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Company Information/Capital Composition

Number of shares (In Thousands)	Current Quarter 06/30/2021
Paid Up Capital	
Common Shares	256,720
Preferred Shares	0
Total	256,720
Treasury Shares	
Common Shares	2,376
Preferred Shares	0
Total	2,376

Parent Company Financial Statements Balance Sheet - Assets**(All amounts in Thousands of Reais)**

Code	Description	Current Quarter 06/30/2021	Previous Year 12/31/2020
1	Total Assets	1,993,235	1,819,064
1.01	Current Assets	823,771	751,697
1.01.01	Cash and Cash Equivalents	17,685	35,709
1.01.02	Financial Investments	339,711	291,972
1.01.02.03	Financial Investments evaluated at amortized cost	339,711	291,972
1.01.02.03.02	Financial Investments	339,711	291,972
1.01.03	Accounts Receivable	261,115	201,399
1.01.03.01	Trade accounts receivables	261,115	201,399
1.01.04	Inventories	117,459	92,838
1.01.06	Recoverable Taxes	37,316	73,165
1.01.08	Other Current Assets	50,485	56,614
1.01.08.02	Discontinued Operations Assets	41,200	41,200
1.01.08.02.01	Non-current Assets Held for Sale	41,200	41,200
1.01.08.03	Others	9,285	15,414
1.01.08.03.01	Other Assets	9,285	15,414
1.02	Non-current Assets	1,169,464	1,067,367
1.02.01	Long - term receivables	102,513	106,146
1.02.01.04	Accounts Receivable	3,524	4,173
1.02.01.04.01	Trade accounts receivables	3,524	4,173
1.02.01.06	Biological Assets	91,108	73,985
1.02.01.10	Other Non-current assets	7,881	27,988
1.02.01.10.03	Recoverable Taxes	7,356	27,438
1.02.01.10.04	Judicial deposits	525	550
1.02.02	Investments	186,550	168,165
1.02.02.01	Equity Investments	165,096	146,624
1.02.02.02	Investment Properties	21,454	21,541
1.02.03	Property, plant and equipment	741,755	652,318
1.02.03.01	Property, plant and equipment in operation	717,985	631,138
1.02.03.02	Right to use assets – lease	23,770	21,180
1.02.03.02.01	Right to use assets	23,770	21,180
1.02.04	Intangible assets	138,646	140,738
1.02.04.01	Intangible assets	138,646	140,738

Parent Company Financial Statements Balance Sheet - Liabilities**(All amounts in Thousands of Reais)**

Code	Description	Current Quarter 06/30/2021	Previous Year 12/31/2020
2	Total Liabilities	1,993,235	1,819,064
2.01	Current Liabilities	300,394	286,946
2.01.01	Social and labor obligations	40,118	44,838
2.01.01.01	Social Obligations	40,118	44,838
2.01.01.01.01	Social security obligations	40,118	44,838
2.01.02	Trade payables	156,580	119,861
2.01.03	Tax obligations	39,071	33,550
2.01.03.01	Federal tax obligations	27,855	22,723
2.01.03.01.02	Tax installments	8,822	8,830
2.01.03.01.03	Other federal taxes	19,033	13,893
2.01.03.02	State tax obligations	11,120	10,750
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	11,120	10,750
2.01.03.03	City tax obligations	96	77
2.01.03.03.01	Service Tax payable	96	77
2.01.04	Loans and financing	41,789	55,451
2.01.04.01	Loans and financing	26,877	43,483
2.01.04.02	Debentures	14,912	11,968
2.01.05	Other obligations	22,836	33,246
2.01.05.02	Others	22,836	33,246
2.01.05.02.01	Dividends and interest on capital payable	295	10,467
2.01.05.02.04	Other accounts payable	12,522	12,428
2.01.05.02.05	Advances from customers	5,252	6,377
2.01.05.02.06	Lease liabilities	4,767	3,974
2.02	Non-current liabilities	819,755	745,964
2.02.01	Loans and financing	592,420	532,781
2.02.01.01	Loans and financing	34,574	35,912
2.02.01.02	Debentures	557,846	496,869
2.02.02	Other obligations	33,509	36,669
2.02.02.02	Others	33,509	36,669
2.02.02.02.03	Tax installments	11,886	16,039
2.02.02.02.04	Other taxes payable	1,875	3,442
2.02.02.02.05	Other accounts payable	59	59
2.02.02.02.06	Lease liabilities	19,689	17,129
2.02.03	Deferred taxes	175,403	158,844
2.02.03.01	Deferred income tax and social contribution	175,403	158,844
2.02.04	Provisions	18,423	17,670
2.02.04.01	Provisions for civil, labor and tax risks	18,423	17,670
2.03	Equity	873,086	786,154
2.03.01	Share capital	543,934	543,934
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	177,906	86,501
2.03.06	Equity valuation adjustments	150,286	154,759

Parent Company Financial Statements - Statement of Profit (loss)**(All amounts in Thousands of Reais)**

Code	Description	Current quarter 04/01/2021 to 06/30/2021	Accumulated current Year 01/01/2021 to 06/30/2021	Accumulated prior quarter last year 04/01/2020 to 06/30/2020	Accumulated – prior year 01/01/2020 to 06/30/2020
3.01	Revenue from sales of goods and/or services	402,005	756,919	240,567	475,499
3.02	Cost of sales	-259,891	-493,228	-162,946	-323,071
3.02.01	Changes in the fair value of biological assets	6,463	12,542	976	4,892
3.02.02	Cost of goods sold	-266,354	-505,770	-163,922	-327,963
3.03	Gross Profit	142,114	263,691	77,621	152,428
3.04	Operating income (expenses)	-33,891	-65,480	-37,367	-73,035
3.04.01	Selling expenses	-24,845	-47,921	-23,042	-42,806
3.04.02	General and administrative expenses	-18,471	-35,029	-15,464	-32,069
3.04.03	Impairment losses on trade receivables	285	49	-738	-908
3.04.04	Other operating revenue	-1,357	-752	101	357
3.04.06	Equity method investees	10,497	18,173	1,776	2,391
3.05	Profit (Loss) before financial income (expenses) and taxes	108,223	198,211	40,254	79,393
3.06	Net financial (cost) income	-16,676	-23,721	-17,448	-37,037
3.06.01	Financial income	3,507	16,313	6,361	9,607
3.06.02	Financial expenses	-20,183	-40,034	-23,809	-46,644
3.07	Operating profit (loss) before taxes	91,547	174,490	22,806	42,356
3.08	Income tax and social contribution	-23,856	-50,098	-7,508	-9,070
3.08.01	Current	-19,690	-33,539	-7,132	-7,624
3.08.02	Deferred	-4,166	-16,559	-376	-1,446
3.09	Net income (loss) from continuing operations	67,691	124,392	15,298	33,286
3.11	Profit (loss) for the period	67,691	124,392	15,298	33,286
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.2661	0.4891	0.0931	0.2025
3.99.01.02	Preferred shares	0	0	0.0931	0.2025

Parent company financial statements / Statement of comprehensive income (loss)**(All amounts in thousands of Reais)**

Code	Description	Current quarter 04/01/2021 to 06/30/2021	Accumulated current Year 01/01/2021 to 06/30/2021	Accumulated prior quarter last year 04/01/2020 to 06/30/2020	Accumulated – prior year 01/01/2020 to 06/30/2020
4.01	Income (loss) for the period	67,691	124,392	15,298	33,286
4.03	Comprehensive income (loss) for the period	67,691	124,392	15,298	33,286

Parent Company financial statements / Statement of cash flows - Indirect Method**(All amounts in thousands of Reais)**

Code	Description	Accumulated current	Accumulated – prior
		year 01/01/2021 to 06/30/2021	year 01/01/2020 to 06/30/2020
6.01	Net cash provided by (used in) operating activity	154,826	79,951
6.01.01	Cash from operations	206,547	106,655
6.01.01.01	Profit (loss) before income tax and social contribution (LAIR)	174,490	42,356
6.01.01.02	Changes in Fair Value of Biological Assets	-12,542	-4,892
6.01.01.03	Depreciation, amortization and depletion	35,916	32,401
6.01.01.05	Income/loss in the sale of property, plant and equipment	-3,536	-1,205
6.01.01.06	Equity method investees	-18,173	-2,391
6.01.01.07	Provision/reversal for civil, labor and tax risks	1,712	-3,663
6.01.01.08	Provision for impairment of trade receivables	-4	908
6.01.01.10	Management profit sharing not paid	5,670	0
6.01.01.11	Exchange-rate change and interest on loans, financing and debentures	22,370	44,452
6.01.01.12	Interest on lease liabilities	1,062	1,029
6.01.01.14	Interest on restricted account investment	0	-97
6.01.01.15	Exclusion of ICMS from PIS and COFINS basis	-418	-2,243
6.01.02	Changes in assets and liabilities	-51,721	-26,704
6.01.02.01	Trade receivables	-54,402	-19,627
6.01.02.02	Inventories	-24,621	-3,989
6.01.02.03	Recoverable taxes	56,089	25,399
6.01.02.04	Other assets	6,154	18,117
6.01.02.06	Trade payables	30,299	-22,572
6.01.02.07	Social charges and social security obligations	-10,390	4,379
6.01.02.08	Advances from customers	-1,125	413
6.01.02.09	Tax liabilities	-4,333	6,903
6.01.02.10	Other accounts payable	-676	-2,068
6.01.02.11	Payment of interest on loans, financing and debentures	-18,249	-32,630
6.01.02.12	Payment of interest on lease liabilities	-1,062	-1,029
6.01.02.13	Tax paid (Income tax and social contribution)	-29,405	0
6.02	Net cash provided by use in investing activities	-165,269	-366
6.02.01	Acquisition of property, plant and equipment	-111,759	-22,634
6.02.02	Acquisition of biological assets	-7,226	-5,907
6.02.03	Acquisition of intangible asset	-613	-3,060
6.02.06	Receipt upon disposal of assets	2,367	1,973
6.02.07	Financial Investments	-47,739	0
6.02.08	Advance for future capital increase	-299	0
6.02.12	Banks – restricted account	0	29,262
6.03	Net cash provided by financing activities	-7,581	-50,313
6.03.01	Payments of dividends and interest on shareholder's equity	-47,821	-1,778
6.03.02	Payment of lease liabilities	-1,616	-1,234
6.03.03	Issuance of debentures (Net of funding costs)	59,547	0
6.03.04	Loans obtained	18,438	57,908
6.03.05	Loans and debentures paid	-36,129	-105,209
6.05	(Decrease) in cash and cash equivalents	-18,024	29,272
6.05.01	Cash and cash equivalents at the beginning of the period	35,709	78,318
6.05.02	Cash and cash equivalents at the end of the period	17,685	107,590

Parent Company Financial Statements / Statement of changes in Equity - 01/01/2021 to 06/30/2021**(All amounts in thousands of Reais)**

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss)	Equity
5.01	Opening balance	543,934	960	86,501	0	154,759	786,154
5.03	Adjusted opening balance	543,934	960	86,501	0	154,759	786,154
5.04	Capital transactions with shareholders	0	0	0	-37,460	0	-37,460
5.04.06	Dividends	0	0	0	-37,460	0	-37,460
5.05	Total comprehensive income (loss)	0	0	0	128,865	-4,473	124,392
5.05.01	Profit (loss) for the period	0	0	0	124,392	0	124,392
5.05.02	Other comprehensive income (loss)	0	0	0	4,473	-4,473	0
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0
5.06	Internal changes in equity	0	0	-1,628	1,628	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,628	1,628	0	0
5.07	Closing Balance	543,934	960	84,873	93,033	150,286	873,086

Parent Company Financial Statements / Statement of changes in Equity - 01/01/2020 to 06/30/2020**(All amounts in thousands of Reais)**

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss)	Equity
5.01	Opening balance	161,895	960	11,918	-1,992	163,704	336,485
5.03	Adjusted opening balance	161,895	960	11,918	-1,992	163,704	336,485
5.05	Total comprehensive income (loss)	0	0	0	37,758	-4,472	33,286
5.05.01	Profit (loss) for the period	0	0	0	33,286	0	33,286
5.05.02	Other comprehensive income (loss)	0	0	0	4,472	-4,472	0
5.05.02.06	Realization – deemed cost	0	0	0	4,472	-4,472	0
5.06	Internal changes in equity	0	0	-1,483	1,483	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,483	1,483	0	0
5.07	Closing Balance	161,895	960	10,435	37,249	159,232	369,771

Parent Company Financial Statements / Statement of Added Value**(All amounts in thousands of Reais)**

Code	Description	Accumulated current	Accumulated – prior
		year 01/01/2021 to 06/30/2021	year 01/01/2020 to 06/30/2020
7.01	Revenues	982,352	605,795
7.01.01	Sales of goods and/or services	966,011	597,422
7.01.02	Other revenues	16,337	9,281
7.01.04	Provision/reversal for impairment of trade receivables	4	-908
7.02	Inputs purchased from third parties	-560,696	-340,530
7.02.01	Cost of sales	-425,509	-226,854
7.02.02	Materials, electricity, outsourced services and other	-135,187	-113,676
7.03	Gross value added	421,656	265,265
7.04	Retentions	-23,374	-27,509
7.04.01	Depreciation, amortization and depletion	-35,916	-32,401
7.04.02	Other	12,542	4,892
7.04.02.01	Changes in the fair value of biological assets	12,542	4,892
7.05	Net value added generated	398,282	237,756
7.06	Value added received through transfer	34,486	11,998
7.06.01	Equity in the results of subsidiaries	18,173	2,391
7.06.02	Financial income	16,313	9,607
7.07	Total added value to be distributed	432,768	249,754
7.08	Distribution of added value	432,768	249,754
7.08.01	Personnel	88,525	79,754
7.08.01.01	Direct remuneration	68,699	62,216
7.08.01.02	Benefits	16,118	14,127
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,708	3,411
7.08.02	Taxes, duties and contributions	164,683	80,873
7.08.02.01	Federal	113,205	53,423
7.08.02.02	State	50,524	26,261
7.08.02.03	Municipal	954	1,189
7.08.03	Third-party capital remuneration	43,397	49,886
7.08.03.01	Interest	40,034	46,680
7.08.03.02	Rentals	3,363	3,206
7.08.04	Remuneration of own capital	130,493	39,241
7.08.04.03	Income/(loss) for the period - withheld	130,493	39,241
7.08.05	Other	5,670	0
7.08.05.01	Management profit sharing	5,670	0

Consolidated Financial Statements - Assets Balance Sheet (All amounts in thousands of Reais)

Code	Description	Current Quarter 06/30/2021	Previous Year 12/31/2020
1	Total Assets	1,974,864	1,814,117
1.01	Current Assets	841,626	771,598
1.01.01	Cash and Cash Equivalents	34,894	54,260
1.01.02	Financial Investments	339,711	291,972
1.01.02.03	Financial Investments evaluated at amortized cost	339,711	291,972
1.01.02.03.02	Financial Investments	339,711	291,972
1.01.03	Accounts Receivables	261,345	202,470
1.01.03.01	Trade accounts receivables	261,345	202,470
1.01.04	Inventories	117,627	92,977
1.01.06	Recoverable Taxes	37,327	73,167
1.01.08	Other Current Assets	50,722	56,752
1.01.08.02	Discontinued Operations Assets	41,200	41,200
1.01.08.02.01	Non-current Assets Held for Sale	41,200	41,200
1.01.08.03	Others	9,522	15,552
1.01.08.03.01	Other Assets	9,522	15,552
1.02	Non-current Assets	1,133,238	1,042,519
1.02.01	Long-term receivables	213,385	210,218
1.02.01.04	Accounts Receivable	3,551	4,200
1.02.01.04.01	Trade accounts receivable	3,524	4,173
1.02.01.04.02	Other accounts receivable	27	27
1.02.01.06	Biological Assets	201,617	177,684
1.02.01.10	Other Non-current assets	8,217	28,334
1.02.01.10.03	Recoverable Taxes	7,356	27,448
1.02.01.10.04	Judicial deposits	861	886
1.02.02	Investments	21,454	21,541
1.02.02.02	Investment Properties	21,454	21,541
1.02.03	Property, plant and equipment	759,753	670,022
1.02.03.01	Property, plant and equipment in operation	735,983	648,842
1.02.03.02	Right to use assets - lease	23,770	21,180
1.02.03.02.01	Right to use assets	23,770	21,180
1.02.04	Intangible assets	138,646	140,738
1.02.04.01	Intangible assets	138,646	140,738

Consolidated Financial Statements - Liabilities Balance Sheet**(All amounts in thousands of Reais)**

Code	Description	Current Quarter 06/30/2021	Previous Year 12/31/2020
2	Total Liabilities	1,974,864	1,814,117
2.01	Current Liabilities	277,100	277,356
2.01.01	Social and labor obligations	40,949	45,448
2.01.01.01	Social Obligations	40,949	45,448
2.01.01.01.01	Social security obligations	40,949	45,448
2.01.02	Trade payables	131,471	109,095
2.01.03	Tax obligations	39,839	33,800
2.01.03.01	Federal tax obligations	28,607	22,971
2.01.03.01.02	Tax installments	8,822	8,830
2.01.03.01.03	Other federal taxes	19,785	14,141
2.01.03.02	State tax obligations	11,122	10,741
2.01.03.02.02	Value-added Tax on Sales and Services (ICMS) payable	11,122	10,741
2.01.03.03	City tax obligations	110	88
2.01.03.03.01	Service Tax payable	110	88
2.01.04	Loans and financing	41,789	55,466
2.01.04.01	Loans and financing	26,877	43,498
2.01.04.02	Debentures	14,912	11,968
2.01.05	Other Obligations	23,052	33,547
2.01.05.02	Others	23,052	33,547
2.01.05.02.01	Dividends and interest on capital payable	295	10,467
2.01.05.02.04	Other accounts payable	12,736	12,699
2.01.05.02.05	Advances from customers	5,254	6,407
2.01.05.02.06	Lease liabilities	4,767	3,974
2.02	Non-current liabilities	824,673	750,601
2.02.01	Loans and financing	592,420	532,781
2.02.01.01	Loans and financing	34,574	35,912
2.02.01.02	Debentures	557,846	496,869
2.02.02	Other Obligations	33,509	36,669
2.02.02.02	Others	33,509	36,669
2.02.02.02.03	Tax installments	11,886	16,039
2.02.02.02.04	Other taxes payable	1,875	3,442
2.02.02.02.05	Other accounts payable	59	59
2.02.02.02.06	Lease liabilities	19,689	17,129
2.02.03	Deferred taxes	180,065	163,111
2.02.03.01	Deferred income tax and social contribution	180,065	163,111
2.02.04	Provisions	18,679	18,040
2.02.04.01	Provisions for civil, labor and tax risks	18,679	18,040
2.03	Equity	873,091	786,160
2.03.01	Share capital	543,934	543,934
2.03.02	Capital reserves	960	960
2.03.04	Profit reserves	177,906	86,501
2.03.06	Equity valuation adjustments	150,286	154,759
2.03.09	Non-controlling interests	5	6

Consolidated Financial Statements - Statement of Profit (Loss)**(All amounts in thousands of Reais)**

Code	Description	Current quarter 01/04/2021 à 06/30/2021	Accumulated current year 01/01/2021 to 06/30/2021	Accumulated prior quarter last year 04/01/2020 to 06/30/2020	Accumulate-prior year 01/01/2020 to 06/30/2020
3.01	Revenue from sales of goods and/or services	403,137	759,298	240,984	477,307
3.02	Cost of sales	-249,441	-475,244	-162,060	-321,062
3.02.01	Changes in the fair value of biological assets	14,069	25,880	3,617	8,086
3.02.02	Cost of goods sold	-263,510	-501,124	-165,677	-329,148
3.03	Gross Profit	153,696	28,054	78,924	156,245
3.04	Operating Income (expenses)	-45,304	-85,490	-38,747	-76,882
3.04.01	Selling expenses	-25,205	-48,795	-22,030	-43,163
3.04.02	General and administrative expenses	-19,022	-35,999	-15,920	-33,007
3.04.03	Impairment losses on trade receivables	285	49	-900	-1,069
3.04.04	Other operating revenue	-1,362	-745	103	357
3.05	Profit (Loss) before financial income (expenses) and taxes	108,392	198,564	40,177	79,363
3.06	Net financial (cost) income	-16,549	-23,552	-17,206	-36,792
3.06.01	Financial income	3,639	16,528	6,610	9,906
3.06.02	Financial Expenses	-20,188	-40,080	-23,816	-46,698
3.07	Operating profit (loss) before taxes	91,843	175,012	22,971	42,571
3.08	Income tax and social contribution	-24,152	-50,620	-7,673	-9,285
3.08.01	Current	-19,760	-33,666	-7,219	-7,752
3.08.02	Deferred	-4,392	-16,954	-454	-1,533
3.09	Net income (loss) from continuing operations	67,691	124,392	15,298	33,286
3.11	Profit (loss) for the period	67,691	124,392	15,298	33,286
3.11.01	Attributable to owners of the Parent Company	67,691	124,392	15,298	33,286
3.99	Earnings (loss) per share - (reais / share)				
3.99.01	Basic earnings (loss) per share				
3.99.01.01	Common shares	0.2661	0.4891	0.0931	0.2025
3.99.01.02	Preferred shares	0	0	0.0931	0.2025

Consolidated financial statements / Statement of comprehensive income (loss)
(All amounts in thousands of Reais)

Code	Description	Current quarter 01/04/2021 à 06/30/2021	Accumulated current year 01/01/2021 to 06/30/2021	Accumulated prior quarter last year 04/01/2020 to 06/30/2020	Accumulate-prior year 01/01/2020 to 06/30/2020
4.01	Income (loss) for the period	67,691	124,392	15,298	33,286
4.03	Comprehensive income (loss) for the period	67,691	124,392	15,298	33,286
4.03.01	Attributable to owners of the Parent Company	67,691	124,392	15,298	33,286

Consolidated financial statements / Statement of cash flows - Indirect method**(All amounts in thousands of reais)**

Code	Description	Accumulated current year 01/01/2021 to 06/30/2021	Accumulated – prior year 01/01/2020 to 06/30/2020
6.01	Net cash provided by (used in) operating activities	155,051	95,564
6.01.01	Cash from operations	220,438	110,328
6.01.01.01	Profit (loss) before income tax and social contributions (LAIR)	175,012	42,571
6.01.01.02	Changes in Fair Value of Biological Assets	-25,880	-8,086
6.01.01.03	Depreciation, amortization and depletion	44,411	36,540
6.01.01.05	Income/(loss) in the sale of property, plant and equipment	-3,536	-1,204
6.01.01.07	Provision for civil, labor and tax risks	1,751	-3,706
6.01.01.08	Provision for impairment of trade receivables	-4	1,069
6.01.01.10	Management profit sharing not paid	5,670	0
6.01.01.11	Exchange-rate change and interest on loans, financing and debentures	22,370	44,455
6.01.01.12	Interest on lease liabilities	1,062	1,029
6.01.01.14	Interest on restricted account investment	0	-97
6.01.01.15	Exclusion of ICMS from PIS e COFINS basis	-418	-2,243
6.01.02	Change in assets and liabilities	-65,387	-14,764
6.01.02.01	Trade receivables	-53,561	-18,860
6.01.02.02	Inventories	-24,650	-4,757
6.01.02.03	Recoverable Taxes	56,090	25,399
6.01.02.04	Other assets	6,055	17,973
6.01.02.06	Trade payables	15,546	-11,142
6.01.02.07	Social charges and social security obligations	-10,169	4,638
6.01.02.08	Advances from customers	-1,153	1,499
6.01.02.09	Tax liabilities	-3,459	6,763
6.01.02.10	Other accounts payable	-887	-2,618
6.01.02.11	Payment of interest on loans, financing and Debentures	-18,249	-32,630
6.01.02.12	Payment of interest on lease liabilities	-1,062	-1,029
6.01.02.13	Taxes paid (Income tax and social contribution)	-29,888	0
6.02	Net cash provided by use in investing activities	-166,821	-1,911
6.02.01	Acquisition of property, plant and equipment	-112,437	-22,643
6.02.02	Acquisition of biological assets	-8,399	-7,443
6.02.03	Acquisition of intangible assets	-613	-3,060
6.02.06	Receipt upon disposal of assets	2,367	1,973
6.02.07	Financial Investments	-47,739	0
6.02.12	Banks - restricted account	0	29,262
6.03	Net cash provided by financing activities	-7,596	-66,267
6.03.01	Payments of dividends and interest on shareholder's equity	-47,821	-1,778
6.03.02	Payment of lease liabilities	-1,616	-1,234
6.03.03	Issuance of debentures (Net of funding costs)	59,547	0
6.03.04	Loans obtained	18,438	57,908
6.03.05	Loans and debentures paid	-36,144	-121,163
6.05	(Decrease) in cash and cash equivalents	-19,366	27,386
6.05.01	Cash and cash equivalents at the beginning of the period	54,260	80,822
6.05.02	Cash and cash equivalents at the end of the period	34,894	108,208

Consolidated financial statements / Statement of changes in equity - 01/01/2021 à 06/30/2021**(All amounts in thousands of Reais)**

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/losses	Other Comprehensive income (loss)	Equity	Non-controlling interests	Consolidated Equity
5.01	Opening balance	543,934	960	86,501	0	154,759	786,154	6	786,160
5.03	Adjusted opening balance	543,934	960	86,501	0	154,759	786,154	6	786,160
5.04	Capital transactions with shareholders	0	0	0	-37,460	0	-37,460	-1	-37,461
5.04.01	Capital increase	0	0	0	0	0	0	-1	-1
5.04.06	Dividends	0	0	0	-37,460	0	-37,460	0	-37,460
5.05	Total comprehensive income (loss)	0	0	0	128,865	-4,473	124,392	0	124,392
5.05.01	Profit for the period	0	0	0	124,392	0	124,392	0	124,392
5.05.02	Other comprehensive income (loss)	0	0	0	4,473	-4,473	0	0	0
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0	0	0
5.06	Internal changes in equity	0	0	-1,628	1,628	0	0	0	0
5.06.04	Realized profit reserve – biological assets	0	0	-1,628	1,628	0	0	0	0
5.07	Closing Balance	543,934	960	84,873	93,033	150,286	873,086	5	873,091

