. This complexity of scenarios requires a high-level of forestry management with a permanent focus on sustainability and reducing costs. And that is precisely what the Company has been doing, by constantly improving its forestry processes, seeking new technologies and better management practices. In addition, Suzano's commitment to sustainable stewardship and to the environment enables it to hold rigorous international certifications that attest to the world-class practices it adopts.

Important advances were made in reducing forest formation cost and wood cash cost, which is fundamental for an industry based on planted eucalyptus forests. Mechanizing and automating the silviculture operations, capturing productivity gains, shortening the average supply radius and optimizing the wood supply mix were some of the initiatives adopted to further improve the Company's Structural Competitiveness. New lease agreements in the states of São Paulo and Maranhão are some examples of the strategy to substitute distant areas with cultivation zones that are more productive and located closer to mills, which reduces the average supply radius and makes the operations even more competitive.

The ongoing Silviculture Structural Competitiveness Program (CESI) has been able to reduce costs in all forest formation activities by mechanizing and automating agricultural operations. The adoption of precision silviculture in certain activities has brought significant results in recent quarters. The main improvements include auto-piloted tillage activities and georeferenced planting, which ensures precisely parallel planting rows and consequently optimizes soil use.

Other highlights in the year were the investments made in the nursery in Alambari, São Paulo to automate seedling selection, and the development of the mechanized continuous planter, with a focus on uniform plantations and boosting yields.

With an eye on the long term, Suzano has dedicated efforts to increasing productivity, which has positive impacts on its own wood production costs and on total planted area. Genetic enhancement and biotechnology played key roles in leveraging gains in forestry yields. In addition to genetic enhancement, forestry technology also has created the pillars for accelerating the productivity program by creating natural management units and implementing ecophysiological modelling.

PULP BUSINESS UNIT

In 2018, pulp demand continued to grow, although at a slightly slower pace compared to previous years, mainly due to the challenges faced by the industry in the fourth quarter. Following the trend of prior periods, growth was driven by demand for eucalyptus pulp, which, given its higher supply, gained market share at the expense of other fibers. In terms of supply, it is estimated that, in 2018, approximately 1.5 million tons were eliminated from the market due to unexpected events related to technical problems and weather issues.

The favorable supply and demand balance supported the implementation of solid price increases throughout the year, which, coupled with the strong USD, led to record-high revenue in the pulp business in 2018, despite the decision to build inventories and the challenges in the fourth quarter.

Suzano's volumes in 2018 amounted to production of 3.5 million tons (-1.1% vs. 2017) and sales of 3.2 million tons (-10.8% vs. 2017). The lower sales are explained by the rebuilding of inventories after months operating at below normal levels and by the scenario in the Chinese market in November and December.

In 2018, net revenue from Suzano's pulp sales amounted to R$8.8 billion, advancing 27.4% on 2017, supported by higher international pulp prices and the weaker BRL. Net revenue from pulp exports in 2018 came to R$8.0 billion, up 28.2% from the previous year. The share of pulp revenue derived from exports was 91.5%, while the domestic market accounted for 8.5%. Suzano's revenue from pulp sales was distributed as follows in 2018: 44% from Asia, 32% from Europe, 15% from North America and 0.6% from Latin America. With regard to distribution for final applications, 63% of pulp sales were allocated to the production of paper for sanitary purposes, 13% for printing and writing papers, 15% for special papers and 8% for packaging.

The average net pulp sales price in 2018 was US$745/ton, increasing 24.6% from 2017. In BRL, the average net price was 2,722/ton, or 42.7% higher than in 2017. Pulp cash cost ex-downtime was under R$630/ton, 4.8% higher than in the previous year, mainly due to higher input prices.

PAPER BUSINESS UNIT

According to the Forestry Industry Association (Ibá), domestic sales of printing & writing paper and paperboard advanced 1.0% in 2018 compared to 2017, while imports decreased 14.2%.

Suzano's paper production reached 1.3 million tons, 9.4% more than in 2017. The variation is explained by the higher tissue production and by the higher industrial productivity of other paper products. Paper sales volume stood at 1.3 million tons in 2018, up 6.2% from 2017. Domestic sales amounted to 878,000 tons in 2018, increasing 8.9% from the previous year, while paper exports amounted to 376,000 tons, up 0.4% from 2017.

In 2018, Suzano's net revenue from paper sales was R$4.7 billion, increasing 28.2% on the prior year. Of this revenue, 70.9% came from domestic sales and 29.1% from exports. The share of Suzano's total revenue from paper sales in 2018 was 88% from South and Central America (including Brazil), 5% from North America, 5% from Europe and 3% from other regions. Net revenue from the domestic market grew 28.6% compared to 2017, influenced by both business units, consumer goods and paper. Net revenue from exports advanced 27.3% on 2017, leveraged by the higher international paper price.

The average net paper price in 2018 was R$3,712/ton, 20.7% higher than in 2017. In the domestic market, the average net paper price was R$3,759/ton, increasing 18.1% in relation to 2017. In the international market, the average price was US$986/ton, up 10.8% from 2017. In Brazilian real, the average price in the international market was R$3,602/ton, 26.9% higher than in 2017.

ECONOMIC AND FINANCIAL PERFORMANCE

Results

The consolidated financial statements were prepared and are presented in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil (BR GAAP), including the pronouncements issued by the Accounting Pronouncements Committee (CPC).

Net Revenue

The Company's net revenue in 2018 amounted to R$13.4 billion, advancing 27.7% from R$10.5 billion in 2017, supported by the higher hardwood pulp list price (average FOEX in Europe in the year of US$1,037 vs. US$819 in 2017), by higher paper prices in the domestic and export markets and by exchange variation in the period.

Cost of Goods Sold (COGS)

Cost of goods sold in 2018 amounted to R$6.9 billion, increasing 7.3% from R$6.4 billion in 2017. Unit COGS in 2018 was R$1,544/ton, compared to R$1,345/ton in 2017.

Gross Profit

As a result of the aforementioned factors, gross profit in 2018 amounted to R$6.5 billion, increasing 60.1% from R$4.1 billion in 2017.

Selling and Administrative Expenses

Selling expenses amounted to R$598.7 million in 2018, up 39.0% from R$430.8 million in 2017. As a ratio of net revenue, selling expenses stood at 4.5%.

Administrative expenses amounted to R$825.2 million in 2018, up 56.0% from R$529.0 million in 2017, due to higher expenses with variable compensation. As a ratio of net revenue, administrative expenses stood at 6.1%.

Other Operating Income/Expenses

Other operating expenses, net came to R$96.9 million in 2018, affected primarily by the adjustment to fair value of biological assets, which amounted to R$129.2 million (non-cash).

Adjusted EBITDA

Cash generation, as measured by EBITDA adjusted for non-recurring items, amounted to R$6.8 billion in 2018, up 47.7% from 2017. The growth in Adjusted EBITDA reflects the higher pulp list price, the weaker BRL and the higher paper price in domestic and export markets. Adjusted EBITDA per ton was R$1,521.2/ton in 2018, up 58.1% from the prior year.

Net Financial Result

The net financial result was a loss of R$4.8 billion in 2018, compared to the net financial loss of R$1.0 billion in 2017. The result mainly reflects inflation adjustment, exchange variation and the gain/loss from derivatives.

Inflation adjustment and exchange variation generated a negative impact on the result for 2018 of R$1.1 billion, compared to the negative impact of R$179.4 million in 2017. 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. Derivate operations recorded a loss of R$2.7 billion in 2018, compared to a gain of R$73.3 million in 2017.

The net financial expense stood at R$1.0 billion, up 14.0% from 2017, driving by all the expenses with financing the business combination with Fibria.

Income Tax and Social Contribution

Income tax and social contribution in fiscal year 2018 amounted to R$155.2 million, compared to R$431.6 million in 2017.

In 2018, the Company disbursed R$248 million for tax payments. The amount is lower than that reported in the financial statements, due to tax benefits enjoyed by the Company.

Net Income (Loss)

Due to the aforementioned factors, the Company recorded net income of R$318.5 million in 2018, compared to net income of R$1.8 billion in 2017.

Indebtedness

Gross debt on December 31, 2018 amounted to R$35.7 billion, composed of 90.4% long-term maturities and 9.6% short-term maturities. Debt denominated in foreign currency accounted for 73.8% of the Company's total debt, while debt denominated in local currency accounted for the remaining 26.2%. The percentage of gross debt denominated in foreign currency, considering the effect from debt hedge, was 98.3%.

Suzano contracts foreign-denominated debt as a natural hedge, since a significant portion of its revenue is derived from exports. This structural exposure allows it to contract export financing in USD to match financing payments with receivable flows from sales.

In 2018, the average cost of debt in Brazilian real was 7.0% p.a. or 109.3% of CDI, and in U.S. dollar was 5.0% p.a. The average term of consolidated debt ended the year at 92 months.

On December 31, 2018, net debt amounted to R$10.3 billion (US$2.7 billion). Net debt in foreign currency, considering the adjustment of derivatives, accounted for 100% of total net debt on December 31, 2017. The net debt/Adjusted EBITDA ratio stood at 1.5x.

The company had an intense year and was very successful in raising funding, especially for the transactions related to the business combination with Fibria over the year: (i) contracting of bridge loan of US$6.9 billion, (ii) contracting of export prepayment facility of US$2.3 billion, (iii) successful international issue of 10-year bonds that raised US$1 billion; (iv) re-tap of the 30-year bond that raised US$500 million; and (v) raising over R$10 billion in the local market.

RATING

During 2018, Suzano attained an investment grade credit rating after its rating was upgraded from 'BB+' to 'BBB-' by Fitch Ratings on the global scale, with a stable outlook, and from 'BB+' to 'BBB-' by Standard and Poor's on the global scale, with a stable outlook.

Moody's assigned a rating of 'Ba1,' with a stable outlook, which was limited by Brazil's sovereign rating.

INVESTMENTS

Capital expenditure amounted to R$2,795.7 million in 2018, of which R$1,269.1 million was invested in industrial and forest maintenance. Expenditures on Structural Competitiveness and Adjacent Businesses projects came to R$1,253.8 million, which primarily consisted of the acquisition of Facepa (R$267.9 million), the acquisition of land and forests from Duratex (R$670.2 million) and the Tissue (Maranhão and Bahia states) and Lignin projects.

OPERATING CASH GENERATION AND ROIC[1]

Suzano's operating cash generation (Adjusted EBITDA less Sustaining Capex) amounted to R$5.5 billion in 2018, up 68.9% from R$3.5 billion in 2017 and the highest amount ever recorded by the Company.

In thousands of Brazilian reais (R$), unless otherwise indicated

ROIC (R$ million)	2018	2017
Adjusted EBITDA	6,814	4,615
Sustaining CAPEX	1,269	1,100
Cash Taxes[2]	257	38
Capital Employed	25,876	23,957
ROIC[1] (%)	**20.8%**	**14.5%**

[1] ROIC = (Adjusted EBITDA – Sustaining Capex – Cash taxes) / Capital Employed. | [2] Income and Social Contribution taxes.

CAPITAL MARKETS

In 2018, the Company began trading Level II American Depositary Receipts (ADRs) on the New York Stock Exchange (NYSE), with the symbol SUZ, with each ADR representing two common shares.

On December 31, 2018, the Company's capital stock was represented by 1,105,826,145 common shares (SUZB3 and SUZ) traded on the B3 and NYSE, of which 12,042,004 were common shares held in treasury. SUZB3 stock ended the year quoted at R$38.08/share, while SUZ stock was quoted at US$19.40/share.

DIVIDENDS

Suzano's Bylaws establish a minimum mandatory dividend equivalent to the lesser of 25% of net income after constitution of the legal reserve for the fiscal year or 10% of Operating Cash Generation for the fiscal year.

Since the Company recorded net income of R$318.4 million in 2018, the Management proposes the distribution of R$3.5 million as minimum mandatory dividend and the allocation of R$596.5 million to the existing profit reserves, subject to approval by the Annual Shareholders Meeting (ASM), which in aggregate represents a dividend distribution of R$600.0 million.

SUSTAINABILITY

Consistent with Suzano's corporate purpose, Sustainability is the foundation of our business model. Supported by corporate governance mechanisms and adequate practices, we assess the impact of our activities and undertake commitments with our stakeholders to fully address environmental, social and economic aspects.

Since natural resources and healthy relations with the parties with which we interact are the foundation of our company's perpetuity, we understand the growing importance of seeking the best people and environmental practices as well as of the reach of our actions, which extend far beyond the walls of the company.

Although the year 2018 was an atypical one for Suzano, given the start of the process that led to the integration with Fibria, the performance of our social and environmental indicators improved, with the company once again reaping the rewards of its pioneering actions and innovations, as described below.

Furthermore, the implementation of best production practices led to our independent forest certifications, which attest to the responsible sourcing of the wood used in our production. In 2018, we expanded the scope certified scope at all of our forestry units, which reached 25% at the Maranhão Unit. We also spearheaded the effort to publish the new standard ISO 38200 Chain of Custody and establish its technical committee.

We maintained our proactive management of water consumption and reuse, seeking to adopt tools and technologies that support the rational use of water resources, which is key to pulp and paper production in terms of both industrial operations and forestry yields.

Our commitment to advances in this area has produced concrete results, such as at the Mucuri Unit, which registered the best water consumption performance of recent years. We achieved our lowest water consumption per ton of pulp, which stood at 25.2 m^3/tsa in June. The result was due to our robust efforts and constant improvements in our management of water use, for which we have a dedicated working group. In addition, the new wastewater treatment station installed in late 2017 enabled a significant reduction in the discharge of organic materials into Mucuri River, as well as a reduction of 23% in the generation of sludge at the end of treatment *in relation to the generation originally projected for the project*

These water conservation measures earned the company two recognitions in the 12th Sustainable Bahia Industry Awards sponsored by the Bahia State Manufacturers' Federation (FIEB), in the categories Social and Environmental Management Practices and Clean Technologies.

In Maranhão, Suzano invested in the efficiency of the pulp washing phase with the installation of a new DD-Washer. By making the process more efficient, the equipment reduces the use of chemicals in pulp bleaching while also improving product quality.

To measure and obtain a more analytical and strategic understanding of the impacts of our production and the opportunities for improving processes, we concluded and started Lifecycle Analyses for some of our products.

In other efforts to manage information and conduct strategic analysis, in 2018, working jointly with the Climate Committee led by the Forestry Industry Association (Ibá), we made advances in measuring the carbon stocks of our native areas, a critical asset of the forestry industry that holds great potential for contributing significantly to the problem of climate change, but that is still not well known. In partnership with industry peers, after evaluating potential techniques and existing technologies, we conducted a pilot project in the Vale do Paraíba region, which will serve to measure the success of the final model.

The "Mucuri Headwaters" project, which was launched in 2017, entered its second year in 2018 and reached 190 headwaters under restoration, over 33,000 seedlings planted, 8,000 people impacted and 916 rural properties involved and 700 hours dedicated to social and environmental education in the communities involved.

Going beyond the project to restore headwaters, our activities to recover the ecosystem as a whole made considerable progress in 2018, with a 70% increase in activities compared to 2017 and surpassing the mark of 2,500 hectares recovered and 483,000 native seedlings planted.

While seeking to expand the scope of its initiatives and aware of its responsibility as an important contributor to local transformation, Suzano implemented various initiatives. In Maranhão, for example, the School of Heroes program trains children and youth in practices related to the environment and citizenship. In 2018, 608 young students graduated from 14 schools in six cities, five times more than in the previous year.

In Maranhão, as part of our support for local and traditional cultures, we made advances in the Palm Nut Workers Project, which aims to reposition the culture of babassu palm nuts, an important and recognized cultural asset of the region. We also work through the project Brazilian Soul – An Indigenous People Thing, in partnership with the Brazilian Indigenous People Association (APIB), which aims to strengthen traditional communities by training young multipliers and by registering and sharing the traditions of indigenous people. The short film "Festa dos Encantados," produced through the initiative, won its second award in 2018: the Mercosur Human Rights Award in the 22nd Mercosur Audiovisual Florianópolis.

Our programs for generating income (beekeeping, community agriculture and fish farming) embrace the particularities of local communities in a participatory manner by adopting the joint-action concept to mobilize opportunities for families participating in the project. In Bahia, the community farming program became a business that now produces nearly half a ton of the vegetables consumed each week at the Mucuri Unit.

Lastly, our pioneering involvement in the challenges discussed globally earned us several accolades in 2018. We were recognized by the Brazil GHG Protocol Program and by Ethos Institute for our participation since the launch of the programs, as well as by the 2018 LIDE Education and Innovation Award, a great supporter of education in Brazil.

GOVERNANCE

The corporate governance of Suzano Pulp and Paper S.A. is exercised through the Board of Directors, which is supported by the Management, Sustainability & Strategy and Audit committees and by the Board of Executive Officers.

The Corporate Governance Policy is grounded in the good governance principles and practices adopted by the Company: transparency, accountability, legal compliance and respect for shareholders, employees and other stakeholders. They also are grounded in Suzano's Mission, Vision and Values, and in its organizational documents. The policy defines the composition and objectives of the internal boards and committees, and of the Shareholders' Meeting. It also establishes the guidelines for conducting business activities and addresses relevant topics, such as corporate risk management, conflicts of interest, confidentiality of information and sustainability.

The Code of Conduct is the document that guides the business conduct of Suzano Pulp and Paper. It aims to generate commitment and to disseminate the Company's values and ethical principles among employees, shareholders, communities, clients, suppliers, government agencies and the relationship network. Suzano has an area dedicated to receiving reports of misconduct, the Ombudsman, which is guided by its own policy and supported by the Conduct

Committee. The area's goal is to ensure compliance with the Code of Conduct and healthy relations in the company's activities and business interactions.

Furthermore, the Company proactively promotes its policies and guidelines, which include the policies on "Information Disclosure," "Securities Trading," "Anticorruption," "Internal Controls," "Integrated Risk Management," "Debt" and "Derivative Management."

PEOPLE

To expand the concept of innovation and sustain the company's long-term growth, in 2018, we continued our process of cultural transformation, which involves strengthening autonomy, expanding decision-making down to the base, continually exchanging experiences across areas and developing inspiring leaders.

We made progress in the United & Integrated program, especially in industrial areas, which is the link between the physical and psychological aspects of the transformation that the company is undergoing. Through the program, we gradually expanded the practice of home office (offering employees the same conditions to work from home, such as telephone and computer) and redesigned the layout of workplaces to increase the synergy between the areas and increase employee satisfaction. Meanwhile, we reinforced the new concepts of joint decisions, autonomy, etc.

We also invested heavily in the maturation of our Talent Management area, which valued successors and potential successors of the company by contributing to their development and preparing the next generation of Suzano leaders.

These internal initiatives contributed to Suzano being recognized with 25 awards in 2018 for the technical skills of the company and its employees. The company was named one of the "Best Companies to Work For" and one of the "Best Companies for Starting a Career," by Você S/A magazine, and was among the world's best employers, according to the ranking "Global 2000: World's Best Employers" compiled by Forbes magazine.

AUDIT AND INTERNAL CONTROLS

We use external auditors and the internal audit to evaluate our results, internal controls and our accounting practices. The findings of these analyses are presented to the Audit Committee. To assist with the independent audit, we retain the services of PricewaterhouseCoopers Auditores Independentes, whose work has enabled us to improve our internal controls, especially those related to tax, accounting and information technology aspects.

In accordance with CVM Instruction 381/2003, we inform that, in the fiscal year ended December 31, 2018, we engaged various services related to the work of the external audit: (i) review, accounting diagnosis and compliance services in the amount of R$1.3 billion; and, (ii) tax consulting and compliance services in the amount of R$1.1 million, which corresponded to 7.5% and 6.6%, respectively, of the external audit fees. The engagement of these services, with execution period of less than one year, is effective after internal verification and approval by the Audit Committee to ensure that such services did not affect the independence and objectivity of the external audit services. Also, our external auditors informed the Company's governance bodies that, as per their understanding, the rendering of other services did not affect the independence and objectivity of the external audit services.

Note: Non-financial data, such as volumes, quantity, average prices and average quotes in Brazilian real and U.S. dollar, were not examined by our Independent Auditors.

Independent auditor's report

To the Board of Directors and Stockholders
Suzano Papel e Celulose S.A.

Opinion

We have audited the accompanying parent company financial statements of Suzano Papel e Celulose S.A. (the "Company"), which comprise the balance sheet as at 31 December 2018 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Suzano Papel e Celulose S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

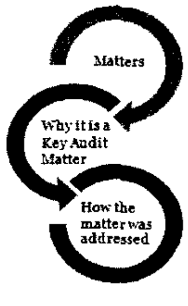
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suzano Papel e Celulose S.A. and of Suzano Papel e Celulose S.A. and its subsidiaries as at 31 December 2018, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key Audit Matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Our audit was planned and performed in 2018 considering that the operations of the Company and its subsidiaries did not have significant modifications in relation to the previous year. In this context, the Key Audit Matters, as well as our audit approach, remained substantially aligned to those of the previous year, except for (i) the inclusion of a KAM related to the acquisition of Fibria Celulose S.A. ("Fibria"), completed in January 2019, due to the required disclosures, as well as for (ii) the exclusion of the KAM related to deferred taxes, largely due to the fact that last year was our first year as the Company's auditor, which required, at that time, additional work in relation to historical data related to opening balances.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Fair value of biological assets (Note 13)	
The Company measures the biological assets at fair value, by applying the discounted cash flow methodology. This method makes use of significant assumptions involving judgement by Management, including average growth rate of forests, discount rates, silviculture costs, and especially the price of wood in different regions, including those without an active market or observable prices. This is a matter of attention of our audit, considering the risk associated with the circumstances described in the previous paragraph, especially in a substantive audit approach, which impacts the inherent risk in the measurement and recognition of those assets, for which management judgments and estimates may have a significant impact on the determination of the fair value and, consequently, on the Company's income for the year. Additionally, consistent with industry practice, this calculation involves detailed information, since there are several planting areas at different stages of growth, accumulated in the forest management systems and eventually consolidated in spreadsheets.	Our audit procedures included, among others, the understanding of the internal controls established by management to measure those assets, as well as the fair value method and assumptions used in the corresponding calculations. We engaged our experts on valuations of biological assets, who supported us in the analysis of the calculations and the assumptions used. We also evaluated the consistency of these calculations and assumptions with those of the previous year. Especially as regards wood prices in regions where there was no active market, we assessed the reasonableness of the estimates and criteria adopted by Management, comparing them with the Company's formation costs. We assessed whether the information disclosed in the financial statements were consistent with the requirements of the accounting standards and the assumptions used in the calculations. As result of the above procedures, we observed the need to adapt calculations on lease costs, prepared my managament and, as consistent with previous years, the Company used wood gross prices, in management's assumptions. The valuation model is reasonably consistent with the market practices and the assumptions used adequately supported.

