



Irani Papel e Embalagem S.A.

Financial Statements
for the years ended
December 31, 2021 and 2022

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

To the Shareholders, directors and officers of

Irani Papel e Embalagem S.A

Porto Alegre – RS

Opinion

We have audited the parent company and consolidated financial statements of Irani Papel e Embalagem S.A. (Company), identified as the parent company and consolidated, respectively, which comprise the statement of financial position as of December 31, 2022, statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying parent company and consolidated financial statements present fairly, in all material respects the financial position of Irani Papel e Embalagem S.A. as of December 31, 2022, and of its parent company and consolidated financial performance and its respective parent company and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing (ISAs). Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the parent company and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of

the parent company and consolidated financial statements set forth in the Professional Code of Ethics of the Accountant and the professional standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Measurement of Biological assets

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

| Key audit matter | How the audit addressed this matter |
|--|--|
| <p>The Company's and its subsidiaries biological assets are represented mainly by pine forests and are measured at fair value less costs to sell.</p> <p>The measurement of fair value of these assets contains uncertainties related to the assumptions used in determining future cash flows, in particular the projected productivity cycle, the growth rate of the forests and the discount rate.</p> <p>Due to the relevance of the estimates made to measure the fair value of the Company's biological assets and the impact that any changes in the assumptions used in measuring this value would have on the parent company and consolidated financial statements, we consider this a significant matter in our audit.</p> | <p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluation, with the assistance of our specialists in measurement of fair values of biological assets, of the method, assumptions and data used to measure the fair value of biological assets. We especially evaluated the assumption of the discount rate and sale price of wood and resins. We compare the Company's assumptions with available historical information and with observable market data, among others; and • Evaluation of the adequacy of the disclosures made by the Company regarding the key-assumptions most sensible in the measurement of fair value of biological assets included in the explanatory notes to the financial statements <p>During our audit, we identified an adjustment in relation to the discount rate used, due to the methodological interpretation that would result in a reduction in the fair values of biological assets, which was not recorded by management, as it was considered material.</p> <p>Based on the evidence obtained through our procedures described above, we believe that the balances and disclosures of biological assets are acceptable in the context of the parent company and consolidated financial statements taken as a whole, for the year ended December 31, 2022.</p> |

Other matters – Statements of added value

The parent company and consolidated statements of added value (DVA) for the year ended December 31, 2022, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were subject to audit procedures carried out jointly with the audit of the Company's financial statements. For the purposes of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, except for the effects of the subject matter described in the section entitled "Basis for opinion", these statements of added value have been adequately prepared in all material respects in accordance with the criteria set forth in this Technical Pronouncement and are consistent with parent company and consolidated financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether the parent company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Porto Alegre, February 24, 2023

KPMG Auditores Independentes Ltda.

CRC SP-014428/F-7

Original report in Portuguese signed by

Felipe Brutti da Silva

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

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

(In thousands of reais)

| ASSETS | Note | Parent company | | Consolidated | | LIABILITIES AND EQUITY | Note | Parent company | | Consolidated | |
|--|------|------------------|------------------|------------------|------------------|--|------|------------------|------------------|------------------|------------------|
| | | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 | | | 12.31.22 | 12.31.21 | | |
| CURRENT ASSETS | | | | | | CURRENT LIABILITIES | | | | | |
| Cash and cash equivalents | 5 | 702,762 | 11,050 | 735,194 | 30,410 | Borrowings and financing | 16 | 47,533 | 69,142 | 47,533 | 69,142 |
| Interest earning bank deposits | 5 | 314,014 | 475,858 | 314,014 | 475,858 | Debtentures | 17 | 226,062 | 22,190 | 226,062 | 22,190 |
| Trade accounts receivable | 6 | 258,215 | 255,039 | 258,472 | 255,345 | Derivative financial instruments - swap | 18 | - | 52 | - | 52 |
| Inventories | 7 | 132,123 | 122,007 | 133,758 | 123,058 | Lease liabilities | 34 | 7,025 | 6,950 | 7,025 | 6,950 |
| Recoverable taxes | 8.a | 28,554 | 20,888 | 28,639 | 20,898 | Suppliers | 19 | 199,312 | 151,042 | 175,313 | 133,718 |
| Derivate financial instruments - swap | 18 | 131 | - | 131 | - | Social charges and social security obligations | | 55,749 | 48,330 | 56,385 | 48,898 |
| Other assets | 9 | 32,059 | 11,677 | 32,411 | 11,954 | Tax liabilities | | 19,162 | 20,661 | 19,447 | 20,982 |
| Non-current assets held for sale | 10 | 2,562 | 41,200 | 2,562 | 41,200 | Corporate income tax and social contribution payable | | 2,907 | 3,125 | 3,402 | 3,569 |
| Total current assets | | 1,470,420 | 937,719 | 1,505,181 | 958,723 | Tax installment payments | 21 | 5,941 | 9,081 | 5,941 | 9,081 |
| | | | | | | Advance from clients | | 2,569 | 3,063 | 2,599 | 3,118 |
| NON-CURRENT ASSETS | | | | | | Dividends and interest on shareholders' equity payable | 23.b | 22,120 | 16,345 | 22,120 | 16,345 |
| Trade accounts receivable | 6 | 984 | 2,123 | 984 | 2,123 | Other accounts payable | | 11,470 | 10,263 | 11,633 | 10,564 |
| Recoverable taxes | 8.a | 46,016 | 12,284 | 46,016 | 12,284 | Total current liabilities | | 599,850 | 360,244 | 577,460 | 344,609 |
| Corporate income tax and social contribution | 8.b | 28,843 | 25,665 | 28,843 | 25,665 | | | | | | |
| Judicial deposits | | 407 | 378 | 708 | 660 | NON-CURRENT LIABILITIES | | | | | |
| Other assets | 9 | 5,086 | 4,526 | 5,113 | 4,553 | Borrowings and financing | 16 | 412,672 | 236,862 | 412,672 | 236,862 |
| Derivate financial instruments - swap | 18 | 916 | - | 916 | - | Debtentures | 17 | 1,105,908 | 564,127 | 1,105,908 | 564,127 |
| Other investments | 12.b | - | - | 1,500 | - | Derivative financial instruments - swap | 18 | - | 367 | - | 367 |
| Total noncurrent receivables | | 82,252 | 44,976 | 84,080 | 45,285 | Lease liabilities | 33 | 13,662 | 16,116 | 13,662 | 16,116 |
| | | | | | | Social charges and social security obligations | | 14,549 | 12,509 | 14,549 | 12,509 |
| Investments in subsidiaries | 12.a | 218,265 | 159,369 | - | - | Other accounts payable | | 59 | 59 | 59 | 59 |
| Investment property | 13 | 18,524 | 21,367 | 18,524 | 21,367 | Provision for civil, labor risks and tax | 22 | 27,926 | 19,463 | 28,095 | 19,813 |
| Biological assets | 15 | 195,958 | 109,798 | 343,727 | 219,056 | Tax installment payments | 21 | 2,511 | 7,662 | 2,511 | 7,662 |
| Property, plant and equipment | 14.a | 1,389,748 | 941,868 | 1,407,801 | 960,056 | Tax liabilities | | - | 205 | - | 205 |
| Right-of-use assets | 33 | 21,988 | 24,474 | 21,988 | 24,474 | Deferred income tax and social contribution | 11 | 228,970 | 200,858 | 235,337 | 205,533 |
| Intangible assets | 14.b | 134,037 | 136,339 | 134,037 | 136,339 | Total non-current liabilities | | 1,806,257 | 1,058,228 | 1,812,793 | 1,063,253 |
| Total non-current assets | | 2,060,772 | 1,438,191 | 2,010,157 | 1,406,577 | | | | | | |
| | | | | | | TOTAL DO PASSIVO | | 2,406,107 | 1,418,472 | 2,390,253 | 1,407,862 |
| | | | | | | | | | | | |
| | | | | | | EQUITY | | | | | |
| | | | | | | Capital | 23.a | 543,934 | 543,934 | 543,934 | 543,934 |
| | | | | | | Capital reserve | | 960 | 960 | 960 | 960 |
| | | | | | | Revenue reserves | 23.e | 454,968 | 292,131 | 454,968 | 292,131 |
| | | | | | | Treasury shares | 23.c | (11,642) | (25,399) | (11,642) | (25,399) |
| | | | | | | Carrying value adjustments | 23.f | 136,865 | 145,812 | 136,865 | 145,812 |
| | | | | | | Equity attributable to the controlling stockholders | | 1,125,085 | 957,438 | 1,125,085 | 957,438 |
| | | | | | | Non-controlling interest | | - | - | - | - |
| | | | | | | Total equity | | 1,125,085 | 957,438 | 1,125,085 | 957,438 |
| | | | | | | | | | | | |
| TOTAL ASSETS | | 3,531,192 | 2,375,910 | 3,515,338 | 2,365,300 | TOTAL LIABILITIES AND EQUITY | | 3,531,192 | 2,375,910 | 3,515,338 | 2,365,300 |

IRANI PAPEL E EMBALAGEM S.A.

INCOME STATEMENTS FOR THE PERIODS ENDED DECEMBER 31
(in thousands of reais, except where indicated otherwise)

| | Note | Parent company | | Consolidated | |
|---|--------|----------------|-------------|--------------|-------------|
| | | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| NET SALES REVENUE | 25 | 1,678,519 | 1,599,932 | 1,686,666 | 1,605,834 |
| Change in fair value of biological assets | 15, 26 | 82,430 | 28,689 | 139,003 | 43,849 |
| Cost of goods sold | 26 | (1,020,966) | (1,019,023) | (1,017,597) | (1,017,659) |
| GROSS INCOME | | 739,983 | 609,598 | 808,072 | 632,024 |
| OPERATING REVENUES (EXPENSES) | | | | | |
| From sales | 26 | (130,926) | (106,286) | (133,873) | (108,620) |
| Impairment losses on trade receivables | | (523) | (173) | (512) | 56 |
| General and administrative | 26 | (91,841) | (79,225) | (93,969) | (81,094) |
| Other operating revenues (expenses), net | 26 | 15,561 | 7,503 | 15,597 | 7,490 |
| Management profit sharing | 20 | (15,452) | (14,032) | (15,452) | (14,032) |
| Equity income results | 12 | 63,510 | 18,352 | - | - |
| INCOME (LOSS) BEFORE FINANCIAL INCOME (LOSS) AND TAXES | | 580,312 | 435,737 | 579,863 | 435,824 |
| Net finance income (costs) | 28 | (64,826) | (46,322) | (61,503) | (45,611) |
| Finance income | | 99,423 | 52,487 | 102,825 | 53,261 |
| Finance costs | | (164,249) | (98,809) | (164,328) | (98,872) |
| OPERATING INCOME BEFORE TAX EFFECTS | | 515,486 | 389,415 | 518,360 | 390,213 |
| Current income tax and social contribution | 29 | (109,164) | (62,088) | (110,346) | (62,477) |
| Deferred income tax and social contribution | 29 | (28,112) | (42,014) | (29,804) | (42,423) |
| PROFIT FOR THE YEAR | | 378,210 | 285,313 | 378,210 | 285,313 |
| Income attributable to: | | | | | |
| Controlling stockholders | | 378,210 | 285,313 | 378,210 | 285,313 |
| | | 378,210 | 285,313 | 378,210 | 285,313 |
| BASIC AND DILUTED INCOME PER SHARE ON - R\$ | 24 | 1.5248 | 1.1342 | 1.5248 | 1.1342 |

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.

STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31
(In thousands of reais)

| | Parent company | | Parent company | |
|--|----------------|----------|----------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Net income for the period | 378,210 | 285,313 | 378,210 | 285,313 |
| Attributable to controlling shareholders | 378,210 | 285,313 | 378,210 | 285,313 |
| Comprehensive income for the period/year | 378,210 | 285,313 | 378,210 | 285,313 |

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.
STATEMENTS OF CHANGES IN EQUITY

(In thousands of reais)

| Note | Capital | | | | Profit reserve | | | | | | Carrying value adjustments | Retained earnings | Interest attributable to controlling stockholders | Non-controlling interests | Total |
|---|---------|------------------------------|-----------------|---------------------|----------------|--------------------------------|------------------|------------------------|---------|---------|----------------------------|-------------------|---|---------------------------|-------|
| | Capital | Cost for the issue of shares | Treasury shares | Share-based payment | Legal | Statutory of Biological Assets | Profit retention | Tax incentives reserve | | | | | | | |
| BALANCE AT JANUARY 1st, 2021 | 566,895 | (22,961) | (6,834) | 960 | 4,538 | 10,636 | 73,171 | 4,990 | 154,759 | - | - | 786,134 | 6 | 786,160 | |
| Total comprehensive income for the year | - | - | - | - | - | - | - | - | - | - | 285,313 | 285,313 | - | 285,313 | |
| Profit for the year | - | - | - | - | - | - | - | - | - | - | 285,313 | 285,313 | - | 285,313 | |
| Realization - deemed cost | 23 f. | - | - | - | - | - | - | - | (8,947) | - | 8,947 | - | - | - | |
| Realization revenue reserve - biological assets | 23 d. | - | - | - | - | (3,557) | - | - | - | - | 3,557 | - | - | - | |
| Total comprehensive income for the year | | - | - | - | - | (3,557) | - | - | (8,947) | - | 297,817 | 285,313 | - | 285,313 | |
| Total contributions from stockholders and distributions to stockholders | | - | - | - | - | - | - | - | - | - | - | - | (5) | (5) | |
| Increase/Decrease in non-controlling capital | | - | - | - | - | - | - | - | - | - | - | - | (1) | (1) | |
| Dilution of non-controlling shareholders | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Treasury shares | 23 c. | - | - | (18,565) | - | - | - | - | - | - | - | (18,565) | - | (18,565) | |
| Proposed allocation | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Legal reserve | 23 e. | - | - | - | 14,266 | - | - | - | - | - | (14,266) | - | - | - | |
| Dividends | 23 b. | - | - | - | - | - | (24,576) | - | - | - | (70,888) | (95,464) | - | (95,464) | |
| Additional dividends proposed | 23 d. | - | - | - | - | - | 70,888 | - | - | - | (70,888) | - | - | - | |
| Profit retention reserve | 23 e. | - | - | - | - | - | 141,775 | - | - | - | (141,775) | - | - | - | |
| Total contributions from stockholders and distributions to stockholders | | - | - | (18,565) | 14,266 | - | 188,087 | - | - | - | (297,817) | (114,029) | (6) | (114,035) | |
| BALANCE AT DECEMBER 31, 2021 | | 566,895 | (22,961) | (25,399) | 960 | 18,804 | 7,079 | 261,258 | 4,990 | 145,812 | - | 957,438 | - | 957,438 | |
| Total comprehensive for the year | | - | - | - | - | - | - | - | - | - | 378,210 | 378,210 | - | 378,210 | |
| Profit for the year | | - | - | - | - | - | - | - | - | - | 378,210 | 378,210 | - | 378,210 | |
| Realization - deemed cost | 23 f. | - | - | - | - | - | - | - | (8,947) | - | 8,947 | - | - | - | |
| Realization revenue reserve - biological assets | 23 d. | - | - | - | - | (4,567) | - | - | - | - | 4,567 | - | - | - | |
| Total comprehensive for the year | | - | - | - | - | (4,567) | - | - | (8,947) | - | 391,724 | 378,210 | - | 378,210 | |
| Total contributions from stockholders and distributions to stockholders | | - | - | - | - | - | - | - | - | - | - | (46,471) | - | (46,471) | |
| Treasury shares | 23 c. | - | - | (46,471) | - | - | - | - | - | - | - | (46,471) | - | (46,471) | |
| Proposed allocations | | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Legal reserve | 23 e. | - | - | - | 18,910 | - | - | - | - | - | (18,910) | - | - | - | |
| Dividends | 23 b. | - | - | - | - | - | (70,888) | - | - | - | (93,204) | (164,092) | - | (164,092) | |
| Additional dividends proposed | 23 d. | - | - | - | - | - | 93,204 | - | - | - | (93,204) | - | - | - | |
| Profit retention reserve | 23 e. | - | - | 60,228 | - | - | 126,178 | - | - | - | (186,406) | - | - | - | |
| Total contributions from stockholders and distributions to stockholders | | - | - | 13,757 | 18,910 | - | 148,494 | - | - | - | (391,724) | (210,563) | - | (210,563) | |
| BALANCE AT DECEMBER 31, 2022 | | 566,895 | (22,961) | (11,642) | 960 | 37,714 | 2,512 | 409,752 | 4,990 | 136,865 | - | 1,125,085 | - | 1,125,085 | |

See the accompanying notes to the financial statements.

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

| | Note | Parent company | | Parent company | |
|--|---------------|------------------|------------------|------------------|------------------|
| | | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Income before income tax and social contribution (LAIR) | | 515,486 | 389,415 | 518,360 | 390,213 |
| Reconciliation of profit with the net cash obtained from the operating activities: | | | | | |
| Change in fair value of biological assets | 15.a | (82,430) | (28,689) | (139,003) | (43,849) |
| Depreciation, amortization and depletion | 13,14,15 e 33 | 75,461 | 73,644 | 103,028 | 92,444 |
| Profit (loss) from the disposal of property, plant and equipment | | (11,990) | (2,516) | (11,990) | (2,516) |
| Equity in the results of subsidiaries | 12 | (63,510) | (18,352) | - | - |
| Provision/reversal for civil, labor and tax risks | 22 | 9,832 | 2,314 | 9,664 | 2,516 |
| Provision for impairment on trade receivables | 6 | 443 | (83) | 431 | (350) |
| Inflation adjustments and charges on borrowings and debentures | | 125,849 | 61,831 | 125,849 | 61,831 |
| Interest on lease liabilities | | 2,389 | 2,297 | 2,389 | 2,297 |
| Interest on financial investments | | (43,969) | (16,385) | (43,969) | (16,385) |
| Management profit sharing | 20 | 6,410 | 10,830 | 6,410 | 10,830 |
| Exclusion of ICMS rate excluded from calculation basis of PIS and COFINS | | - | (502) | - | (502) |
| | | <u>533,971</u> | <u>473,804</u> | <u>571,169</u> | <u>496,529</u> |
| Increase (decrease) in assets: | | | | | |
| Accounts receivable | | 20,804 | (48,875) | 20,865 | (47,844) |
| Inventories | | (10,116) | (29,169) | (10,700) | (30,081) |
| Recoverable taxes | | (44,743) | 41,271 | (44,818) | 41,273 |
| Other assets | | (21,388) | (617) | (21,482) | (702) |
| Received dividends | | 16,991 | 14,080 | - | - |
| Increase (decrease) in liabilities: | | | | | |
| Suppliers | | 71,106 | 34,650 | 62,967 | 26,704 |
| Social charges and social security obligations | | 3,049 | 5,171 | 3,117 | 5,129 |
| Advances from customers | | (494) | (3,314) | (519) | (3,289) |
| Tax liabilities | | (19,266) | 10,538 | (18,098) | 11,895 |
| Other accounts payable | | (1,524) | (3,608) | (1,675) | (3,801) |
| Cash generated in operations | | <u>548,390</u> | <u>493,931</u> | <u>560,826</u> | <u>495,813</u> |
| Payment of interest on borrowings and debentures | | (80,299) | (40,537) | (80,299) | (40,537) |
| Payment of interest on lease liability | | (2,389) | (2,297) | (2,389) | (2,297) |
| Taxes paid (Income tax and social contribution) | | (100,111) | (84,421) | (102,446) | (85,653) |
| Net cash generated in operating activities | | <u>365,591</u> | <u>366,676</u> | <u>375,692</u> | <u>367,326</u> |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | | | | |
| Financial investments | | (1,018,232) | (1,286,189) | (1,018,232) | (1,286,189) |
| Redemption of financial investments | | 1,224,045 | 1,118,688 | 1,224,045 | 1,118,688 |
| Acquisition of property, plant and equipment | | (525,387) | (373,225) | (525,440) | (374,235) |
| Acquisition of biological assets | | (14,206) | (18,527) | (16,528) | (20,490) |
| Acquisition of intangible assets | | (2,721) | (832) | (2,721) | (836) |
| Capital contribution | | (6,615) | (2,852) | - | - |
| Acquisition of subsidiary shares | | - | (5) | - | (5) |
| Receipt upon disposal of property, plant and equipment | | 14,447 | 5,640 | 14,446 | 5,640 |
| Advance for future capital increase | | (232) | (299) | - | - |
| Receipt of Non-current assets held for sale | | 15,550 | - | 15,550 | - |
| Other investments | | - | - | (1,500) | - |
| Net cash used in investment activities | | <u>(313,351)</u> | <u>(557,601)</u> | <u>(310,380)</u> | <u>(557,427)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Payment of dividends and interest on shareholders' equity | | (158,786) | (89,933) | (158,786) | (89,933) |
| Lease liability paid | | (6,605) | (5,067) | (6,605) | (5,067) |
| Borrowings obtained | | 213,355 | 262,772 | 213,355 | 262,772 |
| Issuance of debentures (Net of funding costs) | | 700,307 | 59,547 | 700,307 | 59,547 |
| Borrowings and debentures paid | | (62,328) | (42,488) | (62,328) | (42,503) |
| Repurchase of shares | | (46,471) | (18,565) | (46,471) | (18,565) |
| Net cash generated (consumed) in financing activities | | <u>639,472</u> | <u>166,266</u> | <u>639,472</u> | <u>166,251</u> |
| (INCREASED) IN CASH AND CASH EQUIVALENTS IN THE YEAR | | 691,712 | (24,659) | 704,784 | (23,850) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 5 | 11,050 | 35,709 | 30,410 | 54,260 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 5 | <u>702,762</u> | <u>11,050</u> | <u>735,194</u> | <u>30,410</u> |

See the accompanying notes to the financial statements.

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

(In thousands of reais)

| | Parent company | | Consolidated | |
|--|----------------|-----------|--------------|-----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| 1. REVENUES | 2,217,904 | 2,075,273 | 2,226,789 | 2,081,879 |
| 1.1) Sale of goods, products and services | 2,137,095 | 2,044,824 | 2,145,908 | 2,051,145 |
| 1.2) Other revenues | 81,252 | 30,366 | 81,312 | 30,384 |
| 1.3) Provision for impairment of trade receivables - formation | (443) | 83 | (431) | 350 |
| 2. INPUTS ACQUIRED FROM THIRD PARTIES | 1,241,003 | 1,155,711 | 1,199,006 | 1,124,731 |
| 2.1) Cost of goods and services sold | 838,138 | 869,497 | 813,167 | 844,340 |
| 2.2) Materials, energy, outsourced services and other | 402,865 | 286,214 | 385,839 | 280,391 |
| 3. GROSS ADDED VALUE (1-2) | 976,901 | 919,562 | 1,027,783 | 957,148 |
| 4. DEPRECIATION, AMORTIZATION AND DEPLETION | 75,461 | 73,644 | 103,028 | 92,444 |
| 5. FAIR VALUE VARIATION FOR BIOLOGICAL ASSETS | (82,430) | (28,689) | (139,003) | (43,849) |
| 6. NET VALUE ADDED PRODUCED BY THE ENTITY (3-4-5) | 983,870 | 874,607 | 1,063,758 | 908,553 |
| 7. ADDED VALUE RECEIVED IN TRANSFER | 162,933 | 70,839 | 102,825 | 53,261 |
| 7.1) Equity in the results of subsidiaries | 63,510 | 18,352 | - | - |
| 7.2) Finance income | 99,423 | 52,487 | 102,825 | 53,261 |
| 8. TOTAL ADDED VALUE TO DISTRIBUTE (6+7) | 1,146,803 | 945,446 | 1,166,583 | 961,814 |
| 9. DISTRIBUTION OF ADDED VALUE | 1,146,803 | 945,446 | 1,166,583 | 961,814 |
| 9.1) Personnel | 221,128 | 193,877 | 234,154 | 205,752 |
| 9.1.1 - Direct remuneration | 168,686 | 150,351 | 176,121 | 157,008 |
| 9.1.2 - Benefits | 43,027 | 35,368 | 48,188 | 40,220 |
| 9.1.3 - FGTS | 9,415 | 8,158 | 9,845 | 8,524 |
| 9.2) Taxes, duties and contributions | 346,060 | 333,884 | 352,734 | 338,309 |
| 9.2.1 - Federal | 237,964 | 226,763 | 244,424 | 230,974 |
| 9.2.2 - State | 105,458 | 104,832 | 105,519 | 104,866 |
| 9.2.3 - Municipal | 2,638 | 2,289 | 2,791 | 2,469 |
| 9.3) Third-party capital remuneration | 172,439 | 105,836 | 172,519 | 105,904 |
| 9.3.1 - Interest | 164,249 | 98,809 | 164,328 | 98,872 |
| 9.3.2 - Rents | 8,190 | 7,027 | 8,191 | 7,032 |
| 9.4) Remuneration of own capital | 391,724 | 297,817 | 391,724 | 297,817 |
| 9.4.1 - Dividends | 93,204 | 70,888 | 93,204 | 70,888 |
| 9.4.2 - Profit/(losses) for the year- withheld | 298,520 | 226,929 | 298,520 | 226,929 |
| 9.5) Other | 15,452 | 14,032 | 15,452 | 14,032 |
| 9.5.1 - Management profit sharing | 15,452 | 14,032 | 15,452 | 14,032 |

See the accompanying notes to the financial statements.

IRANI PAPEL E EMBALAGEM S.A.

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Irani Papel e Embalagem S.A. – Tax ID number 92.791.243/0001-03**MANAGEMENT'S NOTES TO THE FINANCIAL STATEMENTS**

(Amounts in thousands of Brazilian real, except when specifically indicated).

1. OPERATIONS

[Irani Papel e Embalagem S.A.](#) ("Company"), is a public company domiciled in Brazil, listed on B3 S.A. – Brasil, Bolsa, Balcão, segmento Novo Mercado, and located at Avenida Carlos Gomes, nº 400, salas 502/503, Edifício João Benjamin Zaffari, Bairro Boa Vista, in the municipality of Porto Alegre (RS). The Company and its subsidiaries are primarily engaged in those related to the sustainable packaging industry, such as corrugated cardboard, packaging paper and manufacturing of resin products and their by-products. It operates in the segments of forestry and reforestation and uses as the basis of its production the production chain of the planted forests (renewable natural resource) and the recycling of paper.

Direct subsidiaries are listed in note 4.

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

2. PRESENTATION OF THE FINANCIAL STATEMENTS

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

The Company's operations do not have cyclical or seasonal characteristics that could affect the comparability and interpretation of these financial statements.

The issuance of these financial statements of the Company was authorized by Management as of February 23, 2023.

These financial statements have been prepared on the historical cost basis, except for biological assets measured at fair value less selling expenses, derivative financial instruments –*swaps* and financial instruments measured at fair value, as described in notes 15, 18 and 31, respectively.

2.1. New amendments to pronouncements not yet in force

The Company did not adopt these changes for preparation of these financial statements. They will be applicable for years started as of January 1, 2023. The following amendments in effective standards should not have a significant impact on Company's individual and consolidated financial statements:

- Classification of liabilities as current or non-current (Amendments to CPC 26/IAS 1);
- IFRS 17 Insurance Contracts, and Amendments to IFRS17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Statement Of Practice 2);
- Definition of Accounting Estimate (Amendments to CPC 23/IAS 8).
- Deferred tax relating to assets and liabilities arising from a single transaction (Amendment to CPC 32/ IAS 12).

2.2. New amendments in technical pronouncements adopted in financial statements for the year ended December 31, 2022.

The following reviews of the standards below were issued by the CPC, which came into force and were effectively adopted as of January 1, 2022 by the Company, with no effects on its financial statements as to their adoption:

- COVID-19 benefits granted to lessees under leases after June 30, 2021 (amendment to CPC 06/IFRS 16);
- Onerous Contracts – Costs of Fulfilling a Contract (Amendments to CPC 25/IAS 37);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to CPC 27/IAS 16);
- References to Conceptual Framework (Amendments to CPC 15/IFRS 3).

3. SIGNIFICANT ACCOUNTING PRACTICES

a) Functional currency and translation of foreign currencies

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

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

b) Cash and cash equivalents

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

c) Financial assets

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

in the portfolio, since this better reflects the way in which the business is managed.

c.1) Financial assets at amortized cost

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

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest expense, are recognized directly in profit or loss.

c.3) Impairment of financial assets

The Company recognizes loss allowances for ECLs on financial assets measured at amortized cost.

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

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

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

d) Derecognition

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

e) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and

intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

f) Financial instruments

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

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss: it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers: contingent events that would change the amount or timing of cash flows; terms that may adjust the contractual coupon rate, including variable-rate features; prepayment and extension features; terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

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

g) Inventories

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

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

h) Investments

Investments in subsidiaries are accounted for on the equity method of accounting in the individual financial statements.

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

Unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of *impairment* of the transferred asset. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Company.

i) Investment property

Investment property is measured at cost, and its fair value is disclosed in a note.

Depreciation is recognized according to the estimated useful lives of each asset using the straight-line method, so that the cost value less its residual value after its useful life is fully written off. Depreciation methods, useful lives and residual values are reviewed annually, and the effects of any changes in estimates are recorded prospectively.

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

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

j) Assets held for sale

Non-current assets held for sale are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Assets held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

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

k) Property and equipment and intangible assets

Property and equipment are measured at attributable cost, less accumulated depreciation and impairment loss, when applicable. Capitalized borrowing costs are recognized as part of the costs of construction in progress. These items are classified into the proper property, plant and equipment categories when completed and ready for their intended use. Depreciation of these assets begins when they are ready for use on the same basis as other property and equipment.

Subsequent costs are capitalized only when it is probable that future economic benefits associated with expenses will be enjoyed by the Company.

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

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

The Company's intangible assets consist of *goodwill*, software licenses, trademarks and client portfolios.

Goodwill is the positive difference between the amount paid and/or payable for the acquisition of a business and the net fair value of the acquired subsidiary's assets and liabilities. Goodwill from the acquisition of subsidiaries is recognized as "intangible assets" in the consolidated financial statements. Any gain on a bargain purchase is recognized as gain in profit or loss on the acquisition date. Goodwill is annually tested for *impairment* and measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Goodwill is allocated to the cash generating units (CGUs) for *impairment* testing. Goodwill originated in a business combination is allocated to the CGU that is expected to benefit from the business combination.

Software is capitalized according to costs incurred to acquire them and make them ready for use. These costs are amortized over the software's estimated useful life of five years. Software maintenance costs are expensed as incurred.

Trademarks and licenses acquired separately are initially stated at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at acquisition date. Trademarks registered with the Company do not have a defined useful life and for that reason are not being amortized.

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

l) Biological assets

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

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

m) Impairment of non-financial assets

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

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

An impairment loss is recognized if the carrying amount of an asset or cash-generating group (CGU) exceeds its recoverable amount.

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

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

During the year ended December 31, 2022, the Company did not find any signs that book value exceeds the recoverable value of its non-financial assets for its continuing operations.

n) Current and deferred income and social contribution taxes

Current income and social contribution taxes are provided for according to taxable profit determined in accordance with prevailing tax law, which is different from the profit reported in the statement of profit or loss, because it excludes taxable or deductible revenues or expenses in other periods, in addition to excluding non-taxable or non-deductible items permanently. The provision for income and social contribution taxes is calculated individually for each company according to rates in effect in the period. The Company adopts a current rate of 34% to calculate taxes on profit.

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

Deferred income tax assets and liabilities are presented at their net amount in the balance sheet when there is the legal right and the intention to offset them when calculating current taxes, in general related to the same legal entity and the same tax authority.

o) Loans, financing and debentures

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

p) Lease

p.1) Definition of a lease

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

p.2) As a lessee

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

However, the Company has chosen not to recognize right-of-use assets and lease liabilities for some leases of low value assets (e.g. IT equipment). The Company recognizes the payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the amount of initial measurement of the lease liability, adjusted for any lease payments made to the date of commencement, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee on dismantling and removing the underlying asset, restoring the location where it is located or restoring the underlying asset to the condition required by the terms and

conditions of the lease, less any lease incentives received.

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

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

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

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

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

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

p.3) As a lessor

The Company leases out its investment property according to note 13. The Company continues to classify these leases as operating leases, in accordance with CPC 06. There are no impacts on its financial statements.

q) Provisions

A provision is recognized if, as a result of a past event, the Company has a present formal or informal liability that can be settled. They are recognized in an amount considered by management sufficient to cover probable losses. They are adjusted for inflation through the balance sheet date, according to the nature of each risk and are supported by the opinion of the Company's lawyers.

r) Employee benefits

Profit sharing

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

s) Significant accounting judgments, estimates and assumptions

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

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

Management has made the judgments, estimates and assumptions adopted by the Company by using the best information available on the reporting date, including the experience of past events, the forecast of future events, and the help of experts, when applicable.

The financial statements include, therefore, several estimates, such as, but not limited to: selection of the useful lives of property, plant and equipment items (note 14), measurement of the fair values of assets held for sale (note 10), the realization of deferred tax credits (note 11), allowances for *impairment loss* of trade receivables (note 6), assessment of the fair value of biological assets (note 15), tax, social security, civil and labor provisions (note 22), impairment loss on non-financial assets (note 14) and judgments related to the assessment of PIS and COFINS tax credits (note 8).

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

t) Revenue recognition

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

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

u) Government grants

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

v) Statement of value added

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

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

4. CONSOLIDATION OF THE FINANCIAL STATEMENTS

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

| Participation in capital - % | | | | |
|---|--|---|----------|----------|
| Subsidiaries - direct interest | | Business activity | 12.31.22 | 12.31.21 |
| 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.

** Formerly Irani Geração de Energia Sustentável LTDA.

The accounting policies adopted by the subsidiaries are consistent with the practices adopted by the Company. Intercompany investments and/or unrealized losses were eliminated in the consolidated financial statements. The accounting information of the subsidiaries used for consolidation is on the same reporting date as that of the parent company.

5. CASH AND CASH EQUIVALENTS AND FINANCIAL INVESTMENTS

The balances of cash and cash equivalents and financial investments are as follows:

| | Parent company | | Consolidated | |
|---|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Fixed fund | 15 | 19 | 17 | 20 |
| Banks | 5,293 | 7,470 | 5,302 | 7,544 |
| Financial investments with immediately liquidity i) | 697,454 | 3,561 | 729,875 | 22,846 |
| Total cash and cash equivalents | 702,762 | 11,050 | 735,194 | 30,410 |
| Financial investments ii) | 314,014 | 475,858 | 314,014 | 475,858 |
| Total financial investments | 314,014 | 475,858 | 314,014 | 475,858 |
| Total cash and cash equivalents and financial investments | 1,016,776 | 486,908 | 1,049,208 | 506,268 |

i) The purpose of highly liquid financial investments is to meet the Company's immediate cash needs.

ii) The purpose of financial investments is to meet the Company's non-immediate commitments, which basically consist of investments made on Gaia platform, as described in note 14.

Highly liquid financial investments with no grace period and financial investments with a grace period of less than 86 days bear interest at fixed-rate investments at an average rate of 103.0% of the interbank deposit certificate (CDI) (102.8% as of December 31, 2021). Cash management is performed 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 | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Trade receivables from: | | | | |
| Clients - Domestic market | 242,583 | 243,435 | 242,840 | 243,753 |
| Clients - Related parties | 259 | 242 | 259 | 242 |
| Clients - Foreign market | 24,726 | 33,035 | 24,726 | 33,035 |
| Clients - Renegotiation | 2,687 | 10,902 | 2,687 | 10,902 |
| | <u>270,255</u> | <u>287,614</u> | <u>270,512</u> | <u>287,932</u> |
| Estimate losses on trade receivables | (11,056) | (30,452) | (11,056) | (30,464) |
| | <u>259,199</u> | <u>257,162</u> | <u>259,456</u> | <u>257,468</u> |
| Current installment | 258,215 | 255,039 | 258,472 | 255,345 |
| Non-current installment | 984 | 2,123 | 984 | 2,123 |

The breakdown of trade receivables by maturity age is as follows:

| | Parent company | | Consolidated | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Falling due | 244,812 | 247,689 | 244,993 | 247,952 |
| Overdue up to 30 days | 12,293 | 7,431 | 12,371 | 7,474 |
| Overdue, 31-60 days | 1,717 | 2,627 | 1,717 | 2,627 |
| Overdue, 61-90 days | 431 | 49 | 431 | 49 |
| Overdue, 91-180 days | 111 | 335 | 111 | 335 |
| Overdue >180 days | 10,891 | 29,483 | 10,889 | 29,495 |
| | <u>270,255</u> | <u>287,614</u> | <u>270,512</u> | <u>287,932</u> |

The Company recognizes an allowance for impairment loss on trade receivables for a significant portion of trade receivables overdue for more than 180 days. Allowances for *impairment* loss on trade and other receivables are also recognized for trade and other receivables overdue for less than 180 days when the amounts are not considered to be realizable, considering each debtor's financial situation, a prospective analysis and historical analyses of losses obtained by the Company. Individual analyses are carried out for those clients that have not yet past due notes and consider their credit risks. The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 December 2022:

| | Estimated loss weighted average rate | Gross accounting balance on 12.31.2022 | Estimated loss provisions on 12.31.2022 |
|-----------------------|--|--|---|
| Falling due | 0.23% | 244,993 | (559) |
| Overdue up to 30 days | 0.24% | 12,371 | (30) |
| Overdue, 31-180 days | 43.20% | 2,259 | (976) |
| Overdue >181 days | 87.16% | 10,889 | (9,491) |
| | | <u>270,512</u> | <u>(11,056)</u> |

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

The credit quality of financial assets that are not past due or committed as of December 31, 2022 is evaluated according to historical information about the Company's default rates. In general, 97% of trade receivables do not have a history of default.

