Summary

Company Information/Capital Composition

Number of shares (In Thousands)	Current Quarter 09/30/2019
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	04/29/2019	Dividend	05/30/2019	Ordinary		0.02279
Ordinary General Assembly	04/29/2019	Dividend	05/30/2019	Preferred		0.02279

Parent Company Financial Statements Balance Sheet - Assets

(All amounts in Thousands of Reais)

Code	Description	Current Quarter 09/30/2019	Previous Year 12/31/2018
1	Total Assets	1,633,943	1,535,722
1.01	Current Assets	453,267	383,460
1.01.01	Cash and Cash Equivalents	17,481	130,778
1.01.02	Financial Investments	61,728	0
1.01.02.03	Financial Investments evaluated at amortized cost	61,728	0
1.01.02.03.01	Banks Linked Account	61,728	0
1.01.03	Accounts Receivable	178,637	167,058
1.01.03.01	Trade Receivables	178,637	167,058
1.01.04	Inventories	77,074	71,799
1.01.06	Recoverable Taxes	66,083	5,017
1.01.08	Other Current Assets	52,264	8,808
1.01.08.02	Discontinued Operations Assets	42,000	0
1.01.08.02.01	Non-current Assets Held for Sale	42,000	0
1.01.08.03	Others	10,264	8,808
1.01.08.03.01	Other Assets	10,264	8,808
1.02	Non-current Assets	1,180,676	1,152,262
1.02.01	Long - term receivables	154,274	53,649
1.02.01.04	Accounts Receivable	3,439	4,868
1.02.01.04.01	Trade Receivables	1,083	2,168
1.02.01.04.02	Other accounts receivable	2,356	2,700
1.02.01.06	Biological Assets	61,847	44,030
1.02.01.10	Other Non-current assets	88,988	4,751
1.02.01.10.03	Recoverable Taxes	88,363	3,793
1.02.01.10.04	Judicial deposits	625	958
1.02.02	Investments	231,131	229,680
1.02.02.01	Equity Investments	209,324	210,149
1.02.02.02	Investment Properties	21,807	19,531
1.02.03	Property, plant and equipment	656,916	738,742
1.02.03.01	Property, plant and equipment in operation	633,578	738,742
1.02.03.02	Property, plant and equipment lease	23,338	0
1.02.03.02.01	Right to use assets	23,338	0
1.02.04	Intangible assets	138,355	130,191
1.02.04.01	Intangible assets	138,355	130,191

Parent Company Financial Statements Balance Sheet - Liabilities

(All amounts in Thousands of Reais)

Code	Description	Current Quarter 09/30/2019	Previous Year 12/31/2018
2	Total Liabilities	1,633,943	1,535,722
2.01	Current Liabilities	411,977	474,511
2.01.01	Social and labor obligations Social	31,158	30,107
2.01.01.01	Obligations	31,158	30,107
2.01.01.01.01	Social security obligations	31,158	30,107
2.01.02	Suppliers	117,635	118,983
2.01.03	Tax obligations	29,293	22,053
2.01.03.01	Federal tax obligations	20,883	15,679
2.01.03.01.02	Tax paid in stallments	6,779	6,493
2.01.03.01.03	Other federal taxes	14,104	9,186
2.01.03.02	State tax obligations	8,340	6,314
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	8,340	0
2.01.03.03	City tax obligations	70	60
2.01.04	Debt	200,237	287,342
2.01.04.01	Debt	193,755	287,342
2.01.04.02	Debentures	6,482	0
2.01.05	Other obligations	33,654	16,026
2.01.05.02	Others	33,654	16,026
2.01.05.02.01	Dividends and interest on capital payable	44	3,769
2.01.05.02.04	Other accounts payable	22,959	10,862
2.01.05.02.05	Advances from customers	7,212	1,395
2.01.05.02.06	Lease liabilities	3,439	0
2.02	Non-current liabilities	922,773	752,051
2.02.01	Debt	652,019	537,533
2.02.01.01	Debt	156,527	537,533
2.02.01.02	Debentures	495,492	0
2.02.02	Other obligations	48,909	33,894
2.02.02.02	Other non-current liabilities	48,909	33,894
2.02.02.02.03	Installment taxes	18,642	22,725
2.02.02.02.04	Other taxes payable	8,633	10,731
2.02.02.02.05	Other accounts payable	673	438
2.02.02.02.06	Lease liabilities	20,961	0
2.02.03	Deferred taxes	198,831	157,642
2.02.03.01	Deferred income tax and social contribution	198,831	157,642
2.02.04	Provisions	23,014	22,982
2.02.04.01	Provisions for tax, social security, labor and civil contingencies	23,014	22,982
2.03	Equity	299,193	309,160
2.03.01	Paid-up share capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	-3,867	67,399
2.03.06	Equity in the results of subsidiaries	140,205	78,906

Parent Company Financial Statements - Statement of Profit (loss)

(All amounts in thousands of Reais)

Code	Description	Current quarter 07/01/2019 to 09/30/2019	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated prior quarter last year 07/01/2018 to 09/30/2018	Accumulated - prior year 01/01/2018 to 09/30/2018
3.01	Revenue from sales of goods and/or services	236,365	657,937	214,594	579,691
3.02	Cost of sales	-163,457	-461,566	-139,622	-382,844
3.02.01	Changes in the fair value of biological assets	9,239	11,858	3,118	7,356
3.02.02	Cost of goods sold	-172,696	-473,424	-142,740	-390,200
3.03	Gross Profit	72,908	196,371	74,972	196,847
3.04	Operating income (expenses)	35,174	-28,429	-22,705	-80,000
3.04.01	Selling	-20,615	-60,192	-19,910	-52,439
3.04.02	Expenses	-12,656	-40,587	-13,205	-38,489
3.04.03	General and administrative expenses	-480	-556	0	-797
3.04.04	Losses in Asset impairment	75,425	76,810	644	1,861
3.04.05	Other operating revenue	-797	-3,079	6,700	-395
3.04.06	Other operating expenses	-5.703	-825	3,066	10,259
3.05	Equity from subsidiaries	108,082	167,942	52,267	116,847
3.06	Income before interest and Taxes	-89,438	-149,486	-23,483	-62,785
3.06.01	Interest loss	70,729	80,203	8,428	19,555
3.06.02	Financial revenues	-160,167	-229,689	-31,911	-82,340
3.07	Interest expenses	18,644	18,456	28,784	54,062
3.08	Earnings (loss) before income tax	-3,332	-6,154	-2,357	-11,711
3.08.02	Income tax and social contribution	-3,332	-6,154	-2,357	-11,711
3.09	Deferred	15,312	12,302	26,427	42,351
3.10	Income (loss) from continuing operations	-74,155	-90,278	-4,407	-20,309
3.11	Profit (loss) for the period	-58,843	-77,976	22,020	22,042
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.09320	0.07490	0.16080	0.25770
3.99.01.02	Preferred shares	0.09320	0.07490	0.16080	0.25770

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

(All amounts in thousands of Reais)

Code	Description	Current quarter 07/01/2019 to 30/09/2019	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated prior quarter last year 07/01/2018 to 09/30/2018	Accumulated - prior year 01/01/2018 to 09/30/2018
4.01	Income (loss) for the period	-58,843	-77,976	22,020	22,041
4.02	Other comprehensive income (loss)	53,035	68,009	-8,043	-42,815
4.02.01	Cash flow hedge	80,355	103,044	-12,186	-64,871
4.02.02	Income tax and social contribution - cash flow hedges	-27,320	-35,035	4,143	22,056
4.03	Comprehensive income (loss) for the period	-5,808	-9,967	13,977	-20,774

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

(All amounts in thousands of Reais)

Code	Description	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated - prior 01/01/2018 to
6.01	Net cash provided by (used in) operating activities	44,509	65,372
6.01.01	Cash from operations	74,187	128,290
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	-71,822	33,753
6.01.01.02	Changes in Fair Value of Biological Assets	-11,858	-7,356
6.01.01.03	Depreciation, amortization and depletion	51,538	38,278
6.01.01.04	Impairment on property, plant and equipment	54,856	0
6.01.01.05	Proceeds from sales of permanent assets	-55	2,556
6.01.01.06	Equity in the results of subsidiaries	825	-10,259
6.01.01.07	Provision for civil, labor and tax contingencies	2,834	-31,954
6.01.01.08	Provision for impairment of trade receivables	570	299
6.01.01.09	Provision for impairment of other assets	-277	434
6.01.01.10	Tax installments liabilities composition	0	31,349
6.01.01.12	Monetary variations and taxes	180,845	71,190
6.01.01.13	Interest over lease liabilities	1,553	0
6.01.01.14	Interest on Debentures	8,702	0
6.01.01.15	Interest on Linked Account Application	-367	0
6.01.01.16	Exclusion of PIS and Cofins from the basis of ICMS	-143,157	0
6.01.02	Changes in assets and liabilities	-29,678	-62,918
6.01.02.01	Trade receivables	-13,219	-6,024
6.01.02.02	Inventory	-5,275	-6,971
6.01.02.03	Recoverable taxes	-3,297	1,141
6.01.02.04	Other assets	-779	3,210
6.01.02.06	Suppliers	-1,348	4,025
6.01.02.07	Social security obligations	1,051	3,645
6.01.02.08	Advances from customers	5,817	-31
6.01.02.09	Tax obligations	1,059	-1,306
6.01.02.10	Payment of interest on debt	-21,672	-61,946
6.01.02.11	Payment of interest on lease liabilities	-1,567	0
6.01.02.12	Other payables	9,552	1,339
6.02	Net cash provided by use in investing activities	-114,745	-20,590
6.02.01	Purchases of property, plant and equipment	-33,688	-32,680
6.02.02	Purchases of biological assets	-7,225	-3,269
6.02.03	Purchases of intangible assets	-13,311	-10,112
6.02.06	Proceeds from sales of assets	840	-1,004
6.02.09	Related parties refund	0	17,743
6.02.12	Banks - restricted account	-61,361	8,732
6.03	Net cash provided by (used in) financing activities	-43,061	5,512
6.03.01	Payments of dividends and interest on shareholder's equity	-3,725	-52
6.03.02	Payment of lease liabilities	-1,886	0
6.03.03	Debentures Issuance (Net of fundraising costs)	493,272	0
6.03.05	Received loans	70,892	83,858
6.03.06	Paid debt	-601,614	-78,294
6.05	Increase (decrease in cash and cash equivalents)	-113,297	50,294
6.05.01	Cash and cash equivalents at the beginning of the period	130,778	75,896

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

(All amounts in thousands of Reais)

Code	Description	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated - prior year 01/01/2018 to 09/30/2018
6.05.02	Cash and cash equivalents at the end of the period	17,481	126,190

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

(All amounts in thousands of Reais)

Code	Description	Paid up share capital	Capital reserves, share options and treasury shares	Profit reserves	Retained Earnings/ accumulated deficits	Other comprehensive income (loss)	Equity
5.01	Opening balance	161,895	960	67,399	0	78,906	309,160
5.03	Adjusted opening balance	161,895	960	67,399	0	78,906	309,160
5.05	Total comprehensive income (loss)	0	0	0	-71,266	61,299	-9,967
5.05.01	Profit (loss) for the period	0	0	0	-77,976	0	-77,976
5.05.02	Other comprehensive income (loss)	0	0	0	6,710	61,299	68,009
5.05.02.06	Achieving Assigned Cost	0	0	0	6,710	-6,710	0
5.05.02.08	Cash flow hedges	0	0	0	0	68,009	68,009
5.06	Internal changes in equity	0	0	-2,170	2,170	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,698	1,698	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-472	472	0	0
5.07	Closing Balance	161,895	960	65,229	-69,096	140,205	299,193

Parent Company Financial Statements / Statement of changes in Equity / 01/01/2018 - 09/30/2018

(All amounts in thousands of Reais)

Code	Description	Paid up share capital	Capital reserves, share options and treasury shares	Profit reserves	Retained Earnings/ accumulated deficits	Other comprehensive income (loss)	Equity
5.01	Opening balance	161,895	960	59,186	0	118,672	340,713
5.03	Adjusted opening balance	161,895	960	59,186	0	118,672	340,713
5.05	Total comprehensive income (loss)	0	0	0	28,753	-49,526	-20,773
5.05.01	Profit (loss) for the period	0	0	0	22,042	0	22,042
5.05.02	Other comprehensive income (loss)	0	0	0	6,711	-49,526	-42,815
5.05.02.06	Achieving Assigned Cost	0	0	0	6,711	-6,711	0
5.05.02.08	Cash flow hedges	0	0	0	0	-42,815	-42,815
5.06	Internal changes in equity	0	0	-2,189	2,189	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,710	1,710	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-479	479	0	0
5.07	Closing Balance	161,895	960	56,997	30,942	69,146	319,940

Parent Company Financial Statements / Statement of Added Value

(All amounts in thousands of Reais)

Code	Description	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated - prior year 01/01/2018 to 09/30/2018
7.01	Revenues	1,013,366	868,173
7.01.01	Sales of goods and/or services	928,238	866,833
7.01.02	Other revenues	85,698	2,199
7.01.04	Provision for impairment of trade receivables	-570	-859
7.02	Inputs purchased from third parties	-615,813	-497,305
7.02.01	Cost of sales	-390,631	-458,602
7.02.02	Materials, electricity, outsourced services and other	-225,182	-38,703
7.03	Gross value added	397,553	370,868
7.04	Retentions	-39,680	-45,634
7.04.01	Depreciation, amortization and depletion	-51,538	-38,278
7.04.02	Other	11,858	-7,356
7.04.02.01	Changes in the fair value of biological assets	11,858	-7,356
7.05	Net value added generated	357,873	325,234
7.06	Value added received through transfer	85,969	30,443
7.06.01	Equity in the results of subsidiaries	-825	10,259
7.06.02	Financial revenues	86,794	20,184
7.07	Total added value to be distributed	443,842	355,677
7.08	Distribution of added value	443,842	355,677
7.08.01	Personnel	133,915	125,202
7.08.01.01	Direct remuneration	104,646	97,087
7.08.01.02	Benefits	23,714	22,602
7.08.01.03	Government Severance Indemnity Fund for	5,555	5,513
7.08.02	Employees Taxes, fees and contributions	121,144	99,608
7.08.02.01	Federal	77,963	50,574
7.08.02.02	State	41,690	47,969
7.08.02.03	Municipal	1,491	1,065
7.08.03	Remuneration of third-party capital	257,879	99,926
7.08.03.01	Interest	252,983	92,351
7.08.03.02	Rentals	4,896	7,575
7.08.04	Remuneration of own capital	-69,096	30,941
7.08.04.03	Retained earnings/accumulated deficit	-69,096	30,941

Consolidated Financial Statements - Assets Balance Sheet

(All amounts in thousands of Reais)

Code	Description	Current Quarter 06/30/2019	Previous Year 12/31/2018
1	Total Assets	1,614,747	1,526,664
1.01	Current Assets	456,557	386,646
1.01.01	Cash and Cash Equivalents	19,003	132,219
1.01.02	Financial Investments	61,728	0
1.01.02.03	Financial Investments evaluated at amortized cost	61,728	0
1.01.02.03.01	Banks Linked Account	61,728	0
1.01.03	Accounts receivable	180,025	168,705
1.01.03.01	Trade receivables	180,025	168,705
1.01.04	Inventories	77,188	71,859
1.01.06	Recoverable taxes	66,084	5,018
1.01.08	Other current assets	52,529	8,845
1.01.08.02	Discontinued Operations Assets	42,000	0
1.01.08.02.01	Non-current Assets Held for Sale	42,000	0
1.01.08.03	Others	10,529	8,845
1.01.08.03.01	Other Assets	10,529	8,845
1.02	Non-current assets	1,158,190	1,140,018
1.02.01	Long term receivables	286,448	196,541
1.02.01.04	Accounts receivable	3,466	4,895
1.02.01.04.01	Trade receivables	1,083	2,168
1.02.01.04.02	Other receivables	2,383	2,727
1.02.01.06	Biological assets	193,721	186,600
1.02.01.10	Other non-current assets	89,261	5,046
1.02.01.10.03	Recoverable taxes	88,363	3,793
1.02.01.10.04	Judicial deposits	898	1,253
1.02.02	Investment	5,648	3,398
1.02.02.02	Investment properties	5,648	3,398
1.02.03	Property, plant and equipment	726,983	809,353
1.02.03.01	Property, plant and equipment in operation	703,645	809,353
1.02.03.02	Property, plant and equipment lease	23,338	0
1.02.03.02.01	Right to use assets	23,338	0
1.02.04	Intangible assets	139,111	130,726
1.02.04.01	Intangible assets	139,111	130,726

Consolidated Financial Statements - Liabilities Balance Sheet

(All amounts in thousands of Reais)

Code	Description	Current Quarter 09/30/2019	Previous Year 12/31/2018
2	Total Liabilities	1,614,747	1,526,664
2.01	Current Liabilities	375,706	452,167
2.01.01	Social and Labor Obligations	32,097	30,583
2.01.01.01	Social obligations	32,097	30,583
2.01.01.01.01	Social Security Obligations	32,097	30,583
2.01.02	Suppliers	79,380	95,085
2.01.03	Tax Obligations Federal Tax	29,903	22,892
2.01.03.01	Obligations	21,458	16,481
2.01.03.01.02	Taxes payable in installments	6,779	6,493
2.01.03.01.03	Other federal taxes	14,679	9,988
2.01.03.02	State taxes payable	8,356	6,339
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	8,356	6,339
2.01.03.03	Municipal taxes payable	89	72
2.01.04	Debt	200,268	287,378
2.01.04.01	Debt	193,786	287,378
2.01.04.02	Debentures	6,482	0
2.01.05	Other obligations	34,058	16,229
2.01.05.02	Others	34,058	16,229
2.01.05.02.01	Dividends and interest on shareholder´s equity payable	44	3,769
2.01.05.02.04	Other payables	23,273	11,061
2.01.05.02.05	Advances from customers	7,302	1,399
2.01.05.02.06	Lease liabilities	3,439	0
2.02	Non-current assets	939,840	765,329
2.02.01	Debt	652,053	537,588
2.02.01.01	Debt	156,561	537,588
2.02.01.02	Debentures	495,492	0
2.02.02	Other obligations	48,909	33,894
2.02.02.02	Others	48,909	33,894
2.02.02.02.03	Installment taxes	18,642	22,725
2.02.02.02.04	Other taxes payable	8,633	10,731
2.02.02.02.05	Other payables	673	438
2.02.02.02.06	Lease liabilities	20,961	0
2.02.03	Deferred taxes	211,544	170,541
2.02.03.01	Deferred income tax and social contribution	211,544	170,541
2.02.04	Provisions	27,334	23,306
2.02.04.01	Provisions for tax, social security, labor and civil	27,334	23,306
2.03	contingencies Consolidated equity	299,201	309,168
2.03.01	Realized capital	161,895	161,895
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	-3,867	67,399
2.03.06	Carrying value adjustments	140,205	78,906
2.03.09	Non-controlling interests	8	8

Consolidated Financial Statements - Statement of Profit (Loss)

(All amounts in thousands of Reais)

Code	Description	Current Quarter 07/01/2019 to 09/30/2019	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated prior quarter last year 07/01/2018 to 09/30/2018	Accumulated - prior year 01/01/2018 to 09/30/2018
3.01	Revenue from sales of goods and/or services	238,913	665,807	216,922	588,049
3.02	Cost of sales	-166,151	-462,953	-138,302	-379,752
3.02.01	Changes in the fair value of biological assets	5,956	7,294	4,960	9,083
3.02.02	Cost of goods sold	-172,107	-470,247	-143,262	-388,835
3.03	Gross Profit	72,762	202,854	78,620	208,297
3.04	Operating revenue (expenses)	35,278	-34,883	-26,261	-91,177
3.04.01	Selling expenses	-21,742	-62,499	-19.910	-52,439
3.04.02	General and administrative expenses	-13,103	-41,559	-13,702	-39,615
3.04.03	Losses in Asset impairment	-480	-556	0	-797
3.04.04	Other operating revenue	75,433	76,846	652	2,085
3.04.05	Other operating expenses	-4,830	-7,115	6,699	-411
3.05	Income before interest and taxes	108,040	167,971	52,359	117,120
3.06	Interest loss	-89,434	-149,468	-23,476	-62,765
3.06.01	Financial revenues	70,737	80,231	8,439	19,584
3.06.02	Interest expenses	-160,171	-229,699	-31,915	-82,349
3.07	Earnings (loss) before income tax	18,606	18,503	28,883	54,355
3.08	Income tax and social contribution	-3,294	-6,201	-2,456	-12,004
3.08.01	Current	-77	-233	-67	-325
3.08.02	Deferred	-3,217	-5,968	-2,389	-11,679
3.09	Profit (loss) from continuing operations	15,312	12,302	26,427	42,351
3.10	Income (loss) from continuing operations	-74,155	-90,278	-4,407	-20,309
3.11	Consolidated profit (loss) for the period	-58,843	-77,976	22,020	22,042
3.11.01	Attributable to owners of the Parent Company	-58,843	-77,976	22,020	22,043
3.11.02	Attributable to non-controlling partners	0	0	0	-1
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.09320	0.07490	0.16080	0.25770
3.99.01.02	Preferred shares	0.09320	0.07490	0.16080	0.25770

Consolidated financial statements / Statement of comprehensive income (loss)

(All amounts in thousands of Reais)

