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Irani Papel e
Embalagem S.A.

**Financial
Statements**
December 31, 2023



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Dear Shareholders,

The Management of **Irani Papel e Embalagem S.A.** submits for your appreciation the Company's Management Report and Financial Statements, with the respective independent auditor's report for the fiscal year ended December 31, 2023.

Message to Shareholders

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

BUSINESS OVERVIEW

Irani Papel e Embalagem S.A. business is composed of three segments, independent in its operations and integrated in a harmonious way, seeking to optimize the use of pine planted forests, through its multipurpose, paper recycling in the concept of circular economy and the verticalization of business.

Sustainable Packaging Segment (Corrugated Cardboard) produces boxes and corrugated sheets, light and heavy and has two industrial units: Packaging SC Campina da Alegria and Packaging SP Indaiatuba.

The purpose of the **Sustainable Packaging Paper (Paper)** segment is the production of low and high weight Kraft paper and recycled paper destined to the foreign and domestic market and most transferred for conversion in the Sustainable Packaging Segment (Corrugated Cardboard) units. It has a factory with four paper machines, located in Vargem Bonita - SC (Papel SC Campina da Alegria) and a factory with a paper machine in Santa Luzia - MG (Papel MG Santa Luzia).

Sustainable Resins Segment (Gum Rosin and Turpentine) sells wood, gum rosin and turpentine. Industrializes forest-based products in the State of Rio Grande do Sul, from the forest asset owned by the Company located in the region and from the purchase of third parties. Using natural gum rosin from the pine forest, the business unit called Resina RS Balneário Pinhal, with an industrial plant located in Balneário Pinhal - RS, produces gum rosin and turpentine, which are used in the

manufacture of varnishes, paints, soaps, glues, adhesives, among others. Gum rosin and turpentine are intended primarily for the foreign market.

Subsidiaries

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

- Habitusul 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 e-commerce packaging, and aims to provide sustainable packaging solutions for the market, through e-commerce; During the year, its activities were closed, considering the low demand at the current time;
- Irani Ventures Ltda., which operates with the objective of investing in selected startups, with innovative solutions, with high-tech products and services focused on the Company's business, with high growth potential.

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MAIN ECONOMIC AND FINANCIAL INDICATORS

MAIN INDICATORS - CONSOLIDATED	4Q23	3Q23	4Q22	Chg. 4Q23/ 3Q23	Chg. 4Q23/ 4Q22	2023	2022	Chg. 2023/2022
Economic and Financial (R\$ thousand)								
Net Revenue from Sales	385,036	407,855	408,410	-5.6%	-5.7%	1,594,245	1,686,666	-5.5%
Domestic Market	354,304	368,375	365,138	-3.8%	-3.0%	1,413,245	1,440,498	-1.9%
Foreign Market	30,732	39,480	43,272	-22.2%	-29.0%	181,000	246,168	-26.5%
Gross Profit (inclusive *)	121,591	190,545	192,773	-36.2%	-36.9%	686,598	808,072	-15.0%
(*) Changes in the Fair Value of Biological Assets	(26,135)	30,349	40,208	-186.1%	-165.0%	71,620	139,003	-48.5%
Gross Margin	31.6%	46.7%	47.2%	-15.1p.p.	-15.6p.p.	43.1%	47.9%	-4.8p.p.
Operating Profit before Taxes and Interest	(6,430)	90,988	114,374	-107.1%	-105.6%	505,839	518,360	-2.4%
Operating Margin	-1.7%	22.3%	28.0%	-24.0p.p.	-29.7p.p.	31.7%	30.7%	1.0p.p.
Profit for the Period	7,095	64,635	85,919	-89.0%	-91.7%	383,434	378,210	1.4%
Net Margin	1.8%	15.8%	21.0%	-14.0p.p.	-19.2p.p.	24.1%	22.4%	1.7p.p.
Adjusted EBITDA ¹	111,877	133,329	119,236	-16.1%	-6.2%	490,476	537,988	-8.8%
Adjusted EBITDA Margin	29.1%	32.7%	29.2%	-3.6p.p.	-0.1p.p.	30.8%	31.9%	-1.1p.p.
Net Debt	1,017,684	1,044,312	741,920	-2.5%	37.2%	1,017,684	741,920	37.2%
Net Debt/Adjusted EBITDA(x)	2.07	2.10	1.38	-1.4%	50.0%	2.07	1.38	50.0%
Operating Data (t)								
Sustainable Packaging (Corrugated Cardboard)								
Production/Sales	44,501	43,758	39,687	1.7%	12.1%	164,989	159,840	3.2%
Sustainable Packaging Paper (Paper)								
Production	80,495	75,976	76,136	5.9%	5.7%	298,271	293,556	1.6%
Sales	28,688	32,528	30,216	-11.8%	-5.1%	120,191	124,880	-3.8%
Domestic Market	23,037	25,426	26,272	-9.4%	-12.3%	96,696	107,460	-10.0%
Foreign Market	5,651	7,102	3,944	-20.4%	43.3%	23,495	17,420	34.9%
Sustainable Resins (Gum Rosin and Turpentine)								
Production	2,573	1,395	2,495	84.4%	3.1%	11,981	13,732	-12.8%
Sales	1,629	1,698	2,279	-4.1%	-28.5%	10,915	13,700	-20.3%
Domestic Market	43	71	91	-39.4%	-52.7%	270	350	-22.9%
Foreign Market	1,586	1,627	2,188	-2.5%	-27.5%	10,645	13,350	-20.3%

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

- Net revenue in 4Q23 decreased by 5.7% compared to 4Q22 and decreased 5.6% compared to 3Q23, mainly due to the reduction in volume and prices of the Sustainable Packaging Paper segment (Paper) and the Sustainable Resins segment (Gum Rosin and Turpentine) in this quarter compared to the same quarter of the previous year. In the comparison of the years, net revenue decreased 5.5% in 2023 compared to 2022 and reached R\$ 1,594,245 thousand, mainly due to the reduction in volume and prices of the Sustainable Packaging Paper (Paper) and Sustainable Resins (Gum Rosin and Turpentine) segments.
- The sales volume of the Sustainable Packaging (Corrugated Cardboard) segment increased 12.1% compared to 4Q22 and increased 1.7% compared to 3Q23, totaling 44.5 thousand tons in 4Q23, pointing to a recovery in consumption and consequent increase in demand for products in the segment this year. The sales volume increased 3.2% compared to 2022 and totaled 165.0 thousand tons in 2023, due to the increase in demand in the year and the good operational performance of the segment's industrial operations, especially due to the ramp-up of the Gaia II expansion investment. The Sustainable Packaging Paper (Paper) segment totaled 28.7 thousand tons of sales, registering a decrease of 5.1% compared to 4Q22 and of 11.8% compared to 3Q23, and totaled 120.2 thousand tons of sales, with a reduction of 3.8% compared to 2022, which is explained by the reduction in

demand for these products mainly in the domestic market, which led the Company to seek greater sales in the foreign market, but with less intensity due to less attractive prices in this market. The Sustainable Resins segment (Gum Rosin and Turpentine) registered a decrease of 28.5% compared to 4Q22 and of 4.1% compared to 3Q23, reaching 1.6 thousand tons, mainly due to competition from imported products. In 2023, it showed a reduction of 20.3%, reaching 10.9 thousand tons, also due to the reduction in demand and the less favorable dynamics of this segment during the year.

- Selling expenses in 4Q23 totaled R\$ 36,635 thousand, an increase of 11.5% compared to 4Q22 and an increase of 12.6% compared to 3Q23, and represented 9.5% of consolidated net revenue, higher than 8.0% in 4Q22 and 3Q23, due to the ordinary growth of fixed costs and of variable selling expenses such as freight, pressured by the increase in fuel prices. Selling expenses in 2023 totaled R\$ 130,695, a decrease of 2.4% compared to 2022, and represented 8.2% of consolidated net revenue, higher than 7.9% in 2022, due to the ordinary growth of fixed costs and of variable selling expenses such as freight, pressured by the increase in fuel prices.
- Administrative expenses in 4Q23 totaled R\$ 29,578 thousand, an increase of 2.4% compared to 4Q22, mainly due to the inflation for the period, and increase of 16.9% compared to 3Q23, mainly due to pass-through of inflation in collective agreements and adjustments to management's variable compensation, and represented 7.7% of consolidated net revenue, higher than 7.1% in 4Q22 and higher than 6.2% in 3Q23. Administrative expenses in 2023 totaled R\$ 108,346 thousand, an increase of 15.3% compared to 2022, in the amount of R\$ 93,969 thousand, and represented 6.8% of consolidated net revenue, higher than 5.6% in 2022, mainly due to the ordinary growth of fixed costs in the period.
- Profit for the period was R\$ 7,095 thousand in 4Q23 compared to R\$ 85,919 thousand in 4Q22 and R\$ 64,635 thousand in 3Q23. The decrease is directly related to the decrease in operating profit before tax effects, mainly due to i) change in the fair value of biological assets, which was positive in previous quarters and became negative in this 4Q23 by R\$ 26,135 thousand (R\$ 19,810 thousand net) as a result of the stability of the wood price and increase in the discount rate used to calculate the fair value and, ii) the recognition of impairment of investment properties, property, plant and equipment and assets held for sale, with respective regularization costs of the Company, which concluded that it was unfeasible to use certain non-operational land, which impacted the result by R\$ 28,192 thousand (R\$ 18,607 thousand net). The total of both negative effects on operating profit in 4Q23 was R\$ 54,327 thousand, and R\$ 38,417 thousand in net profit. In the comparison of the years, the profit was R\$ 383,434 thousand in 2023 compared to R\$ 378,210 thousand in 2022. In 2023, the profit was mainly impacted by the recognition of PIS and COFINS credits on acquisitions of

OCC in a total net amount of R\$ 154,954 thousand, and negatively by the lower value of the changes in the fair value of biological assets compared to 2022 in the amount of R\$ 67,383 thousand (R\$ 59,169 thousand net), and by the recognition of impairment of investment properties, property, plant and equipment, assets held for sale and respective regularization costs in the amount of R\$ 28,192 thousand (R\$ 18,607 thousand net), which impacted the operating profit before tax effects and consequently the profit for the year.

- Adjusted EBITDA in 4Q23 was R\$ 111,877 thousand with a margin of 29.1%, 6.2% lower than in 4Q22, which was R\$ 119,236 thousand with a margin of 29.2%, and 16.1% lower compared to 3Q23, which was R\$ 133,329 thousand with a margin of 32.7%. The reduction in Adjusted EBITDA in 4Q23 in relation to 3Q23 is related to market seasonality. In 2023, Adjusted EBITDA totaled R\$ 490,476 thousand, a decrease of 8.8% compared to 2022 and a margin of 30.8%, 1.1 percentage points lower than in 2022, directly related to tighter market conditions.
- Offset of R\$ 50,634 thousand [in PIS and Cofins credits on acquisition of OCC in the quarter](#), relating to the lawsuit (past acquisitions), benefiting the Company's cash flow. By December 31, 2023, R\$ 81,853 thousand had been offset, remaining a balance of R\$ 150,440 thousand to be credited in the coming 20 months. The credits are also being used to offset taxes on new acquisitions of OCC.
- The net debt/Adjusted EBITDA ratio was 2.07 times in 4Q23, against 1.38 times in 4Q22 and 2.10 times in 3Q23. The increase in the indicator against 4Q22 is due to the increase in disbursements related to the execution of the Gaia Platform investments. The decrease compared to 3Q23 is due to the reduction in net debt, due to the generation of free cash flow. This is the first reduction in the quarterly net debt since the beginning of the Gaia Platform. The indicator is in line with the parameters established in the Company's [Financial Management Policy](#), which sets a target of 2.5x.
- The cash position at December 31, 2023 was R\$ 600,981 thousand and 96.6% of gross debt is classified in the long term, 99.6% denominated in local currency.
- In 2023, we completed the execution of the main projects of the first cycle of the Gaia Platform, which is in the process of ramp-up starting the generation of returns. Gaia I had its start-up in the middle of the year and is in line with the schedule. Gaia II ended the year ahead of the project curve regarding volume capture. Gaia III, likewise, is on schedule; however, current less favorable market conditions prevent the capture of return at expected levels.

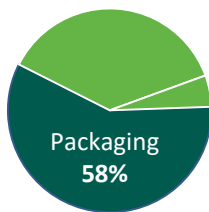


- For the second year in a row, we were included in the Corporate Sustainability Index (ISE B3) and Dividend Index (IDIV B3) portfolios, and were recognized among the best companies in the Forestry, Pulp and Paper sector by the Top Open Corps 2022 ranking.
- Our industrial units in SC receive Zero Waste Certification, achieving a rate of 93.38% of waste diverted from landfill and grade A in good waste management practices.
- We became Signatories of the United Nations (UN) Women's Empowerment Principles (WEPs), which establishes commitments to be followed with the aim of eliminating discrimination against women in the community and in the job market.

1. OPERATING PERFORMANCE

1.1 Sustainable Packaging (Corrugated Cardboard) Segment

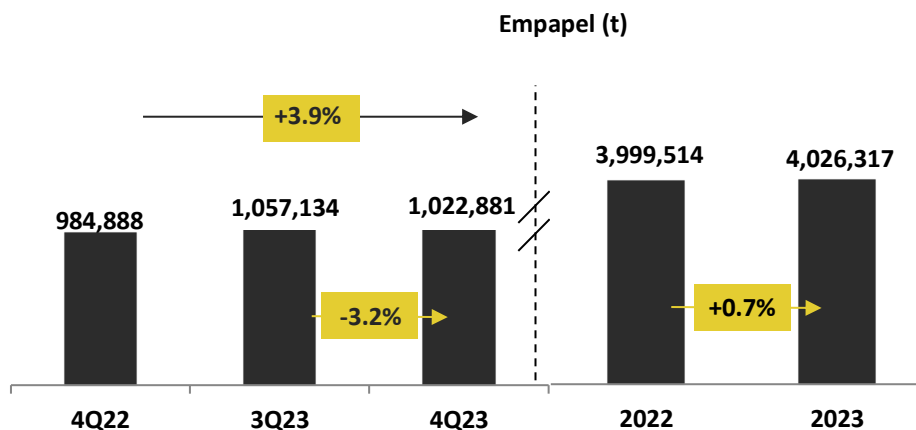
Revenue Contribution 2023



The sales volume recorded an increase of 12.1% (in tons) in 4Q23 compared to an increase of 3.9% in the Empapel market in the same period. Therefore, Irani's market share in 4Q23 was 4.34%, compared to 4.14% in 3Q23 and 4.02% in 4Q22.

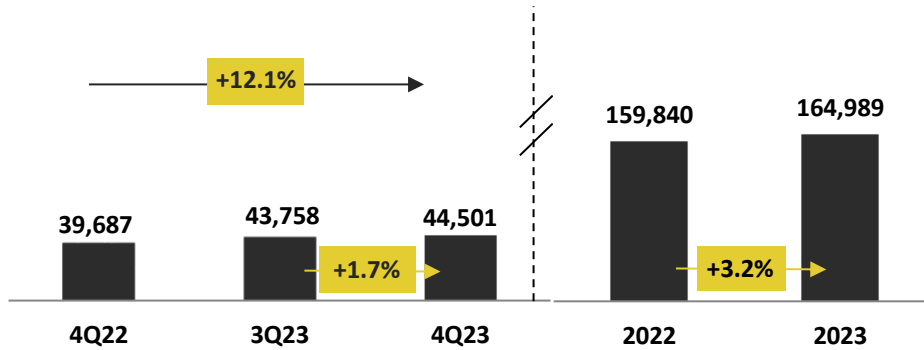
In 2023, sales volume reached 164,989 tons, an increase of 3.2% compared to 2022, while the Empapel market increased 0.7%. Irani's market share, which was 4.00% in 2022, increased to 4.10% in 2023. The increases in volume and market share reflect the ramp-up of the production capacity added at the Campina da Alegria Packaging Unit by the [Gaia II Project](#).

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

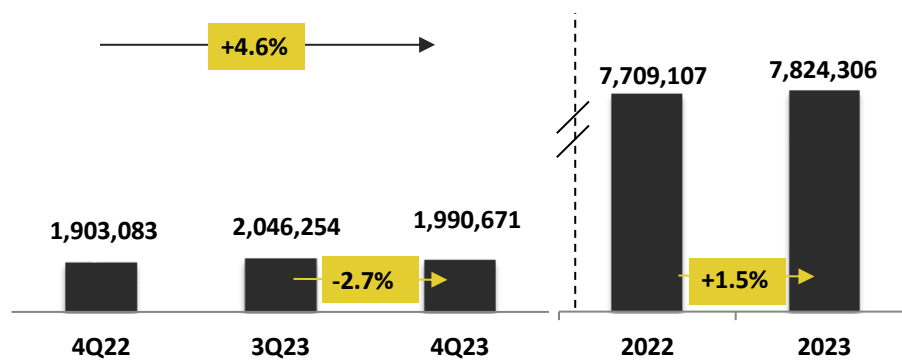


Source: Empapel

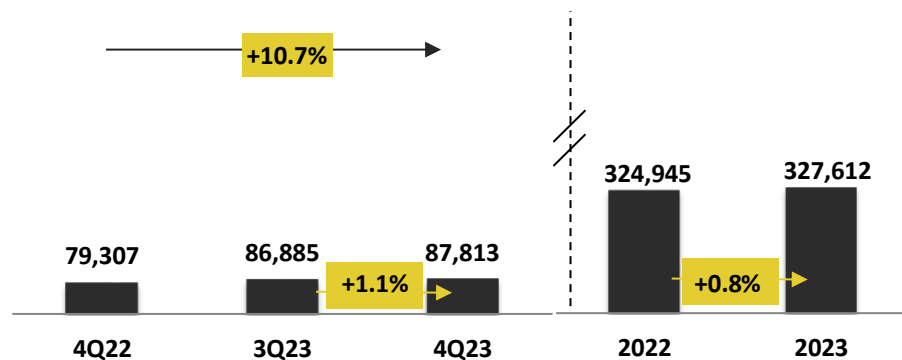


Irani (t)


Source: Irani

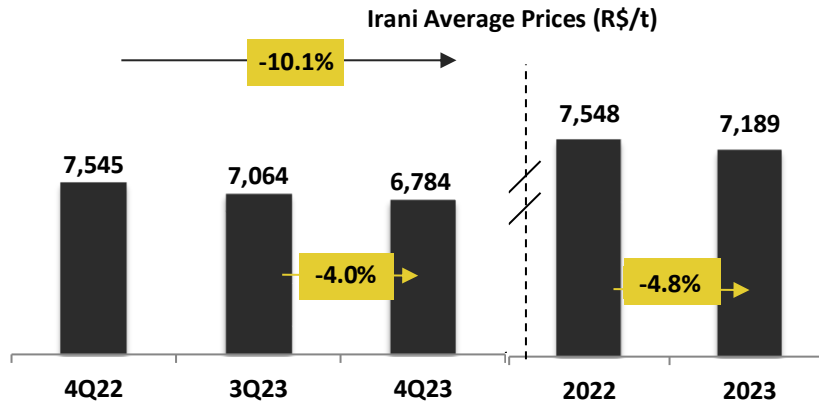
Sales Volume (in square meters) – Sustainable Packaging (Corrugated Cardboard) Segment
Empapel (thousand m²)


Source: Empapel

Irani (thousand m²)


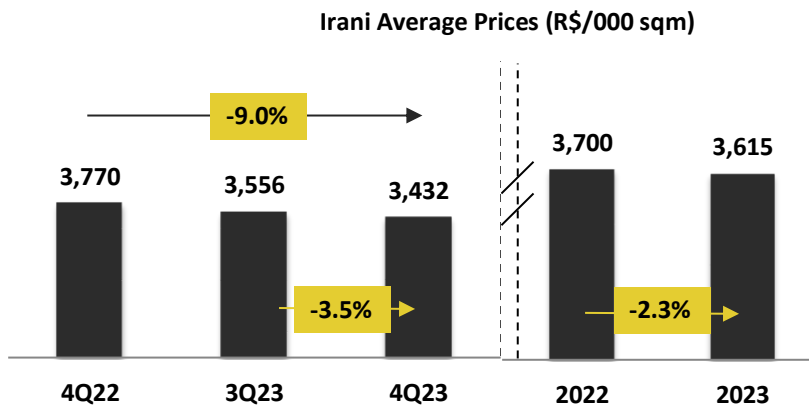
Source: Irani

Despite the growth in volume of the Empapel market in 2023 compared to the previous year, the competitive scenario remains fierce, with pressure to reduce prices. Irani has a current strategy of seeking to maintain the level of prices charged; even so, our prices decreased 4.8% (R\$/ton) compared to 2022.



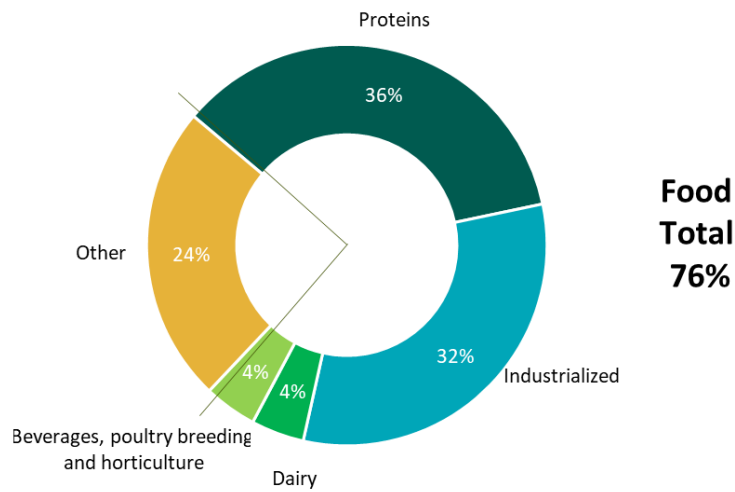
Methodological note: Irani prices exclude Excise Tax (IPI), include Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Value-added Tax on Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

The prices per m² reflect better the market dynamics because they do not consider any variations in weight in the papers used for the manufacture of boxes and paper sheets.



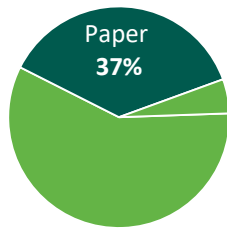
Methodological note: Irani prices exclude Excise Tax (IPI), include Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Value-added Tax on Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

The share of sales of Iran in this Segment by Sub-segment in 2023 is presented in the charts below:



1.2 Sustainable Packaging Paper (Paper) Segment

Revenue Contribution 2023



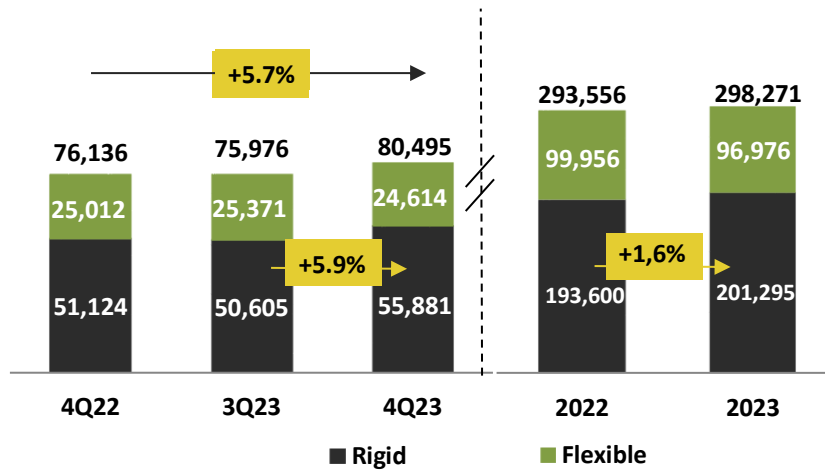
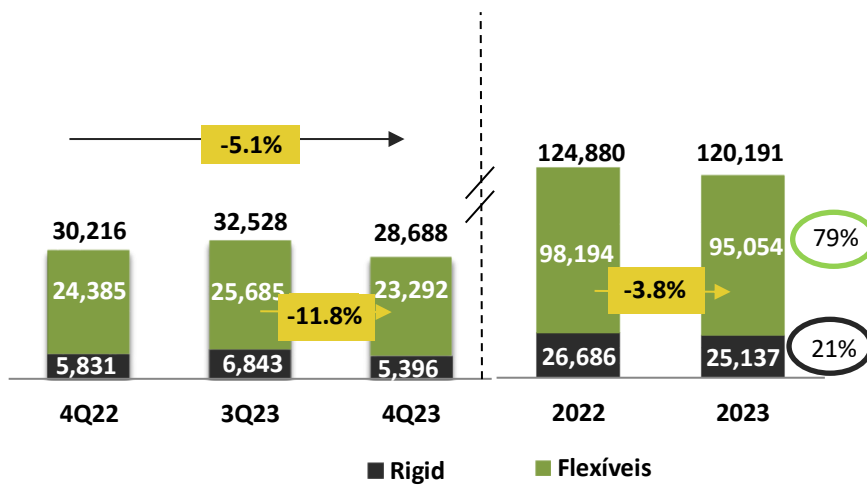
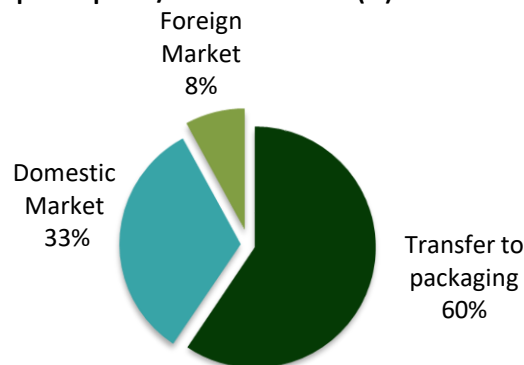
The main reasons for the decrease in paper sales in 2023 compared to 2022 were related to greater number of exports to more distant countries and internal transfer for Packaging production. Still regarding exports, there was a negative impact due to the floods that occurred in November in the State of Santa Catarina, when it was not possible to use the

port of Itajaí and, at times, it was necessary to relocate to other ports in the State.

The increase in production reflects the ramp-up of the Gaia III Project.

Flexible packaging papers are used in the manufacture of bags and bags for stores, food and tele-delivery, and have shown a very positive dynamic in recent years due to the greater use of paper, especially in replacement of plastic. Rigid packaging papers are used to produce sustainable corrugated cardboard packaging.

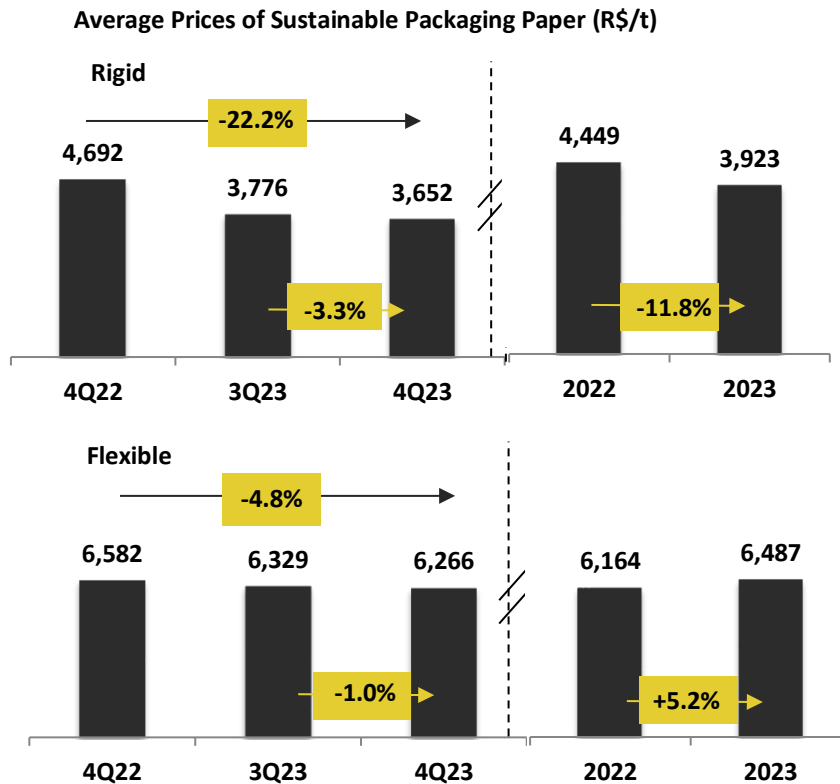


Total Production of Sustainable Packaging Paper (t)

Total Sales of Sustainable Packaging Paper (t)

Paper Dispatch/Revenue in 2023 (%)


The price of rigid packaging paper has been falling, following the reduction in OCC prices and the greater supply of paper in the local market.



The price of flexible packaging paper is 5.2% higher in the annual comparison and is experiencing price reductions, given the large supply of paper worldwide, as well as the reduction in sales to Argentina, due to its internal challenges.



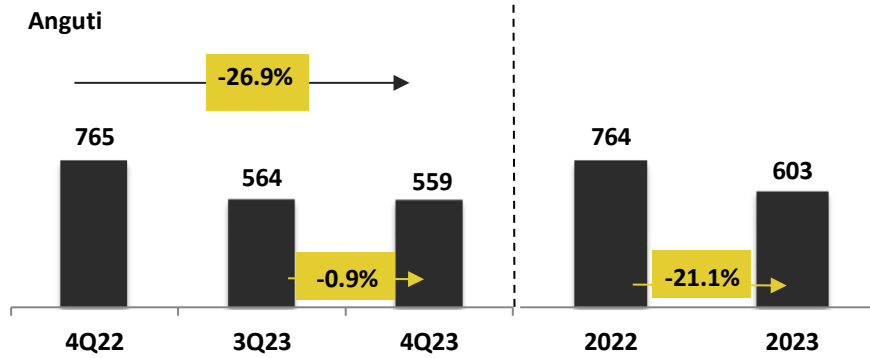
1.2.1 OCC (Old Corrugated Containers)

The OCC accounted for 19% of total cost in 2023. OCC prices followed the downward trend in prices, as part of the Brazilian virgin fiber paper production for the foreign market was targeted to the domestic market due to weak global demand, reducing the demand for recycled papers in the domestic market. OCC stocks in suppliers easily met manufacturers' demand. OCC prices are virtually at the same levels as in the pre-pandemic period.

