



Ferbasa

2023
MANAGEMENT
Report



FESA

B3 LISTED N1



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1. MESSAGE FROM MANAGEMENT

The relief of tensions after the pandemic period and the reduction of problems generated by the imbalance in supply chains around the world caused a downward movement in the prices of commodities and ferroalloys throughout the year. More recently, other factors have also influenced this scenario, such as the resumption of war conflicts in the Middle East, which caused a bottleneck in global logistics dependent on the Suez Canal, and the losses in the flow of operations in the Panama Canal, caused by climate issues. Faced with this difficult situation, the Company recorded an annual profit of R\$383 million, reacting, in a certain way, to a business environment that caused the reduction of its margins.

It is worth pointing out some relevant events that occurred in the global ferroalloys market, such as the significant reduction in the price of coal, which directly favored the cost of generating electricity and, consequently, its use in the metallurgical process. In the case of the Brazilian steel industry, the high level of steel imports directly affected the level of activity in this segment.

In view of a very challenging scenario and characterized by effects of relative or serious proportions, FERBASA continued to persist in initiatives aimed at improving the sustainability and competitiveness of its businesses, promoting actions aimed at innovation, evolution of the ESG agenda, ennoblement of the product portfolio and permanent action aimed at maximizing productivity, cost containment and efficient cash management.

From a long-term perspective, it is worth mentioning the progress of three relevant strategic projects aimed at ensuring the supply of bioreducer and electricity, which culminated in the consolidation of the following actions: (i) incorporation of the limited liability company BAHIA MINAS BIOENERGIA LTDA., signed in partnership with APERAM INOX AMÉRICA SUL S.A., aiming at the acquisition of rural properties to be used in the exploitation of eucalyptus and other forest species and, at the same time, the consignment of a contract with APERAM BIOENERGIA LTDA. for the supply of a bioreducer for a period of 35 years and a minimum volume of 20 thousand tons per year, starting in 2024; (ii) commercial transaction that determined the end of the restriction on production during peak hours, allowing the use of electricity in the form of a *flat tariff* for metallurgical operations; (iii) approval of the corporate partnership with a company controlled by AUREN ENERGIA S.A., with the objective of guaranteeing the supply of 35 average MW for 20 years, as of 2025.

In addition to the initiatives already described, the following are also emerging: (i) the expansion and updating of our quicklime production unit, an input used in the manufacture of Low Carbon Ferrochrome, whose reopening is scheduled for the 1st half of 2024; (ii) the expansion of geological surveys and operational reserves of the mines; (iii) and the important studies related to the modernization of the metallurgical park, which include a project for the Ferrosilicon (FeSi) segment, a second project that couples the production of Ferrosilicon Chromium (FeSiCr) to Low Carbon Ferrochromium (LC FeCr), and a third possibility related to High Carbon Ferrochrome (HC FeCr), the latter currently in the basic engineering detailing phase.

In the social axis, an aspect that is so present in our values and culture, whose vision is based on the understanding that our role in society goes beyond the generation of employment and income, extending to the distinct function of delivering to people the possibility of a more dignified and prosperous future, FERBASA continued initiatives that propelled the development of the regions where it operates, through its social responsibility program **Ferbasa is Here**, which, in 2023, reached more than 100 thousand people in Bahia, dedicating special commitment to actions related to Education, in line with the noble purposes that guide the objectives of our controlling shareholder, the JOSÉ CARVALHO FOUNDATION.

At the end of another cycle, we thank the constant and exemplary effort of all our employees to achieve the year's results, and we reaffirm our commitment to the preservation of the pillars that underpin the construction of the Company's corporate culture, in all its particularities and humanistic ideals bequeathed by our founder, José Carvalho.



2. CORPORATE PROFILE

FERBASA is the national leader in the production of ferroalloys and only producer of ferrochrome in the Americas and one of the 10 biggest working companies in the Brazilian state of Bahia. With an integrated and verticalized production cycle in the areas of Mining, Metallurgy, Forest Resources and Renewable Energy, the Company is based on a strong Integrated Management System certified under ISO 9001, ISO 14001 and ISO 45001. Its main products are High Carbon Ferrochrome (HC FeCr), Low Carbon Ferrochrome (LC FeCr), Ferrosilicon (FeSi75), High Purity Ferrosilicon 75 (HP FeSi75) and Ferrosilicon Chromium (FeSiCr) alloys, mainly intended for the steel industry and the manufacture of stainless and special steels. With 63 years of experience, the Company has long-standing relations with countries such as China, Japan, the United States, and the European Union.

Mining has two chromium ore extraction units (one underground and one in the open), two quartz mines and a plant focused on the production of quicklime, all located in the North Center of Bahia. Almost the entire production of ores is directed to the metallurgical unit located in Pojuca-BA, where ferroalloys are produced in its 14 electric furnaces equipped with baghouse filters designed to neutralize the release of particulate matter into the atmosphere. The Forest Unit is composed of 64,000 hectares (about 158000 acres) of which 25,000 hectares (about 61,766 acres) are planted forests and renewable eucalyptus. The remaining extent of forest assets encompasses legal reserve areas, firebreaks, native forests, Private Natural Heritage Reserve (PNHR – in Portuguese RPPN stands for *Reserva Particular do Patrimônio Natural*), among other characterizations.

The BW Guirapá Wind Complex, located in the towns of Caetité-BA and Pindaí-BA, adds to the verticalization strategy. It has an installed capacity of 170 MW, as of 2036, after the termination of the current supply contract concluded with the Electric Energy Trading Chamber – CCEE (in Portuguese it stands for *Câmara de Comercialização de Energia Elétrica*), the 07 parks will have their clean and renewable energy available to compose FERBASA's supply mix, either for their own consumption or commercialization of the energy generated.

The Company's corporate office is in Salvador-BA, where the services to all the operational units of the group are concentrated.

Recognized its trajectory as a citizen company that distinguishes and forges its culture, **FERBASA**, since its origin, acts responsibly and consciously in favor of the socioeconomic development of the surrounding communities, as we will detail in a specific chapter of this Report.

3. CORPORATE GOVERNANCE

A publicly traded company listed on the Stock Exchange since its inception and, as of 2011, as Level 1 of Corporate Governance on B3, FERBASA is founded on solid foundations of integrity, equity, and independence, based on its strong organizational culture, in addition to being in line with the best governance practices. The structured management, guided by clear and non-negotiable definitions of the responsibilities of the Board of Directors and its Advisory Committees, the Fiscal Council, and the Executive Board, reiterates its unequivocal commitment to valuing life, the continuity of the business and the offer of high-quality products, respecting the environment and the human principles bequeathed by its Founder. In the same direction, the sustainability tripod is conducted through a set of policies, compliance tools, transparency, and controls, which are periodically reviewed and establish comprehensive guidelines for all Units.

4. MARKET ENVIRONMENT

CRUDE STEEL: according to WSA (*World Steel Association*) data, in 2022 the world production of crude steel reached 1,849.7 Mt and remained stable (-0.1%) compared to 2021, with China participating with 1,019.1 Mt (55% of the total produced in 2022) and maintaining the same level of production as in the previous year. Among the world's largest producers, other good performances came from countries such as India (+11.8%), Russia (+5.6%), Iran (+1.8%), South Korea (+1.3%) and the USA (+0.2%). Brazil (-6.5%) was among the worst performers, as well as Turkey (-4.0%), Germany (-3.9%), and Japan (-2.5%).

In South America, the volume produced in 2023 reached 41.5 Mt, a decrease of 5.7% compared to 2022, of which Brazil contributed with 31.9 Mt – also pointing to a decrease of 6.5%. According to statistics from the *Instituto Aço Brasil – IABr* (Brazil Steel Institute), steel imports jumped 50.0% in 2023, a negative indicator for local production. Domestic apparent consumption (+1.5%) and exports remained stable (-1.8%) compared to 2022 data.

Between 3Q23 and 4Q23, world production declined 4.2%, with China's shrinking 13.7% and reaching the lowest quarterly level in recent years. In the same sense, the U.S. and Brazil recorded decreases of 2.9% and 1.3%, respectively. By contrast, Europe advanced 1.7% while India and Japan remained stable.

FeSi: in China, which accounts for about 70% of the world's supply of silicon alloys, volumes produced reached 5.5 Mt in 2023, a decrease of 7.2% compared to 2022, according to specialized reports. Demand for Chinese FeSi was influenced by the maintenance of local steel production and the 38.5% decrease in silicon alloy exports. It is worth noting that between 3Q23 and 4Q23, despite the decline in domestic steel production (-13.7%), Chinese FeSi production grew by 11.6%, which kept the market in oversupply throughout 2H23. Between June/23 and December/23, China's FeSi production grew by 22.0%, while its steel production declined by 26.0%.

Regarding coal, a decisive item in the global formation of silicon ferroalloy prices, the World Bank's analysis pointed to a sharp downward trend in 1H23, with a decline of about 50% compared to 2H22. In 2H23, the price was almost 30% below 1H23, reaching its lowest level in November. There is, therefore, a trend of relief in electricity costs in important regions producing these ferroalloys, such as China, South Africa, Malaysia, and India.

In addition, the price of coal also tends to correlate with coke costs, consequently, the price of metallurgical coke in China declined by about 14% between 1H23 and 2H23, reaching the lowest value of the year in June/23. The above-mentioned factors continue to ease metallurgical margins and stimulate FeSi production.

Between 3Q23 and 4Q23, the average price of FeSi, in dollar terms, fell 7.6% in Europe and 10.1% in the US. In the case of China, there was a maintenance in the export price (-0.8%) and in the domestic price (+0.2%), in yuan. Considering that in the same period China recorded an increase in supply and a reduction in demand, the low variation in the pricing of FeSi points to the proximity of prices to the average level of costs of producers.

Combined, electricity consumption and reducer account for about 65% of the average global cost of production. In view of a recent balance between supply and demand, the current sideways FeSi prices in China seem to signal proximity to a support zone promoted by the producers' cost curve for the beginning of 2024.

STAINLESS STEEL: Expert reports estimate that the global production of stainless steel totaled 57.5 Mt in 2023, expanding by 2.8% compared to 2022. Of this total, China accounted for 35.2 Mt (61% of the 2023 total), which means an increase of 7.6% compared to 2022. In addition to China, the positive highlights in production were the estimated growth of 14.0% in India and 9.7% in South Korea. Conversely, Japan (-20.4%), Indonesia (-11.4%), USA (-8.5%) and Europe (-4.5%) stand out for the negative results. In Brazil, it is estimated to grow by 12.9% in 2023 (368 thousand tons).

In Europe, stainless steel production was estimated at 6.2 Mt in 2023, with a decrease of 4.5% compared to 2022, while in the US it was estimated at 1.8 Mt, with a decrease of 8.5% compared to 2022.

Preliminary data show that, between 3Q23 and 4Q23, global production was stable (+1.5%), while China's shrank 8.4% after record production in 3Q23. In the opposite direction, Europe and Indonesia jumped by 30%, while the U.S. and India rose by 8.4% and 6.1%, respectively.

FeCr: the world production of HC FeCr, which normally remains in line with the volumes produced of stainless steel, recorded 15.4 Mt in 2023, an increase of 2.2% compared to 2022, according to estimates by specialized publications. Of this volume, China was responsible for 7.4 Mt (48% of the 2023 total), which represents an annual record, with a jump of 14.0% compared to 2022.