Movements in the provision are as follows:

| | Parent company | | Consolidated | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Balance at the beginning of the year | (30,452) | (30,535) | (30,464) | (30,814) |
| Provision for recognized losses | (443) | - | (431) | - |
| Trade accounts receivable from customers written off during the period as uncollectible | 19,839 | - | 19,839 | - |
| Reversal of provision for recognized losses | - | 83 | - | 350 |
| Balance at the end of the year | <u>(11,056)</u> | <u>(30,452)</u> | <u>(11,056)</u> | <u>(30,464)</u> |

Part of the receivables, in the amount of R\$50,000, is pledged as collateral for some financial transactions (R\$83,793 as of December 31, 2021), as disclosed in notes 16 and 17 as of December 31, 2022.

7. INVENTORIES

| | Parent company | | Consolidated | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Finished goods | 64,799 | 59,353 | 66,096 | 60,213 |
| Raw materials | 37,978 | 35,551 | 38,034 | 35,589 |
| Consumable materials | 28,647 | 26,367 | 28,929 | 26,520 |
| Other inventories | 699 | 736 | 699 | 736 |
| | <u>132,123</u> | <u>122,007</u> | <u>133,758</u> | <u>123,058</u> |
| Write-down to net realizable value | - | - | - | - |
| | <u>132,123</u> | <u>122,007</u> | <u>133,758</u> | <u>123,058</u> |

For 2022, the Company did not recognize inventory provisions.

Movements in the provision are as follows:

| | Parent company | | Consolidated | |
|---|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Balance at the beginning of the year | - | (36) | - | (36) |
| Reversal of provision to net realizable value | - | 36 | - | 36 |
| Balance at the end of the year | - | - | - | - |

8. RECOVERABLE TAXES AND INCOME AND SOCIAL CONTRIBUTION

a) Recoverable taxes

They are as follows:

| | Parent company | | Consolidated | |
|--|----------------|---------------|---------------|---------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Value-added Tax on Sales and Services (ICMS) | 47,772 | 22,520 | 47,772 | 22,524 |
| Social Integration Program (PIS)/ Social Contribution on Revenues (COFINS) | 25,828 | 9,551 | 25,828 | 9,556 |
| Excise Tax (IPI) | 35 | 40 | 35 | 40 |
| Income Tax Withheld at Source (IRRF) on investments | - | - | 66 | 1 |
| Other | 935 | 1,061 | 954 | 1,061 |
| | <u>74,570</u> | <u>33,172</u> | <u>74,655</u> | <u>33,182</u> |
| Current installment | 28,554 | 20,888 | 28,639 | 20,898 |
| Non-current installment | 46,016 | 12,284 | 46,016 | 12,284 |

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

The balances of PIS and COFINS credits basically consist of credits on the acquisition of property, plant and equipment generated by the Company's purchases of items of property, plant and equipment. These credits have been recovered in 24 or 48 installments according to the classification and use of acquired assets.

b) Recovered income and social contribution taxes

They are as follows:

| | Parent company | | Consolidated | |
|-------------------------|----------------|---------------|---------------|---------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Recoverable IRPJ | 21,208 | 18,871 | 21,208 | 18,871 |
| Recoverable CSLL | 7,635 | 6,794 | 7,635 | 6,794 |
| | <u>28,843</u> | <u>25,665</u> | <u>28,843</u> | <u>25,665</u> |
| Non-current installment | 28,843 | 25,665 | 28,843 | 25,665 |

In 2013, the Company filed a lawsuit number 0042549-88.2013.4.01.3400/DF aimed, among other requests, at the non-enforceability of IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) on the amounts received as reimbursement of taxes declared undue, particularly with respect to inflation adjustment and late payment interest levied on these reimbursements.

On September 27, 2021, the Federal Supreme Court rendered judgment on Appeal No. 1,063,187 ID/Santa Catarina - Issue 962, which had general repercussion. The levy of IRPJ and CSLL on the amounts accrued as interest at the SELIC (Central Bank overnight rate) and received as a result of the recovery of undue tax payment was unconstitutional.

On October 19, 2021, the Company filed a request for a relief from evidence at the Federal Regional Court of The Federal Regional Court (TRF1) to be judged according to the understanding that the Federal Supreme Court applied on the issue, which is awaiting analysis.

Considering the judgment mentioned above, which is considered to have general repercussion at the Federal Supreme Court, considering a probable favorable outcome of the Company's lawsuit, in accordance with CPC 32/IAS 12, as well as ICPC 22/IFRIC 23, the Company recognized R\$25,197 as IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) on the SELIC (Central Bank overnight rate) for the recovery of undue payment in 2021. The inflation-adjusted amount as of December 31, 2022 is R\$28,843. Considering that the lawsuit filed by the Company is not expected to be immediately judged and the probable delay in approving the credit for offsetting was not expected, it was classified as non-current.

9. OTHER ASSETS

| | Parent company | | Consolidated | |
|--|----------------|---------------|---------------|---------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Advances to suppliers | 770 | 1,152 | 784 | 1,182 |
| Receivables from employees | 3,030 | 2,587 | 3,235 | 2,759 |
| Rio Negro Propriedades Rurais e Participações S.A | 524 | 4,003 | 524 | 4,003 |
| São José Desenvolvimento Imobiliário Ltda | 25,650 | - | 25,650 | - |
| Prepaid expenses | 1,290 | 2,345 | 1,290 | 2,345 |
| Receivable from lawsuit on abusive interest SP – Precatory | 5,086 | 4,526 | 5,086 | 4,526 |
| Other receivables | 795 | 1,590 | 955 | 1,692 |
| | <u>37,145</u> | <u>16,203</u> | <u>37,524</u> | <u>16,507</u> |
| Current installment | 32,059 | 11,677 | 32,411 | 11,954 |
| Non-current installment | 5,086 | 4,526 | 5,113 | 4,553 |

The balance receivable from Rio Negro Propriedades Rurais e Participações S.A. consists of the sale of rural properties in the year ended December 31, 2019, which the Company expects to make over the next 12 months.

The balance of receivables from lawsuit on abusive interest in São Paulo - Deferred Tax Debts consists of lawsuit No. 1030021-89.2014.8.26.0053 where the Company reported non-compliance with late payment interest on ICMS paid in administrative proceedings at an rate higher than SELIC (Central Bank overnight rate). The adjusted for inflation amount of the certificate of judgment issued on July 6, 2021 is R\$5,086, which the Company expects to make by the end of 2024.

The receivable balance of São José Desenvolvimento Imobiliário Ltda. consists of the sale of assets held for sale in February 2022, according to note 10.

10. NON-CURRENT ASSETS HELD FOR SALE

By decision of the Company's Board of Directors, in 2019 the Company discontinued the packaging of wavy cardboard at the unit of Vila Maria in São Paulo/São Paulo.

In December 2019, a Promise to Purchase and Sale Agreement was signed to sell the industrial property where the wavy cardboard packaging plant was located, in the amount of R\$41,200. The transaction was subject to certain previous conditions which, due to the COVID-19 pandemic imposed strict restrictions on the movement of people and the operation of public agencies, were not fully complied with by the end of 2020. Accordingly, in December 2020 the Company entered into an amendment to the Purchase and Sale Promise Agreement, including a deferral of the deadline to meet those previous conditions.

In February 2022, the Company entered into the second amendment to the Agreement for the Promise to Purchase and Sell a Property for the sale of assets classified as non-current assets held for sale, confirming the determination of the sales price in R\$41,200, and adjusting the payment conditions considering the receipt of an initial installment of R\$6,000, already received in January 2022, and the balance paid in 12 monthly installments adjusted for inflation using the interbank deposit rate ("DI"), as measured by the Clearing house for the Custody and Financial Settlement of Private Securities ("CETIP"). Considering the receipt of part of the sales price and the total compliance with previous conditions, the Company recognized in 2022 the sale of all the buildings and plots of land. The positive effect on profit before taxes was R\$3,383.

At a meeting of the Board of Directors on June 21, 2022, the Company allocated the Company to sell machinery and equipment replaced by new equipment in the scope of Gaia Platform.

These assets were valued by Management and were classified as held for sale, as assets, due to the highly probable sale and commitment by the Company's Management to make the sale.

(a) Impairment loss on disposal group

During 2022 no allowance for impairment was recognized.

(b) Assets held for sale

Buildings and plots of land are measured at fair value less costs to sell, and machinery and equipment are measured at acquisition cost less accumulated depreciation.

Assets held for sale

| | 12.31.22 | 12.31.21 |
|-------------------------|--------------|---------------|
| Building and lands | - | 41,200 |
| Machines and equipments | 2,562 | - |
| Assets held for sale | <u>2,562</u> | <u>41,200</u> |

(c) Accumulated gains and losses included in other comprehensive income (OCI)

There are no accumulated gains or losses included in OCI relating to this disposal group.

(d) Measurement of fair values

In 2021, the Company measured the fair value of R\$41,200 for the group of buildings and land according to the Purchase and Sale Promise Agreement mentioned above.

11. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

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

In 2022 the Company adopted the cash basis to calculate income and social contribution taxes on foreign exchange gain or loss and recognized deferred tax liabilities consisting of unrealized foreign exchange gain or loss. The way income and social contribution taxes were calculated on exchange rate fluctuations did not change when compared with the previous year.

Initial tax impacts on the attributable cost of property, plant and equipment were recognized as an offsetting entry to equity.

| ASSETS | Parent company | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Deferred income tax assets | | | | |
| On temporary provisions | 5,856 | 8,327 | 5,856 | 8,327 |
| On tax loss | - | 20,490 | 49 | 20,514 |
| Deferred social contribution assets | | | | |
| On temporary provisions | 2,108 | 2,997 | 2,108 | 2,997 |
| Sobre base negativa | - | 7,376 | 18 | 7,385 |
| | <u>7,964</u> | <u>39,190</u> | <u>8,031</u> | <u>39,223</u> |
| LIABILITIES | | | | |
| | | | | |
| Deferred income tax liabilities | | | | |
| Unrealized exchange-rate change on the cash basis | 419 | - | 419 | - |
| Fair value of biological assets | 53,739 | 35,200 | 56,205 | 36,545 |
| Deemed cost of property, plant and equipment | 94,899 | 116,116 | 96,837 | 118,054 |
| Government grant | - | 32 | - | 32 |
| Amortization of tax goodwill | 25,158 | 25,158 | 25,158 | 25,158 |
| Deferred social contribution liabilities | | | | |
| Unrealized exchange-rate change on the cash basis | 151 | - | 151 | - |
| Fair value of biological assets | 19,346 | 12,672 | 20,678 | 13,399 |
| Deemed cost of property, plant and equipment | 34,165 | 41,802 | 34,863 | 42,500 |
| Government grant | - | 11 | - | 11 |
| Amortization of tax goodwill | 9,057 | 9,057 | 9,057 | 9,057 |
| | <u>236,934</u> | <u>240,048</u> | <u>243,368</u> | <u>244,756</u> |
| Deferred tax liabilities (net) | <u>228,970</u> | <u>200,858</u> | <u>235,337</u> | <u>205,533</u> |

Changes in deferred income and social contribution taxes are shown as follows:

| Parent company assets | Opening balance 01.01.21 | Recognized in profit (loss) | Closing balance 12.31.21 |
|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Deferred tax assets regarding: | | | |
| Provision for sundry risks | (13,239) | 1,915 | (11,324) |
| Total temporary differences | (13,239) | 1,915 | (11,324) |
| Tax loss and negative basis | (65,993) | 38,127 | (27,866) |
| | <u>(79,232)</u> | <u>40,042</u> | <u>(39,190)</u> |

| Parent company assets | Opening balance 01.01.22 | Recognized in profit (loss) | Closin balance 12.31.22 |
|--------------------------------|-----------------------------|--------------------------------|----------------------------|
| Deferred tax assets regarding: | | | |
| Provision for sundry risks | (11,324) | 3,360 | (7,964) |
| Total temporary differences | (11,324) | 3,360 | (7,964) |
| Tax loss and negative basis | (27,866) | 27,866 | - |
| | <u>(39,190)</u> | <u>31,226</u> | <u>(7,964)</u> |

| Parent company liabilities | Opening balance 01.01.21 | Recognized in profit (loss) | Closing balance 12.31.21 | Recognized in profit (loss) | Closing balance 12.31.22 |
|---|-----------------------------|--------------------------------|-----------------------------|--------------------------------|-----------------------------|
| Deferred tax liabilities regarding: | | | | | |
| Exchange-rate change recognized on a cash basis | 413 | (413) | - | 570 | 570 |
| Fair value of biological assets | 39,704 | 8,168 | 47,872 | 25,213 | 73,085 |
| Deemed cost and review of useful life | 163,690 | (5,772) | 157,918 | (28,854) | 129,064 |
| Government grant | 54 | (11) | 43 | (43) | - |
| Amortization of tax goodwill | 34,215 | - | 34,215 | - | 34,215 |
| | <u>238,076</u> | <u>1,972</u> | <u>240,048</u> | <u>(3,114)</u> | <u>236,934</u> |

| Consolidated assets | Opening balance 01.01.21 | Recognized in in profit (loss) | Saldo final 31.12.21 |
|--------------------------------|-----------------------------|--------------------------------------|-------------------------|
| Deferred tax assets regarding: | | | |
| Provision for sundry risks | (13,239) | 1,915 | (11,324) |
| Total temporary differences | (13,239) | 1,915 | (11,324) |
| Tax loss and negative basis | (65,993) | 38,094 | (27,899) |
| | <u>(79,232)</u> | <u>40,009</u> | <u>(39,223)</u> |

| Consolidated assets | Opening balance 01.01.22 | Recognized in in profit (loss) | Closin balance 12.31.22 |
|--------------------------------|-----------------------------|--------------------------------------|----------------------------|
| Deferred tax assets regarding: | | | |
| Provision for sundry risks | (11,324) | 3,360 | (7,964) |
| Total temporary differences | (11,324) | 3,360 | (7,964) |
| Tax loss and negative basis | (27,899) | 27,832 | (67) |
| | <u>(39,223)</u> | <u>31,192</u> | <u>(8,031)</u> |

| Consolidated liabilities | Opening balance | Recognized in profit (loss) | Closing balance | Recognized in profit (loss) | Closing balance |
|---|-----------------|-----------------------------|-----------------|-----------------------------|-----------------|
| | 01.01.21 | | 12.31.21 | | 12.31.22 |
| Deferred tax liabilities regarding: | | | | | |
| Exchange-rate change recognized on a cash basis | 413 | (413) | - | 570 | 570 |
| Fair value of biological assets | 41,335 | 8,609 | 49,944 | 26,939 | 76,883 |
| Deemed cost and review of useful life | 166,326 | (5,772) | 160,554 | (28,854) | 131,700 |
| Government grant | 54 | (11) | 43 | (43) | - |
| Amortization of tax goodwill | 34,215 | - | 34,215 | - | 34,215 |
| | <u>242,343</u> | <u>2,413</u> | <u>244,756</u> | <u>(1,388)</u> | <u>243,368</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 |
|---|---------------------|------------------------------|------------------------|--------------------------------|----------------|----------------|
| December 31, 2020 | <u>53,429</u> | <u>93,185</u> | <u>-</u> | <u>10</u> | <u>-</u> | <u>146,624</u> |
| Equity in the results of the subsidiaries | 1,824 | 16,992 | (7) | (393) | (64) | 18,352 |
| Dividends | - | (14,080) | - | - | - | (14,080) |
| Capital contribution (i) (ii) e (iii) | - | 5,317 | 20 | 631 | 2,500 | 8,468 |
| Other changes | - | 5 | - | - | - | 5 |
| December 31, 2021 | <u>55,253</u> | <u>101,419</u> | <u>13</u> | <u>248</u> | <u>2,436</u> | <u>159,369</u> |
| Equity in the results of the subsidiaries | 36,396 | 28,029 | (2) | (847) | (66) | 63,510 |
| Dividends | - | (16,991) | - | - | - | (16,991) |
| Capital contribution (i) and (ii) | - | 5,530 | - | 1,615 | 5,000 | 12,145 |
| Advance for future capital increase (i) | - | - | - | 232 | - | 232 |
| December 31, 2022 | <u>91,649</u> | <u>117,987</u> | <u>11</u> | <u>1,248</u> | <u>7,370</u> | <u>218,265</u> |
| December 31, 2022 | | | | | | |
| Current | | | | | | |
| Assets | 12,499 | 40,264 | 11 | 1,287 | 5,813 | |
| Liabilities | (2,204) | (454) | - | (57) | (10) | |
| Assets/Current liabilities Net | <u>10,295</u> | <u>39,810</u> | <u>11</u> | <u>1,230</u> | <u>5,803</u> | |
| Non-current | | | | | | |
| Assets | 85,641 | 80,492 | - | 18 | 1,567 | |
| Liabilities | (4,287) | (2,315) | - | - | - | |
| Non-current assets/liabilities, net | <u>81,354</u> | <u>78,177</u> | <u>-</u> | <u>18</u> | <u>1,567</u> | |
| Equity | <u>91,649</u> | <u>117,987</u> | <u>11</u> | <u>1,248</u> | <u>7,370</u> | |
| Net revenue | 31,272 | 26,075 | - | 164 | - | |
| Income/loss before income tax and social contribution | 38,585 | 30,364 | (2) | (847) | (100) | |
| Income tax and social contribution expense | (2,189) | (2,335) | - | - | 34 | |
| Profit (loss) for the period | <u>36,396</u> | <u>28,029</u> | <u>(2)</u> | <u>(847)</u> | <u>(66)</u> | |
| Ownership interest - % | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | |

(i) On September 17, 2021, an advance for future increase in capital in subsidiary Irani Soluções para E-commerce Ltda, in the amount of R\$300, was capitalized, which had been transferred by parent company Irani Papel e Embalagem S.A. on June 23, 2021.

On February 16, 2022, the Company advanced for future increase in share capital in subsidiary Irani Soluções para E-commerce Ltda. in the amount of R\$232.

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

In 2021, Iraflor Comércio de Madeiras Ltda. received a capital contribution from parent company Irani Papel e Embalagem S.A. in the amount of R\$5,317, paid in through the merger of forest assets.

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

On February 16, 2022, Irani Soluções para E-commerce Ltda. received a capital contribution from parent company Irani Papel e Embalagem S.A., in the amount of R\$1,615, paid in in local currency.

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

(iii) On August 10, 2021, the Company's Board of Directors approved the setup of Irani Ventures Ltda, the Company's wholly-owned subsidiary, with the purpose of investing in selected start-ups, according to the company's investment thesis, duly approved by the Investment Committee. The total approved contribution is R\$10,000, which was paid in at R\$2,500, R\$5,000 on August 10, 2022 and the balance of R\$2,500 will be paid in in January 2023 or according to the subsidiary's cash needs.

b) Other investments

Equity securities are designated at cost consisting of a loan granted by the subsidiary of Companhia Irani Ventures Ltda. to Companhia Trashin Gestão e Coleta de Recyclableis S.A. as an equity-convertible loan in the amount of R\$1,500.

The Company intends to keep this investment in the long term in line with its investment in start-ups.

13. INVESTMENT PROPERTY

Parent company

| | Land | Buildings | Total |
|--------------------------|--------|-----------|---------|
| December 31, 2021 | | | |
| Opening balance | 18,686 | 2,855 | 21,541 |
| Depreciation | - | (174) | (174) |
| Book balance, net | 18,686 | 2,681 | 21,367 |
| Cost | 18,686 | 5,377 | 24,063 |
| Accumulated depreciation | - | (2,696) | (2,696) |
| Book balance, net | 18,686 | 2,681 | 21,367 |
| December 31, 2022 | | | |
| Opening balance | 18,686 | 2,681 | 21,367 |
| Write offs/Disposals | (162) | (2,564) | (2,726) |
| Depreciation | - | (117) | (117) |
| Book balance, net | 18,524 | - | 18,524 |
| Cost | 18,524 | 2,813 | 21,337 |
| Accumulated depreciation | - | (2,813) | (2,813) |
| Book balance, net | 18,524 | - | 18,524 |

Consolidated

| | Land | Buildings | Total |
|---------------------------|--------|-----------|---------|
| December 31, 2021 | | | |
| Opening balance | 18,686 | 2,855 | 21,541 |
| Depreciation | - | (174) | (174) |
| Book balance, net | 18,686 | 2,681 | 21,367 |
| Cost | 18,686 | 5,377 | 24,063 |
| Accumulated depreciation | - | (2,696) | (2,696) |
| Book balance, net | 18,686 | 2,681 | 21,367 |
| Em 31 de dezembro de 2022 | | | |
| Opening balance | 18,686 | 2,681 | 21,367 |
| Write offs/Disposals | (162) | (2,564) | (2,726) |
| Depreciation | - | (117) | (117) |
| Book balance, net | 18,524 | - | 18,524 |
| Cost | 18,524 | 2,813 | 21,337 |
| Accumulated depreciation | - | (2,813) | (2,813) |
| Book balance, net | 18,524 | - | 18,524 |

Land and buildings

Refers to:

- i. Land held by the Company, for use or realization in the future, located in the state of Rio Grande do Sul, and are recognized at acquisition cost of R\$16,092. The areas have been contributed to the Company, together with the acquisition of São Roberto S.A., and are the objects of study for use or sale.
- ii. Land received by the Company in exchange for receivables from clients in the amount of R\$2,432.
- iii. 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, in the amount of R\$10,000, was fully received through the bookkeeping on August 9, 2022. The positive effect on profit before taxes on profit was R\$7,274.

As of December 31, 2022, investment property was measured at historical cost. For disclosure purposes, the Company determined these properties at fair value, less possible costs to sell, in the amount of R\$22,754, Company and Consolidated, as of 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 AND EQUIPMENT AND INTANGIBLE ASSETS

a) Breakdown of property, plant and equipment

Parent company

| | Land | Buildings and constructions | Equipments and facilities | Vehicles and tractors | Other PP&E (*) | Construction in progress | Property, plant and equipment in third-party | Total |
|--------------------------|----------------|-----------------------------|---------------------------|-----------------------|----------------|--------------------------|--|------------------|
| December 31, 2021 | | | | | | | | |
| Opening balance | 120,685 | 130,555 | 328,918 | 3,535 | 6,123 | 33,026 | 8,296 | 631,138 |
| Acquisitions | - | 2,055 | 16,069 | 2,581 | 2,952 | 354,090 | - | 377,747 |
| Write-offs/Disposals | - | (173) | (5,452) | (1) | (120) | (10) | - | (5,756) |
| Transfers | - | 373 | 19,318 | - | 131 | (19,822) | - | - |
| Depreciation | - | (5,190) | (49,858) | (792) | (2,017) | - | (645) | (58,502) |
| PIS and COFINS credit | - | 8 | 250 | 3 | 6 | 228 | - | 495 |
| Held for sale | - | - | - | (2,526) | (728) | - | - | (3,254) |
| Book balance, net | 120,685 | 127,628 | 309,245 | 2,800 | 6,347 | 367,512 | 7,651 | 941,868 |
| Cost | 120,685 | 209,304 | 983,587 | 11,964 | 26,365 | 367,512 | 16,099 | 1,735,516 |
| Accumulated depreciation | - | (81,676) | (674,342) | (9,163) | (20,019) | - | (8,448) | (793,648) |
| Book balance, net | 120,685 | 127,628 | 309,245 | 2,801 | 6,346 | 367,512 | 7,651 | 941,868 |
| December 31, 2022 | | | | | | | | |
| Opening balance | 120,685 | 127,628 | 309,245 | 2,801 | 6,346 | 367,512 | 7,651 | 941,868 |
| Acquisitions | - | 5,114 | 59,823 | 4,518 | 2,540 | 431,686 | - | 503,681 |
| Write-offs/Disposals | (200) | - | (595) | - | (36) | - | (5) | (836) |
| Impairment reversal | - | - | 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 credit | - | 2 | 61 | - | 1 | 103 | - | 167 |
| Held for sale | - | - | (2,562) | - | - | - | - | (2,562) |
| Book balance, net | 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) |
| Book balance, net | 120,485 | 151,978 | 416,009 | 6,355 | 7,621 | 680,763 | 6,537 | 1,389,748 |

Consolidated

| | Land | Buildings and constructions | Equipment and facilities | Vehicles and tractors | Other PP&E (*) | Construction in progress | Property, plant and equipment in third-party | Total |
|--------------------------|----------------|-----------------------------|--------------------------|-----------------------|----------------|--------------------------|--|------------------|
| December 31, 2021 | | | | | | | | |
| Opening balance | 136,869 | 131,348 | 329,014 | 3,863 | 6,154 | 33,298 | 8,296 | 648,842 |
| Acquisitions | - | 2,055 | 16,074 | 2,856 | 2,963 | 354,595 | - | 378,543 |
| Write-offs/Disposals | - | (173) | (5,451) | (1) | (120) | (10) | - | (5,755) |
| Transfers | - | 373 | 19,318 | - | 131 | (19,822) | - | - |
| Depreciation | - | (5,350) | (49,891) | (895) | (2,034) | - | (645) | (58,815) |
| PIS and COFINS credit | - | 8 | 250 | 3 | 6 | 228 | - | 495 |
| Held for sale | - | - | - | (2,526) | (728) | - | - | (3,254) |
| Book balance, net | 136,869 | 128,261 | 309,314 | 3,300 | 6,372 | 368,289 | 7,651 | 960,056 |
| Cost | 136,869 | 213,730 | 983,862 | 13,327 | 26,882 | 368,289 | 16,099 | 1,759,058 |
| Accumulated depreciation | - | (85,469) | (674,548) | (10,026) | (20,511) | - | (8,448) | (799,002) |
| Book balance, net | 136,869 | 128,261 | 309,314 | 3,301 | 6,371 | 368,289 | 7,651 | 960,056 |
| December 31, 2022 | | | | | | | | |
| Opening balance | 136,869 | 128,261 | 309,314 | 3,301 | 6,371 | 368,289 | 7,651 | 960,056 |
| Acquisitions | - | 5,190 | 59,858 | 4,518 | 2,552 | 431,793 | - | 503,911 |
| Write-offs/Disposals | (200) | - | (595) | - | (37) | - | (5) | (837) |
| Impairment reversal | - | - | 3,151 | 219 | 504 | - | - | 3,874 |
| Transfers | - | 26,026 | 92,809 | (5) | 505 | (119,335) | - | - |
| Depreciation | - | (6,451) | (45,704) | (1,311) | (2,233) | - | (1,109) | (56,808) |
| PIS and COFINS credit | - | 2 | 61 | - | 1 | 103 | - | 167 |
| Held for sale | - | - | (2,562) | - | - | - | - | (2,562) |
| Book balance, net | 136,669 | 153,028 | 416,332 | 6,722 | 7,663 | 680,850 | 6,537 | 1,407,801 |
| Cost | 136,669 | 244,948 | 1,136,584 | 18,059 | 30,407 | 680,850 | 16,094 | 2,263,611 |
| Accumulated depreciation | - | (91,920) | (720,252) | (11,337) | (22,744) | - | (9,557) | (855,810) |
| Book balance, net | 136,669 | 153,028 | 416,332 | 6,722 | 7,663 | 680,850 | 6,537 | 1,407,801 |

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

b) Breakdown of intangible assets

| Parent company | | | | | Total |
|--------------------------|----------|----------------------|----------|-----------------------------|----------|
| | Goodwill | Customer portfolio | Software | Software under development | |
| December 31, 2021 | | | | | |
| Opening balance | 104,380 | - | 36,358 | - | 140,738 |
| Acquisitions | - | - | 243 | 589 | 832 |
| Transfers | - | - | 589 | (589) | - |
| Amortization | - | - | (5,232) | - | (5,232) |
| PIS and COFINS credit | - | - | 1 | - | 1 |
| Book balance, net | 104,380 | - | 31,959 | - | 136,339 |
| Cost | 104,380 | 5,347 | 54,346 | - | 164,073 |
| Accumulated amortization | - | (5,347) | (22,387) | - | (27,734) |
| Book balance, net | 104,380 | - | 31,959 | - | 136,339 |
| December 31, 2022 | | | | | |
| Opening balance | 104,380 | - | 31,959 | - | 136,339 |
| Acquisitions | - | - | 872 | 1,849 | 2,721 |
| Write-offs/disposals | - | - | (3) | - | (3) |
| Impairment reversal | - | - | 19 | - | 19 |
| Transfers | - | - | 1,849 | (1,849) | - |
| Amortization | - | - | (5,039) | - | (5,039) |
| Book balance, net | 104,380 | - | 29,657 | - | 134,037 |
| Cost | 104,380 | 5,347 | 57,083 | - | 166,810 |
| Accumulated amortization | - | (5,347) | (27,426) | - | (32,773) |
| Book balance, net | 104,380 | - | 29,657 | - | 134,037 |
| Consolidated | | | | | |
| | Goodwill | Carteira de Clientes | Software | Software em desenvolvimento | Total |
| December 31, 2021 | | | | | |
| Opening balance | 104,380 | - | 36,358 | - | 140,738 |
| Acquisitions | - | - | 245 | 591 | 836 |
| Transfers | - | - | 591 | (591) | - |
| Amortization | - | - | (5,236) | - | (5,236) |
| PIS and COFINS credit | - | - | 1 | - | 1 |
| Book balance, net | 104,380 | - | 31,959 | - | 136,339 |
| Cost | 104,380 | 5,347 | 54,354 | - | 164,081 |
| Accumulated amortization | - | (5,347) | (22,395) | - | (27,742) |
| Book balance, net | 104,380 | - | 31,959 | - | 136,339 |
| December 31, 2022 | | | | | |
| Opening balance | 104,380 | - | 31,959 | - | 136,339 |
| Acquisitions | - | - | 872 | 1,849 | 2,721 |
| Write-offs/disposals | - | - | (3) | - | (3) |
| Impairment reversal | - | - | 19 | - | 19 |
| Transfers | - | - | 1,849 | (1,849) | - |
| Amortization | - | - | (5,039) | - | (5,039) |
| Book balance, net | 104,380 | - | 29,657 | - | 134,037 |
| Cost | 104,380 | 5,347 | 57,091 | - | 166,818 |
| Accumulated amortization | - | (5,347) | (27,434) | - | (32,781) |
| Book balance, net | 104,380 | - | 29,657 | - | 134,037 |

c) Depreciation/amortization method

The table below shows the annual depreciation/amortization rates set according to the economic useful lives of the assets. The rate used is presented as the weighted average.

| | Rate % | |
|--------------------------------------|----------|----------|
| | 12.31.22 | 12.31.21 |
| Buildings and constructions * | 2.90 | 2.73 |
| Equipment and facilities | 7.11 | 7.95 |
| Furniture, fixtures and IT equipment | 15.17 | 5.71 |
| Vehicles and tractors | 18.26 | 20.00 |
| <i>Softwares</i> | 10.84 | 20.00 |

* including weighted rates for leasehold improvements

d) Other information

Construction in progress consists of construction work to improve existing property, plant and equipment, adding value to the Company's assets to maintain its production process and to make the investments in Gaia I Project - expansion of the recovery of chemicals in SC Paper and of The Gaia II Project - Expansion of the Packaging Company in Santa Catarina.

During 2022, financing interest of R\$28,564 (R\$5,413 during 2021) was capitalized and expenses on commissions on surety bonds in the amount of R\$10,482 (R\$1,713 during 2021) related to Gaia Platform, considering that these construction assets meet the criterion for qualifying assets that take a significant time to be ready.

Property and equipment in third-party properties consist of construction renovation in the Packaging Unit of São Paulo - Indaiatuba, which is depreciated using the straight-line method at the annual rate of 4%. The property is owned by MCFD – Administração de Imóveis Ltda. and PFC – Administração de Imóveis Ltda., and the burden of the renovation was all absorbed by Irani Papel e Embalagem S.A..

The breakdown of the depreciation of property, plant and equipment in 2022 and 2021 is as follows:

| | Parent company | | Consolidated | |
|----------------|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Administrative | 1,179 | 820 | 1,350 | 981 |
| Productive | 55,265 | 57,682 | 55,459 | 57,834 |
| | 56,444 | 58,502 | 56,809 | 58,815 |

The breakdown of the amortization of intangible assets in 2022 and 2021 is as follows:

| | Parent company | | Consolidated | |
|----------------|----------------|--------------|--------------|--------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Administrative | 1,412 | 1,124 | 1,412 | 1,124 |
| Productive | 3,627 | 4,112 | 3,627 | 4,112 |
| | <u>5,039</u> | <u>5,236</u> | <u>5,039</u> | <u>5,236</u> |

e) Impairment losses

In 2022 no impairment loss was recognized.

f) Assets pledged as collateral

The Company has property, plant and equipment pledged as collateral for financial transactions, which are detailed in notes 16 and 17.

g) Goodwill

Goodwill generated in a business combination of São Roberto S.A. in 2013 is recognized at R\$104,380 and is attributable to expected future profitability.

Testing intangible assets to check for impairment:

On December 31, 2022, the Company tested goodwill for impairment according to its value in use, applying the discounted cash flow approach. The recoverable amount is based on the expected future profitability. These calculations use cash flow projections, based on financial budgets approved by Management for a five-year period and extrapolated to perpetuity in the other periods according to estimated growth rates.

Cash flows were discounted to present value by applying the rate determined by the Weighted Average Cost of Capital (WACC), using the cost of equity capital calculated using the Capital Asset Pricing Model (CAPM), while debt cost considers average cost of indebtedness. Therefore, the WACC considers the weights of the financing, debt and equity components used by the Company to finance its activities.

The main data used to calculate discounted cash flows are as follows:

| | <u>Assumptions</u> |
|--|--------------------|
| Average sales prices of Packaging Paper and Corrugated Cardboard | |
| Packaging (% of annual growth rate) | 4.0% |
| Gross margin (% of 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.

Goodwill is allocated to the business segment, which represents the lowest level at which goodwill is monitored by Management. The total amount of goodwill is allocated to the CGU represented by the Sustainable Packaging Paper (Paper) segment, which includes assets that do not generate cash flows independently.

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

15. BIOLOGICAL ASSETS

The Company's biological assets mainly include the cultivation and planting of pine forests to supply raw material in the production of pulp used in the packaging paper production process, resin production and sales of wood logs to third parties. All the biological assets of the Company form a single group called "forests", which are measured together at fair value in quarterly periods.

The balance of the Company's biological assets is composed of the cost of forest formation and the difference of fair value on formation cost. Consequently, the balance of biological assets as a whole is recorded at fair value as follows:

| | Parent company | | Consolidated | |
|---|----------------|----------------|----------------|----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Cost of formation of biological assets | 61,669 | 52,118 | 95,829 | 85,089 |
| Fair value difference biological assets | 134,289 | 57,680 | 247,898 | 133,967 |
| | <u>195,958</u> | <u>109,798</u> | <u>343,727</u> | <u>219,056</u> |

Of the consolidated biological assets, R\$276,450 (R\$182,691 as of December 31, 2021) consists of forests used as raw materials for producing pulp and paper and are located close to the pulp and paper plant in Vargem Bonita, in the state of Santa Catarina, where they are consumed. Of this amount, R\$238,882 (R\$137,512 as of December 31, 2021) refers to planted forests that have been planted for more than six years. 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\$67,277 (R\$36,365 as of December 31, 2021), and are located on the coast of Rio Grande do Sul. Resin is extracted because of the capacity of this product to be generated by the existing forest, and timber is extracted for sale from logs due to the demand for supply in the region.

a) Assumptions for recognizing fair value less costs to sell biological assets.

