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Celulose Irani S.A.

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

(A free translation of the original in Portuguese)

(Unaudited)

Version: 1

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Company information / Capital composition

Number of shares (In thousands)	Current quarter 6/30/2018
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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Parent company financial statements / balance sheet - assets

(All amounts in thousands of reais)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	1,525,206	1,499,886
1.01	Current assets	347,051	342,748
1.01.01	Cash and cash equivalents	86,962	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	156,422	167,140
1.01.03.01	Trade receivables	156,422	167,140
1.01.04	Inventories	80,578	71,588
1.01.06	Recoverable taxes	8,222	5,757
1.01.08	Other current assets	14,867	13,635
1.01.08.03	Other	14,867	13,635
1.02	Non-current assets	1,178,155	1,157,138
1.02.01	Long-term receivables	43,640	42,638
1.02.01.04	Accounts receivable	4,208	4,725
1.02.01.04.02	Other Accounts Receivable	4,208	4,725
1.02.01.06	Biological Assets	35,089	33,711
1.02.01.10	Other Non-Current Assets	4,343	4,202
1.02.01.10.03	Recoverable taxes	2,215	2,067
1.02.01.10.04	Judicial deposits	2,128	2,135
1.02.02	Investments	258,436	246,514
1.02.02.01	Equity investments	225,132	212,909
1.02.02.01.02	Investments in subsidiaries	225,132	212,909
1.02.02.02	Investment properties	33,304	33,605
1.02.03	Property, plant and equipment	756,302	755,898
1.02.03.01	Property, plant and equipment in operation	756,302	755,898
1.02.04	Intangible assets	119,777	112,088
1.02.04.01	Intangible assets	119,777	112,088

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Parent company financial statements / balance sheet - liabilities and equity

(All amounts in thousands of reais)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2.00	Total liabilities and equity	1,525,206	1,499,886
2.01	Current liabilities	377,973	313,451
2.01.01	Social and labor obligations	26,779	28,371
2.01.01.01	Payroll obligations	26,779	28,371
2.01.01.01.01	Social security obligations	26,779	28,371
2.01.02	Trade payables	96,600	96,187
2.01.03	Tax obligations	15,777	17,920
2.01.03.01	Federal taxes payable	8,637	9,336
2.01.03.01.03	Other federal taxes	8,637	9,336
2.01.03.02	State taxes payable	7,092	8,501
2.01.03.02.01	Taxes payable in installments	0	331
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	7,092	8,170
2.01.03.03	Municipal taxes payable	48	83
2.01.04	Borrowings	223,730	154,905
2.01.04.01	Borrowings	223,730	154,905
2.01.05	Other obligations	15,087	16,068
2.01.05.02	Other	15,087	16,068
2.01.05.02.01	Dividends and interest on capital payable	39	91
2.01.05.02.04	Other payables	12,631	14,515
2.01.05.02.05	Advances from customers	2,417	1,462
2.02	Non-current liabilities	841,270	845,722
2.02.01	Borrowings	609,583	617,191
2.02.01.01	Borrowings	609,583	617,191
2.02.02	Other obligations	12,567	11,863
2.02.02.02	Other	12,567	11,863
2.02.02.02.04	Other taxes payable	11,601	11,315
2.02.02.02.05	Other payables	966	548
2.02.03	Deferred taxes	152,417	160,975
2.02.03.01	Deferred income tax and social contribution	152,417	160,975
2.02.04	Provisions	66,703	55,693
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	66,703	55,693
2.03	Equity	305,963	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	63,682	59,186
2.03.06	Carrying value adjustments	79,426	118,672

Parent company financial statements / statement of profit and loss

All amounts in thousands of reais unless otherwise stated

Code	Description	Accumulated - current quarter 4/1/2018 to 6/30/2018	Accumulated - year 1/1/2018 to 6/30/2018	Accumulated - prior quarter in last year 4/1/2017 to 6/30/2017	Accumulated - prior year 1/1/2017 to 6/30/2017
3.01	Revenue from sales of goods, products and/or services	215,876	438,162	207,072	400,894
3.02	Cost of sales	-153,860	-314,701	-141,966	-284,804
3.02.01	Changes in the fair value of biological assets	2,660	4,238	3,893	7,895
3.02.02	Cost of goods sold	-156,520	-318,939	-145,859	-292,699
3.03	Gross profit	62,016	123,461	65,106	116,090
3.04	Operating income (expenses)	-31,010	-68,682	-41,175	-81,012
3.04.01	Selling expenses	-20,293	-41,421	-23,392	-43,506
3.04.02	General and administrative expenses	-13,786	-26,461	-18,406	-30,789
3.04.04	Other operating income	837	1,314	889	2,061
3.04.05	Other operating expenses	-1,378	-9,307	-6,680	-7,203
3.04.06	Equity in results of subsidiaries	3,610	7,193	6,414	-1,575
3.05	Profit before finance result and taxes	31,006	54,779	23,931	35,078
3.06	Finance result	-23,830	-45,404	-26,546	-56,063
3.06.01	Finance income	6,515	11,448	5,465	13,200
3.06.02	Finance costs	-30,345	-56,852	-32,011	-69,263
3.07	Profit (loss) before taxes on income	7,176	9,375	-2,615	-20,985
3.08	Income tax and social contribution	-1,898	-9,353	3,818	8,053
3.08.02	Deferred	-1,898	-9,353	3,818	8,053
3.09	Profit (loss) from continuing operations	5,278	22	1,203	-12,932
3.11	Profit (loss) for the period	5,278	22	1,203	-12,932
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.03210	0.00010	0.00730	-0.07870
3.99.01.02	Preferred shares	0.03210	0.00010	0.00730	-0.07870

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

(All amounts in thousands of reais)

Code	Description	Accumulated - current quarter 4/1/2018 to 6/30/2018	Accumulated - year 1/1/2018 to 6/30/2018	Accumulated - prior quarter in prior year 4/1/2017 to 6/30/2017	Accumulated – prior year 1/1/2017 to 6/30/2017
4.01	Profit (loss) for the period	5,278	22	1,203	-12,932
4.02	Other comprehensive income (loss)	-33,770	-34,772	-6,773	3,676
4.02.01	Cash flow hedges	-51,167	-52,685	-10,262	5,570
4.02.02	Income tax and social contribution - cash flow hedges	17,397	17,913	3,489	-1,894
4.03	Comprehensive income (loss) for the period	-28,492	-34,750	-5,570	-9,256

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

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 6/30/2018	Accumulated - Year 1/1/2017 to 6/30/2017
6.01	Net cash provided by (used in) operating activities	34,205	-25,208
6.01.01	Cash from operations	81,414	71,301
6.01.01.01	Profit (loss) before income tax and social contribution	9,375	-20,985
6.01.01.02	Change in Fair Value of Biological Assets	-4,238	-7,895
6.01.01.03	Depreciation, amortization and depletion	24,754	25,823
6.01.01.05	Proceeds from sales of permanent assets	1,630	931
6.01.01.06	Equity in the results of subsidiaries	-7,193	1,575
6.01.01.07	Changes in the provision for civil, labor and tax contingencies	11,192	6,608
6.01.01.08	Provision for impairment of trade receivables	246	660
6.01.01.09	Provision for Losses on Other Assets	434	2,042
6.01.01.12	Monetary variations and charges	45,214	62,542
6.01.02	Changes in assets and liabilities	-47,209	-96,509
6.01.02.01	Trade receivables	10,472	-17,241
6.01.02.02	Inventories	-8,990	-2,190
6.01.02.03	Recoverable taxes	-2,613	299
6.01.02.04	Other assets	-1,142	1,710
6.01.02.05	Dividends Received	0	16,778
6.01.02.06	Trade payables	-2,797	-40,895
6.01.02.07	Social security obligations	-1,592	2,019
6.01.02.08	Advances from customers	955	816
6.01.02.09	Tax obligations	-1,855	-3,027
6.01.02.10	Payment of interest on borrowings	-37,999	-52,739
6.01.02.11	Payment of interest on debentures	0	-2,184
6.01.02.12	Other payables	-1,648	145
6.02	Net cash provided by used in investing activities	-24,404	67,741
6.02.01	Purchases of property, plant and equipment	-29,577	-16,805
6.02.02	Purchases of biological assets	-2,263	-2,383
6.02.03	Purchases of intangible assets	-254	-1,149
6.02.05	Reduction of Capital in Subsidiaries	0	36,997
6.02.06	Proceeds from sales of assets	-1,042	-674
6.02.12	Banks - restricted account	8,732	51,755
6.03	Net cash provided by (used in) financing activities	1,265	-98,454
6.03.01	Payment of dividends and interest on capital	-52	-4,130
6.03.03	Debentures Paid	0	-27,430
6.03.04	Proceeds from borrowings	51,595	59,872
6.03.05	Repayments of borrowings	-50,278	-126,766

6.05	Increase (decrease) in cash and cash equivalents	11,066	-55,921
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	86,962	26,923

(A free translation of the original in Portuguese)

Parent company financial statements / statement of changes in equity - 1/1/2018 to 6/30/2018

(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	4,496	-39,246	-34,750
5.05.01	Profit (loss) for the period	0	0	0	22	0	22
5.05.02	Other comprehensive income (loss)	0	0	0	4,474	-39,246	-34,772
5.05.02.06	Achieving Assigned Cost	0	0	0	4,474	-4,474	0
5.05.02.08	Cash flow hedges	0	0	0	0	-34,772	-34,772
5.06	Internal changes in equity	0	0	-1,780	1,780	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,448	1,448	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-332	332	0	0
5.07	Closing balances	161,895	960	57,406	6,276	79,426	305,963

Parent company financial statements / statement of changes in equity - 1/1/2017 to 6/30/2017

(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	-8,458	-798	-9,256
5.05.01	Profit (loss) for the period	0	0	0	-12,932	0	-12,932
5.05.02	Other comprehensive income (loss)	0	0	0	4,474	-798	3,676
5.05.02.06	Achieving Assigned Cost	0	0	0	4,474	-4,474	0
5.05.02.08	Cash flow hedges	0	0	0	0	3,676	3,676
5.06	Internal changes in equity	0	0	-388	388	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-143	143	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-245	245	0	0
5.07	Closing balances	161,895	960	154,441	-8,070	126,709	435,935

Parent company financial statements / statement of value added

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 6/30/2018	Accumulated - Year 1/1/2017 to 6/30/2017
7.01	Revenue	554,221	530,946
7.01.01	Sales of goods, products and/or services	553,714	524,683
7.01.02	Other income	1,314	6,923
7.01.04	Changes in the provision for impairment of trade receivables	-807	-660
7.02	Inputs purchased from third parties	-313,635	-301,489
7.02.01	Cost of sales	-275,390	-258,417
7.02.02	Materials, electricity, outsourced services and other	-38,245	-41,030
7.02.03	Loss / Recovery of Assets	0	-2,042
7.03	Gross value added	240,586	229,457
7.04	Retentions	-20,516	-17,928
7.04.01	Depreciation, amortization and depletion	-24,754	-25,823
7.04.02	Other	4,238	7,895
7.04.02.01	Changes in the fair value of biological assets	4,238	7,895
7.05	Net value added generated	220,070	211,529
7.06	Value added received through transfer	18,641	11,625
7.06.01	Equity in the results of subsidiaries	7,193	-1,575
7.06.02	Finance income	11,448	13,200
7.07	Total value added to be distributed	238,711	223,154
7.08	Value added distributed	238,711	223,154
7.08.01	Personnel	83,212	79,461
7.08.01.01	Direct remuneration	64,849	62,618
7.08.01.02	Benefits	14,652	13,258
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,711	3,585
7.08.02	Taxes, fees and contributions	87,385	77,386
7.08.02.01	Federal	49,173	51,927
7.08.02.02	State	37,178	24,697
7.08.02.03	Municipal	1,034	762
7.08.03	Remuneration of third-party capital	61,838	74,377
7.08.03.01	Interest	56,852	69,263
7.08.03.02	Rentals	4,986	5,114
7.08.04	Remuneration of own capital	6,276	-8,070
7.08.04.03	Retained earnings/accumulated deficit	6,276	-8,070

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - assets

(All amounts in thousands of reais)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
1	Total assets	1,513,421	1,501,839
1.01	Current assets	350,479	345,461
1.01.01	Cash and cash equivalents	88,112	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	157,994	168,124
1.01.03.01	Trade receivables	157,994	168,124
1.01.04	Inventories	81,000	72,152
1.01.06	Recoverable taxes	8,223	5,758
1.01.08	Other current assets	15,150	13,746
1.01.08.03	Other	15,150	13,746
1.02	Non-current assets	1,162,942	1,156,378
1.02.01	Long-term receivables	198,467	200,067
1.02.01.04	Accounts receivable	4,235	4,751
1.02.01.04.02	Other Accounts Receivable	4,235	4,751
1.02.01.06	Biological Assets	189,578	190,796
1.02.01.10	Other Non-Current Assets	4,654	4,520
1.02.01.10.03	Recoverable taxes	2,215	2,067
1.02.01.10.04	Judicial deposits	2,439	2,453
1.02.02	Investments	17,170	17,470
1.02.02.02	Investment properties	17,170	17,470
1.02.03	Property, plant and equipment	826,993	826,218
1.02.03.01	Property, plant and equipment in operation	826,993	826,218
1.02.04	Intangible assets	120,312	112,623
1.02.04.01	Intangible assets	120,312	112,623

(A free translation of the original in Portuguese)

Consolidated financial statements / balance sheet - liabilities and equity

(All amounts in thousands of reais)

Code	Description	Current quarter 6/30/2018	Prior year 12/31/2017
2	Total liabilities and equity	1,513,421	1,501,839
2.01	Current liabilities	352,747	301,759
2.01.01	Social and labor obligations	27,829	28,895
2.01.01.01	Payroll obligations	27,829	28,895
2.01.01.01.01	Social security obligations	27,829	28,895
2.01.02	Trade payables	69,076	82,951
2.01.03	Tax obligations	16,554	18,692
2.01.03.01	Federal taxes payable	9,388	10,076
2.01.03.01.03	Other federal taxes	9,388	10,076
2.01.03.02	State taxes payable	7,107	8,523
2.01.03.02.01	Taxes payable in installments	0	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	59	93
2.01.04	Borrowings	223,764	154,905
2.01.04.01	Borrowings	223,764	154,905
2.01.05	Other obligations	15,524	16,316
2.01.05.02	Other	15,524	16,316
2.01.05.02.01	Dividend and interest on capital payable	39	91
2.01.05.02.04	Other payables	12,966	14,759
2.01.05.02.05	Advances from customers	2,519	1,466
2.02	Non-current liabilities	854,703	859,359
2.02.01	Borrowings	609,656	617,191
2.02.01.01	Borrowings	609,656	617,191
2.02.02	Other obligations	12,567	11,863
2.02.02.02	Other	12,567	11,863
2.02.02.02.04	Other taxes payable	11,601	11,315
2.02.02.02.05	Other payables	966	548
2.02.03	Deferred taxes	165,586	174,208
2.02.03.01	Deferred income tax and social contribution	165,586	174,208
2.02.04	Provisions	66,894	56,097
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	66,894	56,097
2.03	Consolidated equity	305,971	340,721
2.03.01	Share capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Revenue reserves	63,682	59,186
2.03.06	Carrying value adjustments	79,426	118,672
2.03.09	Non-controlling interests	8	8