4Q23 had the worst performance for the price of the Chinese HC FeCr, which regressed during the three months and reached, in December/23, the lowest level since October 2022. This was because, as in the case of FeSi, there was an increase in supply (+4.8%) and a reduction in demand (-8.4%), in addition to lower costs with chrome ore. It is worth noting that in 4Q23, Chinese HC FeCr production grew for the 5th consecutive quarter and reached a new quarterly record.

Between 3Q23 and 4Q23, Chinese HC FeCr prices decreased by 1.0% for imports and 1.6% in the domestic market, in yuan, which denotes the proximity between them and the cost curve of local producers. In Europe, the price followed the same downward projection, with a slight decline of 0.9%. In the U.S., the decline was more pronounced: 15.7% in the period, explained by the reduction of the still high *price premium* in relation to the European market.

Also noteworthy is the price of UG2 ore, a popular category of chromium ore produced in South Africa as a by-product of platinum mining activity (PGM – *Platinum Group Metals*), which since 2Q22 has registered average levels above USD 200/t, putting pressure on the production costs of chromium alloys in China. To a large extent, the price of UG2 has been greatly influenced by the level of ore inventories in the country. The average position of these stocks regressed for the 3rd consecutive year in 2023, reaching 2.1 Mt and being 17.9% below the 2022 average. Between 3Q23 and 4Q23, the average price of UG2 decreased by 2.1% - while inventories jumped from 1.9 Mt (09/29) to 2.7 Mt (12/29) at the end of the year.

The outlook for UG2 ore – the cheapest on the market – is that its price will be sustained at USD 280/t, at least in the 1st half of 2024. Tracking the level of inventories in China will be vital in calibrating these expectations. In addition, ore is also related to structural factors (logistics and electricity) in South Africa, as well as commercial strategies involving Chinese buyers.

We reiterate that the prices charged by **FERBASA** are based on a "basket" of international prices, including those charged by the European, American, and especially Asian markets.

5. HIGHLIGHTS OF CONSOLIDATED RESULTS

The table below illustrates the highlights of the quarterly results and the cumulative results in each year:

Highlights (R\$ million)	4Q23	3Q23	Δ%	4Q22	Δ%	2023	2022	Δ%
Average US dollar practiced	4.96	4.86	2.1%	5.25	-5.5%	5.02	5.18	-3.1%
Net revenue	541.7	550.9	-1.7%	714.2	-24.2%	2,435.1	3,139.0	-22.4%
Cost of goods sold	467.6	478.1	-2.2%	472.1	-1.0%	1,901.2	1,724.1	10.3%
<i>Cost on revenue</i>	86.3%	86.8%		66.1%		78.1%	54.9%	
Adjusted EBITDA	47.0	75.7	-37.9%	189.1	-75.1%	454.4	1,285.0	-64.6%
EBITDA margin	8.7%	13.7%		26.5%		18.7%	40.9%	
Net Profit	55.0	74.6	-26.3%	152.0	-63.8%	382.9	1,062.5	-64.0%
<i>Profit margin</i>	10.2%	13.5%		21.3%		15.7%	33.8%	

PRODUCTION – In 4Q23, 77.7 thousand tons of ferroalloys were produced, an increase of 4.1% compared to 3Q23, due to the increase of 5.5% in chromium alloys and 1.1% in silicon alloys. In 2023, stability is noted compared to 2022, with maintenance of the production levels of chromium and silicon alloys. HP FeSi grew for the 4th consecutive year and reached 47% of the total silicon alloys produced.

SALES VOLUME – A total of 66.0 thousand tons of ferroalloys were sold in 4Q23, a volume like the 66.1 thousand tons in 3Q23, because of the 15.9% reduction in sales to the domestic market and the 25.5% increase in exports. In 2023, total sales remained at the same level as in 2022.

NET REVENUE – In 4Q23, net revenue totaled R\$541.7 million, maintaining levels close to those recorded in 3Q23, due to modest variations in sales volume, in the average price of ferroalloys in dollars and in the average dollar practiced. In 2023, net revenue decreased by 22.4% when compared to 2022, showing a contraction in both markets, mainly due to the decline of 23.8% in the average price in dollars of ferroalloys traded and a reduction of 3.1% in the average dollar practiced.

COST OF GOODS SOLD – In 4Q23, the COGS of ferroalloys remained stable and followed the maintenance of sales volume, when compared to 3Q23. Compared to 2022, the COGS of ferroalloys in 2023 increased by 11.2%, mainly reflecting the increase in the costs of inputs and raw materials. The ratio between COGS and net revenue from ferroalloys increased from 54.9% in 2022 to 78.1% in 2023, an oscillation explained by the increase in production costs and, above all, by the 22.4% decrease in sales revenue.

SALES AND GENERAL/ADMINISTRATIVE EXPENSES – Selling expenses in 2023 were up 13.5% compared to 2022, while general/administrative expenses decreased by 3.4%.

OTHER OPERATING EXPENSES/REVENUES – In 2023, operating expenses were R\$72.5 million, compared to R\$57.5 million in 2022, reflecting the effect of the recovery of actuarial obligations in the amount of R\$22.0 million, which reduced expenses in 2022. Excluding this effect, operating expenses fell 8.8% in the period.

ADJUSTED EBITDA – In 4Q23, operating cash generation, measured by Adjusted EBITDA, reached R\$ 47.0 million (of which R\$ 12.3 million related to BWG) with an EBITDA margin of 8.7%, decreasing 37.9% compared to 3Q23. In 2023, Adjusted EBITDA reached R\$ 454.4 million (of which R\$ 68.2 million related to BWG) with an EBITDA margin of 18.7%, 64.6% lower than in the previous year.

CASH CONSUMPTION – Cash consumption, cash equivalents and financial investments totaled R\$112.5 million in 2023, resulting in a consolidated financial reserve of R\$1.173 billion at the end of the period. Deducting consolidated indebtedness of R\$275.0 million, the net cash position was R\$897.6 million in 4Q23 compared to R\$943.1 million at the end of 4Q22.

FINANCIAL RESULTS – The consolidated financial result was R\$ 26.9 million in 4Q23, 25.7% below 3Q23, explained by the high cash consumption in the quarter and a 10.2% reduction in financial revenue. In 2023, the financial result of R\$ 115.9 million was 39.0% higher than in 2022, mainly due to the 12.4% increase in financial revenue, which reflected the higher average amount invested during the year and the change in the mix in the portfolio of financial investments.

CAPEX – In 2023, R\$ 328.8 million were invested, an increase of 26.4% compared to 2022, with emphasis on the acquisition of machinery and equipment for Metallurgy and Mining, as well as for the maintenance of the biological asset in the area of Forest Resources.

NET PROFIT – Consolidated net income reached R\$55.0 million in 4Q23, a reduction of 26.3% compared to 3Q23. Between 2022 and 2023, there was a 64.0% decline in net income, due to the aforementioned effects, which will be detailed in the following sections of this report.

EARNINGS – In keeping with a business guideline of regular distribution of earnings, the Company paid R\$ 225.9 million in 2023 in the form of interest on equity, reaching a *payout* of 59% of net income.

6. OPERATIONAL RESULTS

In 4Q23, 77.7 thousand tons of ferroalloys were produced, an increase of 4.1% compared to the previous quarter. This result was due to the increase of 5.5% in chromium alloys and 1.1% in silicon alloys. In the case of HP FeSi, which accounted for 46% of the total silicon alloys produced in 4Q23, there was a reduction of 3.3% compared to 3Q23.

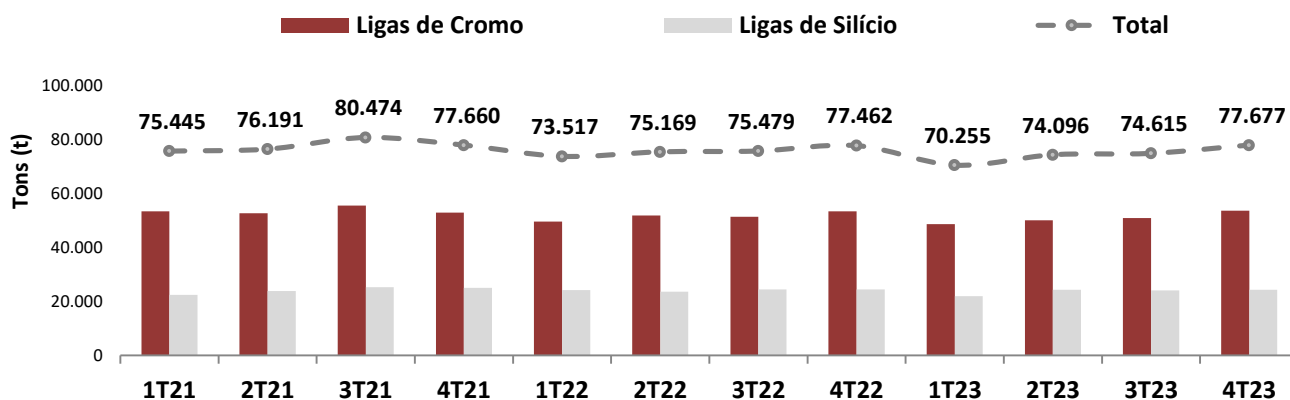
Compared to 2023, the 296.6 thousand tons of ferroalloys produced represent a slight reduction of 1.7% compared to 2022. This performance is the result of declines of 1.4% in chromium alloys and 2.2% in silicon alloys. On the other hand, the production of HP FeSi, which registered growth for the 4th consecutive year, advanced 10.4% over the previous year and reached 47% of the total silicon alloys produced in the year.

Production variations are aligned with the condition of the stocks and the marketing plan. It is worth mentioning that a portion of the ferroalloys manufactured is consumed internally, as an input in the other production chains.

Production (tons)	4Q23	3Q23	Δ%	4Q22	Δ%	2023	2022	Δ%
Chromium Alloys	53,456	50,652	5.5%	53,186	0.5%	202,481	205,371	-1.4%
Silicon Alloys	24,221	23,963	1.1%	24,276	-0.2%	94,162	96,256	-2.2%
Total	77,677	74,615	4.1%	77,462	0.3%	296,643	301,627	-1.7%
% Use of installed capacity (in MWh)	81.6%	80.3%		83.7%		79.7%	82.8%	

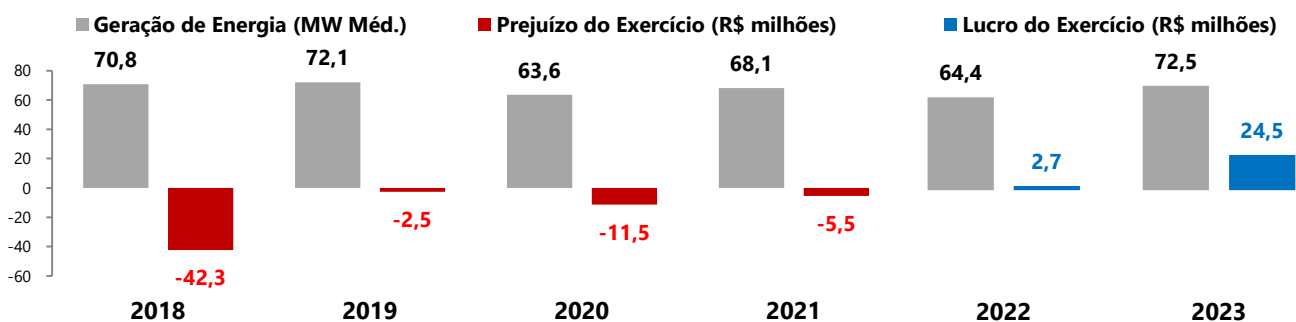
The installed capacity, measured based on the amount of electricity that can be consumed in MWh, is based on the daily and uninterrupted operation of the furnaces at normal power (without power reduction or shutdowns of any kind) and the product mix that enables the operation of the furnaces at maximum power. The utilization of installed capacity may be affected by (i) furnace shutdown or power reduction to carry out maintenance, refurbishment, or operational intervention; (ii) production of alloys that require power reduction in a furnace and (iii) commercialization of part of the energy contracted in the Free Market. The use of installed capacity was also impacted by the reduction of power or shutdown of furnaces during peak hours (6 pm to 9 pm), which has ceased to happen since 08/01/2023, when the contractual amendment for the energy supply signed with CHESF came into force, which eliminated this restriction and allowed the Company to operate its metallurgical unit uninterruptedly.