Subsequent event - Acquisition of Fibria (Note 32)

Accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) require that business combinations that occurred

We have carried out, among other procedures, the reading of the main documents relating to the acquisition of Fibria, analysis of relevant corporate

Why it is a Key Audit Matter	How the matter was addressed in the audit
after the balance sheet date but before financial statements are issued, although not generating adjustments, should be disclosed. On 3 January 2019, the Company acquired control of Fibria for the value of R $37,236 million, preliminarily goodwill having been determined in the amount of R $8,113 billion. Although this business combination has not been reflected in the balance sheet of the Company at 31 December 2018, it will have relevant impact on the financial statements in future years. The determination of the date of acquisition of control, and, especially, the purchase price allocation to the assets and liabilities identified and the calculation of goodwill, involve the use of experts and relevant judgments and estimates, such as the market value of land, customer relationships, growth and discount rates, fair value of contingencies, among others. The determination of the purchase price allocation was made on a preliminary basis and, thus, it is subject to adjustments until the final evaluation is completed. The disclosure of the information related to this business combination, considering its complexity and relevance, as well as its impact on the future financial statements, led us to consider this as an area of focus in our audit.	acts and the main events that led management to conclude on the effective date of acquisition. We also, understood the processes established by management, including the completeness and integrity of the database and the models used for the determination of the purchase price allocation. We obtained information from the auditors responsible for the audit of the financial statements of Fibria, about the accounting values considered in the purchase price allocation, including the effects of new accounting standards applicable from 1 January 2019 in the acquisition balance sheet. We also reviewed management's assessment of the possible differences in accounting practices between the Company and Fibria. With the support of our experts, we assessed the reasonableness of the methodology and discussed the main assumptions adopted in the identification and measurement of fair value of assets acquired and liabilities assumed at acquisition, comparing them with historical information available or with observable data from the market and/or segment. We evaluated the competence and objectivity of the external experts hired by management for the issuance of the purchase price allocation report for the business combination.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended 31 December 2018, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, 21 February 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Tadeu Cendón Ferreira
Contador CRC 1SP188352/O-5

In thousands of Brazilian reais (R$), unless otherwise indicated

Balance Sheets

Assets	Note	Parent Company 12/31/2018	Parent Company 12/31/2017 Restated (Note 2.5)	Consolidated 12/31/2018	Consolidated 12/31/2017 Restated (Note 2.5)
Current					
Cash and cash equivalents	5	3,253,666	490,701	4,387,453	1,076,833
Financial Investments	6	20,996,555	1,579,981	21,098,565	1,631,505
Trade accounts receivable	7	3,470,873	2,579,919	2,537,058	2,303,810
Inventories	8	1,260,459	902,015	1,853,104	1,183,567
Recoverable taxes	9	253,248	263,945	296,832	306,426
Derivative financial instruments	4	352,454	77,090	352,454	77,090
Advances to suppliers	10	92,620	53,124	98,533	86,499
Related parties	11	2,182	2,369	-	-
Assets held for sale		5,718	11,535	5,718	11,535
Other assets		154,422	109,084	169,175	119,610
Total current assets		29,842,197	6,069,763	30,798,892	6,796,875
Non-current					
Recoverable taxes	9	231,182	283,757	231,498	283,757
Deferred taxes	12	-	-	8,998	2,606
Derivative financial instruments	4	141,238	56,820	141,480	56,820
Advances to suppliers	10	218,493	221,555	218,493	221,555
Judicial deposits	21.5	118,453	108,107	129,005	113,613
Receivables from land expropriation	17	63,652	60,975	63,652	60,975
Other assets		22,876	26,072	30,283	31,466
		795,894	757,286	823,409	770,792
Biological assets	13	5,111,160	4,700,344	4,935,905	4,548,897
Investments	14	1,445,321	768,003	14,338	6,764
Property, plant and equipment	15	16,458,656	15,881,105	17,020,259	16,211,228
Intangible assets	16	105,906	113,334	339,841	188,426
		23,121,043	21,462,786	22,310,343	20,955,315
Total non-current assets		23,916,937	22,220,072	23,133,752	21,726,107
Total assets		53,759,134	28,289,835	53,932,644	28,522,982

The accompanying notes are an integral part of the financial statements.

In thousands of Brazilian reais (R$), unless otherwise indicated

Balance Sheets

Liabilities	Note	Parent Company 12/31/2018	Parent Company 12/31/2017 Restated (Note 2.5)	Consolidated 12/31/2018	Consolidated 12/31/2017 Restated (Note 2.5)
Current					
Trade accounts payable	18	594,168	581,810	632,565	610,476
Loans and financing	19.1	3,151,054	1,329,753	3,425,399	2,115,067
Debentures	19.3	1,297	-	1,297	-
Derivative financial instruments	4	595,195	23,819	596,530	23,819
Taxes payable		204,128	85,537	243,835	125,847
Payroll and charges		217,978	189,793	234,192	196,467
Related parties	11	268,234	760,366	-	-
Liabilities for assets acquisitions and subsidiaries	24	469,860	76,781	476,954	83,155
Dividends payable		3,717	180,550	5,434	180,550
Advance from customers		42,067	86,409	75,159	92,545
Other liabilities		213,259	180,717	367,313	280,437
Total current liabilities		5,760,957	3,495,535	6,058,678	3,708,363
Non-current					
Loans and financing	19.1	4,591,586	4,111,295	27,648,657	10,076,789
Debentures	19.3	4,662,156	-	4,662,156	-
Derivative financial instruments	4	1,040,122	104,077	1,040,170	104,077
Related parties	11	22,986,592	5,973,085	-	-
Liabilities for assets acquisitions and subsidiaries	24	480,224	460,467	515,558	502,831
Provision for contingencies	21	345,346	310,153	351,270	317,069
Employee benefits	22	430,427	351,263	430,427	351,263
Deferred taxes	12	961,083	1,711,254	1,038,133	1,789,960
Share-based compensation plans	23	121,681	36,539	124,318	38,320
Provision for investment losses in subsidiaries	14	342,068	101,857	-	-
Other liabilities		24,885	12,756	37,342	12,756
Total non-current liabilities		35,986,170	13,172,746	35,848,031	13,193,065
Total liabilities		41,747,127	16,668,281	41,906,709	16,901,428
Equity					
Share capital		6,241,753	6,241,753	6,241,753	6,241,753
Capital reserves		674,221	394,801	674,221	394,801
Treasury shares		(218,265)	(241,088)	(218,265)	(241,088)
Retained earnings		2,992,590	2,927,760	2,992,590	2,927,760
Other reserves		2,321,708	2,298,328	2,321,708	2,298,328
Non-controlling interest in subsidiaries' equity				13,928	-
Total equity	25	12,012,007	11,621,554	12,025,935	11,621,554
Total equity and liabilities		53,759,134	28,289,835	53,932,644	28,522,982

The accompanying notes are an integral part of the financial statements.

In thousands of Brazilian reais (R$), except earnings/(loss) per share

Statements of income

	Note	Parent Company 12/31/2018	Parent Company 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Net sales revenue	27	**12,865,282**	9,397,728	**13,437,329**	10,520,790
Cost of sales	29	**(6,161,649)**	(5,628,498)	**(6,918,336)**	(6,449,468)
Gross profit		**6,703,633**	3,769,230	**6,518,993**	4,071,322
Operating income (expenses)					
Selling expenses	29	**(1,072,806)**	(884,447)	**(598,726)**	(430,825)
General and administrative expenses	29	**(738,704)**	(484,309)	**(825,209)**	(528,974)
Equity in earnings of associates	14	**(104,524)**	492,671	**7,576**	5,872
Other operating income (expenses), net	29	**(87,795)**	159,184	**(96,875)**	140,510
Operating profit before net financial income (expenses)		**4,699,804**	3,052,329	**5,005,759**	3,257,905
Net financial income (expenses)	26				
Financial income		**434,558**	362,931	**459,707**	379,049
Financial expenses		**(4,981,513)**	(1,189,601)	**(5,302,220)**	(1,397,889)
Net income before taxes		**152,849**	2,225,659	**163,246**	2,239,065
Income taxes	12				
Current		**(568,105)**	(188,781)	**(586,568)**	(202,187)
Deferred		**733,595**	(229,445)	**741,782**	(229,445)
Net income for the year		**318,339**	1,807,433	**318,460**	1,807,433
Result of the period attributed to the controlling shareholders				**318,339**	
Result of the period attributed to non-controlling shareholders				**121**	
Net income for the year - per share	25.5				
Basic ON		**0.29112**	1.65561	**0.29112**	1.65561
Diluted ON		**0.29075**	1 65194	**0.29075**	1.65194

The accompanying notes are an integral part of the financial statements.

In thousands of Brazilian reais (R$), unless otherwise indicated

Statements of Comprehensive income

	Note	Parent Company		Consolidated	
		12/31/2018	12/31/2017	12/31/2018	12/31/2017
Net income for the year		338,339	1,807,433	318,460	1,807,433
Items that will not be reclassified to profit or loss					
Actuarial gain (loss)	22	(69,305)	4,173	(69,305)	4,173
Deferred income taxes on actuarial gain (loss)		23,564	(1,419)	23,564	(1,419)
Item that may be subsequently reclassified to profit or loss					
Exchange variation on conversion of financial statements and on foreig investments	14	137,546	38,006	137,546	38,006
Total comprehensive income		430,144	1,848,193	410,265	1,848,193
Result of the period attributed to the controlling shareholders				410,144	1,848,193
Result of the period attributed to non-controlling shareholders				121	-

The accompanying notes are an integral part of the financial statements.

In thousands of Brazilian reais (R$), unless otherwise indicated

Statements of Changes in Equity

			Capital reserves				Retained reserve								
	Note	Share Capital	Tax incentives	Stock options granted	Share issuance costs	Treasury shares	Legal Reserve	Reserve for capital increase	Special statutory reserve	Dividends proposed	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balances at December 31, 2016		6,241,753	199,402	19,754	(15,442)	(273,666)	316,526	1,223,960	116,639	-	2,314,567	-	10,143,494	-	10,143,494
Total comprehensive income.															
Net income for the year		-	-	-	-	-	-	-	-	-	-	1,807,433	1,807,433	-	1,807,433
Actuarial gain net of deferred taxes	22	-	-	-	-	-	-	-	-	-	2 754	-	2,754	-	2,754
Exchange variation on conversion of financial statements of foreign subsidiaries		-	-	-	-	-	-	-	-	-	38,006	-	38 006	-	38,006
Transactions with shareholders		-													-
Stock option program	23	-	-	1 521	-	-	-	-	-	-	-	-	1,521	-	1,521
Sale of treasury shares to meet stock-based compensation plan		-	-	-	-	8,514	-	-	-	-	-	-	8,514	-	8,514
Treasury shares acquired		-	-	-	-	(82)	-	-	-	-	-	-	(82)	-	(82)
Interest on own capital	25	-	-	-	-	-	-	-	-	-	-	(199,835)	(199,835)	-	(199,835)
Reversal of time-barred dividends		-	-	-	-	-	-	-	-	-	-	29	29	-	29
Internal changes in equity.															-
Partial realization of assets' deemed cost adjustment, net of deferred taxes		-	-	-	-	-	-	-	-	-	(56,999)	56,999	-	-	-
Exercise of share option		-	-	(7,038)	-	7,038	-	-	-	-	-	-	-	-	-
Cancellation of class B preferred shares	25 3	-	-	-	-	17 107	-	-	-	-	-	(17,107)	-	-	-
Reserve for tax incentives Sudene-reduction of 75%		-	196 604	-	-	-	-	-	-	-	-	(196,604)	-	-	-
Constitution of special statutory reserve		-	-	-	-	-	-	-	118,024	-	-	(118,024)	-	-	-
Constitution of the legal reserve		-	-	-	-	-	90 372	-	-	-	-	(90,372)	-	-	-
Constitution of a reserve for capital increase		-	-	-	-	-	-	1,062 239	-	-	-	(1,062,239)	-	-	-
Minimum mandatory dividends	25.6	-	-	-	-	-	-	-	-	-	-	(180,280)	(180,280)	-	(180,280)
Balances at December 31, 2017		6,241,753	396,006	14,237	(15,442)	(241,089)	406 898	2,286,199	234,663	-	2,298,328	-	11,621,554	-	11,621,554
Total comprehensive income.															
Net income for the year		-	-	-	-	-	-	-	-	-	-	318,339	318,339	121	318,460
Actuarial gain (loss) net of deferred taxes	22	-	-	-	-	-	-	-	-	-	(45,741)	-	(45,741)	-	(45,741)
Exchange variation on conversion of financial statements of foreign subsidiaries		-	-	-	-	-	-	-	-	-	137,546	-	137,546	-	137,546
Transactions with shareholders.															
Stock options granted	23	-	-	5,170	-	-	-	-	-	-	-	-	5,170	-	5,170
Sale of treasury shares to meet stock-based compensation plan		-	-	-	-	8,516	-	-	-	-	-	-	8,516	-	8,516
Non-controlling interest arising on business combination	14.1	-	-	-	-	-	-	-	-	-	-	-	-	13,807	13,807
Reversal of time-barred dividends		-	-	-	-	-	-	-	66	-	-	-	66	-	66
Internal changes in equity.													-	-	-
Partial realization of assets' deemed cost adjustment, net of deferred taxes		-	-	-	-	-	-	-	-	-	(68,424)	68,424	-	-	-
Exercise of share option		-	-	(14,307)	-	14,307	-	-	-	-	-	-	-	-	-
Reserve for tax incentives Sudene-reduction of 75%		-	288 557	-	-	-	-	-	-	-	-	(288,557)	-	-	-
Constitution of special statutory reserve		-	-	-	-	-	-	-	7,882	-	-	(7,882)	-	-	-
Constitution of the legal reserve		-	-	-	-	-	15,917		-	-	-	(15,917)	-	-	-
Constitution of a reserve for capital increase		-	-	-	-	-	-	70,940	-	-	-	(70,940)	-	-	-
Complementary Dividends for the year 2017		-	-	-	-	-	-	(29,976)	-	-	-	-	(29,976)	-	(29,976)
Minimum mandatory dividends	25.6	-	-	-	-	-	-	-	-	-	-	(3,466)	(3,466)	-	(3,466)
Dividends subject to approval		-	-	-	-	-	-	(596,534)	-	596,534		-	-	-	-
Balances at December 31, 2018		6,241,753	684,563	5,100	(15,442)	(219,265)	422,815	1,730,629	242,612	596,534	2,321,708	-	12,012,007	13,928	12,025,935

The accompanying notes are an integral part of the financial statement.

In thousands of Brazilian reais (R$), unless otherwise indicated

Statements of Cash Flows

	Note	Parent Company 12/31/2018	Parent Company 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Cash and cash equivalents from operating activities					
Net income for the year		**318,339**	1,807,433	**318,460**	1,807,433
Adjustment to					
Depreciation, depletion and amortization		**1,527,893**	1,391,592	**1,563,223**	1,402,778
(Income) loss from sale of property, plant and equipment and biological assets	29	**(5,236)**	(24,751)	**(4,523)**	(29,005)
Equity in (earnings) loss of unconsolidated companies	14	**104,524**	(492,671)	**(7,576)**	(5,872)
Exchange and monetary variations, net		**1,387,128**	137,001	**1,446,207**	2,273
Interest expenses, net		**810,588**	724,202	**789,670**	877,313
Derivative (gains) losses, net	26	**2,734,053**	(70,396)	**2,735,196**	(73,271)
Fair value adjustment of biological assets	13	**129,187**	(192,504)	**129,187**	(192,504)
Deferred taxes	12	**(733,595)**	229,445	**(741,782)**	229,445
Interest on employee benefits	22	**35,920**	38,022	**35,920**	38,022
Provision for contingencies	21	**13,978**	37,146	**13,285**	35,645
Share-based compensation plans	23	**129,002**	31,943	**131,609**	33,715
Allowance for doubtful accounts, net	7	**8,942**	37,253	**6,450**	39,897
Reversal of/(addition to) provision for discounts		**5,315**	(2,419)	**27,681**	(9,497)
Provision for (reversal of) inventory losses and write-offs	8	**(33,482)**	42,064	**(34,560)**	42,027
Provision for losses (impairment) and write-off with property, plant and equipment and biological assets	29	**18,103**	63,861	**18,103**	66,707
Partial write-off of intangible assets		-	-	-	18,845
Other provisions		**79,990**	24,983	**75,791**	36,049
Decrease (increase) in assets					
Related parties		**(840,316)**	680,130	-	-
Trade accounts receivables		**(73,601)**	(144,424)	**(179,979)**	(666,925)
Inventories		**(326,829)**	(4,622)	**(616,682)**	58,721
Recoverable taxes		**36,211**	3,993	**50,960**	8,702
Other current and non-current assets		**(74,816)**	(39,820)	**(11,318)**	415,345
Increase (decrease) in liabilities					
Trade accounts payables		**11,377**	48,825	**1,473**	63,236
Tax payable		**817,258**	805,068	**567,868**	864,315
Actuarial liabilities		**(26,061)**	(21,595)	**(26,061)**	(21,595)
Contingencies		**(40,623)**	(15,306)	**(41,013)**	(17,077)
Other current and non-current liabilities		**(14,378)**	(272,017)	**192,566**	(230,200)
Cash provided by (used in) operating activities		**5,998,871**	4,822,436	**6,440,155**	4,794,522
Tax payable		**(769,491)**	(920,862)	**(806,758)**	(1,006,869)
Other taxes and contributions paid		**(373,455)**	(557,991)	**(135,265)**	(598,617)
Income taxes paid		**(316,047)**	(108,903)	**(327,282)**	(121,177)
Net cash provided by operating activities		**4,539,878**	3,234,680	**5,170,850**	3,067,859
Cash flows from investing activities					
Cash from acquisition of subsidiaries		-	11,147	-	-
Additions to property, plant and equipment	15	**(1,238,855)**	(856,562)	**(1,251,486)**	(859,880)
Additions to intangible assets		**(7,117)**	(8,054)	**(7,217)**	(8,054)
Additions to biological assets	13	**(1,188,802)**	(934,992)	**(1,164,995)**	(912,368)
Proceeds from sale of assets		**94,431**	84,694	**95,481**	84,694
Additions (reduction) in financial investments, net		**(19,290,036)**	673,883	**(19,340,022)**	687,274
Capital increase in subsidiaries	14	-	(43,021)	-	-
Acquisition of subsidiaries, net cash		**(315,904)**	-	**(294,473)**	-
Net cash used in investing activities		**(21,946,283)**	(1,072,905)	**(21,962,712)**	(1,008,334)
Cash flow from financing activities					
Proceeds from loans and financing	19	**3,392,886**	242,740	**20,964,722**	2,561,954
Issue of Debentures	19.3	**4,681,100**	-	**4,681,100**	-
Proceeds from loans and financing with related parties		**15,469,889**	2,210,892	-	-
Payment of derivative transactions	4	**(1,586,415)**	21,240	**(1,586,415)**	39,695
Payment of loans and financings	19	**(1,508,610)**	(2,927,471)	**(3,738,577)**	(4,533,736)
Payment of loans and financings with related parties		-	(1,432,869)	-	-
Payment of dividends		**(210,205)**	(570,568)	**(210,205)**	(570,568)
Sale of treasury shares to meet stock-based compensation plan		**8,514**	8,514	**8,514**	8,514
Liabilities for assets acquisitions	24	**(77,789)**	(64,525)	**(84,090)**	(117,865)
Repurchase of treasury shares		-	(83)	-	(83)
Net cash (used in) provided by financing activities		**20,169,370**	(2,512,130)	**20,035,049**	(2,612,089)
Exchange variation on cash and cash equivalents		-	-	**67,433**	14,700
Increase (reduction) in cash and cash equivalents		**2,762,965**	(350,355)	**3,310,620**	(537,864)
Cash and cash equivalents at the beginning for the year	5	**490,701**	841,056	**1,076,833**	1,614,697
Cash and cash equivalents at the end for the year	5	**3,253,666**	490,701	**4,387,453**	1,076,833
Statement of the increase (reduction) in cash and cash equivalents		**2,762,965**	(350,355)	**3,310,620**	(537,864)

The accompanying notes are an integral part of the financial statements.

In thousands of Brazilian reais (R$), unless otherwise indicated

Statements of Value Added

	Note	Parent Company		Consolidated	
		12/31/2018	12/31/2017	12/31/2018	12/31/2017
Income					
Sale of goods, products and services	27	**14,064,891**	10,500,925	**14,648,087**	11,635,788
Other income (expenses), net		**194,555**	263,701	**220,279**	245,027
Income from construction of own assets		**562,968**	719,801	**562,968**	719,801
Allowance for estimated losses with doubtful accounts, net	7	**(8,942)**	(37,253)	**(6,450)**	(39,897)
		14,813,472	11,447,174	**15,424,884**	12,560,719
Input acquired from third parties					
Cost of products and goods sold and services rendered		**(4,341,490)**	(4,080,631)	**(4,524,676)**	(4,080,631)
Supplies, electricity, outsourced services and others		**(2,262,964)**	(1,821,504)	**(2,302,601)**	(2,247,511)
		(6,604,454)	(5,902,135)	**(6,827,277)**	(6,328,142)
Gross added value		**8,209,018**	5,545,039	**8,597,607**	6,232,577
Depreciation, amortization and depletion		**(1,527,893)**	(1,391,592)	**(1,563,223)**	(1,402,778)
Net added value produced by the Company		**6,681,125**	4,153,447	**7,034,384**	4,829,799
Added value received through transfers					
Equity in the earnings of unconsolidated companies	14	**(104,524)**	492,671	**7,576**	5,872
Financial income		**1,022,363**	694,776	**1,047,756**	808,662
		917,839	1,187,447	**1,055,332**	814,534
Distribution of value added		**7,598,964**	5,340,894	**8,089,716**	5,644,333
Personnel		**1,283,376**	1,075,168	**1,338,106**	1,122,991
Direct compensation		1,048,000	869,192	1,090,613	910,152
Benefits		190,733	164,774	197,143	171,637
F.G.T.S (Government Severance Indemnity Fund for Employees)		44,643	41,202	50,350	41,202
Taxes, fees and contributions		**320,361**	858,513	**430,694**	802,491
Federais		144,326	729,287	185,191	702,940
State		170,499	124,038	239,756	94,491
Municipais		5,536	5,188	5,747	5,060
Value distributed to providers of capital		**6,052,491**	1,599,780	**6,002,456**	1,911,418
Interest		5,944,922	1,521,446	5,890,268	1,827,502
Rentals		107,569	78,334	112,188	83,916
Remuneration of shareholders' equity		**318,339**	1,807,433	**318,460**	1,807,433
Dividends		8,074	380,515	8,074	380,515
Retained earnings in the year		310,265	1,426,918	310,386	1,426,918
Distribution of value added		**7,974,567**	5,340,894	**8,089,716**	5,644,333

The accompanying notes are an integral part of the financial statements.

1. Company Operations

Suzano Papel e Celulose S.A., (hereinafter referred to as the "Suzano") and together with its subsidiaries hereinafter referred to as "the Company", is a publicly-held corporation with registered office in the city of Salvador, state of Bahia, Brazil.

Suzano owns shares traded in B3 S.A. - Brazil, *Bolsa, Balcão, Novo Mercado* segment under the acronym (SUZB3).

On December 10, 2018, Suzano began trading its American Depositary Receipts ("ADRs"), Level II, pursuant to a program approved by the Brazilian Securities and Exchange Commission ("CVM").

The Bank of New York Mellon is the depositary institution in the United States of America, responsible for issuing the respective depositary shares, at the rate of 1 (one) American Depositary Share ("ADSs") for each 2 (two) common share and shall operate as a transfer agent.

Suzano ADRs are traded on the New York Stock Exchange ("NYSE") under the symbol SUZ, CUSIP 86959K105 and ISIN BRSUZBACNOR0 (DR ISIN: US86959K1051).

The Company has 7 (seven) industrial units in the following States of Brazil: 1 (one) in Bahia, 1 (one) in Maranhão, 1 (one) in Ceará, 1 (one) in Pará and 3 (three) in São Paulo.

These 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 foreign markets.

Pulp and paper are sold in the foreign 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.

