Financial Statements

Suzano Papel e Celulose S.A.

December 31, 2008 and 2007
With Report of Independent Auditors

Suzano Papel e Celulose S.A.

Financial statements

December 31, 2008 and 2007

Contents

A free translation from Portuguese into English of Report of Independent Auditors of financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Report of independent auditors

The Board of Directors and Shareholders
Suzano Papel e Celulose S.A.

1. We have audited the balance sheets of Suzano Papel e Celulose S.A., and the consolidated balance sheets of Suzano Papel e Celulose S.A. and subsidiaries as of December 31, 2008 and 2007, and the related statements of operations, changes in shareholders' equity, changes in financial position, cash flows and added value for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The unconsolidated and consolidated financial statements of the joint subsidiary Ripasa S.A. Celulose e Papel for the eight-month period ended August 31, 2008, and assets, liabilities and statement of income accounts of Consórcio Paulista de Papel e Celulose, for the four-month period ended December 31, 2008, were audited by other auditors. Our opinion relating to equity pickup, assets and liabilities and statement of income accounts of the joint subsidiary Ripasa S.A. Papel e Celulose and Consórcio Paulista de Papel e Celulose included in the Company's unconsolidated and consolidated financial statements, together with the amounts and other information that have been included in the notes to the Company's unconsolidated and consolidated financial statements, arising respectively from these joint subsidiary and the consortium, are exclusively based on the opinion of those auditors.

2. Our audits were conducted in accordance with generally accepted auditing standards in Brazil and included: a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and c) an assessment of the accounting practices used and significant estimates made by management of the Company and its subsidiaries, as well as an evaluation of the financial statement presentation, taken as a whole.

3. In our opinion, based on our audits and on the report of other independent auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Suzano Papel e Celulose S.A., and the financial position of Suzano Papel e Celulose S.A. and subsidiaries as of December 31, 2008 and 2007, the results of their operations, changes in their shareholders' equity, cash flows and added value for the years then ended in accordance with the accounting practices adopted in Brazil.

4. As mentioned in note 2, due to changes in accounting practices adopted in Brazil, during 2008, the unconsolidated and consolidated financial statements of Suzano Papel e Celulose S.A. and subsidiaries for the previous year, presented for comparison purposes, were adjusted and are being restated as provided for in NPC 12 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

Salvador, March 23, 2009.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6-F-BA

Luiz Carlos Passetti Accountant CRC 1SP144343/O-3/S-BA	Antonio Carlos Fioravante Accountant CRC-1SP184973/O-0/S-BA

Suzano Papel e Celulose S.A.

Balance sheets
December 31, 2008 and 2007
(In thousands of reais)

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Assets				
Current assets				
Cash and cash equivalents (note 5)	**1,921,063**	1,059,625	**2,176,312**	1,339,920
Trade accounts receivable (note 6)	**1,391,670**	922,952	**790,042**	731,982
Inventories (note 7)	**585,867**	541,491	**881,568**	695,461
Income and social contribution taxes (note 8)	**333,700**	229,816	**361,025**	263,570
Deferred income and social contribution taxes (note 9)	**60,766**	26,679	**131,351**	44,743
Other accounts receivable	**40,723**	43,804	**44,964**	48,837
Due from related parties (note 16)	**380**	-	**-**	-
Prepaid expenses	**4,411**	3,189	**4,509**	3,292
Derivatives (note 20)	**1,737**	17,308	**16,939**	17,308
Total current assets	**4,340,317**	2,844,864	**4,406,710**	3,145,113
Noncurrent assets				
Long term assets				
Due from related parties (note 16)	**49,083**	16,894	**-**	563
Income and social contribution taxes (note 8)	**152,436**	164,545	**152,440**	174,696
Deferred income and social contribution taxes (note 9)	**644,199**	484,005	**646,647**	506,792
Advances to suppliers (note 10)	**215,632**	173,472	**215,632**	173,472
Judicial deposits	**90,020**	26,324	**92,366**	26,431
Other accounts receivable	**32,222**	40,528	**43,902**	51,519
Derivatives (note 20)	**577**	-	**14,449**	1,470
Long term assets	**1,184,169**	905,768	**1,165,436**	934,943
Permanent assets				
Investments (note 11)	**240,311**	867,420	**8,100**	19,942
Property, plant and equipment (note 12)	**6,551,349**	5,995,148	**6,876,776**	6,887,894
Intangible assets (note 13)	**501,457**	580,501	**501,457**	580,501
Total permanent assets	**7,293,117**	7,443,069	**7,386,333**	7,488,337
Total noncurrent assets	**8,477,286**	8,348,837	**8,551,769**	8,423,280
Total assets	**12,817,603**	11,193,701	**12,958,479**	11,568,393

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Liabilities and shareholders' equity				
Current liabilities				
Trade accounts payable	**219,067**	311,892	**277,318**	345,814
Loans and financing (note 14)	**1,690,813**	608,226	**1,703,942**	712,321
Debentures (note 15)	**32,863**	36,081	**32,863**	36,081
Taxes payable other than on income	**10,130**	18,867	**36,812**	51,948
Payroll and taxes payable	**72,008**	51,527	**75,715**	59,181
Accounts payable	**45,545**	34,090	**54,826**	55,073
Payable to related parties (note 16)	**15,917**	124,763	**521**	504
Dividends and interest on shareholders' equity	**470**	65,089	**470**	65,096
Derivatives (note 20)	**150,039**	9,019	**151,022**	13,457
Income and social contribution taxes (note 9)	**-**	-	**3,630**	2,096
Deferred income and social contribution taxes (note 9)	**19,474**	17,901	**19,474**	26,685
Total current liabilities	**2,256,326**	1,277,455	**2,356,593**	1,368,256
Noncurrent liabilities				
Loans and financing (note 14)	**4,907,536**	4,018,363	**5,094,183**	4,267,014
Debentures (note 15)	**804,056**	709,439	**804,056**	709,439
Income and social contribution taxes (note 9)	**13,200**	12,071	**13,200**	12,071
Deferred income and social contribution taxes (note 9)	**623,350**	601,745	**623,350**	620,060
Provision for contingencies and actuarial liabilities (note 17)	**262,767**	148,246	**269,137**	183,628
Derivatives (note 20)	**51,652**	4,673	**54,398**	4,674
Accounts payable	**3,321**	4,169	**3,321**	7,491
Share based payment (note 19)	**3,582**	21,079	**3,582**	21,079
Payable to related parties (note 16)	**116,850**	-	**-**	-
Total noncurrent liabilities	**6,786,314**	5,519,785	**6,865,227**	5,825,456
Shareholders' equity (note 21)				
Capital	**2,054,430**	2,054,427	**2,054,430**	2,054,427
Capital and income reserves	**1,720,533**	2,342,034	**1,682,229**	2,320,254
Total shareholders' equity	**3,774,963**	4,396,461	**3,736,659**	4,374,681
Total liabilities and shareholders' equity	**12,817,603**	11,193,701	**12,958,479**	11,568,393

See accompanying notes.

Suzano Papel e Celulose S.A.

Statements of operations
Years Ended December 31, 2008 and 2007
(In thousands of reais)

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Gross sales	**4,879,104**	3,789,547	**4,648,193**	3,962,702
Sales deductions	**(582,982)**	(533,892)	**(584,597)**	(553,034)
Net sales	**4,296,122**	3,255,655	**4,063,596**	3,409,668
Cost of goods sold	**(2,651,148)**	(2,041,059)	**(2,647,236)**	(2,215,580)
Gross profit	**1,644,974**	1,214,596	**1,416,360**	1,194,088
Operating income (expense)	**(2,228,901)**	(421,289)	**(2,052,143)**	(381,991)
Selling expenses	**(408,697)**	(310,458)	**(200,920)**	(195,065)
General and administrative expenses	**(174,725)**	(154,201)	**(206,040)**	(203,921)
Management' fees	**(41,345)**	(23,232)	**(45,364)**	(25,967)
Financial expenses	**(2,040,461)**	135,673	**(2,095,657)**	87,069
Financial income	**625,523**	127,578	**521,960**	150,163
Equity pickup in subsidiaries and affiliates	**(122,934)**	(15,299)	**(515)**	(85)
Amortization of goodwill	**(79,044)**	(83,759)	**(79,044)**	(83,759)
Other operating income (expenses), net	**12,782**	(97,591)	**53,437**	(110,426)
Operating income	**(583,927)**	793,307	**(635,783)**	812,097
(Loss) income before income and social contribution taxes	**(583,927)**	793,307	**(635,783)**	812,097
Income and social contribution taxes	**149,144**	(256,621)	**184,475**	(275,496)
(Loss) Net income for the year	**(434,783)**	536,686	**(451,308)**	536,601
(Losses) Net earnings per share	**(1,41847)**	1,71397	**(1,47238)**	1,71370
Number of outstanding shares at year end	**306,516**	313,124	**306,516**	313,124

See accompanying notes.

Suzano Papel e Celulose S.A.

Statements of shareholders' equity
Years ended December 31, 2008 and 2007
(In thousands of reais)

Parent Company	Capital	Capital reserves: Tax incentives	Capital reserves: Special goodwill reserve	Treasury shares	Income reserves: Legal reserve	Income reserves: Reserve for capital increase	Income reserves: Special statutory reserve	Retained earnings	Total
Balances at December 31, 2006	**2,054,388**	**303,507**	**108,723**	**(15,080)**	**122,343**	**1,315,170**	**146,130**	-	**4,035,181**
Effects of the firs-time adoption of the Law 11638/07 and MP 449/08	-	-	-	-	-	-	-	(14,223)	**(14,223)**
Balances adjusted with the effects of the first-time adoption of the Law 11638/07 and MP 449/08	**2,054,388**	**303,507**	**108,723**	**(15,080)**	**122,343**	**1,315,170**	**146,130**	(14,223)	**4,020,958**
Capital increase due to conversion of debentures into shares	39	-	-	-	-	-	-	-	39
Net income for the year	-	-	-	-	-	-	-	536,686	536,686
Allocation of net income:									
Interest on shareholders' equity allocated and paid on September 28, 2007	-	-	-	-	-	-	-	(87,178)	(87.178)
Interest on shareholders' equity allocated on December 21, 2007, paid on January 09, 2008	-	-	-	-	-	-	-	(74,044)	(74.044)
Legal reserve	-	-	-	-	26,972	-	-	(26,972)	-
Reserve for capital increase	-	-	-	-	-	316,119	-	(316,119)	-
Special statutory reserve	-	-	-	-	-	-	35,124	(35,124)	-
Reserve for capital increase - First-time adoption of the Law 11638/07 and MP 449/08	-	-	-	-	-	(16,974)	-	16,974	-
Balances at December 31, 2007	**2,054,427**	**303,507**	**108,723**	**(15,080)**	**149,315**	**1,614,315**	**181,254**	**-**	**4,396,461**
Capital increase due to conversion of debentures into shares	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(434,783)**	**(434,783)**
Acquisition of own shares	**-**	**-**	**-**	**(186,718)**	**-**	**-**	**-**	**-**	**(186,718)**
Allocation of loss	**-**	**-**	**-**	**-**	**-**	**(434,783)**	**-**	**434,783**	**-**
Balances at December 31, 2008	**2,054,430**	**303,507**	**108,723**	**(201,798)**	**149,315**	**1,179,532**	**181,254**	**-**	**3,774,963**

See accompanying notes.

Suzano Papel e Celulose S.A.

Statements of cash flows
Years ended December 31, 2008 and 2007
(In thousands of reais)

	Parent Company		Consolidated	
	2008	2007	2008	2007
Cash flows provided by operating activities				
(Loss) Net income for the year	**(434,783)**	536,686	**(451,308)**	536.601
Adjustments to reconcile loss / net income to cash provided by operating activities:				
Depreciation, depletion and amortization	**375,334**	257,466	**451.763**	375.595
Income on sale of property, plant and equipment	**(19,107)**	83,859	**(23.395)**	96.844
Equity pickup in subsidiaries and affiliates	**122,934**	15,299	**515**	85
Amortization of goodwill	**79,044**	83,759	**79.044**	83.759
Foreign exchange, net	**1,113,623**	(484,091)	**1.039.018**	(441.174)
Interest expenses, net	**364,180**	525,318	**373.905**	519.845
Losses (gains) on derivatives instruments, net	**234,446**	(69,285)	**213.916**	(64.721)
Deferred income and social contributions taxes	**(149,144)**	256,621	**(184.475)**	275.496
Others Taxes	**118,748**	87,603	**129.832**	96.658
Complement (reversal) of provision for contingencies	**44,599**	(51,788)	**31.266**	(62.615)
Others provisions	**(19,439)**	16,500	**(20.684)**	16.818
Interest expenses with the acquisition of own shares	**110,860**	-	**110.860**	-
Changes in assets and liabilities				
(Increase) in accounts receivable	**(468,718)**	(114,414)	**(55.882)**	(150.238)
(Increase) in inventories	**(44,376)**	(108,693)	**(228.283)**	(146.103)
(Increase) in recoverable taxes	**(128,600)**	(266,485)	**(130.608)**	(246.548)
(Increase) decrease in other current and noncurrent assets	**(130,330)**	(71,425)	**(39.396)**	68.827
Settlement of derivatives contracts	**(27,350)**	65,816	**(36.212)**	67.001
(Decrease) increase in trade accounts payable	**(92,302)**	114,797	**(67.962)**	158.153
(Decrease) increase in other current and noncurrent liabilities	**(84,936)**	148,580	**(3.541)**	10.298
Interest paid	**(268,656)**	(380,118)	**(284.980)**	(408.926)
Payment of others taxes and contributions	**(79,182)**	(67,838)	**(86.881)**	(74.285)
Payment of income and social contribution taxes	**-**	(4,677)	**(52.675)**	(14.039)
Net effect of Ripasa spin-off	**41,621**	-	**41.621**	-
Net effect of B,L,D,S,P,E, merger	**-**	19,895	**-**	19.895
Net cash provided by operating activities	**658,466**	593,385	**805,458**	717.226
Cash flows used in investing activities				
Increase in investments	**-**	(13,630)	**-**	(11.860)
Increase in property, plant and equipment	**(910,029)**	(1,223,988)	**(1,065,854)**	(1.353.009)
Receipt from sales of property, plant and equipments	**44,001**	69,837	**50,802**	61.935
Net effect in Ariemil and Agua Fria disposal	**15,209**	12,706	**15,209**	12.033
Net effect of Ripasa spin-off	**610,393**	-	**583,035**	-
Net effect due to the merger of B.L.D.S.P.E.	**-**	19,285	**-**	19.251
Cash and cash equivalents due to the merger of B.L.D.S.P.E.	**-**	1,300	**-**	1.300
Net cash used in investing activities	**(240,426)**	(1,134,490)	**(416,808)**	(1.270.350)
Cash flows (used in) provided by financing activities				
Payment of dividends and interest on shareholders' equity	**(64,619)**	(147,133)	**(64,619)**	(147.133)
Proceeds from financing and loans	**2,962,611**	1,044,199	**2,996,337**	1.052.389
Settlement of derivatives contracts	**(4,104)**	(2,924)	**(3,672)**	(2.924)
Payment of financing and loans	**(2,070,378)**	(409,592)	**(2,177,194)**	(480.123)
Own share acquisition	**(297,578)**	-	**(297,578)**	-
Net effect of Ripasa spin-off	**(82,534)**	-	**(82,534)**	-
Net cash provided by financing activities	**443,398**	484,550	**370,740**	422.209
Effects on exchange rate variation on cash and cash equivalents	**-**	-	**77,002**	(48,970)
Increase (decrease) in cash and cash equivalents	**861.438**	(56,555)	**836,392**	(179,885)
At the beginning of the year	**1,059,625**	1,116,180	**1,339,920**	1.519.805
At the end of the year	**1,921,063**	1,059,625	**2,176,312**	1.339.920
Increase (decrease) in cash and cash equivalents	**861.438**	(56,555)	**836,392**	(179,885)

See accompanying notes.

Suzano Papel e Celulose S.A.

