Celulose Irani S.A.

Financial statements at
December 31, 2015 and 2014

Independent auditor's report

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

We have audited the accompanying parent company financial statements of Celulose Irani S.A. ("Parent company" or "Company"), which comprise the balance sheet as at December 31, 2015 and the statements of income, comprehensive result, 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, 2015 and the consolidated statements of income, comprehensive result, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2015, and the parent company financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil and the IFRS issued by the IASB.

Other matters

Supplementary information -
Statement of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2015, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Porto Alegre, February 26, 2016

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RS

Maurício Colombari
Contador CRC 1SP195838/O-3 "S" RS

CELULOSE IRANI S.A.

BALANCE SHEET AT DECEMBER 31
(In thousands of reais)

(A free translation of the original in Portuguese)

ASSETS	Note	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
CURRENT ASSETS					
Cash and cash equivalents	5	80.079	153.948	125.732	165.985
Trade receivables	6	135.277	127.605	135.854	129.922
Inventories	7	67.119	62.588	67.219	62.649
Taxes recoverable	8	9.245	7.094	9.245	7.094
Dividends receivable		-	5.245	-	-
Bank - restricted account	9	19.722	2.073	19.722	2.073
Other assets	10	19.293	28.676	19.413	28.763
Total current assets		330.735	387.229	377.185	396.486
NON-CURRENT ASSETS					
Taxes recoverable	8	3.066	3.625	3.066	3.625
Court deposits		1.370	1.136	1.475	1.185
Other assets	10	23.557	2.430	23.584	2.457
Related parties	19	1.154	1.093	1.154	1.093
Total long-term receivables		29.147	8.284	29.279	8.360
Investments in subsidiaries	12	272.231	245.174	-	-
Investment properties	13	35.332	20.354	19.137	4.087
Biological assets	15	92.870	101.114	261.559	281.621
Property, plant and equipment	14.a	789.527	804.143	860.410	875.472
Intangible assets	14.b	110.486	112.276	111.021	112.811
Total non-current assets		1.329.593	1.291.345	1.281.406	1.282.351
ASSETS		1.660.328	1.678.574	1.658.591	1.678.837

LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
CURRENT LIABILITIES					
Borrowings	16	195.620	125.235	195.620	125.235
Debentures	17	21.248	44.382	21.248	44.382
Trade payables	18	86.793	80.383	70.135	65.239
Social and labor obligations		40.774	40.240	41.152	40.440
Tax liabilities		18.815	19.576	19.256	19.880
Income tax and social contribution payable		-	475	805	787
Taxes payable in installments		2.192	2.281	2.222	2.309
Advances from customers		1.197	1.995	1.218	2.538
Dividends payable		479	12.964	479	12.964
Other payables		28.076	15.669	28.278	15.946
Total current liabilities		395.194	343.200	380.413	329.720
NON-CURRENT LIABILITIES					
Borrowings	16	665.761	537.490	665.761	537.490
Debentures	17	39.791	69.738	39.791	69.738
Provision for civil, labor and tax contingencies	20	17.485	32.398	17.583	32.482
Taxes payable in installments		1.918	3.635	1.920	3.665
Tax liabilities		10.298	11.293	10.298	11.293
Deferred income tax and social contribution	11	133.266	183.209	146.197	196.824
Total non-current liabilities		868.519	837.763	881.550	851.492
TOTAL LIABILITIES		1.263.713	1.180.963	1.261.963	1.181.212
EQUITY					
Share capital	21.a	161.895	151.895	161.895	151.895
Capital reserve		960	960	960	960
Revenue reserves	21.e	160.731	166.139	160.731	166.139
Carrying value adjustments	21.f	73.029	178.617	73.029	178.617
Equity attributable to owners of the parent		396.615	497.611	396.615	497.611
Non-controlling interests		-	-	13	14
Total equity		396.615	497.611	396.628	497.625
TOTAL LIABILITIES AND EQUITY		1.660.328	1.678.574	1.658.591	1.678.837

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

CELULOSE IRANI S.A.

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

	Note	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
NET SALES REVENUE	23	747.123	666.347	758.758	738.499
Change in the fair value of biological assets	15.a	13.749	8.973	(6.450)	29.416
Cost of goods sold	24	(535.478)	(512.514)	(530.437)	(545.224)
GROSS PROFIT		225.394	162.806	221.871	222.691
OPERATING INCOME (EXPENSES)					
Selling expenses	24	(81.133)	(55.584)	(81.133)	(70.738)
General and administrative expenses	24	(44.826)	(43.533)	(46.415)	(46.970)
Other operating income		5.163	4.758	5.180	11.158
Other operating expenses		(5.883)	(9.340)	(5.913)	(10.139)
Management profit sharing	19	(55)	(6.287)	(55)	(6.287)
Equity in the results of investees	12	(2.877)	55.647	-	-
PROFIT BEFORE FINANCE RESULT AND TAXES		95.783	108.467	93.535	99.715
Finance costs, net	26	(95.495)	(59.234)	(92.573)	(71.339)
Finance income		32.292	23.569	35.228	25.159
Finance costs		(127.787)	(82.803)	(127.801)	(96.498)
OPERATING PROFIT BEFORE TAXATION		288	49.233	962	28.376
Current income tax and social contribution	25	(2)	-	(1.360)	(400)
Deferred income tax and social contribution	25	209	7.346	893	28.603
PROFIT FOR THE YEAR		495	56.579	495	56.579
Profit attributable to owners of the parent		495	56.579	495	56.579
		495	56.579	495	56.579
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R$	22	0,0030	0,3443	0,0030	0,3443
BASIC AND DILUTED EARNINGS PER PREFERRED SHARE - R$	22	0,0030	0,3443	0,0030	0,3443

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

CELULOSE IRANI S.A.

STATEMENT OF COMPREHENSIVE RESULT FOR THE YEARS ENDED DECEMBER 31

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

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Profit for the year	495	56,579	495	56,579
Items to be subsequently reclassified to profit or loss	(96,541)	(31,530)	(96,541)	(31,530)
Cash flow hedge accounting	(146,274)	(47,772)	(146,274)	(47,772)
Income tax and social contribution on cash flow hedge accounting	49,733	16,242	49,733	16,242
Other comprehensive results	(96,541)	(31,530)	(96,541)	(31,530)
Attributable to owners of the parent	(96,046)	25,049	(96,046)	25,049
Comprehensive income (loss) for the year	(96,046)	25,049	(96,046)	25,049

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

CELULOSE IRANI S.A.

STATEMENT OF CHANGES IN EQUITY
(In thousands of reais)

(A free translation of the original in Portuguese)

	Note	Share capital	Treasury shares	Share-based payment	Revenue reserves: Legal	Revenue reserves: Statutory for biological assets	Revenue reserves: Profit retention	Revenue reserves: Tax incentives reserve	Carrying value adjustments	Retained earnings (Accumulated deficit)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
BALANCE AT DECEMBER 31, 2013		116.895	(6.834)	960	5.156	65.047	87.911	-	219.094	-	488.229	12	488.241
Total comprehensive income (loss) for the year													
Profit for the year	21 d.									56.579	56.579	-	56.579
Cash flow hedge accounting	21 f.								(31.530)		(31.530)	-	(31.530)
Realization - deemed cost									(8.101)	8.101	-	-	-
Realization - deemed cost (subsidiaries)									(846)	846	-	-	-
Realized revenue reserve - biological assets						(4.394)				4.394	-	-	-
Realized revenue reserve - biological assets (subsidiaries)						(98)				98	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	(4.492)	-	-	(40.477)	70.018	25.049	-	25.049
Total contributions by and distributions to stockholders													
Capital increase	21 a.	35.000			(5.156)		(29.844)				-	4	4
Proposed allocations													
Legal reserve	21 e.				2.829					(2.829)	-	-	-
Dividends	21 d.									(15.667)	(15.667)	(2)	(15.669)
Tax incentives reserve	21 e.							4.520		(4.520)	-	-	-
Profit retention reserve	21 e.						47.002			(47.002)	-	-	-
Total contributions by and distributions to stockholders		35.000	-	-	(2.327)	-	17.158	4.520	-	(70.018)	(15.667)	2	(15.665)
BALANCE AT DECEMBER 31, 2014		151.895	(6.834)	960	2.829	60.555	105.069	4.520	178.617	-	497.611	14	497.625
Total comprehensive income (loss) for the year													
Profit for the year	21 d.									495	495	-	495
Cash flow hedge accounting	21 f.								(96.541)		(96.541)	-	(96.541)
Realization - deemed cost									(9.047)	9.047	-	-	-
Realized revenue reserve - biological assets						(4.068)				4.068	-	-	-
Realized revenue reserve - biological assets (subsidiaries)						(257)				257	-	-	-
Total comprehensive income (loss) for the year		-	-	-	-	(4.325)	-	-	(105.588)	13.867	(96.046)	-	(96.046)
Total contributions by and distributions to stockholders													
Capital increase	21 a.	10.000			(2.829)		(7.171)				-	-	-
Dilution of non-controlling interests											-	(1)	(1)
Proposed allocations											-		
Legal reserve	21 e.				25					(25)	-	-	-
Dividends	21 d.									(4.950)	(4.950)	-	(4.950)
Tax incentives reserve	21 e.							470		(470)	-	-	-
Profit retention reserve	21 e.						8.422			(8.422)	-	-	-
Total contributions by and distributions to stockholders		10.000	-	-	(2.804)	-	1.251	470	-	(13.867)	(4.950)	(1)	(4.951)
BALANCE AT DECEMBER 31, 2015		161.895	(6.834)	960	25	56.230	106.320	4.990	73.029	-	396.615	13	396.628

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

CELULOSE IRANI S.A.

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

	Note	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		288	49.233	962	28.376
Reconciliation of profit with net cash provided by operating activities:					
Change in the fair value of biological assets	15.a	(13.749)	(8.973)	6.450	(29.416)
Depreciation, amortization and depletion	13,14,15	60.438	43.984	79.696	72.172
Dilution of non-controlling interests		-	-	(1)	-
Proceeds from sale of permanent assets		(319)	(209)	(319)	(158)
Equity in the results of investees	12	2.877	(55.647)	-	-
Constitution/reversal of provision for civil, labor and tax contingencies	20	(14.415)	(4.728)	(14.401)	(11.206)
Provision for impairment of trade receivables	6	897	644	897	705
Provision for losses on other assets	10	2.006	203	2.006	203
Monetary variations and charges		117.715	73.624	117.715	81.350
Profit sharing	19	55	6.287	55	6.287
Enrollment in REFIS (Subsidiary)		-	5.287	-	4.725
Write-down to (reversal of) net realizable value		(250)	537	(250)	537
		155.543	110.242	192.810	153.575
(Increase) decrease in assets:					
Accounts receivable		(8.257)	(282)	(6.518)	(657)
Inventories		(4.281)	(3.620)	(4.320)	(2.348)
Taxes recoverable		(1.592)	(1.948)	(1.592)	627
Other assets		(14.357)	(11.315)	(14.445)	(10.791)
Dividends received		21.501	53.922	-	-
Increase (decrease) in liabilities:					
Trade payables		5.864	(64.538)	4.494	(1.377)
Social and labor obligations		479	862	657	1.366
Advances from customers		(798)	1.343	(1.320)	920
Tax liabilities		(4.039)	(8.709)	(4.793)	(29.877)
Other payables		7.088	2.000	7.013	(1.053)
Cash provided by operations		157.151	77.957	171.986	110.385
Payment of interest on borrowings		(65.800)	(42.338)	(65.800)	(45.657)
Payment of interest on debentures		(16.277)	(13.725)	(16.277)	(18.687)
Net cash provided by operating activities		75.074	21.894	89.909	46.041
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(42.904)	(60.061)	(43.381)	(64.305)
Transfers to investment properties		(10.404)	-	(10.404)	-
Purchases of biological assets		(4.767)	(5.054)	(6.509)	(5.713)
Purchases of intangible assets		(970)	(276)	(970)	(811)
Capital decrease in subsidiaries	12	-	394	-	-
Capital contribution		-	-	-	4
Proceeds from sale of assets		2.596	1.259	2.524	572
Advance for future capital increase		(21.072)	(10.779)	-	-
Net cash arising from merger		-	3.626	-	-
Banks - restricted account		(17.649)	(912)	(17.649)	(912)
Net cash used in investing activities		(95.170)	(71.803)	(76.389)	(71.165)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends and interest on capital paid		(17.435)	(22.475)	(17.435)	(22.477)
Debentures paid		-	(41.704)	-	(48.923)
Proceeds from borrowings		163.853	250.812	163.853	252.519
Repayments of borrowings		(200.191)	(105.076)	(200.191)	(125.015)
Net cash provided by (used in) financing activities		(53.773)	81.557	(53.773)	56.104
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR		(73.869)	31.648	(40.253)	30.980
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	153.948	122.300	165.985	135.005
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	80.079	153.948	125.732	165.985

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

CELULOSE IRANI S.A.

STATEMENT OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31

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

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
1. REVENUES	1.002.231	862.563	1.015.308	969.858
1.1) Sales of products	984.594	858.449	997.652	959.405
1.2) Other revenues	18.534	4.758	18.553	11.158
1.3) Provision for impairment of trade receivables	(897)	(644)	(897)	(705)
2. INPUTS PURCHASED FROM THIRD PARTIES	561.796	525.352	527.143	539.664
2.1) Cost of goods sold	508.549	494.989	469.883	458.921
2.2) Materials, electricity, outsourced services and others	51.491	29.623	55.504	80.003
2.3) Impairment/recovery of assets	1.756	740	1.756	740
3. GROSS VALUE ADDED (1-2)	440.435	337.211	488.165	430.194
4. DEPRECIATION, AMORTIZATION AND DEPLETION	60.438	43.984	79.696	72.172
5. CHANGE IN THE FAIR VALUE OF BIOLOGICAL ASSETS	(13.749)	(8.973)	6.450	(29.416)
6. NET VALUE ADDED GENERATED BY THE ENTITY (3-4-5)	393.746	302.200	402.019	387.438
7. VALUE ADDED RECEIVED THROUGH TRANSFER	29.415	79.216	35.228	25.159
7.1) Equity in the results of investees	(2.877)	55.647	-	-
7.2) Finance income	32.292	23.569	35.228	25.159
8. TOTAL VALUE ADDED TO DISTRIBUTE (6+7)	423.161	381.416	437.247	412.597
9. DISTRIBUTION OF VALUE ADDED	423.161	381.416	437.247	412.597
9.1) Personnel	148.564	118.044	155.845	145.409
9.1.1 - Direct remuneration	116.425	95.737	121.255	115.059
9.1.2. - Benefits	25.051	16.821	27.162	23.610
9.1.3. - Government Severance Indemnity Fund for Employees (FGTS)	7.088	5.486	7.428	6.740
9.2.) Taxes and contributions	120.231	84.943	127.011	95.501
9.2.1. - Federal	86.084	66.066	92.001	66.032
9.2.2. - State	32.799	18.231	33.495	27.985
9.2.3. - Municipal	1.348	646	1.515	1.484
9.3) Remuneration of third-party capital	140.443	115.563	140.468	108.821
9.3.1. - Interest	127.787	82.803	127.801	96.498
9.3.2. - Rentals	12.656	32.760	12.667	12.323
9.4) Remuneration of own capital	13.923	62.866	13.923	62.866
9.4.1 - Dividends	4.950	15.667	4.950	15.667
9.4.2 - Retained earnings (accumulated deficit) for the year	8.918	40.912	8.918	40.912
9.4.3 - Profit sharing	55	6.287	55	6.287

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

(A free translation of the original in Portuguese)

CELULOSE IRANI S.A.

CONTENTS

(A free translation of the original in Portuguese)

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

NOTES TO THE FINANCIAL STATEMENTS AT DECEMBER 31, 2015

(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 Stock 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 also operates in forestation and reforestation and utilizes the production chain of planted forests and paper recycling as the basis for all its production.

On December 30, 2014, the Company's Board of Directors authorized the merger of the subsidiaries Indústria de Papel e Papelão São Roberto S.A. and Irani Trading S.A., to simplify their organizational and ownership structures, and, consequently, reduce their administrative and operating costs. The balance of investments, as well as amounts receivable and payable of the subsidiaries São Roberto S.A. and Irani Trading S.A. were eliminated in the merger process. Additionally the Company absorbed the goodwill recorded by the subsidiary São Roberto S.A. in the amount of R$ 104,380, which was recognized under intangible assets, based on the expectation of future profitability and subject to the annual analysis of impairment by the Company. The equity of the subsidiaries São Roberto S.A. and Irani Trading S.A. merged into the parent company totaled R$ 243,991 (R$ 123,358 and R$ 120,633, respectively), based on the balance sheets prepared by the subsidiaries at November 30, 2014. The equity in the results of the subsidiaries São Roberto S.A. and Irani Trading S.A., which totaled R$ 3,144 (R$ 1,857 and R$ 1,287, respectively) was recognized in the parent company's result for December 2014. The merger of the aforementioned subsidiaries did not result in any changes to the Company's equity, since these subsidiaries were already wholly owned by the Company.

The direct subsidiaries are listed in Note 4.

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

The issue of these financial statements was authorized by the Board of Directors on February 17, 2016.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

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

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

2.1. New standards, amendments and interpretations of standards:

Standards, amendments and interpretations to existing standards that will be mandatory for the periods from January 1, 2016 and have not been adopted early by the Company.

The following new standards were issued and approved by IASB but are not effective for 2015. The early adoption of standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC), and the Company is assessing the potential impact of their adoption.

<u>IFRS 9 - Financial Instruments:</u> addresses the classification, measurement and recognition of financial assets and liabilities. The standard is effective from January 1, 2018. This standard replaces the guidance included in IAS 39, regarding the classification and measurement of financial instruments. IFRS 9 retains but simplifies the combined measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (loss), and fair value through profit or loss. It also institutes a model of expected credit losses, in replacement of the current model of incurred losses. IFRS 9 relaxes the requirements for hedge effectiveness, requiring an economic relationship between the hedged item and the hedging instrument, and also that the hedging index be the same as that used by management for risk management purposes.

<u>IFRS 15 - Revenue from Contracts with Customers:</u> this new standard establishes the principles that should be applied by an entity to measure revenue and when the revenue should be recognized. It takes effect on January 1, 2017 and replaces IAS 11 – “Construction Contracts”, IAS 18 – “Revenues” and corresponding interpretations.

<u>IFRS 16 - Leases:</u> The new standard supersedes IAS 17 - Leasing Operations and all related interpretations and requires lessees to recognize the liabilities of

future payments and the right of use of the leased asset for virtually all lease agreements, including operating leases. Certain short-term and low-value contracts may be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective from January 1, 2019.

IAS 41 - Agriculture (equivalent to CPC 29 - Biological Assets and Agricultural Products): This standard currently requires biological assets to be measured at fair value less costs to sell. When revising the standard, IASB decided that the so called bearer plants should be accounted for as fixed assets (IAS 16/CPC 27), that is, at cost less depreciation or impairment. Bearer plants are defined as those expected to produce agricultural products for various periods, but which do not undergo significant transformations after harvest. The standard is applicable from January 1, 2016. Management has concluded that the adoption of the revision of this standard has no impact on the measurement and presentation of the Company's biological assets, since these assets do not fall under the definition of bearer plants.