1.1. Major events in 2018

a) Operational events

i) Export prepayment financial transaction

On December 4, 2018, the Company contracted, through its wholly-owned subsidiary Suzano Pulp and Paper Europe SA ("Suzano Europa"), an export prepayment line, structured in a syndicated form, in the amount of US$ 2,3 billion (equivalent to R$ 8,8 billion) and with a total term of 5 and 4 years grace period and London Interbank Offered Rate ("LIBOR") + 1.15%. Suzano was the guarantor of the transaction. The new operation does not have financial covenants.

ii) Senior Notes Offer (“Notes 2047”)

On November 6, 2018, the Company reopened the issuance of “Senior Notes 2047" and issued on the foreign market, in the amount of US$ 500 million (equivalent to R$ 1,9 billion), with maturing in 29 years and were issued with coupon (interest) of 6.9% per year, which will be paid semi-annually.

iii) Senior Notes Offer (“Notes 2029”)

On September 17, 2018, the Company issued in the foreign market, through its wholly-owned subsidiary Suzano Austria GmbH (“Suzano Austria”), Senior Notes in the amount of US$ 1 billion (equivalent to R$ 4.7 billion). The Notes mature in 11 years and were issued with a coupon (interest) of 6% per annum, which will be paid semi-annually.

iv) 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 annum plus Interbank Deposit Certificate ("CDI"), payable semi-annually.

The net proceeds of NCE will be fully used to finance the Company's exports and in the case of CPR to finance costing activities. For any amount that is the 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.

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.

v) Auction of the Port of Itaqui in Maranhão - (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 initial concession of the 53,545 square meters area in the Port of Itaqui (MA) for the period of 25 years.

The new terminal project, estimated by ANTAQ at R$ 215 million, represents another step in the investment cycle carried out by the Company.

vi) Debentures - 6th issue

On June 29, 2018, the Suzano issued R$ 4,681,100 in 6^{th} issue, single series, non-convertible debentures maturing in June 2026 with interest rate of 112.50% of CDI.

For this debenture issue, the Company contracted the respective hedge at the exchange rate of 5.74% of the dollar pre-fixed per annum.

vii) 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.

On April 4, 2018, the Administrative Council of Economic Defense ("CADE") approved this transaction without restrictions. On August 31, the transaction was completed, and the assets acquired were:

(i) Around 9,500 (nine thousand and five hundred) hectares of rural land and one million and 1,200,000 m^3 (two hundred thousand cubic meters) of forests, which reflects the potential of production of existing and already implemented forests in the areas acquired, for R$ 308.100 million; and

(ii) Option to purchase, exercised on July 2, 2018, for the acquisition approximately 20,000 twenty thousand hectares of rural properties in the same region and 5,600,000 m^3 (five million and six hundred thousand) cubic meters of forests, which reflects the potential of production of existing and already implanted forests, for the price of R$ 749.3 million.

The amount of R$ 532,450 was paid on the respective closing dates and the remaining balance adjusted by the Extended Consumer Price Index ("IPCA"), with maturities of up to 12 months (Note 24).

viii) Export prepayment facility

On February 8, 2018, the Company contracted, through its wholly-owned subsidiary Suzano Europa, an export prepayment transaction, structured in a syndicated form, in the amount of US $ 750 million, with a total term of 5 years and a 3-year grace period, and the London Interbank Offered Rate (LIBOR) + 1.35%, with Suzano and Suzano Trading Ltd ("Suzano Trading"), also a Suzano subsidiary, as guarantee the operation.

The proceeds were used for the settlement of the export prepayment financial transaction, as well as for the financing of export operations. The new operation brings the cost reduction in dollars, lengthening the average term of the debt, and eliminating financial covenants. The operation reduces borrowing cost in U.S. dollar, extending the average debt term and eliminates financial covenants.

b) Corporate events

i) Operation with Fibria Celulose S.A. ("Fibria")

On March 15, 2018, Suzano Holding S.A., jointly with other controlling shareholders of Suzano (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") (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 and approved 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) R$ 52.50 (fifty-two *reais* and fifty *centavos)*, restated at the variation of the CDI rate from March 15, 2018 until to the effective payment date, adjusted for anticipated dividends 2018, liquidity a single installment on the date of consummation of the transaction; 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 Shares ("ADSs") will be entitled to receive Suzano ADSs, observing the same exchange ratio.

The shares and ADRs issued by Fibria will no longer be traded on B3 S.A. and the NYSE, respectively.

The consummation of the transaction for the fulfillment of some usual precedent conditions for this type of operation, including the approval by certain competition authorities in Brazil and abroad. The authorizations and approvals were obtained as follows:

i. On June 1, 2018, The Federal Trade Commission, a competitive authority in the United States of America, granted early conclusion of the transaction analysis between Suzano and Fibria without restrictions.

ii. 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 allows the combination of the operations and shareholding bases of Suzano and Fibria.

iii. On August 8, 2018, the Declaration of Efficiency was issued by the SEC of the United States of America for the registration statement filed by Suzano with the SEC to register their ADRs on the NYSE;

iv. On August 31, 2018, the State of Administration for Market Regulation ("SAMR"), authority responsible for competition matters in China, approved the operation between Suzano and Fibria without restrictions in China.

v. On September 6, 2018, the competition authority in Turkey approved the operation between Suzano and Fibria without restrictions.

vi. 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.

vii. On October 11, 2018, the Company received the notification from Administrative Council for Economic Defense ("CADE"), the Brazilian competition authority, approving without restrictions the transaction involving Suzano and Fibria.

viii. On November 14, 2018, a decision was issued by the National Water Transportation Agency ("ANTAQ"), which, approved the alteration of the corporate control of Fibria its subsidiaries to the Company.

ix. On November 29, 2018, the European competition authority, approved the operation between Suzano and Fibria subject to the early termination of the contract for the supply of short-fiber pulp between Fibria and Klabin SA ("Klabin"), within four months after the date of completion of the transaction.

With all previous conditions met, the 45-day deadline for consummation of the transaction was started, when the corporate reorganization was carried out, which includes the following steps:

a) Capital contribution by Suzano in Eucalipto Holding S.A. ("Holding") in an amount equivalent to the cash portion to be used for settlement of the Cash Portion in favor of Fibria Shareholders;
b) Contribution of the Fibria investment by the Shareholders Fibria in the Holding for the amount restated as established in the Shareholders' Agreement, upon the issuance by the Holding of new Common Shares - ON and Redeemable Preferred – PN.
c) Redemption of the PN shares by the Holding to the Shareholders of Fibria through payment of the cash installment; and
d) Merger of the Holding by Suzano, with the issuance and delivery of new common shares - Suzano's ON shares to Fibria's Shareholders, replacing the Holding's ON shares held by them.

The transaction was completed on January 14, 2019 as disclosed in Note 32 i).

ii) Acquisition of company in Tissue segment (Facepa)

On January 19, 2018, Brazil's antitrust agency CADE approved without restrictions the acquisition of around 92.8% of the total capital of the mill of Facepa – Fábrica de Papel da Amazônia ("Facepa") by Suzano.

On March 1, 2018, once the above conditions and all the approvals obtained from the relevant governmental authorities were implemented, Suzano acquired 100% of the control of Comércio, Administração e Participações Ltda. ("AGFA"), whose main asset is the 28.8% stake in Facepa, and directly acquired the 64% stake in Facepa's controlling Shareholders, totaling a 92.8% interest in the share capital.

The total consideration of the transaction was R$ 307,876, being paid at the acquisition date amounted to R$ 267,876 and remaining R$ 40,000 is subject to non-realization of compensable losses by sellers and will be paid in two installments of R$ 20,000, in accordance with the agreement, with maturities in March 2023 and March 2028.

With the acquisition, in addition to Facepa's units in Belém (PA) and Fortaleza (CE) of tissue, the Company already operates its own sanitary paper units in Mucuri (BA) and Imperatriz (MA). (Note 14.1)

iii) 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. The amount paid for the acquisition was R$ 48,028. (Note 14.1).

iv) Maxcel e Itacel

In the concession process in the Port of Itaqui, the following companies participated: Maxcel Empreendimentos e Participações S.A. ("Maxcel"), a wholly owned subsidiary of Suzano, and the Terminal de Celulose de Itaqui ("Itacel"). Maxcel participated as a conduit in the bidding process, having as obligation the constitution of a lessee as Specific Purpose Company ("SPE"). Itacel as well as a concession lessee is an integral subsidiary of Maxcel and is responsible for the operation and storage of pulp in the leased area. The amount invested for the constitution of these subsidiaries is R$ 46,922.

2. Presentation of the Financial Statements

2.1. Preparation basis and presentation

The individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, including pronouncements issued by the Accounting Pronouncements Committee ("CPC") and the *International Financial Reporting Standards* ("IFRS") issued by the International Accounting Standards Board ("IASB").

The main accounting polices 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 certain assets and liabilities financial 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 the process of applying 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 3.1.26.

The Company affirms that all the information relevant to its financial statements is being evidenced and only these, which correspond to those used by the Management for its Administration.

The issuance of these financial statements was approved by the Company's Board of Directors on February 21, 2019.

2.1.1. Consolidated financial statements

The consolidated financial statements were prepared based on the information provided by Suzano and its subsidiaries on the reference date, as well as in accordance with consistent accounting practices.

The subsidiaries are consolidated from the date control is obtained until the date that control ceases to exist. In the case of joint venture with other Companies, these investments are accounted for under the equity method, both in the individual financial statements and in the consolidated financial statements.

The joint operations are companies in which the Company maintains the joint operation, contractually established, over its economic activity and that exists only when the strategic, financial and operational decisions related to the activity require the unanimous consent of the parties that share the control.

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:

In thousands of Brazilian reais (R$), unless otherwise indicated

Investee	Nature of the main operation	Country	Type of interest	Interest in capital (%)	
				12/31/2018	12/31/2017
AGFA - Comércio, Administração e Participações Ltda. ("AGFA") [(a)]	Investment in Facepa	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%
Eucalipto Holding S A ("Holding")	Holding	Brazil	Direct	100%	-
Facepa - Fábrica de papel da Amazônia S A ("Facepa") [(a)]	Production and sale of tissue paper	Brazil	Direct/Indirect	92 8%	-
Futuragene Brasil Tecnologia Ltda ("Futuragene Brasil")	Biotechnology research and development	Brazil	Indirect	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%	49 9%
Maxcel Empreendimentos e Participações S A ("Maxcel") [(c)]	Holding	Brazil	Direct	100%	-
Mucuri Energética S A ("PCH Mucuri") [(b)]	Energy generation and distribution	Brazil	Direct	100%	-
Ondurman Empreendimentos Imobiliarios Ltda ("Ondurman")	Land lease	Brazil	Direct	100%	100%
Paineiras Logistica e Transporte Ltda ("Paineiras Logística")	Commissioning of road transport	Brazil	Direct	100%	100%
Stenfar S A Indl Coml Imp Y. Exp ("Stenfar")	Sale of paper and IT 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 Luxembourg ("Suzano Luxemburgo")	Not operational	Luxembourg	Direct	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%
Terminal de Celulose de Itaqui S A ("Itacel")	Port services	Brazil	Indirect	100%	-

(a) See Note 1.1 b), ii).
(b) See Note 1.1 b), iii).
(c) See Note 1.1 b), iv).

2.2. Statement of value added - DVA

The Company prepared the individual and consolidated Statement of Value Added - DVA as an integral part of the financial statements, as required by Brazilian corporate law and the accounting practices adopted in Brazil, according to the criteria defined in Technical Pronouncement CPC 09 - Statement of Added Value. IFRS standards do not require the presentation of such, therefore, they are considered as supplementary information, without prejudice to the financial statements as a whole.

2.3. 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 also its 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.

The conversion process for the presentation of the consolidated financial statements, assets and liabilities monetary are converted from their functional currency to *Reais* using the exchange rate of the balance sheet dates and the respective income and expense accounts are determined by the rates monthly average of the exercises. Non-monetary assets and liabilities are translated from their functional currency into *Reais* at the exchange rate of the date of the accounting transaction (historical rate).

Gains and losses resulting from the exchange variation calculated on the investments in subsidiaries abroad, measured by the equity method and the gains and losses resulting from the exchange variation determined in the conversion process for the consolidation of the Company's financial statements, are recognized in the caption Other reserves and presented in other comprehensive income in Shareholders' equity.

The functional currency of foreign subsidiaries are the following:

Subsidiary	Country	Currency name
Suzano Trading	Cayman Islands	U.S. Dollar
Suzano Luxemburgo	Luxembourg	
Suzano América	United States	
Suzano Áustria	Austria	
FuturaGene	United Kingdon	Pound Sterling
Sun Paper		
Suzano Europa	Switzerland	Swiss Franc
Stenfar	Argentina	Argentine Peso [a]

[a] Argentina has shown a significant increase in inflation half of 2018, accompanied by a high degree of devaluation of the Argentine peso (ARS). On June 14, 2018, the National Institute of Statistics and Censuses of Argentina ("INDEC") published the price index indicating that the inflation accumulated in the last 3 years exceeded 100%. And as established by CPC 42 - Accounting in a hyperinflationary economy (IAS 29), it was possible to conclude that as of July 1, 2018 Argentina was considered as a hyperinflationary economy.

The wholly-owned subsidiary Stenfar is headquartered in Argentina and has applied the requirements of CPC 42. Suzano has recognized the effects of these variations, considered intangible for the purpose of these financial statements, using the equity method, directly reflected in Other Reserves.

2.4. Presentation of information by operating segment

Management has defined and uses the following operating segments for the fiscal years presented in these financial statements:

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.

2.5. Revised of comparative figures

The financial statements of December 31, 2017 presented for comparison purposes were adjusted for a better presentation and comparison with the information for the year ended December 31, 2018. The reclassifications between items of Current Assets did not change the total of this group and also do not change the total of the Asset. The reclassifications were:

i) From Inventories, related to Advances to suppliers for the purchase of services and materials, the amounts of R$ 24,343 and R$ 24,394 in the Parent Company and Consolidated, respectively, to the item Advances to Suppliers;

ii) Other Accounts Receivable in the amount of R$ 12,870 in Parent Company and Consolidated, related to advances for acquisition of wood for Advances to Suppliers;

iii) In the Statement of Cash Flow, reclassifications between Operating Activities and Financing Activities are as follows: (a) Commitments for acquisition of assets, in the amounts of R$ 64,525 and R$ 117,865 in the Parent Company and Consolidated, respectively, and; (b) Loans to related parties in the amount of (R$ 778,022) to the Holding Company.

3. Accounting practices adopted

The financial statements were prepared in accordance with accounting practices consistent with those used in the preparation of the annual financial statements as of December 31, 2017, except for the application of the new accounting pronouncements as of January 1, 2018, as described below. However, even with the application of the new pronouncements, there was no material impact on the financial statements, as already expected and mentioned in the financial statements as of December 31, 2017

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 from the date on which the Company becomes a party to the contractual provisions of financial instruments. They are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition or issuance, except for financial assets and liabilities classified in the "at fair value through profit or loss" category, where such costs are directly heading of Financial Results. Its subsequent measurement occurs at each balance sheet date in accordance with the rules established for each type of classification of financial assets and liabilities.

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.

The gain or loss on the initial recognition of financial assets and liabilities arising from the difference between the fair value and the present value of the cash flows of the instrument discounted by the contractual rate, called "day one profit or loss", is recognized in the income statement proportional to the term of the transaction, until the entire amount is considered at maturity, in case the fair value is not observable directly in the open market.

The adoption of IFRS 9 (CPC 48) Financial Instruments since January 1, 2018 resulted in an update in accounting policies, however, there was no material impact or adjustments due to the new standard.

IFRS 9 replaces the provisions of IAS 39 that refer to recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The transition method adopted by the Company was the retrospective transition model with modification, of which, the respective pronouncement becomes effective in the Company's balance sheet as of the effective date, in the case, as of January 1, 2018, and the comparative figures are not altered to reflect the accounting practice adopted by the Company.

In relation to the change in classification and measurement brought by IFRS 9, financial assets classified in 2018 and amortized cost in the previous year (2017) were classified as "loans and receivables", *with initial and subsequent measurements identical to the accounting practice* current.

b) Financial assets

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:

i. Amortized cost

The financial assets held by the Company are: (i) to receive contractual cash flow and not for sale with realization of profits and losses; and (ii) the contractual terms of which give rise, on specific dates, cash flows of payments of principal and interest on the principal amount outstanding.

Includes balance of cash and cash equivalents and trade accounts receivable. Any changes are recognized in the income statement under "Financial income" or "Financial expenses", depending on the income statement.

ii. 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.

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. Liabilities at amortized cost

Loans and financing are initially recognized at fair value, net of any attributable transaction costs, and subsequently presented at amortized cost using the effective interest rate method. Interest, monetary restatement and exchange variation, when applicable, are recognized in income, when incurred.

3.1.3 Trade accounts receivable

Trade accounts receivable are recorded at nominal value billed at the date of sale in the normal course of business of the Company, adjusted to the present value when applicable, plus exchange variation when denominated in foreign currency. Due to the average term of receipt of the securities, their value corresponds to the fair value. If the term of receipt is equivalent to one year or less, the accounts receivable are classified in Current assets. Otherwise, they are presented in Non-current assets.

Beginning January 1, 2018, with the adoption of IFRS 9 (CPC 48) Financial Instruments, the Company selected the expected loss model at the time of billing based on the use of a provisions matrix with a simplified approach. When necessary, based on individual analysis, the provision for expected loss is supplemented. Until December 31, 2017, the impairment was determined based on the loss incurred. The adoption of this new methodology did not have a material impact on the income statement.

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

The Company's biological assets are reforested eucalyptus forests, with a training cycle between planting and harvesting of approximately seven years, measured at fair value.

In determining the fair value, the discounted cash flow method was used according to the projected productivity cycle of these assets. Significant assumptions in determining the fair value of biological assets are stated in Note 13. The measurement of the fair value of biological assets is made on a semi-annual basis, since it considers that this interval is sufficient for there to be no significant lag in the fair value of the assets registered in its financial statements.

The gain or loss on the variation of the fair value of the biological assets is recognized in the income statement for the period in which they occur, under other operating income/ expenses. The value of the biological asset depletion is measured by the amount of the biological asset depleted (harvested) and measured at its fair value.

3.1.7 Investments

Investments are represented by interests in other companies controlled, jointly controlled and joint venture, evaluated by the equity method. Foreign exchange variation on investments abroad is classified as other reserves in shareholders' equity and realized on the disposal or write-off of the investment.

Gains or losses arising from transactions between these Companies are eliminated in the consolidation for equity accounting purposes and in the consolidated balance sheet.

3.1.8 Business combination

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The consideration is measured at fair value, as well as identifiable net assets acquired.

Gains on an advantageous purchase are recognized immediately in the result. The transaction costs are recorded in the income statement as incurred, except for costs related to the issuance of debt instruments or equity instruments, which are presented as debt reduction or equity, respectively.

Goodwill calculated on a business combination transaction is annually tested for impairment or when an indicator of impairment is identified.

Transactions in the acquisition of shares with shared control over the net assets traded apply complementary guidance to IFRS 3 - Business Combination, IFRS 11 (CPC 19) - Joint Ventures and IAS 28 (CPC 18) - Investments in Associates, Subsidiary and in Joint Venture.

Based on the equity method, investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted for recognition of changes in the Company's share in the joint venture's Shareholders' equity as of the acquisition date. The goodwill relating to the joint venture, if any, is included in the carrying amount of the investment, but is not an intangible asset and can not be amortized.

Other intangible assets identified in the transaction should be allocated in proportion to the Company's interest, by the difference between the carrying amounts recorded in the Company and its fair value calculated (value of the assets) and are amortized, if applicable.

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 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) and leased assets are depreciated for the shorter period between the estimated useful life of the asset and the term of the agreement.

On December 31, 2018 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 is 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 an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. 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

At the end of the year, the distribution of dividends or interest on own Capital is recognized as a liability, based on the corporate law and the Company's bylaws, up to the limit of mandatory minimum dividends, unless declared earlier. If declared after the date of the balance sheet, the excess portion of the dividends declared by Management is presented under the heading Dividends proposed, together with the reserves of profits in stockholders' equity. When the excess amount is approved by the shareholders the portion is then transferred to the 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, if applicable.

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 ("IRPJ") and social contribution ("CSLL")

The IRPJ and CSLL for the year comprise current and deferred taxes. These taxes are calculated based on the tax laws of the countries where the Company operates, in force on the balance sheet date, and are recognized in the income statement, except in the proportion in which they are related to items recognized directly in Shareholders' equity or in the comprehensive income.

Deferred income and social contribution taxes 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 for business combination operations whose initial recognition of asset or liability does not affect the accounting or fiscal result.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legal right and the intention to compensate them when calculating the current taxes, and when related to the same tax authority and the same legal entity.

Deferred income tax and social contribution assets arising from tax losses, tax credits and unused deductible temporary differences are recognized in proportion to the probability that future profits subject to taxation will be available and against which they will be used.

Deferred income tax and social contribution assets are reviewed at each balance sheet date and will be reduced to the extent that their realization is no longer probable.

3.1.17 Contingent assets and liabilities

Contingent assets are not recorded. They only become active and are recorded when their realization is virtually certain and especially in the case of judicial disposals, when judicial decisions favorable to the Company have been res judicata and the amount can be measured with safety.

For contingent liabilities, the following criteria are observed: (i) contingent liabilities with remote probability of loss assessment, are not provisioned or disclosed; (ii) contingent liability with possible probability of loss assessment, no provision is recorded, however, they are disclosed in the notes to the financial statements.

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 employee benefits 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 and losses are recognized directly in Shareholders' equity. The interest incurred on the actuarial liability is recorded directly in the income statement under financial expenses.

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 Adjustment at present value of assets and liabilities

The measurement of the discounting to the present value is made on the initial recognition of short and long-term monetary assets and liabilities recognized as material. For the purposes of recording and determining materiality, the present value adjustment is calculated taking into account contractual cash flows and explicit interest rates, and implicit interest rates in certain cases, of respective assets and liabilities.

3.1.23 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.

3.1.24 Revenue recognition

The Company adopted IFRS 15 - Revenue from Contracts with Clients as of January 1, 2018, which resulted in changes in accounting policies, opting for the modified transition method, whose comparative figures were not restated. There was no material impact or adjustments in January 1st, 2018 due to the new standard.

The Company follows the conceptual framework of the revenue recognition standard that is based on the five-step model: (i) identification of contracts with customers; (ii) identification of performance obligations in contracts; (iii) transaction price determination; (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.

Revenue is recognized when there is no longer a performance obligation to be met by the Company, therefore, when the control of the products is transferred to the customer and the customer has the ability to determine its use and obtain substantially all the benefits of the product.

In the previous years, sales revenue was recognized when its amounts can be measured reliably, significant risks and rewards inherent to the product were transferred to the buyer, that is, the Company no longer had any relation with the goods sold and it was probable that the economic benefits will be generated for the Company. Revenues were not recognized if there was significant uncertainty to their realization. Operating revenue from product sales were stated at their net amounts excluding taxes, returns, unconditional discounts and bonus to clients.

a) Sale of products

The recognition of revenue from domestic sales and foreign of pulp and paper is based on the following principles:

(i) Internal market - sales are mainly made on credit. Revenue is recognized when the customer receives the product, either at the carrier's premises or at its own premises, whereby ownership benefits are transferred and the performance obligation is met.

(ii) Foreign market - export orders are usually serviced by third-party warehouses located near strategic markets; sales are mostly made on credit. The export contracts establish the International Trade Terms ("Incoterms") applicable to each transaction, which are also used to define the transfer of control of the goods.

b) Sale of energy

- Energy produced in the pulp production process in the Mucuri and Imperatriz units

  Revenue from this sale is considered as a by-product and deducted from the cost of the main product in these units.

- PCH Mucuri

  Suzano's wholly-owned subsidiary, is engaged in the generation and sale of electricity. Revenues from the sale of electricity, considered immaterial for the purpose of these financial statements, are presented under other operating income.

