

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

1. OPERATIONAL CONTEXT

Cia de Ferro Ligas da Bahia S.A. - FERBASA ("Ferbasa" or "Company") is a publicly traded company, based in Pojuca - BA, registered with the Brazilian Securities and Exchange Commission (**CVM** – Comissão de Valores Mobiliários) and listed on the São Paulo Stock Exchange (B3 S.A. – Brasil, Bolsa, Balcão). Ferbasa started its activities 61 years ago, on February 23rd, 1961 and operates sustainably in the areas of chromite mining, in the manufacturing and sales of ferroalloys, renewable forest resources projects and wind power generation, all located in the State of Bahia. Its Parent is the José Carvalho Foundation, a non-profit organization with an indefinite duration, with the primary objective of providing quality education to children and underprivileged young people.

These individual and consolidated financial statements were approved by the Company's Board of Directors on May 10, 2023.

1.1 Effects of the armed conflict between Russia and Ukraine

The armed conflict between Russia and Ukraine continues to interfere with important global supply chains and change the balance of international relations. The effects of the armed conflict were added to the inflationary surge that was already plaguing many countries with the skyrocketing in the prices of world-relevant goods, such as food commodities, minerals, metallic goods and energy, and intensifying the instability on business environments. Attempts to fight inflation have been causing increases in interest rates across the globe and, therefore, signaling recessive expectations that become concerns for the markets.

In this context, Ferbasa continues to monitor events to assess and seek to mitigate possible impacts that may still arise from the aforementioned armed conflict.

1.2 Accounting impacts related to climate change and the ESG agenda

FERBASA historically prioritizes in its corporate agenda actions that contribute to the evolution of the ESG agenda.

As of March 31, 2023, the Company does not have: (i) loans or financing linked to ESG targets and indicators; (ii) insurance related to ESG aspects; (iii) carbon credit transactions; (iv) provisions or contingent liabilities constituted related to ESG, in addition to the environmental provision already disclosed by the Company; and (v) risk of discontinuing its operations.

The Company understands that there is no significant impact on the individual and consolidated financial statements arising from the ESG theme or climate change for March 31, 2023.

2. SUMMARY OF MAIN ACCOUNTING POLICIES

Management's notes to the financial statements
 Three-month period ended on March 31, 2023
 In thousands of reais, except as otherwise indicated

2.1. Basis of preparation

This interim accounting information should be read in conjunction with the Company's audited financial statements of December 31, 2022, which were prepared and presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee - CPC and in accordance with the international financial reporting standards ("International Financial Reporting Standards - IFRS"), issued by the "International Accounting Standards Board - IASB", evidencing all relevant information specific to the financial statements, and only these, which are consistent with those used by the Administration.

(i) Adoption of new and/or revised accounting pronouncements, guidelines and interpretations. As disclosed in explanatory note 7.1 to the financial statements of December 31, 2022, the Company analyzed the new pronouncements and verified that there were no significant changes to those disclosed for these individual and consolidated interim financial information, due to their adoption.

(ii) Interim financial information

The Company's individual and consolidated interim financial information was prepared and is being presented in accordance with technical pronouncement CPC 21 (R1) - Interim Statements and international standard IAS 34 - "Interim Financial Reporting", which aim to establish the minimum content an interim financial statement.

The preparation of the interim financial information requires the use of certain critical accounting estimates, as well as the exercise of judgment by the Company's Management regarding the process of applying its accounting practices. There were no significant changes in the assumptions and judgments adopted by the Company's Management regarding the use of estimates for the preparation of this interim financial information, in relation to those used in the financial statements of December 31, 2022.

The main accounting policies applied in the preparation of this quarterly interim financial information are consistent with those disclosed in explanatory note No. 6 to the Company's financial statements of December 31, 2022, filed with the CVM on March 6, 2023 and, therefore, should be read together with this interim financial information.

