
Klabin S.A.



**Unaudited Pro Forma Condensed Consolidated Financial
Information for the Six-Month Period Ended June 30, 2020**

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A free translation from the original in Portuguese

Independent auditor's assurance report on the compilation of pro forma condensed consolidated financial information for compliance with CVM Instruction No. 565

The Shareholders, Board of Directors and Officers
Klabin S.A.
São Paulo – SP

We have completed our assurance engagement to report on the compilation of pro forma condensed consolidated financial information of Klabin S.A. (the "Company") prepared by the Company's management for compliance with Instruction No. 565 issued by the Brazilian Securities and Exchange Commission ("CVM"). The pro forma condensed consolidated financial information comprises the pro forma condensed consolidated statement of financial position as at June 30, 2020, the pro forma condensed consolidated statement of profit and loss for the six-month period ended June 30, 2020 and the related footnotes. The applicable criteria adopted by the Company's management in compiling the pro forma condensed consolidated financial information is specified in CTG Release No. 06 - Presentation of Pro Forma Financial Information, and summarized in the footnotes that are part of the pro forma condensed consolidated financial information.

The pro forma condensed consolidated financial information has been compiled by the Company's management to illustrate the impact of the merger of Sociedade Geral de Marcas Ltda. ("Sogemar"), as set out in footnote 4, on the Company's financial position as at June 30, 2020 and its financial performance for the six-month period then ended, as if the merger had taken place on July 1, 2020. As part of this process, information about the Company's financial position and financial performance has been extracted by the Company's management from the consolidated financial statements for the six-month period ended June 30, 2020, on which we issued an unqualified audit report on August 10, 2020. Additionally, information on the financial position and financial performance of Sociedade Geral de Marcas Ltda. has been extracted by the Company's management from the unaudited consolidated financial statements of Sogemar for the six-month period ended June 30, 2020, which were audited by other independent auditors whose unqualified audit report issued on August 3, 2020 included an emphasis paragraph regarding the taxation of assignment of trademark rights, as described in footnote 6.

Responsibilities of the Company's management for the pro forma condensed consolidated financial information

The Company's management is responsible for the compilation of the pro forma condensed consolidated financial information based on CTG Release No. 06.

Independent auditor's responsibilities

Our responsibility is to express an opinion, as required by the Brazilian Securities and Exchange Commission, as to whether the pro forma condensed consolidated financial information has been compiled, in all material respects, by the Company's management on the basis of CTG Release No. 06 - Presentation of Pro Forma Condensed Consolidated Financial Information.

We conducted our engagement in accordance with NBC TO 3420 (R1) - Assurance Engagement on the Compilation of Pro Forma Condensed Consolidated Financial Information attached to the Merger Prospectus, issued by Brazil's National Association of State Boards of Accountancy, equivalent to the international standard ISAE 3420 issued by issued by the International Federation of Accountants. Those standards also require that the auditors comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the pro forma condensed consolidated financial information has been compiled by the Company's management, in all material respects, in accordance with CTG Release No. 06 - Presentation of Pro Forma Financial Information. For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information.

The purpose of the pro forma condensed consolidated financial information is solely to illustrate the impact of a significant event on the entity's historical financial information as if the event had occurred at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event as at June 30, 2020 and January 1st, 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of applicable criteria, involves performing procedures to assess whether the applicable criteria adopted by the Company's management in the compilation of the pro forma condensed consolidated financial information provides a reasonable basis for presenting the significant effects directly attributable to the event, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments have an adequate impact on such criteria; and
 - the pro forma condensed consolidated financial information reflects the proper application of those adjustments to the historical financial information.
-

The procedures selected depend on the independent auditor's judgment, having regard to the auditor's understanding of the Company, the nature of the event in respect of which the pro forma condensed consolidated financial information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the compilation of the pro forma condensed consolidated financial information.

Opinion

In our opinion, the pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of CTG Release No. 06 - Presentation of Pro Forma Condensed Consolidated Financial Information.

Other matters

Re-issue of assurance report on the pro forma condensed consolidated financial information

On September 15, 2020, we issued an independent auditor's assurance report on the pro forma condensed consolidated financial information for the six-month period ended June 30, 2020 in compliance with CVM Ruling No. 565. This information was adjusted and is re-issued in order to reflect the new agreed-upon terms of the merger of Sogemar – Sociedade Geral de Marcas Ltda into Klabin S.A., disclosed in Notes 2 and 5. Our opinion is not modified in respect of this matter.

