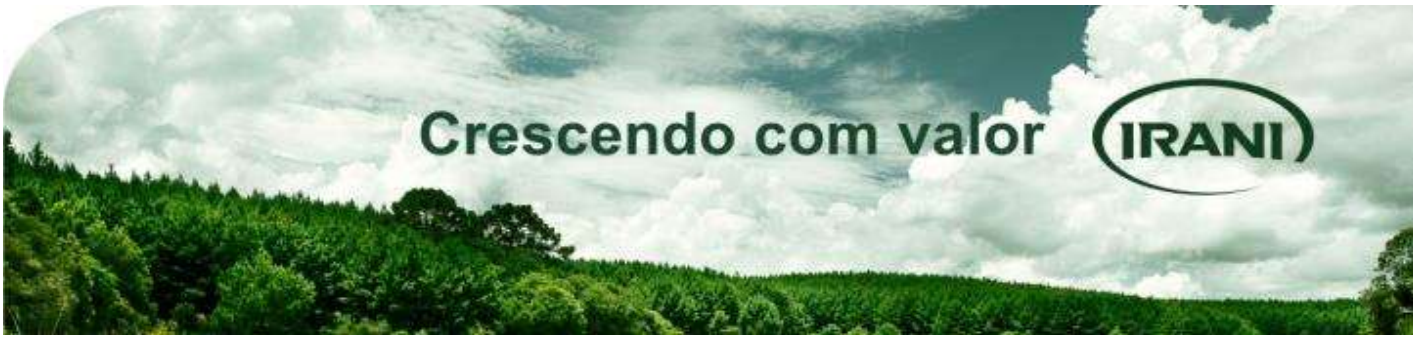

Celulose Irani S.A. - National Corporate Taxpayers' Registry (CNPJ) 92.791.243/0001-03

NOTES TO THE INTERIM FINANCIAL STATEMENTS AT MARCH 31, 2017

(All amounts in thousands of reais unless otherwise stated)

1. OPERATIONS

Celulose Irani S.A. ("Company") is a corporation listed on the São Paulo Futures, Commodities and Securities Exchange (BM&FBovespa S.A.), 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 manufacturing corrugated cardboard packaging, packaging paper, resin products and their byproducts. The Company is also engaged in forestation and reforestation activities and utilizes the production chain of planted forests and paper recycling as the basis for all its production.

Its direct subsidiaries are listed in Note 4.

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

The issue of these interim financial statements was authorized by the Board of Directors on April 19, 2017.

2. PRESENTATION OF THE INTERIM FINANCIAL STATEMENTS

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

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

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 profit and loss, 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, banks and highly liquid financial investments with a low risk of change in value and maturities in 90 days or less, which are held for the purpose of meeting short-term cash commitments. Cash and cash equivalents are classified under financial instruments as "Loans and receivables."

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 that considers the history of losses, and is recognized at an amount considered sufficient by management to cover expected losses on the collection of these receivables. Trade receivables are classified under financial instruments as "Loans and receivables."

d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is 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 under the equity method in the parent company interim financial statements.

Under the equity method, 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 have been altered, when necessary, to ensure consistency with the policies adopted by the Company.

h) Investment properties

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

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

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

i) <u>Property, plant and equipment and intangible assets</u>

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

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

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

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the combination, which are identified according to the operating segment.

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 (three to five years). Costs associated with maintaining computer software programs are expensed as incurred.

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

The customer portfolio acquired in a business combination is recognized at fair value on the acquisition date, and is accounted for at fair value less the 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 periodically measured at fair value less selling expenses, and 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 the 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 2016 and in the first quarter of 2017, the Company did not identify evidences of impairment loss on its 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 at the 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 and debentures

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

n) Hedge accounting

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

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

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

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

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

Therefore, the 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 the fair value of biological assets (Note 15), the provisions for tax, social security, civil and labor claims (Note 20), and the provision for impairment of assets.

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

The Company has a Value-added Tax on Sales and Services (ICMS) incentive granted by the Governments of the States of Santa Catarina and Minas Gerais. The Federal Supreme Court (STF) issued decisions on Direct Actions, declaring the unconstitutionality of several state laws that granted ICMS tax benefits without any previous agreement between the states.

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

s) Determination of the results of operations

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

t) Revenue recognition

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

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

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

u) Government grants

The financing of taxes, directly or indirectly granted by the Government, at interest rates below market rates, are recognized as government grants and measured at the difference between the amounts received 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 parent company and consolidated statements of value added as an integral part of the set of interim financial statements. 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 was prepared pursuant to the provisions of CPC 09 - "Statement of Value Added", with information obtained from the same accounting records used to prepare the interim financial statements.

4. CONSOLIDATION OF THE INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements include those of Celulose Irani S.A. and its subsidiaries, as follows:

Ownership interest - (%)			
Subsidiaries - direct ownership	Activity	3/31/2017	12/31/2016
Habitasul Florestal S.A.	Forest production	100.00	100.00
HGE - Geração de Energia Sustentável S.A. *	Electric power generation	100.00	100.00
Iraflor - Comércio de Madeiras LTDA.	Timber trading	99.99	99.99
Irani Geração de Energia Sustentável S.A.	Electric power generation	99.43	99.43

* currently assessing wind power projects for implementation

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

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Fixed-income fund	29	33	30	34
Banks	2,792	3,610	2,974	3,759
Financial investments with immediate liquidity	22,754	79,201	43,938	100,092
	25,575	82,844	46,942	103,885

The financial investments with immediate liquidity in Bank Deposit Certificates (CDBs) earn an average of 100.01 % 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		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Receivables:				
Trade receivables - domestic market	153,464	151,194	154,784	152,434
Trade receivables - foreign market	24,525	20,062	24,525	20,062
	177,989	171,256	179,309	172,496
Provision for impairment of trade receivables	(5,981)	(17,612)	(6,638)	(18,269)
	172,008	153,644	172,671	154,227

At March 31, 2017, consolidated trade receivables included an overdue amount of R$ 23,710, relating to customers that do not have a history of default, for which no provision was recorded.

The ageing analysis of trade receivables is as follows:

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Not yet due	148,704	129,543	148,961	129,947
Overdue for up to 30 days	9,534	15,679	9,890	15,769
Overdue from 31 to 60 days	6,384	3,961	6,392	3,962
Overdue from 61 to 90 days	3,118	2,164	3,121	2,164
Overdue from 91 to 180 days	2,379	1,377	2,380	1,446
Overdue for more than 180 days	7,870	18,532	8,565	19,208
	177,989	171,256	179,309	172,496

The average credit term on the sale of products is 60 days. The Company recognizes a provision for impairment of trade receivables for balances past due for over 180 days, based on an analysis of the financial position of each debtor and past default experience. A provision for impairment of trade receivables is also recorded for balances overdue for less than 180 days when these balances are considered uncollectible, taking into consideration the financial position of each debtor.

Changes in the provisions were as follows:

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Balance at the beginning of the period	(17,612)	(14,733)	(18,269)	(15,390)
Provision for recognized losses	(195)	(2,879)	(195)	(2,879)
Trade receivables written off as uncollectible during the period	11,826	-	11,826	-
Balance at the end of the period	(5,981)	(17,612)	(6,638)	(18,269)

A portion of the receivables, amounting to R$ 80,401, has been assigned as collateral for certain financing transactions, as disclosed in Notes 16 and 17.
The credit quality of financial assets that were neither past due nor impaired at March 31, 2017 was assessed with reference to historical information on default rates, as follows:

Quality of trade receivables

Customer category	History -%	Consolidated Amount receivable
a) Customers with no history of late payment	91.70	136,597
b) Customers with history of late payment of up to 7 days	6.48	9,653
c) Customers with history of late payment of more than 7 days	1.82	2,711
		148,961

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		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Finished products	7,677	7,689	7,677	7,792
Production materials	34,693	36,012	34,693	36,012
Consumable materials	22,070	22,695	22,115	22,768
Other inventories	492	479	492	479
	64,932	66,875	64,977	67,051

The cost of inventories recognized as an expense for the quarter totaled R$ 146,840 (R$ 145,471 in 1Q16) in the parent company and R$ 147,438 (R$ 141,993 in 1Q16) in the consolidated.

The cost of inventories recognized in the statement of profit and loss for income for the first quarter of 2017 does not include a write-down to net realizable value. Management expects the remaining inventory items to be realized in less than 12 months.

8. TAXES RECOVERABLE

Taxes recoverable consist of the following:

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Value-added Tax on Sales and Services (ICMS)	5,066	5,234	5,066	5,234
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	874	155	874	155
Excise Tax (IPI)	243	187	243	187
Income tax	137	137	137	137
Social contribution	103	103	103	103
Withholding Income Tax (IRRF) on investments	2,394	1,799	2,395	1,863
Other	15	10	15	10
	8,832	7,625	8,833	7,689
Current portion	6,694	5,233	6,695	5,297
Non-current portion	2,138	2,392	2,138	2,392

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

9. BANKS - RESTRICTED ACCOUNT

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Banco do Brasil - New York - a)	11,175	13,537	11,175	13,537
Banco Itaú - b)	-	18,545	-	18,545
Banco Santander - b)	31,940	30,995	31,940	30,995
Banco Rabobank - b)	13,242	18,584	13,242	18,584
Banco Itaú Trustee - b)	12,918	12,537	12,918	12,537
Total current	69,275	94,198	69,275	94,198

a. The balance with Banco do Brasil - New York/USA is represented by amounts in U.S. dollars retained to guarantee the settlement of the quarterly installments of the export prepayment loan obtained from Credit Suisse Bank, and refers to the installment falling due in May 2017.

