Summary

Company Information

Capital Composition 1

Cash Proceeds 2

Parent Company Financial Statements

Balance Sheet Assets 3

Balance Sheet Liabilities 4

Statement of Profit (loss) 5

Statement of Comprehensive Income (loss) 6

Statement of Cash Flows 7

Statement of changes in Equity

01/01/2020 to 06/30/2020 8

01/01/2019 to 06/30/2019 9

Statement of Added Value 10

Consolidated Financial Statements

Balance Sheet Assets 11

Balance Sheet Liabilities 12

Statement of Profit (loss) 13

Statement of Comprehensive Income (loss) 14

Statement of Cash Flows 15

Statement of changes in Equity

01/01/2020 to 06/30/2020 16

01/01/2019 to 06/30/2019 17

Statement of Added Value 18

Company Information/Capital Composition

Number of shares (In Thousands)	Current Quarter 06/30/2020
Paid Up Capital	
Common Shares	153,910
Preferred Shares	12,810
Total	166,720
Treasury Shares	
Common	24
Preferred	2,352
Total	2,376

Company Information/ Cash proceeds

Event	Approval	Proceed	Payment Start	Share Type	Share Class	Proceeds/Share (Reais / Share)
Ordinary General Assembly	04/28/2020	Dividend	05/29/2020	Ordinary		0.01079
Ordinary General Assembly	04/28/2020	Dividend	05/29/2020	Preferred		0.01079

Parent Company Financial Statements Balance Sheet - Assets

(All amounts in Thousands of Reais)

Code	Description	Current Quarter 06/30/2020	Previous Year 12/31/2019
1	Total Assets	1,593,749	1,600,637
1.01	Current Assets	502,042	499,489
1.01.01	Cash and Cash Equivalents	107,590	78,318
1.01.02	Financial Investments	0	29,165
1.01.02.03	Financial Investments evaluated at amortized cost	0	29,165
1.01.02.03.01	Banks - restricted account	0	29,165
1.01.03	Accounts Receivable	179,119	160,804
1.01.03.01	Trade accounts receivables	179,119	160,804
1.01.04	Inventories	80,750	76,761
1.01.06	Recoverable Taxes	73,124	79,420
1.01.08	Other Current Assets	61,459	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	19,879	33,441
1.01.08.03.01	Other Assets	19,879	33,441
1.02	Non-current Assets	1,091,707	1,101,148
1.02.01	Long - term receivables	137,601	147,370
1.02.01.04	Accounts Receivable	2,946	3,500
1.02.01.04.01	Trade accounts receivables	1,980	1,576
1.02.01.04.02	Other accounts receivable	966	1,924
1.02.01.06	Biological Assets	74,361	66,298
1.02.01.10	Other Non-current assets	60,294	77,572
1.02.01.10.03	Recoverable Taxes	59,737	76,911
1.02.01.10.04	Judicial deposits	557	661
1.02.02	Investments	156,631	154,327
1.02.02.01	Equity Investments	134,984	132,593
1.02.02.02	Investment Properties	21,647	21,734
1.02.03	Property, plant and equipment	655,215	658,218
1.02.03.01	Property, plant and equipment in operation	632,418	635,793
1.02.03.02	Right to use assets – lease	22,797	22,425
1.02.03.02.01	Right to use assets	22,797	22,425
1.02.04	Intangible assets	142,260	141,233
1.02.04.01	Intangible assets	142,260	141,233

Parent Company Financial Statements Balance Sheet - Liabilities

(All amounts in Thousands of Reais)

Code	Description	Current Quarter 06/30/2020	Previous Year 12/31/2019
2	Total Liabilities	1,593,749	1,600,637
2.01	Current Liabilities	420,366	456,596
2.01.01	Social and labor obligations	33,282	28,903
2.01.01.01	Social Obligations	33,282	28,903
2.01.01.01.01	Social security obligations	33,282	28,903
2.01.02	Trade payables	94,988	117,560
2.01.03	Tax obligations	35,326	21,647
2.01.03.01	Federal tax obligations	27,014	13,474
2.01.03.01.02	Tax installments	8,527	6,877
2.01.03.01.03	Other federal taxes	18,487	6,597
2.01.03.02	State tax obligations	8,232	8,098
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	8,232	8,098
2.01.03.03	City tax obligations	80	75
2.01.03.03.01	Service Tax payable	80	75
2.01.04	Loans and financing	235,056	265,482
2.01.04.01	Loans and financing	219,836	247,290
2.01.04.02	Debentures	15,220	18,192
2.01.05	Other obligations	21,714	23,004
2.01.05.02	Others	21,714	23,004
2.01.05.02.01	Dividends and interest on capital payable	40	1,818
2.01.05.02.04	Other accounts payable	14,828	13,502
2.01.05.02.05	Advances from customers	5,209	4,796
2.01.05.02.06	Lease liabilities	1,637	2,888
2.02	Non-current liabilities	803,612	807,556
2.02.01	Loans and financing	567,721	572,774
2.02.01.01	Loans and financing	72,136	78,439
2.02.01.02	Debentures	495,585	494,335
2.02.02	Other obligations	48,037	44,814
2.02.02.02	Others	48,037	44,814
2.02.02.02.03	Tax installments	20,209	17,159
2.02.02.02.04	Other taxes payable	5,885	8,087
2.02.02.02.05	Other accounts payable	59	59
2.02.02.02.06	Lease liabilities	21,884	19,509
2.02.03	Deferred taxes	167,637	166,191
2.02.03.01	Deferred income tax and social contribution	167,637	166,191
2.02.04	Provisions	20,217	23,777
2.02.04.01	Provisions for civil, labor and tax risks	20,217	23,777
2.03	Equity	369,771	336,485
2.03.01	Share capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	49,676	11,918
2.03.05	Accumulated losses	-1,992	-1,992
2.03.06	Equity valuation adjustments	159,232	163,704

Parent Company Financial Statements - Statement of Profit (loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 04/01/2020 to 06/30/2020	Accumulated Year 01/01/2020 to 06/30/2020	Accumulated prior quarter last year 04/01/2019 to 06/30/2019	Accumulated – prior year 01/01/2019 to 06/30/2019
3.01	Revenue from sales of goods and/or services	240,567	475,499	222,255	421,571
3.02	Cost of sales	-162,946	-323,071	-161,285	-298,108
3.02.01	Changes in the fair value of biological assets	976	4,892	346	2,619
3.02.02	Cost of goods sold	-163,922	-327,963	-161,631	-300,727
3.03	Gross Profit	77,621	152,428	60,970	123,463
3.04	Operating income (expenses)	-37,367	-73,035	-35,133	-63,605
3.04.01	Selling expenses	-23,042	-42,806	-21,372	-39,645
3.04.02	General and administrative expenses	-15,464	-32,069	-13,958	-27,933
3.04.03	Impairment losses on trade receivables	-738	-908	-6	-6
3.04.04	Other operating revenue	101	357	0	0
3.04.05	Other operating expenses	0	0	-753	-899
3.04.06	Equity method investees	1,776	2,391	956	4,878
3.05	Profit (Loss) before financial income (expenses) and taxes	40,254	79,393	25,837	59,858
3.06	Net financial (cost) income	-17,448	-37,037	-28,071	-60,047
3.06.01	Financial income	6,361	9,607	2,971	9,475
3.06.02	Financial expenses	-23,809	-46,644	-31,042	-69,522
3.07	Operating profit (loss) before taxes	22,806	42,356	-2,234	-189
3.08	Income tax and social contribution	-7,508	-9,070	-1,019	-2,822
3.08.01	Current	-7,132	-7,624	0	0
3.08.02	Deferred	-376	-1,446	-1,019	-2,822
3.09	Net income (loss) from continuing operations	15,298	33,286	-3,253	-3,011
3.10	(Loss) from discontinued operations	0	0	-9,518	-16,123
3.11	Profit (loss) for the period	15,298	33,286	-12,771	-19,134
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.09310	0.20250	-0.01980	-0.01830
3.99.01.02	Preferred shares	0.09310	0.20250	-0.01980	-0.01830

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

(All amounts in thousands of Reais)

Code	Description	Current quarter 04/01/2020 to 06/30/2020	Accumulated Year 01/01/2020 to 06/30/2020	Accumulated prior quarter last year 04/01/2019 to 06/30/2019	Accumulated – prior year 01/01/2019 to 06/30/2019
4.01	Income (loss) for the period	15,298	33,286	-12,771	-19,134
4.02	Other comprehensive income (loss)	0	0	8,084	14,975
4.02.01	Cash flow hedge	0	0	12,248	22,689
4.02.02	Income tax and social contribution - cash flow hedge	0	0	-4,164	-7,714
4.03	Comprehensive income (loss) for the period	15,298	33,286	-4,687	-4,159

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

(All amounts in thousands of Reais)

Code	Description	Accumulated Year 01/01/2020 to 06/30/2020	Accumulated – prior Year 01/01/2019 to 06/30/2019
6.01	Net cash provided by (used in) operating activities	79,951	26,348
6.01.01	Cash from operations	106,655	76,046
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	42,356	-16,312
6.01.01.02	Changes in Fair Value of Biological Assets	-4,892	-2,619
6.01.01.03	Depreciation, amortization and depletion	32,401	35,384
6.01.01.05	Income/loss in the sale of property, plant and equipment	-1,205	-51
6.01.01.06	Equity method investees	-2,391	-4,878
6.01.01.07	Reversal/provision for civil, labor and tax risks	-3,663	1,379
6.01.01.08	Provision for impairment of trade receivables	908	76
6.01.01.09	Provision for impairment of other assets	0	-277
6.01.01.11	Exchange-rate change and interest on loans, financing and debentures	44,452	62,300
6.01.01.12	Interest on lease liabilities	1,029	1,044
6.01.01.14	Interest on restricted account investment	-97	0
6.01.01.15	Exclusion of ICMS from PIS and COFINS basis	-2,243	0
6.01.02	Changes in assets and liabilities	-26,704	-49,698
6.01.02.01	Trade receivables	-19,627	-13,418
6.01.02.02	Inventories	-3,989	-12,715
6.01.02.03	Recoverable taxes	25,399	-3,355
6.01.02.04	Other assets	18,117	-3,379
6.01.02.06	Trade payables	-22,572	-5,286
6.01.02.07	Social charges and social security obligations	4,379	-5,787
6.01.02.08	Advances from customers	413	7,898
6.01.02.09	Tax liabilities	6,903	1,352
6.01.02.10	Other accounts payable	-2,068	82
6.01.02.11	Payment of interest on loans, financing and debentures	-32,630	-14,325
6.01.02.12	Payment of interest on lease liabilities	-1,029	-765
6.02	Net cash provided by use in investing activities	-366	-33,281
6.02.01	Acquisition of property, plant and equipment	-22,634	-20,253
6.02.02	Acquisition of biological assets	-5,907	-2,991
6.02.03	Acquisition of intangible asset	-3,060	-10,711
6.02.06	Receipt upon disposal of assets	1,973	674
6.02.12	Banks – restricted account	29,262	0
6.03	Net cash (used in) financing activities	-50,313	-94,612
6.03.01	Payments of dividends and interest on shareholder's equity	-1,778	-3,719
6.03.02	Payment of lease liabilities	-1,234	-1,503
6.03.04	Loans obtained	57,908	42,154
6.03.05	Loans and debentures paid	-105,209	-131,544
6.05	Increase (Decrease) in cash and cash equivalents	29,272	-101,545
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	107,590	29,233

Parent Company Financial Statements / Statement of changes in Equity - 01/01/2020 to 06/30/2020

(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
5.05	Total comprehensive income (loss)	0	0	0	37,758	-4,472	33,286
5.05.01	Profit (loss) for the period	0	0	0	33,286	0	33,286
5.05.02	Other comprehensive income (loss)	0	0	0	4,472	-4,472	0
5.05.02.06	Realization – deemed cost	0	0	0	4,472	-4,472	0
5.06	Internal changes in equity	0	0	-1,483	1,483	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,483	1,483	0	0
5.07	Closing Balance	161,895	960	10,435	37,249	159,232	369,771

Parent Company Financial Statements / Statement of changes in Equity- 01/01/2019 to 06/30/2019

(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	-14,661	10,502	-4,159
5.05.01	Profit (loss) for the period	0	0	0	-19,134	0	-19,134
5.05.02	Other comprehensive income (loss)	0	0	0	4,473	10,502	14,975
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0
5.05.02.08	Cash flow hedge	0	0	0	0	14,975	14,975
5.06	Internal changes in equity	0	0	-1,379	1,379	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,171	1,171	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-208	208	0	0
5.07	Closing Balance	161,895	960	64,246	-13,282	89,408	303,227

Parent Company Financial Statements / Statement of Added Value

(All amounts in thousands of Reais)

Code	Description	Accumulated Current Year 01/01/2020 to 06/30/2020	Accumulated – prior year 01/01/2019 to 06/30/2019
7.01	Revenues	605,795	613,946
7.01.01	Sales of goods and/or services	597,422	606,777
7.01.02	Other revenues	9,281	7,245
7.01.04	Provision/reversal for impairment of trade receivables	-908	-76
7.02	Inputs purchased from third parties	-340,530	-372,752
7.02.01	Cost of sales	-226,854	-264,113
7.02.02	Materials, electricity, outsourced services and other	-113,676	-108,639
7.03	Gross value added	265,265	241,194
7.04	Retentions	-27,509	-32,765
7.04.01	Depreciation, amortization and depletion	-32,401	-35,384
7.04.02	Other	4,892	2,619
7.04.02.01	Changes in the fair value of biological assets	4,892	2,619
7.05	Net value added generated	237,756	208,429
7.06	Value added received through transfer	11,998	15,178
7.06.01	Equity in the results of subsidiaries	2,391	4,878
7.06.02	Financial income	9,607	10,300
7.07	Total added value to be distributed	249,754	223,607
7.08	Distribution of added value	249,754	223,607
7.08.01	Personnel	79,754	89,812
7.08.01.01	Direct remuneration	62,216	70,542
7.08.01.02	Benefits	14,127	15,489
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,411	3,781
7.08.02	Taxes, duties and contributions	80,873	66,485
7.08.02.01	Federal	53,423	38,015
7.08.02.02	State	26,261	27,506
7.08.02.03	Municipal	1,189	964
7.08.03	Third-party capital remuneration	49,886	80,592
7.08.03.01	Interest	46,680	77,688
7.08.03.02	Rentals	3,206	2,904
7.08.04	Remuneration of own capital	39,241	-13,282
7.08.04.03	Income/(loss) for the period - withheld	39,241	-13,282

Consolidated Financial Statements - Assets Balance Sheet

(All amounts in thousands of Reais)

Code	Description	Current Quarter 06/30/2020	Previous Year 12/31/2019
1	Total Assets	1,568,964	1,579,546
1.01	Current Assets	504,490	503,864
1.01.01	Cash and Cash Equivalents	108,208	80,822
1.01.02	Financial Investments	0	29,165
1.01.02.03	Financial Investments evaluated at amortized cost	0	29,165
1.01.02.03.01	Banks - restricted account	0	29,165
1.01.03	Accounts Receivable	179,639	162,252
1.01.03.01	Trade accounts receivables	179,639	162,252
1.01.04	Inventories	81,602	76,845
1.01.06	Recoverable Taxes	73,125	79,421
1.01.08	Other Current Assets	61,916	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	20,336	33,779
1.01.08.03.01	Other Assets	20,336	33,779
1.02	Non-current Assets	1,064,474	1,075,682
1.02.01	Long - term receivables	226,956	235,908
1.02.01.04	Accounts Receivable	2,973	3,527
1.02.01.04.01	Trade accounts receivables	1,980	1,576
1.02.01.04.02	Other accounts receivable	993	1,951
1.02.01.06	Biological Assets	163,373	154,518
1.02.01.10	Other Non-current assets	60,610	77,863
1.02.01.10.03	Recoverable Taxes	59,737	76,911
1.02.01.10.04	Judicial deposits	873	952
1.02.02	Investments	5,488	5,575
1.02.02.02	Investment Properties	5,488	5,575
1.02.03	Property, plant and equipment	689,014	692,210
1.02.03.01	Property, plant and equipment in operation	666,217	669,785
1.02.03.02	Right to use assets – lease	22,797	22,425
1.02.03.02.01	Right to use assets	22,797	22,425
1.02.04	Intangible assets	143,016	141,989
1.02.04.01	Intangible assets	143,016	141,989

Consolidated Financial Statements - Liabilities Balance Sheet

(All amounts in thousands of Reais)

