(Convenience Translation into English from the Original Previously Issued in Portuguese)

Klabin S.A. and Subsidiaries

Financial Statements for the Year Ended December 31, 2011, and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua José Guerra, 127
04719-030 - São Paulo - SP
Brasil

Tel.: +55 (11) 5186-1000
Fax: +55 (11) 5181-2911
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Klabin S.A.
São Paulo - SP

We have audited the accompaying individual and consolidated accompanying financial statements of Klabin S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2011, 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 the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Klabin S.A. as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Klabin S.A. as of December 31, 2011, and its consolidated financial performance and it 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 with accounting practices adopted in Brazil.

Emphasis of matter

As described in Note 2, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Klabin S.A. these practices differ from IFRSs, applicable to the individual financial statements, only with respect to the valuation of investments in subsidiaries under the equity method of accounting, while for IFRS purposes these investments would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

As mentioned in note 2.4, the Company restated its consolidated financial statements for the year ended December 31, 2010 regarded to the accounting treatment of the shareholders investing in SCPs, in order to allow better comparability between the years.

Other matters

Statement of value added

We have also audited the individual and consolidated statement of value added ("DVA"), for the year ended December 31, 2011, prepared under the responsibility of the Company's management, 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 a presentation of 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.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 29, 2012

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Gilberto Grandolpho
Engagement Partner

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

BALANCE SHEETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 01, 2010
(In thousands of Brazilian reais - R$)

	Related Notes	Company			Consolidated		
Assets		**12/31/2011**	**12/31/2010**	**01/01/2010**	**12/31/2011**	**12/31/2010 Adjusted**	**01/01/2010 Adjusted**
Current assets							
Cash and cash equivalents	4	2,146,456	2,268,816	1,697,278	2,341,064	2,531,105	1,841,652
Short-term investments	5	221,260	198,222	209,874	221,260	198,222	209,874
Receivables							
. Trade accounts receivable	6	639,116	597,488	534,709	854,939	784,725	688,665
. Allowance for doubtful accounts	6	(33,665)	(30,689)	(27,283)	(33,791)	(30,764)	(27,537)
. Related parties	7	326,453	312,598	157,067	-	-	-
Inventories	8	465,026	427,231	403,090	506,218	460,128	470,615
Recoverable taxes	9	95,264	125,974	290,749	100,619	131,102	294,268
Prepaid expenses – Related parties	7	10,211	13,242	15,963	10,211	13,242	15,963
Prepaid expenses - Third parties		9,750	9,704	8,460	12,174	14,256	14,328
Other current assets		70,239	21,765	22,013	70,788	25,131	28,369
Total of current assets		3,950,110	3,944,351	3,311,920	4,083,482	4,127,147	3,536,197
Noncurrent assets							
Receivables - Related parties	7	2,059	5,216	7,696	760	1,220	1,727
Escrow deposits	16	101,111	89,388	80,712	102,457	90,698	81,932
Recoverable taxes	9	136,752	131,621	164,673	136,752	131,621	164,673
Other noncurrent assets		152,351	122,651	105,183	160,163	124,458	111,393
Investments							
. Investments in subsidiaries	11	2,276,348	1,793,958	1,778,638	606,487	-	-
. Other investments		11,542	11,542	11,542	11,542	11,542	11,552
Property, plant and equipment	12	4,003,878	3,932,348	3,905,330	4,917,083	5,004,023	4,996,892
Biological assets	13	1,361,751	1,394,938	1,326,757	2,715,769	2,762,879	2,491,169
Intangible assets		7,100	7,655	6,365	7,100	7,655	6,365
Total of noncurrent assets		8,052,892	7,489,317	7,386,896	8,658,113	8,134,096	7,865,703
Total of assets		**12,003,002**	**11,433,668**	**10,698,816**	**12,741,595**	**12,261,243**	**11,401,900**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BALANCE SHEETS AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 01, 2010
(In thousands of Brazilian reais - R$)

	Related Notes	**Company**			**Consolidated**		
		12/31/2011	**12/31/2010**	**01/01/2010**	**12/31/2011**	**12/31/2010 Adjusted**	**01/01/2010 Adjusted**
Liabilities and Shareholders' Equity							
Current							
Loans and Financing	14	910,497	805,215	683,473	910,497	842,121	802,312
Trade Accounts Payable	15	326,926	265,137	185,420	335,045	269,839	189,696
Taxes, Charges and Contributions Payable		35,113	36,677	47,284	40,426	40,669	50,399
Allowance for Income tax and social contribution	10	17,251	-	-	56,852	37,013	1,622
Salaries, Vacation and Payroll Charges		101,623	92,612	68,260	103,121	93,542	68,859
Related Parties Liabilities	7	97,549	21,864	65,162	2,540	2,392	2,202
Accounts Payable - REFIS	16	430,213	349,340	331,685	430,213	349,340	331,685
Other Accounts Payable and Provisions		43,623	47,037	49,623	53,912	55,997	57,844
Total of current liabilities		1,962,795	1,617,882	1,430,907	1,932,606	1,690,913	1,504,619
Noncurrent Liabilities							
Loans and Financing	14	4,386,839	4,014,976	3,914,754	4,386,839	4,014,976	3,925,637
Deferred Income Tax and Social Contribution	10	535,498	644,909	489,033	1,101,160	1,235,635	1,047,513
Reserve for Tax, Social Security, Civil and Labor	16	99,646	102,147	138,725	99,646	102,147	138,725
Accounts payable - SCP investors		-	-	-	200,014	160,417	56,665
Other Liabilities		59,922	59,669	63,238	63,028	63,070	66,582
Total of noncurrent liabilities		5,081,905	4,821,701	4,605,750	5,850,687	5,576,245	5,235,122
Shareholders' Equity							
Capital		2,271,500	1,500,000	1,500,000	2,271,500	1,500,000	1,500,000
Capital Reserves		-	84,491	84,491	-	84,491	84,491
Revaluation Reserves		50,691	51,404	52,117	50,691	51,404	52,117
Earnings Reserves		1,692,542	2,403,120	2,001,024	1,692,542	2,403,120	2,001,024
Valuation Adjustments to Equity		1,085,045	1,083,423	1,104,337	1,085,045	1,083,423	1,104,337
Treasury shares		(141,476)	(128,353)	(79,810)	(141,476)	(128,353)	(79,810)
Total of Shareholder´s Equity	17	4,958,302	4,994,085	4,662,159	4,958,302	4,994,085	4,662,159
Total of noncurrent liabilities and shareholder´s equity		**12,003,002**	**11,433,668**	**10,698,816**	**12,741,595**	**12,261,243**	**11,401,900**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R$, except earnings per thousand shares)

	Related	Company		Consolidated	
	Notes	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Net revenue from sales	18	3,784,363	3,566,936	3,889,151	3,663,317
Change in fair value of biological assets	13	109,810	220,610	270,577	448,625
Cost of sales	19	(2,867,795)	(2,761,192)	(2,827,442)	(2,741,103)
Gross profit		1,026,378	1,026,354	1,332,286	1,370,839
Operating income (expenses)					
Selling	19	(253,456)	(242,824)	(321,055)	(300,153)
General and administrative	19	(244,283)	(209,085)	(249,405)	(214,876)
Other, net	19	51,450	3,781	35,308	(34,421)
		(446,289)	(448,128)	(535,152)	(549,450)
Equity in subsidiaries	11	131,423	146,688	(429)	-
Income from operations before financial income (expenses)		(3,182,661)	(3,062,632)	(3,363,023)	(3,290,553)
Financial income (expenses)					
Financial income	20	335,412	206,000	346,031	213,162
Financial expenses	20	(818,275)	(159,497)	(846,599)	(184,944)
		(482,863)	46,503	(500,568)	28,218
Income from operations before income tax and social contribution		228,649	771,417	296,137	849,607
Income tax and social contribution					
. Current	10	(154,974)	(54,593)	(215,770)	(100,545)
. Deferred	10	109,046	(157,048)	102,354	(189,286)
		(45,928)	(211,641)	(113,416)	(289,831)
Net income from continuing operations		**182,721**	**559,776**	**182,721**	**559,776**
Basic/diluted earnings per common share (R$)	21	0.1930	0.5852	0.1930	0.5852
Basic/diluted earnings per preferred share (R$)	21	0.2123	0.6436	0.2123	0.6436

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
				Adjusted
Net income	**182,721**	**559,776**	**182,721**	**559,776**
Foreign currency translation adjustments	1,622	(2,304)	1,622	(2,304)
Comprehensive income, net of taxes	**184,343**	**557,472**	**184,343**	**557,472**
Total comprehensive income attributable to:				
.Owners of the Company	**184,343**	**557,472**	**184,343**	**557,472**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R$)

Company and Consolidated

		Capital reserves		**Revaluation reserve**	**Earnings reserves**							
	Capital	Tax incentives	Special Law 8200/91	Of own assets	Legal	Biological Assets	Proposed dividends	Bylaws	Valuation adjustments to equity	Treasury shares	Retained earnings	**Controlling interests**
Balances as of December 31, 2009 – adjusted	**1,500,000**	**505**	**83,986**	**52,117**	**159,667**	**1,128,171**	**57,002**	**656,184**	**1,104,337**	**(79,810)**	**-**	**4,662,159**
Net income											**559,776**	**559,776**
Other comprehensive income									(2,304)			**(2,304)**
Total comprehensive income	-	-	-	-	-	-	-	-	(2,304)	-	559,776	**557,472**
Revaluation reserve				(713)							713	-
Acquisition of treasury shares										(48,543)		**(48,543)**
. Supplementary 2009 dividends approved at AGO							(57,002)					**(57,002)**
Allocation of net income:												
Realization of unrealized earnings reserve - biological assets						(134,742)					134,742	-
Realization of unrealized earnings reserve - biological assets (subsidiaries)						(68,709)					68,709	-
Transfer of unrealized income to unrealized earnings reserve - biological assets						145,605					(145,605)	-
Transfer of unrealized income to unrealized earnings reserve - biological assets (subsidiaries)						150,488					(150,488)	-
Realization of deemed cost of property, plant and equipment (subsidiaries) (*)									(18,610)		18,610	-
. Interim dividends											(120,001)	**(120,001)**
. Supplementary 2010 dividends - proposed							70,002				(70,002)	-
. Recognition of reserves					27,989			268,465			(296,454)	-
Balances as of December 31, 2010 - adjusted	**1,500,000**	**505**	**83,986**	**51,404**	**187,656**	**1,220,813**	**70,002**	**924,649**	**1,083,423**	**(128,353)**	**-**	**4,994,085**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

Company and Consolidated

		Capital reserves		Revaluation reserve	Earnings reserves							
	Capital	Tax incentives	Special Law 8200/91	Of own assets	Legal	Biological Assets	Proposed dividends	Bylaws	Valuation adjustments to equity	Treasury shares	Retained earnings	**Controlling interests**
Balances as of December 31, 2010 - adjusted	**1,500,000**	**505**	**83,986**	**51,404**	**187,656**	**1,220,813**	**70,002**	**924,649**	**1,083,423**	**(128,353)**	**-**	**4,994,085**
Net income											**182,721**	**182,721**
Other comprehensive income									1,622			**1,622**
Total comprehensive income	-	-	-	-	-	-	-	-	1,622	-	182,721	**184,343**
Capital increase using reserves - approved by the AGE	771,500	(505)	(83,986)		(187,009)			(500,000)				-
Revaluation reserve				(713)							713	-
Acquisition of treasury shares										(13,123)		**(13,123)**
. Supplementary 2010 dividends approved at AGO							(70,002)					**(70,002)**
Allocation of net income (related notes 18):												
Realization of unrealized earnings reserve - biological assets						(113,577)					113,577	-
Realization of unrealized earnings reserve - biological assets (subsidiaries)						(66,226)					66,226	-
Transfer of unrealized income to unrealized earnings reserve - biological assets						72,475					(72,475)	-
Transfer of unrealized income to unrealized earnings reserve - biological assets (subsidiaries)						106,106					(106,106)	-
. Interim dividends											(137,001)	**(137,001)**
Reversal of investment and working capital reserve for distribution								(41,479)			41,479	-
. Supplementary 2011 dividends - proposed							79,998				(79,998)	-
. Recognition of reserves					9,136			-			(9,136)	-
Balances as of December 31, 2011	**2,271,500**	**-**	**-**	**50,691**	**9,783**	**1,219,591**	**79,998**	**383,170**	**1,085,045**	**(141,476)**	**-**	**4,958,302**

(*) Included in equity in subsidiaries.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

STATEMENTS OF CASH FLOWS
OR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
				Adjusted
Cash flows from operating activities	**718,881**	**732,421**	**728,920**	**910,465**
Cash Flow Provided by Operations	**694,537**	**742,531**	**704,972**	**706,210**
. Net income	182,721	559,776	182,721	559,776
. Depreciation and amortization	234,524	222,332	235,960	223,639
. Change in fair value - biological assets	(109,810)	(220,610)	(270,577)	(448,625)
. Biological assets depletion	189,977	220,647	311,808	337,100
. Deferred income tax and social contribution	(109,046)	157,048	(102,354)	189,286
. Realization of deemed cost - land	-	-	-	28,197
. Interest and Exchange Variation on Loans and Financing	681,733	107,773	681,803	108,452
. Payment of Interest on Loans and Financing	(255,457)	(280,324)	(255,924)	(281,723)
. Interest provision - REFIS	96,402	17,655	96,402	17,655
. Gains/losses on Disposal of Assets	(55,596)	2,496	(55,596)	2,496
. Equity in Subsidiaries	(131,423)	(146,688)	429	-
. Income received from subsidiaries	54,442	138,168	-	-
. Income Tax and Social Contribution Paid	(67,453)	(34,578)	(111,607)	(36,093)
. Other	(16,477)	(1,164)	(8,093)	6,050
Changes in Assets and Liabilities	**24,344**	**(10,110)**	**23,948**	**204,255**
. Trade accounts receivable	(55,483)	(218,310)	(70,214)	(96,060)
. Inventories	(21,778)	(24,141)	(12,523)	(32,244)
. Recoverable taxes	109,259	232,405	153,186	232,311
. Short term investments	(23,038)	11,652	(23,038)	11,652
. Prepaid expenses	2,985	(2,237)	5,113	(872)
. Other Assets	(86,740)	(14,518)	(92,661)	(12,599)
. Trade accounts payable	1,917	36,419	5,334	80,333
. Taxes, Charges and Contributions Payable	15,687	(10,607)	19,596	24,497
. Salaries, vacation and payroll charges	9,011	24,352	9,579	24,683
. Other Liabilities	72,524	(45,125)	29,576	(27,446)
Cash flows from investing activities:	**(671,984)**	**(329,852)**	**(721,237)**	**(384,756)**
. Purchase of property, plant and equipment	(268,369)	(258,731)	(277,667)	(266,489)
. Cost of planting biological assets,	(62,997)	(65,084)	(117,747)	(119,108)
. Sale of Property, Plant and Equipment	102,600	841	102,600	841
. Investments Acquisition and Payment of Capital in Subsidiaries	(443,218)	(6,878)	(428,423)	-
Cash flows from financing activities:	**(169,257)**	**168,969**	**(197,724)**	**163,744**
. Loans and Financing	827,379	1,016,656	827,379	1,042,934
. Repayment of Loans and Financing	(776,510)	(622,141)	(813,019)	(740,515)
. Acquisition of Treasury Shares	(13,123)	(48,543)	(13,123)	(48,543)
. Investments by SCP’s investor	-	-	10,420	90,122
. Payments to SCP’s investor	-	-	(2,378)	(3,251)
. Dividends paid	(207,003)	(177,003)	(207,003)	(177,003)
Increase (Decrease) in cash and cash equivalents	**(122,360)**	**571,538**	**(190,041)**	**689,453**
Cash and cash equivalents at beginning of year	**2,268,816**	**1,697,278**	**2,531,105**	**1,841,652**
Cash and cash equivalents at end of year	**2,146,456**	**2,268,816**	**2,341,064**	**2,531,105**