The Company recognizes its biological assets at fair value according to the following assumptions in its calculation:

- i) The method used to measure the fair value of biological assets was an income approach with exhaustion of the forest in a cycle, and consists of the expected net future cash flows of the asset, discounted at a discount rate of the regional forest market, according to the projected productivity cycle of the forests in the cutting cycles determined according to the optimization of production, taking into account fluctuations in prices and growth in biological assets. The Income Approach assimilates fair value to the calculation of the present value of the expected net cash flows of the asset, discounted to a discount rate that reflects the expected return on the risks associated with the business.
- ii) The model adopted to determine the discount rate used in cash flows was the Cost of Equity Capital (Capital Asset Pricing Model - CAPM). The cost of equity capital is estimated by analyzing the return intended by market investors, assuming that an investor requires at least a return offered for securities considered to be risk-free, plus the investment's surplus risk;
- iii) The projected productivity volumes of the forests are set according to stratification according to each species, and sorts are adopted for planning production, age of the forests, production potential and considered a cycle for the production of forests. This projected volume component consists of the Annual Average Increment (IMA). Management alternatives are established 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 Pine and Eucalyptus timber, according to a three-year history of the actual prices charged in the regions where assets are located and disclosed by an expert company. Prices are charged in R\$/cubic meters, and consider the costs necessary for putting assets to a condition for sale or consumption;
- v) The opportunity cost of land (lease) is calculated considering a cost of land availability, in accordance with international accounting policies. The average, in real terms, is considered the lease costs over the past three years, which is discounted from the forest as "Compensation for the own assets that contribute (leases)" in the percentages informed below for the assets in Santa Catarina and Santa Catarina. The amount of land used as a lease, according to a Valuation Report commissioned by the Company to value biological assets, was R\$650,242, because it captures the current market value of the land. The book value of the land, according to note 14, is R\$136,669.
- vi) Farming expenses used are the costs incurred with the formation of biological assets;
- vii) Depletion of biological assets is determined according to the average fair value of biological assets, multiplied by the volume harvested during the period;

- viii) The Company reviews the fair value of its biological assets in quarterly periods considering the interval it considers sufficient to prevent a mismatch between the
ix) fair value balance of biological assets recognized in its financial statements.

| | Consolidated | | Impact in the fair value of biological assets |
|---|--------------|----------|--|
| | 12.31.22 | 12.31.21 | |
| Planted area (hectares) | 15,184 | 15,155 | If the assumption increases, the fair value also increases |
| Remuneration of own contributing assets SC - % | 3.11% | 4.84% | If the assumption increases, the fair value decreases |
| Remuneration of own contributing assets RS - % | 4.00% | 4.50% | If the assumption increases, the fair value decreases |
| Discount rate - Own Forests RS - % | 7.50% | 7.50% | If the assumption increases, the fair value decreases |
| Discount rate - Own Forests RS - % | 8.00% | 8.00% | If the assumption increases, the fair value decreases |
| Discount rate - Partnerships - % | 8.50% | 8.50% | If the assumption increases, the fair value decreases |
| Net Average Sales Price (m³) | 107.00 | 74.00 | If the assumption increases, the fair value also increases |
| Average annual increase (IMA) - Santa Catarina Forests (*) | 38.4 | 38.0 | If the assumption increases, the fair value also increases |
| Average annual increase (IMA) - Rio Grande do Sul Forests (*) | 21.5 | 21.9 | If the assumption increases, the fair value also increases |

*The annual average IMA of the Pine forests of Rio Grande do Sul and Santa Catarina differs due to the different management, species and edaphoclimatic conditions. The forests of Santa Catarina are managed for pulp production, while the forests of Rio Grande do Sul are managed for the extraction of resin gum and subsequent sale of wood. The IMA is measured in m³ per hectare/year and adjusted for inflation in the Company's annual financial statements.

In accordance with the fair value hierarchy, the calculation of biological assets falls into Level 3, due to their complexity and calculation structure.

The main changes in the year are as follows:

| | Parent company | Consolidated |
|---|----------------|--------------|
| Balance at 12.31.20 | 73,985 | 177,684 |
| Planting | 6,060 | 9,625 |
| Acquisition of forest | 9,889 | 9,889 |
| Depletion | | |
| Historical cost | (2,525) | (6,537) |
| Fair value | (983) | (15,454) |
| Transfer for capitalization in subsidiary Iraflor | (5,317) | - |
| Changes in the fair value | 28,689 | 43,849 |
| Balance at 12.31.21 | 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 |
| Balance at 21.31.22 | 195,958 | 343,727 |

Depletion of biological assets in 2022 and 2021 was recognized in profit or loss for the related years, after allocation to inventories through harvesting and use in production or sale to third parties.

In 2022, the company authorized the contribution of new biological assets in the amount of R\$5,530 (R\$5,317 in 2021) in subsidiary Iraflor Comércio de Madeiras Ltda. The purpose of this operation was to ensure a better management of forest assets.

b) Biological assets pledged as collateral

The Company and its subsidiary Iraflor Comércio de Madeiras Ltda. gave part of their biological assets as collateral for a financial transaction, as disclosed in note 17.

c) Production on third-party land

The Company also has some lease agreements that may not be canceled for producing biological assets on third-party land, called partnerships. These agreements are valid until the total planted forests existing in these areas are harvested in a cycle of up to 15 years. The amount of biological assets on third-party land is approximately 1,400 hectares and currently accounts for approximately 8.90% of the Company's total area with biological assets. Lease liabilities are presented in note 33.

16. LOANS AND FINANCING

a) Breakdown of book balances

| | Annual Charges % | Currenc | Parent company | | Consolidated | |
|-----------------------------------|---|---------|----------------|----------|--------------|----------|
| | | | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Current | | | | | | |
| Domestic currency | | | | | | |
| Finame | Fixed at 3.76%, TJLP + 5.10%, Selic + 3.72%, IPCA + 6.24% | BRL | 7,235 | 5,788 | 7,235 | 5,788 |
| Working Capital | 149,5% of CDI | BRL | - | 34,906 | - | 34,906 |
| Total local currency | | | 7,235 | 40,694 | 7,235 | 40,694 |
| Foreign currency | | | | | | |
| Proposed dividends to be received | Fixed at 4,62% | Dollar | 40,298 | 28,448 | 40,298 | 28,448 |
| Total foreign currency | | | 40,298 | 28,448 | 40,298 | 28,448 |
| Total current | | | 47,533 | 69,142 | 47,533 | 69,142 |
| Non-current | | | | | | |
| Domestic currency | | | | | | |
| Finame | Fixed at 3.76%, TJLP + 5.10%, Selic + 3.72%, IPCA + 6.24% | BRL | 412,672 | 236,862 | 412,672 | 236,862 |
| Total local currency | | | 412,672 | 236,862 | 412,672 | 236,862 |
| Total non-current | | | 412,672 | 236,862 | 412,672 | 236,862 |
| Total | | | 460,205 | 306,004 | 460,205 | 306,004 |
| | | | | | | |
| | Long-term maturity dates: | | | | | |
| | | | | | | |
| | 2023 | | - | 294 | - | 294 |
| | 2024 | | 57 | 51 | 57 | 51 |
| | 2025 | | 18,194 | 18,194 | 18,194 | 18,194 |
| | 2026 | | 31,740 | 18,194 | 31,740 | 18,194 |
| | > 2027 | | 362,681 | 200,129 | 362,681 | 200,129 |
| | | | 412,672 | 236,862 | 412,672 | 236,862 |

b) Significant transactions in the year

According [to a Significant Fact of May 28, 2021](#), the [Company's Board of Directors approved](#) the acquisition of a finance agreement with the Agência Especial de Financiamento Industrial S.A. – FINAME

(BNDES), in the amount of up to R\$484,000, for the investment to be made on Gaia Platform. The grant of the finance to the Company was approved by the Board of Directors of FINAME on May 27, 2021, according to the credit facility called FINAME DIRETO. The term for using the approved line is two years, which can be extended for one more year.

The transaction has a total term of 16 years, of which three years has a grace period for repayment of principal. Interest is required every six months during the grace period and amortization.

Effective interest, which considers the cost of BNDES and the commission on letters of guarantee for the transaction, are IPCA + 6.24% p.a.

Funds will be inflows upon approval requests, as acquisitions and payments are made of the equipment of Plataforma Gaia. By December 31, 2022, two partial releases totaled R\$412,615, the first during the fourth quarter of 2021 in the amount of R\$236,517, and the second during the second quarter of 2022, in the amount of R\$176,099.

c) Guarantees

The Company has entered into loan and financing agreements entered into for the conditional sale of machinery and equipment.

As collateral for the FINAME DIRECT financing agreement, the Company submitted letters of guarantee obtained from the financial institutions of its relationship, previously approved by BNDES.

Loans and financing were employed in accordance with the Company's Financial Management Policy.

17.

D

EBENTURES

a) 3rd issue of simple public debentures

According to [a Significant Fact disclosed on July 31, 2019](#), we distributed simple unsecured debentures, consisting of 505,000 debentures, with a par value of R\$1 per unit, totaling R\$505,000 on the issue date, and canceling unwritten or paid-in debentures. The debentures mature on July 19, 2025 and are repaid in three annual installments as from July 19, 2023.

The third public issue of simple debentures is rated [brAA+ by S&P Global Ratings](#) and is considered to be "Green Debentures" according [to a Second Opinion opinion issued by expert advisory firm SITAWI Finanças do Bem](#), according to the guidelines set forth by the *Green Bond Principles* of June 2018. The issue is traded in the secondary market under code CELU13.

b) 4th issue of simple private debentures

According to [the minutes of the Board's meeting held on March 2, 2021](#), the 4th Issue of simple debentures, not convertible into shares, in a single series, guaranteed for private placement, with a par value of R\$1 per unit, totaling R\$60,000 on issue date March 3, 2021. Debentures mature final on December 15, 2029 and will be repaid in eight half-yearly installments as from June 15, 2026.

The Funds obtained by the Company from the Issue were used to make investments to achieve its corporate purpose over the normal course of its business, for which the Company has or may have, in accordance with standards currently in effect, license and/or valid, effective and/or effective environmental authorization, as applicable and required by social and environmental law.

The fourth private issue of simple debentures is [rated brAA+ by S&P Global Ratings](#) and is characterized as "Green Debentures" according [to a Second Opinion opinion issued by expert advisory firm SITAWI Finanças do Bem](#), according to the guidelines set forth by the *Green Bond Principles* of June 2018.

In December 2021, the Company entered into a derivative financial instrument (*swap*) exchanging the yield on the fourth issue, privately, of simple IPCA (Special Consumer Price Index) debentures + 5.5% per year, for CDI rate + 0.71% per year, according to note 18.

c) 5th private issue of simple debentures (CRA – Agribusiness Receivables Certificates)

According [to the Board of Directors' Meeting of August 10, 2022 which was](#) addressed by [the Board of Directors' Meeting of September 8, 2022](#), [Significant Fact August 11, 2022](#) and [Communication to the Market of October 18, 2022](#), the Company completed on October 17, 2022 the fifth (5th) issue of seven hundred and twenty thousand (720,000) simple debentures, not convertible into unsecured shares in two series for private placement, with a unit value of R\$1, totaling R\$720,000 on the date of issue, of which:

- (i) 486,307 (four hundred and eighty-six thousand three hundred and seven) Debentures of the 1st Series, corresponding to the amount of R\$ 486,307, remunerated at CDI + 1.40% p.a. every six months and amortized in a single installment at maturity on August 12, 2027.
- (ii) 233,693 (two hundred thirty-three thousand, six hundred and ninety-three) Debentures of the 2nd Series, corresponding to the amount of R\$ 233,693, remunerated at CDI + 1.75% p.a. every six months and amortized in two installments on August 11, 2028 and maturing on August 13, 2029.

Debentures do not have any security interest or personal guarantee, or any segregation of the Company's assets as collateral, and were linked to a securitization transaction used as backing for the issue and public distribution, pursuant to CVM Instruction No. 400, of agribusiness receivable certificates (CRAs), the first (1st) and the 2nd (2nd) series of the 194th (ninety-fourth) issue of Eco Securitizadora De Direitos Creditórios do Agronegócio S.A.

The debentures and therefore the CRAs were characterized as "green debentures" and "CRA Verde" (*Green Bond*), respectively, according to [a Second Opinion](#) opinion issued by expert advisory firm NINT – Natural Intelligence Ltda..

The final risk assessment of the issue of the Certificate of Agribusiness Receivables (CRA) "brAA (sf)" was attributed by [Standard & Poor's Ratings do Brasil Ltda.](#), on September 26, 2022.

The net resources obtained by the Company from the Issue will be allocated exclusively to its activities in agribusiness, forestry and agriculture, in particular through the use of resources in investments, costs and expenses related to afforestation, reforestation, acquisition of pesticides, fertilizers, wood, forest management and harvesting services and derivatives such as resins and integrated transport logistics, storage, peeling and chopping of wood.

d) Breakdown of book balances

| Current | Issue | Annual Charges % | Parent company and Consolidated | |
|----------------------------|----------|-------------------|---------------------------------|----------|
| | | | 12.31.22 | 12.31.21 |
| In domestic currency | | | | |
| 3rd Issuance of Debentures | 07.19.19 | CDI + 4.50% p.a. | 206,333 | 22,072 |
| 4th Issuance of Debentures | 03.03.21 | IPCA + 5.50% p.a. | 112 | 118 |
| 5th Issuance of Debentures | 08.15.22 | CDI + 1.51% p.a. | 19,617 | - |
| Current total | | | 226,062 | 22,190 |
| Non-current | | | | |
| In domestic currency | | | | |
| 3rd Issuance of Debentures | 07.19.19 | CDI + 4.50% a.a. | 334,246 | 499,836 |
| 4th Issuance of Debentures | 03.03.21 | IPCA + 5,50% a.a. | 68,104 | 64,291 |
| 5th Issuance of Debentures | 08.15.22 | CDI + 1.51% a.a. | 703,558 | - |
| Non-current total | | | 1,105,908 | 564,127 |
| | | | 1,331,970 | 586,317 |

| Long-term maturity dates: | Parent company and Consolidated | |
|---------------------------|---------------------------------|----------|
| | 12.31.22 | 12.31.21 |
| 2023 | - | 166,612 |
| 2024 | 167,123 | 166,612 |
| 2025 | 167,123 | 166,612 |
| 2026 | 17,026 | 16,073 |
| > 2027 | 754,636 | 48,218 |
| | 1,105,908 | 564,127 |

e) Schedule for amortization of funding costs

| In national currency | Issuance | Long-term maturity dates: | | | | | Total |
|----------------------------|----------|---------------------------|-------|-------|-------|--------|--------|
| | | 2023 | 2024 | 2025 | 2026 | > 2027 | |
| 3rd Issuance of Debentures | 07.19.19 | 2,743 | 1,764 | 657 | - | - | 5,164 |
| 4th Issuance of Debentures | 03.03.21 | 62 | 80 | 101 | 87 | 97 | 427 |
| 5th Issuance of Debentures | 08.15.22 | 2,739 | 3,219 | 3,737 | 4,351 | 5,135 | 19,181 |
| Total national currency | | 5,544 | 5,063 | 4,495 | 4,438 | 5,232 | 24,772 |

f) Guarantees

i) The third issue of simple public debentures is collateralized by the following:

- Conditional sale of forest assets (6,740.39 hectares of commercial timber plantations, including Pines and Eucalyptus plantations).
- Conditional sales contract entered into for the Pulp and Paper Plant located in Vila Campina da Alegria, Vargem Bonita.
- Conditional sale of machinery and equipment owned by the Company, located at the plant.
- Conditional sales contract entered into for rural properties (land), located in the cities of Ponte Serrada, Catanduvás, Água Doce, Irani and Vargem Bonita.
- Assignment of receivables from sales in the amount of R\$50,000.

ii) The fourth issue of simple private debentures is secured as follows:

- Conditional sales contract entered into for the Company's properties, located in the city of Santa Luzia, in the state of Minas Gerais (Paper Plant).
- Conditional sale of machinery and equipment owned by the Company, located at the plant.

g) Covenants

Financial indexes with annual calculation

i) Ratio between net debt and EBITDA, lower than or equal to:

| 3rd Debentures Issuance | | | 4th Debentures Issuance | | | 5th Debentures Issuance | | |
|-------------------------|-------|--------|-------------------------|-------|--------|-------------------------|-------|--------|
| Year | Hired | Apured | Year | Hired | Apured | Year | Hired | Apured |
| 2019 | 4.00 | 3.40 | 2021 | 4.00 | 0.78 | 2022* | 3.50 | 1.38 |
| 2020 | 3.50 | 1.07 | 2022 | 3.50 | 1.38 | 2023 | 4.00 | - |
| 2021 | 3.50 | 0.78 | 2023 | 3.50 | - | 2024 | 4.00 | - |
| 2022 | 3.50 | 1.38 | 2024 | 3.50 | - | 2025 | 4.00 | - |
| 2023 | 3.50 | - | 2025 | 3.50 | - | 2026 | 4.00 | - |
| 2024 | 3.50 | - | 2026 | 3.50 | - | 2027 | 4.00 | - |
| | | | 2027 | 3.50 | - | 2028 | 4.00 | - |
| | | | 2028 | 3.50 | - | | | |

* The fifth issue of debentures establishes a ratio between net debt and adjusted EBITDA ratio lower than or equal to four times (4.0x). If the Company has another public debt issuance with a more restrictive index than four times (4.0x) on the measurement date, it will be considered the most restrictive index. As of December 31, 2022, the Company had another debt issuance with a more restrictive index (3rd issue of debentures), thus automatically adopting the 3.5x index (three comma five times) for the 5th issuance of debentures.

ii) EBITDA ratio on net finance costs, higher or equal to:

| 3rd Debentures Issuance | | | 4th Debentures Issuance | | |
|-------------------------|-------|--------|-------------------------|-------|--------|
| Year | Hired | Apured | Year | Hired | Apured |
| 2019 | 1.25 | 2.52 | 2021 | 2.00 | 11.24 |
| 2020 | 1.75 | 4.11 | 2022 | 2.00 | 9.21 |
| 2021 | 2.00 | 11.24 | 2023 | 2.00 | - |
| 2022 | 2.00 | 9.21 | 2024 | 2.00 | - |
| 2023 | 2.00 | - | 2025 | 2.00 | - |
| 2024 | 2.00 | - | 2026 | 2.00 | - |
| | | | 2027 | 2.00 | - |
| | | | 2028 | 2.00 | - |

18. DERIVATIVE FINANCIAL INSTRUMENTS - SWAPS

During 4Q21, the interest rate market in Brazil suffered a strong stress due to inflationary pressure and to uncertainties about the government's fiscal accounts. With this scenario of rising future interest rates in the market, a window of opportunity emerged to convert the interest rate of the 4th Issuance of Debentures whose amount on the issuance date was R\$ 60,000 from IPCA + 5.50% p.a. to CDI + 0.71% p.a. The converted rate of CDI + 0.71% pa is far below the interest rate of the 3rd Issue of Debentures that was issued at CDI + 4.50% p.a., and, at the end of 4Q21, it was being traded at CDI + 2.45% p.a. on the secondary market. The Company's Management believes that it is healthy to maintain a larger part of the debt indexed to the CDI since the financing of Gaia Platform, via BNDES

is being contracted at IPCA + rates. Similarly, the Company's cash is invested at CDI rate and the debt bears CDI + and ensures greater alignment for hedging purposes. The *swap agreement* was [approved by the Company's Board of Directors](#), as required by the Financial Management Policy.

The effect of this recognition will be diluted over the life of the fourth issuance of debentures, whose final maturity is on December 15, 2029, so that their effective cost is finally equivalent to the CDI rate + 0.71% p.a.

Specific characteristics as of December 31, 2022 and the changes in this *swap* transaction in the year ended December 31, 2022 are shown below:

| Maturity | Asset position IPCA+ | Liabilitie position CDI+ | Notional | Fair value swap - asset position | Fair value swap - liability position | Losses |
|-------------------|-------------------------|-----------------------------|----------|--|--|--------|
| December 15, 2029 | 5.50% | 0.71% | 66,225 | 62,108 | 61,061 | 1,047 |

Changes in the derivative financial instrument - *swap*:

Parent company and Consolidated

| | Asset position | Liabilitie position |
|---|----------------|------------------------|
| Balance at December 31, 2020 | - | - |
| Losses in the year (recognition in profit (loss)) | - | 483 |
| Settlement effect | - | (64) |
| Balance at December 31, 2021 | - | 419 |
| Losses in the year (recognition in profit (loss)) | (3,314) | - |
| Settlement effect | 4,361 | (419) |
| Balance at December 31, 2022 | 1,047 | - |
| Current installment | 131 | - |
| Non-current installment | 916 | - |

19. TRADE PAYABLES

Trade payables consist of obligations to suppliers, as follows:

| CURRENT | Parent company | | Consolidated | |
|-----------------|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Internal | 172,099 | 129,243 | 173,182 | 130,086 |
| External | 2,131 | 3,632 | 2,131 | 3,632 |
| Related parties | 25,082 | 18,167 | - | - |
| | 199,312 | 151,042 | 175,313 | 133,718 |

As of December 31, 2022, the Company had no "risk drawn" transaction with its suppliers. As of December 31, 2021, the Company maintained the operation with some suppliers in the amount of R\$ 4,629, which was registered in the liability as "Trade payables". In this operation the supplier anticipated, at its sole discretion, the receipt of its credit from the bank and the Company paid the bank

the title under the conditions originally contracted with the supplier. The conditions negotiated with the suppliers at the time, especially price and maturity, were similar to other purchasing transactions with suppliers that did not make use of said operation, and there was no substantial change in the conditions usually practiced by the Company.

20. RELATED PARTIES

| Parent company | Receivable credits | | Accounts payable | | Revenues | | Expenses | |
|--|--------------------|------------|------------------|---------------|--------------|--------------|---------------|---------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Habitasul Florestal S.A. | 3 | - | 2,088 | 5,086 | 8 | - | 22,466 | 18,708 |
| Iraflor - Com. de Madeiras Ltda | - | - | 23,024 | 13,082 | - | - | 25,245 | 15,623 |
| Irani Soluções para E-Commerce Ltda | - | - | - | - | 48 | 109 | - | - |
| Companhia Habitasul de Participações | 259 | 242 | - | - | 2,997 | 1,962 | - | - |
| Habitasul Desenvolvidores Imobiliários | - | - | - | - | - | - | - | 200 |
| MCFD Administração de Imóveis Ltda | - | - | - | - | - | - | 2,172 | 1,844 |
| PFD Administradora de Imóveis Ltda | - | - | - | - | - | - | 2,172 | 1,844 |
| Management remuneration | - | - | 3,341 | 2,570 | - | - | 15,452 | 14,032 |
| Management profit sharing | - | - | 14,549 | 12,509 | - | - | 15,452 | 14,032 |
| Long-term profit sharing - "Upside" | - | - | 10,776 | 6,405 | - | - | - | - |
| Total | 262 | 242 | 53,778 | 39,652 | 3,053 | 2,071 | 82,959 | 66,283 |
| Current installment | 262 | 242 | 39,229 | 27,143 | - | - | - | - |
| Non-current installment | - | - | 14,549 | 12,509 | - | - | - | - |

| Parent company | Receivable credits | | Accounts payable | | Revenues | | Expenses | |
|--|--------------------|------------|------------------|---------------|--------------|--------------|---------------|---------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Companhia Habitasul de Participações | 259 | 242 | - | - | 2,997 | 1,962 | - | - |
| Habitasul Desenvolvidores Imobiliários | - | - | - | - | - | - | - | 200 |
| MCFD Administração de Imóveis Ltda | - | - | - | - | - | - | 2,172 | 1,844 |
| PFD Administradora de Imóveis Ltda | - | - | - | - | - | - | 2,172 | 1,844 |
| Management remuneration | - | - | 3,341 | 2,570 | - | - | 15,513 | 14,092 |
| Management profit sharing | - | - | 14,549 | 12,509 | - | - | 15,513 | 14,032 |
| Long-term profit sharing - "Upside" | - | - | 10,776 | 6,405 | - | - | - | - |
| Total | 259 | 242 | 28,666 | 21,484 | 2,997 | 1,962 | 35,370 | 32,012 |
| Current installment | 259 | 242 | 14,117 | 8,975 | - | - | - | - |
| Non-current installment | - | - | 14,549 | 12,509 | - | - | - | - |

Debts to subsidiary Habitasul Florestal S.A. result from commercial and acquisition of raw material at prices and terms in conditions agreed by the parties. These transactions were [approved by the Company's Board of Directors](#) as set forth by the Related Party Transactions Policy.

Debts to subsidiary Iraflor Comércio de Madeiras Ltda. originate from commercial and acquisition of raw material at prices and terms in terms agreed by the parties. These transactions were [approved by the Company's Board of Directors](#) as set forth by the Related Party Transactions Policy.

The debt to MCFD Administração de Imóveis Ltda. and PFD Administradora de Imóveis Ltda. consists of the monthly rental amount of the Packaging Unit in São Paulo - Indaiatuba, entered into on December 26, 2006 under market conditions and validity is 20 years. The monthly amount paid to each of the related parties, as from January 2022, is R\$199. The agreement is annually adjusted according to the General Market Price Index (IGPM), measured by the Getúlio Vargas Foundation, and these contracts are recognized as leases according to note 33. This transaction was [approved by the Company's Board of Directors](#) as established by the Related Party Transactions Policy.

Expenses on management fees, with no social charges or benefits, totaled R\$15,452 in 2022 (R\$14,032 in 2021) and R\$15,513 (R\$14,092 in 2021) in the Consolidated financial statements. The global compensation proposed by management was approved by the Annual Shareholders' Meeting of April 28, 2022, in the maximum amount of R\$17,000.

Management's profit sharing arises from a provision established by Article 24 of the [Company's](#) by-

laws, limited to ten percent (10%) or annual compensation, if such 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](#). It's not a Stock Option plan.

The amount receivable from Companhia Habitasul de Participações ("CHP") arises from a cost sharing agreement due to the reimbursement of the costs of the structure of professionals allocated to support and/or administrative areas, and amounts are reviewed every six months. This transaction was [approved by the Company's Board of Directors](#) as established by the Related Party Transactions Policy.

21. TAX INSTALLMENT PAYMENTS

| | Parent company | | Consolidated | |
|-----------------------------------|----------------|---------------|--------------|---------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Current | | | | |
| PIS installment payment | 710 | 1,293 | 710 | 1,293 |
| COFINS Installment | 3,272 | 5,958 | 3,272 | 5,958 |
| IPI Installment | 1,189 | 1,073 | 1,189 | 1,073 |
| Installment payment of ICMS | 770 | 695 | 770 | 695 |
| Social Security installment - RAT | - | 62 | - | 62 |
| | <u>5,941</u> | <u>9,081</u> | <u>5,941</u> | <u>9,081</u> |
| Non-current | | | | |
| PIS installment payment | - | 647 | - | 647 |
| COFINS Installment | - | 2,979 | - | 2,979 |
| IPI Installment | 1,386 | 2,325 | 1,386 | 2,325 |
| Installment payment of ICMS | 1,125 | 1,711 | 1,125 | 1,711 |
| | <u>2,511</u> | <u>7,662</u> | <u>2,511</u> | <u>7,662</u> |
| Total installments | <u>8,452</u> | <u>16,743</u> | <u>8,452</u> | <u>16,743</u> |

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

In the first quarter of 2020, the Company reversed the provision for tax contingencies recognized in 2017 for the IPI credit originally recognized in the overpayment. The total tax paid in installments was R\$3,548 (R\$4,864 adjusted for inflation including fine and interest).

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

22. PROVISION FOR CIVIL, LABOR AND TAX RISKS

The Company and its subsidiaries are parties to tax, civil and labor legal proceedings and to administrative tax proceedings. Management, supported by the opinion of its lawyers and legal counselors, believes that the balance of the provision for civil, labor and tax risks is sufficient to cover probable losses.

Breakdown of the balance of provisions:

| | Parent company | | Consolidated | |
|-------------------|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Civil provisions | 2,671 | 2,742 | 2,671 | 2,742 |
| Labor provisions | 5,027 | 4,795 | 5,196 | 5,145 |
| Tax contingencies | 20,228 | 11,926 | 20,228 | 11,926 |
| Total | 27,926 | 19,463 | 28,095 | 19,813 |

Details about movements in provisions:

| | 01.01.21 | Provision | Payments | Reversal | Restricted judicial deposits | 12.31.21 |
|----------------|----------------|-----------|----------|----------|------------------------------|----------|
| | Parent company | | | | | |
| Civil | 2,252 | 503 | (13) | - | - | 2,742 |
| Labor | 5,407 | 848 | (1,413) | (952) | 905 | 4,795 |
| Tax | 10,011 | 3,837 | - | (1,922) | - | 11,926 |
| | 17,670 | 5,188 | (1,426) | (2,874) | 905 | 19,463 |
| Consolidated | | | | | | |
| Civil | 2,252 | 503 | (13) | - | - | 2,742 |
| Labor | 5,777 | 1,187 | (1,635) | (1,089) | 905 | 5,145 |
| Tax | 10,011 | 3,837 | - | (1,922) | - | 11,926 |
| | 18,040 | 5,527 | (1,648) | (3,011) | 905 | 19,813 |
| 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 |
| | 19,463 | 12,193 | (1,509) | (2,361) | 140 | 27,926 |
| 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 |
| | 19,813 | 12,246 | (1,522) | (2,582) | 140 | 28,095 |

Accrued provisions basically consist of:

a) Civil lawsuits relate, among other matters, to indemnity claims for losses and damages and termination of agreements with sales representatives. As of December 31, 2022, R\$2,671 had been accrued in the consolidated financial statements to support possible convictions in these lawsuits.

b) Labor proceedings are related, among other matters, to complaints filed by former employees claiming payment for overtime, health hazard additions, hazardous duty, diseases and occupational accidents. Based on past experience and on the opinion of its legal counsel, the Company maintained a provision of R\$5,196 in the consolidated at December 31, 2022, which is considered sufficient to cover potential losses arising from labor losses.

c) In the consolidated, provisions for tax contingencies total R\$20,228 (R\$20,228) on December 31, 2022, and basically consist of:

i) Recognition of ICMS deemed credit in the state of Minas Gerais in connection with the Protocol of Intentions for Investment in the Paper Unit located in the Municipality of Santa Luzia. This recognition has not started because it is waiting for authorization from environmental agencies and for the Company's strategic market reasons. The amount recognized until December 31, 2022 was R\$9,166, for which a provision for tax risks was recognized in the amount of R\$12,373.

ii) Administrative and judicial proceedings in the total amount of R\$1,016 consisting of the disallowing of ICMS credits by the state of São Paulo's Finance Department. Proceedings are being initiated at the administrative and judicial level and are awaiting judgment.

iii) Tax enforcement number 5001087-12.2019.4.04.7203 whose purpose is the collection of a debt recorded in a tax actively recognized debt consisting of the social contribution tax levied on gross revenue from the sale of production by agroindustrial companies in the period from January 2002 to July 2003, in the adjusted for inflation amount is R\$6,376. This issue is the subject matter of Issue No. 281 addressed by the Federal Supreme Court (STF) (*Leading Case* - Appeal No. 611,601) which was recently judged against taxpayers recognizing the collection as constitutional.

Contingencies

No accounting provisions were recorded for contingencies considered by Management and its legal counselors as possible losses. As of December 31, 2022 and December 31, 2021, these possible contingencies of labor, civil and tax natures are as follows:

| | Consolidated | |
|---------------------|--------------|----------|
| | 12.31.22 | 12.31.21 |
| Labor contingencies | 25,396 | 29,734 |
| Civil contingencies | 9,816 | 8,598 |
| Tax contingencies | 145,260 | 142,987 |
| - | 180,472 | 181,319 |

Labor contingencies:

The labor lawsuits considered by Management and its legal counselors as possible losses total R\$25,396 as of December 31, 2022. Part of the amount refers mainly to labor claims arising from the

closure of the activities of the Vila Maria - SP unit (discontinued operation) in 2019, and mainly indemnity claims (hazardous work, unhealthy work, overtime, additional payments, material damages resulting from occupational accidents and requests for recognition of employment relationship with Irani, by employees of service providers). These lawsuits are currently at different procedural stages.

Civil contingencies:

Civil lawsuits considered by Management and its legal counselors to be possible losses totaled R\$9,816 as of December 31, 2022, and relate mainly to indemnity claims that are currently at different procedural stages.

Contingent tax liabilities:

Tax lawsuits considered by management and the Company's legal counselors as possible losses total R\$145,260 as of December 31, 2022, and include mainly the following lawsuits:

- Administrative and judicial proceedings consisting of collections in the state of Santa Catarina and São Paulo, originating from ICMS tax credits allegedly undue on the acquisition of materials used in the production of production facilities installed in those states, in the amount of R\$52,241 as of December 31, 2022. The Company is discussing both these tax notices in administrative and judicial proceedings.
- Administrative proceedings consisting of the assessments of PIS and COFINS supposedly arising from undue tax credits, amounting to R\$42,410 as of December 31, 2022. The Company has challenged these assessments at the administrative and judicial level and awaits the respective judgment.
- Administrative and judicial proceedings consisting of the collection of alleged INSS debts originating from notices of social contribution tax charged on the offset of debts against credits originating from the application of higher rate of the Occupational Environment Risk (RAT) at the Company's administrative units, and case consisting of a notice of social security deficiency originating from the offset of these tax debts against credits of the same kind, which total R\$10,207 as of December 31, 2022. The Company is discussing both these tax notices in administrative and judicial proceedings.
- Administrative proceeding in connection with the notices of deficiency originating from the offset of federal taxes against estimated IPI credit on exports in the amount of R\$6,516 as of December 31, 2022. The Company is legally discussing the assessment of tax deeds.
- Lawsuits consisting of notices of IRPJ and CSLL deficiency arising from the offset of tax debts against credits of the same kind, in the amount as of December 31, 2022 of R\$3,480. The Company is discussing both these tax notices in administrative and judicial proceedings.
- The purpose of the notice is the imposition of a fine for the IRPJ (Corporate Income Tax) and the CSLL (Social Contribution Tax) levied for the years from 2015 to 2018, arising from the deductions supposedly undue from each period's profit. Brazil's Federal Revenue Service understood

that the decreases, including an increase in tax losses, originate from goodwill amortization for tax purposes, without legal support.

Proceedings are suspended because the Company has challenged the Company's administrative proceedings and is waiting for a decision on the case. The fine applied to the notice is R\$332. If the Company fails to achieve favorable results in an additional reversal of tax losses through the amortization of the goodwill used in the period, which leads to a reduction of approximately R\$19,551 in asset IRPJ and CSLL on the amortized amount of goodwill.

Contingent tax assets:

As of June 7, 2021, the STF ended the virtual judgement of topic 304, with general repercussion, declaring articles 47 and 48 of Law 11196/2005 unconstitutional, which prohibit the determination of PIS and COFINS credits in the acquisition of recyclable inputs. In 2015, the Company filed the Preventive Writ of Mandamus No. 5035028-10.2015.4.04.7100, seeking the right to use PIS and COFINS credits arising from the acquisition of “waste, residues and scraps” due to the unconstitutionality of Article 47 of Law 11196/05. The aforementioned judicial measure had an Extraordinary Appeal filed before the STF and, since the matter is being addressed under General Repercussion on Topic No 304, determined the return of the Company's proceeding to TRF4 to wait until the judgment of the leading case. Therefore, on August 23, 2021 the Company filed a request with the Federal Regional Court of The Fourth Region to adapt the decision rendered on case No. 5035028-10.2015.4.04.7100 to the Federal Supreme Court's Decision. On July 16, 2022, the Vice-President of the Federal Regional Court of Brazil (TRF4) determined the referral of the case to the Court's judging body, that is, the 2nd Panel for retraction judgment. On November 22, 2022, the trial of the Court of Retraction was closed, which upheld the Company's appeal. On December 1, 2022 and December 9, 2022 the federal government and Irani, respectively, filed motions for a motion for explanation which are awaiting analysis and judgment. The Company estimates the favorable outcome from said lawsuit between R\$195,000 and R\$215,000, net of attorneys' fees, considering the period of five years prior to the filing of the Lawsuit and that there will be no modulation of effects that affect the Company's rights. Said amount may change due to the lack of a final and unappealable decision in the lawsuit filed by the Company, as well as in the event of modulation of effects within the scope of the leading case. Said lawsuit, according to the Company's legal advisors, is likely to be successful, being characterized as a contingent asset. As it is a contingent asset, and does not meet the criterion of “practically certain” provided for in CPC 25/IAS 37, Item 33, the estimated favorable outcome on the lawsuit was not recognized in the Company's financial statements.

