

(A free translation of the original in Portuguese)

Celulose Irani S.A.

**Quarterly information (ITR)
at September 30, 2018 and
report on review of
quarterly information**

(A free translation of the original in Portuguese)

Version: 1

(Unaudited)

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Company information / Capital composition

Number of shares (In thousands)	Current quarter 9/30/2018
Paid-up capital	
Common shares	153,910
Preferred shares	12,810
Total	166,720
Treasury shares	
Common shares	24
Preferred shares	2,352
Total	2,376

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Parent company financial statements / balance sheet - assets

(All amounts in thousands of reais)

Code	Description	Current quarter 9/30/2018	Prior year 12/31/2017
1	Total assets	1,564,303	1,499,886
1.01	Current assets	393,390	342,748
1.01.01	Cash and cash equivalentes	126,190	75,896
1.01.02	Financial investments	0	8,732
1.01.02.03	Financial investments measured at amortized cost	0	8,732
1.01.02.03.01	Securities Held to Maturity	0	8,732
1.01.03	Accounts receivable	172,865	167,140
1.01.03.01	Trade receivables	172,865	167,140
1.01.04	Inventories	78,559	71,588
1.01.06	Recoverable taxes	4,421	5,757
1.01.08	Other current assets	11,355	13,635
1.01.08.03	Other	11,355	13,635
1.02	Non-current assets	1,170,913	1,157,138
1.02.01	Long-term receivables	49,008	42,638
1.02.01.04	Accounts receivable	3,394	4,725
1.02.01.04.02	Other Accounts Receivable	3,394	4,725
1.02.01.06	Biological Assets	41,250	33,711
1.02.01.10	Other Non-Current Assets	4,364	4,202
1.02.01.10.03	Recoverable taxes	2,262	2,067
1.02.01.10.04	Judicial deposits	2,102	2,135
1.02.02	Investments	261,375	246,514
1.02.02.01	Equity investments	228,198	212,909
1.02.02.01.02	Investments in subsidiaries	228,198	212,909
1.02.02.02	Investment properties	33,177	33,605
1.02.03	Property, plant and equipment	736,431	755,898
1.02.03.01	Property, plant and equipment in operation	736,431	755,898
1.02.04	Intangible assets	124,099	112,088
1.02.04.01	Intangible assets	124,099	112,088

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

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Parent company financial statements / balance sheet - liabilities and equity

(All amounts in thousands of reais)

Code	Description	Current quarter 9/30/2018	Prior year 12/31/2017
2.00	Total liabilities and equity	1,564,303	1,499,886
2.01	Current liabilities	438,895	313,451
2.01.01	Social and labor obligations	32,016	28,371
2.01.01.01	Payroll obligations	32,016	28,371
2.01.01.01.01	Social security obligations	32,016	28,371
2.01.02	Trade payables	109,058	96,187
2.01.03	Tax obligations	23,880	17,920
2.01.03.01	Federal taxes payable	10,309	9,336
2.01.03.01.03	Other federal taxes	10,309	9,336
2.01.03.02	State taxes payable	13,502	8,501
2.01.03.02.01	Taxes payable in installments	6,398	331
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	7,104	8,170
2.01.03.03	Municipal taxes payable	69	83
2.01.04	Borrowings	255,723	154,905
2.01.04.01	Borrowings	255,723	154,905
2.01.05	Other obligations	18,218	16,068
2.01.05.02	Other	18,218	16,068
2.01.05.02.01	Dividends and interest on capital payable	39	91
2.01.05.02.04	Other payables	16,748	14,515
2.01.05.02.05	Advances from customers	1,431	1,462
2.02	Non-current liabilities	805,468	845,722
2.02.01	Borrowings	596,052	617,191
2.02.01.01	Borrowings	596,052	617,191
2.02.02	Other obligations	35,691	11,863
2.02.02.02	Other	35,691	11,863
2.02.02.02.03	Installments taxes	23,991	0
2.02.02.02.04	Other taxes payable	11,401	11,315
2.02.02.02.05	Other payables	299	548
2.02.03	Deferred taxes	150,630	160,975
2.02.03.01	Deferred income tax and social contribution	150,630	160,975
2.02.04	Provisions	23,095	55,693
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	23,095	55,693
2.03	Equity	319,940	340,713
2.03.01	Paid-up share capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Revenue reserves	87,939	59,186
2.03.06	Carrying value adjustments	69,146	118,672

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Parent company financial statements / statement of profit and loss

All amounts in thousands of reais unless otherwise stated

Code	Description	Accumulated - current quarter 7/1/2018 to 9/30/2018	Accumulated - year 1/1/2018 to 9/30/2018	Accumulated - prior quarter in last year 7/1/2017 to 9/30/2017	Accumulated - prior year 1/1/2017 to 9/30/2017
3.01	Revenue from sales of goods, products and/or services	245,691	683,853	221,721	622,614
3.02	Cost of sales	-169,961	-484,659	-150,958	-435,763
3.02.01	Changes in the fair value of biological assets	3,118	7,356	7,047	14,941
3.02.02	Cost of goods sold	-173,079	-492,015	-158,005	-450,704
3.03	Gross profit	75,730	199,194	70,763	186,851
3.04	Operating income (expenses)	-24,588	-93,274	-43,575	-124,587
3.04.01	Selling expenses	-23,241	-64,662	-21,684	-65,189
3.04.02	General and administrative expenses	-13,840	-40,301	-12,631	-43,420
3.04.04	Other operating income	885	2,199	711	2,771
3.04.05	Other operating expenses	8,542	-769	-11,320	-18,523
3.04.06	Equity in results of subsidiaries	3,066	10,259	1,349	-226
3.05	Profit before finance result and taxes	51,142	105,920	27,188	62,264
3.06	Finance result	-26,765	-72,167	-24,303	-80,367
3.06.01	Finance income	8,735	20,184	6,848	20,047
3.06.02	Finance costs	-35,500	-92,351	-31,151	-100,414
3.07	Profit (loss) before taxes on income	24,377	33,753	2,885	-18,103
3.08	Income tax and social contribution	-2,357	-11,711	295	8,351
3.08.02	Deferred	-2,357	-11,711	295	8,351
3.09	Profit (loss) from continuing operations	22,020	22,042	3,180	-9,752
3.11	Profit (loss) for the period	22,020	22,042	3,180	-9,752
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.13399	0.13410	0.00730	-0.07870
3.99.01.02	Preferred shares	0.13399	0.13410	0.00730	-0.07870

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Parent company financial statements / statement of comprehensive income (loss)

(All amounts in thousands of reais)

Code	Description	Accumulated - current quarter 7/1/2018 to 9/30/2018	Accumulated - year 1/1/2018 to 9/30/2018	Accumulated - prior quarter in prior year 7/1/2017 to 9/30/2017	Accumulated - prior year 1/1/2017 to 9/30/2017
4.01	Profit (loss) for the period	22,020	22,041	3,180	-9,752
4.02	Other comprehensive income (loss)	-8,043	-42,815	8,907	12,583
4.02.01	Cash flow hedges	-12,186	-64,871	13,496	19,065
4.02.02	Income tax and social contribution - cash flow hedges	4,143	22,056	-4,589	-6,482
4.03	Comprehensive income (loss) for the period	13,977	-20,774	12,087	2,831

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

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Parent company financial statements / statement of cash flows - indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 9/30/2018	Accumulated - Year 1/1/2017 to 9/30/2017
6.01	Net cash provided by (used in) operating activities	65,372	39,561
6.01.01	Cash from operations	128,290	115,016
6.01.01.01	Profit (loss) before income tax and social contribution	33,753	-18,103
6.01.01.02	Change in Fair Value of Biological Assets	-7,356	-14,941
6.01.01.03	Depreciation, amortization and depletion	38,278	39,572
6.01.01.05	Proceeds from sales of permanent assets	2,556	1,405
6.01.01.06	Equity in the results of subsidiaries	-10,259	226
6.01.01.07	Changes in the provision for civil, labor and tax contingencies	-31,954	18,644
6.01.01.08	Provision for impairment of trade receivables	299	753
6.01.01.09	Provision for Losses on Other Assets	434	2,067
6.01.01.10	Constitution of Tax Installment Liabilities	31,349	0
6.01.01.12	Monetary variations and charges	71,190	85,393
6.01.02	Changes in assets and liabilities	-62,918	-75,455
6.01.02.01	Trade receivables	-6,024	-22,666
6.01.02.02	Inventories	-6,971	-2,806
6.01.02.03	Recoverable taxes	1,141	-3,525
6.01.02.04	Other assets	3,210	2,668
6.01.02.05	Dividends Received	0	16,778
6.01.02.06	Trade payables	4,025	2,630
6.01.02.07	Social security obligations	3,645	7,972
6.01.02.08	Advances from customers	-31	36
6.01.02.09	Tax obligations	-1,306	8,011
6.01.02.10	Payment of interest on borrowings	-61,946	-77,160
6.01.02.11	Payment of interest on debentures	0	-2,201
6.01.02.12	Other payables	1,339	-5,192
6.02	Net cash provided by used in investing activities	-20,590	42,792
6.02.01	Purchases of property, plant and equipment	-32,680	-24,988
6.02.02	Purchases of biological assets	-3,269	-3,649
6.02.03	Purchases of intangible assets	-10,112	-1,692
6.02.05	Reduction of Capital in Subsidiaries	0	4,281
6.02.06	Proceeds from sales of assets	-1,004	-957
6.02.08	Advance Future Capital Increase	0	-520
6.02.09	Related Party Repayment	17,743	0
6.02.12	Banks - restricted account	8,732	70,317
6.03	Net cash provided by (used in) financing activities	5,512	-128,742
6.03.01	Payment of dividends and interest on capital	-52	-4,130

6.03.03	Debentures Paid	0	-28,499
6.03.04	Proceeds from borrowings	83,858	111,955
6.03.05	Repayments of borrowings	-78,294	-208,068
6.05	Increase (decrease) in cash and cash equivalents	50,294	-46,389
6.05.01	Cash and cash equivalents at the beginning of the period	75,896	82,844
6.05.02	Cash and cash equivalents at the end of the period	126,190	36,455

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Quarterly information (ITR) -9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Parent company financial statements / statement of changes in equity - 1/1/2018 to 9/30/2018

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income (loss)	Equity
5.01	Opening balances	161,895	960	59,186	0	118,672	340,713
5.03	Adjusted opening balances	161,895	960	59,186	0	118,672	340,713
5.05	Total comprehensive income (loss)	0	0	0	28,753	-49,526	-20,773
5.05.01	Profit (loss) for the period	0	0	0	22,042	0	22,042
5.05.02	Other comprehensive income (loss)	0	0	0	6,711	-49,526	-42,815
5.05.02.06	Achieving Assigned Cost	0	0	0	6,711	-6,711	0
5.05.02.08	Cash flow hedges	0	0	0	0	-42,815	-42,815
5.06	Internal changes in equity	0	0	-2,189	2,189	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,710	1,710	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-479	479	0	0
5.07	Closing balances	161,895	960	56,997	30,942	69,146	319,940

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Parent company financial statements / statement of changes in equity - 1/1/2017 to 9/30/2017

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings/accumulated deficit	Other comprehensive income (loss)	Equity
5.01	Opening balances	161,895	960	154,829	0	127,507	445,191
5.03	Adjusted opening balances	161,895	960	154,829	0	127,507	445,191
5.05	Total comprehensive income (loss)	0	0	0	-3,042	5,873	2,831
5.05.01	Profit (loss) for the period	0	0	0	-9,752	0	-9,752
5.05.02	Other comprehensive income (loss)	0	0	0	6,710	5,873	12,583
5.05.02.06	Achieving Assigned Cost	0	0	0	6,710	-6,710	0
5.05.02.08	Cash flow hedges	0	0	0	0	12,583	12,583
5.06	Internal changes in equity	0	0	-1,549	1,549	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,154	1,154	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-395	395	0	0
5.07	Closing balances	161,895	960	153,280	-1,493	133,380	448,022

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Parent company financial statements / statement of value added

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 9/30/2018	Accumulated - Year 1/1/2017 to 9/30/2017
7.01	Revenue	868,173	820,151
7.01.01	Sales of goods, products and/or services	866,833	809,873
7.01.02	Other income	2,199	11,031
7.01.04	Changes in the provision for impairment of trade receivables	-859	-753
7.02	Inputs purchased from third parties	-497,305	-466,919
7.02.01	Cost of sales	-458,602	-392,561
7.02.02	Materials, electricity, outsourced services and other	-38,703	-72,291
7.02.03	Loss / Recovery of Assets	0	-2,067
7.03	Gross value added	370,868	353,232
7.04	Retentions	-45,634	-24,631
7.04.01	Depreciation, amortization and depletion	-38,278	-39,572
7.04.02	Other	-7,356	14,941
7.04.02.01	Changes in the fair value of biological assets	-7,356	14,941
7.05	Net value added generated	325,234	328,601
7.06	Value added received through transfer	30,443	19,821
7.06.01	Equity in the results of subsidiaries	10,259	-226
7.06.02	Finance income	20,184	20,047
7.07	Total value added to be distributed	355,677	348,422
7.08	Value added distributed	355,677	348,422
7.08.01	Personnel	125,202	121,128
7.08.01.01	Direct remuneration	97,087	95,208
7.08.01.02	Benefits	22,602	20,546
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	5,513	5,374
7.08.02	Taxes, fees and contributions	99,608	120,397
7.08.02.01	Federal	50,574	80,722
7.08.02.02	State	47,969	38,614
7.08.02.03	Municipal	1,065	1,061
7.08.03	Remuneration of third-party capital	99,926	108,390
7.08.03.01	Interest	92,351	100,414
7.08.03.02	Rentals	7,575	7,976
7.08.04	Remuneration of own capital	30,941	-1,493
7.08.04.03	Retained earnings/accumulated deficit	30,941	-1,493

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / balance sheet - assets

(All amounts in thousands of reais)

Code	Description	Current quarter	Prior year
		9/30/2018	12/31/2017
1	Total assets	1,550,085	1,501,839
1.01	Current assets	396,501	345,461
1.01.01	Cash and cash equivalents	127,245	76,949
1.01.02	Financial investments	0	8,732
1.01.02.03	Financial investments measured at amortized cost	0	8,732
1.01.02.03.01	Securities Held to Maturity	0	8,732
1.01.03	Accounts receivable	174,395	168,124
1.01.03.01	Trade receivables	174,395	168,124
1.01.04	Inventories	78,844	72,152
1.01.06	Recoverable taxes	4,422	5,758
1.01.08	Other current assets	11,595	13,746
1.01.08.03	Other	11,595	13,746
1.02	Non-current assets	1,153,584	1,156,378
1.02.01	Long-term receivables	204,764	200,067
1.02.01.04	Accounts receivable	3,421	4,751
1.02.01.04.02	Other Accounts Receivable	3,421	4,751
1.02.01.06	Biological Assets	196,699	190,796
1.02.01.10	Other Non-Current Assets	4,644	4,520
1.02.01.10.03	Recoverable taxes	2,262	2,067
1.02.01.10.04	Judicial deposits	2,382	2,453
1.02.02	Investments	17,044	17,470
1.02.02.02	Investment properties	17,044	17,470
1.02.03	Property, plant and equipment	807,142	826,218
1.02.03.01	Property, plant and equipment in operation	807,142	826,218
1.02.04	Intangible assets	124,634	112,623
1.02.04.01	Intangible assets	124,634	112,623

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Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / balance sheet - liabilities and equity

(All amounts in thousands of reais)

Code	Description	Current quarter 9/30/2018	Prior year 12/31/2017
2	Total liabilities and equity	1,550,085	1,501,839
2.01	Current liabilities	411,095	301,759
2.01.01	Social and labor obligations	33,302	28,895
2.01.01.01	Payroll obligations	33,302	28,895
2.01.01.01.01	Social security obligations	33,302	28,895
2.01.02	Trade payables	79,059	82,951
2.01.03	Tax obligations	24,383	18,692
2.01.03.01	Federal taxes payable	10,795	10,076
2.01.03.01.03	Other federal taxes	10,795	10,076
2.01.03.02	State taxes payable	13,505	8,523
2.01.03.02.01	Taxes payable in installments	6,398	331
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	7,107	8,192
2.01.03.03	Municipal taxes payable	83	93
2.01.04	Borrowings	255,758	154,905
2.01.04.01	Borrowings	255,758	154,905
2.01.05	Other obligations	18,593	16,316
2.01.05.02	Other	18,593	16,316
2.01.05.02.01	Dividend and interest on capital payable	39	91
2.01.05.02.04	Other payables	17,017	14,759
2.01.05.02.05	Advances from customers	1,537	1,466
2.02	Non-current liabilities	819,042	859,359
2.02.01	Borrowings	596,116	617,191
2.02.01.01	Borrowings	596,116	617,191
2.02.02	Other obligations	35,691	11,863
2.02.02.02	Other	35,691	11,863
2.02.02.02.03	Installments taxes	23,991	0
2.02.02.02.04	Other taxes payable	11,401	11,315
2.02.02.02.05	Other payables	299	548
2.02.03	Deferred taxes	163,831	174,208
2.02.03.01	Deferred income tax and social contribution	163,831	174,208
2.02.04	Provisions	23,404	56,097
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	23,404	56,097
2.03	Consolidated equity	319,948	340,721
2.03.01	Share capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Revenue reserves	87,939	59,186
2.03.06	Carrying value adjustments	69,146	118,672
2.03.09	Non-controlling interests	8	8

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Quarterly information (ITR) - 6/30/2018 - CELULOSE IRANI S.A.

