



Earnings Release **3Q19**

Porto Alegre, October 31, 2019. Celulose Irani (B3: RANI3 and RANI4), one of the major Brazilian companies in the packaging paper and corrugated cardboard packaging segments, announces today the consolidated results for the third quarter of 2019 (3Q19). The consolidated interim financial statements were prepared in accordance with CVM standards and CPCs, and comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial and operational information are presented based on consolidated figures and in Brazilian real. Non-financial data, such as volumes, quantity, average price and EBITDA, were not examined by our independent auditors.

(A free translation of the original in Portuguese)

Net Revenue
R\$238.9 million

Net Income
R\$15.3 million

Ajusted EBITDA
continued operation
R\$50.4 million

Net debt/EBITDA
4.22x

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

- ▶ In the 3Q19, the company ended the activities of the SP Vila Maria Packaging unit, marking the last stage of the integration of the incorporation of the São Roberto cardboard industry, which happened in 2014. The information presented in this release are of the continue operation, unless otherwise stated.
- ▶ The net revenue in 3Q19 increased 10.1% when compared to 3Q18 and 6.3% in relation to 2Q19, mainly reflecting an increase in the sales volume in the packaging paper and corrugated cardboard packaging segments combined with a price increase in both segments.
- ▶ The sales volume in the packaging paper segment decreased 8.0%, when compared to 3Q18 and increased 6.3%, when compared to 2Q19, totaling 42.7 thousand tons in 3Q19. The reduction in relation to 3Q18 was due to a clearance of the client portfolio in the SP Vila Maria packaging unit, which had as objective to improve the margins and profitability of the segment and consolidated with the ending of production activities of that unit which happened at the end of this quarter. In comparison to 2Q19, there was an increase in the sales volume of this segment due to the market strengthening. The packaging paper segment totaled 32.0 thousand tons, a 23.2% increase when compared to 3Q18 and 3.4% increase in relation to 2Q19. The increase is due to larger paper sales because of the availability generated by the reduction of the corrugated cardboard packaging segment (PO). The RS forests and resins segment had a 7.8% decrease when compared to 3Q18 and a decrease of 14.0% in relation to 2Q19, reaching 3.4 thousand tons. The decrease happens because of a lower market demand.
- ▶ The 3Q19 gross profit presented a decrease of 7.5% in comparison to 3Q18 and an increase of 16.0% when compared to 2Q19, mainly reflecting a growth of net sales and because of the positive change in the fair value of biological assets in this quarter.
- ▶ Sales expenses totaled R\$ 22.2 million in 3Q19, an increase of 16.8% when compared to the same quarter last year and 1.9% superior to 2Q19 (including losses in accounts receivable reduction) and represented 9.3% of consolidated net revenue, and 9.2% in 3Q18. Administrative expenses in 3Q19 totaled R\$ 13.1 million, a 4.4% reduction when compared to the same quarter last year and 8.4% in relation to 2Q19 and represented 5.5% of consolidated net revenue, a 6.3% decrease to what was registered in 3Q18.
- ▶ The net profit (loss) from continued operations was a profit of R\$ 15.3 million in 3Q19, compared to R\$ 26.4 million profit in 3Q18 and a loss of R\$ 3.2 million in 2Q19. The main impacts on net profit this quarter were: i) the recognition of PIS and COFINS credits due to a favorable decision to exclude ICMS from the calculation basis of PIS and COFINS amounting to R\$ 143.2 million; ii) hedge accounting realization which happened due to the pre-payment of operations linked to the issuance of debentures that happened in this third quarter totaling R\$ 98.7 million; and iii) expenses related to the pre-payment of some determined financial operations amounting to R\$ 34.9 million.
- ▶ The adjusted EBITDA from continued operation was R\$ 50.4 million in 3Q19, 7.9% inferior to the R\$ 54.7 million registered in 3Q18, and 7.9% superior when compared to the R\$ 46.7 million registered in 2Q19, mainly due to the good performance of sales volume and prices in this quarter when compared to 2Q19.
- ▶ The net debt/EBITDA ratio was 4.22 in September 2019. Excluding from net debt, exchange rate changes registered as hedge accounting, the net debt/EBITDA ration would be 3.89.
- ▶ The cash position on September 30, 2019 was R\$ 80.7 million (composed by cash and cash equivalents and linked bank accounts) and 77% of debt was in the long term.
- ▶ In 3Q19, the Company concluded the issuance of green debentures in the total amount of R\$ 505 million, with total maturity of 6 years and a grace period of 4 years. With the issuance, the Company prepaid some determined loans and restructured its liabilities, adjusting its capital structure to a new economic cycle.

