

# Crescendo com valor



(A free translation of the original in Portuguese)

Porto Alegre, October 31, 2014. Celulose Irani (BM&FBovespa: RANI3 and RANI4), one of the major Brazilian companies in the packaging paper and corrugated cardboard packaging segments, announces today the consolidated results for the third quarter of 2014 (3Q14). The consolidated interim financial statements were prepared in accordance with CVM standards and CPCs, and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB). The financial and operational information are presented based on consolidated figures and in Brazilian real. Non-financial data, such as volumes, quantity, average price and EBITDA, were not examined by our independent auditors.

## IRANI reports adjusted EBITDA of R\$ 41.7 million in 3Q14

- Sales volume for the Corrugated Cardboard Packaging Segment increased 52.4% when compared to 3Q13 and totaled 51.5 thousand metric tons this 3Q14. The Packaging Paper segment decreased by 34.3%, totaling 20.6 thousand metric tons. The Resins segment increased by 6.4%, totaling 2.4 thousand metric tons. The significant increase in the volume of the Corrugated Cardboard Packaging Segment was due to the consolidation of the Corrugated Cardboard Packaging plant (SP) of Indústria de Papel e Papelão São Roberto S.A. "São Roberto".
- Net revenue grew 24.7% in relation to 3Q13, reaching R\$ 193.6 million and reflecting the consolidation of the sales of corrugated cardboard packaging of São Roberto.
- The gross profit totaled R\$ 59.2 million, an increase of 33.0% vs. 3Q13, mainly as a result of the increased net revenue.
- The profit was R\$ 22.4 million in 3Q14, compared with R\$ 7.1 million in 3Q13. The major factors contributing to this result were the changes in the fair value of the biological assets and the recognition of income tax and social contribution on accumulated tax losses in subsidiary Indústria de Papel e Papelão São Roberto S.A. The amount of this recognition was used to partially amortize the Tax Recovery Program (REFIS). In the accumulated figures for the year, net results totaled R\$ 28.7 million, while in 9M13 the result amounted to R\$ 24.6 million.
- The adjusted EBITDA totaled R\$ 41.7 million in the quarter, an increase of 14.4% over 3Q13, with a margin of 21.5%. The adjusted EBITDA for 9M14 was R\$ 107.6 million, an increase of 13.5% when compared to the same period in the prior year.
- Net debt/EBITDA: 4.42 times in September 2014. The cash position at the end of 3Q14 was R\$ 121.2 million and 78% of the debt is long term.

CHIEF INDICATORS - CONSOLIDATED	3Q14	2Q14	3Q13	Variation 3Q14/2Q14	Variation 3Q14/3Q13	9M14	9M13	Variation 9M14/9M13	PRO-FORMA*				
									LTM14 <sup>1</sup>	LTM13 <sup>1</sup>	Variation LTM14/LTM13	LTM14	LTM13
<b>Economic and financial (R\$ thousand)</b>													
Net operating revenue	193,603	174,667	155,240	10.8%	24.7%	548,097	423,654	29.4%	728,685	552,868	31.8%	739,304	678,199
Domestic Market	167,791	152,433	134,877	10.1%	24.4%	474,106	364,361	30.1%	637,273	478,461	33.2%	647,892	603,791
Export market	25,812	22,234	20,363	16.1%	26.8%	73,991	59,293	24.8%	91,412	74,407	22.9%	91,412	74,407
Gross profit (including*)	59,202	54,282	44,504	9.1%	33.0%	156,633	130,515	20.0%	212,376	203,475	4.4%	212,366	226,293
(* Change in fair value of biological assets)	6,025	10,800	-	-44.2%	-	18,450	9,090	103.0%	29,467	48,117	-38.8%	29,467	48,117
<b>Gross margin</b>	<b>30.6%</b>	<b>31.1%</b>	<b>28.7%</b>	<b>-0.5p.p.</b>	<b>1.9p.p.</b>	<b>28.6%</b>	<b>30.8%</b>	<b>-2.2p.p.</b>	<b>29.1%</b>	<b>36.8%</b>	<b>-7.7p.p.</b>	<b>28.7%</b>	<b>33.4%</b>
Profit (loss) before taxes and profit sharing	5,537	9,396	9,043	-41.1%	-38.8%	10,535	26,732	-60.6%	39,913	60,349	-33.9%	40,550	35,900
<b>Operating margin</b>	<b>2.9%</b>	<b>5.4%</b>	<b>5.8%</b>	<b>-2.5p.p.</b>	<b>-2.9p.p.</b>	<b>1.9%</b>	<b>6.3%</b>	<b>-4.4p.p.</b>	<b>5.5%</b>	<b>10.9%</b>	<b>-5.4p.p.</b>	<b>5.5%</b>	<b>5.3%</b>
Profit (loss)	22,402	9,497	7,058	135.9%	217.4%	28,656	24,585	16.6%	71,480	53,885	32.7%	72,250	30,572
<b>Net margin</b>	<b>11.6%</b>	<b>5.4%</b>	<b>4.5%</b>	<b>6.2p.p.</b>	<b>7.1p.p.</b>	<b>5.2%</b>	<b>5.8%</b>	<b>-0.6p.p.</b>	<b>9.8%</b>	<b>9.7%</b>	<b>0.1p.p.</b>	<b>9.8%</b>	<b>4.5%</b>
Adjusted EBITDA <sup>2</sup>	41,680	34,590	36,421	20.5%	14.4%	107,652	94,825	13.5%	139,038	130,139	6.8%	140,117	143,780
<b>Adjusted EBITDA Margin</b>	<b>21.5%</b>	<b>19.8%</b>	<b>23.5%</b>	<b>1.7p.p.</b>	<b>-2.0p.p.</b>	<b>19.6%</b>	<b>22.4%</b>	<b>-2.8p.p.</b>	<b>19.1%</b>	<b>23.5%</b>	<b>-4.4p.p.</b>	<b>19.0%</b>	<b>21.2%</b>
Net indebtedness [R\$ million]	619.9	581.5	361.7	6.6%	71.4%	619.9	361.7	71.4%	619.9	361.7	71.4%	619.9	361.7
Net Debt/Adjusted EBITDA (x) <sup>3</sup>	4.42	4.09	2.78	8.1%	59.0%	4.42	2.78	59.0%	4.42	2.78	59.0%	4.42	2.78
<b>Operating data (metric tons)</b>													
<b>Corrugated Cardboard Packaging (PO)</b>													
Production/Sales	51,542	47,212	33,818	9.2%	52.4%	147,877	97,779	51.2%	198,584	130,782	51.8%		
<b>Packaging Paper</b>													
Production	68,562	60,590	64,201	13.2%	6.8%	194,660	184,295	5.6%	261,575	234,940	11.3%		
Sales	20,562	17,109	31,302	20.2%	-34.3%	57,551	80,733	-28.7%	81,099	100,965	-19.7%		
<b>RS Forest and Resins</b>													
Production	1,955	2,668	1,943	-26.7%	0.6%	6,845	6,989	-2.1%	7,786	7,893	-1.4%		
Sales	2,388	2,226	2,244	7.3%	6.4%	6,806	7,162	-5.0%	7,663	9,114	-15.9%		

<sup>1</sup> Accumulated in the last twelve months.

<sup>2</sup> EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) - see the related section in this release.

<sup>3</sup> The calculation of the Net Debt/EBITDA indicator is made using the pro-forma EBITDA, which assumes that the results of the operations of the subsidiary São Roberto S.A. had already been consolidated, in order to obtain the annualized result for comparison purposes.

