



Irani Papel e Embalagem S.A.

Financial statements
for the years ended
December 31, 2021 and 2020



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Independent auditor's report on parent company and consolidated financial statements

**To the Shareholders, directors and officers of
Irani Papel e Embalagem S.A**
Porto Alegre – RS

Opinion

We have audited the parent company and consolidated financial statements of Irani Papel e Embalagem S.A. (Company), identified as the parent company and consolidated, respectively, which comprise the statement of financial position as of December 31, 2021, statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying parent company and consolidated financial statements present fairly, in all material respects the financial position of Irani Papel e Embalagem S.A. as of December 31, 2021, and of its parent company and consolidated financial performance and its respective parent company and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the parent company and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the parent company and consolidated financial statements set forth in the Professional Code of Ethics of the Accountant and the professional standards issued by the Brazilian Federal Accounting Council, and we have

fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of Biological assets

See note 3 (I) and 15 to the parent company and consolidated financial statements

Key audit matter	How the audit addressed this matter
<p>The Company's and its subsidiaries biological assets are represented mainly by pine forests and are measured at fair value less costs to sell.</p> <p>The measurement of fair value of these assets contains uncertainties related to the assumptions used in determining future cash flows, in particular the projected productivity cycle, the growth rate of the forests and the discount rate.</p> <p>Due to the relevance of the estimates made to measure the fair value of the Company's biological assets and the impact that any changes in the assumptions used in measuring this value would have on the parent company and consolidated financial statements, we consider this a significant matter in our audit.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluation, with the assistance of our specialists in measurement of fair values of biological assets, of the method, assumptions and data used to measure the fair value of biological assets. We especially evaluated the assumption of the discount rate and sale price of wood and resins. We compare the Company's assumptions with available historical information and with observable market data, among others; and • Evaluation of the adequacy of the disclosures made by the Company regarding the key-assumptions most sensible in the measurement of fair value of biological assets included in the explanatory notes to the financial statements <p>Based on the evidence obtained through our procedures described above, we believe that the balances of biological assets are acceptable in the context of the parent company and consolidated financial statements taken as a whole, for the year ended December 31, 2021.</p>

Other matters – Statements of added value

The parent company and consolidated statements of added value (DVA) for the year ended December 31, 2021, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were subject to audit procedures carried out jointly with the audit of the Company's financial statements. For the purposes of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, except for the effects of the subject matter described in the section entitled "Basis for opinion", these statements of added value have been adequately prepared in all material respects in accordance with the criteria set forth in this Technical Pronouncement and are

consistent with parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditors' report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the parent company and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates

and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether the parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those responsible for governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Porto Alegre, February 24, 2022

KPMG Auditores Independentes Ltda.

CRC SP-014428/F-7

Original report in Portuguese signed by

Felipe Brutti da Silva

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

IRANI PAPEL E EMBALAGEM S.A.
BALANCE SHEETS ON DECEMBER 31

(In thousands of reais)

ASSETS	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
CURRENT ASSETS					
Cash and cash equivalents	5	11,050	35,709	30,410	54,260
Interest earning bank deposits	5	475,858	291,972	475,858	291,972
Trade accounts receivable	6	255,039	201,399	255,345	202,470
Inventories	7	122,007	92,838	123,058	92,977
Recoverable taxes	8.a	20,888	73,165	20,898	73,167
Other assets	9	11,677	15,414	11,954	15,552
Non-current assets held for sale	10	41,200	41,200	41,200	41,200
Total current assets		937,719	751,697	958,723	771,598
NON-CURRENT ASSETS					
Trade accounts receivable	6	2,123	4,173	2,123	4,173
Recoverable taxes	8.a	12,284	27,438	12,284	27,448
Corporate income tax and social contributio	8.b	25,665	-	25,665	-
Judicial deposits		378	550	660	886
Other assets	9	4,526	-	4,553	27
Total noncurrent receivables		44,976	32,161	45,285	32,534
Investments in subsidiaries	12	159,369	146,624	-	-
Investment property	13	21,367	21,541	21,367	21,541
Biological assets	15	109,798	73,985	219,056	177,684
Property, plant and equipment	14.a	941,868	631,138	960,056	648,842
Right-of-use assets	34	24,474	21,180	24,474	21,180
Intangible assets	14.b	136,339	140,738	136,339	140,738
Total non-current assets		1,438,191	1,067,367	1,406,577	1,042,519
TOTAL ASSETS		2,375,910	1,819,064	2,365,300	1,814,117

LIABILITIES AND EQUITY	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
CURRENT LIABILITIES					
Borrowings and financing	16	69,142	43,483	69,142	43,498
Debentures	17	22,190	11,968	22,190	11,968
Derivative financial instruments - swap	18	52	-	52	-
Lease liabilities	34	6,950	3,974	6,950	3,974
Suppliers	19	151,042	119,861	133,718	109,095
Social charges and social security obligations		48,330	44,838	48,898	45,448
Tax liabilities		20,661	21,735	20,982	21,856
IRPJ and CSLL payable		3,125	2,985	3,569	3,114
Tax installment payments	21	9,081	8,830	9,081	8,830
Advance from clients		3,063	6,377	3,118	6,407
Dividends and interest on shareholders' equity payable	23.b	16,345	10,467	16,345	10,467
Other accounts payable		10,263	12,428	10,564	12,699
Total current liabilities		360,244	286,946	344,609	277,356
NON-CURRENT LIABILITIES					
Borrowings and financing	16	236,862	35,912	236,862	35,912
Debentures	17	564,127	496,869	564,127	496,869
Derivative financial instruments - swap	18	367	-	367	-
Lease liabilities	34	16,116	17,129	16,116	17,129
Social charges and social security obligations		12,509	-	12,509	-
Other accounts payable		59	59	59	59
Provision for civil, labor risks and tax	22	19,463	17,670	19,813	18,040
Tax installment payments	21	7,662	16,039	7,662	16,039
Tax liabilities		205	3,442	205	3,442
Deferred income tax and social contribution	11	200,858	158,844	205,533	163,111
Total non-current liabilities		1,058,228	745,964	1,063,253	750,601
TOTAL LIABILITIES		1,418,472	1,032,910	1,407,862	1,027,957
EQUITY					
Capital	23.a	543,934	543,934	543,934	543,934
Capital reserve		960	960	960	960
Revenue reserves	23.d	266,732	86,501	266,732	86,501
Carrying value adjustments	23.e	145,812	154,759	145,812	154,759
Equity attributable to the controlling stockholders		957,438	786,154	957,438	786,154
Non-controlling interest		-	-	-	6
Total equity		957,438	786,154	957,438	786,160
TOTAL LIABILITIES AND EQUITY		2,375,910	1,819,064	2,365,300	1,814,117

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.
STATEMENT OF PROFIT AND LOSS FOR THE YEARS ENDED DECEMBER 31
 (In thousands of reais - R\$, unless otherwise indicated)

	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
NET SALES REVENUE	25	1,599,932	1,025,551	1,605,834	1,029,605
Change in fair value of biological assets	15 26	28,689	11,009	43,849	18,374
Cost of goods sold	26	(1,019,023)	(717,538)	(1,017,659)	(722,663)
GROSS INCOME		609,598	319,022	632,024	325,316
OPERATING REVENUES (EXPENSES)					
From sales	26	(106,286)	(89,676)	(108,620)	(90,657)
Impairment losses on trade receivables		(173)	(989)	56	(1,268)
General and administrative	26	(79,225)	(68,784)	(81,094)	(70,660)
Other operating revenues (expenses), net	26	7,503	13,863	7,490	12,869
Management profit sharing	20	(14,032)	(10,085)	(14,032)	(10,085)
Equity in the results of subsidiaries	12	18,352	2,598	-	-
INCOME (LOSS) BEFORE FINANCIAL INCOME (LOSS) AND TAXES		435,737	165,949	435,824	165,515
Net finance income (costs)	28	(46,322)	(56,773)	(45,611)	(55,601)
Finance income		52,487	28,111	53,261	28,253
Finance costs		(98,809)	(84,884)	(98,872)	(83,854)
OPERATING INCOME BEFORE TAX EFFECTS		389,415	109,176	390,213	109,914
Current income tax and social contribution	29	(62,088)	(23,762)	(62,477)	(24,295)
Deferred income tax and social contribution	29	(42,014)	7,347	(42,423)	7,142
PROFIT FOR THE YEAR		285,313	92,761	285,313	92,761
Income attributable to:					
Controlling stockholders		285,313	92,761	285,313	92,761
Non-controlling stockholders		-	-	-	-
		285,313	92,761	285,313	92,761
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R\$	24	1.1342	0.3647	1.1342	0.3647

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.

STATEMENT OF COMPREHENSIVE INCOME ON DECEMBER 31

(In thousands of reais)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit for the year	285,313	92,761	285,313	92,761
Attributable to controlling stockholders	285,313	92,761	285,313	92,761
Comprehensive income for the year	285,313	92,761	285,313	92,761

See the accompanying notes to the financial statements.



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IRANI PAPEL E EMBALAGEM S.A.

STATEMENTS OF CHANGES IN EQUITY
(In thousands of reais)

	Note	Capital			Share-based payment	Revenue reserves				Carrying value adjustments	Retained earnings	Interest attributable to controlling stockholders	Non-controlling interest	Total	
		Capital	Cost for the issue of shares	Treasury shares		Legal	Statutory of Biological Assets	Profit retention	Tax incentive reserve						Accumulated losses
BALANCE AT JANUARY 01, 2020		161.895	-	(6.834)	960	-	13.762	-	4.990	(1.992)	163.704	-	336.485	6	336.491
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-	92.761	92.761	-	92.761
Profit for the year		-	-	-	-	-	-	-	-	-	-	92.761	92.761	-	92.761
Realization - deemed cost	23 e.	-	-	-	-	-	-	-	-	(8.945)	-	8.945	-	-	-
Realized revenue reserve - biological assets	23 e.	-	-	-	-	-	(3.126)	-	-	-	-	3.126	-	-	-
Total comprehensive income for the year		-	-	-	-	-	(3.126)	-	-	(8.945)	-	104.832	92.761	-	92.761
Total contributions from stockholders and distributions to stockholders		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increase	23 a.	405.000	-	-	-	-	-	-	-	-	-	405.000	-	-	405.000
Cost for the issue of shares	23 a.	-	(22.961)	-	-	-	-	-	-	-	-	(22.961)	-	-	(22.961)
Proposed allocations		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	23 e.	-	-	-	-	4.538	-	-	-	-	-	(4.538)	-	-	-
Dividends	23.b	-	-	-	-	-	-	-	-	-	-	(20.357)	(20.357)	-	(20.357)
Additional dividends proposed	23.d	-	-	-	-	-	-	24.576	-	-	-	(24.576)	-	-	-
Interest on shareholders' equity	23.b	-	-	-	-	-	-	-	-	-	-	(4.774)	(4.774)	-	(4.774)
Profit retention reserve	23 e.	-	-	-	-	-	-	48.595	-	-	-	(48.595)	-	-	-
Accumulated losses		-	-	-	-	-	-	-	-	1.992	-	(1.992)	-	-	-
Total contributions from stockholders and distributions to stockholders		405.000	(22.961)	-	-	4.538	-	73.171	-	1.992	-	(104.832)	356.908	-	356.908
BALANCE AT DECEMBER 31, 2020		566.895	(22.961)	(6.834)	960	4.538	10.636	73.171	4.990	-	154.759	-	786.154	6	786.160
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-	285.313	285.313	-	285.313
Profit for the year		-	-	-	-	-	-	-	-	-	-	285.313	285.313	-	285.313
Realization - deemed cost	23 e.	-	-	-	-	-	-	-	-	(8.947)	-	8.947	-	-	-
Realized revenue reserve - biological assets	23 e.	-	-	-	-	-	(3.557)	-	-	-	-	3.557	-	-	-
Total comprehensive income for the year		-	-	-	-	-	(3.557)	-	-	(8.947)	-	297.817	285.313	-	285.313
Total contributions from stockholders and distributions to stockholders		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital increase/decrease from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	(5)	(5)
Dilution of non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
Treasury shares	23 c.	-	-	(18.565)	-	-	-	-	-	-	-	(18.565)	-	-	(18.565)
Proposed allocations		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	23 e.	-	-	-	-	14.266	-	-	-	-	-	(14.266)	-	-	-
Dividends	23.b	-	-	-	-	-	-	(24.576)	-	-	-	(70.888)	(95.464)	-	(95.464)
Additional dividends proposed	23.d	-	-	-	-	-	-	70.888	-	-	-	(70.888)	-	-	-
Profit retention reserve	23 e.	-	-	-	-	-	-	141.775	-	-	-	(141.775)	-	-	-
Total contributions from stockholders and distributions to stockholders		-	-	(18.565)	-	14.266	-	188.087	-	-	-	(297.817)	(114.029)	(6)	(114.035)
BALANCE AT DECEMBER 31, 2021		566.895	(22.961)	(25.399)	960	18.804	7.079	261.258	4.990	-	145.812	-	957.438	-	957.438

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31
(In thousands of reais)

	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
CASH FLOW FROM OPERATING ACTIVITIES					
Income before income tax and social contribution (LAIR)		389,415	109,176	390,213	109,914
Reconciliation of profit with the net cash obtained from the operating activities:					
Change in fair value of biological assets	15.a	(28,689)	(11,009)	(43,849)	(18,374)
Depreciation, amortization and depletion	13 14 15 34	73,644	71,685	92,444	77,236
Impairment on property, plant and equipment		-	-	-	771
Profit (loss) from the disposal of property, plant and equipment		(2,516)	(4,115)	(2,516)	(4,115)
Equity in the results of subsidiaries	12	(18,352)	(2,598)	-	-
Provision/reversal for civil, labor and tax risks	22	2,314	(4,845)	2,516	(4,875)
Provision for impairment on trade receivables	6	(83)	1,121	(350)	1,400
Reversal/Provision for losses on other assets		-	(2,029)	-	(2,029)
Inflation adjustments and charges on borrowings and debentures		61,831	70,748	61,831	70,753
Interest on lease liabilities		2,297	1,992	2,297	1,992
Interest on restricted account investment		-	(97)	-	(97)
Management profit sharing	20	10,830	8,085	10,830	8,085
Exclusion of ICMS rate excluded from calculation basis of PIS and COFINS		(502)	(20,475)	(502)	(20,475)
		<u>490,189</u>	<u>217,639</u>	<u>512,914</u>	<u>220,186</u>
Increase (decrease) in assets:					
Accounts receivable		(48,875)	(44,313)	(47,844)	(44,215)
Inventories		(29,169)	(14,048)	(30,081)	(14,103)
Recoverable taxes		41,271	75,452	41,273	75,441
Other assets		(617)	20,062	(702)	20,218
Increase (decrease) in liabilities:					
Suppliers		34,650	2,301	26,704	19,275
Social charges and social security obligations		5,171	7,850	5,129	7,714
Advances from customers		(3,314)	1,581	(3,289)	1,547
Tax liabilities		10,538	2,568	11,895	2,683
Other accounts payable		(3,608)	(2,221)	(3,801)	(2,759)
Cash generated in operations		<u>496,236</u>	<u>266,871</u>	<u>512,198</u>	<u>285,987</u>
Payment of interest on borrowings and debentures		(40,537)	(66,528)	(40,537)	(66,528)
Payment of interest on lease liability		(2,297)	(2,070)	(2,297)	(2,070)
Taxes paid (Income tax and social contribution)		(84,421)	(20,192)	(85,653)	(21,098)
Net cash generated in operating activities		<u>368,981</u>	<u>178,081</u>	<u>383,711</u>	<u>196,291</u>
CASH FLOW FROM INVESTMENT ACTIVITIES					
Interest earning bank deposits		(183,886)	(291,972)	(183,886)	(291,972)
Acquisition of property, plant and equipment		(373,225)	(51,718)	(374,235)	(51,992)
Acquisition of biological assets		(18,527)	(13,330)	(20,490)	(16,564)
Acquisition of intangible assets		(832)	(4,175)	(836)	(4,175)
Capital contribution		(2,852)	-	-	-
Acquisition of shares of subsidiary		(5)	-	(5)	-
Receipt upon disposal of property, plant and equipment		5,640	5,373	5,640	5,373
Advance for future capital increase		(299)	(8,000)	-	-
Dividends received		14,080	6,611	-	-
Banks - restricted account		-	29,262	-	29,262
Net cash used in investment activities		<u>(559,906)</u>	<u>(327,949)</u>	<u>(573,812)</u>	<u>(330,068)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Payment of dividends and interest on shareholders' equity		(89,933)	(16,544)	(89,933)	(16,544)
Paid-up capital		-	405,000	-	405,000
Costs with issuance of shares		-	(22,961)	-	(22,961)
Lease liability paid		(5,067)	(3,992)	(5,067)	(3,992)
Borrowings obtained		262,772	57,908	262,772	57,908
Issuance of debentures (Net of funding costs)		59,547	-	59,547	-
Borrowings and debentures paid		(42,488)	(312,152)	(42,503)	(312,196)
Repurchase of shares		(18,565)	-	(18,565)	-
Net cash generated (consumed) in financing activities		<u>166,266</u>	<u>107,259</u>	<u>166,251</u>	<u>107,215</u>
(DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR		(24,659)	(42,609)	(23,850)	(26,562)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	<u>35,709</u>	<u>78,318</u>	<u>54,260</u>	<u>80,822</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	<u>11,050</u>	<u>35,709</u>	<u>30,410</u>	<u>54,260</u>

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.
STATEMENTS OF ADDED VALUE FOR THE YEARS ENDED DECEMBER 31

(In thousands of reais)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
1. REVENUES	2,075,273	1,335,091	2,081,879	1,339,135
1.1) Sale of goods, products and services	2,044,824	1,305,890	2,051,145	1,310,197
1.2) Other revenues	30,366	30,322	30,384	30,338
1.3) Provision for impairment of trade receivables - formation	83	(1,121)	350	(1,400)
2. INPUTS ACQUIRED FROM THIRD PARTIES	1,155,711	730,766	1,124,731	723,291
2.1) Cost of goods and services sold	869,497	498,124	844,340	485,168
2.2) Materials, energy, outsourced services and other	286,214	232,642	280,391	238,123
3. GROSS ADDED VALUE (1-2)	919,562	604,325	957,148	615,844
4. DEPRECIATION, AMORTIZATION AND DEPLETION	73,644	71,685	92,444	77,236
5. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS	(28,689)	(11,009)	(43,849)	(18,374)
6. NET ADDED VALUE PRODUCED BY THE ENTITY (3-4-5)	874,607	543,649	908,553	556,982
7. ADDED VALUE RECEIVED AS TRANSFER	70,839	30,709	53,261	28,253
7.1) Equity in the results of subsidiaries	18,352	2,598	-	-
7.2) Finance income	52,487	28,111	53,261	28,253
8. TOTAL ADDED VALUE PAYABLE (6+7)	945,446	574,358	961,814	585,235
9. DISTRIBUTION OF ADDED VALUE	945,446	574,358	961,814	585,235
9.1) Personnel	193,877	170,212	205,752	179,891
9.1.1 - Direct remuneration	150,351	133,596	157,008	139,466
9.1.2 - Benefits	35,368	29,436	40,220	32,921
9.1.3 - FGTS	8,158	7,180	8,524	7,504
9.2) Taxes, duties and contributions	333,884	197,581	338,309	199,752
9.2.1 - Federal	226,763	132,507	230,974	134,567
9.2.2 - State	104,832	62,927	104,866	62,929
9.2.3 - Municipal	2,289	2,147	2,469	2,256
9.3) Third-party capital remuneration	105,836	91,648	105,904	90,675
9.3.1 - Interest	98,809	84,884	98,872	83,854
9.3.2 - Rents	7,027	6,764	7,032	6,821
9.4) Remuneration of own capital	297,817	104,832	297,817	104,832
9.4.1 - Dividends	70,888	20,357	70,888	20,357
9.4.2 - Interest on shareholders' equity	-	4,774	-	4,774
9.4.2 - Profit/(losses) for the year- withheld	226,929	79,701	226,929	79,701
9.5) Other	14,032	10,085	14,032	10,085
9.5.1 - Management profit sharing	14,032	10,085	14,032	10,085

See the accompanying notes to the financial statements.



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IRANI PAPEL E EMBALAGEM S.A.

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATIONS
2. PRESENTATION OF FINANCIAL STATEMENTS
3. SIGNIFICANT ACCOUNTING PRACTICES
4. CONSOLIDATION OF FINANCIAL STATEMENTS
5. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS
6. TRADE RECEIVABLES
7. INVENTORIES
8. RECOVERABLE TAXES AND INCOME TAX AND SOCIAL CONTRIBUTION
9. OTHER ASSETS
10. NON-CURRENT ASSETS HELD FOR SALE
11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION
12. INVESTMENTS IN SUBSIDIARIES
13. INVESTMENT PROPERTIES
14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS
15. BIOLOGICAL ASSETS
16. BORROWINGS
17. DEBENTURES
18. DERIVATIVE FINANCIAL INSTRUMENTS - SWAP
19. SUPPLIERS
20. RELATED PARTIES
21. TAX INSTALLMENT PAYMENTS
22. PROVISIONS FOR CIVIL, LABOR AND TAX RISKS
23. EQUITY
24. EARNINGS PER SHARE
25. NET SALES REVENUE
26. COSTS AND EXPENSES BY TYPE
27. OTHER OPERATING REVENUES AND EXPENSES
28. FINANCE INCOME AND COSTS
29. INCOME TAX AND SOCIAL CONTRIBUTION
30. INSURANCE
31. FINANCIAL INSTRUMENTS
32. OPERATING SEGMENTS
33. GOVERNMENT GRANT
34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES
35. TRANSACTIONS NOT AFFECTING CASH
36. SUPPLEMENTARY INFORMATION TO THE CASH FLOW
37. SUBSEQUENT EVENTS

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

NOTES TO 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 the Novo Mercado segment of B3 S.A. – Brasil, Bolsa, Balcão, Novo Mercado (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 sustainable packaging, such as corrugated cardboard and resin products and their byproducts. The Company is also engaged in forestation and reforestation activities and utilizes the production chain of planted forests (renewable natural resource) and paper recycling as the basis for all its production.

Direct subsidiaries are related in Note 4.

Its direct parent company is Irani Participações S.A., a privately-held Brazilian corporation. Its ultimate parent company is D.P. Representações e Participações Ltda., which is also a company of the Habitasul Group.

1.1. *Coronavirus (COVID-19)*

The year 2021 continues to be affected by the severe acute respiratory syndrome (COVID-19), or Coronavirus, declared a pandemic by the World Health Organization on March 11, 2020. In 2021, actions aimed at improving working conditions and assisting in the quality of life of its employees and the communities in which they live are maintained, of which we can highlight the following: (i) donations of protective facial masks for all employees; (ii) adequacy of workstations to improve the conditions of social distancing required for the operations; (iii) adaptation and improvement in the premises of the cafeterias of the industrial units to meet the necessary protection standards; (iv) for remote workers, the Company is granting an allowance for personal expenses with internet and electricity, in addition to providing adequate chairs for employees to carry out their activities at home. In 2021, it continued 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 continue at a normal pace of production and sale, while Management has been assessing measures to fight the Coronavirus on a regular basis.

Aware of the importance for the communities where it operates and its role in the Brazilian economic scenario, the Company also participates in initiatives to prevent COVID-19, also with actions that rely on the mobilization of different resources and experiences of the Company, focused on health and social assistance, prioritizing care for communities in the regions where the company operates. Among these initiatives, we can highlight the following: i) Donation of PPEs such as gloves, masks, hand sanitizer, aprons and caps to health agencies of the municipalities surrounding our units; ii) Donation of funds to Fundo Empresarial para Reação Articulada de Santa Catarina Contra o Coronavírus (FERA-SC), an initiative developed by Federação das Indústrias do Estado de Santa Catarina (FIESC), which aims to acquire equipment and provide prevision solutions against Coronavirus; iii) Donation of 2,000 boxes for our client Carlezani to be used in the donation of bleach in partnership with Unipar. The product was used to clean several places, as an initiative of the Municipal Governments of São Paulo, Cubatão and Rio Grande da Serra; iv) Donation of corrugated cardboard sheets to produce boxes to transport protective masks for doctors and nurses who were on the front lines of the fight against COVID-19.

In 2021, R\$ 472 were allocated to the continuity of initiatives to fight the pandemic caused by the coronavirus. This fund allowed the Company to support a movement carried out by the Instituto Cultural Floresta in the State of Rio Grande do Sul, through the purchase of two respirators donated to the Military Brigade Hospital in Porto Alegre. Another part of this fund was used for a new set of donations of materials such as gloves, hand sanitizer, aprons, food staples, disposable gloves, masks, oximeters, respirators, thermometers and rapid tests for municipalities around its units in the States of Santa Catarina and Rio Grande do Sul.

Also in 2021, the Company joined the 'United for the Vaccine' campaign, a civil society movement that brings together hundreds of entities, companies, associations and NGOs. The Company's donations totaled approximately R\$ 120 and benefited over 20 municipalities in the State of Santa Catarina.

In the Management's opinion, the measures taken during the year – and which are constantly reassessed – sought to maintain the service level and operational quality that we value in our operations, in addition to seeking to ensure the health and well-being of our employees, suppliers, clients, and society, supporting compliance with the measures provided for by public authorities. We will continue acting to preserve everyone's health, always vigilant and ready to make course corrections as the situation evolves.

Based on long-term projections that include projected cash flows, the Company believes it has sufficient conditions to maintain operating continuity.

Likewise, projections do not present any indication of the need to recognize impairment due to the non-recoverability of its property, plant and equipment or goodwill generated in a business combination. There were also no indications of the need to significantly change the assumptions used to calculate the fair value of the Company's Biological Assets, especially the discount rate of its projected cash flows.

Furthermore, the Company did not identify any indication of non-receipt or losses from with clients other than the assumptions previously adopted. Regarding the supply chain, there is no indication of shortages or difficulties in supplies that could harm the production chain due to lack of inputs and raw materials.

In our units, we continue improving our protocols to fight COVID-19, intensifying awareness and inspection actions on the correct use of masks, hygiene protocols, use of hand sanitizer and social distancing. We did not have serious cases of contaminated employees and we did not have industrial and administrative stoppages.

We keep the contingent of employees in the commercial and administrative area working remotely and carry out the preventive removal of employees in the industrial area with any symptoms of COVID-19, thus avoiding any internal focus of virus contamination and transmission.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Company presents the individual and consolidated financial statements were prepared according to the accounting practices adopted in Brazil, including the pronouncements issued by Accounting Pronouncement Committee (CPC) and International Financial Reporting Standards (IFRS) issued by the IASB – International Accounting Standards Board and evidence all information of financial statements, and only them, which are consistent with those used by Management in its administration.

The issuance of these financial statements of the Company was authorized by Management as of February 16, 2022.

These financial statements have been prepared under the historical cost convention, except for the biological assets and hedge instruments measured at their fair value less selling expenses and financial instruments described in Notes 15 and 31, respectively.

2.1. New amendments to pronouncements not yet in force

The Company did not adopt these changes for preparation of these financial statements. They will be applicable for years started as of January 1, 2022. The following amendments in effective standards should not have a significant impact on Company's individual and consolidated financial statements:

- IFRS 17/CPC 50 - Insurance Contracts;
- IFRS 10/CPC 36(R3) and IAS 28/CPC 18(R2) (amendments) - Sale or assets' contribution between an investor and its associated company or joint venture;
- Amendments to IAS 1/CPC 26(R1) - Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 3/ CPC 15 (R1) - Reference to the Conceptual Framework;
- Amendments to IAS 16/CPC 27 - Property, Plant and Equipment: Proceeds before Intended Use;
- Amendments to IAS 37/CPC 25 - Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to the 2018–2020 IFRS Cycle – Amendments to IFRS 1/CPC 27 (R1)/CPC 43 (R1) - First-time Adoption of International Accounting Standards, IFRS 9/CPC 48 - Financial Instruments, IFRS 16/CPC 06(R2) - Leases, and IAS 41/CPC 29 - Agriculture.
- Amendments to IAS 1/CPC 26(R1) and IFRS 2 practical expedient 2 - Disclosure of accounting policies;
- Amendments to IAS 8/CPC 23 - Definition of accounting estimates.
- Amendments to IAS 12/CPC 32 - Deferred tax assets and liabilities arising from a single transaction

2.2. New amendments in technical pronouncements adopted in financial statements for the year ended December 31, 2021.

The following reviews of the standards below were issued by the CPC, which came into force and were effectively adopted as of January 1, 2021 by the Company, with no effects on its financial statements as to their adoption:

- IFRS 4/CPC 11, IFRS 7/CPC 40(R1), IFRS 9/CPC 48, IFRS 16/CPC 06(R2) and IAS 39/CPC 38 - Impact of the initial adoption of the changes in the Interest Rate Benchmark Reform – Phase 2. Applicable to years or periods starting on or after January 1, 2021.
- IFRS 16/CPC 06(R2) - Impact of the initial application of amendment to IFRS 16 (CPC 06(R2) - Rental Concessions Related to COVID-19. Applicable for annual periods or periods beginning on or after June 30, 2021.

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Functional currency and translation of foreign currencies

The individual and consolidated financial statements are being presented in Brazilian Real, functional and presentation currency of the Company and its subsidiaries.

Foreign-currency transactions are originally recorded at the exchange rate effective on the transaction date. Gains and losses arising from the difference between the balances in foreign currency and the translation into the functional currency are recognized in the statement of profit and loss, except when designated for cash flow hedge accounting and, therefore, deferred in equity as cash flow hedge transactions.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks, and highly liquid investments with a low risk of change in value, and maturing in 90 days or less, which are held for the purpose of meeting short-term cash commitments.

c) Financial assets

The Company, upon initial recognition of a financial asset, classified its assets as: at amortized cost, at fair value through profit or loss. Financial assets are not reclassified after initial recognition unless the Company changes the business model for the management of financial assets. The Company carries out an evaluation of the purpose of the business in which a financial asset is held in the portfolio, since this better reflects the way in which the business is managed.

c.1) Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is impaired (when required). Interest revenue, foreign exchange gains and impairment losses are directly recognized in the statement of operations. Any gain or loss on derecognition is recognized in profit (loss).

c.2) Financial assets measured at fair value through profit or loss

These assets are subsequently measured at fair value. Net income, plus interest, is directly recognized in profit (loss).

c.3) Impairment of financial assets.

The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses (ECLs), the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering prospective information.

Provision for credit risks was calculated based on credit risk analysis, which contemplates loss history, individual client situation, situation of the economic group to which clients belong, real guarantees to credits and legal advisors' evaluation, and is considered sufficient to cover possible losses on amounts receivable. In addition, a prospective evaluation that takes into consideration change or expected change in economic factors that affect expected credit losses is carried out; these credit losses will be determined based on weighted probabilities. The allowance for credit risk considers the maturity term of trade receivables. The Company uses different percentages according to the maturity period, aiming to measure the probability of loss, increasing the percentage of the allowance for credit risk as the trade notes are overdue for a longer period.

The Company measures the provision for loss in an amount equal to credit loss expected for the life of the asset.

d) Derecognition

The Company derecognizes a financial asset when contractual rights to assets' cash flows expire, or when the Company transfers the contractual right of receiving a financial asset to contractual cash flows, in a transaction in which substantially all risks and rewards of owning the financial asset are transferred or in which the Company neither substantially transfers nor maintains all risks and rewards of owning the financial asset and neither retains control over the financial asset.

e) Offsetting

Financial assets or liabilities are offset and the net value reported in the balance sheet only when the Company has a legally enforceable right to offset and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

f) Financial instruments

A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at fair value through profit or loss: it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at fair value through other comprehensive income if it meets both conditions below and is not designated as measured at fair value through profit or loss: it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and its contractual terms generate, on specific dates, cash flows which are only payments of

principal and interest on outstanding principal value. In the initial recognition of an investment in an equity instrument not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income. This choice is made on an investment basis.

The Company makes an assessment of the objective of the business in which a financial asset is held at a portfolio level, because this better reflects the way in which the business is managed and information is provided to management. The information considered includes: the stated policies and objectives established for the portfolio and operation of those policies in practice. They include the question of whether management's strategy focuses on obtaining contractual interest revenues, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets; how the performance of the portfolio is evaluated and reported to the Company's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; the sales rate, volume and timing of sales of financial assets in prior periods, the reasons for such sales and future sales expectations.

f.1) Evaluation whether the contractual cash flows represent solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as a consideration for the amount of cash at the time and for the credit risk associated to the outstanding principal value during a certain period and for other risks and base costs of borrowings (for example, liquidity risk and administrative costs), as well as for the profit margin.

The Company considers the contractual terms of the instruments to assess whether the contractual cash flows are solely payments of principal and interest. It includes evaluating whether the financial asset contains a contractual term that could change the time or amount of the contractual cash flows so that it would not meet this condition. In making this assessment, the Company considers: contingent events that would change the amount or timing of cash flows; terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; the terms that limit the Company's access to cash flows of specific assets (for example, based on the performance of an asset).

The prepayment is consistent with the principal and interest payment criterion if the prepayment amount mostly represents the unpaid principal and interest amounts on the outstanding principal value - which may include an additional reasonable offset due to the early termination of the contract.

g) Inventories

They are stated at the lower amount between the mobile weighted average cost of production or acquisition, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale.