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

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Functional currency and translation of foreign currencies

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

Foreign-currency transactions are originally recorded at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the balances in foreign currency and the translation into the functional currency are recognized in the statement of income, 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, deposits with banks and other highly liquid investments with a low risk of change in value and a maturity of 90 days or less, held for the purpose of meeting short-term cash commitments. They are classified in financial assets in the category of "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, when applicable. The provision for impairment of trade receivables is calculated based on losses estimated through an individual analysis of trade receivables and considering the history of losses, and is recognized at an amount considered sufficient by the Company's management to cover expected losses on the collection of these receivables. Trade receivables are classified in financial assets in the category of "Loans and receivables."

d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to 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, with the recognition of impairment losses 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) it becomes probable 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 income.

f) Inventories

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

g) Investments

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

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

h) Investment properties

Investment properties are stated at cost, less depreciation 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 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 income 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 by the difference between the sales amount received and the carrying amount of the asset sold, and recognized in the statement of income.

i) Property, plant and equipment and intangible assets

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses, when applicable. In the case of qualifying assets, borrowing costs are capitalized as part of the costs of construction in progress. These assets are classified in the proper categories of property, plant and equipment when completed and ready for their intended use. Depreciation begins when these assets become ready for their 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 expectations of the generation of 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 financial statements. If a gain on advantageous purchase is determined, the amount is recorded as a gain in the statement of income for the period, at the acquisition date. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination from which the goodwill arose, 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 papers, corrugated cardboard boxes and sheets, and also for sale to third parties and extraction of gum resin. 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 the 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 income 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. The reviews conducted in 2015 did not indicate the need to recognize impairment losses.

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 income, 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 for each company individually, based on the statutory rates prevailing at year end. The Company calculates its taxes at a rate of 34% on its taxable profit; however, 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 for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences and tax losses, only if it is probable that the Company will have sufficient future taxable income against which such deductible temporary differences and tax losses can be utilized. Deferred income tax and social contribution are recorded for the subsidiaries that adopt the presumed taxable profit

regime, 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 on 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, when applicable, and adjusted based on indices established in the contracts entered into with the creditors. The balance includes interest calculated using the effective interest rate method, as well as the effects of foreign exchange rate changes, when 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 income.

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

When a transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

o) Leases

The Company as the lessee

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases and recorded in the statement of income. These financial leases are recorded in the same manner as a financed purchase, recognizing a property, plant and equipment item and a financing liability (lease) at the beginning of the lease agreement. 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 income 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 also recognized on a straight-line basis over the lease term.

p) Provisions

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

q) Employee benefits

Profit sharing

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

r) Significant accounting judgments, estimates and assumptions

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

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

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

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

The Company has 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 in 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 consequent effects on the financial statements (Note 31).

s) Determination of the results of operations

Revenue and expenses are recognized on the accrual basis and include interest, charges and the effects of exchange rate changes at official rates, applicable to current and non-current assets and liabilities and, when 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, less any expected returns, trade discounts and/or bonuses granted to the customer and other similar deductions. Revenue between the parent 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 income and is appropriated based on the amortized cost and the effective interest rate.

v) Statement of value added

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

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 as those used to prepare the financial statements.

4. CONSOLIDATION OF THE FINANCIAL STATEMENTS

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

Ownership interest - (%)			
Subsidiaries - direct ownership	Business activity	12/31/2015	12/31/2014
Habitasul Florestal S.A.	Forest production	100,00	100,00
HGE - Geração de Energia Sustentável S.A. *	Power generation	100,00	100,00
Iraflor - Comércio de Madeiras LTDA.	Timber sales	99,99	99,99
HGE - Geração de Energia Sustentável S.A.	Power generation	99,43	99,43

* currently evaluating 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 of the subsidiaries, as well as intercompany transactions and unrealized profits and/or losses, have been eliminated in consolidation. The accounting information of the subsidiaries used for consolidation was prepared on 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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Fixed-income fund	29	27	32	30
Cash at banks	3.275	4.224	3.499	4.411
Financial investments with immediate liquidity	76.775	149.697	122.201	161.544
	80.079	153.948	125.732	165.985

The financial investments with immediate liquidity in Bank Deposit Certificates (CDBs) earn an average of 99.97 % of the Interbank Deposit Certificate (CDI) interest rate and have a maturity of 90 days or less. These investments are held for the purpose of meeting short-term commitments.

6. TRADE RECEIVABLES

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Trade receivables:				
Domestic market	130.605	130.196	131.839	133.171
Foreign market	19.405	11.245	19.405	11.245
	150.010	141.441	151.244	144.416
Provision for impairment of trade receivables	(14.733)	(13.836)	(15.390)	(14.494)
	135.277	127.605	135.854	129.922

At December 31, 2015, the amount of R$ 19,145 in consolidated trade receivables was overdue and not subject to a provision, as it related to independent customers with no history of default.

The maturity analysis of trade receivables is as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Not yet due	116.233	108.576	116.709	110.364
Less than 30 days overdue	11.374	10.405	11.425	10.629
31 to 60 days overdue	3.662	3.580	3.666	3.719
61 to 90 days overdue	664	1.719	670	1.719
91 to 180 days overdue	2.059	1.541	2.059	1.698
More than 180 days overdue	16.018	15.620	16.715	16.287
	150.010	141.441	151.244	144.416

The average credit term on the sale of products is 48 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 past due for less than 180 days when these balances are considered uncollectible, considering the financial position of each debtor.

The changes in the provision were as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Balance at the beginning of the year	(13,836)	(6,933)	(14,494)	(13,979)
Merger of the subsidiary São Roberto S.A.	-	(6,420)	-	-
Provision for losses recognized	(897)	(644)	(897)	(705)
Trade receivables written-off as uncollectible during the year	-	161	-	190
Amounts recovered during the year	-	-	1	-
Balance at the end of the year	(14,733)	(13,836)	(15,390)	(14,494)

A portion of the receivables, amounting to R$ 75,522, has been assigned as collateral for certain financing transactions, as disclosed in Notes 16 and 17.

The credit quality of financial assets that were neither past due nor impaired at December 31, 2015 was assessed with reference to historical information on default rates, as follows:

Quality accounts receivable

		Consolidated
Customer category	History -%	Amount receivable
a) Customers with no history of default	92,36	107.793
b) Customers with history of default of up to 7 days	6,58	7.679
c) Customers with history of default of more than 7 days	1,06	1.237
		116.709

a) Performing customers with no history of default
b) Defaulting customers with a history of default of up to 7 days, without history of delinquency.
c) Defaulting customers with a history of default of more than 7 days, without history of delinquency.

7. INVENTORIES

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Finished products	10.265	7.763	10.265	7.763
Production materials	32.046	32.025	32.046	32.025
Consumable materials	21.494	20.211	21.594	20.272
Other inventories	3.601	3.126	3.601	3.126
	67.406	63.125	67.506	63.186
Write-down to net realizable value	(287)	(537)	(287)	(537)
	67.119	62.588	67.219	62.649

The cost of inventories recognized as an expense for the year totaled R$ 535,478 (R$ 512,514 in 2014) in the parent company and R$ 530,437 (R$ 545,224 in 2014) in the consolidated.

The cost of inventories recognized in the statement of income for the year includes a write-down to net realizable value of R$ 476. 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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Value-added Tax on Sales and Services (ICMS)	7.282	8.170	7.282	8.170
Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS)	894	695	894	695
Excise Tax (IPI)	101	333	101	333
Income tax (IRPJ)	340	255	340	255
Social contribution (CSLL)	39	87	39	87
Withholding Income Tax (IRFF) on investments	3.655	1.179	3.655	1.179
	12.311	10.719	12.311	10.719
Current	9.245	7.094	9.245	7.094
Non-current	3.066	3.625	3.066	3.625

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. BANK - RESTRICTED ACCOUNT

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Banco do Brasil - New York – (a)	19.722	2.073	19.722	2.073
Total current	19.722	2.073	19.722	2.073

The balance with Banco do Brasil - New York/ United States of America 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 February 2016. The contract, which deals with the retention realized on September 26, 2014, has been renegotiated and establishes that only the contractual interest will be due up to May 2017.

10. OTHER ASSETS

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Advances to suppliers	3.503	2.778	3.575	2.815
Receivables from employees	2.269	2.128	2.284	2.142
Renegotiation with customers	33.358	20.600	33.390	20.631
Prepaid expenses	1.513	1.380	1.513	1.380
Receivable from XKW Trading	4.697	4.554	4.697	4.554
Other receivables	1.559	1.709	1.587	1.741
	46.899	33.149	47.046	33.263
Provision for impairment of trade receivables under renegotiation	(4.049)	(2.043)	(4.049)	(2.043)
	42.850	31.106	42.997	31.220
Current	19.293	28.676	19.413	28.763
Non-current	23.557	2.430	23.584	2.457

Renegotiations with customers - refers to overdue trade receivables for which debt acknowledgment agreements have been formalized. The final maturity of the monthly installments will be in 2021, and the average interest rate is 1% to 2% per month, recognized in the statement of income upon receipt. Some agreements contain clauses that require machinery, equipment and properties to be pledged 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	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Balance at the beginning of the year	(2.043)	(1.840)	(2.043)	(1.840)
Provision for losses recognized	(2.006)	(249)	(2.006)	(249)
Amounts recovered during the year	-	46	-	46
Balance at the end of the year	(4.049)	(2.043)	(4.049)	(2.043)

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

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

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME

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

In 2015 and 2014, the Company computed income tax and social contribution on foreign exchange variations on a cash basis, and recorded a deferred tax liability related to unrealized foreign exchange variations.

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

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

ASSETS	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Deferred income tax assets				
On temporary provisions	7.159	11.037	7.159	11.037
On tax losses	11.793	2.614	11.793	2.614
Cash flow hedges	54.922	18.353	54.922	18.353
Deferred social contribution assets				
On temporary provisions	2.577	3.973	2.577	3.973
On tax losses	4.246	941	4.246	941
Cash flow hedges	19.772	6.607	19.772	6.607
	100.469	43.525	100.469	43.525

LIABILITIES	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Deferred income tax liabilities				
Unrealized foreign exchange gains taxed on a cash basis	1.922	1.793	1.922	1.793
Fair value of biological assets	37.565	35.687	39.251	37.817
Deemed cost of property, plant and equipment	122.764	122.852	130.363	130.451
Government grants	949	763	949	763
Customer portfolio	1.177	1.383	1.177	1.383
Trademarks	-	327	-	327
Tax amortization of goodwill	7.487	3.892	7.487	3.892
Deferred social contribution liabilities				
Unrealized foreign exchange gains taxed on a cash basis	692	645	692	645
Fair value of biological assets	13.523	12.847	14.434	13.997
Deemed cost of property, plant and equipment	44.195	44.255	46.930	46.991
Government grants	342	275	342	275
Customer portfolio	424	495	424	495
Trademarks	-	118	-	118
Tax amortization of goodwill	2.695	1.402	2.695	1.402
	233.735	226.734	246.666	240.349
Deferred tax liabilities (net)	133.266	183.209	146.197	196.824

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

Deferred tax liabilities (net)	Consolidated
Period	12/31/2015
2016	8.387
2017	9.225
2018	10.148
2019	10.930
2020 onward	107.507
	146.197

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

Parent Company assets	Opening balance – 12/31/2014	Recognized in profit or loss	Recognized in equity	Closing balance - 12/31/2015
Deferred tax assets related to:				
Provision for profit sharing	(3.896)	144	-	(3.752)
Provision for sundry risks	(11.063)	5.079	-	(5.984)
Cash flow hedges	(24.960)	-	(49.734)	(74.694)
Other	(51)	51	-	-
Total temporary differences	(39.970)	5.274	(49.734)	(84.430)
Tax losses	(3.555)	(12.484)	-	(16.039)
	(43.525)	(7.210)	(49.734)	(100.469)

Consolidated assets	Opening balance – 12/31/2014	Recognized in profit or loss	Recognized in equity	Closing balance - 12/31/2015
Deferred tax assets related to:				
Provision for profit sharing	(3.896)	144	-	(3.752)
Provision for sundry risks	(11.063)	5.079	-	(5.984)
Cash flow hedges	(24.960)	-	(49.734)	(74.694)
Other	(51)	51	-	-
Total temporary differences	(39.970)	5.274	(49.734)	(84.430)
Tax losses	(3.555)	(12.484)	-	(16.039)
	(43.525)	(7.210)	(49.734)	(100.469)

Parent Company liabilities	Opening balance 12/31/2014	Recognized in profit or loss	Closing balance 12/31/2015
Deferred tax liabilities related to:			
Unrealized foreign exchange gains taxed on a cash basis	2.438	176	2.614
Fair value of biological assets	48.534	2.554	51.088
Deemed cost and useful life review	167.107	(148)	166.959
Government grants	1.038	253	1.291
Customer portfolio	1.878	(277)	1.601
Trademarks	445	(445)	-
Tax amortization of goodwill	5.294	4.888	10.182
	226.734	7.001	233.735

Consolidated liabilities	Opening balance 12/31/2014	Recognized in profit or loss	Closing balance 12/31/2015
Deferred tax liabilities related to:			
Unrealized foreign exchange gains taxed on a cash basis	2.438	176	2.614
Fair value of biological assets	51.814	1.871	53.685
Deemed cost and useful life review	177.442	(149)	177.293
Government grants	1.038	253	1.291
Customer portfolio	1.878	(277)	1.601
Trademarks	445	(445)	-
Tax amortization of goodwill	5.294	4.888	10.182
	240.349	6.317	246.666

12. INVESTMENTS

	Habitasul Florestal	Irani Trading	Iraflor Comércio de Madeiras	HGE Geração de Energia	São Roberto	Irani Geração de Energia	Total
At December 31, 2013	119.868	116.119	67.734	1.165	44.038	297	349.221
Equity in the results of investees	20.461	15.846	8.928	(26)	10.585	(147)	55.647
Proposed dividends	(19.159)	(10.046)	(21.975)	-	-	-	(51.180)
Capital increase	-	1	57.648	-	70.592	236	128.477
Advance for future capital increase	10.743	-	-	31	-	-	10.774
Other changes	-	-	-	(394)	-	-	(394)
Spin-off	-	-	-	(236)	-	-	(236)
Merger of Irani Trading into Irani	-	(121.920)	-	-	-	-	(121.920)
Merger of São Roberto into Irani	-	-	-	-	(125.215)	-	(125.215)
At December 31, 2014	131.913	-	112.335	540	-	386	245.174
Equity in the results of investees	(6.575)	-	3.897	(71)	-	(128)	(2.877)
Proposed dividends	(15.734)	-	(522)	-	-	-	(16.256)
Capital increase	-	-	25.118	-	-	-	25.118
Advance for future capital increase	20.978	-	-	94	-	-	21.072
At December 31, 2015	130.582	-	140.828	563	-	258	272.231
Liabilities	14.158	-	1.067	-	-	4	
Equity	130.584	-	140.837	563	-	260	
Assets	144.742	-	141.904	563	-	264	
Net revenue	12.279	-	35.510	-	-	-	
Result for the year	(6.575)	-	3.897	(71)	-	(128)	
Ownership interest - %	100,00	-	99,99	100,00	-	99,43	

At the subsidiary Habitasul Florestal S.A., the dividends approved related to 2015, of R$ 15,734 (R$ 19,159 in 2014), were paid in cash.

During 2015, the Company made an advance for future capital increase in the subsidiary Habitasul Florestal S.A. in the amount of R$ 20,978.

In 2015, Iraflor Comércio de Madeiras Ltda. received a capital contribution from its parent company Celulose Irani S.A., amounting to R$ 25,118, which was paid up through the transfer of forest assets (R$ 57,648 in 2014, which was paid up through the transfer of forest assets amounting to R$ 57,644 and R$ 4 in cash).

At the subsidiary Iraflor Comércio de Madeiras Ltda., the dividends approved related to 2015, of R$ 522, were paid in cash (R$ 21,975 in 2014).

13. INVESTMENT PROPERTIES

Parent

	Land	Buildings	Total
At December 31, 2014			
Opening balance	-	-	-
Merger of São Roberto	16.267	-	16.267
Merger of Irani Trading	160	3.927	4.087
Net book value	16.427	3.927	20.354
Cost	16.427	4.403	20.830
Accumulated depreciation	-	(476)	(476)
Net book value	16.427	3.927	20.354
At December 31, 2015			
Opening balance	16.427	3.927	20.354
Purchases	6.926	8.299	15.225
Disposals	(72)	-	(72)
Depreciation	-	(175)	(175)
Net book value	23.281	12.051	35.332
Cost	23.281	12.702	35.983
Accumulated depreciation	-	(651)	(651)
Net book value	23.281	12.051	35.332

Consolidated

	Land	Buildings	Total
At December 31, 2014			
Opening balance	-	-	-
Merger of Irani Trading	160	3.927	4.087
Net book value	160	3.927	4.087
Cost	160	4.403	4.563
Accumulated depreciation	-	(476)	(476)
Net book value	160	3.927	4.087
At December 31, 2015			
Opening balance	160	3.927	4.087
Purchases	6.926	8.299	15.225
Depreciation	-	(175)	(175)
Net book value	7.086	12.051	19.137
Cost	7.086	12.702	19.788
Accumulated depreciation	-	(651)	(651)
Net book value	7.086	12.051	19.137

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 possibly be 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 and are recorded based on net book value at the balance sheet date.

Investment properties also 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 from investment properties is recognized in the statement of income.

The investment properties are stated at historical cost, and for disclosure purposes, the Company assessed the fair value less cost to sell of these properties at R$ 53,312 (parent company) and R$ 37,118 (consolidated). The appraisals were conducted by independent experts, who applied market evidences related to prices for recent transactions with similar properties.