In 4Q23, FERBASA used 81.6% of the installed capacity of Metallurgy. The increase of 1.3 p.p. compared to 3Q23 is mainly due to *flat* operations throughout 4Q23, compared to only two months in 3Q23. It is worth noting that in November 2023 we had a halt for oven refurbishment.



6.1 Generation of Electric Power – BW Guirapá

In 2023, BW Guirapá presented its best power generation and, consequently, the best net result in recent years. Basically, this was possible due to the more favorable weather conditions, the operational improvements implemented, and the reduction of the financial impact related to financing with BNDES, as shown in the chart below.



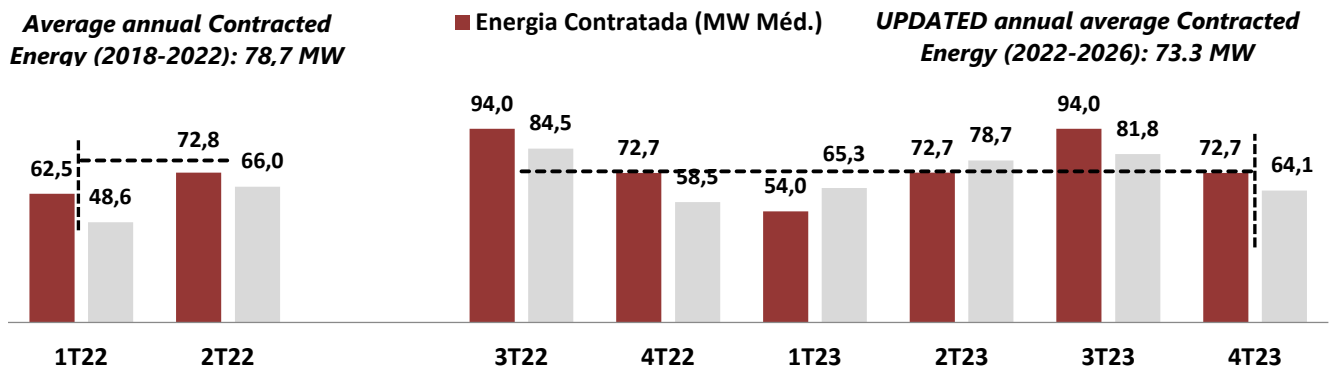
During the year, BW Guirapá promoted improvements in the prevention of operational problems and mitigation of failures, such as: (i) gearbox expert services; (ii) periodic borecopies performed on wind turbines; (iii) strengthening of operational controls; and (iv) the installation of the CMS (Conditioning Monitoring System), which allowed the continuous monitoring and evaluation of the main components of the wind turbine, enabling the anticipation of failures, improvement in maintenance scheduling and cost mitigation.

Electricity generation at BW Guirapá's wind farms reached 72.5 average MW, a volume 12.4% above 2022 and 1.2% below the 73.3 average MW contracted for the year with the Electric Energy Trading Chamber – CCEE (Portuguese acronym that stands for *Câmara de Comercialização de Energia Elétrica*). The main constraining factors were electrical losses (internal and external), which, together, impacted the annual generation by an average of 5.7 MW. Another relevant factor was the level of restrictions imposed by the National Electric System Operator – ONS (Portuguese acronym that stands for *Operador Nacional do Sistema Elétrico*), which reduced generation by 1.7 MW on average in

the period. If these restrictions had not been in place, the annual generation would have corresponded to 74.2 MW on average.

In 4Q23, net power generation at BW Guirapá's wind farms was 64.1 average MW, 9.6% higher than in 4Q22 and 11.8% lower than the 72.7 average MW contracted for the quarter. The climate effect was the main highlight, being responsible for the suppression of 7.4 average MW of expected gross generation.

In addition to the climate effects, the high level of restrictions imposed by the National Electric System Operator - ONS, especially in the fourth quarter of 2023, impacted the year's generation by 2.6 MW average. If these restrictions had not been in place, the annual generation would have corresponded to 74.1 average MW.



The results mentioned above should be analyzed in the light of the main factors that influence the power generation of the BW Guirapá Wind Complex: (i) the operational availability of the entire Wind Complex, which, in the case of the wind turbine, is related to the time available to operate and the time relative to the effective generation (availability of energy); (ii) wind turbine performance, measured by the association between actual and expected generation, as a function of the turbine's theoretical power curve; (iii) climatic conditions of the atmosphere that reflect on the quality of the winds (speed and density), a determining factor for the level of energy generation of wind farms; (iv) systemic restrictions imposed by the National Electric System Operator – ONS; and (v) internal and external electrical losses.

Regarding the expected gross generation (best expectation) of 83.1 average MW for 4Q23, the actual net generation of 64.1 average MW can be explained as follows:

4Q23 – Manageable factors (- 4.2 Avg. MW):

- Realized availability of 96.8%, which caused a decrease of 2.4 average MW in power generation, a result mainly related to damage to wind turbines, especially gearboxes.
- The average realized performance of 97.4%, which implied a decrease of 1.9 average MW. This performance reflects the adjustment of the calibration of the existing measurement equipment in the Parks, which guides the use of wind turbines.

4Q23 – Unmanageable factors (- 14.8 Avg. MW):

- The weather negatively impacted the expected gross generation of 7.4 average MW, as the average wind speed (17.89 mph) was lower than expected for the period.
- The internal and external electrical losses referring, respectively, to the equipment and the transmission system (External systemic losses – ONS apportionment) suppressed the total of 4.8 average MW from gross generation.
- The systemic restrictions imposed by the ONS for real-time management of the National Interconnected System (SIN) impacted the Park's generation by 2.7 average MW.

7. SALES

Sales in 4Q23 reached 66.0 thousand tons of ferroalloys, maintaining the same level as in 3Q23. This result comes from the combination of the 15.9% decrease in the volume destined for the domestic market and the 25.5% increase in shipments to the foreign market. In the period analyzed, we highlight the approximate growth of 20% in the sales volume of LC FeCr and HP FeSi.

The 273.6 thousand tons of ferroalloys traded in 2023 represented an increase of 1.4% compared to 2022, with a growth of 1.7% in the volume destined for the domestic market in the period, reflecting the low performance of domestic steel production, which was strongly impacted by Chinese steel imports. This result is a combination of a 12.1% decrease in sales of silicon alloys and a 4.1% increase in FeCr sales in the domestic market. In relation to the foreign market, there was an increase of 1.0% in sales in 2023, influenced by the combination of the decrease in shipments of silicon alloys (-3.2%) and the increase in the exported volume of chromium alloys (+6.9%). This scenario highlights the Company's ability to arbitrate the direction of its products between the Brazilian market and exports, according to market circumstances.

In 2022, the beginning of the conflict between Russia and Ukraine caused rearrangements in global supply chains that resulted in a significant increase in the prices of chromium and silicon alloys. In 2023, even with the continuity of the conflict, the accommodation of war tensions was observed, one of the factors that generated the reduction in ferroalloy prices to levels lower than those practiced in the previous year. In 4Q23, the logistical challenges increased again as a result of the conflict in the Red Sea and the impact of climate issues on the operation of the Panama Canal, which caused a difficulty in the flow of ships and a consequent increase in sea freight costs.

Sales (tons)	4T23	3T23	Δ%	4T22	Δ%	2023	2022	Δ%
DOMESTIC MARKET (Mercado Interno)								
Chromium Alloys	29,428	35,461	-17.0%	32,942	-10.7%	125,155	120,183	4.1%
Silicon Alloys	4,942	5,395	-8.4%	5,374	-8.0%	18,497	21,032	-12.1%
Total MI	34,370	40,856	-15.9%	38,316	-10.3%	143,652	141,215	1.7%
FOREIGN MARKET (Mercado Externo)								
Silicon Alloys	11,624	8,204	41.7%	7,472	55.6%	57,019	53,319	6.9%
Silicon Alloys	20,055	17,044	17.7%	20,976	-4.4%	72,978	75,381	-3.2%
Total ME	31,679	25,248	25.5%	28,448	11.4%	129,997	128,700	1.0%
TOTAL (MI + ME)	66,049	66,104	-0.1%	66,764	-1.1%	273,649	269,915	1.4%

7.1 Net Revenue

Net revenue in 4Q23 totaled R\$541.7 million, a slight decrease of 1.7% compared to 3Q23, reflecting the maintenance of total revenue from ferroalloys. The slight change is due to the stability of sales volume, combined with the 2.0% reduction in the average price of alloys in dollars and the 2.1% appreciation of the average dollar in the quarter. Also noteworthy is the share of about 60% of HP FeSi in the total revenue of silicon alloys.

Total net revenue in 2023 decreased by 22.4% when compared to 2022, mirroring the 24.6% decline in revenue from ferroalloys. This result reflected the decline of 23.8% in the average dollar prices of ferroalloys and 3.1% in the average dollar practiced, as well as the increase of 1.4% in the volume transacted.

Net Revenue (R\$ millions)	4T23	3T23	Δ%	4T22	Δ%	2023	2022	Δ%
DOMESTIC MARKET								
Ferroalloys	234.7	290.0	-19.1%	320.2	-26.7%	1,090.9	1,413.2	-22.8%
Wind Power	26.9	34.0	-20.9%	23.4	15.0%	117.8	96.7	21.8%
Other Products (*)	13.8	15.9	-13.2%	10.4	32.7%	60.3	47.5	26.9%
Total MI	275.4	339.9	-19.0%	354.0	-22.2%	1,269.0	1,557.4	-18.5%
FOREIGN MARKET								
Ferroalloys	266.3	211.0	26.2%	360.2	-26.1%	1,166.1	1,581.6	-26.3%
Total ME	266.3	211.0	26.2%	360.2	-26.1%	1,166.1	1,581.6	-26.3%

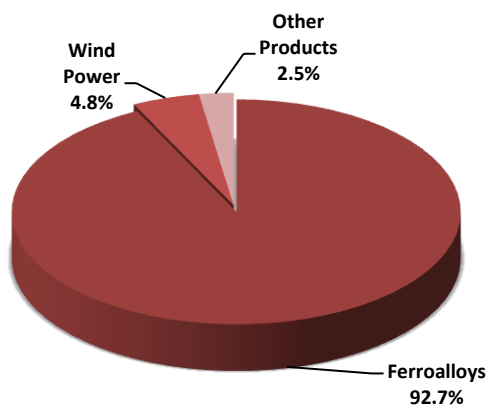
TOTAL (MI+ME)	541.7	550.9	-1.7%	714.2	-24.2%	2,435.1	3139.0	-22.4%
Average dollar practiced (R\$/USD)	4.96	4.86	2.1%	5.25	-5.5%	5.02	5.18	-3.1%

(*) Includes revenue from the sale of chromite sand, lime, microsilica, wood and slag.