Consolidated financial statements / Statement of changes in equity - 01/01/2020 à 06/30/2020**(All amounts in thousands of Reais)**

Code	Description	Share Capital	Capital reserves, share options and treasury shares	Profit reserves	Accumulated earnings/ losses	Other Comprehensive income (loss)	Equity	Non-controlling interests	Consolidated Equity
5.01	Opening balance	161,895	960	11,918	-1,992	163,704	336,485	6	336,491
5.03	Adjusted opening balance	161,895	960	11,918	-1,992	163,704	336,485	6	336,491
5.05	Total comprehensive income (loss)	0	0	0	37,758	-4,472	33,286	0	33,286
5.05.01	Profit for the period	0	0	0	33,286	0	33,286	0	33,286
5.05.02	Other comprehensive income (loss)	0	0	0	4,472	-4,472	0	0	0
5.05.02.06	Realization – deemed cost	0	0	0	4,472	-4,472	0	0	0
5.06	Internal changes in equity	0	0	-1,483	1,483	0	0	0	0
5.06.04	Realized profit reserve - biological assets	0	0	-1,483	1,483	0	0	0	0
5.07	Closing Balance	161,895	960	10,435	37,249	159,232	369,771	6	369,777

Consolidated Financial Statements - Statement of Added Value**(All amounts in Thousands of Reais)**

Code	Description	Accumulated Current	Accumulated – prior
		Year 01/01/2021 to 06/30/2021	Year 01/01/2020 to 06/30/2020
7.01	Revenues	984,901	607,561
7.01.01	Sales of goods and/or services	968,555	599,339
7.01.02	Other revenues	16,342	9,291
7.01.04	Provision/reversal for impairment of trade receivables	4	-1,069
7.02	Inputs purchased from third parties	-542,326	-333,169
7.02.01	Cost of sales	-407,262	-217,312
7.02.02	Materials, electricity, outsourced services and other	-135,064	-115,857
7.03	Gross value added	442,575	274,392
7.04	Retentions	-18,531	-28,454
7.04.01	Depreciation, amortization and depletion	-44,411	-36,540
7.04.02	Other	25,880	8,086
7.04.02.01	Changes in the fair value of biological assets	25,880	8,086
7.05	Net value added generated	424,044	245,938
7.06	Value added received through transfer	16,528	9,906
7.06.02	Financial income	16,528	9,906
7.07	Total added value to be distributed	440,572	255,844
7.08	Distribution of added value	440,572	255,844
7.08.01	Personnel	93,953	84,672
7.08.01.01	Direct remuneration	71,854	65,258
7.08.01.02	Benefits	18,236	15,847
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	3,863	3,567
7.08.02	Taxes, duties and contributions	167,010	81,973
7.08.02.01	Federal	115,476	54,500
7.08.02.02	State	50,530	26,263
7.08.02.03	Municipal	1,004	1,210
7.08.03	Third-party capital remuneration	43,446	49,958
7.08.03.01	Interest	40,080	46,698
7.08.03.02	Rentals	3,366	3,260
7.08.04	Remuneration of own capital	130,493	39,241
7.08.04.03	Income/(loss) for the period – withheld	130,493	39,241
7.08.05	Other	5,670	0
7.08.05.01	Management profit sharing	5,670	0

Performance Comment

COMMENTS ON THE COMPANY'S PERFORMANCE ON THE SECOND QUARTER OF 2021

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

Irani records Adjusted EBITDA of R\$ 119,076 thousand in 2Q21, an increase of 114.2% in relation to 2Q20

MAIN INDICATORS - CONSOLIDATED ¹	2Q21	1Q21	2Q20	Chg. - 2Q21/ 1Q21	Chg. - 2Q21/ 2Q20	6M21	6M20	Chg. - 6M21/ 6M20	LTM20	LTM20	Change LTM21/LT M20
Economic and Financial (R\$ thousand)											
Net operating revenue	403,137	356,161	240,984	13.2%	67.3%	759,298	477,307	59.1%	1,311,596	949,192	38.2%
Domestic market	340,612	297,542	176,405	14.5%	93.1%	638,154	370,124	72.4%	1,112,590	767,285	45.0%
Foreign market	62,525	58,619	64,579	6.7%	-3.2%	121,144	107,183	13.0%	199,006	181,907	9.4%
Gross Profit (inclusive*)	153,696	130,358	78,924	17.9%	94.7%	284,054	156,245	81.8%	453,125	294,553	53.8%
(*) Change in fair value of biological assets	14,069	11,811	3,617	19.1%	289.0%	25,880	8,086	220.1%	36,168	14,718	145.7%
Gross margin	38.1%	36.6%	32.8%	1.5 pp	5.3 pp	37.4%	32.7%	4.7 pp	34.5%	31.0%	3.5 pp
Operating Income (loss) before Taxes and Interest	91,843	83,169	22,971	10.4%	299.8%	175,012	42,571	311.1%	242,355	13,149	1743.1%
Operating margin	22.8%	23.4%	9.5%			23.0%	8.9%	18.5%	1.4%	17.1 pp	
Net Income	67,691	56,701	15,298	19.4%	342.5%	124,392	33,286	273.7%	183,867	62,752	193.0%
Net margin	16.8%	15.9%	6.3%	0.9 pp	10.5 pp	16.4%	7.0%	9.4 pp	14.0%	6.6%	7.4 pp
Adjusted EBITDA of continued operation ²	119,076	100,348	55,601	18.7%	114.2%	219,424	107,817	103.5%	337,487	238,876	41.3%
Adjusted EBITDA Margin	29.5%	28.2%	23.1%	1.3 pp	6.4 pp	28.9%	22.6%	6.3 pp	25.7%	25.2%	0.5 pp
Net debt (R\$ million)	259.6	217.0	678.7	19.7%	-61.7%	259.6	678.7	-61.7%	259.6	678.7	-61.7%
Adjusted Net debt/EBITDA (x)	0.77	0.79	2.94	-2.5%	-73.8%	0.77	2.94	-73.8%	0.77	2.94	-73.8%
Operating Data (t)											
Corrugated Cardboard Packaging (PO)											
Production/Sales	40,518	40,542	33,187	-0.1%	22.1%	81,060	70,062	15.7%	166,437	147,393	12.9%
Packaging Paper											
Production	73,996	75,701	72,117	-2.3%	2.6%	149,697	142,626	5.0%	300,342	289,700	3.7%
Sales	30,634	31,131	37,531	-1.6%	-18.4%	61,765	71,084	-13.1%	126,291	136,120	-7.2%
Domestic Market	26,137	26,844	25,164	-2.6%	3.9%	52,981	52,467	1.0%	106,449	105,354	1.0%
Foreign market	4,497	4,287	12,367	4.9%	-63.6%	8,784	18,617	-52.8%	19,842	30,766	-35.5%
RS Forests and Resins											
Production	3,928	4,190	3,704	-6.3%	6.0%	8,118	7,756	4.7%	14,969	14,057	6.5%
Sales	3,786	4,485	3,942	-15.6%	-4.0%	8,271	7,938	4.2%	14,275	14,402	-0.9%
Domestic Market	99	100	70	-1.0%	41.4%	199	186	7.0%	510	407	25.3%
Foreign market	3,687	4,385	3,872	-15.9%	-4.8%	8,072	7,752	4.1%	13,765	13,995	-1.6%

¹ Excluding discontinued operation in the year 2019 used for comparative purposes.

² EBITDA (income before interest, taxes, depreciation, amortization and depletion) see the chapter in this release.

- Net revenue in 2Q21 recorded an increase of 67.3% when compared to 2Q20 and 13.2% in relation to 1Q21, mainly due to the increase in the prices of products in the Corrugated Cardboard Packaging and Packaging Paper segments, in addition to the more favorable exchange rate for the portion of sales for export. The sales volume of the Corrugated Cardboard Packaging segment was 22.1% higher than in 2Q20 and contributed to the growth in net revenue for the period.
- The sales volume of the Corrugated Cardboard Packaging segment increased 22.1% when compared to 2Q21, and remained stable when compared to 1Q21, totaling 40.5 thousand tons. This segment continues presenting a strong demand in the period and the Company's industrial activities have been operating at full capacity to serve this market. The Packaging Paper segment totaled 30.6 thousand tons, recording a decrease of 18.4% when compared to 2Q20, and a reduction of 1.6% when compared to 1Q21, owing to the lower availability of the Company's paper to the market, due to the greater use for the Corrugated Cardboard Packaging segment. The RS Forest and Resins segment

Performance Comment

recorded a decrease of 4.0% in volumes when compared to 2Q20, and of 15.6% in comparison to 1Q21, reaching 3.8 thousand tons. Said reduction is mainly due to the lower seasonal demand in the market.

- Gross profit in 2Q21 increased by 94.7% compared to 2Q20 and 17.9% when compared to 1Q21. The growth in 2Q21 is related to the increase in revenue and to the positive change in the fair value of biological assets that offset the increases in costs, especially the increase in scrap paper recorded for the period.
- Sales expenses totaled R\$ 25,205 thousand in 2Q21, accounting for an increase of 14.4% when compared to 2Q20 and of 6.8% in relation to 1Q21, representing 6.3% of consolidated net revenue, lower than the 9.1% recorded in 2Q20 and 6.6% recorded in 1Q21. Administrative expenses totaled R\$ 19,022 thousand in 2Q21, an increase of 19.5% compared to 2Q20 and of 12.0% when compared to 1Q21, representing 4.7 of consolidated net revenue (6.6% in 2Q20 and 4.8% in 1Q21). The growth in sales expenses is related to higher revenue for the period and the growth in administrative expenses occurred mainly in relation to the Company's required adjustments due to the adhesion to B3's New Market, such as the assembling of committees and consulting for improvement of internal audit.
- The net result was a profit of R\$ 67,691 thousand in 2Q21, compared to a profit of R\$ 15,298 thousand in 2Q20 and of R\$ 56,701 thousand in 1Q21. The main impacts on net profit for this quarter were related to net revenue growth and the gross margin growth.
- Adjusted EBITDA in 2Q21 totaled R\$ 119,076 thousand, with a margin of 29.5%, 114.2% higher than that recorded in 2Q20, which was R\$ 55,601 thousand, with a margin of 23.1%, and 18.7% higher when compared to 1Q21, which was R\$ 100,348 thousand, with a margin of 28.2%. This expressive growth in EBITDA is justified by the growth in net revenue and the better margins for all Company's segments in the period.
- The Net Debt/EBITDA ratio was 0.77 times in June 2021, against 0.79 times at the end of March 2021. The improvement in the indicator is due to the increase in EBITDA in the last 12 months, despite the 19.6% increase in net debt due to the investments made at Gaia Platform. The Company still has credits to be offset in the next quarters in the amount of R\$ 69,003, not considered in this account, relating to: i) PIS and COFINS credits in the amount of R\$ 24,800 thousand; ii) Sale of Rural Properties in the amount receivable of R\$ 4,003 thousand; ii) Demobilization of SP Packaging Plant - Vila Maria property, with a balance receivable in the amount of R\$ 40,200 thousand.

Performance Comment

- The cash position at the end of June 2021 was R\$ 374,605 thousand (composed of financial investments, cash and cash equivalents) and 93% of the gross debt is denominated in the long term, 97% denominated in Reais and 3% denominated in foreign currency.
- Gaia Platform: the investments of Gaia Platform are being made and the schedules are up to date. Contracting of investment packages is ongoing and disbursements for 2Q21 totaled R\$ 73,298 thousand, reaching R\$ 92,550 thousand in the total accumulated. The values of the investments of Gaia Platform were revised and the total amount went from R\$ 743,059 to R\$ 883,519, due to the increase in raw material costs that occurred in the market.

Highlights of 2Q21

2Q21 was marked by the possibility of the end of the pandemic cycle with the advance of vaccination in Brazil and worldwide. In the USA and in some European countries, vaccination is well under way and the population is starting to return to normality. In Brazil, the pace of vaccination accelerated and the levels of contamination and fatalities decreased. There was a review for the 2021 GDP growth to above 5% on average.

According to Empapel, shipping of corrugated cardboard in tons recorded a 16.7% growth in 2Q21 compared to 2Q20, with 985 million tons. In the first half of 2021, shipping of cardboard was 13.0% higher than in the first six months of 2020. The increased use of paper packaging for the food sector, e-commerce, product delivery and for exports has created an environment for the corrugated cardboard and paper packaging sector that is completely different from that experienced by the economy in general.

Irani's net revenue in 2Q21 grew 67.3% compared to 2Q20, mainly reflecting the increase in product prices in the Corrugated Cardboard Packaging and Packaging Paper segments, despite the increase in input costs, particularly the scrap paper used in production. The sales volume of the Corrugated Cardboard Packaging segment was 22.1% higher compared to 2Q20 and contributed to the growth in net revenue in the period. The domestic market accounted for 84% of the Company's sales, while the foreign market reached 16%.

In 2Q21, the Corrugated Cardboard Packaging Segment (PO) represented 57% of Irani's net income, the Packaging Paper Segment represented 32% and the RS Forest and Resins Segment represented 11%.

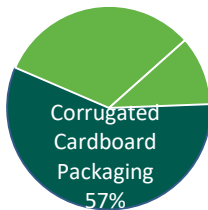
Performance Comment

Irani ended the quarter with Net Revenue of R\$ 403,137 thousand, Adjusted EBITDA of R\$ 119,076 thousand and Net Profit of R\$ 67,691 thousand. Operating leverage (Net Debt/Adjusted EBITDA) was 0.77 times, while the cash balance at the end of 2Q21 was R\$ 374,605 thousand. Gross Debt ended 2Q21 at R\$ 634,209 thousand, 97% in local currency and 3% in foreign currency, and 93% in the long term.

1. OPERATING PERFORMANCE (not reviewed by an independent auditor)

1.1 Corrugated Cardboard Packaging Segment (PO)

Revenue Contribution 2Q21



The sales volume of corrugated cardboard packaging in the Empapel Market in tons, as presented in the charts that follow, increased 16.7% in 2Q21 when compared to 2Q20, as did the sales volume performance in the Irani Market, which increased 22.1%, totaling 40,518 tons. Compared to 1Q21, Empapel Market decreased 2.3%, while Irani Market remained stable.

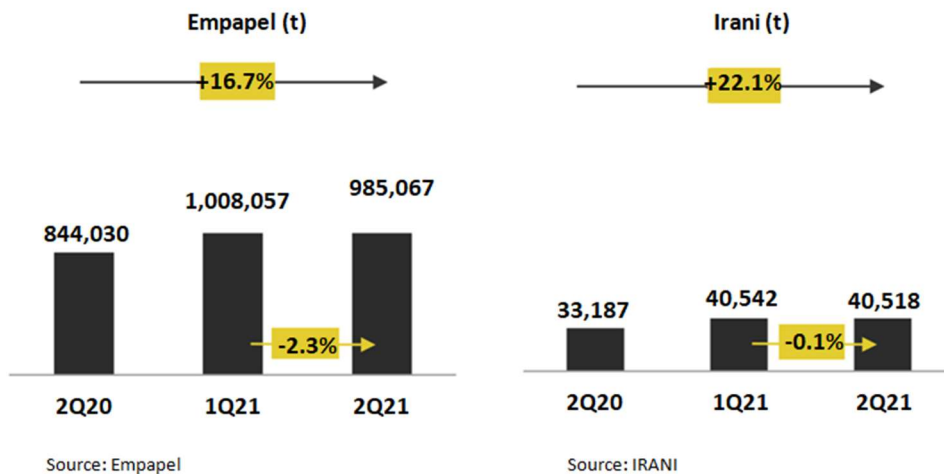
In tons, Irani's market share in the Corrugated Cardboard Packaging Segment was 4.1% in 2Q21, 3.9% in 2Q20 and 4.0% in 1Q21.

The volume of sales of boxes in 2Q21 of the Irani Market recorded an increase of 19.7% compared to 2Q20, and a decrease of 1.2% when compared to 1Q21. The sales of sheets in Irani Market increased 24.3% in relation to 2Q20 and 4.5% compared to 1Q21.

SP Indaiatuba and SC Campina da Alegria Packaging units accounted for respectively 58% and 42% of the total sold in the 2Q21 in corrugated cardboard, whose productions are entirely destined to the domestic market.

Performance Comment

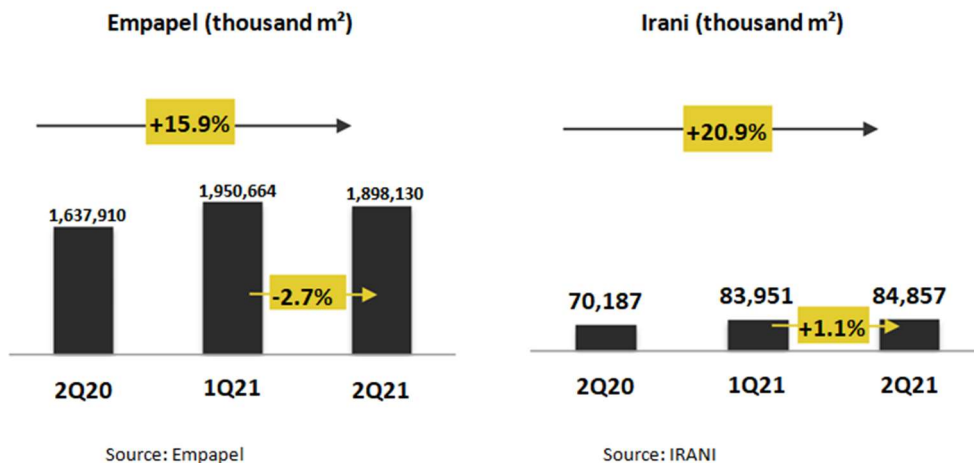
Sales Volume (in tons) – Corrugated Cardboard Packaging Segment (PO)



2Q21 Empapel Market (in tons) are prior to closing. There may be changes in the official data.

In square meters (m²) the sales volume of corrugated cardboard packaging of the Empapel Market presented an increase of 15.9% in 2Q21 when compared to 2Q20, as well as Irani Market that had a 20.9% increase. Compared to 1Q21, Empapel Market decreased 2.7%, while the Irani Market recorded a 1.1% increase. In square meters, the Irani Market’s share was 4.5% in 2Q21 and 4.3% in 2Q20 and 1Q21.

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



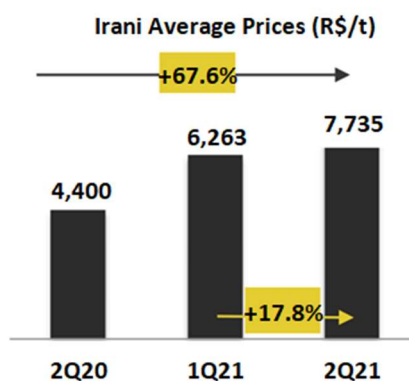
2Q21 Empapel Market (in sqm) are prior to closing. There may be changes in the official data.

The volume of SP Indaiatuba Packaging plant reached 17,858 tons of boxes and 5,597 tons of plates in 2Q21 against 14,301 tons of boxes and 4,707 tons of plates in 2Q20.

Performance Comment

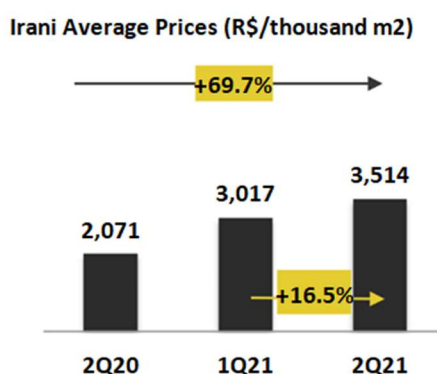
The volume of SC Campina da Alegria Packaging plant recorded sales volume of 14,072 tons of boxes and 2,991 tons of plates in 2Q21 against 12,382 tons of boxes and 1,797 tons of plates in 2Q20.

The average Irani price (CIF) increased 67.6% in 2Q21 in relation to 2Q20. In the comparison with 1Q21, the Irani market increased 17.8%.



Note on methodology: IRANI prices exclude Excise Tax (IPI), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

The average Irani price (CIF) increased 69.7% in 2Q21 in relation to 2Q20. In the comparison with 1Q21, the Irani Market increased 16.5%.



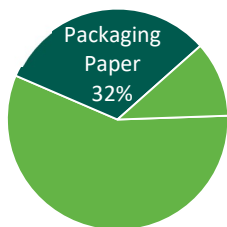
Note on methodology: IRANI prices exclude Excise Tax (IPI), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

Prices per m2 reflect better the market dynamics as they do not consider possible changes in the grammage of the papers used to manufacture boxes and sheets.

Performance Comment

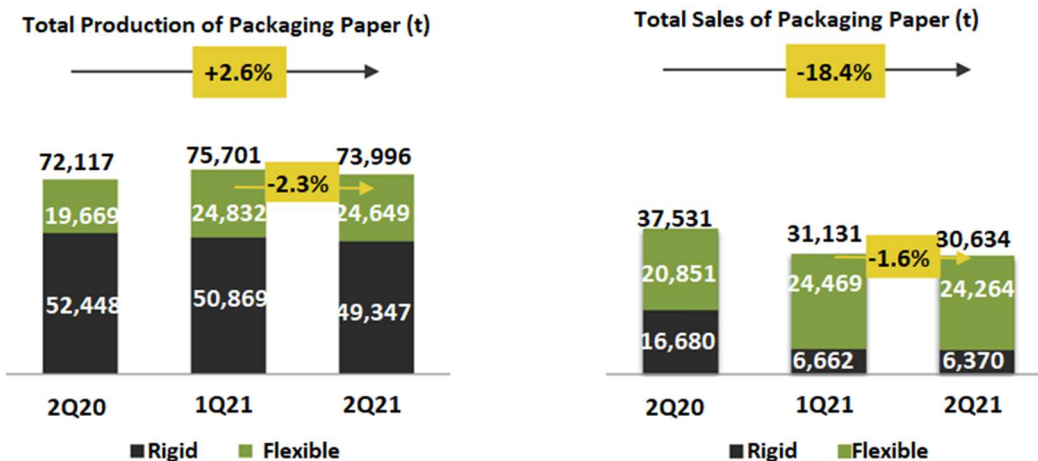
1.2 Packaging Paper Segment

Revenue Contribution 2Q21



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

The Company’s total production of Packaging Paper in the quarter was 2.6% higher when compared to 2Q20, and lower in relation to 1Q21. In relation to sales, there was a decrease of 18.4% compared to 2Q20 and a reduction of 1.6% compared to 1Q21.

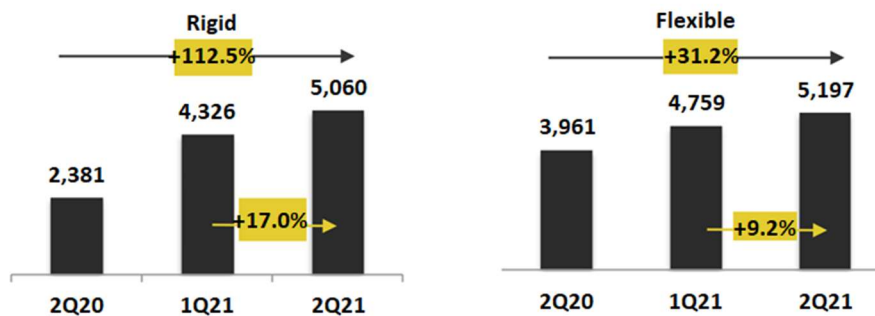


In 2Q21, internal paper transfers for rigid packaging (PO) totaled 42,834 tons (35,462 tons in 2Q20 and 44,386 tons in 1Q21). For the SP Packaging Plant Indaiatuba, they reached 24,288 tons (19,662 tons in 2Q20 and 25,989 tons in 1Q21) and, for the SC Packaging Plant Campina da Alegria, 18,546 tons were transferred in 2Q21 (15,800 tons in 2Q20 and 18,397 tons in 1Q21). Of the total internal transfers in 2Q21, 57% went to SP Packaging Plant Indaiatuba and 43% to SC Packaging Plant Campina da Alegria.

The rigid packaging paper recorded an increase of 112.5% in the prices for 2Q21 when compared to those practiced in 2Q20, and 17.0% when compared to 1Q21. On the other hand, the prices of flexible packaging papers increased 31.2% in comparison with 2Q21 and 9.2% in relation to 1Q21.

