



Irani Papel e Embalagem S.A.

Quarterly Information (ITR) at
June 30, 2023
and report on review of
quarterly information

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Report on review of quarterly information

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

Introduction

We have reviewed the accompanying parent company and consolidated interim financial statements of Irani Papel e Embalagem S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2023, comprising the balance sheet as at that date and the statements of income and comprehensive income for the quarter and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes.

Management is responsible for the preparation of these parent company and consolidated interim financial statements in accordance with accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying parent company and consolidated interim financial statements included in the quarterly information referred to above have not been prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented in accordance with the standards issued by the CVM.



Irani Papel e Embalagem S.A.

Other matters

Statements of value added

The quarterly information referred to above includes the parent company and consolidated statements of value added for the six-month period ended June 30, 2023. These statements are the responsibility of the Company's management and are presented as supplementary information under IAS 34. These statements have been subjected to review procedures performed together with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these statements of value added have not been properly prepared, in all material respects, in accordance with the criteria established in this accounting standard, and consistent with the parent company and consolidated interim financial statements taken as a whole.

Audit and review of prior year's figures

The Quarterly Information (ITR) mentioned in the first paragraph includes the interim financial statements, comprising the statements of income and comprehensive income for the quarter and six-month period ended June 30, 2022, and the statements of changes in equity, cash flows and value added for the six-month period then ended, obtained from the Quarterly Information (ITR) for that quarter, and the balance sheet as at December 31, 2022, obtained from the financial statements at December 31, 2022, presented for purposes of comparison. The review of the Quarterly Information (ITR) for the quarter ended June 30, 2022 and the audit of the financial statements for the year ended December 31, 2022 were conducted under the responsibility of other independent auditors who issued unqualified review reports and audit reports thereon, dated July 29, 2022 and February 24, 2023, respectively.

Porto Alegre, July 28, 2023

PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Rafael Biedermann Mariante
Contador CRC 1SP243373/O-0

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Company Information / Capital Composition

Number of Shares (thousand)	Current Quarter 06/30/2023
Paid-in Capital	
Common shares	246,359
Preferred shares	0
Total	246,359
Treasury shares	
Common shares	6,529
Preferred shares	0
Total	6,529

Parent Company Interim Financial Statements / Balance Sheet - Assets

(In thousands of reais)

Account Code	Account Description	Current Quarter 06/30/2023	Prior Year 12/31/2022
1	Total Assets	3,802,537	3,531,192
1.01	Current assets	1,372,661	1,470,420
1.01.01	Cash and cash equivalents	335,163	702,762
1.01.02	Financial investments	493,835	314,014
1.01.02.03	Financial investments at amortized cost	493,835	314,014
1.01.02.03.02	Financial investments	493,835	314,014
1.01.03	Trade receivables	251,987	258,215
1.01.03.01	Customers	251,987	258,215
1.01.04	Inventories	127,290	132,123
1.01.06	Taxes recoverable	150,864	28,554
1.01.08	Other current assets	13,522	34,752
1.01.08.02	Assets from discontinued operations	2,562	2,562
1.01.08.02.01	Non-current assets held for sale	2,562	2,562
1.01.08.03	Other	10,960	32,190
1.01.08.03.01	Other assets	10,175	32,059
1.01.08.03.02	Derivative financial instruments - swap	785	131
1.02	Non-current assets	2,429,876	2,060,772
1.02.01	Long-term receivables	462,327	278,210
1.02.01.04	Trade receivables	5,614	6,070
1.02.01.04.01	Customers	198	984
1.02.01.04.02	Other receivables	5,416	5,086
1.02.01.06	Biological assets	256,165	195,958
1.02.01.10	Other non-current assets	200,548	76,182
1.02.01.10.03	Taxes recoverable	164,000	46,016
1.02.01.10.04	Judicial deposits	342	407
1.02.01.10.05	Income tax and social contribution recoverable	30,714	28,843
1.02.01.10.06	Derivative financial instruments - swap	5,492	916
1.02.02	Investments	256,249	236,789
1.02.02.01	Equity interests	237,759	218,265
1.02.02.02	Investment properties	18,490	18,524
1.02.03	Property, plant and equipment	1,574,036	1,411,736
1.02.03.01	Property, plant and equipment in operation	1,546,524	1,389,748
1.02.03.02	Right of use - lease	27,512	21,988
1.02.03.02.01	Right-of-use assets	27,512	21,988
1.02.04	Intangible assets	137,264	134,037
1.02.04.01	Intangibles	137,264	134,037

Parent Company Financial Statements / Balance Sheet - Liabilities

(In thousands of reais)

Account Code	Account Description	Current Quarter 06/30/2023	Prior Year 12/31/2022
2	Total Liabilities	3,802,537	3,531,192
2.01	Current liabilities	552,981	599,850
2.01.01	Social and labor obligations	51,233	55,749
2.01.01.01	Social obligations	51,233	55,749
2.01.01.01.01	Social security obligations	51,233	55,749
2.01.02	Trade payables	190,451	199,312
2.01.03	Tax obligations	22,935	28,010
2.01.03.01	Federal tax obligations	17,187	19,884
2.01.03.01.01	Income tax and social contribution payable	0	2,907
2.01.03.01.02	Taxes in installments	2,633	5,941
2.01.03.01.03	Other federal taxes	14,554	11,036
2.01.03.02	State tax obligations	5,551	8,014
2.01.03.02.02	Service Tax (ICMS) payable	5,551	8,014
2.01.03.03	Municipal tax obligations	197	112
2.01.03.03.01	Service Tax (ISS) payable	197	112
2.01.04	Borrowings	254,514	273,595
2.01.04.01	Borrowings	13,822	47,533
2.01.04.02	Debentures	240,692	226,062
2.01.05	Other obligations	33,848	43,184
2.01.05.02	Other	33,848	43,184
2.01.05.02.01	Dividends and interest on capital payable	1,397	22,120
2.01.05.02.04	Other payables	21,124	11,470
2.01.05.02.05	Advances from customers	2,167	2,569
2.01.05.02.06	Lease liabilities	9,160	7,025
2.02	Non-current liabilities	1,968,320	1,806,257
2.02.01	Borrowings	1,594,881	1,518,580
2.02.01.01	Borrowings	484,000	412,672
2.02.01.02	Debentures	1,110,881	1,105,908
2.02.02	Other obligations	43,415	30,781
2.02.02.02	Other	43,415	30,781
2.02.02.02.03	Taxes in installments	3,432	2,511
2.02.02.02.05	Other payables	9,331	59
2.02.02.02.06	Lease liabilities	18,643	13,662
2.02.02.02.08	Social security obligations	12,009	14,549
2.02.03	Deferred taxes	307,196	228,970
2.02.03.01	Deferred income tax and social contribution	307,196	228,970
2.02.04	Provisions	22,828	27,926
2.02.04.01	Provision for tax, social security, labor and civil risks	22,828	27,926
2.03	Equity	1,281,236	1,125,085
2.03.01	Share capital	543,934	543,934
2.03.02	Capital reserves	960	960
2.03.04	Revenue reserves	307,496	443,326
2.03.05	Retained earnings/accumulated deficit	296,454	0
2.03.06	Carrying value adjustments	132,392	136,865

Parent Company Financial Statements / Statements of Income

(In thousands of reais)

Account Code	Account Description	Current Quarter 04/1/2023 to 06/30/2023	YTD - Current Year 01/1/2023 to 06/30/2023	Same Quarter of the Prior Year 04/1/2022 to 06/30/2022	YTD - Prior Year 01/1/2022 to 06/30/2022
3.01	Revenue from sales of goods and/or services	393,109	798,760	427,414	833,583
3.02	Cost of sales and/or services	-216,998	-442,411	-236,089	-461,245
3.02.01	Changes in the fair value of biological assets	29,202	54,217	23,985	37,031
3.02.02	Cost of goods sold	-246,200	-496,628	-260,074	-498,276
3.03	Gross profit	176,111	356,349	191,325	372,338
3.04	Operating income (expenses)	91,400	48,191	-49,199	-74,294
3.04.01	Selling expenses	-29,639	-60,639	-34,614	-63,213
3.04.02	General and administrative expenses	-25,101	-52,179	-20,863	-40,765
3.04.03	Impairment of assets	18	58	98	-83
3.04.04	Other operating income	142,979	143,957	0	0
3.04.05	Other operating expenses	0	0	-8,908	-3,897
3.04.06	Equity in the earnings of subsidiaries	3,143	16,994	15,088	33,664
3.05	Profit before finance result and taxes	267,511	404,540	142,126	298,044
3.06	Finance result	35,968	15,717	-16,576	-33,452
3.06.01	Finance income	98,138	138,204	18,293	37,606
3.06.02	Finance costs	-62,170	-122,487	-34,869	-71,058
3.07	Profit before income tax and social contribution	303,479	420,257	125,550	264,592
3.08	Income tax and social contribution	-74,733	-108,553	-40,937	-67,831
3.08.01	Current	-9,926	-30,327	-23,784	-54,928
3.08.02	Deferred	-64,807	-78,226	-17,153	-12,903
3.09	Profit from continuing operations	228,746	311,704	84,613	196,761
3.11	Profit for the period	228,746	311,704	84,613	196,761
3.99	Earnings per share - (R\$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.9477	1.2842	0.3398	0.7872

Parent Company Financial Statements / Statement of Comprehensive Income

(In thousands of reais)

Account Code	Account Description	Current Quarter	YTD - Current Year	Same Quarter of the Prior Year	YTD - Prior Year
		04/1/2023 to 06/30/2023	01/1/2023 to 06/30/2023	04/1/2022 to 06/30/2022	01/1/2022 to 06/30/2022
4.01	Profit for the period	228,746	311,704	84,613	196,761
4.03	Comprehensive income for the period	228,746	311,704	84,613	196,761

Parent Company Financial Statements / Statement of Cash Flows (Indirect Method)

(In thousands of reais)

Account Code	Account Description	YTD - Current Year 01/1/2023 to 06/30/2023	YTD - Prior Year 01/1/2022 to 06/30/2022
6.01	Net cash provided by (used in) operating activities	122,564	160,633
6.01.01	Cash from operations	230,431	250,313
6.01.01.01	Profit before income tax and social contribution	420,257	264,592
6.01.01.02	Changes in the fair value of biological assets	-54,217	-37,031
6.01.01.03	Depreciation, amortization and depletion	46,410	34,684
6.01.01.05	Profit (loss) on disposal of property, plant and equipment	-975	-3,892
6.01.01.06	Equity in the earnings of subsidiaries	-16,994	-33,664
6.01.01.07	Provision for civil, labor and tax risks	-4,588	2,061
6.01.01.08	Provision for impairment of trade receivables	-38	30
6.01.01.10	Management profit sharing	-2,540	11,215
6.01.01.11	Indexation accruals and interest on borrowings, debentures and swaps	103,534	48,121
6.01.01.12	Interest on lease liabilities	1,150	1,219
6.01.01.13	Interest on financial investments	-29,763	-19,793
6.01.01.14	Previous period's tax credits	0	-17,229
6.01.01.15	PIS and COFINS credits on acquisition of recyclable inputs	-231,805	0
6.01.02	Changes in assets and liabilities	-107,867	-89,680
6.01.02.01	Trade receivables	7,052	10,836
6.01.02.02	Inventories	4,833	18,513
6.01.02.03	Taxes recoverable	-10,360	10,277
6.01.02.04	Other assets	-7,906	-31,213
6.01.02.06	Trade payables	7,693	9,134
6.01.02.07	Social security obligations	-4,516	-14,254
6.01.02.08	Advances from customers	-402	-1,910
6.01.02.09	Tax obligations	-9,336	-11,110
6.01.02.10	Other payables	21,495	1,842
6.01.02.11	Payment of interest on borrowings, debentures and swaps	-90,125	-33,662
6.01.02.12	Payment of interest on lease liabilities	-1,150	-1,219
6.01.02.13	Taxes paid (income tax and social contribution)	-25,145	-46,914
6.02	Net cash provided by (used in) investing activities	-340,827	-214,702
6.02.01	Purchases of property, plant and equipment	-207,229	-275,462
6.02.02	Additions to biological assets	-5,559	-4,318
6.02.03	Additions to intangible assets	-6,057	-2,694
6.02.04	Capital contribution	-2,500	-1,615
6.02.05	Proceeds from sale of non-current assets held for sale	29,525	12,700
6.02.06	Proceeds from sale of property, plant and equipment	1,051	2,974
6.02.07	Financial investments	-909,665	-585,252
6.02.08	Redemption of financial investments	759,607	639,197
6.02.09	Advance for future capital increase	0	-232
6.03	Net cash provided by (used in) financing activities	-149,336	51,801
6.03.01	Payment of dividends and interest on capital	-134,776	-111,593
6.03.02	Payment of lease liabilities	-5,966	-3,460
6.03.04	Proceeds from borrowings	71,385	213,355
6.03.05	Repayments of borrowings and debentures	-38,005	-20,492

Parent Company Financial Statements / Statement of Cash Flows (Indirect Method)

(In thousands of reais)

Account Code	Account Description	YTD - Current Year	YTD - Prior Year
		01/1/2023 to 06/30/2023	01/1/2022 to 06/30/2022
6.03.06	Repurchase of shares	-41,974	-26,009
6.05	Increase (decrease) in cash and cash equivalents	-367,599	-2,268
6.05.01	Cash and cash equivalents at the beginning of the period	702,762	11,050
6.05.02	Cash and cash equivalents at the end of the period	335,163	8,782

Parent Company Financial Statements / Statement of Changes in Equity / SCE – 01/01/2023 to 06/30/2023

(In thousands of reais)

Account Code	Account Description	Paid-in capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5.01	Opening balances	543,934	960	443,326	0	136,865	1,125,085
5.03	Adjusted opening balances	543,934	960	443,326	0	136,865	1,125,085
5.04	Capital transactions with owners	0	0	0	-20,376	0	-20,376
5.04.06	Dividends	0	0	0	-20,376	0	-20,376
5.05	Total comprehensive income	0	0	0	316,177	-4,473	311,704
5.05.01	Profit for the period	0	0	0	311,704	0	311,704
5.05.02	Other comprehensive income	0	0	0	4,473	-4,473	0
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0
5.06	Internal changes in equity	0	0	-135,830	653	0	-135,177
5.06.04	Realized revenue reserve – biological assets	0	0	-653	653	0	0
5.06.05	Additional dividends proposed	0	0	-93,203	0	0	-93,203
5.06.08	Treasury shares	0	0	-41,974	0	0	-41,974
5.07	Closing balances	543,934	960	307,496	296,454	132,392	1,281,236

Parent Company Financial Statements / Statement of Changes in Equity / SCE – 01/01/2022 to 06/30/2022

(In thousands of reais)

Account Code	Account Description	Paid-in capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity
5.01	Opening balances	543,934	960	266,732	0	145,812	957,438
5.03	Adjusted opening balances	543,934	960	266,732	0	145,812	957,438
5.04	Capital transactions with owners	0	0	-26,009	-24,813	0	-50,822
5.04.04	Treasury shares purchased	0	0	-26,009	0	0	-26,009
5.04.06	Dividends	0	0	0	-24,813	0	-24,813
5.05	Total comprehensive income	0	0	0	201,234	-4,473	196,761
5.05.01	Profit for the period	0	0	0	196,761	0	196,761
5.05.02	Other comprehensive income	0	0	0	4,473	-4,473	0
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0
5.06	Internal changes in equity	0	0	-73,247	2,359	0	-70,888
5.06.04	Realized revenue reserve – biological assets	0	0	-2,359	2,359	0	0
5.06.05	Additional proposed dividends	0	0	-70,888	0	0	-70,888
5.07	Closing balances	543,934	960	167,476	178,780	141,339	1,032,489

Parent Company Financial Statements / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	YTD - Current Year	YTD - Prior Year
		01/1/2023 to 06/30/2023	01/1/2022 to 06/30/2022
7.01	Revenue	1,179,723	1,107,608
7.01.01	Sales of goods and/or services	1,022,775	1,053,267
7.01.02	Other revenues	156,910	54,371
7.01.04	Provision/reversal for impairment of trade receivables	38	-30
7.02	Inputs acquired from third parties	-611,163	-618,652
7.02.01	Cost of sales and services	-445,426	-407,523
7.02.02	Materials, electricity, third-party services and other	-165,737	-211,129
7.03	Gross value added	568,560	488,956
7.04	Retentions	7,807	2,347
7.04.01	Depreciation, amortization and depletion	-46,410	-34,684
7.04.02	Other	54,217	37,031
7.04.02.01	Changes in the fair value of biological assets	54,217	37,031
7.05	Net value added generated	576,367	491,303
7.06	Value added received through transfer	155,198	71,270
7.06.01	Equity in the earnings of subsidiaries	16,994	33,664
7.06.02	Finance income	138,204	37,606
7.07	Total value added to distribute	731,565	562,573
7.08	Distribution of value added	731,565	562,573
7.08.01	Personnel	121,502	102,824
7.08.01.01	Direct compensation	91,292	78,674
7.08.01.02	Benefits	25,307	19,892
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	4,903	4,258
7.08.02	Taxes and contributions	158,080	170,411
7.08.02.01	Federal	106,524	123,984
7.08.02.02	State	50,649	45,171
7.08.02.03	Municipal	907	1,256
7.08.03	Third-party capital remuneration	126,917	74,530
7.08.03.01	Interest	122,487	71,058
7.08.03.02	Rentals	4,430	3,472
7.08.04	Remuneration of own capital	316,830	203,593
7.08.04.02	Dividends	20,376	24,813
7.08.04.03	Profits reinvested/loss for the period	296,454	178,780
7.08.05	Other	8,236	11,215
7.08.05.01	Management profit sharing	8,236	11,215

Consolidated Financial Statements / Balance Sheet - Assets

(In thousands of reais)

Account Code	Account Description	Current Quarter 06/30/2023	Prior Year 12/31/2022
1	Total Assets	3,777,363	3,515,338
1.01	Current assets	1,407,326	1,505,181
1.01.01	Cash and cash equivalents	368,120	735,194
1.01.02	Financial investments	493,835	314,014
1.01.02.03	Financial investments at amortized cost	493,835	314,014
1.01.02.03.02	Financial investments	493,835	314,014
1.01.03	Trade receivables	252,318	258,472
1.01.03.01	Customers	252,318	258,472
1.01.04	Inventories	128,101	133,758
1.01.06	Taxes recoverable	150,998	28,639
1.01.08	Other current assets	13,954	35,104
1.01.08.02	Assets from discontinued operations	2,562	2,562
1.01.08.02.01	Non-current assets held for sale	2,562	2,562
1.01.08.03	Other	11,392	32,542
1.01.08.03.01	Other assets	10,607	32,411
1.01.08.03.02	Derivative financial instruments - swap	785	131
1.02	Non-current assets	2,370,037	2,010,157
1.02.01	Long-term receivables	621,093	427,807
1.02.01.04	Trade receivables	5,640	6,097
1.02.01.04.01	Customers	198	984
1.02.01.04.02	Other receivables	5,442	5,113
1.02.01.06	Biological assets	412,966	343,727
1.02.01.10	Other non-current assets	202,487	77,983
1.02.01.10.03	Taxes recoverable	164,000	46,016
1.02.01.10.04	Judicial deposits	623	708
1.02.01.10.05	Income tax and social contribution recoverable	30,714	28,843
1.02.01.10.06	Derivative financial instruments - swap	5,492	916
1.02.01.10.07	Other investments	1,658	1,500
1.02.02	Investments	18,490	18,524
1.02.02.02	Investment properties	18,490	18,524
1.02.03	Property, plant and equipment	1,593,190	1,429,789
1.02.03.01	Property, plant and equipment in operation	1,565,678	1,407,801
1.02.03.02	Right of use - lease	27,512	21,988
1.02.03.02.01	Right-of-use assets	27,512	21,988
1.02.04	Intangible assets	137,264	134,037
1.02.04.01	Intangibles	137,264	134,037

Consolidated Financial Statements / Balance Sheet - Liabilities

(In thousands of reais)

Account Code	Account Description	Current Quarter 06/30/2023	Prior Year 12/31/2022
2	Total Liabilities	3,777,363	3,515,338
2.01	Current liabilities	520,822	577,460
2.01.01	Social and labor obligations	52,260	56,385
2.01.01.01	Social obligations	52,260	56,385
2.01.01.01.01	Social security obligations	52,260	56,385
2.01.02	Trade payables	156,572	175,313
2.01.03	Tax obligations	23,436	28,790
2.01.03.01	Federal tax obligations	17,672	20,645
2.01.03.01.01	Income tax and social contribution payable	334	3,402
2.01.03.01.02	Taxes in installments	2,633	5,941
2.01.03.01.03	Other federal taxes	14,705	11,302
2.01.03.02	State tax obligations	5,556	8,020
2.01.03.02.02	Service Tax (ICMS) payable	5,556	8,020
2.01.03.03	Municipal tax obligations	208	125
2.01.03.03.01	Service Tax (ISS) payable	208	125
2.01.04	Borrowings	254,514	273,595
2.01.04.01	Borrowings	13,822	47,533
2.01.04.02	Debentures	240,692	226,062
2.01.05	Other obligations	34,040	43,377
2.01.05.02	Other	34,040	43,377
2.01.05.02.01	Dividends and interest on capital payable	1,397	22,120
2.01.05.02.04	Other payables	21,311	11,633
2.01.05.02.05	Advances from customers	2,172	2,599
2.01.05.02.06	Lease liabilities	9,160	7,025
2.02	Non-current liabilities	1,975,305	1,812,793
2.02.01	Borrowings	1,594,881	1,518,580
2.02.01.01	Borrowings	484,000	412,672
2.02.01.02	Debentures	1,110,881	1,105,908
2.02.02	Other obligations	43,415	30,781
2.02.02.02	Other	43,415	30,781
2.02.02.02.03	Taxes in installments	3,432	2,511
2.02.02.02.05	Other payables	9,331	59
2.02.02.02.06	Lease liabilities	18,643	13,662
2.02.02.02.08	Social security obligations	12,009	14,549
2.02.03	Deferred taxes	313,956	235,337
2.02.03.01	Deferred income tax and social contribution	313,956	235,337
2.02.04	Provisions	23,053	28,095
2.02.04.01	Provision for tax, social security, labor and civil risks	23,053	28,095
2.03	Consolidated equity	1,281,236	1,125,085
2.03.01	Share capital	543,934	543,934
2.03.02	Capital reserves	960	960
2.03.04	Revenue reserves	307,496	443,326
2.03.05	Retained earnings/accumulated deficit	296,454	0
2.03.06	Carrying value adjustments	132,392	136,865

Consolidated Financial Statements / Statement of Income

(In thousands of reais)

Account Code	Account Description	Current Quarter 04/1/2023 to 06/30/2023	YTD - Current Year 01/1/2023 to 06/30/2023	Same Quarter of the Prior Year 04/1/2022 to 06/30/2022	YTD - Prior Year 01/1/2022 to 06/30/2022
3.01	Revenue from sales of goods and/or services	394,470	801,354	428,907	836,851
3.02	Cost of sales and/or services	-214,700	-426,892	-221,745	-428,743
3.02.01	Changes in the fair value of biological assets	33,483	67,406	35,138	61,224
3.02.02	Cost of goods sold	-248,183	-494,298	-256,883	-489,967
3.03	Gross profit	179,770	374,462	207,162	408,108
3.04	Operating income (expenses)	87,158	29,011	-65,178	-110,116
3.04.01	Selling expenses	-29,987	-61,531	-35,175	-64,320
3.04.02	General and administrative expenses	-25,852	-53,460	-21,178	-41,831
3.04.03	Impairment of assets	18	58	86	-95
3.04.04	Other operating income	142,979	143,944	0	0
3.04.05	Other operating expenses	0	0	-8,911	-3,870
3.05	Profit before finance result and taxes	266,928	403,473	141,984	297,992
3.06	Finance result	36,986	17,808	-15,853	-32,273
3.06.01	Finance income	99,172	140,331	19,042	38,831
3.06.02	Finance costs	-62,186	-122,523	-34,895	-71,104
3.07	Profit before income tax and social contribution	303,914	421,281	126,131	265,719
3.08	Income tax and social contribution	-75,168	-109,577	-41,518	-68,958
3.08.01	Current	-10,238	-30,958	-24,040	-55,375
3.08.02	Deferred	-64,930	-78,619	-17,478	-13,583
3.09	Profit from continuing operations	228,746	311,704	84,613	196,761
3.11	Consolidated profit for the period	228,746	311,704	84,613	196,761
3.99	Earnings per share - (R\$/share)				
3.99.01	Basic earnings per share				
3.99.01.01	Common shares	0.9477	1.2842	0.3398	0.7872

Consolidated Financial Statements / Statement of Comprehensive Income

(In thousands of reais)