STF decision on what is being judged in the tax field:

On February 8, 2023 the Plenary of the Federal Supreme Court (STF) decided unanimously on Appeals 955,227 (Issue 885) and No. 949,297 (Issue 881) about the possibility of discontinuing the thing judged in legal relations about tax matters to be settled again.

After the analysis by the respective Legal Offices of the tax proceedings in which the Company is or was a party, both as a contingent asset and liability, no situation was identified that may be affected by that decision.

23. EQUITY

a) Share capital

As of December 31, 2022, share capital was R\$566,895 (R\$566,895 as of December 31, 2021), consisting of 246,359,319 ordinary shares with no par value as December 31, 2022 (256,720,235 ordinary shares with no par value as of December 31, 2021).

Share capital, net of share issuance costs of R\$22,961, is R\$543,934 as of December 31, 2022 (R\$543,934 as of December 31, 2021).

b) Stockholders' remuneration

i) Interim dividends

In accordance with the Dividend Distribution and Payment of Interest on the Company's Shareholders' Equity Policy, which determines the quarterly distribution of the equivalent of 25% of the net profit determined in the Financial Statements, calculated in accordance with articles 22 to 29 of the Company's Bylaws, the interim dividends for the 4th Quarter of 2022 to be approved by the Board of Directors will be R\$ 21,197.

The Board of Directors approved, on November 4, 2022, "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the income calculated in the third quarter of 2022, in the amount of R\$ 23,568, corresponding to R\$ 0,096031476 per common share, to shareholders holding shares issued by the Company on November 9, 2022, paid on November 25, 2022. The Interim Dividends – 3 the Quarter of 2022 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 2022, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

The Board of Directors approved, on August 3, 2022, "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the income calculated in the second quarter of 2022, in the amount of R\$ 23,626, corresponding to R\$ 0.0956838 per common share, to shareholders holding shares issued by the Company on August 6, 2022, paid on August 25, 2022. The Interim Dividends – 2 the Quarter of 2022 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 2022, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

The Board of Directors approved, on May 3, 2022, "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the income calculated in the first quarter of 2022, in the amount of R\$ 24,813, corresponding to R\$ 0.0996056 per common share, to shareholders holding shares issued by the Company on May 6, 2022, paid on May 25, 2022. The Interim Dividends - 1st Quarter of 2022 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 2022, as provided for in the aforementioned Article 29, head

provision, of the Company's Bylaws.

The Board of Directors approved, on March 03, 2022, "ad referendum" of the Company's General Shareholders' Meeting, the distribution of interim dividends on the income calculated in the fourth quarter of 2021, in the amount of R\$ 15,892, corresponding to R\$ 0.0634698 per common share, to shareholders holding shares issued by the Company on March 08, 2022, paid on March 24, 2022. The Interim Dividends – 4 the Quarter of 2021 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 2021, as provided for in the aforementioned Article 29, head provision, of the Company's Bylaws.

ii) Proposed additional dividends

At the Annual and Extraordinary Shareholders' Meeting on April 28, 2022, additional dividends were approved for the year 2021 in the total amount of R\$ 70,888, with the dividend per share of R\$ 0.2845563, paid on May 18, 2022.

c) Treasury share reserve

| | Parent company | | | |
|-------------------------------------|------------------|---------------|------------------|---------------|
| | 12.31.22 | | 12.31.21 | |
| | Amount | Value | Amount | Value |
| i) Share repurchase program in 2011 | - | - | 24,000 | 30 |
| ii) Right of withdrawal | - | - | 2,352,116 | 6,804 |
| iii) Repurchase shares program 2021 | - | - | 2,790,000 | 18,565 |
| iv) Repurchase shares program 2022 | 1,487,700 | 11,642 | - | - |
| | <u>1,487,700</u> | <u>11,642</u> | <u>5,166,116</u> | <u>25,399</u> |

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

ii) Right to withdraw: the shares acquired suffered changes in relation to the advantages attributed to the Company's preferred shares, as approved at the Annual and Extraordinary General Meeting held on April 19, 2012 and conversion of preferred shares into common shares on October 8, 2020. The holders of the dissenting preferred shares were entitled to withdraw from the Company by reimbursing the value of the shares based on the equity value recorded in the balance sheet for the year ended December 31, 2011 and December 31, 2019.

iii) 2021 Share Repurchase Program: [The Company's Board of Directors approved on September 27, 2021 the 2021 Share Repurchase Program](#), which came into effect on October 1, 2021 and was approved by the Board of Directors on August 17, 2022. The total number of shares acquired was 7,984,800 common shares, that account for 7.54% of the total outstanding ordinary shares issued by the Company, and aimed at maximizing the generation of value for shareholders by efficiently managing the Company's capital structure.

iv) 2022 Share Repurchase Program: [The Company's Board of Directors approved on August 17, 2022 the](#)

[2022 Share Repurchase Program](#), which came into effect on August 18, 2022 and ends on February 17, 2024, with a limit on the acquisition of 9,833,806 ordinary shares, accounting for 10% of the total outstanding ordinary shares issued by the Company, and aims at maximizing the generation of value for shareholders by efficiently managing the Company's capital structure.

Cancellation of treasury shares: [On August 17, 2022 the Company's Board of Directors approved the cancellation of 10,360,916 ordinary shares](#), with no par value, issued in the Company's own portfolio, and held at the treasury on August 17, 2022, without a reduction in the Company's share capital.

Changes in treasury shares are shown in the table below:

| | Parent Company | | | | | | | |
|-------------------------------------|------------------|---------------|------------------|---------------|---------------------|-----------------|------------------|---------------|
| | 31.12.21 | | Acquisitions | | Cancels | | 12.31.22 | |
| | Amount | Value | Amount | Value | Amount | Value | Amount | Value |
| i) Repurchase shares program 2011 | 24,000 | 30 | - | - | (24,000) | (30) | - | - |
| ii) Right of withdrawal | 2,352,116 | 6,804 | - | - | (2,352,116) | (6,804) | - | - |
| iii) Repurchase shares program 2021 | 2,790,000 | 18,565 | 5,194,800 | 34,829 | (7,984,800) | (53,394) | - | - |
| iv) Repurchase shares program 2022 | - | - | 1,487,700 | 11,642 | - | - | 1,487,700 | 11,642 |
| | <u>5,166,116</u> | <u>25,399</u> | <u>6,682,500</u> | <u>46,471</u> | <u>(10,360,916)</u> | <u>(60,228)</u> | <u>1,487,700</u> | <u>11,642</u> |

d) Profit or loss for the year

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

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

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

| | 12.31.22 | 12.31.21 |
|---|----------------|----------------|
| Profit for the year | 378,210 | 285,313 |
| (-) Legal reserve | (18,910) | (14,266) |
| Realized revenue reserve - biological assets | 8,947 | 8,947 |
| Realization - deemed cost | 4,567 | 3,557 |
| Base profit for distribution dividend | <u>372,814</u> | <u>283,551</u> |
| Mandatory minimum dividend | <u>93,204</u> | <u>70,888</u> |
| Total dividends per ordinary share (R\$ per share) | 0.380621 | 0.281799 |
| Dividends distributed | <u>72,007</u> | <u>54,996</u> |
| Balance of dividend payable | <u>21,197</u> | <u>15,892</u> |
| Dividend balance payable per common share (R\$ per share) | 0.086562 | 0.063174 |

Under the Company's Dividends and Interest on Equity Capital Payment Policy, the dividends presented above the following dividends are proposed by Management for the year ended December 31, 2022.

Proposed additional dividends for 2022 were not recognized as liabilities considering that they will be submitted to the Annual Shareholders' Meeting for approval.

| | | |
|--|----------|----------|
| | 12.31.22 | 12.31.21 |
| Additional dividends proposed | 93,204 | 70,888 |
| Total additional proposed dividends per common share (R\$ per share) | 0.380621 | 0.281799 |

e) Profit reserves

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

i) In compliance with the [Company's Bylaws](#), the legal reserve is formed through the allocation of 5% of profit for the year and may be used to offset the losses or for capital increase.

ii) The biological assets reserve was recorded since the Company valued its biological assets at fair value in the opening balance sheet for initial adoption of IFRS. The creation of this statutory reserve was approved at the Special Shareholders' Meeting held on February 29, 2012, when the amount previously recognized in the unrealized revenue reserve was transferred to this account.

iii) The profit retention reserve is composed of the balance of retained earnings after the offsetting of losses and the formation of the legal reserve, and net of the amount of dividends distributed. The respective resources will be allocated to investments in property, plant and equipment previously approved by the Board of Directors, or may be distributed in the future, as approved by the Annual Shareholders' Meeting. Certain agreements with creditors contain restrictive clauses relating to the distribution of dividends that exceed the minimum mandatory dividend.

iv) The tax incentive reserve was recorded by the portion of profit from previous years derived from government grants for investments in the modernization and expansion of the production capacity of paper in Minas Gerais and expansion of industrial unit located in Santa Catarina, and is excluded from basis of mandatory dividend.

f) Carrying value adjustments

It was recorded since the Company valued its property, plant and equipment (land, machinery and buildings) at deemed cost in the opening balance sheet for initial adoption of IFRS. Its realization will occur through the depreciation of the respective deemed cost value when it will also be offered on the basis of dividends. The net balance of taxes as of December 31, 2022 represented a gain of R\$136,865 (R\$145,812 as of December 31, 2021).

Changes in asset and liability valuation adjustments are shown in the table below:

| | <u>Consolidated</u> |
|---------------------------|---------------------|
| December 31, 2020 | <u>154,759</u> |
| Realization - deemed cost | <u>(8,947)</u> |
| December 31, 2021 | <u>145,812</u> |
| Realization - deemed cost | <u>(8,947)</u> |
| December 31, 2022 | <u>136,865</u> |

24. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares available during the period. The Company does not have the effects of potential shares on debt convertible into shares, and therefore diluted profit is equal to basic earnings per share.

a) Basic and diluted profit (loss):

Parent Company and Consolidated

| | <u>2022</u> | |
|--|-----------------------|------------------------|
| | Common shares (ON) | Common shares Total |
| Weighted average of the number of shares | 248,046,161 | 248,046,161 |
| Income for the attributable year to each type of shares | <u>378,210</u> | 378,210 |
| Basic and diluted profit per share - R\$ | <u>1.5248</u> | |

Parent Company and Consolidated

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

25. NET SALES REVENUE

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

| | <u>Parent company</u> | | <u>Consolidated</u> | |
|--------------------------------------|-----------------------|------------------|---------------------|------------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Gross revenue from sales of products | 2,137,095 | 2,044,824 | 2,145,908 | 2,051,145 |
| Sales taxes | (435,456) | (429,074) | (435,997) | (429,467) |
| Sales returns | (23,120) | (15,818) | (23,245) | (15,844) |
| Net sales revenue | <u>1,678,519</u> | <u>1,599,932</u> | <u>1,686,666</u> | <u>1,605,834</u> |

The Company's revenues are recognized when performance obligations are met, which generally occurs when products are delivered to clients in sales to the domestic market or when products sold are shipped to the foreign market. The main products sold by the Company represent the operating segments established pursuant to Note 31.

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

26. COSTS AND EXPENSES BY NATURE

The breakdown of expenses by nature is as follows:

| Breakdown of costs and expenses by nature | Parent company | | Consolidated | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Fixed and variable costs (raw and consumption material) | (832,847) | (850,135) | (796,389) | (817,372) |
| Personnel expenditures | (173,668) | (151,443) | (180,653) | (164,492) |
| Changes in fair value of biological assets | 82,430 | 28,689 | 139,003 | 43,849 |
| Depreciation, amortization and depletion | (75,461) | (73,644) | (103,028) | (92,444) |
| Freight - Sales | (81,006) | (58,499) | (83,455) | (60,012) |
| Services contracted | (46,283) | (37,058) | (46,948) | (38,477) |
| Other selling expenses | (50,443) | (47,960) | (50,930) | (48,552) |
| Total costs and expenses by type | <u>(1,177,278)</u> | <u>(1,190,050)</u> | <u>(1,122,400)</u> | <u>(1,177,500)</u> |

| Breakdown as per income statements for the fiscal years | Parent company | | Consolidated | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Cost of goods sold | (1,020,966) | (1,019,023) | (1,017,597) | (1,017,659) |
| Change in fair value of biological assets | 82,430 | 28,689 | 139,003 | 43,849 |
| From sales | (130,926) | (106,286) | (133,873) | (108,620) |
| Impairment losses on trade receivables | (523) | (173) | (512) | 56 |
| General and administrative | (91,841) | (79,225) | (93,969) | (81,094) |
| Management remuneration | (15,452) | (14,032) | (15,452) | (14,032) |
| Total costs and expenses | <u>(1,177,278)</u> | <u>(1,190,050)</u> | <u>(1,122,400)</u> | <u>(1,177,500)</u> |

27. OTHER OPERATING REVENUES AND EXPENSES

Revenue from the sale of assets basically consists of the sale of assets from the discontinued operation, according to note 10 and the sale of investment property, according to note 13.

| | Parent company | | Consolidated | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Revenues | | | | |
| Revenue from claimed and disposed goods | 2.451 | 1.611 | 2.451 | 1.611 |
| Revenue from sale of assets | 43.278 | 7.900 | 43.278 | 7.900 |
| Carbon credit | 1.375 | 569 | 1.375 | 569 |
| Lawsuit compensation credit SP - Court-ordered debt payments | - | 2.365 | - | 2.365 |
| PIS and COFINS credits over depreciation | 3.225 | - | 3.225 | - |
| Property sale for investment | 10.000 | - | 10.000 | - |
| Gain action exclusion of ICMS from the basis of PIS and COFINS contributi | - | - | - | - |
| Other operating revenues | 7.408 | 5.413 | 7.469 | 5.431 |
| | <u>67.737</u> | <u>17.858</u> | <u>67.798</u> | <u>17.876</u> |
| Expenses | | | | |
| Costs of claimed and disposed goods | (148) | (738) | (148) | (738) |
| Provisão para Contingência INSS - Cont. Substitutiva | (6.376) | - | (6.376) | - |
| Cost from sale of assets | (38.560) | (5.735) | (38.560) | (5.735) |
| Cost of property sale for investment | (2.726) | - | (2.726) | - |
| Provision of government grants - State of MG | (1.165) | (1.469) | (1.165) | (1.469) |
| Other operating expenses | (3.201) | (2.413) | (3.226) | (2.444) |
| | <u>(52.176)</u> | <u>(10.355)</u> | <u>(52.201)</u> | <u>(10.386)</u> |
| Total other operating revenues and expenses | <u>15.561</u> | <u>7.503</u> | <u>15.597</u> | <u>7.490</u> |

28. FINANCE INCOME AND FINANCE COSTS

| | Parent company | | Consolidated | |
|-----------------------------------|------------------|-----------------|------------------|-----------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Finance income | | | | |
| Yields from financial investments | 65,055 | 17,151 | 68,453 | 17,920 |
| Interest | 9,902 | 3,761 | 9,903 | 3,761 |
| Discounts obtained | 1,604 | 371 | 1,607 | 376 |
| | <u>76,561</u> | <u>21,283</u> | <u>79,963</u> | <u>22,057</u> |
| Exchange-rate change | | | | |
| Active exchange-rate | 22,862 | 31,204 | 22,862 | 31,204 |
| Passive exchange-rate | (25,965) | (32,889) | (25,965) | (32,889) |
| Net exchange-rate | <u>(3,103)</u> | <u>(1,685)</u> | <u>(3,103)</u> | <u>(1,685)</u> |
| Finance costs | | | | |
| Interest | (127,060) | (61,342) | (127,069) | (61,353) |
| Discounts granted | (1,098) | (240) | (1,110) | (281) |
| Negative goodwill/bank expenses | (418) | (642) | (448) | (650) |
| Liability interest on leases | (2,331) | (2,160) | (2,331) | (2,160) |
| Derivative instruments - swap | (2,895) | (483) | (2,895) | (483) |
| Other | (4,482) | (1,053) | (4,510) | (1,056) |
| | <u>(138,284)</u> | <u>(65,920)</u> | <u>(138,363)</u> | <u>(65,983)</u> |
| Finance result, net | <u>(64,826)</u> | <u>(46,322)</u> | <u>(61,503)</u> | <u>(45,611)</u> |

29. INCOME TAX AND SOCIAL CONTRIBUTION

Reconciliation of effective tax rate:

| | Parent company | | Consolidated | |
|---|------------------|------------------|------------------|------------------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Operating income before tax effects | 515,486 | 389,415 | 518,360 | 390,213 |
| Basic rate | 34% | 34% | 34% | 34% |
| Tax debit (credit) at the basic rate | (175,265) | (132,401) | (176,242) | (132,672) |
| Tax effect from permanent (additions) exclusions: | | | | |
| Equity in the results of subsidiaries | 21,593 | 6,240 | - | - |
| Non-deductible expenses | (831) | (1,004) | (525) | (1,004) |
| Formation (reversal) of tax incentives | (43) | (11) | (40) | (11) |
| PIS/COFINS credit recognition over depreciation | 1,998 | - | 1,998 | - |
| Impairment exclusion - discontinued operation | 13,692 | - | 13,692 | - |
| Non-taxation of Income Tax and Social Contribution on Net Profit (CSLL) | - | 25,197 | - | 25,197 |
| Tax difference (controlled companies) | - | - | 18,719 | 5,442 |
| Other permanent differences | 1,580 | (2,123) | 2,248 | (1,852) |
| | <u>(137,276)</u> | <u>(104,102)</u> | <u>(140,150)</u> | <u>(104,900)</u> |
| Current income tax and social contribution | (109,164) | (62,088) | (110,346) | (62,477) |
| Income tax and social contribution - deferred | (28,112) | (42,014) | (29,804) | (42,423) |
| Effective rate - % | 26.6 | 26.7 | 27.0 | 26.9 |

30. FINANCIAL INSTRUMENTS

Capital risk management

The Company's capital structure consists of net indebtedness (loans, financing, debentures and derivative financial instruments - *swap* described in detail in notes 16, 17 and 18, less cash and bank balances and financial investments), as detailed in note 5, and equity (which includes issued capital, reserves and retained earnings, as shown in note 23).

The Company's management periodically reviews its capital structure. As part of this review, the cost

of capital and the risks associated with each type of capital are considered. According to its Finance 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. As of December 31, 2022, the capital structure consisted of 39% of own capital and 61% of third-party capital.

Debt ratio

The debt ratio as of December 31, 2022 and December 31, 2021 is as follows:

| | Parent company | | Consolidated | |
|---|----------------|-----------|--------------|-----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Debt (a) | 1,792,175 | 892,321 | 1,792,175 | 892,321 |
| Derivative instruments - <i>swap</i> (a) | (1,047) | 419 | (1,047) | 419 |
| Cash and cash equivalents and financial investments | (1,016,776) | (486,908) | (1,049,208) | (506,268) |
| Net debt | 774,352 | 405,832 | 741,920 | 386,472 |
| Equity | 1,125,085 | 957,438 | 1,125,085 | 957,438 |
| Net indebtedness ratio | 0.69 | 0.42 | 0.66 | 0.40 |

(a) Debt is defined as loans and financing long-term and short-term debentures and derivative financial instruments - *Swap* as detailed in notes 16, 17 and 18.

Categories of financial instruments

| | Note | Parent company | | Consolidated | |
|---|------|----------------|----------|--------------|----------|
| | | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Financial assets | | | | | |
| Fair value through profit or loss | | | | | |
| Cash and balance in banks | 5 | 702,762 | 11,050 | 735,194 | 30,410 |
| Amortized cost | | | | | |
| Interest earning bank deposits | 5 | 314,014 | 475,858 | 314,014 | 475,858 |
| Trade receivables | 6 | 259,199 | 257,162 | 259,456 | 257,468 |
| Other trade receivables | 9 | 29,204 | 6,590 | 29,409 | 6,762 |
| Financial liabilities | | | | | |
| Assigned at fair value through profit or loss | | | | | |
| Derivative instruments - <i>swap</i> | 18 | - | 419 | - | 419 |
| Amortized cost | | | | | |
| Borrowings and financing | 16 | 460,205 | 306,004 | 460,205 | 306,004 |
| Debentures | 17 | 1,331,970 | 586,317 | 1,331,970 | 586,317 |
| Suppliers | 19 | 199,312 | 151,042 | 175,313 | 133,718 |
| Lease liabilities | 34 | 20,687 | 23,066 | 20,687 | 23,066 |
| Tax installment payments | 21 | 8,452 | 16,743 | 8,452 | 16,743 |
| Dividend and interest on shareholders' equity payable | | 22,120 | 16,345 | 22,120 | 16,345 |
| Other accounts payable | | 11,529 | 10,322 | 11,692 | 10,623 |

Financial risk factors

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

With the purpose of setting rules for financial management, the Company has maintained the Financial Management Policy, which establishes guidelines for using financial instruments since 2010.

The Company does not invest in derivatives or any other financial assets for speculation purposes. 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 note 18.

Foreign exchange exposure risk

The Company has foreign market transactions exposed to changes in foreign currency prices. As of December 31, 2022 and December 31, 2021, these transactions had net exposure, as shown in the table below:

| | Parent company | | Consolidated | |
|--------------------------|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Accounts receivable | 24,726 | 33,035 | 24,726 | 33,035 |
| Advance from clients | (1,493) | (1,227) | (1,493) | (1,227) |
| Suppliers | (2,131) | (3,632) | (2,131) | (3,632) |
| Advance to suppliers | 10,948 | 25,055 | 10,948 | 25,055 |
| Borrowings and financing | (40,298) | (28,448) | (40,298) | (28,448) |
| Net exposure | (8,248) | 24,783 | (8,248) | 24,783 |

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

The Company has identified the main risk factors that may cause losses on its financial instrument transactions. Therefore, it has developed a sensitivity analysis, which considers reasonable for the business, considering the uncertainties of assumptions, presenting two scenarios with deterioration of 25% and 50% of the risk variable considered, in addition to a base scenario. These scenarios may have impacts on profit or loss and equity, as described below:

1 – Base scenario: the US dollar rate used by the Company follows the forecasts of futures market B3 for the next disclosure (March 31, 2023).

2 – Adverse scenario: depreciation of 25% of the exchange rate in relation to the level estimated as of March 31, 2023.

3 – Remote scenario: depreciation of 50% of the exchange rate in relation to the level estimated as of March 31, 2023.

| Transaction | Balance at 12.31.22 US\$ | Base scenario | | Adverse scenario | | Remote scenario | |
|--|-----------------------------|---------------|--------------------|------------------|--------------------|-----------------|--------------------|
| | | Rate | Gain (Loss) R\$ | Rate | Gain (Loss) R\$ | Rate | Gain (Loss) R\$ |
| Assets | | | | | | | |
| Trade receivables and banks restricted accot | 4,739 | 5.38 | 768 | 6.72 | 7,142 | 8.07 | 13,516 |
| Advances to suppliers | 2,098 | 5.38 | 340 | 6.72 | 3,162 | 8.07 | 5,983 |
| Liabilities | | | | | | | |
| Suppliers and advances from clients | (695) | 5.38 | (113) | 6.72 | (1,047) | 8.07 | (1,982) |
| Borrowings and financing | (7,723) | 5.38 | (1,252) | 6.72 | (11,639) | 8.07 | (22,026) |
| Net effect | | | (257) | | (2,382) | | (4,509) |

The purpose of this sensitivity analysis is to measure the impact of changes in foreign exchange market variables on each of the Company's financial instruments. The balances as of December 31, 2022 were used as basis for projected future balances. The actual behavior of debt balances will comply with the related agreements, and the balances of accounts receivable and payable may fluctuate over the

Company's and its subsidiaries' normal activities.

Nevertheless, the settlement of transactions involving those estimates may result in amounts different from estimates, due to the subjectivity that is included in the process followed to prepare these analyses. The Company seeks to maintain its loan and financing transactions exposed to exchange rate fluctuations, with net annual payments equivalent to or lower than its export client portfolio.

Therefore, the Company seeks to protect its cash flows from exchange rate fluctuations and the effects of the scenarios above, if realized, are not expected to have material impacts on its cash flows.

Interest rate risk

The Company may be impacted by adverse changes in interest rates. This exposure to interest rate risk basically consists of a change in market interest rates that affect the Company's liabilities and assets indexed to the BNDES's long-term interest rate (TJLP), CDI (interest rate on interbank deposit certificates), SELIC (Special Settlement and Custody System) and IPCA (Extended Consumer Price Index).

The sensitivity analysis calculated for the base scenario, adverse scenario and remote scenario for loans, financing, debentures and derivative financial instruments - indexed interest-bearing *swaps* is as follows:

1 – Base scenario: the CDI and SELIC base scenario used by the Company follow the forecasts of the B3 futures market for the next disclosure (March 31, 2023). TjLP is obtained from BNDES and the IPCA from Boletim Focus.

2 – Adverse scenario: 25% adjustment in interest rates when compared with the level estimated for March 31, 2023.

3 – Remote scenario: 50% of interest rates corrected when compared with the level estimated for March 31, 2023.

| Transaction | Index | Balance at 12.31.22 | Base scenario | | Adverse scenario | | Remote scenario | |
|--|-------|---------------------|---------------|-------|------------------|----------|-----------------|----------|
| | | | Rate % p.a | R\$ | Rate % p.a | R\$ | Rate % p.a | R\$ |
| Cash and cash equivalents and financial investments | | | | | | | | |
| CDB | CDI | 1,043,890 | 13.67% | 215 | 17.09% | 36,958 | 20.51% | 73,702 |
| Proceeds from borrowings | | | | | | | | |
| Working capital | CDI | (1,288,097) | 13.67% | (265) | 17.09% | (45,509) | 20.51% | (90,753) |
| Working capital | IPCA | (68,644) | 4.26% | 1,103 | 5.33% | 332 | 6.39% | (440) |
| Finame Direto | IPCA | (419,533) | 4.26% | 6,661 | 5.33% | 2,002 | 6.39% | (2,567) |
| Finame | TJLP | (5) | 7.37% | - | 9.21% | - | 11.06% | - |
| Finame | SELIC | (253) | 13.77% | - | 17.21% | (9) | 20.66% | (18) |
| Derivative financial instruments – Swap | | | | | | | | |
| <i>Proposed dividends to be received</i> | IPCA | 62,108 | 4.26% | (998) | 5.33% | (300) | 6.39% | 398 |
| Swap Liabilities | CDI | (61,061) | 13.67% | (12) | 17.09% | (2,114) | 20.51% | (4,215) |
| Net effect on results | | | | 6,704 | | (8,640) | | (23,893) |

Fair value versus book value

Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in an untimely transaction between market participants at the measurement date. We used the methods and assumptions listed below to estimate fair value:

- The book balances of trade and other receivables and short-term accounts payable presented in the Company's balance sheet approximate their fair values due to their short settlement terms.

- Loans and financing, debentures and derivative financial instruments - swap - considering debts, market information and interest rates on loans, financing and debentures, the fair value as of December 31, 2022 is R\$1,681,328. The Company used as a technique for assessing discounted cash flows considering the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value determined is level 2 in the fair value hierarchy.

Credit risks

The carrying amount of financial assets represents the maximum credit exposure, as follows:

| | Parent company | | Consolidated | |
|--------------------------------|----------------|----------|--------------|----------|
| | 12.31.22 | 12.31.21 | 12.31.22 | 12.31.21 |
| Financial assets | | | | |
| Banks | 5,293 | 7,470 | 5,302 | 7,544 |
| Marketable securities | 697,454 | 3,561 | 729,875 | 22,846 |
| Interest earning bank deposits | 314,014 | 475,858 | 314,014 | 475,858 |
| Trade receivables | 259,199 | 257,162 | 259,456 | 257,468 |
| Other trade receivables | 3,554 | 6,590 | 3,759 | 6,762 |
| Maximum credit exposure | 1,279,514 | 750,641 | 1,312,406 | 770,478 |

a) Trade receivables

The Company's credit sales are managed by analyzing and granting credit. ECLs are properly covered by allowance for impairment losses on their realization, as detailed in note 6.

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

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

b) Banks, highly liquid financial investments and financial investments

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

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

| | Consolidated | Agency |
|---------------------------|--------------|----------|
| | 12.31.22 | |
| National Rating AAA (br) | 683,777 | Fich/S&P |
| National Rating AA + (br) | 361,661 | Fich |
| National Rating BB- (br) | 3,753 | Fich/S&P |
| | 1,049,191 | |

Liquidity risk

Management monitors liquidity levels considering the expected cash flows, according to the Financial Management Policy, which comprises cash, financial investments, flow of accounts receivable and payable, and repayment of loans and financing and adjustments in derivative financial instruments - swaps. The liquidity management policy consists of estimating cash flows in the currencies used, considering the level of net assets required to achieve those projections, monitoring the balance sheet's liquidity ratios in compliance with internal and external regulatory requirements, and maintaining debt financing plans.

The table below shows the maturity of the financial liabilities entered into by the Company. The amounts presented here include the principal and the fixed interest applicable to the transactions, calculated using rates and indexes in effect as of December 31, 2022, the details of the expected maturity of the undiscounted financial assets, including the interest that will be earned from these assets and the liabilities of derivative financial instruments - swap the details of the expected maturity and their discounted amounts.

Parent company

| | 2023 | 2024 | 2025 | 2026 | > 2027 |
|--|----------------|----------------|----------------|---------------|------------------|
| Liabilities | | | | | |
| Suppliers | 199,312 | - | - | - | - |
| Borrowings and financing | 73,253 | 25,100 | 42,777 | 54,602 | 487,229 |
| Debentures | 262,846 | 190,765 | 183,342 | 28,549 | 782,810 |
| Derivative instruments - swap | 4,373 | 3,102 | 2,566 | (1,367) | (9,721) |
| Tax installment payments | 5,941 | 1,958 | 553 | - | - |
| Lease liabilities | 7,025 | 2,947 | 2,947 | 2,947 | 4,821 |
| Dividends and interest on shareholders' equity payable | 22,120 | - | - | - | - |
| Other accounts payable | 11,470 | 59 | - | - | - |
| | <u>586,340</u> | <u>223,931</u> | <u>232,185</u> | <u>84,731</u> | <u>1,265,139</u> |

Consolidated

| | 2023 | 2024 | 2025 | 2026 | > 2027 |
|--|----------------|----------------|----------------|---------------|------------------|
| Liabilities | | | | | |
| Suppliers | 175,313 | - | - | - | - |
| Borrowings and financing | 73,253 | 25,100 | 42,777 | 54,602 | 487,229 |
| Debentures | 262,846 | 190,765 | 183,342 | 28,549 | 782,810 |
| Derivative instruments - swap | 4,373 | 3,102 | 2,566 | (1,367) | (9,721) |
| Tax installment payments | 5,941 | 1,958 | 553 | - | - |
| Lease liabilities | 7,025 | 2,947 | 2,947 | 2,947 | 4,821 |
| Dividends and interest on shareholders' equity payable | 22,120 | - | - | - | - |
| Other accounts payable | 11,633 | 59 | - | - | - |
| | <u>562,504</u> | <u>223,931</u> | <u>232,185</u> | <u>84,731</u> | <u>1,265,139</u> |

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

Derivative financial instruments

On December 1, 2021, the Company entered into a derivative instrument - rate swap with Banco Santander to change the interest rate associated with the fourth issue of debentures.

The notional value assigned on the contract date is R\$66,225. Adjustments will be made on the same payment dates of the Fourth Issue of Debentures, which mature final on December 15, 2029, so that their effective cost is finally the interbank deposit certificate rate (CDI) + 0.71% p.a.

Note 18 has other information about that transaction.

31. OPERATING SEGMENTS

a) Criteria for identifying operating segments

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

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

Sustainable Packaging (Wavy Cardboard) segment: this segment produces wavy, light and heavy cardboard boxes and sheets and has two production units: PACKAGING SC - Campina da Alegria and Packaging SP - Indaiatuba.

Sustainable Packaging Material (Paper) segment: produces low- and high-grass Kraft papers and recycled papers, meant for the foreign and local markets, and directs part of production to the Sustainable Packaging Segment (Wavy Cardboard), with two production units: SC Campina da Alegria paper and Mg Paper – Santa Luzia.

Sustainable Resins (Breu and Terebintin) segments: the Company grow pines for its own use, sells wood and extracts pine resin that serves as raw material for producing breuund and terebinin.

b) Consolidated information about the operating segments

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

| | Consolidated | | | | |
|--|------------------------------------|-------------------------------------|---|-------------------------|-------------|
| | 2021 | | | | |
| | Sustainable Packaging (Corrugated) | Sustainable Packaging Paper (Paper) | Sustainable resins (Tar and Turpentine) | Corporate/ eliminations | Total |
| Net sales revenue | | | | | |
| Domestic market | 902,841 | 444,317 | 9,160 | - | 1,356,318 |
| Foreign market | - | 83,176 | 166,340 | - | 249,516 |
| Total net sales revenue | 902,841 | 527,493 | 175,500 | - | 1,605,834 |
| Change in fair value - biological assets | - | 46,429 | (2,580) | - | 43,849 |
| Cost of goods sold | (605,063) | (297,769) | (114,827) | - | (1,017,659) |
| Gross income | 297,778 | 276,153 | 58,093 | - | 632,024 |
| Operating expenses | (71,282) | (25,094) | (17,766) | (82,058) | (196,200) |
| Operating income (loss) before financial income (loss) | 226,496 | 251,059 | 40,327 | (82,058) | 435,824 |
| Finance result | (21,646) | (22,998) | (1,014) | 47 | (45,611) |
| Net operating profit (loss) | 204,850 | 228,061 | 39,313 | (82,011) | 390,213 |
| Depreciation and amortization | (16,066) | (71,265) | (2,922) | (2,191) | (92,444) |

The balance of the Corporate/Elimination column basically involves expenses incurred by the corporate support area that are not apportioned to the other segments and eliminations refer to adjustments in transactions between the other segments.

Net finance income (costs) were distributed by operating segment taking into consideration the specific allocation of each finance income and finance cost to its segment, and the distribution of corporate revenues and expenses in proportion to each segment's revenue.

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 revenues

Net sales revenues in 2022 totaled R\$1,686,666 (R\$1,605,834 in 2021).

Net revenues from foreign sales in 2022 totaled R\$246,168 (R\$249,516 in 2021), distributed in several countries, as follows:

| Consolidated | | | Consolidated | | |
|-----------------|--------------------------|----------------------|-----------------|--------------------------|----------------------|
| 2022 | | | 2021 | | |
| Country | Foreign market net sales | % in total net sales | Country | Foreign market net sales | % in total net sales |
| Germany | 40,220 | 2.38% | Argentina | 28,168 | 1.75% |
| Argentina | 24,507 | 1.45% | China | 26,485 | 1.65% |
| Saudi Arabia | 21,922 | 1.30% | Portugal | 25,536 | 1.59% |
| Portugal | 21,199 | 1.26% | India | 18,324 | 1.14% |
| Paraguay | 14,059 | 0.83% | Germany | 17,873 | 1.11% |
| Mexico | 12,707 | 0.75% | Saudi Arabia | 16,520 | 1.03% |
| Japan | 12,391 | 0.73% | France | 13,539 | 0.84% |
| South Africa | 11,320 | 0.67% | Spain | 12,391 | 0.77% |
| Chile | 10,800 | 0.64% | Pakistan | 10,065 | 0.63% |
| France | 10,582 | 0.63% | Netherlands | 10,045 | 0.63% |
| India | 10,517 | 0.62% | Paraguay | 9,436 | 0.59% |
| Netherlands | 9,133 | 0.54% | USA | 8,575 | 0.53% |
| Peru | 7,841 | 0.46% | South Africa | 8,254 | 0.51% |
| USA | 7,494 | 0.44% | Chile | 7,974 | 0.50% |
| Spain | 6,475 | 0.38% | Mexico | 7,587 | 0.47% |
| Pakistan | 5,897 | 0.35% | Peru | 7,560 | 0.47% |
| Other countries | 19,104 | 1.13% | Other countries | 21,184 | 1.32% |
| | <u>246,168</u> | <u>14.56%</u> | | <u>249,516</u> | <u>15.53%</u> |

The Company's net sales revenues in 2022, totaled R\$1,440,498 (R\$1,356,318 in 2021).

