Summary

Company Information/Capital Composition

Number of shares (In Thousands)	Current Quarter 09/30/2020
Paid Up Capital	
Common Shares	243,910
Preferred Shares	12,810
Total	256,720
Treasury Shares	
Common	24
Preferred	2,352
Total	2,376

Parent Company Financial Statements Balance Sheet - Assets

(All amounts in Thousands of Reais)

Code	Description	Current Quarter 09/30/2020	Previous Year 12/31/2019
1	Total Assets	1,827,473	1,600,637
1.01	Current Assets	740,981	499,489
1.01.01	Cash and Cash Equivalents	63,731	78,318
1.01.02	Financial Investments	290,947	29,165
1.01.02.03	Financial Investments evaluated at amortized cost	290,947	29,165
1.01.02.03.01	Banks - restricted account	0	29,165
1.01.02.03.02	Financial Investments	290,947	0
1.01.03	Accounts Receivable	178,973	160,804
1.01.03.01	Trade accounts receivables	178,973	160,804
1.01.04	Inventories	79,828	76,761
1.01.06	Recoverable Taxes	72,417	79,420
1.01.08	Other Current Assets	55,085	75,021
1.01.08.02	Discontinued Operations Assets	41,580	41,580
1.01.08.02.01	Non-current Assets Held for Sale	41,580	41,580
1.01.08.03	Others	13,505	33,441
1.01.08.03.01	Other Assets	13,505	33,441
1.02	Non-current Assets	1,086,492	1,101,148
1.02.01	Long - term receivables	137,039	147,370
1.02.01.04	Accounts Receivable	2,427	3,500
1.02.01.04.01	Trade accounts receivables	2,008	1,576
1.02.01.04.02	Other accounts receivable	419	1,924
1.02.01.06	Biological Assets	79,131	66,298
1.02.01.10	Other Non-current assets	55,481	77,572
1.02.01.10.03	Recoverable Taxes	54,924	76,911
1.02.01.10.04	Judicial deposits	557	661
1.02.02	Investments	155,545	154,327
1.02.02.01	Equity Investments	133,960	132,593
1.02.02.02	Investment Properties	21,585	21,734
1.02.03	Property, plant and equipment	652,762	658,218
1.02.03.01	Property, plant and equipment in operation	630,590	635,793
1.02.03.02	Right to use assets – lease	22,172	22,425
1.02.03.02.01	Right to use assets	22,172	22,425
1.02.04	Intangible assets	141,146	141,233
1.02.04.01	Intangible assets	141,146	141,233

Parent Company Financial Statements Balance Sheet - Liabilities

(All amounts in Thousands of Reais)

Code	Description	Current Quarter 09/30/2020	Previous Year 12/31/2019
2	Total Liabilities	1,827,473	1,600,637
2.01	Current Liabilities	288,646	456,596
2.01.01	Social and labor obligations	37,400	28,903
2.01.01.01	Social Obligations	37,400	28,903
2.01.01.01.01	Social security obligations	37,400	28,903
2.01.02	Trade payables	93,293	117,560
2.01.03	Tax obligations	36,146	21,647
2.01.03.01	Federal tax obligations	26,321	13,474
2.01.03.01.02	Tax installments	8,878	6,877
2.01.03.01.03	Other federal taxes	17,443	6,597
2.01.03.02	State tax obligations	9,756	8,098
2.01.03.02.01	Value-added Tax on Sales and Services (ICMS) payable	9,756	8,098
2.01.03.03	City tax obligations	69	75
2.01.03.03.01	Service Tax payable	69	75
2.01.04	Loans and financing	101,008	265,482
2.01.04.01	Loans and financing	97,067	247,290
2.01.04.02	Debentures	3,941	18,192
2.01.05	Other obligations	20,799	23,004
2.01.05.02	Others	20,799	23,004
2.01.05.02.01	Dividends and interest on capital payable	78	1,818
2.01.05.02.04	Other accounts payable	13,257	13,502
2.01.05.02.05	Advances from customers	3,490	4,796
2.01.05.02.06	Lease liabilities	3,974	2,888
2.02	Non-current liabilities	770,353	807,556
2.02.01	Loans and financing	539,366	572,774
2.02.01.01	Loans and financing	43,203	78,439
2.02.01.02	Debentures	496,163	494,335
2.02.02	Other obligations	43,264	44,814
2.02.02.02	Others	43,264	44,814
2.02.02.02.03	Tax installments	19,391	17,159
2.02.02.02.04	Other taxes payable	4,529	8,087
2.02.02.02.05	Other accounts payable	59	59
2.02.02.02.06	Lease liabilities	19,285	19.,509
2.02.03	Deferred taxes	166,936	166,191
2.02.03.01	Deferred income tax and social contribution	166,936	166,191
2.02.04	Provisions	20,787	23,777
2.02.04.01	Provisions for civil, labor and tax risks	20,787	23,777
2.03	Equity	768,474	336,485
2.03.01	Share capital	543,934	161,895
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	68,577	11,918
2.03.05	Accumulated losses	-1,992	-1,992
2.03.06	Equity valuation adjustments	156,995	163,704

Parent Company Financial Statements - Statement of Profit (loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 07/01/2020 to 09/30/2020	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated prior quarter last year 07/01/2019 to 09/30/2019	Accumulated – prior Year 01/01/2019 to 09/30/2019
3.01	Revenue from sales of goods and/or services	260,369	735,867	236,365	657,937
3.02	Cost of sales	-180,414	-503,485	-163,457	-461,566
3.02.01	Changes in the fair value of biological assets	1,973	6,865	9,239	11,858
3.02.02	Cost of goods sold	-182,387	-510,350	-172,696	-473,424
3.03	Gross Profit	79,955	232,382	72,908	196,371
3.04	Operating income (expenses)	-35,687	-108,720	35,174	-28,429
3.04.01	Selling expenses	-24,218	-67,139	-20,615	-60,262
3.04.02	General and administrative expenses	-15,421	-47,490	-12,656	-40,587
3.04.03	Impairment losses on trade receivables	51	-742	-480	-486
3.04.04	Other operating revenue	6,315	6,673	74,628	73,731
3.04.06	Equity method investees	-2,414	-22	-5,703	-825
3.05	Profit (Loss) before financial income (expenses) and taxes	44,268	123,662	108,082	167,942
3.06	Net financial (cost) income	-12,233	-49,271	-89,438	-149,486
3.06.01	Financial income	13,866	23,473	70,729	80,203
3.06.02	Financial expenses	-26,099	-72,744	-160,167	-229,689
3.07	Operating profit (loss) before taxes	32,035	74,391	18,644	18,456
3.08	Income tax and social contribution	-6,477	-15,547	-3,332	-6,154
3.08.01	Current	-7,179	-14,802	0	0
3.08.02	Deferred	702	-745	-3,332	-6,154
3.09	Net income (loss) from continuing operations	25,558	58,844	15,312	12,302
3.10	(Loss) from discontinued operations	0	0	-74,155	-90,278
3.11	Profit (loss) for the period	25,558	58,844	-58,843	-77,976
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.10940	0.31400	0.09320	0.07490
3.99.01.02	Preferred shares	0.10940	0.31400	0.09320	0.07490

Parent company financial statements / Statement of comprehensive income (loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 07/01/2020 to 09/30/2020	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated prior quarter last year 07/01/2019 to 09/30/2019	Accumulated – prior Year 01/01/2019 to 09/30/2019
4.01	Income (loss) for the period	25,558	58,844	-58,843	-77,976
4.02	Other comprehensive income (loss)	0	0	53,035	68,009
4.02.01	Cash flow hedge	0	0	80,355	103,044
4.02.02	Income tax and social contribution - cash flow hedge	0	0	-27,320	-35,035
4.03	Comprehensive income (loss) for the period	25,558	58,844	-5,808	-9,967

Parent Company financial statements / Statement of cash flows - Indirect Method

(All amounts in thousands of Reais)

Code	Description	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated – prior Year 01/01/2019 to 09/30/2019
6.01	Net cash provided by (used in) operating activities	130,085	44,509
6.01.01	Cash from operations	161,343	74,187
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	74,391	-71,822
6.01.01.02	Changes in Fair Value of Biological Assets	-6,865	-11,858
6.01.01.03	Depreciation, amortization and depletion	50,343	51,538
6.01.01.04	Impairment on property, plant and equipment	0	54,856
6.01.01.05	Income/loss in the sale of property, plant and equipment	-1,297	-55
6.01.01.06	Equity method investees	22	825
6.01.01.07	Reversal/provision for civil, labor and tax risks	-2,183	2,834
6.01.01.08	Provision for impairment of trade receivables	872	570
6.01.01.09	Provision for impairment of other assets	0	-277
6.01.01.10	Management profit sharing	1,129	0
6.01.01.11	Exchange-rate change and interest on loans, financing and debentures	63,732	189,547
6.01.01.12	Interest on lease liabilities	1,488	1,553
6.01.01.14	Interest on restricted account investment	-97	-367
6.01.01.15	Exclusion of ICMS from PIS and COFINS basis	-20,192	-143,157
6.01.02	Changes in assets and liabilities	-31,258	-29,678
6.01.02.01	Trade receivables	-19,473	-13,219
6.01.02.02	Inventories	-3,067	-5,275
6.01.02.03	Recoverable taxes	48,592	-3,297
6.01.02.04	Other assets	21,545	-779
6.01.02.05	Received Dividends	6,611	0
6.01.02.06	Trade payables	-24,267	-1,348
6.01.02.07	Social charges and social security obligations	7,368	1,051
6.01.02.08	Advances from customers	-1,306	5,817
6.01.02.09	Tax liabilities	7,825	1,059
6.01.02.10	Other accounts payable	-999	9,552
6.01.02.11	Payment of interest on loans, financing and debentures	-63,080	-21,672
6.01.02.12	Payment of interest on lease liabilities	-1,553	-1,567
6.01.02.13	Taxes paid (Income tax and social contribution)	-9,454	0
6.02	Net cash provided by use in investing activities	-315,694	-114,745
6.02.01	Acquisition of property, plant and equipment	-35,421	-33,688
6.02.02	Acquisition of biological assets	-9,432	-7,225
6.02.03	Acquisition of intangible asset	-3,250	-13,311
6.02.06	Receipt upon disposal of assets	2,094	840
6.02.07	Financial Investments	-290,947	0
6.02.08	Advance for future capital increase	-8,000	0
6.02.12	Banks – restricted account	29,262	-61,361
6.03	Net cash (used in) financing activities	171,022	-43,061
6.03.01	Payments of dividends and interest on shareholder's equity	-10,634	-3,725
6.03.02	Payment of lease liabilities	-1,849	-1,886
6.03.03	Issuance of debentures (Net of funding costs)	0	493,272
6.03.04	Loans obtained	57,908	70,892
6.03.05	Loans and debentures paid	-256,442	-601,614

Parent Company financial statements / Statement of cash flows - Indirect Method

(All amounts in thousands of Reais)

Code	Description	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated – prior Year 01/01/2019 to 09/30/2019
6.03.06	Paid-up capital	405,000	0
6.03.07	Costs with share issuance	-22,961	0
6.05	Increase (Decrease) in cash and cash equivalents	-14,587	-113,297
6.05.01	Cash and cash equivalents at the beginning of the period	78,318	130,778
6.05.02	Cash and cash equivalents at the end of the period	63,731	17,481

Parent Company Financial Statements / Statement of changes in Equity - 01/01/2020 to 09/30/2020

(All amounts in thousands of Reais)

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss)	Equity
5.01	Opening balance	161,895	960	11,918	-1,992	163,704	336,485
5.03	Adjusted opening balance	161,895	960	11,918	-1,992	163,704	336,485
5.04	Capital transactions with partners	382,039	0	-8,894	0	0	373,145
5.04.01	Capital increase	405,000	0	0	0	0	405,000
5.04.07	Interest on equity	0	0	-8,894	0	0	-8,894
5.04.08	Costs with share issuance	-22,961	0	0	0	0	-22,961
5.05	Total comprehensive income (loss)	0	0	0	65,553	-6,709	58,844
5.05.01	Profit (loss) for the period	0	0	0	58,844	0	58,844
5.05.02	Other comprehensive income (loss)	0	0	0	6,709	-6,709	0
5.05.02.06	Realization – deemed cost	0	0	0	6,709	-6,709	0
5.06	Internal changes in equity	0	0	-1,839	1,839	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,839	1,839	0	0
5.07	Closing Balance	543,934	960	1,185	65,400	156,995	768,474

Parent Company Financial Statements / Statement of changes in Equity- 01/01/2019 to 09/30/2019

(All amounts in thousands of Reais)

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss)	Equity
5.01	Opening balance	161,895	960	65,625	0	78,906	307,386
5.03	Adjusted opening balance	161,895	960	65,625	0	78,906	307,386
5.05	Total comprehensive income (loss)	0	0	0	-71,266	61,299	-9,967
5.05.01	Profit (loss) for the period	0	0	0	-77,976	0	-77,976
5.05.02	Other comprehensive income (loss)	0	0	0	6,710	61,299	68,009
5.05.02.06	Realization – deemed cost	0	0	0	6,710	-6,710	0
5.05.02.08	Cash flow hedge	0	0	0	0	68,009	68,009
5.06	Internal changes in equity	0	0	-2,170	2,170	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,698	1,698	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-472	472	0	0
5.07	Closing Balance	161,895	960	63,455	-69,096	140,205	297,419

Parent Company Financial Statements / Statement of Added Value

(All amounts in thousands of Reais)

Code	Description	Accumulated Current Year 01/01/2020 to 09/30/2020	Accumulated – prior year 01/01/2019 to 09/30/2019
7.01	Revenues	952,101	1,013,366
7.01.01	Sales of goods and/or services	930,519	928,238
7.01.02	Other revenues	22,454	85,698
7.01.04	Provision/reversal for impairment of trade receivables	-872	-570
7.02	Inputs purchased from third parties	-529,899	-615,813
7.02.01	Cost of sales	-358,994	-390,631
7.02.02	Materials, electricity, outsourced services and other	-170,905	-225,182
7.03	Gross value added	422,202	397,553
7.04	Retentions	-43,478	-39,680
7.04.01	Depreciation, amortization and depletion	-50,343	-51,538
7.04.02	Other	6,865	11,858
7.04.02.01	Changes in the fair value of biological assets	6,865	11,858
7.05	Net value added generated	378,724	357,873
7.06	Value added received through transfer	23,451	85,969
7.06.01	Equity in the results of subsidiaries	-22	-825
7.06.02	Financial income	23,473	86,794
7.07	Total added value to be distributed	402,175	443,842
7.08	Distribution of added value	402,175	443,842
7.08.01	Personnel	120,413	133,915
7.08.01.01	Direct remuneration	94,201	104,646
7.08.01.02	Benefits	21,119	23,714
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	5,093	5,555
7.08.02	Taxes, duties and contributions	133,618	121,144
7.08.02.01	Federal	88,849	77,963
7.08.02.02	State	43,088	41,690
7.08.02.03	Municipal	1,681	1,491
7.08.03	Third-party capital remuneration	77,623	257,879
7.08.03.01	Interest	72,744	252,983
7.08.03.02	Rentals	4,879	4,896
7.08.04	Remuneration of own capital	67,392	-69,096
7.08.04.03	Income/(loss) for the period – withheld	67,392	-69,096
7.08.05	Other	3,129	0
7.08.05.01	Management profit sharing	3,129	0

Consolidated Financial Statements - Assets Balance Sheet

(All amounts in thousands of Reais)

Code	Description	Current Quarter 09/30/2020	Previous Year 12/31/2019
1	Total Assets	1.824,428	1,579,546
1.01	Current Assets	765,603	503,864
1.01.01	Cash and Cash Equivalents	86,424	80,822
1.01.02	Financial Investments	290,947	29,165
1.01.02.03	Financial Investments evaluated at amortized cost	290,947	29,165
1.01.02.03.01	Banks - restricted account	0	29,165
1.01.02.03.02	Financial Investments	290,947	0
1.01.03	Accounts Receivable	179,854	162,252
1.01.03.01	Trade accounts receivables	179,854	162,252
1.01.04	Inventories	80,357	76,845
1.01.06	Recoverable Taxes	72,417	79,421
1.01.08	Other Current Assets	55,604	75,359
1.01.08.02	Discontinued Operations Assets	41,580	41,580
1.01.08.02.01	Non-current Assets Held for Sale	41,580	41,580
1.01.08.03	Others	14,024	33,779
1.01.08.03.01	Other Assets	14,024	33,779
1.02	Non-current Assets	1,058,825	1,075,682
1.02.01	Long - term receivables	225,025	235,908
1.02.01.04	Accounts Receivable	2,454	3,527
1.02.01.04.01	Trade accounts receivables	2,008	1,576
1.02.01.04.02	Other accounts receivable	446	1,951
1.02.01.06	Biological Assets	166,755	154,518
1.02.01.10	Other Non-current assets	55,816	77,863
1.02.01.10.03	Recoverable Taxes	54,924	76,911
1.02.01.10.04	Judicial deposits	892	952
1.02.02	Investments	5,426	5,575
1.02.02.02	Investment Properties	5,426	5,575
1.02.03	Property, plant and equipment	686,472	692,210
1.02.03.01	Property, plant and equipment in operation	664,300	669,785
1.02.03.02	Right to use assets – lease	22,172	22,425
1.02.03.02.01	Right to use assets	22,172	22,425
1.02.04	Intangible assets	141,902	141,989
1.02.04.01	Intangible assets	141,902	141,989

Consolidated Financial Statements - Liabilities Balance Sheet

(All amounts in thousands of Reais)

Code	Description	Current Quarter 09/30/2020	Previous Year 12/31/2019
2	Total Liabilities	1,824,428	1,579,546
2.01	Current Liabilities	281,126	430,506
2.01.01	Social and labor obligations	38,324	29,649
2.01.01.01	Social Obligations	38,324	29,649
2.01.01.01.01	Social security obligations	38,324	29,649
2.01.02	Trade payables	84,115	89,820
2.01.03	Tax obligations	36,591	22,155
2.01.03.01	Federal tax obligations	26,761	13,950
2.01.03.01.02	Tax installments	8,878	6,877
2.01.03.01.03	Other federal taxes	17,883	7,073
2.01.03.02	State tax obligations	9,756	8,125
2.01.03.02.01	Value-added Tax on Sales and Services (ICMS) payable	9,756	8,125
2.01.03.03	City tax obligations	74	80
2.01.03.03.01	Service Tax payable	74	80
2.01.04	Loans and financing	101,033	265,508
2.01.04.01	Loans and financing	97,092	247,316
2.01.04.02	Debentures	3,941	18,192
2.01.05	Other obligations	21,063	23,374
2.01.05.02	Others	21,063	23,374
2.01.05.02.01	Dividends and interest on capital payable	78	1,818
2.01.05.02.04	Other accounts payable	13,475	13,808
2.01.05.02.05	Advances from customers	3,536	4,860
2.01.05.02.06	Lease liabilities	3,974	2,888
2.02	Non-current liabilities	774,822	812,549
2.02.01	Loans and financing	539,366	572,802
2.02.01.01	Loans and financing	43,203	78,467
2.02.01.02	Debentures	496,163	494,335
2.02.02	Other obligations	43,264	44,814
2.02.02.02	Others	43,264	44,814
2.02.02.02.03	Tax installments	19,391	17,159
2.02.02.02.04	Other taxes payable	4,529	8,087
2.02.02.02.05	Other accounts payable	59	59
2.02.02.02.06	Lease liabilities	19,285	19,509
2.02.03	Deferred taxes	171,040	170,253
2.02.03.01	Deferred income tax and social contribution	171,040	170,253
2.02.04	Provisions	21,152	24,680
2.02.04.01	Provisions for civil, labor and tax risks	21,152	24,680
2.03	Equity	768,480	336,491
2.03.01	Share capital	543,934	161,895
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	68,577	11,918
2.03.05	Accumulated losses	-1,992	-1,992
2.03.06	Equity valuation adjustments	156,995	163,704
2.03.09	Non-controlling interests	6	6

Consolidated Financial Statements - Statement of Profit (Loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 07/01/2020 to 30/09/2020	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated prior quarter last year 07/01/2019 to 09/30/2019	Accumulated – prior Year 01/01/2019 to 09/30/2019
3.01	Revenue from sales of goods and/or services	261,363	738,670	238,913	665,807
3.02	Cost of sales	-183,550	-504,612	-166,151	-462,953
3.02.01	Changes in the fair value of biological assets	733	8,819	5,956	7,294
3.02.02	Cost of goods sold	-184,283	-513,431	-172,107	-470,247
3.03	Gross Profit	77,813	234,058	72,762	202,854
3.04	Operating income (expenses)	-34,177	-111,058	35,278	-34,883
3.04.01	Selling expenses	-24,485	-67,647	-21,742	-62,569
3.04.02	General and administrative expenses	-15,943	-48,950	-13,103	-41,559
3.04.03	Impairment losses on trade receivables	-67	-1,137	-480	-486
3.04.04	Other operating revenue	6,318	6,676	70,603	69,731
3.05	Profit (Loss) before financial income (expenses) and taxes	43,636	123,000	108,040	167,971
3.06	Net financial (cost) income	-11,303	-48,096	-89,434	-149,468
3.06.01	Financial income	13,877	23,516	70,737	80,231
3.06.02	Financial expenses	-25,180	-71,612	-160,171	-229,699
3.07	Operating profit (loss) before taxes	32,333	74,904	18,606	18,503
3.08	Income tax and social contribution	-6,775	-16,060	-3,294	-6,201
3.08.01	Current	-7,521	-15,273	-77	-233
3.08.02	Deferred	746	-787	-3,217	-5,968
3.09	Net income (loss) from continuing operations	25,558	58,844	15,312	12,302
3.10	(Loss) from discontinued operations	0	0	-74,155	-90,278
3.11	Profit (loss) for the period	25,558	58,844	-58,843	-77,976
3.11.01	Attributable to owners of the Parent Company	25,558	58,844	-58,843	-77,976
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.10940	0.31400	0.09320	0.07490
3.99.01.02	Preferred shares	0.10940	0.31400	0.09320	0.07490

Consolidated financial statements / Statement of comprehensive income (loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 07/01/2020 to 09/30/2020	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated prior quarter last year 07/01/2019 to 09/30/2019	Accumulated – prior Year 01/01/2019 to 09/30/2019
4.01	Income (loss) for the period	25,558	58,844	-58,843	-77,976
4.02	Other comprehensive income (loss)	0	0	53,035	68,009
4.02.01	Cash flow hedge	0	0	80,355	103,044
4.02.02	Income tax and social contribution - cash flow hedge	0	0	-27,320	-35,035
4.03	Comprehensive income (loss) for the period	25,558	58,844	-5,808	-9,967
4.03.01	Attributable to owners of the Parent Company	25,558	58,844	-5,808	-9,967

Consolidated financial statements / Statement of cash flows - Indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated – prior Year 01/01/2019 to 09/30/2019
6.01	Net cash provided by (used in) operating activities	144,630	48,785
6.01.01	Cash from operations	165,276	92,646
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	74,904	-71,775
6.01.01.02	Changes in Fair Value of Biological Assets	-8,819	-7,294
6.01.01.03	Depreciation, amortization and depletion	55,497	61,920
6.01.01.04	Impairment on Property, plant and equipment	0	54,856
6.01.01.05	Income/loss in the sale of property, plant and equipment	-1,296	206
6.01.01.07	Reversal/provision for civil, labor and tax risks	-2,225	6,857
6.01.01.08	Provision for impairment of trade receivables	1,151	570
6.01.01.09	Provision for impairment of other assets	0	-277
6.01.01.10	Management profit sharing	1,129	0
6.01.01.11	Exchange-rate change and interest on loans, financing and debentures	63,736	189,554
6.01.01.12	Interest on lease liabilities	1,488	1,553
6.01.01.14	Interest on restricted account investment	-97	-367
6.01.01.15	Exclusion of ICMS from PIS and COFINS basis	-20,192	-143,157
6.01.02	Changes in assets and liabilities	-20,646	-43,861
6.01.02.01	Trade receivables	-19,185	-12,960
6.01.02.02	Inventories	-3,512	-5,329
6.01.02.03	Recoverable taxes	48,593	-3,297
6.01.02.04	Other assets	21,320	-985
6.01.02.06	Trade payables	-5,705	-15,705
6.01.02.07	Social charges and social security obligations	7,546	1,514
6.01.02.08	Advances from customers	-1,324	5,903
6.01.02.09	Tax liabilities	7,961	597
6.01.02.10	Other accounts payable	-1,583	9,640
6.01.02.11	Payment of interest on loans, financing and debentures	-63,080	-21,672
6.01.02.12	Payment of interest on lease liabilities	-1,553	-1,567
6.01.02.13	Taxes paid (Income tax and social contribution)	-10,124	0
6.02	Net cash provided by use in investing activities	-310,017	-118,907
6.02.01	Acquisition of property, plant and equipment	-35,434	-33,723
6.02.02	Acquisition of biological assets	-11,742	-11,152
6.02.03	Acquisition of intangible asset	-3,250	-13,532
6.02.06	Receipt upon disposal of assets	2,094	861
6.02.07	Financial Investments	-290,947	0
6.02.12	Banks – restricted account	29,262	-61,361
6.03	Net cash (used in) financing activities	170,989	-43,094
6.03.01	Payments of dividends and interest on shareholder's equity	-10,634	-3,725
6.03.02	Payment of lease liabilities	-1,849	-1,886
6.03.03	Issuance of debentures (Net of funding costs)	0	493,272
6.03.04	Loans obtained	57,908	70,892
6.03.05	Loans and debentures paid	-256,475	-601,647
6.03.06	Paid-up capital	405,000	0
6.03.07	Costs with issue of shares	-22,961	0
6.05	Increase (Decrease) in cash and cash equivalents	5,602	-113,216

Consolidated financial statements / Statement of cash flows - Indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated Year 01/01/2020 to 09/30/2020	Accumulated – prior year 01/01/2019 to 09/30/2019
6.05.01	Cash and cash equivalents at the beginning of the period	80,822	132,219
6.05.02	Cash and cash equivalents at the end of the period	86,424	19,003

Consolidated financial statements / Statement of changes in equity- 01/01/2020 to 09/30/2020

(All amounts in thousands of Reais)

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss	Equity	Non-controlling interests	Consolidated Equity
5.01	Opening balance	161,895	960	11,918	-1,992	163,704	336,485	6	336,491
5.03	Adjusted opening balance	161,895	960	11,918	-1,992	163,704	336,485	6	336,491
5.04	Capital transactions with partners	382,039	0	-8,894	0	0	373,145	0	373,145
5.04.01	Capital increase	405,000	0	0	0	0	405,000	0	405,000
5.04.07	Interest on equity	0	0	-8,894	0	0	-8,894	0	-8,894
5.04.08	Costs with share issuance	-22,961	0	0	0	0	-22,961	0	-22,961
5.05	Total comprehensive income (loss)	0	0	0	65,553	-6,709	58,844	0	58,844
5.05.01	Profit (loss) for the period	0	0	0	58,844	0	58,844	0	58,844
5.05.02	Other comprehensive income (loss)	0	0	0	6,709	-6,709	0	0	0
5.05.02.06	Realization – deemed cost	0	0	0	6,709	-6,709	0	0	0
5.06	Internal changes in equity	0	0	-1,839	1,839	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,839	1,839	0	0	0	0
5.07	Closing Balance	543,934	960	1,185	65,400	156,995	768,474	6	768,480

Consolidated Company Financial Statements / Statement of changes in Equity- 01/01/2019 to 09/30/2019

(All amounts in thousands of Reais)

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss)	Equity	Non-controlling interests	Consolidated Equity
5.01	Opening balance	161,895	960	65,625	0	78,906	307,386	8	307,394
5.03	Adjusted opening balance	161,895	960	65,625	0	78,906	307,386	8	307,394
5.05	Total comprehensive income (loss)	0	0	0	-71,266	61,299	-9,967	0	-9,967
5.05.01	Profit (loss) for the period	0	0	0	-77,976	0	-77,976	0	-77,976
5.05.02	Other comprehensive income (loss)	0	0	0	6,710	61,299	68,009	0	68,009
5.05.02.06	Realization – deemed cost	0	0	0	6,710	-6,710	0	0	0
5.05.02.08	Cash flow hedge	0	0	0	0	68,009	68,009	0	68,009
5.06	Internal changes in equity	0	0	-2,170	2,170	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,698	1,698	0	0	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-472	472	0	0	0	0
5.07	Closing Balance	161,895	960	63,455	-69,096	140,205	297,419	8	297,427

Consolidated Financial Statements - Statement of Added Value

(All amounts in Thousands of Reais)

Code	Description	Accumulated Current Year 01/01/2020 to 09/30/2020	Accumulated – prior year 01/01/2019 to 09/30/2019
7.01	Revenues	954,813	1,021,682
7.01.01	Sales of goods and/or services	933,497	936,518
7.01.02	Other revenues	22,467	85,734
7.01.04	Provision/reversal for impairment of trade receivables	-1,151	-570
7.02	Inputs purchased from third parties	-521,635	-597,365
7.02.01	Cost of sales	-347,522	-365,278
7.02.02	Materials, electricity, outsourced services and other	-174,113	-232,087
7.03	Gross value added	433,178	424,317
7.04	Retentions	-46,678	-54,626
7.04.01	Depreciation, amortization and depletion	-55,497	-61,920
7.04.02	Other	8,819	7,294
7.04.02.01	Changes in the fair value of biological assets	8,819	7,294
7.05	Net value added generated	386,500	369,691
7.06	Value added received through transfer	23,516	86,822
7.06.02	Financial income	23,516	86,822
7.07	Total added value to be distributed	410,016	456,513
7.08	Distribution of added value	410,016	456,513
7.08.01	Personnel	127,560	143,176
7.08.01.01	Direct remuneration	98,556	110,151
7.08.01.02	Benefits	23,675	27,155
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	5,329	5,870
7.08.02	Taxes, duties and contributions	135,389	124,535
7.08.02.01	Federal	90,552	81,016
7.08.02.02	State	43,090	41,779
7.08.02.03	Municipal	1,747	1,740
7.08.03	Third-party capital remuneration	76,546	257,898
7.08.03.01	Interest	71,612	252,994
7.08.03.02	Rentals	4,934	4,904
7.08.04	Remuneration of own capital	67,392	-69,096
7.08.04.03	Income/(loss) for the period – withheld	67,392	-69,096
7.08.05	Other	3,129	0
7.08.05.01	Management profit sharing	3,129	0

COMMENTS ON THE COMPANY’S PERFORMANCE ON THE THIRD QUARTER OF 2020

The following information are presented in a consolidated basis. The values are presented according to the norms published by CVM – Comissão de Valores Mobiliários, applicable to the quarterly financial statements.

