

Porto Alegre, October 24, 2018.

To

Securities Commission - CVM

Sete de Setembro Street, nº 111, 27º floor,
Postal Code 20050-901, Rio de Janeiro - RJ

To: **Superintendency of Business Relationship (SEP)**

Dear Mr. Fernando Soares Vieira

Business Follow-up Management 2 (GEA-2)

Dear Mr. Guilherme Rocha Lopes

Ref.: Response to Letter no. 319/2018/CVM/SEP/GEA-2

Dear Sirs,

Referring to Letter no. 319/2018/CVM/SEP/GEA-2, dated from October 23, 2018 ("Letter"), which requests to the Investors Relationship Director of Celulose Irani S. A. ("Company"), Mr. Odivan Carlos Cargnin, additional clarifications on news published in the media, and the atypical fluctuations in price, number of trades and financial volume traded of ON and PN shares issued by the Company, whose content is hereinafter transcribed:

"Dear Mr. Director,

- 1. Referring to the Material Fact disclosed by the Company on August 29, 2018, the Announcement to the Market presented in the IPE Module of the Sistema Empresas.NET on October 19, 2018, in response to the Letter 1.801/2018-SAE, October 18, 2018, and to the news published by the newspaper Valor Econômico in its world-wide web on October 19, 2018, entitled "Offers of acquisition of Celulose Irani make shares rise up to 40% on B3", hereinafter reproduced::*

10/19/2018 - 06:42 p.m.

Offers of acquisition of Celulose Irani make shares rise up to 40% on B3

By Stella Fontes and Vanessa Adachi

SÃO PAULO - **The shares of Celulose Irani**, which integrates the group of the five largest manufacturers of corrugated packaging in the country, **have recorded strong appreciation in the session today at B3, reaching the maximum of the year, in the wake of the developments of the company's sale process. The financial volume was also well above the standards displayed by Irani, which has little liquidity on the stock exchange.**

According to sources heard by Valor, at this stage, those who are interested in the assets are forwarding non-binding offers. Foreign and national groups have indicated interest in Irani and a Chinese group come to visit the company, according to sources. Among the mentioned names as potential buyers, the Irish Smurfit Kappa and the Brazilian Klabin appear.

The ON shares of the company rose 40.43%, to R\$ 3.30, while the PN ones had gain 39.51%, being traded at R\$ 2.86. The trading volume of common securities was R\$ 210 thousand, the largest of the year, comparable to a daily average of R\$ 2.6 billion. The PN shares, that have an even more restricted liquidity, had trading volume of R\$ with 43.9 thousand.

Valor reported, on August 28, that the gaucho group Habitasul, Irani's owner, was looking for buyers for its pulp and paper business and hired BTG Pactual to prospect interested investors. Regarding a material fact of the Brazilian Securities Commission (CVM) on the same date, the company confirmed that was in "negotiation with financial advisors for possible operations", although up to that time, there was no "document linking the company to any operation".

"The company constantly evaluates alternative fundraising to strengthen its capital structure and fund its investments, including through the entry of investors in its capital," reported in the document. Today, the market value of Irani is almost R\$ 545 million.

Recently, in response to the Securities Commission (CVM), the company reported that it is unaware of any new fact that would justify the transfer of its shares. "Please be advised that, in addition to what was disclosed through a material fact dated from August 28, 2018, there is no fact of company's knowledge, which can justify the atypical transactions of shares during October 03 to 18, 2018," he said.

Sought, Irani did not comment on the matter.