3. FINANCIAL INSTRUMENTS

3.1. Classification of financial instruments and fair value hierarchy

The main financial instruments assets and liabilities are shown below:

Accounting measurement	Parent		Consolidated		
	03/31/2023	12/31/2022	03/31/2023	12/31/2022	
<u>Assets</u>					
Cash and cash equivalents	Amortized cost	455,030	355,370	580,246	474,102
Short term investments	Fair value through profit or loss	441,555	393,461	441,555	393,461
Non-current financial investments	Fair value through profit or loss	321,048	365,358	373,009	417,569
Accounts receivable	Amortized cost	229,646	201,761	239,805	211,934
Judicial deposits	Amortized cost	8,388	46,448	8,484	46,544
<u>Liabilities</u>					
Suppliers	Amortized cost	119,739	122,617	122,903	129,638
Advances from customers	Amortized cost	52,513	61,209	52,513	61,209
Current loans and financing	Amortized cost	44,141	43,071	71,943	70,284
Funding cost	Amortized cost	-	-	(455)	(455)
Current loans and financing		44,141	43,071	71,488	69,829

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	Accounting measurement	Parent		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Non-current loans and financing	Amortized cost	62,680	61,116	266,947	271,750
Funding cost	Amortized cost	-	-	(3,473)	(3,587)
Non-current loans and financing	Amortized cost	62,680	61,116	263,474	268,163
Current CCEE reimbursement account	Amortized cost	-	-	29,480	12,870
Non-current CCEE reimbursement account	Amortized cost	-	-	49,208	60,645
Current leases payable	Amortized cost	26,643	26,643	27,417	27,417
Non-current leases payable	Amortized cost	13,239	13,239	22,660	22,660

3.2. Risk Management

The Company's activities expose it to various financial risks, such as: (i) exchange rate risk, (ii) interest rate risk, (iii) credit risk, (iv) liquidity risk, (v) concentration risk, (vi) commodity price risk and (vii) other non-financial risk factors.

Risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

3.2.1. Currency Risk

The exchange rate risk arises from the mismatch between the functional currency (Real) and ferroalloy billing, which is linked to foreign currency variation (US dollar).

For sensitivity analysis purposes, the Company adopted as scenario I (probable) the expected exchange rate for the year of 2023, according to the Focus Report issued on April 6, 2023.

	03/31/2023		Scenario I	
	US\$	R\$	Rate	Gain/ (Loss) R\$
<u>Parent and Consolidated</u>				
Accounts receivable from clients (net PECLD)	14,741	74,879	5.2498	2,508

3.2.2. Interest rate risk

Interest rate risk arises from the possibility, due to changes in the financial market, of changing the values of securities acquired in the portfolio of financial investments arising from their mark-to-market, the choice of indexes and the option for fixed or post-fixed rates, as well as the present value and cost of loans and financing.

For the balance applied on March 31, 2023, the Company and its subsidiaries use as scenario I (probable) the basic final interest rate for the year 2023 of 12.75% per year, according to the Focus Report of April 6, 2023.

Interest rate risks	Closing Rate 03/31/2023 – p.a.	Scenario I Probable
Average basic interest rate – (% p.a.)	13.75%	12.75%
<u>Parent</u>		
Balance of Financial Investments (notes 4 and 5)	1,215,407	1,302,593
Net effect		87,186
<u>Consolidated</u>		
Balance of Financial Investments (notes 4 and 5)	1m384,969	1,482,239
Net effect		97.270

For the balance of loans and borrowings as of March 31, 2023, the Company and its subsidiaries use as scenario I (probable) the end-of-year TJLP of 7.28% per year and for the CDI (Interbank Deposit Certificate, in Portuguese: *Certificado de Depósito Interbancário*), 12.65%.

Management's notes to the financial statements
 Three-month period ended on March 31, 2023
 In thousands of reais, except as otherwise indicated

Interest rate risks	Closing Rate 03/31/2023 – p.a.	Scenario I Probable
<u>Interest rate - TJLP - (% p.a.)</u>	7.37%	7.28%
Parent:		
Balance of loans and financing (note 21)	13,339	14,060
Net effect	-	(721)
<u>Interest rate - TJLP - (% p.a.)</u>		
Consolidated:		
Balance of loans and financing (note 15)	245,408	258,689
Net effect	-	(13,281)
<u>Interest rate - CDI - (% p.a.)</u>	13.65%	12.65%
Parent and Consolidated:		
Balance of loans and financing (note 15)	92,659	101,318
Net effect	-	(8,659)

The other risks are disclosed in explanatory note 8 to the Company's financial statements as of December 31, 2022.

4. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Cash and Banks	2,226	13,648	9,842	18,178
Short-term financial investments in CDB (i)	176,827	36,474	232,694	89,690
Investment funds (ii)	275,977	305,248	337,710	366,234
	455,030	355,370	580,246	474,102

- (i) Operations in Bank Deposit Certificates (“CDB”), whose weighted average rate of remuneration was 102.1% of the CDI on March 31, 2023 and December 31, 2022, whose redemption has daily liquidity without significant change in the nominal value .
- (ii) (ii) Operations in securities through investment funds, the redemption of which has liquidity on D+1 without relevant change in the nominal value. The weighted average return, marked to market, was 85.1% of the CDI (111.1% on December 31, 2022).

5. FINANCIAL INVESTMENTS

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Current:				
Investment funds (i)	188,157	182,838	188,157	182,838
CDB (iii)	34,652	3,466	34,652	3,466
Financial bills (iii)	140,298	130,298	140,298	130,298
Others (iv)	78,448	76,859	78,448	76,859

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	441,555	393,461	441,555	393,461
Non-current:				
Investment funds (i)	-	-	31,102	30,375
CDB (ii)	41,050	40,033	41,050	40,033
Financial bills(iii)	274,647	325,325	295,506	347,161
Deposit for reinvestment (v)	5,351	-	5,351	-
	<u>321,048</u>	<u>365,358</u>	<u>373,009</u>	<u>417,569</u>
	<u>762,603</u>	<u>758,819</u>	<u>814,564</u>	<u>811,030</u>

- (i) (i) Transactions in securities, whose due dates exceed 90 days and the weighted average remuneration, marked to market, was 99.1% of the CDI (108.0% on December 31, 2022). Although the Company and its subsidiaries select securities with liquidity on the secondary market, the uncertainty regarding market conditions and prices at a liquidity event suggests that these investments are not considered cash equivalents.
- (ii) Transactions in Bank Deposit Certificates (“CDB”) with no liquidity to maturity, whose average interest rates were 99.1% of the CDI (81.8% on December 31, 2022).
- (iii) Financial bills with weighted average remuneration, marked to market, of 115,0% of the CDI (108,2% on December 31, 2022).
- (iv) Agribusiness Receivables Certificate (CRA in Portuguese - *Certificado de Recebíveis do Agronegócio*), Debentures and Treasury papers with weighted average remuneration, marked to market, of 139,5% of the CDI (95,9% on December 31, 2022).
- (v) Regarding the subsidy for the reinvestment of IRPJ, in Banco do Nordeste do Brasil (BNB), with a yield of 100% of the SELIC rate.

6. ACCOUNTS RECEIVABLE FROM CUSTOMERS

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Domestic Market	154,989	154,125	165,148	164,298
Foreign Market	74,879	47,870	74,879	47,870
Expected Losses on Bad Debts (PECLD)	(222)	(234)	(222)	(234)
	<u>229,646</u>	<u>201,761</u>	<u>239,805</u>	<u>211,934</u>

Accounts receivable from foreign markets are denominated in US dollars (US\$), converted into reais (BRL) on the date of preparation of the interim financial statements. On March 31, 2023 and December 31, 2022, the Company did not have any operations that would generate a significant adjustment to present value.

On March 31, 2023, the Company had a provision for expected loss on doubtful accounts, in the amount of R\$222 (R\$234 on December 31, 2022), considered sufficient to cover possible losses on accounts receivable, from according to the internal analysis carried out by the Management.

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

7. INVENTORIES (PARENT COMPANY AND CONSOLIDATED)

Inventories are shown at the average cost of purchases or production, lower than the replacement cost or the execution value.

	<u>03/31/2023</u>	<u>12/31/2022</u>
Current:		
Finished goods	195,668	267,470
Raw supplies	160,210	157,626
Chromium ore	51,321	55,191
Maintenance supplies (i)	<u>118,469</u>	<u>98,874</u>
	<u>525,668</u>	<u>579,161</u>
Non-current:		
Maintenance supplies (i)	15,407	15,407
Provision for obsolescence (ii)	<u>(6,669)</u>	<u>(6,669)</u>
	<u>8,738</u>	<u>8,738</u>
	<u>534,406</u>	<u>587,899</u>

- (i) Inventories of maintenance supplies are classified in current or non-current assets, taking into account the history of consumption.
- (ii) The Company keeps a provision for obsolescence related to slow-moving items, it does not expect to use in the coming periods.