(Unaudited)

Version: 1

Consolidated financial statements / statement of profit and loss

All amounts in thousands of reais unless otherwise stated

Code	Description	Accumulated - current quarter 7/1/2018 to 9/30/2018	Accumulated - Year 1/1/2018 to 9/30/2018	Accumulated - prior quarter in last year 7/1/2017 to 9/30/2017	Accumulated - Year 1/1/2017 to 9/30/2017
3.01	Revenue from sales of goods, products and/or services	248,019	692,211	224,355	628,551
3.02	Cost of sales	-168,641	-481,567	-151,864	-441,385
3.02.01	Changes in the fair value of biological assets	4,960	9,083	5,849	11,165
3.02.02	Cost of goods sold	-173,601	-490,650	-157,713	-452,550
3.03	Gross profit	79,378	210,644	72,491	187,166
3.04	Operating income/ expenses	-28,144	-104,450	-45,263	-125,455
3.04.01	Selling expenses	-23,241	-64,662	-21,684	-65,189
3.04.02	General and administrative expenses	-14,337	-41,427	-12,992	-44,544
3.04.04	Other operating income	893	2,423	724	2,845
3.04.05	Other operating expenses	8,541	-784	-11,311	-18,567
3.05	Profit before finance result and taxes	51,234	106,194	27,228	61,711
3.06	Finance result	-26,758	-72,147	-24,324	-79,555
3.06.01	Finance income	8,746	20,213	6,849	20,890
3.06.02	Finance costs	-35,504	-92,360	-31,173	-100,445
3.07	Profit (loss) before taxes on income	24,476	34,047	2,904	-17,844
3.08	Income tax and social contribution	-2,456	-12,005	276	8,092
3.08.01	Current	-67	-326	-81	-455
3.08.02	Deferred	-2,389	-11,679	357	8,547
3.09	Profit (loss) from continuing operations	22,020	22,042	3,180	-9,752
3.11	Consolidated profit (loss) for the period	22,020	22,042	3,180	-9,752
3.11.01	Attributable to owners of the Parent	22,020	22,043	3,180	-9,752
3.11.02	Attributable to Non-Controlling Partners	0	-1	0	0

3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.13400	0.13410	0.00730	0.07870
3.99.01.02	Preferred shares	0.13400	0.13410	0.00730	0.07870

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / statement of comprehensive income (loss)

(All amounts in thousands of reais)

Code	Description	Accumulated - current quarter 7/1/2018 to 9/30/2018	Accumulated - Year 1/1/2018 to 9/30/2018	Accumulated - prior quarter in last year 7/1/2017 to 9/30/2017	Accumulated - Year 1/1/2017 to 9/30/2017
4.01	Consolidated profit (loss) for the period	22,020	22,041	3,180	-9,752
4.02	Other comprehensive income (loss)	-8,043	-42,815	8,907	12,583
4.02.01	Cash flow hedges	-12,186	-64,871	13,496	19,065
4.02.02	Income tax and social contribution - cash flow hedges	4,143	22,056	-4,589	-6,482
4.03	Consolidated comprehensive income (loss) for the period	13,977	-20,774	12,087	2,831
4.03.01	Attributable to owners of the Parent	13,977	-20,774	12,087	2,831

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / statement of cash flows - indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 9/30/2018	Accumulated - Year 1/1/2017 to 9/30/2017
6.01	Net cash provided by (used in) operating activities	68,792	25,089
6.01.01	Cash from operations	148,904	125,417
6.01.01.01	Profit (loss) before income tax and social contribution	34,047	-17,844
6.01.01.02	Changes in the fair value of biological assets	-9,084	-11,165
6.01.01.03	Depreciation, amortization and depletion	50,136	46,123
6.01.01.05	Proceeds from sales of permanent assets	2,556	1,405
6.01.01.07	Provision for civil, labor and tax contingencies	-32,023	18,685
6.01.01.08	Provision for impairment of trade receivables	299	753
6.01.01.09	Provision for Losses on Other Assets	434	2,067
6.01.01.10	Constitution of Tax Installment Liabilities	31,349	0
6.01.01.12	Monetary variations and charges	71,190	85,393
6.01.02	Changes in assets and liabilities	-80,112	-100,328
6.01.02.01	Trade receivables	-6,570	-23,622
6.01.02.02	Inventories	-6,692	-2,730
6.01.02.03	Recoverable taxes	1,141	-3,634
6.01.02.04	Other assets	3,118	2,499
6.01.02.06	Trade payables	-13,072	-4,614
6.01.02.07	Social security obligations	4,407	8,538
6.01.02.08	Advances from customers	71	43
6.01.02.09	Taxes payable	-1,908	7,689
6.01.02.10	Payment of interest on borrowings	-61,946	-77,160
6.01.02.11	Payment of interest on debentures	0	-2,201
6.01.02.12	Other payables	1,339	-5,136
6.02	Net cash provided by (used in) investing activities	-24,107	36,715
6.02.01	Purchases of property, plant and equipment	-32,988	-25,096
6.02.02	Purchases of biological assets	-6,478	-5,984
6.02.03	Purchases of intangible assets	-10,112	-1,692
6.02.06	Proceeds from sales of assets	-1,004	-827
6.02.07	Capital Reduction of Non-Controllers	0	-3
6.02.09	Related Party Repayment	17,743	0
6.02.12	Banks - restricted account	8,732	70,317
6.03	Net cash provided by (used in) financing activities	5,611	-128,742
6.03.01	Payment of dividends and interest on capital	-52	-4,130
6.03.03	Debentures Paid	0	-28,499

6.03.04	Proceeds from borrowings	83,971	111,955
6.03.05	Repayments of borrowings	-78,308	-208,068
6.05	Increase (decrease) in cash and cash equivalents	50,296	-66,938
6.05.01	Cash and cash equivalents at the beginning of the period	76,949	103,885
6.05.02	Cash and cash equivalents at the end of the period	127,245	36,947

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / statement of changes in equity - 1/1/2018 to 9/30/2018

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income (loss)	Equity	Non- controlling interests	Consolidated equity
5.01	Opening balances	161,895	960	59,186	0	118,672	340,713	8	340,721
5.03	Adjusted opening balances	161,895	960	59,186	0	118,672	340,713	8	340,721
5.05	Total comprehensive income (loss)	0	0	0	28,753	-49,526	-20,773	0	-20,773
5.05.01	Profit (loss) for the period	0	0	0	22,042	0	22,042	0	22,042
5.05.02	Other comprehensive income (loss)	0	0	0	6,711	-49,526	-42,815	0	-42,815
5.05.02.06	Achieving Assigned Cost	0	0	0	6,711	-6,711	0	0	0
5.05.02.08	Cash flow hedges	0	0	0	0	-42,815	-42,815	0	-42,815
5.06	Internal changes in equity	0	0	-2,189	2,189	0	0	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,710	1,710	0	0	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-479	479	0	0	0	0
5.07	Closing balances	161,895	960	56,997	30,942	69,146	319,940	8	319,948

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Quarterly information (ITR) - 9/31/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / statement of changes in equity - 1/1/2017 to 9/30/2017

(All amounts in thousands of reais)

Code	Description	Paid-up share capital	Capital reserves, share options and treasury shares	Revenue reserves	Retained earnings/ accumulated deficit	Other comprehensive income (loss)	Equity	Non- controlling interests	Consolidated equity
5.01	Opening balances	161,895	960	154,829	0	127,507	445,191	10	445,201
5.03	Adjusted opening balances	161,895	960	154,829	0	127,507	445,191	10	445,201
5.04	Capital Transactions with company's partner	0	0	0	0	0	0	-3	-3
5.04.09	Non-controlling Capital Increase / Reduction	0	0	0	0	0	0	-3	-3
5.05	Total comprehensive income (loss)	0	0	0	-3,042	5,873	2,831	0	2,831
5.05.01	Profit (loss) for the period	0	0	0	-9,752	0	-9,752	0	-9,752
5.05.02	Other comprehensive income (loss)	0	0	0	6,710	5,873	12,583	0	12,583
5.05.02.06	Achieving Assigned Cost	0	0	0	6,710	-6,710	0	0	0
5.05.02.08	Cash flow hedges	0	0	0	0	12,583	12,583	0	12,583
5.06	Internal changes in equity	0	0	-1,549	1,549	0	0	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,154	1,154	0	0	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-395	395	0	0	0	0
5.07	Closing balances	161,895	960	153,280	-1,493	133,380	448,022	7	448,029

(A free translation of the original in Portuguese)

Quarterly information (ITR) - 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Consolidated financial statements / statement of value added

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 9/30/2018	Accumulated - Year 1/1/2017 to 9/30/2017
7.01	Revenue	877,542	826,766
7.01.01	Sales of goods, products and/or services	875,980	816,416
7.01.02	Other income	2,421	11,103
7.01.04	Changes in the provision for impairment of trade receivables	-859	-753
7.02	Inputs purchased from third parties	-472,404	-454,571
7.02.01	Cost of sales	-433,113	-377,001
7.02.02	Materials, electricity, outsourced services and other	-39,291	-75,503
7.02.03	Loss / Recovery of Assets	0	-2,067
7.03	Gross value added	405,138	372,195
7.04	Retentions	-59,220	-34,958
7.04.01	Depreciation, amortization and depletion	-50,137	-46,123
7.04.02	Other	-9,083	11,165
7.04.02.01	Changes in the fair value of biological assets	-9,083	11,165
7.05	Net value added generated	345,918	337,237
7.06	Value added received through transfer	20,213	20,890
7.06.02	Finance income	20,213	20,890
7.07	Total value added to be distributed	366,131	358,127
7.08	Value added distributed	366,131	358,127
7.08.01	Personnel	132,093	128,031
7.08.01.01	Direct remuneration	101,703	99,988
7.08.01.02	Benefits	24,598	22,341
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	5,792	5,702
7.08.02	Taxes, fees and contributions	103,153	123,107
7.08.02.01	Federal	53,914	83,206
7.08.02.02	State	48,155	38,696
7.08.02.03	Municipal	1,084	1,205
7.08.03	Remuneration of third-party capital	99,944	108,482
7.08.03.01	Interest	92,360	100,445
7.08.03.02	Rentals	7,584	8,037
7.08.04	Remuneration of own capital	30,941	-1,493
7.08.04.03	Retained earnings/accumulated deficit	30,941	-1,493

(A free translation of the original in Portuguese)

(Unaudited)

Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Version: 1

Comments on Company performance

COMMENTS ON THE COMPANY'S PERFORMANCE IN THE THIRD QUARTER OF 2018

The following information is presented on a consolidated basis. The amounts are presented in compliance with the standards issued by the Securities and Exchange Commission (CVM) applicable to the preparation of quarterly information, including CVM Instruction CVM 469.

Irani presents adjusted EBITDA of R\$ 52.4 million in 3Q18 with margin of 21.1% and growth of 30.5% in relation to 3Q17

MAIN INDICATORS - CONSOLIDATED	3Q18	2Q18	3Q17	Change 3Q18/2Q18	Change 3Q18/3Q17	9M18	9M17	Change 9M18/9M17	UDM18	UDM17	Change UDM18/UDM17
Economic and Financial (R\$ thousand)											
Net operating income	248,019	218,835	224,355	13.3%	10.5%	692,211	628,551	10.1%	922,829	822,141	12.2%
Domestic market	194,653	182,740	197,317	6.5%	-1.4%	567,020	536,116	5.8%	764,035	700,021	9.1%
Foreign market	53,366	36,095	27,038	47.8%	97.4%	125,191	92,435	35.4%	158,794	122,120	30.0%
Gross Profit (including *)	79,378	65,809	72,491	20.6%	9.5%	210,644	187,166	12.5%	249,375	237,186	5.1%
(*) Change in fair value of biological assets	4,960	3,306	5,849	50.0%	-15.2%	9,083	11,165	-18.6%	(12,929)	23,243	-155.6%
Gross margin	32.0%	30.1%	32.3%	1.9p.p.	-0.3p.p.	30.4%	29.8%	0.6p.p.	27.0%	28.8%	-1.8p.p.
Operating Income (loss) before Taxes and Interest	24,476	7,326	2,904	234.1%	742.8%	34,047	(17,844)	-	(48,680)	(36,191)	34.5%
Operating margin	9.9%	3.3%	1.3%	6.6p.p.	8.6p.p.	4.9%	-2.8%	7.7p.p.	-5.3%	-4.4%	0.9p.p.
Net Income (Loss)	22,020	5,278	3,180	317.2%	592.5%	22,042	(9,752)	-	(76,379)	(14,807)	415.8%
Net margin	8.9%	2.4%	1.4%	6.5p.p.	7.5p.p.	3.2%	-1.6%	4.7p.p.	-8.3%	-1.8%	6.5p.p.
Adjusted EBITDA ¹	52,415	40,281	40,176	30.1%	30.5%	135,037	102,985	31.1%	186,582	122,349	52.5%
Adjusted EBITDA Margin	21.1%	18.4%	17.9%	2.7p.p.	3.2p.p.	19.5%	16.4%	3.1p.p.	20.2%	14.9%	5.3p.p.
Net debt (R\$ million)	724.6	745.3	779.3	-2.8%	-7.0%	724.6	779.3	-7.0%	724.6	779.3	-7.0%
Net Debt/Adjusted EBITDA(x)	3.88	4.27	5.88	-9.1%	-34.0%	3.88	5.88	-34.0%	3.88	5.88	-34.0%
Net Debt/pro-forma Adjusted EBITDA (x) ²	2.90	3.30	5.02	-12.1%	-42.2%	2.90	5.02	-42.2%	2.90	5.02	-42.2%
Operating Data (t)											
Corrugated Cardboard Packaging (PO)											
Production/Sales	46,528	43,644	51,711	6.6%	-10.0%	136,929	144,028	-4.9%	186,157	187,415	-0.7%
Paper for Packaging											
Production	71,443	66,590	72,690	7.3%	-1.7%	207,511	215,916	-3.9%	280,614	278,311	0.8%
Sales	26,021	21,273	23,093	22.3%	12.7%	69,507	66,838	4.0%	91,741	90,751	1.1%
Forestry RS and Resins											
Production	3,731	3,268	2,736	14.2%	36.4%	10,744	9,109	17.9%	13,476	11,784	14.4%
Sales	3,690	2,745	1,645	34.4%	124.3%	10,102	7,833	29.0%	14,269	10,298	38.6%

¹ EBITDA (income before interest, taxes, depreciation, amortization and depletion) see the chapter in this release.

² Excluding from the Net Debt exchange-rate change recorded as *hedge accounting*.

- Net income in 3Q18 recorded increase of 10.5% when compared to 3Q17 and of 13.3% in relation to 2Q18, reflecting mainly the increase of volume and prices in Packaging Paper and Corrugated Cardboard Packaging Segments specially when compared to 2Q18.
- The sales volume of the Corrugated Cardboard Packaging Segment decreased 10.0%, when compared to 3Q17, and totaled 46.5 thousand tons in 3Q18. When compared to the 2Q18, the sales volume increased 6.6%. The Packaging Paper Segment totaled 26.0 thousand tons, recording an increase of 12.7% when compared to 3Q17 and 22.3% in relation to 2Q18. The RS Forest and Resins segment had an increase of 124.3% as compared to the 3Q17 and 34.4% in relation to 2Q18, reaching 3.7 thousand tons.

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

- The gross income for 3Q18 had an increase of 9.5% as compared to the 3Q17 and 20.6% as compared to 2Q18, mainly reflecting the growth in net income for the period in relation to the other quarters used for comparison purposes. In the 2Q18, it should be mentioned the impact of the trucker's strike.
- The net income was R\$ 22.0 million of income in 3Q18, against R\$ 3.2 million of income in 3Q17 and R\$ 5.3 million of income in 2Q18. The main factors which affected the net income, when compared to 2Q18, were the improvement of margins in view of higher prices in the period, combined with stable costs, result of management programs implemented by the Company.
- The adjusted EBITDA in 3Q18 was R\$ 52.4 million, 30.5% higher than in 3Q17, which was R\$ 40.2 million, mainly due to the better performance of margins in the period. As compared to the 2Q18, it was 30.1% higher, mainly due to the increase in volume, better margins realized in the period, and the impact of the trucker's strike in the 2Q18.
- The Net Debt/EBITDA ratio was 3.88 times in September 2018. Excluding from the Net Debt the exchange-rate change recorded as hedge accounting, the Net Debt/EBITDA ratio would be 2.90x.
- The cash position at the end of September 2018 was R\$ 127.2 million and 70% of the debt is in the long term.

Highlights of the 3Q18

In Brazil, the scenario is characterized by an expectation related to the new administration which will start a new political cycle in Brazil. The market is waiting for clear signals that indicate the composition of the new administration and the first measures aimed at achieving fiscal balance and economy recovery. The Brazilian Geographic and Statistics Institute (IBGE) informed that the Brazilian GDP grew 0.2% in the second quarter in relation to the first quarter of the year. Regarding the international economy, it continues booming in the United States, but in China there is indication of slowdown, mainly in investments. The normalization of interests in the US and the progress of trade wars started to give rise to greater uncertainties in the external/international front, causing market instabilities.

The Brazilian Association of Corrugated Cardboard (ABPO) recorded a 2.5% increase in the shipment in tons of corrugated cardboard in 3Q18, compared to 3Q17. The sales volume of Irani Market, in tons, presented decrease of 10.0% in 3Q18. Compared to 2Q18, ABPO Market increased 10.3% and Irani Market recorded an increase of 6.6%. In tons, Irani's market share in the Corrugated Cardboard

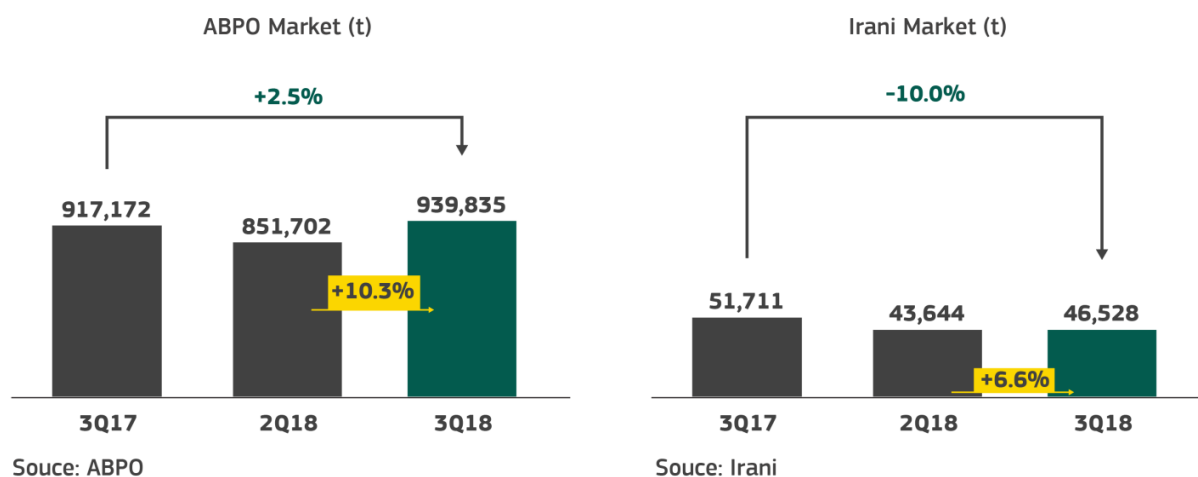
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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

Packaging Segment was 4.9% in 3Q18, 5.6% in 3Q17 and 5.1% in 2Q18. The reduction in the sales volume in the 3Q18 in relation to the 3Q17 was caused by the end of a production shift in the SP Vila Maria Packaging unit.

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



In square meters (m²) the sales volume of corrugated cardboard packaging of the ABPO Market presented an increase of 1.6% in 3Q18 when compared to 3Q17, when Irani Market recorded decrease of 11.3%. Compared to 2Q18, ABPO Market presented an increase of 10.2% whereas Irani Market recorded an increase of 6.2%. In square meters, Irani's market share was 5.4% in 3Q18, 6.2% in 3Q17 and 5.7% in 2Q18.

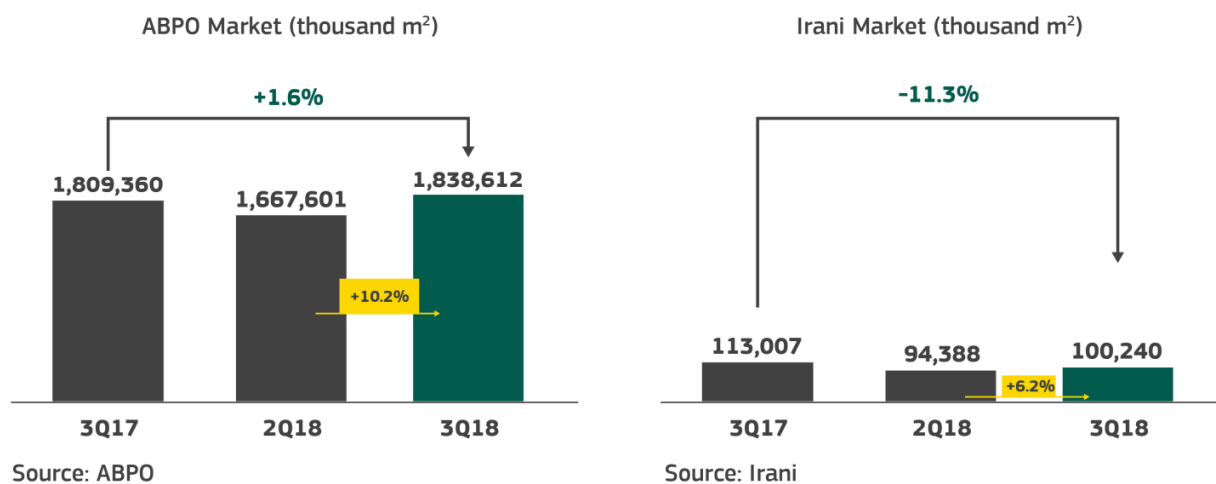
The Corrugated Cardboard Packaging Segment (PO) represented in 3Q18 57% of Irani's net income, the Packaging Paper Segment represented 32% and the Forestry RS and Resins Segment, 11%. In turn, the domestic market corresponded to 78% of net income and the foreign market 22%, the growth of 9.5 percentage points in the domestic market's income when compared to 3Q17 is mainly due to the increase in sales volume to foreign market concerning Packaging Paper and Forestry RS and Resins segment and also, increase in Dollar and Euro quotation which contributed to the growth of prices from exports in Reais.