The cost of transferred timber from biological assets is at its fair value minus selling expenses, calculated on the cutoff date.

h) Investments

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

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

Unrealized transactions, balances and gains in transactions among companies are eliminated. Unrealized losses are also eliminated, unless the transaction shall provide impairment evidence of the asset transferred. The accounting policies of the subsidiaries are changed when required in order to assure the consistency with the policies adopted by the Company.

i) Investment property

Investment properties are measured at cost and its fair value disclosed in Note.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful life, residual values and depreciation methods are reviewed annually, and the effects of any changes in estimates are accounted for prospectively.

Revenues from rented investment properties is recognized in the statement of profit and loss on the accrual basis.

Any gain or loss from the sale or write-off of an item recorded within investment properties is determined as the difference between the proceeds received and the carrying amount of the asset sold, and recognized in the statement of profit and loss.

j) Assets held for sale

Non-current assets held for sale are classified as “held for sale” if it is highly probable that they will be primarily recovered through sales instead of the continuous use.

Assets held for sale are generally stated at the lowest value between their carrying amount and the fair value less selling expenses. Impairment losses determined in the initial classification as held for sale and gains and losses from subsequent remeasurements, are recognized in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any investment measured under the equity method is no longer subject to the application of the method.

k) Property, plant and equipment and intangible assets

Property, plant and equipment are stated at deemed cost less accumulated depreciation and impairment losses, where applicable. In the case of qualifying assets, borrowing costs are capitalized as part of the costs of construction in progress. These assets are classified in the appropriate categories of property, plant and equipment when completed and ready for their intended use. Depreciation of these assets starts when they are ready for use and is calculated on the same basis as for other property, plant and equipment.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

The Company calculates depreciation on the straight-line method, taking into consideration the estimated useful lives of the assets, based on expected future economic benefits, except for land, which is not depreciated. The evaluation of the estimated useful life of assets is reviewed annually and adjusted according to the evaluation.

Any gains and losses on disposal of a property, plant and equipment item are recognized in profit (loss).

The Company’s intangible assets comprise goodwill, software licenses, brand and customer portfolio.

Goodwill is represented by the positive difference between the amount paid and/or payable for the acquisition of a business and the investee’s net fair value of assets and liabilities of subsidiary acquired. Goodwill on acquisitions of subsidiaries is recorded

as "Intangible assets" in the consolidated financial statements. If a gain on advantageous purchase is determined, the amount is recorded as a gain in the statement of profit and loss for the period, at the acquisition date. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Impairment losses recognized on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The allocation is made to the Cash Generating Units that are expected to benefit from the business combinations in which the goodwill arose.

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of five years of the software. Software maintenance costs are recognized as an expense, as incurred.

Separately acquired trademarks and licenses are initially stated at historical cost. Trademarks and licenses acquired within a business combination are recognized at fair value on the acquisition date. The Company's trademarks do not have a defined useful life and, therefore, are not amortized.

The customer portfolio acquired in a business combination is recognized at fair value at the acquisition date, and is accounted for at fair value less accumulated amortization. Amortization is calculated on the straight-line basis, over the expected life of the relationship with the customer.

1) Biological assets

The Company's biological assets are mainly represented by planted pine forests that are used for the production of packaging paper, boxes and plates of corrugated cardboard, and also for trading with third parties and extraction of gum resin. The pine forests are located near the pulp and paper plant in the state of Santa Catarina and also in the state of Rio Grande do Sul, where they are used for the production of gum resin and sale of timber logs.

The biological assets are valued at fair value, less selling costs. The change during each period is recognized in the statement of profit and loss as a change in the fair value of biological assets. The evaluation of fair value of biological assets is based on certain assumptions, as Note 15.

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

On each reporting date, the Company reviews carrying amounts of its non-financial assets (except for biological assets, investment properties, inventories, contract assets and deferred taxes) to determine if there is an indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated. In case of goodwill, the recoverable value is annually tested, assets are grouped into the cash generating units (CGUs), that is, smallest identifiable group of assets that can generate cash inflows by continuous use, which are highly independent from cash inflows referring to other assets or cash generating units. Goodwill from business combinations is allocated to cash generating units or groups of cash generating units that are expected to benefit combination synergy.

Recoverable value or CGU of an asset is the higher of value in use and fair value less selling costs. Value in use is based on estimated future cash flows discounted to present value using a discount rate before taxes that reflects current market evaluations of times value of money and the specific risks of the assets or CGU.

An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable value.

Impairment losses are recognized in profit (loss). Recognized losses referring to CGUs are initially allocated to reduce any goodwill allocated to that CGU (or CGU group) and then to reduce the carrying amount of other assets of that CGU (or CGU group) on a pro rata basis.

An impairment loss related to goodwill is not reversed. Regarding other assets, impairment losses are reversed only with the condition that the new carrying amount of the asset does not exceed the carrying amount that would have been calculated, net of depreciation or amortization, if the value loss had not been recognized.

During the year ended December 31, 2021, the Company did not identify any indicators that the carrying amount exceeds the recoverable value of its non-financial assets for its continuing operations.

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

A provision is recorded for current income tax and social contribution based on the taxable income determined according to the prevailing tax legislation, which differs from the profit reported in the statement of profit and loss since it excludes revenues or expenses taxable or deductible in other periods, as well as permanently non-taxable or non-deductible items. The provision for income tax and social contribution is calculated individually for each company, based on the prevailing rates in the period. The Company adopts the current rate of 34% to calculate its income taxes.

On temporary differences for tax purposes, tax losses, adjustments of deemed cost and changes in the fair value of biological assets are recorded deferred income tax and social contribution. Deferred tax liabilities are usually recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, only when it is probable that the Company will present future taxable income in sufficient amount to use these deductible temporary differences.

Deferred income tax assets and liabilities are presented at net value in balance sheet when there is the legal right and the intention of offsetting them upon calculation of current taxes, in general related to the same legal entity and the same tax authority.

o) Loans, financing and debentures

Loans are stated at their original amounts, less the related transaction costs, where applicable, and adjusted based on indices established in the contracts entered into with the creditors. Interest is also calculated using the effective interest rate method, as well as the effects of foreign exchange rate changes, where applicable, through the balance sheet dates, as described in the explanatory notes.

p) Lease

p.1) Definition of lease

According to CPC 06(R2)/IFRS 16, a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

p.2) the Company as the lessee

The Company leases real estate, production and IT equipment. As a lessee, in accordance with CPC 06 (R2)/IFRS 16, the Company recognizes the right-of-use assets and the lease liabilities for most leases – that is, these leases are recorded in the balance sheet.

However, the Company opted not to recognize the assets of right-of-use and the lease liabilities for certain low-value lease assets. (e.g., IT equipment). The Company recognizes payments associated to these leases as expense under the straight-line method over the lease term.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the value of initial measurement of the lease liability adjusted to any lease payments made to the initial date, plus any initial direct costs incurred by the lessee

and an estimate of the costs to be incurred by the lessee to disassemble and remove the underlying asset, by returning it to the place where it is located or returning the underlying asset to the state required under the lease terms and conditions, less any lease incentives received accordingly.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of underlying asset to the lessee at the end of lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the call option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property, plant and equipment. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the start date, discounted using the incremental borrowing rate of the Company.

Lease payments included in the measurement of lease liability comprise the following: (i) fixed payments, including initial fixed payments; (ii) variable lease payments based on an index or rate, initially measured based on the index or rate at the initial date; (iii) amounts expected to be paid by the lessee, in accordance with the residual value guarantees; and (iv) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when a change occurs in future lease payments as a result of a change in an index or rate, if there is a change in the amounts expected to be paid in accordance with the residual value guarantee, if the Company changes its assessment to exercise a call option, extend or terminate it, or if there is a payment of an initially fixed revised lease.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit (loss) if the carrying amount of the right-of-use asset has been reduced to zero.

Management recognized right-of-use assets and lease liabilities as shown in note 34.

p.3) the Company as the lessor

The Company leases its investment properties as Note 13. The Company continues to classify this lease as operating leases, as the CPC 06, with no impact on its financial statements.

q) Provisions

A provision is recognized in the balance sheet when the Company has a present obligation, formal or not formal as a result of a past event, it is probable that an outflow of resources will be required to settle this obligation, and the amount can be reliably estimated. Provisions are recorded at amounts considered sufficient by management to cover probable losses, and are adjusted through the balance sheet date, based on the nature of each risk, and the opinion of the Company's legal counsel.

r) Employee benefits

Profit sharing

The Company recognizes liabilities and expenses for profit sharing based on a methodology that takes into consideration the profit attributable to each of the operating segments. The provisions are recognized according to the terms of the agreement entered into between the Company and the employees' representatives, which are reviewed on an annual basis.

s) Significant accounting judgments, estimates and assumptions

The preparation of these financial statements, Management used judgments and estimates that affect the application of accounting principles of the Company, and the reported values of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Reviews of estimates are recognized on a prospective basis.

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

Therefore, the financial statements include several estimates, including, but not limited to: the determination of the useful lives of property, plant and equipment (Note 14), measurement of fair value of assets held for sale (Note 10), the realization

of deferred tax assets (Note 11), the provision for impairment of trade receivables (Note 6), the measurement of biological assets at fair value (Note 15), the provision for tax, social security, civil and labor claims (Note 22), in addition to the impairment of non-financial assets (Note 14) and judgment related to the determination of PIS and COFINS tax credit (Note 8).

The actual results of the balances formed with the use of judgments, estimates and accounting assumptions, upon their actual realization, may be different from those recognized in the financial statements.

t) Recognition of revenues

The steps for revenue recognition include the following: i) identification of the contract with the customer; ii) identification of performance obligations; iii) determination of transaction price; iv) allocation of transaction price; and v) the revenue recognition by fulfilling the performance obligation. Revenue is recognized when products are delivered to the clients.

Accordingly, revenues are recorded at the amount of consideration the Company expects to receive in exchange for the goods and services provided to the clients. The revenue is stated net of taxes, returns, rebates or discounts.

u) Government grants

Tax collection deferrals, granted directly or indirectly by the government, required at below market interest rates, are treated as a government grant and measured by the difference between the amounts obtained and the fair value calculated based on market interest rates. This difference is recorded with a corresponding entry to sales revenue in the statement of profit and loss, and will be allocated based on the amortized cost and the effective rate over the period (Note 33).

v) Statement of added value (“DVA”)

The Brazilian corporate law requires the presentation of the statement of value added, individual and consolidated, as part of the set of financial statements presented by the Company. Accordingly, in conformity with IFRS, this statement is presented as supplementary information, without prejudice to financial statements as a whole. The purpose of this statement is to show the wealth created by the Company and its distribution during the reporting years.

The statement of value added has been prepared pursuant to the provisions of CPC 09 - "Statement of Value Added", with information obtained from the same book records used to prepare the financial statements.

4. CONSOLIDATION OF FINANCIAL STATEMENTS

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

Participation in share capital - %	Business activity	12/31/2021	12/31/2020
Subsidiaries - direct ownership			
Habitasul Florestal S.A.	Forestry production	100.00	100.00
HGE - Geração de Energia Sustentável S.A. *	Electric power generation	100.00	100.00
Iraflor - Comércio de Madeiras LTDA.	Trade of timber	100.00	99.99
Irani Soluções para E-Commerce LTDA. **	E-commerce for packaging	100.00	99.56
Irani Ventures LTDA.	Interest in other companies or projects	100.00	-

* non-operating

** Formerly 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 accounting information of the subsidiaries, used for consolidation, was prepared at the same date as that of the parent 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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Fixed-income fund	19	19	20	20
Banks	7,470	4,403	7,544	4,424
Financial investments with immediate liquidity i)	3,561	31,287	22,846	49,816
Total cash and cash equivalents	11,050	35,709	30,410	54,260
Financial investments ii)	475,858	291,972	475,858	291,972
Total financial investments	475,858	291,972	475,858	291,972
Total cash and cash equivalents and financial investments	486,908	327,681	506,268	346,232

- i) Short-term investments are intended to meet the Company's immediate cash needs.
- ii) Financial investments are intended to meet the Company's non-immediate commitments, which mainly refer to investments in the Gaia platform.

Short-term investments with no grace period and short-term investments with a grace period of less than 52 days are remunerated with fixed income at an average rate of 102.8% (105.4% as of December 31, 2020) of the CDI. Cash management is carried out in accordance with the Company's [Financial Management Policy](#) approved by the Board of Directors as of July 23, 2021.

6. TRADE RECEIVABLES

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Trade receivables from:				
Clients - domestic market	243,435	201,520	243,753	202,870
Clients - Related parties	242	-	242	-
Trade receivables - Foreign market	33,035	22,875	33,035	22,875
Clients - renegotiation	10,902	11,712	10,902	11,712
	<u>287,614</u>	<u>236,107</u>	<u>287,932</u>	<u>237,457</u>
Estimates losses on trade receivables	<u>(30,452)</u>	<u>(30,535)</u>	<u>(30,464)</u>	<u>(30,814)</u>
	<u>257,162</u>	<u>205,572</u>	<u>257,468</u>	<u>206,643</u>
Current installment	255,039	201,399	255,345	202,470
Non-current installment	2,123	4,173	2,123	4,173

The aging analysis of trade receivables is as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Falling due (days):	247,689	189,816	247,952	190,755
up to 30	7,431	12,287	7,474	12,373
31-60	2,627	1,146	2,627	1,155
61-90	49	24	49	33
91-180	335	1,116	335	1,116
>180	29,483	31,718	29,495	32,025
	<u>287,614</u>	<u>236,107</u>	<u>287,932</u>	<u>237,457</u>

The Company records a provision for estimated losses on trade receivables for the relevant portion of trade receivables overdue for more than 180 days. Provisions for impairment of trade receivables 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, the prospective analysis and historical analyses 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 provides information on the credit risk exposure and expected credit losses for trade receivables and contractual assets for individual clients as of December 31, 2021 and December 31, 2020:

Consolidated

Exposure to credit risk and credit losses

	Weighted average rate of estimated loss	Gross book balance at 12/31/2021	Provision for estimated loss on 12/31/2021
Falling due (days):	0.23%	247,952	(559)
up to 30	0.40%	7,474	(30)
31–180	24.44%	3,011	(736)
>181	98.79%	29,495	(29,139)
		<u>287,932</u>	<u>(30,464)</u>

Consolidated

Exposure to credit risk and credit losses

	Weighted average rate of estimated loss	Gross book balance at December 31,	Provision for estimated loss on 12/31/2020
Falling due (days):	0.28%	190,755	(528)
up to 30	0.20%	12,373	(25)
31–180	24.09%	2,304	(555)
>181	92.76%	32,025	(29,706)
		<u>237,457</u>	<u>(30,814)</u>

Loss rates are based on actual credit loss experience. These rates were multiplied by scale factors to reflect differences among economic conditions during the period in which historic data was collected, current conditions, and the Company's vision on economic conditions over receivables' expected lives.

The credit quality of financial assets that were neither past due nor impaired at December 31, 2021 was assessed with reference to historical information on Company's default rates: Overall, 97% of trade receivables do not have a default history.

Changes in the provisions may be stated as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	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	83	-	350	-
Balance at year-end	<u>(30,452)</u>	<u>(30,535)</u>	<u>(30,464)</u>	<u>(30,814)</u>

A portion of receivables, amounting to R\$ 83,793, has been assigned as collateral for certain financing transactions (R\$ 94,647 as of December 31, 2020) as disclosed in Notes 16 and 17 as of December 31, 2021.

7. INVENTORIES

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Finished goods	59,353	39,153	60,213	39,154
Production materials	35,551	31,361	35,589	31,400
Consumable materials	26,367	21,677	26,520	21,776
Other inventories	736	683	736	683
	<u>122,007</u>	<u>92,874</u>	<u>123,058</u>	<u>93,013</u>
Decrease to net realizable value	-	(36)	-	(36)
	<u>122,007</u>	<u>92,838</u>	<u>123,058</u>	<u>92,977</u>

The cost of inventories recognized in the statement of profit and loss does not include the reduction to net realizable value. The amount recognized in other net operating revenues/expenses as a reduction in net realizable value referred to the provision for inventories from the discontinued operation.

In 2021, the cost of inventories recognized in profit (loss) for the year was R\$ 1,019,023 (R\$ 717,538 in 2020) in parent company and R\$ 1,017,659 (R\$ 722,663 in 2020) in consolidated.

The Company did not recognize the provisions related to its inventories for the year 2021.

Changes in the provisions may be stated as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Balance at the beginning of the year	(36)	(2,408)	(36)	(2,408)
Written-off obsolete inventories	-	343	-	343
Reversal of provision to net realizable value	36	2,029	36	2,029
Balance at year-end	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>(36)</u>

8. RECOVERABLE TAXES AND INCOME TAX AND SOCIAL CONTRIBUTION

a) Recoverable taxes

They are as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
ICMS	22,520	7,431	22,524	7,431
Social Integration Program (PIS)/ Social Contribution	9,551	92,638	9,556	92,638
IPI	40	153	40	153
Income Tax Withheld at Source (IRRF) on investmer	-	-	1	1
Other	1,061	381	1,061	392
	<u>33,172</u>	<u>100,603</u>	<u>33,182</u>	<u>100,615</u>
Current installment	20,888	73,165	20,898	73,167
Non-current installment	12,284	27,438	12,284	27,448

ICMS credits are basically credits on the acquisition of property, plant and equipment generated in relation to purchases of property, plant and equipment items of the Company and Interstate Acquisition of raw material by Resina/RS unit, in which the Company evaluates the possibility of selling the credits to third parties.

Balances of PIS and COFINS credits as of December 31, 2020 basically referred to the right to exclusion of ICMS from PIS and COFINS calculation basis, as well as the offset of amounts unduly paid and related to lawsuits. The credits described below were fully used to offset IPI, PIS and COFINS debts:

- i) Lawsuit 2006.34.00.035946-0 (Irani Papel e Embalagem S.A.). On November 29, 2006, the Company filed a court order seeking the exclusion of ICMS from the PIS and COFINS calculation basis and obtained a favorable decision in which the right to exclude ICMS from the PIS and COFINS calculation basis is guaranteed for the period as from November 2001. In view of this, the potential value of the updated credits was estimated at R\$ 143,157 (R\$ 81,282 corresponding to the original amount of the credit and R\$ 61,875 referring to the restatement by Selic) corresponding to the base years that precede 5 years from the date of entry of the shares (November 2006) until base year March 2017 (date of the Federal Supreme Court (STF) decision), calculated based on the value of ICMS specified in the sales invoice according to the reasoning of the decision issued in the lawsuit, in line with the STF decision in Special Appeal RE 574.706 - Theme 69. The Company recognized the credit in the financial statements, and the criterion of practically certain gain was consummated on October 14, 2019 with the final and unappealable decision of the lawsuit, as well as the granting of the Credit Qualification Request No. 11080.746434/2019-41 occurred on December 24, 2019.
- ii) Lawsuit No. 5035712-95.2016.4.04.7100 (Irani Papel e Embalagem S.A. as successor to Indústria de Papel e Papelão São Roberto S.A.). The Company obtained a favorable decision by which the right to recover amounts related to the exclusion of ICMS from the PIS and COFINS calculation basis of the successor company from May 2011 to December 30, 2014 (merger date) is guaranteed. In view of this, the potential value of the updated credits was estimated at R\$ 17,614 (R\$ 10,585 corresponding to the original amount of the credit and R\$ 7,029 referring to the restatement by Selic) corresponding to the base years that precede 5 years from the date of entry of the shares (May 2016) until base year December 2014 (merger date), calculated based on the value of ICMS specified in the sales invoice according to the reasoning of the decision issued in the lawsuit, in line with the STF decision in Special Appeal RE 574.706 - Theme 69. The Company recognized such credit in the financial statements, after the final and unappealable favorable decision, which was handed down on September 18, 2020, as well as the granting of Credit Qualification Request No. 10166.749523/2020-71 occurred in November 10, 2020.

b) Recoverable income tax and social contribution

They are as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Recoverable IRPJ	18,871	-	18,871	-
Recoverable CSLL	6,794	-	6,794	-
	<u>25,665</u>	<u>-</u>	<u>25,665</u>	<u>-</u>
Current installment	-	-	-	-
Non-current installment	25,665	-	25,665	-

In 2013, the Company filed Ordinary Lawsuit No. 0042549-88.2013.4.01.3400/DF, aiming, among other claims, the unenforceability of corporate income tax (IRPJ) and social contribution (CSLL) on amounts received as refund of undue taxes declared, especially regarding monetary restatement and default interest on said reimbursements.

On September 27, 2021, the *Federal Supreme Court (STF)* judged the RG/SC RE 1063187, Topic 962, with general repercussion, the levying of IRPJ and CSLL on amounts related to the Selic rate received due to repetition of undue tax payment was declared unconstitutional.

On October 19, 2021, the Company filed a request for Guardianship of Evidence with the TRF1 for the Appeal filed to be judged according to the understanding that the Federal Supreme Court (STF) adopted on the subject, which is awaiting analysis.

In view of the judgment mentioned above, in the context of general repercussion in the STF, and considering the probable favorable outcome of the Company's lawsuit, in accordance with CPC 32/IAS 12 and ICPC 22/IFRIC 23, the Company recognized in 2021, as IRPJ and CSLL on the SELIC rate in the repetition of undue tax payments, the updated amount of R\$ 25,665. Considering that there is no expectation of an immediate decision on the lawsuit filed by the Company and the probable delay in the procedures for releasing the credit for offsetting, it was classified as non-current.

9. OTHER ASSETS

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Advances to suppliers	1,152	2,476	1,182	2,476
Employee credits	2,587	2,481	2,759	2,614
Rio Negro Propriedades Rurais e Participações S.A.	4,003	4,003	4,003	4,003
Prepaid expenses	2,345	1,684	2,345	1,684
Credit receivable from Irani Participações S.A.	-	2,495	-	2,495
Lawsuit compensation credit SP - Court-ordered debt payment:	4,526	-	4,526	-
Other receivables	1,590	2,275	1,692	2,307
	<u>16,203</u>	<u>15,414</u>	<u>16,507</u>	<u>15,579</u>
Current installment	11,677	15,414	11,954	15,552
Non-current installment	4,526	-	4,553	27

The balance receivable from Rio Negro Propriedades Rurais e Participações S.A. refers to the sale of Rural Properties carried out in the year ended December 31, 2019.

The balance receivable from credit of a lawsuit on abusive interest (SP - Court-ordered debt payments) refers to Ordinary Action 1030021-89.2014.8.26.0053 that declared the non-enforceability of default interest in the amounts of ICMS paid in administrative installments at a rate higher than the SELIC rate in favor of the Company. The restated value of said Court-ordered debt payment issued on July 6, 2021 is R\$ 4,526, which the Company expects to realize by the end of 2023.

10. NON-CURRENT ASSETS HELD FOR SALE

Based on a decision of the Company's Board of Directors, in 2019 the Company discontinued operations of Corrugated Cardboard Packaging at Vila Maria unit in São Paulo/SP. The assets of that unit were appraised by Management and were classified as held for sale, due to the condition of the assets, the high probability of sale and the efforts to make the sale by the Company's Management, according to the classification criteria set forth by CPC 31/IFRS 5.

In December 2019, a Private Instrument of Commitment to the Purchase and Sale was signed, for the sale of the industrial property where the corrugated cardboard packaging plant was located, in the amount of R\$ 41,200. The completion of said transaction is subject to the fulfillment of certain precedent conditions. During the year 2020, some precedent conditions of an environmental nature and related to the property could not be fulfilled due to the COVID-19 pandemic, which imposed severe restrictions on the circulation of people and the operation of public agencies. Thus, the Company signed an amendment to the Private Instrument of Commitment to the Purchase and Sale in December 2020, providing for the postponement of the term for compliance with the aforementioned precedent conditions.

The unfulfilled precedent conditions refers to: i) Release of encumbrances and any other burdens, debts and fines that may eventually affect the property; ii) Environmental Release with the obtaining, by the seller, of the Statement of Termination of Activities to be issued by CETESB, and following the guidelines of CPC 47/IFRS 15; there was no recognition of revenues and expenses of these operations in the Company’s financial statements as of December 2021.

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

During 2019, a provision of R\$ 53,122 was recognized for impairment (fair value less selling cost) over the group of assets held for sale. The provision was recorded in the statement of profit and loss for the respective year of the discontinued operation.

(b) Assets held for sale

As of December 31, 2021, the group of assets held for sale is presented at fair value less selling cost and it comprised the following assets:

Assets held for sale	12/31/2021	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 Other comprehensive income (OCI)

There are no accumulated gains or losses included in other comprehensive income related to this group held for sale.

(d) Measurement of fair value

The fair value of R\$ 41,200 for the group of assets held for sale was measured based on the Private Instrument of Commitment to the Purchase and Sale mentioned above.

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

In 2021, the Company computed income tax and social contribution on exchange-rate changes on a cash basis, and recorded a deferred tax liability related to unrealized

exchange-rate change. There was no change in the form of calculation of income tax and social contribution on exchange-rate changes in relation 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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Deferred income tax assets				
On temporary provisions	8,327	9,735	8,327	9,735
On tax loss	20,490	48,524	20,514	48,524
Deferred social contribution assets				
On temporary provisions	2,997	3,504	2,997	3,504
On negative basis	7,376	17,469	7,385	17,469
	<u>39,190</u>	<u>79,232</u>	<u>39,223</u>	<u>79,232</u>
LIABILITIES	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	-	304	-	304
Fair value of biological assets	35,200	29,194	36,545	30,253
Deemed cost of property, plant and equipment	116,116	120,360	118,054	122,298
Government grant	32	40	32	40
Amortization of tax goodwill	25,158	25,158	25,158	25,158
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	-	109	-	109
Fair value of biological assets	12,672	10,510	13,399	11,082
Deemed cost of property, plant and equipment	41,802	43,330	42,500	44,028
Government grant	11	14	11	14
Amortization of tax goodwill	9,057	9,057	9,057	9,057
	<u>240,048</u>	<u>238,076</u>	<u>244,756</u>	<u>242,343</u>
Deferred tax liabilities (net)	<u>200,858</u>	<u>158,844</u>	<u>205,533</u>	<u>163,111</u>

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

Deferred tax asset:	Parent company and Consolidated
Period	12/31/2021
2022	34,022
2023	1,292
2024	1,292
2025	1,292
2026	1,292
	<u>39,190</u>

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

Parent company assets	Opening balance 01/01/2020	Recognized in profit (loss)	Closing balance 12/31/2020
Deferred tax assets regarding:			
Provision for sundry risks	(13,508)	269	(13,239)
Total temporary differences	(13,508)	269	(13,239)
Tax loss and negative basis	(57,717)	(8,276)	(65,993)
	<u>(71,225)</u>	<u>(8,007)</u>	<u>(79,232)</u>

Parent company assets	Opening balance 01/01/2021	Recognized in profit (loss)	Closing balance 12/31/2021
Deferred tax assets regarding:			
Provision for sundry risks	(13,239)	1,915	(11,324)
Total temporary differences	(13,239)	1,915	(11,324)
Tax loss and negative basis	(65,993)	38,127	(27,866)
	<u>(79,232)</u>	<u>40,042</u>	<u>(39,190)</u>

Parent company liabilities	Opening balance 01/01/2020	Recognized in profit (loss)	Closing balance 12/31/2020	Recognized in profit (loss)	Closing balance 12/31/2021
Deferred tax liabilities regarding:					
Exchange-rate change recognized on a cash basis	252	161	413	(413)	-
Fair value of biological assets	37,290	2,414	39,704	8,168	47,872
Deemed cost and review of useful life	169,287	(5,597)	163,690	(5,772)	157,918
Government grant	264	(210)	54	(11)	43
Customer portfolio	589	(589)	-	-	-
Amortization of tax goodwill	29,734	4,481	34,215	-	34,215
	<u>237,416</u>	<u>660</u>	<u>238,076</u>	<u>1,972</u>	<u>240,048</u>

Consolidated assets	Opening balance 01/01/2020	Recognized in profit (loss)	Closing balance 12/31/2020
Deferred tax assets regarding:			
Provision for sundry risks	(13,508)	269	(13,239)
Total temporary differences	(13,508)	269	(13,239)
Tax loss and negative basis	(57,717)	(8,276)	(65,993)
	<u>(71,225)</u>	<u>(8,007)</u>	<u>(79,232)</u>

Consolidated assets	Opening balance 01/01/2021	Recognized in profit (loss)	Closing balance 12/31/2021
Deferred tax assets regarding:			
Provision for sundry risks	(13,239)	1,915	(11,324)
Total temporary differences	(13,239)	1,915	(11,324)
Tax loss and negative basis	(65,993)	38,094	(27,899)
	<u>(79,232)</u>	<u>40,009</u>	<u>(39,223)</u>

Consolidated liabilities	Opening balance 01/01/2020	Recognized in profit (loss)	Closing balance 12/31/2020	Recognized in profit or loss	Closing balance 12/31/2021
Deferred tax liabilities regarding:					
Exchange-rate change recognized on a cash basis	252	161	413	(413)	-
Fair value of biological assets	38,716	2,619	41,335	8,609	49,944
Deemed cost and review of useful life	171,923	(5,597)	166,326	(5,772)	160,554
Government grant	264	(210)	54	(11)	43
Customer portfolio	589	(589)	-	-	-
Amortization of tax goodwill	29,734	4,481	34,215	-	34,215
	<u>241,478</u>	<u>865</u>	<u>242,343</u>	<u>2,413</u>	<u>244,756</u>

12. INVESTMENTS IN SUBSIDIARIES

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Soluções para E-Commerce	Irani Ventures	Total
December 31, 2019	56,132	75,672	541	248	-	132,593
Equity in the results of subsidiaries	(10,703)	14,080	(541)	(238)	-	2,598
Dividends	-	(6,611)	-	-	-	(6,611)
Capital contribution (i) and (ii)	17,000	10,044	-	-	-	27,044
Advance for future capital increase (i)	(9,000)	-	-	-	-	(9,000)
December 31, 2020	53,429	93,185	-	10	-	146,624
Equity in the results of subsidiaries	1,824	16,992	(7)	(393)	(64)	18,352
Dividends	-	(14,080)	-	-	-	(14,080)
Capital contribution (i) (ii) and (iii)	-	5,317	20	631	2,500	8,468
Advance for future capital increase (i)	-	-	-	-	-	-
Other changes	-	5	-	-	-	5
December 31, 2021	55,253	101,419	13	248	2,436	159,369

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Soluções para E-Commerce	Irani Ventures	
December 31, 2021						
Current						
Assets	6,149	30,333	14	270		2,406
Liabilities	(2,150)	(359)	(1)	(22)		(3)
Assets/Current liabilities Net	3,999	29,974	13	248		2,403
Non-current						
Assets	54,863	72,893	-	-		33
Liabilities	(3,609)	(1,449)	-	-		-
Non-current assets/liabilities, net	51,254	71,444	-	-		33
Equity	55,253	101,418	13	248		2,436
Net revenue	25,091	16,349	-	49		-
Income/loss before income tax and social contribution	2,522	18,291	(7)	(393)		(97)
Income tax and social contribution expense	(698)	(1,299)	-	-		33
Profit (loss) for the period	1,824	16,992	(7)	(393)		(64)
Ownership interest - %	100.00	100.00	100.00	100.00	100.00	100.00

- (i) On November 30, 2020, the payment of the advances for future capital increase in the amount of R\$ 17,000 was carried out. Advances for future capital increase were approved by the Company on September 16, 2020 in the amount of R\$ 8,000, and on December 11, 2019 in the amount of R\$ 9,000, aimed at meeting the need for working capital in the subsidiary.

On September 17, 2021, the payment of the advance for future capital increase in the amount of R\$ 300 was carried out. On June 23, 2021, the Company carried out the advance for future capital increase at the subsidiary Irani Soluções to E-commerce Ltda in the amount of R\$ 300.

- (ii) During 2021, Iraflor Comércio de Madeiras Ltda. received a capital contribution from its parent company Irani Papel e Embalagem S.A., amounting to R\$ 5,317, which was paid up through the transfer of forest assets.

During 2020, Iraflor Comércio de Madeiras Ltda. received a capital contribution from its parent company Irani Papel e Embalagem S.A., amounting to R\$ 10,044, which was paid up through the transfer of forest assets.

As of September 17, 2021, Irani Soluções para E-commerce Ltda. received a capital contribution from the parent company Irani Papel e Embalagem S.A. in the amount of R\$ 331, paid in cash.

As of September 17, 2021, HGE Geração de Energia S.A. received a capital contribution from the parent company Irani Papel e Embalagem S.A. in the amount of R\$ 20 paid in cash.

- (iii) On August 10, 2021, the Board of Directors of the Company approved the organization of the company Irani Ventures Ltda, wholly-owned subsidiary of the Company with the objective of investing in selected startups, with innovative solutions, high-tech products and services, already validated by the market and with high growth potential, according to the company's investment thesis duly approved by the Investment Committee. The total amount of the approved contribution is R\$ 10,000, of which R\$ 2,500 was paid in immediately and the remaining R\$ 7,500 will be paid in half-yearly contributions for a period of three (3) semesters.