8. RECOVERABLE TAXES

	<u>Parent</u>		<u>Consolidated</u>	
	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
Current:				
Recoverable taxes on revenue (PIS and COFINS) (i)	2,538	1,440	2,538	1,440
Income tax and social contribution (IRPJ and CSLL)	5,131	9,182	9,745	13,699
Recoverable VAT (ICMS)	2,950	2,868	2,950	2,868
Other	<u>280</u>	<u>280</u>	<u>317</u>	<u>317</u>
	<u>10,899</u>	<u>13,770</u>	<u>15,550</u>	<u>18,324</u>
Non-current:				
Recoverable VAT (ICMS)	6,627	6,597	6,627	6,597
Others	<u>65</u>	<u>65</u>	<u>65</u>	<u>65</u>
	<u>6,692</u>	<u>6,662</u>	<u>6,692</u>	<u>6,662</u>
	<u>17,591</u>	<u>20,432</u>	<u>22,242</u>	<u>24,986</u>

9. CURRENT AND DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

Deferred income tax and social contribution are calculated on temporary differences between the tax calculation bases and the book values of Assets and Liabilities in the financial statements. The rates of these taxes, for determining deferred taxes, are 25% for IRPJ and 9% for CSLL.

Management's notes to the financial statements
 Three-month period ended on March 31, 2023
 In thousands of reais, except as otherwise indicated

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
<u>Deferred tax assets (*)</u>				
Provision for contingencies	(60,774)	(60,717)	(60,774)	(60,717)
Provision for losses in the inventories (i)	(6,669)	(6,669)	(6,669)	(6,669)
Provision for profit sharing and employee bonus (ii)	(39,000)	(97,700)	(39,000)	(97,700)
Provision for environmental liabilities	(15,781)	(15,390)	(15,781)	(15,390)
Labor and actuarial obligations	(47,583)	(45,962)	(47,583)	(45,962)
Realization of capital gain	(22,090)	(20,986)	(22,090)	(20,986)
Provision PECLD	(222)	(234)	(222)	(234)
Suspended liability taxes (PIS/COFINS)	(4,358)	(4,358)	(4,358)	(4,358)
Tax Losses	-	-	(1,383)	(1,567)
Other temporary provisions	(11,545)	(24,231)	(11,545)	(24,231)
Tax base	<u>(208,022)</u>	<u>(276,247)</u>	<u>(209,405)</u>	<u>(277,814)</u>
Deferred income tax at the 25% tax rate	47,262	65,387	47,608	65,779
Deferred social contribution at the 9% tax rate	18,722	24,862	18,846	25,003
Deferred income tax and social contribution assets ^(A)	<u>65,984</u>	<u>90,249</u>	<u>66,454</u>	<u>90,782</u>

- (i) Provision for obsolescence related to low-turnover maintenance items and provision for inventories.
- (ii) Management profit sharing in the amount of R\$18,975 (R\$14,700 on December 31, 2022) is the only basis for calculating deferred CSLL. In the case of the IRPJ, it is a permanent difference.

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
<u>Deferred tax liabilities (*)</u>				
Fixed assets - "deemed cost"	58,811	58,811	63,385	63,385
Biological assets - "fair value"	72,515	72,515	72,515	72,515
Advantageous purchase	75,143	75,143	75,143	75,143
Accelerated depreciation	6,484	6,484	6,484	6,484
Calculation Basis	212,953	212,953	217,527	217,527
Deferred income tax at the 25% tax rate	(53,238)	(53,238)	(54,382)	(54,382)
Deferred social contribution at the 9% tax rate	(19,166)	(19,166)	(19,577)	(19,577)
Deferred liabilities IRPJ/CSLL ^(B)	(72,404)	(72,404)	(73,959)	(73,959)
Liquid deferred IRPJ/CSLL ^(A+B)	<u>(6,420)</u>	<u>17,845</u>	<u>(7,505)</u>	<u>16,823</u>

- (*) The balance of deferred tax liabilities referring to the Parent Company is R\$6,420 (deferred tax assets R\$17,845 on December 31, 2022) and the balance of subsidiaries recorded in deferred tax liabilities is R\$1,085 (deferred tax liabilities R\$1,022 on December 31, 2022).