2. On the trading days of October 18, 19 and 22, 2018, the common securities and preferred stock issued by the Company had the following behavior on the trading day of B3, which can be characterized as an atypical fluctuation of the price, the number of trades and in financial volume negotiated:

	Trading	Closing	Variation	Minimum	Maximum	Volume	Businesses
ON Share(RANI3)	10/18/2018	R\$ 2.35	+8.80%	R\$ 2.11	R\$ 2.66	R\$ 148,670	135
	10/19/2018	R\$ 3.30	+40.43%	R\$ 2.30	R\$ 3.73	R\$ 210,050	178
	10/22/2018	R\$ 3.95	+19.70%	R\$ 3.40	R\$ 4.90	R\$ 574,210	336
PN Share(RANI4)	10/18/2018	R\$ 2.05	+1.49%	R\$ 2.05	R\$ 2.31	R\$ 3,190	9
	10/19/2018	R\$ 2.86	+39.51%	R\$ 2.05	R\$ 2.98	R\$ 43,930	58
	10/22/2018	R\$ 4.20	+46.85%	R\$ 2.90	R\$ 4.20	R\$ 56,380	46

3. In addition, we remind the Company that the Official Memorandum no. 02/2018/CVM/SEP observes that "the CVM comes with the understanding that, **in the event of a leak of information or if the securities issued by the company fluctuate atypically, the fact must be immediately disclosed, even though the information refers to the operations in negotiation (not concluded), initial negotiations, feasibility studies, or even to the mere intention of carrying on the business** (see judgment of the Process CVM RJ2006/5928 and PAS CVM no. 24/05). If the relevant information escape from the control of the administration or may occur an atypical fluctuation in the quotation, price or quantity negotiated of securities issued by the listed company or related thereto, **the DRI shall inquire the persons with access to material acts or facts, with the purpose of ascertaining whether they have knowledge of information that must be disclosed in the market**. Thus, in cases in which it can be identified failures in the disclosure of material act or fact, without prejudice to the investigation of possible use of insider information, the DRI, as well as the controlling shareholders, other officers, members of the board of directors, fiscal council and any bodies with technical or advisory functions, created by statutory provision, **are subject to the investigation of responsibility for the possible infringement to the mentioned articles 3, 4 and 6 of the CVM Instruction no. 358/02, and to articles 155, paragraph 1, and 157, paragraph 4 of Law no. 6,404/76**, according to the case. Once it is found that the dissemination of news in the press involving not yet disclosed information by the issuer, by means of the IPE Module Sistema Empresas.NET or the dissemination of news that add new fact about the already disclosed information, it is up to the company's directors, in particular, to its DRI to analyze the potential impact of the news on the negotiations and, if that is the case, immediately manifest about the said news, through the IPE Module Sistema Empresas.NET, and not only after the inquiry receipt of CVM or B3" (emphasis added).

4. *In this sense, we require your manifestation on the veracity of the published statements on the news, **in particular in relation to the highlighted excerpts**, and, if so, **we request additional clarification regarding the subject matter**, in addition to those already provided in the Material Fact of August 29, 2018 and the Announcement to the Market of October 19, 2018, as well as to inform the reasons why it did not treat the matter as a Material Fact, in terms of what it offers the **sole paragraph of article 6 of CVM Instruction no. 358/02**.*
5. *Such demonstration must include a copy of this Letter and be forwarded to the IPE System, in the category “Announcement to the Market”, type “Clarifications on questions of the CVM/B3”. **The answer to this request of manifestation by means of an Announcement to the Market does not mean that the eventual liability verification by the timely non-disclosure of the Material Fact, pursuant to CVM Instruction no. 358/02**.*
6. *We stress that, in accordance with art. 3 of CVM Instruction no. 358/02, it is incumbent on the Investor Relationship Officer to disclose and communicate to CVM and, if applicable, to the stock exchange and entities of the OTC market where the securities issued by the company are admitted to trading, any material act or fact occurred or related to its business, as well as ensure its wide and immediate dissemination, simultaneously in all markets in which such securities are admitted to trading.*
7. *We also remember that the obligation provided in the sole paragraph of art. 4 of the CVM Instruction no. 358/02, **to inquire the administrators and controlling shareholders of the Company, as well as all other persons with access to material acts or facts**, with the purpose of ascertaining whether they have knowledge of information that must be disclosed to the market with the purpose of ascertaining whether these would have knowledge of information that should be disclosed to the market.*
8. *Order of the Superintendency of Business Relationship – SEP, please note that it will be the responsibility of this administrative authority, in the use of its legal attributions and, on the basis of item II of article 9, of Law no. 6,385/1976, and article 7 c/c article 9 of CVM Instruction no. 452/2007, to determine the application of the punitive fine, in the amount of R\$1.000,00 (thousand reais), without prejudice to other administrative sanctions, by not answering to this Letter, **until October 24th, 2018**.”*

With respect to the questions and requests contained in the Letter, we have the comments hereinafter described.