Consolidated financial statements / statement of profit and loss

All amounts in thousands of reais unless otherwise stated

Code	Description	Accumulated - current quarter 4/1/2018 to 6/30/2018	Accumulated - Year 1/1/2018 to 6/30/2018	Accumulated - prior quarter in last year 4/1/2017 to 6/30/2017	Accumulated - Year 1/1/2017 to 6/30/2017
3.01	Revenue from sales of goods, products and/or services	218,835	444,192	208,859	404,196
3.02	Cost of sales	-153,026	-312,926	-136,919	-289,521
3.02.01	Changes in the fair value of biological assets	3,306	4,123	10,480	5,316
3.02.02	Cost of goods sold	-156,332	-317,049	-147,399	-294,837
3.03	Gross profit	65,809	131,266	71,940	114,675
3.04	Operating income/ expenses	-34,659	-76,306	-47,928	-80,192
3.04.01	Selling expenses	-20,293	-41,421	-23,392	-43,505
3.04.02	General and administrative expenses	-14,032	-27,090	-18,746	-31,552
3.04.04	Other operating income	1,045	1,530	894	2,122
3.04.05	Other operating expenses	-1,379	-9,325	-6,684	-7,257
3.05	Profit before finance result and taxes	31,150	54,960	24,012	34,483
3.06	Finance result	-23,824	-45,389	-26,328	-55,231
3.06.01	Finance income	6,524	11,467	5,685	14,041
3.06.02	Finance costs	-30,348	-56,856	-32,013	-69,272
3.07	Profit (loss) before taxes on income	7,326	9,571	-2,316	-20,748
3.08	Income tax and social contribution	-2,048	-9,549	3,519	7,816
3.08.01	Current	-161	-258	-123	-375
3.08.02	Deferred	-1,887	-9,291	3,642	8,191
3.09	Profit (loss) from continuing operations	5,278	22	1,203	-12,932
3.11	Consolidated profit (loss) for the period	5,278	22	1,203	-12,932
3.11.01	Attributable to owners of the Parent	5,278	22	1,203	-12,932
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.03210	0.00010	0.00730	-0.07870
3.99.01.02	Preferred shares	0.03210	0.00010	0.00730	-0.07870

(A free translation of the original in Portuguese)

Consolidated financial statements / statement of comprehensive income (loss)

(All amounts in thousands of reais)

Code	Description	Accumulated - current quarter 4/1/2018 to 6/30/2018	Accumulated - Year 1/1/2018 to 6/30/2018	Accumulated - prior quarter in last year 4/1/2017 to 6/30/2017	Accumulated - Year 1/1/2017 to 6/30/2017
4.01	Consolidated profit (loss) for the period	5,278	22	1,203	-12,932
4.02	Other comprehensive income (loss)	-33,770	-34,772	-6,773	3,676
4.02.01	Cash flow hedges	-51,167	-52,685	-10,262	5,570
4.02.02	Income tax and social contribution - cash flow hedges	17,397	17,913	3,489	-1,894
4.03	Consolidated comprehensive income (loss) for the period	-28,492	-34,750	-5,570	-9,256
4.03.01	Attributable to owners of the Parent	-28,492	-34,750	-5,570	-9,256

Consolidated financial statements / statement of cash flows - indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 6/30/2018	Accumulated - Year 1/1/2017 to 6/30/2017
6.01	Net cash provided by (used in) operating activities	36,348	-7,180
6.01.01	Cash from operations	98,263	75,484
6.01.01.01	Profit (loss) before income tax and social contribution	9,571	-20,748
6.01.01.02	Changes in the fair value of biological assets	-4,123	-5,316
6.01.01.03	Depreciation, amortization and depletion	34,311	28,642
6.01.01.05	Proceeds from sales of permanent assets	1,630	1,054
6.01.01.07	Provision for civil, labor and tax contingencies	10,979	6,608
6.01.01.08	Provision for impairment of trade receivables	246	660
6.01.01.09	Provision for Losses on Other Assets	434	2,042
6.01.01.12	Monetary variations and charges	45,215	62,542
6.01.02	Changes in assets and liabilities	-61,915	-82,664
6.01.02.01	Trade receivables	9,884	-17,494
6.01.02.02	Inventories	-8,848	-2,055
6.01.02.03	Recoverable taxes	-2,613	190
6.01.02.04	Other assets	-1,308	1,518
6.01.02.06	Trade payables	-17,351	-9,993
6.01.02.07	Social security obligations	-1,066	2,532
6.01.02.08	Advances from customers	1,053	830
6.01.02.09	Taxes payable	-2,110	-3,613
6.01.02.10	Payment of interest on borrowings	-37,999	-52,739
6.01.02.11	Payment of interest on debentures	0	-2,184
6.01.02.12	Other payables	-1,557	344
6.02	Net cash provided by (used in) investing activities	-26,556	29,174
6.02.01	Purchases of property, plant and equipment	-29,848	-16,885
6.02.02	Purchases of biological assets	-4,143	-3,870
6.02.03	Purchases of intangible assets	-254	-1,149
6.02.06	Proceeds from sales of assets	-1,043	-674
6.02.07	Capital Reduction of Non-Controllers	0	-3
6.02.12	Banks - restricted account	8,732	51,755
6.03	Net cash provided by (used in) financing activities	1,371	-98,454
6.03.01	Payment of dividends and interest on capital	-52	-4,130
6.03.03	Debentures Paid	0	-27,430
6.03.04	Proceeds from borrowings	51,708	59,872
6.03.05	Repayments of borrowings	-50,285	-126,766

6.05	Increase (decrease) in cash and cash equivalents	11,163	-76,460
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	88,112	27,425

Consolidated financial statements / statement of changes in equity - 1/1/2018 to 6/30/2018

(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	4,496	-39,246	-34,750	0	-34,750
5.05.01	Profit (loss) for the period	0	0	0	22	0	22	0	22
5.05.02	Other comprehensive income (loss)	0	0	0	4,474	-39,246	-34,772	0	-34,772
5.05.02.06	Achieving Assigned Cost	0	0	0	4,474	-4,474	0	0	0
5.05.02.08	Cash flow hedges	0	0	0	0	-34,772	-34,772	0	-34,772
5.06	Internal changes in equity	0	0	-1,780	1,780	0	0	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-1,448	1,448	0	0	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-332	332	0	0	0	0
5.07	Closing balances	161,895	960	57,406	6,276	79,426	305,963	8	305,971

Consolidated financial statements / statement of changes in equity - 1/1/2017 to 6/30/2017

(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	-8,458	-798	-9,256	0	-9,256
5.05.01	Profit (loss) for the period	0	0	0	-12,932	0	-12,932	0	-12,932
5.05.02	Other comprehensive income (loss)	0	0	0	4,474	-798	3,676	0	3,676
5.05.02.06	Achieving Assigned Cost	0	0	0	4,474	-4,474	0	0	0
5.05.02.08	Cash flow hedges	0	0	0	0	3,676	3,676	0	3,676
5.06	Internal changes in equity	0	0	-388	388	0	0	0	0
5.06.04	Realized revenue reserve - biological assets	0	0	-143	143	0	0	0	0
5.06.05	Realized revenue reserve - biological assets (subsidiaries)	0	0	-245	245	0	0	0	0
5.07	Closing balances	161,895	960	154,441	-8,070	126,709	435,935	7	435,942

Consolidated financial statements / statement of value added

(All amounts in thousands of reais)

Code	Description	Accumulated - Year 1/1/2018 to 6/30/2018	Accumulated - Year 1/1/2017 to 6/30/2017
7.01	Revenue	561,178	534,615
7.01.01	Sales of goods, products and/or services	560,455	528,292
7.01.02	Other income	1,530	6,983
7.01.04	Changes in the provision for impairment of trade receivables	-807	-660
7.02	Inputs purchased from third parties	-296,358	-295,911
7.02.01	Cost of sales	-257,680	-250,744
7.02.02	Materials, electricity, outsourced services and other	-38,678	-43,125
7.02.03	Loss / Recovery of Assets	0	-2,042
7.03	Gross value added	264,820	238,704
7.04	Retentions	-30,190	-23,326
7.04.01	Depreciation, amortization and depletion	-34,313	-28,642
7.04.02	Other	4,123	5,316
7.04.02.01	Changes in the fair value of biological assets	4,123	5,316
7.05	Net value added generated	234,630	215,378
7.06	Value added received through transfer	11,467	14,041
7.06.02	Finance income	11,467	14,041
7.07	Total value added to be distributed	246,097	229,419
7.08	Value added distributed	246,097	229,419
7.08.01	Personnel	87,743	84,188
7.08.01.01	Direct remuneration	67,903	65,970
7.08.01.02	Benefits	15,955	14,411
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,885	3,807
7.08.02	Taxes, fees and contributions	90,230	78,861
7.08.02.01	Federal	51,807	53,366
7.08.02.02	State	37,354	24,700
7.08.02.03	Municipal	1,069	795
7.08.03	Remuneration of third-party capital	61,848	74,440
7.08.03.01	Interest	56,856	69,272
7.08.03.02	Rentals	4,992	5,168
7.08.04	Remuneration of own capital	6,276	-8,070
7.08.04.03	Retained earnings/accumulated deficit	6,276	-8,070

Comments on Company performance

COMMENTS ON THE COMPANY'S PERFORMANCE IN THE SECOND 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$ 40.3 million in 2Q18 with margin of 18.4% and growth of 20.2% in relation to 2Q17

MAIN INDICATORS - CONSOLIDATED	2Q18	1Q18	2Q17	Change 2Q18/1Q18	Change 2Q18/2Q17	6M18	6M17	Change 6M18/6M17	UDM18	UDM17	Change UDM18/UDM17
Economic and Financial (R$ thousand)											
Net operating income	218,835	225,357	208,859	-2.9%	4.8%	444,192	404,196	9.9%	899,165	793,270	13.3%
Domestic market	182,740	189,627	178,538	-3.6%	2.4%	372,367	338,799	9.9%	766,699	669,639	14.5%
Foreign market	36,095	35,730	30,321	1.0%	19.0%	71,825	65,397	9.8%	132,466	123,631	7.1%
Gross Profit (including *)	65,809	65,457	71,940	0.5%	-8.5%	131,266	114,675	14.5%	242,488	212,729	14.0%
(*) Change in fair value of biological assets	*3,306*	*817*	*10,480*	**304.7%**	**-68.5%**	*4,123*	*5,316*	**-22.4%**	*(12,040)*	*19,881*	**-160.6%**
Gross margin	***30.1%***	***29.0%***	**34.4%**	**1.1p.p.**	***-4.3p.p.***	***29.6%***	***28.4%***	***1.2p.p.***	***27.0%***	***26.8%***	***0.2p.p.***
Operating Result before Taxes and Interest	7,326	2,245	(2,316)	226.3%	-	9,571	(20,748)	-	(70,252)	(51,534)	36.3%
Operating margin	***3.3%***	***1.0%***	**-1.1%**	**2.3p.p.**	***4.4p.p.***	***2.2%***	***-5.1%***	***7.3p.p.***	***-7.8%***	***-6.5%***	***1.3p.p.***
Net Income (Loss)	5,278	(5,256)	1,203	-	338.7%	22	(12,932)	-	(95,219)	(24,920)	282.1%
Net margin	***2.4%***	***-2.3%***	**0.6%**	**4.7p.p.**	**1.8p.p.**	***0.0%***	***-3.2%***	***3.2p.p.***	***-10.6%***	***-3.1%***	***7.5p.p.***
Adjusted EBITDA [1]	40,281	42,341	33,513	-4.9%	20.2%	82,622	62,809	31.5%	174,343	112,685	54.7%
Adjusted EBITDA Margin	***18.4%***	***18.8%***	***16.0%***	**-0.4p.p.**	***2.4p.p.***	***18.6%***	***15.5%***	***3.1p.p.***	***19.4%***	***14.2%***	***5.2p.p.***
Net debt (R$ million)	745.3	703.8	755.2	5.9%	-1.3%	745.3	755.2	-1.3%	745.3	755.2	-1.3%
Adjusted Net debt/EBITDA (x)	4.27	4.20	6.70	1.7%	-36.3%	4.27	6.70	-36.3%	4.27	6.70	-36.3%
Net Debt/ pro forma Adjusted EBITDA (x) [2]	3.30	3.49	5.65	-5.4%	-41.6%	3.30	5.65	-41.6%	3.30	5.65	-41.6%
Operating Data (t)											
Corrugated Cardboard Packaging (PO)											
Production/Sales	43,644	46,757	46,980	-6.7%	-7.1%	90,401	92,317	-2.1%	191,340	181,982	5.1%
Paper for Packaging											
Production	66,590	69,478	72,485	-4.2%	-8.1%	136,068	143,226	-5.0%	281,861	277,714	1.5%
Sales	21,273	22,213	22,310	-4.2%	-4.6%	43,486	43,745	-0.6%	88,813	89,744	-1.0%
Forestry RS and Resins											
Production	3,268	3,745	2,763	-12.7%	18.3%	7,013	6,373	10.0%	12,481	11,859	5.2%
Sales	2,745	3,667	2,728	-25.1%	0.6%	6,412	6,188	3.6%	12,224	11,273	8.4%

[1] EBITDA (income before interest, taxes, depreciation, amortization and depletion) see the chapter in this release.
[2] Excluding from the Net Debt the exchange-rate change recorded as *hedge accounting.*

- Net income in 2Q18 recorded increase of 4.8% when compared to 2Q17 and decrease of 2.9% in relation to 1Q18, reflecting mainly the decrease of volume of the Packaging Paper and Corrugated Cardboard Packaging Segments when compared to 1Q18, which were affected by the truck drivers' strike in May. The truck drivers' strike negatively affected all the performance indicators of the Company in 2Q18.

- The sales volume of the Corrugated Cardboard Packaging Segment decreased 7.1%, when compared to 2Q17, and totaled 43.6 thousand tons in 2Q18. The Packaging Paper Segment totaled 21.3 thousand tons, recording a decrease of 4.6% when compared to 2Q17. The Forestry RS and Resins Segment remained stable, reaching 2.7 thousand tons.

Comments on Company performance

- Gross income for 2Q18 presented decrease of 8.5% when compared to 2Q17 and remained stable when compared to 1Q18, mainly due to the improvement of the prices of the Packaging Paper and Corrugated Cardboard Packaging Segments when compared to 1Q18, which offset the decrease of volume in the period.

- The net income (loss) was R$ 5.3 million of income in 2Q18, against R$ 1.2 million of income in 2Q17 and R$ 5.2 million negative in 1Q18. The main factors which affected the net income (loss), when compared to 1Q18, 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 2Q18 was R$ 40.3 million, 20.2% higher than in 2Q17, which was R$ 33.5 million, mainly due to the better performance of margins in the period. When compared to 1Q18 it was 4.9% lower, mainly due to the decrease in volume of the Packaging Paper and Corrugated Cardboard Packaging Segments due to the truck drivers' strike.

- The Company estimates that the truck drivers' strike will have an effect of approximately R$ 5.6 million negative on the EBITDA and on the net income (loss) for 2018. The effect estimated in 2Q18 was R$ 7.3 million negative, of which R$ 1.7 million should be recovered in the following quarters.

- The Net Debt/EBITDA ratio was 4.27 times in June 2018. Excluding from the Net Debt the exchange-rate change recorded as hedge accounting, the Net Debt/EBITDA ratio would be 3.30x.

- The cash position at the end of June 2018 was R$ 88.1 million and 73% of the debt is in the long term.