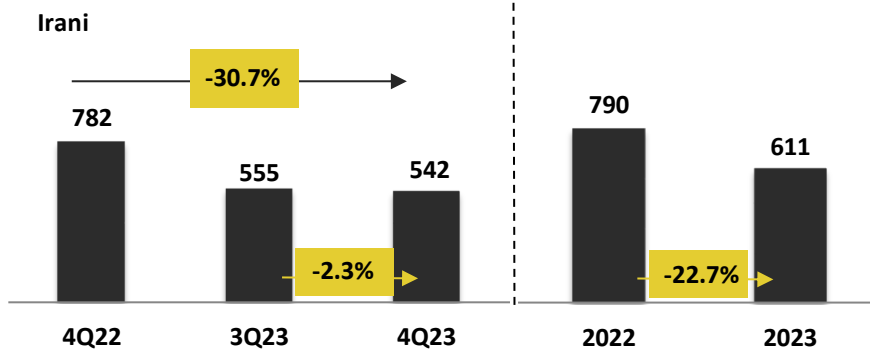




OCC Price Evolution (Net Price R\$/t | FOB)

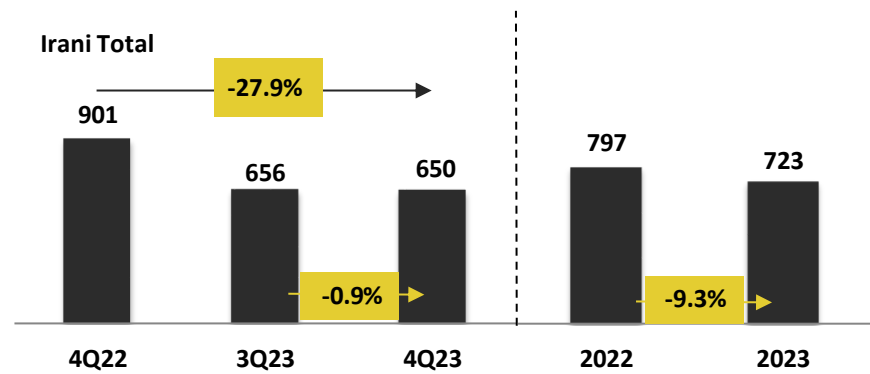


OCC Price Evolution (Net Price R\$/t | FOB)



Methodological note: Anguti Statistics – Paper OCC Newsletter.

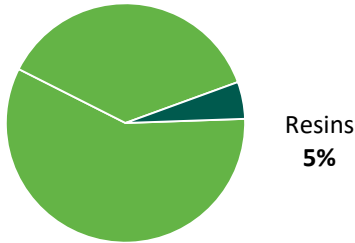
OCC Price Evolution (Net Price R\$/t | CIF)





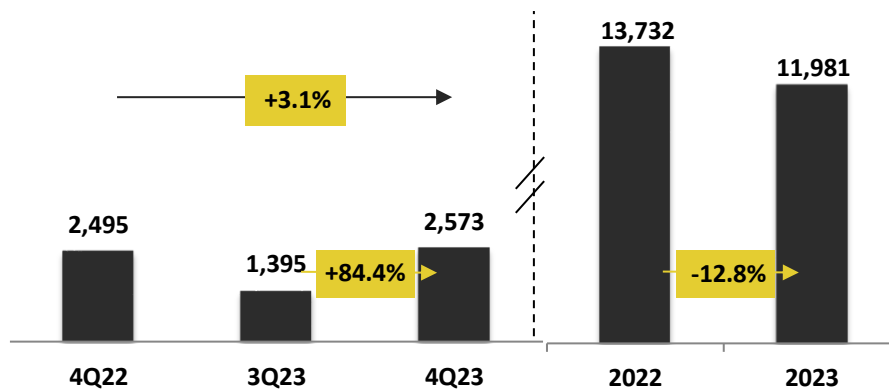
1.3 Sustainable Resins Segment (Gum Rosin and Turpentine)

Revenue Contribution 2023

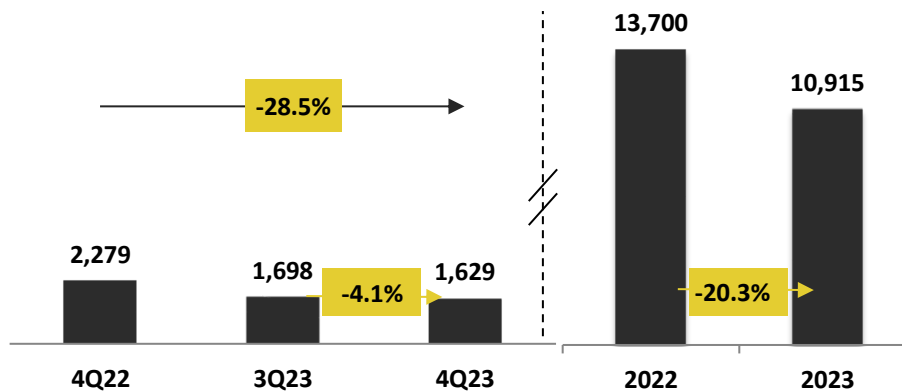


The gum rosin and turpentine market is still challenging due to the global macroeconomic scenario, high interest rates and reduced consumption. We also had a logistical issue: the floods that occurred between October and November in the cities where some ports in Rio Grande do Sul are located caused some delays in shipments.

Production of Gum Rosin and Turpentine (t)

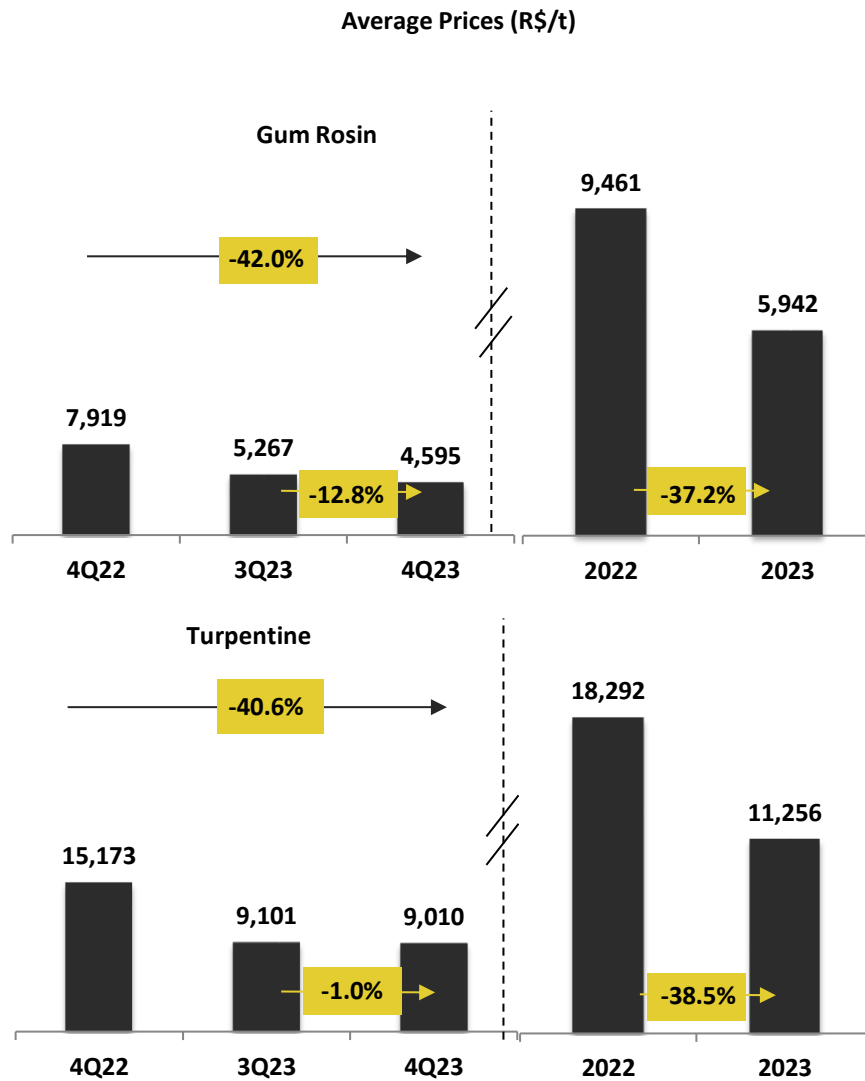


Sale of Gum Rosin and Turpentine (t)





In 2023, the average gross price of gum rosin and turpentine was 37.2% and 38.5%, respectively, lower than in 2022. The price variations of these products are according to the international market and the exchange rate.

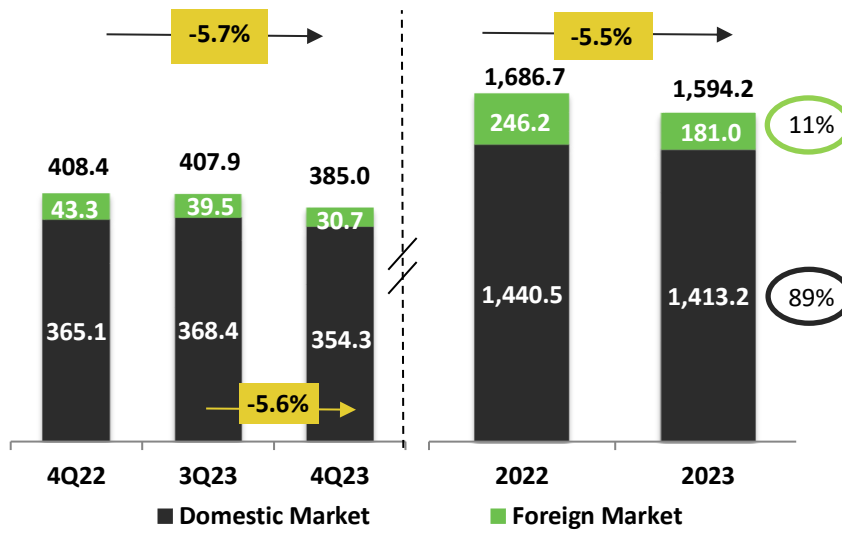


2. Economic and Financial Performance

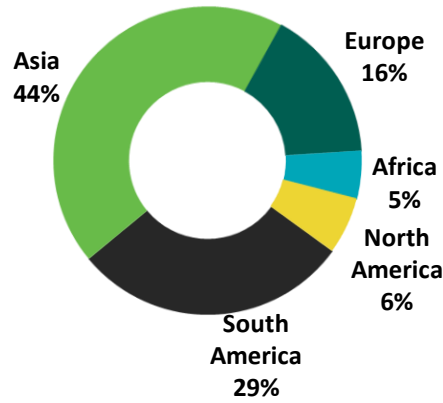
2.1 Net Revenue from Sales



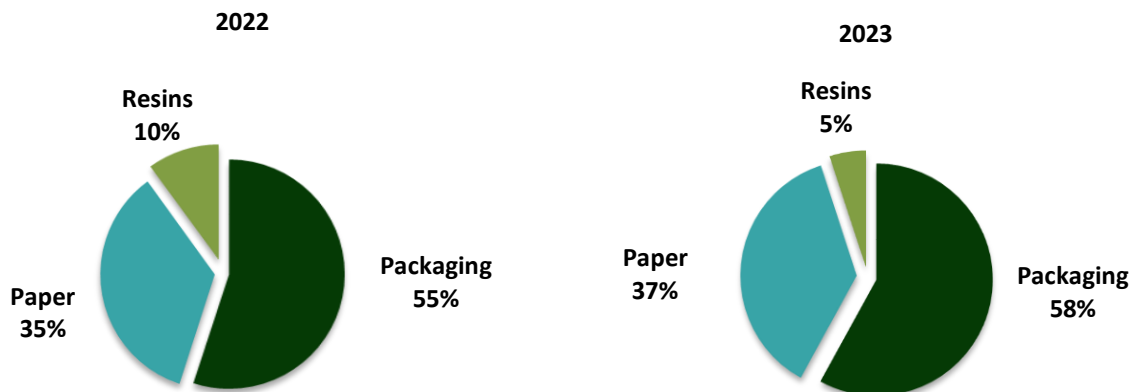
Net Revenue (in millions of R\$)



Net Revenue - Foreign Market by Region 2023



Net Revenue by Segment



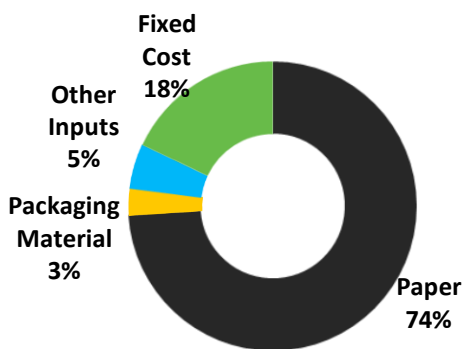


2.2 Cost of goods sold

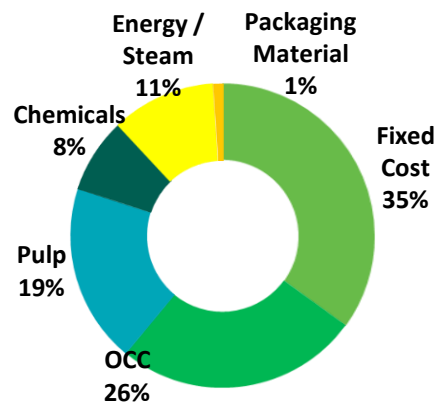
The cost of goods sold in 2023 was R\$ 979,267 thousand, 3.8% lower than in 2022 in absolute values, mainly due to the reduction in net revenue in the year. The changes in the fair value of biological assets are not considered in the cost of goods sold in both periods.

The formation of the cost per Segment of Irani's operations in 2023 is shown in the graphs below:

Sustainable Packaging (Corrugated Cardboard)

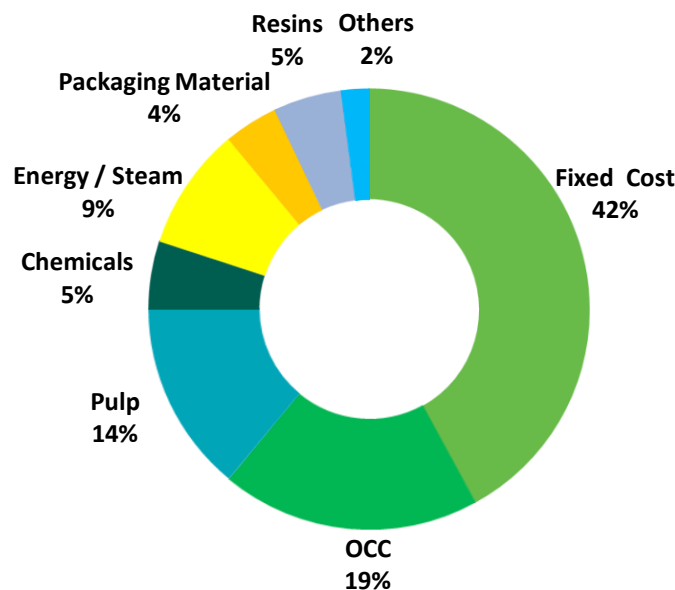


Sustainable Packaging Paper (Paper)*



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

Total Cost 2023



3. OPERATING CASH GENERATION (ADJUSTED EBITDA)

Consolidated (R\$ thousand)	4Q23	3Q23	4Q22	Chg. 4Q23/ 3Q23	Chg. 4Q23/ 4Q22	2023	2022	Chg. 2023/2022
Profit for the Period	7,095	64,635	85,919	-89.0%	-91.7%	383,434	378,210	1.4%
Current and deferred income tax and social contribution	(13,525)	26,353	28,455	-151.3%	-147.5%	122,405	140,150	-12.7%
Depletion	3,410	4,660	6,243	-26.8%	-45.4%	17,761	32,521	-45.4%
Depreciation and amortization	28,990	23,437	19,176	23.7%	51.2%	94,845	70,507	34.5%
Finance income (costs)	27,466	35,916	14,175	-23.5%	93.8%	45,574	61,503	-25.9%
EBITDA	53,436	155,001	153,968	-65.5%	-65.3%	664,019	682,891	-2.8%
EBITDA margin	13.9%	38.0%	37.7%	-24.1p.p.	-23.8p.p.	41.7%	40.5%	1.2p.p.
Adjustments according to CVM resolution 156/22								
Changes in the fair value of biological assets ⁽¹⁾	26,135	(30,349)	(40,208)	-	-	(71,620)	(139,003)	-48.5%
Non-recurring events ⁽²⁾	28,192	4,559	3,151	518.4%	794.7%	(118,391)	(21,352)	454.5%
Management profit sharing ⁽³⁾	4,114	4,118	2,325	-0.1%	76.9%	16,468	15,452	6.6%
Adjusted EBITDA	111,877	133,329	119,236	-16.1%	-6.2%	490,476	537,988	-8.8%
Adjusted EBITDA margin	29.1%	32.7%	29.2%	-3.6p.p.	-0.1p.p.	30.8%	31.9%	-1.1p.p.

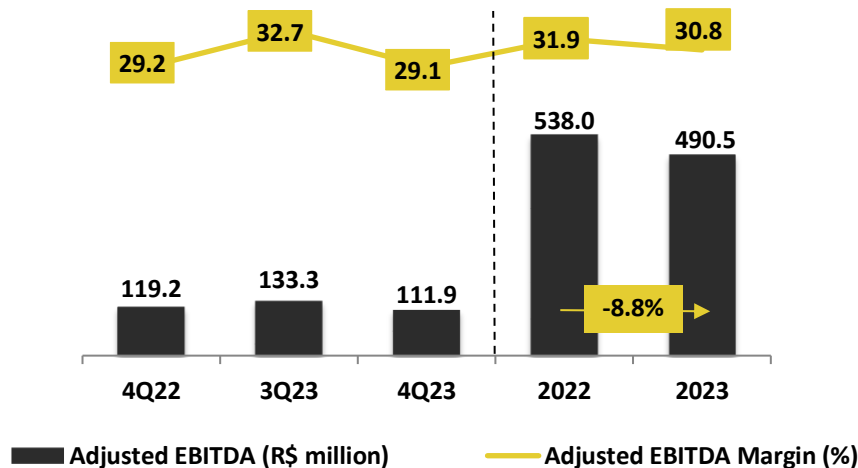
¹ Changes in the fair value of biological assets for not representing cash generation for the period.

² Non-recurring events: The amount of (R\$ 118,391 thousand) relates to the (R\$ 3,870 thousand) reversal of INSS Contingency - substitute contribution, (R\$ 142,713 thousand) PIS and COFINS credit on OCC acquisitions, R\$ 934 thousand provision for impairment of property, plant and equipment, R\$ 16,058 thousand provision for impairment of investment property, R\$ 8,645 thousand provision for regularization of land investment property and R\$ 2,555 thousand provision for impairment of assets held for sale.

³ Management profit sharing: The amount of R\$ 16,468 thousand relates to the provision for Company management profit sharing.

The main factor relating to the decrease in Adjusted EBITDA in this 4Q23 compared to 3Q23 and to 4Q22 was the reduction in net revenue and gross profit, due to the seasonality of the period. In 2023, Adjusted EBITDA was R\$ 490,476 thousand, with a margin of 30.8%.

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



4. FINANCE RESULT

The finance result is distributed as follows:

R\$ thousand	4Q23	3Q23	4Q22	2023	2022
Finance income	25,612	27,170	44,016	193,113	102,825
Finance costs	(53,078)	(63,086)	(58,191)	(238,687)	(164,328)
Finance result	(27,466)	(35,916)	(14,175)	(45,574)	(61,503)
Foreign exchange gains	2,162	1,538	4,524	8,507	22,862
Foreign exchange loss	(1,948)	(819)	(4,197)	(9,147)	(25,965)
Net exchange rate change	214	719	327	(640)	(3,103)
Finance income without exchange rate variation	23,450	25,632	39,492	184,606	79,963
Finance costs without exchange rate variation	(51,130)	(62,267)	(53,994)	(229,540)	(138,363)
Finance result without exchange rate variation	(27,680)	(36,635)	(14,502)	(44,934)	(58,400)
Fixed interest and guarantees (BNDES) ¹	(208)	(3,951)	(7,521)	(29,433)	(39,046)

¹ Not included in the other lines above, as they do not impact the finance result.

The finance result in 4Q23 was negative R\$ 27,466 thousand, a decrease of 23.5% compared to 3Q23. The decrease is mainly due to: (i) the reduction in net debt, due to the generation of free cash flow; (ii) the [liability management strategy](#) carried out in 3Q23 with the aim of extending the term and reducing the cost of debt (Kd), through the capture of bilateral banking operations with a lower cost and optional early redemption of the entire 3rd Issuance of Green Debentures (CELU13) which had a higher cost; and (iii) the payment, in 3Q23, of the previously mentioned redemption premium, in the amount of R\$ 3,437 thousand, increasing the finance result for that quarter.

In relation to 4Q22, the increase was 93.8% mainly due to: (i) the increase in net debt in this period, mainly due to disbursements of Gaia Platform investments; (ii) the increase in interest on financial transactions in connection with the 5th Private Issuance of Green Debentures (CRA - Agribusiness Receivables Certificates), concluded during 4Q22; and (iii) the recognition as interest expense of the Gaia Platform financing, which were being capitalized, referring to projects that were started up during the year.

In 2023, the finance result was negative R\$ 45,574 thousand compared to R\$ 61,053 thousand in 2022. The 25.9% reduction is mainly due to: the positive impacts of the recognition of the indexation of PIS and COFINS credits on the acquisition of OCC, in the amount of R\$ 62,865 thousand, and the reduction in the basic interest rate (SELIC), which impacts the average cost of debt, given the negative impact of the increase in net debt, mainly due to disbursements of the Gaia Platform investments.

4.1 Foreign exchange

The exchange rate behaved as shown in the table below.

R\$ thousand	4Q23	3Q23	4Q22	Δ 4Q23/3Q23	Δ 4Q23/4Q22	2023	2022	Δ 2023/2022
Final foreign exchange rate - Dollar	4.84	5.01	5.22	-3.51%	-7.85%	4.84	5.22	-7.85%
Average foreign exchange rate - Dollar	4.95	4.88	5.26	1.41%	-6.26%	4.99	5.16	-3.41%

Source: Bacen

4.2 Indebtedness

Consolidated (R\$ thousand)	2023	2022
Current	54,895	273,464
Non-current	1,563,770	1,517,664
Gross debt ¹	1,618,665	1,791,128
Current	3%	15%
Non-current	97%	85%
Local currency	1,611,389	1,750,830
Foreign currency	7,276	40,298
Gross debt ¹	1,618,665	1,791,128
Local currency	100%	98%
Foreign currency	0%	2%
Cash balance	600,981	1,049,208
Net debt	1,017,684	741,920
EBITDA LTM	490,476	537,988
Net debt/EBITDA	2.07	1.38

¹ The gross debt presented is calculated by adding up loans and financing, debentures and derivative financial instruments – swap. It does not consider the lease liabilities resulting from the effects of CPC06 (R2) (IFRS16).

Net debt increased 37.2% in 2023 or R\$ 275,764 thousand, compared to 2022, due to the negative free cash flow in the period, caused mainly by disbursements of the Gaia Platform investments.

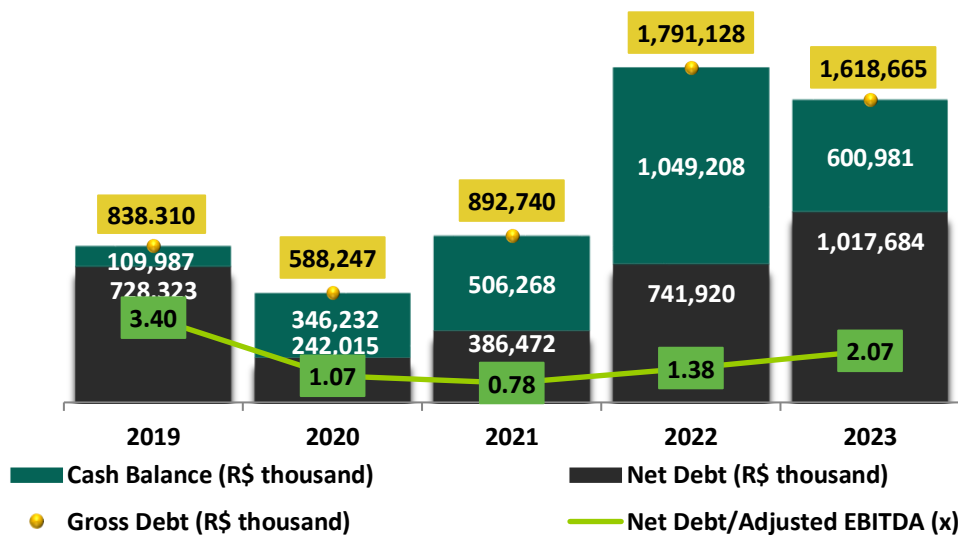
On the same comparative basis, gross debt decreased 9.6%, mainly due to the [liability management strategy](#).

The average cost of debt over the last 12 months, as of December 31, 2023, was 14.2% p.a. (equivalent to CDI + 1.1%). The cost of debt considers the fixed interest and guarantees related to the financing of Gaia Platform investments.

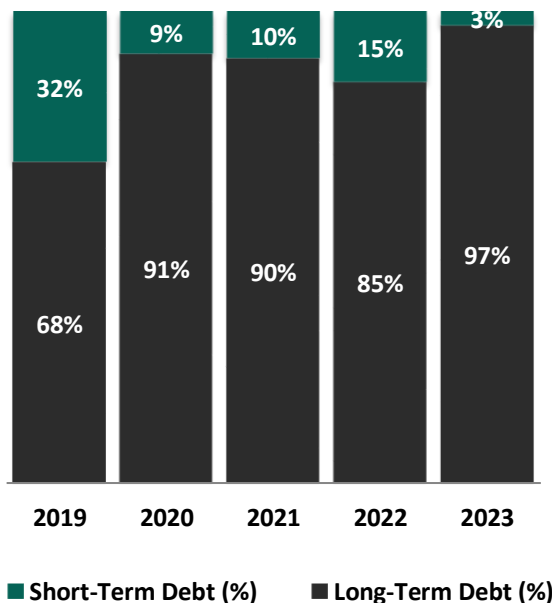
The Net Debt/Adjusted EBITDA ratio was 2.07 times in 2023, against 1.38 times in 2022. The indicator is in line with the parameters established in the Company's [Financial Management Policy](#), which sets a target of 2.5x.

Considering the lease liabilities resulting from the effects of CPC06 (R2) (IFRS16), net debt would increase by R\$ 24,226 thousand, resulting in a net debt/Adjusted EBITDA ratio of 2.12x.

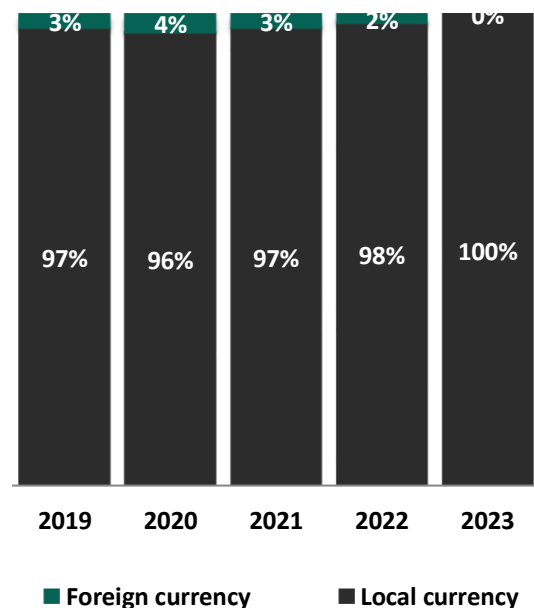
Indebtedness and Net Debt/Adjusted EBITDA



Gross Debt Profile

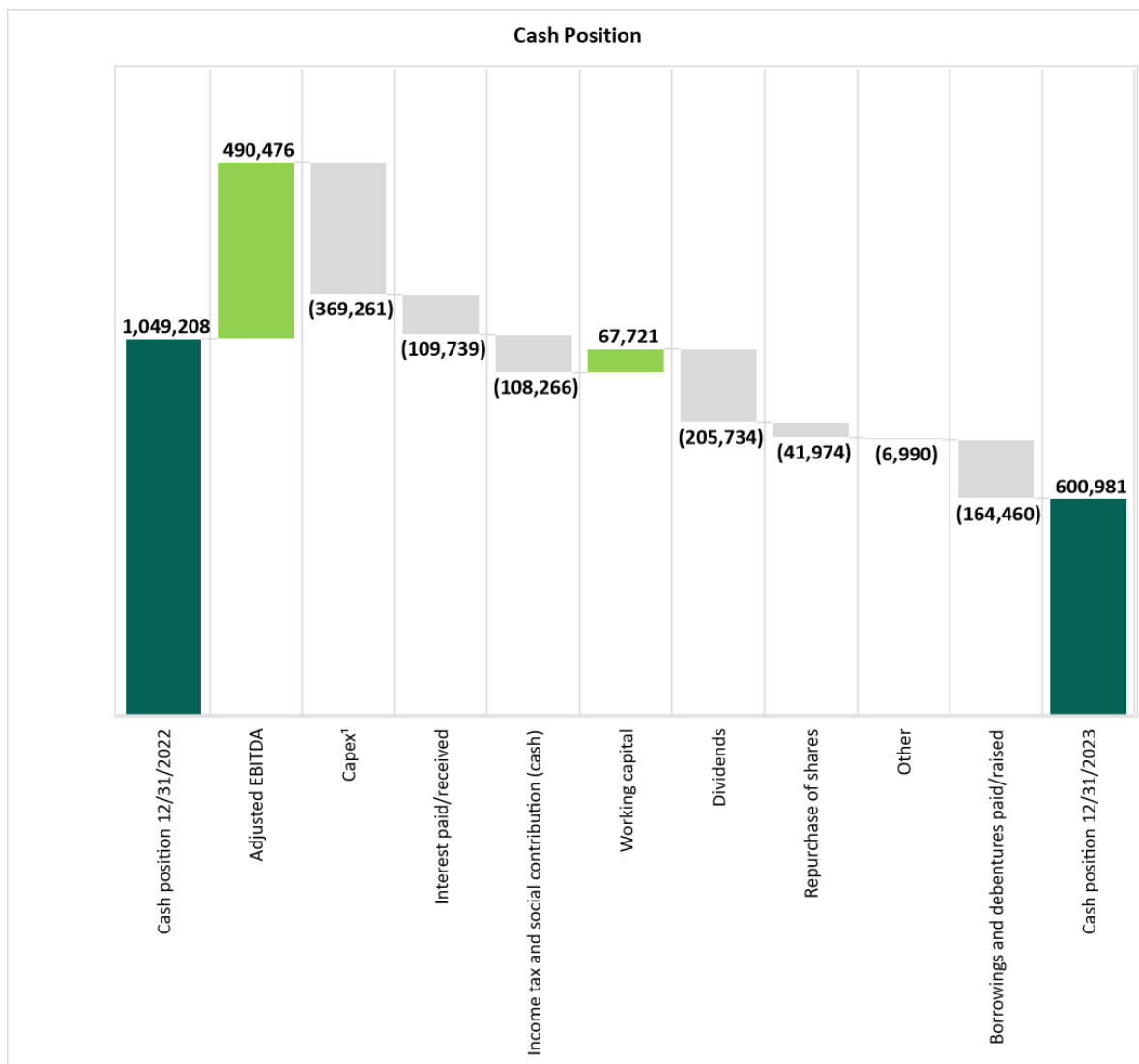


Gross Debt Breakdown



5. CASH POSITION

At December 31, 2022 the Company's cash position was R\$ 1,049,208 and recorded a decrease of 42.7% reaching R\$ 600,981 thousand as of December 31, 2023. Cash flow variations are presented as follows:



¹ Considers the disbursement related to fixed interest and guarantees referring to the financing of investments in Gaia Platform of R\$ 3,477 in the period.

