Eldorado Brasil Celulose S.A.

Financial statements for the years ended December 31, 2012 and 2011

(The free translation of the original financial statements in Portuguese prepared in accordance with accounting practices derived from Brazilian corporate law)

KPMG Auditores Independentes
March 2013
KPDS 52319

Contents

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Independent auditor's report

To the
Shareholders, Directors, and Management of
Eldorado Brasil Celulose S.A.
São Paulo, SP

We have audited the accompanying individual and consolidated financial statements of Eldorado Brasil Celulose S.A. (“Company”), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors’ responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion the individual financial statements

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of Eldorado Brasil Celulose S.A. as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eldorado Brasil Celulose S.A. as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As described in note 2 to the financial statements, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of the Company, these accounting practices differ from the IFRSs, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (DVA), for the year ended December 31, 2012, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require the presentation of a DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

São Paulo, March 7, 2013

KPMG Auditores Independentes
CRC 2SP014428/O-6

Orlando Octávio de Freitas Júnior
Accountant CRC 1SP178871/O-4

Eldorado Brasil Celulose S.A.

Balance Sheets as at December 31, 2012 and 2011

(In thousands of Brazilian reais - R$)

		Parent Company		Consolidated	
Assets	**Note**	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Current assets					
Cash and cash equivalents	4	593,883	1,900	595,799	1,974
Trade receivables		7,529	585	4,727	585
Inventories	5	200,589	14,128	203,537	14,128
Recoverable taxes	6	33,434	1,204	33,434	1,204
Advances to suppliers	7	55,636	-	55,636	-
Prepaid expenses		-	2,753	-	2,753
Other current assets		3,910	378	4,173	619
Total current assets		894,981	20,948	897,306	21,263
Non-current assets					
Receivables from related parties	8	41,005	41,287	41,005	41,287
Recoverable taxes	6	250,740	5,769	250,740	5,769
Advances to suppliers	7	54,805	74,671	54,805	74,671
Deposits, guarantees, and other		2,097	421	2,097	420
		348,647	122,148	348,647	122,147
Biological assets	9	611,881	371,350	615,022	374,491
Investments	10	76,912	61,210	25,048	11,628
Land	11	-	305,946	-	305,946
Property, plant and equipment	11	4,949,460	2,083,743	4,986,054	2,120,016
Intangible assets	12	2,465	1,672	12,676	11,883
Total non-current assets		5,989,365	2,946,069	5,987,447	2,946,111
Total assets		6,884,346	2,967,017	6,884,753	2,967,374

		Parent Company		Consolidated	
Liabilities and equity	**Note**	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Current liabilities					
Trade payables	13	342,019	171,718	342,019	171,718
Borrowings and financing	14	628,613	478,766	628,613	478,766
Taxes payable, payroll and related taxes	15	64,239	29,865	64,273	29,899
Other current liabilities		51,369	867	51,419	867
Total current liabilities		1,086,240	681,216	1,086,324	681,250
Non-current liabilities					
Borrowings and financing	14	4,059,132	78,733	4,059,132	78,733
Intragroup borrowings and financing	8	-	470,763	-	470,763
Provision for contingent liabilities	17	2,010	104	2,010	104
Deferred income tax and social contribution	16	-	8,191	-	8,191
Other non-current liabilities		1,816	110	2,139	433
Total non-current liabilities		4,062,958	557,901	4,063,281	558,224
Equity	18				
Share capital		1,567,635	1,497,135	1,567,635	1,497,135
Advance for future capital increase		221,157	221,157	221,157	221,157
Earnings reserve		-	9,608	-	9,608
Accumulated losses		(53,644)	-	(53,644)	-
Total equity		1,735,148	1,727,900	1,735,148	1,727,900
Total liabilities and equity		6,884,346	2,967,017	6,884,753	2,967,374

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

Eldorado Brasil Celulose S.A.

Income Statements

For the Years Ended December 31, 2012 and 2011

(In thousands of Brazilian reais - R$)

		Parent Company		Consolidated	
	Note	**2012**	**2011**	**2012**	**2011**
Net operating revenue	19	5,416	44	2,595	44
Cost of sales		(7,024)	-	(2,435)	-
Gross profit (loss)		(1,608)	44	160	44
Operating (expenses) income					
Administrative and general expenses	22	(82,277)	(16,492)	(82,589)	(16,492)
Selling expenses	22	(14,756)	-	(14,756)	-
Finance income (costs), net	23	11,173	(1,962)	11,198	(1,962)
Fair value of biological assets	9	15,989	24,092	15,989	24,092
Share of profits of subsidiaries	10	1,786	(117)	-	-
Other income (expenses), net		(1,750)	2,946	(1,445)	2,829
Profit (loss) before provision for income tax and social contribution		(71,443)	8,511	(71,443)	8,511
Deferred income tax and social contribution	16	8,191	(8,191)	8,191	(8,191)
Profit (loss) for the year		(63,252)	320	(63,252)	320

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

Eldorado Brasil Celulose S.A.

Statements of comprehensive income

For the Years Ended December 31, 2012 and 2011

(In thousands of Brazilian reais - R$)

	Parent Company		Consolidated	
	2012	**2011**	**2012**	**2011**
(Loss) profit for the year	(63,252)	320	(63,252)	320
Total comprehensive income	(63,252)	320	(63,252)	320

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

Eldorado Brasil Celulose S.A.

Statements of Changes in Equity

For the Years Ended December 31, 2012 and 2011

(In thousands of Brazilian reais - R$)

	Note	Share capital	Advance for future capital increase	Earnings reserve for expansion	Retained earnings (accumulated losses)	Total
Balance at December 31, 2010		115,373	-	15,579	-	130,952
Capital contribution	18	663,470	-	-	-	663,470
Capital increase by merger	18	718,292	-	-	-	718,292
Advance for future capital increase	18	-	221,157	-	-	221,157
Profit for the year		-	-	320	-	320
Offset of losses of acquirees against reserves		-	-	(6,291)	-	(6,291)
Balance at December 31, 2011		1,497,135	221,157	9,608	-	1,727,900
Capital contribution	18	70,500	-	-	-	70,500
Offset of loss against reserves		-	-	(9,608)	9,608	-
Loss for the year		-	-	-	(63,252)	(63,252)
Balance at December 31, 2012		1,567,635	221,157	0	(53,644)	1,735,148

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

Eldorado Brasil Celulose S.A.

Statements of Cash Flows

For the Years Ended December 31, 2012 and 2011

(In thousands of Brazilian reais - R$)

	Parent Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Cash flows from operating activities				
Profit (loss) for the year	(63,252)	320	(63,252)	320
Adjustments to reconcile profit or loss to cash generated by operating activities:		-		-
Depreciation and amortization	803	1,294	803	1,294
Residual value of property, plant and equipment written off	-	1,092	-	1,092
Write-off with asset	-	(6,290)	-	(6,290)
Changes in fair values of biological assets	(15,989)	(24,092)	(15,989)	(24,092)
Deferred income tax and social contribution	(8,191)	-	(8,191)	-
Current and non-current financial charges	11,130	111,656	11,130	111,656
Provision for contingent liabilities	2,010	-	2,010	-
Deferred variable compensation	422	-	422	-
Share of profits of subsidiaries	(1,786)	-	-	-
	(74,853)	83,980	(73,067)	83,980
Decrease (increase) in assets				
Trade receivables	(6,944)	(585)	(4,142)	(585)
Inventories	(186,461)	(14,128)	(189,409)	(14,128)
Recoverable taxes	(277,201)	(6,161)	(277,200)	(6,161)
Advances to suppliers	(35,770)	(74,671)	(35,770)	(74,671)
Related parties	282	1,421	282	1,421
Other current and non-current assets	(2,455)	(3,391)	(2,477)	(3,630)
Increase (decrease) in liabilities				
Trade payables	170,301	160,851	170,301	160,851
Other current and non-current liabilities	86,056	31,519	86,104	31,875
Net cash generated by (used in) operating activities	(327,045)	178,835	(325,378)	178,952
Cash flows from investing activities				
Increase in biological assets	(212,808)	(347,258)	(212,808)	(350,399)
Depletion of biological assets	10,407		10,407	
Additions to tangible and intangible assets	(2,583,508)	(2,229,192)	(2,583,829)	(2,275,676)
Additions to investments	(13,916)	(61,136)	(13,420)	(11,628)
Additions to investments by merger	-	(74)	-	-
Net cash generated by (used in) investing activities	(2,799,825)	(2,637,660)	(2,799,650)	(2,637,703)
Cash flows from financing activities				
Borrowings and financing	6,081,355	2,606,156	6,081,355	2,606,156
Repayment of intragroup borrowings	(470,763)	-	(470,763)	-
Repayment of borrowings and financing	(1,962,239)	(1,769,396)	(1,962,239)	(1,769,396)
Capital increase and advance for future capital increase	70,500	1,602,919	70,500	1,602,919
Net cash generated by financing activities	3,718,853	2,439,679	3,718,853	2,439,679
Net changes for the year	591,983	(19,146)	593,825	(19,072)
Cash and cash equivalents at the beginning of the year	1,900	21,046	1,974	21,046
Cash and cash equivalents at the end of the year	593,883	1,900	595,799	1,974

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

Eldorado Brasil Celulose S.A.