Statements of value added
Years ended December 31, 2008 and 2007
(In thousands of reais)

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
1- Revenues				
1.1) Sale of products and services	**4,847,392**	3,756,694	**4,670,736**	3.965.990
1.2) Other operating income	**80,839**	(59,698)	**146,800**	(60.956)
1.3) Income related to the construction of own assets	**68,602**	827,654	**68,602**	843.241
1.4) (Complement) of allowance for doubtful accounts	**(9,101)**	(14,571)	**(10,030)**	(15.336)
	4,987,732	4,510,079	**4,876,108**	4.732.939
2- Inputs acquired from third parties				
2.1) Cost of goods sold	**(1,519,587)**	(1,200,133)	**(1,466,965)**	(996.409)
2.2) Materials, electricity and outsourced services consumed	**(1,646,164)**	(2,019,048)	**(1,364,765)**	(2.096.157)
2.3) Loss of asset amounts	**(60,431)**	(33,585)	**(60,431)**	(33.585)
	(3,226,182)	(3,252,766)	**(2,892,161)**	(3.126.151)
3- Gross value added (1-2)	**1.761.550**	1,257,313	**1,983,947**	1,606,788
4- Depreciation, depletion and amortization	**375.334**	257,466	**451,763**	375,595
5- Net value added generated by the Company (3+4)	**1.386.216**	999,847	**1,532,184**	1,231,193
6- Value added received in transfer				
6.1) Equity pickup in subsidiaries and affiliates	**(122,934)**	(15,299)	**(515)**	(85)
6.2) Financial income	**625,523**	127,578	**521,960**	150.163
6.3) Others	**(79,044)**	(83,759)	**(79,043)**	(83.759)
6.3.1) Amortization of goodwill	**(79,044)**	(83,759)	**(79,044)**	(83.759)
6.3.2) Others	**-**	-	**1**	-
	423,545	28,520	**442,402**	66.319
7- Value added to be distributed (5+6)	**1.809.761**	1,028,367	**1,974,586**	1,297,512
8- Value added distribution				
8.1) Employees	**376,432**	307,813	**409,557**	392.100
8.1.1 – Salaries	**294,213**	239,417	**326,308**	322.712
8.1.2 – Benefits	**65,190**	54,764	**66,193**	55.649
8.1.3 – Benefits	**17,029**	13,632	**17,056**	13.739
8.2) Taxes and contributions	**(236,356)**	182,684	**(143,623)**	326.045
8.2.1 – Federal	**(160,726)**	251,374	**(113,246)**	333.684
8.2.2 – State	**(78,334)**	(71,071)	**(34,423)**	(12.535)
8.2.3 – Municipal	**2,704**	2,381	**4,046**	4.896
8.3) Remuneration to third parties	**2,104,468**	1,184	**2,159,960**	42.766
8.3.1 – Interest	**2,040,461**	(45,224)	**2,095,657**	3.860
8.3.2 – Rentals	**64,007**	46,408	**64,303**	38.906
8.4) Remuneration to shareholders	**(434,783)**	536,686	**(451,308)**	536.601
8.4.1 - Interest in shareholder's equity	**-**	161,222	**-**	161.222
8.4.2 - Loss of the year / Retained profits	**(434,783)**	375,464	**(451,308)**	375.379
	1.809.761	1,028,367	**1,974,586**	1,297,512

See accompanying notes.

1. Operations

The core business of Suzano Papel e Celulose S.A. (hereinafter referred to as Company or Suzano) and its subsidiaries, with headquarter in Salvador (Bahia State) and operating production units in Bahia and São Paulo States, consists in manufacturing and trading, domestically and abroad, short-fiber pulp eucalyptus and paper, in addition to the formation and exploitation of eucalyptus forests for own use and sale to third parties.

The trading of the products abroad is made through wholly-owned subsidiaries located abroad. Subsidiaries abroad do not have industrial plants..

2. Basis of the preparation and presentation of financial statements and first-time adoption of Law No. 11638/07 and of the MP No. 449/08

The authorization for the issuance of this financial information was granted in the meeting of the Board of Directors held on March 23, 2009.

The financial statements were prepared in accordance with the accounting practices adopted in Brazil and regulations established by the Brazilian Securities and Exchange Commission (CVM), which are applicable to the preparation of financial information, observing the guidelines contained in the Corporation Law (Law No. 6404/76), with new provisions introduced, amended and repealed by Law No. 11638, of December 28, 2007, and by MP No. 449, of December 03, 2008.

Law No. 11638/07, amended by MP No. 449/08, mainly aimed to harmonize accounting practices adopted in Brazil with international accounting standards issued by the International Accounting Standards Board (IASB).

Pursuant to CVM Rule No. 565, of December 17, 2008, which approved Brazilian Financial Accounting Standards Board (CPC) accounting pronouncement 13 – First-Time Adoption of Law No. 11638/07 and of MP No. 449/08, and in accordance with CVM Rule No. 506, of June 19, 2006, the Company set December 31, 2006 as the transition date for adoption of the new accounting practices. The date of transition is defined as the starting point for the adoption of changes in accounting practices adopted in the Brazil, and is the reporting date on which the Company prepared its initial balance sheet applying of the new accounting provisions.

2. Basis of the preparation and presentation of financial statements and first-time adoption of Law No. 11638/07 and of the Provisional Executive Order No. 449/08 (Continued)

Thus, the 2007 financial statements, in conjunction with the 2008 financial statements, are presented following the same accounting practices, and are therefore subject to comparison.

These changes in accounting practices which had effects on preparation or presentation of the financial statements for the year ended December 31, 2008, on the comparative financial statements for the year ended December 31, 2007 and on the opening balance sheet at December 31, 2006, were measured and recorded by the Company based on the following accounting pronouncements issued by the Brazilian Financial Accounting Standards Board (CPC), and approved by the Brazilian Securities and Exchange Commission (CVM), and the Brazil's National Association of State Boards of Accountancy (CFC):

- Framework for the Preparation and Presentation of Financial Statements, approved by CVM Rule No. 539, of March 14, 2008;
- CPC 01 Impairment of Assets, approved by CVM Rule No. 527, of November 1, 2007;
- CPC 02 Effects of Changes in Foreign Exchange Rates, approved by CVM Rule No. 534, of January 29, 2008;
- CPC 03 Statement of Cash Flows, approved by CVM Rule No. 547, of August 13, 2008;
- CPC 04 Intangible Assets, approved by CVM Rule No. 553, of November 12, 2008;
- CPC 05 Related Party Disclosures, adopted by CVM Rule No. 560, of December 11, 2008;
- CPC 06 Leases, approved by CVM Rule No. 554, of November 12, 2008;
- CPC 07 Accounting for Government Grants and Disclosure of Government Assistance, approved by CVM Rule No. 555, of November 12, 2008;
- CPC 08 Transaction Costs and Premiums upon Marketable Securities Issuance, approved by CVM Rule No. 556, of November 12, 2008;

2. Basis of the preparation and presentation of financial statements and first-time adoption of Law No. 11638/07 and of the Provisional Executive Order No. 449/08 (Continued)

- CPC 09 Statement of Value Added, approved by CVM Rule No. 597, of November 12, 2008;
- CPC 10 Share-based Payment, approved by CVM Rule No. 562, of December 17, 2008;
- CPC 12 Adjustment to Present Value, approved by CVM Rule No. 564, of December 17, 2008;
- CPC 13 First-Time Adoption of Law No. 11,638 / 07 and Provisional Executive Order No. 449/08, approved by CVM Rule No. 565, of December 17, 2008
- CPC 14 Financial Instruments: Recognition, Measurement and Disclosure, approved by CVM Rule No. 566, of December 17, 2008.

On January 30, 2009, CVM issued Circular Letter / CVM / SNC / SEP; No. 01/2009, approving “CPC Guideline (OCPC) 02 Clarifications on the 2008 Financial Statements”, aiming to clarify some aspects regarding the application of provisions of Law No.11638/07, MP No. 449/08, and accounting pronouncements issued by CPC during 2007 and 2008. These clarifications were also analyzed and used by the Company’s management in the preparation of unconsolidated and consolidated financial statements of the Company.

In order to comply with first-time adoption required disclosures, the Company is presenting in the chart below a brief description and figures relating to impacts on shareholders’ equity and statement of operations for the year – Unconsolidated and consolidated –, for the amendments introduced by Law No. 11638/07, and by MP No. 449/08:

(In thousands of reais, except where specifically mentioned otherwise)

2. Basis of the preparation and presentation of financial statements and first-time adoption of Law No. 11638/07 and of the Provisional Executive Order No. 449/08 (Continued)

Parent company

Descriptions of effects	Ref	Shareholder's equity – Year ended at December 31 – 2008	Shareholder's equity – 2007	Statement of Operations – 2008	Statement of Operations – 2007
Recognition of financial leases agreements	(I)	**(28,588)**	(14,467)	**(14,121)**	3,000
Valuation at fair value of marketable securities and derivatives	(II)	**(21,717)**	(11,253)	**(10,464)**	(7,170)
Deferred income and social contribution taxes on the adjustments above		**17,104**	8,746	**8,359**	1,419
Net effect related to requirements introduced by Law No.11,638/07 and MP 449/08		**(33,201)**	(16,974)	**(16,226)**	(2,751)
Balances before the effect related to requirements introduced by Law No.11,638/07 and MP 449/08		**3,808,164**	4,413,435	**(418,557)**	539,437
Balance after the effect related to requirements introduced by Law No.11,638/07 and MP 449/08		**3,774,963**	4,396,461	**(434,783)**	536,686

Consolidated

Descriptions of effects	Ref	Shareholder's equity – Year ended at December 31 – 2008	Shareholder's equity – 2007	Statement of Operations – 2008	Statement of Operations – 2007
Financial leasing	(I)	**(28,588)**	(14,467)	**(14,121)**	3,000
Financial instruments and derivatives	(II)	**(21,717)**	(11,253)	**(10,464)**	(7,170)
Deferred income and social contribution taxes on adjusts above		**17,104**	8,745	**8,359**	1,418
Net effect related to requirements introduced by Law No.11,638/07 and MP 449/08		**(33,201)**	(16,975)	**(16,226)**	(2,752)
Balance before the effect related to requirements introduced by Law No.11,638/07 and MP 449/08		**3,769,860**	4,391,656	**(435,082)**	539,353
Balance after the effect related to requirements introduced by Law No.11,638/07 and MP 449/08		**3,736,659**	4,374,681	**(451,308)**	536,601

(I) Refers to the net effect of recognition of financial lease transactions, detailed in Note 14, in accordance with "CPC 06 – Leases."

(II) Refers to the fair value of financial assets and liabilities classified as "financial assets and liabilities measured at fair value through statement of operations , in accordance with " CPC 14 Financial Instruments: Recognition, Measurement and Disclosure."

2. Basis of the preparation and presentation of financial statements and first-time adoption of Law No. 11638/07 and of the Provisional Executive Order No. 449/08 (Continued)

"CPC 02 - Effects of Changes in Foreign Exchange Rate" - provides for in items 4 and 5, the extension to certain subsidiaries abroad, of the procedures themselves of branches for the purposes of accounting for changes in exchange rates. These items relate, primarily, to the treatment being given to such control by requiring the integration, to the Parent company's financial statements, of assets, liabilities and net income. Those provisions have raised several questions about the characterization of such subsidiaries for statutory and tax purposes. Due to these circumstances, the Company requested and obtained the authorization from CVM to do not apply the provisions of items 4 and 5 of CPC 02 to the financial statements of the Company for the year ended December 31, 2008 and the quarterly information to be presented during 2009.

Given that MP No. 449/08 eliminated non-operating income/loss line, and as confirmed by CVM Circular Letter No. 01/2009, the Company reclassified losses in the amount of R$ 37,147 and R$ 110,436 in the unconsolidated statement of operations of the Company and R$ 31,868 and R$ 127,860 in the consolidated, for the years ended December 31, 2008 and 2007 respectively, to other operating income (expenses) account.

3. Summary of significant accounting practices

3.1 Statement of operations: Revenues and expenses are determined on the accrual basis. Revenue from the sale of product is recognized in the statement of operations when all benefits and risks and rewards inherent to the product are transferred to buyer and it is probable that economic benefits will be generated for the Company. Revenues are not recognized if there is significant uncertainty as to their realization. Interest income and expenses are recognized by the effective interest rate method in the financial income and expenses line.

3.2 Investment and translation of balances denominated in foreign currency

a) Investments and the functional and reporting currency of the financial statements

The Company's functional currency is the Real, which is the same currency of preparation and presentation of unconsolidated and consolidated financial statements. The financial statements of each consolidated subsidiary and interests in affiliates determined by the equity method are prepared based on the functional currency of each entity.

3. Summary of significant accounting practices (Continued)

3.2 Investment and translation of Balances denominated in foreign currency

a) Investments and the functional and reporting currency of the financial statements (Continued)

For the subsidiaries located abroad, their assets and liabilities should be translated from their functional currency into Reais at the foreign exchange rate prevailing on the balance sheet closing date, and income statement should be recorded at the average monthly rates for the years. In the unconsolidated financial statements, these subsidiaries are valued by the equity method, and the equity pickup is recognized according to the Company's investment percentage of equity interest.

Investments in subsidiaries and affiliate companies located in Brazil, where the Company has significant influence, are valued by the equity method. Other permanent investments are recorded at cost, less provision for loss, where applicable.

b) Transactions denominated in foreign currency

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (the Real) at the foreign exchange rate prevailing on the date of the corresponding balance sheets. Gains and losses resulting from restatement of these assets and liabilities, recorded between the exchange rate prevailing on the date of the transaction and the year closing date, are recognized as financial income or expenses in the income statement.

3.3 Financial instruments: Financial instruments are only recognized from the date on which the Company becomes party of the financial instruments' contractual provisions. Upon recognition, they are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition or variance, except for financial assets and liabilities classified at their fair value through P&L, in which case such costs are directly recorded in the income statement for the year. They are subsequently measured at every balance sheet date, pursuant to the rules established for each classification of financial assets and liabilities. The Company does not apply the "hedge accounting" under CPC 14.

3. Summary of significant accounting practices (Continued)

3.3 Financial instruments (Continued)

3.3.1 Financial assets**:** They are classified among the categories below according to the purpose for which they were acquired or issued:

a) *Financial assets measured at fair value through P&L*: these include financial assets held for trading and assets designated at initial recognition at fair value through P&L and derivatives. They are classified as for trading if they were generated for short-term sale or repurchase purposes. At each balance sheet date, they are measured at fair value. Interest, monetary restatement, foreign exchange and variations arising from the valuation at fair value are recognized as financial income or expenses in income statement when incurred.

b) *Payables and receivables*: non-derivative financial assets with fixed payments and not quoted in active market. Upon initial recognition, they are measured at amortized cost by the effective interest rate method. Interest, monetary restatement and foreign exchange, less impairment, where applicable, are recognized as financial income or expenses in the income statement when incurred.

The mainly financial assets recognized by the Company are: cash and cash equivalents, marketable securities, unrealized gains on transactions with derivatives, classified as category 3.3.1 (a), and trade accounts receivable, classified in category 3.3.1 (b). The Company has not identified financial assets that would be classified as investments held to maturity.

3. Summary of significant accounting practices (Continued)

3.3.2. Financial liabilities: They are classified among the categories below according to the nature of the financial instruments issued or taken out:

a) *Financial liabilities measured at fair value through P&L*: these include liabilities usually negotiated before maturity, liabilities designated at initial recognition at fair value through P&L and derivatives. At each balance sheet date, they are measured at fair value. Interest, monetary restatement, foreign exchange and changes arising from the valuation at fair value, where applicable, are recognized in the income statement when incurred..

b) *Financial liabilities not measured at fair value*: Non-derivative financial liabilities that are not usually negotiated before maturity. Upon initial recognition they are measured at amortized cost by the effective interest rate method. Interest, monetary restatement and foreign exchange, where applicable, are recognized in the income statement when incurred.

The mainly financial liabilities recognized by the Company are: accounts payable to suppliers, loans and financing and debentures, classified in category 3.3.2 (b) and unrealized losses on transactions with derivatives, classified as category 3.3.2 (a).

3. Summary of significant accounting practices (Continued)

3.3 Financial instruments (Continued)

3.3.3 Fair value: The fair value of financial instruments actively traded on organized markets is determined based on quoted market prices at the balance sheet closing date. In the absence of active market, fair value is determined by valuation techniques. These techniques include using recent market transactions between independent parties, references to the fair value of similar financial instruments, analysis of discounted cash flows or other valuation models.

3.4 Cash and cash equivalents: These include cash, positive balances in bank account, marketable securities redeemable within 90 days before the balance sheet date and with insignificant risk of change in their fair value. Marketable securities included in cash equivalents are classified under "financial assets at fair value through P&L."

3.5 Trade accounts receivable: These are classified as a category of financial instruments, "payables and receivables", and are being presented at net realizable value, with foreign exchange restatement where stated in foreign currency. An allowance for doubtful accounts was set up by management in an amount considered sufficient to cover doubtful receivables.

3.6 Inventories: These are valued at acquisition or production cost, which does not exceed market value. Provisions for obsolete or slow-moving inventories are accrued when deemed necessary by management.