Performance Comment

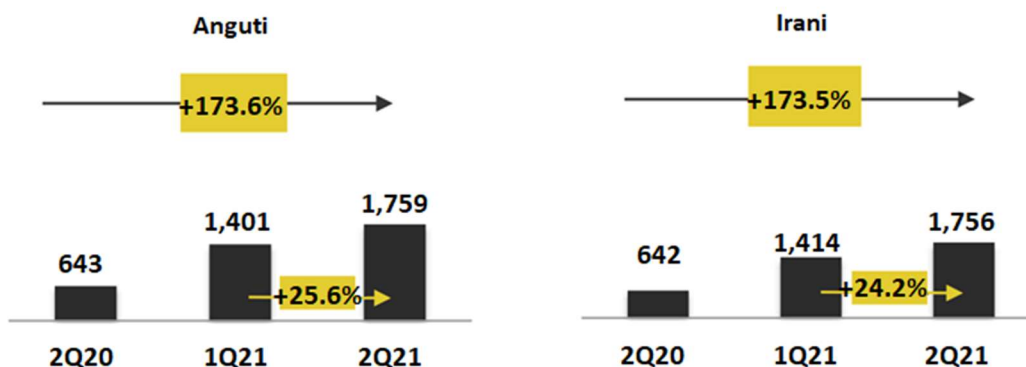
Average Packaging Paper prices (R\$/metric ton)



Scrap paper

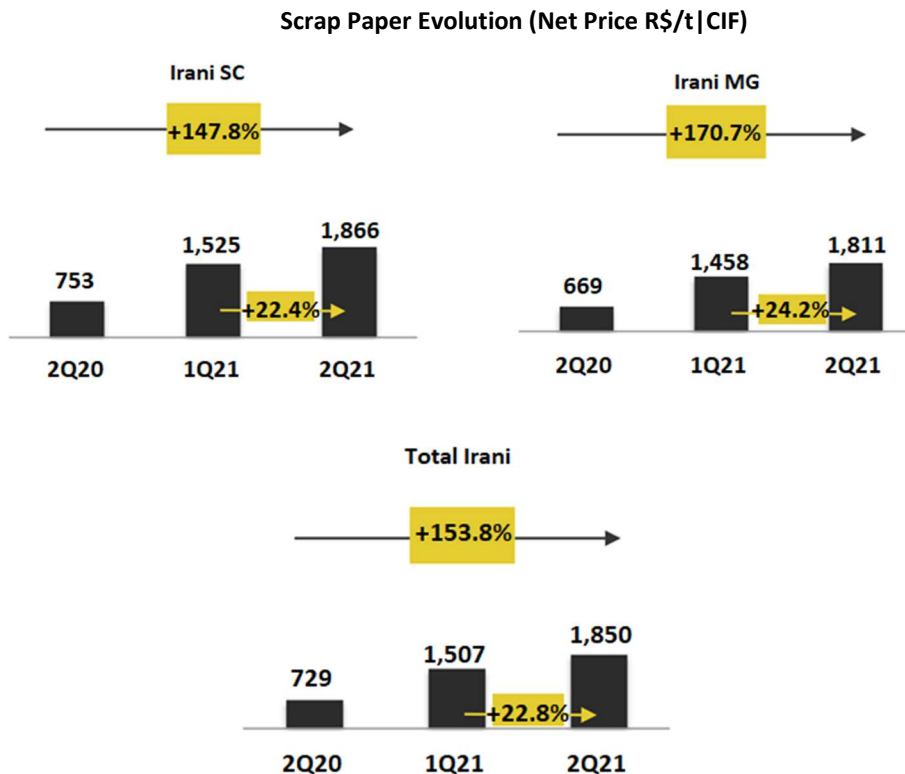
The Packaging Paper Segment uses scrap paper (used paper) as raw material to manufacture most of its products, mainly those used for the production of Corrugated Cardboard Boxes and Plates in the Company’s Corrugated Cardboard Packaging Segment. Scrap paper accounted for 42% of the total paper production cost in 2Q21. The scrap paper market undergoes changes related to population consumption, due to the collection of boxes discarded by wholesalers, businesses and consumers and related to the demand for recycled paper, among other factors. During the second quarter of 2021, the scrap paper prices had a significant increase, due to the greater demand, and are presented in the chart below:

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



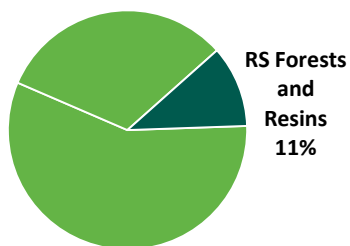
Note on methodology: Anguti Statistics – Scrap Paper Report.

Performance Comment



1.3 RS Forests and Resins segment

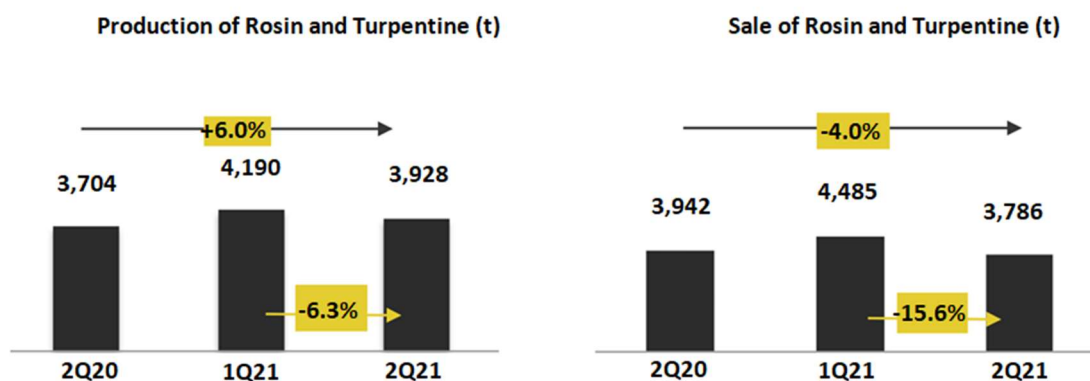
Revenue Contribution 2Q21



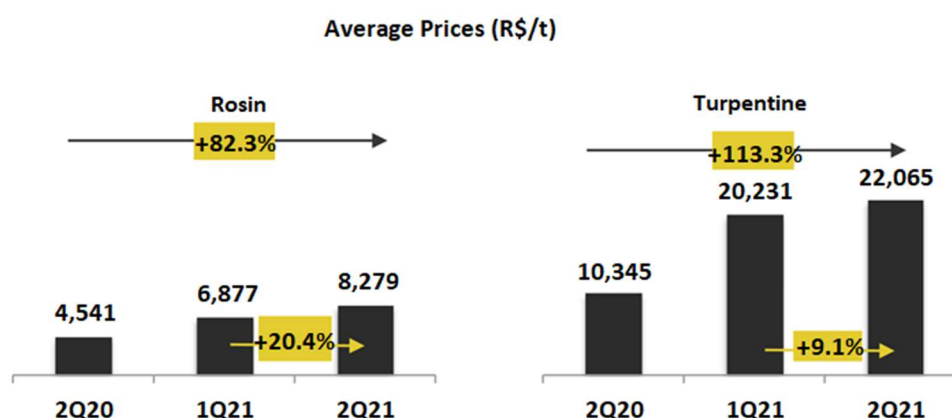
The Rio Grande do Sul forest segment produced and commercialized 12 thousand cubic meters of pine logs to the local market in 2Q21 (5 thousand cubic meters in 2Q20) and supplied 647 tons of in natura resins (254 tons in 2Q20) to be utilized in the industrial process of manufacturing rosin and turpentine.

The production volume in the RS Balneário Pinhal Resin unit in 2Q21 presented increase of 6.0% when compared to 2Q20 and a 6.3% decrease when compared to 1Q21. Sales volume increased by 4.0% when compared to 2Q20 and decreased 15.6% when compared to 1Q21.

Performance Comment



In 2Q21, the average gross price of Tar was 82.3% higher than 2Q20 and 20.4% higher when compared to 1Q21. Turpentine increased 113.3% when compared to 2Q20 and 9.1% in relation to 1Q21. The price of these products changes according to the foreign market and exchange rate.



2. ECONOMIC AND FINANCIAL PERFORMANCE

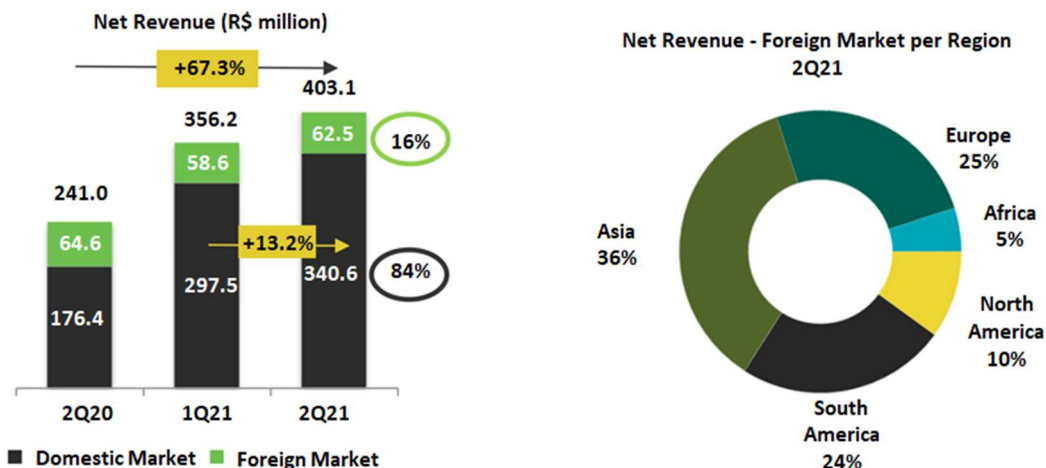
2.1 Net Operating Revenue

Net operating revenue in 2Q21 reached R\$ 403,137 thousand, an increase of 67.3% when compared to 2Q20 and of 13.2% in relation to 1Q21, mainly due to the increase in the prices of products in the Corrugated Cardboard Packaging and Packaging Paper segments, in addition to the more favorable exchange rate for the portion of sales for export. The sales volume of the Corrugated Cardboard Packaging segment was 22.1% higher than in 2Q20 and contributed to the growth in net revenue for the period.

In the domestic market, net operating revenue was R\$ 340,612 thousand in the quarter and had an increase of 93.1% when compared to that one of 2Q20 and an increase of 14.5% in relation to 1Q21. Revenue in the domestic market accounted for 84% of Irani's total revenue in the 2Q21.

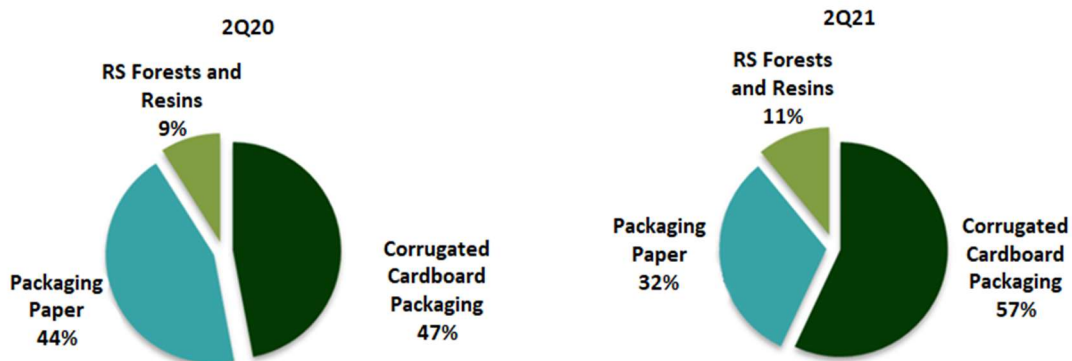
Performance Comment

In 2Q21, exports totaled R\$ 62,525 thousand, an amount 3.2% higher than 2Q20 and 6.7% higher than 1Q21, representing 16% of total net operating revenue. Asia was the main destination for exports, concentrating 36% of foreign market revenue, followed by Europe with 25%. The other markets are: South America (24%), North America (10%) and Africa (5%).



Irani's main segment of operation is the Corrugated Cardboard Packaging, which accounts for 57% of consolidated net revenue in 2Q21, followed by the segments of Packaging Paper with 32%, and RS Forests and Resins, with 11%.

Net Revenue by Segment

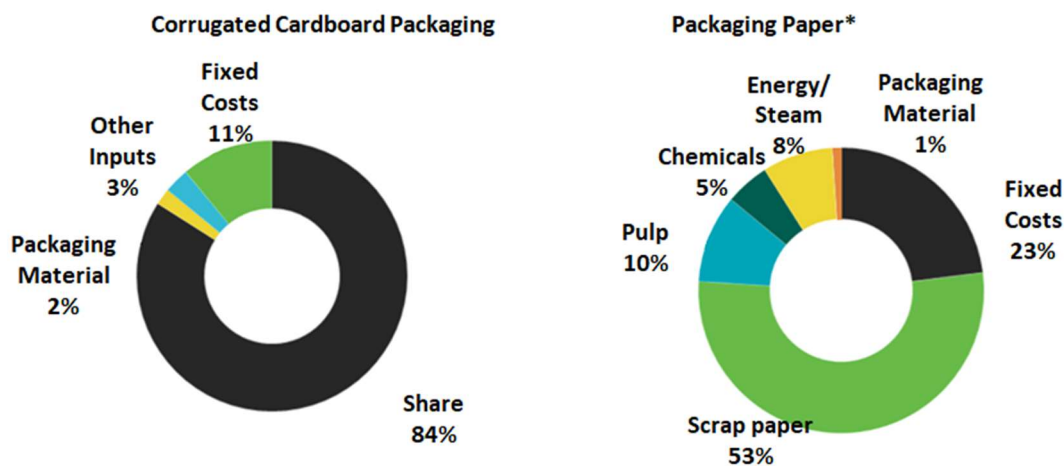


Performance Comment

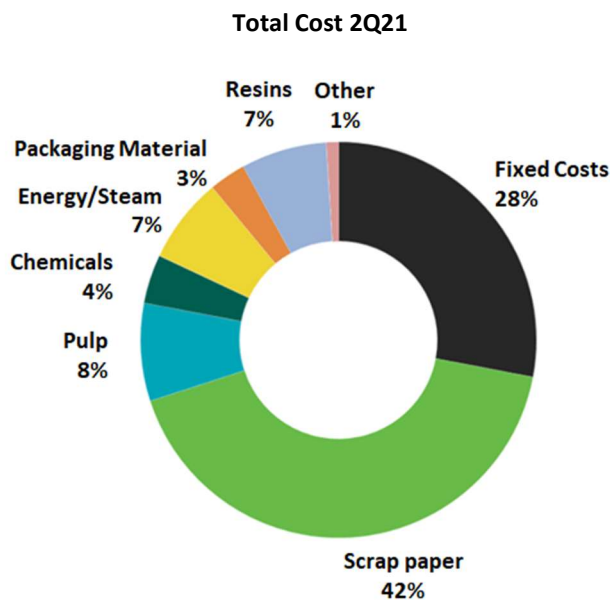
2.2 Cost of Goods Sold

The cost of products sold in 2Q21 was R\$ 263,510 thousand, 59.1% higher than in 2Q20, due to the increase in the cost of inputs, especially paper trimmings. The change in the fair value of biological assets is not being considered in the cost of sales for any of the periods.

The formation of the cost per Irani's segment of operation in 2Q21 is shown in the charts below.



*The formation of the cost of the Packaging Paper Segment does not consider the change in the fair value of biological assets.



Performance Comment

2.3 Operating Revenues and Expenses

Sales expenses in 2Q21 totaled R\$ 25,205 thousand, 14.4% higher when compared to 2Q20, and account for 6.3% of consolidated net revenue, compared to 9.1% in 2Q20.

General and administrative expenses totaled R\$ 19,022 thousand in 2Q21 (R\$ 15,920 thousand in 2Q20), accounting for an increase of 19.5% compared to 1Q20 and 4.7% of consolidated net revenue (6.6% when compared to 2Q20).

Other operating revenues/expenses resulted in a revenue of R\$ 4,308 thousand in 2Q21, against a revenue of R\$ 103 thousand in 2Q20.

3. OPERATING CASH GENERATION (ADJUSTED EBITDA)

Consolidated (R\$ thousand)	2Q21	1Q21	2Q20	Chg. - 2Q21/ 1Q21	Chg. - 2Q21/ 2Q20	6M21	6M20	Chg. - 6M21/ 6M20	LTM20	LTM20	Change LTM21/LT M20
Operating Result before Taxes and Profit Sharing	91,843	83,169	22,971	10.4%	299.8%	175,012	42,571	311.1%	242,355	13,149	1743.1%
Depletion	5,221	4,576	2,893	14.1%	80.5%	9,797	6,674	46.8%	14,895	56,414	-73.6%
Depreciation and Amortization	17,203	17,411	16,148	-1.2%	6.5%	34,614	29,866	15.9%	70,212	58,843	19.3%
Financial Results	16,549	7,003	17,206	136.3%	-3.8%	23,552	36,792	-36.0%	42,360	211,405	-80.0%
EBITDA	130,816	112,159	59,218	16.6%	120.9%	242,975	115,903	109.6%	369,822	339,811	8.8%
EBITDA Margin	32.4%	31.5%	24.6%	0.9 pp	7.8 pp	32.0%	24.3%	7.7 pp	28.2%	35.8%	-7.6 pp
Adjustments according to CVM Instruction 527/12											
Change in fair value of biological assets ⁽¹⁾	(14,069)	(11,811)	(3,617)	19.1%	289.0%	(25,880)	(8,086)	220.1%	(36,168)	(14,718)	145.7%
Non-recurring events ⁽²⁾	(3,341)	-	-	-	-	(3,341)	-	-	(11,922)	(86,217)	-86.2%
Management Profit Sharing ⁽³⁾	5,670	-	-	-	-	5,670	-	-	15,755	-	-
Adjusted EBITDA of continued operation	119,076	100,348	55,601	18.7%	114.2%	219,424	107,817	103.5%	337,487	238,876	41.3%
Adjusted EBITDA Margin	29.5%	28.2%	23.1%	6.4 pp	28.9%	22.6%	6.3 pp	25.7%	25.2%	0.5 pp	-
Adjusted EBITDA of discontinued operation	-	-	-	-	-	-	-	-	-	(8,247)	-
Adjusted EBITDA	119,076	100,348	55,601	18.7%	114.2%	219,424	107,817	103.5%	337,487	230,629	46.3%

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

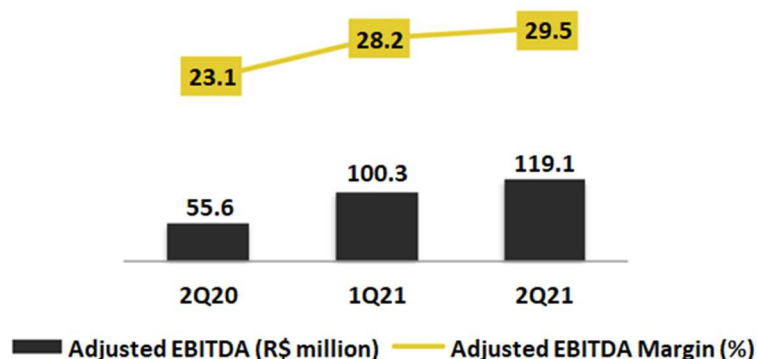
² Non-recurring events in 2Q21 (R\$ 3,341 thousand) refer to the sale of assets from the discontinued operation.

³ Management profit sharing: The amount of R\$ 5,670 thousand refers to the distribution of the Company's income.

Operating cash generation, as measured by Adjusted EBITDA from continuing operation, totaled R\$ 119,076 thousand in 2Q21, 114.2% higher than in 2Q20, with a 29.5% margin and an increase of 6.4 percentage points in the margin. When compared to 1Q21, Adjusted EBITDA was 18.7% higher, with a margin of 28.2%, which represents an increase of 1.3 percentage points. This expressive growth in EBITDA is justified by the growth in net revenue and the better margins for all Company's segments in the period.

Performance Comment

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



4. FINANCE RESULT AND INDEBTEDNESS

O resultado financeiro está distribuído da seguinte forma:

R\$ thousand	2Q21	1Q21	2Q20	6M21	6M20	LTM20 ¹	LTM20 ¹
Financial income	3,639	12,889	6,610	16,528	9,906	35,142	77,697
Financial costs	(20,188)	(19,892)	(23,816)	(40,080)	(46,698)	(77,502)	(289,102)
Financial Result	(16,549)	(7,003)	(17,206)	(23,552)	(36,792)	(42,360)	(211,405)

¹ Accumulated in the last twelve months.

The finance result was negative by R\$ 16,549 thousand in 2Q21, accounting for a decrease of 3.8% compared to 2Q20, and an increase of 136.3% when compared to 1Q21.

Finance income and costs presented above include asset and liability exchange-rate changes, as follows:

R\$ thousand	2Q21	1Q21	2Q20	6M21	6M20	LTM20 ¹	LTM20 ¹
Foreign-exchange income	-	10,576	4,815	10,576	6,109	17,538	14,046
Negative exchange rate change	(5,829)	(8,945)	(5,367)	(14,774)	(7,092)	(21,393)	(157,386)
Net exchange rate change	(5,829)	1,631	(552)	(4,198)	(983)	(3,855)	(143,340)

¹ Accumulated in the last twelve months.

The exchange-rate change negatively impacted the Company's profit by R\$ 5,829 thousand in 2Q21, compared to a negative impact of R\$ 552 million in 2Q20 and a positive impact of R\$ 1,631 in 1Q21. The increase compared to previous quarters is due to the appreciation of the real against the US dollar and its impact on trade accounts receivable.

As of June 30, 2021, the Company maintained only 3.0% of its debt in foreign currency.

Performance Comment

The finance result, excluding the effects of exchange-rate change, was as follows:

R\$ thousand	2Q21	1Q21	2Q20	6M21	6M20	LTM20 ¹	LTM20 ¹
Finance income without exchange rate change	3,639	2,313	1,795	5,952	3,797	17,704	63,651
Finance costs without exchange rate change	(14,359)	(10,947)	(18,449)	(25,306)	(39,606)	(56,109)	(131,716)
Finance result without exchange rate change	(10,720)	(8,634)	(16,654)	(19,354)	(35,809)	(38,505)	(68,065)

¹ Accumulated in the last twelve months.

The finance result, excluding the effects of exchange-rate change, was negative by R\$ 10,720 thousand in 2Q21 compared to a negative result of R\$ 16,654 thousand in the 2Q20 and of R\$ 8,634 thousand in 1Q21. The decrease in 2Q21 compared to 2Q20 is mainly due to: (i) the public offering of shares, resulting in a net inflow of R\$ 382,039 thousand in cash in 2020 and (ii) measures of financial asset and liability management, which involve the settlement of debts at an inappropriate cost to the new capital structure throughout 2020. The increase in relation to 1Q21 is due to the normalization of the monetary policy through the increase in the Selic rate and its impact on the average cost of debt, as well as the increase in net debt due to the disbursements of investment made in Gaia Platform.

Exchange Rate

The exchange rate which was R\$ 5.39/US\$ on June 30, 2020, was 1.67% lower at the end of June 2021, and reached R\$ 5.30/US\$. The average exchange rate for this quarter was R\$ 5.00/US\$, 12.28% lower when compared to the exchange rate for the same period of 2020.

R\$ thousand	2Q21	1Q21	2Q20	$\Delta 2T21/1T21$	$\Delta 2T21/2T20$
Average Dollar	5.30	5.48	5.39	-3.28%	-1.67%
Final Dollar	5.00	5.70	5.48	-12.28%	-8.76%

Source: Brazilian Central Bank (Bacen)

Indebtedness

The consolidated net indebtedness on June 30, 2021 totaled R\$ 259,604 thousand against R\$ 216,952 thousand on March 31, 2021, representing an increase of 19.7% or R\$ 42,652 thousand due to the negative free cash flow in the period due to the investments in the Gaia Platform.

Performance Comment

The consolidated net indebtedness on June 30, 2021 totaled R\$ 634,209 million against R\$ 616,772 million on March 31, 2021. This increase was mainly influenced by the higher fundraising in relation to the settlements for the period.

At June 30, 2021, the gross indebtedness profile presented 7% of debts maturing in the short term and 93% in the long term, while 97% was denominated in local currency and 3% in foreign currency. The average cost of debt, in the last 12 months, on June 30, 2021 was 8.41% per annum.

The balance of consolidated cash (comprised by financial investments and cash and cash equivalents) as of June 30, 2021, totaled R\$ 374,605 thousand, compared to R\$ 399,820 thousand as of March 31, 2021. The reduction in the cash balance was due to the negative free cash flow for the period, due to the investments in the Gaia Platform.

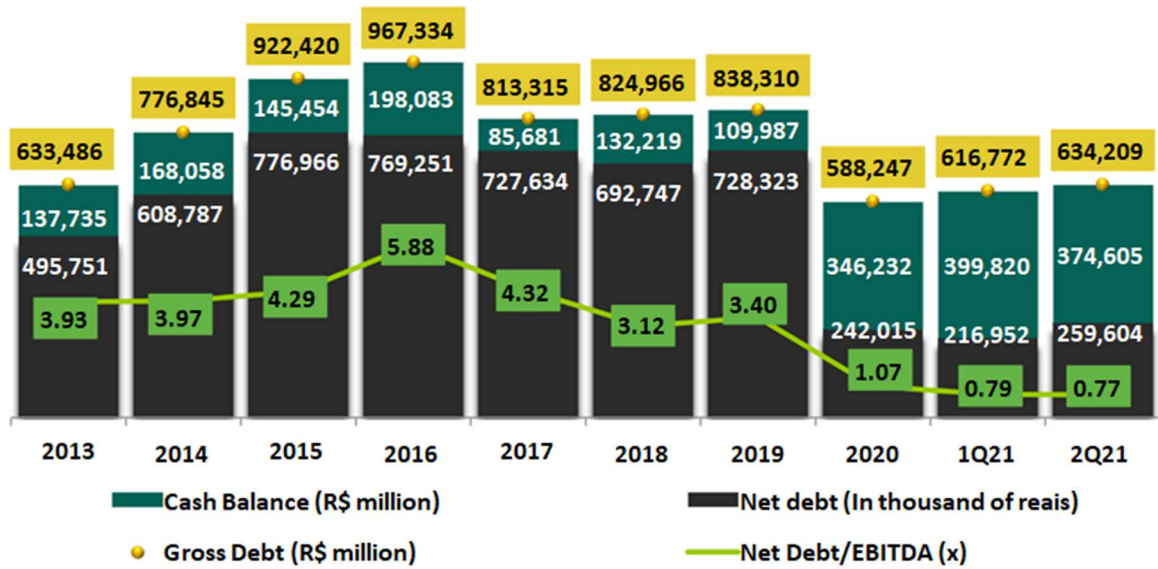
The Net Debt/EBITDA ratio was 0.77 times in June 2021, against 0.79 times at the end of March 2021. The improvement in the indicator is mainly due to the increase in EBITDA in the last twelve months and the 10.4% decrease in net debt.