In 2022, a single customer accounted for 4.7% of domestic net revenues in the Sustainable Packaging (Corrugated Cardboard) segment, equivalent to R\$44,148. The Company's other sales in the domestic and foreign markets were spread over a number of clients, none of them accounting for more than 10% of net sales.

32. GOVERNMENT GRANT

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

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

Charges will be levied on incentives at annual contractual rates of 4.0%. In order to calculate the present value of this benefit, the Company used an average rate of 16.69% as funding cost for financing facilities with characteristics similar to those required for the related disbursements if the benefit did not have the benefit.

The benefit has a term of 14 years (10 years of enjoyment and four years of grace period), which started in January 2009 and ends in December 2022, or up to the limit of R\$55,199 of deferred ICMS. As of December 31, 2022, the Company had R\$346 (R\$4,070 as of December 31, 2021) of deferred ICMS recognized in liabilities, net of the government grant of R\$346 (R\$3,942 as of December 31, 2021).

ii) **ICMS/MG – Deemed Credit:** The state of Minas Gerais grants as main benefit ICMS deemed credit, leading to an actual payment of 2% of the amount charged for the shipment of the products manufactured by the Company. The effect on operating profit before tax effects in 2022 was R\$8,482 (R\$10,934 in 2021).

33. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Parent Company and Consolidated

| | Land | Buildings and constructions | Equipment and facilities | Total |
|---|---------|-----------------------------|--------------------------|----------|
| Balance at 01.01.21 | 5,165 | 13,156 | 2,859 | 21,180 |
| Depreciation | (1,107) | (2,677) | (2,444) | (6,228) |
| Addition/write-off of agreements - principal effect | 964 | 4,890 | 414 | 6,268 |
| Transfers to right-of-use assets | - | - | 3,254 | 3,254 |
| Net book balance at 12.31.2021 | 5,022 | 15,369 | 4,083 | 24,474 |
| Cost | 7,758 | 22,124 | 14,726 | 44,608 |
| Accumulated depreciation | (2,736) | (6,755) | (10,643) | (20,134) |
| Net book balance at 12.31.2021 | 5,022 | 15,369 | 4,083 | 24,474 |
| Balance at 01.01.2022 | 5,022 | 15,369 | 4,083 | 24,474 |
| Depreciation | (1,287) | (3,316) | (3,940) | (8,543) |
| Addition/write-off of agreements - principal effect | 840 | 2,707 | 2,510 | 6,057 |
| Net book balance at 12.31.2022 | 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 balance at 12.31.2022 | 4,575 | 14,760 | 2,653 | 21,988 |

The measurement of the right-of-use asset consists of the initial value of the lease liability at present value at rates from 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 specific risk of the asset. Depreciation is calculated using the straight-line method over the remaining term of the contracts with an average term of 6.5 years.

Lease agreements have lease liabilities as follows:

Parent Company and Consolidated

| | Land | Buildings and constructions | Equipment and facilities | Total |
|---|---------|-----------------------------|--------------------------|---------|
| Balance at 01.01.21 | 4,713 | 13,446 | 2,944 | 21,103 |
| Lease installment | (1,820) | (4,034) | (1,510) | (7,364) |
| Addition/write-off of agreements - principal effect | 964 | 4,890 | (854) | 5,000 |
| Interest on lease | 555 | 1,356 | 386 | 2,297 |
| Addition/write-off of agreements - interest effect | - | - | 2,030 | 2,030 |
| Net book balance at 12.31.21 | 4,412 | 15,658 | 2,996 | 23,066 |
| Balance at 01.01.22 | 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 balance at 12.31.22 | 2,728 | 15,049 | 2,910 | 20,687 |
| Short-term | | | | 7,025 |
| Long-term | | | | 13,662 |

Interest on leases is recognized as finance costs and recognized over the remaining term of the leases.

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

| Long-term maturity dates: | Parent Company and |
|---------------------------|-----------------------|
| 2024 | 2,947 |
| 2025 | 2,947 |
| 2026 | 2,947 |
| 2027 | 2,798 |
| > 2028 | 2,023 |
| | 13,662 |

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

| Cash flow | Nominal | Adjusted to present value |
|---------------------|---------|------------------------------|
| Lease consideration | 45,833 | 32,796 |
| PIS/COFINS (9.25%) | 4,240 | 3,034 |

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

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

In 2022, the Company did not renegotiate lease agreements.

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

| Parent Company and Consolidated | Actual flow | | Nominal flow | |
|---------------------------------|-------------|----------|--------------|----------|
| | 01.01.19 | 12.31.22 | 01.01.19 | 12.31.22 |
| Lease liabilities | 41,769 | 26,367 | 48,992 | 45,833 |
| Embedded interest | (16,147) | (5,680) | (19,687) | (13,037) |
| | 25,622 | 20,687 | 29,305 | 32,796 |

34. TRANSACTIONS THAT DID NOT AFFECT CASH

The Company conducted transactions that did not have an impact on cash, resulting from operating and investing activities. Therefore, they were not reflected on the statements of cash flows.

During 2022, the Company recognized PIS and COFINS credits on property, plant and equipment items in the amount of R\$167, and paid for the acquisitions of property, plant and equipment, intangible assets and biological assets in the amount of R\$21,372, which were previously financed by

suppliers.

During 2021, The Company recognized PIS and COFINS credits on property, plant and equipment items in the amount of R\$495, recognized an adjustment in PIS and COFINS credits for the deduction of the ICMS from the PIS and COFINS calculation bases in the amount of R\$502. It recognized credits on the non-levy of IRPJ (Corporate Income Tax) and CSLL (Social Contribution Tax) on the SELIC (Central Bank overnight rate) in the amount of R\$25,197.

35. SUPPLEMENTARY INFORMATION TO THE CASH FLOW

| | Parent company | | | Consolidated | | |
|--|---------------------------------|---|-------------------|---------------------------------|---|-------------------|
| | Loans, financing and debentures | Liabilities Interest on shareholders' equity and dividends | Lease liabilities | Loans, financing and debentures | Liabilities Interest on shareholders' equity and dividends | Lease liabilities |
| Balance at 12.31.20 | 588,232 | 10,467 | 21,103 | 588,247 | 10,467 | 21,103 |
| Changes affecting cash | 239,294 | (89,933) | (7,364) | 239,279 | (89,933) | (7,364) |
| Payment of dividends and interest on shareholders' equity | - | (89,933) | - | - | (89,933) | - |
| Lease liability paid | - | - | (5,067) | - | - | (5,067) |
| Borrowings obtained | 262,772 | - | - | 262,772 | - | - |
| Issuance of debentures (Net of funding costs) | 59,547 | - | - | 59,547 | - | - |
| Borrowings and debentures paid | (42,488) | - | - | (42,503) | - | - |
| Payment of interest on borrowings and debentures | (40,537) | - | - | (40,537) | - | - |
| Interest payment on lease liabilities | - | - | (2,297) | - | - | (2,297) |
| Proposed dividends to be received | 65,214 | 95,811 | 9,327 | 65,214 | 95,811 | 9,327 |
| Lease liabilities - Addition/write-off in the period | - | - | 5,000 | - | - | 5,000 |
| Inflation adjustments and charges on borrowings and debentures | 61,831 | - | - | 61,831 | - | - |
| Interest on lease liability | - | - | 2,297 | - | - | 2,297 |
| Capitalized interest | 5,413 | - | - | 5,413 | - | - |
| Interest on shareholders' equity | - | 95,811 | - | - | 95,811 | - |
| Transfers to Lease Liabilities | (2,030) | - | 2,030 | (2,030) | - | 2,030 |
| Balance at 12.31.21 | 892,740 | 16,345 | 23,066 | 892,740 | 16,345 | 23,066 |

| | Parent Company | | | Consolidated | | |
|--|---------------------------------|---|-------------------|---------------------------------|---|-------------------|
| | Loans, financing and debentures | Liabilities Interest on shareholders' equity and dividends | Lease liabilities | Loans, financing and debentures | Liabilities Interest on shareholders' equity and dividends | Lease liabilities |
| Balance at 12.31.21 | 892,740 | 16,345 | 23,066 | 892,740 | 16,345 | 23,066 |
| Changes affecting cash | 743,164 | (158,786) | (8,994) | 743,164 | (158,786) | (8,994) |
| Payment of dividends and interest on shareholders' equity | - | (158,786) | - | - | (158,786) | - |
| Lease liability paid | - | - | (6,605) | - | - | (6,605) |
| Borrowings obtained | 213,355 | - | - | 213,355 | - | - |
| Issuance of debentures (Net of funding costs) | 700,307 | - | - | 700,307 | - | - |
| Borrowings and debentures paid | (62,328) | - | - | (62,328) | - | - |
| Payment of interest on borrowings and debentures | (80,299) | - | - | (80,299) | - | - |
| Interest payment on lease liabilities | - | - | (2,389) | - | - | (2,389) |
| Interest payment capitalized | (27,871) | - | - | (27,871) | - | - |
| Changes not affecting cash | 156,271 | 164,561 | 6,615 | 156,271 | 164,561 | 6,615 |
| Lease liabilities - Addition/write-off | - | - | 4,226 | - | - | 4,226 |
| Inflation adjustments and charges on borrowings and debentures | 125,849 | - | - | 125,849 | - | - |
| Interest on lease liability | - | - | 2,389 | - | - | 2,389 |
| Capitalized interest | 29,375 | - | - | 29,375 | - | - |
| Dividends and interest on shareholders' equity | - | 164,561 | - | - | 164,561 | - |
| Swap adjust | 1,047 | - | - | 1,047 | - | - |
| Balance at 12.31.22 | 1,792,175 | 22,120 | 20,687 | 1,792,175 | 22,120 | 20,687 |



Shareholders,

The Management of **Irani Papel e Embalagem S.A.** submits for your appreciation the Company's Management Report and Financial Statements, with the respective independent auditor's report for the fiscal year ended December 31, 2022. The Financial Statements are prepared in accordance with the International Financial Reporting Standards - IFRS and the accounting practices adopted in Brazil, based on the technical pronouncements issued by the CPC, fully convergent to IFRS, and the standards established by CVM - Brazilian Securities and Exchange Commission.

Message to Shareholders

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

2022 Highlights

In 2022, we had the normalization of social and economic activities, after the long period of pandemic, which increased the activity of previously restricted services. More sustainable lifestyle habits and commitments to diversity have been further consolidated as society and entities, especially companies, have evolved on the environmental, social and governance (ESG) agendas.

In the economic perspective, 2022 was marked by rising inflation in the world, which led central banks to raise interest rates sharply. Interest rate ended the year above 4% p.a. in the USA and 13.75% p.a. in Brazil. This momentum of interest tightening has led to growth reduction forecasts for 2023 for Brazil and the world.

According to Empapel, the shipment of tons of corrugated cardboard in 2022 registered a reduction of 2.2% compared to 2021, with 3,953 thousand tons, reflecting the migration of

consumption of goods and services.

Irani's net revenue in 2022 grew by 5.0% compared to 2021, reflecting the cooling of the packaging market and due to the robust comparison base that was 2021. The domestic market represented 85% of the Company's sales and the foreign market reached 15% in 2022.

The Sustainable Packaging (Corrugated Cardboard) segment represented, in 2022, 55% of net revenue, the Sustainable Packaging Paper (Paper) segment accounted for 35% and the Sustainable Resins segment (Gum Rosin and Turpentine) 10%.

We ended the year with records of R\$ 1,686,666 thousand in Net Revenue, Net Income of R\$ 378,210 thousand and R\$ 537,988 thousand in Adjusted EBITDA. The net debt/EBITDA ratio (operating leverage) was 1.38 times and the cash position (including financial investments) was R\$ 1,049,208 thousand. Gross debt as of December 31, 2022 totaled R\$ 1,791,128 thousand, 85% of which was maturing in the long term and 98% in local currency.

Main economic and financial indicators

| MAIN INDICATORS - CONSOLIDATED | 4Q22 | 3Q22 | 4Q21 | Chg. 4Q22/ 3Q22 | Chg. 4Q22/ 4Q21 | 2022 | 2021 | Chg. 2022/2021 |
|---|--------------|--------------|--------------|-----------------------|-----------------------|--------------|--------------|-------------------|
| Economic and Financial (R\$ thousand) | | | | | | | | |
| Net sales | 408,410 | 441,405 | 414,068 | -7.5% | -1.4% | 1,686,666 | 1,605,834 | 5.0% |
| Domestic market | 365,138 | 386,006 | 350,716 | -5.4% | 4.1% | 1,440,498 | 1,356,318 | 6.2% |
| Foreign market | 43,272 | 55,399 | 63,352 | -21.9% | -31.7% | 246,168 | 249,516 | -1.3% |
| Gross Profit (inclusive*) | 192,773 | 207,191 | 168,073 | -7.0% | 14.7% | 808,072 | 632,024 | 27.9% |
| (*) Change in fair value of biological assets | 40,208 | 37,571 | 3,114 | 7.0% | 1191.2% | 139,003 | 43,849 | 217.0% |
| Gross margin | 47.2% | 46.9% | 40.6% | 0.3p.p. | 6.6p.p. | 47.9% | 39.4% | 8.5p.p. |
| Operating Income (loss before Taxes and Interest) | 114,374 | 138,267 | 97,410 | -17.3% | 17.4% | 518,360 | 390,213 | 32.8% |
| Operating margin | 28.0% | 31.3% | 23.5% | -3.3p.p. | 4.5p.p. | 30.7% | 24.3% | 6.4p.p. |
| Net profit | 85,919 | 95,530 | 63,326 | -10.1% | 35.7% | 378,210 | 285,313 | 32.6% |
| Net margin | 21.0% | 21.6% | 15.3% | -0.6p.p. | 5.7p.p. | 22.4% | 17.8% | 4.6p.p. |
| Adjusted EBITDA 1 | 119,236 | 137,368 | 134,181 | -13.2% | -11.1% | 537,988 | 493,921 | 8.9% |
| Adjusted EBITDA margin | 29.2% | 31.1% | 32.4% | -1.9p.p. | -3.2p.p. | 31.9% | 30.8% | 1.1p.p. |
| Net debt (R\$ million) | 741,920 | 649,732 | 386,472 | 14.2% | 92.0% | 741,920 | 386,472 | 92.0% |
| Net debt/Adjusted EBITDA (x) | 1.38 | 1.18 | 0.78 | 16.9% | 76.9% | 1.38 | 0.78 | 76.9% |
| Operating Data (t) | | | | | | | | |
| Sustainable Packaging (Corrugated Cardboard) | | | | | | | | |
| Production/Sales | 39,687 | 45,759 | 36,666 | -13.3% | 8.2% | 159,840 | 157,549 | 1.5% |
| Sustainable Packaging Paper (Paper) | | | | | | | | |
| Production | 76,136 | 76,800 | 73,491 | -0.9% | 3.6% | 293,556 | 297,188 | -1.2% |
| Sales | 30,216 | 30,182 | 32,325 | 0.1% | -6.5% | 124,880 | 126,056 | -0.9% |
| Domestic market | 26,272 | 25,985 | 28,052 | 1.1% | -6.3% | 107,460 | 109,157 | -1.6% |
| Foreign market | 3,944 | 4,197 | 4,273 | -6.0% | -7.7% | 17,420 | 16,899 | 3.1% |
| Sustainable Resins (Rosin and Turpentine) | | | | | | | | |
| Production | 2,495 | 3,008 | 3,235 | -17.1% | -22.9% | 13,732 | 15,450 | -11.1% |
| Sales | 2,279 | 3,021 | 3,249 | -24.6% | -29.9% | 13,700 | 15,529 | -11.8% |
| Domestic market | 91 | 73 | 112 | 24.7% | -18.8% | 350 | 441 | -20.6% |
| Foreign market | 2,188 | 2,948 | 3,137 | -25.8% | -30.3% | 13,350 | 15,088 | -11.5% |

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

- Net revenue in 4Q22 decreased by 1.4% compared to 4Q21 and decreased 7.5% compared to 3Q22. In the comparison of the years, net revenue increased 5.0% in 2022 compared to 2021 and reached R\$ 1,686,666 thousand, mainly due to the increase in volume and prices of the Sustainable Packaging (Corrugated Cardboard) segment.
- The sales volume of the Sustainable Packaging (Corrugated Cardboard) segment increased 1.5% compared to 2021, and totaled 159,8 thousand tons in 2022, due to the strong demand of the segment in the year and also the good performance of industrial operations and the entry into operation of Gaia II, which added new production capacity. The Paper segment for Sustainable Packaging (Paper) totaled 124,9 thousand tons of sales, registering stability when compared to 2021. The Sustainable Resins segment (Gum Rosin and Turpentine) showed a reduction of 11.8%, reaching 13,7 thousand tons, due to the reduction in demand and the less favorable dynamics of this segment during 2022.
- The gross profit of 4Q22 increased by 14.7% compared to 4Q21 and a 7.0% decrease when compared to 3Q22. Compared to 2021, it increased 27.9% and reached R\$ 808,072 thousand. The growth in 2022 is related to revenue growth, combined with reductions in production costs and also the fair value of biological assets, higher in 2022 compared to 2021.
- Sales expenses in 2022 totaled R\$ 133,873 thousand, an increase of 23.2% when compared to 2021, and represented 7.9% of consolidated net revenue, higher than 6.8% in

2021, mainly due to the growth of fixed costs and, also, variable sales expenses such as freight, pressured by the increase in fuels. Administrative expenses in 2022 totaled R\$ 93,969 thousand, an increase of 15.9% when compared to 2021 in the amount of R\$ 81,094 thousand, and represented 5.6% of consolidated net revenue, up from 5.0% in 2021, mainly due to the ordinary growth of fixed costs in the period.

- Net income was R\$ 85,919 thousand profit in 4Q22 compared to R\$ 63,326 thousand in 4Q21 and R\$ 95,530 thousand in 3Q22. In the comparison of the years, the result was R\$ 378,210 thousand profit in 2022 when compared to R\$ 285,313 thousand profit in 2021. The main impacts on net income this year were related to the growth of net sales revenue and also to the change in the fair value of biological assets, resulting in an increase in gross margin and net income percentage.
- Adjusted EBITDA in 4Q22 was R\$ 119,236 thousand with a margin of 29.2%, 11.1% lower than in 4Q21, which was R\$ 134,181 thousand with a margin of 32.4%, and 13.2% lower than 3Q22, which was R\$ 137,368 thousand with a margin of 31.1%. In 2022, Adjusted EBITDA totaled R\$ 537,988 thousand, an increase of 8.9% compared to 2021 and a margin of 31.9%, 1.1 percentage points higher than 2021, demonstrating the Company's good performance in relation to increased revenues, cost reductions and consequent improvement in margins.
- The net debt/EBITDA ratio was 1.38 times in 2022, against 0.78 times in 2021. The increase in the indicator is due to the increase in net debt in a level greater than the increase in Adjusted EBITDA, due to negative free cash flow in the period, caused by disbursements of the execution of the Gaia platform investments. 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.
- A fundraising of R\$ 720 million was successfully concluded in 4Q22 through the issuance of debentures, which served as a ballast for the issuance of CRAs issued by Eco Securitizadora. The issuance had more than 80% participation of individuals and the resources will serve to strengthen the Company's liquidity position for investments in forest cultivation.
- The cash position at the end of December 2022 was R\$ 1,049,208 thousand (composed of financial investments and cash and cash equivalents) and 85% of gross debt is classified in the long term, 98% denominated in Reais and 2% denominated in foreign currency.

- Irani started to make up the portfolio of the B3 Dividend Index (IDIV), a group of shares with emphasis on shareholder remuneration and the Corporate Sustainability Index (ISE) portfolio, a comparative indicator of the performance of companies listed in B3 under the aspect of corporate sustainability. These achievements reinforce the commitment to ESG and the generation of return to shareholders, which demonstrates the strength of our business model as a secular trend.

BUSINESS OVERVIEW

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

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

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

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

Subsidiaries

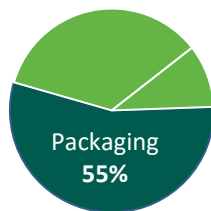
Irani Papel e Embalagem S.A. has the following wholly-owned subsidiaries:

- Habitasul Florestal S.A., with a forest base of 5.9 thousand hectares, of which 3.9 thousand hectares are planted with pine trees in the State of Rio Grande do Sul, which supplies resin to Resinas da Irani Papel e Embalagem S.A. and timber to customers in the region;
- HGE - Geração de Energia Sustentável S.A., non-operational;
- Iraflor Comércio de Madeiras Ltda., which carries out activities related to the management and sale of timber and forests for the parent company Irani Papel e Embalagem S.A. and the market;
- Irani Soluções para E-commerce Ltda., which operates in e-commerce packaging, and aims to provide sustainable packaging solutions for the market, through *e-commerce*;
- Irani Ventures Ltda., which operates with the objective of investing in selected startups, with innovative solutions, with high-tech products and services focused on the Company's business, already validated by the market and with high growth potential.

1. OPERATIONAL PERFORMANCE

1.1. Sustainable Packaging Segment (Corrugated Cardboard)

Revenue Contribution 2022



The sales volume of sustainable corrugated packaging of the Empapel Market in tons, as shown in the graphs below, recorded stability when compared to 4Q21, when the performance of the sales volume of the Irani Market increased by 8.2%, totaling 39,687 tons. Compared to 3Q22, the Empapel Market decreased 8.7%, when the Irani Market decreased 13.3%. In 2022, the Empapel Market decreased 2.2% compared to 2021 and the Irani Market increased 1.5%. This growth, superior than that of the market, is mainly due to the good performance of industrial operations, which provided greater availability for sale, and the start of the operation of Gaia II, which added productive capacity.

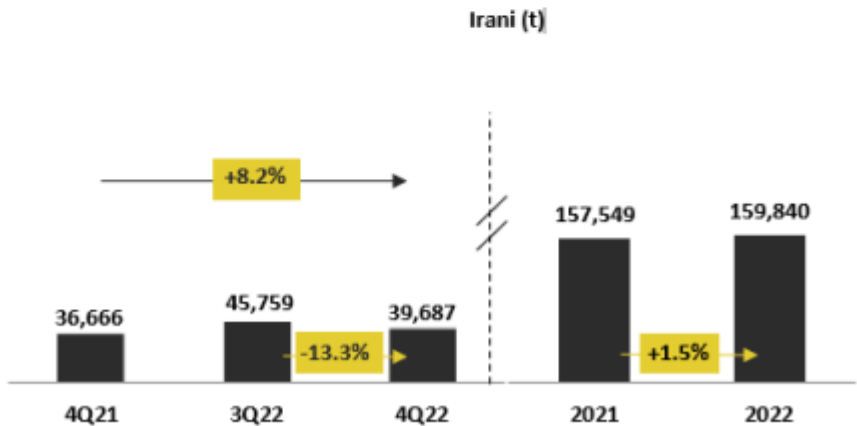
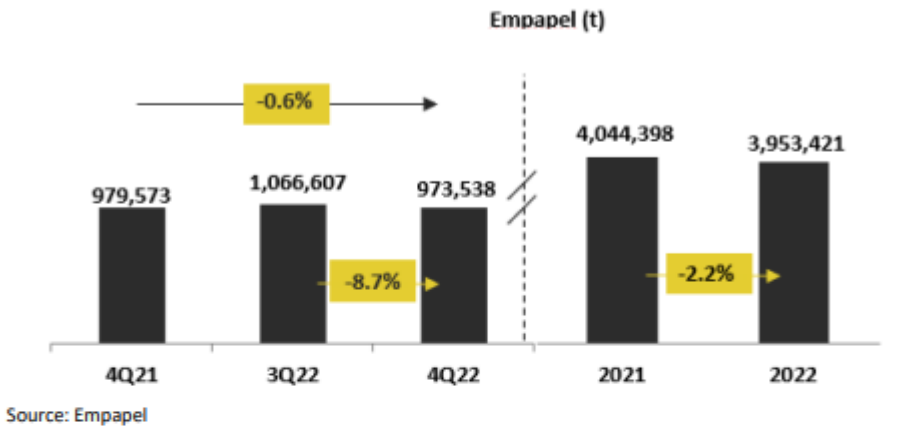
Market increased 1.5%. This growth, superior than that of the market, is mainly due to the good performance of industrial operations, which provided greater availability for sale, and the start of the operation of Gaia II, which added productive capacity.

In tons, Irani's market share in the Sustainable Packaging (Corrugated Cardboard) segment in 4Q22 was 4.1%, 3.7% in 4Q21, and 4.3% in 3Q22. In 2022, Irani's market share was 4.0%, when in 2021 it was 3.9%.

The sales volume of boxes in 2022 of the Irani Market recorded an increase of 3.5% compared to 2021, and a 1.6% reduction in the Empapel Market. Irani Market sheet sales fell 6.2% compared to a 5.9% reduction in the Empapel Market compared to 2021.

The units Packaging SP Indaiatuba and Embalagem SC Campina da Alegria accounted for 54% and 46% of the total sold in 2022 of corrugated cardboard, with its productions focused entirely on the domestic market.

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

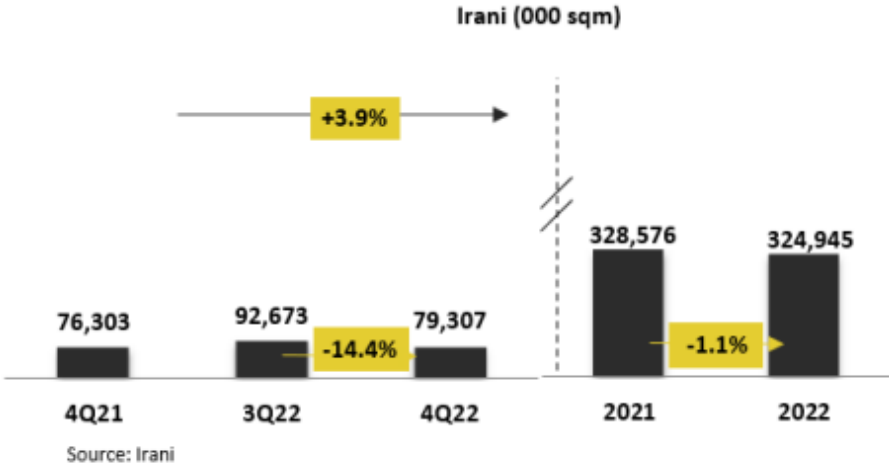
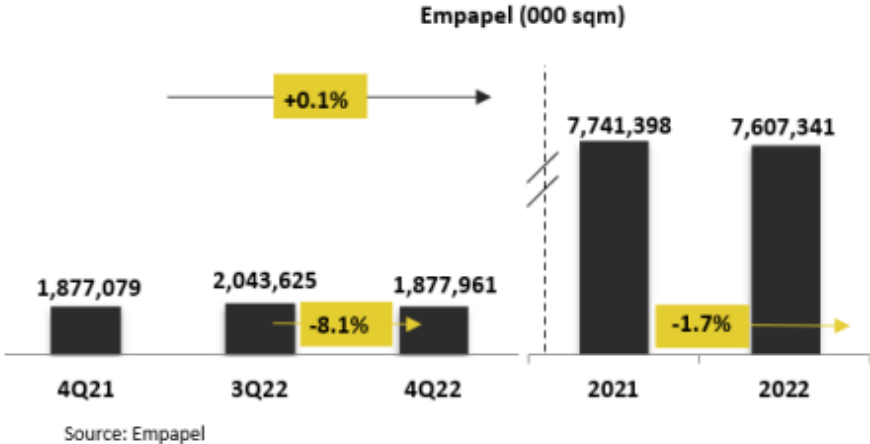


In square meters (m²), the sales volume of sustainable corrugated packaging in the Empapel Market showed stability in 4Q22 compared to 4Q21, while the Irani Market recorded an increase of 3.9%. Compared to 3Q22, the Empapel Market decreased by 8.1%, while the Irani Market recorded a reduction of 14.4%. In the comparison of 2022 with 2021, the Empapel Market recorded a reduction of 1.7% when the Irani Market recorded a reduction of 1.1%.

In square meters, the participation of the Irani Market was 4.2% in 4Q22, 4.0% in 4Q21, and 4.5% in 3Q22. Irani's sales volume in 2021 totaled 324,945 thousand m², reaching a market share of 4.3% in the year.

Still in square meters, the performance of box sales in 2022 in the Irani Market increased by 1.3% compared to a 1.0% drop in the Empapel Market. On the other hand, sales of sheets in the Irani Market registered a reduction of 10.2% compared to a 5.9% reduction in the Empapel Market.

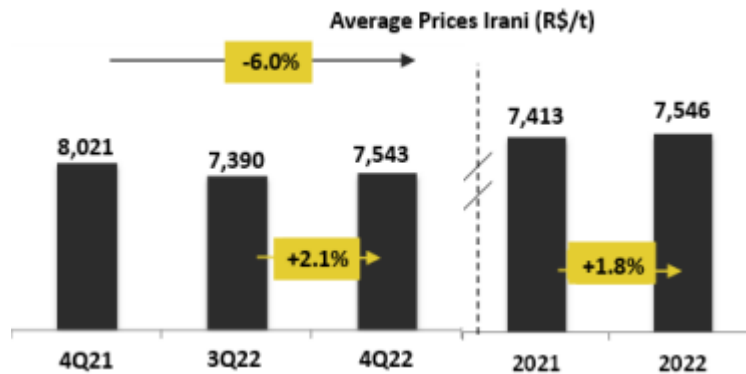
Sales Volume (in square meters) - Sustainable Packaging Segment (Corrugated Cardboard)



The volume of the SP Indaiatuba packaging plant reached 66,898 tons of boxes and 19,505 tons of paper sheets in 2022 compared to 70,341 tons of boxes and 21,928 tons of paper sheets in 2021.

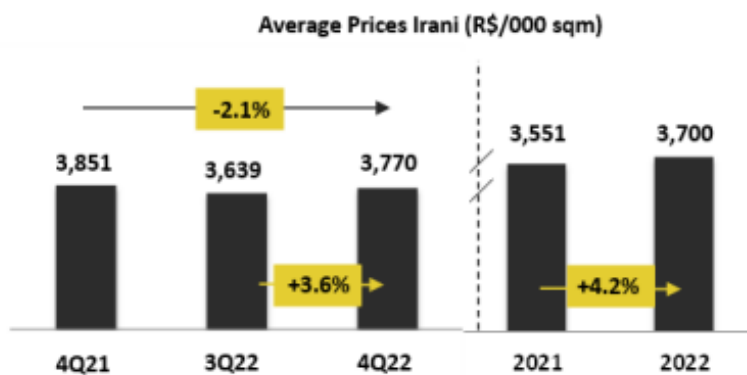
The volume of the Packaging Plant SC Campina da Alegria recorded sales volume of 61,814 tons of boxes and 11,623 tons of paper sheets in 2022 compared to 54,042 tons of boxes and 11,238 tons of paper sheets in 2021.

The average Irani price (CIF) ton, recorded a reduction of 6.0% in 4Q22 compared to 4Q21. In the third quarter of 2022, the Irani Market recorded an increase of 2.1%. In 2022, the change in Irani Market prices increased by 1.8% compared to 2021.



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 average Irani price (CIF) per m², recorded a reduction of 2.1% in 4Q22 compared to 4Q21. Compared to the third quarter of 2022, the Irani Market increased 3.6%. In 2022, the change in prices in the Irani Market registered growth of 4.2% compared to 2021.

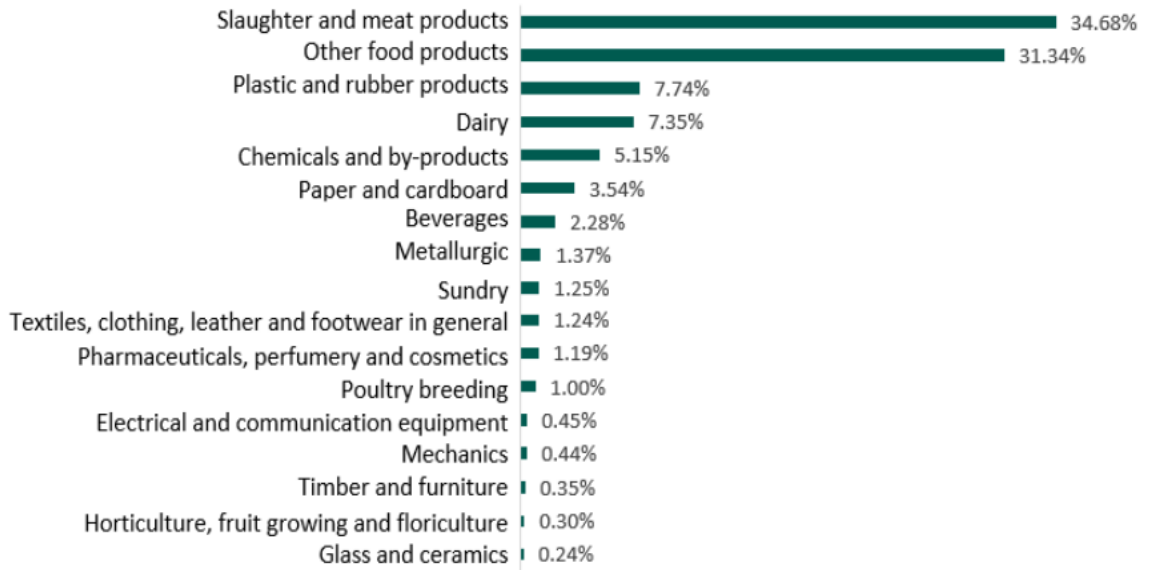


Methodological note: IRANI prices exclude Excise Tax (IPI), Social Contribution on Revenues (COFINS) and Value-added Tax on Sales and Services (ICMS) and are adjusted in accordance with the market mix of boxes and sheets..

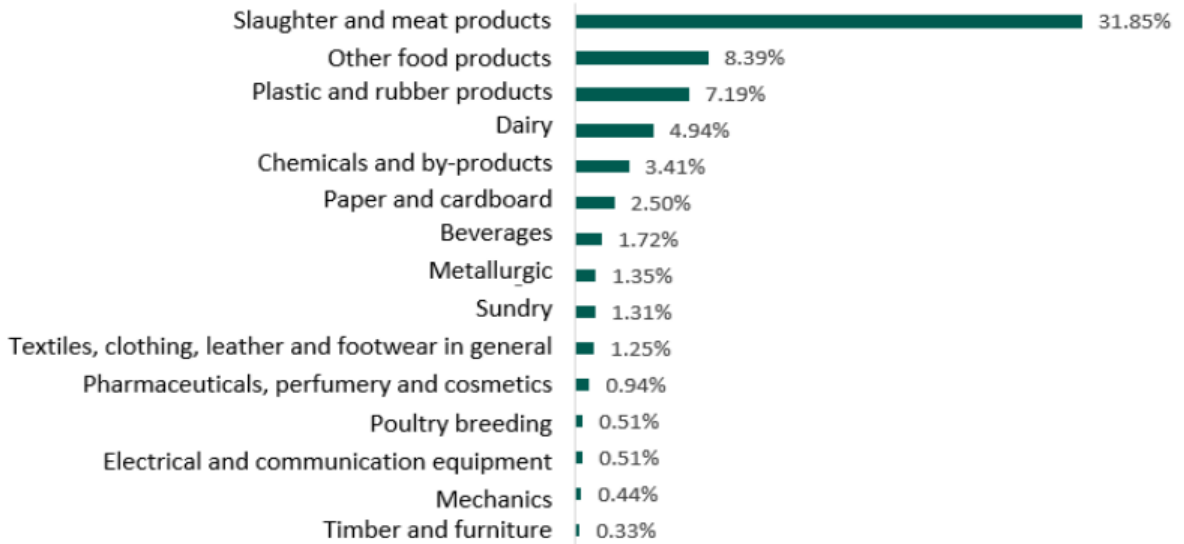
The prices per m² better reflect the market dynamics because they do not consider any variations in weight in the papers used for the manufacture of boxes and paper sheets.