Account Code	Account Description	Current Quarter 04/1/2023 to 06/30/2023	YTD - Current Year 01/1/2023 to 06/30/2023	Same Quarter of the Prior Year 04/1/2022 to 06/30/2022	YTD - Prior Year 01/1/2022 to 06/30/2022
4.01	Consolidated profit for the period	228,746	311,704	84,613	196,761
4.03	Consolidated comprehensive income for the period	228,746	311,704	84,613	196,761
4.03.01	Attributable to owners of the Parent company	228,746	311,704	84,613	196,761

Consolidated Financial Statements / Statement of Cash Flows (Indirect Method)

(In thousands of reais)

Account Code	Account Description	YTD - Current Year 01/1/2023 to 06/30/2023	YTD - Prior Year 01/1/2022 to 06/30/2022
6.01	Net cash provided by (used in) operating activities	122,076	169,579
6.01.01	Cash from operations	241,106	276,655
6.01.01.01	Profit before income tax and social contribution	421,281	265,719
6.01.01.02	Changes in the fair value of biological assets	-67,406	-61,224
6.01.01.03	Depreciation, amortization and depletion	52,109	50,630
6.01.01.05	Profit (loss) on disposal of property, plant and equipment	-958	-3,892
6.01.01.07	Provision for civil, labor and tax risks	-4,458	1,847
6.01.01.08	Provision for impairment of trade receivables	-38	42
6.01.01.10	Management profit sharing	-2,540	11,215
6.01.01.11	Indexation accruals and interest on borrowings, debentures and swaps	103,534	48,121
6.01.01.12	Interest on lease liabilities	1,150	1,219
6.01.01.13	Interest on financial investments	-29,763	-19,793
6.01.01.14	Previous period's tax credits	0	-17,229
6.01.01.15	PIS and COFINS credits on acquisition of recyclable inputs	-231,805	0
6.01.02	Changes in assets and liabilities	-119,030	-107,076
6.01.02.01	Trade receivables	6,978	10,726
6.01.02.02	Inventories	5,657	17,832
6.01.02.03	Taxes recoverable	-10,409	10,269
6.01.02.04	Other assets	-7,965	-31,307
6.01.02.06	Trade payables	-3,518	-7,700
6.01.02.07	Social security obligations	-4,125	-13,719
6.01.02.08	Advances from customers	-427	-1,934
6.01.02.09	Tax obligations	-9,089	-9,989
6.01.02.10	Other payables	21,445	1,713
6.01.02.11	Payment of interest on borrowings, debentures and swaps	-90,125	-33,662
6.01.02.12	Payment of interest on lease liabilities	-1,150	-1,219
6.01.02.13	Taxes paid (income tax and social contribution)	-26,302	-48,086
6.02	Net cash provided by (used in) investing activities	-339,814	-214,099
6.02.01	Purchases of property, plant and equipment	-207,358	-275,515
6.02.02	Additions to biological assets	-6,759	-5,509
6.02.03	Additions to intangible assets	-6,057	-2,694
6.02.05	Proceeds from sale of non-current assets held for sale	29,525	12,700
6.02.06	Proceeds from sale of property, plant and equipment	1,051	2,974
6.02.07	Financial investments	-909,665	-585,252
6.02.08	Redemption of financial investments	759,607	639,197
6.02.09	Other investments	-158	0
6.03	Net cash provided by (used in) financing activities	-149,336	51,801
6.03.01	Payment of dividends and interest on capital	-134,776	-111,593
6.03.02	Payment of lease liabilities	-5,966	-3,460
6.03.04	Proceeds from borrowings	71,385	213,355
6.03.05	Repayments of borrowings and debentures	-38,005	-20,492
6.03.06	Repurchase of shares	-41,974	-26,009
6.05	Increase (decrease) in cash and cash equivalents	-367,074	7,281

Consolidated Financial Statements / Statement of Cash Flows (Indirect Method)

(In thousands of reais)

Account Code	Account Description	YTD - Current Year	YTD - Prior Year
		01/1/2023 to 06/30/2023	01/1/2022 to 06/30/2022
6.05.01	Cash and cash equivalents at the beginning of the period	735,194	30,410
6.05.02	Cash and cash equivalents at the end of the period	368,120	37,691

Consolidated Financial Statements / Statement of Changes in Equity – SCE - 01/01/2023 to 06/30/2023

(In thousands of reais)

Account Code	Account Description	Paid-in capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	543,934	960	443,326	0	136,865	1,125,085	0	1,125,085
5.03	Adjusted opening balances	543,934	960	443,326	0	136,865	1,125,085	0	1,125,085
5.04	Capital transactions with owners	0	0	0	-20,376	0	-20,376	0	-20,376
5.04.06	Dividends	0	0	0	-20,376	0	-20,376	0	-20,376
5.05	Total comprehensive income	0	0	0	316,177	-4,473	311,704	0	311,704
5.05.01	Profit for the period	0	0	0	311,704	0	311,704	0	311,704
5.05.02	Other comprehensive income	0	0	0	4,473	-4,473	0	0	0
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0	0	0
5.06	Internal changes in equity	0	0	-135,830	653	0	-135,177	0	-135,177
5.06.04	Realized revenue reserve – biological assets	0	0	-653	653	0	0	0	0
5.06.05	Additional proposed dividends	0	0	-93,203	0	0	-93,203	0	-93,203
5.06.08	Treasury shares	0	0	-41,974	0	0	-41,974	0	-41,974
5.07	Closing balances	543,934	960	307,496	296,454	132,392	1,281,236	0	1,281,236

Consolidated Financial Statements / Statement of Changes in Equity – SCE - 01/01/2022 to 06/30/2022

(In thousands of reais)

Account Code	Account Description	Paid-in capital	Capital reserves, options granted and treasury shares	Revenue reserves	Retained earnings (accumulated deficit)	Other comprehensive income	Equity	Non-controlling interests	Consolidated equity
5.01	Opening balances	543,934	960	266,732	0	145,812	957,438	0	957,438
5.03	Adjusted opening balances	543,934	960	266,732	0	145,812	957,438	0	957,438
5.04	Capital transactions with owners	0	0	-26,009	-24,813	0	-50,822	0	-50,822
5.04.04	Treasury shares purchased	0	0	-26,009	0	0	-26,009	0	-26,009
5.04.06	Dividends	0	0	0	-24,813	0	-24,813	0	-24,813
5.05	Total comprehensive income	0	0	0	201,234	-4473	196,761	0	196,761
5.05.01	Profit for the period	0	0	0	196,761	0	196,761	0	196,761
5.05.02	Other comprehensive income	0	0	0	4,473	-4,473	0	0	0
5.05.02.06	Realization – deemed cost	0	0	0	4,473	-4,473	0	0	0
5.06	Internal changes in equity	0	0	-73,247	2,359	0	-70,888	0	-70,888
5.06.04	Realized revenue reserve – biological assets	0	0	-2,359	2,359	0	0	0	0
5.06.05	Additional proposed dividends	0	0	-70,888	0	0	-70,888	0	-70,888
5.07	Closing balances	543,934	960	167,476	178,780	141,339	1,032,489	0	1,032,489

Consolidated Financial Statements / Statement of Value Added

(In thousands of reais)

Account Code	Account Description	YTD - Current Year	YTD - Prior Year
		01/1/2023 to 06/30/2023	01/1/2022 to 06/30/2022
7.01	Revenue	1,182,512	1,111,216
7.01.01	Sales of goods and/or services	1,025,548	1,056,847
7.01.02	Other revenues	156,926	54,411
7.01.04	Provision/reversal for impairment of trade receivables	38	-42
7.02	Inputs acquired from third parties	-597,323	-587,779
7.02.01	Cost of sales and services	-430,037	-387,449
7.02.02	Materials, electricity, third-party services and other	-167,286	-200,330
7.03	Gross value added	585,189	523,437
7.04	Retentions	15,297	10,594
7.04.01	Depreciation, amortization and depletion	-52,109	-50,630
7.04.02	Other	67,406	61,224
7.04.02.01	Changes in the fair value of biological assets	67,406	61,224
7.05	Net value added generated	600,486	534,031
7.06	Value added received through transfer	140,331	38,831
7.06.02	Finance income	140,331	38,831
7.07	Total value added to distribute	740,817	572,862
7.08	Distribution of value added	740,817	572,862
7.08.01	Personnel	128,109	109,134
7.08.01.01	Direct compensation	95,203	82,322
7.08.01.02	Benefits	27,818	22,364
7.08.01.03	Government Severance Indemnity Fund for Employees (FGTS)	5,088	4,448
7.08.02	Taxes and contributions	160,688	174,343
7.08.02.01	Federal	109,085	127,813
7.08.02.02	State	50,665	45,201

7.08.02.03	Municipal	938	1,329
7.08.03	Third-party capital remuneration	126,954	74,577
7.08.03.01	Interest	122,523	71,104
7.08.03.02	Rentals	4,431	3,473
7.08.04	Remuneration of own capital	316,830	203,593
7.08.04.02	Dividends	20,376	24,813
7.08.04.03	Profits reinvested/loss for the period	296,454	178,780
7.08.05	Other	8,236	11,215
7.08.05.01	Management profit sharing	8,236	11,215

IRANI PAPEL E EMBALAGEM S.A.BALANCE SHEET AS AT JUNE 30 AND DECEMBER 31
(All amounts in thousands of reais)

ASSETS	Note	Parent company		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
CURRENT ASSETS					
Cash and cash equivalents	5	335.163	702.762	368.120	735.194
Financial investments	5	493.835	314.014	493.835	314.014
Trade receivables	6	251.987	258.215	252.318	258.472
Inventories	7	127.290	132.123	128.101	133.758
Taxes recoverable	8.a	150.864	28.554	150.998	28.639
Derivative financial instruments - swap	18	785	131	785	131
Other assets	9	10.175	32.059	10.607	32.411
Non-current assets held for sale	10	2.562	2.562	2.562	2.562
Total current assets		1.372.661	1.470.420	1.407.326	1.505.181
NON-CURRENT ASSETS					
Trade receivables	6	198	984	198	984
Taxes recoverable	8.a	164.000	46.016	164.000	46.016
Income tax and social contribution recoverable	8.b	30.714	28.843	30.714	28.843
Judicial deposits		342	407	623	708
Other assets	9	5.416	5.086	5.442	5.113
Derivative financial instruments - swap	18	5.492	916	5.492	916
Other investments	12.b	-	-	1.658	1.500
Total long-term receivables		206.162	82.252	208.127	84.080
Investments in subsidiaries	12.a	237.759	218.265	-	-
Investment properties	13	18.490	18.524	18.490	18.524
Biological assets	15	256.165	195.958	412.966	343.727
Property, plant and equipment	14.a	1.546.524	1.389.748	1.565.678	1.407.801
Right-of-use assets	32	27.512	21.988	27.512	21.988
Intangible assets	14.b	137.264	134.037	137.264	134.037
Total non-current assets		2.429.876	2.060.772	2.370.037	2.010.157
TOTAL ASSETS		3.802.537	3.531.192	3.777.363	3.515.338

LIABILITIES AND EQUITY	Note	Parent company		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
CURRENT LIABILITIES					
Borrowings	16	13.822	47.533	13.822	47.533
Debentures	17	240.692	226.062	240.692	226.062
Lease liabilities	32	9.160	7.025	9.160	7.025
Trade payables	19	190.451	199.312	156.572	175.313
Social security obligations		51.233	55.749	52.260	56.385
Tax obligations		20.302	19.162	20.469	19.447
Income tax and social contribution payable		-	2.907	334	3.402
Taxes in installments	21	2.633	5.941	2.633	5.941
Advances from customers		2.167	2.569	2.172	2.599
Dividends and interest on capital payable	23.b	1.397	22.120	1.397	22.120
Other payables		21.124	11.470	21.311	11.633
Total current liabilities		552.981	599.850	520.822	577.460
NON-CURRENT LIABILITIES					
Borrowings	16	484.000	412.672	484.000	412.672
Debentures	17	1.110.881	1.105.908	1.110.881	1.105.908
Lease liabilities	32	18.643	13.662	18.643	13.662
Social security obligations		12.009	14.549	12.009	14.549
Other payables		9.331	59	9.331	59
Provision for civil, labor and tax risks	22	22.828	27.926	23.053	28.095
Taxes in installments	21	3.432	2.511	3.432	2.511
Deferred income tax and social contribution	11	307.196	228.970	313.956	235.337
Total non-current liabilities		1.968.320	1.806.257	1.975.305	1.812.793
TOTAL LIABILITIES		2.521.301	2.406.107	2.496.127	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.d	361.112	454.968	361.112	454.968
Treasury shares	23.c	(53.616)	(11.642)	(53.616)	(11.642)
Carrying value adjustments	23.e	132.392	136.865	132.392	136.865
Retained earnings		296.454	-	296.454	-
Equity attributable to owners of the Parent company		1.281.236	1.125.085	1.281.236	1.125.085
Non-controlling interests		-	-	-	-
Total equity		1.281.236	1.125.085	1.281.236	1.125.085
TOTAL LIABILITIES AND EQUITY					
		3.802.537	3.531.192	3.777.363	3.515.338

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

IRANI PAPEL E EMBALAGEM S.A.

DEMONSTRAÇÕES DO RESULTADO PARA OS PERÍODOS FINDOS EM 30 DE JUNHO

(Em milhares de reais, exceto quando indicado de outra forma)

	Nota explicativa	Controladora		Controladora	
		Período de 3 meses findos em		Período de 6 meses findos em	
		30.06.23	30.06.22	30.06.23	30.06.22
RECEITA LÍQUIDA DE VENDAS	25	393.109	427.414	798.760	833.583
Varição do valor justo dos ativos biológicos	15, 26	29.202	23.985	54.217	37.031
Custo dos produtos vendidos	26	(246.200)	(260.074)	(496.628)	(498.276)
LUCRO BRUTO		176.111	191.325	356.349	372.338
(DESPESAS) RECEITAS OPERACIONAIS					
Com vendas	26	(29.639)	(34.614)	(60.639)	(63.213)
Perdas por <i>impairment</i> contas a receber		18	98	58	(83)
Gerais e administrativas	26	(25.101)	(20.863)	(52.179)	(40.765)
Outras receitas (despesas) operacionais, líquidas	26	147.097	2.307	152.193	7.318
Participação dos administradores	20	(4.118)	(11.215)	(8.236)	(11.215)
Resultado da equivalência patrimonial	12	3.143	15.088	16.994	33.664
RESULTADO ANTES DO RESULTADO FINANCEIRO E DOS TRIBUTOS		267.511	142.126	404.540	298.044
Receitas (despesas) financeiras, líquidas	27	35.968	(16.576)	15.717	(33.452)
Receitas financeiras		98.138	18.293	138.204	37.606
Despesas financeiras		(62.170)	(34.869)	(122.487)	(71.058)
LUCRO OPERACIONAL ANTES DOS EFEITOS TRIBUTÁRIOS		303.479	125.550	420.257	264.592
Imposto de renda e contribuição social corrente	28	(9.926)	(23.784)	(30.327)	(54.928)
Imposto de renda e contribuição social diferidos	28	(64.807)	(17.153)	(78.226)	(12.903)
LUCRO LÍQUIDO DO PERÍODO		228.746	84.613	311.704	196.761
Lucro atribuível a:					
Acionistas controladores		228.746	84.613	311.704	196.761
		228.746	84.613	311.704	196.761
LUCRO BÁSICO E DILUÍDO POR AÇÃO ON - R\$	24	0,9477	0,3398	1,2842	0,7872

As notas explicativas da administração são parte integrante das demonstrações financeiras

	Note	Consolidated		Consolidated	
		Quarter ended		Six-month period ended	
		06/30/2023	06/30/2022	06/30/2023	06/30/2022
NET SALES REVENUE	25	394.470	428.907	801.354	836.851
Changes in the fair value of biological assets	15, 26	33.483	35.138	67.406	61.224
Cost of goods sold	26	(248.183)	(256.883)	(494.298)	(489.967)
GROSS PROFIT		179.770	207.162	374.462	408.108
OPERATING INCOME (EXPENSES)					
Selling expenses	26	(29.987)	(35.175)	(61.531)	(64.320)
Impairment of trade receivables	6	18	86	58	(95)
General and administrative expenses	26	(25.852)	(21.178)	(53.460)	(41.831)
Other operating income (expenses), net	26	147.097	2.304	152.180	7.345
Management profit sharing	20	(4.118)	(11.215)	(8.236)	(11.215)
PROFIT BEFORE FINANCE RESULT AND TAXES		266.928	141.984	403.473	297.992
Finance result, net	27	36.986	(15.853)	17.808	(32.273)
Finance income		99.172	19.042	140.331	38.831
Finance costs		(62.186)	(34.895)	(122.523)	(71.104)
OPERATING PROFIT BEFORE TAXES		303.914	126.131	421.281	265.719
Current income tax and social contribution	28	(10.238)	(24.040)	(30.958)	(55.375)
Deferred income tax and social contribution	28	(64.930)	(17.478)	(78.619)	(13.583)
PROFIT FOR THE PERIOD		228.746	84.613	311.704	196.761
Attributable to owners of the Parent company		228.746	84.613	311.704	196.761
Owners of the Parent company		228.746	84.613	311.704	196.761
BASIC AND DILUTED EARNINGS PER COMMON SHARE - R\$	24	0,9477	0,3398	1,2842	0,7872

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

IRANI PAPEL E EMBALAGEM S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED JUNE 30
(All amounts in thousands of reais)

	Parent company		Parent company	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period	228.746	84.613	311.704	196.761
Attributable to owners of the Parent company	228.746	84.613	311.704	196.761
Comprehensive income for the period	228.746	84.613	311.704	196.761

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Profit for the period	228.746	84.613	311.704	196.761
Attributable to owners of the Parent company	228.746	84.613	311.704	196.761
Consolidated comprehensive income for the period	228.746	84.613	311.704	196.761

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

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 period												
Profit for the period		-	-	-	-	-	-	-	-	-	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 period		-	-	-	-	-	(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 d.	-	-	-	-	18.910	-	-	-	-	(18.910)	-
Dividends	23.b	-	-	-	-	-	-	(70.888)	-	-	(93.204)	(164.092)
Additional dividends proposed	23.b	-	-	-	-	-	-	93.204	-	-	(93.204)	-
Profit retention reserve	23 d.	-	-	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 period												
Profit for the period		-	-	-	-	-	-	-	-	-	311.704	311.704
Realization of deemed cost	23 e.	-	-	-	-	-	-	-	-	(4.473)	4.473	-
Realized revenue reserve – biological assets	23 d.	-	-	-	-	-	(653)	-	-	-	653	-
Total comprehensive income for the period		-	-	-	-	-	(653)	-	-	(4.473)	316.830	311.704
Total contributions by and distributions to owners of the Parent company												
Treasury shares	23 c.	-	-	(41.974)	-	-	-	-	-	-	-	(41.974)
Proposed allocations												
Dividends	23.b	-	-	-	-	-	-	-	-	-	(20.376)	(20.376)
Additional dividends proposed	23.d	-	-	-	-	-	-	(93.203)	-	-	-	(93.203)
Total contributions by and distributions to owners of the Parent company		-	-	(41.974)	-	-	-	(93.203)	-	-	(20.376)	(155.553)
AT JUNE 30, 2023		566.895	(22.961)	(53.616)	960	37.714	1.859	316.549	4.990	132.392	296.454	1.281.236

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

IRANI PAPEL E EMBALAGEM S.A.

STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED JUNE 30

(All amounts in thousands of reais)

		Parent company		Consolidated	
	Note	06/30/2023	06/30/2022	06/30/2023	06/30/2022
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax and social contribution		420.257	264.592	421.281	265.719
Reconciliation of profit for the period to net cash provided by operating activities:					
Changes in the fair value of biological assets	15.a	(54.217)	(37.031)	(67.406)	(61.224)
Depreciation, amortization and depletion	13,14,15 and 32	46.410	34.684	52.109	50.630
Profit (loss) on disposal of property, plant and equipment		(975)	(3.892)	(958)	(3.892)
Equity in the earnings of subsidiaries	12	(16.994)	(33.664)	-	-
Provision/reversal for civil, labor and tax risks	22	(4.588)	2.061	(4.458)	1.842
Provision for impairment of trade receivables	6	(38)	30	(38)	42
Indexation accruals and interest on borrowings, debentures and swap		103.534	48.121	103.534	48.121
Interest on lease liabilities		1.150	1.219	1.150	1.219
Interest on financial investments		(29.763)	(19.793)	(29.763)	(19.793)
Management profit sharing	20	(2.540)	11.215	(2.540)	11.215
Previous period's tax credits		-	(17.229)	-	(17.229)
PIS and COFINS credits on purchases of scraps	22	(231.805)	-	(231.805)	-
		230.431	250.313	241.106	276.655
(Increase) decrease in assets:					
Trade receivables		7.052	10.836	6.978	10.726
Inventories		4.833	18.513	5.657	17.832
Taxes recoverable		(10.360)	10.277	(10.409)	10.269
Other assets		(7.906)	(31.213)	(7.965)	(31.307)
Increase (decrease) in liabilities:					
Trade payables		7.693	9.134	(3.518)	(7.700)
Social security obligations		(4.516)	(14.254)	(4.125)	(13.719)
Advances from customers		(402)	(1.910)	(427)	(1.934)
Tax obligations		(9.336)	(11.110)	(9.089)	(9.989)
Other payables		21.495	1.842	21.445	1.713
Cash from operations		238.984	242.428	239.653	252.546
Payment of interest on borrowings, debentures and swaps		(90.125)	(33.662)	(90.125)	(33.662)
Payment of interest on lease liabilities		(1.150)	(1.219)	(1.150)	(1.219)
Taxes paid (Income tax and social contribution)		(25.145)	(46.914)	(26.302)	(48.086)
Net cash provided by operating activities		122.564	160.633	122.076	169.579
CASH FLOWS FROM INVESTING ACTIVITIES					
Financial investments		(909.665)	(585.252)	(909.665)	(585.252)
Redemption of financial investments		759.607	639.197	759.607	639.197
Purchases of property, plant and equipment		(207.229)	(275.462)	(207.358)	(275.515)
Additions to biological assets		(5.559)	(4.318)	(6.759)	(5.509)
Additions to intangible assets		(6.057)	(2.694)	(6.057)	(2.694)
Capital contribution	12	(2.500)	(1.615)	-	-
Proceeds from sale of property, plant and equipment		1.051	2.974	1.051	2.974
Advance for future capital increase		-	(232)	-	-
Proceeds from sale of non-current assets held for sale		29.525	12.700	29.525	12.700
Other investments		-	-	(158)	-
Net cash used in investing activities		(340.827)	(214.702)	(339.814)	(214.099)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of dividends		(134.776)	(111.593)	(134.776)	(111.593)
Lease liabilities paid		(5.966)	(3.460)	(5.966)	(3.460)
Proceeds from borrowings		71.385	213.355	71.385	213.355
Repayments of borrowings and debentures		(38.005)	(20.492)	(38.005)	(20.492)
Repurchase of shares		(41.974)	(26.009)	(41.974)	(26.009)
Net cash provided by (used in) financing activities		(149.336)	51.801	(149.336)	51.801
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(367.599)	(2.268)	(367.074)	7.281
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	702.762	11.050	735.194	30.410
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	335.163	8.782	368.120	37.691

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

IRANI PAPEL E EMBALAGEM S.A.
STATEMENT OF ADDED VALUE FOR THE PERIODS ENDED JUNE 30

(All amounts in thousands of reais)

	Parent company		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
1. REVENUE	1.179.723	1.107.608	1.182.512	1.111.216
1.1) Sales of goods and/or services	1.022.775	1.053.267	1.025.548	1.056.847
1.2) Other revenues	156.910	54.371	156.926	54.411
1.3) Provision for impairment of trade receivables	38	(30)	38	(42)
2. INPUTS ACQUIRED FROM THIRD PARTIES	611.163	618.652	597.323	587.779
2.1) Cost of sales and services	445.426	407.523	430.037	387.449
2.2) Materials, electricity, third-party services and other	165.737	211.129	167.286	200.330
3. GROSS VALUE ADDED (= 1-2)	568.560	488.956	585.189	523.437
4. DEPRECIATION, AMORTIZATION AND DEPLETION	46.410	34.684	52.109	50.630
5. CHANGES IN THE FAIR VALUE OF BIOLOGICAL ASSETS	(54.217)	(37.031)	(67.406)	(61.224)
6. NET VALUE ADDED GENERATED BY THE COMPANY (3-4-5)	576.367	491.303	600.486	534.031
7. VALUE ADDED RECEIVED THROUGH TRANSFER	155.198	71.270	140.331	38.831
7.1) Equity in the earnings of subsidiaries	16.994	33.664	-	-
7.2) Finance income	138.204	37.606	140.331	38.831
8. TOTAL VALUE ADDED TO DISTRIBUTE (6+7)	731.565	562.573	740.817	572.862
9. DISTRIBUTION OF VALUE ADDED	731.565	562.573	740.817	572.862
9.1) Personnel	121.502	102.824	128.109	109.134
9.1.1 - Direct compensation	91.292	78.674	95.203	82.322
9.1.2 - Benefits	25.307	19.892	27.818	22.364
9.1.3 - Government Severance Indemnity Fund for Employees (FGTS)	4.903	4.258	5.088	4.448
9.2) Taxes and contributions	158.080	170.411	160.688	174.343
9.2.1 - Federal	106.524	123.984	109.085	127.813
9.2.2 - State	50.649	45.171	50.665	45.201
9.2.3 - Municipal	907	1.256	938	1.329
9.3) Third-party capital remuneration	126.917	74.530	126.954	74.577
9.3.1 - Interest	122.487	71.058	122.523	71.104
9.3.2 - Rentals	4.430	3.472	4.431	3.473
9.4) Remuneration of own capital	316.830	203.593	316.830	203.593
9.4.1 - Dividends	20.376	24.813	20.376	24.813
9.4.2 - Profits reinvested	296.454	178.780	296.454	178.780
9.5) Other	8.236	11.215	8.236	11.215
9.5.1 - Management profit sharing	8.236	11.215	8.236	11.215

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

IRANI PAPEL E EMBALAGEM S.A.