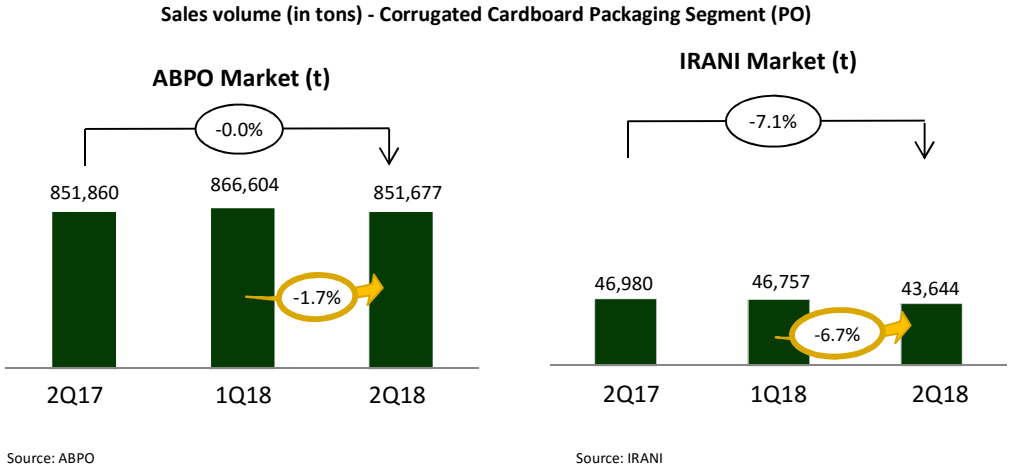
Highlights of the 2Q18

In Brazil, the second quarter of year 2018 had impacts on the economy caused by the truck drivers' strike, which discontinued the activities in May. Nevertheless, the Brazilian Institute of Economy from Getúlio Vargas Foundation estimates that the GDP will grow 0.3% in relation to the first quarter of the year. In the international scenario, the highlight continues to be China, which presented a GDP 6.7% higher in the second quarter of 2018, two tenths above the goal estimated by the government.

The Brazilian Association of Corrugated Cardboard (ABPO) presented stability in the shipment in tons of corrugated cardboard in 2Q18, compared to 2Q17. The sales volume of IRANI Market, in tons, presented decrease of 7.1% in 2Q18. Compared to 1Q18, ABPO Market decreased 1.7% and IRANI

Comments on Company performance

Market recorded a reduction of 6.7%. In tons, IRANI's market share in the Corrugated Cardboard Packaging Segment was 5.1% in 2Q18, 5.5% in 2Q17 and 5.4% in 1Q18. It is important to point out that the numbers and indicators for this 2Q18, presented in this report, are affected by the truck drivers' strike.

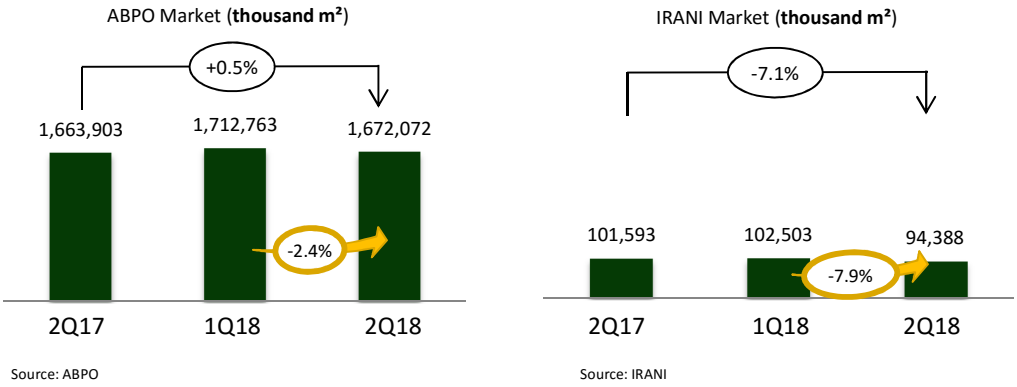


In square meters (m²) the sales volume of corrugated cardboard packaging of the ABPO Market presented stability in 2Q18 when compared to 2Q17, when IRANI Market recorded decrease of 7.1%. Compared to 1Q18, ABPO Market presented decrease of 2.4% whereas IRANI Market recorded decrease of 7.9%. In square meters, IRANI's market share was 5.7% in 2Q18, 6.1% in 2Q17 and 6.0% in 1Q18.

The Corrugated Cardboard Packaging Segment (PO) represented in 2Q18 62% of IRANI's net income, the Packaging Paper Segment represented 29% and the Forestry RS and Resins Segment, 9%. In turn, the domestic market corresponded to 84% of net income and the foreign market 16%, the growth of 2.0 percentage points in the domestic market's income when compared to 2Q17 is mainly due to the improvement of the prices of the Corrugated Cardboard Packaging Segment, which is entirely dedicate to the domestic market.

Comments on Company performance

Sales volume (in square meters) – Corrugated Cardboard Packaging Segment (PO)



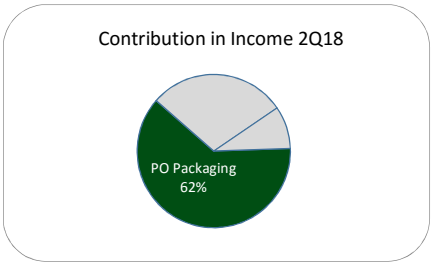
Source: ABPO

Source: IRANI

2Q18 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)



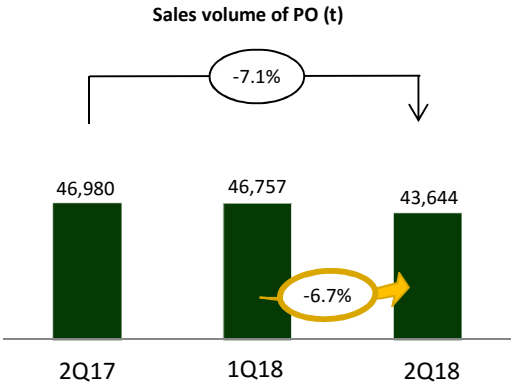
The sales volume of boxes and plates of corrugated cardboard totaled 43,644 tons, 7.1% lower when compared to 2Q17 and 6.7% when compared to 1Q18. The sales of boxes presented decrease of 7.0% when compared to 2Q17 as well as the sales of plates, which recorded decrease of 7.4% in the comparison of the quarters. SP Indaiatuba, SC Campina da Alegria and SP Vila Maria Packaging units account for respectively 41%, 32% and 27% of the total sold in the second quarter of 2018, whose production is entirely destined to the domestic market.

The volume of SP Indaiatuba Packaging plant reached 12,645 tons of boxes and 5,165 tons of plates in 2Q18 (against 13,108 tons of boxes and 5,479 tons of plates in 2Q17).

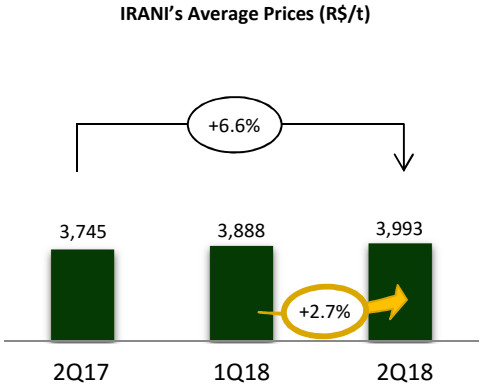
SC Campina da Alegria Packaging plant recorded sales volume of 11,177 tons of boxes and 2,696 tons of plates in 2Q18 (against 10,516 tons of boxes and 2,828 tons of plates in 2Q17).

SP Vila Maria Packaging plant recorded sales volume of 7,306 tons of boxes and 4,655 tons of plates in 2Q18 (against 9,842 tons of boxes and 5,207 tons of plates in 2Q17).

Comments on Company performance

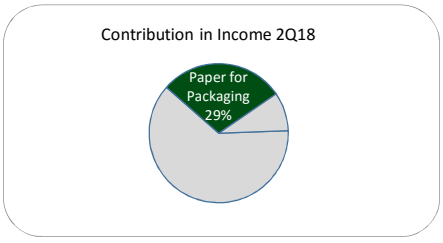


IRANI's average price (CIF) per ton recorded increase of 6.6% in 2Q18 when compared to 2Q17 and of 2.7% in relation to the first quarter of 2018, as shown below:



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.

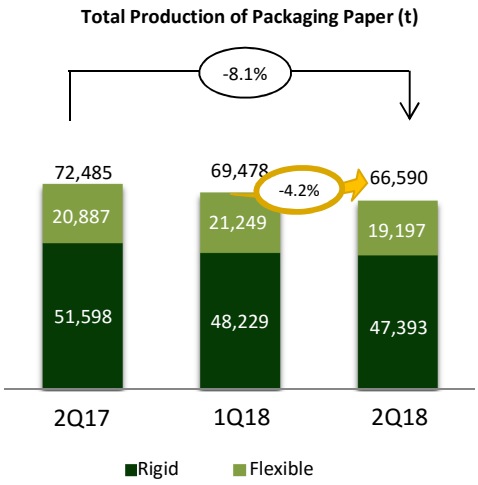
1.2 Segment of Paper for Packaging

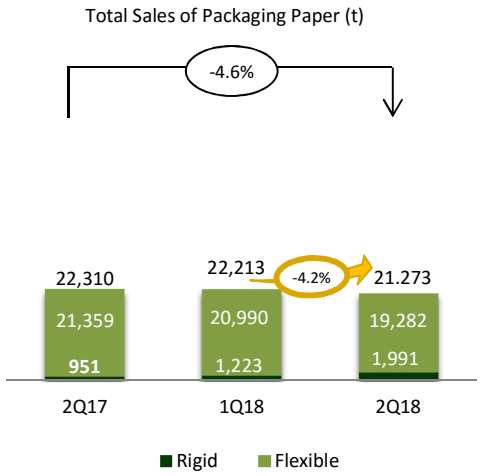


IRANI operates in the Packaging Paper Segment, in the markets of papers for rigid packaging (Corrugated Cardboard) as well as for flexible packaging (bagging).

The Company's total production of Packaging Paper in the quarter reduced 8.1% when compared to 2Q17, and 4.2% in relation to 1Q18. Sales decreased 4.6% when compared to 2Q17, and 4.2% in relation to 1Q18.

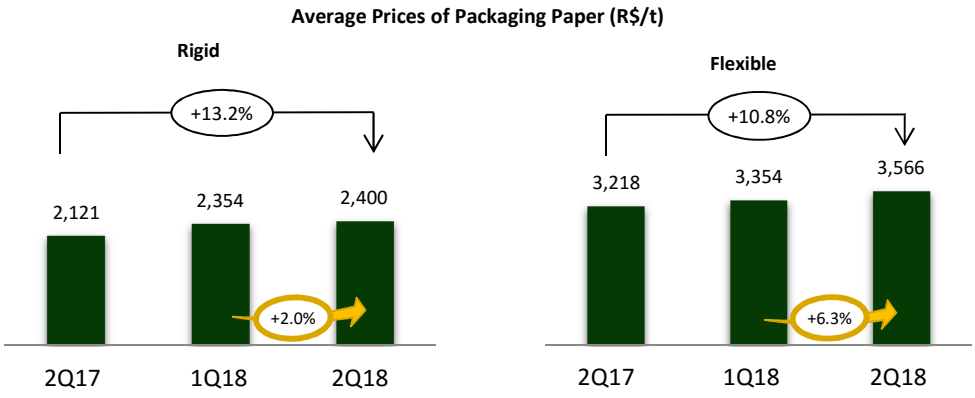
Comments on Company performance





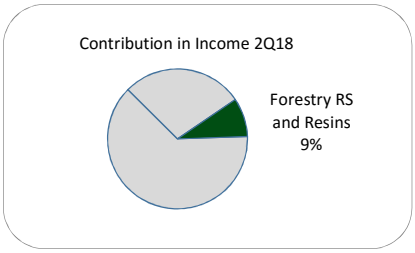
In 2Q18, internal transfers of paper for rigid packaging (Corrugated Cardboard) totaled 43,539 tons (49,597t in 2Q17 and 48,475t in 1Q18), as follows: 16,443 tons (18,073t in 2Q17 and 17,415t in 1Q18) to SP Indaiatuba Packaging plant, 12,674 tons (16,427t in 2Q17 and 15,149t in 1Q18) to SP Vila Maria Packaging plant and 14,422 tons in 2Q18 (15,096t in 2Q17 and 15,911t in 1Q18) to SC Campina da Alegria Packaging plant. Of total internal transfers, 38% were made to SP Indaiatuba Packaging plant, 33% to SC Campina da Alegria Packaging plant and 29% to SP Vila Maria Packaging plant.

Papers for rigid packaging, whose sales volume is not significant (only 1,991t in 2Q18, as shown in the graph above) and whose price is lower than the price of other papers traded by the Company, recorded increase of 13.2% in the price for 2Q18 in relation to 2Q17, and of 2.0% in relation to 1Q18. Papers for flexible packaging increased 10.8% when compared to 2Q17 and 6.3% in 1Q18.



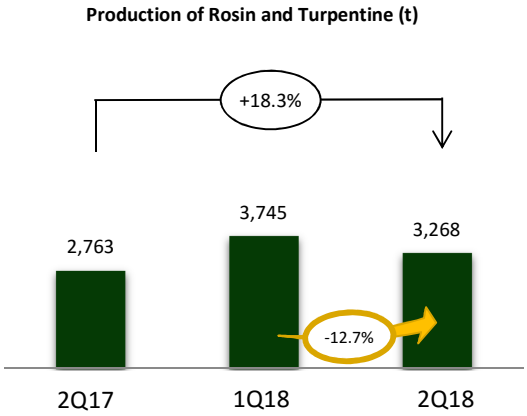
Comments on Company performance

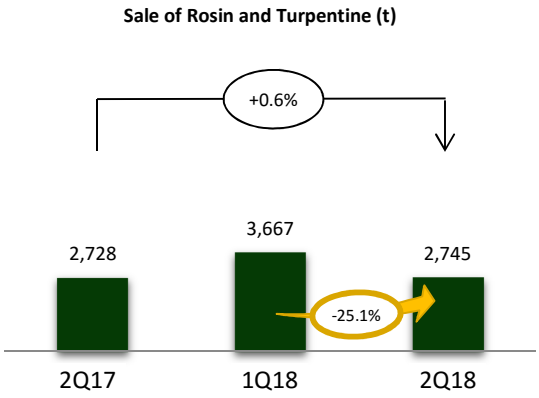
1.3 Forestry RS and Resins Segment



The Forestry segment of Rio Grande do Sul produced and sold in 2Q18 33 thousand square meters of pine logs to the domestic market (24 thousand square meters in 2Q17) and provided 945 tons of resins *in natura* to be used in the industrial process of production of rosin and turpentine.

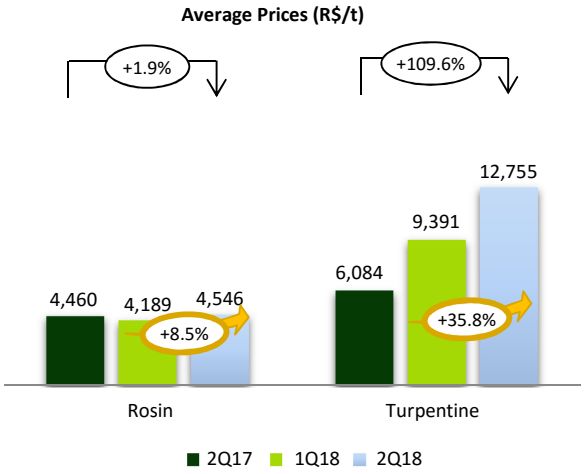
The production volume in the RS Balneário Pinhal Resin unit in 2Q18 presented increase of 18.3% when compared to 2Q17, and decrease of 12.7% when compared to 1Q18. The sales volume presented stability when compared to 2Q17, and decrease of 25.1% in relation to 1Q18.