3. Summary of significant accounting practices (Continued)

3.7 Property, plant and equipment: These are recorded at acquisition, buildup or construction cost, including interest and other financial charges incurred during project development or construction, restated by inflation rates based on the legislation until December 31, 1995. Depreciation is calculated using the straight-line method at the rates mentioned in Note 12 and takes into account their estimated useful lives. Capitalized financial charges are depreciated based on the same criteria and useful lives determined for the property, plant and equipment item to which they were added. Timber resources are valued at acquisition, development and maintenance costs and has its depletion based on the volume collected at the average cost of harvested area. Property, plant and equipments are net of Social Contribution Tax on Gross Revenue for Social Integration Program (PIS) / Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS) and State Value-Added Tax (ICMS) credits and the contra entry is recorded as recoverable taxes. Expenses with maintenance and repair which do not significantly increase the useful life of assets are recorded as expenses when incurred. Expenses that significantly increase the useful life of assets are added to property, plant and equipment.

3.8 Lease transactions: Finance lease agreements are recognized in fixed assets and in loans and financing, for the lower of the present value of minimum lease or the fair value of the leased property, plus, where applicable, the initial direct costs incurred in the transaction. The amounts recorded in fixed assets are depreciated over the economic useful lives of the assets or the estimated lease agreement term, depending on the specific characteristics of each transaction. Implicit interest on loans and financing recognized in liabilities is recorded in the income statement, by the effective interest rate method. Operating lease agreements are recognized as expenses on a systematic basis that represents the period in which the benefit from the leased asset is obtained, even if such payments are not made on such basis.

3.9 Intangible assets: These refer to goodwill generated in the acquisitions of investments until December 31, 2008, and were amortized on a straight-line basis over 5 to 10 years until that date based on future profitability. As from January 01, 2009, goodwill will no longer be amortized and should only be subject to the annual impairment test (see Note 13).

3. Summary of significant accounting practices (Continued)

3.10 Provision for impairment of assets: Management reviews, on an annual basis, the net carrying amount of assets to assess events or changes in operating, economic and technological circumstances that may indicate impairment. When such evidence is identified, and the net carrying value exceeds recoverable value, a provision for impairment is established by adjusting net carrying value to recoverable value.

3.11 Actuarial Liabilities: Defined-benefit plans are assessed by an independent actuary at each year end to verify whether contribution rates are sufficient to determine reserves needed for current and future commitments. Actuarial gains or losses are recognized in the income statement on the accrual basis.

3.12 Other assets and liabilities: A liability is recognized in the balance sheet when the Company has a legal or constructive obligation arising from a past event, the settlement of which is expected to result in an outflow. Provisions are recorded reflecting the best estimates of the risk involved.

Assets are recognized in the balance sheet when their future economic benefits are likely to be generated for the Company and their cost or value can be safely measured. Contingent assets are not recognized.

Assets and liabilities are classified as current whenever their realization or settlement is likely to occur in the following twelve months. Otherwise, they are stated as noncurrent.

3.13 Income and social contribution taxes: Taxation on profit for the year comprises both Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL), including current and deferred taxes, which are calculated based on taxable profit, at the rates prevailing at each balance sheet date, as follows: (i) IRPJ - calculated at the rate of 25% on the adjusted accounting profit (15% of taxable profit, plus a surtax of 10%), (ii) CSLL - calculated at the rate of 9% on the taxable profit. Therefore additions to net income deriving from temporarily non-deductible expenses or exclusions from temporarily non-taxable profit upon determination of current taxable profit generate deferred tax assets or liabilities.

Deferred tax assets and liabilities arising from income and social contribution tax losses and temporary differences are recorded in accordance with CVM Rule No. 371/02.

3. Summary of significant accounting practices (Continued)

3.14 Government grants and assistance: Government grants and assistance are recognized when there is reasonable assurance that conditions established by government have been met and that they shall be received. They are recorded as revenue or reducing expenses in the income statement for the period of the benefit and enjoyment. Then, are allocated to reserve for tax incentives in shareholder’s equity.

3.15 Share-based payment: The Company's officers and directors receive part of their compensation based on shares with settlement in cash. The costs of these transactions are initially recognized in income statement during the period in which services were received against a financial liability and measured at fair value, when payment programs are granted. The liability is subsequently re-measured at fair value at each balance sheet date and the variation is recorded in operating income under "administrative expenses".

3.16 Adjustment to present value of assets and liabilities: Noncurrent monetary assets and liabilities are monetarily restated and, therefore are adjusted to present value. Adjustment to present value of current monetary assets and liabilities is calculated and recorded only if it is considered significant when compared to the overall financial statements. For purposes of recording and determination of relevance of present value effects, adjustment is calculated taking into consideration the contractual cash flows and interest rate, implicit in certain cases, of the corresponding assets and liabilities. For the financial statements for the year ended December 31, 2008 and 2007 and for the opening balance sheet, the Company calculated the present value based on the overall balances for each group of monetary current assets and liabilities, as well as applied discount rates, based on market assumptions existing at the transition date. Items comprising group of accounts subject to overall calculation have uniform characteristics. Based on the analysis performed and on management’s best estimate, the Company concluded that the adjustment to present value of current monetary assets and liabilities is insignificant when compared to the overall financial statements, and thus, did not record any adjustment. As far as noncurrent assets and liabilities are concerned, the Company adopted the procedure to monetarily restate them, and therefore, they were already adjusted to present value.

3. Summary of significant accounting practices (Continued)

3.17 Accounting estimates: Estimates are based on objective and subjective aspects, considering management's opinion of the appropriate amount to be recorded in the financial statements. Significant items subject to estimates include: selection of useful lives of the fixed assets and intangible assets; allowance for doubtful accounts; provision for inventory losses and provision for losses on investments; analysis of impairment of fixed and intangible assets; deferred income and social contribution taxes; rates applied in determining the adjustment to present value of certain assets and liabilities, provision for contingencies and actuarial liabilities; measurement of fair value of share-based payments and financial instruments; estimates for the disclosure framework for sensitivity analysis of derivative financial instruments according to CVM Rule No. 475/08. Settlement of transactions involving these estimates could result in amounts significantly different from those recorded in the financial statements due to inaccuracies inherent to the process of their determination. The Company reviews its estimates and assumptions at least on a quarterly basis.

3.18 Statements of cash flows and statements of value added: The statements of cash flows have been prepared and are presented in accordance with CVM Rule No. 547, of August 13, 2008, which approved CPC accounting pronouncement 03 - Statement of Cash Flows. The statements of value added were prepared and are presented in accordance with CVM Rule No. 557, of November 12, 2008, which approved CPC accounting pronouncement 09 - Statement of Value Added. The Company has adopted the practice of disclosing the statements of cash flow on a quarterly basis, and the statement of the value added on an annual basis. In order to allow comparison, the Company decided to adjust amounts of the statements of cash flows and value added for the year ended December 31, 2007, as provided for in CPC 03 and CPC 09 for preparation and presentation, respectively. As from the quarter ended March 31, 2008, the Company decided to no longer present the statements of changes in financial position.

3.19 Earning (loss) per share: The calculation is done according to the equation "net income (loss) / number of outstanding shares" at each year end.

4. Consolidated financial statements

The criteria adopted for preparing the consolidated financial statements are those provided for by Law No. 6404/76, with new provisions introduced, amended and repealed by Law No. 11638/07, and by the MP No. 449/08, and the criteria established in rules issued by CVM.

The main consolidation procedures are:

- Elimination of intercompany asset and liability accounts balances;
- Elimination of investment in the subsidiaries' capital, reserves and retained earnings;
- Elimination of intercompany income and expenses balances, and unearned income arising from intercompany transactions;
- Elimination of tax charges due on unearned income, presented as deferred taxes in the consolidated balance sheets.

The consolidated financial statements include the financial statements of Suzano Papel e Celulose and the direct and indirect subsidiaries described in Note 11.

The financial year of subsidiaries and affiliate companies included in the consolidated financial statements is the same as that of the parent company, and the accounting policies have been consistently applied by the consolidating companies and are consistent with those used in the previous year.

On August 31, 2008, Ripasa was spin-off, with the smaller portion of its assets contributed to Asapir Produção Florestal e Comercio Ltda.("Asapir"), and the remaining portion (represented by Americana plant) was contributed to the Company and to Votorantim Celulose e Papel SA (VCP), in order to operate it as a production unit in a consortium regime - ("Conpacel").

Due to the facts above, the financial statements for the year ended December 31, 2008 include the proportional consolidation of the financial statements of Ripasa, from January to August 2008, and of Asapir, from September to December 2008. Conpacel, given the nature of a consortium, has its assets, liabilities and income statement accounts integrated to the elimination of tax charges due on financial statement of the parent company.

(In thousands of reais, except where specifically mentioned otherwise)

4. Consolidated financial statements (Continued)

As required by CVM Rule No. 247/96, the main financial information of Ripasa, Asapir and Conpacel are stated below, and has been subject to proportional consolidation by the Company:

Ripasa S.A. Celulose e Papel:

RIPASA 100% AT AUGUST 31, 2008 - WITH EFFECTS OF LAW 11638/07

Financial Statements	**Eight months ended at August 31, 2008**
Gross income	833,010
Taxes on sales	(219,078)
Operating income	613,932
Cost of goods sold	(517,990)
Gross profit	95,942
Operating expenses, net	(3,414)
Income before income tax and social contribution	92,528
Income tax and social contribution	(40,133)
Net income for the period	**52,395**

Asapir:

Balance sheet	**2008**
Assets	
Current assets	**31,809**
Noncurrent assets	**32,567**
Long term assets	**23,467**
Property, plant and equipment	**9,100**
	64,376
Liabilities and shareholders' equity	
Current liabilities	**2,150**
Noncurrent liabilities	**12,566**
Shareholders' equity	**49,660**
	64,376

Income statement	**Period of 4 months ended at Dec/2008**
Gross income	5,176
Taxes on sales	(1,369)
Operating income	3,807
Cost of goods sold	(3,807)
Gross profit	-
Operating expenses, net	(10,643)
Net operating loss	(10,643)
Loss before income tax and social contribution	(10,643)
Income and social contribution taxes	12,255
Net income for the period	**1,612**

(In thousands of reais, except where specifically mentioned otherwise)

4. Consolidated financial statements (Continued)

Conpacel:

Balance Sheet	2008		2008
Assets		Liabilities	
Current assets		Current liabilities	
Inventories	**81,139**	Trade accounts payable	**35.104**
Other assets	**5,872**	Other liabilities	**27.127**
Total current assets	**87,011**	Total current liabilities	**62.231**
Noncurrent assets		Noncurrent liabilities	
Long term asset	**9,333**	Payable to related parties	**1.320.744**
Property, plant and equipments	**1,280,597**		
Intangible	**6,034**		
Total noncurrent assets	**1,295,964**	Total noncurrent liabilities	**1.320.744**
Total assets	**1.382.975**	Total liabilities	**1,382,975**

Reconciliation of net income (loss) for the years and shareholders' equity between consolidated and Parent Company

	Net income		Shareholders' equity	
	2008	**2007**	**2008**	**2007**
Parent company	**(434,783)**	536,686	**3,774,963**	4,396,461
Elimination of unrealized income recorded by the parent company in transactions with subsidiaries	**(74,824)**	(582)	**(105,161)**	(30,337)
Income and social contribution taxes on the elimination above	**58,299**	197	**68,613**	10,314
Sale of other assets from parent Company To subsidiaries	**-**	-	**(1,757)**	(1,757)
Others	**-**	300	**-**	-
Consolidated	**(451,308)**	536,601	**3,736,658**	4,374,681

(In thousands of reais, except where specifically mentioned otherwise)

5. Cash and cash equivalents

	Parent Company		Consolidated	
	2008	2007	2008	2007
Cash and banks	**23,222**	23,133	**77,719**	64,008
Marketable securities	**1,897,841**	1,036,492	**2,098,593**	1,275,912
	1,921,063	1,059,625	**2,176,312**	1,339,920

Marketable securities refer substantially to bank deposit certificates, compromised transactions and investment funds. At December 31, 2008, these marketable securities were remunerated at rates or from 99.0% to 107.0% (99.0% to 103.0% at December 31, 2007) of the Brazilian Interbank Deposit Certificate (CDI) rate and foreign marketable securities, denominated in US Dollars, consisting of bank deposit certificates bearing interest at the average rate of 0.95% p.a. on the same date.

Cash and cash equivalents are classified as financial assets held for trading and, therefore, were measured as described in Note 3.3.1 (a).

6. Trade accounts receivable

	Parent Company		Consolidated	
	2008	2007	2008	2007
Domestic receivables				
- Third parties	**436,068**	419,994	**443,742**	431,886
Foreign receivables				
- Subsidiaries	**985,021**	515,781	**-**	-
- Third parties	**3,603**	11,064	**382,704**	330,129
Discounted export receivables	**(315)**	(220)	**(315)**	(220)
Allowance for doubtful accounts	**(32,707)**	(23,667)	**(36,089)**	(29,813)
	1,391,670	922,952	**790,042**	731,982

At December 31, 2008, the Company had outstanding “vendor” operations with its customers in the amount of R$ 144,128 (R$ 148,439 at December 31, 2007), in wich the company acts as an intervening guarantor. At December 31, 2008, such operations represented the same amount in the consolidated financial statements (R$ 148,572 at December 31, 2007).

Trade accounts receivable have been classified in the category of financial assets "payables and receivables" and, therefore, were measured as described in Note 3.3.1 (b).

(In thousands of reais, except where specifically mentioned otherwise)

7. Inventories

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Finished goods				
Pulp				
- In Brazil	**27,632**	16,350	**27,632**	17,211
- Abroad	**-**	-	**196,206**	45,740
Paper				
- In Brazil	**162,564**	176,048	**162,564**	168,218
- Abroad	**-**	-	**98,730**	79,121
Work in process	**43,403**	47,334	**43,402**	47,799
Raw materials	**159,315**	142,185	**159,543**	152,607
Maintenance and other materials	**205,349**	171,250	**205,887**	196,441
Provision for inventories losses	**(12,396)**	(11,676)	**(12,396)**	(11,676)
	585,867	541,491	**881,568**	695,461

8. Recoverable taxes

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Recoverable social contribution tax	**49,499**	6,403	**49,558**	6,770
Recoverable income tax	**75,994**	22,296	**76,827**	24,132
Recoverable PIS / COFINS	**221,751**	271,123	**221,791**	280,112
State value added tax (ICMS)	**117,995**	76,112	**144,300**	108,737
Federal value added tax (IPI)	**10,109**	10,169	**10,109**	10,169
Others	**10,788**	8,258	**10,880**	8,346
	486,136	394,361	**513,465**	438,266
Less current assets	**333,700**	229,816	**361,025**	263,570
Noncurrent assets	**152,436**	164,545	**152,440**	174,696

In addition to accelerated incentive depreciation referred to in Note 9, Law No. 11196, dated November 21, 2005, also authorizes the use of PIS / COFINS credits on purchases made from January 1, 2006, of certain machinery and equipment (fixed assets) within 12 months instead of previous 24 months.

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8. Taxes and social contributions recoverable (Continued)

The amount of recoverable PIS / COFINS stated in the table above, basically refers to tax credits on purchase of fixed assets for the Mucuri project. The Company will realize such credits, against tax debts deriving from the increase in commercial activities and through offsetting against other federal taxes, in accordance with the SRF Ruling No. 600/05.

Because the legal claim were ruled final and unappealable in the last quarter of 2006, a ICMS tax credit in the amount of R$ 9,148 was accrued by the company and recorded under recoverable taxes, due higher amounts previously paid.

9. Income and social contribution taxes

Tax neutrality upon first-time adoption of Law No. 11638/07 and MP No. 449/08

The Company opted for the Transition Tax Regime (RTT) introduced by MP No. 449/08, whereby the calculation of Corporate Income Tax (IRPJ), Social Contribution Tax on Net Profit (CSLL), Social Contribution Tax on Gross Revenue for Social Integration Program (PIS), and Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS), for the biennium 2008-2009, continue to be determined based on the accounting methods and criteria established by Law No. 6404 of December 15, 1976, effective at December 31, 2007. As a result, deferred income and social contribution taxes calculated on the adjustments arising from the first-time adoption of the new accounting practices set forth by Law 11638/08 and MP No. 449/08 were recorded in the financial statements of the Company, where applicable, in accordance with CVM Rule No. 371. The Company will disclose such option in its Corporate Income Tax Return ((DIPJ) for 2009.