3.1.25 Leases

Financial leasing contracts usually involve fixed assets and the Company holds substantially all the risks and benefits of the asset. The asset is recognized at the lower of the present value of the minimum mandatory installments of the contract and the fair value of the asset, plus, when applicable, the initial direct costs incurred and depreciated by the lower of the useful life of the asset or contract term. The corresponding obligations, net of financial charges, are presented under the heading of Loans.

The portion of the lease paid is allocated, part of the liability and part of the financial burden, so that a constant rate is obtained on the balance of the outstanding debt. Financial interest is recognized in income for the period during the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability in each period.

Operating liquidation contracts (net of any incentives received from the lessor) are recognized in the income statement of the period when payment of the contract installments.

3.1.26 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 practices 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:

i. Fair value measurement

The Company selects methods and uses judgments in the assumptions for determining the fair value as well as defining the sensitivity analysis scenarios.

When measuring the fair value of an asset or liability, the Company uses market data as much as possible. Fair values are classified at different hierarchy levels based on the inputs used for valuation techniques (Note 4.7).

Significant changes in the assumptions used may affect the Company's equity position.

Additional information on the assumptions used to measure relevant fair values are included in the following notes to the financial statements:

a) Note 4 – Financial instruments and risks;
b) Note 13 – Biological assets;
c) Note 23 – Share-based compensation plans.

ii. Financial Instruments (derivatives and non-derivatives)

In order to determine the fair value of financial instruments that are not traded on an active market, valuation techniques are used by the Company.

The Company uses recent operations contracted with third parties, reference to other instruments that are substantially similar, cash flow analysis and others that have the minimum possible information generated by the Administration. The Company also uses its judgment to define the scenarios presented in the sensitivity analysis (Note 4).

iii. 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).

The critical assumptions used in the calculation of fair value include: (i) Annual Average Increase ("IMA") - Due to the exposure of forests to climatic conditions, pest risk, fires and other risk factors that may impact on the estimated production of future forest wood; (ii) Discount rate - Due to the macroeconomic assumptions and market risk that are not under the control of the Company; and (iii) Selling price - market conditions are related to the level of supply and demand of the wood in each region.

iv. 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.

If events or changes in circumstances occur that indicate that the carrying amount of an asset or group of assets may not be recoverable based on future cash flows, Management adjusts the balance to its recoverable amount.

v. 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).

vi. 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).

vii. Provisions and 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).

3.2 New standards, revisions and interpretation not yet in force.

The following accounting standards / interpretations have been issued and approved by the International Accounting Standards Board ("IASB"), which are not yet in force and the Company did not adopt them in advance for the preparation of this financial statements. The new standards are presented below:

i) CPC 06 (R2) (IFRS 16) - Leasing operations

This standard replaces the existing guidance in IAS 17 and essentially determines that lessees will have to recognize future liabilities in their liabilities and their right to use the leased asset for practically all lease agreements, financial and operating leases have the same accounting treatment, and certain short-term or low-value contracts fall outside the scope of this new standard. The standard is applicable as of January 1, 2019.

The Company will adopt IFRS 16 on January 1, 2019 using a modified retrospective approach that results in the prospective application of the standard. The modified retrospective approach does not require updating the accounting information of the previous period.

In adopting IFRS 16, the Company recognizes the lease liabilities in relation to the contracts that meet the definition of lease, in accordance with the principles of the new standard. These liabilities will be measured at the present value of the remaining lease payments, discounted based on the incremental loan rate on January 1, 2019. Assets associated with the right of use will be measured at the amount equal to the lease liability on January 1, 2019 , with no impact on retained earnings.

In the initial adoption, the Company will use the following practical expedients allowed by the standard:

a) The use of a single discount rate for a portfolio of leases with fairly similar characteristics;

b) Leases whose maturity will occur within 12 months of the date of initial adoption of the standard, accounting will be as short-term leases (directly in the income statement);

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c) The accounting of lease payments as expenses in the case of leases for which the underlying asset is of low value; and

d) The use of past perception in determining the lease term, when the agreement contains options to extend or terminate the lease.

The adoption of the standard will result in the recognition of rights-of-use assets and lease liabilities in the estimated amount of R$ 1,112,615 on January 1, 2019. The greater impact produced by this standard is related to the recognition in the balance of the lease agreements of land used for the formation of eucalyptus forests, with deadlines of up to 3 cycles of forest formation, around 21 years. The amounts calculated up to the closing of these financial statements, which represent an increase in liabilities and in the right to use assets, are presented below:

Asset		Present value of liabilities [(a)]	Discount rate [(b)]
Land	R$	990,928	5.78%
Property	R$	18,452	5.78%
Machine and Equipment	R$	103,235	5.13%
Total	**R$**	**1,112,615**	

[(a)] Net tax liability
[(b)] To determine the discount rates, quotes were obtained from financial institutions for contracts with characteristics and average terms similar to the lease agreements.

ii) IFRIC 23: Uncertainty over Income Tax Treatments

The standard clarifies the way of accounting for tax positions related to Income Tax and Social Contribution. This rule is applicable when there are uncertainties as to the acceptance of the treatment by the Fiscal Authority. If acceptance is not likely, the values of tax assets and liabilities should be adjusted to reflect the best resolution of the uncertainty.

IFRIC 23 does not introduce new disclosures but reinforces the need to comply with existing disclosure requirements on (i) judgments made; (ii) assumptions or other estimates used; and (iii) the potential impact of uncertainties that are not reflected in the financial statements. The standard is applicable as of January 1, 2019.

The Company has evaluated the changes introduced by this new standard and based on the analyzes carried out, did not identify material changes that have an impact on its financial statements.

The transition method adopted by the Company is the retrospective transition model with modification, from which, the respective pronouncement becomes effective in the Company's balance sheet as of the date of adoption, in the case, January 1, 2019, and the comparative figures are not altered to reflect the accounting practice adopted by the Company.

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 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.

In thousands of Brazilian reais (R$), unless otherwise indicated

The Company does not apply hedge accounting. Therefore, all results (gains and losses) from derivative operations (settled and outstanding) are fully recognized in the Statements of income of the Parenty Company and Consolidated, are presented in Note 26.

b) Measurement

Transactions with financial instruments with higher liquidity are recognized in the Company's financial statements and presented below. During the year there were no reclassifications between categories.

		Parent Company		Consolidated	
	Nota	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets					
At fair value through profit or loss					
Financial investments	6	**20,996,555**	1,579,981	**21,098,565**	1,631,505
Derivative financial instruments	4.3	**493,692**	133,910	**493,934**	133,910
At amortized costs [b]					
Cash and cash equivalents	5	**3,253,666**	490,701	**4,387,453**	1,076,833
Trade accounts receivable	7	**3,470,873**	2,579,919	**2,537,058**	2,303,810
		28,214,786	4,784,511	**28,517,010**	5,146,058
Liabilities					
At amortized cost					
Trade accounts payable	18	**594,168**	581,810	**632,565**	610,476
Loans and financing	19.1	**7,742,640**	5,441,048	**31,074,056**	12,191,856
Loans with related parties [a]		**23,244,011**	6,722,399	**-**	-
Debentures	19.3	**4,663,453**	-	**4,663,453**	-
Liabilities for asset acquisition and subsidiaries	24	**950,084**	537,248	**992,512**	585,986
At fair value through profit or loss					
Derivative financial instruments	4.5	**1,635,317**	127,896	**1,636,700**	127,896
		38,829,673	13,410,401	**38,999,286**	13,516,214

(a) Funding through subsidiaries.
(b) In 2017, it was classified as "loans and receivables"

c) Fair value versus book value

The financial instruments included in the balance sheets, are presented at their contractual amounts. Financial investments and derivative contracts, used exclusively for hedging purposes, are valued at fair value.

In order to determine the market values of assets or financial instruments traded in public and liquid markets, the market closing prices were used at the balance sheet dates. The fair value of interest rate swaps and indexes is calculated as the present value of their future cash flows discounted at the current interest rates available for operations with similar remaining terms and maturities. This calculation is based on the quotations of B3 and ANBIMA for interest rate operations in reais and the British Bankers Association and Bloomberg for Libor rate transactions. The fair value of forward or forward exchange contracts is determined using the forward exchange rates prevailing at the balance sheet dates, in accordance with B3 prices.

In thousands of Brazilian reais (R$), unless otherwise indicated

In order to determine the fair value of assets or financial instruments traded in over-the-counter or liquid markets, a number of assumptions and methods based on normal market conditions (not for liquidation or forced sale) are used at each balance sheet date, including the use of option pricing models such as Black & Scholes, and estimates of discounted future cash flows. The fair value of oil bunker pricing contracts is obtained based on the Platts index.

The result of the trading of financial instruments is recognized at the closing or contracting dates, where the Company undertakes to buy or sell these instruments. The obligations arising from the contracting of financial instruments are eliminated from our financial statements only when these instruments expire or when the risks, obligations and rights arising therefrom are transferred.

The comparison between the fair value and the book value of the outstanding financial instruments can be shown as follows:

	Consolidated			
	12/31/2018		12/31/2017	
	Book Value	Fair Value	Book Value	Fair Value
Assets				
Cash and cash equivalents	**4,387,453**	**4,387,453**	1,076,833	1,076,833
Financial investments	**21,098,565**	**21,098,565**	1,631,505	1,631,505
Trade accounts receivable	**2,537,058**	**2,537,058**	2,303,810	2,303,810
Derivative financial instruments [(a)]	**493,934**	**493,934**	133,910	133,910
	28,517,010	**28,517,010**	5,146,058	5,146,058
Liabilities				
Trade accounts payables	**632,565**	**632,565**	610,476	610,476
Loans and financing [(a)]	**31,074,056**	**35,326,676**	12,191,856	13,755,352
Debentures	**4,663,453**	**4,957,382**	-	-
Liabilities for asset acquisitions and subsidiaries [(a)]	**992,512**	**948,522**	585,986	564,292
Derivative financial instruments [(a)]	**1,636,700**	**1,636,700**	127,896	127,896
	38,999,286	**43,501,845**	13,516,214	15,058,016

(a) Current and non-current

In thousands of Brazilian reais (R$), unless otherwise indicated

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 table shows the maturity of financial liabilities with cash settlement, including estimates of interest payments and exchange fluctuation, referring to the remaining term on the base date of the financial statements up to the contractual maturity.

The amounts disclosed below are the undiscounted cash flows contracted and, therefore, may not be reconciled with the amounts disclosed in the balance sheet.

	12/31/2018					
	Total Book Value	Total Future Value	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities						
Trade accounts payables	632,565	632,565	632,565	-	-	-
Loans and financing	31,074,056	45,997,323	4,818,397	3,672,268	16,850,840	20,655,818
Debentures	4,663,453	8,022,759	340,044	419,401	1,521,757	5,741,556
Liabilities for asset acquisitions and subsidiaries	992,512	1,099,331	495,862	100,715	316,730	186,023
Derivative financial instruments	1,636,700	2,149,710	790,679	736,715	465,853	156,462
Other accounts payable	404,655	404,655	367,314	37,341	-	-
	39,403,941	58,306,342	7,444,861	4,966,440	19,155,180	26,739,859

	12/31/2017					
	Total Book Value	Total Future Value	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities						
Trade accounts payables	610,476	610,476	610,476	-	-	-
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 and subsidiaries	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	-	-
	13,809,407	17,612,103	3,715,190	2,772,968	5,127,502	5,996,443

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.

In thousands of Brazilian reais (R$), unless otherwise indicated

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 according to established hierarchy. In some cases, the approval from the management's meeting and the Credit Committee is applicable.

The Company, in order to mitigate credit risk, maintains its financial operations diversified among banks, with a main focus on first-tier financial institutions classified as 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:

		Parent Company		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets					
Cash and cash equivalents	5	**3,253,666**	490,701	**4,387,453**	1,076,833
Financial investments	6	**20,996,555**	1,579,981	**21,098,565**	1,631,505
Trade accounts receivable	7	**3,470,873**	2,579,919	**2,537,058**	2,303,810
Derivative financial instruments		**493,692**	133,910	**493,934**	133,910
		28,214,786	4,784,511	**28,517,010**	5,146,058

The Other Parties, 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. The risk rating is as follows:

In thousands of Brazilian reais (R$), unless otherwise indicated

	Consolidated			
	Cash and cash equivalents and financial investments		Derivative financial instruments	
Risk rating [a]	12/31/2018	12/31/2017	12/31/2018	12/31/2017
AAA	**19,736,151**	2,168,810	**141,296**	65,510
AA+	**5,257,518**	169,881	-	51,231
AA	**68,207**	207,925	**259,711**	3,143
AA-	**422,899**	113,623	-	14,026
A	**80**	45,753	**51,281**	-
A-	**1,160**	2,330	-	-
BB	**2**	16	**41,646**	-
	25,486,018	2,708,338	**493,934**	133,910

[a] We use the Brazilian Risk Rating and the rating is given by agencies Fitch Ratings, Standard & Poor's and Moody's.

The risk rating of trade accounts receivable is as follows:

	Consolidated	
	12/31/2018	12/31/2017
Low Risk [a]	**2,447,184**	2,268,675
Average Risk [b]	**66,587**	21,016
High Risk [c]	**60,466**	52,859
	2,574,237	2,342,550

[a] Not 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.

Part of the above amounts do not consider part of the supplementary Allowance for Doubtful Accounts calculated on an individual basis for each customer in default of R$ 37,179 and R$ 38,740 an December 31, 2018 and 2017, 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.

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.

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

In thousands of Brazilian reais (R$), unless otherwise indicated

	Consolidated	
	12/31/2018	12/31/2017
Assets		
Cash and cash equivalents	**1,143,968**	585,541
Trade accounts receivable	**1,661,108**	1,544,749
Derivative financial instruments	**493,685**	133,910
	3,298,761	2,264,200
Liabilities		
Trade accounts payables	**(72,680)**	(36,018)
Loans and financing	**(26,384,721)**	(8,616,807)
Liabilities for asset acquisitions and subsidiaries	**(333,049)**	(332,193)
Derivative financial instruments	**(1,464,569)**	(126,781)
	(28,255,019)	(9,111,799)
Liability exposure	**(24,956,258)**	(6,847,599)

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, 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:

In thousands of Brazilian reais (R$), unless otherwise indicated

	12/31/2018		
	As of	Effect on Income and Equity	
	Probable	Possible Increase (Δ 25%)	Remote Increase (Δ 50%)
Cash and cash equivalents	1,143,968	285,992	571,984
Trade accounts receivable	1,661,108	415,277	830,554
Trade accounts payables	(72,680)	(18,170)	(36,340)
Loans and financing	(26,384,721)	(6,596,180)	(13,192,361)
Liabilities for asset acquisitions	(333,049)	(83,262)	(166,524)
Derivatives *Non Deliverable Forward* ("NDF") [a]	17,041	(137,748)	(275,191)
Derivatives Swap [a]	(853,141)	(2,458,607)	(4,915,329)
Derivatives Options [a]	(134,784)	(2,352,766)	(5,111,182)
	(24,956,258)	(10,945,465)	(22,294,390)

[a] For the notional values of the 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.

Given Libor's risk of extinction over the next few years the Company has negotiating its contracts with clauses that envisage the discontinuation of the interest rate. The majority of the debt already has some clause of substitution of the rate by a reference index or interest rate equivalent, for the contracts that do not have a specification a clause of renegotiation between the parties was added. The derivative contracts linked to Libor envisage that there will be a negotiation between the parties for the definition of a new rate or an equivalent fee will be provided by the calculation agent.

Over the next few years, until Libor expires, the company will actively work to reflect an equivalent replacement rate in all of its contracts

Sensitivity analysis – exposure to interest rates

For the purposes of market risk analysis, the Company uses scenarios to assess the sensitivity that variations in operations impacted by the CDI, TJLP and Libor rates may generate in their results. The probable scenario represents the amounts recognized in the accounts.

The other scenarios were constructed considering an appreciation of 25% and 50% on market interest rates.

The following are the possible impacts on the results in the event of these scenarios occurring:

In thousands of Brazilian reais (R$), unless otherwise indicated

	12/31/2018		
		Effect on Income and Equity	
Consolidated	Probable	Possible Increase (Δ 25%)	Remote Increase (Δ 50%)
CDI			
Cash and cash equivalents	3,243,485	53,931	108,701
Financial investments	19,049,284	316,741	638,412
Loans and financing	(4,078,631)	316,741	638,412
Debentures	(4,663,453)	(374,854)	(453,602)
Derivative Swaps	(853,141)	866,857	1,746,549
Derivative Options	(134,813)	(74,269)	(146,411)
	12,562,731	1,105,149	2,532,061
Special System for Settlement and Custody ("SELIC")			
Financial investments	2,049,281	34,074	68,679
	2,049,281	34,074	68,679
TJLP			
Loans and financing	(213,178)	(3,597)	(7,195)
	(213,178)	(3,597)	(7,195)
LIBOR			
Loans and financing	(13,038,092)	(88,855)	(177,709)
Derivative Swap	(170,708)	238,030	471,025
	(13,208,799)	149,176	293,316

This sensitivity analysis should be analyzed in the context of the subsequent event described in Note 32. a.), since a substantial part of that balance was consumed in payment of the Fibria transaction.

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.

In thousands of Brazilian reais (R$), unless otherwise indicated

The Company is also exposed to international oil prices, which reflects on logistical costs for selling to the export market.

On December 31, 2018 there is long position in bunker oil R$ 5 million to hedge its logistics costs. (December 31, 2017, there is no long position in bunker oil)

	12/31/2018		
	Probable	Possible Increase (Δ 25%)	Remote Increase (Δ 50%)
Oil derivative	(1,140)	2,399	3,735
	(1,140)	2,399	3,735

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, 2018 and 2017, the consolidated positions of outstanding derivatives are presented below:

In thousands of Brazilian reais (R$), unless otherwise indicated

	Notional value in US$		Fair value	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash flow				
Undesignated exchange hedge				
Zero-cost collar (R$ vs. US$)	**2,340,000**	1,485,000	**(41,122)**	25,822
NDF (R$ x US$)	**50,000**	-	**6,749**	-
Fixed Swap (US$) vs. CDI	-	50,000	-	5,356
Fixed Swap CDI vs. US$	-	50,000	-	(2,485)
Subtotal	**2,390,000**	1,585,000	**(34,374)**	28,693
Debt hedge				
Exchange hedge				
Swap CDI vs. Fixed (US$)	**752,110**	291,725	**(377,020)**	(21,562)
Subtotal	**752,110**	291,725	**(377,020)**	(21,562)
Interest hedge				
Swap LIBOR vs. Fixed (US$)	**757,143**	19,841	**(33,663)**	(1,117)
Subtotal	**757,143**	19,841	**(33,663)**	(1,117)
Hedge de Commodity [a]				
Swap Bunker	**5,344**	-	**(1,140)**	-
Subtotal	**5,344**	-	**(1,140)**	-
Total in derivatives (Cash Flow)	**3,904,597**	1,896,566	**(446,196)**	6,014
Fibria's operation				
Undesignated exchange hedge				
Zero cost collar (R$ x US$)	**700,000**	-	**(93,692)**	-
NDF (R$ x US$)	**100,000**	-	**10,287**	-
Subtotal	**800,000**	-	**(83,405)**	-
Debt hedge				
Exchange hedge				
Swap CDI x Fixed (US$)	1,650,000	-	**(476,121)**	-
Subtotal	**1,650,000**	-	**(476,121)**	-
Interest hedge				
Swap Libor x Fixed (US$)	**2,000,000**	-	**(137,044)**	-
Subtotal	**2,000,000**	-	**(137,044)**	-
Total in derivatives (Fibria's operation)	**4,450,000**	-	**(696,570)**	-
Total in derivatives	**8,354,597**	**1,896,566**	**(1,142,766)**	**6,014**
Current assets			**352,454**	77,090
Non-current assets			**141,480**	56,820
Current liabilities			**(596,530)**	(23,819)
Non-current liabilities			**(1,040,170)**	(104,077)
			(1,142,766)	6,014

[a] The commodity hedge amount was contracted through the subsidiary Suzano Trading.

In thousands of Brazilian reais (R$), unless otherwise indicated

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, 2018 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 below:

i) CDI Swap x Fixed US$: positions in conventional swaps by changing the rate of Interbank Deposits (DI) by pre-fixed dollar rate. The objective is to change the debt index in *Reais* to dollars;

ii) NDF US$: Positions sold in futures contracts of dollars, with the purpose of protecting the cash flow of exports.

iii) Swap Fixed US$ x CDI: positions in conventional swaps exchanging pre-fixed rate variation in dollars by Interbank Deposits (DI) rate. The objective is to revert debts in dollars to *Reais*;

iv) Swap LIBOR x Fixed: positions in conventional swaps exchanging post-fixed rate for a pre-fixed rate in dollars. The objective is to protect the cash flow of variations in the US interest rate;

v) Zero-Cost Collar: positions in an instrument consisting of the simultaneous combination of the purchase of put options and the sale of US dollar call options, with the same principal and maturity, in order to protect the cash flow of exports. This strategy establishes an interval where there is no deposit or receipt of financial margin on the position adjustments.

vi) Swap Bunker (oil): positions purchased in oil bunker, with the objective of protecting logistics costs related to the contracting of maritime freight.

b) Fair value by maturity date

Derivatives mature as follows:

Maturity of derivatives	Net Fair value	
	12/31/2018	12/31/2017
In 2018	-	53,270
In 2019	(244,069)	(16,064)
In 2020	(180,333)	(31,192)
In 2021	87,851	-
In 2022	83,692	-
In 2023	80,052	-
In 2024	82,963	-
In 2025	(486,958)	-
In 2026	(565,964)	-
	(1,142,766)	6,014

In thousands of Brazilian reais (R$), unless otherwise indicated

c) Long and short position of outstanding derivatives

On December 31, 2018 and 2017, the consolidated positions of outstanding derivatives are presented below:

	Notional value			Fair value	
Consolidated	**Currency**	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Debt hedge					
Assets					
Swap CDI vs. Fixed (US$)	R$	**8,722,620**	950,000	**119,178**	22,525
Swap LIBOR vs. Fixed (US$)	US$	**2,757,143**	19,841	**-**	65,517
Subtotal				**119,178**	88,042
Liabilities					
Swap CDI vs. Fixed (US$)	US$	**2,402,110**	291,725	**(972,319)**	(44,087)
Swap LIBOR vs. Fixed (US$)	US$	**2,757,143**	19,841	**(170,707)**	(66,634)
Subtotal				**(1,143,026)**	(110,721)
Total swap agreements				**(1,023,848)**	(22,679)
Cash flow					
Zero-cost collar (US$ vs. R$)	US$	**3,040,000**	1,485,000	**(134,814)**	25,822
Swap Fixed (US$) vs. CDI	US$	**-**	50,000	**-**	5,356
NDF (R$ x US$)	US$	**150,000**	-	**17,036**	-
Swap Bunker	US$	**5,344**	-	**(1,140)**	-
Swap CDI x Fixed (US$)	US$	**-**	50,000	**-**	(2,485)
Subtotal				**(118,918)**	28,693
Total in derivatives				**(1,142,766)**	6,014

In thousands of Brazilian reais (R$), unless otherwise indicated

d) Settled derivatives

In the year ended December 31, 2018 and 2017, the consolidated positions of settled derivatives were as follows:

	Cash paid / Received amount	
Consolidated	**12/31/2018**	**12/31/2017**
Cash flow		
Exchange hedge		
Zero-cost collar (R$ vs. US$)	**(110,271)**	28,159
NDF (R$ vs. US$)	**(1,235,448)**	11,110
NDF (MXN vs. US$)	**-**	39
Subtotal	**(1,345,719)**	39,308
Commodity hedge		
Bunker (oil)	**-**	2,631
Subtotal	**-**	2,631
Debt hedge		
Exchange hedge		
Swap CDI vs. Fixed (US$)	**19,145**	78,411
Swap Fixed (US$) vs. CDI	**-**	(8,809)
Swap CDI vs. Libor (US$)	**-**	(162,769)
Subtotal	**19,145**	(93,167)
Interest hedge		
Swap LIBOR vs. Fixed (US$)	**(4,939)**	(2,588)
Swap Coupon vs. Fixed (US$)	**-**	15,824
Subtotal	**(4,939)**	13,236
Total in derivatives [a]	**(1,331,513)**	(37,992)

[a] On December 31, 2018, there was a payment of the derivative premium in the amount of R$ 254,902 and on December 31, 2017 there was a receipt of R$ 77,687 of unhedged options and, therefore, are 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:

In thousands of Brazilian reais (R$), unless otherwise indicated

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.

