(A free translation of the original in Portuguese)



Celulose Irani S.A.

Financial statements at
December 31, 2017 and 2016

(A free translation of the original in Portuguese)

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

INDEPENDENT AUDITOR'S REPORT
ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders, Directors and Management of
Celulose Irani S.A.

Qualified opinion

We have audited the accompanying individual and consolidated financial statements of Celulose Irani S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2017, and the income tatement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Celulose Irani S.A. as at December 31, 2017, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for qualified opinion

As described in notes 15 and 25, in 2016, the Company and its subsidiary Iraflor Comércio de Madeiras Ltda. ("Iraflor") entered into a Forest Purchase and Sale Agreement with a third party, whereby the Company sold 4,644 hectares of forest, in the amount of R$55,500 thousand. As part of the negotiation, the buyer granted full repurchase options relating to those forests, which may be exercised on an annual basis, for an 11-year period, at a fixed amount contractually determined and adjusted for inflation by the Extended Consumer Price Index (IPCA). Those options can be either exercised by Irani Participações S.A., the Company's parent, or by the Company, which exercised cutting-related options from 2016 to 2018.

As a result of such transaction, in 2016, the Company recognized revenues amounting to R$55,500 thousand and the write-off cost of those forests (classified as biological assets), in the amount of R$51,845 thousand. Technical pronouncement CPC 30 (R1) – Revenues (equivalent to IAS 18) sets out that revenue should be recognized only when the most significant risks and rewards incidental to ownership of assets are transferred to the buyer, in addition to determining other requirements, which, in our understanding, were not fully complied with.

Consequently, we understand that revenue should not have been recognized in 2016, the related forests should have remained classified as the Company's assets, measured at their fair values, and the amount received should have been recorded as a contra entry to borrowings and financing. We were unable to obtain sufficient audit evidence with respect to the effects arising on the fair value measurement of forests, their depletion effects and finance charges incurred on financial liabilities that should have

been recognized due to the received cash, as well as those arising on the reversal amounts of timber purchase transactions, according to the option exercised by the Company, on the financial statements for the year ended December 31, 2017 and comparative financial statements for the year ended December 31, 2016.

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Key audit matters

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Basis for qualified opinion" section, we determined that the matters outlined below are the key audit matters to be communicated in our auditor's report.

Valuation of biological assets

Why is it a KAM?

The Company measures biological assets related to its pine forests at fair value, as described in notes 3.j) and 15 to the financial statements. As at December 31, 2017, the fair value of biological assets amounted to R$33,711 thousand and R$190,796 thousand, Parent and Consolidated, respectively.

Determining the fair value of biological assets requires a high level of judgment by the Company's Management, since such value is measured by using future cash flows according to the projected productivity cycle, forest growth rate, and discount rate, among others. Changes in the assumptions or valuation techniques adopted can lead to significantly different fair value estimates, causing an impact on profit or loss for the year.

How the matter was addressed in our audit

We obtained an understanding of the relevant controls over the Company's and its subsidiaries' forestry activities, and we involved our biological asset valuation specialists in assessing the methodology adopted and the consistency of the financial and economic information and assumptions used by the Company's Management to value these assets, especially with respect to the discount rate applied, which is considered one of the main calculation assumptions. In addition, the audit team analyzed the consistency of operating assumptions, the market price for the timber, the productivity and harvesting volume projections, as well as the planting expenditure

effectively incurred. A sensitivity analysis of certain assumptions and projections considering different scenarios was conducted as well.

We also assessed the appropriateness of the Company's disclosures on this matter, reported in note 15 to the individual and consolidated financial statements.

Based on the evidence obtained from performing our procedures described above, we consider that Management's assessment conducted to measure the fair value of biological assets, their recognition and related disclosures in the explanatory notes are appropriate in the context of the financial statements taken as a whole.

Restrictive covenants

Why is it a KAM?

As described in note 16 to the financial statements, the Company entered into several borrowings and financing agreements that contain restrictive covenants requiring the maintenance of certain financial and non-financial ratios, calculated based on the consolidated financial statements.

We considered such matter a key audit matter in our audit, since any failure in calculating the financial ratios set out in the restrictive covenants, or exercising judgment about and interpreting those covenants, may entail the debt reclassification to current liabilities and/or accelerated repayment of borrowings and financing.

How the matter was addressed in our audit

We obtained an understanding of the Company's relevant controls over the monitoring and calculation of financial ratios so as to assess the restrictive covenants and read the covenants defined under the borrowings and financing agreements associated with the determination of financial and non-financial ratios. We matched the information contained in spreadsheets prepared by the Company's Management for calculating the financial ratios to the accounting records, and we checked the calculations made by Management. We discussed the methodology adopted to calculate the financial covenants and comply with the non-financial covenants with Management. We obtained access to the document issued by the financial institution, whereby it waived its right to execute the early maturity with respect to those financial ratios that did not meet the contractual requirements.

We also assessed the appropriateness of the Company's disclosures on this matter, reported in note 16 to the individual and consolidated financial statements.

During our audit procedures, we noted that the Company failed to comply with certain restrictive covenants related to the financial ratios set out in borrowings and financing agreements, in the amount of R$38,450 thousand, classified in current liabilities, as at December 31, 2017. Subsequently to the reporting period of the financial statements for December 31, 2017, the financial institution waived its right to execute the accelerated maturity, as disclosed in note 16 to the financial statements. As said balance had already been classified in current liabilities, since the original maturity is November 2018, no need for reclassification arising on this situation was identified.

Based on the evidence obtained from performing our procedures described above, we consider that the financial ratio calculation made by Management to assess compliance

with the restrictive covenants, their recognition and related disclosures in the explanatory notes are appropriate in the context of the financial statements taken as a whole.

Forest and land related transactions

Why is it a KAM?

As stated in note 15 to the financial statements, the Company conducted the following transactions in 2017: (a) sale of forests in partnership areas, in the amount of $19,100 thousand; and (b) sale of land, in the amount of R$12,166 thousand, entering into a lease agreement effective for an 8-year period with option to repurchase this land at the end of the lease term. We considered those transactions a key audit matter due to the amounts involved and complexity underlying the accounting treatment assessment, particularly regarding the compliance with the accounting policies applicable to the recognition of such asset sales.

How the matter was addressed in our audit:

• We read the agreements supporting the Company's transactions.

• Based on the agreements and Management's judgment, we assessed whether the significant risks and rewards incidental to those assets, as well as the effective control over such assets, were actually transferred to the buyer, in compliance with the requirements set out in item 14 of technical pronouncement CPC 30/IAS 18.

• We involved our specialists in technical and professional accounting standards to assess the matter in accordance with the accounting practices adopted in Brazil and with the IFRS.

• Based on the agreements and Management's judgment, we assessed whether the lease transaction should be treated as finance lease or operating lease.

• We assessed whether the land purchase option, which can be exercised at the end of the lease term, affects the revenue recognition analysis.

• We assessed whether any other relevant conditions are determined under the sale agreement or other agreements that could disqualify the sale of assets.

Based on the evidence obtained from performing our procedures described above, we consider that Management's assessment as to the recognition of revenue from land and forest sales conducted in 2017 and the related accounting records are appropriate in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2017, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated whether these individual and

consolidated statements of value added are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, except for the possible effects of the matter described in the "Basis for qualified opinion" section of our report, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Prior year audit

The Company's financial statements for the year ended December 31, 2016 were audited by other independent auditor, whose report thereon, dated February 24, 2017, contained an unmodified opinion on those financial statements.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the Management Report, obtained prior to the date of this auditor's report.

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

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of such other information, we are required to report that fact. As described in the "Basis for qualified opinion" section above, the Company recorded forest sales in 2016, and, in our understanding, the revenue recognition requirements set out in technical pronouncement CPC 30 (R1) – Revenues (equivalent to IAS 18) were not fully complied with. Such improper sales revenue recognition materially affected the presentation of the Company's financial statements. We concluded that the other information is materially misstated for the same reason concerning the amounts and other matters described in the "Basis for qualified opinion" section on the financial statements.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS, issued by the IASB, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

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

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial

statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

Porto Alegre, April 26, 2018

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC n° 2 SP 011609/O-8 "F" RS

Roberto Wagner Promenzio
Engagement Partner
CRC n° 1 SP 088438/O-9

CELULOSE IRANI S.A.

BALANCE SHEET AT DECEMBER 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

ASSETS	Note	Parent		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
CURRENT ASSETS					
Cash and cash equivalents	5	75.896	82.844	76.949	103.885
Trade receivables	6	167.140	153.644	168.124	154.227
Inventories	7	71.588	66.875	72.152	67.051
Taxes recoverable	8	5.757	5.233	5.758	5.297
Dividends receivable	12	-	4.400	-	-
Banks - restricted account	9	8.732	94.198	8.732	94.198
Other assets	10	13.635	19.482	13.746	19.629
Total current assets		342.748	426.676	345.461	444.287
NON-CURRENT ASSETS					
Taxes recoverable	8	2.067	2.392	2.067	2.392
Judicial deposits		2.135	1.849	2.453	1.947
Other assets	10	4.725	15.220	4.751	15.248
Total long-term receivables		8.927	19.461	9.271	19.587
Investments in subsidiaries	12	212.909	255.357	-	-
Investment properties	13	33.605	34.839	17.470	18.644
Biological assets	15	33.711	69.696	190.796	235.407
Property, plant and equipment	14.a	755.898	778.543	826.218	849.124
Intangible assets	14.b	112.088	112.367	112.623	112.902
Total non-current assets		1.157.138	1.270.263	1.156.378	1.235.664
TOTAL ASSETS		1.499.886	1.696.939	1.501.839	1.679.951

LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
CURRENT LIABILITIES					
Borrowings	16	154.905	266.926	154.905	266.926
Debentures	17	-	31.114	-	31.114
Trade payables	18	96.187	111.849	82.951	79.849
Social security obligations		28.371	24.235	28.895	24.719
Tax liabilities		17.589	17.820	18.065	18.106
Income tax and social contribution payable		-	-	296	344
Taxes payable in installments		331	2.008	331	2.011
Advances from customers		1.462	1.355	1.466	1.373
Dividends payable		91	4.234	91	4.234
Other payables		14.515	16.478	14.759	16.701
Total current liabilities		313.451	476.019	301.759	445.377
NON-CURRENT LIABILITIES					
Borrowings	16	617.191	609.983	617.191	609.983
Debentures	17	-	9.352	-	9.352
Other payables		548	-	548	-
Provision for civil, labor and tax contingencies	20	55.693	6.104	56.097	6.104
Taxes payable in installments		-	204	-	204
Tax liabilities		11.315	10.538	11.315	10.538
Deferred income tax and social contribution	11	160.975	139.548	174.208	153.192
Total non-current liabilities		845.722	775.729	859.359	789.373
TOTAL LIABILITIES		1.159.173	1.251.748	1.161.118	1.234.750
EQUITY					
Share capital	21.a	161.895	161.895	161.895	161.895
Capital reserve		960	960	960	960
Profit reserves	21.e	59.186	154.829	59.186	154.829
Carrying value adjustments	21.f	118.672	127.507	118.672	127.507
Equity attributable to owners of the parent		340.713	445.191	340.713	445.191
Non-controlling interests		-	-	8	10
Total equity		340.713	445.191	340.721	445.201
TOTAL LIABILITIES AND EQUITY		1.499.886	1.696.939	1.501.839	1.679.951

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

CELULOSE IRANI S.A.

STATEMENT OF PROFIT AND LOSS FOR THE YEARS ENDED DECEMBER 31
All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	Parent		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
NET SALES REVENUE	23	851,069	769,805	859,169	776,795
Changes in the fair value of biological assets	15.a, 24	(1,030)	1,938	(10,847)	27,394
Cost of sales	24	(621,676)	(596,872)	(622,425)	(593,422)
GROSS PROFIT		228,363	174,871	225,897	210,767
OPERATING INCOME (EXPENSES)					
Selling expenses	24	(87,365)	(83,703)	(87,365)	(83,703)
General and administrative expenses	24	(56,954)	(51,320)	(58,744)	(52,642)
Other operating income	25	36,857	40,714	36,937	61,536
Other operating expenses	25	(110,920)	(42,449)	(110,990)	(64,024)
Equity in the results of subsidiaries	12	(3,539)	35,130	-	-
PROFIT/(LOSS) BEFORE FINANCE RESULT AND TAXES		6,442	73,243	5,735	71,934
Finance income (costs), net	26	(107,129)	(110,419)	(106,306)	(107,046)
Finance income		21,085	36,537	21,942	39,932
Finance costs		(128,214)	(146,956)	(128,248)	(146,978)
OPERATING PROFIT/(LOSS) BEFORE TAXATION		(100,687)	(37,176)	(100,571)	(35,112)
Current income tax and social contribution	27	-	2	(525)	(1,348)
Deferred income tax and social contribution	27	(7,486)	26,392	(7,077)	25,678
LOSS FOR THE YEAR		(108,173)	(10,782)	(108,173)	(10,782)
Attributable to:					
Owners of the Parent		(108,173)	(10,782)	(108,173)	(10,782)
		(108,173)	(10,782)	(108,173)	(10,782)
BASIC AND DILUTED LOSS PER COMMON SHARE - R$	22	(0.6582)	(0.0656)	(0.6582)	(0.0656)
BASIC AND DILUTED LOSS PER PREFERRED SHARE - R$	22	(0.6582)	(0.0656)	(0.6582)	(0.0656)

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

CELULOSE IRANI S.A.

STATEMENT OF COMPREHENSIVE INCOME (LOSS) AT DECEMBER 31

(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Loss for the year	(108,173)	(10,782)	(108,173)	(10,782)
Items to be subsequently reclassified to profit or loss	3,695	63,425	3,695	63,425
Cash flow hedges	5,598	96,099	5,598	96,099
Income tax and social contribution - cash flow hedges	(1,903)	(32,674)	(1,903)	(32,674)
Other comprehensive income (loss)	3,695	63,425	3,695	63,425
Attributable to owners of the Parent	(104,478)	52,643	(104,478)	52,643
Comprehensive income (loss) for the period	(104,478)	52,643	(104,478)	52,643

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

CELULOSE IRANI S.A.

STATEMENT OF CHANGES IN EQUITY
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Note	Share capital	Treasury shares	Share-based payment	Revenue reserves: Legal	Revenue reserves: Statutory for biological assets	Revenue reserves: Profit retention	Revenue reserves: Tax incentive	Carying value adjustments	Retained earnings (accumulated deficit)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
AT DECEMBER 31, 2015		161,895	(6,834)	960	25	56,230	106,320	4,990	73,029	-	396,615	13	396,628
Total comprehensive income (loss) for the year													
Loss for the year	21 d.									(10,782)	(10,782)	-	(10,782)
Cash flow hedges	21 f.								63,425		63,425	-	63,425
Realization - deemed cost									(8,947)	8,947	-	-	-
Realized revenue reserve - biological assets						(17,717)				17,717	-	-	-
Realized revenue reserve - biological assets (subsidiaries)						(387)				387	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	(18,104)	-	-	54,478	16,269	52,643	-	52,643
Total contributions by and distributions to stockholders													
Capital decrease	21 a.										-	(3)	(3)
Proposed allocations											-		
Dividends	21 d.									(4,067)	(4,067)	-	(4,067)
Profit retention reserve	21 e.						12,202			(12,202)	-	-	-
Total contributions by and distributions to stockholders		-	-	-	-	-	12,202	-	-	(16,269)	(4,067)	(3)	(4,070)
AT DECEMBER 31, 2016		161,895	(6,834)	960	25	38,126	118,522	4,990	127,507	-	445,191	10	445,201
Total comprehensive income (loss) for the year													
Loss for the year	21 d.									(108,173)	(108,173)	-	(108,173)
Cash flow hedges	21 f.								3,695		3,695	-	3,695
Total comprehensive income (loss) for the year		-	-	-	-	-	-	-	3,695	(108,173)	(104,478)	-	(104,478)
Total contributions by and distributions to stockholders													
Capital decrease	21 a.										-	(2)	(2)
Proposed allocations											-		
Realization - deemed cost									(12,530)	12,530	-	-	-
Realized revenue reserve - biological assets						(10,120)				10,120	-	-	-
Realized revenue reserve - biological assets (subsidiaries)						(518)				518	-	-	-
Profit retention reserve	21 d.						(85,005)			85,005	-	-	-
Total contributions by and distributions to stockholders		-	-	-	-	(10,638)	(85,005)	-	(12,530)	108,173	-	(2)	(2)
AT DECEMBER 31, 2017		161,895	(6,834)	960	25	27,488	33,517	4,990	118,672	-	340,713	8	340,721

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

(A free translation of the original in Portuguese)

CELULOSE IRANI S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Note	Parent		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before income tax and social contribution		(100,687)	(37,176)	(100,571)	(35,112)
Reconciliation of profit with net cash provided by operating activities:					
Changes in the fair value of biological assets	15.a	1,030	(1,938)	10,847	(27,394)
Depreciation, amortization and depletion	13,14,15	85,485	93,788	95,576	124,802
Proceeds from sale of permanent assets		9,567	(4,335)	9,585	(4,335)
Equity in the results of subsidiaries	12	3,539	(35,130)	-	-
Constitution/reversal of provision for civil, labor and tax contingencies	20	50,077	(10,920)	50,481	(11,004)
Provision for impairment of trade receivables	6	12,626	2,879	12,676	2,879
Provision for losses on other assets	10	10,964	1,358	10,964	1,358
Monetary variations and charges		106,175	118,445	106,175	118,445
Write-down to net realizable value		-	(287)	-	(287)
		178,776	126,684	195,733	169,352
(Increase) decrease in assets:					
Receivables		(26,122)	(21,246)	(26,573)	(21,252)
Inventories		(4,713)	531	(5,101)	455
Taxes recoverable		(199)	4,686	(136)	4,622
Other assets		3,872	7,465	4,910	7,444
Dividends received		16,777	3,897	-	-
Increase (decrease) in liabilities:					
Trade payables		15,995	12,743	2,008	(2,396)
Social security obligations		4,136	(16,539)	4,176	(16,433)
Advances from customers		107	158	93	155
Tax liabilities		10,703	(2,651)	10,315	(4,647)
Other payables		(1,903)	(12,059)	(1,882)	(12,052)
Cash from operations		197,429	103,669	183,543	125,248
Payment of interest on borrowings		(101,789)	(75,460)	(101,789)	(75,460)
Payment of interest on debentures		(3,835)	(9,604)	(3,835)	(9,604)
Net cash provided by operating activities		91,805	18,605	77,919	40,184
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(33,986)	(39,145)	(34,095)	(39,204)
Purchases of biological assets		(4,999)	(5,745)	(8,059)	(8,167)
Purchases of intangible assets		(1,696)	(3,314)	(1,696)	(3,314)
Capital decrease in subsidiaries	12	4,281	43,797	-	-
Decrease in non-controlling interests		-	-	(2)	(3)
Capital contribution		(70)	(90)	-	-
Proceeds from sales of assets		(2,094)	5,772	(2,094)	5,772
Advance for future capital increase		(1,280)	-	-	-
Banks - restricted account		85,580	(79,139)	85,580	(79,139)
Net cash provided by (used in) in investing activities		45,736	(77,864)	39,634	(124,055)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividends and interest on capital		(4,143)	(312)	(4,143)	(312)
Debentures paid		(40,499)	(21,408)	(40,499)	(21,408)
Proceeds from borrowings		140,626	262,076	140,626	262,076
Repayment of borrowings		(240,473)	(178,332)	(240,473)	(178,332)
Net cash provided by (used in) financing activities		(144,489)	62,024	(144,489)	62,024
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR		(6,948)	2,765	(26,936)	(21,847)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	82,844	80,079	103,885	125,732
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	75,896	82,844	76,949	103,885

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

(A free translation of the original in Portuguese)

CELULOSE IRANI S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31
(All amounts in thousands of reais) (A free translation of the original in Portuguese)

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
1. REVENUE	1,125,091	1,070,732	1,134,067	1,099,289
1.1) Sales of goods, products and services	1,100,859	1,005,845	1,109,805	1,013,581
1.2) Other revenue	36,858	67,766	36,938	88,587
1.3) Transfer to provision for impairment of trade receivables	(12,626)	(2,879)	(12,676)	(2,879)
2. INPUTS PURCHASED FROM THIRD PARTIES	707,060	586,162	687,770	563,601
2.1) Cost of goods sold and services rendered	490,530	502,408	467,635	477,301
2.2) Materials, electricity, outsourced services and other	205,566	82,683	209,171	85,229
2.3) Loss/recovery of assets	10,964	1,071	10,964	1,071
3. GROSS VALUE ADDED (1-2)	418,031	484,570	446,297	535,688
4. DEPRECIATION, AMORTIZATION AND DEPLETION	85,485	93,788	95,576	124,802
5. CHANGES IN THE FAIR VALUE OF BIOLOGICAL ASSETS	1,030	(1,938)	10,847	(27,394)
6. NET VALUE ADDED GENERATED BY THE ENTITY (3-4-5)	331,516	392,720	339,874	438,280
7. VALUE ADDED RECEIVED THROUGH TRANSFER	17,546	71,667	21,942	39,932
7.1) Equity in the results of subsidiaries	(3,539)	35,130	-	-
7.2) Finance income	21,085	36,537	21,942	39,932
8. TOTAL VALUE ADDED TO DISTRIBUTE (6+7)	349,062	464,387	361,816	478,212
9. DISTRIBUTION OF VALUE ADDED	349,062	464,387	361,816	478,212
9.1) Personnel	160,592	147,888	169,480	156,575
9.1.1 - Direct remuneration	124,885	114,632	130,887	120,618
9.1.2. - Benefits	28,013	25,957	30,445	28,213
9.1.3. - Government Severance Indemnity Fund for Employees (FGTS)	7,694	7,299	8,148	7,744
9.2) Taxes, fees and contributions	157,872	141,527	161,640	146,387
9.2.1. - Federal	104,733	93,645	108,182	98,088
9.2.2. - State	51,693	46,435	51,848	46,720
9.2.3. - Municipal	1,446	1,447	1,610	1,579
9.3) Remuneration of third-party capital	138,771	158,703	138,869	158,981
9.3.1. - Interest	128,214	146,956	128,248	146,978
9.3.2. - Rentals	10,557	11,747	10,621	12,003
9.4) Remuneration of own capital	(108,173)	16,269	(108,173)	16,269
9.4.1 - Dividends	-	4,067	-	4,067
9.4.2 - Retained earnings (accumulated deficit)	(108,173)	12,202	(108,173)	12,202

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

(A free translation of the original in Portuguese)

CELULOSE IRANI S.A.

NOTES TO THE FINANCIAL STATEMENTS

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(A free translation of the original in Portuguese)

Celulose Irani S.A. - National Corporate Taxpayers' Registry (CNPJ)
92.791.243/0001-03

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2017

(All amounts in thousands of reais unless otherwise stated)

1. OPERATIONS

Celulose Irani S.A. ("Company") is a corporation listed on the *Novo Mercado* listing segment of B3 S.A. - Brazil, Stock Exchange, OTC ("B3"), and headquartered at Rua General João Manoel, 157, 9th floor, in the city of Porto Alegre, state of Rio Grande do Sul, Brazil. The Company and its subsidiaries are mainly engaged in the manufacture of corrugated cardboard packaging, packaging paper, resin products and their byproducts. The Company is also engaged in forestation and reforestation activities and utilizes the production chain of planted forests and paper recycling as the basis for all its production.

Its direct subsidiaries are listed in Note 4.

The Company is a direct subsidiary of Irani Participações S.A., a Brazilian privately-held corporation. Its ultimate parent company is D.P. Representações e Participações Ltda., which is also a company of the Habitasul Group.

The issue of these financial statements was authorized by the Board of Directors on April 24, 2018.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The parent company and consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The financial statements have been prepared under the historical cost convention, except for the biological assets measured at fair value, and property, plant and equipment measured at deemed cost on the transition date to IFRS/CPCs.

2.1. New standards, amendments and interpretations of standards that are not yet effective:

Standards, amendments and interpretations to existing standards that will be mandatory for the periods from January 1, 2018, which have not been early adopted by the Company. Management assesses the potential impacts of the adoption of these standards, as mentioned below:

IFRS 9 - Financial Instruments: addresses the classification, measurement and recognition of financial assets and liabilities. The standard is effective from January 1, 2018. This standard replaces the guidance provided for in IAS 39, regarding the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: It also brings a model of expected credit losses, in replacement of the current model of incurred losses. IFRS 9 softens hedge effectiveness requirements, requires an economic relationship between the hedged item and the hedging instrument, and requires that the hedging index be the same as the one used by management for risk management purposes.
Based on management's assessment, the changes introduced by this new standard are not expected to cause relevant impacts on the Company's financial statements.