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

STATEMENTS OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Revenue				**Adjusted**
. Sales of Goods, Products and Services	4,776,743	4,505,199	4,895,966	4,617,497
. Change in Fair Value of Biological Assets	109,810	220,610	270,577	448,625
. Other Income	102,600	841	102,600	5,757
. Allowance for Doubtful Accounts	(2,976)	(3,407)	(3,026)	(3,227)
	4,986,177	**4,723,243**	**5,266,117**	**5,068,652**
Inputs Purchased from Third Parties				
. Cost of Products, Goods and Services Sold	(1,168,250)	(1,272,783)	(1,022,701)	(1,152,569)
. Supplies, Power, Outside Services and Other	(1,879,727)	(1,613,219)	(1,955,654)	(1,711,570)
	(3,047,977)	**(2,886,002)**	**(2,978,355)**	**(2,864,139)**
Gross Value Added	**1,938,200**	**1,837,241**	**2,287,762**	**2,204,513**
Retentions				
. Depreciation, Amortization and Depletion	(424,501)	(442,977)	(547,768)	(560,739)
Net Value Added Created	**1,513,699**	**1,394,264**	**1,739,994**	**1,643,774**
Value Added Received in Transfer				
. Equity in Subsidiares	131,423	146,688	(429)	-
. Financial income included exchange variation	335,412	372,660	346,031	379,856
	466,835	**519,348**	**345,602**	**379,856**
Total Value Added for Distribution	**1,980,534**	**1,913,612**	**2,085,596**	**2,023,630**
Value Added Distribution:				
Employees and Labor Charges				
. Direct Compensation	394,768	355,632	403,542	357,401
. Benefits	97,480	76,369	97,831	77,997
.Severance Pay Fund - FGTS	36,750	27,843	36,841	27,843
	528,998	**459,844**	**538,214**	**463,241**
Taxes, Charges and Contributions				
. Federal	382,688	488,944	450,210	570,084
. State	60,167	71,229	60,167	71,230
. Municipal	7,685	7,662	7,685	7,661
	450,540	**567,835**	**518,062**	**648,975**
Third Parties Capital Compensation				
. Interest	818,275	326,157	846,599	351,638
	818,275	**326,157**	**846,599**	**351,638**
Shareholders Capital Compensation				
. Dividends	137,001	190,003	137,001	190,003
. Retained Earnings for the year	45,720	369,773	45,720	369,773
	182,721	**559,776**	**182,721**	**559,776**
	1,980,534	**1,913,612**	**2,085,596**	**2,023,630**

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

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

1 GENERAL INFORMATION

Klabin S.A. (the "Company") and its subsidiaries are engaged in the following sectors of the pulp and paper industry to serve the domestic and foreign markets: wood supply, packaging paper, paper sacks, and corrugated cardboard boxes. Their operations are integrated from forestation to production of final products. Klabin is a publicly-held corporation whose shares are traded on São Paulo Stock Exchange (BM&FBOVESPA). The Company is domiciled in Brazil and headquartered in São Paulo.

The Company also has investments in Special Purposes Entities (SCPs) for the specific purpose of raising funds from third parties to support reforestation projects. The Company, as an ostensible partner, has contributed with forest assets, composed basically of forests and land, by means of the granting of use, while the other investing shareholders have contributed cash to these companies. These SCPs entitle Klabin S.A. a preemptive right to acquire forestry products at market price and conditions.

The Company also has ownership interests in other companies (notes 3 and 11), whose operational activities are related to the Company's business objectives.

These financial statements were approved by the Company's Board of Directors on February 29, 2012.

1.1 Acquisition of Florestal Vale do Corisco Ltda.

As mentioned in the Significant Event Notice published on November 4, 2011, the Company acquired with Arauco Forest Brasil S.A. ("Arauco"), through its subsidiary Centaurus Holdings S.A. ("Centaurus"), 100% of the shares in Florestal Vale do Corisco Ltda. ("Vale do Corisco"), for the amount of R$808,779 (equivalent to USD 458.3 million), fully paid on the date of acquisition, November 17, 2011.

For the acquisition of such investment, the Company and Arauco contributed with R$427,831 and R$411,073, respectively, totaling R$838,924, to Centaurus' capital. Centaurus, which before November 2011 was fully controlled by the Company, is currently considered a joint venture and, as established by CVM 666/CPC 19 (R1) – Joint Arrangements, was not considered for consolidation purposes in the consolidated financial statements; rather, it was recognized as an investment under the equity method.

Vale do Corisco, a company operating in the forestry segment and specialized in the cultivation and sale of timber, owns 107 thousand hectares of land in Parana State, of which 63 thousand hectares are occupied by pine and eucalyptus forests. With the acquisition mentioned above and considering the Company's interest in the forest area of its jointly-owned subsidiary Centaurus, the Company's forest planted area totals 243 thousand hectares, of which 110 thousand hectares are available for the development of new industrial projects.

In 2012 the purchase price allocation between the assets and liabilities acquired and the goodwill generated in the operation by Centaurus will be properly made with the assistance of engaged specialists, in accordance with the definition and period permitted by CPC 15 – Business Combinations. The information related to the purchase price allocation shown below is based on the fair value of the identifiable assets and assumed liabilities. As such information is preliminary, it may be reviewed and changes could be significantly:

Purchase Price	**808,779**
Cost of property, plant and equipment (Land)	88,345
Cost of biological assets	152,163
Cost of other assets and assumed liabilities, net	(34,302)
Adjustment to fair value of property, plant and equipment (land)	183,756
Adjustment to fair value of biological assets	277,179
Deferred income tax and social contribution on the fair value adjustments above	(156,718)
Net assets and liabilities acquired	**510,423**
Goodwill based on future earnings	**298,356**

The future allocation of goodwill does not impact the presentation of the individual and consolidated financial statements referred to above as the amounts are recorded in the balance sheet as investments in which the Company holds interest of 57% (note 3).

The goodwill is mainly attributable to the synergy of the Company's operations on the acquisition of land close to its plant in Paraná State and future development of new industrial projects.

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

2.1 Basis of presentation of financial statements

The Company presents the consolidated financial statements in conformity with the International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and the accounting practices adopted in Brazil, based on the standards issued by the Accounting Pronouncements Committee (CPC), fully convergent with the IFRSs, and the standards established by the Brazilian Securities and Exchange Commission (CVM).

The Individual Financial Statements ("Company") were prepared based on accounting practices adopted in Brazil, which differ from the accounting practices used to prepare the consolidated Interim Financial Information prepared only with respect to the valuation of investments in subsidiaries under the equity method, instead of valuation at cost or fair value.

2.2 Summary of significant accounting practices

The significant accounting practices adopted by the Company and its subsidiaries can be summarized as follows:

a) Functional currency and translation of foreign currencies

The financial statements are presented in Brazilian reais (R$), which is the Company and its subsidiaries' functional and presentation currency.

(i) Transactions and balances

Foreign currency transactions are originally recorded at the exchange rate prevailing on the transaction date. Gains and losses resulting from the difference between the translation of assets and liabilities in foreign currency at the balance sheet date are recognized in the Company's income statement.

(ii) Foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated based on the exchange rate of the reporting currency set by the Company at the balance sheet date and the corresponding income statements are translated based on the exchange rate on the transaction dates.

In the subsidiaries classified as independent entities, exchange differences arising from translation are separately recorded in a line item in shareholders' equity under "Valuation adjustments to equity" (comprehensive income/loss). Upon the sale of a foreign subsidiary, the accumulated deferred amount recognized in shareholders' equity relating to this foreign subsidiary is recognized in the income statement.

b) Cash and cash equivalents

Comprise cash, banks, and highly liquid short-term investments, immediately convertible into a known cash amount, and subject to an insignificant risk of change in value.

c) Financial instruments

Originally recognized at fair value plus, transaction costs that are directly attributable to their acquisition or issuance of financial assets or financial liabilities, other than financial assets or financial liabilities at fair value in profit or loss. They are subsequently measured at the balance sheet date based on the classification of financial instruments into the following categories: 1) financial asset, (i) measured at fair value through income or loss, (ii) held-to-maturity investments, (iii) loans and receivables, (iv) available-for-sale; and (2) financial liability, (i) measured at fair value through income or loss, and (ii) others financial liabilities.

(i) Securities

Securities are available for sale and recorded including financial income (income/loss), which approximate their fair values.

(ii) Loans and financing

This balance corresponds to the amount of funds raised, plus interest and charges proportional to the period incurred, less installments paid, and includes the exchange rate change on the liability, if applicable.

Interest is measured using the effective interest rate method and recorded as “financial expenses”, as well as the adjustment for inflation and foreign exchange rate on the balance of outstanding loans and financing.

d) Trade accounts receivable

Stated at the original amounts of trade accounts receivable from sales of products, plus foreign exchange changes, when applicable. The allowance for doubtful accounts is recorded based on an individual analysis of receivables and in an amount considered sufficient by Management to cover possible losses on collection of receivables that can be changed as a result of the recovery of receivables from defaulting customers or change in the customers’ financial condition.

The adjustment to present value of the balance of trade accounts receivable is immaterial due to the short realization period.

e) Inventories

Inventories are stated at average cost, net of taxes, when applicable, and at the fair value of biological assets on the cut-off date, which is lower than net recoverable values. Inventory of finished products comprise processed raw materials and direct labor and production costs on inventory valuation.

When necessary, inventories are reduced by the inventory losses provision, which is recognized for inventory devaluation, obsolescence of products and physical inventory loss. In addition, because of the nature of the Company’s products, obsolete finished products may be recycled for reuse in production.

f) Income tax and social contribution

Current and deferred income tax is calculated at the rate of 15%, plus a 10% surtax on taxable income exceeding R$240, and current and deferred social contribution is calculated at the rate of 9% on taxable income. Balances are recorded in the Company’s income on the accrual basis.

Prevailing tax rates used to determine deferred income tax are similar to those used for current taxes.

Deferred income tax and social contribution are recorded in the financial statements at the net amount of noncurrent assets or liabilities, arising basically from temporarily nondeductible provisions and taxes challenged in court, both in the Company’s assets and liabilities, deferred foreign exchange changes (Company) and adjustments included in the Transitional Tax Regime (RTT) such as: deemed cost of property, plant and equipment (land), measurement of biological assets at fair value (note 13), changes in depreciation rates of property, plant and equipment (note 12) and amortization of deferred assets.

The provision for current income and social contribution taxes is stated in the balance sheet net of tax prepayments made in the year.

g) Investments (Company)

Represented by investments in subsidiaries and jointly-owned subsidiaries accounted for using the equity method based on the Company's ownership interest in these companies. The financial statements of the subsidiaries and jointly-owned subsidiaries are prepared for the reporting period equivalent to the Company's reporting period. The accounting practices are adjusted to conform to the accounting practices adopted by the Company, when necessary.

Intercompany unrealized gains and losses are eliminated for purposes of equity accounting in the Company's balance sheet and consolidation and jointly-owned subsidiaries, proportionately to the interest held in the subsidiary.

At each balance sheet date, the Company determines whether there is objective evidence that the investment in the subsidiary and jointly-owned subsidiaries is impaired. If applicable, the Company calculates the amount of the impairment loss and recognizes it in the income statement.

Exchange rate changes on the investment in foreign subsidiaries that cannot be characterized as branches are recognized as valuation adjustments to equity and realized at the time of the respective investment realization.

In the Company's consolidated financial statements, interests of shareholders investing in Silent Partnerships (notes 3 and 11) are stated in the balance sheet as liabilities, under line item "Accounts payables - SCP investors", as they are financial liabilities, rather than equity instruments, pursuant to CPC 39 – Financial instruments: Disclosure.

The Company's management qualifies Silent Partnerships (note 3) as companies on their own, with characteristics of subsidiaries, which are recorded in the Company's individual financial statements by recording investments in subsidiaries under the equity method of accounting.

h) Property, plant and equipment

Stated at acquisition or construction cost, less taxes to be offset, when applicable, and accumulated depreciation. Additionally, as elected by the Company on the first-time adoption of IFRS, property, plant and equipment was measured at fair value, based on the adoption of the deemed cost of property, plant and equipment.

Depreciation is calculated on a straight-line basis taking into consideration the estimated useful lives of the assets, based on the expectation of future economic benefits, except for land, which is not depreciated. The estimated useful lives of the assets is annually reviewed and adjusted, if necessary, and may vary based on the technological modernization of each branch. The useful lives of the Company's assets are stated in note 12.

Maintenance costs on the Company's assets are directly recorded in the income statement when realized.

Financial charges are capitalized in property, plant and equipment, when incurred on property, plant and equipment in progress, if applicable.

i) Impairment of assets

Property, plant and equipment and other assets are tested for impairment on an annual basis or whenever significant events or changes in circumstances indicate that their carrying amounts may not be recoverable. When this is the case, recoverable values are calculated to determine if assets are impaired.

The recoverable value of an asset corresponds to the greater of the net sales price or value in use of an asset or a cash-generating unit, which is separately determined for each asset, unless the asset does not result in cash flow separately from other assets or groups of assets. In estimating the value in use, estimated future cash flows are discounted to their present value, using a discount rate that reflects current market estimates of the time value of cash and specific risks inherent in the asset.

Impairment losses are recognized in the income statement at the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the higher of net selling price and value in use of an asset.

j) Biological assets

Biological assets correspond to eucalyptus and pine forests, which are used in the production of packaging paper, paper sacks and corrugated cardboard boxes and sales to third parties, when depleted. Harvest and replanting have an approximate cycle of 7 - 14 years, which varies based on the crop and genetic material. Biological assets are measured at fair value, less estimated selling costs at harvest period.

Significant assumptions for determining the fair value of biological assets are stated in note 13.

The evaluation of biological assets is carried out on a quarterly basis by the Company, and corresponding gains or losses on the changes in fair value of biological assets are recognized in the income statement in the period in which they occur, in a separate line item in the income statement under "Changes in the fair value of biological assets". The increase or decrease in the fair value is determined based on the difference between the fair values of biological assets at the beginning and end of the current period.