At June 30, 2021, the Company had receivables not considered in the net debt account in the amount of R\$ 69,003 thousand, referring to: i) PIS and COFINS credits in the amount of R\$ 24,800 thousand; ii) Sale of Rural Properties in the amount receivable of R\$ 4,003 thousand; ii) Demobilization of SP Packaging Plant - Vila Maria property, with a balance receivable in the amount of R\$ 40,200 thousand.

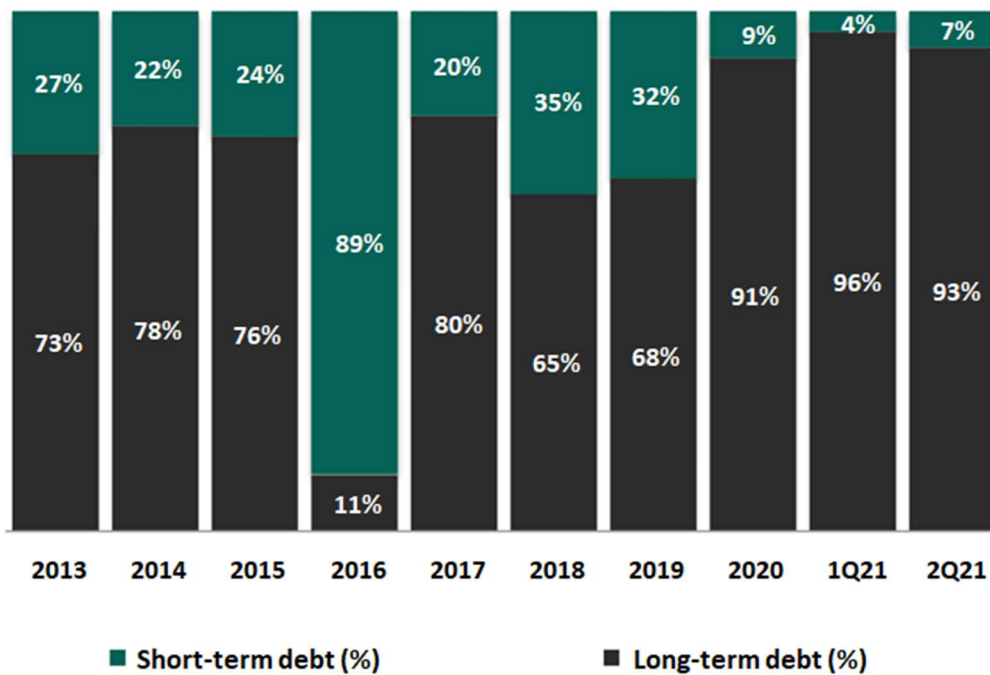
According to a material fact dated May 28, 2021, the Company's Board of Directors approved the contracting of financing with Agência Especial de Financiamento Industrial S.A. – FINAME (BNDES), in the amount of up to R\$ 484,000 thousand, to be used in the execution of the planned investments in the Gaia Platform. The granting of financing to the Company was approved by the FINAME Executive Board on May 27, 2021, under the credit facility named FINAME DIRETO, and the agreement was signed on May 31, 2021. The inflow of funds will occur upon release requests, as the acquisitions and payment for the Gaia Platform equipment are made.

Performance Comment

Indebtedness and Net Debt/EBITDA

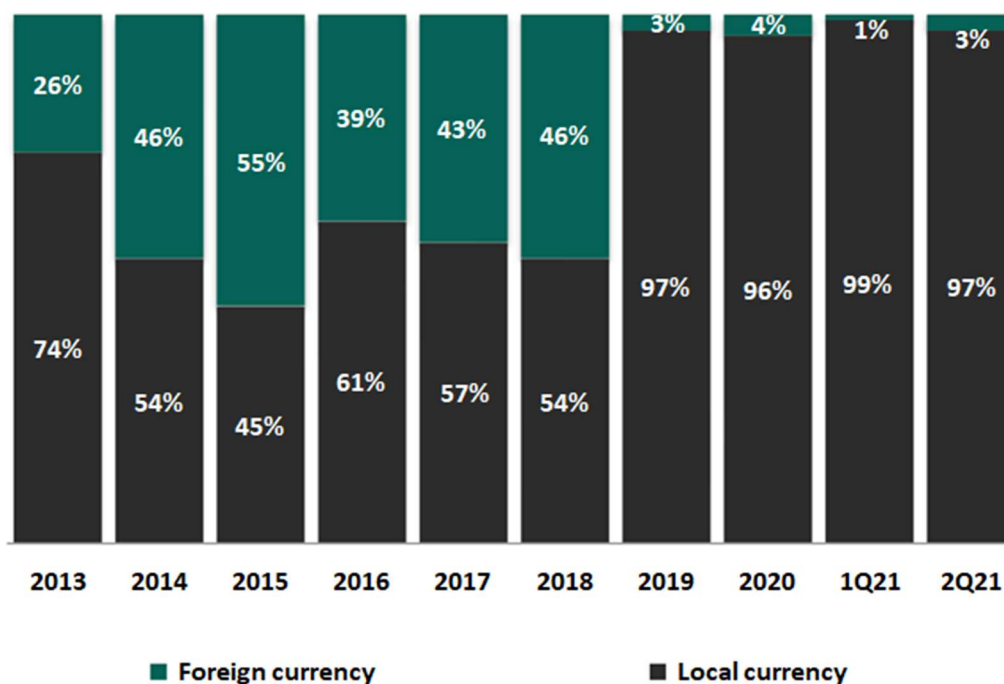


Profile of gross indebtedness



Performance Comment

Profile of gross indebtedness



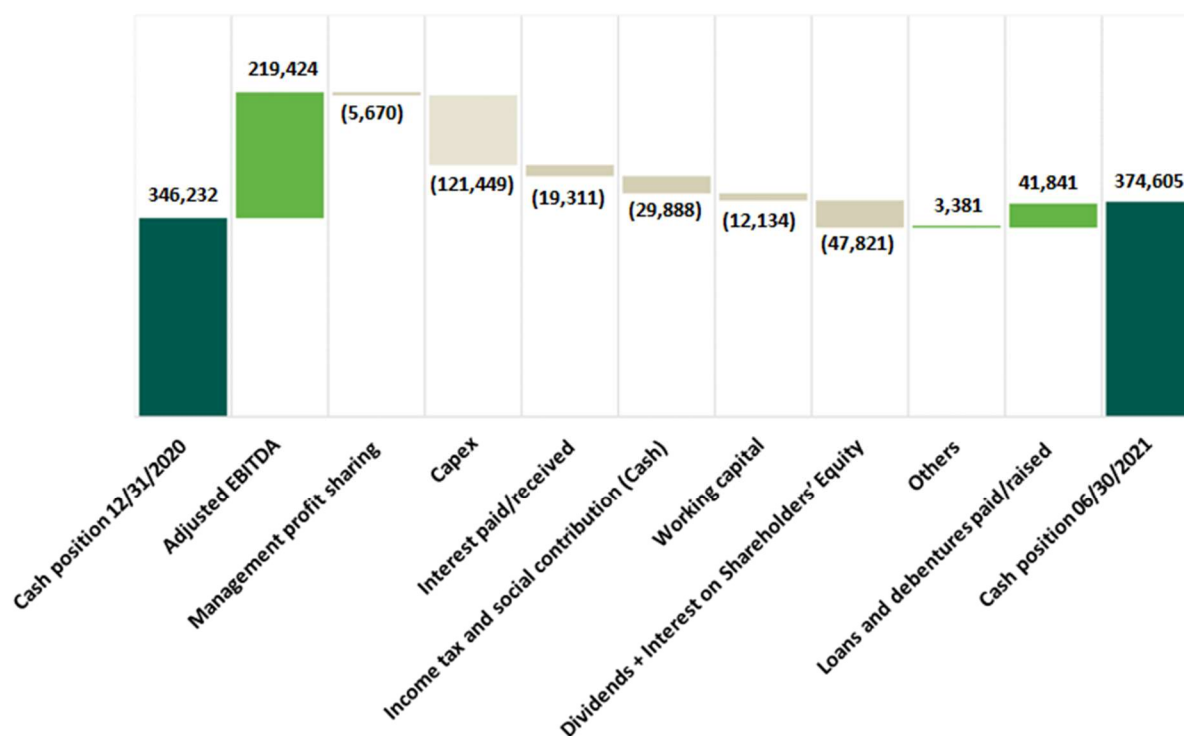
5. CREDIT RATING

On July 5, 2021, S&P Global Rating upgraded Irani’s long-term issuer credit rating from 'brA' to 'brAA' on the Brazilian National Scale. The ratings assigned to debenture issues (3rd Public Issue and 4th Private Issue) were also upgraded from 'brA+' to 'brAA+'. According to the rating agency, the stable outlook of the issuer rating indicates the expectation that Irani will maintain a growing cash generation in the coming years, with greater profitability and strengthening its credit metrics, in addition to the expectation that the company will remain as an isolated entity in relation to refinancing risks at the level of the controlling group.

6. CASH POSITION

The Company’s cash position, which was R\$ 346,232 thousand on December 31, 2020, recorded a growth of 8.2% in the six-month period of 2021, closing at R\$ 374,605 on June 30, 2021. The sources and investments of funds are presented as follows:

Performance Comment



7. FREE CASH FLOW

Free cash flow	2Q21	1Q21	2Q20	LTM20	LTM20
Adjusted EBITDA	119,076	100,348	55,601	337,487	230,630
(-) Capex	(89,665)	(31,784)	(14,149)	(161,034)	(78,743)
(-) Interest paid/received	(1,143)	(18,168)	(3,911)	(54,250)	(60,381)
(-) Income tax and social contribution (Cash)	(20,631)	(9,257)	(4,789)	(44,985)	(6,644)
(+/-) Working capital	5,863	(17,997)	21,630	26,013	14,974
(-) Dividends + Interest on shareholders' equity	(37,460)	(10,361)	(1,778)	(62,587)	(1,784)
(+/-) Others	2,362	5	469	5,767	51,986
Free Cash Flow	(21,598)	12,786	53,073	46,411	150,037
Dividends + Interest on shareholders' equity	37,460	10,361	1,778	62,587	1,784
Gaia Platform	73,297	17,140	-	92,550	-
Expansion Projects	765	650	4,099	8,196	27,175
Adjusted Free Cash Flow¹	89,924	40,938	58,950	209,744	178,996
Adjusted FCF - Yield²				15.2%	30.4%

1 Excluding dividends and interest on own capital, Gaia Platform and Expansion Projects

2 Yield - adjusted Free Cash Flow divided by average market value in the LTM.

Adjusted Free Cash Flow, disregarding investments in Gaia Platform and other Expansion Projects, as well as dividends and interest on shareholders' equity paid to shareholders, was R\$ 89,924 thousand for 2Q21, an increase of 119.7% compared to 1Q21 and of 52.5% in relation to 2Q20.

Performance Comment

The strong operating cash generation (EBITDA) contributed positively to free cash flow, justified by the growth in net revenue and the better margins for all the Company's segments in the period.

The decrease in interest paid in relation to the previous quarter refers to the seasonal payment in the months of January and July of the interest on the 3rd Issue of Green Debentures (CELU13).

The higher payment of income tax and social contribution in this quarter is due to the substantial increase in net profit for the period. The positive Working Capital in this quarter is mainly due to the offset of federal taxes (IPI, PIS and COFINS) due to lawsuits claiming the exclusion of ICMS from the PIS and COFINS basis, in view of variations in other cyclical accounts.

In this quarter, R\$ 37,460 thousand were distributed in dividends, R\$ 12,845 of which referring to the profit of 1Q21 and R\$ 24,575 thousand corresponding to the additional dividends of the profit of 2020, totaling a payout of 50% of the base profit for distribution of dividends for that year. Said amounts are in line with the Company's Dividend Distribution and Payment of Interest on Equity Policy and correspond to an increase of 261.5% over the previous quarter.

In the last 12 months ended June 30, 2021, the Adjusted Free Cash Flow totaled R\$ 209,744 thousand, accounting for an increase of 17.2% in relation to the R\$ 179,324 thousand recorded in the 12-month period ended June 30, 2020. The positive working capital contributed positively to this increase, in addition to the strong operating cash generation, benefited by the offsetting of federal taxes (IPI, PIS and COFINS) due to the lawsuits for the exclusion of ICMS from the PIS and COFINS basis. It is worth mentioning that EBITDA in the last 12 months ended June 30, 2020 had been positively impacted by the sale of the Company's forests located in the State of Rio Grande do Sul, in the amount of R\$ 39,000 thousand, made on September 25, 2019.

The Free Cash Flow Yield was 15.2% in the last 12 months ended June 30, 2021, accounting for a decrease of 15.3 pp in relation to that determined in the last 12 months ended June 30, 2020. The decrease is due to the increase in the shareholder base and the increase in the average price of the Company's share (RANI3).

8. RETURN ON INVESTED CAPITAL (ROIC)

Return on Invested Capital (ROIC) was 17.8% in the last 12 months, accounting for an increase of 2.6 pp compared to the 12-month period ended March 31, 2021. This increase is due to the significant increase in Adjusted EBITDA compared to the increase in the average invested capital in preparation for the investments in the Gaia Platform.

Performance Comment

ROIC (R\$ thousand) - LTM ¹	2Q21	1Q21	2Q20
Total Assets	1,878,269	1,776,794	1,581,773
(-) Total Liabilities (former debt)	(440,714)	(426,900)	(417,949)
(-) Works in progress	(65,822)	(37,799)	(48,285)
Invested Capital	1,371,733	1,312,096	1,115,539
(-) Adjustment - CPC 29 ²	(68,791)	(63,327)	(59,283)
Adjusted Invested Capital	1,302,942	1,248,769	1,056,256
Adjusted EBITDA	337,487	274,012	230,630
(-) Capex for Maintenance	(60,288)	(54,735)	(51,568)
(-) Income tax and social contribution (Cash)	(44,985)	(29,142)	(6,644)
Adjusted Operating Cash Flow	232,215	190,135	172,418
ROIC³	17.8%	15.2%	16.3%

¹ Average of balance sheet balances for the last 4 quarters (Last Twelve Months)

² Differential of fair value of biological assets less Deferred Taxes of the Fair Value of biological assets

³ ROIC (Last Twelve Months): Adjusted Operating Cash Flow / Adjusted Invested Capital

9. NET PROFIT

In 2Q21, the net profit was R\$ 67,691 thousand, in comparison to the profit of R\$ 15,298 thousand in 2Q20 and R\$ 56,701 thousand in 1Q21. In the last twelve months, net profit was R\$ 183,867 thousand, compared to a profit of R\$ 62,752 thousand in the same period of last year. The main impacts on net profit for this quarter were related to the growth in sales net revenue and the percentage growth in gross margin.

10. INVESTMENTS

The Company maintains its strategy of investing in the modernization and automation of its production processes. Investments in this quarter amounted to R\$ 95,804 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company. Of this amount, R\$ 73,298 thousand were allocated to the investments in the Gaia I and II Projects.

R\$ thousand	2Q21	6M21
Buildings	963	981
Equipment	90,139	118,835
Intangible assets	18	613
Reforestation	4,684	7,850
Total	95,804	128,279

Performance Comment

11. GAIA PLATFORM

The Gaia Platform ([Access Link](#)) comprises the current portfolio of expansion projects focused on increasing competitiveness, production capacity and energy self-sufficiency. The Gaia I project - Expansion of Chemicals and Utilities Recovery is in line with its planning, with the completion of the infrastructure of the construction sites and the negotiations of the packages of the chemical recovery boiler, energy recovery system from the Blow Tank discharges, evaporation, non-condensable gases - CNG, wood yard, turbo generator and civil package, while the construction of the entrance and restaurant buildings are in progress. In the Gaia II Project - Expansion of SC Packaging Unit, the relocation of the gas supply pit stop, the new coating area and the assembly of the corrugator rails were completed. In addition, the first docks of the new shipment are already in operation, the corrugator bases are under construction and the RDC printer is already positioned, awaiting installation. In the Gaia III Project - Refurbishment of Paper Machine 2, the negotiation of the main project package was completed and progress was made in the preparation of the planning. In the projects Gaia IV - Cristo Rei Repowering and Gaia V - São Luiz Repowering, the project of the new transmission line was concluded and the Integrated Environmental Assessment of the Hydrographic Basin - AAIBH of the Irani River was published by the municipality of Seara - SC in the regional press.

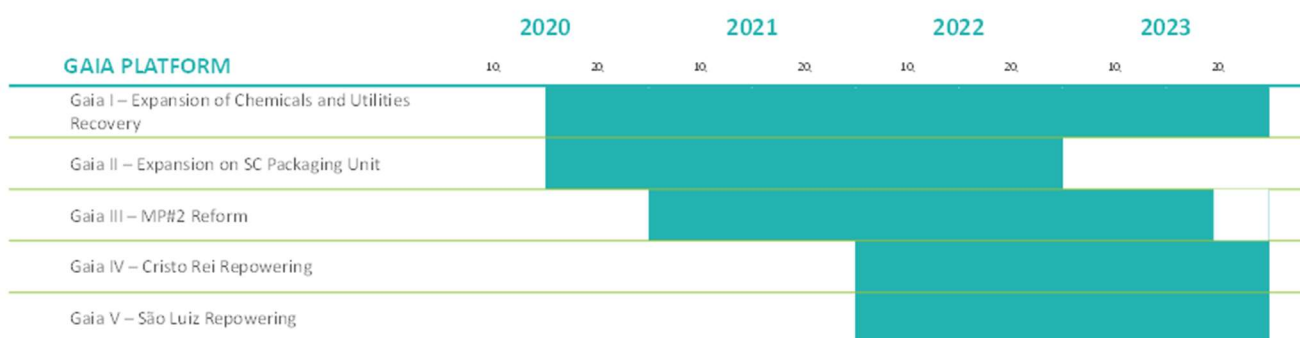
In 2Q21, R\$ 73,298 thousand were invested in the Platform, R\$ 52,259 thousand in Gaia I and R\$ 21,039 thousand in Gaia II, and the total invested in the Platform was R\$ 92,550 thousand, R\$ 55,942 thousand in Gaia I and R\$ 36,608 thousand in Gaia II.

The estimated investment value was updated as a result of the increase in the prices of civil construction products, such as steel and copper, and of labor, an impact that has been occurring in the market due to the pandemic, in addition to the change in scope to replace the caster and wrapping machine by new machines with greater capacity. As a result, the total investment of Gaia Platform increased from R\$ 743,059 thousand to R\$ 883,519 thousand.

Performance Comment

Project Description	Unit	Estimated Investment	Investment Made 2Q21	Investment Made up to 06/30/2021
Gaia I – Expansion of Chemicals and Utilities Recovery	Campina da Alegria SC Paper Plant	581,309	52,259	55,942
Gaia II – Expansion on SC Packaging Unit	Campina da Alegria SC Packaging Plant	150,433	21,039	36,608
Gaia III – MP#2 Reform	Campina da Alegria SC Paper Plant	57,613	-	-
Gaia IV – Cristo Rei Repowering	Campina da Alegria SC Paper Plant	31,300	-	-
Gaia V – São Luiz Repowering	Campina da Alegria SC Paper Plant	62,864	-	-
Total		883,519	73,298	92,550

After the completion of the basic engineering, the Gaia III Project schedule had its startup date and performance period updated. The schedule that provides for the beginning of the Gaia IV and V Project was updated due to the term of the environmental licenses.



GAIA PLATFORM	Basic Engineering	Physical execution
Gaia I – Expansion of Chemicals and Utilities Recovery	100%	1%
Gaia II – Expansion on SC Packaging Unit	100%	46%
Gaia III – MP#2 Reform	100%	
Gaia IV – Cristo Rei Repowering	100%	
Gaia V – São Luiz Repowering	100%	

12. CAPITAL MARKET

GREEN DEBENTURES

Performance Comment

In 2019, the Company issued Green Debentures (CELU13) in the Brazilian capital market, in the amount of R\$ 505,000 thousand. The final payment term of green debentures is 2025, with a principal grace period until July 2023 and interest is paid semi-annually. The issuance was carried out at a CDI rate + 4.5% p.a. at the end of 2Q21 and was being traded on the secondary market at CDI rate + 2.81% p.a.

As of March 3, 2021, the Company issued Green Debentures (RANI14) with a private placement, in the amount of R\$ 60,000 thousand. Green debentures have a final payment term in 2029, with a principal grace period until June 2026 and interest is paid semi-annually, after December 2021. The issuance was carried out at IPCA rate of + 5.5% pa, and its public trading is prohibited.

On July 5, 2021, S&P Global Rating upgraded the ratings assigned to the two debenture issues from 'brA+' to 'brAA+', as mentioned above.

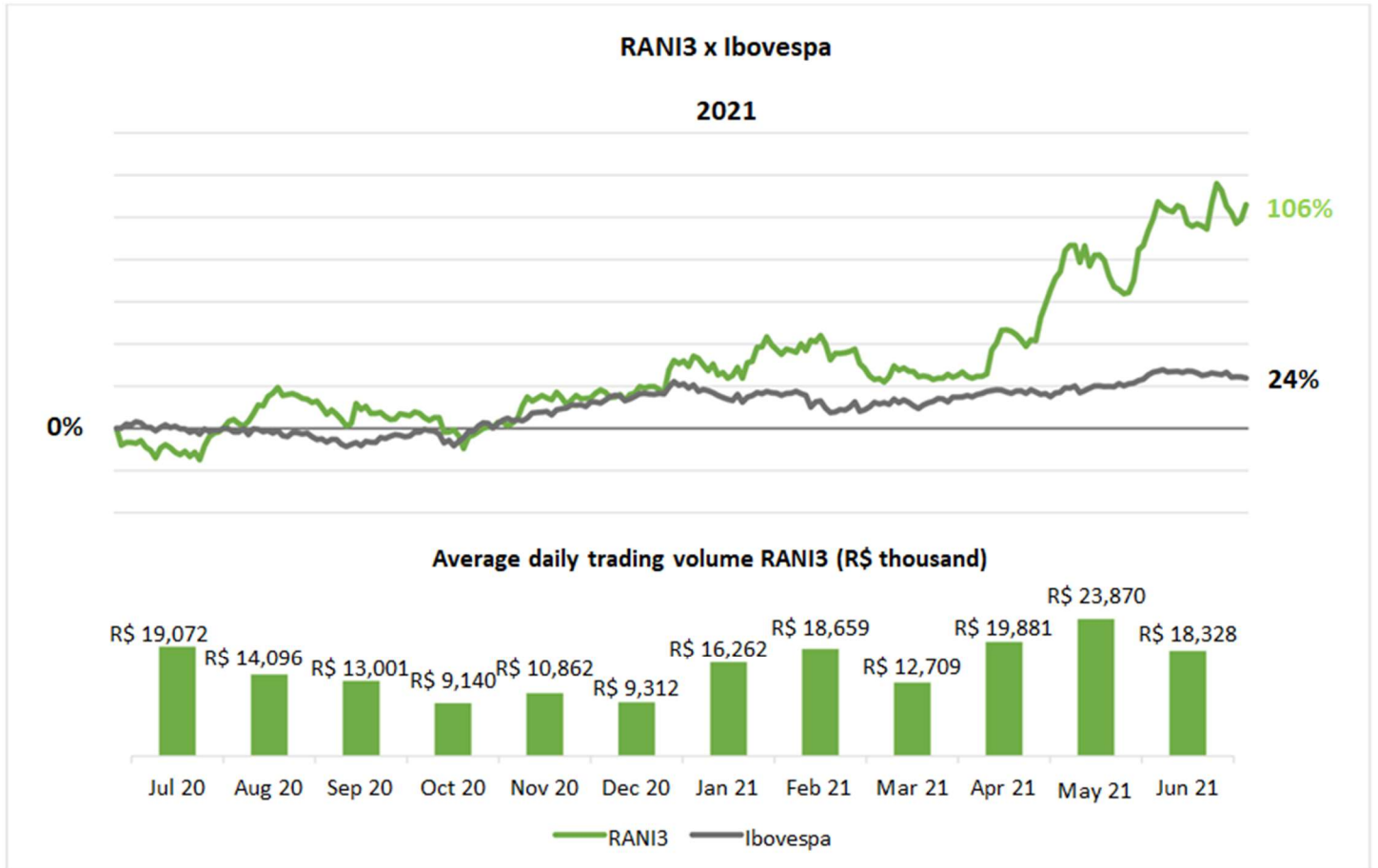
SHARE CAPITAL

The Company is listed in the special segment of B3 S.A. - Brasil, Bolsa, Balcão ("B3") called Novo Mercado (New Market), the highest level of corporate governance at B3.

Irani's share capital on June 30, 2021 was represented by 256,720,235 common shares (RANI3) and the Company held 2,376,116 common shares in treasury. All shares have voting rights and are 100% tag along. At the end of 2Q21, common shares were traded at R\$ 9.27. The Company's shares currently comprise the IGC-NM, IGCX, ITAG, IMAT, IBRA, SMLL and IGCT indices of B3.