In 2Q18, the average gross price of Rosin was 1.9% higher than in 2Q17 and 8.5% when compared to 1Q18. Turpentine increased 109.6% when compared to 2Q17 and 35.8% in relation to 1Q18. The price of these products changes according to the foreign market and exchange rate.

Comments on Company performance



2. ECONOMIC AND FINANCIAL PERFORMANCE

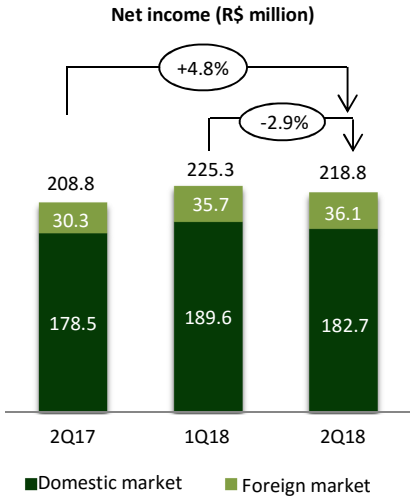
2.1 Net operating income

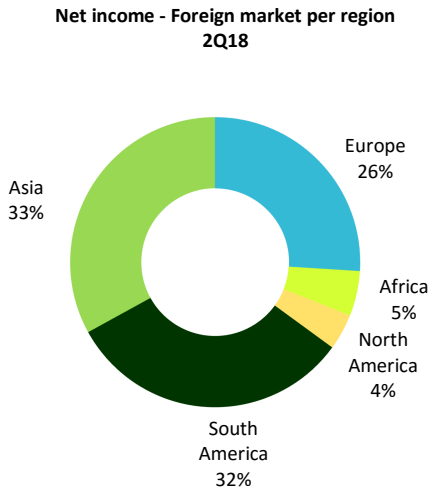
The net operating income for 2Q18 was R$ 218,835 thousand, a growth of 4.8% when compared to 2Q17 and a decrease of 2.9% when compared to 1Q18, mainly due to decrease in the volume of the Packaging Paper and Corrugated Cardboard Packaging segments in relation to 1Q18, which were affected by truck drivers' strike in May.

In the domestic market, net operating income was R$ 182,740 thousand in the quarter, a growth of 2.4% when compared to 2Q17 and a decrease of 3.6% in relation to 1Q18. Income in the domestic market accounted for 84% of IRANI's total income.

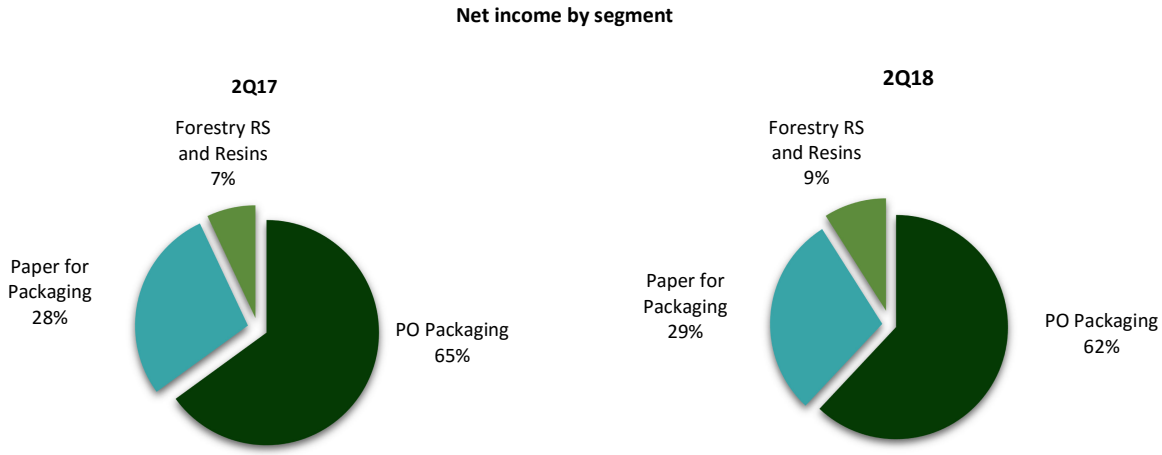
Exports in 2Q18 reached R$ 36,095 thousand, 19.0% higher than in 2Q17 and 1.0% in relation to 1Q18, representing 16% of total net operating income. Asia was the principal destination of exports, concentrating 33% of export income. The other markets are: South America (32%), Europe (26%), Africa (5%) and North America (4%).

Comments on Company performance





IRANI's principal segment of operation is the Corrugated Cardboard Packaging, which accounts for 62% of consolidated net income in 2Q18, followed by the segments of Packaging Paper with 29%, and Forestry RS and Resins, with 9%.

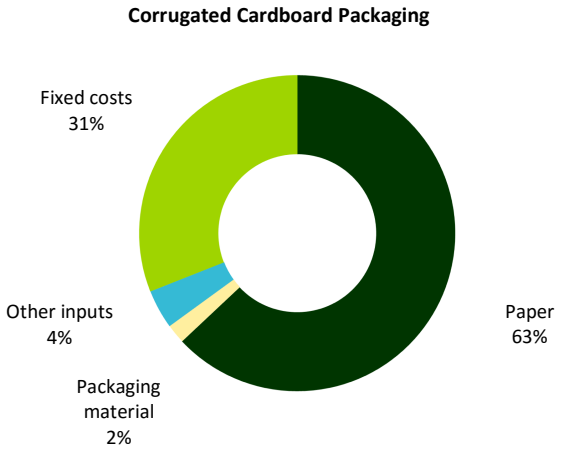


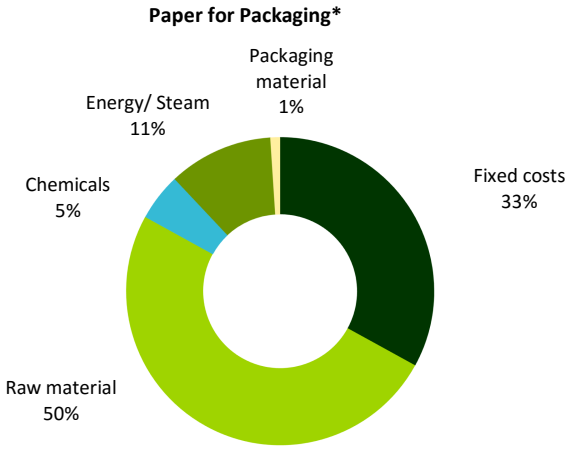
2.2 Cost of goods sold

The cost of products sold in 2Q18 was R$ 156,332 thousand, 6.1% higher than in 2Q17 in absolute numbers. Change in fair value of biological assets is not considered in the cost value of sold products.

Comments on Company performance

The formation of the cost per IRANI's segment of operation in 2Q18 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.

2.3 Operating income and expenses

Sales expenses in 2Q18 totaled R$ 20,293 thousand, representing 9.3% of consolidated net income against 11.2% in 2Q17.

Administrative expenses in 2Q18 were 25.1% lower in relation to 2Q17, totaling R$ 14,032 thousand (R$ 18,746 thousand in 2Q17) and represented 6.4% of consolidated net income against 9.0% in 2Q17.

Other operating income/expenses resulted in expenses of R$ 334 thousand in 2Q18 against expenses of R$ 5,790 thousand in 2Q17.

Comments on Company performance

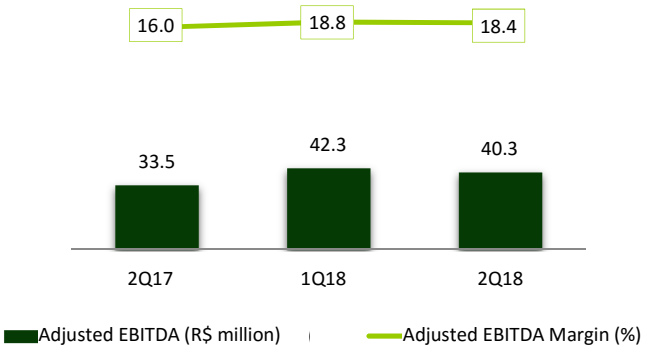
3. OPERATING CASH (ADJUSTED EBITDA)

Consolidated (R$ thous.)	2Q18	1Q18	2Q17	Change 2Q18/1Q18	Change 2Q18/2Q17	6M18	6M17	Change 6M18/6M17	UDM18	UDM17	Change UDM18/UDM17
Operating Result before Taxes and Interest	7,326	2,245	(2,316)	226.3%	-	9,571	(20,748)	-	(70,252)	(51,534)	36.3%
Depletion	4,189	5,202	542 1.	-19.5%	171.7%	9,391	2,661	252.9%	48,491	5,140	843.4%
Depreciation and amortization	12,293	12,629	439 13.	-2.7%	-8.5%	24,922	25,981	-4.1%	52,756	58,699	-10.1%
Financial income (loss)	23,824	21,565	328 26.	10.5%	-9.5%	45,389	55,231	-17.8%	96,464	111,277	-13.3%
EBITDA	47,632	41,641	993 38.	14.4%	22.2%	89,273	63,125	41.4%	127,459	123,582	3.1%
EBITDA margin	*21.8%*	*18.5%*	*18.7%*	*3.3p.p.*	*3.1p.p.*	*20.1%*	*15.6%*	*4.5p.p.*	*14.2%*	*15.6%*	*-1.4p.p.*
Adjustments according to CVM Instruction 527/12											
Change in fair value of biological assets [1]	(3,306)	(817)	(10,480)	304.7%	-68.5%	(4,123)	(5,316)	-22.4%	12,040	(19,881)	-
Non-recurring events[2]	(4,045)	1,517	5,000	-366.6%	-180.9%	(2,528)	5,000	-150.6%	34,844	8,984	287.8%
Adjusted EBITDA	40,281	42,341	513 33.	-4.9%	20.2%	82,622	62,809	31.5%	174,343	112,685	54.7%
Adjusted EBITDA Margin	*18.4%*	*18.8%*	*16.0%*	*-0.4p.p.*	*2.4p.p.*	*18.6%*	15.5%	*3.1p.p.*	*19.4%*	*14.2%*	*5.2p.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$ 4,045 thousand) in (2Q18) refers to the recognition of non-recurring tax provisions in the amount of R$ 1,611 thousand, recognition of non-recurring tax credits and contributions in the amount of (R$ 5,156 thousand) and reversal of losses on receipt of non-recurring credit (R$ 500 thousand).

The operating cash generation, measured by the Adjusted EBITDA, totaled R$ 40,281 thousand in 2Q18, an increase of 20.2% in relation to 2Q17 mainly due to the better performance of margins in the period, and a decrease of 4.9% in relation to 1Q18 mainly due to the decrease in the volume of the Packaging Paper and Corrugated Cardboard Packaging segments due to the truck drivers' strike in May. The adjusted EBITDA margin in 2Q18 reached 18.4%, an increase of 2.4 percentage points in relation to 2Q17. When compared to 1Q18 it remained stable.

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



4. FINANCIAL INCOME (LOSS) AND INDEBTEDNESS

The financial result was R$ 23,824 thousand negative in 2Q18, representing a decrease of 9.5% when compared to 2Q17, positively affected by the lower realization of hedge accounting, reduction in interest rates and negatively affected by the depreciation of the Brazilian real against the dollar. In relation to 1Q18 it recorded an increase of 10.5% due to the depreciation of the Brazilian real against the dollar. In

Comments on Company performance

2Q18, financial expenses totaled R$ 30,348 thousand against R$ 32,013 thousand in 2Q17, and R$ 26,508 thousand in 1Q18. Financial income reached R$ 6,524 thousand in 2Q18 against R$ 5,685 thousand in the same period last year and R$ 4,943 thousand in 1Q18.

The financial result is distributed as follows:

R$ thousand	2Q18	1Q18	2Q17	6M18	6M17	UDM18[1]	UDM17[1]
Financial income	6,524	4,943	5,685	11,467	14,041	19,368	30,946
Financial expenses	(30,348)	(26,508)	(32,013)	(56,856)	(69,272)	(115,832)	(142,223)
Financial income (loss)	(23,824)	(21,565)	(26,328)	(45,389)	(55,231)	(96,464)	(111,277)

[1]Accumulated in the past twelve months.

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

R$ thousand	2Q18	1Q18	2Q17	6M18	6M17	UDM18[1]	UDM17[1]
Foreign-exchange income	4,854	3,821	2,836	8,675	6,494	15,843	15,176
Foreign exchange costs	(4,035)	(3,103)	(6,004)	(7,138)	(15,221)	(14,376)	(34,404)
Net exchange rate change	819	718	(3,168)	1,537	(8,727)	1,467	(19,228)

[1]Accumulated in the past twelve months.

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

R$ thousand	2Q18	1Q18	2Q17	6M18	6M17	UDM18[1]	UDM17[1]
Financial income (loss) without exchange-rate change	(24,643)	(22,283)	(23,160)	(46,926)	(46,504)	(97,931)	(92,049)

[1]Accumulated 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 2Q18, the negative amount of R$ 51,167 thousand (R$ 33,770 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$ 445 thousand. In the accumulated, the Company maintains R$ 170,674 thousand of exchange-rate change of hedge accounting, to be recognized in the income (loss) upon realization over the coming years, of which R$ 112,645 thousand are recognized in the Shareholders' Equity (net of taxes).

Comments on Company performance

Foreign exchange

The exchange rate which was R$ 3.32/US$ on March 31, 2017, was 16.3% higher at the end of June 2018, and reached R$ 3.86/US$. The average exchange rate for this quarter was R$ 3.61/US$, 11.4% higher than in 1Q18 and 12.5% higher in relation to the same period of 2017.