The depletion of biological assets is measured based on the amount of wood cut at fair value.

k) Intangible assets

Intangible assets are stated at cost less accumulated amortization, calculated on a straight-line basis based on their estimated useful lives. Expenditures on research and development of new products and techniques used by the Company are recorded in the income statement as expenses, when incurred.

l) Noncurrent assets and liabilities

Comprise assets and receivables and liabilities and payables maturing 12 months after the balance sheet date, plus corresponding charges and adjustment for inflation, if applicable, through the balance sheet date.

m) Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events or expected future events, it is probable that an outflow of funds will be required to settle the obligation, and the accrued amount can be reliably measured.

Expense on provisions is stated in the income statement, net of any reimbursement. If the time effect of the amount is material, provisions are discounted using a discount rate that reflects the specific risks inherent in the obligation, if applicable.

Within provisions recorded by the Company, it records reserves for tax, social security, civil and labor contingencies, which are accrued when lawsuit are assessed as probable loss by the Company's legal counsel and management. This assessment is performed taking into consideration the nature of lawsuits, outcome of similar lawsuits and the progress of pending litigation.

When the Company expects the full or partial reimbursement of a reserve amount, this asset is recognized only when realization is clear and certain, without recognition of assets in uncertain scenarios.

n) Net revenue from sales

Sales revenue is stated net of taxes, discounts and rebates, and is recognized when all risks and relevant benefits related to products are transferred to the buyer, to the extent that it is probable that economic benefits will be generated and transferred to the Company, its subsidiaries and jointly-owned subsidiaries, and when it can be reliably measured based on the fair value of the consideration received, net of discounts, rebates and taxes or charges on sales.

o) Employee benefits and pension plan

The Company grants to employees, benefits such as life insurance, health care, profit sharing and other benefits recorded on the accrual basis, which are discontinued after the termination of the employment relationship with the Company.

Additionally, the Company grants a private pension and health care plan to former employees retired until 2001, classified as defined benefit plans. These benefits adopt liability and income/expense recognition practices measured based on the actuarial valuation, prepared by an independent actuarial firm. Gains and losses on the actuarial valuation of the benefits from changes in actuarial assumptions and commitments are recognized in the income statement.

p) Significant accounting judgments, estimates and assumptions

In preparing the financial statements, judgments, estimates and assumptions were used to account for certain assets, liabilities, income and expenses for the year ended. The accounting judgments, estimates and assumptions adopted by Management were defined by using the best information available up to the date of the financial statements and the experience of past events, assumptions on future events, and the assistance of experts, when applicable.

The financial statements include, therefore, various estimates, including, but not limited to, the determination of the useful lives of property, plant and equipment, the realization of deferred tax credits, allowance for doubtful accounts, provision for inventory losses, measurement of the fair value of biological assets, reserve for tax, social security, civil and labor contingencies risk, fair value measurement of certain financial instruments and the provision for impairment.

Actual results recognized by using accounting judgments, estimates and assumptions, when realized, could differ from those estimates, and the Company may be exposed to significant losses.

q) Earnings per share

The Company calculates earnings per share based on profit for the year attributed to each class of Company share, weighted by the number of shares outstanding in the year ended.

r) 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 the Company. The purpose of this statement is to disclose the economic value added created by the Company and its distribution during a certain reporting period.

The statement of value added was prepared pursuant to the provisions of CPC 09 - Statement of Value Added, using information obtained in the same accounting records used to prepare the financial statements.

2.3 Restatement of the 2010 consolidated financial statements

The Company's management restated the balances of the 2010 consolidated financial statements, presented for comparative purposes, to reflect the reclassification of noncontrolling interests in Silent Partnerships ("SCPs"), which were previously recorded as equity attributable to noncontrolling interests.

Under CPC 39 – Financial Instruments: Disclosure, the Company's management understands that SCPs noncontrolling shareholders no longer qualify as equity instruments allocated to equity and should be recorded as financial liabilities in the consolidated balance sheet. As a result, SCPs noncontrolling shareholders were recorded in noncurrent liabilities in the consolidated balance sheet, under line item "Accounts payable - SCP investors" whereas noncontrolling interests were reclassified to "Financial expenses" in the consolidated financial statements.

Accordingly, under CPC 23 – Accounting policies, Changes in Accounting Estimates and Errors, the impacts of the reclassification above on the consolidated financial statements from January 1 to December 31, 2010 are as follows:

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	Consolidated			Consolidated		
	Adjusted Balance - 01/01/2010			Adjusted Balance - 12/31/2010		
	Originally Presented	Adjustments	Reclassified	Originally Presented	Adjustments	Reclassified
Current assets	**3,536,197**	**-**	**3,536,197**	**4,127,147**	**-**	**4,127,147**
Noncurrent assets	**7,865,703**	**-**	**7,865,703**	**8,134,096**	**-**	**8,134,096**
Current liabilities	**1,504,619**	**-**	**1,504,619**	**1,690,913**	**-**	**1,690,913**
Loans and financing	3,925,637	-	3,925,637	4,014,976	-	4,014,976
Deferred income tax and social contribution	1,047,513	-	1,047,513	1,235,635	-	1,235,635
Other accounts payable and provisions	205,307	-	205,307	165,217	-	165,217
Accounts payable - SCP investors	-	56,665	56,665	-	160,417	160,417
Noncurrent liabilities	**5,178,457**	**56,665**	**5,235,122**	**5,415,828**	**160,417**	**5,576,245**
Shareholders’ equity attributable to:						
. Controlling shareholders	**4,662,159**	**-**	**4,662,159**	**4,994,085**	**-**	**4,994,085**
. Noncontrolling shareholders	**56,665**	**(56,665)**	**-**	**160,417**	**(160,417)**	**-**

	Consolidated		
	Income Statements adjusted - 12/31/2010		
	Originally Presented	Adjustments	Reclassified
Gross profit	**1,370,839**	**-**	**1,370,839**
Operating expenses / income	**(549,450)**	**-**	**(549,450)**
Profit before financial result and taxes	**821,389**	**-**	**821,389**
Financial income	**213,162**	**-**	**213,162**
Financial expenses	**(162,568)**	**(22,376)**	**(184,944)**
Income tax and social contribution	**(289,831)**	**-**	**(289,831)**
Net income attributable to:			
. Controlling shareholders	**559,776**	**-**	**559,776**
. Noncontrolling shareholders	**22,376**	**(22,376)**	**-**

	Consolidated		
	Cash Flow Statement adjusted - 12/31/2010		
	Originally Presented	Adjustments	Reclassified
Cash flows from operating activities	**913,377**	**(2,912)**	**910,465**
Cash flows from investing activities	**(384,756)**	**-**	**(384,756)**
Cash flows from financing activities	**160,832**	**2,912**	**163,744**
Increase in Cash and Cash Equivalents	**689,453**	**-**	**689,453**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	Consolidated		
	Statement of Value Added adjusted - 12/31/2010		
	Originally Presented	**Adjustments**	**Reclassified**
Gross value added	**2,204,513**	**-**	**2,204,513**
Net value added created	**1,643,774**	**-**	**1,643,774**
Value added received in transfer	**357,480**	**22,376**	**379,856**
Total value added for distribution	**2,001,254**	**22,376**	**2,023,630**
Value added distribution:			
. Employees and labor charges	463,241	-	463,241
. Taxes, charges and contributions	648,975	-	648,975
. Debt capital	329,262	22,376	351,638
. Equity capital	559,776	-	559,776
	2,001,254	**22,376**	**2,023,630**

The effects on the statement of comprehensive income, diluted earnings per share and statement of changes in equity are not stated above, as they refer only to the exclusion of noncontrolling interests. The statements presented in these financial statements include the above-mentioned adjustments.

2.4 New pronouncements, revisions and interpretations issued but not yet adopted

New accounting pronouncements approved and issued or subject to approval, revisions of pronouncements previously issued, and new IASB interpretation whose adoption is not mandatory, were not yet approved by the CPC and CVM and were not early adopted by the Company in 2011. Management is assessing the impact of such pronouncements, which will be implemented as they become effective, and does not expect material adjustments in its financial statements. Listed below are the new and revised standards and interpretations issued or under approval:

Pronouncement	Summary
IFRS 7 - Amendments to IFRS 7	Addresses the disclosures of financial assets transfers. Effective in: 2013
IFRS 9 – Financial Instruments	Refers to the first stage of the project for replacement of IAS 39 Financial Instruments: Recognition and Measurement. Effective in: 2013
IFRS 10 – Consolidated Financial Statements	Replaces parts of IAS 27 that address when and how an investor must prepare consolidated financial statements, and replaces SIC 12. Effective in: 2013
IFRS 11 – Joint Arrangements	Requires the use of the equity method of accounting to recognize interests in joint ventures, and eliminates the proportionate consolidation method. Effective in: 2013
IFRS 12 – Disclosure of Interests in Other Entities	Defines the purpose of disclosures and minimum disclosures for entities holding investments in subsidiaries, jointly-controlled subsidiaries, associates or other unconsolidated companies. Effective in: 2013
IFRS 13 - Fair Value Measurement	Establishes a single fair value measurement model when required by other standards. Effective in: 2013
IAS 27 (R) – Separate Financial Statements	Changes in pronouncement IAS 27. Effective in: 2013
IAS 28 (R) – Investment in Associates and Joint Ventures	Changes in pronouncement IAS 28. Effective in: 2013

Additionally, the International Financial Reporting Interpretations Committee (IFRIC) standards and interpretations listed below are effective for 2011 and, therefore, have been adopted by the Company and applied to its financial statements for the year ended December 31, 2011, with no material effects.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

Pronouncement	Summary
IAS 32 – Financial Instruments: Classification of Rights	Addresses the classification of certain foreign currency-denominated rights as equity instrument or financial liability.
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Sets out the procedures for the recognition and disclosure of equity instrument issuance transactions.
IFRIC 14 – Prepayments of Minimum Funding Requirements	Eliminates the unintended consequences arising from the prepayment that involves a minimum funding requirement. Under certain circumstances, the results of prepayments are recognized as assets instead of an expense.

3 CONSOLIDATION OF FINANCIAL STATEMENTS

The subsidiaries are fully consolidated as of the acquisition date of the shareholding control, and continue to be consolidated until the date in which such control ceases, except for joint-owned subsidiaries (joint ventures), which are stated under the equity method in the individual and consolidated financial statements.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the Company, using accounting practices consistent with the practices adopted by the Company. The following criteria are adopted for consolidation purposes: (i) elimination of investments in subsidiaries and equity in subsidiaries; (ii) the profits from intercompany transactions and the assets and liabilities are equally eliminated and (iii) the noncontrolling interest is calculated and disclosed separately.

The consolidated Financial Statements comprises Klabin S.A. and its subsidiaries as of December 31, 2010 and 2011, as follows:

				Ownership interest (%)	
	Head office	**Activity**	**Ownership**	**12/31/11**	**12/31/10**
Subsidiaries:					
Klabin Argentina S.A.	Argentina	Industrial sacks	Direct/indirect	100	100
Klabin Ltd.	Cayman Islands	Interest in other companies	Direct	100	100
Klabin Trade	England	Sale of products in the foreign market	Indirect	100	100
Klabin Forest Products Company	United States of America	Sale of products in the foreign market	Direct	100	100
IKAPÊ Empreendimentos Ltda.	Brazil	Hotel services	Direct	100	100
Klabin do Paraná Produtos Florestais Ltda.	Brazil	Manufacture of phytotherapic products	Direct	100	100
Antas Serviços Florestais S/C Ltda.	Brazil	Forestry	Direct	100	100
Centaurus Holdings S.A. (*)	Brazil	Interest in other companies	Direct	-	100
Timber Holdings S.A. (**)	Brazil	Interest in other companies	Direct	-	100
Silent partnerships:					
Paraná	Brazil	Reforesting	Direct	88	89
Santa Catarina	Brazil	Reforesting	Direct	91	94
Jointly-owned subsidiaries (not included in consolidation):					
Centaurus Holdings S.A.(*)	Brasil	Interest in other companies	Direct	57	-

(*) As mentioned in note 1, the subsidiary Centaurus Holdings S.A. is currently recognized as investment under the equity method in the consolidated financial statements as it is a Company's joint venture with Arauco Forest Brasil S.A.

(**) Subsidiary sold in September 2011.

Investment in jointly-owned subsidiaries (joint ventures)

The financial statements of Centaurus Holdings S.A., qualified as jointly-owned subsidiary (joint venture), are not consolidated under the proportionate consolidation method since the acquisition date, in the individual and consolidated financial statements. The transaction is recorded as investments under the equity method.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

4 CASH AND CASH EQUIVALENTS

In order to comply with its policy for the use of funds, the Company has maintained its short-term investments in low-risk investments at financial institutions considered by Management as prime banks both in Brazil and abroad, based on the rating disclosed by risk classification agencies. Management has considered those financial assets as cash and cash equivalents due to its immediate liquidity in financial institutions.

			Company			Consolidated
	12/31/2011	12/31/2010	01/01/2010	12/31/2011	12/31/2010	01/01/2010
Cash and banks	8,583	7,117	9,784	87,341	39,880	12,356
Short-term investments in local currency	2,137,110	2,261,028	1,686,796	2,251,875	2,361,210	1,749,387
Short-term investments in foreign currency	763	671	698	1,848	130,015	79,909
	2,146,456	**2,268,816**	**1,697,278**	**2,341,064**	**2,531,105**	**1,841,652**

Short-term financial investments in local currency, corresponding to Bank Certificates of Deposit (CDBs) and financial securities, indexed based on the variation of the interbank deposit rate (CDI), at an annual average rate of 11.63% (10.00% as of December 31, 2010), and investments in foreign currency correspond to Time Deposits in US dollar, with annual average rate of 1.20% (0.05% as of December 31, 2010).

All the Short-term investments have daily liquidity.

5 SHORT-TERM INVESTMENTS

Comprised by Brazilian National Treasury Bills (LFTs), whose yield is linked to fluctuations in the SELIC interest rate. As of December 31, 2011 the balance for these securities was R$221,260 (R$198,222 as of December 31, 2010), which Management classified as available-for-sale. Original maturities are through 2013 However, there is an active market for these securities and their fair value is basically the principal plus the interest originally established therein.

6 TRADE ACCOUNTS RECEIVABLE

			Company			Consolidated
	12/31/2011	12/31/2010	01/01/2010	12/31/2011	12/31/2010	01/01/2010
Trade accounts receivable						
. Local	629,074	584,443	524,934	629,146	584,539	525,000
. Foreign	10,042	13,045	9,775	225,793	200,186	163,665
Total trade accounts receivable	**639,116**	**597,488**	**534,709**	**854,939**	**784,725**	**688,665**
Allowance for doubtful accounts	(33,665)	(30,689)	(27,283)	(33,791)	(30,764)	(27,537)
	605,451	**566,799**	**507,426**	**821,148**	**753,961**	**661,128**
Past-due	**73,491**	**55,987**	**52,939**	**77,977**	**80,824**	**52,939**
% on total portfolio	11.50%	9.37%	9.90%	9.12%	10.30%	7.69%
From 4 to 10 days	9,037	4,211	6,812	9,037	4,211	6,812
From 11 to 30 days	17,444	8,992	9,240	19,745	19,596	9,240
From 31 to 60 days	7,755	4,321	5,427	9,133	6,289	5,427
From 61 to 90 days	4,798	5,368	3,874	5,115	14,642	3,874
Over 90 days	34,457	33,095	27,586	34,947	36,086	27,586
Current	565,625	541,501	481,770	776,962	703,901	635,726
Total portfolio	**639,116**	**597,488**	**534,709**	**854,939**	**784,725**	**688,665**

The average collection term of trade receivables is approximately 60 days for domestic market sales and approximately 120 days foreign market sales, and interest is collected after the contractual payment term.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

As mentioned in note 23, the Company has standards for monitoring credits and past-due trade accounts receivable, and the related risk refers to the possibility of not receiving the amounts resulting from transactions of installment sales.

