Independent auditor's report

To the Board of Directors and Stockholders
Celulose Irani S.A.

Opinion

We have audited the accompanying parent company financial statements of Celulose Irani S.A. ("Company" or "Parent company"), which comprise the balance sheet as at December 31, 2016 and the statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Celulose Irani S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the parent company and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Celulose Irani S.A. and of Celulose Irani S.A. and its subsidiaries as at December 31, 2016, and the parent company's financial performance and cash flows for the year then ended, as well as the consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable value of goodwill based on future profitability

Why it is a key audit matter

We focused on this area in our audit because, in order to assess the recoverable value of goodwill arising from the acquisition of Indústria de Papel e Papelão São Roberto S.A., which was later merged into the Company, management has to use critical estimates and apply judgment both regarding the estimation of future cash flows and the determination of the discount rate.

The recoverable value obtained with the calculation of the value in use is sensitive to uncertainties that are inherent to the process and to the judgment made and assumptions used that, if changed, may result in amounts that are significantly different from those calculated by the Company.

How the matter was addressed in the audit

In the context of the financial statement audit, regarding the recoverable value of goodwill, we carried out the procedures described below, among others.

With the support of our internal assessment specialists, we analyzed the logical and arithmetic coherence of the cash flow projections. We also tested the consistency of the information and main assumptions used to project the cash flows, such as growth and discount rates, by comparing them with: (i) budgets approved by the Board of Directors; (ii) market assumptions and data; and (iii) prior-year projections with the effective subsequent results.

We carried out sensitivity analysis and recalculated the projections taking into account different intervals and scenarios concerning growth and discount rates, in addition to reading the disclosures made.

Our audit procedures showed that the judgments applied and assumptions used by management were reasonable, and that the disclosures were consistent with the data and information obtained.

Biological asset valuation

Why it is a key audit matter

Notes 2 and 15 to the financial statements describe that the Company and its subsidiaries have biological assets, valued at fair value, resulting from the planting and cultivation of pine forests. Management has to apply critical judgment to determine the fair value of these assets because it is based on future cash flows related to the projected productivity cycles, which are sensitive to price variations, growth of biological assets, discount rates, among others, in addition to the using of different valuation techniques. Furthermore, some of these assumptions take data into account that are not observable in the market. Changes in assumptions or in valuation techniques used may result in significantly different fair value estimates and, as a result, affect the results for the year.

How the matter was addressed in the audit

We performed the following procedures, among others:

Obtaining of an understanding and the testing of the main biological asset valuation and measurement controls, and analyses of the template used to estimate the forests' fair value.

With the support of our specialists in biological asset valuation, we assessed the reasonableness of the methodology used and the consistency of the financial and economic information and assumptions that management used to value these assets by comparing them with: (i) market price for wood; (ii) expenditures effectively incurred with planting; and (iii) prior-year projections with the effective subsequent results.

We carried out sensitivity analysis and recalculated the projections taking into account different scenarios regarding wood price, planting expenditures, and discount rates.

Our audit procedures showed that the judgments applied and assumptions used by management were reasonable, and that the disclosures were consistent with the data and information obtained.

Sale of forest owned by the Company and its subsidiary Iraflor Comércio de Madeiras Ltda.

Why it is a key audit matter

Note 15 to the financial statements describes that the Company and its subsidiary Iraflor Comércio de Madeiras Ltda. sold a portion of their forests in 2016. The buyer granted annual purchase options to the Company's parent company, which can be exercised over the next 11 years.

We decided to focus on this transaction in our audit due to the complexity involved in the assessment of the related accounting approach - forests effectively sold to the purchaser or borrowing transaction guaranteed by the forests.

How the matter was addressed in the audit

In the context of the financial statement audit, taking into account that management considered this transaction as asset disposal, we carried out the following procedures, among others.

We inquired of management about whether the main risks and benefits related to the using of these assets were effectively transferred to the buyer, and whether there are no other relevant conditions included in the granting of annual purchase options to the Company's parent company that could disqualify the transaction as an asset disposal.

Furthermore, we closely compared the contracts entered into related to (i) forest disposal, and (ii) granting of annual purchase options to the Company's parent company with the answers and evidence obtained from management, as mentioned above.

We consider that the conclusions and disclosures by management are consistent with the data, information, and documents obtained in our audit.

Provisions and contingent liabilities

Why it is a key audit matter

Note 20 to the financial statements discloses that, at December 31, 2016, the Company and its

subsidiaries had a provision for contingencies based on probable losses estimated in the respective proceedings.

The Company and its subsidiaries also have tax, civil, and labor proceedings in progress for which no provisions were recorded in the financial statements because management considered the likelihood of losses for these proceedings as only possible, based on the opinion of the Company's internal and external legal advisors.

Management applies critical judgments to determine the likelihood of positive outcomes for proceedings in progress, as well as to estimate the probable losses, since these matters depend on future events that management is not able to control. In this context, the progress of these proceedings, at the several applicable levels, can differ from the results estimated by the management and its internal and external legal advisors, taking into account that changes in court directives or new case law may significantly affect management's estimates.

How the matter was addressed in the audit

In this respect, we determined whether the procedures adopted by management to calculate the provisions and their related disclosures were in compliance with the related accounting policy.

Furthermore, we obtained confirmation from the external legal advisors regarding the likelihood of loss for the major proceedings and the quantification of the amounts estimated as possible and probable losses. We counted on the support of our tax specialists to assess the reasonableness of estimates prepared by management and its internal and external legal advisors for certain proceedings, considering their progress and the existing case law, when applicable.

We consider that the criteria and assumptions adopted by management to determine the provisions and the disclosures are consistent with the information received during our audit.

Other matters

Statements of Value Added

The parent company and consolidated statements of value added for the year ended December 31, 2016, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the Brazilian Technical Pronouncements Committee CPC 09 - "Statement of Value Added". In our opinion, the parent company and consolidated statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management

Report.

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

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the parent company and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

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

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for

one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Porto Alegre, February 24, 2017

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