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

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

¹ Excluding discontinued operation

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

³ Excluding from net debt the exchange rate change registered as hedge accounting.

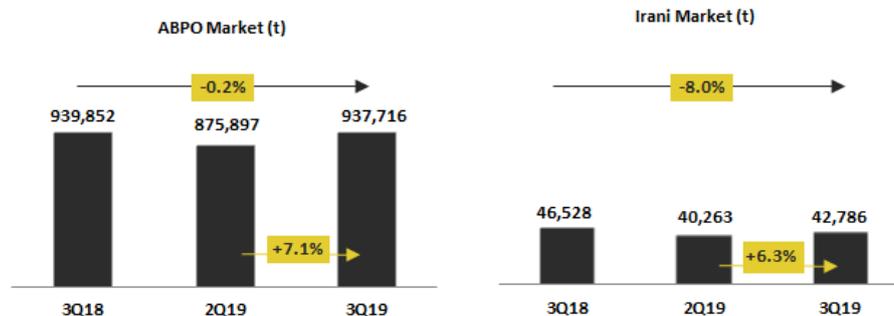
OBS: The information from previous periods presented for comparative purposes were adjusted to reflect the exclusion of the discontinued operation and diverge from previously reported information.

Highlights of 3Q19

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

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

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

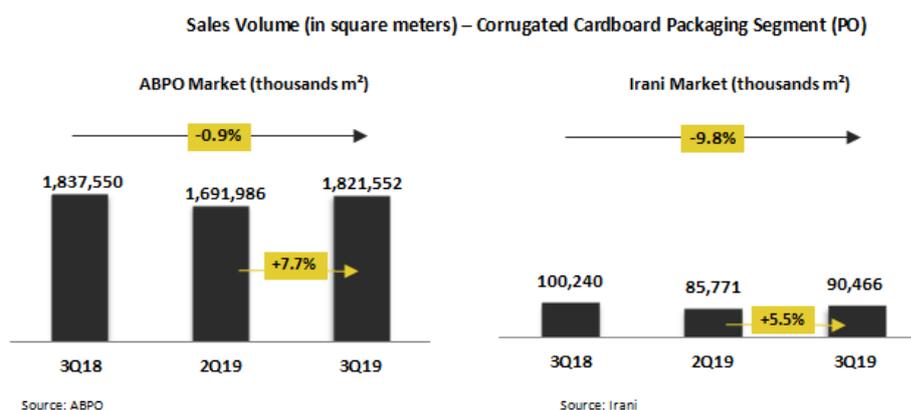


Source: ABPO

Source: Irani

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

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

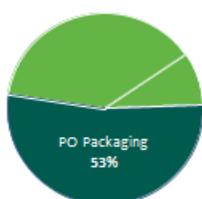


3Q19 ABPO (in tons and m²) are preliminary analysis. Official data may have alterations.

OPERATING PERFORMANCE

Corrugated Cardboard Packaging Segment (PO)

Revenue Contribution 3Q19



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

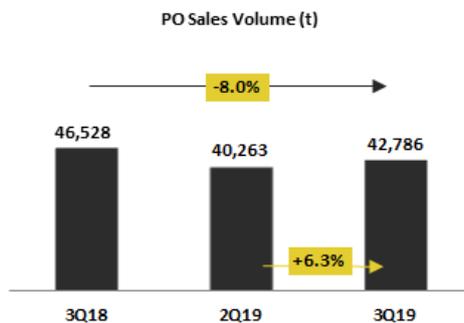
to the domestic market. In this quarter, the company discontinued its corrugated cardboard packaging operations in the SP Vila Maria unit.