São Paulo, October 27, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC 2SP034519/O-6

Rita de C. S. Freitas
Accountant CRC-1SP214160/O-5

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2020
(In thousands of reais)

ASSETS	Pro Forma Adjustments				Pro Forma Consolidated Klabin S.A.	Adjustment reference
	Consolidated Klabin S.A.	Capital Increase Sogemar	Incorporation Sogemar	Related Party Eliminations		
Current						
Cash and cash equivalents	8,037,284	9	2,005	-	8,039,298	(i)
Marketable securities	1,831,094	-	-	-	1,831,094	
Accounts receivable:						
. Trade receivables	2,170,051	-	-	-	2,170,051	
. Allowance for doubtful debts	(57,239)	-	-	-	(57,239)	
Related parties	1,557,530	-	-	-	1,557,530	(ii)
Inventory	786,319	-	-	-	786,319	
Other assets	195,312	-	5,422	(5,422)	195,312	
Total current assets	14,520,351	9	7,427	(5,422)	14,522,365	
Non-current						
long-term receivables						
Deferred income tax and social contribution	1,244,142	-	-	-	1,244,142	(iii)
Related parties	124,673	-	-	-	124,673	
Taxes recoverable	1,046,192	-	-	-	1,046,192	
Other assets	225,402	-	-	-	225,402	
	2,640,409	-	-	-	2,640,409	
Investments:						
. Interests in subsidiaries and joint venture	255,785	-	-	-	255,785	(iii)
. Other	9,688	-	-	-	9,688	
Property, plant and equipment	14,644,323	-	-	-	14,644,323	
Biological assets	4,402,402	-	-	-	4,402,402	
Right of use asset	681,761	-	-	-	681,761	
Intangible assets	74,346	1	-	-	74,347	(iii)
	20,068,305	1	-	-	20,068,306	
Total non-current assets	22,708,714	1	-	-	22,708,715	
Total assets	37,229,065	10	7,427	(5,422)	37,231,080	

The Management explanatory notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information. The explanations of items (i), (ii) and (iii) are detailed in note 4- PRO FORMA ADJUSTMENTS to the Unaudited Pro Forma Condensed.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET AT JUNE 30, 2020
(In thousands of reais)

LIABILITIES AND EQUITY	Consolidated Klabin S.A.	Pro Forma Adjustments			Pro Forma Consolidated Klabin S.A.	Adjustment reference
		Capital Increase Sogemar	Incorporation Sogemar	Related Party Eliminations		
Current						
Borrowings	598.636	-	-	-	598.636	
Debentures	71.522	-	-	-	71.522	
Trade payables	1.094.828	-	-	-	1.094.828	
Trade payables (Forfait)	200.982	-	-	-	200.982	
Tax payables	38.530	-	2.062	-	40.592	(iv)
Social security and labor obligations	294.269	-	-	-	294.269	
Related parties	5.422	-	-	(5.422)	-	(ii)
Dividends and interest on shareholders' equity payable	-	-	5.220	-	5.220	(iv)
Lease liability	108.169	-	-	-	108.169	
Other payables and provisions	155.767	-	11	-	155.778	(iv)
Total current liabilities	2.568.125	-	7.293	(5.422.00)	2.569.996	
Non-current						
Borrowings	28.149.962	-	-	-	28.149.962	
Debentures	1.853.107	-	-	-	1.853.107	
Provision for tax, social security, labor and civil contingencies	57.364	-	-	-	57.364	
Payables - Investors in Special Partnership Companies (SPCs)	326.266	-	-	-	326.266	
Lease liability	579.840	-	-	-	579.840	
Actuarial liabilities	170.497	-	-	-	170.497	
Other payables and provisions	150.060	-	-	-	150.060	
Total non-current liabilities	31.287.096	-	-	-	31.287.096	
Total liabilities	33.855.221	-	7.293.00	(5.422.00)	33.857.092	
Equity						
Share capital	4.475.481	10	134	-	4.475.625	(v)
Capital reserves	(365.791)	-	-	-	(365.791)	
Revaluation reserve	48.705	-	-	-	48.705	
Profit reserves	1.517.044	-	-	-	1.517.044	
Other comprehensive income	922.365	-	-	-	922.365	
Retained earnings	(3.631.585)	-	-	-	(3.631.585)	
Treasury shares	(177.869)	-	-	-	(177.869)	
Shareholders' equity of Klabin	2.788.350	10	134	0	2.788.494	
Non-controlling interest	585.494	-	-	-	585.494	
Consolidated shareholders' equity	3.373.844	10	134	0	3.373.988	
Total liabilities and equity	37.229.065	10	7.427	(5.422)	37.231.080	