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

10. OTHER ASSETS

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Advances to suppliers	2,923	3,518	3,045	3,613
Receivables from employees	1,336	1,616	1,384	1,640
Renegotiation with customers	21,354	24,325	21,382	24,352
Prepaid expenses	1,360	1,706	1,360	1,706
Receivable from XKW Trading	4,793	4,624	4,793	4,624
Other receivables	4,416	4,320	4,443	4,349
	36,182	40,109	36,407	40,284
Provision for impairment of trade receivables under renegotiation	(3,110)	(5,407)	(3,110)	(5,407)
	33,072	34,702	33,297	34,877
Current portion	19,585	19,482	19,783	19,629
Non-current portion	13,487	15,220	13,514	15,248

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

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

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Balance at the beginning of the period	(5,407)	(4,049)	(5,407)	(4,049)
Provision for recognized losses	-	(1,358)	-	(1,358)
Renegotiations written off during the period as uncollectible	2,297	-	2,297	-
Balance at the end of the period	(3,110)	(5,407)	(3,110)	(5,407)

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

Receivables from XKW Trading Ltda. - refer to the sale of the former subsidiary Meu Móvel de Madeira Ltda. on December 20, 2012, which will be paid in annual installments with final maturity in 2017.

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME

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

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

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

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

ASSETS	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Deferred income tax assets				
On temporary provisions	2,770	4,335	2,770	4,335
On tax losses	39,913	32,090	39,913	32,090
Cash flow hedges	26,939	30,897	26,939	30,897
Deferred social contribution assets				
On temporary provisions	997	1,561	997	1,561
On tax losses	14,368	11,552	14,368	11,552
Cash flow hedges	9,698	11,123	9,698	11,123
	94,685	91,558	94,685	91,558

LIABILITIES	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Deferred income tax liabilities				
Exchange rate variation recognized on a cash basis	4,376	3,989	4,376	3,989
Fair value of biological assets	31,691	30,695	33,636	32,844
Deemed cost of property, plant and equipment	123,210	122,206	130,811	129,805
Government grants	885	981	885	981
Customer portfolio	930	979	930	979
Amortization of goodwill for tax purposes	11,980	11,081	11,980	11,081
Deferred social contribution liabilities				
Exchange rate variation recognized on a cash basis	1,575	1,436	1,575	1,436
Fair value of biological assets	11,409	11,050	12,459	12,211
Deemed cost of property, plant and equipment	44,356	43,994	47,092	46,729
Government grants	319	353	319	353
Customer portfolio	335	353	335	353
Amortization of goodwill for tax purposes	4,313	3,989	4,313	3,989
	235,379	231,106	248,711	244,750
Deferred tax liabilities (net)	140,694	139,548	154,026	153,192

Management recorded deferred income tax and social contribution on temporary differences and tax losses. Based on budget forecasts approved by the Board of Directors, these consolidated balances are expected to be realized as follows:

Deferred tax assets	Consolidated
Year	3/31/2017
2017	9,760
2018	12,216
2019	10,321
2020	5,908
2021 onwards	56,480
	94,685

The changes in deferred income tax and social contribution were as follows:

Parent	Assets	Opening balance 12/31/2016	Recognized in profit or loss	Recognized in equity	Closing balance 3/31/2017
Deferred tax assets related to:					
Provision for profit sharing		(3,673)	1,956	-	(1,717)
Provision for sundry risks		(2,223)	173	-	(2,050)
Cash flow hedges		(42,020)	-	5,383	(36,637)
Total temporary differences		(47,916)	2,129	5,383	(40,404)
Tax losses		(43,642)	(10,639)	-	(54,281)
		(91,558)	(8,510)	5,383	(94,685)

Consolidated	Assets	Opening balance 12/31/2016	Recognized in profit or loss	Recognized in equity	Closing balance 3/31/2017
Deferred tax assets related to:					
Provision for profit sharing		(3,673)	1,956	-	(1,717)
Provision for sundry risks		(2,223)	173	-	(2,050)
Cash flow hedges		(42,020)	-	5,383	(36,637)
Total temporary differences		(47,916)	2,129	5,383	(40,404)
Tax losses		(43,642)	(10,639)	-	(54,281)
		(91,558)	(8,510)	5,383	(94,685)

Parent	Liabilities	Opening balance 12/31/2016	Recognized in profit or loss	Closing balance 3/31/2017
Deferred tax liabilities related to:				
Exchange rate variations recognized on a cash basis		5,425	526	5,951
Fair value of biological assets		41,745	1,355	43,100
Deemed cost and review of useful lives		166,200	1,366	167,566
Government grants		1,334	(130)	1,204
Customer portfolio		1,332	(67)	1,265
Amortization of goodwill for tax purposes		15,070	1,223	16,293
		231,106	4,273	235,379

Consolidated	Liabilities	Opening balance 12/31/2016	Recognized in profit or loss	Closing balance 3/31/2017
Deferred tax liabilities related to:				
Exchange rate variations recognized on a cash basis		5,425	526	5,951
Fair value of biological assets		45,055	1,040	46,095
Deemed cost and review of useful lives		176,534	1,369	177,903
Government grants		1,334	(130)	1,204
Customer portfolio		1,332	(67)	1,265
Amortization of goodwill for tax purposes		15,070	1,223	16,293
		244,750	3,961	248,711

12. INVESTMENTS

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia	Total
At December 31, 2015	130,582	140,828	563	258	272,231
Equity in the results of subsidiaries	18,473	16,778	(5)	(116)	35,130
Proposed dividends	(4,400)	(3,897)	-	-	(8,297)
Capital contribution	31,721	-	94	90	31,905
Capital decrease	-	(43,797)	-	-	(43,797)
Advance for future capital increase	(31,721)	-	(94)	-	(31,815)
At December 31, 2016	144,655	109,912	558	232	255,357
Equity in the results of subsidiaries	(9,915)	1,950	-	(24)	(7,989)
At March 31, 2017	134,740	111,862	558	208	247,368

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
Current				
Assets	2,738	53,243	24	1
Liabilities	(6,188)	(189)	-	(29)
Current assets/liabilities, net	(3,450)	53,054	24	(28)
Non-current				
Assets	151,222	59,115	534	237
Liabilities	(13,031)	(300)	-	-
Non-current assets/liabilities, net	138,191	58,815	534	237
Equity	134,741	111,869	558	209
Net revenue	4,578	647	-	-
Profit (loss) before taxation	(10,116)	2,212	-	(25)
Income tax and social contribution expense	201	(261)	-	-
`Profit (loss) for the period	(9,915)	1,951	-	(25)
Ownership interest - %	100.00	99.99	100.00	99.43

At December 31, 2016, the minimum mandatory dividends of 25%, amounting to R$ 4,400, were distributed.

In 2016, advances for future capital increase made in 2014 (R$ 10,743) and 2015 (R$ 20,978) were capitalized, in the total amount of R$31,721.

At the subsidiary Iraflor Comércio de Madeiras Ltda., the dividends approved for 2016, amounting to R$ 3,897, were paid in cash.

On March 10, 2016, the partners decided to reduce the capital of the subsidiary Iraflor Comércio de Madeiras Ltda., which was excessive in relation to the company's business purpose. The amount of R$ 43,797 was refunded to the parent company Celulose Irani S.A., in hard cash, with no changes to the partners' ownership interests.

13. INVESTMENT PROPERTIES

Parent

	Land	Buildings	Total
At December 31, 2016			
Opening balance	23,281	12,051	35,332
Depreciation	-	(493)	(493)
Net book value	23,281	11,558	34,839
Cost	23,281	12,702	35,983
Accumulated depreciation	-	(1,144)	(1,144)
Net book value	23,281	11,558	34,839
At March 31, 2017			
Opening balance	23,281	11,558	34,839
Disposals	(57)	-	(57)
Depreciation	-	(126)	(126)
Net book value	23,224	11,432	34,656
Cost	23,224	12,702	35,926
Accumulated depreciation	-	(1,270)	(1,270)
Net book value	23,224	11,432	34,656

Consolidated

	Land	Buildings	Total
At December 31, 2016			
Opening balance	7,086	12,051	19,137
Depreciation	-	(493)	(493)
Net book value	7,086	11,558	18,644
Cost	7,086	12,702	19,788
Accumulated depreciation	-	(1,144)	(1,144)
Net book value	7,086	11,558	18,644
At March 31, 2017			
Opening balance	7,086	11,558	18,644
Depreciation	-	(126)	(126)
Net book value	7,086	11,432	18,518
Cost	7,086	12,702	19,788
Accumulated depreciation	-	(1,270)	(1,270)
Net book value	7,086	11,432	18,518

Land

Refers mainly to land held by the parent company for the future construction of wind farms in the State of Rio Grande do Sul, recognized at cost of acquisition. The project for the implementation of wind farms is currently in the evaluation phase, through the subsidiary Irani Geração de Energia Sustentável Ltda.

At the meeting held on December 18, 2015, the Board of Directors approved the purchase of land where the headquarters of Koch Metalúrgica S.A. are located, for R$ 6,926. The land, in the municipality of Cachoeirinha, State of Rio Grande do Sul, has a total area of 67,957 m² and will be possibly used for the implementation of a packaging plant in the future.

Buildings

Refer to the buildings located in the town of Rio Negrinho (State of Santa Catarina) with a constructed area of 25,271 m², which are rented to companies in the region.

Investment properties now 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, amounting to R$ 8,229.

Rental income and expenses related to investment properties that are rented are recognized in the statement of profit and loss.