Irani presents Adjusted EBITDA of R$ 55.6 million in 3Q20 with a growth of 10.4% in relation to 3Q19 (continued operation).

KEY INDICATORS – CONSOLIDATED[1]	3Q20	2Q20	3Q19	Change - 3Q20/2Q20	Change - 3Q20/3Q19	9M20	9M19	Change - 9M20/9M19	LTM20	LTM19
Economic and Financial (R$ thousand)										
Net operating revenue	261,363	240,984	238,913	8.5%	9.4%	738,670	665,807	10.9%	971,642	875,923
Domestic market	220,764	176,405	193,295	25.1%	14.2%	590,888	526,180	12.3%	794,754	691,376
Foreign market	40,599	64,579	45,618	-37.1%	-11.0%	147,782	139,627	5.8%	176,888	184,547
Gross profit (including *)	77,813	78,924	72,762	-1.4%	6.9%	234,058	202,854	15.4%	299,604	255,771
(*) Change in the Fair Value of Biological Assets	*733*	*3,617*	*5,956*	-79.7%	-87.7%	*8,819*	*7,294*	20.9%	*9,495*	*(3,157)*
Gross margin	***29.8%***	***32.8%***	**30.5%**	**-3.0 p.p.**	***-0.7 p.p.***	***31.7%***	***30.5%***	***1.2 p.p.***	***30.8%***	***29.2%***
Operating profit (loss) before taxes and profit sharing	32,333	22,971	18,606	40.8%	73.8%	74,904	18,503	304.8%	26,876	7,208
Operating margin	***12.4%***	***9.5%***	***7.8%***	**2.9 p.p.**	***4.6 p.p.***	***10.1%***	***2.8%***	***7.3 p.p.***	***2.8%***	***0.8%***
Net profit (loss)	25,558	15,298	15,312	67.1%	66.9%	58,844	12,302	378.3%	72,998	396
Net margin	***9.8%***	***6.3%***	***6.4%***	-	-	***8.0%***	***1.8%***	***6.2 p.p.***	***7.5%***	***0.0%***
Adjusted EBITDA continued operation[2]	55,637	55,601	50,412	0.1%	10.4%	163,455	147,597	10.7%	244,102	193,602
Adjusted EBITDA margin	***21.3%***	***23.1%***	***21.1%***	**-1.8 p.p.**	***0.2 p.p.***	***22.1%***	***22.2%***	***-0.1 p.p.***	***25.1%***	***22.1%***
Net debt (R$ million)	263.0	678.7	771.6	-61.2%	-65.9%	263.0	771.6	-65.9%	263.0	771.6
Net debt/Adjusted EBITDA (x)	1.10	2.94	4.22	-62.6%	-73.9%	1.10	4.22	-73.9%	1.10	4.22
Net debt/Pro forma Adjusted EBITDA (x)[3]	0.42	2.16	-	-80.6%	-	0.42	-	-	0.42	-
Operating Data (t)										
Corrugated Cardboard Packaging (PO)										
Production/Sales	43,167	33,187	38,300	30.1%	12.7%	113,229	104,231	8.6%	152,260	138,445
Packaging Paper										
Production	75,211	72,117	73,172	4.3%	2.8%	217,837	218,726	-0.4%	291,739	290,325
Sales	31,923	37,531	32,057	-14.9%	-0.4%	103,007	88,371	16.6%	135,986	114,822
RS Forests and Resins										
Production	3,644	3,704	3,522	-1.6%	3.5%	11,400	10,901	4.6%	14,179	13,628
Sales	3,146	3,942	3,401	-20.2%	-7.5%	11,084	10,441	6.2%	14,147	13,494

[1] Excluding discontinued operations in 2Q19, 9M19, LTM20 and LTM19 used for comparative purposes.

[2] EBITDA (earnings before interest, tax, depreciation and amortization) - see the chapter in this release.

[3] Excluding transactions carried out in the period from the net debt, which amounts will be received in the coming months: i) PIS and Cofins credit (ICMS in the Calculation Basis) in the amount of R$ 115,092 thousand; ii Properties in the amount of R$ 4,003 thousand; iii) Decommissioning of Vila Maria - SP property in the amount of R$ 40,200 thousand.

- Migration to the Novo Mercado (New Market): As an event subsequent to this quarterly information, the Extraordinary General Meeting held on October 8, 2020 approved the migration of the Company to the special listing segment of B3 S.A. – Brasil, Bolsa, Balcão (“B3”), called Novo Mercado (New Market), as well as the conversion of all preferred shares issued by the Company into common shares, in the proportion of one (1) common share for each one (1) preferred share. The General meeting also approved the global amendment of the Company’s Bylaws to adapt it to the requirements of the B3’s New Market Regulations Listing and to incorporate the other adjustments detailed in the management’s proposal, with their respective consolidation, whose effectiveness is conditioned to the approval of the Company’s migration to B3’s New Market.

- Re-IPO: The Company successfully completed the issue of 90,000,000 common shares at a price of R$ 4.50 each, totaling R$ 405 million. The funds will be used to strengthen its capital structure and make strategic investments.

- The net revenue in 3Q20 increased 9.4% when compared to 3Q19 and 8.5% in relation to 2Q20, mainly reflecting an increase in the sales volume in the Corrugated Cardboard Packaging segment increase and an increase in average prices for the period, coupled with the appreciation of the Dollar and Euro against the Brazilian Real in sales to the foreign market.

- The sales volume of the Corrugated Cardboard Packaging Segment increased 12.7% when compared to 3Q19 and increased 30.1%, when compared to 2Q20, totaling 43.2 thousand tons in 3Q20. This growth is related to the resumption of economic activities that had been reduced due to the Coronavirus pandemic, and the increase in the population’s domestic consumption, especially in the food production, hygiene and cleaning segments and the significant increase in e-commerce and deliveries that commonly use paper packaging for transportation. The Packaging Paper Segment totaled 31.9 thousand tons, remaining stable when compared to 3Q19 and recording a 14.9% decrease in relation to 2Q20. The decrease is mainly due to the greater use of Packaging Paper in the domestic production of Corrugated Cardboard Packaging, thus reducing the availability of paper for sale. The RS Forests and Resins segment recorded a decrease of 7.5% in sales volume compared to the 3Q19 and a 20.2% decrease compared to 2Q20, reaching 3.1 thousand tons.

- The gross profit for 3Q20 increased by 6.9% compared to 3Q19 and decreased by 1.4% compared to 2Q20. The growth compared to 3Q19 was mainly due to the growth in net revenue and the improvement in margins presented in the segments in which the Company operates.

- Sales expenses in 3Q20 totaled R$ 24.5 million, an increase of 12.6% when compared to the same quarter of previous year, and 11.1% higher than 2Q20, accounting for 9.4% of consolidated net revenue, 9.1% in 3Q19 and 2Q20. Administrative expenses in 3Q20 totaled R$ 15.9 million, an increase of 21.7% when compared to the same quarter of previous year, and stable in relation to 2Q20, and represented 6.1% of consolidated net revenue, higher than the 5.5% recorded in 3Q19 and lower when compared to 6.6% in 2Q20.

- The Company recorded net income of 25.6 million in 3Q20, against net income of R$ 15.3 million in 3Q19 and 2Q20. The main impacts on the net result for this quarter were the growth in net sales revenue and the improvement in margins due to the increase in average prices of products sold by the Company. Also in 3Q20, the Company recognized PIS and COFINS credit due to a favorable final judicial decision, as the successor to the company Indústria de Papel e Papelão São Roberto S.A., by which it guaranteed the right to recover amounts related to the exclusion of ICMS from the PIS and COFINS calculation basis for the period from May 2011 to December 30, 2014 (merger date), for which it estimates the potential value of the restated credits of R$ 17,613 (R$ 10,585 corresponding to the original credit amount and R$ 7,028 referring to the amount update by the SELIC rate).

- The adjusted EBITDA was R$ 55.6 million in 3Q20, with a margin of 21.3%, 10.4% higher than that recorded in 3Q19 of R$ 50.4 million and with a margin of 21.1%, mainly due to the better performance of margins during this quarter, and stable when compared to 2Q20 (R$ 55.6 million), with a margin of 23.1%.

- The Net Debt/adjusted EBITDA ratio was 1.10x in September 30, 2020, against 2.94x in June 30, 2020. The change is due to the net debt decrease by the public offering of shares and cash generation in the quarter and the increase in adjusted EBITDA in the last 12 months. Considering to exclude from the net debt the amounts that will be received in the coming months, related to: i) PIS and COFINS credits in the amount of R$ 115.1 million; ii) Sale of land and forests in the amount receivable of R$ 4.0 million; iii) Sale of the Package SP - Vila Maria property, with a balance receivable in the amount of R$ 40.2 million. Such adjustments would result in a Pro-forma Net Debt of R$ 103.7 million and considering the EBITDA of the Continuing Operation in the last 12 months of R$ 244.1 million, the pro-forma leverage would be 0.42 times (2.16 times at the end of 2Q20).

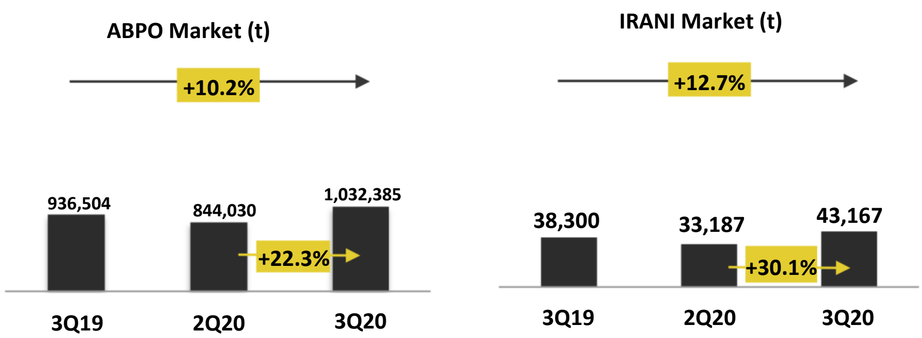
- The cash position at the end of September 2020 was R$ 377.4 million (comprised by cash and cash equivalents) and 84% of the debt was in the long term. During 3Q20, certain debts were settled in advance to reduce the cost of capital for third parties (Liability Management).

Highlights of 3Q20

3Q20 was characterized by the gradual recovery of the economy in Brazil and abroad after the severe impact of the pandemic during 2Q20. Forecasts for Brazilian GDP improved marginally and a drop of around 5% is expected for 2020. The Coronavirus pandemic continues impacting the economy and there is no definitive solution so far, such as a vaccine or medication, a scenario that can continue affecting the global and Brazilian economic horizon. For the Packaging segment, 3Q20 ended up being very expressive, generating strong demand for the Company's products.

The Brazilian Association of Corrugated Cardboard (ABPO) recorded a 10.2% increase in the shipment in tons of corrugated cardboard in 3Q20, compared to 3Q19, and the sales volume of Irani Market increased by 12.7% in 3Q20. Compared to 2Q20, the ABPO Market increased 22.3%, while the Irani Market increased by 30.1%, demonstrating the growth in demand for the Company's products. In tons, IRANI's market share in the Corrugated Cardboard Packaging Segment was 4.2% in 3Q20, 3.9% in 2Q20, and 4.1% in 3Q19.

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

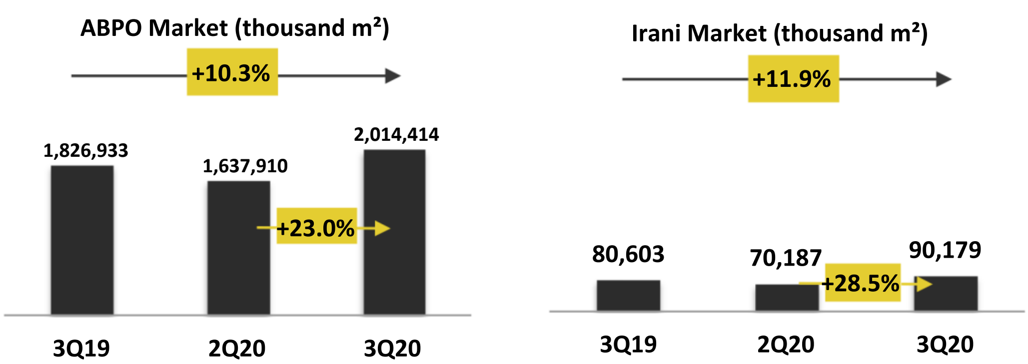


Source: ABPO Source: Irani

In square meters (m²) the sales volume of corrugated cardboard packaging of the ABPO Market presented an increase of 10.3% in 3Q20 when compared to 3Q19, while Irani Market had a 11.9% increase. Compared to 2Q20, ABPO Market presented an increase of 23.0% whereas Irani Market recorded an increase of 28.5%. In square meters, Irani's market share was 4.5% in 3Q20, 4.3% in 2Q20 and 4.4% in 3Q19.

The Corrugated Cardboard Packaging Segment (PO) represented 57% of Irani's net income in 3Q20, the Packaging Paper Segment represented 36%, while the Forestry RS and Resins Segment represented 7%. In turn, the domestic market accounted for 84% of net revenue, and the foreign market accounted for 16%. The growth of 3.6 percentage points in domestic market revenue compared to 3Q19 is due to revenue growth arising from the Corrugated Cardboard Packaging segment aimed at the domestic market, and the respective decrease in the availability of paper for sale in the foreign market.

Sales Volume (in square meters) – Corrugated Cardboard Packaging Segment (PO)

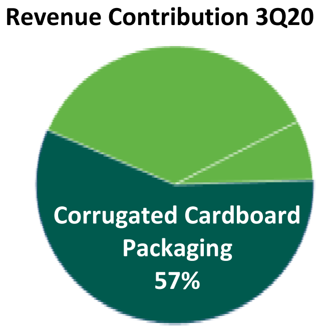


Source: ABPO Source: Irani

3Q20 ABPO (in ton and m²) are closing previews. There may be changes in the official data.

1. OPERATING PERFORMANCE (not reviewed by independent auditor)

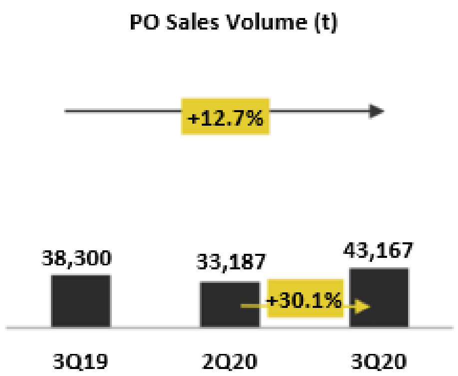
1.1 Corrugated Cardboard Packaging Segment (PO)



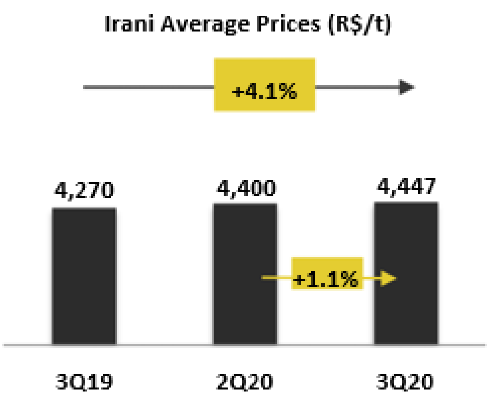
The volume of sales of corrugated cardboard boxes and plates totaled 43,167 ton, an increase of 12.7% in relation to 3Q19, and 30.1% higher when compared to 3Q20, related to the resumption of economic activities that had suffered a reduction due to the Coronavirus pandemic, as well the increase in the population's domestic consumption. The sales performance of boxes presented an increase of 11.0% when compared to 3Q19. Sales of plates grew 19.6% in the quarter comparison. SP Indaiatuba and SC Campina da Alegria Packaging units account for respectively 57% and 43% of the total sold in the third quarter of 2020, whose productions are entirely destined to the domestic market.

The volume of SP Indaiatuba Packaging plant reached 18,668 metric tons of boxes and 6,045 tons of plates in 3Q20 against 17,655 tons of boxes and 4,806 tons of plates in 3Q19.

The volume of SC Campina da Alegria Packaging plant recorded sales volume of 15,421 metric tons of boxes and 3,033 tons of plates in 3Q20, against 13,056 tons of boxes and 2,783 tons of plates in 3Q19.

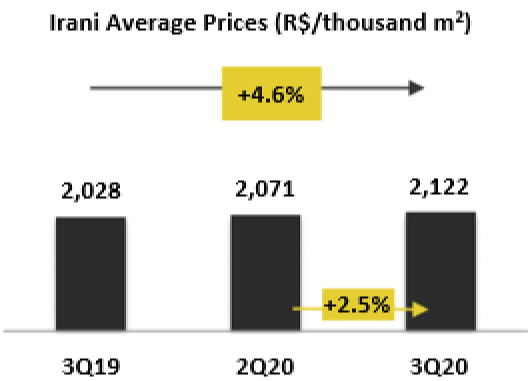


The Irani average price (CIF) per ton registered an increase of 4.1% in 3Q20 when compared to 3Q19 and of 1.1% when compared to 2Q20.



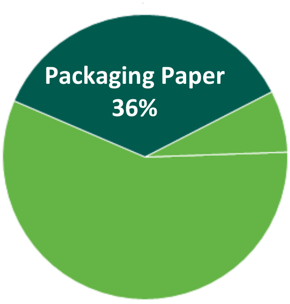
Note on methodology: The Irani prices do not contain IPI, PIS, COFINS and ICMS and are adjusted according to the market mix of boxes and plates.

The Irani average price (CIF) per square meter in 3Q20 was 4.6% higher when compared to 3Q19 and 2.5% higher when compared to 2Q20.



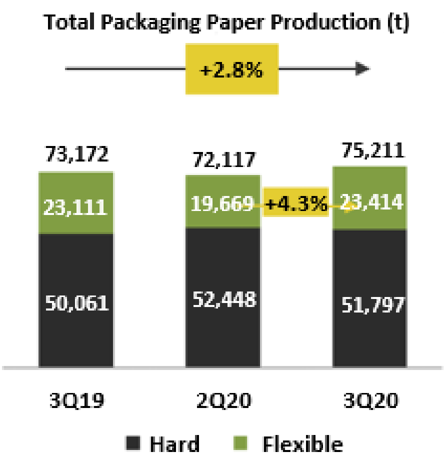
Note on methodology: The Irani prices do not contain IPI, PIS, COFINS and ICMS and are adjusted according to the market mix of boxes and plates.

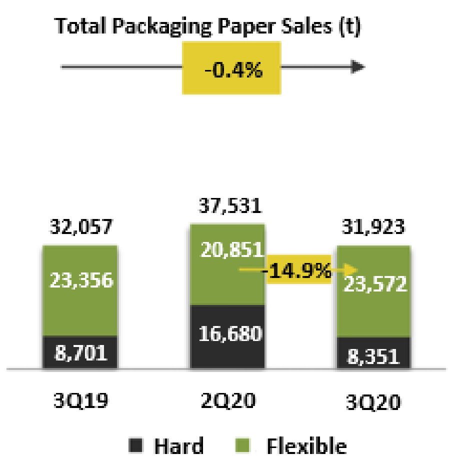
1.2 Packaging Paper Segment



Irani operates in the Packaging Paper Segment, in the markets of papers for rigid packaging (Corrugated Cardboard) as well as for flexible packaging (bagging).

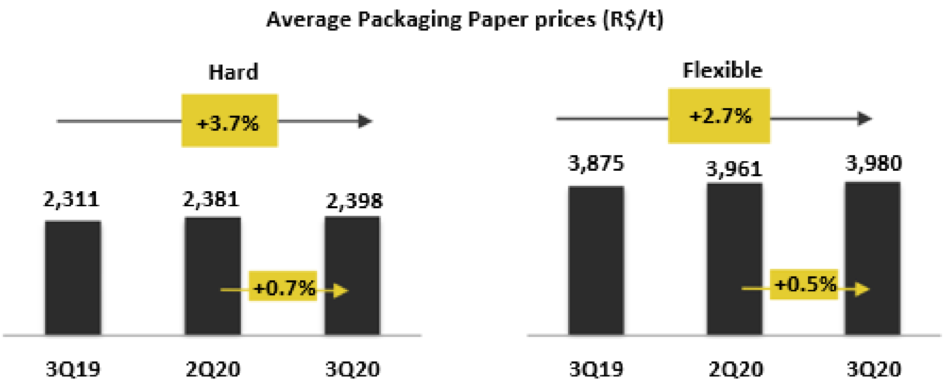
The Company's total production of Packaging Paper in the quarter was 2.8% higher when compared to 3Q19, and 4.3% higher in relation to 2Q20. Sales remained stable when compared to 3Q19 and decreased 14.9% when compared to 2Q20.





In 3Q20, internal paper transfers for rigid packaging (PO) totaled 43,546 tons (38,306 tons in 3Q19 and 35,462 tons in 2Q20), for the SP Indaiatuba packaging plant 24,375 tons were transferred (22,217 tons in 3Q19 and 19,662 tons in 2Q20) and for the SC Campina da Alegria packaging plant 19,171 tons were transferred in 3Q20 (16,089 tons in 3Q19 and 15,800 tons in 2Q20). From the total of internal transfers, 56% were to the SP Indaiatuba packaging plant and 44% were to the SC Campina da Alegria packaging plant.

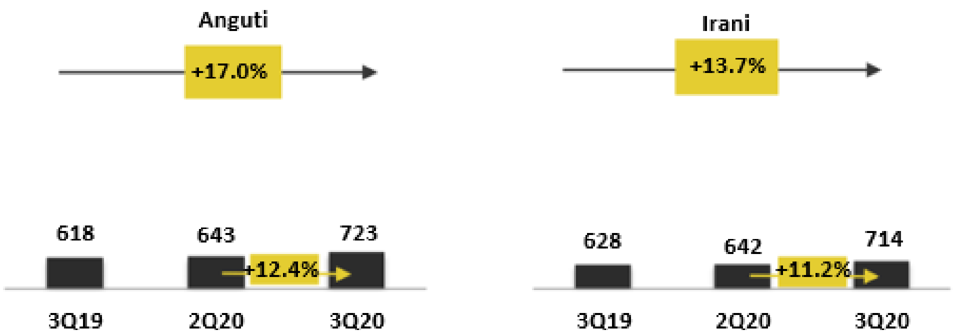
The rigid packaging paper recorded an increase of 3.7% in the price for 3Q20 when compared to those practiced in 3Q19 and remained stable when compared to 2Q20. Papers for flexible packaging increased 2.7% when compared to 3Q19 and remained stable in relation to 2Q20.