	2Q18	1Q18	2Q17	Δ2Q18/1Q18	Δ2Q18/2Q17
Average foreign exchange rate - Dollar	3.61	3.24	3.21	+11.4%	+12.5%
Final foreign exchange rate - Dollar	3.86	3.32	3.31	+16.3%	+16.6%

Source: Bacen

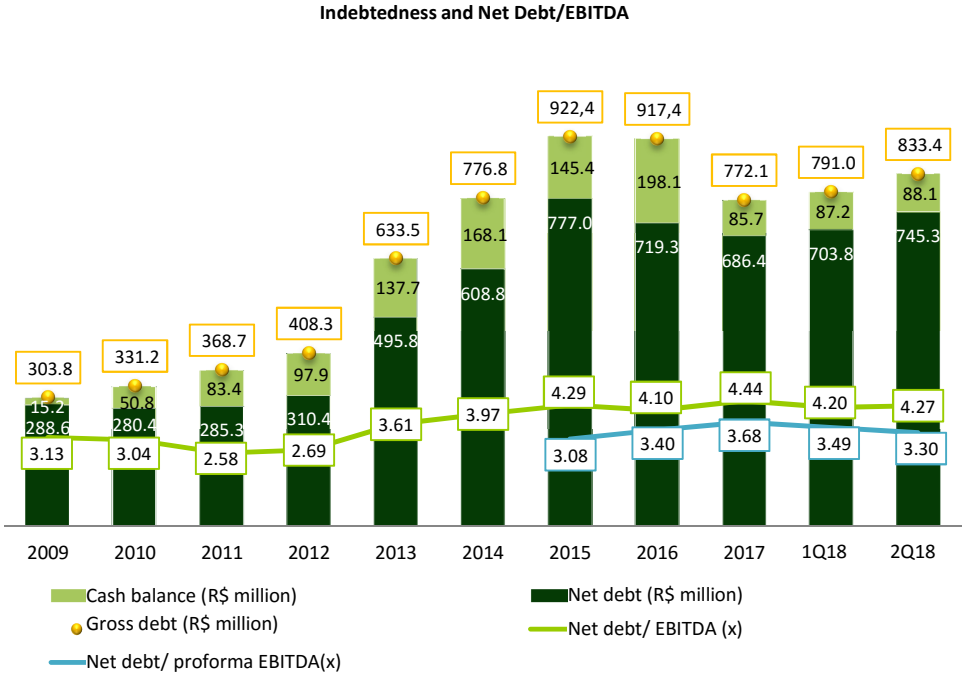
Indebtedness

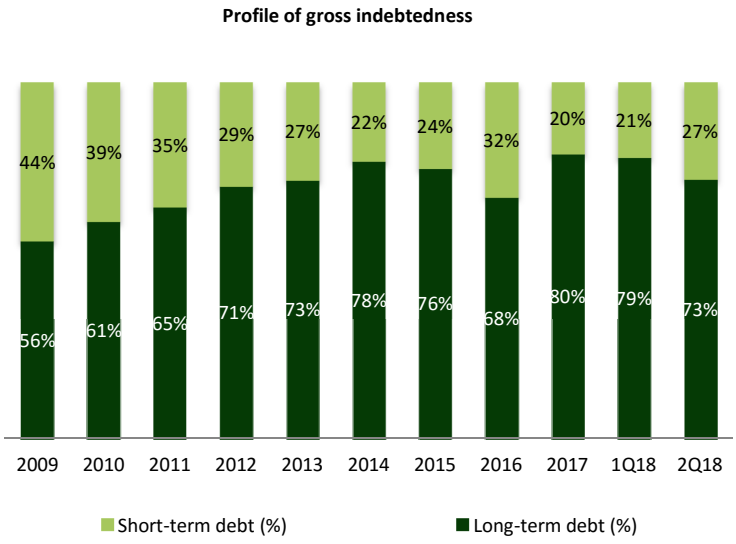
The consolidated net indebtedness on June 30, 2018 totaled R$ 833.4 million against R$ 791.0 million on March 31, 2018. The change in this indicator was due to the depreciation of the Brazilian real against the dollar and the settlements for the period. The gross indebtedness profile as of June 30 was 27% maturing in the short-term and 73% maturing in the long term.

The consolidated cash balance on June 30, 2018 totaled R$ 88.1 million against R$ 87.2 million on March 31, 2018.

The consolidated net indebtedness on June 30, 2018 totaled R$ 745.3 million against R$ 703.8 million on March 31, 2018. The Net Debt/EBITDA indicator increased from 4.20 times at the end of 1Q18 to 4.27 times at the end of 2Q18. Excluding from the Net Debt the exchange-rate change recorded as hedge accounting (Note 28 – Cash Flow Hedge), the Net Debt/Pro-forma EBITDA indicator would be 3.30 times at the end of 2Q18.

Comments on Company performance





5. NET INCOME (LOSS)

In 2Q18, the net income (loss) was R$ 5,278 thousand of income against R$ 1,203 thousand of income in 2Q17, and R$ 5,256 thousand negative in 1Q18. In the past 12 months, the net income (loss) was negative R$ 95,219 thousand against negative R$ 24,920 thousand in the same period last year. This

change was mainly due to provisions for contingencies and for losses on clients' credits recognized in 2017 and which referred to operations accumulated from prior periods.

6. INVESTMENTS

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

In thousand of reais	2Q18	6M18
Land	-	21
Buildings	35	79
Equipment	11,343	23,707
Lease assets	183	899
Intangible assets	3,992	8,967
Reforestation	2,030	4,049
Total	**17,583**	**37,722**

Investments in this quarter amounted to R$ 37,722 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company.

7. CAPITAL MARKET

IRANI's capital, on June 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 June 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$ 1.95 whereas preferred shares were traded at R$ 1.99.

Notes to the Quarterly Information

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 JUNE 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 June 30, 2018, the Company has negative net working capital in the amount of R$ 2,268 thousand (current assets of R $ 350,479 thousand and current liabilities of R$ 352,747 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 July 18, 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),

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.

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.

h) Investment properties

Investment properties are measured at cost.

Notes to the Quarterly Information

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.

Notes to the Quarterly Information

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 the first quarter of 2017, the Company did not identify indications of impairment in its non-financial assets.

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

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

its taxable profit, while the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. adopt 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 20.

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 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 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 19), and the provision for impairment of assets.

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

The Company has ICMS incentives from the governments of the states of Santa Catarina and Minas Gerais. Supplementary Law 160 published in August 2017, and Confaz Agreement 190 published by the National Council of Fiscal Policy (Confaz) in December 2017 provided for (ii) 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 31).

s) Determination of the results of operations

Revenue and expenses are recognized on the accrual basis and include interest, charges and the effects of exchange rate variations at official rates, applicable to current and

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

t) Revenue recognition

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.

Notes to the Quarterly Information

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	6/30/2018	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	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Fixed-income fund	29	29	31	31
Banks	10,483	8,860	10,681	9,060
Short-term investments	76,450	67,007	77,400	67,858
	86,962	75,896	88,112	76,949

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	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Receivables from:				
Trade receivables - domestic market	153,458	156,145	155,080	157,179
Trade receivables - foreign market	19,723	27,508	19,723	27,508
	173,181	183,653	174,803	184,687
Provision for impairment of trade receivables	(16,759)	(16,513)	(16,809)	(16,563)
	156,422	167,140	157,994	168,124

Notes to the Quarterly Information

At June 30, 2018, consolidated trade receivables included an overdue amount of R$ 13,703, 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	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Not yet due	143,374	153,891	144,291	154,811
Overdue for up to 30 days	3,197	14,187	3,597	14,230
Overdue from 31 to 60 days	944	4,872	1,074	4,892
Overdue from 61 to 90 days	393	2,616	477	2,616
Overdue from 91 to 180 days	1,963	2,227	2,003	2,227
Overdue for more than 180 days	23,310	5,860	23,361	5,911
	173,181	183,653	174,803	184,687

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	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Balance at the beginning of the period	(16,513)	(17,612)	(16,563)	(18,269)
Provision for recognized losses	(372)	(12,626)	(372)	(12,676)
Trade receivables written off during the period as uncollectible	126	13,725	126	14,382
Balance at the end of the period	(16,759)	(16,513)	(16,809)	(16,563)

A portion of receivables, amounting to R$ R$ 94,458, 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 June 30, 2018 was assessed with reference to historical information on default rates, as follows:

Quality of trade receivables

		Consolidated
Customer category	History - %	Amount receivable
a) Customers with no history of late payment	92.88	134,018
b) Customers with history of late payment of up to 7 days	5.23	7,546
c) Customers with history of late payment of more than 7 days	1.89	2,727
		144,291

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	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Finished goods	12,429	8,321	12,785	8,828
Production materials	43,758	39,056	43,758	39,056
Consumable materials	23,827	23,674	23,893	23,731
Other inventories	564	537	564	537
	80,578	71,588	81,000	72,152

The cost of inventories recognized as an expense in the second quarter of 2018 was R$ 156,520 (R$ 145,859 in the second quarter of 2017) in the parent company and R$ 156,332 (R $ 147,399 in the second quarter of 2017) in the consolidated, and for the period for the six-month period ended June 30, 2018, the amount recognized in the income statement was R$ 318,939 (R $ 292,699 for the six-month period ended June 30, 2017) in the parent company and R$ 317,049 (R$ 294,837 for six-month period ended June 30, 2017) in the consolidated financial statements.

The cost of inventories recognized in the statement of profit and loss for the first quarter 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.

Notes to the Quarterly Information

8. RECOVERABLE TAXES

Recoverable taxes consist of the following:

	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Value-added Tax on Sales and Services (ICMS)	4,865	4,313	4,865	4,313
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	1,931	832	1,931	832
Excise Tax (IPI)	481	400	481	400
Income tax	2,528	38	2,528	38
Social contribution	258	107	258	107
Income Tax Withheld at Source (IRRF) on investments	363	2,119	364	2,120
Other	11	15	11	15
	10,437	7,824	10,438	7,825
Current portion	8,222	5,757	8,223	5,758
Non-current portion	2,215	2,067	2,215	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	
	6/30/2018	12/31/2017	6/30/2018	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	-	8,732	-	8,732
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.

Notes to the Quarterly Information

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.

10. OTHER ASSETS

	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Advances to suppliers	3,676	3,563	3,815	3,638
Receivables from employees	1,635	1,354	1,779	1,390
Renegotiation with customers	22,877	21,713	22,877	21,713
Prepaid expenses	1,307	795	1,307	795
Other receivables	4,088	5,009	4,115	5,035
	33,583	32,434	33,893	32,571
Provision for impairment of trade receivables under renegotiation	(14,508)	(14,074)	(14,508)	(14,074)
	19,075	18,360	19,385	18,497
Current portion	14,867	13,635	15,150	13,746
Non-current portion	4,208	4,725	4,235	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	
	6/30/2018	12/31/2017	6/30/2018	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	(14,508)	(14,074)	(14,508)	(14,074)

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.

Notes to the Quarterly Information

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

In 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	
	6/30/2018	12/31/2017	6/30/2018	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	42,669	29,497	42,669	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	15,361	10,619	15,361	10,619
	82,007	68,990	82,007	68,990

LIABILITIES	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Deferred income tax liabilities				
Exchange rate variation to be recognized on a cash basis	3,678	4,128	3,678	4,128
Fair value of biological assets	24,926	24,415	26,766	26,297
Deemed cost of property, plant and equipment	126,048	124,502	133,647	132,101
Government grants	565	590	565	590
Customer portfolio	682	781	682	781
Amortization of goodwill for tax purposes	16,472	14,675	16,472	14,675
Deferred social contribution liabilities				
Exchange rate variation to be recognized on a cash basis	1,324	1,486	1,324	1,486
Fair value of biological assets	8,973	8,789	9,967	9,806
Deemed cost of property, plant and equipment	45,377	44,823	48,113	47,558
Government grants	203	212	203	212
Customer portfolio	246	281	246	281
Amortization of goodwill for tax purposes	5,930	5,283	5,930	5,283
	234,424	229,965	247,593	243,198
Deferred tax liabilities (net)	152,417	160,975	165,586	174,208

Notes to the Quarterly Information

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:

Deferred tax assets	Parent Company and Consolidated
Year	6/30/2018
2018	7,247
2019	16,663
2020	15,550
2021	12,631
2022 onward	29,916
	82,007

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

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

Parent Company and Consolidated Assets	Opening balance - 1/1/2018	Recognized in profit or loss	Recognized in equity	Offset against liabilities	Closing balance - 6/30/2018
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)	-	(17,914)	-	(58,030)
Total temporary differences	(45,742)	4,897	(17,914)	-	(58,759)
Tax losses	(23,248)	-	-	-	(23,248)
	(68,990)	4,897	(17,914)	-	(82,007)

Notes to the Quarterly Information

Parent Company Liabilities

	Opening balance 1/1/2017	Recognized in profit or loss	Closing balance 12/31/2017	Recognized in profit or loss	Closing balance 6/30/2018
Deferred tax liabilities related to:					
Exchange rate variations recognized on a cash basis	5,425	189	5,614	(612)	5,002
Fair value of biological assets	41,745	(8,541)	33,204	695	33,899
Deemed cost and review of useful lives	166,200	3,125	169,325	2,100	171,425
Government grants	1,334	(532)	802	(34)	768
Customer portfolio	1,332	(270)	1,062	(134)	928
Amortization of goodwill for tax purposes	15,070	4,888	19,958	2,444	22,402
	231,106	(1,141)	229,965	4,459	234,424

Consolidated Liabilities

	Opening balance 1/1/2017	Recognized in profit or loss	Closing balance 12/31/2017	Recognized in profit or loss	Closing balance 6/30/2018
Deferred tax liabilities related to:					
Exchange rate variations recognized on a cash basis	5,425	189	5,614	(612)	5,002
Fair value of biological assets	45,055	(8,952)	36,103	630	36,733
Deemed cost and review of useful lives	176,534	3,125	179,659	2,101	181,760
Government grants	1,334	(532)	802	(34)	768
Customer portfolio	1,332	(270)	1,062	(134)	928
Amortization of goodwill for tax purposes	15,070	4,888	19,958	2,444	22,402
	244,750	(1,552)	243,198	4,395	247,593

Notes to the Quarterly Information

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	(2,274)	9,474	(7)	-	7,193
Capital contribution	-	5,030	-	-	5,030
At June 30, 2018	131,332	93,002	549	249	225,132

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
Current				
Assets	3,986	27,534	14	14
Liabilities	(2,491)	(403)	-	-
Current assets/liabilities, net	1,495	27,131	14	14
Non-current				
Assets	142,744	66,403	535	237
Liabilities	(12,906)	(527)	-	-
Non-current assets/liabilities, net	129,838	65,876	535	237
Equity	131,333	93,007	549	251
Net revenue	9,596	15,126	-	-
Profit (loss) before taxation	(2,038)	10,049	(7)	-
Income tax and social contribution expense	(236)	(574)	-	-
`Profit (loss) for the period	(2,274)	9,475	(7)	-
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.

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

Notes to the Quarterly Information

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	22,554	11,051	33,605
Cost	22,554	12,702	35,256
Accumulated depreciation	-	(1,651)	(1,651)
Net book value	22,554	11,051	33,605
At June 30, 2018			
Opening balance	22,554	11,051	33,605
Purchases	-	43	43
Disposals	(20)	(28)	(48)
Depreciation	-	(296)	(296)
Net book value	22,534	10,770	33,304
Cost	22,534	12,717	35,251
Accumulated depreciation	-	(1,947)	(1,947)
Net book value	22,534	10,770	33,304

Consolidated

	Land	Buildings	Total
At December 31, 2017			
Opening balance	7,086	11,558	18,644
Disposals	(667)	-	(667)
Depreciation	-	(507)	(507)
Net book value	6,419	11,051	17,470
Cost	6,419	12,702	19,121
Accumulated depreciation	-	(1,651)	(1,651)
Net book value	6,419	11,051	17,470
At June 30, 2018			
Opening balance	6,419	11,051	17,470
Purchases	-	43	43
Disposals	(20)	(28)	(48)
Depreciation	-	(295)	(295)
Net book value	6,399	10,771	17,170
Cost	6,399	12,717	19,116
Accumulated depreciation	-	(1,946)	(1,946)
Net book value	6,399	10,771	17,170

Notes to the Quarterly Information

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$ 16,166. 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$ 3,292, 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$ 7,478.