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

NOTES TO THE INTERIM 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, 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 FINANCIAL STATEMENTS

The parent company and consolidated interim financial statements included in the Quarterly Information Form - ITR are prepared in accordance with the accounting standard CPC 21 (R1) - Interim Financial Reporting, and with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information - ITR, 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 Group’s operations do not present cyclical or seasonal characteristics that could affect the comparability and interpretation of these interim financial statements.

The issuance of these interim financial statements of the Company was authorized by the Company’s Management on July 26, 2023.

The interim financial statements have been prepared based on historical cost convention, except for biological assets measured at their fair values less costs to sell, derivative

financial instruments – swap and financial instruments measured at their fair values, as described in Notes 15, 18 and 29, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting practices adopted by the Company and its subsidiaries in the preparation of the interim financial statements for the quarter and six-month period ended June 30, 2023 are consistent with those applied in the preparation of the last annual financial statements at December 31, 2022 and are disclosed in Notes 2.1, 2.2 and 3.

4. CONSOLIDATION OF FINANCIAL STATEMENTS

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

Equity interest (%)			
Subsidiaries – direct interest	Business activity	06/30/2023	12/31/2022
Habitasul Florestal S.A.	Forestry production	100,00	100,00
HGE - Geração de Energia Sustentável S.A. *	Electric power generation	100,00	100,00
Iraflor - Comércio de Madeiras Ltda.	Trade of timber	100,00	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 interim 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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Fixed fund	15	15	16	17
Banks	6.108	5.293	6.114	5.302
Financial investments with immediate liquidity i)	329.040	697.454	361.990	729.875
Total cash and cash equivalents	<u>335.163</u>	<u>702.762</u>	<u>368.120</u>	<u>735.194</u>
Financial investments ii)	493.835	314.014	493.835	314.014
Total financial investments	<u>493.835</u>	<u>314.014</u>	<u>493.835</u>	<u>314.014</u>
Total cash and cash equivalents and financial investments	<u>828.998</u>	<u>1.016.776</u>	<u>861.955</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 70 days are remunerated with fixed income at an average rate of 103.3% (103.0% at 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 July 23, 2021.

6. TRADE RECEIVABLES

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Trade receivables from:				
Customers - domestic market	232.702	242.583	233.033	242.840
Customers - related parties	210	259	210	259
Customers - foreign market	27.604	24.726	27.604	24.726
Customers - renegotiation	2.687	2.687	2.687	2.687
	<u>263.203</u>	<u>270.255</u>	<u>263.534</u>	<u>270.512</u>
Estimated losses on trade receivables	<u>(11.018)</u>	<u>(11.056)</u>	<u>(11.018)</u>	<u>(11.056)</u>
	<u>252.185</u>	<u>259.199</u>	<u>252.516</u>	<u>259.456</u>
Current	251.987	258.215	252.318	258.472
Non-current	198	984	198	984

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

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Not yet due	236.005	244.812	236.323	244.993
Up to 30 days past due	10.633	12.293	10.646	12.371
31 to 60 days past due	2.966	1.717	2.966	1.717
61 to 90 days past due	1.155	431	1.155	431
91 to 180 days past due	1.289	111	1.289	111
More than 180 days past due	11.155	10.891	11.155	10.889
	<u>263.203</u>	<u>270.255</u>	<u>263.534</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 June 30, 2023:

Consolidated

Exposure to credit risk and credit losses

	Estimated weighted average loss	Gross book value at 06/30/2023	Allowance for expected credit losses at
Not yet due	0,24%	236.323	(559)
Up to 30 days past due	0,28%	10.646	(30)
31 to 180 days past due	18,04%	5.410	(976)
More than 181 days past due	84,74%	11.155	(9.453)
		<u>263.534</u>	<u>(11.018)</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 June 30, 2023 was assessed with reference to historical information on the Company's default rates. In general, 97% of trade receivables do not have a default history.

Changes in the provision are as follows:

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Balance at the beginning of the period	(11.056)	(30.452)	(11.056)	(30.464)
Allowance for recognized losses	-	(443)	-	(431)
Trade receivables written off during the period as uncollectible	-	19.839	-	19.839
Reversal of provision for recognized losses	38	-	38	-
Balance at the end of the period	(11.018)	(11.056)	(11.018)	(11.056)

At June 30, 2023, a portion of receivables, amounting to R\$ 50,000, has been assigned as collateral for certain financing transactions (R\$ 50,000 at December 31, 2022), as disclosed in Note and 17.

7. INVENTORIES

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Finished products	62.849	64.799	63.346	66.096
Production materials	35.725	37.978	35.768	38.034
Consumable materials	28.727	28.647	28.998	28.929
Other inventories	326	699	326	699
	127.627	132.123	128.438	133.758
Write-down to net realizable value	(337)	-	(337)	-
	127.290	132.123	128.101	133.758

The Company recognized provisions for its inventories for the six-month period ended June 30, 2023, as follows:

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Balance at the beginning of the period	-	-	-	-
Write-down to net realizable value	(337)	-	(337)	-
Balance at the end of the period	(337)	-	(337)	-

8. TAXES RECOVERABLE AND INCOME TAX AND SOCIAL CONTRIBUTION

a) Taxes recoverable

They are as follows:

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Value-added Tax on Sales and Services (ICMS)	50.750	47.772	50.750	47.772
Social Integration Program (PIS)/Social Contribution on Revenues (COFINS)	258.741	25.828	258.741	25.828
Excise Tax (IPI)	41	35	41	35
Income Tax Withheld at Source (IRRF) on investments	4.404	-	4.530	66
Other	928	935	936	954
	<u>314.864</u>	<u>74.570</u>	<u>314.998</u>	<u>74.655</u>
Current	150.864	28.554	150.998	28.639
Non-current	164.000	46.016	164.000	46.016

ICMS credits are basically credits on purchases of property, plant and equipment items and interstate purchases of raw material by Resinas-RS unit that the Company sells to third parties. Additionally, during the first quarter of 2022, the Company recognized previous period's ICMS credit related to the deemed credit in the state of Santa Catarina in the amount of R\$ 18,526, which has been offset monthly, with a positive impact on operating profit before taxes, net of legal fees, in the amount of R\$ 17,229.

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.
- ii) PIS and COFINS credits on the purchases of scraps recognized in the statement of income for this quarter totaling R\$ 231,805, 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 two years, 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](#).

b) Income tax and social contribution recoverable

They are as follows:

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Income tax recoverable	22.584	21.208	22.584	21.208
Social contribution recoverable	8.130	7.635	8.130	7.635
	<u>30.714</u>	<u>28.843</u>	<u>30.714</u>	<u>28.843</u>
Non-current	30.714	28.843	30.714	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 June 30, 2023, the updated value is R\$ 30,714. Considering that there is no expectation of an immediate decision on the lawsuit filed by the Company and the probable delay in the procedures for releasing the credit for offsetting, it was classified as non-current.

9. OTHER ASSETS

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Advances to suppliers	726	770	737	784
Receivables from employees	3.275	3.030	3.562	3.235
Rio Negro Propriedades Rurais e Participações S.A.	524	524	524	524
São José Desenvolvimento Imobiliário 93 Ltda.	-	25.650	-	25.650
Prepaid expenses	2.988	1.290	2.991	1.290
Receivable from lawsuit on abusive interest SP – Securities issued to cover court-ordered debts	5.416	5.086	5.416	5.086
Other	2.662	795	2.819	955
	<u>15.591</u>	<u>37.145</u>	<u>16.049</u>	<u>37.524</u>
Current	10.175	32.059	10.607	32.411
Non-current	5.416	5.086	5.442	5.113

The balance receivable from Rio Negro Propriedades Rurais e Participações S.A. refers to the sale of Rural Properties in the year ended December 31, 2019, which the Company expects to realize in the current year.

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 value of the securities issued to cover court-ordered debts on July 6, 2021 is R\$ 5,416, which the Company expects to realize by the end of 2024.

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 classified as held for sale, based on their condition, the high probability of the sale and the Company's Management's commitment to carry out the sale.

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

Provision for impairment was not recognized during the six-month period ended June 30, 2023.

(b) Assets held for sale

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

Assets held for sale

	06/30/2023	12/31/2022
Machinery and equipment	2.562	2.562
Assets held for sale	2.562	2.562

(c) Accumulated gains and losses included in Other Comprehensive Income (OCI)

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

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.

ASSETS	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Deferred income tax assets				
On temporary provisions	1.416	5.856	1.416	5.856
On tax loss	-	-	37	49
Deferred social contribution assets				
On temporary provisions	510	2.108	510	2.108
On tax loss	-	-	13	18
	1.926	7.964	1.976	8.031

LIABILITIES

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Deferred income tax liabilities				
Unrealized exchange-rate change on the cash basis	131	419	131	419
Fair value of biological assets	66.673	53.739	69.383	56.205
Deemed cost of property, plant and equipment	93.864	94.899	95.802	96.837
PIS and COFINS on purchases of scraps	41.469	-	41.469	-
Tax amortization of goodwill	25.158	25.158	25.158	25.158
Deferred social contribution liabilities				
Unrealized exchange-rate change on the cash basis	47	151	47	151
Fair value of biological assets	24.002	19.346	25.466	20.678
Deemed cost of property, plant and equipment	33.792	34.165	34.490	34.863
PIS and COFINS on purchases of scraps	14.929	-	14.929	-
Tax amortization of goodwill	9.057	9.057	9.057	9.057
	<u>309.122</u>	<u>236.934</u>	<u>315.932</u>	<u>243.368</u>
Deferred tax liabilities (net)	<u>307.196</u>	<u>228.970</u>	<u>313.956</u>	<u>235.337</u>

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

Parent company assets	Opening balance 01/01/2022	Recognized in profit (loss)	Closing balance 12/31/2022
Deferred tax assets related to:			
Provision for sundry risks	(11.324)	3.360	(7.964)
Total temporary differences	(11.324)	3.360	(7.964)
Income tax and social contribution tax losses	(27.866)	27.866	-
	<u>(39.190)</u>	<u>31.226</u>	<u>(7.964)</u>

Parent company assets	Opening balance 01/01/2023	Recognized in profit (loss)	Closing balance 06/30/2023
Deferred tax assets related to:			
Provision for sundry risks	(7.964)	6.038	(1.926)
Total temporary differences	(7.964)	6.038	(1.926)
	<u>(7.964)</u>	<u>6.038</u>	<u>(1.926)</u>

Parent company liabilities	Opening balance 01/01/2022	Recognized in profit (loss)	Closing balance 12/31/2022	Recognized in profit (loss)	Closing balance 06/30/2023
Deferred tax liabilities related to:					
Exchange-rate change recognized on a cash basis	-	570	570	(392)	178
Fair value of biological assets	47.872	25.213	73.085	17.590	90.675
Deemed cost and review of useful life	157.918	(28.854)	129.064	(1.408)	127.656
Government grant	43	(43)	-	-	-
PIS and COFINS on purchases of scraps	-	-	-	56.398	56.398
Tax amortization of goodwill	34.215	-	34.215	-	34.215
	<u>240.048</u>	<u>(3.114)</u>	<u>236.934</u>	<u>72.188</u>	<u>309.122</u>

Consolidated assets	Opening balance 01/01/2022	Recognized in profit (loss)	Closing balance 12/31/2022
Deferred tax assets related to:			
Provision for sundry risks	(11.324)	3.360	(7.964)
Total temporary differences	(11.324)	3.360	(7.964)
Income tax and social contribution tax losses	(27.899)	27.832	(67)
	<u>(39.223)</u>	<u>31.192</u>	<u>(8.031)</u>

Consolidated assets	Opening balance 01/01/2023	Recognized in profit (loss)	Closing balance 06/30/2023
Deferred tax assets related to:			
Provision for sundry risks	(7.964)	6.038	(1.926)
Total temporary differences	(7.964)	6.038	(1.926)
Income tax and social contribution tax losses	(67)	17	(50)
	<u>(8.031)</u>	<u>6.055</u>	<u>(1.976)</u>

Consolidated liabilities	Opening balance 01/01/2022	Recognized in profit (loss)	Closing balance 12/31/2022	Recognized in profit (loss)	Closing balance 06/30/2023
Deferred tax liabilities related to:					
Exchange-rate change recognized on a cash basis	-	570	570	(392)	178
Fair value of biological assets	49.944	26.939	76.883	17.966	94.849
Deemed cost and review of useful life	160.554	(28.854)	131.700	(1.408)	130.292
Government grant	43	(43)	-	-	-
PIS and COFINS on purchases of scraps	-	-	-	56.398	56.398
Tax amortization of goodwill	34.215	-	34.215	-	34.215
	<u>244.756</u>	<u>(1.388)</u>	<u>243.368</u>	<u>72.564</u>	<u>315.932</u>

12. INVESTMENTS IN SUBSIDIARIES (PARENT COMPANY) AND OTHER INVESTMENTS

a) Investments in subsidiaries (Parent company)

	Habitasul 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	(1.643)	18.776	(1)	(261)	123	16.994
Capital contribution (ii)	-	-	-	-	2.500	2.500
At June 30, 2023	90.006	136.763	10	987	9.993	237.759

	Habitasul Florestal	Iraflor Comércio de Madeiras	HGE Geração de Energia	Irani Soluções para E- Commerce	Irani Ventures
At June 30, 2023					
Current					
Assets	11.662	48.745	10	987	8.333
Liabilities	(2.652)	(215)	-	-	(47)
Current, net	9.010	48.530	10	987	8.286
Non-current					
Assets	85.285	90.979	-	-	1.707
Liabilities	(4.289)	(2.746)	-	-	-
Non-current, net	80.996	88.233	-	-	1.707
Equity	90.006	136.763	10	987	9.993
Net revenue	11.555	9.096	-	42	-
Profit (loss) before income tax and social contribution	(1.131)	19.835	(1)	(261)	168
Income tax and social contribution expense	(512)	(1.059)	-	-	(45)
Profit (loss) for the period	(1.643)	18.776	(1)	(261)	123
Equity 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.
- (ii) During 2022, Iraflor Comércio de Madeiras Ltda. received a capital contribution from the parent company Irani Papel e Embalagem S.A. in the amount of R\$ 5,530, 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 of Companhia Irani Ventures Ltda. to Companhia Trashin Gestão e Coleta de Recicláveis S.A., as a loan convertible into equity interest in the amount of R\$ 1,658.

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	18.524	-	18.524
Cost	18.524	2.813	21.337
Accumulated depreciation	-	(2.813)	(2.813)
Net book value	18.524	-	18.524
At June 30, 2023			
Opening balance	18.524	-	18.524
Write-offs/Disposals	(34)	-	(34)
Net book value	18.490	-	18.490
Cost	18.490	2.813	21.303
Accumulated depreciation	-	(2.813)	(2.813)
Net book value	18.490	-	18.490
<u>Land and buildings</u>			

Refers to:

- Land held by the Company 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 are subject to a study for realization by use or sale.
- Land received by the Company in exchange for receivables from customers in the amount of R\$ 2,432.
- Consisted of buildings and land located in Rio Negrinho - Santa Catarina. At a meeting of the Board of Directors on August 1, 2022, the sale of all buildings and land was approved, for the amount of R\$ 10,000, fully received upon bookkeeping

on August 9, 2022. The positive effect on the result before taxes on profit was R\$ 7,274.

At June 30, 2023, investment properties are measured at historical cost. For disclosure purposes, the Company measured these properties at fair value, less any costs to sell, in the amount of R\$ 22,754, Parent company and Consolidated, at December 31, 2022. The valuations were made by independent and internal appraisers, using market evidence about the prices of transactions carried out with similar properties. 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 June 30, 2023								
Opening balance	120.485	151.978	416.009	6.355	7.621	680.763	6.537	1.389.748
Purchases	9	1.698	21.315	1.537	1.271	165.415	-	191.245
Write-offs/Disposals	-	-	(16)	(5)	(11)	(10)	-	(42)
Transfers	-	10.449	77.897	-	793	(89.139)	-	-
Depreciation	-	(3.993)	(27.832)	(822)	(1.226)	-	(554)	(34.427)
Net book value	120.494	160.132	487.373	7.065	8.448	757.029	5.983	1.546.524
Cost	120.494	252.085	1.235.200	18.228	31.913	757.029	16.094	2.431.043
Accumulated depreciation	-	(91.953)	(747.827)	(11.163)	(23.465)	-	(10.111)	(884.519)
Net book value	120.494	160.132	487.373	7.065	8.448	757.029	5.983	1.546.524

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)	-	-
Transferências - Prop. para Investimento	-	-	-	-	-	-	-	-
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	<u>136.669</u>	<u>153.028</u>	<u>416.332</u>	<u>6.722</u>	<u>7.663</u>	<u>680.850</u>	<u>6.537</u>	<u>1.407.801</u>
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	<u>136.669</u>	<u>153.028</u>	<u>416.332</u>	<u>6.722</u>	<u>7.663</u>	<u>680.850</u>	<u>6.537</u>	<u>1.407.801</u>
At June 30, 2023								
Opening balance	136.669	153.028	416.332	6.722	7.663	680.850	6.537	1.407.801
Purchases	9	1.701	21.428	1.537	1.276	166.620	-	192.571
Write-offs/Disposals	-	-	(16)	(5)	(28)	(10)	-	(59)
Transfers	-	10.505	77.897	-	793	(89.195)	-	-
Depreciation	-	(4.085)	(27.876)	(887)	(1.233)	-	(554)	(34.635)
Net book value	<u>136.678</u>	<u>161.149</u>	<u>487.765</u>	<u>7.367</u>	<u>8.471</u>	<u>758.265</u>	<u>5.983</u>	<u>1.565.678</u>
Cost	136.678	257.154	1.235.893	19.591	32.448	758.265	16.094	2.456.123
Accumulated depreciation	-	(96.005)	(748.128)	(12.224)	(23.977)	-	(10.111)	(890.445)
Net book value	<u>136.678</u>	<u>161.149</u>	<u>487.765</u>	<u>7.367</u>	<u>8.471</u>	<u>758.265</u>	<u>5.983</u>	<u>1.565.678</u>

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



b) Breakdown of intangible assets

Parent company

	<i>Goodwill</i>	<i>Customer list</i>	<i>Software</i>	<i>Software under development</i>	<i>Total</i>
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	5.347	57.083	-	166.810
Accumulated amortization	-	(5.347)	(27.426)	-	(32.773)
Net book value	104.380	-	29.657	-	134.037
At June 30, 2023					
Opening balance	104.380	-	29.657	-	134.037
Purchases	-	-	2.348	3.709	6.057
Transfers	-	-	3.709	(3.709)	-
Amortization	-	-	(2.830)	-	(2.830)
Net book value	104.380	-	32.884	-	137.264
Cost	104.380	5.347	63.140	-	172.867
Accumulated amortization	-	(5.347)	(30.256)	-	(35.603)
Net book value	104.380	-	32.884	-	137.264

Consolidated

	<i>Goodwill</i>	<i>Customer list</i>	<i>Software</i>	<i>Software under development</i>	<i>Total</i>
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	5.347	57.091	-	166.818
Accumulated amortization	-	(5.347)	(27.434)	-	(32.781)
Net book value	104.380	-	29.657	-	134.037
At June 30, 2023					
Opening balance	104.380	-	29.657	-	134.037
Purchases	-	-	2.348	3.709	6.057
Transfers	-	-	3.709	(3.709)	-
Amortization	-	-	(2.830)	-	(2.830)
Net book value	104.380	-	32.884	-	137.264
Cost	104.380	5.347	63.148	-	172.875
Accumulated amortization	-	(5.347)	(30.264)	-	(35.611)
Net book value	104.380	-	32.884	-	137.264





c) Depreciation/Amortization method

The table below shows the annual depreciation/amortization rates defined based on the economic useful lives of the assets. The rate used is presented at the annual weighted average.

	Rate %	
	06/30/2023	12/31/2022
Buildings and constructions *	2,92	2,90
Equipment and facilities	7,48	7,11
Furniture, fixtures and IT equipment	14,14	15,17
Vehicles and tractors	18,44	18,26
Software	11,72	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.

During the six-month period ended June 30, 2023, interest on financing in the amount of R\$ 21,416 (R\$ 28,564 in 2022) and expenses with commission of letters of guarantee in the amount of R\$ 3,858 (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% (four percent) per annum. The property is owned by the companies MCFD - Administração de Imóveis Ltda. and PFC – Administração de Imóveis Ltda., and the cost of the renovation was fully absorbed by Irani Papel e Embalagem S.A.

The breakdown of the depreciation of property, plant and equipment in the six-month period ended June 30, 2023 and in the six-month period ended June 30, 2022 is as follows:

	Parent company		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Administrative	822	502	914	583
Productive	33.605	25.737	33.721	25.829
	34.427	26.239	34.635	26.412

The breakdown of the amortization of intangible assets in the six-month period ended June 30, 2023 and in the six-month period ended June 30, 2022 is as follows:

	Parent company		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Administrative	983	620	983	620
Productive	1.847	1.857	1.847	1.857
	2.830	2.477	2.830	2.477



e) Impairment losses on property, plant and equipment

There was no need to recognize impairment in the six-month period ended June 30, 2023.

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, 2022, 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 Packaging Paper and Corrugated Cardboard	
Packaging (% of annual growth rate)	4,0%
Gross margin (% on net revenue)	38,7%
Estimated growth rate	5,0%
Discount rate (WACC)	10,88%

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

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

The Company carried out a sensitivity analysis of discount and growth rates. Even considering an increase or decrease, respectively, of 9.0% in the discount rate and of 5.0% in the growth rate, in the aggregate, the recoverable amount continues higher than the carrying amount.





15. BIOLOGICAL ASSETS

The Company's biological assets mainly include the cultivation and planting of pine forests to supply raw material in the production of pulp used in the packaging paper production process, resin production and sales of wood logs to third parties. All the 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:

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cost of formation of biological assets	69.541	61.669	101.778	95.829
Fair value adjustment of biological assets	186.624	134.289	311.188	247.898
	256.165	195.958	412.966	343.727

Of the total consolidated biological assets, R\$ 347,143 (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\$ 323,103 (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\$ 65,823 (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 costs to sell 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\$ 650,242 at December 31, 2022 as it captures the current value of the land on the market. The book value of the land is R\$ 136,678, 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
	06/30/2023	12/31/2022	
Planted area (hectare)	15.408	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 - %	7,50%	7,50%	If the assumption increases, the fair value decreases
Discount rate - Own Forests RS - %	8,00%	8,00%	If the assumption increases, the fair value decreases
Discount rate - Partnerships - %	8,50%	8,50%	If the assumption increases, the fair value decreases
Net average sales price (m³)	119,00	107,00	If the assumption increases, the fair value increases
Average annual increase (AAI) - Santa Catarina Forests (*)	38,4	38,4	If the assumption increases, the fair value increases
Average annual increase (AAI) - 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 period's main movements are shown below:

	Parent company	Consolidated
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 for capitalization in subsidiary Iraflor	(5.530)	-
Changes in the fair value	82.430	139.003
At 12/31/2022	195.958	343.727
Planting	4.627	5.961
Acquisition of forest	5.563	5.563
Depletion		
Historical cost	(2.318)	(4.350)
Fair value	(1.882)	(5.341)
Changes in the fair value	54.217	67.406
At 06/30/2023	256.165	412.966

Depletion of biological assets in the six-month period ended June 30, 2023 and six-month period ended June 30, 2022 was recognized in profit (loss) for the respective periods, after the allocation in inventories through forest harvesting and use in production process or sale to third parties.