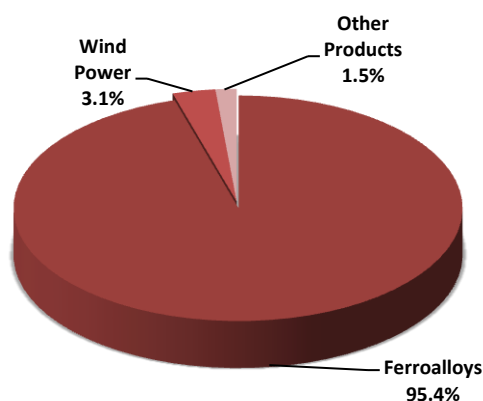
7.2 Net Revenue per Product and Market (%)

The graphs below show net revenue per product:

Sales Mix - 2023

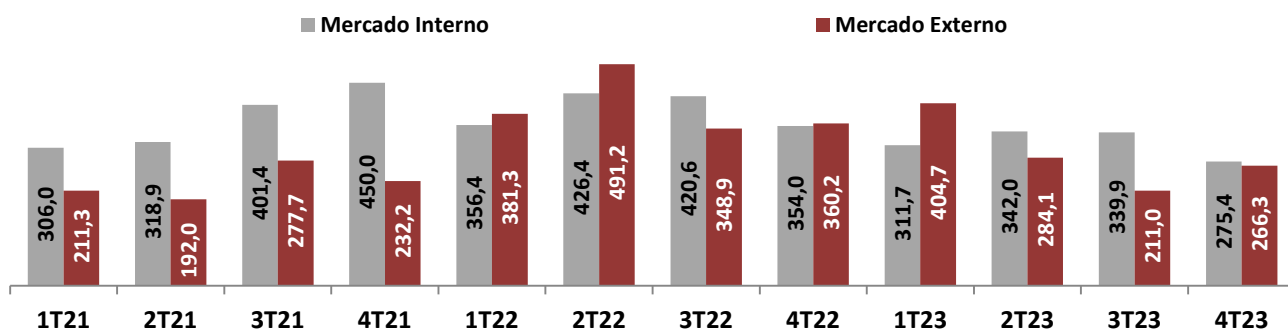


Sales Mix - 2022



The chart below shows the trajectory of net revenue between 1Q21 and 4Q23, distributed between the domestic market and exports. Since 2Q22, the year in which the Company registered record results, with the reduction of tensions related to the armed conflict, the pandemic period and the reorganization of supply chains, prices began to settle in a new global market environment.

**Net Revenue Distribution per Market
(In millions of Reais)**



8. COST OF GOODS SOLD

In 4Q23, considering exclusively ferroalloys data, the cost of goods sold (COGS) reached R\$ 424.7 million, maintaining the ratio with net revenue presented in 3Q23, given the stability in the quarterly sales volume. The Company's consolidated COGS in the fourth quarter totaled R\$467.7 million, a decrease of 2.2% compared to the previous quarter.

When analyzing the behavior of 2023 compared to 2022, the isolated COGS of ferroalloys reached R\$ 1,746.4 million, an increase of 11.2% mainly justified by the increases in the costs of inputs and raw materials, especially the bioreducer and chromium ore, in addition to other inflationary impacts on the vertical chain of the business. In 2023, FERBASA's consolidated COGS reached the level of R\$ 1,901.2 million.

In the case of electricity consumed in the production of ferroalloys, in 2023 there was an increase of 3.5% in the average cost compared to 2022, as a result of the 10.5% growth in the average price of contracted energy and the 8.5% decrease in sectoral charges due to the more favorable conditions of the water reservoirs.

Regarding the increase in the cost of production of high carbon ferrochrome in 2023, the main reasons for this increase were the increases in spending on chrome ore, mainly due to the expansion of operational reserves at the mine, including for the recomposition of volumes, and lower ore production, despite the slight improvement in the waste ratio/ore of the ROM (*run of mine*).

In 2023, the cost of the high carbon ferrochrome alloy was pressured by the increase in the costs of chromium ore production, which was lower than projected, and by the expenses to rebuild the operating reserves of the Ipueira mine.

As for low-carbon ferrochrome, the increases in the costs of chromium ore and the FeSiCr reducer (produced internally) stood out, the latter impacted by the increases in HC FeCr and bioreducer consumed in its production.

Regarding the cost of ferrosilicon production, the increases in expenses with bioreducer and, to a lesser extent, with other raw materials, were highlighted, due to the ennoblement of its production mix. Regarding the bioreducer, the company's own production went through operational problems that required stops for maintenance of the carbonization furnaces much longer than expected for the year, impacting the levels of its own production, and resulting in the need to purchase a bioreducer from third parties, with a high acquisition cost.

Specifically dealing with the ratio between COGS of ferroalloys and Net revenue, both of ferroalloys, there was an increase from 54.9% to 78.1% between 2022 and 2023, caused by the increase in production costs, as detailed and, mainly, by the decrease in net revenue, due to the reduction in the dollar trading prices of our products.

The "Wind Power" line presented in the table below is related to the COGS of the BW Guirapá wind complex, which covers its main cost components, which are associated with the operation of wind turbines, equipment maintenance, energy transmission and depreciation.

COGs (R\$ millions)	4Q23	%NR(*)	3Q23	%NR(*)	4Q22	%NR(*)	2023	%NR(*)	2022	%NR(*)
Ferroalloys	424.7	84.8%	422.9	84.4%	421.3	61.9%	1,746.4	77.4%	1,571.1	52.5%
Wind power	23.7	88.1%	22.1	65.0%	19.7	84.2%	85.1	72.2%	75.5	78.1%
Other products (i)	9.4	68.1%	11.1	69.8%	5.5	52.9%	39.9	66.2%	28.8	60.6%
Products subtotal	457.8		456.1		446.5		1,871.4		1,675.4	
Depletion of biological assets fair value	7.7		24.8		9.5		32.5		35.0	
Idle capacity	4.0		4.7		1.2		14.4		3.2	
Other	(1.9)		(7.5)		14.9		(17.1)		10.5	
Others subtotal	9.8		22.0		25.6		29.8		48.7	
Grand total	467.6		478.1		472.1		1,901.2		1,724.1	
Net revenue %	86.3%		86.8%		66.1%		78.1%		54.9%	

(*) Considers the COGS-to-net revenue ratio of each product.

(i) Include costs of the products: chrome ore (Lump for export), chromite sand, lime, microsilica, wood, and slag.

9. EXPENSES

9.1 Selling Expenses

Sales expenses in 2023 totaled R\$19.4 million, 13.5% higher than the R\$17.1 million realized in 2022. For the most part, this variation originated from the recovery of credit resulting from the default of a customer, in the amount of R\$ 3.9 million, which reduced commercial expenses in 4Q22. Regarding Net Revenue, the percentages of sales expenses corresponded to 0.8% in 2023 and 0.5% in 2022.

9.2 General and Administrative Expenses

Consolidated general and administrative expenses include portions related to salaries, benefits, management fees, social charges, consulting services and the provision of profit sharing.

In 2023, such expenses totaled R\$ 210.0 million (R\$ 7.7 million referring to BWG), representing a reduction of 3.4% compared to R\$ 217.4 million (of which R\$ 6.4 million referring to BWG) in 2022. It is worth noting that profit sharing and management compensation were reduced by R\$31.9 million, compared to 2022, reflecting the reduction in profit. On the other hand, there was an increase of R\$ 24.5 million due to salary adjustments and the medical assistance plan, in addition to an increase in IT services, consulting and advisory services.

9.3 Other Operating Expenses/Revenues

Operating expenses for the year were R\$72.5 million, adding an increase of R\$15 million compared to the R\$57.5 million disbursement recorded in 2022. This variation was due to the recovery of actuarial obligations related to the health plan, in the amount of R\$ 22.0 million, which reduced these expenses in 2022. The main expenditures in 2023 occurred in the lines related to social and corporate responsibility (R\$ 19.8 million), geological surveys (R\$ 18.0 million), other taxes and fees (R\$ 15.8 million), the result of the transfer of energy (R\$ 7.7 million), consultancies and others (R\$ 3.4 million).

10. ADJUSTED EBITDA

EBITDA is not a measure defined by Brazilian and international accounting standards, representing the profit for the period before Interest, Income Tax, Social Contribution, Depreciation, Amortization and Depletion. **FERBASA** presents its adjusted EBITDA in accordance with **CVM Resolution 156/22**, i.e., with the respective expungement of the net effect of the fair value of biological assets, the provision for contingencies and other non-recurring effects.

EBITDA - Consolidated (R\$ millions)	4Q23	3Q23	Δ%	4Q22	Δ%	2023	2022	Δ%
Net Profit	55.0	74.6	-26.3%	152.0	-63.8%	382.9	1,062.5	-64.0%
(+/-) Net financial result (ex-derivative and non-derivative financial instruments)	(26.9)	(36.2)	-25.7%	(35.3)	-23.8%	(115.9)	(92.6)	25.2%
(+/-) Income from derivative and non-derivative financial instruments ¹	-	-	-	0.1	-	-	9.2	-
(+/-) IRPJ/CSLL	(11.6)	9.1	-	30.1	-	36.8	181.9	-79.8%
(+/-) Depreciation, amortization, depletion, and capital gain ²	47.4	47.8	-0.8%	37.7	25.7%	187.9	142.6	31.8%
EBITDA	63.9	95.3	-32.9%	184.6	-65.4%	491.7	1,303.6	-62.3%
(+/-) Provision for contingencies and others ³	13.0	(1.3)	-	6.1	1.13.1%	10.9	10.5	3.8%
(+/-) Net effect of the fair Value of biologic assets	(24.4)	(14.8)	64.9%	(0.1)	-	(39.2)	(3.0)	1,206.7%
(+/-) Reversal of provision for demobilization (BWG) ⁴	(10.6)	-	-	-	-	(10.6)	-	-
(+/-) Insurance claim received	-	-	-	(1.5)	-	-	(4.1)	-
(+/-) Effect of actuarial liabilities (health plan, private pension and FGTS – Brazilian Compensation Fund for time of Service.)	5.1	(3.5)	-	-	-	1.6	(22.0)	-
Adjusted EBITDA	47.0	75.7	-37.9%	189.1	-75.1%	454.4	1,285.0	-64.6%
EBITDA Margin	8.7%	13.7%		26.5%		18.7%	40.9%	

1) Derivative financial instruments refer to the Purchase NDFs and Sale NDFs and non-derivative financial instruments refer to the Currency Hedge.

2) Capital gains refer to the effect of the realization of assets valued at their fair value, reflecting the acquisition of BWG.