The Management explanatory notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information. The explanations of items (ii), (iv) and (v) are detailed in note 4- PRO FORMA ADJUSTMENTS to the Unaudited Pro Forma Condensed Consolidated.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR
ENDED DECEMBER 31, 2019**
(In thousands of reais)

	Consolidated Klabin S.A.	Pro Forma Adjustments	Pro Forma Consolidated Klabin S.A.	Adjustment reference
	12/31/2019	Related Party Eliminations		
Net sales revenue	10,271,839	-	10,271,839	
Variation in the fair value of biological assets	390,053	-	390,053	
Cost of products sold	(7,241,234)	-	(7,241,234)	
Gross profit	3,420,658	-	3,420,658	
Operating expenses				
Sales	(910,388)	58,111	(852,277)	(v)
General and administrative	(600,959)	-	(600,959)	
Other net	609,826	-	609,826	
	(901,521)	58,111	(843,410)	
Equity in the results of joint venture	7,237	-	7,237	
Profit before finance result and taxes	2,526,374	58,111	2,584,485	
Finance result	(1,661,848)	-	(1,661,848)	
(Loss) Profit before taxes on income	864,526	58,111	922,637	
Income tax and social contribution				
. Current	58,123	(19,758)	38,365	(v)
. Deferred	(208,031)	-	(208,031)	
	(149,908)	(19,758)	(169,666)	
(Loss) for the period	714,618	38,353	752,971	
Attributed to Klabin's shareholders	675,825	38,353	714,178	
Attributed to non-controlling shareholders	38,793	-	38,793	

The Management explanatory notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information. The explanations of item (v) are detailed in note 4- PRO FORMA ADJUSTMENTS to the Unaudited Pro Forma Condensed Consolidated.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX
MONTH PERIOD ENDED JUNE 30, 2020**
(In thousands of reais)

	Consolidated Klabin S.A.	Pro Forma Adjustments	Pro Forma Consolidated Klabin S.A.	Adjustment reference
	1/1 to 06/30/2020	Related Party Eliminations		
Net sales revenue	5,547,784	-	5,547,784	
Variation in the fair value of biological assets	248,821	-	248,821	
Cost of products sold	<u>(3,659,335)</u>	<u>-</u>	<u>(3,659,335)</u>	
Gross profit	<u>2,137,270</u>	<u>-</u>	<u>2,137,270</u>	
Operating expenses				
Sales	(536,422)	32,698	(503,724)	(v)
General and administrative	(306,239)	-	(306,239)	
Other net	<u>58,913</u>	<u>-</u>	<u>58,913</u>	
	(783,748)	32,698	(751,050)	
Equity in the results of joint venture	<u>26,032</u>	<u>-</u>	<u>26,032</u>	
Profit before finance result and taxes	1,379,554	32,698	1,412,252	
Finance result	<u>(6,885,934)</u>	<u>-</u>	<u>(6,885,934)</u>	
(Loss) Profit before taxes on income	(5,506,380)	32,698	(5,473,682)	
Income tax and social contribution				
. Current	(413,008)	(11,117)	(424,125)	(v)
. Deferred	<u>2,394,115</u>	<u>-</u>	<u>2,394,115</u>	
	<u>1,981,107</u>	<u>(11,117)</u>	<u>1,969,990</u>	
(Loss) for the period	<u>(3,525,273)</u>	<u>21,581</u>	<u>(3,503,692)</u>	
Attributed to Klabin's shareholders	<u>(3,608,585)</u>	<u>21,581</u>	<u>(3,587,004)</u>	
Attributed to non-controlling shareholders	<u>83,312</u>	<u>-</u>	<u>83,312</u>	

The Management explanatory notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information. The explanations of item (v) are detailed in note 4- PRO FORMA ADJUSTMENTS to the Unaudited Pro Forma Condensed Consolidated.