Code	Description	Current Quarter 07/01/2019 to 09/30/2019	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated prior quarter last year 07/01/2018 to 09/30/2018	Accumulated - prior year 01/01/2018 to 09/30/2018
4.01	Consolidated profit (loss) for the period	-58,843	-77,976	22,020	22,041
4.02	Other comprehensive income (loss)	53,035	68,009	-8,043	-42,815
4.02.01	Cash flow hedges	80,355	103,044	-12,186	-64,871
4.02.02	Income tax and social contribution - cash flow hedges	-27,320	-35,035	4,143	22,056
4.03	Consolidated comprehensive income (loss) for the period	-5,808	-9,967	13,977	-20,774
4.03.01	Attributable to owners of the Parent Company	-5,808	-9,967	13,977	-20,774

Consolidated financial statements / Statement of cash flows - indirect method

(All amounts in thousands of reais)

Code	Description	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated - prior year 01/01/2018 to 09/30/2018
6.01	Net cash provided by (used in) operating activities	48,785	68,792
6.01.01	Cash from operations	92,646	148,904
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	-71,775	34,047
6.01.01.02	Changes in the fair value of biological assets	-7,294	-9,084
6.01.01.03	Depreciation, amortization and depletion	61,920	50,136
6.01.01.04	Impairment on property, plant and equipment	54,856	0
6.01.01.05	Proceeds from sales of permanent assets	206	2,556
6.01.01.07	Provision for civil, labor and tax contingencies	6,857	-32,023
6.01.01.08	Provision for impairment of trade receivables	570	299
6.01.01.09	Provision for loss of other assets	-277	434
6.01.01.10	Tax installments liabilities composition	0	31,349
6.01.01.12	Monetary variations and taxes	180,852	71,190
6.01.01.13	Interest over lease liabilities	1,553	0
6.01.01.14	Interest on Debentures	8,702	0
6.01.01.15	Interest on Linked Account Application	-367	0
6.01.01.16	Exclusion of PIS and Cofins from the basis of ICMS	-143,157	0
6.01.02	Variations in assets and liabilities	-43,861	-80,112
6.01.02.01	Trade receivables	-12,960	-6,570
6.01.02.02	Inventories	-5,329	-6,692
6.01.02.03	Recoverable taxes	-3,297	1,141
6.01.02.04	Other assets	-985	3,118
6.01.02.06	Suppliers	-15,705	-13,072
6.01.02.07	Social security obligations	1.514	4,407
6.01.02.08	Advances from customers	5,903	71
6.01.02.09	Tax obligations	597	-1,908
6.01.02.10	Payment of interest on debt	-21,672	-61,946
6.01.02.11	Payment of interest on lease liabilities	-1,567	0
6.01.02.12	Other payables	9,640	1,339
6.02	Net cash provided by use in investing activities Purchases	-118,907	-24,107
6.02.01	of property, plant and equipment	-33,723	-32,988
6.02.02	Purchases of biological assets	-11,152	-6,478
6.02.03	Purchases of intangible assets	-13,532	-10,112
6.02.06	Proceeds from sales of assets	861	-1,004
6.02.09	Related parties refund	0	17,743
6.02.12	Banks - restricted account	-61,361	8,732
6.03	Net cash provided by (used in) financing activities	-43,094	5,611
6.03.01	Payments of dividends and interest on shareholder's equity	-3,725	-52
6.03.02	Payment of lease liabilities	-1,886	0
6.03.03	Debentures Issuance (Net of fundraising costs)	493,272	0
6.03.05	Received loans	70,892	83,971
6.03.06	Paid debt	-601,647	-78,308
6.05	Increase (decrease in cash and cash equivalents)	-113,216	50,296
6.05.01	Cash and cash equivalents at the beginning of the period	132,219	76,949
6.05.02	Cash and cash equivalents at the end of the period	19,003	127,245

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

(All amounts in thousands of Reais)

Code	Description	Paid-up share capitsl	Capital reserves, share options and treasury shares	Profit reserves	Retained earnings/ accumulated deficit	Other comprehensive income/ (loss)	Equity	Non-controlling interests	Consolidated Equity
5.01	Opening balance	161,895	960	67,399	0	78,906	309,160	8	309,168
5.03	Adjusted opening balance	161,895	960	67,399	0	78,906	309,160	8	309,168
5.05	Total comprehensive income (loss)	0	0	0	-71,266	61,299	-9,967	0	-9,967
5.05.01	Profit (loss) for the period	0	0	0	-77,976	0	-77,976	0	-77,976
5.05.02	Other comprehensive income (loss)	0	0	0	6,710	61,299	68,009	0	68,009
5.05.02.06	Achieving Assigned Cost	0	0	0	6,710	-6,710	0	0	0
5.05.02.08	Cash flow hedges	0	0	0	0	68,009	68,009	0	68,009
5.06	Internal changes in equity	0	0	-2,170	2,170	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,698	1,698	0	0	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-472	472	0	0	0	0
5.07	Closing balance	161,895	960	65,229	-69,096	140,205	299,193	8	299,201

Parent Company Financial Statements / Statement of changes in Equity / 01/01/2018 - 09/30/2018

(All amounts in thousands of Reais)

Code	Description	Paid-up share capitsl	Capital reserves, share options and treasury shares	Profit reserves	Retained earnings/ accumulated deficit	Other comprehensive income/ (loss)	Equity	Non-controlling interests	Consolidated Equity
5.01	Opening balance	161,895	960	59,186	0	118,672	340,713	8	340,721
5.03	Adjusted opening balance	161,895	960	59,186	0	118,672	340,713	8	340,721
5.05	Total comprehensive income (loss)	0	0	0	28,753	-49,526	-20,773	0	-20,773
5.05.01	Profit (loss) for the period	0	0	0	22,042	0	22,042	0	22,042
5.05.02	Other comprehensive income (loss)	0	0	0	6,711	-49,526	-42,815	0	-42,815
5.05.02.06	Achieving Assigned Cost	0	0	0	6,711	-6,711	0	0	0
5.05.02.08	Cash flow hedges	0	0	0	0	-42,815	-42,815	0	-42,815
5.06	Internal changes in equity	0	0	-2,189	2,189	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,710	1,710	0	0	0	0
5.06.05	Realized profit reserve - biological assets (subsidiaries)	0	0	-479	479	0	0	0	0
5.07	Closing balance	161,895	960	56,997	30,942	69,146	319,940	8	319,948

Consolidated Financial Statements - Statement of Added Value

(All amounts in Thousands of Reais)

Code	Description	Accumulated Year 01/01/2019 to 09/30/2019	Accumulated - prior year 01/01/2018 to 09/30/2018
7.01	Revenues	1,021,682	877,542
7.01.01	Sales of goods and/or services	936,518	875,980
7.01.02	Other revenues	85,734	2,421
7.01.04	Provision for impairment of trade receivables	-570	-859
7.02	Inputs purchased from third parties	-597,365	-472,404
7.02.01	Cost of sales	-365,278	-433,113
7.02.02	Materials, electricity, outsourced services and other	-232,087	-39,291
7.03	Gross value added	424,317	405,138
7.04	Retentions	-54,626	-59,220
7.04.01	Depreciation, amortization and depletion	-61,920	-50,137
7.04.02	Other	7,294	-9,083
7.04.02.01	Changes in the fair value of biological assets	7,294	-9,083
7.05	Net value added generated	369,691	345,918
7.06	Value added received through transfer	86,822	20,213
7.06.02	Financial revenue	86,822	20,213
7.07	Total value added to be distributed	456,513	366,131
7.08	Value added distributed	456,513	366,131
7.08.01	Personnel	143,176	132,093
7.08.01.01	Direct remuneration	110,151	101,703
7.08.01.02	Benefits	27,155	24,598
7.08.01.03	Government Severance Indemnity Fund for Employees	5,870	5,792
7.08.02	Taxes, fees and contributions	124,535	103,153
7.08.02.01	Federal	81,016	53,914
7.08.02.02	State	41,779	48,155
7.08.02.03	Municipal	1,740	1,084
7.08.03	Remuneration of third-party capital	257,898	99,944
7.08.03.01	Interest	252,994	92,360
7.08.03.02	Rentals	4,904	7,584
7.08.04	Remuneration of own capital	-69,096	30,941
7.08.04.03	Retained earnings/accumulated deficit	-69,096	30,941

COMMENTS ON THE COMPANY'S PERFORMANCE IN THE THIRD QUARTER OF 2019

The following information is presented on a consolidated basis. The amounts are presented in compliance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of quarterly information, including CVM Instruction 469.

Irani presents Net Revenue of R$ 238.9 million in 3Q19, a growth of 10.1% when compared to 3Q18

MAIN INDICATORS - CONSOLIDATED[1]	3Q19	2Q19	3Q18	Var. 3Q19/2T19	Var. 3Q19/3T18	9M19	9M18	Var. 9M19/9M18	LTM19	LTM18	Var. LTM19/LTM18
Economic and Financial (Thousands of R$)											
Net Operating Revenue	238,913	224,846	216,922	6.3%	10.1%	665,807	588,049	13.2%	875,923	779,429	12.4%
Domestic Market	193,295	171,532	163,556	12.7%	18.2%	526,180	462,858	13.7%	691,376	620,635	11.4%
Foreign Market	45,618	53,314	53,366	-14.4%	-14.5%	139,627	125,191	11.5%	184,547	158,794	16.2%
Gross Profit (including *)	72,762	62,709	78,620	16.0%	-7.5%	202,854	208,297	-2.6%	255,771	245,823	4.0%
(*) Changes in the fair value of biological assets	*5,956*	*(1,270)*	*4,960*	-	20.1%	*7,294*	*9,083*	-19.7%	*(3,157)*	*(12,929)*	-75.6%
Gross Margin	***30.5%***	***27.9%***	***36.2%***	**2,6p.p.**	***-5,7p.p.***	***30.5%***	***35.4%***	***-4,9p.p.***	***29.2%***	***31.5%***	***-2,3p.p.***
Operating income (loss) before taxes and interest	18,606	(2,224)	28,883	-	-35.6%	18,503	54,355	-66.0%	7,208	(14,877)	-
Operating Margin	***7.8%***	***-1.0%***	***13.3%***	**8,8p.p.**	***-5,5p.p.***	***2.8%***	***9.2%***	***-6,4p.p.***	***0.8%***	***-1.9%***	***2,7p.p.***
Net Income (Loss)	15,312	(3,253)	26,427	-	-42.1%	12,302	42,351	-71.0%	396	(42,574)	-
Net Margin	***6.4%***	***-1.4%***	***12.2%***	**7,8p.p.**	***-5,8p.p.***	***1.8%***	***7.2%***	***-5,4p.p.***	***0.0%***	***-5.5%***	***5,5p.p.***
Adjusted EBITDA Continued Operations [2]	50,412	46,701	54,725	7.9%	-7.9%	148,011	145,099	2.0%	194,016	201,998	-4.0%
Adjusted EBITDA Margin Continued Operations	***21.1%***	***20.8%***	***25.2%***	**0,3p.p.**	***-4,1p.p.***	***22.2%***	***24.7%***	***-2,5p.p.***	***22.1%***	***25.9%***	***-3,8p.p.***
Net Debt (Millions of R$)	771.6	730.3	724.6	5.7%	6.5%	771.6	724.6	6.5%	771.6	724.6	6.5%
Net Debt/Adjusted EBITDA(x)	4.22	3.89	3.88	8.5%	8.8%	4.22	3.88	8.8%	4.22	3.88	8.8%
Net Debt/Adjusted EBITDA Proforma(x) [3]	3.89	3.13	2.90	24.3%	34.1%	3.89	2.90	34.1%	3.89	2.90	34.1%
Operating Data (t)											
Corrugated Cardboard Packaging (PO)											
Production/Sales	42,786	40,263	46,528	6.3%	-8.0%	125,852	136,929	-8.1%	171,232	186,157	-8.0%
Packaging Paper											
Production	73,172	73,840	71,443	-0.9%	2.4%	218,726	207,511	5.4%	290,325	280,614	3.5%
Sales	32,057	30,995	26,021	3.4%	23.2%	88,371	69,507	27.1%	114,822	91,741	25.2%
RS Forests and Resins											
Production	3,522	3,646	3,731	-3.4%	-5.6%	10,901	10,744	1.5%	13,628	13,476	1.1%
Sales	3,401	3,956	3,690	-14.0%	-7.8%	10,441	10,102	3.4%	13,494	14,269	-5.4%

[1] Excluding discontinued operation
[2] EBITDA (earnings before interest, taxes, depreciation, amortization and depletion) see chapter in this release.
[3] Excluding from net debt the exchange rate change registered as hedge accounting.

OBS: The information from previous periods presented for comparative purposes were adjusted to reflect the exclusion of the discontinued operation and diverge from previously reported information.

- In the 3Q19, the company ended the activities of the SP Vila Maria Packaging unit, marking the last stage of the integration of the incorporation of the São Roberto cardboard industry, which happened in 2014. The information presented in this release are of the continue operation, unless otherwise stated.

- The net revenue in 3Q19 increased 10.1% when compared to 3Q18 and 6.3% in relation to 2Q19, mainly reflecting an increase in the sales volume in the packaging paper and corrugated cardboard packaging segments combined with a price increase in both segments.

- The sales volume in the packaging paper segment decreased 8.0%, when compared to 3Q18 and increased 6.3%, when compared to 2Q19, totaling 42.7 thousand tons in 3Q19. The reduction in relation to 3Q18 was due to a clearance of the client portfolio in the SP Vila Maria packaging unit, which had as objective to improve the margins and profitability of the segment and consolidated with the ending of production activities of that unit which happened at the end of this quarter.

In comparison to 2Q19, there was an increase in the sales volume of this segment due to the market strengthening. The packaging paper segment totaled 32.0 thousand tons, a 23.2% increase when compared to 3Q18 and 3.4% increase in relation to 2Q19. The increase is due to larger paper sales because of the availability generated by the reduction of the corrugated cardboard packaging segment (PO). The RS forests and resins segment had a 7.8% decrease when compared to 3Q18 and a decrease of 14.0% in relation to 2Q19, reaching 3.4 thousand tons. The decrease happens because of a lower market demand.

- The 3Q19 gross profit presented a decrease of 7.5% in comparison to 3Q18 and an increase of 16.0% when compared to 2Q19, mainly reflecting a growth of net sales and because of the positive change in the fair value of biological assets in this quarter.

- Sales expenses totaled R$ 22.2 million in 3Q19, an increase of 16.8% when compared to the same quarter last year and 1.9% superior to 2Q19 (including losses in accounts receivable reduction) and represented 9.3% of consolidated net revenue, and 9.2% in 3Q18. Administrative expenses in 3Q19 totaled R$ 13.1 million, a 4.4% reduction when compared to the same quarter last year and 8.4% in relation to 2Q19 and represented 5.5% of consolidated net revenue, a 6.3% decrease to what was registered in 3Q18.

- The net profit (loss) from continued operations was a profit of R$ 15.3 million in 3Q19, compared to R$ 26.4 million profit in 3Q18 and a loss of R$ 3.2 million in 2Q19. The main impacts on net profit this quarter were: i) the recognition of PIS and COFINS credits due to a favorable decision to exclude ICMS from the calculation basis of PIS and COFINS amounting to R$ 143.2 million; ii) hedge accounting realization which happened due to the pre-payment of operations linked to the issuance of debentures that happened in this third quarter totaling R$ 98.7 million; and iii) expenses related to the pre-payment of some determined financial operations amounting to R$ 34.9 million.

- The adjusted EBITDA from continued operation was R$ 50.4 million in 3Q19, 7.9% inferior to the R$ 54.7 million registered in 3Q18, and 7.9% superior when compared to the R$ 46.7 million registered in 2Q19, mainly due to the good performance of sales volume and prices in this quarter when compared to 2Q19.

- The net debt/EBITDA ratio was 4.22 in September 2019. Excluding from net debt, exchange rate changes registered as hedge accounting, the net debt/EBITDA ration would be 3.89.

- The cash position on September 30, 2019 was R$ 80.7 million (composed by cash and cash equivalents and linked bank accounts) and 77% of debt was in the long term.

- In 3Q19, the Company concluded the issuance of green debentures in the total amount of R$ 505 million, with total maturity of 6 years and a grace period of 4 years. With the issuance, the Company prepaid some determined loans and restructured its liabilities, adjusting its capital structure to a new economic cycle.

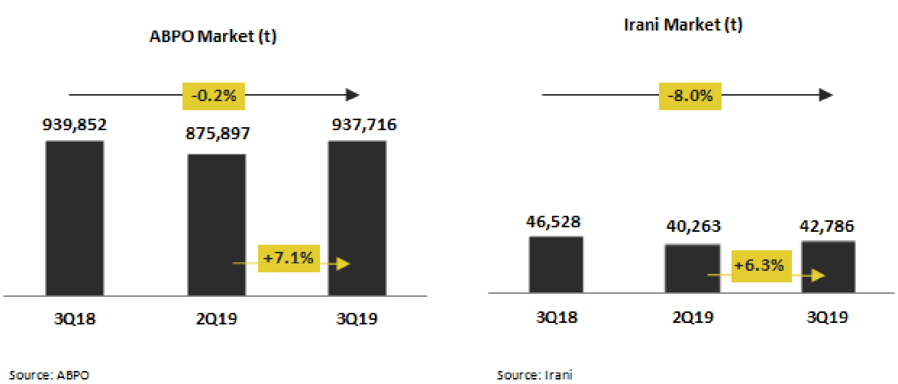
- According to relevant fact announce on October 15, 2019, a favorable decision to the company to exclude ICMS from the calculation basis of PIS and COFINS was reached, in the estimated value of R$ 143.2 million, to be compensated with federal payable taxes in the next 24 months.

Highlights of 3Q19

The Brazilian economy is going through a slow recovery period, in which the GDP in the second quarter of 2019 registered an increase of 0.4% in relation to the last quarter, and an increase of 1.0% when compared to 2Q18. The approval of the pensions reform is an important mark for the new cycle of economic expansion in the country and demonstrates the maturity of the institutions and a commitment to the nation’s future. In the international front, according to the IMF, the growth preview for the world economy in 2019 may be reduced to 3% in 2019, mainly due to the commercial dispute between the United States and China.

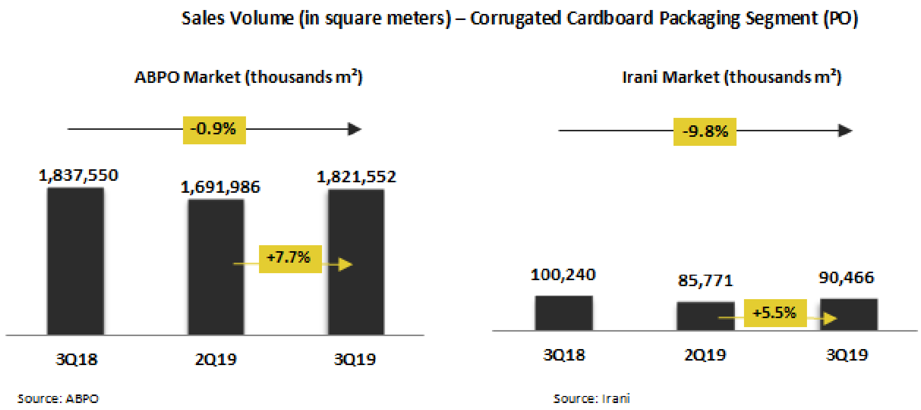
The Brazilian Association of Corrugated Cardboard (ABPO) registered stability in the expedition of tons of corrugated cardboard in 3Q19, in comparison to 3Q18, while the sales volume performance of Irani Market, presented a reduction of 8.0% in 3Q19, due to the clearance of the client portfolio for the segment and closing of the SP Vila Maria packaging unit. In comparison to 2Q19, ABPO market increased 7.1%, while Irani market registered an increase of 6.3%. In tons, the participation of Irani in the market of Corrugated cardboard packaging was 4.6% in 3Q19, similar to 2Q19, and 4.9% in 3Q18.

Sales Volume (in tons) – Corrugated Cardboard Packaging Segment (PO)



In square meters (m²), the volume of sales of corrugated cardboard packaging of ABPO market presented stability in 3Q19 when compared to 3Q18, while Irani market decreased 9.8%. Comparatively to 2Q19, ABPO market presented an increase of 7.7%, while Irani market registered an increase of 5.5%. In square meters, Irani's market participation was 5.0% in 3Q19, similar to 2Q19 and 5.4% in 3Q18.

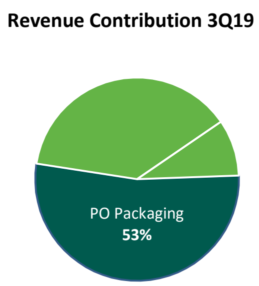
The corrugated cardboard packaging (PO) segment represented 53% of Irani's net revenue in 3Q19, the packaging paper segment represented 38% and the RS forests and resins segment represented 9%. The domestic market represented 81% of net revenue and the foreign market 19%, the 5.5 percentage points increase in internal market revenue compared to 3Q18 arises mainly from an increase in the volume of sales in the internal market of the packaging paper segment and also from a growth in the volume of the corrugated cardboard packaging segment.



3Q19 ABPO (in tons and m²) are preliminary analysis. Official data may have alterations.