Statements of Value Added

For the Years Ended December 31, 2012 and 2011

(In thousands of Brazilian reais - R$)

	Parent Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Revenues				
Sales of merchandise, products and services	5,416	54	2,595	54
Other operating income (expenses), net	152	26,922	459	26,922
Transfers related to the construction of own assets	730,493	39,165	730,493	39,165
	736,061	66,141	733,547	66,141
Inputs purchased from third parties				
Cost of sales and services	(7,024)	-	(2,435)	-
Materials, energy, outside services and other items	(609,483)	(17,416)	(609,483)	(17,416)
	(616,507)	(17,416)	(611,918)	(17,416)
Gross value added	119,554	48,725	121,629	48,725
Depreciation and amortization	(803)	(534)	(803)	(534)
Wealth created by the entity	118,751	48,191	120,826	48,191
Value added received as transfer				
Share of profits of subsidiaries	1,786	-	-	-
Finance income	67,462	39	67,508	39
Wealth for distribution	187,999	48,230	188,334	48,230
Wealth distribution				
Personnel				
Salaries and wages	109,915	26,880	109,960	26,880
Benefits	62,603	10,068	62,604	10,068
Severance Pay Fund (FGTS)	7,417	-	7,417	-
	179,935	36,948	179,981	36,948
Taxes and fees				
Federal	7,399	8,397	7,399	8,397
State	1,144	360	1,145	360
Municipal	6	193	6	193
	8,549	8,950	8,550	8,950
Lenders and lessors				
Interest	18,864	2,000	18,885	2,000
Leases	35,418	12	35,415	12
Other	8,485	-	8,755	-
	62,767	2,012	63,055	2,012
Shareholders				
Profit (loss) for the year	(63,252)	320	(63,252)	320
Wealth distributed	187,999	48,230	188,334	48,230

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

Notes to the financial statements

(In thousands of Brazilian Reais - R$)

1 Operating activities

Eldorado Brasil Celulose S.A. ("Company" or "Eldorado") is a publicly traded company, whose register was obtained on June 6, 2012 in the category shares traded over the counter, established under Brazilian laws, with registered office in Três Lagoas, State of Mato Grosso do Sul (Brazil). The Company's individual and consolidated financial statements for the year ended December 31, 2012 include the Company, its subsidiaries, joint ventures and associates (collectively referred to as the "Group", and individually referred to as the "Group entities"). The Group is primarily engaged in the production of bleached short fiber eucalyptus pulp and the processing of biomass to generate power. The Company completed the construction of its plant in the municipality of Três Lagoas, MS, and started production in December 2012.

The Company has current liabilities in excess of current assets amounting to R$191,259 (R$189,018 in consolidated). The equity and financial balance of the Company's business depends exclusively on the increase of its operations and the success of the actions that are being developed by Management to generate short-term results throughout 2013 and subsequent periods.

Acquisition of Florestal Brasil S.A.

At the Extraordinary Shareholders' Meeting held on November 30, 2011, Eldorado Brasil Celulose S.A. decided to acquire and subsequently merger Florestal Brasil S.A. ("Florestal"), which is primarily engaged in forestry in own land and third-party land (under lease agreements and partnerships). The acquisition mainly aimed at integrating the operations da Florestal and Eldorado, which fosters optimized operations and, therefore, the generation of results based on efficiency gains.

The transaction, previously approved at both companies Board of Directors' meetings, was completed by issuing 495,274,914 shares of Eldorado, assigned to the shareholders of Florestal. The share replacement ratio was set based on the economic value of the companies, granting the new shareholders the same rights of the liquidated shares, as set forth by the bylaws. Eldorado's capital, of R$1,000,000.00, was increased to R$1,718,291,903.18, at the time of the acquisition of Florestal, increasing the total number of shares to 1,495,274,914 registered common shares, without par value (see note 18).

Florestal's equity was valued at fair value, taking into consideration the base date June 30, 2011 and subsequent events indicated in the Valuation Report, issued by Apsis Consultoria e Avaliações Ltda. The resulting merger was completed on November 30, 2011.

Business combinations

On September 2, 2011, the Company acquired 100% of the voting capital of Timber Holdings S.A., which owns land and eucalyptus forests, for R$49,583. The acquisition's purpose was to form the forest base necessary to supply wood to the pulp plant. The acquiree has no operating activities.

The table below summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Cash	74
Other current assets	241
Biological assets	3,141
Property, plant and equipment	36,273
Trade payables - current liabilities	(34)
Trade payables - non-current liabilities	(323)
Total identifiable net assets	39,372

Goodwill

Recognized goodwill, amounting to R$10,211, was identified as the difference between the amount paid and the fair value of the assets acquired and liabilities assumed, as follows:

Total amount of the consideration transferred	49,583
Less total net fair value of identifiable assets	(39,372)
Goodwill	10,211

Goodwill is attributed to the expected future earnings, primarily based on, but not limited to, the productivity forecasts of the acquired areas and the decrease in wood freight costs related to the distance between the acquired areas and the Eldorado plant.

Group entities

		Equity interest	
Significant subsidiaries	**Country**	**12/31/2012**	**12/31/2011**
- Timber Holdings S.A.	Brazil	100%	100%
- Celulose Eldorado Áustria GmbH	Austria	100%	-
Indirect subsidiary			
- Eldorado USA Inc	United States	100%	-

2 Basis of preparation and presentation of the financial statements

Statement of compliance

These financial statements include:

- The consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also the pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee (CPC), approved by Federal Accounting Council (CFC) resolutions, and Brazilian Securities Commission (CVM) standards; and

- As individual financial statements prepared in accordance with accounting practices adopted in Brazil, which consist of provisions set forth by the Brazilian Corporate Law, as amended by Law 11,638/07 and Law 11,941/09, and the pronouncements, interpretations and guidelines issued by the Accounting Pronouncements Committee (CPC), approved by Federal Accounting Council (CFC) resolutions, and Brazilian Securities Commission (CVM) standards.

The Company's individual financial statements have been prepared in accordance with accounting practices adopted in Brazil (CPC) and, in the case of the Group, these practices differ from the IFRSs applicable to separate financial statements with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRSs would be measured at cost or fair value.

However, there is no difference between the consolidated equity and consolidated profit stated by the Group and the Company's equity and profit included in its individual financial statements. The Group's consolidated financial statements and Company's individual financial statements, therefore, are being presented as a single set of financial statements, in a side-by-side format.

The individual and consolidated were authorized for issue by the directors at the meeting held on March 7, 2013.

Basis of measurement

The individual and consolidated financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- Derivative financial instruments are measured at fair value;
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value through profit or loss;
- Biological assets are measured at fair value less costs to sell.

i. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e., when control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In determining the existence of control, the Company takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- The value of the consideration transferred; less
- The net fair value of identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized directly in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Basis of consolidation

i. *Subsidiaries*

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The subsidiaries' accounting policies are aligned with the policies adopted by the Company.

The financial information on the subsidiaries, as well as associates, is recognized under the equity method in the Company's individual financial statements. The Company has investments in subsidiaries Eldorado USA Inc., Celulose Eldorado Austria GmbH, and Timber Holding S.A. (100%).

ii. *Investments in associates*

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Investments in associates are accounted for under the equity method and are recognized initially at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an investee, the carrying amount of the equity-accounted investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee, in which case an allowance for investment loss is recognized.

iii. *Transactions eliminated on consolidation*

Intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

iv. Use of estimates and judgments

The preparation of the individual and consolidated financial statements in conformity with IFRS and CPC requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant assets and liabilities subject to these estimates and judgment include the definition of the useful lives value of property, plant and equipment, the allowance for doubtful debts, and provisions for contingent liabilities. Actual results may differ from these estimates due to uncertainties inherent in such estimates.

v. Functional and presentation currency

This individual and consolidated financial information is presented in Brazilian reais, which is the Company's functional currency. All financial information presented in Brazilian reais has been rounded to the nearest thousand, except when otherwise indicated.

vi. Share capital maintenance

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effect.

vii. Operating segments

Pursuant to IFRS 8/CPC 22 *Operating Segments*, segment reporting is presented consistently with the internal report provided to the Company's executive committee, responsible for the allocation of resources, the assessment of performance per operating segment, and strategic decision-making, and are consist with the organization's model in place.

The Company presents the breakdown of its operating segments only in terms of pulp production operations started in December 2012, and there are no energy generation operations to be reported through December 31, 2012.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied consistently to all periods presented.

a. Revenue recognition

Revenue is recognized on an accrual basis. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities.

In accordance with CPC 30 *Revenue*, the Company and its subsidiary recognize revenue when, and only when:

i. The amount of revenue can be measured reliably.

ii. The Company has transferred to the buyer significant risks and rewards of ownership.

iii. It is probable that the future economic benefits will flow to the Company and its subsidiary.

iv. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

v. The expenses incurred or to be incurred related to the transaction can be measured reliably.

b. Cash and cash equivalents

Cash, banks, and short-term investments are balance sheet items that are presented in the statement of cash flows as cash and cash equivalents with maturities of three months or less from the acquisition date.

c. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

d. Financial instruments

Financial instruments are recognized only as from the date that the Company and its subsidiary become a party to the contractual provisions of the instrument. A financial asset or a financial liability is initially recognized at its fair value, plus transaction costs that are directly attributable to the acquisition or the issue of the financial asset or the financial liability, with exception for financial assets and financial liabilities classified as at fair value through profit or loss, whose transaction costs are directly expensed.

Financial instruments are subsequently measured at the end of each reporting period according to the rules established for each financial asset or financial liability type of classification.

- ***Financial assets at fair value through profit or loss***
  A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Subsequent to initial recognition, transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss. Financial assets classified in this category are 'cash and cash equivalents'.

- ***Loans and receivables***
  Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are

measured at amortized cost using the effective interest method, less any impairment losses. The main assets held by the Company classified in this category are: 'Trade receivables' and 'Balances with related parties'.