Scrap paper

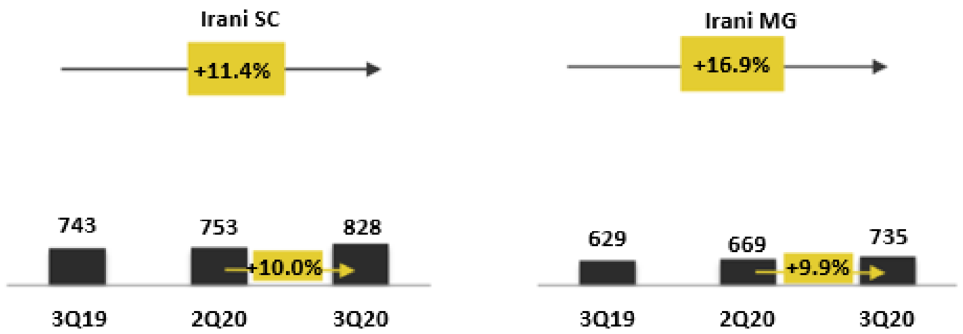
The Packaging Paper Segment uses scrap paper (used paper) as raw material to manufacture most of its products, mainly those used for the production of Corrugated Cardboard Boxes and Plates in the Company's Corrugated Cardboard Packaging Segment. Scrap paper accounted for 36% of the total paper production cost in 3Q20. The scrap paper market undergoes changes related to population consumption, due to the collection of boxes discarded by wholesalers, businesses and consumers, the demand for recycled paper, among other factors. The chart below presents the results for 3Q20:

Scrap Paper Price Evolution (Net Price R$/t|FOB)



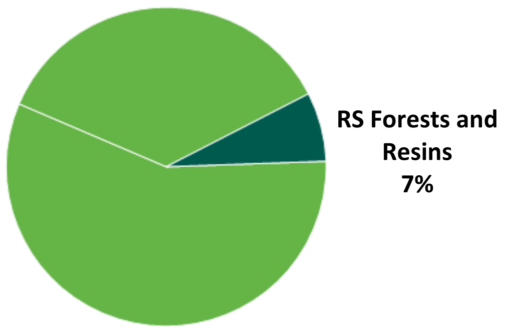
Methodological Note: Anguti Estatística – Scrap Paper Bulletin.

Scrap Paper Evolution (Net Price R$/t|CIF)



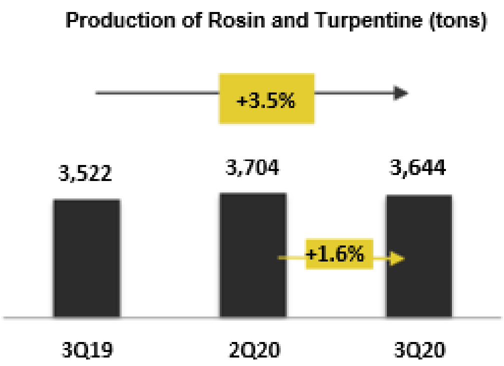
RS Forests and Resins segment

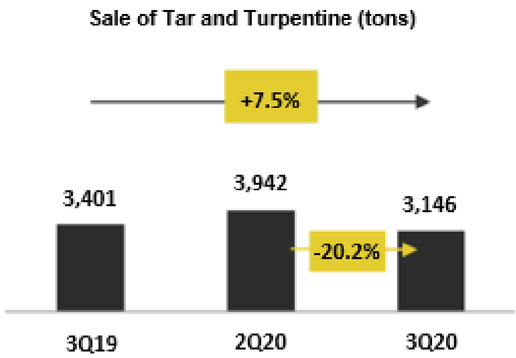
Revenue Contribution 3Q20



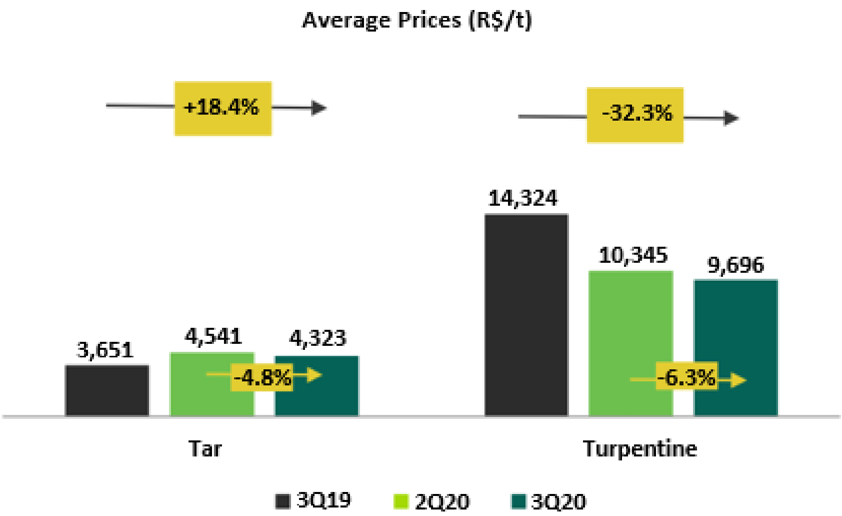
The Rio Grande do Sul forest segment produced and commercialized 11 thousand cubic meters of pine logs to the local market in 3Q20 (30 thousand cubic meters in 3Q19) and supplied 254 metric tons of in natura resins to be utilized in the industrial process of manufacturing tar and turpentine.

The production volume in the RS Balneário Pinhal Resin unit in 3Q20 presented increase of 3.5% when compared to 3Q19 and decrease of 1.6% when compared to 2Q20. The sales volume presented a 7.5% decrease when compared to 3Q19, and 20.2% decrease in relation to 2Q20.





In 3Q20, the average gross price of Tar was 18.4% higher than in 3Q19 and 4.8% lower when compared to 2Q20. Turpentine decreased 32.3% when compared to 3Q19 and 6.3% in relation to 2Q20. The price of these products changes according to the foreign market and exchange rate.



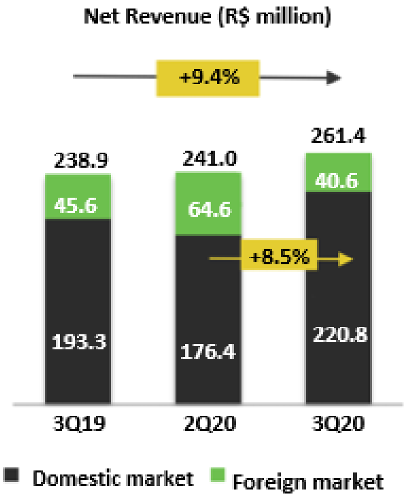
2. Economic and Financial Performance

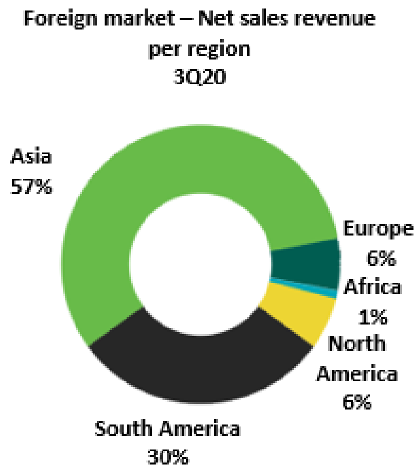
2.1 Net Operating Revenue

The net revenue in 3Q20 reached R$ 261,363, accounting for an increase of 9.4% when compared to 3Q19 and of 8.5% in relation to 3Q20, mainly reflecting an increase in the sales volume in the Corrugated Cardboard Paper segment and the increase in average prices for the period, coupled with the appreciation of the Dollar and Euro against the Brazilian Real in sales to the foreign market.

In the domestic market, net operating revenue was R$ 220,764 thousand in the quarter and had an increase of 14.2% when compared to that one of 3Q19 and an increase of 25.1% in relation to 2Q20. Revenue in the domestic market accounted for 84% of Irani's total revenue.

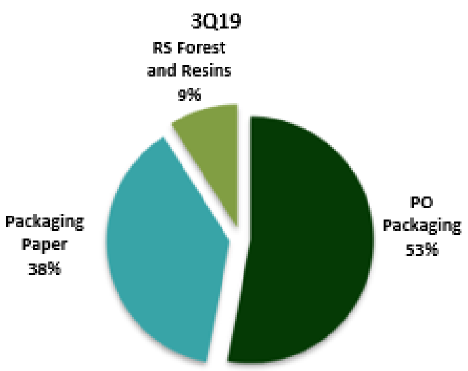
Exports in 3Q20 reached R$ 40,599 thousand, 11.1% lower than 3Q19 and 37.1% lower than 2Q20, accounting for 16% of total net operating revenue for this quarter. Asia was the main destination for exports, concentrating 57% of the total exported. The other markets are: South America (30%), Europe (6%), North America (6%) and Africa (1%).

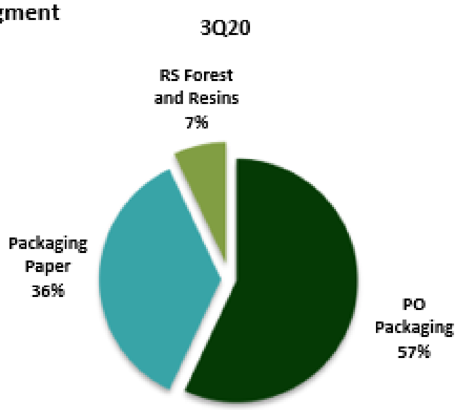




Irani's principal segment of operation is the Corrugated Cardboard Packaging segment, which accounts for 57% of consolidated net revenue in 2Q20, followed by the segments of Packaging Paper with 36%, and RS Forests and Resins, with 7%.

Net Revenue by Segment

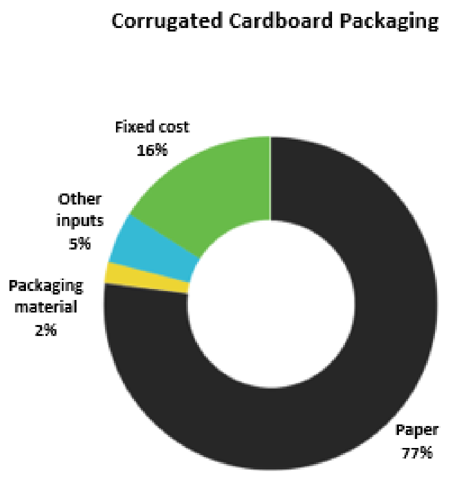


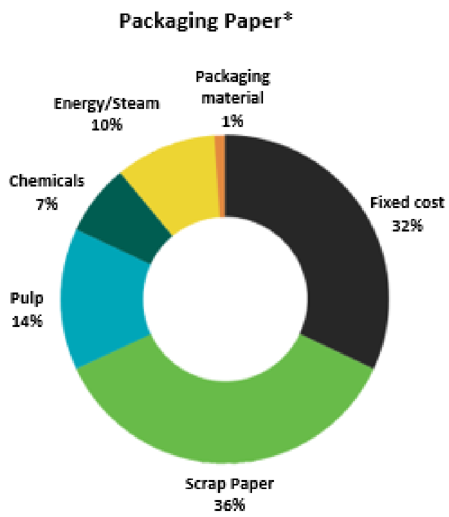


2.2 Cost of Goods Sold

The cost of goods sold in 3Q20 was R$ 184,283 thousand, 7.1% higher than in 3Q19 in absolute numbers. Change in fair value of biological assets is not considered in the cost of goods sold.

The formation of the cost per Irani's segment of operation in 3Q20 is shown in the graphs below.





* The cost formation for the packaging paper segment does not consider the change in the fair value of biological assets.

2.3 Operating Revenues and Expenses

Sales expenses in 3Q20 totaled R$ 24,485 thousand, 12.6% higher when compared to 3Q19 and representing 9.4% of consolidated net revenue, against 9.1% in 3Q19.

Administrative expenses in 3Q20 totaled R$ 15,943 thousand (R$ 13,103 thousand in 3Q19), and 21.7% higher in relation to those in 3Q19 and represented 6.1% of consolidated net revenue, compared to 5.5% in 3Q19.

Other operating revenues/expenses resulted in a revenue of R$ 9,447 thousand in 3Q20, against a revenue of R$ 70,603 thousand in 3Q19. In 3Q20, the credit of R$ 10,585 thousand was recognized, based on the favorable final and unappealable decision on the exclusion of ICMS from the PIS and COFINS calculation basis of Indústria de Papel e Papelão São Roberto S.A., which was merged by the Company in 2014.

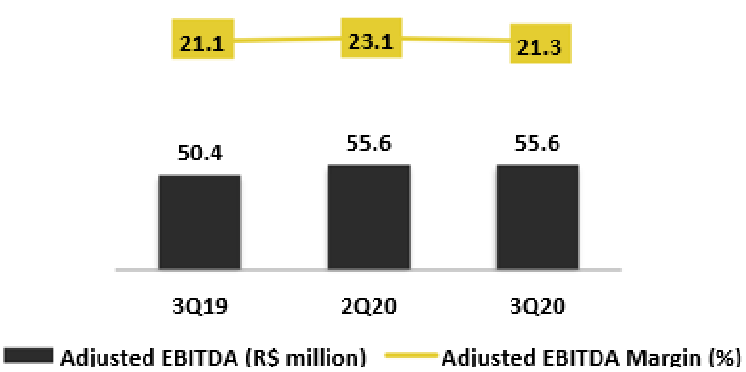
3. Operating Cash Generation (Adjusted EBITDA)

Consolidated (R$ thousand)	3Q20	2Q20	3Q19	Var. 3Q20/2Q20	Var. 3Q20/3Q19	9M20	9M19	Var. 9M20/9M19	LTM20	LTM19
Operating Result before taxes and profit sharing	**32,333**	**22,971**	**18,606**	40.8%	73.8%	**74,904**	**18,503**	**304.8%**	**26,876**	**7,208**
Depletion	1,650	2,893	4,126	-43.0%	-60.0%	8,324	11,175	-25.5%	53,938	16,156
Depreciation and amortization	17,307	16,148	14,326	7.2%	20.8%	47,173	45,869	2.8%	61,824	58,213
Finance result	11,303	17,206	89,434	-34.3%	-87.4%	48,096	149,468	-67.8%	133,275	176,462
EBITDA	**62,593**	**59,218**	**126,492**	5.7%	-50.5%	**178,497**	**225,015**	**-20.7%**	**275,913**	**258,039**
EBITDA margin	***23.9%***	***24.6%***	***52.9%***	***-0.7 p.p.***	***-29.0 p.p.***	***24.2%***	***33.8%***	***-9.6 p.p.***	***28.4%***	***29.5%***
Adjustments pursuant to CVM Instruction 527/12										
Change in the fair value of biological assets [(1)]	(733)	(3,617)	(5,956)	-79.7%	-87.7%	(8,819)	(7,294)	20.9%	(9,495)	3,157
Non-recurring events[(2)]	(9,352)	-	(70,124)	-	-86.7%	(9,352)	(70,124)	-86.7%	(25,445)	(67,594)
Management profit sharing [(3)]	3,129	-	-	-	-	3,129	-	-	3,129	-
Adjusted EBITDA of continuing operation	***55,637***	***55,601***	***50,412***	*0.1%*	*10.4%*	***163,455***	***147,597***	*10.7%*	***244,102***	***193,602***
Adjusted EBITDA margin	***21.3%***	***23.1%***	***21.1%***	***-1.8 p.p.***	***0.2 p.p.***	***22.1%***	***22.2%***	***-0.1 p.p.***	***25.1%***	***22.1%***
Adjusted EBITDA of discontinued operation	**-**	**-**	**(3,175)**	**-**	**-**	**-**	**(8,688)**	**-**	**(5,072)**	**(11,374)**
Adjusted EBITDA	**55,637**	**55,601**	**47,237**	**0.1%**	**17.8%**	**163,455**	**138,909**	**17.7%**	**239,030**	**182,228**

[1] Change in the fair value of biological assets, since it does not mean cash reduction in the period.
[2] Non-recurring events: The amount of (R$ 9,352 thousand) (3Q20) refers to the non-recurring provision for PIS and COFINS credits.
[3] Management profit sharing: The amount of R$ 3,129 thousand refers to the distribution of the Company's income.

Operating cash generation, measured by the continued operation adjusted EBITDA, totaled R$ 55,637 thousand in 3Q20, a 10.4% increase compared to 3Q19, mainly due to the better performance of margins in the comparison of the quarter and stable in relation to 2Q20. The adjusted EBITDA margin in 3Q20 reached 21.3%, a stability in relation to the 3Q19 and a decrease of 1.8 percentage points when compared to 2Q20.

Adjusted EBITDA (R$ million) and Adjusted EBITDA Margin (%)



4. Finance result and Indebtedness

The finance result is as shown below:

R$ thousand	3Q20	2Q20	3Q19	9M20	9M19	UDM20[1]	UDM19[1]
Finance income	13,877	6,610	70,737	23,516	80,231	29,493	86,129
Finance costs	(25,180)	(23,816)	(160,171)	(71,612)	(229,699)	(162,768)	(262,591)
Finance result	(11,303)	(17,206)	(89,434)	(48,096)	(149,468)	(133,275)	(176,462)

[1] *Accumulated in the last twelve months.*

The financial result was a negative by R$ 11,303 thousand in 3Q20, accounting for a decrease of 87.4% compared to 3Q19, and a decrease of 34.3% when compared to 2Q20.

In finance income and costs, exchange-rate change is included as shown below:

R$ thousand	3Q20	2Q20	3Q19	9M20	9M19	UDM20[1]	UDM19[1]
Foreign-exchange income	4,770	4,815	13,163	10,879	20,471	14,592	24,316
Negative Exchange rate change	(5,603)	(5,367)	(101,493)	(12,695)	(125,915)	(70,435)	(134,703)
Net Exchange rate change	(833)	(552)	(88,330)	(1,816)	(105,444)	(55,843)	(110,387)

[1] *Accumulated in the last twelve months.*

Exchange-rate change negatively impacted the Company's profit (loss) by R$ 833 thousand in 3Q20, 99.1% decrease in relation to 3Q19 mainly due to settlement of operations in foreign currency in 2019 and consequent write-off of hedge and a 50.9% increase in relation to 2Q20, mainly justified by the local currency's (real) devaluation against the US dollar.

As of September 30, 2020, the Company maintained only 6.9% of its dollar-denominated debt in working capital operations, in line with the volume of accounts receivable from external clients.

Finance result net of foreign-exchange income was as follows:

R$ thousand	3Q20	2Q20	3Q19	9M20	9M19	UDM20[1]	UDM19[1]
Finance income without exchange rate change	9,107	1,795	57,754	12,637	59,760	14,901	61,813
Finance costs without exchange rate change	(19,577)	(18,449)	(58,678)	(58,917)	(103,784)	(92,333)	(127,888)
Finance result without exchange rate change	(10,470)	(16,654)	(1,104)	(46,280)	(44,024)	(77,432)	(66,075)

[1] *Accumulated in the last twelve months.*

The finance result, excluding the effects of exchange-rate change, was negative by R$ 10,470 thousand in 3Q20 compared to a negative result of R$ 1,104 thousand in the 3Q19 and R$ 16,654 thousand in 2Q20. In 3Q20, the financial result without exchange variation had a positive impact arising from the final and unappealable decision regarding the ICMS tax exemption from the PIS and COFINS basis of the merged company Indústria de Papel e Papelão São Roberto S.A., which resulted in the recognition of the respective credit updated by the SELIC rate in the amount of R$ 7,028) and a negative impact of R$ 1,656 thousand related to the cost of early settling certain financial operations (Liability Management).

Exchange Rate

The exchange rate which was R$ 4.16/US$ on September 30, 2019, was 35.58% higher at the end of September 2020, and reached R$ 5.64/US$. The average exchange rate for this quarter was R$ 5.38/US$, stable when compared to the 2Q20 and 35.52% higher when compared to the same period of 2019.

R$ thousand	3Q20	2Q20	3Q19	Δ3T20/2T20	Δ3T20/3T19
Average Dollar	5.38	5.39	3.97	-0.19%	+35.52%
Final Dollar of the period	5.64	5.48	4.16	+2.92%	+35.58%

Source: Brazilian Central Bank

Indebtedness

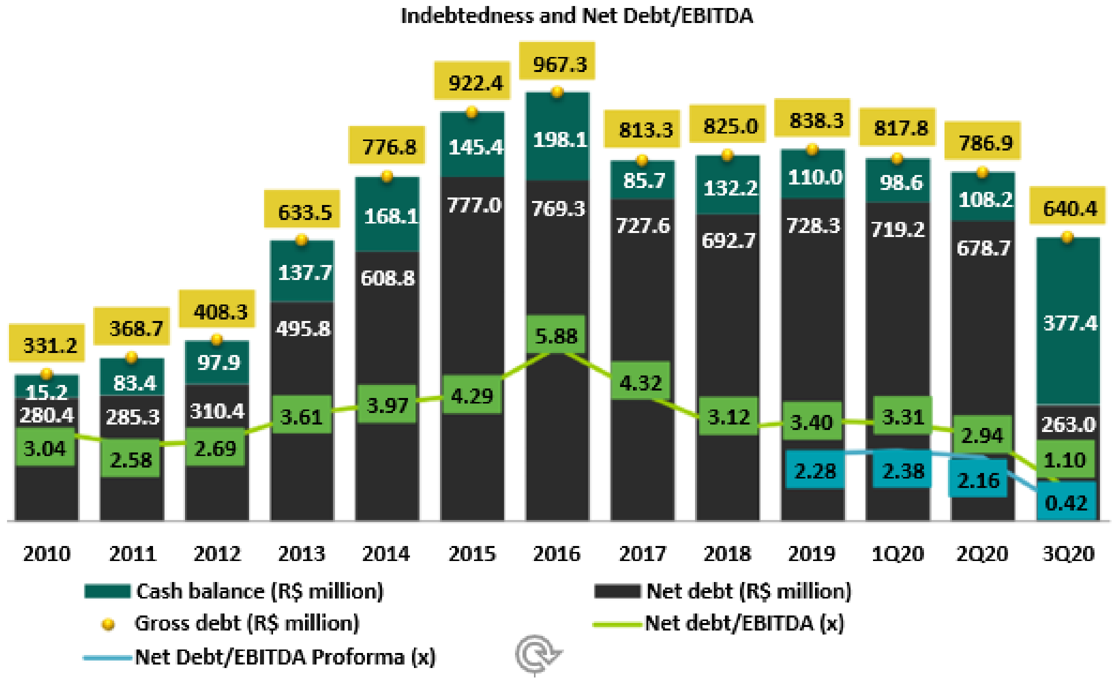
The consolidated net indebtedness on September 30, 2020 totaled R$ 640.4 million against R$ 786.9 million on June 30, 2020. The change in this indicator was influenced by the financial assets and liabilities management measures (Liability Management) adopted for the quarter, which involve the settlement of debts with an inappropriate cost to the new capital structure. At September 30, 2020, the Company's gross debt profile presented 16% of debts maturing in the short term and 84% in the long term. The average cost of debt was 6.26% per annum as of September 30, 2020, a decrease of 60 p.p. in relation to June 30, 2020, result of aforementioned measures.

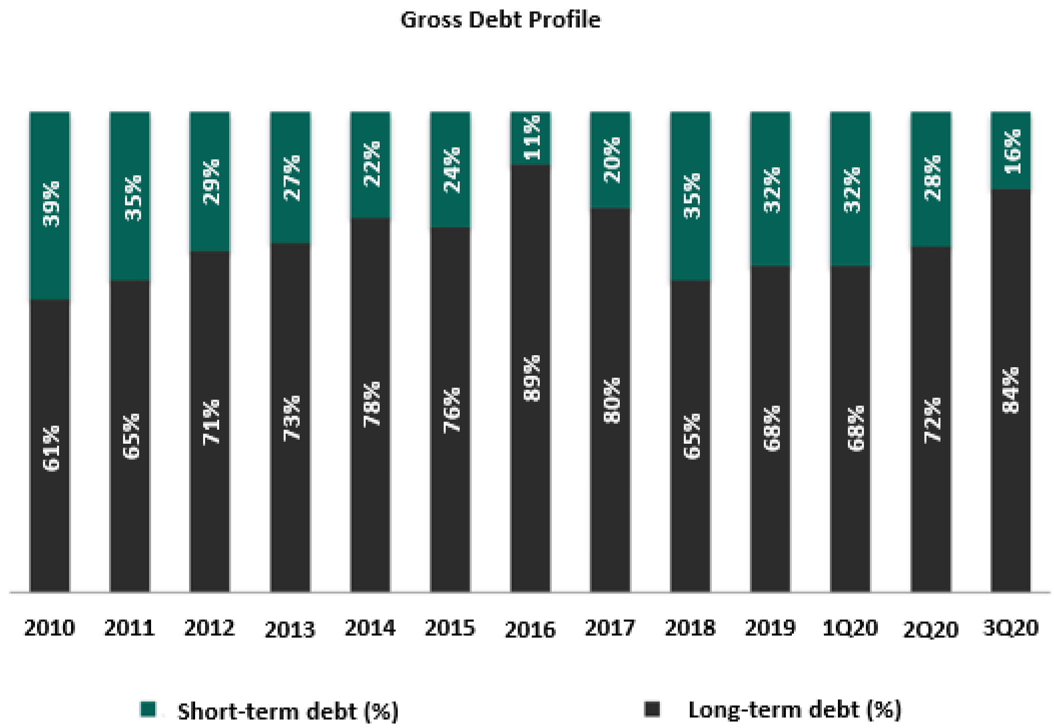
The consolidated cash balance on September 30, 2020 totaled R$ 377.4 million against R$ 108.2 million on June 30, 2020. The increase in the cash balance occurred mainly due to the public offering of shares.

The consolidated net indebtedness on September 30, 2020 totaled R$ 263.0 million against R$ 678.7 million on June 30, 2020, representing a decrease of 61.2% or R$ 415.7 million, mainly due to public offering of shares and cash generation in the quarter.

The net debt/Adjusted EBITDA ratio was 1.10 times in September 2020, compared to 2.94 times at the end of 2Q20, due to the decrease in net debt and increase in adjusted EBITDA in the last 12 months.

Considering to exclude from the net debt the amounts that will be received in the coming months in the total amount of R$ 159.3 million, related to: i) PIS and COFINS credits in the amount of R$ 115.1 million; ii) Sale of land and forests in the amount receivable of R$ 4.0 million; and iii) Sale of the property of Package SP - Vila Maria, with balance receivable in the amount of R$ 40.2 million, would result in the pro-forma Net Debt of R$ 103.7 million and considering the EBITDA of the Continuing Operation of R$ 244.1 million of the last 12 months, the pro-forma leverage would be 0.42 times.





5. Net Profit (Loss)

In 3Q20, the net profit (loss) was R$ 25,558 thousand of income in comparison to the income in the amount of R$ 15,312 thousand in the 3Q19 and an income of R$ 15,298 thousand in 2Q20. In the YTD, the net income (loss) was R$ 72,998 thousand of income compared to R$ 396 thousand of income in the same period of the prior year. The main impacts on the net result for this quarter were the growth in net sales revenue and the improvement in margins due to the increase in average prices of products sold by the Company. Also in 3Q20, the Company recognized PIS and COFINS credit due to a favorable judicial decision, as the successor to the company Indústria de Papel e Papelão São Roberto S.A., by which it guaranteed the right to recover amounts related to the exclusion of ICMS from the PIS and COFINS calculation basis of the succeeded company for the period from May 2011 to December 30, 2014 (merger date), for which it estimates the potential value of the restated credits at R$ 17,613 (R$ 10,585 corresponding to the original credit amount and R$ 7,028 referring to the amount update by the SELIC rate).