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

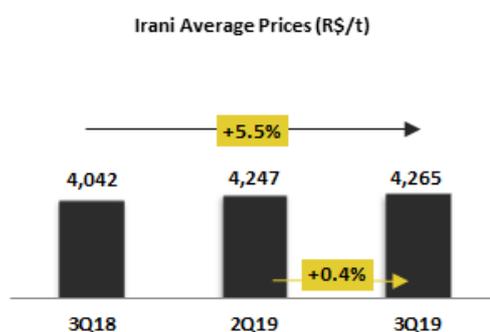
The SC Campina da Alegria packaging plant registered a sales volume of 13,056 tons of boxes and 2,783 tons of plates in 3Q19 (compared to 12,190 tons of boxes and 3,034 tons of plates in 3Q18).

The SP Vila Maria packaging plant registered a sales volume of 833 tons of boxes and 3,653 tons of plates in 3Q19 (in 3Q18, it registered 7,020 tons of boxes and 4,024 tons of plates). The reduction in volume was due to the client

portfolio clearance strategy applied in this unit and the subsequent closing of the unit which happened at the end of this quarter.



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



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

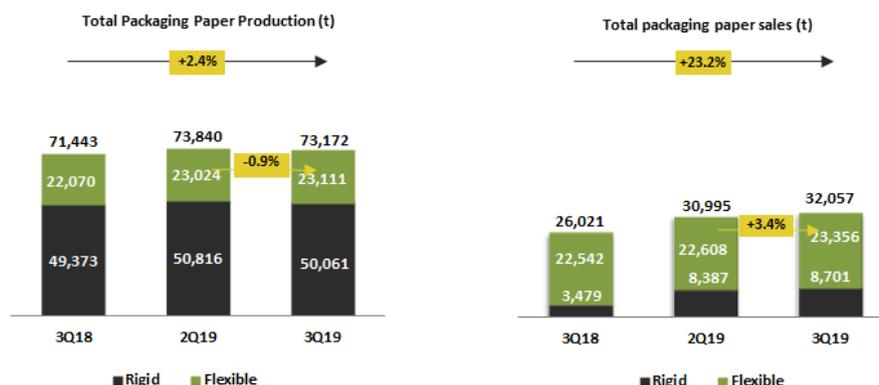
Packaging Paper Segment

Revenue Contribution 3Q19



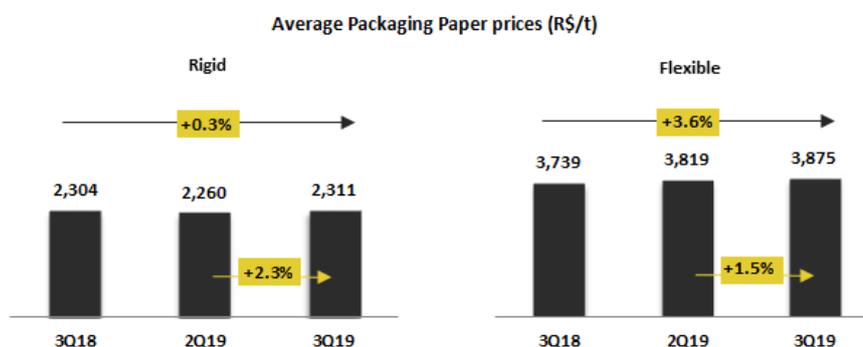
Irani is present in the packaging paper segment, both in the market of paper for rigid packaging (corrugated cardboard) and for flexible packaging (bagging).