	3/31/2017	3/31/2016
Rental income	313	630
Direct operating expenditures that generated rental income	(173)	(201)

The investment properties are stated at historical cost, and for disclosure purposes, at December 31, 2016, the Company assessed the fair value less cost to sell of these properties at R$ 54,132 (parent company) and R$ 35,980 (consolidated). The appraisals were conducted by independent experts, who applied market evidences related to prices for transactions carried out with similar properties.

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

Parent

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Assets under finance lease	Leasehold improvements	Total
At December 31, 2016									
Opening balance	183,027	156,265	393,972	2,907	6,281	29,399	6,217	11,459	789,527
Purchases	-	-	6,353	1,177	693	43,145	609	-	51,977
Disposals	-	-	(1,074)	(13)	(52)	(25)	(162)	-	(1,326)
Transfers	-	3,986	22,610	-	263	(26,859)	-	-	-
Depreciation	-	(2,733)	(53,177)	(847)	(2,031)	-	(2,222)	(625)	(61,635)
Net book value	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
Cost	183,027	210,545	802,756	6,647	15,393	45,660	26,747	16,061	1,306,836
Accumulated depreciation	-	(53,027)	(434,072)	(3,423)	(10,239)	-	(22,305)	(5,227)	(528,293)
Net book value	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
At March 31, 2017									
Opening balance	183,027	157,518	368,684	3,224	5,154	45,660	4,442	10,834	778,543
Purchases	-	-	1,310	-	100	6,884	866	-	9,160
Disposals	-	-	(157)	-	-	-	(98)	-	(255)
Transfers	-	1,791	15,358	-	1,797	(18,946)	-	-	-
Depreciation	-	(1,223)	(9,245)	(242)	(453)	-	(546)	(161)	(11,870)
Net book value	183,027	158,086	375,950	2,982	6,598	33,598	4,664	10,673	775,578
Cost	183,027	212,336	819,190	6,647	17,290	33,598	27,515	16,061	1,315,664
Accumulated depreciation	-	(54,250)	(443,240)	(3,665)	(10,692)	-	(22,851)	(5,388)	(540,086)
Net book value	183,027	158,086	375,950	2,982	6,598	33,598	4,664	10,673	775,578

Consolidated

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Assets under finance lease	Leasehold improvements	Total
At December 31, 2016									
Opening balance	251,329	157,942	394,036	3,337	6,685	29,399	6,223	11,459	860,410
Purchases	-	-	6,370	1,177	700	43,145	609	-	52,001
Disposals	-	-	(1,074)	(13)	(52)	(25)	(163)	-	(1,327)
Transfers	-	3,986	22,610	-	263	(26,859)	-	-	-
Depreciation	-	(2,929)	(53,192)	(949)	(2,038)	-	(2,227)	(625)	(61,960)
Net book value	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
Cost	251,329	215,067	802,850	7,205	16,028	45,660	26,787	16,061	1,380,987
Accumulated depreciation	-	(56,068)	(434,100)	(3,653)	(10,470)	-	(22,345)	(5,227)	(531,863)
Net book value	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
At March 31, 2017									
Opening balance	251,329	158,999	368,750	3,552	5,558	45,660	4,442	10,834	849,124
Purchases	-	-	1,379	-	100	6,884	866	-	9,229
Disposals	-	-	(205)	-	(71)	-	(98)	-	(374)
Transfers	-	1,791	15,358	-	1,797	(18,946)	-	-	-
Depreciation	-	(1,267)	(9,249)	(265)	(460)	-	(546)	(161)	(11,948)
Net book value	251,329	159,523	376,033	3,287	6,924	33,598	4,664	10,673	846,031
Cost	251,329	216,858	819,305	7,205	17,854	33,598	27,555	16,061	1,389,765
Accumulated depreciation	-	(57,335)	(443,272)	(3,918)	(10,930)	-	(22,891)	(5,388)	(543,733)
Net book value	251,329	159,523	376,033	3,287	6,924	33,598	4,664	10,673	846,031

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

b) Breakdown of intangible assets

Parent	Goodwill	Customer portfolio	Software	Total
At December 31, 2016				
Opening balance	104,380	4,710	1,396	110,486
Additions	-	-	3,314	3,314
Amortization	-	(792)	(641)	(1,433)
Net book value	104,380	3,918	4,069	112,367
Cost	104,380	5,502	11,861	121,743
Accumulated amortization	-	(1,584)	(7,792)	(9,376)
Net book value	104,380	3,918	4,069	112,367
At March 31, 2017				
Opening balance	104,380	3,918	4,069	112,367
Additions	-	-	61	61
Amortization	-	(198)	(270)	(468)
Net book value	104,380	3,720	3,860	111,960
Cost	104,380	5,502	11,922	121,804
Accumulated amortization	-	(1,782)	(8,062)	(9,844)
Net book value	104,380	3,720	3,860	111,960

Consolidated	Goodwill	Customer portfolio	Software	Total
At December 31, 2016				
Opening balance	104,380	4,710	1,931	111,021
Additions	-	-	3,314	3,314
Amortization	-	(792)	(641)	(1,433)
Net book value	104,380	3,918	4,604	112,902
Cost	104,380	7,081	10,821	122,282
Accumulated amortization	-	(3,163)	(6,217)	(9,380)
Net book value	104,380	3,918	4,604	112,902
At March 31, 2017				
Opening balance	104,380	3,918	4,604	112,902
Additions	-	-	61	61
Amortization	-	(198)	(270)	(468)
Net book value	104,380	3,720	4,395	112,495
Cost	104,380	7,081	10,882	122,343
Accumulated amortization	-	(3,361)	(6,487)	(9,848)
Net book value	104,380	3,720	4,395	112,495

c) Depreciation/amortization method

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

	Rate - %	
	3/31/2017	12/31/2016
Buildings and constructions *	2.50	2.19
Equipment and facilities **	6.78	5.86
Furniture, fittings and IT equipment	5.71	5.71
Vehicles and tractors	20.00	20.00
Software	20.00	20.00
Customer portfolio	11.11	11.11

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

d) Other information

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

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

Leasehold improvements refer to the renovation of the Packaging plant in Indaiatuba, State of São Paulo, and are being 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 costs of the renovation were fully absorbed by Celulose Irani S.A.

The depreciation of property, plant and equipment in the first quarters of 2017 and 2016 was as follows:

	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Assets used in administrative activities	217	352	295	435
Assets used in production	11,653	14,402	11,653	14,402
	11,870	14,754	11,948	14,837

The amortization of intangible assets for the first quarters of 2017 and 2016 is as follows:

	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Assets used in administrative activities	398	265	398	265
Assets used in production	70	47	70	47
	468	312	468	312

e) Impairment of property, plant and equipment

No indicators of impairment were identified in the first quarter of 2017, which 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:

	3/31/2017
Equipment and facilities	111,888
Buildings and constructions	80,011
Land	398,845
Total assets pledged as collateral	590,744

g) Customer portfolio

The customer portfolio acquired in the business combination is recognized at the fair value of R$ 6,617, and the amortization in the first quarter of 2017 amounted to R$ 198 (R$ 198 in the first quarter of 2016), resulting in a net carrying amount of R$ 3,720. 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 with São Roberto S.A., recognized for the amount of R$ 104,380, is attributable to the expectation of future profitability.

Impairment tests for intangible assets:

At December 31, 2016, the Company assessed the impairment of the goodwill based on its value in use, using the discounted cash flow method for the Cash-generating Unit (CGU). The recoverable value of the CGU was 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 the other periods, based on the estimated growth rates. The test was not performed at March 31, 2017, since it is performed annually.

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

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

	Assumptions
Average selling prices of Packaging Paper and Corrugated Cardboard Packaging (annual percentage growth rate)	5.5%
Gross margin (percentage on gross revenue)	27.7%
Estimated growth rate	5.0%
Discount rate (WACC)	9.66%

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

Management believes to be reasonably possible that future changes in the sale price net of taxes change the recoverable value of the CGU. For the purposes of calculating sensitivity, management understands that, even if the net selling price of the products falls by 5% over the next six years of the discounted cash flow projections, the recoverable value will still remain higher than the value in use.

15. BIOLOGICAL ASSETS

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

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

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Development cost of biological assets	31,832	31,372	49,189	48,398
Difference in the fair value of biological assets	43,011	38,324	181,770	187,009
	74,843	69,696	230,959	235,407

Of the total consolidated biological assets, R$ 133,958 (R$ 127,722 at December 31, 2016) refers to forests used as raw material for the production of pulp and paper. These forests are located close to the pulp and paper mill in the town of Vargem Bonita, State of Santa Catarina, where they are consumed. Of this amount, R$ 103,998 (R$ 95,363 at December 31, 2016) refers to mature forests, which are more than six years old. The remaining amount refers to growing forests, which still require forestry treatments.

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

The biological assets utilized for the production of resins and the sale of timber logs totaled R$ 97,001 (R$ 107,685 at December 31, 2016), and are located on the coast of the State of Rio Grande do Sul. The resin is extracted based on the capacity of the existing forest to generate this product, and the trees for sale of logs are extracted based on the demand for timber in the region.

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

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 corresponds to the projection of future cash flows, 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 biological assets;
(ii) The discount rate used for cash flows was the Cost of Own Capital (Capital Asset Pricing Model - CAPM). The cost of capital is estimated through an analysis of the return targeted by investors for forest assets;
(iii) The projected productivity volumes of the forests are defined based on stratification, according to the type of 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 the 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 the interim financial statements.