The share of sales of this Segment by Sub-Segment in 2022 was as shown in the chart below:

Irani's Share by Segment (Tons)

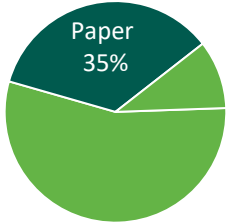


Irani's Share by Segment (Sqm)



1.2 Paper Segment for Sustainable Packaging (Paper)

Revenue Contribution 2022

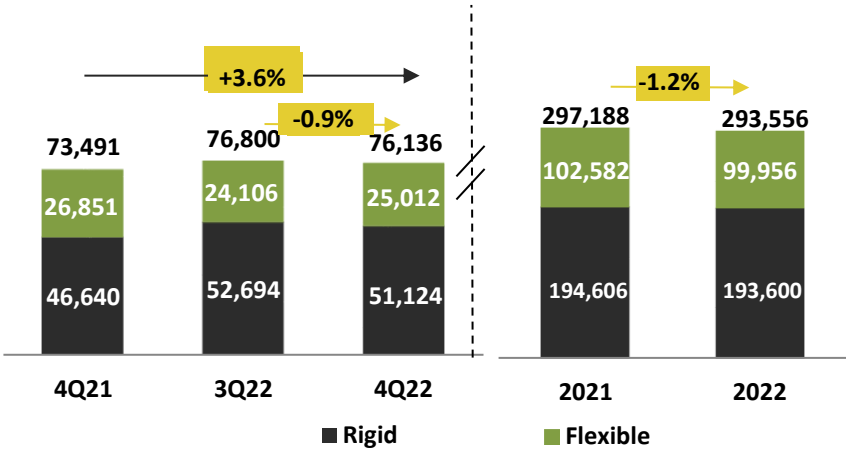


Irani operates in the Sustainable Packaging Paper (Paper) segment in the rigid packaging (corrugated cardboard) and flexible (sack) paper markets.

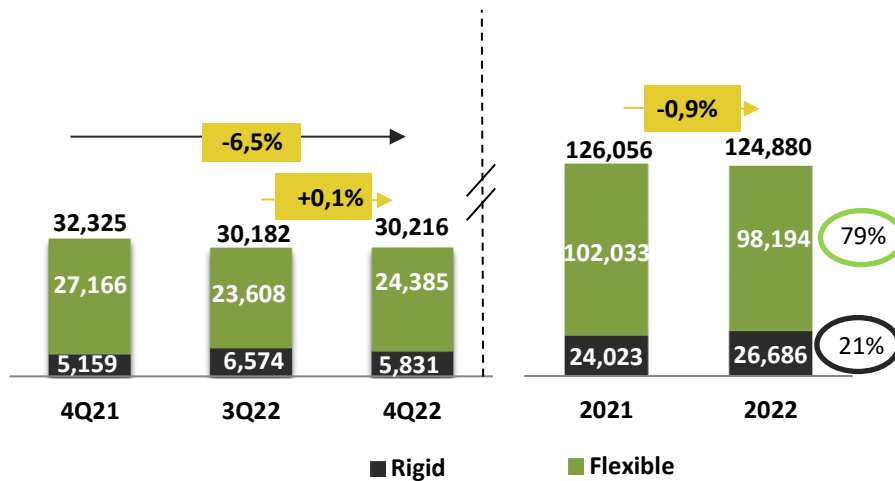
The 4Q22 marked the beginning of Gaia III operations, referring to the modernization of Paper Machine 2, which produces papers for sustainable packaging intended for retail (especially Bagkraft).

The Company's total production of paper for sustainable packaging in the quarter was 3.6% higher compared to 4Q21, and stable compared to 3Q22. In relation to sales, there was a reduction of 6.5% when compared to 4Q21 and stability in comparison to 3Q22. In the accumulated year, production totaled 293,556 tons, down 1.2% compared to 2021 and sales totaled 124,880 tons, stable compared to the previous year.

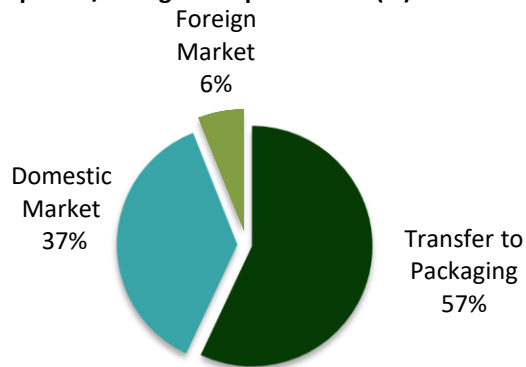
Total Production for Sustainable Packaging Paper



Total Sales for Sustainable Packaging Paper (t)



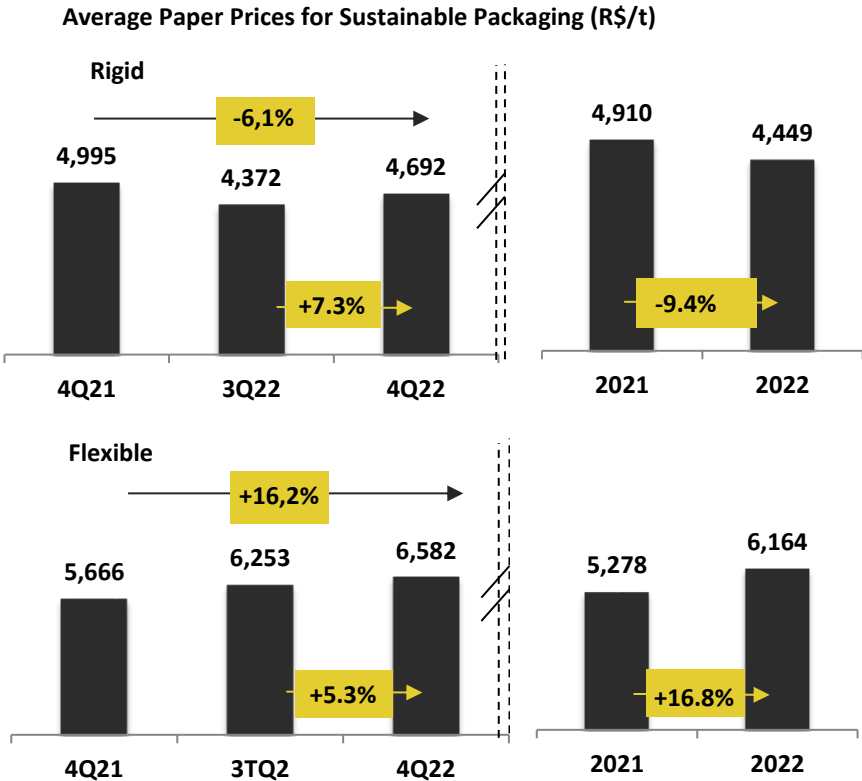
Shipment/Billings of Paper in 2022 (%)



In 4Q22, internal transfers of paper for rigid packaging (Corrugated Cardboard) totaled 40,522 tons (40,108t in 4Q21 and 46,998t in 3Q22). For the SP Indaiatuba Packaging plant, 18,608 tons (22,319t in 4Q21 and 23,570t in 3Q22) were transferred and, to the SC Campina da Alegria Packaging plant, 21,914 tons were transferred in 4Q22 (17,789t in 4Q21 and 23,428t in 3Q22). In 2022, transfers totaled 164,191 tons (169,220t in 2021), 84,400t to the SP Indaiatuba Packaging plant in 2022 (96,144t in 2021) and 79,791t for The SC Campina da Alegria Packaging plant (73,076t in 2021).

Of the total internal transfers in 2022, 51% went to the Embalagem SP Indaiatuba plant and 49% to the Embalagem SC Campina da Alegria. The Company adopts, for the purposes of management evaluation of business performance, market prices for the transfer of rigid papers from the Sustainable Packaging Paper (Paper) segment to the Sustainable Packaging (Corrugated Cardboard) segment.

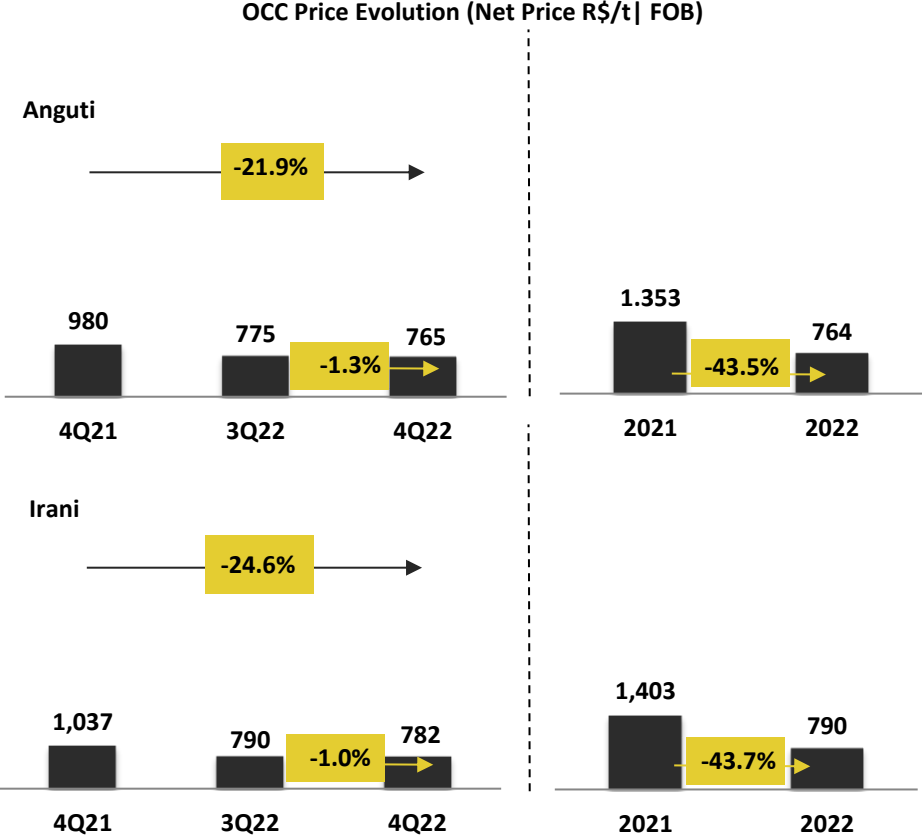
The papers for rigid packaging showed a 6.1% drop in prices in 4Q22 when compared to those practiced in 4Q21 and an increase of 7.3% when compared to 3Q22. In 2022, they showed a 9.4% decrease compared to 2021, due to the pressure for price reduction of these products observed in the market. Flexible packaging papers showed an increase of 16.2% when compared to 4Q21, and 5.3% when compared to 3Q22, especially due to the beginning of Gaia III operations during 4Q22. In the comparison of the years, the increase recorded was 16.8% between 2022 and 2021. 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, following the ESG trend.



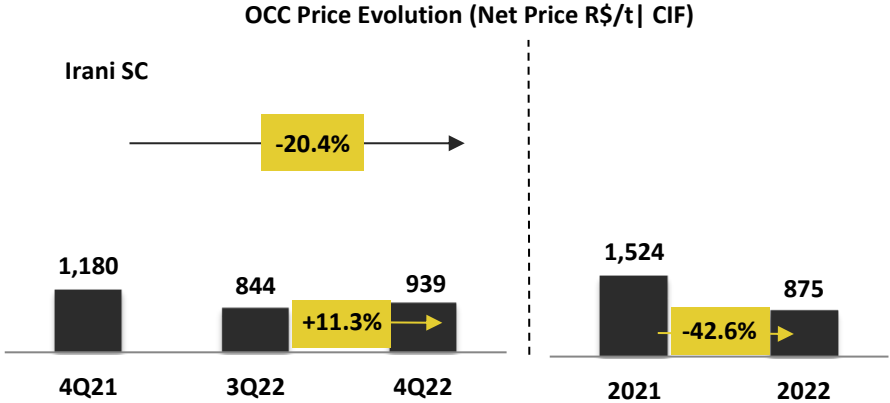
OCC (Old Corrugated Containers)

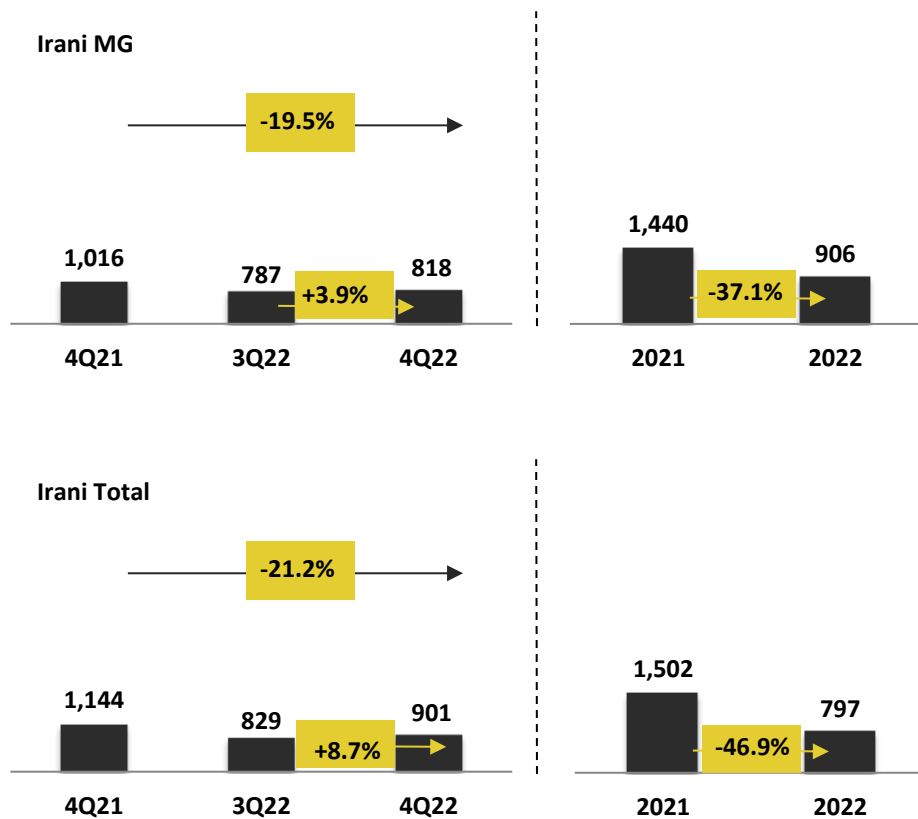
The Sustainable Packaging Paper (Paper) segment recycles OCC (used paper) as raw material to manufacture most of its products, especially those used for the production of Boxes and Corrugated Sheets of the Sustainable Packaging Segment (Corrugated Cardboard) of the Company, in the concept of circular economy. Recycling increases the life cycle of paper fiber, a resource that is renewable, because it originates in planted forests. The recycling of old corrugated containers contributes positively to the low-carbon economy, as the forests that gave rise to the fiber removed carbon from the atmosphere. OCC accounted for 23% of the total cost of paper production in 2022. The OCC market undergoes changes related to the consumption of the population, due to the collection of boxes discarded by wholesalers, trades and consumers and related to the demand for recycled paper, among other factors. In 2022, FOB prices of OCC decreased significantly when compared to 2021 and stability in 4Q22

compared to 3Q22. CIF prices increased in 4Q22 compared to 3Q22 due to higher freight costs, as presented in the chart below:

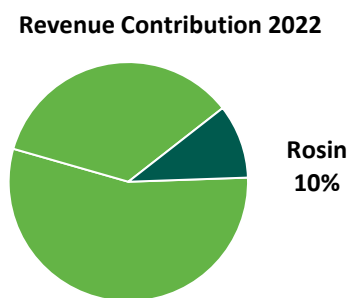


Methodological note: Anguti Statistics – Old Corrugated Containers Report.





1.3 Sustainable Resins Segment (Gum Rosin and Turpentine)

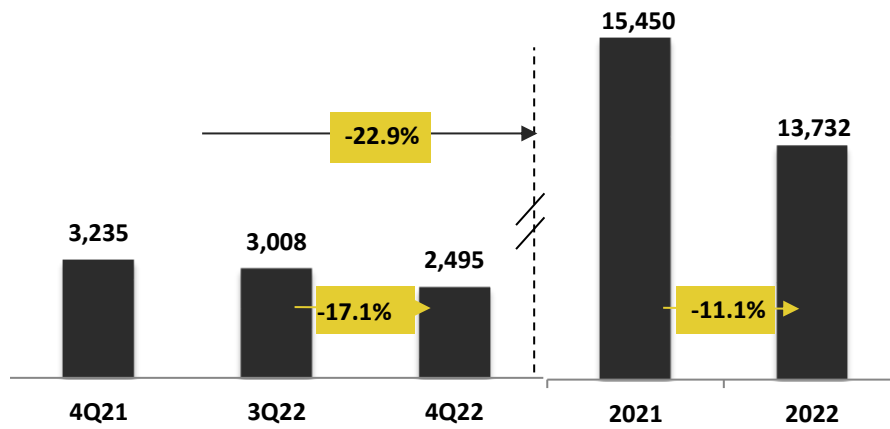


In 2022, the Rio Grande do Sul Forest operation produced and sold 62 thousand cubic meters of pine logs for the local market (61 thousand cubic meters in 2021) and supplied 2,045 tons of resins in natura (1,826 tons in 2021) to be used in the industrial process of manufacturing of rosin and turpentine.

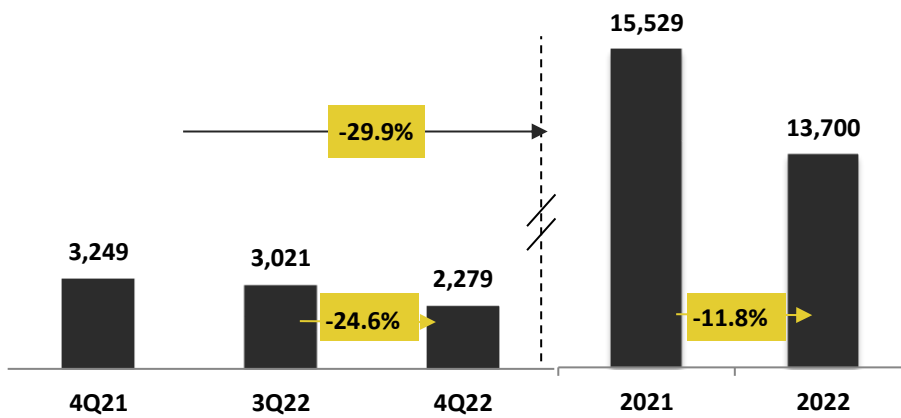
The volume of production in the Resina RS Balneário Pinhal unit in 4Q22 decreased by 22.9% when compared to 4Q21 and decreased 17.1% when compared to 3Q22, as well as sales volume, which decreased by 29.9% when compared to 4Q21 and a reduction of 24.6% compared to 3Q22 due to reduction in this market.

In the year, the volume of production was 13,732 tons, a drop of 11.1% when compared to 2021 and the sales volume was 13,700 tons, a drop of 11.8% when compared to 2021.

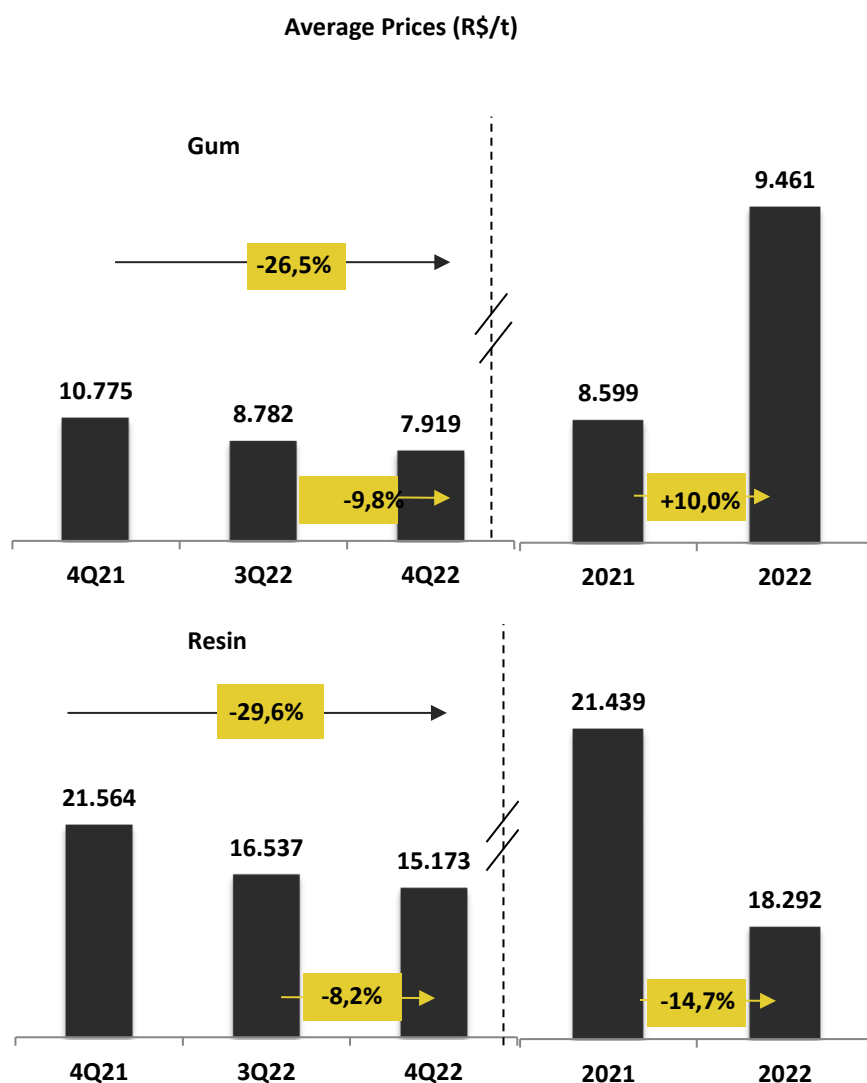
Production of Gum Rosin and Turpentine (t)



Sale of Gum Rosin and Turpentine (t)



In 2022, the average gross price of Gum rosin was 10.0% higher than in 2021. The turpentine price was reduced by 14.7% when compared to 2021. The price variations of these products are according to the international market and the exchange rate.



2. ECONOMIC AND FINANCIAL PERFORMANCE

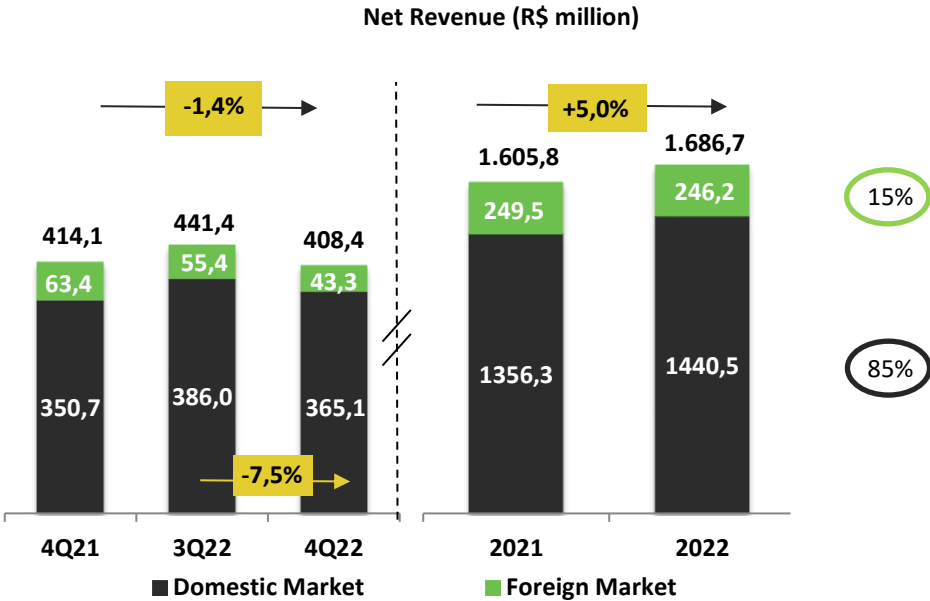
2.1 Net Sales Revenue

Net sales revenue for 4Q22 was R\$ 408,410 thousand, a decrease of 1.4% compared to 4Q21 and a 7.5% decrease compared to 3Q22. In the year, revenue totaled R\$ 1,686,666 thousand, a growth of 5.0% when compared to the same period of the previous year, due mainly to the increase in volume and prices of the Sustainable Packaging Segment (Corrugated Cardboard).

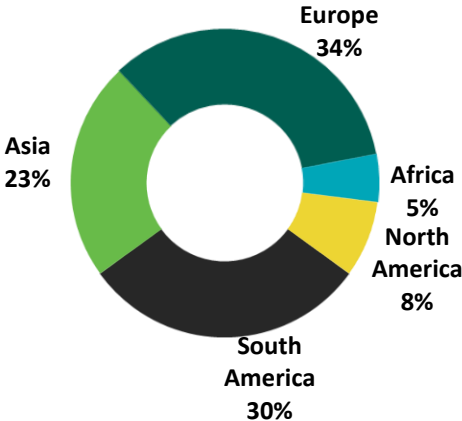
In the domestic market, net sales revenue was R\$ 365,138 thousand in the quarter and showed an increase of 4.1% compared to 4Q21 and a 5.4% decrease compared to 3Q22. In 2022, net sales revenue of this market totaled to R\$ 1,440,498 thousand, an increase of 6.2% compared to 2021. Domestic revenue accounted for 85% of Irani's total revenue in 2022.

Exports in 4Q22 reached R\$ 43,272 thousand, 31.7% lower than in 4Q21 and 21.9% lower than in 3Q22.

In 2022, Exports sales totaled R\$ 246,168 thousand, 1.3% lower than in 2021, representing 15% of total net sales revenue. Europe was the main destination for exports, concentrating 34% of foreign market revenue, followed by South America with 30%. The other markets include: Asia (23%), North America (8%) and Africa (5%).

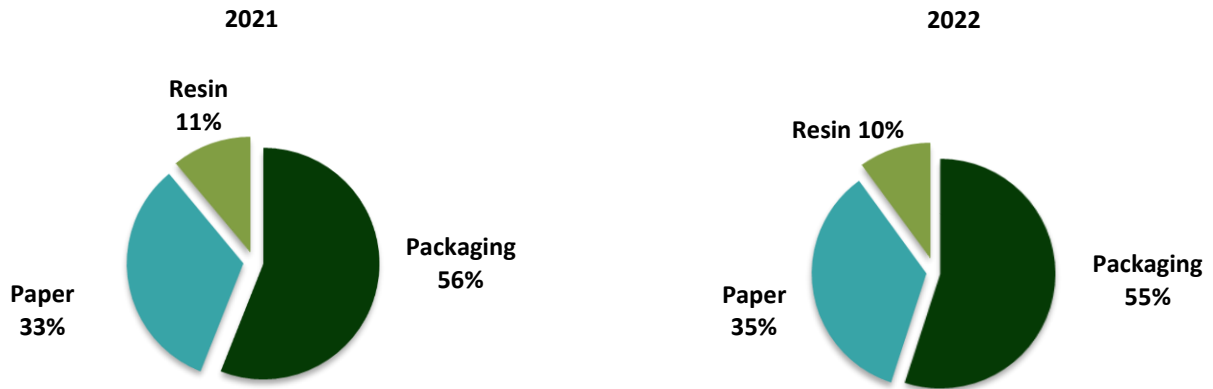


Net income - Foreign market per region 2022



Irani's main segment of activity is the Sustainable Packaging (Corrugated Cardboard) segment, responsible for 55% of consolidated net revenue in 2022, followed by the Sustainable Packaging Paper (Paper) segments with 35%, and Sustainable Resins (Gum Rosin and Turpentine), with 10%.

Net Revenue by Segment

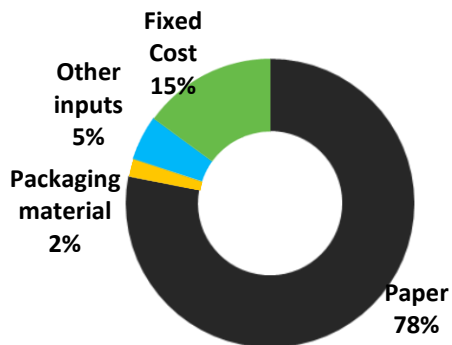


2.2 Cost of Goods Sold

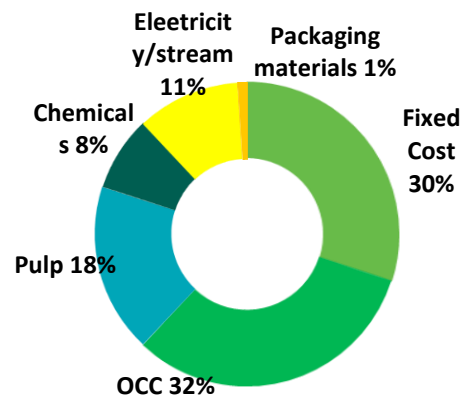
The cost of products sold in 2022 was R\$ 1,017,597 thousand, stable compared to 2021 in absolute values, but which reflects the cost reduction of OCC in the period, and which is offsetting the growth of the Company's other production costs. Change in fair value of biological assets is not considered in the cost value of sold products in both periods.

The formation of the cost per Segment of Irani's operations in 2022 is shown in the graphs below:

Sustainable Packaging (Corrugated Cardboard)

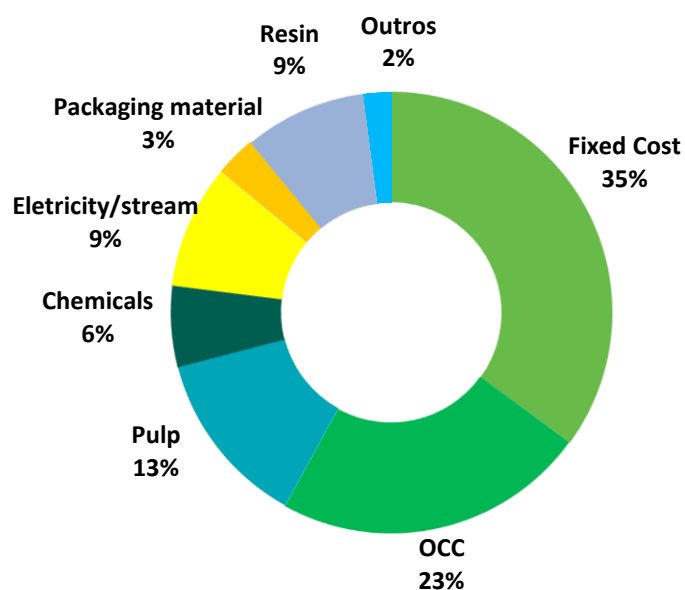


Sustainable Packaging Paper (Paper)*



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

Total Cost 2022



2.3 Operating income and expenses

Sales expenses in 2022 totaled R\$ 133,873 thousand, 23.2% higher than in 2021, and represent 7.9% of consolidated net revenue, compared to 6.8% in 2021, mainly due to the growth of fixed costs and, also, variable sales expenses such as freight, pressured by the increase in fuels.

Administrative expenses in 2022 totaled R\$ 93,969 thousand (R\$ 81,094 thousand in 2021), an increase of 15.9% compared to 2021, mainly due to the ordinary growth in fixed costs in the period, and represented 5.6% of consolidated net revenue, compared to 5.0% in 2021.

Other net operating income/expenses resulted in a revenue of R\$ 15,597 thousand in 2022, against a revenue of R\$ 7,490 thousand in 2021.

3. OPERATING CASH GENERATION (ADJUSTED EBITDA)

| Consolidated (R\$ thousand) | 4Q22 | 3Q22 | 4Q21 | Chg. 4Q22/ 3Q22 | Chg. 4Q22/ 4Q21 | 2022 | 2021 | Chg. 2022/2021 |
|---|----------------|----------------|----------------|-----------------------|-----------------------|----------------|----------------|-------------------|
| Net profit | 85.919 | 95.530 | 63.326 | -10,1% | 35,7% | 378.210 | 285.313 | 32,6% |
| Current and deferred income tax and social contribution | 28.455 | 42.737 | 34.084 | -33,4% | -16,5% | 140.150 | 104.900 | 33,6% |
| Depletion | 6.243 | 8.923 | 7.369 | -30,0% | -15,3% | 32.521 | 21.991 | 47,9% |
| Depreciation and amortization | 19.176 | 18.056 | 18.259 | 6,2% | 5,0% | 70.507 | 70.453 | 0,1% |
| Financial income (loss) | 14.175 | 15.055 | 13.231 | -5,8% | 7,1% | 61.503 | 45.611 | 34,8% |
| EBITDA | 153.968 | 180.301 | 136.269 | -14,6% | 13,0% | 682.891 | 528.268 | 29,3% |
| EBITDA margin | 37,7% | 40,8% | 32,9% | -3,1p.p. | 4,8p.p. | 40,5% | 32,9% | 7,6p.p. |
| Adjustments according to CVM Instruction 527/12 | | | | | | | | |
| Change in fair value of biological assets (1) | (40.208) | (37.571) | (3.114) | 7,0% | 1191,2% | (139.003) | (43.849) | 217,0% |
| Non-recurring events(2) | 3.151 | (7.274) | - | - | - | (21.352) | (4.530) | 371,3% |
| Ownership interest of managers (3) | 2.325 | 1.912 | 1.026 | 21,6% | 126,6% | 15.452 | 14.032 | 10,1% |
| Adjusted EBITDA | 119.236 | 137.368 | 134.181 | -13,2% | -11,1% | 537.988 | 493.921 | 8,9% |
| Adjusted EBITDA margin | 29,2% | 31,1% | 32,4% | -1,9p.p. | -3,2p.p. | 31,9% | 30,8% | 1,1p.p. |

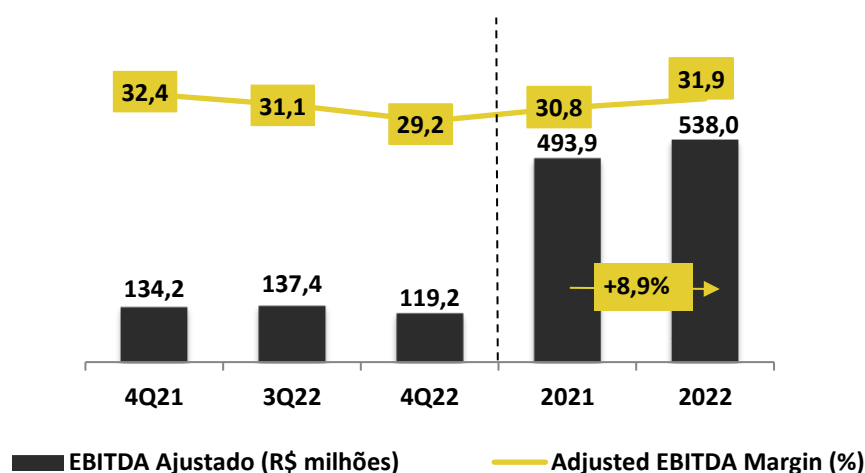
1 Change in the fair value of biological assets, as it does not represent cash generation in the period.

2 Non-Recurring Events: The amount of (R\$ 21,352) thousand refers to pis and cofins credit on depreciation in the amount of (R\$ 3,225 thousand), the Provision for Contingency INSS - Cont. Substitutive in the amount of R\$ 6,376,000 (R\$

3 Directors' participation: The amount of R\$ 15,452,000 refers to the provision of the participation of the directors in the Company's results.

Operating cash generation, measured by adjusted EBITDA of the operation, totaled R\$ 537,988 thousand in 2022, with a margin of 31.9% and 8.9% higher than in 2021, totaled R\$ 493,921 thousand. The 1.1 percentage point increase in margin demonstrates the Company's good performance in relation to increased revenues and cost reductions.

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



4. FINANCIAL RESULTS AND INDEBTEDNESS

Financial Results

The financial result is distributed as follows:

| R\$ thousand | 4Q22 | 3Q22 | 4Q21 | 2022 | 2021 |
|--|----------|----------|----------|-----------|----------|
| Financial Revenues | 44,016 | 19,978 | 12,939 | 102,825 | 53,261 |
| Financial Expenses | (58,191) | (35,033) | (26,170) | (164,328) | (98,872) |
| Financial Results | (14,175) | (15,055) | (13,231) | (61,503) | (45,611) |
| Foreign-exchange income | 4,524 | 3,821 | 3,504 | 22,862 | 31,204 |
| Foreign exchange costs | (4,197) | (4,782) | (3,339) | (25,965) | (32,889) |
| Net exchange-rate variation | 327 | (961) | 165 | (3,103) | (1,685) |
| Financial Revenues without exchange-rate variation | 39,492 | 16,157 | 9,435 | 79,963 | 22,057 |
| Financial expenses without exchange-rate variation | (53,994) | (30,251) | (22,831) | (138,363) | (65,983) |
| Financial income (loss) without exchange-rate change | (14,502) | (14,094) | (13,396) | (58,400) | (43,926) |

The financial income (loss), without exchange-rate variation, was negative of R\$ 14,502 thousand in 4Q22, stable in relation to R\$ 13,396 thousand in 4Q21, and R\$ 14,094 thousand in 3Q22.