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

	6/30/2018	6/30/2017
Rental income	465	313
Direct operating expenditures that generated rental income	(225)	(173)

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	Assets under finance lease	Leasehold improvements	Total
At December 31, 2017									
Opening balance	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
Purchases	-	33	7,959	37	440	24,695	1,946	-	35,110
Disposals	(5,909)	(89)	(611)	(2)	(35)	(2)	(98)	-	(6,746)
Transfers	-	3,431	21,147	1,637	2,573	(28,788)	-	-	-
Depreciation	-	(4,945)	(40,204)	(1,133)	(1,885)	-	(2,198)	(644)	(51,009)
Net book value	177,118	155,948	356,975	3,763	6,247	41,565	4,092	10,190	755,898
Cost	177,118	213,909	830,705	8,317	19,357	41,565	28,579	16,061	1,335,611
Accumulated depreciation	-	(57,961)	(473,730)	(4,554)	(13,110)	-	(24,487)	(5,871)	(579,713)
Net book value	177,118	155,948	356,975	3,763	6,247	41,565	4,092	10,190	755,898
At June 30, 2018									
Opening balance	177,118	155,948	356,975	3,763	6,247	41,565	4,092	10,190	755,898
Purchases	21	79	5,742	288	146	16,992	899	-	24,167
Disposals	-	(45)	(122)	(78)	(12)	(301)	(25)	-	(583)
Transfers	-	1,016	5,667	-	25	(6,708)	-	-	-
Depreciation	-	(2,526)	(17,815)	(626)	(745)	-	(1,148)	(320)	(23,180)
Net book value	177,139	154,472	350,447	3,347	5,661	51,548	3,818	9,870	756,302
Cost	177,139	215,016	841,690	8,148	19,583	51,548	29,077	16,061	1,358,262
Accumulated depreciation	-	(60,544)	(491,243)	(4,801)	(13,922)	-	(25,259)	(6,191)	(601,960)
Net book value	177,139	154,472	350,447	3,347	5,661	51,548	3,818	9,870	756,302

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Consolidated	Land	Buildings and Constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Assets under finance lease	Leasehold improvements	Total
At December 31, 2017									
Opening balance	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
Purchases	-	33	8,030	81	996	24,713	1,946	-	35,799
Disposals	(5,912)	(89)	(610)	(2)	(112)	(2)	(98)	-	(6,825)
Transfers	-	3,431	21,147	1,637	2,573	(28,788)	-	-	-
Depreciation	-	(5,126)	(40,223)	(1,232)	(2,457)	-	(2,198)	(644)	(51,880)
Net book value	245,417	157,248	357,094	4,036	6,558	41,583	4,092	10,190	826,218
Cost	245,417	218,432	830,873	8,919	19,917	41,583	28,619	16,061	1,409,821
Accumulated depreciation	-	(61,184)	(473,779)	(4,883)	(13,359)	-	(24,527)	(5,871)	(583,603)
Net book value	245,417	157,248	357,094	4,036	6,558	41,583	4,092	10,190	826,218
At June 30, 2018									
Opening balance	245,417	157,248	357,094	4,036	6,558	41,583	4,092	10,190	826,218
Purchases	21	79	5,821	288	203	17,395	899	-	24,706
Disposals	-	(45)	(122)	(78)	(12)	(301)	(25)	-	(583)
Transfers	-	1,016	5,667	-	25	(6,708)	-	-	-
Depreciation	-	(2,619)	(17,829)	(677)	(755)	-	(1,148)	(320)	(23,348)
Net book value	245,438	155,679	350,631	3,569	6,019	51,969	3,818	9,870	826,993
Cost	245,438	219,538	841,938	8,750	20,206	51,969	29,117	16,061	1,433,017
Accumulated depreciation	-	(63,859)	(491,307)	(5,181)	(14,187)	-	(25,299)	(6,191)	(606,024)
Net book value	245,438	155,679	350,631	3,569	6,019	51,969	3,818	9,870	826,993

(*) 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	Software	Software 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	104,380	3,126	4,582	-	112,088
Cost	104,380	7,081	12,321	-	123,782
Accumulated amortization	-	(3,955)	(7,739)	-	(11,694)
Net book value	104,380	3,126	4,582	-	112,088
At June 30, 2018					
Opening balance	104,380	3,126	4,582	-	112,088
Purchases	-	-	254	8,713	8,967
Amortization	-	(396)	(882)	-	(1,278)
Net book value	104,380	2,730	3,954	8,713	119,777
Cost	104,380	7,081	12,575	8,713	132,749
Accumulated amortization	-	(4,351)	(8,621)	-	(12,972)
Net book value	104,380	2,730	3,954	8,713	119,777

Consolidated	Goodwill	Customer portfolio	Software	Software under development	Total
At December 31, 2017					
Opening balance	104,380	3,918	4,604	-	112,902
Purchases	-	-	1,696	-	1,696
Amortization	-	(792)	(1,183)	-	(1,975)
Net book value	104,380	3,126	5,117	-	112,623
Cost	104,380	7,081	12,860	-	124,321
Accumulated amortization	-	(3,955)	(7,743)	-	(11,698)
Net book value	104,380	3,126	5,117	-	112,623
At June 30, 2018					
Opening balance	104,380	3,126	5,117	-	112,623
Purchases	-	-	254	8,713	8,967
Amortization	-	(396)	(882)	-	(1,278)
Net book value	104,380	2,730	4,489	8,713	120,312
Cost	104,380	7,081	13,114	8,713	133,288
Accumulated amortization	-	(4,351)	(8,625)	-	(12,976)
Net book value	104,380	2,730	4,489	8,713	120,312

Notes to the Quarterly Information

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 - %	
	6/30/2018	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 six-month period ended of 2018 and 2017 was as follows:

	Parent Company		Consolidated	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Assets used in admin.activities	1,057	435	1,227	594
Assets used in production	22,123	24,201	22,121	24,200
	23,180	24,636	23,348	24,794

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

Notes to the Quarterly Information

	Parent Company		Consolidated	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Assets used in admin.activities	1,086	794	1,086	794
Assets used in production	192	140	192	140
	1,278	934	1,278	934

e) Impairment of property, plant and equipment

No indicators of impairment were identified in the first six-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:

	6/30/2018
Equipment and facilities	346,380
Buildings and constructions	115,522
Land	399,407
Total PP&E pledged as collateral	861,309

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 six-month period ended of 2018 amounted to R$ 396 (R$ 396 in the first six-month period ended of 2017), resulting in a net carrying amount of R$ 2,730. 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.

Notes to the Quarterly Information

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 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:

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

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

15. BIOLOGICAL ASSETS

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

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

	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Development cost of biological assets	22,710	25,391	48,183	45,099
Difference in the fair value of biological assets	12,379	8,320	141,395	145,697
	35,089	33,711	189,578	190,796

Of the total consolidated biological assets, R$ 101,492 (R$ 99,700 at December 31, 2017) relates to forests used as raw material for pulp and paper production. These forests are located close to the pulp and paper mill in Vargem Bonita, state of Santa Catarina, where they are consumed. Of this amount, R$ 67,127 (R$ 65,960 at December 31, 2017) relates to mature forests, which are more than six years old. The remaining amount refers to growing forests, which still require forestry treatments.

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

The consolidated biological assets used in the production of resins and sale of timber logs are located on the coast of the state of Rio Grande do Sul, and totaled R$ 88,086 (R$ 91,096 at December 31, 2017). The resin is extracted based on the capacity of the existing forest to generate this product, and the trees for sale of logs are extracted based on the demand for timber in the region.

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

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

(i) The methodology used to measure the fair value of biological assets - the Income Approach with depletion of the forest in one cycle - corresponds to the projection of expected future cash flows, discounted at the current rate for the regional market, in accordance with the projected productivity of the forests in the cutting cycles, which are determined based on the optimization of production, considering the price changes and the growth of the biological assets;
(ii) The discount rate used for cash flows was the Cost of Own Capital (Capital Asset Pricing Model - CAPM). The cost of capital is estimated through an analysis of the return targeted by investors for forest assets;
(iii) The 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		
	6/30/2018	12/31/2017	Impact on fair value of biological assets
Planted area (hectare)	17,639	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 (m^3)	50.00	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:

	Parent Company	Consolidated
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	2,170	4,049
Depletion		
Historical cost	-	(1,092)
Fair value	-	(8,298)
Transfer for capitalization in subsidiary (Iraflor)	(5,030)	-
Changes in the fair value	4,238	4,123
At 6/30/2018	35,089	189,578

The depletion of biological assets in the first six-month period ended of 2018 and six-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

Notes to the Quarterly Information

a result of this transaction, the Buyer and the Company signed a Service Agreement, through which the Company, in view of its extensive experience in this field, undertakes to provide forest stewardship services related to the forests, for a period of eight years.

In addition, as part of this transaction, the Company sold to the Buyer the property called Fazenda São Pedro, with approximately 1,520 hectares of total area, for R$ 12,166. 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$ 82,908, is pledged as collateral for financing transactions. The pledged assets represent approximately 43% of the total biological assets, or the equivalent to 15.8 thousand hectares of land in use, and approximately 6.7 thousand hectares of planted forests.

c) Production on third-party land

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The Company has entered into non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are effective until all forests planted in these areas are harvested, over a cycle of approximately 15 years. As a result of the transaction carried out with Timber XI SPE S.A., through which the Company sold approximately 1,520 hectares of land and entered into a Property Lease Agreement for eight years, approximately 732 hectares of forests were included in the production on third-party land. The amount of biological assets on third-party land accounts for approximately 5% of the total area with the Company's biological assets.

16. BORROWINGS

a) Breakdown of accounting balances

		Parent Company		Consolidated	
		6/30/2018	12/31/2017	6/30/2018	12/31/2017
Current	**Annual charges - %**				
Local currency					
Finame	Fixed at 3.31%, TJLP + 4.96%, SELIC + 5.59%	4,510	4,687	4,510	4,687
Working capital	Fixed at 9.80%, CDI + 5.48% and 135.2% of CDI	79,710	84,086	79,744	84,086
Working capital - Syndicated Loan	CDI + 5.00%	37,139	13,059	37,139	13,059
Finance lease	Fixed at 14.94%	1,211	928	1,211	928
BNDES	TJLP + 3.60%	9,553	8,413	9,553	8,413
Total local currency		132,123	111,173	132,157	111,173
Foreign currency					
Advances on foreign exchange contract	Fixed between 4.72% and 5.90%	19,201	26,800	19,201	26,800
Bank of America - PPE	Libor + 8.00%	26,878	467	26,878	467
Bank Santander - PPE	Libor + 6.95%	1,673	591	1,673	591
Bank Rabobank and Santander - PPE	Libor + 6.95%	41,926	14,195	41,926	14,195
Bank LBBW - FINIMP	Euribor + 1.55%	1,556	1,358	1,556	1,358
Bank De Lage Landen	8.20% p.a.	373	321	373	321
Total foreign currency		91,607	43,732	91,607	43,732
Total current		223,730	154,905	223,764	154,905
Non-current					
Local currency					
FINAME	Fixed at 3.31%, TJLP + 4.96%, SELIC + 5.59%	3,240	6,339	3,240	6,339
Working capital	Fixed at 9.80%, CDI + 5.48% and 135.2% of CDI	134,163	111,118	134,236	111,118
Working capital - Syndicated Loan	CDI + 5.00%	142,169	162,310	142,169	162,310
Finance lease	Fixed at 14.94%	1,568	1,482	1,568	1,482
BNDES	TJLP + 3.60%	27,911	33,237	27,911	33,237
Total local currency		309,051	314,486	309,124	314,486
Foreign currency					
Bank of America - PPE	Libor + 8.00%	117,227	122,668	117,227	122,668
Bank Santander - PPE	Libor + 6.95%	6,861	6,734	6,861	6,734
Bank Rabobank and Santander - PPE	Libor + 6.95%	174,145	170,450	174,145	170,450
Bank LBBW - FINIMP	Euribor + 1.55%	1,553	2,053	1,553	2,053
Bank De Lage Landen	8.20% p.a.	746	800	746	800
Total foreign currency		300,532	302,705	300,532	302,705
Total non-current		609,583	617,191	609,656	617,191
Total		833,313	772,096	833,420	772,096

	Parent Company		Consolidated	
Long-term maturities:	6/30/2018	12/31/2017	6/30/2018	12/31/2017
2019	120,406	207,635	120,426	207,635
2020	219,061	168,280	219,101	168,280
2021	166,067	144,431	166,080	144,431
2022 to 2024	104,049	96,845	104,049	96,845
	609,583	617,191	609,656	617,191

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b) 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.

b) Schedule for amortization of funding costs

	Parent Company and Consolidated					
	2018	2019	2020	2021	2022	Total
In local currency						
Working capital	(669)	(932)	(447)	(160)	(48)	(2,256)
Working capital - Syndicated Loan CCE	(749)	(1,352)	(1,038)	(679)	(219)	(4,037)
Total local currency	(1,418)	(2,284)	(1,485)	(839)	(267)	(6,293)
In foreign currency						
Bank of America NA - PPE	(305)	(495)	(183)	(28)	-	(1,011)
Banco Rabobank and Santander - PPE	(473)	(838)	(634)	(406)	(129)	(2,480)
Total foreign currency	(778)	(1,333)	(817)	(434)	(129)	(3,491)
	(2,196)	(3,617)	(2,302)	(1,273)	(396)	(9,784)

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.

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$ 253.050. 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$ 164,878 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.

Notes to the Quarterly Information

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$ 59,299 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	-

Notes to the Quarterly Information

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 June 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 2Q18	3Q18	4Q18 to 3Q19	4Q19 to 3Q20	4Q20 to 2Q21
Contracted	5	5	4.5	4	3.5
Computed	3.5 – 3.58	-	-	-	-

b) EBITDA/net finance costs ratio:

	1Q18 e 2Q18	3Q18	4Q18 to 2Q21
Contracted	1.5	1.75	2
Computed	2.09 – 2.12	-	-

At June 30, 2018, March 31, 2018, and December 31, 2017, the Company had complied with the financial ratios contracted with Bank of America.

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

Notes to the Quarterly Information

f) Summary movement of loans and financings:

Parent Company		Cash Changes		Non-cash changes			
	12/31/16	Received / (Payments) from Financing Activities	Interest payment	Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	12/31/17
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			
	12/31/17	Received / (Payments) from Financing Activities	Interest payment	Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	6/30/2018
Loans, Financing and Debentures	**772,096**	1,317	(37,999)	45,214	52,685	-	**833,313**
Interest on Shareholders' Equity and Dividends	**91**	-	(52)	-	-	-	**39**

Consolidated		Cash Changes		Non-cash changes			
	12/31/16	Received / (Payments) from Financing Activities	Interest payment	Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	12/31/17
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			
	12/31/17	Received / (Payments) from Financing Activities	Interest payment	Exchange rate variation and interest	Hedge Accounting	Banks - restricted account	6/30/2018
Loans, Financing and Debentures	**772,096**	1,423	(37,999)	45,215	52,685	-	**833,420**
Interest on Shareholders' Equity and Dividends	**91**	-	(52)	-	-	-	**39**

Notes to the Quarterly Information

17. TRADE PAYABLES

Payables to suppliers are as follows:

	Parent Company		Consolidated	
CURRENT LIABILITIES	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Internal				
Materials	51,074	59,042	51,537	59,276
Service providers	6,495	7,628	6,804	7,775
Carriers	9,459	14,867	9,463	14,876
Related parties	28,300	13,626	-	-
Other	725	629	725	629
Market				
Materials	547	395	547	395
	96,600	96,187	69,076	82,951

18. RELATED PARTIES

Parent Company	Receivables		Payables	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Habitasul Florestal S.A.	-	-	2,336	1,890
Iraflor - Com. de Madeiras Ltda	-	-	25,783	11,725
Management compensation	-	-	1,516	799
Management profit sharing	-	-	692	692
Habitasul Desenvolvimentos Imobiliarios	17	17	-	-
Irani Geração de Energia Sustentável Ltda	-	13	-	-
Koch Metalúrgica S.A.	20,021	19,686	-	-
Irani Participações S/A	708	751		-
Total	20,746	20,467	30,327	15,106
Current portion	3,003	2,724	30,327	15,106
Non-current portion	17,743	17,743	-	-

Parent Company	Income		Expenses		Income		Expenses	
	Quarter ended		Quarter ended		Six-month period ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Habitasul Florestal S.A.	-	-	2,523	2,293	-	-	5,369	5,393
Management bonus	-	-	-	5,000	-	-	-	5,000
Iraflor - Com. de Madeiras Ltda	-	-	5,295	1,122	-	-	12,707	1,610
Druck, Mallmann, Oliveira & Advogados Associados	-	-	72	72	-	-	144	145
MCFD Administração de Imóveis Ltda	-	-	324	324	-	-	648	659
PFD Administradora de Imóveis Ltda			324	-	-	-	648	-
Irani Participações S/A	-	-	2,399	120	-	-	4,580	240
Habitasul Desenvolvimentos Imobiliarios	-	-	44	44	-	-	88	88
Koch Metalúrgica S.A.	150	150	-	-	300	300	-	-
Management compensation	-	-	2,212	2,125	-	-	4,363	4,183
Total	150	150	13,193	11,100	300	300	28,547	17,318

Notes to the Quarterly Information

Consolidated	Receivables		Payables	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Habitasul Desenvolvimentos Imobiliarios	17	17	-	-
Koch Metalúrgica S.A.	20,021	19,686	-	-
Management compensation	-	-	1,516	799
Irani Participações S/A	708	751	-	-
Management profit sharing	-	-	692	692
Total	20,746	20,454	2,208	1,491
Current portion	3,003	2,711	2,208	1,491
Non-current portion	17,743	17,743	-	-

Consolidated	Income		Expenses		Income		Expenses	
	Quarter ended		Quarter ended		Six-month period ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Irani Participações S/A	-	-	2,399	120	-	-	4,580	240
Management bonus	-	-	-	5,000	-	-	-	5,000
Druck, Mallmann, Oliveira & Advogados Associados	-	-	72	72	-	-	144	145
MCFD Administração de Imóveis Ltda	-	-	324	324	-	-	648	659
PFD Administradora de Imóveis Ltda	-	-	324	-	-	-	648	-
Management compensation	-	-	2,225	2,151	-	-	4,389	4,222
Habitasul Desenvolvimentos Imobiliarios	-	-	44	44	-	-	88	88
Koch Metalúrgica S.A.	150	150	-	-	300	300	-	-
Total	150	150	5,388	7,711	300	300	10,497	10,354

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

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

The receivables from Koch Metalúrgica S.A. relate to advance payments for acquisition of equipment in the amount of R$ 17,743, rental payments in the amount of R$ 2,118, and receivables for goods sold in the amount of R$ 160. These balances are maintained at historical values, without monetary adjustments or interest. The related parties Irani Participações S.A. and Companhia Comercial de Imóveis are the guarantors of these balances.

