Earnings Release
1Q20

Porto Alegre, May 06, 2020. Irani Papel e Embalagem (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 first quarter of 2020 (1Q20). The consolidated interim financial statements were prepared in accordance with Brazilian Securities Exchange Commission (CVM) and Accounting Pronouncement Council (CPC) standards and comply with the 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 reais. Non-financial data, such as volumes, quantity, average price and EBITDA, were not examined by our independent auditors.

Net Revenue
R$ 236.3 million

Net Income
R$ 18.0 million

Adjusted EBITDA
continued operation
R$ 52.2 million

Net Debt/EBITDA
3.31x

Irani presents adjusted EBITDA of R$ 52.2 million in 1Q20 with a growth of 3.4% in relation to 1Q19 (continuing operation).

- Coronavirus (COVID-19): The Company has been taking all necessary measures to minimize the impact of COVID-19 on its operations, and especially on employees and their families. The Company's industrial operations are at a normal pace of production and sale, while Management has been assessing measures to fight the Coronavirus daily. Measures related to occupational medicine have been adopted, such as: i) leave of absence for pregnant women; ii) removal of employees with chronic diseases; iii) removal of employees over 60 years of age; iv) removal of young apprentices; and these groups total approximately 180 employees. Adding to the Home Office regime measure adopted for administrative and support activities for over 260 employees, the Company adds a total of approximately 440 employees away from their physical activities at its units. Moreover, the Company has 32 actions to fight COVID-19, which are assessed daily at the management meeting, all with the purpose of minimizing the impact of the pandemic on its activities, its employees, the surrounding communities and on other stakeholders as much as possible.

- The net revenue in 1Q20 increased 17% when compared to 1Q19 and 1.4% in relation to 4Q19, mainly reflecting an increase in the sales volume in the Packaging Paper and Corrugated Cardboard Packaging segments when compared to 1Q19, and the better performance of the foreign market due to the appreciation of the Dollar and Euro against the Brazilian Real.

- The sales volume of the Corrugated Cardboard Packaging Segment increased 13.2%, when compared to 1Q19 and decreased by 5.5%, when compared to 4Q19, totaling 36.9 thousand tons in 1Q20. The increase compared to 1Q19 was due to the growth of the Corrugated Cardboard Packaging market during 2019. When compared to 4Q19, there was a reduction in sales volume due to seasonality. The Packaging Paper Segment totaled 33.6 thousand tons, recording an increase of 32.5% when compared to 1Q19 and 1.7% in relation to 4Q19. The increase compared to 1Q19 was due to larger paper sales for the market because of the availability generated by the reduction of the Corrugated Cardboard Packaging segment (PO). The RS Forest and Resins segment had an increase of 29.6% in sales volume as compared to the 1Q19 and in relation to 4Q19, which increased 30.5%, reaching 4.0 thousand tons. The increase happens because of a higher market demand.

- The 1Q20 gross profit presented an increase of 14.8% in comparison to 1Q19 and an increase of 18.0% when compared to 4Q19, mainly reflecting a growth of net revenue, especially in the foreign market, and because of the positive change in the fair value of biological assets in this quarter.

- Sales expenses in 1Q20 totaled R$ 21.3 million, an increase of 12.0% when compared to the same quarter of previous year, and 2.4% higher than the 4Q19 (including impairment losses on accounts receivable) and represented 9.0% of consolidated net revenue, 9.4% in the 1Q19 and 8.9% in 4Q19. Administrative expenses in 1Q20 totaled R$ 17.1 million, an increase of 20.7% when compared to the same quarter of previous year, and a decrease of 16.0% in relation to 4Q19, and represented 7.2% of consolidated net revenue, higher than the 7.0% in 1Q19 and lower when compared to 8.7% in the 4Q19.

- The net profit (loss) was a profit of R$ 18.0 million in 1Q20, compared to R$ 242 million profit in 1Q19 and R$ 14.1 million profit in 4Q19. The main impacts on the net profit for this quarter were the growth in net sales revenue, the positive change in the fair value of biological assets and the better export margin due to the appreciation of the Dollar and the Euro against the Brazilian Real.

- The adjusted EBITDA was R$ 52.2 million in 1Q20, with a margin of 22.1%, 3.4% higher than that recorded in 1Q19 of R$ 50.5 million and with a margin of 25.0%, mainly due to the better performance of margins during this quarter, and 35.3% lower when compared to 4Q19, of R$ 80.6 and margin of 34.6%, since the 4Q19 EBITDA was positively

impacted by the sale of the Company's forests located in the state of Rio Grande do Sul, in the amount of R$ 39.0 million.

- The Net Debt/EBITDA ratio was 3.31 in March 2020, against 3.40 times in December 2019. The change is due to the improvement in adjusted EBITDA and the consequent decrease in the Company's net debt. Considering to exclude from the net debt the amounts that will be received in the coming months, related to: i) PIS and COFINS credits in the amount of R$ 128.2 million; ii) Sale of land and forests in the amount receivable of R$ 4.0 million; iii) Sale of the Package SP - Vila Maria property, with a balance receivable in the amount of R$ 40.2 million, would result in a Pro-forma Net Debt of R$ 546.9 million and considering the EBITDA of the Continuing Operation in the last 12 months of R$ 217.4 million, the pro-forma leverage would be 2.52 times (2.28 times at the end of 2019).

- The cash position at the end of March 2020 was R$ 98.6 million (comprised by cash and cash equivalents and banks restricted account) and 68% of the debt was in the long term.

KEY INDICATORS - CONSOLIDATED[1]	1Q20	4Q19	1Q19	Var. - 1Q20/4Q19	Var. - 1Q20/1Q19	LTM20	LTM19	Var. - LTM20/LTM19
Economic and Financial (R$ thousand)								
Net operating revenue	236,323	232,972	202,048	1.4%	17.0%	933,054	814,406	14.6%
Domestic market	193,719	203,866	161,353	-5.0%	20.1%	762,412	639,330	19.3%
Foreign market	42,604	29,106	40,695	46.4°%	4.7%	170,642	175,076	-2.5%
Gross profit (including *)	77,321	65,546	67,382	18.0°%	14.8%	278,338	269,786	3.2%
(*) Change in the Fair Value of Biological Assets	*4,469*	*676*	*2,607*	561.1%	71.4%	*9,831*	*3,034*	224.0%
Gross margin	***32.7%***	***28.1%***	**33.3%**	**4.6p.p.**	***-0.6p.p.***	***29.8%***	***33.1%***	***-3.3p.p.***
Operating income (loss) before taxes and profit sharing	19,600	(48,028)	2,121	-	824.1%	(12,046)	30,049	-140.1%
Operating margin	***8.3%***	***-20.6%***	**1.0%**	**28.9p.p.**	***7.3p.p.***	***-1.3%***	***3.7%***	***-5.0p.p.***
Net income (loss)	17,988	14,154	242	27.1%	7333.1%	44,201	24,833	78.0%
Net margin	***7.6%***	***6.1%***	**0.1%**	**1.5p.p.**	**7.5p.p.**	***4.7%***	***3.0%***	***1.7p.p.***
Adjusted EBITDA continued operation[2]	52,216	80,647	50,485	-35.3%	3.4%	229,976	239,514	-4.0%
Adjusted EBITDA margin	***22.1%***	***34.6%***	***25.0%***	**-12.5p.p.**	***-2.9p.p.***	***24.6%***	***29.4%***	***-4.8p.p.***
Net debt (R$ million)	719.2	728.3	692.7	-1.2%	3.8%	719.2	692.7	3.8%
Net debt/Adjusted EBITDA (x)	3.31	3.40	3.88	-2.6%	-14.7%	3.31	3.88	-14.7%
Net debt/Pro forma Adjusted EBITDA (x)[3]	2.52	2.28	-	10.5%	-	2.52	-	-
Operating Data (t)								
Corrugated Cardboard Packaging (PO)								
Production/Sales	36,875	39,031	32,580	-5.5%	13.2%	147,557	133,962	10.1%
Packaging Paper								
Production	70,509	73,902	71,714	-4.6%	-1.7%	291,423	281,346	3.6%
Sales	33,553	32,979	25,319	1.7%	32.5%	129,584	99,064	30.8%
RS Forest and Resins								
Production	4,052	2,779	3,733	45.8%	8.5%	13,999	13,459	4.0%
Sales	3,996	3,063	3,084	30.5%	29.6%	14,416	12,572	14.7%