Code	Description	Current Quarter 06/30/2020	Previous Year 12/31/2019
2	Total Liabilities	1,568,964	1,579,546
2.01	Current Liabilities	390,924	430,506
2.01.01	Social and labor obligations	34,287	29,649
2.01.01.01	Social Obligations	34,287	29,649
2.01.01.01.01	Social security obligations	34,287	29,649
2.01.02	Trade payables	78,678	89,820
2.01.03	Tax obligations	35,822	22,155
2.01.03.01	Federal tax obligations	27,507	13,950
2.01.03.01.02	Tax installments	8,527	6,877
2.01.03.01.03	Other federal taxes	18,980	7,073
2.01.03.02	State tax obligations	8,235	8,125
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	8,235	8,125
2.01.03.03	City tax obligations	80	80
2.01.03.03.01	Service Tax payable	80	80
2.01.04	Loans and financing	219,141	265,508
2.01.04.01	Loans and financing	203,921	247,316
2.01.04.02	Debentures	15,220	18,192
2.01.05	Other obligations	22,996	23,374
2.01.05.02	Others	22,996	23,374
2.01.05.02.01	Dividends and interest on capital payable	40	1,818
2.01.05.02.04	Other accounts payable	14,960	13,808
2.01.05.02.05	Advances from customers	6,359	4,860
2.01.05.02.06	Lease liabilities	1,637	2,888
2.02	Non-current liabilities	808,263	812,549
2.02.01	Loans and financing	567,739	572,802
2.02.01.01	Loans and financing	72,154	78,467
2.02.01.02	Debentures	495,585	494,335
2.02.02	Other obligations	48,037	44,814
2.02.02.02	Others	48,037	44,814
2.02.02.02.03	Tax installments	20,209	17,159
2.02.02.02.04	Other taxes payable	5,885	8,087
2.02.02.02.05	Other accounts payable	59	59
2.02.02.02.06	Lease liabilities	21,884	19,509
2.02.03	Deferred taxes	171,786	170,253
2.02.03.01	Deferred income tax and social contribution	171,786	170,253
2.02.04	Provisions	20,701	24,680
2.02.04.01	Provisions for civil, labor and tax risks	20,701	24,680
2.03	Equity	369,777	336,491
2.03.01	Share capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	49,676	11,918
2.03.05	Accumulated losses	-1,992	-1,992
2.03.06	Equity valuation adjustments	159,232	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 04/01/2020 to 06/30/2020	Accumulated Year 01/01/2020 to 06/30/2020	Accumulated prior quarter last year 04/01/2019 to 06/30/2019	Accumulated – prior year 01/01/2019 to 06/30/2019
3.01	Revenue from sales of goods and/or services	240,984	477,307	224,846	426,895
3.02	Cost of sales	-162,060	-321,062	-162,137	-296,803
3.02.01	Changes in the fair value of biological assets	3,617	8,086	-1,270	1,337
3.02.02	Cost of goods sold	-165,677	-329,148	-160,867	-298,140
3.03	Gross Profit	78,924	156,245	62,709	130,092
3.04	Operating income (expenses)	-38,747	-76,882	-36,871	-70,162
3.04.01	Selling expenses	-22,030	-43,163	-21,802	-40,826
3.04.02	General and administrative expenses	-15,920	-33,007	-14,300	-28,458
3.04.03	Impairment losses on trade receivables	-900	-1,069	-6	-6
3.04.04	Other operating revenue	103	357	0	0
3.04.05	Other operating expenses	0	0	-763	-872
3.05	Profit (Loss) before financial income (expenses) and taxes	40,177	79,363	25,838	59,930
3.06	Net financial (cost) income	-17,206	-36,792	-28,062	-60,033
3.06.01	Financial income	6,610	9,906	2,982	9,497
3.06.02	Financial expenses	-23,816	-46,698	-31,044	-69,530
3.07	Operating profit (loss) before taxes	22,971	42,571	-2,224	-103
3.08	Income tax and social contribution	-7,673	-9,285	-1,029	-2,908
3.08.01	Current	-7,219	-7,752	-75	-156
3.08.02	Deferred	-454	-1,533	-954	-2,752
3.09	Net income (loss) from continuing operations	15,298	33,286	-3,253	-3,011
3.10	(Loss) from discontinued operations	0	0	-9,518	-16,123
3.11	Profit (loss) for the period	15,298	33,286	-12,771	-19,134
3.11.01	Attributable to owners of the Parent Company	15,298	33,286	-12,771	-19,134
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.09310	0.20250	-0.01980	-0.01830
3.99.01.02	Preferred shares	0.09310	0.20250	-0.01980	-0.01830

Consolidated financial statements / Statement of comprehensive income (loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 04/01/2020 to 06/30/2020	Accumulated Year 01/01/2020 to 06/30/2020	Accumulated prior quarter last year 04/01/2019 to 06/30/2019	Accumulated – prior Year 01/01/2019 to 06/30/2019
4.01	Income (loss) for the period	15,298	33,286	-12,771	-19,134
4.02	Other comprehensive income (loss)	0	0	8,084	14,975
4.02.01	Cash flow hedge	0	0	12,248	22,689
4.02.02	Income tax and social contribution - cash flow hedge	0	0	-4,164	-7,714
4.03	Comprehensive income (loss) for the period	15,298	33,286	-4,687	-4,159
4.03.01	Attributable to owners of the Parent Company	15,298	33,286	-4,687	-4,159

Consolidated financial statements / Statement of cash flows - Indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated Year 01/01/2020 to 06/30/2020	Accumulated – prior Year 01/01/2019 to 06/30/2019
6.01	Net cash provided by (used in) operating activities	95,564	29,140
6.01.01	Cash from operations	110,328	88,999
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	42,571	-16,226
6.01.01.02	Changes in Fair Value of Biological Assets	-8,086	-1,337
6.01.01.03	Depreciation, amortization and depletion	36,540	41,860
6.01.01.05	Income/loss in the sale of property, plant and equipment	-1,204	174
6.01.01.07	Reversal/provision for civil, labor and tax risks	-3,706	1,381
6.01.01.08	Provision for impairment of trade receivables	1,069	76
6.01.01.09	Provision for impairment of other assets	0	-277
6.01.01.11	Exchange-rate change and interest on loans, financing and debentures	44,455	62,304
6.01.01.12	Interest on lease liabilities	1,029	1,044
6.01.01.14	Interest on restricted account investment	-97	0
6.01.01.15	Exclusion of ICMS from PIS and COFINS basis	-2,243	0
6.01.02	Changes in assets and liabilities	-14,764	-59,859
6.01.02.01	Trade receivables	-18,860	-13,438
6.01.02.02	Inventories	-4,757	-12,897
6.01.02.03	Recoverable taxes	25,399	-3,356
6.01.02.04	Other assets	17,973	-3,463
6.01.02.06	Trade payables	-11,142	-15,770
6.01.02.07	Social charges and social security obligations	4,638	-5,232
6.01.02.08	Advances from customers	1,499	8,038
6.01.02.09	Tax liabilities	6,763	953
6.01.02.10	Other accounts payable	-2,618	396
6.01.02.11	Payment of interest on loans, financing and debentures	-32,630	-14,325
6.01.02.12	Payment of interest on lease liabilities	-1,029	-765
6.02	Net cash provided by use in investing activities	-1,911	-36,179
6.02.01	Acquisition of property, plant and equipment	-22,643	-20,281
6.02.02	Acquisition of biological assets	-7,443	-5,661
6.02.03	Acquisition of intangible asset	-3,060	-10,932
6.02.06	Receipt upon disposal of assets	1,973	695
6.02.12	Banks – restricted account	29,262	0
6.03	Net cash (used in) financing activities	-66,267	-94,634
6.03.01	Payments of dividends and interest on shareholder's equity	-1,778	-3,719
6.03.02	Payment of lease liabilities	-1,234	-1,503
6.03.04	Loans obtained	57,908	42,154
6.03.05	Loans and debentures paid	-121,163	-131,566
6.05	Increase (Decrease) in cash and cash equivalents	27,386	-101,673
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	108,208	30,546

Consolidated financial statements / Statement of changes in equity- 01/01/2020 to 06/30/2020

(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
5.05	Total comprehensive income (loss)	0	0	0	37,758	-4,472	33,286	0	33,286
5.05.01	Profit (loss) for the period	0	0	0	33,286	0	33,286	0	33,286
5.05.02	Other comprehensive income (loss)	0	0	0	4,472	-4,472	0	0	0
5.05.02.06	Realization – deemed cost	0	0	0	4,472	-4,472	0	0	0
5.06	Internal changes in equity	0	0	-1,483	1,483	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,483	1,483	0	0	0	0
5.07	Closing Balance	161,895	960	10,435	37,249	159,232	369,771	6	369,777

Consolidated Company Financial Statements / Statement of changes in Equity- 01/01/2019 to 06/30/2019

(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	-14,661	10,502	-4,159	0	-4,159
5.05.01	Profit (loss) for the period	0	0	0	-19,134	0	-19,134	0	-19,134
5.05.02	Other comprehensive income (loss)	0	0	0	4,473	10,502	14,975	0	14,975
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0	0	0
5.05.02.08	Cash flow hedge	0	0	0	0	14,975	14,975	0	14,975
5.06	Internal changes in equity	0	0	-1,379	1,379	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,171	1,171	0	0	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-208	208	0	0	0	0
5.07	Closing Balance	161,895	960	64,246	-13,282	89,408	303,227	8	303,235

Consolidated Financial Statements - Statement of Added Value

(All amounts in Thousands of Reais)

Code	Description	Accumulated Current Year 01/01/2020 to 06/30/2020	Accumulated – prior year 01/01/2019 to 06/30/2019
7.01	Revenues	607,561	619,524
7.01.01	Sales of goods and/or services	599,339	612,327
7.01.02	Other revenues	9,291	7,273
7.01.04	Provision/reversal for impairment of trade receivables	-1,069	-76
7.02	Inputs purchased from third parties	-333,169	-357,721
7.02.01	Cost of sales	-217,312	-247,003
7.02.02	Materials, electricity, outsourced services and other	-115,857	-110,718
7.03	Gross value added	274,392	261,803
7.04	Retentions	-28,454	-40,523
7.04.01	Depreciation, amortization and depletion	-36,540	-41,860
7.04.02	Other	8,086	1,337
7.04.02.01	Changes in the fair value of biological assets	8,086	1,337
7.05	Net value added generated	245,938	221,280
7.06	Value added received through transfer	9,906	10,321
7.06.02	Financial income	9,906	10,321
7.07	Total added value to be distributed	255,844	231,601
7.08	Distribution of added value	255,844	231,601
7.08.01	Personnel	84,672	95,567
7.08.01.01	Direct remuneration	65,258	74,283
7.08.01.02	Benefits	15,847	17,292
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,567	3,992
7.08.02	Taxes, duties and contributions	81,973	68,711
7.08.02.01	Federal	54,500	40,080
7.08.02.02	State	26,263	27,555
7.08.02.03	Municipal	1,210	1,076
7.08.03	Third-party capital remuneration	49,958	80,605
7.08.03.01	Interest	46,698	77,696
7.08.03.02	Rentals	3,260	2,909
7.08.04	Remuneration of own capital	39,241	-13,282
7.08.04.03	Income/(loss) for the period - withheld	39,241	-13,282

COMMENTS ON THE COMPANY'S PERFORMANCE ON THE SECOND 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 including CVM instruction 469.

Irani presents adjusted EBITDA of R$ 55.6 million in 2Q20 with a growth of 19.1% in relation to 2Q19 (continuing operation)

KEY INDICATORS - CONSOLIDATED[1]	2Q20	1Q20	2Q19	Change 2Q20/1Q20	Change 2T20/2T19	6M20	6M19	Change 6M20/6M19	LTM20	LTM19	Change LTM20/LTM19
Economic and Financial (R$ thousand)											
Net operating revenue	240,984	236,323	224,846	2.0%	7.2%	477,307	426,895	11.8%	949,192	853,933	11.2%
Domestic market	176,405	193,719	171,532	-8.9%	2.8%	370,124	332,886	11.2%	767,285	661,638	16.0%
Foreign market	64,579	42,604	53,314	51.6%	21.1%	107,183	94,009	14.0%	181,907	192,295	-5.4%
Gross Profit (including *)	78,924	77,321	62,709	2.1%	25.9%	156,245	130,092	20.1%	294,553	261,629	12.6%
(*) Change in the Fair Value of Biological Assets	*3,617*	*4,469*	*(1,270)*	-19.1%	-	*8,086*	*1,337*	504.8%	*14,718*	*(4,154)*	-
Gross margin	***32.8%***	***32.7%***	***27.9%***	**0.1p.p.**	***4.9p.p.***	***32.7%***	***30.5%***	***2.2p.p.***	***31.0%***	***30.6%***	***0.2p.p.***
Operating profit (loss) before taxes and profit sharing	22,971	19,600	(2,224)	17.2%	-	42,571	(103)	-	13,149	17,485	-24.8%
Operating margin	***9.5%***	***8.3%***	***-1.0%***	**1.2p.p.**	***10,5p.p.***	***8.9%***	***0.0%***	***8,9p.p.***	***1.4%***	***2.0%***	***-0,6p.p.***
Net profit (loss)	15,298	17,988	(3,253)	-15.0%	-	33,286	(3,011)	-	62,752	11,510	445.2%
Net margin	***6.3%***	***7.6%***	***-1.4%***	**-1,3p.p.**	**7.7p.p.**	***7.0%***	***-0.7%***	***7.7p.p.***	***6.6%***	***1.3%***	***5.3p.p.***
Adjusted EBITDA of continuing operation[2]	55,601	52,216	46,701	6.5%	19.1%	107,817	97,185	10.9%	238,876	197,915	20.7%
Adjusted EBITDA margin	***23.1%***	***22.1%***	***20.8%***	**1.0p.p.**	***2.3p.p.***	***22.6%***	***22.8%***	***-0,2p.p.***	***25.2%***	***23.2%***	***2.0p.p.***
Net debt (R$ million)	678.7	719.2	730.3	-5.6%	-7.1%	678.7	730.3	-7.1%	678.7	730.3	-7.1%
Net Debt/Adjusted EBITDA(x)	2.94	3.31	3.89	-11.2%	-24.4%	2.94	3.89	-24.4%	2.94	3.89	-24.4%
Net Debt/pro-forma Adjusted EBITDA (x)[3]	2.16	2.38	-	-9.2%	-	2.16	-	-	2.16	-	-
Operating Data (t)											
Corrugated Cardboard Packaging (PO)											
Production/Sales	33,187	36,875	33,351	-10.0%	-0.5%	70,062	65,931	6.3%	147,393	135,630	8.7%
Packaging Paper											
Production	72,117	70,509	73,840	2.3%	-2.3%	142,626	145,554	-2.0%	289,700	288,596	0.4%
Sales	37,531	33,553	30,995	11.9%	21.1%	71,084	56,314	26.2%	136,120	108,786	25.1%
RS Forests and Resins											
Production	3,704	4,052	3,646	-8.6%	1.6%	7,756	7,379	5.1%	14,057	13,837	1.6%
Sales	3,942	3,996	3,956	-1.4%	-0.4%	7,938	7,040	12.8%	14,402	13,784	4.5%

[1] Excluding discontinued operations in 2Q19, 6M19, 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 on the Base) in the amount of R$ 119,574 thousand; ii) Sale of Rural Properties in the amount of R$ 4,003 thousand; iii) Decommissioning of Vila Maria - SP property in the amount of R$ 40,200 thousand.

- Offer: As a subsequent event to this quarterly information, the Company successfully completed its primary public offering of 90,000,000 common shares, accounting for a gross funding of R$ 405 million. Said funds will be invested in an expansion plan of approximately R$ 1.2 billion over the next 4 years. The Company will also migrate to the New Market (*Novo Mercado*) in up to 6 months.

- The net revenue in 2Q20 increased 7.2% when compared to 2Q19 and 2.0% in relation to 1Q20, mainly reflecting an increase in the sales volume in the Packaging Paper segment, 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 remained stable when compared to 2Q19 and decreased by 10.0%, when compared to 1Q20, totaling 33.2 thousand metric tons in 2Q20. The decrease in relation to 1Q20 is mainly due to the retraction in some activities caused by the Coronavirus pandemic, especially in April and May. The Packaging Paper Segment totaled 37.5

thousand metric tons, recording an increase of 21.1% when compared to 2Q19 and 11.9% in relation to 1Q20. The increase arises from the larger paper sales for the domestic and foreign markets because of the availability generated by the reduction of the Corrugated Cardboard Packaging segment (PO). The RS Forests and Resins segment was stable in sales volume as compared to the 2Q19 and 1.4% decrease against 1Q20, reaching 3.9 thousand metric tons.

- The 2Q20 gross profit presented an increase of 25.9% in comparison to 2Q19 and an increase of 2.1% when compared to 1Q20, mainly in relation to the growth of net revenue, especially in the foreign market, and also because of the positive change in the fair value of biological assets in this quarter when compared to 2Q19.