In the first six-month period ended of 2018, management remuneration expenses, excluding payroll charges, totaled R$ 4,363 in the parent company (R$ 4,183 in the first six-month period ended of 2017), and R$ 4,389 in the consolidated (R$ 4,222 in the first six-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. The amount paid in excess of the approved remuneration for the year will be ratified at an Extraordinary General Meeting being convened.

Notes to the Quarterly Information

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. 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	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Civil contingencies	1,540	1,716	1,540	1,716
Labor contingencies	7,193	6,428	7,384	6,832
Tax contingencies	57,970	47,549	57,970	47,549
Total	66,703	55,693	66,894	56,097

Changes in the balance of provisions

Parent Company	12/31/2017	Provision	Payments	Reversal	6/30/2018
Civil	1,716	-	(28)	(148)	1,540
Labor	6,428	919	(154)	-	7,193
Tax	47,549	10,421	-	-	57,970
	55,693	11,340	(182)	(148)	66,703

Consolidated	12/31/2017	Provision	Payments	Reversal	6/30/2018
Civil	1,716	-	(28)	(148)	1,540
Labor	6,832	919	(154)	(213)	7,384
Tax	47,549	10,421	-	-	57,970
	56,097	11,340	(182)	(361)	66,894

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$ 1,540 was recorded at June 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

Notes to the Quarterly Information

on past experience and on the opinion of its legal counsel, the Company maintained a provision of R$ 7,384 at June 30, 2018, which is considered sufficient to cover potential losses arising from labor contingencies.

c) Provisions for tax contingencies total R$ 57,970 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$ 760, which await judgment.

(ii) Offset of federal taxes levied on its operations, based on the exclusion of the ICMS from the calculation basis of PIS and COFINS. On March 15, 2017, the matter was examined by the Federal Supreme Court (STF), which defined that "the ICMS does not make up the PIS and COFINS calculation basis". The decision taken by the STF, in view of its repercussion, should take effect for all the lawsuits in progress. Up to June 30, 2018, the amount offset totaled R$ 31,171, and a related provision for tax risks was recorded, at the adjusted amount of R$ 44,335.

iii) 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 June 30, 2018 totaled R$ 5,734, and a related provision for tax risks was recorded, at the adjusted amount of R$ 7,987.

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

	Consolidated	
	6/30/2018	12/31/2017
Labor contingencies	10,914	15,289
Civil contingencies	7,905	7,897
Tax contingencies	98,341	70,389
	117,160	93,575

Labor contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R$ 10,914 at June 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$ 7,905 at June 30, 2018, and relate mainly to indemnity claims that are currently at different procedural stages.

Notes to the Quarterly Information

Tax contingencies:

The tax lawsuits assessed by management and its legal counsel as involving possible losses totaled R$ 98,341 at June 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$ 44,578 at June 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$ 33,715 at June 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 June 30, 2018, these proceedings amounted to R$ 6,901. The Company is challenging these tax assessments at the administrative and judicial levels.

- Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R$ 6,193 at June 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$ 3,382 at June 30, 2018. The Company is challenging these tax assessments at the administrative and judicial levels.

20. EQUITY

a) Share capital

At June 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

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		Parent Company 6/30/2018		Parent Company 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
		2,376,100	6,834	2,376,100	6,834

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

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

c) Share-based payment

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

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

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

d) 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.

Notes to the Quarterly Information

(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 31, 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 June 30, 2018, net of tax effects, represented a gain of R$ 192,071 (R$ 196,545 at December 31, 2017).

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$ 112,645 at June 30, 2018 (R$ 77,873 at December 31, 2017).

Changes in the carrying value adjustments account were as follows:

	Consolidated
At December 31, 2016	127,507
Cash flow hedges	3,695
Realization - deemed cost	(12,530)
At December 31, 2017	118,672
Cash flow hedges	(34,773)
Realization - deemed cost	(4,473)
At June 30, 2018	79,426

21. 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:

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	Quarter ended at 6/30/2018		
	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	4,942	336	5,278
Basic and diluted loss per share - R$	0.0321	0.0321	

	Quarter ended at 6/30/2017		
	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
Profit for the year attributable to each category of shares	1,126	77	1,203
Basic and diluted loss per share - R$	0.0073	0.0073	

	Six-month period ended at 6/30/2018		
	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	21	1	22
Basic and diluted loss per share - R$	0.0001	0.0001	

	Six-month period ended at 6/30/2017		
	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	(12,109)	(823)	(12,932)
Basic and diluted loss per share - R$	(0.0787)	(0.0787)	

Notes to the Quarterly Information

22. NET SALES REVENUE

The Company's net sales revenue comprises the following:

	Parent Company		Parent Company	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Gross sales revenue	272,323	267,341	553,714	524,683
Taxes on sales	(54,014)	(58,397)	(110,798)	(118,339)
Sales returns	(2,433)	(1,872)	(4,754)	(5,450)
Net sales revenue	215,876	207,072	438,162	400,894

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Gross sales revenue	275,578	269,300	560,455	528,292
Taxes on sales	(54,274)	(58,525)	(111,358)	(118,574)
Sales returns	(2,469)	(1,916)	(4,905)	(5,522)
Net sales revenue	218,835	208,859	444,192	404,196

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23. COSTS AND EXPENSES BY NATURE

Costs and expenses by nature are as follows:

	Parent Company		Parent Company	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Fixed and variable costs (raw materials and consumables)	(114,332)	(109,629)	(246,590)	(216,842)
Personnel expenses	(38,216)	(36,034)	(75,159)	(69,955)
Changes in the fair value of biological assets	2,660	3,893	4,238	7,895
Depreciation, amortization and depletion	(12,208)	(13,359)	(12,208)	(25,823)
Freight	(10,603)	(11,194)	(22,303)	(22,255)
Services contracted	(5,907)	(5,575)	(12,155)	(11,533)
Other selling expenses	(9,333)	(11,866)	(18,406)	(20,586)
Total costs and expenses by nature	(187,939)	(183,764)	(382,583)	(359,099)
Cost	(156,520)	(145,859)	(318,939)	(292,699)
Expense	(34,079)	(41,798)	(67,882)	(74,295)
Changes in the fair value of biological assets	2,660	3,893	4,238	7,895

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Fixed and variable costs (raw materials and consumables)	(107,452)	(107,114)	(217,662)	(211,249)
Personnel expenses	(40,615)	(38,512)	(80,111)	(75,002)
Changes in the fair value of biological assets	3,306	10,480	4,123	5,316
Depreciation, amortization and depletion	(16,482)	(14,981)	(34,313)	(28,642)
Freight	(10,603)	(11,194)	(22,303)	(22,255)
Services contracted	(6,172)	(5,870)	(12,765)	(12,160)
Other selling expenses	(9,333)	(11,866)	(18,406)	(20,586)
Total costs and expenses by nature	(187,351)	(179,057)	(381,437)	(364,578)
Cost	(156,332)	(147,399)	(317,049)	(294,837)
Expense	(34,325)	(42,138)	(68,511)	(75,057)
Changes in the fair value of biological assets	3,306	10,480	4,123	5,316

Notes to the Quarterly Information

24. OTHER OPERATING INCOME AND EXPENSES

Income	Parent Company		Parent Company	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Income from assets damaged and sold	508	101	568	497
Other operating income	329	788	746	1,564
	837	889	1,314	2,061

Expenses	Parent Company		Parent Company	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Cost of assets damaged and sold	(208)	(7)	(346)	(161)
Exclusion of ICMS from the PIS/COFINS contribution base	-	-	(6,120)	-
Fine for exclusion of ICMS from the PIS/COFINS contribution base	(1,188)	-	(2,295)	-
Provision for credit losses receivable XKW Trading	500	-	500	-
Provision for subsidy from the state government of Minas Gerais	(423)	-	(833)	-
Other operating expenses	(59)	(6,673)	(213)	(7,042)
	(1,378)	(6,680)	(9,307)	(7,203)
Total	(541)	(5,791)	(7,993)	(5,142)

Income	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Income from assets damaged and sold	508	101	568	547
Other operating income	537	793	962	1,575
	1,045	894	1,530	2,122

Expenses	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Cost of assets damaged and sold	(209)	(7)	(347)	(210)
Exclusion of ICMS from the PIS/COFINS contribution base	-	-	(6,120)	-
Fine for exclusion of ICMS from the PIS/COFINS contribution base	(1,188)	-	(2,295)	-
Provision for credit losses receivable XKW Trading	500	-	500	-
Provision for subsidy from the state government of Minas Gerais	(423)	-	(833)	-
Other operating expenses	(59)	(6,677)	(230)	(7,047)
	(1,379)	(6,684)	(9,325)	(7,257)
Total	(334)	(5,790)	(7,795)	(5,135)

Notes to the Quarterly Information

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 19 c ii.

25. FINANCE INCOME AND EXPENSES

	Parent Company		Parent Company	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Finance income				
Income from financial investments	1,173	2,125	1,884	5,642
Interest	334	473	658	1,005
Discounts obtained	154	31	231	59
	1,661	2,629	2,773	6,706
Foreign exchange variations				
Foreign exchange gains	4,854	2,836	8,675	6,494
Foreign exchange losses	(4,035)	(6,004)	(7,088)	(15,221)
Foreign exchange variations, net	819	(3,168)	1,587	(8,727)
Finance expenses				
Interest	(25,890)	(25,517)	(48,801)	(53,010)
Discounts granted	(117)	(92)	(302)	(130)
Discounts/bank expenses	(7)	(9)	(7)	(23)
Other	(296)	(389)	(654)	(879)
	(26,310)	(26,007)	(49,764)	(54,042)
Finance result, net	(23,830)	(26,546)	(45,404)	(56,063)

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Finance income				
Income from financial investments	1,181	2,344	1,902	6,480
Interest	334	474	658	1,008
Discounts obtained	155	31	232	59
	1,670	2,849	2,792	7,547
Foreign exchange variations				
Foreign exchange gains	4,854	2,836	8,675	6,494
Foreign exchange losses	(4,035)	(6,004)	(7,088)	(15,221)
Foreign exchange variations, net	819	(3,168)	1,587	(8,727)
Finance expenses				
Interest	(25,892)	(25,517)	(48,804)	(53,010)
Discounts granted	(117)	(92)	(301)	(130)
Discounts/bank expenses	(7)	(9)	(8)	(23)
Other	(297)	(391)	(655)	(888)
	(26,313)	(26,009)	(49,768)	(54,051)
Finance result, net	(23,824)	(26,328)	(45,389)	(55,231)

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26. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent Company		Parent Company	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Operating profit (loss) before taxation	7,176	(2,615)	9,375	(20,985)
Standard tax rate	34%	34%	34%	34%
Tax credit (expense) at standard rate	(2,440)	889	(3,188)	7,135
Tax effect of permanent (additions) exclusions:				
Equity in the results of subsidiaries	1,227	2,181	-	-
Subsidiaries taxed under the presumed profit method	-	-	2,448	(536)
Other permanent differences	(685)	748	(8,613)	1,454
	(1,898)	3,818	(9,353)	8,053
Current income tax and social contribution	-	-	-	-
Deferred income tax and social contribution	(1,898)	3,818	(9,353)	8,053
Effective tax rate - %	26.4	146.0	99.8	38.4

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Operating profit (loss) before taxation	7,326	(2,316)	9,571	(20,748)
Standard tax rate	34%	34%	34%	34%
Tax credit (expense) at standard rate	(2,491)	787	(3,254)	7,054
Tax effect of permanent (additions) exclusions:				
Subsidiaries taxed under the presumed profit method	(1,227)	(1,914)	(2,448)	(2,748)
Other permanent differences	1,670	4,646	(3,847)	3,510
	(2,048)	3,519	(9,549)	7,816
Current income tax and social contribution	(161)	(123)	(258)	(375)
Deferred income tax and social contribution	(1,887)	3,642	(9,291)	8,191
Effective tax rate - %	28.0	151.9	99.8	37.7

27. 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 June 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 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.

28. FINANCIAL INSTRUMENTS

Capital 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 20).

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 June 30, 2018, the capital structure comprised 29% of own capital and 71% of third-party capital, mainly due to the effects of the exchange rate variation on foreign currency debt, which accounts for 50.79% of the Company's total debt, and also the effects of the exchange rate variation on hedge accounting, which reduces equity by R$ 112,645.

Debt to equity ratio

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

	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Debt (a)	833,313	772,096	833,420	772,096
Cash and banks	(86,962)	(75,896)	(88,112)	(76,949)
Banks - restricted account	-	(8,732)	-	(8,732)
Net debt	746,351	687,468	745,308	686,415
Equity (b)	305,963	340,713	305,971	340,721
Debt to net assets ratio	2.44	2.02	2.44	2.01

(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.

Notes to the Quarterly Information

Categories of financial instruments

	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Financial assets				
Fair value through profit or loss				
Cash and banks	86,962	75,896	88,112	76,949
Amortized cost				
Trade receivables	156,422	167,140	157,994	168,124
Other receivables	10,004	8,993	10,148	9,029
Banks - restricted account	-	8,732	-	8,732
Financial liabilities				
Amortized cost				
Borrowings	833,313	772,096	833,420	772,096
Trade payables	96,600	96,187	69,076	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 June 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 31 months of exports, based on the average of exports carried out in the first six-month period ended of 2018, and to 35 months of exports based on the average exports carried out in 2017.