1. OPERATING PERFORMANCE (Not reviewed by independent auditor)

1.1 Corrugated Cardboard Packaging Segment (PO)

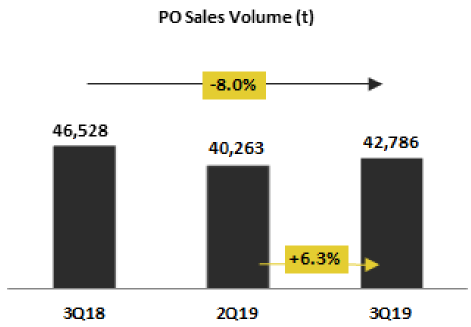


The sales volume of corrugated carboard plates and boxes totaled 42,876 tons, 8.0% inferior in relation to 3Q18 and 6.3% superior when compared to 2Q19, especially due to the clearance of client portfolio of the SP Vila Maria unit in comparison to 3Q18 and due to market strengthening that happened during this quarter in relation to the last quarter. The sales performance of boxes presented a decrease of 5.9% when compared to 3Q18, similar to the sales of plates that registered a decrease of 13.6% in the comparison of the quarters. The SP Indaiatuba, SC Campina da Alegria and SP Vila Maria packaging units respond respectively to 53%, 37% and 10% of total sales for the segment in the third quarter of 2019, given that its production is entirely to the domestic market. In this quarter, the company discontinue its corrugated cardboard packaging operations in the SP Vila Maria unit.

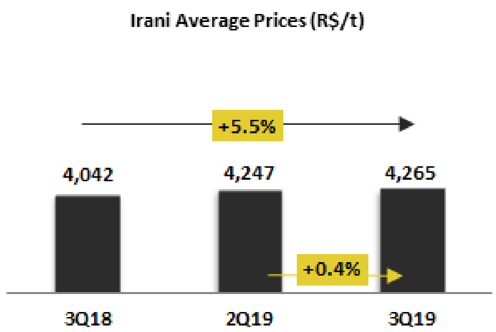
The volume in the SP Indaiatuba packaging plant reached 17,655 tons of boxes and 4,806 tons of plates in 3Q19 (compared to 14,310 tons of boxes and 5,950 tons of plates in 3Q18).

The SC Campina da Alegria packaging plant registered a sales volume of 13,056 tons of boxes and 2,783 tons of plates in 3Q19 (compared to 12,190 tons of boxes and 3,034 tons of plates in 3Q18).

The SP Vila Maria packaging plant registered a sales volume of 833 tons of boxes and 3,653 tons of plates in 3Q19 (in 3Q18, it registered 7,020 tons of boxes and 4,024 tons of plates). The reduction in volume was due to the client portfolio clearance strategy applied in this unit and the subsequent closing of the unit which happened at the end of this quarter.

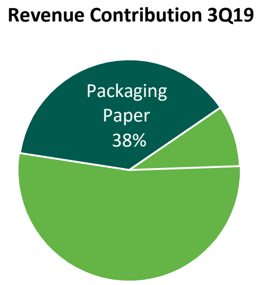


The Irani average price (CIF) per ton registered an increase of 5.5% in 3Q19 when compared to 3Q18 and presented stability in comparison to the second quarter of 2019, as demonstrated below:



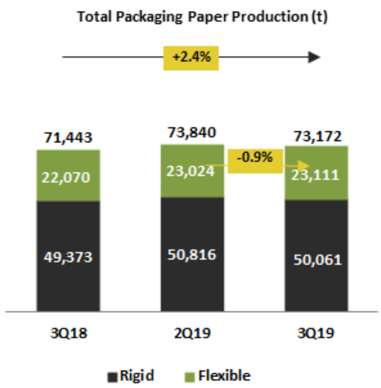
Methodological Note: The Irani prices do not contain IPI, PIS, COFINS, ICMS and are adjusted according to the mix of boxes and plates.

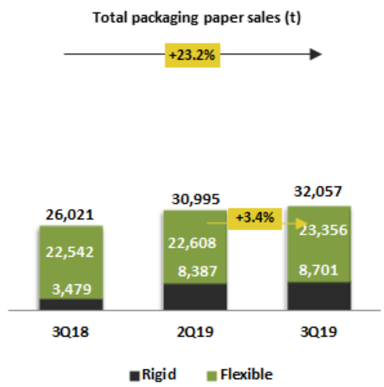
1.2 Packaging Paper Segment



Irani is present in the packaging paper segment, both in the market of paper for rigid packaging (corrugated cardboard) and for flexible packaging (bagging).

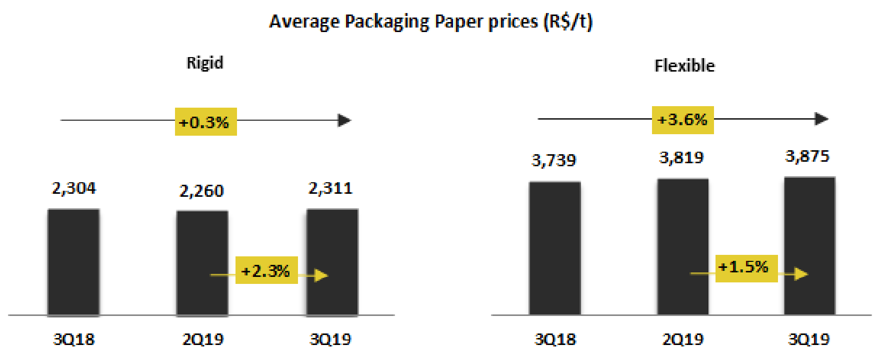
The company's total production for packaging paper in the quarter was 2.4% superior, when compared to 3Q18, and was stable in relation to 2Q19. In relation to sales, there was an increase of 23.2% when compared to 3Q18, and 3.4% when compared to 2Q19.



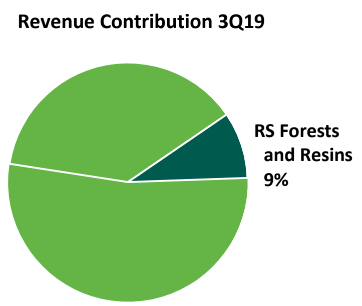


In 3Q19, internal paper transfers for rigid packaging (PO) totaled 41,187 tons (46,657 in 3Q18 and 42,347 in 2Q19), the SP Indaiatuba packaging plant reached 22,217 tons (18,456 tons in 3Q18 and 19,739 tons in 2Q19), for the SP Vila Maria packaging plant 2,881 tons were transferred (11,898 tons in 3Q18 and 6,347 tons in 2Q19) and for the SC Campina da Alegria packaging plant 16,089 tons were transferred in 3Q19 (16,303 tons in 3Q18 and 16,261 tons in 2Q19). From the total of internal transfers, 54% were to the SP Indaiatuba packaging plant, 39% were to the SC Campina da Alegria packaging plant and 7% to the SP Vila Maria packaging plant.

The rigid packaging paper, which have a sales volume of low significance (only 8,701 tons in 3Q19 as the graph above shows) and the price is inferior when compared to the other paper commercialized by the Company, presented price stability in 3Q19 when compared to the one practiced in 3Q18, and an increase of 2.3% when compared to 2Q19. The flexible packaging paper demonstrated an increase of 3.6% when compared to 3Q18 and 1.5% in relation to 2Q19.

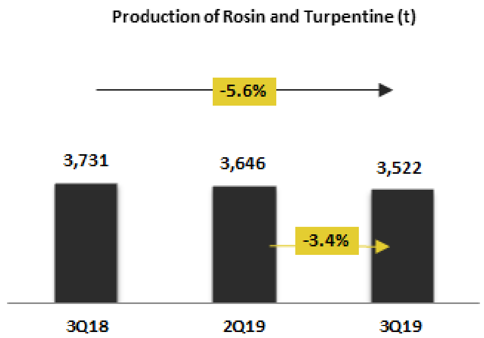


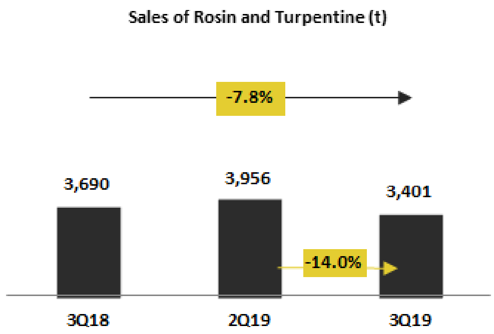
1.3 RS Forests and Resins segment



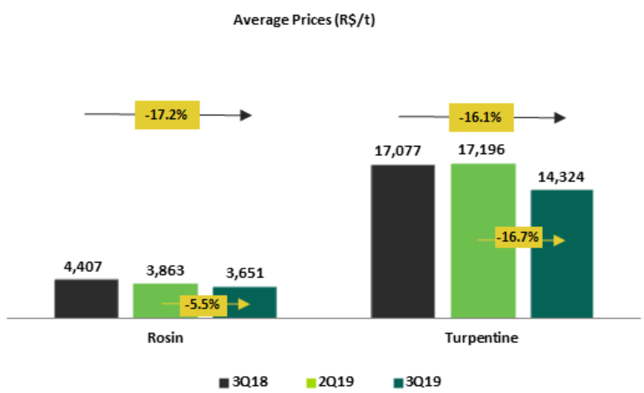
The Rio Grande do Sul forest segment produced and commercialized 30 thousand cubic meters of pine logs to the local market in 3Q19 and supplied 849 tons of *in natura* resins to be utilized in the industrial process of manufacturing rosin and turpentine.

The production volume in the RS Balneário Pinhal resin unit presented a 5.6% reduction in 3Q19 when compared to 3Q18, also a reduction of 3.4% when compared to 2Q19. The sales volume presented a decrease of 7.8% when compared to 3Q18, and 14.0% in relation to 2Q19.





In 3Q19, the average gross price of rosin was 17.2% inferior to 3Q18 and 5.5% inferior when compared to 2Q19. Similar to turpentine, which reduced 16.1% when compared to 3Q18 and 16.7% in relation to 2Q19. The price variations of these products follow the international market and exchange rate variations.



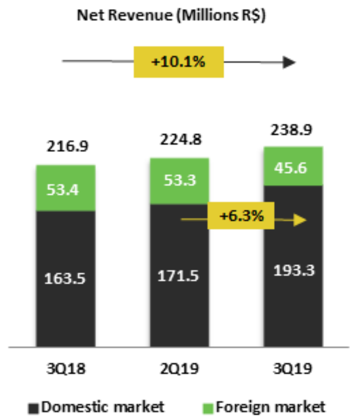
2. ECONOMIC AND FINANCIAL PERFORMANCE

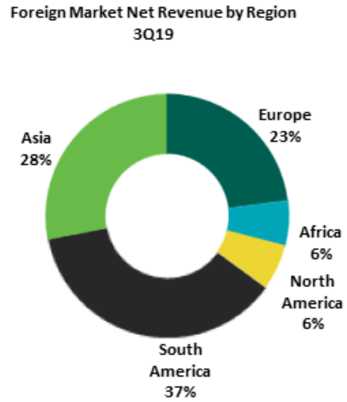
2.1 Net Operating Revenue

The net operating revenue for 3Q19 was R$ 238,913 thousand, a growth of 10.1% when compared to 3Q18 and 6.3% when compared to 2Q19, mainly reflecting the increase in the volume of sales of the Packaging paper and corrugated cardboard packaging segments, combined with an increase in prices also presented in both segments.

In the internal market, net operating revenue was R$ 193,295 thousand in the quarter and showed an increase of 18.2% when compared to 3Q18 and 12.7% in relation to 2Q19. The revenues in the domestic market responded to 81% of Irani's total revenue.

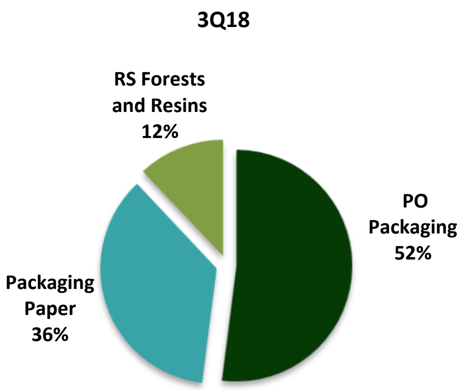
Exports reached R$ 45,618 thousand in 3Q19, 14.5% inferior to 3Q18 and 14.4% inferior to 2Q19, representing 19% of total net operating revenue. South American was the main destination of exports, concentrating 37% of exports revenue. Other markets include: Asia (28%), Europe (23%), Africa (6%) and North America (6%).

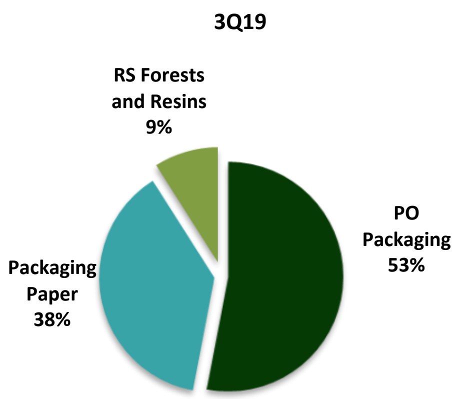




Irani's main segment is the PO packaging (corrugated cardboard) segment, responsible for 53% of consolidated net revenue in 3Q19, followed by the packaging paper segment with 38% and RS forests and resins segment with 9%.

Net Revenue by Segment

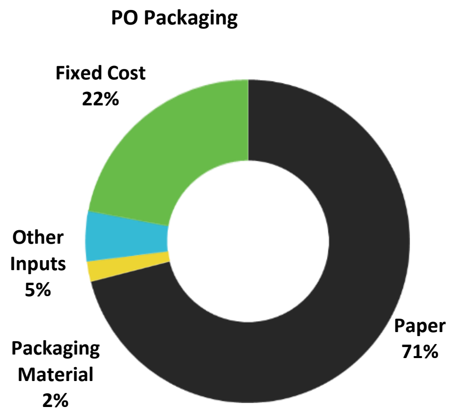


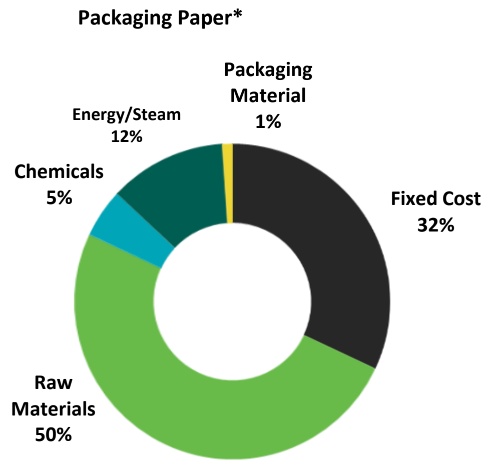


2.2 Cost of Goods Sold

The cost of goods sold in 3Q19 was R$ 172,107 thousand, 20.1% superior to 3Q18 if compared in absolute numbers. The fair value change in biological assets is not being considered in the cost of goods sold amount.

The cost formation per segment in 3Q19 is shown below.





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

2.3 Operating Revenues and Expenses

The sales expenses totaled R$ 22,222 thousand in 3Q19, a 16.8% increase when compared to 3Q18, and represented 9.3% of consolidated net revenue, compared to 9.2% in 3Q18 (including trade receivables impairment losses).

Administrative expenses in 3Q19 were 4.4% inferior when compared to 3Q18, totaling R$ 13,103 thousand (R$13,702 thousand in 3Q18) and represented 5.5% of consolidated net revenue, compared to 6.3% in 3Q18.

Other operating revenues/expenses resulted in a revenue of R$ 70,603 thousand in 3Q19, due to the recognition of PIS and COFINS credit after decision favorable to the Company in the period, compared to a revenue of R$ 7,351 thousand in 3Q18.

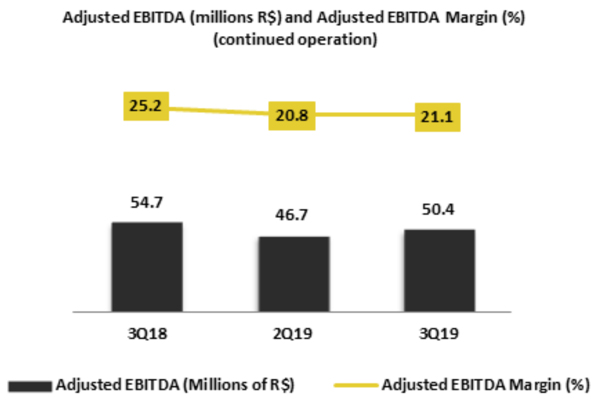
3. OPERATING CASH (ADJUSTED EBITDA)

Consolidated (Thousands of R$)	3Q19	2Q19	3Q18	Var. 3Q19/2Q19	Var. 3Q19/3Q18	9M19	9M18	Var. 9M19/9M18	LTM19	LTM18	Var. LTM19/LTM18
Operating Income (loss) before taxes and interest	**18,606**	**(2,224)**	**28,883**	-	-35.6%	**18,503**	**54,355**	**-66.0%**	**7,208**	**(14,877)**	-
Depletion	4,126	3,224	2,215	28.0%	86.3%	11,175	11,606	-3.7%	16,156	47,021	-65.6%
Depreciation and amortization	14,326	16,369	12,165	-12.5%	17.8%	45,869	34,280	33.8%	58,213	46,945	24.0%
Financial Income	89,434	28,062	23,476	218.7%	281.0%	149,468	62,765	138.1%	176,462	86,569	103.8%
Continued Operation EBITDA	**126,492**	**45,431**	**66,739**	178.4%	89.5%	**225,015**	**163,006**	**38.0%**	**258,039**	**165,658**	**55.8%**
Continued Operation EBITDA Margin	***52.9%***	***20.2%***	***30.8%***	***32.7p.p***	***-22.1p.p***	***33.8%***	***27.7%***	***6.1p.p***	***29.5%***	***21.3%***	***8.2p.p***
Changes in the fair value of biological assets [(1)]	(5,956)	1,270	(4,960)	-569.0%	20.1%	(7,294)	(9,083)	-19.7%	3,157	12,929	-75.6%
Non-recurring events [(2)]	(70,124)	-	(7,054)	-	894.1%	(69,710)	(8,824)	690.0%	(67,180)	23,411	-387.0%
Continued Operation adjusted EBITDA	***50,412***	***46,701***	***54,725***	*7.9%*	*-7.9%*	***148,011***	***145,099***	*2.0%*	***194,016***	***201,998***	*-4.0%*
Continued Operation adjusted EBITDA margin	***21.1%***	***20.8%***	***25.2%***	***0.3p.p.***	***-4.1p.p.***	***22.2%***	***24.7%***	***-2.5p.p.***	***22.1%***	***25.9%***	***-3.8p.p.***
Discontinued Operation adjusted EBITDA	**(3,175)**	**(4,336)**	**(2,310)**	**-26.8%**	**37.4%**	**(8,688)**	**(10,062)**	**-13.7%**	**(11,374)**	**(15,416)**	**-26.2%**
Adjusted EBITDA	**47,237**	**42,365**	**52,415**	**11.5%**	**-9.9%**	**139,323**	**135,037**	**3.2%**	**182,642**	**186,582**	**-2.1%**

1 Changes in the fair value of biological assets, since it does not represent cash reduction in the period.

2 Non-recurring events: The R$ 70,124 thousand (3Q19) balance refers to the non-recurring provision referring to the PIS and COFINS credit in the amount of (R$ 74,124) thousand, and non-recurring contingencies in the amount of R$ 4,000 thousand.

Operating cash generation, measured by the continued operation adjusted EBITDA, totaled R$ 50,412 thousand, a 7.9% reduction compared to 3Q18, and a 7.9% increase in relation to 2Q19, mainly due to the good performance of the sales volume and the prices in this quarter compared to 2Q19. The adjusted EBITDA margin in 3Q19 reached 21.1%, a 4.1 percentual points reduction in relation to 3Q18 and stability when compared to 2Q19.



4. FINANCIAL INCOME (LOSS) AND INDEBTEDNESS

Financial loss was R$ 89,434 in 3Q19, representing a growth of 281.0% in comparison with 3Q18, and 218.7% in relation to 2Q19, negatively influenced by the realization of hedge accounting in the amount of R$ 98,688 thousand, costs related to the pre-payment of some debts in the amount of R$ 34,881 thousand and positively by the update of exclusion of ICMS from the calculation basis of PIS and COFINS credit in the amount of R$ 61,875 thousand. In 3Q19, financial expenses totaled R$ 160,171 thousand compared to R$ 31,915 thousand in 3Q18 and R$ 31,044 thousand in 2Q19. The financial revenues totaled R$ 70,737 thousand in 3Q19 compared to R$ 8,439 thousand in the same quarter last year and R$ 2,982 thousand in 2Q19.