13. INVESTMENT PROPERTIES

Parent company

	Land	Buildings	Total
December 31, 2020			
Opening balance	18,704	3,030	21,734
Write-offs/Disposals	(18)	-	(18)
Depreciation	-	(175)	(175)
Book balance, net	<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)
Book balance, net	<u>18,686</u>	<u>2,855</u>	<u>21,541</u>
December 31, 2021			
Opening balance	18,686	2,855	21,541
Depreciation	-	(174)	(174)
Book balance, net	<u>18,686</u>	<u>2,681</u>	<u>21,367</u>
Cost	18,686	5,377	24,063
Accumulated depreciation	-	(2,696)	(2,696)
Book balance, net	<u>18,686</u>	<u>2,681</u>	<u>21,367</u>

Consolidated

	Land	Buildings	Total
December 31, 2020			
Opening balance	2,545	3,030	5,575
Transfers of property, plant and equipment	16,159	-	16,159
Write-offs/Disposals	(18)	-	(18)
Depreciation	-	(175)	(175)
Book balance, net	<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)
Book balance, net	<u>18,686</u>	<u>2,855</u>	<u>21,541</u>
December 31, 2021			
Opening balance	18,686	2,855	21,541
Depreciation	-	(174)	(174)
Book balance, net	<u>18,686</u>	<u>2,681</u>	<u>21,367</u>
Cost	18,686	5,377	24,063
Accumulated depreciation	-	(2,696)	(2,696)
Book balance, net	<u>18,686</u>	<u>2,681</u>	<u>21,367</u>

Land

It refers mainly to:

- i. land held by the Company for the future use or realization, located in the state of Rio Grande do Sul, and recognized at the cost of acquisition of R\$ 16,094. The areas were contributed to the Company together with the acquisition of São Roberto S.A., and are subject to a study for realization by use or sale. They were previously held by the parent company for future installations of wind farms, which would be developed by the Company. Thus, said land was not considered investment property in the consolidated.
- ii. the Company received a piece of land in 2019 in exchange for trade receivables in the amount of R\$ 2,432, with total receivables being R\$ 2,709. The difference was recognized in the profit (loss) as a financial discount in the amount of R\$ 277.

Buildings

Refers to buildings located in the city of Rio Negrinho, State of Santa Catarina, in the amount of R\$ 2,681 (net of depreciation, at the rate of 4% p.a.). These buildings are rented to companies within the region.

Buildings classified as investment property generate income from rentals and operating expenses necessary to maintain the conditions of use of the properties. Both are recognized in profit (loss) as stated as follows:

	<u>Parent company and Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>
Rental revenues	484	208
Direct operating expenses that generated rental revenue	(674)	(665)

Investment properties are valued at the historical cost as of December 31, 2021. For disclosure purposes, the Company assessed the fair value less cost to sell of these properties at R\$ 39,161 in the parent company and consolidated as of December 31, 2021. 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 of valuations is Level 2.

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Property, plant and equipment in third-	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
Held for sale	-	-	380	-	-	-	-	380
Book balance, net	120,685	130,555	328,918	3,535	6,123	33,026	8,296	631,138
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)
Book balance, net	120,685	130,555	328,918	3,535	6,123	33,026	8,296	631,138
December 31, 2021								
Opening balance	120,685	130,555	328,918	3,535	6,123	33,026	8,296	631,138
Acquisitions	-	2,055	16,069	2,581	2,952	354,090	-	377,747
Write-offs/Disposals	-	(173)	(5,452)	(1)	(120)	(10)	-	(5,756)
Transfers	-	373	19,318	-	131	(19,822)	-	-
Depreciation	-	(5,190)	(49,858)	(792)	(2,017)	-	(645)	(58,502)
PIS and COFINS credit	-	8	250	3	6	228	-	495
Transfers to right-of-use assets	-	-	-	(2,526)	(728)	-	-	(3,254)
Book balance, net	120,685	127,628	309,245	2,800	6,347	367,512	7,651	941,868
Cost	120,685	209,304	983,587	11,964	26,365	367,512	16,099	1,735,516
Accumulated depreciation	-	(81,676)	(674,342)	(9,163)	(20,019)	-	(8,448)	(793,648)
Book balance, net	120,685	127,628	309,245	2,801	6,346	367,512	7,651	941,868

Consolidated

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Leasehold improvements	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)	-	-
Transfers - Investment property	(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
Held for sale	-	-	380	-	-	-	-	380
Impairment	-	-	-	-	(16)	-	-	(16)
Book balance, net	136,869	131,348	329,014	3,863	6,154	33,298	8,296	648,842
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)
Book balance, net	136,869	131,348	329,014	3,863	6,154	33,298	8,296	648,842
December 31, 2021								
Opening balance	136,869	131,348	329,014	3,863	6,154	33,298	8,296	648,842
Acquisitions	-	2,055	16,074	2,856	2,963	354,595	-	378,543
Write-offs/Disposals	-	(173)	(5,451)	(1)	(120)	(10)	-	(5,755)
Transfers	-	373	19,318	-	131	(19,822)	-	-
Depreciation	-	(5,350)	(49,891)	(895)	(2,034)	-	(645)	(58,815)
PIS and COFINS credit	-	8	250	3	6	228	-	495
Transfers to right-of-use assets	-	-	-	(2,526)	(728)	-	-	(3,254)
Book balance, net	136,869	128,261	309,314	5,826	6,372	368,289	7,651	960,056
Cost	136,869	213,730	983,862	13,327	26,882	368,289	16,099	1,759,058
Accumulated depreciation	-	(85,469)	(674,548)	(10,026)	(20,511)	-	(8,448)	(799,002)
Book balance, net	136,869	128,261	309,314	3,301	6,371	368,289	7,651	960,056

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

b) Breakdown of intangible assets

Parent company					Total
	Goodwill	Customer 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
Book balance, net	104,380	-	36,358	-	140,738
Cost	104,380	5,347	53,513	-	163,240
Accumulated amortization	-	(5,347)	(17,155)	-	(22,502)
Book balance, net	104,380	-	36,358	-	140,738
December 31, 2021					
Opening balance	104,380	-	36,358	-	140,738
Acquisitions	-	-	243	589	832
Transfers	-	-	589	(589)	-
Amortization	-	-	(5,232)	-	(5,232)
PIS and COFINS credit	-	-	1	-	1
Book balance, net	104,380	-	31,959	-	136,339
Cost	104,380	5,347	54,346	-	164,073
Accumulated amortization	-	(5,347)	(22,387)	-	(27,734)
Book balance, net	104,380	-	31,959	-	136,339
Consolidated					
	Clients'	Third-party Goodwill	Software	Software in 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)
Book balance, net	104,380	-	36,358	-	140,738
Cost	104,380	5,347	53,517	-	163,244
Accumulated amortization	-	(5,347)	(17,159)	-	(22,506)
Book balance, net	104,380	-	36,358	-	140,738
December 31, 2021					
Opening balance	104,380	-	36,358	-	140,738
Acquisitions	-	-	245	591	836
Transfers	-	-	591	(591)	-
Amortization	-	-	(5,236)	-	(5,236)
PIS and COFINS credit	-	-	1	-	1
Book balance, net	104,380	-	31,959	-	136,339
Cost	104,380	5,347	54,354	-	164,081
Accumulated amortization	-	(5,347)	(22,395)	-	(27,742)
Book balance, net	104,380	-	31,959	-	136,339

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 (%)	
	12/31/2021	12/31/2020
Buildings and constructions *	2.73	2.50
Equipment and facilities	7.95	6.78
Furniture, fixtures and equipment de informática	5.71	5.71
Vehicles and tractors	20.00	20.00
Software	20.00	20.00

* including weighted rates for leasehold improvements

d) Other information

Constructions in progress refer to works to improve and maintain the Company's production process, and the execution of investments in the Gaia I Project - Expansion of Chemical Recovery at SC Packaging unit and the Gaia II Project - Expansion of SC Packaging unit.

During the year 2021, interest on financing in the amount of R\$ 5,413 and expenses with commission of letters of guarantee in the amount of R\$ 1,713 were capitalized, referring to Gaia Platform, considering that such assets under construction meet the criterion of qualifying assets that take substantial time to be ready, as provided for in CPC 20 (R1)/IAS 23 – Borrowing Costs.

Leasehold improvements relate to the renovation of the Packaging plant in Indaiatuba, state of São Paulo, and are 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 renovation costs were fully absorbed by Irani Papel e Embalagem S.A.

Breakdown of depreciation of property, plant and equipment in 2021 and 2020 are presented as follows:

Property, plant and equipment

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Administrative	820	1,380	981	1,544
Productive	57,682	54,879	57,834	55,102
	<u>58,502</u>	<u>56,259</u>	<u>58,815</u>	<u>56,646</u>

The amortization of intangible assets for the years 2021 and 2020 is as follows:

Intangible assets

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Administrative	1,124	902	1,124	902
Productive	4,112	3,773	4,112	3,773
	<u>5,236</u>	<u>4,675</u>	<u>5,236</u>	<u>4,675</u>

e) Impairment of property, plant and equipment

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

During the year 2021, there was no need to recognize impairment. During the year 2020, impairment amounts were identified and recognized in property, plant and equipment in the amount of R\$ 16, and in intangible assets, in the amount of R\$ 755.

f) Pledged assets

The Company pledged certain property, plant and equipment as collateral for financing transactions which are shown in details 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 at the amount of R\$ 104,380 and is attributable to the expectation of future profitability.

Impairment tests for intangible assets:

On December 31, 2021, 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 applying the rate determined by the Weighted Average Cost of Capital (WACC), with the cost of equity calculated using the Capital Asset Pricing Model (CAPM) method, while the cost of debt considers the average cost of debt. Therefore, WACC considers the burden of financing, including debt and equity components, which are used by the Company in order to finance its activities.

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

	<u>Assumptions</u>
Average sales prices of Packaging Paper and Corrugated Cardboard	
Packaging (% of annual growth rate)	4.0%
Gross margin (% on net revenue)	40.0%
Estimated growth rate	5.0%
Discount Rate (WACC)	10.23%

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

The Company defined its full operation as a CGU for impairment testing purposes since its main packaging paper and corrugated cardboard packaging activities are integrated with each other. Similarly, the operations acquired in a business combination of São Roberto S.A. in 2013 arise from these segments, and joined the activities already existing in the Company, thus making it impossible to separate the CGU acquired for impairment testing purposes.

Goodwill is allocated to the business segment, which represents the lowest level at which goodwill is monitored by Management. The total amount of goodwill is allocated to the CGU represented by the Sustainable Packaging Paper (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 10.0% in the discount rate and of 5.0% in the growth rate, in the aggregate, the recoverable amount continues higher than the carrying amount.

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 as a whole is recorded at fair value as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cost of formation of biological assets	52,118	41,884	85,089	71,305
Fair value difference biological assets	57,680	32,101	133,967	106,379
	<u>109,798</u>	<u>73,985</u>	<u>219,056</u>	<u>177,684</u>

Of the total consolidated biological assets, R\$ 182,691 (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\$ 137,512 (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 for the production of 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 for the production of resins and log sales represent R\$ 36,365 (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 supply demand in the region.

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

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

- i) The methodology used to measure the fair value of biological assets was 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. The Income Approach assimilates the fair value for the calculation of the present value of the asset's expected net cash flow, discounted at a discount rate that reflects the expected return in relation to the risks associated with the business.

- ii) The model adopted to determine 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 the market, assuming that an investor requires at least the return offered by securities considered risk-free, plus the excess risk of the investment;
- 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 based on an estimate of the price of Pinus and Eucalyptus wood, based on a 3-year history of the actual prices practiced in the regions where the assets are located and published by a specialized company. Prices in R\$/cubic meter are used, considering the required costs to place the assets in the condition of sale or consumption;
- v) Planting expenditures used are the formation costs of biological assets practiced by the Company;
- vi) The depletion of biological assets is calculated based on their average fair value of biological assets, multiplied by the volume harvested in the period;
- vii) The Company reviews the fair value of its biological assets every three months, considering that this time-frame is enough to have no shortfall in the balance of fair value of the biological assets recorded in its financial statements.

	Consolidated		Impact in the fair value of biological assets
	12/31/2021	12/31/2020	
Planted area (hectares)	15,155	14,638	If the assumption increases, the fair value also increases
Remuneration of own contributing assets SC- %	4.84%	3.00%	If the assumption increases, the fair value decreases
Remuneration of own contributing assets RS - %	4.50%	3.00%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	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)	74.00	60.00	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Santa Catarina Forests (*)	38.0	35.3	If the assumption increases, the fair value also increases
Average annual increase (IMA) - Rio Grande do Sul Forests (*)	21.9	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 and updated in Company's annual financial statements.

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

The main changes in the year are as follows:

	<u>Parent company</u>	<u>Consolidated</u>
Balance at 12/31/2019	66,298	154,518
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 for capitalization in subsidiary Iraflor	(10,044)	-
Changes in the fair value	11,009	18,374
Balance at 12/31/2020	<u>73,985</u>	<u>177,684</u>
Planting	6,060	9,625
Acquisition of forest	9,889	9,889
Depletion		
Historical cost	(2,525)	(6,537)
Fair value	(983)	(15,454)
Transfer for capitalization in subsidiary Iraflor	(5,317)	-
Changes in the fair value	28,689	43,849
Balance at 12/31/2021	<u>109,798</u>	<u>219,056</u>

The depletion of biological assets of 2021 and 2020 was recognized in the statement of profit (loss) for the respective years, after an initial allocation to inventories, when the forests are harvested to be used in the production process or sold to third parties.

In 2021, the contribution of new biological assets to the subsidiary Iraflor Comércio de Madeiras Ltda., amounting to R\$ 5,317, was authorized. The final objective of this operation was to provide better management of forest assets.

In 2020, the contribution of new biological assets to the subsidiary Iraflor Comércio de Madeiras Ltda., amounting to R\$ 10,044, was authorized. The final objective of this operation was to provide better management of forest assets.

b) Biological assets pledged as collateral

The Company and its subsidiaries pledged part of the biological assets as collateral for financial operations, as disclosed in Note 17.

c) Production on third-party land

The Company has entered into non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are valid until the total of planted forests existing in these areas are harvested in a cycle not exceeding 15 years. The volume of biological assets on third-party's land is approximately 1.34 thousand hectares and currently represents approximately 8.8% of the Company's total area of biological assets. Lease liabilities are presented in Note 34.

16. BORROWINGS

a) Breakdown of book balances

	Annual Charges %	Currenc	Parent company		Consolidated	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
Current						
Domestic currency						
Finame	Fixed at 3.71%, TJLP + 5.40%, Selic + 3.79%, IPCA + 6.24%	BRL	5,788	970	5,788	970
Working capital	CDI + 4.51% and 149.5% of CDI	BRL	34,906	19,911	34,906	19,926
Financial lease	Fixed rate at 10.76% and CDI + 5.35%	BRL	-	1,096	-	1,096
Total local currency			40,694	21,977	40,694	21,992
Foreign currency						
Advance on Exchange Contract	Fixed rate at 3.48%	Dollar	28,448	21,254	28,448	21,254
Banco De Lage Landen	8.20%	Dollar	-	252	-	252
Total foreign currency			28,448	21,506	28,448	21,506
Total current			69,142	43,483	69,142	43,498
Non-current						
Domestic currency						
Finame	Fixed rate 3.71% TJLP+5.40% SELIC+3.79% IPCA+6.24%	BRL	236,862	315	236,862	315
Working capital	CDI + 4.51% & 149.5% CDI	BRL	-	34,663	-	34,663
Financial lease	Fixed rate at 10.76% and CDI + 5.35%	BRL	-	934	-	934
Total local currency			236,862	35,912	236,862	35,912
Total non-current			236,862	35,912	236,862	35,912
Total			306,004	79,395	306,004	79,410
Long-term maturity dates:						
			Parent company		Consolidated	
			12/31/2021	12/31/2020	12/31/2021	12/31/2020
	2022		-	35,676	-	35,676
	2023		294	229	294	229
	2024		51	7	51	7
	>2025		236,517	-	236,517	-
			236,862	35,912	236,862	35,912

b) Significant operations for the year

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, 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 period of use of the approved facility is two (2) years and can be extended to one (1) year more.

The operation has a total term of 16 years, with a 3-year grace period for amortization of principal. Interest is payable semi-annually during the grace period and amortization period.

The effective interest, which considers the cost of BNDES and commission of the letters of guarantee for the operation is IPCA + 6.24% p.a.

The inflow of funds will occur upon release requests, as the acquisitions and payment for the Gaia Platform equipment are made. During 4Q21, there was a partial inflow of funds from the operation in the amount of R\$ 236,517.

c) Collateral

Collateral for the borrowings include mortgages or statutory lien on land, buildings, machinery and equipment, investment properties and lien of receivables in the amount of R\$ 34,141 as of December 31, 2021.

As a guarantee for the FINAME DIRECT operation, the Company presented Letters of Guarantee contracted with the financial institutions of its relationship and previously approved by BNDES.

Borrowings were contracted as provided for by the Company's [Financial Management Policy](#).

17. DEBENTURES

a) 3rd Public Issue of simple debentures

In accordance with the [Material Fact disclosed on July 31, 2019](#), the distribution of simple, unsecured, debentures, non-convertible into shares, was carried out, it was comprised by 505,000 debentures, with unit face value of R\$ 1, totaling, on the issue date, the amount of R\$ 505,000, with the subsequent cancellation of unsubscribed or paid-up debentures. The debentures have final maturity as of July 19, 2025 and amortization in 3 annual installments as of July 19, 2023.

The 3rd Issue of Simple Public Debentures has a [brAA+ rating assigned by S&P Global Ratings](#) and is characterized as “Green Debentures” based on the [Second Opinion issued](#)

by the specialized advisory firm [SITAWI Finanças do Bem](#), based on the June 2018 Green Bond Principles guidelines. The Issue is Traded on the secondary market under the ticker CELU13.

b) 4th issuance of private simple debentures

According to the [Minutes of the Board Meeting held on March 2, 2021](#), the 4th Issuance of Simple Debentures, not convertible into shares, in a single series, of the type with real guarantee for private placement and a unit par value of R\$ 1, was approved, totaling R\$ 60,000 on the date of issue. The debentures have final maturity as of December 15, 2029 and will be amortized in 8 semi-annual installments as of June 15, 2026.

The funds obtained by the Issuer with the Issue will be used to make investments to achieve its corporate purpose in the normal course of its business, for which the Issuer has or will have, in accordance with the rules currently in force, a license and/or authorization valid, in force and/or effective, as applicable and required by the Social and Environmental Legislation.

The 4th Issue of Simple Private Debentures has a [brAA+ rating assigned by S&P Global Ratings](#) and is characterized as “Green Debentures” based on the [Second Opinion issued by the specialized advisory firm SITAWI Finanças do Bem](#), based on the June 2018 Green Bond Principles guidelines.

In December 2021, the Company contracted derivative financial instruments (Swap) to swap the remuneration of the 4th Issuance of Simple Private Debentures from IPCA + 5.5% per annum, to CDI + 0.71% per annum, pursuant to Note 18.

c) Breakdown of book balances

Current	Issue	Annual Charges %	Parent company and Consolidated	
			12/31/2021	12/31/2020
In domestic currency				
3rd Issuance of Debentures	07/19/2019	CDI + 4.50% a.a.	22,072	11,968
4th Issuance of Debentures	03/03/2021	IPCA + 5.50% p.a.	118	-
Total current			22,190	11,968
Non-current				
In domestic currency				
3rd Issuance of Debentures	07/19/2019	CDI + 4.50% a.a.	499,836	496,869
4th Issuance of Debentures	03/03/2021	IPCA + 5.50% p.a.	64,291	-
Total non-current			564,127	496,869
			586,317	508,837

Long-term maturity dates:	Parent company and Consolidated	
	12/31/2021	12/31/2020
2023	166,612	165,623
2024	166,612	165,623
2025	166,612	165,623
>2026	64,291	-
	<u>564,127</u>	<u>496,869</u>

d) Schedule for amortization of funding costs

	<u>Issue</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>>2025</u>	<u>Total</u>
In domestic currency						
3 rd Issuance of Debentures	07/19/2019	706	2,968	1,764	657	6,095
4 th Issuance of Debentures	03/03/2021	9	47	80	285	421
Total local currency		<u>715</u>	<u>3,015</u>	<u>1,844</u>	<u>942</u>	<u>6,516</u>

e) Collateral

- i) The 3rd Issue of Simple Public Debentures has guarantees, as follows:
 - Statutory lien of forest assets (6,740.39 hectares of commercial timber plantations, including Pinus and Eucalyptus plantations).
 - Statutory lien of the Pulp and Paper Plant located in Vila Campina da Alegria, Vargem Bonita.
 - Statutory lien of machinery and equipment owned by the Issuer, located in said plant.
 - Statutory lien 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 Issue of Simple Private Debentures has guarantees, as follows:
 - Statutory lien of the Issuer's properties, located in the city of Santa Luzia, in the State of Minas Gerais (Paper Plant).
 - Statutory lien of machinery and equipment owned by the Issuer, located in said plant.

f) Covenants

Financial ratios with annual calculation

i) Net debt/EBITDA ratio, lower or equal:

3rd Issuance of Debentures			4th Issuance of Debentures		
Year	Contracted	Accurate	Year	Contracted	Accurate
2019	4.00	3.40	2021	3.50	0.78
2020	3.50	1.07	2022	3.50	-
2021	3.50	0.78	2023	3.50	-
2022	3.50	-	2024	3.50	-
2023	3.50	-	2025	3.50	-
2024	3.50	-	2026	3.50	-
			2027	3.50	-
			2028	3.50	-

ii) EBITDA/net finance costs ratio, greater or equal:

3rd Issuance of Debentures			4th Issuance of Debentures		
Year	Contracted	Accurate	Year	Contracted	Accurate
2019	1.25	2.52	2021	2.00	11.24
2020	1.75	4.11	2022	2.00	-
2021	2.00	11.24	2023	2.00	-
2022	2.00	-	2024	2.00	-
2023	2.00	-	2025	2.00	-
2024	2.00	-	2026	2.00	-
			2027	2.00	-
			2028	2.00	-

18. DERIVATIVE FINANCIAL INSTRUMENTS - SWAP

During 4Q21, the interest rate market in Brazil suffered a strong stress due to inflationary pressure and to uncertainties about the government's fiscal accounts. With this scenario of rising future interest rates in the market, a window of opportunity emerged to convert the interest rate of the 4th Issuance of Debentures whose amount on the issuance date was R\$ 60,000 from IPCA + 5.50% p.a. to CDI + 0.71% p.a. The converted rate of CDI + 0.71% pa is far below the interest rate of the 3rd Issue of Debentures that was issued at CDI + 4.50% p.a., and, at the end of 4Q21, it was being traded at CDI + 2.45% p.a. on the secondary market. The Company's Management believes that it is healthy to maintain a larger part of the debt indexed to the CDI since the financing of Gaia Platform, via BNDES is being contracted at IPCA + rates. Similarly, the Company's cash is invested at CDI rate and the debt bears CDI + and ensures greater alignment for hedging purposes. The Swap contract was [approved by the Company's Board of Directors](#), as required by the Financial Management Policy.

Pursuant to CPC 48/IFRS 9, the contracted swap must be recognized in the financial statements at its fair value. In this sense, we started to demonstrate, as of 4Q21, the effects of the swap, as required by the accounting standard. It is worth highlighting that the effect

of said recognition will be diluted over the life of the 4th Issue of Debentures, which has final maturity on December 15, 2029, so that its effective cost is ultimately the equivalent of CDI + 0.71% p.a.

The specific characteristics as of December 31, 2021 and the changes of this swap transaction in 2021 are presented below:

Maturity	Asset position – IPCA+	Liability position CDI+	Notional	Fair value swap - asset position	Fair value swap - liability position	Loss
December 15, 2029	5.50%	0.75%	66,225	61,468	61,887	(419)

Changes in derivative financial instrument - swap:

Parent company and Consolidated	Asset position	Liability position
Balance at December 31, 2020	-	-
Losses in the year (recognition in profit (loss))	-	483
Amortization	-	(64)
Balance at December 31, 2021	-	419

19. SUPPLIERS

They correspond to obligations to suppliers as follows:

CURRENT	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Internal	129,243	107,694	130,086	108,695
External	3,632	400	3,632	400
Related parties	18,167	11,767	-	-
	151,042	119,861	133,718	109,095



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20. RELATED PARTIES

Parent company	Receivables		Accounts payable		Revenues		Expenses	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Habitasul Florestal S.A.	-	-	5,086	1,710	-	-	18,708	7,489
Iraflor - Com. de Madeiras Ltda	-	-	13,082	10,057	-	-	15,623	4,514
Irani Soluções para E-Commerce Ltda.	-	-	-	-	109	-	-	-
Companhia Habitasul de Participações	242	61	-	-	1,962	427	-	-
Habitasul Desenvolvimentos Imobiliários	-	-	-	18	-	-	200	216
Irani Participações S/A	-	2,495	-	-	-	-	-	1,414
Companhia Comercial de Imóveis	-	-	-	-	-	-	-	149
MCFD Administração de Imóveis Ltda	-	-	-	-	-	-	1,844	1,497
PFD Administradora de Imóveis Ltda.	-	-	-	-	-	-	1,844	1,497
Management remuneration	-	-	2,570	2,676	-	-	14,032	12,622
Management profit sharing	-	-	12,509	8,085	-	-	14,032	10,085
Long-term profit sharing - "Upside"	-	-	6,405	-	-	-	-	-
Total	242	2,556	39,652	22,546	2,071	427	66,283	39,483
Current installment	242	2,556	39,652	22,546				

Consolidated	Receivables		Accounts payable		Revenues		Expenses	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Companhia Habitasul de Participações	242	61	-	-	1,962	427	-	-
Habitasul Desenvolvimentos Imobiliários	-	-	-	18	-	-	200	216
Irani Participações S/A	-	2,495	-	-	-	-	-	1,414
Companhia Comercial de Imóveis	-	-	-	-	-	-	-	149
MCFD Administração de Imóveis Ltda	-	-	-	-	-	-	1,844	1,497
PFD Administradora de Imóveis Ltda.	-	-	-	-	-	-	1,844	1,497
Management remuneration	-	-	2,570	2,676	-	-	14,092	12,685
Management profit sharing	-	-	12,509	8,085	-	-	14,032	10,085
Long-term profit sharing - "Upside"	-	-	6,405	-	-	-	-	-
Total	242	2,556	21,484	10,779	1,962	427	32,012	27,543
Current installment	242	2,556	21,484	10,779				

The debts with the subsidiary Habitasul Florestal S.A. are due to commercial operations and acquisition of raw material at prices and terms in conditions set forth among the parties. Said operations were [approved by the Company's Board of Directors](#), as provided for 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 material at prices and terms in conditions set forth among the parties. Said operations were [approved by the Company's Board of Directors](#), as provided for 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 under market conditions and for a term of 20 years (renewable). The monthly amount paid to each of the related parties is R\$ 169 as of March 2021. The contract is updated annually according to the change in the General Market Price Index (IGPM), as measured by the Getúlio Vargas Foundation. These agreements are recognized as lease as the Note 34. This operation was [approved by the Company's Board of Directors](#), as provided for in the Related Party Transactions policy.

In 2021, management remuneration expenses, excluding payroll charges and including benefits, totaled R\$ 14,032 in the parent company in 2021 (R\$ 12,622 in 2020), and R\$ 14,092 in the consolidated in 2021 (R\$ 12,685 in 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 expenses with the profit sharing of Management arise from the statutory provision, pursuant to Article 24 of the Company's Bylaws, limited to 10% of income, or their annual remuneration, if this limit is lower. The expenses with profit sharing of Management deliberated by the Board of Directors totaled R\$ 14,032 in the parent company and consolidated in the year 2021 (R\$ 10,085 in the year 2020).

The sharing in the Long-Term Results - Upside, refers to the allocation for payment of a portion of the Management profit sharing to be distributed to those participating in the program, as [approved by the Company's Board of Directors as of November 20, 2019](#), and which refer to the calculation of the result of the respective Upside for the year 2019. The terms of the program define that each manager may participate in the growth of the Company's value, receiving, in the form of profit sharing, an amount related to the theoretical unit value of the Company's share. The value will be the amount in reais corresponding to the positive difference between the theoretical unit value of the share on each calculation date and the theoretical pair value of the share on the immediately preceding calculation date, corrected by TR+6% p.a. and reduced by the dividends distributed, multiplied by the theoretical participation attributed to each participant. This is not a Stock Option plan.

The debt with Irani Participações S.A. corresponded to the guarantee remuneration contract (guarantee), and to the service agreement to support the Company’s corporate activities. Both contracts were terminated at the end of 2020 and are no longer in force since January 1, 2021.

The amount receivable from Irani Participações S.A. referred to a contract signed between the Company and Koch Metalúrgica S.A. which, on December 24, 2018, transferred it to Irani Participações S.A. The contract referred to the promise of partial assignment of rights and contractual obligations of part of the property (land and buildings) located in Cachoeirinha - RS, in the total amount of R\$ 4,500, to be paid in 30 equal and successive installments of R\$ 150 each, with interest of 1% per month plus IGPM, with the first installment maturing on June 24, 2019 and the last on October 24, 2021. The contract was settled early in May 2021. This operation was approved by the [Company’s Board of Directors](#), as provided for in the Related Party Transactions policy.

The amount receivable from Companhia Habitusul de Participações (“CHP”) arises from a cost-sharing agreement resulting from the reimbursement of services provided by professionals allocated to support and/or administrative areas, with reviews of the amounts every six months. This operation was [approved by the Company’s Board of Directors](#), as provided for in the Related Party Transactions policy.

21. TAX INSTALLMENT PAYMENTS

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Current				
PIS installment payment	1,293	1,252	1,293	1,252
COFINS Installment	5,958	5,764	5,958	5,764
IPI Installment	1,073	1,143	1,073	1,143
Installment payment of ICMS	695	671	695	671
Social Security installment - RAT	62	-	62	-
	<u>9,081</u>	<u>8,830</u>	<u>9,081</u>	<u>8,830</u>
Non-current				
PIS installment payment	647	1,877	647	1,877
COFINS Installment	2,979	8,648	2,979	8,648
IPI Installment	2,325	3,194	2,325	3,194
Installment payment of ICMS	1,711	2,320	1,711	2,320
	<u>7,662</u>	<u>16,039</u>	<u>7,662</u>	<u>16,039</u>
Total installments	<u>16,743</u>	<u>24,869</u>	<u>16,743</u>	<u>24,869</u>

These are mainly installments of PIS and COFINS in which the Company made compensations originating from the exclusion of ICMS from the basis of said contributions. The Company maintained a provision for contingencies in relation to the matter, and due to the delay and indecision regarding the modulation of the effects of the judgment in a general repercussion by the Federal Supreme Court (STF), it opted for its installment payment in July 2018. The total tax amount paid in installments was R\$ 25,219 (R\$ 31,349, updated with fine and interest), which was paid in 60 months.

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

In the second quarter of 2020, the Company paid ICMS debts with the State of São Paulo in 60 monthly installments, referring to the periods from March to May 2020. The total amount of tax paid in installments was R\$ 3,174 (R\$ 3,371 restated with fine and interest).

22. PROVISIONS FOR CIVIL, LABOR AND TAX RISKS

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

Breakdown of the balance of provisions:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Civil provisions	2,742	2,252	2,742	2,252
Labor provisions	4,795	5,407	5,145	5,777
Tax contingencies	11,926	10,011	11,926	10,011
Total	19,463	17,670	19,813	18,040

Details of changes in provisions:

	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						
Civil	2,252	503	(13)	-	-	2,742
Labor	5,407	848	(1,413)	(952)	905	4,795
Tax	10,011	3,837	-	(1,922)	-	11,926
	<u>17,670</u>	<u>5,188</u>	<u>(1,426)</u>	<u>(2,874)</u>	<u>905</u>	<u>19,463</u>
Consolidated						
Civil	2,252	503	(13)	-	-	2,742
Labor	5,777	1,187	(1,635)	(1,089)	905	5,145
Tax	10,011	3,837	-	(1,922)	-	11,926
	<u>18,040</u>	<u>5,527</u>	<u>(1,648)</u>	<u>(3,011)</u>	<u>905</u>	<u>19,813</u>

The provisions recorded are mainly related to:

- Civil lawsuits relate, among other matters, to indemnity claims for losses and damages and termination of agreements with sales representatives. As of December

31, 2021, the provision for possible convictions in these lawsuits totaled R\$ 2,742 in the consolidated.

- b) Labor lawsuits are mainly related to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and occupational accidents. Based on past experience and on the opinion of its legal counsel, the Company maintained a provision of R\$ 5,145 in the consolidated at December 31, 2021, which is considered sufficient to cover potential losses arising from labor losses.
- c) In the consolidated, provisions for tax contingencies total R\$ 11,926 on December 31, 2021 and relate mainly to:
 - i) Recognition of ICMS Presumed Credit from the state of Minas Gerais, linked to the Letter of Intent for Investment in the Paper Plant located in the municipality of Santa Luzia. The related investment was not initiated because the Company waits for the Environmental Bodies' authorization, and also due to strategic market reasons. The amount recognized up to December 31, 2021 totaled R\$ 8,189, and a related provision for tax risks was recorded, at the adjusted amount of R\$ 10,613.
 - ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R\$ 905. The proceedings are in process at the administrative and judicial levels and pending judgment.