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

b) Biological assets pledged as collateral

Part of the biological assets of the Company and its subsidiary Iraflor Comércio de Madeiras Ltda. is pledged as collateral for financial transactions, as disclosed in Note 17.

c) Production on third-party land

The Company has entered into non-cancellable lease agreements for production of biological assets on third-party land, called partnerships. These agreements are 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 9.3% 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





			Parent company		Consolidated	
			06/30/2023	12/31/2022	06/30/2023	12/31/2022
Current	Annual charges %	Currency				
Local currency						
Finame	Fixed at 3.89%, Selic + 3.70%, IPCA + 6.24%	Real	13.822	7.235	13.822	7.235
Total local currency			13.822	7.235	13.822	7.235
Foreign currency						
Advance on exchange contract	Fixed at 4.62%	Dollar	-	40.298	-	40.298
Total foreign currency			-	40.298	-	40.298
Total current			13.822	47.533	13.822	47.533
Non-current						
Local currency						
Finame	Fixed at 3.89%, Selic + 3.70%, IPCA + 6.24%	Real	484.000	412.672	484.000	412.672
Total local currency			484.000	412.672	484.000	412.672
Total non-current			484.000	412.672	484.000	412.672
Total			497.822	460.205	497.822	460.205
Long-term maturities:			Parent company		Consolidated	
			06/30/2023	12/31/2022	06/30/2023	12/31/2022
	2024		-	57	-	57
	2025		22.566	18.194	22.566	18.194
	2026		36.671	31.740	36.671	31.740
	2027		37.231	31.739	37.231	31.739
	2028 onwards		387.532	330.942	387.532	330.942
			484.000	412.672	484.000	412.672

b) Significant transactions in the period

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 + 6.24% 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.

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.





17. DEBENTURES

a) 3rd issue of simple public debentures

In accordance with the [Material Fact disclosed on July 31, 2019](#), the distribution of simple, unsecured, debentures, non-convertible into shares, was carried out; it was comprised by 505,000 debentures, with unit par value of R\$ 1.00, totaling, on the date of issue, the amount of R\$ 505,000, with the subsequent cancellation of unsubscribed or paid-up debentures. The debentures have final maturity on July 19, 2025 and amortization in 3 annual installments as of July 19, 2023.

The 3rd Issue of Simple Public Debentures has a [brAA+ rating assigned by S&P Global Ratings](#) and is characterized as “Green Debentures” based on the [Second Opinion issued by the specialized advisory firm SITAWI Finanças do Bem](#), based on the June 2018 Green Bond Principles guidelines. The Issue is traded on the secondary market under the ticker CELU13.

b) 4th 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 unit 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	
			06/30/2023	12/31/2022
In local currency				
3 rd issue of debentures	07/19/2019	CDI + 4,50% a.a.	205.427	206.333
4 th issue of debentures	03/03/2021	IPCA + 5.50% p.a.	94	112
5 th issue of debentures	08/15/2022	CDI + 1,51% a.a.	35.171	19.617
Total current			240.692	226.062
Non-current				
In local currency				
3 rd issue of debentures	07/19/2019	CDI + 4,50% a.a.	335.374	334.246
4 th issue of debentures	03/03/2021	IPCA + 5.50% p.a.	70.411	68.104
5 th issue of debentures	08/15/2022	CDI + 1,51% a.a.	705.096	703.558
Total non-current			1.110.881	1.105.908
			1.351.573	1.331.970

Long-term maturities:	Parent company and Consolidated	
	06/30/2023	12/31/2022
2024	165.975	167.123
2025	163.838	167.123
2026	13.247	17.026
2027	500.411	492.228
2028 onwards	267.410	262.408
	1.110.881	1.105.908

e) Schedule for amortization of funding costs

	Issue	2023	2024	2025	2026	2027 onwards	Total
In local currency							
3 rd issue of debentures	07/19/2019	1.145	1.764	657	-	-	3.566
4 th issue of debentures	03/03/2021	34	80	101	87	97	399
5 th issue of debentures	08/15/2022	1.441	3.219	3.737	4.351	5.135	17.883
Total local currency		2.620	5.063	4.495	4.438	5.232	21.848

f) Guarantees

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





- Statutory lien of rural properties (land), located in the cities of Ponte Serrada, Catanduvas, Água Doce, Irani and Vargem Bonita.
 - Fiduciary assignment of credit rights arising from sales in the amount of R\$ 50,000.
- ii) The 4th Issue of Simple Private Debentures has guarantees, as follows:
- Statutory lien of the Issuer's properties, located in the city of Santa Luzia, in the State of Minas Gerais (Paper Plant).
 - Statutory lien of machinery and equipment owned by the Issuer, located in said plant.

g) Covenants

At June 30, 2023 there was no need to measure financial ratios because they are annually measured as provided for in the contract. The financial ratios calculated in the last year comply with the clauses and are disclosed in the financial statements at December 31, 2022.

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 converted rate of CDI + 0.71% p.a. is far below the interest rate of the 3rd Issue of Debentures that was issued at CDI + 4.50% p.a., and, at the end of 4Q21, it was being traded at CDI + 2.45% p.a. on the secondary market. The 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 June 30, 2023 and changes in this swap operation in the six-month period ended June 30, 2023 are as follows:

Maturity	Asset position IPCA+	Liability position CDI+	Notional	Fair value - asset position	Fair value - liability position	Gain
December 15, 2029	5,50%	0,71%	66.225	65.605	59.328	6.277



Changes in the derivative financial instrument - 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 period (recognized in profit (loss))	2.729	-
Effect of settlement	2.501	-
At June 30, 2023	6.277	-
Current	785	-
Non-current	5.492	-

19. TRADE PAYABLES

Trade payables consist of obligations to suppliers, as follows:

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
CURRENT				
Domestic	152.743	172.099	153.916	173.182
Foreign	2.656	2.131	2.656	2.131
Related parties	35.052	25.082	-	-
	190.451	199.312	156.572	175.313

At June 30, 2023 and December 31, 2022, the Company did not have forfeiting transactions with its suppliers.

20. RELATED PARTIES

Parent company

	Receivables		Payables	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Habitasul Florestal S.A.	-	-	2.398	2.088
Iraflor - Com. de Madeiras Ltda.	-	-	32.654	23.024
Companhia Habitasul de Participações	210	259	-	-
Management compensation	-	-	1.405	3.341
Management profit sharing	-	-	12.009	14.549
Long-term profit sharing - Upside	-	-	10.776	10.776
Total	210	259	59.242	53.778
Current	210	259	47.233	39.229
Non-current	-	-	12.009	14.549

Parent company

	Revenues		Expenses		Revenues		Expenses	
	Quarter ended		Quarter ended		Six-month period ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Companhia Habitasul de Participações	630	747	-	-	1.407	1.473	-	-
Habitasul Florestal S.A.	-	-	860	8.174	-	-	8.799	18.167
Iraflor - Com. de Madeiras Ltda.	-	-	3.420	7.698	-	-	8.702	14.113
Irani Soluções para E-Commerce Ltda.	-	4	-	-	4	19	-	-
MCFD Administração de Imóveis Ltda.	-	-	573	543	-	-	1.146	1.086
PFD Administração de Imóveis Ltda.	-	-	573	543	-	-	1.146	1.086
Management profit sharing	-	-	4.118	11.215	-	-	8.236	11.215
Management compensation	-	-	4.058	3.108	-	-	7.974	6.242
Total	630	751	13.602	31.281	1.411	1.492	36.003	51.909

Consolidated

	Receivables		Payables	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Companhia Habitasul de Participações	210	259	-	-
Management compensation	-	-	1.405	3.341
Management profit sharing	-	-	12.009	14.549
Long-term profit sharing - Upside	-	-	10.776	10.776
Total	210	259	24.190	28.666
Current	210	259	12.181	14.117
Non-current	-	-	12.009	14.549

Consolidated

	Revenues		Expenses		Revenues		Expenses	
	Quarter ended		Quarter ended		Six-month period ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Irani Soluções para E-Commerce Ltda.	-	4	-	-	4	19	-	-
MCFD Administração de Imóveis Ltda.	-	-	573	543	-	-	1.146	1.086
PFD Administração de Imóveis Ltda.	-	-	573	543	-	-	1.146	1.086
Companhia Habitasul de Participações	630	747	-	-	1.407	1.473	-	-
Management compensation	-	-	4.072	3.123	-	-	8.001	6.272
Management profit sharing	-	-	4.118	11.225	-	-	8.236	11.225
Total	630	751	9.336	15.434	1.411	1.492	18.529	19.669

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 debits 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. Said operations were [approved by the Company's Board of Directors](#), as provided for in the Related Party Transactions policy.

The debt with MCFD Administração de Imóveis Ltda. and PFD 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.

In the six-month period ended June 30, 2023, management fee expenses, excluding payroll charges and including benefits, totaled R\$ 7,974 in the parent company (R\$ 6,242 in the six-month period ended June 30, 2022), and R\$ 8,001 in the consolidated in the six-month period ended June 30, 2023 (R\$ 6,272 in the six-month period ended June 30, 2022). The total management remuneration 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 remuneration, if this limit is lower.

The sharing in the Long-Term Results - Upside refers to the allocation for payment of a portion of the Management profit sharing to be distributed to those participating in the program, as [approved by the Company's Board of Directors on August 4, 2022](#). This is not a Stock Option plan.

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.



21. TAXES IN INSTALLMENTS

	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Current				
PIS installment payment	-	710	-	710
COFINS installment payment	-	3.272	-	3.272
IPI installment payment	1.253	1.189	1.253	1.189
ICMS installment payment	812	770	812	770
INSS installment payment	568	-	568	-
	<u>2.633</u>	<u>5.941</u>	<u>2.633</u>	<u>5.941</u>
Non-current				
IPI installment payment	835	1.386	835	1.386
ICMS installment payment	780	1.125	780	1.125
INSS installment payment	1.817	-	1.817	-
	<u>3.432</u>	<u>2.511</u>	<u>3.432</u>	<u>2.511</u>
Total installment payments	<u>6.065</u>	<u>8.452</u>	<u>6.065</u>	<u>8.452</u>

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

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

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

In the first quarter of 2023, the Company divided into 40 monthly installments INSS debts referring 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.

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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Provision for civil risks	2.890	2.671	2.890	2.671
Provision for labor risks	4.817	5.027	5.042	5.196
Provision for tax risks	15.121	20.228	15.121	20.228
Total	<u>22.828</u>	<u>27.926</u>	<u>23.053</u>	<u>28.095</u>





Details about movements in provision:

	01/01/2022	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2022
Parent company						
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>
	01/01/2023	Provision	Payments	Reversal	Restricted judicial deposits	06/30/2023
Parent company						
Civil	2.671	219	-	-	-	2.890
Labor	5.027	300	(376)	-	(134)	4.817
Tax	20.228	2.372	-	(7.479)	-	15.121
	<u>27.926</u>	<u>2.891</u>	<u>(376)</u>	<u>(7.479)</u>	<u>(134)</u>	<u>22.828</u>
	01/01/2022	Provision	Payments	Reversal	Restricted judicial deposits	12/31/2022
Consolidated						
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>
	01/01/2023	Provision	Payments	Reversal	Restricted judicial deposits	06/30/2023
Consolidated						
Civil	2.671	219	-	-	-	2.890
Labor	5.196	464	(450)	(34)	(134)	5.042
Tax	20.228	2.372	-	(7.479)	-	15.121
	<u>28.095</u>	<u>3.055</u>	<u>(450)</u>	<u>(7.513)</u>	<u>(134)</u>	<u>23.053</u>

The provision recorded is mainly related to:

- a) Civil lawsuits relate, among other matters, to compensation for losses and indemnification claims due to commercial representation contractual terminations. At June 30, 2023, the provision for possible convictions in these lawsuits totaled R\$ 2,890 in the consolidated.
- b) Labor lawsuits are mainly related to claims filed by former employees for payment of overtime, health hazard premiums, hazardous duty premiums, occupational illnesses and occupational accidents. Based on past experience and on the opinion of its legal counsel, the Company maintained a provision of R\$ 5,042 in the consolidated at June 30, 2023, which is considered sufficient to cover probable losses arising from labor losses.
- c) Tax provisions totaled R\$ 15,121 in the consolidated at June 30, 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 June 30, 2023 totaled R\$ 9,452, and a related provision for tax risks was recorded, at the adjusted amount of R\$ 13,072.





- ii) Administrative and judicial proceedings relating to the disallowance of ICMS credits by the Finance Department of the State of São Paulo, totaling R\$ 1,081. 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, this quarter 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 June 30, 2023 and December 31, 2022, the amounts of these possible contingencies of a labor, civil, and tax nature were as follows:

	Consolidated	
	06/30/2023	12/31/2022
Labor contingencies	23.702	25.396
Civil contingencies	10.448	9.816
Tax contingencies	148.344	145.260
-	182.494	180.472

Labor contingencies:

The labor lawsuits assessed by Management and its legal advisors as involving possible losses totaled R\$ 23,702 at June 30, 2023. 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 tax lawsuits classified by Management and its legal advisors as involving risk of possible losses totaled R\$ 10,448 at June 30, 2023, and relate mainly to indemnity claims that are currently at different procedural stages.

Tax liabilities contingencies:

The tax lawsuits assessed by Management and its legal advisors as involving possible losses totaled R\$ 148,344 as of June 30, 2023, 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\$ 52,292 at June 30, 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\$ 44,024 at June 30, 2023. The Company has challenged these assessments in the administrative and judicial spheres and awaits the respective trials.
- Administrative 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\$ 9,686 at June 30, 2023. The Company is discussing said tax assessment notices in the administrative sphere.
- Administrative Proceeding relating to federal taxes offset against deemed Excise Tax (IPI) credits on exports, amounting to R\$ 6,665 at June 30, 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\$ 3,565 at June 30, 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 for 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\$ 349. 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:

In this quarter, 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 credit recognized amounted to R\$ 231,805 thousand, to be used for offsetting against future federal taxes payable by the Company.

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





	Parent company and Consolidated
Total PIS and COFINS credits on purchases of scraps	231.805
Principal	165.875
Indexation accruals	65.930
Fees	(18.603)
PIS and COFINS on indexation accruals	(3.065)
Current income tax and social contribution	7.368
Deferred income tax and social contribution	(56.398)
Effect on operating income (expenses), net	147.272
Effect on finance income (costs), net	62.865
Effect on current income tax and social contribution	7.368
Effect on deferred income tax and social contribution	(56.398)
Effect on profit for the period	161.107

The Company estimates it will use all credits for offsetting other taxes in up to two years, depending on the amount of federal taxes calculated eligible for 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 June 30, 2023 is R\$ 566,895 (R\$ 566,895 at December 31, 2022), comprised at June 30, 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 June 30, 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 2nd Quarter of 2023 to be approved by the Board of Directors will be R\$ 54,935.





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

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\$ 93,204, corresponding to R\$ 0.385889841, per common share, paid on May 24, 2023.

c) [Treasury shares](#)

	Parent company			
	06/30/2023		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		Purchases		06/30/2023	
	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) [Revenue reserves](#)

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

h) 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.

e) 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 June 30, 2023 corresponds to credit balance of R\$ 132,392 (R\$ 136,865 at December 31, 2022).

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

	Consolidated
At December 31, 2021	145.812
Annual realization – deemed cost	(8.947)
At December 31, 2022	136.865
Period realization – deemed cost	(4.473)
At June 30, 2023	132.392

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 period. 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		
Quarter ended		
	06/30/2023	06/30/2022
	Common shares	Common shares
	(ON)	(ON)
Weighted average number of shares	241.365.786	248.993.352
Profit for the period attributable to each type of share	228.746	84.613
Basic and diluted earnings per share - R\$	0,9477	0,3398

Parent company and Consolidated		
Six-month period ended		
	06/30/2023	06/30/2022
	Common shares	Common shares
	(ON)	(ON)
Weighted average number of shares	242.728.319	249.950.486
Profit for the period attributable to each type of share	311.704	196.761
Basic and diluted earnings per share - R\$	1,2842	0,7872

25. NET SALES REVENUE

The Company's net revenue is as follows:

	Parent company		Parent company	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Gross revenue from sales of products	502.196	539.792	1.022.775	1.053.267
Sales taxes	(104.972)	(105.511)	(211.795)	(206.978)
Sales returns	(4.115)	(6.867)	(12.220)	(12.706)
Net sales revenue	393.109	427.414	798.760	833.583

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Gross revenue from sales of products	503.642	541.409	1.025.547	1.056.847
Sales taxes	(105.056)	(105.624)	(211.971)	(207.192)
Sales returns	(4.116)	(6.878)	(12.222)	(12.804)
Net sales revenue	394.470	428.907	801.354	836.851

The Company's revenues are recognized when performance obligations are met, which generally occurs when products are delivered 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 REVENUES BY NATURE

The breakdown of expenses by nature is as follows:

	Parent company		Parent company	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Changes in the fair value of biological assets				
Changes in the fair value of biological assets	29.202	23.985	54.217	37.031
	<u>29.202</u>	<u>23.985</u>	<u>54.217</u>	<u>37.031</u>
Cost of goods sold				
Fixed and variable costs (raw and consumable materials)	(171.693)	(195.074)	(344.327)	(370.230)
Costs of personnel	(47.739)	(41.097)	(96.310)	(80.731)
Services contracted	(2.778)	(6.927)	(11.790)	(14.233)
Depreciation, amortization and depletion	(23.990)	(16.976)	(44.201)	(33.082)
	<u>(246.200)</u>	<u>(260.074)</u>	<u>(496.628)</u>	<u>(498.276)</u>
Selling expenses				
Personnel expenses	(3.358)	(3.111)	(6.670)	(6.102)
Services contracted	(336)	(344)	(590)	(630)
Logistics expenses (freight)	(18.574)	(22.527)	(38.258)	(40.810)
Depreciation, amortization and depletion	(105)	(101)	(217)	(186)
Sales commissions	(3.625)	(4.230)	(7.292)	(8.012)
Other (i)	(3.641)	(4.301)	(7.612)	(7.473)
	<u>(29.639)</u>	<u>(34.614)</u>	<u>(60.639)</u>	<u>(63.213)</u>
Impairment losses on trade receivables				
Impairment losses on trade receivables	18	98	58	(83)
	<u>18</u>	<u>98</u>	<u>58</u>	<u>(83)</u>
General and administrative expenses				
Personnel expenses	(20.616)	(16.430)	(43.495)	(31.883)
Services contracted	(2.443)	(3.068)	(3.360)	(4.030)
Depreciation, amortization and depletion	(1.096)	(713)	(1.992)	(1.416)
Other (i)	(946)	(652)	(3.332)	(3.436)
	<u>(25.101)</u>	<u>(20.863)</u>	<u>(52.179)</u>	<u>(40.765)</u>
Other operating income (expenses), net				
Income from claimed and disposed goods	172	249	220	249
Income from sale of assets	(47)	498	971	3.892
Income from sale of carbon credit	-	-	-	1.375
Provision for government grants - State of MG	186	(299)	349	(545)
Reversal of INSS contingency - substitute contribution	-	-	3.870	-
Effect of PIS and COFINS credits on purchases of scraps (ii)	147.272	-	147.272	-
Other operating income (expenses), net (i)	(486)	1.859	(489)	2.347
	<u>147.097</u>	<u>2.307</u>	<u>152.193</u>	<u>7.318</u>
Management profit sharing				
Management profit sharing	(4.118)	(11.215)	(8.236)	(11.215)
	<u>(4.118)</u>	<u>(11.215)</u>	<u>(8.236)</u>	<u>(11.215)</u>

(i) Amounts comprising expenses with maintenance, insurance, bids, publications, consumables, indemnities, travel and lodging, exports, 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).

Changes in the fair value of biological assets

Changes in the fair value of biological assets

Consolidated		Consolidated	
Quarter ended		Six-month period ended	
06/30/2023	06/30/2022	06/30/2023	06/30/2022
33.483	35.138	67.406	61.224
<u>33.483</u>	<u>35.138</u>	<u>67.406</u>	<u>61.224</u>

Cost of goods sold

 Fixed and variable costs (raw and consumable materials)
 Costs of personnel
 Services contracted
 Depreciation, amortization and depletion

(167.196)	(179.328)	(331.397)	(339.145)
(51.909)	(44.227)	(100.480)	(87.101)
(3.510)	(7.387)	(12.522)	(14.693)
(25.568)	(25.941)	(49.899)	(49.028)
<u>(248.183)</u>	<u>(256.883)</u>	<u>(494.298)</u>	<u>(489.967)</u>

Selling expenses

 Personnel expenses
 Services contracted
 Logistics expenses (freight)
 Depreciation, amortization and depletion
 Sales commissions
 Other (i)

(3.358)	(3.111)	(6.670)	(6.102)
(336)	(344)	(590)	(630)
(18.889)	(22.983)	(38.984)	(41.734)
(105)	(101)	(217)	(186)
(3.625)	(4.230)	(7.292)	(8.012)
(3.674)	(4.406)	(7.778)	(7.656)
<u>(29.987)</u>	<u>(35.175)</u>	<u>(61.531)</u>	<u>(64.320)</u>

Impairment losses on trade receivables

Impairment losses on trade receivables

18	86	58	(95)
<u>18</u>	<u>86</u>	<u>58</u>	<u>(95)</u>

General and administrative expenses

 Personnel expenses
 Services contracted
 Depreciation, amortization and depletion
 Other (i)

(20.616)	(16.430)	(43.495)	(32.051)
(2.616)	(3.163)	(3.533)	(4.125)
(1.096)	(713)	(1.993)	(1.416)
(1.524)	(872)	(4.439)	(4.239)
<u>(25.852)</u>	<u>(21.178)</u>	<u>(53.460)</u>	<u>(41.831)</u>

Other operating income (expenses), net

 Income from claimed and disposed goods
 Income from sale of assets
 Income from sale of carbon credit
 Provision for government grants - State of MG
 Reversal of INSS contingency - substitute contribution
 Effect of PIS and COFINS credits on purchases of scraps (ii)
 Other operating income (expenses), net (i)

172	249	220	249
(47)	498	971	3.892
-	-	-	1.375
186	(299)	349	(545)
-	-	3.870	-
147.272	-	147.272	-
(486)	1.856	(502)	2.374
<u>147.097</u>	<u>2.304</u>	<u>152.180</u>	<u>7.345</u>

Management profit sharing

Management profit sharing

(4.118)	(11.215)	(8.236)	(11.215)
<u>(4.118)</u>	<u>(11.215)</u>	<u>(8.236)</u>	<u>(11.215)</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).