IFRS 15 - Revenue from Contracts with Customers: this standard introduces the principles to be applied by an entity to determine the measurement and recognition of revenue. It takes effect on January 1, 2018, and replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenues" and related interpretations. Based on management's assessment and the current characteristics of the Company's transactions, the changes introduced by this new standard are not expected to cause relevant impacts on the Company's financial statements.

IFRS 16 - Leases: the new standard replaces IAS 17 - "Leases" and related interpretations and requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective from January 1, 2019. Management is currently assessing the impacts of the new standard, particularly in relation to the operations on third-party land, and verifying the transition criteria.

There are no other standards, amendments and interpretations that are not yet effective, which would be expected to have a material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Functional currency and translation of foreign currencies

The parent company and consolidated financial statements are presented in Brazilian reais (R$), which is the functional and reporting currency of the Company and its subsidiaries.

Foreign-currency transactions are originally recorded at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the balances in foreign currency and the translation into the functional currency are recognized in the statement of operations, except when designated for cash flow hedge accounting and, therefore, deferred in equity as cash flow hedge transactions.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks, and highly liquid investments with a low risk of change in value and maturing in 90 days or less, which are held for the purpose of meeting short-term cash commitments.

c) Trade receivables and provision for impairment of trade receivables

Trade receivables are recorded at their original amounts plus the effect of foreign exchange rate changes, where applicable. The provision for impairment of trade receivables is calculated based on losses estimated through an individual analysis of trade receivables, and is recognized at an amount considered sufficient by management to cover expected losses on the collection of these receivables.

d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle them on a net basis or realize the asset and settle the liability simultaneously.

e) Impairment of financial assets

The Company assesses, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized only if there is objective evidence that one or more events have an impact on the estimated future cash flows of the financial asset or group of financial assets, which can be estimated reliably.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or debtor;
ii) a breach of contract, such as a default in interest or principal payments;
iii) the probability that the borrower will enter bankruptcy or other financial reorganization;
iv) the disappearance of an active market for that financial asset because of financial difficulties;
v) adverse changes in the conditions and/or the economy that indicate a reduction in estimated future cash flows of the portfolios of financial assets.

If there is evidence that a financial asset or a group of financial assets is impaired, the difference between the carrying amount and the present value of the future cash flows is estimated, and the impairment loss is recognized in the statement of profit and loss.

f) Inventories

Inventories are stated at the lower of average production or acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make the sale.

g) Investments

Investments in subsidiaries are accounted for in the parent company financial statements by the equity method, under which, investments in subsidiaries are adjusted to recognize the Company's share of the profit or loss and other comprehensive results of the subsidiary.

Intercompany transactions, balances and unrealized gains on transactions between related parties are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of the subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Company.

h) Investment properties

Depreciation is recognized based on the estimated useful life of each asset on the straight-line basis, to fully write off the cost less residual value of each asset over its expected useful life. The estimated useful life, residual values and depreciation methods are reviewed annually, and the effects of any changes in estimates are accounted for prospectively.

Income from rented investment properties is recognized in the statement of profit and loss on the accrual basis of accounting.

Any gain or loss from the sale or write-off of an item recorded within investment properties is determined as the difference between the proceeds received and the carrying amount of the asset sold, and recognized in the statement of profit and loss.

i) Property, plant and equipment and intangible assets

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses, when applicable. In the case of qualifying assets, borrowing costs are capitalized as part of the costs of construction in progress. These assets are classified in the appropriate categories of property, plant and equipment when completed and ready for their intended use. Depreciation begins when these assets become ready for the intended use and is calculated on the same basis as that for other property, plant and equipment items.

The Company calculates depreciation on the straight-line method, taking into consideration the estimated useful lives of the assets, based on expected future economic benefits, except for land, which is not depreciated. The estimated useful lives of the assets are reviewed annually and adjusted if necessary, and may vary based on the stage of technological development of each unit.

The Company's intangible assets comprise goodwill, computer software licenses, trademarks and the customer portfolio.

Goodwill represents the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair value of assets and liabilities of the acquiree. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. If a gain on advantageous purchase is determined, the amount is recorded as a gain in the statement of profit and loss for the period, at the acquisition date. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to the CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software (five years). Costs associated with maintaining computer software programs are expensed as incurred.

Separately acquired trademarks and licenses are initially stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value, at the acquisition date. The Company's trademarks do not have a defined useful life and, therefore, are not amortized.

The customer portfolio acquired in a business combination is recognized at fair value on the acquisition date, and is accounted for at fair value less accumulated amortization. Amortization is calculated on the straight-line basis, over the expected life of the relationship with the customer.

j) Biological assets

The Company's biological assets are represented mainly by pine forests, which are used in the production of packaging paper, corrugated cardboard boxes and sheets, and also for sale to third parties and extraction of gum resin. The pine forests are located near the pulp and paper plant in the state of Santa Catarina and also in the state of Rio Grande do Sul, where they are used for the production of gum resin and sale of timber logs.

Biological assets are measured at fair value, less costs to sell. The variation during each period is recognized in the statement of profit and loss as a change in the fair value of biological assets. The measurement of the fair value of biological assets is based on certain assumptions, as disclosed in Note 15.

k) Assessment of impairment of non-financial assets

The Company reviews the balance of non-financial assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable, based on future cash flows. In 2017, the Company did not identify indications of impairment in its non-financial assets.

l) Income tax and social contribution (current and deferred)

A provision is recorded for current income tax and social contribution based on the taxable profit determined according to the prevailing tax legislation, which differs from the profit reported in the statement of profit and loss, since it excludes income or expenses taxable or deductible in other periods, as well as permanently non-taxable or non-deductible items. The provision for income tax and social contribution is calculated individually for each company, based on the statutory rates prevailing at year-end. The Company calculates its taxes by applying the statutory rate of 34% on its taxable profit, while the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. adopt the presumed rate of 3.08%.

The Company recognizes deferred income tax and social contribution on temporary differences for tax purposes, tax losses, deemed cost adjustments and changes in the fair value of biological assets. Deferred tax liabilities are generally recognized on all taxable temporary differences, and deferred tax assets are recognized on all

deductible temporary differences only when it is probable that the Company will have sufficient future taxable profit against which such deductible temporary differences can be utilized. Deferred income tax and social contribution are recorded for the subsidiaries taxed under the presumed profit method, in respect of the fair value of biological assets and the deemed cost of property, plant and equipment.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

m) Borrowings and debentures

Borrowings and debentures are stated at their original amounts, less the related transaction costs, where applicable, and adjusted based on indices established in the contracts entered into with the creditors. Interest is also calculated using the effective interest rate method, as well as the effects of foreign exchange rate changes, where applicable, through the balance sheet dates, as described in the explanatory notes.

n) Hedge accounting

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

The changes in the hedging amounts, classified under "Carrying value adjustments" in equity, are shown in Note 21.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognized in equity within "Carrying value adjustments". The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit and loss for the year.

The amounts accumulated in equity are reclassified to the statement of profit and loss in the periods when the hedged item affects the results of operations (for example, when the forecast sale that is being hedged takes place). The gain or loss relating to the effective portion of instruments hedging highly probable transactions is recognized in the statement of profit and loss within "Finance results". The gain or loss relating to the ineffective portion is recognized in the statement of profit and loss for the year.

When a transaction is no longer expected to occur, the cumulative gain or loss that had been reported in equity is immediately transferred to the statement of operations for the year.

o) Leases

The Company as the lessee

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases and recorded in the statement of profit and loss. Finance leases are recorded in the same manner as a financed purchase, recognizing a property, plant and equipment item and a financing liability (lease) at the inception of the lease. Property, plant and equipment items acquired under finance leases are depreciated at the rates disclosed in Note 14.

Operating lease payments (net of any incentives received from the lessor) are recognized in the statement of profit and loss on the straight-line method, over the lease term.

The Company as the lessor

Lease income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognized on a straight-line basis over the lease term.

p) Provisions

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle this obligation, and the amount can be reliably estimated. Provisions are recorded at amounts considered sufficient by management to cover probable losses, and are adjusted through the balance sheet date, based on the nature of each risk, and the opinion of the Company's legal counsel.

q) Employee benefits

Profit sharing

The Company recognizes liabilities and expenses for profit sharing based on a methodology that takes into consideration the profit attributable to each of the operating segments. The provisions are recognized according to the terms of the agreement entered into between the Company and the employees' representatives, which are reviewed on an annual basis.

r) Significant accounting judgments, estimates and assumptions

In preparing the financial statements, judgments, estimates and assumptions were utilized to account for certain assets, liabilities, income and expenses.

The accounting judgments, estimates and assumptions adopted by management were based on the best information available at the reporting date, experience with past events, projections about future events, and the assistance of experts, when applicable.

Therefore, the financial statements contain a number of estimates, including, but not limited to, the determination of the useful lives of property, plant and equipment (Note 14), the realization of deferred tax assets (Note 11), the provision for impairment of trade receivables (Notes 6 and 10), the measurement of biological assets at fair value (Note 15), the provision for tax, social security, civil and labor claims (Note 20), and the provision for impairment of assets.

Actual results involving accounting judgments, estimates and assumptions, when realized, could differ from those recognized in the financial statements.

The Company has ICMS incentives from the governments of the states of Santa Catarina and Minas Gerais. Supplementary Law 160 published in August 2017, and Confaz Agreement published by the National Council of Fiscal Policy (Confaz) in December 2017 provided for (i) the acquittal of tax credits, whether constituted or not, arising from tax exemptions, incentives, and financial or tax benefits established in disagreement with the provisions of the Federal Constitution, Article 155, paragraph 2, item 2, subitem XII, and (ii) the reinstatement of the respective tax exemptions, incentives, and financial or tax benefits.

In relation to the Confaz Agreement 190, the states of Santa Catarina and Minas Gerais published Decrees 1,555/18 and 47,394/18, respectively, revalidating the tax incentives granted to the Company in accordance with Supplementary Law 160/2017.

Although the Company has no tax incentive being judged by the Federal Supreme Court (STF), it has been monitoring, together with its legal advisors, the progress of this issue in the courts in order to assess possible impacts on its operations and consequent effects on the financial statements (Note 32).

s) Determination of the results of operations

Revenue and expenses are recognized on the accrual basis and include interest, charges and the effects of exchange rate variations at official rates, applicable to current and non-current assets and liabilities, and, where applicable, adjustments to realizable value.

t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of products and services, less any expected returns, trade discounts and/or bonuses granted to the customer and other similar deductions. Revenue between the Company and its subsidiaries is eliminated from the consolidated results.

Sales revenue is recognized when all of the following conditions are met:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the products;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the products sold;
- the amount of revenue can be measured reliably;
- it is probable that economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

u) Government grants

The financing of taxes, granted directly or indirectly by the Government, at interest rates below market rates, is recognized as a government grant and measured as the difference between the amounts obtained and the fair value calculated based on market interest rates. This difference is recorded with a corresponding entry to sales revenue in the statement of profit and loss, and is appropriated based on the amortized cost and the effective rate over the period.

v) Statement of value added

The Brazilian Corporate Law requires the presentation of the parent company and consolidated statement of value added as an integral part of the set of financial statements presented by a publicly-traded entity. Under IFRS, the presentation of this statement is considered supplementary information, and not a required part of the set of financial statements. The purpose of this statement is to show the wealth created by the Company and its distribution during the reporting periods.

The statement of value added has been prepared pursuant to the provisions of CPC 09 - "Statement of Value Added", with information obtained from the same accounting records used to prepare the financial statements.

4. CONSOLIDATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of Celulose Irani S.A and the following subsidiaries:

Ownership interest - (%)			
Subsidiaries - direct ownership	Business activity	12/31/2017	12/31/2016
Habitasul Florestal S.A.	Forest production	100.00	100.00
HGE - Geração de Energia Sustentável S.A. *	Electric power generation	100.00	100.00
Iraflor - Comércio de Madeiras LTDA.	Timber trading	99.99	99.99
Irani Geração de Energia Sustentável LTDA *	Electric power generation	99.56	99.43

* currently assessing wind power projects for implementation

The accounting practices of the subsidiaries are consistent with those adopted by the Company. Intercompany balances and investments and equity in the results of subsidiaries, as well as intercompany transactions and unrealized profits and/or losses, have been eliminated on consolidation. The accounting information of the subsidiaries used for consolidation considers the same date as that of the parent company's accounting information.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Fixed-income fund	29	33	31	34
Banks	8,860	3,610	9,060	3,759
Financial investments with immediate liquidity	67,007	79,201	67,858	100,092
	75,896	82,844	76,949	103,885

The financial investments with immediate liquidity in Bank Deposit Certificates (CDBs) earn an average of 65 % of the Interbank Deposit Certificate (CDI) interest rate and have a maturity of 90 days or less. These investments are held for the purpose of meeting short-term commitments.

6. TRADE RECEIVABLES

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Receivables from:				
Trade receivables - domestic market	156,145	151,194	157,179	152,434
Trade receivables - foreign market	27,508	20,062	27,508	20,062
	183,653	171,256	184,687	172,496
Provision for impairment of trade receivables	(16,513)	(17,612)	(16,563)	(18,269)
	167,140	153,644	168,124	154,227

At December 31, 2017, consolidated trade receivables included an overdue amount of R$ 13,313, referring to customers that do not have a history of default, for which no provision was recorded.

The ageing analysis of trade receivables is as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Not yet due	153,891	129,543	154,811	129,947
Overdue for up to 30 days	14,187	15,679	14,230	15,769
Overdue from 31 to 60 days	4,872	3,961	4,892	3,962
Overdue from 61 to 90 days	2,616	2,164	2,616	2,164
Overdue from 91 to 180 days	2,227	1,377	2,227	1,446
Overdue for more than 180 days	5,860	18,532	5,911	19,208
	183,653	171,256	184,687	172,496

The average credit term on the sale of products is 57 days. The Company recognizes a provision for impairment of trade receivables for balances overdue for more than 180 days, based on an analysis of the financial position of each debtor. A provision for impairment of trade receivables is also recorded for balances overdue for less than 180 days when these balances are considered uncollectible, in view of the financial position of each debtor.

Changes in the provisions were as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Balance at the beginning of the year	(17,612)	(14,733)	(18,269)	(15,390)
Provision for recognized losses	(12,626)	(2,879)	(12,676)	(2,879)
Trade receivables written off as uncollectible during the year	13,725	-	14,382	-
Balance at the end of the year	(16,513)	(17,612)	(16,563)	(18,269)

A portion of receivables, amounting to R$ 90,547, has been assigned as collateral for certain financing transactions, as disclosed in Notes 16 and 17.

The credit quality of financial assets that were neither past due nor impaired at December 31, 2017 was assessed with reference to historical information on default rates, as follows:

Quality of trade receivables

		Consolidated
Customer category	History - %	Amount receivable
a) Customers with no history of late payment	93.88	145,337
b) Customers with history of late payment of up to 7 days	5.31	8,220
c) Customers with history of late payment of more than 7 days	0.81	1,254
		154,811

a) Performing customers with no history of late payment

b) Defaulting customers with a history of late payment of up to 7 days, with no history of delinquency

c) Defaulting customers with a history of late payment of more than 7 days, with no history of delinquency

7. INVENTORIES

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Finished products	8,321	7,689	8,828	7,792
Production materials	39,056	36,012	39,056	36,012
Consumable materials	23,674	22,695	23,731	22,768
Other inventories	537	479	537	479
	71,588	66,875	72,152	67,051

The cost of inventories recognized as an expense for the year totaled R$ 621,676 (R$ 596,872 in 2016) in the parent company and R$ 622,425 (R$ 593,422 in 2016) in the consolidated.

The cost of inventories recognized in the statement of profit and loss does not include a write-down to net realizable value.

8. TAXES RECOVERABLE

Taxes recoverable consist of the following:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Value-added Tax on Sales and Services (ICMS)	4,313	5,234	4,313	5,234
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	832	155	832	155
Excise Tax (IPI)	400	187	400	187
Income tax	38	137	38	137
Social contribution	107	103	107	103
Income Tax Withheld at Source (IRRF) on investments	2,119	1,799	2,120	1,863
Other	15	10	15	10
	7,824	7,625	7,825	7,689
Current portion	5,757	5,233	5,758	5,297
Non-current portion	2,067	2,392	2,067	2,392

ICMS credits basically comprise credits generated on purchases of property, plant and equipment, which are recoverable in 48 consecutive monthly installments, as determined by the applicable tax legislation.

The credits arising from Income Tax Withheld at Source (IRRF) levied on financial investments are either used over the year at the computation of income tax payable, or offset against other federal taxes if any recoverable balance remains.

9. BANKS - RESTRICTED ACCOUNT

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Banco do Brasil - New York - a)	6,188	13,537	6,188	13,537
Banco Itaú - b)	-	18,545	-	18,545
Banco Santander - b)	-	30,995	-	30,995
Banco Rabobank - b)	2,149	18,584	2,149	18,584
Banco Itaú Trustee - b)	-	12,537	-	12,537
Banco Original	395	-	395	-
Total current	8,732	94,198	8,732	94,198

a) The balance with Banco do Brasil - New York/ USA is represented by amounts in U.S. dollars retained to guarantee the repayment of quarterly installments of interest on the export prepayment loan obtained from Banco Credit Suisse, and relates to the installment falling due in February 2018.

b) The balances with Banco Itaú, Banco Santander, Banco Rabobank, and Banco Itaú Trustee are represented by financial investments to be redeemed in 2017 and 2018, at the maturity dates of transactions to finance working capital contracted with the respective banks.

10. OTHER ASSETS

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Advances to suppliers	3,563	3,518	3,638	3,613
Receivables from employees	1,354	1,616	1,390	1,640
Renegotiation with customers	21,713	24,325	21,713	24,352
Prepaid expenses	795	1,706	795	1,706
Receivable from XKW Trading	-	4,624	-	4,624
Other receivables	5,009	4,320	5,035	4,349
	32,434	40,109	32,571	40,284
Provision for impairment of trade receivables under renegotiation	(14,074)	(5,407)	(14,074)	(5,407)
	18,360	34,702	18,497	34,877
Current portion	13,635	19,482	13,746	19,629
Non-current portion	4,725	15,220	4,751	15,248

Renegotiations with customers - relate to overdue trade receivables for which debt acknowledgment agreements have been signed. The final maturity of the monthly installments will be in 2021, and the average interest rate ranges from 1% to 2% per month, recognized in the statement of profit and loss upon receipt. Some agreements contain clauses that require the provision of machinery, equipment and properties as collateral for the renegotiated debt amount.

The Company assesses the customers with balances under renegotiation and, where applicable, records a provision for impairment of the amount of the renegotiated debts, as shown below:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Balance at the beginning of the year	(5,407)	(4,049)	(5,407)	(4,049)
Provision for recognized losses	(10,964)	(1,358)	(10,964)	(1,358)
Renegotiations written off during the year as uncollectible	2,297	-	2,297	-
Balance at the end of the year	(14,074)	(5,407)	(14,074)	(5,407)

Prepaid expenses - relate primarily to insurance premiums paid when contracting insurance for all of the Company's units, recognized in the statement of profit and loss on a monthly basis, over the term of each policy.

Receivables from XKW Trading Ltda. - relate to the sale of the former subsidiary Meu Móvel de Madeira Ltda. on December 20, 2012, in annual installments with final

maturity in 2017. The balance was written off and fully recognized in the statement of profit and loss for the year.

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution on net income are calculated on temporary differences for tax purposes, tax losses, adjustments of deemed cost and changes in the fair value of biological assets.

In 2017 and 2016, the Company computed income tax and social contribution on foreign exchange variations on a cash basis, and recorded a deferred tax liability related to unrealized foreign exchange variations.

Deferred tax liabilities were recognized based on the fair value of biological assets and the deemed cost of property, plant and equipment.

The initial tax impacts on the deemed cost of property, plant and equipment were recognized with a corresponding entry to equity.

ASSETS	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Deferred income tax asset				
On temporary provisions	4,137	4,335	4,137	4,335
On tax losses	17,093	32,090	17,093	32,090
Cash flow hedges	29,497	30,897	29,497	30,897
Deferred social contribution assets				
On temporary provisions	1,489	1,561	1,489	1,561
On tax losses	6,155	11,552	6,155	11,552
Cash flow hedges	10,619	11,123	10,619	11,123
	68,990	91,558	68,990	91,558

LIABILITIES	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Deferred income tax liabilities				
Exchange rate variation to be realized on a cash basis	4,128	3,989	4,128	3,989
Fair value of biological assets	24,415	30,695	26,297	32,844
Deemed cost of property, plant and equipment	124,502	122,206	132,101	129,805
Government grants	590	981	590	981
Customer portfolio	781	979	781	979
Amortization of goodwill for tax purposes	14,675	11,081	14,675	11,081
Deferred social contribution liabilities				
Exchange rate variation to be realized on a cash basis	1,486	1,436	1,486	1,436
Fair value of biological assets	8,789	11,050	9,806	12,211
Deemed cost of property, plant and equipment	44,823	43,994	47,558	46,729
Government grants	212	353	212	353
Customer portfolio	281	353	281	353
Amortization of goodwill for tax purposes	5,283	3,989	5,283	3,989
	229,965	231,106	243,198	244,750
Deferred tax liabilities (net)	160,975	139,548	174,208	153,192

During 2017, management did not record deferred income tax and social contribution on temporary differences and tax losses. Based on budget forecasts approved by the Board of Directors, management expects these consolidated balances to be realized as follows:

Deferred tax assets	Parent and Consolidated
Year	12/31/2017
2018	10,090
2019	11,533
2020	10,762
2021	8,742
2022 onward	27,863
	68,990

Changes in deferred income tax and social contribution were as follows:

Parent and Consolidated	Assets	Opening balance - 1/1/2016	Recognized in profit or loss	Recognized in equity	Closing balance - 12/31/2016
Deferred tax assets related to:					
Provision for profit sharing		(3,752)	79	-	(3,673)
Provision for sundry risks		(5,984)	3,761	-	(2,223)
Cash flow hedges		(74,694)	-	32,674	(42,020)
Total temporary differences		(84,430)	3,840	32,674	(47,916)
Tax losses		(16,039)	(27,603)	-	(43,642)
		(100,469)	(23,763)	32,674	(91,558)

Parent and Consolidated	Assets	Opening balance - 1/1/2017	Recognized in profit or loss	Recognized in equity	Offset against liabilities	Closing balance - 12/31/2017
Deferred tax assets related to:						
Provision for profit sharing		(3,673)	-	-	-	(3,673)
Provision for sundry risks		(2,223)	270	-	-	(1,953)
Cash flow hedges		(42,020)	-	1,904	-	(40,116)
Total temporary differences		(47,916)	270	1,904	-	(45,742)
Tax losses		(43,642)	8,356	-	12,038	(23,248)
		(91,558)	8,626	1,904	12,038	(68,990)

Parent Liabilities	Opening balance 1/1/2016	Recognized in profit or loss	Closing balance 12/31/2016	Recognized in profit or loss	Closing balance 12/31/2017
Deferred tax liabilities related to:					
Exchange rate variations recognized on a cash basis	2,614	2,811	5,425	189	5,614
Fair value of biological assets	51,088	(9,343)	41,745	(8,541)	33,204
Deemed cost and review of useful lives	166,959	(759)	166,200	3,125	169,325
Government grants	1,291	43	1,334	(532)	802
Customer portfolio	1,601	(269)	1,332	(270)	1,062
Amortization of goodwill for tax purposes	10,182	4,888	15,070	4,888	19,958
	233,735	(2,629)	231,106	(1,141)	229,965

Consolidated Liabilities	Opening balance 1/1/2016	Recognized in profit or loss	Closing balance 31.12.16	Recognized in profit or loss	Closing balance 12/31/2017
Deferred tax liabilities related to:					
Exchange rate variations recognized on a cash basis	2,614	2,811	5,425	189	5,614
Fair value of biological assets	53,685	(8,630)	45,055	(8,952)	36,103
Deemed cost and review of useful lives	177,293	(759)	176,534	3,125	179,659
Government grants	1,291	43	1,334	(532)	802
Customer portfolio	1,601	(269)	1,332	(270)	1,062
Amortization of goodwill for tax purposes	10,182	4,888	15,070	4,888	19,958
	246,666	(1,916)	244,750	(1,552)	243,198

12. INVESTMENTS IN SUBSIDIARIES

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia	Total
At December 31, 2015	130,582	140,828	563	258	272,231
Equity in the results of subsidiaries	18,473	16,778	(5)	(116)	35,130
Proposed dividends	(4,400)	(3,897)	-	-	(8,297)
Capital contribution	31,721	-	94	90	31,905
Capital decrease	-	(43,797)	-	-	(43,797)
Advance for future capital increase	(31,721)	-	(94)	-	(31,815)
At December 31, 2016	144,655	109,912	558	232	255,357
Equity in the results of subsidiaries	(17,949)	14,465	(2)	(53)	(3,539)
Proposed dividends	(13,198)	(16,777)	-	-	(29,975)
Capital contribution	-	7,896	-	70	7,966
Capital decrease	-	(36,998)	-	-	(36,998)
Advance for future capital increase	20,098	-	-	-	20,098
At December 31, 2017	133,606	78,498	556	249	212,909

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
Current				
Assets	2,877	13,430	22	14
Liabilities	(1,471)	(466)	-	-
Current assets/liabilities, net	1,406	12,964	22	14
Non-current				
Assets	145,388	65,989	534	237
Liabilities	(13,187)	(450)	-	-
Non-current assets/liabilities, net	132,201	65,539	534	237
Equity	133,607	78,503	556	251
Net revenue	15,090	14,526	-	-
Profit (loss) before taxation	(18,060)	15,400	(2)	(53)
Income tax and social contribution expense	111	(934)	-	-
Profit (loss) for the year	(17,949)	14,466	(2)	(53)
Ownership interest - %	100.00	99.99	100.00	99.56

At the Annual General Meeting held on April 26, 2017, the stockholders of the subsidiary Habitasul Florestal S.A. approved the distribution of additional dividends amounting to R$ 13,199, which were made available to the stockholders by December 31, 2017. Mandatory dividends amounting to R$ 4,400 had already been distributed at December 31, 2016.