- ***Held-to-maturity***
  If the Company has the positive intent and ability to hold debt securities to maturity (quoted in an active market), then such financial assets are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses. The Company does not have any financial instruments in this category.

- ***Non-derivative financial liabilities***
  The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company holds the following non-derivative financial liabilities: borrowings and financing, and trade payables.

- ***Available-for-sale financial assets***
  Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses. The Company does not have any financial instruments in this category.

- ***Impairment of financial assets***
  Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

  The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

- ***Derivative financial instruments***
  The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognized initially at fair value; any attributable transaction costs are recognized in profit or loss when incurred. When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

e. Held-for-sale non-current assets

Non-current assets, or disposal groups of held-for-sale assets, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are measured at fair value. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and if the criteria set by the relevant pronouncement are no longer met, the entity shall cease to classify the asset as held for sale. Additionally, an entity shall not reclassify or represent amounts presented for non-current assets classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented.

f. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the average cost and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

g. Property, plant and equipment

Property, plant and equipment are carried at the historical cost of acquisition or construction. Depreciation is recognized based on the estimated useful life of each asset on a straight-line basis, so that the cost less its residual value after its useful life is fully written off (except land and construction in progress). The estimated useful lives, the residual values, and the depreciation methods are reviewed at the end of the reporting period, and the effects from any change in estimates are recorded prospectively.

The financial charges on borrowings incurred that are directly attributable to the acquisition or construction of the assets, are capitalized as part of the costs of these assets. Borrowing costs that are not directly related to the assets are capitalized based on an average funding rate on the balance of construction in progress. These costs are amortized over their estimated useful lives.

A property, plant and equipment item is derecognized on disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the residual carrying amount of the asset and is recognized in profit or loss.

Buildings	20 to 25 years
Facilities and improvements	10 years
Furniture and fixtures	10 years
Vehicles	4 to 5 years
Technical and scientific instruments	10 years
IT equipment	5 years
Machinery and equipment	8 to 10 years

h. Biological assets

The Company's biological assets comprise the cultivation and plantation of eucalyptus forests aimed at the production of pulp used to manufacture paper. Biological assets are measured at fair value, including possible gains and losses thereon, which are recognized in profit or loss. According to the analyses and the prospects of the forest engineers, the Company measures the fair value of cultivated forests older than three years, since in sorter periods, in addition to the absence of an active market, the fair value and formation cost are basically the same. This position is based on the likelihood that these forests will reach maturity and the reliability of the assumptions used after this maturation period.

i. Operating land leases

Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

j. Intangible assets

i. Intangible assets

Consist basically of goodwill based on expected future earnings, recognized pursuant to CPC 4 *Intangible Assets* at acquisition or production costs, less accumulated amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

ii. Goodwill arising on business combination

Goodwill acquired in a business combination is carried at its fair value on the date of the business combination, net of accumulated impairment losses, if any.

Goodwill is tested for impairment annually, or more frequently when there is indication that it may be impaired. An impairment loss recognized if the recoverable value is lower than the carrying amount. Any impairment loss for goodwill is recognized directly in profit or loss. The impairment loss is not reversed in subsequent periods.

On the disposal of a certain asset to which goodwill is allocated, the amount attributable to goodwill is included in the determination of the profit or loss on disposal.

k. Impairment

Property, plant and equipment items, indefinite-lived intangible assets, and other (current and non-current), where applicable, are tested annually for impairment when there are indications that an asset may be impaired.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine where there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss. An impairment loss is reversed if there have been changes in the estimates used to determine the recoverable amount, except for goodwill. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, as long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

l. Trade payables

Correspond to the amounts due to suppliers in the normal course of the Company's business. If the payment term is equivalent to one year or loss, trade payables are classified in current liabilities. Otherwise, the corresponding amount is classified in non-current liabilities. When applicable, charges, inflation adjustments or foreign exchange differences are added.

m. Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The finance costs incurred are recorded in profit or loss.

n. Earnings per share

Basic earnings per share are calculated based on profit for the year and the weighted average number of shares outstanding during the period. The Company does not have potentially dilutive instruments.

o. Income tax and social contribution

Current and deferred income tax and social contribution for the year are calculated at the rate of 34%; this calculation takes into consideration the offset of tax loss carryforwards, limited to 30% of taxable profit.

Income tax and social contribution expense comprises current and deferred taxes. The current and deferred taxes are recognized in profit or loss unless they are related to business combinations or items directly recognized in equity or in other comprehensive income.

i. Current income tax

Current tax is the expected tax payable or receivable on taxable profit or loss for the year at tax rates enacted or substantially enacted by the end of the reporting period and any adjustment to taxes payable related to prior years.

ii. Deferred income tax

The deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for tax purposes. Deferred taxes are not recognized for the following temporary differences:

The initial recognition of assets and liabilities in a transaction other than a business combination, and that does not affect either the accounting or taxable profit or loss.

Differences related to investments in subsidiaries, branches and associates, and interests in joint ventures, when it is probable that they will not reverse in a foreseeable future.

A deferred tax is not recognized for taxable temporary differences resulting in the initial recognition of goodwill.

The deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

p. Present value adjustment of assets and liabilities

As prescribed by the accounting practices adopted in Brazil, the Company presents, when applicable, assets and liabilities at present value. The short- and long-term monetary assets and liabilities are adjusted to their present value. However, the adjustment to short-term balances is made when the effect is considered material in relation to the financial statements taken as a whole.

In calculating the present value adjustment, the company takes into account the following assumptions: (i) the amount to be discounted; (ii) the realization and settlement dates; and (iii) the discount rate.

The discount rate used by the Company takes into account the current market assessments of the time value of money and the specific risks for each asset and liability.

q. Statement of value added (“DVA”)

The Brazilian corporate law requires the presentation of the statement of value added as an integral part of the set of financial statements presented by an entity. The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period. The statement of value added has been prepared pursuant to the provisions of CPC 09 Statement of Value Added, using information obtained from the same accounting records used to prepare the financial statements.

r. Statements of cash flows

The statements of cash flows have been prepared under the indirect method, based on accounting information, in accordance with the instructions set out in CPC 3 (R2) *Statements of Cash Flows*.

s. New standards and interpretations issued and not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. The Group does not expect any significant impacts from their adoption and does not plan to adopt these standards early.

i. *IFRS 9* Financial Instruments *(2010 and 2009)*

IFRS9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015. The Accounting Pronouncements Committee has not yet issued any accounting pronouncement or amendment to existing pronouncements equivalent to this standard.

ii. IFRS10/CPC36(R3) Consolidated Financial Statements, IFRS11/CPC19(R2) Joint Arrangements, and IFRS12/CPC45 Disclosure of Interests in Other Entities

IFRS 10/CPC 36 (R2) introduces a single control model to determine whether an investee should be consolidated.

Under IFRS 11/CPC 19 (R2), the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

IFRS 12/CPC 45 brings together into a single standard all the disclosure requirements about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12/CPC 45 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for annual periods beginning on or after January 1, 2013. The Company did not identify any impacts arising on applying these standards.

iii. IFRS13/ CPC46 Fair Value Measurement

IFRS 13/CPC 46 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS.

Subject to limited exceptions, IFRS 13/CPC 46 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. The Group is currently reviewing its methodologies in determining fair values. IFRS 13/CPC 46 is effective for annual periods beginning on or after January 1, 2013. The Company did not identify any impacts arising on applying this standard.

iv. ***Amendments to IAS 19/CPC 33 (R1)*** **Employee Benefits**

IAS 19 (2011)/CPC 33 (R1) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. IAS 19 (2011)/CPC 33 (R1) is effective for annual periods beginning on or after January 1, 2013. The Company did not identify any impacts arising on applying these standards.

4 Cash and cash equivalents

	Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Cash	2	-	2	-
Banks - demand deposits	313,336	1,900	315,250	1,974
Banks - short-term investments	280,545	-	280,547	-
	593,883	1,900	595,799	1,974

Highly-liquid short-term investments are made with prime banks and yield interest that approximates the Interbank Certificate of Deposit (CDI) rate. Because they are highly liquid, they were classified as cash equivalents in the statements of cash flows. Early redemption does not entail any financial losses. Average yield in 2012 was 0.615% p.m. totaling R$21,851. In 2011, there were no short-term investments.

5 Inventories

Inventories, carried at average purchase cost, are broken down as follows:

	Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Seedlings	2,913	4,761	2,913	4,761
Raw materials (wood for production)	120,600	-	118,959	-
Pulp	42,751	-	47,340	-
Inputs	6,867	7,959	6,867	7,959
Warehousespare parts	27,458	1,408	27,458	1,408
	200,589	14,128	203,537	14,128

In 2012 the Company initiated the depletion process of its biological assets/eucalyptus extraction and, therefore, posts a significant increase in its wood inventories in the courtyard and its forests at yearend, and in the volume of pulp ready for sale. Additionally, as forecast for the initial production stage, the Company also purchased wood from third parties, which will continue to do until it reaches full production capacity using only wood from its own forests.

6 Recoverable taxes

	Company and Consolidated	
	12/31/2012	**12/31/2011**
State VAT (ICMS) (i)	44,894	810
Taxes on revenue (PIS and COFINS) (ii)	236,862	5,548
Federal VAT (IPI)	42	-
Service tax (ISS)	39	39
Withholding income tax (IRRF) (iii)	2,337	576
	284,174	6,973
Breakdown		
Current assets	33,434	1,204
Non-current assets	250,740	5,769
	284,174	6,973

i. ICMS

The Company records ICMS accumulated over the last years basically related to credits claimed in the acquisition of property, plant and equipment items used to implement its plant located in Três Lagoas, MS. The Company's management has been prioritizing a series of actions intended to maximize the utilization of these credits and currently does not expect any losses on their realization. The management actions include the expected realization of these credits by increasing pulp sales in the domestic market.

ii. PIS and COFINS

The Company posts an increase in noncumulative PIS and COFINS credits claimed on the acquisition of property, plant and equipment items, basically related to the completion of the plant, which when into production at the end of 2012. This amount refers to credits claimed on equipment acquisitions and the provision of services, which are realizable through offset against these federal taxes payable on sales in the domestic market and income tax and social contribution payable.

iii. IRRF

Corresponds to the income tax withheld on short-term investments, realizable through offset against income tax and social contribution payable.