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

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

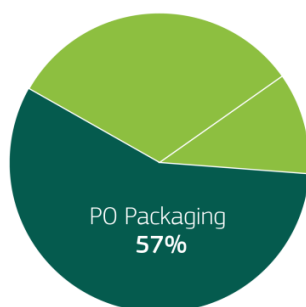


3Q18 ABPO (in ton and m²) are closing previews. There may be changes in the official data.

1. OPERATIONAL PERFORMANCE (not reviewed by independent auditor)

1.1 Corrugated Cardboard Packaging Segment (PO)

Contribution in income 3Q18



The sales volume of boxes and plates of corrugated cardboard totaled 46,528 tons, 10.0% lower when compared to 3Q17 and 6.6% higher when compared to 2Q18. The reduction in volume in relation to the 3Q17 was caused by the end of a production shift in the SP Vila Maria Packaging unit. The sales of boxes presented decrease of 8.7% when compared to 3Q17 as well as the sales of plates, which recorded decrease of 13.2% in the comparison of the quarters. SP Indaiatuba, SC Campina da Alegria and SP Vila Maria Packaging units account for respectively 43%, 33% and 24% of the total sold in the third quarter of

2018, whose production is entirely destined to the domestic market.

The volume of SP Indaiatuba Packaging plant reached 14,310 tons of boxes and 5,950 tons of plates in 3Q18 (against 13,934 tons of boxes and 5,872 tons of plates in 3Q17).

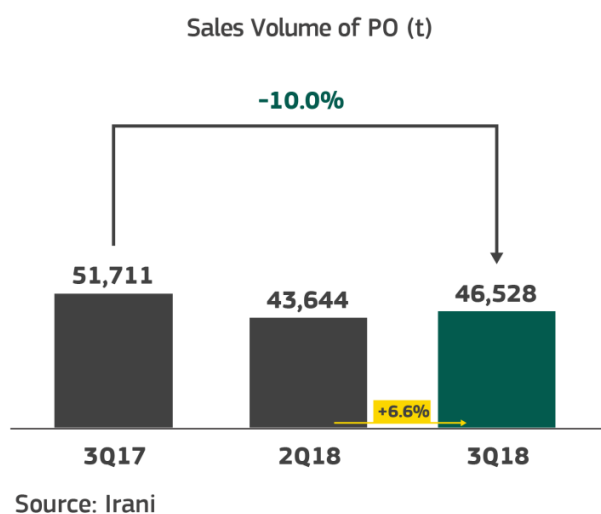
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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

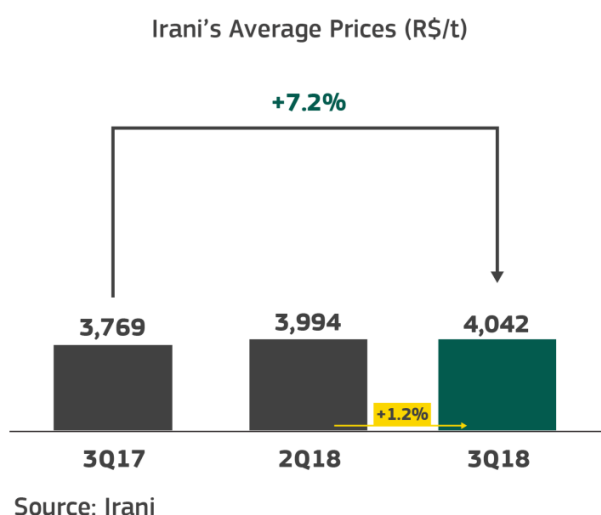
Comments on Company performance

SC Campina da Alegria Packaging plant recorded sales volume of 12,190 tons of boxes and 3,034 tons of plates in 3Q18 (against 12,860 tons of boxes and 3,277 tons of plates in 3Q17).

SP Vila Maria Packaging plant recorded sales volume of 7,020 tons of boxes and 4,024 tons of plates in 3Q18 (against 9,927 tons of boxes and 5,841 tons of plates in 3Q17).



Irani's average price (CIF) per ton recorded increase of 7.2% in 3Q18 when compared to 3Q17 and of 1.2% in relation to the second quarter of 2018, as shown below:



Methodological Note: Irani's prices exclude IPI, but include PIS, COFINS and ICMS and are adjusted according to the mix of market boxes and plates.

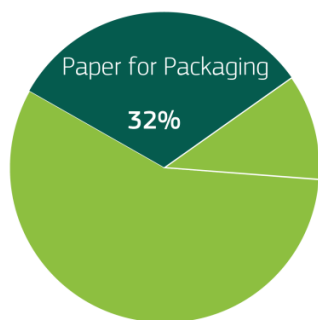
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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

1.2 Segment of Paper for Packaging

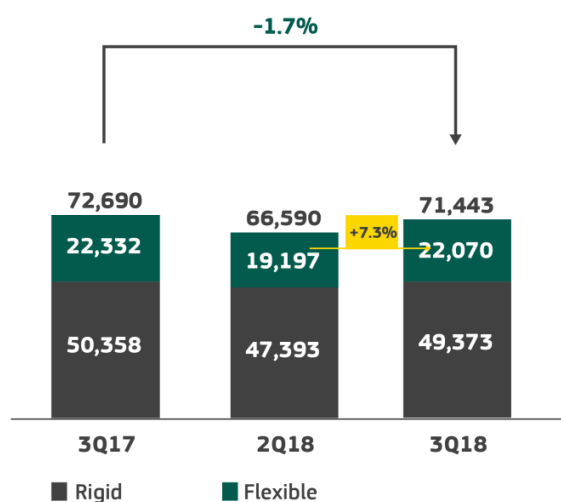
Contribution in income 3Q18



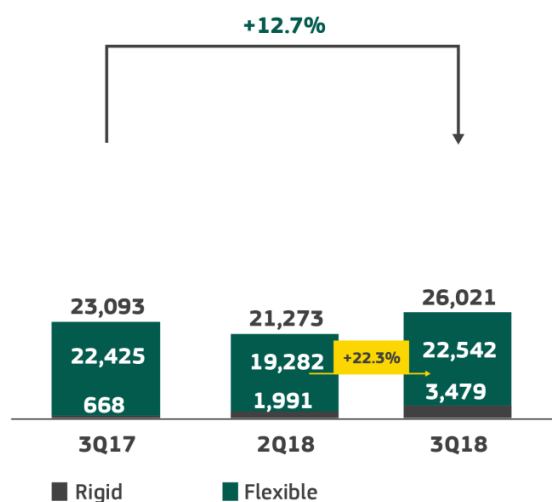
Irani operates in the Packaging Paper Segment, in the markets of papers for rigid packaging (Corrugated Cardboard) as well as for flexible packaging (bagging).

The Company's total production of Packaging Paper in the quarter was 1.7% lower when compared to 3Q17, and 7.3% in relation to 2Q18. Sales increased 12.7% when compared to 3Q17, and 22.3% higher in relation to 2Q18.

Total Production of Packaging Paper (t)



Total Sales of Packaging Paper (t)



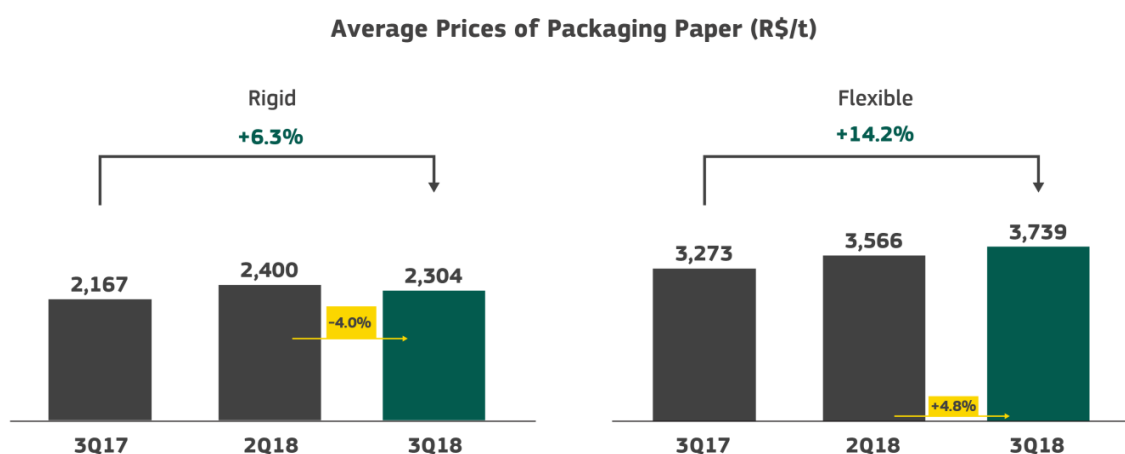
In 3Q18, internal transfers of paper for rigid packaging (Corrugated Cardboard) totaled 46,657 tons (50,995 tons in 3Q17 and 43,539 tons in 2Q18), to SP Indaiatuba Packaging plant, 18,456 tons (18,289 tons in 3Q17 and 16,443 tons in 2Q18) to SP Vila Maria Packaging plant, 11,898 tons (16,644 tons in 3Q17 and 12,674 tons in 2Q18) and to SC Campina da Alegria Packaging Plant, 16,303 tons in 3Q18 (16,062 tons in 3Q17 and 14,422 tons in 2Q18). Of total internal transfers, 40% were made to SP Indaiatuba Packaging plant, 35% to SC Campina da Alegria Packaging plant and 25% to SP Vila Maria Packaging plant.

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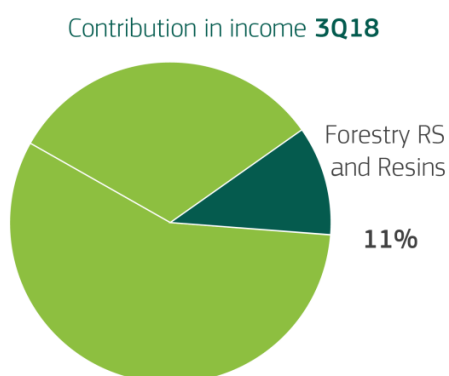
Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

Papers for rigid packaging, whose sales volume is not significant (only 3,479 tons in 3Q18, as shown in the graph above) and whose price is lower than the price of other papers traded by the Company, recorded a price increase of 6.3% in 3Q18 when compared to those practiced in 3Q17, and a decrease of 4% when compared to 2Q18. Papers for flexible packaging increased 14.2% when compared to 3Q17 and 4.8% in 2Q18 due to foreign exchange rate and implementation of price readjustment.



1.3 Forestry RS and Resins Segment



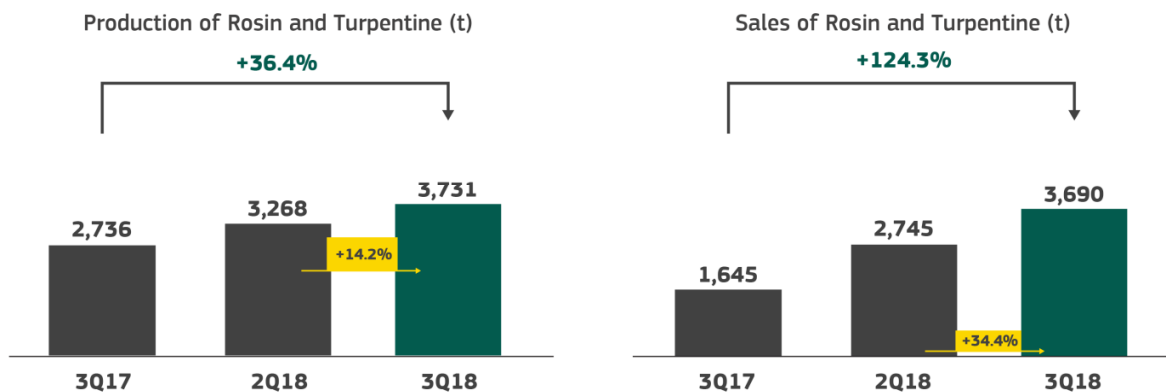
The Forestry segment of Rio Grande do Sul produced and sold in 3Q18 27 thousand cubic meters of pine logs to the domestic market (31 thousand cubic meters in 3Q17) and provided 750 tons of resins *in natura* to be used in the industrial process of production of rosin and turpentine.

The production volume in the RS Balneário Pinhal Resin unit in 3Q18 presented increase of 36.4% when compared to 3Q17, and a 14.2% increase when compared to 2Q18. The sales volume presented a 124.3% increase when compared to 3Q17, and 34.4% in relation to 2Q18.

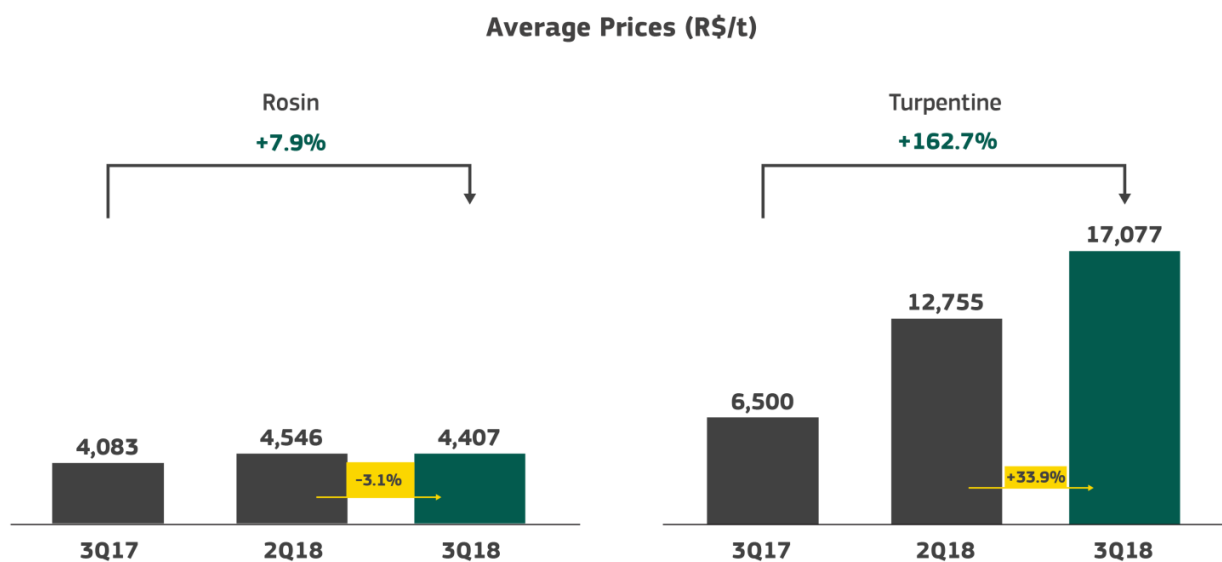
(A free translation of the original in Portuguese)

Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance



In 2Q18, the average gross price of Rosin was 7.9% higher than in 3Q17 and 3.1% lower when compared to 2Q18. Turpentine increased 162.7% when compared to 3Q17 and 33.9% in relation to 2Q18. The price of these products changes according to the foreign market and exchange rate.



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Comments on Company performance

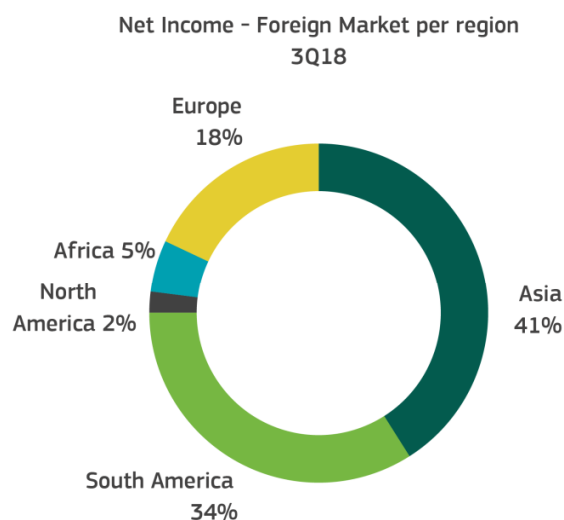
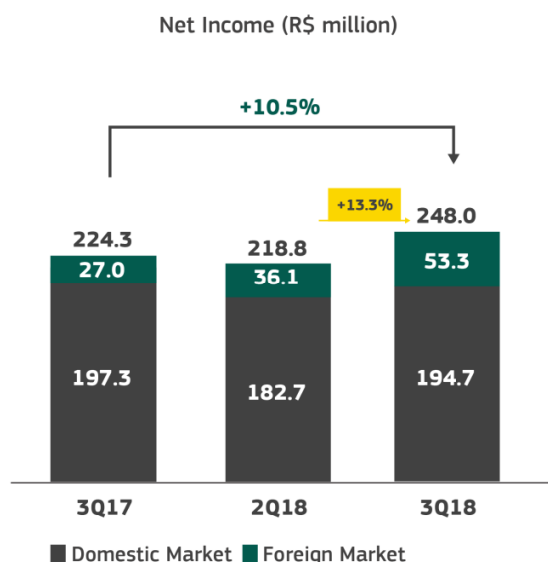
2. ECONOMIC AND FINANCIAL PERFORMANCE

2.1 Net operating income

The net operating income for 3Q18 was R\$ 248,019 thousand, a growth of 10.5% when compared to 3Q17 and 13.3% when compared to 2Q18, mainly due to increase in the volume of the Packaging Paper and Corrugated Cardboard Packaging segments, specially when compared to 2Q18.

In the domestic market, net operating income was R\$ 194,653 thousand in the quarter and had a 1.4% decrease when compared to 3Q17 and an increase of 6.5% in relation to 2Q18. Income in the domestic market accounted for 78% of Irani's total income.

Exports in 3Q18 reached R\$ 53,366 thousand, 97.4% higher than in 3Q17 and 47.8% in relation to 2Q18, representing 22% of total net operating income. Asia was the principal destination of exports, concentrating 41% of export income. The other markets are: South America (34%), Europe (18%), Africa (5%) and North America (2%).

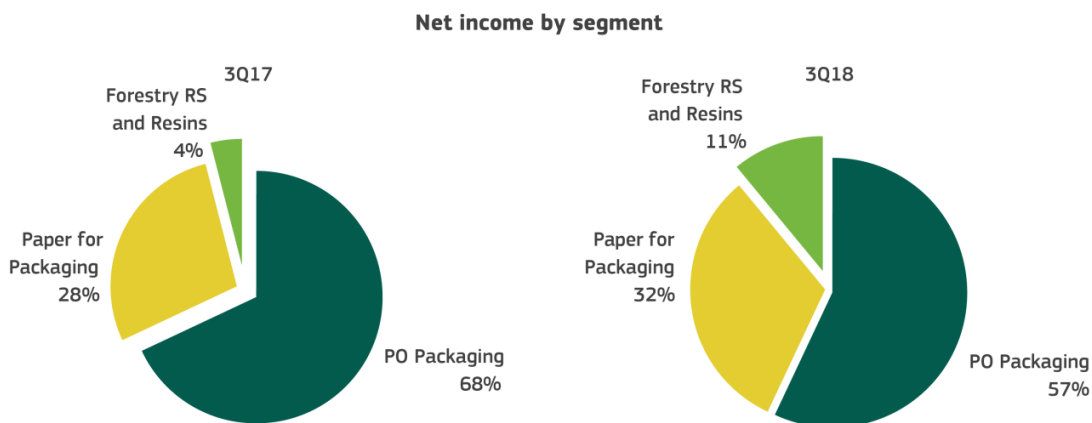


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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

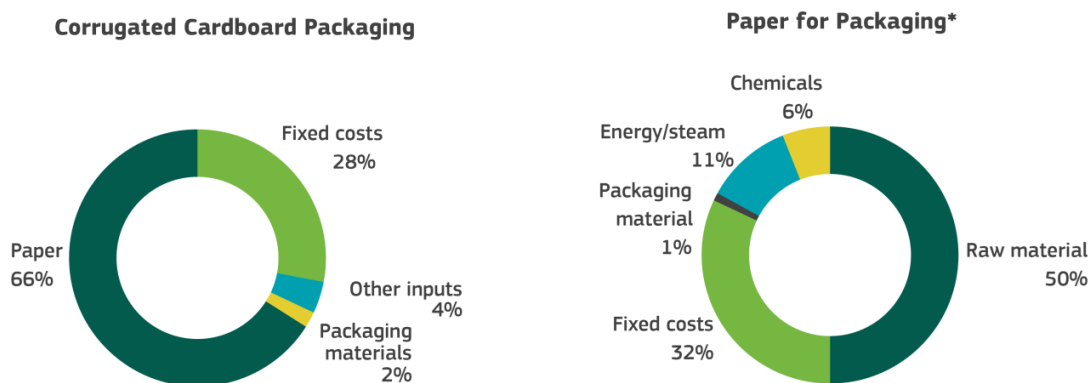
Irani's principal segment of operation is the Corrugated Cardboard Packaging, which accounts for 57% of consolidated net income in 3Q18, followed by the segments of Packaging Paper with 32%, and Forestry RS and Resins, with 11%.