During 2017, the parent company Celulose Irani S.A. transferred R$ 20,098 to the subsidiary Habitasul Florestal S.A. as advance for future capital increase, as follows: R$ 1,280 in hard cash, R$ 17,598 offset against dividends payable, and the remaining balance of R$1,220 through advance payments from customers.

During 2017, Iraflor Comércio de Madeiras Ltda. received a capital contribution from its parent company Celulose Irani S.A., amounting to R$ 7,896, which was paid up through the transfer of forest assets.

On June 30, 2017, the partners decided to reduce the capital of the subsidiary Iraflor Comércio de Madeiras Ltda., which was excessive in relation to the company's business purpose. The amount of R$ 36,998 was refunded to the parent company Celulose Irani S.A., through the payment of R$ 4,281 in hard cash, and the remaining balance, of R$ 32.717 through the assignment of existing credits in the subsidiary. The partners' ownership interests remained unchanged.

On April 27, 2017, the subsidiary Iraflor Comércio de Madeiras Ltda approved the distribution of dividends referring to 2016, amounting to R$ 16,777. (The amount of R$ 3,897, relating to 2015, was paid in hard cash in 2016.

13. INVESTMENT PROPERTIES

Parent

	Land	Buildings	Total
At December 31, 2016			
Opening balance	23,281	12,051	35,332
Depreciation	-	(493)	(493)
Net book value	23,281	11,558	34,839
Cost	23,281	12,702	35,983
Accumulated depreciation	-	(1,144)	(1,144)
Net book value	23,281	11,558	34,839
At December 31, 2017			
Opening balance	23,281	11,558	34,839
Disposals	(727)	-	(727)
Depreciation	-	(507)	(507)
Net book value	22,554	11,051	33,605
Cost	22,554	12,702	35,256
Accumulated depreciation	-	(1,651)	(1,651)
Net book value	22,554	11,051	33,605

Consolidated

	Land	Buildings	Total
At December 31, 2016			
Opening balance	7,086	12,051	19,137
Depreciation	-	(493)	(493)
Net book value	7,086	11,558	18,644
Cost	7,086	12,702	19,788
Accumulated depreciation	-	(1,144)	(1,144)
Net book value	7,086	11,558	18,644
At December 31, 2017			
Opening balance	7,086	11,558	18,644
Disposals	(667)	-	(667)
Depreciation	-	(507)	(507)
Net book value	6,419	11,051	17,470
Cost	6,419	12,702	19,121
Accumulated depreciation	-	(1,651)	(1,651)
Net book value	6,419	11,051	17,470

Land

Relates mainly to plots of land with a total area of 4,454.406 m2, held by the parent company for the future construction of wind farms in the state of Rio Grande do Sul, and recognized at the cost of acquisition of R$ 16,134. The project for the implementation of wind farms is currently in the evaluation phase, through the subsidiary Irani Geração de Energia Sustentável Ltda.

Plots of land with a total area of 60.905 m², located in the municipality of Cachoeirinha, state of Rio Grande do Sul, are also recognized as investment properties, at the amount of R$ 6,207. This land, as well as the buildings on the site, are currently rented to Koch Metalúrgica S.A. and its headquarters.

Buildings

These refer to buildings located in the municipality of Rio Negrinho, state of Santa Catarina, with a constructed area of 25,271 m², and valued at R$ 3,407, which are rented to companies in the region.

Investment properties also include the buildings purchased together with the land where the headquarters of Koch Metalúrgica S.A. are located, with a constructed area of 16,339 m², and valued at R$ 7,644.

Income and expenses related to investment properties that are rented are recognized in the statement of profit and loss, as shown below:

	2017	2016
Rental income	1,233	2,459
Direct operating expenditures that generated rental income	(870)	(748)

Investment properties are recognized at historical cost at December 31, 2017, and for disclosure purposes, the Company assessed the fair value less cost to sell of these properties at R$ 50,315 (parent company) and R$ 32,440 (consolidated). The appraisals were conducted by independent experts, who applied market evidences related to prices for transactions carried out with similar properties.

Part of the Company's investment properties has been pledged as collateral for financial transactions in the amount of R$ 12,425.

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

Parent	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Assets under finance lease	Leasehold improvements	Total
At December 31, 2016									
Opening balance	183,027	156,265	393,972	2,907	6,281	29,399	6,217	11,459	789,527
Purchases	-	-	6,353	1,177	693	43,145	609	-	51,977
Disposals	-	-	(1,074)	(13)	(52)	(25)	(162)	-	(1,326)
Transfers	-	3,986	22,610	-	263	(26,859)	-	-	-
Depreciation	-	(2,733)	(53,177)	(847)	(2,031)	-	(2,222)	(625)	(61,635)
Net book value	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
Cost	183,027	210,545	802,756	6,647	15,393	45,660	26,747	16,061	1,306,836
Accumulated depreciation	-	(53,027)	(434,072)	(3,423)	(10,239)	-	(22,305)	(5,227)	(528,293)
Net book value	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
At December 31, 2017									
Opening balance	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
Purchases	-	33	7,959	37	440	24,695	1,946	-	35,110
Disposals	(5,909)	(89)	(611)	(2)	(35)	(2)	(98)	-	(6,746)
Transfers	-	3,431	21,147	1,637	2,573	(28,788)	-	-	-
Depreciation	-	(4,945)	(40,204)	(1,133)	(1,885)	-	(2,198)	(644)	(51,009)
Net book value	177,118	155,948	356,975	3,763	6,247	41,565	4,092	10,190	755,898
Cost	177,118	213,909	830,705	8,317	19,357	41,565	28,579	16,061	1,335,611
Accumulated depreciation	-	(57,961)	(473,730)	(4,554)	(13,110)	-	(24,487)	(5,871)	(579,713)
Net book value	177,118	155,948	356,975	3,763	6,247	41,565	4,092	10,190	755,898

Consolidated	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Assets under finance lease	Leasehold improvements	Total
At December 31, 2016									
Opening balance	251,329	157,942	394,036	3,337	6,685	29,399	6,223	11,459	860,410
Purchases	-	-	6,370	1,177	700	43,145	609	-	52,001
Disposals	-	-	(1,074)	(13)	(52)	(25)	(163)	-	(1,327)
Transfers	-	3,986	22,610	-	263	(26,859)	-	-	-
Depreciation	-	(2,929)	(53,192)	(949)	(2,038)	-	(2,227)	(625)	(61,960)
Net book value	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
Cost	251,329	215,067	802,850	7,205	16,028	45,660	26,787	16,061	1,380,987
Accumulated depreciation	-	(56,068)	(434,100)	(3,653)	(10,470)	-	(22,345)	(5,227)	(531,863)
Net book value	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
At December 31, 2017									
Opening balance	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
Purchases	-	33	8,030	81	449	24,713	1,946	-	35,252
Disposals	(5,912)	(89)	(610)	(2)	(112)	(2)	(98)	-	(6,825)
Transfers	-	3,431	21,147	1,637	2,573	(28,788)	-	-	-
Depreciation	-	(5,126)	(40,223)	(1,232)	(1,910)	-	(2,198)	(644)	(51,333)
Net book value	245,417	157,248	357,094	4,036	6,558	41,583	4,092	10,190	826,218
Cost	245,417	218,432	830,873	8,919	19,917	41,583	28,619	16,061	1,409,821
Accumulated depreciation	-	(61,184)	(473,779)	(4,883)	(13,359)	-	(24,527)	(5,871)	(583,603)
Net book value	245,417	157,248	357,094	4,036	6,558	41,583	4,092	10,190	826,218

(*) Balance related to assets such as furniture and fittings, and IT equipment.

b) Breakdown of intangible assets

Parent	Goodwill	Customer portfolio	Software	Total
At December 31, 2016				
Opening balance	104,380	4,710	1,396	110,486
Additions	-	-	3,314	3,314
Amortization	-	(792)	(641)	(1,433)
Net book value	104,380	3,918	4,069	112,367
Cost	104,380	7,081	10,625	122,086
Accumulated amortization	-	(3,163)	(6,556)	(9,719)
Net book value	104,380	3,918	4,069	112,367
At December 31, 2017				
Opening balance	104,380	3,918	4,069	112,367
Additions	-	-	1,696	1,696
Amortization	-	(792)	(1,183)	(1,975)
Net book value	104,380	3,126	4,582	112,088
Cost	104,380	7,081	12,321	123,782
Accumulated amortization	-	(3,955)	(7,739)	(11,694)
Net book value	104,380	3,126	4,582	112,088

Consolidated	Goodwill	Customer portfolio	*Software*	Total
At December 31, 2016				
Opening balance	104,380	4,710	1,931	111,021
Additions	-	-	3,314	3,314
Amortization	-	(792)	(641)	(1,433)
Net book value	104,380	3,918	4,604	112,902
Cost	104,380	7,081	11,164	122,625
Accumulated amortization	-	(3,163)	(6,560)	(9,723)
Net book value	104,380	3,918	4,604	112,902
At December 31, 2017				
Opening balance	104,380	3,918	4,604	112,902
Additions	-	-	1,696	1,696
Amortization	-	(792)	(1,183)	(1,975)
Net book value	104,380	3,126	5,117	112,623
Cost	104,380	7,081	12,860	124,321
Accumulated amortization	-	(3,955)	(7,743)	(11,698)
Net book value	104,380	3,126	5,117	112,623

c) Depreciation/amortization method

The table below shows the annual depreciation/amortization rates based on the economic useful lives of the assets. The rates are presented at the annual weighted average.

	Rate - %	
	12/31/2017	12/31/2016
Buildings and constructions *	2.50	2.19
Equipment and facilities **	6.78	5.86
Furniture, fittings and IT equipment	5.71	5.71
Vehicles and tractors	20.00	20.00
Software	20.00	20.00
Customer portfolio	11.11	11.11

*include weighted rates of leasehold improvements
** include weighted rates of finance leases

d) Other information

Construction in progress refers to works for improvement and maintenance of the Company's production process.

The Company has finance lease agreements for machinery, IT equipment and vehicles, with purchase option clauses that were negotiated at a fixed rate and with 1% of the guaranteed residual value, payable at the end of the lease agreement, or diluted over the lease period. The agreements are collateralized by the leased assets themselves. The commitments assumed are recorded as borrowings in current and non-current liabilities.

Leasehold improvements relate to the renovation of the Packaging plant in Indaiatuba, state of São Paulo, and are depreciated on the straight-line method, at the rate of 4% (four percent) per year. The property is owned by the companies MCFD - Administração de Imóveis Ltda. and PFC - Administração de Imóveis Ltda., and the renovation costs were fully absorbed by Celulose Irani S.A.

The depreciation of the Company's property, plant and equipment for 2017 and 2016 was as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assets used in administrative activities	1,507	1,232	2,008	1,558
Assets used in production activities	49,502	60,403	49,325	60,402
	51,009	61,635	51,333	61,960

The amortization of intangible assets for 2017 and 2016 was as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assets used in administrative activities	1,679	1,218	1,679	1,218
Assets used in production activities	296	215	296	215
	1,975	1,433	1,975	1,433

e) Impairment of property, plant and equipment

No indicators of impairment were identified in 2017, which could have affected the realizable values of the assets of the Company and its subsidiaries.

f) Assets pledged as collateral

The Company pledged certain property, plant and equipment assets as collateral for financing transactions. The amounts presented are based on valuation reports prepared specifically on the date the transactions were contracted, or on subsequent valuations, as contractually determined, as described below:

	12/31/2017
Equipment and facilities	354,024
Buildings and constructions	118,247
Land	409,025
Total assets pledged as collateral	881,296

g) Customer portfolio

The customer portfolio acquired in the business combination is recognized at the fair value of R$ 7,081, and the amortization in 2017 amounted to R$ 792 (R$ 792 in 2016), resulting in a net book balance of R$ 3,126. Amortization is calculated on the straight-line basis, over the expected life of the relationship with the customer.

h) Goodwill

The goodwill arising from the business combination carried out in 2013 with São Roberto S.A., totaling R$ 104,380, is attributable to the expectation of future profitability.

Impairment tests for intangible assets:

At December 31, 2017, the Company assessed the impairment of the goodwill based on its value in use, using the discounted cash flow method. The recoverable value is based on the expected future profitability. These calculations use cash flow projections based on financial budgets approved by management, covering a five-year period and extrapolating to perpetuity in other periods, based on the estimated growth rates.

The cash flows were discounted to present value through the application of a rate determined by the Weighted Average Cost of Capital (WACC), which was calculated through the Capital Asset Pricing Model (CAPM) method, considering a number of components of borrowings, debt and own capital utilized by the Company to finance its activities.

The main data utilized for the calculation of the discounted cash flow is presented below:

	Assumptions
Average selling prices of Packaging Paper and Corrugated Cardboard Packaging (annual percentage growth rate)	4.0%
Gross margin (percentage on gross revenue)	26.2%
Estimated growth rate	5.0%
Discount rate (WACC)	11.92%

The impairment test applied to the cash generating units did not identify the need for recognizing any loss in the period.

15. BIOLOGICAL ASSETS

The Company's biological assets mainly comprise the planting and cultivation of pine trees to supply pulp used in the production of packaging paper and resins, and sales of timber logs to third parties. All of the Company's biological assets form a single group named "forests", which is measured together at fair value on a quarterly basis. Because the harvesting of the forests planted is carried out based on the consumption of raw materials and sales of timber, and also considering that all areas are replanted, the fair values of these biological assets are not significantly affected at the time of harvesting.

The balance of the Company's biological assets consists of the cost of forest development and the fair value difference in relation to this cost. Consequently, the balance of biological assets as a whole is recorded at fair value as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Development cost of biological assets	25,391	31,372	45,099	48,398
Fair value differential of biological assets	8,320	38,324	145,697	187,009
	33,711	69,696	190,796	235,407

Of the total consolidated biological assets, R$ 99,700 (R$ 127,722 at December 31, 2016) relates to forests used as raw material for pulp and paper production. These forests are located close to the pulp and paper mill in Vargem Bonita, state of Santa Catarina, where they are consumed. Of this amount, R$ 65,960 (R$ 95,363 at December 31, 2016) relates to mature forests, which are more than six years old. The remaining amount refers to growing forests, which still require forestry treatments.

The forests are harvested mainly based on the consumption of raw materials for pulp and paper production, and are replanted as soon as harvested, creating a renovation cycle that meets the unit's production demand.

The biological assets utilized for production of resins and sale of timber logs total R$ 91,096 (R$ 107,685 at December 31, 2016), and are located on the coast of the state of Rio Grande do Sul. The resin is extracted based on the capacity of the existing forest to generate this product, and the trees for sale of logs are extracted based on the demand for timber in the region.

a) Assumptions for recognition of the biological assets' fair value less costs to sell.

The Company recognizes its biological assets at fair value based on the following assumptions:

(i) The methodology used to measure the fair value of biological assets - the Income Approach with depletion of the forest in one cycle - corresponds to the projection of expected future cash flows, discounted at the current rate for the regional market , in accordance with the projected productivity of the forests in the cutting cycles, which are determined based on the optimization of production, considering the price changes and the growth of the biological assets;

(ii) The discount rate used for cash flows was the Cost of Own Capital (Capital Asset Pricing Model - CAPM). The cost of capital is estimated through an analysis of the return targeted by investors for forest assets;

(iii) The projected productivity volumes of the forests are defined based on stratification, according to the type of each species, inputs for production planning, as well as the age, productive potential and production cycle of the forests. This projected volume corresponds to the Average Annual Increase (IMA). Forest stewardship alternatives are created to establish the optimum long-term production flow which is ideal to maximize the yield of the forests;

(iv) The prices adopted for biological assets are those practiced in the last three years, based on market research in the regions where the assets are located. Prices are calculated in R$/cubic meter, taking into consideration the costs incurred to bring the assets to a condition that enables their sale or consumption;

(v) Planting expenses relate to the costs incurred by the Company in the development of biological assets;

(vi) The depletion of biological assets is calculated based on their average fair value, multiplied by the volume harvested in the period;

(vii) The Company reviews the fair value of its biological assets on a quarterly basis, an interval considered to be sufficient to prevent any disparity in the fair value balance of the biological assets recorded in its financial statements.

	Consolidated		
	12/31/2017	12/31/2016	Impact on fair value of biological assets
Planted area (hectare)	17,475	19,837	Assumption increases, fair value increases
Remuneration of own assets that contribute - %	3.00%	3.00%	Assumption increases, fair value decreases
Discount rate - Own Forests SC - %	8.50%	9.00%	Assumption increases, fair value decreases
Discount rate - Own Forests RS - %	9.50%	10.00%	Assumption increases, fair value decreases
Discount rate - Partnerships - %	9.00%	10.00%	Assumption increases, fair value decreases
Average net sales price (m^3)	49.00	48.00	Assumption increases, fair value increases
Average Annual Increase (IMA) - SC Forests (*)	39.2	39.7	Assumption increases, fair value increases
Average Annual Increase (IMA) - RS Forests (*)	21.8	21.9	Assumption increases, fair value increases

* The Average Annual Increase (IMA) of Pine Forests in the states of Rio Grande do Sul and Santa Catarina is different because of the specific forest stewardship, species and soil and climatic conditions of each state. The forests in Santa Catarina are handled aiming at their use for pulp production, while the forests of Rio Grande do Sul are handled for extraction of gum resin and subsequent sale of timber logs. The IMA is measured in cubic meters per hectare/year.

During 2017, the Company validated the assumptions and criteria used to determine the fair value of its biological assets, and performed the valuation of all its biological assets.

In 2017, the forests of the subsidiary Habitasul Florestal S.A., located in the state of Rio Grande do Sul, were hit by forest fire. The fire consumed 1,239 hectares of pine forest. Seventy-seven hectares of standing forest did not suffered major damage, and may also be resin-coated and have its timber sold, while 1,162 hectares of young forests, aged between one to eight years, will need restoration.

The effects of this event on the fair value of the Company's biological assets, estimated at approximately R$ 5 million, were recognized in the financial statements for the first quarter of 2017, together with the other effects of changes in the fair value.

In accordance with the fair value measurement hierarchy, the calculation of biological assets is classified as Level 3 due to its complexity and structure.

The main changes in the year were as follows:

	Parent	Consolidated
At December 31, 2015	92,870	261,559
Development expenses	5,115	7,370
Depletion		
Historical cost	(46)	(1,133)
Fair value	(62)	(8,108)
Cost of sales of forest	(30,119)	(51,675)
Changes in the fair value	1,938	27,394
At December 31, 2016	69,696	235,407
Development expenses	4,935	7,997
Depletion		
Historical cost	(275)	(1,316)
Fair value	(393)	(9,119)
Cost of sales of forest	(31,326)	(31,326)
Transfers for capitalization in subsidiary Iraflor	(7,896)	-
Changes in the fair value	(1,030)	(10,847)
At December 31, 2017	33,711	190,796

The depletion of biological assets in 2017 and 2016 was substantially charged to cost of production, after an initial allocation to inventories when the forests are harvested and used in the production process or sold to third parties.

On December 19, 2017, the Company entered into a Purchase and Sale Agreement with Timber XI SPE S.A., through which the latter bought approximately 1,855 hectares of standing timber for R$ 19,100. As a result of this transaction, the Buyer and the Company signed a Service Agreement, through which the Company, in view of its extensive experience in this field, undertakes to provide forest stewardship services related to the forests, for a period of eight years.

In addition, as part of this transaction, the Company sold to the Buyer the property called Fazenda São Pedro, with approximately 1,520 hectares of total area, for R$ 12,166. Still in connection with the sale of the Fazenda São Pedro, the Buyer and

the Company signed a Rural Property Lease Agreement, through which the Company acquired the right to exploit its own forests planted on the property for a period of eight years. The sale agreement includes a repurchase option, exercisable up to the eighth year for the same amount, adjusted by the Amplified Consumer Price Index (IPCA) variation. The agreement was classified as operating lease.

On April 11, 2016, the Company and its subsidiary Iraflor Comércio de Madeiras Ltda. entered into a Contract for Purchase and Sale of Standing Timber with Global Fund Reflorestamento e Exploração de Madeira Ltda. ("Global"), through which the Company sold approximately 4,644 hectares of standing timber to Global, for R$ 55,500 million. Pursuant to the Contract, Global acquired the right to explore the forests for 11 years. The forests sold do not compromise the Company's forest supply, since they exceed the strategic volume necessary to supply the plant of pulp.

As a result of this transaction, Global and the Company also entered into a Service Agreement, through which the Company, in view of its extensive experience in this field, undertakes to provide Global with forest stewardship services related to the Forests.

Global granted to the Company's parent, Irani Participações S.A., purchase options for the acquisition of plots of the forests. These options may be exercised annually, either directly by Irani Participações S.A. or through an associate, including the Company, over the next 11 (eleven) years. The options for the purchase of forests may or may not be exercised by Irani Participações or the Company, depending on the evolution of the forest market and the Company's strategy of wood supply . The purchase options related to the period from 2016 to 2018 were exercised by the Company and totaled, approximately, 1,650 hectares of forests.

In 2017, the contribution of new biological assets to the subsidiary Iraflor Comércio de Madeiras Ltda., amounting to R$ R$ 7,896, was authorized, and had the ultimate purpose of improving the management of forestry assets.

b) Biological assets pledged as collateral

Part of the biological assets of the Company and its subsidiaries, totaling R$ 82,908, is pledged as collateral for financing transactions. The pledged assets represent approximately 43% of the total biological assets, or the equivalent to 15.8 thousand hectares of land in use, and approximately 6.7 thousand hectares of planted forests.

c) Production on third-party land

The Company has entered into non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are effective until all forests planted in these areas are harvested, over a cycle of approximately 15 years. As a result of the transaction carried out with Timber XI SPE S.A., through which the Company sold approximately 1,520 hectares of land and entered into a Property Lease Agreement for eight years, approximately 732

hectares of forests were included in the production on third-party land. The amount of biological assets on third-party land accounts for approximately 5% of the total area with the Company's biological assets.