Realization of tax credits

The Company's management has been prioritizing a series of actions intended to maximize the utilization of these credits and currently does not expect any losses on their realization.

7 Advances to suppliers

	Company and Consolidated	
	12/31/12	**12/31/11**
Purchase of wood for future delivery, current	55,636	-
Purchase of wood for future delivery, non-current	54,805	74,671
	110,441	74,671

Refer to advances made to wood suppliers, under purchase for future delivery contracts, which will be settled in the physical delivery of the wood. Settlement will be based on the value of the wood received. Company specialists value and monitor forests development to mitigate risks associated to the compliance of each contract. There are no derivative instruments in these wood purchase transactions as wood prices are not pegged to wood quotations and the contracts are closed at fixed prices for the wood volume to be supplied.

8 Related-party transactions

The main related-party balances and transactions are as follows:

			Company		**Consolidated**	
	Type		**2012**	**2011**	**2012**	**2011**
Assets						
Current assets						
Eldorado Austria	Sale		942	-	-	-
Eldorado USA	Sale		2,947	-	-	-
			3,889	-	-	-
Non-current assets						
Rishis (note 7)	Mutual contracts		5,197	-	5,197	-
J&F Participações (note 8)	Mutual contracts	(i)	41,005	41,287	41,005	41,287
			46,202	41,287	46,202	41,287
Liabilities						
Noncurrent liabilities						
J&F Participações	Mutual contracts	(ii)	-	470,763	-	470,763
			-	470,763	-	470,763

		Company		Consolidated	
	Type	**2012**	**2011**	**2012**	**2011**
Profit or loss					
Eldorado Austria	Pulp sales	2,947	-	-	-
Eldorado USA	Pulp sales	942	-	-	-
		3,889	-	-	-

(i) Sale of rural properties called "Florágua Farms" falling due in September 2014 and May 2016, which bear market interest of 9% p.a. (R$14,553) and 8.5% p.a. (R$25,000), respectively, less a performance bonus of 15% calculated on interest payable (R$1,234). The change is this line item reflects the accrual and payment of interest for the period.

(ii) Loan granted by Company J&F Participações S.A. that bears interest equivalent to 100% of the CDI plus 1% p.m. until June 2011 and 0.5% p.m. beginning July 2011, with an indefinite maturity. The Company settled the entire balance during the last quarter of 2012.

8.1 Management compensation

Overall key management personnel compensation, paid to ten directors and officers, in Company and consolidated, was as follows:

	12/31/2012	**12/31/2011**
Short-term employee benefits (a)	1,249	1,648

(a) Comprises: wages, medical care, and other benefits.All officers are hired under employment contracts pursuant to the provisions of the Brazilian Labor Code (CLT) that comply with all statutory compensation and benefit requirements. Compensation does not include any profit sharing bonuses or other additional corporate benefits to its employees or extended to their families.Under IAS 24 (revised)/CPC 05 (R1) *Related Party Disclosures*, the executive committee's and board of directors' members are not parties to contracts that provide for additional corporate benefits, such as postemployment or any other long-term benefits, severance benefits other than those provided for by the CLT, where applicable, or share-based compensation.

9 Biological assets

The Company's biological assets are represented by eucalyptus forests under development, intended for the supply of wood to produce pulp, in areas located in the State of Mato Grosso do Sul.

The opening and closing balances are broken down as follows:

	Company		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Opening balance	371,350	-	374,491	-
- Acquisition in the period	-	7,727	-	10,868
- Forest merger	-	339,531	-	339,531

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
- Change in the fair value of biological assets net of costs to sell	15,989	24,092	15,989	24,092
- Tree felling and for inventory	(10,407)	-	(10,407)	-
- Forest development cost	234,949	-	234,949	-
Total biological assets	611,881	371,350	615,022	374,491

Currently the Company holds a production area of 113,019 ha, of which 22,951 ha are Company-owned areas and 90,068 ha are areas contracted under leased leases or partnerships, not including other areas such as the permanent preservation areas and statutory reserves, in compliance with prevailing environmental laws. The valued area that meets the biological assets' valuation assumptions for the year ended December 31, 2012 totals 35,594 hectares. The harvest and replanting process (single felling) has a cycle of approximately seven years, varying according to the cultivation and genetic material used.

It is not the Company's policy to insure standing timber due to the excessively high prices charged by insurers. The Company has several loss preventions programs to avoid any possible losses of biological assets, such as:

- Watchtowers;
- Constant boundary monitoring;
- Teams with specialized firefighting training;
- Wood transportation monitoring.

Assumptions for the recognition of biological assets at fair value

Under IAS 41/CPC 29, the Company used the following assumptions to recognize its biological assets at fair value:

i. Eucalyptus forest development costs were maintained at historical cost until the third year after plantation, as fair value and costs are basically the same during this period;

ii. After the third year, the eucalyptus forests are valued at their fair value, which reflects the assets' sales price less costs to sell necessary to make the product available for sale or consumption;

iii. The fair value measurement method of the biological assets consists of projecting the future cash flows according to the projected productivity cycle of an average felling cycle of six and seven years, taking into account a price average and the average growth of the biological assets;

iv. The discount rate used and applied to cash flows is 4.5%, which reflects Company forecasts of both investment return and funding;

v. The forest productivity volumes are determined based on harvest and age, and are formed within an index called IMA (Average Annual Increase), expressed in cubic meters per hectare/year, used as basis for the productivity projection. The Company used the 41 m^3/hectare average of the domestic market as calculation basis;

vi. The prices of the biological assets, denominated in R$/m^3, are obtained using market price surveys, disclosed by a reliable, renowned entity The net sales price used was R$53.61/m^3, projected based on the estimated eucalyptus price in the domestic market;

vii. The estimated average standard cost includes the costs incurred on underbrush control, chemical control of weed competition, ant and other pest control, fertilization, road maintenance, inputs, and labor services;

viii. The Company decided to revalue its biological assets semiannually (in June and December) because it understands that this period is sufficient to evidence the increase in the number of planted hectares for more than three years and thus avoid any gap in the adjusted balance of biological assets;

ix. The valued area that meets the biological assets' valuation assumptions for the year ended December 31, 2012 totals 35,594 hectares, resulting in R$15,989 adjustment to fair value.

x. The Company does not have any biological assets involving financial risks and/or biological assets pledged as collateral during the year ended December 31, 2012.

10 Investments

	Company		**Consolidated**	
Company	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Investment in subsidiary	41,653	39,371	-	-
Other investments	25,048	11,628	25,048	11,628
Goodwill on investment in subsidiary	10,211	10,211	-	-
	76,912	61,210	25,048	11,628

Significant information on subsidiaries for the year ended December 31, 2012:

Investments in subsidiaries

(In thousands of Brazilian reais - R$)

	Ano	Equity interest	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Revenue	Expenses	Profit or loss	Group´s share of net assets	Carrying amount	Adjustments to unrealized profits	share
	2011															
Timber Holdings S.A.	December 31	100%	315	39,414	39,729	34	324	358	39,371	7	- 124	- 117	39,371	39,371	-	- 117
			315	39,414	39,729	34	324	358	39,371	7	- 124	- 117	39,371	39,371	-	- 117
	2012															
Timber Holdings S.A.	December 31	100%	315	39,414	39,729	34	325	359	39,370	-	- 1	- 1	39,370	39,370	-	- 1
Cellulose Eldorado Austria Gmbh	December 31	100%	2,357	897	3,254	971	-	971	2,283	1,068	- 903	165	2,283	2,283	1,622	1,787
			2,672	40,311	42,983	1,005	325	1,330	41,653	1,068	- 904	164	41,653	41,653	1,622	1,786

Subsidiaries

Acquisition of Timber Holdings

As described in note 1, the Company acquired on September 2, 2011, 100% of the shares of Timber Holdings S.A., which owns land and eucalyptus forests, to form the forest basis necessary to supply wood to the Company's pulp plant.

Goodwill is attributed to the expected future earnings, primarily based on, but not limited to, the productivity forecasts of the acquired areas in excess of the areas owned by the Company and the decrease in wood freight costs related to the distance between the acquired areas and the Eldorado plant.

Start of foreign operations

As initially forecast, the Company opened two units strategically located abroad, called Eldorado USA Inc. (United States) and Celulose Eldorado Austria GmbH (Austria), aimed at supplying the demand under executed contracts and also prospecting new accounts for sales abroad.

Other investments

Investment in Rishis Empreendimentos e Participações S.A.

Rishis is a company engaged in, but not limited to, the operation of bonded warehouses and terminals, and the provision of port operator services, and is the lessee of external warehouses located on the left bank of the Santos Port, totaling an area of approximately 12,000 m².

The Company acquired a subscription warrant that entitles it to subscribe 517,647 common shares, representing 46.32% of Rishis's voting capital, at an issue premium of R$9,000 and fixed exercise price of R$13,500. These warrants were exercised and will be paid in up to 36 monthly installments. The Company subscribed 279,569 Rishis shares, and as a result paid in R$7,299, totaling a 32% stake in Rishis share capital.