The allowance for doubtful accounts is considered sufficient by Management to cover possible losses on outstanding trade accounts receivable. Changes in the allowance for doubtful accounts are as follows:

	Company	Consolidated
Balance as of January 01, 2010	**(27,283)**	**(27,537)**
Current year provision	(5,141)	(5,141)
Reversal provision	1,735	1,914
Balance as of December 31, 2010	**(30,689)**	**(30,764)**
Current year provision	(9,080)	(14,324)
Reversal provision	6,104	11,297
Balance as of December 31, 2011	**(33,665)**	**(33,791)**

The balance of the allowance for doubtful accounts recorded by the Company corresponds mainly to trade accounts receivable past due over 90 days. The expense on the recognition of the allowance for doubtful accounts is recorded in 'Selling expenses' in the income statement.

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(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

7 RELATED-PARTY TRANSACTIONS

a) Balances and transactions with related parties

											Company
									12/31/2011	**12/31/2010**	**01/01/2010**
	Klabin Argentina	Klabin Trade	Silent partnership Paraná	Silent partnership Sta Catarina	Monteiro Aranha S.A.	Klabin Irmãos & Cia.	BNDES	Other	**Total**	**Total**	**Total**
	(i)	(i)	(ii) and (v)	(ii) and (v)	(iii)	(iii), (iv) e (vii)	(vi)	(vii)			
Type of relationship	Subsidiary	Subsidiary	Subsidiary	Subsidiary	Shareholder	Shareholder	Shareholder				
Balances											
Current assets	2,268	320,829	2,695	661		10,211			**336,664**	**325,840**	**173,030**
Noncurrent assets						745		1,314	**2,059**	**5,216**	**7,696**
Current liabilities		65,814	25,266	3,802	378	1,846	354,160	443	**451,709**	**348,606**	**375,110**
Noncurrent liabilities							1,158,246		**1,158,246**	**1,364,978**	**1.533,922**
Transactions											
Revenue from sales	1,532	708,440	12,667	3,944					**726,583**	**666,037**	
Purchases			140,019	34,015					**174,034**	**145,665**	
Interest expenses on borrowings							130,527		**130,527**	**137,378**	
Guarantee commission - expense						24,853			**24,853**	**30,620**	
Expenses on royalties					4,670	22,791		3,664	**31,125**	**29,052**	

(i) Balance receivable for product sales transactions entered into under terms and conditions established by the parties;

(ii) Purchase of timber made under usual market price, terms and conditions;

(iii) Licensing for use of brand;

(iv) *Prepaid expense for guarantee commission on balance of BNDES financing due at the rate of 1% semiannually;*

(v) Supply of seedlings, seeds and services under usual market prices, terms and conditions;

(vi) Borrowings raised at usual market conditions;

(vii) Others

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(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

					Consolidated		
					12/31/2011	**12/31/2010**	**01/01/2010**
	Monteiro Aranha S.A.	Klabin Irmãos & Cia.	BNDES	Other	**Total**	**Total**	**Total**
	(i)	(i), (ii) and (iv)	(iii)	(iv)			
Type of relationship	Shareholder	Shareholder	Shareholder				
Balances							
Current assets		10,211			**10,211**	**13,242**	**15,963**
Noncurrent assets		745		15	**760**	**1,220**	**1,727**
Current liabilities	378	1,846	354,160	316	**356,700**	**328,853**	**311,900**
Noncurrent liabilities			1,158,246		**1,158,246**	**1,364,978**	**1,533,922**
Transactions							
Interest expenses on borrowings			130,527		**130,527**	**137,378**	
Guarantee commission - expense		24,853			**24,853**	**30,620**	
Expenses on royalties	4,670	22,791		3,664	**31,125**	**29,052**	

(i) Licensing for use of brand;

(ii) Prepaid expense for guarantee commission on balance of BNDES financing due at the rate of 1% semiannually;

(iii) Borrowings raised at usual market conditions;

(iv) Others

b) Management compensation and benefits

Management compensation should be established by the Annual Shareholders' Meeting, in accordance with Brazilian corporate law and the Company's bylaws. Accordingly, the Annual Shareholders' Meeting held on April 4, 2011 established the overall amount of the annual compensation payable to the Board of Directors and management at up to R$29.7 million in 2011. The compensation approved for 2010 amounted to R$24.6 million.

The table below shows the compensation payable to the Board of Directors and Fiscal Council in the period:

	Short-term		Long-term		Total	
	12/31/2011 (*)	**12/31/2010**	**12/31/2011**	**12/31/2010**	**12/31/2011**	**12/31/2010**
Salary and benefits of Board of Directors and Fiscal Council	19,236	23,563	658	459	19,894	24,022

(*) Includes an adjustment of the provision for variable compensation made in 2010.

Management compensation includes the fees of the Company's Directors, and the fees and variable compensation of the Company's Officers. Long-term benefits relate to contributions made by the Company to the pension plan. Said amounts are mostly recorded in "General and Administrative expenses/income".

The Extraordinary Shareholders' Meeting of December 20, 2011 has approved Management's proposal for the 2011 Stock Option Plan as a benefit for the members of the executive board and the Company's key-personnel, through the granting and subsequent transfer of ownership of treasury shares, as established by the program. The proposal is under approval by the CVM.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

8 INVENTORIES

	Company			Consolidated		
	12/31/2011	**12/31/2010**	**01/01/2010**	**12/31/2011**	**12/31/2010**	**01/01/2010**
Finished products	99,936	104,425	154,962	129,714	137,900	185,043
Raw materials	114,274	120,304	104,354	122,456	129,450	111,133
Timber and logs	111,193	81,731	50,752	111,193	69,874	79,989
Fuel and lubricants	6,731	6,823	5,269	6,731	6,823	5,269
Maintenance supplies	127,537	105,556	85,411	128,982	106,864	86,167
Provision for losses	(3,127)	(2,923)	(3,422)	(3,127)	(2,923)	(3,422)
Other	8,482	11,315	5,764	10,269	12,140	6,436
	465,026	**427,231**	**403,090**	**506,218**	**460,128**	**470,615**

Raw material inventories include paper rolls transferred from paper to packaging units.

The expense on the recognition of the allowance for inventory losses is recorded in the income statement under "Cost of sales". For the year ended December 31, 2011, an additional provision for inventory losses in the amount of R$204 was recognized (reversal of R$499 in 2010).

The Company has no inventories pledged as collateral.

9 RECOVERABLE TAXES

	12/31/2011		12/31/2010		01/1/2010	
	Current assets	**Noncurrent assets**	**Current assets**	**Noncurrent assets**	**Current assets**	**Noncurrent assets**
State VAT (ICMS)	49,228	56,186	57,726	63,480	64,679	84,115
Tax on revenue (PIS)	6,246	8,879	7,654	9,599	21,938	12,339
Tax on revenue (COFINS)	27,098	51,299	34,707	53,949	101,682	65,968
Income tax and social contribution	2,233	-	17,149	-	93,439	-
Other	10,459	20,388	8,738	4,593	9,011	2,251
Company	**95,264**	**136,752**	**125,974**	**131,621**	**290,749**	**164,673**
Subsidiaries	5,355	-	5,128	-	3,519	-
Consolidated	**100,619**	**136,752**	**131,102**	**131,621**	**294,268**	**164,673**

In view of the expansion plan (MA 1100 project, performed over the last years), the Company recorded credits from tax and contributions levied on purchases of property, plant and equipment, as permitted by legislation for future offset against taxes payable of the same nature or other taxes.

Based on its budget analyses and projections, the Company's management does not foresee any risks related to the realization of these tax credits.

Taxes on revenue (PIS/COFINS) and State VAT (ICMS) shown in the current group are expected to be offset against these same taxes payable for the next 12 months, in accordance with management's projections.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

10 INCOME TAX AND SOCIAL CONTRIBUTION

a) Nature and expected realization of deferred taxes

As of December 31, 2011, December 31, 2010 and January 1, 2010, deferred tax assets and liabilities are as follows:

	Company			Consolidated		
	12/31/2011	**12/31/2010**	**1/1/2010**	**12/31/2011**	**12/31/2010**	**01/01/2010**
Reserve for civil, tax and labor provision	29,884	29,169	47,167	29,884	29,169	47,167
Interest from enrollment with REFIS (note 16)	72,491	39,134	33,131	72,491	39,134	33,131
Write-off of deferred charges (adoption of RTT)	18,677	22,436	26,197	18,677	22,436	26,197
Tax loss carryforwards	-	-	20,270	118	90	20,369
Deferred exchange rate change (*)	81,676	-	-	81,676	-	-
Temporarily nondeductible provisions	37,025	27,429	22,669	37,026	27,430	22,669
Noncurrent assets	**239,753**	**118,168**	**149,434**	**239,872**	**118,259**	**149,533**
Deferred exchange rate change (*)	-	53,549	11,450	-	53,549	11,450
Fair value of biological assets	320,221	341,394	335,798	605,000	628,904	581,179
Reassessment of useful lives of PP&E (adoption of RTT)	122,116	64,095	-	122,116	64,095	-
Deemed cost of property, plant and equipment	263,954	263,954	263,954	565,742	565,742	575,329
Asset revaluation reserve	26,114	26,481	26,847	26,114	26,481	26,847
Other temporary differences	42,846	13,604	418	22,060	15,123	2,241
Noncurrent liabilities	**775,251**	**763,077**	**638,467**	**1,341,032**	**1,353,894**	**1,197,046**
Net amount in the financial statements (liabilities)	**535,498**	**644,909**	**489,033**	**1,101,160**	**1,235,635**	**1,047,513**

(*) Management opted for tax recognition criteria of exchange rate of their rights and obligations based on a cash basis, generating foreign exchange temporary differences, which will be taxed according to the settlement of receivables and payables denominated in foreign currency.

Since 2008, the Company has adopted the Transitional Tax Regime (RTT) established by Law 11941/09, for the tax treatment of income tax and social contribution on the effects arising from the adoption of accounting pronouncements (CPCs).

Management, based on the budget, business plan and budget projection approved by the Board of Directors expects that tax credits derived from temporary differences will be realized as follows:

	12/31/2011	
	Company	**Consolidated**
2012	104,608	104,608
2013	40,551	40,551
2014	46,358	46,358
2015	14,021	14,021
2016 and thereafter	34,215	34,334
	239,753	**239,872**

The projected realization may not materialize if the estimates used reflected in the preparation of these financial statements are different when the balances are realized.

The Company’s information on the taxes challenged in the courts is disclosed in note 16.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

b) Reconciliation of tax expenses in income (loss)

The reconciliation of current and deferred income tax and social contribution expenses in the income statements for the year ended December 31, 2011 and 2010 are summarized as follows:

	Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Income tax and social contribution expense	(154,132)	(51,296)	(214,928)	(97,248)
Prior year adjustment	(842)	(3,297)	(842)	(3,297)
Current income tax and social contribution	**(154,974)**	**(54,593)**	**(215,770)**	**(100,545)**
Tax effects on temporary differences	145,895	(87,358)	153,781	(87,053)
Reassessment of useful lives of PP&E	(58,022)	(64,095)	(58,022)	(64,095)
Change in fair value - biological assets	21,173	(5,595)	6,595	(47,724)
Reversal of deemed cost of PP&E (Land)	-	-	-	9,586
Deferred income tax and social contribution	**109,046**	**(157,048)**	**102,354**	**(189,286)**

c) Reconciliation of income tax and social contribution to the amounts resulting from directly applying related tax rates to corporate results

	Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Income before income tax and social contribution	**228,649**	**771,417**	**296,137**	**849,607**
Income tax and social contribution at the rate of 34%	(77,741)	(262,282)	(100,687)	(288,866)
Tax effects on permanent differences:				
Taxable profits differences in subsidiaries	-	-	1,574	21,727
Equity in subsidiaries	44,684	49,874	(146)	-
Other effects	(12,871)	767	(14,157)	(22,692)
	(45,928)	**(211,641)**	**(113,416)**	**(289,831)**
Income tax and social contribution				
. Current	(154,974)	(54,593)	(215,770)	(100,545)
. Deferred	109,046	(157,048)	102,354	(189,286)
Income tax and social contribution expense in statements of income	**(45,928)**	**(211,641)**	**(113,416)**	**(289,831)**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

11 INVESTMENTS IN SUBSIDIARIES

	Klabin Ltd. (i)	Klabin Argentina S.A.	Centaurus Holdings S.A. (iv)	Silent Partnership "Paraná"	Silent Partnership "Santa Catarina"	Other	Total
Balance as of January 01, 2010	**4,545**	**27,520**	**173,531**	**1,121,657**	**408,919**	**42,466**	**1,778,638**
Acquisition and capital payment			6,878				6,878
Dividends received				(91,164)	(47,004)		(138,168)
Equity in subsidiaries (ii)	16,007	6,012	(23,836)	96,369	53,884	(1,748)	146,688
Exchange differences on translating foreign operations		(2,304)				30	(2,274)
Transfers						2,196	2,196
Balance as of December 31, 2010	**20,552**	**31,228**	**156,573**	**1,126,862**	**415,799**	**42,944**	**1,793,958**
Acquisition and capital payment			436,437			6,781	443,218
Dividends received				(36,432)	(18,010)		(54,442)
Equity in subsidiaries (ii)	19,188	5,409	13,477	91,605	2,528	(784)	131,423
Sale of Subsidiary (iii)						(39,431)	(39,431)
Exchange differences on translating foreign operations		1,622					1,622
Balance as of December 31, 2011	**39,740**	**38,259**	**606,487**	**1,182,035**	**400,317**	**9,510**	**2,276,348**
Summary financial information of subsidiaries in December 31, 2011							
Total assets	39,740	51,342	1,827,883	577,743	993,048		
Total liabilities	-	12,606	483,975	139,288	38,931		
Total shareholders' equity	39,740	38,736	1,343,908	438,455	954,118		
Net income	15,781	5,409	109,108	2,280	13,155		

(i) Klabin Trade's parent company

(ii) Includes the effects of changes in and realization of the fair value of biological assets (note 13).

(iii) Sale of Subsidiary - Timber Holdings S.A.