- Sales expenses in 2Q20 totaled R$ 23.0 million, an increase of 5.1% when compared to the same quarter of previous year, and 7.6% higher than the 1Q20 (including impairment losses on trade receivables) and represented 9.5% of consolidated net revenue, 9.7% in the 2Q19 and 9.0% in 1Q20. Administrative expenses in 2Q20 totaled R$ 15.9 million, an increase of 11.3% when compared to the same quarter of previous year, and a decrease of 6.8% in relation to 1Q20, and represented 6.6% of consolidated net revenue, higher than the 6.4% in 2Q19 and lower when compared to 7.2% in the 1Q20.

- The net profit (loss) of R$ 15.3 million of income in 2Q20, against the negative amount of R$ 3.3 thousand in 2Q19 and R$ 18.0 million of income in 1Q20. The main impacts on the net profit (loss) for this quarter were the growth in net sales revenue, the positive change in the fair value of biological assets and the better export margin due to the appreciation of the Dollar and the Euro against the Brazilian Real.

- The adjusted EBITDA was R$ 55.6 million in 2Q20, with a margin of 23.1%, 19.1% higher than that recorded in 2Q19 of R$ 46.7 million and with a margin of 20.8%, mainly due to the better performance of margins during this quarter, and 6.5% higher when compared to 1Q20, of R$ 52.2 and margin of 22.1%, also due to the good performance of margins during the quarter, adjusted by sales in foreign market with an appreciated exchange rate.

- The Net Debt/ Adjusted EBITDA ratio was 2.94 in June 2020, against 3.31 times in March 2020. The change is due to the improvement in adjusted EBITDA and the consequent decrease in the Company's net debt. 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$ 119.6 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, would result in a Pro-forma

Net Debt of R$ 514.9 million and considering the EBITDA of the Continuing Operation in the last 12 months of R$ 238.9 million, the pro-forma leverage would be 2.16 times (2.38 times at the end of 1Q20).

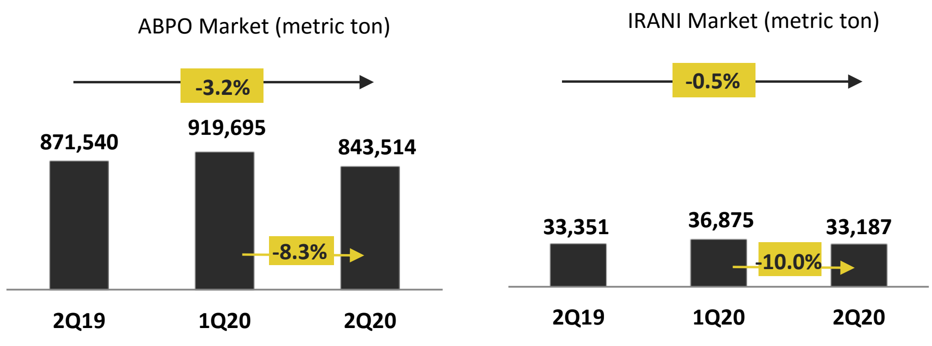
- The cash position at the end of June 2020 was R$ 108.2 million (comprised by cash and cash equivalents and banks restricted account) and 72% of the debt was in the long term.

Highlights of 2Q20

2Q20 was marked by the strong impact on the economy caused by the Coronavirus outbreak. The global and Brazilian economies suffered a sharp retraction and an environment of great instability and uncertainty was installed. The impact on the Brazilian GDP is still uncertain, but the best estimates indicate a drop above 5% in 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 clouding the global and Brazilian economic horizon.

The Brazilian Association of Corrugated Cardboard (ABPO) recorded a 3.2% decrease in the shipment in metric tons of corrugated cardboard in 2Q20, compared to 2Q19, while the sales volume of Irani Market was stable in the 2Q20. Compared to 1Q20, ABPO Market decreased 8.3%, while Irani Market decreased 10.0%, following the market decrease trend of ABPO Market for the period. In metric tons, Irani's market share in the Corrugated Cardboard Packaging Segment was 3.9% in 2Q20, 4.0% in 1Q20 and 3.8% in 2Q19.

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



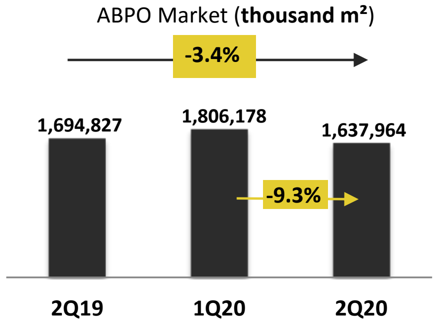
Source: ABPO Source: Irani

In square meters (m²) the sales volume of corrugated cardboard packaging of the ABPO Market presented a decrease of 3.4% in 2Q20 when compared to 2Q19, when Irani Market recorded remained stable. Compared to 1Q19, ABPO Market presented decrease of 9.3% whereas Irani

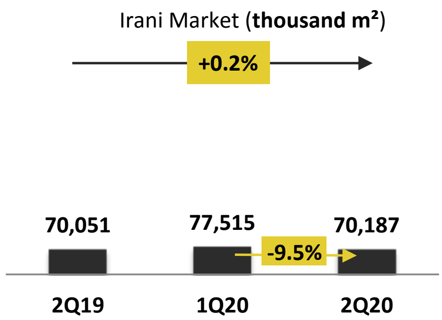
Market recorded decrease of 9.5%. In square meters, Irani's market share was 4.3% in 2Q20, as well as in 1Q20 and 4.1% in the 2Q19.

The Corrugated Cardboard Packaging Segment (PO) represented in 2Q20 47% of Irani's net revenue, the Packaging Paper Segment represented 44% and the RS Forests and Resins Segment, 9%. In turn, the domestic market corresponded to 73% of net revenue and the foreign market 27%, the growth of 3.1 percentage points in the foreign market's revenue when compared to 2Q19 is mainly due to the increase of sales volume in domestic market in Packaging Paper segment and also due to the appreciation of the Dollar and the Euro against the Brazilian Real.

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



Source: ABPO

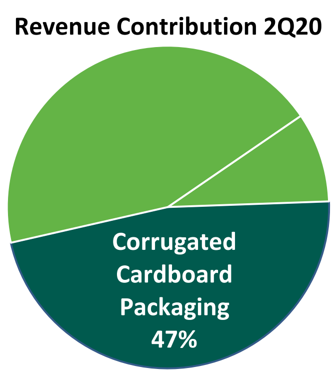


Source: Irani

2Q20 ABPO (in ton and m²) are closing previews. There may be changes in the official data.

1. OPERATING PERFORMANCE (not reviewed by independente auditor)

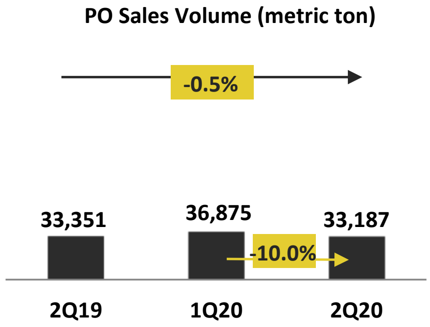
1.1 Corrugated Cardboard Packaging Segment (PO)



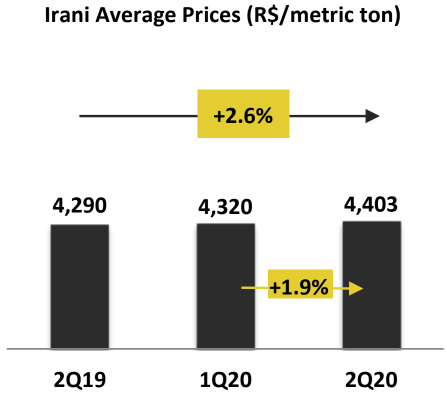
The sales volume of boxes and plates of corrugated cardboard totaled 33,187 metric tons, stable compared to 2Q19 and 10.0% lower when compared to 1Q20, especially due to the retraction in some activities caused by the Coronavirus pandemic, mainly in the months April and May. The sales performance of boxes presented an increase of 1.4% when compared to 2Q19, while sales of plates registered a decrease of 7.6% in the comparison of the quarters. SP Indaiatuba and SC Campina da Alegria Packaging units account for respectively 57% and 43% of the total sold in the second quarter of 2020, whose productions are entirely destined to the domestic market.

The volume of SP Indaiatuba Packaging plant reached 14,301 metric tons of boxes and 4,707 tons of plates in 2Q20 against 14,282 tons of boxes and 4,762 tons of plates in 2Q19.

The volume of SC Campina da Alegria Packaging plant recorded sales volume of 12,382 metric tons of boxes and 1,797 tons of plates in 2Q20 against 12,032 tons of boxes and 2,275 tons of plates in 2Q19.

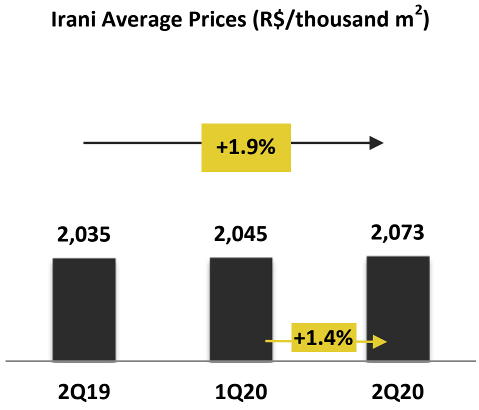


The Irani average price (CIF) per metric ton registered an increase of 2.6% in 2Q20 when compared to 2Q19 and of 1.9% when compared to 1Q20.



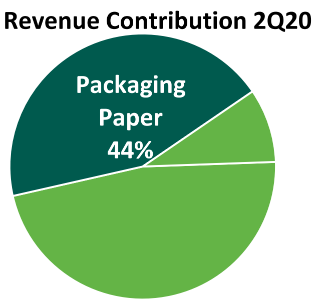
<u>Note on methodology</u>: The Irani prices do not contain IPI, PIS, COFINS and ICMS and are adjusted according to the market mix of boxes and plates.

The Irani average price (CIF) per square meter in 2Q20 was 1.9% higher when compared to 2Q19 and 1.4% higher when compared to 1Q20.



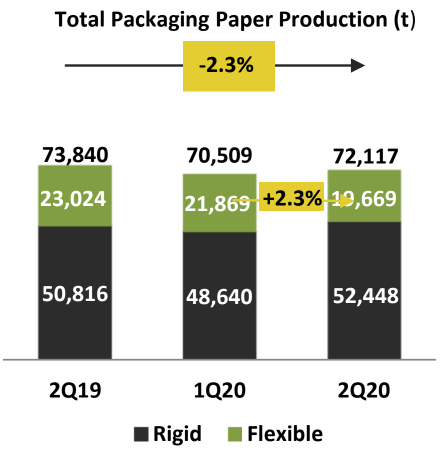
Note on methodology: The Irani prices do not contain IPI, PIS, COFINS and ICMS and are adjusted according to the market mix of boxes and plates.

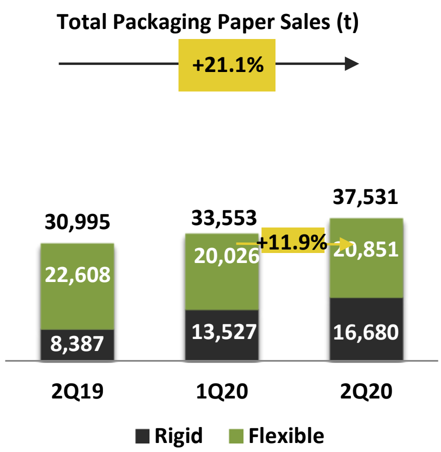
1.2 Packaging Paper Segment



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 2.3% lower when compared to 2Q19, and 2.3% higher in relation to 1Q20. Sales increased 21.1% when compared to 2Q19, and 11.9% in relation to 1Q20.



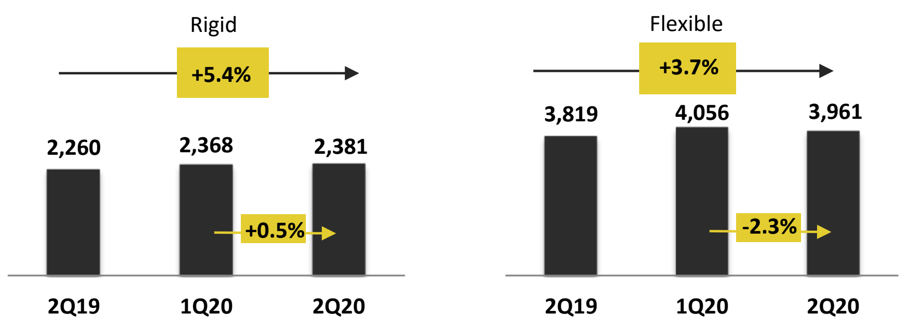


In 2Q20, internal paper transfers for rigid packaging (PO) totaled 35,462 tons (36,001 metric tons in 2Q19 and 35,337 tons in 1Q20), for the SP Indaiatuba packaging plant 19,662 tons were transferred (19,740 tons in 2Q19 and 19,164 tons in 1Q20), while for the SC Campina da Alegria packaging plant

15,800 tons were transferred in 1Q20 (16,261 tons in 2Q19 and 16,173 tons in 1Q20). From the total of internal transfers, 55% were to the SP Indaiatuba packaging plant and 45% were to the SC Campina da Alegria packaging plant.

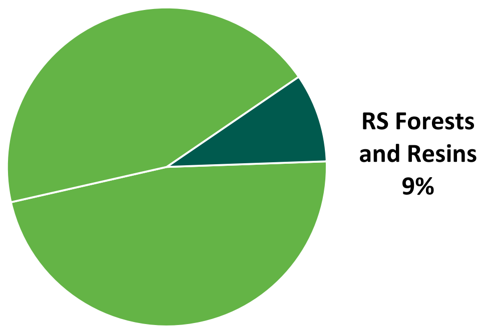
The rigid packaging paper recorded an increase of 5.4% in the price for 2Q20 when compared to those practiced in 2Q19, and stability when compared to 1Q20. Papers for flexible packaging increased 3.7% when compared to 2Q19 and a 2.3% decrease in relation to 1Q20.

Average Packaging Paper prices (R$/t)



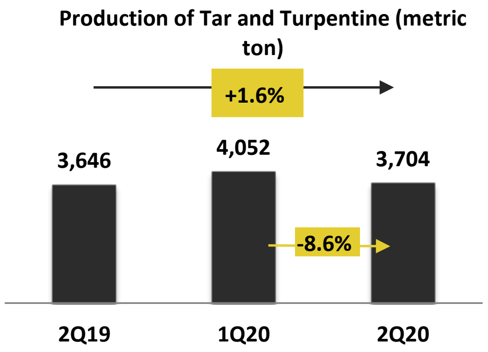
1.3 RS Forests and Resins Segment

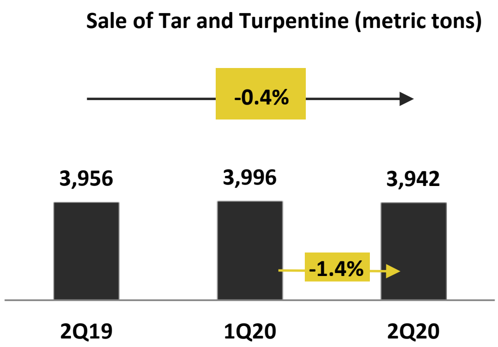
Revenue Contribution 2Q20



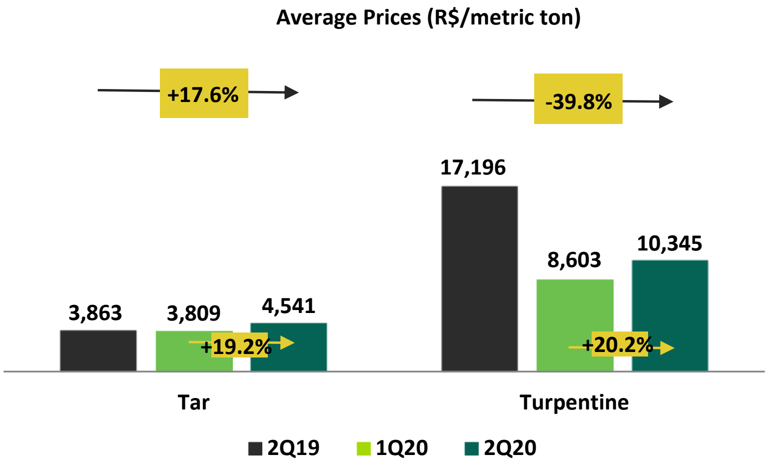
The Rio Grande do Sul forest segment produced and commercialized 5 thousand cubic meters of pine logs to the local market in 2Q20 (19 thousand cubic meters in 2Q19) and supplied 254 metric tons of in natura resins to be utilized in the industrial process of manufacturing tar and turpentine.

The production volume in the RS Balneário Pinhal Resin unit in 2Q20 presented increase of 1.6% when compared to 2Q19, and decrease of 8.6% when compared to 1Q20. The sales volume presented stability when compared to 2Q19, and decrease of 1.4% in relation to 1Q20.