	Consolidated		
	3/31/2017	12/31/2016	Impact on fair value of biological assets
Planted area (hectare)	20,050	19,837	Assumption increases, fair value increases
Remuneration of own assets that contribute - %	3.00%	3.00%	Assumption increases, fair value decreases
Discount rate - Own Forests SC - %	9.00%	9.00%	Assumption increases, fair value decreases
Discount rate - Own Forests RS - %	10.00%	10.00%	Assumption increases, fair value decreases
Discount rate - Partnerships - %	10.00%	10.00%	Assumption increases, fair value decreases
Average net sales price (m^3)	48.00	48.00	Assumption increases, fair value increases
Average Annual Increase (IMA) - SC Forests (*)	39.7	39.7	Assumption increases, fair value increases
Average Annual Increase (IMA) RS Forests (*)	21.9	21.9	Assumption increases, fair value increases

* The Average Annual Increase (IMA) of Pine Forests in the states of Rio Grande do Sul and Santa Catarina is different because of the specific forest stewardship, species and soil and climatic conditions of each state. The forests in Santa Catarina are handled 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 the period, the forests of the subsidiary Habitasul Florestal S.A., located in the State of Rio Grande do Sul, were hit by forest fire. The fire hit 1,255 hectares of pine forest, of which 77 hectares of standing forest that did not suffered major damage and may be resin-coated and have its timber sold, and 1,178 hectares of young forests, aged between one to eight years, which will require restoration.

The effects of this event on the fair value of the biological assets, estimated at approximately R$ 5,400, were recognized in the financial statements for the first quarter of 2017, together with the other effects of changes in the fair value.

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

The main changes in the year were as follows:

	Parent	Consolidated
At 12/31/2015	92,870	261,559
Development expenses	5,115	7,370
Depletion		
Historical cost	(12,049)	(17,418)
Fair value	(18,178)	(43,498)
Changes in the fair value	1,938	27,394
At 12/31/2016	69,696	235,407
Development expenses	1,146	1,835
Depletion		
Historical cost	-	(72)
Fair value	-	(1,047)
Changes in the fair value	4,001	(5,164)
At 3/31/2017	74,843	230,959

The depletion of biological assets in the first quarters of 2017 and 2016 was substantially recognized in the statement of profit and loss for the period, after an initial allocation to inventories, when the forests are harvested and used in the production process or sold to third parties.

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 forests to Global, for R$ 55,500. 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 volume necessary according to the strategy to supply the plant of pulp.

As a result of the 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 to Global forest stewardship services related to the Forests.

Global granted to the Company's parent, Irani Participações S.A., purchase options for the acquisition of plots of the Forests. These options may be exercised annually, 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.

b) Biological assets pledged as collateral

Part of the biological assets of the Company and its subsidiaries, totaling R$ 74,446, is pledged as collateral for financing transactions. The pledged assets represent approximately 32% of the total biological assets, equivalent to 15.8 thousand hectares of land in use, and approximately 6.7 thousand hectares of planted forests.

c) Production on third-party land

The Company has entered into non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are effective until all planted forests in these areas are harvested, over a cycle of approximately 15 years. The amount of biological assets on third-party land accounts for approximately 10% of the total area with the Company's biological assets.

16. BORROWINGS

a) Breakdown of accounting balances

		Parent and Consolidated	
		3/31/2017	12/31/2016
Current	**Annual charges - %**		
Local currency			
FINAME	Fixed at 3.24%, TJLP + 4.64%, SELIC + 5.61% and ECM + 3.65%	7,068	7,580
Working Capital	Fixed at 10.89%, CDI + 3.93% and TJLP + 6.00%	119,811	112,328
Working capital - CDCA	IPCA + 10.22%	23,454	22,629
Working capital - Syndicated Loan	CDI + 5.00%	16,118	7,172
Finance lease	Fixed at 16.99%	500	263
BNDES	TJLP + 3.60%	7,916	7,509
Total local currency		174,867	157,481
Foreign currency			
Advances on foreign exchange contract	Fixed between 4.90% and 6.80%	31,103	28,807
Banco Credit Suisse - PPE	Libor + 7.50%	31,689	24,360
Banco Itaú BBA - CCE	Fixed at 5.80%	-	8,087
Banco Santander PPE	Libor + 5.50%	3,680	3,657
Banco Rabobank and Santander PPE	Libor + 5.95%	41,879	43,108
Banco LBBW - FINIMP	Euribor + 1.55%	1,125	1,110
Banco De Lage Landen	8.20% p.a.	307	316
Total foreign currency		109,783	109,445
Total current		284,650	266,926
Non-current			
Local currency			
FINAME	Fixed at 3.24%, TJLP + 4.64%, SELIC + 5.61% and ECM + 3.65%	8,102	8,495
Working Capital	Fixed at 10.89%, CDI + 3.93% and TJLP + 6.00%	95,866	119,492
Working capital - Syndicated Loan	CDI + 5.00%	165,721	177,451
Finance lease	Fixed at 16.99%	988	471
BNDES	TJLP + 3.60%	39,107	41,088
Total local currency		309,784	346,997

Foreign currency			
Banco Credit Suisse - PPE	Libor + 7.50%	93,387	104,000
Banco Santander PPE	Libor + 5.50%	3,505	3,606
Banco Rabobank and Santander PPE	Libor + 5.95%	136,621	151,327
Banco LBBW - FINIMP	Euribor + 1.55%	2,916	2,950
Banco De Lage Landen	8.20% p.a.	996	1,103
Total foreign currency		237,425	262,986
Total non-current		547,209	609,983
Total		831,859	876,909

	Parent and Consolidated	
Long-term maturities:	3/31/2017	12/31/2016
2018	162,599	221,707
2019	185,588	187,603
2020	128,524	129,824
2021 to 2024	70,498	70,849
	547,209	609,983

b) Schedule for amortization of funding costs

	Parent and Consolidated					
	2017	2018	2019	2020	2021	Total
In local currency						
Working Capital	(760)	(497)	(219)	(84)	(5)	(1,565)
Working capital - CDCA	(54)	-	-	-	-	(54)
Working capital - Syndicated Loan CCE	(88)	(1,122)	(842)	(504)	(111)	(2,667)
Total local currency	(902)	(1,619)	(1,061)	(588)	(116)	(4,286)
In foreign currency						
Banco Credit Suisse - PPE	(807)	(831)	(396)	(21)	-	(2,055)
Banco Rabobank and Santander PPE	(278)	(311)	(233)	(150)	(71)	(1,043)
Banco LBBW - FINIMP	(55)	(15)	-	-	-	(70)
Total foreign currency	(1,140)	(1,157)	(629)	(171)	(71)	(3,168)
	(2,042)	(2,776)	(1,690)	(759)	(187)	(7,454)

c) Significant operations contracted in the year

i) Advance on Foreign Exchange Contracts (ACC) amounting to US$ 4,735 (equivalent to R$ 14,974 on the contract date), maturing up to March 2018, subject to fixed interest rate ranging from 4.94% to 6.80% p.a.

d) Collateral

Collateral for 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$ 300,467. Other transactions have specific guarantees, as follows:

i) For working capital - Certificates of Agribusiness Receivables (CDCA) - the Company provided secured guarantees of R$ 15,956 represented by financial investments in restricted accounts with Banco Itaú and Rabobank.
ii) For the export prepayment (PPE) financing contracted with Banco Credit Suisse, the Company pledged as collateral the shares held in its subsidiary Habitasul Florestal S.A.
iii) For the export prepayment financing contracted with Banco Rabobank and Santander, land and forests amounting to R$ 158,628 were pledged as collateral.
iv) For the Working Capital financing - Syndicated Loan, contracted with Banco Itaú, Santander and Rabobank, the Company provided as collateral land and forests amounting to R$ 149,943, and assignment of receivables amounting to R$ 15,000.
v) 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.

e) Restrictive Financial Covenants:

Some financing agreements with financial institutions have restrictive covenants requiring the Company to comply with certain financial ratios, calculated based on the consolidated interim financial statements, as mentioned below:

i) Working capital – CDCA
ii) Banco Itaú BBA - CCE
iii) Banco Santander Brasil - PPE
iv) Banco Rabobank and Santander - PPE
v) Banco Rabobank - CCE
vi) Banco Santander - CCE

Restrictive financial covenants were determined requiring compliance with certain financial ratios, on annual bases. Non-compliance may trigger the accelerated maturity of the debt.

a) The ratio between net debt and EBITDA over the last 12 months must not exceed: 3.65 times for the year ended December 31, 2013; 3.25 times for the year ended December 31, 2014; and 3.00 times from the year ended December 31, 2015.

b) The ratio between EBITDA and net finance costs over the last 12 months must not be lower than 2.00 times for the years ended from December 31, 2013.

c) The ratio between EBITDA and net revenue over the last 12 months must not be lower than 17% for the years ended from December 31, 2013.

At March 31, 2017, there was no need to measure these financial ratios, as they are measured annually.

vii) Banco Credit Suisse - PPE

a) Net debt/EBITDA ratio of (i) 3.00 times for the quarters ended between June 30, 2012 and September 30, 2013; (ii) 3.65 times for the quarter ended December 31, 2013; (iii) 3.75 times for the quarters ended March 31, 2014 and June 30, 2014; (iv) 4.50 times for the quarter ended September 30, 2014; (v) 3.25 times for the quarter ended December 31, 2014; (vi) 4.25 times for the quarters ended between March 31, 2015 and September 30, 2015; (vii) 3.00 times for the quarter ended December 31, 2015; (viii) 4.50 times for the quarters ended between March 31, 2016 and December 31, 2016; (ix) 4.25 times for the quarters ended between March 31, 2017 and September 30, 2017; and (x) 3.00 times for the quarters ended from December 31, 2017.

b) EBITDA/net finance costs ratio of 2.00 times for the quarters ended from June 30, 2012 to 2020.