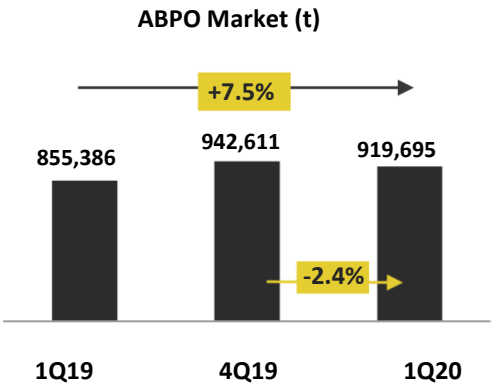
[1] Excluding discontinued operations in 4Q19, 1Q19, LTM20 and LTM19 used for comparative purposes.
[2] EBITDA (earnings before interest, tax, depreciation and amortization) - see the chapter in this release.
[3] Excluding transactions carried out in the period from the net debt, which amounts will be received in the coming months: i) PIS and Cofins credit (ICMS on the Base) in the amount of R$ 128,158 thousand; ii) Sale of Rural Properties in the amount of R$ 4,003 thousand; iii) Decommissioning of Vila Maria - SP property in the amount of R$ 40,200 thousand.

Highlights of 1Q20

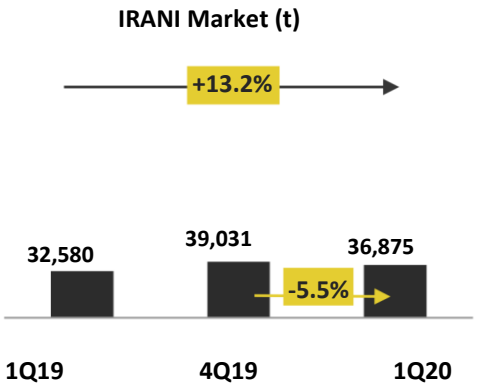
The Brazilian economy had been performing well in 1Q20 and expectations were very positive. However, the advent of the Covid-19 outbreak significantly changed the course of the world and Brazilian economy, adding a high degree of uncertainty to the scenario. Both the world and the Brazilian economy are expected to face a recession in 2020 due to the social isolation implemented in several countries, including Brazil. Currently, it is still difficult to estimate the consequences of this crisis due to the low visibility of its intensity, how long it will last and the characteristics of the resumption of activities.

The Brazilian Association of Corrugated Cardboard (ABPO) recorded a 7.5% increase in the shipment in tons of corrugated cardboard in 1Q20, compared to 1Q19, and the sales volume of Irani Market increased by 13.2% in 1Q20, following the market growth trend for the year 2019. Compared to 4Q19, ABPO Market decreased 2.4%, while Irani Market decreased 5.5%. In tons, Irani's market share in the Corrugated Cardboard Packaging Segment was 4.0% in 1Q20, 4.1% in 4Q19 and 3.8% in 1Q19.

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



Source: ABPO



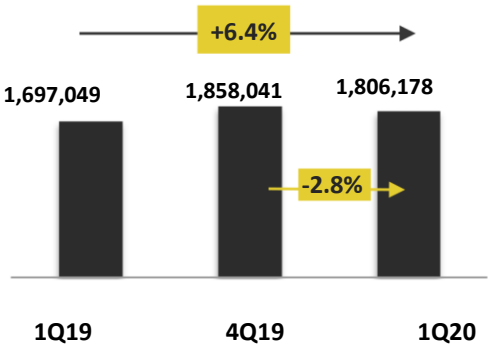
Source: Irani

In square meters (m^2) the sales volume of corrugated cardboard packaging of the ABPO Market presented an increase of 6.4% in 1Q20 when compared to 1Q19, as well as Irani Market that had a 12.1% increase. Compared to 4Q19, ABPO Market presented decrease of 2.8% whereas Irani Market recorded decrease of 6.2%. In square meters, Irani's market share was 4.3% in 1Q20, 4.4% in 4Q19 and 4.1% in 1Q19.

The Corrugated Cardboard Packaging Segment (PO) represented in 1Q20 52% of Irani's net revenue, the Packaging Paper Segment represented 39% and the Forestry RS and Resins Segment, 9%. In turn, the domestic market corresponded to 82% of net revenue and the foreign market 18%, the growth of 2.1 percentage points in the domestic market's income when compared to 1Q19 is mainly due to the increase of sales volume in domestic market in Packaging Paper segment and also due to growth in volume of Corrugated Cardboard Packaging segment.

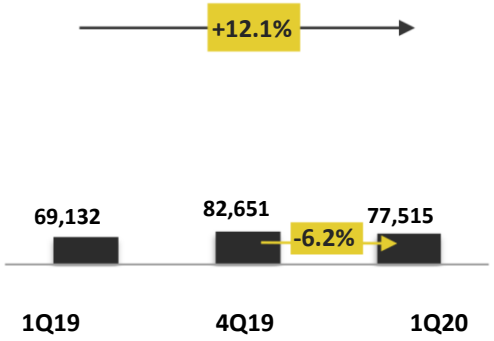
Sales Volume (in square meters) – Corrugated Cardboard Packaging Segment (PO)

ABPO Market (thousand m²)



Source: ABPO

Irani Market (thousand m²)

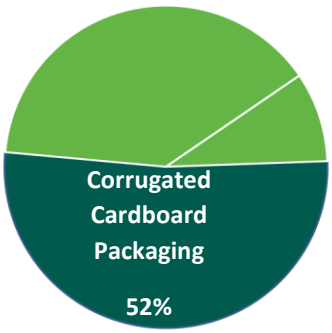


Source: IRANI

OPERATING PERFORMANCE

Corrugated Cardboard Packaging Segment (PO)

Revenue Contribution 1Q20

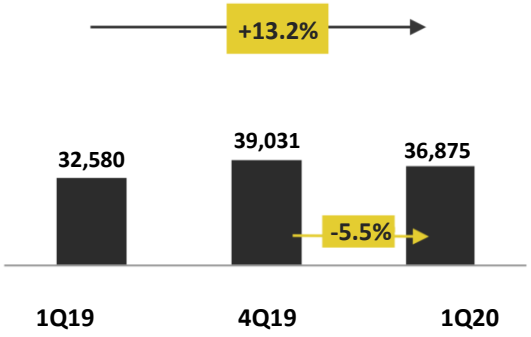


The sales volume of corrugated carboard plates and boxes totaled 36,875 tons, 13.2 higher in relation to 1Q19 and 5.5% lower when compared to 4Q19, especially due to the upturn of the corrugated board market during 2019, and, when compared to 4Q19, lower due to the impact of the natural market reduction owing to seasonality. The sales performance of boxes presented an increase of 20.3% when compared to 1Q19, while sales of plates registered a decrease of 8% in the comparison of the quarters. SP Indaiatuba and SC Campina da Alegria Packaging units account for respectively 57% and 43% of the total sold in the first quarter of 2019, whose productions are entirely destined to the domestic market.