In 2Q20, the average gross price of Tar was 17.6% higher than 2Q19 and 19.2% higher when compared to 1Q20. Turpentine decreased 39.8% when compared to 2Q19 and increased 20.2% in relation to 1Q20. The price of these products changes according to the foreign market and exchange rate.



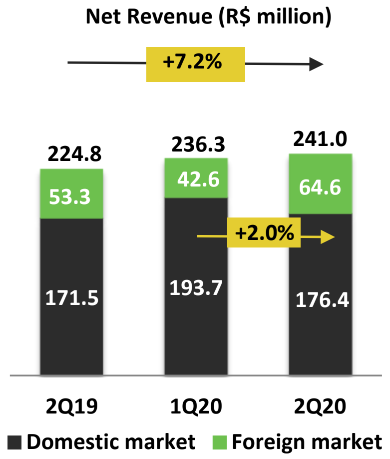
2. ECONOMIC AND FINANCIAL PERFORMANCE

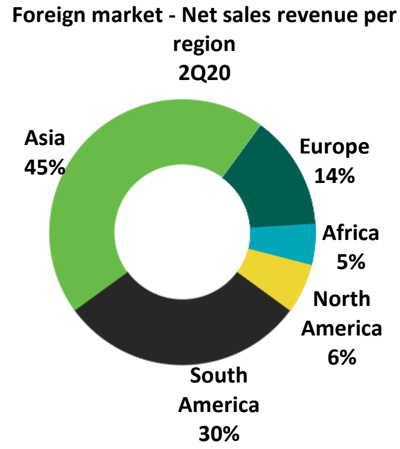
2.1 Net Operating Revenue

The net revenue in 2Q20 reached R$ 240,984, accounting for an increase of 7.2% when compared to 2Q19 and of 2.0% in relation to 1Q20, mainly reflecting an increase in the sales volume in the Packaging Paper segment, coupled with the appreciation of the Dollar and Euro against the Brazilian Real in sales to the foreign market.

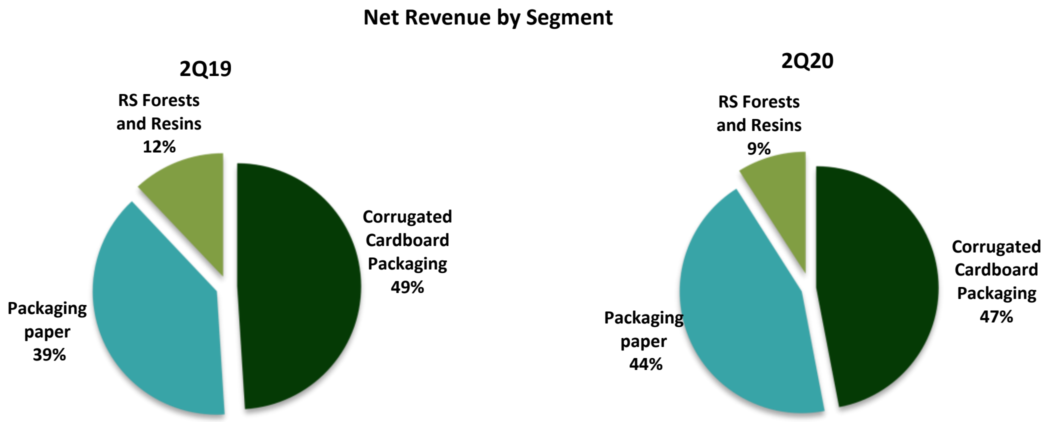
In the domestic market, net operating revenue was R$ 176,405 thousand in the quarter and had an increase of 2.8% when compared to that one of 2Q19 and a decrease of 8.9% in relation to 1Q20. Revenue in the domestic market accounted for 73% of Irani's total revenue.

Exports in 2Q20 reached R$ 64,579 thousand, 21.1% higher than in 2Q19 and 51.6% in relation to 1Q20, representing 27% of total net operating revenue. Asia was the principal destination of exports, concentrating 45% of exported. The other markets are: South America (30%), Europe (14%), North America (6%) and Africa (5%).





Irani's principal segment of operation is the Corrugated Cardboard Packaging segment, which accounts for 47% of consolidated net revenue in 2Q20, followed by the segments of Packaging Paper with 44%, and RS Forests and Resins, with 9%.

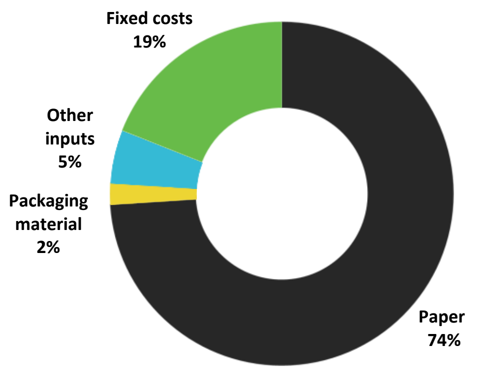


2.2 Cost of Goods Sold

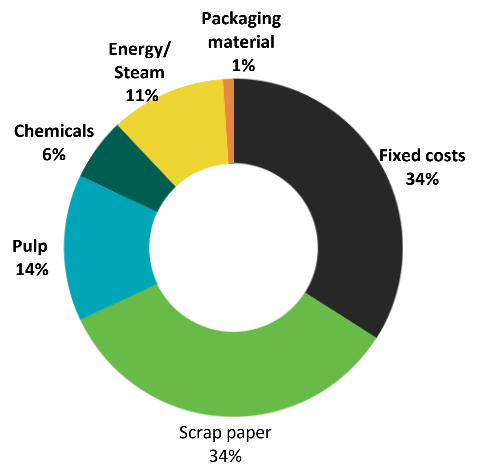
The cost of products sold in 2Q20 was R$ 165,677 thousand, 3.0% higher than in 2Q19 in absolute numbers. Change in fair value of biological assets is not considered in the cost of goods sold.

The cost formation per Irani's segment of operation in 2Q20 is shown in the charts below.

Corrugated Cardboard Packaging



Packaging Paper*



*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 2Q20 totaled R$ 22,930 thousand, 5.1% higher when compared to 2Q19 and representing 9.5% of consolidated net revenue against 9.7% in 2Q19 (including Impairment losses on trade receivables).

Administrative expenses in 2Q20 totaled R$ 15,920 thousand (R$ 21,808 thousand in 2Q19), and 11.3% higher in relation to those in 2Q19 and represented 6.6% of consolidated net revenue, compared to 6.4% in the 2Q19.

Other operating revenues/expenses resulted in a revenue of R$ 103,000 in 2Q20 against expenses of R$ 763,000 in 1Q19.

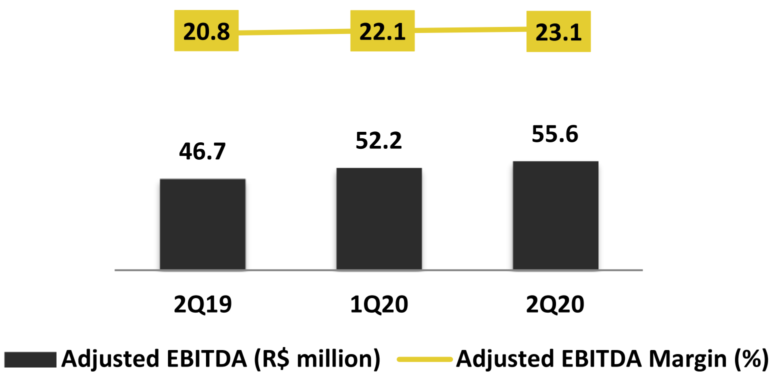
3. OPERATING CASH GENERATION (ADJUSTED EBITDA)

Consolidated (R$ thousand)	2Q20	1Q20	2Q19	Change 2Q20/1Q20	Change 2T20/2T19	6M20	6M19	Change 6M20/6M19	LTM20	LTM19	Change LTM20/LTM19
Operating profit (loss) before taxes and profit sharing	**22,971**	**19,600**	**(2,224)**	17.2%	-1132.9%	**42,571**	**(103)**	-	**13,149**	**17,485**	**-24.8%**
Depletion	2,893	3,781	3,224	-23.5%	-10.3%	6,674	7,049	-5.3%	56,414	14,245	296.0%
Depreciation and amortization	16,148	13,718	16,369	17.7%	-1.4%	29,866	31,543	-5.3%	58,843	56,052	5.0%
Finance result	17,206	19,586	28,062	-12.2%	-38.7%	36,792	60,033	-38.7%	211,405	110,503	91.3%
EBITDA	**59,218**	**56,685**	**45,431**	4.5%	30.3%	**115,903**	**98,522**	**17.6%**	**339,811**	**198,285**	**71.4%**
EBITDA margin	***24.6%***	***24.0%***	***20.2%***	***0.6p.p.***	***4.4p.p.***	***24.3%***	***23.1%***	***1.2p.p.***	***35.8%***	***23.2%***	***12,6p.p.***
Adjustments pursuant to CVM Instruction 527/12											
Change in fair value of biological assets [(1)]	(3,617)	(4,469)	1,270	-19.1%	-384.8%	(8,086)	(1,337)	504.8%	(14,718)	4,154	-454.3%
Non-recurring events	-	-	-	-	-	-	-	-	(86,217)	(4,524)	1805.8%
Adjusted EBITDA of continuing operation	***55,601***	***52,216***	***46,701***	*6.5%*	*19.1%*	***107,817***	***97,185***	*10.9%*	***238,876***	***197,915***	*20.7%*
Adjusted EBITDA margin	***23.1%***	***22.1%***	***20.8%***	***1.0p.p.***	***2.3p.p.***	***22.6%***	***22.8%***	***-0,2p.p.***	***25.2%***	***23.2%***	***2.0p.p.***
Adjusted EBITDA of discontinued operation	**-**	**-**	**(4,336)**	**-**	**-**	**-**	**(5,513)**	**-**	**(8,247)**	**(10,509)**	**-21.5%**
Adjusted EBITDA	**55,601**	**52,216**	**42,365**	**6.5%**	**31.2%**	**107,817**	**91,672**	**17.6%**	**230,629**	**187,406**	**23.1%**

[1] Change in the fair value of biological assets, since it does not mean cash reduction in the period.

Operating cash generation, measured by the continued operation adjusted EBITDA, totaled R$ 55,601 thousand in 2Q20, a 19.1% increase compared to 2Q19, mainly due to the better performance of margins this quarter and a 6.5% increase compared to 1Q20, also due to the good performance of margins in the quarter, helped by sales in the foreign market with an appreciated exchange rate. The adjusted EBITDA margin in 2Q20 reached 23.1%, an increase of 2.3 percentage points in relation to 2Q19 and 1.0 percentage point when compared to 1Q20.

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



4. FINANCIAL RESULT AND INDEBTEDNESS

The finance result is as shown below:

R$ thousand	2Q20	1Q20	2Q19	6M20	6M19	LTM20[1]	LTM19[1]
Finance income	6,610	3,296	2,982	9,906	9,497	77,697	23,834
Finance costs	(23,816)	(22,882)	(31,044)	(46,698)	(69,430)	(289,102)	(134,337)
Finance result	(17,206)	(19,586)	(28,062)	(36,792)	(60,033)	(211,405)	(110,503)

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

Finance result was negative by R$ 17,206 thousand in 2Q20, representing a decrease of 38.7% in comparison with 2Q19, and a 218.7% decrease in relation to 1Q20, due to the several financial restructuring measures carried out in 2019, such as the settlement of transactions in US dollars and the consequent write-off of hedge accounting, the issuance of green debentures maturing in 6 years and with a 4-year grace period, and the sale of assets, in addition to credits tax that the Company was entitled due to the final and unappealable favorable decision regarding the ICMS exclusion from the PIS and COFINS tax basis. Such measures translate into a new reality for the Company's finance result as of 2020. The lower level of indebtedness and the reductions in the basic interest rate also contributed to this decrease.

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

R$ thousand	2Q20	1Q20	2Q19	6M20	6M19	LTM20[1]	LTM19[1]
Foreign-exchange income	4,815	1,294	2,030	6,109	7,308	14,046	18,055
Negative Exchange rate change	(5,367)	(1,725)	(8,942)	(7,092)	(24,422)	(157,386)	(40,906)
Net Exchange rate change	(552)	(431)	(6,912)	(983)	(17,114)	(143,340)	(22,851)

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

Exchange-rate change negatively impacted the Company's profit (loss) by R$ 552 thousand in 2Q20, 28.1% increase in relation to 1Q20 due to the local currency's (real) devaluation against the US dollar and a 88.8% decrease in relation to 2Q19, mainly justified by the financial restructuring performed in 2019 that resulted in the settlement of operations in foreign currency.

As of June 30, 2020, the Company maintained only 5.8% of its debt in dollar in working capital transactions, thus eliminating the volatility that mark-to-market of this type of debt caused in profit (loss).

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

R$ thousand	2Q20	1Q20	2Q19	6M20	6M19	LTM20[1]	LTM19[1]
Finance income without exchange rate change	1,795	2,002	952	3,797	2,189	63,651	5,779
Finance costs without exchange rate change	(18,449)	(21,157)	(22,102)	(39,606)	(45,108)	(131,716)	(93,431)
Finance result without exchange rate change	(16,654)	(19,155)	(21,150)	(35,809)	(42,919)	(68,065)	(87,652)

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

The Finance result, excluding the effects of exchange-rate change, was negative by R$ 16,654 thousand in 2Q20 compared to a negative result of R$ 21,150 thousand in 2Q19. In 2Q20, the Finance result without foreign-exchange income had a positive impact on interest expenses, mainly due to the financial restructuring measures carried out in 2019, as explained above in addition to the lower level of indebtedness and reductions in the basic interest rate.

Exchange Rate

The exchange rate which was R$ 3.83/US$ on June 30, 2019, 43.08% higher at the end of June 2020, and reached R$ 5.48/US$. The average exchange rate for this quarter was R$ 5.39/US$, 20.85% higher than in 1Q20 and 37.50% higher when compared to the same period of 2019.

R$ thousand	2Q20	1Q20	2Q19	Δ2Q20/1Q20	Δ2Q20/2Q19
Average Dollar	5.39	4.46	3.92	+20.85%	+37.50%
Final Dollar	5.48	5.20	3.83	+5.38%	+43.08%

Source: Brazilian Central Bank

Indebtedness

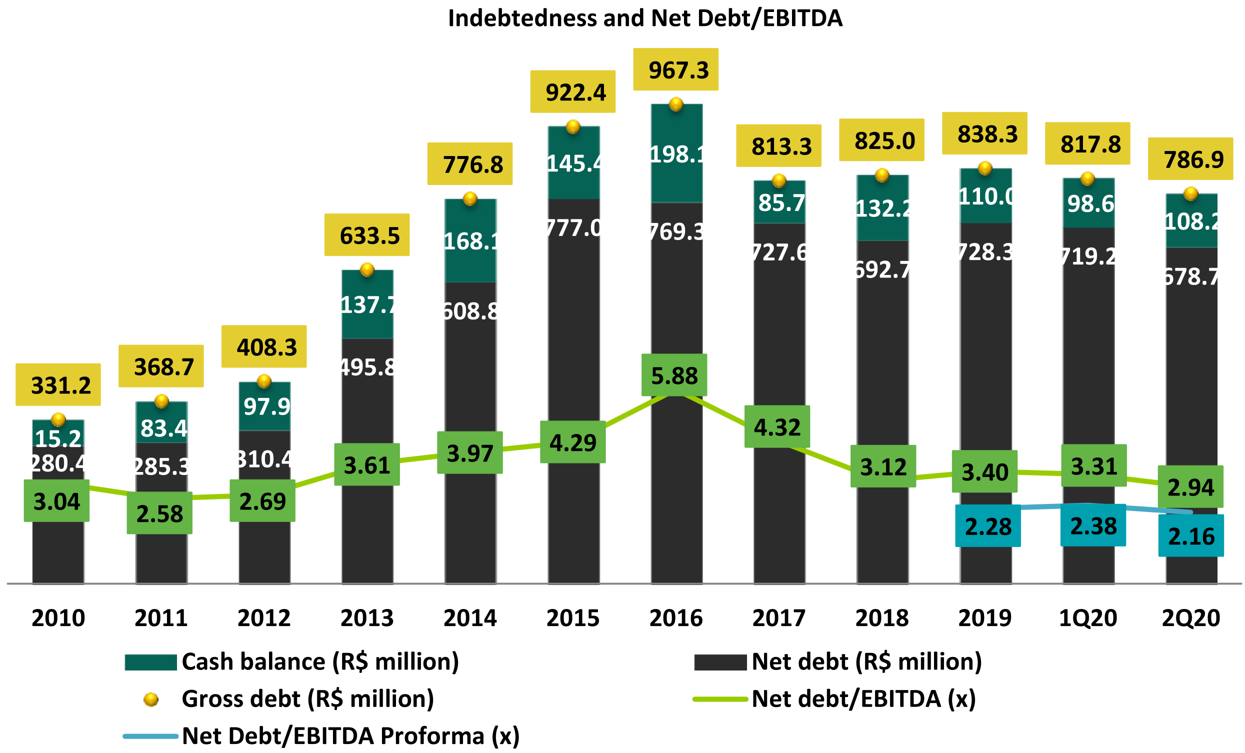
The consolidated net indebtedness on June 30, 2020 totaled R$ 786.9 million against R$ 817.8 million on March 31, 2020. The change in this indicator was influenced by the volume of payments higher than funding. At June 30, 2020, the Company's gross debt profile presented 28% of debts maturing in the short term and 72% in the long term. The average cost of debt was 6.86% per annum as of June 30, 2020.