	Parent Company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Loans and financing	**7,742,640**	5,441,048	**31,074,056**	12,191,856
Debentures	**4,663,453**	-	**4,663,453**	-
(-) Cash and financial investments	**(24,250,221)**	(2,070,682)	**(25,486,018)**	(2,708,338)
Net debt	**(11,844,128)**	3,370,366	**10,251,491**	9,483,518
Shareholders' equity controlling	**12,012,007**	11,621,554	**12,012,007**	11,621,554
Shareholders' equity non-controlling	**-**	-	**13,928**	-
Shareholders' equity and net debt	**167,879**	14,991,920	**22,277,426**	21,105,072

This sensitivity analysis should be analyzed in the context of the subsequent event described in Note 32 a), since a substantial part of that balance was consumed in payment of the Fibria transaction.

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).

In thousands of Brazilian reais (R$), unless otherwise indicated

Consolidated	12/31/2018 Fair value	Level 1	Level 2	Level 3
Assets				
Financial investments	**21,098,565**	**14,933,513**	**6,165,052**	**-**
Derivative financial instruments	**493,934**	**-**	**493,934**	**-**
Biological assets [a]	**4,935,905**	**-**	**-**	**4,935,905**
	26,528,404	**14,933,513**	**6,658,986**	**4,935,905**
Liabilities				
Derivative financial instruments	**1,636,700**	**-**	**1,636,700**	**-**
	1,636,700	**-**	**1,636,700**	**-**

Consolidated	12/31/2017 Fair value	Level 1	Level 2	Level 3
Assets				
Financial Investments	1,631,505	-	1,631,505	-
Derivative financial instruments	133,910	-	133,910	-
Biological assets [a]	4,548,897	-	-	4,548,897
	6,314,312	-	1,765,415	4,548,897
Liabilities				
Derivative financial instruments	127,896	-	127,896	-
	127,896	-	127,896	-

[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 is guaranteed by letters of credit and credit insurance policies. As of December 31, 2018, the consolidated operations of accounts receivable indexed to exports amounted to US$ 365 million, equivalent to R$ 1,417,026 at that date (December 31, 2017 US$ 429 million, equivalent to R$ 1,421,446).

In thousands of Brazilian reais (R$), unless otherwise indicated

5. Cash and Cash Equivalents

	Parent Company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Cash and banks				
Local currency	**19,685**	18,533	**28,233**	19,124
Foreign currency	**9,124**	-	**1,123,533**	583,604
	28,809	18,533	**1,151,766**	602,728
Financial investments				
Local currency	**3,204,422**	472,168	**3,215,252**	472,168
Foreign currency	**20,435**	-	**20,435**	1,937
	3,224,857	472,168	**3,235,687**	474,105
	3,253,666	490,701	**4,387,453**	1,076,833

Financial investments in local currency are low risk and highly liquid and correspond to investments indexed to the CDI. On December 31, 2018, the interest rates on financial investments ranged of 99.46% of CDI index (December 31, 2017, the interest rates ranged 110.60% of CDI index).

6. Financial Investments

	Parent Company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Financial assets measured at fair value through profit or loss held for trading				
Investment funds [(a)]	**14,831,503**	1,542,068	**14,933,513**	1,593,066
Bank Deposit Certificates ("CDB") [(b)]	**4,115,771**	37,913	**4,115,771**	38,439
Government Securities [(c)]	**2,049,281**	-	**2,049,281**	-
	20,996,555	1,579,981	**21,098,565**	1,631,505

(a) Investment funds invest in fixed income instruments, diversified between private institution bonds and government bonds, are remunerated at a rate between 99.19% and 100.17% of CDI index rate on December 31, 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 described in Note 4.3.

(b) Bank Deposit Certificates ("CDBs") were remunerated on average at 101.37% of the CDI (December 31, 2017, was remunerated at 102.48%).

(c) Government securities are investments in Treasury Financial Letter ("LFT") remunerated at 100% of the SELIC rate.

In thousands of Brazilian reais (R$), unless otherwise indicated

7. Trade Accounts Receivable

7.1 Breakdown of balances

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Domestic customers				
Third parties	**800,231**	739,858	**853,684**	741,558
Receivables Investment Fund ("FIDC") [a]	**22,299**	25,825	**22,299**	25,825
Subsidiaries [b]	**39,965**	-	**-**	-
Related parties [b]	**36,727**	28,652	**36,727**	28,652
Foreign customers				
Third parties	**45,317**	45,572	**1,661,527**	1,546,515
Subsidiaries [b]	**2,562,276**	1,775,848	**-**	-
Allowance for doubtful accounts	**(35,942)**	(35,836)	**(37,179)**	(38,740)
	3,470,873	2,579,919	**2,537,058**	2,303,810

[a] 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 December 31, 2018 Suzano has a co-obligation and retains substantial credit risk, accordingly Suzano recorded an accounts receivable of R$ 22,299 and a liability of R$ 22,054 net of transaction costs. (Note 19). (December 31, 2017 R$ 25,825 and R$ 24.665 respectively).

(b) See note 11.

7.2 Past due securities

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Past due:				
Up to 30 days	**40,111**	38,270	**291,050**	67,239
From 31 and 60 days	**3,874**	9,418	**54,845**	16,066
From 61 and 90 days	**3,513**	3,825	**10,982**	3,949
From 91 and 120 days	**2,518**	2,949	**7,446**	2,831
From 121 and 180 days	**4,132**	9,959	**6,285**	9,423
Over 180 days	**46,572**	36,402	**47,262**	39,905
	100,720	100,823	**417,870**	139,413
% Total overdue receivables.	**3%**	4%	**16%**	6%

In thousands of Brazilian reais (R$), unless otherwise indicated

7.3 Changes in allowance for doubtful accounts

	Parent Company		Consolidated	
	12/31/2018	31/12/2017	12/31/2018	12/31/2017
Balance at beginning of the year	**(35,836)**	(35,309)	**(38,740)**	(37,017)
Credits accrued in the year	**(11,251)**	(43,247)	**(11,578)**	(45,986)
Credits recovered in the year	**2,309**	5,994	**5,128**	6,089
Credits definitively written-off from position	**8,836**	36,726	**8,993**	36,726
Exchange variation	-	-	**(982)**	1,448
Balance at the end of the year	**(35,942)**	(35,836)	**(37,179)**	(38,740)

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

	Parent Company		Consolidated	
	12/31/2018	12/31/2017 Restated (Note 2.5)	12/31/2018	12/31/2017 Restated (Note 2.5)
Finished goods				
Pulp				
Domestic	**167,317**	81,829	**167,317**	81,829
Foreign	-	-	**485,226**	198,380
Paper				
Domestic	**219,788**	203,320	**227,303**	203,320
Foreign	-	-	**67,872**	67,146
Work in process	**44,828**	63,797	**52,882**	63,797
Raw materials	**619,893**	388,383	**626,150**	388,383
Spare Parts	**208,633**	164,686	**226,354**	180,712
	1,260,459	902,015	**1,853,104**	1,183,567

As of December 31, 2018, inventories are net of estimated losses in the amounts of R$ 33,195 (December 31, 2017, R$ 51,911).

In thousands of Brazilian reais (R$), unless otherwise indicated

8.1 Changes in provision for losses

	Consolidated	
	12/31/2018	12/31/2017
Balance at the beginning of the year	**(51,911)**	(37,896)
Constitution of provisions	**(10,605)**	(32,700)
Reversal of provisions	**5,873**	8,311
Write-off inventories [(a)]	**23,447**	7,777
Balance at the end of the year	**(33,195)**	(54,508)

[(a)] In 2018, it refers substantially to the definitive write-off (non-recurring losses) with raw material in the production process.

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 year ended December 31, 2018, additional write-offs were made directly in income in the amount of R$ 28,750 and R$ 29,828 in the Parent Company and Consolidated, respectively. (December 31, 2017, R$ 7,724 and R$ 7,687 at Parent company and Consolidated, respectively).

No inventory item was given as guarantee or liability guarantee for the years presented.

9. Recoverable taxes

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Withholding tax and prepaid income tax and social contribution	**85,529**	50,239	**103,939**	58,823
PIS and COFINS - on acquisition of fixed assets [(a)]	**55,518**	58,767	**55,518**	58,767
PIS and COFINS - other operations	**10,912**	54,360	**12,426**	55,515
ICMS - on acquisition of fixed assets [(b)]	**78,154**	71,603	**78,154**	71,603
ICMS - other operations [(c)]	**210,829**	250,006	**215,361**	280,384
Reintegra Program [(d)]	**48,879**	71,376	**48,879**	71,376
Other taxes and contributions	**5,401**	1,934	**24,845**	4,298
Provision for the impairment of ICMS credits [(e)]	**(10,792)**	(10,583)	**(10,792)**	(10,583)
	484,430	547,702	**528,330**	590,183
Current assets	**253,248**	263,945	**296,832**	306,426
Non-current assets	**231,182**	283,757	**231,498**	283,757

(a) Social Integration Program (PIS) and Social Contribution on Revenue (COFINS) Credits whose realization is linked to the depreciation period of the corresponding asset.

In thousands of Brazilian reais (R$), unless otherwise indicated

(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 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.

(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. The Brazilian law 13,670/2018 changes the Reintegra rate from 2% to 0.10% as of June 2018.

(e) Provision for discount on sale to third parties of accrued credit of ICMS in item "c" above.

The Company is the plaintiff in lawsuits that discuss the right to deduct ICMS from the basis of calculation of PIS and COFINS contributions, which have not yet become final and unappealable, including any changes in the applicable legislation after the enactment of Law n° 12,973/2014.

Due to a favorable ruling issued in the writs of the writ of mandamus, which is still pending final judgment, the Company, legally protected, initiated the exclusion of ICMS from the basis of calculation of said contributions as of the month of August 2018.

The PIS and COFINS credit recoverable will be duly accounted for after the final judgment of the actions of which it is an Author and taking into consideration the terms of the understanding of the Federal Supreme Court in the general repercussion on Extraordinary Appeal n° 574,706, still pending completion.

10. Advances to suppliers

	Parent Company		Consolidated	
	12/31/2018	12/31/2017 Restated (Note 2.5)	12/31/2018	12/31/2017 Restated (Note 2.5)
Forestry development program [a]	**231,063**	237,466	**231,063**	237,466
Advance for the purchase of finished product	**-**	33,324	**-**	33,324
Advance to suppliers [b]	**80,050**	3,889	**85,963**	37,264
	311,113	274,679	**317,026**	308,054
Current assets				
Non current assets	**92,620**	53,124	**98,533**	86,499
	218,493	221,555	**218,493**	221,555

(a) The Forestry development program consists of an incentive partnership scheme for regional forest production, where independent producers plant eucalyptus in their own land to supply the agricultural product (wood) to Suzano. Suzano provides eucalyptus seedlings, input subsidies, and cash advances, and the latter are not subject to valuation at present value since they will be settled, preferably, in forests. In addition, the Company supports producers through technical advice on forest management but does not have joint control over decisions effectively implemented.

In thousands of Brazilian reais (R$), unless otherwise indicated

At the end of the production cycles, the Company has contractually guaranteed the right to make an offer to purchase the forest and/or wood for market value, however, this right does not prevent producers from negotiating the forest and / or wood with other market participants, provided that the incentive amounts are fully paid.

(b) Advances to suppliers for the purchase of third-party materials, services and timber.

11. Related parties transactions

For transactions with related parties, it is determined that the usual market prices and conditions for these transactions are observed, as well as the corporate governance practices adopted by the Company and those recommended and/or required by the legislation.

Related parties	*Type of operation*	*Type of interest*
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 Sustentavel ("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 and Transactions on December 31, 2018

	Assets	Liabilities			Income Statement	
	Current	Current		Non Current		
Item of balance sheet	**Trade receivables**	**Trade payables**	**Debits**	**Debits**	**Income**	**Expenses**
With subsidiaries						
Suzano Trading	2,518,133 (b)	-	36,838 (a)	3,640,850 (a)	8,764,428 (b)	(672,677)
Suzano Europa	5	-	23,266 (a)	8,911,970 (a)	242	(23,426)
Suzano Austria	3,625 (a)	-	200,447 (a)	10 433,772 (a)	-	(880,592)
Suzano América	7	-	-	-	-	(502)
Paineiras	-	-	-	-	-	(7,218)
Paineiras Logistica	2,182	-	2,510	-	-	(274,947)
Stenfar	35,188 (b)	-	51	-	83,864 (b)	(1,359)
Ondurman	-	-	-	-	-	(16,102)
Futuragene Brasil	353	-	90	-	341	-
Sun Paper	-	-	4 814	-	337	-
Facepa	44,684 (b)	-	218	-	103,437	(96)
Mucuri Energetica	246	-	-	-	115	-
	2,604,423	**-**	**268,234**	**22,986,592**	**8,952,764**	**(1,876,919)**
With related parties						
Administradores	-	-	-	-	541	-
Holding	3	128	-	-	901	(13,624)
IPLF	-	-	-	-	4	-
Nemonorte	-	-	-	-	-	(491)
Bexma	1	-	-	-	10	-
Lazam - MDS	-	-	-	-	-	(31)
Ecofuturo	-	33	-	-	2	(4,186)
Ibema	36,721 (b)	1,643	-	-	116,566 (b)	(9,314)
Bizma	2	-	-	-	16	-
Mabex	-	-	-	-	-	(390)
	36,727	**1,804**	**-**	**-**	**118,040**	**(28,036)**
	2,641,150	**1,804**	**268,234**	**22,986,592**	**9,070,804**	**(1,904,954)**

In thousands of Brazilian reais (R$), unless otherwise indicated

11.2 Balance Sheets and Transactions on December 31, 2017

	Assets	Liabilities			Income Statement	
	Current	Current		Non Current		
Item of balance sheet	Trade receivables	Trade payables	Debits	Debits	Income	Expenses
With subsidiaries						
Suzano Trading	1,732,080 [b]	-	661,643 [a]	1,978,014 [a]	5,494,909	(180,876)
Suzano Europa	49	-	-	-	49	327
Suzano Austria	-	-	90,946 [a]	3,995,071 [a]	-	(357,308)
Paineiras	-	-	-	-	-	(5,611)
Paineiras Logistica	2,369	-	2,749	-	-	(245,865)
Stenfar	43,719 [b]	-	1,001	-	92,936 [b]	(4,657)
Ondurman	-	-	-	-	-	(15,986)
Amulya	-	-	-	-	-	(6,745)
Futuragene Brasil	20	-	-	-	446	(94)
Sun Paper	-	-	4,027	-	-	(227)
	1,778,237	-	760,366	5,973,085	5,588,340	(817,042)
With related parties						
Administradores	-	-	-	-	221	-
Holding	-	141	-	-	374	(14,177)
IPLF	-	-	-	-	28	-
Central	-	-	-	-	4,056	-
Nemonorte	-	-	-	-	-	(1,233)
Mabex	-	-	-	-	-	(294)
Bexma	-	-	-	-	13	-
Lazam - MDS	-	-	-	-	-	(372)
Ecofuturo	4	45	-	-	5	(3,789)
Ibema	28,628 [b]	6,954	-	-	83,706 [b]	(38,707)
	28,632	7,140	-	-	88,403	(58,572)
	1,775,848	7,140	760,366	5,973,085	5,676,743	(875,615)

[a] Amount related to funding from subsidiaries (Note 19.1 (d) (e));

[b] Pulp and paper sales operations

11.3 Management compensation

In the year ending December 31, 2018 and 2017, expenses related to the compensation of key management personnel which include the Board of Directors, the Audit Committee, Fiscal Council and Board of Executive Officers, in addition to certain executives, recognized in the statement of income for the year, are shown below:

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Short-term benefits				
Salary or compensation	47,278	24,774	48,663	24,774
Direct and indirect benefits	2,736	2,959	2,828	2,959
Bonus	16,412	26,819	16,752	26,819
	66,426	54,552	**68,243**	54,552
Long-term benefits				
Share-based compensation	61,982	33,554	62,150	33,554
	61,982	33,554	**62,150**	33,554
	128,408	88,106	**130,393**	88,106

In thousands of Brazilian reais (R$), unless otherwise indicated

Short-term benefits include fixed compensation (salaries and fees, vacation, mandatory "13th 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.

Deferred income and social contribution taxes are originated as follows:

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Income tax loss carryforward	306,622	572,356	310,293	575,248
Social contribution tax loss carryforward	6,627	29,830	6,627	29,830
Provision for tax, civil and labor liabilities	101,667	103,631	101,667	103,631
Temporary differences provision (operational and others)	286,616	203,831	286,616	203,831
Exchange variation losses (net) - payable on a cash basis for tax purposes	534,093	82,793	534,093	82,793
Losses on derivatives	291,254	29,943	291,254	29,943
Unrealized profit	227,830	103,376	227,830	103,376
Other temporary differences	10,252	6,413	15,579	6,127
Non-current assets	1,764,961	1,132,173	1,773,959	1,134,779
Tax benefit of goodwill - goodwill not amortized for accouting purposes	13,161	10,063	13,161	10,063
Property, plant and equipment - deemed cost adjustment	1,475,361	1,525,281	1,552,579	1,603,987
Tax accelerated depreciation	1,196,182	1,183,115	1,196,182	1,183,115
Other temporary differences	41,340	124,968	41,172	124,968
Non-current liabilities	2,726,044	2,843,427	2,803,094	2,922,133
Total non-current assets, net	-	-	8,998	2,606
Total non-current liabilities, net	961,083	1,711,254	1,038,133	1,789,960

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:

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Tax loss carryforward	**1,226,488**	2,289,425	**1,241,172**	2,300,993
Social contribution tax loss carryforward	**73,633**	331,445	**73,633**	331,445

In thousands of Brazilian reais (R$), unless otherwise indicated

The projected realization of deferred taxes was prepared based on Management's best estimates and projections of results. However, as there are several assumptions that are not under the control of the Company, such as inflation rates, exchange rate volatility, prices in the foreign market and economic uncertainties, future results may differ materially from those considered in the preparation of this projection. The realization projection is shown below:

	Consolidated
Year	**12/31/2018**
In 2019	**710,276**
In 2020	**236,760**
In 2021	**291,720**
In 2022	**169,464**
In 2023	**79,356**
In 2024	**59,880**
In 2025	**68,047**
2026 - 2028	**158,456**
	1,773,959

12.1 Reconciliation of the effects of income tax and social contribution on profit or loss

	Parent Company		Consolidated	
	12/31/2018	*12/31/2017*	*12/31/2018*	*12/31/2017*
Net income (loss) before taxes	**152,849**	2,225,659	**163,246**	2,239,065
Income tax and social contribution benefit (expense) at statutory nominal rate - 34%	**(51,969)**	(756,724)	**(55,504)**	(761,282)
Tax effect on permanent differences:				
Taxation on profit of subsidiaries abroad	**(160,252)**	(104,918)	**(160,252)**	(104,918)
Tax incentive - Reduction SUDENE (a)	**261,910**	196,604	**261,910**	196,604
Equity method	**(35,538)**	167,508	**2,576**	1,996
Taxation difference - Subsidiaries (b)	-	-	**62,813**	151,504
Credit related to Reintegra program	**37,627**	39,180	**37,627**	39,180
Interest on own capital	-	67,944	-	67,944
Higher taxation on foreign subsidiaries	**(2,553)**	(11,789)	**(2,553)**	(11,789)
Tax Incentives applied to Income Tax (d)	**20,505**	9,414	**20,506**	9,414
Unrealized profit on operations with subsidiaries (c)	**124,453**	(17,011)	**16,786**	(17,011)
Other	**(28,693)**	(8,434)	**(28,694)**	(3,273)
	165,490	**(418,226)**	**155,214**	**(431,632)**
Income tax	**(285,945)**	(68,919)	**(300,438)**	(80,607)
Current	**484,519**	(184,066)	**604,703**	(184,066)
Deferred	**198,574**	(252,985)	**304,265**	(264,673)
Social Contribution	**(282,160)**	(119,862)	**(286,130)**	(121,580)
Current	**249,076**	(45,379)	**137,079**	(45,379)
Deferred	**(33,084)**	(165,241)	**(149,051)**	(166,959)
Income and social contribution benefits (expenses) on the year	**165,490**	(418,226)	**155,214**	(431,632)
Effective rate of income and social contribution tax expens	**-108%**	19%	**-95%**	19%

In thousands of Brazilian reais (R$), unless otherwise indicated

[a] Refers to the benefit of reducing 75% of the income tax calculated based on Profits form 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.

[c] Refers to the cost of inventories that correspond to results not yet realized in intercompany operations

[d] Income tax deduction amount referring to the use of the PAT (Worker Feeding Program) benefit and donations made in cultural and sports projects.

[e] In 2018, effective rates of (108%) and (95%) in the Parent Company and Consolidated, respectively, mainly due to lower profit before taxes and the impact of the profit tax benefit of the holding.

12.2 Tax incentives

Suzano has a tax incentive for the partial reduction of the income tax obtained by the operations carried out in areas of the Northeast Development Superintendency (SUDENE) in the Mucuri (BA) and Imperatriz (MA) regions. The IRPJ reduction incentive is calculated based on the activity profit (operating profit), and takes into account the allocation of the operating profit by the incentive production levels for each product. The Incentive of Lines 1 and 2 of Mucuri (BA) expire respectively in 2024 and 2027 and the unit of Imperatriz in 2024.

During the period from 2006 to 2018, Suzano benefited from Accelerated Incentive Depreciation ("DAI"), which was applicable to the acquisition of property, plant and equipment and consisted of the depreciation of the asset in the same year of acquisition or until the 4th year after the acquisition. This benefit expired on December 31, 2018.

13. Biological assets

The changes in the balances of biological assets in the years ended on the respective dates are shown below:

	Parent Company	Consolidated
Balances on December 31, 2016	4,198,382	4,072,528
Additions [a]	934,992	912,368
Depletion for the year	(551,135)	(551,135)
Gain on adjustment to fair value	192,504	192,504
Disposal of forests	(28,030)	(28,030)
Other write-offs	(46,369)	(49,338)
Balances on December 31, 2017	4,700,344	4,548,897
Additions [a]	**1,309,297**	**1,285,490**
Depletion for the year	**(709,547)**	**(709,547)**
Loss on adjustment to fair value	**(129,187)**	**(129,187)**
Disposal of forests	**(47,124)**	**(47,124)**
Other write-offs	**(12,624)**	**(12,624)**
Balances on December 31, 2018	**5,111,160**	**4,935,905**

In thousands of Brazilian reais (R$), unless otherwise indicated

[a] Refers to the formation and acquisition of forests, of which R$ 875,963 is forest and R$ 433,334 for the acquisition of forests by the Parent Company (December 31, 2017, R$ 798,578 and R$ 136,414, respectively). Consolidated, the costs incurred to lease lands with subsidiaries;

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, Espirito 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 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^3 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:

Assumptions Used	**12.31.2018**	**12.31.2017**
Planted useful area (hectare)	**463,801**	**466,535**
Mature assets	**68,207**	**73,897**
Immature assets	**395,594**	**392,638**
Average annual growth (IMA) - m /hectare	**29.93**	**28.89**
Average gross sale price of eucalyptus - R$/m3	**68.62**	**69.19**
Utilization cost of Company's assets that contribute - %	**4.50%**	**4.44%**
Discount rate - %	**9.36%**	**9.11%**

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

In thousands of Brazilian reais (R$), unless otherwise indicated

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 the fair value of biological assets falls within Level 3 of the hierarchy established in CPC 46 (equivalent to IFRS 13) - Fair Value Measurements, by account of the complexity and structure of the calculation.