27. FINANCE INCOME AND COSTS

	Parent company		Parent company	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Finance income				
Income from financial investments	29.084	10.167	60.173	20.715
Interest	67.111	1.007	72.197	1.866
Discounts obtained	509	320	1.027	508
	<u>96.704</u>	<u>11.494</u>	<u>133.397</u>	<u>23.089</u>
Exchange-rate change				
Foreign exchange gains	1.434	6.799	4.807	14.517
Foreign exchange loss	(2.733)	(5.353)	(6.380)	(16.986)
Net exchange-rate change	<u>(1.299)</u>	<u>1.446</u>	<u>(1.573)</u>	<u>(2.469)</u>
Finance costs				
Interest	(55.075)	(27.229)	(109.915)	(50.656)
Discounts granted	(8)	(442)	(17)	(940)
Negative goodwill/bank expenses	(108)	(108)	(200)	(218)
Interest payable on leases	(1.028)	(594)	(1.552)	(1.186)
Derivative instruments - swap	1.843	(499)	2.729	-
Other	(5.061)	(644)	(7.152)	(1.072)
	<u>(59.437)</u>	<u>(29.516)</u>	<u>(116.107)</u>	<u>(54.072)</u>
Finance result, net	<u>35.968</u>	<u>(16.576)</u>	<u>15.717</u>	<u>(33.452)</u>
	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Finance income				
Income from financial investments	30.117	10.916	62.297	21.940
Interest	67.111	1.007	72.199	1.866
Discounts obtained	510	320	1.028	508
	<u>97.738</u>	<u>12.243</u>	<u>135.524</u>	<u>24.314</u>
Exchange-rate change				
Foreign exchange gains	1.434	6.799	4.807	14.517
Foreign exchange loss	(2.733)	(5.353)	(6.380)	(16.986)
Net exchange-rate change	<u>(1.299)</u>	<u>1.446</u>	<u>(1.573)</u>	<u>(2.469)</u>
Finance costs				
Interest	(55.075)	(27.229)	(109.917)	(50.664)
Discounts granted	(10)	(454)	(19)	(952)
Negative goodwill/bank expenses	(109)	(117)	(206)	(235)
Interest payable on leases	(1.028)	(594)	(1.552)	(1.186)
Derivative instruments - swap	1.843	(499)	2.729	-
Other	(5.074)	(649)	(7.178)	(1.081)
	<u>(59.453)</u>	<u>(29.542)</u>	<u>(116.143)</u>	<u>(54.118)</u>
Finance result, net	<u>36.986</u>	<u>(15.853)</u>	<u>17.808</u>	<u>(32.273)</u>





28. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of effective tax rate:

	Parent company		Parent company	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Operating profit before taxes	303.479	125.550	420.257	264.592
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(103.183)	(42.687)	(142.887)	(89.961)
Tax effect of permanent (additions)/exclusions:				
Equity in the earnings of subsidiaries	1.069	5.130	5.778	11.446
Non-deductible expenses	(189)	(201)	(291)	(317)
Formation (reversal) of tax incentives	-	(16)	-	(30)
PIS and COFINS on depreciation	-	-	(262)	-
Indexation accruals of PIS and COFINS credits on purchases of scraps	22.416	-	22.314	-
Exclusion - impairment of discontinued operation	-	-	-	13.692
Other permanent differences	5.154	(3.163)	6.795	(2.661)
	<u>(74.733)</u>	<u>(40.937)</u>	<u>(108.553)</u>	<u>(67.831)</u>
Current income tax and social contribution	(9.926)	(23.784)	(30.327)	(54.928)
Deferred income tax and social contribution	(64.807)	(17.153)	(78.226)	(12.903)
Effective rate - %	24,6	32,6	25,8	25,6

	Consolidated		Consolidated	
	Quarter ended		Six-month period ended	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Operating profit before taxes	303.914	126.131	421.281	265.719
Basic rate	34%	34%	34%	34%
Tax debit (credit) at the basic rate	(103.331)	(42.885)	(143.236)	(90.344)
Tax effect of permanent (additions)/exclusions:				
Non-deductible expenses	(189)	(201)	(291)	(317)
Formation (reversal) of tax incentives	-	(16)	-	(30)
PIS and COFINS on depreciation	-	-	(262)	-
Indexation accruals of PIS and COFINS credits on purchases of scraps	22.416	-	22.314	-
Exclusion - impairment of discontinued operation	-	-	-	13.692
Difference in taxation - deemed profit (subsidiaries)	634	4.549	4.754	10.319
Other permanent differences	5.302	(2.965)	7.144	(2.278)
	<u>(75.168)</u>	<u>(41.518)</u>	<u>(109.577)</u>	<u>(68.958)</u>
Current income tax and social contribution	(10.238)	(24.040)	(30.958)	(55.375)
Deferred income tax and social contribution	(64.930)	(17.478)	(78.619)	(13.583)
Effective rate - %	24,7	32,9	26,0	26,0

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 June 30, 2023 was 41% in own capital and 59% in third-party capital

Debt-to-equity ratio

At June 30, 2023 and 2022, the debt-to-equity ratio is as follows:





	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Debt (a)	1.849.395	1.792.175	1.849.395	1.792.175
Derivatives instruments - swap (a)	(6.277)	(1.047)	(6.277)	(1.047)
Cash and cash equivalents and financial investments	(828.998)	(1.016.776)	(861.955)	(1.049.208)
Net debt	1.014.120	774.352	981.163	741.920
Equity	1.281.236	1.125.085	1.281.236	1.125.085
Debt-to-equity ratio	0,79	0,69	0,77	0,66

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

Categories of financial instruments

		Parent company		Consolidated	
	Note	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Financial assets					
Designated at fair value through profit or loss					
Derivative instruments - swap	18	6.277	1.047	6.277	1.047
Amortized cost					
Cash and banks	5	335.163	702.762	368.120	735.194
Financial investments	5	493.835	314.014	493.835	314.014
Trade receivables	6	252.185	259.199	252.516	259.456
Other receivables	9	3.799	29.204	4.086	29.409
Financial liabilities					
Amortized cost					
Borrowings	16	497.822	460.205	497.822	460.205
Debentures	17	1.351.573	1.331.970	1.351.573	1.331.970
Trade payables	19	190.451	199.312	156.572	175.313
Lease liabilities	32	27.803	20.687	27.803	20.687
Taxes in installments	21	6.065	8.452	6.065	8.452
Dividends payable		1.397	22.120	1.397	22.120
Other payables		30.455	11.529	30.642	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 June 30, 2023 and December 31, 2022, these transactions presented a net exposure as shown in the table below:



	Parent company		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Trade receivables	27.604	24.726	27.604	24.726
Advances from customers	(1.096)	(1.493)	(1.096)	(1.493)
Trade payables	(2.656)	(2.131)	(2.656)	(2.131)
Advances to suppliers	10.988	10.948	10.988	10.948
Borrowings	-	(40.298)	-	(40.298)
Net exposure	34.840	(8.248)	34.840	(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 (September 30, 2023).

2 – Adverse scenario: 25% deterioration in the foreign exchange rate compared to that projected for September 30, 2023.

3 – Remote scenario: 50% deterioration in the foreign exchange rate compared to that projected for September 30, 2023.

Transaction	Balance at 6/30/2023		Base scenario		Adverse scenario		Remote scenario	
			Gain (loss)		Gain (loss)		Gain (loss)	
	US\$	Rate	R\$	Rate	R\$	Rate	R\$	
Assets								
Trade receivables and banks restricted account	5.728	4,86	257	6,08	7.222	7,30	14.188	
Advances to suppliers	2.280	4,86	102	6,08	2.875	7,30	5.648	
Liabilities								
Trade payables and advances from customers	(779)	4,86	(35)	6,08	(982)	7,30	(1.930)	
Borrowings	-	4,86	-	6,08	-	7,30	-	
Net effect			324		9.115		17.906	

This sensitivity analysis intends to measure the impact of changes in market variables on each financial instrument of the Company. The balances at June 30, 2023 were used as a basis for the projection of the future balance. 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 TJLP (Long-term interest rate from BNDES), 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 the next disclosure (September 30, 2023). The IPCA is obtained from Boletim Focus.





2 – Adverse scenario: correction of 25% of interest rates in relation to the level forecast for September 30, 2023.

3 – Remote scenario: 50% of interest rates are corrected when compared with the level forecast for September 30, 2023.

Transaction			Base scenario		Adverse scenario		Remote scenario	
			Gain (Loss)		Gain (Loss)		Gain (Loss)	
	Index	Balance at 6/30/2023	Rate % p.a.	R\$	Rate % p.a.	R\$	Rate % p.a.	R\$
Cash and cash equivalents and financial investments								
CDB	CDI	851.960	13,36%	(2.553)	16,70%	26.848	20,04%	56.248
Proceeds from borrowings								
Working capital	CDI	(1.302.517)	13,36%	3.882	16,70%	(40.824)	20,04%	(85.530)
Working capital	IPCA	(70.904)	5,35%	(1.640)	6,69%	(2.641)	8,03%	(3.642)
Finame Direto	IPCA	(497.615)	5,35%	(11.369)	6,69%	(18.312)	8,03%	(25.254)
Finame	TJLP	-	0,00%	-	0,00%	-	0,00%	-
Finame	SELIC	(159)	13,46%	-	16,83%	(5)	20,19%	(11)
Derivative financial instruments - swap								
Swap Assets	IPCA	70.936	5,35%	1.640	6,69%	2.642	8,03%	3.643
Swap Liabilities	CDI	(64.281)	13,36%	188	16,70%	(1.974)	20,04%	(4.137)
Net effect on results				(9.852)		(34.266)		(58.683)

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 June 30, 2023 is R\$ 1,759,130 (carrying amount of R\$ 1,843,118 at June 30, 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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Financial assets				
Banks	6.108	5.293	6.114	5.302
Financial investments with immediate liquidity	329.040	697.454	361.990	729.875
Financial investments	493.835	314.014	493.835	314.014
Trade receivables	252.185	259.199	252.516	259.456
Other receivables	3.799	3.554	4.086	3.759
Maximum credit exposure	<u>1.084.967</u>	<u>1.279.514</u>	<u>1.118.541</u>	<u>1.312.406</u>



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 financial funds.

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

Rating

	Consolidated	
	06/30/2023	Agency
National rating AAA (br)	504.903	Fitch/S&P
National rating AA+ (br)	356.499	Fitch
National rating BB+ (br)	537	Fitch/S&P
	861.939	

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 June 30, 2023, and the details on the expected maturity dates for non-derivative, undiscounted financial assets, including accrued interest on these assets and for derivative financial instruments liabilities - swap, the details on the expected maturity dates, as well as its discounted amounts.




Parent company

	2023	2024	2025	2026	After 2027
Liabilities					
Trade payables	190.431	20	-	-	-
Borrowings	28.535	29.433	51.371	63.483	570.914
Debentures	259.149	190.791	183.368	28.966	786.079
Derivative instruments - swap	3.446	1.702	(69)	(2.320)	(9.036)
Taxes in installments	2.633	1.486	1.946	-	-
Lease liabilities	9.160	2.323	4.647	4.512	7.161
Dividends and interest on capital payable	1.397	-	-	-	-
Other payables	21.124	9.331	-	-	-
	<u>515.875</u>	<u>235.086</u>	<u>241.263</u>	<u>94.641</u>	<u>1.355.118</u>

Consolidated

	2023	2024	2025	2026	After 2027
Liabilities					
Trade payables	156.552	20	-	-	-
Borrowings	28.535	29.433	51.371	63.483	570.914
Debentures	259.149	190.791	183.368	28.966	786.079
Derivative instruments - swap	3.446	1.702	(69)	(2.320)	(9.036)
Taxes in installments	2.633	1.486	1.946	-	-
Lease liabilities	9.160	2.323	4.647	4.512	7.161
Dividends and interest on capital payable	1.397	-	-	-	-
Other payables	21.311	9.331	-	-	-
	<u>482.183</u>	<u>235.086</u>	<u>241.263</u>	<u>94.641</u>	<u>1.355.118</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				
	Quarter ended 06/30/2023				
	Sustainable Packaging (Corrugated Cardboard)	Sustainable Packaging Paper (Paper)	Sustainable Resins (Tar and Turpentine)	Corporate/ eliminations	Total
Net sales revenue					
Domestic market	222.515	117.341	1.798	-	341.654
Foreign market	-	27.894	24.922	-	52.816
Total net sales revenue	222.515	145.235	26.720	-	394.470
Changes in the fair value of biological assets	-	34.480	(997)	-	33.483
Cost of goods sold	(142.263)	(82.611)	(23.309)	-	(248.183)
Gross profit	80.252	97.104	2.414	-	179.770
Other operating income (expenses), net	(21.727)	(7.457)	(4.194)	120.536	87.158
Operating profit (loss) before finance result	58.525	89.647	(1.780)	120.536	266.928
Finance result	21.318	14.921	494	253	36.986
Operating income (expenses), net	79.843	104.568	(1.286)	120.789	303.914
Depreciation, amortization and depletion	(6.359)	(17.561)	(1.964)	(885)	(26.769)

	Consolidated				
	Quarter ended 06/30/2022				
	Sustainable Packaging (Corrugated Cardboard)	Sustainable Packaging Paper (Paper)	Sustainable Resins (Tar and Turpentine)	Corporate/ eliminations	Total
Net sales revenue					
Domestic market	231.727	123.747	2.311	-	357.785
Foreign market	-	24.723	46.399	-	71.122
Total net sales revenue	231.727	148.470	48.710	-	428.907
Changes in the fair value of biological assets	-	33.082	2.056	-	35.138
Cost of goods sold	(142.132)	(78.689)	(36.062)	-	(256.883)
Gross profit	89.595	102.863	14.704	-	207.162
Other operating income (expenses), net	(21.592)	(9.039)	(6.531)	(28.016)	(65.178)
Operating profit (loss) before finance result	68.003	93.824	8.173	(28.016)	141.984
Finance result	(7.896)	(8.802)	744	101	(15.853)
Operating income (expenses), net	60.107	85.022	8.917	(27.915)	126.131
Depreciation and amortization	(5.460)	(19.915)	(784)	(596)	(26.755)

Consolidated					
Six-month period ended 06/30/2023					
	Sustainable Packaging (Corrugated Cardboard)	Sustainable Packaging Paper (Paper)	Sustainable Resins (Tar and Turpentine)	Corporate/ eliminations	Total
Net sales					
Domestic market	446.567	240.427	3.572	-	690.566
Foreign market	-	55.520	55.268	-	110.788
Total net sales	446.567	295.947	58.840	-	801.354
Changes in the fair value of biological assets	-	68.219	(813)	-	67.406
Cost of goods sold	(285.123)	(159.781)	(49.394)	-	(494.298)
Gross profit	161.444	204.385	8.633	-	374.462
Other operating income (expenses), net	(44.436)	(11.236)	(8.661)	93.344	29.011
Operating profit (loss) before finance result	117.008	193.149	(28)	93.344	403.473
Finance result	11.610	2.812	(947)	4.333	17.808
Operating income (expenses), net	128.618	195.961	(975)	97.677	421.281
Depreciation and amortization	(12.218)	(35.099)	(3.218)	(1.574)	(52.109)

Consolidated					
Six-month period ended 06/30/2022					
	Sustainable Packaging (Corrugated Cardboard)	Sustainable Packaging Paper (Paper)	Sustainable Resins (Tar and Turpentine)	Corporate/ eliminations	Total
Net sales					
Domestic market	440.938	243.302	5.114	-	689.354
Foreign market	-	49.239	98.258	-	147.497
Total net sales	440.938	292.541	103.372	-	836.851
Changes in the fair value of biological assets	-	54.089	7.135	-	61.224
Cost of goods sold	(277.622)	(138.787)	(73.558)	-	(489.967)
Gross profit	163.316	207.843	36.949	-	408.108
Other operating income (expenses), net	(41.318)	(14.023)	(12.817)	(41.958)	(110.116)
Operating profit (loss) before finance result	121.998	193.820	24.132	(41.958)	297.992
Finance result	(14.110)	(13.426)	(4.898)	161	(32.273)
Operating income (expenses), net	107.888	180.394	19.234	(41.797)	265.719
Depreciation and amortization	(9.774)	(38.010)	(1.698)	(1.148)	(50.630)

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 the quarter ended June 30, 2023 totaled R\$ 394,470 (R\$ 428,907 in the quarter ended June 30, 2022), and in the six-month period ended June 30, 2023, net sales revenue totaled R\$ 801,354 (R\$ 836,851 in the six-month period ended at June 30, 2022).



Net sales revenue in the foreign market in the quarter ended June 30, 2023 totaled R\$ 52,816 (R\$ 71,122 in the quarter ended June 30, 2022), and in the six-month period ended June 30, 2023 net sales revenue in the foreign market totaled R\$ 110,788 (R\$ 147,497 in the six-month period ended June 30, 2022), distributed among several countries, as shown below:

Consolidated			Consolidated		
Quarter ended 06/30/2023			Quarter ended 06/30/2022		
Country	Net export revenue	% of total net revenue	Country	Net export revenue	% of total net revenue
Saudi Arabia	9.422	2,39%	Germany	14.239	3,32%
Pakistan	7.178	1,82%	India	7.946	1,85%
China	6.387	1,62%	Portugal	6.466	1,51%
Argentina	4.152	1,05%	Argentina	5.585	1,30%
Portugal	3.474	0,88%	Saudi Arabia	5.430	1,27%
Germany	3.101	0,79%	Netherlands	4.639	1,08%
Mexico	2.269	0,58%	Peru	4.170	0,97%
Chile	2.064	0,52%	Chile	3.270	0,76%
Japan	1.879	0,48%	Pakistan	3.194	0,74%
India	1.792	0,45%	Paraguay	2.928	0,68%
Paraguay	1.718	0,44%	France	2.648	0,62%
South Africa	1.237	0,31%	South Africa	2.274	0,53%
Netherlands	1.189	0,30%	Japan	2.152	0,50%
Spain	1.028	0,26%	Turkey	1.770	0,41%
France	960	0,24%	Mexico	1.571	0,37%
Bolivia	934	0,24%	Spain	1.168	0,27%
Other countries	4.032	1,02%	Bolivia	1.111	0,26%
			Other countries	561	0,13%
	52.816	13,39%		71.122	16,57%

Consolidated			Consolidated		
Six-month period ended 06/30/2023			Six-month period ended 06/30/2022		
Country	Net export revenue	% of total net revenue	Country	Net export revenue	% of total net revenue
China	16.376	2,04%	Germany	24.244	2,90%
Saudi Arabia	15.423	1,92%	Portugal	18.122	2,17%
Germany	10.329	1,29%	Argentina	14.141	1,69%
Pakistan	9.917	1,24%	India	10.517	1,26%
Argentina	7.152	0,89%	Saudi Arabia	9.650	1,15%
Paraguay	6.443	0,80%	France	8.680	1,04%
Chile	5.269	0,66%	Japan	6.992	0,84%
Portugal	5.243	0,65%	Paraguay	6.845	0,82%
South Africa	4.928	0,61%	Netherlands	6.599	0,79%
Mexico	4.817	0,60%	Peru	6.384	0,76%
India	4.188	0,52%	Mexico	6.201	0,74%
Japan	4.130	0,52%	Chile	5.789	0,69%
Peru	2.688	0,34%	South Africa	5.088	0,61%
Uruguay	2.117	0,26%	Spain	4.933	0,59%
Bolivia	1.911	0,24%	Pakistan	4.324	0,52%
France	1.875	0,23%	Turkey	2.352	0,28%
Spain	1.783	0,22%	Bolivia	2.190	0,26%
Netherlands	1.742	0,22%	USA	1.751	0,21%
USA	1.563	0,20%	Egypt	1.103	0,13%
Other countries	2.894	0,36%	Other countries	1.592	0,19%
	110.788	13,81%		147.497	17,64%

The Company's net sales revenue in the domestic market in the quarter ended June 30, 2023 totaled R\$ 341,654 (R\$ 357,785 in the quarter ended June 30, 2022), and in the six-month period ended June 30, 2023 net sales revenue in the domestic market totaled R\$ 690,566 (R\$ 689,354 in the six-month period ended June 30, 2022).

In the six-month period ended June 30, 2023, a single customer accounted for 7.0% of net sales in the domestic market of Sustainable Packaging (Corrugated Cardboard) segment, equivalent to R\$ 31,320.



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 the six-month period ended June 30, 2023 was R\$ 3,328 (R\$ 3,884 in the six-month period ended June 30, 2022).

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent company and Consolidated

	Land	Buildings and constructions	Equipment and facilities	Total
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 agreements - 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
At 01/01/2023	4.575	14.760	2.653	21.988
Depreciation	(742)	(1.959)	(2.252)	(4.953)
Addition/write-off of agreements - principal effect	749	2.265	7.463	10.477
Net book value at 06/30/23	4.582	15.066	7.864	27.512
Cost	9.347	27.096	24.699	61.142
Accumulated depreciation	(4.765)	(12.030)	(16.835)	(33.630)
Net book value at 06/30/23	4.582	15.066	7.864	27.512

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 method 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
At 01/01/2022	4.412	15.658	2.996	23.066
Lease installment	(165)	(4.688)	(4.141)	(8.994)
Addition/write-off of agreements - principal effect	(2.058)	2.779	3.505	4.226
Interest on lease	539	1.300	550	2.389
Net book value at 12/31/22	2.728	15.049	2.910	20.687
At 01/01/2023	2.728	15.049	2.910	20.687
Lease installment	(101)	(2.461)	(2.254)	(4.816)
Addition/write-off of agreements - principal effect	1.357	1.997	9.728	13.082
Interest on lease	(291)	609	(1.468)	(1.150)
Net book value at 06/30/23	3.693	15.194	8.916	27.803

Current	9.160
Non-current	18.643



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:

	Parent company and
Long-term maturities:	
2024	2.323
2025	4.647
2026	4.512
2027	3.327
2028 onwards	3.834
	<u>18.643</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:

Parent company and Consolidated

	Nominal	Adjustment to present value
Cash flow		
Lease consideration	48.297	35.261
PIS/COFINS (9.25%)	4.468	3.262

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 the six-month period ended June 30, 2023, no renegotiations were made for leases.

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

Parent company and Consolidated	Actual flow		Nominal flow	
	01/01/2019	06/30/2023	01/01/2019	06/30/2023
Lease liabilities	41.769	34.633	48.992	48.297
Embedded interest	(16.147)	(6.830)	(19.687)	(13.036)
	<u>25.622</u>	<u>27.803</u>	<u>29.305</u>	<u>35.261</u>

33. NON-CASH TRANSACTIONS

The Company carried out non-cash transactions relating to operating and investing activities; therefore, they were not reflected in the statements of cash flows.



During the six-month period ended June 30, 2023, the Company made payments for purchases of property, plant and equipment, intangible assets and biological assets in the amount of R\$ 15,223, which were previously financed by suppliers.

During the six-month period ended June 30, 2022, the Company realized PIS and COFINS credits on property, plant and equipment items of R\$ 129 and made payments for purchases of property, plant and equipment items, intangible assets and biological assets in the amount of R\$ 11,321, which were previously financed by suppliers.

34. INFORMATION SUPPLEMENTARY TO THE CASH FLOW

	Parent company			Consolidated		
	Borrowings and debentures	Liabilities	Lease liabilities	Borrowings and debentures	Liabilities	Lease liabilities
		Interest on capital and dividends			Interest on capital and dividends	
At 12/31/2021	892.740	16.345	23.066	892.740	16.345	23.066
Changes affecting cash	139.373	(111.593)	(4.679)	139.373	(111.593)	(4.679)
Payment of dividends and interest on capital	-	(111.593)	-	-	(111.593)	-
Lease liabilities paid	-	-	(3.460)	-	-	(3.460)
Proceeds from borrowings	213.355	-	-	213.355	-	-
Repayments of borrowings and debentures	(20.492)	-	-	(20.492)	-	-
Payment of interest on borrowings, debentures and swap	(33.662)	-	-	(33.662)	-	-
Payment of interest on lease liabilities	-	-	(1.219)	-	-	(1.219)
Capitalized interest	(19.828)	-	-	(19.828)	-	-
Changes not affecting cash	67.049	96.102	8.785	67.049	96.102	8.785
Lease liabilities - addition/write-off	-	-	7.566	-	-	7.566
Indexation accruals and interest on borrowings, debentures and swap	48.121	-	-	48.121	-	-
Interest on lease liabilities	-	-	1.219	-	-	1.219
Capitalized interest	18.928	-	-	18.928	-	-
Dividends	-	96.102	-	-	96.102	-
At 06/30/2022	1.099.162	854	27.172	1.099.162	854	27.172

	Parent company			Consolidated		
	Borrowings, debentures and swap	Liabilities	Lease liabilities	Borrowings, debentures and swap	Liabilities	Lease liabilities
		Interest on capital and dividends			Interest on capital and dividends	
At 12/31/2022	1.792.175	22.120	20.687	1.792.175	22.120	20.687
Changes affecting cash	(73.736)	(134.776)	(7.116)	(73.736)	(134.776)	(7.116)
Payment of dividends and interest on capital	-	(134.776)	-	-	(134.776)	-
Lease liabilities paid	-	-	(5.966)	-	-	(5.966)
Proceeds from borrowings	71.385	-	-	71.385	-	-
Repayments of borrowings and debentures	(38.005)	-	-	(38.005)	-	-
Payment of interest on borrowings, debentures and swap	(90.125)	-	-	(90.125)	-	-
Payment of interest on lease liabilities	-	-	(1.150)	-	-	(1.150)
Capitalized interest	(16.991)	-	-	(16.991)	-	-
Changes not affecting cash	130.956	114.053	14.232	130.956	114.053	14.232
Lease liabilities - addition/write-off	-	-	13.082	-	-	13.082
Indexation accruals and interest on borrowings, debentures and swap	103.534	-	-	103.534	-	-
Interest on lease liabilities	-	-	1.150	-	-	1.150
Capitalized interest	22.192	-	-	22.192	-	-
Dividends	-	114.053	-	-	114.053	-
Swap adjustment	5.230	-	-	5.230	-	-
At 06/30/2023	1.849.395	1.397	27.803	1.849.395	1.397	27.803

COMMENT ON THE COMPANY'S PERFORMANCE IN THE 2nd QUARTER OF 2023

The consolidated interim financial statements were prepared in accordance with Accounting Pronouncement Council CPC 21 (R1) and with IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

Irani recorded a Net Revenue of R\$ 394 million in 2Q23, Profit for the Period of R\$ 229 million and Adjusted EBITDA of R\$ 117 million. In the last 12 months, Profit for the Period reached R\$ 493 million, a growth of 37.9% compared to 2022.