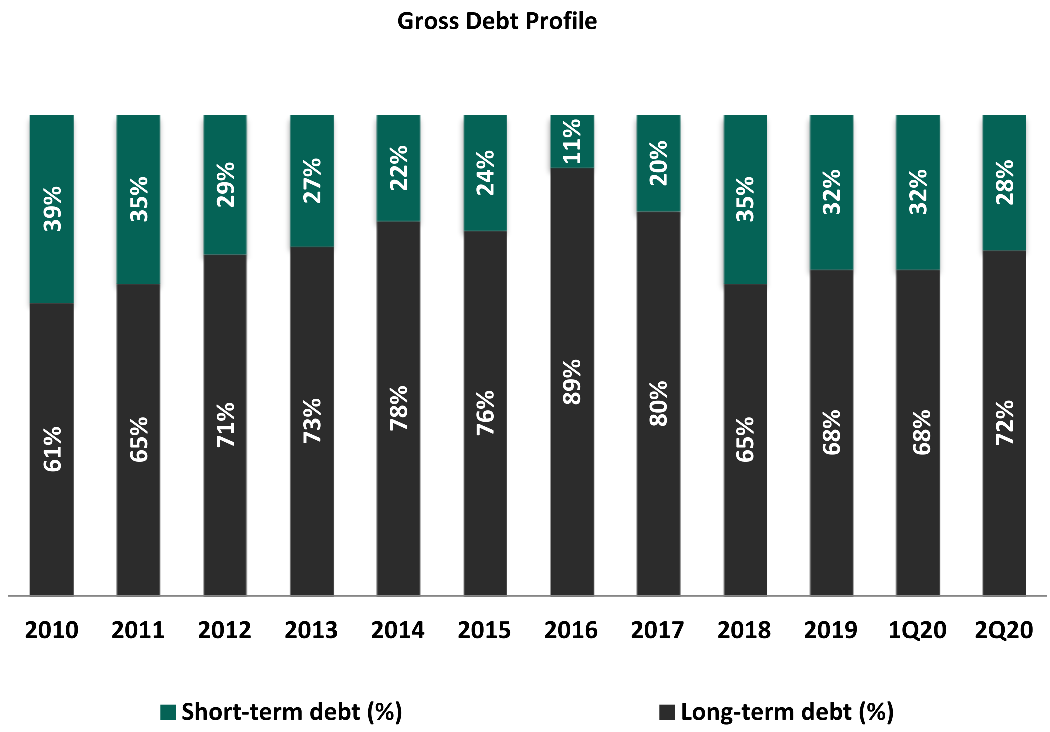
Consolidated cash balance totaled R$ 108.2 million at June 30, 2020, compared to R$ 98.6 million at March 30, 2020 (including the balance of bank's restricted accounts in both years). The increase in the cash balance occurred mainly due to the operating cash generation.

The consolidated net indebtedness on June 30, 2020 totaled R$ 678.7 million against R$ 719.2 million on March 31, 2020.

The Net Debt/Adjusted EBITDA ratio was 2.94 times in June 2020, against 3.31 times at the end of 1Q20. The reduction in the indicator is due both to the reduction in net debt and the increase in Adjusted EBITDA.

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$ 119.6 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$ 514.9 million and considering the EBITDA of the Continuing Operation of R$ 238.9 million of the last 12 months, the pro-forma leverage would be 2.16 times.





5. NET PROFIT (LOSS)

In 2Q20, the net profit (loss) was R$ 15,298 thousand of income against R$ 3,253 thousand, negative in 2Q19 and R$ 17,988 thousand of income in 1Q20. In the last twelve months, net profit (loss) was R$ 62,752 thousand (income) compared to an income of R$ 11,510 thousand in the same period of last year. The main impacts on the net profit (loss) for this quarter were the growth in net sales revenue, the positive change in the fair value of biological assets and the better export margin due to the appreciation of the Dollar and the Euro against the Brazilian Real.

6. INVESTIMENTS

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$ 14,149 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company.

R$ thousand	2Q20	6M20
Buildings	114	132
Equipment	8,502	22,511
Intangible assets	1,361	3,060
Reforestation	4,172	7,443
Total	**14,149**	**33,146**

7. CAPITAL MARKET

Irani's share capital, on June 30, 2020, was composed of 166,720,235 shares, of which 153,909,975 (92%) are common shares and 12,810,260 (8%) are preferred shares. On June 30, 2020, the Company held 2,376,100 treasury shares, of which 24,000 are common shares and 2,352,100 are preferred shares. In the same period, common shares were traded at R$ 4.65 while preferred shares were traded at R$ 6.20.

8. SUBSEQUENT EVENT

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 Offering").

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 will total 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.

In observance of article 9, incise IX of the ANBIMA code, the Company agreed to adhere to the special listing segment New Market of Corporate Governance of B3 in up to 6 (six) months counted from July 22, 2020.

The total net resources stemming from the restricted offer will be destined to the execution of the Company's expansion plan, that consists of the expansion of the chemicals and utilities recovery area of the paper and packaging units in Santa Catarina, in the expansion of the paper and packaging production units in Minas Gerais and the amplification of hydroelectric energy generation, and other improvements, within an estimated total investment of R$ 1.2 billion.

<u>IRANI PAPEL E EMBALAGEM S.A.</u>

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATIONS
2. PRESENTATION OF FINANCIAL STATEMENTS
3. SIGNIFICANT ACCOUNTING POLICIES
4. CONSOLIDATION OF THE FINANCIAL STATEMENTS
5. CASH AND CASH EQUIVALENTS
6. TRADE ACCOUNTS RECEIVABLES
7. INVENTORIES
8. RECOVERABLE TAXES
9. BANKS - RESTRICTED ACCOUNT
10. OTHER ASSETS
11. NON-CURRENT ASSETS HELD FOR SALE
12. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION
13. INVESTMENTS IN SUBSIDIARIES
14. INVESTMENT PROPERTIES
15. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
16. BIOLOGICAL ASSETS
17. LOANS AND FINANCING
18. DEBENTURES
19. TRADE PAYABLES
20. RELATED PARTIES
21. TAX INSTALLMENTS
22. PROVISION FOR CIVIL, LABOR AND TAX RISKS
23. EQUITY
24. EARNINGS PER SHARE
25. NET SALES
26. COSTS AND EXPENSES BY NATURE
27. OTHER OPERATING INCOME AND EXPENSES
28. FINANCE INCOME AND EXPENSES
29. INCOME TAX AND SOCIAL CONTRIBUTION
30. INSURANCE
31. FINANCIAL INSTRUMENTS
32. OPERATING SEGMENTS
33. GOVERNMENT GRANTS
34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
35. TRANSACTIONS NOT AFFECTING CASH
36. SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS
37. DISCONTINUED OPERATION
38. SUBSEQUENT EVENTS

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 July 30, 2020.

Coronavirus (COVID 19): In this period, the industrial operations of the Company have continued in usual flow of production and trade, while the Administration evaluates periodically the measures taken against the Coronavirus. All the necessary measures are being taken to minimize the impact of COVID-19 in its operations, and mainly in its employees and their families.

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.

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 e 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.

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, under which, 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 re-presented 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 that for 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.

For impairment testing, 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) Leases

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) <u>Provisions</u>

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 and have been accepted by customers at their premises.

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, and elimination of revenues among related parties.

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 IFRS, 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	06.30.20	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	
	06.30.20	12.31.19	06.30.20	12.31.19
Fixed fund	25	25	27	27
Banks	15,428	14,272	15,425	14,336
Financial investments with immediate liquidity	92,137	64,021	92,756	66,459
	107,590	78,318	108,208	80,822

The financial investments with immediate liquidity earn a fixed income at the average of 99.18% (95.5% in December 31, 2019) of the Interbank Deposit Certificate (CDI) interest rate and mature in 90 days or less with the objective of paying short term commitments.

6. TRADE ACCOUNTS RECEIVABLES

	Parent company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Receivables from:				
Trade receivables - Domestic market	146,461	153,802	147,138	155,246
Trade receivables - Foreign market	53,026	25,004	53,026	25,004
Trade receivables - Renegotiation	11,934	12,988	11,938	12,992
	211,421	191,794	212,102	193,242
Provision for impairment of trade receivables	(30,322)	(29,414)	(30,483)	(29,414)
	181,099	162,380	181,619	163,828
Current portion	179,119	160,804	179,639	162,252
Non-current portion	1,980	1,576	1,980	1,576

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

	Parent company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Falling due	157,655	145,179	157,822	145,730
Overdue up to 30 days	9,947	8,821	9,998	9,363
Overdue, 31–60 days	4,488	2,368	4,503	2,486
Overdue, 61–90 days	3,903	1,399	3,915	1,513
Overdue, 91–180 days	1,001	2,630	1,031	2,753
Overdue >180 days	34,427	31,397	34,833	31,397
	211,421	191,794	212,102	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 disclosed information regarding the credit risk exposure and expected credit losses provision for trade accounts receivables and contractual assets for individual clients on June 30, 2020 and on December 31, 2019:

Consolidated

Exposition to credit risk and credit losses

	Estimated loss weighted average rate	Gross accounting balance on 06.30.2020	Estimated loss provision on 06.30.2020
Falling due	0.33%	157,822	(528)
Overdue up to 30 days	0.25%	9,998	(25)
Overdue, 30–180 days	3.24%	9,449	(306)
Overdue >180 days	85.05%	34,833	(29,624)
		212,102	(30,483)

Consolidated

Exposition to credit risk and credit losses

	Estimated loss weighted average rate	Gross accounting balance on	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 June 30, 2020 is assessed based on historical information on the Company's default rates. In general, 94% of accounts receivable securities have no history of default.

Changes in the provisions may be stated as follows:

	Parent company		Consolidated	
	30.06.20	31.12.19	30.06.20	31.12.19
Balance at the beginning of the period	(29,414)	(24,016)	(29,414)	(24,016)
Provision for recognized losses	(908)	(5,398)	(1,069)	(5,398)
Balance at end of the period	(30,322)	(29,414)	(30,483)	(29,414)

A portion of receivables, amounting to R$ 109,899 has been assigned as collateral forcertain financing transactions, as disclosed in notes 17 and 18, as of June 30, 2020.

7. INVENTORIES

	Parent company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Finished goods	30,824	32,926	31,586	32,926
Raw materials	28,643	21,864	28,643	21,879
Consumable materials	22,782	23,689	22,872	23,758
Other inventories	589	690	589	690
	82,838	79,169	83,690	79,253
Write-down to net realizable value	(2,088)	(2,408)	(2,088)	(2,408)
	80,750	76,761	81,602	76,845

The cost of inventories recognized in the income (loss) for the six-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 six-months period ended June 30, 2020, the Company did not recognized provisions regarding its inventories.

As of June 30, 2020, and as of December 31, 2019, inventories amounting to R$ 23,421, have been assigned as collateral for certain financing transactions, as disclosed in Note 17.

8. RECOVERABLE TAXES

Taxes recoverable consist of the following:

	Parent company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Value-added Tax on Sales and Services (ICMS)	6,398	6,281	6,398	6,281
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	124,538	148,244	124,538	148,244
Excise Taz (IPI)	240	299	240	299
Income tax	272	272	272	272
Social Contribution	345	345	345	345
Income Tax Withheld at Source (IRRF) on investm	648	648	649	648
Other	420	242	420	243
	132,861	156,331	132,862	156,332
Current portion	73,124	79,420	73,125	79,421
Non-current portion	59,737	76,911	59,737	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 lawsuit 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 to March of 2017 (date of the Supreme Court decision). 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), calculated based on the ICMS value in the invoices according to the lawsuit decision. The Company recognized the credit in the year ended December 31, 2019, 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. The amount of R$ 26,322 was offset in the second quarter of 2020.

Recoverable taxes related to PIS/COFINS related to the lawsuit 2006.34.00.035946-0, have been assigned as collateral for certain financing transactions, as disclosed in Note 17.

9. BANKS – RESTRICTED ACCOUNT

	Parent company and Consolidated	
	06.30.20	12.31.19
Banco Itaú	-	29,165
Total Current	-	29,165

On June 30, 2020 there was no balance of banks restricted account. On December 31, 2019, the balance of banks restricted account was related to investment in a fixed income fund referenced to the CDI, 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, as explained in note 17, update by 96.7% CDI.

10. OTHER ASSETS

	Parent company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Advances to suppliers	1,010	1,622	1,016	1,622
Receivables from employees	2,528	2,075	2,747	2,244
Rio Negro Propriedades Rurais e Participações S.A	4,003	24,975	4,003	24,975
Prepaid expenses	658	1,555	658	1,555
Receivable from related parties	3,283	4,082	3,283	4,082
Equity instruments issuance costs	7,241	-	7,241	-
Other receivables	2,122	1,056	2,381	1,252
	20,845	35,365	21,329	35,730
Current portion	19,879	33,441	20,336	33,779
Non-current portion	966	1,924	993	1,951

The issuance costs of equity instruments in the amount of R$ 7,241 are related to the lawyers and consultants expenses, independent auditors and other expenses related to the operations of the Company's public stock offer as disclosed in note 38.

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 June 30, 2020.

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

During the year ended in 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 June 30, 2020, the group of assets held for sale is presented as the fair value less sales costs and comprehended the following assets:

Assets held for sale	06.30.20	12.31.19
Property Plant and Equipment	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 sale proposal and also with the Private Instrument of Promise of Purchase and Sale, already 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.

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$ 11,856.

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	
	06.30.20	12.31.19	06.30.20	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	
	06.30.20	12.31.19	06.30.20	12.31.19
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	1,087	185	1,087	185
Fair value of the biological assets	27,935	27,419	28,917	28,345
Deemed cost of property, plant and equipment	122,437	124,476	124,377	126,414
Government grants	81	194	81	194
Client portfolio	433	433	433	433
Amortization of goodwill for taxes purposes	23,660	21,863	23,660	21,863
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	391	67	391	67
Fair value of the biological assets	10,057	9,871	10,587	10,371
Deemed cost of property, plant and equipment	44,078	44,811	44,775	45,509
Government grants	29	70	29	70
Client portfolio	156	156	156	156
Amortization of goodwill for taxes purposes	8,518	7,871	8,518	7,871
	238,862	237,416	243,011	241,478
Deferred tax liabilities (net)	167,637	166,191	171,786	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	06.30.20
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)

Parent Company and Consolidated Assets	Opening balance on January 1, 2020	Recognized in income (loss)	Recognizes in Equity	Offset with liabilities	Closing balance at June 30, 2020
Deferred tax assets 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 06.30.20
Deferred tax liabilities regarding:					
Unrealized excharge-rate charge on the cash basis	5,311	(5,059)	252	1,226	1,478
Fair value of the biological assets	33,951	3,339	37,290	702	37,992
Fair value of the biological assets - spin-off and merger	-	(953)	-	-	-
Deemed cost of property, plant and equipment	172,003	(2,716)	169,287	(2,722)	166,515
Deemes cost and review of useful life - spin-off and merger	-	(7,699)	-	-	-
Government grants	707	(443)	264	(154)	110
Client portfolio	793	(204)	589	-	589
Amortization of goodwill for tax purposes	24,846	4,888	29,734	2,444	32,178
	237,611	(8,847)	237,416	1,446	238,862

Consolidated Liabilities	Opening balance 01.01.19	Recognized in income (loss)	Closing balance 12.31.19	Recognized in income (loss)	Closing balance 06.30.20
Deferred tax liabilities regarding:					
Unrealized excharge-rate charge on the cash basis	5,311	(5,059)	252	1,266	1,478
Fair value of the biological assets	36,515	2,201	38,716	788	39,504
Deemed cost of property, plant and equipment	182,338	(10,415)	171,923	(2,771)	169,152
Government grants	707	(443)	264	(154)	110
Client portfolio	793	(204)	589	-	589
Amortization of goodwill for tax purposes	24,846	4,888	29,734	2,444	32,178
	250,510	(9,032)	241,478	1,533	243,011

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	(2,653)	5,045	(1)	-	2,391
Balance at June 30, 2020	53,479	80,717	540	248	134,984

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
At June 30, 2020				
Current				
Assets	2,371	32,885	6	12
Liabilities	(3,208)	(177)	-	-
Current assets/liabilities, net	(837)	32,708	6	12
Non-current				
Assets	58,344	48,637	534	237
Liabilities	(4,028)	(623)	-	-
Non-current assets/liabilities, net	54,316	48,014	534	237
Equity	53,479	80,722	540	249
Net sales	6,199	4,018	-	-
Income (loss) before income tax and social contribution	(2,489)	5,370	(1)	-
Income tax and social contribution expense	(164)	(325)	-	-
Income (loss) for the period	(2,653)	5,045	(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.