Eldorado entered into an Investment Agreement and Other Covenants with Rishis's shareholders, which requires these shareholders to transfer Rishis control to the Company for a total of R$84,650, as adjusted through the actual payment date using the Extended Consumer Price Index (IPCA), if the concession renewal conditions precedent, set forth in the agreement, are met. This transaction is guaranteed by promissory notes without recourse, totaling R$89,150, adjusted using the IPCA.

When the transaction above is completed, Rishis's total area will increase from the current 12,000 m² to approximately 29,000 m². Eldorado still does not hold the control over Rishis, as the agreement provides for a possible cancelation of the transaction if Rishis's management fails to comply with the Investment Agreement.

The Company's management seeks obtaining a logistic operating gain through this transaction, which would increase the Company's competitiveness in pulp exports.

11 Property, plant and equipment

	Company 2012			
	Weighted annual depreciation and amortization rates	**Cost**	**Accumulated depreciation**	**Net 12/31/2012**
Land	-	359,628	-	359,628
Buildings	4.50%	910,193	(7,676)	902,517
Facilities and improvements	10.00%	135,125	(401)	134,724
Furniture and fixtures	10.00%	4,123	(233)	3,890
Vehicles	22.50%	15,468	(8,300)	7,168
Technical and scientific instruments	10.00%	2,146	(833)	1,313
IT equipment	20.00%	17,563	(1,358)	16,205
Machinery and equipment	11.30%	2,786,301	(24,652)	2,761,649
Construction in progress and advances for capital expenditures	-	762,366	-	762,366
		4,992,913	(43,453)	4,949,460

	Consolidated 2012			
	Weighted annual depreciation and amortization rates	**Cost**	**Accumulated depreciation**	**Net 12/31/2012**
Land	-	395,901	-	395,901
Buildings	4.50%	910,193	(7,676)	902,517
Facilities and improvements	10.00%	135,125	(401)	134,724
Furniture and fixtures	10.00%	4,123	(233)	3,890
Vehicles	22.50%	15,468	(8,300)	7,168
Technical and scientific instruments	10.00%	2,146	(833)	1,313
IT equipment	20.00%	17,563	(1,358)	16,205
Machinery and equipment	11.30%	2,786,301	(24,652)	2,761,649
Advances for capital expenditures	-	762,687	-	762,687
		5,029,507	(43,453)	4,986,054

Changes in property and equipment

Company:

Movement	Balance at 12/31/2011	Additions	Write-offs	Transfers	Interest capitalization	Depreciation	Balance at 12/31/2012
Land	53,682	-	-	305,946	-	-	359,628
Buildings	19,299	-	-	818,024	68,820	(3,626)	902,517
Facilities and improvements	84	-	-	134,995	-	(355)	134,724
Furniture and fixtures	587	177	-	3,226	-	(100)	3,890
Vehicles	8,527	1,769	(143)	(62)	-	(2,923)	7,168
Technical and scientific instruments	869	1	-	723	-	(280)	1,313
IT equipment	1,735	926	-	13,859	-	(315)	16,205
Machinery and equipment	17,195	141,466	-	2,411,540	206,460	(15,012)	2,761,649
Construction in progress and advances for capit	1,981,765	2,438,186	-	(3,382,305)	(275,280)	-	762,366
	2,083,743	**2,582,525**	**(143)**	**305,946**	**-**	**(22,611)**	**4,949,460**

Consolidated:

Movement	Balance at 12/31/2011	Additions	Write-offs	Transfers	Interest capitalization	Depreciation	Balance at 12/31/2012
Land	89,955	-	-	305,946	-	-	395,901
Buildings	19,299	-	-	818,024	68,820	(3,626)	902,517
Facilities and improvements	84	-	-	134,995	-	(355)	134,724
Furniture and fixtures	587	177	-	3,226	-	(100)	3,890
Vehicles	8,527	1,769	(143)	(62)	-	(2,923)	7,168
Technical and scientific instruments	869	1	-	723	-	(280)	1,313
IT equipment	1,735	926	-	13,859	-	(315)	16,205
Machinery and equipment	17,195	141,466	-	2,411,540	206,460	(15,012)	2,761,649
Construction in progress and advances for capit	1,981,765	2,438,507	-	(3,382,305)	(275,280)	-	762,687
	2,120,016	**2,582,846**	**(143)**	**305,946**	**-**	**(22,611)**	**4,986,054**

*As described in the accounting policies, land amounting to R$305,946, previously classified in Non-current assets as 'Land', is not being used in the forest production core business and the Company is seeking alternative uses as there is the possibility it will not be used to plant forests. Therefore, as set by CPC 31 *Non-current Assets Held for Sale and Discontinued Operations*, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and if the criteria therein are no longer met, the entity shall cease to classify the asset as held for sale. Additionally, also as set by this pronouncement, an entity shall not reclassify or represent amounts presented for non-current assets classified as held for sale in the balance sheets for prior periods to reflect the classification in the balance sheet for the latest period presented, and, therefore, the Company made the reclassification in 2012.

Construction in progress and advances for capital expenditures

The construction in progress refer mainly to the changes in the construction of its plant in Três Lagoas, primarily through payments made to equipment suppliers and service providers, in compliance with the terms and conditions of the agreements entered into to implement the plant project. The outstanding amounts as construction in progress and advances for purchase of property, plant and equipment at December 31, 2012 refer to the structural improvements in the plant and surrounding areas, investments in railway logistics (cars and engine), renovation of the plant's port area, the Pederneiras port, and the Santos port, according to the Company's logistics plan to ship goods via the Tietê river until Pederneiras and afterward by train until the Santos port. The write-off of 'Advances for capital expenditures' amounts corresponds to the actual prepaid services provided. These amounts were allocated to the relevant property, plant and equipment item. Company assets are pledged as collateral of borrowings and financing up to the limit of each debt incurred (Note 14).

Review of useful lives

The Company reviewed of the useful lives of its property, plant and equipment items by engaging a specialized firm, but not material discrepancies were identified in relation to the useful lives adopted through December 31, 2011. From the start of plant operations, the new acquisitions and/or constructions are recorded with an estimated useful life and the useful lives of property, plant and equipment items are annually reviewed and revised, if applicable.

Impairment test - property, plant and equipment

As the Company is in an initial stage of operations, it tested its tangible and intangible assets for impairment on December 31, 2012, based on the values in use and using discounted cash flows, which showed that their estimated fair values are higher than their net carrying amounts. Therefore, there are not indications that material individual assets or group of assets may be impaired. Possible impairment losses are separately disclosed in a note, when material.

Interest capitalization - Borrowing costs

Pursuant to the criteria set by CPC 20 *Borrowing Costs*, the Company capitalized the costs of borrowings directly attributable to the construction of qualifying assets, which consist exclusively of construction in progress.

Borrowing costs allocated to the qualifying assets during the year until December 12, 2012 (date the plant went into operation) and during the year ended December 31, 2011 are as follows:

	Consolidated	
	12/31/12	**12/31/11**
Construction in progress	3,382,305	1,897,782
(+) Borrowing costs capitalized in 2011	83,983	83,983
(+) Borrowing costs capitalized in 2012	191,297	-
	275,280	83,983
	3,657,585	1,981,765

The capitalization rates used to determine the eligible borrowing costs were as follows:

Eligible borrowings	**Average annual interest rate**	**Capitalized interest**
Bank financing	0.34% to 1.60% p.m.	127,619
Shareholder loans	CDI + 0.5% to 1% p.m.	147,661
		275,280

All costs eligible for capitalization originated from specific borrowings for the construction of the qualifying assets through the date the plant went into operation.

12 Intangible assets

	Company		Consolidated	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Goodwill	-	-	10,211	10,211
Software	2,465	1,672	2,465	1,672
	2,465	1,672	12,676	11,883

	Company 2012			
	Weighted annual amortization rates	**Cost**	**Accumulated amortization**	**Net 12/31/12**
Software	15%	3,346	(881)	2,465
		3,346	(881)	2,465

	Consolidated 2012			
	Weighted annual amortization rates	**Cost**	**Accumulated amortization**	**Net 12/31/12**
Goodwill	-	10,211	-	10,211
Software	15%	3,346	(881)	2,465
		13,557	(881)	12,676

Changes in intangible assets

Company	**12/31/2011**	**Additions**	**Amortization**	**Transfer**	**12/31/2012**
Software	1,672	706	(333)	420	2,465
	1,672	706	(333)	420	2,465

Consolidated	**12/31/2011**	**Additions**	**Amortization**	**Transfer**	**12/31/2012**
Goodwill	10,211	-	-		10,211
Software	1,672	706	(333)	420	2,465
	11,883	706	(333)	420	12,676

Goodwill breakdown

In consolidated - Recorded as intangible assets
As detailed in Nota 1 - Reporting entity, in September 2011 the Company acquired 100% of the shares and voting capital of Timber Holdings S.A., and recorded goodwill of R$10,211, based on expected future earnings.

Impairment test - intangible assets
The Company tested goodwill for impairment, using the value-in-use concept, based on discounted cash flow models that represent the groups of tangible and intangible assets recorded by the Company.

The determination of the value in use involves the use of assumptions, judgments and estimates on cash flows, such as revenue, costs and expenses growth rates, future investment, working capital, and discount rates. The assumptions on growth, cash flow, and future cash flow projections are based on management's best estimates and comparable market data, and the economic conditions that will exist during the useful lives of the group of assets that generate the cash flows. Future cash flows have been discounted based on the rate representing the cost of capital.

Based on the annual impairment test of the Company's intangible assets, prepared using the projections made on the financial statements, growth prospects at the time, and the monitoring of projections and operating results for the period, no possible impairment losses or indications of impairment were identified since value in use is higher than the net carrying amount on the test date.