6. Investments

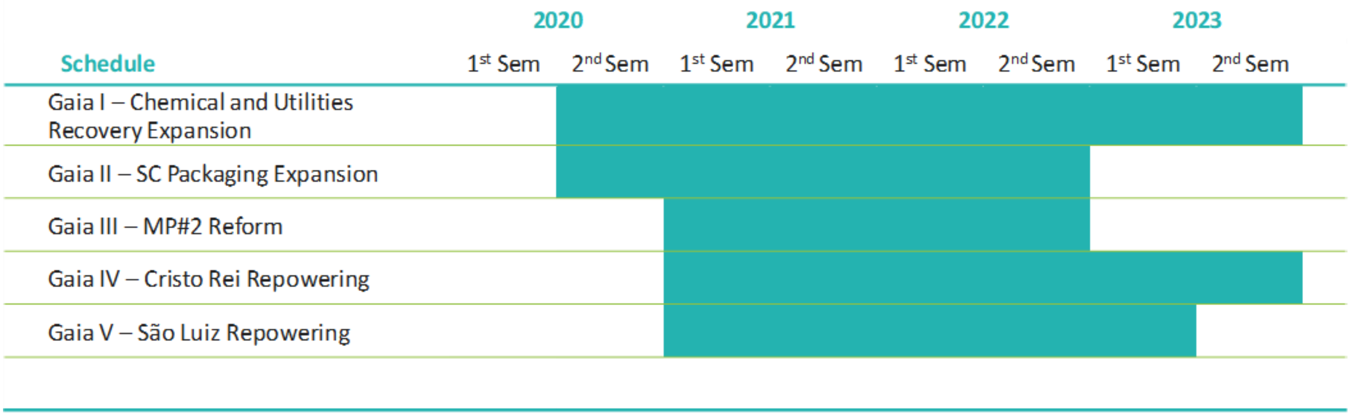
The Company maintains its strategy to invest in the modernization and automation of its production processes on a cautious basis. Investments in this quarter amounted to R$ 17,280 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company.

R$ thousand	3Q20	9M20
Buildings	312	444
Equipment	12,749	34,990
Intangible assets	190	3,250
Reforestation	4,299	11,742
Total	**17,280**	**50,426**

7. Gaia Platform

The Company's management intends to implement a set of investments with a great positive environmental impact in the coming years that consists mainly of increasing the generation of renewable energy and expanding the production capacity of paper and corrugated cardboard packaging, products from renewable and recyclable sources. In addition to the environmental benefits, investments have an internal rate of return (IRR) higher than the Company's cost of capital, generating significant additional value for shareholders. We are calling this set of investments the **Gaia Platform (www.irani.com.br/gaia/)**. We list the projects comprising the first phase of the Gaia Platform, with estimated values and preliminary schedule.

Project Description	Unit	Estimated Investment
Gaia I – Chemicals and Utilities Recovery Expansion	Paper SC Campina da Alegria	455,560,961
Gaia II – SC Packaging Expansion	Packaging SC Campina da Alegria	149,155,745
Gaia III – MP#2 Reform	Paper SC Campina da Alegria	44,179,027
Gaia IV – Cristo Rei Repowering	Paper SC Campina da Alegria	31,299,832
Gaia V – São Luiz Repowering	Paper SC Campina da Alegria	62,863,856
	Estimated Investment	743,059,421



8. Capital Market

In 3Q20, 90,000,000 common shares were issued at a unit price of R$ 4.50, which represented a gross funding of R$ 405 million (R$ 382 million net of issue costs). The proceeds from the offer will be used to improve the Company's capital structure and make strategic investments.

Irani's share capital, on September 30, 2020, was composed of 256,720,235 shares, of which 243,909,975 (95%) are common shares and 12,810,260 (5%) are preferred shares. On September 30, 2020, the Company held 2,376,100 treasury shares, of which 24,000 are common shares and 2,352,100 are preferred shares. On the same date, common shares were traded at R$ 4.60 while preferred shares were traded at R$ 8.00.

9. Subsequent Event

The Extraordinary General Meeting held on October 8, 2020 approved the migration of the Company to the special listing segment of B3 S.A. – Brasil, Bolsa, Balcão ("B3"), called Novo Mercado (New Market), as well as the conversion of all preferred shares issued by the Company into common shares, in the proportion of one (1) common share for each one (1) preferred share. The assembly also approved the global amendment of the Company's Bylaws to adapt it to the requirements of the B3's New Market Regulations Listing and to incorporate the other adjustments detailed in the management's proposal, with their respective consolidation, whose effectiveness is conditioned to the approval of the Company's migration to B3's New Market.

Also on October 8, 2020, the Special General Meeting of Shareholders of Preferred Shares ratified the conversion of all preferred shares issued by the Company into common shares, in the proportion of one (1) common share for each preferred share, with a 30-day withdrawal right as of October 13, 2020, to the holders of preferred shares who abstained from voting, dissented from the resolution or did not attend the Special General Meeting of Preferred Shareholders.

Management expects to complete the migration process to B3's New Market by the end of November 2020.

IRANI PAPEL E EMBALAGEM S.A.

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATIONS

Irani Papel e Embalagem S.A. ("Company"), previously named Celulose Irani S.A., is a corporation listed on B3 S.A. – Brasil, Bolsa, Balcão, 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 the manufacture of corrugated cardboard packaging, packaging paper, resin products and their byproducts. The Company is also engaged in forestation and reforestation activities and utilizes the production chain of planted forests and paper recycling as the basis for all its production.

Its direct subsidiaries are disclosed in Note 4.

The Company is a direct subsidiary of Irani Participações S.A., a Brazilian privately-held corporation. Its ultimate parent company is D.P. Representações e Participações Ltda. both entities of Grupo Habitasul.

The issuance of these financial statements was authorized by the Management's Company on October 30, 2020.

1.1. Public offer of Company's shares and subsequent increase of share capital

Through a meeting of the company's board of directors on July 10, 2020, the public offer with restricted efforts of ordinary shares, nominative, book-entry form, with no par value, issuance of the Company, all free of any onus or encumbrances ("Restricted Offer").

In a meeting of the company's board of directors on July 22, 2020, the fixed share price of R$ 4.50 per share was approved, as well as the effective increase of the Company's share capital, within the limits of authorized capital in the terms of article 7 of the Company's social statute, in the amount of R$ 405,000 (four hundred and five million reais), upon issuance of 90,000,000 new ordinary Company shares, as well as its approval in the context of the Restricted Offer. The issuance costs of shares totaled R$ 22,961 (twenty-two million, nine hundred and sixty-one thousand reais), with a net amount of R$ 382,049 (Three hundred and eighty-two million, and forty-nine thousand reais).

1.2. Coronavirus (COVID-19)

During the subsequent months after the start of the pandemic, the Company continued to take actions with the objective of improving the work conditions and assist in the quality of life of its employees and, also of the communities in which they live, of which we can highlight: (i) donations of protection masks for all employees; (ii) adaptation of work stations to improve the social distancing conditions necessary for the operations; (iii) adaptation and improvement of the restaurants of the industrial units to better attend to the necessary safety standards; (iv) for the employees in home office, the Company is conceding cost help for all personal expenses with internet and energy, besides providing adequate chairs so that the employees can continue their work from home.

During the third quarter of 2020, the Company's industrial operation followed its normal course of production and trade and the Administration is periodically evaluating the combat measures to the Coronavirus. All necessary measures to best minimize the impact of COVID-19 in its operations and mainly on its employees and their families continue to be taken.

Aware of the importance for the communities where it functions and of its role in the Brazilian economic scenario, the Company already participates in initiatives for the fight against COVID-19, with actions that have the Company's different resources and experiences, focused on health and social assistance, prioritizing the care with the communities of the regions in which the Company has operations. Among these initiatives, we can highlight: i) donations of protection equipment, such as gloves, masks, alcohol gel, aprons and caps to the health agencies of the towns near our units; ii) donation of financial resources to the Company Fund for the Articulated Reaction of Santa Catarina against the Coronavirus (FERA-SC), a FIESC initiative, and its objective is to purchase equipment and solutions for the fight against the coronavirus; iii) Donations of two thousand boxes for our client Carlezani use in the donation of 1.2 millions liters of sanitary water, in partnership with Unipar. The product will be used in the cleaning of several locations by the Mayors of São Paulo, Cubatão and Rio Grande da Serra; iv) Donations of 3,500 plates of corrugated cardboard for the production of boxes to transport masks destined to medics and nurses that are in the front lines of the fight against COVID-19.

In the understanding of our administration, the measures taken to this moment – and that are in constant reevaluation – look to keep the level of operating quality and service for which we zeal in our operations, besides looking for assuring the health and well being of our employees, suppliers, clients and society as a whole, supporting the compliance of measures set by the public authorities. We will continue to act in a manner to preserve the health of everyone, always vigilant and ready to correct the course according to the evolution of the situation.

Based on long term projections that contemplate the projected cash flows, the Company understands it has the sufficient conditions of maintaining its operating continuity. In the same manner, the projections do not present any indicative of the need to recognize asset impairment or for Goodwill generated in business combinations. Any indicatives of the need to alter the premises used for the calculations of the company's fair value of biological assets were also not identified, specially the discount rate of its projected cash flows.

The company is still maintaining the policy of isolated prorogation of maturity dates according to the specific needs of each client and has not identified any indication of no liquidation or losses different than those already adopted. In relation to the supply chain, any indication of shortages or difficulty of supply by the suppliers that could damage production by lack of raw materials or inputs was also not identified.

2. PRESENTATION OF FINANCIAL STATEMENTS

The interim financial statements are prepared in accordance with the accounting practices adopted in Brazil, including the requirements of Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and with the International Financial Reporting Standards (IFRS) including the requirements of IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB), and presented in accordance with the rules issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information – ITR, and demonstrate all relevant information of the financial information, and only them, which are consistent with the information used by the Administration in its tenure.

The interim financial statements were prepared based on historical cost convention, except biological assets measured at their fair values less costs to sell, and financial instruments disclosed in notes 16 and 31, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

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 profit and loss, 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 on hand, deposits with banks, and highly liquid investments with a low risk of change in value, and maturing in 90 days or less, which are held for the purpose of meeting short-term cash commitments.

c) Financial assets

The Company, upon initial recognition of a financial asset, classified its assets as: at amortized cost, at fair value through profit or loss. Financial assets are not reclassified after initial recognition, unless the Company changes the business model for the management of financial assets. The Company carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed.

c.1) Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is impaired when it is necessary. Interest revenue, foreign exchange gains and impairment losses are directly recognized in the statement of operations. Any gain or loss on derecognition is recognized in income (loss).

c.2) Financial assets measured at fair value through profit or loss

These assets are subsequently measured at fair value. Net income, plus interest, is directly recognized in profit (loss).

c.3) Impairment of financial assets

The Company recognizes loss provisions for ECLs (Estimated Credit Losses) on financial assets measured at amortized cost.

The company measures the provision for loss in an amount equal to the expected credit loss. In determining if the credit risk of a financial asset increased significantly since its initial recognition and estimating if the expected credit losses, the Company considers reasonable information that is relevant and available without any cost or excessive effort. This includes information and quantitative and qualitative analysis based on the Company's historical experience, credit assessment and forward-looking information.

The expected credit losses provision was calculated based on the credit risk analysis, which contemplates the history of losses, the individual situation of the clients, the economic situation of the group to which they belong, collateral for the debits and the assessment of the judicial consultants and it is considered enough to cover for eventual losses over receivables, including a forward-looking analysis that takes into consideration the change or expectation of change in economic factors that affect the credit expected losses, which will be determined based on weighted probabilities. The expected credit losses provision considers the maturity date of the client's credits, in which the Company uses different rates according to the maturity date, calculating the probability of loss, increasing the percentage of the provision for expected loss for longer expiration periods of maturity dates.

The Company measures the provision for loss in an amount equal to credit loss expected for the life of the asset.

d) Derecognition

The Company derecognizes a financial asset when contract rights to assets' cash flows expire, or when the Company transfers the contract right of receiving a financial asset to contract cash flows, in a transaction in which substantially all risks and rewards of owning the financial asset are transferred or in which the Company neither substantially transfers nor maintains all risks and rewards of owning the financial asset and neither retains control over the financial asset.

e) Offsetting

Financial assets and liabilities are offset and the net value reported in the balance sheet only when the Company has a legally enforceable right to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

f) Financial instruments

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss: it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at fair value through other comprehensive income if it meets both conditions below and is not designated as measured at fair value through profit or loss: it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on outstanding principal value. In the initial recognition of an investment in an equity instrument not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income. This choice is made on an investment basis.

The Company carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed and the information is provided to management. The information considered is comprised by: the policies and goals established for the portfolio and practical operation of these policies. They include the question of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets: how the performance of the portfolio is evaluated and reported to the Company's management; risks that affect the performance of the business model (and the financial assets held in that business model) and the way those risks are managed; the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

f.1) Evaluation whether the contractual cash flows represent solely payments of principal and interest

For this evaluation purposes, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of loans (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Company considers the contractual terms of the instruments to evaluate whether the contractual cash flows are only payments of principal and interest. It includes evaluating whether the financial asset contains a contractual term that could change the time or amount of the contractual cash flows so that it would not meet this condition. In making this evaluation, the Company considers the following: contingent events that change the amount or timing of cash flows; terms that may adjust the contractual rate, including variable rates; the prepayment and the extension of the term; the terms that limit the Company's access to cash flows of specific assets (for example, based on the performance of an asset).

The prepayment is consistent with the principal and interest payment criterion if the prepayment amount mostly represents the unpaid principal and interest amounts on the outstanding principal amount - which may include an additional reasonable offset due to the early termination of the contract.

g) Inventories

Inventories are stated at the lower of average production or acquisition cost and net realizable value. Inventory cost is based on the weighted average cost principle. 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.

The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

h) Investments in subsidiaries

Investments in subsidiaries are accounted for in the parent company financial statements by the equity method.

According to the equity method, investments in subsidiaries 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 shall provide impairment evidence of the asset transferred. The accounting policies of the subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Company.

i) Investment property

Investment properties are measured at cost and their fair value is disclosed in an explanatory note.

Depreciation is recognized based on the estimated useful life of each asset on the straight-line basis, to fully write off the cost less the residual value of each asset over its expected useful 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.

Revenues from rented investment properties is recognized in the statement of profit and loss on the accrual basis.

Any gain or loss from the sale or write-off of an item recorded within investment properties is determined as the difference between the proceeds received and the carrying amount of the asset sold and recognized in the statement of profit and loss.

j) Assets held for sale

Non-current assets held for sale are classified as "held for sale" if it is highly probable that they will be primarily recovered through sales instead of the continuous use.

Assets held for sale are generally stated at the lowest value between their carrying amount and the fair value less selling expenses. Impairment losses determined in the initial classification as held for sale and gains and losses from subsequent remeasurements, are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any investment measured under the equity method is no longer subject to the application of the method.

k) Discontinued operation

A discontinued operation is a component of one of the Company's business that includes transactions and cash flows that can be clearly distinguished from the rest of the entity and that:
i) represents a separate major line of business or geographical area of operations;
ii) is part of an individual coordinated plan to sell an important separate business line or geographical operation area; or
iii) is a subsidiary acquired exclusively to be resold.

The classification as a discontinued operation is made upon its disposal or when the operation meets the criteria to be classified as held for sale, if this occurs before.

When an operation is classified as a discontinued operation, the comparative statements of profit and loss and the statement of comprehensive income are represented as if the operation had been discontinued since the beginning of the comparative period.

l) Property, plant and equipment and intangible assets

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses, where 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 appropriate categories of property, plant and equipment when completed and ready for their intended use. Depreciation begins when these assets become ready for the intended use and is calculated on the same basis as other property, plant and equipment items.

Subsequent expenditure is capitalized only if it is probable that the future benefits associated with the expenditure will flow to the Company.

The Company calculates depreciation on the straight-line method, taking into consideration the estimated useful lives of the assets, based on expected future economic benefits, except for land, which is not depreciated. The evaluation of the estimated useful life of assets is reviewed annually and adjusted if necessary.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

The Company's intangible assets comprise goodwill, software licenses, brand and client portfolio.

Goodwill is represented by the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair value of assets and liabilities of subsidiary acquired. Goodwill arising from acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements. If a gain on a bargain purchase is determined, the amount is recorded as a gain in the income (loss) for the period, at the acquisition date. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Gain and losses for the sale of an entity include the book value of the goodwill related to the sold entity.

The goodwill is allocated to the Cash Generating Units (CGUs) for impairment testing. The allocation is made to the Cash Generating Units that are expected to benefit from the business combinations in which the goodwill arose.

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 (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 within a business combination are recognized at fair value on the acquisition date. The Company's trademarks do not have a defined useful life and, therefore, are not amortized.

The client portfolio acquired in a business combination is recognized at fair value at the acquisition date and is accounted for at fair value less accumulated amortization. Amortization is calculated using the straight-line method over the expected useful life of the client relationship.

m) Biological assets

The Company’s biological assets are mainly represented by planted pine forests that are used to produce packaging paper, boxes and plates of corrugated cardboard, and for trading with third parties and extraction of gum resin. The pine forests are located near the pulp and paper plant in the state of Santa Catarina and in the state of Rio Grande do Sul, where they are used to produce gum resin and sale of timber logs.

The biological assets are valued at fair value less cost to sell. The change during each period is recognized in the statement of profit or loss as a change in the fair value of biological assets. The evaluation of fair value of biological assets is based on certain assumptions, as explained on note 16.

n) Assets of impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment; assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (cash generating unit). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

During the year ended December 31, 2019, impairment amounts related to the discontinued operation were identified and recognized in accordance with note 15. The Company did not identify indicators that the carrying amount exceeds the recoverable value of its non-financial assets for its continued operations.

o) Income tax and social contribution (current and deferred)

A provision is recorded for current income tax and social contribution based on the taxable income determined according to the prevailing tax legislation, which differs from the income reported in the statement of income, since it excludes revenues 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 individually for each company, based on the prevailing rates in the period. The Company calculates its taxes by applying the statutory rate of 34% on its taxable income.

On temporary differences for tax purposes, tax losses, adjustments of deemed cost and changes in the fair value of biological assets are recorded deferred income tax and social contribution. Deferred tax liabilities are usually recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, only when it is probable that the Company will present future taxable income in sufficient amount to use these deductible temporary differences.

Deferred income tax assets and liabilities are presented at net amount in balance sheet when there is the legal right and the intention of offsetting them upon calculation of current taxes, in general related to the same legal entity and the same tax authority.

p) Loans and financing

Loans are stated at their original amounts, less the related transaction costs, where applicable, and adjusted based on indices established in the contracts entered with the creditors. Interest is also calculated using the effective interest rate method, as well as the effects of foreign exchange rate changes, where applicable, through the balance sheet dates, as described in the explanatory notes.

q) Cash flow hedge (Hedge Accounting)

The Company documents, at inception of the transaction, the relationship between the hedge instruments and the hedge-protected items, as well as the risk management objectives and the strategy for conducting hedge 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. Changes in hedge amounts classified in other comprehensive income and in equity, in “Equity valuation adjustments” are disclosed in note 23.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognized in shareholders’ equity within “Equity valuation adjustments”. The gain or loss relating to the ineffective portion is immediately recognized in the statement of profit and loss for the period.

Amounts accumulated in shareholders’ equity are realized in the statement of income in the periods when the item protected by a hedge transaction affects the income (for instance, when the estimated sale which is hedged, occurs). The gain or loss relating to the effective portion of instruments hedging highly probable transactions is recognized in the statement of income within “Financial expenses”. The gain or loss relating to the ineffective portion is recognized in the statement of profit and loss for the period.

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

r) <u>Leases</u>

r.1) Definition of lease

According to CPC 06 (R2)/ IFRS 16, a contract is or contains a lease if it transfers the rights to control the use of an identified asset for a period in return for a consideration.

r.2) The Company as the lessee

The Company leases real estate, production and IT equipment. As a lessee, in accordance with CPC 06 (R2)/IFRS 16, the Company recognizes the right-of-use assets and the lease liabilities for most leases – that is, these leases are recorded in the balance sheet.

Nevertheless, the company chose not to recognize right to use assets and lease liabilities for some leases of low value assets (such as IT equipment). The company recognizes the payments related to these leases as expenses using the linear method over the course of the lease.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following: (i) fixed payments, including in-substance fixed payments; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee; and (iv) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Management recognized the right to use assets and lease liabilities as they are demonstrated at the accompanying note 34.

r.3) The Company as the lessor

The Company leases its properties for investment in accordance with Note 14. The Company continues to classify this lease as operating lease with no impact on its financial statements.

s) 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.

t) 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.

u) Significant accounting judgments, estimates and assumptions

In preparing these consolidated interim financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The accounting judgments, estimates and assumptions adopted by Management were based on the best information available on the date of interim financial statements, involving the experience with past events, projections about future events, in addition to the assistance of experts, where applicable.

Therefore, the interim financial statements contain a number of estimates, including, but not limited to: the determination of the useful lives of property, plant and equipment (note 15), the assessment of fair value for assets held for sale (note 11), the realization of deferred tax assets (note 12), the expected credit losses provision for trade accounts receivables (note 6), the assessment of fair value for biological assets (note 16), the tax, social security, civil and labor contingencies provisions (note 22), and the impairment of non-financial assets (note 15).

The actual results of the balances formed with the use of judgments, estimates and accounting assumptions, upon their actual realization, may be different from those recognized in the interim financial statements.

v) Revenue recognition

Steps to recognize revenue are: i) identification of the contract with the client; ii) identification of the contractual performance obligations; iii) determination of the transaction price; iv) allocation of the transaction price to the contractual performance obligations; and v) recognition of revenue as the performance obligations are satisfied. Revenue is recognized when the goods are delivered to the customers.

Accordingly, revenue from contracts with customers should be recognized in the amount the Company expects to receive in exchange for the goods and services provided to the customers. The revenue is presented net of taxes, goods returned, rebates and discounts.

w) Government Grants

Tax payments deferrals granted directly or indirectly by the government, below market interest rates, are treated as a government grant and measured by the difference between the carrying amount of taxes and the discounted cash flow present value calculated based on market interest rates. This difference is recorded with a corresponding entry to revenue in the statement of profit and loss and will be allocated based on the amortized cost and the effective rate over the period (Note 33).

x) Statement of added value (“DVA”)

The Brazilian corporate law requires the presentation of the statement of value added, the parent company and consolidated, as part of the set of financial statements presented by the Company. Accordingly, in conformity with IAS 34, this statement is presented as supplementary information, without prejudice to financial statements. The purpose of this statement is to show the wealth created by the Company and its distribution during the reporting periods.

The statement of value added has been prepared pursuant to the provisions of CPC 09 - "Statement of Value Added", with information obtained from the same book records used to prepare the interim financial statements.

4. CONSOLIDATION OF THE FINANCIAL STATEMENTS

The consolidated interim financial statements include the accounts of Irani Papel e Embalagem S.A. and its subsidiaries as follows:

Participation in capital - %			
Subsidiaries - direct interest	Activity	09.30.20	12.31.19
Habitasul Florestal S.A.	Forestry production	100.00	100.00
HGE - Geração de Energia Sustentável S.A. *	Generation of electricity	100.00	100.00
Iraflor - Comércio de Madeiras LTDA	Trade of timber	99.99	99.99
Irani Geração de Energia Sustentável LTDA *	Generation of electricity	99.56	99.56

*wind projects for implementation under evaluation

The accounting practices of the subsidiaries are consistent with those adopted by the Company. The investments in subsidiaries, the equity income, as well as the balances of operations carried out and unrealized intercompany profit and/or loss were eliminated in the consolidated interim financial statements. The financial information of the subsidiaries, used for consolidation, was prepared at the same date as that of the Company.

5. CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents are represented as follows:

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Fixed fund	19	25	20	27
Banks	9,692	14,272	9,709	14,336
Financial investments with immediate liquidity i)	54,020	64,021	76,695	66,459
Financial investments ii)	290,947	-	290,947	-
	354,678	78,318	377,371	80,822

i) The financial investments with immediate liquidity have the purpose of meeting the Company's immediate cash needs.

ii) The financial investments have the purpose of meeting the Company's non-immediate cash needs.

Both financial investments earn a fixed income at the average of 105.0% (95.5% in December 31, 2019) of the Interbank Deposit Certificate (CDI) interest rate and mature in 131 days or less.

6. TRADE ACCOUNTS RECEIVABLES

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Receivables from:				
Trade receivables - Domestic market	174,683	153,802	175,843	155,246
Trade receivables - Foreign market	26,344	25,004	26,344	25,004
Trade receivables - Renegotiation	10,240	12,988	10,240	12,992
	211,267	191,794	212,427	193,242
Provision for impairment of trade receivables	(30,286)	(29,414)	(30,565)	(29,414)
	180,981	162,380	181,862	163,828
Current portion	178,973	160,804	179,854	162,252
Non-current portion	2,008	1,576	2,008	1,576

The aging analysis of trade accounts receivable is in the table below.

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Falling due	163,418	145,179	164,196	145,730
Overdue up to 30 days	8,836	8,821	8,843	9,363
Overdue, 31–60 days	3,753	2,368	3,753	2,486
Overdue, 61–90 days	1,024	1,399	1,024	1,513
Overdue, 91–180 days	584	2,630	592	2,753
Overdue >180 days	33,652	31,397	34,019	31,397
	211,267	191,794	212,427	193,242

The Company records a provision for doubtful accounts for the relevant portion of accounts receivable overdue for more than 180 days. Provisions for impairment of accounts receivable are also recorded for notes falling due and overdue for less than 180 days in cases where the amounts are not considered realizable, based on the financial situation of each debtor and historical analyzes of losses obtained by the Company. Individual analyzes are performed for those clients who do not yet have overdue notes, considering their credit risks. The following table discloses information regarding the credit risk exposure and expected credit losses provision for trade accounts receivables and contractual assets for individual clients on September 30, 2020 and on December 31, 2019:

Consolidated
Exposition to credit risk and credit losses

	Estimated loss weighted average rate	Gross accounting balance on 09.30.2020	Estimated loss provision on 09.30.2020
Falling due	0.32%	164,196	(528)
Overdue up to 30 days	0.28%	8,843	(25)
Overdue, 31 - 180 days	5.70%	5,369	(306)
Overdue > 181 days	87.32%	34,019	(29,706)
		212,427	(30,565)

Consolidated
Exposition to credit risk and credit losses

	Estimated loss weighted average rate	Gross accounting balance on 12.31.2019	Estimated loss provision on 12.31.2019
Falling due	0.36%	145,730	(528)
Overdue up to 30 days	0.26%	9,363	(24)
Overdue, 31 - 180 days	2.64%	6,752	(178)
Overdue > 181 days	91.36%	31,397	(28,684)
		193,242	(29,414)

The expected loss rates are based on real credit loss experience. These rates were multiplied by scalar factors to reflect the differences between conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The credit quality of financial assets that are not past due or committed as of September 30, 2020 is assessed based on historical information on the Company's default rates. In general, 95% of accounts receivable securities have no history of default.