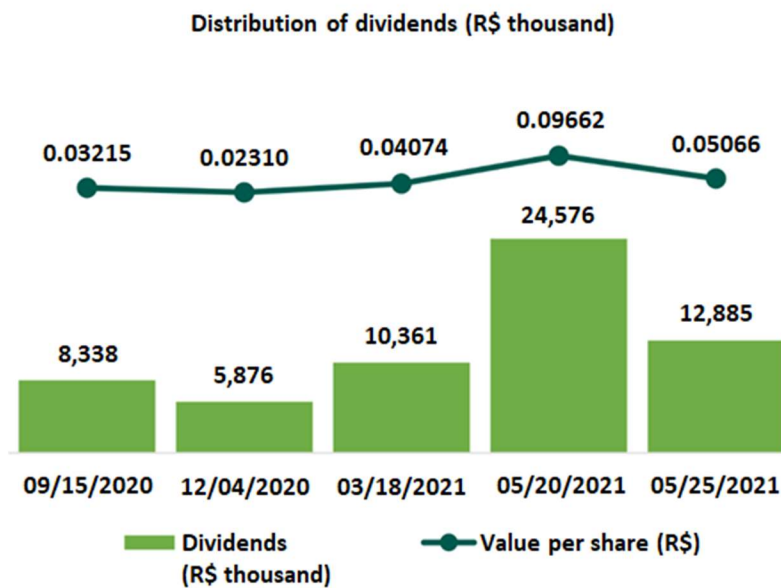
The trading volume of the Company's shares since the public offering of shares carried out in July 2020, in comparison with the Ibovespa index, is presented in the chart below:

Performance Comment



DIVIDENDS

The dividends distributed by the Company since the re-IPO can be seen in the chart below:



Performance Comment

13. SUBSEQUENT EVENT

In July 2021, a court order was issued by the State of São Paulo in favor of the Company, to pay the non-enforceability of default interest on the amounts of ICMS paid in administrative installments at a rate higher than the SELIC rate. The restated value of said court order issued is R\$ 4,442 thousand, which the Company expects to realize by the end of 2022.

Notes to the Financial StatementsIRANI PAPEL E EMBALAGEM S.A.

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Irani Papel e Embalagem S.A. – CNPJ 92.791.243/0001-03

NOTES TO INTERIM FINANCIAL STATEMENTS

(All amounts in thousands of reais unless otherwise stated).

1. OPERATIONS

Irani Papel e Embalagem S.A. (“Company”), is a corporation listed on B3 S.A. – Brasil, Bolsa, Balcão, New Market segment, and headquartered at Rua General João Manoel, 157, 9th floor, in the city of Porto Alegre, state of Rio Grande do Sul, Brazil. The Company and its subsidiaries are mainly engaged in the manufacture of corrugated cardboard packaging, packaging paper, resin products and their byproducts. The Company is also engaged in forestation and reforestation activities and utilizes the production chain of planted forests and paper recycling as the basis for all its production.

Its direct subsidiaries are disclosed in Note 4.

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

1.1. *Coronavírus (COVID 19)*

The early part of 2021 follows the severe acute respiratory syndrome Covid-19, or Coronavirus, declared a pandemic by the World Health Organization on March 11, 2020. During the subsequent months to the start of the pandemic, the Company took action with the objective of improving work conditions and assisting in the quality of life of its employees, and, also in the communities in which they live, from which we can highlight: (i) protection masks donations to all employees; (ii) adaptation of all working posts to improve the distancing conditions necessary for the operations; (iii) adaptation and improvements in the restaurant facilities of the industrial units to attend the necessary protection norms; (iv) for the workers in home office, the Company is conceding cost help for personal expenses with internet and electric energy, and also supplying adequate chairs so that the employees can exercise their functions from their homes.

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

Aware of the importance for the communities where it functions and of its role in the Brazilian economic scenario, the Company already participates in initiatives for the

Notes to the Financial Statements

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

Still in the first quarter of 2021, R\$472 was earmarked for continuing initiatives to combat the pandemic caused by the coronavirus. This resource allowed the Company to support a movement carried out by the Instituto Cultural Floresta in Rio Grande do Sul, through the purchase of two respirators donated to the Hospital da Brigada Militar de Porto Alegre. In the second quarter, this resource was used for a new set of material donations such as gloves, alcohol gel, apron, food basket, disposable gloves, masks, oximeter, respirator, thermometer and rapid tests for municipalities around Company's units in the states of Santa Catarina and Rio Grande do Sul.

For the third quarter, the Company will join the Unidos pela Vacina campaign, a civil society movement that brings together hundreds of entities, companies, associations and NGOs (ONGs in Portuguese), united by a single purpose: to make it feasible to vaccinate all Brazilians by September 2021. The Company's donations will total approximately R\$ 120 and should benefit more than 20 municipalities in Santa Catarina.

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

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

Notes to the Financial Statements

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

In our production plants, we continue to improve our protocols regarding Covid-19, intensifying conscientization acts and oversight of the correct use of masks, sanitation, alcohol gel use and distancing. We have not had severe cases of contaminated employees and have not paralyzed industrial and administrative activities.

We have kept the employees of the commercial and administrative areas working from home and the preventive leave of industrial area employees that show any symptom of Covid-19, avoiding any internal focus of contamination and transmission of the virus.

2. PRESENTATION OF FINANCIAL STATEMENTS

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

The issuance of these financial statements was authorized by the Company's Management on July 30, 2021.

The interim financial statements were prepared based on historical cost convention, except biological assets measured at their fair values less costs to sell, and financial instruments disclosed in notes 15 and 30, respectively.

3. SUMMARY OF MAIN ACCOUNTING POLICIES AND CONFORMITY DECLARATION

The accounting practices adopted by the Company and its subsidiaries in the preparation of these interim financial statements for the six-month period ended June 30, 2021 are consistent with those applied in the preparation of the last annual financial statements as of December 31, 2020 and described therein in explanatory note 3.

Notes to the Financial Statements

4. CONSOLIDATION OF THE FINANCIAL STATEMENTS

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

Participation in capital - (%)			
Subsidiaries - direct interest	Activity	06/30/2021	12/31/2020
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 Soluções para E-Commerce LTDA **	Packaging electronic commerce	99.56	99.56

* non-operating entities

** Previously Irani Geração de Energia Sustentável LTDA.

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 Company.

5. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS

Balances of cash and cash equivalents and financial investments are represented as follows:

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Fixed fund	19	19	20	20
Banks	9,205	4,403	9,370	4,424
Financial investments with immediate liquidity i)	8,461	31,287	25,504	49,816
Total cash and cash equivalents	<u>17,685</u>	<u>35,709</u>	<u>34,894</u>	<u>54,260</u>
Financial investments ii)	339,711	291,972	339,711	291,972
Total financial investments	<u>339,711</u>	<u>291,972</u>	<u>339,711</u>	<u>291,972</u>
Total cash and cash equivalents and financial investments	<u>357,396</u>	<u>327,681</u>	<u>374,605</u>	<u>346,232</u>

- i) The financial investments with immediate liquidity have the purpose of meeting the Company's immediate cash needs.
- ii) The financial investments have the purpose of meeting the Company's non-immediate cash needs, which basically refer to the investments of the expansion project in progress.

The financial investments with immediate liquidity and the financial investments earn a fixed income at the average of 102.9% (105.4% in December 31, 2020) of the Interbank Deposit Certificate (CDI) interest rate and mature in 54 days or less.

Notes to the Financial Statements

6. TRADE ACCOUNTS RECEIVABLES

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Receivables from:				
Trade receivables - Domestic market	253,517	201,520	254,026	202,870
Trade receivables - Foreign market	30,394	22,875	30,394	22,875
Trade receivables - Renegotiation	11,259	11,712	11,259	11,712
	<u>295,170</u>	<u>236,107</u>	<u>295,679</u>	<u>237,457</u>
Provision for impairment of trade receivables	(30,531)	(30,535)	(30,810)	(30,814)
	<u>264,639</u>	<u>205,572</u>	<u>264,869</u>	<u>206,643</u>
Current portion	261,115	201,399	261,345	202,470
Non-current portion	3,524	4,173	3,524	4,173

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

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Falling due	251,768	189,816	251,943	190,755
Overdue up to 30 days	11,811	12,287	11,866	12,373
Overdue, 31–60 days	1,034	1,146	1,034	1,155
Overdue, 61–90 days	197	24	197	33
Overdue, 91–180 days	231	1,116	231	1,116
Overdue >180 days	30,129	31,718	30,408	32,025
	<u>295,170</u>	<u>236,107</u>	<u>295,679</u>	<u>237,457</u>

The Company records a provision for doubtful accounts for the relevant portion of accounts receivable overdue for more than 180 days. Provisions for impairment of accounts receivable are also recorded for notes falling due and overdue for less than 180 days in cases where the amounts are not considered realizable, based on the financial situation of each debtor and historical analyzes of losses obtained by the Company. Individual analyzes are performed for those clients who do not yet have overdue notes, considering their credit risks. The following table discloses information regarding the credit risk exposure and expected credit losses provision for trade accounts receivables and contractual assets for individual clients on June 30, 2021 and on December 31, 2020:

Consolidated

Exposition to credit risk and credit losses

	Estimated loss weighted average rate	Gross accounting balance on 06.30.2021	Estimated loss provision on 06.30.2021
Falling due	0.22%	251,943	(559)
Overdue up to 30 days	0.25%	11,866	(30)
Overdue, 31 - 180 days	43.09%	1,462	(630)
Overdue > 181 days	97.31%	30,408	(29,591)
		<u>295,679</u>	<u>(30,810)</u>

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Consolidated

Exposition to credit risk and credit losses

	Estimated loss weighted average rate	Gross accounting balance on 12.31.2020	Estimated loss provision on 12.31.2020
Falling due	0.28%	190,755	(528)
Overdue up to 30 days	0.20%	12,373	(25)
Overdue, 31 - 180 days	24.09%	2,304	(555)
Overdue > 181 days	92.76%	32,025	(29,706)
		<u>237,457</u>	<u>(30,814)</u>

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

The credit quality of financial assets that are not past due or committed as of June 30, 2021 is assessed based on historical information on the Company's default rates. In general, 97% of accounts receivable securities have no history of default.

Changes in the provisions may be stated as follows:

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Balance at the beginning of the year	(30,535)	(29,414)	(30,814)	(29,414)
Provision for recognized losses	-	(1,121)	-	(1,400)
Reversal of provision for recognized losses	4	-	4	-
Balance at end of the year	<u>(30,531)</u>	<u>(30,535)</u>	<u>(30,810)</u>	<u>(30,814)</u>

A portion of receivables, amounting to R\$ 93,254 has been assigned as collateral for certain financing transactions, as disclosed in notes 16 and 17, as of June 30, 2021.

7. INVENTORIES

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Finished goods	51,157	39,153	51,228	39,154
Raw materials	42,630	31,361	42,635	31,400
Consumable materials	23,232	21,677	23,324	21,776
Other inventories	476	683	476	683
	<u>117,495</u>	<u>92,874</u>	<u>117,663</u>	<u>93,013</u>
Write-down to net realizable value	(36)	(36)	(36)	(36)
	<u>117,459</u>	<u>92,838</u>	<u>117,627</u>	<u>92,977</u>

The cost of inventories recognized in the income (loss) for the year ended does not include the write-down to net realizable value. The amount recognized in other operational expenses as write-down to net realizable value were related to the inventories provision from the discontinued operation.

Notes to the Financial Statements

For the six-month period ended June 30, 2021, the Company did not recognized provisions regarding its inventories.

The movement of the provision can be demonstrated as follows:

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Balance at the beginning of the year	(36)	(2,408)	(36)	(2,408)
Write-off obsolete inventory	-	343	-	343
Reversal of write-down to net realizable value provision	-	2,029	-	2,029
Balance at end of the period	(36)	(36)	(36)	(36)

8. RECOVERABLE TAXES

Taxes recoverable consist of the following:

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Value-added Tax on Sales and Services (ICMS)	12,272	7,431	12,273	7,431
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	31,411	92,638	31,420	92,638
Excise Tax (IPI)	78	153	78	153
Income tax	38	38	38	38
Social Contribution	80	80	80	80
Income Tax Withheld at Source (IRRF) on investment	-	-	1	1
Other	793	263	793	274
	<u>44,672</u>	<u>100,603</u>	<u>44,683</u>	<u>100,615</u>
Current portion	37,316	73,165	37,327	73,167
Non-current portion	7,356	27,438	7,356	27,448

PIS and COFINS credits are basically referring to the right to exclusion of ICMS from the calculation basis for PIS and COFINS, as well as compensation for value improperly collected, related to the following lawsuits. The Company expect that the total credit will be consumed in approximately two years from December, 2019:

- i) Number 2006.34.00.035946-0 (Irani Papel e Embalagem S.A.). The company has received a favorable decision for which the right to exclude ICMS from the calculation basis of PIS and COFINS is granted for the period starting in November of 2001. Based on this, the value of updated credits is estimated in R\$ 143,157 (R\$ 81,282 corresponding to the original credit value and R\$ 61,875 referring to the SELIC (interest rate value correction) corresponding to 5 years before the start of the lawsuit (November 2006) to March 2017 (date of the Supreme Court decision) calculated based on the ICMS value in the invoices according to the lawsuit decision, in agreement with the Supreme Court decision RE 574.706 – Aspect 69. The Company recognized the credit in the financial statements, and the criteria of practically certain gain was consummated on October 14, 2019 with the final and unappealable decision of the lawsuit, as well

Notes to the Financial Statements

as the granting of the Credit Qualification Request No. 11080.746434/2019-41 occurred on December 24, 2019 which is already being used for offset of its IPI, PIS and COFINS debts. Until June 30, 2021 were already compensate the amount of R\$ 139,280.

- ii) Lawsuit number 5035712-95.2016.4.04.7100 (Irani Papel e Embalagem S.A. as successor of the company Indústria de Papel e Papelão São Roberto S.A.). The Company has received a favorable decision in which it is granted the right to recover values related to the exclusion of ICMS from the calculation basis of PIS and COFINS of the company in the period of May 2011 to December 30, 2014 (Incorporation date). The potential value of the updated credits was estimated in R\$ 17,614 (R\$ 10,585 corresponding to the original value of the credit and R\$ 7,029 related to the SELIC rate value correction). Corresponding to 5 years of the start date of the lawsuits (May 2016) to December 2014 (incorporation date), calculated based on the ICMS value in the invoices according to the lawsuit decision, in agreement with the Supreme Court decision RE 574.706 – Aspect 69. The Company recognized the credit in the financial statements, after the favorable final unappealable decision on September 18, 2020, as well as the granting of the Credit Qualification Request No 10166.749523/2020-71 occurred on November 10, 2020 which will be used for offset of its IPI, PIS and COFINS debts.

9. OTHER ASSETS

	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Advances to suppliers	354	2,476	355	2,476
Receivables from employees	2,748	2,481	2,979	2,614
Rio Negro Propriedades Rurais e Participações S.A	4,003	4,003	4,003	4,003
Prepaid expenses	908	1,684	908	1,684
Receivable from Irani Participações S.A	-	2,495	-	2,495
Other receivables	1,272	2,275	1,304	2,307
	<u>9,285</u>	<u>15,414</u>	<u>9,549</u>	<u>15,579</u>
Current portion	9,285	15,414	9,522	15,552
Non-current portion	-	-	27	27

The balance receivable of Rio Negro Propriedades Rurais e Participações S.A., is related to the sale of Rural Properties realized during the year ended December 31, 2019.

10. 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

Notes to the Financial Statements

as held for sale because of the assets' conditions, the high probability of sale realization and by the effort in the sale realization by the company's management, according to classification criteria defined in CPC 31/IFRS 5.

In December 2019, a Private Instrument of Promise of Purchase and Sale was signed, for the sale of the industrial property where the corrugated cardboard packaging factory was located, in the amount of R\$ 41,200. The completion of the transaction is subject to the fulfillment of certain precedent conditions. During the 2020 fiscal year, some precedent conditions of environmental nature and relative to the property could not be met due to the Covid-19 pandemic that imposed severe restriction to the circulation of people and the functioning of public services. Facing this, the Company sealed in December 2020 the addition to the Private Instrument of Promise of Purchase and Sale stating the postponement of the deadline for the fulfilment of the referred precedent conditions.

Due to the precedent conditions, following the guidelines of CPC 47 / IFRS 15, there was no recognition of income and expenses from these operations in the Company's financial statements as of June 30, 2021.

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

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

(b) Assets held for sale

On June 30, 2021, the group of assets held for sale is presented as the fair value less sales costs and comprehended the following assets:

Assets held for sale	06/30/2021	12/31/2020
Buildings and land	41,200	41,200
Assets held for sale	41,200	41,200

(c) Accumulated gains and losses included in OCI

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

(d) Measurement of fair value

The measurement of fair value for the group of assets held for sale of R\$ 41,200 was based on quoted prices, which are obtained with received sale proposals and also with the Private Instrument of Promise of Purchase and Sale mentioned above.

Notes to the Financial Statements

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

The Company adopted for the fiscal year 2021 the cash method in the calculation of the income tax and social contribution over the exchange rate change and registered deferred tax liability over the exchange rate change to be realized. There was no change in the calculation of income tax and social contribution on exchange-rate change related to the previous year.

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

ASSETS	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Deferred income tax asset				
On temporary provisions	6,665	9,735	6,665	9,735
On tax losses	39,779	48,524	39,779	48,524
Deferred social contribution asset				
On temporary provisions	2,399	3,504	2,399	3,504
On tax losses	14,321	17,469	14,321	17,469
	<u>63,164</u>	<u>79,232</u>	<u>63,164</u>	<u>79,232</u>
LIABILITIES				
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	55	304	55	304
Fair value of the biological assets	31,823	29,194	33,137	30,253
Deemed cost of property, plant and equipment	118,333	120,360	120,272	122,298
Government grants	47	40	47	40
Amortization of goodwill for taxes purposes	25,158	25,158	25,158	25,158
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	20	109	20	109
Fair value of the biological assets	11,456	10,510	12,166	11,082
Deemed cost of property, plant and equipment	42,601	43,330	43,300	44,028
Government grants	17	14	17	14
Amortization of goodwill for taxes purposes	9,057	9,057	9,057	9,057
	<u>238,567</u>	<u>238,076</u>	<u>243,229</u>	<u>242,343</u>
Deferred tax liabilities (net)	<u>175,403</u>	<u>158,844</u>	<u>180,065</u>	<u>163,111</u>

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

Notes to the Financial Statements

Deferred tax assets	Parent Company and Consolidated
Period	06/30/2021
2021	8,952
2022	23,233
2023	19,999
2024	10,980
	<u>63,164</u>

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

Parent Company and Assets Consolidated	Opening balance 01/01/2020	Recognized in income (loss)	Closing balance 12/31/2020		
Deferred tax assets regarding:					
Provision for miscellaneous risks	(13,508)	269	(13,239)		
Total temporary differences	(13,508)	269	(13,239)		
Tax losses	(57,717)	(8,276)	(65,993)		
	<u>(71,225)</u>	<u>(8,007)</u>	<u>(79,232)</u>		
Parent Company and Assets Consolidated	Opening balance 01/01/2021	Recognized in income (loss)	Closing balance 06/30/2021		
Deferred tax assets regarding:					
Provision for miscellaneous risks	(13,239)	4,175	(9,064)		
Total temporary differences	(13,239)	4,175	(9,064)		
Tax losses	(65,993)	11,893	(54,100)		
	<u>(79,232)</u>	<u>16,068</u>	<u>(63,164)</u>		
Parent Company Liabilities	Opening balance 01/01/2020	Recognized in income (loss)	Closing balance 12/31/2020	Recognized in income (loss)	Closing balance 06/30/2021
Deferred tax liabilities regarding:					
Unrealized exchange-rate charge on the cash basis	252	161	413	(338)	75
Fair value of the biological assets	37,290	2,414	39,704	3,575	43,279
Deemes cost and review of useful life - spin-off and merger	169,287	(5,597)	163,690	(2,756)	160,934
Government grants	264	(210)	54	10	64
Client portfolio	589	(589)	-	-	-
Amortization of goodwill for tax purposes	29,734	4,481	34,215	-	34,215
	<u>237,416</u>	<u>660</u>	<u>238,076</u>	<u>491</u>	<u>238,567</u>

Notes to the Financial Statements

Consolidated Liabilities	Opening	Recognized in	Closing	Recognized in	Closing
	balance	income (loss)	balance	income (loss)	balance
	01/01/2020		12/31/2020		06/30/2021
Deferred tax liabilities regarding:					
Unrealized exchange-rate charge on the cash basis	252	161	413	(338)	75
Fair value of the biological assets	38,716	2,619	41,335	3,968	45,303
Deemes cost and review of useful life - spin-off and merger	171,923	(5,597)	166,326	(2,754)	163,572
Government grants	264	(210)	54	10	64
Carteira de clientes	589	(589)	-	-	-
Amortization of goodwill for tax purposes	29,734	4,481	34,215	-	34,215
	<u>241,478</u>	<u>865</u>	<u>242,343</u>	<u>886</u>	<u>243,229</u>

12. INVESTMENTS IN SUBSIDIARIES

	Habitasul	Iraflor	HGE	Irani	Total
	Florestal	Comércio de Madeiras	Geração de Energia	Soluções para E-Commerce	
Balance ate December 31, 2019	<u>56,132</u>	<u>75,672</u>	<u>541</u>	<u>248</u>	<u>132,593</u>
Equity in net income of subsidiaries	(10,703)	14,080	(541)	(238)	2,598
Proposed dividends	-	(6,611)	-	-	(6,611)
Capital increase (i) and (ii)	17,000	10,044	-	-	27,044
Advance for future capital increase (i)	(9,000)	-	-	-	(9,000)
Balance ate December 31, 2020	<u>53,429</u>	<u>93,185</u>	<u>-</u>	<u>10</u>	<u>146,624</u>
Equity in net income of subsidiaries	9,560	8,725	-	(112)	18,173
Advance for future capital increase (i)	-	-	-	299	299
Balance ate June 30, 2021	<u>62,989</u>	<u>101,910</u>	<u>-</u>	<u>197</u>	<u>165,096</u>

	Habitasul	Iraflor	HGE	Irani
	Florestal	Comércio de Madeiras	Geração de Energia	Soluções para E-Commerce
At March 31, 2021				
Current				
Assets	7,245	36,418	1	208
Liabilities	(2,379)	(333)	(1)	(10)
Current assets/liabilities, net	4,866	36,085	-	198
Non-current				
Assets	61,902	66,968	-	-
Liabilities	(3,779)	(1,138)	-	-
Non-current assets/liabilities, net	58,123	65,830	-	-
Equity	<u>62,989</u>	<u>101,915</u>	<u>-</u>	<u>198</u>
Net sales	13,999	9,210	-	-
Income (loss) before income tax and social contribution	10,167	9,320	-	(112)
Income tax and social contribution expense	(607)	(595)	-	-
Net income (loss) for the period	<u>9,560</u>	<u>8,725</u>	<u>-</u>	<u>(112)</u>
Capital holding in %	100.00	99.99	100.00	99.56

- (i) On November 30th, 2020 the capitalization of the advancements for future capital increase in the amount of R\$ 17,000 occurred. The advancements for future capital increase were approved by the Company on September 16th, 2020 in the amount of R\$ 8,000, and in December 11th, 2019 in the amount of R\$

Notes to the Financial Statements

9,000 and had as objective to meet the need for working capital on the subsidiary.

On June 23, 2021, the Company approved the advance for future capital increase at the subsidiary Irani Soluções para E-commerce Ltda, in the amount of R\$ 299.

- (ii) In the fiscal year 2020, Iraflor Comércio de Madeiras Ltda. received the capital input from the parent company Irani Papel e Embalagem S.A. in the amount of R\$ 10,044 integrated upon incorporation of forestry assets.

13. INVESTMENT PROPERTIES

Parent Company and Consolidated

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
December 31, 2020			
Opening balance	18,704	3,030	21,734
Write-off / disposals	(18)	-	(18)
Depreciation	-	(175)	(175)
Net carrying amount	<u>18,686</u>	<u>2,855</u>	<u>21,541</u>
Cost	18,686	5,377	24,063
Accumulated depreciation	-	(2,522)	(2,522)
Net carrying amount	<u>18,686</u>	<u>2,855</u>	<u>21,541</u>
June 30, 2021			
Opening balance	18,686	2,855	21,541
Depreciation	-	(87)	(87)
Net carrying amount	<u>18,686</u>	<u>2,768</u>	<u>21,454</u>
Cost	18,686	5,377	24,063
Accumulated depreciation	-	(2,609)	(2,609)
Net carrying amount	<u>18,686</u>	<u>2,768</u>	<u>21,454</u>

Land

Refers mainly to:

- i. Land maintained by the Company, for future real state use, located in the state of Rio Grande do Sul, and are recognized at acquisition cost of R\$ 16,094. The areas are object of study for projects of real state development (allotment) still in its initial phase. They were previously maintained by the parent company for

Notes to the Financial Statements

future instalations of wind energy plants, that would be developed by Irani Geração de Energia Sustentável Ltda., and, for this reason, were not considered investment property in the consolidated.

- ii. Land received 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.

Buildings

These refer to buildings located in the municipality of Rio Negrinho, state of Santa Catarina and valued at R\$ 2,768 (costs less accumulated depreciation, considering depreciation rate of 4% per annum). 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:

	<u>Parent Company and Consolidated</u>	
	<u>06/30/2021</u>	<u>06/30/2020</u>
Rental revenues	195	115
Direct operating expenses that generated rental revenues	(340)	(274)

Investment properties are valued at the historical cost as of June 30, 2021. For disclosure purposes, on December 31, 2020, the Company assessed the fair value less cost to sell of these properties at R\$ 39,021 in the Parent company and Consolidated. The appraisals were conducted by independent experts, who used market inputs related to prices for transactions carried out with similar properties. The fair value hierarchy is Level 2.