2.2 Cost of goods sold

The cost of products sold in 3Q18 was R\$ 173,601 thousand, 10.1% higher than in 3Q17 in absolute numbers. Change in fair value of biological assets is not considered in the cost value of sold products.

The formation of the cost per Irani's segment of operation in 3Q18 is shown in the graphs below.



*the formation of the cost of the Packaging Paper Segment does not consider the change in the fair value of biological assets.

(A free translation of the original in Portuguese)

Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

2.3 Operating income and expenses

Sales expenses in 3Q18 totaled R\$ 23,241 thousand, representing 9.4% of consolidated net income against 9.7% in 3Q17.

Administrative expenses in 3Q18 were 10.4% higher in relation to 3Q17, totaling R\$ 14,337 thousand (R\$ 12,992 thousand in 3Q17) and represented 5.8% of consolidated net income, as well as in 3Q17.

Other operating income/expenses resulted in an income of R\$ 9,434 thousand in 3Q18 against an expense of R\$ 10,587 thousand in 3Q17.

3. OPERATING CASH (ADJUSTED EBITDA)

Consolidated (R\$ thous.)	3Q18	2Q18	3Q17	Change 3Q18/2Q18	Change 3Q18/3Q17	9M18	9M17	Change 9M18/9M17	UDM18	UDM17	Change UDM18/UDM17
Operating Income (loss) before Taxes and Interest	24,476	7,326	2,904	234.1%	742.8%	34,047	(17,844)	-	(48,680)	(36,191)	34.5%
Depletion	2,215	4,189	3,685	-47.1%	-39.9%	11,606	6,346	82.9%	47,021	7,231	550.3%
Depreciation and amortization	13,608	12,293	13,796	10.7%	-1.4%	38,530	39,777	-3.1%	52,568	56,342	-6.7%
Financial income (loss)	26,758	23,824	24,324	12.3%	10.0%	72,147	79,555	-9.3%	98,898	107,910	-8.4%
EBITDA	67,057	47,632	44,709	40.8%	50.0%	156,330	107,834	45.0%	149,807	135,292	10.7%
EBITDA margin	27.0%	21.8%	19.9%	5.2p.p.	7.1p.p.	22.6%	17.2%	5.4p.p.	16.2%	16.5%	-0.3p.p.
Adjustments according to CVM Instruction 527/12											
Change in fair value of biological assets ⁽¹⁾	(4,960)	(3,306)	(5,849)	50.0%	-15.2%	(9,083)	(11,165)	-18.6%	12,929	(23,243)	-
Non-recurring events ⁽²⁾	(9,682)	(4,045)	1,316	139.4%	-835.7%	(12,210)	6,316	-293.3%	23,846	10,300	131.5%
Adjusted EBITDA	52,415	40,281	40,176	30.1%	30.5%	135,037	102,985	31.1%	186,582	122,349	52.5%
Adjusted EBITDA Margin	21.1%	18.4%	17.9%	2.7p.p.	3.2p.p.	19.5%	16.4%	3.1p.p.	20.2%	14.9%	5.3p.p.

¹ Change in the fair value of biological assets, since it does not mean cash reduction in the period.

² Non-recurring events: The amount of (R\$ 9,682 thousand) in (3T18) refers to the reversal of non-recurring tax provisions.

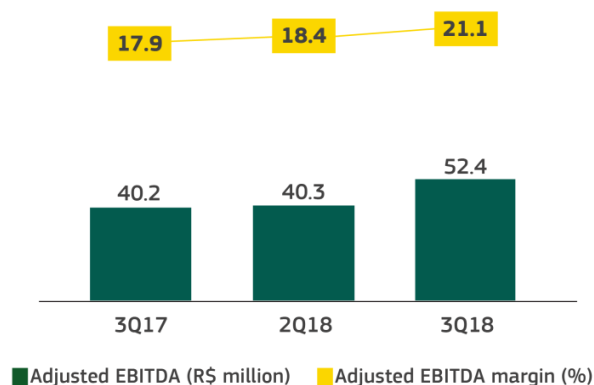
The operating cash generation, measured by the Adjusted EBITDA, totaled R\$ 52,415 thousand in 3Q18, an increase of 30.5% in relation to 3Q17 mainly due to the better performance of margins in the period, and 30.1% in relation to 2Q18 mainly due to the increase in volume and better margins realized in the period. The adjusted EBITDA margin in 3Q18 reached 21.1%, an increase of 3.2 percentage points in relation to 3Q17 and when compared to 2Q18, 2.7%.

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

Adjusted EBITDA (R\$ million) and Adjusted EBITDA Margin (%)



4. FINANCIAL INCOME (LOSS) AND INDEBTEDNESS

The financial income (loss) was R\$ 26,758 thousand negative in 3Q18, representing a 10.0% increase when compared to 3Q17, negatively affected by the depreciation of the Brazilian real against the dollar. In relation to 2Q18 it recorded an increase of 12.3% negatively affected by a higher hedge accounting realization and depreciation of the Brazilian real against the dollar. In 3Q18, financial expenses totaled R\$ 35,504 thousand against R\$ 31,173 thousand in 3Q17, and R\$ 30,348 thousand in 2Q18. Financial income reached R\$ 8,746 thousand in 3Q18 against R\$ 6,849 thousand in the same period last year and R\$ 6,524 thousand in 2Q18.

The financial result is distributed as follows:

R\$ thousand	3Q18	2Q18	3Q17	9M18	9M17	UDM18 ¹	UDM17 ¹
Financial income	8,746	6,524	6,849	20,213	20,890	21,265	32,971
Financial expenses	(35,504)	(30,348)	(31,173)	(92,360)	(100,445)	(120,163)	(140,881)
Financial income (loss)	(26,758)	(23,824)	(24,324)	(72,147)	(79,555)	(98,898)	(107,910)

¹Accumulated in the past twelve months.

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

Financial income and expenses include asset and liability exchange-rate changes, as follows:

R\$ thousand	3Q18	2Q18	3Q17	9M18	9M17	UDM18 ¹	UDM17 ¹
Foreign-exchange income	7,074	4,854	4,972	15,749	11,466	17,945	17,345
Foreign exchange costs	(8,624)	(4,035)	(4,978)	(15,762)	(20,199)	(18,022)	(30,075)
Net exchange rate change	(1,550)	819	(6)	(13)	(8,733)	(77)	(12,730)

¹Accumulated in the past twelve months.

The financial income (loss) without exchange-rate change is as follows:

R\$ thousand	3Q18	2Q18	3Q17	9M18	9M17	UDM18 ¹	UDM17 ¹
Financial income (loss) without exchange-rate change	(25,208)	(24,643)	(24,318)	(72,134)	(70,822)	(98,821)	(95,180)

¹Accumulated in the past twelve months.

In order to hedge exports in the coming years, the Company maintains the flow of maturity of commitments denominated in foreign currency (dollar) in line with the forecasts of receipt in the same currency. The exchange-rate change of these operations is being recorded on monthly basis in the Shareholders' Equity and is recognized in the income (loss) as financial expense upon realization (hedge accounting). In 3Q18, the negative amount of R\$ 12,186 thousand (R\$ 8,043 thousand net of taxes in the shareholders' equity) was recognized as hedge accounting, and the amount recognized in the income (loss) as financial expense was R\$ 2,237 thousand. In the accumulated, the Company maintains R\$ 182,860 thousand of exchange-rate change of hedge accounting, to be recognized in the income (loss) upon realization over the coming years, of which R\$ 120,688 thousand are recognized in the Shareholders' Equity (net of taxes).

Foreign exchange

The exchange rate which was R\$ 3.17/US\$ on September 30, 2017, was 26.2% higher at the end of September 2018, and reached R\$ 4.00/US\$. The average exchange rate for this quarter was R\$ 3.96/US\$, 9.7% higher than in 2Q18 and 25.3% higher in relation to the same period of 2017.

	3Q18	2Q18	3Q17	Δ3Q18/2Q18	Δ3Q18/3Q17
Average foreign exchange rate - Dollar	3.96	3.61	3.16	+9.7%	+25.3%
Final foreign exchange rate - Dollar	4.00	3.86	3.17	+3.6%	+26.2%

Source: Bacen

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

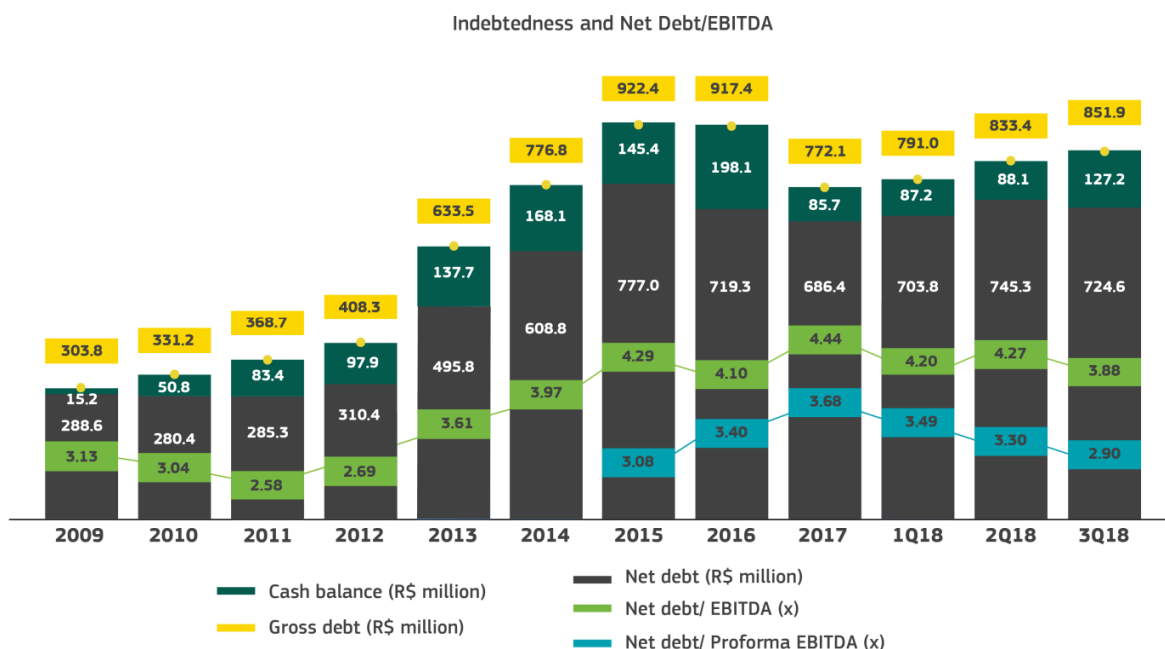
Comments on Company performance

Indebtedness

The consolidated net indebtedness on September 30, 2018 totaled R\$ 851.9 million against R\$ 833.4 million on June 30, 2018. The change in this indicator was due to the depreciation of the Brazilian real against the dollar and the settlements for the period. The gross indebtedness profile as of September 30 was 30% maturing in the short-term and 70% maturing in the long term.

The consolidated cash balance on September 30, 2018 totaled R\$ 127.2 million against R\$ 88.1 million on June 30, 2018. Mainly impacted by funding of financial transactions and operating cash generation.

The consolidated net indebtedness on September 30, 2018 totaled R\$ 724.6 million against R\$ 745.3 million on June 30, 2018. The Net Debt/EBITDA indicator decreased from 4.27 times at the end of 2Q18 to 3.88 times in the end of 3Q18. Excluding from the Net Debt the exchange-rate change recorded as hedge accounting (Note 29 – Cash Flow Hedge), the Net Debt/Pro-forma EBITDA indicator would be 2.90 times at the end of 3Q18.

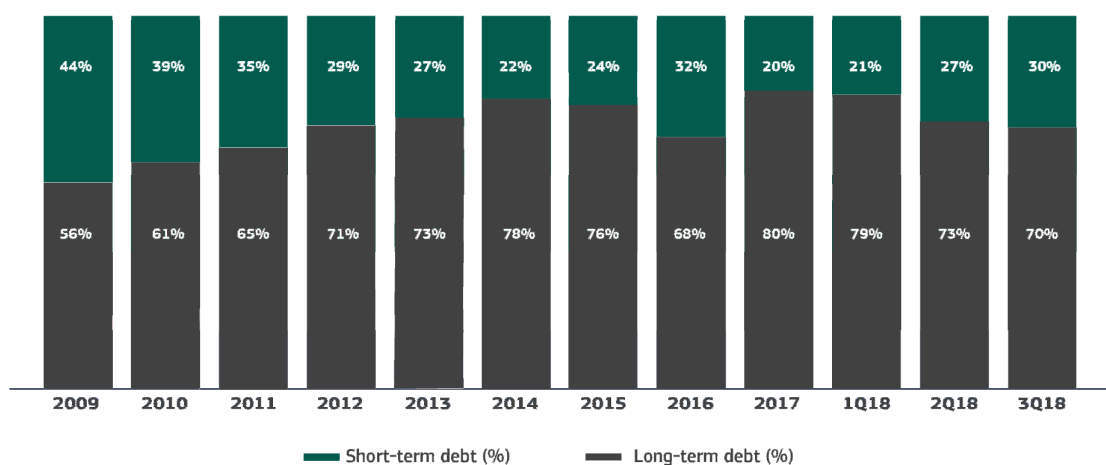


(A free translation of the original in Portuguese)

Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

Profile of gross indebtedness



5. NET INCOME (LOSS)

In 3Q18, the net income (loss) was R\$ 22,020 thousand of income against R\$ 3,180 thousand of income in 3Q17, and R\$ 5,278 thousand of income in 2Q18. In the YTD, 9M18, the net income (loss) was R\$ 22,042 thousand of income compared to negative R\$ 9,752 thousand in the same period of the prior year. This change is mainly due to the improvement of margins in view of higher prices in the period, combined with stable costs, result of management programs implemented by the Company.

6. INVESTMENTS

The Company maintains its strategy to invest in the modernization and automation of its production processes on a cautious basis.

Investments in this quarter amounted to R\$ 21,037 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company.

(A free translation of the original in Portuguese)

Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

Comments on Company performance

In thousand of reais	3Q18	9M18
Land	-	21
Buildings	-	79
Equipment	11,817	36,423
Intangible assets	4,842	13,809
Reforestation	4,378	8,427
Total	21,037	58,759

7. CAPITAL MARKET

Irani's capital, on September 30, 2018, was composed of 166,720,235 shares, of which 153,909,975 (92%) are common shares and 12,810,260 (8%) are preferred shares. On September 30, 2018, the Company held 2,376,100 treasury shares, of which 24,000 are common shares and 2,352,100 are preferred shares. In the same period, common shares were traded at R\$ 2.15 whereas preferred shares were traded at R\$ 2.04.

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CELULOSE IRANI S.A.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS AT SEPTEMBER 30, 2018

(All amounts in thousands of reais unless otherwise stated)

1. OPERATIONS

Celulose Irani S.A. ("Company") is a corporation listed on the Novo Mercado 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.

On September 30, 2018, the Company has negative net working capital in the amount of R\$ 14.594 thousand (current assets of R\$ 396.501 thousand and current liabilities of R\$ 411.095 thousand), related mainly to the short-term loans and financing, which were impacted in the period by the effect of the local currency's (real) devaluation against the US dollar, which increased the amounts of this obligation. Management assessed the Company's settlement capacity of its short-term obligations, and concluded that there was no risk of going concern due to the expected cash generation for the period, and also for having a natural hedge for its foreign currency obligations for this period with the current exports.

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 interim financial statements was authorized by the Board of Directors on October 24, 2018.

2. PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements included in the Quarterly Information Form (ITR) have been prepared in accordance with the Technical Pronouncement CPC 21 - Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC), and the International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB),

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Notes to the Quarterly Information

and are presented in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of the Quarterly Information (ITR), 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 interim financial statements have been prepared under the historical cost convention, except for the biological assets and hedge instruments measured at their fair value.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Functional currency and translation of foreign currencies

The parent company and consolidated interim 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.

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Notes to the Quarterly Information

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, and 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.

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Quarterly information (ITR) –9/30/2018 - CELULOSE IRANI S.A.

Notes to the Quarterly Information

h) Investment properties

Investment properties are measured at cost.

Depreciation is recognized based on the estimated useful life of each asset on the straight-line basis, to fully write off the cost less the 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, where 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 is represented by 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 income 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.

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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 at 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 this quarter, 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

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its taxable profit, while the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. adopt a 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

Borrowings 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.

Changes in the hedging amounts classified in "Carrying value adjustments" within 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 period.

The amounts accumulated in equity are reclassified to the statement of income 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

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statement of income within "Finance results". The gain or loss relating to the ineffective portion is recognized in the statement of profit and loss for the period.

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 profit and loss for the period.

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 the related expenses are recorded in the statement of profit and loss for the period. 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

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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 the preparation of the interim financial statements, judgments, estimates and assumptions were used to account for certain assets, liabilities, revenues 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, in addition to the assistance of experts, where applicable.

Therefore, the interim 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 (Note 14).

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 190 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 XII, subitem “g”, 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), management has been monitoring, together with its legal advisors, the progress of this issue in the courts 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

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non-current assets and liabilities, and, where applicable, adjustments to realizable value.

t) Revenue recognition

CPC 47 / IFRS 15 – Revenue from Contracts with Customers, which introduces a new approach for the recognition of revenue from contracts with customers, became effective on January 1, 2018. This standard establishes a five-step model aimed at determining whether the specific accounting criteria have been met.

The new process comprises the following steps: i) identification of the contract with the customer; ii) identification of the contractual performance obligations; iii) determination of the transaction price; iv) allocation of the transaction price to the contractual performance obligations; and v) recognition of the revenue as the performance obligations are satisfied. Accordingly, revenue from contracts with customers should be recognized for the amount of consideration the Company expects to receive in exchange for the goods and financial services provided to the customers. Management's evaluation of the effects of the new standard did not identify any changes or impacts on the recognition of these revenues, as regards possible variations in the amounts recorded or in the control activities carried out, since these revenues are recognized as the control over products and services is transferred to the customer. Revenue is shown net of taxes, returns, rebates, and discounts and after eliminating revenue between related parties.

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 will be allocated 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 statement of value added, parent company and consolidated, 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.

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4. CONSOLIDATION OF THE INTERIM 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	9/30/2018	12/31/2017
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	99.56

* 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, was prepared at the same date as that of the parent company.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Fixed-income fund	29	29	33	31
Banks	19,523	8,860	19,608	9,060
Short-term investments	106,638	67,007	107,604	67,858
	<u>126,190</u>	<u>75,896</u>	<u>127,245</u>	<u>76,949</u>

The financial investments with immediate liquidity earn a fixed income at the average of 97 % of the Interbank Deposit Certificate (CDI) interest rate and mature in 90 days or less. These investments are held for the purpose of meeting short-term commitments.