Contingencies

No accounting provisions were recorded for contingencies assessed by management, together with its legal advisors, as possible losses. At December 31, 2021 and 2020, the amounts of these possible contingencies of a labor, civil, environmental and tax nature were as follows:

	Consolidated	
	12/31/2021	12/31/2020
Labor contingencies	29,734	32,681
Civil contingencies	8,598	6,407
Tax contingencies	142,987	134,651
	181,319	173,739

Labor contingencies:

The tax lawsuits classified by Management and its legal counsel as involving risk of possible losses totaled R\$ 29,734 at December 31, 2021. Part of the amount refers mainly to labor claims arising from the closure of the activities of the Vila Maria - SP unit (discontinued operation) in 2019, and mainly indemnity claims (hazardous work, unhealthy work, overtime, additional payments, material damages resulting from occupational accidents and requests for recognition of employment relationship with Irani, by employees of service providers). These lawsuits are currently at different procedural stages.

Civil contingencies:

The tax lawsuits classified by management and its legal counsel as involving risk of possible losses totaled R\$ 8,598 at December 31, 2021, and relate mainly to indemnity claims that are currently at different procedural stages.

Contingent tax liabilities:

The tax lawsuits assessed by management and its legal counsel as involving possible losses totaled R\$ 142,987 at December 31, 2021, and mainly include the following:

- Administrative and judicial proceedings relating to assessments received from the state government of Santa Catarina and State of São Paulo for allegedly undue ICMS tax credits recorded on the purchase of materials used in the manufacturing units located in those states, which amounted to R\$ 50,298 at December 31, 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, supposedly arising from undue tax credits, amounting to R\$ 38,608 at December 31, 2021. The Company has challenged these assessments at the administrative and judicial level and awaits the respective judgment.
- Administrative and judicial proceedings filed by the National Institute of Social Security (INSS), with respect to a Debt Assessment Notice referring to the payment of social security contribution on the gross revenue from sale of the production of agro-industrial companies, and the offset of debts against credits arising from the application of a higher Environmental Occupational Risk (RAT) rate at the Company's Administrative Units regarding the INSS tax assessment notice from write-off of debits and from these credit debits of the same type totaled R\$ 15,304 as of December 31, 2021. The Company is discussing said tax assessment notices in the administrative and judicial spheres.

- Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R\$ 6,250 at December 31, 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 taxes, amounting to R\$ 3,326 at December 31, 2021. The Company is discussing said tax assessment notices in the administrative and judicial spheres.
- Tax Assessment whose purpose is the imposition of a fine related to IRPJ and CSLL for the years 2015 to 2018, resulting from supposedly improper exclusions on profit for each period. The Brazilian Federal Revenue Service understood that the reductions, with an increase in the tax loss, originated from tax amortization of goodwill, without legal support.

The proceeding is suspended, as the Company filed the respective administrative challenge, which is awaiting a decision. The amount of the fine applied in the Tax Assessment is R\$ 300. If the Company does not have a favorable outcome, there will be an additional reversal of tax loss carryforwards due to the amortization of the goodwill used in the period, which results in a reduction of approximately R\$ 19,551 in IRPJ and CSLL (assets) on the amortized amount of goodwill.

Contingent tax assets:

- As of June 7, 2021, the STF ended the virtual judgement of topic 304, with general repercussion, declaring articles 47 and 48 of Law 11196/2005 unconstitutional, which prohibit the determination of PIS and COFINS credits in the acquisition of recyclable inputs. In 2015, the Company filed the Preventive Writ of Mandamus No. 5035028-10.2015.4.04.7100, seeking the right to use PIS and COFINS credits arising from the acquisition of “waste, residues and scraps” due to the unconstitutionality of Article 47 of Law 11196/05. The aforementioned judicial measure had an Extraordinary Appeal filed before the STF and, since the matter is being addressed under General Repercussion on Topic No 304, determined the return of the Company's proceeding to TRF4 to wait until the judgment of the leading case. Thus, the Company filed a Request for Revocation on August 23, 2021 with the TRF4, to adapt the decision handed down in case No. 5035028-10.2015.4.04.7100 to the STF Decision, which is awaiting analysis. The Company estimates the favorable outcome from said lawsuit between R\$ 168,000 and R\$ 175,000, net of attorneys’ fees, considering the period of five years prior to the filing of the Lawsuit and that there will be no modulation of effects that affect the Company’s rights. Said amount may change due to the lack of a final and unappealable decision in the lawsuit filed by the Company, as well as in the event of modulation of effects within the scope of the leading case. Said lawsuit, according to the Company’s legal advisors, is likely to be successful, being characterized as a contingent asset. As it is a contingent asset, and

does not meet the criterion of “practically certain” provided for in CPC 25/IAS 37, Item 33, the estimated favorable outcome on the lawsuit was not recognized in the Company’s financial statements.

23. EQUITY

a) Share capital

As of December 31, 2021, the share capital amounts to R\$ 566,895 (R\$ 566,895 as of December 31, 2020), comprised on December 31, 2021 was comprised of 256,720,235 common shares with no par value (256,720,235 common shares with no par value as of December 31, 2020).

By means of the [Board of Directors’ Meeting held on July 10, 2020](#), the realization of public offer was approved with restricted efforts for placement of common, nominative, book-entry shares, with no par value, for the issue of the Company, all free and unencumbered from any burdens or grievances (“Restricted Offer”).

At a meeting of the [Company’s Board of Directors held on July 22, 2020](#), the definition of the price per share of R\$ 4.50 was approved, as well as the actual increase of the Company’s share capital, within the limit of the authorized capital under the terms of Article 7 of the Company’s Bylaws, in the amount of R\$ 405,000,000 through the issuance of 90,000,000 new common shares of the Company, as well as their approval, within the scope of the Restricted Offer.

Due to the Company’s share capital increase in the ambit of Restricted Offer, the new share capital of the Company started to be R\$ 566,895, represented by 256,720,235 shares, of which 243,909,975 common shares and 12,810,260 preferred shares, all nominative, book entry and without par value. The amount of share capital, net of costs with issue of shares totaling R\$ 22,961 is R\$ 543,934 on December 31, 2021 (R\$ 543,934 on December 31, 2020).

The [Extraordinary General Meeting held on October 8, 2020 approved](#) the migration of the Company to the special listing segment of B3 S.A. – Brasil, Bolsa, Balcão (“B3”), called Novo Mercado (New Market), as well as the conversion of all preferred shares issued by the Company into common shares, in the proportion of one (1) common share for each one (1) preferred share, and the global amendment of the Company’s Bylaws to adapt it to the requirements of the B3’s New Market Regulations Listing and to incorporate the other adjustments detailed in the Management’s proposal, with their respective consolidation, whose effectiveness is conditioned to the approval of the Company’s migration to B3’s New Market.

Also on [October 8, 2020, the Special General Meeting of Stockholders of Preferred Shares](#) ratified the conversion of all preferred shares issued by the Company into common

shares, in the proportion of one (1) common share for each preferred share, with a 30-day withdrawal right as of October 13, 2020, to the holders of preferred shares who abstained from voting, dissented from the resolution or did not attend the Special General Meeting of Preferred Stockholders.

b) Stockholders' remuneration

Total interim dividends plus additional proposed dividends paid in 2021 was R\$ 0.353992 per share, totaling R\$ 89,933, and equivalent to an annual dividend yield of 6.57%, considering the share price of R\$ 5.39 as of December 31, 2020.

i) Interim dividends

The [Board of Directors approved, on November 3, 2021](#), *ad referendum* of the Annual Stockholders' Meeting of the Company, the distribution of interim dividends on the profit calculated in the third quarter of 2021, in the amount of R\$ 25,670, corresponding to R\$ 0.101330 per common share, to stockholders holding shares issued by the Company on November 8, 2021, paid on November 25, 2021. The Interim Dividends – 3rd Quarter distributed will be imputed to the mandatory minimum dividend actually deliberated by the Annual General Meeting of the Company that approves the managers' accounts for the year 2021, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

The [Board of Directors approved, on August 05, 2021](#), *ad referendum* of the Annual Stockholders' Meeting of the Company, the distribution of interim dividends on the profit calculated in the second quarter of 2021, in the amount of R\$ 16,441, corresponding to R\$ 0.064642 per common share, to stockholders holding shares issued by the Company on August 10, 2021, paid on August 25, 2021. The Interim Dividends – 2nd Quarter distributed will be imputed to the mandatory minimum dividend actually deliberated by the Annual General Meeting of the Company that approves the managers' accounts for the year 2021, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

The [Board of Directors approved, on May 06, 2021](#), *ad referendum* of the Annual Stockholders' Meeting of the Company, the distribution of interim dividends on the profit calculated in the first quarter of 2021, in the amount of R\$ 12,885, corresponding to R\$ 0.050658 per common share, to stockholders holding shares issued by the Company on May 11, 2021, paid on May 25, 2021. The Interim Dividends – 1st Quarter distributed will be imputed to the mandatory minimum dividend actually deliberated by the Annual General Meeting of the Company that approves the managers' accounts for the year 2021, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

The [Board of Directors approved, on March 01, 2021](#), *ad referendum* of the Annual Stockholders' Meeting of the Company, the distribution of interim dividends on the profit calculated in the first quarter of 2020, in the amount of R\$ 10,361, corresponding to R\$ 0.040738 per common share, to stockholders holding shares issued by the Company on March 04, 2021, paid on March 18, 2021. The Interim Dividends – 4th Quarter distributed will be imputed to the mandatory minimum dividend actually deliberated by the Annual General Meeting of the Company that approves the managers' accounts for the year 2020, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

ii) Additional dividends proposed

At the [Annual Stockholders' Meeting held on April 28, 2021](#), additional dividends were approved for the year 2020, in the total amount of R\$ 24,576, with the dividend per share totaling R\$ 0.096624, paid on May 20, 2021.

c) Treasury shares

	Parent company			
	12/31/2021		12/31/2020	
	Amount	Amount	Amount	Amount
i) Share repurchase program in 2011	24,000	30	24,000	30
iii) Withdrawal right	2,352,116	6,804	2,352,116	6,804
iii) Share repurchase program in 2021	2,790,000	18,565	-	-
	<u>5,166,116</u>	<u>25,399</u>	<u>2,376,116</u>	<u>6,834</u>

i) Share repurchase program in 2011: the objective was to maximize the value of the shares for stockholders. This program was concluded within 365 days, on November 23, 2011; therefore, this Program was terminated.

ii) Right to withdraw: the shares acquired suffered changes in relation to the advantages attributed to the Company's preferred shares, as approved at the Annual and Extraordinary General Meeting held on April 19, 2012 and 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 year ended December 31, 2011 and December 31, 2019.

iii) Share repurchase program in 2021: [The Company's Board of Directors approved the 2021 Share Buyback Program on September 27, 2021](#), which came into effect on October 1, 2021 and ends on March 31, 2023, with an acquisition limit of up to 8,216,880 common shares, representing 7.76 % of the total outstanding common shares issued by the Company, aiming to maximize the generation of value for stockholders through an efficient management of the Company's capital structure.

d) Profit (loss) for the year

In accordance with Article 202 of Law No. 6.404/1976, the stockholders have the right to minimum and mandatory dividends. The Company bylaws provides for that the minimum dividends will be 25% of profit after offsetting accumulated losses, the allocation of the legal reserve and the allocation of the tax incentive reserve.

The Company adds the realization of the biological assets reserve and of the carrying value adjustments reserve to the base profit for distribution of dividends.

The calculation of dividends and the balance of dividends payable are as follows:

	12/31/2021	12/31/2020
Profit for the year	285,313	92,761
(-) Legal reserve	(14,266)	(4,538)
Realized revenue reserve - biological assets	8,947	8,945
Realization - deemed cost	3,557	3,126
Loss of prior years	-	(1,992)
Base profit for distribution of dividends	<u>283,551</u>	<u>98,302</u>
Mandatory minimum dividend	<u>70,888</u>	<u>24,576</u>
Total dividends per common share (R\$ per share)	0.281799	0.096624
Dividends distributed	<u>54,996</u>	<u>9,996</u>
Interest on own capital	-	4,774
(-) Withholding income tax on interest on shareholders' equity	-	(556)
Interest on shareholders' equity payable, net of withholding income tax	<u>-</u>	<u>4,218</u>
Balance of dividends payable	<u>15,892</u>	<u>10,362</u>
Balance of dividends payable per common share (R\$ per share)	0.063174	0.040738

As the [Company's Dividend Distribution and Payment of Interest on Shareholders' Equity Policy](#), the following dividends are proposed by the Management for the year ended December 31, 2021. The proposed additional dividends for 2021 were not recognized as liabilities as they will be submitted to the Extraordinary General Meeting for approval.

	12/31/2021	12/31/2020
Additional dividends proposed	<u>70,888</u>	<u>24,576</u>
Total additional proposed dividends per common share (R\$ per share)	0.281799	0.096624

e) Revenue reserves

Revenue reserves are comprised of: i) legal reserve, ii) biological assets reserve, iii) profit retention reserve, and iv) tax incentives reserve.

i) In compliance with the [Company's Bylaws](#), the legal reserve is formed through the allocation of 5% of profit 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 revenue reserve was transferred to this account.

iii) The profit retention reserve is composed of the balance of retained earnings after the offsetting of losses and the formation of the legal reserve, and net of the amount of dividends distributed. The respective resources will be allocated to investments in property, plant and equipment 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 profit from previous years derived from government grants for investments in the modernization and expansion of the production capacity of paper in Minas Gerais and expansion of industrial unit located in Santa Catarina, and is excluded from basis of mandatory dividend.

f) Carrying value adjustments

It was recorded since the Company valued its property, plant and equipment (land, machinery and buildings) at deemed cost in the opening balance sheet for initial adoption of IFRS. Its realization will occur through the depreciation of the respective deemed cost value when it will also be offered on the basis of dividends. The net balance of taxes at December 31, 2021, net of tax effects, represented a gain of R\$ 145,812 (R\$ 154,759 at December 31, 2020).

Changes in carrying value adjustments are as follows:

	<u>Consolidated</u>
December 31, 2019	<u>163,704</u>
Realization - deemed cost	<u>(8,945)</u>
December 31, 2020	<u>154,759</u>
Realization - deemed cost	<u>(8,947)</u>
December 31, 2021	<u>145,812</u>

24. EARNINGS PER SHARE

Basic and diluted earnings (loss) per share are calculated by dividing the profit 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 earnings are equal to basic earnings per share. The weighted average number of shares is calculated considering the total number of shares of 259,510,235, less treasury shares, which total 5,166,116 shares, thus representing 254,344,119 shares.

a) Basic and diluted earnings:

Parent Company and Consolidated	<u>2021</u>	
	<u>Common shares (ON)</u>	<u>Common shares Total</u>
Weighted average of the number of shares	251,554,119	251,554,119
Income for the attributable year to each type of shares	<u>285,313</u>	285,313
Basic and diluted profit per share - R\$	<u>1.1342</u>	
	<u>2020</u>	
	<u>Common shares Common</u>	<u>Common shares Total</u>
Weighted average of the number of shares	254,344,119	254,344,119
Income for the attributable year to each type of shares	<u>92,761</u>	92,761
Basic and diluted profit per share - R\$	<u>0.3647</u>	

25. NET SALES REVENUE

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

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Gross revenue from sales of products	2,044,824	1,305,890	2,051,145	1,310,198
Sales taxes	(429,074)	(266,993)	(429,467)	(267,234)
Sales returns	<u>(15,818)</u>	<u>(13,346)</u>	<u>(15,844)</u>	<u>(13,359)</u>
Net sales revenue	<u>1,599,932</u>	<u>1,025,551</u>	<u>1,605,834</u>	<u>1,029,605</u>

The Company's revenues are recognized when performance obligations are met, which generally occurs when products are delivered to clients in sales to the domestic market or when products sold are shipped to the foreign market. The main products sold by the Company represent the operating segments established pursuant to Note 32.

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

26. COSTS AND EXPENSES BY TYPE

Breakdown of expenses per type is shown as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Fixed and variable costs (raw and consumption material)	(850,135)	(556,825)	(817,372)	(547,815)
Personnel expenditures	(151,443)	(137,591)	(164,492)	(147,390)
Changes in fair value of biological assets	28,689	11,009	43,849	18,374
Depreciation, amortization and depletion	(73,644)	(71,685)	(92,444)	(77,236)
Freight - Sales	(58,499)	(50,301)	(60,012)	(49,907)
Services contracted	(37,058)	(30,306)	(38,477)	(30,967)
Other selling expenses	(47,960)	(40,364)	(48,552)	(42,018)
Total costs and expenses by type	<u>(1,190,050)</u>	<u>(876,063)</u>	<u>(1,177,500)</u>	<u>(876,959)</u>
Cost of goods sold	(1,019,023)	(717,538)	(1,017,659)	(722,663)
Change in fair value of biological assets	28,689	11,009	43,849	18,374
From sales	(106,286)	(89,676)	(108,620)	(90,657)
Impairment losses on trade receivables	(173)	(989)	56	(1,268)
General and administrative	(93,257)	(78,869)	(95,126)	(80,745)
Total costs and expenses	<u>(1,190,050)</u>	<u>(876,063)</u>	<u>(1,177,500)</u>	<u>(876,959)</u>

27. OTHER OPERATING REVENUES AND EXPENSES

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Revenues				
Revenue from claimed and disposed goods	1,611	5,533	1,611	5,533
Revenue from sale of assets	7,900	-	7,900	-
Carbon credit	569	379	569	379
Lawsuit compensation credit SP - Court-ordered debt payments	2,365	-	2,365	-
Gain from lawsuit to exclude ICMS from PIS and COFINS contribution basis	-	9,352	-	9,352
Other operating revenues	5,413	2,985	5,431	3,000
	<u>17,858</u>	<u>18,249</u>	<u>17,876</u>	<u>18,264</u>
Expenses				
Costs of claimed and disposed goods	(738)	(2,466)	(738)	(2,466)
Cost from sale of assets	(5,735)	-	(5,735)	-
Provision of government grants - State of MG	(1,469)	(1,515)	(1,469)	(1,515)
Impairment of subsidiaries' assets	-	-	-	(771)
Other operating expenses	(2,413)	(405)	(2,444)	(643)
	<u>(10,355)</u>	<u>(4,386)</u>	<u>(10,386)</u>	<u>(5,395)</u>
Total other operating revenues and expenses	<u>7,503</u>	<u>13,863</u>	<u>7,490</u>	<u>12,869</u>

Revenue from the sale of assets refers to the sale of assets from the discontinued operation.

28. FINANCE INCOME AND COSTS

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Finance income				
Yields from financial investments	17,151	4,360	17,920	4,474
Interest	3,761	10,186	3,761	10,192
Discounts obtained	371	494	376	516
	<u>21,283</u>	<u>15,040</u>	<u>22,057</u>	<u>15,182</u>
Exchange-rate change				
Foreign-exchange income	31,204	13,071	31,204	13,071
Foreign exchange costs	(32,889)	(13,711)	(32,889)	(13,711)
Net exchange-rate change	<u>(1,685)</u>	<u>(640)</u>	<u>(1,685)</u>	<u>(640)</u>
Finance costs				
Interest	(61,342)	(65,571)	(61,353)	(64,511)
Discounts granted	(240)	(318)	(281)	(334)
Negative goodwill/bank expenses	(642)	(875)	(650)	(889)
Liability interest on leases	(2,160)	(2,070)	(2,160)	(2,070)
Derivative instruments - swap	(483)	-	(483)	-
Other	(1,053)	(2,339)	(1,056)	(2,339)
	<u>(65,920)</u>	<u>(71,173)</u>	<u>(65,983)</u>	<u>(70,143)</u>
Finance result, net	<u>(46,322)</u>	<u>(56,773)</u>	<u>(45,611)</u>	<u>(55,601)</u>

29. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of effective tax rate:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Operating income before tax effects	389,415	109,176	390,213	109,914
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(132,401)	(37,120)	(132,672)	(37,371)
Income tax and social contribution formed for previous years	-	8,007	-	8,007
Tax effect from permanent (additions) exclusions:				
Equity in the results of subsidiaries	6,240	883	-	-
Non-deductible expenses	(1,004)	(594)	(1,004)	(358)
Formation (reversal) of tax incentives	(11)	(210)	(11)	(191)
Interest on shareholders' equity	-	1,623	-	1,623
Offset of negative basis of prior years	-	10,623	-	10,623
Non-levy of IR and CSLL on SELIC rate in the repetition of undue payme	25,197	-	25,197	-
Difference in taxation (subsidiaries)	-	-	5,442	145
Other permanent differences	(2,123)	373	(1,852)	369
	<u>(104,102)</u>	<u>(16,415)</u>	<u>(104,900)</u>	<u>(17,153)</u>
Current income tax and social contribution	(62,088)	(23,762)	(62,477)	(24,295)
Income tax and social contribution - deferred	(42,014)	7,347	(42,423)	7,142
Effective rate - %	26.7	15.0	26.9	15.6

30. INSURANCE

Insurance coverage is determined according to the nature of the risks to the assets, and is considered sufficient to cover possible losses arising from damages. At December 31, 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\$ 599,140. Group life insurance is also contracted for employees with a minimum coverage of 24 times the employee's salary or a maximum amount of R\$ 1.000, as well as cargo and transport and fleet insurance for vehicles with coverage at market value.

The Company maintains insurance covering Engineering Risk and Civil Liability during the construction of the Gaia I and Gaia II investment projects located at the Vargem Bonita SC plant, with a total insured amount of R\$ 566,380.

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

31. FINANCIAL INSTRUMENTS

Capital risk management

The Company's capital structure consists of its net debt (borrowings, debentures and derivatives detailed in Note 16, 17 and 18, less cash and bank and financial investments' balances), less cash and bank balances), as disclosed in Note 5, and equity (which includes issued capital, reserves and retained earnings, as disclosed in Note 23).

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. According to its [Financial Management Policy](#), the Company intends to maintain a capital structure from 30% to 50% of own capital and from 70% to 50% of third-party capital. The capital structure on December 31, 2021 was 52% in own capital and 48% in third-party capital.

Debt to equity ratio

As of December 31, 2021 and 2020, the indebtedness index is as follows:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Debt (a)	892,740	588,232	892,740	588,247
Cash and cash equivalents and financial investments	(486,908)	(327,681)	(506,268)	(346,232)
Net debt	<u>405,832</u>	<u>260,551</u>	<u>386,472</u>	<u>242,015</u>
Equity (b)	<u>957,438</u>	<u>786,154</u>	<u>957,438</u>	<u>786,160</u>
Net indebtedness ratio	0.42	0.33	0.40	0.31

(a) Debt is defined as short and long-term borrowings, debentures and derivative financial instruments – short and long-term swap, as detailed in Notes 16, 17 and 18.

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

Categories of financial instruments

	Note	Parent company		Consolidated	
		12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial assets					
Fair value through profit or loss					
Cash and balance in banks	5	11,050	35,709	30,410	54,260
Amortized cost					
Interest earning bank deposits	5	475,858	291,972	475,858	291,972
Trade receivables	6	257,162	205,572	257,468	206,643
Other trade receivables	9	6,590	6,484	6,762	6,617
Financial liabilities					
Assigned at fair value through profit or loss					
Derivative instruments - swap	18	419	-	419	-
Amortized cost					
Borrowings and financing	16	306,004	79,395	306,004	79,410
Debentures	17	586,317	508,837	586,317	508,837
Suppliers	19	151,042	119,861	133,718	109,095
Advance from clients		3,063	6,377	3,118	6,407
Lease liabilities	34	23,066	21,103	23,066	21,103
Tax installment payments	21	16,743	24,869	16,743	24,869
Dividend and interest on shareholders' equity payable		16,345	10,467	16,345	10,467
Other accounts payable		10,322	12,487	10,623	12,758

Financial risk factors

The Company is exposed to sundry financial risks: market risk (including currency risk and interest rate risk), credit risk, and liquidity risk.

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

The Company does not make any speculative investments in derivatives or any other financial assets. The derivative financial instrument – swap in force was contracted with the purpose of swapping the interest rate index to optimize the long-term financial liabilities and cash management strategy, as described in Note 18.

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 December 31, 2021 and December 31, 2020, these operations presented a net exposure as the table below:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Accounts receivable	33,035	22,875	33,035	22,875
Advance from clients	(1,227)	(2,468)	(1,227)	(2,468)
Suppliers	(3,632)	(400)	(3,632)	(400)
Advance to suppliers	25,055	-	25,055	-
Borrowings and financing	(28,448)	(21,506)	(28,448)	(21,506)
Net exposure	24,783	(1,499)	24,783	(1,499)

The Company maintains operations in foreign currency with the objective of addressing potential changes in the balance of export clients.

The Company has identified the main risk factors that could generate losses in connection with its financial instruments. Accordingly, a sensitivity analysis was performed, 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 results 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 (March 31, 2022).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for March 31, 2022.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for March 31, 2022.

Transaction	Balance at 12/31/2021		Base scenario		Adverse scenario		Remote scenario	
	US\$	Rate	Gain (Loss) R\$	Rate	Gain (Loss) R\$	Rate	Gain (Loss) R\$	
Assets								
Trade receivables and banks restricted account	5,920	5.70	720	7.13	9,159	8.55	17,600	
Advances to suppliers	4,490	5.70	546	7.13	6,946	8.55	13,349	
Liabilities								
Suppliers and advances from clients	(871)	5.70	(106)	7.13	(1,348)	8.55	(2,589)	
Borrowings and financing	(5,098)	5.70	(620)	7.13	(7,887)	8.55	(15,156)	
Net effect			540		6,870		13,204	

This sensitivity analysis is intended to measure the impact of changes in foreign exchange market variables on each financial instrument of the Company. The balances at December 31, 2021 were used as a basis for the projection of the future balance. The effective behavior of balances of debt and derivative instrument - swap will respect their respective contracts. Moreover, the balances of trade receivables and payable may fluctuate due to the normal activities of the Company and its subsidiaries. However, settling the transactions involving such estimates may result in sums different from those estimated, owing to the subjectivity contained in the procedure used to prepare these analyses. The

Company maintains its borrowings exposed to exchange-rate changes by making annual net payments that are equivalent to or below its export customer portfolio.

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 (Special Settlement and Custody System) and IPCA (Broad Consumer Price Index).

The sensitivity analysis calculated for the base, adverse and remote scenarios on the borrowing 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 (March 31, 2022). TJLP is obtained from BNDES and IPCA from Boletim Focus.

2 – Adverse scenario: 25% adjustment of interest rates compared to the level projected for March 31, 2022.

3 – Remote scenario: 50% adjustment of interest rates compared to the level projected for March 31, 2022.

Transaction	Index	Balance at 12/31/2	Base scenario		Adverse scenario		Remote scenario	
			Rate % p.a.	Gain (loss) R\$	Rate % p.a.	Gain (loss) R\$	Rate % p.a.	Gain (loss) R\$
Cash and cash equivalents and financial investments								
CDB	CDI	498,704	10.54%	7,126	13.18%	20,634	15.81%	34,142
Proceeds from borrowings								
Working capital	CDI	(564,945)	10.54%	(8,418)	13.18%	(24,375)	15.81%	(40,333)
Working capital	IPCA	(64,884)	9.68%	263	12.10%	(1,393)	14.51%	(3,049)
Finame Direto	IPCA	(241,930)	9.68%	970	12.10%	(5,131)	14.51%	(11,231)
Finame	TJLP	(52)	6.08%	-	7.60%	(1)	9.12%	(2)
Finame	SELIC	(418)	10.64%	(6)	13.30%	(18)	15.96%	(29)
Derivative financial instruments – Swap								
Swap Assets	IPCA	63,903	9.68%	(259)	12.10%	1,372	14.51%	3,002
Swap Liabilities	CDI	(63,903)	10.54%	(895)	13.18%	(2,590)	15.81%	(4,286)
Net effect on results				(1,219)		(11,503)		(21,786)

Fair value vs. carrying amount

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

- The book balances of trade receivables, 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.

- Borrowings, debentures and derivative financial instruments - swap - considering the debts, market information and interest rates of loans, financing and debentures contracted, the fair value as of December 31, 2021 is R\$ 850,483. The Company used as a technique for evaluation of discounted cash flows by considering the present value of the payment expected, discounted by a risk-adjusted discount rate of the Company. The fair value calculated is at level 2 in fair value hierarchy.

Credit risks

The carrying amounts of financial assets classified as loans and receivables represent the maximum credit exposure as shown below:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial assets				
Banks	7,470	4,403	7,544	4,424
Marketable securities	3,561	31,287	22,846	49,816
Interest earning bank deposits	475,858	291,972	475,858	291,972
Trade receivables	257,162	205,572	257,468	206,643
Other trade receivables	6,590	6,484	6,762	6,617
Maximum credit exposure	743,171	535,315	762,934	555,048

a) Trade accounts receivable

The Company's credit sales are managed through a credit rating and credit granting policy. Expected credit losses are adequately covered by a provision to cover possible losses on their realization, as detailed in Note 6.

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

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

b) Banks, financial investments with immediate liquidity and financial investments

The credit risk of banks, short-term investments and financial investments is managed by the Company in accordance with the [Financial Management Policy](#), aiming to establish guidelines for the management of the Company's financial funds.

The table below shows the balance of banks, short-term investments and financial investments of the Company, classifying the amounts according to the national long-term rating of S&P and Fitch Rating of the credit risk of financial institutions:

	<u>Consolidated</u>	
	<u>12/31/2021</u>	<u>Branch</u>
National Rating AAA (br)	329,438	Fich/S&P
National rating AA + (br)	174,634	Fich
National rating BB+ (br)	11	Fich
National rating BB- (br)	2,159	Fich/S&P
<i>Without rating</i>	6	-
	<u>506,248</u>	

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, in accordance with the [Financial Management Policy](#) which comprises cash, interest earning bank deposits, flows of trade receivables and payable, and payment of borrowings and adjustments in derivative financial instruments - swap. 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 at December 31, 2021, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets and for liabilities from derivative financial instruments – swap the expected maturity details, as well as their discounted amounts.

Parent company

	2022	2023	2024	2025	>2026
Liabilities					
Suppliers	151,042	-	-	-	-
Borrowings and financing	79,460	10,141	9,892	27,719	273,584
Debentures	47,933	187,349	179,926	172,503	65,711
Derivative instruments - swap	3,733	2,608	1,868	1,679	(9,468)
Tax installment payments	9,081	5,394	1,768	500	-
Advance from clients	3,063	-	-	-	-
Lease liabilities	6,950	4,748	4,748	4,748	1,872
Dividends and interest on shareh	16,345	-	-	-	-
Other accounts payable	10,263	59	-	-	-
	<u>327,870</u>	<u>210,299</u>	<u>198,202</u>	<u>207,149</u>	<u>331,699</u>

Consolidated

	2022	2023	2024	2025	>2026
Liabilities					
Suppliers	133,718	-	-	-	-
Borrowings and financing	79,460	10,141	9,892	27,719	273,584
Debentures	47,933	187,349	179,926	172,503	65,711
Derivative instruments - swap	3,733	2,608	1,868	1,679	(9,468)
Tax installment payments	9,081	5,394	1,768	500	-
Advance from clients	3,118	-	-	-	-
Lease liabilities	6,950	4,748	4,748	4,748	1,872
Dividends and interest on shareh	16,345	-	-	-	-
Other accounts payable	10,564	59	-	-	-
	<u>310,902</u>	<u>210,299</u>	<u>198,202</u>	<u>207,149</u>	<u>331,699</u>

The amounts included for floating rate instruments (non-derivative financial liabilities and derivative financial instruments - swap) are subject to change if the change in floating interest rates differs from these estimates at the end of the reporting period.

Derivative financial instruments

As of December 1, 2021, the Company entered into a derivative financial instrument - rate swap with Banco Santander, aiming to modify the remuneration linked to the interest rate of the 4th Issue of Debentures.

The reference value assigned on the contracting date (notional) is R\$ 66,225. The adjustments will take place on the same payment dates of the 4th Issue of Debentures, which has final maturity on December 15, 2029, so that its actual cost is equivalent to CDI + 0.71% p.a.

Note 18 contains further information on the aforementioned transaction.

32. OPERATING SEGMENTS

a) Criteria for identifying operating segments

The Company has three main strategic divisions based on the manner in which Management manages the business. The Company's revenue is segmented according to defined products and operating segments.

The Management defined as operating segments: Sustainable Packaging (Corrugated Cardboard) Segment; Sustainable Packaging Paper (Paper) Segment; Sustainable Resins Segment (Tar and Turpentine) as described below:

Sustainable Packaging (Corrugated Cardboard) Segment: this segment manufactures light and heavy corrugated cardboard boxes and sheets, in two production units: Embalagem SC - Campina da Alegria e Embalagem SP - Indaiatuba.

Sustainable Packaging Paper (Paper) Segment: this segment produces low and high-weight Kraft paper and recycled paper for the domestic and foreign markets. In addition, part of its production is sent to the Corrugated Cardboard Packaging segment. It has two production units: Paper plant in the municipality of Santa Luzia, in the State of Minas Gerais.