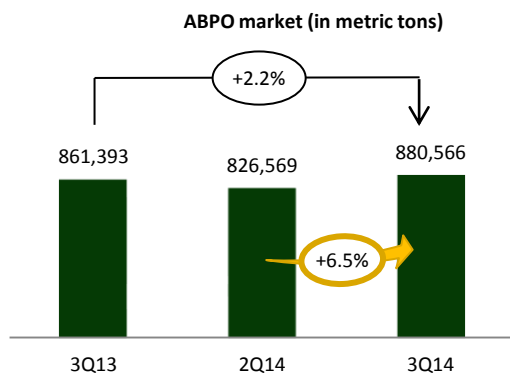
\* Proforma: Assumes that the results of the operations of the subsidiary São Roberto S.A. had already been consolidated from the beginning of the periods for comparison purposes.

### 3Q14 Highlights

The growth of the economic activities in the United States and the economic uncertainties in Europe continue to be part of the highlights of the international scenario, which show that the moderate recovery tendency of the American economy is still a reality, whereas the recovery capacity of the European economy remains uncertain. When it comes to Brazil, the combination of high inflation rates and a stagnant economy caused the monetary authority to increase the Special System for Settlement and Custody (SELIC) rate from 11% to 11.25% at the meeting held in October 2014. Information about the industrial activity, disclosed during the third quarter, leads to an estimation of poor to moderate Gross Domestic Product (GDP) performance in 2014.

According to the Brazilian Corrugated Cardboard Association (ABPO), the sales of boxes, accessories and corrugated

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

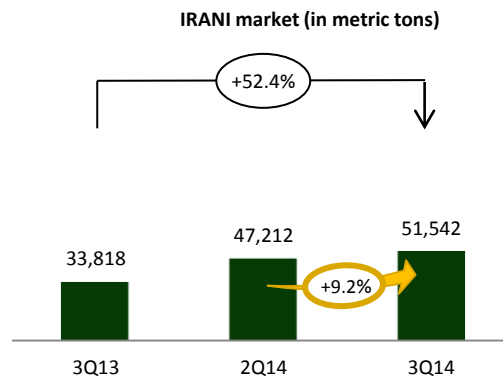


Source: ABPO

The volume of corrugated cardboard packaging sales for the ABPO Market, in square meters, increased 2.8% in 3Q14 as compared with 3Q13, while the IRANI Market increased 54.9% in the same period, as a result of the consolidation of São Roberto. Compared with 2Q14, the ABPO Market increased 9.5%, while the IRANI Market increased 9.6%. IRANI's market share in square meters was 6.5% in 3Q14 and 2Q14, and 4.3% in 3Q13. IRANI's sales volume in 9M14 accumulated 315,224 thousand square meters.

cardboard sheets totaled 2.5 million metric tons in the accumulated 9M14, which shows no changes in relation to the same period of the previous year. The sales volume of the IRANI Market in metric tons performed better than the ABPO Market both in 3Q14 and the accumulated for the year.

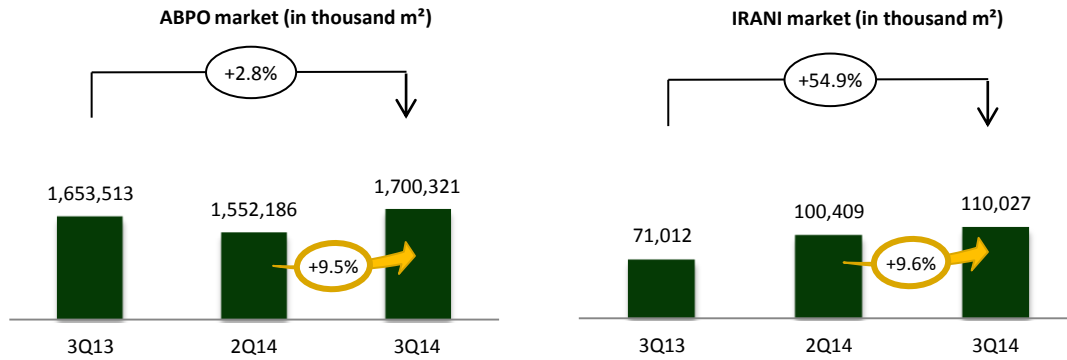
As shown in the following charts, the volume of corrugated cardboard packaging sales of the ABPO Market in metric tons grew by 2.2% in 3Q14 over 3Q13, and in the IRANI Market it increased by 52.4% in the same period. Compared with 2Q14, the ABPO Market recorded an increase of 6.5% and the IRANI Market recorded an increase of 9.2%. In metric tons, IRANI's market share in this quarter was 5.8% against 3.9% in 3Q13 and 5.7% in 2Q14. IRANI Market sales volume in 9M14 totaled 147,877 metric tons, an increase of 51.2%.



Source: IRANI

In 3Q14, the Corrugated Cardboard Packaging segment represented 67% of IRANI's net revenue, while the Packaging Paper and the RS Forest and Resins segments represented 26% and 7%, respectively. The domestic and foreign markets corresponded to 87% and 13% of net revenue, respectively.

Sales volume (in square meters) - Corrugated Cardboard Packaging Segment



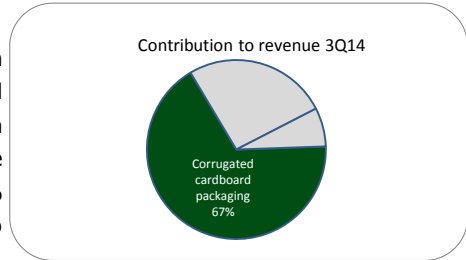
Source: ABPO

Source: IRANI

OPERATING PERFORMANCE

Corrugated Cardboard Packaging Segment

The sales volume of corrugated cardboard boxes and sheets totaled 51,542 metric tons, an increase of 52.4% and 9.2% in relation to 3Q13 and 2Q14, respectively. IRANI sold 147,877 metric tons of corrugated cardboard packaging in 9M14 (51.2% more than in 9M13). Sales of boxes increased by 69.4% and sales of sheets increased by 46.6%. The plants in Indaiatuba, Santa Catarina and São Paulo (São Roberto) represented 38%, 31% and 31%, respectively, of the total sold in 3Q14, with all of their production allocated to the domestic market.

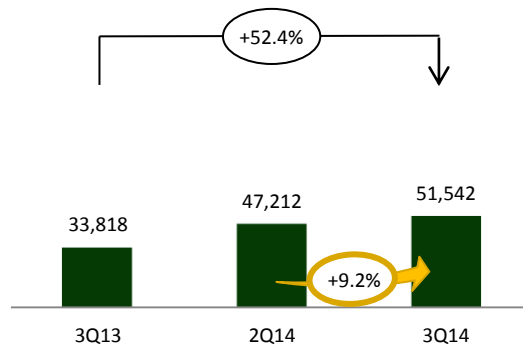


The sales volume of the Indaiatuba corrugated cardboard packaging factory totaled 13,534 metric tons of boxes and 5,781 metric tons of sheets in 3Q14 (12,833 metric tons of boxes and 5,132 metric tons of sheets in 3Q13).

The Santa Catarina corrugated cardboard packaging factory's sales volume totaled 12,740 metric tons of boxes and 3,386 metric tons of sheets in 3Q14 (12,362 metric tons of boxes and 3,491 metric tons of sheets in 3Q13).