Deferred income and social contribution taxes

Deferred income and social contribution taxes are recorded to reflect future tax effects, attributable to temporary differences and income and social contribution tax losses.

(In thousands of reais, except where specifically mentioned otherwise)

9. Income and social contribution taxes (Continued)

Deferred income and social contribution taxes (Continued)

The deferred income and social contribution taxes derive from::

	Parent Company		Consolidated	
	2008	2007	2008	2007
Assets				
Income tax losses carryforward	**436,346**	307,718	**436,346**	307,718
Social contribution tax losses carryforward	**34,336**	-	**34,336**	-
Temporary differences:				
- On provisions	**105,437**	73,734	**178,470**	114,585
- On goodwill amortization	**81,424**	96,981	**81,424**	96,981
Effects generated by Law 11638/07 and MP 449/08	**47,422**	32,251	**47,422**	32,251
	704,965	510,684	**777,998**	551,535
Less current assets	**60,766**	26,679	**131,351**	44,743
Noncurrent assets	**644,199**	484,005	**646,647**	506,792

	Parent Company		Consolidated	
	2008	2007	2008	2007
Liabilities				
Accelerated depreciation	**607,687**	596,139	**607,687**	596,139
Timber resources costs	**4,819**	-	**4,819**	-
Deferred exchange rates variation	**-**	-	**-**	21,626
Temporary exclusions	**-**	-	**-**	5,473
Effects generated by Law 11638/07 and MP 449/08	**30,318**	23,507	**30,318**	23,507
	642,824	619,646	**642,824**	646,745
Less current liabilities	**19,474**	17,901	**19,474**	26,685
Noncurrent liabilities	**623,350**	601,745	**623,350**	620,060

The breakdown of accumulated income and social contribution tax losses is as follows:

	Parent Company		Consolidated	
	2008	2007	2008	2007
Income tax losses carryforward	**1,745,384**	1,230,872	**1,745,384**	1,230,872
Negative basis of social contribution	**381,511**	-	**381,511**	-

(In thousands of reais, except where specifically mentioned otherwise)

9. Income and social contribution taxes (Continued)

Deferred income and social contribution taxes (Continued)

According to CVM Rule No. 371/02, the Company, based on the expectation of generating future taxable profit in a technical study approved by management, recognized tax credits on temporary differences, income and social contribution tax losses, with no prescription period. The carrying value of deferred asset is annually reviewed by the Company and the resulting adjustments have not been significant when compared to management's initial estimate.

Based on this technical analysis of future taxable income using the current year balances, the Company expects to recover these tax credits in the following years:

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
2008	**-**	26,679	**-**	44,743
2009	**60,766**	68,682	**131,351**	70,731
2010	**136,599**	92,843	**136,599**	96,131
2011	**95,686**	90,823	**95,686**	91,181
2012	**98,384**	95,584	**98,384**	95,584
2013	**98,720**	103,278	**98,720**	103,278
2014 on	**214,810**	32,795	**217,258**	49,887
	704,965	510,684	**777,998**	551,535

The expected recoverability of the tax credits is based on the projections of future taxable income, taking into consideration various business and financial assumptions on the balance sheet dates. Accordingly, these estimates may differ from the effective taxable income in the future due to the underlying uncertainties involved.

Income tax - Reduction of 75% SUDENE - Mucuri Unit (line 1)

The Company obtained from SUDENE (former ADENE), a tax incentive reduction of 75% in the income tax until 2011 for pulp and 2012 for paper. Such tax incentive, calculated based on exploration profit, is proportional to Mucuri plant net sales revenues (line 1, pulp and paper mill).

9. Income and social contribution taxes (Continued)

Income tax - Reduction of 75% SUDENE - Mucuri Unit (line 1) (Continued)

This income tax reduction from this tax benefit is recorded as expense in the statement of income. However, at the end of each financial year, after net income has been determined, the reduction obtained for the year is allocated to capital reserve as a partial destination of the net income determined, in accordance with the legal provision establishing that such tax benefit is not to be distributed.

The Company did not use this tax incentive for the year ended December 31, 2007, since the Company presented taxable loss (based on the fact that it recorded significant value of accelerated depreciation for tax purposes) nor for the year ended December 31, 2008, since the Company also presented taxable loss for this year .

The Company filed with SUDENE a request for a similar tax incentive to reduce income tax for line 2 of Mucuri (expansion) pulp, which, if granted, will allow the use of such benefit to products of line 2 (together with the aforementioned line 1) as from 2009, for a period of ten years.

Government grant and assistance guaranteed to the Company (tax incentives) before December 31, 2008 were recorded in the income statement for the year, and was than allocated to shareholders' equity as capital reserve, thereby preventing their distribution as dividends.

Income tax - incentive of accelerated depreciation on Mucuri Unit

Law No. 11,196, dated November 21, 2005, established in its article 31 that companies with project approved for underdeveloped micro regions, in the areas of operation of SUDENE and SUDAM, are entitled to accelerated incentive depreciation for assets acquired as from January 1, 2006. This benefit was granted to the Company’s Mucuri unit by SUDENE Ruling No. 0018/2007, dated March 29, 2007, with retroactive application to acquisitions occurred in 2006. This accelerated incentive depreciation consists in full depreciation in the year of acquisition for tax purposes, representing an exclusion from taxable income, made through the Taxable Income Control Register (LALUR), not changing, however, the depreciation expense that will be recorded in the statement of income, upon beginning of activities of the expansion project, based on the estimated useful lives of the assets.

9. Income and social contribution taxes (Continued)

Income tax - incentive of accelerated depreciation on Mucuri Unit (Continued)

Accelerated incentive depreciation represents deferral of income tax payment (but not of Social Contribution Tax on Net Income) over the useful live of the asset and the depreciation recorded in each of the years for these assets must be added in future years to taxable income.

The financial statements for the year ended December 31, 2006 did not consider the use of this new tax benefit since the granting ruling was only approved and published on March 29, 2007, thus after the date of the issuance of these financial statements. However, in the Corporate Income Tax Return (DIPJ) for 2006, the Company used this tax benefit. Deferred income tax liability on accelerated depreciation to be excluded from the tax computed in the future, amounted to R$ 172,514 at that time. As such, taxable income in 2006 became a tax loss for offset against future profits, and the related deferred income tax asset amounted to R$ 60,244 at that time. Since in this new context the Company did not present taxable profit, it was not possible to use the reduction by 75% of income tax referred to in the topic above, as such this tax incentive is definitively lost for 2006.

The economical - financial gain for the Company with income tax deferral as a consequence of accelerated incentive depreciation is higher than the loss of the reduction by 75% of income tax. Nevertheless this gain has no effect on statement of income, since assets and liabilities are not recorded at present value (discounted cash flow).

The definitive loss of income tax reduction impacted on the 2007 net income, thus requiring the accrual of an additional income tax expense amounted to R$ 35,083 which affected the current year effective tax rate by 4.3 p.p.

(In thousands of reais, except where specifically mentioned otherwise)

9. Income and social contribution taxes (Continued)

Reconciliation of income and social contribution tax expenses

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expenses charged to statements of income is presented as follows:

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Income before income and social contribution taxes	**(583,927)**	793,307	**(635,783)**	812,097
Reversal of equity pickup	**122,934**	15,299	**515**	85
Income after reversal of equity pickup	**(460,993)**	808,606	**(635,268)**	812,182
Income and social contribution taxes calculated at the combined nominal tax rate of 34%	**156,738**	(274,926)	**215,991**	(276,142)
Analysis of the effective income and social contribution taxes rates:				
Profits from foreign subsidiaries	**(184)**	(680)	**(3,795)**	-
Exchange variation on investments abroad	**-**	-	**(23,768)**	(18,423)
Tax effects of Law 11638 and PEO 449/08 over subsidiaries	**(9,016)**	(1,008)	**-**	-
Interest on shareholders' equity	**-**	54,816	**-**	54,816
Tax incentives - Rouanet and SUDENE (permanent loss) / tax reduction	**-**	(35,083)	**-**	(35,083)
Others	**1,606**	260	**(3,953)**	(664)
Current income and social contribution taxes	**(11)**	(262,412)	**(33,216)**	(276,812)
Deferred income and social contribution taxes	**149,155**	5,791	**217,691**	1,316
Income and social contribution taxes expenses	**149,144**	(256,621)	**184,475**	(275,496)
Effective tax rate	***32.4%***	*31.7%*	***29.0%***	*33.9%*
Income and social contribution taxes expenses excluding provision adjustment as of 2006 , related to tax incentive loss - SUDENE		**(221,538)**		**(240,413)**
Adjusted effective tax rate		***27.4%***		***29.6%***

(In thousands of reais, except where specifically mentioned otherwise)

10. Advances to suppliers – Fostering program

This incentive program, under which local independent farmers plant eucalyptus in their own land, reached 87.2 thousand hectares*, with 1,180* contracts, in 57* cities. At December 31, 2008 timber from these farmers represents 18.4%* of total Company timber consumption (18%* in December 31, 2007).

On December 31, 2008 the Company granted advances to farmers related to this incentive program in the total amount of R$ 218,434 (R$ 178,388 in December 31, 2007).

- Not audited by independent auditors.

11. Investments

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Investments in subsidiaries and affiliates	**232,273**	849,104	**-**	646
Other investments (*)	**11,223**	23,442	**11,223**	28,328
Provision for losses in other investments (*)	**(3,185)**	(5,126)	**(3,123)**	(9,032)
	240,311	867,420	**8,100**	19,942

(*) The investments carried at cost are classified at permanent assets, as management has no intention to negotiate them in the short term.

(In thousands of reais, except where specifically mentioned otherwise)

11. Investments (Continued)

Detailed position on investments

		2008						
		Data from subsidiary / affiliate						
		Shareholders´ equity	Net income (loss) for the year	Interest	Equity pickup 2008	Equity pickup 2007	Investments 2008	Investments 2007
Parent Company								
Água Fria Indistria de Papeis S/A		-	-	-	-	1	-	-
Ariemil Industria de Papeis S/A		-	-	-	-	179	-	-
B.L.D.S.P.E. Celulose e Papel S.A.	(b)	-	-	-	-	354	-	-
Nemo International	(c) / (f)	-	-	-	-	183	-	-
Ripasa S.A. Celulose e Papel	(a)	-	52,395	50%	30,163	10,201	-	501,130
Asapir Prod Florestal Com Ltda		49,660	1,612	50%	806	-	24,830	-
Comercial e Agrícola Paineiras Ltda.		179,303	14,065	100%	14,065	6,905	179,303	151,639
Stenfar S.A., Ind. Com. Imp. Y Exp.	(f)	17,661	1,228	15.70%	797	(50)	2,773	1,974
Suzano Trading Ltd.	(d) / (f)	(13,443)	(233,116)	100%	(178,176)	(33,749)	(14,075)	164,102
Suzano America, Inc.	(e) / (f)	13,188	1,133	100%	4,051	(891)	13,188	9,135
Bahia Sul Holdings GmbH	(f)	(52)	(49)	100%	(44)	(5)	(52)	-
Suzano Europe S.A.	(f)	8,347	4,478	100%	5,542	2,015	8,347	2,797
Sun Paper and Board Limited	(e) / (f)	18,099	1,014	100%	285	(459)	18,099	17,812
Ondurman Emp Imobiliarios Ltda.		9	9	100%	9	-	9	-
Buran Emp Imobiliarios Ltda.		(30)	(32)	100%	(32)	-	(30)	-
Grasdate Emp Imobiliarios Ltda.		(1)	(3)	100%	(3)	-	(1)	-
Vanua Emp Imolbiliarios Ltda.		(118)	(120)	100%	(120)	-	(118)	-
Pakprint S.A		-	(1,384)	20%	(277)	17	-	515
Total investments in subsidiaries and affiliates					(122,934)	(15,299)	232,273	849,104
Other investments, net of valuation allowance							8,038	18,316
Total investments					(122,934)	(15,299)	240,311	867,420
Consolidated								
Other investments, net of valuation allowance							8,100	19,296
Affiliates					(515)	(85)	-	646
Total investments							8,100	19,942

(a) On August 31, 2008, this subsidiary was completely spun off, and its shareholder's equity was transferred to the Company, to VCP and for the setup of Asapir. On September 1, 2008, land transferred to the Company was added to its property, plant and equipment;

(b) On August 31, 2007, that subsidiary was merged into Suzano Papel e Celulose SA;

(c) This subsidiary was discontinued in April 2007;

(d) At December 31, 2008, investment in this subsidiary considered the exclusion of unrealized profit in inventory, net of tax effects, in the amount of R$ 632 (R $ 2,524 at December 31, 2007);

(e) Due to the discontinuation of the subsidiary Nemo International, the Company holds 100% of the capital of the subsidiary Suzano America, Inc., and Sun Paper and Board Limited;

(f) The equity pickup of these subsidiaries located abroad, regarding the year ended December 31, 2008, includes exchange rate gain on investment in subsidiaries amounting to R$ 59,958 (R$ 40,637 loss for the year ended December 31, 2007);

(g) The subsidiary was sold by the Company in September 2008.

11. Investments (Continued)

Acquisition of Ripasa

On November 10, 2004, Suzano Papel e Celulose S.A and Votorantim Celulose e Papel S.A. entered into an agreement for acquisition of controlling interest of Ripasa.

On March 31, 2005, the acquisition of controlling interest of Ripasa through Ripasa Participações S.A. (hereinafter “Ripar”), a subsidiary of Suzano and VCP, was carried out, with the purchase of 129,676,966 common shares and 41,050,819 preferred shares, representing 77.59% of the voting capital and 46.06% of total capital, for the total amount of R$ 1,484,190 (equivalent to US$ 549,151 thousand at that time).

On May 24, 2006, the Special General Meeting approved the transfer of shares issued by Ripasa, held by non-controlling shareholders, to Ripar equity, occasion when non-controlling Ripasa shareholders became Ripar shareholders, based on the replacement relation established in the “Agreement and Justification for Transfer of Shares and Spin-off”.

After the absorption of Ripasa shares by Ripar, the Special General Meetings held by Suzano, VCP and Ripar approved the spin-off of Ripar, and its net assets were transferred equally to Suzano and VCP, resulting in (i) capital increase at Suzano and VCP, with issue of new shares, which were distributed to non-controlling shareholders of Ripar, based on the replacement relation defined in item 3 of the Significant Event Notice published on May 5, 2006; and (ii) dissolution of Ripar.

After the above corporate restructuring, Suzano and VCP hold 100% of Ripasa shares. Suzano portion corresponds to 50% of the Ripasa shares, equivalent to 83,563,025 common shares and 101,759,330 preferred shares, in the total amount of R$ 1,315,724, of which R$ 840,176 refers to goodwill on acquisition.

Upon acquisition of the Ripasa shares on March 31, 2005, a Purchase and Sale Option Agreement was signed with one of the three groups of former controlling shareholders of Ripasa, referring to their interest, to be exercised during a period of up to six years. In view of the incorporation of such shares into Ripasa Participações S.A. and its subsequent spin-off, with transfer of net assets to Suzano and VCP equity, such option now refers to 5,428,955 common shares and 1,795,986 Class “A” preferred shares issued by Suzano. During the first five years, the sellers have the option to sell and, in the last year, the buyers have the option to purchase. The amount referring to the Company, established by the option agreement, was originally of R$ 216,628, equivalent to US$ 80 million, restated by the SELIC (Central Bank Overnight rate), calculated cumulatively, from March 31, 2005 until the effective payment and transfer of ownership.

11. **Investments** (Continued)

Acquisition of Ripasa (Continued)

On March 3, 2008, this group of former controlling shareholders of Ripasa exercised the put option of shares held by Company, corresponding to 5,428,955 common shares and 1,009,583 Class "A" shares.

Because of the contractual terms of that option and requirements of CVM Rule No. 10, of February 14, 1980, the Company formally requested consultation to CVM on March 26, 2008 in order to obtain a prior authorization for acquiring its own shares and paying amounts as a transaction with the purpose of preventing litigation, since the purchase would give it at market prices, which are lower than the contractually agreed upon price.

On June 5, 2008, CVM Board authorized the purchase of the shares subject matter of the option exercise at market price and is not expressly opposite to the payment of the agreed-upon value. On June 10, 2008, Suzano executed with this group of former controlling shareholders of Ripasa an Agreement of Purchase and Sale of Shares, Transaction, Discharge and Other Exchanges, whereby the Company became the owner of such shares by the total amount of R$ 297,578, of which R$ 186,718 correspond to market value of shares recorded as treasury shares in shareholder’s equity and R$ 110,860 correspond to the extra-judicial agreement of the transaction against the waiver of any claims against Suzano and total relief, recorded as an expense in the income statement.