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



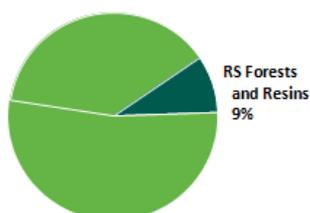
In 3Q19, internal paper transfers for rigid packaging (PO) totaled 41,187 tons (46,657 in 3Q18 and 42,347 in 2Q19), the SP Indaiatuba packaging plant reached 22,217 tons (18,456 tons in 3Q18 and 19,739 tons in 2Q19), for the SP Vila Maria packaging plant 2,881 tons were transferred (11,898 tons in 3Q18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

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



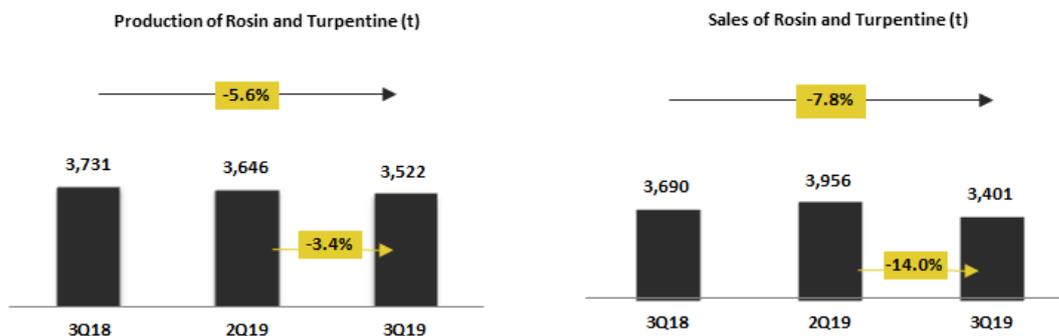
RS Forests and Resins Segment

Revenue Contribution 3Q19

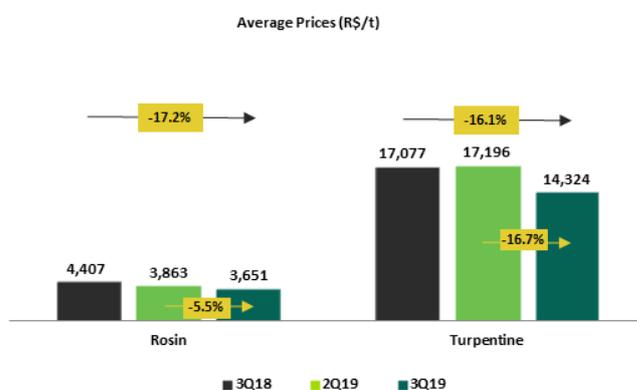


The Rio Grande do Sul forest segment produced and commercialized 30 thousand cubic meters of pine logs to the local market in 3Q19 and supplied 849 tons of *in natura* resins to be utilized in the industrial process of manufacturing rosin and turpentine.

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



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



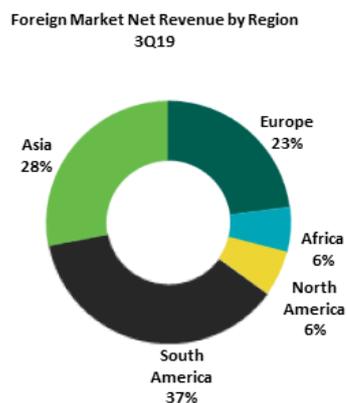
ECONOMIC AND FINANCIAL PERFORMANCE

Net operating revenue

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

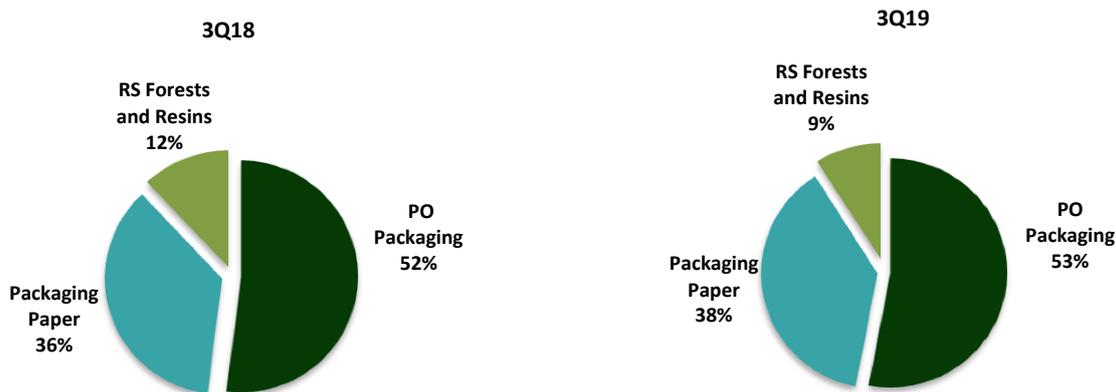
In the internal market, net operating revenue was R\$ 193,295 thousand in the quarter and showed an increase of 18.2% when compared to 3Q18 and 12.7% in relation to 2Q19. The revenues in the domestic market responded to 81% of Irani's total revenue.