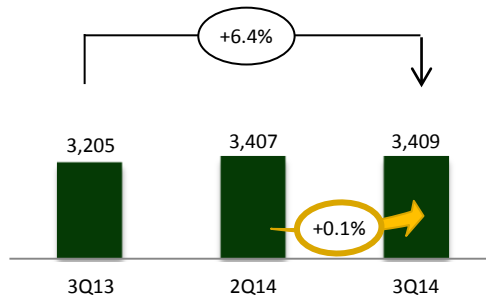
São Roberto's sales volume in 3Q14 was 10,661 metric tons of boxes and 5,440 metric tons of sheets. This sales volume is being considered only as from October 2013, when the activities of São Roberto were consolidated into Irani.

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



Average IRANI prices (CIF) per metric ton increased by 6.4% in 3Q14 over 3Q13 and remained unchanged in relation to 2Q14, as follows:

Average IRANI Prices (R\$/metric ton)

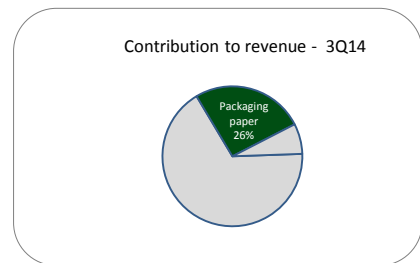


**Methodologies:** IRANI prices exclude Excise Tax (IPI), but include Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted based on a mix of market boxes and sheets.

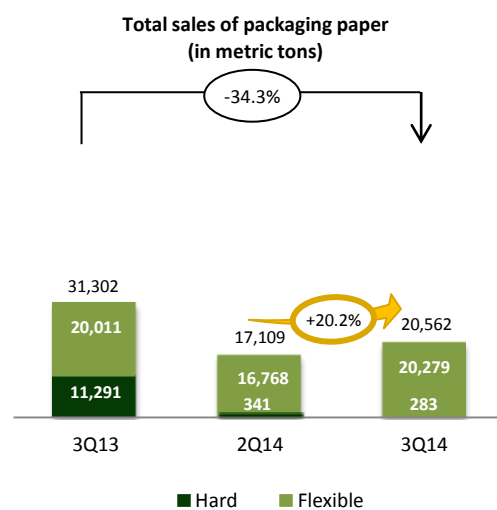
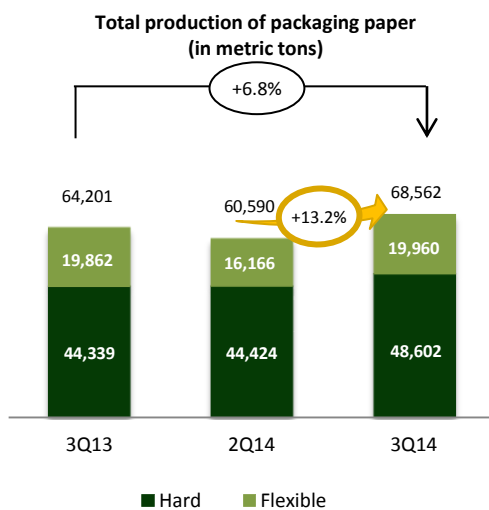
**Packaging Paper Division**

IRANI operates in the Packaging Paper segment, with activities in the hard packaging paper market (corrugated cardboard) and the flexible packaging market (sack Kraft).

The Company's total packaging paper production in the quarter grew by 6.8%, when compared with 3Q13, and 13.2% when compared with 2Q14. Sales decreased by 34.3% over 3Q13 and increased by 20.2% in comparison with 2Q14. In the accumulated for the year, total production was 194,660 metric tons, with an increase of 5.6% when compared with 9M13.



The increase in the packaging paper production volumes is mainly due to the productivity operating gains in relation to the third quarter of 2013 and the increased production reached by Paper Machine I (MP I) after the modernization carried out in May 2014, regardless of the fact that this machine had been idle for 40 days. As regards the sales, there has been (i) a volume decrease when compared with 3Q13, mainly due to the sales to the São Roberto subsidiary, which, starting in the first quarter of 2014, have been eliminated from the consolidation because of the consolidation of the operations, and (ii) a volume increase in relation to 2Q14, as a result of the market intensification, with higher demand for this product and increased production in the period.

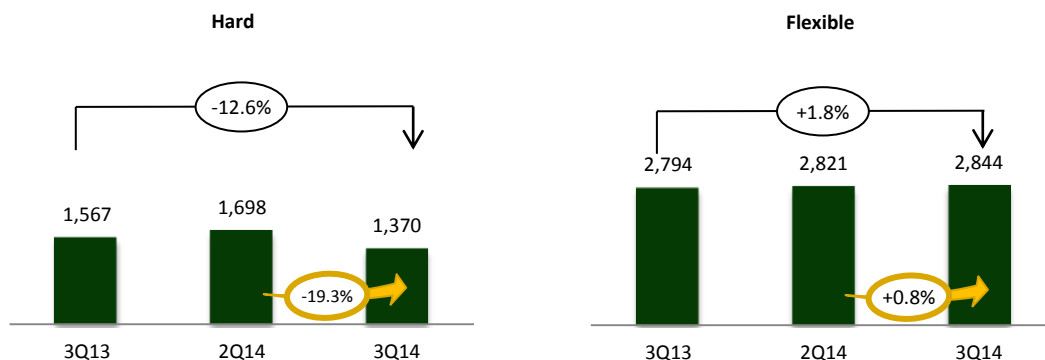


In 3Q14, internal transfers of paper for hard packaging totaled 48,565 metric tons (33,298 metric tons in 3Q13 and 44,011 metric tons in 2Q14) and were as follows: transfers to the Indaiatuba plant, 17,381 metric tons (17,238 metric tons in 3Q13 and 12,865 metric tons in 2Q14); to the São Roberto plant, 16,271 metric tons (1,682 metric tons in 3Q13 and 16,327 metric tons in 2Q14); and to the Santa Catarina

plant, 14,913 metric tons in 3Q14 (14,378 metric tons in 3Q13 and 14,819 metric tons in 2Q14). Of the total domestic transfers in the quarter, 36% were to the Indaiatuba plant, 31% to the Santa Catarina plant and 33% to the São Roberto plant.

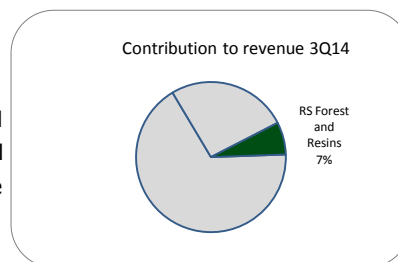
Hard packaging papers, the volume of which is not very significant (only 283 metric tons in 3Q14, as presented in the chart above), and whose price is inferior to the price of other papers sold by the Company, had a price decrease of 12.6% in 3Q14, when compared with the prices in 3Q13, and of 19.3%, when compared with 2Q14. This decrease mainly results from the change in the paper mix sold during the period for this category. Average prices followed the market trends. On the other hand, prices of flexible packaging papers increased by 1.8% over 3Q13 and remained stable when compared to 2Q14.