Due to this Option Agreement, the remaining 786,403 shares class "A" are still unavailable for option exercise, whose restated amount is R$ 38,984. Market value of these shares under option, based on the price of preferred shares in BOVESPA at December 31, 2008, would be R$ 9,508. The Company has not recorded this option because can be qualified as the exception provided for in paragraph 2 (g) of CPC 14.

On August 29, 2008, the AGE approved Ripasa’s total spin-off, contributing part of its shareholder’s equity for the setup of Asapir Florestal e Comercio Ltda., ("Asapir") and the remaining portion was contributed to the Company and VCP, in order to change Ripasa in a production unit under a consortium regime.

(In thousands of reais, except where specifically mentioned otherwise)

11. Investments (Continued)

São Paulo State Consortium of Pulp and Paper (Conpacel)

As from September 1, 2008, the plant of the discontinued company Ripasa, located in Americana City, has been operating under the jointly management of the Company and VCP, through a consortium model called São Paulo State Consortium of Pulp and Paper (Conpacel), whereby the related companies trade their production independently.

The main groups of accounts that comprise the balance sheet of Ripasa, spun off on August 31, 2008 and merged into the balance sheet of the Company on September 01, 2008, are summarized below:

Assets	31/08/2008	Liabilities and Shareholder's Equity	31/08/2008
Current assets		Current Liabilities	
Inventories	**43.729**	Loans and financing	**29.031**
Others	**11.939**	Payable to related parties	**44.982**
		Others	**12.002**
Total current assets	**55.668**	Total Current Liabilities	**86.015**
Noncurrent assets		Noncurrent Liabilities	
Long term assets	**50.604**	Long Term Liabilities	
		Loans and financing	**53.503**
Property, plant and equipments	**605.777**	Provision for contingencies	**43.310**
Intangible	**3.790**	Others	**7.666**
Deferred	**825**		
Total Noncurrent Assets	**660.996**	Total Noncurrent Liabilities	**104.479**
		Shareholder's Equity	**526.170**
Total assets	**716.664**	Total Liabilities and Shareholder's Equity	**716.664**

Parent Company

	Average annual depreciation rate in Dec/08	2008 Cost	2008 Depreciation	2008 Net	2007 Net
Buildings	**3,13%**	**1.143.650**	**(399.682)**	**743.968**	647.386
Machinery and equipment (*)	**4,24%**	**7.061.536**	**(2.796.124)**	**4.265.412**	4.179.251
Other depreciable assets	**15,71%**	**230.043**	**(176.672)**	**53.371**	52.778
Land and farms	**-**	**582.861**	**-**	**582.861**	452.269
Timber resources	**-**	**860.371**	**-**	**860.371**	625.671
Construction in progress	**-**	**45.366**	**-**	**45.366**	37.793
Net property, plant and equipment		**9.923.827**	**(3.372.478)**	**6.551.349**	5.995.148

(In thousands of reais, except where specifically mentioned otherwise)

12. Property plant and equipment

Consolidated

	Average annual depreciation rate in Dec/08	2008			2007
		Cost	Depreciation	Net	Net
Buildings	**3,13%**	**1.149.889**	(405.111)	**744.778**	734.425
Machinery and equipment	**4,24%**	**7.061.767**	(2.796.280)	**4.265.487**	4.451.061
Other depreciable assets	**15,71%**	**460.908**	(193.327)	**267.581**	292.083
Land and farms	**-**	**688.407**	-	**688.407**	562.973
Timber resources	**-**	**865.157**	-	**865.157**	742.670
Construction in progress	**-**	**45.366**	-	**45.366**	104.682
Net property, plant and equipment		**10.271.494**	(3.394.718)	**6.876.776**	6.887.894

(*) Considers the amounts recognized under finance leasing operations described in Note 14.

At December 31, 2008 other assets substantially refer to the turbines of the Capim Branco I and II Projects - R$ 208,595, which are already generating electric energy for their consortium. In 2007 Consortium Capim Branco changed its name to Complexo Energético Amador Aguiar.

In accordance with CVM Resolution No. 193/96, the Company records on the permanent assets the financial charges of financing related to improvements on its projects, during the construction period of such assets. The balances of these charges, net of foreign exchange variations, at December 31, 2008 amounts to R$ 438,490 (R$ 457,882 on December 31, 2007).

The Company reclassified the total of balances previously recognized in the group of deferred charges to property plant and equipment in the "construction in progress" group because these expenditures qualify for accounting recognition in this new group.

For agreements existing at the transition date and that qualify for finance leasing operations, the Company recorded in property plant and equipment, in a separate account, the property leased at its fair value or, if lower, at the present value of minimum lease payments, at the starting date of the contract, adjusted for depreciation calculated from the date of the contract until the date of transition. Initial direct costs, incurred for the taking out these lease agreements, were not capitalized.

(In thousands of reais, except where specifically mentioned otherwise)

12. Property plant and equipment (Continued)

The Company adopts the procedure to periodically review the estimated economic useful life of its property plant and equipment, used to determine their depreciation, depletion and amortization rates. Effects of possible changes in those estimates, if significant, are treated as changes in accounting estimates and recognized on a prospective basis in the income statement.

The Company's management did not identify indicators of impairment of its property plant and equipment.

13. Intangible assets - Company and Consolidated

Intangible assets recorded in the unconsolidated and consolidated financial statements of the Company at December 31, 2008 and 2007 relate to goodwill arising from investment acquisitions, and are economically based on future profitability expectations. The business combinations (detailed in Note 11) that generated these intangible assets were: (i) Goodwill arising from the acquisition of equity interest of Ripasa S.A. Celulose e Papel, during the years 2005 to 2007, amortized by the straight-line method for a period of 10 years until December 31, 2008; (ii) Goodwill arising from the acquisition controlling equity interest of B.L.D.S.P.E. Celulose e Papel SA, on March 30, 2007, amortized by the straight-line method for 5 years until December 31, 2008.

The following is a statement of the changes in intangible assets:

	Costs	Amortization	Write-Offs	Net
Ripasa S.A. Celulose e Papel	722,646	(185,477)	-	537,169
B.L.D.S.P.E. Celulose e Papel S.A.	49,305	(5,973)	-	43,332
Ariemil Indústria de Papéis Ltda.	21,121	(438)	(20,683)	-
Agua Fria Indústria de Papéis Ltda.	47,104	(978)	(46,126)	-
Balances at December 31, 2007	**840,176**	**(192,866)**	**(66,809)**	**580,501**
Ripasa S.A. Celulose e Papel	-	(69,759)	-	(69,759)
B.L.D.S.P.E. Celulose e Papel S.A.	-	(9,285)	-	(9,285)
Balances at December 31, 2008	**840,176**	**(271,910)**	**(66,809)**	**501,457**

13. Intangible assets - Company and Consolidated (Continued)

The Company assessed the carrying value of goodwill based on its value in use, through the model of discounted cash flows of the cash generating units, representing the set of tangible and intangible assets used in the operation. The process for estimating the value in use involves the use of assumptions, judgments and estimates about future cash flows, growth rates and discount. Assumptions about future cash flows and projections for growth are based on the Company’s long-term business, approved by the Board of Directors, as well as on comparable market data, and represent the best estimate of management, of economic conditions that will exist during the useful lives of all economic assets that provide the generation of cash flows.

The key assumptions used in estimating the value in use, to which assets recovery value is more sensitive, are described below: (i) Revenues – revenues were projected based on the Company's business plan covering the period between 2009 and 2013; (ii) Costs and operating expenses - costs and expenses were projected based on historical performance of the Company and its growth was projected in line with growth in sales, considering their relation, and (iii) Capital Investment – Investments in capital were estimated considering the infrastructure needed to support growth of sales.

The key assumptions were estimated considering the Company's historical performance, based on macroeconomic assumptions reasonable and consistent with external sources of information, based on projections of the financial market, documented and approved by the members of the Company's management.

In accordance with the techniques of economic valuation, value in use is assessed for periods ranging from 8 to 15 years. The revenue growth rates used are consistent with the long-term macroeconomic expectations which are annually reviewed based on historical performance and prospects for the sector in which the Company operates.

The test of impairment of the Company’s intangible assets did not result in the need of recognizing losses, given that value in use exceeds its net accounting value at the assessment date.

In line with CPC 01 and CPC 13, as from January 1, 2009, goodwill balances will not be amortized, and are subject to annual impairment tests.

(In thousands of reais, except where specifically mentioned otherwise)

14. Financing and loans

Financing and loans

	Index			Average annual interest rate Dec/2008	Parent Company 2008	Parent Company 2007	Consolidated 2008	Consolidated 2007
To acquire property, plant and equipment:								
BNDES - Finem	TJLP	(1)	(2)	8.54%	**1,808,300**	1,640,285	**1,889,498**	1,725,360
BNDES - Finem	Basket of currencies		(2)	7.40%	**374,815**	264,023	**374,815**	264,023
BNDES - Finame	TJLP	(1)	(2)	10.26%	**10,909**	19,069	**10,909**	19,183
BNDES - Finame	Basket of currencies			8.03%	**229**	175	**229**	175
BNDES - Automatic	TJLP	(1)	(2)	9.54%	**6,444**	7,769	**6,444**	49,195
BNDES - Automatic	Basket of currencies			8.58%	**890**	742	**890**	6,014
FNE - BNB	Fixed rate			8.50%	**157,408**	132,822	**157,408**	132,822
FINEP	TJLP			6.25%	**7,636**	10,878	**7,636**	10,878
Rural credit	Fixed rate + CDI			7.92%	**21,328**	10,716	**21,328**	10,716
Financial leasing	CDI + US$			9.03%	**93,110**	32,943	**93,110**	87,548
For working capital:								
Export financing	US$			4.59%	**3,148,259**	1,814,147	**3,148,259**	1,960,565
Imports financing	US$		(3)	3.64%	**404,055**	319,738	**522,610**	339,544
Nordic Investment Bank	US$		(4)	4.64%	**118,130**	90,146	**118,130**	90,146
Export credit note	CDI			10.62%	**374,615**	224,294	**374,615**	224,294
Export credit note	US$			6.65%	**70,110**	53,139	**70,110**	53,139
Others					**2,111**	5,703	**2,134**	5,733
					6,598,349	4,626,589	**6,798,125**	4,979,335
Less current liabilities (includes interest payable)					**1.690.813**	608,226	**1,703,942**	712,321
Noncurrent liabilities					**4,907,536**	4,018,363	**5,094,183**	4,267,014
Long-term loans and financing mature as follows:								
2009					**-**	848,184	**-**	937,331
2010					**1,290,562**	759,692	**1,301,639**	816,170
2011					**864,760**	628,004	**992,687**	661,428
2012					**821,109**	584,417	**832,186**	610,041
2013					**666,984**	300,385	**678,061**	318,621
2014					**354,866**	290,127	**365,943**	302,345
2015 onwards					**909,255**	607,554	**923,667**	621,078
					4,907,536	4,018,363	**5,094,183**	4,267,014

1) Term of the corresponding capitalization that exceeds the 6% Long-tem Interest Rate (TJLP) released by the Central Bank of Brazil;

2) Financing is secured, depending on the agreements, by: (i) mortgages of plant; (ii) rural properties and timberland; (iii) guarantees of the financed assets; (iv) securities from shareholders and (v) bank guarantee.

3) In October 2006, the BNP Paribas and Société Générale granted a financing contract to the Company in the amount of US$150 million (50% for each bank), for the financing of equipment for Mucuri´s Project. This contract owns clauses specifying maximum levels of indebtedness and leverage, which were accomplished at December 31, 2008.

4) In November 2006, the Nordic Investment Bank granted a Credit Facility Agreement to the Company, up to US$50 million, for the financing of equipment and skilled labor related to the Mucuri’s Project. This contract includes clauses specifying maximum indebtedness and leverage levels, which were accomplished at December 31, 2008.

(In thousands of reais, except where specifically mentioned otherwise)

14. Financing and loans (Continued)

The Company has contracts for finance leasing operations, denominated in US dollars, related to equipment used in industrial process for manufacturing pulp, located in the city of Suzano, São Paulo State (SP), Limeira-SP and Mucuri, Bahia State (BA). These contracts include provisions that permit the Company to purchase such assets at the end of the lease agreement term, ranging from 8 to 15 years, at a price substantially lower than their fair value. Management has the intention to exercise this option on the dates specified in each agreement.

Amounts capitalized in property plant and equipment, net of depreciation, and the present value of the mandatory installments of the contract (financing) for these assets, recorded in the unconsolidated and consolidated financial statements of the Company related to the year ended December 31, 2008 and 2007, are stated below:

Financial leasing

	Parent Company		Consolidated	
	2008	2007	2008	2007
Machinery and equipments	**94,954**	42,726	**94,954**	94,954
(-) Accumulated depreciation	**(30,434)**	(5,534)	**(30,434)**	(21,871)
Property, plant and equipments, net	**64,520**	37,192	**64,520**	73,083
Present value of binding plots of financial investments				
Less 1 year	**14,249**	2,924	**14,249**	11,856
More than 1 and to 5 years	**60,917**	14,620	**60,917**	60,293
More than 5 year	**17,944**	15,399	**17,944**	15,399
Total of present value of binding plots of financial investments	**93,110**	32,943	**93,110**	87,548
Financial charges to be appropriate in future	**23,168**	16,877	**23,168**	21,043
Value of binding plots at the end of the contracts	**116,278**	49,820	**116,278**	108,591

(In thousands of reais, except where specifically mentioned otherwise)

15. Debentures - Company and Consolidated

Debentures

Issue	Series	Units	2008 Current	2008 Noncurrent	2008 Current and Noncurrent	2007 Current and Noncurrent	Index	Interest	Due date
3rd	1st	333,000	**29,958**	**429,666**	**459,624**	388,609	IGP-M	10% *	04/01/2014
3rd	2nd	167,000	**1,417**	**129,425**	**130,842**	104,527	USD	9.85%	05/07/2019
4th	1st	79,735	**558**	**81,841**	**82,399**	85,648	TJLP	2.50%	12/01/2012
4th	2nd	159,471	**930**	**163,124**	**164,054**	166,736	TJLP	2.50%	12/01/2012
			32,863	**804,056**	**836,919**	745,520			

* The securities were issued with a R$ 38,278 discount that has been fully incorporated to the securities total value. Due to that, the operation's effective interest rate changed from 8% p.a. to 10% p.a.

<u>3rd issue of debentures</u>

The 3rd issue, in August 2004, in the amount of R$ 500,000, comprises two series, the first of which amounting to R$ 333,000 and the second one amounting to R$ 167,000, both falling due in 2014, in a sole installment. The first series was offered locally and is indexed to IGP-M (consumer market price index) variation plus 8% p.a., and was priced on the basis of the concepts set forth in Brazilian Securities Commission (CVM) Instruction Nº 404, by granting premium and discount on the issue price. The second series, not traded on the market, was fully purchased by Banco Votorantim.

The Debenture holders' General Meeting held on May 22, 2007 approved the change in the maturity date of the second series Debentures, from previously 10 years, maturing on April 1, 2014, to 15 years maturing on May 7, 2019, as well as the interest rate which, until May 22, 2007, was 10.38% p.a. and, from that date on and until maturity, changed to 9.85% p.a.

Third issued debentures have clauses determining the level of indebtedness and leverage indicators based on the Company's consolidated financial statements. As of December 31, 2008, the Company had not defaulted on any covenants.

15. Debentures - Company and Consolidated (Continued)

4th issue of debentures

The 4th issue, made in August 2006 with date of issuance as of December 1st, 2005, comprises two series, the first of which amounting to R$ 80,000 and the second one amounting to R$ 160,000, both convertible into shares, for private placement and with preemptive right to subscription given to shareholders. Minority shareholders subscribed the amount of R$ 18,081, and the remaining amount of R$ 221,919 was subscribed by BNDES PARTICIPAÇÕES S.A. – BNDESPAR, accordingly to the agreement signed with this BNDES' subsidiary. Fourth issue debentures have final maturity in December 2012, and will be amortized in three annual installments, after a grace period of four years, on December 1st, 2010, 2011 and 2012. Annual interest amounts to 2.5%, plus TJLP (up to 6%), payable on a half-year basis, on the 1st of June and December of each year. The TJLP percentage exceeding 6% p.a. will be capitalized for amortization with the principal amount. Debentures are convertible into shares, at any moment, at the owner's discretion, for R$ 17.30 per share from January 1st, 2007 onwards. For common shares resulting from the conversion, BNDESPAR has the obligation to sell and the Company's controlling shareholder has the obligation to buy such shares for the same conversion price, plus interest calculated from the conversion date to the effective payment.