Changes in the provisions may be stated as follows:

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Balance at the beginning of the period	(29,414)	(24,016)	(29,414)	(24,016)
Provision for recognized losses	(872)	(5,398)	(1,151)	(5,398)
Balance at end of the period	(30,286)	(29,414)	(30,565)	(29,414)

A portion of receivables, amounting to R$ 95,738 has been assigned as collateral for certain financing transactions, as disclosed in notes 17 and 18, as of September 30, 2020.

7. INVENTORIES

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Finished goods	34,084	32,926	34,520	32,926
Raw materials	23,795	21,864	23,795	21,879
Consumable materials	23,565	23,689	23,658	23,758
Other inventories	449	690	449	690
	81,893	79,169	82,422	79,253
Write-down to net realizable value	(2,065)	(2,408)	(2,065)	(2,408)
	79,828	76,761	80,357	76,845

The cost of inventories recognized in the income (loss) for the nine-month period does not include the write-down to net realizable value. The amount recognized in other operational expenses as write-down to net realizable value refers to the inventories provision from the discontinued operation, as disclosed in Note 37.

For the nine-month period ended September 30, 2020, the Company did not recognized provisions regarding its inventories.

The movement of the provision can be demonstrated as follows:

	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Initial Balance	(2,408)	-	(2,408)	-
Write-down to net realizable value	-	(2,408)	-	(2,408)
Write-off obsolete inventory	343	-	343	-
End period balance	(2,065)	(2,408)	(2,065)	(2,408)

8. RECOVERABLE TAXES

Taxes recoverable consist of the following:

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Value-added Tax on Sales and Services (ICMS)	6,222	6,281	6,222	6,281
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	120,086	148,244	120,086	148,244
Excise Taz (IPI)	189	299	189	299
Income tax	213	272	213	272
Social Contribution	80	345	80	345
Income Tax Withheld at Source (IRRF) on investment	184	648	184	648
Other	367	242	367	243
	127,341	156,331	127,341	156,332
Current portion	72,417	79,420	72,417	79,421
Non-current portion	54,924	76,911	54,924	76,911

PIS and COFINS credits are basically referring to the right to exclusion of ICMS from the calculation basis for PIS and COFINS, as well as compensation for value improperly collected, related to the following lawsuits:

i) Number 2006.34.00.035946-0 (Irani Papel e Embalagem S.A.). The company has received a favorable decision for which the right to exclude ICMS from the calculation basis of PIS and COFINS is granted for the period starting in November of 2001. Based on this, the value of updated credits is estimated in R$ 143,157 (R$ 81,282 corresponding to the original credit value and R$ 61,875 referring to the SELIC (interest rate value correction) corresponding to 5 years before the start of the lawsuit (November 2006) to March 2017 (date of the Supreme Court decision) calculated based on the ICMS value in the invoices according to the lawsuit decision, in agreement with the Supreme Court decision RE 574.706 – Aspect 69. The Company recognized the credit in the financial statements, and the criteria of practically certain gain was consummated, as well as the granting of the Credit Qualification Request No. 11080.746434/2019-41 occurred on December 24, 2019 which is already being used for offset of its IPI, PIS and COFINS debts and it estimates that the total credit should be used in approximately 2 years, being that the amount of R$ 48,257 was compensated in the first nine months of 2020.

ii) Lawsuit number 5035712-95.2016.4.04.7100 (Irani Papel e Embalagem S.A. as successor of the company Indústria de Papel e Papelão São Roberto S.A.). The Company has received a favorable decision in which it is granted the right to recover values related to the exclusion of ICMS from the calculation basis of PIS and COFINS of the company in the period of May 2011 to December 30, 2014 (Incorporation date). The potential value of the updated credits was estimated in R$ 17,614 (R$ 10,585 corresponding to the original value of the credit and R$ 7,029 related to the SELIC rate value correction). Corresponding to 5 years of the start date of the lawsuits (May 2016) to December 2014 (incorporation date), calculated based on the ICMS value in the invoices according to the lawsuit decision, in agreement with the Supreme Court decision RE 574.706 – Aspect 69. The Company recognized the credit in the financial statements, after the favorable final unappealable decision on September 18, 2020, having submitted a Request for Credit License on October 08, 2020 under the number 10166.749523/2020-71, which is under analysis by the Brazilian Revenue Service.

9. BANKS – RESTRICTED ACCOUNT

	Parent company and Consolidated	
	09.30.20	12.31.19
Banco Itaú	-	29,165
Total Current	-	29,165

On September 30, 2020 there was no balance of banks restricted account. On December 31, 2019, the balance of banks restricted account was related to investments with Banco Itaú BBA in the amount of R$ 29,165. This amount was used for the Mandatory Early Redemption of the First Issue of Commercial Promissory Notes issued on November 7, 2019, updated by 96.7% CDI.

10. OTHER ASSETS

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Advances to suppliers	1,235	1,622	1,240	1,622
Receivables from employees	2,651	2,075	2,933	2,244
Rio Negro Propriedades Rurais e Participações S.A	4,003	24,975	4,003	24,975
Prepaid expenses	1,124	1,555	1,124	1,555
Receivable from related parties	2,934	4,082	2,934	4,082
Other receivables	1,977	1,056	2,236	1,252
	13,924	35,365	14,470	35,730
Current portion	13,505	33,441	14,024	33,779
Non-current portion	419	1,924	446	1,951

11. NON-CURRENT ASSETS HELD FOR SALE

After a decision by the company's administrative board, in September of 2019, the company discontinued the corrugated cardboard operations in the Vila Maria unit in São Paulo/SP. The assets of the unit were evaluated by the administration and classified as held for sale because of the assets' conditions, the high probability of sale realization and by the effort in the sale realization by the company's management, according to classification criteria defined in CPC 31/IFRS 5.

In December 2019, a Private Instrument of Promise of Purchase and Sale was signed, for the sale of the industrial property where the corrugated cardboard packaging factory was located, in the amount of R$ 41,200. The completion of the transaction is subject to the fulfillment of certain precedent conditions.

Due to the precedent conditions, following the guidelines of CPC 47 / IFRS 15, there was no recognition of income and expenses from these operations in the Company's interim financial statements as of September 30, 2020.

(a) Impairment loss related to group of assets held for sale

During the year ended December 31, 2019, a provision of R$ 53,122 was recognized for impairment of the group of assets held for sale on its accounting value to its fair value less sales costs. The provision was registered in the statement of profit or loss of the year of the discontinued operation in the respective year.

(b) Assets held for sale

On September 30, 2020, the group of assets held for sale is presented as the fair value less sales costs and comprehended the following assets:

	09.30.20	12.31.19
Machines and Equipment, building and land	41,580	41,580
Assets held for sale	41,580	41,580

(c) Accumulated gains and losses included in OCI

There are no accumulated gains or losses included in other comprehensive income relative to this groups of assets held for sale.

(d) Measurement of fair value

The measurement of fair value for the group of assets held for sale of R$ 41,580 was based on quoted prices, which are obtained with received sale proposals and also with the Private Instrument of Promise of Purchase and Sale mentioned above.

12. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

In 2020, the Company computed income tax and social contribution on exchange-rate changes on a cash basis and recorded a deferred tax liability related to unrealized exchange-rate change. There was no change in the calculation of income tax and social contribution on exchange-rate change related to the previous year.

The Company did not have profit in the last three fiscal years, and due to that, did not recognize income tax and deferred social contribution over fiscal loss and social contribution negative base for a gross value of R$ 9,931.

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

ASSETS	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Deferred income tax asset				
On temporary provisions	9,933	9,933	9,933	9,933
On tax losses	42,438	42,438	42,438	42,438
Deferred social contribution asset				
On temporary provisions	3,575	3,575	3,575	3,575
On tax losses	15,279	15,279	15,279	15,279
	71,225	71,225	71,225	71,225

LIABILITIES	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	805	185	805	185
Fair value of the biological assets	28,338	27,419	29,291	28,345
Deemed cost of property, plant and equipment	121,362	124,476	123,300	126,414
Government grants	54	194	54	194
Client portfolio	-	433	-	433
Amortization of goodwill for taxes purposes	24,559	21,863	24,559	21,863
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	290	67	290	67
Fair value of the biological assets	10,202	9,871	10,717	10,371
Deemed cost of property, plant and equipment	43,691	44,811	44,389	45,509
Government grants	19	70	19	70
Client portfolio	-	156	-	156
Amortization of goodwill for taxes purposes	8,841	7,871	8,841	7,871
	238,161	237,416	242,265	241,478
Deferred tax liabilities (net)	166,936	166,191	171,040	170,253

Based on budget forecasts approved by the Board of Directors, management expects deferred tax assets to be realized as follows:

Deferred tax assets	Parent Company and Consolidated
Period	09.30.20
2020	10,756
2021	8,431
2022	9,860
2023	11,517
> 2024	30,661
	71,225

Changes in deferred income tax and social contribution were as follows:

Parent Company and Consolidated — Assets	Opening balance on January 1, 2019	Recognized in income (loss)	Recognizes in Equity	Offset with liabilities	Closing balance at December 31, 2019
Deferred tax assets regarding:					
Provision for miscellaneous risks	(729)	(12,779)	-	-	(13,508)
Cash flow hedge	(55,992)	-	55,992	-	-
Total temporary differences	(56,721)	(12,779)	55,992	-	(13,508)
Tax losses	(23,248)	(34,469)	-	-	(57,717)
	(79,969)	(47,248)	55,992	-	(71,225)

Consolidated — Liabilities	Opening balance on January 1, 2020	Recognized in income (loss)	Recognizes in Equity	Offset with liabilities	Closing balance at September 30, 2020
Deferred tax liabilities regarding:					
Provision for miscellaneous risks	(13,508)	-	-	-	(13,508)
Total temporary differences	(13,508)	-	-	-	(13,508)
Tax losses	(57,717)	-	-	-	(57,717)
	(71,225)	-	-	-	(71,225)

Parent Company — Liabilities	Opening balance 01.01.19	Recognized in income (loss)	Closing balance 12.31.19	Recognized in income (loss)	Closing balance 09.30.20
Deferred tax liabilities regarding:					
Unrealized excharge-rate charge on the cash basis	5,311	- 5,059	252	843	1,095
Fair value of the biological assets	33,951	3,339	37,290	1,250	38,540
Fair value of the biological assets - spin-off and merger	-	- 953	-	-	-
Deemed cost of property, plant and equipment	172,003	- 2,716	169,287	- 4,234	165,053
Deemes cost and review of useful life - spin-off and merger	-	- 7,699	-	-	-
Government grants	707	- 443	264	- 191	73
Client portfolio	793	- 204	589	- 589	-
Amortization of goodwill for tax purposes	24,846	4,888	29,734	3,666	33,400
	237,611	- 8,847	237,416	745	238,161

Consolidated — Liabilities	Opening balance 01.01.19	Recognized in income (loss)	Closing balance 12.31.19	Recognized in income (loss)	Closing balance 09.30.20
Deferred tax liabilities regarding:					
Unrealized excharge-rate charge on the cash basis	5,311	- 5,059	252	843	1,095
Fair value of the biological assets	36,515	2,201	38,716	1,292	40,008
Deemed cost of property, plant and equipment	182,338	- 10,415	171,923	- 4,234	167,689
Government grants	707	- 443	264	- 191	73
Client portfolio	793	- 204	589	- 589	-
Amortization of goodwill for tax purposes	24,846	4,888	29,734	3,666	33,400
	250,510	- 9,032	241,478	787	242,265

13. INVESTMENTS IN SUBSIDIARIES

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia	Total
Balance ate December 31, 2018	123,801	85,556	543	249	210,149
Equity in net income of subsidiaries	(8,134)	6,610	(2)	(1)	(1,527)
Proposed dividends	-	(16,494)	-	-	(16,494)
Acquisition of shares of subsidiary	1	-	-	-	1
Advance for future capital increase (ii)	9,000	-	-	-	9,000
Spin-off and merger (i)	(68,536)	-	-	-	(68,536)
Balance ate December 31, 2019	56,132	75,672	541	248	132,593
Equity in net income of subsidiaries	(6,602)	6,587	(6)	(1)	(22)
Proposed dividends	-	(6,611)	-	-	(6,611)
Advance for future capital increase (ii)	8,000	-	-	-	8,000
Balance at September 30, 2020	57,530	75,648	535	247	133,960

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
At September 30, 2020				
Current				
Assets	6,963	27,370	5	11
Liabilities	(1,932)	(271)	(5)	-
Current assets/liabilities, net	5,031	27,099	-	11
Non-current				
Assets	56,305	49,216	535	237
Liabilities	(3,806)	(662)	-	-
Non-current assets/liabilities, net	52,499	48,554	535	237
Equity	57,530	75,653	535	248
Net sales	8,453	4,798	-	-
Income loss before income tax and social contribution	(6,451)	7,290	(6)	(1)
Income tax and social contribution expense	(151)	(702)	-	-
Income (loss) for the year	(6,602)	6,588	(6)	(1)
Capital holding in %	100.00	99.99	100.00	99.56

(i) On November 29, 2019, the Company approved a partial spin-off and incorporation by the Company of assets (land and forests) of the subsidiary Habitasul Florestal S.A., in the amount of R $ 68,536. The partial spin-off and merger are part of a corporate restructuring process for the Company and its subsidiaries, according to relevant fact of November 13, 2019.

(ii) On September 16, 2020, the Company approved advance for future capital increase at the subsidiary Habitasul Florestal S.A. in the amount of R$ 8,000. On December 11, 2019, the Company approved advance for future capital increase at the subsidiary Habitasul Florestal S.A. in the amount of R$ 9,000.

14. INVESTMENT PROPERTIES

Parent Company

	Land	Buildings	Total
December 31, 2019			
Opening balance	16,295	3,236	19,531
Addition	2,432	-	2,432
Write-off / disposals	(54)	-	(54)
Transfers	31	(31)	-
Depreciation	-	(175)	(175)
Net carrying amount	18,704	3,030	21,734
Cost	18,704	5,377	24,081
Accumulated depreciation	-	(2,347)	(2,347)
Net carrying amount	18,704	3,030	21,734
September 30, 2020			
Opening balance	18,704	3,030	21,734
Write-off / disposals	(18)	-	(18)
Depreciation	-	(131)	(131)
Net carrying amount	18,686	2,899	21,585
Cost	18,686	5,377	24,063
Accumulated depreciation	-	(2,478)	(2,478)
Net carrying amount	18,686	2,899	21,585

Consolidated

	Land	Buildings	Total
December 31, 2019			
Opening balance	160	3,238	3,398
Addition	2,432	-	2,432
Write-off / disposals	(80)	-	(80)
Transfers	33	(33)	-
Depreciation	-	(175)	(175)
Net carrying amount	2,545	3,030	5,575
Cost	2,545	5,377	7,922
Accumulated depreciation	-	(2,347)	(2,347)
Net carrying amount	2,545	3,030	5,575
September 30, 2020			
Opening balance	2,545	3,030	5,575
Write-off / disposals	(18)	-	(18)
Depreciation	-	(131)	(131)
Net carrying amount	2,527	2,899	5,426
Cost	2,527	5,377	7,904
Accumulated depreciation	-	(2,478)	(2,478)
Net carrying amount	2,527	2,899	5,426

Land

Relates mainly to plots of land, held by the parent company for the future construction of wind farms in the state of Rio Grande do Sul, and recognized at the cost of acquisition of R$ 16,112. The project for the implementation of wind farms is currently in the evaluation phase, through the subsidiary Irani Geração de Energia Sustentável Ltda. and that for this reason these lands are not considered investment property in the Company's consolidated interim financial statements.

Buildings

These refer to buildings located in the municipality of Rio Negrinho, state of Santa Catarina and valued at R$ 2,899 (costs less accumulated depreciation). These buildings are rented to companies within the region.

Revenues and expenses related to investment properties that are rented are recognized in income (loss) as shown below:

	Parent Company and Consolidated	
	09.30.2020	09.30.2019
Rental revenues	208	321
Direct operating expenses that generated rental revenue	(665)	(495)

Investment properties are valued at the historical cost as of September 30, 2020. For disclosure purposes, on December 31, 2019, the Company assessed the fair value less cost to sell of these properties at R$ 35,897 (parent company) and R$ 18,022 (consolidated). The appraisals were conducted by independent experts, who used market inputs related to prices for transactions carried out with similar properties. The fair value hierarchy is Level 2.

Part of the Company's investment properties has been pledged as collateral for financial transactions as disclosed in note 17.

During the year ended December 31, 2019, the company received land in exchange for trade receivables credits from clients in a total amount of R$2,432, being that the receivable credits total was R$ 2,709. The difference was recorded in the income (loss) as a financial discount in the amount of R$ 277.

15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

Parent Company

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other property, plant and equipment (*)	Construction in process	Property, plant and equipment in third-party	Total
December 31, 2019								
Opening balance	177,125	152,719	351,747	5,207	5,364	36,996	9,584	738,742
Acquisitions	-	218	11,339	1,198	1,353	34,601	-	48,709
Assets merged by spin-off	35,980	-	-	-	-	-	-	35,980
Write-offs of merged assets	(35,980)	-	-	-	-	-	-	(35,980)
Write-offs	-	-	(639)	(225)	(6)	-	-	(870)
Transfers	-	162	5,837	-	427	(6,426)	-	-
Depreciation	-	(5,457)	(47,561)	(1,606)	(1,858)	-	(645)	(57,127)
PIS and COFINS credit	-	68	654	10	33	255	2	1,022
Impairment	(15,440)	(20,907)	(15,964)	(219)	(525)	(48)	-	(53,103)
Transfer for held for sale	(41,000)	-	(580)	-		-	-	(41,580)
Net carrying amount	120,685	126,803	304,833	4,365	4,788	65,378	8,941	635,793
Cost	120,685	195,574	884,800	14,935	24,230	65,378	16,099	1,321,701
Accumulated depreciation	-	(68,771)	(579,967)	(10,570)	(19,442)	-	(7,158)	(685,908)
Net carrying amount	120,685	126,803	304,833	4,365	4,788	65,378	8,941	635,793
September 30, 2020								
Opening balance	120,685	126,803	304,833	4,365	4,788	65,378	8,941	635,793
Acquisitions	-	444	10,896	835	1,591	21,655	-	35,421
Write-offs	-	(142)	(504)	-	(133)	-	-	(779)
Transfers	-	4,669	48,186	-	1,293	(54,148)	-	-
Depreciation	-	(5,213)	(32,308)	(1,234)	(1,192)	-	(483)	(40,430)
PIS and COFINS credit	-	12	321	5	7	240	-	585
Net carrying amount	120,685	126,573	331,424	3,971	6,354	33,125	8,458	630,590
Cost	120,685	200,557	943,699	15,775	26,988	33,125	16,099	1,356,928
Accumulated depreciation	-	(73,984)	(612,275)	(11,804)	(20,634)	-	(7,641)	(726,338)
Net carrying amount	120,685	126,573	331,424	3,971	6,354	33,125	8,458	630,590

Consolidated

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other property, plant and equipment (*)	Construction in process	Property, plant and equipment in third-party	Total
December 31, 2019								
Opening balance	245,424	153,929	351,978	5,703	5,583	37,152	9,584	809,353
Acquisitions	24	127	11,340	1,198	1,361	34,602	-	48,652
Write-offs	(35,980)	(6)	(681)	(226)	(123)	-	-	(37,016)
Transfers	-	162	5,837	156	427	(6,582)	-	-
Depreciation	-	(5,617)	(47,614)	(1,766)	(1,901)	-	(645)	(57,543)
PIS and COFINS credit	-	68	654	10	33	255	2	1,022
Impairment	(15,440)	(20,907)	(15,964)	(219)	(525)	(48)	-	(53,103)
Held for sale	(41,000)	-	(580)	-	-	-	-	(41,580)
Net carrying amount	153,028	127,756	304,970	4,856	4,855	65,379	8,941	669,785
Cost	153,028	200,000	885,069	16,023	24,749	65,379	16,099	1,360,347
Accumulated depreciation	-	(72,244)	(580,099)	(11,167)	(19,894)	-	(7,158)	(690,562)
Net carrying amount	153,028	127,756	304,970	4,856	4,855	65,379	8,941	669,785
September 30, 2020								
Opening balance	153,028	127,756	304,970	4,856	4,855	65,379	8,941	669,785
Acquisitions	-	444	10,896	836	1,593	21,665	-	35,434
Write-offs	-	(143)	(504)	-	(133)	-	-	(780)
Transfers	-	4,669	48,186	-	1,293	(54,148)	-	-
Depreciation	-	(5,333)	(32,339)	(1,360)	(1,209)	-	(483)	(40,724)
PIS and COFINS credit	-	12	321	5	7	240	-	585
Net carrying amount	153,028	127,405	331,530	4,337	6,406	33,136	8,458	664,300
Cost	153,028	204,982	943,968	16,864	27,509	33,136	16,099	1,395,586
Accumulated depreciation	-	(77,577)	(612,438)	(12,527)	(21,103)	-	(7,641)	(731,286)
Net carrying amount	153,028	127,405	331,530	4,337	6,406	33,136	8,458	664,300

(*) Balance related to property, plant and equipment such as furniture and fixtures, IT equipment.

b) Composition of Intangible assets

Parent company

	Goodwill	Client portfolio	*Software*	Software under development	Total
December 31, 2019					
Opening balance	104,380	2,334	3,250	20,227	130,191
Acquisitions	-	-	17	16,994	17,011
Write-offs	-	-	-	(404)	(404)
Transfers	-	-	19,823	(19,823)	-
Amortization	-	(600)	(3,224)	-	(3,824)
PIS and COFINS credit	-	-	12	-	12
Impairment	-	(1,734)	(19)	-	(1,753)
Net carrying amount	104,380	-	19,859	16,994	141,233
Cost	104,380	5,347	32,339	16,994	159,060
Accumulated amortization	-	(5,347)	(12,480)	-	(17,827)
Net carrying amount	104,380	-	19,859	16,994	141,233
September 30, 2020					
Opening balance	104,380	-	19,859	16,994	141,233
Acquisitions	-	-	3,250	-	3,250
Transfers	-	-	16,994	(16,994)	-
Amortization	-	-	(3,342)	-	(3,342)
PIS and COFINS credit	-	-	5	-	5
Net carrying amount	104,380	-	36,766	-	141,146
Cost	104,380	5,347	52,588	-	162,315
Accumulated amortization	-	(5,347)	(15,822)	-	(21,169)
Net carrying amount	104,380	-	36,766	-	141,146

Consolidated

	Goodwill	Client portfolio	*Software*	Software under development	Total
December 31, 2019					
Opening balance	104,380	2,334	3,785	20,227	130,726
Acquisitions	-	-	238	16,994	17,232
Write-offs	-	-	-	(404)	(404)
Transfers	-	-	19,823	(19,823)	-
Amortization	-	(600)	(3,224)	-	(3,824)
PIS and COFINS credit	-	-	12	-	12
Impairment	-	(1,734)	(19)	-	(1,753)
Net carrying amount	104,380	-	20,615	16,994	141,989
Cost	104,380	5,347	33,099	16,994	159,820
Accumulated amortization	-	(5,347)	(12,484)	-	(17,831)
Net carrying amount	104,380	-	20,615	16,994	141,989
September 30, 2020					
Opening balance	104,380	-	20,615	16,994	141,989
Acquisitions	-	-	3,250	-	3,250
Transfers	-	-	16,994	(16,994)	-
Amortization	-	-	(3,342)	-	(3,342)
PIS and COFINS credit	-	-	5	-	5
Net carrying amount	104,380	-	37,522	-	141,902
Cost	104,380	5,347	53,348	-	163,075
Accumulated amortization	-	(5,347)	(15,826)	-	(21,173)
Net carrying amount	104,380	-	37,522	-	141,902

c) Depreciation / amortization method

The table below shows the annual depreciation/amortization rates defined based on the economic useful lives of the assets. The rate used is presented at the annual weighted average.

	Rate %	
	09.30.20	12.31.19
Prédios e construções *	2.50	2.50
Equipamentos e instalações **	6.78	6.78
Móveis, utensílios e equipamentos de informática	5.71	5.71
Veículos e tratores	20.00	20.00
Softwares	20.00	20.00
Carteira de clientes	11.11	11.11

* including weighted rates for property, plant and equipment in third-party properties

** include weighted financial lease rates

d) Other information

Construction in progress refers to works for improvement of the Company's production process.

Property, plant and equipment in third-party properties refer to the to the improvement of the Packaging plant in Indaiatuba, state of São Paulo, which is depreciated on the straight-line method, at the rate of 4% (four percent) per annum. The property is owned by the companies MCFD - Administração de Imóveis Ltda. and PFC - Administração de Imóveis Ltda., and the cost of the renovation was fully incorporated by Irani Papel e Embalagem S.A.

The breakdown of depreciation of fixed assets for the first nine months of 2020 and for the first nine months of 2019 is disclosed as follows:

Property, plant and equipment

	Parent company		Consolidated	
	09.30.20	09.30.19	09.30.20	09.30.19
Administrative	1,011	1,321	1,134	1,466
Productive	39,419	43,030	39,590	43,208
	40,430	44,351	40,724	44,674

The breakdown of amortization of intangible assets for the first nine months of 2020 and for the first nine months of 2019 is disclosed as follows:

Intangible assets

	Parent company		Consolidated	
	09.30.20	09.30.19	09.30.20	09.30.19
Administrative	636	449	636	449
Productive	2,706	1,837	2,706	1,837
	3,342	2,286	3,342	2,286

e) Impairment of property, plant and equipment

Immediately before the initial classification of the held for sale group of assets, the carrying amounts of the assets were measured according to the applicable technical statements. The company recognized the impairment loss related to the initial reduction for the group of assets held for sale at fair value less sale expenses.

During the year ended as of December 31, 2019, the Company recognized an impairment loss for assets held for sale to the fair value less sales expenses in the amount of R$ 53,122 and in the amount of R$ 1,734 of client portfolio, referring to discontinued operation as described in note 37. During the nine-month period ended on September 30, 2020, no impairment losses were recognized.

f) Pledged Assets

The Company pledged certain fixed assets as collateral for financing transactions as disclosed in notes 17 and 18.

g) Client portfolio

The client portfolio acquired in the business combination of 2013, was recognized in the initial moment, by its fair value of R$ 7,081 and presented a net book balance of R$ 1,734 when was written-off by impairment of discontinued operation, according to note 37, during the year ended as of December 31, 2019.

h) Goodwill

The goodwill generated in the business combination of São Roberto S.A. for the year 2013 is recognized in the amount of R$ 104,380 and is attributable to the expectation of future profitability.