Average prices of packaging paper (R\$/metric ton)



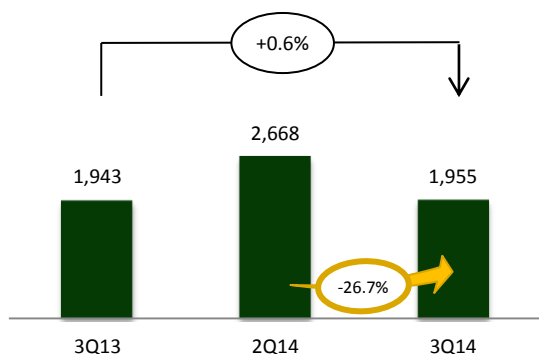
**RS Forest and Resins Division**

In 3Q14, the RS Forest products segment of the State of Rio Grande do Sul produced and sold 22 thousand m<sup>3</sup> of pine logs for the domestic market (94 thousand m<sup>3</sup> in 3Q13) and supplied 872 metric tons of natural resins to the parent company Celulose Irani S.A. to be utilized in the industrial production of tar and turpentine. During 9M14, 81 thousand m<sup>3</sup> of pine were sold.

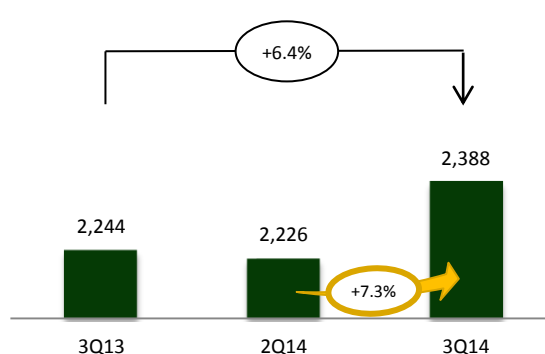


The production volume in the Resins unit remained unchanged in 3Q14 when compared with 3Q13 and decreased by 26.7% when compared with 2Q14. The sales volume increased by 6.4% and 7.3% when compared with 3Q13 and 2Q14, respectively. Production varies depending on the offering of gum resin in the domestic market. In the accumulated for the year, the production and sales volumes attained 6,845 and 6,806 metric tons, respectively, a decrease of 2.1% and 5.0%.

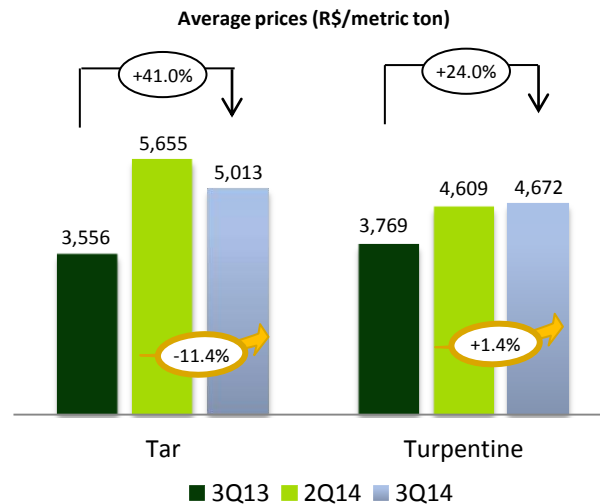
Production of tar and turpentine (in metric tons)



Sale of tar and turpentine (in metric tons)



The gross average price of tar in 3Q14 was 41.0% higher than that of 3Q13 and 11.4% lower than that of 2Q14. The average price of turpentine increased by 24.0% when compared to 3Q13 and 1.4% when compared to 2Q14. Changes in the average prices of resins in relation to 3Q13 mainly resulted from the increase of prices in foreign currency.



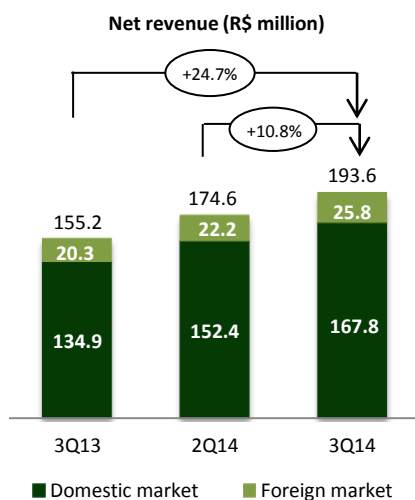
**ECONOMIC AND FINANCIAL PERFORMANCE**

**Net operating revenue**

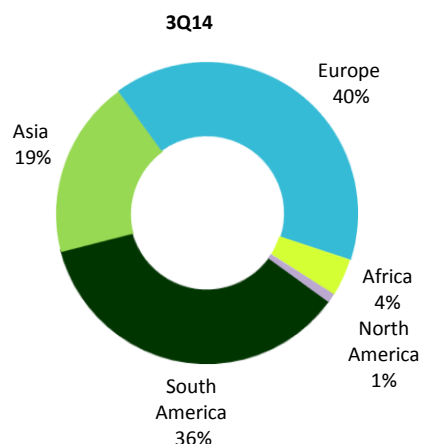
Net operating revenue for 3Q14 totaled R\$ 193,603 thousand, 24.7% above that of 3Q13 and 10.8% above that of 2Q14. The change in relation to 3Q13 was mainly due to the consolidation of the São Roberto's operations in October 2013. In 9M14, revenue totaled R\$ 548,097 thousand, an increase of 29.4% over the same period in the previous year.

In the domestic market, net operating revenue amounted to R\$ 167,791 thousand in the quarter, representing an increase of 24.4% over 3Q13 and of 10.1% over 2Q14, and corresponded to 87% of total revenue earned in the domestic market. Revenue totaled R\$ 474,106 thousand in 9M14, that is, an increase of 30.1% over 9M13.

Exports in 3Q14 totaled R\$ 25,812 thousand, a growth of 26.8% as compared to 3Q13 and of 16.1% in relation to 2Q14, and represented 13% of total net operating revenue. They totaled R\$ 73,991 thousand in 9M14, an increase of 24.8% over 9M13. Exports were made mainly to Europe (40% of the export revenue), followed by South America (36%), the other markets being: Asia (19%), Africa (4%) and North America (1%).



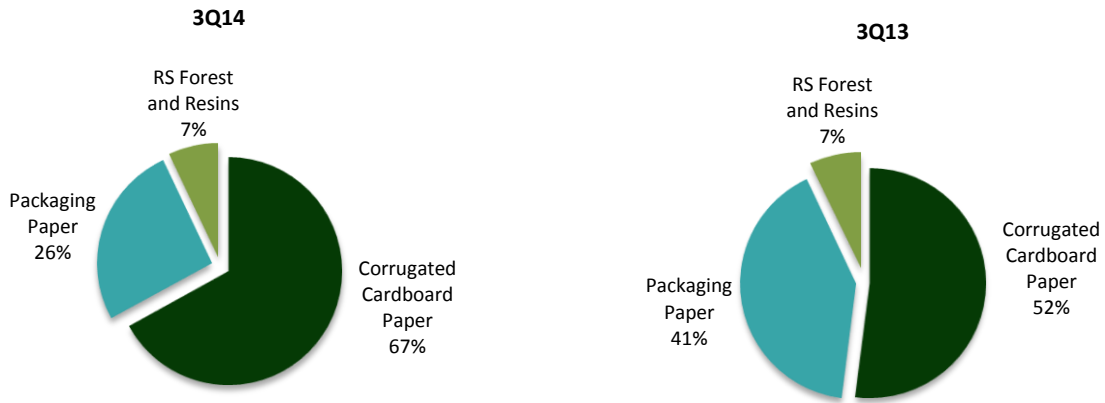
Net revenue - Foreign market by region



IRANI's main operating segment is the Corrugated Cardboard Packaging segment, responsible for 67% of the consolidated net revenue in 3Q14, followed by the segments of Packaging Paper with 26%, and RS Forest and Resins with 7%. When it comes to contributing to the Company's revenue, the 15 p.p. increase experienced by the Corrugated Cardboard Packaging segment results from the consolidation of the

Corrugated Cardboard Packaging sales of São Roberto S.A. In 9M14, the Corrugated Cardboard Packaging segment represented 67% of net revenue, while the Packaging Paper segment represented 26% and the RS Forest and Resins segment represented 7%.