Management, based on the best estimate, in an individual analysis of the provisions, believes that it will realize the tax credits arising from the temporary differences, as shown below:

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

Calendar year	Parent		Consolidated	
	IRPJ/CSLL - deferred		IRPJ/CSLL - deferred	
	Asset	Liability	Asset	Liability
2023	10,929	281	10,929	281
2024	5,793	5,560	6,263	5,560
2025	292	9,294	292	9,294
2026	235	9,123	235	9,123
2027	177	1,074	177	1,074
2028 onwards	48,558	47,072	48,558	48,627
	<u>65,984</u>	<u>72,404</u>	<u>66,454</u>	<u>73,959</u>

The values of IRPJ and CSLL that affected the results of the respective exercises are shown below:

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Profit before IRPJ/CSLL	164,478	300,888	165,106	301,132
Combined IRPJ/CSLL rate	34%	34%	34%	34%
IRPJ/CSLL to the rates stipulated in the legislation	<u>(55,923)</u>	<u>(102,302)</u>	<u>(56,136)</u>	<u>(102,385)</u>
Equity	(105)	(3,267)	-	-
Donations	(241)	(169)	(251)	(171)
Others	(889)	123	(1,667)	(3,267)
SUDENE tax incentive (i)	<u>24,184</u>	<u>56,956</u>	<u>24,508</u>	<u>56,956</u>
	<u>(32,974)</u>	<u>(48,659)</u>	<u>(33,546)</u>	<u>(48,867)</u>
IRPJ and CSLL results				
SUDENE tax incentive (i)	24,184	56,956	24,508	56,956
Current	(32,893)	(84,606)	(33,726)	(84,770)
Deferred	(24,265)	(21,009)	(24,328)	(21,053)
IRPJ and CSLL expense	<u>(32,974)</u>	<u>(48,659)</u>	<u>(33,546)</u>	<u>(48,867)</u>

(i) Due to the industrial enterprise installed in the area covered by the Superintendence of Development of the Northeast (SUDENE), the Company seizes the tax benefit of reducing income tax, with a percentage reduction of 75% on income tax and non-refundable surcharges, revenue incident:

- From the manufacture of ferroalloys and their by-products, from January 1st, 2015 to December 31st, 2024, according to Constitutive Report of No. 0200/2015.
- From the exploration and processing of Chromium ore and its by-products, from January 1st, 2016 to December 31st, 2025, according to Constitutive Report No. 0131/2016.
- From the generation of electricity, from January 1st, 2018 to December 31st, 2027, according to Constitutive Reports of No. 487, 488, 489, 490, 491, 492 and 428/2018, replaced by the 291, 292, 293, 300, 301, 302, and 303/2019 ones.

The portion corresponding to income tax reduction incentives is recognized in income and at the end of each fiscal year is transferred from retained earnings to the profit reserve (tax incentive), and cannot be distributed to shareholders.

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

The movement of deferred taxes during the first quarter of 2023 and the previous quarter of 2022 are presented below:

	<u>Parent</u>	<u>Consolidated</u>
Balance on 12/31/2021 – Deferred Taxes Assets	17,806	16,982
Recognized in other comprehensive results	(3,300)	(3,300)
Recognized in the result	(21,009)	(21,053)
Balance on 03/31/2022 – Deferred Tax Liabilities	<u>(6,503)</u>	<u>(7,371)</u>
Balance on 12/31/2022 – Deferred Taxes Assets	17,845	16,823
Recognized in other comprehensive results	-	-
Recognized in the result	(24,265)	(24,328)
Balance on 03/31/2023 – Deferred Tax Liabilities	<u>(6,420)</u>	<u>(7,505)</u>

Uncertainty about Treatment of Taxes on Income

Non-occurrence of IRPJ and CSLL on the update by Selic (Brazilian basic interest rate) on the return of unduly paid taxes

On September 24, 2021, the Federal Superior Court ("STF") judged the merits of Extraordinary Appeal (in Portuguese *RE* stands for *Recurso Extraordinário*) 1,063,187 that established the thesis of Theme No. 962 in the sense that the levy of IRPJ and CSLL on amounts relating to monetary restatement at the Selic rate received due to repetition of tax overpayment. The decision, under the general repercussion system, was unanimous among the ministers of the STF.

Although the judgment of the RE judged by the STF, published on December 16, 2021, has not become final and the PGFN (Attorney General of the National Treasury, in Portuguese it stands for *Procuradoria-Geral da Fazenda Nacional*) is left with the possibility of filing a motion for clarification and modulation of the effects of the decision to the STF, the decision on the merits has already been favorable to all taxpayers, with no material uncertainties regarding the merits of the matter that are not under the control of the entities.