The financial income (loss) is as shown below:

Thousands of R$	3Q19	2Q19	3Q18	9M19	9M18	LTM19[1]	LTM18[1]
Financial Revenues	70,737	2,982	8,439	80,231	19,584	86,129	19,286
Financial Expenses	(160,171)	(31,044)	(31,915)	(229,699)	(82,349)	(262,591)	(105,855)
Financial Income (Loss)	(89,434)	(28,062)	(23,476)	(149,468)	(62,765)	(176,462)	(86,569)

[1]*Accumulated last twelve months.*

In financial revenues and expenses, exchange-rate change is included as shown below:

Thousands of R$	3Q19	2Q19	3Q18	9M19	9M18	LTM19[1]	LTM18[1]
Positive Exchange rate change	13,163	2,030	6,902	20,471	15,427	24,316	17,623
Negative Exchange rate change	(101,493)	(8,942)	(7,696)	(125,915)	(14,160)	(134,703)	(16,126)
Net Exchange rate change	(88,330)	(6,912)	(794)	(105,444)	1,267	(110,387)	1,497

[1] *Accumulated last twelve months.*

The financial income (loss) without Exchange rate change is as presented below:

Thousands of R$	3Q19	2Q19	3Q18	9M19	9M18	LTM19[1]	LTM18[1]
Financial income (loss) without exchange rate change	(1,104)	(21,150)	(22,682)	(44,024)	(64,032)	(66,075)	(88,066)

[1]*Accumulated last twelve months.*

The Exchange rate changes of operations in foreign currency (Dollar) linked to exports is being monthly registered in Equity and is recognized in Income (loss) as a financial expense, when it is realized (hedge accounting). In 3Q19, the amount of R$ 98,688 thousand was recognized as financial expense due to the realization of hedge accounting due to the pre-payment of some determined operations which happened during the quarter. In the aggregate, the Company keeps R$ 61,639 of hedge accounting of exchange rate change, to be recognized in the income statement when it is realized in each maturity date of the debt flux, as well as in cases of anticipated maturity of the referred loans, given that R$ 40,682 thousand are recognized in Equity (net of taxes) and R$ 20,957 thousand in Non-current liabilities (taxes).

Exchange Rate

The Exchange rate was R$ 4.00/USD on September 30, 2018 and was 8.62% superior on September 30, 2019, reaching R$ 4.16/USD. The average Exchange rate of this quarter was R$ 3.97/USD, 1.28% superior to that of 2Q19 and stable compared to the same period in 2018.

Thousands of R$	3Q19	2Q19	3Q18	Δ3Q19/2Q19	Δ3Q19/3Q18
Average Dollar	3.97	3.92	3.96	+1.28%	+0.25%
Final Dollar	4.16	3.83	4.00	+8.62%	+4.00%

Source: Bacen

Indebtedness

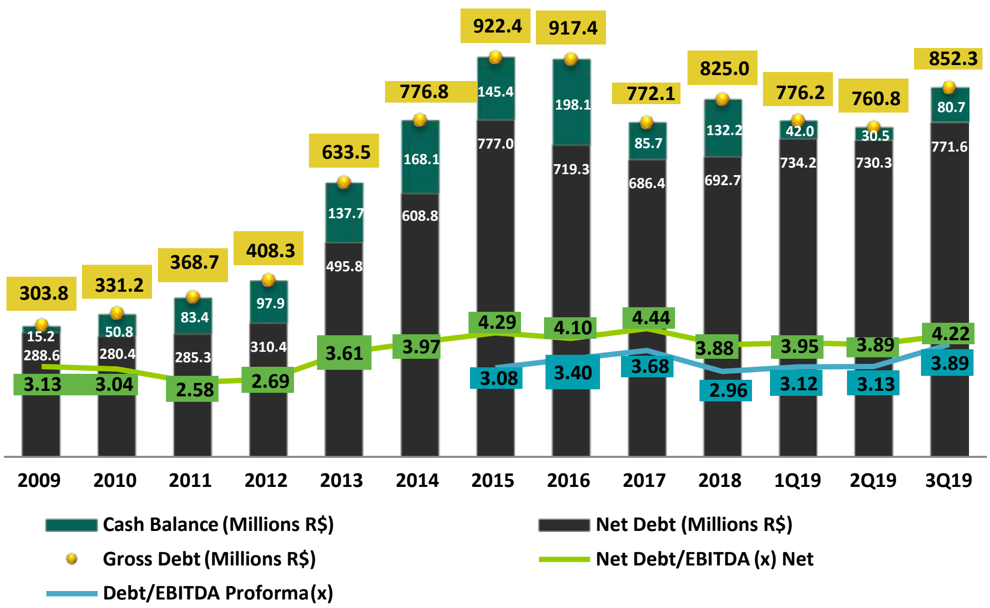
The company concluded, in 3Q19, the public issuance of green debentures amounting to R$ 505 million, with a final maturity of 6 year and 4 years of main grace period. With the resources gathered, some debts were liquidated that had maturity in a shorter schedule and part of the resources were used for cash composition.

Gross consolidated indebtedness on September 30, 2019 totaled R$ 852.3 million, compared to R$ 760.8 million on June 30, 2019. The variation of this index was influenced by the fundraising of the third public issuance of green debentures and early maturity of some debts. The gross indebtedness profile in September 30 was 23% with short term maturity and 77% with long term maturity.

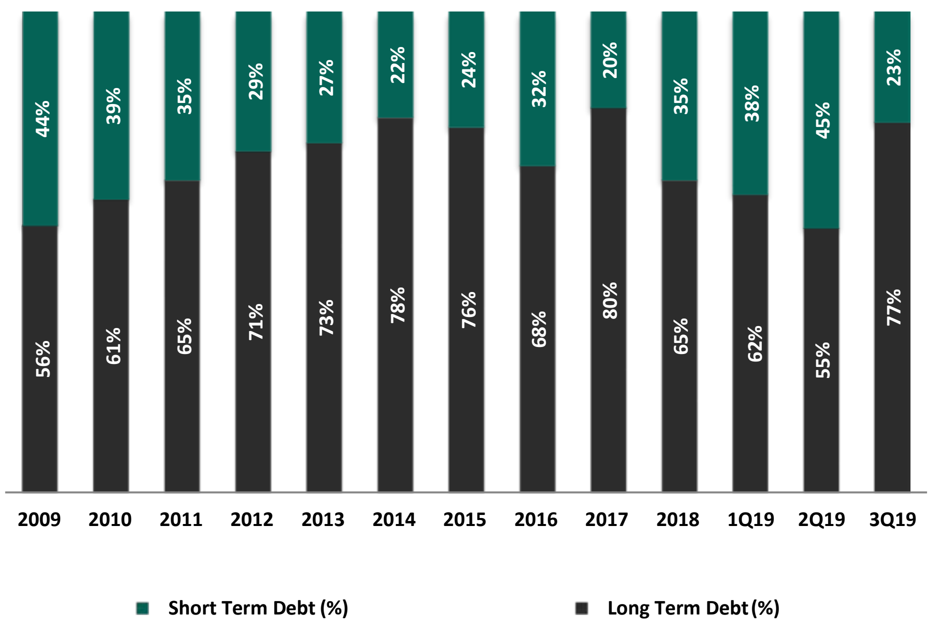
The consolidated cash balance on September 30, 2019 totaled R$ 80.7 million (composed by cash and cash equivalents and linked bank accounts), compared to R$ 30.5 million on June 30, 2019. This variation is mainly due to the fundraising of the third public emission of greed debentures and to operating cash generation.

The consolidated net indebtedness on September 30, 2019 totaled R$ 771.6 million, compared to R$ 730.3 million on June 30, 2019. The net debt/EBITDA index passed from 3.89 at the end of 2Q19 to 4.22 at the ending of 3Q19. Excluding from net debt, the exchange rate change registered as hedge accounting (Note 31 – Cash flow hedge), the net debt/EBITDA index Proforma would be 3.89 at the end of 3Q19.

Endebtedness and Net debt/EBITDA



Gross Indebtedness Profile



5. NET INCOME (LOSS)

In 3Q19, net income was R$ 15,312 thousand profit in comparison to R$ 26,427 thousand profit in 3Q18 and R$ 3,253 thousand loss in 2Q19. In the last twelve months net income was R$ 396 thousand profit compared to R$ 42,574 thousand loss in the same period last year. The main impacts in net income (loss) of this quarter were the recognition of PIS and COFINS credit due to favorable decision for the Company to exclude ICMS from the calculation basis of PIS and COFINS, also the realization of hedge accounting which happened due to pre-payment of some operations linked to the issuance of debentures realized in this quarter, as well as due to costs of debt pre-payment.

6. INVESTIMENTS

The Company maintains its strategy of investing in the modernization and automation of its productive processes in a thorough manner. This quarter's investments amounted to R$ 21,533 thousand and were basically directed to reforestation, maintenance and physical structure improvement, software (sequence of implementation of the SAP S/4HANA system), machines and equipment of the Company.

Thousands of R$	3Q19	9M19
Land	-	2,457
Buildings	9	9
Equipment	13,434	33,690
Intangible	2,600	13,532
Reforestation	5,490	11,152
Total	**21,533**	**60,840**

7. CAPITAL MARKET

Irani's capital, on September 30, 2019, was represented by 166,720,235 shares, of which 153,909,975 (92%) are common shares, and 12,810,260 (8%), preferential shares. On September 30, 2019, the Company maintained 2,376,100 treasury shares, given that 24,000 common shares and 2,352,100 preferential shares. In this same period common shares were negotiated at R$ 2.99 when preferential were negotiated R$ 4.00.

<u>CELULOSE IRANI S.A.</u>

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1. OPERATIONS

Celulose Irani S.A. ("Company") is a publicly-held company, domiciled in Brazil, listed on the Novo Mercado segment of B3 S.A. - Brazil, Stock Exchange, OTC ("B3"), and headquartered at Rua General João Manoel, 157, 9º andar, in the municipality of Porto Alegre, state of Rio Grande do Sul. 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.

Direct subsidiaries are related in Note 4.

Its direct parent company is Irani Participações S.A., a privately-held Brazilian corporation. Its ultimate parent company is D.P Representações e Participações Ltda., both companies belonging to the Habitasul Group.

The issuance of the Company's financial statements was authorized by the administrative board on October 22, 2019.

2. PRESENTATION OF FINANCIAL STATEMENTS

The interim financial statements included in the Quarterly Information Form - ITR, are prepared in accordance with Technical Pronouncement CPC 21 (R1) - Interim Financial Reporting and with IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board (IASB), and presented in accordance with the rules issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information - ITR, and highlight all relevant information concerning the financial statements, and only them, which are in compliance with those used by the Management in its management.

The interim financial statements were prepared based on the historical cost, except for biological assets measured at its fair values and hedge instruments measured at fair value.

3. MAIN ACCOUNTING PRACTICES

a) Functional currency and translation of foreign currencies

The individual and consolidated financial statements are being presented in Brazilian

Real, functional and presentation 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 translation of balances in foreign currency into the functional currency are recognized in the statement of income, except when classified as cash flow hedge accounting and, therefore, deferred in shareholders' equity as cash flow hedge operations.

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 to meet 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. 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 income (loss).

c.3) Impairment of financial assets.

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 benefits of owning the financial asset are transferred or in which the Company neither substantially transfers nor maintains all risks and benefits of owning the financial asset and neither retains control over the financial asset.

e) Offset

Financial assets or liabilities are offset, and the net value reported in the balance sheet only when the Company currently has legally enforceable right to set off 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 maintained within a business model whose objective is to maintain financial assets to receive contractual cash flows; and its contractual terms generate, at specific dates, cash flows that are related only to payment of principal and interest on the outstanding principal amount.

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 objective is achieved both by the receipt of contractual cash flows and by the sale of financial assets; and its contractual terms generate, on specific dates, cash flows that are only payments of principal and interest on the outstanding principal amount. 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 financial statements. 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 revenue, 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 management of the Company; - risks that affect the performance of the business model (and the financial assets held in that business model) and the manner in which 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.

g) 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 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 such assessment, the Company considers: contingent events that modify the value or the time of cash flows; terms that may adjust the contractual rate, including variable rates; the prepayment and the extension of the term; and 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 compensation due to the early termination of the contract.

h) Inventories

They are stated at the lower amount between the average cost of production or acquisition, and net realizable value. 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.

i) Investments

Investments in subsidiaries are valued in individual financial statements under the equity method.

According to the equity method, investments in subsidiaries are adjusted with the purposes of recognizing the Company’s participation in the profit or loss and the subsidiary’s other comprehensive income.

Unrealized transactions, balances and gains in transactions among companies 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 when required to assure the consistency with the policies adopted by the Company.

j) Investment property

Investment properties are measured at cost.
Depreciation is recognized to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are annually reviewed, with the effect of any changes in estimate accounted for on a prospective basis.

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 amounts received and the book value of the asset sold and recognized in the income (loss).

k) 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 its sale rather than through continued use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses on initial held for sale classification and subsequent gains or losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, intangible assets or property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

l) Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

i) Represents a separate major line of business or geographic area of operations;
ii) Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
iii) Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

m) 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, loan costs are capitalized as part of the costs of construction in progress. This property, plant and equipment in progress is classified in proper categories of property, plant and equipment when concluded and ready for intended use. Depreciation of these assets starts when they are ready for use and is calculated on the same basis as for other fixed assets.

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 and may vary based on the stage of technological development of each unit.

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 investee’s 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 advantageous 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 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 based on 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.

n) <u>Biological assets</u>

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 sales expenses. The change during each period is recognized in the statement of income 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.

o) Evaluation of recoverable value of non-financial assets (impairment)

The Company reviews the balance of non-financial assets for impairment whenever events or changes in circumstances indicate that the book value of an asset or group of assets may not be recoverable, based on future cash flows. In this quarter, values recognized as impairment were recognized pertaining to the discontinued operation, as explained in note 15, the Company has not identified indicators that the accounting value exceeds the recoverable value of its non-financial assets for its continuing operations.

p) (Current and deferred) income tax and social contribution

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 profit 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, while the subsidiaries Habitasul Florestal S.A. and Iraflor - Comércio de Madeiras Ltda. adopt a presumed rate of 3.08%.

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 and social contribution are recorded for subsidiaries that adopt the deemed income tax regime for the fair value of biological assets and the deemed cost for fixed assets.

Deferred income tax assets and liabilities are presented at net value 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.

q) Loans, 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.

r) Cash flow hedge (Hedge Accounting)

The Company documents, early in 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 “Equity valuation adjustments” in shareholders’ equity are stated 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 shareholders’ equity is immediately transferred to the statement of income for the period.

s) Lease

IFRS 16 introduced a single model of lease accounting in the balance sheet for lessees. A lessee recognizes an asset of right of use that represents its right to use the leased asset and a lease liability that represents its obligation to make the lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor’s accounting remained similar to the current standard, that is, lessors continued to classify leases as financial or operating leases. IFRS 16 replaced the current lease standards, including CPC 06 (IAS 17) Commercial Lease Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Commercial Lease Operations.
The company chose to adopt the changed retrospective approach initially on January 1st, 2019, without updating comparative information, as well as applied this rule to all previously signed agreements that were identified as leases according to CPC 06 (R1)/ IAS 17 and ICPC 03/ IFRIC 4. This approach has no impact on accumulated profits (shareholder’s equity) at the data of initial adoption, once the total present value amount of right to use assets is equal to the total present value amount of lease liabilities.

s.1) Definition of Lease

Previously, the company used to determine if, at the beginning of a contract, it contained a lease under the ICPC 03/ IFRIC 4 – Complementary aspects of lease operations. The company now evaluates if a contract contains a leased based on the latest definition of a 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.

During the transition leading up to CPC 06 (R2)/ IFRS 16, the company chose to apply the practical expedient of maintaining the evaluation of which transactions are leases. The company applied CPC 06 (R2)/ IFRS 16 only to contracts that were not previously identified as leases. The contracts that were not identified as leases according to CPC 06 (R1)/ IAS 17 and ICPC 03/ IFRIC 4 were not reevaluated. Furthermore, the company also applied the new definition of leases according to CPC 06 (R2)/ IFRS 16 to contracts signed January 1st 2019 or later. At the start of a contract that contains a component of a lease or during its reevaluation, the company allocates the consideration of the contract to each component of the lease, and does not allocate the contract´s consideration of the basis of its individual prices. Nevertheless, for real estate leases in which the company is a tenant, the company chose not to separate the components that are not part of the lease, and will consider all items as an only component of the lease.

s.2) As a tenant

The company leases real estate, production equipment and IT equipment. As a tenant, the company previously classified operational or financial leases based on its own evaluation if the leases substantially transferred all risks and property benefits. According to CPC 06 (R2)/ IFRS 16, the company recognizes all right to use assets and lease liabilities for most of its leases, which means these leases are accounted for 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 presents right to use assets that do not meet the definition of investment property as PPE, in the same line as it presents assets of the same nature that are its property. The right to use assets that meet the definition of investment property are presented in the line of investment property.

i) Transition

Previously, the company classified real estate leases as operational leases according to CPC 06 (R1)/ IAS 17. Some leases include a renewal option after the non-cancellation period. Some leases are adjusted based on inflationary data, such as the IGP – M or IPCA. During the transition, for leases classified as operational leases according to CPC 06 (R1)/ IAS 17, the company calculated the lease liabilities based on the present value of all remaining payments, discounted by the incremental loan rate of the company on January 1st, 2019. The company calculated the right to use assets based on the equivalent value to the lease liability, adjusted by the value of any advance payments or the accumulated lease.

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

s.3) As a landlord

The company leases its properties for investment according to the accompanying note number 14. The company continues to classify these leases as operational leases, thus not having any impact in its quarterly numbers.

t) Provisions

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) because 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 enough 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.

u) 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 between the Company and the employees' representatives, which are reviewed on an annual basis.

v) Significant judgments, estimations and assumptions

In the preparation of the financial statements, accounting judgments, estimations and assumptions to record certain assets and liabilities and other transactions and in the record of revenues and expenses for the periods.

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

Therefore, the financial statements contain a number of estimations, including, but not limited to, the determination of the useful lives of property, plant and equipment (Note 15), the evaluation of the fair value of held for sale assets (Note 11), the realization of deferred tax credits (Note 12), the allowance for doubtful accounts (Note 6), the evaluation of fair value for biological assets (Note 16), the tax, social security, civil and labor provisions (Note 22), and the impairment of 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 financial statements.

The Company has ICMS incentives from the governments of the states of Santa Catarina and Minas Gerais. Supplementary Law 160 published in August 2017, and the Confaz Agreement 190 published in December 2017, which decided on the remission of tax credits, formed or not, arising from exemptions, incentives, and tax or financial tax benefits established in disagreement with the provisions of the Federal Constitution, Article 155, paragraph 2, item XII, subitem "g", and the reinstatement of the respective exemptions, incentives, and tax or financial benefits.

Regarding the Confaz 190, the states of Santa Catarina and Minas Gerais, respectively, published Decrees No. 1.555/18 and 47.394/18, validating and restoring the tax incentives granted to the Company under the terms of Complementary Law No. 160/2017.

Although the Company has no tax incentive being judged by the Brazilian Supreme Court (STF), management has been monitoring, together with its legal advisors, the progress of this issue in the courts to assess possible impacts on its operations and consequent effects on the financial statements (Note 33).

w) Income statement

Income and expenses are recognized on the accrual basis and include interest, charges and the effects of exchange-rate change at official rates, applicable to current and non-current assets and liabilities, and, where applicable, adjustments to realizable value.

x) Revenue recognition

The model implemented by the Company refers to a model aimed at determining whether the specific accounting criteria have been met.

The new model comprises the following steps: 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. Accordingly, revenue from contracts with customers should be recognized in the amount the Company expects to receive in exchange for the goods and financial services provided to the customers. The revenue is presented net of taxes, goods returned, rebates and discounts, and elimination of revenues among related parties.

y) Government Grants

Tax collection deferrals, granted directly or indirectly by the government, required at below market interest rates, are treated as a government grant and measured by the difference between the amounts obtained and the fair value calculated based on market interest rates. This difference is recorded with a corresponding entry to sales 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).

z) <u>Statement of added value ("DVA")</u>

The Brazilian corporate law requires the presentation of the statement of value added, individual 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 financial statements.

4. CONSOLIDATION OF FINANCIAL STATEMENTS

The consolidated financial statements include Celulose Irani S.A. and its subsidiaries as follows:

Participation in capital - %			
Subsidiaries - direct interest	Activity	09.30.19	12.31.18
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 financial statements. The financial information of the subsidiaries, used for consolidation, was prepared at the same date as that of the parent company.

5. CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents are represented as follows:

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Fixed fund	29	29	31	32
Banks	13,795	26,634	13,874	27,111
Interbank funds applied	3,657	104,115	5,098	105,076
	17,481	130,778	19,003	132,219

The financial investments with immediate liquidity earn a fixed income at the average of 96.6% 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 RECEIVABLE

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Accounts receivable from:				
Clients - domestic Market	160,075	152,680	161,458	154,327
Clients - Foreign market	31,359	25,303	31,359	25,303
Clients - renegotiation	12,872	15,259	12,877	15,259
	204,306	193,242	205,694	194,889
Estimated losses with doubtful accounts	(24,586)	(24,016)	(24,586)	(24,016)
	179,720	169,226	181,108	170,873
Current portion	178,637	167,058	180,025	168,705
Non-current portion	1,083	2,168	1,083	2,168

As of December 31, 2018, balances of renegotiation of clients, as well as the provision for recognized losses were reclassified to Clients' account - renegotiation.

On September 30, 2019, consolidated trade accounts receivable included an overdue amount of R$ 22,372, related to clients with no history of default, for which no provision was recorded.

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

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Falling due	157,856	151,741	158,736	152,785
Overdue up to 30 days	9,170	8,567	9,621	8,803
Overdue, 31–60 days	3,816	3,612	3,827	3,769
Overdue, 61–90 days	1,151	2,132	1,154	2,274
Overdue, 91–180 days	1,400	1,437	1,426	1,505
Overdue >180 days	30,913	25,753	30,930	25,753
	204,306	193,242	205,694	194,889

The Company records an allowance 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.