The volume of SP Indaiatuba Packaging plant reached 16,128 tons of boxes and 4,931 tons of plates in 1Q20 against 12,751 tons of boxes and 5,562 tons of plates in 1Q19.

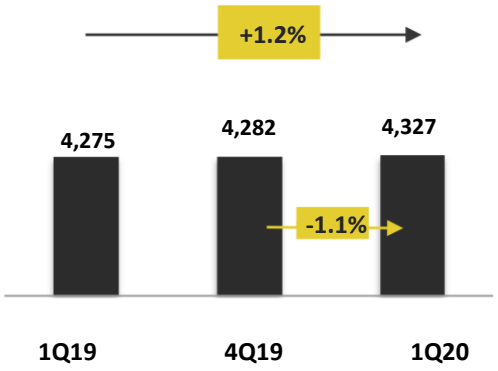
The volume of SC Campina da Alegria Packaging plant recorded sales volume of 13,231 tons of boxes and 2,585 tons of plates in 1Q20 against 11,659 tons of boxes and 2,607 tons of plates in 1Q19.

PO Sales Volume (t)



The Irani average price (CIF) per ton registered an increase of 1.2% in 1Q20 when compared to 1Q19 and of 1.1% when compared to 4Q19.

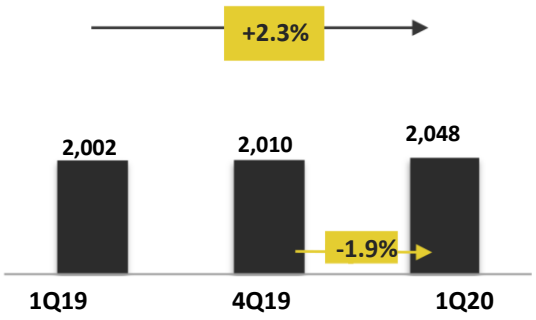
Irani Average Prices (R$/t)



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

The Irani average price (CIF) per square meter in 1Q20 was 2.3% higher when compared to 1Q19 and 1.9% higher when compared to 4Q19.

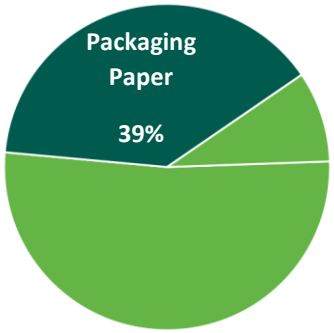
Irani Average Prices (R$/thousand m^2)



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

Packaging Paper Segment

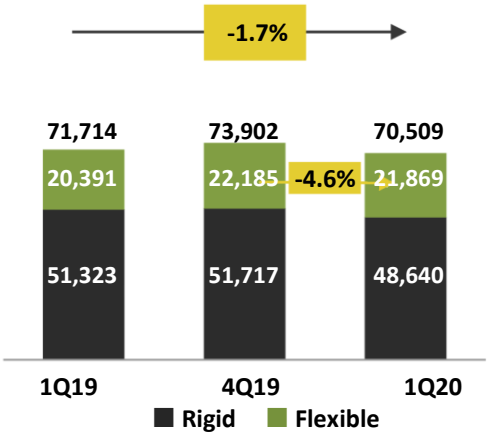
Revenue Contribution 1Q20



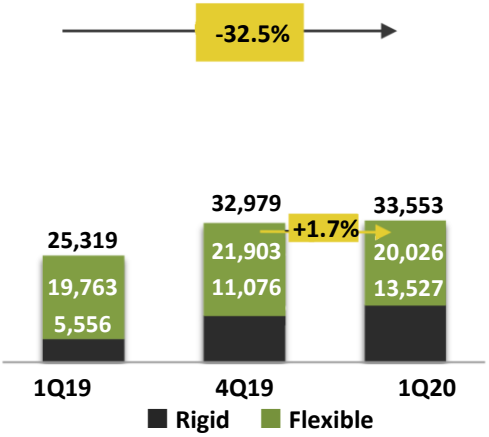
Irani operates in the Packaging Paper Segment, in the markets of papers for rigid packaging (Corrugated Cardboard) as well as for flexible packaging (bagging).

The Company's total production of Packaging Paper in the quarter was 1.7% lower when compared to 1Q19, and 4.6% in relation to 4Q19. Sales increased 32.5% when compared to 1Q19, and 1.7% in relation to 4Q19.

Total Packaging Paper Production (t)



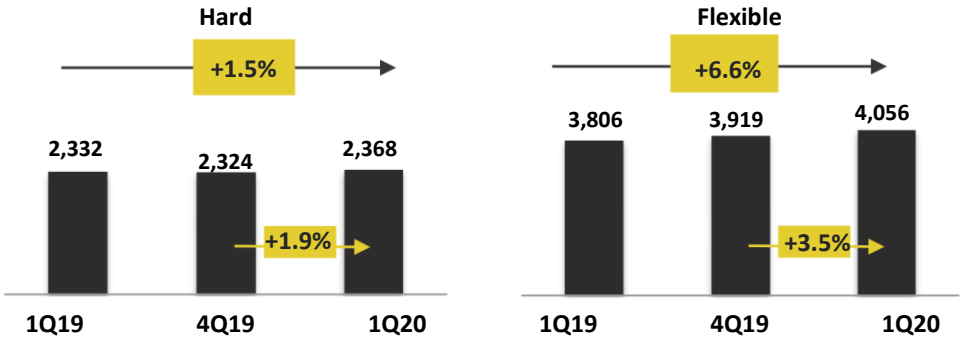
Total Packaging Paper Sales (t)



In 1Q20, internal paper transfers for rigid packaging (PO) totaled 35,337 tons (33,736 tons in 1Q19 and 40,106 tons in 4Q19), for the SP Indaiatuba packaging plant 19,164 tons were transferred (17,609 tons in 1Q19 and 20,778 tons in 4Q19) and for the SC Campina da Alegria packaging plant 16,173 tons were transferred in 1Q20 (16,127 tons in 1Q19 and 19,328 tons in 4Q19). From the total of internal transfers, 54% were to the SP Indaiatuba packaging plant and 46% were to the SC Campina da Alegria packaging plant.

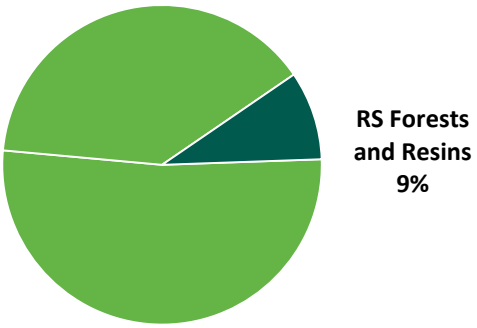
The rigid packaging paper recorded an increase of 1.5% in the price for 1Q20 when compared to those practiced in 1Q19, as well as an increase of 1.9% when compared to 4Q19. Papers for flexible packaging increased 6.6% when compared to 1Q19 and 3.5% in relation to 4Q19.