13 Trade payables

	Company and Consolidated	
	12/31/2012	**12/31/2011**
Supplies and services	301,032	166,929
Inputs	40,895	3,376
Other	92	1,413
	342,019	171,718

14 Borrowings and financing

Type	**Average media interest rate and commissions**	**Company and Consolidated**	
		12/31/2012	**12/31/2011**
Property, plant and equipment purchase financing			
FINAME - project finance (i)	Average interest of 4.5% to 8.75% p.y.	12,665	18,512
ACC (advance on exchange contract)	Forex + interest	108,728	-
Bank credit notes (ii)	CDI + 0.45% to 0.65% p.m.	503,908	470,358
BNDES - Subloans C, H and L (iii)	Currency basket + interest of 4.52% p.y.	620,427	-
BNDES - subloan A (iii)	TJLP + 3.32% p.y.	500,390	-
BNDES - subloan B (iii)	Currency basket + interest of 3.32% p.y.	729,065	-
BNDES - subloan G (iii)	TJLP + 2.92% p.y.	137,186	-
BNDES (iii)	TJLP + USD exchange fluctuation	298,017	-
BNDES - subloan K (iii)	TJLP	1,644	-
ECAs (iv)	Forex + interest of 2.8% to 5.69% p.y.	721,750	-
Debentures (first issue)	110% of CDI	15,600	-
Debentures (second issue)	IPCA + 7.41% p.y.	940,000	-
FCO (Mid-west Financing Fund) (iv)	Interest of 8.5% to 9 % p.y.	64,833	64,852
Working capital	Forex + 6.5% p.y.	-	3,777
Lease	1.6 % p.m.	155	-
Fiduciary financing – long term	5.74% p.y.	33,377	-
		4,687,745	557,499

	Company and Consolidated	
	12/31/2012	**12/31/2011**
Breakdown		
Current liabilities	628,613	478,766
Non-current liabilities - other	4,059,132	78,733
	4,687,745	557,499

	Company and Consolidated	
	12/31/2012	**12/31/2011**
Non-current liabilities mature as follows:		
2013	-	5,019
2014	106,100	18,043
2015	376,970	3,151
2016	394,434	28,955
2017	394,265	23,565
After 2018	2,787,362	-
	4,059,132	78,733

14.1 Company credit facilities

(i) The Company entered into ACCs (advances on exchange contracts) with the banks Bic Banco, Pine and Paribás, under which the Company receives advances in local currency (R$) related to imports from foreign suppliers.

(ii) Financing refers to bank credit notes granted by the following financial institutions: Banco BIC, Banco Pine, Banco Brickell, Banco Modal, Banco Santander, Banco do Brasil, Bradesco, Finasa, and Banco Caterpillar; these notes are guaranteed by J&F Participações S.A. as co-debtor.

(iii) BNDES (Brazilian development bank) funding: on July 22, 2011 the Company entered into a financing agreement with Banco Nacional de Desenvolvimento Social (BNDES), amended on March 5 and August 10, 2012, totaling R$2.7 billion, to build the pulp and paper plant, including the acquisition of local machinery and equipment, and the implementation of the social investments program in plant neighboring areas (“Project”). Thus, BNDES confirmed the effectiveness of the agreement by disbursing the funds in March-December 2012, to be repaid in 90 installments beginning January and February 2015. The First Agreement Amendment provides for the following guarantees: (a) first degree mortgage of the property owned by Eldorado where the project is being implemented; (b) pledge of 750,000,000 registered common shares of Eldorado held by J&F Participações S.A., and (c) pledge of 368,000,000 book-entry common shares of Eldorado, as laid down in the Share pledge Agreement entered into by the Company, FB Participações S.A., JBS S.A., Banco Nacional de Desenvolvimento Social (BNDES), and Banco Santander (Brasil) S.A.

(iv) ECA (Export Credit Agency) financing agreements, disbursed on December 28, 2012, repayable in 19 semiannual installments, beginning May 2013 until May 2022, subject to interest and US dollar exchange fluctuation, granted by the following Agencies: Finnvera, R$420,443 subject to 3.1% p.a. equivalent to US$206,200, and R$111,329 subject to 5.69% p.a., equivalent to US$54,600, EKN, R$184,874 subject to 5.69% equivalent to US$90,669 and Oekb, R$172,248 subject to 2.8% p.a., equivalent to US$84,477. The guarantees are recorded under the same criterion laid down in the Share pledge Agreement reported in paragraph (ii) above.

(v) On August 20 and October 31, 2012 the Company issued simple, nonconvertible, unsecured debentures, with additional collateral and unsecured guarantee, paid in cash, in local legal tender, indexed to the IPCA, plus interest of 7.41% per year. The debentures are guaranteed by an unsecured guarantee provided by J&F Participações S.A. (Guarantor) for the full payment of any amounts, principal or interest, including late payment charges, if any, due by the Company under the Debenture Indenture.

(vi) FCO (Mid-west Financing Fund) financing agreements, entered into with Banco do Brasil, in the following amounts and with the following maturities: R$15,500 maturing in 2014, R$25,348 maturing in 2016, and R$24,546 maturing in 2017, guaranteed by properties (farms) up to the limit of the assumed debt.

14.2 Restrictive covenants

The financing agreements, ECAs and BNDES, entered into by the Company for the construction of its plant and the related logistics infrastructure are collateralized by the financed property, plant and equipment up to the limit of the assumed debt, and contain restrictive financial covenants usually applicable to these types of long-term financing. These covenants, however, prescribe that the compliance tests with the agreed terms and conditions shall be conducted only after the end of fiscal year 2014 to take into consideration the period the company requires to reach full operating and cash generation capacity. Accordingly, the Company is compliant with all restrictive financial covenants effective on December 31, 2012.

15 Taxes payable, payroll and related taxes

	Company		**Consolidated**	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Payroll and related taxes	47,615	18,140	47,647	18,140
Accruals and taxes	10,409	4,636	10,409	4,636
Taxes payable	6,203	7,085	6,203	7,085
Other	12	4	14	38
	64,239	29,865	64,273	29,899

16 Deferred income tax and social contribution

As at December 31, 2012, the Company records an accounting loss which, adjusted to the expenses and revenue not permitted by the tax law for income tax and social contribution calculation purposes, represents a tax loss for 2012 that totals, plus the accumulated loss for 2011, R$65,132.

Income tax and social contribution reconciliation:	**12/31/2012**	**12/31/2011**
Profit or loss before income tax and social contribution	(93,213)	8,511
Statutory tax rate	34%	34%
Expected income tax and social contribution credit (expense)	31,692	(2,894)

Income tax and social contribution tax base	-	-
Deferred income tax	8,191	(8,191)

Changes in deferred income tax and social contribution:	**12/31/2012**	**12/31/2011**
Opening balance	(8,191)	-
Recognition of deferred income tax and social contribution - 34% tax rate on biological assets' appreciation	(5,436)	(8,191)
Recognition of deferred income tax and social contribution assets on tax loss carryforwards	13,627	-
Closing deferred income tax and social contribution	8,191	(8,191)
Closing deferred income tax and social contribution disclosed in the balance sheet	-	(8,191)

As the Company is still in startup stage, it did not post income tax and social contribution expenses for the year ended December 31, 2012 and 2011; however, the Company recognizes deferred income tax and social contribution assets on tax loss carryforwards, up to the limit of its deferred tax liabilities.

17 Provision for contingent liabilities

The Company is subject, in the normal course of business, to tax, labor, and civil lawsuits. Management, based on the opinion of its legal counsel and, where applicable, specific opinions issued by specialists, assesses the expected outcome of ongoing proceedings and determines the need to whether or not set up a provision for contingent liabilities. Based on this assessment, the Company provided for the following amounts:

	Company and Consolidated						
	01/01/2011	**Additions**	**Exclusion**	**12/31/2011**	**Additions**	**Exclusion**	**12/31/2012**
Civil	-	104	-	104	907	(104)	907
Labor	167	-	(167)	-	1,103	-	1,103
	167	104	(167)	104	2,010	(104)	2,010

As at December 31, 2012, the Company was a party to other ongoing lawsuits, amounting to approximately R$4,540 (R$102 at December 31, 2011), basically referring to disperse labor claims, where, according to the legal counsel, the likelihood of an unfavorable outcome is possible, i.e., less than probable. Management understands that no provision is necessary for these lawsuits, in accordance with CPC 25 *Provisions, Contingent Liabilities and Contingent Assets*.

18 Equity

18.1 Share capital

	Subscribed capital	Unpaid capital	Issued capital
Balance at December 31, 2012	1,788,792	(221,157)	1,567,635

As December 31, 2011, subscribed capital was R$1,718,291,903.18 (R$143,373,040 at December 31, 2010), represented by 1,495,274,914 registered common shares without par value, fully subscribed by the Company's shareholders.

Of total subscribed capital, in 2011 R$1,381,762 was paid in (R$663,470 through capital contribution and R$718,292 through capital increase by merger), and, therefore, R$221,157, remain unpaid, of which R$7,000 refer to the capital increase approved on October 21, 2010 and R$214,157 refer to the capital increase approved on September 27, 2011.

On August 20, 2012, subscribed capital increased from R$1,718,291,903.18 (1,495,274,914 shares) to R$1,788,791,903.18 (1,525,558,419 shares), i.e., by R$70,500,000, paid in through the issue of 30,283,505 registered common shares without par value, as registered with the São Paulo Division of Corporations (JUCESP) under number 3530044472-8.