Changes in the provisions may be stated as follows:

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Balance at the beginning of the period	(24,016)	(16,513)	(24,016)	(16,563)
Reclassification of Clients - Renegotiation	-	(14,074)	-	(14,074)
Provision for recognized losses	(570)	(1,613)	(570)	(1,613)
Trade accounts receivable written off during the period as non-collectible	-	8,184	-	8,234
Balance at end of the period	(24,586)	(24,016)	(24,586)	(24,016)

A portion of receivables, amounting to R$ 106,523, has been assigned as collateral for certain financing transactions, as disclosed in Notes 17 and 18.

The credit quality of financial assets that were neither past due nor impaired as of September 30, 2019 was assessed with reference to historical information on default rates, as follows:

Quality of accounts receivable

		Consolidated
Class of client	% History	Amounts receivable
a) Customers without history of delinquency	94.26	149,624
b) Clients with history of late payment up to 7 days	4.77	7,572
c) Customers with history of late payment of more than 7 days	0.97	1,540
		158,736

a) Timely clients with no history of delinquency.

b) Untimely clients with a history of delinquency of up to 7 days, with no history of default.

c) Untimely clients with a history of delinquency exceeding 7 days, with no history of default.

7. INVENTORIES

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Finished goods	35,006	31,626	35,017	31,626
Production materials	20,671	18,792	20,687	18,792
Consumption materials	20,933	20,865	21,020	20,925
Other inventories	464	516	464	516
	77,074	71,799	77,188	71,859
Net Impairment	(2,853)	-	(2,853)	-
	74,221	71,799	74,335	71,859

In the 3Q19, the cost of inventories recognized in income (loss) was R$ 172,696 (R$ 142,740 in 3Q18) in the parent company and R$ 172,107 in the 3Q19 (R$ 143,262 in 3Q18) in consolidated. For the nine-month period ending in September 30, 2019, the cost of inventories recognized in income (loss) was R$ 473,424 (R$390,200 for the nine-month period ending in September 30, 2018) in the parent company and R$470,247 (R$388,825 for the nine-month period ending in September 30, 2018) in consolidated.

The cost of inventories recognized in the income (loss) for the year does not include the net impairment. The amount recognized in other operational expenses as net impairment refers to the inventories provision from the discontinued operation, as disclosed in Note 36.

A portion of inventories, amounting to R$ 23,421, has been assigned as collateral for certain financing transactions, as disclosed in Note 17.

8. RECOVERABLE TAXES

They are as follows:

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
ICMS	6,600	4,664	6,600	4,664
PIS/COFINS	146,509	2,541	146,509	2,541
IPI	245	105	245	105
Income tax	273	397	273	397
Social contribution	344	258	344	258
IRRF on interest earning bank deposits	444	821	444	821
Other	31	24	32	25
	154,446	8,810	154,447	8,811
Current portion	66,083	5,017	66,084	5,018
Non-current portion	88,363	3,793	88,363	3,793

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, as disclosed in Note 22.

9. LINKED BANK ACCOUNTS

The balance of linked bank accounts refers to deposits in financial applications in Brasil Plural Bank in the amount of R$ 61,728, which retrieval will occur as the guarantees to the third emission of debentures are formed, as disclosed in Note 18.

10. OTHER ASSETS

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Advances to suppliers	2,920	1,427	2,924	1,427
Employee credits	2,416	783	2,622	819
Prepaid expenses	1,068	1,696	1,068	1,696
Other receivables	6,216	7,602	6,298	7,630
	12,620	11,508	12,912	11,572
Current portion	10,264	8,808	10,529	8,845
Non-current portion	2,356	2,700	2,383	2,727

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.

(a) Recoverable value impairment relating to the group of assets held for sale

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 under 'Other operating expenses' in the income statement of the discontinued operation.

(b) Held for sale assets

On September 30, 2019, the group of assets held for sale is presented as the fair value less sales costs and comprehended the following assets and liabilities.

Assets held for sale

	09.30.19	12.31.18
Property Plant and Equipment	42,000	-
Held for sale assets	42,000	-

(c) Gains and losses accumulated 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) Fair Value Assessment

Non-recurrent fair value assessment for the group of assets held for sale of R$ 42,000 was classified as fair value level 1 based on quoted prices (non-adjusted) in active markets for assets.

12. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

In 2019, 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.

According to CVM instruction 371, for composition of deferred fiscal asset, one of the criteria that the company must meet is to present historic taxable profit in at least 3 of the last 5 fiscal years. 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 temporary differences, fiscal loss and social contribution negative base for a gross value of R$ 53,386.

Deferred tax liabilities were recognized based on the fair value of biological assets and the deemed cost of fixed assets.

The initial tax impacts on the deemed cost of property, plant and equipment were recognized as a counter entry to shareholders' equity.

ASSETS	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Deferred income tax asset				
On temporary provisions	537	537	537	537
On tax loss	17,093	17,093	17,093	17,093
Cash flow hedge	15,410	41,171	15,410	41,171
Deferred social contribution assets				
On temporary provisions	192	192	192	192
On tax loss	6,155	6,155	6,155	6,155
Cash flow hedge	5,548	14,821	5,548	14,821
	44,935	79,969	44,935	79,969

LIABILITIES	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	4,417	3,905	4,417	3,905
Fair value of the biological assets	27,507	24,964	29,050	26,629
Deemed cost of fixed assets	125,618	126,472	133,220	134,072
Government grant	296	520	296	520
Client portfolio	435	583	435	583
Amortization of tax goodwill	20,965	18,269	20,965	18,269
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	1,590	1,406	1,590	1,406
Fair value of the biological assets	9,903	8,987	10,736	9,886
Deemed cost of fixed assets	45,224	45,531	47,959	48,266
Government grant	107	187	107	187
Client portfolio	157	210	157	210
Amortization of tax goodwill	7,547	6,577	7,547	6,577
	243,766	237,611	256,479	250,510
Deferred tax liabilities (net)	198,831	157,642	211,544	170,541

Based on budget forecasts approved by the Board of Directors, management expects these consolidated balances to be realized as follows:

Deferred tax asset: Period	Parent company and Consolidated 09.30.19
2019	20,958
2020	660
2021	3,188
2022	5,271
>2023	14,858
	44,935

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

Parent company and Consolidated assets	Opening balance on 01/01/2018	Recognized in income (loss)	Recognized in shareholders' equity	Offset with liabilities	Closing balance at December 31, 2018
Deferred tax assets regarding:					
Provision for profit sharing	(3,673)	3,673	-	-	-
Provision for sundry risks	(1,953)	1,224	-	-	(729)
Cash flow hedge	(40,116)	-	(15,876)	-	(55,992)
Total temporary differences	(45,742)	4,897	(15,876)	-	(56,721)
Tax losses	(23,248)	-	-	-	(23,248)
	(68,990)	4,897	(15,876)	-	(79,969)

Parent company and Consolidated assets	Opening balance on 01/01/2019	Recognized in income (loss)	Recognized in shareholders' equity	Offset with liabilities	Closing balance 09/30/2019
Deferred tax assets regarding:					
Provision for sundry risks	(729)	-	-	-	(729)
Cash flow hedge	(55,992)	-	35,034	-	(20,958)
Total temporary differences	(56,721)	-	35,034	-	(21,687)
Tax losses	(23,248)	-	-	-	(23,248)
	(79,969)	-	35,034	-	(44,935)

Parent company liabilities	Opening balance 01.01.18	Recognized in income (loss)	Closing balance 12.31.18	Recognized in income (loss)	Closing balance 09.30.19
Deferred tax liabilities regarding:					
Exchange-rate change recognized on a cash basis	5,614	(303)	5,311	696	6,007
Fair value of the biological assets	33,204	747	33,951	3,459	37,410
Deemed cost and review of useful life	169,325	2,678	172,003	(1,161)	170,842
Government grant	802	(95)	707	(304)	403
Client portfolio	1,062	(269)	793	(201)	592
Amortization of tax goodwill	19,958	4,888	24,846	3,666	28,512
	229,965	7,646	237,611	6,155	243,766

Consolidated liabilities	Opening balance 01.01.18	Recognized in income (loss)	Closing balance 12.31.18	Recognized in income (loss)	Closing balance 09.30.19
Deferred tax liabilities regarding:					
Exchange-rate change recognized on a cash basis	5,614	(303)	5,311	696	6,007
Fair value of the biological assets	36,103	412	36,515	3,271	39,786
Deemed cost and review of useful life	179,659	2,679	182,338	(1,159)	181,179
Government grant	802	(95)	707	(304)	403
Client portfolio	1,062	(269)	793	(201)	592
Amortization of tax goodwill	19,958	4,888	24,846	3,666	28,512
	243,198	7,312	250,510	5,969	256,479

13. INVESTMENTS IN SUBSIDIARIES

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia	Total
December 31, 2017	133,606	78,498	556	249	212,909
Equity in net income of subsidiaries	(12,005)	16,494	(13)	-	4,476
Proposed dividends	-	(14,466)	-	-	(14,466)
Capital contribution	2,200	5,030	-	-	7,230
December 31, 2018	123,801	85,556	543	249	210,149
Equity in net income of subsidiaries	(7,293)	6,470	(2)	-	(825)
September 30, 2019	116,508	92,026	541	249	209,324

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Geração de Energia
Current				
Assets	2,245	39,877	7	13
Liabilities	(2,231)	(349)	-	-
Current assets/liabilities, net	14	39,528	7	13
Non-current				
Assets	133,047	53,046	534	237
Liabilities	(16,552)	(541)	-	-
Non-current assets/liabilities, net	116,495	52,505	534	237
Shareholders' equity	116,509	92,033	541	250
Net revenue	16,490	15,636	-	-
Income/loss before income tax and social contribution	(6,953)	6,975	(1)	-
Income tax and social contribution expense	(340)	(504)	-	-
Income (loss) for the period	(7,293)	6,471	(1)	-
Capital holdings in %	100.00	99.99	100.00	99.56

14. INVESTMENT PROPERTY

Parent Company

	Land	Buildings	Total
December 31, 2018			
Opening balance	22,554	11,051	33,605
Write-off	(6,259)	(7,294)	(13,553)
Depreciation	-	(521)	(521)
Book balance, net	16,295	3,236	19,531
Cost	16,295	5,408	21,703
Accumulated depreciation	-	(2,172)	(2,172)
Book balance, net	16,295	3,236	19,531
September 30, 2019			
Opening balance	16,295	3,236	19,531
Addition	2,432	-	2,432
Write-off	(25)	-	(25)
Transfers	31	(31)	
Depreciation	-	(131)	(131)
Book balance, net	18,733	3,074	21,807
Cost	18,733	5,377	24,110
Accumulated depreciation	-	(2,303)	(2,303)
Book balance, net	18,733	3,074	21,807

Consolidated

	Land	Buildings	Total
December 31, 2018			
Opening balance	6,419	11,051	17,470
Write-off	(6,259)	(7,292)	(13,551)
Depreciation	-	(521)	(521)
Book balance, net	160	3,238	3,398
Cost	160	5,410	5,570
Accumulated depreciation	-	(2,172)	(2,172)
Book balance, net	160	3,238	3,398
September 30, 2019			
Opening balance	160	3,238	3,398
Addition	2,432	-	2,432
Write-off	(51)	-	(51)
Transfers	33	(33)	-
Depreciation	-	(131)	(131)
Book balance, net	2,574	3,074	5,648
Cost	2,574	5,377	7,951
Accumulated depreciation	-	(2,303)	(2,303)
Book balance, net	2,574	3,074	5,648

Land

Relates mainly to plots of land with a total area of 4,454,406 m2, 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$ 16,141. The project for the implementation of wind farms is currently in the evaluation phase, through the subsidiary Irani Geração de Energia Sustentável Ltda.

Buildings

These refer to buildings located in the municipality of Rio Negrinho, state of Santa Catarina, with a constructed area of 25,271 m², and valued at R$ 3,074. These buildings are rented to companies within the region.

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

	Parent Company and Consolidated	
	09.30.19	09.30.18
Rental revenues	321	632
Direct operating expenses that generated rental revenue	(495)	(625)

Investment properties are valued at the historical cost as of September 30, 2019. For disclosure purposes, the Company assessed on December 31, 2018, the fair value less cost to sell of these properties at R$ 35,082 (parent company) and R$ 17,207 (consolidated). The appraisals were conducted by independent experts, who used market inputs related to prices for transactions carried out with similar properties.

Part of the Company's investment properties has been pledged as collateral for financial transactions in the amount of R$ 12,425 as disclosed in Note 17.

On November 13, 2018, the Company entered into an agreement with Panificio Partenon Ltda. for the sale of a portion of the property (land and buildings) of Cachoeirinha - RS through a private instrument of assignment of rights, in the total amount of R$ 7,300, of which R$ 5,300 upon signing and R$ 2,000 in 180 days. The result of this sale was negative by R$ 1,986.

On December 24, 2018, the Company entered into an agreement with Koch Metalúrgica S.A. to sell the remaining portion of the property (land and buildings) of Cachoeirinha - RS through a private instrument for partial assignment of contractual rights and obligations, in the total amount of R$ 4,500, to be paid in 30 equal and successive installments of R$ 150, monetarily restated at 1% per month, with the first maturing within 180 days of the signing of the agreement. The installments falling due will be monetarily restated monthly using the General Market Price Index (IGPM) from FGV. On the same date, the company Koch Metalúrgica S.A. transferred its debt through a private instrument for assumption of debts to Irapar Participações S.A. The result of this sale was negative by R$ 53.

During this period, 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, 2018								
Opening balance	177,118	155,948	358,712	5,482	6,883	41,565	10,190	755,898
Acquisitions	21	79	14,360	1,659	345	25,329	-	41,793
Write-offs	(14)	(57)	(1,035)	(672)	(31)	(301)	(20)	(2,130)
Transfers	-	2,196	20,507	538	83	(23,382)	58	-
Depreciation	-	(5,353)	(39,422)	(1,782)	(1,869)	-	(642)	(49,068)
Third parties’ construction in progress	-	-	-	-	-	(5,324)	-	(5,324)
PIS and COFINS credit	-	(94)	(1,375)	(18)	(47)	(891)	(2)	(2,427)
Book balance, net	177,125	152,719	351,747	5,207	5,364	36,996	9,584	738,742
Cost	177,125	216,033	884,153	14,171	22,948	36,996	16,097	1,367,523
Accumulated depreciation	-	(63,314)	(532,406)	(8,964)	(17,584)	-	(6,513)	(628,781)
Book balance, net	177,125	152,719	351,747	5,207	5,364	36,996	9,584	738,742
September 30, 2019								
Opening balance	177,125	152,719	351,747	5,207	5,364	36,996	9,584	738,742
Acquisitions	-	9	5,046	350	1,185	31,667	-	38,257
Write-offs	-	-	-	(203)	(3)	-	-	(206)
Transfers	-	162	4,604	-	425	(5,191)	-	-
Depreciation	-	(4,261)	(36,966)	(1,175)	(1,466)	-	(483)	(44,351)
Third parties’ construction in progress	-	-	-	-	-	(4,569)	-	(4,569)
PIS and COFINS credit	-	57	515	8	25	201	2	808
Impairment	(15,440)	(20,907)	(15,964)	(219)	(525)	(48)		(53,103)
Held for sale	(41,000)	-	(1,000)	-	-	-	-	(42,000)
Book balance, net	120,685	127,779	307,982	3,968	5,005	59,056	9,103	633,578
Cost	120,685	195,354	877,354	14,107	24,055	59,056	16,099	1,306,710
Accumulated depreciation	-	(67,575)	(569,372)	(10,139)	(19,050)	-	(6,996)	(673,132)
Book balance, net	120,685	127,779	307,982	3,968	5,005	59,056	9,103	633,578

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, 2018								
Opening balance	245,417	157,248	358,831	5,755	7,194	41,583	10,190	826,218
Acquisitions	21	79	14,504	1,977	399	25,807	-	42,787
Write-offs	(14)	(57)	(1,035)	(672)	(46)	(641)	(20)	(2,485)
Transfers	-	2,196	20,507	550	71	(23,382)	58	-
Depreciation	-	(5,443)	(39,454)	(1,889)	(1,988)	-	(642)	(49,416)
Third parties’ construction in progress	-	-	-	-	-	(5,324)	-	(5,324)
PIS and COFINS credit	-	(94)	(1,375)	(18)	(47)	(891)	(2)	(2,427)
Book balance, net	245,424	153,929	351,978	5,703	5,583	37,152	9,584	809,353
Cost	245,424	220,556	884,463	15,104	23,576	37,152	16,097	1,442,372
Accumulated depreciation	-	(66,627)	(532,485)	(9,401)	(17,993)	-	(6,513)	(633,019)
Book balance, net	245,424	153,929	351,978	5,703	5,583	37,152	9,584	809,353
September 30, 2019								
Opening balance	245,424	153,929	351,978	5,703	5,583	37,152	9,584	809,353
Acquisitions	25	9	5,050	350	1,192	31,667	-	38,293
Write-offs	-	(97)	(42)	(204)	(120)	-	-	(463)
Transfers	-	162	4,604	-	425	(5,191)	-	-
Depreciation	-	(4,381)	(37,010)	(1,295)	(1,505)	-	(483)	(44,674)
Third parties’ construction in progress	-	-	-	-	-	(4,569)	-	(4,569)
PIS and COFINS credit	-	57	515	8	25	201	2	808
Impairment	(15,440)	(20,907)	(15,964)	(219)	(525)	(48)		(53,103)
Held for sale	(41,000)	-	(1,000)	-	-	-	-	(42,000)
Book balance, net	189,009	128,772	308,131	4,343	5,075	59,212	9,103	703,645
Cost	189,009	199,780	877,626	15,039	24,573	59,212	16,099	1,381,338
Accumulated depreciation	-	(71,008)	(569,495)	(10,696)	(19,498)	-	(6,996)	(677,693)
Book balance, net	189,009	128,772	308,131	4,343	5,075	59,212	9,103	703,645

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

b) Composition of Intangible assets

Intangible assets

Parent company	Goodwill	Client portfolio	*Software*	Software under development	Total
December 31, 2018					
Opening balance	104,380	3,126	4,582	-	112,088
Acquisitions	-	-	317	20,227	20,544
Write-offs	-	-	(112)	-	(112)
Amortization	-	(792)	(1,517)	-	(2,309)
PIS and COFINS credit	-	-	(20)	-	(20)
Book balance, net	104,380	2,334	3,250	20,227	130,191
Cost	104,380	7,081	12,506	20,227	144,194
Accumulated amortization	-	(4,747)	(9,256)	-	(14,003)
Book balance, net	104,380	2,334	3,250	20,227	130,191
September 30, 2019					
Opening balance	104,380	2,334	3,250	20,227	130,191
Acquisitions	-	-	14	13,297	13,311
Write-offs	-	-	-	(404)	(404)
Transfers	-	-	19,823	(19,823)	-
Amortization	-	(600)	(2,400)	-	(3,000)
PIS and COFINS credit	-	-	10	-	10
Impairment	-	(1,734)	(19)	-	(1,753)
Book balance, net	104,380	-	20,678	13,297	138,355
Cost	104,380	7,081	32,334	13,297	157,092
Accumulated amortization	-	(7,081)	(11,656)	-	(18,737)
Book balance, net	104,380	-	20,678	13,297	138,355

Consolidated	Goodwill	Client portfolio	*Software*	Software under development	Total
December 31, 2018					
Opening balance	104,380	3,126	5,117	-	112,623
Acquisitions	-	-	317	20,227	20,544
Write-offs	-	-	(112)	-	(112)
Amortization	-	(792)	(1,517)	-	(2,309)
PIS and COFINS credit		-	(20)	-	(20)
Book balance, net	104,380	2,334	3,785	20,227	130,726
Cost	104,380	7,081	13,045	20,227	144,733
Accumulated amortization	-	(4,747)	(9,260)	-	(14,007)
Book balance, net	104,380	2,334	3,785	20,227	130,726
September 30, 2019					
Opening balance	104,380	2,334	3,785	20,227	130,726
Acquisitions	-	-	235	13,297	13,532
Write-offs	-	-	-	(404)	(404)
Transfers	-	-	19,823	(19,823)	-
Amortization	-	(600)	(2,400)	-	(3,000)
PIS and COFINS credit	-	-	10	-	10
Impairment	-	(1,734)	(19)	-	(1,753)
Book balance, net	104,380	-	21,434	13,297	139,111
Cost	104,380	7,081	33,094	13,297	157,852
Accumulated amortization	-	(7,081)	(11,660)	-	(18,741)
Book balance, net	104,380	-	21,434	13,297	139,111

c) Depreciation/amortization method

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

	Rate %	
	09.30.19	12.31.18
Buildings and constructions *	2.50	2.50
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 properties

** include weighted financial lease rates

d) Other information

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

Property, plant and equipment in third-party properties refer to the to the renovation 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 absorbed by Celulose Irani S.A.

The breakdown of depreciation of fixed assets in the nine months of 2019 and nine months of 2018 is as follows:

Property, plant and equipment

	Parent company		Consolidated	
	09.30.19	09.30.18	09.30.19	09.30.18
Administrative	1,321	1,611	1,466	1,870
Productive	43,030	34,441	43,208	34,441
	44,351	36,052	44,674	36,311

The breakdown of amortization of intangible assets in the nine months of 2019 and nine months of 2018 is as follows:

Intangible assets

	Parent company		Consolidated	
	09.30.19	09.30.18	09.30.19	09.30.18
Administrative	449	1,528	449	1,528
Productive	1,837	270	1,837	270
	2,286	1,798	2,286	1,798

e) Impairment of property, plant and equipment

Immediately before the initial classification of the held for sale group of assets, the book values of the assets were assessed according to the applicable technical pronouncements. Because of this, the Company recognized, in the terms of the accounting pronouncement CPC 01 – Assets Impairment/IAS 1, the impairment loss relative to the initial reduction of the group of assets held for sale to the fair value less sales expenses.