The main assumptions, IMA, discount rate, and selling price stand out as being the most sensitive where increases or reductions in these assumptions generate significant gains or losses in the measurement of fair value.

14. Investments

	Parent Company			Consolidated
	Subsidiaries	Joint ventures	Total	Ibema
Provision for losses on December 31, 2016	(103,529)	-	(103,529)	-
Investment on December 31, 2016	230,167	2,915	233,083	873
Equity pick-up in subsidiaries and investees	486,854	5,817	492,671	5,872
Foreign exchange variations in investees	37,877	129	38,006	-
Share acquisition (a)	-	21	21	19
Capital increase	43,000	-	43,000	-
Merger of subsidiary	(37,106)	-	(37,106)	-
Provision for losses on December 31, 2017	(101,857)	-	(101,857)	-
Investment on December 31, 2017	759,121	8,882	768,003	6,764
Equity pick-up in subsidiaries and investees	(113,010)	8,486	(104,524)	7,574
Foreign exchange variations in investees	137,674	(128)	137,546	-
Acquisition of subsidiaries [a]	402,825	-	402,825	-
Increase in capital in subsidiaries	54	1,204	1,258	-
Provision for losses on December 31, 2018 [b]	**(342,068)**	**-**	**(342,068)**	**-**
Investment on December 31, 2018 [b]	**1,426,876**	**18,445**	**1,445,321**	**14,338**

[a] See Explanatory Notes 1.1 (b) (ii), (iii) and (iv).

[b] Includes unrealized gains on intercompany transactions and estimated loss on investments.

As of December 31, 2018, the financial information of the subsidiaries and jointly-owned subsidiaries on this date is as follows:

In thousands of Brazilian reais (R$), unless otherwise indicated

	Partner participation (%)	Assets total	Liabilites total	Adjusted shareholders' equity [a]	Net income (loss) for the year
Subsidiaries					
AGFA	**100%**	31,725	-	31,725	483
Facepa	**64.04%**	199,775	91,664	107,321	1,683
Mucuri Energética	**100%**	125,026	75,271	49,755	2,035
Ondurman	**100%**	94,774	43,012	(81,590)	10,790
Paineiras	**100%**	277,716	76,584	158,559	7,552
Paineiras Logística	**100%**	15,548	15,702	(154)	(588)
Stenfar	**90%**	68,737	58,160	3,472	(10,095)
Sun Paper	**100%**	5,295	382	4,913	(216)
Suzano America	**100%**	537,061	478,846	(90,960)	5,073
Suzano Áustria	**100%**	10,681,685	10,682,100	(415)	(1,864)
Suzano Europa	**100%**	13,446,776	13,360,960	(168,949)	2,946
Suzano Luxemburgo	**100%**	66	-	66	-
Suzano Trading	**100%**	7,212,469	6,264,604	865,538	245,075
Eucalipto Holding	**100%**	1	-	1	-
Maxcel	**100%**	47,148	126	47,022	99
Indirect subsidiaries					
Stenfar	**10%**	68,737	58,160	10,577	(10,096)
Futuragene	**100%**	40,800	42,622	(1,822)	(41,277)
Facepa	**28.8%**	199,775	91,664	107,321	1,683
Itacel	**100%**	4,692	-	4,692	-
Joint venture					
Asapir	**50%**	13,858	5,644	8,214	1,826
Ibema	**49.9%**	335,029	317,572	17,458	16,415

[a] Adjusted shareholders' equity considers the difference between the amount of the consideration transferred and the net assets acquired. Elimination of unrealized profits is also considered.

14.1. Business Combination

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 and intangibles 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.

In thousands of Brazilian reais (R$), unless otherwise indicated

(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 estimated fair value numbers:

Facepa Fabrica de Papel da Amazônia S.A.			
Asset	**3/1/2018**	**Liabilities**	**3/1/2018**
Current		**Current**	
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
		Trade accounts payable with transaction	9,762
Total current assets	**97,941**	Other liabilities	1,214
Non-current		**Total current liabilities**	**48,466**
Recoverable taxes	425		
Judicial deposits	1,341	**Non-Current**	
Other assets	290	Loans and financing	21,399
Investment	423	Labor provision	1,350
Property, plant and equipment	77,431	Other liabilities	418
Intangible	211		
		Total non-current liabilities	**23,167**
Total non-current assets	**80,121**		
		Total net	**106,429**
Total assets	**178,062**	**Total liabilities**	**178,062**

The assets identified in the valuation, based on their estimated fair values, are presented as follows:

	Valores (92,84%)	**Valores (100,00%)**
Net assets of Facepa	98,808	106,428
Net assets acquired of AGFA [a]	590	
Intangible - Trademarks	20,052	21,598
Intangible - Customer relationship	26,464	28,505
Intangible - Non-Compete	3,133	3,374
Property, plant and equipment	46,247	49,814
Total net assets at fair value	**195,294**	**209,720**
Total consideration transferred / to be transferred	307,876	
Goodwill on business combination	**112,582**	

[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.

In thousands of Brazilian reais (R$), unless otherwise indicated

	Non-controlling interest (7,16%)
Net assets of Facepa	7,620
Intangible - Trademarks	1,546
Intangible - Customer relationship	2,041
Intangible - Non-Compete	242
Intangible assets - gains and losses on property, plant and equipment	3,567
Total net assets at fair value [a]	**15,016**

[a] As of December 31, 2018, the non-controlling interest, net of amortization and depreciation, equivalent to R$ 13,807.

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 January 1, 2018, consolidated pro-forma revenue and loss for the period ended 30 September 2018 would have been R$ 271.413 (unaudited) 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

(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:

Mucuri Energética S.A.			
Asset	**2/19/2018**	**Liabilities**	**2/19/2018**
Current		**Current**	
Cash and cash equivalents	8,692	Trade accounts payable	255
Trade accounts receivable	2,663	Loans and financing	5,439
Recoverable taxes	111	Taxes payable	540
Prepaid expenses	17	Sectoral provisions	12,328
		Other liabilities	73
Total current assets	**11,483**	**Total current liabilities**	**18,635**
Non-current		**Non-current**	
Judicial deposits	1,682	Loans and financing	47,808
Financial investments	2,472	Provision for contingency	12,050
Property, plant and equipment	110,459		
Intangible	118		
Total non-current assets	**114,731**	**Total non-current liabilities**	**59,858**
		Total net asset	**47,721**
Total assets	**126,214**	**Total liabilities**	**126,214**

The net assets evaluated based on their fair values are shown below:

	Values
Net assets acquired	47,721
Total net assets at fair value	**47,721**
Total consideration transferred	48,028
Goodwill on business combination	**307**

If PCH Mucuri had been acquisition as from January 1, 2018, the consolidated statement of income would present a pro forma net income of 19,040 (unaudited) and a pro forma loss R$ 110,907 (unaudited). This information regarding net revenue and net incomet was obtained by simply aggregating the amounts of the acquired and acquiring Companies and does not represent the actual amounts consolidated for the year.

The net revenue and profit that impacted the consolidation are R$ 15,803 and R$ 1,915, respectively.

In thousands of Brazilian reais (R$), unless otherwise indicated

15. Property, Plant and Equipment

Parent Company

		Buildings	Machinery and equipment	Other assets	Land and farms	Work in progress		Total
Annual average depreciation rate		**3.51%**	**5.42%**	**17.81%**	-	-		-
Cost								
Balances on December 31, 2016		2,681,691	15,335,813	289,431	4,008,345	390,671		22,705,951
Transfers		141,161	485,182	3,297	3,920	(633,560)		-
Transfers between other assets		(4,500)	4,434	(7,035)	-	(8,705)		(15,806)
Additions		4,500	104,402	5,895	1,739	731,740		848,276
Write-offs	(a)	(9,463)	(95,277)	(13,520)	(10,561)	(4,697)		(133 518)
Merger of Amulya	(c)	-	-	-	25,793	-		25,793
Interest capitalization		-	-	-	-	8,286		8,286
Balances on December 31, 2017		2,813,389	15,834,554	278,068	4,029,236	483,735	(b)	23,438,982
Transfers		**127,015**	**435,676**	**12,881**	**750,824**	**(1,326,396)**		**-**
Transfers between other assets		**4,500**	**1,866**	**1,318**	**-**	**(8,945)**		**(1,261)**
Additions		**1,015**	**135,109**	**24,769**	**2**	**1,318,525**		**1,479,420**
Write-offs	(a)	**(6,943)**	**(67,068)**	**(1,199)**	**(32,321)**	**-**		**(107,531)**
Interest capitalization		**-**	**-**	**-**	**-**	**1,772**		**1,772**
Balances on December 31, 2018		**2,938,976**	**16,340,137**	**315,837**	**4,747,741**	**468,691**	(b)	**24,811,382**
Depreciation								
Balances on December 31, 2016		(761,724)	(5,904,324)	(175,704)	-	-		(6,841,752)
Transfers		8	270	(278)	-	-		-
Write-offs	(a)	3,172	64,536	13,140	-	-		80,848
Depreciation		(70,037)	(700,416)	(26,520)	-	-		(796,973)
Balances on December 31, 2017		(828,581)	(6,539,934)	(189,362)	-	-		(7,557,877)
Transfers		**8**	**1,391**	**(1,399)**	**-**	**-**		**-**
Write-offs	(a)	**1,262**	**60,436**	**196**	**-**	**-**		**61,894**
Depreciation		**(75,901)**	**(752,178)**	**(28,664)**	**-**	**-**		**(856,743)**
Balances on December 31, 2018		**(903,212)**	**(7,230,285)**	**(219,229)**	**-**	**-**		**(8,352,726)**
Net								
Balances on December 31, 2017		1,984,808	9,294,620	88,706	4,029,236	483,735	(b)	15,881,105
Balances on December 31, 2018		**2,035,764**	**9,109,852**	**96,608**	**4,747,741**	**468,691**	(b)	**16,458,656**

In thousands of Brazilian reais (R$), unless otherwise indicated

	Buildings	Machinery and equipment	Other assets	Land and farms	Added value	Work in progress	Total
							Consolidated
Annual average depreciation rate	3.51%	5.42%	17.81%	-	-	-	-
Cost							
Balances on December 31, 2016	2,683,827	15,345,570	299,131	4,368,577	-	390,671	23,087,776
Transfers	141,161	485,182	3,297	3,920	-	(633,560)	-
Transfers between other assets	(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 [a]	(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	4,348,593	-	483,735 [b]	23,782,727
Transfers	**127,015**	**439,553**	**12,881**	**750,824**	-	**(1,330,273)**	-
Transfers between other assets	**4,500**	**1,867**	**1,318**	-	-	**(8,945)**	**(1,260)**
Additions	**2,319**	**143,058**	**25,913**	**705**	-	**1,321,350**	**1,493,345**
Acquisition Facepa	**18,505**	**46,165**	**1,920**	**7,446**	**49,814**	**3,395**	**127,245**
Acquistion PCH Mucuri	**102,176**	**3,831**	**26**	**4,291**	-	**2**	**110,326**
Write-offs [a]	**(8,654)**	**(67,280)**	**(1,183)**	**(34,523)**		-	**(111,640)**
Interest capitalization	-	-	-	-		**1,772**	**1,772**
Balances on December 31, 2018	**3,061,534**	**16,413,525**	**329,270**	**5,077,336**	**49,814**	**471,036** [b]	**25,402,515**
Depreciation							
Balances on December 31, 2016	(762,686)	(5,908,943)	(180,866)	-	-	-	(6,852,495)
Transfers	8	270	(278)	-	-	-	-
Write-offs [a]	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 [a]	**1,462**	**60,506**	**196**	-	-	-	**62,164**
Depreciation	**(78,264)**	**(760,634)**	**(29,844)**	-	**(4,178)**	-	**(872,920)**
Balances on December 31, 2018	**(906,616)**	**(7,244,696)**	**(226,764)**	-	**(4,178)**	-	**(8,382,254)**
Net							
Balances on December 31, 2017	1,985,852	9,300,372	92,677	4,348,592	-	483,735 [b]	16,211,228
Balances on December 31, 2018	**2,154,918**	**9,168,829**	**102,506**	**5,077,336**	**45,636** [d]	**471,036** [b]	**17,020,259**

[a] In addition to disposals, write-offs include obsolescence and scrapping;

[b] 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$ 69,140; (ii) structural competitiveness - R$ 247,550; and (iii) other investments - R$ 154,346 (On December 31, 2017, (i) adjacent business - R$ 134,299; (ii) structural competitiveness - R$ 264,606; and (iii) other investments - R$ 84,830).

[c] The subsidiary Amulya Empreendimentos imobiliários Ltda. (AMYA) has been fully incorporated in August 31, 2017.

[d] Includes the amounts referring to non-controlling shareholders R$ 3,879 cost and R$ (299) depreciation.

Machinery and equipment include amounts recognized as financial leasing outlined in Note 19.4.

15.1. Assets given as collateral

As of December 31, 2018, the Company and its subsidiaries had property, plant and equipment as collateral for loan operations and legal proceedings, in the amount of R$ 11,505,386 (December 31, 2017, the amount of R$ 11,571,632.

In thousands of Brazilian reais (R$), unless otherwise indicated

15.2. Capitalized expenses

On December 31, 2018, interests were capitalized in the amount of R$ 1,772 referring to the investments in adjacent business and structural competitiveness (December 31, 2017 the amount of R$ 8,286 referring to the same investments).

The amount considers acquisitions net of investments at the average rate of 0.54% per month.

16. Intangible Assets

16.1. Goodwill

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Vale Florestar	**45,435**	45,435	**45,435**	45,435
Paineiras Logística	**10**	10	**10**	10
PCH Mucuri [a]	-	-	**307**	-
Facepa [a]	-	-	**112,582**	-
	45,445	45,445	**158,334**	45,445

[a] Companies acquired in the first quarter of 2018. (Note 14.1)

On December 31, 2018, the Company performed the impairment test of Vale Florestar goodwill considering the same land leasing contracts at the time of acquisition and the use of the areas for current forestry formation, as well as economic assumptions similar to those used for the calculation of the fair value of biological assets in the Pará region at the date of these financial statements.

For the goodwill of Facepa and Mucuri PCH, calculated in 2018 in the business combination (Note 14.1), the same study was used at the base date of this financial statement.

On December 2018, the Company did not identify any need to reduce the book value of these assets.

16.2. Intangible assets with undetermined useful life

On December 31, 2018 and December 31, 2017, the amount related to other intangible assets with indefinite useful life was R$1,196.

In thousands of Brazilian reais (R$), unless otherwise indicated

16.3. Intangible assets with determined useful life

						Parent Company	Consolidated
	Trademarks and patents	Softwares	Customer relationship	Non Compete	R&D Agreements	Total	Total
Useful life (years)	**8.4**	**5**	**2.5**	**5**	**18.8**		
Acquisition cost	1,635	120,718	-	-	196,023	144,933	318,376
Accumulated amortization	(920)	(49,533)	-	-	(94,976)	(73,069)	(145,429)
Balances on December 31, 2016	715	71,185	-	-	101,047	71,864	172,947
Acquisitions	-	8,054	-	-	-	8,054	8,054
Foreign currency translation adjustment	-	-	-	-	1,284	-	1,284
Amortization	(105)	(21,825)	-	-	(8,339)	(21,930)	(30,268)
Write-offs	-	-	-	-	(18,937)	-	(18,937)
Transfers and others	-	8,705	-	-	-	8,705	8,705
Book balance	610	66,119	-	-	75,055	66,693	141,785
Acquisition cost	1,635	137,477	-	-	178,370	161,693	317,482
Accumulated amortization	(1,025)	(71,358)	-	-	(103,315)	(95,000)	(175,698)
Balances on December 31, 2017	610	66,119	-	-	75,055	66,693	141,785
Acquisitions	-	**7,217**	-	-	-	**7,117**	**7,217**
Acquisition PCH Mucuri/Facepa	**17**	**749**	-	-	-	-	**766**
Acquisition of assets identified in FACEPA	**21,598**	-	**28,505**	**3,374**	-	-	**53,477**
Foreign currency translation adjustment	-	-	-	-	**12,461**	-	**12,461**
Amortization	**(100)**	**(23,390)**	-	-	**(7,610)**	**(23,490)**	**(31,100)**
Amortization PCH Mucuri/Facepa	**(13)**	**(528)**	-	-	-	-	**(541)**
Amortization of assets identified in FACEPA	**(2,635)**	-	**(9,502)**	**(562)**	-	-	**(12,699)**
Transfers and others	-	**8,945**	-	-	-	**8,945**	**8,945**
Book balance	**19,477**	**59,112**	**19,003**	**2,812**	**79,906**	**59,265**	**180,311**
Acquisition cost	**23,250**	**154,388**	**28,505**	**3,374**	**190,831**	**177,754**	**400,348**
Accumulated amortization	**(3,773)**	**(95,276)**	**(9,502)**	**(562)**	**(110,925)**	**(118,489)**	**(220,037)**
Balances on December 31, 2018	**19,477**	**59,112**	**19,003**	**2,812**	**79,906**	**59,265**	**180,311**

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 until the year 2024, when all expropriation amounts must be settled.

On December 31, 2018 the total receivables from land expropriation is R$ 63,652 (December 31, 2017, the amount was R$ 60,975).

18. Trade accounts payable

	Parent Company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Domestic suppliers	**541,534**	567,306	**559,885**	574,458
Foreign suppliers	**52,634**	14,504	**72,680**	36,018
	594,168	581,810	**632,565**	610,476

In thousands of Brazilian reais (R$), unless otherwise indicated

19. Financing

19.1. Loans and Financing

		Index	Annual average interest rate on 12/31/2018	Maturity	Parent Company 12/31/2018	Parent Company 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Property, plant and equipment.								
BNDES - Finem	(a) (b)	Fixed rate /TJLP	7.18%	2019 to 2030	260,362	311,836	333,289	339,798
BNDES - Finem	(b)	Currency basket / US$	7.13%	2019 to 2022	161,517	165,125	161,517	165,125
BNDES - Finame	(a)	Fixed rate /TJLP	5 08%	2018 to 2024	2,980	4,708	2,980	4,708
FNE - BNB	(b)	Fixed rate	6 46%	2024 to 2026	217,014	244,452	217,014	244,452
FINEP	(b)	Fixed rate	4.00%	2020	12,860	20,577	12,860	20,577
Financial lease		CDI/US$	-	2019 to 2022	18,225	19,686	18,225	19,686
Export Credit Agency - ECA	(b) (c)	US$/LIBOR	4 13%	2022	797,074	864,761	797,074	864,761
					1,470,032	1,631,145	1,542,959	1,659,107
Working capital:								
Export financing		US$/LIBOR	4 27%	2021 a 2022	2,171,390	844,388	2,171,390	844,388
Export credit note	(f)	CDI	6 69%	2019 a 2026	3,799,257	2,907,200	3,799,257	2,907,200
Senior Notes	(d)	US$/Fixed rate	6 28%	2021 a 2047	-	-	11,406,027	4,730,800
Trade notes discount-Vendor		-	-	-	-	33,363	-	33,363
Syndicated Loan	(e)	US$/LIBOR	3 95%	2023	-	-	11,825,134	1,986,691
Fund of Investments in Receivables	(h)	-	-	2019	22,054	24,665	22,054	24,665
Rural Producer Certificate	(g)	CDI	7 43%	2026	279,838	-	279,838	-
Other		-	-	2019 a 2025	69	287	27,397	5,642
					6,272,608	3,809,903	29,531,097	10,532,749
					7,742,640	5,441,048	31,074,056	12,191,856
Current Portion (includes interest payaments)					3,151,054	1,329,753	3,425,399	2,115,067
Non-current Porties					4,591,586	4,111,295	27,648,657	10,076,789
Non-current loans and financing mature as follows								
2019					-	1,236,638	-	2,122,767
2020					2,214,606	2,160,696	2,229,429	2,599,279
2021					558,861	494,345	2,595,525	1,121,216
2022					172,817	119,750	3,259,465	123,745
2023					49,308	49,164	7,481,430	53,160
2024					30,879	30,089	39,960	34,084
2025					788,856	-	792,508	-
2026 onwards					776,259	20,613	11,250,340	4,022,538
					4,591,586	4,111,295	27,648,657	10,076,789

(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 shareholders and (v) bank guarantee.

(c) In order to finance the importation of equipment for the production of pulp at the plant located in Maranhão, Suzano obtained financing in the approximate amount of US$ 535 million, with a term of up to 9.5 years, guaranteed by Finnvera and EKN ("Export Credit Agency"). These agreements establish clauses related to the maintenance of certain levels of leverage, which are checked for compliance twice a year (June and December). To date, the Company has complied with all covenants established in the contracts: consolidated net debt / consolidated EBITDA ratio of less than 2.85 and consolidated EBITDA / net interest expense greater than 2.0.

(d) In March 2017, Suzano Austria issued Senior Notes in the amount of US$ 300 million maturing in March 2047, with semiannual interest payment of 7.00% per annum and final return for investors of 7.38% per year. Additionally. 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 Austria, reopened Senior Notes issues in the amount of US$ 200 million, with maturity in July 2026, and interest corresponding to 4.62% per annum, to be paid semi-annually in January and July, and (ii) US$ 200 million maturing on March 2047, with interest corresponding to 6.30% per annum, to be paid semi-annually in the months of March and September. In September 2018, a new issue of US$ 1.0 billion of Senior Notes with interest of 6% per annum and maturing in 2029 (Note 1.1 a) (iii) was issued. In November 2018 Suzano Austria reopened the issue of Senior Notes maturing in March 2047 in the amount of US$ 500 million, with interest corresponding to 6.85% per annum, to be paid semi-annually in March and September.

In thousands of Brazilian reais (R$), unless otherwise indicated

(e) In February 2018, the Company, through its subsidiary Suzano Europa, contracted a US $ 750 million syndicated loan with quarterly interest payments and principal repayment between February 2021 and February 2023 In December 2018, the Company The Company, through its subsidiary Suzano Europa, contracted a syndicated loan in the amount of US $ 2,300 million, contracted in March 2018, with payment of quarterly interest and amortization of principal between December 2022 and December 2023. (Explanatory note 1.1. (a) (viii)).

(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 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.