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



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

Net Revenue by Segment



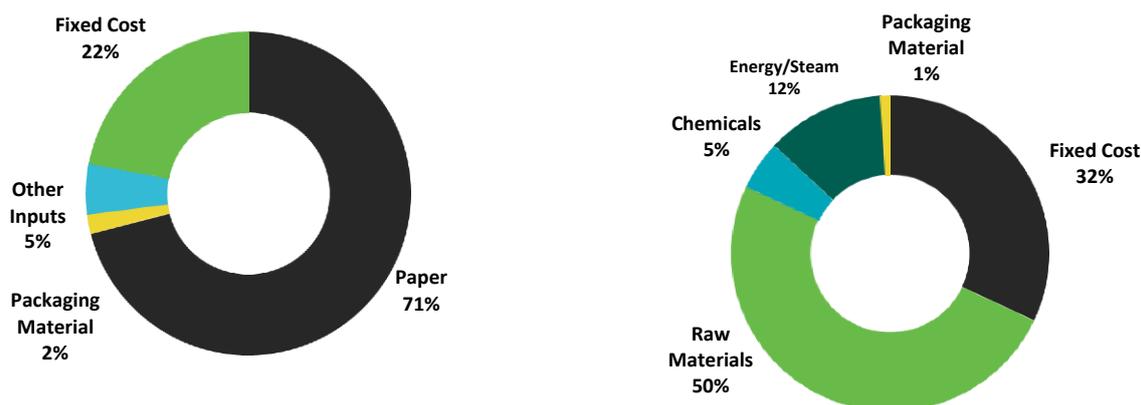
Cost of goods sold

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

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

PO Packaging

Packaging Paper*



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

Operating revenues and expenses

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

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

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

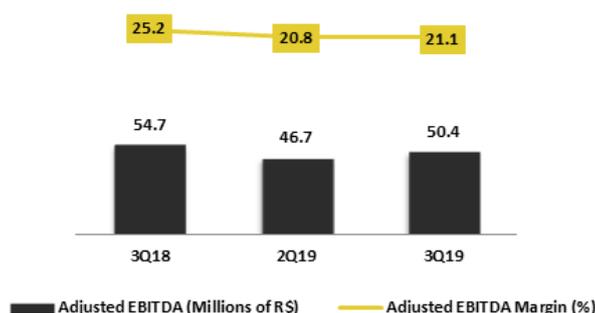
OPERATING CASH (ADJUSTED EBITDA)

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

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

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

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

Adjusted EBITDA (millions R\$) and Adjusted EBITDA Margin (%)
(continued operation)

FINANCIAL INCOME (LOSS) AND INDEBTEDNESS

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

The financial income (loss) is as shown below:

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

¹Accumulated last twelve months.

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

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

¹Accumulated last twelve months.

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

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

¹Accumulated last twelve months.