**Net revenue by segment**

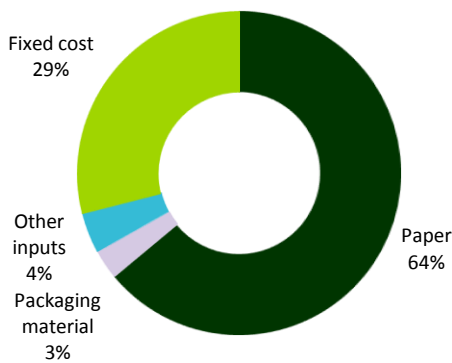


**Cost of products sold**

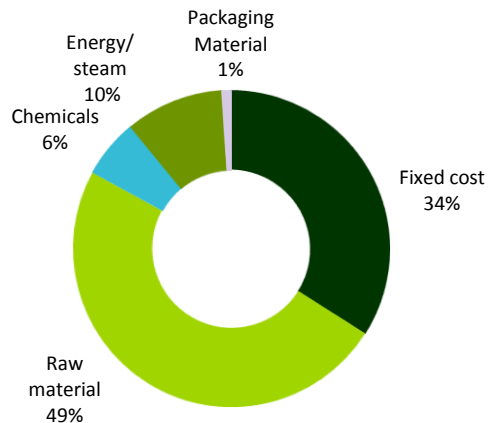
The cost of products sold in 3Q14 was R\$ 140,426 thousand, 26.8% above that of 3Q13 in absolute figures, due to the consolidation of the Corrugated Cardboard Packaging plant of São Roberto. In the accumulated for the year, the cost reached R\$ 409,914 thousand, 35.6% above that of the previous year and 6.3 p.p. higher than the net revenue growth, which is also explained by the aforementioned consolidation. The positive variation of the fair value of biological assets is not being considered in the cost of products sold.

The composition of cost per business segment of IRANI in 3Q14 is shown in the charts below.

**Corrugated Cardboard Packaging**



**Packaging Paper\***



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

**Operating income and expenses**

Selling expenses in 3Q14 totaled R\$ 18,532 thousand representing 9.6% of the consolidated net revenue, compared to 8.2% in 3Q13.

Administrative expenses in 3Q14 were 7.7% higher in comparison with 3Q13, totaling R\$ 11,557 thousand and represented 6.0% of the consolidated net revenue in 3Q14, in comparison with 6.9% in 3Q13. When analyzed against the net revenue for the quarters, the administrative expenses suffered no material impacts.

Other operating income (expenses) resulted in an expense of R\$ 4,656 thousand in 3Q14, against an expense of R\$ 957 thousand in 3Q13.



**OPERATING CASH GENERATION (ADJUSTED EBITDA)**

Consolidated (R\$ thousand)	3Q14	2Q14	3Q13	Variation 3Q14/2Q14	Variation 3Q14/3Q13	9M14	9M13	Variation 9M14/9M13	PROFORMA*				
									LTM14 <sup>1</sup>	LTM13 <sup>1</sup>	Variation LTM14/LTM13	LTM14	LTM13
<b>Profit (loss) before taxes and profit sharing</b>	<b>5,537</b>	<b>9,396</b>	<b>9,043</b>	<b>-41.1%</b>	<b>-38.8%</b>	<b>10,535</b>	<b>26,732</b>	<b>-60.6%</b>	<b>39,913</b>	<b>60,349</b>	<b>-33.9%</b>	<b>40,550</b>	<b>35,900</b>
Depletion	5,414	5,725	5,907	-5.4%	-8.3%	16,602	15,644	6.1%	22,344	22,710	-1.6%	22,344	22,710
Depreciation and amortization	12,597	11,877	8,367	6.1%	50.6%	36,188	24,177	49.7%	46,426	34,721	33.7%	46,612	43,595
Finance result	18,920	18,392	12,957	2.9%	46.0%	57,540	36,925	55.8%	73,543	48,051	53.1%	72,463	70,818
<b>EBITDA</b>	<b>42,468</b>	<b>45,390</b>	<b>36,274</b>	<b>-6.4%</b>	<b>17.1%</b>	<b>120,865</b>	<b>103,478</b>	<b>16.8%</b>	<b>182,226</b>	<b>165,831</b>	<b>9.9%</b>	<b>181,970</b>	<b>173,023</b>
<b>EBITDA margin</b>	<b>21.9%</b>	<b>26.0%</b>	<b>23.4%</b>	<b>-4.1p.p.</b>	<b>-1.5p.p.</b>	<b>22.1%</b>	<b>24.4%</b>	<b>-2.3p.p.</b>	<b>25.0%</b>	<b>30.0%</b>	<b>-5.0p.p.</b>	<b>24.6%</b>	<b>25.5%</b>
<b>Adjustments pursuant to CVM Instruction 527/12</b>													
EBITDA of the discontinued operations <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	6,272	-	-	6,272
Changes in the fair value of biological assets <sup>(3)</sup>	(6,025)	(10,800)	-	-44.2%	-	(18,450)	(9,090)	103.0%	(29,467)	(48,117)	-38.8%	(29,467)	(48,117)
Stock options/management participation <sup>(4)</sup>	-	-	147	-	-	-	437	-	7,636	3,515	117.2%	7,636	3,515
Non-recurring events <sup>(5)</sup>	5,237	-	-	-	-	5,237	-	-	(21,357)	2,638	-	(20,022)	9,087
<b>Adjusted EBITDA</b>	<b>41,680</b>	<b>34,590</b>	<b>36,421</b>	<b>20.5%</b>	<b>14.4%</b>	<b>107,652</b>	<b>94,825</b>	<b>13.5%</b>	<b>139,038</b>	<b>130,139</b>	<b>6.8%</b>	<b>140,117</b>	<b>143,780</b>
<b>Adjusted EBITDA Margin</b>	<b>21.5%</b>	<b>19.8%</b>	<b>23.5%</b>	<b>1.7p.p.</b>	<b>-2.0p.p.</b>	<b>19.6%</b>	<b>22.4%</b>	<b>-2.8p.p.</b>	<b>19.1%</b>	<b>23.5%</b>	<b>-4.4p.p.</b>	<b>19.0%</b>	<b>21.2%</b>

<sup>1</sup> Accumulated in the last twelve months.

<sup>2</sup> EBITDA of the discontinued operations refers to the EBITDA generated by the closure of the subsidiary Meu Móvel de Madeira - Comércio de Móveis e Decorações Ltda.

<sup>3</sup> Change in fair value of biological assets because it does not represent cash generation in the period.

<sup>4</sup> Stock options/management participation: stock options correspond to the fair value of the instruments and its offsetting entry is the Capital Reserve recorded in Equity, and the management profit sharing is related to the distribution of the Company's finance results. Neither of the two amounts represents a cash disbursement in the period.