6. FREE CASH FLOW

Free Cash Flow	4Q23	3Q23	4Q22	2023	2022
Adjusted EBITDA	111,877	133,329	119,236	490,476	537,988
(-) Capex ⁽¹⁾	(64,674)	(84,413)	(136,778)	(369,261)	(544,689)
(-) Interest paid/received	5,546	(87,506)	28,162	(109,739)	(11,361)
(-) Income tax and social contribution (cash)	(19,842)	(62,122)	(26,847)	(108,266)	(102,446)
(+/-) Working capital	53,404	42,820	(7,042)	67,721	(10,538)
(-) Dividends + interest on capital	(16,023)	(54,935)	(23,567)	(205,734)	(158,786)
(-) Repurchase of shares	-	-	(4,479)	(41,974)	(46,471)
(+/-) Other	242	598	(1,267)	31,258	28,496
Free Cash Flow	70,530	(112,229)	(52,582)	(245,519)	(307,807)
Dividends + interest on capital	16,023	54,935	23,567	205,734	158,786
Repurchase of shares	-	-	4,479	41,974	46,471
Gaia Platform ⁽¹⁾	35,488	56,006	108,510	263,434	440,339
Expansion Projects	-	32	25	258	78
Adjusted Free Cash Flow⁽²⁾	122,041	(1,255)	83,999	265,881	337,867
Adjusted FCL Yield⁽³⁾				11.4%	18.8%

⁽¹⁾ Considers the disbursement of interest and guarantees, referring to the financing of investments in the Gaia Platform of R\$ 3,477 thousand in 4Q23, R\$ 7,722 thousand in 3Q23, R\$ 10,120 thousand in 4Q22, R\$ 37,457 thousand in 2022 and R\$ 32,183 thousand in 2023.

⁽²⁾ Excluding dividends, interest on capital and repurchase of shares, Gaia Platform and Expansion Projects.

⁽³⁾ Yield - Adjusted Free Cash Flow divided by the average market value in the LTM.

Adjusted Free Cash Flow, disregarding investments in the Gaia Platform and other Expansion Projects, as well as shareholder compensations, was positive by R\$ 122,041 thousand in 4Q23, an increase of 45.3% in relation to 4Q22, mainly due to positive working capital, as a result of the offset of taxes due to the recognition of PIS and COFINS credits on past acquisitions of OCC. In 4Q23, R\$ 50,634 thousand had been offset, remaining a balance of R\$ 150,440 thousand to be credited in the coming 20 months.

Compared to 3Q23, there were lower interest payments due to the seasonal payment of compensation for the 5th Private Issuance of Green Debentures in February and August. Adjusted Free Cash Flow in 3Q23 had also been impacted by the payment of income tax and social contribution on the non-recurring result of the aforementioned credit.

In 2023, Adjusted Free Cash Flow was R\$ 265,881 thousand, a decrease of 21.3% compared to R\$ 337,867 thousand recorded in 2022. Working capital contributed positively for the aforementioned reason. Negatively, there was a reduction in EBITDA and higher interest payments, due to higher net debt and a reduction in fixed interest and guarantees, referring to the Gaia Platform investments.

Free Cash Flow Yield was 11.4% in 2023, a decrease of 7.4 p.p. compared to 2022, due to (i) decrease of 21.3% in Adjusted Free Cash Flow and (ii) increase of 29.5% in the average market value of the Company in this period.

7. RETURN ON INVESTED CAPITAL (ROIC)

The Return on Invested Capital (ROIC) was 16.6% in the last 12 months, a decrease of 2.3 p.p. compared to the 12 months ended September 30, 2023, and of 6.4 p.p. in relation to the 12 months ended December 31, 2022. The decrease recorded in the comparisons is due to the increase in Adjusted Invested Capital. This effect is natural during the ramp-up of Gaia Platform Investments, once the finalized CAPEX is immediately added to the Adjusted Invested Capital, while the returns generated by the Projects gradually impact the Adjusted Operating Cash Flow.

ROIC at high levels demonstrates the commitment to generate consistent returns above the cost of capital (WACC). The business model with core business based on the secular trend of the circular and low-carbon economy (impact business) supports ROIC at different levels.

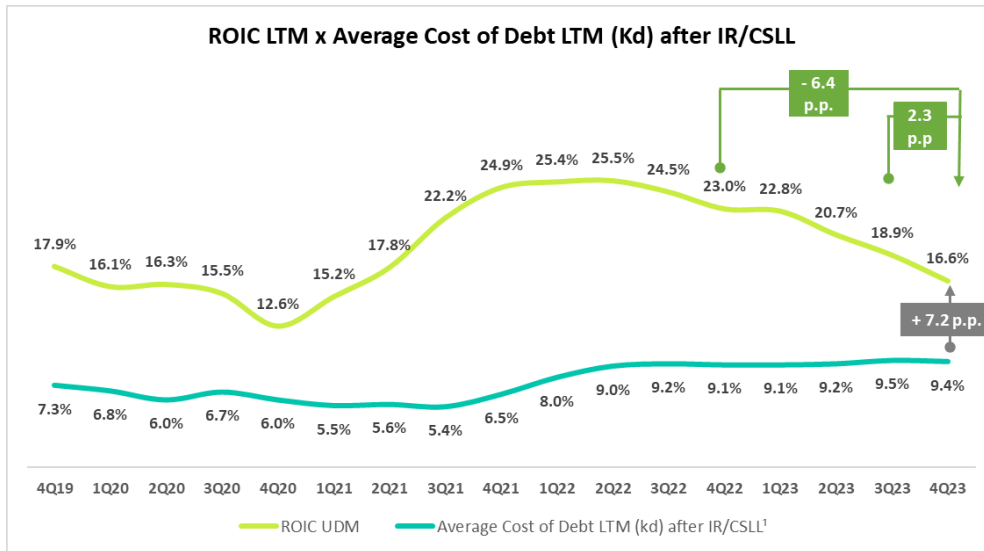
ROIC (R\$ thousand) - LTM ⁽¹⁾	4Q23	3Q23	4Q22
Total Assets	3,321,468	3,207,286	2,689,926
(-) Total liabilities (former debt)	(595,522)	(603,129)	(533,924)
(-) Works in progress	(514,937)	(640,795)	(580,687)
Capital Invested	2,211,008	1,963,362	1,575,316
(-) Adjustment CPC 29 ⁽²⁾	(214,875)	(204,160)	(132,556)
Adjusted Capital Invested	1,996,134	1,759,202	1,442,760
Adjusted EBITDA	490,476	497,835	537,988
(-) Capex for maintenance	(105,569)	(104,626)	(104,272)
(-) Income Tax and Social Contribution (cash) ⁽³⁾	(52,864)	(59,869)	(102,446)
Adjusted Operating Cash Flow	332,044	333,340	331,270
ROIC⁽⁴⁾	16.6%	18.9%	23.0%

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

⁽²⁾ Fair value differential of biological assets less deferred taxes of the fair value of biological assets

⁽³⁾ Excludes non-recurring Income Tax and Social Contribution (Cash) of R\$ 55,402 thousand derived from recognition of PIS and COFINS credits on acquisition of OCC in 2Q23

⁽⁴⁾ ROIC (Last Twelve Months): Adjusted Operating Cash Flow / Adjusted Capital Invested



¹Average Cost of Debt LTM (Kd) after IR/CSLL: Interest LTM/average gross debt last 4 quarters, less IR/CSLL of 34%. Considers the fixed interest related to the financing of Gaia Platform investments

8. FAIR VALUE ASSESSMENT OF BIOLOGICAL ASSETS (FORESTS)

As of 2010, the Company began to measure the fair value of its biological assets (forests) periodically, as determined by CPC 29/IAS 41. The change in the fair value of its biological assets has had an effect on the Company's 2023 results, as shown below:

Effects of changes in fair value of biological assets

R\$ thousand	2023	2022
Change in the fair value of biological assets	71,620	139,003
Depletion of fair value of biological assets	(8,772)	(24,191)

The change in the fair value of biological assets was positive in 2023, mainly due to forest growth, but was lower compared to 2022 due to the stability of the wood price and the increase in the discount rate used to calculate the fair value.

The change in the fair value of biological assets, as well as their depletion, is recognized in the 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.

9. PROFIT FOR THE PERIOD

Profit for 4Q23 was R\$ 7,095 thousand compared to profit of R\$ 85,919 thousand for 4Q22 and profit of R\$ 64,635 thousand for 3Q23. The decrease is directly related to the decrease in operating profit before tax effects, mainly due to i) change in the fair value of biological assets, which was positive in previous quarters, of which R\$ 40,208 thousand (R\$ 33,471 thousand net) in 4Q22 and R\$ 30,349 thousand (R\$ 21,307 thousand net in 3Q23, and became negative in this 4Q23 by R\$ 26,135 thousand (R\$ 19,810 thousand net) due to the stability of the wood price and increase in the discount rate used to calculate the fair value and, ii) the recognition of impairment of investment properties, property, plant and equipment and assets held for sale, with respective regularization costs of the Company, which concluded that it was unfeasible to use certain non-operational land, which impacted the result by R\$ 28,192 thousand (R\$ 18,607 thousand net). The total of both negative effects on operating profit in 4Q23 was R\$ 54,327 thousand, and R\$ 38,417 thousand in net profit.

Profit was R\$ 383,434 thousand in 2023, compared to profit of R\$ 378,210 thousand in 2022, an increase of 1.4%. In this year, profit was mainly impacted by the recognition of PIS and COFINS credits on acquisitions of OCC in a total net amount of R\$ 154,954 thousand, and negatively by the lower value of the change in the fair value of biological assets which was R\$ 139,003 thousand (R\$ 109,232 thousand net) in the year 2022, and R\$ 71,620 thousand (R\$ 50,063 thousand net) in the year 2023, that is, a reduction of R\$ 67,383 thousand (R\$ 59,169 thousand net) in the annual comparison, and by the recognition of impairment of investment properties, fixed assets, held for sale and respective costs for regularization in the amount of R\$ 28,192 thousand (R\$ 18,607 thousand net), which impacted the operating profit before the effects taxes and consequently the net profit for the year.

10. INVESTMENTS

The Company maintains its strategy of investing in the modernization and automation of its production processes. This quarter's investments totaled R\$ 41,187 thousand and were basically directed to reforestation, maintenance and improvement in the Company's physical structures, software, machinery and equipment. This amount was mainly allocated to the execution of investments in Gaia I, II, III Projects (1st Cycle), VI, VII, VIII, IX and X (2nd Cycle).

R\$ thousand	4Q23	2023
Land	-	9
Buildings	11,326	24,928
Equipment	25,230	240,980
Intangible assets	1,403	11,676
Reforestation	3,228	20,000
Total	41,187	297,593

11. GAIA PLATFORM

1st Cycle

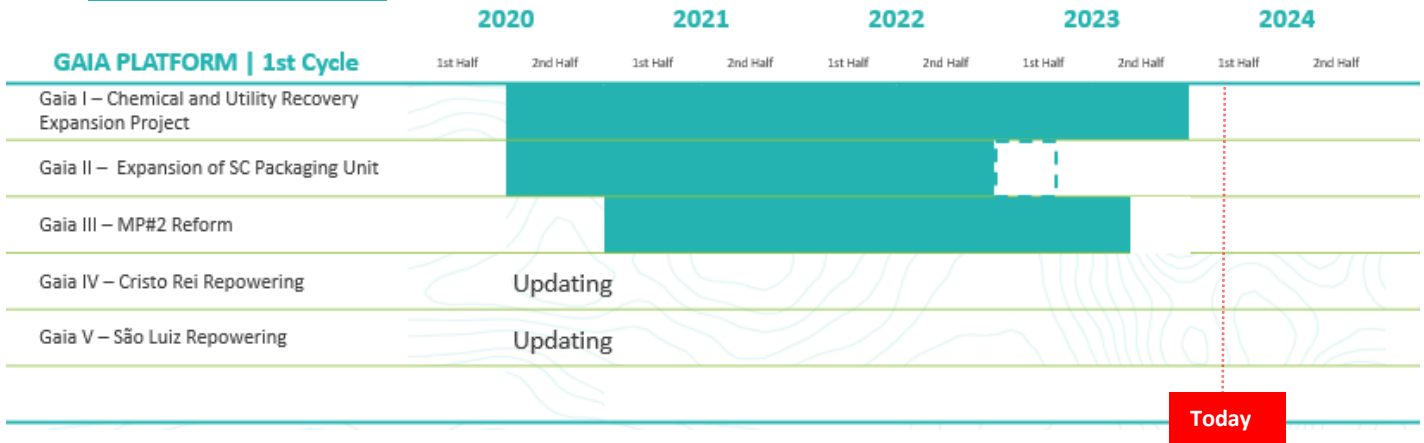
As highlights in the fourth quarter of 2023 in the **Gaia I** - Chemical and Utility Recovery Project we successfully completed the startup of the new power turbo-generator. In addition, we began monitoring the performance curve, a process that involves continuous monitoring and detailed recording of all relevant information. This data is essential for calculating the project's return on investment, allowing the evaluation of its performance.

For the **Gaia II** and **Gaia III** projects, we continue to monitor the performance curve and record all the information required to calculate the return on projects.

Regarding projects **Gaia IV** - Cristo Rei Repowering and **Gaia V** – São Luiz Repowering, we continue to review the project, budget and schedule, due to the waiting for the necessary environmental clearances.



Timetable



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

2nd Cycle

Gaia VI project - Process Information Management System, during the fourth quarter of 2023, we highlight the Go Live of the PI Vision software for SC Paper Unit, including deliveries for Machine V and HPB Biomass. At the SC Packaging unit, we completed the information technology infrastructure and are installing the automation panels.

Gaia VII project - Expansion ETE Phase 1, which is nearing completion, we highlight the success in the hydrostatic test in aeration tank 3, as well as the completion of the startup of the aeration system in tanks 2 and 3. On other fronts, we are finalizing the piping assemblies, electrical and instrumentation cable runs.

Gaia VIII project – New Cut and Crease Printer - We continue to monitor the performance curve.

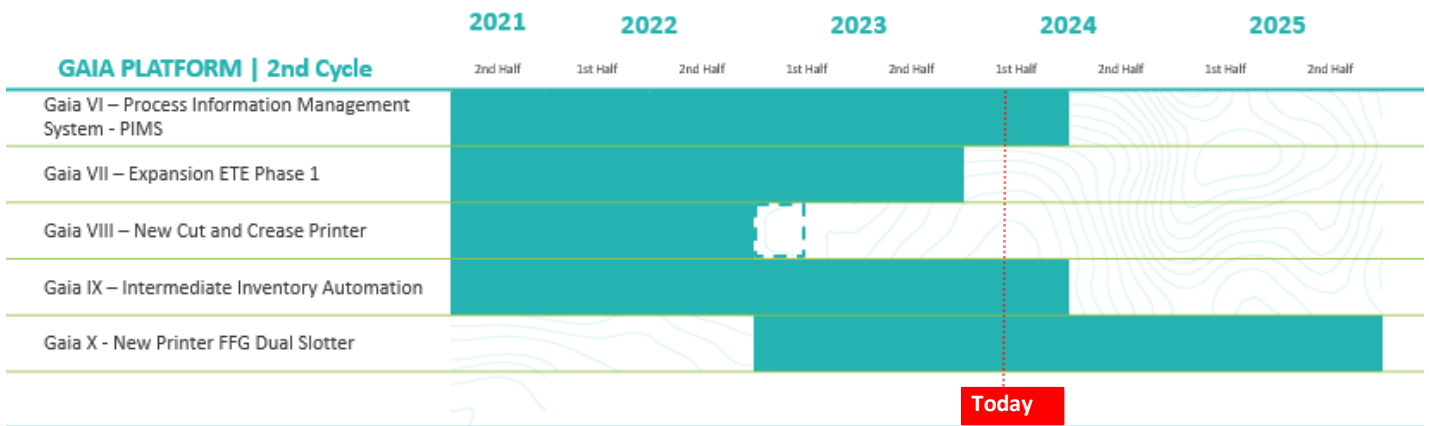
Gaia IX project - Intermediate Inventory Automation, equipment installations were completed. In progress, we are commissioning the last phase of the intermediate inventory automation solution.





And finally, the **GAIA X** project- New FFG Dual Slotter Printer project, the acquisition of the robot for the automatic box palletizing system was completed. In progress, the printer is being manufactured by the supplier and we continue in the process of acquiring the other equipment included in the project scope.

Timetable



Gaia Platform – 2nd Cycle	Basic Engineering	Physical Execution
Gaia VI – Process Information Management System - PIMS	N/A	83%
Gaia VII – Expansion ETE Phase 1	100%	98%
Gaia VIII – New Cut and Crease Printer	N/A	100%
Gaia IX – Intermediate Inventory Automation	N/A	87%
Gaia X - New Printer FFG Dual Slotter	100%	



Gaia Platform – 1st and 2nd Cycle	Unit	Estimated Investment	Estimated Investment	Investment Made	Investment Made
		(Gross)	(Net)	4Q23	until 12/31/2023
Gaia I – Chemical and Utility Recovery Expansion Project	Paper SC	682,023	594,539	26,889	644,928
Gaia II – Expansion of SC Packaging Unit	Packaging SC	150,433	118,189	202	131,249
Gaia III – MP#2 Reform	Paper SC	66,844	53,293	0	59,806
Gaia IV – Cristo Rei Repowering	Paper SC		Updating		
Gaia V – São Luiz Repowering	Paper SC		Updating		
Gaia VI – Process Information Management System - PIMS	Paper SC	18,400	15,304	1,731	9,244
Gaia VII – Expansion ETE Phase 1	Paper SC	49,597	45,159	1,748	42,042
Gaia VIII – New Cut and Crease Printer	Packaging SP	21,318	15,034	23	14,353
Gaia IX – Intermediate Inventory Automation	Packaging SP	42,860	29,897	1,292	34,763
Gaia X – New Printer FFG Dual Slotter	Packaging SC	50,916	37,073	126	6,308
Total		1,082,391	908,488	32,011	942,693

12. CAPITAL MARKET

12.1 Credit Rating

On [May 10, 2023](#), S&P Global Ratings reviewed the Company's credit ratings and debenture issues. The long-term issuer credit rating of 'brAA' on the Brazilian National Scale, [assigned on July 5, 2021](#), was maintained. According to the agency, the stable outlook of the issuer rating indicates our expectation that Irani will maintain a resilient performance, with gradual revenue and EBITDA growth, benefiting from the operational improvements of the Gaia Platform.

The 'brAA' rating assigned on July 5, 2021 to the 4th Private Issuance of Green Debentures was also maintained.

On October 31, 2023, S&P Global Ratings carried out quarterly monitoring of the ratings of the 1st and 2nd Series of CRAs of the 194th Issuance of Eco Securitizadora linked and backed by Irani's 5th Private Issuance of Green Debentures. The rating 'brAA (sf)' [assigned on September 26, 2022](#) was maintained.

12.2 Green Debentures

The Company has 2 issuances of green debentures, detailed below.

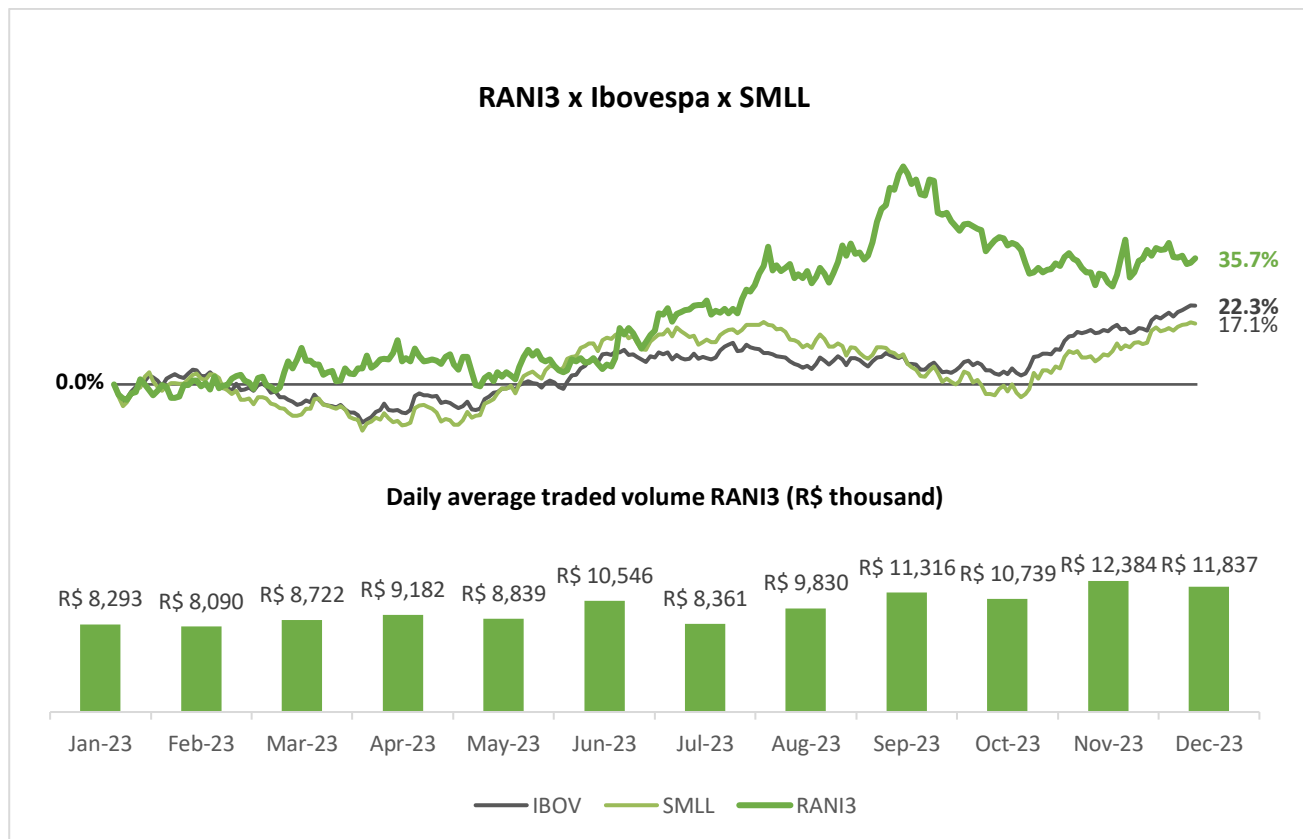
Issue	4th Issuance (RANI14)	5th Issuance
Type	Simple, Private, Non-Convertible, with Real Guarantee	Simple, Private, Non-Convertible, Unsecured
Series	Single	2 Series
Principal Issued (R\$ thousand)	R\$ 60,000	1 st Series - R\$ 486,307 2 nd Series - R\$ 233,693
Outstanding (R\$ thousand)	R\$ 60,000	1 st Series - R\$ 486,307 2 nd Series - R\$ 233,693
Date of Issue	03/03/2021	08/15/2022
Duration	12/15/2029	1 st Series - 08/12/2027 2 nd Series - 08/13/2029
Total Term	8.8 years	1 st Series - 5 years 2 nd Series - 7 years
Coupon	IPCA 5.50% p.a.	1 st Series - CDI + 1.40% p.a. 2 nd Series - CDI + 1.75% p.a.
Payment of Interest	Capitalized IPCA, 5.50% half-yearly	Half-yearly
Green Label	Sitawi (NINT)	NINT
Rating	S&P Global Ratings: br AA+	S&P Global Ratings: br AA (sf)
Note	In December 2021, the Company contracted a derivative financial instrument (swap), changing the issuance remuneration of IPCA + 5.5% per year, to CDI + 0.71% per year	Ballast for the issuance and public distribution of agribusiness Receivables Certificates (CRAs) of the 1st and 2nd series of the 194th issue of Eco Securitizadora

12.3 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.

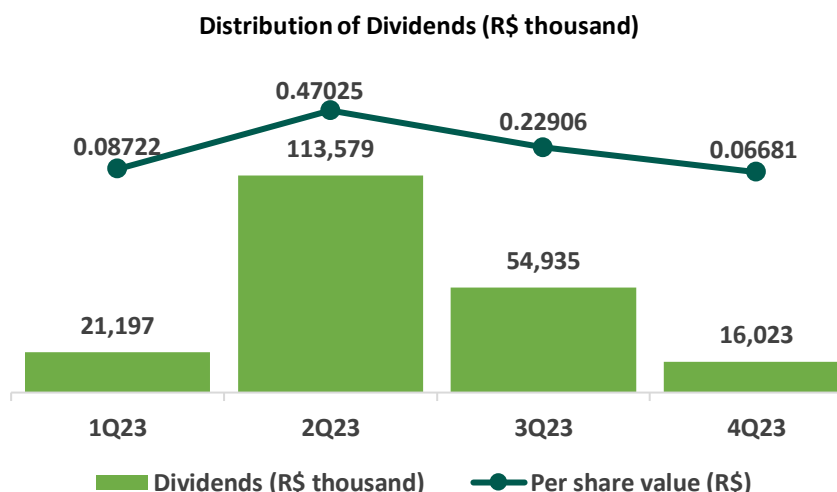
All shares have voting rights and are 100% tag along. At the end of 2023, common shares were traded at R\$ 10.92. The Company's shares currently comprise the IGC-NM, IGCX, ITAG, IMAT, IBRA, SMLL, IGCT, IGPTW, IAGRO, IDIV and ISE indexes of B3.

The performance and trading volume of the Company's shares in the accumulated for the last 12 months, 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 observed in the chart below.



12.4 Dividends

The dividends distributed by the Company in the last 12 months are presented in the chart below:



Total dividends and interest on capital paid in the last twelve months was R\$ 0.853336 per share, totaling R\$ 205,734 thousand, and equivalent to an annual dividend yield of 10.60%, considering the share price of R\$ 8.05 at December 31, 2022.



According to the [Dividend Distribution Policy](#), Management is proposing the distribution of 25% of the Profit (dividend basis) for 4Q23 and an additional 25% of the Profit (dividend basis) for 2023, since the Company's operational leverage ended the year 2023 below 2.5x (Net Debt/EBITDA).

These distributions, to be decided by the Board of Directors and the General Meeting, correspond to R\$ R\$ 0.009608 per share for 4Q23 and R\$ 0.390435 per additional share for 2023.

13. SUBSEQUENT EVENT

At a [Meeting of the Board of Directors held on February 5, 2024](#), the termination of the 2022 Share Repurchase Program and the cancellation of treasury shares were approved. During the Program, which was effective until February 17, 2024, 6,529,400 shares were repurchased at an average price of R\$ 8.21.

14. 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 order to contribute to the movement to transform the way of making investments and businesses in Brazil. It is also part of the [National Movement ODS SC \(Movimento Nacional ODS SC\)](#) and the [National Movement ODS RS \(Movimento Nacional ODS RS\)](#) and the Santa Catarina nucleus of the [Brazilian Social Observatory \(Observatório Social Brasileiro\)](#).

We also have a long history of commitment to transparency. Therefore, we seek to update ourselves on the best management practices and reporting on its strategy, performance and sustainability initiatives. Since 2006, we have published annual reports following the main trends in the reporting of sustainability information. In 2023, we published our third Integrated Report. Ensured by KPMG Auditores Independentes, this public document adopts the guidelines for the integrated reporting of the [International Integrated Reporting Council \(IIRC\)](#), GRI Standard of the [Global Reporting Initiative \(GRI\)](#), [Sustainability Accounting Standards Board \(SASB\)](#), relating to 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-sistênci/>.

In relation to the disclosure of the financial information report related to sustainability, based on the international standard issued by the International Sustainability Standards Board – ISSB, incorporated by CVM Resolution 193 of October 20, 2023, with mandatory preparation and disclosure, starting from the financial years social initiatives initiated on or after January 1st, 2026, the Administration evaluates the standard and the possibility of its application voluntarily in advance. The Company will make the required disclosures when deciding on its application.

To ensure the evolution of ESG topics, we have held periodic meetings since 2018 with industrial and corporate managers under the leadership of the CEO and with the participation of the entire board, outlining the necessary guidelines for the implementation of the sustainability strategy to be aligned with the Company's strategic planning. Over time and within the framework of these discussions, working groups have been set up to improve and advance the implementation of practices adhering to the UN ODS and in mapping opportunities that have inspired a set of commitments to be persisted until 2030 within the following areas of:

- **Occupational Safety**

We are committed to achieving zero work accidents with leave by 2030. In 2023, we recorded 22 occurrences, a reduction compared to the 25 recorded in 2022.

- **Diversity**

We are committed to having 40% of women in the company and 50% of women in leadership positions by 2030. In 2023, we advanced 3% in indicators related to Gender Equality, with 25% of women in the company and 21% in leadership positions.

- **Water**

We are committed to reducing 30% of water consumption per ton produced by 2030. In 2023, we will consume 4% less water compared to 2022.

- **Energy**

We are committed to being self-sufficient in renewable energy generation. In 2023, we will reach 50% of self-generation of energy and 56.65% of renewable energy generation.

- **Waste**

Our commitment to zero the sending of non-hazardous waste to landfill by 2023 remains evolving. In 2023, we reduced 4,960 tons compared to the total volume sent to landfill in 2022, equivalent to 28% reduction.

- **Climate Change**

We have formalized the commitment to increasing by 20% the positive balance between Greenhouse Gases (GGH) emissions (scope 01 and 02) and removals of our operations by 2030. Until 2022, we continued with a positive balance despite a 73% reduction compared to



the previous cycle, influenced by the decrease in carbon stock in the forest areas of Santa Catarina. This reduction was impacted by forestry and management activities, including a decrease in the area due to non-renewed partnerships. We are preparing and auditing the Greenhouse Gas (GHG) inventory, which will show our evolution in 2023.

In 2022, the Company started to have a Sustainability Center, a horizontal and multidisciplinary structure with the challenge of cultivating and promoting sustainability (ESG), engaging employees and stakeholders. The main deliveries made by this nucleus were the beginning of a campaign on sustainability called Movements that create futures (in Portuguese, Movimentos que criam futuros), the analysis of scenarios for the replacement of equipment powered by non-renewable fuels and an offer of training on tax incentive laws and project development for the surrounding communities. Additionally, podcasts for employees covering relevant topics for Irani, such as packaging engineering, corrugated cardboard scraps, financial education, and investor relations, were created.

With the support of an external consultancy, we are dedicated to advancing in the evaluation of the Carbon Disclosure Project (CDP) in the dimensions of Climate Change, Forests and Water Resources. The results of these evaluations are scheduled to be released in February 2024. For the second time in a row, we integrate the B3 Corporate Sustainability Index (ISE B3) which brings together the companies best evaluated in governance and sustainability practices.

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 ensuring the Sustainable Packaging (Corrugated Cardboard) segment. Combining appropriate management practices and increasingly efficient operational processes, Irani has been consolidating itself as a company with a climate-positive carbon balance year after year. This means that the Company kidnaps more carbon from the atmosphere than it emits, characterizing it as a low-carbon company. In 2023, we conducted a study on soil carbon and woody necromass for both planted and native forests. We also defined the successional stage of surplus areas of native forests, which will be reflected in the annual disclosure of the Greenhouse Gas Inventory, prepared according to the GHG Protocol methodology and the first in Brazil to be certified by ISO 14064.