MAIN INDICATORS - CONSOLIDATED	2Q23	1Q23	2Q22	Chg. 2Q23/ 1Q23	Chg. 2Q23/2Q22	6M23	6M22	Chg. 6M23/ 6M22	LTM23	LTM22	Chg. LTM23/ LTM22
Economic and Financial (R\$ thousand)											
Net revenue from sales	394,470	406,884	428,907	-3.1%	-8.0%	801,354	836,851	-4.2%	1,651,169	1,683,387	-1.9%
Domestic market	341,654	348,912	357,785	-2.1%	-4.5%	690,566	689,354	0.2%	1,441,710	1,407,518	2.4%
Foreign market	52,816	57,972	71,122	-8.9%	-25.7%	110,788	147,497	-24.9%	209,459	275,869	-24.1%
Gross profit (inclusive *)	179,770	194,692	207,162	-7.7%	-13.2%	374,462	408,108	-8.2%	774,426	756,078	2.4%
(*) Changes in the fair value of biological assets	33,483	33,923	35,138	-1.3%	-4.7%	67,406	61,224	10.1%	145,185	79,193	83.3%
Gross margin	45.6%	47.8%	48.3%	-2.2p.p.	-2.7p.p.	46.7%	48.8%	-2.1p.p.	46.9%	44.9%	2.0p.p.
Operating profit before taxes and interest	303,914	117,367	126,131	158.9%	141.0%	421,281	265,719	58.5%	673,922	480,920	40.1%
Operating margin	77.0%	28.8%	29.4%	48.2p.p.	47.6p.p.	52.6%	31.8%	20.8p.p.	40.8%	28.6%	12.2p.p.
Profit for the period	228,746	82,958	84,613	175.7%	170.3%	311,704	196,761	58.4%	493,153	357,682	37.9%
Net margin	58.0%	20.4%	19.7%	37.6p.p.	38.3p.p.	38.9%	23.5%	15.4p.p.	29.9%	21.2%	8.7p.p.
Adjusted EBITDA ¹	117,060	128,210	144,816	-8.7%	-19.2%	245,270	281,384	-12.8%	501,874	555,881	-9.7%
Adjusted EBITDA margin	29.7%	31.5%	33.8%	-1.8p.p.	-4.1p.p.	30.6%	33.6%	-3.0p.p.	30.4%	33.0%	-2.6p.p.
Net debt	981,163	799,694	619,765	22.7%	58.3%	981,163	619,765	58.3%	981,163	619,765	58.3%
Net debt/adjusted EBITDA (x)	1.95	1.51	1.11	29.1%	75.7%	1.95	1.11	75.7%	1.95	1.11	75.7%
Operating Data (t)											
Sustainable Packaging (Corrugated Cardboard)											
Production/Sales	38,627	38,103	39,960	1.4%	-3.3%	76,730	74,394	3.1%	162,176	150,882	7.5%
Sustainable Packaging Paper (Paper)											
Production	68,728	73,072	75,000	-5.9%	-8.4%	141,800	140,620	0.8%	294,736	288,110	2.3%
Sales	29,262	29,713	32,716	-1.5%	-10.6%	58,975	64,482	-8.5%	119,373	128,773	-7.3%
Domestic market	23,746	24,487	28,093	-3.0%	-15.5%	48,233	55,203	-12.6%	100,490	111,379	-9.8%
Foreign market	5,516	5,226	4,623	5.5%	19.3%	10,742	9,279	15.8%	18,883	17,394	8.6%
Sustainable Resins (Gum Rosin and Turpentine)											
Production	3,827	4,186	3,934	-8.6%	-2.7%	8,013	8,229	-2.6%	13,516	15,561	-13.1%
Sales	3,597	3,991	4,240	-9.9%	-15.2%	7,588	8,400	-9.7%	12,888	15,658	-17.7%
Domestic market	72	84	87	-14.3%	-17.2%	156	186	-16.1%	320	428	-25.2%
Foreign market	3,525	3,907	4,153	-9.8%	-15.1%	7,432	8,214	-9.5%	12,568	15,230	-17.5%

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

- Net revenue in 2Q23 decreased by 8.0% when compared to 2Q22 and by 3.1% when compared to 1Q23, mainly impacted by volume variations and price reductions in the Company's operating segments.
- The sales volume of the Sustainable Packaging segment (Corrugated Cardboard) was reduced by 3.3% compared to 2Q22, and increased by 1.4% compared to 1Q23, totaling 38.6 thousand tons in 2Q23, indicating a resumption of consumption and consequent increase in demand for the segment's products. The Sustainable Packaging Paper (Paper) segment totaled 29.3 thousand tons of sales, recording a decrease of 10.6% compared to 2Q22, and of 1.5% compared to 1Q23, also due to the decrease in the demand of this segment in the quarter, as already observed in the previous quarter. The Sustainable Resins segment (Gum Rosin and Turpentine) recorded a decrease of 15.2% compared to 2Q22, and a decrease of 9.9% compared to 1Q23, reaching 3.6 thousand tons, mainly due to competition from imported products, especially the supply of product from China to the European market.
- Selling expenses in 2Q23 totaled R\$ 29,987 thousand, a decrease of 14.7% compared to 2Q22 and of 4.9% compared to 1Q23, and represented 7.6% of consolidated net revenue, lower than 8.2% in 2Q22 and lower than 7.8% in 1Q23, mainly due to the reduction in sales volume in the Company's operating segments, and the reduction in pressure to pass on costs, especially freight. Administrative expenses in 2Q23 totaled R\$ 25,852 thousand, an increase of 22.1% compared to 2Q22, mainly due to the inflation for the period and team restructuring, and decrease of 6.4% compared to 2Q22, mainly due to cost savings implemented in the period, with the aim of maintaining the Company's balance at a time of economic instability, and represented 6.6% of consolidated net revenue, higher than the 4.9% in 2Q22, and lower than the 6.8% in 1Q23.

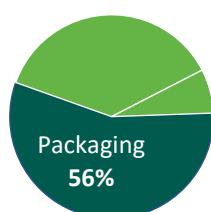
- The net income was a profit of R\$ 228,746 thousand in 2Q23 compared to R\$ 84,613 thousand in 2Q22 and R\$ 82,958 thousand in 1Q23. The growth is mainly related to the recognition of credit in the amount of R\$ 161,107 thousand for PIS and COFINS on the acquisition of OCC, subject to a final and unappealable court decision favorable to the Company, which recognized the right to credit.
- In this quarter, we recognized PIS and COFINS credits on the acquisition of OCC (Old Corrugated Containers), as follows [Material Fact](#) published on June 19, 2023, leading to a non-recurring net income of R\$ 161,107 thousand. This court decision also affects future results, as the Company will also credit PIS and COFINS on its purchases of OCC, which will lead to an estimated recurring impact of R\$ 1,600 thousand in EBITDA per month from 3Q23 onwards.
- Adjusted EBITDA in 2Q23 was R\$ 117,060 thousand with a margin of 29.7%, 19.2% lower than in 2Q22, when it was R\$ 144,816 thousand with a margin of 33.8%, and 8.7% lower than in 1Q23, when it was R\$ 128,210 thousand with a margin of 31.5%. Decrease mainly related to lower net revenue and gross profit realized in the comparative periods. In the last 12 months, Adjusted EBITDA was R\$ 501,874 thousand.
- In this quarter, we had stoppages of the paper machines in SC for the interconnection with the Recovery Boiler (Gaia I). We also had maintenance stoppage of the paper machine in MG. As a result, we had a total loss in production estimated at 1,268 tons of flexible paper and 7,635 tons of rigid paper, resulting in a non-recurring EBITDA loss estimated at R\$ 13,052 thousand, in line with what was planned in the project's business plan.
- The Net Debt/Adjusted EBITDA ratio was 1.95 times in 2Q23, against 1.11 times in 2Q22 and 1.51 times in 1Q23. The increase in the indicator in both comparisons is due to the increase in disbursements related to the investments in the Gaia platform. Releverage is natural during the execution of investments and is in line with the parameters established in the Company's [Financial Management Policy](#), which sets a target of 2.5x.
- The cash position in the quarter ended June 30, 2023 was R\$ 861,955 thousand, and 86% of gross debt is classified as long-term, 100% denominated in local currency.
- As mentioned, we performed the startup on the commissioning of the Chemical Recovery Boiler, one of the major milestones of Gaia I (Expansion of Chemicals and Utilities Recovery). We had a budget deviation in Gaia I of 17.3%, due to an expansion of the project scope (as detailed on page 21), in addition to the impact of inflation, taking the budget from R\$ 581,309 thousand to R\$ 682,023 thousand. We estimate that this increase will not impact the IRR initially planned for the project, due to the market conditions and margins currently practiced being significantly higher.
- Irani and Quintessa selected 12 startups for the 3rd edition of Irani Labs focused on ESG themes such as waste management, climate change, sustainable packaging, diversity and surrounding communities and improving the working condition of waste pickers.
- We held the 3rd edition of the Meeting with Diversity, Inclusion and Belonging for employees and open to the external public, with more than 300 views, and launched our exclusive talent bank for people with disabilities (PWD).
- We have achieved ISO14064 recertification, ensuring the credibility, quality and transparency with which we report our greenhouse gas (GHG) inventory.

- ▶ We won the Innovative Workplaces 2023 seal from the Massachusetts Institute of Technology - MIT Technology Review Brazil, which analyzes the innovation of companies from four perspectives: management, products / services, marketing and processes. This recognition further inspires us to develop innovative and sustainable solutions for people and the environment.
- ▶ We are among the most innovative companies in the 19th edition of the "Champions of Innovation in the South" award, in which we won 13th position in the ranking, which also shows our development (18th position in 2022).

OPERATING PERFORMANCE

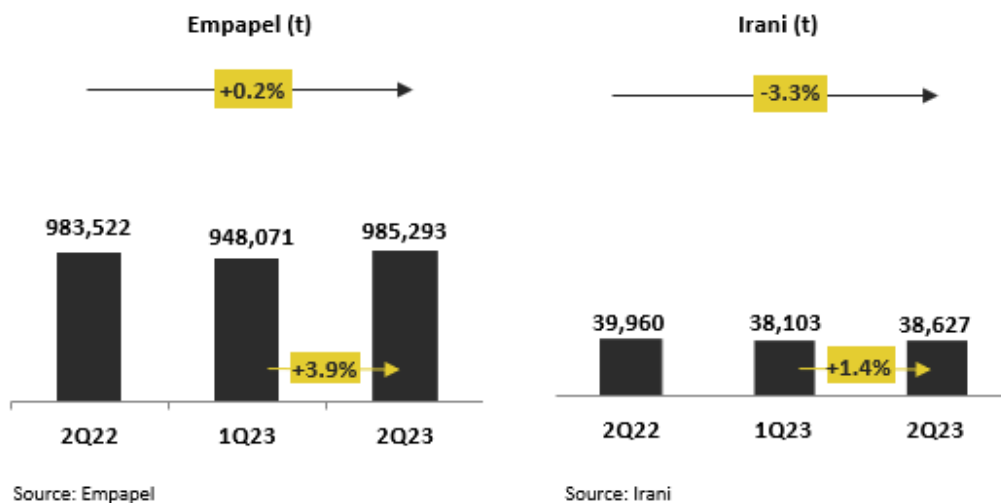
Sustainable Packaging (Corrugated Cardboard) Segment

Revenue Contribution 2Q23



The sales volume recorded a decrease of 3.3% (in tons) compared to the same period last year, compared to stability of the Empapel market in the same period. In tons, Irani's market share in the Sustainable Packaging (Corrugated Cardboard) segment in 2Q23 was 3.9%, 4.1% in 2Q22 and 4.0% in 1Q23. The lower share is due to the profitability strategy, prioritizing price maintenance over volume.

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

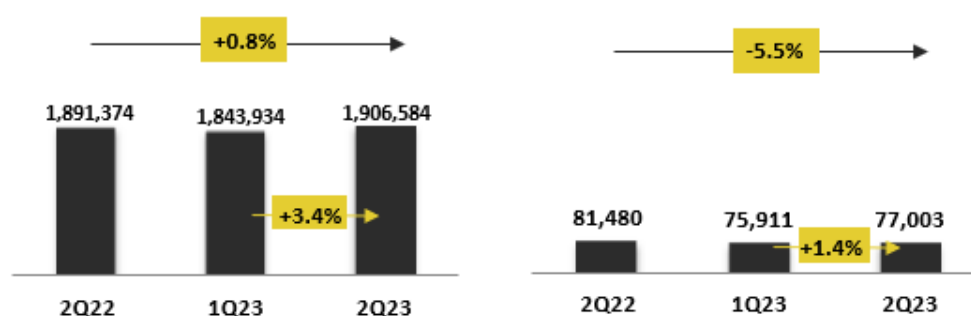


2Q23 Empapel Market data (in tons) are prior to closing. There may be changes in the official data There may be changes in the official data.

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

Empapel (000 sqm)

Irani (000 sqm)



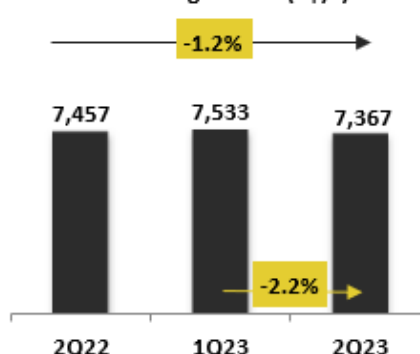
Source: Empapel

Source: Irani

2Q23 Empapel Market data (in sqm) are prior to closing. There may be changes in the official data.

Despite the growth in volume of the Empapel market, in 2Q23 we felt a tightening of the competitive scenario, with greater pressure for price reductions. Irani has a strategy of seeking to maintain the level of prices practiced; even so, our prices decreased by 2.2% (R\$/ton) compared to 1Q23.

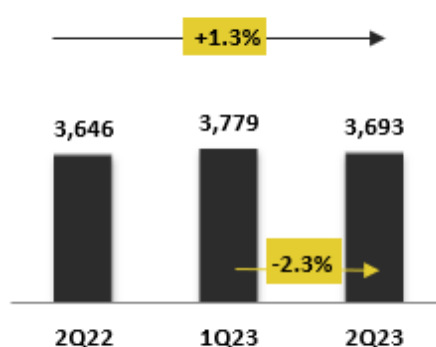
Irani Average Prices (R\$/t)



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

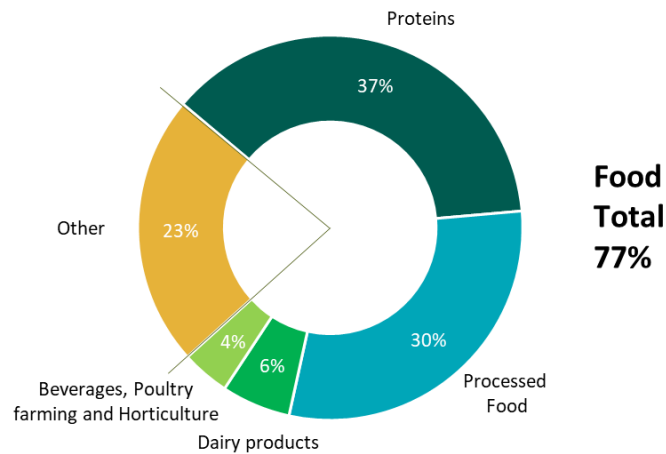
The prices per m2 reflect better the market dynamics because they do not consider any variations in weight in the papers used for the manufacture boxes and paper sheets.

Irani Average Prices (R\$/000 sqm)



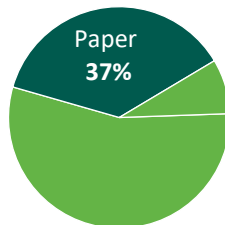
Methodological note: Irani prices exclude Excise Tax (IPI), include Social Integration Program (PIS), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets.

The share of sales of Irani in this Segment by Sub-segment in 2Q23 is presented in the charts below:



Sustainable Packaging Paper (Paper) Segment

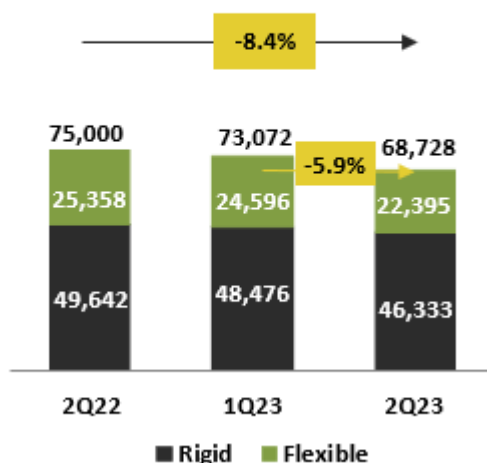
Revenue Contribution 2Q23



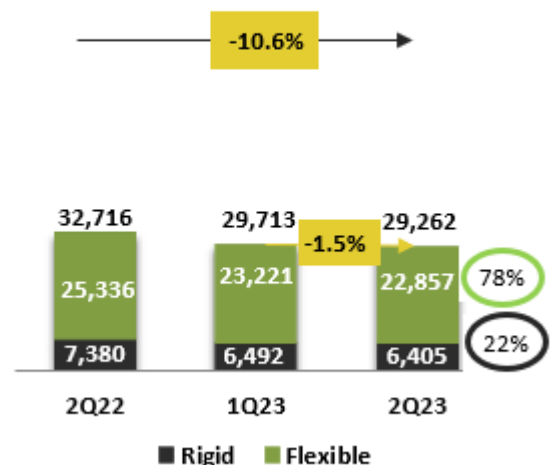
The main reasons for decrease in paper production in 2Q23 were the stoppages of the machines in SC for interconnections with the Recovery Boiler (Gaia I) and the maintenance stoppage of the machine in MG.

The reduction in sales of flexible paper, compared to 1Q23, was due to lower production due to the aforementioned stoppages.

Total Production of Sustainable Packaging Paper (t)



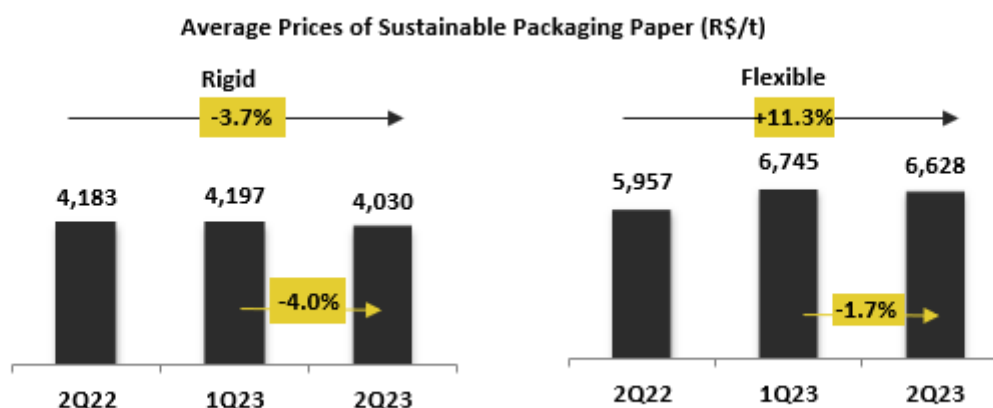
Total Sales of Sustainable Packaging Paper (t)



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 corrugated cardboard packaging and are related to the price of OCC, the main raw material used in its manufacture.

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.

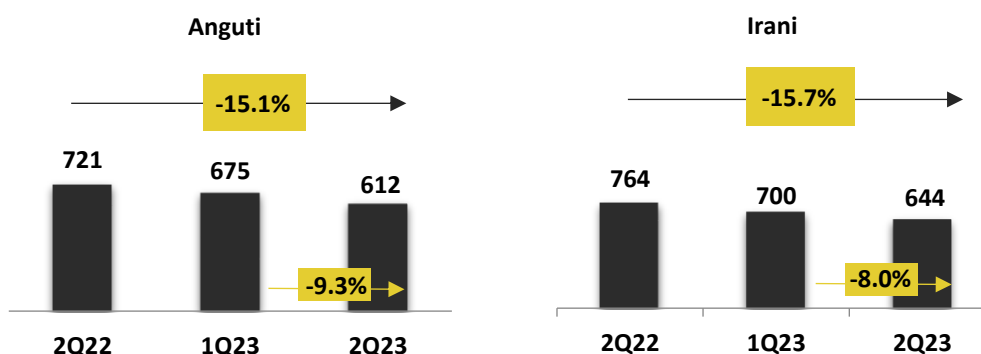
The price of flexible packaging paper rose 11.3% year-on-year due to price adjustments made in the period, taking advantage of the favorable market momentum and anticipating the movement of reduced demand that is actually occurring in 2023, which, combined with the fall in the dollar, justifies the 1.7% drop in prices compared to 1Q23.



OCC (Old Corrugated Containers)

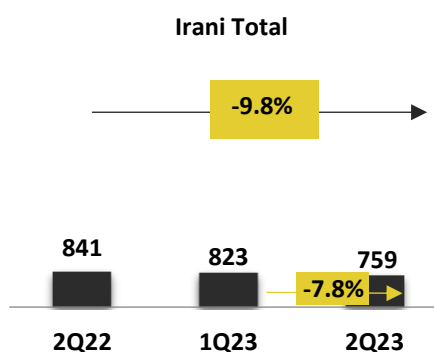
The OCC accounted for 19% of total paper production cost in 2Q23. OCC prices followed the downward trend in prices, as we observed a greater targeting of Brazilian virgin fiber paper production to the domestic market, thus reducing the consumption of recycled papers. This led to the stoppage of recycled paper production machines and, consequently, a greater availability of OCCs.

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



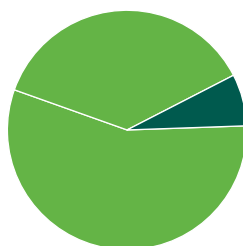
Methodological note: Anguti Statistics – Paper OCC Report.

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



Sustainable Resins Segment (Gum Rosin and Turpentine)

Revenue Contribution 2Q23



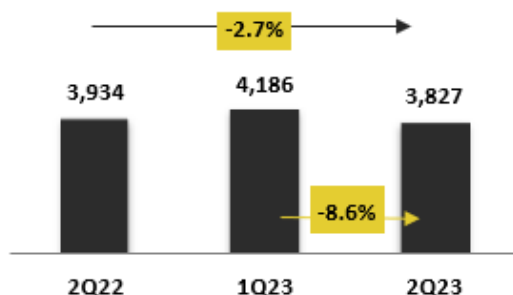
Resin
7%

The production volume in the RS Balneário Pinhal Resin unit in 2Q23 decreased 2.7% when compared to 2Q22 and decreased 8.6% when compared to 1Q23. The sales volume decreased 15.2% when compared to 2Q22 and increased 9.9% when compared to 1Q23.

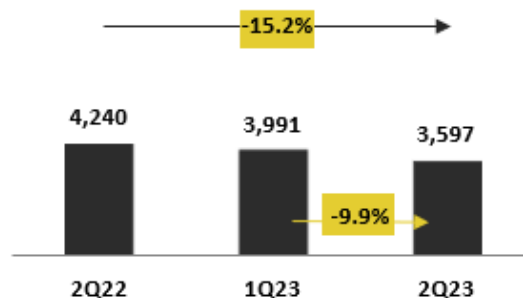
The gum rosin and turpentine market is not heated at the moment and the selling price remains at lower levels than in the past.

In trade terms, we are still feeling the effects of high inflation in Europe and reduced consumption. In addition, the world's largest producer which is China has started harvesting its new crop with high volumes, leading to higher supply levels in the market.

Production of Gum Rosin and Turpentine (t)

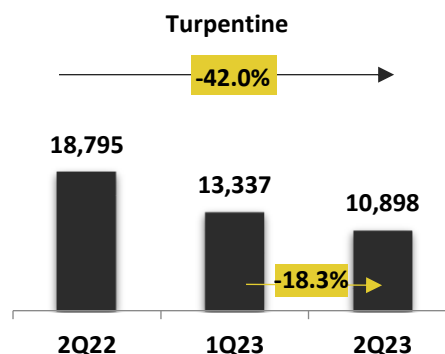
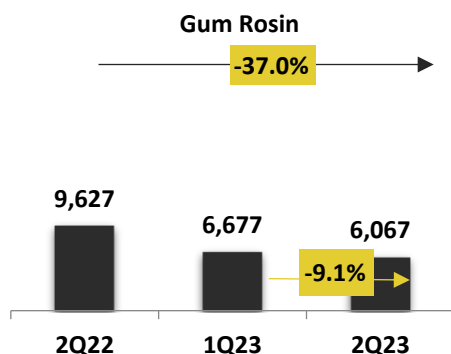


Sale of Gum Rosin and Turpentine (t)



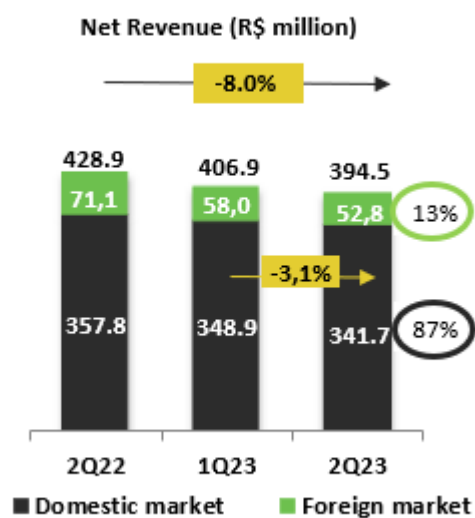
In 2Q23, the average gross price of Gum rosin was 37.0% and 42.0%, respectively, lower than in 2Q22. The price variations of these products are according to the international market and the exchange rate.