16. BORROWINGS

a) Breakdown of accounting balances

		Parent and Consolidated	
		12/31/2017	12/31/2016
Current	**Annual charges - %**		
Local currency			
FINAME	Fixed at 3.25%, TJLP + 4.80%, SELIC + 5.64% and ECM + 3.65%	4,687	7,580
Working capital	Fixed at 9.80%, CDI + 4.08% and 135% of CDI	84,086	112,328
Working capital - CDCA	IPCA + 10.22%	-	22,629
Working capital - Syndicated Loan	CDI + 5.00%	13,059	7,172
Finance lease	Fixed at 15.65%	928	263
BNDES	TJLP + 3.60%	8,413	7,509
Total local currency		111,173	157,481
Foreign currency			
Advances on foreign exchange contract	Fixed between 4.72% and 6.80%	26,800	28,807
Banco Credit Suisse - PPE	Libor + 8.00%	467	24,360
Banco Itaú BBA - CCE	Fixed at 5.80%	-	8,087
Banco Santander PPE	Libor + 6.95%	591	3,657
Banco Rabobank e Santander PPE	Libor + 6.95%	14,195	43,108
Banco LBBW - FINIMP	Euribor + 1.55%	1,358	1,110
Banco De Lage Landen	8.20% p.a.	321	316
Total foreign currency		43,732	109,445
Total current		154,905	266,926
Non-current			
Local currency			
FINAME	Fixed at 3.25%, TJLP + 4.80%, SELIC + 5.64% and ECM + 3.65%	6,339	8,495
Working capital	Fixed at 9.80%, CDI + 4.08% and 135% of CDI	111,118	119,492
Working capital - Syndicated Loan	CDI + 5.00%	162,310	177,451
Finance lease	Fixed at 15.65%	1,482	471
BNDES	TJLP + 3.60%	33,237	41,088
Total local currency		314,486	346,997
Foreign currency			
Banco Credit Suisse - PPE	Libor + 8.00%	122,668	104,000
Banco Santander - PPE	Libor + 6.95%	6,734	3,606
Banco Rabobank and Santander - PPE	Libor + 6.95%	170,450	151,327
Banco LBBW - FINIMP	Euribor + 1.55%	2,053	2,950
Banco De Lage Landen	8.20% p.a.	800	1,103
Total foreign currency		302,705	262,986
Total non-current		617,191	609,983
Total		772,096	876,909

	Parent and Consolidated	
Long-term maturities:	12/31/2017	12/31/2016
2018	-	221,707
2019	207,635	187,603
2020	168,280	129,824
2021	144,431	67,768
2022 to 2024	96,845	3,081
	617,191	609,983

b) Schedule for amortization of funding costs

	Parent and Consolidated					
	2018	2019	2020	2021	2022	Total
In local currency						
Working capital	(1,292)	(604)	(304)	(152)	(48)	(2,400)
Working capital - Syndicated Loan CCE	(1,471)	(1,352)	(1,040)	(679)	(219)	(4,761)
Total local currency	(2,763)	(1,956)	(1,344)	(831)	(267)	(7,161)
In foreign currency						
Banco Credit Suisse - PPE	(586)	(491)	(181)	(27)	-	(1,285)
Banco Rabobank and Santander - PPE	(934)	(838)	(634)	(406)	(129)	(2,941)
Banco LBBW - FINIMP	(15)	-	-	-	-	(15)
Total foreign currency	(1,535)	(1,329)	(815)	(433)	(129)	(4,241)
	(4,298)	(3,285)	(2,159)	(1,264)	(396)	(11,402)

c) Significant operations contracted in the year

i) Advance on Foreign Exchange Contracts (ACC) amounting to US$ 7,708 (equivalent to R$ 24,273 at the contracting date), maturing up to August 2018, and subject to fixed interest rate ranging from 4.72% to 6.80% p.a.

ii) Working Capital - Banco BTG Pactual - Export Credit Note (CCE): facility contract of R$ 38.3 million, entered into with Banco BTG Pactual, maturing in November 2018, and subject to interest rate equivalent to the CDI variation plus 4.30% p.a. The borrowing will be repaid in quarterly installments beginning February 2018.

iii) Banco Credit Suisse - Export Prepayment (PPE): the contract, with initial maturity in February 2020 and cost of 3 month LIBOR rate + 7.50% p.a. was extended. The borrowing will have a grace period of 18 months, and will be settled on a quarterly basis, up to August 2021, at the cost of 3-month LIBOR rate + 8% p.a.

iv) Banco Safra CCE: the contracts, which had initial maturity in November 2019 and average cost of 128% of the CDI variation, were extended and consolidated. The borrowing will have a grace period of nine months, and will be settled on a monthly basis up to June 2020, at the cost of 137 % of the CDI variation.

v) Banco Santander PPE: the contract, with initial maturity in November 2018 and cost of 12 month LIBOR rate + 5.50% p.a. was extended. The borrowing will have a grace period of eight months, and will be settled monthly from the first to the fourth installment, and on a quarterly basis from the fifth installment up to the final maturity, in September 2022, at the cost of 3 month LIBOR rate + 6.95% p.a..

vi) Banco Itaú BBA CCE: the contract, with initial maturity in December 2018 and cost of the CDI variation + 3.50% p.a., was extended. The borrowing will have a grace period of eight months, and will be settled monthly from the first to the fourth installment, and on a quarterly basis from the fifth installment up to the final maturity, in September 2022, at the cost of CDI + 5.00% p.a.

vii) Banco Rabobank e Santander PPE: the contract, with initial maturity in November 2018 and cost of 3-month LIBOR rate + 5.50% p.a. was extended. The borrowing will have a grace period of eight months, and will be settled monthly from the first to the fourth installment, and on a quarterly basis from the fifth installment up to the final maturity, in September 2022, at the cost of 3 month LIBOR rate + 6.95% p.a..

viii) Banco Rabobank CCE: the contract, with initial maturity in September 2020 and cost of the CDI variation + 3.75% p.a. was extended. The borrowing will have a grace period of eight months, and will be settled monthly from the first to the fourth installment, and on a quarterly basis from the fifth installment up to the final maturity, in September 2022, at the cost of CDI + 5.00% p.a.

ix) Banco Santander CCE: the contract, with initial maturity in December 2018 and cost of the CDI variation + 2.70% p.a. was extended. The borrowing will have a grace period of eight months, and will be settled monthly from the first to the fourth installment, and on a quarterly basis from the fifth installment up to the final maturity, in September 2022, at the cost of CDI + 5.00% p.a.

x) Syndicated Loan CCE: the contract, with initial maturity in July 2021 and cost of the CDI variation + 5.00% p.a. was extended. The borrowing will have a grace period of eight months, and will be settled monthly from the first to the fourth installment, and on a quarterly basis from the fifth installment up to the final maturity, in September 2022, with no changes in the cost.

d) Collateral

Collateral for the borrowings include sureties of the controlling companies and/or mortgages or statutory liens on land, buildings, machinery and equipment, biological assets (forests), commercial pledges and assignments of receivables, amounting to approximately R$ 257,730. Other transactions have specific guarantees, as follows:

i) For the export prepayment financing contracted with Banco Credit Suisse, the Company pledged as collateral the shares it holds in the subsidiary Habitasul Florestal S.A.

ii) For the export prepayment financing contracted with Banco Rabobank and Santander, land and forests amounting to R$ 164,878 were pledged as collateral.

iii) For the Working Capital - Syndicated Loan, contracted with Banco Itaú, Santander and Rabobank, the Company provided as collateral land and forests amounting to R$ 156,709, and assignment of receivables amounting to R$ 15,000.

iv) For the financing contracted with the National Bank for Economic and Social Development (BNDES), an industrial property comprising the land, facilities and equipment, two commercial buildings and one residential building, in the total amount of R$ 121,436, were pledged as collateral.

v) For the working capital loan (CCE) contracted with Banco BTG Pactual, secured and fiduciary guarantees consisting of the Company's assets and rights amounting to R$ 60,988 were pledged.

vi) To extend the maturity profile of the borrowings contracted with Itaú BBA, Santander and Rabobank, the Paper plant in the state of Santa Catarina, comprising the land, buildings, and equipment, and totaling R$ 292,579, was pledged as additional collateral.

e) Restrictive Financial Covenants:

Some financing agreements entered into with financial institutions have restrictive covenants requiring the maintenance of financial ratios, calculated based on the consolidated financial statements. Non-compliance may trigger the accelerated maturity of the debt.

Financial ratios annually verified:

i) Banco Itaú BBA - CCE
ii) Banco Santander Brasil - PPE
iii) Working Capital - Syndicated Loan
iv) Banco Rabobank - CCE
v) Banco Santander - CCE
vi) Banco Rabobank and Santander - PPE

a) Net debt/EBITDA ratio:

	Net debt/EBITDA ratio - lower than or equal to: (x)					
	Contracted 2017	Computed 2017	Contracted 2018	Contracted 2019	Contracted 2020	Contracted 2021
i) Banco Itaú BBA – CCE	5	3.65	4	3.5	3.5	3.5
ii) Banco Santander Brasil – PPE	5	3.65	4	3.5	3.5	3.5
iii) Working Capital - Syndicated Loan	5	3.65	4	3.5	3.5	3.5
iv) Banco Rabobank – CCE	5	3.65	4	3.5	3.5	3.5
v) Banco Santander – CCE	5	3.65	4	3.5	3.5	3.5
vi) Banco Rabobank and Santander – PPE	5	3.65	4	3.5	3.5	3.5

b) EBITDA/net finance costs ratio:

	EBITDA/net finance costs ratio - greater than or equal to (x)					
	Contracted 2017	Computed 2017	Contracted 2018	Contracted 2019	Contracted 2020	Contracted 2021
i) Banco Itaú BBA – CCE	1.75	1.93	2	2	2	2
ii) Banco Santander Brasil – PPE	1.75	1.93	2	2	2	2
iii) Working Capital - Syndicated Loan	1.75	1.93	2	2	2	2
iv) Banco Rabobank – CCE	1.75	1.93	2	2	2	2
v) Banco Santander – CCE	1.75	1.93	2	2	2	2
vi) Banco Rabobank and Santander – PPE	1.75	1.93	2	2	2	2

At December 31, 2017, the Company had complied with all the financial ratios agreed upon with the aforementioned creditors.

vii) Banco BTG - CCE

a) The net debt/EBITDA ratio over the last 12 months must not exceed 4.00 times.

b) The EBITDA/net finance costs over the last 12 months must not be lower than 2.00 times.

On January 26, 2018, the Company obtained a waiver from the creditor for non-compliance with the ratio mentioned in item "b" above. The transaction is recorded in the short term.

Financial ratios quarterly verified:

viii) Banco Credit Suisse - PPE

a) Net debt/EBITDA ratio:

	Net debt/EBITDA ratio - lower than or equal to: (x)						
	1Q17 to 2Q17	3Q17	4T17	1Q18 to 3Q18	4Q18 to 3Q19	4Q19 to 3Q20	4Q20 to 2Q21
Contracted	4.25	6	5	5	4.5	4	3.5
Computed	4.46 - 6.7	5.88	3.65	-	-	-	-

b) EBITDA/net finance costs ratio:

	EBITDA/net finance costs ratio - greater than or equal to (x)					
	1Q17 to 2Q17	3Q17	4T17	1Q18	2Q18 to 3Q18	4Q18 to 2Q21
Contracted	2	1.25	1.5	1.5	1.75	2
Computed	1.9 - 1.22	1.29	1.93	-	-	-

At December 31, 2017, the Company complied with all the financial ratios agreed upon with Banco Credit Suisse.

Key:
TJLP - Long-term Interest Rate
CDI - Interbank Deposit Certificate
EBITDA - Operating income (loss) plus net finance income (costs) and depreciation, depletion and amortization.
ROL - Net operating revenue

17. DEBENTURES

a) Breakdown of accounting balances

			Parent and Consolidated	
Current	**Issue**	**Annual charges - %**	12/31/2017	12/31/2016
In local currency				
Single debentures	11/30/2012	CDI + 2.75%	-	12,077
Single debentures	5/20/2013	CDI + 4.30%	-	19,037
Total current			-	31,114
Non-current				
In local currency				
Single debentures	5/20/2013	CDI + 4.30%	-	9,352
Total non-current			-	9,352
Total			-	40,466

The debentures issued by the Company are not convertible into shares.

The Simple Debentures issued on May 20, 2013 and the Simple Debentures issued on November 30, 2012 were settled in 2017.

18. TRADE PAYABLES

Payables to suppliers are as follows:

	Parent		Consolidated	
CURRENT LIABILITIES	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Internal				
Materials	59,042	57,539	59,276	57,578
Service providers	7,628	6,118	7,775	6,254
Carriers	14,867	14,852	14,876	14,858
Related parties	13,626	32,181	-	-
Others	629	824	629	824
External				
Materials	395	335	395	335
	96,187	111,849	82,951	79,849

19. RELATED PARTIES

Parent	Receivables		Payables	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Habitasul Florestal S.A.	-	4,400	1,890	983
Iraflor - Com. de Madeiras Ltda	-	-	11,725	31,349
Management remuneration	-	-	799	828
Management profit sharing	-	-	692	692
Habitasul Desenvolvimentos Imobiliarios	17	17	-	-
Irani Geração de Energia Sustentável Ltda	13	-	-	-
Koch Metalúrgica S.A.	19,686	18,960	-	-
Irani Participações S/A	751	-	-	-
Total	20,467	23,377	15,106	33,852
Current portion	2,724	4,417	15,106	33,852
Non-current portion	17,743	18,960	-	-

Parent	Income		Expenses	
	2017	2016	2017	2016
Habitasul Florestal S.A.	-	-	8,969	9,118
Bonuses to Directors	-	-	5,000	-
Iraflor - Com. de Madeiras Ltda	-	-	11,839	14,103
Druck, Mallmann, Oliveira & Advogados Associados	-	-	289	280
MCFD Administração de Imóveis Ltda	-	-	1,297	1,236
PFD Administradora de Imóveis Ltda			1,297	-
Irani Participações S/A	-	-	5,269	480
Habitasul Desenvolvimentos Imobiliarios	-	-	177	213
Koch Metalúrgica S.A.	726	1,824	-	-
Management remuneration	-	-	8,218	6,643
Total	726	1,824	42,355	32,073

Consolidated	Receivables		Payables	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Habitasul Desenvolvimentos Imobiliários	17	17	-	-
Koch Metalúrgica S.A.	19,686	18,960	-	-
Management remuneration	-	-	799	828
Management profit sharing	-	-	692	692
Total	19,703	18,977	1,491	1,520
Current portion	1,960	17	1,491	1,520
Non-current portion	17,743	18,960	-	-

Consolidated	Income		Expenses	
	2017	2016	2017	2016
Irani Participações S/A	-	-	5,269	480
Bonuses to Directors	-	-	5,000	-
Druck, Mallmann, Oliveira & Advogados Associados	-	-	289	280
MCFD Administração de Imóveis Ltda	-	-	1,297	1,236
PFD Administradora de Imóveis Ltda	-	-	1,297	-
Management remuneration	-	-	8,271	6,699
Habitasul Desenvolvimentos Imobiliarios	-	-	177	213
Koch Metalúrgica S.A.	726	1,824	-	-
Total	726	1,824	21,600	8,908

The payables to the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. relate to commercial transactions and acquisition of raw materials.

The amount payable to MCFD Administração de Imóveis Ltda. is equivalent to 50% of the monthly rental of the Packaging Plant in Indaiatuba (SP), in accordance with agreement signed on December 26, 2006, which is effective for 20 years, with the possibility of renewal. The monthly amount being paid to the related party is R$ 119. The total contractual monthly rental is R$ 238, adjusted annually based on the variation of the General Market Price Index (IGPM) disclosed by the Getúlio Vargas Foundation.

The receivables from Koch Metalúrgica S.A. relate to advance payments for acquisition of equipment in the amount of R$ 17,743, rental payments in the amount of R$1,818, and receivables for merchandise sold in the amount of R$ 125. These balances are maintained at historical values, without monetary adjustments or interest. The related parties Irani Participações S.A. and Companhia Comercial de Imóveis are the guarantors of these balances.

In 2017, management remuneration expenses, excluding payroll charges, totaled R$ 13.218 in the parent company (R$ 6,643 in 2016) and R$ 13,271 in the consolidated (R$ 6,699 in 2016). This amount includes the approved payment of a bonus of R$ 5,000 to the former Chairman of the Board, Dr. Pericles de Freitas Druck, who resigned from his position, aiming to give continuity to the succession process in the management of the Group's companies.

The total management remuneration was approved by the Annual General Meeting held on April 19, 2017, at the maximum amount of R$ 12,000. The amount paid, which exceeds the approved remuneration for the year will be ratified at an Extraordinary General Meeting being convened.

The payables to Irani Participações S/A. relate mainly to a guarantee remuneration contract, under which the Company remunerates sureties and guarantees granted by Irani Participações S/A. on behalf of the Company to facilitate the contracting of borrowings.

20. PROVISION FOR CIVIL, LABOR AND TAX CONTINGENCIES

The Company and its subsidiaries are parties to tax, civil, and labor lawsuits, and administrative proceedings of a tax nature. Management, supported by the opinion of its attorneys and legal counsel, believes that the provisions recorded for civil, labor and tax contingencies are sufficient to cover probable losses.

Breakdown of the balance of the provisions:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Civil contingencies	1,716	1,400	1,716	1,400
Labor contingencies	6,428	3,677	6,832	3,677
Tax contingencies	47,549	1,027	47,549	1,027
Total	55,693	6,104	56,097	6,104

Changes in the balance of the provisions:

Parent	12/31/2016	Provision	Payments	Reversal	12/31/2017
Civil	1,400	382	-	(66)	1,716
Labor	3,677	4,044	(488)	(805)	6,428
Tax	1,027	46,522	-	-	47,549
	6,104	50,948	(488)	(871)	55,693

Consolidated	12/31/2016	Provision	Payments	Reversal	12/31/2017
Civil	1,400	382	-	(66)	1,716
Labor	3,677	4,448	(488)	(805)	6,832
Tax	1,027	46,522	-	-	47,549
	6,104	51,352	(488)	(871)	56,097

The provisions recorded relate mainly to:

a) Civil lawsuits relate, among other matters, to indemnity claims in respect of termination of agreements with sales representatives. A provision of R$ 1,716 was recorded at December 31, 2017 to cover losses arising from these contingencies.

b) Labor lawsuits are mainly related to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and occupational accidents. Based on past experience and on the opinion of its legal counsel, the Company maintained a provision of R$ 6,832 at December

31, 2017, which is considered sufficient to cover potential losses arising from labor contingencies.

c) The provisions for tax contingencies total R$ 47,549 and relate mainly to:

i) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R$ 748, which await judgment.

(ii) Offset of federal taxes levied on its operations, based on the exclusion of the ICMS from the calculation basis of PIS and COFINS. On March 15, 2017, the matter was examined by the Federal Supreme Court (STF), which defined that "the ICMS does not make up the PIS and COFINS calculation basis". The decision taken by the STF should take effect for all the lawsuits in progress, due to its repercussion. In 2017, the amount offset totaled R$ 25,051, and a related provision for tax risks was recorded, at the adjusted amount of R$ 35,009.

iii) Recognition of ICMS Presumed Credit in the state of Minas Gerais, linked to the Letter of Intent for Investment in the Paper Plant located in the municipality of Santa Luzia. The related investments were not initiated because the Company waits for the Environmental Bodies' authorization, and also due to strategic market reasons. The amount recognized up to 2017 totaled R$ 5,006, and a related provision for tax risks was recorded, at the adjusted amount of R$ 7,000.

Contingencies

No provisions were recorded for contingencies in respect of which the likelihood of loss has been assessed as possible by management and the legal counsel. At December 31, 2017, the amounts of these possible contingencies of a labor, civil, environmental and tax nature were as follows:

	Consolidated	
	12/31/2017	12/31/2016
Labor contingencies	15,289	11,924
Civil contingencies	7,897	6,944
Tax contingencies	70,389	84,802
	93,575	103,670

Labor contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R$ 15,289 at December 31, 2017 and relate mainly to indemnity claims (hazardous duty premiums, health hazard premiums, overtime, salary premiums, damages and losses arising from occupational accidents). These lawsuits are currently at different court levels.

Civil contingencies:

The civil lawsuits classified by management and its legal counsel as involving the risk of possible losses total R$ 7,897 and mainly relate to indemnity claims that are currently at different court levels.

Tax contingencies:

The tax lawsuits assessed by management and its legal counsel as involving possible losses totaled R$ 70,389 at December 31, 2017, and mainly include the following:

- Administrative and judicial proceedings relating to assessments received from the state government of Santa Catarina for allegedly undue ICMS tax credits recorded on the purchase of materials used in the manufacturing units located in that state, which amounted to R$ 39,483 at December 31, 2017. The Company is challenging these tax assessments at the administrative and judicial levels.

- Administrative and judicial proceedings filed by the National Institute of Social Security (INSS), with respect to a Debt Assessment Notice referring to the payment of social security contribution on the gross revenue from sale of the production of agro-industrial companies, and the offset of debts against credits arising from the application of a higher Environmental Occupational Risk (RAT) rate at the Company's Administrative Units. At December 31, 2017, these proceedings amounted to R$ 6,777. The Company is challenging these tax assessments at the administrative and judicial levels.

- Administrative Proceedings related to Tax Assessments for PIS and COFINS, arising from allegedly undue tax credits, amounting to R$ 5,844 at December 31, 2017. The Company has challenged these assessments at the administrative level and is awaiting judgment of the Special Appeals.

- Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R$ 5,822 at 31 December 2017. The Company is challenging this tax assessment at the judicial level.

- Proceedings relating to Tax Assessment Notices issued for the offset of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) against credits from the same taxes, amounting to R$ 3,103 at December 31, 2017. The Company is challenging these tax assessments at the administrative and judicial levels.

Special Tax Regularization Program (PERT)

In 2017, the Company enrolled in the following modalities of the Special Tax Regularization Program (PERT): "Other Debts - Brazilian Federal Revenue Service (RFB)" payment in cash; and "Other Debts - General Counsel to the National Treasury (PGFN) payment in cash. The Company included in the program debts related to IPI, PIS and COFINS, among them a tax foreclosure that awaited judgement of the Motion to Stay Execution. On the total gross debt, which amounted to R$ 28,422, the Company obtained a reduction of R$ 14,964 in fines and interest, as provided for by law, settled in advance the amount of R$ 1,420, and used tax credits amounting to R$ 12,038, arising from income tax and social contribution losses. The enrollment in the PERT resulted in an expense of R$ 7,699, recognized in the statement of profit and loss as follows: R$ 4,893 as Other operating expenses and R$ 2,806 as Finance cost.
The maintenance of the payment conditions established under the program expressly requires that the Company pay its regular taxes.

21. EQUITY

a) Share capital

The Company's share capital at December 31, 2017 and 2016 was R$ 161,895, represented by 153,909,975 common shares and 12,810,260 preferred shares, totaling 166,720,235 shares, without par value. The holders of preferred shares are entitled to: dividends under the same conditions as those granted to holders of common shares; priority in the reimbursement of capital at the equity value, without premium, in the event of liquidation of the Company; and 100% Tag Along rights. The Company may issue preferred shares, without par value and with no voting rights, up to the limit of two thirds of its total shares, and may increase the existing types or classes of shares without the requirement of maintaining a fixed proportion between them.

b) Treasury shares

		Parent		Parent	
		12/31/2017		12/31/2016	
		Number of shares	Amount	Number of shares	Amount
ii) Share buyback plan	Common	24,000	30	24,000	30
iii) Right to withdraw	Preferred	2,352,100	6,804	2,352,100	6,804
		2,376,100	6,834	2,376,100	6,834

i) Share buyback plan: the objective was to maximize the value of the shares for stockholders. This program was concluded within 365 days, on November 23, 2011.

iii) Right of withdrawal: the shares acquired suffered changes in relation to the advantages attributed to the Company's preferred shares, as approved at the Annual and Extraordinary General Meeting held on April 19, 2012. Dissenting holders of preferred shares had the right to withdraw from the Company and receive a reimbursement for their shares, based on the equity value recorded in the balance sheet at December 31, 2011.

c) Share-based payment

In 2013, the Company introduced a share-based remuneration plan, called the First Stock Option Plan (Program I), settled with its own shares, under which the Company received services from employees as consideration for equity instruments (stock options) of the Company.

The stock options were granted to management and certain employees, in accordance with the decision of the Board of Directors on May 9, 2012 and approval at the Extraordinary General Meeting held on May 25, 2012. The options were exercised from April 1, 2013 to April 30, 2013. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The options exercised by the participants totaled 1,612,040 shares, at the average exercise price of R$ 1.26 per share.

d) Profit for the year

In accordance with Art.202 of Law 6,404/1976, the stockholders are entitled to minimum and mandatory dividends. In accordance with the Company's bylaws, stockholders are entitled to the payment of a minimum mandatory dividend of 25% of profit computed after the offset of any accumulated deficit, transfer to the legal reserve and allocation to the tax incentive reserve. As the Company recorded losses for 2017, there is no basis for distribution of dividends.

The Company adds to the base for distribution of dividends, the realizations of the reserves of biological assets and carrying value adjustments.