3) Effect of the constitution of new processes and reversals of provisions for contingencies for the period (Note 27 of the 2023 Financial Statements).

- 4) Reassessment of the provision for demobilization (CPC-25) of wind farms, considering the costs of dismantling equipment and civil works. (Note 26 of the 2023 Financial Statements).

In addition, we present below the EBITDA table of the subsidiary BW Guirapá.

EBITDA - BW (R\$ millions)	4Q23	3Q23	Δ%	4Q22	Δ%	2023	2022	Δ%
Net profit	10.9	8.0	36.3%	0.7	1,457.1%	24.5	2.7	807.4%
(+/-) Net financial result	1.5	1.0	50.0%	2.8	-46.4%	9.2	14.4	-36.1%
(+/-) IRPJ/CSLL	(0.6)	1.1	-	(0.2)	200.0%	1.6	0.8	100.0%
(-) Depreciation and amortization	11.1	11.0	0.9%	10.5	5.7%	43.5	42.0	3.6%
EBITDA	22.9	21.1	8.5%	13.8	65.9%	78.8	59.9	31.6%
(+/-) Reversal of provision for demobilization ⁴	(10.6)	-	-	-	-	(10.6)	-	-
(+/-) Insurance claiming received	-	-	-	(1.5)	-	-	(4.1)	-
Adjusted EBITDA	12.3	21.1	-41.7%	12.3	0.0%	68.2	55.8	22.2%
EBITDA Margin	45.7%	62.1%		52.6%		57.9%	57.7%	

11. FINANCIAL STRUCTURE

11.1 Net Cash and Net Consumption

According to the Cash Flow Statement (DFC, CPC – 03 R2), which considers only the variation in cash accounts and cash equivalents, the amount consumed by operating, investing, and financing activities in 2023 was R\$132.3 million, mainly impacted by:

(+) R\$476.6 million in operating income generated in the year, including variations in working capital, interest payments and taxes;

(-) R\$245.0 million from investment activities, a result influenced by: i) transfer of financial investments in the amount of (+) R\$81.6 million to Cash and Cash Equivalents; ii) acquisitions for fixed assets and the costing of biological assets, which together totaled (-) R\$328.8 million; and iii) others, in the amount of (+) R\$ 2.0 million;

(-) R\$363.9 million from financing activities, the impacts of which were: i) amortization of consolidated loans and financing in the amount of (-) R\$67.1 million (with emphasis on R\$26.1 million related to BWG's debt with BNDES – Portuguese acronym that stands for *Banco Nacional de Desenvolvimento Econômico e Social* – National Bank for Economic and Social Development); ii) payment of leases/rents in the amount of (-) R\$ 70.9 million; and iii) interest on equity payments in the amount of (-) R\$225.9 million.

Also considering the "Financial Investments" account, whose change was positive at R\$19.8 million, there was a total cash consumption of R\$112.5 million in 2023. As of December 31, 2023, the consolidated financial reserve reached approximately R\$1.173 billion (including cash, cash equivalents and financial securities) and the consolidated debt was R\$275.0 million (of which R\$213.9 million refers to BWG's debt with BNDES). Thus, the Company ended the year with a net cash position of R\$ 897.6 million.

Net Cash - Consolidated (R\$ millions)	12/31/2023	12/31/2022	Δ
Cash and cash equivalents	341,8	474,1	(132,3)
Short-term investments	830,8	811,0	19,8
Total cash reserve	1.172,6	1.285,1	(112,5)
Loans and financing*	(275,0)	(342,0)	67,0
Net Cash	897,6	943,1	(45,5)

(*) The amount of the IOF on funding is R\$ 3.6 and R\$ 4.0 million for 12/31/23 and 12/31/22, respectively.



11.2 Net Financial Result

In 4Q23, the financial result generated R\$ 26.9 million, 25.7% below the R\$ 36.2 million recorded in 3Q23. The change was mainly due to the 10.2% reduction in financial revenues caused by the drop in the basic interest rate and in the amount of financial investments, due to higher cash consumption in this period.

When analyzing the full year 2023, it is possible to see that the 39.0% increase in the financial result (compared to the previous year) was due to the 12.4% increase in financial revenue. This result was achieved by the combination of a basic interest rate in 2023 that was higher than the average practiced by BACEN (Portuguese acronym that stands for *Banco Central do Brasil* – Central Bank of Brazil) in 2022; change in the mix of financial investments, with a reduction in values indexed to the IPCA (Portuguese Acronym that stands for *Índice Nacional de Preços ao Consumidor Amplo* - Broad National Consumer Price Index) and an increase in those linked to the CDI; and in effect the highest average amount invested. Also noteworthy is the 13.2% reduction in financial interest expenses, due to the amortization of financing contracts.

Financial result (R\$ millions)	4Q23	3Q23	Δ%	4Q22	Δ%	2023	2022	Δ%
Financial performance								
Financial Income	40.4	45.0	-10.2%	47.6	-15.1%	169.5	150.8	12.4%
Financial expense	(11.3)	(11.8)	-4.2%	(13.4)	-15.7%	(51.3)	(59.1)	-13.2%
Net exchange rate variation	(2.2)	3.0	-	1.1	-	(2.3)	0.9	-
Subtotal	26.9	36.2	-25.7%	35.3	-23.8%	115.9	92.6	25.2%
Result Settled Financial Instruments	-	-	-	(0.1)	-	-	(9.2)	-
Grand Total	26.9	36.2	-25.7%	35.2	-23.6%	115.9	83.4	39.0%

12. FIXED, INTANGIBLE AND BIOLOGICAL ASSETS

12.1 CAPEX

In 2023, CAPEX totaled R\$ 328.8 million, 26.4% higher than in 2022. The following are the segregated values by business unit:

CAPEX (R\$ millions)	Metallurgy	Mining	Forestry	Wind Power	2023	2022
Machinery and Equipment	44,7	91,8	17,9	16,7	171,1	145,3
Biological assets	-	-	71,7	-	71,7	64,5
Mines	-	24,1	-	-	24,1	14,3
Buildings	6,4	8,2	8,8	0,2	23,6	24,4
Land	-	-	23,4	-	23,4	-
Vehicles and tractors	0,7	2,1	-	-	2,8	2,6
Furniture and Utensils	1,4	0,2	-	-	1,6	0,5
Others (i)	5,1	1,5	2,9	1,0	10,5	8,6
Total	58,3	127,9	124,7	17,9	328,8	260,2

(i) Include: Money advances, computing, intangible and others.

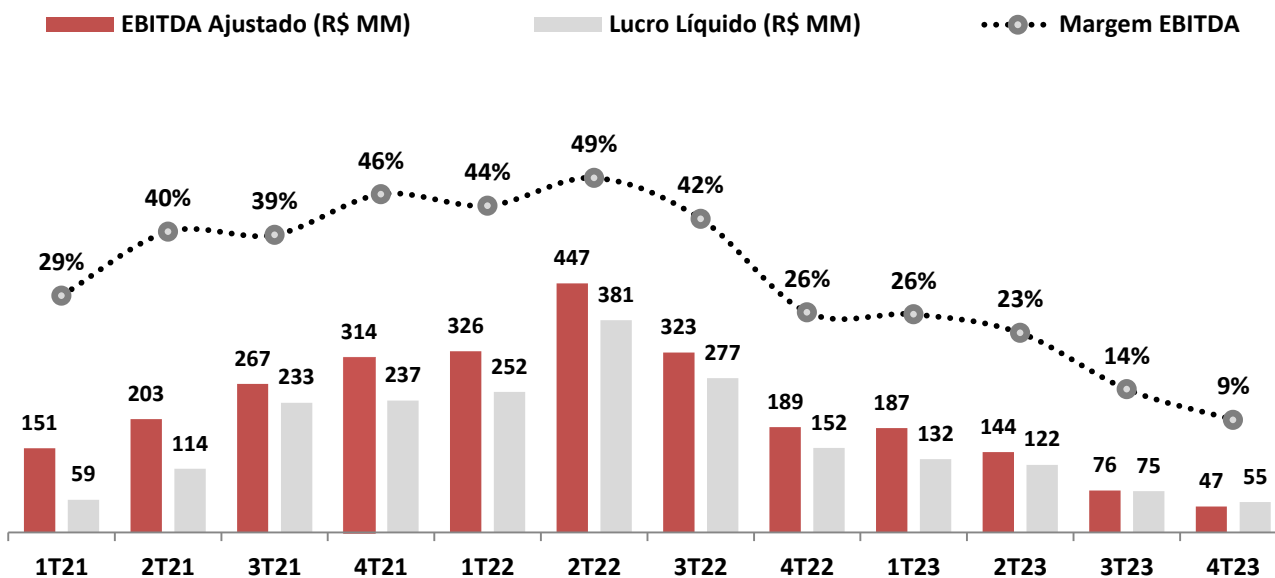
The highest amounts of investments in the period were allocated to the acquisition of machinery and equipment (52.0%), especially for Metallurgy and Mining, and maintenance of biological assets (21.8%) for the Forest Resources area. These allocations accounted for 73.8% of the total CAPEX realized by FERBASA in 2023.

13. NET PROFIT

As a result of the effects mentioned in this Report, consolidated net income in 4Q23 was R\$55.0 million (net margin of 10.2%). In its entirety, the year 2023 presented net income of R\$ 382.9 million (net margin of 15.7%). The highlights in the variations of 2023 compared to the previous year were as follows:

- (i) 23.8% reduction in dollar-weighted average price of ferroalloys;
- (ii) Devaluation of 3.1% in the average dollar;
- (iii) Increase of 1.4% in the total sale of ferroalloys;
- (iv) 11.2% increase in the cost of goods sold (COGS) of ferroalloys;
- (v) Growth of R\$ 32.5 million in financial results;
- (vi) Increase of R\$ 21.8 million in BW Guirapá's profit;
- (vii) Positive adjustment of R\$ 39.2 million related to the calculation of the fair value of the biological asset, of which (+) R\$ 71.7 million referred, mainly, to the additional volume of forests over two years old and (-) R\$ 32.5 million to the consumption and sale of wood;
- (viii) In addition, FERBASA carried out a consolidated cash consumption of R\$ 112.5 million in 2023.

In the chart below, we present the evolution of EBITDA, EBITDA margin and net income since 1Q21.



14. STATEMENT OF VALUE ADDED

The table below shows the wealth generated by the Company and its respective distribution. In 2023, FERBASA generated R\$ 1,005.9 million, an amount 49.3% lower than the 2022 generation:

DVA (R\$ millions)	2023	Δ%	2022
--------------------	------	----	------

Employees	416.7	0.2%	415.7
Government	159.7	-57.9%	379.1
Others (1)	46.6	-63.5%	127.7
Net Profit (2)	382.9	-64.0%	1,062.5
Total	1,005.9	-49.3%	1,985.0

- (1) They refer to interest, rents, leases, financial expenses, passive exchange rate variation, derivative and non-derivative financial instruments, and others.
 (2) Shareholders and retained earnings.