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Composition of property, plant and equipment

Parent	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other (*)	Construction in progress	Assets under finance leases	Leasehold improvements	Total
At December 31, 2014									
Opening balance	123.887	32.923	326.117	651	4.419	74.424	12.949	12.741	588.111
Merger of São Roberto	74.421	33.977	11.979	386	609	6.239	55	-	127.666
Merger of Irani Trading	1.147	82.887	19	-	18	-	-	-	84.071
Additions	-	47	36.559	2.605	671	29.445	-	-	69.327
Disposals	-	-	(1.243)	(159)	(27)	(534)	(483)	-	(2.446)
Transfers	-	7.414	81.506	32	1.097	(90.049)	-	-	-
Transfer to investment properties	(16.427)	(3.898)	(19)	-	(10)	-	-	-	(20.354)
Depreciation	-	(1.228)	(35.451)	(484)	(1.058)	-	(3.369)	(642)	(42.232)
Net book value	183.028	152.122	419.467	3.031	5.719	19.525	9.152	12.099	804.143
Cost	183.028	201.052	762.975	5.119	14.837	19.525	28.678	16.061	1.231.275
Accumulated depreciation	-	(48.930)	(343.508)	(2.088)	(9.118)	-	(19.526)	(3.962)	(427.132)
Net book value	183.028	152.122	419.467	3.031	5.719	19.525	9.152	12.099	804.143
At December 31, 2015									
Opening balance	183.028	152.122	419.467	3.031	5.719	19.525	9.152	12.099	804.143
Additions	-	580	7.943	539	761	33.675	-	-	43.498
Disposals	(1)	-	(518)	-	(24)	(15)	(90)	-	(648)
Transfers	-	6.521	16.360	33	872	(23.786)	-	-	-
Depreciation	-	(2.176)	(48.977)	(696)	(2.132)	-	(2.845)	(640)	(57.466)
Net book value	183.027	157.047	394.275	2.907	5.196	29.399	6.217	11.459	789.527
Cost	183.027	208.300	786.102	5.532	14.167	29.399	28.583	16.061	1.271.171
Accumulated depreciation	-	(51.253)	(391.827)	(2.625)	(8.971)	-	(22.366)	(4.602)	(481.644)
Net book value	183.027	157.047	394.275	2.907	5.196	29.399	6.217	11.459	789.527

Consolidated	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other (*)	Construction in progress	Assets under finance leases	Leasehold improvements	Total
At December 31, 2014									
Opening balance	251.586	154.282	371.703	1.049	4.747	79.254	13.041	12.741	888.403
Additions	6	47	6.221	2.617	1.164	33.114	4	-	43.173
Disposals	(33)	-	(1.310)	(202)	(39)	(535)	(507)	-	(2.626)
Transfers	-	8.175	82.134	336	1.216	(91.861)	-	-	-
Transfer to investment properties	(160)	(3.898)	(19)	-	(10)	-	-	-	(4.087)
Depreciation	-	(4.637)	(39.244)	(506)	(990)	-	(3.372)	(642)	(49.391)
Net book value	251.399	153.969	419.485	3.294	6.088	19.972	9.166	12.099	875.472
Cost	251.399	205.574	763.001	5.454	15.390	19.972	28.718	16.061	1.305.569
Accumulated depreciation	-	(51.605)	(343.516)	(2.160)	(9.302)	-	(19.552)	(3.962)	(430.097)
Net book value	251.399	153.969	419.485	3.294	6.088	19.972	9.166	12.099	875.472
At December 31, 2015									
Opening balance	251.399	153.969	419.485	3.294	6.088	19.972	9.166	12.099	875.472
Additions	57	580	7.962	725	773	33.228	-	-	43.325
Disposals	(1)	-	(518)	-	(24)	(15)	(90)	-	(648)
Transfers	-	6.521	16.360	33	872	(23.786)	-	-	-
Depreciation	-	(2.359)	(48.933)	(715)	(2.239)	-	(2.853)	(640)	(57.739)
Net book value	251.455	158.711	394.356	3.337	5.470	29.399	6.223	11.459	860.410
Cost	251.455	212.822	786.197	6.089	14.609	29.399	28.623	16.061	1.345.255
Accumulated depreciation	-	(54.111)	(391.841)	(2.752)	(9.139)	-	(22.400)	(4.602)	(484.845)
Net book value	251.455	158.711	394.356	3.337	5.470	29.399	6.223	11.459	860.410

*Refers to assets such as furniture and fittings and IT equipment.

b) Composition of intangible assets

Parent	Trademarks	Goodwill	Customer Portfolio	Software	Total
At December 31, 2014					
Opening balance	-	-	-	1.016	1.016
Additions	-	-	-	276	276
Merger of São Roberto S.A.	1.473	104.380	5.502	-	111.355
Amortization	-	-	-	(371)	(371)
Net book value	1.473	104.380	5.502	921	112.276
Cost	1.473	104.380	5.502	7.661	119.016
Accumulated amortization	-	-	-	(6.740)	(6.740)
Net book value	1.473	104.380	5.502	921	112.276
At December 31, 2015					
Opening balance	1.473	104.380	5.502	921	112.276
Additions	-	-	-	970	970
Disposals	(1.473)	-	-	(84)	(1.557)
Amortization	-	-	(792)	(411)	(1.203)
Net book value	-	104.380	4.710	1.396	110.486
Cost	-	104.380	5.502	8.547	118.429
Accumulated amortization	-	-	(792)	(7.151)	(7.943)
Net book value	-	104.380	4.710	1.396	110.486

Consolidated	Trademarks	Goodwill	Customer Portfolio	Software	Total
At December 31, 2014					
Opening balance	1.473	104.380	6.294	1.016	113.163
Additions	-	-	-	811	811
Amortization	-	-	(792)	(371)	(1.163)
Net book value	1.473	104.380	5.502	1.456	112.811
Cost	1.473	104.380	7.081	6.621	119.555
Accumulated amortization	-	-	(1.579)	(5.165)	(6.744)
Net book value	1.473	104.380	5.502	1.456	112.811
At December 31, 2015					
Opening balance	1.473	104.380	5.502	1.456	112.811
Additions	-	-	-	970	970
Disposals	(1.473)	-	-	(84)	(1.557)
Amortization	-	-	(792)	(411)	(1.203)
Net book value	-	104.380	4.710	1.931	111.021
Cost	-	104.380	7.081	7.507	118.968
Accumulated amortization	-	-	(2.371)	(5.576)	(7.947)
Net book value	-	104.380	4.710	1.931	111.021

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 - %	
	12/31/2015	12/31/2014
Buildings and constructions *	2,19	2,19
Equipment and facilities **	5,86	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 projects for the improvement and maintenance of the Company's production process, among which should be highlighted the technological update of equipment for the output of the corrugator machine at the Vila Maria packaging plant in São Paulo, intended to increase production and improve quality, which was completed in 2015.

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

Leasehold improvements refer to the renovation of the Corrugated Cardboard packaging plant in Indaiatuba – State of São Paulo, and are being depreciated on the straight-line method, at the rate of 4% 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 the Company's property, plant and equipment for 2015 and 2014 was as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Assets used in:				
administrative activities	1,607	1,329	1,880	1,695
production	55,859	40,903	55,859	47,696
	57,466	42,232	57,739	49,391

The amortization of intangible assets for 2015 and 2014 was as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Assets used in:				
administrative activities	1,023	315	1,023	989
production	180	56	180	174
	1,203	371	1,203	1,163

e) Impairment of property, plant and equipment

No indicators of impairment were identified in 2015, which could have affected the realizable values of the assets of the Company and its subsidiaries.

f) Assets pledged as collateral

The Company pledged certain property, plant and equipment assets as collateral for financing transactions, as presented below:

	12/31/2015
Equipment and facilities	113.907
Buildings and constructions	40.680
Land	233.404
Total assets pledged as collateral	387.991

g) Trademark

The trademark acquired in a business combination was recognized at the fair value of R$ 1,473 at the acquisition date. In 2015, the brand was discontinued and the trademark derecognized.

h) Customer portfolio

The customer portfolio acquired in the business combination is recognized at the fair value of R$ 6,617, and the amortization in 2015 amounted to R$ 792 (R$ 792 in 2014), resulting in a net book balance of R$ 4,710. Amortization is calculated on the straight-line basis, over the expected life of the relationship with the customer.

i) Goodwill

The goodwill arising from the business combination with São Roberto S.A., recognized at the amount of R$ 104,380, is attributable to the expectation of future profitability.

Impairment tests for intangible assets:

At December 31, 2015, 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 utilized cash flow projections based on financial budgets approved by management, covering a six-year period and extrapolating to perpetuity in the other periods, considering estimated growth rates.

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

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

	Assumptions
Average sales prices of Packaging Paper and Corrugated Cardboard Packaging (% of the annual growth rate)	5,5%
Gross margin (% of net income)	29,3%
Estimated growth rate	5,0%
Discount rate (WACC)	9,56%

The impairment test of the cash generating units did not identify the need for recognizing a loss in the year.

Management believes that future changes in the sale price net of taxes may change the recoverable value of the CGU. For sensitivity calculation purposes, 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 timber sales, 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 formation of the forests and the fair value differential in relation to the formation cost. Consequently, the balance of biological assets as a whole is recorded at fair value as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Expenses incurred with formation of biological assets	38.599	36.509	58.727	55.681
Difference in the fair value of biological assets	54.271	64.605	202.832	225.940
	92.870	101.114	261.559	281.621

Of the total biological assets, R$ 173,212 refers to forests used as raw material for the production of pulp and paper, 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$ 126,965 refers to mature forests which are more than six years old. The remaining amount refers to growing forests, which still need 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, forming a renovation cycle that meets the production demand of the plant.

The biological assets utilized for the production of resins and the sale of timber logs totaled R$ 88,347 and are located on the coast 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 wood 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 utilized 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 the biological assets;

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

(iii) The projected productivity volumes of the forests are defined based on stratification, according to the type of species, inputs for production planning, as well as the age, productive potential and production cycle of the forests. This component of projected volume corresponds to the Average Annual Increase (IMA). Forest management 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) Expenditure on planting corresponds to the costs incurred by the Company in the formation of biological assets;

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

(vii) The Company reviews the fair value of its biological assets on a quarterly basis, which is 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		
	2015	2014	Impact on fair value of biological assets
Planted area (in hectares)	23.909	24.038	Assumption increases, fair value increases
Remuneration of the Company's own contributing assets - %	3,00%	3,00%	Assumption increases, fair value decreases
Discount rate - Own areas - %	9,50%	8,50%	Assumption increases, fair value decreases
Discount rate - Partnerships - %	10,00%	9,50%	Assumption increases, fair value decreases
Net average selling price (m³)	46,00	46,00	Assumption increases, fair value increases
Average annual increase - Forests in Santa Catarina (*)	39,4	39,6	Assumption increases, fair value increases
Average annual increase - Forests in Rio Grande do Sul (*)	22,3	22,5	Assumption increases, fair value increases

* The Average Annual Increase (IMA) of the Pine Forests in the States of Rio Grande do Sul and Santa Catarina is different because of the specific forest management, species and soil and climatic conditions of each State. The forests in Santa Catarina are managed with a view to the utilization for pulp production, whereas the forests of Rio Grande do Sul are managed for the extraction of gum resin and subsequent sale of timber logs.

During 2015, the Company validated the assumptions and criteria utilized to determine the fair value of its biological assets, and realized the valuation of all its biological assets.

No other events occurred in 2015 that affected the devaluation of the biological assets, such as rainstorms, lightning and other events that could affect the forests.

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

Main changes

The changes for the year were as follows:

	Parent	Consolidated
Balance at 12/31/2013	146.638	268.725
Planting	4.338	4.908
Acquisition of forests	190	190
Depletion		
Historical cost	(1.115)	(3.692)
Fair value	(266)	(17.926)
Transfer for capitalization in the subsidiary Iraflor	(57.644)	-
Change in fair value	8.973	29.416
Balance at 12/31/2014	101.114	281.621
Planting	4.719	6.662
Acquisition of forests	-	305
Depletion		
Historical cost	(779)	(3.635)
Fair value	(815)	(16.944)
Transfer for capitalization in the subsidiary Iraflor	(25.118)	-
Change in fair value	13.749	(6.450)
Balance at 12/31/2015	92.870	261.559

The depletion of biological assets in 2015 and 2014 was substantially charged to cost of production, after an initial allocation to inventories when the forests are harvested and used in the production process or sold to third parties.

In 2015, the contribution of new biological assets, amounting to R$ R$ 25,118 (R$ 57,644 in 2014), was authorized. The purpose of this transaction was to improve the management of forest assets and the raising of funds through Agribusiness Credit Right Certificates (CDCA), as mentioned in Note 16.

b) Biological assets pledged as collateral

A portion of the biological assets of the Company and its subsidiaries, totaling R$ 143,437, is pledged as collateral for financing transactions. The pledged assets represent approximately 55% of the total biological assets, equivalent to 24.4 thousand hectares of land in use, with approximately 11.5 thousand hectares of planted forests.

c) Production on third-party land

The Company has entered into non-cancellable lease agreements for the 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 represents approximately 10% of the total area with the Company's biological assets.

16. BORROWINGS

a) Composition of accounting balances

		Parent and Consolidated	
		12/31/2015	12/31/2014
Current	**Annual charges - %**		
Local currency			
FINAME	Fixed at 3.49% and TJLP + 4.07%	7.521	8.487
Working capital	Fixed at 8.13% and CDI + 3.94%	52.815	40.832
Working capital - CDCA	IPCA + 10.22%	21.910	20.675
Finance leases	Fixed at 15.3%	443	886
BNDES	TJLP + 3.60%	13.737	12.499
Total in local currency		96.426	83.379
Foreign currency			
Advances on foreign exchange contracts	Fixed at 3.90%	34.174	20.074
Banco Credit Suisse - PPE	Libor + 7.50%	-	750
Banco Itaú BBA - CCE	Fixed at 5.80%	19.509	13.422
Banco Santander PPE	Libor + 5.50%	4.392	2.992
Banco do Brasil - FINIMP	Libor + 2.50%	195	1.735
Banco Citibank - FINIMP	Libor + 4.09%	915	2.883
Banco Rabobank and Santander - PPE	Libor + 5.95%	38.683	-
Banco LBBW - FINIMP	Euribor + 1.55%	1.326	-
Total in foreign currency		99.194	41.856
Total current		195.620	125.235
Non-current			
Local currency			
FINAME	Fixed at 3.49% and TJLP + 4.07%	13.287	20.486
Working capital	Fixed at 8.13% and CDI + 3.94%	183.207	121.056
Working capital - CDCA	IPCA + 10.22%	20.008	36.085
Finance leases	Fixed at 15.3%	114	557
BNDES	TJLP + 3.60%	39.743	44.604
Total in local currency		256.359	222.788
Foreign currency			
Banco Credit Suisse - PPE	Libor + 7.50%	153.052	101.331
Banco Itaú BBA - CCE	Fixed at 5.80%	9.537	19.434
Banco Santander PPE	Libor + 5.50%	8.640	8.816
Banco do Brasil - FINIMP	Libor + 2.50%	-	133
Banco Citibank - FINIMP	Libor + 4.09%	-	619
Banco Rabobank and Santander - PPE	Libor + 5.95%	233.138	184.369
Banco LBBW - FINIMP	Euribor + 1.55%	5.035	-
Total in foreign currency		409.402	314.702
Total non-current		665.761	537.490
Total		861.381	662.725

	Parent and Consolidated	
Long-term maturities:	12/31/2015	31/12/2014
2016	-	99.254
2017	209.915	159.230
2018	180.339	104.735
2019	151.993	92.718
2020 to 2024	123.514	81.553
	665.761	537.490

b) Amortization schedule for funding costs

	Parent and Consolidated						
	2016	2017	2018	2019	2020	2021	Total
In local currency							
Working capital	(738)	(449)	(269)	(119)	(33)	-	(1.608)
Working capital - CDCA	(310)	(108)	-	-	-	-	(418)
Total in local currency	(1.048)	(557)	(269)	(119)	(33)	-	(2.026)
In foreign currency							
Banco Credit Suisse - PPE	(1.058)	(1.086)	(831)	(396)	(21)	-	(3.392)
Banco Itaú BBA - CCE	(32)	(4)	-	-	-	-	(36)
Banco Rabobank and Santander - PPE	(415)	(385)	(311)	(233)	(150)	(71)	(1.564)
Banco LBBW - FINIMP	(146)	(81)	(15)	-	-	-	(242)
Total in foreign currency	(1.651)	(1.556)	(1.157)	(629)	(171)	(71)	(5.234)
	(2.699)	(2.113)	(1.426)	(748)	(204)	(71)	(7.260)

c) Significant operations contracted in the year

i) Working capital:

- Banco Rabobank – CCE: Export Credit Bill (CCE) contract of R$ 50 million, entered into with Banco Rabobank, with maturity in 2020, and subject to an interest rate equivalent to the CDI variation plus 3.75% p.a. The borrowing will be repaid in nine semi-annual installments from August 2016.

- Banco Itaú BBA - CCE Export Credit Bill contract of R$ 20 million, entered into with Banco Itaú BBA, with maturity in 2018, and subject to an interest rate equivalent to the CDI variation plus 3.50% p.a. The borrowing will be repaid in three semi-annual installments from January 2018.

- Banco Safra – CCE: Export Credit Bill contract of R$ 30 million, entered into with Banco Safra, with maturity in 2019, and subject to an interest rate equivalent to 132% of the CDI variation. The borrowing will be repaid in 14 monthly installments and five semi-annual installments from February 2016.

ii) Advance on Foreign Exchange Contract (ACC): ACCs amounting to US$ 8.5 million (equivalent to R$ 26,333 on the contract dates), with maturities up to August 2016 and fixed interest rates between 3.55% and 4% p.a.

iii) Banco LBBW: Special credit facilities for the import of machinery and equipment (FINIMP): Contract of EUR 1,724 thousand, entered into with Banco BBW, with maturity in 2020, and subject to an interest rate equivalent to the EURIBOR variation plus 1.55% p.a. The borrowing will be repaid in ten semi-annual installments from December, 2015.

d) Collateral

Collateral for the borrowings include sureties of the controlling companies and/or mortgages or statutory liens on land, buildings, machinery and equipment, biological assets (forests), commercial pledges and assignments of receivables, amounting to approximately R$ 305,859. Other transactions have specific guarantees, as follows:

i) For working capital - CDCA (Agribusiness Credit Rights Certificate), the Company provided collateral securities of approximately R$ 64,642, as follows:

- Assignment of credit rights relating to Rural Producer Notes (CPRs) in favor of the creditor;
- Mortgages on some of the Company's properties, with a total area of 3,851 hectares, in favor of the banks;
- Statutory lien on pine and eucalyptus forests existing in the mortgaged properties owned by the issuer.

ii) For the export prepayment financing granted by Banco Credit Suisse, the Company pledged as collateral the shares held in its subsidiary Habitasul Florestal S.A.

iii) For the export prepayment financing from Banco Rabobank and Santander, land and forests amounting to R$ 116,008 were pledged as collateral.

e) Restrictive Financial Covenants:

Certain financing agreements with financial institutions have restrictive covenants requiring the maintenance of financial ratios, calculated based on the consolidated financial statements, as shown 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

Restrictive financial covenants were determined requiring compliance with certain financial ratios, on annual bases. Non-compliance could 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 as 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 ending as 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 ending as from December 31, 2013.

At December 31, 2015, the Company obtained a waiver from Banco Credit Suisse due to non-compliance with the ratio mentioned in item "a".

vi) 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; and (vii) 3 times for the quarters ended as from 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 3.00 times for the quarters ended as from December 31, 2017.

b) EBITDA/net finance costs ratio of 2.00 times for the quarters ended from June 30, 2012 up to 2021.

At December 31, 2015, the Company obtained a waiver from Banco Credit Suisse due to non-compliance with the ratio mentioned in item "a".

Key:
FINAME - Government Agency for Machinery and Equipment Financing
TJLP - Long-term Interest Rate
CDI - Interbank Deposit Certificate
BNDES - National Bank for Economic and Social Development
IPCA - Amplified National Consumer Price Index
LIBOR - London Interbank Offered Rate
EBITDA - Operating income (loss) plus net finance income (costs) and depreciation, depletion and amortization.
ROL - Net operating revenue

17. DEBENTURES

a) Composition of accounting balances

Current	Date of issue	Annual charges %	Parent and Consolidated 12/31/2015	31/12/2014
In local currency				
Simple debentures	12/04/2010	CDI + 5.00%	-	13.032
Simple debentures	30/11/2012	CDI + 2.75%	12.163	12.160
Simple debentures	20/05/2013	CDI + 2.75%	9.085	19.190
Total current			21.248	44.382
Non-current				
In local currency				
Simple debentures	30/11/2012	CDI + 2.75%	11.913	23.740
Simple debentures	20/05/2013	CDI + 2.75%	27.878	45.998
Total non-current			39.791	69.738
Total			61.039	114.120

Long-term maturities:	Parent and Consolidated 12/31/2015	12/31/2014
2016	-	29.315
2017	30.656	30.829
2018	9.135	9.594
	39.791	69.738

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

The debentures issued on April 12, 2010 were settled in March 2015, on the maturity established at the inception of the transaction.

b) Schedule for amortization of funding costs

	Date of issue	2016	2017	2018
In local currency				
Simple debentures	11/30/12	173	87	-
Simple debentures	20/05/2013	466	290	88
Total in local currency		639	377	88

c) Collateral

i) The debentures issued on November 30, 2012 have collateral totaling R$ 56,887, as follows:

- Statutory lien on pieces of land owned by Celulose Irani in favor of the Trustee, in conformity with the terms and conditions of the Private Instrument of Assignment of Real Estate of Irani and other Covenants, amounting to R$ 10,263 (first degree) and R$ 32,079 (second degree).