As disclosed by the Material Fact dated from August 28, 2018 (“Material Fact”), the Company constantly evaluates alternative fundraising to strengthen its capital structure and finance its investments, including through the entry of investors in its capital and, in this context, despite

the Company being in negotiation with financial advisors to potential operations, up to the present date there is no document linking the Company to any operation.

In addition, on October 19, 2019, the Company released an Announcement to the Market in response to the Office of the B3 stating that, besides to what had been disclosed through the Material Fact, there was no other fact of the Company's knowledge, which could justify the atypical transaction of shares during the period from October 03 to 18, 2018.

Regarding the news published in Valor Econômico on October 19, 2018, after the market closing ("Notícia Valor"), the Company, after questioning its administrators and controlling shareholders, confirms that it has no knowledge of any new material fact after the one reported in the Material Fact of August 28, 2018. Indeed, as mentioned in the Material Fact, the controlling shareholders, together with the Company, have prepared studies and analyses regarding alternative fundraising to strengthen its capital structure, including, but not limited to, capital increases, debt issuances, and a potential sale of shares held by the Company's controlling shareholders. In this context, such as occurs in any process of potential entry of investors in its capital, the controlling shareholders of the Company hired the Banco BTG Pactual to seek potential investors, provided that such potential investors are analyzing information concerning the Company, and some of them have visited its facilities and submitted non-binding proposals for the controlling shareholders. However, there is no decision of the Company's controlling shareholder regarding a possible sale of the Company's shares, or even documents, binding documents with such potentially interested parties regarding a possible sale of the Company's shares. In this way, the Company understands that the published content on Notícia Valor, not only had already been duly published in two previous occasions, as it did not bring any new fact regarding the information already disclosed, since, to repeat, the Company had already informed that its controlling shareholders were seeking possible investors in its capital. The Company understands that the mere analysis of information on the Company, visit to its facilities or even the sending of non-binding proposals are part of a normal process of the search for interested investors, and that these simple events, allied to the fact that there is not, until this moment, any kind of binding documents agreed with any of these potential interested parties, they cannot be translated into material facts that should be disclosed.

Moreover, with respect to the fluctuations verified in the common and preferred stock issued by the Company mentioned in the Letter, the Company believes that such fluctuations recorded with the Company's shares, as well as the number of trades and quantity traded can be explained by the fact that the securities issued by the Company have low liquidity and, therefore, any movement, even a small one, can directly affect the percentage of daily price and trading volume fluctuation of shares. It should be noted, in this regard, that the day of greatest movement observed is related to the amount of only R\$574thousand of the common stock (ON), which is not a material value to the market.

In addition, these fluctuations can also be justified considering the record results that has been verified in the pulp and paper industry, especially, due to the context of favorable currency exchange rate to exports. This context was also the subject of the story published by Valor Econômico on October 23, 2018, on the following terms:

“Analysts see the record results for the pulp and paper industry

Higher prices of pulp and paper, favorable currency exchange to the exports and lower production cost should give the keynote on the results of Brazilian companies of the pulp and paper industry in the third quarter. In general, banks and brokers analysts expect the operating results record, with the negative impact of the exchange currency rate variation between the opening and the closing of the quarter on the financial line.

The world's largest producer of eucalyptus pulp, Fibria, opens the season of result dissemination regarding the sector tomorrow, before the opening of the markets, and it is expected to announce net profit of more than 80% above the result checked a year before, also benefited by the start of operations of the new production line of the Três Lagoas (MS) on August 23, 2017.

For the last line of the balance sheet, the average projection of Bradesco BBI, Itaú BBA and BTG Pactual is the profit of R\$ 1.35 billion, 82% above the result recorded during last year's third quarter. To net revenue, analysts estimate an average of R\$ 5.79 billion, a 104% high. On the other hand, the operating result before interest, taxes, depreciation and amortization (Ebitda) adjusted should reach R\$ 3.19 billion, with an increase of 153%.