At March 31, 2017, the Company obtained a waiver for the financial ratios agreed upon with Banco Credit Suisse.

viii) Working Capital - Syndicated Loan

a) The net debt/EBITDA ratio over the last 12 months must not exceed: 3.80 times for the year ended December 31, 2016; 4.00 times for the year ended December 31, 2017; and 3.00 times from the year ended December 31, 2018.

b) The ratio between EBITDA and net finance costs over the last 12 months must not be lower than 2.00 times for the years ended from December 31, 2016.

At March 31, 2017, there was no need to measure these financial ratios, as they are measured annually.

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

17. DEBENTURES

a) Breakdown of accounting balances

Current	Issue	Annual charges - %	Parent and Consolidated 3/31/2017	Parent and Consolidated 12/31/2016
In local currency				
Single debentures	11/30/2012	CDI + 2.75%	12,555	12,077
Single debentures	5/20/2013	CDI + 4.30%	4,694	19,037
Total current			17,249	31,114
Non-current				
In local currency				
Single debentures	5/20/2013	CDI + 4.30%	23,467	9,352
Total non-current			23,467	9,352
Total			40,716	40,466

Long-term maturities:	Parent and Consolidated 3/31/2017	Parent and Consolidated 12/31/2016
2018	23,467	9,352
	23,467	9,352

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

b) Schedule for amortization of funding costs

	Issue	2017	2018
In local currency			
Simple Debentures	11/30/2012	(63)	-
Simple Debentures	5/20/2013	(490)	(85)
Total local currency		(553)	(85)

c) Collateral

i) The Debentures issued on November 30, 2012 have secured guarantees totaling R$ 12,918, invested with Banco Itaú.

ii) The Debentures issued on May 20, 2013 have secured and fiduciary guarantees in favor of the Trustee, amounting to R$ 58,487, and consisting of the following Company's assets and rights:

- Statutory lien on real estate in favor of the Trustee;
- Statutory lien on industrial equipment of the Paper plant located in Santa Luzia, State of Minas Gerais;
- Assignment of 25% of the outstanding principal balance of receivables over the life of the debentures.

d) Restrictive Financial Covenants:

Simple debentures issued on November 30, 2012 have restrictive covenants which are verified on an annual basis, as presented below:

a) The net debt/EBITDA ratio over the last 12 months must not exceed: 3.50 times for the year ended December 31, 2012; 3.65 times for the year ended December 31, 2013; and 3.25 times for the year ended December 31, 2014; and 3.00 times from the year ended December 31, 2015.

b) The ratio between EBITDA and net finance costs over the last 12 months must not be lower than 2.00 times for the years ended from December 31, 2012.

At March 31, 2017, there was no need to measure these financial ratios, as they are measured annually.

Simple debentures issued on May 20, 2013 have restrictive covenants which are verified on an annual basis, as presented below:

a) The net debt/EBITDA ratio over the last 12 months must not exceed: 3.65 times for the year ended December 31, 2013; 3.25 times for the year ended December 31, 2014; and 3.00 times from the year ended December 31, 2015 except for the year ended December 31, 2016, when the ratio must not exceed 4.5 times.

b) The ratio between EBITDA and net finance costs over the last 12 months must not be lower than 2.00 times for the years ended from December 31, 2013.

At March 31, 2017, there was no need to measure these financial ratios, as they are measured annually.

18. TRADE PAYABLES

Payables to suppliers are as follows:

	Parent		Consolidated	
CURRENT	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Local market				
Materials	45,723	57,539	45,769	57,578
Service providers	5,608	6,118	5,759	6,254
Carriers	10,771	14,852	10,774	14,858
Related parties	33,592	32,181	-	-
Other	603	824	603	824
Foreign market				
Materials	422	335	422	335
	96,719	111,849	63,327	79,849

19. RELATED PARTIES

Parent	Receivables		Payables	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Habitasul Florestal S.A.	4,400	4,400	1,847	983
Iraflor - Com. de Madeiras Ltda	-	-	31,887	31,349
Management remuneration	-	-	837	828
Management profit sharing	-	-	692	692
Habitasul Desenvolvimentos Imobiliarios	17	17	-	-
Koch Metalúrgica S.A.	19,217	18,960	-	-
Total	23,634	23,377	35,263	33,852
Current portion	5,891	4,417	35,263	33,852
Non-current portion	17,743	18,960	-	-

Parent	Income		Expenses	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Habitasul Florestal S.A.	-	-	3,100	3,506
Iraflor - Com. de Madeiras Ltda	-	-	488	6,814
Druck, Mallmann, Oliveira & Advogados Associados	-	-	73	67
MCFD Administração de Imóveis Ltda	-	-	335	309
Irani Participações S/A	-	-	120	120
Habitasul Desenvolvimentos Imobiliarios	-	-	44	59
Koch Metalúrgica S.A.	150	457	-	-
Management remuneration	-	-	1,219	1,907
Total	150	457	5,379	12,782

Consolidated	Receivables		Payables	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Habitasul Desenvolvimentos Imobiliários	17	17	-	-
Koch Metalúrgica S.A.	19,217	18,960	-	-
Management remuneration	-	-	837	828
Management profit sharing	-	-	692	692
Total	19,234	18,977	1,529	1,520
Current portion	1,491	17	1,529	1,520
Non-current portion	17,743	18,960	-	-

Consolidated	Income		Expenses	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Irani Participações S/A	-	-	120	120
Druck, Mallmann, Oliveira & Advogados Associados	-	-	73	67
MCFD Administração de Imóveis Ltda	-	-	335	309
Management remuneration	-	-	1,232	1,924
Habitasul Desenvolvimentos Imobiliarios	-	-	44	59
Koch Metalúrgica S.A.	150	457	-	-
Total	150	457	1,804	2,479

The payables to the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. refer to commercial transactions and acquisition of raw materials. The transactions were carried out in accordance with the respective market conditions and prices. The amounts receivable by the parent company from the subsidiary Habitasul Florestal S.A. refer to dividends for 2016.

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 debt to Koch Metalúrgica S.A. refers to the acquisition of property, as disclosed in Note 13, and the receivables refer to advance payment for the supply of equipment.

Management remuneration expenses, excluding payroll charges, totaled R$ 1,232 in the first quarter of 2017 (R$ 1,924 in the first quarter of 2016). The total annual management remuneration was approved by the Annual General Meeting held on April 19, 2017, at the maximum amount of R$ 12,000.

20. PROVISION FOR CIVIL, LABOR AND TAX CONTINGENCIES

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

Breakdown of the balance of the provisions:

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Civil contingencies	1,400	1,400	1,400	1,400
Labor contingencies	3,257	3,677	3,257	3,677
Tax contingencies	1,057	1,027	1,057	1,027
Total	5,714	6,104	5,714	6,104

Parent	12/31/2016	Additions	Payments	Reversals	3/31/2017
Civil	1,400	-	-	-	1,400
Labor	3,677	-	(208)	(212)	3,257
Tax	1,027	30	-	-	1,057
	6,104	30	(208)	(212)	5,714

Consolidated	12/31/2016	Additions	Payments	Reversals	3/31/2017
Civil	1,400	-	-	-	1,400
Labor	3,677	-	(208)	(212)	3,257
Tax	1,027	30	-	-	1,057
	6,104	30	(208)	(212)	5,714

The provisions recorded refer 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$ 1,400 was recorded at March 31, 2017 to cover losses arising from these contingencies.

b) Labor lawsuits are mainly related to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and occupational accidents. Based on past experience and the opinion of its legal counsel, the Company maintained a provision of R$ 3,257 at March 31, 2017, which is considered sufficient to cover potential losses arising from labor contingencies.

c) The provisions for tax contingencies totaled R$ 1,057 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$ 702, which await judgment.

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 March 31, 2017, the amounts of these possible contingencies of a labor, civil, environmental and tax nature were as follows:

	Consolidated	
	3/31/2017	12/31/2016
Labor contingencies	11,068	11,924
Civil contingencies	6,944	6,944
Tax contingencies	87,354	84,802
	105,366	103,670

Labor contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible losses total R$ 11,068 and refer mainly to indemnity claims (hazardous duty premiums, health hazard premiums, overtime, salary premiums, damages and losses arising from occupational accidents). Management expects a favorable outcome on these lawsuits, which are currently at different court levels.

Civil contingencies:

The civil lawsuits classified by management and its legal counsel as possible losses total R$ 6,944 and primarily include indemnity claims, which are currently at different court levels and for which management expects a favorable outcome.

Tax contingencies:

The tax lawsuits assessed by management and its legal counsel as involving possible losses total R$ 87,354 and mainly include the following:

- Administrative proceeding 10925.000172/2003-66 related to a tax notification for an alleged irregularity in the offsetting of IPI credits, amounting to R$ 10,283 at March 31, 2017. This proceeding has been closed at the administrative level and the Company currently awaits judgment of the respective tax collection lawsuit to start the dispute at court level.

- Tax Collection Lawsuit 2004.72.03.001555-8 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 the sale of the production of agro-industrial companies, amounting to R$ 5,352 at March 31, 2017. The lawsuit has been suspended by court decision and awaits judgment of the Action for Annulment 2005.71.00.002527-8.

- Administrative proceeding 11080-729.991/2016-55, amounting to R$ 856 at March 31, 2017, refers to the assessment notice issued by the National Institute of Social Security (INSS), which challenges the offsetting of debts against credits arising from the application of a higher Environmental Occupational Risk (RAT) rate at the Company's Administrative Units. The proceeding awaits judgment.

- Administrative Proceedings 11080.013972/2007-12 and 11080.013973/2007-67, amounting to R$ 5,768 at March 31, 2017, related to tax assessments for PIS and COFINS, originating from an alleged undue tax credit. The Company has challenged these assessments at the administrative level and awaits judgment of the Voluntary Appeals.