The Company also has two Clean Development Mechanism projects approved by the United Nations (UN) and various practices to encourage the circular economy through partnerships. Using alternatives and technologies capable of reintroducing waste from production processes into new value chains, it fosters entrepreneurship, the generation of employment and income in the surrounding communities, in addition to avoiding sending this waste to landfill, conferring relevant environmental contribution. Practices are available for consultation at: <http://www.irani.com.br/praticas-sustentaveis/gestao-ambiental/>.





14.1 Environmental Performance Management

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

Constant monitoring is carried out, as well as the implementation of the necessary actions aimed at complying with current environmental legislation. The Sustainability Policy confirms the purpose of maintaining compliance with applicable legal requirements, continuous improvement of processes and reinforces voluntary commitments made by the Company.

The effectiveness of the environmental management system is reflected in the certifications achieved:

- **Forest Stewardship Council® (FSC®):** a voluntary and independent instrument to ensure that the raw material used by the Company is managed, extracted and processed in an eco-friendly, socially fair, and economically viable manner, allowing the 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 a company with a climate-positive carbon balance, which means that forests have the potential to absorb higher than the emissions from their production processes.
- **ISO 14001:2015:** specifies the requirements for the implementation and operation of an environmental management system. Packaging units already have this certification,

corroborating the commitment to environmental issues and practices focused on sustainability.

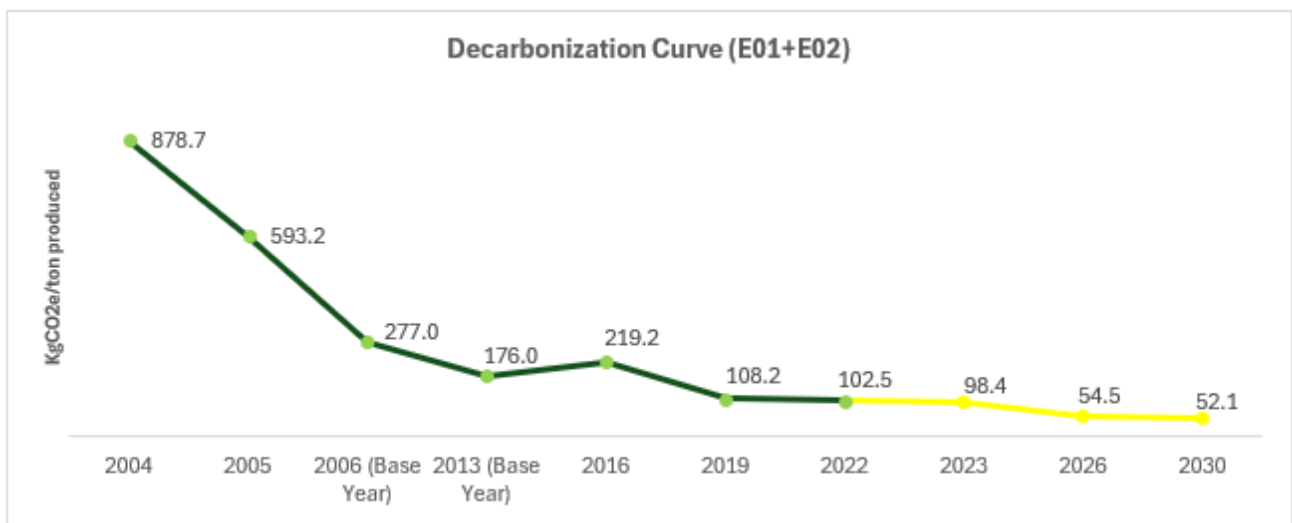
As mentioned in item 14, the Company adopts several practices in order to minimize the impacts arising from its activities and generate value in the community where it operates. In this sense, two Clean Development Mechanisms (CDM) approved by the UN stand out. Both MDLs generate Certified Emission Reductions (CERs) marketed in the form of carbon credits in partnership with the Instituto Ekos Brasil in the Climate Commitment program, with supporters and partners engaged in the responsibility of seeking practices that contribute to the slowdown of climate change. In 2023, we audited the credits generated by the Irani Biomass Electricity Generation Project at the UN between





2018-2022, with 17,097 CERs from 2018 to 2020 being validated and available for trade, while 19,678 credits from 2021 and 2022 are conditioned to the transition of projects to the new market, in compliance with the provisions of article 6.4 of the Paris Agreement, to be defined by the UN. The Irani Wastewater Methane Avoidance project also has credits available for trade, for the 2020 period there are 22,548 CERs, while 19,678 CERs for the 2021 period are also awaiting the transition to the Paris Agreement.

In 2023 we developed our Strategic Decarbonization Plan. The main objective of this mitigation plan is to present in detail the company's evolution on the topic of climate change, presenting results collected from the first greenhouse gas inventory in 2004 to future emissions projections. Through the plan, we developed our decarbonization curve, making it possible to demonstrate that the actions and projects developed resulted in an 88% reduction in our specific KgCO₂e per net ton produced from 2004 to 2022. We found opportunities to reduce even further, by mapping projects and calculating their potential for reducing greenhouse gases. Therefore, we intend to reach 2030 with a specific 52.2 kgCO₂e per net ton produced, which will represent a reduction of 49% when compared to 2022.



Note: E1 = Scope 01, E2= Scope 02. GHG Protocol methodology.

The executive summary of the Strategic Decarbonization Plan can be viewed on our website via the link: <https://irani.com.br/praticas-sustentaveis/>

Of the total volume of paper produced by Irani, 72.7% came from recycling paper (Old Corrugated Containers), fostering the circular economy. Paper fibers can be recycled numerous times. The recycling rate in Brazil is today one of the highest in the world, standing at 87% (Source: Empapel). The search for circular economy alternatives is constant and contributes not only to our business, as minimize environmental impacts, but also to encouraging entrepreneurship and tax collection, generating employment and income in the surrounding communities. The coal from the burning of



biomass in Irani's cogeneration boiler is directed to a company, which turns this residue into charcoal briquettes for barbecue and fireplaces under the name commercial Carvão Ecomais.

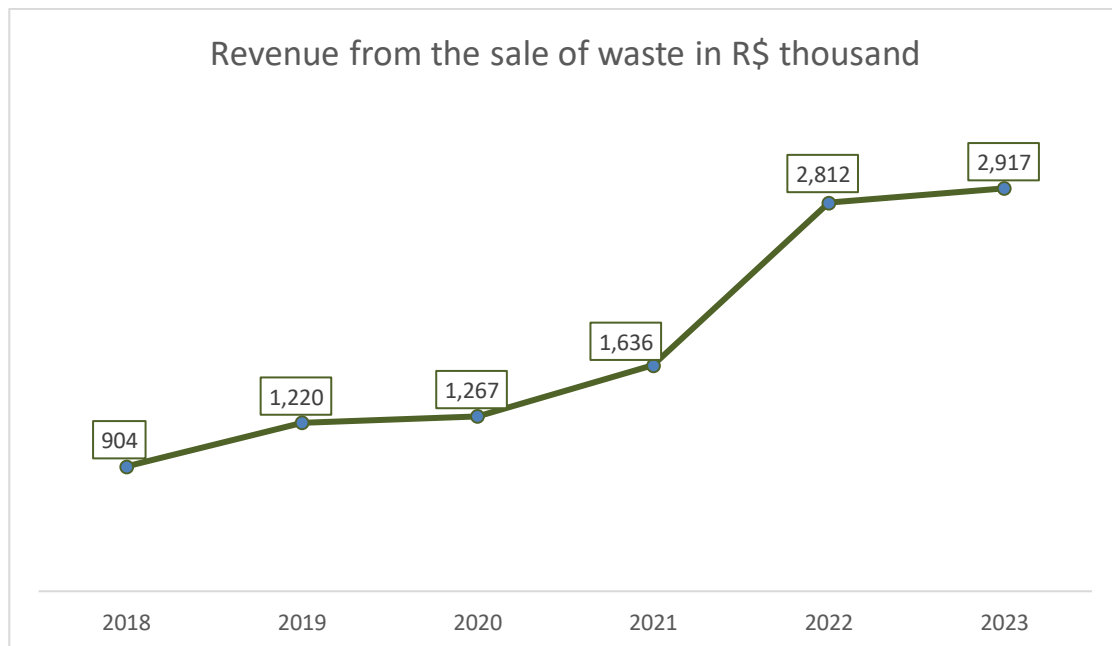
In a pioneering and innovative way, Irani also implemented the project for plastic recovery (waste from the recycling of old corrugated containers), generating a new subproduct called mixed plastic shavings. This subproduct is used as a raw material for the plastic industry for the production of “mourões”, tiles and recycled plastic sheets, creating a production chain with added value and environmental benefit, by avoiding the disposal of plastic waste in landfill.

In 2023, we generated a revenue of R\$ 2,917 thousand from the sale of waste from the SC Paper and Packaging Units. This was the highest revenue recorded since we started the practice, a result enhanced by the recovery of commercialized waste, such as calcium carbonate, soap leaching, boiler ash and metal scraps. Currently, we have 18 partner companies that operate with their activities linked to our waste, fostering and strengthening the circular economy and contributing to the achievement of the ESG commitment to zero the disposal of non-hazardous waste to landfill by 2030. In 2023, we reached the destination mark of 5.75% of all waste generated for landfill.

Main waste sent to Landfill Paper and Packaging Unit SC (in tons)	2023	2022
Waste from the recycled paper process¹	10,492	15,168
Others²	764	605
Total	11,256	15,773
Equivalent percentage	5.75%	7.70%

¹Composed of plastic waste from the F5, braid strip of MP5 and rotating sieve of MP5.

²Composed of construction waste, plastic waste in general, among others.



Endorsing our good waste management practices, in 2023, we obtained Zero Waste Certification for the SC Paper and Packaging units. The certification is granted by Instituto Lixo Zero Brasil, an organization that represents the Zero Waste International Alliance (ZWIA) in Brazil, and evaluates aspects such as reverse logistics, recycling, reduction, waste reuse, among others. We achieved a rate of 93.38% of waste diverted from landfill (January-October 2023 period) and grade A in good practices. For 2024, certification in other Irani units is planned.

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

15. SOCIAL PERFORMANCE INDICATORS

15.1 People Development

Irani ended 2023 with 2,302 employees. It seeks to achieve excellence through participatory management and investment in programs, actions and benefits that offer, in a pleasant work environment, conditions of personal and professional development for its employees. In 2023, we achieved a 90% employee satisfaction rate in the GPTW Survey, and **in an unprecedented way, we occupied the 29th position in the National ranking on the list of the 150 Best Companies to work for in Brazil**. We also achieved some highlights as detailed in item 17 of awards and recognition. These achievements reinforce the company's care for its employees, ensuring that everyone has a healthy and positive work environment.

Additionally, in 2023 R\$ 52,218 thousand were invested in food, transportation, life insurance and health plan benefits, R\$ 8,719 thousand in the Profit Sharing Program - PPR and R\$ 9,444 thousand in the SUPERA program. In 2023, we invested a total of R\$ 2,819 thousand in training and personal improvement actions. Of these, R\$ 2,349 thousand were invested in actions in schools and R\$ 329 thousand in incentives for formal education through education subsidies.

People are the drivers to fulfill the Company's mission and catalysts to achieve its vision. Therefore, forming high performance teams and making people develop the maximum of their 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 that aims to attract, engage and follow the trajectory of Irani professionals, seeking to ensure that they are adequate and integrated with organizational culture. Gera Diversidade has diversity with one of its fronts and its activities are conducted respecting diversity and equal opportunities regardless of gender, age, ethnicity, religion, nationality, marital status, sexual orientation and disability of any nature, aligning with our values so that we are increasingly diverse and inclusive.

Protagonism, Diversity and Inclusion reflect our values and add to the purpose, which was also incorporated into the drivers in 2021: transforming people's lives with sustainable attitudes and solutions.

Since the beginning of the journey in 2020, in ESG indicators related to Gender Equality, we have seen growth of 8 percentage points in the number of women in the workforce and 7 percentage points in the number of women in leadership, closing 2023 with 25% of women in the workforce and 21 % in leadership and with R\$ 500 thousand invested in 2023 in affirmative actions and development of leaders and employees in the theme of Diversity and Inclusion. Below are the main actions:

- For another consecutive year, the "Meeting with Diversity" was promoted, online and open to external audiences;
- We became signatories to UN Women;
- The first talent bank for People with Disabilities was created and we continued with the LGBTI+ talent bank for the second year, with more than 280 people already registered;
- We have completed the first cycle of the I value Diversity initiative, a referral program for smaller groups in the company. We had a success rate of 6% of those nominated. And this initiative is ongoing;



- Application of the 2nd Plural Census: initiative that seeks to hear the voice of all employees regarding the topic of Diversity and Inclusion, which had the participation of 927 respondents;
- New Conversation Rounds promoted by the Diversity Center, focusing on units in Santa Catarina. Indaiatuba, Santa Luzia and Rio Grande do Sul classes: participation of more than 150 employees;
- Open training for all employees within the Self-Leader development program, addressing unconscious biases and allies;
- Creation of the Diversity and Inclusion working group with members from different areas to monitor affirmative actions and identify opportunities for action on the topic;
- Individual mentoring on Diversity with Directors and Chief Executive Officer: Support for development regarding the topic.

The CRESCER Program comprises training and development actions for people aligned with the Company's strategies. The objective is to stimulate a culture of learning, with constant spaces and solutions for qualification, knowledge and sharing, enabling people to maximize their potential. We are guided by organizational skills: Life First, Customer Focus, Culture of Excellence, Innovation, Self-development, Teamwork, Communication and Leadership.

Irani Corporate Education is the strategy to, in a structured way, make content and solutions accessible, available, relevant and easy to understand, also carrying out a curation aligned with the business objectives, through three schools (Lidera, Itec and DNA).

The CUIDA Program was structured to promote behavioral changes and improve the physical conditions of the work environment. It consists of a set of practical and applicable procedures within an integrated health and safety management model, which aims at reducing accidents, increasing the percentage of compliance with legislation and greater acculturation of employees on health and safety issues.

Through the MOTIVA Program, the Company works on the organizational climate through people management practices. The performance and engagement of leaders, employees and support groups in managing and maintaining the climate, sharing responsibility for the company's growth and strengthening relationships of trust, make us one of the best companies to work for. We are proud to put people at the center of our strategy! In this way, we focus on effective action plans so that we can constantly improve.





SUPERA Competências is an evaluation program that aims to stimulate the personal and professional development of employees, provide opportunities for self-knowledge, strengthen the feedback culture, stimulate high performance, identify talents and recognize differentiated performance. With more than ten years of existence, the Supera program is constantly undergoing important developments, following the company's maturity. We encourage the protagonism of our employees so that they can develop their learning.

15.2 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.

In addition to the volunteering actions provided on a corporate basis, we have volunteer groups active in all business units, fostering opportunities for skills improvement and community development. In 2023, 25.79% of the workforce was involved in volunteering activities.

Contributions of own resources and through incentive laws were made throughout 2023. More than R\$ 4.5 million were directed to the implementation of projects approved in federal tax incentive laws (Culture, Sports and Pronon) around Irani units, in addition to contributions to 11 Childhood and Adolescence Funds and 8 Elderly Funds.

In the context of private social investment, we also seek to establish solid partnerships for the development of projects in the areas of citizenship, social environmental education, culture, sport and social inclusion. In 2023, we invested around R\$ 136 thousand in initiatives such as:

- Partnership with the Junior Achievement Association in the States of SC, RS and MG, encouraging entrepreneurship in young people from public and private schools;
- Volleyball initiation centers in partnership with the Volleyball Association of Joaçaba/SC (AJOV), sharing online sports techniques for, on average, 300 students;
- Broto do Galho Project, through a handicraft 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 maestro and production of special videos for internal campaigns of the Company.



Our institutional donations totaled R\$ 524 thousand contributing to various initiatives of the surrounding communities in the areas of health, culture and leisure, care activities and citizenship.

16. 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. All the Company's shares are traded on B3 (RANI3) and have voting rights and are 100% tag along. The organizational structure includes a Board of Directors with six members, three of whom are independent, a Statutory Executive Board with five members and a Supervisory Board with three members. Management is supported by centers and committees, with three committees supporting the Board of Directors: Audit Committee, Strategy and ESG Committee and People Committee.

Furthermore, two committees support the Statutory Board: the Ethics Committee and the Investment Committee, and six specialized groups: Sustainability Center (ESG), People Management Center, Innovation Center, Diversity Center, Customer Center and Process Center.

In 2023, a Fiscal Council was installed, elected and replaceable by the General Meeting. That same year, it marked a significant step forward by electing the first woman to join the Board of Directors. These milestones represent crucial steps towards the continuous improvement of the Company's Corporate Governance.

17. AWARDS AND RECOGNITION

In 2023, the Company received the following recognitions:

- **Transparency Trophy - ANEFAC Award:** We were recognized for the third consecutive time with the ANEFAC Transparency Trophy, being among the ten companies with the most transparent financial statements in Brazil in 2023, in the Net Revenue category of up to R\$ 5 billion.
- **The Bakery:** We are in the top 20 of the Best Corporations for Startups. We were recognized, in 19th position, in the ranking created by The Bakery in partnership with ABStartups and Monking, which aims to highlight the relationship between corporations and startups, based on the success factors and challenges for strengthening the Brazilian ecosystem.
- **Humanized Research:** We carried out the second cycle of the research and Irani maintains the rating 'A', which demonstrates a high standard of quality in its relationship with stakeholders and recognized management maturity.

- **PMISC Award (Project Management Institute Santa Catarina):** Gaia II, a project to expand the SC Packaging unit, and Floresce, a project to implement an innovative platform that digitized and standardized our forestry management processes, were recognized in first and second place, respectively, as the best projects in the State. Furthermore, Patric Schurhaus, our Project Manager, was recognized as the Best Project Manager. The award highlights professionals and organizations that work with excellence in the area of projects in SC.
- **30th Embanews Brazilian Packaging Award, Vitabox wins the Roberto Hiraishi Trophy:** Vitabox is a packaging carefully developed in partnership with Papyrus to deliver to the delivery market and to society a practical, personalized solution produced entirely in paper, capable of maintaining the quality of ingredients and products, leaving them fresh and sanitized. Organized by the Brazilian Packaging Institute (IBEM) and promoted by EMBANEWS magazine in partnership with Newgen Comunicação.
- **ABRE Packaging Award:** We were recognized with the Silver trophy in the Export category of the ABRE 2023 Award. The case awarded was The feeling of Family - Bauducco packaging, a functional packaging that optimizes the maximum occupancy of a pallet, ensuring logistical efficiency in shipping products. The box also features an innovative design with high print quality and shelf-ready packaging concept, that is, it allows the product to leave the factory directly to points of sale.
- **Silver Best in Management Trophy:** We joined the list of Best in Management®, in the silver category. Promoted by the National Quality Foundation (FNQ), the initiative recognizes management practices, results and their evidence in organizations based on the Management Maturity Diagnosis (DMG), identifying opportunities for continuous improvement of the Management Excellence Model® (MEG) .
- **Ethos/Time of Diversity, Equity and Inclusion:** We won the award in the Pulp and Paper category. The survey evaluates companies' practices on important business fronts: strategies for promoting diversity and inclusion, governance, organizational culture, accessibility, management of inclusion in the supply chain, relationships with customers or consumers, diversity program, inclusion of people with disabilities, promoting gender equity, promoting racial equity, promoting LGBTI+ rights and promoting generational equity.

- **Future Law Awards:** Initiative that rewards the most innovative projects in the legal market and those who are most engaged in the revolution in the sector. Our cases of legal indicators monitoring in Power BI and redesigning communication of employment contracts were awarded in the categories of Legal Operations and Visual Law, respectively.
- **Intelijur Certification of Best Practices in Legal Department Management:** Our case regarding the use of agile methodology in internal legal matters was recognized by Intelijur among the top 60 in the country.
- **Legal Department 4.0 Certification:** We won the gold seal in the “Legal Department 4.0” certification, promoted by AB2L, considered the largest legal innovation ecosystem today.
- **Innovative Workplaces 2023 Stamp from the Massachusetts Institute of Technology - MIT Technology Review Brazil:** We received the seal from the MIT Technology Review Brazil, which analyzes company innovation from four perspectives: management, products/services, marketing and processes.
- **Innovation Champions 2023:** We were recognized as one of the most innovative companies in the South of the country. We are in 13th position in the Innovation Champions 2023 ranking organized by Revista Ajante.
- **Valor Inovação Award:** We won 3rd place in the Pulp and Paper category and were recognized in the overall ranking of the 150 most innovative companies in the country in the Valor Inovação Brasil Award.
- **Exame Best and Biggest 2023:** We won 2nd place in the pulp and paper category of the Best and Biggest award, promoted by EXAME. This award recognizes publicly traded companies that showed the greatest growth in the last year based on the analysis of three criteria: social, environmental and corporate compliance, accounting results and growth within the segment.
- **Época 360º Award:** For the second year in a row, we achieved this recognition that ranks the best companies in the country and the organizations that stand out in their sectors. We were ranked in 3rd position in the Top 5, in the Pulp and Paper category, of Época 360º.
- **GPTW – Brazil 2023:** For the first time, we entered the ranking of best companies to work for in Brazil. We achieved 29th position in the Best Companies to Work for - GPTW - Brazil 2023 ranking.

- **GPTW – Industry 2023:** We achieved 8th place in the Best Companies to Work for - GPTW - Industries 2023 ranking.
- **GPTW Diversity – 50+ Category:** We reached 11th position in category 50+ in the GPTW Diversity ranking.
- **GPTW – Santa Catarina 2023:** We achieved 2nd position in the Best Companies to Work for - GPTW - Santa Catarina 2023 ranking.
- **GPTW – Rio Grande do Sul 2023:** We achieved 4th position in the Best Companies to Work for - GPTW - Rio Grande do Sul 2023 ranking.
- **GPTW – São Paulo 2023:** We achieved 12th position in the Best Companies to Work for - GPTW - São Paulo 2023 ranking.
- **PMIRS Award (Project Management Institute Rio Grande do Sul):** We were winners of the Best PMO (Project Management Office) 2023 categories and Eduardo Merlini, our Project Coordinator, as Best PMO Manager 2023. The award highlights professionals and organizations that work with excellence in the area of projects in RS.
- **Top 100 Open Corps:** For the third time in a row, we are in the TOP 3 of the 100 Open Startups 2023 ranking in the Forestry, Pulp and Paper category.
- **Top Human Being 2023:** We were recognized for the 7th time, in 2023, in the Organization category with the case “Remote Work: Prosperous Relationships Based on Trust.” This is an important award from ABRH/RS that values best practices in people management, human development and social responsibility.
- **Top Human Being Personality 2023:** Our CEO, Sérgio Ribas, was recognized by ABRH-RS as Personality - Top Human Being 2023.
- **Entrepreneur of the Year - Ernst & Young:** The Program reached its 25th edition seeking to identify, recognize and support business leaders who, with their vision of the future, seek to transform the country's reality. Péricles Druck, chairman of the Board of Directors, and Sérgio Ribas, CEO, were among the leaders honored in the Master category.

18. AUDIT SERVICES

In accordance with CVM Resolution No. 162/22, we inform that, during the year 2023, PWC Auditores Independentes provided audit services of the financial statements in the amount of R\$ 738 thousand.



It also provided services for the analysis of the ethics channel report, in the amount of R\$ 22 thousand.

19. RESULTS WEBINAR

In Portuguese (with simultaneous translation in English and Brazilian Sign Language) Date and Time: Monday, February 26, 2024 at 12:00 pm (Brasília)

Subscribe: [Registration link](#)

The video conference will be available on the Company's website. Simultaneous translation into English and Brazilian Sign Language will be available on application access on computer or mobile phone.

PERSPECTIVES

The year 2024 begins with estimates of moderate growth in the world economy, with uncertainties coming from China, Europe with a stagnant economy and the USA growing more vigorously. Inflation, which has plagued the global economy in recent years, shows signs of cooling down and is converging towards government targets. There is an expectation of a reduction in interest rates in the USA, starting a cycle of monetary easing that should boost the global economy. In 2024, there will be elections in the USA, which always generates volatility and brings some level of uncertainty. Despite the risks, the global economy is expected to grow moderately.

In Brazil, we had the approval of the Tax Reform at the end of 2023, an important milestone for improving the country's business environment. Inflation remains under control and we have advanced in the interest rate cut cycle, which stimulates the real economy. The country continues to face the challenge of balancing public accounts, which could bring some discomfort to the market if the government is unable to achieve the promised fiscal target. On the other hand, Brazil is a very diverse country, which offers many opportunities in various areas. We expect moderate GDP growth, which boosts consumption and the sustainable packaging sector, which is also driven by the secular sustainability trend of the circular and low-carbon economy. In this sense, we hope for a good year for Irani, in the journey of adequately meeting the expectations of all stakeholders, while generating differentiated economic value.

ACKNOWLEDGEMENTS

We thank each one of our employees for their effort during this year, our shareholders 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 2023.

Porto Alegre, February 2024.

The Board of Directors.



(A free translation of the original in Portuguese)

***Irani Papel e
Embalagem S.A.***
***Parent company and consolidated
financial statements at
December 31, 2023
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report

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

Opinion

We have audited the accompanying parent company financial statements of Irani Papel e Embalagem S.A. (the "Company"), which comprise the balance sheet as at December 31, 2023 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of the Company and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2023 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

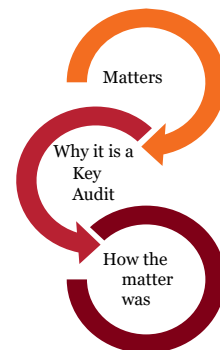
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and of the Company and its subsidiaries as at December 31, 2023, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) (currently described as "IFRS Accounting Standards" by the IFRS Foundation).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further 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 established in the Code of Professional Ethics and 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 audit opinion.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.





Irani Papel e Embalagem S.A.

Why it is a Key Audit Matter

How the matter was addressed in the audit

**Fair value of biological assets
(Notes 3(I), 3(s) e 15)**

The Company has pine forests, called biological assets, to supply raw materials in the production of cellulose used in the paper production process for packaging, resin production and sales of wood logs to third parties.

Biological assets are measured at fair value less costs necessary to prepare the assets for their intended use or sale, by applying the income approach methodology. This method uses data and assumptions that require significant judgment of management, including: the growth rate index for different forests, the price of standing timber in different regions, the interest rates for the discounting of cash flows, the harvesting plan for the forests and volume arising productivity.

We considered this an area of focus in our audit because of the significance of the biological assets balance and the high degree of judgment involved, as well as the volume of data collected which rely on manual internal controls, which could materially impact the fair value estimates and, consequently, the results for the year.

Our audit procedures included, among others, and with the support of our experts in evaluating biological assets, understanding the valuation methodology, assumptions and data used in the respective calculation.

Thus, we review the discounted cash flow model, as well as its general logical and arithmetic coherence. For the main assumptions and data considered significant within the scope of the audit, we evaluate the historical behavior, as well as discuss the reasonableness of the assumptions and data used with management.

Additionally, based on selected tests, we compare the data used with supporting documentation.

We also evaluate the competence, objectivity and capacity of the external experts contracted by management to support in the fair value measurement.

We matched the information we obtained with that disclosed in the explanatory notes and used in the calculations prepared by management, and assessed the adequacy of disclosure requirements established by the accounting standards.

We consider that the criteria and assumptions adopted by the Company for the fair value measurement of biological assets, as well as the disclosures in the explanatory notes, to be consistent with the evidence obtained.

**Recognition and measurement of PIS and COFINS credit on scrap purchases
(Notes 3(s) and 8)**

The Company recorded tax credits in the amount of R\$ 223,432 thousand, arising from a legal process that became final and unappealable on June 19, 2023. The aforementioned legal process recognized the right to PIS and COFINS credit on acquisitions of scraps, due to the unconstitutionality of the art. 47 of Law no. 11.196/05, with effect from June 2010.

With our tax experts support, we read the court decision (final and unappealable) and evaluated and discussed with management the conclusions obtained by the Company, both to understand the merit and the asset quantification and recognition.

On a test basis, we reviewed the calculations prepared by the Company's management to



Irani Papel e Embalagem S.A.

Why it is a Key Audit Matter

This matter was focus of our audit due to the relevance of the amounts involved in the period and which had an effect on the audit due to the volume of operations that gave rise to the credits, monetary updates for the periods involved, as well as the verification of the recoverability of referred tax credits.

How the matter was addressed in the audit

quantify the amounts of tax credits to be recovered and the corresponding review of the calculation of the monetary adjustments applicable for the period subject to the legal claim.

Additionally, on a test basis, we compared the data contained in the calculation with supporting documents, as well as crossing the calculation of the aforementioned credit with the recorded value.

Based on the analysis of the recovery plan for this credit prepared by the management, which considers the tax changes in MP 1.202 and Portaria Normativa No. 14, we carried out inquiries and tested the ability to realize the referred tax credit.

We consider that the assumptions and criteria adopted by management are consistent with the disclosures in explanatory notes and the information obtained in our work.

Other matters**Statements of Value Added**

The parent company and consolidated Statements of Value Added for the year ended December 31, 2023, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS Accounting Standards purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated 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 defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Prior-year information

The original financial statements of the Company for the year ended December 31, 2022, were audited by another firm of auditors whose report, dated February 24, 2023, expressed an unmodified opinion on those statements.

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

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



Irani Papel e Embalagem S.A.

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

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the 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 in the Management Report, 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) as issued by the International Accounting Standards Board (IASB) (currently described as "IFRS Accounting Standards" by the IFRS Foundation), 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 ability of the Company and its subsidiaries, as a whole, 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 and its subsidiaries, as a whole, 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.

Auditor's 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 auditor's 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 Standards on Auditing 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 an audit in accordance with Brazilian and International Standards on Auditing, 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 internal control of the Company and its subsidiaries.



Irani Papel e Embalagem S.A.

- 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 ability of the Company and its subsidiaries, as a whole, to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries, as a whole, 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 these 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 Group 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 charged with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats to our independence or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's 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 22, 2024

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/F-6

Rafael Biedermann Mariante
Contador CRC 1SP243373/O-0



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IRANI PAPEL E EMBALAGEM S.A.

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BALANCE SHEET

IRANI PAPEL E EMBALAGEM S.A.