Sustainable Resins Segment (Tar and Turpentine): in this segment, the Company plants pine trees for its own consumption, sells timber, and extracts resin from pines trees, which is used as raw material for the production of tar and turpentine.

b) Consolidated information from operating segments

	Consolidated				Total
	Sustainable Packaging (Corrugated)	Sustainable Packaging Paper (Paper)	Sustainable resins (Tar and Turpentine)	Corporate/ eliminations	
Net sales revenue					
Domestic market	902,792	444,317	9,160	49	1,356,318
Foreign market	-	83,176	166,340	-	249,516
Total net sales revenue	902,792	527,493	175,500	49	1,605,834
Change in fair value - biological assets	-	46,429	(2,580)	-	43,849
Cost of goods sold	(603,853)	(297,769)	(114,827)	(1,210)	(1,017,659)
Gross income	298,939	276,153	58,093	(1,161)	632,024
Operating expenses	(71,282)	(25,094)	(17,766)	(82,058)	(196,200)
Operating income (loss) before financial income (loss)	227,657	251,059	40,327	(83,219)	435,824
Finance result	(21,646)	(22,998)	(1,014)	47	(45,611)
Net operating profit (loss)	206,011	228,061	39,313	(83,172)	390,213
Depreciation and amortization	(16,066)	(50,631)	(1,565)	(2,191)	(70,453)

	Consolidated				
	2020				
	Sustainable Packaging (Corrugated)	Sustainable Packaging Paper (Paper)	Sustainable resins (Tar and Turpentine)	Corporate/eliminations	Total
Net sales revenue					
Domestic market	550,400	288,919	5,241	-	844,560
Foreign market	-	111,252	73,793	-	185,045
Total net sales revenue	550,400	400,171	79,034	-	1,029,605
Change in fair value - biological assets	-	24,177	(5,803)	-	18,374
Cost of goods sold	(411,637)	(250,624)	(60,084)	(318)	(722,663)
Gross income	138,763	173,724	13,147	(318)	325,316
Operating expenses	(59,408)	(24,068)	(13,375)	(62,950)	(159,801)
Operating income (loss) before financial income (loss)	79,355	149,656	(228)	(63,268)	165,515
Finance result	(26,443)	(29,755)	597	-	(55,601)
Net operating profit (loss)	52,912	119,901	369	(63,268)	109,914
Depreciation and amortization	(14,659)	(47,384)	(1,441)	(1,980)	(65,464)

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.

Finance result is allocated by operating segment, taking into consideration the specific allocation of each item of finance income and cost to the respective segment, and the allocation of corporate expenses and revenues proportional to the billing 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 revenue

Net sales revenue in 2021 totaled R\$ 1,605,834 (R\$ 1,029,605 in 2020).

Net sales revenue for the foreign market in 2021 totaled R\$ 249,516 (R\$ 185,045 in 2020), distributed by several countries, as follows:

Consolidated			Consolidated		
2021			2020		
Country	Net exports	% in total net revenue	Country	Net exports	% in total net revenue
Argentina	28,168	1.75%	China	42,122	4.09%
China	26,485	1.65%	Argentina	32,050	3.11%
Portugal	25,536	1.59%	Saudi Arabia	15,233	1.48%
India	18,324	1.14%	USA	9,524	0.93%
Germany	17,873	1.11%	Paraguay	9,326	0.91%
Saudi Arabia	16,520	1.03%	Chile	8,560	0.83%
France	13,539	0.84%	South Africa	8,045	0.78%
Spain	12,391	0.77%	Portugal	7,882	0.77%
Pakistan	10,065	0.63%	Peru	5,748	0.56%
Netherlands	10,045	0.63%	India	5,586	0.54%
Paraguay	9,436	0.59%	Japan	5,399	0.52%
USA	8,575	0.53%	Germany	3,998	0.39%
South Africa	8,254	0.51%	Ireland	3,917	0.38%
Chile	7,974	0.50%	Turkey	3,729	0.36%
Mexico	7,587	0.47%	Kuwait	3,529	0.34%
Peru	7,560	0.47%	Other countries	20,397	1.98%
Other countries	21,184	1.32%			
	<u>249,516</u>	<u>15.53%</u>		<u>185,045</u>	<u>17.97%</u>

In 2021, Company's net sales revenue in domestic market totaled R\$ 1,356,318 (R\$ 844,560 in 2020).

In 2021, a single client accounted for 5.5% of net sales in the domestic market of the Sustainable Packaging (Corrugated Cardboard) segment, equivalent to R\$ 49,511. The Company's other sales in the domestic and foreign markets were spread over a number of clients, none of them accounting for more than 10% of net sales.

33. GOVERNMENT GRANT

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

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

Regarding the incentive amounts, there will be charges at contractual rates of 4.0% per annum. For the purposes of calculating the present value of this benefit, the Company used the average rate of 13.61% as the funding cost for the financing facilities with characteristics similar to those required for the respective disbursements if it did not have the benefit.

The benefit is effective for 14 years (10 years of fruition and 4 years of grace period), from January 2009 to December 2022, or up to the limit of R\$ 55,199 of deferred ICMS. Up to December 31, 2021, the Company had R\$ 4,070 (R\$ 9,228 as of December 31, 2020) of deferred ICMS recorded in liabilities, net of government grant of R\$ 3,942 (R\$ 9,068 on 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.

34. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent Company and Consolidated	Land	Buildings and constructions	Equipment and facilities	Total
Balance at 01/01/2020	5,556	13,605	3,264	22,425
Depreciation	(970)	(2,070)	(928)	(3,968)
Addition/write-off of agreements - principal effect	579	1,621	523	2,723
Net book balance at 12/31/2020	5,165	13,156	2,859	21,180
Cost	6,794	17,234	4,244	28,272
Accumulated depreciation	(1,629)	(4,078)	(1,385)	(7,092)
Net book balance at 12/31/2020	5,165	13,156	2,859	21,180
Balance at 01/01/2021	5,165	13,156	2,859	21,180
Depreciation	(1,107)	(2,677)	(2,444)	(6,228)
Addition/write-off of agreements - principal effect	964	4,890	414	6,268
Transfers to right-of-use assets	-	-	3,254	3,254
Net book balance at 12/31/2021	5,022	15,369	4,083	24,474
Cost	7,758	22,124	14,726	44,608
Accumulated depreciation	(2,736)	(6,755)	(10,643)	(20,134)
Net book balance at 12/31/2021	5,022	15,369	4,083	24,474

The measurement of the right-of-use asset corresponds to the initial amount of lease liability at present value at the rates of 12.06% to 14.43% p.a., calculated considering the risk-free rate (NTN), the Company's risk spread, the equivalent country risk and the specific risk of the asset. Depreciation is calculated using the straight-line method according to the remaining term of contracts 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
	Balance at 01/01/2020	5,180	13,700	3,517
Lease installment	(1,610)	(3,180)	(1,272)	(6,062)
Addition/write-off of agreements - principal effect	579	1,621	523	2,723
Interest on lease	564	1,272	156	1,992
Addition/write-off of agreements - interest effect	-	33	20	53
Net book balance at 12/31/2020	4,713	13,446	2,944	21,103
Balance at 01/01/2021	4,713	13,446	2,944	21,103
Lease installment	(1,820)	(4,034)	(1,510)	(7,364)
Addition/write-off of agreements - principal effect	964	4,890	(854)	5,000
Interest on lease	555	1,356	386	2,297
Transfers to lease liabilities	-	-	2,030	2,030
Net book balance at 12/31/2021	4,412	15,658	2,996	23,066
Short-term				6,950
Long-term				16,116

Lease interest is recognized as a finance cost and appropriated according to the remaining term of the agreements.

Long-term payments, considering their future (undiscounted) cash flows, are distributed as follows:

Long-term maturity dates:	Parent company and
2022	1,198
2023	4,793
2024	4,680
2025	4,320
>2026	13,656
	<u>28,647</u>

The impacts in the statement of profit and loss according to CPC 06 (R2) / IFRS 16, were due to the fact that lease considerations that were previously recorded as expenses with lease were recognized in the captions depreciation and finance costs. Although the new pronouncement has not brought any change in the total amount that will be charged to Profit (loss) over the useful life of the agreements, it is correct to state that there is a temporal effect on profit.

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

Parent Company and Consolidated	Nominal	Adjustment to present value
Cash flow		
Lease consideration	42,778	30,549
PIS/COFINS (9.25%)	3,957	2,826

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

Other assumptions, such as the maturity schedule of 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.

Lease agreements were not renegotiated in 2021.

Management assessed the use of nominal cash flows and rates, as recommended by CVM and concluded that they do not generate material differences in the information presented as the table below:

Parent Company and Consolidated	Actual flow		Nominal flow	
	01/01/2019	12/31/2021	01/01/2019	12/31/2021
Lease liabilities	41,769	31,135	48,992	42,778
Embedded interest	(16,147)	(8,069)	(19,687)	(12,229)
	25,622	23,066	29,305	30,549

35. TRANSACTIONS NOT AFFECTING CASH

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

During 2021, the Company realized PIS and COFINS credits on property, plant and equipment items amounting to R\$ 495, recognized the restatement of PIS and COFINS credits on the exclusion of ICMS from PIS and COFINS basis in the amount of R\$ 502, recognized the credits on non-levy of IRPJ and CSLL on the SELIC rate in the repetition of undue payments in the amount of R\$ 25,197.

During 2020, the Company realized PIS and COFINS credits on property, plant and equipment items amounting to R\$ 751, recognized the PIS and COFINS credits on the exclusion of ICMS from PIS and COFINS basis and their restatement in the amount of R\$ 20,475, recognized the amount of R\$ 2,029 related to the reversal of provision for inventory losses, an asset impairment of subsidiaries in the amount of R\$ 771 was recognized.

Dear Stockholders,

The management of **Irani Papel e Embalagem S.A.** submits for your appreciation the Company's Management Report and Financial Statements, together with the independent auditor's report for the year ended December 31, 2021. The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and accounting practices adopted in Brazil, based on the technical pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), which are fully convergent with IFRS, and the standards established by the Brazilian Securities Commission (CVM).

Message to the Stockholders

Irani Papel e Embalagem S.A. is an integrated sustainable paper packaging company, with a robust own forest base engaged in pulp production used in paper production. The Company's core business is the production and trade of sustainable corrugated cardboard packaging and sustainable packaging paper. The main raw materials are the planted pine forests (long fiber) owned by the Company and old corrugated containers for recycling, which is called "circular economy".

2021 Highlights

We lived the second year of the Covid-19 pandemic in 2021. During the year, we experienced difficult periods of Covid-19 outbreaks that affected many people around the world. It was a year of great significance for everyone, in which the pain of losses contrasted with the several advances in health, such as the emergence of vaccines in record time, as well as the new forms of working and studying that we were forced to adopt on account of social distancing. It also accelerated people's new consumption habits, through e-commerce and food delivery. Greater human awareness has accelerated secular trends,

including those related to the environment, such as a circular and low-carbon economy and social issues, what has recently been called ESG (Environmental, Social and Governance), a concept previously known as Sustainability.

Considering the economic perspective, the world experienced a recovery in GDP growth, which had fallen sharply in 2020. The numerous monetary and fiscal incentives promoted by governments to circumvent the effects of the pandemic managed to stimulate the economy in a surprising manner. [The World Bank estimates global GDP to have](#)

[grown by 5.5% in 2021](#). As a result, we ended the year 2021 with high levels of inflation around the world and, with this trend, the beginning of a new cycle of interest rate increases.

In Brazil, according to the [Focus Bulletin of January 7, 2022](#), the market estimates that GDP growth was 4.5% in 2021, offsetting the loss in 2020. We ended the year [with inflation measured by IPCA at 10.06%](#) and the [interest rate \(SELIC\) was set at 9.25% p.a.](#), with the [market betting on further rises in the SELIC rate to reach around 12% pa](#) during 2022.

According to Empapel, shipping of corrugated cardboard in tons recorded a 4.3% increase in 2021 compared to 2020, with 4,077 thousand tons. The increased use of paper packaging for the food sector, e-commerce, product delivery and for exports, has created a favorable environment for the corrugated cardboard and paper packaging sector.

The net revenue in 2021 grew 56.0% in relation to 2020, reflecting the good performance of sales and prices in the segments in which the Company operates, particularly the significant increase in prices in all segments in relation to the previous year. The domestic market

accounted for 84% of the Company's sales, while the foreign market reached 16% in 2021.

The Sustainable Packaging Segment (Corrugated Cardboard) represented in 2021 56% of net revenue, the Sustainable Packaging Paper Segment (Paper) accounted for 33%, while the Sustainable Resins (Gum Rosin and Turpentine) accounted for 11%.

We ended the year with records in the Net Revenue of R\$ 1,605,834 thousand, Profit of R\$ 285,313 thousand and Adjusted EBITDA of R\$ 493,921 thousand. The net debt/EBITDA ratio (operating leverage) was 0.78 times and the cash position (including Financial investments) was R\$ 506,268,000. As of December 31, 2021, the gross indebtedness totaled R\$ 892,740 thousand, 90% of which maturing in the long term and 97% in local currency.

Main economic and financial indicators

MAIN INDICATORS - CONSOLIDATED	4Q21	3Q21	4Q20	Chg. - 4Q21/ 3Q21	Chg. - 4Q21/ 4Q20	2021	2020	Chg. - 2021/2020
Economic and Financial (R\$ thousand)								
Net sales revenue	414,068	432,468	290,935	-4.3%	42.3%	1,605,834	1,029,605	56.0%
Domestic market	350,716	367,448	253,672	-4.6%	38.3%	1,356,318	844,560	60.6%
Foreign market	63,352	65,020	37,263	-2.6%	70.0%	249,516	185,045	34.8%
Gross profit (inclusive*)	168,073	179,897	91,258	-6.6%	84.2%	632,024	325,316	94.3%
(*) Change in fair value of biological assets	3,114	14,855	9,555	-79.0%	-67.4%	43,849	18,374	138.6%
Gross margin	40.6%	41.6%	31.4%	-1.0p.p.	9.2p.p.	39.4%	31.6%	7.8p.p.
Operating Income (loss) before taxes and profit sharing	97,410	117,791	35,010	-17.3%	178.2%	390,213	109,914	255.0%
Operating margin	23.5%	27.2%	12.0%	-3.7p.p.	11.5p.p.	24.3%	10.7%	13.6p.p.
Net profit	63,326	97,595	33,917	-35.1%	86.7%	285,313	92,761	207.6%
Net margin	15.3%	22.6%	11.7%	-7.3p.p.	3.6p.p.	17.8%	9.0%	8.8p.p.
Adjusted EBITDA ¹	134,181	140,316	62,426	-4.4%	114.9%	493,921	225,881	118.7%
Adjusted EBITDA margin	32.4%	32.4%	21.5%	0.0p.p.	10.9p.p.	30.8%	21.9%	8.9p.p.
Net debt (R\$ million)	386.5	271.4	242.0	42.4%	59.7%	386.5	242.0	59.7%
Net debt/Adjusted EBITDA (x)	0.78	0.64	1.07	21.9%	-27.1%	0.78	1.07	-27.1%
Operating data (t)								
Sustainable Packaging (Corrugated Cardboard)								
Production/Sales	36,666	39,823	42,210	-7.9%	-13.1%	157,549	155,438	1.4%
Sustainable Packaging Paper (Paper)								
Production	73,491	74,000	75,434	-0.7%	-2.6%	297,188	293,271	1.3%
Sales	32,325	31,966	32,603	1.1%	-0.9%	126,056	135,610	-7.0%
Domestic market	28,052	28,124	28,117	-0.3%	-0.2%	109,157	105,935	3.0%
Foreign market	4,273	3,842	4,486	11.2%	-4.7%	16,899	29,675	-43.1%
Sustainable Resins (Gum Rosin and Turpentine)								
Production	3,235	4,097	3,207	-21.0%	0.9%	15,450	14,608	5.8%
Sales	3,249	4,009	2,858	-19.0%	13.7%	15,529	13,942	11.4%
Domestic market	112	130	174	-13.8%	-35.6%	441	498	-11.4%
Foreign market	3,137	3,879	2,684	-19.1%	16.9%	15,088	13,444	12.2%

¹ EBITDA (earnings before interest, tax, depreciation and amortization) - see the chapter in this management report.

- The net revenue in the 4Q21 recorded a 42.3% increase when compared to 4Q20 and decreased 4.3% in relation to 3Q21. Comparing the years, net revenue increased 56.0% in 2021 compared to 2020, reaching R\$ 1,605,834 thousand, mainly due to the good sales performance and prices in all the segments in which the Company operates.
- The sales volume of the Sustainable Packaging (Corrugated Cardboard) segment increased 1.4% compared to 2020, and totaled 157.5 thousand tons in 2021, due to the strong demand for the segment in the year and the good performance of industrial operations. Sales of the Sustainable Packaging Paper (Paper) segment totaled sales 126.1 thousand tons, accounting for a decrease of 7.0% over 2020, mainly due to the greater transfer to own units in 2021. The Sustainable Resins (Gum Rosin and Turpentine) segment increased 11.4%, reaching 15.5 thousand tons. Said growth is attributed to higher demand and operational productivity.

- Gross profit for 4Q21 increased 84.2% compared to 4Q20 and decreased 6.6% over 3Q21. Compared to 2020, gross profit increased 94.3% and reached R\$ 632,024 thousand. The growth in 2021 is mainly related to revenue growth due to the respective price increase compared to the previous year.
- Selling expenses in 2021 had the total amount of R\$ 108,620 thousand, an increase of 19.8% when compared to 2020 and represented 6.8% of consolidated net revenue, lower than the 8.8% in 2020. Administrative expenses in 2021 had the total amount of R\$ 81,094 thousand, an increase of 14.8% when compared to 2020 in the amount of R\$ 70,660 thousand and represented 5.0% of consolidated net revenue, lower than 6.9% in 2020.
- In 4Q21, the net profit (loss) was R\$ 63,326 thousand of profit, in comparison to the profit of R\$ 33,917 thousand in 4Q20 and R\$ 97,595 thousand in 3Q21. In the annual comparison, the statement of profit or loss was R\$ 285,313 thousand of income in 2021, when compared to R\$ 92,761 thousand of income in 2020. The main impacts on net profit for this year were related to the growth in net sales revenue and the percentage growth in gross margin. Also in this year, the Company recorded in the 3Q the amount of R\$ 25,197 thousand referring to the non-levy of corporate income tax (IRPJ) and social contribution on net income (CSLL) on the Selic rate in the repetition of undue payments, which contributed to the growth of the profit presented.
- Adjusted EBITDA in 4Q21 totaled R\$ 134,181 thousand, with a margin of 32.4%, 114.9% higher than that recorded in 4Q20, which was R\$ 62,426 thousand, with a margin of 21.5%, and 4.4% lower when compared to 3Q21, which was R\$ 140,316 thousand, with a margin of 32.4%. In 2021, Adjusted EBITDA totaled R\$ 493,921 thousand, a growth of 118.7% in relation to 2020 and a margin of 30.8%, 8.9 percentage points higher than in 2020.
- The Net Debt/EBITDA ratio was 0.78 times in 2021, against 1.07 times in 2020. The improvement in the indicator is due to the increase of 118.7% in the annual EBITDA in relation to the 59.7% increase in net debt due to the negative free cash flow for the period, due to the disbursements of investment made in Gaia Platform.
- The cash position at the end of December 2021 was R\$ 506,268 thousand (composed of financial investments of cash and cash equivalents) and 90% of the gross debt is classified in the long term, 97% denominated in Reais and 3% denominated in foreign currency.
- In January 2022, B3 (the Brazilian Stock Exchange), launched the first portfolio of IGPTW B3, and Irani is present in this new index. In partnership with Great Place To Work (GPTW), this index seeks to

recognize companies committed to ESG initiatives and that value people's relationships and development.

BUSINESS OVERVIEW

The business of Irani Papel e Embalagem S.A. are comprised of three segments, independent in their operations, but are integrated in a balanced way, seeking to optimize the use of planted pine forests, through multiple uses, paper recycling under the circular economy concept and vertical integration of the businesses.

The **Sustainable Packaging (Corrugated Cardboard) Segment** manufactures boxes and light and heavy corrugated cardboard sheets, and has two plants: SC Campina da Alegria Packaging Plant and SP Indaiatuba Packaging Plant.

The **Sustainable Packaging Paper (Paper) Segment** is engaged in the production of low and high grammage Kraft papers and recycled papers for the foreign and domestic markets, most of which is transferred for conversion at the Sustainable Packaging (Corrugated Cardboard) Segment units. Its plant located in Vargem Bonita - SC (Campina da Alegria Paper Plant) has four paper machines, and the paper plant in Santa Luzia - MG (Santa Luzia Paper Plant) has one paper machine

The **Sustainable Resins Segment (Gum Rosin and Turpentine)** sells wood, gum rosin and turpentine. It manufactures forest-based products in the State of Rio Grande do Sul, from the forest assets owned by the Company and located in the region and third parties' purchases. The business unit called RS Balneário Pinhal - Resins, with an industrial plant located in Balneário Pinhal, State of Rio Grande do Sul (RS), produces gum rosin and turpentine, from the natural resin of the pine forest, which are used in the preparation of varnishes, paints, soaps, glues, adhesives etc. The gum rosin and the turpentine produced are destined mainly to the foreign market.

Subsidiaries

Irani Papel e Embalagem S.A. has the following wholly-owned subsidiaries::

- Habitasul Florestal S.A., with a forest base of 5.9 thousand hectares, of which 3.9 thousand hectares are planted with pine trees in the State of Rio Grande do Sul, which supplies resin to Resinas da Irani Papel e Embalagem S.A. and timber to customers in the region;
- HGE - Geração de Energia Sustentável S.A., non-operational;

- Iraflor Comércio de Madeiras Ltda., which carries out activities related to the management and sale of timber and forests for the parent company Irani Papel e Embalagem S.A. and the market;
- Irani Soluções para E-commerce Ltda. which operates in the electronic commerce of packaging, and aims to provide sustainable packaging solutions for the market through e-commerce;
- Irani Ventures Ltda. which is engaged in investing in selected startups, with innovative solutions, high-tech products and services, already validated by the market and with high growth potential.

1. OPERATING PERFORMANCE

1.1. Sustainable Packaging (Corrugated Cardboard Segment)

Revenue Contribution 2021



The sales volume of sustainable corrugated cardboard packaging in the Empapel Market in tons, as presented in the charts below, decreased 5.3% in 4Q21 when compared to 4Q20, as did the sales volume performance in the Irani Market, which decreased 13.1%, totaling 36,666 tons. Compared to 3Q21, Empapel Market decreased 4.8%, while Irani Market decreased 7.9%. In 2021, the Empapel market

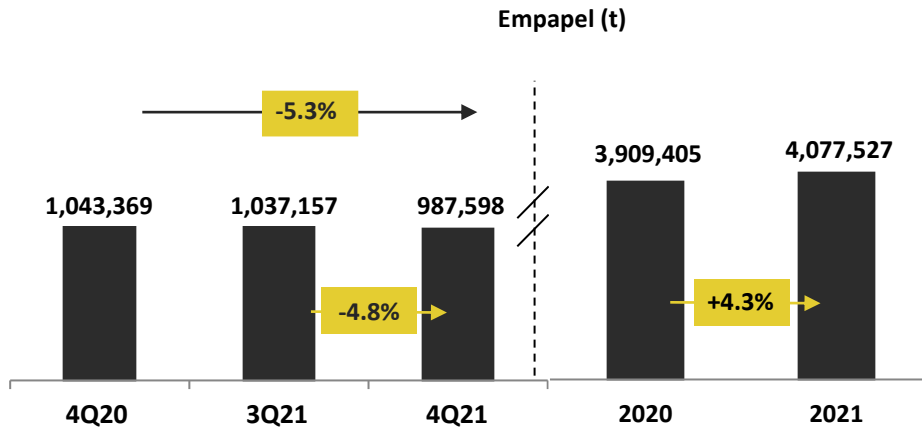
increased by 4.3% in relation to 2020 and Irani market increased by 1.4%. This growth is due to the increase in demand for the segment in the period and the good performance of industrial operations.

In tons, Irani's market share in the Sustainable Packaging Segment (Corrugated Cardboard) was 3.7% in 4Q21, 4.1% in 4Q20 and 3.8% in 3Q21. In 2021, IRANI's market share was 3.9%, compared to 4.0% in 2020.

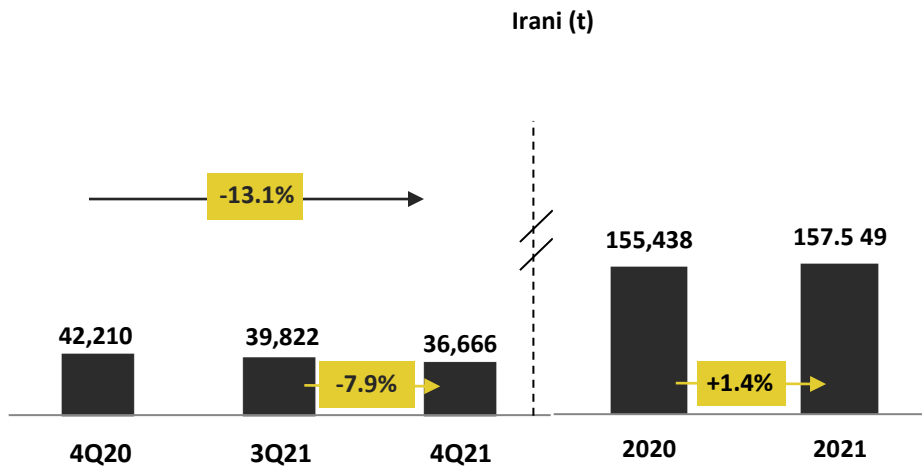
The sales volume of boxes in 2021 in Irani Market recorded a stability in relation to 2020, an increase of 4.4% in the Empapel market. The sales of sheets in IRANI Market increased by 3.2%, against an increase of 3.6% in the Empapel market, when compared to 2020.

SP Indaiatuba and SC Campina da Alegria Packaging units accounted for respectively 59% and 41% of the total sold in 2021 in corrugated cardboard, whose productions are entirely destined to the domestic market.

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



Source: Empapel



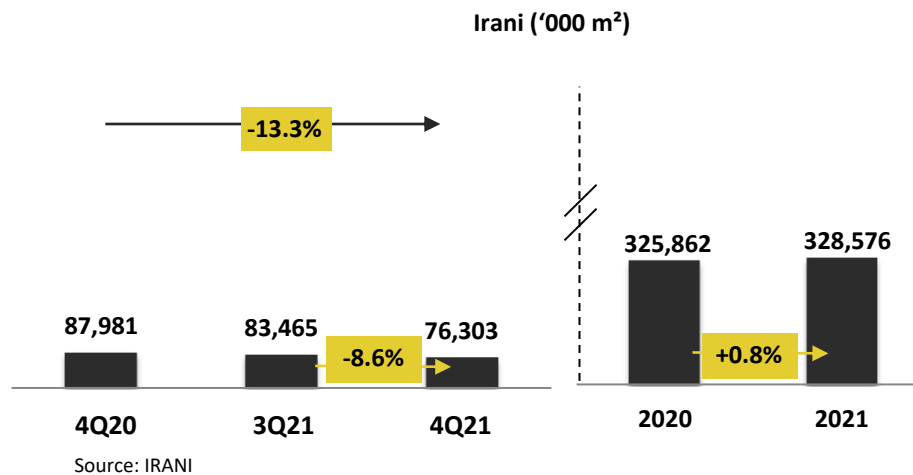
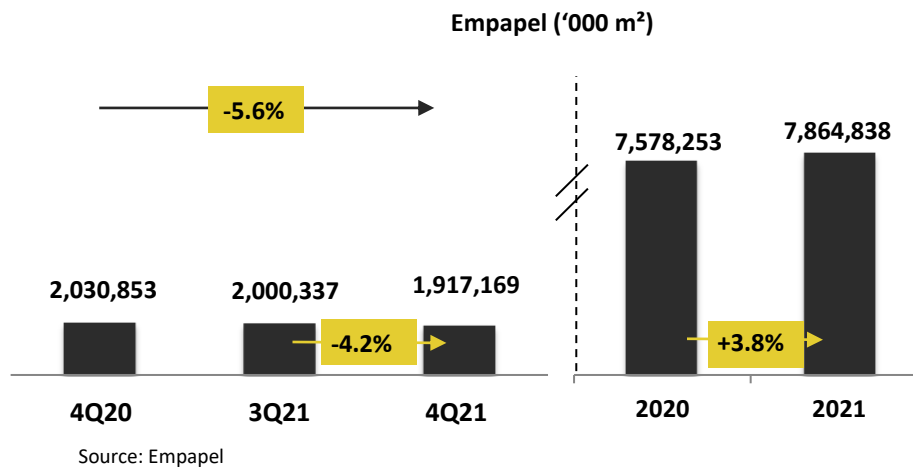
Source: IRANI

In square meters (m²) the sales volume of sustainable corrugated cardboard packaging of the Empapel Market presented a decrease of 5.6% in 4Q21 when compared to 4Q20, when Irani Market recorded decrease of 13.3%. Compared to 3Q21, Empapel Market decreased 4.2%, while the Irani Market recorded a 8.6% reduction. Comparing the year 2021 with 2020, the Empapel Market registered an increase of 3.8%, while the Irani Market registered a stability in comparison with 2020.

In square meters, the Irani Market's share was 4.0% in 4Q21, 4.3% in 4Q20 and 4.2% in 3Q21. The sales volume in 2020 totaled 328,576 thousand m², with a market share of 4.2% in the year.

In square meters, the sales performance of boxes in 2021 was stable in the IRANI market and increased by 4.2% in the Empapel market. The sales of sheets increased by 6.6% in the IRANI market when compared to a 1.5% increase in the Empapel market.

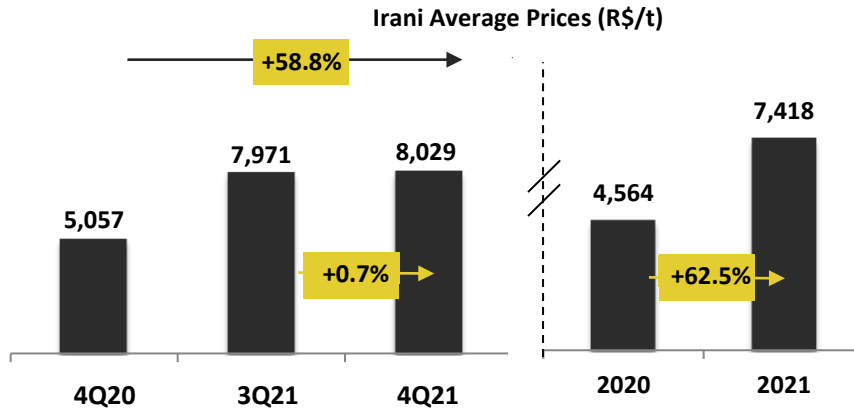
Sales Volume (in square meters) – Sustainable Packaging Segment (Corrugated Cardboard)



The production in the Indaiatuba SP Packaging Plant totaled 70,341 tons of boxes and 21,928 tons of sheets in 2021 against 67,273 tons of boxes and 21,784 tons of sheets in 2020.

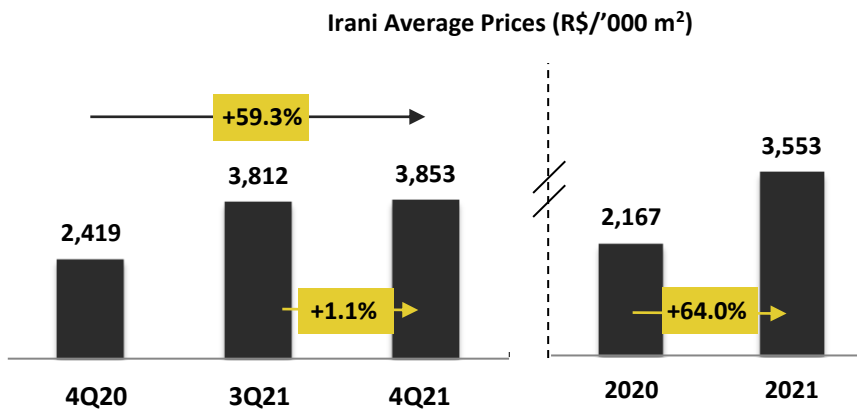
The volume of SC Campina da Alegria Packaging plant recorded sales volume of 54,042 tons of boxes and 11,238 tons of plates in 2021, against 56,034 tons of boxes and 10,348 tons of plates in 2020.

The average Irani price (CIF) increased 58.8% in 4Q21 compared to 4Q20. In the comparison with 3Q21, the Irani market was stable. In 2021, prices in the Irani Market increased 62.5% over 2020.



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 59.3% in 4Q21 compared to 4Q20. In the comparison with 3Q21, the Irani market increased 1.1%. In 2021, prices in the Irani Market increased 64.0% over 2020.