Part of the Company's investment properties has been pledged as collateral for financial transactions as disclosed in note 16.

Notes to the Financial Statements

14. 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, 2020								
Opening balance	120,685	126,803	304,833	4,365	4,788	65,378	8,941	635,793
Acquisitions	-	5,377	18,865	836	1,879	24,761	-	51,718
Write-offs/disposals	-	(143)	(961)	(4)	(132)	-	-	(1,240)
Transfers	-	6,217	49,908	-	1,293	(57,418)	-	-
Depreciation	-	(7,715)	(44,517)	(1,668)	(1,714)	-	(645)	(56,259)
PIS and COFINS credit	-	16	410	6	9	305	-	746
Transfer for held for sale	-	-	380	-	-	-	-	380
Net carrying amount	<u>120,685</u>	<u>130,555</u>	<u>328,918</u>	<u>3,535</u>	<u>6,123</u>	<u>33,026</u>	<u>8,296</u>	<u>631,138</u>
Cost	120,685	207,041	953,402	15,773	27,279	33,026	16,099	1,373,305
Accumulated depreciation	-	(76,486)	(624,484)	(12,238)	(21,156)	-	(7,803)	(742,167)
Net carrying amount	<u>120,685</u>	<u>130,555</u>	<u>328,918</u>	<u>3,535</u>	<u>6,123</u>	<u>33,026</u>	<u>8,296</u>	<u>631,138</u>
June 30, 2021								
Opening balance	120,685	130,555	328,918	3,535	6,123	33,026	8,296	631,138
Acquisitions	-	981	4,556	1,247	2,198	110,380	-	119,362
Write-offs/disposals	-	-	(3,456)	(34)	(2)	-	-	(3,492)
Transfers	-	152	4,167	-	131	(4,450)	-	-
Depreciation	-	(2,590)	(24,442)	(812)	(1,116)	-	(322)	(29,282)
PIS and COFINS credit	-	5	138	2	4	110	-	259
Net carrying amount	<u>120,685</u>	<u>129,103</u>	<u>309,881</u>	<u>3,938</u>	<u>7,338</u>	<u>139,066</u>	<u>7,974</u>	<u>717,985</u>
Cost	120,685	208,179	958,807	16,988	29,610	139,066	16,099	1,489,434
Accumulated depreciation	-	(79,076)	(648,926)	(13,050)	(22,272)	-	(8,125)	(771,449)
Net carrying amount	<u>120,685</u>	<u>129,103</u>	<u>309,881</u>	<u>3,938</u>	<u>7,338</u>	<u>139,066</u>	<u>7,974</u>	<u>717,985</u>

Notes to the Financial Statements

Consolidated	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other property, plant and equipment (*)	Construction in process	Property, plant and equipment in third-party	Total
December 31, 2020								
Opening balance	153,028	127,756	304,970	4,856	4,855	65,379	8,941	669,785
Acquisitions	-	5,377	18,865	836	1,882	25,032	-	51,992
Write-offs/disposals	-	(143)	(961)	(4)	(132)	-	-	(1,240)
Transfers	-	6,217	49,908	-	1,293	(57,418)	-	-
Transfer to Investment properties	(16,159)	-	-	-	-	-	-	(16,159)
Depreciation	-	(7,875)	(44,558)	(1,831)	(1,737)	-	(645)	(56,646)
PIS and COFINS credit	-	16	410	6	9	305	-	746
Transfer for held for sale	-	-	380	-	-	-	-	380
Impairment	-	-	-	-	(16)	-	-	(16)
Net carrying amount	<u>136,869</u>	<u>131,348</u>	<u>329,014</u>	<u>3,863</u>	<u>6,154</u>	<u>33,298</u>	<u>8,296</u>	<u>648,842</u>
Cost	136,869	211,467	953,671	16,861	27,785	33,298	16,099	1,396,050
Accumulated depreciation	-	(80,119)	(624,657)	(12,998)	(21,631)	-	(7,803)	(747,208)
Net carrying amount	<u>136,869</u>	<u>131,348</u>	<u>329,014</u>	<u>3,863</u>	<u>6,154</u>	<u>33,298</u>	<u>8,296</u>	<u>648,842</u>
June 30, 2021								
Opening balance	136,869	131,348	329,014	3,863	6,154	33,298	8,296	648,842
Acquisitions	-	981	4,557	1,247	2,201	110,830	-	119,816
Write-offs/disposals	-	-	(3,456)	(34)	(2)	-	-	(3,492)
Transfers	-	152	4,167	-	131	(4,450)	-	-
Depreciation	-	(2,670)	(24,459)	(863)	(1,128)	-	(322)	(29,442)
PIS and COFINS credit	-	5	138	2	4	110	-	259
Net carrying amount	<u>136,869</u>	<u>129,816</u>	<u>309,961</u>	<u>4,215</u>	<u>7,360</u>	<u>139,788</u>	<u>7,974</u>	<u>735,983</u>
Cost	136,869	212,605	959,077	18,076	30,119	139,788	16,099	1,512,633
Accumulated depreciation	-	(82,789)	(649,116)	(13,861)	(22,759)	-	(8,125)	(776,650)
Net carrying amount	<u>136,869</u>	<u>129,816</u>	<u>309,961</u>	<u>4,215</u>	<u>7,360</u>	<u>139,788</u>	<u>7,974</u>	<u>735,983</u>

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

Notes to the Financial Statements

b) Composition of Intangible assets

Parent Company					Total
	Goodwill	Client portfolio	Software	Software under development	
December 31, 2020					
Opening balance	104,380	-	19,859	16,994	141,233
Acquisitions	-	-	4,175	-	4,175
Transfers	-	-	16,994	(16,994)	-
Amortization	-	-	(4,675)	-	(4,675)
PIS and COFINS credit	-	-	5	-	5
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>36,358</u>	<u>-</u>	<u>140,738</u>
Cost	104,380	5,347	53,513	-	163,240
Accumulated amortization	-	(5,347)	(17,155)	-	(22,502)
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>36,358</u>	<u>-</u>	<u>140,738</u>
June 30, 2021					
Opening balance	104,380	-	36,358	-	140,738
Acquisitions	-	-	72	541	613
Transfers	-	-	541	(541)	-
Amortization	-	-	(2,706)	-	(2,706)
PIS and COFINS credit	-	-	1	-	1
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>34,266</u>	<u>-</u>	<u>138,646</u>
Cost	104,380	5,347	54,127	-	163,854
Accumulated amortization	-	(5,347)	(19,861)	-	(25,208)
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>34,266</u>	<u>-</u>	<u>138,646</u>
Consolidated					
	Goodwill	Client portfolio	Software	Software under development	Total
December 31, 2020					
Opening balance	104,380	-	20,615	16,994	141,989
Acquisitions	-	-	4,174	-	4,174
Transfers	-	-	16,994	(16,994)	-
Amortization	-	-	(4,675)	-	(4,675)
PIS and COFINS credit	-	-	5	-	5
Impairment	-	-	(755)	-	(755)
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>36,358</u>	<u>-</u>	<u>140,738</u>
Cost	104,380	5,347	53,517	-	163,244
Accumulated amortization	-	(5,347)	(17,159)	-	(22,506)
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>36,358</u>	<u>-</u>	<u>140,738</u>
June 30, 2021					
Opening balance	104,380	-	36,358	-	140,738
Acquisitions	-	-	72	541	613
Transfers	-	-	541	(541)	-
Amortization	-	-	(2,706)	-	(2,706)
PIS and COFINS credit	-	-	1	-	1
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>34,266</u>	<u>-</u>	<u>138,646</u>
Cost	104,380	5,347	54,131	-	163,858
Accumulated amortization	-	(5,347)	(19,865)	-	(25,212)
Net carrying amount	<u>104,380</u>	<u>-</u>	<u>34,266</u>	<u>-</u>	<u>138,646</u>

Notes to the Financial Statements

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 %	
	06/30/2021	12/31/2020
Buildings and constructions *	2.73	2.50
Equipment and facilities **	7.95	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

The assets under construction refer to the projects for improvement and maintenance of the Company's productive process, and the execution of the investments of Project Gaia I – Expansion of the chemical's recovery at Paper SC and of the project Gaia II – Expansion of Packaging SC.

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

The breakdown of depreciation of fixed assets for the six-month period ended June 30, 2021 and 2020 is disclosed as follows:

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Administrative	720	657	801	740
Productive	28,562	24,894	28,641	25,013
	29,282	25,551	29,442	25,753

The breakdown of amortization of intangible assets for the six-month period ended June 30, 2021 and 2020 is disclosed as follows:

Notes to the Financial Statements

	Parent Company		Consolidated	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Administrative	552	382	552	382
Productive	2,154	1,655	2,154	1,655
	<u>2,706</u>	<u>2,037</u>	<u>2,706</u>	<u>2,037</u>

e) Impairment of property, plant and equipment

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

During the year of 2020, impairment values, fixed assets in the amount of R\$ 16 and intangible assets in the amount of R\$ 755 were identified and recognized.

f) Pledged Assets

The Company pledged certain fixed assets as collateral for financing transactions as disclosed in notes 16 and 17.

g) 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, 2020, 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 WACC therefore considers the weights of the financing, debt and equity components used by the Company to finance its activities.

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

Notes to the Financial Statements

	<u>Assumptions</u>
Average sales prices of Packaging Paper and Corrugated Cardboard	
Packaging (% of annual growth rate)	4.0%
Gross margin (% on net sales)	31.1%
Estimated growth rate	5.0%
Discount rate (Wacc)	8.65%

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

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

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

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

15. BIOLOGICAL ASSETS

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

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

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>	<u>06/30/2021</u>	<u>12/31/2020</u>
Cost of formation of biological assets	46,725	41,884	76,009	71,305
Difference in the fair value of biological assets	44,383	32,101	125,608	106,379
	<u>91,108</u>	<u>73,985</u>	<u>201,617</u>	<u>177,684</u>

Notes to the Financial Statements

Of the total consolidated biological assets, R\$ 158,075 (R\$ 140,947 on December 31, 2020) 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\$ 115,961 (R\$ 97,729 on December 31, 2020) 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\$ 43,542 (R\$ 36,737 as of December 31, 2020), and are located on the coast of Rio Grande do Sul. The resin extraction is performed according to the capacity of the generation of this product by the existing forest, and the extraction of wood for sale of logs is due to the demand in the region.

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

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

- i) The methodology used to measure the fair value of biological assets - the Income Approach with depletion of the forest in one cycle - corresponds to the projection of expected future cash flows, discounted at the current rate for the regional market, in accordance with the projected productivity of the forests in the cutting cycles, which are determined based on the optimization of production, considering the price changes and the growth of the biological assets;
- ii) The discount rate used for cash flows was the Cost of Own Capital (Capital Asset Pricing Model - CAPM). The cost of equity is estimated by analyzing the return sought by investors in forestry assets, assuming that an investor requires, at a minimum, the return offered by securities considered to be risk-free, plus the excess investment risk;
- 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,

Notes to the Financial Statements

- considering the required costs to place the assets in the condition of sale or consumption;
- v) Planting expenditures used are the formation costs of biological assets practiced by the Company;
- vi) The depletion of biological assets is calculated based on their average fair value of biological assets, multiplied by the volume harvested in the period;
- vii) The Company reviews the fair value of its biological assets every three months, considering that this timeframe is enough to have no shortfall in the balance of fair value of the biological assets recorded in its financial statements.

	Consolidated		Impact in the fair value of biological assets
	06/30/2021	12/31/2020	
Planted area (hectares)	14,805	14,638	If the assumption increases, the fair value also increases
Remuneration of own contributing assets - %	3.00%	3.00%	If the assumption increases, the fair value decreases
Discount rate - Own Forests SC - %	7.50%	7.50%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	8.00%	8.00%	If the assumption increases, the fair value decreases
Discount rate - Partnerships - %	8.50%	8.50%	If the assumption increases, the fair value decreases
Net Average Sales Price (m³)	66.00	60.00	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Santa Catarina Forests (*)	35.3	35.3	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Rio Grande do Sul Forests (*)	20.7	20.7	If the assumption increases, the fair value also increases

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

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

Notes to the Financial Statements

The main changes in the year are as follows:

	<u>Parent Company</u>	<u>Consolidated</u>
Balance at December 31, 2019	<u>66,298</u>	<u>154,518</u>
Planting	5,110	8,344
Acquisition of forest	8,220	8,220
Depletion		
Historical cost	(5,005)	(5,770)
Fair value	(1,603)	(6,002)
Transfer to capitalization		
Income (loss) for the period	(10,044)	-
Change in the fair value	11,009	18,374
Balance at December 31, 2020	<u>73,985</u>	<u>177,684</u>
Planting	2,968	4,775
Acquisition of forest	3,075	3,075
Depletion		
Historical cost	(1,203)	(3,158)
Fair value	(259)	(6,639)
Change in the fair value	12,542	25,880
Balance at June 30, 2021	<u>91,108</u>	<u>201,617</u>

Depletion of biological assets in both six-month period ended June 30, 2021 and 2020 were substantially recognized in the income (loss) for the period, after the allocation in inventories through forest harvesting and use in production process or sale to third parties.

In the fiscal year 2020, was authorized the input of new biological assets in the amount of R\$ 10,044, in the subsidiary Iraflor Comércio de Madeiras Ltda. This operation had, as final objective provide a better management of forestry assets.

b) Biological assets pledged as collateral

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

c) Production on third-party land

The Company still has some non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are effective until all forests planted in these areas are harvested, over a cycle of up to 15 years. The amount of biological assets in third-party land is approximately 1.3 thousand hectares and currently represents approximately 8.7% of the total area with the Company's biological assets. The lease liabilities were recognized as disclosed in note 33.

Notes to the Financial Statements

16. LOANS AND FINANCING

a) Breakdown of book balances

	Annual Charges %	Currency	Parent company		Consolidated	
			06/30/2021	12/31/2020	06/30/2021	12/31/2020
Current						
Local currency						
Finame	Fixed at 3.70%, TJLP + 5.39%, Selic + 3.88%	Real	632	970	632	970
Working capital	CDI + 4.52% and 149.3% of CDI	Real	7,688	19,911	7,688	19,926
Financial lease	Fixed at 10.9% and CDI + 5.35%	Real	972	1,096	972	1,096
Total local currency			9,292	21,977	9,292	21,992
Foreign currency						
Advance on Exchange Contract	Fixed at 3.55%	Dollar	17,585	21,254	17,585	21,254
Banco De Lage Landen	8.20%	Dollar	-	252	-	252
Total foreign currency			17,585	21,506	17,585	21,506
Total current			26,877	43,483	26,877	43,498
Non-current						
Local currency						
Finame	Fixed at 3.70%, TJLP + 5.39%, Selic + 3.88%	Real	509	315	509	315
Working capital	CDI + 4.52% and 149.3% of CDI	Real	33,600	34,663	33,600	34,663
Financial lease	Fixed at 10.9% and CDI + 5.35%	Real	465	934	465	934
Total local currency			34,574	35,912	34,574	35,912
Total non-current			34,574	35,912	34,574	35,912
Total			61,451	79,395	61,451	79,410
			Parent company		Consolidated	
			06/30/2021	12/31/2020	06/30/2021	12/31/2020
Long-term maturity dates:						
2022			34,137	35,676	34,137	35,676
2023			387	229	387	229
> 2024			50	7	50	7
			34,574	35,912	34,574	35,912

b) Schedule for amortization of transaction costs

	Parent company and Consolidated	
	2021	Total
In local currency		
Working capital	2	2
Total local currency	2	2

c) Significant transactions contracted in the period

According to a material fact dated May 28, 2021, the Company's Board of Directors approved the contracting of financing with the Special Agency for Industrial Financing S.A - FINAME (BNDES), in the amount of up to R\$ 484,000, intended for the execution of the investments provided for in the Gaia Platform. The granting of financing in favor of the Company was approved by the FINAME Executive Board on May 27, 2021, under the credit line called FINAME DIRETO and the term of use of the approved line is 2 (two) years, extendable for another 1 (year).

The inflow of resources will occur upon release requests, as the acquisitions and payment of the Gaia Platform equipment are made. Until June 30, 2021, there was no inflow of funds from this financing.

Notes to the Financial Statements

d) Guarantees

Collateral for the loans and financing include mortgages or lien on land, buildings, machinery and equipment, investment properties and lien of receivables, amounting to approximately R\$ 43,254 as of June 30, 2021.

17. DEBENTURES

a) 3rd Issuance of Simple Public Debentures

According to relevant fact disclosed on July 31, 2019, the distribution of simple debentures, non-convertible in shares, of quirografic species, composed by 505,000 debentures, with par value of R\$ 1, totaling, on issuance date, the amount of R\$ 505,000, with the subsequent canceling of the non-subscribed or integrated debentures. The debentures have as final maturity date July 19, 2025 and amortization in 3 annual installments starting on July 19, 2023.

The 3rd Issuance of public simple debentures has brA+ rating by S&P Global Ratings and is characterized as “Green Debentures” based on the second opinion evaluation issued by the special consultancy SITAWI Finanças do Bem, based on the Green Bond Principles directives of June, 2018. The issuance is negotiated on the secondary market by the code CELU13.

b) 4th Issuance of simple private debentures

According to the Minutes of the Board Meeting of March 2, 2021 the fourth issuance of simple debentures was approved, non-convertible in shares, only series, real guarantee species, for private allocation, with par value of R\$ 1, totaling, at issuance date, the amount of R\$ 60,000. The debentures have final maturity on December 15, 2029 and will be amortized in 8 biannual payments starting on June 15, 2026.

The resources obtained by the company will be used for the execution of investments for the achievement of its social object in the normal course of its businesses, for which the Issuer have or might come to have, according to the latest norms currently in force, licence and/or valid environmental authorization, current and/or effective, as applicable and demanded by Socio-environmental legislation.

The fourth issuance of simple private debentures has brA+ rating by S&P Global Ratings and is characterized as “Green Debentures” based on the second opinion evaluation issued by the special consultancy SITAWI Finanças do Bem, based on the Green Bond Principles directives of June, 2018.

Notes to the Financial Statements

Current	Issuance	Annual charges %	Parent Company and Consolidated	
			06/30/2021	12/31/2020
In local currency				
3rd Issue of Debentures	07/19/2019	CDI + 4.5%	13,144	11,968
4th Issue of Debentures	03/03/2021	IPCA + 5.50%	1,768	-
Total current			14,912	11,968
Non-current				
In local currency				
3rd Issue of Debentures	07/19/2019	CDI + 4.5%	498,300	496,869
4th Issue of Debentures	03/03/2021	IPCA + 5.50%	59,546	-
Total non-current			557,846	496,869
			572,758	508,837

Long term maturities:	Parent Company and Consolidated	
	06/30/2021	12/31/2020
2023	166,100	165,623
>2024	391,746	331,246
	557,846	496,869

a) Schedule for 6 amortization of transaction costs

In local currency	Issuance	2021	2022	2023	>2024	Total
3rd Issue of Debentures	07/19/2019	1,377	2,968	2,742	2,421	9,508
4th Issue of Debentures	03/03/2021	19	47	62	366	494
Total local currency		1,396	3,015	2,804	2,787	10,002

b) Guarantees

- i) The 3rd Issuance of simple public debentures has guarantees, as follows:
 - Fiduciary assignment of biological assets (6,770.21 hectare of commercial wood plantations, including plantations of pine and eucalyptus).
 - Fiduciary assignment of paper and pulp plant located at Vila Campina da Alegria, Vargem Bonita.
 - Fiduciary assignment of Machines and equipment owned by the Issuer, located at the referred plant.
 - Fiduciary assignment of Rural properties (land), located in the cities of Ponte Serrada, Catanduvas, Água Doce, Irani and Vargem Bonita.
 - Fiduciary assignment of credit rights arising from sales in the amount of R\$ 50,000.
- ii) The 4th Issuance of simple private Debentures has guarantees, as follows:
 - Fiduciary assignment of Companys' properties, located at Santa Luzia, State of Minas Gerais (Paper plant).
 - Fiduciary assignment of Machines and equipment owned by the Issuer, located at the referred plant.

c) Resctrictive Financial Covenants

Notes to the Financial Statements

On June 30, 2021 there was no need to evaluate financial indexes, because these are evaluated yearly, as stipulated in the contracts. The financial ratios calculated in the last financial year are disclosed in the financial statements as of December 31, 2020.

18. TRADE PAYABLES

Payables to suppliers are as follows:

CURRENT	Parent company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Local market	128,641	107,694	129,550	108,695
Foreign market	1,921	400	1,921	400
Related parties	26,018	11,767	-	-
	<u>156,580</u>	<u>119,861</u>	<u>131,471</u>	<u>109,095</u>

19. RELATED PARTIES

Parent Company	Accounts Receivable		Accounts Payable	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Habitasul Florestal S.A.	-	-	6,406	1,710
Iraflor - Com. de Madeiras Ltda	-	-	19,612	10,057
Management remuneration	-	-	995	2,676
Management profit sharing	-	-	10,553	8,085
Habitasul Desenvolvimentos Imobiliários	-	-	20	18
Companhia Habitasul de Participações	177	61	-	-
Irani Participações S/A	-	2,495	-	-
Total	<u>177</u>	<u>2,556</u>	<u>37,586</u>	<u>22,546</u>
Current portion	177	2,556	37,586	22,546

Parent Company	Revenues		Expenses		Revenues		Expenses	
	Three-month period ended		Three-month period ended		Six-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Companhia Habitasul de Participações	354	-	-	-	1,060	-	-	-
Habitasul Florestal S.A.	-	-	4,700	2,240	-	-	8,716	4,635
Iraflor - Com. de Madeiras Ltda	-	-	6,393	596	-	-	11,377	3,499
MCFD Administração de Imóveis Ltda	-	-	461	340	-	-	922	664
PFD Administradora de Imóveis Ltda	-	-	461	340	-	-	922	664
Irani Participações S/A	-	-	-	506	-	-	-	1,024
Habitasul Desenvolvimentos Imobiliários	-	-	65	54	-	-	140	108
Management remuneration	-	-	3,001	2,660	-	-	5,914	5,285
Total	<u>354</u>	<u>-</u>	<u>15,081</u>	<u>6,736</u>	<u>1,060</u>	<u>-</u>	<u>27,991</u>	<u>15,879</u>

Notes to the Financial Statements

Consolidated	Accounts Receivable		Accounts Payable	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Habitasul Desenvolvimentos Imobiliários	-	-	20	18
Management remuneration	-	-	995	2,676
Management profit sharing	-	-	10,553	8,085
Companhia Habitasul de Participações	177	61	-	-
Irani Participações S/A	-	2,495	-	-
Total	177	2,556	11,568	10,779
Current portion	177	2,556	11,568	10,779

Consolidated	Revenues		Expenses		Revenues		Expenses	
	Three-month period ended		Three-month period ended		Six-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Irani Participações S/A	-	-	-	506	-	-	-	1,024
MCFD Administração de Imóveis Ltda	-	-	461	340	-	-	922	664
PFD Administradora de Imóveis Ltda	-	-	461	340	-	-	922	664
Companhia Habitasul de Participações	354	-	-	-	1,060	-	-	-
Management remuneration	-	-	3,016	2,673	-	-	5,944	5,311
Habitasul Desenvolvimentos Imobiliários	-	-	65	54	-	-	140	108
Total	354	-	4,003	3,913	1,060	-	7,928	7,771

The debts with the subsidiary Habitasul Florestal S.A. are due to commercial operations and acquisition of raw materials at prices and terms under the conditions established between the parties. These transactions were approved by the Board of Directors as described in the Related Party Transactions policy.

The debts with the subsidiary Iraflor Comércio de Madeiras Ltda. are due to commercial operations and acquisition of raw materials at prices and terms under the conditions established between the parties. These transactions were approved by the Board of Directors as described in the Related Party Transactions policy.

The debt with MCFD Administração de Imóveis Ltda. and PFD Administradora 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 as of March, 2021 is R\$ 169, updated annually according to the same change in the General Market Price Index (IGPM), as measured by the Getúlio Vargas Foundation. This agreement was recognized as lease as disclosed in note 33. These transactions were approved by the Board of Directors as described in the Related Party Transactions policy.

The management remuneration expenses, excluding payroll charges and including benefits, totaled R\$ 5,914 in the parent company in the six-month period ended June 30, 2021 (R\$ 5,285 in the six-month period ended June 30, 2020), and R\$ 5,944 in the consolidated in the six-month period ended June 30, 2021 (R\$ 5,311 in the six-month period ended June 30, 2020). The total management remuneration, in the maximum amount of R\$ 17,000, was approved at the Annual Shareholders' Meeting held on April 28, 2021.

The debt with Irani Participações S/A corresponds mainly to a guarantee remuneration agreement, whereby the Company remunerates sureties and guarantees granted by Irani Participações S/A in its favor to enable the contracting of loans and financing, and the

Notes to the Financial Statements

service agreement of support services to the Company's corporate activities, preparation and recording of minutes of the Board of Executive Officers and the Board of Directors and Shareholders' Meeting. In accordance with particular termination terms, both contracts were terminated at the end of 2020 and are no longer in effect since January 1, 2021.

The receivable from Irani Participações S.A, is related to sale agreement signed between the Company and Koch Metalúrgica S.A. through a private instrument of partial transfer of contractual rights and obligations of the remaining part of the property (land and building) at Cachoeirinha - RS, in the total amount of R\$ 4,500, to be paid in 30 equal and successive installments of R\$ 150, each adjusted at 1% per month, the first installment due on June 24, 2019 and the last on October 24, 2021. The maturing installments will be monthly adjusted by IGPM/FGV. At the same date, the company Koch Metalúrgica S.A., transferred the debt through a private instrument of debt assumption to the company Irapar Participações S.A. This transaction was approved by the Board of Directors as described in the Related Party Transactions policy.