- Administrative Proceedings 11080.014747/2008-84, amounting to R$ 2,425 at March 31, 2017, relating to tax assessments for IRPJ. The Company awaits judgement of its Special Appeal at the administrative level.

- Administrative Proceeding 11080.014746/2008-30, amounting to R$ 635 at March 31, 2017, relating to tax assessments for CSLL. This proceeding has been closed at the administrative level, and is currently under dispute in the courts through the proceeding 5042523-71.2016.4.04.7100.

- Administrative Proceeding 11080.009904/2006-88 relates to federal taxes offset against deemed IPI credits on exports, which were allegedly miscalculated. The restated amount involved was R$ 5,370 at March 31, 2017. The Company is discussing these notices at the administrative level and awaits the judgement of the respective appeal by the Brazilian Administrative Council of Tax Appeals (CARF).

- Administrative Proceedings 11080.009905/2006-12 and 11080.009902/2006-89, with a restated amount of R$ 6,826 at March 31, 2017, relate to federal taxes offset against deemed IPI credits on exports, in respect of which unappealable decisions have already been rendered at the administrative level. These proceedings have been closed at the administrative level and the Company currently awaits judgment of the respective tax collection lawsuit to start the dispute at court level.

- Administrative and judicial proceedings referring to assessments received from the State 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$ 40,941 at March 31, 2017. The Company is challenging these tax assessments at the administrative and judicial levels.

21. EQUITY

a. Share capital

The Company's share capital at March 31, 2017 was R$ 161,895 (R$ 161,895 at December 31, 2016), 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, 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 voting rights, up to the limit of two thirds of its total shares, and may increase the existing types or classes of shares without maintaining a fixed proportion between them.

b. Treasury shares

Treasury shares

		Parent		Parent	
		3/31/2017		12/31/2016	
		Number of shares	Value	Number of shares	Value
i) Share buyback plan	Common	24,000	30	24,000	3
ii) Right to withdraw	Preferred	2,352,100	6,804	2,352,100	6,80
		2,376,100	6,834	2,376,100	6,83

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

ii) Right to withdraw: 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, approved 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 on the first-time adoption of IFRS. The creation of this statutory reserve was approved at the Extraordinary General Meeting held on February 29, 2012, when the amount previously recognized in the unrealized profits reserve was transferred to this account.

iii) The profit retention reserve comprises the remaining profits after the offsetting of losses and the transfer to the legal reserve, as well as 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 exceeding the minimum mandatory dividend.

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

e. Carrying value adjustments

The carrying value adjustments account was recorded when the Company measured its property, plant and equipment (land, machinery and buildings) at deemed cost in the opening balance sheet, upon first-time adoption of IFRS. Their realization will occur 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 March 31, 2017, net of tax effects, represented a gain of R$ 206,839 (R$ 209,075 at December 31, 2016).

The financial instruments designated as cash flow hedges, net of tax effects, were also recorded in carrying value adjustments, and corresponded to a loss of R$ 71,120 at March 31, 2017 (R$ 81,568 at December 31, 2016).

The changes in the carrying value adjustments account were as follows:

	Consolidated
At December 31, 2015	73,029
Cash flow hedges	63,425
Realization - deemed cost	(8,947)
At December 31, 2016	127,507
Cash flow hedges	10,448
Realization - deemed cost	(2,236)
At March 31, 2017	135,719

22. EARNINGS (LOSS) PER SHARE

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

Basic and diluted earnings (loss) from continuing operations:

	3/31/2017		
	Common shares (ON)	Preferred shares (PN)	Total ON and PN shares
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Loss for the period attributable to each category of shares	(13,236)	(899)	(14,135)
Basic and diluted loss per share - R$	(0.0860)	(0.0860)	

	3/31/2016		
	Common shares (ON)	Preferred shares (PN)	Total ON and PN shares
Weighted average number of shares	153,885,975	10,458,160	164,344,135
Loss for the period attributable to each category of shares	(1,574)	(107)	(1,681)
Basic and diluted earnings (loss) per share - R$	(0.0102)	(0.0102)	

23. NET SALES REVENUE

The Company's net sales revenue is comprised as follows:

	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Gross sales revenue	257,342	244,188	258,992	246,794
Taxes on sales	(59,943)	(51,002)	(60,049)	(51,268)
Returns	(3,578)	(4,119)	(3,606)	(4,119)
Net sales revenue	193,821	189,067	195,337	191,407

24. COSTS AND EXPENSES BY NATURE

Costs and expenses by nature are as follows:

	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Fixed and variable costs (raw materials and consumables)	(107,212)	(103,498)	(104,135)	(93,741)
Personnel expenses	(33,921)	(33,768)	(36,490)	(36,149)
Change in the fair value of biological assets	4,001	1,712	(5,164)	4,905
Depreciation, amortization and depletion	(12,464)	(15,189)	(13,661)	(19,266)
Freight	(11,061)	(11,409)	(11,061)	(11,409)
Services contracted	(5,958)	(7,337)	(6,290)	(7,573)
Other selling expenses	(8,720)	(8,490)	(8,720)	(8,490)
Total costs and expenses by nature	(175,335)	(177,979)	(185,521)	(171,723)
Costs	(146,840)	(145,471)	(147,438)	(141,993)
Expenses	(32,496)	(34,220)	(32,919)	(34,635)
Change in the fair value of biological assets	4,001	1,712	(5,164)	4,905

25. OTHER OPERATING INCOME AND EXPENSES

Income	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Cost of assets damaged and sold	396	1,284	446	1,284
Other operating income	776	838	782	842
	1,172	2,122	1,228	2,126

Expenses	Parent		Consolidado	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Cost of assets damaged and sold	(154)	(1,132)	(203)	(1,120)
Social security contribution on accrued vacation pay for prior years	-	(1,988)	-	(1,988)
Other operating expenses	(369)	-	(370)	-
	(523)	(3,120)	(573)	(3,108)
Total	649	(998)	655	(982)

26. FINANCE INCOME AND COSTS

	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Finance income				
Income from financial investments	3,517	1,471	4,135	2,813
Interest	532	708	535	708
Discounts obtained	28	44	28	44
	4,077	2,223	4,698	3,565
Foreign exchange variation				
Foreign exchange gains	3,658	7,187	3,658	7,187
Foreign exchange losses	(9,217)	(11,683)	(9,217)	(11,683)
Foreign exchange variations, net	(5,559)	(4,496)	(5,559)	(4,496)
Finance costs				
Interest	(27,492)	(24,627)	(27,492)	(24,627)
Discounts granted	(38)	(127)	(38)	(127)
Discounts/bank expenses	(14)	(19)	(17)	(21)
Other	(491)	(369)	(495)	(369)
	(28,035)	(25,142)	(28,042)	(25,144)
Finance result, net	(29,517)	(27,415)	(28,903)	(26,075)

27. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Operating profit (loss) before taxation	(18,371)	(7,976)	(18,432)	(7,373)
Standard tax rate	34%	34%	34%	34%
Tax credit (expense) at standard rate	6,246	2,712	6,267	2,507
Tax effect of permanent (additions) exclusions:				
Equity in the results of subsidiaries	(2,716)	3,179	-	-
Subsidiaries taxed under the deemed profit method	-	-	(2,748)	2,233
Other permanent differences	706	404	778	952
	4,236	6,295	4,297	5,692
Current income tax and social contribution	-	-	(252)	(526)
Deferred income tax and social contribution	4,236	6,295	4,549	6,218
Effective tax rate - %	23.1	78.9	23.3	77.2

28. INSURANCE

Insurance coverage is determined according to the nature of the risks involving the assets, and is considered sufficient to cover possible losses arising from damages. At March 31, 2017, the Company had corporate insurance against fire, lightning, explosions, electrical damage and wind storm damage to plants, residential locations and offices, as well as general civil liability coverage and coverage of liabilities of officers and directors (D&O), at the total amount of R$ 570,160. 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 at market value.

With respect to forests, the Company assessed the existing risks and elected 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 forests is appropriate to ensure the continuity of the Company's activities.

The risk assumptions adopted, because of their nature, are not part of the scope of an audit of financial statements. Consequently, these assumptions were not examined by the independent auditors.

29. FINANCIAL INSTRUMENTS

Capital risk management

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

The Company is not subject to any external capital requirements.

The Company's management periodically reviews its capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Company’s target is to achieve a capital structure consisting of between 50% and 70% of own capital and between 50% and 30% of third-party capital. At March 31, 2017, the capital structure comprised 37% of own capital and 63% of third-party capital, mainly due to the effects of the exchange rate variation on debt in foreign currency, which accounts for 39.79% of the Company's total debt, and the exchange rate variation on hedge accounting, which reduces equity by R$ 71,120.

Debt to equity ratio

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

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Debt (a)	872,575	917,375	872,575	917,375
Cash and banks	(25,575)	(82,844)	(46,942)	(103,885)
Banks - restricted account	(69,275)	(94,198)	(69,275)	(94,198)
Net debt	777,725	740,333	756,358	719,292
Equity (b)	441,504	445,191	441,514	445,201
Debt to net assets ratio	1.76	1.66	1.71	1.62

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

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

Categories of financial instruments

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Financial assets				
Loans and receivables				
Cash and banks	25,575	82,844	46,942	103,885
Trade receivables	172,008	153,644	172,671	154,227
Other receivables	19,580	20,534	19,656	20,585
Banks - restricted account	69,275	94,198	69,275	94,198
Financial liabilities				
Amortized cost				
Borrowings	831,859	876,909	831,859	876,909
Debentures	40,716	40,466	40,716	40,466
Trade payables	96,719	111,849	63,327	79,849

Financial risk factors

The Company is exposed to a variety of financial risks: market risk (including exchange rate 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. The derivative instruments currently in effect were contracted to hedge the obligations arising from the Company's borrowings in foreign currencies or exports and were approved by the Board of Directors.