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE SIX
MONTH PERIOD ENDED JUNE 30, 2019**
(In thousands of reais)

	(unaudited) Consolidated Klabin S.A.	Pro Forma Adjustments	Pro Forma Consolidated Klabin S.A.	Adjustment reference
	1/1 to 06/30/2019	Related Party Eliminations		
Net sales revenue	5,089,843	-	5,089,843	
Variation in the fair value of biological assets	(17,200)	-	(17,200)	
Cost of products sold	(3,464,173)	-	(3,464,173)	
Gross profit	1,608,470	-	1,608,470	
Operating expenses				
Sales	(403,119)	26,694	(376,425)	(v)
General and administrative	(297,972)	-	(297,972)	
Other net	62,045	-	62,045	
	(639,046)	26,694	(612,352)	
Equity in the results of joint venture	3,773	-	3,773	
Profit before finance result and taxes	973,197	26,694	999,891	
Finance result	(790,097)	-	(790,097)	
(Loss) Profit before taxes on income	183,100	26,694	209,794	
Income tax and social contribution				
. Current	(241,404)	(9,076)	(250,480)	(v)
. Deferred	(65,610)	-	(65,610)	
	(307,014)	(9,076)	(316,090)	
(Loss) for the period	(123,914)	17,618	(106,296)	
Attributed to Klabin's shareholders	(130,631)	17,618	(113,013)	
Attributed to non-controlling shareholders	6,717	-	6,717	

The Management explanatory notes are an integral part of the Unaudited Pro Forma Condensed Consolidated Financial Information. The explanations of item (v) are detailed in note 4- PRO FORMA ADJUSTMENTS to the Unaudited Pro Forma Condensed Consolidated.

Notes to the financial statements
(Presented in thousands of Reais unless otherwise stated)

1 GENERAL INFORMATION

Klabin S.A. ("Company") and its subsidiaries operate in segments of the pulp and paper industry to serve the domestic and foreign markets: supply of wood, pulp, packaging paper, paper bags and corrugated boxes. Their activities are fully integrated from forestry to the manufacturing of final products. Klabin is a publicly held corporation with shares and share deposit certificates ("Units") traded on BM&F Bovespa - São Paulo Stock Exchange under the code KLB11. The Company is domiciled in Brazil and its headquarters are located in São Paulo.

The Company ("Klabin S.A.") also has investments in Societies in Equity Account ("SCPs"), with the specific purpose of raising funds from third parties for reforestation projects. The Company, as an ostensible partner, has contributed with forest assets, basically forests and land, through the assignment of right of use and the other investing partners contributed in kind to the referred SCPs. These SCPs ensure Klabin S.A. the preemptive right to purchase forest products at market prices and conditions.

The Company also holds interests in other companies, whose operating activities are related to its own business objectives.

At June 30, 2020, Klabin S.A.'s subscribed and paid up capital is represented by 5,548,498,060 no-par-value shares, amounting to R\$4,475,481, held as follows:

<u>Stockholders</u>	<u>06/30/2020</u>	
	<u>Common shares</u>	<u>Preferred shares</u>
Klabin Irmãos & Cia	941,837,080	-
Niblak Participações S/A	142,023,010	-
The Bank of New York Departament	61,643,556	246,574,224
Monteiro Aranha S/A	69,875,432	279,533,178
BNDESPAR	83,721,188	334,884,752
BlackRock, Inc	44,467,255	177,869,020
Treasury shares	26,526,677	106,106,708
Other	642,239,701	2,391,196,279
	<u>2,012,333,899</u>	<u>3,536,164,161</u>

2 DESCRIPTION OF THE TRANSACTION

The Company currently has the contractual right to exploit the "Klabin" brand, owned by Klabin Irmãos & Cia ("KIC") and other six brands, which together are called, ("Klabin Brands"): Klabin Boards, Klabin Liquid Board, Klabin X Rigid Board, Klabin Rigid Board, Klabin Carrier Board and Klabin Feeze Board, owned by Sociedade Geral de Marcas Ltda. ("Sogemar"), upon payment of royalties, calculated based on a percentage of the net revenue obtained from the sale of products identified with the Brands involved in the operation, whose useful life is considered by management as indefinite.

Sogemar will become the owner of all the Brands in a corporate event to be held within 60 days from the date of publication of the referred Unaudited Pro Forma Condensed Consolidated Financial Information. The corporate event will have a capital increase of R\$ 10 through the issuance of 10,000 subscribed and paid-in shares, of which R\$ 9 in cash by its partners Monteiro Aranha SA, AJL Participações e Comércio Ltda, Roberto Luiz Leme Klabin and Edgard Gleich in proportion to their participation and R\$ 1 by Klabin Irmãos & Cia (KIC), through the Conference of the Brands, so that Sogemar will then be the holder of the Brands involved in the operation.