Impairment tests for intangible assets:

On December 31, 2019, the Company assessed the impairment of the goodwill based on its value in use, using the discounted cash flow method. The recoverable value is based on the expected future profitability. These calculations use cash flow projections based on financial budgets approved by Management, covering a five-year period and extrapolating to perpetuity in other periods, based on the estimated growth rates.

Cash flows were discounted to present value through the application of the rate determined by the Weighted Average Capital Cost (WACC), which was calculated using the Capital Asset Pricing Model (CAPM) method, also considering several components of financing, debt and equity used by the Company to finance its activities.

The main data used to calculate the discounted cash flow is as follows:

	Assumptions
Average sales prices of Packaging Paper and Corrugated Cardboard Packaging (% of annual growth rate)	4.0%
Gross margin (% on net sales)	25.6%
Estimated growth rate	5.0%
Discount rate (Wacc)	11.31%

The recoverable amount of the CGU for impairment testing did not demonstrate the need to recognize impairment for the period.

The Company defined its entire operation as CGU because its main packaging paper and corrugated paper packaging activities are integrated with each other, without defined form of segregation.

Goodwill is allocated to the business segment, which represent the lowest level at which goodwill is monitored by management. The total amount of goodwill is allocated to the CGU represented by "Packaging Paper" segment, which includes assets that do not generate cash flows independently.

The Company carried out a sensitivity analysis of discount and growth rates. Even considering an increase or decrease, respectively, of 5.0% in the discount rate and of 4.00% in the growth rate, in the aggregate, the recoverable amount continues higher than the book value.

16. BIOLOGICAL ASSETS

The Company’s biological assets mainly include the cultivation and planting of pine forests to supply raw material in the production of pulp used in the packaging paper production process, resin production and sales of wood logs to third parties. All the biological assets of the Company form a single group called “forests”, which are measured together at fair value in quarterly periods.

The balance of the Company's biological assets is composed of the cost of forest formation and the difference of fair value on formation cost. Consequently, the balance of biological assets is recorded at fair value as follows:

	Parent company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Cost of formation of biological assets	47,322	40,440	69,039	70,719
Fair value difference biological assets	31,809	25,858	97,716	83,799
	79,131	66,298	166,755	154,518

Of the total consolidated biological assets, R$ 128,347 (R$ 114,457 on December 31, 2019) relates to forests used as raw material for pulp and paper production. These forests are located close to the pulp and paper mill in Vargem Bonita, state of Santa Catarina, where they are consumed. Of this amount, R$ 86,468 (R$ 82,319 on December 31, 2019) relates to mature forests, which are more than six years old. The remaining amount refers to growing forests, which still require forestry treatments.

The harvesting of these forests is mainly due to the use of raw material to produce pulp and paper, and the forests are replanted once harvested, forming a renewal cycle that meets the production demand of the unit.

The consolidated biological assets used to produce resins and log sales represent R$ 38,408 (R$ 40,061 as of December 31, 2019), and are located on the coast of Rio Grande do Sul. The resin extraction is performed according to the capacity of the generation of this product by the existing forest, and the extraction of wood for sale of logs is due to the demand in the region.

a) Assumptions for recognition of the biological assets' fair value less costs to sell

The Company recognizes its biological assets at fair value based on the following assumptions:

(i) The methodology used to measure the fair value of biological assets - the Income Approach with depletion of the forest in one cycle - corresponds to the projection of expected future cash flows, discounted at the current rate for the regional market, 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 equity is estimated by analyzing the return targeted by investors in forest assets;

(iii) The forests' projected production volumes are defined based on stratification, according to the type of each species, inputs for production planning, as well as the age, productive potential and production cycle of the forests. This projected volume corresponds to the Average Annual Increase (IMA). Management alternatives are created to establish the ideal long-term production flow to maximize forest yields;

(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 and reported by a specialized company. Prices in R$/cubic meter are used, considering the required costs to place the assets in the condition of sale or consumption;

(v) Planting expenditures used are the formation costs of biological assets practiced by the Company;

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

(vii) The Company reviews the fair value of its biological assets every three months, considering that this timeframe is enough to have no shortfall in the balance of fair value of the biological assets recorded in its financial statements.

	Consolidated		
	09.30.20	12.31.19	Impacto no valor justo dos ativos biológicos
Planted area (hectares)	14,601	14,550	If the assumption increases, the fair value also increases
Remuneration of own contributing assets -%	3.00%	3.00%	If the assumption increases, the fair value decreases
Discount rate - Own Forests SC - %	7.50%	7.50%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	8.00%	8.00%	If the assumption increases, the fair value decreases
Discount rate - Partnerships - %	8.50%	8.50%	If the assumption increases, the fair value decreases
Net Average Sales Price (m³)	52.00	51.00	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Santa Catarina Forests (*)	37.8	37.8	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Rio Grande do Sul Forests (*)	21.7	21.7	If the assumption increases, the fair value also increases

* The Average Annual Increase (IMA) of Pine Forests in the states of Rio Grande do Sul and Santa Catarina is different because of the specific forest stewardship, species and soil and climatic conditions of each state. The forests in Santa Catarina are handled aiming at their use for pulp production, while the forests of Rio Grande do Sul are handled for extraction of gum resin and subsequent sale of timber logs. The IMA is measured in m³ per hectare/year.

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

The main changes in the year are as follows:

	Parent Company	Consolidated
Balance on December 31, 2018	44,030	186,600
Planting	4,170	9,142
Acquisition of forest	7,595	7,595
Spin-off and merger of forest assets of subsidiary Habitasul Florestal S.A	41,208	-
Depletion		
Historical cost	(675)	(2,796)
Fair value	(515)	(12,252)
Forest sale cost	(41,741)	(41,741)
Change in the fair value	12,226	7,970
Balance at December 31, 2019	66,298	154,518
Planting	3,772	6,082
Acquisition of forest	5,660	5,660
Depletion		
Historical cost	(2,549)	(3,215)
Fair value	(915)	(5,109)
Change in the fair value	6,865	8,819
Balance on September 30, 2020	79,131	166,755

Depletion of biological assets in both the first nine months of 2020 and 2019 were substantially recognized in the income (loss) for the year, after the allocation in inventories through forest harvesting and use in production process or sale to third parties.

On September 25, 2019, the Company celebrated, with its subsidiary Habitasul Florestal S.A. ("Habitasul Florestal"), the purchase and sale of rural property commitment instrument ("Contract") with Rio Negro Propriedades Rurais e Participações S.A., for which the Company and Habitasul Florestal commit to alienate, upon the fulfillment of certain preset conditions, certain rural properties located in the state of Rio Grande do Sul, with an approximate size of 10,300 ha (ten thousand and three hundred hectares) for the amount of R$ 53,000. Also celebrated the contract of purchase and sale of standing wood ("Contract"), with CMPC Celulose Riograndense Ltda., for which the Company and Habitasul Florestal commit to alienate, upon the fulfillment of certain preset conditions, 767,673 m³ (seven hundred and sixty-seven thousand, six hundred and seventy-three cubic meters) of standing wood in the state of Rio Grande do Sul for the total amount of R$ 39,000. The BTG Pactual Bank S.A. was the Company's and Habitasul Florestal's financial advisor in the context of the transaction). All of the precedent conditions were met during the year ended December 31, 2019 and, according to guidance set in CPC 47/IFRS 15, the Company recognized the revenues and expenses of these transactions in other revenues and expenses, in the statement of profit or loss.

b) Biological assets pledged as collateral

Part of the biological assets of the Company and its subsidiaries as disclosed in notes 17 and 18, is pledged as collateral for financing transactions.

c) Production on third-party land

The Company still has some non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are effective until all forests planted in these areas are harvested, over a cycle of up to 15 years. The amount of biological assets in third-party land is approximately 1.2 thousand hectares and currently represents approximately 8.5% of the total area with the Company’s biological assets. The lease liabilities were recognized as disclosed in note 34.

17. LOANS AND FINANCING

a) Breakdown of book balances

			Parent Company		Consolidated	
			09.30.20	12.31.19	09.30.20	12.31.19
Current	**Annual Charges %**	Currency				
Local currency						
Finame	Fixed at 3.69%, TJLP + 5.25%, Selic + 5.58%	Real	1,139	1,326	1,139	1,326
Working capital	Fixed at 8.76%, CDI + 4.69% e 148.6% of CDI	Real	35,222	99,286	35,247	99,312
Financial lease	Fixed at 11.61% and CDI + 5.35%	Real	1,266	1,381	1,266	1,381
BNDES	TJLP + 3.60%	Real	15,525	10,888	15,525	10,888
Promissory Notes	CDI + 7.00%	Real	-	110,884	-	110,884
Total local currency			53,152	223,765	53,177	223,791
Foreign currency						
Advance on Exchange Contract	Fixed between 4.50% e 5.90%	Dollar	43,506	22,353	43,506	22,353
Bank LBBW - FINIMP	Euribor + 1.55%	Euro	-	782	-	782
Bank De Lage Landen	8.20%	Dollar	409	390	409	390
Total foreign currency			43,915	23,525	43,915	23,525
Total current			97,067	247,290	97,092	247,316
Non-current						
Local currency						
Finame	Fixed at 3.69%, TJLP + 5.25%, Selic + 5.58%	Real	476	1,275	476	1,275
Working capital	Fixed at 8.73%, CDI + 4.69% and 148.6% of CDI	Real	36,350	64,131	36,350	64,159
Financial lease	Fixed at 11.61% and CDI + 5.35%	Real	1,179	1,132	1,179	1,132
BNDES	TJLP + 3.60%	Real	5,198	11,706	5,198	11,706
Total local currency			43,203	78,244	43,203	78,272
Foreign currency						
Bank De Lage Landen	8.20%	Dollar	-	195	-	195
Total foreign currency			-	195	-	195
Total non-current			43,203	78,439	43,203	78,467
Total	6.26%		140,270	325,729	140,295	325,783

	Parent Company		Consolidated	
Long-term maturity dates:	09.30.20	12.31.19	09.30.20	12.31.19
2021	5,998	41,988	5,998	42,016
2022	36,980	36,328	36,980	36,328
2023	215	116	215	116
>2024	10	7	10	7
	43,203	78,439	43,203	78,467

b) Schedule for amortization of transaction costs

	Parent Company and Consolidated		
	2020	2021	Total
In local currency			
Working Capital	73	66	139
Total local currency	73	66	139

c) Significant transactions contracted in the period

On April 13, 2020 it was approved on the Assembly of Holders of the first issuance of Promissory Notes of Irani Papel e Embalagem S.A. the change of maturity date from May 5th, 2020 to December 10th, 2020. The operation interest rate became CDI + 7.00% a.a. between the original maturity date and the new maturity date.

As part of a management project of financial assets and liabilities (Liabilities Management), as approved by the board of directors' members on the meeting of September 23, 2020, as well as by the holder of the commercial promissory notes of the 6th series of the 1st issuance of the Company meeting in a general assembly of holders on September 23, 2020, the Company performed the anticipated payment of all promissory commercial notes of the 6th series of the 1st issuance on September 28, 2020.

Previously, as stated in the letters of the commercial promissory notes of the 1st, 2nd, 3rd, 4th and 5th series of the 1st issuance, the totality of the promissory commercial notes of such series were object of a mandatory anticipated payment by the Company and were dully cancelled. With the payment of all commercial promissory notes of the 6th series, the 1st issuance of the Company's commercial promissory notes has been paid in full and the respective guarantees in favor of the holders of the 1st issuance of the commercial promissory notes have been fully cleared.

An agreement was signed with BNDES – National Bank for Economic and Social Development for the suspension of principal and interest payment for 6 months, between April 15, 2020 and September 15, 2020, with no alteration in the final maturity date and no alteration to the interest rate. The amount that was not paid in this period will be incorporated to the debt balance and paid in the remaining installments of the contract, for which each payment will be recalculated.

During the third quarter, according to the management project of financial assets and liabilities (Liabilities Management), the Company anticipated the payment of R$ 56,632 thousand of working capital operations.

d) Guarantees

For the financing contracted with the National Bank for Economic and Social Development (BNDES), an industrial property comprising the land, facilities and equipment, two commercial buildings and one residential building were pledged as collateral.

Collateral for the loans and financing include endorsement of the parent company to the Company (Irani Participações S.A) and/or mortgages or lien on land, buildings, machinery and equipment, biological assets (forests), investment properties and lien of receivables, amounting to approximately R$ 45,738 as of September 30, 2020.

18. DEBENTURES

According to relevant fact published on July 31, 2019, 505.000 debentures, with an unit nominal value of R$ 1, totaling, on the date of issuance, the amount of R$ 505.000, were distributed, with the consequential cancelation of the debentures non subscribed or internalized, with a 6 year maturity counted from the issuance date.

The resources obtained with the issuance were used to repay certain Company debts, cash composition and investment execution for fulfillment of its social objective in the normal course of its business, reinforcing its capital structure.

			Parent Company and Consolidated	
Current	**Issuance**	**Annual interest %**	09.30.20	12.31.19
In domestic currency				
Simple debentures	07.19.19	CDI + 4.50% a.a.	3,941	18,192
Current total			3,941	18,192
Non-current				
In domestic currency				
Simple debentures	07.19.19	CDI + 4.50% a.a.	496,163	494,335
Non-current total			496,163	494,335
			500,104	512,527

	Parent Company and Consolidated	
Long Term Maturities:	09.30.20	12.31.19
2023	165,388	164,778
>2024	330,775	329,557
	496,163	494,335

a) Schedule for amortization of transaction costs

	Issuance	2020	2021	2022	2023	>2024	Total
In domestic currency							
Simple debentures	07.19.19	633	2,659	2,968	2,742	2,421	11,423
Total local currency		633	2,659	2,968	2,742	2,421	11,423

b) Guarantees

i) The debentures have guarantees as follows:

- Forestry assets (6,770.21 hectare of commercial wood plantations, including plantations of pine and eucalyptus).
- Paper and pulp plant located at Vila Campina da Alegria, Vargem Bonita.
- Machines and equipment owned by the Issuer, located at the referred plant.
- Rural properties (land), located in the cities of Ponte Serrada, Catanduvas, Água Doce, Irani and Vargem Bonita.
- Fiduciary assignment of credit rights arising from sales in the amount of R$ 50,000.

c) Restrictive Financial Covenants

On September 30, 2020 there was no need to evaluate financial indexes, because these are evaluated yearly, as stipulated in the contracts. The financial ratios calculated in the last financial year are disclosed in the financial statements as of December 31, 2019.

19. TRADE PAYABLES

Payables to suppliers are as follows:

	Parent Company		Consolidated	
CURRENT	09.30.20	12.31.19	09.30.20	12.31.19
Internal	83,379	88,198	83,892	88,679
External	223	1,141	223	1,141
Related parties	9,691	28,221	-	-
	93,293	117,560	84,115	89,820

20. RELATED PARTIES

Parent company	Credits receivable		Accounts payable	
	09.30.20	12.31.19	09.30.20	12.31.19
Habitasul Florestal S.A.	-	-	14	806
Iraflor - Com. de Madeiras Ltda	-	-	9,677	27,415
Management remuneration	-	-	937	2,740
Management profit sharing	-	-	1,129	-
Habitasul Desenvolvimentos Imobiliários	-	-	18	18
Companhia Habitasul de Participações	61	-	-	-
Irani Participações S/A	2,934	4,023	93	181
Total	2,995	4,023	11,868	31,160
Current portion	2,576	2,099	11,868	31,160
Non-current portion	419	1,924	-	-

Parent company	Revenues		Expenses		Revenues		Expenses	
	3 month period ended		3 month period ended		9 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19	09.30.20	09.30.19	09.30.20	09.30.19
Companhia Com.de Imóveis	-	-	34	35	-	-	102	101
Companhia Habitasul de Participações	183	-	-	-	244	-	-	-
Habitasul Florestal S.A.	-	-	1,306	2,591	-	-	5,941	10,198
Iraflor - Com. de Madeiras Ltda	-	-	666	5,004	-	-	4,165	13,531
Druck, Mallmann, Oliveira & Advogados Associados	-	-	-	72	-	-	-	216
MCFD Administração de Imóveis Ltda	-	-	340	349	-	-	1,004	1,047
Irani Participações S/A	-	-	236	1,315	-	-	1,260	5,853
Habitasul Desenvolvimentos Imobiliários	-	-	54	46	-	-	162	144
Management profit sharing	-	-	3,129	-	-	-	3,129	-
Management remuneration	-	-	2,748	2,350	-	-	8,075	6,982
Total	183	-	8,513	11,762	244	-	23,838	38,072

Consolidated	Credits receivable		Accounts payable	
	09.30.20	12.31.19	09.30.20	12.31.19
Habitasul Desenvolvimentos Imobiliários	-	-	18	18
Management remuneration	-	-	937	2,740
Management profit sharing	-	-	1,129	-
Companhia Habitasul de Participações	61	-	-	-
Irani Participações S/A	2,934	4,023	93	181
Total	2,995	4,023	2,177	2,939
Current portion	2,576	2,099	2,177	2,939
Non-current portion	419	1,924	-	-

Consolidated	Revenues		Expenses		Revenues		Expenses	
	3 month period ended		3 month period ended		9 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19	09.30.20	09.30.19	09.30.20	09.30.19
Irani Participações S/A	-	-	236	1,315	-	-	1,260	5,853
Druck, Mallmann, Oliveira & Advogados Associados	-	-	-	72	-	-	-	216
MCFD Administração de Imóveis Ltda	-	-	340	349	-	-	1,004	1,047
Companhia Habitasul de Participações	183	-	-	-	244	-	-	-
Management remuneration	-	-	2,763	2,363	-	-	8,120	7,021
Habitasul Desenvolvimentos Imobiliários	-	-	54	-	-	-	162	144
Companhia Com.de Imóveis	-	-	34	35	-	-	102	101
Management profit sharing	-	-	3,129	46	-	-	-	-
Total	183	-	6,556	4,180	244	-	10,648	14,382

The debts with the subsidiary Habitasul Florestal S.A. are due to commercial operations and acquisition of raw materials.

The debts with the subsidiary Iraflor Comércio de Madeiras Ltda. are due to commercial operations and acquisition of raw materials.

The debt with MCFD Administração de Imóveis Ltda. corresponds to the monthly rental value of the Packaging plant in Indaiatuba, state of São Paulo, signed on December 26, 2006 for a term of 20 years (renewable). The monthly amount paid to the related party is R$ 125, updated annually according to the same change in the General Market Price Index (IGPM), as measured by the Getúlio Vargas Foundation. This agreement was recognized as lease as disclosed in note 34.

In the first nine months of 2020, management remuneration expenses, excluding payroll charges and including benefits, totaled R$ 8,075 in the parent company (R$ 6,982 in the first nine months of 2019), and R$ 8,120 in the consolidated (R$ 7,021 in the first nine months of 2019).

The total management remuneration, in the maximum amount of R$ 15,000, was approved at the Annual Shareholders’ Meeting held on April 28, 2020.

The debt with Irani Participações S/A corresponds mainly to a guarantee remuneration agreement, whereby the Company remunerates sureties and guarantees granted by Irani Participações S/A in its favor to enable the contracting of loans and financing, and the service agreement of support services to the Company's corporate activities, preparation and recording of minutes of the Board of Executive Officers and the Board of Directors and Shareholders' Meeting.

The receivable from Irani Participações S.A, is related to sale agreement signed between the Company and Koch Metalurgica S.A. through a private instrument of partial transfer of contractual rights and obligations of the remaining part of the property (land and building) at Cachoeirinha - RS, in the total amount of R$ 4,500, to be paid in 30 equal and successive installments of R$ 150, each adjusted at 1% per month, the first maturing in 180 days after the contract signing. The maturing installments will be monthly adjusted by IGPM/FGV. At the same date, the company Koch Metalúrgica S.A., transferred the debt through a private instrument of debt assumption to the company Irapar Participações S.A.

The receivable amount from the Companhia Habitasul de Participações are resulting from a contract for services in the administrative area.

21. TAX INSTALLMENTS

	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Current				
PIS Installment	1,247	1,223	1,247	1,223
COFINS Installment	5,741	5,633	5,741	5,633
IPI Installment	1,223	21	1,223	21
ICMS Installment	667	-	667	-
	8,878	6,877	8,878	6,877
Non Current				
PIS Installment	2,388	3,057	2,388	3,057
COFINS Installment	10,999	14,083	10,999	14,083
IPI Installment	3,527	19	3,527	19
ICMS Installment	2,477	-	2,477	-
	19,391	17,159	19,391	17,159
Total Installments	28,269	24,036	28,269	24,036

This is a PIS and COFINS installment payment in which the Company made offsetting compensations that were originated in the exclusion of ICMS from the basis of PIS and COFINS. Before the recognition of the liability, the Company maintained a provision for contingencies in relation to the matter, and due to the delay and indecision regarding the modulation of the effects of the judgment in a general repercussion by the Brazilian Supreme Court (STF), it opted for installment payments. The total tax amount paid in installments was R$ 25,219 (R$ 31,349 updated with fine and interest), which was divided in 60 monthly installments.

In the second quarter of 2020, the Company divided in 60 monthly installments ICMS debits with the São Paulo state, referring to March to May 2020. The total amount of the installed tax was R$ 3,174 (R$ 3,371 updated with fine and interest).

In the first quarter of 2020, the Company reversed the provision for tax contingencies recognized in 2017, refering to IPI credit originally recognized by a larger amount. The total amount of tax in installments was R$ 3,548 (R$ 4,864 updated with interest and fine).

22. PROVISION FOR CIVIL, LABOR AND TAX RISKS

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 provisions recorded for civil, labor and tax contingencies are enough to cover probable losses.

Breakdown of the balance of provisions:

	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Civil provisions	2,091	1,873	2,091	2,353
Labor provisions	5,609	5,202	5,974	5,625
Tax provisions	13,087	16,702	13,087	16,702
Total	20,787	23,777	21,152	24,680

Details to the movement of provisions:

Parent Company	12.31.19	Provision	Payments	Reversal	Restricted judicial deposits	09.30.20
Civil	1,873	259	(41)	-	-	2,091
Labor	5,202	1,243	(870)	(70)	104	5,609
Tax	16,702	1,249	-	(4,864)	-	13,087
	23,777	2,751	(911)	(4,934)	104	20,787

Consolidated	12.31.19	Provision	Payments	Reversal	Restricted judicial deposits	09.30.20
Civil	2,353	259	(521)	-	-	2,091
Labor	5,625	1,260	(886)	(129)	104	5,974
Tax	16,702	1,249	-	(4,864)	-	13,087
	24,680	2,768	(1,407)	(4,993)	104	21,152

The provisions mainly refer to:

a) Civil lawsuits relate, among other issues, to indemnification claims and Commercial Representation contractual terminations. As of September 30, 2020, the provision in these lawsuits totaled R$ 2,091 in consolidated to cover potential losses in these lawsuits.

b) Labor lawsuits are mainly related to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and occupational accidents. Based on experience and on the opinion of its legal counsel, the Company maintained a provision of R$ 5,974 on September 30, 2020 (consolidated), which is considered enough to cover probable losses arising from labor lawsuits.

c) Tax consolidated provisions totaled R$ 13,087 on September 30, 2020 and relate mainly to:

    i) Appropriation of Deemed ICMS Credit in the State of Minas Gerais, linked to the Protocol of Intentions for Investment in the Paper plant located in the Municipality of Santa Luzia, which was not started since the Company is awaiting authorization from the Environmental Bodies and for its strategic market reasons. The amount recognized up to September 30, 2020 totaled R$ 8,864 and a related provision for tax risks was recorded, amounting to R$ 11,844.

    ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R$ 862. The proceedings are in process at the administrative and judicial levels pending judgment.

Contingencies

No accounting provisions were recorded for contingencies assessed by management, together with its legal advisors, as possible losses. As of September 30, 2020, the amounts of these possible contingencies of a labor, civil and tax nature were as follows:

	Consolidated	
	09.30.20	12.31.19
Labor provisions	26,124	11,265
Civil provisions	5,805	4,511
Tax provisions	134,379	113,221
	166,308	128,997

Labor Contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R$ 26,124 on September 30, 2020 and relate mainly to indemnity claims (hazardous duty premiums, health hazard premiums, overtime, salary premiums, damages and losses arising from occupational accidents). These lawsuits are currently at different procedural stages.

Civil Contingencies:

The civil lawsuits classified by management and its legal counsel as involving risk of possible losses totaled R$ 5,805 on September 30, 2020 and relate mainly to indemnity claims that are currently at different procedural stages.

Tax Contingencies - Liabilities:

The tax lawsuits assessed by management and its legal counsel as involving possible losses totaled R$ 114,828 on September 30, 2020, and mainly include the following:

- Administrative and judicial proceedings relating to assessments received from the state government of Santa Catarina and of the State of São Paulo for allegedly undue ICMS tax credits recorded on the purchase of materials used in the manufacturing units located in that state, which amounted to R$ 44,830 on September 30, 2020. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

- Administrative proceedings related to Tax Assessments for PIS and COFINS, arising from alleged undue tax credits, amounting to R$ 34,629 on September 30, 2020. The Company has challenged these assessments at the administrative and judicial level and awaits the respective judgments.

- Administrative and judicial proceedings filed by the National Institute of Social Security (INSS), with respect to a Debt Assessment Notice referring to the payment of social security contribution on the gross revenue from sale of the production of agro-industrial companies, and the offset of debts against credits arising from the application of a higher Environmental Occupational Risk (RAT) rate at the Company's Administrative Units regarding the INSS tax assessment notice from write-off of debits and from these credit debits of the same type totaled R$ 14,800 as of September 30, 2020. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

- Administrative Proceedings relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R$ 6,152 on September 30, 2020. The Company is challenging this tax assessment at the judicial level.

- Proceedings relating to Tax Assessment Notices issued for the offset of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) against credits from the same types, amounting to R$ 3,286 on September 30, 2020. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

- Fiscal notification which objects to apply a fine related to the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from the year 2015 to 2018, due to undue exclusions from the net profit of each year. The Brazilian Revenue Service understood that the reductions, with an increase of fiscal loss, originated in fiscal amortization of goodwill, with no legal backing.

  This lawsuit is currently suspended because the Company has presented a respective administrative impugnation, which awaits trial. The value of the fiscal notification fine is R$ 288. In the case of the Company not receiving a favorable decision, there will be additional reflection of reversion of fiscal loss by goodwill amortization used in the period, which results in a reduction of approximately R$ 19,551 of asset IRPJ and CSLL over the amortized goodwill value.