Regarding to the eventual modulation of the effects of said decision, other judgments on tax matters by the STF indicate that it is likely that taxpayers who filed their own lawsuit by September 24, 2021, will be protected the right to refund the IRPJ and CSLL for the period of 5 years prior to the filing date of the lawsuit, even if the entities do not have their lawsuit final and unappealable.

The Company had filed a writ of mandamus in 2019, precisely aiming to question the levy of IRPJ and CSLL on the monetary restatement by Selic of tax undue debt (exclusion of ICMS from the PIS and COFINS calculation base), having made the respective judicial deposits that in December 31, 2021 totaled R\$31,373. After the injunction was denied in a sentence, the Company was successful in its appeal before the Federal Court (TRF-1), judged on April 13th, 2022, with a final and unappealable decision of the action being certified, with a favorable decision, on July 1, 2022, after the lower court records were lowered, the amount of the judicial deposit was fully reversed in favor of the Company in January 2023.

Management's notes to the financial statements
 Three-month period ended on March 31, 2023
 In thousands of reais, except as otherwise indicated

10. JUDICIAL DEPOSITS

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Labor	527	558	536	567
Tax (i)	7,861	45,890	7,948	45,977
	<u>8,388</u>	<u>46,448</u>	<u>8,484</u>	<u>46,544</u>

- (i) Refer to deposits associated with tax proceedings and questions regarding the legality and constitutionality of certain taxes, which are recorded in the Company's non-current assets, until a court decision is issued to redeem these deposits by one of the parties involved..

In January 2023, the Company obtained the refund of the amounts deposited in court related to the process that discussed the requirement to pay IRPJ and CSLL on financial income from credits related to the exclusion of the ICMS amount from the PIS and COFINS. These returns total R\$38,231 (IRPJ R\$28,111 and CSLL R\$10,120).

11. INVESTMENTS

Information related to investments was presented in the Company's financial statements as of December 31, 2022, in Note 11. The summarized financial statements of subsidiaries are shown below:

	Participation %	Assets	Liabilities	Net worth	Revenue s	Expenses	Profit (losses)	Participation in shareholders' equity of subsidiaries	Company interest (equity equivalence)
<u>March 31, 2022</u>									
Silbasa	51.26	2,305	49	2,256	210	(134)	76	1,156	39
Jacurici	100.00	25,910	820	25,090	926	(634)	292	25,090	292
Reflora	99.98	3,593	29	3,564	87	(31)	56	3,564	56
Damacal	100.00	2,716	285	2,431	49	(16)	33	2,431	33
Ferbasa & CO	100.00	11	-	11	-	-	-	11	-
BW Guirapá	100.00	824,218	375,934	448,284	19,499	(28,423)	(8,924)	510,650	(10,028)(*)
								<u>542,902</u>	<u>(9,608)</u>
<u>March 31, 2023</u>									
Silbasa	51.26	2,746	139	2,607	240	(124)	116	1,336	60
Jacurici	100.00	27,579	1,060	26,519	1,164	(752)	412	26,519	412
Reflora	99.98	3,797	63	3,734	110	(36)	74	3,734	74
Damacal	100.00	2,898	311	2,587	68	(20)	48	2,587	48
Ferbasa & CO	100.00	2,637	84	2,553	-	-	-	2,553	-
BW Guirapá	100.00	823,065	362,909	460,156	28,993	(28,791)	202	518,104	(902)(*)
								<u>554,833</u>	<u>(308)</u>

(*) Adjusted for assets measured at fair value in the acquisition of BW Guirapá and its respective realization of the net amount of R\$57,948 and R\$1,104 (R\$62,366 and R\$1,104 on March 31, 2022).

The movement of investments is shown below.:

	Silbasa	Jacurici	Reflora	Damacal	BW Guirapá	Ferbasa & CO	Others	Total
Balances on December 31, 2021	1,117	24,798	3,508	2,398	520,678	11	78	552,588
Equity:								
Period result	39	292	56	33	(8,924)	-	-	(8,504)
Realization of assets appraised at their fair value	-	-	-	-	(1,104)	-	-	(1,104)
Balanced on March 31, 2022	<u>1,156</u>	<u>25,090</u>	<u>3,564</u>	<u>2,431</u>	<u>510,650</u>	<u>11</u>	<u>78</u>	<u>542,980</u>
Balances on December 31, 2022	1,276	26,107	3,660	2,539	519,006	(63)	78	552,603
Investment	-	-	-	-	-	2,616	-	2,616
Equity:								
Period result	60	412	74	48	202	-	-	796
Realization of assets appraised at their fair value	-	-	-	-	(1,104)	-	-	(1,104)
Balanced on March 31, 2023	<u>1,336</u>	<u>26,519</u>	<u>3,734</u>	<u>2,587</u>	<u>518,104</u>	<u>2,553</u>	<u>78</u>	<u>554,911</u>