There are contractual clauses for the fourth- issue debentures, which are restrictive and non-financial. If such clauses are not observed, the resulting effect is that the debt is immediately redeemable. As of December 31, 2008, the Company had not defaulted on any covenants.

Conversion of debentures into shares

In March 2008, 1 debenture of 1st series and 2 debentures of the 2nd series, both of the 4th issue were converted, which resulted in the issuance of 59 common shares and 118 preferred shares Class "A" of the Company (see Note 21).

(In thousands of reais, except where specifically mentioned otherwise)

16. Related parties (Continued)

Balances and transactions for the year ended December 31, 2008

	Assets				Liabilities				2008
	Current		Noncurrent		Current		Noncurrent		Income/ Expenses
Consolidated companies									
Suzano Trading Ltd.	974,301	5	1,490		2,397		116,850	4	2,333,015
Suzano America, Inc.	386		-		253		-		-
Suzano Europe S.A.	240		-		53		-		-
Comercial e Agrícola Paineiras Ltda.	-		-		1,426		-		(29,990)
Ripasa S.A Celulose e Papel	-		-		-		-		3
Stenfar S/A Indl. Coml.Imp. Y.Exp.	10,474	5	-		16		-		30,564
Grasdate Emp Imobiliarios Ltda	-		13,661	2	-		-		-
Vanua Emp Imobiliarios Ltda	-		22,607	2	-		-		-
Ondurman Emp Imobiliarios Ltda	-		7,480	2	-		-		-
Buran Emp Imobiliarios Ltda	-		3,845	2	-		-		-
Asapir Prod Florestal Com Ltda	-		-	-	11,251		-		-
	985,401		49,083		15,396		116,850		2,333,592
Nonconsolidated companies									
Suzano Holding S.A.	-		-		-		-		(9,185)
SPP Agaprint Indl. e Coml. Ltda.	3,339	1	-		-		-		12,236
Central Distribuidora de Papéis Ltda.	16,839	1	-		-		-		50,839
Nova Mercante de Papéis Ltda.	19,963	1	-		-		-		33,442
Nemonorte Imóveis e Participaçoes	-		-		-		-		(194)
Mabex Representações e Participações Ltda	-		-		-		-		(131)
Brasilprev Seguos e Previdência S.A	-		-		521	6	-		(3,873)
Lazam MDS Corretora e Adm. Segutros S.A.	-		-		-		-		(259)
Consolidated	40,141		-		521		-		82,875
Parent Company	1,025,542		49,083		15,917		116,850		2,416,467

(In thousands of reais, except where specifically mentioned otherwise)

16. Related parties (Continued)

Balances and transactions for the year ended December 31, 2007

	Assets				Liabilities			2007
	Current		Noncurrent		Current		Noncurrent	Income/ Expenses
Consolidated companies								
Suzano Trading Ltd.	491,476	5	1,129		-		-	1,445,790
Suzano America, Inc.	20		-		35		-	(2,627)
Suzano Europe S.A.	21		-		-		-	-
Comercial e Agricola Paineiras Ltda	-		13,600	2	2,482		-	(2,526)
Ripasa S.A. Celulose e Papel	-		1,602		121,742	3	-	6,014
Stenfar S/A Indl. Coml.Imp. Y.Exp.	24,305	5	-		-		-	47,419
Agua Fria Industria de Papeis S.A.	-		-		-		-	3,890
B.L.D.S.P.E. Celulose e Papel S.A.	-		-		-		-	12,117
	515,822		16,331		124,259		-	1,510,077
Nonconsolidated companies								
Suzano Holding S.A.	-		25		-		-	(8,874)
IPLF Holding S.A.	-		-		504		-	-
SPP Agaprint Indl. e Coml. Ltda.	3,135	1	-		-		-	15,719
Central Distribuidora de Papéis Ltda	12,201	1	-		-		-	37,013
Nova Mercadante Papeis Ltda	19,374	1	-		-		-	49,496
Nemonorte Imóveis e Participaçoes	-		-		-		-	(189)
Mabex Representações e Participações Ltda	-		-		-		-	(23)
Lazam MDS Corretora e Adm. Segutros S.A.	-		-		-		-	(402)
Brasilprev Seguos e Previdência S.A	-		-		-		-	(4,320)
Suzano Petroquimica S.A	-		538		-		-	-
Consolidated	34,710		563		504		-	88,420
								-
Parent Company	550,532		16,894		124,763		-	1,598,497

1 For these related parties, the Company has open vendor operations in the amount of R$ 37,235 at December 31, 2008 (R$ 39,330 at December 31, 2007);

2 Advances for future capital increase;

3 As from September 1, 2006, the Americana unit of Ripasa started to concentrate the sale of the finished products of Suzano and VCP in the proportion of 50% for each controlling shareholder. As from September 1, 2008, Ripasa started to operate as a production unit of the Company and of VCP, through Conpacel.

4 This refers to financing of imports, denominated in U.S. dollars, maturing on August 19, 2011, taken out by Suzano Trading Ltd. (wholly-owned subsidiary), and remitted to the Company in operation for pre-payment of export.

5 This refers to transactions for the sale of commercial paper and pulp.

6 Expenses with the supplementary private pension plan, defined to serve the employees of the Company.

(In thousands of reais, except where specifically mentioned otherwise)

16. Related parties (Continued)

Balances and transactions for the year ended December 31, 2007 (Continued)

Transactions with related parties were conducted under normal market conditions. Specifically with regard to the discontinued jointly subsidiary Ripasa, such transactions, until August 31, 2008, were conducted in accordance with the conditions established between the parties.

Compensation of executive members

Expenses relating to compensation of key personnel of the Company's management recognized in unconsolidated and consolidated income statement for the year amounted to R$ 42,135 and R$ 46,154 at December 31, 2008 (R$ 23,801 and R$ 26,536 at December 31, 2007), respectively.

17. Provisions for contingencies and actuarial liabilities

The provisions for contingencies are recognized to provide for probable losses in administrative and judicial suits relating to tax, civil and labor claims at amounts considered sufficient by management, in accordance with the assessment of its lawyers and legal advisors.

	Parent Company					
	2008			2007		
	Judicial deposits	**Provision**	**Net liabilities**	**Judicial deposits**	**Provision**	**Net liabilities**
Taxes	**7,115**	**(125,355)**	**(118,240)**	7,372	(75,428)	(68,056)
Social security	**-**	**(3,411)**	**(3,411)**	-	(1,861)	(1,861)
Labor and civil	**7,933**	**(20,597)**	**(12,664)**	7,714	(19,889)	(12,175)
Actuarial liabilities	**-**	**(128,452)**	**(128,452)**	-	(66,154)	(66,154)
	15,048	**(277,815)**	**(262,767)**	15,086	(163,332)	(148,246)

(In thousands of reais, except where specifically mentioned otherwise)

17. Provisions for contingencies and actuarial liabilities (Continued)

	Consolidated					
	2008			2007		
	Judicial deposits	Provision	Net liabilities	Judicial deposits	Provision	Net liabilities
Taxes	**7,115**	**(125,355)**	**(118,240)**	31,881	(127,110)	(95,229)
Social security	**-**	**(3,411)**	**(3,411)**	-	(1,861)	(1,861)
Labor and civil	**7,933**	**(26,967)**	**(19,034)**	9,223	(24,508)	(15,285)
Actuarial liabilities	**-**	**(128,452)**	**(128,452)**	-	(71,253)	(71,253)
	15,048	**(284,185)**	**(269,137)**	41,104	(224,732)	(183,628)

Below we present a statement of movement concerning provision for contingencies and actuarial liabilities:

	Parent Company		Consolidated	
	2008	2007	2008	2007
At beginning of the period	**163,332**	208,040	**224,732**	280,267
New proceedings and actuarial liabilities complement	**84,741**	33,277	**88,920**	35,182
Monetary restatement	**15,104**	7,080	**16,717**	7,080
Transfers between current and noncurrent	**11,470**	-	**11,470**	-
Contingencies from Ripasa merger	**43,310**	-	**-**	-
Write-off of proceedings	**(40,142)**	(85,065)	**(57,654)**	(97,797)
At end of the period	**277,815**	163,332	**284,185**	224,732

Significant proceedings are commented below:

PIS / COFINS - A provision recognized amounted to R$26,409 for unpaid PIS and COFINS in view of the legal challenge regarding the tax calculation basis (charge over other income). The Company has judicial deposits in the amount of R$ 36,543.

17. Provisions for contingencies and actuarial liabilities (Continued)

The discontinued wholly-owned subsidiary Ripasa S.A. Celulose e Papel, turned into a Company-and-VCP consortium as from August 2008, set up a provision for contingencies relating to non-collection of COFINS over other revenues and the increase in the rate of PIS and COFINS (Law No. 9718/98). In April 2006, both claims were granted a res judicata decision with a favorable outcome. After the prescription period for restating the decision expired, the Company reversed, in the 4th quarter of 2008, the provision recorded for such contingency in the amount of R$ 21,048. The reversal was accrued in the original income statement accounts where the provision had been previously accrued. Thus, R$ 15,784 relating to the principal was accrued in "Other operating income (expenses)" and the restatement of the provision at SELIC rate, in the amount of R$5,264, was accrued in the "Financial expenses.

Income tax on profits from foreign subsidiaries – In September 2005, the Company received a tax assessment regarding the taxation on profits from foreign subsidiaries available for distribution (Laws 9,249/95 and 9,532/97) and on the exchange variation included in equity pick-up of foreign investments (Brazilian IRS Regulatory Ruling No. 213/2002). Amounts assessed are R$ 51,226 and R$ 122,643, respectively. The Company’s management, based on the opinion of its legal advisors, believes that the probability of an unfavorable outcome is remote, and has not accrued a provision for such contingency.

Balance Sheet Monetary Restatement (Summer Plan) – The Company is discussing in Court the right of deducting the expenses with income and social contribution taxes, depreciation, write-offs and items controlled in the Taxable Profit Control Register (LALUR), from the debt balance related to Balance Sheet Monetary Restatement, in connection with inflationary understatements occurred in 1989, in the percentage of 51.87% or alternately, 35.58%, by using the Consumer Price Index (IPC) as the restatement index. For purposes of offset against other taxes, the Company used the percentage of 35.58%.

According to modification of understanding of the 1st District of the Superior Court of Justice (STJ), the index for monetary restatement regarded as valid and legal is Federal Treasury Bond (OTN), and no longer IPC. In this new context, the lawyers in charge of those proceedings changed the evaluation of unfavorable outcome from remote to possible for the percent of 35.58%. The restated amount as of December 31, 2007 is R$ 104,902 (R$ 100,839 at December 31, 2007), and was not accrued by the Company, since an unfavorable outcome is possible and not probable.

17. Provisions for contingencies and actuarial liabilities (Continued)

ICMS: On September 29, 2004, the Company was fined for non-payment and offset of ICMS tax credits on purchases of intermediate products and differential tax rates thereon. On May 27, 2008, the proceeding was granted a res judicata decision for the Company. Thus, in the 2nd quarter of 2008, the provision set up for loss of such contingency in the amount of R$ 9,120 was reversed. The reversal was made in the original income statement lines where the provision had been recorded. Thus, R$ 3,520 relating to the principal was accrued in "General and administrative expenses", and the fine and restatement of the provision at SELIC rate in the amount of R$ 5,600 was accrued in "Financial expenses".

Actuarial liabilities: In an agreement reached with the Workers' Union of Paper, Pulp and Wood Paste for Paper of the São Paulo State, the Company commits to permanently bear medical assistance costs to former employees who retired until June 30, 2003 and to their dependents until they are persons of full age, and to spouses, on a lifetime basis.

On August 31, 2008, with the spin-off of Ripasa, the Company absorbed the portion of the actuarial liabilities of this discontinued wholly-owned subsidiary in the amount of R$5,692, which guarantees the same rights to employees who applied for retirement until 1998.

The Company also ensures the medical assistance costing with Bradesco Saúde, for the formers employees that, exceptionally, following criterion and resolution of the Company, acquired rights associated with the accomplish of the chapters 30 and 31 of Law No. 9,658/98.

At December 31, 2008 these groups were composed by 4,547 (owners and dependents), and the amount accrued by the Company related to the future obligation, calculated by an independent actuary, amounted to R$ 128,452 (R$ 66,154 at December 31, 2006). The actuary methods adopted comply with NPC Nº 26/2000, issued by the Brazilian Institute of Independent Auditors (IBRACON), validated by CVM Resolution Nº 371/2000. The economic and biometric assumptions used for 2008 calculation were as follows: discount rate of 7.75% p.a., increase in medical costs of 3.0% p.a. and biometric general mortality table AT-83.

18. Private pension plan and defined contribution

In January 2005, SuzanoPrev, a defined contribution private pension plan was established by the Company on behalf of its employees, to be administered by a financial institution engaged for such purpose. When setting up Suzano Prev, the Company agreed to match employees' contributions relating to prior years in consideration for their services to the Company prior to the plan setup (past service). Such disbursement will take place over the next years and will be individually calculated until each employee starts using the benefits of the plan. The Company's contributions for the year ended December 31, 2008 amounted to R$ 3,873, and the employees' contributions amounted to R$ 5,435 (R$ 4,320 and R$ 5,012 for the year ended December 31, 2007, respectively).

19. Share-based payment

19.1 Description of share-based payment in local currency

The Company has a long-term incentive plan (ILP) for its main executive members and key professionals related to the price of the Company's share with payment in local currency. General conditions are established for the granting of phantom shares, by the Company, to these executive members (beneficiaries), to be defined in specific regulations that must be managed by the Executive Board under the guidelines and conditions established in the articles of incorporation and by the Company's Board of Directors. Below we highlight the conditions.

Annually, the Executive Board establishes performance indicators for the corporation (acquisition of condition) that, if achieved, becomes the right to grant phantom shares to its executive members.

19. Share-based payment (Continued)

19.1 Description of share-based payment in local currency (Continued)

The amounts of phantom stock to be granted to each beneficiary are defined by dividing the amount of wages granted by the arithmetic mean of the closing prices of the Company's preferred shares traded in the last 90 sessions. The amounts given in wages are determined based on: i) achievement of goals; ii) discretionary amount allocated by the Executive Board in relation to the level of progress of corporate indicators, iii) vested quantities, based on the investment by the beneficiary of their short-term compensation, limited to two salaries, with input of the same amount by the Company. Then, each beneficiary is granted amounts of phantom shares by dividing the total amount of wages granted by the average price of the Company’s preferred shares established in the last 90 sessions. For the programs between 2004 and 2006, the valorization of phantom shares was limited to 120% of the value of grants. A group of executives is entitled to a percentage tied to the performance of the Company in relation to its competitors.

The regulation establishes the following conditions for these beneficiaries to be entitled to exercising phantom shares (conditions of acquisition and non-acquisition): i) in the programs in which vesting is possible, as item iii) in the previous article, in case of the dismissal for cause or voluntary resignation, if applicable, the beneficiary automatically loses any right to exercise the phantom shares granted to him with no indemnification whatsoever, except only in vesting-related quantities; ii) in case of dismissal without cause or retirement before becoming vested to the exercise of phantom shares, given to the beneficiary the right to immediately exercise all of the phantom shares stock, iii) in the absence of the situation (i) above, the conditions of acquisition are considered fully met, thus allowing to the beneficiary exercising his phantom shares as defined by the regulations.

Except under the abovementioned conditions of non-acquisition, phantom shares may be exercised only after a three-year vesting period and, where applicable, to a maximum period of six years from the date of the grant.

The exercise price, for each phantom share (price in exercise), by which the beneficiaries may exercise their option, is calculated as follows:

19. Share-based payment (Continued)

19.1 Description of share-based payment in local currency (Continued)

Pe = [VMA + (DIV+JCP)] x TRS, which:

Pe = exercise price of the original lot which was set on the date of grant, according to the terms of the Plan.
VMA = average price of shares of the Company established in the last 90 sessions from the date of exercise.

JCP + DIV = correspond to dividends and interest on capital distributed in the period between the grant and exercise, where applicable.

TRS = percentage tied to the performance of the Company in relation to its competitors that can vary from 50% to 125%, where applicable.

In July 2008, the Company decided to anticipate the granting of the ILP in 2008 and 2009, keeping the end of the vesting period for 2011 and 2012. Information on this advance is shown in the summary below.