- Agricultural pledge of certain forest assets of Celulose Irani in favor of the Trustee, in conformity with the terms and conditions of the Private Instrument of Agricultural Pledge and Other Covenants.
- Assignment in favor of the Trustee of credit rights held by Celulose Irani, equivalent to 25% of the outstanding principal balance of the Debentures;

ii) The Debentures issued on May 20, 2013 have secured and fiduciary guarantees in favor of the Trustee, consisting of the following Company assets and rights, amounting to R$ 49,942:

- Assignment of real estate;
- Assignment of 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:

The simple debentures issued on November 30, 2012 and May 20, 2013 have restrictive covenants, as presented below, which are verified on an annual basis:

a) The ratio between net debt and EBITDA 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; 3.25 times for the year ended December 31, 2014; and 3.00 times as 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 ending as from December 31, 2012.

At December 31, 2015, the Company obtained a waiver from Banco Credit Suisse due to non-compliance with the ratio mentioned in item "a".

18. TRADE PAYABLES

	Parent		Consolidated	
CURRENT LIABILITIES	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Domestic suppliers				
Materials	48.539	46.747	48.176	46.860
Service providers	6.143	5.818	6.305	5.895
Carriers	14.019	11.102	14.028	11.103
Related parties	16.466	15.335	-	-
Other	520	1.111	520	1.111
Foreign suppliers				
Materials	1.106	270	1.106	270
	86.793	80.383	70.135	65.239

19. RELATED PARTIES

Parent	Receivables		Payables	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Habitasul Florestal S.A.	-	5.245	745	166
Management	1.154	1.093	-	-
Iraflor - Com. de Madeiras Ltda	-	-	15.721	15.169
Management remuneration	-	-	716	1.446
Management profit sharing	-	-	17.780	17.725
Habitasul Desenvolvimentos Imobiliarios	54	-	-	-
Irani Geração de Energia Sustentável Ltda	-	-	23	159
Koch Metalúrgica S.A.	-	-	4.786	-
Total	1.208	6.338	39.771	34.665
Current	54	5.245	39.771	34.665
Non-current	1.154	1.093	-	-

Parent	Revenues		Expenses	
	2015	2014	2015	2014
Companhia Com.de Imóveis	-	5.471	-	-
São Roberto S.A	-	115.366	-	44.050
Irani Trading S.A.	-	-	-	17.159
Habitasul Florestal S.A.	-	-	8.900	10.274
Iraflor - Com. de Madeiras Ltda	-	-	26.613	21.748
Druck, Mallmann, Oliveira & Advogados Associados	-	-	259	236
MCFD Administração de Imóveis Ltda	-	-	1.116	1.086
Irani Participações S/A	-	-	480	480
Habitasul Desenvolvimentos Imobiliarios	54	-	187	149
Koch Metalúrgica S.A.	35	-	64	-
Management remuneration	-	-	7.346	8.152
Management profit sharing	-	-	55	6.287
Total	89	120.837	45.020	109.621

Consolidated	Receivables		Payables	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Habitasul Desenvolvimentos Imobiliarios	54	-	-	-
Koch Metalúrgica S.A.	-	-	4.786	-
Management remuneration	-	-	716	1.446
Management	1.154	1.093	-	-
Management profit sharing	-	-	17.780	17.725
Total	1.208	1.093	23.282	19.171
Current	54	-	23.282	19.171
Non-current	1.154	1.093	-	-

Consolidated	Revenues		Expenses	
	2015	2014	2015	2014
Irani Participações S/A	-	-	480	480
Companhia Com.de Imóveis	-	5.471	-	-
Druck, Mallmann, Oliveira & Advogados Associados	-	-	259	236
MCFD Administração de Imóveis Ltda	-	-	1.116	1.086
Management remuneration	-	-	7.402	8.228
Habitasul Desenvolvimentos Imobiliarios	54	-	187	149
Koch Metalúrgica S.A.	35	-	64	-
Management profit sharing	-	-	55	6.287
Total	89	5.471	9.563	16.466

Receivables and payables with the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. refer to commercial transactions, and acquisitions of raw materials and supply of products. The transactions were carried out in accordance with the respective market conditions and prices.

Receivables from management refer to loans granted by the Company to its officers, which will be settled up to 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 an agreement formalized on December 26, 2006 and effective for 20 years, with the possibility of renewal. The monthly amount being paid to the related party is R$ 103. The total contractual monthly rental is R$ 205, 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.

Management remuneration expenses, excluding payroll charges, totaled R$ 7,402 at December 31, 2015 (R$ 8,228 at December 31, 2014). The total management remuneration was approved by the Annual General Meeting held on April 23, 2015, at the maximum amount of R$ 11,000.

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.

Composition of the balance of the provision:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Civil contingencies	1.260	1.113	1.260	1.113
Labor contingencies	3.340	4.102	3.438	4.186
Tax contingencies	12.885	27.183	12.885	27.183
Total	17.485	32.398	17.583	32.482

Parent	12/31/2014	Additions	Payments	Reversal	12/31/2015
Civil	1.113	147	-	-	1.260
Labor	4.102	534	(498)	(798)	3.340
Tax	27.183	1.633	-	(15.931)	12.885
	32.398	2.314	(498)	(16.729)	17.485

Consolidated	12/31/2014	Additions	Payments	Reversal	12/31/2015
Civil	1.113	147	-	-	1.260
Labor	4.186	560	(498)	(810)	3.438
Tax	27.183	1.633	-	(15.931)	12.885
	32.482	2.340	(498)	(16.741)	17.583

The provisions recorded refer mainly to:

a) Civil lawsuits relate, among other matters, to indemnity claims in respect of terminations of agreements with sales representatives. A provision of R$ 1,260 was recorded at December 31, 2015 to cover losses arising from these contingencies.

b) Labor lawsuits mainly relate to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and accidents. Based on past experience and on the opinion of its legal counsel, the Company maintained a provision of R$ 3,438 at December 31, 2015, which is considered sufficient to cover potential losses arising from labor contingencies.

c) The provisions for tax contingencies totaled R$ 12,885 and relate mainly to:

   i) Offsetting of federal taxes against IPI credits on purchases of trimmings by the Company. The amount offset in 2011 totaled R$ 7,280, and the adjusted balance at December 31, 2015 was R$ 11,980.

   ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R$ 599, which are awaiting judgment.

Contingencies not provisioned

No provisions were recorded for contingencies in respect of which the likelihood of loss has been assessed as possible by management and the legal counsel. At December 31, 2015, the amounts of these possible contingencies of a labor, civil, environmental and tax nature were as follows:

	Consolidated	
	12/31/2015	12/31/2014
Labor contingencies	10.239	7.339
Civil contingencies	5.446	3.894
Tax contingencies	83.524	83.135
	99.209	94.368

Labor contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible losses total R$ 10,239 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 for 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$ 5,446 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$ 83,524 and mainly include the following:

- Administrative proceeding 10925.000172/2003-66, related to a tax assessment notice for an alleged irregularity in the offsetting of IPI credits, amounting to R$ 9,921 at December 31, 2015. This proceeding is currently awaiting a decision on the Special Appeal filed by the Company at the Taxpayers' Council.

- 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 contributions on the gross revenue from the sale of the production of agro-industrial companies, amounting to R$ 4,964 at December 31, 2015. The lawsuit has been suspended by court decision and is awaiting judgment of the Action for Annulment 2005.71.00.002527-8.

- Administrative Proceedings 11080.013972/2007-12 and 11080.013973/2007-67, amounting to R$ 5,231 at December 31, 2015, 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 is awaiting judgment of the Voluntary Appeals.

- Administrative Proceedings 11080.014746/2008-30 and 11080.014747/2008-84, amounting to R$ 2,757 at December 31, 2015, related to tax assessments for IRPJ and CSLL, originating from an alleged undue tax credit. The Company has challenged these assessments at the administrative level and is awaiting judgment of the Special Appeals.

- Administrative Proceedings 11080.009902/2006-89 and 11080.009904/2006-88, related to federal taxes offset against presumed IPI credits on exports, which were

allegedly miscalculated. The restated amount involved was R$ 5,881 at December 31, 2015. The Company has challenged these assessments at the administrative level and is awaiting a decision on the appeals filed at the Taxpayers' Council.

- Administrative Proceeding 11080.009905/2006-12, with a restated amount of R$ 4,413 at December 30, 2015, relating to federal taxes offset against presumed IPI credits on exports, in respect of which an unappeasable decision had already been rendered at the administrative level. The Company is currently awaiting the formalization of the collection process to begin its judicial dispute.

- Administrative and judicial proceedings referring to assessments by the State of Santa Catarina for alleged undue claims for ICMS tax credits on the purchase of materials used in the manufacturing units located in this state, which amounted to R$ 38,301 at December 31, 2015. The Company is challenging these tax assessments at the administrative and judicial levels.

- Administrative Proceeding 11080.730311/2014-84, with a restated amount of R$ 9,743 at December 31, 2015, referring to the allegation by the Brazilian Federal Revenue Service (RFB) that IRANI failed to recognize income from the use of PF/BCN established by Law 11,941/09. The Company is currently awaiting the decision on the objection filed on December 8, 2014.

21. EQUITY

a) Share capital

The Company's share capital at December 31, 2015 was R$ 161,895 (R$ 151,895 at December 31, 2014), 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 for common shares; priority in the reimbursement of capital, without a premium, in the event of liquidation of the Company, and 100% Tag Along rights. The Company can issue preferred shares, without par value and without voting rights, up to the limit of 2/3 of the Company's total shares, and increase existing share types or classes without maintaining the proportion among the shares of each type or class.

The Extraordinary General Meeting held on April 23, 2015 approved a proposal for an increase in the Company's share capital, through the capitalization of the legal reserve, in the amount of R$ 2,829, and the profit retention reserve, in the amount of R$ 7,171, totaling R$ 10,000, thereby increasing the Company's share capital from R$ 151,895 to R$ 161,895, without the issue of new shares.

b) Treasury shares

		Parent		Parent	
		12/31/2015		12/31/2014	
		Number of shares	Value	Number of shares	Value
i) Share buyback plan	Common	24.000	30	24.000	30
ii) Right of withdrawal	Preferred	2.352.100	6.804	2.352.100	6.804
		2.376.100	6.834	2.376.100	6.834

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

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

The Company's management will in due course propose the allocation of the treasury shares, or their cancellation.

c) Share-based payment

In 2013, the Company realized a share-based remuneration program, called the First Stock Option Plan Program (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 to April 30, 2013. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

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

d) Profit for the year

In accordance with Art.202 of Law 6,404/1976, the stockholders are entitled to minimum and mandatory dividends. In accordance with the Company's bylaws, stockholders are entitled to a minimum mandatory dividend of 25% of the profit computed after the offset of any accumulated deficit, transfer to the legal reserve and

allocation to the tax incentive reserve. Dividends credited in 2015, referring to profit for the year, amounted to R$ 3,343.

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

	2015	2014
Profit for the year	495	56.579
(-) Legal reserve	(25)	(2.829)
Tax Incentives Reserve	(470)	(4.520)
Realized revenue reserve - biological assets	4.068	4.394
Realized revenue reserve - biological assets (subsidiaries)	257	98
Realization - deemed cost	9.048	8.101
Realization - deemed cost (subsidiaries)	-	846
Base profit for distribution of dividends	13.373	62.669
Mandatory minimum dividend	3.343	15.667
Prepaid dividends	4.950	3.000
Balance of dividends payable	-	12.667
Total dividends per common share (R$ per share)	0,030120	0,095332
Total dividends per preferred share (R$ per share)	0,030120	0,095332

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

On August 20, 2015, the Board of Directors approved, pursuant to the sole paragraph of Article 29 of the Company's bylaws, the payment of interim dividends based on the balance sheet prepared at June 30, 2015, totaling R$ 3,720, corresponding to R$ 0.0226354 per common and preferred share.

On November 18, 2015, the Board of Directors approved, pursuant to the sole paragraph of Article 29 of the Company's bylaws, the payment of interim dividends based on the balance sheet prepared at September 30, 2015, totaling R$ 1,230, corresponding to R$ 0.0074843 per common and preferred share.

The dividends distributed in advance based on the interim balance sheets were higher than the minimum mandatory dividend computed at the end of 2015. Management believes that as all stockholders received the dividends and the amount involved was not significant, there was neither prejudice to the stockholders, nor an impact on the Company's liquidity.

e) Revenue reserve

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, if 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 arising from government grants for investments, as disclosed in items (ii) and (iii) of Note 31, and was not included in the mandatory dividend calculation basis.

f) Carrying value adjustments

The carrying value adjustments account was constituted when the Company measured its property, plant and equipment (land, machinery and buildings) at deemed cost in the opening balance sheet, on the first-time adoption of IFRS. The realization of the reserve 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 December 31, 2015, net of tax effects, represented a gain of R$ 218,022 (R$ 227,069 at December 31, 2014).

The effects of the financial instruments designated as cash flow hedges, net of tax, were also recorded in carrying value adjustments, and corresponded to a loss of R$ 144,993 at December 31, 2015 (R$ 48,452 at December 31, 2014).

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

	Consolidated
At December 31, 2013	219.094
Cash flow hedges	(31.530)
Realization - deemed cost	(8.101)
Realization - deemed cost (subsidiaries)	(846)
At December 31, 2014	178.617
Cash flow hedges	(96.541)
Realization - deemed cost	(9.047)
At December 31, 2015	73.029

22. EARNINGS PER SHARE

Basic and diluted earnings 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 year. The shares are not subject to the effects of potential dilution, such as debt convertible into shares. Consequently, the diluted earnings per share is equal to the basic earnings per share.

i) Basic and diluted earnings from continuing operations

	2015		
	Common shares (ON)	Preferred shares (PN)	ON and PN shares Total
Weighted average number of shares	153.885.975	10.458.160	164.344.135
Profit for the year attributable to each type of share	464	31	495
Basic and diluted earnings per share - R$	0,0030	0,0030	

	2014		
	Common shares (ON)	Preferred shares (PN)	ON and PN shares Total
Weighted average number of shares	153.885.975	10.458.160	164.344.135
Profit for the year attributable to each type of share	52.979	3.600	56.579
Basic and diluted earnings per share - R$	0,3443	0,3443	

23. NET SALES REVENUE

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

	Parent		Consolidated	
	2015	2014	2015	2014
Gross sales revenue	984.594	858.449	997.652	959.405
Taxes on sales	(229.204)	(185.907)	(230.604)	(213.239)
Returns	(8.267)	(6.195)	(8.290)	(7.667)
Net sales revenue	747.123	666.347	758.758	738.499

24. COSTS AND EXPENSES BY NATURE

Costs and expenses by nature are as follows:

	Parent		Consolidated	
	2015	2014	2015	2014
Fixed and variable costs (raw and consumable materials)	(388.259)	(414.315)	(365.549)	(394.338)
Personnel costs	(118.831)	(86.716)	(118.831)	(113.073)
Change in the fair value of biological assets	13.749	8.973	(6.450)	29.416
Depreciation, amortization and depletion	(60.438)	(43.984)	(79.696)	(72.172)
Freight	(43.897)	(24.876)	(43.897)	(33.891)
Outsourced services	(14.015)	(17.320)	(14.015)	(18.289)
Selling expenses	(36.052)	(30.707)	(36.052)	(37.456)
Total costs and expenses by nature	(647.743)	(608.945)	(664.490)	(639.803)
Costs of goods sold	(535.478)	(512.514)	(530.437)	(545.224)
Expenses	(126.014)	(105.404)	(127.603)	(123.995)
Change in the fair value of biological assets	13.749	8.973	(6.450)	29.416

25. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent		Consolidated	
	2015	2014	2015	2014
Operating profit before taxation	288	49.233	962	28.376
Standard rate	34%	34%	34%	34%
Tax charge at the standard rate	(98)	(16.739)	(327)	(9.648)
Tax effect of permanent deductions (additions):				
Equity in the results of investees	(978)	18.920	-	-
Subsidiaries taxed based on deemed income	-	-	(2.209)	11.730
Income tax and social contribution on tax losses accumulated in previous years in the subsidiary São Roberto	-	-	-	17.007
Constitution of tax incentives reserve	2.234	1.537	2.234	1.537
Other permanent differences	(951)	3.628	(165)	7.577
	207	7.346	(467)	28.203
Current income tax and social contribution	(2)	-	(1.360)	(400)
Deferred income tax and social contribution	209	7.346	893	28.603
Effective rate - %	(71,9)	(14,9)	48,5	(99,4)

On May 13, 2014, Provisional Measure (MP) 627 was converted into Law 12,973/14 and revoked the Transitional Tax System (RTT), among other measures. It is effective as from 2015, but could be adopted early in 2014. After a detailed study, the Company opted for the early adoption of the effects of Law 12,973/14 in 2014. The main impact of this early adoption was related to the dividends calculated based on the profits recorded up to the end of 2013, which were tax exempt.

26. FINANCE INCOME AND COSTS

	Parent		Consolidated	
	2015	2014	2015	2014
Finance income				
Income from financial investments	9.734	10.539	12.666	11.284
Interest	2.403	3.789	2.404	4.584
Discounts obtained	270	303	273	351
	12.407	14.631	15.343	16.219
Foreign exchange variations				
Foreign exchange gains	19.885	8.938	19.885	8.940
Foreign exchange losses	(36.958)	(12.097)	(36.958)	(12.109)
Net foreign exchange variations	(17.073)	(3.159)	(17.073)	(3.169)
Finance costs				
Interest	(87.657)	(68.757)	(87.663)	(82.080)
Discounts granted	(1.937)	(1.186)	(1.937)	(1.344)
Bank charges and expenses	(65)	(102)	(66)	(110)
Other	(1.170)	(661)	(1.177)	(855)
	(90.829)	(70.706)	(90.843)	(84.389)
Net finance costs	(95.495)	(59.234)	(92.573)	(71.339)

27. 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 December 31, 2015, 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 directors and officers (D&O), amounting to a total of R$ 576,240. The Company also contracted group life insurance for employees with a minimum coverage of 24 times the employee's salary, or a maximum coverage of R$ 500, in addition to insurance for the fleet of vehicles with coverage at market value.

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

28. 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 the restricted bank account (as disclosed in Notes 5 and 9), and equity (which includes issued capital, reserves and retained earnings, as presented in Note 21).

The Company is not subject to any external capital requirements.

The Company's management periodically reviews its capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Company intends to maintain a capital structure consisting of between 50% and 70% of own capital and between 50% and 30% of third-party capital. At December 31, 2015, the capital structure comprised 33% of own capital and 67% of third-party capital, mainly due to the effects of exchange rate variations on the debt in foreign currency, which represented 55.3% of the Company's total debt, and exchange rate variations on hedge accounting, which reduced equity by R$ 144,993.