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

Exchange Rate

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

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

Source: Bacen

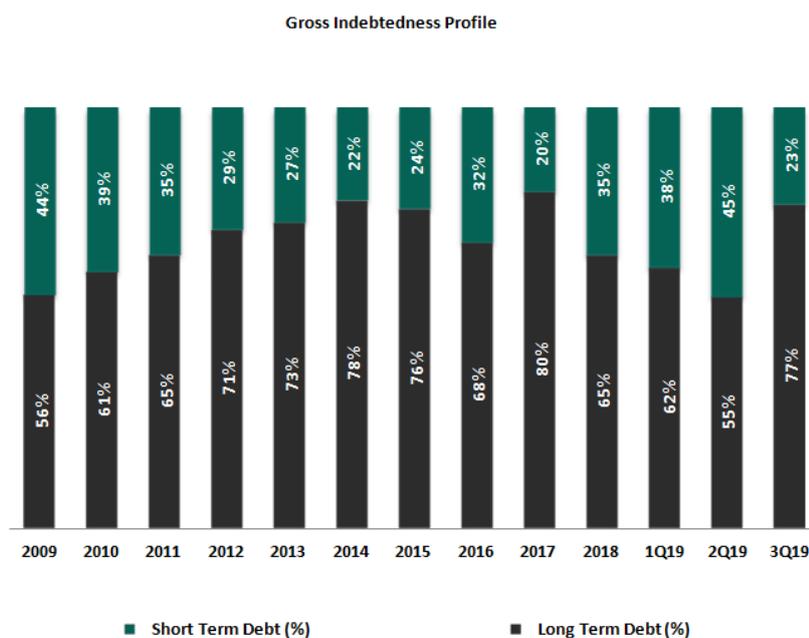
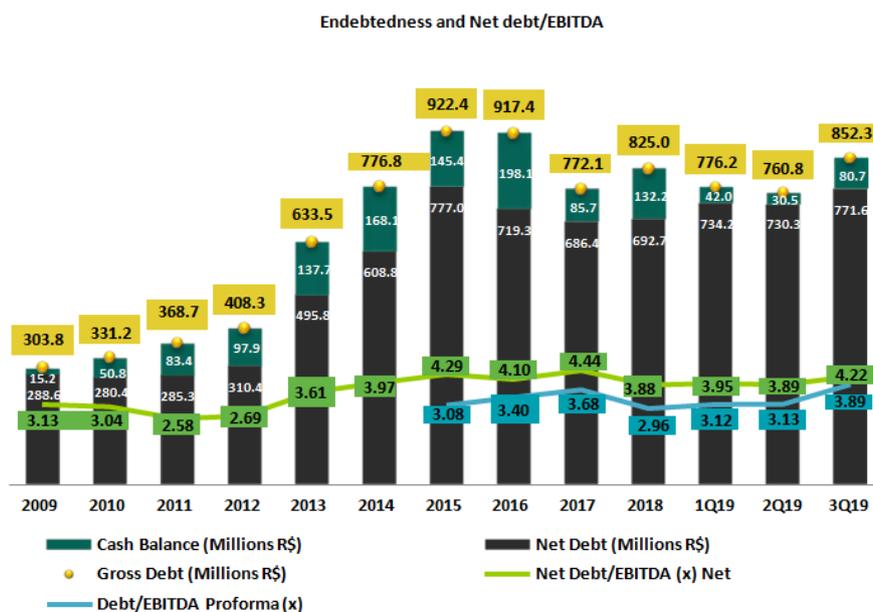
Indebtedness

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

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

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

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



NET INCOME (LOSS)

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

INVESTMENTS

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

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

CAPITAL MARKET

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

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The statements contained in this notice regarding the perspectives of businesses and the potential for the Company's growth are mere forecasts, based on the expectations of management regarding the future of the Company. These expectations are highly dependent on market changes, in Brazil's general economic performance and in the international markets, and therefore are subject to changes.