According to the analysts Marcos Assumpção, Daniel Sasson and Carlos Eduardo Schmidt, from Itaú BBA, in addition to the depreciation of the Brazilian real and the strong volume sales of pulp, the decrease in the cost of production has benefited the company during the quarter. The bank predicts sales of 1.78 million tons of pulp, without regard to the volumes of Klabin, with a high of 34% in the annual comparison and of 12.5% in the second quarter. The raw material dollar price remained stable compared to the previous three months, while the values in reais must have gone up 10%.

Itaú BBA calculates a cost of production of R\$ 580 per ton of pulp in the third quarter, against R\$ 598 per ton in the previous three months. Bradesco BBI, in turn, highlights that there will be record results. Pulp sales of 1.94 million tons, lower cost of production (R\$ 580 per ton), real 9% more depreciated and pulp prices in dollar stable have contributed to this performance.

Investors will be also attentive to potential news regarding the company's merger process with Suzano Papel e Celulose. Suzano announces results on Thursday and should also report record of the operational line. However, the real depreciation against the dollar will have a negative impact on the financial line, both by the side of the debt denominated in foreign currency as the hedge related to the transaction, what will reduce the gains. In accordance with the average estimates of Bradesco BBI, Itaú BBA, BTG and XP, Suzano is expected to announce net income of R\$ 462.5 million, a fall of 42.3%.

The quarterly net income should rise 44% in the annual comparison, to R\$ 3.75 billion, and the

Ebitda should pass 69%, to R\$ 2.03 billion. According to the analysts Thiago Lofiego, Arthur Suelotto and Isabella Vasconcelos, from Bradesco BBI, the record Ebitda reflects, in addition to the increase of 5% and 7% in pulp and paper shipments, the decline in the cost of production, to R\$ 630 per ton. The absence of downtime for maintenance and higher prices of electricity explain the improvement of this account.

The analysts at Itaú BBA add to the list of factors that contributed to the result the higher margins of paper. The cost of production should show a fall, for R\$ 585 per ton, with the higher dilution of fixed cost, and spending less with wood. In paper business, domestic sales should have gone up 2%, benefiting from the sales of tissue and some improvement in the volumes of other types of papers. Compared to the second quarter, the expectation is a raise of 3% in prices, if the implementation of this adjustments is successful.

With disclosure on Monday, the Company's operating result must be a record due to higher prices of pulp and paper and lower production costs. For the final company's results, the projections are compiled by Valorvariam of R\$ 150 million profit (Itaú BBA) to R\$ 15 million loss (XP). The other two banks, Bradesco BBI and BTG Pactual, project a gain of R\$ 71 million and R\$ 30 million, respectively. To the net revenue, the average of the four estimates is R\$ 2.78 billion, a high of 25% in the annual comparison. On the other hand, the adjusted Ebitda should rise 61%, to R\$ 1.2 billion. According to Itaú BBA, the Ebitda margin should reach 44.9%, the highest margin ever recorded, and the financial leverage should fall to around 3 times, opening up space for the potential announcement of a new cycle of growth.

In the paper business, the Company must have registered shipments of 452 thousand tons, with a more profitable sales mix. For the pulp business, Itaú BBA projects shipments of 380 million tons, with a high of 8% in the quarterly comparison. For Bradesco BBI, the cost of pulp production was R\$ 663 per ton during the first quarter and R\$ 743 per ton during the second quarter."

Journalist: FONTES, Stella

(Valor Econômico - 10.23.2018, p. B4)

Finally, notwithstanding the fact that you understand that the content of the news published in the media refer to material facts already disclosed, and the events mentioned do not constitute reason for a new material fact, the Company will, on this date, in order to standardize the information to the market, disclose new relevant fact informing you on the work progress in relation to the potential entry of investors in its capital, so as to reproduce the explanations referred to in this response.

Sincerely,

CELULOSE IRANI S.A.

Odivan Carlos Cargnin

Managing, Finance and Investor Relationship Director