In 2022, financial income (loss), without exchange-rate variation, was negative at R\$ 58,400 thousand against R\$ 43,926 thousand in 2021. The increase in 2022 compared to 2021 is mainly due to: (i) the increase in the basic interest rate (SELIC), which impacted the average cost of debt; and (ii) the increase in net debt, mainly due to disbursements of Gaia platform investments.

In 4Q22, R\$ 7,520 thousand of interest and guarantees related to the financing of FINAME (BNDES) were immobilized for the investments of plataforma Gaia. In 2022, this amount corresponded to R\$ 39,046 thousand, compared to R\$ 7,216 thousand in 2021. Such values are not included in the table above.

The exchange-rate variation positively impacted the Company's results by R\$ 327 thousand in 4Q22, compared to the positive impact of R\$ 165 thousand in 4Q21 and against the negative impact of R\$ 961 thousand in 3Q22. The exchange-rate variation had a negative impact of R\$ 3,103 thousand in 2022 compared to a negative impact of R\$ 1,685 thousand in 2021. The appreciation of the real against the dollar in this quarter and year negatively impacts the balance of accounts receivable from external customers and positively impacts the balance of debt in foreign currency.

As of December 31, 2022, the Company maintained only 2% of its debt in foreign currency.

Considering the aforementioned factors, the financial income (loss) was negative by R\$ 14,175 thousand in 4Q22, representing an increase of 7.1% in relation to 4Q21 and a reduction of 5.8% compared to 3Q22. In 2022, the financial income (loss) was negative by R\$ 61,503 thousand, representing an increase of 34.8% when compared to 2021.

Foreign exchange

The exchange rate, computed as R\$ 5.58/US\$ as of December 31, 2021, was 6.45% lower at the end of December 2022 and reached R\$ 5.22/US\$. The average exchange rate for this year was R\$ 5.16/US\$, lower by 4.44% when compared to the exchange rate of the same period of 2021.

| R\$ thousand | 4Q22 | 3Q22 | 4Q21 | Δ4Q22/3Q22 | Δ4Q22/4Q21 | 2022 | 2021 | Δ2022/2021 |
|--|------|------|------|------------|------------|------|------|------------|
| Final foreign exchange rate - Dollar | 5.22 | 5.41 | 5.58 | -3.33% | -6.45% | 5.22 | 5.58 | -6.45% |
| Average foreign exchange rate - Dollar | 5.26 | 5.25 | 5.58 | +0.19% | -5.73% | 5.16 | 5.40 | -4.44% |

Source: Brazilian Central Bank

Indebtedness

| Consolidated (R\$ thousand) | 2022 | 2021 |
|---------------------------------|-------------|-------------|
| Current | 273,464 | 91,384 |
| Non-current | 1,517,664 | 801,356 |
| Gross debt ¹ | 1,791,128 | 892,740 |
| Current | 15% | 10% |
| Non-current | 85% | 90% |
| Domestic currency | 1,750,830 | 864,292 |
| Foreign currency | 40,298 | 28,448 |
| Gross debt ¹ | 1,791,128 | 892,740 |
| Domestic currency | 98% | 97% |
| Foreign currency | 2% | 3% |
| Cash balance | 1,049,208 | 506,268 |
| Net debt | 741,920 | 386,472 |
| Adjusted EBITDA LTM | 537,988 | 493,921 |
| Net debt/Adjusted EBITDA | 1.38 | 0.78 |

¹ Gross debt is calculated by adding loans and financing, debentures and derivative financial instruments – *swap*.

Net debt, as of December 31, 2022, totaled R\$ 741,920 thousand compared to R\$ 386,472 thousand as of December 31, 2021, representing an increase of 92.0% or R\$ 355,448 thousand, due to negative free cash flow in the period mainly caused by disbursements of Gaia platform investments.

Gross indebtedness as of December 31, 2022 totaled R\$ 1,791,128 thousand compared to R\$ 892,740 thousand at December 31, 2021, representing an increase of 100.6% or R\$ 898,388 thousand, mainly due to: (i) the 5th Issuance of Private Green Debentures in 4Q22 in the amount of R\$ 720,000 thousand, linked to a securitization operation, serving as a ballast for the issuance and public distribution of agribusiness receivables certificates (CRAs) of the 194th Issuance of Eco Securitizadora De Direitos Creditórios do Agronegócio S.A. (information related to this operation is disclosed in the Capital Markets section of this report); (ii) the partial entry of Finame Direto resources from BNDES in 2Q22, in the amount of R\$ 176,099 thousand.

The gross indebtedness profile, as of December 31, 2022, was 15% with short-term maturity and 85% maturing in the long term and 98% was denominated in local currency and 2% in foreign currency. The average cost of debt in 2022 was 13.8% p.a. The cost of debt considers the fixed interest related to the financing of Gaia platform investments.

The cash position at the end of December 2022 was R\$ 1,049,208 thousand (composed of financial investments and cash and cash equivalents), compared to R\$ 506,268 thousand as of December 31, 2021. Information about the variation in cash position is disclosed in the Free Cash Flow section as well as in the Cash position section of this report.

The Net Debt/EBITDA ratio was 1.38 times in 2022, against 0.78 times in 2021. The improvement in the indicator is due to the increase in Net Debt at a level greater than the increase in Adjusted EBITDA, due to negative free cash flow in the period, caused by disbursements of Gaia platform investments. 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.

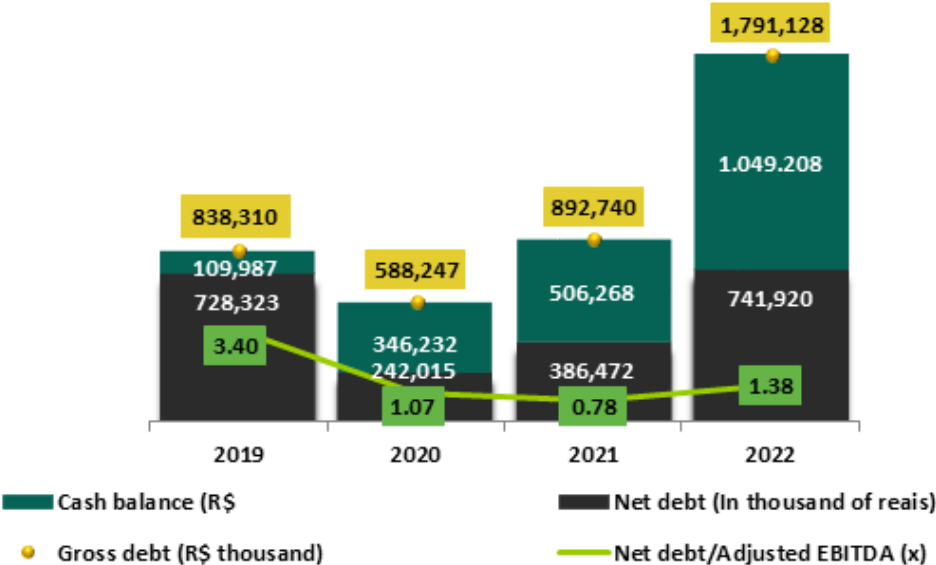
According to [Material Fact of May 28, 2021](#), the Company's Board of Directors approved the contracting of financing with the Agência Especial de Financiamento Industrial S.A. - FINAME (BNDES), in the amount of up to R\$ 484,000 thousand, to be used in the execution of the planned investments in the Gaia Platform. The granting of financing to the Company was approved by FINAME Executive Board on May 27, 2021, under the credit facility named FINAME DIRETO, and the agreement was signed on May 31, 2021.

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

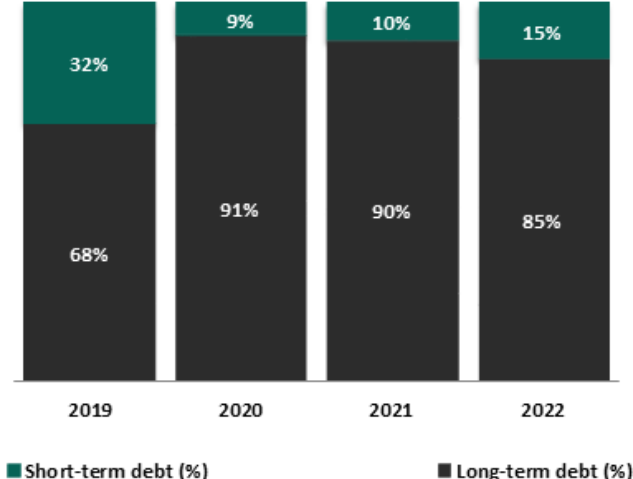
The effective interest, which considers the cost of BNDES and the commission of the letters of guarantees of the operation is IPCA + 6.24% p.a.

The inflow of funds will occur upon release requests, as the acquisitions and payment for the Gaia platform equipment are made. Until December 31, 2022, there were two partial releases, totaling R\$ 412,615 thousand, the first during 4Q21 in the amount of R\$ 236,517 thousand and the second during 3Q22, in the amount of R\$ 176,099 thousand. Therefore, R\$ 71,384 thousand remains to be received.

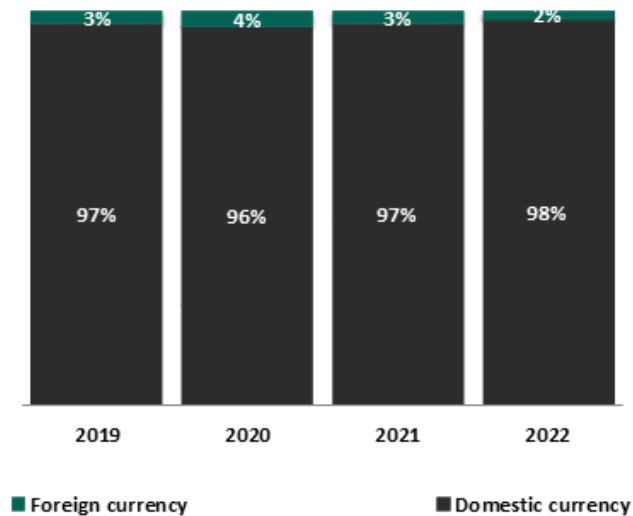
Indebtedness and Net Debt/Adjusted EBITDA



Gross debt profile



Breakdown of gross debt



5. CREDIT RATING

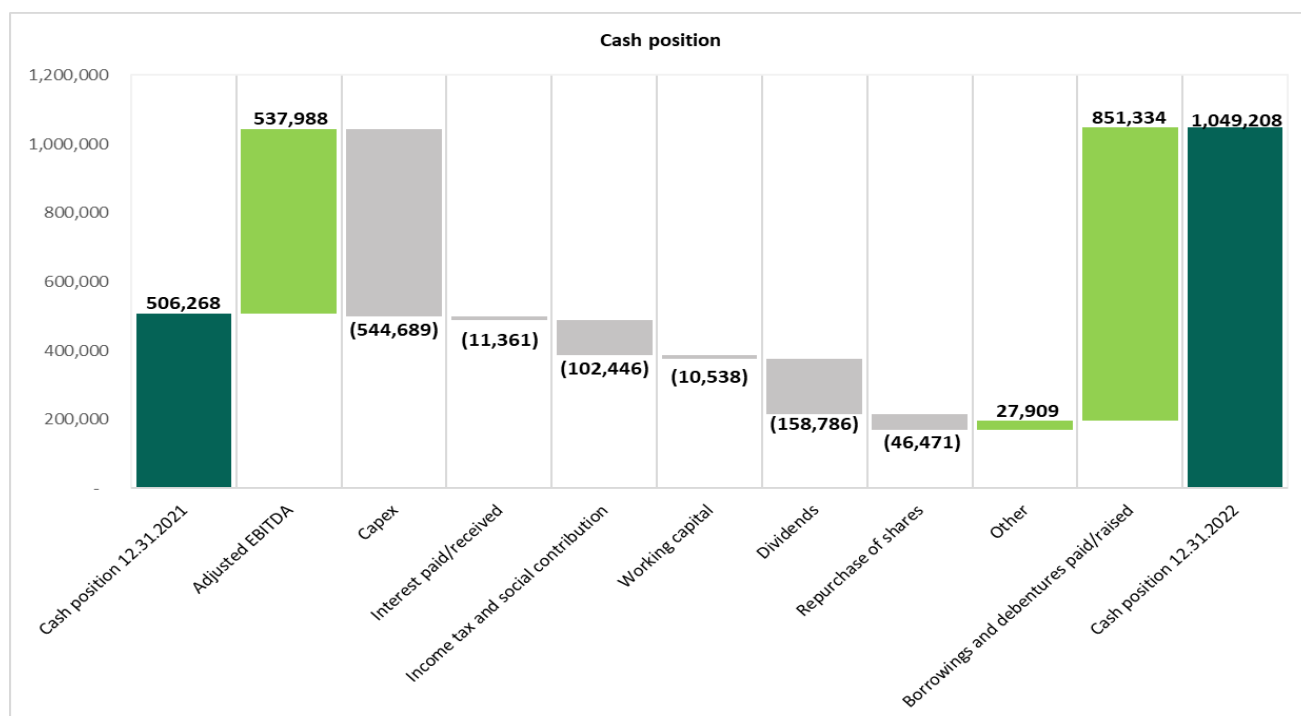
On February 24, 2022, S&P Global Ratings reviewed the Company's annual credit ratings and debenture issues. The long-term issuer credit rating of 'brAA' was maintained on the National Brazilian Scale, [assigned on July 5, 2021](#). According to the agency, the stable outlook of the issuer rating indicates the expectation that Irani will maintain a growing cash generation in the coming years, with higher profitability and strengthening its credit metrics, in addition to the expectation that the company will remain as an isolated entity in relation to refinancing risks at the level of the controlling group.

The 'brAA+' ratings assigned on July 5, 2021 were also maintained for the 3rd Public Issue of Green Debentures and 4th Private Issuance of Green Debentures.

On September 26, 2022, S&P Global Ratings [awarded the rating 'brAA \(sf\)' to the CRAs of the 194th Issuance of Eco Securitizadora linked and backed by the 5th Private Issuance of Green Debentures](#).

6. CASH POSITION

At December 31, 2021, the Company's cash position was R\$ 506,268 thousand and ended 2022 at R\$ 1,049,208 thousand, increased by 107.2% in 2022. The sources and applications of the resources are presented as follows:



¹ Considers the disbursement of R\$ 37,457 thousand interest and fixed guarantees of property, plant and equipment referring to the financing of investments of Gaia Plataforma.

7. FREE CASH FLOW

| Free cash flow | 4Q22 | 3Q22 | 4Q21 | 2022 | 2021 |
|--|-----------------|-----------------|------------------|------------------|------------------|
| Adjusted EBITDA | 119,236 | 137,368 | 134,181 | 537,988 | 493,921 |
| (-) Capex ⁽¹⁾ | (136,778) | (124,193) | (154,606) | (544,689) | (395,561) |
| (-) Interest paid/received | 28,162 | (27,310) | (4,025) | (11,361) | (42,834) |
| (-) Income tax and social contribution (cash) | (26,847) | (27,513) | (30,374) | (102,446) | (85,653) |
| (+/-) Working capital | (7,042) | 12,858 | (1,990) | (10,538) | 5,047 |
| (-) Dividends + interest on shareholders' equity | (23,567) | (23,626) | (25,670) | (158,786) | (89,933) |
| (-) Repurchase of shares | (4,479) | (15,983) | (18,565) | (46,471) | (18,565) |
| (+/-) Other | (1,267) | 14,089 | 1,014 | 28,496 | 5,640 |
| Free cash flow | (52,582) | (54,310) | (100,035) | (307,807) | (127,938) |
| Dividends + interest on shareholders' equity | 23,567 | 23,626 | 25,670 | 158,786 | 89,933 |
| Repurchase of shares | 4,479 | 15,983 | 18,565 | 46,471 | 18,565 |
| Gaia Platform(1) | 108,510 | 98,681 | 127,166 | 440,339 | 313,959 |
| Expansion projects | 25 | - | 68 | 78 | 1,858 |
| Adjusted free cash flow(2) | 83,999 | 83,979 | 71,434 | 337,867 | 296,376 |
| Adjusted FCF Yield(3) | | | | 18.8% | 16.7% |

(1) Considers the disbursement of R\$ 5,965 thousand in 4Q21, R\$ 1,162 thousand in 1Q22, R\$ 24,845 thousand in 2Q22 and R\$ 1,329 thousand in 3Q22 and R\$ 10,120 thousand of interest and sureties paid, referring to the financing of investments in the Gaia Platform.

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

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

Adjusted Free Cash Flow, disregarding investments in the Gaia Platform and other Expansion Projects,

as well as shareholder compensation, was R\$ 83,999 thousand in 4Q22, demonstrating consistency in our cash generation.

The interest received in 4Q22 was positively impacted by the application of the resources obtained with the 5th Issuance of Green Debentures, ballast for the issuance of agribusiness receivables certificates (CRAs), which has semi-annual interest payment in February and August.

In 4Q22, R\$ 23,567 thousand in dividends related to 3Q22 results were distributed, representing a payout of 25% of the base profit for dividend distribution for that quarter. The total dividends and interest on Shareholder's equity paid in 2022 was R\$ 158,786 thousand, an increase of 76.6% over the amount paid in 2021. More details on shareholder compensation are available in the Capital Market section of this report.

In 2022, Adjusted Free Cash Flow was R\$ 337,867 thousand, an increase of 14% over the R\$ 296,376 thousand recorded in 2021. The 8.9% increase in annual EBITDA, the lowest interest payment and the receipt of the sale of assets contributed positively. In a negative way, there was largest disbursement with Maintenance Capex, higher payment of income taxes and social contribution given the increase in net income in the period, and the increase in the need for working capital, due to the increase in annual net revenue.

Free Cash Flow Yield was 18.8% in 2022, an increase of 2.1 p.p. compared to 2021.

8. RETURN ON INVESTED CAPITAL (ROIC)

Return on Invested Capital (ROIC) was 23.0% in the last 12 months, accounting for a decrease of 1.5 p.p. from the 12 months ended September 30, 2022 and 1.9 p.p. compared to the 12 months ended December 31, 2021. The reduction recorded in relation to the previous quarter is mainly due to the increase in Adjusted Invested Capital. 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.

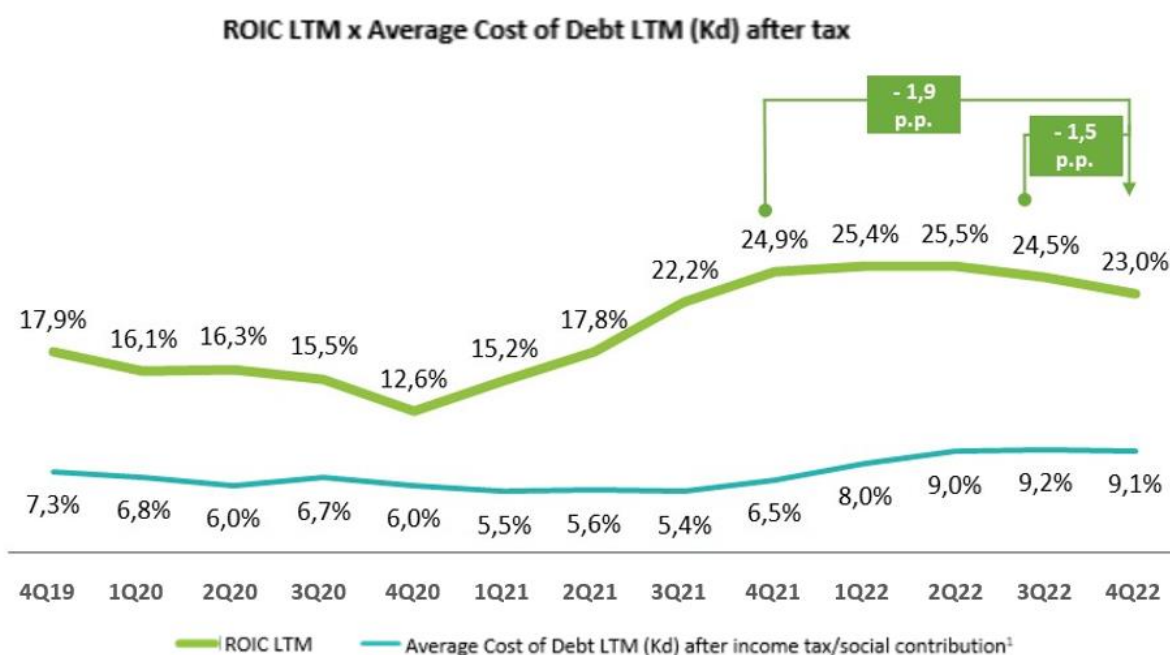
| ROIC (R\$ thousand) – LTM(1) | 4Q22 | 3Q22 | 4Q21 |
|-------------------------------------|------------------|------------------|------------------|
| Total assets | 2,689,926 | 2,528,667 | 2,083,547 |
| (-) Total liabilities (former debt) | (533,923) | (512,923) | (482,848) |
| (-) Works in progress | (580,687) | (502,546) | (201,851) |
| Capital invested | 1,575,317 | 1,513,198 | 1,398,849 |
| (-) Adjustment - CPC 29(2) | (132,556) | (110,808) | (81,116) |
| Adjusted Invested Capital | 1,442,761 | 1,402,390 | 1,317,733 |

| | | | |
|---|----------------|----------------|----------------|
| Adjusted EBITDA | 537,988 | 552,933 | 493,921 |
| (-) Capex for Maintenance | (104,274) | (103,401) | (79,745) |
| (-) Income tax and social contribution (cash) | (102,446) | (105,973) | (85,653) |
| Adjusted operating cash flow | 331,268 | 343,559 | 328,523 |
| ROIC⁽³⁾ | 23.0% | 24.5% | 24.9% |

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

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

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



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

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 December 31, 2022 would be 21.1%.

9. FAIR VALUE ASSESSMENT OF BIOLOGICAL ASSETS (FORESTS)

As of 2010, the Company began to measure the fair value of its biological assets (forests) periodically, as determined by CPC 29/IAS 41. The change in the fair value of its biological assets has had an effect on the Company's 2022 results, as shown below:

Effects of changes in fair value of biological assets

| R\$ thousand | 2022 | 2021 |
|---|----------|----------|
| Change in the fair value of biological assets | 139,003 | 43,849 |
| Depletion of fair value of biological assets | (24,191) | (15,454) |

The change in the fair value of biological assets was positive in 2022, mainly due to the increase in the price of wood in the period.

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

10. OPERATING INCOME (LOSS) BEFORE TAXES AND INTEREST

In 4Q22, the operating profit (loss) before taxes and profit sharing was R\$ 114,374 thousand positive compared to R\$ 97,410 thousand in 4Q21 and R\$ 138,267 thousand positive in 3Q22. In 2022, operating profit (loss) before taxes and profit-sharing totaled R\$ 518,360 thousand positive, higher in comparison to 2021, recorded at R\$ 390,213 thousand.

11. NET PROFIT

In 4Q22, net profit was R\$ 85,919 thousand compared to a profit of R\$ 63,326 thousand in 4Q21 and R\$ 95,530 thousand in profit in 3Q22. In 2022, net profit was R\$ 378,210 thousand compared to a profit of R\$ 285,313 thousand in the same period of the previous year. The main impacts on net profit this year were related to the growth of net sales revenue and also to the change in the fair value of biological assets, which contributed to the growth percentage in gross margin and net profit.

12. INVESTMENTS

The Company maintains its strategy of investing in the modernization and automation of its production processes. This quarter's investments totaled R\$ 106,745 thousand and were basically directed to reforestation, maintenance and improvements in the Company's physical structures, software, machinery and equipment. Of this amount, R\$ 81,962 thousand were allocated to the execution of investments in Gaia I, II and III Projects, in addition to R\$ 16,426 thousand in the Gaia Projects VI, VII, VIII and IX.

| R\$ thousand | 4Q22 | 2022 |
|---------------|----------------|----------------|
| Buildings | 1,203 | 5,190 |
| Equipment | 102,030 | 498,721 |
| Intangible | - | 2,721 |
| Reforestation | 3,512 | 18,189 |
| Total | 106,745 | 524,821 |

13. GAIA PLATFORM

1st Cycle

The highlights in the fourth quarter of 2022 in **the Gaia I** - Recovery of Chemicals and Utilities project begin with the recovery boiler, in which the start of the precipitator assembly and hydrostatic testing was carried out throughout the pressure system. In addition, the electric room of ETA (Water Treatment Station), the completion of the manufacture of turbo generator 4, the installation of the turpentine tanks and the inauguration of the new control room were performed. For the wooden patio, the delivery and installation of the new crane and electric room were carried out, and finally, in the caustification area and pulp washer, the assembly of lime mud filters was finished. In progress, the assembly of equipment, civil and electrical finishes for the recovery boiler and the wood yard continue, as well as the assembly of pipes, electrical, cabling and equipment for cooking and washing, ETA and caustification.

Project **Gaia II** is on its way to completion. The installation, commissioning, startup and assisted operation of the Rosie and Ada robotic arms, as well as the second palletizing line, were completed on December 28. As a result, the last pending scope of Gaia II is the delivery and installation of the Ward improvement package, a machine that has been operating since August. The arrival of the items for upgrade will be in February and the installation is scheduled for March.

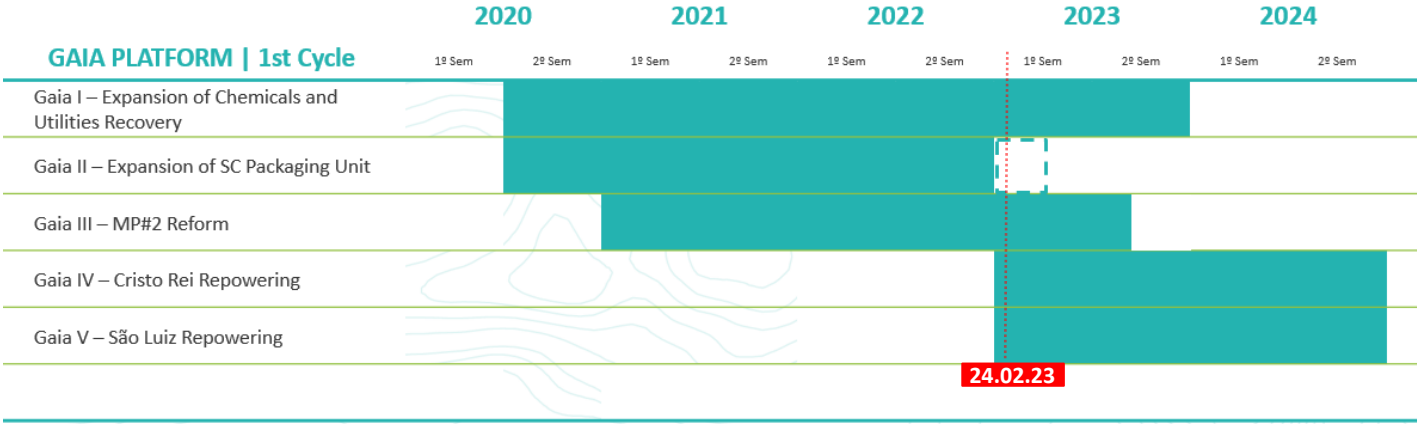
Project **Gaia III** - Paper Machine Reform 2 finalized the machine stop for the execution of the reform in the last quarter. The startup was held 4 days ahead of schedule. Although the estimated disbursement at the end of the project is R\$ 61 million, the machine performance curve is higher than expected, signaling a higher volume of production with significant improvement in paper quality and higher than expected return indicators.

In relation to the **Gaia IV** project - Cristo Rei Repowering, there are environmental studies for the environmental licensing process and obtaining the LAP - Prior Environmental License (in Portuguese, Licença Ambiental Prévia).

The **Gaia V** Project - Repowering São Luiz is awaiting receipt of the LAP - Previous Environmental License, by IMA (Institute of Environment of Santa Catarina).

In 4Q22, R\$ 81,962 thousand were invested in the first Gaia Platform Cycle, of which R\$ 59,937 thousand was invested in Gaia I, R\$ 6,768 thousand in Gaia II and R\$ 15,257 thousand in Gaia III. In total, R\$ 673,143 thousand have been invested since the beginning of the first cycle, with a total of R\$ 492,351 thousand in Gaia I and R\$ 122,055 thousand in Gaia II and R\$ 58,737 in Gaia III.

Timetable



| Gaia Platform – 1st cycle | Engenharia Básica | Physical execution | |
|--|-------------------|--------------------|-----------------------------------|
| | | Progress % | Visual Bar |
| Gaia I – Expansion of Chemicals and Utilities Recovery | 100% | 83.2% | <div style="width: 83.2%;"></div> |
| Gaia II – Expansion of SC Packaging Unit | 100% | 95% | <div style="width: 95%;"></div> |
| Gaia III – MP#2 Reform | 100% | 99% | <div style="width: 99%;"></div> |
| Gaia IV – Cristo Rei Repowering | 100% | | <div style="width: 0%;"></div> |
| Gaia V – São Luiz Repowering | 100% | | <div style="width: 0%;"></div> |

2nd Cycle

The Gaia VI project - Process Information Management System had scope expanded for all business units. Previously it was only planned for the SC Paper Unit. As a result, the project was updated in time, costs and return indicators. The Capex Value was initially R\$ 5,173 thousand and it was updated to R\$ 18,400 thousand. During the last quarter of 2022, for Papel SC, the work of installing fiber optics was completed and the communication of the collection network between Open Platform Communication (OPC), collector and server was validated. Data collection (tags) of machines is being collected, in which MP1 and MP5 have all the data collected and integrating with the PI System. Similarly, the installation of fiber optics on Papel MG and Resins unit was completed. In progress, there are the asset framework which is being developed *and* the first management information reports with real-time data is being developed.

In the Gaia VII project - Expansion ETE Phase 1, the civil construction of the bases for the filtration system, the excavation of the equalization tank, the deviation of the rain pipe in the area where the

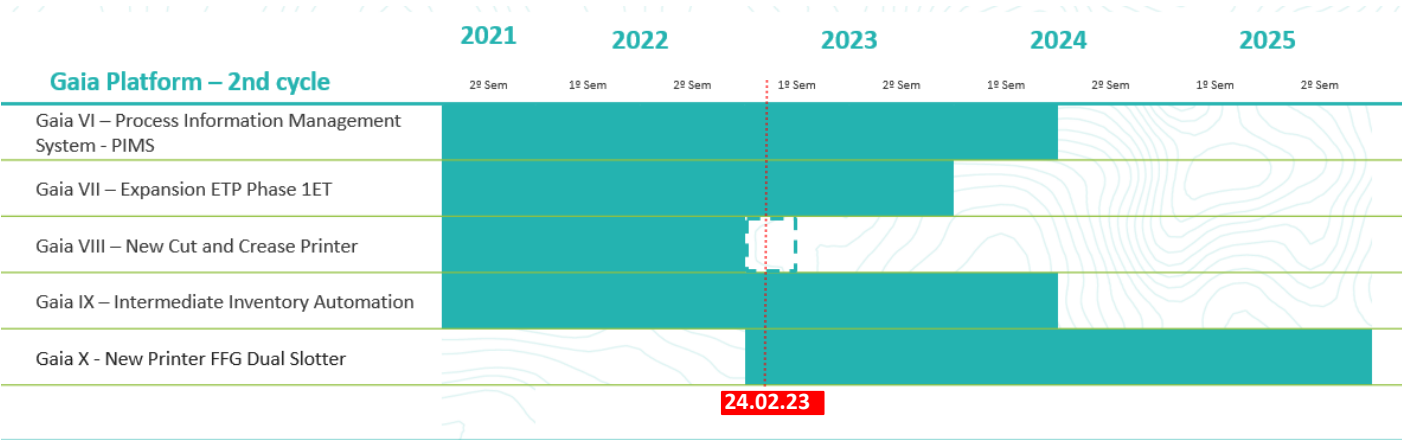
equalization tank and the pond bypass pipe will be built were completed. In progress, there is the development of the new system of supervision and control of ETE, and the civil and mechanical execution of the deviation of the interconnection pipe between the lagoon and the secondary effluent.

The Gaia VIII project - New Printer Cutting and Crease carried out the startup of the new Sunrise II printer and delivery of racks for the shape of the mezzanine of the clicheria. The project is on its way to completion. The installation of peripheral equipment and the start of monitoring the performance curve of the new printer are in progress.

The Gaia IX project - Intermediate inventories Automation completed the manufacture of transfer car rails. It was also completed the topographic study of the project with the demarcation of the bases of the transfer car. The acquisitions of the manufacturing packages of the metal structure and civil constructions are in progress, as well as the acquisition of materials and labor services for electrical and pneumatic infrastructure.

And finally, the GAIA X - New FFG Dual Slotter Printer project is in the process of acquisition of the Prefeeder, Printer and Twin Box Slitter, as well as the elaboration of the detailed design schedule and in the design and engineering phase of the palletizing solution for the machine.

In 4Q22, R\$ 16,426 thousand were invested in the second Gaia Platform Cycle, being R\$ 1,055 thousand in Gaia VI, R\$ 11,318 thousand in Gaia VII, R\$ 1,879 thousand in Gaia VIII and R\$ 2,174 thousand in Gaia IX. In total, R\$ 38,536 thousand has been invested since the beginning of the second cycle, with a total of R\$ 3,315 thousand in Gaia VI, R\$ 14,875 thousand in Gaia VII, R\$ 12,278 thousand in Gaia VIII and R\$ 8,068 thousand in Gaia IX.



Timetable

| Gaia Platform – 2nd cycle | Engenharia Básica | Physical execution |
|--|-------------------|--------------------|
| Gaia VI – Process Information Management System - PIMS | N/A | 41.5% |
| Gaia VII – Expansion ETP Phase 1ET | 100% | 40% |
| Gaia VIII – New Cut and Crease Printer | N/A | 90% |
| Gaia IX – Intermediate Inventory Automation | N/A | 26.9% |
| Gaia X - New Printer FFG Dual Slotter | N/A | |

| Gaia- Platform – 1st and 2st cycle | Unit | Estimated Investment (Gross) | Estimated investment (Net) | Investment made in 4Q22 | Investment made up to 12/31/2022 |
|--|------------------------------------|------------------------------|----------------------------|-------------------------|----------------------------------|
| Gaia I - Expansion of Chemicals and Utilities Recovery | Papel SC Campina da Alegria | 581,309 | 494,849 | 59,937 | 492,110 |
| Gaia II - Expansion of SC Packaging Unit | Embalagem SC Campina da Alegria | 150,433 | 118,189 | 6,768 | 122,059 |
| Gaia III - MP#2 Reform | Papel SC Campina da Alegria | 57,613 | 44,556 | 15,257 | 58,737 |
| Gaia IV - Cristo Rei Repowering | Papel SC Campina da Alegria | 31,300 | 28,318 | - | - |
| Gaia V - São Luiz Repowering | Papel SC Campina da Alegria | 62,864 | 58,855 | - | - |
| Gaia VI – Process Information Management System - PIMS | Papel SC Campina da Alegria | 18,400 | 15,304 | 1,055 | 3,315 |
| Gaia VII – Expansion ETP Phase 1 | Papel SC Campina da Alegria | 22,886 | 20,917 | 11,318 | 14,876 |
| Gaia VIII – New Cut and Crease Printer | Embalagem SP Indaiatuba | 21,318 | 15,034 | 1,879 | 12,278 |
| Gaia IX – Intermediate Inventory Automation | Embalagem SP Indaiatuba | 42,860 | 29,897 | 2,174 | 8,068 |
| Gaia X - New Printer FFG Dual Slotter | Embalagem SC Campina da Alegria | 50,916 | 37,073 | - | - |
| | Total | 1,039,899 | 862,992 | 98,388 | 711,443 |

14. CAPITAL MARKETS

3rd ISSUANCE OF GREEN DEBENTURES

In 2019, the Company issued [Green Debentures \(CELU13\)](#) in the Brazilian capital market, in the amount of R\$ 505,000 thousand. The final payment term of green debentures is 2025, with a principal grace period until July 2023 and interest is paid semi-annually. Debentures are traded on the secondary market by code CELU13. The issue was carried out with CDI rate + 4.5% p.a. and, at the end of 2022, was being traded on the secondary market by CDI + 2.87% p.a.