Average Packaging Paper prices (R$/t)



RS Forest and Resins Segment

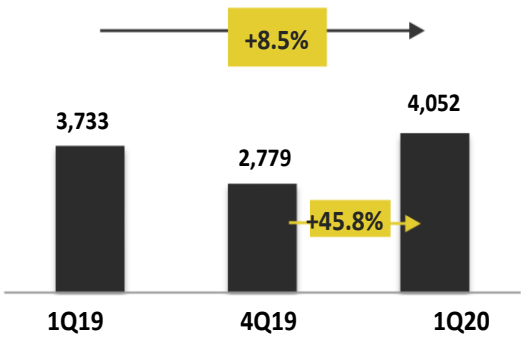
Revenue Contribution 1Q20



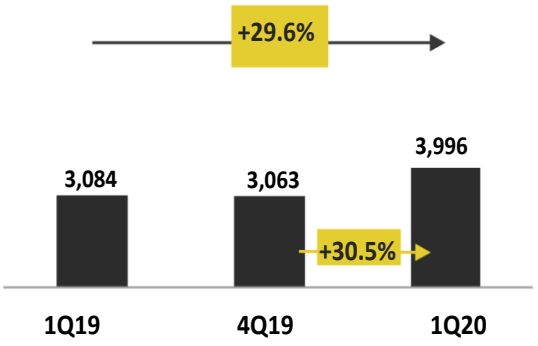
The Rio Grande do Sul forest segment produced and commercialized 12 thousand cubic meters of pine logs to the local market in 1Q20 (19 thousand cubic meters in 1Q19) and supplied 236 tons of in natura resins to be utilized in the industrial process of manufacturing rosin and turpentine.

The production volume in the RS Balneário Pinhal Resin unit in 1Q20 presented increase of 8.5% when compared to 1Q19, as well as a 45.8% increase when compared to 4Q19. The sales volume presented a 29.6% increase when compared to 1Q19, and 30.5% in relation to 4Q19.

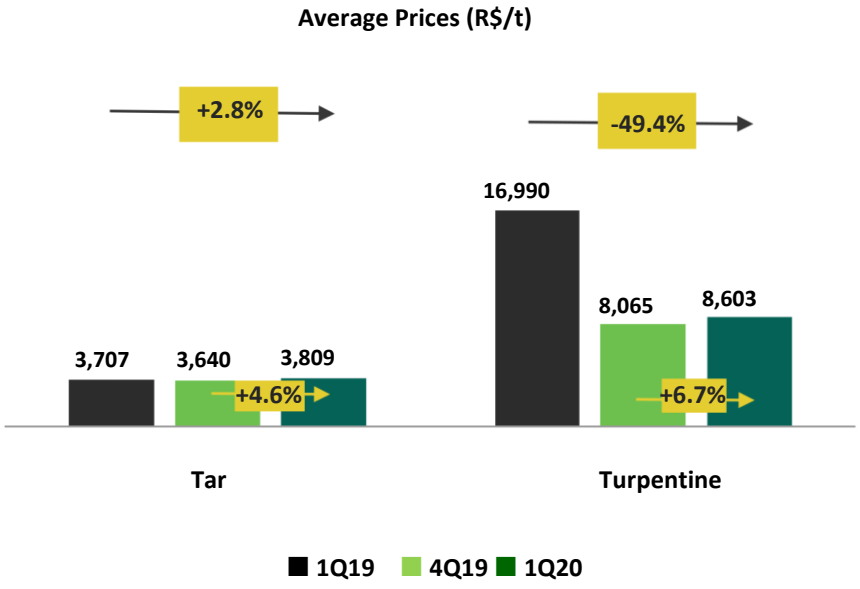
Production of Rosin and Turpentine (t)



Sale of Rosin and Turpentine (t)



In 1Q20, the average gross price of rosin was 2.8% higher than 1Q19 and 4.6% higher when compared to 4Q19. Turpentine decreased 49.4% when compared to 1Q19 and increased 6.7% in relation to 4Q19. The price of these products changes according to the foreign market and exchange rate.



Economic and Financial Performance

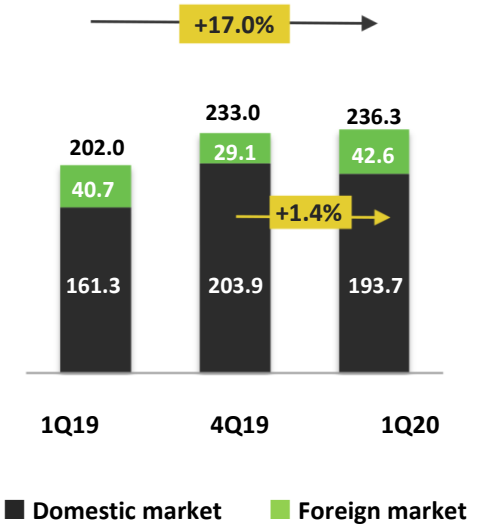
Net Operating Revenue

The net operating revenue for 1Q20 was R$ 236,323 thousand, a growth of 17% when compared to 1Q19 and of 1.4% when compared to 4Q19, mainly reflecting the increase in the volume of sales of the Packaging Paper and Corrugated Cardboard Packaging segments, when compared to 1Q19, and the better performance of the foreign market due to the appreciation of the US Dollar and Euro against the Brazilian Real.

In the domestic market, net operating revenue was R$ 193,719 thousand in the quarter and had an increase of 20.1% when compared to that one of 1Q17 and a decrease of 5.0% in relation to 4Q19. Revenue in the domestic market accounted for 82% of Irani's total revenue.

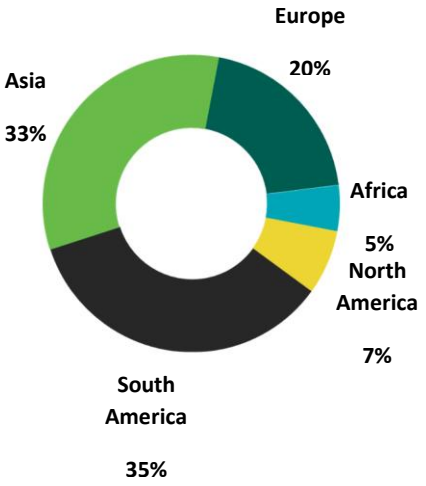
Exports in 1Q20 reached R$ 42,604 thousand, 4.7% higher than in 1Q19 and 46.4% in relation to 4Q19, representing 18% of total net operating revenue. South America was the principal destination of exports, concentrating 35% of export revenue. The other markets are: Asia (33%), Europe (20%), North America (7%) and Africa (5%).

Net Revenue (R$ million)



Foreign market - Net sales revenue per region

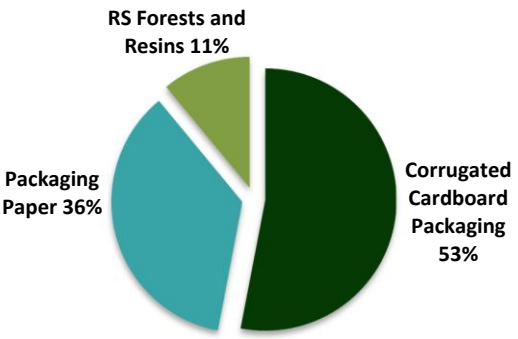
1Q20



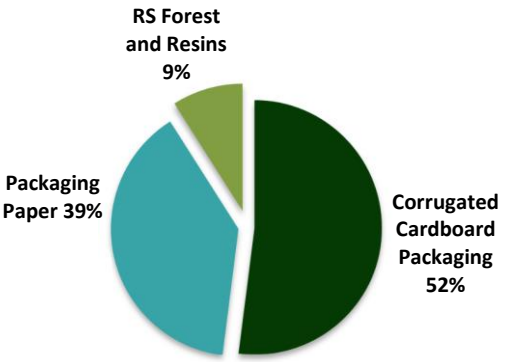
Irani's principal segment of operation is the Corrugated Cardboard Packaging segment, which accounts for 52% of consolidated net revenue in 1Q20, followed by the segments of Packaging Paper with 39%, and RS Forests and Resins, with 9%.