Impairment values of held for sale assets were identified and recognized in the amount of R$ 53,122 and of client portfolio in the amount of R$ 1,734 referring to discontinued operation described in note 36.

f) Pledged Assets

The Company pledged certain fixed assets as collateral for financing transactions as explained in notes 17 and 18. The amounts presented are based on specific appraisal reports on the date of contracting of operations or on subsequent evaluations, as provided for in the contract, as follows:

	09.30.19
Equipment and Installations	304,666
Buildings and Constructions	90,066
Land	362,156
Total pledged assets	756,888

g) Client portfolio

The client portfolio acquired in the business combination was recognized in the initial moment, at the fair value of R$ 7,081, and had an amortization in the nine months of 2019 amounting to R$ 600 (R$ 594 in the first nine months of 2018), thus, presenting a net book balance of R$ 1,734. The client portfolio suffered an impairment of discontinued operation according to note 36.

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, 2018, 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
Preços médios de vendas de Papel para Embalagens e Embalagem de Papelão Ondulado (% da taxa de crescimento anual)	4.0%
Margem bruta (% sobre a receita líquida)	32.1%
Taxa de crescimento estimada	5.0%
Taxa de desconto (Wacc)	11.08%

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

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. Because the harvesting of the forests planted is carried out based on the consumption of raw materials and sales of timber, and considering that all areas are replanted, the fair values of these biological assets are not significantly affected at the time of harvesting.

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

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Cost of formation of biological assets	36,182	29,782	66,042	89,122
Fair value difference biological assets	25,665	14,248	127,679	97,478
	61,847	44,030	193,721	186,600

Of the total consolidated biological assets, R$ 114,893 (R$ 105,312 on December 31, 2018) 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$ 84,053 (R$ 77,493 on December 31, 2018) 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$ 78,828 (R$ 81,288 as of December 31, 2018), 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		
	09.30.19	12.31.18	Impact in the fair value of biological assets
Planted area (hectares)	18,736	18,274	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 RS - %	7.50%	8.50%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	8.00%	9.00%	If the assumption increases, the fair value decreases
Discount rate - Partnerships - %	8.00%	9.00%	If the assumption increases, the fair value decreases
Net Average Sales Price (m³)	52.00	51.00	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Santa Catarina Forests (*)	37.9	37.9	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Rio Grande do Sul Forests (*)	21.2	21.2	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.

During this period, the Company validated the assumptions and criteria used to determine the fair value of its biological assets and performed the valuation of all its biological assets.

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

The main changes in the year are as follows:

	Parent Company	Consolidated
Balance on December 31, 2017	33,711	190,796
Planting	5,875	10,373
Acquisition of forest	3,387	3,387
Depletion		
Historical cost	(20)	(1,478)
Fair value	(31)	(15,110)
Transfer to capitalization in the subsidiary Iraflor	(5,030)	-
Change in the fair value	6,138	(1,368)
Balance on December 31, 2018	44,030	186,600
Planting	3,022	6,949
Acquisition of forest	4,203	4,203
Depletion		
Historical cost	(675)	(2,171)
Fair value	(441)	(9,004)
Forest sale cost	(150)	(150)
Change in the fair value	11,858	7,294
Balance on September 30, 2019	61,847	193,721

Depletion of biological assets in the first nine months of both 2019 and 2018 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 December 19, 2017, the Company entered into a Purchase and Sale Agreement with Timber XI SPE S.A., through which the latter bought approximately 1,855 hectares of standing timber for R$ 19,100. Because of the sale of forests, the Buyer and the Company signed a Service Agreement, through which the Company, in view of its extensive experience in this field, undertakes to provide forest stewardship services related to the forests, for a period of eight years.

In addition, as part of this transaction, the Company sold to the Buyer the property called Fazenda São Pedro, with approximately 1,520 hectares of total area, for R$ 12,166. Also, in connection with the sale of Fazenda São Pedro, the Buyer and the Company signed a Rural Property Lease Agreement, through which the Company acquired the right to exploit its own forests planted on the property for a period of eight years. The sale agreement includes a repurchase option, exercisable at the end of the lease period, for the same amount, adjusted by changes in the Amplified Consumer Price Index (IPCA).

On April 11, 2016, the Company and its subsidiary Iraflor Comércio de Madeiras Ltda. entered into a Contract for Purchase and Sale of Standing Timber with Global Fund

Reflorestamento e Exploração de Madeira Ltda. (“Global”), through which the Company sold approximately 4,644 hectares of standing timber to Global, for R$ 55,500 million. Pursuant to the Contract, Global acquired the right to explore the Forests for 11 years. The forests sold do not compromise the Company's forest supply, since they exceed the strategic volume necessary to supply the plant of pulp.

Because of this transaction, Global and the Company also entered into a Service Agreement, through which the Company, in view of its extensive experience in this field, undertakes to provide Global with forest stewardship services related to the Forests.

Global granted to the Company's parent company, Irani Participações S.A., purchase options for the acquisition of plots of forests. These options may be exercised annually, either directly by Irani Participações S.A. or through an affiliated, including the Company, over the next 11 (eleven) years. The options for the purchase of forests may or may not be exercised by Irani Participações or the Company, depending on the evolution of the forest market and the Company's strategy of wood supply.

The Company exercised the call options from 2016 to 2018, and they totaled approximately 1,650 hectares of forests. On June 21, 2018, the other call options were cancelled, including the 2018 option, with no call option remaining valid as of this date. Because of the cancellation of the 2018 option, which had been exercised, the call options that were exercised are those relating to the 2016 and 2017 periods, which amount to approximately 1,450 hectares of forests.

In the first semester of 2018, the contribution of new biological assets to the subsidiary Iraflor Comércio de Madeiras Ltda., amounting to R$ 5,030, was authorized, and had the ultimate purpose of improving the management of forestry assets.

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). Due to preceding conditions, following the criteria of CPC 47/IFRS 15, there was no revenue and expense recognition of these operations in the Company's intermediary financial statements as of September 30, 2019.

b) Biological assets pledged as collateral

Part of the biological assets of the Company and its subsidiaries, totaling R$ 85,102, is pledged as collateral for financing transactions as explained in note 17 and 18. The pledged assets represent approximately 44% of the total biological assets, and approximately 6.8 thousand hectares of planted forests.

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 1,000 Ha and currently represents approximately 5% of the total area with the Company's biological assets.

17. LOANS AND FINANCING

a) Breakdown of book balances

		Parent company		Consolidated	
		09.30.19	12.31.18	09.30.19	12.31.18
Current	**Annual Charges %**				
Local currency					
Finame	Fixed at 3.68%, TJLP + 5.24%, Selic + 5.59%	1,324	2,492	1,324	2,492
Working capital	Fixed at 15.16%, CDI + 5.53% e 149.1% CDI	98,177	99,798	98,208	99,834
Working Capital - Syndicated Loan	CDI + 5.00%	-	43,764	-	43,764
Financial lease	Fixo a 13.79%	1,238	1,360	1,238	1,360
BNDES	TJLP + 3.60%	10,894	10,616	10,894	10,616
Total local currency		111,633	158,030	111,664	158,066
Foreign currency					
Advance on Exchange Contract	Fixed between 4.50% e 6.10%	22,899	21,530	22,899	21,530
Bank of America - PPE	Libor + 8.00%	57,248	53,469	57,248	53,469
Banco Santander PPE	Libor + 6.95%	-	2,222	-	2,222
Banco Rabobank and Santander PPE	Libor + 6.95%	-	50,183	-	50,183
Banco LBBW - FINIMP	Euribor + 1.55%	1,573	1,533	1,573	1,533
Banco De Lage Landen	8.2%	402	375	402	375
Total foreign currency		82,122	129,312	82,122	129,312
Total current		193,755	287,342	193,786	287,378
Non-current					
Local currency					
Finame	Fixed at 3.68%, TJLP + 5.24%, Selic + 5.59%	1,600	2,575	1,600	2,575
Working capital	Fixed at 15.16%, CDI + 5.53% e 149.1% CDI	82,914	140,418	82,948	140,474
Working Capital - Syndicated Loan	CDI + 5.00%	-	121,949	-	121,948
Financial lease	Fixo a 13.79%	881	1,094	881	1,094
BNDES	TJLP + 3.60%	14,406	22,554	14,406	22,554
Total local currency		99,801	288,590	99,835	288,645
Foreign currency					
Bank of America - PPE	Libor + 8.00%	56,425	91,747	56,425	91,747
Banco Santander PPE	Libor + 6.95%	-	5,902	-	5,902
Banco Rabobank and Santander PPE	Libor + 6.95%	-	149,967	-	149,967
Banco LBBW - FINIMP	Euribor + 1.55%	-	765	-	765
Banco De Lage Landen	8.2%	301	562	301	562
Total foreign currency		56,726	248,943	56,726	248,943
Total non-current		156,527	537,533	156,561	537,588
Total		350,282	824,875	350,347	824,966

Long-term maturity dates:	09.30.19	12.31.18	09.30.19	12.31.18
2020	36,323	250,322	36,344	250,363
2021	83,982	182,908	83,994	182,922
2022	36,099	104,179	36,099	104,179
2023	117	117	117	117
>2024	6	7	7	7
	156,527	537,533	156,561	537,588

b) Schedule for amortization of funding costs

	Parent Company and Consolidated			
	2019	2020	2021	Total
In domestic currency				
Working capital	(310)	(722)	(84)	(1,116)
Total domestic currency	(310)	(722)	(84)	(1,116)
In foreign currency				
Bank Of America NA - PPE	(102)	(195)	(31)	(328)
Total foreign currency	(102)	(195)	(31)	(328)
	(412)	(917)	(115)	(1,444)

c) Significant operations contracted for the period

In August of 2019, the company finalized the pre-payment of 6 operations that it had contracted with the Rabobank, Itaú BBA and Santander banks using resources obtained with the 3rd emission of debentures.

In September of 2019, the company finalized the extension of the maturity of operations that it had contracted with Safra Bank, amounting to R$ 46,613, moving from an average maturity of 11 months to 29 months.

d) Guarantees

Collateral for the loans and financing include sureties of the parent companies and/or mortgages or lien on land, buildings, machinery and equipment, biological assets (forests), commercial pledges and lien of receivables, amounting to approximately R$ 127,072. Other operations have specific guarantees, as follows:

i) The shares the Company holds in the subsidiary Habitasul Florestal S.A. were offered as collateral for the export prepayment loan obtained from Bank Credit Suisse and assumed by Bank of America on March 28, 2018.

ii) 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, in the total amount of R$ 121,436, were pledged as collateral.

iii) For the working capital loan (CCE) contracted with Bank BTG Pactual, secured and fiduciary guarantees consisting of the Company's assets and rights amounting to R$ 54,816 were pledged.

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.

Financial ratios with annual verification:

i) Working Capital - Banco BTG Pactual CCE

a) Net debt/EBITDA ratio:

	Contracted 2018	Calculated 2018	Contracted 2019	Contracted 2020
i) Working Capital – Banco BTG Pactual CCE	4.5	3.88	4	3.5

b) EBITDA ratio on net financial expense:

	Contracted 2018	Calculated 2018	Contracted 2019	Contracted 2020
i) Working Capital – Banco BTG Pactual CCE	1.50	1.85	2	2

As of September 30, 2019, there was no need for calculation of financial ratios because the company calculates them annually. As of December 31, 2018, the company met all the financial ratios listed above.

Financial ratios with quarterly verification:

Bank of America - PPE

a) Net debt/EBITDA ratio:

	1Q18 to 3Q18	4Q18 to 3Q19	4Q19 to 3Q20	4Q20 to 2Q21
Contracted	5	4.5	4	3.5
Calculated	3.5 – 3.58 – 3.29	3.88 – 3.95 – 3.89 – 4.22	-	-

b) EBITDA ratio on net financial expense:

	1Q18	2Q18 to 3Q18	4Q18 to 2Q21
Contracted	1,5	1,75	2
Calculated	2.09	2.12 – 2.23	1.85 – 1.88 – 1.90 – 2.43

On September 30, 2019 the company met the financial ratios contracted and on December 31, 2018, March 31, 2019 and June 30, 2019, the Company obtained a waiver from the creditor for failing to comply with the ratio indicated in item “b”.

Caption:
TJLP – Long Term Interest Rate
EBITDA - Operating income (loss) plus net financial expenses (revenues) and depreciation, depletion and amortization.
CDI – Interbank deposit certificate.

f) Summary changes in loans and financing

Parent company		**Changes in cash**		**Changes not involving cash**				
	12.31.17	Receipt/(Payment) of financing activities	Payment of interest / Dividends	Exchange-rate change and interest	Hedge accounting	Proposed dividends	Linked bank account	12.31.18
Loans and financing	772,096	(23,477)	(68,675)	98,237	46,694	-	-	824,875
Interest on own capital and dividends	91	-	(68)	-	-	3,746	-	3,769

Parent company		**Changes in cash**		**Changes not involving cash**				
	12.31.18	Receipt/(Payment) of financing activities	Payment of interest / Dividends	Exchange-rate change and interest	Hedge accounting	Proposed dividends	Linked bank account	09.30.19
Loans and financing	824,875	(530,722)	(21,672)	180,845	(103,044)	-	-	350,282
Interest on own capital and dividends	3,769	-	(3,725)	-	-	-	-	44

Consolidated		**Changes in cash**		**Changes not involving cash**				
	12.31.17	Receipt/(Payment) of financing activities	Payment of interest / Dividends	Exchange-rate change and interest	Hedge accounting	Proposed dividends	Linked bank account	12.31.18
Loans and financing	772,096	(23,386)	(68,675)	98,237	46,694	-	-	824,966
Interest on own capital and dividends	91	-	(68)	-	-	3,746	-	3,769

Consolidated		**Changes in cash**		**Changes not involving cash**				
	12.31.18	Receipt/(Payment) of financing activities	Payment of interest / Dividends	Exchange-rate change and interest	Hedge accounting	Proposed dividends	Linked bank account	09.30.19
Loans and financing	824,966	(530,755)	(21,672)	180,852	(103,044)	-	-	350,347
Interest on own capital and dividends	3,769	-	(3,725)	-	-	-	-	44

18. DEBENTURES

On June 24, 2019, the company's administrative board approved the third public emission of simple debentures, non-convertible in shares, of the unsecured species to be converted to a real guarantee species, in a unique series, for public distribution, with restricted distribution efforts, that will be composed by 580,000 debentures, with a nominal value of R$1, totaling, on issuance date, the amount of R$ 580,000, observing the possibility of a partial distribution of debentures, as long as, at least, 500.000 debentures are placed, totaling the amount of R$ 500.000 ("Minimum quantity of issuance" and "Partial Distribution") with a minimum maturity of 6 years, beginning after the issuance date ("Debentures" and "Issuance" respectively).

According to relevant fact disclosed on July 31, 2019, the partial distribution of debentures was realized, thus, the issuance was composed by 505.000 debentures, with a unit nominal value of R$ 1, totaling, on the issuance date, the amount of R$ 505,000, with the consequential canceling of non-subscribed or paid-up.

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

			Parent Company and Consolidated	
Current	**Issuance**	**Annual interest %**	09.30.19	12.31.18
In domestic currency				
Simple debentures	07.19.19	CDI + 4.50% a.a.	6,482	-
Current total			6,482	-
Non-current				
In domestic currency				
Simple debentures	07.19.19	CDI + 4.50% a.a.	495,492	-
Non-current total			495,492	-
			501,974	-

	Parent Company and consolidated	
Long term maturities:	09.30.19	12.31.18
2020	-	-
2021	-	-
2022	-	-
2023	165,164	-
>2024	330,328	-
	495,492	-

a) Schedule of amortization of fundraising costs:

	Issuance	2019	2020	2021	2022	2023	> 2024	Total
In domestic currency								
Simple debentures	07.19.19	471	1,993	2,216	2,471	2,281	2,012	11,444
Total domestic currency		471	1,993	2,216	2,471	2,281	2,012	11,444

b) Collateral:

i) The debentures are guaranteed by the following assets amounting to R$ 711,036; as follows:

- Forestry assets (6,770.21 hectare of commercial wood plantations, including plantations of pine and eucalyptus) totaling R$ 85,102.
- Paper and pulp plant located at Vila Campina da Alegria, Vargem Bonita in the amount of R$ 49,638.
- Machines and equipment owned by the Issuer, located at the referred plant,

totaling R$ 240,162.

- Rural properties (land), located in the cities of Ponte Serrada, Catanduvas, Água Doce, Irani and Vargem Bonita totaling R$ 273,834.
- Until the formation of real guarantees object of the collateral contracts, it will be maintained in linked account, the remaining balance of issuance, less the issuance costs and payment of certain debts, as written in the deed of trust. The balance maintained after deductions on September 30, 2019 is R$ 31,728. The company has a deadline of 90 days for the formation of real guarantees.
- Fiduciary cession of trade credit rights totaling R$ 50,000, to be formed in a gradual manner in the maximum period of 9 months counting from the date of issuance. On the date of issuance, credit rights amounting to R$ 20,000 were already established. The difference of R$ 30,000 to be established, was kept in the linked account. A monthly verification of the trade credit rights will be performed to ensure the release of funds from the linked account. On September 30, 2019, the Company had already formed R$ 32,299 of the amounts, allowing the release of R$ 12,299 on the first day of the following month.

c) Restrictive Financial Covenants

Financial ratios with annual verification

i. Net Debt/EBITDA ratio:

Contracted 2019	Contracted 2020	Contracted 2021	Contracted 2022	Contracted 2023	Contracted 2024
4.00	3.50	3.50	3.50	3.50	3.50

ii. EBITDA/Net financial expense ratio:

Contracted 2019	Contracted 2020	Contracted 2021	Contracted 2022	Contracted 2023	Contracted 2024
1.25	1.75	2.00	2.00	2.00	2.00

d) Debentures' summary of movements:

Parent Company and Consolidated		**Changes in cash**		**Changes not involving cash**	
	12.31.17	Receipt/(Payment) of financing activities	Payment of interest / Dividends	Interest	12.31.18
Debentures	-	-	-	-	-

Consolidated		**Changes in cash**		**Changes not involving cash**	
	12.31.18	Receipt/(Payment) of financing activities	Payment of interest / Dividends	Interest	09.30.19
Debentures	-	493,272	-	8,702	501,974

19. SUPPLIERS

Payables to suppliers are as follows:

	Parent company		Consolidated	
CURRENT	09.30.19	12.31.18	09.30.19	12.31.18
Internal	77,202	93,636	77,572	94,533
External	1,808	552	1,808	552
Related parties	38,625	24,795	-	-
	117,635	118,983	79,380	95,085

20. RELATED PARTIES

Parent company	Credits receivable		Accounts payable	
	09.30.19	31.12.18	09.30.19	31.12.18
Habitasul Florestal S.A.	-	-	496	1,056
Iraflor - Com. de Madeiras Ltda	-	-	38,357	23,752
Management remuneration	-	-	889	1,907
Management profit sharing	-	-	-	692
Habitasul Desenvolvimentos Imobiliários	-	-	18	17
Koch Metalúrgica S.A.	-	157	-	-
Irani Participações S/A	4,376	4,500	310	764
Total	4,376	4,657	40,070	28,188
Current portion	2,020	1,957	40,070	28,188
Non-current portion	2,356	2,700	-	-

Parent company	Revenues		Expenses		Revenues		Expenses	
	3 month period ended		3 month period ended		9 month period ended		9 month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18	09.30.19	09.30.18	09.30.19	09.30.18
Habitasul Florestal S.A.	-	-	2,591	2,828	-	-	10,198	8,197
Iraflor - Com. de Madeiras Ltda	-	-	5,004	3,304	-	-	13,531	16,011
Druck, Mallmann, Oliveira & Advogados Associados	-	-	72	72	-	-	216	216
MCFD Administração de Imóveis Ltda	-	-	349	324	-	-	1,047	972
PFD Administradora de Imóveis Ltda			-	324			-	972
Irani Participações S/A	-	-	1,315	2,416	-	-	5,853	6,996
Habitasul Desenvolvimentos Imobiliários	-	-	46	44	-	-	144	132
Koch Metalúrgica S.A.	-	120	-	-	-	270	-	-
Management remuneration	-	-	2,350	2,247	-	-	6,982	6,610
Total	-	120	11,727	11,559	-	270	37,971	40,106

Consolidated	Credits receivable		Accounts payable	
	09.30.19	31.12.18	09.30.19	31.12.18
Habitasul Desenvolvimentos Imobiliários	-	-	18	17
Management remuneration	-	-	889	1,907
Koch Metalúrgica S.A.	-	157	-	-
Irani Participações S/A	4,376	4,500	310	764
Management profit sharing	-	-	-	692
Total	4,376	4,657	1,217	3,380
Current portion	2,020	1,957	1,217	3,380
Non-current portion	2,356	2,700	-	-

Consolidated	Revenues		Expenses		Revenues		Expenses	
	3 month period ended		3 month period ended		9 month period ended		9 month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18	09.30.19	09.30.18	09.30.19	09.30.18
Irani Participações S/A	-	-	1,315	2,416	-	-	5,853	8,197
Druck, Mallmann, Oliveira & Advogados Associados	-	-	72	72	-	-	216	216
MCFD Administração de Imóveis Ltda	-	-	349	324	-	-	1,047	972
PFD Administradora de Imóveis Ltda	-	-	-	324	-	-	-	972
Management remuneration	-	-	2,363	2,247	-	-	7,021	6,610
Habitasul Desenvolvimentos Imobiliários	-	-	46	44	-	-	144	132
Koch Metalúrgica S.A.	-	120	-	-	-	270	-	-
Total	-	120	4,145	5,427	-	270	14,281	17,099

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 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$ 128, updated annually according to the same change in the General Market Price Index (IGPM), as measured by the Getúlio Vargas Foundation.