15. CAPITAL MARKETS AND INVESTOR RELATIONS

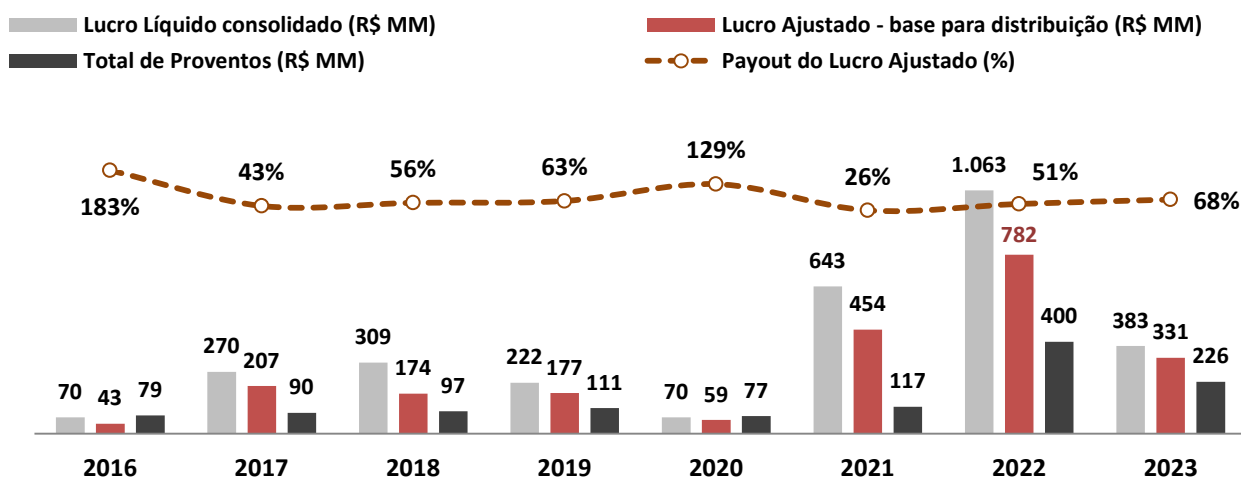
FERBASA values the timely disclosure of its information and maintains rigor on its standards of transparency and preservation of the trust of its related parties, providing communication channels through its Investor Relations area and its website, where all its public data are published. The Company also holds conference calls to announce its quarterly results and an annual public meeting. Below, we provide a summary of relevant information for our investors and the market in general.

15.1 Earnings

Remaining a regular payer of dividends to shareholders, the Company distributed R\$ 225.9 million in 2023 in the form of interest on shareholders' equity.

Date of Deliberation in Shareholders' Meeting	Payment Date	Amount (R\$ millions)	Amount/share ON (BRL)	Amount/share PN (BRL)
05/29/2023	06/22/2023	72.8	0.20060462882	0.22066509170
08/28/2023	09/22/2023	41.8	0.11524424594	0.12676867053
11/30/2023	12/22/2023	41.6	0.11457394572	0.12603134030
12/11/2023	12/27/2023	69.8	0.19238407938	0.21162248732
Total		225.9	2.49122759941	2.74035035934

Below, we present a history that reinforces FERBASA's brand as a company that adopts the regular distribution of proceeds in its business guideline.



15.2 FESA4 Performance on B3

The table below presents some indicators on the behavior of FERBASA's shares in 2023.

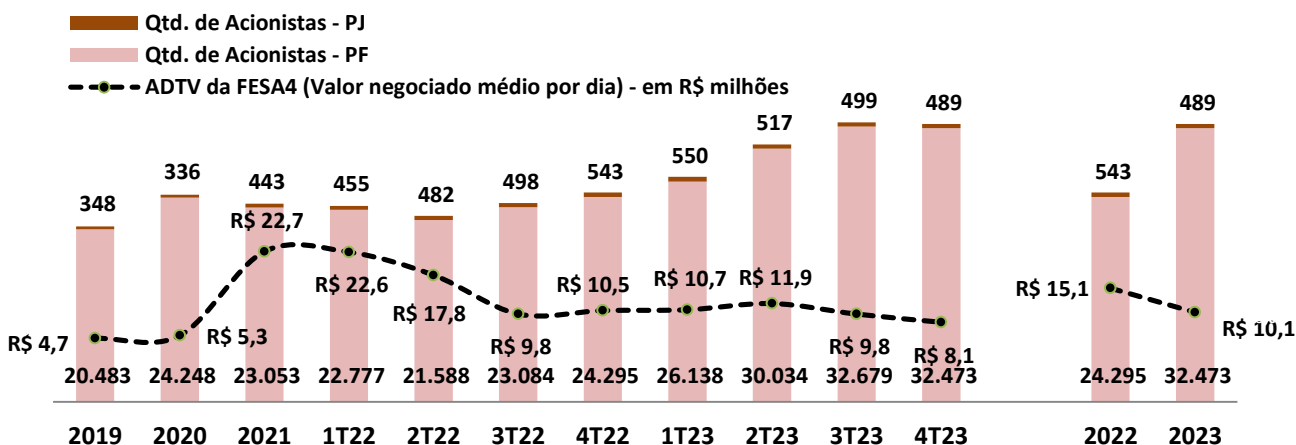
	2023	2022	Δ%
Volume of shares traded (thousand)	50,338	76,874	-34.5%

Traded amount (R\$ thousand)		2,510,082	3,780,524	-33.6%
Market value (R\$ thousand)	(1)	4,569,971	4,914,714	-7.0%
Free float shares (thousand)	(2)	40,666	40,808	-0.3%
Weighted average of the quotation in the period (R\$ PN)		49.86	49.18	1.4%
Last quotation of the period (R\$ PN)		46.49	53.47	-13.1%
Book Value Per Share (R\$)		37.49	35.83	4.6%

Notes:

- (1) Number of shares (by ON and PN class) multiplied by the respective quotations on the dates of 12/31/2023 and 12/31/2022;
 (2) Total volume of the Company's shares, excluding treasury shares (ON: 40 thousand; PN: 3,183.3 thousand), the Controller (ON: 29,086.7 thousand; PN: 15,300.8 thousand) and Administrators (ON: 98; PN: 43 thousand).

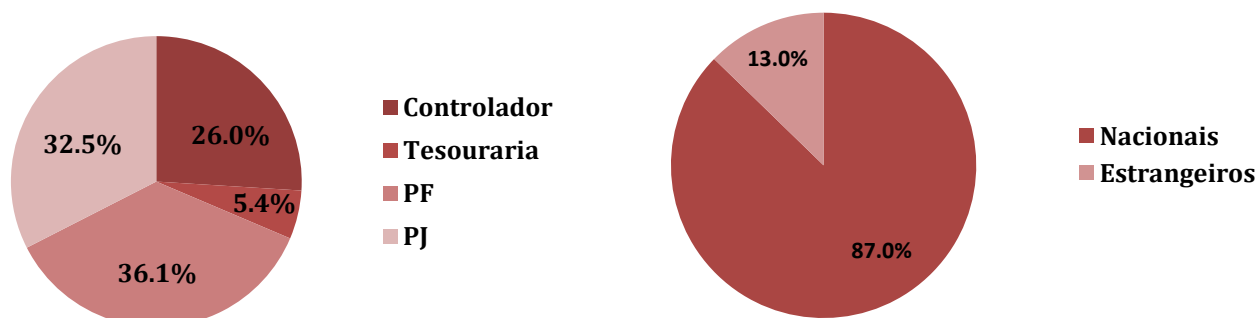
On the other hand, the evolution of the shareholder base by type of shareholder and the liquidity measured by the ADTV (Average Daily Trading Volume) can be seen in the chart below.



FERBASA's shareholder base ended 2023 with around 33 thousand investors and an ADTV of R\$ 10,1 million. Compared to 2022, the 33.1% decrease in ADTV derives from the combination of the reduction in the average volume of PNs traded (-34.5%) and the increase in the average price of FESA4 (+1.4%), as indicated in the table above. The variation of ADTV between 2023 and 2022 was impacted by the pulverization of the shareholder base, with a strong increase in individuals, and maintenance of the average level of the FESA price4.

15.3 Investor Profile

With the highlight of the 33% evolution in the number of investors between 2022 and 2023, below is the shareholder profile of FERBASA's preferred shares (FESA4), considering as a reference the shareholder base on 12/31/2023:






16. SUSTAINABLE DEVELOPMENT

16.1 ESG AGENDA

In line with our commitment to Sustainability, and continuing the Action Plan initiated in 2022, whose preparation was supported by a specialized consultancy, the internal teams, acting under the supervision of FERBASA's ESG Committee, advanced and successfully completed 95% of the actions planned for 2023. Additionally, in order to publicize these initiatives and projects, in addition to the publication of the fourth edition of FERBASA's **Sustainability Report** (base year 2022), we list in this topic the most relevant points with regard to the ESG Agenda in 2023:

ESG – Environment	SDG*
<ul style="list-style-type: none"> • Construction of the Water Resources Scarcity Adaptation/Mitigation Plan; • Advancement of the waste management program and monitoring of suppliers responsible for the respective destination; • Studies to reduce emissions. 	
ESG – Social	SDG*
<ul style="list-style-type: none"> • Raising awareness on the topic of diversity, equity and inclusion through training provided to the Company's employees; • Conducting the organizational climate survey; • Technical and behavioral initiatives aimed at reinforcing the safety culture, guided by specialized consulting. 	
ESG – Governance	SDG*
<ul style="list-style-type: none"> • Availability of a Sustainability directory on the Company's website; • Elaboration of Conflict of Interest and Anti-Corruption Policies. 	

(*) The Sustainable Development Goals (SDGs) are part of a global agenda adopted during the United Nations Summit on Sustainable Development in September 2015, consisting of 17 goals and 169 targets to be achieved by 2030.

16.2 Personnel Management

In essence, Ferbasa's history has been guided by a culture of valuing people, exceptionally its employees, which results, for example, in the Company's very low *turnover* rate, among other recognized indicators. The joint efforts to maintain this culture culminated in the advancement, in 2023, of the ESG Agenda, and the implementation of measures to safeguard and care for the health and well-being of our employees. It is worth mentioning that, despite the adverse context, all efforts were made to maintain a compensation and benefits package compatible with the market, despite a slight retraction of 0.58%, equivalent to a decrease of R\$ 2.2 million in the total package.

	2023	2022	Δ%
Own employees (quantity)	3,218	3,220	-0.06%
Indicators (R\$ thousand)			
Feeding	12,810	10,145	26.27%
Remuneration ⁽ⁱ⁾	276,026	251,468	9.77%
Health care	34,001	27,443	23.90%
Profit sharing/employee allowance	61,381	97,700	-37.17%
Private pension plan	4,183	3,902	7.20%
TOTAL	388,400	390,658	-0.58%



(i) Amounts and percentages include salaries, charges, vacations, 13th salary, severance pay, as well as other benefits.

16.3 Integrated Management System

In 2023, R\$ 32 million was invested in programs and solutions aimed at mitigating environmental impacts, preserving the ecosystem, raising the safety level, safeguarding teams, and other actions aimed at maintaining the physical integrity of employees. In this sense, the following actions deserve to be highlighted:

- Execution of 12,560 Behavioural Safety Approaches - a record number - with a focus on changing behaviour and reinforcing safety as a non-negotiable value;
- Implementation of the new tools "Safe Condition Inspection – ICS (Portuguese acronym that stands for *Inspecção de Condição Segura*)" and "Procedure Compliance Verification – VCP (Portuguese acronym that stands for *Verificação de Conformidade de Procedimento*)" in order to make our operations even safer;
- Continuity of the multi-year project related to NR's, especially NR10 and NR12, as well as NR23 with the adequacy of workstations at height, especially in relation to the installation of lifelines and anchor points in buildings (certified by international standards);
- Expansion of the Anti-Collision System that increases safety in activities with greater interaction between Man and Machine, in order to reduce the risk of being run over and collision;
- Dismemberment of the Integrated Management area with the creation of two departments, one focused on safety and continuous improvement issues and the other on environmental aspects.