Net Revenue by Segment

1Q19



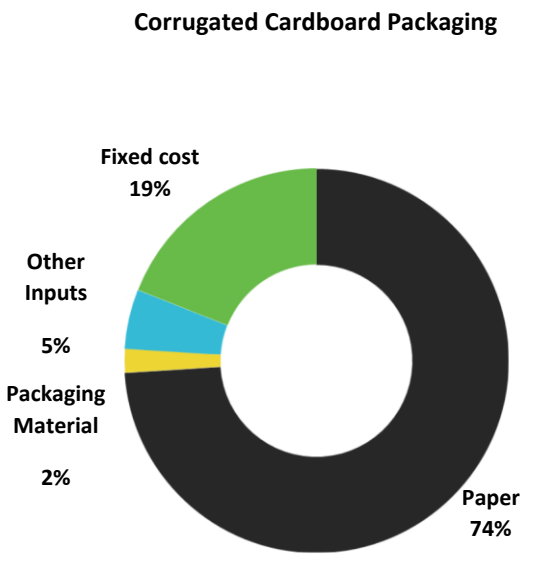
1Q20

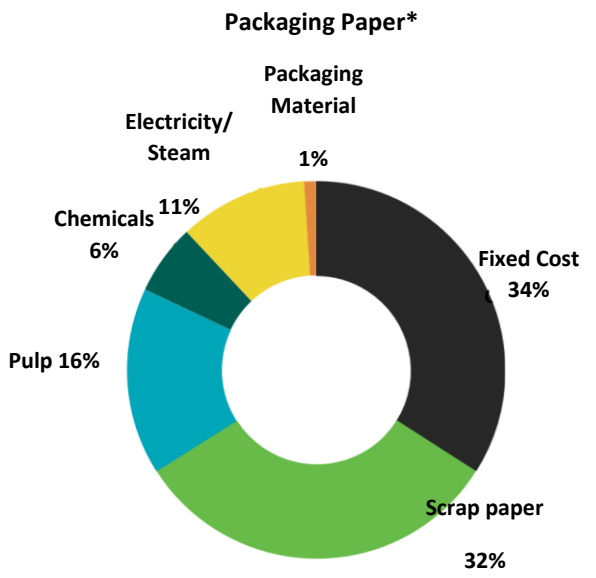


Cost of Goods Sold

The cost of products sold in 1Q20 was R$ 163,471 thousand, 19.1% higher than in 1Q19 in absolute numbers. Change in fair value of biological assets is not considered in the cost of goods sold.

The cost formation per Irani's segment of operation in 1Q20 is shown in the charts below.





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

Operating Revenues and Expenses

Sales expenses in 1Q20 totaled R$ 21,302 thousand, 12% higher when compared to 1Q19 and representing 9.0% of consolidated net revenue against 9.4% in 1Q19 (including losses due to write-offs of accounts receivable).

Administrative expenses in 1Q20 totaled R$ 17,087 thousand (R$ 14,157 thousand in 1Q19), and 20.7% higher in relation to those in 1Q19 and represented 7.2% of consolidated net revenue, compared to 7% in the 1Q19.

Other operating revenues/expenses resulted in a revenue of R$ 254,000 in 1Q20 against expenses of R$ 107,000 in 1Q19.

Operating Cash Generation (Adjusted EBITDA)

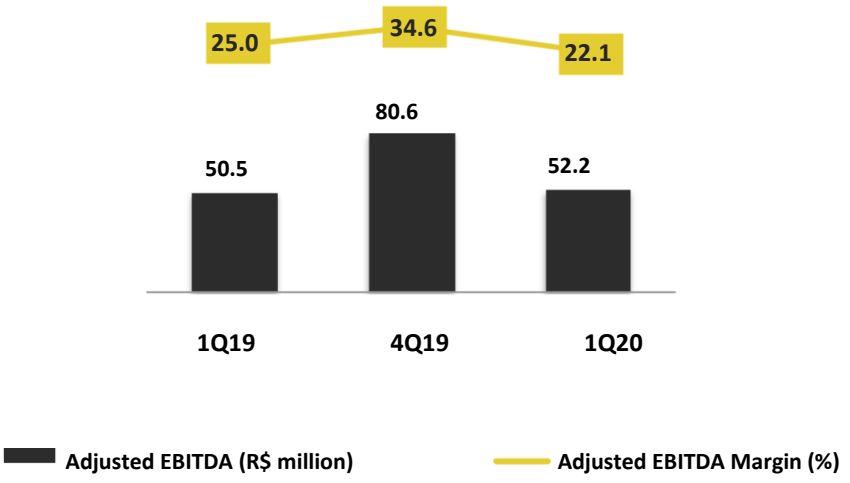
Consolidated (R$ thousand)	1Q20	4Q19	1Q19	Var. - 1Q20/4Q19	Var. - 1Q20/1Q19	LTM20	LTM19	Var. - LTM20/LTM19
Operating Result before taxes and profit sharing	**19,600**	**(48,028)**	**2,121**	-	824.1%	**(12,046)**	**30,049**	**-140.1%**
Depletion	3,781	45,614	3,825	-91.7%	-1.2%	56,745	64,054	-11.4%
Depreciation and amortization	13,718	14,651	15,174	-6.4%	-9.6%	59,064	50,542	16.9%
Finance income (loss)	19,586	85,179	31,972	-77.0%	-38.7%	222,261	105,430	110.8%
EBITDA	**56,685**	**97,416**	**53,092**	-41.8%	6.8%	**326,024**	**250,075**	**30.4%**
EBITDA margin	***24.0%***	***41.8%***	***26.3%***	***-17.8p.p.***	***-2.3p.p.***	***34.9%***	***30.7%***	***4.2p.p.***
Adjustments pursuant to CVM Instruction 527/12								
Change in the fair value of biological assets [1]	(4,469)	(676)	(2,607)	561.1%	71.4%	(9,831)	(3,034)	224.0%

Non-recurring events	-	(16,093)	-	-	-	(86,217)	(7,527)	1045.4%
Adjusted EBITDA of continuing operation	***52,216***	***80,647***	***50,485***	*-35.3%*	*3.4%*	***229,976***	***239,514***	*-4.0%*
Adjusted EBITDA margin	***22.1%***	***34.6%***	***25.0%***	***-12.5p.p.***	***-2.9p.p.***	***24.6%***	***29.4%***	***-4.8p.p.***
Adjusted EBITDA of discontinued operation	**-**	**(5,072)**	**(1,177)**	**-**	**-**	**(12,583)**	**(10,335)**	**21.8%**
Adjusted EBITDA	**52,216**	**75,575**	**49,308**	**-30.9%**	**5.9%**	**217,393**	**229,179**	**-5.1%**

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

Operating cash generation, measured by the continued operation adjusted EBITDA, totaled R$ 52,216 thousand in 1Q20, a 3.4% increase compared to 1Q19, mainly due to the better performance of margins this quarter and a 35.3% decrease compared to 4Q19, mainly due to the 4Q19 EBITDA having 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$ 39.0 million. The adjusted EBITDA margin in 1Q20 reached 22.1%, a decrease of 2.9 percentage points in relation to 1Q19 and a decrease of 12.5 percentage points when compared to 4Q19.