The Company intends to acquire the rights of use of the Brands from Sogemar, through a business combination involving the acquisition and incorporation of the Company Sogemar, holder of the rights of the brands, offering in return the issue of 69,394,696 new common shares (ON) to be distributed among Sogemar's shareholders, which could not be traded for a 5 (five) years period from the merger.

If the merger involved in the transaction is implemented, Klabin will become the holder of the Brands, with the consequent extinction of the license agreement currently in force and, consequently, the payment of the respective royalties by the Company.

The base value of this transaction is R\$ 144, which is the incorporation value considered for determining the amount of the capital increase arising from the issue of 69,394,696 new common shares (ON), see information o explanatory note 5. Considering that the Company does not held any equity interest in Sogemar, the incorporation will result in an increase of Klabin's shareholders' equity and capital by R\$ 144.

The transaction described above will be booked as a merger, with capital contribution made at historical cost, since this refers to a transaction between entities under common control.

The transaction would initially be submitted to the Company's shareholders, with no voting by the shareholders involved, directly or indirectly, in the transaction, at the Extraordinary General Meeting to be held on October 30, 2020. The General Meeting have been changed to be held on November 26, 2020 due to the event disclosed on explanatory note 5.

The Unaudited Pro Forma Condensed Consolidated Financial Information is being presented for information purposes only regarding Management's forecast of the effects that the transaction would have on the consolidated balance sheets as at June 30, 2020 and in the statement of operations as of January 1, 2020, if said transaction was effective.

3 BASE FOR PRESENTING UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION PRO FORMA

The Company presents the Unaudited Pro Forma Condensed Consolidated Financial Information for the six-month period ended June 30, 2020, prepared in accordance with the accounting practices adopted in Brazil that include the rules issued by the Brazilian Securities and Exchange Commission ("CVM") and the pronouncements issued by the Brazil's Financial Accounting Standards Board ("CPC"), the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and are being presented in accordance with Communication CTG 06 - Presentation of Pro Forma Financial Information .

The historical financial information for the Company used in preparing this Unaudited Pro Forma Condensed Consolidated Financial Information was obtained from the audited historical financial statements for the year ended December 31, 2019 and the audited financial statements for the six-

month period ended June 30, 2020, on which unqualified independent auditors reports, were issued on February 5, 2020 and August 10 2020, respectively.

The historical financial information for Sogemar used in preparing this pro forma consolidated financial information was obtained from the historical audited financial statements for the year ended December 31, 2019 and the audited financial statements for the six-month period ended June 30, 2019. 2020, on which independent auditor's report, dated August 3, 2020, contain the following paragraph of emphasis:

"As described in Note 6, the Sogemar's management, supported by the opinion of its legal advisors, understands that there is no tax on the assignment of right of use Klabin brands, subject matter of its operations, which may be required by the competent authorities, in any inspection for the period not time barred. According to its legal advisors, in the event the Sogemar is served a notice, it will be challenged, based on existing case law. Our conclusion is not modified in respect of this matter."

Regarding this matter, Sogemar disclosed the following information in Note 6:

"6. TAX OBLIGATIONS

Based on case law regarding Service Tax (ISS) on assignment of rights of use of brands, the Company's business purpose, management and its legal advisors understand that, since there is no rendering of services, but rather assignment of right of use, referred to tax is not applicable to the Company's operations, there is a well-established case law on this matter, including from the Federal Supreme Court of Brazil (STF)."

This Unaudited Pro Forma Condensed Consolidated Financial Information should be read jointly with the historical financial statements of the entities involved.

The Unaudited Pro Forma Condensed Consolidated Financial Information reflect the effects of the acquisition of 100% of Sogemar's capital on the Company's P&L had the acquisition been occurred at January 1, 2019.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet reflects the effects of the acquisition of 100% of Sogemar's capital had the acquisition been occurred at June 30, 2020.

The Unaudited Pro Forma Condensed Consolidated Financial Information for the six-month period ended June 30, 2020 was prepared and presented solely to illustrate the effects on the consolidated Balance Sheet and consolidated Statements of Operations, had the merger of the Sociedade Geral de Marcas Ltda ("Sogemar"), with the acquisition of Klabin Brands and the capital increase to be carried out through issue of common shares (ON) of the Company been occurred at January 1, 2019 for the purposes of the Statements of Operations or at June 30, 2020, for the purposes of the Pro Forma Condensed Consolidated Balance Sheet position, disregarding the payment of royalties on sales.

The Company highlights that this Unaudited Pro Forma Condensed Consolidated Financial Information is presented for informational purposes only and should not be used and / or construed as an indication of the Company's future consolidated financial statements or as the Company's Consolidated Statement of Operations or Balance Sheet and financial position.