BALANCE SHEET AS AT DECEMBER 31

(All amounts in thousands of reais)

ASSETS	Note	Parent company		Consolidated	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
CURRENT ASSETS					
Cash and cash equivalents	5	459,050	702,762	484,152	735,194
Financial investments	5	116,829	314,014	116,829	314,014
Trade receivables	6	263,094	258,215	264,092	258,472
Inventories	7	120,872	132,123	121,525	133,758
Taxes recoverable	8.a	137,156	28,554	137,449	28,639
Derivative financial instruments - swap	18	936	131	936	131
Other assets	9	9,500	32,059	9,886	32,411
Non-current assets held for sale	10	-	2,562	-	2,562
Total current assets		1,107,437	1,470,420	1,134,869	1,505,181
NON-CURRENT ASSETS					
Trade receivables	6	490	984	490	984
Taxes recoverable	8.a	103,773	46,016	103,773	46,016
Income tax and social contribution recoverable	8.b	32,600	28,843	32,600	28,843
Judicial deposits		343	407	604	708
Other assets	9	5,748	5,086	5,775	5,113
Derivative financial instruments - swap	18	6,552	916	6,552	916
Other investments	12.b	-	-	4,184	1,500
Total long-term receivables		149,506	82,252	153,978	84,080
Investments in subsidiaries	12.a	217,276	218,265	-	-
Investment properties	13	2,432	18,524	2,432	18,524
Biological assets	15	249,979	195,958	417,586	343,727
Property, plant and equipment	14.a	1,576,441	1,389,748	1,594,617	1,407,801
Right-of-use assets	32	24,404	21,988	24,404	21,988
Intangible assets	14.b	139,180	134,037	139,180	134,037
Total non-current assets		2,359,218	2,060,772	2,332,197	2,010,157
TOTAL ASSETS		3,466,655	3,531,192	3,467,066	3,515,338

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND EQUITY	Note	Parent company		Consolidated	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
CURRENT LIABILITIES					
Borrowings	16	21,571	47,533	21,571	47,533
Debentures	17	34,260	226,062	34,260	226,062
Lease liabilities	32	9,039	7,025	9,039	7,025
Trade payables	19	134,154	199,312	126,369	175,313
Social security obligations		57,944	55,749	58,601	56,385
Tax obligations		14,997	19,162	15,084	19,447
Income tax and social contribution payable		-	2,907	335	3,402
Taxes in installments	21	4,596	5,941	4,596	5,941
Advances from customers		2,533	2,569	2,564	2,599
Dividends payable	23.b	3,908	22,120	3,908	22,120
Other payables		26,262	11,470	26,510	11,633
Total current liabilities		309,264	599,850	302,837	577,460
NON-CURRENT LIABILITIES					
Borrowings	16	792,126	412,672	792,126	412,672
Debentures	17	778,196	1,105,908	778,196	1,105,908
Lease liabilities	32	15,187	13,662	15,187	13,662
Social security obligations		19,902	14,549	19,902	14,549
Other payables		4,643	59	4,643	59
Provision for civil, labor and tax risks	22	24,472	27,926	24,689	28,095
Taxes in installments	21	3,316	2,511	3,316	2,511
Tax obligations		229	-	229	-
Deferred income tax and social contribution	11	239,616	228,970	246,237	235,337
Total non-current liabilities		1,877,687	1,806,257	1,884,525	1,812,793
TOTAL LIABILITIES		2,186,951	2,406,107	2,187,362	2,390,253
EQUITY					
Share capital	23.a	543,934	543,934	543,934	543,934
Capital reserve		960	960	960	960
Revenue reserves	23.e	660,614	454,968	660,614	454,968
Treasury shares	23.c	(53,616)	(11,642)	(53,616)	(11,642)
Carrying value adjustments	23.f	127,812	136,865	127,812	136,865
Equity attributable to owners of the Parent company		1,279,704	1,125,085	1,279,704	1,125,085
TOTAL LIABILITIES AND EQUITY		3,466,655	3,531,192	3,467,066	3,515,338

STATEMENT OF INCOME

IRANI PAPEL E EMBALAGEM S.A.

STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais unless otherwise stated)

	Note	Parent company		Consolidated	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
NET SALES REVENUE	25	1,586,644	1,678,519	1,594,245	1,686,666
Changes in the fair value of biological assets	15, 26	62,579	82,430	71,620	139,003
Cost of sales	26	(973,628)	(1,020,966)	(979,267)	(1,017,597)
GROSS PROFIT		675,595	739,983	686,598	808,072
OPERATING INCOME (EXPENSES)					
Selling expenses	26	(128,874)	(130,926)	(130,695)	(133,873)
Impairment of trade receivables		(653)	(523)	(653)	(512)
General and administrative expenses	26	(105,918)	(91,841)	(108,346)	(93,969)
Other operating income (expenses), net	26	122,278	15,561	120,977	15,597
Management profit sharing	20	(16,468)	(15,452)	(16,468)	(15,452)
Equity in the earnings of subsidiaries	12	7,798	63,510	-	-
PROFIT BEFORE FINANCE RESULT AND TAXES		553,758	580,312	551,413	579,863
Finance result, net	27	(49,445)	(64,826)	(45,574)	(61,503)
Finance income		189,171	99,423	193,113	102,825
Finance costs		(238,616)	(164,249)	(238,687)	(164,328)
OPERATING PROFIT BEFORE TAXES		504,313	515,486	505,839	518,360
Current income tax and social contribution	28	(110,233)	(109,164)	(111,505)	(110,346)
Deferred income tax and social contribution	28	(10,646)	(28,112)	(10,900)	(29,804)
PROFIT FOR THE YEAR		383,434	378,210	383,434	378,210
Profit attributable to:					
Owners of the Parent company		383,434	378,210	383,434	378,210
		383,434	378,210	383,434	378,210
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R\$	24	1,5905	1,5248	1,5905	1,5248

The accompanying notes are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

IRANI PAPEL E EMBALAGEM S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais)

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Profit for the year	383,434	378,210	383,434	378,210
Other comprehensive income				
Realisation - assigned cost	13,717	13,556	13,717	13,556
IR and CSLL on realisation - attributed cost	(4,664)	(4,609)	(4,664)	(4,609)
Realised profit reserve - biological assets	1,874	6,920	1,874	6,920
IR and CSLL realised profit reserve - biological assets	(637)	(2,353)	(637)	(2,353)
Total comprehensive income for the year	393,724	391,724	393,724	391,724
Attributable to owners of the Parent company	393,724	391,724	393,724	391,724
Comprehensive income for the year	393,724	391,724	393,724	391,724

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

IRANI PAPEL E EMBALAGEM S.A.

STATEMENTS OF CHANGES IN EQUITY

(All amounts in thousands of reais)

	Note	Share capital				Revenue reserves				Carrying value adjustments	Retained earnings	Total
		Share capital	Share issue costs	Treasury shares	Share-based payment	Legal	Biological assets reserve	Profit retention reserve	Tax incentive reserve			
AT JANUARY 1, 2022		566,895	(22,961)	(25,399)	960	18,804	7,079	261,258	4,990	145,812	-	957,438
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	-	-	378,210	378,210
Realization of deemed cost	23 e.	-	-	-	-	-	-	-	-	(8,947)	8,947	-
Realized revenue reserve – biological assets	23 d.	-	-	-	-	-	(4,567)	-	-	-	4,567	-
Total comprehensive income for the year		-	-	-	-	-	(4,567)	-	-	(8,947)	391,724	378,210
Total contributions by and distributions to owners of the Parent company												
Treasury shares	23 c.	-	-	(46,471)	-	-	-	-	-	-	-	(46,471)
Proposed allocations												
Legal reserve	23 e.	-	-	-	-	18,910	-	-	-	-	(18,910)	-
Dividends	23 b.	-	-	-	-	-	-	(70,888)	-	-	(93,204)	(164,092)
Additional dividends	23 d.	-	-	-	-	-	-	93,204	-	-	(93,204)	-
Profit retention reserve	23 e.	-	-	60,228	-	-	-	126,178	-	-	(186,406)	-
Total contributions by and distributions to owners of the Parent company		-	-	13,757	-	18,910	-	148,494	-	-	(391,724)	(210,563)
AT DECEMBER 31, 2022		566,895	(22,961)	(11,642)	960	37,714	2,512	409,752	4,990	136,865	-	1,125,085
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	-	-	383,434	383,434
Realization of deemed cost	23 e.	-	-	-	-	-	-	-	-	(9,053)	9,053	-
Realized revenue reserve – biological assets	23 d.	-	-	-	-	-	(1,237)	-	-	-	1,237	-
Total comprehensive income for the year		-	-	-	-	-	(1,237)	-	-	(9,053)	393,724	383,434
Total contributions by and distributions to owners of the Parent company												
Treasury shares	23 c.	-	-	(41,974)	-	-	-	-	-	-	-	(41,974)
Proposed allocations												
Legal reserve	23 e.	-	-	-	-	19,172	-	-	-	-	(19,172)	-
Dividends	23 b.	-	-	-	-	-	-	-	-	-	(93,638)	(93,638)
Additional dividends	23 d.	-	-	-	-	-	-	435	-	-	(93,638)	(93,203)
Profit retention reserve	23 e.	-	-	-	-	-	-	187,276	-	-	(187,276)	-
Total contributions by and distributions to owners of the Parent company		-	-	(41,974)	-	19,172	-	187,711	-	-	(393,724)	(228,815)
AT DECEMBER 31, 2023		566,895	(22,961)	(53,616)	960	56,886	1,275	597,463	4,990	127,812	-	1,279,704

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

IRANI PAPEL E EMBALAGEM S.A.
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

(All amounts in thousands of reais)

	Note	Parent company		Consolidated	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		504,313	515,486	505,839	518,360
Reconciliation of profit for the year to net cash provided by operating activities:					
Changes in the fair value of biological assets	15.a	(62,579)	(82,430)	(71,620)	(139,003)
Depreciation, amortization and depletion	13,14,15 and 32	103,250	75,461	112,606	103,028
Impairment of property, plant and equipment		-	-	934	-
Impairment of investment properties		16,058	-	16,058	-
Impairment of assets held for sale		2,555	-	2,555	-
Profit (loss) on disposal of property, plant and equipment		(3,977)	(11,990)	(3,989)	(11,990)
Equity in the earnings of subsidiaries	12	(7,798)	(63,510)	-	-
Provision/reversal for civil, labor and tax risks	22	(1,768)	9,832	(1,646)	9,664
Provision for impairment of trade receivables	6	597	443	597	431
Write-down to net realizable value		(337)	-	(337)	-
Indexation accruals and interest on borrowings, debentures and swap		206,012	125,849	206,012	125,849
Interest on lease liabilities		2,715	2,389	2,715	2,389
Interest on financial investments		(41,642)	(43,969)	(41,642)	(43,969)
Management profit sharing	20	5,692	6,410	5,692	6,410
PIS and COFINS credits on purchases of scraps	22	(232,114)	-	(232,114)	-
		490,977	533,971	501,660	571,169
(Increase) decrease in assets:					
Trade receivables		(4,982)	20,804	(5,723)	20,865
Inventories		11,588	(10,116)	12,570	(10,700)
Taxes recoverable		61,998	(44,743)	61,790	(44,818)
Other assets		(7,564)	(21,388)	(7,558)	(21,482)
Increase (decrease) in liabilities:					
Trade payables		4,969	71,106	19,659	62,967
Social security obligations		1,856	3,049	1,877	3,117
Advances from customers		(36)	(494)	(35)	(519)
Tax obligations		(11,220)	(19,266)	(10,980)	(18,098)
Other payables		18,371	307	18,382	156
Cash from operations		565,957	533,230	591,642	562,657
Payment of interest on borrowings, debentures and swaps		(210,950)	(80,299)	(210,950)	(80,299)
Payment of interest on lease liabilities		(2,715)	(2,389)	(2,715)	(2,389)
Taxes paid (income tax and social contribution)		(106,396)	(100,111)	(108,266)	(102,446)
Net cash provided by operating activities		245,896	350,431	269,711	377,523
CASH FLOWS FROM INVESTING ACTIVITIES					
Financial investments		(1,057,665)	(1,018,232)	(1,057,665)	(1,018,232)
Redemption of financial investments		1,296,492	1,224,045	1,296,492	1,224,045
Purchases of property, plant and equipment		(339,142)	(525,387)	(339,322)	(525,440)
Additions to biological assets		(15,483)	(14,206)	(18,263)	(16,528)
Additions to intangible assets		(11,676)	(2,721)	(11,676)	(2,721)
Capital contribution	12	(2,732)	(6,615)	-	-
Proceeds from sale of property, plant and equipment		4,388	14,447	4,417	14,446
Advance for future capital increase		232	(232)	-	-
Proceeds from sale of non-current assets held for sale		29,525	15,550	29,525	15,550
Other investments		-	-	(2,684)	(1,500)
Dividends received		28,030	16,991	-	-
Net cash used in investing activities		(68,031)	(296,360)	(99,176)	(310,380)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividends		(205,734)	(158,786)	(205,734)	(158,786)
Lease liabilities paid		(9,409)	(8,436)	(9,409)	(8,436)
Proceeds from borrowings		378,695	213,355	378,695	213,355
Issuance of debentures (net of funding costs)		-	700,307	-	700,307
Repayments of borrowings and debentures		(543,155)	(62,328)	(543,155)	(62,328)
Repurchase of shares		(41,974)	(46,471)	(41,974)	(46,471)
Net cash provided by (used in) financing activities		(421,577)	637,641	(421,577)	637,641
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR		(243,712)	691,712	(251,042)	704,784
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	5	702,762	11,050	735,194	30,410
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	459,050	702,762	484,152	735,194

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ADDED VALUE

RANI PAPEL E EMBALAGEM S.A.

STATEMENT OF ADDED VALUE FOR THE YEAR ENDED DECEMBER 31

(All amounts in thousands of reais)

	Note	Parent company		Consolidated	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
REVENUE		2,220,761	2,649,590	2,229,652	2,658,582
1.1) Sales of goods and/or services		2,040,972	2,137,095	2,049,074	2,145,908
1.2) Other revenues		164,979	81,252	165,038	81,312
1.3) Provision for impairment of trade receivables		(597)	(443)	(597)	(431)
1.4) Revenue from the construction of own assets	3.v	15,407	431,686	16,137	431,793
INPUTS ACQUIRED FROM THIRD PARTIES		1,103,732	1,672,689	1,089,893	1,630,799
2.1) Cost of sales and services		704,739	838,138	680,546	813,167
2.2) Materials, electricity, third-party services and other		398,993	834,551	409,347	817,632
GROSS VALUE ADDED (= 1-2)		1,117,029	976,901	1,139,759	1,027,783
DEPRECIATION, AMORTIZATION AND DEPLETION		103,250	75,461	112,606	103,028
CHANGES IN THE FAIR VALUE OF BIOLOGICAL ASSETS		(62,579)	(82,430)	(71,620)	(139,003)
NET VALUE ADDED GENERATED BY THE COMPANY (3-4-5)		1,076,358	983,870	1,098,773	1,063,758
VALUE ADDED RECEIVED THROUGH TRANSFER		196,969	162,933	193,113	102,825
7.1) Equity in the earnings of subsidiaries		7,798	63,510	-	-
7.2) Finance income		189,171	99,423	193,113	102,825
TOTAL VALUE ADDED TO DISTRIBUTE (6+7)		1,273,327	1,146,803	1,291,886	1,166,583
DISTRIBUTION OF VALUE ADDED		1,273,327	1,146,803	1,291,886	1,166,583
9.1) Personnel		247,802	221,128	262,019	234,154
9.1.1 - Direct compensation		185,281	168,686	193,206	176,121
9.1.2 - Benefits		51,943	43,027	57,823	48,188
9.1.3 - Government Severance Indemnity Fund for Employees (FGTS)		10,578	9,415	10,990	9,845
9.2) Taxes and contributions		368,174	346,060	372,444	352,734
9.2.1 - Federal		266,621	237,964	270,759	244,424
9.2.2 - State		99,740	105,458	99,756	105,519
9.2.3 - Municipal		1,813	2,638	1,929	2,791
9.3) Third-party capital remuneration		247,159	172,439	247,231	172,519
9.3.1 - Interest		238,616	164,249	238,687	164,328
9.3.2 - Rentals		8,543	8,190	8,544	8,191
9.4) Remuneration of own capital		393,724	391,724	393,724	391,724
9.4.1 - Dividends		93,638	93,204	93,638	93,204
9.4.2 - Profits reinvested		300,086	298,520	300,086	298,520
9.5) Other		16,468	15,452	16,468	15,452
9.5.1 - Management profit sharing		16,468	15,452	16,468	15,452

The accompanying notes are an integral part of these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

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

1. OPERATIONS

[Irani Papel e Embalagem S.A.](#) (“Company”) is a public company domiciled in Brazil and listed on B3 S.A. – Brasil, Bolsa, Balcão (“B3”), New Market segment, and headquartered at Avenida Carlos Gomes, 400, salas 502/503, Edifício João Benjamin Zaffari, Bairro Boa Vista, in the city of Porto Alegre, state of Rio Grande do Sul. The Company and its subsidiaries are primarily engaged in the sustainable packaging industry, such as corrugated paper, packaging paper and processing of resinous 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.

The direct subsidiaries are listed in Note 4.

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

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The Company presents the parent company and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncement Committee (CPC) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (currently named by the IFRS Foundation as “IFRS[®] Accounting Standards”), including the interpretations issued by the IFRS Interpretations Committee (IFRIC[®] Interpretations) or by its predecessor body, Standing Interpretations Committee (SIC[®] Interpretations), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

The main accounting policies applied in the preparation of these financial statements are summarized in Note 3.

The issue of these financial statements was authorized by Management on February 21, 2024.

These financial statements have been prepared on a historical cost basis, except for biological assets measured at their fair values less costs to sell, as described in Note 15, derivative financial instruments - swap, and financial instruments measured at their fair values, as described in Notes 18 and 29, respectively.

2.1 New amendments to accounting standards not yet effective

In the preparation of these financial statements, the Company did not adopt the amendments to standards that were issued by the IASB but are not effective for 2023. The early adoption of standards, even though encouraged by the IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC). The following amendments to standards are not expected to have a material impact on the Company's parent company and consolidated financial statements and will be effective for annual reporting periods beginning on or after January 1, 2024:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Lease liability in a sale and leaseback (Amendments to IFRS 16); and
- Supplier finance arrangements (Amendments to IAS 7 and IFRS 7).

2.2. New amendments to accounting pronouncements adopted in the financial statements for the year ended December 31, 2023.

The following amendments to pronouncements issued by the CPC are effective and were adopted by the Company for annual reporting periods beginning on or after January 1, 2023, with no effects of their application on the financial statements:

- Classification of liabilities as current or non-current (Amendments to CPC 26/IAS 1);
- IFRS 17 Insurance contracts, and amendments to IFRS 17 Insurance contracts;
- Disclosure of accounting policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2);
- Definition of accounting estimates (Amendments to CPC 23/IAS 8);
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to CPC 32/IAS 12).

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared assuming that the Company will continue as a going concern, and the assessment of operational continuity in the foreseeable future was formalized by Management.

a) Functional currency and translation of foreign currencies

The parent company and consolidated financial statements are presented in Brazilian reais (R\$), which is the Company's and its subsidiaries' functional and presentation currency.

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 income.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, banks and highly liquid financial investments with a low risk of changes in their value, mature in less than 90 days from the investment date and with the purpose of meeting short-term commitments.

c) Financial assets

The Company, upon initial recognition of a financial asset, classified its assets as: at amortized cost or at fair value through profit or loss. Financial assets are not reclassified after initial recognition unless the Company changes the business model for managing the financial assets. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way 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. The amortized cost is reduced by impairment losses, when necessary. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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

These assets are measured subsequently at fair value. The net gain (loss), including any interest, are recognized direct in profit or loss.

c.3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECLs) 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 ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment that includes forward-looking information.

The allowance for credit risks was calculated according to an assessment of credit risks that considers the history of losses, the individual situation of customers, the situation of the economic group they belong to, the security interest for the receivables and an evaluation of legal counselors. It is considered sufficient to cover possible losses on receivables, in addition to a prospective assessment that takes into account the change or expected change in economic factors that affect ECLs, which will be determined on a probability-weighted basis. The allowance for credit risk considers the maturity of trade receivables. The Company uses different percentages according to the maturity date, so as to measure the likelihood of loss, increasing the percentage of the allowance for credit risk as the notes are overdue for longer.

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

The allowance is considered sufficient to cover any losses on amounts receivable.

d) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset and it does not retain control over the financial asset, either.

e) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

f) Financial instruments

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss: it is held within a business model whose objective is to hold financial assets to collect the contractual cash flows; and its contractual terms give rise on specified dates cash flows that are solely payments of principal and interest.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as measured at fair value through profit or loss: it is held within a business model whose objective is achieved either by collecting the contractual cash flows from the sale of financial assets; and its contractual terms give rise, on specific dates, cash flows that are solely payments of principal and interest. Upon initial recognition of an investment in an equity instrument that is not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in other comprehensive income. That choice is made investment by investment.

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management. The information considered includes: the policies and objectives determined for the portfolio and the practical functioning of these policies. These include the issue of whether Management's strategy focuses on obtaining contractual interest income, maintaining a certain interest rate profile, the correspondence between the duration of financial assets and the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets; how the portfolio's performance is assessed and reported to the Company's Management; the risks that affect the performance of the business model (and the financial asset held within that business model) and the way those risks are managed; the frequency, volume and timing of sales of financial assets in previous periods, the reasons for such sales and expectations about future sales.

f.1) Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or the value of the contractual cash flows so that it would not meet this condition. In making this assessment, the Company considers: contingent events that change the amount or timing of cash flows; terms that can adjust the contractual rate, including floating rates; prepayment and extension of the term; and the terms that limit Company's access to cash flows from specific assets (for example, based on the performance of an asset).

Prepayment is consistent with the principal and interest payment criteria if the prepayment amount mostly represents unpaid principal and interest on the outstanding principal amount - which may include reasonable additional compensation for early termination of the contract.

g) Inventories

They are measured at the lower of the weighted average cost of production or acquisition and net realizable value. Net realizable value is the estimated selling price for inventories less all costs estimated to make the sale and the costs necessary to make the sale

The cost of standing timber transferred from biological assets is its fair value less costs to sell at the date of harvest.

h) Investments

Investments in subsidiaries are accounted for on the equity method in the parent company financial statements.

Under the equity method, investments in subsidiaries are adjusted for purposes of recognizing the Company's share of profit or loss and other comprehensive income of the subsidiary

Transactions, balances and unrealized gains on transactions between related parties are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

i) Investment properties

Investment properties are measured at cost, and their fair value is disclosed in a note.

Depreciation is recognized according to the estimated useful lives of each asset using the straight-line method, so that the cost value less its residual value after its useful life is fully written off. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

Income generated by investment property that is rented is recognized in profit or loss, within each accrual period.

Any gain or loss from the sale or write-off of an item recognized in investment property is determined as the difference between the proceeds from disposal and the carrying amount of the asset, and are recognized in profit or 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 recovered primarily through sale rather than through continuing use.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains and losses on subsequent remeasurement 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 using the equity method is no longer subject to the application of this method.

k) Property and equipment and intangible assets

Fixed assets are measured at their historical cost, less accumulated depreciation. This cost was adjusted to reflect the attributed cost of land and buildings at the transition date to IFRS and CPC accounting standards. Capitalized borrowing costs are recorded as part of the costs of assets under construction, in the case of qualifying assets. Such fixed assets are classified into appropriate categories of fixed assets when completed and ready for intended use. The depreciation of these assets begins when they are ready for use on the same basis as other fixed assets.

Subsequent costs are capitalized only when it is probable that future economic benefits associated with the costs will flow to the Company.

The Company uses the straight-line depreciation method based on an assessment of the estimated useful life of each asset according to the expected generation of future economic benefits, except for land, which is not depreciated. The estimated useful lives of assets are annually reviewed and adjusted according to the assessment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

The Company's intangible assets consist of goodwill, software licenses, trademarks and customer list.

Goodwill is the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair value of the acquired subsidiary's assets and liabilities. Goodwill from the acquisition of subsidiaries is recognized as "intangible assets" in the consolidated financial statements. Any gain on a bargain purchase is recognized as gain in profit or loss on the acquisition date. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses 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 CGUs which benefited from the business combination originating the goodwill.

Computer software licenses are capitalized on the basis of the costs incurred to purchase and bring to use the specific software. These costs are amortized over the estimated useful life of the software (five years). Costs associated with maintaining computer software programs are recognized as an expense as incurred.

l) Biological assets

The Company's biological assets mainly consist of planted forests of pines that are used for producing packaging papers, boxes and corrugated cardboard boards, and also for marketing for third parties and extracting pine gum. Pine forests are located close to the pulp and paper plant in Santa Catarina and Rio Grande do Sul, where they are used to produce pine gum and to market logs.

Biological assets are measured at fair value less costs to sell. The change in each period is recognized in profit or loss as changes in the fair value of biological assets. The measurement of the fair value of biological assets is based on some assumptions according to note 15.

m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment properties, inventories, contract assets and deferred taxes) to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. Goodwill is tested for impairment annually. Assets are grouped together into the smallest possible group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

During the year ended December 31, 2023, the Company did not identify indications of impairment of its non-financial assets for its continuing operations.

n) Current and deferred income tax and social contribution

Current income tax and social contribution are provided for according to taxable profit determined in accordance with prevailing tax law, which is different from the profit reported in the statement of income,

because it excludes taxable or deductible revenues or expenses in other periods, in addition to excluding non-taxable or non-deductible items permanently. The provision for income tax and social contribution is calculated individually for each company according to rates in effect in the period. The Company adopts a current rate of 34% to calculate taxes on profit.

Deferred income tax and social contribution are recorded on temporary differences for tax purposes, tax losses, deemed cost adjustments and changes in the fair value of biological assets. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority.

n.1) Uncertainties about the treatment of income tax

Technical Interpretation CPC 22 - Uncertainty about the Treatment of Income Taxes (IFRIC 23) requires that uncertainties about the treatment of income taxes be assessed when recognising and measuring these taxes.

An uncertainty arises when the treatment applicable to a particular transaction is unclear in tax legislation or when it is unclear whether the tax authority will accept the treatment adopted by the entity. In these circumstances, the entity must recognise and measure its current or deferred tax asset or liability, applying the requirements of CPC 32 / IAS 12 on the basis of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, determined on the basis of this interpretation.

Disclosures on uncertain income tax and social contribution positions are presented in note 22.

o) Borrowings and debentures

Stated at original funding amounts, less related transaction costs, when any, adjusted for inflation by the indexes agreed on with creditors, plus interest calculated using the effective interest rate and adjusted for inflation using the exchange rate, when applicable, through the balance sheet dates, as described in notes.

p) Lease

p.1) Definition of a lease

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

p.2) As a lessee

The Company leases properties, production equipment and IT equipment. As a lessee, under CPC 06 (R2)/IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases, i.e., these leases are recognized in the balance sheet.

However, the Company has chosen not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (e.g., IT equipment). The Company recognizes the payments associated with these leases as an expense on a straight-line basis 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 amount of initial measurement of the lease liability, adjusted for any lease payments made to the date of commencement, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee on dismantling and removing the underlying asset, restoring the location where it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, less any lease incentives received.

The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or the cost of the right-of-use asset reflects that the lessee will exercise a purchase option. In such 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. In addition, the right-to-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 commencement date, discounted at the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise the following: (i) fixed payments, including in-substance fixed payments; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (iii) amounts expected to be payable by the lessee under a residual value guarantee; and (iv) the exercise price under a purchase option if the lessee is reasonably certain to exercise that option and penalties for early termination of a lease if the lessee exercises a termination option.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the amounts expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 or 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 presented in note 32.

q) Provisions

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. It is recognized in an amount considered by Management sufficient to cover probable losses and adjusted for inflation through the balance sheet date, according to the nature of each risk and supported by the opinion of the Company's lawyers.

r) Employee benefits

Profit sharing

The Company recognizes a profit sharing liability and expense according to its own calculation method that takes into account the profit attributable to each of the operating segments. Provisions are recognized in accordance with the agreements entered into between the Company and employee representatives, which are annually revised.

s) Significant accounting judgments, estimates and assumptions

In preparing these financial statements, Management has made judgments and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The definition of amounts arising from accounting judgments, estimates and assumptions adopted by Management was based on the best information available at the reporting date, the experience of past events, forecast of future events, and the assistance of experts, when applicable.

The financial statements include, therefore, several estimates, such as, but not limited to: measurement of fair value of biological assets (note 15), provision for tax, social security, civil and labor risks (note 22), impairment of non-financial assets (note 14) and judgments related to the calculation of PIS and COFINS tax credits (note 8).

Actual results of balances recognized through the use of accounting judgments, estimates and assumptions, when they are actually realized, may be different from those recognized in the financial statements.

t) Revenue recognition

The steps for revenue recognition consist of: i) identifying the contract with the customer; ii) identifying performance obligations; iii) determining the transaction price; iv) allocating the transaction price; and v) recognizing revenue by fulfilling the performance obligation. Revenue is recognized when products and their risk are transferred to customers.

Accordingly, revenues are recognized at the amount of consideration the Company expects to receive in exchange for the goods and services provided to the customers. 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 income, and will be allocated based on the amortized cost and the effective rate over the period (note 33).

v) Statement of value added

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

The statement of value added has been prepared in accordance with the provisions of CPC 09 - Statement of Value Added and according to information obtained from the Company's accounting records, which are used to prepare the financial statements.

For disclosure purposes, we disclosed the revenues related to the construction of own assets in item 1.4 and the respective cost value in item 2.2, and for comparison purposes the Company has restated them for the 2022 fiscal years, in the parents and consolidated financial statements.

4. CONSOLIDATION OF THE FINANCIAL STATEMENTS

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

Equity interest (%)	Business activity	12/31/2023	12/31/2022
Subsidiaries – direct interest			
Habitassul 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	100.00
Irani Soluções para E-Commerce Ltda.	E-commerce for packaging	100.00	100.00
Irani Ventures Ltda.	Interest in other companies or projects	100.00	100.00

* non-operating.

The accounting policies adopted by the subsidiaries are consistent with those adopted by the Company. The investments in subsidiaries, the equity in the earnings of subsidiaries, as well as the balances of transactions carried out and unrealized intercompany profit and/or loss were eliminated in the consolidated financial statements. The financial information of the subsidiaries, used for consolidation, was prepared for the same base reporting 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	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Fixed fund	15	15	17	17
Banks	859	5,293	890	5,302
Financial investments with immediate liquidity i)	458,176	697,454	483,245	729,875
Total cash and cash equivalents	<u>459,050</u>	<u>702,762</u>	<u>484,152</u>	<u>735,194</u>
Financial investments ii)	116,829	314,014	116,829	314,014
Total financial investments	<u>116,829</u>	<u>314,014</u>	<u>116,829</u>	<u>314,014</u>
Total cash and cash equivalents and financial investments	<u>575,879</u>	<u>1,016,776</u>	<u>600,981</u>	<u>1,049,208</u>

- 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 financial commitments.

Short-term investments with no grace period and short-term investments with a grace period of less than 72 days are remunerated with fixed income at an average rate of 103.0% (103.0% as of December 31, 2022) of the CDI (Interbank Deposit Certificate). Cash management is carried out in accordance with the Company's Financial Management Policy, approved by the Board of Directors on September 19, 2023.