19.2. Changes in loans and financing

	Parent Company	Consolidated
Balances on December 31, 2016	8,150,116	14,012,779
Funding	242,740	2,561,954
Exchange variation	(7,754)	81,849
Settlement of principal	(2,927,471)	(4,533,736)
Settlement of interest	(565,514)	(1,025,117)
Interest expenses and other costs	551,614	1,041,995
Transaction costs and other costs [a]	(2,683)	52,132
Balances on December 31, 2017	5,441,048	12,191,856
Funding	**3,392,886**	**20,964,722**
Addition from acquisition of subsidiaries	**-**	**79,923**
Exchange variation	**358,925**	**1,457,989**
Settlement of principal	**(1,508,610)**	**(3,738,577)**
Settlement of interest	**(298,097)**	**(669,088)**
Interest expenses and other costs	**368,254**	**873,344**
Transaction costs and other costs [a]	**(11,766)**	**(86,113)**
Balances on December 31, 2018	**7,742,640**	**31,074,056**

[a] Includes, in addition to the funding and amortization costs, goodwill and negative goodwill on the issuance of debt.

In thousands of Brazilian reais (R$), unless otherwise indicated

19.3. Debentures

The debentures 6 issuance occurred on June 29, 2018, in a single series, with a nominal unit value of R$ 1. The Debentures are not convertible into shares and have no covenants (Note 1.1 a) vi)).

			12/31/2018					
Issue	Serie	Issuance amount	Current	Non-current	Current and Non-current	Index	Annual rate of interest	Due date
6ª	Single	4,681,100	1,297	4,662,156	4,663,453	CDI	112.50%	6/29/2026
		Total	1,297	4,662,156	4,663,453			

19.4. Transaction costs and premiums of securities issues

			Consolidated	
			Balance to be amortized	
Nature	Total cost	Amortization	12/31/2018	12/31/2017
Senior Notes	134,754	(67,565)	**67,189**	27,280
NCE	77,457	(57,262)	**20,195**	23,076
Import (ECA)	101,811	(85,576)	**16,235**	26,386
Syndicated Loan	57,467	(26,915)	**30,552**	6,479
Debentures	20,295	(1,351)	**18,944**	-
Other	7,728	(4,540)	**3,188**	2,424
Total	**399,512**	**(243,209)**	**156,303**	85,645

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.

19.5. 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).

19.6. Lease agreements

i) 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.

In thousands of Brazilian reais (R$), unless otherwise indicated

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:

	Consolidated	
	12/31/2018	**12/31/2017**
Machinery and equipment	**108,160**	108,160
(-) Accumulated depreciation	**(101,318)**	(99,452)
Property, plant and equipment, net	**6,842**	8,708
Present value of mandatory installments (financing):		
Less than 1 year	**5,608**	4,632
From 1 to 5 years	**12,617**	15,054
Total present value of mandatory installments (financing)	**18,225**	19,686
Financial charges to be recognized in the future	**2,115**	2,770
Total mandatory installments at the expiration of agreements	**20,340**	22,456

ii) Operating lease agreements

The Company has operating lease agreements related to the leasing of areas, offices, real estate, telephone exchanges and installation services, which are denominated in Reais. The Management does not intend to purchase the assets at the end of the contract and the term of the contracts are not equivalent to the substantial part of the useful life of the assets.

Land lease agreements, used for the formation of eucalyptus forests, have maturities of up to 21 years (3 cycles of forest formation). The cost incurred with the payment of these contracts is recognized as cost of training of Biological Assets.

Operating lease payments are recognized as operating expenses in the Company's income statement.

In thousands of Brazilian reais (R$), unless otherwise indicated

Description	Monthly installment amount	Index	Maturity
Administrative offices and deposits	1 to 1,163	IGP-M[a] and IPCA[b]/IBGE[c]	01/2019 to 01/2024
Call center and licenses	1 to 120	IGP-DI[d]	01/2029
Land	182 to 2,047	IGP-M, IPCA/IBGE and others	01/2019 to 06/2046

[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 will be as follows:

	12/31/2018
Less than 1 year	**181,903**
From 1 year to 3 years	**484,200**
From 3 years to 5 years	**258,018**
More than 5 years	**524,120**
Total installments due	**1,448,241**

20. Other commitments

Take or Pay contracts

The Company entered into long-term contracts of up to 6 years in Take or Pay with suppliers of electricity, natural gas (LPG), fuel, chemicals, oxygen, CO2 and transportation. The contracts contain clauses of termination and suspension of supply due to non-compliance with essential obligations.

On December 31, 2018, the amount involved in this type of contract amounts to R$ 5,763,658, considering the minimum contractual amounts.

In thousands of Brazilian reais (R$), unless otherwise indicated

21. Provision for Contingencies

21.1. Changes in provisions for contingencies

	Parent Company			
	Tributários e previdenciários	Trabalhistas	Cíveis	Total
Balance on 12/31/2016	199,232	35,490	1,839	236,561
New lawsuits	31,329	9,033	1,880	42,242
Reversals	(2,428)	(2,331)	(337)	(5,096)
Inflation adjustment	42,401	9,351	-	51,752
Settlement of lawsuits	(1,880)	(13,426)	-	(15,306)
Balance on 12/31/2017	268,654	38,117	3,382	310,153
New lawsuits	**49,754**	**27,023**	**87**	**76,864**
Reversals	**(13,605)**	**(2,562)**	**(394)**	**(16,561)**
Inflation adjustment	**7,772**	**7,286**	**455**	**15,513**
Settlement of lawsuits	**(18,337)**	**(22,205)**	**(81)**	**(40,623)**
Balance on 12/31/2018	**294,238**	**47,659**	**3,449**	**345,346**

	Consolidated			
	Tax and social security	Labor	Civil	Total
Balance on 12/31/2016	206,365	38,430	1,839	246,634
New lawsuits	32,672	9,888	1,880	44,440
Reversals	(4,738)	(3,720)	(337)	(8,795)
Inflation adjustment	42,400	9,467	-	51,867
Settlement of lawsuits	(3,375)	(13,702)	-	(17,077)
Balance on 12/31/2017	273,324	40,363	3,382	317,069
New lawsuits due to acquisition of subsidiaries	**-**	**1,900**	**-**	**1,900**
New lawsuits	**49,754**	**28,716**	**150**	**78,620**
Reversals	**(13,605)**	**(5,011)**	**(394)**	**(19,010)**
Inflation adjustment	**5,747**	**7,481**	**475**	**13,703**
Settlement of lawsuits	**(18,350)**	**(22,580)**	**(81)**	**(41,011)**
Balance on 12/31/2018	**296,869**	**50,869**	**3,532**	**351,270**

21.2. Tax and Social Security Suits and Proceedings

On December 31, 2018, the Company was a defendant in 407 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 contribution, 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.

With regard to the installment set up by Provisional Measure n°. 783/2017, subsequently converted into Law n° 13,496/2017, also known as "PERT", the Company opted for to migrate certain debts that were covered by REFIS - Law 11,941 / 09, which have not yet been consolidated, and include other debts with probable likelihood of loss in said Installment Program, being provisioned on December 31, 2018 the amounts of said debts in the amount of R$ 4,398, already discounting in this amount the statutory reductions and amounts paid in advance to the Federal Revenue Service, whose consolidation still depends on a regulatory act to be issued by the said Public Organ.

21.3. Labor claims

On December 31, 2018, the Company was a defendant in 3,459 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.

21.4. Civil claims

On December 31, 2018, the Company is a defendant in approximately 453 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.

21.5. Judicial deposits

As of December 31, 2018, the amounts R$ 118,452 and R$ 129,005 of judicial deposits in the Parent Company and Consolidated, respectively. (On December 31, 2017, the amounts of R$ 108,107 and R$ 113,613, respectively, in the Parent Company and Consolidated).

In the Consolidated, the amounts of R$ 44,395, R$ 79,605 and R$ 5,005 refer to tax and social security lawsuits, both labor and civil, respectively. (On December 31, 2017, the amounts of R$ 69,599, R$ 44,014 refer to social security and labor tax lawsuits, respectively).

21.6. Lawsuits with possible contingencies

The Company is involved in tax, civil and labor lawsuits that are not provisioned, since they involve risk with probability of loss classified by Management and by its legal advisors as possible:

In thousands of Brazilian reais (R$), unless otherwise indicated

	Parent Company		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Tax and social secutiry	**1,077,761**	1,026,950	**1,077,761**	1,026,950
Labor	**84,465**	14,268	**85,309**	14,268
Civil	**43,271**	23,666	**43,271**	23,666
	1,205,497	1,064,884	**1,206,341**	1,064,884

The Company is a defendant in tax proceedings whose likelihood of loss is considered possible, in the total amount of R$ 1,077,761, for which there is no provision. Of this amount, R$ 848,428 refers to tax assessment notices of PIS and COFINS, from 2007 to 2013, which have not yet been finally decided on the merits within the scope of the Administrative Tribunal.

The other tax and social security lawsuits refer to various taxes, such as Social Security Contribution, IRPJ, ITR, ICMS, Withholding Income Tax ("IRRF"), PIS and COFINS, mainly due to differences in interpretation of applicable tax rules and information provided in ancillary obligations.

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.

In thousands of Brazilian reais (R$), unless otherwise indicated

22.2. Key actuarial economic and biometric assumptions used in the calculations of liability

	12/31/2018	**12/31/2017**
Discount rate - health plan	**4,91% p.a**	5.39% p.a
Discount rate - life insurance	**4,91% p.a**	5.39% p.a
Medical cost growth rate above basic inflation	**3,25% p.a**	3.25% p.a
Economic inflation	**4,00% p.a**	4.40% p.a
Biometric table of general mortality	**AT-2000**	AT-2000
Biometric table of mortality of disabled persons	**IAPB 57**	IAPB 57

On December 31, 2018, the sensitivity of the balance of actuarial liabilities to the changes in the main assumptions used, considering that all others remain unchanged, is as follows:

	Change	**Increase in liability**	**Decrease in liabiliy**
Discount rate	0.50%	Decrease of 5.67%	Increase of 6.25%
Medical cost growth rate	0.50%	Increase of 6.41%	Decrease of 5.86%
Mortality	1 year	Increase of 0.47%	Decrease of 2.27%

22.3. Changes in actuarial liabilities

	Consolidated
Opening balance on December 31, 2016	339,009
Interest on actuarial liability	38,022
Actuarial gain	(4,173)
Benefits paid in the year	(21,595)
Balance at December 31, 2017	351,263
Interest on actuarial liability	**35,920**
Actuarial loss	**69,305**
Benefits paid in the year	**(26,061)**
Closing balance on December 31, 2018	**430,427**

23. Share-Based Compensation Plans

For the year ended December 31, 2018, the Company has four (4) long term incentive plans share-based: (i) Payment in phantom shares plan in cash; (ii) Stock Options plan; (iii) Share appreciation rights ("SAR") and (iv) Performance Share plan.

In thousands of Brazilian reais (R$), unless otherwise indicated

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 Board of Directors.

23.1. Phantom Stock Options ("PSO")

Certain executives and key members of the Management have a long-term compensation plan linked to the share price with payment in cash.

Throughout 2017, the Company granted the SAR and PLUS 2017 (Share Appreciation Rights) ("SAR") Programs of phantom stock options. In this program, the 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 shares 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 (SUZB3) between the granting and the payment period. On dates when the SUZB3 shares 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.

	12/31/2018	**12/31/2017**
	Number of shares	**Number of shares**
Available at the beginning of the year	**5,055,519**	3,048,991
Granted during the year	**1,415,476**	3,035,488
Exercised [a]	**(751,859)**	(695,532)
Exercised due to dismissal [a]	**(153,601)**	(161,270)
Abandoned / prescribed due to dismissal	**(520,178)**	(172,158)
Available at the end of the year	**5,045,357**	5,055,519

In thousands of Brazilian reais (R$), unless otherwise indicated

[a] For share options exercised and those exercised due to employment termination, the average price on December 31, 2018 and 2017 was R$ 47.77 and R$ 19.84, respectively.

On December 31, 2018, outstanding phantom shares option plans are as follows:

Parenty Company and Consolidated				
				12/31/2018
Program	Grant date	2nd exercise date	Fair value on the grant date	No. of options granted
Deferral 2014	3/1/2015	3/1/2019	R$ 10.80	187,263
SAR 2015	4/1/2015	4/1/2020	R$ 11.69	3,635
SAR 2015 - September	9/1/2015	9/1/2020	R$ 15.99	4,340
Deferral 2015	3/1/2016	3/1/2019	R$ 16.93	72,096
Deferral 2015	3/1/2016	3/1/2020	R$ 16.93	72,096
SAR 2016	4/1/2016	4/1/2021	R$ 15.96	568,215
PLUS 2016	4/1/2016	4/1/2021	R$ 15.96	192,142
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	938,457
PLUS 2017	4/3/2017	4/3/2022	R$ 13.30	235,578
ILP 2017 - 36	4/3/2017	4/3/2020	R$ 13.30	304,512
ILP 2017 - 48	4/3/2017	4/3/2021	R$ 13 30	304,512
ILP 2017 - 60	4/3/2017	4/3/2022	R$ 13.30	304,512
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
Deferral 2017	3/1/2018	3/1/2021	R$ 19.88	196,535
Deferral 2017	3/1/2018	3/1/2022	R$ 19.88	196,535
ILP 2018	4/2/2018	2/4/2018	R$ 21.45	15,851
SAR 2018	4/2/2018	2/4/2018	R$ 21.45	841,735
PLUS 2018	4/2/2018	2/4/2018	R$ 21.45	80,808
TOTAL				**5,045,357**

23.2. Common stock option plan

Of the Company's Stock Option Plans (SOPs), we have Program III, granted in 2013, which have all been settled, the last in 2018.

On January 1, 2018, the Company established a Restricted Shares plan based on the Company's performance (Program IV). The Plan associates the amount of Restricted Shares granted to the Company's performance in relation to the ROIC goal (Return Over Invested

In thousands of Brazilian reais (R$), unless otherwise indicated

Capital). The size of the restricted stock grant is defined in financial terms and is subsequently converted into shares based on the last 60 pre-announcements on December 31, 2018 of SUZB3 at B3 (Brazil, *Bolsa, Balcão*).

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 SUZB3 in relation to its peers in Brazil).

The fair value of the plan of common shares 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 2015	SAR 2016 and Plus 2016	SAR 2017 and Plus 2017	SAR 2018 and Plus 2018
Calculation Model	Binomial	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Asset base price (per share)	R$ 7.73	R$ 42.46	R$ 42.46	R$ 42.46	R$ 42.46
Expectation of volatility [(a)]	40.47 % p.a.	44.36 % p.a.	44.36 % p.a.	44.36 % p.a.	44.36 % p.a.
Phantom stock/options average life expectancy [(b)]	Equal to option life				
Dividends expectancy [(c)]	3.49 % p.a.	1% p.a.	1% p.a.	1% p.a.	1% p.a.
Risk-free weighted average interest rate [(d)]	8.99%	8.72%	8.72%	8.72%	8.72%

(a) The expectation of volatility was calculated for each exercise date, taking into account the remaining time to complete the vesting year, as well as the historical volatility of returns, considering a standard deviation of 745 observations of returns;

(b) The expectation of average life of phantom stocks and stock options was defined by the remaining term until the limit exercise date;

(c) The expectation of dividends was defined based on historical earnings per share of the Suzano,

(d) 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 year.

The amounts corresponding to the services received and recognized in the financial statements are presented below:

In thousands of Brazilian reais (R$), unless otherwise indicated

	Consolidated			
	Liabilities and equity		Income Statement	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Non-current liabilities				
Provision for phantom stock plan	**124,318**	38,320	**(126,439)**	(32,192)
Shareholders' equity				
Stock option reserve	**5,100**	14,237	**(5,170)**	(1,521)
Total general and administrative expenses from share-based transactions			**(131,609)**	(33,713)

On December 31, 2018, at the Parent Company, the amounts of R$ 121,681 and R$ 123,831 refer to the balance of the provision with the phantom share plan and the impact on income for the year, respectively.

24. Liabilities for assets acquisitions and subsidiaries

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets acquisition				
Land acquired from third parties [(a)]	**48,657**	53,321	**91,085**	102,059
Duratex [(b)]	**385,397**	-	**385,397**	-
	434,054	53,321	**476,482**	102,059
Business combination transaction				
Facepa [(c)]	**41,185**	-	**41,185**	-
Vale Florestar Fundo de Investimento em Participações ("VFFIP") [(d)]	**474,845**	483,927	**474,845**	483,927
	516,030	483,927	**516,030**	483,927
	950,084	537,248	**992,512**	585,986
Total current liabilities	**469,860**	76,781	**476,954**	83,155
Total non-current liabilities	**480,224**	460,467	**515,558**	502,831

[(a)] Refers to obligations with the acquisition of land, farms, reforestation and houses built in Maranhão, restated by the IPCA.

[(b)] Refers to the commitments related to the acquisition of rural properties and forests (biological assets), restated by the IPCA with maturity in August 2019.

[(c)] 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) ii)).

[(d)] On August 2014, Suzano acquired the Vale Florestar S.A. through VFFIP, for the 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").

In thousands of Brazilian reais (R$), unless otherwise indicated

25. Equity

25.1. Share Capital

On December 31, 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 share capital is presented below:

Shareholder	Common Shares	
	Number	(%)
Suzano Holding S.A.	367,612,234	33.24
Controlling Shareholders	185,693,440	16.80
Subtotal	**553,305,674**	**50.04**
Management	69,918,251	6.32
Treasury	12,042,004	1.09
BNDESPAR	75,909,985	6.86
Mondrian Investment Partners	72,878,900	6.59
Other shareholders	321,771,331	29.10
Total	**1,105,826,145**	**100.00**

By resolution of the Board of Directors, the capital may be increased, irrespective of any amendment to the Bylaws, up to the limit of 780,119,712 common shares, all exclusively book-entry shares.

On December 31, 2018, SUZB3 common shares ended the year quoted at R$ 38.08 (on December 31, 2017, SUZB3 was quoted at R$ 18.69).

25.2. Reserves

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.

The Special Statutory Reserve comprises the remaining 10% of the balance of net income for the year and aims to ensure the distribution of dividends.

Capital Reserve

The Capital Reserve is composed of the balances of the tax incentive reserve, the stock option reserve, the treasury shares the 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.

In thousands of Brazilian reais (R$), unless otherwise indicated

25.3. Treasury shares

	Number of shares					Average price per share
	Ordinary	**Pref. A**	**Pref. B**	**Total**	**R$**	**(R$)**
Balance on December 31, 2016	6,786,194	8,846,932	1,912,532	17,545,658	273,665	15.60
Shares sold [(a)]	-	(1,800,000)	-	(1,800,000)	(15,552)	8.64
Shares transferred [(b)]	7,055,810	(7,055,810)	-	-	-	-
Shares canceled [(c)]	-	-	(1,912,532)	(1,912,532)	(17,107)	8.94
Repurchase of shares [(d)]	-	8,878	-	8,878	82	9.24
Balance on 12/31/2017	13,842,004	-	-	13,842,004	241,088	17.42
Shares sold [(a)]	**(1,800,000)**	-	-	**(1,800,000)**	**(22,823)**	**12.68**
Balance on 12/31/2018	**12,042,004**	-	-	**12,042,004**	**218,265**	**18.13**

(a) Treasury shares used to meet the share-based compensation plan (Note 23).

(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.

25.4. Other reserves

	Conversion of debentures - 5th issue	Actuarial gains/losses[(a)]	Exchange variation/ Conversion reserves	Deemed cost[(a)]	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
Actuarial gain of deferred income tax and social contribution	-	**(45,741)**	-	-	**(45,741)**
Gains from conversion of operations abroad	-	-	**137,546**	-	**137,546**
Partial realization of cost adjustment attributed to assets, net of deferred income and social contribution taxes	-	-	-	**(68,424)**	**(68,424)**
Balances on December 31, 2018	**(45,745)**	**(98,490)**	**164,168**	**2,301,776**	**2,321,708**

(a) Net of deferred tax effects

In thousands of Brazilian reais (R$), unless otherwise indicated

25.5. Earnings 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 year, excluding the common shares acquired by the Company and held as treasury shares.

As described in Note 27.2, 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 considered retrospectively.

	12/31/2018	12/31/2017
Earnings attributed to shareholders	**318,339**	1,807,433
Weighted average number of shares in the year	**1,105,826**	1,106,297
Weighted average treasury shares	**(12,333)**	(14,597)
Weighted average number of outstanding shares	**1,093,493**	1,091,700
Total basic earnings per common share	**0.29112**	1.65561

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.

	12/31/2018	12/31/2017
Earnings attributed to shareholders	**318,339**	1,807,433
Weighted average number of shares in the year	**1,093,493**	1,091,700
Adjustment by stock options	**1,386**	2,428
Weighted average number of shares (diluted)	**1,094,879**	1,094,128
Total diluted earnings per common share	**0.29075**	1.65194

25.6. Allocation of net income and 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."

In thousands of Brazilian reais (R$), unless otherwise indicated

On December 31, 2018, based on the criteria defined in the bylaws, mandatory minimum dividends were determined based on item i)

	12/31/2018
Net income for the year	318,339
Accrual of legal reserve - 5%	(15,917)
Accrual of reserve for tax incentives	(288,557)
Dividend calculation base	13,865
Minimum mandatory dividends - 25%	**3,466**

As a proposal of the Management, the amount of R$ 600,000 of total dividends will be submitted to Annual General Meeting/Extraordinary approval. The portion exceeding the mandatory minimum dividends, if approved, will be allocated to the profit reserves.

On December 31, 2017, the Company calculated dividends as follows:

	12/31/2017
Net Income for the year	1,807,433
Accrual of legal reserve - 5%	(90,372)
Accrual of reserve for tax incentives	(196,604)
Dividend calculation base	1,520,457
Minimum mandatory dividends - 25%	380,115
Dividends paid in advance as interest on own capital	(199,835)
	180,280

CVM Resolution 207 of December 13, 1996, establishes in item V that: "Interest paid or credited may only be attributed to the minimum dividend, provided for in article 202 of Law n° 6,404/76, for its net amount of income tax at source. "

The Company, in compliance with its Bylaws, article 26, item c) and also to CVM Resolution 207, reviewed the amount of dividends proposed for the year ended December 31, 2017 and determined the following amounts:

In thousands of Brazilian reais (R$), unless otherwise indicated

Article 26, c), i)	
Net income under statutary book for the year	**1,807,433**
Net Income Allocation:	
Legal Reserve 5% - Art 31, "a" of the Bylaws and Art 193 of Federal Law 6,404/76	90,372
Tax Incentive Result (Profit from Exploration) Art 19 of Decree 1,598/77	196,604
Dividend distribution base	**1,520,458**
Proposed dividends	380,115
Interest on own capital	199,835
(-) Withholding Income Tax on interest on own capital	(29,975)
Minimum mandatory dividends payable	**210,255**

Article 26, c), ii)	
Net income under statutary book for the year	**1,807,433**
(-) Financial income	(379,049)
(+) Financial expenses	1,397,889
(+) Depreciation/Amortization/Depletion	1,402,778
(+) IRPJ / CSLL	431,632
EBITDA	**4,660,683**
(-) Fair Value of Biological Assets	(192,504)
(+) Other non-recurring adjustments	146,720
Adjusted EBITDA*	**4,614,899**
(-) Sustaining CAPEX	(1,099,771)
Operating Cash Generation - GCO	**3,515,128**
Dividends - Art 26, "c" of the Bylaws	**351,513**
Interest on equity	199,835
(-) Withholding Income Tax on interest on own capital	(29,975)
Minimum mandatory dividends payable	**181,653**

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 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.