The amount receivable from Companhia Habitusul de Participações (“CHP”) arises from a contract for the implementation of a new governance model at CHP, with revisions of the amounts every six months. The object of the contract is the sharing of services and intelligence in the areas of strategy and management. This operation was approved by the Board of Directors as described in the Related Party Transactions policy.

20. TAX INSTALLMENTS

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Current				
PIS installment	1,264	1,252	1,264	1,252
COFINS installment	5,823	5,764	5,823	5,764
IPI installment	1,058	1,143	1,058	1,143
ICMS installment	677	671	677	671
	<u>8,822</u>	<u>8,830</u>	<u>8,822</u>	<u>8,830</u>
Non-current				
PIS installment	1,264	1,877	1,264	1,877
COFINS installment	5,823	8,648	5,823	8,648
IPI installment	2,792	3,194	2,792	3,194
ICMS installment	2,007	2,320	2,007	2,320
	<u>11,886</u>	<u>16,039</u>	<u>11,886</u>	<u>16,039</u>
Total of taxes installments	<u>20,708</u>	<u>24,869</u>	<u>20,708</u>	<u>24,869</u>

Notes to the Financial Statements

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

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

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

21. PROVISION FOR CIVIL, LABOR AND TAX RISKS

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

Breakdown of the balance of provisions:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Civil provisions	2,687	2,252	2,687	2,252
Labor provisions	4,802	5,407	5,058	5,777
Tax provisions	10,934	10,011	10,934	10,011
Total	18,423	17,670	18,679	18,040

Details to the movement of provisions:

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	01/01/2020	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2020
Parent Company						
Civil	1,873	433	(54)	-	-	2,252
Labor	5,202	1,483	(1,312)	(70)	104	5,407
Tax	16,702	1,731	-	(8,422)	-	10,011
	<u>23,777</u>	<u>3,647</u>	<u>(1,366)</u>	<u>(8,492)</u>	<u>104</u>	<u>17,670</u>
Consolidated						
Civil	2,353	433	(534)	-	-	2,252
Labor	5,625	1,512	(1,335)	(129)	104	5,777
Tax	16,702	1,731	-	(8,422)	-	10,011
	<u>24,680</u>	<u>3,676</u>	<u>(1,869)</u>	<u>(8,551)</u>	<u>104</u>	<u>18,040</u>
Parent Company	12/31/2020	Provision	Payments	Reversal	Restricted judicial deposits	06/30/2021
Civil	2,252	435	-	-	-	2,687
Labor	5,407	476	(999)	(122)	40	4,802
Tax	10,011	1,936	-	(1,013)	-	10,934
	<u>17,670</u>	<u>2,847</u>	<u>(999)</u>	<u>(1,135)</u>	<u>40</u>	<u>18,423</u>
Consolidated	12/31/2020	Provisão	Payments	Reversal	Restricted judicial deposits	06/30/2021
Civil	2,252	435	-	-	-	2,687
Labor	5,777	545	(1,152)	(152)	40	5,058
Tax	10,011	1,936	-	(1,013)	-	10,934
	<u>18,040</u>	<u>2,916</u>	<u>(1,152)</u>	<u>(1,165)</u>	<u>40</u>	<u>18,679</u>

The provisions mainly refer to:

- a) Civil lawsuits relate, among other issues, to indemnification claims and Commercial Representation contractual terminations. As of June 30, 2021, the provision in these lawsuits totaled R\$ 2,470 in consolidated to cover potential losses in these lawsuits.
- b) Labor lawsuits are mainly related to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and occupational accidents. Based on experience and on the opinion of its legal counsel, the Company maintained a provision of R\$ 5,058 on June 30, 2021 (consolidated), which is considered enough to cover probable losses arising from labor lawsuits.
- c) Tax consolidated provisions totaled R\$ 10,934 on June 30, 2021 and relate mainly to:

Notes to the Financial Statements

- i) Appropriation of Deemed ICMS Credit in the State of Minas Gerais, linked to the Protocol of Intentions for Investment in the Paper plant located in the Municipality of Santa Luzia, which was not started since the Company is awaiting authorization from the Environmental Bodies and for its strategic market reasons. The amount recognized up to June 30, 2021 totaled R\$ 7,464 and a related provision for tax risks was recorded, amounting to R\$ 9,660.
- ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R\$ 877. The proceedings are in process at the administrative and judicial levels pending judgment.

Contingencies

No accounting provisions were recorded for contingencies assessed by management, together with its legal advisors, as possible losses. As of June 30, 2021, the amounts of these possible contingencies of a labor, civil and tax nature were as follows:

	<u>Consolidated</u>	
	<u>06/30/2021</u>	<u>12/31/2020</u>
Labor provisions	39,953	32,681
Civil provisions	8,586	6,407
Tax provisions	135,315	134,651
	<u>183,854</u>	<u>173,739</u>

Labor Contingencies:

The labor lawsuits assessed by management and the legal counsel as involving possible risk of loss amounted to R\$ 39,953 on June 30, 2021. The variation verified in relation to the year of 2020 mainly refers to labor lawsuits resulting from the closure of the activities of the unit of Vila Maria - SP (discontinued operation) in 2019 and relates mainly to indemnity claims (hazardous duty premiums, health hazard premiums, overtime, salary premiums, damages and losses arising from occupational accidents). These lawsuits are currently at different procedural stages.

Civil Contingencies:

The civil lawsuits classified by management and its legal counsel as involving risk of possible losses totaled R\$ 8,586 on June 30, 2021 and relate mainly to indemnity claims that are currently at different procedural stages.

Notes to the Financial Statements

Tax Contingencies - Liabilities:

The tax lawsuits assessed by management and its legal counsel as involving possible losses totaled R\$ 135,315 on June 30, 2021, 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\$ 45,068 on June 30, 2021. 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\$ 35,014 on June 30, 2021. The Company has challenged these assessments at the administrative and judicial level and awaits the respective judgments.
- Administrative and judicial proceedings filed by the National Institute of Social Security (INSS), with respect to a Debt Assessment Notice referring to the payment of social security contribution on the gross revenue from sale of the production of agro-industrial companies, and the offset of debts against credits arising from the application of a higher Environmental Occupational Risk (RAT) rate at the Company's Administrative Units regarding the INSS tax assessment notice from write-off of debits and from these credit debits of the same type totaled R\$ 14,966 as of June 30, 2021. The Company is discussing said tax assessment notices in the administrative and judicial spheres.
- Administrative Proceedings relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R\$ 6,189 on June 30, 2021. The Company is challenging this tax assessment at the judicial level.
- Proceedings relating to Tax Assessment Notices issued for the offset of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) against credits from the same types, amounting to R\$ 3,291 on June 30, 2021. The Company is discussing said tax assessment notices in the administrative and judicial spheres.
- Fiscal notification which objects to apply a fine related to the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from the year 2015 to 2018, due to undue exclusions from the net profit of each year. The Brazilian Revenue Service understood that the reductions, with an increase of fiscal loss, originated in fiscal amortization of goodwill, with no legal backing.

This lawsuit is currently suspended because the Company has presented a respective administrative impugnation, which awaits trial. The value of the fiscal notification fine is R\$ 293. In the case of the Company not receiving a favorable decision, there will be additional reflection of reversion of fiscal loss by goodwill

Notes to the Financial Statements

amortization used in the period, which results in a reduction of approximately R\$ 19,551 of asset IRPJ and CSLL over the amortized goodwill value.

Tax Contingencies - Assets:

The Company started in 2014, the ordinary action number 1030021-89.2014.8.26.0053 with the objective of obtaining declaration of unenforceability of default interest over ICMS debit payments, as well as over the values of the same tax administratively divided in installments, and over the isolated installments, in rate superior to the SELIC rate. The referred judicial measure was ruled justified recognizing the abuse of the discussed legislation, however, the request for compensation of the debit. The referred judicial decision was final and unappealable on March 11, 2020, because of the decision the Company proceeded with the analysis of the decision and calculations for liquidation. The process is currently in the phase of execution/enforcement of sentence, on January 29th 2021, the Company petitioned the process demonstrating the updated value and requiring the issuance of the respective precatory. In July 2021, the Company was notified of the issuance of said precatory, as detailed in Note 36 – Subsequent Events.

22. EQUITY

a) Share Capital

On June 30, 2021, the share capital is R\$ 566,895 (R\$ 566,895 on December 31st, 2020), composed of 256,720,235 common shares of no par value on December 31st, 2020 (256,720,235 common shares of no par value on December 31, 2020).

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

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

Because of the increase in the Company's capital in the context of the restricted offer, the new share capital of the Company became R\$ 566,895 represented by 256,720,235 shares, of which 243,909,975 are common shares and 12,810,260 preferred shares, all nominative, carrying and with no par value. The share capital value, net of shares issuance costs of R\$ 22,961, is of R\$ 543,934 as of June 30, 2021 (R\$ 543,934 as of December 31, 2020).

Notes to the Financial Statements

On October 8, 2020, the Extraordinary General Meeting approved the migration of the Company to the special listing segment of B3 SA - Brasil, Bolsa, Balcão (“B3”) called Novo Mercado (New Market), as well as the conversion of all preferred shares of issuance of the Company in common shares, in the proportion of 1 (one) common share for each 1 (one) preferred share, and the global reform of the Company's Bylaws to adapt it to the requirements of B3's Novo Mercado Listing Regulation and to incorporate the other adjustments detailed in the Management's proposal, with its respective consolidation, whose validity is conditioned to the approval of the Company's migration to the Novo Mercado by B3.

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

b) Shareholders Remuneration

i) Interest on Equity

The Board of Directors approved on May 10, 2021, "ad referendum" of the General Assembly of Company Shareholders the distribution of intermediate dividends over the results of the first quarter of 2020, in the amount of R\$ 12,885, corresponding to R\$ 0.050658 per ordinary share, to the shareholders holding shares of issuance of the Company on May 11, 2021, paid on May 25, 2021. The interim dividends - 1th quarter distributed will be summed to the minimum obligatory dividend declared by the General Ordinary Company Assembly that approve the accounts of its administrators relative to the fiscal year 2021, as optioned by article 29, caput, of Social Statute of the Company.

The Board of Directors approved on March 01, 2021, "ad referendum" of the General Assembly of Company Shareholders the distribution of intermediate dividends over the results of the fourth quarter of 2020, in the amount of R\$ 10,361, corresponding to R\$ 0.040738 per ordinary share, to the shareholders holding shares of issuance of the Company on March 4, 2021, paid on March 18, 2021. The interim dividends - 4th quarter distributed will be summed to the minimum obligatory dividend declared by the General Ordinary Company Assembly that approve the accounts of its administrators relative to the fiscal year 2020, as optioned by article 29, caput, of Social Statute of the Company.

Notes to the Financial Statements

ii) Proposed additional dividends

On April 28, 2021 at General Assembly of Company Shareholders, additional dividends for the year 2020 were approved, in the total amount of R\$ 24,576, with the dividend per share totaling the amount of R\$ 0.096624, paid on 20 May 2021.

c) Treasury Shares

		Parent company			
		06/30/2021		12/31/2020	
		Quant.	Amount	Quant.	Amount
i) Repurchase Plan	Common	24,000	30	24,000	30
ii) Withdrawal right	Preferred	2,352,116	6,804	2,352,116	6,804
		<u>2,376,116</u>	<u>6,834</u>	<u>2,376,116</u>	<u>6,834</u>

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 and the conversion of preferred shares into common shares on October 8, 2020. 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 years ended December 31, 2011 and December 31, 2019.

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.

Notes to the Financial Statements

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

iv) The tax incentive reserve was recorded by the portion of net income from previous years derived from government grants for investments in the modernization and expansion of the paper production capacity in Minas Gerais and expansion of the industrial unit located in Santa Catarina and is excluded from basis of mandatory dividend.

e) Equity Valuation Adjustments

It was recorded since the Company valued its fixed assets (land, machinery and buildings) at deemed cost in the opening balance sheet for initial adoption of IFRS. Its realization will take place as the related deemed cost is depreciated, at which time the related amounts will also be adjusted in the basis for calculating dividends. The balance on June 30, 2021, net of tax effects, represented a credit balance of R\$ 150,286 (R\$ 154,759 on December 31, 2020).

Changes in equity valuation adjustments are as follows:

	<u>Consolidated</u>
Balance at December 31, 2019	<u>163,704</u>
Realization - deemed cost	<u>(8,945)</u>
Balance at December 31, 2020	<u>154,759</u>
Realization - deemed cost	<u>(4,473)</u>
Balance at June 30, 2021	<u>150,286</u>

23. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit (loss) attributable to the Company's stockholders by the weighted average number of shares outstanding during the period. The shares are not subject to the effects of potential dilution, such as debt convertible into shares. Consequently, diluted profit (losses) per share are equal to basic income (losses) per share. The weighted average number of shares is calculated by the total number of shares of 256,720,235, less treasury shares which are 2,376,116, which represents 254,344,119 shares.

a) Basic and diluted earnings per share:

Notes to the Financial Statements

Parent Company and Consolidated	<u>Three-month period ended June 30, 2021</u>		
	<u>Common Shares</u>	<u>Total Common Shares</u>	
Weighted average of the number of shares	254,344,119	254,344,119	
Income for the attributable period to each type of shares	67,691	67,691	
Basic and diluted profit per share - R\$	<u>0.2661</u>		
Parent Company and Consolidated	<u>Three-month period ended June 30, 2020</u>		
	<u>Common Shares</u>	<u>Preferred Shares</u>	<u>Common & Preferred shares Total</u>
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable period to each type of shares	14,325	973	15,298
Basic and diluted profit per share - R\$	<u>0.0931</u>	<u>0.0931</u>	
Parent Company and Consolidated	<u>Six-month period ended June 30, 2021</u>		
	<u>Common Shares</u>	<u>Total Common Shares</u>	
Weighted average of the number of shares	254,344,119	254,344,119	
Income for the attributable period to each type of shares	124,392	124,392	
Basic and diluted profit per share - R\$	<u>0.4891</u>		
Parent Company and Consolidated	<u>Six-month period ended June 30, 2020</u>		
	<u>Common Shares</u>	<u>Preferred Shares</u>	<u>Common & Preferred shares Total</u>
Weighted average of the number of shares	153,885,975	10,458,160	164,344,135
Income for the attributable period to each type of shares	31,168	2,118	33,286
Basic and diluted profit per share - R\$	<u>0.2025</u>	<u>0.2025</u>	

24. NET SALES

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

	<u>Parent Company</u>		<u>Parent Company</u>	
	<u>Three-month period ended</u>		<u>Six-month period ended</u>	
	<u>06/30/2021</u>	<u>06/30/2020</u>	<u>06/30/2021</u>	<u>06/30/2020</u>
Gross sales of goods	513,249	297,349	966,011	597,422
Taxes on sales	(107,400)	(54,403)	(201,216)	(116,066)
Sales returns	(3,844)	(2,379)	(7,876)	(5,857)
Net sales	<u>402,005</u>	<u>240,567</u>	<u>756,919</u>	<u>475,499</u>

Notes to the Financial Statements

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Gross sales of goods	514,464	297,791	968,554	599,339
Taxes on sales	(107,466)	(54,424)	(201,363)	(116,171)
Sales returns	(3,861)	(2,383)	(7,893)	(5,861)
Net sales	<u>403,137</u>	<u>240,984</u>	<u>759,298</u>	<u>477,307</u>

The Company's revenues are recognized when the performance obligations are met, which generally occurs when products are delivered to customers on sales to the domestic market or when shipping products sold on sales to the foreign market. Also, the main products sold by the Company represent the operating segments established as per Note 31.

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

25. COSTS AND EXPENSES BY NATURES

Breakdown of expenses by type is shown as follows:

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Fixed and variable costs (raw and consumption material)	(228,469)	(119,853)	(424,129)	(239,476)
Personnel expenses	(36,108)	(32,145)	(69,499)	(64,437)
Change in fair value - biological assets	6,463	976	12,541	4,892
Depreciation, amortization and depletion	(17,687)	(17,961)	(35,916)	(32,401)
Freight - Sales	(13,866)	(13,230)	(26,914)	(23,979)
Contracting services	(8,231)	(9,427)	(16,924)	(23,718)
Other sales expenses	(10,694)	(10,550)	(20,958)	(19,735)
Total costs and expenses by type	<u>(308,592)</u>	<u>(202,190)</u>	<u>(581,799)</u>	<u>(398,854)</u>
Cost of sales	(266,354)	(163,922)	(505,770)	(327,963)
Change in fair value of biological assets	6,463	976	12,542	4,892
Selling expenses	(24,845)	(23,042)	(47,921)	(42,806)
Impairment losses on trade receivables	285	(738)	49	(908)
General and administrative expenses	(24,141)	(15,464)	(40,699)	(32,069)

Notes to the Financial Statements

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Fixed and variable costs (raw and consumption material)	(217,610)	(118,288)	(405,408)	(231,458)
Personnel expenses	(38,872)	(34,424)	(74,985)	(69,406)
Change in fair value - biological assets	14,069	3,617	25,880	8,086
Depreciation, amortization and depletion	(22,424)	(19,041)	(44,411)	(36,540)
Freight - Sales	(14,337)	(13,230)	(27,899)	(24,444)
Contracting services	(9,296)	(9,844)	(17,989)	(24,751)
Other sales expenses	(10,583)	(9,700)	(20,847)	(19,788)
Total costs and expenses by type	<u>(299,053)</u>	<u>(200,910)</u>	<u>(565,659)</u>	<u>(398,301)</u>
Cost of sales	(263,510)	(165,677)	(501,124)	(329,148)
Change in fair value of biological assets	14,069	3,617	25,880	8,086
Selling expenses	(25,205)	(22,030)	(48,795)	(43,163)
Impairment losses on trade receivables	285	(900)	49	(1,069)
General and administrative expenses	(24,692)	(15,920)	(41,669)	(33,007)

26. OTHER OPERATING INCOME AND EXPENSES

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Revenues				
Revenue from claimed and disposed goods	755	28	1,055	159
Revenue from sale of assets	6,760	469	6,760	1,973
Carbon credit	-	-	-	125
Other operating revenues	1,511	647	2,418	1,067
	<u>9,026</u>	<u>1,144</u>	<u>10,233</u>	<u>3,324</u>
Expenses				
Costs of claimed and disposed goods	(49)	-	(291)	-
Costs of sales of assets	(3,419)	(5)	(3,419)	(771)
Provision for government subsidy from the state government of Minas Gerais	(352)	(368)	(558)	(764)
Other operating expenses	(893)	(670)	(1,047)	(1,432)
	<u>(4,713)</u>	<u>(1,043)</u>	<u>(5,315)</u>	<u>(2,967)</u>
Total other operating income and expenses, net	<u>4,313</u>	<u>101</u>	<u>4,918</u>	<u>357</u>

Notes to the Financial Statements

Revenues	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Revenue from claimed and disposed goods	755	28	1,055	159
Revenue from sale of assets	6,760	469	6,760	1,973
Carbon credit	-	-	-	125
Other operating revenues	1,513	652	2,426	1,077
	<u>9,028</u>	<u>1,149</u>	<u>10,241</u>	<u>3,334</u>
Expenses	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Costs of claimed and disposed goods	(49)	-	(291)	-
Costs of sales of assets	(3,419)	(5)	(3,419)	(771)
Provision for government subsidy from the state government of Minas Gerais	(352)	(368)	(558)	(764)
Contingency in subsidiary Habitasul Florestal	-	-	-	-
Other operating expenses	(900)	(673)	(1,048)	(1,442)
	<u>(4,720)</u>	<u>(1,046)</u>	<u>(5,316)</u>	<u>(2,977)</u>
Total other operating income and expenses, net	<u>4,308</u>	<u>103</u>	<u>4,925</u>	<u>357</u>

The revenue from assets refers to the sale of assets from discontinued operation.

27. FINANCE INCOME AND EXPENSES

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Financial income				
Yields from financial investments	3,010	500	4,581	964
Interest	451	985	1,044	2,178
Discounts obtained	46	61	112	356
	<u>3,507</u>	<u>1,546</u>	<u>5,737</u>	<u>3,498</u>
Exchange-rate change				
Foreign-exchange income	-	4,815	10,576	6,109
Foreign exchange costs	(5,829)	(5,367)	(14,774)	(7,092)
Net exchange rate change	<u>(5,829)</u>	<u>(552)</u>	<u>(4,198)</u>	<u>(983)</u>
Financial expenses				
Interest	(13,427)	(15,638)	(23,480)	(33,657)
Discounts granted	(59)	(117)	(112)	(172)
Negative goodwill/bank expenses	(178)	(226)	(341)	(476)
Liability interest on leases	(522)	(515)	(1,061)	(1,037)
Other	(168)	(1,946)	(266)	(4,210)
	<u>(14,354)</u>	<u>(18,442)</u>	<u>(25,260)</u>	<u>(39,552)</u>
Net financial costs	<u>(16,676)</u>	<u>(17,448)</u>	<u>(23,721)</u>	<u>(37,037)</u>

Notes to the Financial Statements

	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Financial income				
Yields from financial investments	3,140	503	4,793	976
Interest	453	1,215	1,046	2,445
Discounts obtained	46	77	113	376
	<u>3,639</u>	<u>1,795</u>	<u>5,952</u>	<u>3,797</u>
Exchange-rate change				
Foreign-exchange income	-	4,815	10,576	6,109
Foreign exchange costs	(5,829)	(5,367)	(14,774)	(7,092)
Net exchange rate change	<u>(5,829)</u>	<u>(552)</u>	<u>(4,198)</u>	<u>(983)</u>
Financial expenses				
Interest	(13,428)	(15,642)	(23,483)	(33,672)
Discounts granted	(63)	(117)	(153)	(172)
Negative goodwill/bank expenses	(179)	(228)	(342)	(479)
Liability interest on leases	(522)	(515)	(1,061)	(1,037)
Other	(167)	(1,947)	(267)	(4,246)
	<u>(14,359)</u>	<u>(18,449)</u>	<u>(25,306)</u>	<u>(39,606)</u>
Net financial costs	<u>(16,549)</u>	<u>(17,206)</u>	<u>(23,552)</u>	<u>(36,792)</u>

28. INCOME TAX AND SOCIAL CONTRIBUTION

The reconciliation of the effective tax rate is as follows:

	Parent Company		Parent Company	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Operating income/(loss) before tax effects	91,547	22,806	174,490	42,356
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(31,126)	(7,754)	(59,327)	(14,401)
Unrecognized income tax and social contribution from previous years	-	679	-	679
Tax effect from permanent (additions) exclusions:				
Equity in net income of subsidiaries	3,569	604	6,179	813
Non-deductible expenses	(363)	(196)	(451)	(263)
Recognition (reversal) of taxes incentives	(11)	(77)	(19)	(149)
Other additions/exclusions unrecognized income tax and social contribution assets	-	(1,558)	-	2,733
Other permanent differences	4,075	794	3,520	1,518
	<u>(23,856)</u>	<u>(7,508)</u>	<u>(50,098)</u>	<u>(9,070)</u>
Current income tax and social contribution	(19,690)	(7,132)	(33,539)	(7,624)
Deferred income tax and social contribution	(4,166)	(376)	(16,559)	(1,446)
Effective rate - %	26.1	32.9	28.7	21.4

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	Consolidated		Consolidated	
	Three-month period ended		Six-month period ended	
	06/30/2021	06/30/2020	06/30/2021	06/30/2020
Operating income/(loss) before tax effects of continuing operations	91,843	22,971	175,012	42,571
Operating income/(loss) before tax effects Basic rate	91,843	22,971	175,012	42,571
	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(31,227)	(7,810)	(59,504)	(14,474)
Income Tax and Social Contribution from previous years	-	679	-	679
Tax effect from permanent (additions) exclusions:				
Non-deductible expenses	(363)	(196)	(451)	(196)
Recognition (reversal) of taxes incentives	(11)	(77)	(19)	(77)
Other additions/exclusions unrecognized income tax and social contribution assets	-	(1,558)	-	2,733
Tax rate difference in subsidiaries	3,273	439	5,657	598
Other permanent differences	4,176	850	3,697	1,452
	(24,152)	(7,673)	(50,620)	(9,285)
Current income tax and social contribution	(19,760)	(7,219)	(33,666)	(7,752)
Deferred income tax and social contribution	(4,392)	(454)	(16,954)	(1,533)
Effective rate - %	26.3	33.4	28.9	21.8

29. INSURANCE

Insurance coverage is determined according to the nature of the risks to the assets and is considered enough to cover possible losses arising from damages. On June 30, 2021, 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\$ 347,112. Company life insurance is also contracted for employees with a minimum coverage of 24 times the employee's salary or a maximum amount of R\$ 500, as well as fleet insurance for vehicles with coverage at market value.

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

30. FINANCIAL INSTRUMENTS

Capital risk Management

The Company's capital structure consists of its net debt (loans and financing detailed in Note 16 and 17, less cash, cash equivalents and financial investments), as detailed in note 5, and equity (which includes issued capital, reserves and retained earnings, as disclosed in Note 22).

The Company is not subject to any external capital requirements.

Notes to the Financial Statements

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 30% to 50% of own capital and from 70% to 50% of third-party capital. On June 30, 2021, the capital structure comprised 77% of own capital and 23% of third-party capital.