Debt to equity ratio

The debt to equity ratio at December 31, 2015 and December 31, 2014 was as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Debt (a)	922.420	776.845	922.420	776.845
Cash and banks	(80.079)	(153.948)	(125.732)	(165.985)
Bank - restricted account	(19.722)	(2.073)	(19.722)	(2.073)
Net debt	822.619	620.824	776.966	608.787
Equity (b)	396.615	497.611	396.628	497.625
Net debt ratio	2,07	1,25	1,96	1,22

(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	
Financial assets	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Investments held to maturity	19.722	2.073	19.722	2.073
Bank - restricted account	19.722	2.073	19.722	2.073
Loans and receivables				
Cash and banks	80.079	153.948	125.732	165.985
Trade receivables	135.277	127.605	135.854	129.922
Other receivables	31.578	20.685	31.625	20.730
Financial liabilities				
Amortized cost				
Borrowings	861.381	662.725	861.381	662.725
Debentures	61.039	114.120	61.039	114.120
Trade payables	86.793	80.383	70.135	65.239

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 December 31, 2015 and December 31, 2014, these transactions resulted in a net liability exposure, as shown in the table below.

As most of the borrowings in foreign currency is repayable in the long-term, the Company hedges the net foreign exchange exposure with the equivalent of 44 months of exports, based on the average of exports realized in 2015, and 60 months of exports, based on the average exports carried out in 2014.

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Accounts receivable	19.405	11.245	19.405	11.245
Bank - restricted account	19.722	2.073	19.722	2.073
Advances from customers	(443)	(419)	(443)	(419)
Trade payables	(1.106)	(270)	(1.106)	(270)
Borrowings	(508.596)	(356.558)	(508.596)	(356.558)
Net exposure	(471.018)	(343.929)	(471.018)	(343.929)

The Company identified the main risk factors that could generate losses to its operations in connection with financial instruments. Accordingly, a sensitivity analysis was developed, as determined by CVM Instruction 475, which requires the presentation of two scenarios with deteriorations of 25% and 50% in the risk variable considered, in addition to a base scenario. These scenarios could 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 utilized by the Company accompanied the future market projections of BMF&Bovespa for the next reporting date (March 31, 2016).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that at March 31, 2016.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that at March 31, 2016.

Transaction	Balance at 12/31/2015 US$	Base scenario Gain (loss) Rate	R$	Adverse scenario Gain (loss) Rate	R$	Remote scenario Gain (loss) Rate	R$
Assets							
Trade receivables and Bank - restricted account	10.020	4,05	1.435	5,06	11.575	6,07	21.713
Liabilities							
Trade payables and advances from customers	(397)	4,05	(57)	5,06	(459)	6,07	(860)
Borrowings	(130.249)	4,05	(18.649)	5,06	(150.461)	6,07	(282.250)
Net effect			(17.271)		(139.345)		(261.397)

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. The balances at December 31, 2015 were used as a basis for the projection of the future balances. The actual behavior of debt balances and derivative instruments will depend on the respective contracts, whereas balances receivable and payable could fluctuate due to the normal activities of the Company and its subsidiaries. The settlement of transactions involving these estimates could result in amounts that differ from those estimated, due to the subjectivity of the process utilized in the preparation of these analyses. The Company tries to maintain the level of its borrowings and derivative transactions exposed to foreign exchange changes with annual net payments 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 above scenarios, 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 of BNDES), CDI (Interbank Deposit Certificate), SELIC (Official Interest Rate), LIBOR (London Interbank Offered Rate) or IPCA (Amplified 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: maintenance of the CDI and TJLP interest rates for the next reporting date (March 31, 2016). These estimates were based on future market projections of BMF&Bovespa for the CDI and for the TJLP extracted from BNDES.

2 – Adverse scenario: 25% adjustment of interest rates compared to the level at March 31, 2016.

3 – Remote scenario: 50% adjustment of interest rates compared to the level at March 31, 2016.

Transaction			Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	Index	Balance at 12/31/2015	Rate (%) p.a.	R$	Rate (%) p.a.	R$	Rate (%) p.a.	R$
Cash and cash equivalents								
Bank Deposit Certificates (CDB)	CDI	122.171	14,18%	59	17,73%	4.259	21,27%	8.459
Funding								
Working capital	CDI	(181.121)	14,18%	(104)	17,73%	(7.503)	21,27%	(14.902)
Debentures	CDI	(62.143)	14,18%	(32)	17,73%	(2.295)	21,27%	(4.559)
BNDES	TJLP	(53.480)	7,50%	(535)	9,38%	(1.538)	11,25%	(2.540)
FINAME	TJLP	(3.281)	7,50%	(33)	9,38%	(94)	11,25%	(155)
Working capital	IPCA	(42.336)	10,67%	(483)	13,34%	(1.612)	16,01%	(2.741)
Financing in foreign currency	Libor 3M	(430.940)	0,23%	396	0,29%	144	0,35%	(107)
Financing in foreign currency	Libor 12M	(13.033)	0,55%	40	0,68%	22	0,82%	4
Financing in foreign currency	Euribor 6M	(6.602)	0,15%	(9)	0,19%	(11)	0,23%	(14)
Net effect on result				(701)		(8.628)		(16.555)

Fair value vs. book value

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

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

- Borrowings are presented at their fair values due to the fact that these financial instruments are subject to floating interest rates.

The fair value of financial liabilities is equivalent to their carrying amount, since the impact of the discount to present value is not significant.

Credit risks

The Company's credit sales are managed through a credit rating and credit concession 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, credit guarantee coverage is requested.

Additionally, the Company is exposed to credit risk in relation to the financial investments that comprise its cash and cash equivalents, which are maintained to meet the cash flow requirements, and 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 the 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.

It is forbidden to invest funds in the variable-income market.

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 in the applicable currencies, and the consideration of 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 December 31, 2015, 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	2016	2017	2018	2019	2020 onward
Liabilities					
Trade payables	86.793	-	-	-	-
Borrowings	200.176	224.362	192.942	162.691	134.215
Debentures	22.489	31.386	9.978	-	-
Other liabilities	2.192	1.841	335	-	-
	311.650	257.589	203.255	162.691	134.215
Assets					
Cash and cash equivalents	80.079	-	-	-	-
Bank - restricted account	19.722	-	-	-	-
Trade receivables not yet due	135.277	-	-	-	-
Renegotiations with customers	14.838	4.829	5.713	3.123	806
Other assets	11.436	2.105	-	-	-
	261.352	6.934	5.713	3.123	806
	(50.298)	(250.655)	(197.542)	(159.568)	(133.409)

Consolidated	2016	2017	2018	2019	2020 onward
Liabilities					
Trade payables	70.135	-	-	-	-
Borrowings	200.176	224.362	192.942	162.691	134.215
Debentures	22.489	31.386	9.978	-	-
Other liabilities	2.222	1.843	335	-	-
	295.022	257.591	203.255	162.691	134.215
Assets					
Cash and cash equivalents	125.732	-	-	-	-
Bank - restricted account	19.722	-	-	-	-
Trade receivables not yet due	135.854	-	-	-	-
Renegotiations with customers	14.870	4.829	5.713	3.123	806
Other assets	11.551	2.105	-	-	-
	307.729	6.934	5.713	3.123	806
	12.707	(250.657)	(197.542)	(159.568)	(133.409)

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$ 41,417, 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 December 31, 2015.

Derivative financial instruments linked to borrowings (recognized directly in the statement of income)

Considering 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 entered into a cash flow swap transaction with Banco Itaú BBA to change the remuneration and risks associated with the interest rate of the transaction entered into between the parties on the same date, under an export Credit Bill (CCE) contract. The notional value attributed at the contracting date was R$ 40,000 (equivalent to US$ 21,990 thousand on that date), decreasing as the payments of the semi-annual installments are made under the contract, until its 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, it 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. This 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 have been 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 hedge

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

The Company hedges the foreign exchange rate variation risk of its future cash flows through a 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 comprise the exports projected up to 2021, and the amount recorded in equity in respect of hedge accounting amounted to R$ 144,993 at December 31, 2015 (R$ 48,452 in December 2014).

Change in cash flow hedges

	Parent and Consolidated 12/31/2015	Parent and Consolidated 12/31/2014
Opening balance	73.412	25.640
Changes in cash flow hedges	158.165	50.746
Reclassification to the statement of income	(11.891)	(2.974)
	219.686	73.412
Opening balance	(24.960)	(8.718)
Taxes on changes in cash flow hedges	(53.776)	(17.254)
Taxes on reclassification to the statement of income	4.043	1.011
	(74.693)	(24.960)
Closing balance	144.993	48.452

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

The Company did not identify any ineffectiveness in the period.

The sensitivity analysis of the hedge instruments of the cash flow hedge transactions is considered in this same note, in the item "Foreign exchange exposure risk", together with the other financial instruments.

29. OPERATING SEGMENTS

a) Identification criteria for operating segments

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

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

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

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

RS Forest and Resins segment: 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 2015				
	Corrugated Cardboard Packaging	Packaging Paper	Forest RS and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	497.152	127.450	5.365	-	629.967
Foreign market	-	78.828	49.963	-	128.791
Revenues from sales to third parties	497.152	206.278	55.328	-	758.758
Inter-segment revenues	-	23.908	-	(23.908)	-
Total net sales	497.152	230.186	55.328	(23.908)	758.758
Changes in the fair value of biological assets	-	41	(6.491)	-	(6.450)
Cost of goods sold	(424.348)	(89.996)	(38.810)	22.717	(530.437)
Gross profit (loss)	72.804	140.231	10.027	(1.191)	221.871
Operating expenses	(66.046)	(19.196)	(4.717)	(38.377)	(128.336)
Operating result before finance result	6.758	121.035	5.310	(39.568)	93.535
Finance income (costs)	(48.498)	(45.832)	1.757	-	(92.573)
Net operating result	(41.740)	75.203	7.067	(39.568)	962
Total assets	585.990	757.548	154.303	160.750	1.658.591
Total liabilities	390.320	635.897	15.579	220.167	1.261.963
Equity	46.231	156.448	130.584	63.365	396.628

	Consolidated 2014				
	Corrugated Cardboard Packaging	Paper for Packaging	Forest RS and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	493.627	140.979	8.627	726	643.959
Foreign market	-	53.536	41.004	-	94.540
Revenues from sales to third parties	493.627	194.515	49.631	726	738.499
Inter-segment revenues	-	17.694	-	(17.694)	-
Total net sales	493.627	212.209	49.631	(16.968)	738.499
Changes in the fair value of biological assets	-	12.306	17.110	-	29.416
Cost of goods sold	(425.006)	(94.963)	(38.194)	12.939	(545.224)
Gross profit (loss)	68.621	129.552	28.547	(4.029)	222.691
Operating expenses	(48.778)	(14.824)	(4.176)	(55.198)	(122.976)
Operating result before finance result	19.843	114.728	24.371	(59.227)	99.715
Finance income (costs)	(40.961)	(35.368)	100	4.890	(71.339)
Net operating result	(21.118)	79.360	24.471	(54.337)	28.376
Total assets	553.531	780.041	162.052	183.213	1.678.837
Total liabilities	125.461	534.155	18.036	503.560	1.181.212
Equity	56.940	302.676	131.914	6.095	497.625

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 segments, which are carried out under usual market prices and conditions.

Finance income (costs) were allocated to operating segments taking into consideration the specific allocation of each item of finance income and costs to its 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

Net sales revenue in 2015 totaled R$ 758,758 (R$ 738,499 in 2014).

Net sales revenue from exports in 2015 amounted to R$ 128,791 (R$ 94,540 in 2014) and related to various countries, as follows:

Consolidated 2015			Consolidated 2014		
Country	Net export revenues	% of total net revenues	Country	Net export revenues	% of total net revenues
Germany	17.934	2,36%	Netherlands	20.848	2,82%
Argentina	16.796	2,21%	Argentina	16.931	2,29%
Saudi Arabia	16.505	2,18%	Saudi Arabia	9.918	1,34%
France	11.206	1,48%	France	9.678	1,31%
South Africa	7.403	0,98%	South Africa	5.213	0,71%
Paraguay	6.425	0,85%	Chile	4.132	0,56%
United Arab Emirates	6.014	0,79%	Paraguay	4.084	0,55%
Chile	5.729	0,76%	Peru	2.864	0,39%
Netherlands	4.860	0,64%	Germany	2.736	0,37%
China	4.752	0,63%	India	2.059	0,28%
Peru	4.393	0,58%	Spain	1.932	0,26%
Japan	3.614	0,48%	Bolivia	1.919	0,26%
Bolivia	3.089	0,41%	Norway	1.843	0,25%
India	2.256	0,30%	Kuwait	1.641	0,22%
Portugal	2.019	0,27%	Portugal	1.335	0,18%
Uruguay	1.953	0,26%	Japan	1.308	0,18%
Austria	1.938	0,26%	China	983	0,13%
Spain	1.674	0,22%	Venezuela	926	0,13%
Norway	1.630	0,21%	Singapore	824	0,11%
Hong Kong	1.418	0,19%	Turkey	705	0,10%
Singapore	1.357	0,18%	Colombia	664	0,09%
Canada	1.141	0,15%	Uruguay	521	0,07%
Other countries	4.685	0,62%	Other countries	1.476	0,20%
	128.791	16,97%		94.540	12,80%

The Company's net sales revenue in 2015 in the domestic market amounted to R$ 629,967 (R$ 643,959 in 2014).

In 2015, a single customer accounted for 6.8% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R$ 33,806. The Company's other sales in the domestic and foreign markets were spread over a number of customers, without any customer accounting for more than 10% of net sales.

30. OPERATING LEASE AGREEMENTS (PARENT COMPANY)

Rental of production plant properties

The Company had one rental agreement for a production unit at December 31, 2015, in addition to other minor rental agreements for commercial and administrative units, all of which were classified as operating leases, with the payments 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$ 205, which is annually adjusted based on the IGPM variation.

During 2014, the Company had rental agreements in respect of the Vargem Bonita (SC) and Santa Luzia (MG) production units with Irani Trading S.A. and São Roberto S.A., respectively, which were merged into the parent company Celulose Irani S.A. at December 30, 2014. On the merger, the real estate properties related to the rental agreements became the property of the Company and, consequently, the rentals ceased to exist.

The rental expenses recognized by the parent company in 2015, net of taxes, when applicable, were as follows:

- Rentals of production units = R$ 2,460 (R$ 24,452 in 2014).
- Rentals of commercial and administrative units = R$ 267 (R$ 257 in 2014).

The future commitments arising from these contracts totaled a minimum amount of R$ 100,020 at December 31, 2015. The rentals were calculated at present value, using the accumulated IGPM index in the last 12 months, i.e., 10.54% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	3.015	15.591	81.414	100.020
Operating leases at present value	2.727	10.909	27.272	40.908

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, for a total area of 3.3 thousand hectares, of which 2.2 thousand hectares comprised the planted area. For certain areas, there is a lease commitment, with payments to be disbursed monthly, 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., 10.54% per year.

	Up to 1 year	From 1 to 5 years	After 5 years	Total
Future operating leases	500	2.559	1.244	4.303
Operating leases at present value	453	1.793	551	2.797

31. GOVERNMENT GRANTS

The Company has Value-added Tax on Sales and Services (ICMS) incentives in 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 realized, 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 conditions are being complied with.

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 16.99% 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 the benefits, and obtained the result of R$ 3,797.

The benefit is effective for 14 years, from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. At December 31, 2015, the Company had deferred ICMS liabilities of R$ 19,260 (net of government grants of R$ 15,463).

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 a presumed credit, 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 the presumed ICMS credit as a principal benefit, resulting in the effective payment of 2% of the amount of the shipment of products manufactured by the Company. The total investment is estimated at approximately R$ 220,000 and started in 2014 and is expected to be concluded in 2017. This amount will be invested in the modernization and expansion of the production capacity of the Paper Machine No. 7 (PM 7), and also in the construction of a new corrugated cardboard packaging plant.

32. TRANSACTIONS NOT AFFECTING CASH

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

During 2015, the Company made payments for purchases of property, plant and equipment, amounting to R$ 5,223, which were directly financed by suppliers. It also made a capital contribution of R$ 25,118 in the subsidiary Iraflor Comércio de Madeiras Ltda., through planted forests.

During 2014, the Company made a capital contribution of R$ 57,648 through planted forests in the subsidiary Iraflor Comércio de Madeiras Ltda. The Company also approved the assumption of a debt, with the subsequent transfer to the Company of the totality of the rights and obligations held by the subsidiary São Roberto S.A. under the Issue, particularly the debt arising from the Debentures, totaling R$ 70,592.

(A free translation of the original in Portuguese)

MANAGEMENT REPORT

Dear stockholders,

The management of **Celulose Irani S.A.** submits to your appreciation the Company's Management Report and Financial Statements, together with the independent auditor's report in respect of the year ended December 31, 2015. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and accounting practices adopted in Brazil, based on the technical pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), which are fully convergent with IFRS, and the standards established by the Brazilian Securities Commission (CVM).

Message to the Stockholders

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

2015 Highlights

In 2015, the main Brazilian economic and financial indicators deteriorated significantly. The Gross Domestic Product (GDP) is expected to present one of the sharpest declines in recent years, inflation surpassed the target ceiling, and the federal government's primary fiscal result was the worst since the Real Plan. Combined with the economic crisis was the political crisis. The political and economic uncertainties put pressure on the foreign exchange rate, causing the U.S. dollar to appreciate against the real at an unprecedented level, with major impacts on virtually all sectors of the economy. In the international economic scenario, the significant decreases in the prices of certain commodities, especially of oil, as well as the instability in the Chinese and North-American markets, could postpone the recovery of the Brazilian economy. The fiscal adjustment in progress in Brazil, together with the rise in the unemployment rate and the decline in investments, brought pessimism to the market, with impacts on the paper and packaging sector. In 2015, the Brazilian Corrugated Cardboard Association (ABPO) recorded a drop of 3.1% in the number of metric tons of corrugated cardboard shipped, compared to 2014.

However, despite this more challenging scenario, the Company's cash provided by operating activities (Adjusted EBITDA) grew by 18.1% in 2015, compared to 2014.

In 2015, net revenue increased by 2.7% compared to 2014, assisted by increased sales to the foreign market as a result of the more favorable foreign exchange rate. The foreign market share increased by four percentage points compared to 2014, reaching 17% of the Company's sales at the end of 2015, whereas the domestic market accounted for 83% of the sales. In 2015, the Corrugated Cardboard Packaging segment (PO) accounted for 66% of IRANI's net revenue, whereas the Packaging Paper and the Forest RS and Resins segments represented 27% and 7%, respectively.