Tax Contingencies - Assets:

- The Company started in 2014, the ordinary action number 1030021-89.2014.8.26.0053 with the objective of obtaining declaration of unenforceability of default interest over ICMS debit payments, as well as over the values of the same tax administratively divided in installments, and over the isolated installments, in rate superior to the SELIC rate. The referred judicial measure was ruled justified recognizing the abuse of the discussed legislation, however, the request for compensation of the debit. The referred judicial decision was final and unappealable on March 11, 2020, because of the decision the Company proceeded with the analysis of the decision and calculations for liquidation, which is estimated to be R$ 4,000. The lawsuit is now in the phase of judicial review of the calculation for approval and judicial liquidation of the final decision for restitution via precatory. The final value of this lawsuit may be altered because of the inexistence of final decision related to the approval of calculations.

23. EQUITY

a) Share Capital

On September 30, 2020, the shape capital is R$ 566,895 (R$ 161,895 in December 31, 2019), comprised, on September 30, 2020, of 256,720,235 shares with no par value (166,720,235 share with no par value on December 31, 2019), being, on September 30, 2020, 243,909,975 common shares and 12,810,260 preferred shares (153,909,975 common shares and 12,810,260 preferred shares on December 31, 2019). The holders of preferred shares are entitled to: dividends under the same conditions as those granted to holders of common shares; priority in the reimbursement of capital at the equity value, without premium, in the event of liquidation of the Company and 100% Tag Along rights.

On the meeting of the Company's board of directors on July 10, 2020, the public offer was approved with restricted placement efforts of common, nominative, shares, with no par value, issued by the Company, all free and clear of any liens or encumbrances ("Restricted Offer").

On the meeting of the Company's board of directors on July 22, 2020, the Company's Board of Directors approved the price per Share at R$ 4.50, as well as the effective capital increase, within the limits authorized in the terms of article 7 of the Company's social charter, in an aggregate amount of R$ 405,000,000.00, upon issuance of 90,000,000 new commons shares, as well as its consummation, in the context of the restricted offer.

Because of the increase in the Company's capital in the context of the restricted offer, the new share capital of the Company became R$ 566,895 represented by 256,720,235 shares, of which 243,909,975 are common shares and 12,810,260 preferred shares, all nominative, carrying and with no par value. The share capital value, net of shares issuance costs of R$ 22,961, is of R$ 543,934 as of September 20, 2020 (R$ 161,895 as of December 31, 2019).

b) Shareholders Remuneration

i) Interest on Equity

The Company declared on August 20, 2020, interest on equity in the gross value of R$ 4,774, which, net of income tax retained on the source, compose the total value of R$ 4,057, corresponding to the gross value of R$ 0.018770 per common and preferred share and net of income tax retained on the source of R$ 0.015954 per common and preferred share, to the shareholders of Company's shares on August 26, 2020 ("IOE – 2nd Quarter") paid on September 15, 2020. The IOE – 2nd Quarter when distributed will be input net of income tax retained on the source to the mandatory minimal dividend eventually declared by the Company's General Assembly that approves the administrator's balances relative to the ongoing period, as written on article 26, only paragraph, of the Company's social statue.

ii) Interim Dividends

The company approved on August 20, 2020, proposal for distribution of dividends over the net income registered in the first semester of 2020, in the amount of R$ 4,120, corresponding to R$ 0.16199 per common and preferred share, to the Company's shareholders on August 26, 2020, paid on September 15, 2020. The interim dividends – 2nd Quarter when distributed will be input to the minimal mandatory dividend eventually declared by the Company's General Assembly that approves the administrator's balances relative to the ongoing period, as written on article 29, caput, of the Company's social statue.

The amount of proceeds – 2nd Quarter when approved are 25% of the net income determined in the Company's interim financial statements as of June 30, 2020, calculated according to articles 22 to 29 of the Company's social statue. The distribution of proceeds – 2nd quarter attends to the “Policy of distribution of dividends and interest on equity” approved by the board of directors on August 19, 2020.

c) Treasury Shares

		Parent Company			
		09.30.20		12.31.19	
		Quant.	Amount	Quant.	Amount
i) Repurchase Plan	Common	24,000	30	24,000	30
ii) Withdrawal right	Preferred	2,352,100	6,804	2,352,100	6,804
		2,376,100	6,834	2,376,100	6,834

i) Repurchase plan: its purpose was to maximize the value of the shares to shareholders, with a deadline of 365 days for the performance of the transaction, up to November 23, 2011.

ii) Right of withdrawal: the shares acquired were subject to changes in the advantages assigned to the Company’s preferred shares, as resolved at the Annual and Extraordinary Shareholders’ Meeting held on April 19, 2012. The holders of the dissenting preferred shares were entitled to withdraw from the Company by reimbursing the value of the shares based on the equity value recorded in the balance sheet for the year ended December 31, 2011.

d) Profit Reserves

The profit reserves comprise: i) legal reserve, ii) biological assets’ reserve, iii) profit retention reserve, iv) tax incentive reserve.

i) In compliance with the Company’s Bylaws, the legal reserve is formed through the allocation of 5% of net income for the year and may be used to offset the losses or for capital increase. In the year ended December 31, 2019, the Company did not recognize legal reserve. The legal reserve balance was used to offset the loss for the year.

ii) The biological assets reserve was recorded since the Company valued its biological assets at fair value in the opening balance sheet for initial adoption of IFRS. The creation of this statutory reserve was approved at the Special Shareholders’ Meeting held on February 29, 2012, when the amount previously recognized in the unrealized profit reserve was transferred to this account.

iii) The income retention reserve is composed of the balance of retained earnings after the offsetting of losses and the formation of the legal reserve, and the net amount of dividends distributed. The respective resources will be allocated to investments in fixed assets previously approved by the Board of Directors, or may be distributed in the future, as approved by the Annual Shareholders' Meeting. Certain agreements with creditors contain restrictive clauses relating to the distribution of dividends that exceed the minimum mandatory dividend. In the year ended December 31, 2019, the income retention reserve balance was used to offset the loss for the year.

iv) The tax incentive reserve was recorded by the portion of net income from previous years derived from government grants for investments in the modernization and expansion of the paper production capacity in Minas Gerais and expansion of the industrial unit located in Santa Catarina and is excluded from basis of mandatory dividend. The company did not recognize this reserve after 2016, because it did not present a profit after that year.

e) Accumulated losses

Accumulated losses represent the negative balance of the Company's results after the absorption of legal reserve and income retention reserve, awaiting future absorption.

f) Equity Valuation Adjustments

It was recorded since the Company valued its fixed assets (land, machinery and buildings) at deemed cost in the opening balance sheet for initial adoption of IFRS. Its realization will take place 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 on September 30, 2020, net of tax effects, represented a credit balance of R$ 156,995 (R$ 163,704 on December 31, 2019).

The financial instruments designated as cash flow hedges, net of tax effects, were also recorded in equity valuation adjustments, and these financial instruments were settled in 2019 (R$ 108,691 at December 31, 2018). The hedge accounting balance changes are shown in note 31.

Changes in equity valuation adjustments are as follows:

	Consolidated
December 31, 2018	78,906
Cash flow hedge	108,691
Realization - deemed cost	(23,893)
December 31, 2019	163,704
Realization - deemed cost	(6,709)
September 30, 2020	156,995

24. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit (loss) from continuing and discontinued operations attributable to the Company's stockholders by the weighted average number of shares outstanding during the period. The shares are not subject to the effects of potential dilution, such as debt convertible into shares. Consequently, diluted profit (losses) per share are equal to basic income (losses) per share.

a) Basic and diluted earnings per share from continuing operations:

Parent Company and Consolidated	3 month period ended 09.30.20		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	223,116,744	10,458,160	233,574,904
Income for the attributable year to each type of shares	24,414	1,144	25,558
Basic and diluted profit per share - R$	0.1094	0.1094	

Parent Company and Consolidated	3 month period ended 09.30.19		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable year to each type of shares	14,338	974	15,312
Basic and diluted profit per share - R$	0.0932	0.0932	

Parent Company and Consolidated	9 month period ended 09.30.20		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	176,962,898	10,458,160	187,421,058
Income for the attributable year to each type of shares	55,560	3,284	58,844
Basic and diluted profit per share - R$	0.3140	0.3140	

Parent Company and Consolidated	9 month period ended 09.30.19		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable year to each type of shares	11,519	783	12,302
Basic and diluted profit per share - R$	0.0749	0.0749	

b) Basic and diluted earnings per share from discontinued operations:

Parent Company and Consolidated	3 month period ended 09.30.20		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	223,116,744	10,458,160	233,574,904
Income for the attributable year to each type of shares	-	-	-
Basic and diluted profit per share - R$	-	-	

Parent Company and Consolidated	3 month period ended 09.30.19		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable year to each type of shares	(69,436)	(4,719)	(74,155)
Basic and diluted profit per share - R$	(0.4512)	(0.4512)	

Parent Company and Consolidated	9 month period ended 09.30.20		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	176,962,898	10,458,160	187,421,058
Income for the attributable year to each type of shares	-	-	-
Basic and diluted profit per share - R$	-	-	

Parent Company and Consolidated	9 month period ended 09.30.19		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable year to each type of shares	(84,533)	(5,745)	(90,278)
Basic and diluted profit per share - R$	(0.5493)	(0.5493)	

25. NET SALES

The Company's net sales are comprised by the following:

	Parent Company		Parent Company	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Gross sales of goods	333,097	303,832	930,519	839,987
Sales tax	(70,212)	(63,177)	(186,279)	(170,341)
Sales returns	(2,516)	(4,290)	(8,373)	(11,709)
Net sales	260,369	236,365	735,867	657,937

	Consolidated		Consolidated	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Gross sales of goods	334,156	306,562	933,496	848,267
Sales tax	(70,272)	(63,297)	(186,445)	(170,540)
Sales returns	(2,521)	(4,352)	(8,381)	(11,920)
Net sales	261,363	238,913	738,670	665,807

The Company's revenues are recognized when the performance obligations are met. Also, the main products sold by the Company represent the operating segments established as per Note 32.

All sales transactions generate receivables that are described in note 6. There are no other contract assets or liabilities recognized.

26. COSTS AND EXPENSES BY NATURES

Breakdown of expenses by type is shown as follows:

	Parent Company		Parent Company	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Fixed and variable costs (raw and consumption material)	(141,326)	(131,512)	(384,948)	(347,286)
Personnel expenses	(32,845)	(32,283)	(97,282)	(96,387)
Change in fair value - biological assets	1,973	9,239	6,865	11,858
Depreciation, amortization and depletion	(17,942)	(14,547)	(50,343)	(46,664)
Freight - Sales	(13,724)	(11,442)	(37,703)	(34,936)
Contracting services	(8,824)	(7,097)	(28,396)	(23,821)
Other sales expenses	(10,443)	(9,566)	(30,178)	(25,665)
Total costs and expenses by type	(223,131)	(197,208)	(621,985)	(562,901)
Portion of cost	(182,387)	(172,696)	(510,350)	(473,424)
Portion of expense	(42,717)	(33,751)	(118,500)	(101,335)
Change in fair value of biological assets	1,973	9,239	6,865	11,858

	Consolidated		Consolidated	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Fixed and variable costs (raw and consumption material)	(140,037)	(123,405)	(375,641)	(329,331)
Personnel expenses	(35,105)	(35,825)	(104,511)	(99,929)
Change in fair value - biological assets	733	5,956	8,819	7,294
Depreciation, amortization and depletion	(18,957)	(18,452)	(55,497)	(57,044)
Freight - Sales	(13,339)	(11,495)	(37,783)	(34,989)
Contracting services	(9,256)	(7,615)	(29,861)	(25,649)
Other sales expenses	(11,213)	(10,640)	(31,001)	(27,919)
Total costs and expenses by type	(227,174)	(201,476)	(625,475)	(567,567)
Portion of cost	(184,283)	(172,107)	(513,431)	(470,247)
Portion of expense	(43,624)	(35,325)	(120,863)	(104,614)
Change in fair value of biological assets	733	5,956	8,819	7,294

27. OTHER OPERATING INCOME AND EXPENSES

Revenues	Parent Company		Parent Company	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Revenue from claimed and disposed goods	285	166	444	576
Revenue from sale of assets	-	-	1,973	-
Carbon Credit	-	-	125	-
Lawsuit gain exclusion of ICMS from the contributions basis of PIS and COFINS	9,352	74,124	9,352	74,124
Other operating revenues	943	1,135	2,010	2,110
	10,580	75,425	13,904	76,810

Expenses	Parent Company		Parent Company	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Costs of claimed and disposed goods	(193)	(166)	(193)	(385)
Cost of sale of assets	-	-	(771)	-
Provision of government grants - State of MG	(354)	(317)	(1,118)	(1,069)
Other operating expenses	(589)	(314)	(2,020)	(1,625)
	(1,136)	(797)	(4,102)	(3,079)
Total Other Operating Revenue and Expenses, net	9,444	74,628	9,802	73,731

Revenues	Consolidated		Consolidated	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Revenue from claimed and disposed goods	285	166	444	166
Revenue from sale of assets	-	-	1,973	-
Carbon Credit	-	-	125	-
Lawsuit gain exclusion of ICMS from the contributions basis of PIS and COFINS	9,352	74,124	9,352	74,124
Other operating revenues	946	1,143	2,023	2,556
	10,583	75,433	13,917	76,846

Expenses	Consolidated		Consolidated	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Costs of claimed and disposed goods	(193)	(166)	(193)	(385)
Cost of sale of assets	-	-	(771)	-
Provision of government grants - State of MG	(354)	(317)	(1,118)	(1,069)
Contingency on subsidiary Habitasul Florestal	-	(4,000)	-	(4,000)
Other operating expenses	(589)	(347)	(2,030)	(1,661)
	(1,136)	(4,830)	(4,112)	(7,115)
Total Other Operating Revenue and Expenses, net	9,447	70,603	9,805	69,731

28. FINANCE INCOME AND EXPENSES

	Parent Company		Parent Company	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Financial revenues				
Yields from financial investments	1,739	585	2,703	1,722
Interest	7,290	56,944	9,468	57,638
Discounts obtained	67	37	423	372
	9,096	57,566	12,594	59,732
Exchange-rate change				
Foreign-exchange income	4,770	13,163	10,879	20,471
Foreign exchange costs	(5,603)	(101,493)	(12,695)	(125,642)
Net exchange rate change	(833)	(88,330)	(1,816)	(105,171)
Financial expenses				
Interest	(18,817)	(55,092)	(55,496)	(98,631)
Discounts granted	(97)	(195)	(268)	(467)
Negative goodwill/bank expenses	(239)	(221)	(716)	(670)
Liability interest on leases	(516)	(489)	(1,553)	(1,503)
Other	(827)	(2,677)	(2,016)	(2,776)
	(20,496)	(58,674)	(60,049)	(104,047)
Net financial income (loss)	(12,233)	(89,438)	(49,271)	(149,486)

	Consolidated		Consolidated	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Financial revenues				
Yields from financial investments	1,744	590	2,720	1,750
Interest	7,295	56,944	9,473	57,637
Discounts obtained	68	40	444	373
	9,107	57,574	12,637	59,760
Exchange-rate change				
Foreign-exchange income	4,770	13,163	10,879	20,471
Foreign exchange costs	(5,603)	(101,493)	(12,695)	(125,642)
Net exchange rate change	(833)	(88,330)	(1,816)	(105,171)
Financial expenses				
Interest	(17,887)	(55,095)	(54,350)	(98,638)
Discounts granted	(97)	(195)	(268)	(467)
Negative goodwill/bank expenses	(250)	(222)	(730)	(673)
Liability interest on leases	(516)	(489)	(1,553)	(1,503)
Other	(827)	(2,677)	(2,016)	(2,776)
	(19,577)	(58,678)	(58,917)	(104,057)
Net financial income (loss)	(11,303)	(89,434)	(48,096)	(149,468)

The interest financial revenue is impacted by the recognition of the correction by the SELIC rate of PIS and COFINS credits, related to the process of exclusion of ICMS from the calculation basis of PIS and COFINS, that had its final decision, as described in note 8.

The exchange rate expense in the nine-month period of 2019 is impacted by the realization of hedge accounting due to the liquidation of the financial operations that were part of the hedge accounting instrument, as described in note 31.

29. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent Company		Parent Company	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Operating income/(loss) before tax effects of Continued Operations	32,035	18,644	74,391	18,456
Operating income/(loss) before tax effects of Discontinued Operations	-	(74,155)	-	(90,278)
Operating income/(loss) before tax effects	32,035	(55,511)	74,391	(71,822)
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(10,892)	18,874	(25,293)	24,419
Unrecognized income tax and social contribution	-	-	-	(10,399)
Impairment Discontinued Operation	-	(20,403)	-	(20,403)
Tax effect from permanent (additions) exclusions:				
Equity in net income of subsidiaries	(821)	(1,939)	(7)	(281)
Non deducitble expenses	(95)	(108)	(358)	(251)
Recognition (reversion) of tax incentives	(37)	(152)	(191)	(305)
Other net Aditions/exclusions non recognized (IR and CSLL asset)	485	(1,663)	2,535	2,419
Taxation differences (subsidiaries)	-	-	-	-
Other permanent differences	4,883	2,059	7,767	(1,353)
	(6,477)	(3,332)	(15,547)	(6,154)
Current income tax and social contribution	(7,179)	-	(14,802)	-
Deferred income tax and social contribution	702	(3,332)	(745)	(6,154)
Effective rate - %	20.2	(6.0)	20.9	(8.6)

	Consolidated		Consolidated	
	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Operating income/(loss) before tax effects of Continued Operations	32,333	18,606	74,904	18,503
Operating income/(loss) before tax effects of Discontinued Operations	-	(74,155)	-	(90,278)
Operating income/(loss) before tax effects	32,333	(55,549)	74,904	(71,775)
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(10,993)	18,887	(25,467)	24,404
Unrecognized income tax and social contribution	-	-	-	(10,399)
Impairment Discontinued Operation	-	(20,403)	-	(20,403)
Tax effect from permanent (additions) exclusions:				
Equity in net income of subsidiaries	-	-	-	-
Non deducitble expenses	(95)	(62)	(358)	(62)
Recognition (reversion) of tax incentives	(37)	(71)	(191)	(71)
Other net Aditions/exclusions non recognized (IR and CSLL asset)	485	(1,663)	2,535	2,419
Taxation differences (subsidiaries)	(1,119)	(1,901)	(520)	(328)
Other permanent differences	4,984	1,919	7,941	(1,761)
	(6,775)	(3,294)	(16,060)	(6,201)
Current income tax and social contribution	(7,521)	(77)	(15,273)	(233)
Deferred income tax and social contribution	746	(3,217)	(787)	(5,968)
Effective rate - %	21.0	(5.9)	21.4	(8.6)

30. INSURANCE

Insurance coverage is determined according to the nature of the risks to the assets and is considered enough to cover possible losses arising from damages. On September 30, 2020, 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 officers and directors (D&O), with a total amount of R$ 526,432. Company life insurance is also contracted for employees with a minimum coverage of 24 times the employee's salary or a maximum amount of R$ 500, as well as fleet insurance for vehicles with coverage at market value.

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

31. FINANCIAL INSTRUMENTS

Capital risk Management

The Company's capital structure consists of its net debt (loans and financing detailed in Note 17 and 18, less cash, cash equivalents, financial investments and restricted bank accounts), as detailed in notes 5 and 9, and equity (which includes issued capital, reserves and retained earnings, as disclosed in Note 23).

The Company is not subject to any external capital requirements.

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 from 50% to 70% of own capital and from 50% to 30% of third-party capital. On September 30, 2020, the capital structure comprised 75% of own capital and 25% of third-party capital.

Indebtedness Level

The Net debt ratio on September 30, 2020 and December 31, 2019 is as follows:

	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Debt (a)	640,374	838,256	640,399	838,310
Cash and balance in banks	(354,678)	(78,318)	(377,371)	(80,822)
Restricted Bank Accounts	-	(29,165)	-	(29,165)
Net debt	285,696	730,773	263,028	728,323
Equity (b)	768,474	336,485	768,480	336,491
Net debt ratio	0.37	2.17	0.34	2.16

(a) Debt is defined as short and long-term loans, financing and debentures, as detailed in notes 17 and 18.

(b) Equity includes the entire Company's capital and reserves, managed as capital.

Categories of financial instruments

		Parent Company		Consolidated	
	Note	09.30.20	12.31.19	09.30.20	12.31.19
Financial assets					
Fair value through profit or loss					
Cash and balance in banks	5	63,731	78,318	86,424	80,822
Amortized cost					
Financial Investments	5	290,947	-	290,947	-
Trade accounts receivable	6	180,981	162,380	181,862	163,828
Other accounts receivable	10	6,654	27,050	6,936	27,219
Banks - restricted accounts	9	-	29,165	-	29,165
Financial liabilities					
Amortized cost					
Loans and financing	17	140,270	325,729	140,295	325,783
Debentures	18	500,104	512,527	500,104	512,527
Suppliers	19	93,293	117,560	84,115	89,820
Advances from clients		3,490	4,796	3,536	4,860
Lease Liability	34	23,259	22,397	23,259	22,397
Tax Installments	21	28,269	24,036	28,269	24,036
Dividends and IE payable		78	1,818	78	1,818
Other accounts payable		13,316	13,561	13,534	13,867

Financial risk factors

The Company is exposed to various financial risks, such as market risk (including exchange and interest rate risk), credit and liquidity risk.

Aiming to establish rules for financial management, the Company has maintained the Financial Management Policy since 2010. Such Policy regulates and establishes guidelines for the use of financial instruments.

The Company does not make any speculative investments in derivatives or any other financial assets.

Foreign Exchange exposure risk

The Company has transactions in the foreign market that are exposed to fluctuations in the exchange rates of foreign currencies. As of September 30, 2020, and December 31, 2019, these operations presented a net liability exposure as the table below:

	Parent Company		Consolidated	
	09.30.20	12.31.19	09.30.20	12.31.19
Accounts receivable	26,344	25,004	26,344	25,004
Advances from clients	(1,053)	(4,796)	(1,053)	(4,796)
Suppliers	(223)	(1,141)	(223)	(1,141)
Loans and financing	(43,915)	(23,720)	(43,915)	(23,720)
Net exposure	(18,847)	(4,653)	(18,847)	(4,653)

The Company protects the net foreign exchange exposure with the equivalent of less than one month of exports based on the average of exports made in the nine-month period ended on September 30, 2020, and less than a month of exports based on the average of exports made during 2019.

The Company has identified the main risk factors that could generate losses in connection with its financial instruments. Accordingly, a sensitivity analysis was performed, as determined by CVM Instruction 475, which requires the presentation of two scenarios with deterioration of 25% and 50% in the risk variable considered, in addition to a base scenario. These scenarios may impact the Company's income (loss) and equity, as described below:

1 – Base scenario: for the definition of the base scenario, the U.S. dollar quotation used by the Company is based on future market projections of B3 for the next reporting date (December 31, 2020).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for December 31, 2020.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for December 31, 2020.

Operation	Balance 09.30.20 US$	Rate	Base scenario Gain (Loss) R$	Rate	Adverse scenario Gain (Loss) R$	Rate	Remote scenario Gain (Loss) R$
Assets							
Accounts receivable and restricted bank accounts	4,670	5.64	(5)	7.05	6,579	8.46	13,165
Liabilities							
Suppliers and advances from clients	(226)	5.64	-	7.05	(318)	8.46	(637)
Loans and financing	(7,785)	5.64	9	7.05	(10,967)	8.46	(21,946)
Net effect			4		(4,706)		(9,418)

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 on September 30, 2020 were used as a basis for the projection of the future balance. The actual behavior of debt balances will follow the respective contracts, while trade receivables and payable may fluctuate due to the normal course of the activities of the Company and its subsidiaries. The settlement of transactions involving these projections may result in amounts that differ from those estimated due to the subjectivity of the process used in the preparation of these analyses. The Company maintains its loans and financing exposed to exchange-rate changes by making annual net payments that are equivalent to or below the receipts from its exports.

Accordingly, the Company seeks to hedge its cash flow against foreign currency risks, and the effects of the scenarios above, if they materialize, are not expected to generate material impacts on its 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 TLP (Long-term interest rate from BNDES), CDI (Interbank Deposit Certificate), SELIC (Official Interest Rate).

The sensitivity analysis calculated for the base, adverse and remote scenarios on the loans and financing contracts subject to floating interest rates is as follows:

1 – Base scenario: for the definition of the base scenario, the CDI and SELIC rates used by the Company accompany the future market projections of B3 for the next reporting date (December 31, 2020). The TLP is extracted from the BNDES.

2 – Adverse scenario: 25% adjustment of interest rates compared to the level projected for December 31, 2020.

3 – Remote scenario: 50% adjustment of interest rates compared to the level projected for December 31, 2020.

Operation			Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	Index	Saldo 09.30.20	Rate % p.a.	R$	Rate % p.a.	R$	Rate % p.a	R$
Cash and cash equivalents and financial investments								
CDB	CDI	367,537	1.97%	106	2.46%	852	2.96%	1,598
Captações								
Working capital	CDI	(575,873)	1.97%	(435)	2.46%	(3,492)	2.96%	(6,550)
BNDES	TJLP	(20,723)	4.55%	75	5.69%	(161)	6.83%	(397)
Finame	TJLP	(1,032)	4.55%	4	5.69%	(8)	6.83%	(20)
Finame	SELIC	(165)	1.97%	-	2.46%	(1)	2.96%	(2)
Net Effect on Income				(250)		(2,810)		(5,371)

Fair Value vs. Book Value

Fair value is the price received upon the sale of an asset or which would be paid to transfer a liability of a non-forced transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value:

- The book balances of accounts receivable, and short-term accounts payable are presented in the Company's balance sheet at amounts that approximate their fair values due to the short terms of settlement.

- Loans and financing, including debentures - considering debts and the interest rates on loans, financing and debentures contracted, and based on market information, the fair value of borrowings in September 30, 2020 is R$ 687,141. The Company applied as valuation technique discounted cash flows, considering the present value of expected payments, discounted using a Company’s risk-adjusted discount rate. The fair value measured is Level 2 in the fair value hierarchy.

Credit Risks

The Company's installments sales are managed through a credit rating and credit granting policy. Expected credit losses are adequately covered by provision to cope with possible loss in the realization thereof.

Trade accounts receivable comprise many customers from different sectors and geographical areas. An ongoing credit assessment is performed on the financial condition of the accounts receivable and, where appropriate, a credit guarantee coverage is requested.

Renegotiations with clients are mostly guaranteed by debt acknowledgment agreements, machinery, equipment, and properties pledged as collateral, in addition to individual endorsement guaranteeing the amount of debt.

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, which comprises cash, interest earning bank deposits, flows of accounts receivable and payable, and payment of loans and financing. The liquidity management policy involves projections of cash flows in currencies used and a reflection on the net assets required to reach 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 on September 30, 2020, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets.