The calculation of dividends and the balance of dividends payable are as follows:

	2017	2016
Loss for the year	(108,173)	(10,782)
Realized revenue reserve - biological assets	10,120	17,717
Realized revenue reserve - biological assets (subsidiaries)	518	387
Realization - deemed cost	12,530	8,947
Basic earnings (loss) for distribution of dividends	(85,005)	16,269
Balance of dividends payable	-	4,067
Total dividends per common share (R$ per share)	-	0.024748
Total dividends per preferred share (R$ per share)	-	0.024748

e) Revenue reserves

The revenue reserves comprise: i) legal reserve, ii) biological assets reserve, iii) profit retention reserve, and iv) tax incentives reserve.

i) In conformity with the Company's bylaws, 5% of the annual profit is transferred to the legal reserve, which can be used to offset losses or increase capital.

ii) The biological assets reserve was constituted because the Company measured its biological assets at fair value in the opening balance sheet at the first-time adoption of IFRS. The creation of this statutory reserve was approved at the Extraordinary General Meeting held on February 29, 2012, when the amount previously recognized in the unrealized profits reserve was transferred to this account.

(iii) The profit retention reserve comprises the remaining profits after the offsetting of losses and transfer to the legal reserve, as well as after the distribution of dividends. The respective resources will be allocated to investments in property, plant and equipment previously approved by the Board of Directors, or may be distributed in the future, as approved by the Annual General Meeting. Certain agreements with creditors contain restrictive clauses relating to the distribution of dividends that exceed the minimum mandatory dividend.

iv) The tax incentives reserve was constituted with a portion of prior years' profit arising from government grants for investments, as disclosed in items (ii) and (iii) of Note 32, and was not included in the mandatory dividend calculation basis.

f) Carrying value adjustments

The carrying value adjustments account was established when the Company measured its property, plant and equipment (land, machinery and buildings) at deemed cost in the opening balance sheet, at the first-time adoption of IFRS. Its realization will take place as the related deemed cost is depreciated, at which time the related amounts will also be adjusted in the basis for calculating dividends. The balance at December 31, 2017, net of tax effects, represented a gain of R$ 196,545 (R$ 209,075 at December 31, 2016).

The financial instruments designated as cash flow hedges, net of tax effects, were also recorded in carrying value adjustments, and corresponded to a loss of R$ 77,873 at December 31, 2017 (R$ 81,568 at December 31, 2016).

Changes in the carrying value adjustments account were as follows:

	Consolidated
At December 31, 2015	73,029
Cash flow hedges	63,425
Realization - deemed cost	(8,947)
At December 31, 2016	127,507
Cash flow hedges	3,695
Realization - deemed cost	(12,530)
At December 31, 2017	118,672

22. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are calculated by dividing the profit from continuing and discontinued operations attributable to the Company's stockholders by the weighted average number of shares outstanding during the period. The shares are not subject to the effects of potential dilution, such as debt convertible into shares. Consequently, diluted earnings (loss) per share are equal to basic earnings (loss) per share.

Basic and diluted earnings (loss) from continuing operations:

	2017		
	Common shares (ON)	Preferred shares (PN)	Total shares (ON) + (PN)
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Loss for the year attributable to each category of shares	(101,289)	(6,884)	(108,173)
Basic and diluted loss per share - R$	(0.6582)	(0.6582)	

	2016		
	Common shares (ON)	Preferred shares (PN)	Total shares (ON) + (PN)
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Loss for the year attributable to each category of shares	(10,096)	(686)	(10,782)
Basic and diluted loss per share - R$	(0.0656)	(0.0656)	

23. NET SALES REVENUE

The Company's net sales revenue comprises the following:

	Parent		Consolidated	
	2017	2016	2017	2016
Gross revenue from sales of products	1,100,859	1,005,845	1,109,805	1,013,581
Taxes on sales	(239,290)	(223,724)	(239,978)	(224,457)
Sales returns	(10,500)	(12,316)	(10,658)	(12,329)
Net sales revenue	851,069	769,805	859,169	776,795

24. COSTS AND EXPENSES BY NATURE

Costs and expenses by nature are as follows:

	Parent		Consolidated	
	2017	2016	2017	2016
Fixed and variable costs (raw materials and consumables)	(423,809)	(393,827)	(405,919)	(350,916)
Personnel expenses	(148,264)	(135,816)	(157,477)	(144,981)
Change in the fair value of biological assets	(1,030)	1,938	(10,847)	27,394
Depreciation, amortization and depletion	(85,485)	(93,788)	(95,576)	(124,802)
Freight	(45,297)	(44,671)	(45,297)	(44,671)
Services contracted	(22,406)	(26,040)	(23,531)	(26,644)
Other selling expenses	(40,734)	(37,753)	(40,734)	(37,753)
Total costs and expenses by nature	(767,025)	(729,957)	(779,381)	(702,373)
Cost	(621,676)	(596,872)	(622,425)	(593,422)
Expense	(144,319)	(135,023)	(146,109)	(136,345)
Changes in the fair value of biological assets	(1,030)	1,938	(10,847)	27,394

25. OTHER OPERATING INCOME AND EXPENSES

Income	Parent		Consolidated	
	2017	2016	2017	2016
Income from assets damaged and sold	14,896	2,077	14,946	2,077
Income from sale of forests	19,100	34,700	19,100	55,500
Other operating income	2,861	3,937	2,891	3,959
	36,857	40,714	36,937	61,536

Expenses	Parent		Consolidado	
	2017	2016	2017	2016
Cost of assets damaged and sold	(8,322)	(1,791)	(8,371)	(1,791)
Cost of forests sold	(31,642)	(30,289)	(31,642)	(51,845)
Social security contribution on accrued vacation pay for prior years	-	(1,988)	-	(1,988)
Effect of enrollment in the Special Tax Regularization Program (PERT)	(4,893)	-	(4,893)	-
Exclusion of ICMS from the PIS/Cofins contribution base	(25,051)	-	(25,051)	-
Fine for exclusion of ICMS from the PIS/Cofins contribution base	(9,394)	-	(9,394)	-
Provision for impairment of trade receivables from XKW Trading	(3,018)	-	(3,018)	-
Provision for impairment of receivables from customers under renegotiation or in-court reorganization	(18,506)	-	(18,506)	-
Provision for government subsidy from the state government of Minas Gerais	(5,969)	-	(5,969)	-
Provision for loss on tax credit upon consolidation of REFIS	(1,701)	-	(1,701)	-
Other operating expenses	(2,424)	(8,381)	(2,445)	(8,400)
	(110,920)	(42,449)	(110,990)	(64,024)
Total	(74,063)	(1,735)	(74,053)	(2,488)

During 2017, the Company enrolled in the Special Tax Regularization Program (PERT), and recognized in other operating expenses the amount of R$ 4,893, as disclosed in Note 20.

The expense, recorded as exclusion of the State Value-Added Tax (ICMS) from PIS/COFINS tax basis, relates to the provision for tax risks, described in Note 20 c ii.

26. FINANCE INCOME AND COSTS

	Parent		Consolidated	
	2017	2016	2017	2016
Finance income				
Income from financial investments	7,120	9,065	7,969	12,422
Interest	176	2,549	184	2,586
Discounts obtained	127	159	127	160
	7,423	11,773	8,280	15,168
Foreign exchange variation				
Foreign exchange gains	13,662	24,764	13,662	24,764
Foreign exchange losses	(22,459)	(44,225)	(22,459)	(44,225)
Foreign exchange variations, net	(8,797)	(19,461)	(8,797)	(19,461)
Finance costs				
Interest	(103,646)	(100,136)	(103,672)	(100,148)
Discounts granted	(541)	(1,076)	(541)	(1,076)
Discounts/bank expenses	(35)	(76)	(43)	(80)
Other	(1,533)	(1,443)	(1,533)	(1,449)
	(105,755)	(102,731)	(105,789)	(102,753)
Finance result, net	(107,129)	(110,419)	(106,306)	(107,046)

27. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent		Consolidated	
	2017	2016	2017	2016
Operating profit (loss) before taxation	(100,687)	(37,176)	(100,571)	(35,112)
Standard tax rate	34%	34%	34%	34%
Tax credit (expense) at the standard rate	34,234	12,640	34,194	11,938
Unrecognized income tax and social contribution	(34,234)	-	(34,194)	-
Tax effect of permanent (additions) exclusions:				
Equity in the results of subsidiaries	(1,203)	11,944	-	-
Subsidiaries taxed under the presumed profit method	-	-	(905)	9,131
Other permanent differences	(6,283)	1,810	(6,697)	3,261
	(7,486)	26,394	(7,602)	24,330
Current income tax and social contribution	-	2	(525)	(1,348)
Deferred income tax and social contribution	(7,486)	26,392	(7,077)	25,678
Effective tax rate - %	(7.4)	71.0	(7.6)	69.3

28. INSURANCE

Insurance coverage is determined according to the nature of the risks to the assets, and is considered sufficient to cover possible losses arising from damages. At December 31, 2017, the Company had corporate insurance against fire, lightning, explosions, electrical damage and wind storm damage to plants, residential locations and offices, as well as general civil liability coverage and coverage of liabilities of officers and directors (D&O), with a total amount of R$ 581,740. The Company also contracted group life insurance for employees with a minimum coverage of 24 times the employee's salary, or a maximum coverage of R$ 500, in addition to insurance for the fleet of vehicles with coverage at market value.

With respect to forests, the Company assessed the existing risks and opted not to contract insurance coverage because the preventive measures against fire and other risks have proven to be efficient. Management understands that the risk management structure related to the forestry activities is appropriate to ensure the continuity of the Company's operations.

29. FINANCIAL INSTRUMENTS

Capital risk management

The Company's capital structure consists of its net indebtedness (borrowings and debentures detailed in Notes 16 and 17, less cash and banks and bank's restricted accounts, as disclosed in Notes 5 and 9), and equity (which includes issued share capital, reserves and retained earnings, as disclosed in Note 21).

The Company is not subject to any external capital requirements.

The Company's management periodically reviews its capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Company intends to maintain a capital structure consisting of between 50% and 70% of own capital and between 50% and 30% of third-party capital. At December 31, 2017, the capital structure comprised 37% of own capital and 63% of third-party capital, mainly due to the effects of the exchange rate variation on foreign currency debt, which accounts for 44.87% of the Company's total debt, and also the effects of the exchange rate variation on hedge accounting, which reduces equity by R$ 77,873.

Debt to equity ratio

The debt to equity ratio at December 31, 2017 and December 31, 2016 was as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Debt (a)	772,096	917,375	772,096	917,375
Cash and banks	(75,896)	(82,844)	(76,949)	(103,885)
Banks - restricted account	(8,732)	(94,198)	(8,732)	(94,198)
Net debt	687,468	740,333	686,415	719,292
Equity (b)	340,713	445,191	340,721	445,201
Debt to net assets ratio	2.02	1.66	2.01	1.62

(a) Debt is defined as short and long-term borrowings, including debentures, as detailed in Notes 16 and 17.

(b) Equity includes the Company's entire capital and reserves managed as capital.

Categories of financial instruments

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Financial assets				
Loans and receivables				
Cash and banks	75,896	82,844	76,949	103,885
Trade receivables	167,140	153,644	168,124	154,227
Other receivables	8,993	20,534	9,029	20,585
Banks - restricted account	8,732	94,198	8,732	94,198
Financial liabilities				
Amortized cost				
Borrowings	772,096	876,909	772,096	876,909
Debentures	-	40,466	-	40,466
Trade payables	96,187	111,849	82,951	79,849

Financial risk factors

The Company is exposed to various financial risks, such as market risk (including currency risk and interest rate risk), credit risk, and liquidity risk.

In order to provide a framework for its financial management, the Company has maintained in effect since 2010, a Financial Management Policy that determines rules and defines guidelines for the use of financial instruments.

The Company does not enter into derivative transactions or transactions involving other financial assets for speculative purposes.

Foreign exchange rate risk

The Company has transactions in the foreign market that are exposed to fluctuations in the exchange rates of foreign currencies. At December 31, 2017 and December 31, 2016, these transactions resulted in a net liability exposure, as shown below.

As most of the borrowings in foreign currency is repayable in the long-term, the Company hedges the net foreign exchange exposure with the equivalent to 30 months of exports, based on the average of exports carried out in 2017, and to 27 months of exports based on the average exports carried out in 2016.

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Receivables	27,508	20,062	27,508	20,062
Banks - restricted account	6,188	13,537	6,188	13,537
Advances from customers	(346)	(139)	(346)	(139)
Trade payables	(395)	(335)	(395)	(335)
Borrowings	(346,437)	(372,431)	(346,437)	(372,431)
Net exposure	(313,482)	(339,306)	(313,482)	(339,306)

The Company has identified the main risk factors that could generate losses in connection with its financial instruments. Accordingly, a sensitivity analysis was performed, as determined by CVM Instruction 475, which requires the presentation of two scenarios with deterioration of 25% and 50% in the risk variable considered, in addition to a base scenario. These scenarios may impact the Company's results and equity, as described below:

1 - Base scenario: for the definition of the base scenario, the U.S. dollar quotation used by the Company accompanies the future market projections of B3 for the next reporting date (March 31, 2018).

2 - Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for March 31, 2018.

3 - Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for March 31, 2018.

Transaction	Balance at 12/31/2017	Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	U$$	Rate	R$	Rate	R$	Rate	R$
Assets							
Trade receivables and banks' restricted accounts	10,186	3.33	233	4.16	8,715	5.00	17,194
Liabilities							
Trade payables and advances from customers	(224)	3.33	(5)	4.16	(192)	5.00	(378)
Borrowings	(104,727)	3.33	(2,393)	4.16	(89,600)	5.00	(176,779)
Net effect			(2,165)		(81,077)		(159,963)

The Company maintains natural cash flow hedges on exports, at the amount of US$ 95,255, which, in accordance with the accounting practice, are not considered in this sensitivity analysis.

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. The balances at December 31, 2017 were used as a basis for the projection of the future balance. The actual behavior of debt balances will follow the respective contracts, while balances receivable and payable may fluctuate due to the normal course of the activities of the Company and its subsidiaries. The settlement of transactions involving these projections may result in amounts that differ from those estimated due to the subjectivity of the process used in the preparation of these analyses. The Company manages its borrowings exposed to foreign exchange variations by making annual net payments that are equivalent to or below the receipts from its exports. Accordingly, the Company seeks to hedge its cash flow against foreign currency risks, and the effects of the scenarios above, if they materialize, are not expected to generate material impacts on its cash flow.

Interest rate risk

The Company may be affected by adverse changes in interest rates. This exposure to interest rate risk relates primarily to changes in market interest rates that affect the Company's assets and liabilities indexed to the TJLP (Long-term interest rate from BNDES), CDI (Interbank Deposit Certificate), SELIC (Official Interest Rate), LIBOR (London Interbank Offered Rate), EURIBOR (The Euro Interbank Offered Rate), and ECM (Currency Basket Charges).

The sensitivity analysis calculated for the base, adverse and remote scenarios on the borrowings subject to floating interest rates is as follows:

1 - Base scenario: for the definition of the base scenario, the CDI and SELIC rates used by the Company accompany the future market projections of B3 for the next reporting date (March 31, 2018). The TJLP is extracted from the BNDES. For LIBOR, EURIBOR and EMC, the rates used are those prevailing on the date of the analysis.

2 - Adverse scenario: 25% adjustment of interest rates compared to the level projected for March 31, 2018.

3 - Remote scenario: 50% adjustment of interest rates compared to the level projected for March 31, 2018.

Transaction			Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	Index	Balance at 12/31/2017	Rate % p.a.	R$	Rate % p.a.	R$	Rate % p.a.	R$
Cash and cash equivalents								
CDB	CDI	70,158	6.63%	(144)	8.29%	775	9.95%	1,694
Proceeds from borrowings								
Working capital	CDI	(361,749)	6.63%	1,026	8.29%	(5,515)	9.95%	(12,055)
BNDES	TJLP	(41,650)	6.75%	104	8.44%	(599)	10.13%	(1,302)
FINAME	TJLP	(5,184)	6.75%	13	8.44%	(75)	10.13%	(162)
FINAME	SELIC	(489)	6.64%	2	8.30%	(7)	9.96%	(15)
FINAME	ECM	(151)	4.32%	-	5.40%	(2)	6.48%	(4)
Financing - foreign currency	Libor 3M	(319,332)	1.81%	(370)	2.26%	(1,815)	2.72%	(3,261)
Financing - foreign currency	Euribor 6M	(3,426)	0.00%	-	0.00%	-	0.00%	-
Net effect on results				631		(7,238)		(15,105)

Fair value vs. book value

Fair value is the price for which an asset would be sold or a liability transferred in a transaction between parties willing to negotiate, determined on the measurement date. The following methods and assumptions were used to estimate the fair value:

- Cash and cash equivalents, accounts receivable, and short-term accounts payable are presented in the Company's balance sheet at amounts that approximate their fair values due to the short terms of settlement.

- Borrowings - considering the renegotiations of recent debts, the interest rates on borrowings contracted, and market information, management believes that the fair value of borrowings do not differ significantly from their book value.

Credit risks

The Company's credit sales are managed through a credit rating and credit granting policy. Doubtful receivables are properly covered by the provision for impairment.

Trade receivables comprise a large number of customers from different sectors and geographical areas. A continuous credit assessment is carried out on the financial positions of receivables and, where appropriate, credit guarantee coverage is requested.

Most of the renegotiations with customers are backed by debt acknowledgment agreements, machinery, equipment, and properties pledged as collateral, in addition to individual sureties to guarantee the amount of debt.

Risks of financial investments

The Company is exposed to risk in relation to the financial investments that comprise its cash and cash equivalents, and are planned to meet its cash flow needs. Management ensures that investments are made in financial institutions with which the Company has a stable relationship, through the application of the financial policy that determines the allocation of cash, without limitations, to:

i) Government securities issued by and/or with co-obligation of the National Treasury;
ii) CDBs from banks with a stable relationship with the Company;
iii) Debentures issued by banks with a stable relationship with the Company;
iv) Fixed-income investment funds of conservative profile.

The table below shows the amounts of cash and cash equivalents invested by the Company in financial institutions, classified according to the S&P's and Fitch's rating scale for national financial institutions:

	Consolidated	
	12/31/2017	Agency
National rating AA- (br)	4,037	S&P
National rating A+ (br)	31,283	S&P
National rating AA+ (br)	32,538	Fitch
	67,858	

Investments in the variable-income market are not allowed.

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, which comprises cash, short-term financial investments, flows of receivables and payables, and repayment of borrowings. The liquidity management policy involves the projection of cash flows on the currencies used, and considers the level of net assets necessary to achieve these projections, the monitoring of balance sheet liquidity ratios in relation to internal and external regulatory requirements, and the maintenance of debt financing plans.

The table below shows the maturity ranges of the financial liabilities contracted by the Company, where the reported amounts include the principal and fixed interest on transactions, calculated using rates and indices in effect at December 31, 2017, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets. Although the Company presents the aging analyses only for financial liabilities, the inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management, since it is based on net assets and liabilities.

Parent

	2018	2019	2020	2021	As from 2022
Liabilities					
Trade payables	96,187	-	-	-	-
Borrowings	199,227	239,258	189,109	154,955	99,445
Other liabilities	331	-	-	-	-
	295,745	239,258	189,109	154,955	99,445

Consolidated

	2018	2019	2020	2021	As from 2022
Liabilities					
Trade payables	82,951	-	-	-	-
Borrowings	199,227	239,258	189,109	154,955	99,445
Other liabilities	331	-	-	-	-
	282,509	239,258	189,109	154,955	99,445

The amounts included above for non-derivative financial assets and liabilities at floating rates are subject to changes in the event the floating interest rates differ from the estimates made at the end of the reporting period.

At the end of the reporting period, the Company had unused credit facilities totaling R$ 50,000, which increase as borrowings are repaid. The Company expects to meet its other obligations using the cash flow from operating activities and income earned on financial assets.

Derivative financial instruments

At December 31, 2017, the Company did not have any derivative financial instrument contracted.

Cash flow hedges

The Company adopted hedge accounting on May 1, 2012 for transactions contracted to cover the foreign exchange variation risk of exports, classified as a cash flow hedge.

Accordingly, the Company hedges the foreign exchange variation risk of its future cash flows by contracting non-derivative financial liabilities, which are considered as natural hedge. The currently effective hedging instruments contracted by the Company include an export prepayment contract (PPE) with Banco Credit Suisse, a PPE contract with Banco Rabobank and Santander, and a PPE contract with Banco Santander.

The hedged cash flows are the estimated exports up to 2021, and the amount recorded in equity based on hedge accounting amounted to R$ 77,873 at December 31, 2017 (R$ 81,568 in December 2016).

	Parent and Consolidated	Parent and Consolidated
	12/31/2017	12/31/2016
Opening balance	123,587	219,686
Change in cash flow hedges	3,867	(77,543)
Reclassification to the statement of profit and loss	(9,465)	(18,556)
	117,989	123,587
Opening balance	(42,019)	(74,693)
Taxes on changes in cash flow hedges	(1,315)	26,365
Taxes on reclassification to the statement of profit and loss	3,218	6,309
	(40,116)	(42,019)
Closing balance	77,873	81,568

The Company estimates the hedge effectiveness based on the U.S. dollar offset methodology, according to which the variations in the fair value of the hedge instrument are compared with the variations in the fair value of the hedged item, which should range between 80% and 125%.

The balances of effective variations on transactions designated as cash flow hedges are reclassified from equity to the statement of profit and loss for the period in which the foreign exchange variation of the hedge is effectively realized. The cash flow hedge results which are effective in offsetting the variations of hedged expenses are recorded as a reduction of these expenses, decreasing or increasing the operating profit or loss, while the non-effective portion is recorded as finance income or costs for the period.

The Company did not identify any ineffectiveness in the year. In the event of ineffectiveness identified in the year, the amount to be recognized in the statement of profit and loss would be R$ 77,873.

30. OPERATING SEGMENTS

a) Criteria for identification of operating segments

The Company's operating structure is segmented based on the manner in which management runs the business.

Management has defined the operating segments as follows: corrugated cardboard (PO) packaging; packaging paper; and RS forest and resins, described below:

Corrugated Cardboard (PO) Packaging: this segment manufactures light and heavy corrugated cardboard boxes and sheets, in three production units: Campina da Alegria (SC), Indaiatuba (SP), and Vila Maria (SP).

Packaging Paper Segment: produces low and high-weight Kraft paper and recycled paper for the domestic and foreign markets. In addition, part of the production is sent to the Corrugated Cardboard Packaging segment. It has two production units: Campina da Alegria (SC) and Santa Luzia (MG).

RS Forest and Resins: in this segment, the Company plants pine trees for its own consumption, sells timber, and extracts resin from pines trees, which is used as raw material for the production of tar and turpentine.

b) Consolidated information on operating segments

	Consolidated				
	2017				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	560,595	165,048	7,488	-	733,131
Foreign market	-	73,413	52,625	-	126,038
Revenue from sales to third parties	560,595	238,461	60,113	-	859,169
Intersegment revenue	-	43,345	-	(43,345)	-
Total net sales	560,595	281,806	60,113	(43,345)	859,169
Changes in the fair value of biological assets	-	4,987	(15,834)	-	(10,847)
Cost of sales	(499,816)	(116,316)	(48,928)	42,635	(622,425)
Gross profit	60,779	170,477	(4,649)	(710)	225,897
Operating expenses	(113,518)	(42,934)	(6,068)	(57,642)	(220,162)
Operating result before finance income (costs)	(52,739)	127,543	(10,717)	(58,352)	5,735
Finance income (costs)	(44,742)	(54,980)	(6,584)	-	(106,306)
Net operating profit (loss)	(97,481)	72,563	(17,301)	(58,352)	(100,571)
Depreciation and amortization	(12,624)	(38,739)	(974)	(1,478)	(53,815)

	Consolidated				
	2016				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	483,876	145,480	6,077	-	635,433
Foreign market	-	86,099	55,263	-	141,362
Revenue from sales to third parties	483,876	231,579	61,340	-	776,795
Intersegment revenue	-	15,672	-	(15,672)	-
Total net sales	483,876	247,251	61,340	(15,672)	776,795
Changes in the fair value of biological assets	-	7,881	19,513	-	27,394
Cost of sales	(432,782)	(122,699)	(52,822)	14,881	(593,422)
Gross profit	51,094	132,433	28,031	(791)	210,767
Operating expenses	(67,655)	(21,948)	(4,871)	(44,359)	(138,833)
Operating result before finance income (costs)	(16,561)	110,485	23,160	(45,150)	71,934
Finance income (costs)	(46,959)	(54,030)	(6,061)	4	(107,046)
Net operating profit (loss)	(63,520)	56,455	17,099	(45,146)	(35,112)
Depreciation and amortization	(15,495)	(46,046)	(871)	(1,474)	(63,886)

The amounts in the column "Corporate/eliminations" refer basically to the expenses of the corporate support area, which are not apportioned between the segments, and the eliminations refer to the adjustments of transactions between other segments, which are carried out under usual market prices and conditions.