Indebtedness Level

The Net debt ratio on June 30, 2021 and December 31, 2020 is as follows:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Debt (a)	634,209	588,232	634,209	588,247
Cash and cash equivalents and financial investments	(357,396)	(327,681)	(374,605)	(346,232)
Net debt	<u>276,813</u>	<u>260,551</u>	<u>259,604</u>	<u>242,015</u>
Equity (b)	<u>873,086</u>	<u>786,154</u>	<u>873,091</u>	<u>786,160</u>
Net debt ratio	<u>0.32</u>	<u>0.33</u>	<u>0.30</u>	<u>0.31</u>

(a) Debt is defined as short and long-term loans, financing and debentures, as detailed in notes 16 and 17.

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

Categories of financial instruments

	Note	Parent Company		Consolidated	
		06/30/2021	12/31/2020	06/30/2021	12/31/2020
Financial assets					
Fair value through profit or loss					
Cash and cash equivalents	5	17,685	35,709	34,894	54,260
Amortized cost					
Financial investments	5	339,711	291,972	339,711	291,972
Trade accounts receivable	6	264,639	205,572	264,869	206,643
Other accounts receivable	9	6,751	6,484	6,982	6,617
Financial liabilities					
Amortized cost					
Loans and financing	16	61,451	79,395	61,451	79,410
Debentures	17	572,758	508,837	572,758	508,837
Trade payables	18	156,580	119,861	131,471	109,095
Advances from customers		5,252	6,377	5,254	6,407
Lease liabilities	33	24,456	21,103	24,456	21,103
Tax installments	20	20,708	24,869	20,708	24,869
Dividends payables and Interest on shareholders' equity		295	10,467	295	10,467
Other accounts payable		12,581	12,487	12,795	12,758

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.

Notes to the Financial Statements

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

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

Foreign Exchange exposure risk

The Company has transactions in the foreign market that are exposed to fluctuations in the exchange rates of foreign currencies. As of June 30, 2021, and December 31, 2020, these operations presented a net liability exposure as the table below:

	Parent Company		Consolidated	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Trade accounts receivable	30,394	22,875	30,394	22,875
Advances from customers	(2,412)	(2,468)	(2,412)	(2,468)
Trade payables	(1,921)	(400)	(1,921)	(400)
Advances to suppliers	25,995	-	25,995	-
Loans and financing	(17,585)	(21,506)	(17,585)	(21,506)
Net exposure	<u>34,471</u>	<u>(1,499)</u>	<u>34,471</u>	<u>(1,499)</u>

The Company protects the net foreign exchange exposure with the equivalent of less than one month of exports based on the average of exports made during the six-month period ended June 30, 2021, and less than a month of exports based on the average of exports made during 2020.

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

1 – Base scenario: for the definition of the base scenario, the U.S. dollar quotation used by the Company is based on future market projections of B3 for the next reporting date (September 30, 2021).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for September 30, 2021

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for September 30, 2021.

Notes to the Financial Statements

Operation	Balance on 06/30/2021	Base scenario		Adverse scenario		Remote scenario	
	US\$	Rate	Gain (Loss) R\$	Rate	Gain (Loss) R\$	Rate	Gain (Loss) R\$
Assets							
Trade accounts receivable and Banks - restricted account	6,076	5.04	204	6.29	7,854	7.55	15,506
Advances to suppliers	5,197	5.04	175	6.29	6,717	7.55	13,263
Liabilities							
Trade payables and Advances from customers	(866)	5.04	(29)	6.29	(1,119)	7.55	(2,210)
Loans and financing	(3,515)	5.04	(118)	6.29	(4,543)	7.55	(8,970)
Net effect			<u>232</u>		<u>8,909</u>		<u>17,589</u>

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 June 30, 2021 were used as a basis for the projection of the future balance. The actual behavior of debt balances will follow the respective contracts, while trade receivables and payable may fluctuate due to the normal course of the activities of the Company and its subsidiaries. The settlement of transactions involving these projections may result in amounts that differ from those estimated due to the subjectivity of the process used in the preparation of these analyses. The Company maintains its loans and financing exposed to exchange-rate changes by making annual net payments that are equivalent to or below the receipts from its exports.

Accordingly, the Company seeks to hedge its cash flow against foreign currency risks, and the effects of the scenarios above, if they materialize, are not expected to generate material impacts on its cash flow.

Interest Rate Risk

The Company may be affected by adverse changes in interest rates. This exposure to interest rate risk relates primarily to changes in market interest rates that affect the Company's assets and liabilities indexed to the TJLP (Long-term interest rate from BNDES), CDI (Interbank Deposit Certificate), SELIC (Official Interest Rate) and IPCA (National Index for Consumer Prices)

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

1 – Base scenario: for the definition of the base scenario, the CDI and SELIC rates used by the Company accompany the future market projections of B3 for the next reporting date (September 30, 2021). The TLP is extracted from the BNDES and the IPCA from Focus Bulletin.

2 – Adverse scenario: 25% adjustment of interest rates compared to the level projected for September 30, 2021.

3 – Remote scenario: 50% adjustment of interest rates compared to the level projected for September 30, 2021.

Notes to the Financial Statements

Operação	Index	Balance 06/30/2021	Base scenario		Adverse scenario		Remote scenario	
			Rate % p.a	RS	Rate % p.a	RS	Rate % p.a	RS
Cash and cash equivalents and financial investments								
CDB	CDI	365,215	4.88%	2,743	6.10%	7,326	7.32%	11,910
Funding								
Working capital	CDI	(562,757)	4.88%	(4,410)	6.10%	(11,781)	7.32%	(19,152)
Working capital	IPCA	(61,808)	8.35%	-	10.44%	(1,361)	12.53%	(2,721)
Finame	TLP	(304)	4.88%	(1)	6.10%	(5)	7.32%	(8)
Finame	SELIC	(521)	4.88%	(3)	6.10%	(10)	7.32%	(17)
Net effect on profit or (loss)				<u>(1,671)</u>		<u>(5,831)</u>		<u>(9,988)</u>

Fair Value vs. Book Value

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

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

- Loans and financing, including debentures - considering debts and the interest rates on loans, financing and debentures contracted, and based on market information, the fair value of borrowings in June 30, 2021 is R\$ 667,004. The Company applied as valuation technique discounted cash flows, considering the present value of expected payments, discounted using a Company's risk-adjusted discount rate. The fair value measured is Level 2 in the fair value hierarchy

Credit Risks

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

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

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

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, which comprises cash, financial investments, flows of accounts receivable and payable, and

Notes to the Financial Statements

payment of loans and financing. The liquidity management policy involves projections of cash flows in currencies used and a reflection on the net assets required to reach these projections, the monitoring of the liquidity ratios of the balance sheet in relation to internal and external regulatory requirements and the maintenance of debt financing plans.

The table below shows the maturity ranges of the financial liabilities contracted by the Company, where the reported amounts include the principal and fixed interest on transactions, calculated using rates and indices in effect on June 30, 2021, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets.

Parent Company

	2021	2022	2023	2024	> 2024
Liabilities					
Trade payables	156,580	-	-	-	-
Loans and financing	7,993	53,704	394	50	-
Debentures	30,546	25,489	190,111	182,688	242,240
Tax installments	4,411	6,040	7,223	2,365	669
Advances from customers	5,252	-	-	-	-
Leases liabilities	4,767	4,748	4,748	4,748	5,445
Dividends payables Interest on shareholders' equity	295	-	-	-	-
Other accounts payables	12,522	59	-	-	-
	<u>222,366</u>	<u>90,040</u>	<u>202,476</u>	<u>189,851</u>	<u>248,354</u>

Consolidated

	2021	2022	2023	2024	> 2024
Liabilities					
Trade payables	131,470	-	-	-	-
Loans and financing	7,997	53,704	394	50	-
Debentures	30,546	25,489	190,111	182,688	242,240
Tax installments	4,411	6,040	7,223	2,365	669
Advances from customers	5,254	-	-	-	-
Leases liabilities	4,767	4,748	4,748	4,748	5,445
Dividends payables Interest on shareholders' equity	295	-	-	-	-
Other accounts payables	12,736	59	-	-	-
	<u>197,476</u>	<u>90,040</u>	<u>202,476</u>	<u>189,851</u>	<u>248,354</u>

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.

Derivative financial instruments

As of June 30, 2021 and December 31, 2020, the Company did not hire any derivative financial instrument.

31. OPERATING SEGMENTS

a) Criteria for identifying operating segments

Notes to the Financial Statements

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

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

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

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

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

b) Consolidated information from operating segments

	Consolidated				Total
	Three-month period ended June 30, 2021				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	
Net sales:					
Domestic market	232,079	106,660	1,873	-	340,612
Foreign market	-	20,986	41,539	-	62,525
Total net sales	<u>232,079</u>	<u>127,646</u>	<u>43,412</u>	<u>-</u>	<u>403,137</u>
Change in fair value - biological assets	-	10,484	3,585	-	14,069
Cost of sales	<u>(164,985)</u>	<u>(74,489)</u>	<u>(23,659)</u>	<u>(377)</u>	<u>(263,510)</u>
Gross profit	67,094	63,641	23,338	(377)	153,696
Operating expenses	(17,539)	(2,045)	(3,432)	(22,288)	(45,304)
Operating income (loss) before financial income (loss)	<u>49,555</u>	<u>61,596</u>	<u>19,906</u>	<u>(22,665)</u>	<u>108,392</u>
Financial income (loss)	(7,386)	(5,234)	(3,929)	-	(16,549)
Operating net income (loss)	<u>42,169</u>	<u>56,362</u>	<u>15,977</u>	<u>(22,665)</u>	<u>91,843</u>
Depreciation and amortization	(3,998)	(12,272)	(383)	(550)	(17,203)

Notes to the Financial Statements

	Consolidated				
	Three-month period ended June 30, 2020				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	113,660	62,136	609	-	176,405
Foreign market	-	42,743	21,836	-	64,579
Total net sales	113,660	104,879	22,445	-	240,984
Change in fair value - biological assets	-	2,893	724	-	3,617
Cost of sales	(85,182)	(64,836)	(15,652)	(7)	(165,677)
Gross profit	28,478	42,936	7,517	(7)	78,924
Operating expenses	(13,747)	(8,950)	(2,691)	(13,359)	(38,747)
Operating income (loss) before financial income (loss)	14,731	33,986	4,826	(13,366)	40,177
Financial income (loss)	(7,252)	(9,827)	(127)	-	(17,206)
Operating net income (loss)	7,479	24,159	4,699	(13,366)	22,971
Depreciation and amortization	(3,773)	(11,504)	(351)	(520)	(16,148)
	Consolidated				
	Six-month period ended June 30, 2021				
	P.O Packaging	Packaging Paper	RS Forest and Resins	Corporate/ eliminations	Total
Net sales:					
Domestic market	429,734	204,852	3,568	-	638,154
Foreign market	-	39,749	81,395	-	121,144
Third-party sales revenue	429,734	244,601	84,963	-	759,298
Total net sales	429,734	244,601	84,963	-	759,298
Change in fair value - biological assets	-	20,157	5,723	-	25,880
Cost of sales	(304,696)	(145,084)	(50,664)	(680)	(501,124)
Gross profit	125,038	119,674	40,022	(680)	284,054
Operating expenses	(33,756)	(7,297)	(7,800)	(36,637)	(85,490)
Operating income (loss) before financial income (loss)	91,282	112,377	32,222	(37,317)	198,564
Financial income (loss)	(11,357)	(9,645)	(2,550)	-	(23,552)
Operating net (loss) income	79,925	102,732	29,672	(37,317)	175,012
Depreciation and amortization	(7,887)	(24,879)	(770)	(1,078)	(34,614)

Notes to the Financial Statements

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

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

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

The information relating to income tax and social contribution is not disclosed because the Company's management does not use this information by segment.

c) Net Sales

The net sales in the second quarter of 2021 totaled R\$ 403,137 (R\$ 240,984 in the second quarter of 2020). The first semester of 2021 the net sales totaled R\$ 759,298 (R\$ 477,307 in the first semester of 2020).

Net sales for the foreign market in the second quarter of 2021 totaled R\$ 62,525 (R\$ 64,579 in the second quarter of 2020). The first semester of 2021, the net sales for the foreign market totaled R\$ 121,144 (R\$ 107,183 in the first semester of 2020), distributed by several countries, as follows:

Notes to the Financial Statements

Consolidated			Consolidated		
Three-month period ended June 30, 2021			Three-month period ended June 30, 2020		
Country	Foreign market net sales	% in total net sales	Country	Foreign market net sales	% in total net sales
China	10,173	2.52%	China	14,846	6.16%
Portugal	7,089	1.76%	Argentina	12,654	5.25%
Argentina	6,200	1.54%	Saudi Arabia	5,213	2.16%
Germany	5,729	1.42%	South Africa	3,345	1.39%
Saudi Arabia	4,475	1.11%	Portugal	3,131	1.30%
Mexico	3,585	0.89%	Kuwait	2,967	1.23%
Pakistan	3,454	0.86%	Chile	2,786	1.16%
India	2,711	0.67%	Paraguay	2,485	1.03%
Paraguay	2,582	0.64%	Ireland	2,240	0.93%
USA	2,572	0.64%	USA	2,135	0.89%
Netherlands	2,105	0.52%	Japan	1,696	0.70%
South Africa	2,006	0.50%	India	1,581	0.66%
Chile	1,946	0.48%	Mexico	1,502	0.62%
France	1,777	0.44%	Turkey	1,487	0.62%
Turkey	1,589	0.39%	Netherlands	1,427	0.59%
Peru	1,390	0.34%	Germany	1,216	0.50%
Other countries	3,142	0.78%	Other countries	3,868	1.61%
	62,525	15.50%		64,579	26.80%
Consolidated			Consolidated		
Six-month period ended June 30, 2021			Six-month period ended June 30, 2020		
Country	Foreign market net sales	% in total net sales	Country	Foreign market net sales	% in total net sales
China	26,485	3.49%	China	20,416	4.28%
Argentina	13,676	1.80%	Argentina	18,952	3.97%
Portugal	9,552	1.26%	Saudi Arabia	10,412	2.18%
India	8,975	1.18%	Chile	5,922	1.24%
Saudi Arabia	7,989	1.05%	Portugal	5,328	1.12%
Germany	6,224	0.82%	South Africa	5,313	1.11%
France	5,233	0.69%	Paraguay	4,508	0.94%
Mexico	4,969	0.65%	Germany	3,998	0.84%
Hong Kong	4,515	0.59%	Ireland	3,917	0.82%
Paraguay	4,368	0.58%	USA	3,683	0.77%
Netherlands	3,880	0.51%	Japan	3,159	0.66%
Pakistan	3,602	0.47%	Kuwait	2,967	0.62%
South Africa	3,287	0.43%	Netherlands	2,789	0.58%
Peru	3,273	0.43%	Peru	2,416	0.51%
Chile	3,092	0.41%	India	2,358	0.49%
USA	2,572	0.34%	Mexico	2,022	0.42%
Ireland	2,292	0.30%	Uruguay	1,837	0.38%
Turkey	2,043	0.27%	France	1,698	0.36%
Spain	1,974	0.26%	Turkey	1,637	0.34%
Other countries	3,143	0.41%	Other countries	3,851	0.81%
	121,144	15.94%		107,183	22.44%

In the second quarter of 2021, Company's net sales in domestic market totaled R\$ 340,612 (R\$ 176,405 in second quarter of 2020). The first semester of 2021, the net sales in domestic market totaled R\$ 638,154 (R\$ 370,124 in the first semester of 2020).

In the second quarter of 2021, a single customer accounted for 5.7% of net sales in the domestic market of the Corrugated Cardboard Packaging segment, equivalent to R\$ 13,298. The Company's other sales in the domestic and foreign markets were spread over a number of customers, none of them accounting for more than 10% of net sales.

Notes to the Financial Statements

32. GOVERNMENT GRANTS

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

- i) ICMS/SC – Prodec: allows that 60% of the ICMS increase in the State of Santa Catarina, calculated on an average basis (September 2006 to August 2007) prior to the investments made, be deferred for payment after 48 months. This benefit is calculated monthly and subject to the completion of the investments planned and maintenance of jobs, in addition to the maintenance of regular status with the State obligations.

Regarding the incentive amounts, there will be interests at contractual rates of 4.0% per year. For the purposes of calculating the present value of this benefit, the Company used the average rate of 9.20% as the funding cost for the financing facilities with characteristics like those required for the respective disbursements if it did not have the benefit.

The benefit is effective for 14 years (10 years of benefit and 4 years of grace period), from January 2009 to December 2022, or up to the limit of R\$ 55,199 of deferred ICMS. Up to June 30, 2021, the Company had deferred ICMS liabilities of R\$ 6,997 (R\$ 9,228 in December 31, 2020), net of government grant R\$ 6,810 (R\$ 9,068 in December 31, 2020).

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

Notes to the Financial Statements

33. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent Company and Consolidated	Land	Buildings and constructions	Equipment and facilities	Total
Initial recognition at 01/01/2020	5,556	13,605	3,264	22,425
Depreciation	(970)	(2,070)	(928)	(3,968)
Increase/decrease of contracts in the period - main effect	579	1,621	523	2,723
Book balance, net at December 31, 2020	<u>5,165</u>	<u>13,156</u>	<u>2,859</u>	<u>21,180</u>
Cost	6,794	17,234	4,244	28,272
Accumulated depreciation	(1,629)	(4,078)	(1,385)	(7,092)
Book balance, net at December 31, 2020	<u>5,165</u>	<u>13,156</u>	<u>2,859</u>	<u>21,180</u>
Balancete at 01/01/2021	5,165	13,156	2,859	21,180
Depreciation	(549)	(1,335)	(495)	(2,379)
Increase/decrease of contracts in the period - main effect	903	3,619	447	4,969
Book balance, net at June 30, 2021	<u>5,519</u>	<u>15,440</u>	<u>2,811</u>	<u>23,770</u>
Cost	7,697	20,853	4,691	33,241
Accumulated depreciation	(2,178)	(5,413)	(1,880)	(9,471)
Book balance, net at June 30, 2021	<u>5,519</u>	<u>15,440</u>	<u>2,811</u>	<u>23,770</u>

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

The lease agreements have lease liabilities, as shown below:

Parent Company and Consolidated	Land	Buildings and constructions	Equipment and facilities	Total
Initial recognition at 01/01/2020	5,180	13,700	3,517	22,397
Lease installment	(1,610)	(3,180)	(1,272)	(6,062)
Increase/decrease of contracts in the period - main effect	579	1,621	523	2,723
Interest over lease in the period	564	1,272	156	1,992
Increase/decrease of contracts in the period - effect in interest	-	33	20	53
Book balance, net at December 31, 2020	<u>4,713</u>	<u>13,446</u>	<u>2,944</u>	<u>21,103</u>
Balancete at 01/01/2021	4,713	13,446	2,944	21,103
Lease installment in the year	(60)	(2,009)	(609)	(2,678)
Increase/decrease of contracts in the period - main effect	903	3,619	447	4,969
Interest over lease in the period	274	673	115	1,062
Book balance, net at June 30, 2021	<u>5,830</u>	<u>15,729</u>	<u>2,897</u>	<u>24,456</u>
Short-term				4,767
Long-term				19,689

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

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

Notes to the Financial Statements

	<u>Parent Company and Consolidated</u>
Long-term maturity dates:	
2022	5,501
2023	5,501
2024	5,501
2025	5,501
> 2026	14,848
	<u>36,852</u>

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

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

Cash Flow	<u>Nominal</u>	<u>Present Value</u>
Lease Consideration	38,045	24,034
PIS/COFINS (9.25%)	3,519	2,223

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

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

During the year ended in June 30, 2021 there were no renegotiations in the lease agreements.

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

Parent Company and Consolidated	<u>Real Flow</u>		<u>Nominal Flow</u>	
	01.01.19	06/30/2021	01.01.19	06/30/2021
Lease Liability	41,769	35,790	48,992	39,435
Built-In Interest	(16,147)	(11,334)	(19,687)	(11,113)
	<u>25,622</u>	<u>24,456</u>	<u>29,305</u>	<u>28,322</u>

Notes to the Financial Statements

34. TRANSACTIONS NOT AFFECTING CASH

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

During the first semester of 2021, the Company realized PIS and COFINS credits over fixed assets items of R\$ 259 and recognized the update of PIS and COFINS credits over the exclusion of ICMS in the calculation basis of PIS and COFINS in the amount of R\$ 418, additionally the Company completed payments of purchases of fixed assets and biological assets in the amount of R\$ 6.830 that were financed directly by suppliers.

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

35. SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

	Parent Company			Consolidated		
	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities
Balance as of December 31, 2019	838,256	1,818	22,397	838,310	1,818	22,397
Change in cash	(79,931)	(1,778)	(2,263)	(95,885)	(1,778)	(2,263)
Payment of dividends and interest on shareholders' equity	-	(1,778)	-	-	(1,778)	-
Lease liability paid	-	-	(1,234)	-	-	(1,234)
Loans obtained	57,908	-	-	57,908	-	-
Loans and debentures paid	(105,209)	-	-	(121,163)	-	-
Payment of interest on loans, financing and debentures	(32,630)	-	-	(32,630)	-	-
Payment of interest on lease liabilities	-	-	(1,029)	-	-	(1,029)
Changes not involving cash	44,452	-	3,387	44,455	-	3,387
Lease liabilities - increase/decrease in the period	-	-	2,358	-	-	2,358
Exchange-rate change and interest on loans, financing and debentures	44,452	-	-	44,455	-	-
Interest on lease liabilities	-	-	1,029	-	-	1,029
Balance as of June 30, 2020	802,777	40	23,521	786,880	40	23,521
	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities	Loans, financing and debentures	Dividends and interest on shareholders' equity	Leases liabilities
Balance as of December 31, 2020	588,232	10,467	21,103	588,247	10,467	21,103
Change in cash	23,607	(47,821)	(2,678)	23,592	(47,821)	(2,678)
Payment of dividends and interest on shareholders' equity	-	(47,821)	-	-	(47,821)	-
Lease liability paid	-	-	(1,616)	-	-	(1,616)
Loans obtained	18,438	-	-	18,438	-	-
Issuance of debentures (Net of funding costs)	59,547	-	-	59,547	-	-
Loans and debentures paid	(36,129)	-	-	(36,144)	-	-
Payment of interest on loans, financing and debentures	(18,249)	-	-	(18,249)	-	-
Pagamento de juros sobre passivos de arrendamento	-	-	(1,062)	-	-	(1,062)
Changes not involving cash	22,370	37,649	6,031	22,370	37,649	6,031
Lease liabilities - increase/decrease in the period	-	-	4,969	-	-	4,969
Exchange-rate change and interest on loans, financing and debentures	22,370	-	-	22,370	-	-
Interest on lease liabilities	-	-	1,062	-	-	1,062
Dividends and interest on shareholders' equity	-	37,649	-	-	37,649	-
Balance as of June 30, 2021	634,209	295	24,456	634,209	295	24,456

Notes to the Financial Statements

36. SUBSEQUENT EVENTS

On July 6, 2021, the list of judicial orders electronically processed by DEPRE for payment of the respective amounts requested in accordance with current regulations was published in the Electronic Justice Gazette – Caderno Judicial 2nd Instance, of the State of São Paulo. In the list of said court orders, there is No. 1192/2022 referring to Ordinary Action No. 1030021-89.2014.8.26.0053 which had declared in favor of the Company the unenforceability of default interest levied on ICMS amounts administratively paid at a rate higher than the SELIC . The updated value of said court order issued is R\$4,442, which the Company expects to realize by the end of 2022.

Special Review Report - No Disclaimer

Report on review of quarterly information – ITR

To the Board Members and Directors of Irani Papel e Embalagem S.A

Porto Alegre – RS

Introduction

We have reviewed the interim, parent company and consolidated financial information of Irani Papel e Embalagem S.A. (“Company”), contained in the Quarterly Information - ITR Form for the quarter ended June 30, 2021, which comprise the statements of financial position on June 30, 2021 and related statements of profit or loss and of comprehensive income (loss) for the three and six month period ended at that date and changes in equity and statements of cash flows for the six month period 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 parent company and consolidated interim financial information

Based on our review, we are not aware of any other event that make us believe that parent company 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 parent company and consolidated interim financial information related to statements of added value (DVA) for the six month period ended June 30, 2021, 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 parent company and consolidated interim financial information taken as a whole.

Porto Alegre, July 30, 2021

KPMG Auditores Independentes

CRC SP-014428/F-7

(Original review report in Portuguese signed by)

Felipe Brutti da Silva

Accountant CRC RS-083891/O-0 T-SC

Executive Officers' Statement On The Interim Financial Statements

Executive officers' statement

For the purposes of Article 25 of CVM Instruction 480/09

As Executive Officers of Irani Papel e Embalagem S.A., a corporation headquartered at Rua General João Manoel, 157, 9th floor, room 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled in the National Corporate Taxpayers Registry (CNPJ/MF) under No.92.791.243/0001-03, WE DECLARE, in compliance with the provisions established in paragraph 1, Article 25 of CVM Instruction 480, of December 7, 2009, that we reviewed, discussed and agreed with the Company's interim financial statements for the six-month period ended June 30, 2021.

Porto Alegre, RS, July 30, 2021.

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

Executive officers' statement

For the purposes of Article 25 of CVM Instruction 480/09

As Executive Officers of Irani Papel e Embalagem S.A., a corporation headquartered at Rua General João Manoel, 157, 9th floor, room 903, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled in the National Corporate Taxpayers Registry (CNPJ/MF) under No.92.791.243/0001-03, WE DECLARE, in compliance with the provisions established in paragraph 1, Article 25 of CVM Instruction 480, of December 7, 2009, that we reviewed, discussed and agreed with the conclusion expressed in the independent auditor's review report of the Company referring to the interim financial statements for the six-month period ended June 30, 2021.

Porto Alegre, RS, July 30, 2021.

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