6. TRADE RECEIVABLES

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Receivables from:				
Trade receivables - domestic market	159,134	156,145	160,714	157,179
Trade receivables - foreign market	30,543	27,508	30,543	27,508
	<u>189,677</u>	<u>183,653</u>	<u>191,257</u>	<u>184,687</u>
Provision for impairment of trade receivables	(16,812)	(16,513)	(16,862)	(16,563)
	<u>172,865</u>	<u>167,140</u>	<u>174,395</u>	<u>168,124</u>

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At September 30, 2018, consolidated trade receivables included an overdue amount of R\$ 12,313, related to customers with no history of default, for which no provision was recorded.

The aging analysis of trade receivables is as follows:

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Not yet due	160,975	153,891	162,082	154,811
Overdue for up to 30 days	6,874	14,187	7,139	14,230
Overdue from 31 to 60 days	1,463	4,872	1,618	4,892
Overdue from 61 to 90 days	174	2,616	174	2,616
Overdue from 91 to 180 days	1,101	2,227	1,102	2,227
Overdue for more than 180 days	19,090	5,860	19,142	5,911
	<u>189,677</u>	<u>183,653</u>	<u>191,257</u>	<u>184,687</u>

The average credit term on the sale of products is 50 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. Individual analyses, which take into consideration the credit risks, are performed for trade receivables that are not past due.

Changes in the provisions were as follows:

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Balance at the beginning of the period	(16,513)	(17,612)	(16,563)	(18,269)
Provision for recognized losses	(425)	(12,626)	(425)	(12,676)
Trade receivables written off during the period as uncollectible	126	13,725	126	14,382
Balance at the end of the period	<u>(16,812)</u>	<u>(16,513)</u>	<u>(16,862)</u>	<u>(16,563)</u>

A portion of receivables, amounting to R\$ 102,352, has been assigned as collateral for certain financing transactions, as disclosed in Note 16.

The credit quality of financial assets that were neither past due nor impaired at September 30, 2018 was assessed with reference to historical information on default rates, as follows:

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Quality of trade receivables

Customer category	History - %	Consolidated	
		Amount receivable	
a) Customers with no history of late payment	94.90	153,816	
b) Customers with history of late payment of up to 7 days	4.42	7,164	
c) Customers with history of late payment of more than 7 days	0.68	1,102	
		<u>162,082</u>	

- a) Performing customers with no history of late payment
b) Defaulting customers with a history of default of up to 7 days, with no history of delinquency.
c) Defaulting customers with a history of default of more than 7 days, with no history of delinquency.

7. INVENTORIES

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Finished goods	11.343	8.321	11.569	8.828
Production materials	39.432	39.056	39.432	39.056
Consumable materials	24.713	23.674	24.772	23.731
Other inventories	3.071	537	3.071	537
	<u>78.559</u>	<u>71.588</u>	<u>78.844</u>	<u>72.152</u>

The cost of inventories recognized as an expense in the third quarter of 2018 was R\$ 173,079 (R\$ 158,005 in the third quarter of 2017) in the parent company and R\$ 173,601 (R\$ 157,713 in the third quarter of 2017) in the consolidated, and for the period for the nine-month period ended September 30, 2018, the amount recognized in the income statement was R\$ 492,015 (R\$ 450,704 for the nine-month period ended September 30, 2017) in the parent company and R\$ 490,650 (R\$ 452,550 for nine-month period ended September 30, 2017) in the consolidated financial statements.

The cost of inventories recognized in the statement of profit and loss for the nine-month period of 2018 does not include a write-down to net realizable value.

A portion of inventories, amounting to R\$ 9,002, has been assigned as collateral for certain financing transactions, as disclosed in Note 16.

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8. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Value-added Tax on Sales and Services (ICMS)	5,122	4,313	5,122	4,313
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	113	832	113	832
Excise Tax (IPI)	196	400	196	400
Income tax	407	38	407	38
Social contribution	264	107	264	107
Income Tax Withheld at Source (IRRF) on investments	581	2,119	581	2,120
Other	-	15	1	15
	<u>6,683</u>	<u>7,824</u>	<u>6,684</u>	<u>7,825</u>
Current portion	4,421	5,757	4,422	5,758
Non-current portion	2,262	2,067	2,262	2,067

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 Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Banco do Brasil - New York - a)	-	6,188	-	6,188
Banco Rabobank - b)	-	2,149	-	2,149
Banco Original	-	395	-	395
Total current	<u>-</u>	<u>8,732</u>	<u>-</u>	<u>8,732</u>
Current portion	-	8,732	-	8,732

a) The balance with Bank 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 Bank Credit Suisse, and assumed by Bank of America on March 28, 2018, as disclosed in Note 16.

b) The balance with Bank Rabobank is represented by financial investments redeemed at the maturity dates, in the first quarter of 2018, and transactions to finance working capital contracted with the respective banks.

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10. OTHER ASSETS

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Advances to suppliers	2,619	3,563	2,698	3,638
Receivables from employees	1,891	1,354	2,050	1,390
Renegotiation with customers	20,389	21,713	20,389	21,713
Prepaid expenses	1,167	795	1,167	795
Other receivables	3,191	5,009	3,220	5,035
	<u>29,257</u>	<u>32,434</u>	<u>29,524</u>	<u>32,571</u>
Provision for impairment of trade receivables under renegotiation	<u>(14,508)</u>	<u>(14,074)</u>	<u>(14,508)</u>	<u>(14,074)</u>
	<u>14,749</u>	<u>18,360</u>	<u>15,016</u>	<u>18,497</u>
Current portion	11,355	13,635	11,595	13,746
Non-current portion	3,394	4,725	3,421	4,751

Renegotiations with customers - these 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. Individual analyses, which take into consideration the credit risks, are performed for trade receivables that are not past due.

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

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Balance at the beginning of the period	(14,074)	(5,407)	(14,074)	(5,407)
Provision for recognized losses	(434)	(10,964)	(434)	(10,964)
Renegotiations written off during the year as uncollectible	-	2,297	-	2,297
Balance at the end of the period	<u>(14,508)</u>	<u>(14,074)</u>	<u>(14,508)</u>	<u>(14,074)</u>

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.

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.

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In this quarter of 2018 and in 2017, 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 Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Deferred income tax asset				
On temporary provisions	537	4,137	537	4,137
On tax losses	17,093	17,093	17,093	17,093
Cash flow hedges	45,715	29,497	45,715	29,497
Deferred social contribution assets				
On temporary provisions	192	1,489	192	1,489
On tax losses	6,155	6,155	6,155	6,155
Cash flow hedges	16,458	10,619	16,458	10,619
	<u>86,150</u>	<u>68,990</u>	<u>86,150</u>	<u>68,990</u>
LIABILITIES	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Deferred income tax liabilities				
Exchange rate variation to be recognized on a cash basis	3,571	4,128	3,571	4,128
Fair value of biological assets	25,606	24,415	27,467	26,297
Deemed cost of property, plant and equipment	126,384	124,502	133,983	132,101
Government grants	539	590	539	590
Customer portfolio	633	781	633	781
Amortization of goodwill for tax purposes	17,371	14,675	17,371	14,675
Deferred social contribution liabilities				
Exchange rate variation to be recognized on a cash basis	1,285	1,486	1,285	1,486
Fair value of biological assets	9,218	8,789	10,223	9,806
Deemed cost of property, plant and equipment	45,498	44,823	48,234	47,558
Government grants	194	212	194	212
Customer portfolio	228	281	228	281
Amortization of goodwill for tax purposes	6,253	5,283	6,253	5,283
	<u>236,780</u>	<u>229,965</u>	<u>249,981</u>	<u>243,198</u>
Deferred tax liabilities (net)	<u>150,630</u>	<u>160,975</u>	<u>163,831</u>	<u>174,208</u>

In the period, 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:

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Deferred tax assets	Parent Company and Consolidated
<u>Year</u>	<u>9/30/2018</u>
2018	7,247
2019	16,663
2020	15,550
2021	12,631
2022 em diante	34,059
	<u>86,150</u>

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

Parent Company and Consolidated	Assets	Opening balance - 1/1/2018	Recognized in profit or loss	Recognized in equity	Offset against liabilities	Closing balance - 9/30/2018
Deferred tax assets related to:						
	Provision for profit sharing	(3,673)	3,673	-	-	-
	Provision for sundry risks	(1,953)	1,224	-	-	(729)
	Cash flow hedges	(40,116)	-	(22,057)	-	(62,173)
	Total temporary differences	(45,742)	4,897	(22,057)	-	(62,902)
	Tax losses	(23,248)	-	-	-	(23,248)
		<u>(68,990)</u>	<u>4,897</u>	<u>(22,057)</u>	<u>-</u>	<u>(86,150)</u>

Parent Company	Liabilities	Opening balance 01.01.17	Recognized in profit or loss	Closing balance 31.12.17	Recognized in profit or loss	Closing balance 9/30/2018
Deferred tax liabilities related to:						
	Exchange rate variations recognized on a cash basis	5,425	189	5,614	(758)	4,856
	Fair value of biological assets	41,745	(8,541)	33,204	1,620	34,824
	Deemed cost and review of useful lives	166,200	3,125	169,325	2,557	171,882
	Government grants	1,334	(532)	802	(69)	733
	Customer portfolio	1,332	(270)	1,062	(201)	861
	Amortization of goodwill for tax purposes	15,070	4,888	19,958	3,666	23,624
		<u>231,106</u>	<u>(1,141)</u>	<u>229,965</u>	<u>6,815</u>	<u>236,780</u>

Consolidated	Liabilities	Opening balance 01.01.17	Recognized in profit or loss	Closing balance 31.12.17	Recognized in profit or loss	Closing balance 9/30/2018
Deferred tax liabilities related to:						
	Exchange rate variations recognized on a cash basis	5,425	189	5,614	(758)	4,856
	Fair value of biological assets	45,055	(8,952)	36,103	1,587	37,690
	Deemed cost and review of useful lives	176,534	3,125	179,659	2,558	182,217
	Government grants	1,334	(532)	802	(69)	733
	Customer portfolio	1,332	(270)	1,062	(201)	861
	Amortization of goodwill for tax purposes	15,070	4,888	19,958	3,666	23,624
		<u>244,750</u>	<u>(1,552)</u>	<u>243,198</u>	<u>6,783</u>	<u>249,981</u>

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12. INVESTMENTS IN SUBSIDIARIES

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia	Total
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
Equity in the results of subsidiaries	(2,344)	12,611	(8)	-	10,259
Capital contribution	-	5,030	-	-	5,030
At September 30, 2018	131,262	96,139	548	249	228,198
		Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
Current					
Assets		2,724	30,997	14	14
Liabilities		(2,585)	(253)	-	-
Current assets/liabilities, net		139	30,744	14	14
Non-current					
Assets		144,145	65,952	535	237
Liabilities		(13,021)	(553)	-	-
Non-current assets/liabilities, net		131,124	65,399	535	237
Equity		131,263	96,143	549	251
Net revenue		13,233	19,111	-	-
Profit (loss) before taxation		(1,987)	13,338	(8)	-
Income tax and social contribution expense		(357)	(726)	-	-
Profit (loss) for the period		(2,344)	12,612	(8)	-
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.

During 2017, the parent company Celulose Irani S.A. transferred the total amount of 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.

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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. In the first quarter of 2018, Iraflor Comércio de Madeiras Ltda. received a capital contribution of R\$ 5,030 from its parent company Celulose Irani S.A., which was paid up through the transfer of forest assets.

On September 30, 2017, the partners decided to reduce the capital of the subsidiary Iraflor Comércio de Madeiras Ltda., which was excessive in relation to the entity'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).

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13. INVESTMENT PROPERTIES

Parent Company	Land	Buildings	Total
At December 31, 2017			
Opening balance	23,281	11,558	34,839
Disposals	(727)	-	(727)
Depreciation	-	(507)	(507)
Net book value	<u>22,554</u>	<u>11,051</u>	<u>33,605</u>
Cost	22,554	12,702	35,256
Accumulated depreciation	-	(1,651)	(1,651)
Net book value	<u>22,554</u>	<u>11,051</u>	<u>33,605</u>
At September 30, 2018			
Opening balance	22,554	11,051	33,605
Purchases	-	43	43
Disposals	(20)	(30)	(50)
Depreciation	-	(421)	(421)
Net book value	<u>22,534</u>	<u>10,643</u>	<u>33,177</u>
Cost	22,534	12,717	35,251
Accumulated depreciation	-	(2,074)	(2,074)
Net book value	<u>22,534</u>	<u>10,643</u>	<u>33,177</u>
Consolidated			
At December 31, 2017			
Opening balance	7,086	11,558	18,644
Disposals	(667)	-	(667)
Depreciation	-	(507)	(507)
Net book value	<u>6,419</u>	<u>11,051</u>	<u>17,470</u>
Cost	6,419	12,702	19,121
Accumulated depreciation	-	(1,651)	(1,651)
Net book value	<u>6,419</u>	<u>11,051</u>	<u>17,470</u>
At September 30, 2018			
Opening balance	6,419	11,051	17,470
Purchases	-	43	43
Disposals	(20)	(28)	(48)
Depreciation	-	(421)	(421)
Net book value	<u>6,399</u>	<u>10,645</u>	<u>17,044</u>
Cost	6,399	12,717	19,116
Accumulated depreciation	-	(2,072)	(2,072)
Net book value	<u>6,399</u>	<u>10,645</u>	<u>17,044</u>

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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\$ 16,133. 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. The land, as well as the buildings on the site, are currently rented for the operations and headquarters of the related party Koch Metalúrgica S.A.

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\$ 3,282, 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\$ 7,395.

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

	30.09.18	30.09.17
Rental income	632	940
Direct operating expenditures that generated rental income	(625)	(551)

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 used market inputs 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.

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14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

Parent Company

	Land	Buildings and Constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Leasehold improvements	Total
At December 31, 2017								
Opening balance	183,027	157,518	371,980	3,648	5,876	45,660	10,834	778,543
Purchases	-	33	7,959	1,810	613	24,695	-	35,110
Disposals	(5,909)	(89)	(611)	(100)	(35)	(2)	-	(6,746)
Transfers	-	3,431	21,147	1,637	2,573	(28,788)	-	-
Depreciation	-	(4,945)	(41,763)	(1,513)	(2,144)	-	(644)	(51,009)
Net book value	<u>177,118</u>	<u>155,948</u>	<u>358,712</u>	<u>5,482</u>	<u>6,883</u>	<u>41,565</u>	<u>10,190</u>	<u>755,898</u>
Cost	177,118	213,909	851,696	12,664	22,598	41,565	16,061	1,335,611
Accumulated depreciation	-	(57,961)	(492,984)	(7,182)	(15,715)	-	(5,871)	(579,713)
Net book value	<u>177,118</u>	<u>155,948</u>	<u>358,712</u>	<u>5,482</u>	<u>6,883</u>	<u>41,565</u>	<u>10,190</u>	<u>755,898</u>
At September 30, 2018								
Opening balance	177,118	155,948	358,712	5,482	6,883	41,565	10,190	755,898
Purchases	21	79	8,658	1,378	395	7,606	-	18,137
Disposals	-	(28)	(896)	(299)	(21)	(301)	-	(1,545)
Transfers	-	1,764	9,449	-	46	(11,259)	-	-
Depreciation	-	(3,941)	(28,919)	(1,345)	(1,373)	-	(481)	(36,059)
Net book value	<u>177,139</u>	<u>153,822</u>	<u>347,004</u>	<u>5,216</u>	<u>5,930</u>	<u>37,611</u>	<u>9,709</u>	<u>736,431</u>
Cost	177,139	215,724	868,907	13,743	23,018	37,611	16,061	1,352,203
Accumulated depreciation	-	(61,902)	(521,903)	(8,527)	(17,088)	-	(6,352)	(615,772)
Net book value	<u>177,139</u>	<u>153,822</u>	<u>347,004</u>	<u>5,216</u>	<u>5,930</u>	<u>37,611</u>	<u>9,709</u>	<u>736,431</u>

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Consolidated

	Land	Buildings and Constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Leasehold improvements	Total
At December 31, 2017								
Opening balance	251,329	158,999	372,046	3,976	6,280	45,660	10,834	849,124
Purchases	-	33	8,030	1,854	1,169	24,713	-	35,799
Disposals	(5,912)	(89)	(610)	(100)	(112)	(2)	-	(6,825)
Transfers	-	3,431	21,147	1,637	2,573	(28,788)	-	-
Depreciation	-	(5,126)	(41,782)	(1,612)	(2,716)	-	(644)	(51,880)
Net book value	<u>245,417</u>	<u>157,248</u>	<u>358,831</u>	<u>5,755</u>	<u>7,194</u>	<u>41,583</u>	<u>10,190</u>	<u>826,218</u>
Cost	245,417	218,432	851,862	13,267	23,199	41,583	16,061	1,409,821
Accumulated depreciation	-	(61,184)	(493,031)	(7,512)	(16,005)	-	(5,871)	(583,603)
Net book value	<u>245,417</u>	<u>157,248</u>	<u>358,831</u>	<u>5,755</u>	<u>7,194</u>	<u>41,583</u>	<u>10,190</u>	<u>826,218</u>
At September 30, 2018								
Opening balance	245,417	157,248	358,831	5,755	7,194	41,583	10,190	826,218
Purchases	21	79	8,766	1,378	451	8,085	-	18,780
Disposals	-	(28)	(896)	(299)	(21)	(301)	-	(1,545)
Transfers	-	1,764	9,449	-	46	(11,259)	-	-
Depreciation	-	(3,978)	(28,943)	(1,426)	(1,483)	-	(481)	(36,311)
Net book value	<u>245,438</u>	<u>155,085</u>	<u>347,207</u>	<u>5,408</u>	<u>6,187</u>	<u>38,108</u>	<u>9,709</u>	<u>807,142</u>
Cost	245,438	220,247	869,183	14,345	23,674	38,108	16,061	1,427,056
Accumulated depreciation	-	(65,162)	(521,976)	(8,937)	(17,487)	-	(6,352)	(619,914)
Net book value	<u>245,438</u>	<u>155,085</u>	<u>347,207</u>	<u>5,408</u>	<u>6,187</u>	<u>38,108</u>	<u>9,709</u>	<u>807,142</u>

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

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b) Breakdown of intangible assets

Parent Company

	Goodwill	Customer portfolio	<i>Software</i>	<i>Software</i> under development	Total
At December 31, 2017					
Opening balance	104,380	3,918	4,069	-	112,367
Purchases	-	-	1,696	-	1,696
Amortization	-	(792)	(1,183)	-	(1,975)
Net book value	<u>104,380</u>	<u>3,126</u>	<u>4,582</u>	<u>-</u>	<u>112,088</u>
Cost	104,380	7,081	12,321	-	123,782
Accumulated amortization	-	(3,955)	(7,739)	-	(11,694)
Net book value	<u>104,380</u>	<u>3,126</u>	<u>4,582</u>	<u>-</u>	<u>112,088</u>

At September 30, 2018

Opening balance	104,380	3,126	4,582	-	112,088
Purchases	-	-	282	13,527	13,809
Disposals	-	-	-	-	-
Amortization	-	(594)	(1,204)	-	(1,798)
Net book value	<u>104,380</u>	<u>2,532</u>	<u>3,660</u>	<u>13,527</u>	<u>124,099</u>
Cost	104,380	7,081	12,603	13,527	137,591
Accumulated amortization	-	(4,549)	(8,943)	-	(13,492)
Net book value	<u>104,380</u>	<u>2,532</u>	<u>3,660</u>	<u>13,527</u>	<u>124,099</u>