Additionally, for certain executives, the Company established another long-term incentive program. The conditions for payment of compensation to such beneficiaries occurred in January of each year, if the market value of the Company exceeds the highest market value observed in January of the previous three years. The amount of compensation paid to the executives is a function of increasing market value of the preferred shares in relation to the previous year January, and is paid in the subsequent March. The market value of the

Company's preferred shares is determined by multiplying average price quotation of preferred shares, determined based on the last 90 sessions, by the total amount of preferred shares. At December 31, 2008, the maximum limit of compensation to be paid from 2009 to 2011, by this plan, for all the executives included, is U$ 3.1 million.

This program determines that such compensation be entirely designed by the beneficiaries through the purchase of the Company’s shares in the open market, and the maintenance thereof safe kept and unavailable in percentage and varying periods over time, with the deadline by 2011.

19. Share-based payment (Continued)

19.1 Description of share-based payment in local currency (Continued)

The sale of shares by the beneficiary not in the specified periods implies in an indemnification to the Company for the total value transacted plus the fine of 1% per month. In the event of dismissal without cause, by the Company, the beneficiary may sell all their shares without the limits of time and percentage of retention.

19.2 Summary of information related to share-based payment plans

The table below shows the statement of changes and information on share-based payment plans by time and exercise option:

(In thousands of reais, except where specifically mentioned otherwise)

19. Share-based payment (Continued)

19.2 Summary of information related to share-based payment plans

Parent Company and Controlated

						Lot of shares					2008
Series granted	**Granted date**	**Fair value on the granting date**	**Fair value at the end of period**	**1st date of exercise**	**2nd date of exercise and expiration**	**Number of shares granted**	**Exercised**	**Exercised by dismissal**	**Not exercised by dismissal**	**Total at 12/31/2008**	**Average price of the shares exercised**
ILP2004	**May, 05**	**12.68**	**26.01**	**Sept, 08**	**Sept, 11**	**33,894**	**(33,894)**	**-**	**-**	**-**	**26.01**
ILP2005	**March, 05**	**10.03**	**15.50**	**March, 09**	**March, 12**	**10,965**	**-**	**-**	**-**	**10,965**	**-**
ILP2006 (P)	**May, 07**	**23.38**	**15.50**	**Sept, 10**	**Sept, 13**	**31,818**	**-**	**(6,934)**	**-**	**24,884**	**16.85**
ILP2006 (D)	**May, 07**	**16.32**	**15.50**	**Sept, 10**	**Sept, 13**	**12,626**	**-**	**-**	**-**	**12,626**	**-**
ILP2007 (PN)	**March, 08**	**37.74**	**17.61**	**March, 11**	**March, 14**	**152,445**	**-**	**(24,231)**	**(3,689)**	**124,525**	**16.77**
ILP2007 (PA)	**March, 08**	**43.38**	**21.04**	**March, 11**	**March, 14**	**5,634**	**-**	**-**	**-**	**5,634**	**-**
ILP2007 (PE)	**Aug, 08**	**34.74**	**17.61**	**Sept, 14**	**-**	**7,197**	**-**	**-**	**-**	**7,197**	**-**
ILP2008 (R1)	**March, 08**	**25.68**	**14.09**	**March, 09**	**-**	**877**	**-**	**-**	**-**	**877**	**-**
ILP2008 (R2)	**March, 08**	**25.68**	**14.09**	**March, 10**	**-**	**285,089**	**-**	**-**	**-**	**285,089**	**-**
ILP2008 (R3)	**March, 08**	**25.68**	**14.09**	**March, 11**	**-**	**190,936**	**-**	**-**	**-**	**190,936**	**-**
ILP2008	**July, 08**	**34.74**	**17.61**	**March, 12**	**March, 15**	**72,104**	**-**	**-**	**(2,375)**	**69,729**	**-**
ILP2009	**July, 08**	**34.74**	**17.61**	**March, 13**	**March, 15**	**66,706**	**-**	**-**	**(2,375)**	**64,331**	**-**
TOTAL						**870,291**	**(33,894)**	**(31,165)**	**(8,439)**	**796,793**	**19.88**

Parent Company and Controlated

						Lot of shares					2007
Series granted	**Granted date**	**Fair value on the granting date**	**Fair value at the end of period**	**1st date of exercise**	**2nd date of exercise and expiration**	**Number of shares granted**	**Exercised**	**Exercised by dismissal**	**Not exercised by dismissal**	**Total at 12/31/2008**	**Average price of the shares exercised**
ILP2004	May, 05	12.68	28.29	Sept, 08	Sept, 11	33,894	-	-	-	33,894	-
ILP2005	March, 06	10.03	31.12	March, 09	March, 12	10,965	-	-	-	10,965	-
ILP2006 (P)	May, 07	23.38	31.12	Sept, 10	Sept, 13	31,818	-	-	-	31,818	-
ILP2006 (D)	May, 07	16.32	31.12	Sept, 10	Sept, 13	12,626	-	-	-	12,626	-
TOTAL						89,303	-	-	-	89,303	-

(In thousands of reais, except where specifically mentioned otherwise)

19. Share-based payment (Continued)

19.3 Recognition and measurement of fair value of share-based payments

To determine the fair value of phantom shares, the Company identified as model for calculation of the program, the arithmetic mean of the closing price of the last 90 (ninety) sessions for the share Suzb5 of each year, multiplied by TRS of 125%, where applicable.

Specifically for the ILP 2007 program, due to the alternative of choosing shares combined with the provisions defined in the current program policy in December 2007, as well as for purposes of determining the fair value of phantom shares, the Company adopted the mathematical model for American exchange options (Bjerksund & Stensland), which considers the rate of distribution of dividends and the following mathematical assumptions:

Description of assumptions	Indicators
Price of the asset base (1)	R $ 14.09 / share
Expectation of volatility (2)	77.61% p.a.
Average life expectancy of phantom shares / options (3)	5.24 years
Expectation of dividends (4)	3.20% p.a.
Weighted average interest rate free of risk (5)	average of 12.58%

(1) The price of the asset base was defined considering the arithmetic mean of the closing prices of the last 90 sessions for share Suzb5;
(2) The expected volatility was calculated for each date of exercise, considering the time remaining to complete the vesting period, and the historical volatility of returns, considering the standard deviation of 90 observations of returns;
(3) The average life expectancy of phantom stock was defined by time remaining until the date of exercise;
(4) The expectation of dividends is based on the historical earnings per share of the Company;
(5) The weighted average interest rate free of risk used was the pre-rate curve in real (expectation of the DI) expected in the open market, which is the best basis for comparison with the interest rate free of risk of the Brazilian market. The rate used to the date of exercise changes in accordance with the vesting period.

The fair value of compensation granted to executives in the form of long-term incentive programs (phantom shares) is allocated during the vesting period as expenses in the financial statements of the Company, in the administrative expenses account against a financial liability of share-based payment in noncurrent liabilities.

The corresponding values for services recognized in the unconsolidated and consolidated financial statements related to the years ended December 31, 2008 and 2007, are shown in the table below:

19. Share-based payment (Continued)

19.3 Recognition and measurement of fair value of share-based payments (Continued)

	2008	2007
Share based payment (noncurrent liabilities)	**3,582**	21,079
Income (expenses) with share based payment	**17,497**	(16,500)

(*) Refers to the variation of measurement of fair value of share-based payment.

20. Financial instruments

a) Overview

The Company's management is focused on generating consistent and sustainable results over time. Factors of external risk related to fluctuations of market prices may introduce an unwelcome level of volatility in the Company's cash flows and income statement. To manage this volatility, so as not to distort or hinder the Company's consistent growth over a long time, the Company has policies and procedures for market risk management.

These policies seek: (i) to protect the Company's cash flows and assets against fluctuations of the market prices of raw material and products, exchange rates and interest rates, price indices and restatement, or other assets or instruments traded on net value or not ("market risk") to which the value of assets, liabilities and cash flow of the Company are exposed, and (ii) to optimize the process of taking out financial instruments for protection against exposure to risk, drawing on natural hedges and correlations between prices of different assets and markets, avoiding the waste of funds through taking out inefficient operations. All financial transactions entered by the Company have the objective of protecting it against existing exposures, and assuming new risks, except those arising from operating activities of Suzano, is prohibited.

The process of market risk management comprises the following sequential steps and resources: (i) identification of risk factors and exposure of the value of assets, cash flows and income statement of the Company to market risks; (ii) measurement and *report* of the values at risk; (iii) assessment and definition of the strategies for managing market risks; and (iv) implementation and monitoring of performance of the strategies. The evaluation and control of exposures to risk are made with the aid of the operating integrated systems, with the proper segregation of duties in the reconciliations with the counterparties.

20. Financial instruments (Continued)

a) Overview (Continued)

The Company uses more liquid financial instruments and: (i) does not take out leveraged transactions or other types of embedded options which change its purpose of protection (*hedge*); (ii) has no debt with double index or other forms of implicit options; neither (iii) has transactions that require margin deposit or other forms of guarantee for the credit risk of the counterparties.

b) Assessment

Although CPC 14 determines that financial instruments should be classified upon their original recognition, for first-time adoption purposes, CPC 13 permitted the classification on the *transition date*, instead of original recognition, and that was the Company's choice.

The financial instruments recorded in the balance sheets, such as cash and cash equivalents and loans and financing, are accounted for their contractual values. Marketable securities and derivative contracts, used for protection purposes only, are valued at their fair value.

For determining market values of assets or liquid financial instruments traded on the public market, the closing market price at the balance sheet date was used. The fair value of *swaps* and of the interest rate and index is calculated at the present value of its future cash flows, discounted at current interest rates available for operations with conditions and terms of similar remaining maturity, while the fair value of futures contracts or the term of exchange rate is determined by using the forward exchange rates prevailing at the balance sheet date. The fair value of debt from the Company's 1st series of the 3rd issue of debentures is calculated based on the secondary market quotations published by the National Association of Open Market Institutions (ANDIMA) at the balance sheet date. To determine the fair value of assets or financial instruments traded on the over-the-counter market or non-liquid financial instruments, different assumptions and methods were used based on regular market conditions (and not in settlement or forced sale) at each balance sheet date, including the use of models to assess the options and estimate values of discounted future cash flows. The fair value of contracts for the pricing of pulp is obtained by listing prices for similar or equivalent instruments with the main participants in this market.

(In thousands of reais, except where specifically mentioned otherwise)

20. **Financial instruments** (Continued)

b) Assessment (Continued)

The result of the financial instruments negotiation is recognized at the date of closing or contracting operations, where the Company undertakes to buy or sell these instruments. The obligations based on the financial instruments contract are removed from our financial statements only when these instruments expire or when risks, rights and obligations arising therefrom are transferred.

The comparison between the fair value and carrying value of the outstanding financial instruments are as follows:

	Consolidated			
	2008		**2007**	
	Carrying amount	**Fair market value**	**Carrying amount**	**Fair market value**
Assets				
Cash and cash equivalents	**2.176.312**	**2.176.312**	1.339.920	1.339.920
Gains with derivatives (current/noncurrent)	**31.388**	**31.388**	18.778	18.778
Receivables	**790.042**	**790.042**	731.982	731.982
Liabilities				
Suppliers	**277.318**	**277.318**	345.814	345.814
Loans and financing (current and noncurrent)	**6.798.125**	**6.650.196**	4.979.335	4.794.136
Debentures (current and noncurrent)	**836.919**	**815.454**	745.520	799.920
Losses with derivatives (current/noncurrent)	**205.420**	**205.420**	18.131	18.131

c) Credit risk

Sales and credit policies, determined by the Company’s management and its subsidiaries, aim to minimize any default risks of their customers. This goal is achieved through the careful selection of customers, which considers their payment capacity (credit analysis), and the diversification of sales (spread risk), in addition to obtaining guarantees or contract of instruments to mitigate credit risks, especially the policy of credit insurance for exports.

20. Financial instruments (Continued)

d) Interest and exchange rate risk

The collection of funds and *hedge* exchange rate policy of the Company are guided by the fact that about 54% of net revenue comes from exports with prices in dollars, while most of the production cost is tied to the Real. This structure allows that the Company engage financing for export in dollars at more competitive costs than those of local lines and reconcile financing payments with the flow of receipts from sales, providing a natural *hedge* of cash for these commitments. The exceeding revenue in dollars not tied to the commitments of debt and other obligations is sold in the exchange market by the time of the funds inflow into the country.

As additional protection, sales of dollars in futures markets are contracted as a way to provide attractive levels of operating margins for one portion of the revenue. Sales in the futures markets are limited to a minority percentage of the exceeding of the measurements on the timeline of one year and, therefore, are in accordance with the ready availability of foreign change rate for short-term sale. At December 31, 2008, the main value of the transactions entered into for the future sale of Dollars was US$ 300 million, using only simple Non Deliverable Forwards (NDF). Their due dates are distributed between January and October 2009, so as to fix the operating margins of the minority portions of sales over this period. The cash effect of these operations will only mature when generating a cash receipt or disbursement, as appropriate.

So, in the case of a depreciation of the Real, as occurred in 2008, two effects are observed: (i) the first, negative and sharp, is related to the restatement of currency exposure value net of balance (balance of assets and liabilities accounts stated in foreign currency, including, among others, the balances of gross debt and cash denominated in Dollars, the inventory, accounts receivable and payable in foreign currency and the value of positions in swaps of currency to hedge the currency exposure of cash flows); and (ii) the second, positive and permanent, is related to the higher operating cash generation due to increased revenue from exports denominated in Dollars.

20. Financial instruments (Continued)

d) Interest and exchange rate risk (Continued)

In addition to the foreign exchange hedge operations, contracts are concluded for the swap from floating interest rates to fixed rates, to reduce the effect of changes in interest rates on the debt value, and contracts of swap between different interest rates and rates restatement, as a way to minimize the disconnection among the different financial assets and liabilities. In this way, at December 31, 2008, the Company had (i) US$ 603 million in outstanding swaps to fix the Libor on contracts for financing, (ii) US$ 170 million in swaps of the Coupon exchange rate of Libor of 3 months fixed rate, (iii) US$ 30 million in swaps of the Coupon exchange rate for % of DI, and (iv) R$ 77.5 million in swaps of TR and Previous % for the DI.

The Company does not adopt the method of accounting for hedge accounting. Thus, all results (gains and losses) recorded in the transactions with derivatives (settled and outstanding) are fully recognized in the unconsolidated and consolidated income statement for the year of the Company. Note 23 (net financial income/expenses) shows gains and losses of the derivatives that affected P&L for the year.

e) Outstanding derivatives

The consolidated positions of derivatives outstanding at December 31, 2008 and 2007, grouped by asset or referential index, all traded on the over-the-counter market, are stated below:

(In thousands of reais, except where specifically mentioned otherwise)

20. Financial instruments (Continued)

e) Outstanding derivatives (Continued)

Description	Due to	Reference Value (notional)		Fair Value		Remnants at			
						Dec 31, 2008		Dec 31, 2007	
		Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007	to receipt	to pay	to receipt	to pay
Swaps in Foreign Currency	from								
Asset Position - US$ Libor	01/04/2010 till	**1,409,211**	177,130	**1,415,639**	178,311	**-**	**-**	-	-
Liability Position - US$ Tax Pré	08/15/2013	**1,409,211**	177,130	**1,483,711**	183,852	**-**	**-**	-	-
Sub Total		**-**	-	**(68,072)**	(5,540)	**69,291**	**1,219**	5,540	-
Risk Value (VaR) (1)		**-**	-	**6,707**	592	**-**	**-**	-	-
Swaps of Taxes and Index	from								
Asset Position - R$ Tax Pré	04/28/2009 till	**10,000**	-	**10,530**	-	**-**	**-**	-	-
Asset Position - TR + Cupom	5/9/2010	**67,500**	94,500	**76,241**	98,812	**-**	**-**	-	-
Asset Position - Cupom US$		**70,120**	-	**70,945**	-	**-**	**-**	-	-
Liability Position - % DI		**147,620**	94,500	**157,616**	99,318	**-**	**-**	-	-
Sub Total		**-**	-	**100**	(507)	**1,675**	**1,775**	507	-
Risk Value (VaR) (1)		**-**	-	**2,617**	46	**-**	**-**	-	-
Swaps of Currency	from								
Purchase Position in US$ x R$	01/01/2009 till	**-**	495,964	**-**	(7,647)	**-**	**-**	-	-
Sold Position in US$ x R$	10/1/2009	**701,100**	1,027,354	**(134,454)**	17,308	**-**	**-**	-	-
Sub Total		**-**	-	**(134,454)**	9,661	**134,454**	**-**	7,645	17,308
Risk Value (VaR) (1)		**-**	-	**25,687**	8,307	**-**	**-**	-	-
Swaps of Commodities									
Sold Position in Pulp BHKP	03/31/2010	**90,021**	73,268	**18,449**	(4,439)	**-**	**-**	-	-
Sub Total		**-**	-	**18,449**	(4,439)	**-**	**18,449**	4,439	-
Risk Value (VaR) (1)		**-**	-	**774**	502	**-**	**-**	-	-
Others	from								
Asset Position - Cupom Currency	09/11/2009 till	**397,290**	88,565	**63,978**	11,877	**-**	**-**	-	-
Liabilities Position - US$ Libor Fixed	9/11/2013	**397,290**	88,565	**54,033**	10,408	**-**	**-**	-	-
Sub Total		**-**	-	**9,945**	1,469	**-**	**9,945**	-	1,470
Risk Value (VaR) (1)		**-**	-	**326**	23	**-**	**-**	-	-
Total in Swaps		**-**	-	**(174,032)**	644	**205,420**	**31,388**	18,131	18,778

(1) VaR with temporary horizon of 1 day, and with safety level of 95%.