(iv) As mentioned in note 1, the subsidiary was deconsolidated on November 17, 2011, starting to be considered as investment under the equity method in the consolidated financial statements. After the deconsolidation, the Company records an expense in the amount of R$429 of equity in subsidiaries in the consolidated income statement, as well as investment in subsidiaries recorded in the assets in the consolidated balance sheet, which refers to such joint venture.,

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(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

12 PROPERTY, PLANT AND EQUIPMENT

a) Breakdown of property, plant and equipment

			12/31/2011	12/31/2010	01/01/2010
Company	**Cost**	**Accumulated depreciation**	**Net**	**Net**	**Net**
Land	966,697	-	**966,697**	**970,496**	**970,465**
Buildings and construction	680,647	(274,829)	**405,818**	**430,396**	**446,791**
Machinery, equipment and fixtures	5,058,303	(2,861,272)	**2,197,031**	**2,178,068**	**2,259,288**
Construction in progress	242,916	-	**242,916**	**178,051**	**103,823**
Other (*)	364,520	(173,104)	**191,416**	**175,337**	**124,963**
	7,313,083	**(3,309,205)**	**4,003,878**	**3,932,348**	**3,905,330**
Consolidated					
Land	1,867,086	-	**1,867,086**	**2,030,194**	**2,051,548**
Buildings and construction	688,946	(277,483)	**411,463**	**436,041**	**453,069**
Machinery, equipment					-
and fixtures	5,079,102	(2,875,426)	**2,203,676**	**2,183,993**	**2,265,898**
Construction in progress	242,917	-	**242,917**	**178,052**	**103,913**
Other (*)	366,289	(174,348)	**191,941**	**175,743**	**122,464**
	8,244,340	**(3,327,257)**	**4,917,083**	**5,004,023**	**4,996,892**

(*) Refer to leaseholder improvements, vehicles, furniture and fixtures and IT equipment.

The information on property, plant and equipment pledged as collateral in transactions conducted by the Company is disclosed in note 14, and information on insurance coverage of assets is disclosed in note 25.

b) Summary of changes in property, plant and equipment:

						Company
	Land	**Buildings and construction**	**Machinery, equipment and fixtures**	**Construction in progress**	**Other**	**Total**
Amount on January 01, 2010	**970,465**	**446,791**	**2,259,288**	**103,823**	**124,963**	**3,905,330**
Additions	-	1,094	3	183,852	73,782	258,731
Write-off	-	(93)	(2,446)	-	(181)	(2,720)
Depreciation	-	(19,345)	(183,807)	-	(16,091)	(219,243)
Internal transfers	31	1,937	106,713	(105,112)	(3,569)	-
Others	-	12	(1,683)	(4,512)	(3,567)	(9,750)
Amount on December 31, 2010	**970,496**	**430,396**	**2,178,068**	**178,051**	**175,337**	**3,932,348**
Additions	-	-	-	286,504	41,737	328,241
Write-off	(2,325)	(1,828)	(1,825)	-	(3,271)	(9,249)
Depreciation	-	(21,053)	(194,648)	-	(16,125)	(231,826)
Internal transfers	213	4,148	220,993	(219,315)	(6,039)	-
Others	(1,687)	(5,845)	(5,557)	(2,324)	(223)	(15,636)
Amount on December 31, 2011	**966,697**	**405,818**	**2,197,031**	**242,916**	**191,416**	**4,003,878**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

						Consolidated
	Land	**Buildings and construction**	**Machinery, equipment and fixtures**	**Construction in progress**	**Other**	**Total**
Amount on January 01, 2010	**2,051,557**	**453,069**	**2,265,898**	**103,913**	**122,455**	**4,996,892**
Additions	6,929	1,103	793	183,852	73,812	266,489
Write-off	-	(93)	(2,478)	-	(181)	(2,752)
Depreciation	-	(19,536)	(184,736)	-	(16,278)	(220,550)
Reversal of deemed cost	(28,197)	-	-	-	-	(28,197)
Internal transfers	(37)	1,937	106,713	(105,112)	(3,501)	-
Others	(58)	(439)	(2,197)	(4,601)	(564)	(7,859)
Amount on December 31, 2010	**2,030,194**	**436,041**	**2,183,993**	**178,052**	**175,743**	**5,004,023**
Additions	7,501	23	1,372	286,504	42,139	337,539
Write-off	(38,630)	(1,828)	(2,076)	-	(3,322)	(45,856)
Depreciation	-	(21,262)	(195,578)	-	(16,202)	(233,042)
Internal transfers	213	4,148	220,998	(219,315)	(6,044)	-
Deconsolidation of jointly-owned subsidiaries (*)	(130,536)	-	-	-	-	(130,536)
Others	(1,656)	(5,659)	(5,033)	(2,324)	(373)	(15,045)
Amount on December 31, 2011	**1,867,086**	**411,463**	**2,203,676**	**242,917**	**191,941**	**4,917,083**

(*) Corresponds to the deconsolidation of Centaurus Holding S.A., as mentioned in the notes 1 and 3.

During 2011, write-offs of property, plant and equipment refers substantially to the sale of subsidiary Timber Holdings S.A., and the sale of real estate in Del Castilho, State of Rio de Janeiro.

Depreciation was substantially allocated to cost of production.

c) Depreciation method

The table below shows the annual depreciation rates calculated under the straight-line method, which were applicable to the year ended December 31, 2011 and 2010, defined based on the economic useful lives of assets:

	Rate - %
Buildings and construction	2.86 to 3.33
Machinery, equipment and facilities	2.86 to 10 (*)
Other	4 to 20

(*) Prevailing average rate of 6%.

As of December 31, 2011, management conducted a reassessment of the useful lives of the Company’s property, plant and equipment, and concluded that the depreciation rates used in 2010 should be maintained.

d) Construction in progress

As of December 31, 2011, the balance of construction in progress relates to the following major projects: (i) installation of transmission lines of high voltage electricity of the Monte Alegre; (ii) technological upgrading and extension of packaging segment plants; (iii) biomass boiler and expansion of the evaporation system in the Otacílio unit; (iv) biomass boiler in the Correia Pinto unit; and (v) current investments in continuing operations of the Company.

e) Impairment of assets

The Company did not identify any indicators that as of December 31, 2011 its assets might be impaired, based on its analysis of discounted cash flows prepared in accordance with the budget plan approved by Management.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

13 BIOLOGICAL ASSETS

The Company's biological assets comprise the planting and growing of pine and eucalyptus trees for the supply of raw material to produce the pulp used in the paper production process and sales of timber to third parties. As of December 31, 2011, considering its interest in the forest area of its jointly-owned subsidiary Centaurus, the Company had 243 thousand hectare (213 thousand hectare as of December 31, 2010) of planted areas (information not audited by independent auditors), not considering the permanent preservation areas and legal reserve to be maintained to comply with the Brazilian environmental law.

As a result of such acquisition, the Company's forest planted area totals 243 thousand hectares.

The balance of the Company's biological assets consists of the cost to grow forests and the fair value difference on the growing cost, less costs necessary to prepare the assets for use or sale in order to the total balance of biological assets is recorded at fair value, as follows:

	Company			Consolidated		
	12/31/2011	**12/31/2010**	**01/01/2010**	**12/31/2011**	**12/31/2010**	**01/01/2010**
Growing cost of biological assets	435,942	390,837	339,116	952,455	913,159	821,387
Fair value adjustment of biological assets	925,809	1,004,101	987,641	1,763,314	1,849,720	1,669,782
	1,361,751	**1,394,938**	**1,326,757**	**2,715,769**	**2,762,879**	**2,491,169**

Measurement of biological assets at their fair values takes into consideration certain estimates, such as: wood price, discount rate, forest harvesting planning and productivity, which are subject to uncertainties, as any variation would have an impact on actual results.

The information on assets pledged as collateral in transactions conducted by the Company is disclosed in note 14, and information on insurance coverage of biological assets and financial risks of forestry operations is disclosed in note 25.

a) Assumptions for recognition of the fair value of biological assets

Under CPC 29 (IAS 41) - Biological Assets and Agricultural Product, the Company recognizes its biological assets at fair value in accordance with the following assumptions:

(i) Eucalyptus forests are recorded at historical cost through their third year and pine forests through their fifth year, based on the Management's understanding that during these periods the historical cost of biological assets approximates their fair values;

(ii) After the third and fifth year, eucalyptus and pine forests, respectively, are measured at fair value, which reflects the sales price of the assets less the costs of necessary to prepare the assets for the intended use or sale;

(iii) The methodology used to measure the fair value of biological assets corresponds to future discounted cash flows estimated according to the projected productivity cycle of forests, taking into consideration the pricing changes and growth of biological assets;

(iv) The discount rate used in cash flows corresponds to the Company's WACC (Weighted Average Cost of Capital), which is periodically reviewed by Management;

(v) The estimated productivity volumes of forests are defined using a stratification method based on the type, genetic material, forest management system, productive potential, rotation and age of forests. This set of characteristics forms an index called Average Annual Growth (AAG), expressed in cubic meters per hectare/year used as a basis to estimate productivity. The harvesting plan of Company forests varies from 6 to 7 years for eucalyptus trees and 14 to 15 years for pine trees;

(vi) The prices of biological assets, denominated in R$/cubic meter, are obtained using market price surveys disclosed by specialized firms, and the prices charged by the Company on sales to third parties. The prices are adjusted by deducting the capital costs relating to land, since they refer to assets used to plant forests and other costs to adjust the assets to sale or consumption conditions;

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

(vii) Planting expenses refer to the costs on development of biological assets;

(viii) Depletion of biological assets is calculated based on the fair value of biological assets harvested in the period;

(ix) The Company decided to revalue the fair value of its biological assets on a quarterly basis since it understands that this time interval is sufficient to prevent any significant gap in the fair value of the biological assets recoded in its financial statements.

b) Reconciliation of changes in fair value

The changes during the year are as follows:

	Company	Consolidated
Balance as of January 01, 2010	**1,326,757**	**2,491,169**
Planting	65,084	119,108
Transfers	3,134	41,077
Depletion:		
. Historical cost	(16,495)	(28,844)
. Fair value	(204,152)	(308,256)
Change in fair value due to:		
. Price	45,499	75,455
. Growth	175,111	373,170
Balance as of December 31, 2010	**1,394,938**	**2,762,879**
Planting	62,997	117,747
Depletion:		
. Historical cost	(17,891)	(39,381)
. Fair value	(172,086)	(272,427)
Change in fair value due to:		
. Price	64,138	102,999
. Growth	45,672	167,578
Sale of Subsidiary	-	(3,122)
Deconsolidation of jointly-owned subsidiaries (*)	-	(86,937)
Transfers	(16,017)	(33,567)
Balance as of December 31, 2011	**1,361,751**	**2,715,769**

(*) Corresponds to the deconsolidation of Centaurus Holding S.A., as mentioned in the notes 1 and 3.

The depletion of biological assets in the periods was mainly recognized as production costs after allocating inventories as forests are harvested either to use in production or sale to third parties.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

14 LOANS AND FINANCING

a) Breakdown of loans and financing

	Annual interest %			12/31/2011
		Current	Noncurrent	Total
In local currency				
. BNDES - Project MA1100	TJLP + 4.0 and basket (*) + 1.5	256,232	827,189	1,083,421
. BNDES - Other projects	TJLP + 0.0 a 4.8	97,928	331,057	428,985
. Working capital	CDI + 0.6	17,280	66,667	83,947
. Other	1.0 to 6.8	1,571	70,439	72,010
		373,011	1,295,352	1,668,363
In foreign currency (**)				
. Property, plant and equipment	USD + 6.1	10,424	50,189	60,613
. Export prepayments	USD + 1.1 to 6.4	464,841	2,552,755	3,017,596
. Export credit notes	USD + 7.5 to 8.1	62,221	488,543	550,764
		537,486	3,091,487	3,628,973
Total Consolidated		**910,497**	**4,386,839**	**5,297,336**

	Annual interest %			12/31/2010
Company:		Current	Noncurrent	Total
In local currency				
. BNDES - Project MA1100	TJLP + 2.0 and basket (*) + 1.5	254,711	1,069,519	1,324,230
. BNDES - Other	TJLP + 0.0 a 4.5	72,031	295,459	367,490
. Export credit	7.0	150,452		150,452
. Working capital	CDI + 0.6	17,432	83,333	100,765
. Other	1.0 to 8.7	1,140	57,656	58,796
		495,766	1,505,967	2,001,733
In foreign currency (**)				
. Property, plant and equipment	USD + 6.5	3,933	37,474	41,407
. Export prepayments	USD + 1.1 to 5.9	256,850	1,990,554	2,247,404
. Export credit notes	USD + 7.5 to 8.1	48,666	480,981	529,647
		309,449	2,509,009	2,818,458
		805,215	**4,014,976**	**4,820,191**
Subsidiaries:				
Discounted export receivables	USD + 1.0 to 1.5	26,278	-	26,278
Other	7.2	10,628	-	10,628
Total Consolidated		**842,121**	**4,014,976**	**4,857,097**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	Annual interest %			01/01/2010
Company:		**Current**	**Noncurrent**	**Total**
In local currency				
. BNDES - Project MA1100	TJLP + 2.0 and basket (*) + 1.5	255,469	1,319,534	1,575,003
. BNDES - Other	TJLP + 2.2 to 4.5	54,479	214,388	268,867
. Export credit	96.6 to 97.0 of CDI	180,690	-	180,690
. Working capital	CDI + 0.6	597	100,000	100,597
. Other	1.0 to 8.7	1,001	48,476	49,477
		492,236	1,682,398	2,174,634
In foreign currency (**)				
. Property, plant and equipment	USD + 6.5	1,654	22,169	23,823
. Export prepayments	USD + Libor 6M + 1.0 to 5.9	155,545	1,674,599	1,830,144
. Export credit notes	USD + 7.5 to 8.1	34,038	535,588	569,626
		191,237	2,232,356	2,423,593
		683,473	**3,914,754**	**4,598,227**
Subsidiaries:				
Discounted export receivables	USD + 1.0 to 1.5	107,514	-	107,514
Other	7.2	11,325	10,883	22,208
Total Consolidated		**802,312**	**3,925,637**	**4,727,949**

(*) Currency basket basically composed of U.S. dollars.
(**) In US dollars.

BNDES

The Company has agreements with BNDES for the financing of industrial development projects, such as project MA 1100, repayable through January 2017. These loans are amortized on a monthly basis, including the corresponding interest.

Export prepayments and export credit notes

Export prepayments and credit notes were raised with banks in order to fund the working capital and develop the Company's activities. The agreements will be settled up to May 2021.

b) Maturities of long-term loans

The maturity of the Company's loans as of December 31, 2011, classified in noncurrent liabilities, is as follows:

Year	2013	2014	2015	2016	2017	2018	2019	2020 and thereafter	Total
Amount	951,963	822,095	808,711	405,213	290,227	287,372	403,980	417,278	**4,386,839**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

c) Summary of changes in loans and financing

	Company	Consolidated
Balances as of January 01, 2010	**4,598,227**	**4,727,949**
Borrowings	1,016,656	1,042,934
Accrued interest	251,240	252,410
Exchange rate change	(143,467)	(143,958)
Amortization and payment of interest	(902,465)	(1,022,238)
Balances as of December 31, 2010	**4,820,191**	**4,857,097**
Borrowings	827,379	827,379
Accrued interest	263,425	263,653
Exchange rate change	418,308	418,150
Amortization and payment of interest	(1,031,967)	(1,068,943)
Balances as of December 31, 2011	**5,297,336**	**5,297,336**

d) Guarantees

BNDES loans are guaranteed by land, buildings, improvements, machinery, equipment, and plants in Correia Pinto, Santa Catarina state, and Monte Alegre, Paraná state, whose carrying amount as of December 31, 2011, net of depreciation is R$1,984,785, the financed assets, in addition to escrow deposits and sureties of controlling shareholders.