Notes to the Quarterly Information

	Parent Company		Consolidated	
	6/30/2018	12/31/2017	6/30/2018	12/31/2017
Trade receivables	19,723	27,508	19,723	27,508
Banks - restricted account	-	6,188	-	6,188
Customer advances	716	(346)	716	(346)
Trade payables	(547)	(395)	(547)	(395)
Borrowings	(392,139)	(346,437)	(392,139)	(346,437)
Net exposure	(372,247)	(313,482)	(372,247)	(313,482)

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 (September 30, 2018).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for September 30, 2018.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for September 30, 2018.

Transaction	Balance at 6/30/2018	Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	U$$	Rate	R$	Rate	R$	Rate	R$
Assets							
Trade receivables and Banks' restricted accounts	5,115	3.87	94	4.84	5,048	5.81	10,005
Liabilities							
Trade payables and advances from customers	44	3.87	1	4.84	43	5.81	86
Borrowings	(101,701)	3.87	(1,872)	4.84	(100,374)	5.81	(198,927)
Net effect			(1,777)		(95,283)		(188,836)

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 June 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

Notes to the Quarterly Information

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 (September 30, 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 September 30, 2018.

3 – Remote scenario: 50% adjustment of interest rates compared to the level projected for September 30, 2018.

Transaction	Index	Balance at 6/30/2018	Base scenario Gain (loss) Rate % p.a.	Base scenario Gain (loss) R$	Adverse scenario Gain (loss) Rate % p.a.	Adverse scenario Gain (loss) R$	Remote scenario Gain (loss) Rate % p.a	Remote scenario Gain (loss) R$
Cash and cash equivalents								
CDB	CDI	77,596	6.44%	(38)	8.05%	1,254	9.66%	2,470
Proceeds from borrowings								
Working capital	CDI	(383,453)	6.44%	209	8.05%	(6,930)	9.66%	(13,652)
BNDES	TJLP	(37,464)	6.56%	(15)	8.20%	(599)	9.84%	(1,214)
FINAME	TJLP	(4,228)	6.56%	(2)	8.20%	(68)	9.84%	(137)
FINAME	SELIC	(478)	6.45%	-	8.06%	(8)	9.68%	(16)
Financing - foreign currency	Libor 3M	(272,200)	2.34%	17	2.93%	(2,196)	3.51%	(4,375)
Financing - foreign currency	Euribor 6M	(3,109)	0.00%	-	0.00%	-	0.00%	-
Net effect				171		(8,547)		(16,924)

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;
iv) Fixed-income investment funds of conservative profile.

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

	Consolidated	
	6/30/2018	Agency
National rating AA- (br)	40,070	S&P
National rating A+ (br)	25,704	S&P
National rating AA (br)	11,626	Fitch
	77,400	

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 June 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	96,600	-	-	-	-
Borrowings	104,070	293,584	239,496	175,428	106,159
	200,670	293,584	239,496	175,428	106,159

Consolidated

	2018	2019	2020	2021	As from 2022
Liabilities					
Trade payables	69,076	-	-	-	-
Borrowings	104,070	293,584	239,496	175,428	106,159
	173,146	293,584	239,496	175,428	106,159

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 June 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.

Notes to the Quarterly Information

The hedged cash flows are the estimated exports up to 2021, and the amount recorded in equity based on hedge accounting amounted to R$ 112,645 at June 30, 2018 (R$ 77,873 in December 2017).

	Parent Company and Consolidated 6/30/2018	Parent Company and Consolidated 12/31/2017
Opening balance	117,989	123,587
Changes in cash flow hedges	53,242	3,867
Reclassification to the statement of profit and loss	(557)	(9,465)
	170,674	117,989
Opening balance	(40,116)	(42,019)
Taxes on changes in cash flow hedges	(18,102)	(1,315)
Taxes on reclassification to the statement of profit and loss	189	3,218
	(58,029)	(40,116)
Closing balance	112,645	77,873

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$ 112,645.

29. 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				
	Quarter ended 6/30/2018				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	136,164	44,190	2,386	-	182,740
Foreign market	-	19,174	16,921	-	36,095
Revenue from sales to third parties	136,164	63,364	19,307	-	218,835
Intersegment revenue	-	8,139	-	(8,139)	-
Total net sales	136,164	71,503	19,307	(8,139)	218,835
Changes in the fair value of biological assets	-	2,447	859	-	3,306
Cost of sales	(120,748)	(30,615)	(12,841)	7,872	(156,332)
Gross profit	15,416	43,335	7,325	(267)	65,809
Operating expenses	(17,059)	(4,902)	(1,809)	(10,889)	(34,659)
Operating result before finance income (expenses)	(1,643)	38,433	5,516	(11,156)	31,150
Finance income (expenses)	(11,796)	(11,424)	(604)	-	(23,824)
Net operating profit (loss)	(13,439)	27,009	4,912	(11,156)	7,326
Depreciation and amortization	(3,481)	(8,171)	(276)	(365)	(12,293)

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	Consolidated				
	Six-month period ended 6/30/2018				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	277,625	90,032	4,710	-	372,367
Foreign market	-	35,998	35,827	-	71,825
Revenue from sales to third parties	277,625	126,030	40,537	-	444,192
Intersegment revenue	-	10,416	-	(10,416)	-
Total net sales	277,625	136,446	40,537	(10,416)	444,192
Changes in the fair value of biological assets	-	6,757	(2,634)	-	4,123
Cost of sales	(247,057)	(60,250)	(27,680)	17,938	(317,049)
Gross profit	30,568	82,953	10,223	7,522	131,266
Operating expenses	(38,659)	(12,005)	(4,163)	(21,479)	(76,306)
Operating result before finance income (expenses)	(8,091)	70,948	6,060	(13,957)	54,960
Finance income (expenses)	(21,296)	(21,939)	(2,154)	-	(45,389)
Net operating profit (loss)	(29,387)	49,009	3,906	(13,957)	9,571
Depreciation and amortization	(6,884)	(16,755)	(542)	(741)	(24,922)

	Consolidated				
	Quarter ended 6/30/2018				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	135,609	41,111	1,818	-	178,538
Foreign market	-	17,671	12,650	-	30,321
Revenue from sales to third parties	135,609	58,782	14,468	-	208,859
Intersegment revenue	-	10,669	-	(10,669)	-
Total net sales	135,609	69,451	14,468	(10,669)	208,859
Changes in the fair value of biological assets	-	6,330	4,150	-	10,480
Cost of sales	(120,064)	(26,544)	(11,344)	10,553	(147,399)
Gross profit	15,545	49,237	7,274	(116)	71,940
Operating expenses	(23,589)	(6,667)	(1,472)	(16,200)	(47,928)
Operating result before finance income (expenses)	(8,044)	42,570	5,802	(16,316)	24,012
Finance income (expenses)	(11,455)	(13,288)	(1,585)	-	(26,328)
Net operating profit (loss)	(19,499)	29,282	4,217	(16,316)	(2,316)
Depreciation and amortization	(3,094)	(9,741)	(237)	(367)	(13,439)

Notes to the Quarterly Information

	Consolidated				
	Six-month period ended 6/30/2017				
	Packaging P.O.	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	261,334	73,922	3,543	-	338,799
Foreign market	-	38,223	27,174	-	65,397
Revenue from sales to third parties	261,334	112,145	30,717	-	404,196
Intersegment revenue	-	20,103	-	(20,103)	-
Total net sales	261,334	132,248	30,717	(20,103)	404,196
Changes in the fair value of biologica	-	11,470	(6,154)	-	5,316
Cost of sales	(237,692)	(53,105)	(23,905)	19,865	(294,837)
Gross profit	23,642	90,613	658	(238)	114,675
Operating expenses	(38,986)	(11,787)	(3,013)	(26,406)	(80,192)
Operating result before finance income (expenses)	(15,344)	78,826	(2,355)	(26,644)	34,483
Finance income (expenses)	(24,036)	(27,737)	(3,458)	-	(55,231)
Net operating profit (loss)	(39,380)	51,089	(5,813)	(26,644)	(20,748)
Depreciation and amortization	(6,099)	(18,683)	(467)	(732)	(25,981)

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 second quarter of 2018, net sales revenue totaled R$ 218,835, (R$ 208,859 in the second quarter of 2017), and in the six-month period ended of 2018 the net sales revenue totaled R$ 444.192 (R$ 404,196 in the six-month period ended of 2017.

Net sales revenue from exports in the second quarter of 2018 amounted to R$ 36,095 (R$ 30,321 in the second quarter of 2017), and in the six-month period ended of 2018 the net sales revenue from exports

Notes to the Quarterly Information

totaled R$ 71,825 (R$ 65,297 in the six-month period ended of 2017), relates to exports to various countries, as shown below:

Consolidated		
Quarter ended 6/30/2018		
Country	Net export revenue	% of total revenue, net
Saudi Arabia	4,493	2.05%
Argentina	3,673	1.68%
Germany	3,487	1.59%
Chile	2,451	1.12%
Portugal	2,117	0.97%
Japan	1,830	0.84%
Paraguay	1,732	0.79%
France	1,717	0.78%
South Africa	1,680	0.77%
Peru	1,648	0.75%
India	1,471	0.67%
Netherlands	1,448	0.66%
Mexico	1,439	0.66%
Turkey	1,385	0.63%
China	1,344	0.61%
Uruguay	1,070	0.49%
Bolivia	826	0.38%
Hong Kong	547	0.25%
Singapore	468	0.21%
Israel	407	0.19%
Spain	342	0.16%
United Kingdom	168	0.08%
Canada	96	0.04%
Pakistan	95	0.04%
Italy	85	0.04%
Colombia	76	0.03%
	36,095	16.49%

Consolidated		
Quarter ended 6/30/2017		
Country	Net export revenue	% of total revenue, net
Germany	4,984	2.39%
Saudi Arabia	4,471	2.14%
Argentina	2,734	1.31%
France	2,536	1.21%
South Africa	2,094	1.00%
Netherlands	1,448	0.69%
Chile	1,386	0.66%
Japan	1,302	0.62%
China	1,232	0.59%
Paraguay	1,112	0.53%
Singapore	989	0.47%
Peru	673	0.32%
Kuwait	646	0.31%
Bolivia	627	0.30%
Spain	586	0.28%
Portugal	551	0.26%
Turkey	430	0.21%
India	407	0.19%
Malaysia	354	0.17%
Uruguay	317	0.15%
Austria	301	0.14%
Colombia	278	0.13%
Taiwan	134	0.06%
Mexico	133	0.06%
Israel	119	0.06%
Serbia	113	0.05%
Canada	87	0.04%
Other Countries	277	0.13%
	30,321	14.52%

Notes to the Quarterly Information

Consolidated			Consolidated		
Six-month period ended 6/30/2018			Six-month period ended 6/30/2017		
Country	Net export revenue	% of total revenue, net	Country	Net export revenue	% of total revenue, net
Germany	8,826	1.99%	China	8,990	2.22%
Saudi Arabia	8,306	1.87%	Germany	8,713	2.16%
Argentina	6,631	1.49%	Saudi Arabia	7,645	1.89%
France	6,585	1.48%	Argentina	5,154	1.28%
Chile	4,163	0.94%	South Africa	4,414	1.09%
Japan	3,904	0.88%	Chile	3,296	0.82%
Netherlands	3,516	0.79%	France	2,955	0.73%
Paraguay	3,436	0.77%	Netherlands	2,569	0.64%
South Africa	3,381	0.76%	Paraguay	2,209	0.55%
Portugal	3,243	0.73%	Japan	2,064	0.51%
China	3,034	0.68%	Singapore	1,688	0.42%
Peru	2,709	0.61%	Kuwait	1,493	0.37%
Turkey	2,570	0.58%	Peru	1,296	0.32%
India	2,345	0.53%	Turkey	1,226	0.30%
Mexico	2,270	0.51%	Portugal	1,169	0.29%
Uruguay	1,551	0.35%	India	1,094	0.27%
Hong Kong	1,131	0.25%	Bolivia	1,033	0.26%
Bolivia	908	0.20%	Uruguay	1,028	0.25%
Israel	751	0.17%	Austria	985	0.24%
Singapore	468	0.11%	Malaysia	939	0.23%
Spain	342	0.08%	Hong Kong	841	0.21%
Colombia	301	0.07%	Spain	904	0.22%
kuwait	264	0.06%	Mexico	478	0.12%
Canada	261	0.06%	Pakistan	416	0.10%
United Kingdom	241	0.05%	Norway	380	0.09%
Pakistan	177	0.04%	Colombia	407	0.10%
Italy	159	0.04%	Taiwan	134	0.03%
Trinidad and Tobago	152	0.03%	Israel	399	0.10%
Austria	117	0.03%	Canada	341	0.08%
Egypt	83	0.02%	Serbia	159	0.04%
Other Countries	-	0.00%	Other Countries	978	0.24%
	71,825	16.17%		65,397	16.17%

In the second quarter of 2018, net sales revenue in the domestic market totaled R$ 182,740, (R$ 178,538 in the second quarter of 2017), and in the six-month period ended of 2018, the net sales revenue in the domestic market totaled R$ 372,367 (R$ 338,799 in the first six-month period ended of 2017).

In the second quarter of 2018, a single customer accounted for 4.9% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R$ 6,679. 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

30. 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 first quarter of 2018, as follows:

- Rentals of production units = R$ 715 (R$ 715 in the first quarter of 2017);
- Rentals of commercial and administrative units = R$ 93 (R$ 80 in the first quarter of 2017).

Future commitments arising from these contracts totaled a minimum amount of R$ 85,161 at June 30, 2018. The rentals were calculated at present value, using the accumulated Amplified Consumer Price Index (IPCA) for the last 12 months, i.e., 2.85% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	3,452	16,188	65,521	85,161
Operating leases at present value	3,357	14,644	48,161	66,162

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., 2.85% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	1,124	7,107	6,945	15,176
Operating leases at present value	1,092	6,428	4,983	12,503

Notes to the Quarterly Information

31. 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 u0070 to the limit of R$ 55,199 of deferred ICMS. At June 30, 2018, the Company had deferred ICMS liabilities of R$ 18,371 (R$ 16,057 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.

32. 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 six-month period ended of 2018, the Company made payments for purchases of property, plant and equipment, amounting to R$ 3,477, 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 June 30, 2017, the Company made payments for purchases of property, plant and equipment, securities in the amount of R $ 1,980, which were financed directly by suppliers.

Notes to the Quarterly Information

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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 June 30, 2018, which comprise the balance sheet on June 30, 2018 and related statements of profit or loss and of comprehensive income (loss) for the three and six-month periods ended at that date, and of changes in equity and of cash flows for the six-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 and comprehensive income for the three and six-month periods and the statements of cash flows

Report on review of quarterly information - ITR

for the six-month periods ended June 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 six-month period ended June 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

Corresponding amounts related to 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 paragraph “Basis for qualified conclusion”, and the individual and consolidated statement of income, of comprehensive income, of changes in equity and of cash flows for the quarter ended March 31, 2017 were previously reviewed by other independent auditors, who issued an unqualified conclusion report dated April 28, 2017. The corresponding amounts referring to the parent company and consolidated Statements of Added Value, for the quarter ended June 30, 2017, have been submitted to the same review procedures by the aforementioned independent auditors, and, based on their review, nothing came to their attention that caused them to believe that these statements had not been properly prepared, in all material respects, in relation to the parent company and consolidated interim financial information taken as a whole.

Porto Alegre, July 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

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, 9° 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 June 30, 2018; and (ii) we have reviewed, discussed and agreed with the Company's interim financial statements for the three-month period ended June 30, 2018.

Porto Alegre, RS, July 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

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, 9° 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 June 30, 2018; and (ii) we have reviewed, discussed and agreed with the Company's interim financial statements for the three-month period ended June 30, 2018.

Porto Alegre, RS, July 31, 2018.

Sérgio Luiz Cotrim Ribas - CEO
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