(In thousands of reais, except where specifically mentioned otherwise)

20. Financial instruments (Continued)

e) Outstanding derivatives (Continued)

The same positions of the consolidated outstanding derivatives at December 31, 2008, grouped by counterparty, are shown below:

	Reference Value (nocional) at		Fair Value at		Remnants at Dec 31, 2008	
Description	**Dec 31, 2008**	**Dec 31, 2007**	**Dec 31, 2008**	**Dec 31, 2007**	**to pay**	**to receipt**
***Swaps* in Foreign Currency**						
Counterparty						
Banco Itaú BBA S.A.	**701.100**	-	**(43.552)**	-	**-**	**-**
JP Morgan	**432.375**	-	**(11.904)**	-	**-**	**-**
Banco Standard S.A.	**233.700**	177.130	**(12.820)**	(5.540)	**-**	**-**
Banco Santander	**42.066**	-	**203**	-	**-**	**-**
SubTotal	**-**	-	**(68.072)**	(5.540)	**69.291**	**1.219**
***Swaps* of Taxes and Index**						
Counterparty (nocional considering the assets)						
Banco Itaú BBA S.A.	**75.520**	47.500	**1.033**	(226)	**-**	**-**
Banco Santander	**52.100**	-	**(670)**	-	**-**	**-**
Unibanco	**20.000**	20.000	**(263)**	(141)	**-**	**-**
UBS Pactual	**-**	27.000	**-**	(140)	**-**	**-**
SubTotal	**-**	-	**100**	(507)	**1.675**	**1.775**
***Swaps* of Currency**						
Counterparty						
Purchase Position						
Banco Itaú BBA S.A.	**-**	185.987	**-**	(2.631)	**-**	**-**
HSBC Bank Brasil S.A.	**-**	70.852	**-**	(1.100)	**-**	**-**
Rabobank Brasil	**-**	177.130	**-**	(2.849)	**-**	**-**
UBS Pactual	**-**	61.996	**-**	(1.067)	**-**	**-**
Sold Position						
Banco Itaú BBA S.A.	**46.740**	425.112	**(12.228)**	5.899	**-**	**-**
Banco Santander	**58.425**	-	**(1.059)**	-	**-**	**-**
Banco do Brasil S.A.	**315.495**	-	**(68.912)**	-	**-**	**-**
HSBC Bank Brasil S.A.	**210.330**	88.565	**(36.167)**	1.467	**-**	**-**
Rabobank Brasil	**70.110**	318.834	**(16.088)**	5.642	**-**	**-**
Banco ING	**-**	88.565	**-**	1.059	**-**	**-**
Banco Bradesco	**-**	44.283	**-**	2.239	**-**	**-**
UBS Pactual	**-**	61.996	**-**	1.002	**-**	**-**
SubTotal	**-**	-	**(134.454)**	9.661	**134.454**	**-**
Swaps* of *Commodities						
Counterparty						
Nordea Bank Finland P/C	**90.021**	43.510	**18.449**	(2.885)	**-**	**-**
JP Morgan	**-**	29.758	**-**	(1.554)	**-**	**-**
SubTotal	**-**	-	**18.449**	(4.439)	**-**	**18.449**
	=	=	**=**	=	**=**	**=**
Others						
Counterparty						
JP Morgan	**397.290**	88.565	**9.945**	1.470	**-**	**-**
SubTotal	**-**	-	**9.945**	1.470	**-**	**9.945**
Resultado Total em *Swaps*	**-**	**-**	**(174.032)**	**645**	**205.420**	**31.388**

(In thousands of reais, except where specifically mentioned otherwise)

20. Financial instruments (Continued)

f) Settled derivatives

The positions of derivatives settled during the years ended December 31, 2008 and 2007, grouped by asset or referential index, all traded on the over-the-counter market, are shown below:

Description	Due to	Reference Value (notional) at		Fair Value of settlement	
		Dec 31, 2008	Dec 31,2007	Dec 31, 2008	Dec 31, 2007
Swaps in Foreign Currency					
Asset Position - US$ Libor	2007: May, 14 - Nov, 14	**-**	185.987	**-**	-
Liabilities Position - US$ Tax Pré	2008: Feb, 14 - Nov, 26	**607.620**	-	**-**	-
Sub Total		**-**	-	**(2.845)**	3.858
Swaps of Taxes and Index					
Asset Position - TJLP + Cupom	2007: Feb, 28 till Dec, 21	**-**	5.000	**-**	-
Asset Position - TR + Cupom	2007: May, 19 - Aug, 20	**54.500**	50.000	**-**	-
Asset Position - Cupom US$		**-**	2.270	**-**	-
Liabilities Position - % DI		**54.500**	57.270	**-**	-
Sub Total		**-**	-	**(238)**	(3.794)
Swaps of Currency					
Purchase Position in US$ x R$	2007: Jan, 24 - Dec, 19	**6.555.285**	699.664	**-**	-
Sold Position in US$ x R$	2008: Jan, 02 - Dec, 29	**7.677.045**	1.820.896	**-**	-
Purchase Position in EUR x US$		**-**	39.129	**-**	-
Sub Total		**-**	-	**(27.567)**	73.320
Option of Currency					
Purchase Position in "call" and Sold in "put" (R$/US$)	2007: Oct, 01 - Nov, 11	**-**	132.848	**-**	-
Sold Position in put (R$/US$)	2008: Jun, 02 - Jan, 19	**350.550**	-	**-**	-
Sub Total		**-**	-	**255**	(7.918)
Swaps of Commodities	2007: Aug, 07 - Dec, 07				
Sold Position of Pulp BHKP	2008: Jan, 08 - Nov, 11	**95.639**	20.680	**-**	-
Sub Total		**-**	-	**(9.489)**	(1.389)
Total in Swaps		**-**	**-**	**(39.884)**	64.077

g) Statement of sensitivity analysis

The table below shows the sensitivity of the consolidated derivative positions outstanding at December 31, 2008, as show in item (e), the variations of prices and rates in the underlying assets:

(In thousands of reais, except where specifically mentioned otherwise)

20. Financial instruments (Continued)

g) Statement of sensitivity analysis (Continued)

Description	Fair Value	Scenary at 12/31/2009			
		Risk	Probaly	Deterioration 25%	Deterioration 50%
Swaps in Foreign Currency					
Asset US$ Libor x Liabilities US$ Pré (1)	(68.072)	Low of Libor	**(71.054)**	**(86.527)**	**(102.476)**
Swaps of Currency and IndexTaxes and Index					
Asset Cupom US$ (2) x Liabilities % DI	62	Low of Exchange Rates R$/US$ and Hight of Exchange Cupom	**545**	**(17.582)**	**(35.527)**
Swaps of Taxes and Index					
Asset Pré (3) and TR (4) in R$ x Liabilities % DI	38	Hight of curve Previus and Hight of Cupom TR	**530**	**(1.060)**	**(2.576)**
Swaps of Currency (NDF)					
Sold Position in US$ x R$ (5)	(134.454)	Hight of Exhange Rates R$/US$	**(124.320)**	**(291.743)**	**(459.167)**
Swaps of Commodities					
Scenary pf Pulp (6)	18.449	Hight of pulp price	**16.258**	**6.225**	**(3.808)**

(1) Probaly scenary source: Bloomberg - Market curve at 01/23/2009. Tax Libor of 1 year probaly at 12/31/2009: 1.92% p.y.Deterioration of 25%: Tax Libor of 1 year at 12/31/2009 of 1.44% p.y. Deterioration of 50%: Tax Libor of 1 year at 12/31/2009 of 0.96% p.y
(2) Probaly scenary source: Bloomberg - Market curve at 01/23/2009. Cupom of US$ probaly at 12/31/2009: 3.66% p.y. Deterioration of 25%: Cupom of US$ at 12/31/2009 of 4.57% p.y. Deterioration of 50%: Cupom of US$ at 12/31/2009 of 5.48% p.y
(3) Probaly scenary source: Boletim Focus of Banco Central of 01/16/2009. Tax Selic probaly at 12/31/2009: 11.13% p.y. Deterioration of 25%: Tax Selic at 12/31/2009 of 13,91% p.y. Deterioration of 50%: Tax Selic at 12/31/2009 of 16.7% p.y
(4) Probaly scenary souce: BM&F - Market curve at 01/22/2009. Cupom of TR probaly to 12/31/2009: 9.92% p.y. Deterioration of 25%: Cupom of TR at 12/31/2009 of 12.4% p.y. Deterioration of 50%: Cupom of TR at 12/31/2009 of 14.88% p.y
(5) Probaly scenary source: Boletim Focus of Banco Central of 01/16/2009. Exchange Rates probaly at 12/31/2009: R$ 2,28 / US$ Deterioration of 25%: Exchange Rates at 12/31/2009 of R$ 2,85 / US$. Deterioration of 50%: Exchange Rates at 12/31/2009 of R$ 3,42 / US$
(6) Probaly scenary source: RISI Report at 12/31/2008. Probaly pulp price BHKP at 12/31/2009; US$ 580/ ton. Deterioration of 25%: Price at 12/31/2009 of US$ 725 / ton. Deterioration of 50%: Price at 12/31/2009 of US$ 870 /ton.

20. Financial instruments (Continued)

g) Statement of sensitivity analysis (Continued)

It should be emphasized that the administration of these positions is dynamic and that, using current mechanisms for the limitation of loss (*stop loss* systems) and of risk exposure, which in turn is impacted by the volatility of assets, positions are adjusted as soon adventitious losses are materialized. Thus, if an impairment scenario will take place as illustrated in the table above, the Company's positions subject to this impairment have already been dismantled to meet the limits established in the *stop loss* systems.

No probable scenario was specified for December 31, 2008 or the sensitivity analysis to the *swaps* listed in the "Other" category in the table of item (e), since these *swaps* relate to arbitration operations between the Libor rate and coupon exchange, with both rates pre-set for these operations, preventing the possibility of any result different than that already provided contractually.

Capital

At December 31, 2008, subscribed and fully paid-in capital comprised R$ 2,054,430, divided into 314,482,496 shares (314,482,319 shares at December 31, 2007), with no par value, of which: 107,821,512 were common registered share; 205,120,105 were preferred class "A" shares and 1,540,879 are preferred class "B" shares, both registered. 5,428,955 common shares, 1,009,583 preferred shares class "A" and 1,527,759 preferred class "B" (1,358,419 preferred shares class "B" at December 31, 2007) are in held in treasury.

Preferred shares class "A" have right to dividends per share, at least, 10% higher than those allocated to common shares. Preferred shares class "B" have right to the priority dividend of 6% p.a. on equity interest or at least 10% higher than those allocated to common shares. Preferred shares are not entitled to voting, except where provided by law.

In March 2008, the Company's capital increase was approved in the amount of R$ 3, represented by the issue of 59 common shares and 118 preferred shares class "A", at R$17.30 each, based on the conversion of 1 debenture of the 1st series and 2 debentures of the 2nd series of the 4th issue of the Company, as provided in the Indenture Agreement of the 4th Issue of Debentures Convertible into Shares.

20. Financial instruments (Continued)

g) Statement of sensitivity analysis (Continued)

Capital (Continued)

Given the put and call option exercise held by an old group of Ripasa former controlling shareholders, on June 10, 2008 the Company acquired 5,428,955 common shares and 1,009,583 preferred shares class "A" of their issue at a weighted average price of R$ 29.00 per share. These shares will be held in treasury until the Company decides to sell them on the market or cancel them.

Income Reserves

The reserve for the capital increase is composed of 90% of the remaining balance, after legal reserves and dividends, of income for the year and the Company aims to ensure appropriate operating conditions. The special statutory reserve comprises the remaining 10% and aims to ensure continuity of dividend distribution.

21. Shareholders' equity

Allocation of Loss

The statement of operations for the year ended December 31, 2008 recorded loss of R$ 434,783. This amount, together with loss of R$ 16,974 recorded directly in shareholders' equity, due to the first-time adoption of Law No. 11638/07 and MP No. 449/08, totaling R$ 451,757, will be absorbed by the Special Reserve for Capital Increase, on the assumption of the adopted by the General Administration of this proposal accordingly.

(In thousands of reais, except where specifically mentioned otherwise)

22. Other operating income (expenses)

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Gain on sale of other products	**4,880**	6,398	**7,493**	4,793
Reversal of provision for contingencies	**15,784**	-	**32,205**	2,410
Loss on sale of electric energy	**-**	-	**9,518**	(5,663)
Reversal of Provision for inventories write-off	**(5,766)**	(2,777)	**(5,778)**	(1,443)
Tax Recoverable	**10,839**	9,089	**10,839**	17,202
Other income (expenses) (a)	**24,192**	135	**31,033**	(4,304)
Provision for actuarial liabilities	**(58,196)**	(26,577)	**(58,196)**	(26,577)
Gain (loss) on sale of property, plant and equipments	**12,001**	(18,084)	**8,792**	(22,924)
Reversal of provision of buildings write-off	**-**	-	**8,145**	(8,145)
Gain (loss) of investments sale	**9,048**	(65,775)	**9,386**	(65,775)
Other operating income	**12,782**	(97,591)	**53,437**	(110,426)

(a) It substantially relates to the offset of suppliers for items of operating performance of equipment, within in the prescription period, considered recoverable by management with suppliers.

23. Net financial income/loss

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Interest expenses	**(401.902)**	(318.643)	**(417.785)**	(340.277)
Monetary and exchange rate variation	**(1.105.237)**	495.392	**(1.129.950)**	492.782
Loss on derivatives transactions	**(411.001)**	(41.982)	**(421.645)**	(47.819)
Other financial expenses (a)	**(122.321)**	906	**(126.277)**	(17.617)
Total financial expenses	**(2.040.461)**	135.673	**(2.095.657)**	87.069
Interest income	**209.006**	114.785	**217.081**	137.272
Gain on derivatives transactions	**176.555**	111.267	**207.729**	112.540
Monetary and exchange rate variation	**239.962**	(98.474)	**97.150**	(99.649)
Total financial income	**625.523**	127.578	**521.960**	150.163
Financial results, net	**(1.414.938)**	263.251	**(1.573.697)**	237.232

(a) Of this balance, the amount of R$ 110,860 is related to the extra-judicial agreement paid to the old group of Ripasa controlling shareholders, as described in Note 11.

(In thousands of reais, except where specifically mentioned otherwise)

24. Statement of EBITDA adjusted (unaudited)

	Parent Company		Consolidated	
	2008	2007	2008	2007
Operating income	**(583,927)**	793,307	**(635,783)**	812,097
Financial expenses	**2,040,461**	(135,673)	**2,095,657**	(87,069)
Financial income	**(625,523)**	(127,578)	**(521,960)**	(150,163)
Equity pickup in subsidiaries and affiliates	**122,934**	15,299	**515**	85
Goodwill amortization	**79,044**	83,759	**79,044**	83,759
Depreciation, depletion and amortization	**375,334**	257,466	**451,763**	375,595
Earnings before equity pickup in subsidiaries and affiliates, income and social contribution taxes, interest, depreciation, depletion and amortization - LAJIDA adjusted (Adjusted EBITDA)	**1,408,323**	886,580	**1,469,236**	1,034,304
Nonoperating result of another income (expenses) with the effect of the Law 11,638/07 and MP 449/08	**37,147**	110,436	**31,868**	127,860
LAJIDA adjusted (EBITDA adjusted) without the nonoperating result	**1,445,470**	997,016	**1,501,104**	1,162,164

25. Insurance coverage

The Company maintains insurance coverage for operating risks and others to protect their assets of property and plant equipment, and its inventories.

The amount of the insurance agreement is considered sufficient, based on the opinion of expert insurance advisors, to cover adventitious losses.