Directors' fee expenses with no social charges totaled, in the parent company, R$ 6,982 in the first nine months of 2019 (R$ 6,610 in the first nine months of 2018) and in consolidated, R$ 7,021 in the first nine months of 2019 (R$ 6,610 in the first nine months of 2018).

The total management remuneration, in the maximum amount of R$ 13,000, was approved at the Annual Shareholders' Meeting held on April 29, 2019.

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.

21. TAX INSTALLMENTS

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 said contributions. 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. The balance of this installment as of September 30, 2019 is R$ 25,421 (R$ 29,218 as of December 31, 2018), of which R$ 6,779 are classified in the short term (R$ 6,493 as of December 31, 2018) and R$ 18,642 are classified in the long term (R$ 22,275 as of December 31, 2018).

22. PROVISIONS FOR CIVIL, LABOR AND TAX RISKS

The Company and its subsidiaries are parties to tax, civil, and labor lawsuits, and administrative proceedings of a tax nature. Management, supported by the opinion of its attorneys and legal counsel, believes that the provisions recorded for civil, labor and tax contingencies are enough to cover probable losses.

Breakdown of the balance of provisions:

	Parent company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Civil provisions	2,052	1,635	6,052	1,635
Labor provisions	4,717	6,550	5,037	6,874
Tax provisions	16,245	14,797	16,245	14,797
Total	23,014	22,982	27,334	23,306

Parent company	12.31.18	Provision	Payments	Reversal	Restricted judicial deposits	09.30.19
Civil	1,635	425	-	(8)		2,052
Labor	6,550	969	(1,819)	-	(983)	4,717
Tax	14,797	1,448	-	-		16,245
	22,982	2,842	(1,819)	(8)	(983)	23,014

Consolidated	12.31.18	Provisão	Payments	Reversal	Restricted judicial deposits	09.30.19
Civil	1,635	4,425	-	(8)		6,052
Labor	6,874	1,001	(1,819)	(9)	(1,010)	5,037
Tax	14,797	1,448	-	-		16,245
	23,306	6,874	(1,819)	(17)	(1,010)	27,334

The consolidated provisions mainly refer to:

a) Civil lawsuits relate, among other issues, to indemnification claims and Commercial Representation contractual terminations. As of September 30, 2019, the provision for possible convictions in these lawsuits totaled R$ 6,052.

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$ 5,037 on September 30, 2019, which is considered enough to cover potential losses arising from labor losses.

c) Tax provisions totaled R$ 16,245 and relate mainly to:

i) Appropriation of Deemed ICMS Credit in the State of Minas Gerais, linked to the Protocol of Intentions for Investment in the Paper plant located in the Municipality of Santa Luzia, which was not started since the Company is awaiting authorization from the Environmental Bodies and for its strategic market reasons. The amount recognized up to September 30, 2019 totaled R$ 7,548, and a related provision for tax risks was recorded, at the adjusted amount of R$ 10,236.

ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R$ 833. 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 September 30, 2019, the amounts of these possible contingencies of a labor, civil, environmental and tax nature were as follows:

	Consolidated	
	09.30.19	12.31.18
Labor provisions	9,679	10,422
Civil provisions	4,434	8,539
Tax provisions	113,173	99,884
	127,286	118,845

Labor contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R$ 9,679 on September 30, 2019 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 tax lawsuits classified by management and its legal counsel as involving risk of possible losses totaled R$ 4,434 on September 30, 2019 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$ 113,173 on September 30, 2019, 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$ 44,104 on September 30, 2019. 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$ 39,121 on September 30, 2019. 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$ 15,869 as of September 30, 2019. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

- Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R$ 6,028 on September 30, 2019. 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$ 3,508 on September 30, 2019. 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 said lawsuits refer to values wrongly collected by Celulose Irani S.A. and by the incorporated company Indústria de Papel e Papelão São Roberto S.A. The said lawsuits have the following numbers: 2006.34.00.035946-0 (TRF1) and 5035712-95.2016.4.04.7100 (TRF4).

In relation to lawsuit number 2006.34.00.035946-0 (Celulose Irani S.A.), the company has received a favorable decision for which the right to exclude ICMS from the calculation basis of PIS and COFINS is granted for the period starting in November of 2001. Based on this, the potential 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) pertaining to the periods preceding the start date of the lawsuit by 5 years (November 2006) until the period of March 2017 (date of the Supreme Court decision), calculated based on the ICMS value in the sale invoice according to the decision issued in the lawsuit, in line with the Supreme Court decision on RE 574.706 – Theme 69. The company recognized credit in the quarterly financial statements of this quarter, given that the criteria of practically favorable decision was met, and is arranging the habilitation of the referred credit for compensation with future federal taxes and estimates that the total credit will be employed in the next 2 years.

In relation to lawsuit 5035712-95.2016.4.04.7100 (Indústria de Papel e Papelão São Roberto S.A.), the company awaits the final decision and, based on preliminary analysis, prepared based on information available on September 30, 2019, according to judicial decisions proffered to date (both in the sense of determining the exclusion of outstanding ICMS on invoices), the company estimates the potential amount of updated credits in approximately R$ 17,000, corresponding to fiscal years that predate the lawsuits´ starting date by 5 years until December 2014 (the incorporation date). The said amount can be significantly altered because the final decision about the modulation request presented by the federal government in the process of the leading case is still not complete, and because the uncertainty regarding a fixed model of calculating the exclusion of outstanding ICMS or ICMS to collect from the base of PIS/COFINS.

23. SHAREHOLDER´S EQUITY

a) Capital

On September 30, 2019 and December 31, 2018, the capital is R$ 161,895, comprised of 166,720,235 shares with no par value, being 153,909,975 common 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		Parent company	
		09.30.19		12.31.18	
		Quant.	Amount	Quant.	Amount
i) Repurchase Plan	Common	24,000	30	24,000	30
iii) 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) Share-based payment

In 2013, the Company introduced a share-based remuneration plan, called the First Stock Option Plan (Program I), settled with its own shares, under which the Company received services from employees as consideration for equity instruments (stock options) of the Company.

The stock options were granted to management and certain employees, in accordance with the decision of the Board of Directors on May 9, 2012 and approval at the Extraordinary General Meeting held on May 25, 2012. All options were exercised from April 1, 2013 to April 30, 2013. The Company does not have any legal or non-formalized obligation (constructive obligation) of repurchasing or settling options in cash.

The options exercised by the participants totaled 1,612,040 shares, at the average exercise price of R$ 1.26 per share.

d) Profit reserves

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

i) In compliance with the Company's Bylaws, the legal reserve is formed through the allocation of 5% of net income for the year and may be used to offset the losses or for capital increase.

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 profit 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.

iv) The tax incentive reserve was recorded by the portion of net income from previous years derived from government grants for investments, according to items ii. and iii. of Note 33 and is excluded from basis of mandatory dividend.

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 September 30, 2019, net of tax effects, represented a credit balance of R$ 180,887 (R$ 187,597 on December 31, 2018).

The financial instruments designated as cash flow hedges, net of tax effects, were also recorded in book value adjustments, and corresponded to a debit balance of R$ 40,682 on September 30, 2019 (R$ 108,691 at December 31, 2018). The hedge accounting balance changes are shown in note number 31.

Changes in equity valuation adjustments are as follows:

	Consolidated
December 31, 2017	118,672
Cash flow hedge	(30,818)
Realization - deemed cost	(8,948)
December 31, 2018	78,906
Cash flow hedge	68,009
Realization - deemed cost	(6,710)
September 30, 2019	140,205

24. PROFIT (LOSS) PER SHARE

The basic and diluted loss per share is calculated by dividing the loss from continued and discontinued operations attributable to the Company’s shareholders by the weighted average number of shares available during the year. The shares are not subject to the effects of potential dilution, such as debt convertible into shares. Consequently, diluted losses per share are equal to basic losses per share.

a) Basic and diluted profit/loss from continued operations:

	Three-month period ended September 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
Income for the attributable year to each type of shares	14,338	974	15,312
Basic and diluted profit per share - R$	0.0932	0.0932	

	Three-month period ended September 30, 2018		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable year to each type of shares	24,745	1,682	26,427
Basic and diluted profit per share - R$	0.1608	0.1608	

	Nine-month period ended September 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
Income for the attributable year to each type of shares	11,519	783	12,302
Basic and diluted profit per share - R$	0.0749	0.0749	

	Nine-month period ended September 30, 2018		
	Common Shares	Preferred shares	Common & Preferred shares Total
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable year to each type of shares	39,656	2,695	42,351
Basic and diluted profit per share - R$	0.2577	0.2577	

b) Basic and diluted profit/loss from discontinued operations:

	Three-month period ended September 30, 2019		
	Ações ON Ordinárias	Ações PN Preferenciais	Ações ON e PN Total
Média ponderada da quantidade de ações	153,885,975	10,458,160	164,344,135
Prejuízo do período atribuível a cada espécie de ações	(69,436)	(4,719)	(74,155)
Prejuízo por ação básico e diluído - R$	(0.4512)	(0.4512)	

	Three-month period ended September 30, 2018		
	Ações ON Ordinárias	Ações PN Preferenciais	Ações ON e PN Total
Média ponderada da quantidade de ações	153,885,975	10,458,160	164,344,135
Lucro do período atribuível a cada espécie de ações	(4,127)	(280)	(4,407)
Prejuízo por ação básico e diluído - R$	(0.0268)	(0.0268)	

	Nine-month period ended September 30, 2019		
	Ações ON Ordinárias	Ações PN Preferenciais	Ações ON e PN Total
Média ponderada da quantidade de ações	153,885,975	10,458,160	164,344,135
Prejuízo do período atribuível a cada espécie de ações	(84,533)	(5,745)	(90,278)
Prejuízo por ação básico e diluído - R$	(0.5493)	(0.5493)	

	Nine-month period ended September 30, 2018		
	Ações ON Ordinárias	Ações PN Preferenciais	Ações ON e PN Total
Média ponderada da quantidade de ações	153,885,975	10,458,160	164,344,135
Lucro do período atribuível a cada espécie de ações	(19,017)	(1,292)	(20,309)
Prejuízo por ação básico e diluído - R$	(0.1236)	(0.1236)	

25. NET SALES

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

	Parent Company		Parent Company	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Gross sales of goods	303,832	268,792	839,987	721,994
Sales tax	(63,177)	(51,592)	(170,341)	(136,208)
Sales returns	(4,290)	(2,606)	(11,709)	(6,095)
Net sales	236,365	214,594	657,937	579,691

	Consolidated		Consolidated	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Gross sales of goods	306,562	271,197	848,267	731,141
Sales tax	(63,297)	(51,661)	(170,540)	(136,838)
Sales returns	(4,352)	(2,614)	(11,920)	(6,254)
Net sales	238,913	216,922	665,807	588,049

26. COSTS AND EXPENSES BY TYPE

Breakdown of expenses per type is shown as follows:

	Parent Company		Parent Company	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Fixed and variable costs (raw and consumption material)	(132,687)	(107,796)	(363,376)	(289,742)
Personnel expenses	(32,283)	(30,744)	(96,387)	(89,012)
Change in fair value - biological assets	9,239	3,118	11,858	7,356
Depreciation, amortization and depletion	(14,547)	(12,080)	(46,664)	(34,004)
Freight - Sales	(11,442)	(11,341)	(34,936)	(29,427)
Contracting services	(5,922)	(5,325)	(7,731)	(15,931)
Other sales expenses	(9,566)	(8,569)	(25,665)	(23,809)
Total costs and expenses by type	(197,208)	(172,737)	(562,901)	(474,569)
Portion of cost	(172,696)	(142,740)	(473,424)	(390,200)
Portion of expense	(33,751)	(33,115)	(101,335)	(91,725)
Change in fair value of biological assets	9,239	3,118	11,858	7,356

	Consolidated		Consolidated	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Fixed and variable costs (raw and consumption material)	(124,581)	(102,977)	(346,731)	(268,783)
Personnel expenses	(35,825)	(33,495)	(99,929)	(96,715)
Change in fair value - biological assets	5,956	4,960	7,294	9,083
Depreciation, amortization and depletion	(18,452)	(14,618)	(57,044)	(45,862)
Freight - Sales	(11,495)	(11,341)	(34,989)	(29,427)
Contracting services	(6,439)	(5,874)	(8,249)	(17,090)
Other sales expenses	(10,640)	(8,569)	(27,919)	(23,809)
Total costs and expenses by type	(201,476)	(171,914)	(567,567)	(472,603)
Portion of cost	(172,107)	(143,262)	(470,247)	(388,835)
Portion of expense	(35,325)	(33,612)	(104,614)	(92,851)
Change in fair value of biological assets	5,956	4,960	7,294	9,083

27. OPERATING REVENUES AND EXPENSES

Revenues	Parent Company		Parent Company	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Revenue from claimed and disposed goods	166	367	576	710
Credits from PIS and COFINS in the basis of ICMS	74,124	-	74,124	-
Other operating revenues	1,135	277	2,110	1,151
	75,425	644	76,810	1,861

Expenses	Parent Company		Parent Company	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Costs of claimed and disposed goods	(166)	(69)	(385)	(1,173)
Exclusion of ICMS from contribution basis of PIS and COFINS	-	2,682	-	(2,514)
Fine - exclusion of ICMS from the base of contributions of PIS and COFINS	-	4,942	-	4,350
Reversal of provision for loss of receivables XKW Trading	-	-	-	500
Provision of government grants - State of MG	(317)	(411)	(1,069)	(1,244)
Other operating expenses	(314)	(444)	(1,625)	(314)
	(797)	6,700	(3,079)	(395)
Total	74,628	7,344	73,731	1,466

Revenues	Consolidated		Consolidated	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Revenue from claimed and disposed goods	166	367	166	710
Credits from PIS and COFINS in the basis of ICMS	74,124	-	74,124	-
Other operating revenues	1,143	285	2,556	1,375
	75,433	652	76,846	2,085

Expenses	Consolidated		Consolidated	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Costs of claimed and disposed goods	(166)	(69)	(385)	(1,174)
Exclusion of ICMS from contribution basis of PIS and COFINS	-	2,682	-	(2,514)
Fine - exclusion of ICMS from the base of contributions of PIS and COFINS	-	4,942	-	4,350
Reversal of provision for loss of receivables XKW Trading	-	-	-	500
Contingency on subsidiary Habitasul Florestal	(4,000)	-	(4,000)	-
Provision of government grants - State of MG	(317)	(411)	(1,069)	(1,244)
Other operating expenses	(347)	(445)	(1,661)	(329)
	(4,830)	6,699	(7,115)	(411)
Total	70,603	7,351	69,731	1,674

28. FINANCIAL REVENUES AND EXPENSES

	Parent Company		Parent Company	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Financial revenues				
Yields from financial investments	585	1,317	1,722	3,201
Interest	56,944	176	57,637	551
Discounts obtained	37	33	372	251
	57,566	1,526	59,731	4,003
Exchange-rate change				
Foreign-exchange income	13,163	6,902	20,472	15,552
Foreign exchange costs	(101,493)	(7,589)	(125,642)	(13,877)
Net exchange rate change	(88,330)	(687)	(105,170)	1,675
Financial expenses				
Interest	(55,092)	(23,811)	(98,631)	(67,049)
Discounts granted	(195)	(229)	(467)	(508)
Negative goodwill/bank expenses	(221)	(201)	(670)	(173)
Liability interest on leases	(489)	-	(1,503)	-
Other	(2,677)	(81)	(2,776)	(733)
	(58,674)	(24,322)	(104,047)	(68,463)
Net financial income (loss)	(89,438)	(23,483)	(149,486)	(62,785)

	Consolidated		Consolidated	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Financial revenues				
Yields from financial investments	590	1,327	1,750	3,229
Interest	56,944	176	57,637	549
Discounts obtained	40	33	373	251
	57,574	1,536	59,760	4,029
Exchange-rate change				
Foreign-exchange income	13,163	6,903	20,471	15,555
Foreign exchange costs	(101,493)	(7,589)	(125,642)	(13,877)
Net exchange rate change	(88,330)	(686)	(105,171)	1,678
Financial expenses				
Interest	(55,095)	(23,814)	(98,638)	(67,058)
Discounts granted	(195)	(229)	(467)	(508)
Negative goodwill/bank expenses	(222)	(201)	(673)	(173)
Liability interest on leases	(489)	-	(1,503)	-
Other	(2,677)	(82)	(2,776)	(733)
	(58,678)	(24,326)	(104,057)	(68,472)
Net financial income (loss)	(89,434)	(23,476)	(149,468)	(62,765)

Interest financial revenue is impacted by the recognition of correction of PIS and COFINS

credits by Selic interest rate, relative to the exclusion of ICMS from the PIS and COFINS basis of calculation, which had a final decision, as described in Note 22.
The negative exchange rate change expense is impacted by the realization of hedge accounting due to the settlement of financial operations that were part of the hedge accounting instrument, as described in note 31.

29. INCOME TAX AND SOCIAL CONTRIBUTION

Effective rate reconciliation of referred taxes:

	Parent Company		Parent Company	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Operating income/(loss) before tax effects	18,644	28,784	18,456	54,062
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(6,339)	(9,787)	(6,275)	(18,381)
Unrecognized income tax and social contribution	193	-	(9,843)	-
Tax effect from permanent (additions) exclusions:				
Equity in net income of subsidiaries	(1,939)	1,042	(281)	3,488
Other permanent differences	4,753	6,388	10,245	3,182
	(3,332)	(2,357)	(6,154)	(11,711)
Current income tax and social contribution	-	-	-	-
Deferred income tax and social contribution	(3,332)	(2,357)	(6,154)	(11,711)
Effective rate - %	17.9	8.2	33.3	21.7

	Consolidated		Consolidated	
	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Operating income/(loss) before tax effects	18,606	28,883	18,503	54,355
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(6,326)	(9,820)	(6,291)	(18,481)
Unrecognized income tax and social contribution	193	-	(9,843)	-
Tax effect from permanent (additions) exclusions:				
Subsidiaries taxed by the presumed profit	1,938	(1,043)	662	(5,336)
Other permanent differences	901	8,407	9,271	11,813
	(3,294)	(2,456)	(6,201)	(12,004)
Current income tax and social contribution	(77)	(67)	(233)	(325)
Deferred income tax and social contribution	(3,217)	(2,389)	(5,968)	(11,679)
Effective rate - %	17.7	8.5	33.5	22.1

30. INSURANCE

Insurance coverage is determined according to the nature of the risks to the assets and is considered enough to cover possible losses arising from damages. On September 30, 2019, 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. Group 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 (borrowings detailed in Note 17 and 18, less cash and bank balances), and linked bank account, as detailed in notes 5 and 9, and shareholders' equity (which includes issued capital, reserves and retained earnings, as disclosed in Note 23).

The Company is not subject to any external capital requirements.

Company's Management periodically reviews its capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Company intends to maintain a capital structure from 50% to 70% of own capital and from 50% to 30% of third-party capital. On September 30, 2019, the capital structure comprised 28% of own capital and 72% of third-party capital.

Indebtedness Level

The indebtedness index on September 30, 2019 and December 31, 2018 is as follows:

	Parent Company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Debt (a)	852,256	824,875	852,321	824,966
Cash and balance in banks	(17,481)	(130,778)	(19,003)	(132,219)
Linked Bank Accounts	(61,728)	-	(61,728)	-
Net debt	773,047	694,097	771,590	692,747
Shareholders' equity (b)	299,193	309,160	299,201	309,168
Net debt ratio	2.58	2.25	2.58	2.24

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

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

Categories of financial instruments

	Parent Company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Financial assets				
Fair value through profit or loss				
Cash and balance in banks	17,481	130,778	19,003	132,219
Linked Bank Accounts	61,728	-	61,728	-
Amortized cost				
Trade accounts receivable	179,720	169,226	181,108	170,873
Other accounts receivable	2,416	783	2,622	819
Financial liabilities				
Amortized cost				
Loans and financing	350,282	824,875	350,347	824,966
Debentures	501,974	-	501,974	-
Suppliers	117,635	118,983	79,380	95,085
Advances from clients	7,212	1,395	7,302	1,399

Financial risk factors

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

Aiming to establish rules for financial management, the Company has maintained the

Financial Management Policy since 2010. Such Policy regulates and establishes guidelines for the use of financial instruments.

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

Foreign exchange exposure risk

The Company has transactions in the foreign market that are exposed to fluctuations in the exchange rates of foreign currencies. As of September 30, 2019, and December 31, 2018, these operations presented a net liability exposure as the table below.