6. TRADE RECEIVABLES

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Trade receivables from:				
Customers - domestic market	249,625	242,583	250,623	242,840
Customers - related parties	215	259	215	259
Customers - foreign market	23,154	24,726	23,154	24,726
Customers - renegotiation	2,243	2,687	2,243	2,687
	<u>275,237</u>	<u>270,255</u>	<u>276,235</u>	<u>270,512</u>
Estimated losses on trade receivables	<u>(11,653)</u>	<u>(11,056)</u>	<u>(11,653)</u>	<u>(11,056)</u>
	<u>263,584</u>	<u>259,199</u>	<u>264,582</u>	<u>259,456</u>
Current	263,094	258,215	264,092	258,472
Non-current	490	984	490	984

The aging analysis of trade receivables is presented in the table below:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Falling due	249,287	244,812	250,256	244,993
Up to 30 days past due	8,671	12,293	8,694	12,371
31 to 60 days past due	1,735	1,717	1,735	1,717
61 to 90 days past due	389	431	389	431
91 to 180 days past due	3,342	111	3,342	111
More than 180 days past due	11,813	10,891	11,819	10,889
	<u>275,237</u>	<u>270,255</u>	<u>276,235</u>	<u>270,512</u>

The Company records the provision for estimated losses on trade receivables for the relevant portion of accounts receivable overdue for more than 180 days. Provisions for impairment of trade receivables are also recorded for notes falling due and past due 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 analyses are performed for those customers who do not yet have past due notes, considering their credit risks. The following table provides information on the credit risk exposure and expected credit losses for individual trade receivables and contract assets at December 31, 2023:

Consolidated

Exposure to credit risk and credit losses

	Estimated weighted average loss	Gross book value at 12/31/2023	Allowance for expected credit losses at
Not yet due	0.22%	250,256	(559)
Up to 30 days past due	0.35%	8,694	(30)
31 to 180 days past due	21.73%	5,466	(1,188)
More than 181 days past due	83.56%	11,819	(9,876)
		<u>276,235</u>	<u>(11,653)</u>

Loss rates are based on the actual credit loss experience. These rates were multiplied by scale factors to reflect differences between the economic conditions in the period in which the historical data was collected, the current conditions and the Company's view on economic conditions over the expected lifetime of the receivables.

The credit quality of financial assets that were neither past due nor impaired at December 31, 2023 was assessed with reference to historical information on the Company's default rates. In general, 95% of trade receivables do not have a default history.

Changes in the provision are as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Balance at the beginning of the year	(11,056)	(30,452)	(11,056)	(30,464)
Allowance for recognized losses	(597)	(443)	(597)	(431)
Trade receivables written off during the year as uncollectible	-	19,839	-	19,839
Balance at the end of the year	(11,653)	(11,056)	(11,653)	(11,056)

7. INVENTORIES

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Finished products	59,915	64,799	60,131	66,096
Production materials	27,354	37,978	27,491	38,034
Consumable materials	33,162	28,647	33,462	28,929
Other inventories	441	699	441	699
	120,872	132,123	121,525	133,758
Write-down to net realizable value	-	-	-	-
	120,872	132,123	121,525	133,758

For 2023, the Company recognized provisions related to its inventories as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Balance at the beginning of the year	-	-	-	-
Write-down to net realizable value	(337)	-	(337)	-
Obsolete inventories written off	337	-	337	-
Balance at the end of the year	-	-	-	-

8. TAXES RECOVERABLE AND INCOME TAX AND SOCIAL CONTRIBUTION

a) Taxes recoverable

They are as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Value-added Tax on Sales and Services (ICMS)	48,979	47,772	48,979	47,772
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	176,388	25,828	176,388	25,828
Excise Tax (IPI)	14	35	14	35
Income Tax Withheld at Source (IRRF) on investments	287	-	571	66
Other	15,261	935	15,270	954
	<u>240,929</u>	<u>74,570</u>	<u>241,222</u>	<u>74,655</u>
Current	137,156	28,554	137,449	28,639
Non-current	103,773	46,016	103,773	46,016

ICMS credits are basically credits on purchases of property, plant and equipment.

PIS and COFINS credit balances refer basically to:

- i) Credits on purchases of property, plant and equipment items, which have been recovered in 24 or 48 installments according to the classification and use of the purchased assets, and the balance at December 31, 2023 is R\$ R\$ 25,872.
- ii) PIS and COFINS credits on the purchases of scraps recognized in the statement of income for 2023 totaling R\$ 223,432, arising from the favorable final and unappealable court decision that recognized the Company's right to PIS and COFINS credits on the purchases of scraps due to the unconstitutionality of art. 47 of Law 11,196/05, effective as from June 2010. The Company estimates it will use all credits for offsetting other taxes in up to 20 months, depending on the amount of federal taxes calculated. Information on the matter is disclosed in Note 22 as “Tax assets contingencies” and was reported to the market in the [Material Fact disclosed on June 19, 2023](#), the balance at December 31, 2023 is R\$ R\$ 150,440.

b) Income tax and social contribution recoverable

They are as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Income tax recoverable	23,971	21,208	23,971	21,208
Social contribution recoverable	8,629	7,635	8,629	7,635
	<u>32,600</u>	<u>28,843</u>	<u>32,600</u>	<u>28,843</u>
Non-current	32,600	28,843	32,600	28,843

On September 27, 2021, the Federal Supreme Court (STF) judged the Extraordinary Appeal 1.063.187 RG/SC – Topic 962 with general repercussion, in which the levying of IRPJ and CSLL on amounts related to the Selic rate received due to repetition of undue tax payment was declared unconstitutional. Accordingly, the Company recognized in 2021 R\$ 25,197 referring to this matter; at December 31, 2023,

the updated value is R\$ 32,600. 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.

On August 25, 2023, a favorable final and unappealable court decision was issued, recognizing the Company's right to double deduction of the PAT expenses from the IRPJ calculation basis, limiting the use to 4% of the Company's taxable profit, with effect as of December 2016. The original amount of the recognized credit was R\$ 6,252, which updated at December 31, 2023, results in R\$ 7,149, which is in the phase of approval with the Brazilian Internal Revenue Service (“RFB”).

9. OTHER ASSETS

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Advances to suppliers	3,688	770	3,688	784
Receivables from employees	3,555	3,030	3,810	3,235
Rio Negro Propriedades Rurais e Participações S.A.	-	524	-	524
São José Desenvolvimento Imobiliário 93 Ltda.	-	25,650	-	25,650
Prepaid expenses	1,444	1,290	1,444	1,290
Receivable from lawsuit on abusive interest SP – Securities issued to cover court-ordered debts	5,748	5,086	5,748	5,086
Other	813	795	971	955
	<u>15,248</u>	<u>37,145</u>	<u>15,661</u>	<u>37,524</u>
Current	9,500	32,059	9,886	32,411
Non-current	5,748	5,086	5,775	5,113

The balance receivable from Rio Negro Propriedades Rurais e Participações S.A. at December 31, 2022 refers to the sale of rural properties in 2019, which was fully received on October 25, 2023.

The balance receivable from the lawsuit on abusive interest SP – Securities issued to cover court-ordered debts refers to Ordinary Action 1030021-89.2014.8.26.0053 which had declared in favor of the Company the unenforceability of default interest levied on ICMS amounts administratively paid in installments with a rate higher than the SELIC rate. The updated amount of such securities issued to cover court-ordered debts issued on July 6, 2021 is R\$ 5,748, which will be made according to the payment schedule established by the State of São Paulo.

The balance receivable from São José Desenvolvimento Imobiliário 93 Ltda. at December 31, 2022 referred to the sale of assets held for sale. The amount was fully received on March 10, 2023.

10. NON-CURRENT ASSETS HELD FOR SALE

At a meeting of the Board of Directors on June 21, 2022, the Company sold machinery and equipment replaced by new equipment within the scope of the Gaia Platform.

These assets were evaluated by Management and a provision for impairment was constituted due to the low likelihood of their sale.

Machinery and equipment are stated at acquisition cost less accumulated depreciation.

Assets held for sale

	Opening balance	Impairment	Write-offs	Closing balance
	01/01/2023			12/31/2023
Machinery and equipment	2,562	(2,555)	(7)	-
Assets held for sale	2,562	(2,555)	(7)	-

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 2023, the Company computed income tax and social contribution on exchange-rate changes on the 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 change in relation to the previous year.

The initial tax impacts on the deemed cost of property, plant and equipment were recognized with an offsetting entry to equity, on the adoption of the CPC/IFRS in 2010.

ASSETS	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Deferred income tax assets				
On temporary provisions	9,866	5,856	9,881	5,856
On tax loss	-	-	22	49
Deferred social contribution assets				
On temporary provisions	3,552	2,108	3,557	2,108
On tax loss	-	-	8	18
	13,418	7,964	13,468	8,031

LIABILITIES

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	175	419	175	419
Fair value of biological assets	68,261	53,739	70,882	56,205
Deemed cost of property, plant and equipment	92,342	94,899	94,280	96,837
Government grant	34	-	34	-
Right-of-use assets and lease liabilities	84	-	84	-
Tax amortization of goodwill	25,158	25,158	25,158	25,158
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	63	151	63	151
Fair value of biological assets	24,574	19,346	25,989	20,678
Deemed cost of property, plant and equipment	33,244	34,165	33,941	34,863
Government grant	12	-	12	-
Right-of-use assets and lease liabilities	30	-	30	-
Tax amortization of goodwill	9,057	9,057	9,057	9,057
	<u>253,034</u>	<u>236,934</u>	<u>259,705</u>	<u>243,368</u>
Deferred tax liabilities (net)	<u>239,616</u>	<u>228,970</u>	<u>246,237</u>	<u>235,337</u>

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

Parent company assets	Opening balance	Recognized in profit (loss)	Closing balance	Recognized in profit (loss)	Closing balance
	01/01/2022		12/31/2022		12/31/2023
Deferred tax assets related to:					
Provision for sundry risks	(11,324)	3,360	(7,964)	(5,454)	(13,418)
Total temporary differences	(11,324)	3,360	(7,964)	(5,454)	(13,418)
Income tax and social contribution tax losses	(27,866)	27,866	-	-	-
	<u>(39,190)</u>	<u>31,226</u>	<u>(7,964)</u>	<u>(5,454)</u>	<u>(13,418)</u>

Parent company liabilities	Opening balance	Recognized in profit (loss)	Closing balance	Recognized in profit (loss)	Closing balance
	01/01/2022		12/31/2022		12/31/2023
Deferred tax liabilities related to:					
Exchange-rate change recognized on a cash basis	-	570	570	(332)	238
Fair value of biological assets	47,872	25,213	73,085	19,750	92,835
Deemed cost and review of useful life	157,918	(28,854)	129,064	(3,478)	125,586
Right-of-use assets and lease liabilities	-	-	-	114	114
Government grant	43	(43)	-	46	46
Tax amortization of goodwill	34,215	-	34,215	-	34,215
	<u>240,048</u>	<u>(3,114)</u>	<u>236,934</u>	<u>16,100</u>	<u>253,034</u>

Consolidated assets	Opening balance	Recognized in profit (loss)	Closing balance	Recognized in profit (loss)	Closing balance
	01/01/2022		12/31/2022		12/31/2023
Deferred tax assets related to:					
Provision for sundry risks	(11,324)	3,360	(7,964)	(5,474)	(13,438)
Total temporary differences	(11,324)	3,360	(7,964)	(5,474)	(13,438)
Income tax and social contribution tax losses	(27,899)	27,832	(67)	37	(30)
	<u>(39,223)</u>	<u>31,192</u>	<u>(8,031)</u>	<u>(5,437)</u>	<u>(13,468)</u>

Consolidated liabilities	Opening balance 01/01/2022	Recognized in profit (loss)	Closing balance 12/31/2022	Recognized in profit (loss)	Closing balance 12/31/2023
Deferred tax liabilities related to:					
Exchange-rate change recognized on a cash basis	-	570	570	(332)	238
Fair value of biological assets	49,944	26,939	76,883	19,988	96,871
Deemed cost and review of useful life	160,554	(28,854)	131,700	(3,479)	128,221
Right-of-use assets and lease liabilities	-	-	-	114	114
Government grant	43	(43)	-	46	46
Tax amortization of goodwill	34,215	-	34,215	-	34,215
	<u>244,756</u>	<u>(1,388)</u>	<u>243,368</u>	<u>16,337</u>	<u>259,705</u>

12. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS

a) Investments in subsidiaries

	Habitassul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Soluções para E-Commerce	Irani Ventures	Total
At January 1, 2022	55,253	101,419	13	248	2,436	159,369
Equity in the earnings of subsidiaries	36,396	28,029	(2)	(847)	(66)	63,510
Dividends	-	(16,991)	-	-	-	(16,991)
Capital contribution (ii)	-	5,530	-	1,615	5,000	12,145
Advance for future capital increase (i)	-	-	-	232	-	232
At December 31, 2022	91,649	117,987	11	1,248	7,370	218,265
Equity in the earnings of subsidiaries	(18,090)	25,828	(3)	(201)	264	7,798
Dividends	-	(28,030)	-	-	-	(28,030)
Capital contribution (ii)	-	16,743	-	232	2,500	19,475
Advance for future capital increase (i)	-	-	-	(232)	-	(232)
At December 31, 2023	73,559	132,528	8	1,047	10,134	217,276

	Habitassul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Soluções para E-Commerce	Irani Ventures
At December 31, 2023					
Current					
Assets	2,704	26,422	8	1,047	5,957
Liabilities	(1,763)	(479)	-	-	(37)
Current, net	941	25,943	8	1,047	5,920
Non-current					
Assets	76,651	109,441	-	-	4,214
Liabilities	(4,033)	(2,856)	-	-	-
Non-current, net	72,618	106,585	-	-	4,214
Equity	73,559	132,528	8	1,047	10,134
Net revenue	16,920	14,633	-	42	-
Profit (loss) before income tax and social contribution	(17,548)	27,496	(3)	(201)	363
Income tax and social contribution expense	(542)	(1,668)	-	-	(99)
Profit for the year	(18,090)	25,828	(3)	(201)	264
Ownership interest - %	100.00	100.00	100.00	100.00	100.00

(i) On February 16, 2022, the Company made an advance for future capital increase in subsidiary Irani Soluções para E-commerce Ltda. in the amount of R\$ 232, which was capitalized in 2023.

(ii) In 2023, Iraflor Comércio de Madeiras Ltda. received a capital contribution from the parent company Irani Papel e Embalagem S.A. in the amount of R\$ 16,743 paid through the merger of forest assets (in 2022, R\$ 5,530 were contributed, also paid through the merger of forest assets).

On February 16, 2022, 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\$ 1,615, paid in cash.

On August 10, 2021, the Company's Board of Directors approved the organization of the company Irani Ventures Ltda., wholly-owned subsidiary of the Company, with the objective of investing in selected startups, 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 R\$ 5,000 on August 10, 2022 and the balance of R\$ 2,500 was paid in on February 28, 2023.

b) Other investments

These refer to equity securities designated at cost related to a loan granted by the subsidiary Irani Ventures Ltda. to Trashin Gestão e Coleta de Recicláveis S.A., GrowPack Bio LLC. and Mush MT Ltda., as a loan convertible into ownership interest in the amount of R\$ 4,184.

The Company intends to hold this investment in the long term, in line with its thesis of investment in startups.



13. INVESTMENT PROPERTIES

Parent company and Consolidated

	Land	Buildings	Total
At December 31, 2022			
Opening balance	18,686	2,681	21,367
Write-offs/Disposals	(162)	(2,564)	(2,726)
Depreciation	-	(117)	(117)
Net book value	<u>18,524</u>	<u>-</u>	<u>18,524</u>
Cost	18,524	-	21,337
Accumulated depreciation	-	-	(2,813)
Net book value	<u>18,524</u>	<u>-</u>	<u>18,524</u>
At December 31, 2023			
Opening balance	18,524	-	18,524
Write-offs/Disposals	(34)	-	(34)
Impairment	(16,058)	-	(16,058)
Net book value	<u>2,432</u>	<u>-</u>	<u>2,432</u>
Cost	2,432	-	5,245
Accumulated depreciation	-	-	(2,813)
Net book value	<u>2,432</u>	<u>-</u>	<u>2,432</u>

Land

Refers to:

- i) The Company held land for future use or realization, located in the state of Rio Grande do Sul, and recognized at the acquisition cost of R\$ 16,058. The areas were contributed to the Company, together with the acquisition of São Roberto S.A., and were subject to a study for realization by use or sale. Upon completion of the studies, the Company concluded that the use of the land was unfeasible and recognized an impairment in the amount of R\$ 16,058. The effect on the statement of income is shown in note 26.
- ii) Land received by the Company in exchange for receivables from customers in the amount of R\$ 2,432. The investment property was assessed at December 31, 2023 at historical cost, the property was assessed by independent appraisers at its fair value less costs to sell, in the amount of R\$ 2,565. The fair value hierarchy for valuations is level 2.

14. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

Parent company

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Leasehold improvements	Total
At December 31, 2022								
Opening balance	120,685	127,628	309,245	2,801	6,346	367,512	7,651	941,868
Purchases	-	5,114	59,823	4,518	2,540	431,686	-	503,681
Write-offs/Disposals	(200)	-	(595)	-	(36)	-	(5)	(836)
Reversal of impairment	-	-	3,151	219	504	-	-	3,874
Transfers	-	25,518	92,539	(5)	486	(118,538)	-	-
Depreciation	-	(6,284)	(45,653)	(1,178)	(2,220)	-	(1,109)	(56,444)
PIS and COFINS credits	-	2	61	-	1	103	-	167
Held for sale	-	-	(2,562)	-	-	-	-	(2,562)
Net book value	120,485	151,978	416,009	6,355	7,621	680,763	6,537	1,389,748
Cost	120,485	239,938	1,136,004	16,696	29,860	680,763	16,094	2,239,840
Accumulated depreciation	-	(87,960)	(719,995)	(10,341)	(22,239)	-	(9,557)	(850,092)
Net book value	120,485	151,978	416,009	6,355	7,621	680,763	6,537	1,389,748
At December 31, 2023								
Opening balance	120,485	151,978	416,009	6,355	7,621	680,763	6,537	1,389,748
Purchases	9	24,925	217,974	1,996	4,103	15,407	-	264,414
Write-offs/Disposals	(165)	-	(154)	(29)	(12)	(10)	-	(370)
Transfers	-	79,070	436,305	-	4,127	(519,502)	-	-
Depreciation	-	(8,297)	(63,499)	(1,718)	(2,729)	-	(1,108)	(77,351)
Net book value	120,329	247,676	1,006,635	6,604	13,110	176,658	5,429	1,576,441
Cost	120,329	343,933	1,790,129	18,663	38,078	176,658	16,094	2,503,884
Accumulated depreciation	-	(96,257)	(783,494)	(12,059)	(24,968)	-	(10,665)	(927,443)
Net book value	120,329	247,676	1,006,635	6,604	13,110	176,658	5,429	1,576,441

Consolidated

	Land	Buildings and constructions	Equipment and facilities	Vehicles and tractors	Other PP&E (*)	Construction in progress	Leasehold improvements	Total
At December 31, 2022								
Opening balance	136,869	128,261	309,314	3,301	6,371	368,289	7,651	960,056
Purchases	-	5,190	59,858	4,518	2,552	431,793	-	503,911
Write-offs/Disposals	(200)	-	(595)	-	(37)	-	(5)	(837)
Reversal of impairment	-	-	3,151	219	504	-	-	3,874
Transfers	-	26,026	92,809	(5)	505	(119,335)	-	-
Depreciation	-	(6,451)	(45,704)	(1,311)	(2,233)	-	(1,109)	(56,808)
PIS and COFINS credits	-	2	61	-	1	103	-	167
Held for sale	-	-	(2,562)	-	-	-	-	(2,562)
Net book value	136,669	153,028	416,332	6,722	7,663	680,850	6,537	1,407,801
Cost	136,669	244,948	1,136,584	18,059	30,407	680,850	16,094	2,263,611
Accumulated depreciation	-	(91,920)	(720,252)	(11,337)	(22,744)	-	(9,557)	(855,810)
Net book value	136,669	153,028	416,332	6,722	7,663	680,850	6,537	1,407,801
At December 31, 2023								
Opening balance	136,669	153,028	416,332	6,722	7,663	680,850	6,537	1,407,801
Purchases	9	24,928	218,136	2,594	4,113	16,137	-	265,917
Write-offs/Disposals	(165)	-	(154)	(29)	(29)	(10)	-	(387)
Impairment	(934)	-	-	-	-	-	-	(934)
Transfers	-	79,126	436,305	-	4,127	(519,558)	-	-
Depreciation	-	(8,469)	(63,593)	(1,872)	(2,738)	-	(1,108)	(77,780)
Net book value	135,579	248,613	1,007,026	7,415	13,136	177,419	5,429	1,594,617
Cost	135,579	349,002	1,790,871	20,624	38,618	177,419	16,094	2,528,207
Accumulated depreciation	-	(100,389)	(783,845)	(13,209)	(25,482)	-	(10,665)	(933,590)
Net book value	135,579	248,613	1,007,026	7,415	13,136	177,419	5,429	1,594,617

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

b) Breakdown of intangible assets

Parent company	Goodwill	Software	Development of software	Total
At December 31, 2022				
Opening balance	104,380	31,959	-	136,339
Purchases	-	872	1,849	2,721
Write-offs/Disposals	-	(3)	-	(3)
Reversal of impairment	-	19	-	19
Transfers	-	1,849	(1,849)	-
Amortization	-	(5,039)	-	(5,039)
Net book value	104,380	29,657	-	134,037
Cost	104,380	57,083	-	161,463
Accumulated amortization	-	(27,426)	-	(27,426)
Net book value	104,380	29,657	-	134,037
At December 31, 2023				
Opening balance	104,380	29,657	-	134,037
Purchases	-	3,118	8,558	11,676
Transfers	-	8,558	(8,558)	-
Amortization	-	(6,533)	-	(6,533)
Net book value	104,380	34,800	-	139,180
Cost	104,380	68,759	-	173,139
Accumulated amortization	-	(33,959)	-	(33,959)
Net book value	104,380	34,800	-	139,180
Consolidated				
	Goodwill	Software	Development of software	Total
At December 31, 2022				
Opening balance	104,380	31,959	-	136,339
Purchases	-	872	1,849	2,721
Write-offs/Disposals	-	(3)	-	(3)
Reversal of impairment	-	19	-	19
Transfers	-	1,849	(1,849)	-
Amortization	-	(5,039)	-	(5,039)
Net book value	104,380	29,657	-	134,037
Cost	104,380	57,091	-	161,471
Accumulated amortization	-	(27,434)	-	(27,434)
Net book value	104,380	29,657	-	134,037
At December 31, 2023				
Opening balance	104,380	29,657	-	134,037
Purchases	-	3,118	8,558	11,676
Transfers	-	8,558	(8,558)	-
Amortization	-	(6,533)	-	(6,533)
Net book value	104,380	34,800	-	139,180
Cost	104,380	68,767	-	173,147
Accumulated amortization	-	(33,967)	-	(33,967)
Net book value	104,380	34,800	-	139,180

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 %	
	12/31/2023	12/31/2022
Buildings and constructions *	3.23	2.90
Equipment and facilities	6.26	7.11
Furniture, fixtures and IT equipment	13.42	15.17
Vehicles and tractors	17.11	18.26
Software	11.42	10.84

* including weighted rates for leased improvements

d) Other information

The assets under construction refer to the projects for improvement and maintenance of existing fixed assets, adding value to the assets to maintain the Company's production process, and the execution of the investments of Gaia Platform.

The Gaia Platform consists of the company's portfolio of expansion projects to increase competitiveness, production capacity and energy sufficiency. It is made up of ten specific projects called Gaia I to Gaia X, of which the Gaia I - Chemicals and Utilities Recovery Expansion, Gaia II - SC Packaging Expansion, Gaia III - MP#2 Reform and Gaia VIII - New Die-Cutting Printer have already been finalised and are in operation, others are in the process of being finalised and others are still in the budgeting and necessary licensing phase.

During 2023, interest on financing in the amount of R\$ 24,349 (R\$ 28,564 in 2022) and debt costs in the amount of R\$ 5,084 (R\$ 10,482 in 2022) 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.

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% per annum. The property is owned by the companies MCFD - Administração de Imóveis Ltda. and PFC – Administração de Imóveis Ltda., and the cost of the renovation was fully absorbed by Irani Papel e Embalagem S.A.

The property described in the previous paragraph is the subject of a lease contract, as mentioned in Note 20.

The breakdown of the depreciation of property, plant and equipment in 2023 and 2022 is as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Administrative	1,846	1,179	2,042	1,350
Productive	75,505	55,265	75,738	55,459
	77,351	56,444	77,780	56,809

The breakdown of the amortization of intangible assets in 2023 and 2022 is as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Administrative	2,585	1,412	2,585	1,412
Productive	3,948	3,627	3,948	3,627
	6,533	5,039	6,533	5,039

e) Impairment losses on property, plant and equipment

During 2023, amounts related to impairment of property, plant and equipment of R\$ 934 were identified and recognized.

f) Assets pledged as collateral

The Company has property, plant and equipment pledged as collateral for financial transactions, which are presented in detail 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:

At December 31, 2023, the Company assessed the impairment of the goodwill based on its value in use, using the discounted cash flow method. The recoverable amount 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 weight of financing, including debt and equity components, which are used by the Company to finance its activities.

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

	<u>Assumptions</u>
Average sales prices (% of annual growth rate)	4.0%
Gross margin (% on net revenue)	34.8%
Estimated growth rate	5.0%
Pre-tax discount rate (Wacc)	12.50%

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 operations in the Sustainable Packaging Paper segment (Paper) as a CGU for impairment testing purposes. The operations acquired in a business combination from São Roberto S.A. in 2013 were substantially from this segment, and were added to the Company's existing activities.

The Company carried out a sensitivity analysis of discount and growth rates. Even considering an increase or decrease, respectively, of 3.0% in the discount rate and of 2.0% 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 Company's biological assets 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 fair value adjustment on formation cost. Consequently, the balance of biological assets as a whole is recorded at fair value as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Cost of development of biological assets	71,312	61,669	106,840	95,829
Fair value adjustment of biological assets	178,667	134,289	310,746	247,898
	<u>249,979</u>	<u>195,958</u>	<u>417,586</u>	<u>343,727</u>

Of the total consolidated biological assets, R\$ 359,419 (R\$ 276,450 at December 31, 2022) 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\$ 331,644 (R\$ 238,882 at December 31, 2022) 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 to produce resins and sales of logs total R\$ 58,167 (R\$ 67,277 at December 31, 2022) and are located on the coast of Rio Grande do Sul. The resin is extracted according to the capacity of production of this product by the existing forest, and the timber is extracted for sale from logs according to the demand for supply in the region.

a) Assumptions for recognizing fair value less selling costs of biological assets.

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, which 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 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 (AAI). 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) The opportunity cost of the land (Lease) is calculated considering the cost of land availability, in accordance with international accounting practices. The average, in real terms, of the cost of lease for the last three years is considered, which is deducted from the forest as "Remuneration of own contributing assets (Lease)" in the percentages informed below for assets in SC and RS. The value of the land used as a basis for the lease, according to the Appraisal Report contracted by the Company for the appraisal of the Biological Assets, was R\$ 734,377 at December 31, 2023

(R\$650,242 on 31 December 2022), as it captures the current value of the land on the market. The book value of the land is R\$ 135,579, as mentioned in Note 14.

- vi) Planting expenditures used are the formation costs of biological assets practiced by the Company;
- vii) The depletion of biological assets is calculated based on the average fair value of biological assets, multiplied by the volume harvested in the period;
- viii) 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 on the fair value of biological assets
	12/31/2023	12/31/2022	
Planted area (hectare)	15,779	15,184	If the assumption increases, the fair value increases
Remuneration of own contributing assets SC - %	3.11%	3.11%	If the assumption increases, the fair value decreases
Remuneration of own contributing assets RS - %	4.00%	4.00%	If the assumption increases, the fair value decreases
Discount rate - Own Forests SC - %	8.00%	7.50%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	8.50%	8.00%	If the assumption increases, the fair value decreases
Discount rate - Partnerships - %	9.00%	8.50%	If the assumption increases, the fair value decreases
Net average sales price (m ³)	129.70	107.00	If the assumption increases, the fair value increases
Average annual increment (IMA) - Santa Catarina Forests (*)	39.4	38.4	If the assumption increases, the fair value increases
Average annual increment (IMA) - Rio Grande do Sul Forests (*)	21.5	21.5	If the assumption increases, the fair value increases

* The Average Annual Increase (AAI) 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 AAI 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 year's main movements are shown below:

	<u>Parent company</u>	<u>Consolidated</u>
Balance at 12/31/2021	109,798	219,056
Planting	7,647	11,258
Acquisition of forest	6,931	6,931
Depletion		
Historical cost	(2,505)	(8,330)
Fair value	(2,813)	(24,191)
Transfer to capitalization in subsidiary Iraflor	(5,530)	-
Changes in the fair value	82,430	139,003
Balance at 12/31/2022	195,958	343,727
Planting	9,403	12,384
Acquisition of forest	7,616	7,616
Depletion		
Historical cost	(5,333)	(8,989)
Fair value	(3,501)	(8,772)
Transfer to capitalization in subsidiary Iraflor	(16,743)	-
Changes in the fair value	62,579	71,620
Balance at 12/31/2023	249,979	417,586

Depletion of biological assets in 2023 and 2022 was recognized in profit (loss) for the respective years, after the allocation in inventories through forest harvesting and use in production process or sale to third parties.

In 2023, the contribution of new biological assets to the subsidiary Iraflor Comércio de Madeiras Ltda., amounting to R\$ 16,743 (R\$ 5,530 in 2022), was authorized and had the ultimate purpose of improving the management of forestry assets.

b) 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 effective until all forests planted in these areas are harvested, over a cycle of up to 15 years. The amount of biological assets on third-party land is approximately 1.4 thousand hectares and currently represents approximately 9.1% of the total area with the Company's biological assets. The lease liabilities are presented in Note 32.

16. BORROWINGS

a) Breakdown of book balances

	Annual charges %	Currency	Parent company		Consolidated	
			12/31/2023	12/31/2022	12/31/2023	12/31/2022
Current						
Local currency						
Finame	Fixed at 4.57%, Selic + 3.70%, IPCA + 5.77%	Real	8,094	7,235	8,094	7,235
Working capital	CDI + 1.82%	Real	6,201	-	6,201	-
Total local currency			14,295	7,235	14,295	7,235
Foreign currency						
Advance on exchange contract	Fixed at 6.85%	Dollar	7,276	40,298	7,276	40,298
Total foreign currency			7,276	40,298	7,276	40,298
Total current			21,571	47,533	21,571	47,533
Non-current						
Local currency						
Finame	Fixed at 4.57%, Selic + 3.70%, IPCA + 5.77%	Real	483,856	412,672	483,856	412,672
Working capital	CDI + 1.82%	Real	308,270	-	308,270	-
Total local currency			792,126	412,672	792,126	412,672
Total non-current			792,126	412,672	792,126	412,672
Total			813,697	460,205	813,697	460,205
			Parent company		Consolidated	
			12/31/2023	12/31/2022	12/31/2023	12/31/2022
Long-term maturities:						
2024			-	57	-	57
2025			76,824	18,194	76,824	18,194
2026			115,994	31,740	115,994	31,740
2027			116,553	31,739	116,553	31,739
2028 onwards			482,755	330,942	482,755	330,942
			792,126	412,672	792,126	412,672

b) Significant transactions in the year

BNDES FINAME DIRETO

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 term for use is two (2) years and can be extended for another year.