As described in 3rd Issuance of Green debentures contract, the Company has full or partial Optional Early Redemption option and optional early amortization option, as of July 19, 2023.

The issue has a [brAA+ rating by S&P Global Ratings](#) and is characterized as "Green Debentures" based on a [Second Opinion issued by the specialized consultancy SITAWI Finanças do Bem](#), based on the Green Bond Principles guidelines of June 2018.

4th ISSUANCE OF GREEN DEBENTURES

On March 3, 2021, the Company [issued Green Debentures \(RANI14\)](#) with private placement in the amount of R\$ 60,000 thousand. Green debentures have a final payment term in 2029, with a principal grace period until June 2026 and interest is paid semi-annually, after December 2021. The issuance was carried out at IPCA rate of + 5.5% pa, and its public trading is prohibited.

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

The issue [has a brAA+ rating by S&P Global Ratings](#) and is characterized as "Green Debentures" based on a [Second Opinion issued by the specialized consultancy SITAWI Finanças do Bem](#), based on the Green Bond Principles guidelines of June 2018.

5th ISSUANCE OF GREEN DEBENTURES (CRA - AGRIBUSINESS RECEIVABLES CERTIFICATES)

According [to the Meeting of the Board of Directors of August 10, 2022](#) reratified by [the Meeting of the Board of Directors of September 8, 2022](#), [Material Fact August 11, 2022](#) and [Notice to the Market of October 18, 2022](#), Irani concluded the 5th (fifth) issuance of 720,000 (seven hundred and twenty thousand) simple debentures, not convertible into shares, of the unsecured type, in two series, for private placement, with a unit value of R\$ 1 thousand each, at the date of its issuance, in the total amount of R\$ 720,000 thousand, of which:

- (i) 486,307 (four hundred and eighty-six thousand, three hundred and seven) Debentures of the 1st Series, corresponding to R\$ 486,307 thousand, remunerated to CDI + 1.40% p.a. with semi-annually periodicity and amortized in a single installment at maturity on August 12, 2027;
- (ii) 233,693 (two hundred and thirty-three thousand, six hundred and ninety-three) Debentures of the 2nd Series, corresponding to the amount of R\$ 233,693 thousand, remunerated to CDI + 1.75% with semi-annually periodicity and amortized in two installments of equal value, on August 11, 2028 and on August 13, 2029.

The Debentures do not have any real or fidejutory guarantee, or any segregation of Irani's assets as collateral, and were linked to a securitization operation, serving as a ballast for the issuance and public distribution, pursuant to CVM Instruction No. 400, of agribusiness receivables certificates (CRAs) of the 1st (first) and 2nd (second) series of [the 194th](#) issuance of the Eco Securitizadora De Direitos Creditórios Do Agrinegócio S.A.

The Debentures and, consequently, the CRA were characterized as "green debentures" and "GREEN BOND" (CRA Verde), respectively, based on [a Second Opinion](#) issued by the specialized consultancy NINT - Natural Intelligence Ltda.

On September 26, 2022, S&P Global Ratings [awarded the rating 'brAA \(sf\)' to the CRAs of the 194th Issuance of Eco Securitizadora linked and backed by the 5th Private Issuance of Green Debentures](#).

More than 80% of CRAs were subscribed by individuals.

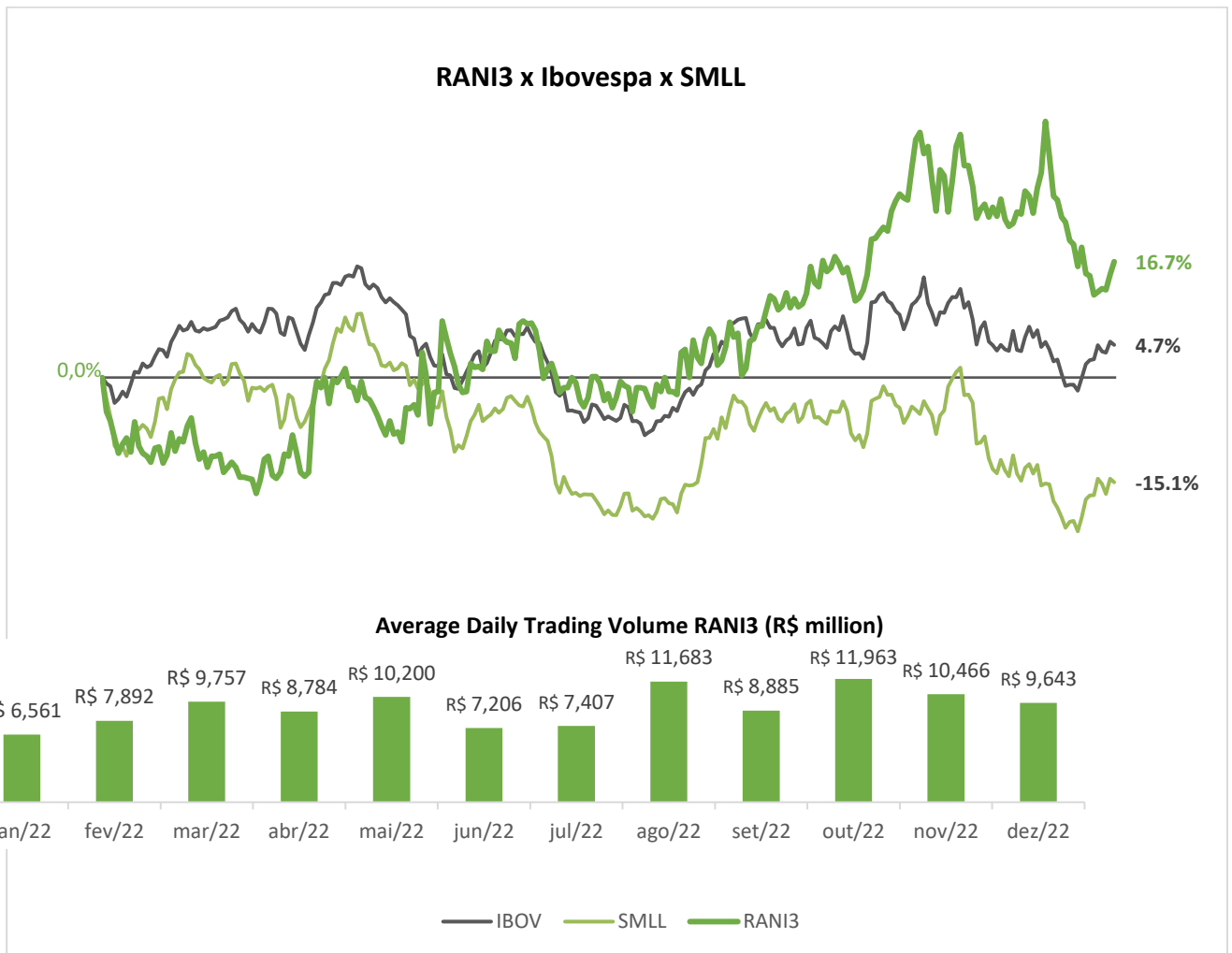
The net resources obtained by Irani from the Issuance will be allocated exclusively to its activities in agribusiness, in the field of forestry and agriculture, in particular through the use of resources in investments, costs and expenses related to forestry, reforestation, acquisition of agricultural pesticides, fertilizers, wood, forest management and harvesting services and others items, such as resins and integrated transport logistics, storage, peeling and chipping of wood.

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.

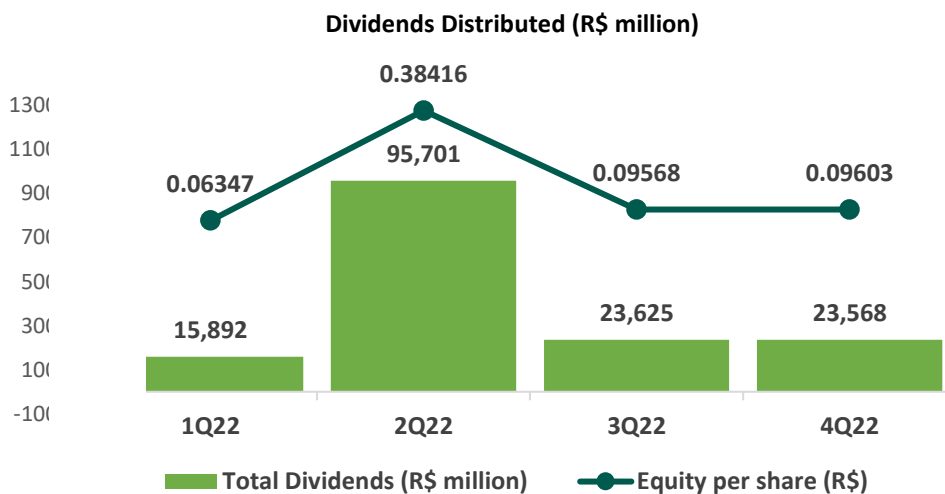
All shares have voting rights and are 100% tag along. At the end of 2022, common shares were traded at R\$ 8.60. The Company's shares currently comprise the IGC-NM, IGCX, ITAG, IMAT, IBRA, SMLL, IGCT, IGPTW, IAGRO, IDIV and ISE indices of B3.

The performance and trading volume of the Company's share in the accumulated of the last 12 months, compared to the Ibovespa index (the main indicator of performance of the shares traded on B3) and the SMLL (performance indicator of companies with lower capitalization of B3, 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:



The total dividends and interest on shareholders' equity paid in the last twelve months was R\$ 0.6393469 per share, totaling R\$ 158,786 thousand, and equivalent to an annual dividend yield of 9.27%, considering the share price as of December 31, 2021, of R\$ 6.90.

According to the [Dividend Distribution Policy and JCP](#), management is proposing the distribution of 25% of Net Profit (basis for dividends) for 4Q22 and 25% additional dividends on Net Profit (basis for dividends) for the year 2022, since the Company's operating leverage ended the year 2022 below 2.5x (Net Debt/EBITDA).

These distributions, to be deliberated by the Board of Directors and the General Meeting (AGO), correspond to R\$ 0.086562 per share for 4Q22 and R\$ 0.380621 per additional share for the year 2022.

REPURCHASE PROGRAM

At [a Meeting of the Board of Directors of 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 for shareholders through 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 shares issued by the Company in circulation. As of December 31, 2022, the Company repurchased 1,487,700 shares, representing 15.13% of the executed program, at R\$ 11,642 thousand, including trading costs, equivalent to an average price per share repurchased of R\$ 7.82. Irani's share capital, as of December 31, 2022, was represented by 246,359,319 common shares (RANI3) and the Company held in treasury 1,487,700 common shares.

15. SUSTENTABILIDADE (ESG - ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

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

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

It is also part [of the National Movement ODS SC](#) (Movimento Nacional ODS SC) and [the National Movement ODS RS](#) (Movimento Nacional ODS RS) and the Santa Catarina nucleus of the [Brazilian Social Observatory](#) (Observatório Social Brasileiro).

We also have a long history of commitment to transparency. Therefore, we seek to update ourselves on the best management practices and reporting on its strategy, performance and sustainability initiatives. Since 2006, we have published annual reports following the main trends in the reporting of sustainability information. In 2022, we published our second Integrated Report. Ensured by KPMG Auditores Independentes, this public document adopts the guidelines for the [integrated reporting of the International Integrated Reporting Council](#) (IIRC), GRI Standard of [the Global Reporting Initiative](#) (GRI), [Sustainability Accounting Standards Board](#) (SASB), relating the practices reported to [the ONU Sustainable Development Goals](#). All publications are available for consultation in <http://www.irani.com.br/praticas-sustentaveis/relatorio-de-sustentabilidade/>.

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

- **Occupational Safety**

Zero work accidents with leave

Reduction from 38 to 25 work accidents with leave from 2021 to 2022.

- **Diversity**

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

We had a 9% increase in indicators related to Gender Equality, closing 2022 with 22% of women in the company and 18% in leadership.

- **Water**

Reduce 30% of water consumption per ton produced

Increase of 4% compared to 2021.

- **Energy**

Be self-sufficient in renewable energy generation

52.04% of self-generation of energy and 67.25% of renewable energy generation.

- **Waste**

Eliminate the sending of waste to landfills

Reduction of 6,740 tons compared to the total volume sent to landfill in 2021, equivalent to 28% reduction.

- **Climate Change**

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

Reduction of 88% of the positive balance between Greenhouse Gases (GHG) emissions and removals, influenced by the reduction of carbon inventory in the forest areas of Santa Catarina, which had an impact due to management and forestry activities (reduction of area of non-renewed partnerships).

In 2022, the Company started to have a Sustainability Center, a horizontal and multidisciplinary structure with the challenge of cultivating and promoting sustainability (ESG), engaging employees and stakeholders. The main deliveries made by this nucleus were the beginning of a campaign on sustainability called Movements that create futures (in Portuguese, Movimentos que criam futuros), the analysis of scenarios for the replacement of equipment powered by non-renewable fuels and an offer of training on tax incentive laws and project development for the surrounding communities.

We advanced in the evaluation of the Carbon Disclosure Project (CDP), moving from index D to B. This factor contributed so that we could, for the first time, integrate the B3 Corporate Sustainability Index (ISE B3) which brings together the companies best evaluated in governance and sustainability practices.

The Company's sustainability strategy is supported by its [Sustainability Policy](#), and by a [management system certified](#) by ISO 9001 and ISO 14001 standards, the latter specifically ensuring the Sustainable Packaging Segment (Corrugated Cardboard). Combining appropriate management practices and increasingly efficient operational processes, Irani has been consolidating itself as a company with a climate-positive carbon balance year after year. This means that the Company kidnaps more carbon from the atmosphere than it emits, characterizing it as a low-carbon company. In addition, it publishes annually the Greenhouse Gas Inventory, prepared according to the GHG Protocol methodology and is the first company in Brazil to be certified by ISO 14064.

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

15.1 Environmental Performance Management

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

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

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

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

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

As mentioned in item 15, the Company adopts several practices in order to minimize the impacts arising from its activities and generate value in the community where it operates. In this sense, two Clean Development Mechanisms (CDM) approved by the UN (ONU) stand out. Both MDLs generate Certified Emission Reductions (CERs) marketed in the form of carbon credits in partnership with the Instituto Ekos Brasil in the Climate Commitment program, with supporters and partners engaged in the responsibility of seeking practices that contribute to the slowdown of climate change. In 2022, we carried out the process of renewing the credit period for another seven years of the Irani Wastewater Methane Avoidance Project at the UN (ONU), and audited the credits generated by the project between 2020-2021 in the amount of 42,226 CERs. For 2023, we will audit the credits generated by the Irani Biomass Electricity Generation Project between 2019-2022.

Of the total volume of paper produced by Irani, 72.7% came from recycling paper (Old Corrugated Containers), fostering the circular economy. Paper fibers can be recycled numerous times. The recycling rate in Brazil is today one of the highest in the world, standing at 87% (Source: Empapel).

The search for circular economy alternatives is constant and contributes not only to our business, as minimize environmental impacts, but also to encouraging entrepreneurship and tax collection, generating employment and income in the surrounding communities. The coal from the burning of biomass in Irani's cogeneration boiler is directed to a company, which turns this residue into charcoal briquettes for barbecue and fireplaces under the name commercial Carvão Ecomais.

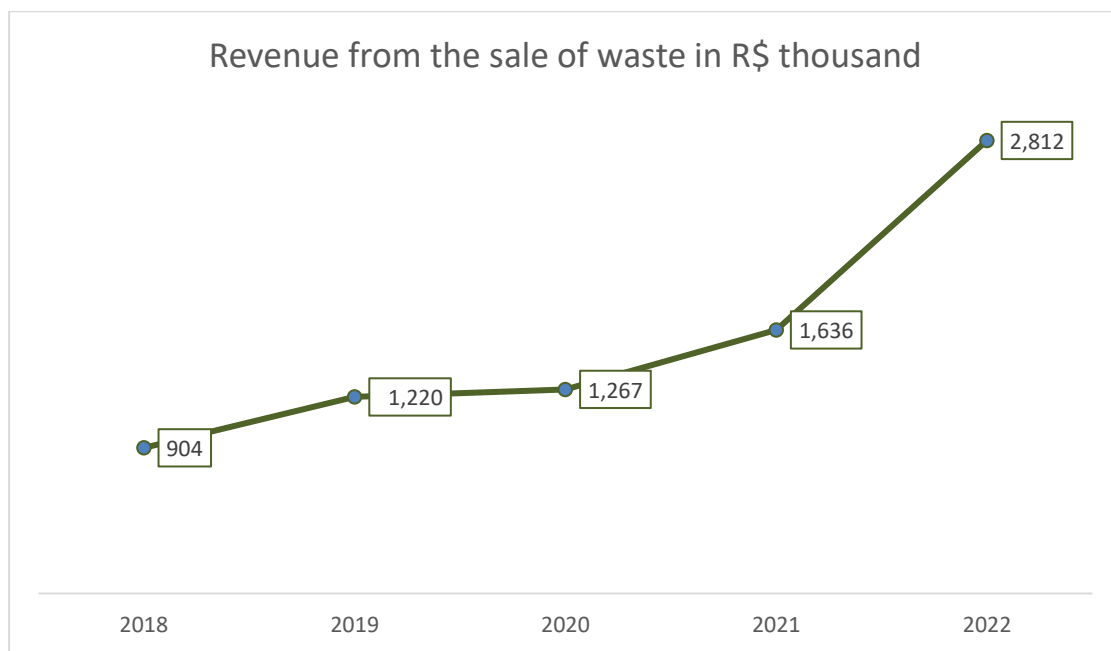
In a pioneering and innovative way, Irani also implemented the project for plastic recovery (waste from the recycling of old corrugated containers), generating a new subproduct called mixed plastic shavings. This subproduct is used as a raw material for the plastic industry for the production of "mourões",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

In 2022, we generated a revenue of R\$ 2,812 thousand from the sale of waste from the SC Paper and Packaging Units. This was the highest revenue recorded since we started the practice, a result enhanced by the recovery of commercialized waste, such as calcium carbonate, soap leaching, boiler ash and metal scraps. Currently, we have 18 partner companies that operate with their activities linked to our waste, fostering and strengthening the circular economy and contributing to the achievement of the ESG commitment to zero the disposal of non-hazardous waste to landfill by 2030. In 2022, we reached the destination mark of 7.7% of all waste generated for landfill.

| Main waste sent to Landfill Paper and Packaging Unit SC (in tonnes) | 2022 | 2021 |
|---|------------------|------------------|
| Waste from the recycled paper process ¹ | 15,168.07 | 18,920.81 |
| Others ² | 605.38 | 402.86 |
| Total | 15.773,45 | 19,323.67 |
| Equivalent percentage | 7.70% | 9.45% |

NOTE: The improvement in the quality of the old corrugated containers purchased for the recycled paper production process contributed to the reduction of the amount of plastic destined for landfill.¹ Composed of plastic waste from the F5, braid strip of mp5 and rotating sieve of MP5.

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



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

15.2 SOCIAL PERFORMANCE INDICATORS

People Development

Irani ended 2022 with 2,362 employees. It seeks to achieve excellence through participatory management and investment in programs, actions and benefits that offer, in a pleasant work environment, conditions of personal and professional development for its employees. We achieved an 86% GPTW survey rate in 2022. Additionally, R\$ 43,926 thousand were invested in food, transportation, life insurance and health insurance benefits in 2022, R\$ 1,959

thousand in training and personal improvement, R\$ 10,596 thousand in the Profit-Sharing Program - PPR and R\$ 7,036 thousand in the SUPERA program.

People are the drivers to fulfill the Company's mission and catalysts to achieve its vision. Therefore, forming high performance teams and making people develop the maximum of their personal and professional potential are part of the strategy. This incentive to the development is offered to employees through five structuring programs: GERA, CRESCER, CUIDAR, MOTIVAR and SUPERA.

The GERA Program has a set of processes that aims to attract, engage and follow the trajectory of Irani professionals, seeking to ensure that they are adequate and integrated with organizational culture. Thus, by following the entire cycle of the professional development, it is expected that the development of people will be recognized as merit of both parties. The Gera Diversidade has diversity with one of its fronts and its activities are conducted respecting diversity and equal opportunities regardless of gender, age, ethnicity, religion, nationality, marital status, sexual orientation and disability of any nature, aligning with our values so that we are increasingly diverse and inclusive.

The last two – Protagonism and Diversity & Inclusion – are "new" values that became part of the drivers in 2021, when the review of the Strategic Intention for the 2021/2030 cycle took place. In quotation marks, because although they are new as written values, they were already practiced by Irani. They reflect something that is believed, practiced, stimulates employees and happens on a day-to-day life. And they add to the Purpose, which was also incorporated into the drivers in 2021: transforming people's lives with sustainable attitudes and solutions.

Since the beginning of the journey, there has been a 9% advance in ESG indicators related to Gender Equality, closing 2022 with 22% of women in the board and 18% in leadership and with R\$ 500 thousand invested in 2022 in affirmative actions and development of leaders and collaborators in the theme of Diversity and Inclusion. Below are the main actions:

- Training the attraction team on unconscious biases and how they impact decision-making;
- For another consecutive year, the "Meeting with Diversity" was promoted, *online* and open to external audiences, partners, friends, family members to attend. With 142 participants simultaneously by Zoom, totaling 267 views by YouTube and new subscribers to the channel;

- Reaffirmed the commitment to the Forum of Business and LGBTI+ Rights (in Portuguese, Fórum de Empresas e Direitos LGBTI+);
- Creation of the first LGBTI+ talent database, with a 6% increase in contracted candidates;
- Sponsorship of the Feira DiverS/A 2022! The largest LGBTI+ employability event in Latin America.
- Signing of the open letter to the presidential candidates, in support of diversity, respect and inclusion of LGBTI+ people in Brazilian work environments;
- 1st Female Mentoring Program, with the participation of 20 invited women with the objective of strengthening self-confidence and promoting awareness expansion, leveraging possibilities for acting, career and personal and professional development of women. These participants dissected the learning scans with other groups of collaborators, totaling 80 people who reflected on the journey of equity, respect and freedom for all;
- Launch of the project I value diversity, program for the indication of smaller groups in the company. The goal is, through affirmative actions, to seek the engagement of all to be an increasingly diverse and inclusive company. Since its inception in March/22, it has had more than 50 nominations and closes in April/23;
- During the pilot initiative in the Indaiatuba unit, the program + Delas na Operação was carried out, which aims to opportunities for the professionalization of women in the industrial area, promoting gender equity. Resulting in the hiring of two interns for the industrial maintenance area of the unit;
- Leadership training was also the focus with initiatives to include the theme in the Lidera Program, Plural Journey with the Directors: (Re)learning on the theme and the role of senior leadership and Mentoring with CEO: Support for development in relation to the theme.

The CRESCE Program acts as a partner of the leaders, seeking to understand the reality of each unit and support areas. These programs, inspired by the Company's Strategic Planning, also aim to strengthen the learning culture and offer better solutions to help leaders promote a stimulating environment for high-performance teams. In this sense, we have a structured look at Corporate Education to strengthen the culture of learning with three internal schools: ITEC (Technical), DNA (Culture) and LIDERA (Leadership).

The CUIDA Program was structured to promote behavioral changes and improve the physical conditions of the work environment. It consists of a set of practical and applicable procedures

within an integrated health and safety management model, which aims at reducing accidents, increasing the percentage of compliance with legislation and greater acculturation of employees on health and safety issues.

Through the MOTIVA Program, the Company works the organizational climate through people management practices and organizational climate. The performance of leaders, employees and support groups in climate management, as well as in climate research and monitoring, is one of the means used to create one of the best environments to work.

The SUPERA Program is an annual evaluation program based on competencies and management results with the objective of providing opportunities for self-knowledge, the development of people, the strengthening of the feedback culture, the identification of talents and the recognition of employees.

Society

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

Our volunteer groups continue to work in all business units, fostering opportunities for skills improvement and community development. In total, we mobilized 495 volunteers of the company in 29 actions carried out.

Contributions of own resources and through incentive laws were made throughout 2022. More than R\$ 3.2 million were directed to carry out projects in the areas of culture, environmental education and sports through federal tax incentive laws, in addition to contributions to Childhood and Adolescence Funds and the Elderly Fund.

In the context of private social investment, we also seek to establish solid partnerships for the development of projects in the areas of citizenship, social environmental education, culture, sport and social inclusion. In 2022, almost R\$ 267 thousand were invested in projects such as:

- Aluno Destaque (Student of the year), which aims to encourage and develop the five best students of E.E.B. Galeazzo Paganelli, in Campina da Alegria (SC).
- Partnership with the Junior Achievement Association in the States of SC, RS and MG, encouraging entrepreneurship in young people from public and private schools.

- Volleyball initiation centers in partnership with the Volleyball Association of Joaçaba/SC (AJOV), sharing online sports techniques for, on average, 300 students.
- Broto do Galho Project, through a handcraft center that produces goods from industrial waste in the community of Campina da Alegria, generating productive occupation and extra income.
- Choir for the community of Campina da Alegria and surroundings with classes conducted by maestro and production of special videos for internal campaigns of the Company.
- Contribution of resources in the 20^o Fundo de Apoio a Projetos Sociais (FAPS), promoted by the Instituto Guga Kuerten (Guga Kuerten Institute), contributing to the realization of 30 projects in the Region of Alto Irani, Alto Uruguay, Midwest and Planalto Sul of Santa Catarina.

Our institutional donations totaled R\$ 642 thousand contributing to various initiatives of the surrounding communities in the areas of health, culture and leisure, care activities and citizenship.

15.3 Governance

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

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

15.4 Awards and Recognitions

In 2022, the Company received the following recognitions:

- **Rating 'A' Humanized Research:** The 3rd edition of the Humanized Companies survey highlighted companies with a high level of management maturity and quality of stakeholder relations. Irani is among the 11 organizations that achieved index A, being the first time, it participates in the study, in addition to the important recognition in the Best for Brazil Award, aimed at organizations that stood out in the research.
- **National Innovation Award:** With more than 2,000 participating companies and only 44 selected, it is among the 3 finalist companies in the Category of Large Companies, Innovation in Sustainability of the National Innovation Award.
- **Renewable Energy Certificate and the Renewable Energy Label:** The Renewable Energy certificate issued by Electra states that Irani consumes energy from renewable sources (energy produced from clean sources such as wind, solar, small hydroelectric plants or hydroelectric generating plants).
- **20 Most Agile Companies in the country:** 6th place in the category of Teams of up to 100 people and the entry to the Ranking of the Most Agile Cases in Brazil with the "Use of agile methodology in traditional internal legal".
- **Innovation Champions Award:** Recognition by Tomorrow Magazine with another Innovation Champions Award.
- **Best and Major Award, in the Pulp and Paper:** The Best and Largest award, from EXAME, seeks to recognize the companies that showed the highest growth in the last year from three important criteria: social responsibility, environmental and corporate compliance, accounting results and growth within the segment.
- **Transparency Trophy - ANEFAC Award:** For the 2nd consecutive year, Irani was recognized with the Transparency Trophy, being among the ten companies with the most transparent financial statements in the country in 2022, in the Net Revenue category below R\$ 5 billion.
- **Companies that best communicate with journalists:** Promoted by the Communication Business Platform and CECOM - Communication Studies Center, the 12th Research Companies That Best Communicate with Journalists invited 25,000 journalists from all over the country to appoint, freely and directly, companies with more efficient communication actions and who have built a good relationship with newsroom professionals, Irani is among the top 3 companies that communicate with journalists.

- **10 Best Companies to Work for GPTW - Rio Grande do Sul 2022:** Winning 8th place in the ranking means another step in the journey to value the differences, virtues and strengths of each one.
- **Top 5 Paper and Pulp award Época NEGÓCIOS 360º:** The award highlights the best companies in the country based on criteria that go beyond financial performance and also consider HR practices, ability to innovate, social and environmental responsibility, vision of the future and corporate governance.
- **Grand Packaging Cases Award:** Through the Vitabox project, developed in conjunction with Papyrus, for the Pão de Açúcar Group (ChefTime) that received the packaging case. This award is the result of constant investments in technology in the development of naturally sustainable and renewable products.
- **Ranking Top Open Corps 3rd place in the forest, pulp and paper category and Ranking TOP 100 Open Corps:** This recognition is the result of a culture strengthened by innovation and important investments made in initiatives such as Irani Labs and Irani Ventures.
- **5th position in the GPTW SC ranking, category large companies:** This is the 4th consecutive year that Irani is among the Best Companies to Work GPTW - Santa Catarina 2022, this time in the 5th position of the ranking, category large companies.
- **Highlight Emotional Health 2022:** The organization is dedicated to caring for people in an active and preventive way in which each employee feels that he/she is inserted in an environment of trust where they can develop and find emotional balance.
- **Top Human Being ABRH-RS Award in the Organization Category, with the case: Cultivating the Climate to Lead the Future:** The award promoted by ABRH-RS highlighted, once again, excellent examples of management focused on valuing people.
- **Social Responsibility Certification of the Legislative Assembly of Santa Catarina:** Once again, Irani received the Social Responsibility Certification from ALESC.
- **GPTW Industry We are among the 20 Best Companies to Work For: Figure once again as one of the best industries to work in the GPTW Ranking advancing 19 positions over the last year.**
- **Valor Inovação Brasil Award and among the most innovative companies in the country:** The conquest of the third position in the pulp and paper category ranking is the result of the investments made and the collaboration of all who put into practice, in their daily lives, the value of innovation in search of new solutions.
- **Best in Management® - cycle 2021:** For the first time, we are on the list of Best in Management® - cycle 2021, receiving bronze and being among the 10 recognized companies. The Best In Management Award® is an initiative of the National Quality

Foundation (FNQ), which recognizes management practices, results and their evidence in organizations, performing the Management Maturity Diagnosis (DMG) and identifying opportunities for continuous improvement of the Management Excellence Model® (MEG).

16. AUDIT SERVICES

In accordance with CVM Resolution No. 162/22, we inform you that, during the year 2022, KPMG Auditores Independentes provided audit services of the financial statements in the amount of R\$ 648 thousand.

It also provided assurance services of the Company's Integrated Report for the year 2021 through KPMG Assessors Ltda., in the amount of R\$ 31 thousand.

Other services were provided besides those related to the audit of the financial statements in 2022, mainly related to the 5th Issuance of Simple Private Debentures (CRA - Agribusiness Receivables Certificates). The total fees for this service totaled R\$ 415 thousand.

RESULTS WEBINAR

In Portuguese (with simultaneous translation in English): Data and Time: Monday, February 27, 2022 at 12:00 (Brasilia) Subscribe: [Registration link](#)

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

17. PERSPECTIVES

The year 2023 began bringing numerous uncertainties on the economic scenario, both globally and locally. Overall, there are many doubts about the inflation index and, consequently, interest rates and its effects. There are forecasts of possible recession in Europe and the US to a lesser or greater degree. At the local level, Brazil is undergoing a political transition, which naturally causes instability until it is clear to the market and society the direction of the strategies of the new government. In addition, Brazil continues to fight inflation with high interest rates. This scenario of overlapping uncertainties makes it very difficult to forecast the economic performance of Brazil and the packaging sector for the year 2023. In this sense, a good dose of caution is recommended, with preservation of liquidity and austerity in costs until visibility improves.

Despite the challenging scenario, we believe that the strength of the secular trend in sustainability (ESG) and the company's strong positioning will offer good opportunities throughout the year. We follow strong and our optimism remains the same!

ACKNOWLEDGMENTS

We thank each one of our employees for their effort during this year, our stockholders and creditors for the trust they placed in us, and our customers, suppliers and surrounding communities for their support and partnership, which were crucial for the growth and development of Irani during 2022.

Porto Alegre, February 2022.

The Board of Directors.

AUDIT COMMITTEE REPORT

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

<https://api.mziq.com/mzfilemanager/v2/d/516eff19-62b9-464f-af20-6d866d6fef5/e2ca7150-b593-4c30-b43e-649cffc1a283?origin=1> .

In 2022, the Committee, the Committee held eighteen ordinary and extraordinary meetings, dealing with the following topics: Finance and Accounting, CPC rules and CVM topics, accounting control structure, contingencies, analysis of Quarterly Information (ITR) and Consolidated Financial Statements (DFs), discussion of the ITRs and DFs Notes to the Financial Statements; meetings with KPMG Independent Audit; risk management, systems and processes for risk management, risk map, internal controls map, systems and data storage, data security, discussão da segurança de barragens; monitoring of transactions with related parties, procedures for calculating impairment of fixed and intangible assets, discussion of the technical study on the use of deferred tax credits; Internal Audit: contracting outsourced internal audit services, hiring one more member and hiring internal audit manager, discussion of internal audit planning and work related to the outsourced internal audit service contract.

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

The Committee examined the drafts of the individual and consolidated financial statements of Irani Papel e Embalagem S.A. and its subsidiaries, and respective notes to the financial statements, for the year ended December 31, 2022. The examination included discussions with Management, Accounting, Legal and risk management areas and the Independent Auditors. In the discussions and examinations carried out, the Committee was not aware of facts that are not reflected in the Financial Statements, and did not find evidence or indications of error or fraud. The Committee is of the opinion that the 2022 Financial Statements of IRANI Papel e Embalagem S.A. are in a position to be appreciated by the Board of Directors. Porto Alegre, February 23, 2022. Audit Committee of Irani Papel e Embalagem S.A.

Roberto Lamb
Committee Member and Coordinator

Roberto Faldini
Board Member and Committee Member

Wladimir Omiechuck
Committee Member

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

Capital Budget Proposal

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

The proposal for allocation of the profit attributed to the Company's shareholders for the year ended 12/31/2022, disclosed in the financial statements, foresees that, after the adjustments referred to in Articles 193 and 202 of Law 6,404/76, profits amounting R\$ 186,406 thousand will be retained, destined to Profit Retention Reserve, designated to meet the Company's Investment Plan.

The capital Budget for 2023, approved at the Board of Directors' meeting held on November 23, 2022, amounting to R\$ 354,533 thousand, in addition to R\$ 66,258 thousand for working capital needs, distributed as follows

2023 Capital Budget

| R\$ Thousand | Current | Strategic | Total |
|--|----------------|------------------|----------------|
| Sustainable Packaging Segment (Corrugated Cardboard) | | 55,860 | 55,860 |
| Sustainable Packaging Paper Segment (Paper) | | 182,981 | 182,981 |
| Investments in Startups – Irani Ventures | | 6,492 | 6,492 |
| Current investment budget | 109,200 | | 109,200 |
| Total investments for 2022 | 109,200 | 245,333 | 354,533 |
| Working Capital Needs | 66,258 | | 66,258 |

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

Summary of sources and uses

| R\$ Thousand | Current | % | Strategic | % | Total | % |
|---------------------|----------------|----------|------------------|----------|--------------|----------|
| Financed Resources | | | 71,385 | 29% | 71,385 | 20% |
| Own Resources | 102,900 | 100% | 173,948 | 71% | 283,148 | 80% |
| Total | 102,900 | 100% | 245,333 | 100% | 354,533 | 100% |

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

Porto Alegre, RS, February 24, 2023.

The Executive Office.

Executive Officers' Statement

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

As Executive Officers of Irani Papel e Embalagem S.A., a corporation headquartered at Av. Carlos Gomes, nº 400, rooms 502/503, Bairro Boa Vista, in the city of Porto Alegre, state of Rio Grande do Sul, enrolled in the National Corporate Taxpayers Registry (CNPJ/MF) under No.92.791.243/0001-03, WE DECLARE, in compliance with the provisions established in paragraph 1º, Article 27 of CVM Instruction 80, de 29 de março de 2022, that we reviewed, discussed and agreed with the conclusion expressed in the independent auditor's review report of the Company referring to the interim financial statements for the year ended December 31, 2022.

Porto Alegre, RS, february 24, 2023.

Sérgio Luiz Cotrim Ribas

CEO

Odivan Carlos Carginin

Administration, Finance and Investors Relations Officer

Henrique Zugman

Paper and Forest Business Officer

Lindomar Lima de Souza

Packaging Business Officer

Fabiano Alves de Oliveira

People, Strategy, and Management Officer

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Porto Alegre, RS, february 24, 2023.

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