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



Finance Income (Loss) and Indebtedness

The financial income (loss) is as shown below:

R$ thousand	1Q20	4Q19	1Q19	LTM20[1]	LTM19[1]
Financial revenues	3,296	5,977	6,512	74,069	27,210
Financial expenses	(22,882)	(91,156)	(38,484)	(296,330)	(132,640)
Finance income (loss)	(19,586)	(85,179)	(31,972)	(222,261)	(105,430)

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

Financial loss was R$ 19,586 thousand in 1Q20, representing a decrease of 38.7% in comparison with 1Q19, and a 218.7% decrease in relation to 4Q19, due to the several financial restructuring measures carried out in 2019, such as the settlement of transactions in US dollars and the consequent write-off of hedge accounting, the issuance of green debentures maturing in 6 years and with a 4-year grace period, and the sale of assets, in addition to credits tax that the Company was entitled due to the final and unappealable favorable decision regarding the ICMS exclusion from the PIS and COFINS tax basis. Such measures translate into a new reality for the Company's financial income (loss) as of 2020. The lower level of indebtedness and the reductions in the basic interest rate also contributed to this decrease.

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

R$ thousand	1Q20	4Q19	1Q19	LTM20[1]	LTM19[1]
Positive Exchange rate change	1,294	3,713	5,278	11,261	20,879
Negative Exchange rate change	(1,725)	(57,740)	(15,480)	(160,961)	(35,385)
Net Exchange rate change	(431)	(54,027)	(10,202)	(149,700)	(14,506)

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

Exchange-rate change negatively impacted the Company's income by R$ 431 thousand in 1Q20, a reduction mainly justified by the financial restructuring performed in 2019 that resulted in the settlement of operations in foreign currency.

As of March 31, 2020, the Company maintained only 5.1% of its debt in dollar in working capital transactions, thus eliminating the volatility that mark-to-market of this type of debt caused in results.

Finance result net of exchange-rate change was as follows:

R$ thousand	1Q20	4Q19	1Q19	LTM20[1]	LTM19[1]
Financial revenues without exchange rate change	2,002	2,264	1,234	62,808	6,331
Finance expenses without exchange rate change	(21,157)	(33,416)	(23,004)	(135,369)	(97,255)
Financial income (loss) without exchange rate change	(19,155)	(31,152)	(21,770)	(72,561)	(90,924)

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

The finance income (loss), excluding the effects of exchange-rate change, was negative by R$ 19,155 thousand in 1Q20 compared to a negative result of R$ 21,770 thousand in 1Q19. In 1Q20, the financial income (loss) without exchange rate change had a positive impact on interest expenses, mainly due to the financial restructuring measures carried out in 2019, as explained above.

Exchange Rate

The exchange rate which was R$ 3.90/US$ on March 31, 2019, 33.33% higher at the end of March 2020, and reached R$ 5.20/US$. The average exchange rate for this quarter was R$ 4.46/US$, 8.52% higher than in 4Q19 and 18.3% higher when compared to the same period of 2019.

R$ thousand	1Q20	4Q19	1Q19	Δ1Q20/4Q19	Δ1Q20/1Q19
Average Dollar	4.46	4.11	3.77	+8.52%	+18.30%
Final Dollar	5.20	4.03	3.90	+29.03%	+33.33%

Source: Brazilian Central Bank

Indebtedness

Over 2019, several actions were taken to extend the debt profile and to reduce financial leverage, adapting the Company's capital structure to generate returns to stockholders above the cost of capital and preparing it for a new cycle of economic expansion in the country. The main actions were the issue of green debentures with a 6-year final term and a 4-year grace period, the sale of non-strategic assets and the closure of the SP Vila Maria Package unit, which had lower profitability levels than other units of the Company. In addition, the Company had a final and unappealable decision in its favor for the lawsuit related to exclusion of ICMS from PIS and COFINS calculation basis in the amount of R$ 143.1 million. During 1Q20, we received part of the amounts related to the sale of non-strategic assets and offset federal taxes related to the exclusion of ICMS from the PIS and COFINS basis, contributing to the reduction of net debt.

The consolidated gross indebtedness on March 31, 2020 totaled R$ 817.8 million against R$ 838.3 million on December 31, 2019. The change in this indicator was influenced by the volume of payments higher than funding and partial receipt of non-strategic assets that were sold in 2019. At March 31, 2020, the Company's gross debt profile presented 32% of debts maturing in the short term and 68% in the long term.

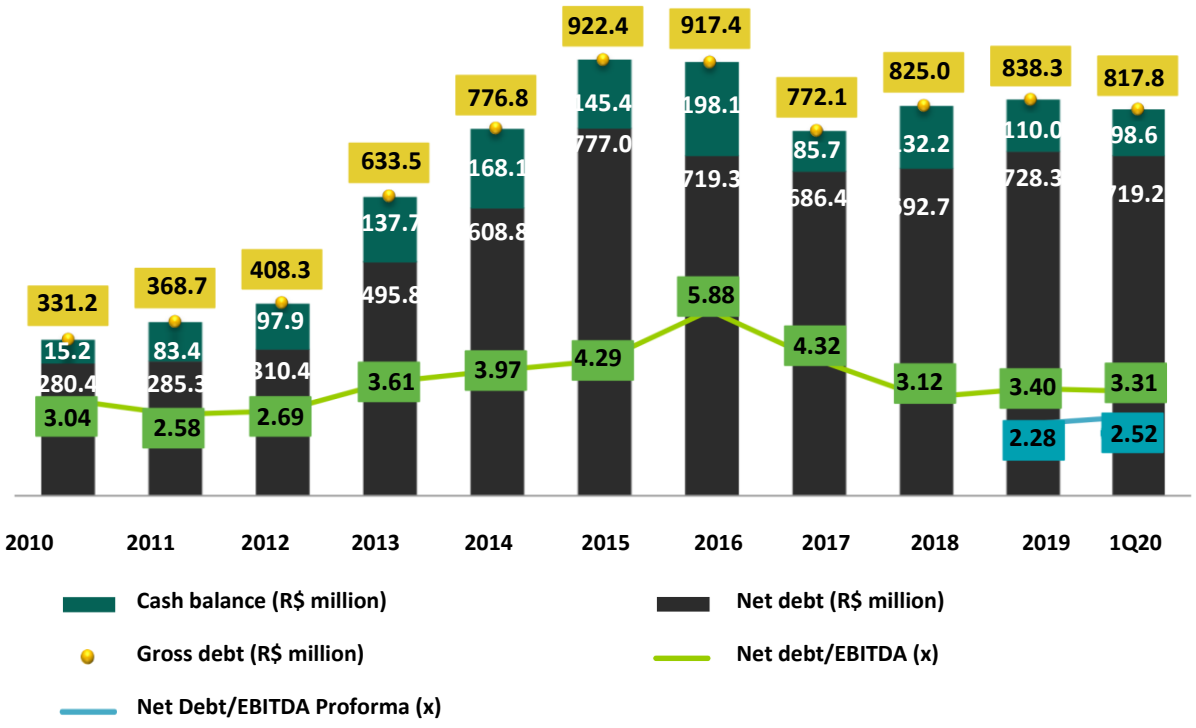
Consolidated cash balance totaled R$ 98.6 million at March 31, 2020, compared to R$ 110.0 million at December 31, 2019 (including the balance of bank's restricted accounts in both years). The reduction in the cash balance was mainly due to the volume of payments for financial operations higher than the funding, compared to the operational cash generation and receipt of the sale of non-strategic assets.