Key financial and economic indicators

KEY INDICATORS - CONSOLIDATED	4Q15	3Q15	4Q14	Variation 4Q15/3Q15	Variation 4Q15/4Q14	2015	2014	Variation 2015/2014
Economic and Financial Indicators (R$ thousand)								
Net Operating Revenue	193,930	196,781	190,402	-1.4%	1.9%	758,758	738,499	2.7%
Domestic Market	167,132	158,844	169,853	5.2%	-1.6%	629,967	643,959	-2.2%
Foreign Market	26,798	37,937	20,549	-29.4%	30.4%	128,791	94,540	36.2%
Gross Profit (including*)	41,450	63,595	66,058	-34.8%	-37.3%	221,871	222,691	-0.4%
(*) Change in the Fair Value of Biological Assets	*(14,372)*	*783*	*10,966*	-1935.5%	-231.1%	*(6.450)*	*29.416*	-121.9%
Gross Margin	***21.4%***	***32.3%***	**34.7%**	**-10.9 p.p.**	***-13.3 p.p.***	***29.2%***	***30.2%***	***-1.0 p.p.***
Operating Result Before Taxes and Profit Sharing	(15,162)	2,327	17,842	-751.6%	-185.0%	962	28,376	-96.6%
Operating Margin	***-7.8%***	***1.2%***	**9.4%**	**-9.0 p.p.**	***-17.2 p.p.***	***0.1%***	***3.8%***	***-3.7 p.p.***
Net Result	(16,844)	3,686	27,924	-557.0%	-160.3%	495	56,579	-99.1%
Net Margin	***-8.7%***	***1.9%***	**14.7%**	**-10.6 p.p.**	***-23.4 p.p.***	***0.1%***	***7.7%***	***-7.6 p.p.***
Adjusted EBITDA [1]	43,279	50,977	45,832	-15.1%	-5.6%	181,209	153,483	18.1%
Adjusted EBITDA Margin	***22.3%***	***25.9%***	***24.1%***	**-3.6 p.p.**	***-1.8 p.p.***	***23.9%***	***20.8%***	***3.1 p.p.***
Net Debt [R$ million]	777.0	812.3	608.8	-4.3%	27.6%	777.0	608.8	27.6%
Adjusted Net Debt/EBITDA (x)	4.29	4.42	3.97	-2.9%	8.1%	4.29	3.97	8.1%
Pro-forma Net Debt/ EBITDA (x) [2]	3.08	3.17	n.a.	-2.8%	n.a.	3.08	n.a.	n.a.
Operating Data (in metric tons)								
Corrugated Cardboard Packaging (PO)								
Production/Sales	52,306	49,425	51,869	5.8%	0.8%	198,375	199,745	-0.7%
Packaging Paper								
Production	72,865	72,889	71,491	0.0%	1.9%	287,247	266,151	7.9%
Sales	21,432	20,337	19,956	5.4%	7.4%	77,469	77,507	0.0%
RS Forest and Resins								
Production	1,677	2,596	1,559	-35.4%	7.6%	9,970	8,403	18.6%
Sales	1,252	2,642	1,558	-52.6%	-19.6%	9,582	8,365	14.5%

[1] EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) - see the related section in this release.
[2] Excludes foreign exchange variations accounted for as hedge accounting from net debt.

- The sales volume for the Corrugated Cardboard segment remained stable when compared to 2014 and totaled 198.4 thousand metric tons in 2015. The same occurred to the Packaging Paper segment, which totaled 77.5 thousand metric tons. The Resins segment increased by 14.5%, totaling 9.6 thousand metric tons.

- The net revenue for 4Q15 was 1.9% higher than that for 4Q14, but 1.4% lower than that for 3Q15. In the comparison between 2014 and 2015, net revenue grew by 2.7%, reaching R$ 758.8 million, which reflects the good performance of sales in the foreign market.

- The gross profit for 4Q15 decreased by 37.3% compared to 4Q14, and by 34.8% compared to 3Q15. In comparison to 2014, gross profit remained stable, and attained R$ 221.9 million.

- The Company reported a loss of R$ 16.8 million for 4Q15, compared to profits of R$ 27.9 million in 4Q14 and R$ 3.7 million in 3Q15. On an annual basis, the result for 2015 was a profit of R$ 495 thousand, in comparison with a profit of R$ 56,579 thousand for 2014. The result for 2015 was adversely impacted by the change in the fair value of biological assets, as well as by the effects of foreign exchange variations recognized in the statement of income.

- In 4Q15, adjusted EBITDA amounted to R$ 43.3 million, with a 22.3% margin. In the year 2015, adjusted EBITDA totaled R$ 181.2 million, an increase of 18.1% compared to 2014, with a 23.9% margin, i.e., 3.1 percentage points above that for 2014.

- The net debt/EBITDA ratio was 4.29 times in December 2015, compared to 3.97 times at the end of 2014. This variation arose from the appreciation of the U.S. dollar, which increased the Company's portion of debt denominated in U.S. dollars. Excluding from net debt the foreign exchange variations recorded as hedge accounting, the net debt/EBITDA ratio would be 3.08 times.

- The cash position at the end of 2015 was R$ 145.4 million, and 76% of the debts mature in the long term.

BUSINESS OVERVIEW

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

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

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

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

Subsidiaries

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

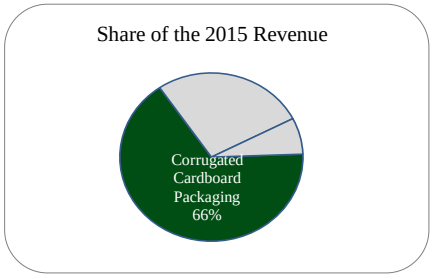
- Habitasul Florestal S.A., which has a forest base of 16.6 thousand hectares, of which 8.4 thousand hectares are planted with pine trees in the State of Rio Grande do Sul, which supplies resin to Celulose Irani S.A. and timber to customers in the region.

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

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

1. OPERATING PERFORMANCE (not reviewed by independent auditors)

1.1. Corrugated Cardboard Packaging Segment (PO)

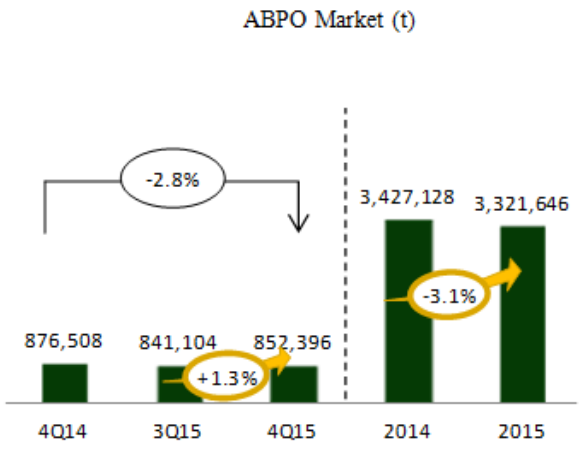


The volume in metric tons of corrugated cardboard packaging sales in the ABPO Market decreased by 2.8% in 4Q15 compared to 4Q14, whereas the IRANI Market remained stable in the same period, totaling 52,306 metric tons. Compared to 3Q15, the ABPO Market presented an increase of 1.3%, whereas the IRANI Market increased by 5.8%. In 2015, the ABPO market declined by 3.1% compared to 2014, whereas the IRANI market remained stable.

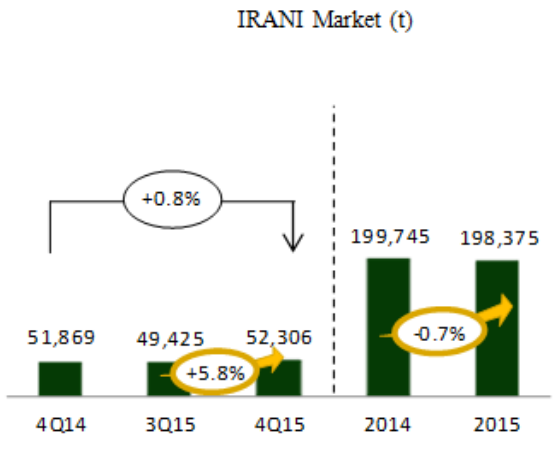
In metric tons, IRANI's market share in the last quarter was 6.1%, remaining stable in relation to the 5.9% recorded for 4Q14 and the 5.8% recorded for 3Q15. In the year 2015, IRANI's market share was 5.9%, compared to 5.8% in 2014.

In 2015, the sales of boxes and sheets remained stable. The Indaiatuba (SP), Campina da Alegria (SC) and Vila Maria (SP) Packaging Plants accounted for 39%, 30% and 31%, respectively, of the total corrugated cardboard sold in 2015, and their entire production was allocated to the domestic market.

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



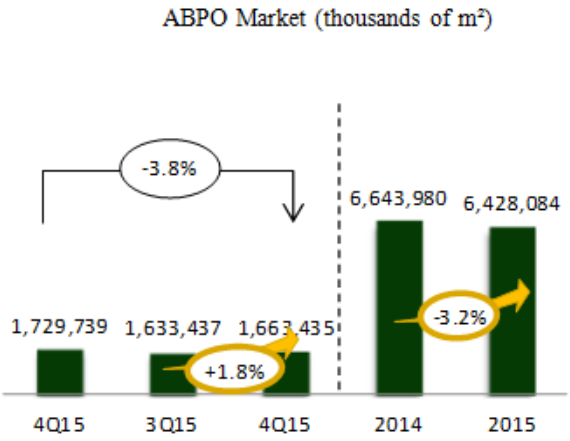
Source: ABPO

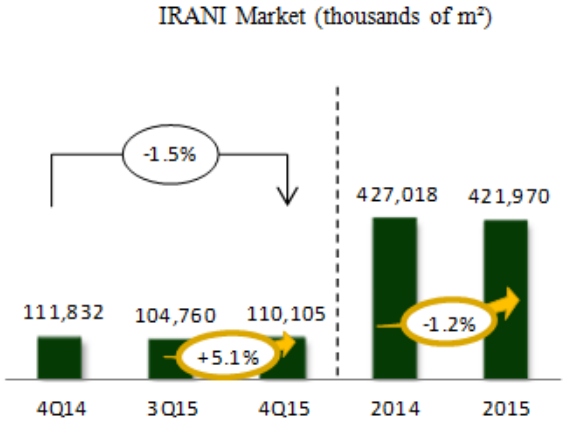


Source: IRANI

The volume of corrugated cardboard packaging sales in square meters (m²) decreased by 3.8% in 4Q15 in the ABPO market compared to 4Q14, and increased by 1.8% compared to 3Q15. In the comparison between the years 2015 and 2014, there was a decrease of 3.2%. In the comparison between 4Q15 and 4Q14, the IRANI Market declined by 1.5%. In relation to 3Q15, the IRANI Market increased by 5.1%. In the year 2015, IRANI recorded a decrease of 1.2% compared to 2014. The IRANI market share in square meters reached 6.6% in 4Q15, remaining stable compared to the 6.5% recorded for 4Q14 and the 6.4% for 3Q15. The volume sold by IRANI in 2015 totaled 421,970 thousand m², attaining a market share of 6.6% in the year.

Sales Volume (in square meters) - Corrugated Cardboard Packaging Sector





Source: ABPO

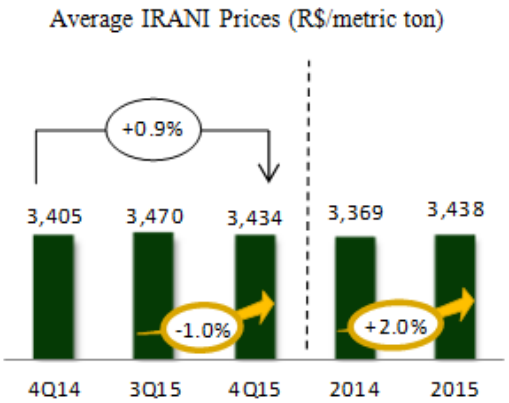
Source: IRANI

The production in the Indaiatuba SP Packaging Plant totaled 54,676 metric tons of boxes and 22,390 metric tons of sheets in 2015 (compared to 53,438 metric tons of boxes and 21,950 metric tons of sheets in 2014).

The production in the Campina da Alegria SC Packaging Plant totaled 44,974 metric tons of boxes and 14,399 metric tons of sheets in 2015 (compared to 47,946 metric tons of boxes and 13,715 metric tons of sheets in 2014).

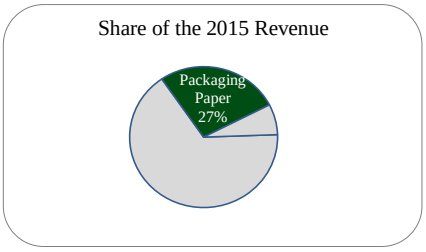
The production in the Vila Maria SP Packaging Plant totaled 41,575 metric tons of boxes and 20,362 metric tons of sheets in 2015 (compared to 40,872 metric tons of boxes and 21,824 metric tons of sheets in 2014).

The average IRANI (CIF) price per metric ton remained stable in 4Q15 compared to 4Q14, and there was a decrease of 1.0% in comparison to the prices in 3Q15. In the year, there was a positive variation of 2.0%, as shown below:



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

1.2. Packaging Paper Segment

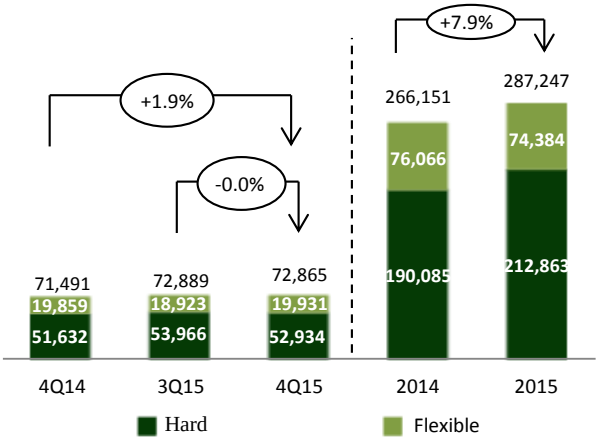


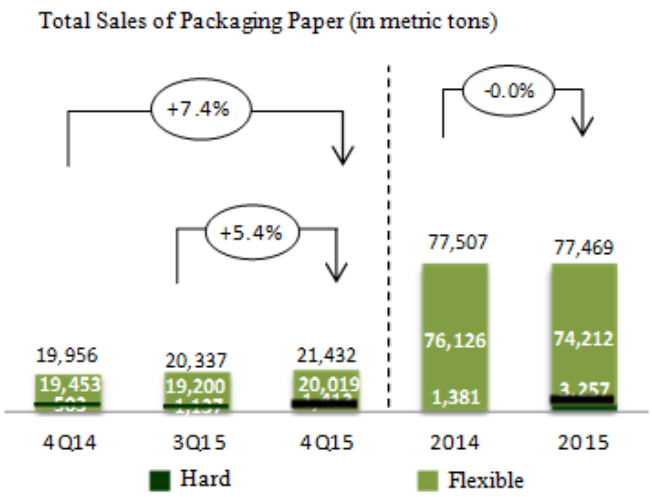
IRANI operates in the Packaging Paper Segment, with activities both in the hard packaging paper market (paper for corrugated cardboard) and the flexible packaging paper market (paper for sacks).

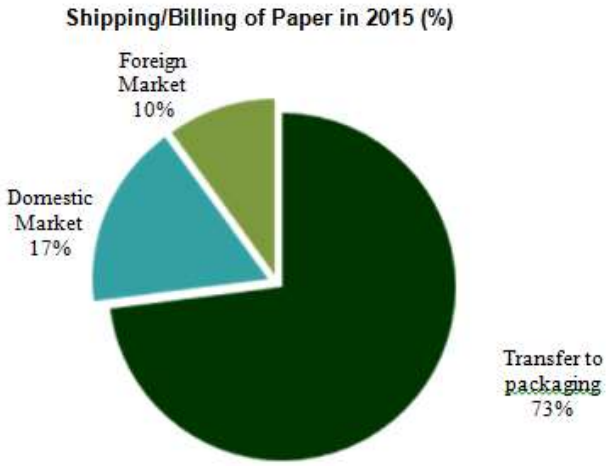
The Company's total packaging paper production in 4Q15 was 1.9% higher than that for the 4Q14, and remained stable in relation to 3Q15. The sales in that quarter grew by 7.4% and 5.4%, respectively, compared to 4Q14 and 3Q15. In the comparison between the years 2015 and 2014, production totaled 287,247 metric tons, an increase of 7.9% over that for 2014, and sales totaled 77,469 metric tons, stable in relation to 2014.

The increase in the volumes of packaging paper produced in 2015 was mainly due to productivity gains achieved through the expansion and modernization of Paper Machine I (MP I), which occurred in May 2014.

Total Production of Packaging Paper (in metric tons)





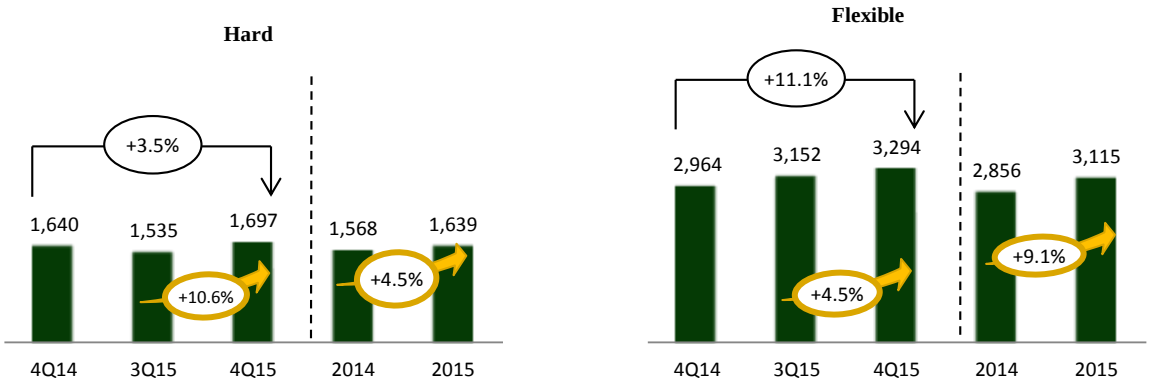


In 4Q15, the internal transfers of paper to hard packaging (Corrugated Cardboard) amounted to 52,819 metric tons (51,917 metric tons in 4Q14 and 54,299 metric tons in 3Q15), as follows: the Indaiatuba - SP Packaging Plant received 20,549 metric tons (18,790 metric tons in 4Q14 and 21,458 metric tons in 3Q15); the Vila Maria SP Packaging Plant received 16,428 metric tons (17,371 metric tons in 4Q14 and 16,629 metric tons in 3Q15); and the Campina da Alegria SC Packaging Plant received 15,842 metric tons in 4Q15 (15,756 tons in 4Q14 and 16,212 metric tons in 3Q15). In the year 2015, the transfers totaled 208,948 metric tons (188.553 metric tons in 2014), of which 80,645 metric tons were transferred to the Indaiatuba SP Packaging Plant (2014 - 63,367 metric tons), 65,452 to the Vila Maria SP Packaging Plant (2014 - 66,599 metric tons) and 62,851 metric tons to the Campina da Alegria SC Packaging Plant (2014- 58,587 metric tons).

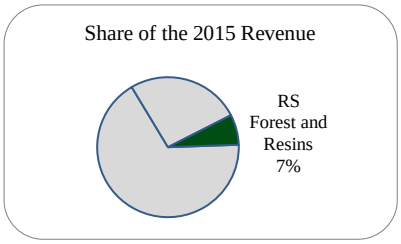
Of the total internal transfers in 2015, 39% was allocated to the Indaiatuba SP Packaging Plant, 31% to the Vila Maria SP Packaging Plant, and 30% to the Campina da Alegria SC Packaging Plant (2014 - 34%, 35% and 31%, respectively).

The pieces of hard packaging paper, which represents a small share of the sales volume (only 1,413 metric tons in 4Q15, as shown in the chart above) and whose price is lower than the prices of the other types of paper sold by the Company, increased by 3.5% and 10.6% in comparison with the prices charged in 4Q14 and 3Q15, respectively. In the year 2015, there was an increase of 4.5% compared to 2014. The Company's average prices accompanied the market trend. The prices of flexible packaging paper increased by 11.1% and 4.5% in comparison with 4Q14 and 3Q15, respectively. An increase of 9.1% was recorded in the comparison between 2014 and 2015.