Consolidated

	Goodwill	Customer portfolio	<i>Software</i>	<i>Software</i> under development	Total
At December 31, 2017					
Opening balance	104,380	3,918	4,604	-	112,902
Purchases	-	-	1,696	-	1,696
Disposals	-	-	-	-	-
Amortization	-	(792)	(1,183)	-	(1,975)
Net book value	<u>104,380</u>	<u>3,126</u>	<u>5,117</u>	<u>-</u>	<u>112,623</u>
Cost	104,380	7,081	12,860	-	124,321
Accumulated amortization	-	(3,955)	(7,743)	-	(11,698)
Net book value	<u>104,380</u>	<u>3,126</u>	<u>5,117</u>	<u>-</u>	<u>112,623</u>
At September 30, 2018					
Opening balance	104,380	3,126	5,117	-	112,623
Purchases	-	-	282	13,527	13,809
Disposals	-	-	-	-	-
Amortization	-	(594)	(1,204)	-	(1,798)
Net book value	<u>104,380</u>	<u>2,532</u>	<u>4,195</u>	<u>13,527</u>	<u>124,634</u>
Cost	104,380	7,081	13,142	13,527	138,130
Accumulated amortization	-	(4,549)	(8,947)	-	(13,496)
Net book value	<u>104,380</u>	<u>2,532</u>	<u>4,195</u>	<u>13,527</u>	<u>124,634</u>

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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 - %	
	9/30/2018	12/31/2017
Buildings and constructions *	2.50	2.50
Equipment and facilities **	6.78	6.78
Furniture, fixtures 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 property, plant and equipment in the first nine-month period ended of 2018 and 2017 was as follows:

	Parent Company		Consolidated	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Assets used in admin.activities	1,611	435	1,870	594
Assets used in production	34,441	24,201	34,441	24,200
	36,052	24,636	36,311	24,794

The amortization of intangible assets for the first nine-month period ended of 2018 and 2017 is shown below:

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	Parent Company		Consolidated	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Assets used in admin.activities	1,528	794	1,528	794
Assets used in production	270	140	270	140
	<u>1,798</u>	<u>934</u>	<u>1,798</u>	<u>934</u>

e) Impairment of property, plant and equipment

No indicators of impairment were identified in the first nine-month period ended of 2018 that could affect 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:

	<u>9/30/2018</u>
Equipment and facilities	346,380
Buildings and constructions	115,522
Land	400,543
Total PP&E pledged as collateral	<u>862,445</u>

g) Customer portfolio

The customer portfolio acquired in the business combination was recognized in the initial moment, at the fair value of R\$ 7,081, and the amortization in the first nine-month period ended of 2018 amounted to R\$ 594 (R\$ 594 in the first nine-month period ended of 2017), resulting in a net carrying amount of R\$ 2,532. 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 based on the Capital Asset Pricing

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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 in the calculation of the discounted cash flow is presented below:

	<u>Assumptions</u>
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 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:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>9/30/2018</u>	<u>12/31/2017</u>	<u>9/30/2018</u>	<u>12/31/2017</u>
Development cost of biological assets	25,756	25,391	52,290	45,099
Difference in the fair value of biological assets	15,494	8,320	144,409	145,697
	<u>41,250</u>	<u>33,711</u>	<u>196,699</u>	<u>190,796</u>

In relation to the consolidated total biological assets, R\$ 107,201 (R \$ 99,700 as of December 31, 2017) are forests used as raw material for pulp and paper production, and are located near the pulp and paper mill in Vargem Bonita (SC), where they are consumed. Among these, the amount of R\$ 85,966 (R\$ 65,960 as of December 31, 2017) refers to planted forests formed that are more than six years old. The remaining values refer to forests planted in formation, which still require silvicultural treatments.

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The harvesting of these forests is mainly due to the use of raw material for the production of pulp and paper, and the forests are replanted once harvested, forming a renewal cycle that meets the production demand of the unit.

The consolidated biological assets used for the production of resins and log sales represent R\$ 89,498 (R\$ 91,096 as of December 31, 2017), and are located on the coast of Rio Grande do Sul. The resin extraction is performed according to the capacity of the generation of this product by the existing forest, and the extraction of wood for sale of logs is due to the supply demand 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 forests' projected production volumes 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		
	9/30/2018	12/31/2017	Impact on fair value of biological assets
Planted area (hectare)	18,205	17,475	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%	8.50%	Assumption increases, fair value decreases
Discount rate - Own Forests RS - %	9.50%	9.50%	Assumption increases, fair value decreases
Discount rate - Partnerships - %	9.00%	9.00%	Assumption increases, fair value decreases
Average net sales price (m3)	51.00	49.00	Assumption increases, fair value increases
Average Annual Increase (IMA) - SC Forests (*)	39.2	39.2	Assumption increases, fair value increases
Average Annual Increase (IMA) - RS Forests (*)	21.8	21.8	Assumption increases, fair value increases

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* 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 the period, 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 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 period were as follows:

	<u>Parent Company</u>	<u>Consolidated</u>
At 31/12/16	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)
Transfer for capitalization in subsidiary (Iraflor)	(7,896)	-
Changes in the fair value	(1,030)	(10,847)
At 12/31/2017	33,711	190,796
Development expenses	3,219	6,428
Forest acquisition	1,999	1,999
Depletion		
Historical cost	(2)	(1,364)
Fair value	(3)	(10,244)
Transfer for capitalization in subsidiary (Iraflor)	(5,030)	-
Changes in the fair value	7,356	9,084
At 9/30/2018	41,250	196,699

The depletion of biological assets in the first nine-month period ended of 2018 and nine-month period ended 2017 was substantially recognized in the statement of profit and loss for the period, after an initial allocation to inventories, when the forests are harvested to be 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

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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. Also in connection with the sale of 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 at the end of the lease period, 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 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 Company exercised the call options from 2016 to 2018, which amounted to approximately 1,650 hectares of forests. On June 21, 2018, the other call options were cancelled, including the 2018 option, with no call option remaining valid as of this date. As a result of the cancellation of the 2018 option, which had been exercised, the call options that were actually exercised are those relating to the 2016 and 2017 periods, which amount to approximately 1,450 hectares of forests.

In the first quarter of 2018, the contribution of new biological assets to the subsidiary Iraflor Comércio de Madeiras Ltda., amounting to R\$ R\$ 5,030, 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\$ 81,595, 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.

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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.

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16. BORROWINGS

a) Breakdown of accounting balances

	Annual charges - %	Parent Company		Consolidated	
		9/30/2018	12/31/2017	9/30/2018	12/31/2017
Current					
Local currency					
Finame	Fixed at 3,36%, TJLP + 5,00%, Selic + 5,59%	3,518	4,687	3,518	4,687
Working capital	Fixed at 9,84%, CDI + 5,84% and 136,4% of CDI	79,044	84,086	79,079	84,086
Working capital - Syndicated Loan	CDI + 5,00%	44,118	13,059	44,118	13,059
Finance lease	Fixed at 14,91%	1,262	928	1,262	928
BNDES	TJLP + 3,60%	10,030	8,413	10,030	8,413
Total local currency		137,972	111,173	138,007	111,173
Foreign currency					
Advances on foreign exchange contract	Fixed between 5,10% and 5,37%	19,584	26,800	19,584	26,800
Bank of America - PPE	Libor + 8,00%	41,582	467	41,582	467
Bank Santander - PPE	Libor + 6,95%	2,317	591	2,317	591
Bank Rabobank and Santander - PPE	Libor + 6,95%	52,258	14,195	52,258	14,195
Bank LBBW - FINIMP	Euribor + 1,55%	1,621	1,358	1,621	1,358
Bank De Lage Landen	8,20% p.a.	389	321	389	321
Total foreign currency		117,751	43,732	117,751	43,732
Total current		255,723	154,905	255,758	154,905
Non-current					
Local currency					
FINAME	Fixed at 3,36%, TJLP + 5,00%, Selic + 5,59%	2,891	6,339	2,891	6,339
Working capital	Fixed at 9,84%, CDI + 5,84% and 136,4% of CDI	149,466	111,118	149,530	111,118
Working capital - Syndicated Loan	CDI + 5,00%	132,064	162,310	132,064	162,310
Finance lease	Fixed at 14,91%	1,237	1,482	1,237	1,482
BNDES	TJLP + 3,60%	25,260	33,237	25,260	33,237
Total local currency		310,918	314,486	310,982	314,486
Foreign currency					
Bank of America - PPE	Libor + 8,00%	108,288	122,668	108,288	122,668
Bank Santander - PPE	Libor + 6,95%	6,612	6,734	6,612	6,734
Bank Rabobank and Santander - PPE	Libor + 6,95%	167,951	170,450	167,951	170,450
Bank LBBW - FINIMP	Euribor + 1,55%	1,605	2,053	1,605	2,053
Bank De Lage Landen	8,20% p.a.	678	800	678	800
Total foreign currency		285,134	302,705	285,134	302,705
Total non-current		596,052	617,191	596,116	617,191
Total		851,775	772,096	851,874	772,096
		Parent Company		Consolidated	
Long-term maturities:		9/30/2018	12/31/2017	9/30/2018	12/31/2017
2019		63,361	207,635	63,374	207,635
2020		240,826	168,280	240,864	168,280
2021		185,873	144,431	185,885	144,431
2022 a 2024		105,992	96,845	105,993	96,845
		596,052	617,191	596,116	617,191

On March 28, 2018, Bank Credit Suisse presented us the contract entered into with Bank of America NA, through which the latter became the creditor of the Company's Credit Agreement and Export Prepayment Agreement (PPE) CBSBBR20101000015.

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b) Schedule for amortization of funding costs

	Parent Company and Consolidated					
	2018	2019	2020	2021	2022	Total
In local currency						
Working capital	(407)	(947)	(540)	(179)	(48)	(2,121)
Working capital - Syndicated Loan CCE	(388)	(1,352)	(1,040)	(679)	(219)	(3,678)
Total local currency	(795)	(2,299)	(1,580)	(858)	(267)	(5,799)
In foreign currency						
Bank of America NA - PPE	(156)	(495)	(183)	(28)	-	(862)
Bank Rabobank and Santander - PPE	(247)	(838)	(634)	(406)	(129)	(2,254)
Total foreign currency	(403)	(1,333)	(817)	(434)	(129)	(3,116)
	(1,198)	(3,632)	(2,397)	(1,292)	(396)	(8,915)

c) Significant operations contracted in the period

i) Working Capital - Bank BTG Pactual - Export Credit Note (CCE): two facility contracts totaling R\$ 36.2 million, entered into with Bank BTG Pactual, maturing in March 2021, and subject to interest rate equivalent to the CDI variation plus 6.00% p.a. The borrowing will be repaid in monthly installments from April 2019. The extension of two export credit notes amounting to R\$ 33.6 million was also agreed upon, under the same conditions above.

ii) Working Capital - Bank Safra SA - Export Credit Note (CCE): two CCE contracts were signed with Bank Safra SA at an interest rate of 137% of CDI pa. In the case of: a contract in the amount of R \$ 10,000 with maturity final in August 2021, which will be settled in monthly installments beginning in October 2018, another agreement in the amount of R \$ 9,500 with final maturity in July 2021 with grace period of 12 months and payment of monthly interest from September 2018 and also extended the contract in the amount of R \$ 38,700 with grace period of 12 months, final maturity in July 2021 and payment of interest from September 2018, with the same interest rate mentioned above.

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\$ 260.953. Other transactions have specific guarantees, as follows:

- i) For the export prepayment financing contracted with Bank Credit Suisse, and transferred to Bank of America NA on March 28, 2018, the Company pledged as collateral the shares it holds in the subsidiary Habitasul Florestal S.A.
- ii) For the export prepayment financing contracted with Bank Rabobank and Santander, land and forests amounting to R\$ 164,700 were pledged as collateral.
- iii) For the Working Capital - Syndicated Loan, contracted with Bank Itaú, Santander and Rabobank, the Company pledged 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.

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- v) For the working capital loan (CCE) contracted with Bank BTG Pactual, secured and fiduciary guarantees consisting of the Company's assets and rights amounting to R\$ 59,220 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\$ 289,800, 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) Bank Itaú BBA - CCE
- ii) Bank Santander Brasil - PPE
- iii) Working Capital - Syndicated Loan
- iv) Bank Rabobank – CCE
- v) Bank Santander – CCE
- vi) Bank Rabobank and Santander - PPE
- vii) Working Capital - Bank BTG Pactual - CCE

a) Net debt/EBITDA ratio:

	Contracted 2018	Contracted 2019	Contracted 2020	Contracted 2021
i) Bank Itaú BBA – CCE	4	3.5	3.5	3.5
ii) Bank Santander Brasil – PPE	4	3.5	3.5	3.5
iii) Working Capital – Syndicated Loan	4	3.5	3.5	3.5
iv) Bank Rabobank – CCE	4	3.5	3.5	3.5
v) Bank Santander – CCE	4	3.5	3.5	3.5
vi) Bank Rabobank and Santander – PPE	4	3.5	3.5	3.5
vii) Working Capital – Bank BTG Pactual CCE	4.5	4	3.5	-

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b) EBITDA/net finance costs ratio:

	Contracted 2018	Contracted 2019	Contracted 2020	Contracted 2021
i) Bank Itaú BBA – CCE	1.75	2	2	2
ii) Bank Santander Brasil – PPE	1.75	2	2	2
iii) Working Capital – Syndicated Loan	1.75	2	2	2
iv) Bank Rabobank – CCE	1.75	2	2	2
v) Bank Santander – CCE	1.75	2	2	2
vi) Bank Rabobank and Santander – PPE	1.75	2	2	2
vii) Working Capital – Bank BTG Pactual CCE	1.50	2	2	-

As the financial ratios are measured annually, there was no need to measure them on September 30, 2018. At December 31, 2017, the Company had complied with the financial ratios agreed upon with the creditors mentioned in items i) to vi). The Company obtained a waiver from the creditor Bank BTG Pactual (CCE), mentioned in item vii), for non-compliance with the ratio mentioned in item "b", EBITDA/net finance costs.

Financial ratios quarterly verified:

Bank of America - PPE

a) Net debt/EBITDA ratio:

	1Q18 to 3Q18	4Q18 to 3Q19	4Q19 to 3Q20	4Q20 to 2Q21
Contracted	3	4.5	4	3.5
Computed	3.5 – 3.58 – 3,29	-	-	-

b) EBITDA/net finance costs ratio:

	1Q18	2Q18 e 3Q18	4Q18 to 2Q21
Contracted	1.5	1.75	2
Computed	2.09	2,12 – 2,23	-

At September 30, 2018, June 30, 2018 and March 31, 2018 the Company had complied with the financial ratios contracted with Bank of America, as well as had already served on December 31, 2017.

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

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f) Summary movement of loans and financings:

Parent Company	Cash Changes			Non-cash changes			31.12.17
	Received / (Payments) from Financing Activities	Interest payment		Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	
Loans, Financing and Debentures	917,375	(140,346)	(105,624)	106,175	(5,598)	114	772,096
Interest on Shareholders' Equity and Dividends	4,234	-	(4,143)	-	-	-	91

Parent Company	Cash Changes			Non-cash changes			30.09.18
	Received / (Payments) from Financing Activities	Interest payment		Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	
Loans, Financing and Debentures	772,096	5,564	(61,946)	71,190	64,871	-	851,775
Interest on Shareholders' Equity and Dividends	91	-	(52)	-	-	-	39

Consolidated	Cash Changes			Non-cash changes			31.12.17
	Received / (Payments) from Financing Activities	Interest payment		Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	
Loans, Financing and Debentures	917,375	(140,346)	(105,624)	106,175	(5,598)	114	772,096
Interest on Shareholders' Equity and Dividends	4,234	-	(4,143)	-	-	-	91

Consolidated	Cash Changes			Non-cash changes			30.09.18
	Received / (Payments) from Financing Activities	Interest payment		Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	
Loans, Financing and Debentures	772,096	5,663	(61,946)	71,190	64,871	-	851,874
Interest on Shareholders' Equity and Dividends	91	-	(52)	-	-	-	39

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17. TRADE PAYABLES

Payables to suppliers are as follows:

CURRENT LIABILITIES	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Internal				
Materials	56,928	59,042	57,494	59,276
Service providers	8,218	7,628	8,477	7,775
Carriers	11,779	14,867	11,802	14,876
Related parties	30,847	13,626	-	-
Other	1,036	629	1,036	629
Market				
Materials	250	395	250	395
	<u>109,058</u>	<u>96,187</u>	<u>79,059</u>	<u>82,951</u>

18. RELATED PARTIES

Parent Company	Receivables		Payables	
	9/30/2018	31.12.17	9/30/2018	31.12.17
Habitasul Florestal S.A.	-	-	1,211	1,890
Iraflor - Com. de Madeiras Ltda	-	-	29,425	11,725
Management compensation	-	-	787	799
Management profit sharing	-	-	692	692
Habitasul Desenvolvimentos Imobiliarios	17	17	-	-
Irani Geração de Energia Sustentável Ltda	-	13	-	-
Koch Metalúrgica S.A.	157	19,686	10	-
Irani Participações S/A	-	751	-	-
Total	<u>174</u>	<u>20,467</u>	<u>32,125</u>	<u>15,106</u>
Current portion	174	2,724	32,125	15,106
Non-current portion	-	17,743	-	-

Parent Company	Income		Expenses		Income		Expenses	
	Quarter ended		Quarter ended		Nine-month period ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Habitasul Florestal S.A.	-	-	2,828	1,367	-	-	8,197	6,760
Management bonus	-	-	-	-	-	-	-	5,000
Iraflor - Com. de Madeiras Ltda	-	-	3,304	5,735	-	-	16,011	7,345
Druck, Mallmann, Oliveira & Advogados Associados	-	-	72	72	-	-	216	217
MCFD Administração de Imóveis Ltda	-	-	324	324	-	-	972	983
PFD Administradora de Imóveis Ltda	-	-	324	-	-	-	972	-
Irani Participações S/A	-	-	2,416	120	-	-	6,996	360
Habitasul Desenvolvimentos Imobiliarios	-	-	44	44	-	-	132	132
Koch Metalúrgica S.A.	120	150	-	-	270	450	-	-
Management compensation	-	-	2,247	1,815	-	-	6,610	5,998
Total	<u>120</u>	<u>150</u>	<u>11,559</u>	<u>9,477</u>	<u>270</u>	<u>450</u>	<u>40,106</u>	<u>26,795</u>

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Consolidated	Receivables		Payables	
	9/30/2018	31.12.17	9/30/2018	31.12.17
Habitasul Desenvolvimentos Imobiliarios	17	17	-	-
Koch Metalúrgica S.A.	157	19,686	-	-
Management compensation	-	-	787	799
Irani Participações S/A	-	751	-	-
Management profit sharing	-	-	692	692
Total	174	20,454	1,479	1,491
Current portion	174	2,711	1,479	1,491
Non-current portion	-	17,743	-	-

Consolidated	Income		Expenses		Income		Expenses	
	Quarter ended		Quarter ended		Nine-month period ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Irani Participações S/A	-	-	2,416	120	-	-	8,197	360
Management bonus	-	-	-	-	-	-	-	5,000
Druck, Mallmann, Oliveira & Advogados Associados	-	-	72	72	-	-	972	217
MCFD Administração de Imóveis Ltda	-	-	324	324	-	-	972	983
PFD Administradora de Imóveis Ltda	-	-	324	-	-	-	-	-
Management compensation	-	-	2,247	1,829	-	-	6,610	6,051
Habitasul Desenvolvimentos Imobiliarios	-	-	44	44	-	-	132	132
Koch Metalúrgica S.A.	120	150	-	-	270	450	-	-
Total	120	150	5,427	2,389	270	450	16,883	12,743

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. are relate to receivables related to property rent in the amount of R\$ 20 and receivables related to the sale of goods in the amount of R\$ 137. These balances are maintained at historical values, without monetary updates nor interest rates. The related parties Irani Participações S.A. and Companhia Comercial de Imóveis are the guarantors of these balances. During this period, the Agreement was signed and distract from Equipment Purchase and Sale Agreements, under which the Company was reimbursed in cash of the total amount of the advance of R\$ 17,743. Also in this period the amount of R\$ 2,098 was received referring to the payment of receivables from rental of property.