Annex I – Consolidated Statements of Income (R\$ Thousand) – Quarterly

	3Q19	2Q19	3Q18	Var. 3Q19/2Q19	Var. 3Q19/3Q18
Net Revenue from sales	238,913	224,846	216,922	6.3%	10.1%
Fair value variation biological assets	5,956	(1,270)	4,960	-	20.1%
Cost of products sold	(172,107)	(160,867)	(143,262)	7.0%	20.1%
Gross Profit	72,762	62,709	78,620	16,0%	-7.5%
Operating Income (Expenses)	35,278	(36,871)	(26,261)	-	-
Selling Expenses	(21,742)	(21,732)	(19,910)	0,0%	9.2%
Impairment loss on trade receivables	(480)	(76)	-	531,6%	-
General and administrative	(13,103)	(14,300)	(13,702)	-8.4%	-4.4%
Other operating income	75,433	728	652	10,261.7%	11,469.5%
Other operating expenses	(4,830)	(1,491)	6,699	223.9%	-172.1%
Profit before financial result and taxes	108,040	25,838	52,359	318.1%	106.3%
Net financial income (expenses)	(89,434)	(28,062)	(23,476)	218.7%	281.0%
Financial income	70,737	2,982	8,439	2,272.1%	738.2%
Financial expenses	(160,171)	(31,044)	(31,915)	415.9%	401.9%
Income (loss) before taxes	18,606	(2,224)	28,883	-	-35.6%
Income tax and social contribution current	(77)	(75)	(67)	2.7%	14.9%
Income tax and social contribution deferred	(3,217)	(954)	(2,389)	237.2%	34.7%
Profit (loss) from continuing operations	15,312	(3,253)	26,427	-	-42.1%
Income (loss) from continuing operations	(74,155)	(9,518)	(4,407)	679.1%	1,582.7%
Consolidated profit (loss) for the period	(58,843)	(12,771)	22,020	360.8%	-

Annex II – Consolidated Statements of Income (R\$ Thousand) – Accumulated

	9M19	9M18	Var. 9M19/9M18	LTM19	LTM18	Var. LTM19/LTM18
Net Revenue from sales	665,807	588,049	13.2%	875,923	779,429	12.4%
Fair value variation biological assets	7,294	9,083	-19.7%	(3,157)	(12,929)	-75.6%
Cost of products sold	(470,247)	(388,835)	20.9%	(616,995)	(520,677)	18.5%
Gross Profit	202,854	208,297	-2.6%	255,771	245,823	4.0%
Operating Income (Expenses)	(34,883)	(91,177)	-61.7%	(72,101)	(174,131)	-58.6%
Selling Expenses	(62,499)	(52,439)	19.5%	(81,083)	(68,100)	19.1%
Impairment loss on trade receivables	(556)	(797)	-30.2%	(1,545)	(2,015)	-23.3%
General and administrative	(41,559)	(39,615)	4.9%	(58,036)	(53,250)	9.0%
Other operating income	76,846	2,085	3,585.7%	90,723	35,870	152.9%
Other operating expenses	(7,115)	(411)	1,631.1%	(22,160)	(86,636)	-74.4%
Profit before financial result and taxes	167,971	117,120	43.4%	183,670	71,692	156.2%
Net financial income (expenses)	(149,468)	(62,765)	138.1%	(176,462)	(86,569)	103.8%
Financial income	80,231	19,584	309.7%	86,129	19,286	346.6%
Financial expenses	(229,699)	(82,349)	178.9%	(262,591)	(105,855)	148.1%
Income (loss) before taxes	18,503	54,355	-66.0%	7,208	(14,877)	-
Income tax and social contribution current	(233)	(325)	-28.3%	(312)	(394)	-20.8%
Income tax and social contribution deferred	(5,968)	(11,679)	-48.9%	(6,500)	(27,303)	-76.2%
Profit (loss) from continuing operations	12,302	42,351	-71.0%	396	(42,574)	-
Income (loss) from continuing operations	(90,278)	(20,309)	344.5%	(97,407)	(33,803)	188.2%
Consolidated profit (loss) for the period	(77,976)	22,042	-	(97,011)	(76,377)	27.0%

Annex III – Consolidated Balance Sheet (R\$ Thousand)