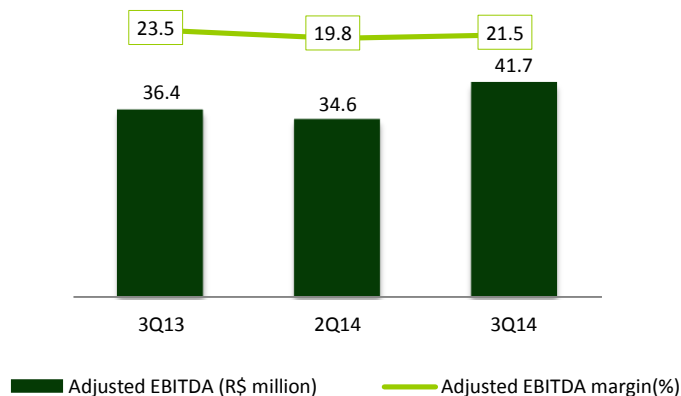
<sup>5</sup> Non-recurring events (3Q14 and 9M14) refer to the negative result of R\$ 5,237 thousand arising from the enrollment in the Tax Recovery Program referred to as "World Cup REFIS", recorded by Celulose Irani S.A. and subsidiary Ind. Papel e Papelão São Roberto.

Non-recurring events (LTM14) relate to the impairment losses on machinery in the amount of R\$ 4,590 thousand, the positive result for the enrollment in the Tax Recovery Program (REFIS) in the subsidiary Ind. Papel e Papelão São Roberto S.A. in the amount of R\$ 28,195 thousand and loss due to other investment changes in the subsidiary in the amount of R\$ 2,248 thousand.

\*Proforma: Assumes that the results of the operations of the subsidiary São Roberto S.A. had already been consolidated from the beginning of the periods for comparison purposes.

The operating cash generation, measured using the adjusted EBITDA, totaled R\$ 41,680 thousand in 3Q14, with an increase of 14.4% in relation to 3Q13 and 20.5% in relation to 2Q14. Adjusted EBITDA margin in 3Q14 reached 21.5%, a decrease of 2.0 p.p. in relation to 3Q13, as a result of lower margins in the subsidiary São Roberto S.A., consolidated into the Company's operations in 4Q13, and an increase of 1.7 p.p. when compared to 2Q14. In 9M14, adjusted EBITDA totaled R\$ 107,652 thousand and represented a margin of 19.6%, 13.5% higher than 9M13, which was R\$ 94,825 thousand.

**Adjusted EBITDA (R\$ million) and adjusted EBITDA margin (%)**



**FINANCE RESULT AND INDEBTEDNESS**

Finance result was negative by R\$ 18,920 thousand in 3Q14, representing an increase of 46.0% in comparison with 3Q13, influenced by the increase in the indebtedness levels assumed upon the consolidation of the operations of São Roberto S.A., and an increase of 2.9% in comparison with 2Q14. In 3Q14, the finance costs totaled R\$ 25,680 thousand, compared to R\$ 17,746 thousand in 3Q13 and R\$ 22,010 thousand in 2Q14. Finance income reached R\$ 6,760 thousand in 3Q14 versus R\$ 4,789 thousand in the same period of the previous year and R\$ 3,618 thousand in 2Q14.

The composition of the finance result is as follows:





R\$ thousand	3Q14	2Q14	3Q13	9M14	9M13	LTM14 <sup>1</sup>	LTM13 <sup>1</sup>
Finance income	6,760	3,618	4,789	15,931	12,180	23,442	14,730
Finance costs	(25,680)	(22,010)	(17,746)	(73,471)	(49,105)	(96,985)	(62,781)
Finance result	(18,920)	(18,392)	(12,957)	(57,540)	(36,925)	(73,543)	(48,051)

<sup>1</sup>Accumulated in the last twelve months.

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

R\$ thousand	3Q14	2Q14	3Q13	9M14	9M13	LTM14 <sup>1</sup>	LTM13 <sup>1</sup>
Foreign exchange gains	2,322	1,371	3,150	6,262	6,410	7,710	7,840
Foreign exchange losses	(4,058)	(1,119)	(3,845)	(8,520)	(7,387)	(10,629)	(9,118)
Foreign exchange variations, net	(1,736)	252	(695)	(2,258)	(977)	(2,919)	(1,278)

<sup>1</sup>Accumulated in the last twelve months.

The following table shows the finance result without the foreign exchange variations:

R\$ thousand	3Q14	2Q14	3Q13	9M14	9M13	LTM14 <sup>1</sup>	LTM13 <sup>1</sup>
Finance result net of foreign exchange variation	(17,184)	(18,644)	(12,262)	(55,282)	(35,948)	(70,624)	(46,773)

<sup>1</sup>Accumulated in the last twelve months.

With the purpose of hedging its exports for the next years, the Company maintains the maturities of its commitments in foreign currency (U.S. Dollars) aligned with the expectations of receipt in this currency. The foreign exchange variations of these transactions are accounted for monthly in Equity and recorded in the results as finance costs when realized (hedge accounting). In 3Q14, the amount recognized in equity was R\$ 20,485 thousand.

#### Foreign exchange

The foreign exchange rate, which was R\$ 2.20/US\$ at June 30, 2014, increased by 11.36% and reached R\$ 2.45/US\$ at the end of September. The average foreign exchange rate for the quarter was R\$ 2.27/US\$, being 1.79% higher than 2Q14 stable in the same period of 2013.

	3Q14	2Q14	3Q13	$\Delta$ 3Q14/2Q14	$\Delta$ 3Q14/3Q13
Average U.S. Dollar	2.27	2.23	2.29	+1.79%	-0.87%
Final U.S. Dollar	2.45	2.20	2.23	+11.36%	+9.87%

Source: Brazilian Central Bank (BACEN)

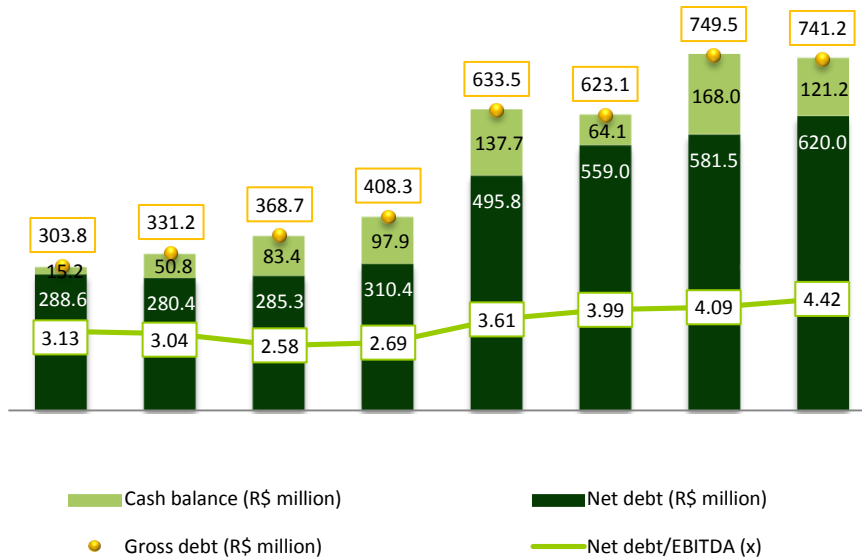
#### Net indebtedness

At September 30, 2014, the consolidated gross indebtedness totaled R\$ 741.2 million, against R\$ 749.5 million at June 30, 2014. The gross indebtedness profile at September 30, 2014 was 22%, with maturity in the short term, and 78%, with maturity in the long term.