Foreign exchange rate risk

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

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

	Parent		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Receivables	24,525	20,062	24,525	20,062
Banks - restricted account	11,175	13,537	11,175	13,537
Advances from customers	(334)	(139)	(334)	(139)
Trade payables	(422)	(335)	(422)	(335)
Borrowings	(347,208)	(372,431)	(347,208)	(372,431)
Net exposure	(312,264)	(339,306)	(312,264)	(339,306)

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

1 - Base scenario: for the definition of the base scenario, the U.S. dollar quotation used by the Company accompanies the future market projections of BMF&Bovespa for the next reporting date (June 30, 2017).

2 - Adverse scenario: 25% deterioration in the foreign exchange rate compared to that at June 30, 2017.

3 - Remote scenario: 50% deterioration in the foreign exchange rate compared to that at June 30, 2017.

Transaction	Balance at 3/31/2017		Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)
	US$	Rate	R$	Rate	R$	Rate	R$
Assets							
Trade receivables and banks' restricted account	11,268	3.20	316	4.00	9,320	4.79	18,322
Liabilities							
Trade payables and advances from customers	(239)	3.20	(7)	4.00	(198)	4.79	(389)
Borrowings	(109,585)	3.20	(3,072)	4.00	(90,642)	4.79	(178,185)
Cash flow hedges on exports	98,081	3.20	2,749	4.00	81,127	4.79	159,480
Net effect			(14)		(393)		(772)

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 March 31, 2017 were used as a basis for the projection of the future balance. The actual behavior of debt balances and derivative instruments will depend on 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 tries to maintain the level of its borrowings and derivative transactions exposed to foreign exchange changes by making annual net payments that are equivalent to or below the receipts from its exports. Consequently, the Company seeks to hedge its cash flow against foreign currency risks, and the effects of the scenarios above, if they materialize, are not expected to generate material impacts on the 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), or IPCA (Extended National Consumer Price Index).

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 BMF&Bovespa for the next reporting date (June 30, 2017). The TJLP is extracted from the BNDES. For LIBOR, EURIBOR and IPCA, the rates used are those prevailing on the date of the analysis.

2 - Adverse scenario: 25% adjustment of interest rates compared to the level at June 30, 2017.

3 - Remote scenario: 50% adjustment of interest rates compared to the level at June 30, 2017.

Transaction			Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	Index	Balance at 3/31/2017	Rate % p.a.	R$	Rate % p.a.	R$	Rate % p.a.	R$
Cash and cash equivalents								
CDB	CDI	101,100	10.96%	(1,152)	13.70%	1,546	16.44%	4,243
Proceeds from borrowings								
Working capital	CDI	(346,227)	10.96%	4,399	13.70%	(5,903)	16.44%	(16,204)
Debentures	CDI	(41,354)	10.96%	502	13.70%	(674)	16.44%	(1,851)
BNDES	TJLP	(47,023)	7.00%	235	8.75%	(588)	10.50%	(1,411)
FINAME	TJLP	(5,209)	7.00%	26	8.75%	(65)	10.50%	(156)
FINAME	SELIC	(532)	10.97%	7	13.71%	(8)	16.46%	(24)
FINAME	ECM	(267)	4.32%	-		(3)		(6)
Working capital	TJLP	(30,660)	7.00%	162	8.75%	(406)	10.50%	(975)
Working capital	IPCA	(23,508)	4.57%	44	5.71%	(224)	6.86%	(493)
Financing - foreign currency	Libor 3M	(306,673)	1.16%	18	1.45%	(904)	1.74%	(1,790)
Financing - foreign currency	Libor 12M	(7,186)	1.80%	-	2.25%	(32)	2.70%	(64)
Financing - foreign currency	Euribor 6M	(4,111)	0.00%	-	0.00%	-	0.00%	-
Net effect				4,241		(7,261)		(18,731)

Fair value vs. book value

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

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

- Borrowings are considered at the present value using the current market rate and the Company's credit risk. There is no significant difference between the fair value and the book value.

Credit risks

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

Trade receivables comprise a large number of customers from different sectors and geographical areas. A continuous credit assessment is conducted on the financial position of receivables and, when appropriate, a 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

Additionally, the Company is exposed to risk in relation to the financial investments that comprise its cash and cash equivalents. Management ensures that the investments are made in financial institutions with which the Company has a stable relationship, by means of 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 in banks with a stable relationship with the Company;
iii) Debentures issued by banks with a stable relationship with the Company;
iv) Fixed-income investment funds of conservative profile.

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

	Consolidated	
	3/31/2017	12/31/2016
National rating AAA (bra)	41,723	59,778
National rating AA+ (bra)	2,215	16,203
National rating A- (bra)	-	24,111
	43,938	100,092

Investments in variable-income market are not allowed.

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, which comprises cash, short-term financial investments, flows of receivables and payables, and the repayment of borrowings. The liquidity management policy involves the projection of cash flows on the currencies used, and considers the level of net assets necessary to achieve these projections, the monitoring of the liquidity ratios of the balance sheet 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 March 31, 2017, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including interest that will be earned on these assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management, since it is based on net assets and liabilities.

Parent

	2017	2018	2019	2020	As from 2021
Liabilities					
Trade payables	96,719	-	-	-	-
Borrowings	242,280	262,867	201,750	135,502	71,721
Debentures	14,193	28,604	-	-	-
Other liabilities	1,506	335	-	-	-
	354,698	291,806	201,750	135,502	71,721
Assets					
Cash and cash equivalents	25,575	-	-	-	-
Banks - restricted account	69,275	-	-	-	-
Trade receivables - not yet due	172,008	-	-	-	-
Renegotiation with customers	5,005	6,886	4,525	1,755	73
Other assets	14,828	-	-	-	-
	286,691	6,886	4,525	1,755	73
	(68,007)	(284,920)	(197,225)	(133,747)	(71,648)

Consolidated

	2017	2018	2019	2020	As from 2021
Liabilities					
Trade payables	63,327	-	-	-	-
Borrowings	242,280	262,867	201,750	135,502	71,721
Debentures	14,193	28,604	-	-	-
Other liabilities	1,506	335	-	-	-
	321,306	291,806	201,750	135,502	71,721
Assets					
Cash and cash equivalents	46,942	-	-	-	-
Banks - restricted account	69,275	-	-	-	-
Trade receivables - not yet due	172,671	-	-	-	-
Renegotiation with customers	5,033	6,886	4,525	1,755	73
Other assets	15,025	-	-	-	-
	308,946	6,886	4,525	1,755	73
	(12,360)	(284,920)	(197,225)	(133,747)	(71,648)

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

At the end of the reporting period, the Company had unused credit facilities totaling R$ 91,602, which increase as borrowings are repaid. The Company expects to meet its other obligations using the cash flow from operating activities and income earned on financial assets.

Derivative financial instruments measured at fair value

The Company did not have any derivative financial instruments measured at fair value at March 31, 2017.

Derivative financial instruments linked to borrowings (recognized directly in the statement of profit and loss)

Given their nature, the derivative instruments described below were considered, together with the debt, to be a single instrument at amortized cost.

i) On March 23, 2012, the Company contracted a Cash Flow Swap Transaction with Banco Itaú BBA, in order to modify the remuneration and risks associated with the interest rate of the transaction contracted on the same date between the parties under an Export Credit Note (CCE) contract. The notional amount attributed at the contracting date was R$ 40,000 (equivalent to US$ 21,990 thousand at date), decreasing according to the payments of the semiannual installments under the contract until the final maturity in March 2017.

The purpose of this swap transaction was to align the transaction price and the related maturity dates to the original transaction. The swap contract cannot be settled separately. The Export Credit Note (CCE) contract began to be remunerated at a fixed interest rate plus the U.S. dollar variation, and, consequently, is no longer exposed to the CDI variations. Considering the characteristics of this swap contract together with the CCE contract, the Company considers the two instruments to be a single instrument. The contract is included in the sensitivity analysis of currency exposure disclosed in this same note.

This transaction was approved by the Company's Board of Directors on March 23, 2012.

ii) On July 25, 2014, the Company contracted an interest rate swap with Banco Santander, in order to change the remuneration associated with the interest rate of the transactions entered into between the parties in January 2013, under Export Credit Bill (CCE) and Export Credit Note (NCE) contracts, the maturity of which would be January 2016, but was extended to June 2017. The current fixed rates of the contracts were changed to rates that are indexed to the TJLP.

The notional amount attributed at the contracting date was R$ 30,000, payable only at the end of the contract term.

The purpose of this swap transaction was to align the transaction price and the related maturity dates to the original transaction. The swap contract cannot be settled separately.

Cash flow hedges

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

The Company hedges the foreign exchange rate variation risk of its future cash flows through the cash flow hedge, in which the hedging instruments are non-derivative financial liabilities contracted by the Company. The currently effective hedged financial instruments contracted by the Company include a PPE (Export Prepayment) contract with Banco Credit Suisse, a CCE (Export Credit Bill) contract with Banco Itaú BBA, a PPE contract with Banco Rabobank and Santander, and another PPE contract with Banco Santander.

The hedged cash flows are the estimated exports up to 2021, and the amount recorded in equity based on hedge accounting amounted to R$ 71,120 at March 31, 2017 (R$ 81,568 in December 2016).