The consolidated net indebtedness on March 31, 2020 totaled R$ 719.2 million against R$ 728.3 million on December 31, 2019.

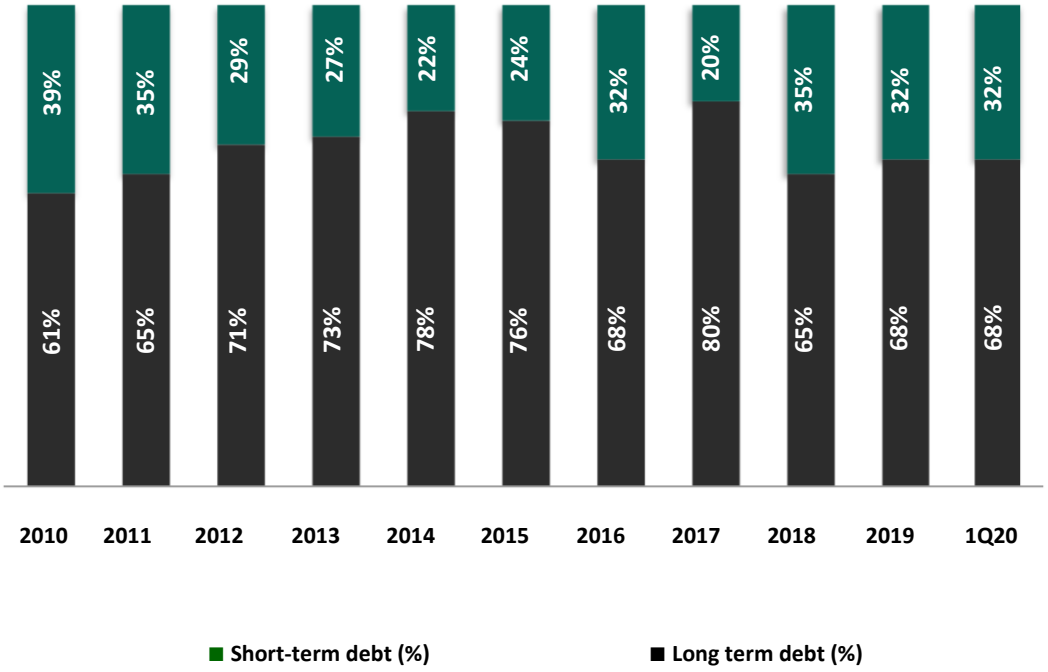
The Net Debt/EBITDA ratio was 3.31 times in March 2020, against 4.4 times at the end of 2019. The reduction in the indicator is due both to the reduction in net debt and the increase in Adjusted EBITDA.

Considering to exclude from the net debt the amounts that will be received in the coming months, related to: i) PIS and COFINS credits in the amount of R$ 128.2 million; ii) Sale of land and forests in the amount receivable of R$ 4.0 million; and iii) Sale of the property of Package SP - Vila Maria, with balance receivable in the amount of R$ 40.2 million, would result in the pro-forma Net Debt of R$ 546.9 million and considering the EBITDA of the Continuing Operation of R$ 217.4 million, the pro-forma leverage would be 2.52 times.

Indebtedness and Net Debt/EBITDA



Gross Debt Profile



Net Income (Loss)

In 1Q20, the net income (loss) was a profit of R$ 17,988 thousand against a profit of R$ 242 thousand in 1Q19, and a profit of R$ 14,154 thousand in 4Q19. In the last twelve months, net income was R$ 44,201 thousand (profit) compared to a profit of R$ 24,833 in the same period of last year. The main impacts on the net profit for this quarter were the growth in net sales revenue, the positive change in the fair value of biological assets and the better export margin due to the appreciation of the Dollar and the Euro against the Brazilian Real.

Investments

The Company maintains its strategy to invest in the modernization and automation of its production processes on a cautious basis. Investments in this quarter amounted to R$ 18,997 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company.

R$ thousand	1Q20
Buildings	18
Equipment	14,009
Intangible assets	1,699
Reforestation	3,271
Total	**18,997**

Capital market

Irani's capital, on March 31, 2020, was composed of 166,720,235 shares, of which 153,909,975 (92%) are common shares and 12,810,260 (8%) are preferred shares. On March 31, 2020, the Company held 2,376,100 treasury shares, of which 24,000 are common shares and 2,352,100 are preferred shares. In the same period, common shares were traded at R$ 3.03 while preferred shares were traded at R$ 6.30.

Subsequent Event

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) is a global health emergency. The outbreak triggered major decisions by governments and private sector entities, which coupled with the potential impact of the outbreak, increased the degree of uncertainty for economic agents and can impact the amounts recognized in the Company's financial statements.

The Company has been taking all necessary measures to minimize the impact of COVID-19 on its operations, and especially on employees and their families. The Company's industrial operations are at a normal pace of production and sale, while Management has been assessing measures to fight the Coronavirus daily. Measures related to occupational medicine have been adopted, such as: i) leave of absence for pregnant women; ii) removal of employees with chronic diseases; iii) removal of employees over 60 years of age; iv) removal of young apprentices; and these groups total approximately 180 employees. Adding to the Home Office regime measure adopted for administrative and support activities for over 260 employees, the Company adds a total of approximately 440 employees away from their physical activities at its units. Moreover, the Company has 32 actions to fight COVID-19, which are assessed daily at the

Management meeting, all with the purpose of minimizing the impact of the pandemic on its activities, its employees, the surrounding communities and on other stakeholders as much as possible.

The Company evaluated its long-term projections that consider the projected cash flows and understands that it is fully capable of continuing as a going concern, as presented in the respective interim financial statements. Likewise, it maintains an ongoing monitoring of the economic context in Brazil and globally, aiming to adapt any operation, if necessary.

The Company also assessed the impairment of its non-financial assets, which includes an analysis of the recoverability of its fixed assets and also of the Goodwill generated in a business combination and recorded in intangible assets, using the discounted cash flow method based on its value in use. The need to recognize any impairment amount in the financial statements was not identified.

The assumptions used in determining the fair value of biological assets were also evaluated, particularly the discount rate of their projected cash flow, and there were no indications regarding the need to change any assumption to calculate the fair value of these assets recognized in the financial statements.

Regarding clients, the Company maintains the normal receipt conditions during this period, with specific arrangements for extensions, and does not present any additional indication of non-receipt or losses.

Regarding the supply chain, we also have no indication of shortage of raw materials and inputs needed for production processes until the moment, and there have not been any expressive indications of an increase in input prices due to a drop in supply or any difficulty imposed by suppliers. The Company works with security inventories to temporarily support its operations.

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The statements of this Notice relating to the business outlook and the growth potential of the Company, constitute forecasts and were based on Management's expectations in relation to the future of the Company. These expectations are highly dependent on changes in the market, in Brazil' s general economic performance, in industry and in international markets, and are therefore subject to change.