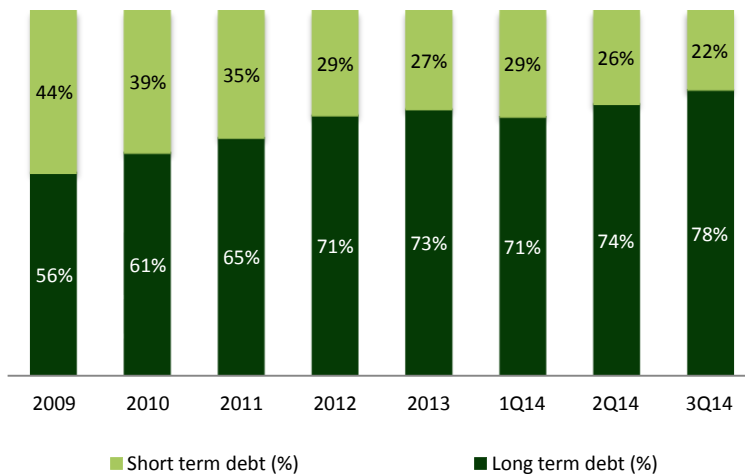
At September 30, 2014, the consolidated cash balance totaled R\$ 121.2 million, against R\$ 168.0 million at June 30, 2014.

At September 30, 2014, the consolidated net indebtedness totaled R\$ 620.0 million, against R\$ 581.5 million at June 30, 2014. The net debt/EBITDA ratio increased from 4.09 times at the end of June 2014 to 4.42 times at the end of 3Q14. This variation is mainly due to the increase in the U.S. dollar rate in the quarter as a result of the exposure of a portion of the debt in that currency, the payment of interim dividends, and the partial REFIS amortization of subsidiary Indústria de Papel e Papelão São Roberto S.A., which reduced the cash balance.

Net debt and Net debt/EBITDA



Gross debt profile



**NET RESULT**

In 3Q14, the profit amounted to R\$ 22,402 thousand as compared to a R\$ 7,058 thousand in 3Q13 and R\$ 9,497 thousand in 2Q14. In the accumulated for the year, the net result amounted to R\$ 28,656 thousand over R\$ 24,585 thousand for 9M13. In the last twelve months, the net result amounted to R\$ 71,480 thousand over R\$ 53,885 thousand for the same period of the prior year.

**INVESTMENTS**

Investments made in 3Q14 amounted to R\$ 12,198 thousand. The major investment in the period consisted in the expansion and modernization of the Paper Machine I (MP I), which expanded the paper production capacity by 3,000 metric tons/month as from July 2014. In the accumulated for the year, investments amounted to R\$ 68,955 thousand.

R\$ thousand	3Q14	9M14
Equipment	10,907	65,658
Intangible assets	135	251
Reforestation	1,156	3,046
<b>Total</b>	<b>12,198</b>	<b>68,955</b>



## **CAPITAL MARKETS**

At September 30, 2014, IRANI's capital comprised 166,720,235 shares, of which 153,909,975 (92%) were common shares and 12,810,260 (8%) were preferred shares. At September 30, 2014, the Company had 2,376,100 treasury shares, of which 24,000 were common shares and 2,352,100 were preferred shares. At the same date, the Company's market value was R\$ 535,172 thousand.

## **Dividends**

The Board of Directors' Meeting held on September 9, 2014 approved the payment of interim dividends based on the balance sheet as at June 30, 2014, in the amount of R\$ 3,000,000.00 and corresponding to R\$ 0.018254 per common and preferred share. Payment to stockholders was made on September 30, 2014.

## **REPURCHASE OF SHARES**

On August 28, 2013, the Company's Board of Directors approved a program for the repurchase of the Company's shares, which will be held in treasury and subsequently canceled or sold. It authorized the purchase of up to 1,312,694 common shares and up to 116,444 preferred shares, representing 10% of each category of shares outstanding in the market at July 31, 2013. This program is valid for 365 days or up to August 27, 2014. No shares issued by the Company have been repurchased under this program.



For additional information, access our website – [www.irani.com.br/ri](http://www.irani.com.br/ri), or contact our Investors Relations area:

**Odivan Carlos Cargnin** – [odivancargnin@irani.com.br](mailto:odivancargnin@irani.com.br)

Tel.: (51) 3220 3542 Fax.: (51) 3220 3757

**Evandro Zabott** – [evandrozabott@irani.com.br](mailto:evandrozabott@irani.com.br)

Tel.: (49) 3527 5192 Fax.: (49) 3527 5185

**Adriana Wagner** – [adrianawagner@irani.com.br](mailto:adrianawagner@irani.com.br)

Tel.: (49) 3527 5194 Fax.: (49) 3527 5185

Address: Rua Francisco Lindner, 477 Joaçaba/SC 89.600-000

E-mail: [ri@irani.com.br](mailto:ri@irani.com.br)

*The statements contained in this notice regarding the perspectives of businesses and the potential for the Company's growth are mere forecasts, based on the expectations of management regarding the future of the Company. These expectations are highly dependent on market changes, in Brazil's general economic performance and in the international markets, and therefore are subject to changes.*



Annex I – Consolidated Statements of Income (R\$ thousand) - Quarterly

	3Q14	2Q14	3Q13	Variation 3Q14/2Q14	Variation 3Q14/3Q13
<u>Continuing operations</u>					
<b>Net Revenue from sales</b>	<b>193,603</b>	<b>174,667</b>	<b>155,240</b>	<b>10.8%</b>	<b>24.7%</b>
Fair value variation biological assets	6,025	10,800	-	-44.2%	-
Cost of products sold	(140,426)	(131,185)	(110,736)	7.0%	26.8%
<b>Gross Profit</b>	<b>59,202</b>	<b>54,282</b>	<b>44,504</b>	<b>9.1%</b>	<b>33.0%</b>
<b>Operating Income (Expenses)</b>	<b>(34,745)</b>	<b>(26,494)</b>	<b>(22,504)</b>	<b>31.1%</b>	<b>54.4%</b>
Selling Expenses	(18,532)	(17,062)	(12,733)	8.6%	45.5%
General and administrative	(11,557)	(10,590)	(10,728)	9.1%	7.7%
Other operating income	1,362	1,784	1,247	-23.7%	9.2%
Other operating expenses	(6,018)	(626)	(290)	861.3%	1,975.2%
Management participation	-	-	-	-	-
<b>Profit before financial result and taxes</b>	<b>24,457</b>	<b>27,788</b>	<b>22,000</b>	<b>-12.0%</b>	<b>11.2%</b>
<b>Net financial income (expenses)</b>	<b>(18,920)</b>	<b>(18,392)</b>	<b>(12,957)</b>	<b>2.9%</b>	<b>46.0%</b>
Financial income	6,760	3,618	4,789	86.8%	41.2%
Financial expenses	(25,680)	(22,010)	(17,746)	16.7%	44.7%
<b>Income (loss) before taxes</b>	<b>5,537</b>	<b>(9,396)</b>	<b>9,043</b>	<b>-41.1%</b>	<b>-38.8%</b>
Income tax and social contribution current	(73)	(100)	(262)	-27.0%	-72.1%
Income tax and social contribution deferred	16,938	201	(1,723)	8,326.9%	-
<b>Net profit (loss) from continuing operations</b>	<b>22,402</b>	<b>9,497</b>	<b>7,058</b>	<b>135.9%</b>	<b>217.4%</b>
<u>Discontinued operation</u>					
Net profit (loss) from discontinued operation	-	-	-	-	-
<b>Consolidated profit (loss) for the period</b>	<b>22,402</b>	<b>9,497</b>	<b>7,058</b>	<b>135.9%</b>	<b>217.4%</b>