Assets	09/30/19	12/31/18	Liabilities and shareholders' equity	09/30/19	12/31/18
CURRENT ITEM	456,557	386,646	CURRENT ITEM	375,706	452,167
Cash and cash equivalents	19,003	132,219	Funding	193,786	287,378
Banks restricted account	61,728	-	Debentures	6,482	-
Trade accounts receivable	180,025	168,705	Lease liabilities	3,439	-
Inventories	77,188	71,859	Trade accounts payable	79,380	95,085
Recoverable taxes	66,084	5,018	Payroll and related charges	32,097	30,583
Other assets	10,529	8,845	Taxes payable	23,124	16,000
Non-current Assets Held for Sale	42,000	-	IR and CSLL payable	-	399
			Tax in installments	6,779	6,493
			Advances from customers	7,302	1,399
NONCURRENT ITEM	1,158,190	1,140,018	Dividends payable	44	3,769
Trade receivables	1,083	2,168	Other payables	23,273	11,061
Recoverable taxes	88,363	3,793			
Escrow deposits	898	1,253	NONCURRENT ITEM	939,840	765,329
Other assets	2,383	2,727	Funding	156,561	537,588
Biological assets	193,721	186,600	Debentures	495,492	-
Property for investment	5,648	3,398	Lease liabilities	20,961	-
Property, plant and equipment	703,645	809,353	Other payables	673	438
Right to use Assets	23,338	-	Taxes payable	8,633	10,731
Intangible	139,111	130,726	Income tax and social contribution deferred	211,544	170,541
			Reserve for civil, labor and tax risks	27,334	23,306
			Taxes in installments	18,642	22,725
			SHAREHOLDERS' EQUITY	299,201	309,168
			Capital	161,895	161,895
			Capital reserves	960	960
			Revenue reserves	(3.867)	67,399
			Carrying value adjustments	140,205	78,906
			Shareholders equity assigned to the participation of controlling	299,193	309,160
			Non-controlling shareholders	8	8
TOTAL ASSETS	1,614,747	1,526,664	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,614,747	1,526,664

Annex IV – Consolidated Statement of Cash Flows (R\$ Thousand)

	9M19	9M18
Net cash provided by (used in) operating activities	48,785	68,792
Cash from operations	72,024	130,738
Profit (loss) before income tax and social contribution (LAIR)	(71,775)	34,047
Changes in the fair value of biological assets	(7,294)	(9,084)
Depreciation, amortization and depletion	61,920	50,136
Impairment on property, plant and equipment	54,856	-
Proceeds from sales of permanent assets	206	2,556
Tax installments liabilities composition	-	31,349
Provision for civil, labor and tax contingencies	6,857	(32,023)
Provision for impairment of trade receivables	570	299
Provision for loss of other assets	(277)	434
Monetary variations and taxes	180,852	71,190
Interest over lease liabilities	1,553	-
Interest on Debentures	8,702	-
Interest on Linked Account Application	(367)	-
Exclusion of PIS and Cofins from the basis of ICMS	(143,157)	-
Changes in assets and liabilities	(23,239)	(61,946)
Accounts receivable	(12,960)	(6,570)
Inventories	(5,329)	(6,692)
Taxes recoverable	(3,297)	1,141
Other assets	(985)	3,118
Trade payables	(15,705)	(13,072)
Social security obligations	1,514	4,407
Advances from customers	5,903	71
Tax obligations	597	(1,908)
Other payables	(21,672)	(61,946)
Payment of interest on debt	(1,567)	-
Payment of interest on lease liabilities	9,640	1,339
Net cash used in investing activities	(118,907)	(24,107)
Purchase of property, plant and equipment	(33,723)	(32,988)
Purchase of biological assets	(11,152)	(6,478)
Acquisition of intangible assets	(13,532)	(10,112)
Receipt on alienation of assets	861	(1,004)
Related parties refund	-	17,743
Banks linked account	(61,361)	8,732
Net cash used in financing activities	(43,094)	5,611
Payments of dividends	(3,725)	(52)
Payments of lease liabilities	(1,886)	-
Loans raised	70,892	83,971
Debentures Issuance (Net of fundraising costs)	493,272	-
Loans paid	(601,647)	(78,308)
Increase (decrease) in cash and cash equivalents	(113,216)	50,296
Cash and cash equivalents at the beginning of the period	(132,219)	76,949
Cash and cash equivalents at the end of the period	19,003	127,245