Export credit, export prepayment, and working capital loans are not collateralized.

e) Restrictive covenants

At the end of the reporting period, the Company and its subsidiaries did not have any financing agreements that contain restrictive covenants requiring the maintenance of certain financial ratios on the transactions under the agreements or the debt payment acceleration.

15 TRADE ACCOUNTS PAYABLE

	Company			Consolidated		
	12/31/2011	**12/31/2010**	**01/01/2010**	**12/31/2011**	**12/31/2010**	**01/01/2010**
Local currency	316,435	246,110	178,290	319,835	247,928	178,858
Foreign currency	10,491	19,027	7,130	15,210	21,911	10,838
	326,926	**265,137**	**185,420**	**335,045**	**269,839**	**189,696**

The Company’s average collection term from suppliers is approximately 45 days.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

16 RESERVE FOR TAX, SOCIAL SECURITY, CIVIL AND LABOR CONTINGENCIES

a) Accrued contingencies

Based on the individual analysis of the lawsuits and the opinion of their legal counsel, the Company and its subsidiaries recorded, in noncurrent liabilities, reserves for probable losses, as shown below:

				12/31/2011
Company:	**Accrued amount**	**Escrow deposits (*)**	**Net liability**	**Escrow deposits**
Tax:				
. PIS/COFINS (taxes on revenue)	(13,730)	13,730	-	26,330
. CPMF (tax on banking transactions)	(8,646)	8,646	-	-
. Income tax and social contribution	(11,554)	9,480	(2,074)	-
. Other	(1,660)	1,749	89	25,248
	(35,590)	33,605	(1,985)	51,578
Labor	(58,877)	14,435	(44,442)	-
Civil	(5,179)	1,493	(3,686)	-
	(99,646)	**49,533**	**(50,113)**	**51,578**
Subsidiaries:				
Other	-	-	-	1,346
Consolidated	**(99,646)**	**49,533**	**(50,113)**	**52,924**

				12/31/2010
Company:	**Accrued amount**	**Escrow deposits (*)**	**Net liability**	**Escrow deposits**
Tax:				
. PIS/COFINS (taxes on revenue)	(13,466)	13,466	-	22,676
. CPMF (tax on banking transactions)	(8,646)	8,646	-	-
. Income tax and social contribution	(16,357)	9,480	(6,877)	-
. Other	(1,508)	1,508	-	19,025
	(39,977)	33,100	(6,877)	41,701
Labor	(55,996)	14,587	(41,409)	-
Civil	(6,174)	-	(6,174)	-
	(102,147)	**47,687**	**(54,460)**	**41,701**
Subsidiaries:				
Other	-	-	-	1,310
Consolidated	**(102,147)**	**47,687**	**(54,460)**	**43,011**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

				01/01/2010
Company:	**Accrued amount**	**Escrow deposits (*)**	**Net liability**	**Escrow deposits**
Tax:				
. PIS/COFINS (taxes on revenue)	(12,695)	12,695	-	21,138
. CPMF (tax on banking transactions)	(8,646)	8,646	-	-
. Income tax and social contribution	(16,356)	9,528	(6,828)	-
. Other	(1,929)	1,929	-	14,881
	(39,626)	32,798	(6,828)	36,019
Labor	(90,078)	11,895	(78,183)	-
Civil	(9,021)	-	(9,021)	-
	(138,725)	**44,693**	**(94,032)**	**36,019**
Subsidiaries:				
Other	-	-	-	1,220
Consolidated	**(138,725)**	**44,693**	**(94,032)**	**37,239**

(*) Refers to judicial deposits which have accruals for the same lawsuits.

As of December 31, 2011, the Company’s accrued contingencies related to tax lawsuits related mainly to challenges regarding the payment of PIS/COFINS on the sale of shares and income tax and social contribution on the inflation adjustments under Law 8200/91, labor lawsuits comprising mostly lawsuits filed by former employees of the Company’s plants claiming the payment of labor rights (severance pay, overtime, hazardous duty and health hazard premiums), compensations and joint liability, as well as civil lawsuits related mainly to compensation claims due to property damage and/or pain and suffering resulting from accidents.

b) Summary of changes in reserve for civil, tax and labor provisions

	Company/Consolidated			
	Tax	**Labor**	**Civil**	**Net exposure**
Balances as of January 01, 2010	**(6,828)**	**(78,183)**	**(9,021)**	**(94,032)**
New lawsuits/increases and inflation adjustments	440	1,647	(312)	**1,775**
(Recognitions)/reversals (*)	(489)	35,127	3,159	**37,797**
Balance as of December 31, 2010	**(6,877)**	**(41,409)**	**(6,174)**	**(54,460)**
New lawsuits/increases and inflation adjustments	(344)	(3,615)	(554)	**(4,513)**
(Recognitions)/reversals	5,236	582	3,042	**8,860**
Balance as of December 31, 2011	**(1,985)**	**(44,442)**	**(3,686)**	**(50,113)**

(*) Substantially due to the update process and according to representatives of business, still under approval.

c) Unaccrued civil, tax and labor risks

The Company and its subsidiaries are parties to other tax, labor and civil lawsuits for which the risk of loss was assessed as “possible”, involving the following approximate amounts: tax - R$513,241 (does not include income tax assessment described below), labor - R$64,003, and civil - R$23,411. Based on the individual analysis of the lawsuits and the opinion of the Company’s legal counsel, Management understands that these lawsuits do not need to be accrued because the likelihood of loss is possible.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

d) Contingent assets

As of December 31, 2011, the Company was a plaintiff in lawsuits for which no amount was recognized in its financial statements and amounts are recognized only after a final and unappealable decision is rendered and gain is virtually certain.

The Company's legal counsel assessed the likelihood of a favorable outcome in some of the lawsuits as "probable". These lawsuits, deemed IPI credits on the purchase of electric power, oil and natural gas applied in production process.

e) Income tax and social contribution assessment/Enrollment with REFIS

On July 27, 2007, the Company received an income tax and social contribution assessment notice with respect to divestures made by the Company in 2003. This tax assessment notice, which amounts approximately to R$1,069 million, including principal, fine and interest at December 31, 2009 values, was not recorded as a reserve for contingencies in light of the aforementioned likelihood of loss.

The Company joined the Tax Debt Refinancing Program (REFIS) within the legal deadline set out by Law 11941/09 and, as disclosed in the Significant Event Notice of February 18, 2010, included part of the amounts collected in said tax assessment. As of December 31, 2009, the amount included in the REFIS tax installment plan was approximately R$862 million and, after applying the plan's rules, it dropped to approximately R$332 million, accrued in the financial statements for the year ended December 31, 2009.

During the 2nd quarter of 2011 the Internal Revenue Service agency provided to the Company the REFIS' consolidation of debits, generating an additional accrual for penalties and interest in the amount of R$33 million, which were recorded in the financial income, along with proper monetary adjustment of the year amounting to R$ 96 million. As of December 31, 2011 such recorded provision amounts to R$430 million (R$349 million as of December 31, 2010).

f) Commitments

At the end of the reporting period, the Company and its subsidiaries do not have any future material commitments that have not been disclosed in the financial statements.

17 SHAREHOLDERS' EQUITY

a) Capital

As of December 31, 2011 the Company's subscribed and paid-in capital in the amount of R$ 2,271,500 (R$ 1,500,000 as of December 31 2010) is represented by 917,683,296 shares, without par value held as follows:

	12/31/2011		12/31/2010	
Shareholders	**Common shares**	**Preferred shares**	**Common shares**	**Preferred shares**
BNDESPAR	-	87,903,340	-	108,421,640
The Bank of New York Department	-	56,153,085	-	58,217,715
Monteiro Aranha S/A	63,458,605	33,135,978	63,458,605	27,832,549
Klabin Irmãos & Cia	163,797,753	-	163,797,753	-
Niblak Participações S/A	24,699,654	-	24,699,654	-
Others	64,871,551	393,663,330	64,871,551	379,187,029
Treasury shares	-	30,000,000	-	27,196,800
	316,827,563	**600,855,733**	**316,827,563**	**600,855,733**

The Extraordinary Shareholders' Meeting of December 20, 2011 has approved the Company's capital increase through the capitalization of the: capital reserve in the amount of R$84,491, part of the legal reserve in the amount of R$187,009, and part of the investments and working capital reserve in the amount of R$500,000, totaling a capitalized amount of R$771,500, without issue of new shares.

Preferred shares are nonvoting but have priority in capital reimbursement in case of Company liquidation and are paid dividends 10% higher than those paid on common shares.

b) Treasury shares

The Extraordinary Board of Directors' Meeting held on October 13, 2011 has approved the buyback of up to 41.954.318 preferred shares of the Company (equivalent to 10% of the outstanding shares of this class on that date) over a 365-day period, to be held in treasury and be subsequently sold or cancelled with no capital reduction.

In August 2011, the Company purchased, under the share buyback plan, 2,803,200 own preferred shares, at the average price of R$4.69 per share, totaling R$13,123, thus increasing the number of shares held in treasury for subsequent sale or cancellation from 27,196,800 to 30,000,000 preferred shares. These treasury shares were bought back as a way to invest available funds. As of December 31, 2011, the price of this class of shares (PN) traded on the São Paulo Stock Exchange was R$8.00 each.

c) Amendments to the bylaws

The Extraordinary Shareholders' Meeting of December 20, 2011 has proposed and approved the following amendments to bylaws:

(i) Compliance of the bylaws with the Corporate Governance Level 1 requirements.

(ii) Creation of the biological assets reserve

As prescribed by article 194 of Law 6404/76, Management proposed a new bylaws reserve, named "Biological assets reserve", to record the fair value adjustments of biological assets (note 13) of the Company and its subsidiaries, starting from the balance arising from the first-time adoption of the accounting practices adopted in Brazil consistent with the international standards (IFRS). Such adjustments were previously recorded as "Unrealized earnings reserve" in the 2010 financial statements. This new reserve was created to allow the recognition of a mechanism able to maintain, temporarily, the effects of the fair value of biological assets until they are financially realized and become a component of the dividends payable to shareholders.

The statements of changes in equity reflect the new name of and changes in this reserve, in accordance with the criteria established by the Company's bylaws.

The name of the Unrealized earnings reserve recognized in the 2010 financial statements and previously used to allocate the fair value adjustments of biological assets was renamed to Biological assets reserve.

(iii) Change in the calculation schedule of minimum dividends

In addition to the creation of the Biological assets reserve and to entitle shareholders to receive dividends on realized income, Management proposed a change in the calculation basis of minimum dividends in its bylaws, including the recognition, reversal and realization of the Biological assets reserve, to determine the available net income basis to be distributed to the shareholders. As a result, shareholders are entitled to 25% of adjusted income every year.

Such change is supported by article 202 of Law 6404/76 and does not subject noncontrolling shareholders to the management bodies' discretion or to the discretion of the majority of shareholders, which results in dividends to shareholders being strictly and accurately regulated.

d) Reserves

Revaluation reserve

Based on CVM Resolution 27/86, this balance refers to the revaluation of property, plant and equipment in 1988, based on the depreciation or sale of the revalued assets. The related balance is net of applicable income tax and social contribution.

Earnings reserve

(i) Legal reserve

Pursuant to Brazilian Corporate Law, the Company shall allocate 5% of net income for year that does not exceed 20% of capital to this reserve. The Company may not constitute such legal reserve in the year ended where the balance of such reserve, plus the amount of capital reserves exceed 30% of shareholders' capital. The objective of the legal reserve is to ensure the integrity of the Company's capital and can only be utilized to offset losses or increase capital, if determined by the Shareholders' Meeting.

(ii) Investments and working capital reserve

Statutory reserve Comprises the variable portion of annual net income adjusted as provided for by the law and, pursuant to Company bylaws, from 5% to 75% of net income, to ensure investments in property, plant and equipment and reinforcement of working capital.

(iii) Biological assets reserve

Based on the allocation of net income for the year, net of taxes, the biological assets reserve is: (i) recorded every year based on the income from measurement of biological assets at fair value; (ii) reversed to Retained earnings (accumulated losses) as an expense on the measurement of biological assets at fair value; and (iii) realized through the depletion of the fair value of biological assets, limited to the existence of balance in Retained earnings.

The effects of the biological assets recorded on this reserve include the biological assets of the Company and its subsidiaries, recorded in equity in subsidiaries.

(iv) Reserve of proposed dividends

Recognized based on Management's proposed dividends on the portion exceeding the mandatory minimum dividend, whose payment is contingent upon approval by the Shareholders' Meeting.

e) Dividends

Dividends comprise the portion of income earned by the Company that is paid to shareholders as compensation for the capital invested over the years. All shareholders are entitled to dividends proportionally to their equity interest, as established by the Brazilian corporate law and the Company's bylaws. Company bylaws also grant management the right to distribute interim dividends in advance during the year, "ad referendum" by the Annual Shareholders' Meeting.

The Extraordinary Shareholders' Meeting of December 20, 2011 has approved a change in the dividend calculation basis established in the Company's bylaws, and determined that dividends will be adjusted by the recognition, realization and reversal, in the respective year, of the biological assets reserve and entitle the Company's shareholders to receive minimum dividends equivalent to 25% of adjusted net income for the year.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The distribution of dividends for 2011 is as follows:

	Company
Net income for the year	**182,721**
(-) Recognition of legal reserve - (5% of net income)	(9,136)
(+) Realization of the biological assets reserve - Company	113,577
(+) Realization of the biological assets reserve - subsidiaries (*)	66,226
(-) Constitution of biological assets reserve - Company	(72,475)
(-) Constitution of biological assets reserve - subsidiaries (*)	(106,106)
(+) Realization of revaluation reserves	713
Net income adjusted for distribution of dividends	**175,520**
Minimum dividends in accordance with the Bylaws (25%)	**43,880**
2011 Interim dividends	
June (paid on July 15, 2011)	
. R$ 86.51 per thousand registered common shares	27,409
. R$ 95.16 per thousand registered preferred shares	54,589
September (paid on October 11, 2011)	
. R$ 58.22 per thousand registered common shares	18,446
. R$ 64.04 per thousand registered preferred shares	36,557,
	137,001
2011 Proposed supplementary dividends to be approved in the Shareholders' Meeting	
Dividends paid based on net income	38,519
Dividends paid based on the investment and working capital reserve	41,479
2011 Supplementary dividends	**79,998**
. R$ 84.74 per thousand registered common shares	26,848
. R$ 93.21 per thousand registered preferred shares	53,150

(*) Included in equity in subsidiaries

In the Shareholders' Meeting to be held on April 3, 2012, the Company's management will propose the payment of supplementary dividends for 2011 in the amount of R$79,998, corresponding to R$84.74 per thousand common shares and R$93.21 per thousand preferred shares, of which R$38,519 referred to net income and R$41,479 to the investment and working capital earnings reserve. Total dividends proposed for 2011 amount to R$216,999.