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



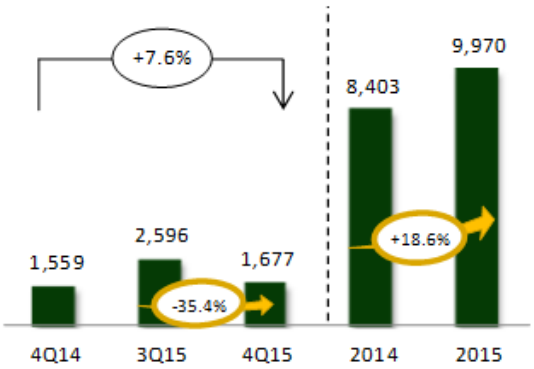
1.3. RS Forest and Resins Division



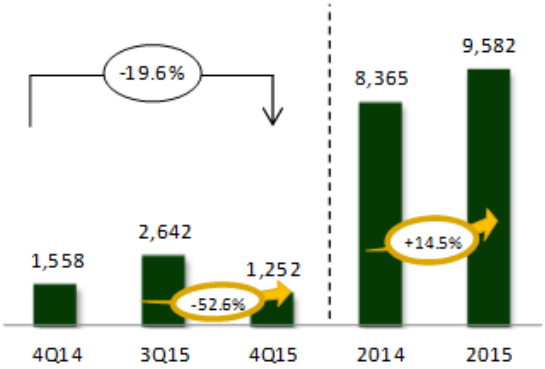
In 2015, the Rio Grande do Sul Forest Segment produced and sold 48 thousand m³ of pine logs to the domestic market (105 thousand m³ in 2014) and supplied 3,375 metric tons of natural resins to the parent company Celulose Irani S.A. (3,409 metric tons in 2014), to be used in the industrial production of tar and turpentine.

In 4Q15, the production and sales of the Balneário Pinhal RS Resins Plant increased by 7.6% and decreased by 19.6%, respectively, compared to 4Q14. This plant's production and sales decreased by 35.4% and 52.6%, respectively, compared to the volumes recorded in 3Q15. In the annual comparison, production and sales totaled 9,970 and 9,582 metric tons, increases of 18.6% and 14.5%, respectively, in relation to 2014.

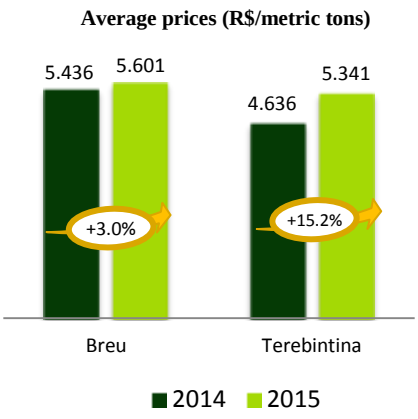
Tar and Turpentine production (metric tons)



Tar and Turpentine sales (metric tons)



In 2015, the gross average price of tar was 3.0% higher than in 2014. The average price of turpentine increased by 15.2% compared to 2014. The changes in the average prices of resins mainly resulted from the effects of foreign exchange variations on the prices of the products.



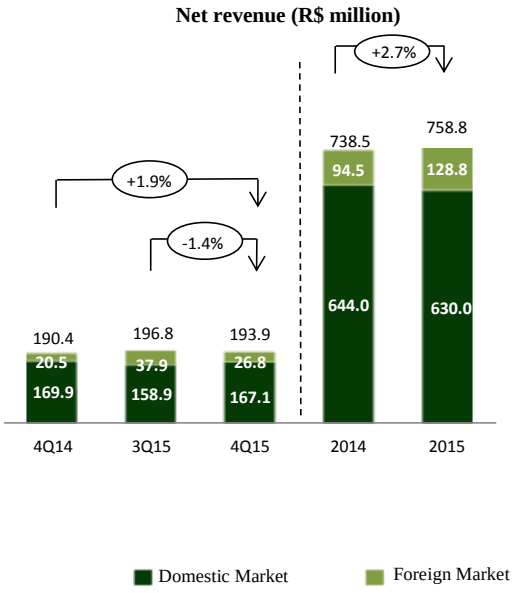
2. ECONOMIC AND FINANCIAL PERFORMANCE

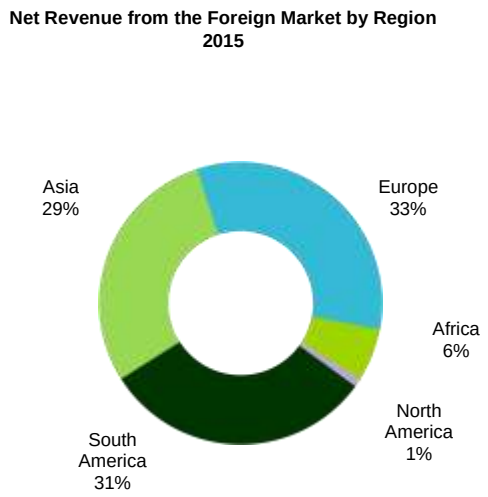
2.1. Net operating revenue

Net operating revenue for 4Q15 totaled R$ 193,930 thousand, an increase of 1.9% in relation to 4Q14, and a decrease of 1.4% in relation to 3Q15. Revenue totaled R$ 758,758 thousand in the year, an increase of 2.7% over that in the previous year.

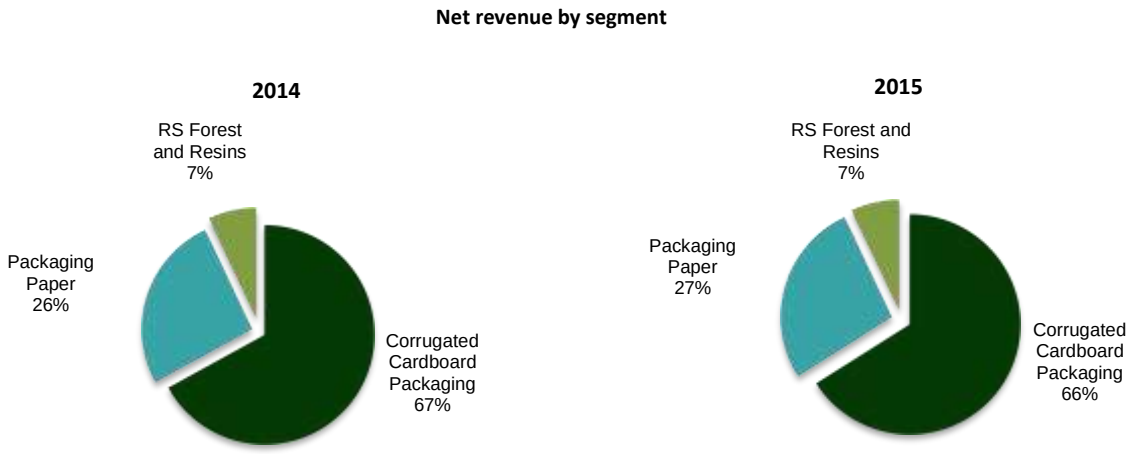
In the domestic market, net operating revenue amounted to R$ 167,132 thousand in 4Q15, which represented a decrease of 1.6% compared to 4Q14 and an increase of 5.2% in relation to 3Q15. In 2015, net operating revenue totaled R$ 629,967 thousand, a decrease of 2.2% compared to 2014. The domestic market accounted for 83% of IRANI's total revenue in 2015.

In 4Q15, exports totaled R$ 26,798 thousand, an increase of 30.4% compared to 4Q14, and a decrease of 29.4% in relation to 3Q15. In 2015, exports totaled R$ 128,791 thousand, an amount 36.2% higher than that for 2014, representing 17% of the total net operating revenue, reflecting the impact of a higher foreign exchange rate. Exports were mainly to Europe (33% of the export revenue), followed by South America (31%). The other markets include: Asia (29%), Africa (6%) and North America (1%).





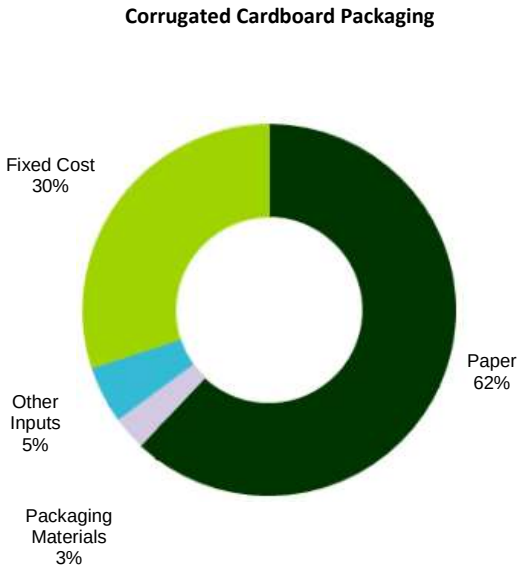
IRANI's main operating segment is the Corrugated Cardboard (PO) Packaging Segment, which was responsible for 66% of consolidated net revenue in 2015, followed by the Packaging Paper (27%) and RS Forest and Resins (7%) segments.

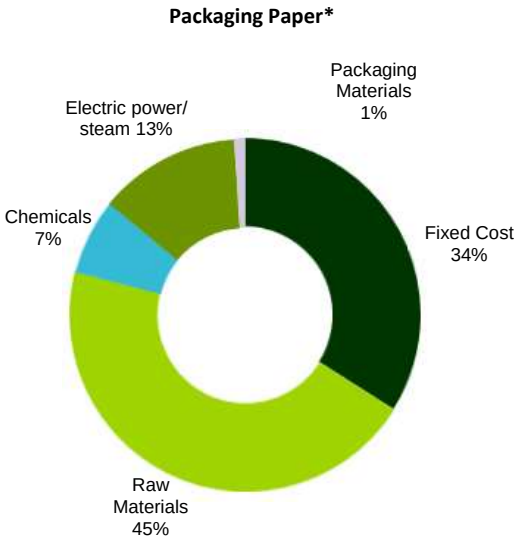


2.2. Cost of Products Sold

The cost of products sold amounted to R$ 530,437 thousand in 2015, a decrease of 2.7% compared to 2014. The change in the fair value of biological assets was not considered in the cost of products sold for both periods.

In 2015, the costs per business segment were as follows:





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

2.3. Operating income and expenses

In 2015, selling expenses totaled R$ 81,113 thousand, an increase of 14.7% compared to 2014, and represented 10.7% of consolidated net revenue, slightly above the 9.6% recorded for 2014.

In 2015, administrative expenses decreased by 1.2% compared to 2014 and totaled R$ 46,415 thousand, representing 6.1% of consolidated net revenue, compared to 6.4% in 2014, as a result of efforts made to lower costs during the year.

Other operating income/expenses resulted in an expense of R$ 733 thousand in 2015 (2014 - income of R$ 1,019 thousand).

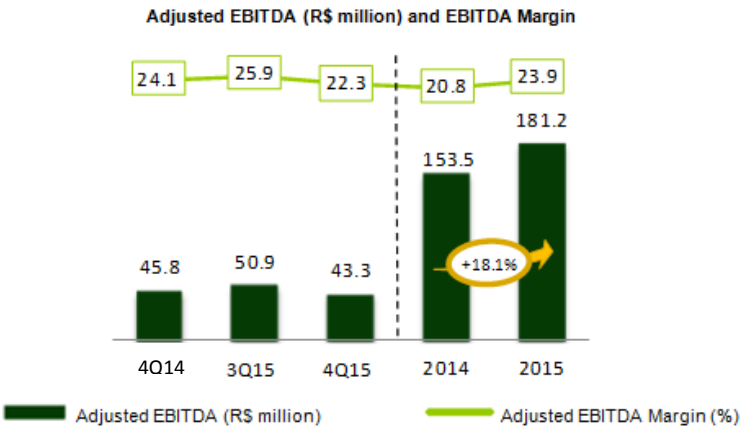
3. OPERATING CASH GENERATION (ADJUSTED EBITDA)

Consolidated (R$ thousand)	4Q15	3Q15	4Q14	Variation 4Q15/3Q15	Variation 4Q15/4Q14	2015	2014	Variation 2015/2014
Operating Result Before Taxes and Profit Sharing	**(15,162)**	**2,327**	**17,842**	-751.6%	-185.0%	**962**	**28,376**	-96.6%
Depletion	5,164	6,081	5,016	-15.1%	3.0%	20,579	21,618	-4.8%
Depreciation and Amortization	15,259	14,850	14,366	2.8%	6.2%	59,117	50,554	16.9%
Finance Result	22,118	28,502	13,799	-22.4%	60.3%	92,573	71,339	29.8%
EBITDA	**27,379**	**51,760**	**51,023**	-47.1%	-46.3%	**173,231**	**171,887**	**0.8%**
EBITDA Margin	***14.1%***	***26.3%***	***26.8%***	***-12.2 p.p.***	***-12.7 p.p.***	***22.8%***	***23.3%***	***-0.5 p.p.***
Adjustments pursuant to CVM Instruction 527/12								
Change in the Fair Value of Biological Assets [1]	14,372	(783)	(10,966)	-	-	6,450	(29,416)	-
Management Profit Sharing [2]	55	-	6,287	-	-99.1%	55	6,287	-99.1%
Non-recurring Events[3]	1,473	-	(512)	-	-	1,473	4,725	-68.8%
Adjusted EBITDA	**43,279**	**50,977**	**45,832**	**-15.1%**	**-5.6%**	**181,209**	**153,483**	**18.1%**
Adjusted EBITDA Margin	***22.3%***	***25.9%***	***24.1%***	***-3.6 p.p.***	***-1.8 p.p.***	***23.9%***	***20.8%***	***3.1 p.p.***

[1] The change in the fair value of biological assets did not represent a cash reduction in the period.
[2] Management profit sharing: The amount of R$ 55 thousand refers to the distribution of profits of the Company, and did not represent a cash disbursement in the period.
[3] Non-recurring events refer to the write-off of an Intangible Asset (São Roberto Brand) and did not represent a cash reduction.

Cash provided by operating activities, measured by adjusted EBITDA, totaled R$ 43,279 thousand in 4Q15, a decrease of 5.6% in relation to 4Q14 and of 15.1% compared to 3Q15. The adjusted EBITDA margin decreased by 1.8 percentage points in 4Q15, attaining 22.3%. In the year-to-date, adjusted EBITDA attained R$ 181,209 thousand, with a margin 23.9% and 18.1% higher than that

for 2014, totaling R$ 153,483 thousand. The growth of 3.1 percentage points in the margin resulted mainly from the operating performance, reduction of variable production costs and administrative expenses, and the appreciation of the U.S. dollar and euro.



4. FINANCE RESULT AND INDEBTEDNESS

In 4Q15, the Company recorded a negative finance result of R$ 22,118 thousand, which represented an increase of 60.3% in relation to 4Q14. In comparison with 3Q15, the finance result presented a reduction of 22.4%. In 2015, the Company recorded a negative finance result of R$ 92,573, an increase of 29.8% compared to 2014 (negative finance result of R$ 71,339 thousand), mainly due to the higher interest rate (CDI), inflation (Amplified Consumer Price Index - IPCA) and foreign exchange variations.

In 4Q15, finance costs totaled R$ 30,895 thousand, compared to R$ 23,027 thousand in 4Q14, and R$ 38,032 thousand in 3Q15. Finance costs totaled R$ 127,801 thousand, in 2015, compared to R$ 96,498 thousand in 2014. Finance income totaled R$ 8,777 thousand in 4Q15, compared to R$ 9,228 thousand in 4Q14 and R$ 9,530 thousand in 3Q15. Finance income amounted to R$ 35,228 thousand in 2015, compared to R$ 25,159 thousand in 2014.

The finance result was distributed as follows:

R$ thousand	4Q15	3Q15	4Q14	2015	2014
Finance income	8,777	9,530	9,228	35,228	25,159
Finance costs	(30,895)	(38,032)	(23,027)	(127,801)	(96,498)
Finance result	(22,118)	(28,502)	(13,799)	(92,573)	(71,339)

The table below shows the foreign exchange gains and losses included in the Company's finance income and costs:

R$ thousand	4Q15	3Q15	4Q14	2015	2014
Foreign exchange gains	4,265	6,318	2,675	19,885	8,937
Foreign exchange losses	(5,385)	(15,873)	(3,576)	(36,958)	(12,096)
Foreign exchange variations, net	(1,120)	(9,555)	(901)	(17,073)	(3,159)

The foreign exchange variations negatively impacted the Company's results by R$ 1,120 thousand in 4Q15 and R$ 17,073 thousand in 2015, due to the devaluation of the Brazilian Real against the U.S. dollar during the year.

The finance result, net of the foreign exchange variations, was as follows:

R$ thousand	4Q15	3Q15	4Q14	2015	2014
Finance result net of foreign exchange variations	(20,998)	(18,947)	(12,898)	(75,500)	(68,180)

With the objective of hedging its exports in the coming years, the Company maintains the flow of the maturities of its commitments in foreign currency (U.S. dollars) aligned with the estimated receivables in U.S. dollars. The foreign exchange variations of these transactions are recorded monthly in equity, and recognized in the statement of income as finance costs when realized (hedge accounting). In 4Q15, the Company recognized hedge accounting gains of R$ 10,184 thousand (R$ 6,721 thousand net of taxes in equity), and the amount recognized in the statement of income, as finance cost, was R$ 1,695 thousand. In the accumulated for the year, the Company maintained R$ 219,686 thousand recorded as foreign exchange variations on hedge accounting, to be recognized in the statement of income on realization, over the coming years. The amount of R$ 144,993 thousand is recognized in Equity (net of taxes).

Foreign exchange rate

The exchange rate of R$ 2.66/US$ at December 31, 2014 increased by 46.62% to the end of December 2015, reaching R$ 3.90/US$. The average exchange rate for the final quarter of 2015 was R$ 3.84/US$, or 8.47% higher than that for 3Q15 and 51.18% higher than that for the same period of 2014. In the year 2015, the average exchange rate increased by 42.13%, reaching R$ 3.34/US$.