The operation has a total term of 16 years: 3 years are the 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 + 5.77% p.a.

The inflow of funds occurred in three releases, linked to the acquisitions and payment for the Gaia Platform equipment, the first during the 4th quarter of 2021 in the amount of R\$ 236,517, the second during the 2nd quarter of 2022 in the amount of R\$ 176,099, and the third and last during the 1st quarter of 2023 in the amount of R\$ 71,384.

Working capital

According to a [Material Fact dated August 31, 2023](#), in line with the Company's liability management strategy, R\$ 300,000 was raised in bilateral operations with banks, as follows:

- Banco Itaú - Export Credit Note (NCE), approved at a meeting of the Board of Directors on August 30, 2023.
 - a) Amount of principal: R\$ 100,000;
 - b) Interest Rate: 100% of the compound CDI with a fixed rate of 1.85000% p.a. The Interest will be paid semiannually as of the issuance of the note;
 - c) Term: 5 years with a 3-year grace period and payment of principal in the 3rd, 4th and 5th year;
 - d) Financial Covenant - Net Debt/Adjusted EBITDA equal to or less than 4.0x, measured annually;
 - e) No guarantees (Clean).

- Banco Santander - Agribusiness Credit Rights Certificate (CDCA), approved at a [meeting of the Board of Directors on August 30, 2023](#).
 - a) Amount of principal: R\$ 80,000;
 - b) Interest Rate: 100% of the compound CDI with a fixed rate of 1.83% p.a. Interest will be paid on the same payment dates as the principal;
 - c) Term: 5 years with 18 months grace period and payment of principal in the 18th, 30th, 42nd, 54th and 60th months;
 - d) Financial Covenant - Net Debt/Adjusted EBITDA equal to or less than 4.0x, measured annually;
 - e) No guarantees (Clean).

- Banco Safra - Bank Credit Note (CCB), [approved at a meeting of the Board of Directors on August 30, 2023](#).
 - a) Amount of principal: R\$ 120,000;
 - b) Interest Rate: 100% of the compound CDI with a fixed rate of 1.78% p.a. Interest will be paid semiannually as of the issuance of the CCB;
 - c) Term: 5 years with an 18-month grace period and semiannual payment of principal after the grace period;
 - d) Financial Covenant - Net Debt/Adjusted EBITDA equal to or less than 4.0x, measured annually;
 - e) No guarantees (Clean).

The amounts raised, added to the available cash, were used in August 2023 to fully settle the 3rd Debenture Issue, as mentioned in Note 17.

c) Guarantees

The Company maintains as collateral for the borrowing operations the lien of machinery and equipment.

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

Borrowings were contracted in accordance with the Company's Financial Management Policy.

d) Covenants

Financial ratio with annual measurement.

i) Net debt-to-EBITDA - less than or equal:

Banco Itaú - NCE			Banco Santander - CDCA			Banco Safra - CCB		
Year	Contracted	Calculated	Year	Contracted	Calculated	Year	Contracted	Calculated
2023	4.00	2.07	2023	4.00	2.07	2023	4.00	2.07
2024	4.00	-	2024	4.00	-	2024	4.00	-
2025	4.00	-	2025	4.00	-	2025	4.00	-
2026	4.00	-	2026	4.00	-	2026	4.00	-
2027	4.00	-	2027	4.00	-	2027	4.00	-

17. DEBENTURES

a) 3rd issue of simple public debentures

According to the [Board of Directors' Meeting](#) and [Material Fact](#) of August 16, 2023 and [Notice to the Market](#) of August 31, 2023, in line with the Company's liability management strategy, an Optional Total Early Redemption of the balance of the 3rd Issue of Debentures was carried out, equivalent to the amount of R\$ 347,182, with the consequent cancellation of such Debentures.

The Optional Total Early Redemption was disclosed through a Notice to Debenture Holders published in accordance with Article 289 of the Brazilian Corporate Law on August 17, 2023, in the newspaper Comércio de Porto Alegre - RS and in the newspaper Valor Econômico, and in a communication sent to the Trustee of the Debentures, in accordance with Clauses 4.11.1 and 4.18 of the Debenture Issue Deed. The amount paid by the Company corresponded to (i) the balance of the Unit Par Value of the Debentures; (ii) the Remuneration calculated pro rata temporis from the immediately previous Remuneration Payment Date, until the date of actual payment; (iii) flat premium, on the amount subject to Redemption, corresponding to 1.00%, calculated according to Clause 4.11, of the Issuance Deed.

The 3rd Issue of Debentures originally had a final maturity on July 19, 2025 and amortization in 3 annual installments starting on July 19, 2023, and the first annual installment was settled on that date.

b) 4th Issue of simple private debentures

According to the [Minutes of the Board Meeting held on March 2, 2021](#), the 4th Issue of Simple Debentures, not convertible into shares, in a single series, of the type with real guarantee for private placement and a par value of R\$ 1.00 was approved, totaling R\$ 60,000 on the date of issue (March 3, 2021). The debentures

have final maturity on December 15, 2029 and will be amortized in 8 semi-annual installments as of June 15, 2026.

The funds obtained by the Company with the Issue were used to make investments to achieve its corporate purpose in the normal course of its business, for which the Company has or will have, in accordance with the rules currently in force, a license and/or authorization valid, in effect 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 Issue of Simple Private Debentures from IPCA + 5.5% per annum to CDI + 0.71% per annum, pursuant to Note 18.

c) 5th Issue of simple private debentures (CRA - Agribusiness Receivables Certificates)

According to the [Board of Directors' Meeting held on August 10, 2022](#) ratified by the [Board of Directors' Meeting held on September 8, 2022](#), [Material Fact of August 11, 2022](#) and [Notice to the Market of October 18, 2022](#), on October 17, 2022 the Company concluded the 5th issue of 720,000 simple debentures, non-convertible into shares, unsecured, in two series, for private placement, with a unit par value of R\$ 1.00, totaling, on the date of issue, the amount of R\$ 720,000, of which:

- (i) 486,307 1st Series Debentures, corresponding to the amount of R\$ 486,307, remunerated at CDI + 1.40% p.a. on a semiannual basis and amortized in a single installment due on the maturity date, August 12, 2027.
- (ii) 233,693 2nd Series Debentures, corresponding to the amount of R\$ 233,693, remunerated at CDI + 1.75% p.a. on a semiannual basis and amortized in two equal installments, on August 11, 2028 and on the maturity date on August 13, 2029.

The Debentures do not have any real or personal guarantee, or any segregation of the Company's assets as collateral, and were linked to a securitization operation, serving as ballast for the issue and public distribution, in accordance with CVM Instruction 400, of Agribusiness Receivables Certificates (CRAs) of the 1st and 2nd series of the 194th Issue of Eco Securitizadora de Direito Creditórios do Agronegócio S.A.

The issue of CRAs [has a brAA rating assigned by S&P Global Ratings](#). The Debentures and, consequently, the CRAs were characterized as "Green Debentures" and "Green CRA" (Green Bonds), respectively, based on the [Second Opinion](#) issued by the specialized advisory firm NINT – Natural Intelligence Ltda.

The net funds obtained by the Company with the Issue will be used exclusively in its agribusiness activities, in forestry and agriculture, in particular through the use of resources in investments, costs and expenses related to forestation, reforestation, acquisition of pesticides, fertilizers, wood, forest

management and harvesting services and byproducts such as resins and integrated logistics for transport, storage, debarking and wood chipping.

d) Breakdown of book balances

Current	Issue	Annual charges %	Parent company and Consolidated	
			12/31/2023	12/31/2022
In local currency				
3 rd issue of debentures	07/19/2019	CDI + 4.50% a.a.	-	206,333
4 th issue of debentures	03/03/2021	IPCA 5.50% p.a.	72	112
5 rd issue of debentures	08/15/2022	CDI + 1.51% a.a.	34,188	19,617
Total current			34,260	226,062
Non-current				
In local currency				
3 rd issue of debentures	07/19/2019	CDI + 4.50% a.a.	-	334,246
4 th issue of debentures	03/03/2021	IPCA 5.50% p.a.	71,420	68,104
5 rd issue of debentures	08/15/2022	CDI + 1.51% a.a.	706,776	703,558
Total non-current			778,196	1,105,908
			812,456	1,331,970

Long-term maturities:	Parent company and Consolidated	
	12/31/2023	12/31/2022
2024	-	167,123
2025	-	167,123
2026	17,855	17,026
2027	495,230	492,228
2028 onwards	265,111	262,408
	778,196	1,105,908

e) Schedule for amortization of funding costs

	Issue						Total
		2024	2025	2026	2027	2028 onwards	
In local currency							
4 th issue of debentures	03/03/2021	80	101	87	49	48	365
5 rd issue of debentures	08/15/2022	3,219	3,737	4,351	3,530	1,605	16,442
Total local currency		3,299	3,838	4,438	3,579	1,653	16,807

f) Guarantees

i) 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.

g) Covenants

Financial ratios with annual measurement.

i) Net debt-to-EBITDA ratio, less than or equal:

4 th issue of debentures			5 rd issue of debentures		
Year	Contracted	Calculated	Year	Contracted	Calculated
2021	3.50	0.78	2022	3.50	1.38
2022	3.50	1.38	2023	4.00	2.07
2023	3.50	2.07	2024	4.00	-
2024	3.50	-	2025	4.00	-
2025	3.50	-	2026	4.00	-
2026	3.50	-	2027	4.00	-
2027	3.50	-	2028	4.00	-
2028	3.50	-			

ii) EBITDA-to-net finance costs ratio, less than or equal:

4 th issue of debentures		
Year	Contracted	Calculated
2021	2.00	11.24
2022	2.00	9.21
2023	2.00	10.92
2024	2.00	-
2025	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. With this scenario of rising future interest rates in the market, a window of opportunity emerged to convert the interest rate of the 4th Issue of Debentures whose amount on the date of issue was R\$ 60,000 plus IPCA + 5.50% p.a. to CDI + 0.71% p.a. The swap contract was approved by the [Company's Board of Directors](#), as required by the Financial Management Policy.

It is worth highlighting that the effect of said recognition will be diluted over the lifetime 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.

Specific characteristics at December 31, 2023 and changes in this swap operation in 2023 are as follows:

Aging of trade receivables	Asset position	Liability position	Notional	Fair value - asset position	Fair value - liability position	Gain
December 15, 2029	IPCA+ 5.50%	CDI+ 0.71%	66,225	68,284	60,796	7,488

Changes in the derivative financial instruments - swap:

Parent company and Consolidated

	Asset position	Liability position
At December 31, 2021	-	419
Losses in the year (recognized in profit (loss))	(3,314)	-
Effect of settlement	4,361	(419)
At December 31, 2022	1,047	-
Gains in the year (recognized in profit (loss))	1,612	-
Effect of settlement	4,829	-
At December 31, 2023	7,488	-
Current	936	-
Non-current	6,552	-

19. TRADE PAYABLES

Trade payables consist of obligations to suppliers, as follows:

CURRENT	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Domestic	123,023	172,099	123,946	173,182
Foreign	2,423	2,131	2,423	2,131
Related parties	8,708	25,082	-	-
	134,154	199,312	126,369	175,313

At December 31, 2023 and 2022, the Company did not have forfeiting transactions with its suppliers.

20. RELATED PARTIES

Parent company	Receivables		Payables		Revenues		Expenses	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Habitasul Florestal S.A.	-	3	147	2,088	-	8	10,636	22,466
Iraflor - Com. de Madeiras Ltda.	-	-	8,561	23,024	-	-	12,568	25,245
Irani Soluções para E-Commerce Ltda.	-	-	-	-	4	48	7	-
Companhia Habitasul de Participações	215	259	-	-	2,683	2,997	-	-
MCFD Administração de Imóveis Ltda.	-	-	-	-	-	-	2,292	2,172
PFD Administração de Imóveis Ltda.	-	-	-	-	-	-	2,292	2,172
Management and Statutory Audit Board compensation	-	-	2,711	3,341	-	-	16,681	15,452
Management profit sharing	-	-	19,902	14,549	-	-	16,468	15,452
Long-term profit sharing - Upside	-	-	11,114	10,776	-	-	-	-
Total	215	262	42,435	53,778	2,687	3,053	60,944	82,959
Current	215	262	26,308	39,229	-	-	-	-
Non-current	-	-	16,127	14,549	-	-	-	-

Consolidated	Receivables		Payables		Revenues		Expenses	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Companhia Habitasul de Participações	215	259	-	-	2,683	2,997	-	-
MCFD Administração de Imóveis Ltda.	-	-	-	-	-	-	2,292	2,172
PFD Administração de Imóveis Ltda.	-	-	-	-	-	-	2,292	2,172
Management and Statutory Audit Board compensation	-	-	2,711	3,341	-	-	16,733	15,513
Management profit sharing	-	-	19,902	14,549	-	-	16,468	15,452
Long-term profit sharing - Upside	-	-	11,114	10,776	-	-	-	-
Total	215	259	33,727	28,666	2,683	2,997	37,785	35,309
Current	215	259	13,825	14,117	-	-	-	-
Non-current	-	-	19,902	14,549	-	-	-	-

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 accordance with the conditions set forth among the parties. Additionally, during this period, the parties signed a supply contract for the next 5 years with an estimated amount of R\$ 96,000 and a price per ton that may change taking into account the market price of the products in the state of Santa Catarina. Said operations were [approved by the Company's Board of Directors](#), as provided for in the Related Party Transactions policy.

The amount receivable from Companhia Habitasul 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.

The debt with MCFD Administração de Imóveis Ltda. and PFD Administração de Imóveis Ltda. corresponds to the monthly rental value of the Packaging plant in Indaiatuba, state of São Paulo, signed on December 26, 2006, under market conditions for a term of 20 years (renewable). The monthly amount paid to each of the related parties is R\$ 210 as of January 2023. 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 mentioned in Note 32. This operation was [approved by the Company's Board of Directors](#), as provided for in the Related Party Transactions policy.

The expenses with the compensation of management and statutory audit board, without social charges and including benefits, totaled R\$ 16,681 in the parent company in 2023 (R\$ 15,452 in 2022) and R\$ 16,733 in the consolidated in 2023 (R\$ 15,513 in 2022). The total compensation of management and statutory audit board proposed, in the maximum amount of R\$ 20,000, was approved at the Annual General Meeting held on April 24, 2023.

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 profit, or their annual compensation, if this limit is lower.

The compensation of management and statutory audit board in the amount of R\$ 2,711 in 2023 (R\$ 3,341 in 2022) refers to the bonus payable under the short-term incentive program.

The sharing in the Long-Term Results - Upside refers to the allocation for payment of a portion of the Management profit sharing, with a ceiling that will be equivalent to the monthly compensation of each officer in December of the year immediately prior to the year of the actual payment, multiplied by 21, to be distributed to those participating in the program, as [approved by the Company's Board of Directors on August 4, 2022](#). This is not a Stock Option plan.

21. TAXES IN INSTALLMENTS

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Current				
PIS Installment	-	710	-	710
COFINS installment payment	-	3,272	-	3,272
IPI installment payment	1,315	1,189	1,315	1,189
ICMS installment payment	1,203	770	1,203	770
INSS installment payment	827	-	827	-
ITR installment payment	1,251	-	1,251	-
	<u>4,596</u>	<u>5,941</u>	<u>4,596</u>	<u>5,941</u>
Non-current				
IPI installment payment	220	1,386	220	1,386
ICMS installment payment	1,734	1,125	1,734	1,125
INSS installment payment	1,362	-	1,362	-
	<u>3,316</u>	<u>2,511</u>	<u>3,316</u>	<u>2,511</u>
Total installment payments	<u>7,912</u>	<u>8,452</u>	<u>7,912</u>	<u>8,452</u>

IPI installment payment - Refers to the balance of IPI installment payment recognized in the first quarter of 2020. The total tax amount paid in installments was R\$ 3,548 (R\$ 4,864, updated with fine and interest).

ICMS installment payment - Refers to the balance of ICMS installment payment with the State of São Paulo recognized in the second quarter of 2020, in which the Company joined a plan for payment in 60 monthly installments of the ICMS debts due from March to May 2020. The total tax amount paid in installments was R\$ 3,174 (R\$ 3,371, updated with fine and interest).

Still in the fourth quarter of 2023, the Company joined a plan for payment in 60 monthly installments of the ICMS debts due from 01/2009 to 09/2013 in the total amount of R\$ 1,586 related to Tax Foreclosure 5000317-89.2023.8.24.0218.

INSS installment payment - In the first quarter of 2023, the Company joined a plan for payment in 40 monthly installments of the INSS debts related to Tax Foreclosure 5001087-12.2019.4.04.7203. The total provisioned debt amount according to Note 22 was R\$ 6,376, with a 61% reduction of R\$ 3,830, remaining the installment payment amount of R\$ 2,506.

ITR installment payment - In the fourth quarter of 2023, the Company joined a plan for payment in 14 monthly installments of the ITR debts of the year 2004 in the total amount of R\$ 1,277 related to Tax Foreclosure 5001704-40.2017.4.04.7203.

22. PROVISION FOR CIVIL, LABOR AND TAX RISKS

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

Breakdown of the balance of the provision:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Provision for civil risks	3,022	2,671	3,022	2,671
Provision for labor risks	5,958	5,027	6,175	5,196
Provision for tax risks	15,492	20,228	15,492	20,228
Total	24,472	27,926	24,689	28,095

Details about movements in provision:

Parent company	01/01/2022	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2022
Civil	2,742	207	(96)	(182)	-	2,671
Labor	4,795	1,534	(1,413)	(29)	140	5,027
Tax	11,926	10,452	-	(2,150)	-	20,228
	<u>19,463</u>	<u>12,193</u>	<u>(1,509)</u>	<u>(2,361)</u>	<u>140</u>	<u>27,926</u>
Parent company	01/01/2023	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2023
Civil	2,671	355	(4)	-	-	3,022
Labor	5,027	2,153	(1,058)	(15)	(149)	5,958
Tax	20,228	4,485	(475)	(8,746)	-	15,492
	<u>27,926</u>	<u>6,993</u>	<u>(1,537)</u>	<u>(8,761)</u>	<u>(149)</u>	<u>24,472</u>
Consolidated	01/01/2022	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2022
Civil	2,742	207	(96)	(182)	-	2,671
Labor	5,145	1,587	(1,426)	(250)	140	5,196
Tax	11,926	10,452	-	(2,150)	-	20,228
	<u>19,813</u>	<u>12,246</u>	<u>(1,522)</u>	<u>(2,582)</u>	<u>140</u>	<u>28,095</u>
Consolidated	01/01/2023	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2023
Civil	2,671	355	(4)	-	-	3,022
Labor	5,196	2,481	(1,132)	(221)	(149)	6,175
Tax	20,228	4,485	(475)	(8,746)	-	15,492
	<u>28,095</u>	<u>7,321</u>	<u>(1,611)</u>	<u>(8,967)</u>	<u>(149)</u>	<u>24,689</u>

The provision recorded is mainly related to:

- Civil lawsuits relate, among other matters, to compensation for losses and indemnification claims due to commercial representation contractual terminations. At December 31, 2023, the provision for possible convictions in these lawsuits totaled R\$ 3,022 in the consolidated.
- 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\$ 6,175 in the consolidated at December 31, 2023, which is considered sufficient to cover probable losses arising from labor losses.

- c) Tax provisions totaled R\$ 15,492 in the consolidated at December 31, 2023 and refer mainly to:
- i) Appropriation of Deemed ICMS Credit in the State of Minas Gerais, linked to the Protocol of Intentions for Investment in the Paper plant located in the Municipality of Santa Luzia, which were not started since the Company is awaiting authorization from the Environmental Bodies and for its strategic market reasons. The amount recognized up to December 31, 2023 totaled R\$ 9,753, and a related provision for tax risks was recorded, at the adjusted amount of R\$ 13,711.
 - ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R\$ 1,146. The proceedings are in process at the administrative and judicial levels and pending judgment.

In relation to Tax Foreclosure 5001087-12.2019.4.04.7203, whose purpose was to collect an overdue federal tax liability relating to the social contribution on the gross revenue from sales of the production of agro-industrial companies, from 01/2002 to 08/2003, provisioned in December 2022 in the amount of R\$ 6,376, in this period the amount was reversed because of the installment payment of said debt, as detailed in Note 21.

Contingencies

No accounting provisions were recorded for contingencies assessed by Management, together with its legal advisors as possible losses. At December 31, 2023 and 2022, the amounts of these possible contingencies of a labor, civil, and tax nature were as follows:

	Consolidated	
	12/31/2023	12/31/2022
Labor contingencies	21,380	25,396
Civil contingencies	8,211	9,816
Tax contingencies	144,651	145,260
	174,242	180,472

Labor contingencies:

The labor lawsuits assessed by Management and its legal advisors as involving possible losses totaled R\$ 21,380 at December 31, 2023 (R\$ 25,396 at December 31, 2022). Part of the amount refers mainly to labor claims arising from the closing of activities at the Vila Maria – SP unit (discontinued operation) in 2019, and mainly include causes of indemnity (hazardous work, unhealthy work, overtime, premiums, material damages resulting from occupational accidents and requests for a work relationship with Irani, by employees of service providers). These lawsuits are currently at different procedural stages.

Civil contingencies:

The civil lawsuits classified by Management and its legal advisors as involving risk of possible losses totaled R\$ 8,211 at December 31, 2023 (R\$ 9,816 at December 31, 2022), and relate mainly to indemnity claims that are currently at different procedural stages.

Tax contingencies:

The tax lawsuits assessed by Management and its legal advisors as involving possible losses totaled R\$ 144,651 at December 31, 2023 (R\$ 145,260 at December 31, 2022), and mainly include the following:

- Administrative and judicial proceedings relating to tax assessments notices received from the state government of Santa Catarina and of the State of São Paulo for allegedly undue ICMS tax credits recorded on the purchase of materials used in the manufacturing units located in those states, which amounted to R\$ 52,322 at December 31, 2023. The Company is discussing said tax assessment notices in the administrative and judicial spheres.
- Administrative Proceedings related to Tax Assessments for PIS and COFINS, arising from alleged undue tax credits, amounting to R\$ 45,873 at December 31, 2023. The Company has challenged these assessments in the administrative and judicial spheres and awaits the respective trials.
- Administrative and judicial proceedings relating to the collection of alleged INSS debits, regarding Tax Assessment Notices issued for the offset of these debits against credits from the same taxes, amounting to R\$ 9,333 at December 31, 2023. 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\$ 3,946 at December 31, 2023. The Company is challenging this tax assessment in the judicial sphere.
- 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\$ 3,650 at December 31, 2023. The Company is discussing said tax assessment notices in the administrative and judicial spheres.
- Tax assessment notice aimed to apply a fine related to the Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from the year 2015 to 2018, due to undue exclusions from the profit of each year. The Brazilian Revenue Service understood that the reductions, with an increase in tax loss, would have arisen from tax amortization of goodwill, with no legal backing.

This lawsuit is currently suspended because the Company has presented a respective administrative impugnation, which awaits trial. The amount of the tax assessment notice is R\$ 368. In the case of the Company not receiving a favorable decision, there will be additional effect of the reversal of tax loss by amortization of the goodwill used in the period, which results in a reduction of approximately R\$ 19,551 of income tax and social contribution asset on the amortized goodwill value.

Tax assets contingencies:

On June 19, 2023, a favorable final and unappealable court decision was issued recognizing the Company's right to the PIS and COFINS credits on the purchases of scraps, due to the unconstitutionality of art. 47 of Law 11,196/05, effective as from June 2010. The original amount of the credit recognized and authorized by the Brazilian Revenue Service was R\$ 223,433.

The effects of the recognition are shown in the table below:

	<u>Parent company and Consolidated</u>
Total PIS and COFINS credits on purchases of scraps	223,432
Principal	160,646
Indexation accruals	62,786
Fees	(17,933)
PIS and COFINS on indexation accruals	(3,065)
Current income tax and social contribution	7,140
Deferred income tax and social contribution	(54,620)
Effect on operating income (expenses), net	142,713
Effect on finance income (costs), net	59,721
Effect on current income tax and social contribution	7,140
Effect on deferred income tax and social contribution	(54,620)
Effect on profit for the year	154,954

The Company has already used a total of R\$ 81,853 in offsets, and the updated balance of such credit for future use until December 31, 2023 is R\$ 150,440. Applying the Provisional Measure - MP 1,202 of December 28, 2023 and Normative Ordinance 14 of January 5, 2024, the estimate of use of the total credit balance through offset is up to 20 months, depending on the amount of federal taxes determined as subject to offset.

STF decision on 'res judicata' in tax matters:

On February 8, 2023, the Plenary of the Federal Supreme Court (STF) unanimously decided, in Extraordinary Appeals 955,227 (Topic 885) and 949,297 (Topic 881) on the possibility of modifications to res judicata in tax matters.

After the analysis by the respective Law Firms of the tax lawsuits to which the Company is or was a party, both as plaintiff and as defendant, no situation was identified that could be affected by said decision.

23. EQUITY

a) Capital

The capital at December 31, 2023 is R\$ 566,895 (R\$ 566,895 at December 31, 2022), comprised at December 31, 2023 of 246,359,319 common shares with no par value (246,359,319 common shares with no par value at December 31, 2022).

The amount of capital, net of share issue costs of R\$ 22,961, is R\$ 543,934 at December 31, 2023 (R\$ 543,934 at December 31, 2022).

b) Shareholders' remuneration

i) Interim dividends

In accordance with the Company's Dividend Distribution and Payment of Interest on Capital Policy, which determines the quarterly distribution of the equivalent of 25% of the profit determined in the Financial Statements, calculated in accordance with articles 22 to 29 of the Company's Bylaws, the interim dividends for the 4th Quarter of 2023 to be approved by the Board of Directors will be R\$ 2,304.

The [Board of Directors approved, on November 3, 2023](#), "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the profit calculated in the third quarter of 2023, in the amount of R\$ 16,023, corresponding to R\$ 0.0668080574 per common share, to shareholders holding shares issued by the Company on November 8, 2023, paid on November 22, 2023. The Interim Dividends – 3rd Quarter of 2023 distributed will be allocated to the minimum mandatory dividend eventually declared by the Company's Annual General Meeting that approves the management accounts for the year 2023, as provided for in the aforementioned Article 29, heading, of the [Company's Bylaws](#).

The [Board of Directors approved, on August 2, 2023](#), "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the profit calculated in the second quarter of 2023, in the amount of R\$ 54,935, corresponding to R\$ 0.2290583978 per common share, to shareholders holding shares issued by the Company on August 7, 2023, paid on August 23, 2023. The Interim Dividends – 2nd Quarter of 2023 distributed will be allocated to the minimum mandatory dividend eventually declared by the Company's Annual General Meeting that approves the management accounts for the year 2023, as provided for in the aforementioned Article 29, heading, of the [Company's Bylaws](#).

The [Board of Directors approved, on May 3, 2023](#), "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the profit calculated in the first quarter of 2023, in the amount of R\$ 20,376, corresponding to R\$ 0.0843634412 per common share, to shareholders holding shares issued by the Company on May 8, 2023, paid on May 24, 2023. The Interim Dividends – 1st Quarter of 2023 distributed will be allocated to the minimum mandatory dividend eventually declared by the Company's Annual General Meeting that approves the

management accounts for the year 2023, as provided for in the aforementioned Article 29, heading, of the [Company's Bylaws](#).

The [Board of Directors approved, on March 1, 2023](#), "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the profit calculated in the fourth quarter of 2022, in the amount of R\$ 21,197, corresponding to R\$ 0.087216399 per common share, to shareholders holding shares issued by the Company on March 7, 2023, paid on March 22, 2023. The Interim Dividends – 4th Quarter of 2022 distributed were allocated to the minimum mandatory dividend eventually declared by the Company's Annual General Meeting that approved the management accounts for the year 2022, as provided for in the aforementioned Article 29, heading, of the [Company's Bylaws](#).

ii) Additional dividends proposed for 2022

The Annual and Extraordinary General Meeting approved, on April 24, 2023, the distribution of additional dividends on the profit calculated for the year 2022, in the amount of R\$ 93,203, corresponding to R\$ 0.385889841, per common share, paid on May 24, 2023.

c) Treasury shares

	Parent company			
	12/31/2023		12/31/2022	
	Quantity	Value	Quantity	Value
Share repurchase program 2022	6,529,400	53,616	1,487,700	11,642
	6,529,400	53,616	1,487,700	11,642

2022 share repurchase program: [The Company's Board of Directors approved the 2022 Share Repurchase Program on August 17, 2022](#), which came into effect on August 18, 2022 and ends on February 17, 2024, with an acquisition limit of up to 9,833,806 common shares, representing 10% of the total outstanding common shares issued by the Company, aiming to maximize the generation of value for shareholders through an efficient management of the Company's capital structure.

Changes in treasury shares are shown in the table below:

	Parent company					
	01/01/2023		Acquisitions		12/31/2023	
	Quantity	Value	Quantity	Value	Quantity	Value
Share repurchase program 2022	1,487,700	11,642	5,041,700	41,974	6,529,400	53,616
	1,487,700	11,642	5,041,700	41,974	6,529,400	53,616

d) Profit or loss for the year

In accordance with Article 202 of Law 6,404/1976, the shareholders have the right to minimum 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:

	12/31/2023	12/31/2022
Profit for the year	383,434	378,210
(-) Legal reserve	(19,172)	(18,910)
Realized revenue reserve – biological assets	1,237	4,567
Realization - deemed cost	9,053	8,947
Base profit for dividend distribution	<u>374,552</u>	<u>372,814</u>
Minimum mandatory dividend	<u>93,638</u>	<u>93,204</u>
Total dividends per common share (R\$ per share)	0.390435	0.380621
Dividends distributed	<u>91,334</u>	<u>72,007</u>
Balance of dividends payable	<u>2,304</u>	<u>21,197</u>
Balance of dividends payable per common share (R\$ per share)	0.009608	0.086562

Under the Company's Dividend Distribution and Interest on Capital Payment Policy, the dividends presented above are proposed by Management for the year ended December 31, 2023.

Additional dividends proposed for 2023 were not recognized as liabilities considering that they will be submitted to the Annual General Shareholders' Meeting for approval.

	12/31/2023	12/31/2022
Additional dividends proposed	<u>93,638</u>	<u>93,204</u>
Total additional dividends proposed per common share (R\$ per share)	0.390435	0.380621

e) Revenue reserves

Revenue reserves consist of: i) legal reserve, ii) biological assets reserve, iii) profit retention reserve, iv) tax incentive reserves.

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 Extraordinary General Meeting held on February 29, 2012, when the amount previously recognized in the unrealized profit reserve was transferred to this account.

iii) The profit retention reserve is composed of the balance of retained earnings after the offsetting of losses and the formation of the legal reserve, and net of the amount of dividends distributed. The respective resources will be allocated to investments in fixed assets previously approved by the Board of Directors, or may be distributed in the future, as approved by the General 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 for the modernization and expansion of paper production capacity in Minas Gerais and expansion of industrial unit located in Santa Catarina, and is excluded from the basis of mandatory dividend.