Finance income (costs) were allocated by operating segment, taking into consideration the specific allocation of each item of finance income and costs to the respective segment, and the allocation of common income and costs based on each segment's need for working capital.

The information relating to income tax and social contribution is not disclosed herein because management does not use this information by segment.

c) Net sales revenue

Net sales revenue in 2017 totaled R$ 859,169 (R$ 776,795 in 2016).

Net sales revenue from exports in 2017 amounted to R$ 126,038 (R$ 141,362 in 2016) and relates to various countries, as follows:

Consolidated		
2017		
Country	Net export revenue	% of total net revenue
Germany	18,584	2.16%
Saudi Arabia	15,133	1.76%
Argentina	12,191	1.42%
China	10,652	1.24%
France	9,367	1.09%
South Africa	7,943	0.92%
Chile	7,053	0.82%
Paraguay	5,178	0.60%
Netherlands	4,613	0.54%
Japan	3,885	0.45%
Peru	3,288	0.38%
Singapore	2,945	0.34%
Turkey	2,582	0.30%
Portugal	2,211	0.26%
India	2,149	0.25%
Bolivia	2,028	0.24%
Kuwait	1,970	0.23%
Uruguay	1,843	0.21%
Mexico	1,676	0.20%
Spain	1,515	0.18%
Colombia	1,324	0.15%
Austria	1,303	0.15%
Pakistan	1,066	0.12%
Malaysia	939	0.11%
Hong Kong	922	0.11%
Other countries	3,678	0.43%
	126,038	14.67%

Consolidated		
2016		
Country	Net export revenue	% of total net revenue
Germany	20,928	2.69%
China	18,359	2.36%
Argentina	16,927	2.18%
Saudi Arabia	13,863	1.78%
France	8,627	1.11%
South Africa	8,303	1.07%
Paraguay	6,721	0.87%
Chile	6,318	0.81%
Netherlands	4,117	0.53%
Spain	3,838	0.49%
Japan	3,394	0.44%
Singapore	3,181	0.41%
Peru	3,119	0.40%
Turkey	2,961	0.38%
Portugal	2,764	0.36%
Uruguay	2,471	0.32%
Kuwait	2,344	0.30%
Bolivia	2,297	0.30%
Austria	1,602	0.21%
Pakistan	1,349	0.17%
Dubai	1,199	0.15%
Malaysia	1,141	0.15%
Norway	855	0.11%
Israel	762	0.10%
Other countries	3,922	0.50%
	141,362	18.20%

The Company's net sales revenue in 2017 in the domestic market amounted to R$ 733,131 (R$ 635,433 in 2016).

In 2017, a single customer accounted for 4.5% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R$ 25,227. The Company's other sales in the domestic and foreign markets were spread over a number of customers, none of which accounting for more than 10% of net sales.

31. OPERATING LEASE AGREEMENTS (PARENT COMPANY)

Rental of production plant properties

At December 31, 2017, the Company had one rental agreement for a production unit, in addition to other minor rental agreements for commercial and administrative units, all of which were classified as operating leases and allocated to expenses on the accrual basis over the lease period.

The rental agreement entered into on December 26, 2006, for the Packaging Plant, in Indaiatuba, SP, is effective for 20 years, with a contracted monthly rental of R$ 238, annually adjusted based on the General Market Price Index (IGPM) variation.

The rental expenses recognized by the parent company in 2017, net of taxes, when applicable, were as follows:

Rentals of production units = R$ 2,859 (R$ 2,471 in 2016).
Rentals of commercial and administrative units = R$ 323 (R$ 283 in 2016).

Future commitments arising from these contracts totaled a minimum amount of R$ 45,753 at December 31, 2017. The rentals were calculated at present value, using the accumulated Amplified Consumer Price Index (IPCA) in the last 12 months, i.e., 2.95% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	3,166	12,494	30,093	45,753
Operating leases at present value	3,075	11,294	22,282	36,651

Lease of planting area

The Company has entered into non-cancellable lease agreements for production of biological assets on third-party land, comprising a total area of approximately 880 hectares of planted land. Of the total leased area, approximately 732 hectares correspond to the lease agreement signed with Timber XI SPE S.A., as detailed in Note 15, pursuant to which the Company committed to make annual payments. For other small areas, there are lease commitments subject to monthly payments, which comprise the Company's operating leases, as shown below.

These agreements are valid until all the forests existing in these areas are harvested.

Non-cancellable operating lease commitments

The rentals were calculated at present value, using the accumulated Amplified Consumer Price Index (IPCA) in the last 12 months, i.e., 2.95% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	1,394	5,500	4,153	11,047
Operating leases at present value	1,354	4,972	3,382	9,708

32. GOVERNMENT GRANTS

The Company has ICMS incentives from the states of Santa Catarina and Minas Gerais:

i) ICMS/SC - Development Program for Companies of the state of Santa Catarina (PRODEC): under this program, 60% of the ICMS increase in the state of Santa Catarina, calculated on an average basis (comprising the period from September 2006 to August 2007) prior to the investments made, are deferred for payment after 48 months. This benefit is calculated monthly and subject to the completion of the investments planned and maintenance of jobs, in addition to the maintenance of regular status with the State obligations. The Company has complied with all the requirements.

These incentives are subject to charges at an annual contractual rate of 4.0%. In order to calculate the present value of these benefits, the Company used the average rate of 11.63% as the cost of funding on the base date for credit lines with characteristics similar to those applicable to the respective disbursements, which would have been required in the absence of said benefits.

The benefit is effective for 14 years, from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. At December 31, 2017, the Company had deferred ICMS liabilities of R$ 19,554 (R$ 17,194, net of government grants).

ii) ICMS/SC - Presumed Credit: for the purpose of enabling the expansion of the industrial unit located in Vargem Bonita, the government of the state of Santa Catarina granted as a principal benefit the recording of presumed credits in an ICMS memorandum account, on taxed shipments carried out by the Company within the state, of products manufactured with recyclable material corresponding to, at least, 40% of the raw material cost, so that the final tax burden on the own operation is equivalent to 2.25%. The expected investment is of approximately R$ 600,000, which will be incurred over the five years of the benefit grant, with the possibility of renewal for an equal period, and will be used to expand the paper and packaging production capacity.

iii) ICMS/MG - Presumed Credit: For the purpose of enabling the expansion of the industrial unit in Santa Luzia, the government of the state of Minas Gerais grants as a principal benefit, the recording of ICMS presumed credit, resulting in the effective payment of 2% on shipments of products manufactured by the Company. The total investment is estimated at approximately R$ 220,000 million, to be invested in the modernization and expansion of the production capacity of Paper Machine No. 7 (PM 7), and also in the construction of a new corrugated cardboard packaging plant.

33. TRANSACTIONS NOT AFFECTING CASH

The Company carried out non-cash transactions relating to investment activities, which were not reflected in the statement of cash flows.

During 2017, the Company paid for purchases of property, plant and equipment, intangible assets and biological assets amounting to R$ 1,095, which were financed directly by the suppliers. Additionally, non-cash transactions were carried out with subsidiaries (see Note 12), as follows: (i) advance for future capital increase in the subsidiary Habitasul Florestal S.A. of R$ 17,598, offset against dividends payable; (ii) capital contribution of R$ 7,896 through planted forests in the subsidiary Iraflor Comércio de Madeiras Ltda. (iii) capital decrease of R$ 32,717 in the subsidiary Iraflor Comércio de Madeiras Ltda, offset against existing credits.

34. EVENTS AFTER THE REPORTING PERIOD

Certain borrowing and financing contracts include an "Early Maturity" clause in the event the Issuer or the Guarantor fails to publish and/or deliver their audited financial statements within 90 days after the year-end closing date. For the breach of this contractual commitment, we obtained a waiver from the financial institutions (Credit Suisse, BTG Pactual, Itaú Unibanco, Santander and Rabobank), to avoid the accelerated maturity of the operations.

With respect to the refinancing of the Company's debt for 2018, we inform hereby that borrowing operations at the end of the first quarter of 2018 totaled R$ 82,549. The main financing and debt extension transaction was contracted with Banco BTG Pactual in the total amount of R$ 69,730 of which R$ 36,178 relate to new borrowings and R$ 33,552 to extension of contracts.

* * *

(A free translation of the original in Portuguese)

Dear Stockholders,

The management of **Celulose Irani S.A.** submits for your appreciation the Company's Management Report and Financial Statements, together with the independent auditor's report for the year ended December 31, 2017. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and accounting practices adopted in Brazil, based on the technical pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), which are fully convergent with IFRS, and the standards established by the Brazilian Securities Commission (CVM).

Message to the Stockholders

Celulose Irani S.A. is an integrated Paper Packaging company, with a robust own forest base. Its core business consists of the manufacture and sale of corrugated cardboard packaging and packaging paper. The main raw materials are the planted pine forests (long fiber) owned by the Company and long-fiber recycled paper (trimmings).

2017 Highlights

After two consecutive years of decline in the Brazilian economy, the effects of the crisis remained up to the second half of 2017, when a new cycle of economic expansion started. Thanks to the falling interest rates and the creation of new job positions, Brazil recorded a growth of 1% at the end of 2017.

This positive scenario of economic recovery was reflected in consumption, since, according to the Brazilian Association of Corrugated Board (ABPO), the shipment in metric tons of corrugated board increased by 4.9% in 2017, when compared to 2016.

In the comparison with 2016, IRANI's net revenue grew by 10.6% in 2017, mainly as the result of higher sales volume and better prices for the Packaging Paper and Corrugated Cardboard Packaging (PO) segments. The share of sales to the domestic market represented 85% of the Company's sales, while the sales to the foreign market reached 15%.

In 2017, the Corrugated Cardboard Packaging segment represented 65% of IRANI's net revenue, while the Packaging Paper and the Forest RS and Resins segments represented 28% and 7%, respectively.

Key financial and economic indicators

KEY INDICATORS - CONSOLIDATED	4Q17	3Q17	4Q16	Var. 4Q17/3Q17	Var. 4Q17/4Q16	2017	2016	Var. 2017/2016
Economic and Financial Indicators (R$ thousand)								
Net operating revenue	230,618	224,355	193,590	2.8%	19.1%	859,169	776,795	10.6%
Domestic market	197,015	197,317	163,905	-0.2%	20.2%	733,131	635,433	15.4%
Foreign market	33,603	27,038	29,685	24.3%	13.2%	126,038	141,362	-10.8%
Gross profit (including*)	38,731	72,491	50,020	-46.6%	-22.6%	225,897	210,767	7.2%
(*) Change in the Fair Value of Biological Assets	*(22,012)*	*5,849*	*12,078*	-476.3%	-282.2%	*(10,847)*	*27,394*	-139.6%
Gross margin	***16.8%***	***32.3%***	**25.8%**	**-15.5p.p.**	***-9.0p.p.***	***26.3%***	***27.1%***	***-0.8p.p.***
Operating result before taxes and profit sharing	(82,727)	2,904	(18,347)	-2948.7%	350.9%	(100,571)	(35,112)	186.4%
Operating margin	***-35.9%***	***1.3%***	**-9.5%**	**-37.2p.p.**	***26.4p.p.***	***-11.7%***	***-4.5%***	***-7.2p.p.***
Profit (loss)	(98,421)	3,180	(5,055)	-3195.0%	1847.0%	(108,173)	(10,782)	903.3%
Net margin	***-42.7%***	***1.4%***	**-2.6%**	**-44.1p.p.**	**40.1p.p.**	***-12.6%***	***-1.4%***	***-11.2p.p.***
Adjusted EBITDA 1	51,545	40,176	19,364	28.3%	166.2%	154,530	175,314	-11.9%
Adjusted EBITDA Margin	***22.4%***	***17.9%***	***10.0%***	**4.4p.p.**	***12.3p.p.***	***18.0%***	***22.6%***	***-4.6p.p.***
Net debt [R$ million]	686.4	779.3	719.3	-11.9%	-4.6%	686.4	719.3	-4.6%
Net debt / Adjusted EBITDA (x)	4.44	5.88	4.10	-24.5%	8.3%	4.44	4.10	8.3%
Net Debt/ Pro forma Adjusted EBITDA (x) 2	3.68	5.02	3.40	-26.7%	8.2%	3.68	3.40	8.2%
Operating data (metric tons)3								
Corrugated Cardboard Packaging (PO)								
Production/Sales	49,228	51,711	43,387	-4.8%	13.5%	193,256	178,168	8.5%
Packaging Paper								
Production	73,103	72,690	62,395	0.6%	17.2%	289,019	275,446	4.9%
Sales	22,234	23,093	23,913	-3.7%	-7.0%	89,072	87,947	1.3%
RS Forest and Resins								
Production	2,732	2,736	2,675	-0.1%	2.1%	11,841	11,926	-0.7%
Sales	4,167	1,645	2,465	153.3%	69.0%	12,000	12,211	-1.7%

1 EBITDA (earnings before interest, taxes, depreciation, amortization and depletion) - see the related section in this release.
2 Excludes from net debt foreign exchange variations accounted for as hedge accounting.
3 The assumptions used for measuring the volumes of the Corrugated Cardboard Packaging (PO) and Packaging Paper segments were reviewed in 1Q17 and changed in relation to the previous year.

- The sales volume for the Corrugated Cardboard Packaging segment increased by 8.5% when compared to 2016, and totaled 193.2 thousand metric tons in 2017. In the Packaging Paper segment, sales increased by 1.3%, totaling 89.1 thousand metric tons. The Resins segment decreased by 1.7%, totaling 12.0 thousand metric tons.

- Net revenue for 4Q17 grew by 19.1% when compared to 4Q16 and by 2,8% in 3Q17. In the comparison between 2017 and 2016, net revenue grew by 10.6%, reaching R$ 859.2 million, which reflects the improved performance of sales to the domestic market, particularly in relation to the Corrugated Cardboard (PO) Packaging segment.

- The gross profit for 4Q17 decreased by 22.6% compared to 4Q16, and by 46.6% compared to 3Q17. In comparison to 2016, gross profit increased by 7.2%, totaling R$ 225.9 million.

- The Company reported losses of R$ 98.4 million in 4Q17, compared to losses of R$ 5.0 million in 4Q16, and profit of R$ 3.2 million in 3Q17. In 2017, the result was negative by R$ 108.2 million, while the loss recorded for 2016 amounted to R$ 10,8 thousand. The result for 2017 was mainly impacted by the decrease in the fair value of biological assets, the recognition of tax provisions and losses on non-recurring receivables, and the failure to recognize deferred tax assets on income tax losses for the year.

- In 4Q17, adjusted EBITDA amounted to R$ 51.5 million, with a 22.4% margin. In 2017, adjusted EBITDA totaled R$ 154.5 million, a decrease of 11.9% when compared to 2016, with an 18.0% margin, that is, 4.6 percentage points below that for 2016.

- The net debt/EBITDA ratio was 4.44 times in December 2017, against 4.10 times at the end of 2016. This variation was mainly due to the reduction in EBITDA for 2017. Excluding from net debt the exchange variation recorded as hedge accounting, the net debt/EBITDA ratio would be 3.68 times.

- The cash position at the end of 2017 was R$ 85.7 million, with 80% of the debts maturing in the long term.

BUSINESS OVERVIEW

The businesses of Celulose Irani S.A. comprise three segments and are organized in accordance with the markets in which the Company operates. The segments are independent in their operations, but are integrated in a balanced way, seeking to optimize the use of planted pine forests, through multiple uses, paper recycling and vertical integration of the businesses.

The **Corrugated Cardboard Packaging (PO) Division** manufactures boxes and light and heavy corrugated cardboard sheets, and has three plants in the cities of Campina da Alegria, in the State of Santa Catarina (SC), and Indaiatuba and Vila Maria, both in the State of São Paulo (SP).

The **Packaging Paper Division** manufactures low- and high-weight Kraft paper and recycled paper for the domestic and foreign markets. Most of its production is destined to the Corrugated Cardboard Packaging Division. Its plant located in Vargem Bonita - SC (Campina da Alegria Paper Plant) has four paper machines, and the plant in Santa Luzia - MG (Santa Luzia Paper Plant) has one paper machine.

The **RS Forest and Resins Division** sells wood, tar and turpentine. It manufactures forest-based products in the State of Rio Grande do Sul, from the forest assets owned by the Company and located in the region. The business unit called RS Balneário Pinhal - Resins, with an industrial plant located in Balneário Pinhal, State of Rio Grande do Sul (RS), produces tar and turpentine, from the natural resin of the pine forest, which are used in the preparation of varnishes, paints, soaps, glues, adhesives etc. The tar and the turpentine produced are destined mainly to the foreign market.

Subsidiaries

Celulose Irani S.A. has the following wholly-owned subsidiaries:

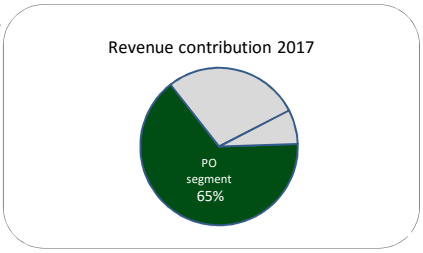
- Habitasul Florestal S.A., with a forest base of 16.6 thousand hectares, of which 7.5 thousand hectares are planted with pine trees in the State of Rio Grande do Sul, which supplies resin to Resinas da Celulose Irani S.A. and timber to customers in the region.

- HGE - Geração de Energia Sustentável Ltda. and Irani Geração de Energia Sustentável Ltda., which operate in the generation, transmission and distribution of power sourced from wind energy, and are currently in the phase of assessment for implementation.

- Iraflor Comércio de Madeiras Ltda., which carries out activities related to the management and sale of timber and forests for the parent company Celulose Irani S.A. and the market.

1. OPERATING PERFORMANCE (not reviewed by the independent auditor)

1.1. Corrugated Cardboard Packaging Segment (PO)



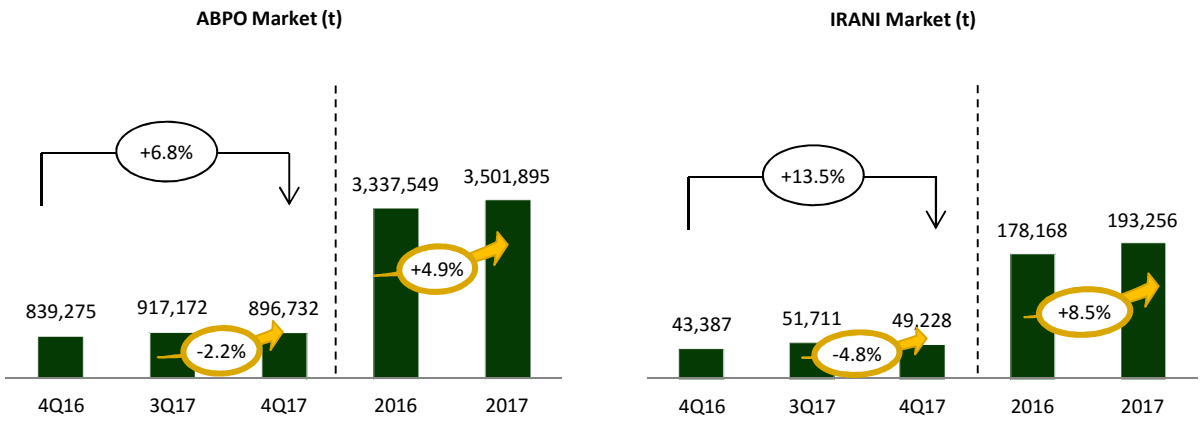
As shown in the charts below, the sales volume in metric tons of corrugated cardboard packaging in the ABPO Market increased by 6.8% in 4Q17 in comparison with 4Q16, and by 13,5% in IRANI Market, totaling 49,228 metric tons. In the comparison with 3Q17, the ABPO Market presented a decrease of 2.2%, while the IRANI Market decreased by 4.8%. In 2017, the ABPO market increased by 4.9% and the IRANI market by 8.5% in relation to 2016.

In metric tons, IRANI's market share in 4Q17 was 5.5%, representing an increase in relation to the 5.2% recorded for 4Q16 and the 5.6% for 3Q17. In 2017, IRANI's market share was 5.5%, compared to 5.3% in 2016.

The sales performance of boxes in 2017 increased by 5.6% in the IRANI Market, and by 4.5% in the ABPO market. The sales of sheets in IRANI Market increased by 16.2%, against an increase of 7.1% in the ABPO market. The better performance in IRANI Market resulted from the Company's strategy that sought to recover the volumes in the period.

The Indaiatuba (SP), Campina da Alegria (SC) and Vila Maria (SP) Packaging plants accounted for 41%, 30% and 29%, respectively, of the total corrugated cardboard sold in 2017, and all their production was allocated to the domestic market.

Sales Volume (in metric tons) - Corrugated Cardboard Packaging Segment (PO)



Source: ABPO

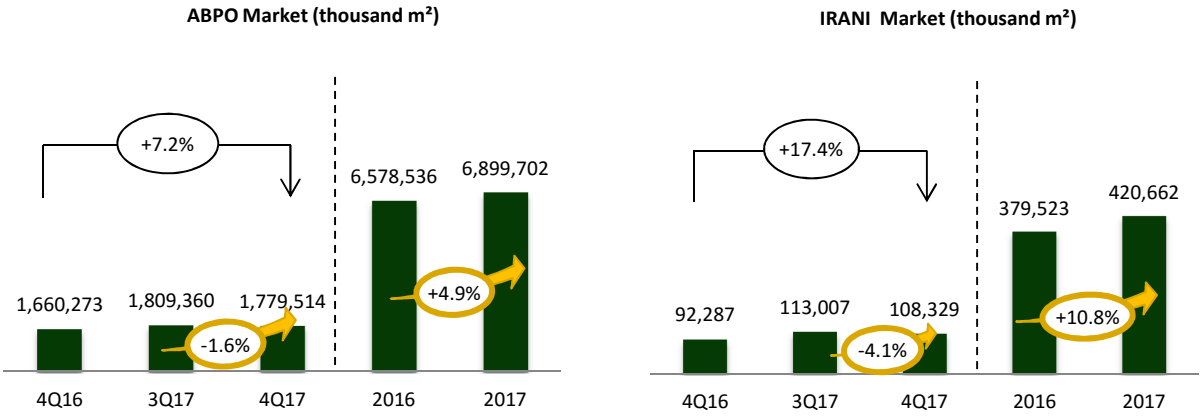
Source: IRANI

The volume of corrugated cardboard packaging sales in square meters (m²) increased by 7.2% in 4Q17 in the ABPO market compared to 4Q16, and decreased by 1.6% compared to 3Q17. In the comparison between 2017 and 2016, this volume increased by 4.9%. In the comparison between 4Q17 and 4Q16, the IRANI Market increased by 17.4%. In relation to 3Q17, the IRANI Market decreased by 4.1%, and increased by 10.8% in the comparison between 2017 and 2016.

IRANI's market share in square meters reached 6.1% in 4Q17, an increase in relation to the 5.6% recorded for 4Q16, and a decrease when compared to the 6.2% recorded for 3Q17. The sales volume in 2017 totaled 420,662 thousand m², with a market share of 6.1% in the year.

In square meters, the sales performance of boxes in 2017 increased by 7.9% in the IRANI market, and by 4.1% in the ABPO market. The sales of sheets increased by 18.8% in the IRANI market, and by 8.8% in the ABPO market.