	Number of shares
Total shares at 12/31/2010	143,373,040
Capital subscription	856,626,960
Merger	495,274,914
Total shares at 12/31/2011	1,495,274,914
Capital subscription	30,283,505
Total shares at 12/31/2012	1,525,558,419

18.2 Advance for future capital increase

On November 29, 2011, Company J&F entered into with Eldorado a binding and irrevocable advance for future capital increase ("AFAC") agreement, amounting to R$221,156,740.00.

Under this agreement between J&F and Eldorado, the AFAC shall be converted into Eldorado's capital within five (5) years from the AFAC agreement execution date, through the issue of 221,156,740 shares.

18.3 Earnings reserve

Recognized, when applicable, at the rate of 5% of the profit for each year, as provided for by Article 193 of Law 6,404/76, up to the ceiling of 20% of share capital.

18.4 Dividends

Under Company bylaws, profit for the year remaining after allocation to the legal reserve and the contingency reserve, is allocated to mandatory minimum dividends that cannot be lower than 25% of profit for the year adjusted as prescribed by the Corporate Law.

19 Net operating revenue

	Company		Consolidated	
	12/31/12	12/31/11	12/31/12	12/31/11
Gross sales revenue				
Domestic market	3,616	54	3,616	54
Foreign market	3,888	-	1,067	-
Sales deductions				
Taxes on sales	(2,088)	(10)	(2,088)	(10)
Net sales revenue	5,416	44	2,595	44

20 Earnings per share

As required by IAS 33/CPC 41 Earnings per Share, the tables below reconcile profit (loss) for the year with amounts used to calculate loss per share.

Basic

Basic loss per share is calculated by dividing loss attributable to Company owners by the number of shares outstanding in the year.

	12/31/12	12/31/11
Loss attributable to Company owners	(63,252)	320
Total shares outstanding in the year – in thousands	1,525,558	1,495,274
(Loss) profit per thousand shares	(41.46)	0.21

21 Operating land leases

The future lease payments under operating land are as follows:

	Consolidated		Company	
	2012	2011	2012	2011
Less than one year	27,525	32,029	27,525	32,029
Between one and five years	158,357	151,351	158,357	151,351
More than five years	34,531	344,312	34,531	344,312
Total	220,413	527,692	220,413	527,692

The Company leases land used in its operations under operating leases. These leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are adjusted every five years to reflect market rentals. Some leases provide for the additional lease payments that are based on changes in a local price index.

During the year an amount of R$32,029 was recognized as biological assets development cost in respect of operating leases (R$3,654 in 2011).

The leases recorded by the Company refer basically to land where eucalyptus is planted. As no land title deed is transferred, the Company determined that the land leases are operating leases. The lease paid to the property lessor is increased to market rent at regular intervals, and the Company does not participate in the residual value of the land; it was determined that substantially all the risks and rewards of the land and buildings are with the lessor. Thus, the Company determined that the leases are operating leases.

22 Administrative and general expenses

	Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Personnel expenses	(43,527)	(8,183)	(43,838)	(8,183)
Service expenses	(39,588)	(211)	(35,965)	(211)
Expenses on sundry materials	(326)	(5,184)	(1,123)	(5,184)
Other	(13,592)	(2,914)	(16,419)	(2,914)
	(97,033)	(16,492)	(97,345)	(16,492)

Personnel expenses increased throughout the year, especially related to the significant increase of the Company's headcount.

General and administrative expenses increased significantly between 2011 and 2012, which is basically due to the increase in legal and sundry consulting services, outsourced labor, technical assistance, provisional warehousing, opening event, surveillance, IT consulting, etc.

23 Finance income (costs), net

	Parent Company		Consolidated	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Interest receivable	-	(307)	-	(307)
Sundry banking costs	(12.518)	(105)	(12.493)	(105)
Short-term investments	9.844	30	9.844	30
Interest páyable	(43.720)	(1.587)	(43.720)	(1.587)
Foreign exchange gains, net	45.559	-	45.559	-
Gain on derivatives	12.008		12.008	
Other	-	7	-	7
	11.173	(1.962)	11.198	(1.962)

The Company posted an increase in finance income, net, especially as a result of foreign exchange gains arising on translating foreign-currency denominated borrowings, and also income on short-term investments.

24 Insurance

The Company has the policy of insuring its property, plant and equipment exposed to risks in amounts considered sufficient to cover possible losses, according to their nature. The Company does not issue its biological assets, as detailed in note 9.

As at December 31, 2012, insurance against engineering risks totaled R$2.5 billion in indemnity ceiling.

The risk assumptions adopted, in view of their nature, are not part of the scope of an audit of financial statements and, therefore, they were not audited by our independent auditor.

25 Risk management and financial instruments

In the normal course of business, the Company is exposed to market risks relating to interest rate and foreign exchange fluctuation, and liquidity risks.

Market risks

The Company is exposed to market risks arising from its business activities. These risks mainly comprise possible changes in foreign exchange and interest rates. The risks are concentrated on its debt to financial institutions and suppliers, related to the construction of the qualifying asset.

a. Interest rate risks

Interest rate risk refers to the potential financial losses that the Company and its subsidiaries could incur due to adverse changes in this risk factor, triggered by different reasons, such as economic crises, changes in sovereign monetary policies, and market fluctuations. The Company has assets and especially liabilities exposed to this risk, in transactions pegged to indices such as the CDI (interbank deposit rate), TJLP (benchmark long-term interest rate), and the IPCA (extended consumer price index), and occasional transactions with fixed positions in relation to some of the indices above that could result in unrealized and/or realized losses caused by mark-to-market. The Company seeks mitigating the interest rate risk by diversifying the contracted indices and making short-term investments with the same indices associated to its liabilities, thus creating a natural hedge.

The interest rate risk is directly linked to the risk of increase in financial charges on Company borrowings and financing, as a result of market fluctuations.

The exposure to interest rate risk refers basically to and financing. The position at December 31, 2012 and December 31, 2011 is as follows:

Sensitivity analysis

For the purpose of providing information on how the market risks to which the Company is exposed at December 31, 2012 would behave, the possible 25% and 50% changes in interest rates on the risk variables, as compared to the probable, are shown below. Management considers that the closing interest rates used to measure Company financial assets and financial liabilities, at the reporting date, represent a probable scenario, whose effects are already recognized in profit or loss. The net results of exposures are as follows:

Type	Average media interest rate and commissions	Company and Consolidated 12/31/2012	Company and Consolidated 12/31/2011
Bank credit notes (ii)	CDI + 0.45% to 0.65% p.m.	503,908	470,358
BNDES - subloan A (iii)	TJLP + 3.32% p.a.	500,390	-
BNDES - subloan G (iii)	TJLP + 2.92% p.a.	137,186	-
BNDES (iii)	TJLP + USD exchange fluctuation	298,017	-
BNDES - subloan K (iii)	TJLP	1,644	-
Debentures (first issue)	110% of CDI	15,600	-
Debentures (second issue)	IPCA + 7.41% p.a.	940,000	-
Short-term investments (repos)	99% of CDI	(280,585)	-
		2,116,160	470,358

Transaction	Risk	Position	Probable	Possible 25%	Remote 50%
Bank credit notes (ii)	CDI + 0.45% to 0.65% p.m.	503,908	-	629,885	755,862
BNDES - subloan A (iii)	TJLP + 3.32% p.a.	500,390	-	625,487	750,585
BNDES - subloan G (iii)	TJLP + 2.92% p.a.	137,186	-	171,482	205,779
BNDES (iii)	TJLP + USD exchange fluctuation	298,017	-	372,521	447,025
BNDES - subloan K (iii)	TJLP	1,644	-	2,055	2,466
Debentures (first issue)	110% of CDI	15,600	-	19,500	23,400
Debentures (second issue)	IPCA + 7.41% p.a.	940,000	-	1,175,000	1,410,000
Short-term investments (repos)	9.5% of CDI	(280,585)	-	-350,731	(420,877)
Net exposure to interest rates		2,116,160	-	2,645,199	3,174,240

Scenarios II and III take into account a 25% and 50% increase in the interest rates, respectively.

The borrowing cost based on the currency basket is defined based on the average funding cost of the Bank in the international market and consists of the UMBNDES plus a basket of currencies that corresponds to a variable interest rate.

The long-term interest rate TJLP was created to serve as benchmark of the basic cost of funding granted by BNDES and at the reporting date was 5.5% per year.

b. *Foreign exchange rate risks*

The foreign exchange rate is the risk that foreign exchange rate variations make the Company incur unexpected losses, leading to a decrease in assets or an increase in liabilities.

The main Company exposures refer to the US dollar, euro, and Swedish krona fluctuations in relation to the Brazilian real.

As at December 31, 2011, the US dollar, euro, and Swedish krona quotations were R$1.8758, R$2.4342, and R$0.2732, respectively, and at December 31, 2012 were R$2.0429, R$2.6954, and R$0.3138, respectively.

As at December 31, 2012, the foreign exchange fluctuation risks concentrates in line items 'Advances to suppliers' and 'Trade payables'.

To hedge against the foreign exchange volatility risk, the Company seeks balancing the amounts of assets and liabilities in foreign currencies.

The Company's assets and liabilities exposed to the foreign exchange risk, and the effects of exchange fluctuation on property, plant and equipment items at December 31, 2012 are as follows:

Company

	12/31/2012	**12/31/2011**
Trade payables (US$)	3	204,312
Trade payables (euro)	144	-
Trade payables (Chinese renminbi)	10	-
Non-deliverable Forwards (US$)	105,000	
Total – advances to suppliers	105,157	204,312
Trade payables (US dollar)	(6,317)	(902)
Trade payables (euro)	(159,500)	(28,506)
Trade payables (Swedish krona)	(6,915)	(1,545)
Total trade payables	(172,732)	(30,953)
Total net exposure	(67,575)	173,359)

The risk of foreign exchange variation may result in losses for the Company due to a possible decrease in its assets.