At the base date of these financial statements, revenue reserves exceed the amount of Share Capital by R\$ 63,064. The General Meeting that will analyze these financial statements must also analyze Management's proposal for distribution of additional dividends from these reserves, adjusting the balance of the revenue reserves in compliance with the aforementioned legal provision.

f) Carrying value adjustments

It was recorded since the Company valued its fixed assets (land, machinery and buildings) at deemed cost in the opening balance sheet for initial adoption of IFRS. Its realization will 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, 2023 corresponds to a credit balance of R\$ 127,812 (R\$ 136,865 at December 31, 2022).

Changes in carrying value adjustments are shown in the table below:

	<u>Consolidated</u>
At December 31, 2021	<u>145,812</u>
Annual realization – deemed cost	<u>(8,947)</u>
At December 31, 2022	<u>136,865</u>
Annual realization – deemed cost	<u>(9,053)</u>
At December 31, 2023	<u>127,812</u>

24. EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of shares available during the year. The shares are not subject to the effects of potential dilution, such as debt convertible into shares. Consequently, diluted earnings per share are equal to basic earnings per share.

a) Basic and diluted earnings:

	Parent company and Consolidated	
	12/31/2023	12/31/2022
	Common shares	Common shares
	(ON)	(ON)
Weighted average number of shares	241,072,377	248,046,161
Profit for the year attributable to each type of share	383,434	378,210
Basic and diluted earnings per share - R\$	1.5905	1.5248

25. NET SALES REVENUE

The Company's net revenue is as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Gross revenue from sales of products	2,040,972	2,137,095	2,049,073	2,145,908
Sales taxes	(430,575)	(435,456)	(431,053)	(435,997)
Sales returns	(23,753)	(23,120)	(23,775)	(23,245)
Net sales revenue	1,586,644	1,678,519	1,594,245	1,686,666

The Company's revenues are recognized when performance obligations are met, which generally occurs when products are delivered and the risk transferred to customers 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 30.

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

26. COSTS, EXPENSES AND OTHER REVENUE BY NATURE

The breakdown of expenses by nature is as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Change in fair value of biological assets				
Change in fair value of biological assets	62,579	82,430	71,620	139,003
	<u>62,579</u>	<u>82,430</u>	<u>71,620</u>	<u>139,003</u>
Cost of sales				
Fixed and variable costs (raw and consumable materials)	(651,528)	(746,799)	(638,922)	(701,944)
Costs of personnel	(197,653)	(173,668)	(205,347)	(186,620)
Services contracted	(26,393)	(28,507)	(27,589)	(29,479)
Depreciation, amortization and depletion	(98,054)	(71,992)	(107,409)	(99,554)
	<u>(973,628)</u>	<u>(1,020,966)</u>	<u>(979,267)</u>	<u>(1,017,597)</u>
Selling expenses				
Personnel expenses	(13,585)	(13,539)	(13,585)	(13,539)
Services contracted	(1,438)	(1,350)	(1,438)	(1,350)
Logistics expenses (freight)	(79,800)	(81,006)	(81,454)	(83,365)
Depreciation, amortization and depletion	(424)	(431)	(424)	(431)
Sales commissions	(14,712)	(16,286)	(14,712)	(16,286)
Other (i)	(18,915)	(18,314)	(19,082)	(18,902)
	<u>(128,874)</u>	<u>(130,926)</u>	<u>(130,695)</u>	<u>(133,873)</u>
Impairment of trade receivables				
Impairment of trade receivables	(653)	(523)	(653)	(512)
	<u>(653)</u>	<u>(523)</u>	<u>(653)</u>	<u>(512)</u>
General and administrative expenses				
Personnel expenses	(84,882)	(73,278)	(84,882)	(73,446)
Services contracted	(6,783)	(6,953)	(7,169)	(7,143)
Depreciation, amortization and depletion	(4,772)	(3,043)	(4,773)	(3,043)
Other (i)	(9,481)	(8,567)	(11,522)	(10,337)
	<u>(105,918)</u>	<u>(91,841)</u>	<u>(108,346)</u>	<u>(93,969)</u>
Other operating income (expenses), net				
Income from claimed and disposed goods	236	2,303	236	2,303
Income from sale of assets	3,963	4,718	3,993	4,718
Income from sale of carbon credit	-	1,375	-	1,375
Provision for government grants - State of MG	(709)	(1,165)	(9)	(1,165)
Reversal of INSS contingency - substitute contribution .	3,870	(6,376)	3,870	(6,376)
PIS and COFINS credit on depreciation	-	3,225	-	3,225
Income from sale of investment property	-	7,274	-	7,274
Effect of PIS and COFINS credits on purchases of scraps (ii)	142,713	-	142,713	-
Impairment of assets held for sale	(2,555)	-	(2,555)	-
Impairment of investment property (iii)	(16,058)	-	(16,058)	-
Provision for regularization of investment property (land) (iii)	(8,259)	-	(8,645)	-
Income from sale of property, plant and equipment	-	-	(934)	-
Other operating income (expenses), net (i)	(923)	4,207	(1,634)	4,243
	<u>122,278</u>	<u>15,561</u>	<u>120,977</u>	<u>15,597</u>
Management profit sharing				
Management profit sharing	(16,468)	(15,452)	(16,468)	(15,452)
	<u>(16,468)</u>	<u>(15,452)</u>	<u>(16,468)</u>	<u>(15,452)</u>

(i) Amounts comprising maintenance, insurance, bids, publications, consumables, indemnities, travel and lodging, export expenses, fairs and events, and transportation.

(ii) Refers to the principal amount of PIS and COFINS credits on the purchases of scraps, net of fees (Note 22).

(iii) Refer to impairment of land classified as investment property and regularization expenses totaling R\$ 24,703 in the consolidated.

27. FINANCE INCOME AND COSTS

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Finance income				
Income from financial investments	97,289	65,055	101,229	68,453
Interest	81,276	9,902	81,278	9,903
Discounts obtained	2,099	1,604	2,099	1,607
	<u>180,664</u>	<u>76,561</u>	<u>184,606</u>	<u>79,963</u>
Exchange-rate change				
Foreign exchange gains	8,507	22,862	8,507	22,862
Foreign exchange loss	(9,147)	(25,965)	(9,147)	(25,965)
Foreign exchange changes, net	<u>(640)</u>	<u>(3,103)</u>	<u>(640)</u>	<u>(3,103)</u>
Finance costs				
Interest	(215,538)	(127,060)	(215,544)	(127,069)
Discounts granted	(27)	(1,098)	(29)	(1,110)
Negative goodwill/bank expenses	(422)	(418)	(431)	(448)
Interest payable on leases	(2,715)	(2,331)	(2,715)	(2,331)
Derivative instruments - swap	1,612	(2,895)	1,612	(2,895)
Other	(12,379)	(4,482)	(12,433)	(4,510)
	<u>(229,469)</u>	<u>(138,284)</u>	<u>(229,540)</u>	<u>(138,363)</u>
Finance result, net	<u>(49,445)</u>	<u>(64,826)</u>	<u>(45,574)</u>	<u>(61,503)</u>

28. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of effective tax rate:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Operating profit before taxes	504,313	515,486	505,839	518,360
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(171,466)	(175,265)	(171,985)	(176,242)
Tax effect of permanent (additions)/exclusions:				
Equity in the earnings of subsidiaries	2,651	21,593	-	-
Non-deductible expenses	(873)	(831)	(873)	(525)
Formation (reversal) of tax incentives	-	(43)	-	(40)
Double deduction of PAT expenses	7,149	-	7,149	-
PIS and COFINS on depreciation	(262)	1,998	(262)	1,998
Indexation accruals of PIS and COFINS credits on purchases of scraps	24,604	-	24,604	-
Exclusion - impairment of discontinued operation	-	13,692	-	13,692
Benefits 80% of research and development expenditures	2,210	2,858	2,210	2,858
Government grant	15,243	-	15,243	-
Difference in taxation (subsidiaries)	-	-	1,125	18,719
Other permanent differences	(135)	(1,278)	384	(610)
	<u>(120,879)</u>	<u>(137,276)</u>	<u>(122,405)</u>	<u>(140,150)</u>
Current income tax and social contribution	(110,233)	(109,164)	(111,505)	(110,346)
Deferred income tax and social contribution	(10,646)	(28,112)	(10,900)	(29,804)
Effective rate - %	24.0	26.6	24.2	27.0

29. FINANCIAL INSTRUMENTS

Capital risk management

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

The Company's management periodically reviews its capital structure. As part of this review, Management considers the cost of capital and risks associated to each class of capital. Pursuant 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 at December 31, 2023 was 44% in own capital and 56% in third-party capital

Debt-to-equity ratio

At December 31, 2023 and 2022, the debt-to-equity ratio is as follows:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Debt (a)	1,626,153	1,792,175	1,626,153	1,792,175
Derivatives instruments - swap (a)	(7,488)	(1,047)	(7,488)	(1,047)
Cash and cash equivalents and financial investments	(575,879)	(1,016,776)	(600,981)	(1,049,208)
Net debt	1,042,786	774,352	1,017,684	741,920
Equity	1,279,704	1,125,085	1,279,704	1,125,085
Debt-to-equity ratio	0.81	0.69	0.80	0.66

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

Categories of financial instruments

The balances of financial assets and liabilities stated at amortized cost are assumed to approximate their fair values.

The derivative financial instrument – swap is classified with the level 2 valuation method defined as follows:

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

The specific valuation techniques used to assess the financial instruments classified as Level 2 include:

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The following table presents the Company's financial assets and liabilities at December 31, 2023.

	Note	Parent company		Consolidated	
		12/31/2023	12/31/2022	12/31/2023	12/31/2022
Financial assets					
Designated at fair value through profit or loss					
Derivative instruments - swap	18	7,488	1,047	7,488	1,047
Amortized cost					
Cash and banks	5	459,050	702,762	484,152	735,194
Financial investments	5	116,829	314,014	116,829	314,014
Trade receivables	6	263,584	259,199	264,582	259,456
Other receivables	9	3,555	29,204	3,810	29,409
Financial liabilities					
Amortized cost					
Borrowings	16	813,697	460,205	813,697	460,205
Debentures	17	812,456	1,331,970	812,456	1,331,970
Trade payables	19	134,154	199,312	126,369	175,313
Lease liabilities	32	24,226	20,687	24,226	20,687
Taxes in installments	21	7,912	8,452	7,912	8,452
Dividends payable		3,908	22,120	3,908	22,120
Other payables		30,905	11,529	31,153	11,692

Financial risk factors

The Company is exposed to several financial risks: market risk (including foreign exchange risk and interest rate), 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. At December 31, 2023 and 2022, these transactions presented a net exposure as shown in the table below:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Trade receivables	23,154	24,726	23,154	24,726
Advances from customers	(1,732)	(1,493)	(1,732)	(1,493)
Trade payables	(2,423)	(2,131)	(2,423)	(2,131)
Advances to suppliers	8,309	10,948	8,309	10,948
Borrowings	(7,276)	(40,298)	(7,276)	(40,298)
Net exposure	20,032	(8,248)	20,032	(8,248)

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 is considered reasonable for the business, taking into account the uncertainties of assumptions, 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 profit (loss) and equity, as described below:

1 – Base scenario: for the definition of the base scenario, the U.S. dollar quotation used by the Company is based on future market projections of B3 for the next reporting date (March 31, 2024).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for March 31, 2024.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for March 31, 2024.

Transaction	Balance at 12/31/2023		Base scenario		Adverse scenario		Remote scenario	
	USD	Rate	Gain (loss) R\$	Rate	Gain (loss) R\$	Rate	Gain (loss) R\$	
Assets								
Trade receivables and banks restricted account	4,783	4.90	262	6.12	6,117	7.34	11,972	
Advances to suppliers	1,716	4.90	94	6.12	2,194	7.34	4,295	
Liabilities								
Trade payables and advances from customers	(858)	4.90	(47)	6.12	(1,097)	7.34	(2,148)	
Borrowings	(1,503)	4.90	(82)	6.12	(1,922)	7.34	(3,762)	
Net effect			227		5,292		10,357	

This sensitivity analysis intends to measure the impact of changes in market variables on each financial instrument of the Company. The balances at December 31, 2023 were used as a basis for the projection of the future balance. The actual behavior of debt balances will comply with the related agreements, and the balances of trade receivables and payables 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.

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 CDI (Interest rate of Interbank Deposit Certificates), SELIC (Official Interest Rate) and IPCA (National Extended Consumer Price Index).

The sensitivity analysis calculated for the base, adverse and remote scenarios on the borrowings, debentures and derivative financial instruments – swap contracts subject to floating interest rates is as follows:

1 – Base scenario: the CDI and SELIC are set according to futures market projections of B3 for March 31, 2024 on the last business day of 2023. The IPCA is obtained from Boletim Focus.

2 – Adverse scenario: correction of 25% of interest rates in relation to the level forecast for March 31, 2024.

3 – Remote scenario: 50% of interest rates are corrected when compared with the level forecast for March 31, 2024.

Transaction	Index	Balance at 12/31/2023	Base scenario Gain (Loss)		Adverse scenario Gain (Loss)		Remote scenario Gain (Loss)	
			Rate % p.a.	R\$	Rate % p.a.	R\$	Rate % p.a.	R\$
Cash and cash equivalents and financial investments								
CDB	CDI	597,678	11.34%	(1,908)	14.18%	15,538	17.01%	32,984
Proceeds from borrowings								
Working capital	CDI	(1,071,878)	11.34%	3,376	14.18%	(27,499)	17.01%	(58,373)
Working capital	IPCA	(71,857)	3.87%	566	4.84%	(169)	5.81%	(903)
Finame Direto	IPCA	(491,887)	3.87%	3,827	4.84%	(1,140)	5.81%	(6,107)
Finame	TLP	-	0.00%	-	0.00%	-	0.00%	-
Finame	SELIC	(56)	11.44%	-	14.30%	(1)	17.16%	(3)
Derivative financial instruments - swap								
Swap Assets	IPCA	71,669	3.87%	(564)	4.84%	168	5.81%	901
Swap Liabilities	CDI	(60,796)	11.34%	190	14.18%	(1,546)	17.01%	(3,282)
Net effect on results				5,487		(14,649)		(34,783)

Fair value versus carrying amount

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

- The carrying amounts of current trade receivables and trade payables presented in the Company's balance sheet 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 borrowings and debentures contracted, the fair value at December 31, 2023 is R\$ 1,549,670 (carrying amount of R\$ 1,618,665 at December 31, 2023). The Company used discounted cash flow as a valuation technique, considering the present value of the payment expected, discounted by a risk-adjusted discount rate of the Company. In fair value hierarchy, the fair value determined is Level 2.

Credit risk

The carrying amount of financial assets represents the maximum credit exposure as shown below:

	Parent company		Consolidated	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Financial assets				
Banks	859	5,293	890	5,302
Financial investments with immediate liquidity	458,176	697,454	483,245	729,875
Financial investments	116,829	314,014	116,829	314,014
Trade receivables	263,584	259,199	264,582	259,456
Other receivables	3,555	3,554	3,810	3,759
Maximum credit exposure	843,003	1,279,514	869,356	1,312,406

a) Trade receivables

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 based on the financial condition of the receivables and, where appropriate, a credit guarantee coverage is requested.

Renegotiations with customers are mostly backed by debt acknowledgment agreements, 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, financial investments with immediate liquidity 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 funds.

The table below shows the Company’s balance of banks, financial investments with immediate liquidity and financial investments, classifying the amounts according to the national long-term ratings of S&P Global Ratings, Fitch Rating and Moody’s of the credit risk of financial institutions:

	<u>Consolidated</u>	
	<u>12/31/2023</u>	<u>Agency</u>
National rating AAA (br)	600,935	Fitch/S&P/Moody's
National rating BB+ (br)	29	Fitch/S&P
	<u>600,964</u>	

Liquidity risk

Management monitors the liquidity level based on the expected cash flow, in accordance with the Financial Management Policy, which comprises cash, financial investments, flows of trade receivables and payables, repayment of borrowings and adjustments of derivative financial instruments - swap. The liquidity management policy involves projections of cash flows in currencies used and the consideration of the level of 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 plan.

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, 2023, and the details on the expected maturity dates for derivative financial instruments liabilities – swaps at their fair value.

Parent company

	2024	2025	2026	2027	After 2028
Liabilities					
Trade payables	134,154	-	-	-	-
Borrowings	54,854	108,305	144,540	141,582	596,116
Debentures	50,660	11,317	28,770	512,134	273,364
Derivative instruments - swap	2,470	1,747	(1,712)	(2,620)	(7,373)
Taxes in installments	4,596	3,316	-	-	-
Lease liabilities	9,039	5,432	3,757	2,935	3,063
Dividends and interest on capital payable	3,908	-	-	-	-
Other payables	26,262	4,643	-	-	-
	<u>285,943</u>	<u>134,760</u>	<u>175,355</u>	<u>654,031</u>	<u>865,170</u>

Consolidated

	2024	2025	2026	2027	After 2028
Liabilities					
Trade payables	126,369	-	-	-	-
Borrowings	54,854	108,305	144,540	141,582	596,116
Debentures	50,660	11,317	28,770	512,134	273,364
Derivative instruments - swap	2,470	1,747	(1,712)	(2,620)	(7,373)
Taxes in installments	4,596	3,316	-	-	-
Lease liabilities	9,039	5,432	3,757	2,935	3,063
Dividends and interest on capital payable	3,908	-	-	-	-
Other payables	26,510	4,643	-	-	-
	<u>278,406</u>	<u>134,760</u>	<u>175,355</u>	<u>654,031</u>	<u>865,170</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 rate differs from these estimates at the end of the reporting period.

Derivative financial instruments

On December 1, 2021, the Company entered into a derivative instrument – rate swap with Banco Santander to modify the associated remuneration at 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.

30. OPERATING SEGMENTS

a) Criteria for identifying operating segments

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

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

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

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

Sustainable Resins (Rosin and Turpentine) Segment: through this segment, the Company grows pine for its own use, sells wood and extracts resin from pine that serves as raw material for the production of rosin and turpentine.

b) Consolidated information about the operating segments

	Consolidated				Total
	Sustainable Packaging (Corrugated)	Sustainable Packaging Paper (Paper)	Sustainable Resins (Gum Rosin and Turpentine)	Corporate/ eliminations	
	2023				
Net sales revenue					
Domestic market	926,278	479,459	7,508	-	1,413,245
Foreign market	-	107,768	73,232	-	181,000
Total net sales revenue	926,278	587,227	80,740	-	1,594,245
Changes in the fair value of biological assets	-	80,130	(8,510)	-	71,620
Cost of sales	(588,462)	(311,242)	(79,563)	-	(979,267)
Gross profit	337,816	356,115	(7,333)	-	686,598
Other operating income (expenses), net	(100,137)	(27,206)	(14,697)	6,855	(135,185)
Operating profit (loss) before finance result	237,679	328,909	(22,030)	6,855	551,413
Finance result	(12,993)	(35,752)	(1,571)	4,742	(45,574)
Operating income (expenses), net	224,686	293,157	(23,601)	11,597	505,839
Depreciation, amortization and depletion	(26,438)	(76,021)	(6,271)	(3,876)	(112,606)

	Consolidated				Total
	Sustainable Packaging (Corrugated)	Sustainable Packaging Paper (Paper)	Sustainable Resins (Gum Rosin and Turpentine)	Corporate/eliminations	
Net sales revenue					
Domestic market	935,763	493,466	11,269	-	1,440,498
Foreign market	-	96,759	149,409	-	246,168
Total net sales revenue	935,763	590,225	160,678	-	1,686,666
Changes in the fair value of biological assets	-	110,537	28,466	-	139,003
Cost of sales	(591,544)	(298,907)	(127,146)	-	(1,017,597)
Gross profit	344,219	401,855	61,998	-	808,072
Other operating income (expenses), net	(92,197)	(26,052)	(21,391)	(88,569)	(228,209)
Operating profit (loss) before finance result	252,022	375,803	40,607	(88,569)	579,863
Finance result	(28,611)	(27,495)	(5,803)	406	(61,503)
Operating income (expenses), net	223,411	348,308	34,804	(88,163)	518,360
Depreciation, amortization and depletion	(21,082)	(76,399)	(3,093)	(2,454)	(103,028)

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 costs to the segment, and the distribution of corporate expenses and revenues is 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 2023 totaled R\$ 1,594,245 (R\$ 1,686,666 in 2022).

Net sales revenue in the foreign market in 2023 totaled R\$ 181,000 (R\$ 246,168 in 2022), distributed among several countries, as shown below:

Consolidated 2023			Consolidated 2022		
Country	Net exports	% of total net revenue	Country	Net exports	% of total net revenue
China	25,663	1.61%	Germany	40,220	2.38%
Saudi Arabia	22,119	1.39%	Argentina	24,507	1.45%
Argentina	16,594	1.04%	Saudi Arabia	21,922	1.30%
Pakistan	15,478	0.97%	Portugal	21,199	1.26%
Germany	13,164	0.83%	Paraguay	14,059	0.83%
Chile	11,372	0.71%	Mexico	12,707	0.75%
Paraguay	10,695	0.67%	Japan	12,391	0.73%
South Africa	9,103	0.57%	South Africa	11,320	0.67%
Portugal	9,013	0.57%	Chile	10,800	0.64%
Mexico	7,571	0.47%	France	10,582	0.63%
Japan	7,492	0.47%	India	10,517	0.62%
Peru	4,784	0.30%	Netherlands	9,133	0.54%
India	4,704	0.30%	Peru	7,841	0.46%
Uruguay	3,391	0.21%	USA	7,494	0.44%
Bolívia	2,854	0.18%	Spain	6,475	0.38%
Spain	2,811	0.18%	Pakistan	5,897	0.35%
Other countries	14,192	0.89%	Other countries	19,104	1.13%
	<u>181,000</u>	<u>11.36%</u>		<u>246,168</u>	<u>14.56%</u>

The Company's net sales revenue in the domestic market in 2023 totaled R\$ 1,413,245 (R\$ 1,440,498 in 2022).

In 2023, a single customer accounted for 7.3% of net sales in the domestic market of Sustainable Packaging (Corrugated Cardboard) segment, equivalent to R\$ 67,459. The Company's other sales in the domestic and foreign markets were spread over a number of customers, none of them accounting for more than 10% of net sales.

31. GOVERNMENT GRANT

The Company has ICMS tax incentive from the state of Minas Gerais:

ICMS/MG – Deemed 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. The effect on operating profit before tax effects in 2023 was R\$ 7,022 (R\$ 8,482 in 2022).

ICMS/SC – PRODEC: The Company was granted a request for a Special Regime that allows deferral for payment after 48 months of 70% of the ICMS increase in the State of Santa Catarina, calculated on an average basis (July 2020 to June 2021) prior to the investments made. This benefit is calculated monthly and is linked to Gaia Platform investments, with the requirement of maintaining regular payments with the State that is being fully served.

Regarding the incentive amounts, no charges at contractual rates will be applied. The benefit is valid for 19 years (15 years of enjoyment and 4 years of grace period), starting in June 2023 and ending in May 2038, or up to a limit of R\$ 743,000 of deferred ICMS. Until December 31, 2023, the Company has R\$ 366 of deferred ICMS recorded in liabilities, net of the government grant of R\$ 229.

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent company and Consolidated

	Land	Buildings and constructions	Equipment and facilities	Total
Balance at 01/01/2022	5,022	15,369	4,083	24,474
Depreciation	(1,287)	(3,316)	(3,940)	(8,543)
Addition/write-off of contracts - principal effect	840	2,707	2,510	6,057
Net book value at 12/31/22	4,575	14,760	2,653	21,988
Cost	8,598	24,831	17,236	50,665
Accumulated depreciation	(4,023)	(10,071)	(14,583)	(28,677)
Net book value at 12/31/22	4,575	14,760	2,653	21,988
Balance at 01/01/2023	4,575	14,760	2,653	21,988
Depreciation	(1,774)	(3,913)	(4,845)	(10,532)
Addition/write-off of contracts - principal effect	1,111	2,265	9,572	12,948
Net book value at 12/31/23	3,912	13,112	7,380	24,404
Cost	9,709	27,096	26,808	63,613
Accumulated depreciation	(5,797)	(13,984)	(19,428)	(39,209)
Net book value at 12/31/23	3,912	13,112	7,380	24,404

The measurement of the right-of-use asset corresponds to the initial value of the lease liability at present value at rates of 12.06% to 14.43% p.a., calculated considering the risk-free rate (NTN), the Company's risk spread, the country's equivalent risk and the risk specific to the asset. Depreciation is calculated using the straight-line basis over the remaining term of contracts with an average term of 6.5 years.

Leases have lease liabilities as follows:

Parent company and Consolidated

	Land	Buildings and constructions	Equipment and facilities	Total
Balance at 01/01/2022	4,412	15,658	2,996	23,066
Lease installment	(1,954)	(4,688)	(4,183)	(10,825)
Addition/write-off of contracts	840	2,707	2,510	6,057
Interest on lease	539	1,300	550	2,389
Net book value at 12/31/22	3,837	14,977	1,873	20,687
Balance at 01/01/2023	3,837	14,977	1,873	20,687
Portion of the main lease	(2,162)	(5,019)	(4,943)	(12,124)
Addition/write-off of contracts	1,111	2,265	9,572	12,948
Interest on lease	465	1,234	1,016	2,715
Net book value at 12/31/23	3,251	13,457	7,518	24,226
Current				9,039
Non-current				15,187

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:

<u>Long-term maturities:</u>	<u>Parent company and</u>
2025	5,432
2026	3,757
2027	2,935
2028	309
2029 onwards	2,754
	<u>15,187</u>

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

Cash flow	<u>Nominal</u>	<u>Adjustment to present value</u>
Lease consideration	46,915	34,246
PIS/COFINS (9.25%)	4,340	3,168

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

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

In 2023, no renegotiations were made for leases.

Management evaluated the use of nominal cash flows and nominal rates, as recommended by the CVM, as shown in the following table:

	<u>Actual flow</u>		<u>Nominal flow</u>	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Parent company and Consolidated				
Lease liabilities	27,191	26,367	46,915	45,833
Embedded interest	(2,965)	(5,680)	(12,670)	(13,037)
	<u>24,226</u>	<u>20,687</u>	<u>34,246</u>	<u>32,796</u>

STATUTORY AUDIT BOARD'S OPINION

Fiscal Year 2023

The statutory audit Board of Irani Papel e Embalagem S.A., in compliance with legal and statutory provisions, has examined the management report and the financial statements along with their explanatory notes for the fiscal year ended December 31, 2023. Based on the examinations conducted, taking into account the report of the independent auditors - PricewaterhouseCoopers Auditores Independentes Ltda, dated February 22, 2024, as well as the information and clarifications received during the fiscal year, it is of the opinion that said documents are ready to be considered by the Ordinary General Meeting of shareholders.

Porto Alegre, RS, February 22, 2024.

Renê Sanda
Rosângela Costa Suffert
Leticia Pedercini Issa

AUDIT COMMITTEE REPORT

Fiscal Year 2023

The Audit Committee of Irani Papel e Embalagem S.A. (Committee) is a non-statutory body that advises the Company's Board of Directors, installed on 09.10.2020. It acts 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:

<http://www.irani.com.br/wp-content/uploads/2020/12/REGIMENTO-INTERNO-DO-COMIT%C3%8A-DE-AUDITORIA.pdf>.

In 2023, the Committee held eighteen ordinary and extraordinary meetings, dealing with the following topics: Finance and Accounting, CPC and CVM rules, accounting control structure, contingencies, analysis of interim financial statements and financial statements for the year and respective notes to the financial statements, monitoring and discussion of risk management processes, monitoring and review of risk map, internal controls, systems and data storage, data security and cyber security, dams security, transactions with related parties, calculation of impairment of fixed and intangible assets, monitoring of assessment of biological assets, deferred tax credits and other topics of the Company's interest. The Committee discussed the planning and monitored the work of the internal auditors, advised the Board of Directors in the discussion of policies and procedures and attended the ordinary meetings of the Board of Directors, carrying out in each meeting the reporting of its activities in the period. Following good practices, the Committee held separate meetings with the independent auditors to discuss the work for review of the interim financial statements and the audit of the financial statements for 2023.

The Committee examined the drafts of the parent company and consolidated financial statements of Irani Papel e Embalagem S.A. and its subsidiaries, and the respective notes to the financial statements, for the year ended December 31, 2023. The examination included discussions with Management, Accounting, Legal and Risk Management areas, Internal Auditors and Independent Auditors. In the monitoring, 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 2023 Financial Statements of Irani Papel e Embalagem S.A. are in conditions to be appreciated by the Board of Directors.

Porto Alegre, February 21, 2024. Audit Committee of Irani Papel e Embalagem S.A.

Roberto Lamb
Committee Member and Coordinator

Roberto Faldini
Board Member and Committee Member

Wladimir Omiechuk
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 10,303, 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 12/31/2023, 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\$ 187,276 thousand will be retained, destined to Profit Retention Reserve, designated to meet the Company's Investment Plan.

The capital Budget for 2024, approved at the Board of Directors' meeting held on November 22, 2023, amounting to **R\$ 185,711 thousand**, in addition to **R\$ 27,491 thousand** for working capital needs, distributed as follows:

2024 Capital Budget

R\$ Thousand	Current	Strategic	Total
Sustainable Packaging Segment (Corrugated Cardboard)	-	8,986	8,986
Sustainable Packaging Paper Segment (Paper)	-	2,734	2,734
Investments in Startups – Irani Ventures	-	3,000	3,000
Acquisition of land and forests	33,300	-	33,300
Current investment budget	137,691	-	137,691
Investments	170,991	14,720	185,711
Working Capital Needs	-	-	27,491

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

R\$ Thousand	Current	Strategic	Working capital needs	Total	%
Financed Resources	-	-	-	-	0%
Own Resources	170,991	14,720	27,491	213,202	100%
Total	170,991	14,720	27,491	213,202	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 23,
2024.

The Executive Office.

EXECUTIVE OFFICERS' STATEMENT

For the purposes of Article 27 of CVM Instruction CVM 80/22

As Executive Officers of Irani Papel e Embalagem S.A., a corporation headquartered at Av. Carlos Gomes, nº 400, rooms 502/503, Bairro Boa Vista, 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 1º, Article 27 of CVM Instruction 80, de 29 de março de 2022, 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, 2023.

Porto Alegre, RS, February 23, 2024.

Sérgio Luiz Cotrim Ribas

CEO

Odivan Carlos Carginin

Director of Administration, Finance and Investors Relations

Henrique Zugman

Business Director Paper and Resin

Lindomar Lima de Souza

Packaging Business Director

Fabiano Alves de Oliveira

Director of People, Strategy and Management

EXECUTIVE OFFICERS' STATEMENT

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Porto Alegre, RS, February 23, 2024.

Sérgio Luiz Cotrim Ribas

CEO

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