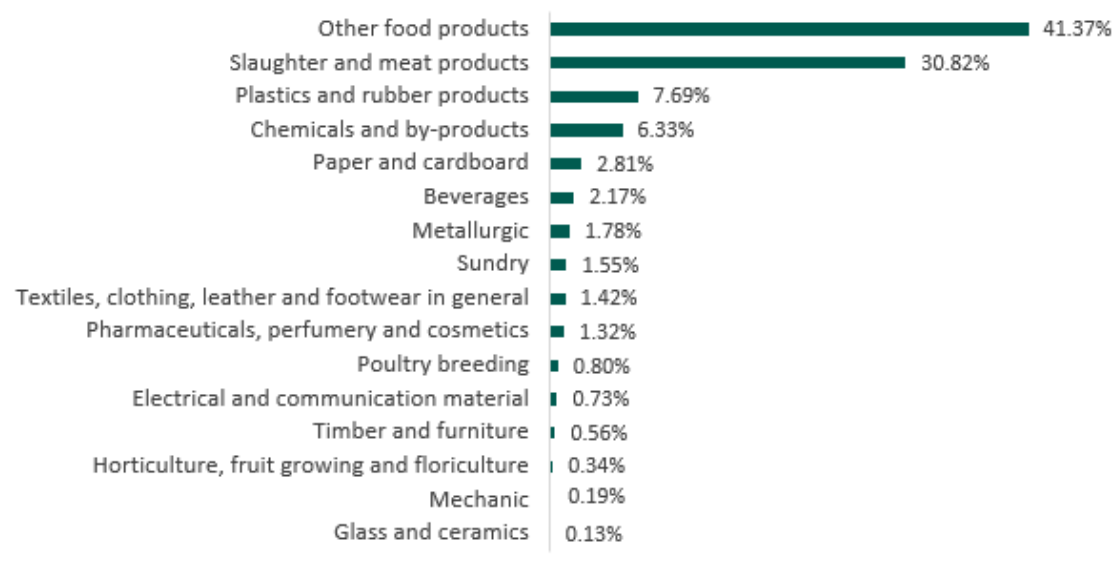


Note on methodology: IRANI prices exclude Excise Tax (IPI), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

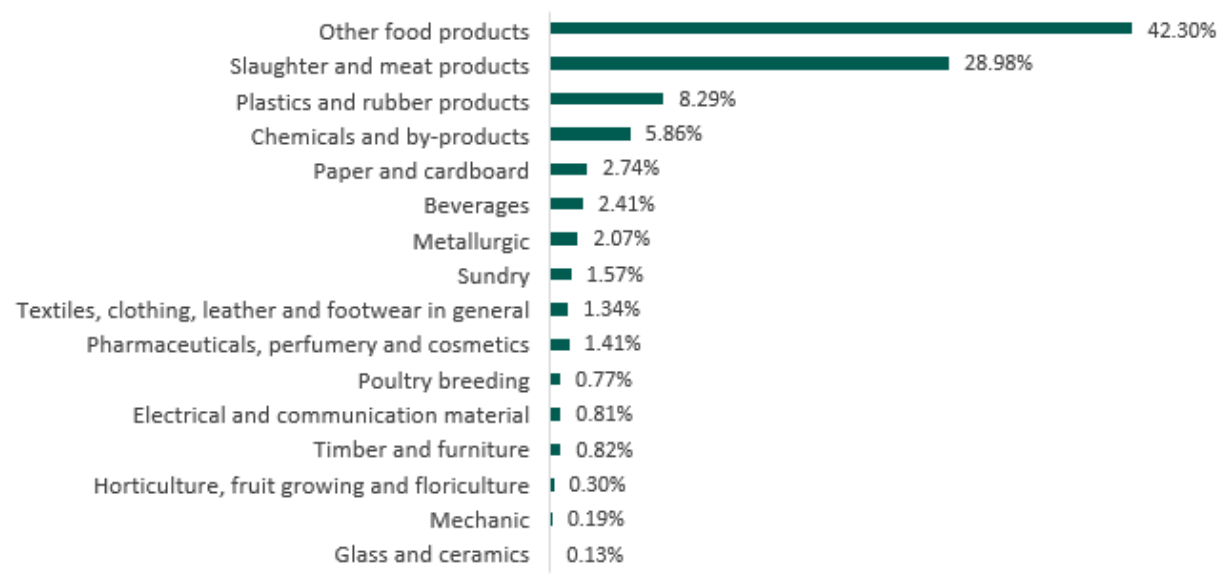
Prices per m² reflect better the market dynamics as they do not consider possible changes in the grammage of the papers used to manufacture boxes and sheets.

The share of sales of this Segment by Sub-segment in 2021, is presented in the chart below:

Irani's Share by Segment (Tons)

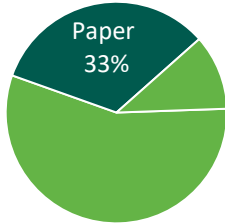


Irani's Share by Segment (M²)



1.2 Sustainable Packaging Paper (Paper) Segment

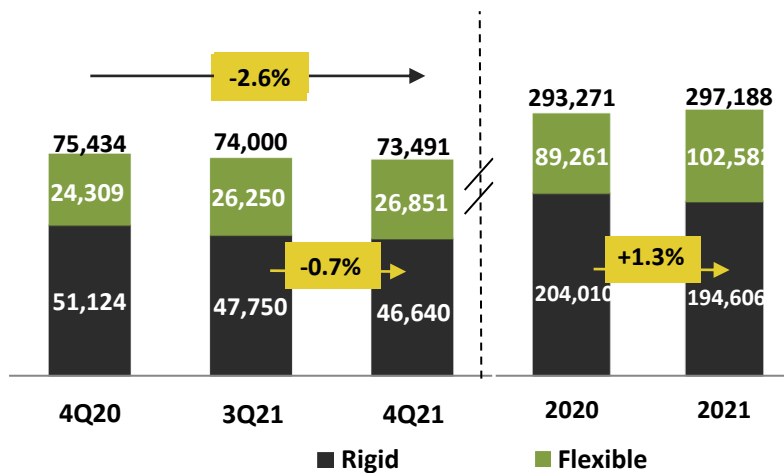
Revenue Contribution 2021



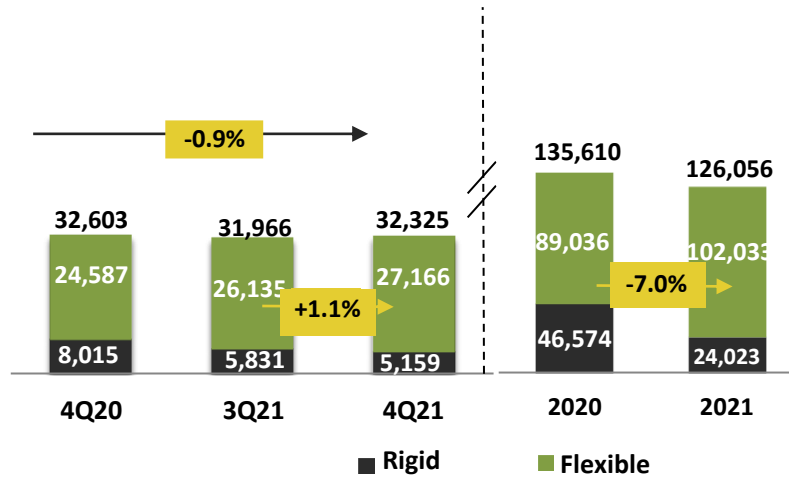
Irani operates in the Sustainable Packaging Paper (Paper) Segment, in the markets of papers for rigid packaging (Corrugated Cardboard) and for flexible packaging (bagging).

The Company's total production of sustainable packaging paper in the quarter was 2.6% lower when compared to 4Q20, and stable in relation to 3Q21. Sales remained stable when compared to 4Q20 and increased 1.1% when compared to 3Q21. In the year to date, production totaled 297,188 tons, a 1.3% increase in relation to 2020 and sales totaled 126,056 tons, decreasing by 7.0% in relation to the previous year.

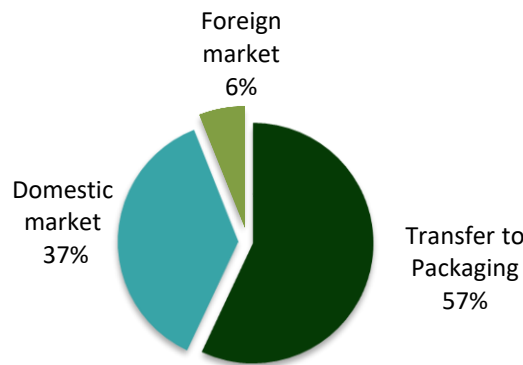
Total Production of Sustainable Packaging Paper (t)



Total Sales of Sustainable Packaging Paper (t)



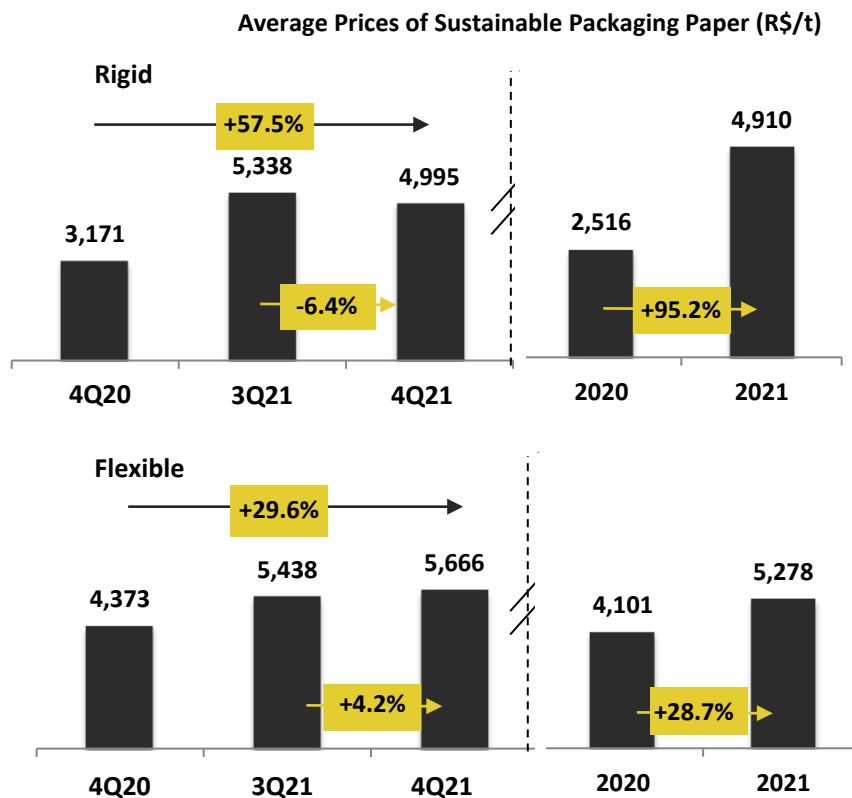
Shipment/Billings of Paper in 2021 (%)



In 4Q21, internal paper transfers for rigid packaging (PO) totaled 40,108 tons (43,365 tons in 4Q20 and 41,891 tons in 3Q21). For the SP Indaiatuba Packaging Plant, were reached 22,319 tons (24,550 tons in 4Q20 and 24,547 tons in 3Q21) and, for the SC Campina da Alegria Packaging Plant, 17,789 tons were transferred in 4Q20 (18,815 tons in 4Q20 and 18,344 tons in 3Q21). In 2020, transfers amounted to 169,220 tons (157,710 tons in 2020), 96,144 tons to the SP Indaiatuba Packaging Plant in 2021 (87,751 tons in 2020), and 73,076 tons to the SC Campina da Alegria Packaging Plant (69,959 tons in 2020).

In 2021, from the total of internal transfers, 57% were to the SP Indaiatuba packaging plant and 43% were to the SC Campina da Alegria packaging.

The rigid packaging paper recorded an increase of 57.5% in the prices for 4Q21 when compared to those practiced in 4Q20, and 6.4% decrease when compared to 3Q21. In 2021, in the comparison with 2020, the price increased by 95.2% and followed the increase trend verified in the market for the period. On the other hand, the prices of flexible packaging papers increased 29.6% in comparison with 4Q20 and 4.2% in relation to 3Q21. In the comparison between 2021 and 2020, an increase of 28.7% was recorded. Papers for flexible package are used in the manufacture of bags and sacks for stores, food and tele-delivery, and have had a very positive dynamic in recent years due to the increased use of paper, specially to replace plastic and following an ESG trend.

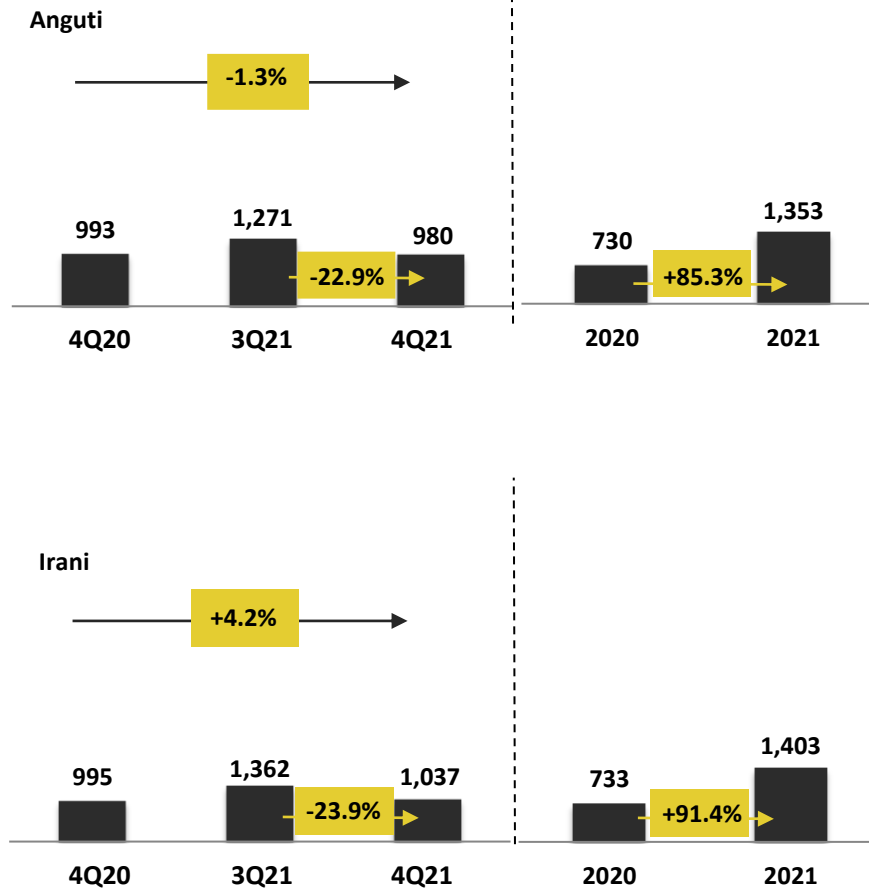


OCC (Old Corrugated Containers)

The Sustainable Packaging Paper (Paper) Segment recycles OCC (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 Sustainable Packaging (Corrugated Cardboard) segment, under the circular economy concept. Recycling increases the life cycle of the paper fiber, a renewable resource, as it originates from planted forests. Recycling paper scraps makes a positive contribution to the low carbon economy, as the forests that gave rise to fiber removed carbon from the atmosphere. Old Corrugated Containers accounted for 36% of the total paper production cost in 2021. The OCC market undergoes changes related to population consumption, due to the collection of boxes discarded by wholesalers, businesses and consumers and related to the demand

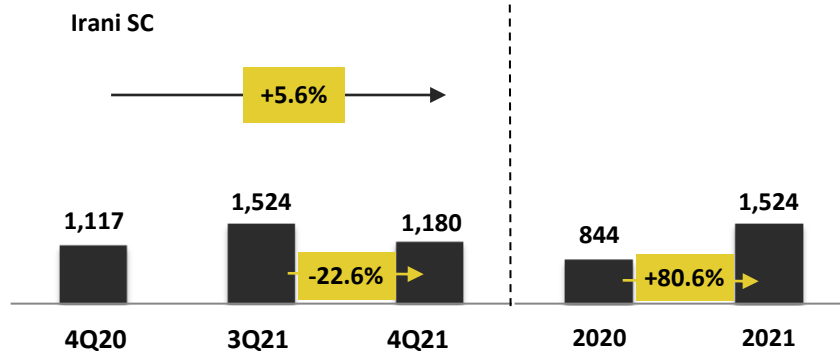
for recycled paper, among other factors. During the year 2021, the OCC prices had a significant increase, due to the greater demand, and decreasing in 4Q21, and are presented in the chart below:

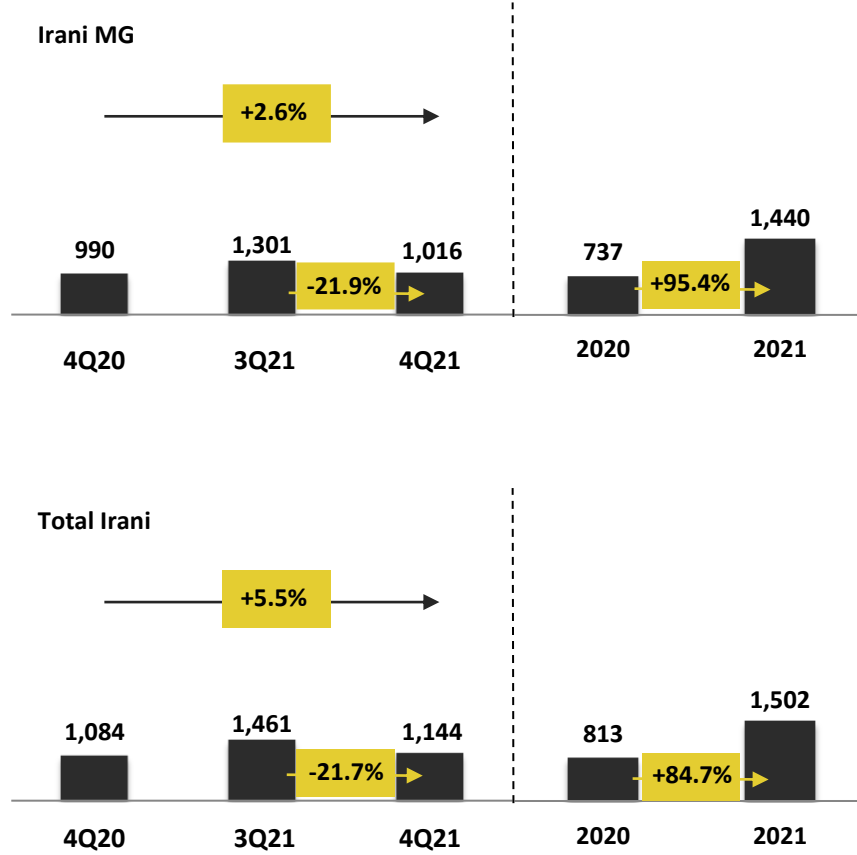
OCC Price Evolution (Net Price R\$/t|FOB)



Note on methodology: Anguti Statistics – Old Corrugated Containers Report.

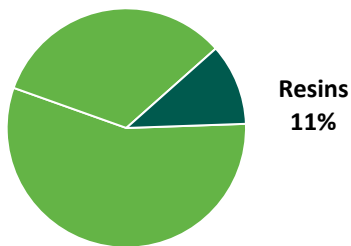
OCC Evolution (Net Price R\$/t|CIF)





1.3 Sustainable Resins Segment (Gum Rosin and Turpentine)

Revenue Contribution 2021

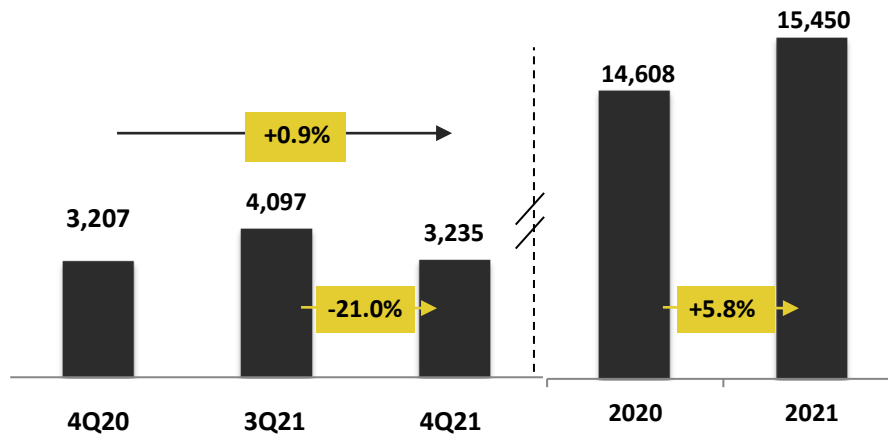


The Rio Grande do Sul forest operation produced and commercialized 61 thousand cubic meters of pine logs to the local market in 2021 (40 thousand cubic meters in 2020) and supplied 1,826 tons in natura resins (827 tons in 2020) to be utilized in the industrial process of manufacturing gum rosin and turpentine.

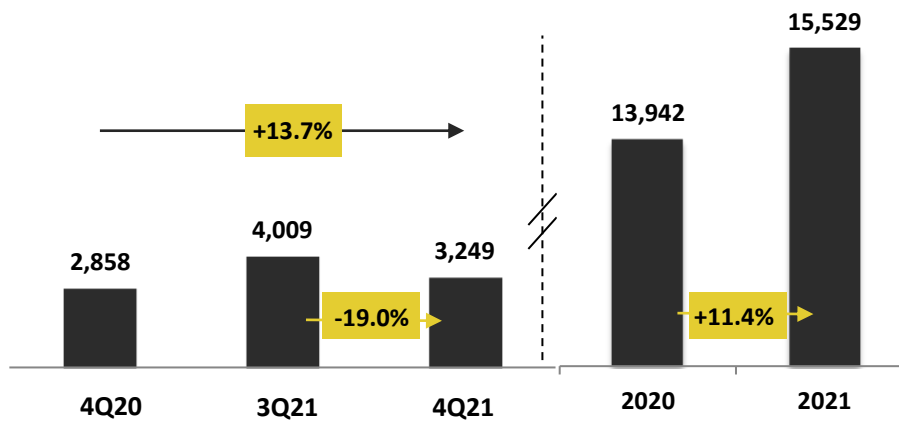
The production volume in the RS Balneário Pinhal Resin unit in 4Q21 presented stability when compared to 4Q20 and decrease of 21.0% when compared to 3Q21. Sales volume increased by 13.7% when compared to 4Q20 and decreased by 19.0% when compared to 3Q21.

In the year-to-date, production volume totaled 15,450 tons, an increase of 5.8% when compared to 2020. In the year-to-date, sales volume totaled 15,529 tons, an increase of 11.4% when compared to 2020.

Production of Gum Rosin and Turpentine (t)

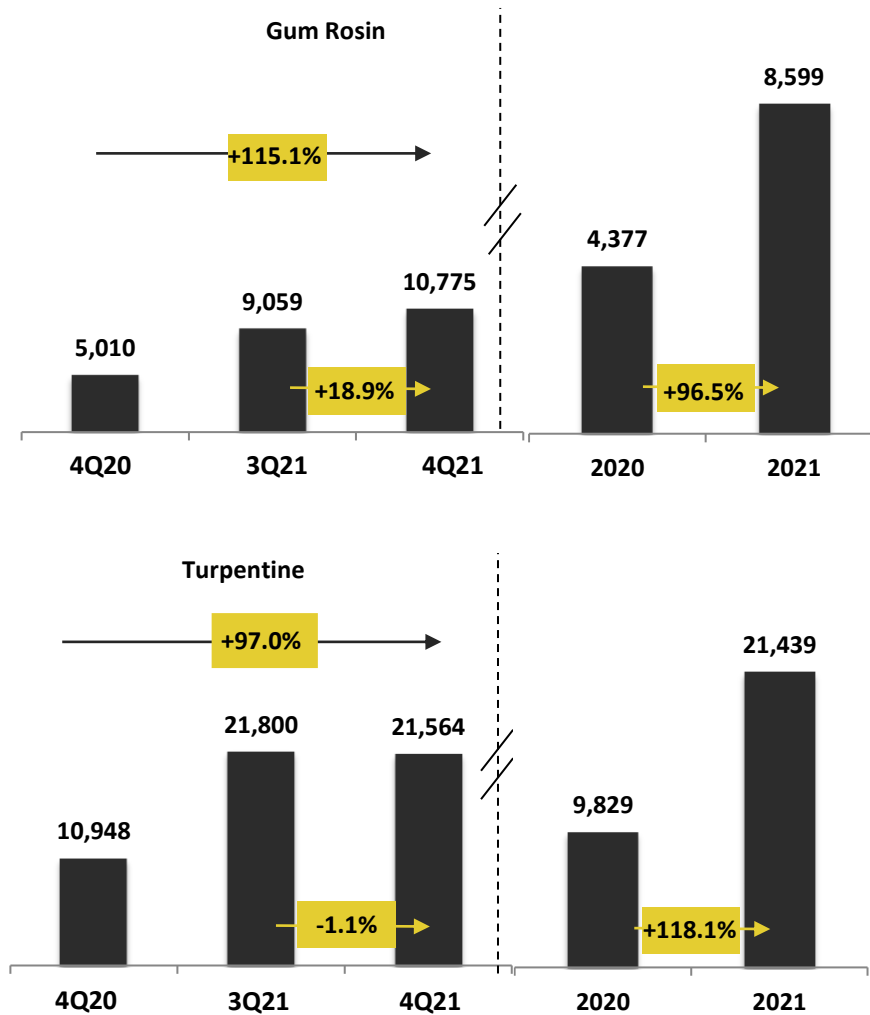


Sale of Gum Rosin and Turpentine (t)



In 2021, the average gross price of Gum Rodin was 96.5% higher than in 2020. On the other hand, the price of Turpentine increased 118.1% when compared to 2020. The price of these products changes according to the foreign market and exchange rate.

Average Prices (R\$/t)



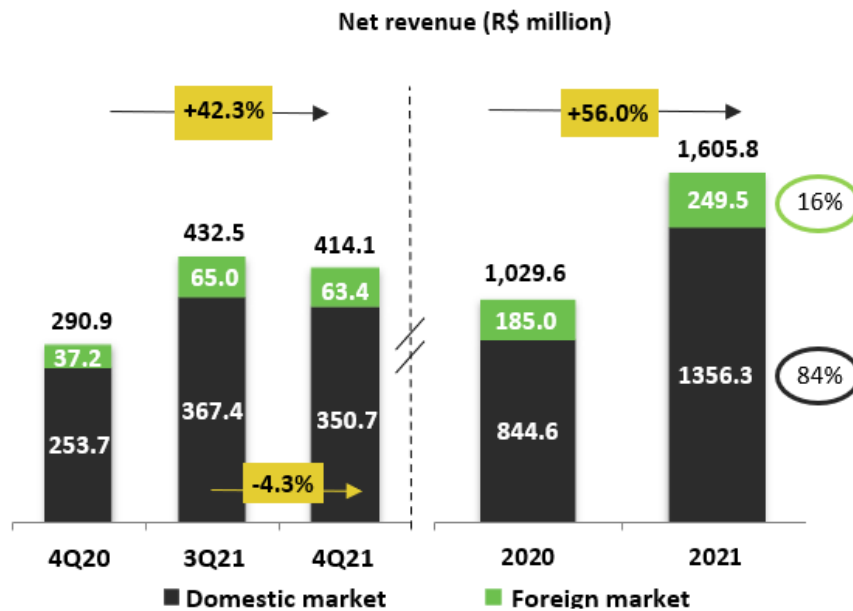
2. ECONOMIC AND FINANCIAL PERFORMANCE

2.1 Net Sales Revenue

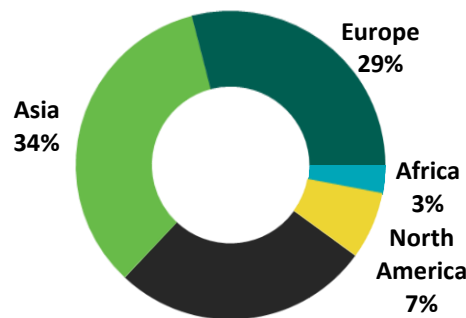
Net sales revenue in 4Q21 was R\$ 414,068 thousand, accounting for a growth of 42.3% when compared to 4Q20 and a decrease of 4.3% when compared to 3Q21. In the YoY, revenue totaled R\$ 1,605,834 thousand, accounting for a growth of 56.0% when compared to the same period of the previous year, mainly due to the good performance of sales and prices in the segments in which the Company operates, especially the expressive price growth of all segments in comparison with the previous year.

In the domestic market, net sales revenue was R\$ 350,716 thousand in the quarter and had an increase of 38.3% when compared to that one of 4Q20 and a decrease of 4.6% in relation to 3Q21. Total net sales revenue in the domestic market totaled R\$ 1,356,318 thousand in 2021, increasing by 60.6% in relation to 2020. Revenue in the domestic market accounted for 84% of Irani's total revenue in 2021.

Exports in 4Q21 reached R\$ 63,352 thousand, 70.0% higher than 4Q20 and 2.6% lower than 3Q21. In 2021, exports totaled R\$ 249,516 thousand, an amount 34.8% higher than that for 2020, representing 16% of total net sales revenue. Asia was the main destination for exports, concentrating 34% of foreign market revenue, followed by Europe with 29%. The other markets are: South America (27%), North America (7%) and Africa (3%).

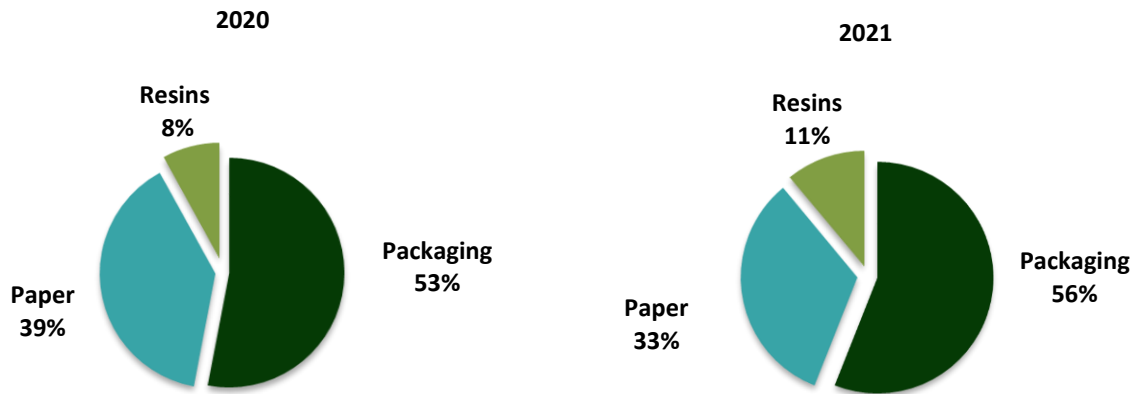


**Net income - Foreign market per region
2021**



Irani's principal segment of operation is the Sustainable Packaging (Corrugated Cardboard), which accounts for 56% of consolidated net revenue in 2021, followed by the segments of Sustainable Packaging Paper (Paper) with 33%, and Sustainable Resins (Gum Rosin and Turpentine), with 11%.

Net income by segment

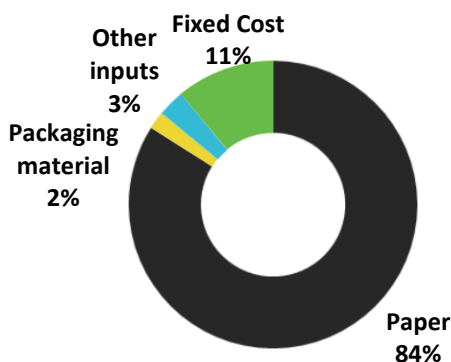


2.2 Cost of Goods Sold

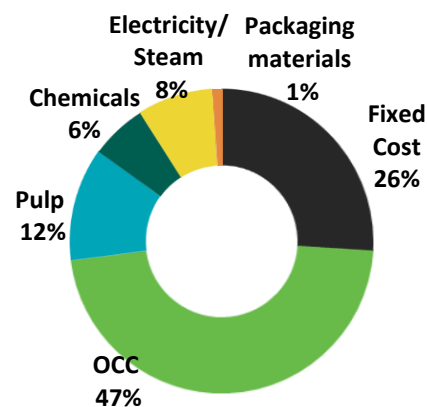
In 2021, cost of sales totaled R\$ 1,017,659 thousand, or 40.8% higher than in 2020 due to a greater volume in production and sale and increase in cost, especially in scrap cost. Change in fair value of biological assets is not considered in the cost value of sold products in both periods.

The formation of the cost per Irani's segment of operation in 2021 is shown in the graphs below.

Sustainable Packaging (Corrugated Cardboard)

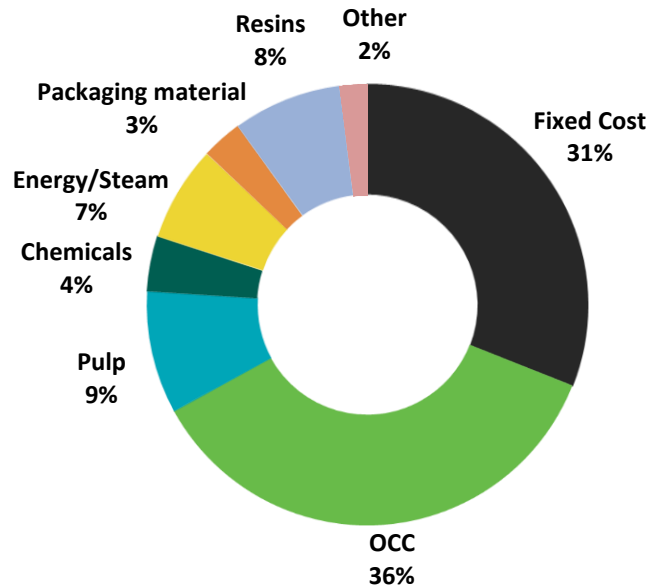


Sustainable Packaging Paper (Paper)*



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

2021 Total Cost



2.3 Operating Revenues and Expenses

Selling expenses in 2021 had the total amount of R\$ 108,620 thousand, 19.8% higher when compared to 2020 and represent 6.8% of consolidated net revenue, compared to 8.8% in 2020.