(ii) On December 11, 2019, the Company approved the advance 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
June 30, 2020			
Opening balance	18,704	3,030	21,734
Depreciation	-	(87)	(87)
Net carrying amount	18,704	2,943	21,647
Cost	18,704	5,377	24,081
Accumulated depreciation	-	(2,434)	(2,434)
Net carrying amount	18,704	2,943	21,647

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
June 30, 2020			
Opening balance	2,545	3,030	5,575
Depreciation	-	(87)	(87)
Net carrying amount	2,545	2,943	5,488
Cost	2,545	5,377	7,922
Accumulated depreciation	-	(2,434)	(2,434)
Net carrying amount	2,545	2,943	5,488

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$ 2,943 (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	
	06.30.2020	06.30.2019
Rental revenues	115	100
Direct operating expenses that generated Rental revenues	(274)	(328)

Investment properties are valued at the historical cost as of June 30, 2020. For disclosure purposes, in 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 properties	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
June 30, 2020								
Opening balance	120,685	126,803	304,833	4,365	4,788	65,378	8,941	635,793
Acquisitions	-	132	7	806	1,095	13,781	-	22,634
Write-offs	-	(143)	(492)	-	(133)	-	-	(768)
Transfers	-	4,293	46,037	-	1,203	(51,533)	-	-
Depreciation	-	(3,336)	(20,335)	(813)	(745)	-	(322)	(25,551)
PIS and COFINS credit	-	11	228	3	9	59	-	310
Net carrying amount	120,685	127,760	337,091	4,361	6,217	27,685	8,619	632,418
Cost	120,685	199,867	937,393	15,744	26,404	27,685	16,099	1,343,877
Accumulated depreciation	-	(72,107)	(600,302)	(11,383)	(20,187)	-	(7,480)	(711,459)
Net carrying amount	120,685	127,760	337,091	4,361	6,217	27,685	8,619	632,418

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 properties	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)
Transfer for 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
June 30, 2020								
Opening balance	153,028	127,756	304,970	4,856	4,855	65,379	8,9410	669,785
Acquisitions	-	132	6,820	806	1,095	13,790	-	22,643
Write-offs	-	(143)	(492)	-	(134)	-	-	(769)
Transfers	-	4,293	46,037	-	1,203	(51,533)	-	-
Depreciation	-	(3,416)	(20,356)	(902)	(756)	-	(322)	(25,752)
PIS and COFINS credit	-	11	228	3	9	59	-	310
Net carrying amount	153,028	128,633	337,207	4,763	6,272	27,695	8,619	666,217
Cost	153,028	204,293	937,66	16,832	26,922	27,695	16,099	1,382,531
Accumulated depreciation	-	(75,660)	(600,455)	(12,069)	(20,650)	-	(7,480)	(716,314)
Net carrying amount	153,028	128,633	337,207	4,763	6,272	27,695	8,619	666,217

(*) 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
June 30, 2020					
Opening balance	104,380	-	19,859	16,994	141,233
Acquisitions	-	-	3,060	-	3,060
Transfers	-	-	16,994	(16,994)	-
Amortization	-	-	(2,037)	-	(2,037)
PIS and COFINS credit	-	-	4	-	4
Impairment	-	-	-	-	-
Net carrying amount	104,380	-	37,880	-	142,260
Cost	104,380	5,347	52,397	-	162,124
Accumulated amortization	-	(5,347)	(14,517)	-	(19,864)
Net carrying amount	104,380	-	37,880	-	142,260

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
June 30, 2020					
Opening balance	104,380	-	20,615	16,994	141,989
Acquisitions	-	-	3,060	-	3,060
Transfers	-	-	16,994	(16,994)	-
Amortization	-	-	(2,037)	-	(2,037)
PIS and COFINS credit	-	-	4	-	4
Net carrying amount	104,380	-	38,636	-	143.016
Cost	104,380	5,347	53,157	-	162,884
Accumulated amortization	-	(5,347)	(14,521)	-	(19,868)
Net carrying amount	104,380	-	38,636	-	143,016

c) <u>Depreciation / amortization method</u>

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 %	
	06.30.20	12.31.19
Buildings and constructions *	2.5	2.5
Equipment and facilities **	6.78	6.78
Furniture, fixtures and IT equipment	5.71	5.71
Vehicles and tractors	20,00	20,00
Software	20,00	20,00
Client portfolio	11.11	11.11

* including weighted rates for property, plant and equipment in third-party pro
** include weighted financial lease rates

d) <u>Other information</u>

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 semester of 2020 and for the first semester of 2019 is disclosed as follows:

Property, plant and equipment

	Parent Company		Consolidated	
	06.30.20	06.30.19	06.30.20	06.30.19
Administrative	657	592	740	695
Productive	24,894	27,430	25,013	27,550
	25,551	28,022	25,753	28,245

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

Intangible

	Parent Company		Consolidated	
	06.30.20	06.30.19	06.30.20	06.30.19
Administrative	382	292	382	292
Productive	1,655	1,217	1,655	1,217
	2,037	1,509	2,037	1,509

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.

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 value in use.

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	
	06.30.20	12.31.19	06.30.20	12.31.19
Cost of formation of biological assets	44,331	40,440	65,420	70,719
Difference in the fair value of biological assets	30,030	25,858	97,953	83,799
	74,361	66,298	163,373	154,518

Of the total consolidated biological assets, R$ 122,997 (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$ 82,234 (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$ 40,376 (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 supply 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 time-frame is enough to have no shortfall in the balance of fair value of the biological assets recorded in its financial statements.

	Consolidated		
	06.30.20	12.31.19	Impact in the fair value of biological assets
Planted area (hectares)	14,355	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 - %	7.5%	7.50%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	8.0%	8.00%	If the assumption increases, the fair value decreases
Discount rate - Partnerships - %	8.5%	8.50%	If the assumption increases, the fair value decreases
Net Average Sales Price (m³)	51.00	51	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 at 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	2,655	4,191
Acquisition of forest	3,252	3,252
Depletion		
Historical cost	(2,016)	(2,534)
Fair value	(720)	(4,140)
Change in the fair value	4,892	8,086
Balance at June 30, 2020	74,361	163,373

Depletion of biological assets in the both first semester 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 (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 until December 31, 2019, the Company recognized income and expenses of these transactions in other net operating income and expenses, in the statement of profit or loss, as disclosed in note 27.

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% 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	
			06.30.20	12.31.19	06.30.20	12.31.19
Current	**Annual Charges %**	Currency				
Local currency						
Finame	Fixed at 3.69%, TJLP + 5.25%, Selic + 5.58%	Real	1,282	1,326	1,282	1,326
Working capital	Fixed at 10.39%, CDI + 5.59% and 150.5% of CDI	Real	87,385	99,286	87,402	99,312
Financial lease	Fixed at 11.83% and CDI + 5.35%	Real	1,431	1,381	1,431	1,381
BNDES	TJLP + 3.60%	Real	11,197	10,888	11,197	10,888
Promissory notes	CDI + 7.00%	Real	72,887	110,884	56,955	110,884
Total local currency			174,182	223,765	158,267	223,791
Foreign currency						
Advance on Exchange Contract	Fixed between 4.50% and 5.90%	Dolar	45,124	22,353	45,124	22,353
Banco LBBW - FINIMP	Euribor + 1.55%	Euro	-	782	-	782
Banco De Lage Landen	8.20%	Dolar	530	390	530	390
Total foreign currency			45,654	23,525	45,654	23,525
Total current			219,836	247,290	203,921	247,316
Non-current						
Local currency						
Finame	Fixed at 3.69%, TJLP + 5.25%, Selic + 5.58%	Real	662	1,275	662	1,275
Working capital	Fixed at 10.39%, CDI + 5.59% and 150.5% of CDI	Real	60,964	64,131	60,982	64,159
Financial lease	Fixed at 11.83% and CDI + 5.35%	Real	1,412	1,132	1,412	1,132
BNDES	TJLP + 3.60%	Real	9,098	11,706	9,098	11,706
Total local currency			72,136	78,244	72,154	78,272
Foreign currency						
Banco De Lage Landen	8.20%	Dolar	-	195	-	195
Total foreign currency			-	195	-	195
Total non-current			72,136	78,439	72,154	78,467
Total			291,972	325,729	276,075	325,783

	Parent company		Consolidated	
Long-term maturity dates:	06.30.20	12.31.19	06.30.20	12.31.19
2021	33,684	41,988	33,702	42,016
2022	38,225	36,328	38,225	36,328
2023	220	116	220	116
> 2024	7	7	7	7
	72,136	78,439	72,154	78,467

b) Schedule for amortization of transaction costs

	Parent Company and Consolidated		
	2020	2021	Total
In local currency			
Working capital	511	314	825
Promissory notes	1,612	-	1,612
Total local currency	2,123	314	2,437

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 10, 2020. The operation interest rate became CDI + 7.00% a.a. between the original maturity date and the new maturity date.

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.

On May 11, 2020 the Company finalized the lengthening of working capital - CCE Operation with Banco BTG Pactual S.A. in the amount of R$ 32,101, from the original 5 months to 14 months of average maturity.

d) Guarantees

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), commercial pledges and lien of receivables, amounting to approximately R$ 59,899 as of June 30, 2020. Other operations have specific guarantees, as follows:

i) 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.
ii) For the working capital loan (CCE) contracted with Bank BTG Pactual, secured and fiduciary guarantees consisting of the Company's fixed assets and receivables trust assignment agreement were pledged.
iii) The 1st Issue of Commercial Promissory Notes has guarantees, as follows:

- credit rights held by the Company arising from possible credits that may be held by the Company in the scope of the Lawsuit No. 2006.34.00.035946-0 (0034936-61.2006.4.01.3400) filed by the Company against the Federal Government, whereby the right to exclude ICMS from the PIS and COFINS calculation basis is guaranteed.
- statutory lien of forest assets (4.0 thousand hectares of commercial timber plantations, including Pinus and Eucalyptus plantations) owned by Habitasul Florestal, located in the cities of Mostardas, São José do Norte and Tavares, in the State of Rio Grande do Sul and products and/or any by-products resulting from cutting or trimming of said forest assets.

- statutory lien of rural properties (5.9 thousand hectares of land) owned by Habitasul Florestal, located in the cities of Mostardas, São José do Norte and Tavares, in the State of Rio Grande do Sul.

e) Restrictive financial covenants

Some financing agreements entered with financial institutions have restrictive covenants requiring the maintenance of financial ratios, calculated based on the consolidated financial statements. Non-compliance may trigger the accelerated maturity of the debt.

On June 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.

18. DEBENTURES

On June 24, 2019, the company's administrative board approved the third public issuance of debentures, non-convertible in shares with a minimum maturity of 6 years.

On July 31, 2019, 505.000 debentures, with an unit nominal value of R$ 1, totaling the amount of R$ 505.000, were issued.

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 charges %**	06.30.20	12.31.19
In local currency				
Simple debentures	07.19.19	CDI + 4.50%	15,220	18,192
Total current			15,220	18,192
Non-current				
In local currency				
Simple debentures	07.19.19	CDI + 4.50%	495,585	494,335
Total non-current			495,585	494,335
			510,805	512,527

	Parent Company and consolidated	
Long term maturities:	06.30.20	12.31.19
2023	165,195	164,778
>2024	330,390	329,557
	495,585	494,335

a) Schedule for amortization of transaction costs

	Issuance	2020	2021	2022	2023	>2024	Total
In local currency							
Simple debentures	07.19.19	1,222	2,633	2,939	2,715	2,397	11,906
Total local currency		1,222	2,633	2,939	2,715	2,397	11,906

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 June 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	06.30.20	12.31.19	06.30.20	12.31.19
Local market	78,617	88,198	78,081	88,679
Foreign market	597	1,141	597	1,141
Related parties	15,774	28,221	-	-
	94,988	117,560	78,678	89,820

20. RELATED PARTIES

Parent Company	Accounts Receivable		Accounts Payable	
	06.30.20	12.31.19	06.30.20	12.31.19
Habitasul Florestal S.A.	-	-	225	806
Iraflor - Com. de Madeiras Ltda	-	-	31,489	27,415
Management remuneration	-	-	937	2,740
Habitasul Desenvolvimentos Imobiliários	-	-	18	18
Companhia Habitasul de Participações	61	-	-	-
Irani Participações S/A	3,283	4,023	171	181
Total	3,344	4,023	32,840	31,160
Current portion	2,317	2,099	32,840	31,160
Non-current portion	1,027	1,924	-	-

Parent Company	Revenues		Expenses		Revenues		Expenses	
	Three-month period ended		Three-month period ended		Six-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19	06.30.20	06.30.19	06.30.20	06.30.19
Habitasul Florestal S.A.	-	-	2,240	4,220	-	-	4,635	7,607
Iraflor - Com. de Madeiras Ltda	-	-	596	2,772	-	-	3,499	8,527
Druck, Mallmann, Oliveira & Advogados Associados	-	-	-	72	-	-	-	144
MCFD Administração de Imóveis Ltda	-	-	340	349	-	-	664	698
Irani Participações S/A	-	-	506	2,171	-	-	1,024	4,538
Habitasul Desenvolvimentos Imobiliários	-	-	54	49	-	-	108	98
Management remuneration	-	-	2,660	2,350	-	-	5,285	4,632
Total	-	-	6,396	11,983	-	-	15,215	26,244

Consolidated	Accounts Receivable		Accounts Payable	
	06.30.20	12.31.19	06.30.20	12.31.19
Habitasul Desenvolvimentos Imobiliários	-	-	18	18
Management remuneration	-	-	937	2,740
Companhia Habitasul de Participações	61	-	-	-
Irani Participações S/A	3,283	4,023	171	181
Total	3,344	4,023	1,126	2,939
Current portion	2,317	2,099	1,126	2,939
Non-current portion	1,027	1,924	-	-

Consolidated	Revenues		Expenses		Revenues		Expenses	
	Three-month period ended		Three-month period ended		Six-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19	06.30.20	06.30.19	06.30.20	06.30.19
Irani Participações S/A	-	-	506	2,171	-	-	1,024	4,538
Druck, Mallmann, Oliveira & Advogados Associados	-	-	-	72	-	-	-	144
MCFD Administração de Imóveis Ltda	-	-	340	349	-	-	664	698
Management remuneration	-	-	2,673	2,363	-	-	5,311	4,658
Habitasul Desenvolvimentos Imobiliários	-	-	54	49	-	-	108	98
Total	-	-	3,573	5,004	-	-	7,107	10,136

The debts with the subsidiaries Habitasul Florestal S.A. and Iraflor Comércio de Madeiras Ltda. are due to commercial operations and acquisition of raw materials.

The debts with the subsidiary Iraflor Comércio de Madeiras Ltda are resulting from: (i) commercial operations and acquisition of raw materials in the amount of R$ 15,557; (ii) payable balance related to the first issuance of promissory commercial notes because of the acquisition by the subsidiary of part of the notes issued by the Parent Company.

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 semester of 2020, management remuneration expenses, excluding payroll charges and including benefits, totaled R$ 5,285 in the parent company (R$ 4,632 in the first semester of 2019), and R$ 5,311 in the consolidated (R$ 4,658 in the first semester 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. Also, there is a 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	
	06.30.20	12.31.19	06.30.20	12.31.19
Current				
PIS installment	1,256	1,223	1,256	1,223
COFINS installment	5,727	5,633	5,727	5,633
IPI installment	1,056	21	1,056	21
ICMS installment	488	-	488	-
	8,527	6,877	8,527	6,877
Non-current				
PIS installment	2,465	3,057	2,465	3,057
COFINS installment	11,987	14,083	11,987	14,083
IPI installment	3,846	19	3,846	19
ICMS installment	1,911	-	1,911	-
	20,209	17,159	20,209	17,159
Total of taxes installments	28,736	24,036	28,736	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 paid in 60 months.