In the context of environmental issues, the advances in the ESG Agenda were represented by actions focused on climate change (inventory of greenhouse gases, the development of a decarbonization plan and studies to adapt to climate risks), the use of water, the proper management of effluents and the development of the Integrated Waste Program, which includes the waste generated in the various processes. The valorization of the production chain and operational improvements aimed at reducing it. Also noteworthy are:

- Beginning of the construction of the gas burner in bioreducer production furnaces, at the Araticum Farm, with completion scheduled for 2024 and a total budgeted investment of R\$ 31 million, which is expected to reduce CO2 emissions by 21% and in bioreducer production activities;
- Improvement in the fugitive emissions control system, with the installation of a baghouse filter in the drying of ores; gas scrubber in sintering; interconnection of emissions from the furnace drilling process (Furnace 12) to existing filters, among others;
- Continuous improvement in solid waste management, including studies focused on inerting slag from the manufacture of LC FeCr alloys, destination for use as soil corrective (already under analysis by the Ministry of Agriculture and Livestock – MAPA, Portuguese acronym that stands for *Ministério da Agricultura e Pecuária*), recycling of industrial waste in production processes and studies to expand circularity;
- Evolution in the Metallurgy rainwater drainage system, including paving, drainage and installation of particle control tanks;
- Recovery of 103.36 acres of degraded areas in production processes, such as Mining and Forestry;
- Carrying out environmental education actions for employees and surrounding communities, with a focus on the development of environmental citizenship.

The year 2023 was also marked by the recommendation of the auditing company Bureau Veritas Quality International - BVQI for the maintenance of ISO 9.001 (Quality), ISO 14.001 (Environment), ISO 45.001 (Health and Safety Management) certificates for Metallurgy, DRF and Mining. For 2024, attention and multi-year investments will remain focused on the evolution of QHSE (Quality, Health, Safety and Environment) performance at all the Company's units.

16.4 Corporate Social Responsibility

Since its inception in 1961, the Company's trajectory has been based on conduct that transcends economic issues. José Carvalho, in the early years, decided that the existence of FERBASA would make a significant difference in people's lives, in addition to the jobs generated. His servant leadership, now widely spread in modern management practices, but very innovative at the time, stimulated employees, from the factory floor, to the protagonism of their careers. Like its ferroalloys, its efforts merged into initiatives designed to raise education and the quality of life in the regions where FERBASA operates. Today, his noble legacies are impregnated in the CULTURE that underpins our social investments and, certainly, in the private sphere he represents one of the longest-lived and most expressive references in the country.

In this sense, in parallel with the educational actions developed by the José Carvalho Foundation, the Company's parent company, in 2023 approximately R\$ 19 million were invested in initiatives of the **Ferbasa Is Here**, for the benefit of about 100 thousand people from 26 municipalities in Bahia.

Based on the assumption that the Program's activities are directly linked to the vocations of the regions where FERBASA develops its activities, the preparation of the social risk maps of the communities began in 2023, with completion scheduled for 2024. This initiative seeks to expand the analysis tools capable of increasing the assertiveness of investments and actions that integrate the six structural lines of action of the Program: education, rural and community development, culture, sports, environment, and health.

EDUCATION remains the central pillar of the Program, seeking to provide significant transformations that reflect mainly on the lasting development of the territories. Thus, the following deserve to be highlighted: (i) the **Technical Mining Course** held in partnership with SENAI and with a workload of 1,200 hours, in Andorinha/BA, which provides the training of 30 people (community and employees); (ii) the **Student Grade A project**, which promoted learning workshops for 50 children from Andorinha with difficulties in the pedagogical process, and; (iii) **Ferbasa Educates**, aimed at raising the education of employees and their families at the elementary and high school levels, which graduated 63 students in 2023, reaching a total of 610 graduates since the beginning of the Program in 2014.

In the field of culture, the Program enabled the free access of needy populations to various types of entertainment, such as exhibitions, seminars, cultural festivals and Afro parades, with emphasis on: (i) **Buzum**, an itinerant theatrical show in which more than 4 thousand children participated; (ii) the already traditional **Cine Ferbasa**, which brought the magic of the seventh art to an audience of 13 thousand people from 16 towns, in a truck adapted for a projection room; (iii) the **National Festival of June Quadrilles**, which had the participation of about 12 thousand people from nine states, provided the opportunity for the direct generation of 92 jobs, and; (iv) the **Symphonic Orchestra Sings Luiz**, which brightened the June period by rescuing the more traditional Saint John's format and portrayed by the beautiful music and stories of the master Luiz Gonzaga.

In the area of sports, 871 students from public schools in 07 municipalities participated in the "**Sports Action**" project and experienced the transformative power of sport for the exercise of citizenship in soccer, volleyball, judo and skateboarding schools, receiving free uniforms, sports materials, and guidance from qualified teachers. **Playing at the Court** installed a multi-sport court in the Community Square, in Monte Santo, and will install, in 2024, another court in Campo Formoso, while the athlete Marily dos Santos, sponsored by the Company, shone on the podiums of several state championships.

The environmental actions were conducted in a playful way, through the theatrical show "**João Environment**" and the "**Letters to the Future**" Contest, increasing awareness on the subject and providing the 1,700 students from public schools with the necessary knowledge to act as child agents in the preservation of the environment. The part dedicated to Rural and Community Development of municipalities and villages implemented 10 income generation projects that positively impacted the lives of 1,000 families who are members of the productive centers, in the areas of beekeeping, family farming, fish farming, poultry farming, goat farming, dairy farming and handicrafts, in addition to the actions of well construction, road recovery and training for the creation of products from the raw materials of the local biomes.



In health, the **House for Children with Cancer**, in Salvador, received funding for the development of welcoming activities for children undergoing treatment by the SUS (Portuguese acronym that stands for *Sistema Único de Saúde* – Universal Health System). A dental office was installed in the community of Sítio do Meio, municipality of Entre Rios, with a capacity to perform 300 consultations per month. And the **Martagão Gesteira Hospital** began the restructuring of 3 dormitories, comprising 12 beds for monthly care for a flow of 24 children and adolescents from all over the state.

In 2024, the **Ferbasa is Here Program** will continue to follow the path towards the consolidation of its projects and initiatives, in full alignment with the Company's culture and Strategic Planning, in the same lines of pre-defined actions, as it understands that these are still the means with the greatest potential for contribution and impact for all agents in its surroundings.

17. EXPECTATIONS FOR 2024

The year 2023 was marked by the intense monitoring of interest rates in the world's largest economies, especially the United States. The topic will remain on the radar in the coming year, with special attention to the moment when the Federal Reserve (FED) may start the monetary easing cycle, which will certainly influence the global monetary flow.

The world Gross Domestic Product (GDP) is forecast to grow by 2.4% in 2024, according to the World Bank. So, this would be the third consecutive year of slowdown, according to estimates in its Global Economic Outlook report. Attention also remains on the effects of the cooling on the U.S. and Chinese economies. In the case of the U.S., the market, for now, is pricing in a gradual reduction in economic activity, with GDP projected to grow 2.5% in 2024, according to a World Bank report. In the case of China, GDP growth is estimated at 5%.

Another point of attention in 2024 will be the interference of the armed conflicts (Russia vs. Ukraine and the Gaza Strip) and, more recently, the problems generated in the Panama Canal and the Suez Canal, which have been contributing to strangling global logistics chains, which may compromise the estimate of world growth.

In Brazil, in 2024, there is an expectation of a reduction in the basic interest rate, due to the practice that has been adopted by the Central Bank, of maintaining inflation levels, and stimulating investments. According to the Focus bulletin (02/16/24), inflation measured by the IPCA (Extended National Consumer Price Index) was projected at 3.81% for 2024 and the basic interest rate (SELIC) at 9% at the end of the year. As for GDP, the projection is for growth of 1.68%, and an average exchange rate in R\$/USD of 4.93 throughout the year.

Environmental issues are expected to intensify in 2024, with discussions focused on nations' slow progress in achieving their climate goals. According to a study by the World Bank, the impact caused by climate change can negatively affect global GDP by up to 1.3%. In the steel and ferroalloys segment, the greatest financial impacts are attributed to the processes of decarbonization and energy transition, basically justified by the greater need for investments and the potential increase in the production costs of the chains.

As far as the world's steel industry is concerned, the World Steel Association (WSA) estimates that steel demand is expected to increase by only 1.9% in 2024. This modest projection is mainly based on the less vigorous growth expected for China. For Brazil, the Brazil Steel Institute (IABr – Portuguese Acronym that stands for *Instituto Aço Brasil*) assumes that the steel industry will have a 3% reduction in crude steel production, still caused by the high import of steel, mainly from China in the previous year. The level of steel imports may be mitigated by the elimination of the 20% discount on the import tariff, as of January 1, 2024.

As far as chromium and silicon ferroalloys are concerned, 2023 was marked by the easing of international trade, resulting in an overall downward price trend compared to 2022. Such a scenario has raised the importance of monitoring the global cost curve as a support for the price of products. In this sense, after declining by 50% in 2023, the World Bank expects that the price of mineral coal will still fall by 25% in 2024, which would mean a reduction in the costs of generating electricity and in the metallurgical process, in important ferroalloy-producing regions, such as China, South Africa, Malaysia and India.

Aside from all the challenges, in 2024 we will remain focused on cost containment actions for all areas, on the diversification of the global portfolio of our products, on the constant monitoring of market opportunities and on the careful management of cash flow.

The market statements and outlook contained in this Report were considered at the time of its construction and, therefore, are subject to change due to variations in the scenarios presented herein.

18. SUBSEQUENT EVENTS

In 4Q23, we recorded 01 (one) subsequent event, as follows:

(i) Stock Split

The Extraordinary General Meeting held on 12/20/2023 resolved the split of the Company's shares, in the ratio of 01 (one) to 04 (four) of the same type. FERBASA clarified, at the time, that the date of the shareholder base, reference for the stock split, was 01 /23/2024 (end of the trading session); while the Company's shares were traded "ex-split" on 01/24/2024. The additional shares, resulting from the split operation, were credited in favor of the Company's shareholders on 01/25/2024.

(ii) Corporate partnership with a company controlled by Auren - Signing of contract

On February 9, 2024, the Company signed the closing agreement for the purchase and sale of shares, in the amount of R\$ 37.8 million, for the acquisition of a 45% stake in *NK 232 Empreendimentos e Participações S.A.* (a company of the Auren Energia S.A. group). The purpose of this company is to operate the wind farms *Ventos de São Ciro* (located in the Brazilian state of Piauí) and *Ventos de São Bernardo* (located in the Brazilian state of Pernambuco), and will enable FERBASA to consume, under the regime of self-production by equivalence (APE – Portuguese acronym that stands for *Autoprodução Por Equiparação*), the electricity generated in the aforementioned wind farms.

In this way, we simultaneously signed the Power Purchase and Sale Agreements (PPA) with the aforementioned Wind Farms, which will provide FERBASA with the supply of 35MW of average electricity for 20 years, with supply starting in 2025.