In thousands of Brazilian reais (R$), unless otherwise indicated

26. Net Financial Result

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Income from financial investments	**425,250**	277,889	**442,378**	285,888
Other financial income	**9,308**	14,646	**17,329**	19,890
Total financial income	**434,558**	292,535	**459,707**	305,778
Loan interest expenses	**(535,011)**	(543,649)	**(1,075,567)**	(1,035,986)
Loan Interest expense on related party loans	**(527,717)**	(338,606)	**-**	-
Other interest expenses	**(102,070)**	(99,938)	**(120,991)**	(108,410)
Other financial expenses	**(47,156)**	(60,210)	**(303,816)**	(74,080)
Total financial expenses	**(1,211,955)**	(1,042,403)	**(1,500,374)**	(1,218,476)
Monetary and exchange variations on loans and financing	**(1,282,781)**	(192,514)	**(1,311,061)**	(163,418)
Monetary and exchange variations on other assets and liabilities	**247,276**	45,316	**244,411**	(15,995)
Monetary and exchange variation, net	**(1,035,505)**	(147,198)	**(1,066,650)**	(179,413)
Derivative gain	**587,805**	337,668	**588,049**	332,961
Derivative loss	**(3,321,858)**	(267,272)	**(3,323,245)**	(259,690)
Net derivative	**(2,734,053)**	70,396	**(2,735,196)**	73,271
Financial income	**434,558**	362,931	**459,707**	379,049
Financial expenses	**(4,981,513)**	(1,189,601)	**(5,302,220)**	(1,397,889)
Financial result, net	**(4,546,955)**	(826,670)	**(4,842,513)**	(1,018,840)

27. Net Sales Revenue

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Gross sales	**14,135,140**	10,562,500	**14,796,774**	11,700,172
Deductions:				
Present value adjustment	**(4,984)**	(7,596)	**(4,984)**	(7,596)
Returns and cancelations	**(58,249)**	(47,394)	**(75,477)**	(50,199)
Discounts and rebates	**(7,016)**	(6,585)	**(15,695)**	(6,589)
	14,064,891	10,500,925	**14,700,618**	11,635,788
Taxes on sales [(a)]	**(1,199,609)**	(1,103,197)	**(1,263,289)**	(1,114,998)
Net sales revenue	**12,865,282**	9,397,728	**13,437,329**	10,520,790

[(a)] Includes the relative amount 2 5% of gross sales revenue in the domestic market, related to social contribution to the (INSS), pursuant to Law n° 12.546/11, Article 8, Annex I and their respective changes

In thousands of Brazilian reais (R$), unless otherwise indicated

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:

				Consolidated
	12/31/2018		12/31/2017	
	Net revenue	% Total net revenue	Net revenue	% Total net revenue
Domestic market (Brazil)	**4,045,712**	**30%**	3,187,159	30%
Foreign market	**9,391,618**	**70%**	7,333,631	70%
China	**2,113,078**	**16%**	1,786,629	17%
United States	**1,412,179**	**11%**	1,230,631	12%
Hong Kong	**1,346,863**	**10%**	1,392,159	13%
France	**889,471**	**7%**	475,442	5%
Germany	**568,409**	**4%**	441,506	4%
Italy	**447,063**	**3%**	378,874	4%
South Korea	**328,821**	**2%**	197,880	2%
Spain	**235,441**	**2%**	195,828	2%
Turkey	**200,017**	**1%**	128,083	1%
United Kingdom	**198,692**	**1%**	246,184	2%
Mexico	**160,286**	**1%**	19,974	0%
Argentina	**157,715**	**1%**	160,207	2%
Peru	**140,055**	**1%**	23,727	0%
Other countries	**1,193,530**	**9%**	656,507	5%
Total net revenue	**13,437,329**	**100%**	10,520,790	100%

28. Information by Segment and Geographic Areas

28.1. 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 foreign markets. Sales of the consumer goods segment (tissue) are classified in this segment due to the segment's immateriality.

In thousands of Brazilian reais (R$), unless otherwise indicated

28.2. Information on operating segments

	Consolidated							
	12/31/2018				12/31/2017			
	Pulp	Paper	Not segmented	Total	Pulp	Paper	Not segmented	Total
Net sales revenue	8,783,000	4,654,329	-	13,437,329	6,891,589	3,629,201	-	10,520,790
Domestic market (Brazil)	744,294	3,301,417	-	4,045,711	620,415	2,566,744	-	3,187,159
Foreign market	8,038,706	1,352,912	-	9,391,618	6,271,174	1,062,457	-	7,333,631
Asia	3,837,998	101,695	-	3,939,693	2,976,504	32,950	-	3,009,454
Europe	2,810,899	225,111	-	3,036,010	2,237,162	139,572	-	2,376,734
North America	1,340,907	210,715	-	1,551,622	966,789	255,086	-	1,221,875
South and Central America	48,902	774,730	-	823,632	90,719	608,445	-	699,164
Africa	-	40,661	-	40,661	-	26,404	-	26,404
Cost of sales	(3,965,733)	(2,952,603)	-	(6,918,336)	(3,906,088)	(2,543,380)	-	(6,449,468)
Gross profit	4,817,266	1,701,726	-	6,518,993	2,985,501	1,085,821	-	4,071,322
Gross margin (%)	*54.8%*	*36.6%*	-	*48.5%*	*43.3%*	*29.9%*	-	*38.7%*
Operating income (expenses)	(626,887)	(886,347)	-	(1,513,234)	(104,985)	(756,949)	48,517	(813,417)
Selling expenses	(212,869)	(385,857)	-	(598,726)	(163,879)	(266,946)	-	(430,825)
General and administrative expenses	(275,859)	(549,350)	-	(825,209)	(185,141)	(343,833)	-	(528,974)
Other operating income (expenses), net	(138,159)	41,284	-	(96,875)	244,035	(152,042)	48,517	140,510
Equity pick-up	-	7,576	-	7,576	-	5,872	-	5,872
Operating profit before net financial income	4,190,380	815,379	-	5,005,759	2,880,516	328,872	48,517	3,257,905
Operating margin (%)	*47.7%*	*17.5%*	-	*37.3%*	*41.8%*	*9.1%*	-	*31.0%*
Financial result, net	-	-	(4,842,513)	(4,842,513)	-	-	(1,018,840)	(1,018,840)
Income (loss) before income taxes	4,190,380	815,379	(4,842,513)	163,246	2,880,516	328,872	(970,323)	2,239,065
Income taxes	-	-	155,214	155,214	-	-	(431,632)	(431,632)
Net income (loss) for the year	4,190,380	815,379	(4,687,299)	318,460	2,880,516	328,872	(1,401,955)	1,807,433
Profit margin for the year (%)	*47.7%*	*17.5%*	-	*2.4%*	*41.8%*	*9.1%*	-	*17.2%*
Depreciation, depletion and amortization	1,105,381	457,842	-	1,563,223	1,007,280	395,498	-	1,402,778
Total assets	19,798,067	7,487,686	26,646,891	53,932,644	18,901,493	6,336,499	3,284,990	28,522,982
Total liabilities	670,041	701,802	40,534,866	41,906,709	637,451	643,594	15,620,383	16,901,428
Controlling interest equity	-	-	12,012,007	12,012,007	-	-	11,621,554	11,621,554
Non-controlling interest in subsidiaries' eq	-	-	13,928	13,928	-	-	-	-
Total equity	-	-	12,025,935	12,025,935	-	-	11,621,554	11,621,554
Products sold (in tons)	3,225,595	1,253,935	-	4,479,530	3,614,865	1,180,465	-	4,795,330
Foreign market	2,927,590	375,603	-	3,303,193	3,240,992	374,232	-	3,615,224
Domestic market (Brazil)	298,005	878,332	-	1,176,337	373,873	806,233	-	1,180,106

[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.

28.3. Net sales by products

The table below shows the breakdown of paper consolidated net sales by product:

In thousands of Brazilian reais (R$), unless otherwise indicated

	Consolidated	
	12/31/2018	**12/31/2017**
Products		
Market pulp [(a)]	**8,783,000**	6,891,589
Printing and writing paper [(b)]	**3,829,766**	2,850,522
Paperboard	**763,550**	657,873
Other	**61,013**	120,805
Total Revenue	**13,437,329**	10,520,790

[(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 recently product released and its revenues represented 3.5% of the total net sales, due to immateriality was included in Printing and writing paper.

In thousands of Brazilian reais (R$), unless otherwise indicated

29. Expenses by Nature

	Parent Company		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cost of sales				
Personnel expenses	(619,421)	(546,090)	(649,741)	(546,090)
Variable cost	(3,172,355)	(2,944,432)	(3,197,895)	(2,994,349)
Logistics cost	(324,074)	(284,117)	(1,044,899)	(963,379)
Depreciation, depletion and amortization	(1,492,145)	(1,358,476)	(1,523,935)	(1,367,856)
Other costs	(553,654)	(495,383)	(501,866)	(577,794)
	(6,161,649)	(5,628,498)	(6,918,336)	(6,449,468)
Selling expenses				
Personnel expenses	(92,026)	(71,155)	(145,844)	(106,083)
Services	(67,771)	(68,008)	(78,227)	(45,593)
Logistics cost	(827,169)	(684,742)	(297,129)	(220,944)
Depreciation and amortization	(3,673)	(3,095)	(4,471)	(3,547)
Other expenses [(a)]	(82,167)	(57,447)	(73,055)	(54,658)
	(1,072,806)	(884,447)	(598,726)	(430,825)
Administrative expenses				
Personnel expenses	(427,431)	(293,842)	(469,661)	(309,019)
Services	(207,743)	(92,595)	(235,544)	(105,522)
Depreciation and amortization	(32,075)	(30,021)	(34,817)	(31,375)
Other expenses [(b)]	(71,455)	(67,851)	(85,187)	(83,059)
	(738,704)	(484,309)	(825,209)	(528,974)
Other operating (expenses) income				
Result from disposal of other products	(107)	(3,314)	8,785	4,765
Result from disposal of property, plant and equipment and biological assets	5,236	24,751	4,523	29,005
Provision for loss and write-off of property, plant and equipment and biological assets [(c)]	(18,103)	(63,861)	(18,103)	(66,707)
Land conflict agreement	-	-	-	(11,779)
Amortization of intangible assets	-	-	(9,947)	(8,303)
Adjustment to fair value of biological assets	(129,187)	192,504	(129,187)	192,504
Judicial agreements	-	20,231	-	20,231
Loss in fixed assets disposal	-	(24,305)	-	(24,305)
Receipt of royalties	51,846	10,671	51,846	10,671
Partial write-off of intangible assets	-	-	-	(18,845)
Tax recovery	162	4,760	335	5,613
Arrendamento de terras com controladas	-	(7,722)	-	-
Receipt of royalties	-	2,603	-	2,603
Other operating income (expenses), net	2,368	2,866	(5,127)	5,057
	(87,796)	159,184	(96,876)	140,510
	(8,060,954)	(6,838,070)	(8,439,146)	(7,268,757)

(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 December 31, 2018 the amount refers to R$ 10,903 of write-offs related to losses and damages with biological assets and R$ 5,507 with property, plant and equipment (On December 31, 2017 the amount refers to R$ 49,338 of 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.

30. Insurance

Suzano maintains insurance coverage in amounts considered sufficient to cover possible liability risks, material losses and loss of profits. The maximum indemnity limit for material assets is R$ 7,520,000, for civil liability of Directors and Officers (D&O), the insured amount is US$ 100,000 million and, for general civil liability, the insured amount is US$ 5,500 million.

In thousands of Brazilian reais (R$), unless otherwise indicated

Eucalyptus forests are not covered by insurance policies due to the particularities of this asset. The Company conducts constant monitoring through strategically positioned watchtower network, using fire alarm systems and trained fire brigades to prevent and combat these risks in forest areas.

31. Supplementary cash flow information non-cash transactions

	Consolidated	
	12/31/2018	12/31/2017
Additions to property, plant and equipment	(242,337)	-
Additions to biological assets	(120,495)	-
Accounts payable for asset acquisition	402,832	-
Acquisition of subsidiaries	(40,000)	

The amounts relate to the transaction with Duratex and Facepa (Note 1.1 (a) (vii) and (b) (ii))

32. Events subsequent to the reporting date

i) Business Combination – Fibria Celulose S.A.

The Company completed the corporate reorganization process that resulted in the full control of the capital stock of Fibria, a producer of eucalyptus pulp, under the terms of the Agreement presented in note 1.1 b. i).

The corporate reorganization has as its main objective the creation of a new company, which will be a world leader in the production and sale of paper and pulp, the Company resulting from this union will have approximately 37 thousand employees (direct and third), with assets located in Brazil and in the world. In total there will be 11 industrial units, reaching 11 million tons of pulp, 1.4 million tons of paper and annual export volumes totaling R$ 18 billion.

The consideration by Fibria, defined in terms of the Agreement, is as follows:

i) Share exchange ratio

On January 2, 2019, pursuant to Notice to Shareholders, the exchange ratio of the common shares issued by the Holding held by Fibria shareholders for shares issued by Suzano was adjusted from 0.4611 to 0.4613, the exchange ratio of 0.4613 considered as final. The adjustment in the exchange ratio, compared to the originally announced, is due to (i) a change in the total number of shares issued by Fibria ex-treasury and disregarding the shares resulting from the vesting of option plans between those in the Protocol and Justification and present date of 553,080,611 shares for 553,733,881 shares and (ii) alteration of the number of shares issued by Suzano ex-treasury and disregarding the shares resulting from the vesting of option plans between that contained in the Protocol and Justification and the present date of 1,091,984,141 shares to 1,093,784,141 shares.

As a result of this adjustment, (i) Suzano issued, as a result of the merger of the Holding, 255,437,439 new common shares in the market value of R$ 36.95 (thirty-six reais and ninety-five cents), totaling amount of R$ 9,438,413; and (ii) the amount attributed to Suzano's common share to calculate the capital gain, as disclosed in the Notice of Shareholders on November 29, 2018, increased from R$ 15.38 (fifteen reais and thirty-eight cents) attributed to 0.4611 common share for R$ 15.39 (fifteen reais and thirty nine cents) attributed to 0.4613 common share of Suzano

ii) Cash installment

On January 10, 2019, by means of the Notice to Shareholders, the Company communicated the final value of the Adjusted Cash Portion, corresponding to the redemption value of each Holding's redeemable preferred share, originally equivalent to R$ 52.50 (fifty two reais and fifty centavos), (i) reduced by the amount of dividends declared by Fibria on December 3, 2018 and paid in Brazil on December 12, 2018 in the amount of R$ 5.03 (five reais and three cents) (ii) plus R$ 2.73 (two reais and seventy-three cents), corresponding to the variation of the average daily rate of Brazilian interbank deposits expressed as an annual percentage, based on 252 (two hundred seventy- and fifty-two) business days, calculated and disclosed daily by B3 SA - Brasil, Bolsa e Balcão ("DI Rate"), between March 15, 2018 and the Expiration Date of the Transaction (including January 2019 (including) and January 14, 2019 (inclusive), the DI Rate was estimated at 6.40% (six point forty percent) per year, with a total and final amount of R$ 50.20 (fifty reais and twenty cents) per share, making up the final amount of the Adjusted Cash Amount of R$ 27,797,440.

The amounts mentioned above are gross, not considering any tax impacts on the payment to Fibria Resident or Non-Resident Shareholders, which are detailed in the Notice to Shareholders disclosed on November 29, 2018.

Suzano conducted a preliminary valuation analysis of the fair market value of the assets of Fibria acquired and liabilities assumed. Using the full consideration for the Merger, Suzano estimated the allocations for such assets and liabilities. The following table, in millions of *Reais*, summarizes the allocation of the preliminary purchase price on January 3, 2019 based on Fibria's financial statements as of December 31, 2018.

	(amounts expressed in millions of *Reais*)	
Cash consideration	27,797	
Issuance of shares (Suzano)	9,439	
Total consideration	37,236	
Book value of Fibria's shareholders' equity	14,149	
Elimination of the book value of existing goodwill, net of the deferred income taxes	(3,425)	
Book value of Fibria's shareholders' equity, net of goodwill	10,724	
Adjustments to fair value		
Inventories	2,179	(a)
Property, plant and equipment	9,290	(b)
Customer relationship	9,579	(c)
Port Assets	750	(d)
Possible contingent losses	(2,970)	(e)
Loans and Financing	(60)	(f)
Taxes recoverable	(236)	(g)
Other Net Assets and Liabilities	368	(h)
Deferred taxes, net	(501)	(i)
Total impact of fair value	18,399	
Total preliminary goodwill	**8,113**	

(a) Calculated considering the balance of finished products based on selling price, net of selling expenses and an accepted margin based on the results achieved in 2018.

(b) Determined based on the analysis of market data on comparable transactions and cost quantification, based on the estimate of replacement or replacement value of the assets.

(c) In order to determine the fair value adjustment in the customer portfolio, the income approach and the MPEEM (Multi Period Excess Earnings Method) method were used to measure the present value of the income that will be generated during the remaining useful life of the asset. Considering the 5-year history of Fibria's sales data and the churn rate that measures customer satisfaction and customer permanence in the portfolio, the adjustment was calculated using estimated discounted cash flows.

(d) Fibria has concession contracts and port assets to assist in port operations in Brazil. The fair value calculation of these assets was considered the income approach, the MPEEM (Multi Period Excess Earnings Method) method that measures the present value of the income that will be generated during the remaining useful life of the asset and method of direct cost differential.

(e) At the moment, in the business combination, for the calculation of the fair value of the contingencies, whose chances of loss were considered possible and remote by Fibria's Management, the amounts indicated were considered by the Management of Suzano and its external and independent advisors based on the analyzes of Fibria's external lawyers.

(f) Adjustment to fair value of loans and financing was calculated based on the fair value of the Bonds, based on the quotation of the security in the secondary market, and the adjustment to present value considering the market rate at the base date.

(g) For the measurement of the fair value of the taxes to be recovered, the amount to be recovered, brought to present value considering the expected Selic rate for the same period, was considered.

(h) In other net assets and liabilities, including supply contracts, accounts receivable and advances to suppliers, the income evaluation methodology, the present value and the direct cost differential were used.

(i) Deferred income tax on fair value adjustments of assets in Veracel and Portocel

The goodwill above is attributable to Fibria's strong market position and expected future profitability in negotiations in the eucalyptus pulp market.

The direct costs related to the operation, recorded directly in the income for the year, totaled approximately R$ 63,690, substantially consisting of expenses with legal fees, auditing and other consulting services.

	(expressed in millions of *Reais*)
Assets	**Fair value**
Current	
Cash and cash equivalents	1,794
Financial instruments	4,316
Derivative financial instruments	211
Trade accounts receivable	1,303
Inventories	6,187
Recoverable taxes	261
Other assets	211
Total Current Assets	**14,283**
Non-current	
Financial Investments	173
Derivative Financial Instruments	455
Recoverable taxes	988
Advances to Suppliers	604
Judicial deposits	210
Deferred taxes	1,637
Other assets	227
	4,295
Investments	200
Biological assets	4,580
Fixed Assets	24,889
Right of Use	2,762
Intangible assets	11,018
Aracruz goodwill	-
Other intangible assets	309
Customer Portfolio	9,579
Software	21
Cultivars	143
Supplier contracts	172
Grant	750
Added value of contracts-leases	44
Unallocated parcel-Goodwill	8,113
	51,562
Total Non-current assets	**55,857**
Total Asset	**70,140**

	(expressed in millions of *Reais*)
Liabilities	**Fair value**
Current	
Loans and financing	3,136
Derivative Financial Instruments	276
Lease liabilities	349
Trade accounts payable	3,427
Payroll and charges	402
Taxes payable	129
Dividends payable	731
Other accounts payable	151
Total Current liabilities	**8,601**
Non-current	
Loans and financing	17,591
Lease liabilities	2,412
Derivative Financial Instruments	126
Provision for contingencies, liquid	3,181
Deferrad taxes	512
Other accounts payable	369
Total Non-current liabilities	**24,191**
Total Liabilities	**32,792**
Equity	
Shareholders ' equity	37,236
Non-controlling interest	112
Total equity	**37,348**
Total liabilities and shareholders ' equity	**70,140**

ii) Debenture - 7th issue

On January 7, 2019, the Company issued R$ 4,000,000 in 7th issue, single series, non-convertible debentures with maturing in January, 2020, with interest rate from 103% to 112% of CDI.

iii) Senior Notes ("Notes 2029")

On January 29, 2019, the Company reopened Senior Notes 2029 with the additional issuance of debt securities in the amount of US$ 750 million (equivalent to R$ 2.8 billion). The notes mature in January 2029 and were issued with interest of 5.465% per annum, which will be paid semi-annually.

Fiscal Council Opinion

Dear Shareholders, the members of the Fiscal Council of Suzano Papel e Celulose S.A. ("Company"), at a meeting held on February 21, 2019, in the use of their legal and statutory attributions, have examined the Management Report and the Company's individual and consolidated Financial Statements and their respective Notes, all referring to the fiscal year ended December 31, 2018, accompanied by the report of PwC Auditores Independentes, without qualification, having found such documents in accordance with the applicable legal provisions, are in favor of their approval by the shareholders meeting at the General Meeting.

São Paulo, February 21, 2019.

Rubens Barletta

Luiz Augusto Marques Paes

Eraldo Soares Peçanha

Opinions and Statements / Statement of Directors on the Financial Statements

FOR THE PURPOSE OF ARTICLE 25 OF CVM INSTRUCTION No. 480/09

I hereby declare, as Executive Officer of Suzano Papel e Celulose SA, a corporation with registered offices in the City of Salvador, State of Bahia, at Avenida Professor Magalhães Neto, 1752 – 10º floor, rooms 1010 and 1011, CEP 41810-011, enrolled with the CNPJ / MF under No. 16.404.287/0001-55 ("Company"), pursuant to items V and VI of paragraph 1 of article 25 of CVM Instruction 480 of December 7, 2009, which together with the other members of the Company's Board of Executive Officers reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2018.

São Paulo, February 21, 2019.

Walter Schalka
CEO

Marcelo Feriozzi Bacci
Executive Director of Finance and Investor Relations

Alexandre Chueri Neto
Executive Director of the Forest Business Unit

Carlos Aníbal Fernandes de Almeida Júnior
Executive Director of the Commercial Pulp and Logistics Business Unit

Aires Galhardo
Executive Director of the Industrial Pulp, Engineering and Energy Business Unit

Leonardo Barreto de Araujo Grimaldi
Executive Director of the Paper Business Unit

Christian Orglmeister
Executive Director of Human Resources, Communication, Strategy and Information Technology

Fernando Bertolucci
Executive Director of Research and Development

Opinions and Statements / Statement of Directors on the Report of the Independent Auditors

FOR THE PURPOSE OF ARTICLE 25 OF CVM INSTRUCTION No. 480/09

I hereby declare, as Executive Officer of Suzano Papel e Celulose SA, a corporation with registered offices in the City of Salvador, State of Bahia, at Avenida Professor Magalhães Neto, 1752 - 10º andar, rooms 1010 and 1011, CEP 41810-011, enrolled with the CNPJ / MF under No. 16,404,287 / 0001-55 ("Company"), pursuant to paragraphs V and VI of paragraph 1 of article 25 of CVM Instruction 480 of December 7, 2009, which together with the other members of the Company's Board of Executive Officers reviewed, discussed and agreed with the conclusion expressed in the report of the independent auditors on the audit of the Company's financial statements for the year ended December 31, 2018.

São Paulo, February 21, 2019.

Walter Schalka
CEO

Marcelo Feriozzi Bacci
Executive Director of Finance and Investor Relations

Alexandre Chueri Neto
Executive Director of the Forest Business Unit

Carlos Aníbal Fernandes de Almeida Júnior
Executive Director of the Commercial Pulp and Logistics Business Unit

Aires Galhardo
Executive Director of the Industrial Pulp, Engineering and Energy Business Unit

Leonardo Barreto de Araujo Grimaldi
Executive Director of the Paper Business Unit

Christian Orglmeister
Executive Director of Human Resources, Communication, Strategy and Information Technology

Fernando Bertolucci
Executive Director of Research and Development