The Company does not have any financial instruments to hedge its foreign exchange transactions.

Sensitivity analysis

For the purpose of providing information on how the market risks to which the Company is exposed at September 30, 2012 would behave the possible 25% and 50% changes in interest rates on the risk variables, as compared to the probable, are shown below. Management considers that the closing quotations used to measure Company financial assets and financial liabilities, at the reporting date, represent a probable scenario, whose effects are already recognized in profit or loss. The net results of exposures and the related derivatives are as follows:

Company

Transaction	Risk	Position	25%	50%
NDFs		105,000	131,250	164,063
Advances to suppliers	R$ depreciation	157	39	79
Foreign trade payables	R$ depreciation	(172,732)	(215,915)	(302,281)
Net exposure to currency risk		(67,575)	(84,626)	(138,139)

Transaction	Risk	Position	25%	50%
NDFs		105,000	131250	164,063
Advances to foreign suppliers	R$ depreciation	157	39	79
Foreign trade payables	R$ depreciation	(172,732)	(215,915)	(302,281)
Net exposure to currency risk		(67,575)	(84,626)	(138,139)

Derivative financial instruments

As at December 31, 2012 the only outstanding derivatives held by the Company are NDFs (non-deliverable forwards), maturing between February 2 and July 1, 2013, entered into with Banco BTG Pactual. The purpose of these contracts is to mitigate the volatility in US dollar sales during the first months of operation.

Outstanding derivatives

	Notional amount			Notional amount	
NDFs	**US dollar**	**Real**	**Maturity**	**US dollar**	**Real**
Long position (US$)	105,000	214,568	01/02/13 to 07/01/13	3,613	1,768

Settled derivatives

	Notional amount			Notional amount	
NDFs	**US dollar**	**Real**	**Maturity**	**US dollar**	**Real**
Long position (US$)	325,000	664,138	01/02/13 to 07/01/13	1,000	2,044

In the same year, the Company settled NDFs entered into with Banco Santander, at the fair value of R$8,394. These contracts were used to mitigate the exposure of ECA borrowings and were settled on the same date of the funds were credited, December 28, 2012.

c. *Credit risk:*

Credit risk is the risk that the Group may incur losses on a financial instrument arising from the failure of the customer or counterparty to perform contractual obligations. The risk basically refers to trade receivables and financial instruments, as described below.

Exposure to credit risk
The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk on the reporting dates was:

	Company		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Trade receivables	7,529	-	4,727	585
Receivables from related parties	41,005	41,287	41,005	41,287
	48,534	41,287	45,732	41,872

The Company is exposed to wood price volatility, resulting from factors beyond management control, such as climate factors, offer volume, transportation costs, forestry policies, etc. To ensure the supply of the raw material necessary for the operation of its plant, the Company has been entering into partially prepaid wood supply contracts for future delivery.

Company	12/31/12	12/31/11
Estimated amount of firm contracts - R$	380,902	387,498
Advances made	(73,366)	(46. 426)
Total	307,536	341,072

The risks of changes in prices are mitigated by the actual delivery of wood, when the trade payable and the related inventory is recognized, both at a price set when the contract is closed. Thus, according to the delivery schedule, as the wood inventories are not yet fully delivered, there is no payment obligation and, particularly, there is no risk of wood price fluctuation.

The risks of not receiving the wood are mitigated by the continuous monitoring of forest development by Company specialists.

d. *Liquidity risk*

The liquidity risk results from the management of the Company's working capital and the amortization of the debt instruments' principal and interest thereon.

The Company manages its capital based on capital structure optimization parameter, focused on liquidity and leverage metrics that allow a return to shareholders in the average term consistent with the risks assumed in the operation.

The Company has a technical function specialized in cash flow management to mitigate the liquidity risk.

The contracts entered into by the Company with equipment suppliers are settled with own funds or debt capital, including loans from BNDES and foreign export credit agencies (ECAs). On September 30, 2012, Company shareholders contributed the funds initially forecast and the Company received funds from outside financing sources. BNDES disbursed R$730 million on March 13, 2012, R$229.2 on April 25, 2012, R$40 million on May 16, 2012, R$178 million on May 28, 2012, R$40 million on June 12, 2012, R$147.6 million on June 26, 2012, R$194 million on July 16, 2012, 129 million on August 10, 2012, and R$91 million on September 11, 2012. The amounts from the ECAs were disbursed on December 28, 2012, totaling R$889 million.

The table below shows the fair value of the Company's financial liabilities and their maturities:

Company

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Fair value
At December 31, 2012					
Trade payables	342,019	-	-	-	342,019
Borrowings and financing	628,613	849,865	921,968	2,287,299	4,687,745
(-) Cash and cash equivalents:	(593,883)				(593,883)
Total	376,749	849,865	921,968	2,287,299	4,435,881
At December 31, 2011					
Trade payables	171,718	-	-	-	171,718
Borrowings and financing	478,766	5,019	50,149	23,565	557,499
(-) Cash and cash equivalents:	(1,900)				(1,900)
Total	648,584	5,019	50,149	23,565	727,317

Consolidated

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Fair value
At December 31, 2012					
Trade payables	342,019	-	-	-	342,019
Borrowings and financing	628,613	849,865	921,968	2,287,299	4,687,745
(-) Cash and cash equivalents:	(595,799)	-	-	-	(595,799)
Total	374,833	849,865	921,968	2,287,299	4,435,881
At December 31, 2011					
Trade payables	171,718	-	-	-	171,718

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years	Fair value
Borrowings and financing	478,766	5019	50,149	23,565	557,499
(-) Cash and cash equivalents:	1,974	-	-	-	1,974
Total	652,458	5,019	50,149	23,565	731,191

e. *Fair value of financial instruments*

Financial assets and financial liabilities are presented in the financial statements at their carrying amounts and the related accrued income or expenses are accounted for according to their expected realization or settlement.

Under CPC 40/IFRS 7 *Financial Instruments: Disclosures*, the Company and its subsidiaries classify fair value measurement by the levels in the fair value hierarchy that reflect the importance of the indices used in this measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and valuation techniques that use market inputs.

Level 3: inputs for the asset or liability that are not based on observable market data. The Company and its subsidiaries do not have instruments in this measurement level.
The table below shows the classification per risk level:

Company:

	12/31/2012			12/31/2011		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Cash and cash equivalents	593,883	-	-	1,900	-	-
Non-deliverable Forwards (NDFs)		3,613				
Total assets	593,883	3,613	-	1,900	-	-

Consolidated:

	12/31/2012			12/31/2011		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Cash and cash equivalents	595,799	-	-	1,974	-	-
Non-deliverable Forwards (NDFs)		3,613				
Total assets	595,799	3,613	-	1,974	-	-

Breakdown of the balances of financial instruments per category and fair value:

Company:	**12/31/2012**		**12/31/2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Fair value through profit or los				
Cash and cash equivalents	593,883	593,883	1,900	1,900
Loans and receivables				
Trade receivables	7,529	7,529	585	585
Receivables from related parties	41,005	41,005	41,287	41,287
Total financial assets	642,417	642,417	43,772	43,772

	12/31/2012		**12/31/2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Liabilities				
Liabilities at amortized cost				
Borrowings and financing	4,687,745	4,687,745	557,449	557,449
Intragroup borrowings	-	-	470,763	470,763
Trade payables	342,019	342,019	171,718	171,718
Total financial liabilities	5,029,764	5,029,764	1,199,930	1,199,930

Consolidated

	12/31/2012		**12/31/2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets				
Fair value through profit or los				
Cash and cash equivalents	595,799	595,799	1,974	1,974
Loans and receivables				
Trade receivables	4,727	4,727	585	585
Receivables from related parties	41,005	41,005	41,287	41,287
Total financial assets	641,531	641,531	43,846	43,846

	12/31/2012		**12/31/2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Liabilities				
Liabilities at amortized cost:				
Borrowings and financing	4,687,745	4,687,745	557,449	557,449
Intragroup borrowings	-	-	470,763	470,763
Trade payables	342,019	342,019	171,718	171,718
Total financial liabilities	5,029,764	5,029,764	1,199,930	1,199,930

	12/31/2012	**12/31/2011**
Total borrowings and financings	4,687,745	1,028,262
(-) Shareholder loans (i)	-	(470,763)
(-) Borrowings subsidized by the BNDES (i)	(2,243,133)	-
(-) Financing from Export Credit Agency (ECA) (i)	(772,026)	-
(-) Debentures (i)	(955,600)	-
(-) Short-term borrowings (ii)	(605,425)	(478,766)
Total financial liabilities	111,561	78,733

The Company shows that the carrying amounts of financial instruments approximate their fair values due to (i) the absence of an active market for such instruments; (ii) borrowings with short-term maturities, presented net when the impact of fair value measurement is immaterial.

Executive Committee

José Carlos Grubisich Filho
CEO

Marcos Paletta Camara
Chief Financial Officer and
Investor Relations Officer

Carlos Roberto Paiva Monteiro
Industrial Technical Officer

Reginaldo Nunes Gomes
Sales Officer

Germano Aguiar Vieira
Forest Officer

Board of Directors

Joesley Mendonça Batista
Chairman of the Board

Wesley Mendonça Batista
Vice Chairman of the Board

Humberto Pires Grault Vianna de Lima
Director

Eduardo Dias Luz
Director

Luís Carlos Fernandes Afonso
Director

Marcus Vinicius Pratini de Moraes
Director

Miguel João Jorge Filho
Director