19. ACKNOWLEDGEMENTS

We thank once again the trust placed by our shareholders, customers, suppliers, market agents in **FERBASA's performance**, and our employees, for their commitment and dedication during this journey. Our commitment to stakeholders is based on the Company's corporate values, which ensure responsible, ethical, transparent management based on the sustainability of the business.

THE MANAGEMENT

20. GLOSSARY

High Carbon Ferrochrome (HC FeCr) - An iron and chrome alloy that shows a high carbon content, also known as “Charge Chrome”. It is used in the manufacture of stainless steels and special alloys. Stainless steels are used in the food, chemical, cellulose, and oil industries, as well as in the so-called white goods, household appliances, construction materials, and other goods.

Low Carbon Ferrochrome (LC FeCr) – An alloy of iron and chrome with a maximum carbon content of 0.15%, used during the production of steels to correct chromium contents, without causing undesirable changes in carbon content. In manufacturing, it has the same purpose as the High Carbon Ferrochrome, being used in the production of stainless steels with a wide application in the consumer goods industry.

Ferrosilicon Chrome (FeSiCr) - A reducing element used in the manufacture of Low Carbon Ferrochrome and in steel, to add chromium and silicon.

Ferrosilicon 75 (FeSi75) - In steel production, Standard Ferrosilicon 75 is used as a deoxidizer and alloying element; in the foundry industry it serves as graphitizing agent. High Purity (HP) Ferrosilicon is used in the production of steels used in the manufacturing of transformers, hydroelectric plants, freezers, airtight compressors for refrigerators, and other goods.

Million tons (Mt) - According to the International System of Units (S.I.), the prefix that designates the million (mega) can be represented by the capital letter M. In the case of the ton, its representation in the S.I. is the lowercase letter t. Therefore, for millions of tons one can adopt the abbreviation Mt. (conversion: 1 Mt = 1,000,000 t).



21. MAIN CONSOLIDATED FINANCIAL STATEMENTS (In R\$ thousand)

21.1 Balance sheet

ASSETS	2023	2022
Current assets	1,584,250	1,694,947
Cash and cash equivalents	341,787	474,102
Short-term investments	463,299	393,461
Trade receivables	197,566	211,934
Inventories	519,147	579,161
Recoverable taxes	44,615	18,324
Prepaid expenses	6,038	5,595
Other assets	167	2,000
Cash and cash equivalents	11,631	10,370
Noncurrent assets	2,526,447	2,372,438
Advance to power supplier	-	167
Short-term investments	367,541	417,569
Inventories	8,051	8,738
Recoverable taxes	6,932	6,662
Deferred income tax and social contribution	-	17,845
Escrow deposits	9,520	46,544
Other receivables	897	826
Investments	124	124
Fixed and intangible assets	1,687,877	1,545,738
Right-of-use assets	96,952	51,946
Biological assets	348,553	276,279
Total Assets	4,110,697	4,067,385

The consolidated financial statements, including explanatory notes and the report of Pricewaterhousecoopers Auditores Independentes, are available on the websites www.cvm.gov.br, www.b3.com.br and www.ferbasa.com.br



LIABILITIES AND SHAREHOLDERS' EQUITY	2023	2022
Current Liabilities	499,147	505,951
Suppliers	147,832	129,638
Cash advance from customers	29,419	61,209
Loans and financing	72,676	70,284
Cost of funding	(455)	(455)
Labor and actuarial obligations	104,064	136,180
Taxes and social contributions	24,138	59,084
CCEE reimbursement account	64,841	12,870
Proposed dividends and JCP	60	47
Leases to pay	44,634	27,417
Other liabilities	11,938	9,677
Non-current Liabilities	420,063	520,547
Loans and financing	202,296	271,750
Cost of funding	(3,132)	(3,587)
Obligations with acquisition of subsidiaries	4,978	4,978
Labor and actuarial obligations	58,552	45,962
Taxes and social contributions	3,587	87
Taxes and deferred social contributions	4,321	1,022
CCEE reimbursement account	2,254	60,645
Provision for contingencies	74,403	60,717
Provision for environmental liabilities	46,352	56,313
Leases to pay	26,452	22,660
Total Equity	3,191,487	3,040,887
Total Equity Controllers	3,190,099	3,039,676
Share capital	1,470,396	1,225,444
Profit reserve	1,705,095	1,792,591
Equity valuation adjustments	40,362	47,395
Treasury shares	(25,754)	(25,754)
Participation of non-controlling shareholders	1,388	1,211
Total Liabilities and Shareholders' Equity	4,110,697	4,067,385

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21.2 Income Statement

	4Q23		4Q22		2023		2022	
	R\$ thousand	%NR	R\$ thousand	%NR	R\$ thousand	%NR	R\$ thousand	%NR
GROSS REVENUE	607,722	100.0	759,592	100.0	2,742,475	100.0	3,524,381	100.0
Domestic Market	341,462	56.2	424,771	55.9	1,576,378	57.5	1,941,252	55.1
Foreign Market	266,260	43.8	334,821	44.1	1,166,097	42.5	1,583,129	44.9
Sales Taxes	(66,010)	(10.9)	(45,431)	(6.0)	(307,340)	(11.2)	(385,365)	(10.9)
NET REVENUE	541,712	100.0	714,161	100.0	2,435,135	100.0	3,139,016	100.0
Cost of Goods Sold	(467,630)	(86.3)	(472,092)	(66.1)	(1,901,206)	(78.1)	(1,724,090)	(54.9)
Variation in the fair value of biological assets	32,157	5.9	9,577	1.3	71,728	2.9	38,003	1.2
GROSS PROFIT	106,239	19.6	251,646	35.2	605,657	24.9	1,452,929	46.3
Operating expenses								
With sales	(4,908)	(0.9)	(1,676)	(0.2)	(19,371)	(0.8)	(17,083)	(0.5)
Administrative	(34,363)	(6.3)	(30,089)	(4.2)	(120,340)	(4.9)	(95,799)	(3.1)
Mgmt's payment and Profit Sharing	(19,692)	(3.6)	(42,329)	(5.9)	(89,691)	(3.7)	(121,615)	(3.9)
Other (expenses) operating income	(30,859)	(5.7)	(30,587)	(4.3)	(72,524)	(3.0)	(57,463)	(1.8)
Operating Income Before Financial Result	16,417	3.0	146,965	20.6	303,731	12.5	1,160,969	37.0
Financial Revenue	40,419	7.5	47,532	6.7	169,566	7.0	150,771	4.8
Financial Expense	(11,255)	(2.1)	(13,362)	(1.9)	(51,360)	(2.1)	(59,075)	(1.9)
Net Exchange variation	(2,244)	(0.4)	1,080	0.2	(2,300)	(0.1)	898	-
Derivative and non-derivative financial instruments (settlement)	-	-	(141)	-	-	-	(9,201)	(0.3)
Financial result	26,920	5.0	35,109	4.9	115,906	4.8	83,393	2.7
Profit before IRPJ/CSLL	43,337	8.0	182,074	25.5	419,637	17.2	1,244,362	39.6
IRPJ/CSLL	11,686	2.2	(30,082)	(4.2)	(36,752)	(1.5)	(181,888)	(5.8)
Profit for the period	55,023	10.2	151,992	21.3	382,885	15.7	1,062,474	33.8

BW GUIRAPÁ

	4Q23		4Q22		2023		2022	
	R\$ thousand	%NR	R\$ thousand	%NR	R\$ thousand	%NR	R\$ thousand	%NR
NET REVENUE	26,875	100.0	23,425	100.0	117,807	100.0	96,759	100.0
Cost of Goods Sold	(23,699)	(88.2)	(19,760)	(84.4)	(85,054)	(72.2)	(75,547)	(78.1)
GROSS PROFIT	3,176	11.8	3,665	15.6	32,753	27.8	21,212	21.9
Operating expenses								
General, mgmt. and other operating revenue/expense	8,646	32.2	(348)	(1.5)	2,565	2.2	(3,230)	(3.3)
Operating Income Before Financial Result	11,822	44.0	3,317	14.2	35,318	30.0	17,982	18.6
Financial Revenue	4,367	16.2	4,414	18.8	17,126	14.5	15,040	15.5
Financial Expense	(5,775)	(21.5)	(7,199)	(30.7)	(26,306)	(22.3)	(29,427)	(30.4)
Financial result	(1,408)	(5.2)	(2,785)	(11.9)	(9,180)	(7.8)	(14,387)	(14.9)
Profit (expense) before IRPJ/CSLL	10,414	38.7	532	2.3	26,138	22.2	3,595	3.7
IRPJ/CSLL	526	2.0	207	0.9	(1,656)	(1.4)	(849)	(0.9)
Net Revenue for the period	10,940	40.7	739	3.2	24,482	20.8	2,746	2.8

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21.3 Cash Flow Statement (Indirect)

CASH AND CASH EQUIVALENT	2023	2022
Profit for the period	382,885	1,062,474
Net profit adjustments		
Interest and monetary and exchange variations	(54,730)	(53,971)
Depreciation, amortization, and exhaustion	151,595	121,275
Exhaustion of biological asset	64,425	51,910
Change in the fair value of biological assets	(71,728)	(38,003)
Deferred taxes	24,888	(3,515)
Demobilization Provision (Reversal)	(10,627)	-
Update of leases to be paid	1,967	7,283
Post-employment benefit update	1,579	(17,954)
Constitution (reversal) of provision for contingencies	10,871	951
Others	4,601	3,036
	505,726	1,133,486
Reduction (increase) in asset accounts:		
Accounts to receive from customers	12,055	82,953
Inventories	64,935	(157,549)
Taxes to be recovered	(12,594)	51,395
Advance to suppliers	2,000	2,000
Judicial deposits	31,460	6,381
Other assets	(3,728)	1,703
Increase (decrease) in liabilities accounts:		
Suppliers	20,086	20,186
Taxes and social contributions	(6,600)	6,258
Income tax and social contribution to pay	11,796	185,401
Labor and actuarial obligations	(32,184)	22,333
CCEE reimbursement accounts	(9,756)	19,175
Advance to customers	(31,790)	56,321
Other liabilities	2,047	4,681
Income tax and social contribution paid	(43,537)	(204,652)
Interest paid in the year	(33,351)	(35,468)
Net cash generated by operating activities	476,565	1,194,604
Cash flow from investment activities		
Capex	(328,839)	(260,250)
Sale of property, plant, and equipment	2,027	1,381
Movement in financial investments	81,607	(123,022)
Net cash invested in investment activities	(245,205)	(381,891)
Cash flow from financing activities		
Amortization of loans and financing	(67,114)	(71,663)
Amortization of leases	(70,879)	(34,707)
Dividends and JCP paid	(225,917)	(448,753)
Net cash invested in investment activities	(363,910)	(555,123)
Exchange variation on cash and equivalents	235	-
Increase (decrease) in cash and cash equivalents	(132,315)	257,590
Cash and cash equivalent at the beginning of the financial year	474,102	216,512
Cash and cash equivalent at year-end	341,787	474,102
Net increase (decrease) in cash balance and cash equivalents	(132,315)	257,590
Net increase in the balance of financial investments	19,810	213,891
Net increase (reduction) in the financial reserve	(112,505)	471,481

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