The Extraordinary Shareholders' Meeting of April 04, 2011 has approved the Company proposed supplementary dividends for 2010 year ended in the amount of R$70,002, correspond to R$73,85 per thousand common shares and R$81,24 per thousand preferred shares, which were paid on April 20, 2011. Considering such supplementary dividends approved, dividends paid for 2010 year ended amounted to R$190,003, including interim dividends paid in July and October 2010 of R$50,000 and R$70,001, respectively.

In 2011, dividends were paid in the amount of R$207,003, of which R$137,001 was interim dividends of 2011 and R$70,002 was supplementary dividends of 2010.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

18 NET REVENUE FROM SALES

The Company's net revenue includes only the sales of its products and is broken down as follows:

	Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Gross sales	4,561,503	4,317,012	4,686,275	4,431,465
Discounts and rebates	(7,141)	(18,397)	(12,703)	(20,564)
Taxes on sales	(769,999)	(731,679)	(784,421)	(747,584)
	3,784,363	**3,566,936**	**3,889,151**	**3,663,317**
. Domestic market	3,032,317	2,840,423	3,017,272	2,850,297
. Foreign market	752,046	726,513	871,879	813,020
Net revenue from sales	**3,784,363**	**3,566,936**	**3,889,151**	**3,663,317**

19 EXPENSES/REVENUES BY NATURE

	Company		Consolidated	
	12/31/2011	**12/31/2010**	**12/31/2011**	**12/31/2010**
Variable costs (raw materials and consumption supplies)	(1,733,375)	(1,666,824)	(1,559,341)	(1,521,159)
Personnel expenses (*)	(619,663)	(536,557)	(627,035)	(541,970)
Depreciation, amortization and depletion	(424,501)	(442,979)	(547,768)	(560,739)
Freight	(149,839)	(142,721)	(189,142)	(178,480)
Commission	(2,985)	(2,887)	(26,019)	(23,099)
Services contracted	(245,267)	(225,715)	(247,744)	(227,995)
Revenue from sale of subsidiary (a)	49,582	-	49,582	-
Costs on sale of subsidiary (a)	(40,613)	-	(40,613)	-
Revenue from sale of property, plant and equipment (b)	53,018	841	53,018	841
Cost on sale and write-off of property, plant and equipment (b)	(6,391)	(3,337)	(6,391)	(3,337)
Adjustment of actuarial liability	(5,325)	(8,205)	(5,325)	(8,205)
Realization of deemed cost of property, plant and equipment	-	-	-	(28,197)
Other	(188,725)	(180,936)	(215,816)	(198,213)
	(3,314,084)	**(3,209,320)**	**(3,362,594)**	**(3,290,553)**

(*) Include expenses in the amount of R$5,230 and R$4,010 as of December 31, 2011 and 2010, respectively, related to spendings with Company's employees training.

a) Sale of subsidiaries

In September 2011, the Company sold its subsidiary Timber Holdings S.A. for the amount of R$49,582, which resulted in a gain equivalent to R$8,969 in net income, net of the write-off of assets and transactions costs. This subsidiary's assets comprised basically to land in the Aparecida do Taboado region, in the state of Mato Grosso do Sul.

b) Sale of property, plant and equipment

Refers to sale of Company's properties located in Del Castilho, State of Rio de Janeiro, in November, for the amount of R$50,100, which generated a gain equivalent to R$40,302 in net income, net of the assets carrying amount and transaction costs.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

20 FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Financial income				
. Income from short-term investments	287,212	208,762	297,749	215,949
. Derivatives (NDFs)	(871)	-	(871)	-
. Other	19,381	18,153	19,433	18,162
. Exchange variation on assets	29,690	(20,915)	29,720	(20,949)
	335,412	**206,000**	**346,031**	**213,162**
Financial expenses				
. Interest on financing	(263,291)	(251,420)	(264,474)	(252,410)
. Interests on REFIS (note 16)	(96,402)	(30,620)	(96,402)	(30,620)
. Interest on accounts payable - SCPs	-	-	(29,224)	(22,376)
. Other	(43,788)	(18,654)	(44,596)	(20,735)
. Exchange variation on liabilities	(414,794)	141,197	(411,903)	141,197
	(818,275)	**(159,497)**	**(846,599)**	**(184,944)**
Financial income (expenses), net	**(482,863)**	**46,503**	**(500,568)**	**28,218**

On October 13, 2011, the Company contracted a single Currency Forward (NDF) transaction, settled on November 16, 2011, at the notional acquisition amount of USD 242 million, to hedge against US dollar fluctuations on cash and guarantee the amount for investment mentioned in note 1. This transaction resulted in a loss of R$871.

21 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to the holders of Company common and preferred shares by the weighted average number of common and preferred shares outstanding in the year. Diluted earnings per share correspond to basic earnings per share as the Company has no potentially dilutive common or preferred shares.

As mentioned in Note 17, in August 2011 the Company bought back 2,803,200 own preferred shares, increasing the number of shares held in treasury to 30,000,000 from 27,196,800. This transaction affects the weighted average number of preferred shares held in treasury for the 2011. The weighted average used in calculating earnings (loss) per share was calculated as follows:

Weighted average number of treasury shares - 2011

Jan to Jul		Ago to Dec		12 months
27,196,800 x 7/12	+	30,000,000 x 5/12	=	28,364,800

In October and November 2010 the Company bought back 10,288,900 own preferred shares, of which 6,366,500 in October and 3,922,400 in November, increasing the number of shares held in treasury to 27,196,800 from 16,907,900. This transaction impacts the weighted average of the number of preferred shares held in treasury used in the 2010 calculation, which is calculated as follows:

Weighted average number of treasury shares - 2010

Jan to Set		Out		Nov to Dec		12 months
16,907,900 x 9/12	+	23,274,400 x 1/12	+	27,196,800 x 2/12	=	19,153,258

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The table below, presented in Brazilian reais, reconciles net income for the year ended December 31, 2011 and 2010 to the amounts used for the calculation of basic and diluted earnings per share:

			Company/Consolidated
			12/31/2011
	Common shares	Preferred shares (*)	Total
Denominator			
Weighted average number of shares	316,827,563	600,855,733	917,683,296
Treasury shares	-	(28,364,800)	(28,364,800)
Weighted average number of shares	**316,827,563**	**571,790,133**	**889,318,496**
% of shares (*)	**33.47%**	**66.53%**	**100%**
Numerator			
Net income attributable to each class of shares (R$)	**61,158,918**	**121,562,082**	**182,721,000**
Weighted average number of shares	**316,827,563**	**572,490,933**	**889,318,496**
Earnings per share - basic and diluted (R$)	**0.1930**	**0.2123**	

(*) Preferred shares are entitled to dividends 10% higher than those paid to common shares

			Company/Consolidated
			12/31/2010
	Common shares	Preferred shares (*)	Total
Denominator			
Weighted average number of shares	316,827,563	600,855,733	917,683,296
Treasury shares	-	(19,153,258)	(19,153,258)
Weighted average number of shares	**316,827,563**	**573,036,000**	**898,530,038**
% of shares (*)	**33.12%**	**66.88%**	**100.00%**
Numerator			
Net income attributable to each class of shares (R$)	**185,379,338**	**374,396,662**	**559,776,000**
Weighted average number of shares	**316,827,563**	**581,702,475**	**898,530,038**
Earnings per share - basic and diluted (R$)	**0.5852**	**0.6436**	

(*) Preferred shares are entitled to dividends 10% higher than those paid to common shares.

22 OPERATING SEGMENTS

a) Criteria for identification of operating segments

The Company segmented its operating structure taking into consideration the way Management manages the business. Management defined the following operating segments:

(i) Forestry segment: includes planting and growing pine and eucalyptus trees to supply of the Company’s paper plants and sell timber (logs) to third parties in the domestic market.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

(ii) Paper segment: substantially includes the production and sale of cardboard, kraftliner and recycled paper rolls in the domestic and foreign markets.

(iii) Conversion segment: includes the production and sale of corrugated cardboard boxes and boards, and industrial bags in the domestic and foreign markets.

b) Consolidated information on operating segments for the year ended December, 31 2011 and 2010

					Consolidated
					12/31/2011
	Forestry	**Papers**	**Conversion**	**Corporate/ eliminations**	**Total**
Sales, net:					
.Domestic market	281,874	1,109,529	1,625,188	681	**3,017,272**
.Foreign market	-	780,880	90,999		**871,879**
Revenue from sales to third parties	**281,874**	**1,890,409**	**1,716,187**	**681**	**3,889,151**
Intersegment revenue	477,972	869,495	13,968	(1,361,435)	-
Total sales, net	**759,846**	**2,759,904**	**1,730,155**	**(1,360,754)**	**3,889,151**
Change in fair value of biological assets	270,577	-	-	-	**270,577**
Cost of sales	(778,118)	(2,027,303)	(1,385,932)	1,363,911	**(2,827,442)**
Gross profit	**252,305**	**732,601**	**344,223**	**3,157**	**1,332,286**
Operating expenses	(59,422)	(298,029)	(190,972)	13,271	**(535,152)**
Income from operations before financial income (expenses)	**192,883**	**434,572**	**153,251**	**16,428**	**797,134**
Sale of products (tonne)					
.Domestic market	-	540,861	610,491	-	**1,151,352**
.Foreign market	-	559,602	27,732	-	**587,334**
.Intersegment	-	689,486	3,775	(693,261)	**-**
	-	**1,789,949**	**641,998**	**(693,261)**	**1,738,686**
Sale of timber (tonne)					
.Domestic market	2,753,182	-	-	-	**2,753,182**
.Intersegment	7,121,087	-	-	(7,121,087)	-
	9,874,269	**-**	**-**	**(7,121,087)**	**2,753,182**
Investments in the year	570.097(*)	233,424	75,397	3,687	**882,605**
Depreciation, depletion and amortization	(326,289)	(187,474)	(30,741)	(3,264)	**(547,768)**
Total assets	**5,592,618**	**3,920,266**	**868,920**	**2,359,791**	**12,741,595**
Total liabilities	**1,515,074**	**641,103**	**144,981**	**5,482,135**	**7,783,293**
Shareholders' equity	**4,077,544**	**3,279,163**	**723,939**	**(3,122,344)**	**4,958,302**

(*) Include investments in the acquisition of Florestal Vale do Corisco Ltda., as mentioned in note 1.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

					Consolidated
					12/31/2010
	Forestry	**Papers**	**Conversion**	**Corporate/ eliminations**	**Total**
Sales, net:					
.Domestic market	273,310	1,030,650	1,545,780	557	**2,850,297**
.Foreign market	-	720,162	92,858	-	**813,020**
Revenue from sales to third parties	**273,310**	**1,750,812**	**1,638,638**	**557**	**3,663,317**
Intersegment revenue	433,789	855,209	10,377	(1,299,375)	-
Total sales, net	**707,099**	**2,606,021**	**1,649,015**	**(1,298,818)**	3,663,317
Change in fair value of biological assets	448,625	-	-	-	**448,625**
Cost of sales	(753,524)	(1,966,806)	(1,311,184)	1,290,411	**(2,741,103)**
Gross profit	**402,200**	**639,215**	**337,831**	**(8,407)**	1,370,839
Operating expenses	(81,828)	(262,762)	(178,967)	(25,893)	**(549,450)**
Income from operations before financial income (expenses)	**320,372**	**376,453**	**158,864**	**(34,300)**	821,389
Sale of products (tonne)					
.Domestic market	-	537,401	623,907	-	**1,161,308**
.Foreign market	-	522,254	32,022	-	**554,276**
.Intersegment	-	713,359	2,549	(715,908)	-
	-	**1,773,014**	**658,478**	**(715,908)**	1,715,584
Sale of timber (tonne)					
.Domestic market	3,113,132	-	-	-	**3,113,132**
.Intersegment	6,828,064	-	-	(6,828,064)	-
	9,941,196	**-**	**-**	**(6,828,064)**	3,113,132
Investments in the year	129,516	179,783	67,825	8,473	**385,597**
Depreciation, depletion and amortization	(353,127)	(177,952)	(27,789)	(1,871)	**(560,739)**
Total assets	5,243,263	3,823,136	807,530	2,387,314	**12,261,243**
Total liabilities	1,490,704	617,824	129,484	5,029,146	**7,267,158**
Shareholders' equity	3,752,559	3,205,312	678,046	(2,641,832)	**4,994,085**

Corporate/eliminations refers basically to the corporate unit's expenses not apportioned among the other segments, and eliminations refer to adjustments of intersegment transactions.

The information related to financial income (expenses) and income tax and social contribution was not disclosed in segment reporting because the Company's management does not use said data on a segmented basis, which is managed and analyzed on a consolidated basis.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

c) Information on net revenues from sales

The Company's net revenues generated by sales to foreign market customers, in the consolidated net income for the year ended December 31, 2011, amount to R$872 million (R$813 million as of December 31, 2010). The table below shows the distribution of net revenues from sale for the years indicated by country:

	Consolidated			Consolidated	
	12/31/2011			12/31/2010	
Country	Total revenue (R$ million)	% of revenue Total net	Country	Total revenue (R$ million)	% of revenue Total net
Argentina	255	6.6%	Argentina	264	7.2%
China	116	3.0%	China	111	3.0%
Spain	45	1.2%	Singapore	60	1.6%
Ecuador	47	1.2%	Spain	45	1.2%
Singapore	54	1.4%	Nigeria	31	0.8%
Philippines	33	0.8%	Germany	22	0.6%
Germany	26	0.7%	Italy	17	0.5%
Italy	30	0.8%	French	17	0.5%
South Africa	22	0.6%	Venezuela	16	0.4%
Nigeria	24	0.6%	Ecuador	15	0.4%
Turkey	19	0.5%	Turkey	14	0.4%
Sundry others	201	5.2%	Sundry others	201	5.5%
	872	**22%**		**813**	**22%**

The Company's net sales revenue arising from domestic customers in the years ended December 31, 2011 and 2010, amounts to R$3,017 million and R$2.850 million, respectively.

For the year ended December 31, 2011, in the papers segment, a single customer of cardboards accounted for approximately 20% of the Company's net revenue, corresponding to approximately R$870 million (R$773 million for the year ended December 31, 2010). The remaining customer base is diluted as none of the other customers individually accounts for a material share of the Company's net operating revenue (above 10%).

23 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) Risk management

The Company and its subsidiaries conduct transactions with financial instruments, all recorded in balance sheet accounts, that are intended to meet their operational needs and reduce exposure to financial risks, mainly credit and investment of funds, market risks (foreign exchange and interest rates) and liquidity risks, to which the Company understands that it is exposed based on the nature of its business and corporate structure.

Management of these risks is implemented through strategies defined and approved by the Company's management in conjunction with control systems and specific limits. Transactions are not conducted with financial instruments for speculative purposes.

In addition, Management assesses on a timely basis the Company's consolidated position and monitors the financial income (expenses) obtained based on the analysis of future projections to ensure that the business plan is fulfilled and the risks to which the Company is exposed are monitored.

The mainly risks to which the Company is exposed are described below:

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to changes in market prices. Market prices are affected by two types of risks: interest rate risk and currency risk. The financial instruments affected by market risks are short-term investments, trade receivables, trade payables, loans and financing, available-for-sale instruments, and derivatives.