In 2021, general and administrative expenses totaled R\$ 81,094 thousand (R\$ 70,660 thousand in 2020), accounting for an increase of 14.8% compared to 2020, representing 5.0% of consolidated net revenue, when compared to 6.9% in 2020.

Other net operating revenues/expenses resulted in a revenue of R\$ 7,490 thousand in 2021 against a revenue of R\$ 12,869 thousand in 2020.

3. OPERATING CASH (ADJUSTED EBITDA)

Consolidated (R\$ thousand)	4Q21	3Q21	4Q20	Chg. - 4Q21/ 3Q21	Chg. - 4Q21/ 4Q20	2021	2020	Chg. - 2021/20 20
Profit	63,326	97,595	33,917	-35.1%	86.7%	285,313	92,761	207.6%
Current and deferred income tax and social contribution	34,084	20,196	1,093	68.8%	3018.4%	104,900	17,153	511.6%
Depletion	7,369	4,825	3,448	52.7%	113.7%	21,991	11,772	86.8%
Depreciation and amortization	18,259	17,580	18,291	3.9%	-0.2%	70,453	65,464	7.6%
Financial results	13,231	8,828	7,505	49.9%	76.3%	45,611	55,601	-18.0%
EBITDA	136,269	149,024	64,254	-8.6%	112.1%	528,268	242,751	117.6%
EBITDA margin	32.9%	34.5%	22.1%	-1,6p.p.	10,8p.p.	32.9%	23.6%	9,3p.p.
Adjustments according to CVM Instruction 527/12								
Change in fair value of biological assets ⁽¹⁾	(3,114)	(14,855)	(9,555)	-79.0%	-67.4%	(43,849)	(18,374)	138.6%
Non-recurring events ⁽²⁾	-	(1,189)	771	-	-	(4,530)	(8,581)	-47.2%
Management profit sharing ⁽³⁾	1,026	7,336	6,956	-86.0%	-85.3%	14,032	10,085	39.1%
Adjusted EBITDA	134,181	140,316	62,426	-4.4%	114.9%	493,921	225,881	118.7%
Adjusted EBITDA margin	32.4%	32.4%	21.5%	0,0p.p.	10,9p.p.	30.8%	21.9%	8,9p.p.

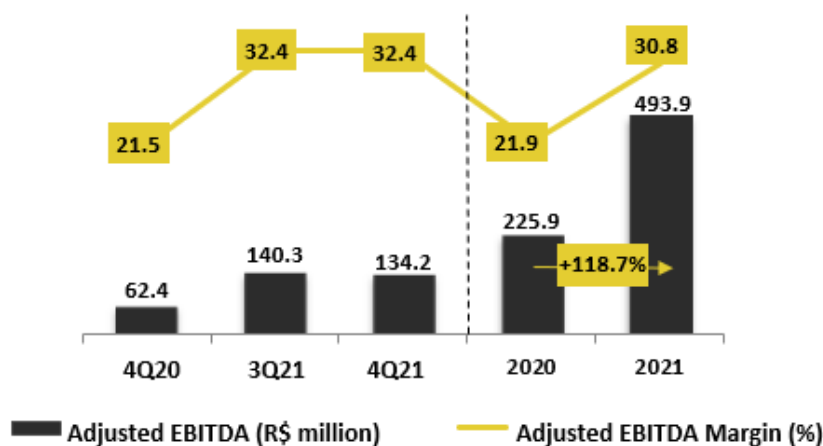
¹ Change in the fair value of biological assets, since it does not mean cash reduction in the period.

² Non-recurring events in 2021 (R\$ 4,530 thousand) refer to (R\$ 2,165 thousand) from the sale of assets arising from the discontinued operation and (R\$ 2,365 thousand) regarding the credit of a lawsuit on abusive interest (SP - court-ordered debt payments)

³ Management profit sharing The amount of R\$ 14,032 thousand refers to the provision for management's participation in the Company's earnings.

Cash provided by operating activities, as measured by adjusted EBITDA of the operation, totaled R\$ 493,921 thousand in 2021, with a margin of 30.8% and 118.7% above that computed for 2020, which totaled R\$ 225,881 thousand. The 8.9 percentage point increase in the margin is mainly due to the Company's good performance in all operating segments, especially the price growth presented in 2021, compared to the previous year.

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



4. FINANCIAL INCOME (LOSS) AND INDEBTEDNESS

The finance result is as follows:

R\$ thousand	4Q21	3Q21	4Q20	2021	2020
Financial revenues	12,939	23,794	4,737	53,261	28,253
Finance costs	(26,170)	(32,622)	(12,242)	(98,872)	(83,854)
Financial results	(13,231)	(8,828)	(7,505)	(45,611)	(55,601)
Foreign exchange gains	3,504	17,124	2,192	31,204	13,071
Foreign exchange costs	(3,339)	(14,776)	(1,016)	(32,889)	(13,711)
Net exchange-rate change	165	(2,348)	1,176	(1,685)	(640)
Finance income without exchange rate change	9,435	6,670	2,545	22,057	15,182
Finance costs without exchange rate change	(22,831)	(17,846)	(11,226)	(65,983)	(70,413)
Financial income (loss) without exchange-rate change	(13,396)	(11,176)	(8,681)	(43,926)	(54,961)

The finance result, with no exchange-rate change, was negative by R\$ 13,396 thousand in 4Q21 compared to R\$ 8,681 thousand in the 4Q20 and R\$ 11,176 thousand in 3Q21. The increase in relation to the compared quarters is mainly due to: (i) the normalization of the monetary policy through the increase in the SELIC rate and its impact on the average cost of debt, and (ii) the increase of net debt, mainly for the disbursements of investments made in Gaia Platform, except FINAME (BNDES) interest, which were fixed, as mentioned below.

In 2021, excluding the exchange variation, the finance result was negative by R\$ 43,926 thousand, against R\$ 54,961 thousand in 2020. The decrease in 2021 compared to 2020 is mainly due to the lower average level of net indebtedness in the year and the lower interest rate.

In 4Q21, the amount of R\$ 7,126 thousand of interest and sureties related to the FINAME (BNDES) financing for the investments of the Gaia Platform were fixed. This value is not included in the table above.

The exchange-rate change positively impacted the Company's results by R\$ 165 thousand in 4Q21, compared to a positive impact of R\$ 1,176 thousand in 4Q20 and a negative impact of R\$ 2,348 thousand in 3Q21. The exchange-rate change had a negative impact of R\$ 1,685 thousand in 2021 compared to a negative impact of R\$ 640 thousand in 2020. The negative foreign exchange in 2021 is due to the devaluation of the Real against the US dollar, its impact on trade receivables and the debt balance in foreign currency.

As of December 31, 2021, the Company maintained only 3% of its debt in foreign currency.

Considering the aforementioned factors, the finance result was negative by R\$ 13,231 thousand in 4Q21, accounting for an increase of 76.3% compared to 4Q20, and 49.9% in relation to 3Q21. In 2021, the finance result was negative by R\$ 45,611 thousand, representing a decrease of 18.0% when compared to 2020.

Foreign exchange

The exchange rate computed as R\$ 5.20/US\$ at December 31, 2020, increased by 7.31% at the end of December 2021, reaching R\$ 5.58/US\$. The average exchange rate for this year was R\$ 5.40/US\$, 4.65% higher when compared to exchange rate in the same period of 2020.

R\$ thousand	4Q21	3Q21	4Q20	Δ4Q21/3Q21	Δ4Q21/4Q20	2021	2020	Δ2021/2020
Average foreign exchange rate - Dollar	5.58	5.23	5.40	+6.69%	+3.33%	5.40	5.16	+4.65%
Final foreign exchange rate - Dollar	5.58	5.44	5.20	+2.57%	+7.31%	5.58	5.20	+7.31%

Source: Brazilian Central Bank

Indebtedness

Consolidated (R\$ thousand)	2020	2021
Current	55,466	91,384
Non-current	532,781	801,356
Gross indebtedness	588,247	892,740
Current	9%	10%
Non-current	91%	90%
Domestic currency	566,741	864,292
Foreign currency	21,506	28,448
Gross indebtedness	588,247	892,740
Domestic currency	96%	97%
Foreign currency	4%	3%
Cash balance	346,232	506,268
Net indebtedness	242,015	386,472
LTM EBITDA	225,881	493,921
Net debt/EBITDA	1.07	0.78

The consolidated net indebtedness on December 31, 2021 totaled R\$ 386,472 thousand against R\$ 242,015 thousand on December 31, 2020, representing an increase of 59.7% or R\$ 144,457 thousand due to the negative free cash flow in the period, mainly due to the disbursements of investments made in Gaia Platform.

On December 31, 2021, consolidated gross indebtedness totaled R\$ 892,740 thousand, compared to R\$ 588,247 thousand at December 31, 2020, representing an increase of 51.8% or R\$ 304,493 thousand, due to fundings: (i) the 4th Issue of Green Debentures in 1Q21 in the amount of R\$ 60,000 thousand and; (ii) the partial raising of funds from Finame Direto with BNDES in 4Q21, in the amount of R\$ 236,517 thousand.

On December 31, 2021, the gross indebtedness profile presented 10% of debts maturing in the short term and 90% in the long term and 97% was denominated in local currency and 3% in foreign currency. The average cost of debt was 9.87% per annum as of December 31, 2021. The cost of debt considers fixed interest related to the financing of investments in Gaia Platform.

The cash position at the end of December 2021 was R\$ 506,268 thousand (comprised by financial investments and cash and cash equivalents), compared to R\$ 346,232 thousand as of December 31, 2020. The increase in the cash balance is due to fundings in relation to negative free cash flow, mainly due to the disbursements of investments made in Gaia Platform.

The Net Debt/EBITDA ratio was 0.78 times in 2021, against 1.07 times in 2020. The improvement in the indicator is due to the increase of 118.7% in the annual EBITDA in relation to the 59.7% increase

in net debt due to the negative free cash flow for the period due to the disbursements of investment made in Gaia Platform.

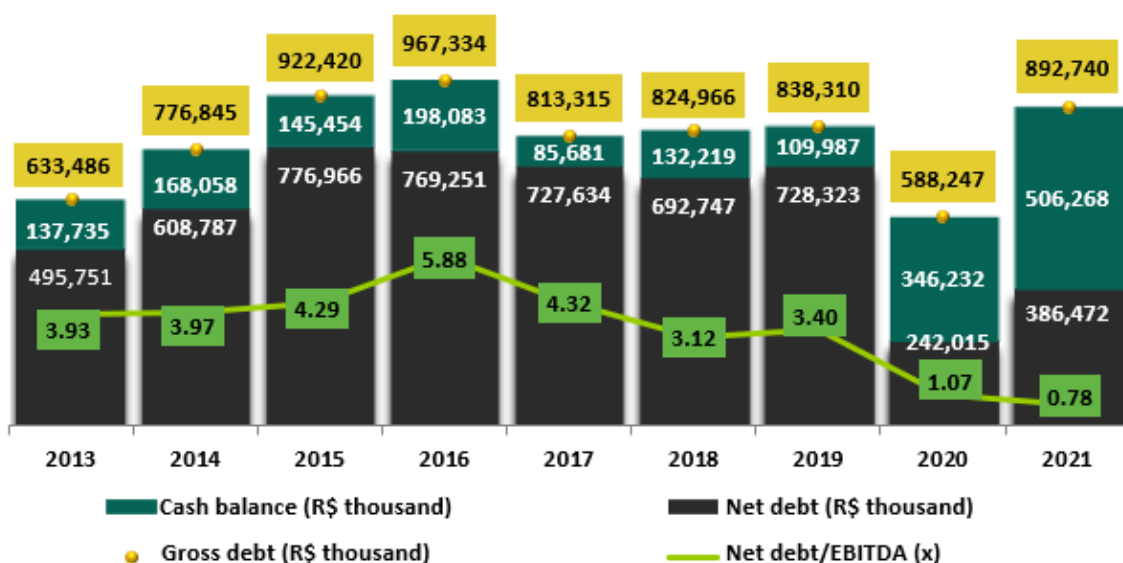
According to a [Material Fact dated May 28, 2021](#), the Company’s Board of Directors approved the contracting of financing with Agência Especial de Financiamento Industrial S.A. - FINAME (BNDES), in the amount of up to R\$ 484,000 thousand, to be used in the execution of the planned investments in 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 operation has a total term of 16 years, of which 3 years are a grace period for amortization of principal. Interest is payable semi-annually during the grace period and amortization period.

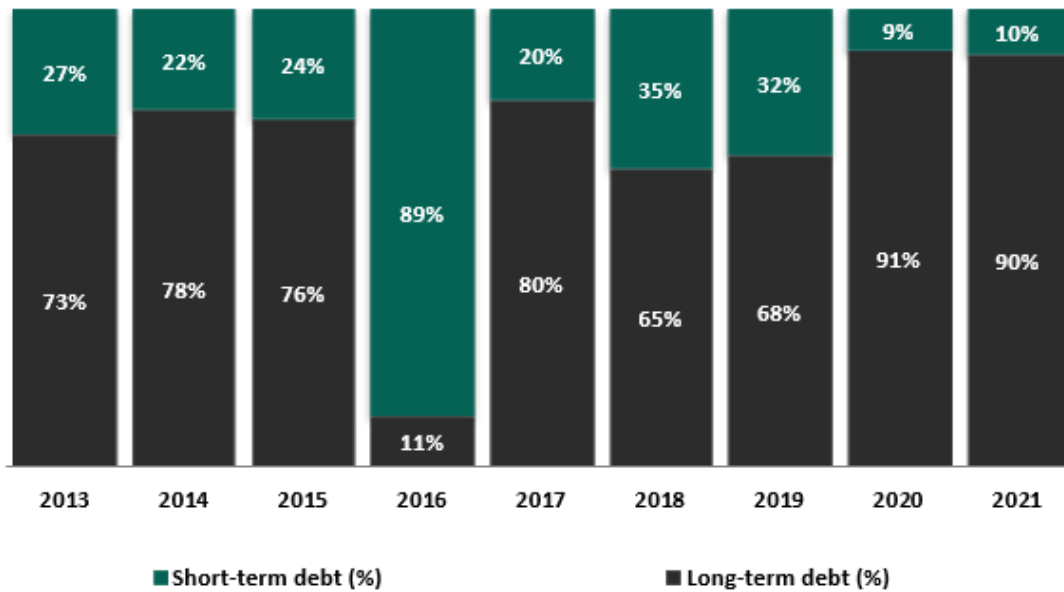
The effective interest, which considers the cost of BNDES and the commission of the letters of guarantee for the operation is IPCA + 6.24% pa.

The inflow of funds will occur upon release requests, as the acquisitions and payment for the Gaia Platform equipment are made. During 4Q21, there was a partial inflow of funds from the operation in the amount of R\$ 236,517 thousand.

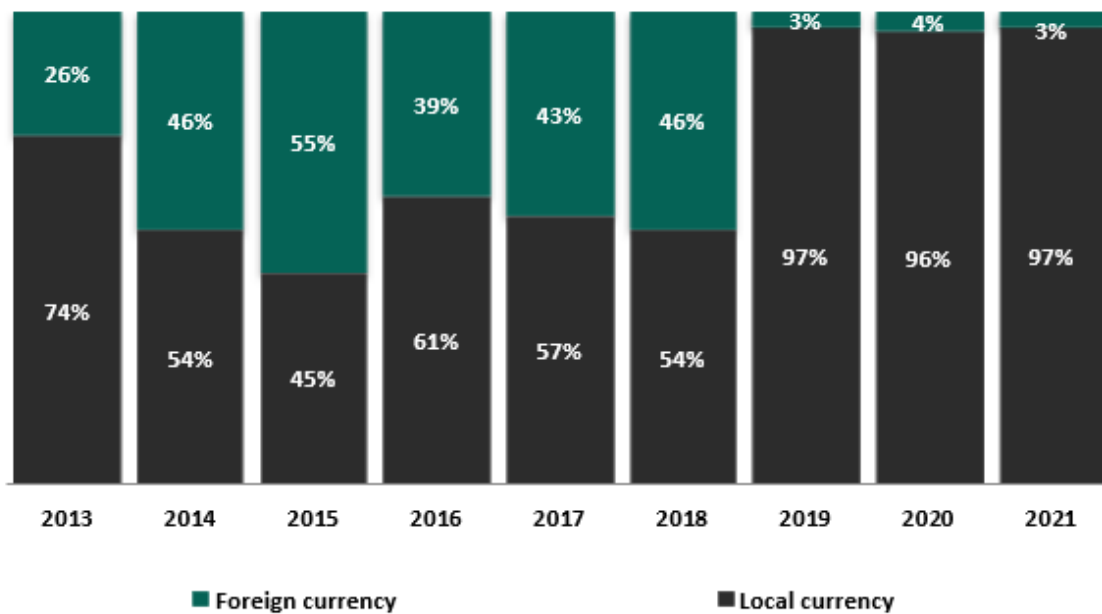
Indebtedness and Net Debt/EBITDA



Profile of gross indebtedness



Breakdown of Gross Indebtedness



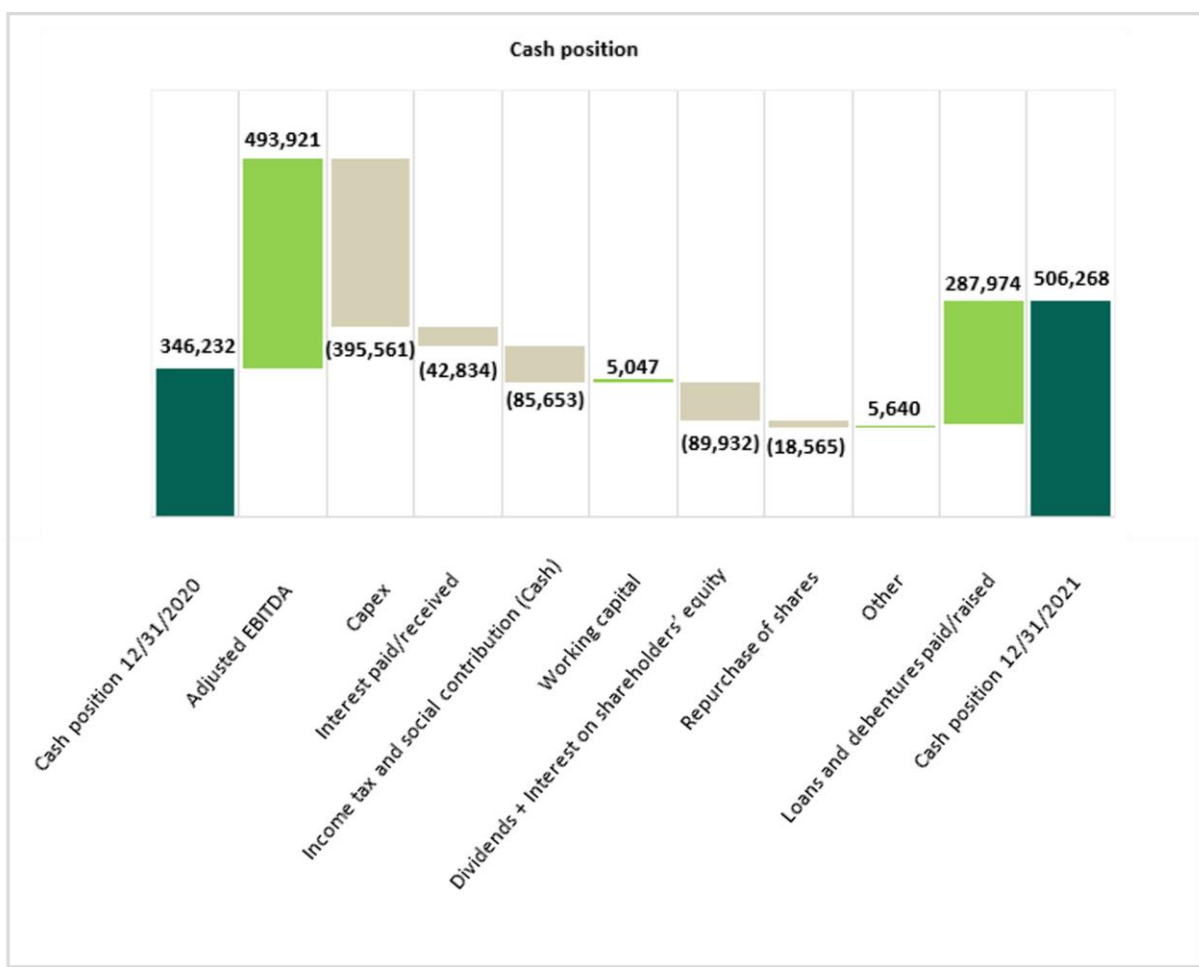
5. CREDIT RATING

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 green 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 ended 2021 with a balance of R\$ 506,268, accounting for an increase of 46.2% compared to the closing position of 2020, which was R\$ 346,232 thousand. The sources and investments of funds are presented as follows:



7. FREE CASH FLOW

Free cash flow	4Q21	3Q21	4Q20	2021
Adjusted EBITDA	134,181	140,316	62,426	493,921
(-) Capex ¹	(154,606)	(119,506)	(22,305)	(395,561)
(-) Interest paid/received	(4,025)	(19,498)	(3,965)	(42,834)
(-) Income tax and social contribution (cash)	(30,374)	(25,391)	(10,974)	(85,653)
(+/-) Working capital	(1,990)	19,171	9,547	5,047
(-) Dividends + Interest on shareholders' equity	(25,670)	(16,441)	(5,910)	(89,932)
(-) Repurchase of shares	(18,565)	-	-	(18,565)
(+/-) Other	1,014	2,259	3,279	5,640
Free cash flow	(100,035)	(19,090)	32,098	(127,938)
Dividends + Interest on shareholders' equity	25,670	16,441	5,910	89,932
Repurchase of shares	18,565	-	-	18,565
Gaia Platform	121,201	96,355	2,112	307,993
Expansion Projects	68	375	2,465	1,858
Adjusted free cash flow²	65,469	94,081	42,585	290,411
Adjusted FCF Yield³				16.3%

¹ Considers the disbursement of R\$ 5,965 thousand of fixed interest in 4Q21 and 2021 referring to the financing of investments for the Gaia Platform.

² Excluding dividends, interest on shareholders' equity and repurchase of shares, Gaia Platform and Expansion Projects

³ 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 remuneration to stockholders, was R\$ 65,469 thousand for the 4Q21 and R\$ 290,411 thousand in 2021.

The maintenance of operating cash generation (EBITDA) at high levels contributed positively to the free cash flow.

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 negative Working Capital in this quarter is mainly due to the closing of federal taxes' offset (IPI, PIS and COFINS) of lawsuits claiming the exclusion of ICMS from the PIS and COFINS basis, occurred in the previous quarter, in view of variations in other cyclical accounts.

In this quarter, R\$ 25,670 thousand were distributed as dividends referring to the 3Q21 result. The amount represents an increase of 56.1% in relation to the quarterly dividends distributed in 3Q21, referring to the results of 2Q21.

Total dividends and interest on shareholders' equity paid in 2021 was R\$ 0.353992 per share, totaling R\$ 89,933 thousand, and equivalent to an annual dividend yield of 6.57%, considering the share price of R\$ 5.39 as of December 31, 2020. As a reference, in the same period, a financial investment remunerated at CDI yielded 4.40%.

Said remuneration amounts are in line with the [Company's Dividend Distribution and Payment of Interest on Shareholder's Equity Policy](#).

In 2021, the Adjusted Free Cash Flow was R\$ 290,411 thousand, a 95.5% increase in relation to the amount of R\$ 148,580 thousand recorded in 2020. The strong operating cash generation contributed positively to said increase, as well as the lower interest payment. The higher payment of income taxes, due to the increase in net profit for the period, as well as the increase in the working capital needs, due to the termination of the aforementioned federal tax offsetting, contributed negatively.

The Free Cash Flow Yield was 16.3% in 2021, accounting for an increase of 0.30 pp in relation to that determined in 2020. It is worth highlighting that the Company's average market value in 2021 was 91.8% higher than that recorded in 2020, considering the Re-IPO in July 2020 and the positive performance of the RANI3 share on B3.

8. RETURN ON INVESTED CAPITAL (ROIC)

Return on Invested Capital (ROIC) was 24.5% in the last 12 months, accounting for an increase of 2.3 p.p. compared to the 12-month period ended September 30, 2021 and significant 11.9% p.p. of increase in relation to 12 months ended December 31, 2020. Said increase is due to the growth in Adjusted Operating Flow, mainly due to the increase in Adjusted EBITDA at a level higher than the increase in Invested Capital.

This is the Company's highest historical ROIC and demonstrates its commitment to generating consistent returns above the cost of capital (WACC). Our ROIC is a benchmark in the sustainable packaging sector in Brazil and abroad, demonstrating the strength of ESG as a secular trend that drives our economic results.

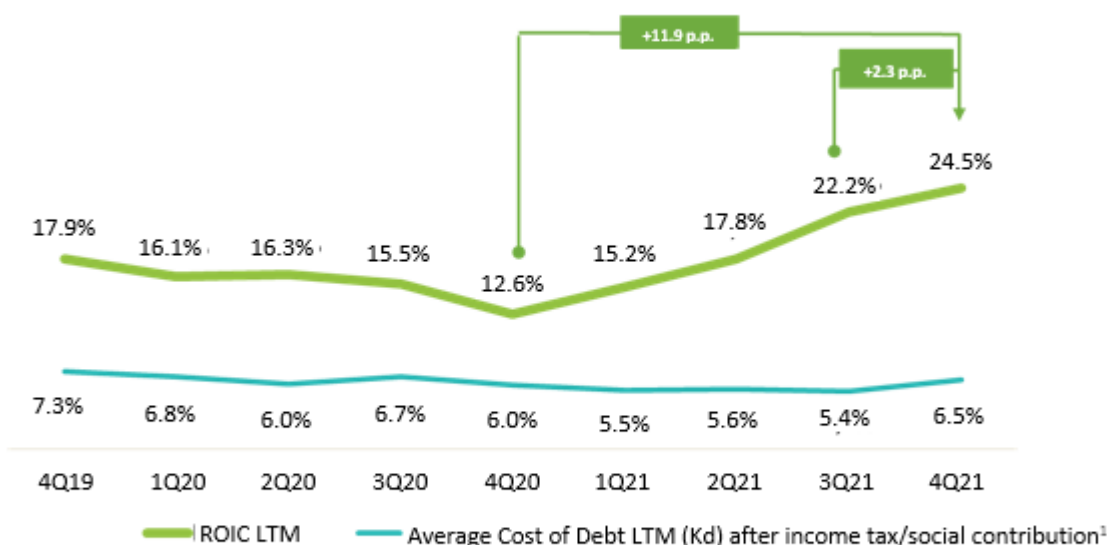
ROIC (R\$ thousand) - UDM ¹	4Q21	3Q21	4Q20
Total Assets	2,083,547	1,945,752	1,692,836
(-) Total liabilities (former debt)	(482,848)	(463,995)	(414,771)
(-) Works in progress	(201,851)	(118,103)	(34,243)
Capital invested	1,398,849	1,363,654	1,243,822
(-) Adjustment - CPC 29 ²	(81,116)	(76,372)	(56,727)
Adjusted Invested Capital	1,317,733	1,287,282	1,187,095
Adjusted EBITDA	493,921	422,166	225,881
(-) Capex for Maintenance	(85,710)	(70,100)	(54,787)
(-) Income tax and social contribution (cash)	(85,653)	(66,253)	(21,098)
Adjusted operating cash flow	322,558	285,813	149,996
ROIC³	24.5%	22.2%	12.6%

¹ Average equity balances for the last 4 quarters (Last 12 Months)

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

³ ROIC (Last 12 Months): Adjusted operating cash flow / Adjusted invested capital

ROIC LTM x Average Cost of Debt LTM (Kd) after tax



¹Average Cost of Debt LTM (Kd) after income tax/social contribution: UDM interest / average gross debt in the last 4 quarters deducted from income tax/social contribution of 34%.

9. EVALUATION OF FAIR VALUE OF BIOLOGICAL ASSETS (FORESTS)

As from 2010, the Company started to measure its biological assets (forests) at fair value periodically, as determined by CPC 29/IAS 41. The change in fair value of biological assets produced the following effects in the Company's results for 2021:

Effects in change in fair value of biological assets

R\$ thousand	2021	2020
Change in fair value of biological assets	43,849	18,374
Depletion of fair value of biological assets	(15,454)	(6,002)

The change in the fair value of biological assets was positive in 2021, mainly due to the increase in the area, volume and price of wood presented in the period.

Change in fair value of biological assets, as well as its depletion, is recognized in cost of goods sold - COGS. This accounting practice allows a more precise determination of the market value of the Company's forests, providing the financial statements with more accurate information.

10. OPERATING INCOME (LOSS) BEFORE TAXES AND INTEREST

In 4Q21, operating profit (loss) before taxes and profit sharing amounted to R\$ 97,410 thousand, positive, against R\$ 35,010 thousand in 4Q20 and R\$ 117,791 thousand positive, in 3Q21. In 2021, operating profit (loss) before taxes and profit sharing for the year totaled R\$ 390,213 thousand, positive, higher in comparison to 2020, recorded at R\$ 109,914 thousand.

11. NET PROFIT

In 4Q21, the profit was R\$ 63,326 thousand, in comparison to the profit of R\$ 33,917 thousand in 4Q20 and R\$ 97,595 thousand in 3Q21. In 2021, profit was R\$ 285,313 thousand, compared to a profit of R\$ 92,761 thousand in the same period of last year. The main impacts on net profit for this quarter were related to the growth in net revenue and the growth in gross margin. Also in this year, the Company recorded the amount of R\$ 25,197 thousand referring to the non-levy of corporate income tax (IRPJ) and social contribution on net income (CSLL) on the Selic rate in the repetition of undue payments, which contributed to the growth of the profit presented.

12. INVESTMENTS

The Company maintains its strategy of investing in the modernization and automation of its production processes. Investments in this quarter amounted to R\$ 148,928 thousand and were basically destined to reforestation, maintenance and improvement of physical structures, software, machinery and equipment of the Company. Of this amount, R\$ 118,257 thousand were allocated to

the investments in the Gaia I, II and III Projects, in addition to R\$ 2,943 thousand in Gaia VII and VIII projects.

R\$ thousand	4Q21	2021
Buildings	239	2,055
Equipment	143,135	376,488
Intangible assets	143	836
Reforestation	5,411	19,514
Total	148,928	398,893

13. GAIA PLATFORM

The Gaia I Project - Expansion of Chemicals and Utilities Recovery had as main activities completed the engineering of the wood yard equipment and the relocation of the existing high voltage network to the recovery boiler. The manufacturing of equipment for the wood yard, recovery boiler, turbo generator, digester, pulp washer and sludge filter is in progress. The acquisition of packages representing 72.3% of the total investment was completed.

In the Gaia II Project - Expansion of SC Packaging Unit, the flushing of the corrugator steam line and the civil construction of the expedition and multipurpose shed were completed, as well as the startup of the glue kitchen and the bag filter of the scrap center. The assembly of the conveyors for later startup of the Corrugator and electrical reform of the printer Ward are in progress. The acquisition of packages representing 80.9% of the total investment has already been concluded

In the Gaia III Project - MP#2 Reform, the final engineering review of the paper machine and the acquisition of the automation system were completed. Equipment manufacturing and detailed engineering are in progress. With this, the acquisition of packages was concluded, representing 81% of the total investment.

In the projects Gaia IV - Cristo Rei Repowering and Gaia V - São Luiz Repowering, a license for the Integrated Environmental Assessment of the Hydrographic Basin - AAIBH of the Irani River is in progress. Packages referring to said projects have not yet been closed.

In 4Q21, R\$ 118,257 thousand were invested in the Gaia Platform's 1st cycle projects, R\$ 72,716 thousand in Gaia I, R\$ 39,818 thousand in Gaia II and R\$ 5,723 thousand in Gaia III, and the total invested in the Platform was R\$ 305,637 thousand, and R\$ 205,744 thousand in Gaia I, R\$ 84,051 thousand in Gaia II and R\$ 15,842 in Gaia III.

Gaia Platform – 1st Cycle	Unit	Estimated Investment (Gross)	Estimated Investment (Net)	Investment Made 4Q21	Investment Made up to 12/31/2021
Gaia I – Expansion of Chemicals and Utilities Recovery	Paper SC Campina da Alegria	581,309	494,849	72,716	205,744
Gaia II – Expansion of SC Packaging Unit	SC Packing Plant Campina da Alegria	150,433	118,189	39,818	84,051
Gaia III – MP#2 Reform	Paper SC Campina da Alegria	57,613	44,556	5,723	15,842
Gaia IV – Cristo Rei Repowering	Paper SC Campina da Alegria	31,300	28,318	-	-
Gaia V – São Luiz Repowering	Paper SC Campina da Alegria	62,864	58,855	-	-
Total		883,519	744,767	118,257	305,637

GAIA PLATFORM 1st Cycle	2020		2021		2022		2023		2024	
	1st Sem.	2nd Sem.	1st Sem.	2nd Sem.	1st Sem.	2nd Sem.	1st Sem.	2nd Sem.	1st Sem.	2nd Sem.
Gaia I – Expansion of Chemicals and Utilities Recovery										
Gaia II – Expansion of SC Packaging Unit										
Gaia III – MP#2 Reform										
Gaia IV – Cristo Rei Repowering										
Gaia V – São Luiz Repowering										

Gaia Platform – 1st Cycle	Basic Engineering	Physical Execution
Gaia I – Expansion of Chemicals and Utilities Recovery	100%	18.6%
Gaia II – Expansion of SC Packaging Unit	100%	83%
Gaia III – MP#2 Reform	100%	55%
Gaia IV – Cristo Rei Repowering	100%	
Gaia V – São Luiz Repowering	100%	

The second investment cycle of [Gaia Platform](#) that comprises the current portfolio of expansion projects focused on increasing competitiveness, production capacity and energy self-sufficiency consistently advance.