In the nine-month period ended of 2018, management remuneration expenses, excluding payroll charges, totaled R\$ 6,610 in the parent company (R\$ 5,998 in the nine-month period ended of 2017), and R\$ 6,610 in the consolidated (R\$ 6,051 in the nine-month period ended of 2017).

The total management remuneration, in the maximum amount of R\$ 12,000, was approved at the Annual General Meeting held on April 30, 2018.

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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.

19. INSTALLMENTS TAXES

These are installments of PIS and COFINS in which the Company made compensations originating from the exclusion of ICMS from the basis of said contributions. The Company maintained a provision for contingencies in relation to the matter, and due to the delay and indecision regarding the modulation of the effects of the judgment in a general repercussion by the Federal Supreme Court (STF), it opted for its installment payment.

The total amount of tribute paid in installments was R\$ 25,219 (R\$ 31,349 updated with fine and interest), which was paid in 60 months. The balance of this installment as of September 30, 2018 is R\$ 30,389, of which R\$ 6,398 are classified in the short term and R\$ 23,991 are classified in the long term.

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 Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Civil contingencies	1,572	1,716	1,572	1,716
Labor contingencies	7,308	6,428	7,617	6,832
Tax contingencies	14,215	47,549	14,215	47,549
Total	23,095	55,693	23,404	56,097

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Changes in the balance of provisions:

Parent Company	12/31/2017	Provision	Payments	Reversal	9/30/2018
Civil	1,716	32	(28)	(148)	1,572
Labor	6,428	1,496	(616)	-	7,308
Tax	47,549	11,001	-	(44,335)	14,215
	<u>55,693</u>	<u>12,529</u>	<u>(644)</u>	<u>(44,483)</u>	<u>23,095</u>
Consolidated	12/31/2017	Provision	Payments	Reversal	9/30/2018
Civil	1,716	32	(28)	(148)	1,572
Labor	6,832	1,640	(642)	(213)	7,617
Tax	47,549	11,001	-	(44,335)	14,215
	<u>56,097</u>	<u>12,673</u>	<u>(670)</u>	<u>(44,696)</u>	<u>23,404</u>

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\$ 1,572 was recorded at September 30, 2018 to cover possible 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\$ 7,617 at September 30, 2018, which is considered sufficient to cover potential losses arising from labor contingencies.
- c) Provisions for tax contingencies total R\$ 14,215 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\$ 784, which await judgment.
 - ii) Recognition of ICMS Presumed Credit from 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 September 30, 2018 totaled R\$ 6,144, and a related provision for tax risks was recorded, at the adjusted amount of R\$ 8,492.

The Company maintained a provision for contingencies in relation to the compensation of PIS and COFINS arising from the exclusion of ICMS on the basis of these contributions, and due to the delay and indecision related to the modulation of the effects of the judgment in a general repercussion by the Supreme Court Federal Court (STF), opted for its installment payment. The total amount of tribute paid in installments was R\$ 25,219 (R\$ 31,349 restated with fine and interest), according to note 19.

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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 September 30, 2018, the amounts of these possible contingencies of a labor, civil, environmental and tax nature were as follows:

	Consolidated	
	9/30/2018	12/31/2017
Labor contingencies	11,137	15,289
Civil contingencies	7,909	7,897
Tax contingencies	99,289	70,389
	<u>118,335</u>	<u>93,575</u>

Labor contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R\$ 11,137 at September 30, 2018 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 procedural stages.

Civil contingencies:

The civil lawsuits classified by management and its legal counsel as involving risk of possible losses totaled R\$ 7,909 at September 30, 2018, and relate mainly to indemnity claims that are currently at different procedural stages.

Tax contingencies:

The tax lawsuits assessed by management and its legal counsel as involving possible losses totaled R\$ 97,992 at September 30, 2018, 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\$ 44,690 at September 30, 2018. 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 alleged undue tax credits, amounting to R\$ 33,979 at September 30, 2018. The Company has challenged these assessments at the administrative level and awaits judgment of the Special Appeals filed.
- 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 September 30, 2018 these proceedings amounted to R\$ 6,862. The Company is challenging these tax assessments at the administrative and judicial levels.

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- Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R\$ 5,908 at September 30, 2018. 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\$ 3,400 at September 30, 2018. The Company is challenging these tax assessments at the administrative and judicial levels.

21. EQUITY

a) Share capital

At September 30, 2018, and December 31, 2017, the Company's share capital 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 Company		Parent Company	
		9/30/2018		12/31/2017	
		Number of shares	Amount	Number of shares	Amount
i) Share buyback plan	Common shares	24,000	30	24,000	30
ii) Right to withdraw	Preferred shares	2,352,100	6,804	2,352,100	6,804
		<u>2,376,100</u>	<u>6,834</u>	<u>2,376,100</u>	<u>6,834</u>

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.

ii) 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.

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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) 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.

e) 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 September 30, 2018, net of tax effects, represented a gain of R\$ 189,835 (R\$ 196,545 at December 31, 2017).

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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\$ 120,689 at September 30, 2018 (R\$ 77,873 at December 31, 2017).

Changes in the carrying value adjustments account were as follows:

	<u>Consolidated</u>
At December 31, 2016	<u>127,507</u>
Cash flow hedges	3,695
Realization - deemed cost	(12,530)
At December 31, 2017	<u>118,672</u>
Cash flow hedges	(42,815)
Realization - deemed cost	(6,711)
At September 30, 2018	<u>69,146</u>

22. PROFIT (LOSS) PER SHARE

Basic and diluted earnings (loss) per share are calculated by dividing the profit (loss) 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:

	<u>Quarter ended at 9/30/2018</u>		
	Common shares (ON)	Preferred shares (PN)	Total shares (ON) and (PN)
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Profit for the year attributable to each category of shares	20,619	1,401	22,020
Basic and diluted loss per share - R\$	<u>0.1340</u>	<u>0.1340</u>	
	<u>Quarter ended at 9/30/2017</u>		
	Common shares (ON)	Preferred shares (PN)	Total shares (ON) and (PN)
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Profit for the year attributable to each category of shares	2,978	202	3,180
Basic and diluted loss per share - R\$	<u>0.0194</u>	<u>0.0194</u>	

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	Nine-month period ended at 9/30/2018		
	Common shares (ON)	Preferred shares (PN)	Total shares (ON) and (PN)
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Profit for the year attributable to each category of shares	20,639	1,403	22,042
Basic and diluted loss per share - R\$	0.1341	0.1341	

	Nine-month period ended at 9/30/2017		
	Common shares (ON)	Preferred shares (PN)	Total shares (ON) and (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	(9,131)	(621)	(9,752)
Basic and diluted loss per share - R\$	(0.0593)	(0.0593)	

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23. NET SALES REVENUE

The Company's net sales revenue comprises the following:

	Parent Company		Parent Company	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Gross sales revenue	313,119	285,190	866,833	809,873
Taxes on sales	(64,394)	(60,641)	(175,192)	(178,980)
Sales returns	(3,034)	(2,828)	(7,788)	(8,279)
Net sales revenue	<u>245,691</u>	<u>221,721</u>	<u>683,853</u>	<u>622,614</u>

	Consolidated		Consolidated	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Gross sales revenue	315,524	288,125	875,980	816,416
Taxes on sales	(64,463)	(60,886)	(175,822)	(179,459)
Sales returns	(3,042)	(2,884)	(7,947)	(8,406)
Net sales revenue	<u>248,019</u>	<u>224,355</u>	<u>692,211</u>	<u>628,551</u>

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24. COSTS AND EXPENSES BY NATURE

Costs and expenses by nature are as follows:

	Parent Company		Parent Company	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Fixed and variable costs (raw materials and consumables)	(131,521)	(114,476)	(377,396)	(331,318)
Personnel expenses	(35,896)	(37,378)	(111,055)	(107,333)
Changes in the fair value of biological assets	3,118	7,047	7,356	14,941
Depreciation, amortization and depletion	(13,518)	(13,750)	(25,726)	(39,572)
Freight	(13,138)	(11,760)	(35,441)	(34,015)
Services contracted	(5,984)	(5,366)	(18,139)	(16,899)
Other selling expenses	(10,103)	(9,590)	(29,221)	(30,176)
Total costs and expenses by nature	<u>(207,042)</u>	<u>(185,273)</u>	<u>(589,622)</u>	<u>(544,372)</u>
Cost	(173,079)	(158,005)	(492,015)	(450,704)
Expense	(37,081)	(34,315)	(104,963)	(108,609)
Changes in the fair value of biological assets	3,118	7,047	7,356	14,941
	Consolidated		Consolidated	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Fixed and variable costs (raw materials and consumables)	(126,935)	(108,245)	(343,885)	(319,494)
Personnel expenses	(38,647)	(39,638)	(118,758)	(114,640)
Changes in the fair value of biological assets	4,960	5,849	9,083	11,165
Depreciation, amortization and depletion	(15,823)	(17,481)	(50,136)	(46,123)
Freight	(13,138)	(11,760)	(35,441)	(34,015)
Services contracted	(6,533)	(5,675)	(19,298)	(17,835)
Other selling expenses	(10,103)	(9,590)	(29,221)	(30,176)
Total costs and expenses by nature	<u>(206,219)</u>	<u>(186,540)</u>	<u>(587,656)</u>	<u>(551,118)</u>
Cost	(173,601)	(157,713)	(490,650)	(452,550)
Expense	(37,578)	(34,676)	(106,089)	(109,733)
Changes in the fair value of biological assets	4,960	5,849	9,083	11,165

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25. OTHER OPERATING INCOME AND EXPENSES

Income	Parent Company		Parent Company	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Income from assets damaged and sold	367	97	935	595
Other operating income	518	614	1,264	2,176
	<u>885</u>	<u>711</u>	<u>2,199</u>	<u>2,771</u>
Expenses	Parent Company		Parent Company	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Cost of assets damaged and sold	(827)	(212)	(1,173)	(373)
Effect of adhesion to the Special Tax Regularization Program (PERT)	-	(1,316)	-	(1,316)
Exclusion of ICMS from the PIS/COFINS contribution base	3,606	(9,656)	(2,514)	(15,801)
Fine for exclusion of ICMS from the PIS/COFINS contribution base	6,645	-	4,350	-
Provision for credit losses receivable XKW Trading	-	-	500	-
Provision for subsidy from the state government of Minas Gerais	(411)	-	(1,244)	-
Other operating expenses	(471)	(136)	(688)	(1,033)
	<u>8,542</u>	<u>(11,320)</u>	<u>(769)</u>	<u>(18,523)</u>
Total	9,427	(10,609)	1,430	(15,752)

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Income	Consolidated		Consolidated	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Income from assets damaged and sold	367	97	935	645
Other operating income	526	627	1,488	2,200
	<u>893</u>	<u>724</u>	<u>2,423</u>	<u>2,845</u>
Expenses	Consolidated		Consolidated	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Cost of assets damaged and sold	(827)	(212)	(1,174)	(422)
Effect of adhesion to the Special Tax Regularization Program (PERT)	-	(1,316)	-	(1,316)
Exclusion of ICMS from the PIS/COFINS contribution base	3,606	-	(2,514)	-
Fine for exclusion of ICMS from the PIS/COFINS contribution base	6,645	(9,656)	4,350	(15,801)
Provision for credit losses receivable XKW Trading	-	-	500	-
Provision for subsidy from the state government of Minas Gerais	(411)	-	(1,244)	-
Other operating expenses	(472)	(127)	(702)	(1,028)
	<u>8,541</u>	<u>(11,311)</u>	<u>(784)</u>	<u>(18,567)</u>
Total	9,434	(10,587)	1,639	(15,722)

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.

During this period, the Company adjusted and reversed the provision, constituting a tax installment as detailed in note 19.

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26. FINANCE INCOME AND EXPENSES

	Parent Company		Parent Company	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Finance income				
Income from financial investments	1,317	859	3,201	6,501
Interest	306	989	964	1,994
Discounts obtained	38	28	270	87
	<u>1,661</u>	<u>1,876</u>	<u>4,435</u>	<u>8,582</u>
Foreign exchange variations				
Foreign exchange gains	7,074	4,972	15,749	11,465
Foreign exchange losses	<u>(8,624)</u>	<u>(4,978)</u>	<u>(15,712)</u>	<u>(20,199)</u>
Foreign exchange variations, net	<u>(1,550)</u>	<u>(6)</u>	<u>37</u>	<u>(8,734)</u>
Finance expenses				
Interest	(26,329)	(25,677)	(75,130)	(78,686)
Discounts granted	(251)	(122)	(553)	(252)
Discounts/bank expenses	(215)	(3)	(222)	(26)
Other	<u>(81)</u>	<u>(371)</u>	<u>(734)</u>	<u>(1,251)</u>
	<u>(26,876)</u>	<u>(26,173)</u>	<u>(76,639)</u>	<u>(80,215)</u>
Finance result, net	<u>(26,765)</u>	<u>(24,303)</u>	<u>(72,167)</u>	<u>(80,367)</u>
	Consolidated		Consolidated	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Finance income				
Income from financial investments	1,327	860	3,229	7,339
Interest	306	989	964	1,997
Discounts obtained	39	28	271	89
	<u>1,672</u>	<u>1,877</u>	<u>4,464</u>	<u>9,425</u>
Foreign exchange variations				
Foreign exchange gains	7,074	4,972	15,749	11,465
Foreign exchange losses	<u>(8,624)</u>	<u>(4,978)</u>	<u>(15,712)</u>	<u>(20,199)</u>
Foreign exchange variations, net	<u>(1,550)</u>	<u>(6)</u>	<u>37</u>	<u>(8,734)</u>
Finance expenses				
Interest	(26,332)	(25,677)	(75,136)	(78,686)
Discounts granted	(251)	(143)	(552)	(273)
Discounts/bank expenses	(215)	(3)	(223)	(35)
Other	<u>(82)</u>	<u>(372)</u>	<u>(737)</u>	<u>(1,252)</u>
	<u>(26,880)</u>	<u>(26,195)</u>	<u>(76,648)</u>	<u>(80,246)</u>
Finance result, net	<u>(26,758)</u>	<u>(24,324)</u>	<u>(72,147)</u>	<u>(79,555)</u>

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27. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent Company		Parent Company	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Operating profit (loss) before taxation	24,377	2,885	33,752	(18,103)
Standard tax rate	34%	34%	34%	34%
Tax credit (expense) at standard rate	(8,288)	(981)	(11,476)	6,155
Tax effect of permanent (additions) exclusions:				
Equity in the results of subsidiaries	1,042	459	3,488	(77)
Other permanent differences	4,889	817	(3,723)	2,273
	<u>(2,357)</u>	<u>295</u>	<u>(11,711)</u>	<u>8,351</u>
Current income tax and social contribution	-	-	-	-
Deferred income tax and social contribution	(2,357)	295	(11,711)	8,351
Effective tax rate - %	9.7	(10.2)	34.7	46.1

	Consolidated		Consolidated	
	Quarter ended		Nine-month period ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
Operating profit (loss) before taxation	24,476	2,904	34,047	(17,844)
Standard tax rate	34%	34%	34%	34%
Tax credit (expense) at standard rate	(8,322)	(987)	(11,576)	6,067
Tax effect of permanent (additions) exclusions:				
Equity in the results of subsidiaries				
Subsidiaries taxed under the presumed profit method	(1,043)	(462)	(5,336)	(192)
Other permanent differences	6,909	1,725	4,907	2,217
	<u>(2,456)</u>	<u>276</u>	<u>(12,005)</u>	<u>8,092</u>
Current income tax and social contribution	(67)	(81)	(326)	(455)
Deferred income tax and social contribution	(2,389)	357	(11,679)	8,547
Effective tax rate - %	10.0	(9.5)	35.3	45.3

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 September 30, 2018, 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

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liabilities of officers and directors (D&O), with a total amount of R\$ 479,340. 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 INSTRUMENTSCapital risk management

The Company's capital structure consists of its net debt (borrowings and debentures detailed in Note 16, 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 September 30, 2018, the capital structure comprised 31% of own capital and 69% of third-party capital, mainly due to the effects of the exchange rate variation on foreign currency debt, which accounts for 47,29% of the Company's total debt, and also the effects of the exchange rate variation on hedge accounting, which reduces equity by R\$ 120,688.

Debt to equity ratio

The debt to equity ratio at September 30, 2018 and December 31, 2017 was as follows:

	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Debt (a)	851,775	772,096	851,874	772,096
Cash and banks	(126,190)	(75,896)	(127,245)	(76,949)
Banks - restricted account	-	(8,732)	-	(8,732)
Net debt	<u>725,585</u>	<u>687,468</u>	<u>724,629</u>	<u>686,415</u>
Equity (b)	<u>319,940</u>	<u>340,713</u>	<u>319,948</u>	<u>340,721</u>
Debt to net assets ratio	<u>2.27</u>	<u>2.02</u>	<u>2.26</u>	<u>2.01</u>

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

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

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Categories of financial instruments

	Parent Company		Consolidated	
	<u>9/30/2018</u>	<u>12/31/2017</u>	<u>9/30/2018</u>	<u>12/31/2017</u>
Financial assets				
Fair value through profit or loss				
Cash and banks	126,190	75,896	127,245	76,949
Amortized cost				
Trade receivables	172,865	167,140	174,395	168,124
Other receivables	7,772	8,993	7,931	9,029
Banks - restricted account	-	8,732	-	8,732
Financial liabilities				
Amortized cost				
Borrowings	851,775	772,096	851,874	772,096
Trade payables	109,058	96,187	79,059	82,951

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 September 30, 2018 and December 31, 2017, these transactions resulted in a net liability exposure, as shown below.

As most of the borrowings in foreign currency are repayable in the long-term, the Company hedges the net foreign exchange exposure with the equivalent to 27 months of exports, based on the average of exports carried out in the nine-month period ended of 2018, and to 35 months of exports based on the average exports carried out in 2017.

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	Parent Company		Consolidated	
	9/30/2018	12/31/2017	9/30/2018	12/31/2017
Trade receivables	30,543	27,508	30,543	27,508
Banks - restricted account	-	6,188	-	6,188
Customer advances	374	(346)	374	(346)
Trade payables	(250)	(395)	(250)	(395)
Borrowings	(402,885)	(346,437)	(402,885)	(346,437)
Net exposure	<u>(372,218)</u>	<u>(313,482)</u>	<u>(372,218)</u>	<u>(313,482)</u>

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 is based on future market projections of B3 for the next reporting date (December 31, 2018).

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

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

Transaction	Balance at 30.09.18 US\$	Base scenario Gain (loss) R\$		Adverse scenario Gain (loss) R\$		Remote scenario Gain (loss) R\$	
		Rate		Rate		Rate	
Assets							
Trade receivables and Banks' restricted accounts	7,628	3.70	(2,304)	4.63	4,755	5.55	11,816
Liabilities							
Trade payables and advances from customers	31	3.70	(9)	4.63	19	5.55	48
Borrowings	(100,623)	3.70	<u>30,398</u>	4.63	<u>(62,723)</u>	5.55	<u>(155,865)</u>
Net effect			<u>28,085</u>		<u>(57,949)</u>		<u>(144,001)</u>

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 September 30, 2018 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 maintains 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

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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 (December 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 December 31, 2018.

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

Transaction	Index	Balance at 9/30/2018	Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
			Rate % p.a.	R\$	Rate % p.a.	R\$	Rate % p.a.	R\$
Cash and cash equivalents								
CDB	CDI	107,674	6.50%	115	8.13%	1,813	9.75%	3,512
Proceeds from borrowings								
Working capital	CDI	(394,176)	6.50%	(477)	8.13%	(7,527)	9.75%	(14,577)
BNDES	TJLP	(35,290)	6.98%	(148)	8.73%	(764)	10.47%	(1,380)
FINAME	TJLP	(3,751)	6.98%	(16)	8.73%	(81)	10.47%	(147)
FINAME	SELIC	(451)	6.50%	-	8.13%	(8)	9.75%	(15)
Financing - foreign currency	Libor 3M	(382,124)	2.44%	(186)	3.06%	(2,521)	3.67%	(4,856)
Financing - foreign currency	Euribor 6M	(3,226)	0.00%	-	0.00%	-	0.00%	-
Net effect				<u>(712)</u>		<u>(9,088)</u>		<u>(17,463)</u>

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:

- The accounting balances of 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.