(i) Currency risk

The Company has transactions denominated in foreign currencies, which are exposed to market risks arising from fluctuations in foreign exchange rates. Any change in the exchange rate can increase or reduce these balances. Breakdown of this exposure is as follows:

	Consolidated	
	12/31/2011	**12/31/2010**
Cash and short-term investments	81,500	162,000
Trade accounts receivable (net of allowance for doubtful accounts) and other assets	225,800	184,800
Trade accounts payable	(5,500)	(19,000)
Export prepayments (financing)	(3,628,973)	(2,855,364)
Net exposure	**(3,327,173)**	**(2,527,564)**

As of December 31, 2011, the balance by maturity for this net exposure is as follows:

Year	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 thereafter**	**Total**
amount	(247,410)	(600,126)	(484,859)	(427,315)	(309,689)	(245,630)	(232,501)	(779,643)	**(3,327,173)**

As of December 31, 2011, the Company has not entered into derivative contracts to hedge against long-term currency exposure. However, in order to hedge against this net liability exposure, the Company has a plan for projected exports sales of approximately US$500 million receivable annually that, if realized, would exceed the flow of payments for the respective liabilities, thus offsetting the effect of this currency exposure in the future.

(ii) Interest rate risk

The Company has loans indexed to the TJLP, LIBOR and interbank deposit rate (interbank deposit rate (CDI)) and short-term investments indexed to CDI and SELIC fluctuations, which expose these assets and liabilities to fluctuations in interest rates as shown in the interest sensitivity schedule shown below. The Company does not have swap or hedging derivative contracts to hedge against the exposure of these market risks, and keeps only one rate swap transaction outstanding (synthetic financial instrument), in order to reduce the effective interest rate along with an export prepayment transaction. The transaction carried by the Company is as follows:

(a) Export prepayment contracted with Banco Itaú BBA S.A. in the amount of USD25 million, subject to interest corresponding to the 6-month Libor plus a fixed rate of 1.36%. Interest is paid semiannually and principal is repaid in nine installments, beginning October 2011 and ending October 2015.

(b) In order to reduce the fixed interest rate of such prepayment, the Company contracted an interest rate swap transaction, corresponding to a synthetic financial instrument, with the same counterparty of the prepayment, i.e. Banco Itaú BBA S.A. The swap was contracted based on the following conditions: (a) asset position in the same amount (notional amount) in US dollar of the prepayment above and same maturity dates, adjusted based on the 6-month Libor plus 1.40% p.a., and (b) passive position in the same amount in US dollar of the prepayment above, adjusted based on the 6-month Libor plus 1.15% p.a. Repayments are made on the dates set forth in the prepayment agreement described above.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

Accordingly, in case of same variables in the long and short positions (US$ and Libor), such swap is intended only to reduce the effective interest rate of the prepayment transaction by 0.25% p.a., resulting in a revenue of approximately R$110 in 2011. The transaction will mature by 2015.

Despite the interest rate swap transaction mentioned above, the Company's policy is to continuously monitor market interest rates in order to assess the potential need of contracting derivatives to hedge against the risk of volatility of these rates. Additionally, the Company understands that the high cost associated with entering into transactions at fixed interest rates in the Brazilian macroeconomic scenario justifies its option for floating rates.

Breakdown of the interest rate risk:

	Consolidated	
	12/31/2011	**12/31/2010**
Short-term investments - CDI	2,251,875	2,361,210
Short-term investments - Selic	221,260	198,222
Asset exposure	**2,473,135**	**2,559,432**
Financing - CDI	(83,947)	(100,765)
Financing - TJLP	(1,512,406)	(1,691,720)
Financing - Libor	(3,017,596)	(2,247,404)
Liability exposure	**(4,613,949)**	**(4,039,889)**

Credit risk and investment of funds

Credit risk is the risk that the counterparty of a business does not meet an obligation established by a financial instruments or contract with a customer, thus resulting in a financial loss. The Company's operating activities (mainly those related to trade accounts receivable) and investment, including deposits in banks and financial institutions, foreign exchange transactions, short-term investments and other contracted financial instruments, are exposed to credit risks.

As of December 31, 2011, the maximum amount exposed to credit risks is the carrying amount of trade accounts receivable stated in note 6. The investment amount exposed to credit risks corresponds substantially to the amounts of short-term investments, described in notes 4 and 5.

The credit risks to which the Company is exposed are managed based on specific rules for acceptance of customers, credit ratings, and individual limits for exposure by customer, which are periodically reviewed. Monitoring of past-due trade receivables is carried out in a timely manner. Additionally, there are specific analyses and rules approved by Management for investment in financial institutions highly rated by rating agencies, and the types of investments offered in financial markets, which seek to invest funds conservatively and safely.

Liquidity risk

The Company monitors the risk of lack of funds through a recurring liquidity planning tool, in particular by means of financing with financial institutions, so that it has funds available to meet its obligations.

The table below shows the maturity of the financial liabilities contracted by the Company, in consolidated, and the related amounts include principal and future interest levied on transactions calculated based on rates and ratios prevailing as of December 31, 2011:

	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 thereafter**	**Total**
Trade accounts payable	(335,045)	-	-	-	-	-	-	-	**(335,045)**
Borrowings	(1,052,972)	(1,097,155)	(953,790)	(913,816)	(464,649)	(356,665)	(352,648)	(1,014,207)	**(6,205,902)**
Total	**(1,388,017)**	**(1,097,155)**	**(953,790)**	**(913,816)**	**(464,649)**	**(356,665)**	**(352,648)**	**(1,014,207)**	**(6,540,947)**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The projection for the following years, which was approved by the Board of Directors, shows the Company's ability to meet the obligations, if projections are effectively accomplished.

The Company's equity structure consists of its net debt, consisting of loans and financing (note 14) less the cash, cash equivalents, and short-term investments (notes 4 and 5), and shareholders' equity, including the balance of issued capital and all recorded reserves.

The Company's net indebtedness is broken down as follows:

	Consolidated	
	12/31/2011	**12/31/2010**
Cash, cash equivalents and short-term investments	2,562,324	2,729,327
Loans and financing	(5,297,336)	(4,857,097)
Net indebtedness	**(2,735,012)**	**(2,127,770)**
Shareholders' equity	4,958,302	4,994,085
Debt to net assets ratio	**(0.55)**	**(0.43)**

b) Financial instruments

The Company's main financial instruments are classified as follows:

Loans and receivables and other financial liabilities

The financial instruments included in this group comprise balances arising from transactions related to the Company's activities, such as accounts receivable, trade accounts payable, loans and financing, short-term investments and cash and cash equivalents. All of them are recognized at their notional value plus, when applicable, contractual charges and interest, expenses and income from which are recognized in income (loss) for the year.

Available-for-sale financial assets

The Company classified its securities that comprise National Treasury Bills (LFT) (short-term investments - note 5) as financial assets available for sale, because they can be traded in the future. These securities are recorded at value, plus interest on the transaction yield. Due to this asset's liquidity, its fair value approximates its amortized cost, and thus it has no impact on the Company's shareholders' equity. As of December 31, 2011, the balance of these securities on a consolidated basis is R$221,260.

Financial assets at fair value through profit or loss

As mentioned in note 20, the Company carried out a simple derivative instrument to guarantee the amount for investment for the acquisition of Florestal Vale do Corisco Ltda. without leverage for short-term currency hedging purposes (NDF). The NDF was settled on November 16, 2011 and resulted in a financial loss of R$871 recognized in net income for 2011. Subsequently, the Company did not contract any new derivative transactions.

c) Sensitivity analysis

The Company presents below sensitivity schedules for currency and interest rate risks to which the Company is exposed considering that any effects would impact future earnings, based on the exposures presented as of December 31, 2011.

(i) Currency exposure

The Company has assets and liabilities indexed to a foreign currency in the balance sheet as of December 31, 2011, and for sensitivity analysis purposes adopted as scenario I the future market rate in effect at the time these statements were prepared. In scenario II and scenario III this rate was adjusted by 25% and 50%, respectively.

It is important to note in the maturity schedule disclosed in note 14 that most of the Company's loans will not mature in 2012. Therefore, exchange fluctuations will have no impact on cash resulting from this analysis. On the other hand, the Company's exports should already be impacted by currency variation during the year.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The sensitivity analysis of exchange fluctuations is being calculated in relation to net currency exposure (basically loans and financing, and trade accounts receivable and payable in foreign currency) and the effects of these scenarios were not considered in relation to export sales, which as mentioned previously tend to offset any possible future exchange loss.

Accordingly, the schedule below simulates the effects of currency fluctuations on future income (loss).

	Balance as of 12/31/2011	Scenario I		Scenario II		Scenario III	
	US$	Rate	R$ income (loss)	Rate	R$ income (loss)	Rate	R$ income (loss)
Assets							
Cash and cash equivalents	43,448	1.75	(5,466)	2.19	13,651	2.63	32,768
Trade accounts receivable, net of allowance for doubtful accounts	120,375	1.75	(15,143)	2.19	37,822	2.63	90,787
Liabilities							
Trade accounts payable	(2,932)	1.75	369	2.19	(921)	2.63	(2,211)
Borrowings	(1,934,627)	1.75	243,376	2.19	(607,860)	2.63	(1,459,096)
Total effect on net income - R$			**223,136**		**(557,308)**		**(1,337,752)**

(ii) Interest rate exposure

Short-term investments and loans, except those linked to the TJLP and Libor, are linked to fixed CDI rate. For sensitivity analysis purposes, for the projection of scenario I the Company used the same rates prevailing on dates close to the end of the reporting period for Selic, Libor and CDI, given their proximity. These rates were adjusted by 25% and 50% for the projection of scenarios II and III, respectively.

Accordingly, the table below simulates the effects of interest rate fluctuations on income (loss) for 12 months:

		Balance as of 12/31/2011	Scenario I		Scenario II		Scenario III	
		R$	Rate	R$ income (loss)	Rate	R$ income (loss)	Rate	R$ income (loss)
Short-term investments								
Bank Certificates of Deposit (CDBs)	CDI	2,251,875	9.50%	213,928	11.88%	267,410	14.25%	320,892
Treasury Bills (LTFs)	Selic	221,260	9.50%	21,020	11.88%	26,275	14.25%	31,530
Borrowings								
Working capital	CDI	(83,947)	9.50%	(7,975)	11.88%	(9,969)	14.25%	(11,962)
BNDES	TJLP	(1,512,406)	6.00%	(90,744)	7.50%	(113,430)	9.00%	(136,117)
Export prepayments (financing)	Libor	(3,017,596)	0.56%	(16,899)	0.70%	(21,123)	0.80%	(25,348)
Total effect on net income - R$				**119,330**		**149,163**		**178,995**

24 EMPLOYEE BENEFITS AND PENSION PLAN

The Company and its subsidiaries offer their employees life insurance, healthcare, and pension plan benefits. These benefits are accounted for on an accrual basis and stop being granted after severance.

a) Pension Plan

Klabin’s pension fund Plano Prever, administered by Itaú Vida e Previdência S.A., was created in 1986 as a defined benefit plan. Beginning 1998, the plan was restructured, resulting in the transformation of the plan into a defined contribution plan.

In November 2001, a new pension plan was created, the Plano de Aposentadoria Complementar Klabin - PACK, also administered by Itaú Vida e Previdência S.A. and structured as a PGBL (plan/life insurance plan).

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The participants of the Prever Plan were offered the option to migrate to the new plan. The Company does not assume any responsibility to pay minimum benefits to retirees in either of the plans.

b) Healthcare

Pursuant to the agreement entered into the Union of the São Paulo State Pulp and Paper Workers, the Company pays for a lifetime healthcare plan (Hospital SEPACO, principal plan) for its former employees who retired up to 2001, and their dependents (spouses and children until they reach majority age), while no new beneficiaries are allowed.

The Company understands that said healthcare benefit is a defined benefit plan in accordance with accounting practices adopted in Brazil and thus recognizes a provision for the estimated actuarial liability in the amount of R$38,130 (R$32,805 as of December 31, 2010), in noncurrent liabilities, in line item “Other payables and provisions”.

The reconciliation of the actuarial liability of the reporting periods is broken down as follows:

	Company / Consolidated		
	12/31/2011	**12/31/2010**	**01/01/2010**
Present value of actuarial obligation	32,805	27,732	24,597
Benefits paid	(3,028)	(2,772)	(2,655)
Interest Cost	3,393	2,995	2,476
Actuarial gains (losses)	4,960	4,850	182
Balance of actuarial liabilities	38,130	32,805	24,600

As of December 31, 2011, the actuarial appraisal considered the following economic and biometrical assumptions: nominal discount rate of 10.25% per year nominal growth rate of variable medical costs of 12.5% per year in 2012, reaching 6.0% per year in 2023, long-term inflation of 4.5% per year and biometrical mortality table RP 2000. The amount recognized as expense for the year ended December 31, 2011 e 2010 were R$5,325 and R$8,205 respectively.

The increase or decrease of one percentage point in the rates used in actuarial calculations does not bring significant effects on the Company's financial statements.

This plan does not have assets for disclosure.

25 INSURANCE

As of December 31, 2011, the Company has insurance against fire, lightening, explosion, electrical damages, and windstorm covering all its industrial, administrative, storage facilities and inventories. The Company also has general civil liability and D&O, auto, and multiperils insurance for its chattels, amounting to R$2,231,072.

In view of the nature of its activities, the location of forests in different areas, and the preventive actions taken against fire and other risks, the Company, rather than contracting insurance against damage caused to forests, opted to adopt protection policies that, historically, have proven to be highly effective and caused no harm to the Company’s activities or financial position. Management understands that the Company’s structure of management of the financial risks related to forest activities is appropriate to guarantee its continuity as a going concern.

26 EVENTS AFTER THE REPORTING PERIOD

Through the reporting date, the Company purchased, under the share buyback plan mentioned in note 17, 638,700 own preferred shares, at the average price of R$7.95, totaling R$5,001, thus increasing the number of shares held in treasury to 30,638,700.

KLABIN S.A.
CNPJ 89.637.490/0001-45
Corporation

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Daniel Miguel Klabin

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Olavo Egydio Monteiro de Carvalho
Paulo Sérgio Coutinho Galvão Filho
Roberto Luiz Leme Klabin
Rui Manuel de Medeiros D'Espiney Patrício
Vera Lafer

FISCAL COUNCIL BOARD

Antonio Gonçalves de Oliveira
João Alfredo Dias Lins
Luís Eduardo Pereira de Carvalho
Vivian do Valle Souza Leão Mikui
Wolfgang Eberhard Rohrbach

EXECUTIVE COMMITTEE

Fabio Schvartsman	Managing Director
Antonio Sergio Alfano	Financial, Planning, and Investor Relations Officer
Paulo Roberto Petterle	Operating Officer
Francisco Cezar Razzolini	Project, Industrial Technology, and Supplies Officer
Arthur Canhisares	Monte Alegre Industrial Officer
Cristiano Cardoso Teixeira	Director

Pedro Guilherme Zan	Angel Alvarez Núñez
Controller	Accountant
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