Average Prices (R\$/t)

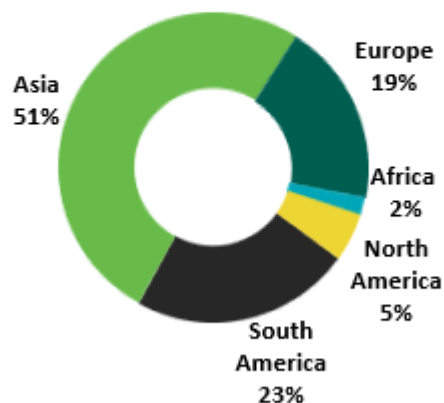


Economic and Financial Performance

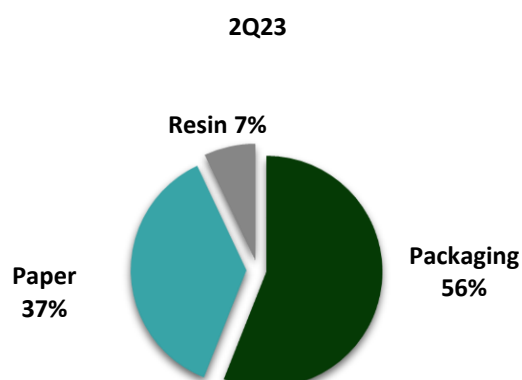
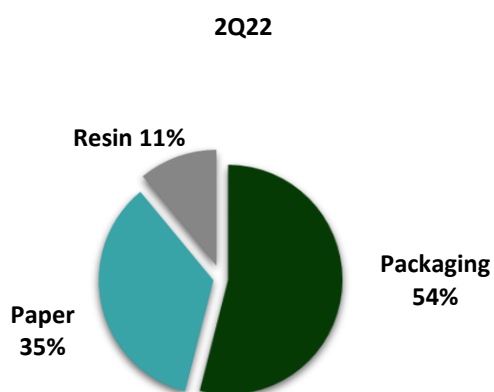
Net revenue from sales



Net Revenue - Foreign Market per Region
2Q23



Net Revenue by Segment

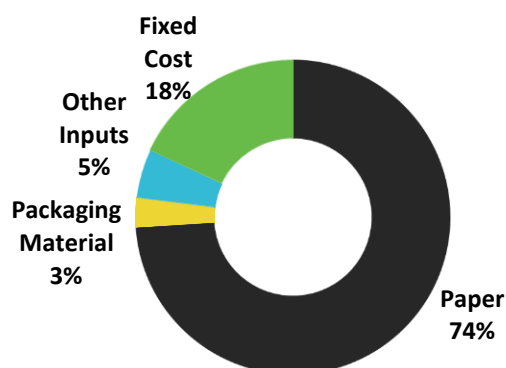


Cost of goods sold

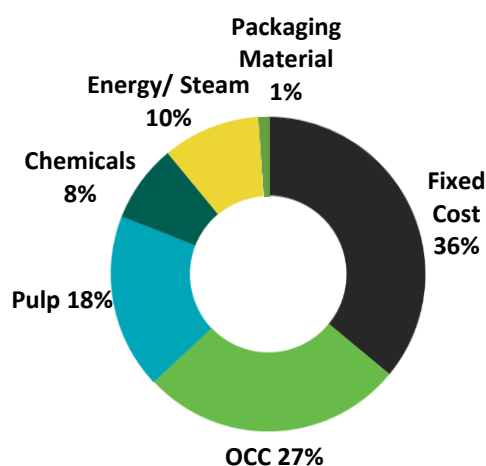
The cost of goods sold in 2Q23 was R\$ 248,183 thousand, 3.4% lower than in 2Q22, mainly due to the reduction in net revenue in the comparative quarters. The changes in the fair value of biological assets are not considered in the cost of goods sold in both periods.

The formation of the cost per Segment of Irani's operations in 2Q23 is shown in the graphs below.

Sustainable Packaging (Corrugated Cardboard)

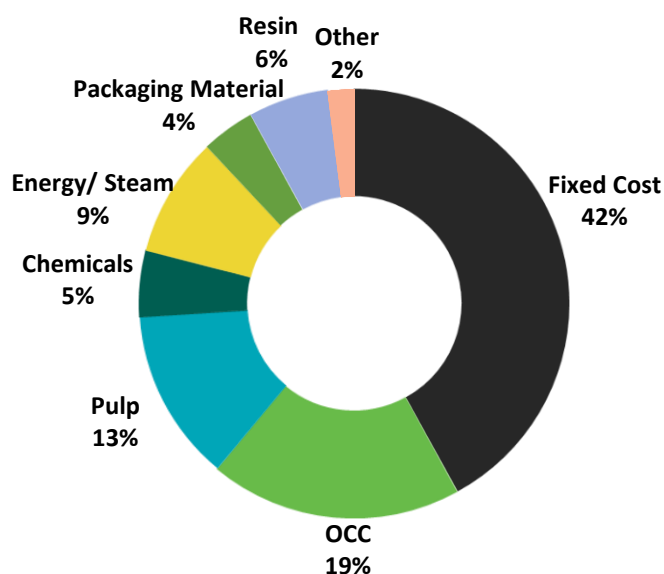


Sustainable Packaging Paper (Paper)*



* 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 2Q23



Operating Cash Generation (Adjusted EBITDA)

Consolidated (R\$ thousand)	2Q23	1Q23	2Q22	Chg. 2Q23/ 1Q23	Chg. 2Q23/2Q22	6M23	6M22	Chg. 6M23/ 6M22	LTM23	LTM22	Chg. LTM23/ LTM22
Profit for the period	228,746	82,958	84,613	175.7%	170.3%	311,704	196,761	58.4%	493,153	357,682	37.9%
Current and deferred income tax and social contribution	75,168	34,409	41,518	118.5%	81.0%	109,577	68,958	58.9%	180,769	123,238	46.7%
Depletion	4,665	5,026	9,508	-7.2%	-50.9%	9,691	17,355	-44.2%	24,857	29,549	-15.9%
Depreciation and amortization	22,104	20,314	17,247	8.8%	28.2%	42,418	33,275	27.5%	79,650	69,114	15.2%
Financial income (expenses)	(36,986)	19,178	15,853	-292.9%	-333.3%	(17,808)	32,273	-155.2%	11,422	54,332	-79.0%
EBITDA	293,697	161,885	168,739	81.4%	74.1%	455,582	348,622	30.7%	789,851	633,915	24.6%
EBITDA margin	74.5%	39.8%	39.3%	34.7p.p.	35.2p.p.	56.9%	41.7%	15.2p.p.	47.8%	37.7%	10.1p.p.
<i>Adjustments according to CVM instruction 527/12</i>											
Changes in the fair value of biological assets ⁽¹⁾	(33,483)	(33,923)	(35,138)	-1.3%	-4.7%	(67,406)	(61,224)	10.1%	(145,185)	(79,193)	83.3%
Non-recurring events ⁽²⁾	(147,272)	(3,870)	-	3705.5%	-	(151,142)	(17,229)	777.3%	(155,265)	(18,418)	743.0%
Ownership interest of managers ⁽³⁾	4,118	4,118	11,215	0.0%	-63.3%	8,236	11,215	-26.6%	12,473	19,577	-36.3%
Adjusted EBITDA	117,060	128,210	144,816	-8.7%	-19.2%	245,270	281,384	-12.8%	501,874	555,881	-9.7%
Adjusted EBITDA margin	29.7%	31.5%	33.8%	-1.8p.p.	-4.1p.p.	30.6%	33.6%	-3.0p.p.	30.4%	33.0%	-2.6p.p.

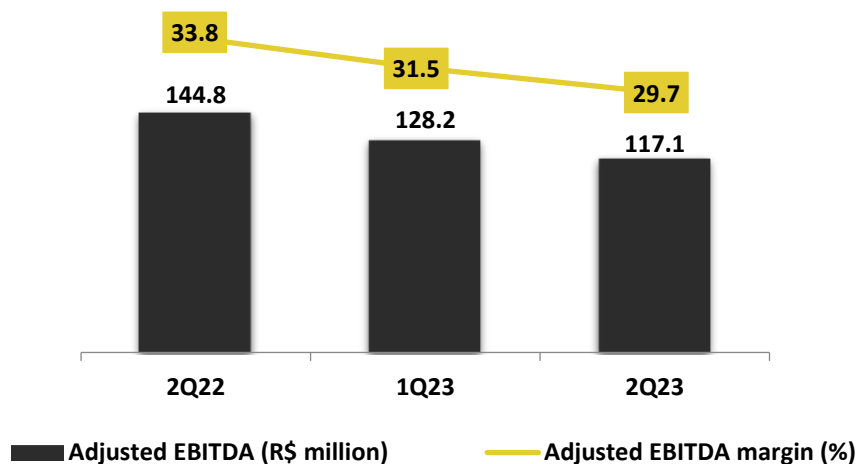
¹ Changes in the fair value of biological assets for not representing cash generating for the period.

² Non-recurring events: The amount of (R\$ 147,272 thousand) relates to PIS and COFINS credit on the acquisition of OCC.

³ Management profit sharing: The amount of R\$ 4,118 thousand relates to the provision for Company management profit sharing.

The main factor relating to the reduction in Adjusted EBITDA in this 2Q23 compared to 1Q23 was the proportional reduction in gross profit recorded in the comparative period. In the last 12 months, Adjusted EBITDA was R\$ 501,874 thousand, with a margin of 30.4%.

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



Financial result

The financial result is distributed as follows:

R\$ thousand	2Q23	1Q23	2Q22	6M23	6M22	LTM23 ¹	LTM22 ¹
Financial income	99,172	41,159	19,042	140,331	38,831	204,325	75,564
Financial expenses	(62,186)	(60,337)	(34,895)	(122,523)	(71,104)	(215,747)	(129,896)
Financial result	36,986	(19,178)	(15,853)	17,808	(32,273)	(11,422)	(54,332)
Foreign exchange gains	1,434	3,373	6,799	4,807	14,517	13,152	35,145
Foreign exchange loss	(2,733)	(3,647)	(5,353)	(6,380)	(16,986)	(15,359)	(35,101)
Net exchange-rate variation	(1,299)	(274)	1,446	(1,573)	(2,469)	(2,207)	44
Financial income without exchange-rate variation	97,738	37,786	12,243	135,524	24,314	191,173	40,419
Financial expenses without exchange-rate variation	(59,453)	(56,690)	(29,542)	(116,143)	(54,118)	(200,388)	(94,795)
Financial income (expenses) without exchange-rate variation	38,285	(18,904)	(17,299)	19,381	(29,804)	(9,215)	(54,376)
Fixed interest and sureties (BNDES) ²	(12,717)	(12,557)	(13,972)	(25,274)	(24,211)	(40,109)	(31,337)

¹ Accumulated in the last twelve months.

² Not included in the other lines above, as they do not impact the financial result.

The financial income (expenses) in this quarter was positive R\$ 36,986 thousand, affected by the recognition of the correction of PIS and COFINS credits on the acquisition of OCC, with positive impact of R\$ 62,865 thousand.

Disregarding this non-recurring event, the financial income (expenses) in the 2Q23 was negative R\$ 25,879 thousand, 63.2% higher than R\$ 15,853 thousand in the 2Q22 and R\$ 34.4% than R\$ 19,178 thousand in the 1Q23. Those increases, are mainly due to: (i) the increase in the basic interest rate (SELIC), which impacted the average cost of debt; (ii) the increase in net debt, mainly due to disbursements of Gaia platform investments; (iii) the increase in interest on financial transactions in connection with the 5th Issuance of Private Green Debentures (CRA - Agribusiness Receivables Certificates) completed during 4Q22; and (iv) the appreciation of BRL against USD Dollar and its impact in balance of trade receivables from foreign market.

Foreign exchange

The exchange rate behaved as shown in the table below.

R\$ thousand	2Q23	1Q23	2Q22	Δ2Q23/ 1Q23	Δ2Q23/ 2Q22
Final foreign exchange rate - Dollar	4.82	5.08	5.24	-5.12%	-8.02%
Average foreign exchange rate - Dollar	4.95	5.19	4.92	-4.62%	+0.61%

Indebtedness

Consolidated (R\$ thousand)	2Q23	2Q22
Current	253,729	118,369
Non-current	1,589,389	980,793
Gross debt ¹	1,843,118	1,099,162
Current	14%	11%
Non-current	86%	89%
Local currency	1,843,118	1,051,563
Foreign currency	0	47,599
Gross debt ¹	1,843,118	1,099,162
Local currency	100%	96%
Foreign currency	0%	4%
Cash balance	861,955	479,397
Net debt	981,163	619,765
EBITDA LTM	501,874	555,881
Net debt/EBITDA	1.95	1.11

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 (IFRS16).

Net debt increased by 58.3% or R\$ 361,398 thousand, compared to the same period of the previous year due to the negative free cash flow in the period, caused mainly by the disbursements of the Gaia Platform investments.

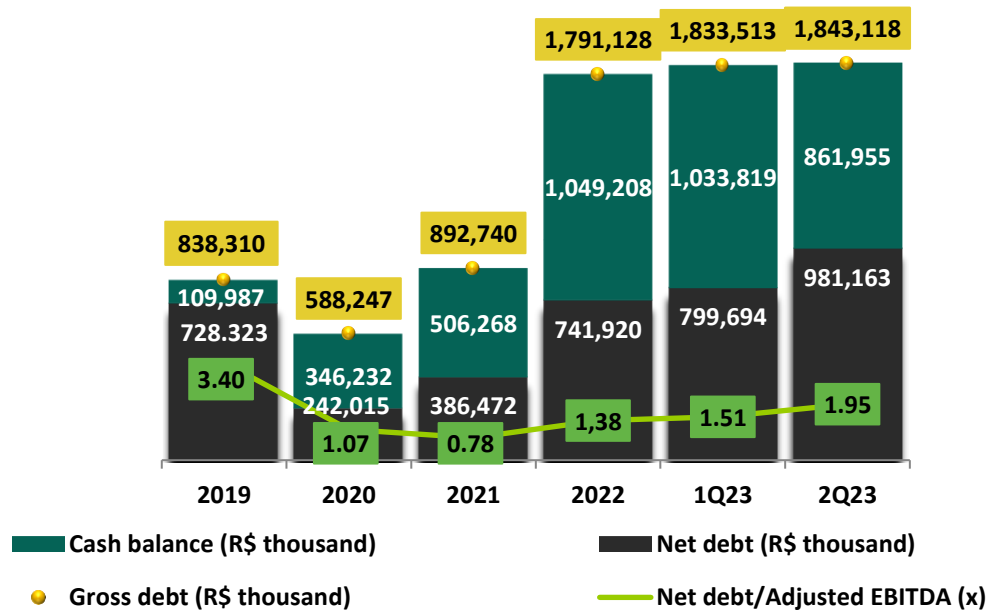
On the same comparative basis, gross debt increased, mainly due to the 5th Issuance of Private Green Debentures (CRA - Agribusiness Receivables Certificates) in 4Q22, in the amount of R\$ 720,000 thousand.

The average cost of debt over the last 12 months, as of June 30, 2023, was 13.9% p.a. The cost of debt considers the fixed interest and guarantees related to the financing of Gaia platform investments.

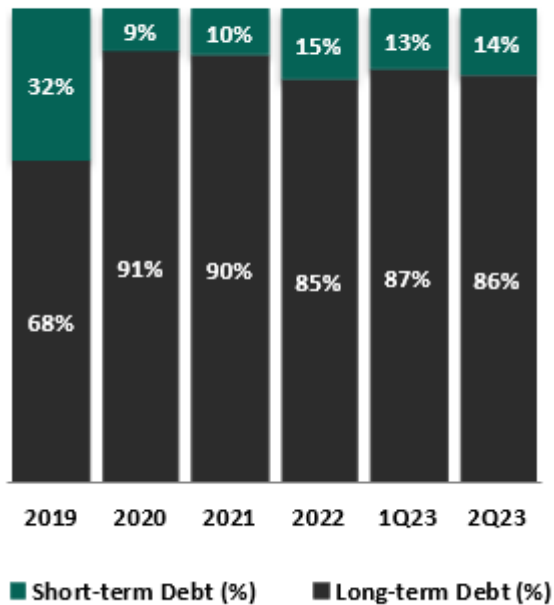
The Net Debt/Adjusted EBITDA ratio was 1.95 times in 2Q23, against 1.11 times in 2Q22. Releverage is natural during the execution of investments and is in line with the parameters established in the Company's [Financial Management Policy](#), which sets a target of 2.5x.

If lease liabilities resulting from the effects of CPC06 (IFRS16) were considered, net debt would increase by R\$ 27,803, resulting in a net debt/Adjusted EBITDA ratio of 2.01x.

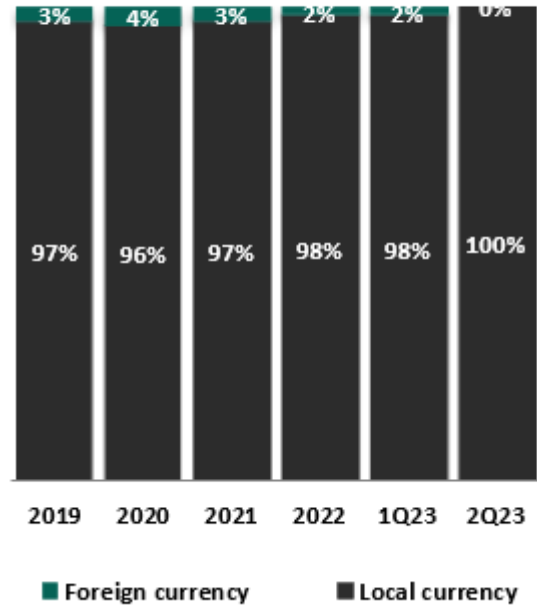
Indebtedness and Net Debt/Adjusted EBITDA



Gross Debt Profile

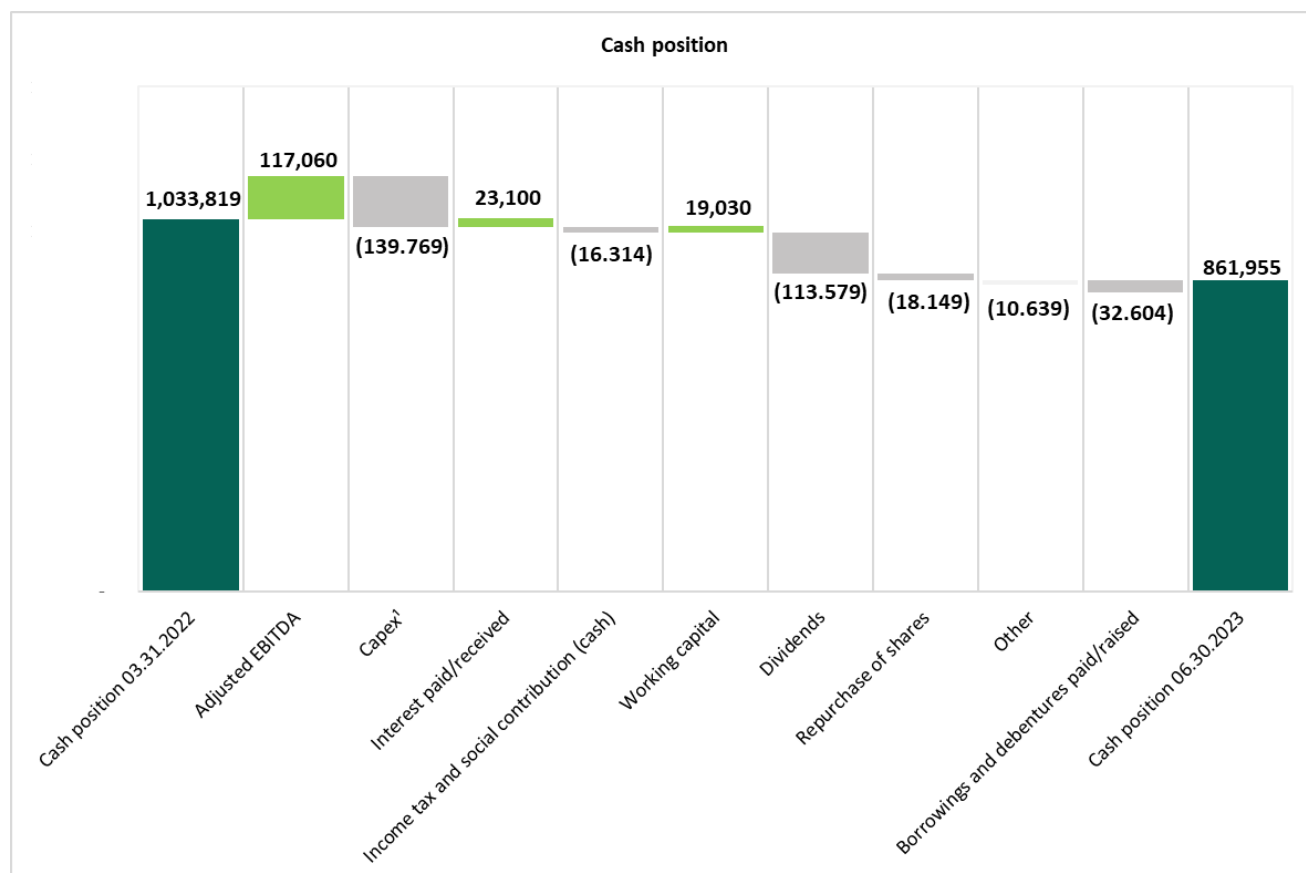


Gross Debt Breakdown



Cash position

At March 31, 2023 the Company's cash position was R\$ 1,033,819 thousand and recorded a decrease of 16.6% reaching R\$ 861,955 thousand as of June 30, 2023. The sources and applications of the resources are presented as follows:



¹ Considers the disbursement of R\$ 16,840 thousand related to interest and fixed guarantees of property, plant and equipment referring to the financing of investments in Gaia Platform.

Free Cash Flow

Free cash flow	2Q23	1Q23	2Q22	LTM23	LTM22
Adjusted EBITDA	117,060	128,210	144,816	501,874	555,881
(-) Capex ⁽¹⁾	(139,769)	(80,405)	(161,515)	(481,145)	(557,830)
(-) Interest paid/received	23,100	(50,880)	7,101	(26,928)	(35,736)
(-) Income tax and social contribution (cash)	(16,314)	(9,988)	(22,221)	(80,662)	(103,851)
(+/-) Working capital	19,030	(47,533)	24,581	(22,687)	827
(-) Dividends + interest on capital	(113,579)	(21,197)	(95,701)	(181,969)	(153,705)
(-) Repurchase of shares	(18,149)	(23,825)	(13,785)	(62,436)	(44,574)
(+/-) Other	(149)	30,567	4,591	43,240	18,947
Free cash flow	(128,770)	(75,051)	(112,133)	(310,713)	(320,040)
Dividends + interest on capital	113,579	21,197	95,701	181,969	153,705
Repurchase of shares	18,149	23,825	13,785	62,436	44,574
Gaia Platform ⁽¹⁾	111,702	60,238	135,223	379,131	456,669
Expansion projects	4	222	1	251	496
Adjusted free cash flow⁽²⁾	114,663	30,431	132,577	313,073	335,403
Adjusted FCF Yield⁽³⁾				15.7%	19.4%

⁽¹⁾ Considers the disbursement of R\$ 16,840 thousand in 2Q23, R\$ 4,144 thousand in 1Q23, R\$ 24,845 thousand in 2Q22, R\$ 31,972 thousand in LTM22 and R\$ 32,434 thousand in LTM23 of interest and guarantees paid, referring to the financing of investments in the Gaia Platform.

⁽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 compensation, was R\$ 114,663 thousand in 2Q23, a decrease of 13.5% in relation to 2Q22 and 276.8% higher than 1Q23.

The decrease in interest paid in relation to the previous quarter refers to the seasonal payment in January and July of interest on the 3rd Issuance of Green Debentures (CELU13) and in February and August on the 5th Private Issuance of Green Debentures.

Positive working capital in this quarter is mainly a reflection from the decrease in inventories due to the machine stoppages mentioned above, in view of the changes in the other cyclical accounts.

Further details on shareholder compensation and the share repurchase program are available under Capital Markets.

In the last 12 months ended June 30, 2023, the Adjusted Free Cash Flow was R\$ 313,073 thousand, a decrease of 6.7% over the R\$ 335,403 thousand recorded in the 12 months ended June 30, 2022, mainly due to the decrease in EBITDA.

Free Cash Flow Yield was 15.7% for the last 12 months ended June 30, 2023, a decrease of 3.7 p.p. when compared to the 12 months ended June 30, 2022, due to the decrease in Free Adjusted Cash Flow and increase in the average market value of the Company in this period.