The Unaudited Pro Forma Condensed Consolidated Financial Information can not be audited, as the merger presents a hypothetical situation and, consequently, does not represent effectively consolidated operating results for the period ended June 30, 2020, considering as if this transaction had occurred at January 1, 2019.

Accordingly, the independent auditor issued an assurance report on the preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information, according to NBC TO 3420 (R1) ("Trabalho de Asseguração sobre a Compilação de Informações Financeiras Pro Forma") issued by the Brazil's Federal Accounting Council.

4 PRO FORMA ADJUSTMENTS

The Unaudited Pro Forma Condensed Consolidated Financial Information was prepared and presented based on the historical financial statements of each entity, being consolidated financial statements for Klabin SA and individual financial statements for Sogemar, and Pro Forma adjustments were determined based on assumptions and estimates, which the Company's understands are reasonable, and include the following adjustments:

4.1 Unaudited Pro forma Condensed Consolidated Balance Sheet Adjustments as at June 3, 2020

Pro Forma adjustments considered in the Pro Forma Consolidated Financial Statements at June 30, 2020 presented, are as follows:

(i) Current assets

Pro Forma adjustments to current assets comprise balances of R\$ 2,014 of cash and cash equivalents to be merged from Sogemar when the transaction is completed, including the amount of R\$ 9 contributed in January by the partners.

(ii) Other assets / Related parties

Pro Forma adjustments to Current Assets comprise balances of R\$ 5,422 from royalties receivable at Sogemar, which are eliminated in the merger since this refers to a payment that would be made by the Company, with the consequent elimination of the balance payable relating to Related Parties recorded in Current Liabilities.

(iii) Intangibles assets

In the capital increase carried out by the Sogemar's partners, the Brands involved in the transaction will be paid, for an amount corresponding to the historical cost of R\$ 1. The Brands are intangible assets with an indefinite useful life.

(iv) Current Liabilities

Pro forma adjustments to current liabilities comprise balances of R\$ 7,293, of which R\$ 2,062 are tax payable, R\$ 5,220 are dividends payable and R\$ 11 refer to other liabilities payable to be incorporated from Sogemar in the business combination.

(vi) Share Capital

Upon merger of Sogemar, to be carried out at historical cost, the Company will increase its Capital by the mentioned amount of R\$ 144, considering the capital contribution of R\$ 10 made by the Sogemar's partners when the transaction is completed and will issue 69,394,696 new common shares (ON) to be distributed among the Sogemar's shareholders through the assignment of the Sogemar containing the rights of the Klabin Brands.

4.2 Adjustments in the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2019 and for the six-month period ended June 30, 2020

(v) Operating Expenses - Sales

With the acquisition of Klabin Brands rights, the Company would no longer register the payment of royalties for the year ended December 31, 2019 and for the six-month period ended June 30, 2020, which total an expense of R\$ 58,111 and R\$ 32,698, respectively, to be considered the effects of income tax and social contribution of taxes of 34% in determining the effect on net income.

5 EVENTS AFTER THE REPORTING PERIOD

Renegotiation of transaction terms

As disclosed by the Company in Relevant Facts on October 15, October 16 and October 26, 2020, the transaction initially approved by the Board of Directors in September 15, 2020 was cancelled due new terms negotiated in the transaction.

BNDES Participações SA - BNDESPAR (“BNDESPar”) and Sogemar entered into the private transaction instrument, whereby Sogemar accepted the referred proposal for the exchange of shares in merger of Sogemar into the Company and BNDESPar expressed its support for the merger under these terms.

The transaction previously disposed considered the issue of 92,902,108 new common shares (ON) in exchange for the merger of Sogemar. The renegotiation reduced the number of shares to be issued by Klabin to 69,394,696 new common shares (ON) to be distributed among Sogemar's shareholders, which could not be traded for a 5 (five) years period from the merger. Such event did not result in the need to change the book values of the financial statements as there is no change in the accounts and is a transaction between companies under common control, and therefore accounted based on the “Predecessor Cost Basis”.

Due to the renegotiation of terms in the transaction, the General Meeting which would initially be submitted to the Company's shareholders, with no voting by the shareholders involved, directly or indirectly, in the transaction, on October 30, 2020 have been changed to be held on November 26, 2020..

All the information disclosed on explanatory note 2 of these financial information was updated considering the renegotiation of terms for the transaction.