Annex II – Consolidated Statements of Income (R\$ thousand) - Accumulated

	9M14	9M13	Variation 9M14/9M13	LTM14	LTM13	Variation LTM14/LTM13
<u>Continuing operations</u>						
<b>Net Revenue from sales</b>	<b>548,097</b>	<b>423,654</b>	<b>29.4%</b>	<b>728,685</b>	<b>552,868</b>	<b>31.8%</b>
Fair value variation biological assets	18,450	9,090	103.0%	29,467	48,117	-38.8%
Cost of products sold	(409,914)	(302,229)	35.6%	(545,777)	(397,510)	37.3%
<b>Gross Profit</b>	<b>156,633</b>	<b>130,515</b>	<b>20.2%</b>	<b>212,376</b>	<b>203,475</b>	<b>4.4%</b>
<b>Operating Income (Expenses)</b>	<b>(88,558)</b>	<b>(66,858)</b>	<b>32.5%</b>	<b>(98,918)</b>	<b>(95,075)</b>	<b>4.0%</b>
Selling Expenses	(52,001)	(36,954)	40.7%	(68,144)	(48,705)	39.9%
General and administrative	(33,517)	(30,782)	8.9%	(47,706)	(41,756)	14.2%
Other operating income	4,752	2,828	68.0%	39,930	3,766	960.3%
Other operating expenses	(7,792)	(1,950)	299.6%	(15,508)	(5,449)	184.6%
Management participation	-	-	-	(7,490)	(2,931)	155.5%
<b>Profit before financial result and taxes</b>	<b>68,075</b>	<b>63,657</b>	<b>6.9%</b>	<b>113,457</b>	<b>108,400</b>	<b>4.7%</b>
<b>Net financial income (expenses)</b>	<b>(57,540)</b>	<b>(36,925)</b>	<b>55.8%</b>	<b>(73,543)</b>	<b>(48,051)</b>	<b>53.1%</b>
Financial income	15,931	12,180	30.8%	23,442	14,730	59.1%
Financial expenses	(73,471)	(49,105)	49.6%	(96,985)	(62,781)	54.5%
<b>Income (loss) before taxes</b>	<b>10,535</b>	<b>26,732</b>	<b>-60.6%</b>	<b>39,913</b>	<b>60,349</b>	<b>-33.9%</b>
Income tax and social contribution current	(267)	(688)	-61.2%	(864)	(989)	12.6%
Income tax and social contribution deferred	18,388	(1,459)	-	32,431	(9,552)	-
<b>Net profit (loss) from continuing operations</b>	<b>28,656</b>	<b>24,585</b>	<b>16.6%</b>	<b>71,480</b>	<b>49,807</b>	<b>43.5%</b>
<u>Discontinued operation</u>						
Net profit (loss) from discontinued operation	-	-	-	-	4,078	-
<b>Consolidated profit (loss) for the period</b>	<b>28,656</b>	<b>24,585</b>	<b>16.6%</b>	<b>71,480</b>	<b>53,885</b>	<b>32.7%</b>



Annex III – Consolidated Balance Sheet (R\$ thousand)

ASSETS	09/30/14	12/31/13	LIABILITIES AND SHAREHOLDERS' EQUITY	09/30/14	12/31/13
<b>CURRENT ITEM</b>	<b>379,017</b>	<b>347,936</b>	<b>CURRENT ITEM</b>	<b>301,502</b>	<b>357,375</b>
Cash and cash equivalents	115,539	135,005	Funding	110,752	119,705
Trade accounts receivable	165,406	129,970	Debentures	48,798	53,041
Inventories	68,936	60,838	Trade accounts payable	56,919	90,575
Recoverable taxes	6,187	7,721	Payroll and related charges	36,130	32,534
Banks restricted account	5,638	2,730	Taxes payable	18,044	13,591
Other assets	17,311	11,672	IR and CSLL payable	850	761
			Tax in installments	13,707	10,260
			Advances from customers	1,852	1,618
<b>NONCURRENT ITEM</b>	<b>1,285,120</b>	<b>1,283,585</b>	Dividends payable	311	19,772
Recoverable taxes	4,429	3,625	Other payables	14,139	15,518
Escrow deposits	994	1,122			
Other assets	4,743	7,542	<b>NONCURRENT ITEM</b>	<b>863,231</b>	<b>785,905</b>
Related parties	1,078	1,005	Funding	496,487	350,855
Biological assets	274,035	268,725	Debentures	85,115	109,885
Property, plant and equipment	886,871	888,403	Taxes payable	12,198	16,911
Intangible	112,970	113,163	Income tax and social contribution deferred	215,813	222,673
			Reserve for civil, labor and tax risks	38,691	44,078
			Tax in installments	14,927	40,159
			Other payables	-	1,344
			<b>SHAREHOLDERS' EQUITY</b>	<b>499,404</b>	<b>488,241</b>
			Capital	151,895	116,895
			Capital reserves	960	960
			Revenue reserves	148,646	151,280
			Carrying value adjustments	197,887	219,094
			Shareholders equity assigned to the participation of controlling shareholders	499,388	488,229
			Non-controlling shareholders	16	12
<b>TOTAL ASSETS</b>	<b>1,664,137</b>	<b>1,631,521</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,664,137</b>	<b>1,631,521</b>





## Annex IV – Consolidated Statement of Cash Flows (R\$ thousand)

	9M14	9M13
<b>Net cash provided by operating activities</b>	<b>(3,623)</b>	<b>35,547</b>
<b>Cash from operations</b>	<b>98,577</b>	<b>102,166</b>
Profit (loss) before income tax and social contribution	10,535	26,732
Changes in the fair value of biological assets	(18,450)	(9,090)
Depreciation, amortization and depletion	52,790	39,824
Result on sale of permanent assets	(156)	23
Provision for civil, labor and tax risks	(5,387)	(3,263)
Provision for impairment of trade receivables	316	370
Government grants	(595)	(271)
Monetary variations and charges	59,523	47,404
Non-controlling shareholders	1	1
Share-based payments	-	436
<b>Changes in assets and liabilities</b>	<b>(102,200)</b>	<b>(66,619)</b>
Accounts receivable	(35,753)	(24,992)
Inventories	(8,098)	(15,727)
Taxes recoverable	730	495
Other assets	(5,693)	3,630
Trade payables	(9,595)	8,776
Social security obligations	3,596	(1,262)
Advances from customers	234	286
Taxes payable	(2,632)	(2,930)
Payment of interest on borrowings	(32,592)	(25,482)
Payment of interest on debentures	(9,675)	(6,906)
Other payables	(2,722)	(1,517)
<b>Net cash used in investing activities</b>	<b>(61,828)</b>	<b>(43,849)</b>
Purchase of property, plant and equipment	(57,819)	(40,130)
Purchase of biological assets	(3,795)	(4,056)
Acquisition of intangible assets	(786)	(293)
Receipt on alienation of assets	572	630
<b>Net cash used in financing activities</b>	<b>45,985</b>	<b>(24,658)</b>
Payment of dividends	(22,461)	(23,965)
Debentures paid	(32,219)	(25,000)
Real Estate Credit Note (CRI)	-	(10,914)
Loans raised	213,355	116,203
Loans paid	(112,690)	(82,990)
Treasury shares	-	2,008
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(19,466)</b>	<b>(32,960)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>135,005</b>	<b>96,922</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>115,539</b>	<b>63,962</b>