Return on invested capital (ROIC)

Return on Invested Capital (ROIC) was 20.7% in the last 12 months, a decrease of 2.1 p.p. compared to the 12 months ended March 31, 2023, and of 4.8 p.p. in relation to the 12 months ended June 30, 2022. The decrease recorded in the comparisons is mainly due to the increase in Adjusted Invested Capital and the decrease in LTM EBITDA. This

effect is natural during the ramp-up of Gaia Platform investments, once that 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.

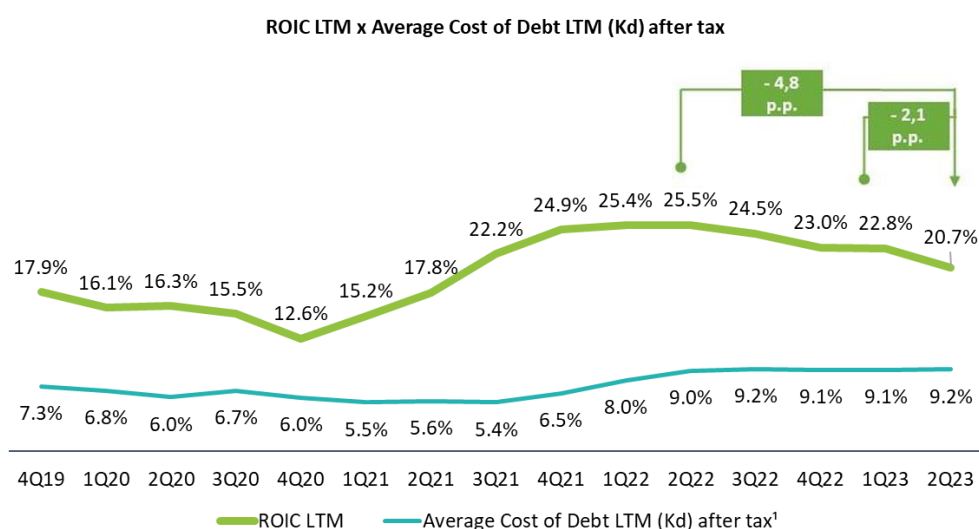
ROIC at high levels demonstrates the commitment to generate consistent returns above the cost of capital (WACC). Our ROIC is a reference in the sustainable packaging sector in Brazil and abroad, demonstrating the strength of sustainability (ESG) as a secular trend that drives our economic results.

ROIC (R\$ thousand) - LTM ⁽¹⁾	2Q23	1Q23	2Q22
Total Assets	3,015,687	2,855,007	2,375,460
(-) Total liabilities (former debt)	(595,701)	(556,947)	(496,674)
(-) Works in progress	(697,129)	(639,756)	(402,797)
Capital Invested	1,722,858	1,658,304	1,475,990
(-) Adjustment - CPC 29 ⁽²⁾	(180,603)	(156,278)	(97,575)
Adjusted invested capital	1,542,255	1,502,026	1,378,415
Adjusted EBITDA	501,874	529,630	555,881
(-) Capex for maintenance	(101,764)	(99,991)	(100,665)
(-) Income tax and social contribution (cash)	(80,662)	(86,569)	(103,851)
Adjusted operating cash flow	319,448	343,070	351,365
ROIC⁽³⁾	20.7%	22.8%	25.5%

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

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

⁽³⁾ ROIC (Last Twelve Months - LTM): Adjusted operating cash flow / Adjusted invested capital



Since the Company: (i) has a full or partial Optional Early Redemption option and optional early amortization option of the 3rd Issuance of Green Debentures as of July 19, 2023; and (ii) it has a robust cash position with resources not allocated to EBITDA generation; the Company opted, for the purposes of calculating the ROIC, to reduce the principal balance of mentioned operation, in the amount of R\$ 505,000 thousand, of Adjusted Invested Capital, as of 4Q22. This adjustment aims to better reflect the Capital actually invested in the generation of EBITDA. Without the adjustment, the ROIC reported in the last twelve months ended June 30, 2023 would be 16.6%.

Net Profit for the period

Net Profit for 2Q23 was R\$ 228,746 thousand compared to net profit of R\$ 84,613 thousand for 2Q22 and of R\$ 82,958 thousand for 1Q23. The growth is mainly related to the recognition of PIS and COFINS credit on the acquisition of OCC, subject to a final and unappealable court decision favorable to the Company, which recognized the right to credit.

Investments

The Company maintains its strategy of investing in the modernization and automation of its production processes. This quarter's investments totaled R\$ 125,166 thousand and were basically directed to reforestation, maintenance and improvement in the Company's physical structures, software, machinery and equipment. Of this amount, R\$ 94,859 thousand were allocated to the execution of investments in Gaia I, II and III Projects (1st Cycle), VI, VII, VIII, IX and X (2nd Cycle).

R\$ thousand	2Q23	6M23
Land	9	9
Buildings	1,664	1,701
Equipment	115,517	190,861
Intangible	791	6,057
Reforestation	7,185	11,524
Total	125,166	210,152

Gaia Platform

1st Cycle

The main highlight in the second quarter of 2023 in the **Gaia I** - Chemical and Utility Recovery Expansion Project was the successful completion of the startups of the ETAC (Water Treatment Stations). In addition, the evaporation plant and the **chemical recovery boiler, which represents the largest and most significant delivery within the scope of the project**. In addition, we are in the final stages of completing the mechanical assemblies of the new digester, heat recovery system, gas treatment system, pulp scrubber, sludge filter and turbo generator. It is important to note that due to inflation, the second wave of Covid-19 and additional needs in the civil scope, boosted by weather conditions, there was an update in the project budget. The updated value went from R\$ 581,309 thousand to R\$ 682,023 thousand.

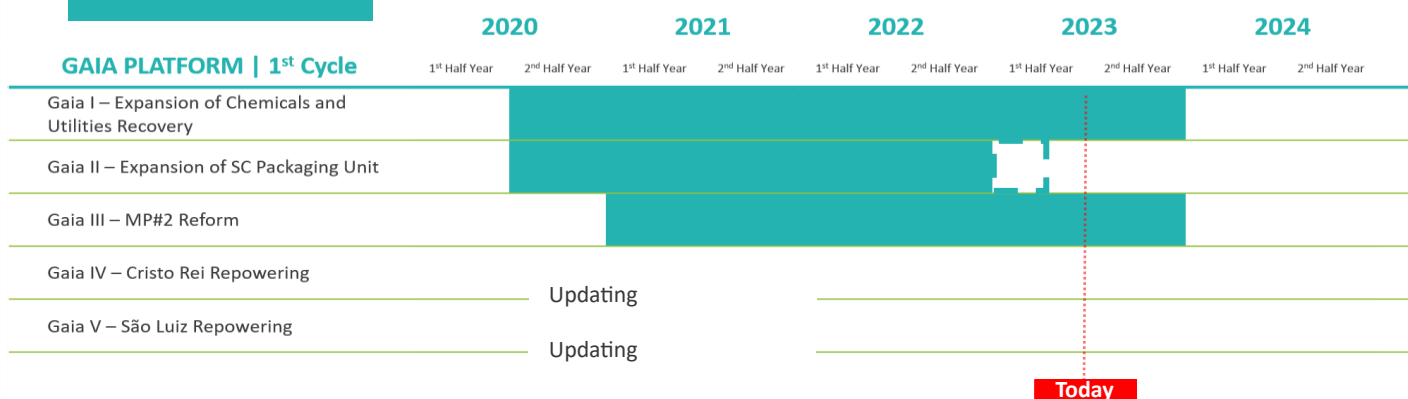
In the Project **Gaia II**, the activities related to the PPCI (Fire Prevention and Protection Project) were finalized, marking the closure of all project deliverables. We are currently monitoring the performance of the installed equipment and recording all the information required to perform the payback calculation of the project.

For the Project **Gaia III** - MP#2 Reform, deliveries were successfully completed, reaching 100% of the planned scope. At the moment, we are monitoring the performance of the machine, which has been performing above forecast, with a tendency to anticipate the performance curve. It is also important to note that due to the second wave of Covid-19 and additional needs in the scope after the completion of detailed engineering, coupled with inflation in the period, there was an update in the project budget. The updated value went from R\$ 51,178 thousand to R\$ 66,844 thousand.

Projects **Gaia IV** - Cristo Rei Repowering and **Gaia V** – São Luiz Repowering are currently under review due to waiting for the necessary environmental clearances. This involves analyzing and adjusting the project budget and schedule to meet all legal and regulatory requirements and to ensure that the project is conducted in accordance with environmental sustainability standards.

In 2Q23, R\$ 66,867 thousand were invested in the first Gaia Platform Cycle, of which R\$ 63,588 thousand were invested in Gaia I, R\$ 3,273 thousand in Gaia II and R\$ 6 thousand in Gaia III. In total, R\$ 781,895 thousand have been invested since the beginning of the first cycle, with a total of R\$ 591,753 thousand in Gaia I, R\$ 130,336 thousand in Gaia II and R\$ 59,806 in Gaia III.

Timetable



GAIA PLATFORM 1st Cycle	Basic Engineering	Physical Execution
Gaia I – Expansion of Chemicals and Utilities Recovery	100%	99,1%
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 - PIMS, during the first quarter of 2023, we highlight the first Go Live of PI Vision software for Dough Preparation and Paper Machines I and II. This stage is an important milestone for the project, as we have made nineteen automated screens available for use with real-time information. These screens will provide information to assist in daily operations and timely decision making. In the other units, the collection of information and the development of screens and reports are ongoing.

Gaia VII project– Expansion ETP Phase 1 - We can highlight that the concreting of the equalization tank and the hydrostatic test were completed, as well as the completion of the civil works of the blower house and the engine control center. In progress, there are the finishing touches on the structure of the equalization tank, the mechanical assembly of the equalization tank, the development of the new supervision and control system for the ETE, passage of cables and performance tests of the filters. In the aeration tanks, the concreting of the aeration tank II and the preparation of the armor for the walls and beams of the aeration tank III are being finalized.

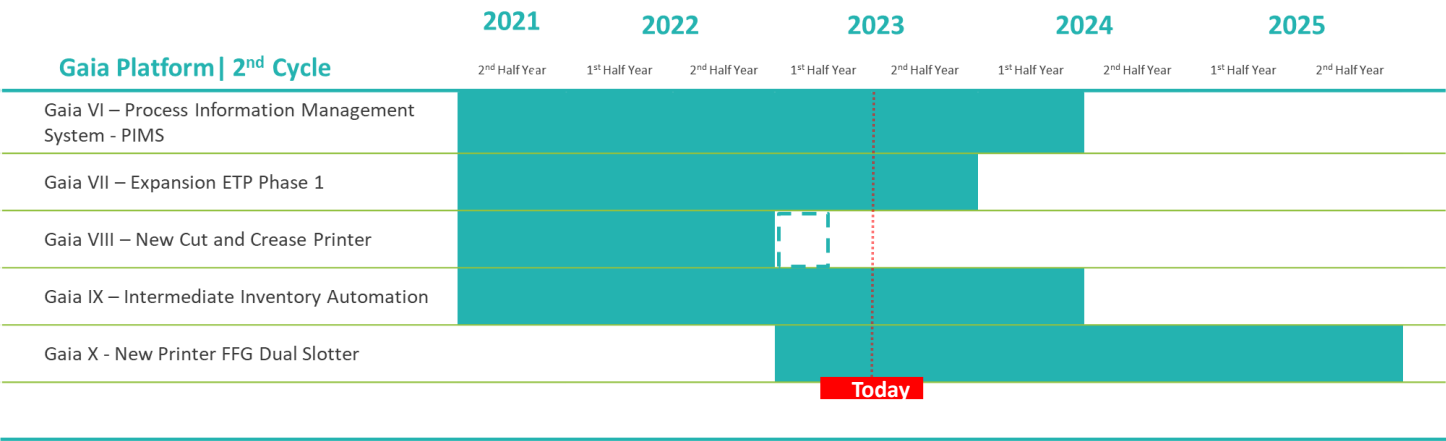
Gaia VIII project - New Cut and Crease Printer, the startups of all equipment were finalized. We are currently monitoring their performance curve.

Gaia IX project - Intermediate Inventory Automation: the startups of the six prefeeders of the Miniline, Sunrise I, Falcon, Saturn, Midline and Sunrise II printers were installed and performed. At the moment, the execution of the civil works and the receipt of the automation system equipment are in progress.

And finally, the **GAIA X** - New FFG Dual Slotter Printer project, the prefeeder acquisition process and other equipment is underway, the preparation of detailed project schedule is being drawn up and, in the design and engineering phase, the palletizing solution for the machine is in progress.

In 2Q23, R\$ 27,992 thousand were invested in the second Gaia Platform Cycle, being R\$ 1,650 thousand in Gaia VI, R\$ 11,777 thousand in Gaia VII, R\$ 740 thousand in Gaia VIII, R\$ 7,652 thousand in Gaia IX and R\$ 6,173 thousand in Gaia X. In total, R\$ 80,500 thousand have been invested since the beginning of the second cycle, with a total of R\$ 6,018 thousand in Gaia VI, R\$ 33,549 thousand in Gaia VII, R\$ 14,246 in Gaia VIII, R\$ 20,514 in Gaia IX and R\$ 6,173 in Gaia X.

Timetable



Gaia Platform – 2 nd Cycle	Basic Engineering	Physical Execution
Gaia VI – Process Information Management System - PIMS	N/A	64%
Gaia VII – Expansion ETP Phase 1	100%	78%
Gaia VIII – New Cut and Crease Printer	N/A	99.3%
Gaia IX – Intermediate Inventory Automation	N/A	60%
Gaia X - New Printer FFG Dual Slotter	100%	

Gaia Platform – 1 st and 2 nd Cycles	Unit	Updated Estimated Investment (Gross)	Updated Estimated Investment (Net)	Investments Made 2Q23	Investments Made until 06/30/2023
Gaia I – Expansion of Chemicals and Utilities Recovery	Papel SC Campina da Alegria	682,023	594,539	63,588	591,753
Gaia II – Expansion of SC Packaging Unit	Embalagem SC Campina da Alegria	150,433	118,189	3,273	130,336
Gaia III – MP#2 Reform	Papel SC Campina da Alegria	66,844	53,293	6	59,806
Gaia IV – Cristo Rei Repowering	Papel SC Campina da Alegria				
Gaia V – São Luiz Repowering	Papel SC Campina da Alegria				
Gaia VI – Process Information Management System - PIMS	Papel SC Campina da Alegria	18,400	15,304	1,650	6,018
Gaia VII – Expansion ETP Phase 1	Papel SC Campina da Alegria	49,597	45,159	11,777	33,549
Gaia VIII – New Cut and Crease Printer	Embalagem SP Indaiatuba	21,318	15,034	740	14,246
Gaia IX – Intermediate Inventory Automation	Embalagem SP Indaiatuba	42,860	29,897	7,652	20,514
Gaia X - New Printer FFG Dual Slotter	Embalagem SC Campina da Alegria	50,916	37,073	6,173	6,173
Total		1,082,391	908,488	94,859	862,395

Capital Market

CREDIT RATING

In [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 Brazil National Scale, [assigned on July 5, 2021](#), was maintained. According to the agency, the stable outlook on 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+' ratings assigned on July 5, 2021 to the 3rd Issuance of Public Green Debentures and 4th Private Issue of Green Debentures were also maintained.

On April 28, 2023, S&P Global Ratings carried out quarterly monitoring of the ratings of the 1st and 2nd Series of CRAs of the 194th Issue of Eco Securitizadora linked and backed by Irani's 5th Private Issue of Green Debentures. The 'brAA (sf)' rating, [assigned on September 26, 2022](#), was maintained.

GREEN DEBENTURES

The Company has 3rd Issuance of Green Debenture, detailed below.

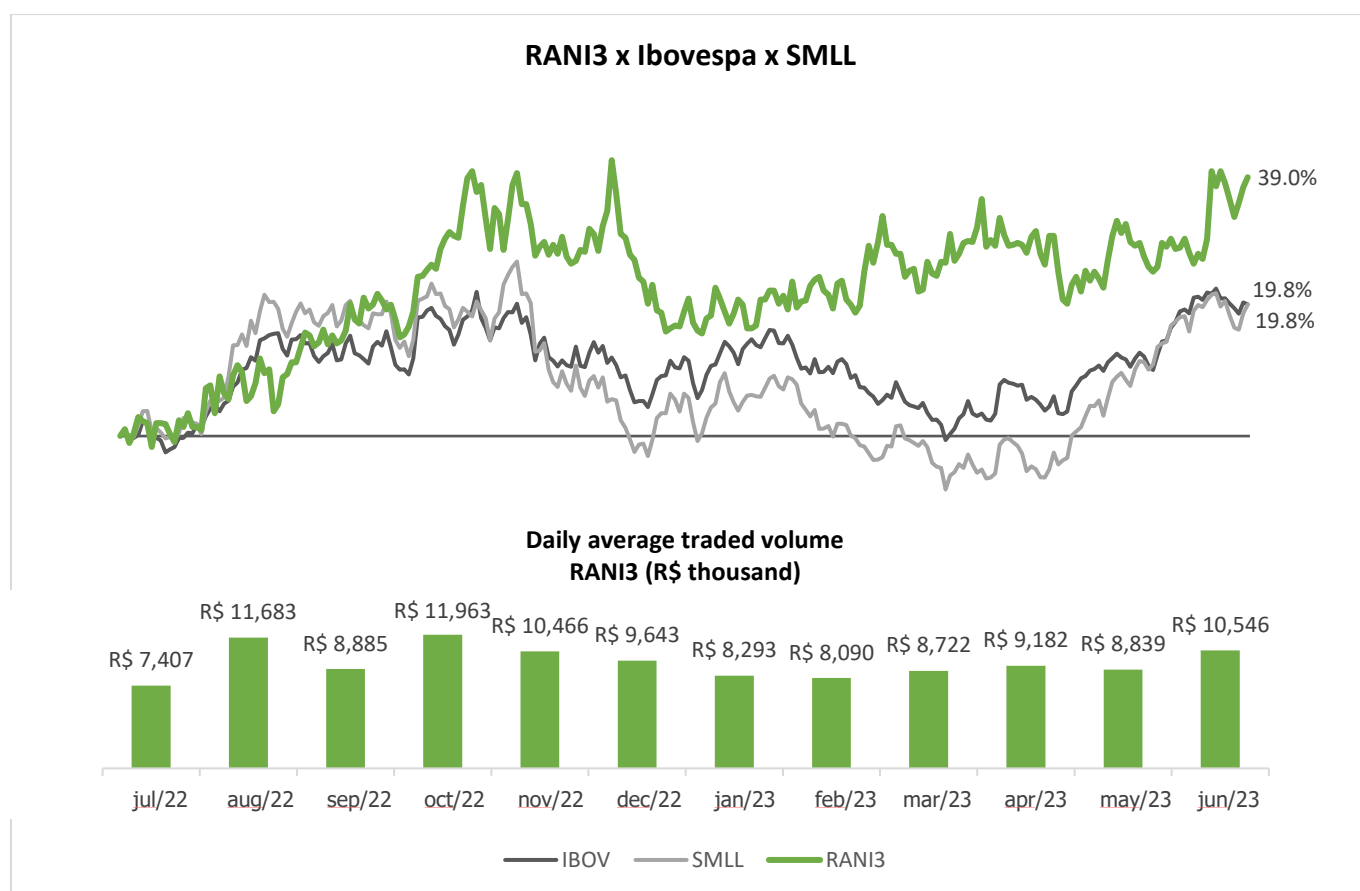
Issue	3 rd Issuance (CELU13)	4 th Issuance (RANI14)	5 th Issuance
Type	Simple, Public, Non-Convertible, with Real Guarantee	Simple, Private, Non-Convertible, with Real Guarantee	Simple, Private, Non-Convertible, Unsecured
Series	Single	Single	2 Series
Principal Issued (R\$ thousand)	R\$ 505,000	R\$ 60,000	1 st Series - R\$ 486,307 2 nd Series - R\$ 233,693
Outstanding (R\$ thousand)	R\$ 505,000	R\$ 60,000	1 st Series - R\$ 486,307 2 nd Series - R\$ 233,693
Date of Issue	07/19/2019	03/03/2021	08/15/2022
Duration	07/19/2025	December 15, 2029	1 st Series - 8/12/2027 2 nd Series - 8/13/2029
Total Term	6 years	8.8 years	1 st Series - 5 years 2 nd Series - 7 years
Voucher	CDI 4.50% p.a.	IPCA 5.50% p.a.	1 st Series - CDI + 1.40% p.a. 2 nd Series - CDI + 1.75% p.a.
Payment of interest	Half-yearly	Capitalized IPCA, 5.50% half-yearly	Half-yearly
Green Label	Sitawi (NINT)	Sitawi (NINT)	NINT
Rating	S&P Global Ratings: br AA+	S&P Global Ratings: br AA+	S&P Global Ratings: br AA (sf)
Note	-	-	Ballast for the issuance and public distribution of Agribusiness Receivables Certificates (CRAs) of the 1 st and 2 nd series of the 194 th issue of Eco Securitizadora

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 2Q23, common shares were traded at R\$ 9,27. The Company's shares currently comprise the IGC-NM, IGCX, ITAG, IMAT, IBRA, SMLL, IGCT, IGPTW, IAGRO, IDIV and ISE indexes of B3.

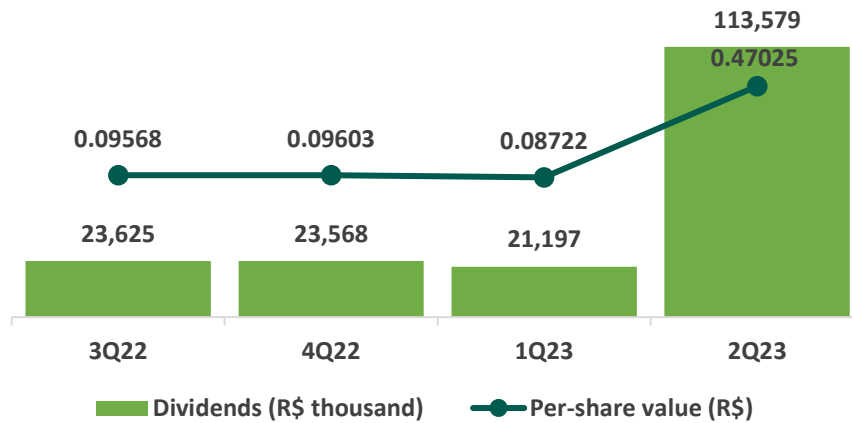
The performance and trading volume of the Company's share in the accumulated for the last 12 months, compared to the Ibovespa index (the main performance indicator of shares traded on B3) and the SMLL (performance indicator of B3 companies with lower capitalization, which Irani is part of the theoretical portfolio), can be observed in the chart below.



DIVIDENDS

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

Distribution of Dividends (R\$ thousand)



Total dividends and interest on capital paid in the last twelve months was R\$ 0.749185 per share, totaling R\$ 181,969 thousand, and equivalent to an annual dividend yield of 11.23%, considering the share price of R\$ 6.67 as of June 30, 2022.

REPURCHASE PROGRAM

At a [Meeting of the Board of Directors held on August 17, 2022](#), the new Repurchase Program of shares issued by the Company ("Repurchase Program 2022") was approved with the objective of maximizing the generation of value to shareholders by means of an efficient management of the capital structure. The program became effective on August 18, 2022, with a purchase limit of up to 9,833,806 common shares, representing 10% of the total common issued by the Company in circulation. As of June 30, 2023 the Company repurchased 6,529,400 shares, representing 66.40% of the executed program, at R\$ 53,616 thousand, including trading costs, equivalent to an average price per share repurchased of R\$ 8.21. Irani's share capital, as of June 30, 2023, was represented by 246,359,319 common shares (RANI3) and the Company held in treasury 6,529,400 common shares.

Opinions and Representations / Officers' Representation on the Financial Statements

Officers' Representation

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

The Officers of Irani Papel e Embalagem S.A., a corporation headquartered at Avenida Carlos Gomes, 400, salas 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) 92.791.243/0001-03, for the purposes of complying with the provisions of Article 27, paragraph 1, of CVM Resolution 80 of March 29, 2022, **REPRESENT** that they have reviewed, discussed and agreed with the Company's interim financial statements for the three-month period ended March 31, 2023.

Porto Alegre, RS, July 31, 2023.

Sérgio Luiz Cotrim Ribas

Chief Executive Officer

Odivan Carlos Cargnin

Chief Administrative, Financial and Investor Relations Officer

Henrique Zugman

Chief Paper and Forestry Business Officer

Lindomar Lima de Souza

Chief Packaging Business Officer

Fabiano Alves de Oliveira

Chief People, Strategy and Management Officer

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