	4Q15	3Q15	4Q14	Δ4Q15/3Q15	4Q15/4Q14	2015	2014	Δ2015/2014
Average U.S. dollar	3.84	3.54	2.54	+8.47%	+51.18%	3.34	2.35	+42.13%
Final U.S. dollar	3.90	3.97	2.66	-1.76%	+46.62%	3.90	2.66	+46.62%

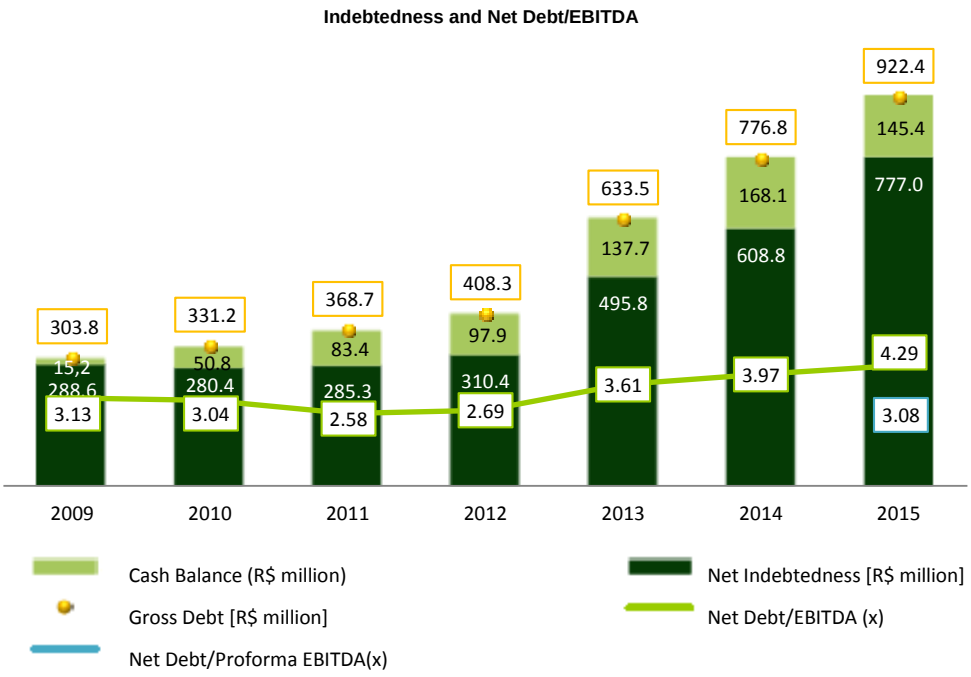
Source: Brazilian Central Bank

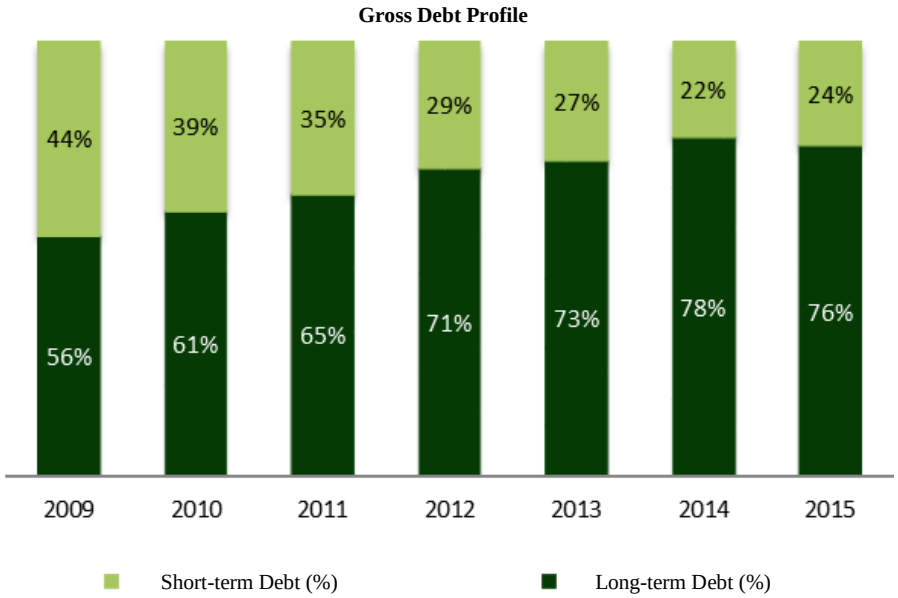
Net Indebtedness

At December 31, 2015, consolidated gross indebtedness totaled R$ 922.4 million, compared to R$ 776.8 million at December 31, 2014. The variation in this indicator was influenced by the exchange rate variation during the year, arising from the portion of the Company's debt exposed to the U.S. dollar, and also by the increase in the interest rate. At December 31, 2015, the Company's gross debt profile presented 24% of debts maturing in the short term and 76% in the long term.

At December 31, 2015, consolidated cash and cash equivalents totaled R$ 145.4 million, compared to R$ 168.1 million at December 31, 2014. The impact on cash was mainly due to repayments of the principal of the debt. The consolidated net indebtedness at December 31, 2015 was R$ 777.0 million, compared to R$ 608.8 million at December 31, 2014. The net debt/EBITDA ratio changed from 3.97 times at the end of 2014 to 4.29 times at the end of 2015. Excluding from net debt the exchange variation recorded as hedge accounting (Note 30 - Cash flow hedge), the pro forma net debt/EBITDA

ratio would have been 3.08 at the end of 2015. The variation in this indicator was influenced by the appreciation of the U.S. dollar during the year, which affected the portion of debt denominated in this currency.





5. VALUATION OF THE FAIR VALUE OF BIOLOGICAL ASSETS (FORESTS)

As from 2010, the Company started to measure the fair value of its biological assets (forests) periodically, as determined by CPC 29. The change in fair value of the biological assets produced the following effects in the Company's results for 2015:

Effects of the changes in the fair value of biological assets

R$ thousand	2015	2014
Change in the fair value of biological assets	(6,450)	29,416
Depletion of the fair value of biological assets	(16,944)	(17,926)

The fair value of biological assets decreased in 2015, mainly due to variations in certain assumptions utilized in their valuation, such as an increase in the forest discount rate, change in production planning and variation in production costs.

The change in the fair value of biological assets, as well as their depletion, is recognized in "Cost of Goods Sold". This new accounting determination improves the evaluation of the market value of the Company's forests, increasing the accuracy of the financial statements.

6. OPERATING RESULT BEFORE TAXES AND PROFIT SHARING

In 4Q15, the operating result before taxes and profit sharing presented a loss of R$ 15,162 thousand, compared to a profit of R$ 17,842 thousand in 4Q14 and of R$ 2,327 thousand in 3Q15. In the year 2015, the operating result before taxes and profit sharing presented a profit of R$ 962 thousand, but was lower than that for 2014 (R$ 28,376 thousand).

7. PROFIT (LOSS)

The Company reported a loss of R$ 16,844 thousand for 4Q15, compared to profits of R$ 27,924 thousand in 4Q14 and R$ 3,686 thousand in 3Q15. In the year 2015, there was a profit of R$ 495 thousand, compared to a profit of R$ 56,579 thousand for 2014. The result for 2015 was adversely impacted by the change in the fair value of biological assets, as well as by the effects of foreign exchange variations recognized in the statement of income.

8. INVESTMENTS

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

R$ thousand	4Q15	2015
Land	6,963	6,983
Buildings	8,299	8,879
Equipment	7,570	42,688
Intangible assets	368	970
Reforestation	2,367	6,967
Total	**25,567**	**66,487**

In 2015, these investments totaled R$ 66,487 thousand and were basically aimed at the maintenance and improvement of machinery, equipment and in the improvement of the Company's physical structures.
The main investment made in 2015 related to the completion of the technological update of equipment in the output of the Corrugator Machine of the Vila Maria SP Packaging Plant, aimed at increasing production and improving quality.

9. SHARE CAPITAL

At December 31, 2015, IRANI's share capital was represented by 166,720,235 shares, of which 153,909,975 (92%) were common shares and 12,810,260 (8%), preferred shares. At December 31, 2015, the Company held in treasury 2,376,100 shares, of which 24,000 were common shares and

2,352,100, preferred shares. At the same date, the Company's market value was R$ 505,447 thousand, 7% lower than the amount in 2014 (R$ 543,636 thousand).

Dividends

In 2015, the minimum mandatory dividend was R$ 3,343 thousand, corresponding to R$ 0.0203422 per share. It should be noted that the interim dividends approved by the Company's Board of Directors on August 20, 2015 and November 18, 2015, totaling R$ 4,950 thousand, corresponding to R$ 0.030120 per share, were higher than the minimum mandatory dividend calculated at the end of the year. However, management understands that this fact has no negative impact on the Company, since the amounts distributed are not significant, and, consequently, do not affect liquidity. In addition, on the date of their approval, these dividends were in compliance with the minimum mandatory limit.

10. SUSTAINABILITY

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

10.1 Awards and Recognitions

In 2015, the Company received the following social, environmental and market awards for actions and projects developed throughout the year.

- **Social Responsibility Award:** recognition by the joint commission of Social Responsibility of the Legislative Assembly of Santa Catarina (Alesc) for the cases "Projeto Broto do Galho" ("Branch Sprout Project"), "Avaliação do Ciclo de Vida de Papel" ("Assessment of the Paper Life Cycle") and "Reciclagem de Pástico Misto" ("Recycling of Mixed Plastic").

- **Fritz Muller Award:** The Foundation for the Environment (Fatma) presented the Company with an award for outstanding environmental projects carried out in the State of Santa Catarina, as well as for the Mixed Plastic Recycling Plant.

- **Abrasca Award:** the Company was placed 10th in the ranking of the 17th Abrasca (Brazilian Association of Listed Companies) Award for Annual Reports.

- ***Época Negócios 360º*:** The Company ranked third among the five best pulp and paper companies in Brazil. It received recognition in the "Human Resources" and "Vision of the Future" categories. Additionally, it ranked fourth in "Financial Performance", second in "Ability to Innovate", and fifth in "Social Responsibility". It also ranked 64th among the 250 best large companies in Brazil and was rated as an outstanding in the Southern region.

- **Brazilian Technical Association of Pulp and Paper (ABTCP) Award:** The Company was recognized for its sustainable management practices.

- **Agribusiness Annual Publication:** The Company ranked 4th among the 10 best companies in the Reforestation, Pulp and Paper sector. It also ranked 9th in Net Revenue, 8th in Total Assets, and 10th in Evolution of Assets. It obtained the 142nd place in the general ranking.

- **Annual Health, Safety and Environmental Award:** This award, which is given by Pine Chemicals Association (PCA), was received as a result of actions and projects developed by the Balneário Pinhal RS Resins Plant, together with its employees, addressing health, quality and responsibility in the production of tar and turpentine.

- ***Onda Verde* (Green Wave) Trophy:** the Company was recognized for its Mixed Plastic Recycling project at the 22nd edition of the "*Expressão Ecologia"* (Ecological Expression) Award.

- **ADVB Citizen Company Award:** the Company received an award in the "Environmental Preservation" category for the Mixed Plastic Recycling project. This award is given by the Marketing and Sales Directors Association of the State of Santa Catarina (ADVB/SC).

- ***Boa Ideia* (Good Idea) Award:** As a result of a partnership between IRANI and the Social Service for Industry (SESI) at the Santa Luzia MG Paper Plant, the Company was awarded first place in *Boa Ideia* Award organized by the Federation of Industries of the State of Minas Gerais (FIEMG), in the "Ensuring Effective Results" category.

- ***Exportação RS* Award:** This award, which is given by the Marketing and Sales Directors Association of the State of Rio Grande do Sul (ADVB/RS), recognized the Company's outstanding performance as an exporter in the south of Brazil.

10.2 Environmental Development Management

IRANI is aware of the importance of preserving the environment and seeks sustainable development through clean, low-carbon technologies, thereby reducing the impacts of its activities on the environment. The Company therefore operates in accordance with the best environmental management practices, and, through its environmental policy, is committed to complying with the prevailing environmental legislation, with a view to achieving continuous improvement and preventing pollution.

A number of measures are adopted to minimize the impacts of the Company's activities on the environment. IRANI has implemented an innovative project for the recovery of plastic (residue arising from recycling of paper trimmings), obtaining a new by-product called "mixed plastic trimmings", a raw material which is used by the plastic industry to manufacture recycled plastic fence poles, roof tiles and sheets, thereby creating a new production chain with the environmental advantage of avoiding the disposal of plastic waste in landfills. It is important to mention that this plant was expanded in 2015 to enable an increase in the amount of plastic and fiber recovered.

A key component of our management system is to ensure the maintenance of quality and environmental systems in all the units, by conducting internal and external audits to address the ISO 9001 certification, FSC Chain-of-Custody certification, and ISO 14001 certification in the Packaging

Plants, which shows the Company's commitment to environmental issues and sustainability-oriented practices, as well as enhances IRANI's credibility with its stakeholders.
Every year, the Company realizes the verification of the Greenhouse Gas Inventory (GGI), pursuant to the NBR ISO 14064 standard, by a certifying body. From 2006 to 2015, IRANI was classified as being carbon neutral, i.e., it removed more greenhouse gases from the atmosphere than it released.

The progress achieved in environmental management also generated a product life cycle review, whereby 19 categories of environmental impact were identified, resulting in the definition of action plans to reduce these impacts on the paper and packaging production processes.

In addition to investing in eco-friendly technologies, IRANI also aims to raise the awareness of its employees and the residents of the cities in which its facilities are located, and to support and encourage environmental education projects, seeking to strengthen the concept and practice of sustainable development.

11. SOCIAL PERFORMANCE INDICATORS

11.1. People Development

At the end of 2015, IRANI employed 2,562 people. The Company seeks to achieve excellence through participatory management and investments in programs, actions and benefits that permit the personal and professional development of its employees in a pleasant work environment. During 2015, the Company invested R$ 22,250 thousand in meal, transportation, life insurance and health care plan benefits, R$ 1,021 thousand in qualification and personal development actions, and R$ 5,176 thousand in the profit sharing program (PPR).
The Company maintains five structuring programs, which are aligned with its Mission, Vision and Corporate Values and focus on providing the necessary conditions for people to achieve their maximum potential, enabling their personal and professional development. These programs are called "GERA", "CRESCE", "CUIDA", "MOTIVA" and "SUPERA". The GERA Program seeks to enable a healthy renewal of the teams and ensure mutual success in the partnership between the employee and the Company. This program is aligned with the professional cycle of the people in the organization, and its primary aims are to attract, engage and monitor an employee in his/her professional trajectory, encouraging personal development through recruitment, integration and on-the-job monitoring processes. The CRESCE Program consists of qualification and development actions, through technical and behavioral training courses in line with the Company's strategies. The CUIDA Program consists of a set of practical and applicable procedures within an integrated health and safety management model, whose purpose is to reduce workplace accidents, increase compliance with the legislation and expand the employees' awareness of health and safety subjects. The MOTIVA Program is the definition adopted by IRANI for its Organizational Climate Management Program. Its main objective is to provide a stimulating and motivating workplace climate, with engaged teams and with shared responsibility for the Company's growth. Through the SUPERA Program, the Company annually assesses individual performance, based on Competences and Results, seeking to provide challenges for employees and to recognize their development, as well as to stimulate a result-oriented culture and self-development.

11.2 Society

IRANI stimulates the development of its surrounding communities through investments and participation in social entities that operate in these locations. Following the guidance of its Social Responsibility Policy, the Company seeks to establish solid partnerships for the development of projects in the areas of citizenship, socio-environmental education, culture and sports. The main social projects supported by the Company in 2015 were as follows:

- Partnership with Junior Achievement in the states of Santa Catarina, São Paulo, Rio Grande do Sul and Minas Gerais, to encourage entrepreneurial volunteering actions and young entrepreneurship;
- *SESI Atleta do Futuro* (Athlete of the Future) Program, in partnership with SESI and the municipal governments of Vargem Bonita (SC), Irani (SC), Ponte Serrada (SC), Indaiatuba (SP) and Santa Luzia (MG), with a focus on the development of the citizenship of children and young people, through the practice of sports and the discussion of transversal topics;
- Volleyball training center for beginners, in partnership with the Volleyball Association of Joaçaba (AJOV), in the towns of Joaçaba and Vargem Bonita (SC);
- Environmental Protection project, realized in the town of Irani (SC), under the supervision of the Environmental Military Police of the town of Concórdia (SC);
- *Broto do Galho Project*, initiated in 2008, to provide a productive occupation and extra income for residents of the town of Campina Grande, who make handcrafted goods from industrial and forestry waste;
- *Aluno Destaque* (Student of the Year) Project, created in 2013 to recognize the five best students in the Galeazzo Paganelli Public School, in the town of Campina da Alegria (SC), encouraging them to continue to achieve an excellent performance in school, with educational follow-up during out-of-school hours.

12. AUDIT SERVICES

In conformity with CVM Instruction 381/03, we inform that the Company and its subsidiaries adopt consultations with its independent auditors, PricewaterhouseCoopers Auditores Independentes, as a formal procedure to ensure that the rendering of other services will not affect the auditors' independence and objectivity necessary to perform the independent audit services. In this regard, PricewaterhouseCoopers issues every year a statement of independence, in accordance with the terms of NBC TA 260 of the Federal Accounting Council, in which they declare that, in conformity with the provisions of the independence rules adopted by the Brazilian Securities Commission, there is no relationship between PricewaterhouseCoopers, its associates and affiliates and the Company, which could affect independence. This statement is submitted to the Board of Directors of Celulose Irani S.A. The policy of the Company and its subsidiaries in the engagement of independent auditor services ensures that there is neither a conflict of interest, nor loss of independence or objectivity.
During 2015, PricewaterhouseCoopers provided, in addition to the audit service and review of the translation into English of the financial statements, supplementary audit services, as follows:

	In thousands of R$	%
Audit of the 2015 Financial Statements – Celulose Irani S.A. and subsidiaries	**509**	**60%**
Other services*:		
Review of the PIS and COFINS calculation basis	**278**	**33%**
Review of internal controls in connection with the requirements of the Tax Accounting Bookkeeping (ECF) and Block k.	**57**	**7%**
Total	**844**	**100%**

* All the services contracted refer to 2015 and there are no services to be provided with reference to future years.

13. PROSPECTS

In 2016, we expect the challenging economic environment to continue, with the possibility of increased complexity in the Brazilian economy due to adjustments in the world economy. In this context, we believe that business competitiveness and strict financial management will be essential as we go through this more difficult period. In addition, we believe that times of adversity, such as the one we are currently facing, are inherent to economic cycles, especially in emerging economies such as that of Brazil, and that they also provide business opportunities.

ACKNOWLEDGMENTS

We thank each one of our employees for their effort during this period, our stockholders and creditors for the trust they have placed in us, and our customers, suppliers, financial institutions and surrounding communities for their support and partnership, which were crucial for the growth and development of Celulose Irani S.A. during 2015.

Porto Alegre, February 2016.

The Executive Office.

(A free translation of the original in Portuguese)

To the Stockholders of
CELULOSE IRANI S.A.

Capital Budget Proposal

In accordance with the provisions of Article 196 of Law 6,404/76, with the wording provided by Law 10,303, of October 31, 2001, the Management of Celulose Irani S.A. ("Company") hereby submits the Company's Capital Budget proposal.

The proposal for the appropriation of profit disclosed in the financial statements, as submitted to the stockholders of the Company, for the year ended December 31, 2015, foresees that, after the adjustments referred to by Articles 193 and 202 of Law 6,404/76, profits in the amount of **R$ 8,422** thousand will be retained and allocated to the Profit Retention Reserve, which is intended to support the Company's Investment Plan.

The Capital Budget for 2016, approved at the Board of Directors' meeting held on December 9, 2015, totals **R$ 56,615** thousand, in addition to R$ 15,880 thousand for working capital requirements, distributed as follows:

Capital Budget for 2016

In thousands of reais	Current	Strategic	Total
Packaging Segment PO	-	6,615	6,615
Current investment budget	50,000	-	50,000
Total investments for 2016	**50,000**	**6,615**	**56,615**
Working Capital Requirements	15,880		15,880

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

Summary of sources and uses

In thousands of reais	Current	%	Strategic	%	Total	%
Financed Resources	-	-	-	-	-	-
Own Resources	50,000	100%	6,615	100%	56,615	100%
Total	50,000	100%	6,615	100%	56,615	100%

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

Porto Alegre, RS, 29 February 2016.
The Executive Office.

(A free translation of the original in Portuguese)

DECLARATION OF EXECUTIVE DIRECTORS
For the purposes of Article 25 of CVM Instruction 480/09

As Executive Directors of Celulose Irani S.A., a corporation headquartered at Rua General João Manoel, 157, 9th floor, room 903, in the city of Porto Alegre, State of Rio Grande do Sul, and enrolled in the National Corporate Taxpayers Registry (CNPJ/MF) under No.92.791.243/0001-03, **WE DECLARE**, in compliance with the terms of paragraph 1, Article 25 of CVM Instruction 480, of December 7, 2009, that: (i) we reviewed, discussed and agreed with the opinion expressed in the Company's independent auditor's report, referring to the financial statements for the year ended December 31, 2015; and (ii) we reviewed, discussed and agreed with the Company's financial statements for the year ended December 31, 2015.

Porto Alegre, RS, February 29, 2016.

Pericles Pereira Druck - CEO
Odivan Carlos Cargnin – Director of Administration, Finance and Investors Relations
Sérgio Luiz Cotrim Ribas – Director of Paper and Packaging Business