Sales Volume (in square meters) - Corrugated Cardboard Packaging Segment (PO)

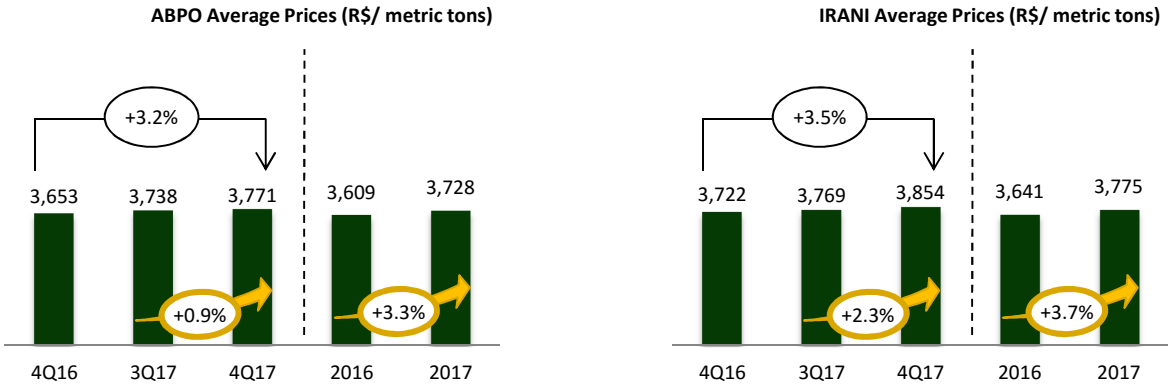


Source: ABPO

Source: IRANI

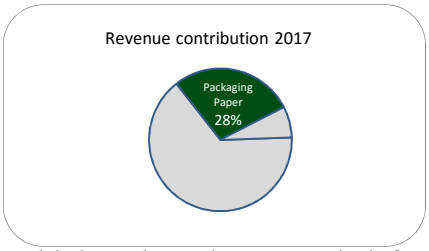
The production in the Indaiatuba SP Packaging Plant totaled 53,600 metric tons of boxes and 22,213 metric tons of sheets in 2017 (against 49,913 metric tons of boxes and 19,332 metric tons of sheets in 2016).
The production in the Campina da Alegria SC Packaging Plant totaled 45,811 metric tons of boxes and 12,165 metric tons of sheets in 2017 (against 43,873 metric tons of boxes and 10,317 metric tons of sheets in 2016). The production in the Vila Maria SP Packaging Plant totaled 37,624 metric tons of boxes and 21,843 metric tons of sheets in 2017 (against 35,999 metric tons of boxes and 18,735 metric tons of sheets in 2016).

The average ABPO price per metric ton in 4Q17 was 3.2% higher than that of 4Q16, while the average IRANI (CIF) price recorded an increase of 3.5% in 4Q17. In the comparison with 3Q17, the ABPO remained stable, while the IRANI market recorded an increase of 2.3%. During 2017, prices in the ABPO and IRANI markets were 3.3% and 3.7% higher, respectively, as shown below:



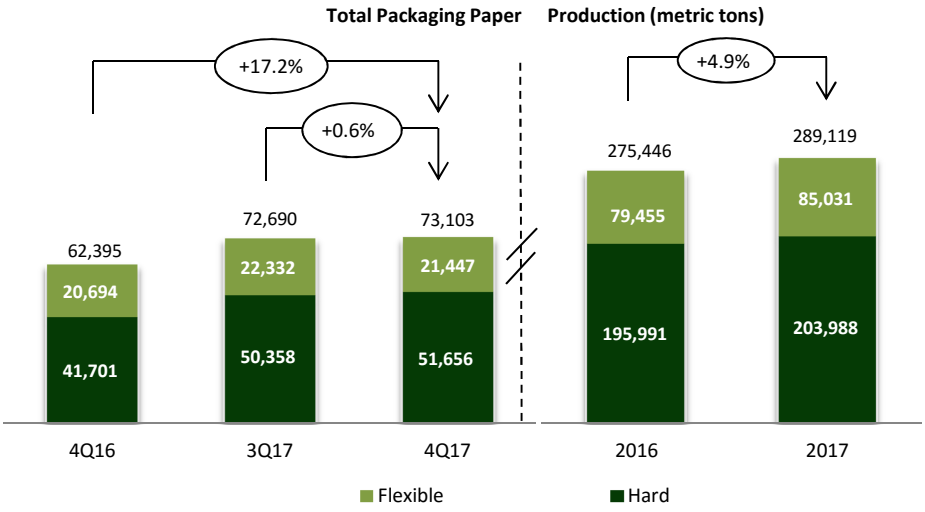
Note on methodology: IRANI prices exclude Excise Tax (IPI), but include Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

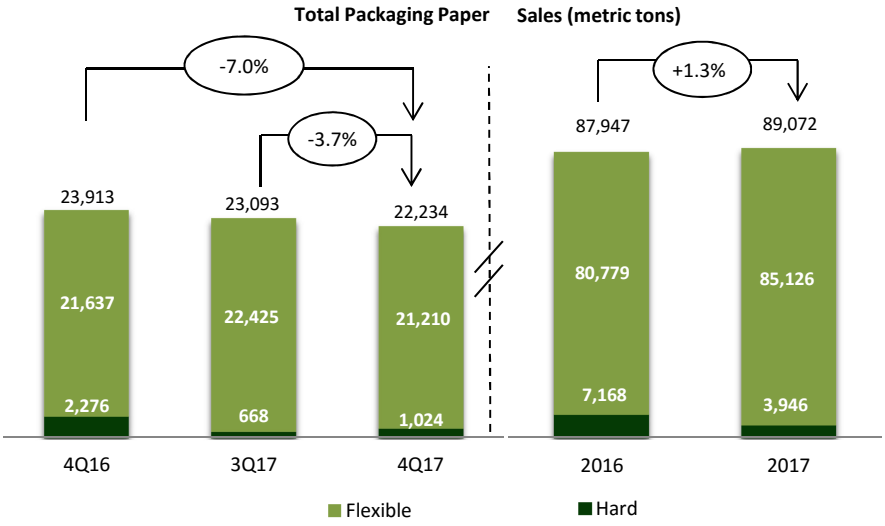
1.2. Packaging Paper Segment

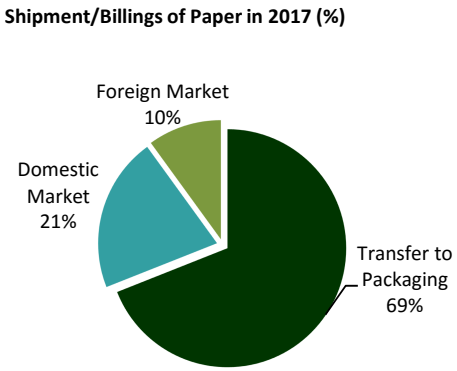


IRANI operates in the Packaging Paper Segment, with activities both in the hard packaging paper market (paper for corrugated cardboard) and the flexible packaging paper market (paper for sacks).

The Company's total packaging paper production in 4Q17 was 17.2% higher than that recorded for 4Q16, and remained stable in relation to 3Q17 due to the maintenance downtime of the paper machine of Minas Gerais and the paper machine V of Santa Catarina, which took place in 2016. Sales decreased by 7.0% and 3.7%, respectively, compared to 4Q16 and 3Q17. In the year to date, production totaled 289,119 metric tons, recording an increase of 4.9% in relation to 2016, and sales totaled 89,072 metric tons, increasing by 1.3% in relation to 2016.







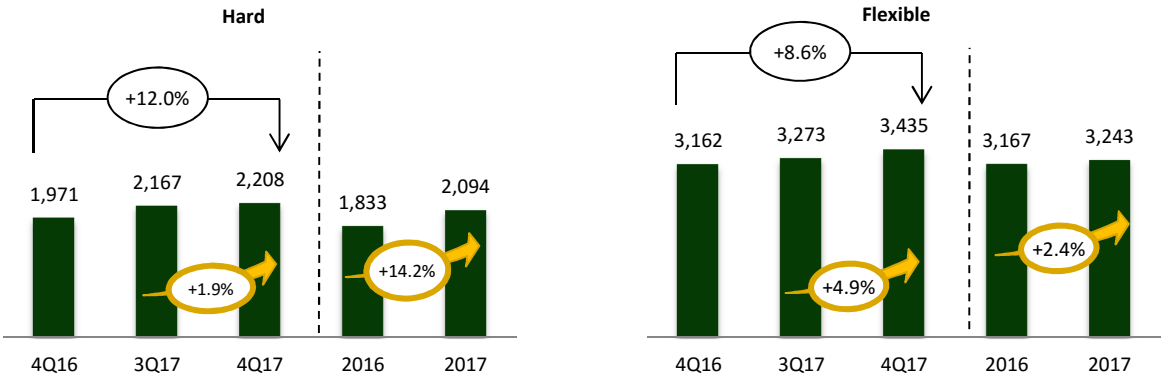
In 4Q17, internal transfers of hard packaging paper (PO segment) totaled 48,942 metric tons (43,911 metric tons in 4Q16 and 50,995 metric tons in 3Q17), allocated as follows: 17,857 metric tons to the SP Indaiatuba Packaging plant (17,199 metric tons in 4Q16 and 18,289 metric tons in 3Q17); 14,991 metric tons to the SP Vila Maria plant (13,953 metric tons in 4Q16 and 16,644 metric tons in 3Q17);

and 16,094 metric tons to the SC Campina da Alegria plant (12,759 metric tons in 4Q16 and 16,062 metric tons in 3Q17). Total internal transfers in 2017 amounted to 197,635 metric tons (188,871 metric tons in 2016), distributed as follows: 72,120 metric tons to the SP Indaiatuba plant (72,297 metric tons in 2016), 63,619 metric tons to the SP Vila Maria plant (58,648 metric tons in 2016), and 61,896 metric tons to the SC Campina da Alegria plant (57,926 metric tons in 2016).

Of the total internal transfers in 2017, 36% were allocated to the SP Indaiatuba plant, 32% to the SP Vila Maria plant, and 31% to the SC Campina da Alegria plant (in 2016 - 38%, 31% and 31%, respectively).

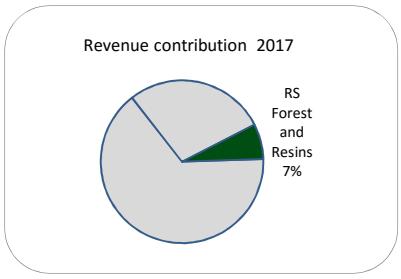
The hard packaging paper segment, whose sales volume is not significant (accounting for only 1,024 metric tons in 4Q17, as shown in the chart above) recorded an increase in price of 12.0% and 1.9% when compared to the prices practiced in 4Q16 and 3Q17, respectively. In the comparison with 2016, the price increased by 14.2%. The Company's average prices followed the market trend. On the other hand, the prices of flexible packaging papers increased by 8.6% in comparison with 4Q16 and remained stable in relation to 3Q17. In the comparison between 2017 and 2016, an increase of 2.4% was recorded.

Average prices of Packaging Paper (R$/metric ton)



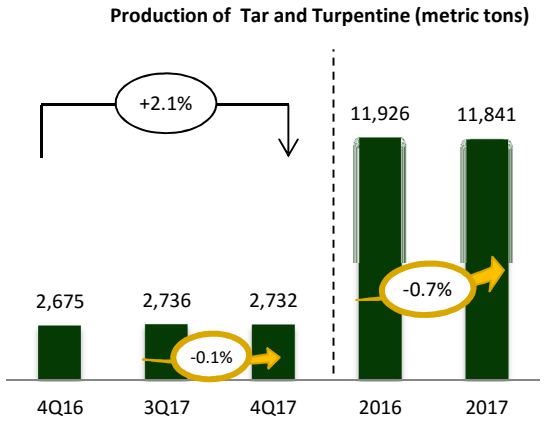
1.3. RS Forest and Resins Segment

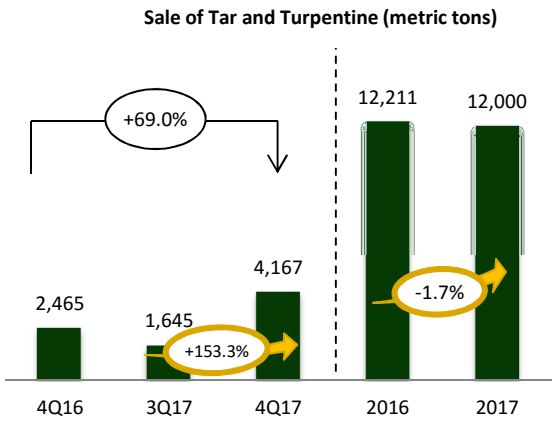
In 2017, the Forest segment of Rio Grande do Sul, through its subsidiary Habitasul Florestal S.A., produced and sold 96 thousand cubic meters of pine logs to the domestic market (72 thousand cubic meters in 2016) and supplied 4,131 metric tons of natural resins to the parent company Celulose Irani S.A. (3,618 metric tons in 2016), to be used in the industrial production of tar and turpentine.



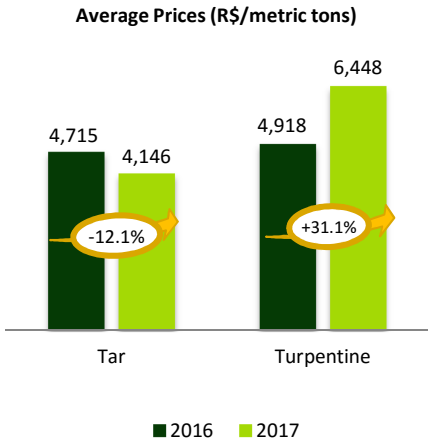
In 4Q17, the production of the RS Resin Balneário Pinhal plant increased by 2.1% and sales increased by 69.0%, when compared to 4Q16. In relation to 3Q17, this plant's production performance remained

stable and sales increased by 153.3%. In the year-to-date, production volume totaled 11,841 metric tons, stable in relation to 2016, and sales totaled 12,000 metric tons, a decrease of 1.7% when compared to 2016.





In the comparison with 2016, the average gross selling price of tar decreased by 12.1%, while the average price of turpentine increased by 31.1%. The prices of these products follow the international market and foreign exchange trend, which led to the variations in the period.



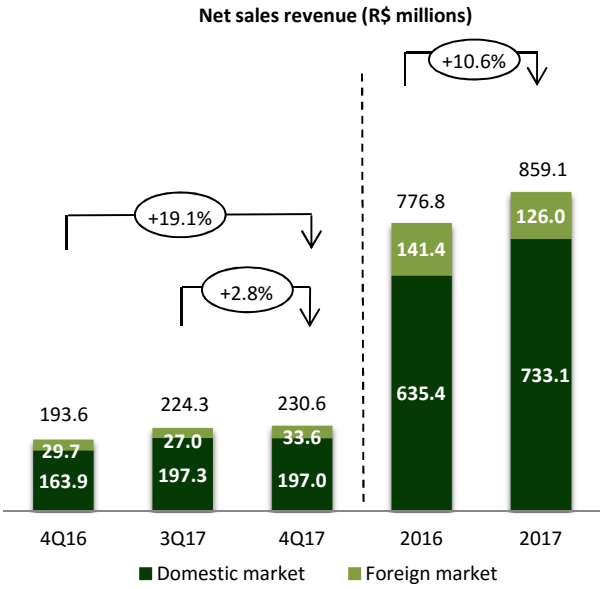
2. ECONOMIC AND FINANCIAL PERFORMANCE

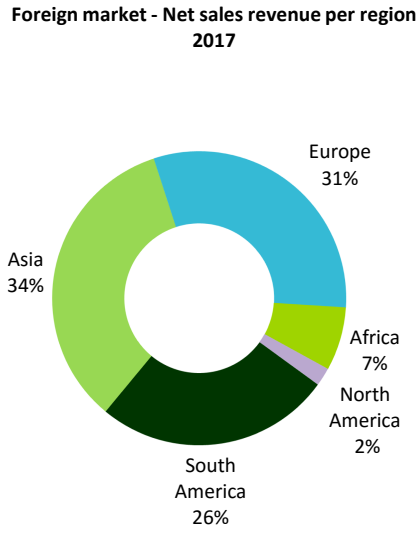
2.1. Net Operating Revenue

Net operating revenue for 4Q17 totaled R$ 230,618 thousand, an increase of 19.1% in relation to 4Q16, and a increase of 2.8% in relation to 3Q17. In the year to date, net operating revenue totaled R$ 859,169 thousand, recording an increase of 10.6% in the comparison with the same period of previous year.

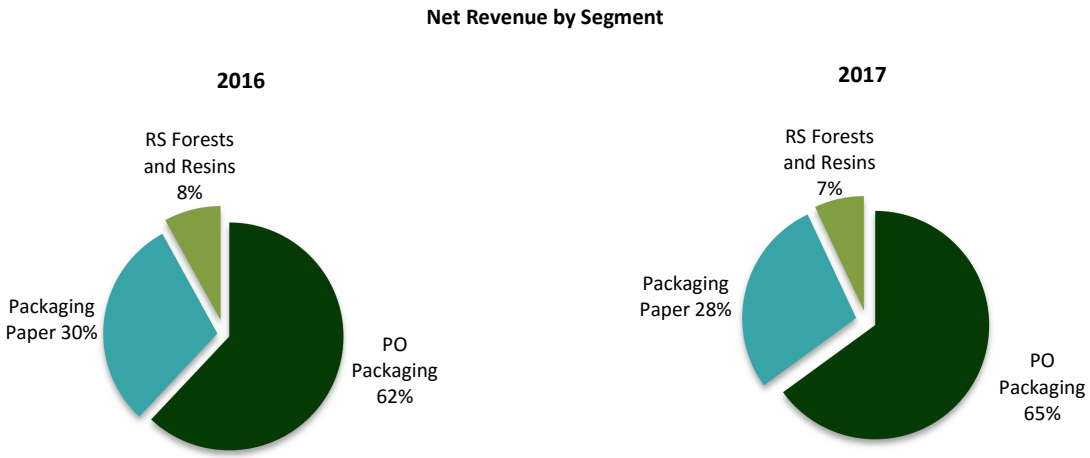
Net operating revenue in the domestic market totaled R$ 197,015 thousand in 4Q17, an increase of 20.2% over 4Q16, and remaining stable in relation to 3Q17. Total net operating revenue in the domestic market totaled R$ 733,131 thousand in 2017, increasing by 15.4% in relation to 2016. Revenue from the domestic market accounted for 85% of IRANI's total revenue in 2017.

In 4Q17, exports reached R$ 33,603 thousand, an increase of 13.2% compared to 4Q16, and of 24.3% compared to 3Q17. In 2017, exports totaled R$ 126,038 thousand, an amount 10.8% lower than that for 2016, representing 15% of total net operating revenue, reflecting the impact of a higher foreign exchange rate. Asia was the main destination of the Company's exports (34% of the export revenue), followed by Europe (31%). Other destinations were: South America (26%), Africa (7%) and North America (2%).





IRANI's main operating segment is the Corrugated Cardboard (PO) Packaging Segment, which was responsible for 65% of the consolidated net revenue in 2017, followed by the Packaging Paper (28%) and RS Forest and Resins (7%) segments.

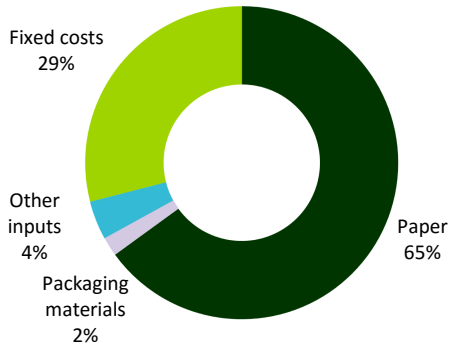


2.2. Cost of Sales

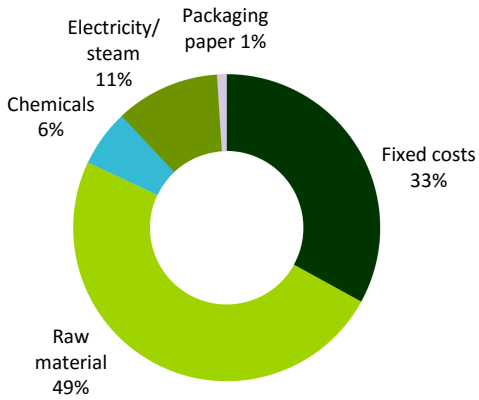
In 2017, cost of sales totaled R$ 622,425 thousand, or 4.9% higher than in 2016. The change in the fair value of biological assets is not being considered in the cost of sales for any of the periods.

The analysis of cost by business segment in 2017 is shown below:

Corrugated Cardboard Packaging



Packaging Paper*



*changes in the fair value of biological assets are not included in the cost of the Packaging Paper segment.

2.3. Operating Income and Expenses

In 2017, selling expenses totaled R$ 87,365 thousand, an increase of 4.4% in relation to 2016, and represented 10.2% of the consolidated net revenue, below the 10.8% recorded for 2016.

Administrative expenses in 2017 were 11.6% higher than in 2016, and totaled R$ 58,744 thousand, representing 6,8% of the consolidated net revenue, the same percentage recorded in 2016, mainly due to the restructuring of the Company's Board of Directors and Executive board, which took place in the second quarter of 2017.

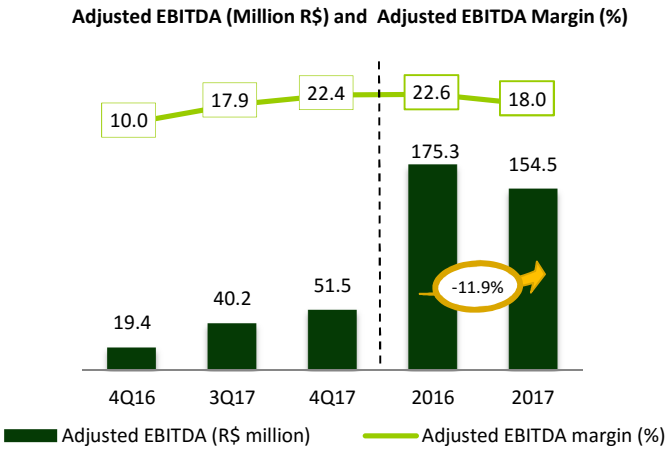
Other operating expenses totaled R$ 74,053 thousand in 2017 (2016 - R$ 2,488 thousand).

3. CASH PROVIDED BY OPERATING ACTIVITIES (ADJUSTED EBITDA)

Consolidated (R$ thousand)	4Q17	3Q17	4Q16	Var. 4Q17/3Q17	Var. 4Q17/4Q16	2017	2016	Var. 2017/2016
Operating result before taxes and profit sharing	**(82,727)**	**2,904**	**(18,347)**	**-2948.7%**	**350.9%**	**(100,571)**	**(35,112)**	**186.4%**
Depletion	35,415	3,685	885	861.1%	3901.7%	41,761	60,916	-31.4%
Depreciation and amortization	14,038	13,796	16,565	1.8%	-15.3%	53,815	63,886	-15.8%
Finance result	26,751	24,324	28,355	10.0%	-5.7%	106,306	107,046	-0.7%
EBITDA	**(6,523)**	**44,709**	**27,458**	**-114.6%**	**-123.8%**	**101,311**	**196,736**	**-48.5%**
EBITDA margin	***-2.8%***	***19.9%***	***14.2%***	***-22.7p.p.***	***-17.0p.p.***	***11.8%***	***25.3%***	***-13.5p.p.***
Adjustments pursuant to CVM Instruction 527/12								
Change in the fair value of biological assets (1)	22,012	(5,849)	(12,078)	-	-	10,847	(27,394)	-
Non-recurring events(2)	36,056	1,316	3,984	2639.8%	805.0%	42,372	5,972	609.5%
Adjusted EBITDA	**51,545**	**40,176**	**19,364**	**28.3%**	**166.2%**	**154,530**	**175,314**	**-11.9%**
Adjusted EBITDA Margin	***22.4%***	***17.9%***	***10.0%***	***4.4p.p.***	***12.3p.p.***	***18.0%***	***22.6%***	***-4.6p.p.***

1 The change in the fair value of biological assets did not represent a cash reduction in the period.
2 Non-recurring events in 2017 amounted to R$ 42,372 thousand and related to: (i) the bonus of R$ 5,000 thousand granted to the Former Chairman of the Board of Directors, and the enrollment in the Special Tax Regularization Program (PERT), amounting to R$ 4,893 thousand, which do not characterize as recurring expenses for the year; (ii) the recognition of R$ 6,108 thousand as profit on disposal of assets, which do not characterize as recurring income for the year; (iii) the recognition of nonrecurring tax provisions in the amount of R$ 17,064; and (iv) nonrecurring losses on receivables in the amount of R$ 21,523 thousand.

Cash provided by operating activities, as measured by adjusted EBITDA, totaled R$ 154,530 thousand in 2017, with a margin of 18.0% and 11.9% below that computed for 2016, which totaled R$ 175,314 thousand. The reduction of 4.6 p.p. in the margin was mainly due to the lower volume of sales of forests in 2017.