Attachment I – Consolidated Statement of Income (R$ thousand) – Quarterly

	1Q20	4Q19	1Q19	Var. - 1Q20/4Q19	Var. - 1Q20/1Q19	LTM20	LTM19	Var. - LTM20/LTM19
Net sales	**236,323**	**232,972**	**202,048**	**1.4%**	**17.0%**	**933,054**	**814,406**	**14.6%**
Change in the fair value of biological assets	4,469	676	2,607	561.1%	71.4%	9,831	3,034	224.0%
Cost of sales	(163,471)	(168,102)	(137,273)	-2.8%	19.1%	(664,547)	(547,654)	21.3%
Gross profit	**77,321**	**65,546**	**67,382**	**18.0%**	**14.8%**	**278,338**	**269,786**	**3.2%**
Operating revenues (Expenses)	**(38,135)**	**(28,393)**	**(33,289)**	**34.3%**	**14.6%**	**(68,121)**	**(134,307)**	**-49.3%**
From sales	(21,132)	(20,771)	(19,025)	1.7%	11.1%	(85,377)	(73,265)	16.5%
Impairment losses on trade receivables	(170)	(39)	-	335.9%	-	(765)	(1,558)	-50.9%
General and administrative	(17,087)	(20,344)	(14,157)	-16.0%	20.7%	(64,834)	(57,765)	12.2%
Other operating (expenses) revenues, net	254	12,761	(107)	-98.0%	-	82,854	(1,719)	-
Income (loss) before financial income (loss) and taxes	**39,186**	**37,153**	**34,093**	**5.5%**	**14.9%**	**210,216**	**135,479**	**55.2%**
Net financial revenue (expenses)	**(19,586)**	**(85,179)**	**(31,972)**	**-77.0%**	**-38.7%**	**(222,261)**	**(105,430)**	**110.8%**
Financial revenues	3,296	5,977	6,512	-44.9%	-49.4%	74,069	27,210	172.2%
Financial expenses	(22,882)	(91,156)	(38,484)	-74.9%	-40.5%	(296,330)	(132,640)	123.4%
Operating profit (loss) before tax effects	**19,600**	**(48,028)**	**2,121**	**-**	**824.1%**	**(12,046)**	**30,049**	**-140.1%**
Current income tax and social contribution	(533)	(66)	(81)	707.6%	558.0%	(752)	(388)	93.8%
Deferred income tax and social contribution	(1,079)	62,248	(1,798)	-101.7%	-40.0%	57,000	(4,828)	-

Net profit of discontinued operations	**17,988**	**14,154**	**242**	**27.1%**	**7,333.1%**	**44,201**	**24,833**	**78.0%**
Profit of discontinued transactions	**-**	**(15,770)**	**(6,605)**	**-**	**-**	**(99,443)**	**(26,163)**	**280.1%**
Net profit for the period	**17,988**	**(1,616)**	**(6,363)**	**-**	**-**	**(55,242)**	**(1,330)**	**4,053.5%**

Attachment II – Consolidated Balance Sheet (R$ thousand)

Assets	03/31/2020	12/31/2019	Liabilities and shareholders' equity	03/31/2020	12/31/2019
CURRENT	**490,402**	**503,864**	**CURRENT**	**409,295**	**430,506**
Cash and cash equivalents	68,719	80,822	Loans and financing	251,883	247,316
Trade accounts receivable	184,420	162,252	Suppliers	76,576	89,820
Inventories	77,391	76,845	Social charges and social security obligations	22,462	29,649
Recoverable taxes	73,632	79,421	Tax liabilities	15,559	15,004
Banks - restricted account	29,869	29,165	Income tax and social contribution payable	217	274
Other assets	14,791	33,779	Installments taxes	7,950	6,877
Non-current assets held for sale	41,580	41,580	Advance from customers	10,886	4,860
			Dividends payable	1,818	1,818
NON-CURRENT ASSETS	**1,073,433**	**1,075,682**	Other accounts payable	13,742	13,808
Trade accounts receivable	1,077	1,576	Debentures	5,945	18,192
Recoverable taxes	67,975	76,911	Lease liability	2,257	2,888
Judicial deposits	838	952			
Other assets	1,499	1,951	**NON-CURRENT ASSETS**	**800,061**	**812,549**
Biological assets	158,477	154,518	Loans and financing	65,077	78,467
Investment property	5,531	5,575	Other accounts payable	59	59
Property, plant and equipment	671,355	669,785	Tax liabilities	7,325	8,087
Intangible assets	142,903	141,989	Deferred income tax and social contribution	171,332	170,253
Right to use assets	23,778	22,425	Provisions for civil,		
			labor and tax risks	19,913	24,680
			Installments taxes	19,539	17,159
			Debentures	494,932	494,335
			Lease liability	21,884	19,509
			SHAREHOLDERS' EQUITY	**354,479**	**336,491**
			Capital	161,895	161,895
			Capital reserve	960	960
			Profit reserves	32,141	11,918
			Carrying value adjustments	161,469	163,704
			Accumulated losses	(1,992)	(1,992)

			Shareholders' equity attributable to the controlling shareholders	354,473	336,485
			Non-controlling interest	6	6
			TOTAL LIABILITIES		
TOTAL ASSETS	**1,563,835**	**1,579,546**	**SHAREHOLDERS' EQUITY**	**1,563,835**	**1,579,546**

Attachment III – Statement of Cash Flows – Consolidated (in thousands of Reais)

	1Q20	1Q19
Net cash from operating activities	**4,029**	**(16,478)**
Cash from operations	**52,200**	**49,097**
Profit/(loss) before income tax and social contribution (EBIT)	19,600	(4,484)
Change in the fair value of biological assets	(4,469)	(2,607)
Depreciation, amortization and depletion	17,499	20,597
Income from the sale of fixed assets	(740)	831
Provision/reversal for civil, labor and tax risks	(4,636)	558
Allowance for doubtful accounts	170	-
Inflation adjustments and charges on loans, financing and debentures	26,145	34,202
Interest on lease liabilities	525	-
Interest on restricted account investment	(74)	-
Exclusion of ICMS rate excluded from calculation basis of PIS and COFINS	(1,820)	-
Changes in assets and liabilities	**(48,171)**	**(65,575)**
Accounts receivable	(21,839)	(18,905)
Inventories	(546)	(9,748)
Recoverable taxes	16,356	(1,568)
Other assets	19,554	(5,538)
Suppliers	(13,244)	(12,155)
Social charges and social security obligations	(7,187)	(8,659)
Advance from customers	6,026	5,888
Tax liabilities	2,656	951
Other accounts payable	(199)	(1,516)
Payment of interest on loans, financing and debentures	(49,366)	(14,325)
Payment of interest on lease liability	(382)	-
Net cash from investment activities	**(18,123)**	**(15,540)**
Acquisition of property, plant and equipment	(14,027)	(6,792)
Acquisition of biological assets	(3,271)	(2,064)
Acquisition of intangible asset	(1,699)	(6,926)
Receipt upon disposal of property, plant and equipment	1,504	242
Banks - restricted account	(630)	-

Net cash from financing activities	**1,991**	**(58,239)**
Lease liability paid	(757)	-
Loans obtained	41,542	10,000
Loans and debentures paid	(38,794)	(68,239)
Increase (decrease) in cash and cash equivalents	**(12,103)**	**(90,257)**
Cash and cash equivalents at the beginning of the period	**80,822**	**132,219**
Cash and cash equivalents at the end of the period	**68,719**	**41,962**