As most of the loans and financing in foreign currency are repayable in the long-term, the Company hedges the net foreign exchange exposure with the equivalent to 7 months of exports, based on the average of exports carried out in the nine-month period of 2019 and to 8 months of exports based on the average exports carried out in 2018.

	Parent Company		Consolidated	
	09.30.19	12.31.18	09.30.19	12.31.18
Accounts receivable	31,359	25,303	31,359	25,303
Advances from clients	(6,954)	(565)	(6,954)	(565)
Suppliers	1,808	552	1,808	552
Loans and financing	(138,848)	(378,255)	(138,848)	(378,255)
Net exposure	(112,635)	(352,965)	(112,635)	(352,965)

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 shareholders' equity, as described below:

1 – Base scenario: for the definition of the base scenario, the U.S. dollar quotation used by the Company is based on future market projections of B3 for the next reporting date (December 31, 2019).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for December 31, 2019.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for December 31, 2019.

Operation	Balance on 09.30.19		Base scenario Gain (Loss)		Adverse scenario Gain (Loss)		Remote scenario Gain (Loss)
	US$	Rate	R$	Rate	R$	Rate	R$
Assets							
Accounts receivable and linked bank accounts	7,530	4.18	106	5.22	7,971	6.27	15,836
Liabilities							
Suppliers and advances from clients	(1,236)	4.18	(17)	5.22	(1,308)	6.27	(2,599)
Loans and financing	(33,342)	4.18	(467)	5.22	(35,297)	6.27	(70,118)
Net effect			(378)		(28,634)		(56,881)

The Company maintains a natural cash flow hedge on exports amounting to US$ 27,375, which pursuant to the accounting practice is not considered for purposes of this sensitivity analysis.

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. The balances on September 30, 2019 were used as a basis for the projection of the future balance. The effective behavior of the debt balances will respect their respective contracts. Moreover, the balances of accounts receivable and payable may fluctuate due to the normal activities of the Company and its subsidiaries. However, settling the transactions involving such estimates may result in sums different from those estimated, owing to the subjectivity contained in the procedure used to prepare 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), LIBOR (London Interbank Offered 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 (December 31, 2019). 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 December 31, 2019.

3 – Remote scenario: 50% adjustment of interest rates compared to the level projected for December 31, 2019.

Operation	Index	Balance 09.30.19	Base scenario Gain (loss) Rate % p.a.	R$	Adverse scenario Gain (loss) Rate % p.a.	R$	Remote scenario Gain (loss) Rate % p.a	R$
Cash and cash equivalents								
CDB	CDI	66,807	5.40%	-	6.75%	872	8.10%	1,743
Funding								
Working capital	CDI	(690,464)	4.87%	3,979	6.75%	(10,136)	8.10%	(20,273)
BNDES	TJLP	(25,300)	5.95%	-	7.44%	(376)	8.93%	(753)
Finame	TJLP	(2,053)	5.95%	-	7.44%	(31)	8.93%	(61)
Finame	SELIC	(320)	4.87%	2	6.09%	(2)	7.31%	(6)
Financing in foreign currency	Libor 3M	(11,400)	1.99%	113	2.48%	(453)	2.98%	(1,019)
Financing in foreign currency	Euribor 6M	(1,573)	0.00%	-	0.00%	-	0.00%	-
Net Effect on Income				4,094		(10,126)		(20,369)

Fair value vs. book value

Fair value is the price received upon the sale of an asset or which would be paid by transfer of 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 - considering the renegotiations of recent debts and the interest rates on loans contracted, and based on market information, we believe that the fair value of borrowings does not differ significantly from its book value.

Credit risks

The Company's credit sales are managed through a credit rating and credit granting policy. Doubtful loans are adequately covered by provision to cope with possible losses 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 backed by debt acknowledgment agreements, machinery, equipment, and properties pledged as collateral, in addition to individual sureties guaranteeing the amount of debt.

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, which comprises cash, interest earning bank deposits, flows of accounts receivable and payable, and payment of loans and financing. The liquidity management policy involves projections of cash flows in currencies used and a reflection on the net assets required to reach these projections, the monitoring of the liquidity ratios of the balance sheet in relation to internal and external regulatory requirements and the maintenance of debt financing plans.

The table below shows the maturity ranges of the financial liabilities contracted by the Company, where the reported amounts include the principal and fixed interest on transactions, calculated using rates and indices in effect on September 30, 2019, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets. Although the Company only presents the maturity analyzes of financial liabilities, information on non-derivative financial assets is required to understand the management of the Company's liquidity risk, since it is managed based on net assets and liabilities.

Parent Company

	2019	2020	2021	2022	over 2023
Liabilities					
Suppliers	117,635	-	-	-	-
Loans and financing	47,578	188,450	81,765	33,628	500,830
Installments	1,695	6,779	6,779	6,779	3,389
	166,908	195,229	88,544	40,407	504,219

Consolidated

	2019	2020	2021	2022	over 2023
Liabilities					
Suppliers	79,380	-	-	-	-
Loans and financing	47,594	188,490	81,778	33,628	500,830
Installments	1,695	6,779	6,779	6,779	3,389
	128,669	195,269	88,557	40,407	504,219

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 income earned on financial assets yet to mature.

Derivative financial instruments

The Company did not hire any derivative financial instrument on September 30, 2019.

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. The financial instruments contracted by the Company currently in force are an Export Prepayment with Bank of America NA.

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).

The hedged cash flows are the estimated exports up to 2021, and the amount recorded in shareholders' equity based on hedge accounting amounted to R$ 40,682 on September 30, 2019 (R$ 108,691 in December 2018).

	Parent company and Consolidated	Parent company and Consolidated
	09.30.19	31.12.18
Opening balance	164,683	117,989
Changes in cash flow hedge	15,394	55,167
Reclassification to income (loss)	(118,438)	(8,473)
	61,639	164,683
Opening balance	(55,992)	(40,116)
Taxes on change in cash flow hedge	(5,234)	(18,757)
Taxes on reclassification to income (loss)	40,269	2,881
	(20,957)	(55,992)
Closing balance	40,682	108,691

The Company estimates the hedge effectiveness based on the U.S. dollar offset methodology, according to which the changes in the fair value of the hedge instrument are compared with the changes in the fair value of the hedged item, which should range between 80% and 125%.

The balances of actual changes in operations designated as cash flow hedges are reclassified from shareholders' equity to income (loss) for the period in which the hedged exchange-rate change is effectively realized. Effective cash flow hedge results upon offsetting the change in hedged expenses are recorded in memorandum accounts of the hedged expenses, reducing or increasing the operating income (loss), and the ineffective income (loss) is recognized as financial revenue or expense for the period.

Ineffectiveness was not detected in the period.

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 defined products and operating segments.

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

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

The Packaging Paper Division 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, 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 September 30, 2019				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/eliminations	Total
Net sales:					
Domestic market	126,332	64,666	2,297	-	193,295
Foreign market	-	26,499	19,119	-	45,618
Total net sales	126,332	91,165	21,416	-	238,913
Change in fair value - biological assets	-	11,458	(5,502)	-	5,956
Cost of products sold	(97,718)	(56,424)	(17,708)	(257)	(172,107)
Gross income	28,614	46,199	(1,794)	(257)	72,762
Operating expenses	(15,205)	(5,513)	(6,668)	62,664	35,278
Operating income (loss) before financial income (loss)	13,409	40,686	(8,462)	62,407	108,040
Financial income (loss)	(29,536)	(51,004)	(8,894)	-	(89,434)
Operating net income of continued operations	(16,127)	(10,318)	(17,356)	62,407	18,606
Operating net income of discontinued operations	(74,155)	-	-	-	(74,155)
Operating net income	(90,282)	(10,318)	(17,356)	62,407	(55,549)
Depreciation and amortization	(3,101)	(10,519)	(277)	(429)	(14,326)

	Consolidated				
	Nine-month period ended September 30, 2019				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/eliminations	Total
Net sales:					
Domestic market	343,678	176,632	5,870	-	526,180
Foreign market	-	75,244	64,383	-	139,627
Third-party sales revenue	343,678	251,876	70,253	-	665,807
Revenues between segments	-	-	-	-	-
Total net sales	343,678	251,876	70,253	-	665,807
Change in fair value - biological assets	-	11,878	(4,584)	-	7,294
Cost of products sold	(265,781)	(153,205)	(50,462)	(799)	(470,247)
Gross income	77,897	110,549	15,207	(799)	202,854
Operating expenses	(41,058)	(18,955)	(13,141)	38,271	(34,883)
Operating income (loss) before financial income (loss)	36,839	91,594	2,066	37,472	167,971
Financial income (loss)	(48,575)	(85,670)	(15,223)	-	(149,468)
Operating net income of continued operations	(11,736)	5,924	(13,157)	37,472	18,503
Operating net income of discontinued operations	(90,278)	-	-	-	(90,278)
Operating net income	(102,014)	5,924	(13,157)	37,472	(71,775)
Depreciation and amortization	(9,557)	(34,234)	(995)	(1,083)	(45,869)

	Consolidated				
	Three-month period ended September 30, 2018				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/eliminations	Total
Net sales:					
Domestic market	111,752	49,732	2,072	-	163,556
Foreign market	-	28,841	24,525	-	53,366
Third-party sales revenue	111,752	78,573	26,597	-	216,922
Revenues between segments	-	10,618	-	(10,618)	-
Total net sales	111,752	89,191	26,597	(10,618)	216,922
Change in fair value - biological assets	-	3,946	1,014	-	4,960
Cost of products sold	(96,952)	(39,256)	(17,497)	10,443	(143,262)
Gross income	14,800	53,881	10,114	(175)	78,620
Operating expenses	(7,590)	(4,757)	(2,704)	(11,210)	(26,261)
Operating income (loss) before financial income (loss)	7,210	49,124	7,410	(11,385)	52,359
Financial income (loss)	(6,901)	(15,253)	(1,322)	-	(23,476)
Operating net income of continued operations	309	33,871	6,088	(11,385)	28,883
Operating net income of discontinued operations	(4,407)	-	-	-	(4,407)
Operating net income	(4,098)	33,871	6,088	(11,385)	24,476
Depreciation and amortization	(3,481)	(8,171)	(276)	(365)	(12,293)

	Consolidated				
	Nine-month period ended September 30, 2018				
	PO Packaging	Packaging Paper	RS Forest and Resins	Corporate/eliminations	Total
Net sales:					
Domestic market	316,312	139,763	6,783	-	462,858
Foreign market	-	64,839	60,352	-	125,191
Third-party sales revenue	316,312	204,602	67,135	-	588,049
Revenues between segments	-	29,173	-	(29,173)	-
Total net sales	316,312	233,775	67,135	(29,173)	588,049
Change in fair value - biological assets	-	10,703	(1,620)	-	9,083
Cost of products sold	(272,533)	(99,506)	(45,177)	28,381	(388,835)
Gross income	43,779	144,972	20,338	(792)	208,297
Operating expenses	(34,860)	(16,762)	(6,867)	(32,688)	(91,177)
Operating income (loss) before financial income (loss)	8,919	128,210	13,471	(33,480)	117,120
Financial income (loss)	(22,098)	(37,191)	(3,476)	-	(62,765)
Operating net income of continued operations	(13,179)	91,019	9,995	(33,480)	54,355
Operating net income of discontinued operations	(20,309)	-	-	-	(20,309)
Operating net income	(33,488)	91,019	9,995	(33,480)	34,046
Depreciation and amortization	(6,174)	(26,175)	(833)	(1,098)	(34,280)

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, which are carried out at usual market prices and conditions.

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.

Financial income (loss) is allocated by operating segment, taking into consideration the specific allocation of each item of financial revenue and expense to the respective segment, and the allocation of common revenues and expenses based on each segment's need for working capital.

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 36.

c) Net Sales

In 3Q19, net sales totaled R$ 238,913 (R$ 216,922 in the 3Q18) and net sales amounted to R$ 665,807 in the first nine months of 2019 (R$ 588,049 in the first nine months of 2018).

Net sales for the foreign market in 3Q19 totaled R$ 45,618 (R$ 53,364 in 3Q18) and net sales for the foreign market amounted to R$ 139,628 in the first nine months of 2019 (R$ 125,191 in the first nine months of 2018), distributed among several countries according to the table below:

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

Consolidated		
Three month period ended 09.30.18		
Country	Net exports	% in total net revenue
China	9,478	3.82%
Argentina	7,726	3.12%
Germany	5,166	2.08%
Saudi Arabia	4,760	1.92%
Chile	2,912	1.17%
Japan	2,893	1.17%
Paraguay	2,750	1.11%
South Africa	2,624	1.06%
Netherlands	2,106	0.85%
Peru	1,837	0.74%
India	1,817	0.73%
Uruguay	1,151	0.46%
Bolívia	1,146	0.46%
Other	7,000	5.91%
	53,366	24.60%

Consolidated		
Nine-month period ended September 30, 2019		
Country	Net exports	% in total net revenue
Argentina	26,273	3.95%
Saudi Arabia	15,290	2.30%
China	13,404	2.01%
Portugal	12,643	1.90%
Japan	9,634	1.45%
South Africa	7,104	1.07%
Netherlands	6,747	1.01%
Spain	6,500	0.98%
Chile	6,275	0.94%
Paraguay	5,618	0.84%
India	4,778	0.72%
Peru	4,115	0.62%
France	3,373	0.51%
Other	17,874	2.68%
	139,628	20.98%

Consolidated		
Nine-month period ended September 30, 2018		
Country	Net exports	% in total net revenue
Argentina	14,357	2.44%
Germany	13,992	2.38%
Saudi Arabia	13,066	2.22%
China	12,512	2.13%
France	7,178	1.22%
Chile	7,075	1.20%
Japan	6,797	1.16%
Paraguay	6,186	1.05%
South Africa	6,005	1.02%
Netherlands	5,622	0.96%
Peru	4,546	0.77%
Portugal	4,186	0.71%
India	4,162	0.71%
Other	19,507	3.32%
	125,191	21.29%

In 3Q19, Company’s net sales in the domestic market totaled R$ 193,295 (R$ 163,558 in 3Q18). In the first nine months of 2019, sales in the domestic market amounted to R$ 526,179 (R$ 462,858 in the first nine months of 2018).

In the 3Q19, a single client accounted for 7.6% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R$ 9,623. The Company's other sales in the domestic and foreign markets were spread over several clients, none of them accounting for more than 10% of net sales.

33. GOVERNMENT GRANT

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 charges at contractual rates of 4.0% per annum. For the purposes of calculating the present value of this benefit, the Company used the average rate of 10.17% 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 fruition and 4 years of grace period), from January 2009 to December 2022, or up to the limit of R$ 55,199 of deferred ICMS. Up to September 30, 2019, the Company had deferred ICMS liabilities of R$ 14,783 (R$ 13,598 net of government grant).

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

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent Company and Consolidated

	Land	Buildings and constructions	Equipment and facilities	Total
Initial recognition 01/01/19	6,215	15,613	3,794	25,622
Accumulated depreciation during the quarter	(445)	(1,403)	(1,092)	(2,940)
Increase/decrease of contracts in the period - effect in accumulated depreciation	-	-	729	729
Increase/decrease of contracts in the period - main effect	-	-	(73)	(73)
Book balance, net 09.30.19	5,770	14,210	3,358	23,338
Cost	6,215	15,613	3,721	25,549
Accumulated depreciation in the period	(445)	(1,403)	(363)	(2,211)
Book balance, net 09.30.19	5,770	14,210	3,358	23,338

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:

Lease Liability

Parent Company and Consolidated

	Land	Buildings and constructions	Equipment and facilities	Total
Initial recognition 01.01.19	10,314	26,758	4,697	41,769
Lease installment	(10)	(2,348)	(1,095)	(3,453)
Increase/decrease of contracts in the period - main effect	-	-	1,051	1,051
Initial recognition of interest 01.01.19	(4,099)	(11,145)	(903)	(16,147)
Interest over lease in the period	293	942	318	1,553
Increase/decrease of contracts in the period - effect in interest	-	-	(373)	(373)
Book balance, net 09.30.19	6,498	14,207	3,695	24,400
Short-term				3,439
Long-term				20,961

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

The long-term payments are distributed as follows:

Long-term maturity dates:	Parent Company and Consolidated
2020	5.941
2021	5.937
2022	4.810
2023	4.810
>2024	17.869
	39.367

The impacts on the income statement according to the standard CPC 06 (R2)/ IFRS 06, 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 income statement throughout the life of the contract, it is correct to state that there is a time effect in the income, with a reduction of R$ 1,040 in the first nine months of 2019.

In relation to taxes, there is a time effect on income tax and social contribution, once the recognized values are adjusted based on real income, which will realize once the lease contracts realize themselves. And for recoverable taxes PIS/COFINS, we continue to recognize at the income statement the credits based on the payments of the considerations.

For tax considerations, it is secured the neutrality, for income tax and social contribution, as well as for credits such as PIS/COFINS not having any influence in the calculation of these taxes.

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 six-month period of 2019, the company realized PIS and COFINS credits over items of PPE totaling R$ 818 and received receivable credits from clients in exchange for investment property land totaling R$ 2,432, recognized PIS and COFINS credits over the exclusion of ICMS from the basis of PIS and COFINS totaling R$ 143,157 and recognized impairment of discontinued operation totaling R$ 54,856.

During the nine-month period of 2018, the Company made payments for purchases of property, plant and equipment, intangible assets and biological assets in the amount of R$ 9,181, which were financed directly by suppliers, and made a capital contribution with planted forests in the subsidiary Iraflor Comércio de Madeira Ltda. in the amount of R$ 5,030.

36. DISCONTINUED OPERATION

By a decision of the administrative board, in September 2019, the Company discontinued the operations of corrugated cardboard paper at the Vila Maria unit in São Paulo, SP. On September 30, 2019 and 2018, the income statement and statement of cash flows of the discontinued operations are as follows:

Discontinue Operation Income (Loss)

	Three-month period ended		Nine-month period ended	
	09.30.19	09.30.18	09.30.19	09.30.18
Net Revenue	12,260	31,097	61,446	104,162
Cost of Goods Sold	(14,898)	(30,339)	(66,579)	(101,815)
Gross Profit (Loss)	(2,638)	758	(5,133)	2,347
General, Sales and Administrative Expenses	(2,112)	(3,966)	(8,337)	(13,238)
Financial Result	(9,363)	(3,282)	(16,704)	(9,382)
Other operating revenues and expenses	(60,042)	2,083	(60,104)	(36)
Operating Loss before taxes	(74,155)	(4,407)	(90,278)	(20,309)
Social contributions and Income Tax	-	-	-	-
Net loss from discontinued operation	(74,155)	(4,407)	(90,278)	(20,309)

	09.30.2019	09.30.2018
OPERATING ACTIVITIES CASH FLOW		
Loss before income tax and social contribution (LAIR)	(90,728)	(20,309)
Reconciliation of net profit with net cash from operating activities:		
Depreciation, amortization and depletion	4,875	5,622
Provision/reversion for civil, labor and tax risks	162	-
Provision for doubtful accounts	212	-
Plant, property and equipment impairment	54,856	-
	(30,173)	(14,687)
Increase (decrease) of assets:		
Accounts Receivable	17,371	3,390
Inventories	6,367	153
Increase of liabilities:		
Suppliers	(2,618)	(1,574)
Social and pension obligations	547	(1,700)
Tax obligations	887	760
Cash used in operations	(7,619)	(13,658)

The investing and financing cash flows are managed at the company level and not by a cash generating unit or segments, due to this reason, the cash flows related to investing and financing activities of the discontinued operation are not presented above.

Report on review of quarterly information – ITR

To the Board Members and Directors of
Celulose Irani S.A.
Porto Alegre – RS

Introduction

We have reviewed the interim, individual and consolidated financial information of Celulose Irani S.A. ("Company"), contained in the Quarterly Information - ITR Form for the quarter ended September 30, 2019, which comprise the balance sheet on September 30, 2019 and related statements of profit or loss and of comprehensive income (loss) for the three month and nine month periods ended at that date, and of changes in equity and of cash flows for the nine month periods ended at that date, including explanatory notes.

Management is responsible for the preparation of the interim financial information in accordance with CPC 21(R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of this information in a manner consistent with the standards issued by the Securities Commission, applicable to the preparation of the Quarterly Information - ITR. Our responsibility is to express a conclusion on this interim financial information 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 information consists in asking questions, chiefly to the persons in charge of financial and accounting affairs, and in applying analytical procedures and other review procedures. A review is substantially smaller in scope compared to 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 individual and consolidated interim information

Based on our review, we are not aware of any other event that make us believe that individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 issued by IASB and applicable to the preparation of Quarterly Information - ITR, and presented in a manner consistent with the standards issued by the Securities Commission - CVM.

Other matters – Statement of Added Value

The individual and consolidated interim financial information related to statements of added value (DVA) for the nine-month period ended September 30, 2019, prepared under responsibility of Company's Management, and presented as supplementary information for IAS 34 purposes, was submitted to review procedures carried out jointly with the audit of Company's quarterly information. To form a conclusion, we evaluated whether these statements are reconciled with interim financial information 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, we are not aware of any other event that make us believe that those were not prepared, in all material respects, in accordance with individual and consolidated interim financial information taken as a whole.

Porto Alegre, October 31, 2019

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 Celulose Irani 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 September 30, 2019.

Porto Alegre,RS, October 31,2019.

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 Celulose Irani 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 September 30, 2019;

Porto Alegre,RS, October 31,2019.

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