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	
	06.30.20	12.31.19	06.30.20	12.31.19
Civil provisions	2,005	1,873	2,125	2,353
Labor provisions	5,557	5,202	5,921	5,625
Tax provisions	12,655	16,702	12,655	16,702
Total	20,217	23,777	20,701	24,680

Details to the movement of provisions:

Parent company	12.31.19	Provision	Payments	Reversal	Restricted judicial deposits	06.30.20
Civil	1,873	133	(1)	-	-	2,005
Labor	5,202	763	-	(512)	104	5,557
Tax	16,702	817	-	(4,864)	-	12,655
	23,777	1,713	(1)	(5,367)	104	20,217

Consolidated	12.31.19	Provision	Payments	Reversal	Restricted judicial deposits	06.30.20
Civil	2,353	133	(361)	-	-	2,125
Labor	5,625	763	(16)	(555)	104	5,921
Tax	16,702	817	-	(4,864)	-	12,655
	24,680	1,713	(377)	(5,367)	104	20,701

The provisions mainly refer to:

a) Civil lawsuits relate, among other issues, to indemnification claims and Commercial Representation contractual terminations. As of June 30, 2020, the provision in these lawsuits totaled R$ 2,125 in consolidated.

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$ 5,921 on June 30, 2020 (in consolidated), which is considered enough to cover probable losses arising from labor losses.

c) Tax consolidated provisions totaled R$ 12,655 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 June 30, 2020 totaled R$

8,509 and a related provision for tax risks was recorded, amounting to R$ 11,417.

ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R$ 858. The proceedings are in process at the administrative and judicial levels and pending judgment.

Contingencies

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

	Consolidated	
	06.30.20	12.31.19
Labor provisions	21,720	11,265
Civil provisions	4,975	4,511
Tax provisions	113,833	113,221
	140,528	128,997

Labor Contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R$ 21,720 on June 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$ 4,975 on June 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$ 113,883 on June 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$ 44,750 on June 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$ 34,494 on June 30, 2020. The Company has challenged these assessments at the administrative level and awaits judgment of the Special Appeals filed.

- 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$ 14,747 as of June 30, 2020. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

- A Companhia discute judicialmente a referida notificação fiscal. Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R$ 6,139 on June 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 taxes, amounting to R$ 3,262 on June 30, 2020. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

Tax Contingencies - Assets:

The company is a party to a tax lawsuit that questions the recognition of the right to exclude ICMS from the calculation of PIS and COFINS tax, as well as the compensation of wrongly recognized values. The mentioned lawsuit refers to values wrongly collected by the incorporated company Indústria de Papel e Papelão São Roberto S.A. The lawsuit number is 5035712-95.2016.4.04.7100 (TRF4).

Regarding lawsuit 5035712-95.2016.4.04.7100 (Indústria de Papel e Papelão São Roberto S.A.) the Company awaits the respective final and unappealable decision and, based on a preliminary analysis prepared according to available information, the court decisions rendered so far (both determining the exclusion of the ICMS specified in the invoices), estimates the potential amount of the updated credits at approximately R$ 17,000, corresponding to the years that precede 5 years from the filing date of the lawsuit until December 2014 (date of its merger). The amount of this lawsuit may undergo significant changes due to the lack of a final decision on the request for modulation of effects presented by the Federal Government in the leading case records, judged on the general repercussion regime, and also due the lack of definition regarding the establishment of the calculation method of exclusion (exclusion of specified ICMS or ICMS to be paid from PIS/COFINS base).

23. EQUITY

a) Share Capital

On June 30, 2020 and December 31, 2019, the share capital is R$ 161,895, comprised of 166,720,235 shares with no par value, being 153,909,975 common shares and 12,810,260 preferred shares. 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. The Company may issue preferred shares, with no par value and with no voting rights, up to the limit of two thirds of its total shares and may increase the existing types or classes of shares without the requirement of maintaining a fixed proportion between them.

b) Treasury Shares

		Parent Company			
		06.30.20		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.

c) 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.

d) 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.

e) 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 June 30, 2020, net of tax effects, represented a credit balance of R$ 159,232 (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
Balance at December 31, 2018	78,906
Cash flow hedge	108,691
Realization - deemed cost	(23,893)
Balance at December 31, 2019	163,704
Realization - deemed cost	(4,472)
Balance at June 30, 2020	159,232

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	Three-month period ended June 30, 2020		
	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 period to each type of shares	14,325	973	15,298
Basic and diluted profit per share - R$	0.0931	0.0931	

Parent Company and Consolidated	Three-month period ended June 30, 2019		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Loss for the attributable period to each type of shares	(3,046)	(207)	(3,253)
Basic and diluted loss per share - R$	(0.0198)	(0.0198)	

Parent Company and Consolidated	Six-month period ended June 30, 2020		
	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 period to each type of shares	31,168	2,118	33,286
Basic and diluted profit per share - R$	0.2025	0.2025	

Parent Company and Consolidated	Six-month period ended June 30, 2019		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Loss for the attributable period to each type of shares	(2,819)	(192)	(3,011)
Basic and diluted loss per share - R$	(0.0183)	(0.0183)	

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

Parent Company and Consolidated	Three-month period ended June 30, 2020		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Loss for the attributable period to each type of shares	-	-	-
Basic and diluted loss per share - R$	-	-	

Parent Company and Consolidated	Three-month period ended June 30, 2019		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Loss for the attributable period to each type of shares	(8,912)	(606)	(9,518)
Basic and diluted loss per share - R$	(0.0579)	(0.0579)	

Parent Company and Consolidated	Six-month period ended June 30, 2020		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Loss for the attributable period to each type of shares	-	-	-
Basic and diluted loss per share - R$	-	-	

Parent Company and Consolidated	Six-month period ended June 30, 2019		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Loss for the attributable period to each type of shares	(15,097)	(1,026)	(16,123)
Basic and diluted loss per share - R$	(0.0981)	(0.0981)	

25. NET SALES

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

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Gross sales of goods	297,349	281,102	597,422	536,156
Taxes on sales	(54,403)	(55,260)	(116,066)	(107,165)
Sales returns	(2,379)	(3,587)	(5,857)	(7,420)
Net sales	240,567	222,255	475,499	421,571

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Gross sales of goods	297,791	283,801	599,339	541,706
Taxes on sales	(54,424)	(55,368)	(116,171)	(107,243)
Sales returns	(2,383)	(3,587)	(5,861)	(7,568)
Net sales	240,984	224,846	477,307	426,895

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	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Fixed and variable costs (raw and consumption material)	(119,853)	(118,953)	(239,476)	(217,191)
Personnel expenses	(32,145)	(33,909)	(64,437)	(65,878)
Change in fair value - biological assets	976	346	4,892	2,619
Depreciation, amortization and depletion	(17,961)	(17,064)	(32,401)	(32,116)
Freight - Sales	(13,230)	(12,224)	(23,979)	(23,493)
Contracting services	(9,427)	(5,663)	(23,718)	(13,474)
Other sales expenses	(10,550)	(9,154)	(19,735)	(16,159)
Total costs and expenses by type	(202,190)	(196,621)	(398,854)	(365,692)
Portion of cost	(163,922)	(161,631)	(327,963)	(300,727)
Portion of expense	(39,244)	(35,336)	(75,783)	(67,584)
Change in fair value of biological assets	976	346	4,892	2,619

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Fixed and variable costs (raw and consumption material)	(118,288)	(116,157)	(231,458)	(206,010)
Personnel expenses	(34,424)	(33,052)	(69,406)	(67,211)
Change in fair value - biological assets	3,617	(1,270)	8,086	1,337
Depreciation, amortization and depletion	(19,041)	(19,593)	(36,540)	(38,592)
Freight - Sales	(13,230)	(12,654)	(24,444)	(23,923)
Contracting services	(9,844)	(6,365)	(24,751)	(14,785)
Other sales expenses	(9,700)	(9,154)	(19,788)	(16,909)
Total costs and expenses by type	(200,910)	(198,245)	(398,301)	(366,093)
Portion of cost	(165,677)	(160,867)	(329,148)	(298,140)
Portion of expense	(38,850)	(36,108)	(77,239)	(69,290)
Change in fair value of biological assets	3,617	(1,270)	8,086	1,337

27. OTHER OPERATING INCOME AND EXPENSES

Revenues	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Revenue from disposed goods	28	189	159	410
Revenue from assets sold	469	-	1,973	-
Carbon credit	-	-	125	-
Other operating revenues	647	538	1,067	975
	1,144	727	3,324	1,385

Expenses	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Costs of disposed goods	-	(212)	-	(219)
Cost of assets sold	(5)	-	(771)	-
Provision for government subsidy from the state government of Minas Gerais	(368)	(338)	(764)	(752)
Other operating expenses	(670)	(930)	(1,432)	(1,313)
	(1,043)	(1,480)	(2,967)	(2,284)
Total other operating income and expenses, net	101	(753)	357	(899)

Revenues	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Revenue from disposed goods	28	189	159	410
Revenue from assets sold	469	-	1,973	-
Carbon credit	-	-	125	-
Other operating revenues	652	539	1,077	1,003
	1,149	728	3,334	1,413

Expenses	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Costs of disposed goods	-	(212)	-	(219)
Cost of assets sold	(5)	-	(771)	-
Provision for government subsidy from the state government of Minas Gerais	(368)	(338)	(764)	(752)
Other operating expenses	(673)	(941)	(1.442)	(1,314)
	(1,046)	(1,491)	(2,977)	(2,285)
Total other operating income and expenses, net	103	(763)	357	(872)

28. FINANCE INCOME AND EXPENSES

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Financial income				
Yields from financial investments	500	228	964	1,139
Interest	985	604	2,178	695
Discounts obtained	61	109	356	333
	1,546	941	3,498	2,167
Exchange-rate change				
Foreign-exchange income	4,815	2,030	6,109	7,308
Foreign exchange costs	(5,367)	(8,669)	(7,092)	(24,148)
Net exchange rate change	(552)	(6,639)	(983)	(16,840)
Financial expenses				
Interest	(15,638)	(21,416)	(33,657)	(43,538)
Discounts granted	(117)	(147)	(172)	(273)
Negative goodwill/bank expenses	(226)	(262)	(476)	(452)
Liability interest on leases	(515)	(522)	(1,037)	(1,045)
Other	(1,946)	(26)	(4,210)	(66)
	(18,442)	(22,373)	(39,552)	(45,374)
Net financial costs	(17,448)	(28,071)	(37,037)	(60,047)

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Financial income				
Yields from financial investments	503	238	976	1,158
Interest	1,215	603	2,445	695
Discounts obtained	77	111	376	336
	1,795	952	3,797	2,189
Exchange-rate change				
Foreign-exchange income	4,815	2,030	6,109	7,308
Foreign exchange costs	(5,367)	(8,669)	(7,092)	(24,148)
Net exchange rate change	(552)	(6,639)	(983)	(16,840)
Financial expenses				
Interest	(15,642)	(21,419)	(33,672)	(43,545)
Discounts granted	(117)	(147)	(172)	(273)
Negative goodwill/bank expenses	(228)	(262)	(479)	(453)
Liability interest on leases	(515)	(522)	(1,037)	(1,045)
Other	(1,947)	(25)	(4,246)	(66)
	(18,449)	(22,375)	(39,606)	(45,382)
Net financial costs	(17,206)	(28,062)	(36,792)	(60,033)

29. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Operating income/(loss) before tax effects of continuing operations	22,806	(2,234)	42,356	(189)
Operating income/(loss) before tax effects of discontinued operations	-	(9,518)	-	(16,123)
Operating income/(loss) before tax effects	22,806	(11,752)	42,356	(16,312)
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(7,754)	3,996	(14,401)	5,546
Unrecognized income tax and social contribution	679	-	679	-
Tax effect from permanent (additions) exclusions:				
Equity in net income of subsidiaries	604	325	813	1,659
Non-deductible expenses	(196)	(62)	(263)	(62)
Recognition (reversal) of taxes incentives	(77)	(71)	(149)	(71)
Other additions/exclusions unrecognized income tax and social contribution assets	(1,558)	(780)	2,733	2,419
Tax rate difference in subsidiaries	-	-	-	-
Other permanent differences	794	(5,211)	1,518	(12,313)
	(7,508)	(1,803)	(9,070)	(2,822)
Current income tax and social contribution	(7,132)	-	(7,624)	-
Deferred income tax and social contribution	(376)	(1,019)	(1,446)	(2,822)
Effective rate - %	32.9	(15.3)	21.4	(17.3)

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06.30.20	06.30.19	06.30.20	06.30.19
Operating income/(loss) before tax effects of continuing operations	22,971	(2,224)	42,571	(103)
Operating income/(loss) before tax effects of discontinued operations	-	(9,518)	-	(16,123)
Operating income/(loss) before tax effects	22,971	(11,742)	42,571	(16,226)
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(7,810)	3,992	(14,474)	5,517
Unrecognized income tax and social contribution	679	-	679	-
Tax effect from permanent (additions) exclusions:				
Non-deductible expenses	(196)	(62)	(196)	(62)
Recognition (reversal) of taxes incentives	(77)	(71)	(77)	(71)
Other additions/exclusions unrecognized income tax and social contribution assets	(1,558)	(780)	2,733	2,419
Tax rate difference in subsidiaries	439	315	598	1,573
Other permanent differences	850	(4,423)	1,452	(12,284)
	(7,673)	(1,029)	(9,285)	(2,908)
Current income tax and social contribution	(7,219)	(75)	(7,752)	(156)
Deferred income tax and social contribution	(454)	(954)	(1,533)	(2,752)
Effective rate - %	33.4	(8.8)	21.8	(17.9)

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 June 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$ 479,340. 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 and cash equivalent), and bank restricted account, 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 June 30, 2020, the capital structure comprised 35% of own capital and 65% of third-party capital.

Indebtedness Level

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

	Parent Company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Debt (a)	802,777	838,256	786,880	838,310
Cash and cash equivalents	(107,590)	(78,318)	(108,208)	(80,822)
Banks - restricted account	-	(29,165)	-	(29,165)
Net debt	695,187	730,773	678,672	728,323
Equity (b)	369,771	336,485	369,777	336,491
Net debt ratio	1.88	2.17	1.84	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	06.30.20	12.31.19	06.30.20	12.31.19
Financial assets					
Fair value through profit or loss					
Cash and cash equivalents	5	107,590	78,318	108,208	80,822
Amortized cost					
Trade accounts receivables	6	181,099	162,380	181,619	163,828
Other accounts receivables	10	6,531	27,050	6,750	27,219
Banks - restricted account	9	-	29,165	-	29,165
Financial liabilities					
Amortized cost					
Loans and financing	17	291,972	325,729	276,075	325,783
Debentures	18	510,805	512,527	510,805	512,527
Trade payables	19	94,988	117,560	78,678	89,820
Advances from clients		5,209	4,796	6,359	4,860
Lease liabilities	34	23,521	22,397	23,521	22,397
Tax installments	21	28,736	24,036	28,736	24,036
Dividends payables		40	1,818	40	1,818
Other accounts payable		14,887	13,561	15,019	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 June 30, 2020 and December 31, 2019, these operations presented a net liability exposure as the table below:

	Parent Company		Consolidated	
	06.30.20	12.31.19	06.30.20	12.31.19
Trade accounts receivable	53,026	25,004	53,026	25,004
Advances from clients	(3,706)	(4,796)	(3,706)	(4,796)
Trade payables	(597)	(1,141)	(597)	(1,141)
Loans and financing	(45,654)	(23,720)	(45,654)	(23,720)
Net exposure	3,069	(4,653)	3,069	(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 first semester of 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 (September 30th, 2020).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for September 30th, 2020.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for September 30th, 2020.

Operation	Balance on 06.30.20 US$	Rate	Base scenario Gain (Loss) R$	Rate	Adverse scenario Gain (Loss) R$	Rate	Remote scenario Gain (Loss) R$
Assets							
Trade accounts receivable and Banks - restricted account	9,683	5.45	(254)	6.81	12,938	8.17	26,134
Liabilities							
Trade payables and Advances from clients	(786)	5.45	21	6.81	(1,050)	8.17	(2,121)
Loans and financing	(8,337)	5.45	219	6.81	(11,140)	8.17	(22,502)
Net effect			(14)		748		1,511

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. The balances at June 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 TJLP (Long-term interest rate from BNDES), CDI (Interbank Deposit Certificate), SELIC (Official Interest Rate), EURIBOR (The Euro Interbank Offered 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 (September 30, 2020). The TJLP is extracted from the BNDES. The rates on the date of analysis are used for LIBOR and EURIBOR.

2 – Adverse scenario: 25% adjustment of interest rates compared to the level projected for September 30, 2020.

3 – Remote scenario: 50% adjustment of interest rates compared to the level projected for September 30, 2020.