	Parent and Consolidated	Parent and Consolidated
	3/31/2017	12/31/2016
Opening balance	123.587	219.686
Change in cash flow hedges	(9.876)	(77.543)
Reclassification to the statement of profit and loss	(5.954)	(18.556)
	107.757	123.587
Opening balance	(42.019)	(74.693)
Taxes on change in cash flow hedge	3.358	26.365
Taxes on reclassification to the statement of profit and loss	2.024	6.309
	(36.637)	(42.019)
Closing balance	71.120	81.568

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

The balances of effective variations on transactions designated as cash flow hedges are reclassified from equity to the statement of profit and loss for the period when the foreign exchange variation of the hedge is effectively realized. The cash flow hedge results which are effective in the offsetting of 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 period. In the event of ineffectiveness in the period, the amount to be recognized in the statement of profit and loss would be R$ 71,120.

The sensitivity analysis of the instruments that hedge transactions designated as cash flow hedge is considered in this same note, within foreign exchange exposure risk, together with the other financial instruments.

30. OPERATING SEGMENTS

a. Criteria for identification of operating segments

The Company has segmented its operating structure based on the manner in which management runs the business.

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

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

Packaging Paper: this segment produces low and high-weight Kraft paper and recycled paper for the domestic and foreign markets. In addition, part of the production is sent to the Corrugated Cardboard Packaging (PO) 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 wood 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				
	3/31/2017				
	Corrrugated Cardboard Packaging PO	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	125,725	32,811	1,725	-	160,261
Foreign market	-	20,552	14,524	-	35,076
Revenue from sales to third parties	125,725	53,363	16,249	-	195,337
Intersegment revenue	-	9,434	-	(9,434)	-
Total net sales	125,725	62,797	16,249	(9,434)	195,337
Changes in the fair value of biological assets	-	5,140	(10,304)	-	(5,164)
Cost of sales	(117,628)	(26,561)	(12,561)	9,312	(147,438)
Gross profit	8,097	41,376	(6,616)	(122)	42,735
Operating expenses	(15,398)	(5,120)	(1,541)	(10,205)	(32,264)
Operating result before finance income (costs)	(7,301)	36,256	(8,157)	(10,327)	10,471
Finance income (costs)	(12,581)	(14,449)	(1,873)	-	(28,903)
Net operating profit (loss)	(19,882)	21,807	(10,030)	(10,327)	(18,432)
Total assets	412,638	814,785	171,637	207,094	1,606,154
Total liabilities	376,326	615,939	75,949	96,426	1,164,640
Equity	30,255	241,209	144,335	25,715	441,514

	Consolidated				
	3/31/2017				
	Corrrugated Cardboard Packaging PO	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	125,725	32,811	1,725	-	160,261
Foreign market	-	20,552	14,524	-	35,076
Revenue from sales to third parties	125,725	53,363	16,249	-	195,337
Intersegment revenue	-	9,434	-	(9,434)	-
Total net sales	125,725	62,797	16,249	(9,434)	195,337
Changes in the fair value of biological assets	-	5,140	(10,304)	-	(5,164)
Cost of sales	(117,628)	(26,561)	(12,561)	9,312	(147,438)
Gross profit	8,097	41,376	(6,616)	(122)	42,735
Operating expenses	(15,398)	(5,120)	(1,541)	(10,205)	(32,264)
Operating result before finance income (costs)	(7,301)	36,256	(8,157)	(10,327)	10,471
Finance income (costs)	(12,581)	(14,449)	(1,873)	-	(28,903)
Net operating profit (loss)	(19,882)	21,807	(10,030)	(10,327)	(18,432)
Total assets	412,638	814,785	171,637	207,094	1,606,154
Total liabilities	376,326	615,939	75,949	96,426	1,164,640
Equity	30,255	241,209	144,335	25,715	441,514

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

Finance income (costs) were allocated by operating segments, 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 the working capital requirements of each segment.

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 first quarter of 2017, net sales revenue totaled R$ 195,337, (R$ 191,407 in the first quarter of 2016).

The net sales revenue from exports in the first quarter of 2017 amounted to R$ 35,076 (R$ 45,024 in the first quarter of 2016), and relates to various countries, as shown below:

Consolidated		
3/31/2017		
Country	Net export revenue	% of total net revenue
China	7,758	3.97%
Germany	3,729	1.91%
Saudi Arabia	3,174	1.62%
Argentina	2,420	1.24%
South Africa	2,320	1.19%
Chile	1,910	0.98%
Netherlands	1,121	0.57%
Paraguay	1,097	0.56%
Kuwait	847	0.43%
Hong Kong	841	0.43%
Turkey	796	0.41%
Japan	762	0.39%
Uruguay	711	0.36%
Singapore	699	0.36%
India	687	0.35%
Austria	684	0.35%
Peru	623	0.32%
Portugal	618	0.32%
Malaysia	585	0.30%
France	419	0.21%
Pakistan	416	0.21%
Bolivia	406	0.21%
Norway	380	0.19%
Mexico	345	0.18%
Other countries	1,728	0.88%
	35,076	17.96%

Consolidated		
3/31/2016		
Country	Net export revenue	% of total net revenue
China	6,343	3.31%
Germany	5,846	3.05%
Argentina	5,124	2.68%
France	4,218	2.20%
Saudi Arabia	4,123	2.15%
Chile	2,292	1.20%
Spain	1,351	0.71%
Paraguay	2,055	1.07%
South Africa	2,016	1.05%
Peru	1,342	0.70%
Japan	1,268	0.66%
Singapore	1,035	0.54%
Uruguay	959	0.50%
Turkey	952	0.50%
United Arabic Emirates	918	0.48%
Netherlands	831	0.43%
Austria	564	0.29%
Portugal	554	0.29%
Pakistan	455	0.24%
Bolivia	429	0.22%
Malaysia	402	0.21%
Norway	392	0.20%
Serbia	275	0.14%
United States of America	256	0.13%
Dubai	251	0.13%
Colombia	150	0.08%
Israel	128	0.07%
Other countries	495	0.26%
	45,024	23.52%

In the first quarter of 2017, net sales revenue in the domestic market totaled R$ 160,261, (R$ 146,383 in the first quarter of 2016).

In the first quarter of 2017, a single customer accounted for 4.7% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R$ 5,909. The Company's other sales in the domestic and foreign markets were spread over a number of customers, none of which accounted for more than 10% of net sales.

31. OPERATING LEASE AGREEMENTS (PARENT COMPANY)

Rental of production plant properties

The Company had one rental agreement for a production unit at March 31, 2017, 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, referring to the rental of the Packaging Plant, in Indaiatuba, SP, is effective for 20 years, with a contracted monthly rental of R$ 216, which is 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 2017, as follows:

- Rentals of production units = R$ 649 (R$ 618 in the first quarter of 2016);
- Rentals of commercial and administrative units = R$ 73 (R$ 70 in the first quarter of 2016).

The future commitments arising from these contracts totaled a minimum amount of R$ 71,217 at March 31, 2017. The rentals were calculated at present value, using the accumulated IGPM index in the last 12 months, i.e., 4.86% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	3,335	15,041	52,841	71,217
Operating leases at present value	3,180	12,720	31,800	47,700

Lease of planting area

The Company entered into non-cancellable lease agreements for the production of biological assets on third-party land, referred to as partnerships, which covers a total area of 3,1 thousand hectares, of which 2,2 thousand hectares comprise the planted area. For certain areas, there is a lease commitment, subject to monthly payments, as shown below.

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

Non-cancellable operating lease commitments

The rentals were calculated at present value, using the accumulated IGPM index in the last 12 months, i.e., 4.86% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	387	1,991	538	2,916
Operating leases at present value	369	1,701	363	2,433

32. GOVERNMENT GRANTS

The Company has Value-added Tax on Sales and Services (ICMS) incentives from the States of Santa Catarina and Minas Gerais:

i. ICMS/SC - Development Program for Companies of the State of Santa Catarina (PRODEC): Allows 60% of the ICMS increase in the State of Santa Catarina, calculated on an average basis (September 2006 to August 2007) prior to the investments made, to be deferred for payment after 48 months. This benefit is calculated monthly and subject to the completion of the planned investments and the maintenance of jobs, in addition to the maintenance of a regular status with the State.

   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 16.41% as the cost of funding on the base date for credit lines with characteristics similar to those applicable to the respective disbursements, which would have been required in the absence of said benefits.

   The benefit is effective for 14 years, from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. At March 31, 2017, the Company had deferred ICMS liabilities of R$ 19,074 (net of government grants of R$ 15,533).

ii. ICMS/SC - Presumed Credit: For the purpose of enabling the expansion of the industrial unit located in Vargem Bonita, the State of Santa Catarina grants as a principal benefit the recording of presumed credits in an ICMS memorandum account, on taxed shipments realized by the Company in the State, referring to 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 approximately R$ 600,000, which will be incurred over the next five years, and will be used to expand the production capacity of the Packaging Paper plant by 135,000 metric tons/year and of the Corrugated Cardboard Packaging plant by 24,000 metric tons/year.

iii. ICMS/MG - Presumed Credit: For the purpose of enabling the expansion of the industrial unit in Santa Luzia, 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, starting in 2014 and expected to be concluded in 2017. This amount will be invested in the modernization and expansion of the production capacity of Paper Machine No. 7 (PM 7), and also in the construction of a new corrugated cardboard packaging plant.

33. NON-CASH TRANSACTIONS

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

During the first quarter of 2017, the Company paid for purchases of property, plant and equipment, intangible assets and biological assets amounting to R$ 1,854, which were financed directly by the suppliers.

During the first quarter of 2016, the Company paid for purchases of property, plant and equipment, intangible assets and biological assets amounting to R$ 2,658, which were financed directly by the suppliers.