4. FINANCE RESULT AND INDEBTEDNESS

Finance result was negative by R$ 26,751 thousand in 4Q17, representing a decrease of 5.7% in the comparison with 4Q16. In the comparison with 3Q17, finance result increased by 10.0%. In 2017, finance result was negative by R$ 106,306 thousand, which represents stability in relation to 2016, when the finance result was negative by R$ 107,046 thousand.

In 4Q17, finance costs totaled R$ 27,803 thousand, compared to R$ 40,436 thousand in 4Q16, and R$ 31,173 thousand in 3Q17. In the year, finance costs totaled R$ 128,248 thousand, against R$ 146,978

thousand in 2016. Finance income totaled R$ 1,052 thousand in 4Q17, against R$ 12,081 thousand in the same period of prior year, and R$ 6,849 thousand in 3Q17. During the year, finance income amounted to R$ 21,942 thousand, against R$ 39,932 thousand in 2016.

Finance result is broken down as follows:

R$ thousand	4Q17	3Q17	4Q16	2017	2016
Finance income	1,052	6,849	12,081	21,942	39,932
Finance costs	(27,803)	(31,173)	(40,436)	(128,248)	(146,978)
Finance result	(26,751)	(24,324)	(28,355)	(106,306)	(107,046)

Finance income and costs disclosed include foreign exchange gains and losses, as follows:

R$ thousand	4Q17	3Q17	4Q16	2017	2016
Foreign exchange gains	2,196	4,972	5,879	13,662	24,764
Foreign exchange losses	(2,260)	(4,978)	(9,876)	(22,459)	(44,225)
Foreign exchange variation, net	(64)	(6)	(3,997)	(8,797)	(19,461)

The foreign exchange variations had a negative impact of R$ 64 thousand on the Company's results for 4Q17, and of R$ 8,797 thousand in 2017, mainly due to the recognition of hedge accounting in the statement of profit and loss.

Finance result net of foreign exchange variation was as follows:

R$ thousand	4Q17	3Q17	4Q16	2017	2016
Finance result net of foreign exchange variation	(26,687)	(24,318)	(24,358)	(97,509)	(87,585)

For the purpose of hedging its exports in the coming years, the Company maintains the maturity flow of its commitments in foreign currency (U.S. dollars) aligned with the estimated receivables in the same currency. Foreign exchange variations on these transactions are accounted for monthly in Equity and recognized in the statement of profit and loss as finance costs, at realization (hedge accounting). In 4Q17, the Company recognized hedge accounting losses of R$ 13,467 thousand (R$ 8,888 thousand net of taxes recorded in equity); finance costs of R$ 8 thousand were recorded in the statement of profit and loss. In the year-to-date, the Company maintains the amount of R$ 117,989 thousand recorded as exchange rate variation on transactions allocated to hedge accounting, to be recognized in the results at realization, over the coming years. The amount of R$ 77,873 thousand is recognized in Equity (net of taxes).

Foreign exchange rate

The exchange rate computed as R$ 3.26/US$ at December 31, 2016, increased by 1.53% at the end of December 2017, reaching R$ 3.31/US$. The average exchange rate for 4Q17 was R$ 3.25/US$, or 2.85% higher than in 3Q17 and 1.52% lower than in 4Q16. In 2017, the average exchange rate decreased by 8.33%, reaching R$ 3.19/US$.

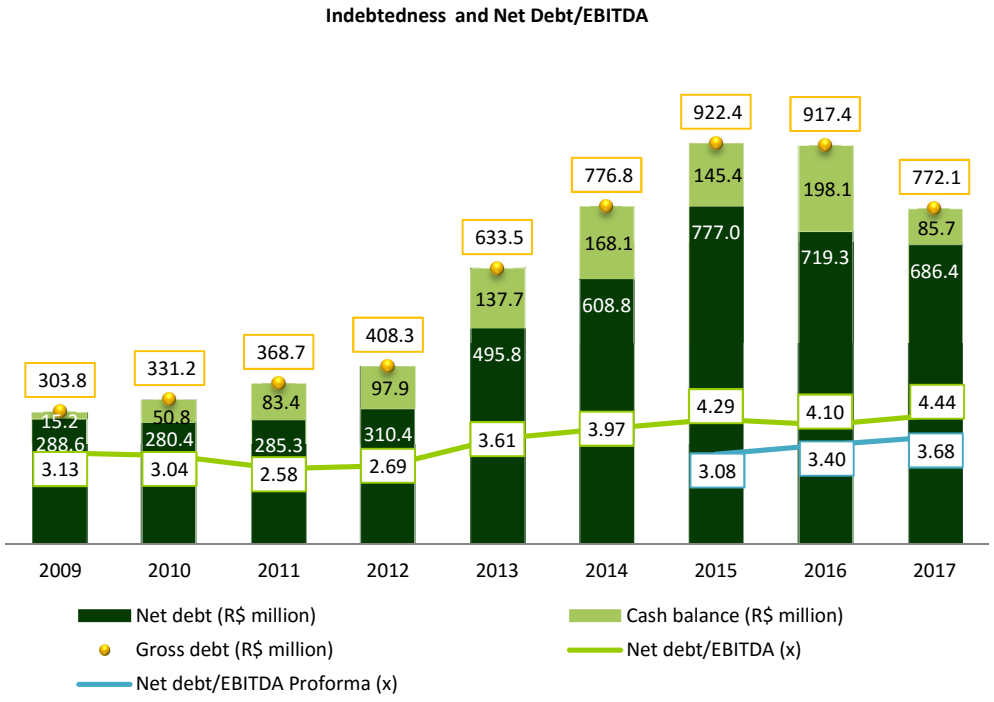
	4Q17	3Q17	4Q16	Δ4Q17/3Q17	Δ4Q17/4Q16	2017	2016	Δ2017/2016
Average U.S. dollar	3.25	3.16	3.30	+2.85%	-1.52%	3.19	3.48	-8.33%
Final U.S. dollar	3.31	3.17	3.26	+4.42%	+1.53%	3.31	3.26	+1.53%
Source: Brazilian Central Bank								

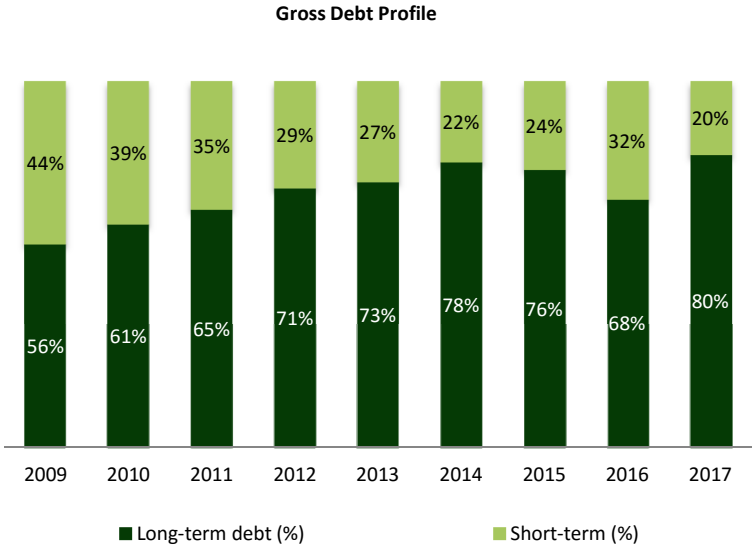
Net Indebtedness

At December 31, 2017, consolidated gross indebtedness totaled R$ 772.1 million, compared to R$ 917.4 million at December 31, 2016. The variation in this indicator was influenced by the new borrowings obtained and settlements made during the year. At December 31, 2017, the Company's gross debt profile presented 20% of debts maturing in the short term and 80% in the long term.

Consolidated cash balance totaled R$ 85.7 million, at the end of 2017, compared to R$ 198.1 million at December 31, 2016. Cash was mainly impacted by the payments of financial transactions, which exceeded the proceeds from new borrowings, investments made versus cash generation, and the sale of forest in the last quarter of 2017.

Consequently, consolidated net indebtedness at December 31, 2017 totaled R$ 686.4 million, compared to R$ 719.3 million at December 31, 2016. As a result, the net debt/EBITDA ratio changed from 4.10 times at the end of 2016 to 4.44 times at the end of 2017. Excluding from the net debt the exchange variation recorded as hedge accounting (Note 29 - Cash flow hedge), the pro forma net debt/EBITDA ratio would be 3.68 at the end of 2017. The variation in this indicator was influenced by the reduction in the EBITDA computed for the year.





5. MEASUREMENT OF BIOLOGICAL ASSETS (FORESTS) AT FAIR VALUE

As from 2010, the Company started to measure its biological assets (forests) at fair value periodically, as determined by CPC 29. The change in fair value of biological assets produced the following effects in the Company's results for 2017:

Effects of changes in the fair value of biological assets

R$ thousand	2017	2016
Changes in the fair value of biological assets	(10,847)	27,394
Depletion of the fair value of biological assets	(30,754)	(43,498)

The change in the fair value of biological assets was negative in 2017, mainly in relation to the forests in the state of Rio Grande do Sul, which were negatively impacted by changes in the costs of resin extraction and forestry, in addition to the changes in the area and planning of wood production, as a consequence of the fire that hit these assets in February 2017.

Changes in the fair value of biological assets, as well as their depletion, is recognized in Cost of Goods Sold (COGS). This accounting practice allows a more precise determination of the market value of the Company's forests, providing the financial statements with more accurate information.

6. PROFIT (LOSS) BEFORE TAXES AND PROFIT SHARING

In 4Q17, operating loss before taxes and profit sharing amounted to R$ 82,727 thousand, compared to operating loss of R$ 18,347 thousand in 4Q16 and operating profit of R$ 2,904 thousand in 3Q17. In 2017, operating loss before taxes and profit sharing for the year totaled R$ 100,571 thousand, representing an increase in comparison to 2016, when operating loss of R$ 35,112 thousand was recorded.

7. PROFIT/LOSS

The Company recorded losses of R$ 98,421 thousand in 4Q17, losses of R$ 5,055 thousand in 4Q16, and profit of R$ 3,180 thousand in 3Q17. In the year to date comparison, the Company recorded losses of R$ 108,173 thousand in 2017, against losses of R$ 10,782 computed for 2016. The result for 2017 was mainly impacted by the decrease in the fair value of biological assets, the recognition of tax provisions and losses on non-recurring receivables, and the failure to recognize deferred tax assets on income tax losses for the year.

8. INVESTMENTS

The Company maintains its strategy of investing in the modernization and automation of its production processes.

The investments in 2017 totaled R$ 44,945 thousand and were basically directed to the maintenance and improvement of machinery and equipment, facilities, and reforestation.

R$ thousand	**4Q17**	**2017**
Buildings	33	33
Equipment	7,271	33,273
Assets under lease	940	1,946
Intangible assets	4	1,696
Reforesting	2,076	7,997
Total	**10,324**	**44,945**

9. SHARE CAPITAL

At December 31, 2017, IRANI's capital was represented by 166,720,235 shares, of which 153,909,975 (92%) are common shares and 12,810,260 (8%), preferred shares. At December 31, 2017, the Company held in treasury 2,376,100 shares, of which 24,000 are common shares and 2,352,100, preferred shares. In the same period, common shares were traded at R$ 1.99 and preferred shares, at R$ 1.94.

10. EVENTS AFTER THE REPORTING PERIOD

Certain borrowing and financing contracts include an "Early Maturity" clause that will be triggered in the event the Issuer or the Guarantor fails to publish and/or deliver its audited financial statements within 90 days after the year-end closing date. For the breach of this contractual commitment, we obtained a waiver from the financial institutions (Credit Suisse, BTG Pactual, Itaú Unibanco, Santander and Rabobank), so as to avoid the accelerated maturity of the borrowings.

With respect to the refinancing of the Company's debt for 2018, we inform hereby that borrowing operations at the end of the first quarter of 2018 totaled R$ 82,549. The main financing and debt extension transaction was contracted with Banco BTG Pactual in the total amount of R$ 69,730 of which R$ 36,178 relate to new borrowings and R$ 33,552 to extension of contracts.

11. SUSTAINABILITY

IRANI adopts an integrated management model, which incorporates into its strategy the balance between economic, social and environmental development. By assuming its commitment to sustainability, the Company promotes a virtuous circle of environmental preservation and innovation, which enhances its responsibility of being an environmentally correct, socially fair and economically viable organization. The Company's actions and results are disclosed in its Sustainability Report, which is issued in the first half of each year, and is prepared in accordance with the *Global Reporting Initiative* (GRI), guidelines and founded on the guidance for the preparation of integrated reports issued by the International Integrated Reporting Council (IIRC). The document is available for consultation at www.relatorioanualirani.com.br.

11.1 Awards and Recognitions

In 2017, the Company received the following awards:

- **TOP Ser Humano (Top Human Being) Award:** an initiative of the Brazilian Association of Human Resources of Rio Grande do Sul (ABRH-RS). The Company was awarded, for the second consecutive time, for the case: Dissemination of the Corporate Strategy.
- **Eco Brasil Award:** initiative of Amcham Brazil in partnership with the newspaper "O Estadão". The company was awarded in the category "Sustainability in Processes" for the case Plastic Recycling Plant at a Paper Plant.
- **Fritz Muller Award:** for the sixth consecutive year, Irani was awarded by the State of Santa Catarina Environment Foundation in the Ecological Product category for the case "*Carvão Ecomais*".
- **Excellence Award from the State of Santa Catarina**: Irani received the Diamond Trophy, the top award granted annually to organizations that stand out for the excellence in management and results.
- **Quality and Productivity Program of the State of Rio Grande do Sul (PGQP)**: Bronze Trophy - an award granted to organizations in the state of Rio Grande do Sul that stand out in Quality Management.
- **Social Responsibility Award from the State Legislature of Santa Catarina (ALESC)**: Irani received the Highlight Trophy, which awards companies in the state that include environmental responsibility in their management policies.
- **Great Place To Work® (GPTW):** Fifth position in Santa Catarina and 10th position in Rio Grande do Sul in the ranking of Best Companies to Work, among large companies.
- **2017 PGQP Innovation Award:** acknowledgment of companies that stand out in innovation management and results, this award represents the average maturity in all dimensions of the Innovation Management System (SGI).
- **"Call for Cases" from the National Agency for Research and Development of Innovative Companies (ANPEI):** Irani's case of Plastic Recycling Plant was selected to be presented at ANPEI's 16th Conference.
- **Junior Achievement:** Irani was awarded by Junior Achievement SC, in partnership with the Santa Catarina State Legislature (ALESC) for its contribution.
- **Época Negócios 360º:** the Company ranked third among the five best pulp and paper companies in Brazil. It was ranked second in "Innovation Capacity" and "Vision of Future", and third in "Social and Environmental Responsibility" categories

- **Best Companies - magazine *Isto É Dinheiro*:** IRANI was placed third among the companies in the Pulp and Paper industry; second, according to criteria of Social Responsibility, Innovation and Quality and Corporate Governance; third in Human Resources, and fifth in Financial Sustainability.

11.2 Environmental Performance Management

IRANI's environmental policy is in line with the standard ISO 14001:2015, and reflects the Company's commitment with the stakeholders through the compliance with applicable legal requirements, pollution prevention, environment preservation, reduction of environmental impacts and continuous improvement focused on enhancing its performance, and always abiding by the best practices of environmental management.

The certifications obtained demonstrate the effectiveness of the environmental system. The Company's plants are certified by ISO 14064 and its forests are certified by FSC® - Forest Stewardship Council® (FSC®-C020437) in Santa Catarina, and by (FSC®-C116791) in Rio Grande do Sul. Its plants of pulp and paper, and corrugated cardboard packaging hold the Chain of Custody Certification (FSC®-C009947), (FSC®-C125040) and (FSC®-C120229) for resins. The Packaging plants have also been granted the ISO 14001 certification, with the migration to the version ISO 14001:2015 at Santa Catarina Packaging plant, which reflects the Company’s commitment to environmental issues and sustainability-oriented practices, as well as enhances IRANI’s credibility with its stakeholders.

The FSC Chain of Custody Certification works as a product origin certificate, by showing that the raw material used by the Company is handled, extracted and processed in an eco-friendly, socially fair, and economically viable manner. The Forest Stewardship Certification and the Chain of Custody Certification provide the Company's products with the FSC seal. Certifications have become a voluntary and independent market tool, through which the companies assure that the consumers receive reliable information about the origin of the raw materials used in their products.

Additionally, the companies adopt a number of measures aimed at minimizing environmental impacts arising from their activities. IRANI has implemented an innovative project for recovery of plastic (waste arising from recycling of paper trimmings), obtaining a new by-product called “mixed plastic trimmings”, a raw material which is used by the plastic industry to manufacture recycled plastic fence poles, roof tiles and sheets, thus creating a new production chain with the environmental advantage of avoiding the disposal of plastic waste in landfills.

Through a sustainable partnership, which aims at promoting social, environmental, and economic benefits, Irani and GTNH developed a project for providing a proper destination to the coal resulting from the biomass burning process at Irani's boiler. Previously, this coal was disposed in the industrial landfill, which contributed to reduce the useful life of the landfill site and generated greenhouse gases over the degradation process. GTNH was created for the purpose of processing this industrial waste, converting coal into charcoal, proper to be used in barbecues and fireplaces, a product named "*Carvão Ecomais*".

12. SOCIAL PERFORMANCE INDICATORS

12.1. People Development

At the end of 2017, IRANI had 2,513 employees. The Company seeks to achieve excellence through participatory management and investments in programs, actions and benefits that allow the personal and professional development of its employees in a pleasant work environment. During 2017, the Company invested R$ 30,042 thousand in benefits related to meal, transportation, life insurance and health care plan benefits, R$ 1,311 thousand in qualification and personal development actions, and R$ 6,991 thousand in the profit sharing program (PPR).

The Company has five structuring programs in place, which are aligned with its Mission, Vision and Corporate Values and focus on providing the necessary conditions for the employees to achieve their maximum potential, enabling their personal and professional development. These programs are called “GERA”, “CRESCE”, “CUIDA”, “MOTIVA” and “SUPERA”. The GERA Program seeks to ensure that all employees hired are integrated into the organizational culture, and have their development properly assisted, so that by the end of the employment relationship, the mutual success in the partnership between the employee and the Company can be recognized. The CRESCE Program consists of qualification and development actions, which are based on 11 organizational skills and developed through subsidies for education, stimulus to reading, and technical and behavioral training courses in line with the Company’s strategies. The CUIDA Program has been designed to foster behavioral changes and improve the physical conditions at the workplace. The CUIDA Program consists of a set of practical and applicable procedures under an integrated health and safety management model, whose purpose is to reduce workplace accidents, increase compliance with the legislation and expand the employees’ awareness of health and safety subjects. The MOTIVA program has been created to improve the organizational environment through human capital management practices. The role of leaders, employees and support groups, as well as research and monitoring of the workplace environment contribute to this improvement. Through the SUPERA Program, the Company annually assesses individual performance, based on Competences and Results, seeking to elicit feedback, provide

challenges for employees and recognize their development, as well as to strengthen a result-oriented culture and self-development.

12.2. Society

IRANI encourages the development of its surrounding communities, focusing on sharing value and generating wealth for all of those impacted by our business. Following the guidance of its Social Responsibility Policy, the Company seeks to establish solid partnerships for the development of projects in the areas of citizenship, socio-environmental education, culture and sports. The main social projects supported by the Company in 2017 were as follows:

- Partnership with Junior Achievement in the states of Santa Catarina, São Paulo, Rio Grande do Sul and Minas Gerais;
- *Aluno Destaque* (Student of the Year) Project, created to recognize the five best students in the Galeazzo Paganelli Public School, in the town of Campina da Alegria (SC), encouraging them to continue to achieve an excellent performance in school, and be prepared for the Brazilian National High School Exam (ENEM), with educational follow-up and the grant of scholarships.
- Volleyball training center for beginners, in partnership with the Volleyball Association of Joaçaba (AJOV), involving approximately 320 participants;
- *Broto do Galho* Project, has been created for the purpose of providing the sustainable development in the town of Campina da Alegria, through a handcraft center that produces goods from industrial waste, stimulating social integration and extra income generation for the participants.
- SESI *Atleta do Futuro* (Athlete of the Future) Program, a partnership with the Social Service for Industry (SESI) and the municipal government of Indaiatuba (SP), which aims at the development of citizenship through sports and involves approximately 1,200 children between six and twelve years-old.
- SESI Sports Center, a partnership with SESI MG that offers free soccer classes for children and young people between six and seventeen years-old.
- Guga Kuerten Institute (IGK), sponsored by the Support Fund for Social Projects (FAPS), which is managed by IGK Institute, develops actions to improve qualified assistance, well-being, and entertainment for disabled people in 31 NGOs in the surroundings of Irani's plant.

13. AUDIT SERVICES

In accordance with CVM Instruction 381/03, we inform that during 2017, Deloitte Touche Tohmatsu Auditores Independentes provided audit services and the review of the translation of the financial statements into English, which amounted to R$ 435 thousand.

The policy of the Company and its subsidiaries in the engagement of independent auditor services ensures that there is neither conflict of interests, nor loss of independence or objectivity.

14. PROSPECTS

As 2018 is a year of elections in Brazil, it should be marked the typical volatility resulting from such events. The election of a new President shall initiate a new democratic cycle, which will be challenged by the task of reconciling the interests of Brazilian people. In this sense, the prospects for the future tend to be positive, and the effects on the economy should be noted still during the year. A stronger economic growth is expected, with the resumption of a sustainable expansion path. Overseas economy continues to grow. The greater risks are posed by inflation and the possibility of a hike in the global interest rates.

ACKNOWLEDGMENTS

We thank each one of our employees for their effort during this period, our stockholders and creditors for the trust they placed in us, and our customers, suppliers, financial institutions and surrounding communities for their support and partnership, which were crucial for the growth and development of Celulose Irani S.A. during 2017.

Porto Alegre, April 2018.

The Executive Office.

(A free translation of the original in Portuguese)

To the Stockholders of
CELULOSE IRANI S.A.

Capital Budget Proposal

In accordance with the provisions of Article 196 of Law 6404/76, with the wording provided by Law 10303, of October 31, 2001, the Management of Celulose Irani S.A. ("Company") hereby submits the Company's Capital Budget proposal.

The proposal for allocation of the profit attributed to the Company's stockholders for the year ended 12/31/2017, disclosed in the financial statements, foresees that, after the adjustments referred to in Articles 193 and 202 of Law 6,404/76, profits will be retained and allocated to the Profit Retention Reserve, intended to support the Company's Investment Plan. No profit was retained in 2017.

The Capital Budget for 2018, approved at the Board of Directors' meeting held on December 13, 2017, totals **R$ 91,449 thousand**, in addition to R$ 10,775 thousand for working capital needs, distributed as follows:

2018 Capital Budget

R$ thousand	Current	Strategic	Total
Packaging Segment PO	-	20,268	20,268
Head Office	-	16,181	16,181
Current investment budget	55,000	-	55,000
Total investments for 2018	**55,000**	**36,449**	**91,449**
Working Capital Needs	10,775		10,775

Own resources (provided by the operating activity during the year) will be used in these investments.

Summary of sources and uses

R$ thousand	Current	%	Strategic	%	Total	%
Financed Resources	-	-	-	-	-	-
Own Resources	55,000	100%	36,449	100%	91,449	100%
Total	55,000	100%	36,449	100%	91,449	100%

Having presented this proposal, Management remains at your disposal for any further clarification.

Porto Alegre, April 27, 2018.
The Executive Office.

(A free translation of the original in Portuguese)

EXECUTIVE OFFICERS' STATEMENT

For the purposes of Article 25 of CVM Instruction 480/09

As Executive Officers of Celulose Irani S.A., a corporation headquartered at Rua General João Manoel, 157, 9th floor, room 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled in the National Corporate Taxpayers Registry (CNPJ/MF) under No.92.791.243/0001-03, **WE DECLARE**, in compliance with the provisions established in paragraph 1, Article 25 of CVM Instruction 480, of December 7, 2009, that: (i) we reviewed, discussed and agreed with the opinion expressed in the independent auditor's report of the Company referring to the financial statements for the year ended December 31, 2017; and (ii) we reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2017.

Porto Alegre, April 27, 2018.

Sérgio Luiz Cotrim Ribas - CEO
Odivan Carlos Cargnin - Administration, Finance and Investors Relations Officer
Henrique Zugman – Paper and Forest Business Officer
Lindomar Lima de Souza – Packaging Business Officer
Fabiano Alves de Oliveira – People, Strategy, and Management Officer