Operation			Base scenario Gain (loss)		Adverse scenario Gain (loss)		Remote scenario Gain (loss)	
	Index	Balance 06.30.20	Rate % p.a	R$	Rate % p.a	R$	Rate % p.a	R$
Cash and cash equivalents								
CDB	CDI	92,756	2.06%	(83)	2.58%	391	3.09%	865
Funding								
Working capital	CDI	(708,196)	2.06%	692	2.58%	(3,262)	3.09%	(7,218)
BNDES	TJLP	(20,295)	4.91%	6	6.14%	(243)	7.37%	(492)
Finame	TJLP	(1,287)	4.91%	-	6.14%	(15)	7.37%	(31)
Finame	SELIC	(206)	2.06%	-	2.58%	(1)	3.09%	(2)
Financing in foreign currency	Euribor 6M	(530)	0.00%	-	0.00%	-	0.00%	-
Net effect on profit or (loss)				615		(3,130)		(6,878)

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 June 30, 2020 is R$ 773,058. 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 June 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					
Trade payables	94,988	-	-	-	-
Loans and financing	126,770	121,193	38,321	222	7
Debentures	28,846	22,269	22,269	186,891	351,513
Tax installments	4,342	8,683	8,683	5,111	1,917
Advances from clients	5,209	-	-	-	-
Leases liabilities	3,560	4,688	4,688	4,688	5,897
Dividends payables	40	-	-	-	-
Other accounts payables	14,828	59	-	-	-
	278,583	156,892	73,961	196,912	359,334

Consolidated

	2020	2021	2022	2023	> 2023
Liabilities					
Trade payables	78,678	-	-	-	-
Loans and financing	126,794	121,207	38,321	222	7
Debentures	25,163	22,269	22,269	186,891	351,513
Tax installments	4,342	8,683	8,683	5,111	1,917
Advances from clients	6,359	-	-	-	-
Leases liabilities	3,560	4,688	4,688	4,688	5,897
Dividends payables	40	-	-	-	-
Other accounts payables	14,960	59	-	-	-
	259,896	156,906	73,961	196,912	359,334

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 June 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).

Cash flow hedge movements	Parent Company and Consolidated	
	06.30.20	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				
	Three-month period ended June 30, 2020				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	113,660	62,136	609	-	176,405
Foreign market	-	42,743	21,836	-	64,579
Total net sales	113,660	104,879	22,445	-	240,984
Change in fair value - biological assets	-	2,893	724	-	3,617
Cost of sales	(85,182)	(64,836)	(15,652)	(7)	(165,677)
Gross profit	28,478	42,936	7,517	(7)	78,924
Operating expenses	(13,747)	(8,950)	(2,691)	(13,359)	(38,747)
Operating income (loss) before financial income (loss)	14,731	33,986	4,826	(13,366)	40,177
Financial income (loss)	(7,252)	(9,827)	(127)	-	(17,206)
Operating net (loss) income of continuing operations	7,479	24,159	4,699	(13,366)	22,971
Operating net (loss) income of discontinued operations	-	-	-	-	-
Operating net (loss) income	7,479	24,159	4,699	(13,366)	22,971
Depreciation and amortization	(3,773)	(11,504)	(351)	(520)	(16,148)

	Consolidated				
	Three-month period ended June 30, 2019				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	110,283	58,841	2,408	-	171,532
Foreign market	-	29,022	24,292	-	53,314
Total net sales	110,283	87,863	26,700	-	224,846
Change in fair value - biological assets	-	(1,834)	564	-	(1,270)
Cost of sales	(85,990)	(55,517)	(19,121)	(239)	(160,867)
Gross profit	24,293	30,512	8,143	(239)	62,709
Operating expenses	(13,972)	(7,582)	(3,325)	(11,992)	(36,871)
Operating income (loss) before financial income (loss)	10,321	22,930	4,818	(12,231)	25,838
Financial income (loss)	(8,927)	(15,994)	(3,141)	-	(28,062)
Operating net (loss) income of continuing operations	1,394	6,936	1,677	(12,231)	(2,224)
Operating net (loss) income of discontinued operations	(9,518)	-	-	-	(9,518)
Operating net (loss) income	(8,124)	6,936	1,677	(12,231)	(11,742)
Depreciation and amortization	(4,490)	(11,192)	(364)	(323)	(16,369)

	Consolidated				
	Six-month period ended June 30, 2020				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	237,142	130,963	2,019	-	370,124
Foreign market	-	66,852	40,331	-	107,183
Third-party sales revenue	237,142	197,815	42,350	-	477,307
Total net sales	237,142	197,815	42,350	-	477,307
Change in fair value - biological assets	-	8,962	(876)	-	8,086
Cost of sales	(178,979)	(119,772)	(30,212)	(185)	(329,148)
Gross profit	58,163	87,005	11,262	(185)	156,245
Operating expenses	(27,381)	(15,088)	(6,546)	(27,867)	(76,882)
Operating income (loss) before financial income (loss)	30,782	71,917	4,716	(28,052)	79,363
Financial income (loss)	(17,843)	(21,050)	2,101	-	(36,792)
Operating net (loss) income of continuing operations	12,939	50,867	6,817	(28,052)	42,571
Operating net (loss) income of discontinued operations	-	-	-	-	-
Operating net (loss) income	12,939	50,867	6,817	(28,052)	42,571
Depreciation and amortization	(6,939)	(21,306)	(716)	(905)	(29,866)

	Consolidated				
	Six-month period ended June 30, 2019				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	217,348	111,966	3,572	-	332,886
Foreign market	-	48,744	45,265	-	94,009
Third-party sales revenue	217,348	160,710	48,837	-	426,895
Total net sales	217,348	160,710	48,837	-	426,895
Change in fair value - biological assets	-	417	920	-	1,337
Cost of sales	(168,061)	(96,782)	(32,754)	(543)	(298,140)
Gross profit	49,287	64,345	17,003	(543)	130,092
Operating expenses	(25,854)	(13,442)	(6,473)	(24,393)	(70,162)
Operating income (loss) before financial income (loss)	23,433	50,903	10,530	(24,936)	59,930
Financial income (loss)	(19,040)	(34,664)	(6,329)	-	(60,033)
Operating net (loss) income of continuing operations	4,393	16,239	4,201	(24,936)	(103)
Operating net (loss) income of discontinued operations	(16,123)	-	-	-	(16,123)
Operating net (loss) income	(11,730)	16,239	4,201	(24,936)	(16,226)
Depreciation and amortization	(7,785)	(22,384)	(728)	(646)	(31,543)

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) <u>Net sales</u>

The net sales in the second quarter of 2020 totaled R$ 240,984 (R$ 224,846 in the second quarter of 2019). The first semester of 2020 the net sales totaled R$ 477,307 (R$ 426,895 in the first semester of 2019).

Net sales for the foreign market in the second quarter of 2020 totaled R$ 64,579 (R$ 53,314 in the second quarter of 2019). The first semester of 2020, the net sales for the foreign market totaled R$ 107,183 (R$ 94,009 in the first semester of 2019), distributed by several countries, as follows:

Consolidated		
Three-month period ended June 30, 2020		
Country	Foreign market net sales	% in total net net sales
China	14,846	6.16%
Argentina	12,654	5.25%
Saudi Arabia	5,213	2.16%
South Africa	3,345	1.39%
Portugal	3,131	1.30%
Kuwait	2,967	1.23%
Chile	2,786	1.16%
Paraguay	2,485	1.03%
Ireland	2,240	0.93%
USA	2,135	0.89%
Japan	1,696	0.70%
India	1,581	0.66%
Mexico	1,502	0.62%
Turkey	1,487	0.62%
Netherlands	1,427	0.59%
Germany	1,216	0.50%
Other Countries	3,868	1.61%
	64,579	26.80%

Consolidated		
Three-month period ended June 30, 2019		
Country	Foreign market net sales	% in total net net sales
South Africa	10,410	4.63%
Germany	7,507	3.34%
Saudi Arabia	5,901	2.62%
Argentina	5,024	2.23%
Bolívia	3,022	1.34%
Canada	2,535	1.13%
Chile	2,315	1.03%
China	2,070	0.92%
Singapore	1,944	0.86%
Colombia	1,671	0.74%
Dubai	1,537	0.68%
Spain	1,436	0.64%
USA	1,387	0.62%
France	1,099	0.49%
India	1,021	0.45%
Other Countries	4,435	1.97%
	53,314	23.69%

Consolidated		
Six-month period ended June 30, 2020		
Country	Foreign market net sales	% in total net net sales
China	20,416	4.28%
Argentina	18,952	3.97%
Saudi Arabia	10,412	2.18%
Chile	5,922	1.24%
Portugal	5,328	1.12%
South Africa	5,313	1.11%
Paraguay	4,508	0.94%
Germany	3,998	0.84%
Ireland	3,917	0.82%
USA	3,683	0.77%
Japan	3,159	0.66%
Kuwait	2,967	0.62%
Netherlands	2,789	0.58%
Peru	2,416	0.51%
India	2,358	0.49%
Mexico	2,022	0.42%
Uruguay	1,837	0.38%
France	1,698	0.36%
Turkey	1,637	0.34%
Other Countries	3,851	0.81%
	107,183	22.44%

Consolidated		
Six-month period ended June 30, 2019		
Country	Foreign market net sales	% in total net net sales
Argentina	17,214	4.03%
China	11,994	2.81%
Saudi Arabia	10,111	2.37%
Portugal	9,729	2.28%
Japan	6,023	1.41%
South Africa	4,199	0.98%
Chile	4,141	0.97%
India	4,124	0.97%
Paraguay	3,497	0.82%
Netherlands	3,175	0.74%
France	3,082	0.72%
Spain	2,963	0.69%
Peru	2,387	0.56%
Mexico	2,082	0.49%
Uruguai	2,002	0.47%
Turkey	1,866	0.44%
Bolívia	1,499	0.35%
Germany	1,245	0.29%
Other Countries	2,676	0.63%
	94,009	22.02%

In the second quarter of 2020, Company’s net sales in domestic market totaled R$ 176,405 (R$ 171,532 in second quarter of 2019). The first semester of 2020, the net sales in domestic market totaled R$ 370,124 (R$ 332,886 in the first semester of 2019).

In the second quarter of 2020, a single customer accounted for 8.2% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R$ 9,287. 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 6.73% 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 June 30, 2020, the Company had deferred ICMS liabilities of R$ 11,371 (R$ 13,337 in December 31, 2019), net of government grant R$ 11,047 (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 at 01/01/19	6,215	15,613	3,794	25,622
Accumulated depreciation during the year	(659)	(2,008)	(1,186)	(3,853)
Increase/decrease of contracts in the year - effect in accumulated depreciation	-	-	729	729
Increase/decrease of contracts in the year - cost effect	-	-	(73)	(73)
Book balance, net at December 31, 2019	5,556	13,605	3,264	22,425
Cost	6,215	15,613	3,721	25,549
Accumulated depreciation in the year	(659)	(2,008)	(457)	(3,124)
Book balance, net at December 31, 2019	5,556	13,605	3,264	22,425
Balancete at 01/01/20	5,556	13,605	3,264	22,425
Accumulated depreciation during the year	(486)	(1,033)	(471)	(1,990)
Increase/decrease of contracts in the year - effect in accumulated depreciation	-	-	-	-
Increase/decrease of contracts in the year - cost effect	579	1,443	340	2,362
Book balance, net at June 30, 2020	5,649	14,015	3,133	22,797
Cost	6,794	17,056	4,061	27,911
Accumulated depreciation in the year	(1,145)	(3,041)	(928)	(5,114)
Book balance, net at June 30, 2020	5,649	14,015	3,133	22,797

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 at 01.01.19	10,314	26,758	4,697	41,769
Lease installment in the year	(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 at 01.01.19	(4,099)	(11,145)	(903)	(16,147)
Interest over lease in the year	437	1,257	407	2,101
Increase/decrease of contracts in the period - effect in interest	-	-	(395)	(395)
Book balance, net at December 31, 2019	5,180	13,700	3,517	22,397
Balancete at 01/01/20	5,180	13,700	3,517	22,397
Lease installment in the year	(42)	(1,585)	(636)	(2,263)
Increase/decrease of contracts in the period - main effect	579	1,419	340	2,338
Interest over lease in the year	282	636	111	1,029
Increase/decrease of contracts in the period - effect in interest	-	-	20	20
Book balance, net at December 31, 2019	5,999	14,170	3,352	23,521
Short-term				1,637
Long-term				21,884

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:	Parent Company and Consolidated
2021	5,949
2022	5,949
2023	5,949
2024	5,949
> 2025	13,117
	36,913

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	36,743	22,419
PIS/COFINS (9,25%)	3,399	2,074

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 six-month period ended in June 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:

	Real Flow		Nominal Flow	
Parent company and Consolidated	01.01.19	06.30.20	01.01.19	06.30.20
Lease Liability	41,769	36,913	48,992	40,427
Built-In Interest	(16,147)	(13,392)	(19,687)	(17,476)
	25,622	23,521	29,305	22,951

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 semester of 2020, the Company realized PIS and COFINS credits over property, plant and equipment in amounting to R$ 314 and recognized PIS and COFINS credits related to exclusion of ICMS from PIS and COFINS basis amounting to R$ 2,243 and recognized equity instruments issuance costs in the amount of R$ 3,493.

During the first semester of 2019, the Company realized PIS and COFINS credits over property, plant and equipment in amounting to R$ 575 and received trade receivables credits in exchange for investment property land in the amount of R$ 2,432.

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 December 31, 2018	824,875	5,543	-	824,966	5,543	-
Change in cash	(103,715)	(3,719)	(2,268)	(103,737)	(3,719)	(2,268)
Payment of dividends and interest on shareholders' equity	-	(3,719)	-	-	(3,719)	-
Lease liability paid	-	-	(1,503)	-	-	(1,503)
Loans obtained	42,154	-	-	42,154	-	-
Loans and debentures paid	(131,544)	-	-	(131,566)	-	-
Payment of interest on loans, financing and debentures	(14,325)	-	-	(14,325)	-	-
Payment of interest on lease liabilities	-	-	(765)	-	-	(765)
Changes not involving cash	39,611	-	26,666	39,615	-	26,666
Lease liabilities - Initial recognition at January 1, 2019	-	-	25,622	-	-	25,622
Exchange-rate change and interest on loans, financing and debentures	62,300	-	-	62,304	-	-
Interest on lease liabilities	-	-	1,044	-	-	1,044
Hedge Accounting	(22,689)	-	-	(22,689)	-	-
Balance as of June 30, 2019	760,771	1,824	24,398	760,844	1,824	24,398

	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 December 31, 2019	838,256	1,818	22,397	838,310	1,818	22,397
Change in cash	(79,931)	(1,778)	(2,263)	(95,885)	(1,778)	(2,263)
Payment of dividends and interest on shareholders' equity	-	(1,778)	-	-	(1,778)	-
Lease liability paid	-	-	(1,234)	-	-	(1,029)
Loans obtained	57,908	-	-	57,908	-	-
Loans and debentures paid	(105,209)	-	-	(121,163)	-	-
Payment of interest on loans, financing and debentures	(32,630)	-	-	(32,630)	-	-
Payment of interest on lease liabilities	-	-	(1,029)	-	-	(1,234)
Changes not involving cash	44,452	-	3,387	44,455	-	3,387
Lease liabilities - increase/decrease in the period	-	-	2,358	-	-	2,358
Exchange-rate change and interest on loans, financing and debentures	44,452	-	-	44,455	-	-
Interest on lease liabilities	-	-	1,029	-	-	1,029
Balance as of June 30, 2020	802,777	40	23,521	786,880	40	23,521

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 June 30, 2020 and 2019, the income statement and statement of cash flows of the discontinued operations are as follows:

	Three-month period ended June		Six-month period ended June	
	06.30.20	06.30.19	06.30.20	06.30.19
Net sales	-	20,209	-	49,185
Cost of sales	-	(23,121)	-	(51,682)
Gross (Loss) Profit	-	(2,912)	-	(2,497)
Sales, General and Administrative Expenses	-	(3,084)	-	(6,223)
Financial (cost)	-	(3,512)	-	(7,341)
Other operating revenues and expenses	-	(10)	-	(62)
Operating (loss) before taxes	-	(9,518)	-	(16,123)
Social contributions and Income tax	-	-	-	-
Net (loss) from discontinued operation	-	(9,518)	-	(16,123)

	06.30.2020	06.30.2019
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

Realization of the Company’s public offer of shares and subsequent increase in share capital

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 Offering").

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 will total 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.

In observance of article 9, incise IX of the ANBIMA code, the Company agreed to adhere to the special listing segment New Market of Corporate Governance of B3 in up to 6 (six) months counted from July 22, 2020.

The total net resources stemming from the restricted offer will be destined to the execution of the Company’s expansion plan, that consists of the expansion of the chemicals and utilities recovery area of the paper and packaging units in Santa Catarina, in the expansion of the paper and packaging production units in Minas Gerais and the amplification of hydroelectric energy generation, and other improvements.

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 June 30, 2020, the parent company and consolidated statements of profit or loss and other comprehensive income for the three and six month periods then ended and changes in equity and cash flows for the six 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 June 30, 2020, and of its financial performance for the three and six month periods then ended and its cash flows for the six 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 six month period ended June 30, 2020, prepared under responsibility of Company's Management, and presented as supplementary information for IFRS 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, July 31, 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 June 30, 2020.

Porto Alegre, RS, July 31, 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 June 30, 2020.

Porto Alegre, RS, July 31, 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