Parent Company

	2020	2021	2022	2023	>2023
Liabilities					
Suppliers	88,815	4,478	-	-	-
Loans and financing	28,816	76,245	37,033	218	11
Debentures	-	34,437	22,269	186,891	351,513
Tax Installments	2,220	8,998	9,358	5,533	2,160
Advances from clients	3,490	-	-	-	-
Lease Liability	1,296	4,688	4,688	4,688	7,899
Dividends and IE payable	78	-	-	-	-
Other accounts payable	13,257	59	-	-	-
	137,972	128,905	73,348	197,330	361,583

Consolidated

	2020	2021	2022	2023	>2023
Liabilities					
Suppliers	79,637	4,478	-	-	-
Loans and financing	28,828	76,258	37,033	218	11
Debentures	-	34,437	22,269	186,891	351,513
Tax Installments	2,220	8,998	9,358	5,533	2,160
Advances from clients	3,536	-	-	-	-
Lease Liability	1,296	4,688	4,688	4,688	7,899
Dividends and IE payable	78	-	-	-	-
Other accounts payable	13,475	59	-	-	-
	129,070	128,918	73,348	197,330	361,583

The amounts included for post-fixed non-derivative financial liability instruments are subject to change if the change in post-fixed interest rates differs from these estimates at the end of the reporting period.

The Company expects to meet its other obligations using the cash flow from operating activities and the results from financial assets to mature.

Derivative financial instruments

The Company did not hire any derivative financial instrument on September 30, 2020.

Cash Flow Hedge

The Company adopted hedge accounting on May 1, 2012 for transactions contracted to cover the exchange-rate change risk of exports, classified as a cash flow hedge.

Accordingly, the Company hedges the exchange-rate change risk of its future cash flows by contracting non-derivative financial liabilities, which are considered a natural hedge.

In August 2019, two operations that incorporated hedge accounting were paid, one Export Prepayment contract with Rabobank and Santander and an Export Prepayment contract with Santander, thus reducing the exchange rate change balance in equity, due to reclassification to income (loss).

In November 2019, the remaining transaction that incorporated Hedge accounting, a PPE - Export Prepayment contract with Bank of America NA. was settled zeroing the exchange rate change balance in equity, due to the reclassification to profit (loss), in the nine-month period ended September 30, 2020 there were no movements on cash flow hedge.

Changes in cash flow hedge	Parent company and Consolidated	
	09.30.20	12.31.19
Opening balance	-	164,683
Changes in cash flow hedge	-	14,509
Reclassification to income (loss)	-	(179,192)
	-	-
Opening balance	-	(55,992)
Taxes on change in cash flow hedge	-	(4,933)
Taxes on reclassification to income (loss)	-	60,925
	-	-
Closing balance	-	-

32. OPERATING SEGMENTS

a) Criteria for identifying operating segments

The Company's operating structure is segmented based on the way Management runs the business. The Company's revenue is segmented according to the products and operating segments defined.

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

Corrugated Cardboard Packaging segment (PO Packaging): this division manufactures boxes and light and heavy corrugated cardboard sheets, and has two production plants: Campina da Alegria, in the state of Santa Catarina (SC), and Indaiatuba, São Paulo (SP).

The Packaging Paper segment: manufactures low- and high-weight Kraft paper and recycled paper for the domestic and foreign markets. Most of its production is destined to the Corrugated Cardboard Packaging Division with two production units: Paper plant in Campina da Alegria, SC and Santa Luzia, Minas Gerais (MG).

RS Forest and Resins Segment: through this segment, the Company grows pine for its own use, sells wood and extracts resin from pine that serves as raw material to produce tar and turpentine.

b) Consolidated information from operating segments

	Consolidated				
	3 month period ended 09.30.20				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	148,869	70,547	1,348	-	220,764
Foreign market	-	24,091	16,508	-	40,599
Total net sales	148,869	94,638	17,856	-	261,363
Change in fair value - biological assets	-	3,250	(2,517)	-	733
Cost of products sold	(110,724)	(59,831)	(13,660)	(68)	(184,283)
Gross income	38,145	38,057	1,679	(68)	77,813
Operating expenses	(15,937)	(6,808)	(3,554)	(7,878)	(34,177)
Operating income (loss) before financial income (loss)	22,208	31,249	(1,875)	(7,946)	43,636
Financial income (loss)	(5,441)	(5,553)	(309)	-	(11,303)
Operating net income of continued operations	16,767	25,696	(2,184)	(7,946)	32,333
Operating net income	16,767	25,696	(2,184)	(7,946)	32,333
Depreciation and amortization	(3,817)	(12,632)	(329)	(529)	(17,307)

	Consolidated				
	3 month period ended 09.30.19				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	126,332	64,666	2,297	-	193,295
Foreign market	-	26,499	19,119	-	45,618
Third-party sales revenue	126,332	91,165	21,416	-	238,913
Change in fair value - biological assets	-	11,458	(5,502)	-	5,956
Cost of products sold	(97,718)	(56,424)	(17,708)	(257)	(172,107)
Gross income	28,614	46,199	(1,794)	(257)	72,762
Operating expenses	(15,205)	(5,513)	(6,668)	62,664	35,278
Operating income (loss) before financial income (loss)	13,409	40,686	(8,462)	62,407	108,040
Financial income (loss)	(29,536)	(51,004)	(8,894)	-	(89,434)
Operating net income of continued operations	(16,127)	(10,318)	(17,356)	62,407	18,606
Operating net income of discontinued operations	(74,155)	-	-	-	(74,155)
Operating net income	(90,282)	(10,318)	(17,356)	62,407	(55,549)
Depreciation and amortization	(3,101)	(10,519)	(277)	(429)	(14,326)

	Consolidated				
	9 month period ended 09.30.20				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	386,011	201,510	3,367	-	590,888
Foreign market	-	90,943	56,839	-	147,782
Third-party sales revenue	386,011	292,453	60,206	-	738,670
Total net sales	386,011	292,453	60,206	-	738,670
Change in fair value - biological assets	-	12,212	(3,393)	-	8,819
Cost of products sold	(289,703)	(179,603)	(43,872)	(253)	(513,431)
Gross income	96,308	125,062	12,941	(253)	234,058
Operating expenses	(43,318)	(21,896)	(10,100)	(35,744)	(111,058)
Operating income (loss) before financial income (loss)	52,990	103,166	2,841	(35,997)	123,000
Financial income (loss)	(23,284)	(26,604)	1,792	-	(48,096)
Operating net income of continued operations	29,706	76,562	4,633	(35,997)	74,904
Operating net income	29,706	76,562	4,633	(35,997)	74,904
Depreciation and amortization	(10,756)	(33,938)	(1,045)	(1,434)	(47,173)

	Consolidated				
	9 month period ended 09.30.19				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	343,678	176,632	5,870	-	526,180
Foreign market	-	75,244	64,383	-	139,627
Third-party sales revenue	343,678	251,876	70,253	-	665,807
Revenues between segments	-	-	-	-	-
Total net sales	343,678	251,876	70,253	-	665,807
Change in fair value - biological assets	-	11,878	(4,584)	-	7,294
Cost of products sold	(265,781)	(153,205)	(50,462)	(799)	(470,247)
Gross income	77,897	110,549	15,207	(799)	202,854
Operating expenses	(41,058)	(18,955)	(13,141)	38,271	(34,883)
Operating income (loss) before financial income (loss)	36,839	91,594	2,066	37,472	167,971
Financial income (loss)	(48,575)	(85,670)	(15,223)	-	(149,468)
Operating net income of continued operations	(11,736)	5,924	(13,157)	37,472	18,503
Operating net income of discontinued operations	(90,278)	-	-	-	(90,278)
Operating net income	(102,014)	5,924	(13,157)	37,472	(71,775)
Depreciation and amortization	(9,557)	(34,234)	(995)	(1,083)	(45,869)

The balance in the Corporate/eliminations column substantially involves expenses of the corporate support area, not apportioned to the other segments, while the eliminations refer to adjustments of operations between the remaining segments.

The information referring to financial income (loss) were distributed by operating segment taking in consideration the specific allocation of each financial revenue and expense, and the distribution of revenues and expenses common to the Company by NCG (Working capital needs) 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.

The discontinued operation was part of the PO Packaging segment, and its effects are detailed in Note 37.

c) Net sales

The net sales in the third quarter of 2020 totaled R$ 261,363 (R$ 238,913 in the third quarter of 2019). The first nine months of 2020 the net sales totaled R$ 738,670 (R$ 665,807 in the first nine months of 2019).

Net sales for the foreign market in the third quarter of 2020 totaled R$ 40,599 (R$ 45,618 in the third quarter of 2019). The first nine months of 2020, the net sales for the foreign market totaled R$ 147,782 (R$ 139,627 in the first nine months of 2019), distributed by several countries, as follows:

Consolidated		
3 month period ended 09.30.20		
Country	Foreign market net sales	% in total net net sales
China	13,630	5.21%
Argentina	5,886	2.25%
Saudi Arabia	2,721	1.04%
Paraguay	2,652	1.01%
Portugal	2,308	0.88%
India	1,799	0.69%
Japan	1,642	0.63%
Peru	1,525	0.58%
USA	1,453	0.56%
Turkey	1,282	0.49%
Pakistan	855	0.33%
Mexico	845	0.32%
Bolivia	769	0.29%
Other Countries	3,232	1.24%
	40,599	15.52%

Consolidated		
3 month period ended 09.30.19		
Country	Foreign market net sales	% in total net net sales
Argentina	8,783	3.68%
Saudi Arabia	5,179	2.17%
Japan	3,611	1.51%
Netherlands	3,494	1.46%
Portugal	2,914	1.22%
Spain	2,839	1.19%
South Africa	2,304	0.96%
Chile	2,045	0.86%
Paraguay	1,982	0.83%
USA	1,767	0.74%
China	1,410	0.59%
Turkey	1,350	0.57%
Peru	1,150	0.48%
Other Countries	6,790	2.84%
	45,618	19.10%

Consolidated		
9 month period ended 09.30.20		
Country	Foreign market net sales	% in total net net sales
China	34,046	4.61%
Argentina	24,838	3.36%
Saudi Arabia	13,133	1.78%
Portugal	7,637	1.03%
Paraguay	7,160	0.97%
Chile	6,419	0.87%
South Africa	5,684	0.77%
USA	5,136	0.70%
Japan	4,801	0.65%
India	4,157	0.56%
Germany	3,998	0.54%
Peru	3,941	0.53%
Ireland	3,917	0.53%
Other Countries	22,915	3.10%
	147,782	20.00%

Consolidated		
9 month period ended 09.30.19		
Country	Foreign market net sales	% in total net net sales
Argentina	26,273	3.95%
Saudi Arabia	15,290	2.30%
China	13,404	2.01%
Portugal	12,643	1.90%
Japan	9,634	1.45%
South Africa	7,104	1.07%
Netherlands	6,747	1.01%
Spain	6,500	0.98%
Chile	6,275	0.94%
Paraguay	5,618	0.84%
India	4,778	0.72%
Peru	4,115	0.62%
France	3,373	0.51%
Other Countries	17,873	2.68%
	139,627	20.98%

In the third quarter of 2020, Company’s net sales in domestic market totaled R$ 220,764 (R$ 193,295 in third quarter of 2019). The first nine months of 2020, the net sales in domestic market totaled R$ 590,888 (R$ 526,180 in the first nine months of 2019).

In the third quarter of 2020, a single customer accounted for 6.2% of net sales in the domestic market of the PO Packaging segment, equivalent to R$ 9,227. The Company's other sales in the domestic and foreign markets were spread over a number of customers, none of them accounting for more than 10% of net sales.

33. GOVERNMENT GRANTS

The Company has ICMS tax incentives from the states of Santa Catarina and Minas Gerais:

i) ICMS/SC – Prodec: allows that 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 made, be deferred for payment after 48 months. This benefit is calculated monthly and subject to the completion of the investments planned and maintenance of jobs, in addition to the maintenance of regular status with the State obligations.

   Regarding the incentive amounts, there will be interests at contractual rates of 4.0% per year. For the purposes of calculating the present value of this benefit, the Company used the average rate of 6.25% as the funding cost for the financing facilities with characteristics like those required for the respective disbursements if it did not have the benefit.

   The benefit is effective for 14 years (10 years of benefit and 4 years of grace period), from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. Up to September 30, 2020, the Company had deferred ICMS liabilities of R$ 10,220 (R$ 13,337 in December 31, 2019), net of government grant R$ 10,005 (R$ 12,560 in December 31, 2019).

ii) ICMS/MG – Presumed Credit: The State of Minas Gerais grants as the main benefit ICMS deemed credit resulting in the effective payment of 2% of the value of the shipment operations for the products industrialized by the Company, with the purpose of allowing the expansion of the industrial plant located in the municipality of Santa Luzia, in the State of Minas Gerais.

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent Company and Consolidated	Land	Buildings and constructions	Equipment and facilities	Total
Initial recognition 01/01/19	6,215	15,613	3,794	25,622
Accumulated depreciation during the period	(659)	(2,008)	(1,186)	(3,853)
Increase/decrease of contracts in the period - effect in accumulated depreciation	-	-	729	729
Increase/decrease of contracts in the period - main effect	-	-	(73)	(73)
Book balance, net 12/31/19	5,556	13,605	3,264	22,425
Cost	6,215	15,613	3,721	25,549
Accumulated depreciation in the period	(659)	(2,008)	(457)	(3,124)
Book balance, net 12/31/19	5,556	13,605	3,264	22,425
Initial recognition 01/01/20	5,556	13,605	3,264	22,425
Accumulated depreciation during the period	(728)	(1,551)	(697)	(2,976)
Increase/decrease of contracts in the period - effect in accumulated depreciation	-	-	-	-
Increase/decrease of contracts in the period - main effect	579	1,621	523	2,723
Book balance, net 09/30/20	5,407	13,675	3,090	22,172
Cost	6,794	17,234	4,244	28,272
Accumulated depreciation in the period	(1,387)	(3,559)	(1,154)	(6,100)
Book balance, net 09/30/20	5,407	13,675	3,090	22,172

The calculation of the right to use assets is equal to the present value of the lease liability discounted using the rates of 12.06% and 14.43% p.a., calculated using the risk-free rate (NTN), the risk spread of the company, the corresponding risk of the country and the specific risk of the asset. The company calculated depreciation using the linear method according to the remaining period of the contracts with an average remaining period of 6.5 years.

The lease agreements have lease liabilities, as shown below:

Parent Company and Consolidated	Land	Buildings and constructions	Equipment and facilities	Total
Initial recognition 01.01.19	10,314	26,758	4,697	41,769
Lease installment	(1,472)	(3,170)	(1,340)	(5,982)
Increase/decrease of contracts in the period - main effect	-	-	1,051	1,051
Initial recognition of interest 01.01.19	(4,099)	(11,145)	(903)	(16,147)
Interest over lease in the period	437	1,257	407	2,101
Increase/decrease of contracts in the period - effect in interest	-	-	(395)	(395)
Book balance, net 12.31.19	5,180	13,700	3,517	22,397
Balance 01.01.20	5,180	13,700	3,517	22,397
Lease installment	(63)	(2,385)	(954)	(3,402)
Increase/decrease of contracts in the period - main effect	579	1,621	523	2,723
Interest over lease in the period	423	954	111	1,488
Increase/decrease of contracts in the period - effect in interest	-	33	20	53
Book balance, net 09.30.20	6,119	13,923	3,217	23,259
Short-term				3,974
Long-term				19,285

The interest over lease are recorded as financial expenses and appropriated according to the time remaining in each contract.

The long-term payments in undiscounted cash flow are distributed as follows:

Long-term maturity dates:	
2021	5,949
2022	5,949
2023	5,949
2024	5,949
>2025	12,363
	36,159

The impacts on the income statement according to the standard CPC 06 (R2)/ IFRS 16, were that the lease considerations that were previously recorded as lease expenses are now recorded on the lines of depreciation and financial expenses. Even though the new standard did not bring any modifications to the total amount that will be taken to the statement of profit or loss throughout the life of the contracts, there is a time effect in the income.

The Company has the potential right of PIS/COFINS credits to recover embedded in the consideration of leases of buildings, constructions, equipment and facilities. The potential effects of PIS / COFINS are shown in the table below:

Parent Company and Consolidated

Cash Flow	Nominal	Present Value
Lease Consideration	35,952	21,839
PIS/COFINS (9.25%)	3,326	2,020

According to CVM Circular Letter 02/2019, the Company adopted the discounted cash flow technique without considering inflation (real flow discounted at nominal rate).

Other assumptions, such as the maturity schedule of the liabilities and interest rates used in the calculation, are disclosed in other items of this same note, as well as the inflation indices are observable in the market, so that the nominal flows can be prepared by the users of the financial statements.

In the nine-month period ended in September 30, 2020 there were no renegotiations in the lease agreements.

Management evaluated the use of nominal cash flows and nominal rates, as recommended by the CVM, and concluded that these do not generate material differences in the information presented as shown in the following table:

Parent Company and Consolidated	Real Flow		Nominal Flow	
	01.01.19	09.30.20	01.01.19	09.30.20
Lease Liability	41,769	36,159	48,992	39,783
Built-In Interest	(16,147)	(12,900)	(19,687)	(17,273)
	25,622	23,259	29,305	22,510

35. TRANSACTIONS NOT AFFECTING CASH

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

During the first nine months of 2020, the Company realized PIS and COFINS credits over property, plant and equipment in amounting of R$ 590 and recognized PIS and COFINS credits related to exclusion of ICMS from PIS and COFINS basis and updates of these values amounting to R$ 20,192.

During the first nine months of 2019, the Company realized PIS and COFINS credits over property, plant and equipment in amounting to R$ 818, received trade receivables credits in exchange for investment property land in the amount of R$ 2,432, recognized PIS and COFINS credits related to exclusion of ICMS from PIS and COFINS basis amounting to R$ 143,157 and recognized discontinued operation impairment in the amount of R$ 54,856.

36. SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

	Parent Company			Consolidated		
	Liabilities			Liabilities		
	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities
Balance as of 12.31.18	824,875	5,543	-	824,966	5,543	-
Change in cash	(59,122)	(3,725)	(3,453)	(59,155)	(3,725)	(3,453)
Payment of dividends and interest on shareholders' equity	-	(3,725)	-	-	(3,725)	-
Lease liability paid	-	-	(1,886)	-	-	(1,886)
Loans obtained	70,892	-	-	70,892	-	-
Issuance of Debentures (Net of capture costs)	493,272	-	-	493,272	-	-
Loans and debentures paid	(601,614)	-	-	(601,647)	-	-
Payment of interest on loans, financing and debentures	(21,672)	-	-	(21,672)	-	-
Payment of interest on lease liabilities	-	-	(1,567)	-	-	(1,567)
Changes not involving cash	86,503	-	27,853	86,510	-	27,853
Lease Liability - Initial recognition 01.01.19	-	-	25,622	-	-	25,622
Lease liabilities - increase/decrease in the period	-	-	678	-	-	678
Exchange-rate change and interest on loans, financing and debentures	180,845	-	-	180,852	-	-
Interest on debentures	8,702			8,702		
Interest on lease liabilities	-	-	1,553	-	-	1,553
Hedge Accounting	(103,044)	-	-	(103,044)	-	-
Balance as of 09.30.19	852,256	1,818	24,400	852,321	1,818	24,400

	Parent Company			Consolidated		
	Passivos			Passivos		
	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities
Balance as of 12.31.19	838,256	1,818	22,397	838,310	1,818	22,397
Change in cash	(261,614)	(10,634)	(3,402)	(261,647)	(10,634)	(3,402)
Payment of dividends and interest on shareholders' equity	-	(10,634)	-	-	(10,634)	-
Lease liability paid	-	-	(1,849)	-	-	(1,553)
Loans obtained	57,908	-	-	57,908	-	-
Loans and debentures paid	(256,442)	-	-	(256,475)	-	-
Payment of interest on loans, financing and debentures	(63,080)	-	-	(63,080)	-	-
Payment of interest on lease liabilities	-	-	(1,553)	-	-	(1,849)
Changes not involving cash	63,732	8,894	4,264	63,736	8,894	4,264
Lease liabilities - increase/decrease in the period	-	-	2,776	-	-	2,776
Exchange-rate change and interest on loans, financing and debentures	63,732	-	-	63,736	-	-
Interest on equity	-	-	1,488	-	-	1,488
Interest on lease liabilities	-	8,894	-	-	8,894	
Balance as of 09.30.20	640,374	78	23,259	640,399	78	23,259

37. DISCONTINUED OPERATION

By a decision of the administrative board, in September 2019, the Company discontinued the operations of corrugated cardboard paper at the Vila Maria unit in São Paulo, SP. On September 30, 2020 and 2019, the income statement and statement of cash flows of the discontinued operations are as follows:

	3 month period ended		9 month period ended	
	09.30.20	09.30.19	09.30.20	09.30.19
Net sales	-	12,260	-	61,446
Cost of sales	-	(14,898)	-	(66,579)
Gross (Loss) Profit	-	(2,638)	-	(5,133)
Sales, General and Administrative Expenses	-	(2,112)	-	(8,337)
Financial (cost)	-	(9,363)	-	(16,704)
Other operating revenues and expenses	-	(60,042)	-	(60,104)
Operating (loss) before taxes	-	(74,155)	-	(90,278)
Social contributions and Income tax	-	-	-	-
Net (loss) from discontinued operation	-	(74,155)	-	(90,278)

	09.30.2020	09.30.19
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/income before income tax and social contribution (LAIR) - Discontinued operations	-	(16,123)
Reconciliation of net income/(loss) with the net cash obtained from the operating activities:		
Depreciation, amortization and depletion	-	3,268
Provision/reversal for civil, labor and tax risks	-	158
Exchange-rate change and interest on loans, financing and debentures	-	1,801
Interest on lease liabilities	-	42
	-	(10,854)
Increase (decrease) in assets:		
Trade receivables	273	12,005
Inventories	-	(142)
Increase (decrease) in liabilities:		
Trade payables	158	(1,430)
Social charges and social security obligations	(14)	467
Tax liabilities	22	1,081
Cash used in operations	439	1,127
Net cash generated by (used) in operating activities	439	1,127
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition of property, plant and equipment	-	(2,631)
Net cash (used)/obtained in investment activities	-	(2,631)
CASH FLOW FROM FINANCING ACTIVITIES		
Lease liability paid	-	(252)
Loans and debentures paid	-	(7,447)
Net cash used in (invested in) financing activities	-	(7,699)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD	439	(9,203)

38. SUBSEQUENT EVENTS

On October 08, 2020 it was approved on the General Assembly the migration of the Company to the special listing segment of B3 S.A. - Brasil, Bolsa, Balcão ("B3") named New Market, as well as the conversion of the totality of preferred issuance shares of the Company in common shares, at the proportion of 1 common share for each 1 preferred share, and the global reform of the Company's social statue to adapt it to the requirement of B3's new market listing regulation and to incorporate remaining detailed adjustments to the Administration's proposal, with its respective consolidation, which validity is conditioned to the approval of the Company's migration to the new market through B3.

Also on October 08, 2020 it was ratified by the Special General Assembly of Shareholders of Preferred Shares the conversion of the totality of the Company's preferred issuance shares in common shares, in the proportion of 1 common share for each 1 preferred share, with a recess right of 30 days counting from October 13 dissent from 2020 to the shareholders of preferred shares that abstained from voting, dissented of deliberation or were not present at the Special General Assembly of Shareholders of Preferred Shares.

Independent Auditor’s Report on review of interim financial statements

To the Board Members and Directors of
Irani Papel e Embalagem S.A
Porto Alegre - RS

Introduction

We have reviewed the accompanying parent company and consolidated statement of financial position of Irani Papel e Embalagem S.A (“the Company”) as at September 30, 2020, the parent company and consolidated statements of profit or loss and other comprehensive income for the three and nine month periods then ended and changes in equity and cash flows for the nine month period then ended, and notes, comprising significant accounting policies and other explanatory information (“the parent company and consolidated interim financial statements”), contained in the Quarterly Information - ITR Form.

Management is responsible for the preparation and fair presentation of these parent company and consolidated interim financial statements in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), including the requirements of the Technical Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission - CVM, applicable to the preparation of the Quarterly Information – ITR. Our responsibility is to express a conclusion on these parent company and consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Brazilian and international review standards for interim information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on parent company and consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Company as at September 30, 2020, and of its financial performance for the three and nine month periods then ended and its cash flows for the nine month period then ended in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), including the requirements of the Technical Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting as well presented in a manner consistent with the standards issued by the Securities Commission – CVM.

Other matters – Statement of Added Value

The parent company and consolidated interim financial statements related to statements of added value (DVA) for the nine month period ended September 30, 2020, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the review of Company’s quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial statements and accounting records, as applicable, and whether their forms and contents are in accordance with criteria defined in Technical Pronouncement CPC 09 – Statement of Added Value.

Based on our review, nothing has come to our attention that causes us to believe that those were not present fairly, in all material respects, in accordance with parent company and consolidated interim financial statements taken as a whole.

Porto Alegre, October 30, 2020

KPMG Auditores Independentes

CRC SP-014428/F-7

(Original review report in Portuguese signed by)

Cristiano Jardim Seguecio

Accountant CRC SP-244525/O-9 T-RS

EXECUTIVE OFFICERS' STATEMENT ON THE INTERIM FINANCIAL STATEMENTS

For purposes of Article 25 of CVM Instruction 480/09

In the capacity of Directors of Irani Papel e Embalagem S.A., a corporation headquartered at Rua General João Manoel, 157, 9 andar, sala 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled with EIN under No. 92.791.243/0001-03, **WE DECLARE** under the terms of paragraph 1 of article 25 of CVM Instruction 480, of December 7, 2009, that: we have reviewed, discussed and agreed with the Company's interim financial statements for the three-month period ended October 30, 2020.

Porto Alegre, RS, October 30, 2020.

Sérgio Luiz Cotrim Ribas
CEO

Odivan Carlos Cargnin
Administration, Finance and Investors Relations Officer

Henrique Zugman
Paper and Forest Business Officer

Lindomar Lima de Souza
Packaging Business Officer

Fabiano Alves de Oliveira
People, Strategy, and Management Officer

EXECUTIVE OFFICERS' STATEMENT ON THE INDEPENDENT AUDITOR'S REPORT

For purposes of Article 25 of CVM Instruction 480/09

In the capacity of Directors of Irani Papel e Embalagem S.A., a corporation headquartered at Rua General João Manoel, 157, 9 andar, sala 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled with EIN under No. 92.791.243/0001-03, **WE DECLARE** under the terms of paragraph 1 of article 25 of CVM Instruction 480, of December 7, 2009, that we have reviewed, discussed and agreed with the opinion expressed in the independent auditors' report in connection with the interim financial statements for the three-month period ended October 30, 2020.

Porto Alegre, RS, October 30, 2020.

Sérgio Luiz Cotrim Ribas
CEO

Odivan Carlos Cargnin
Administration, Finance and Investors Relations Officer

Henrique Zugman
Paper and Forest Business Officer

Lindomar Lima de Souza
Packaging Business Officer

Fabiano Alves de Oliveira
People, Strategy, and Management Officer