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- Borrowings - considering the renegotiations of recent debts and the interest rates on borrowings contracted, and based on market information, management believes that the fair value of borrowings do not differ significantly from its 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 a 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) 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:

	<u>Consolidated</u>	
	9/30/2018	Agency
National rating AA- (br)	66,310	S&P
National rating A+ (br)	24,379	S&P
National rating AA (br)	16,915	Fitch
	<u>107,604</u>	

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, 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

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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 September 30, 2018, 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, which is based on net assets and liabilities.

Parent Company

	2018	2019	2020	2021	As from 2022
Liabilities					
Trade payables	109,058	-	-	-	-
Borrowings	71,924	361,275	292,338	201,772	108,947
	180,982	361,275	292,338	201,772	108,947

Consolidated

	2018	2019	2020	2021	As from 2022
Liabilities					
Trade payables	79,059	-	-	-	-
Borrowings	71,938	361,320	292,379	201,785	108,947
	150,997	361,320	292,379	201,785	108,947

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.

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 September 30, 2018, the Company did not have any derivative financial instrument contracted.

Cash flow hedge

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 Bank Credit Suisse, a PPE contract with Bank Rabobank and Santander, and a PPE contract with Bank Santander.

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The hedged cash flows are the estimated exports up to 2021, and the amount recorded in equity based on hedge accounting amounted to R\$ 120,688 at September 30, 2018 (R\$ 77,873 in December 2017).

	Parent Company and Consolidated 9/30/2018	Parent Company and Consolidated 31.12.17
Opening balance	117,989	123,587
Changes in cash flow hedges	67,665	3,867
Reclassification to the statement of profit and loss	(2,794)	(9,465)
	<u>182,860</u>	<u>117,989</u>
Opening balance	(40,116)	(42,019)
Taxes on changes in cash flow hedges	(23,006)	(1,315)
Taxes on reclassification to the statement of profit and loss	950	3,218
	<u>(62,172)</u>	<u>(40,116)</u>
Closing balance	<u>120,688</u>	<u>77,873</u>

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\$ 120,688.

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. The Company's revenue is segmented according to defined products and operating segments

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, in the state of Santa Catarina (SC), and Indaiatuba and Vila Maria, both in the state of São Paulo (SP).

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Packaging Paper: this segment produces low and high-weight Kraft paper and recycled paper for the domestic and foreign markets. In addition, part of its 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				Total
	Quarter ended 9/30/2018				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	
Net sales:					
Domestic market	142,849	49,730	2,074	-	194,653
Foreign market	-	28,841	24,525	-	53,366
Revenue from sales to third parties	142,849	78,571	26,599	-	248,019
Intersegment revenue	-	10,618	-	(10,618)	-
Total net sales	142,849	89,189	26,599	(10,618)	248,019
Changes in the fair value of biological assets	-	3,946	1,014	-	4,960
Cost of sales	(127,291)	(39,256)	(17,497)	10,443	(173,601)
Gross profit	15,558	53,879	10,116	(175)	79,378
Operating expenses	(9,473)	(4,757)	(2,704)	(11,210)	(28,144)
Operating result before finance income (expenses)	6,085	49,122	7,412	(11,385)	51,234
Finance income (expenses)	(10,183)	(15,253)	(1,322)	-	(26,758)
Net operating profit (loss)	(4,098)	33,869	6,090	(11,385)	24,476
Depreciation and amortization	(3,541)	(9,420)	(291)	(356)	(13,608)

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	Consolidated				Total
	Nine-month period ended 9/30/2018				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	
Net sales:					
Domestic market	420,474	139,762	6,784	-	567,020
Foreign market	-	64,839	60,352	-	125,191
Revenue from sales to third parties	420,474	204,601	67,136	-	692,211
Intersegment revenue	-	21,034	-	(21,034)	-
Total net sales	420,474	225,635	67,136	(21,034)	692,211
Changes in the fair value of biological assets	-	10,703	(1,620)	-	9,083
Cost of sales	(374,348)	(99,506)	(45,177)	28,381	(490,650)
Gross profit	46,126	136,832	20,339	7,347	210,644
Operating expenses	(48,132)	(16,762)	(6,867)	(32,689)	(104,450)
Operating result before finance income (expenses)	(2,006)	120,070	13,472	(25,342)	106,194
Finance income (expenses)	(31,479)	(37,192)	(3,476)	-	(72,147)
Net operating profit (loss)	(33,485)	82,878	9,996	(25,342)	34,047
Depreciation and amortization	(10,425)	(26,175)	(833)	(1,097)	(38,530)
	Consolidated				
	Quarter ended 9/30/2017				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	151,600	43,701	2,016	-	197,317
Foreign market	-	19,648	7,390	-	27,038
Revenue from sales to third parties	151,600	63,349	9,406	-	224,355
Intersegment revenue	-	10,826	-	(10,826)	-
Total net sales	151,600	74,175	9,406	(10,826)	224,355
Changes in the fair value of biological assets	-	11,040	(5,191)	-	5,849
Cost of sales	(130,102)	(29,789)	(8,406)	10,584	(157,713)
Gross profit	21,498	55,426	(4,191)	(242)	72,491
Operating expenses	(25,061)	(7,139)	(1,032)	(12,031)	(45,263)
Operating result before finance income (expenses)	(3,563)	48,287	(5,223)	(12,273)	27,228
Finance income (expenses)	(10,633)	(12,175)	(1,516)	-	(24,324)
Net operating profit (loss)	(14,196)	36,112	(6,739)	(12,273)	2,904
Depreciation and amortization	(3,223)	(9,589)	(258)	(369)	(13,439)

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	Consolidated				Total
	Nine-month period ended 9/30/2017				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	
Net sales:					
Domestic market	412,934	117,623	5,559	-	536,116
Foreign market	-	57,871	34,564	-	92,435
Revenue from sales to third parties	412,934	175,494	40,123	-	628,551
Intersegment revenue	-	30,929	-	(30,929)	-
Total net sales	412,934	206,423	40,123	(30,929)	628,551
Changes in the fair value of biological assets	-	22,510	(11,345)	-	11,165
Cost of sales	(367,794)	(82,894)	(32,311)	30,449	(452,550)
Gross profit	45,140	146,039	(3,533)	(480)	187,166
Operating expenses	(64,047)	(18,926)	(4,045)	(38,437)	(125,455)
Operating result before finance income (expenses)	(18,907)	127,113	(7,578)	(38,917)	61,711
Finance income (expenses)	(34,669)	(39,912)	(4,974)	-	(79,555)
Net operating profit (loss)	(53,576)	87,201	(12,552)	(38,917)	(17,844)
Depreciation and amortization	(9,321)	(28,636)	(719)	(1,101)	(39,777)

The amounts in the column "Corporate/eliminations" relate basically to expenses of the corporate support area, which are not apportioned between the segments, and the eliminations relate to 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 because the Company's management does not use this information by segment.

c) Net sales revenue

In the third quarter of 2018, net sales revenue totaled R\$ 248,019, (R\$ 224,355 in the third quarter of 2017), and in the nine-month period ended of 2018 the net sales revenue totaled R\$ 692,211 (R\$ 628,551 in the nine-month period ended of 2017).

Net sales revenue from exports in the third quarter of 2018 amounted to R\$ 53,366 (R\$ 27,038 in the third quarter of 2017), and in the nine-month period ended of 2018 the net sales revenue from exports

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totalled R\$ 125,191 (R\$ 92,435 in the nine-month period ended of 2017), relates to exports to various countries, as shown below:

Country	Net export revenue	% of total revenue, net	Country	Net export revenue	% of total revenue, net
China	9,478	3.82%	Argentina	3,987	1,78%
Argentina	7,726	3.12%	Saudi Arabia	3,696	1,65%
Germany	5,166	2.08%	France	2,507	1,12%
Saudi Arabia	4,760	1.92%	Germany	2,175	0,97%
Chile	2,912	1.17%	Chile	2,157	0,96%
Japan	2,893	1.17%	South Africa	1,936	0,86%
Paraguay	2,750	1.11%	Paraguay	1,505	0,67%
South Africa	2,624	1.06%	Peru	1,371	0,61%
Netherlands	2,106	0.85%	Japan	1,206	0,54%
Peru	1,837	0.74%	China	1,140	0,51%
India	1,817	0.73%	Netherlands	843	0,38%
Uruguay	1,151	0.46%	Bolivia	768	0,34%
Bolivia	1,146	0.46%	Kuwait	477	0,21%
Turkey	1,122	0.45%	Pakistan	453	0,20%
Hong Kong	1,106	0.45%	Turkey	417	0,19%
Mexico	1,083	0.44%	Uruguay	415	0,18%
Portugal	943	0.38%	Mexico	405	0,18%
France	593	0.24%	Austria	319	0,14%
Austria	507	0.20%	Israel	238	0,11%
Colombia	435	0.18%	Colômbia	201	0,09%
Singapore	380	0.15%	Singapore	144	0,06%
United Kingdom	277	0.11%	India	143	0,6%
Israel	191	0.08%	United Kingdom	129	0,06%
Italy	179	0.07%	Hong Kong	81	0,03%
Estados Unidos	94	0.04%	Spain	75	0,03%
Egito	90	0.04%	Other Countries	250	0,11%
	<u>53,366</u>	<u>21.52%</u>		<u>27,038</u>	<u>14.52%</u>

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Country	Net export revenue	% of total revenue, net
Argentina	14,357	2.07%
Germany	13,992	2.02%
Saudi Arabia	13,066	1.89%
China	9,478	1.37%
France	7,178	1.04%
Chile	7,075	1.02%
Japan	6,797	0.98%
Paraguay	6,186	0.89%
South Africa	6,005	0.87%
Netherlands	5,622	0.81%
Peru	4,546	0.66%
Portugal	4,186	0.60%
India	4,162	0.60%
Turkey	3,692	0.53%
Mexico	3,353	0.48%
China	3,034	0.44%
Uruguay	2,702	0.39%
Hong Kong	2,237	0.32%
Bolivia	2,054	0.30%
Israel	942	0.14%
Singapore	848	0.12%
Colombia	736	0.11%
Austria	624	0.09%
United Kingdom	518	0.07%
Spain	342	0.05%
Italy	338	0.05%
Coveite	264	0.04%
Canada	261	0.04%
Pakistan	177	0.03%
Egito	173	0.02%
Other Countries	246	0.04%
	<u>125,191</u>	<u>18.09%</u>

Consolidated		
Nine-month period ended 9/30/2017		
Country	Net export revenue	% of total revenue, net
Saudi Arabia	11,341	1,8%
Germany	10,889	1,73%
China	10,129	1,61%
Argentina	9,142	1,45%
South Africa	6,350	1,01%
France	5,462	0,87%
Chile	5,452	0,87%
Paraguay	3,714	0,59%
Netherlands	3,412	0,54%
Japan	3,270	0,52%
Peru	2,666	0,42%
Kuwait	1,970	0,31%
Singapore	1,831	0,29%
Bolivia	1,801	0,29%
Turkey	1,644	0,26%
Uruguay	1,442	0,23%
Áustria	1,303	0,21%
Índia	1,238	0,20%
Portugal	1,237	0,20%
Spain	979	0,16%
Malásia	939	0,15%
Hong Kong	922	0,15%
Mexico	882	0,14%
Pakistan	869	0,14%
Israel	637	0,10%
Colômbia	607	0,10%
United Kingdom	389	0,06%
Noruega	380	0,06%
Canadá	341	0,05%
Sérvia	219	0,03%
Other Countries	978	0,16%
	<u>92,435</u>	<u>14,71%</u>

In the third quarter of 2018, net sales revenue in the domestic market totaled R\$ 194,653, (R\$ 197,317 in the third quarter of 2017), and in the nine-month period ended of 2018, the net sales revenue in the domestic market totaled R\$ 567,020 (R\$ 536,116 in the first nine-month period ended of 2017).

In the third quarter of 2018, a single customer accounted for 5.0% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R\$ 6,873. The Company's other sales in the domestic and foreign markets were spread over a number of customers, none of them accounting for more than 10% of net sales.

Notes to the Quarterly Information

31. OPERATING LEASE AGREEMENTS (PARENT COMPANY)

Rental of production plant properties

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.

Rental expenses net of taxes, where applicable, were recognized by the parent company in the third quarter of 2018, as follows:

- Rentals of production units = R\$ 715 (R\$ 715 in the third quarter of 2017);
- Rentals of commercial and administrative units = R\$ 92 (R\$ 80 in the third quarter of 2017).

Future commitments arising from these contracts totaled a minimum amount of R\$ 111,753 at September 30, 2018. The rentals were calculated at present value, using the accumulated Amplified Consumer Price Index (IPCA) for the last 12 months, i.e., 4.53% per year.

	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>After 5 years</u>	<u>Total</u>
Future operating leases	3,553	17,947	90,253	111,753
Operating leases at present value	3,399	15,310	55,190	73,899

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 in force 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) for the last 12 months, i.e., 4.53% per year.

	<u>Up to 1 year</u>	<u>From 1 to 5 years</u>	<u>After 5 years</u>	<u>Total</u>
Future operating leases	385	7,880	8,525	16,790
Operating leases at present value	369	6,721	5,863	12,953

Notes to the Quarterly Information

32. GOVERNMENT GRANTS

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

- i. ICMS/SC – 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 (10 years of fruition and 4 years of grace), from January 2009 to December 2022, or up to the limit of R\$ 55,199 of deferred ICMS. At September 30, 2018, the Company had deferred ICMS liabilities of R\$ 17,932 (R\$ 15,774 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 grants 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. NON-CASH TRANSACTIONS

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

During the nine-month period ended on September 30, 2018, the Company made payments for purchases of property, plant and equipment, amounting to R\$ 9,181, which were directly financed by suppliers. In addition, a capital contribution of R\$ 5,030 was made in the subsidiary Iraflor Comércio de Madeiras Ltda., through planted forests.

During the period of September 30, 2017, the Company made payments for purchases of property, plant and equipment, securities in the amount of R \$ 1,849, which were financed directly by suppliers.

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Notes to the Quarterly Information

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

Report on review of quarterly information - ITR

To the Board Members and Directors of

Celulose Irani S.A.
Porto Alegre - RS

Introduction

We have reviewed the interim, individual and consolidated financial information of Celulose Irani S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended September 30, 2018, which comprise the balance sheet on September 30, 2018 and related statements of profit or loss and of comprehensive income (loss) for the three and nine-month periods ended at that date, and of changes in equity and of cash flows for the nine-month period ended at that date, including explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As described in note 15 to the quarterly information, on April 11, 2016, the Company and its subsidiary Iraflor Comércio de Madeiras Ltda. entered into an agreement for purchase and sale of 4,644 hectares of forest, for the amount of R\$55,500 thousand, with Global Fund Reflorestamento e Exploração de Madeira Ltda. ("buyer"). On the same date, the buyer granted annual call options in favor of the Company's parent company (Irani Participações S.A.) and its subsidiaries, including the Company, in relation to the volume of forest wood, which could be exercised during a period of 11 years (as of 2016), for the fixed value established in the agreement, updated by the IPCA and that, on June 2018, were cancelled. Until the date of cancellation, the Company had exercised options related to the periods from 2016 to 2018, which amounted to approximately 1,650 hectares of forests.

As result of this transaction, in 2016 the Company recognized in its consolidated financial statements the amount of R\$ 55,500 thousand as income from sale of forests (other income) and R\$ 51,845 thousand as cost of forests sold (other expenses) in connection with the write-off of the respective forests (formerly classified as biological assets).

CPC 30 (R1) – Revenues and its equivalent IAS 18, in effect at the time of the transaction, indicate that if the seller retains risks and benefits of the property of an asset subject to repurchase option, the transaction is characterized as financing agreement and does not entail income recognition. Consequently, until the purchase options were canceled, this transaction should have been characterized as a financing agreement and the income should not have been recognized. If the transaction had been accounted for in this way, at the time of the cancellation of the options, the financing liability should be derecognized, generating a revenue under the financial caption "other operating income" and, as a consequence, the derecognition of the biological asset would generate an expense recognized under the financial caption "other operating expenses". As a result, the impacts of this transaction would have affected the statements of income, comprehensive income and the statements of cash flows for the nine-month periods ended

(A free translation of the original in Portuguese)

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(Unaudited)
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Report on review of quarterly information - ITR

September 30, 2018 and the corresponding information for 2017 presented for comparability purposes. The effects of this matter were not determined during the aforementioned periods.

Qualified conclusion on individual and consolidated interim information

Based on our review, except for the effects of the subject mentioned in “Basis for qualified conclusion” section, we are not aware of any other event that make us believe that individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission - CVM.

Other matters

Statements of added value

The individual and consolidated interim financial information related to statements of added value (DVA) for the nine-month period ended September 30, 2018, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value. Based on our review, except for the effects of the subject mentioned in “Basis for qualified conclusion” section, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Corresponding values

The corresponding amounts related to the individual and consolidated balance sheets as of December 31, 2017 were previously audited by other independent auditors who issued a report dated April 26, 2018 with qualified opinion regarding the subject mentioned in the paragraph "Basis for conclusion", and the individual and consolidated statement of income and comprehensive income for the period of three and nine months and changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2017 were previously reviewed by other independent auditors who issued a report dated November 6, 2017, unmodified. The corresponding amounts relating to the individual and consolidated statements of value added for the nine-month period ended September 30, 2017 were submitted to the same review procedures by those independent auditors and, based on their review, those auditors issued a report reporting that they were not aware of any fact that would lead them to believe that the DVA had not been drawn up, in all material respects, in a manner consistent with the individual and consolidated interim financial information taken as a whole.

Porto Alegre, October 31, 2018

KPMG Auditores Independentes
CRC SP-014428/F-7

(Original review report in Portuguese signed by)
Cristiano Jardim Seguecio
Accountant CRC SP-244525/O-9 T-RS

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Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

EXECUTIVE OFFICERS' STATEMENT ON THE INTERIM FINANCIAL STATEMENTS

For purposes of Article 25 of CVM Instruction 480/09

In the capacity of Directors of Celulose Irani S.A., a corporation headquartered at Rua General João Manoel, 157, 9º andar, sala 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled with EIN under No. 92.791.243/0001-03, WE DECLARE under the terms of paragraph 1 of article 25 of CVM Instruction 480, of December 7, 2009, that: (i) we have reviewed, discussed and agreed with the opinion expressed in the independent auditors' report in connection with the interim financial statements for the three-month period ended September 30, 2018; and (ii) we have reviewed, discussed and agreed with the Company's interim financial statements for the three-month period ended September 30, 2018.

Porto Alegre, RS, October 31, 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

(A free translation of the original in Portuguese)

Quarterly information (ITR) – 9/30/2018 - CELULOSE IRANI S.A.

(Unaudited)
Version: 1

EXECUTIVE OFFICERS' STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT

For purposes of Article 25 of CVM Instruction 480/09

In the capacity of Directors of Celulose Irani S.A., a corporation headquartered at Rua General João Manoel, 157, 9º andar, sala 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled with EIN under No. 92.791.243/0001-03, WE DECLARE under the terms of paragraph 1 of article 25 of CVM Instruction 480, of December 7, 2009, that: (i) we have reviewed, discussed and agreed with the opinion expressed in the independent auditors' report in connection with the interim financial statements for the three-month period ended September 30, 2018; and (ii) we have reviewed, discussed and agreed with the Company's interim financial statements for the three-month period ended September 30, 2018.

Porto Alegre, RS, October 31, 2018.

Sérgio Luiz Cotrim Ribas - CEO

Odivan Carlos Cargin - 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