The Gaia VI project - Process Information Management System concluded the definition of the technological architecture and the contracting of a network infrastructure and optical fiber supplier for the SC Packaging unit. The fiber optic infrastructure project and the acquisition of the historian software are in progress.

While the Gaia VII project – Expansion ETP Phase 1 filed the request for an Environmental Installation License (LAI) and completed the descriptive memorials for civil structures projects, the land surveys, the design of the piping of the Rio do Mato pipeline and the contracting of structural design are in progress.

The Gaia VIII project – New Cut and Crease Printer carried out the acquisition of the cut and crease printer and the acquisition of equipment related to the wrapping machine, bending machine, conveyor belts and palletizing lines is in progress.

The Gaia IX – Automation of Intermediate Inventory project concluded the technical alignment of the intermediate inventory automation package with potential suppliers.

In 4Q21, R\$ 2,943 thousand were invested in the Platform’s 2nd Cycle projects, of which R\$ 5,800 in Gaia VII and R\$ 2,938,000 in Gaia VIII, this being the total invested in the 2nd Cycle.

Gaia Platform – 2nd Cycle	Unit	Estimated Investment (Gross)	Estimated Investment (Net)	Investment Made 4Q21	Investment Made up to 12/31/2021
Gaia VI – Process Information Management System - PIMS	Paper SC Campina da Alegria	5,173	4,330	-	-
Gaia VII - Expansion Effluent Treatment Plant - ETP Phase 1	Paper SC Campina da Alegria	22,886	20,917	5.805	5.805
Gaia VIII – New Cut and Crease Printer	Packaging SP Indaiatuba	21,318	15,034	2,938	2,938
Gaia IX – Intermediate Inventory Automation	Packaging SP Indaiatuba	42,860	29,897	-	-
Total		92,237	70,178	2,943	2,943

GAIA PLATFORM 2nd Cycle	2021		2022		2023		2024
	2 nd Sem.	1 st Sem.	2Q	1 st Sem.	2Q	1 st Sem.	2 nd Sem.
Gaia VI – Process Information Management System - PIMS	[Bar chart showing investment progress]						
Gaia VII - Expansion Effluent Treatment Plant - ETP Phase 1	[Bar chart showing investment progress]						
Gaia VIII – New Cut and Crease Printer	[Bar chart showing investment progress]						
Gaia IX – Intermediate Inventory Automation	[Bar chart showing investment progress]						

Gaia Platform – 2nd Cycle	Basic Engineering	Physical Execution
Gaia VI – Process Information Management System - PIMS	N/A	31%
Gaia VII – Expansion Effluent Treatment Plant - ETP Phase 1	100%	0.5%
Gaia VIII – New Cut and Crease Printer	N/A	16%
Gaia IX – Intermediate Inventory Automation	N/A	

14. CAPITAL MARKET

GREEN DEBENTURES

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 issue was carried out at a CDI rate + 4.5% pa at the end of 2021 and was being traded on the secondary market at CDI rate + 2.45% pa.

[The General Debenture holders' Meeting \(AGD\)](#) of the aforementioned Issue was held on October 1, 2021. On that date, debenture holders representing 80.60% of the outstanding debentures approved the matters on the agenda.

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.

During 4Q21, the interest rate market in Brazil suffered a strong stress due to inflationary pressure and to uncertainties about the government's fiscal accounts. With this scenario of rising future interest rates in the market, a window of opportunity emerged to convert the interest rate of the 4th Issuance of [Green Debentures \(RANI14\)](#) from IPCA + 5.50% pa to CDI + 0.71% pa through a Swap operation. The converted rate of CDI + 0.71% pa is far below the interest rate of the [3rd Issue of Green Debentures \(CELU13\)](#) that was issued at CDI + 4.50% pa, and, at the end of 4Q21, it was being traded at CDI + 2.45% pa on the secondary market. The Company's Management believes that it is healthy to maintain a larger part of the debt indexed to the CDI, since the financing of Gaia Platform, via FINAME (BNDES), is being contracted at IPCA + rates. Similarly, the Company's cash is invested at CDI rate and the debt bears CDI + and ensures greater alignment for hedging purposes. The Swap contract was [approved by the Company's Board of Directors](#), as required by the [Financial Management Policy](#).

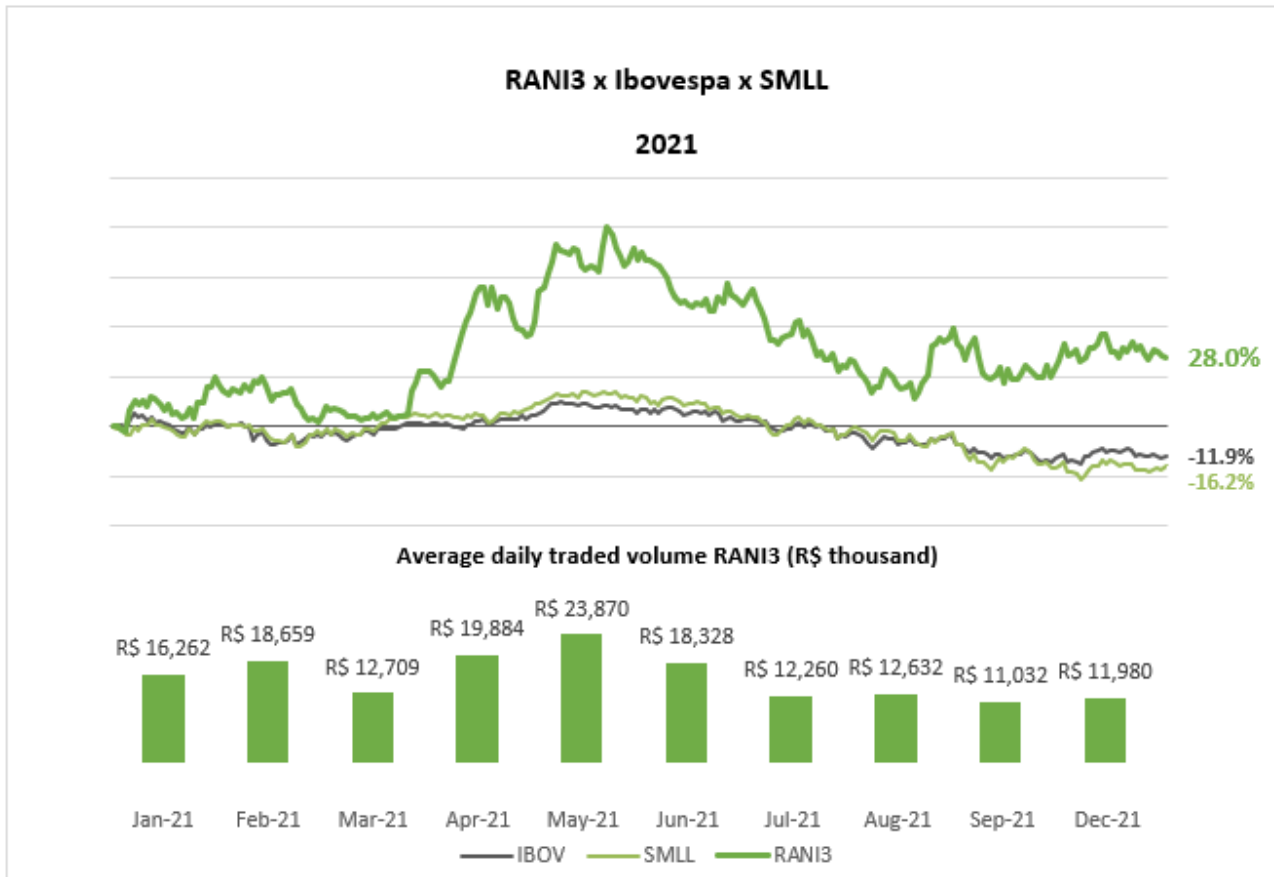
On July 5, 2021, [S&P Global Rating upgraded the ratings assigned to the two debenture issues from 'brA+' to 'brAA+'](#), as mentioned above.

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.

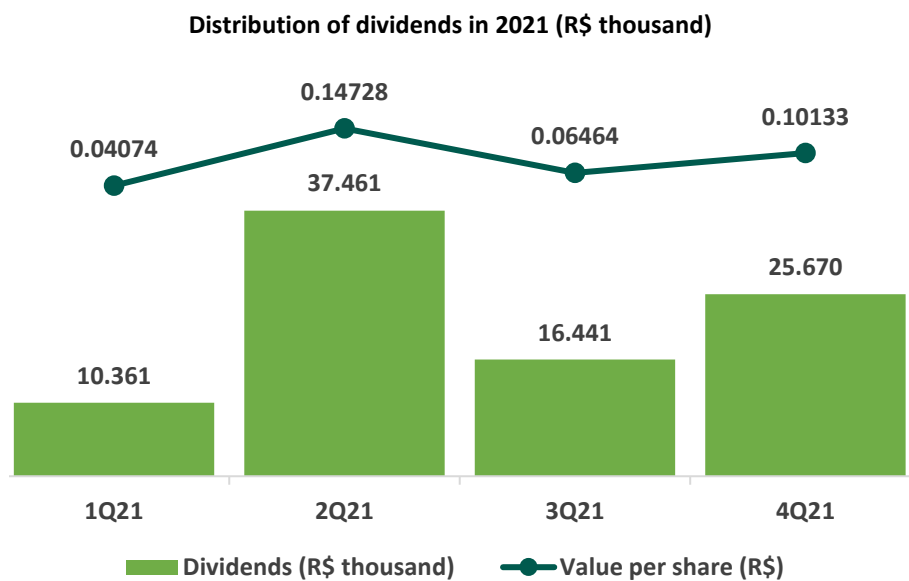
All shares have voting rights and are 100% tag along. At the end of 2021, common shares were traded at R\$ 6.92. The Company's shares currently comprise the IGC-NM, IGCX, ITAG, IMAT, IBRA, SMLL, IGCT and IGPTW indices of B3.

The performance and trading volume of the Company's shares in 2021, compared to the Ibovespa index (the main performance indicator of shares traded on B3) and the SMLL (performance indicator of B3 companies with lower capitalization, which Irani is part of the theoretical portfolio), can be seen in the chart below.



DIVIDENDS

The dividends distributed by the Company in 2021 are presented in the chart below:



Total dividends and interest on shareholders' equity paid in 2021 was R\$ 0.353992 per share, totaling R\$ 89,933 thousand, and equivalent to an annual dividend yield of 6.57%, considering the share price of R\$ 5.39 as of December 31, 2020. As a reference, in the same period, a financial investment remunerated at CDI yielded 4.40%.

REPURCHASES PROGRAM

At [the Board of Directors' meeting held on September 27, 2021](#), the Company's share repurchase program was approved, with the objective of maximizing the generation of value for stockholders through an efficient management of the capital structure. The program became effective as of October 1, 2021, with a purchase limit of up to 8,216,880 common shares, accounting for 7.76% of the total outstanding common shares issued by the Company. Up to December 31, 2021, the Company repurchased 2,790,000 shares, accounting for 33.95% of the program carried out, at the amount of R\$ 18,565 thousand, including trading costs, equivalent to an average price per repurchased share of R\$ \$6.65. Irani's share capital on December 31, 2021 was represented by 256,720,235 common shares (RANI3) and the Company held 5,166,116 common shares in treasury.

15. SUSTAINABILITY – (ESG – ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

Commitment to ESG topics is at the heart of Irani's business, based on an integrated business model, using renewable natural resources, circular economy (recycling) and low carbon, mainly coming from renewable energy. As a result, we practice integrated management that incorporates the promotion of robust governance practices and a virtuous circle of environmental preservation, social development and innovation, as well as differentiated economic returns into our strategy.

A signatory to the Global Compact and the Business Pact for Integrity and Against Corruption for over 15 years, the Company joined the Instituto Capitalismo Consciente (Conscious Capitalism Institute) in 2021 with the purpose of contributing to the movement to transform the way of making investments and doing business in Brazil.

We also have a long history of commitment to transparency. Therefore, we seek to be always updated on the best management practices and reporting on its strategy, performance and sustainability initiatives. Between 2006 and 2021, we publish Sustainability Reports annually and, in 2021, we launched the first Integrated Report. This public document was assured by KPMG Auditores Independentes and adopts the guidelines for the integrated reporting of the [International Integrated Reporting Council](#) (IIRC), GRI Standard of [Global Reporting Initiative](#) (GRI), [Sustainability Accounting Standards Board](#) (SASB), relating the practices reported to the [UN Sustainable Development Goals](#). All publications are available for consultation at <http://www.irani.com.br/praticas-sustentaveis/relatorio-de-sustentabilidade/>.

Aiming to ensure the evolution of ESG topics, the Sustainability Committee has been operating since 2018 under the leadership of the CEO and the participation of the entire Executive Board. In addition to providing the necessary guidelines so that the implementation of the sustainability strategy is aligned with the Company's strategic planning, this Committee established working groups to improve and advance in the implementation of practices complying with the UN SDGs and in the mapping of opportunities that inspired a set of commitments to be followed until 2030 in the following areas:

- **Occupational Safety**

Zero occupational accidents with lost time

- **Diversity**

Having 40% of women in the company's staff and 50% of women in leadership positions

- **Water**

Reduce water consumption per ton produced by 30%

- **Energy**

Be self-sufficient in renewable energy generation

- **Waste**

Eliminate the sending of waste to landfills

- **Climate Changes**

Increase the positive balance between emissions and removals of Greenhouse Gases (GHG) by 20%

In addition to being part of [SDGs SC National Movement](#), the Company will have a Sustainability Center in 2022, a horizontal and multidisciplinary structure with the challenge of cultivating and promoting sustainability (ESG), engaging employees and stakeholders.

The Company's sustainability strategy is supported by its [Sustainability Policy](#), and by a [management system certified](#) by ISO 9001 and ISO 14001 standards, the latter specifically certifying the Packaging business. Coupling appropriate management practices and increasingly efficient operating processes, Irani has been consolidating itself as a carbon neutral company by nature year after year. This means that the Company uses more carbon from the atmosphere than it emits, which characterizes it as a low carbon company. Furthermore, it annually discloses the Greenhouse Gas Inventory, prepared according to the GHG Protocol methodology and is the first company in Brazil to be ISO 14064 certified.

The company also has two Clean Development Mechanism projects approved by the United Nations (UN) and several practices to foster the circular economy through partnerships. By using alternatives and technologies capable of reintroducing waste from production processes into new value chains, Irani fosters entrepreneurship, job and income generation in the surrounding communities, in addition to avoid sending this waste to landfills, providing a relevant environmental contribution. The practices are available for consultation at: <http://www.irani.com.br/praticas-sustentaveis/gestao-ambiental/>.

15.1 Environmental Performance Management

All Irani's business units have licenses issued by competent bodies that are systematically renewed before the end of their term to keep the Company's operations. The applicable conditions are properly implemented and the evidence is filed with the environmental bodies according to the periodicity defined in each license.

Constant monitoring is carried out, as well as the implementation of the required actions aimed at complying with the current environmental legislation. The Sustainability Policy confirms the Company's intention of maintaining compliance with applicable legal requirements, the continuous improvement of processes, and reinforces voluntary commitments it assumed.

The certifications obtained demonstrate the effectiveness of the environmental system:

- **Forest Stewardship Council® (FSC®):** voluntary and independent instrument to ensure that the raw material used by the Company is handled, extracted and processed in an eco-friendly, socially fair, and economically viable manner, allowing to manufacture products with a specific FSC® seal. The forests of Santa Catarina and Rio Grande do Sul have a certification of forest management (FSC®-C020437 / FSC®-C116791) and plants of paper, corrugated cardboard packaging and resins hold the Chain of Custody Certification (FSC®-C009947).
- **ISO 14064:2006:** provides for technical guidelines with principles and requirements for developing, reporting and managing Greenhouse Gas (GHG) inventories. Irani was the first Brazilian company to certify an inventory according to this standard, proving that the Company is carbon neutral, which means that forests have an absorption potential higher than the emissions from their production processes.
- **ISO 14001:2015:** specifies the requirements for the implementation and operation of an environmental management system. The packaging units already have this certification, corroborating the commitment to environmental issues and practices focused on sustainability.

As mentioned in item 14, the Company adopts several practices to minimize the impacts arising from its activities and to generate value in the community where it operates. In this sense, two Clean

Development Mechanisms (CDM) approved by the UN stand out. Both CDMs generate Certified Emission Reductions (CERs) sold in the form of carbon credits in partnership with Instituto Ekos Brasil in the Climate Commitment program, with supporters and partners engaged in the responsibility of seeking practices that contribute to the deceleration of climate change. In 2021, 155,885 CER's were sold.

In 2021, we recycled 242,658 tons of paper (Old Corrugated Containers), which accounted for 33.3% of our raw material source, in a true circular economy. Paper fibers can be recycled several times. The recycling rate in Brazil is currently one of the highest in the world, standing at 66.9% (Source: Brazilian Tree Industry - Ibá).

The Company is constantly searching for circular economy alternatives and contributes not only to our business, but also for minimizing environmental impacts, but also to encourage entrepreneurship and the collection of taxes, job and income generation in the surrounding communities. The coal from the burning of biomass in Irani's cogeneration boiler is directed to a partner company that transforms this waste into charcoal briquettes for barbecue and fireplaces under the trade name Carvão Ecomais.

In a pioneering and innovative manner, Irani also implemented the project for the recovery of plastic (waste from the recycling of old corrugated containers), generating a new byproduct called mixed plastic trimmings. This byproduct is used as a raw material for the plastics industry to produce posts, tiles and recycled plastic sheets, creating a production chain with added value and environmental benefit by avoiding the disposal of plastic waste in landfills.

Other circular economy initiatives are available at: <http://www.irani.com.br/praticas-sustentaveis/gestao-ambiental/>.

15.2 SOCIAL PERFORMANCE INDICATORS

Development of people

Irani ended the year of 2021 with 2,210 employees. The Company seeks to achieve excellence through participatory management and investments in programs, actions and benefits that allow the personal and professional development of its employees in a pleasant work environment. We achieved an 87% GPTW Survey index in 2021. Additionally, during 2021, the Company invested R\$ 36,956 thousand in benefits related to meal, transportation, life insurance and health care plan benefits, R\$ 1,355 thousand in qualification and personal development actions, R\$ 10,601 thousand in the profit-sharing program (PPR), and R\$ 7,981 thousand in the SUPERA program.

People are the drivers to fulfill the Company's mission and catalysts to achieve its vision. Thus, building high-performance teams and getting people to reach their maximum personal and

professional potential are part of the strategy. This incentive to the development is offered to employees through five structuring programs: GERA, CRESCE, CUIDA, MOTIVA and SUPERA.

The GERA Program has a set of processes aimed at attracting, engaging and monitoring the trajectory of Irani professionals, seeking to ensure that they are adequate and integrated to the organizational culture. Thus, it tracks the whole cycle of the professional, hoping that the development of people will be recognized as a merit of both parties. The CRESCE Program acts as a partnership of leaders, seeking to understand the reality of each unit and support areas. These programs, inspired by the Company's Strategic Planning, also has the objectives of further work will be undertaken with the purpose of strengthening the learning culture and providing better solutions to help leaders promote a stimulating environment for high-performance teams. In this sense, the Program seeks to bring a new meaning to the learning methods based on the structured development of Corporate Education with three internal schools: ITEC (Technical), DNA (Culture) and LIDERA (Leadership). The CUIDA Program was structured to provide behavioral changes and improve the physical conditions of the workplace. It consists of a set of practical and applicable procedures under an integrated health and safety management model, whose purpose is to reduce workplace accidents, increase compliance with the legislation and expand the employees' awareness of health and safety subjects. Through the MOTIVA Program, the Company addresses the organizational climate through people management practices. The activities of leaders, employees and support groups in climate management, as well as climate survey and monitoring, is one of the means used to create one of the best environments to work with. The SUPERA Program is an annual evaluation program based on skills and results management with the purpose of promoting self-knowledge, people development, strengthening feedback culture, identifying talent and recognizing employees.

Society

Irani's social investments seek to meet the strategic goal of promoting the development of surrounding communities focusing on sharing value and generating wealth for all of those impacted by the Company's business.

Throughout 2021, volunteer groups working in all business units fostered opportunities to improve skills and community development, adding over 400 hours of volunteer work in partnership and benefiting almost 8,000 people in the surrounding area.

Contribution using own funds and via incentive laws were carried out throughout 2021. Over R\$ 2.5 million was allocated to projects in the areas of culture, environmental education and sport through federal tax incentive laws, in addition to contributions to the Childhood and Adolescence Funds and the Elderly Fund. The total donation of funds through the Social Investment Committees of the

business units amounted to around R\$ 10 thousand, helping organizations from the surrounding communities to carry out actions with a cultural and socio-environmental focus.

The Company also seeks to establish solid partnerships for the development of projects in the areas of citizenship, social and environmental education, culture and sports. In 2021, the amount of almost R\$ 130,000 was invested in projects such as:

- Aluno Destaque (Student of the Year) Project, which aims to encourage and develop the five best students of E.E.B. Galeazzo Paganelli school, in Campina da Alegria (SC).
- Partnership with the Junior Achievement Association in the States of Santa Catarina, Rio Grande do Sul e Minas Gerais, encouraging entrepreneurship among young people from public and private schools.
- Volleyball training center for beginners, in partnership with the Volleyball Association of Joaçaba (AJOV), sharing online sports techniques to 300 students, on average.
- Broto do Galho Project, through a handcraft center that produces goods from industrial waste in the community of Campina da Alegria, generating productive occupation and extra income.
- Choir for the community of Campina da Alegria and surroundings with classes conducted by a conductor and production of special videos for the Company's internal campaigns.

15.3 Governance

The Company is listed in the special segment of *Novo Mercado* (New Market) of B3, the highest level of corporate governance within the country. It has a Board of Directors composed of five members, two of whom are independent. With the support of the Board of Directors, the Company has three committees: Audit Committee, Strategy Committee and People Committee. All the Company's shares are traded on B3 (RANI3) and have voting rights and are 100% tag along. The Statutory Executive Board is composed of five officers. Two committees are supported by the executive board: the Ethics Committee and the Investment Committee, as well as four centers: Sustainability Center (ESG), People Management Center, Innovation Center and Diversity and Inclusion Center.

Since the beginning of the health crisis, the Company has adopted the most stringent hygiene and safety standards to continue producing inputs that are essential at this moment. Aware of the importance for the communities where it operates and its role in the Brazilian economic scenario, Irani also participated in initiatives to prevent COVID-19, with actions that rely on the mobilization of different resources and experiences of the Company, focused on health and social assistance, prioritizing care for communities in the regions where the company operates.

The set of initiatives carried out by Irani to fight the coronavirus was recognized in the TOP SER HUMANO award promoted by ABRH/RS, as described in item 15.4.

15.4 Awards and Recognitions

In 2021, the Company received the following awards:

- **Ranking 100 Open Startups 2021:** For the first time, we entered the ranking of TOP Open Corps 2021 corporations, in which 100 Open Startups indicates the leading brands in open innovation with startups in Brazil, and Irani was listed in the TOP 5 Pulp and Paper companies.
- **Green Energy Certificate and Green Energy Seal - Bioelectricity:** Promoted by União da Indústria de Cana-de-Açúcar (UNICA) with the proposal to foster and expand the participation of bioelectricity in the Brazilian energy matrix. Irani received both the Green Energy Certificate - Bioelectricity and the Green Energy Seal - Bioelectricity at the SP Packaging Plant, Indaiatuba for the second consecutive year, where it has electric power generated by a production unit whose main fuel is biomass, meeting the criteria of energy efficiency.
- **Social Responsibility certification and Trophy Outstanding Company SC (ALESC):** Award established by law by the Legislative Assembly of Santa Catarina to recognize and value companies and organizations committed to the well-being of society and environmental preservation. Over the 11 editions, we were awarded the Social Responsibility Certification 9 times, and recognized with the SC Highlight trophy.
- **100 Most Admired CEOs and HR Departments of Grupo Gestão RH:** Recognition of Sérgio Ribas, CEO of Irani, and Claudia Duarte Vergara, our People Development manager, who were among the 100 Most Admired CEOs and HR Departments of Grupo Gestão RH.
- **Innovation Champions award:** Carried out by Amanhã Group, we were included in the ranking of the 25 most innovative companies in the South Region, receiving the Innovation Champions award and being recognized as the first company in the Pulp and Paper category for the second consecutive time.
- **We were listed 3 times in the GPTW Ranking 2021:** We are the 13th Best Company to Work for in Rio Grande do Sul. We are among the 40 best industries and among the 10 best in the GPTW Ranking of Santa Catarina. For Irani, it is a gratifying to be among the best companies to work for in three Great Place To Work Rankings. Said important recognition is also an achievement for all our employees, who are an active part of Irani and at the heart of the entire business strategy. Together, we transform people's lives with sustainable attitudes and solutions.

- **Exame Award - Best and Largest 2021:** We won 2nd place in the “Exame Melhores e Maiores 2021” award. In its 48th edition, companies that stood out financially were recognized for their good ESG practices and their ability to reinvent and adapt to the new challenges generated by the pandemic.
- **Top Ser Humano ABRH - RS:** Top Ser Humano 2020/21, awarded by two cases: Lidera School and Coping with COVID-19. Offered by ABRH, the award recognizes organizations that develop the best practices in the people management area.
- **Mérito Top Ser Humano ABRH RS:** After winning five editions of the ABRH-RS Top Ser Humano Award, we were recognized with the Mérito Top Ser Humano award in November 2021.
- **Transparency Trophy:** 1st 2021 Transparency Trophy Award - ANEFAC - FIPECAFI Award - Created in 1997, with the objective of honoring Companies with the best transparency in accounting information practices, the Award, which became known as the “Oscar of Accounting”, is an ANEFAC initiative with a technical analysis by Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras (FIPECAFI).

16. AUDIT SERVICES

In accordance with CVM Instruction 381/03, we inform that during 2021, KPMG Auditores Independentes provided audit services of the financial statements into English, which amounted to R\$ 634,000.

KPMG also provided limited assurance services for the Company’s Integrated Report for the year 2020, through KPMG Assessores Ltda., in the amount of R\$ 34,000.

No services were provided other than those related to the audit of the financial statements in 2021.

17. SUBSEQUENT EVENTS

In February 2022, the Company entered into a second amendment to the Private Instrument of the Property Purchase and Sale Promise, related to the sale of assets classified as non-current assets held for sale, ratifying the determination of the sale price at R\$ 41,200 thousand, and adjusting the payment condition considering receipt of an initial installment in the amount of R\$ 6,000 thousand, already received in January 2022, and the balance in 12 monthly installments, restated by the changes in interbank deposits (“DI”), as measured by the Central for the Custody and Financial Settlement of Private Securities (“CETIP”).

RESULTS WEBINAR

In Portuguese (with simultaneous translation in English):

Date and Time: Thursday, February 24, 2022 at 2:00 pm (Brasilia)

Sign up: [Subscription link](#)

The videoconference will be available on the Company's website.

Simultaneous translation in English will be available in the access through the application on the computer or mobile phone.

18. PROSPECTS

The year 2022 also begins with the challenges presented by the pandemic, and the belief of everyone that it is coming to an end. New variants of the virus have emerged, but with less severity, despite their greater contamination. From an economic perspective, countries need to face inflation, as a consequence of the fiscal and monetary stimuli used during the pandemic, which led to a new cycle of interest rate increases, directly impacting companies. Added to these challenges is the election year in Brazil, which traditionally brings greater uncertainty and volatility in the economy. Irani's optimized capital structure, with low leverage, extended debt denominated in Reais, combined with a robust cash balance, allows the Company to navigate with peace of mind in an eventual more challenging economic period. The exposure of Irani's business to resilient industries, such as food and beverage, as well as its insertion into the secular ESG and low-carbon economy trend, serve as a key stimulus for business. The investments of the Gaia Platform are in line with the schedule and budget. It is important highlighting that these investments are mainly for cost reduction, especially energy, and for efficiency and productivity gains in the current plants. Therefore, they are less dependent on market conditions to capture economic returns.

With all this, we believe to be prepared to capture the opportunities that the year 2022 and beyond will bring, while mitigating the risks of a potential adverse scenario. We are very optimistic about the future!

ACKNOWLEDGMENTS

We thank each one of our employees for their effort during this year, our stockholders and creditors for the trust they placed in us, and our customers, suppliers and surrounding communities for their support and partnership, which were crucial for the growth and development of Irani during 2021.

Porto Alegre, February 2022.

The Executive Office.

AUDIT COMMITTEE REPORT

The Audit Committee of Irani Papel e Embalagem S.A. (Committee) is an advisory body of the Company's Board of Directors, installed on 09.10.2020. It is a non-statutory body that advises the Board of Directors, acting permanently and independently and with its own budget. Its powers follow the rules of B3's Novo Mercado Regulation and are defined in the Company's Bylaws and in the Committee's Internal Regulations, available at the website

<https://api.mziq.com/mzfilemanager/v2/d/516eff19-62b9-464f-af20-6d866d6fefd5/e2ca7150-b593-4c30-b43e-649cffc1a283?origin=1> .

In 2021, the Committee, the Committee held twenty-four ordinary and extraordinary meetings, dealing with the following topics: Finance and Accounting, CPC rules and CVM topics, accounting control structure, contingencies, analysis of Quarterly Information (ITR) and Consolidated Financial Statements (DFs), discussion of the ITRs and DFs Notes to the Financial Statements; meetings with KPMG Independent Audit; risk management, systems and processes for risk management, risk map, internal controls map, systems and data storage, data security, discussão da segurança de barragens; monitoring of transactions with related parties, procedures for calculating impairment of fixed and intangible assets, discussion of the technical study on the use of deferred tax credits; Internal Audit: contracting outsourced internal audit services, hiring one more member and hiring internal audit manager, discussion of internal audit planning and work related to the outsourced internal audit service contract.

The Committee advised the Board of Directors in the discussion of policies and procedures. Following good practices, the Audit Committee held separate meetings with the independent auditors to discuss the work to review Quarterly Information (ITRs) and audit the financial statements for the year 2021.

The Committee examined the drafts of the individual and consolidated financial statements of Irani Papel e Embalagem S.A. and its subsidiaries, and respective notes to the financial statements, for the year ended December 31, 2021. The examination included discussions with Management, Accounting, Legal and risk management areas and the Independent Auditors. In the discussions and examinations carried out, the Committee was not aware of facts that are not reflected in the Financial Statements, and did not find evidence or indications of error or fraud. The Committee is of the opinion that the 2021 Financial Statements of IRANI Papel e Embalagem S.A. are in a position to be appreciated by the Board of Directors. Porto Alegre, February 16, 2022. Audit Committee of Irani Papel e Embalagem S.A.

Roberto Lamb
Committee Member and Coordinator

Roberto Faldini
Board Member and Committee Member

Wladimir Omiechuck
Committee Member

To the Shareholders of
IRANI PAPEL E EMBALAGEM S.A.

Capital Budget Proposal

In accordance with the provisions of Article 196 of Law 6404/76, with the wording provided by Law 10303, of October 31, 2001, the Management of Irani Papel e Embalagem S.A. ("Company") hereby submits the Company's Capital Budget proposal.

The proposal for allocation of the profit attributed to the Company's shareholders for the year ended 12/31/2021, disclosed in the financial statements, foresees that, after the adjustments referred to in Articles 193 and 202 of Law 6,404/76, profits amounting R\$ 141,775 thousand will be retained, destined to Profit Retention Reserve, designated to meet the Company's Investment Plan.

The capital Budget for 2022, approved at the Board of Directors' meeting held on December 22, 2021, amounting to **R\$ 487,861 thousand**, in addition to R\$ 29,384 thousand for working capital needs, distributed as follows:

2022 Capital Budget			
R\$ Thousand	Current	Strategic	Total
Sustainable Packaging Segment (Corrugated Cardboard)	-	98,992	98,992
Sustainable Packaging Paper Segment (Paper)	-	303,211	303,211
Investments in Startups – Irani Ventures	-	5,787	5,787
Current investment budget	83,871	-	83,871
Total investments for 2022	83,871	403,990	487,861
Working Capital Needs	26,384	-	26,384

These investments will be realized through own resources (generated with the operational activity during the year) and resources financed, as described below.

Summary of sources and uses						
R\$ Thousand	Current	%	Strategic	%	Total	%
Financed Resources	-	-	213,568	53%	213,568	44%
Own Resources	83,871	100%	190,422	47%	274,293	56%
Total	83,871	100%	403,990	100%	487,461	100%

Having presented this proposal, Management is at the disposal of the Shareholders to provide the additional clarifications that they deem necessary.

Porto Alegre, RS, February 24, 2022.
The Executive Office.

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 financial statements for the year ended December 31, 2021.

Porto Alegre, RS, February 24, 2022.

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

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 year ended December 31, 2021.

Porto Alegre, RS, February 24, 2022.

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