Management's notes to the financial statements
 Three-month period ended on March 31, 2023
 In thousands of reais, except as otherwise indicated

12. PERMANENT, INTANGIBLE AND RIGHT OF USE FOR LEASE

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
	115,419	115,419	115,571	115,571
Land for planting	38,397	26,357	44,167	32,127
Land	151,035	148,189	289,092	286,892
Buildings	289,693	259,289	806,015	786,222
Machinery and Equipment	912	823	912	823
Vehicles and tractors	2,325	2,284	2,500	2,459
Furniture and utensils	5,085	3,979	5,170	4,074
Computing	78,408	76,328	78,408	76,328
Mine development	168,679	191,456	221,656	241,242
In progress and others	849,953	824,124	1,563,491	1,545,738
Total permanent assets and intangible assets (12.1)	50,171	40,617	61,346	51,946
	<u>900,124</u>	<u>864,740</u>	<u>1,624,836</u>	<u>1,597,684</u>

The table below shows the economic useful life of the assets, and the annual depreciation rates were calculated by the linear method (Consolidated):

	Average lifespan (years)
<u>Fixed</u>	
Machinery and equipment	21
Vehicles and tractors	5
Buildings	25
Furniture and utensils	10
Computing	5
Others	5
<u>Right of use on lease</u>	
Right of use of machinery and equipment	4
Right of using the land	29
Right of using buildings	5

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

12.1. Permanent and Intangible

	Parent									
	Land for planting	Land	Buildings	Machinery and equipment	Vehicles and tractors	Furniture and utensils	Computing	Mines	Fixed assets in progress, intangible assets and others	Total
<u>Cost</u>										
Balance on 12/31/2021	115,419	26,357	226,105	684,057	73,592	13,319	15,245	121,791	107,412	1,383,297
Additions and transfers	-	-	8,854	22,561	9	3	1,509	2,418	(14,038)	21,316
Casualties and reclassifications	-	-	-	(10)	(696)	-	(26)	-	-	(732)
Balance on 03/31/2022	115,419	26,357	234,959	706,608	72,905	13,322	16,728	124,209	93,374	1,403,881
Balance on 12/31/2022	115,419	26,357	235,817	720,755	71,967	13,356	17,108	136,087	224,203	1,561,69
Additions and transfers	-	12,105	5,223	39,855	240	196	1,526	3,420	(21,967)	40,598
Casualties	-	(65)	(52)	(86)	-	-	-	-	-	(203)
Reclassifications	-	-	(70)	-	-	-	-	-	-	(70)
Balance on 03/31/2023	115,419	38,397	240,918	760,524	72,207	13,552	18,634	139,507	202,236	1,601,394
<u>Accumulated depreciation and depletion</u>										
Balance on 12/31/2021			(78,653)	(426,953)	(72,098)	(10,424)	(11,722)	(54,235)	(29,718)	(683,803)
Depreciation and depletion expense			(2,208)	(8,743)	(204)	(167)	(351)	(1,316)	(727)	(13,716)
Casualties and reclassifications			-	7	696	-	26	-	-	729
Balance on 03/31/2022			(80,861)	(435,689)	(71,606)	(10,591)	(12,047)	(55,551)	(30,445)	(696,790)
Balance on 12/31/2022			(87,628)	(461,466)	(71,144)	(11,072)	(13,129)	(59,759)	(32,747)	(736,945)
Depreciation and depletion expense			(2,287)	(9,425)	(151)	(155)	(420)	(1,340)	(810)	(14,588)
Casualties and reclassifications			32	60	-	-	-	-	-	92
Balance on 03/31/2023			(89,883)	(470,831)	(71,295)	(11,227)	(13,549)	(61,099)	(33,557)	(751,441)
<u>Net balances on</u>										
03/31/2022	115,419	26,357	154,098	270,919	1,299	2,731	4,681	68,658	62,929	707,091
03/31/2023	115,419	38,397	151,035	289,693	912	2,325	5,085	78,408	168,679	849,953

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	Consolidated									
	Land for planting	Land	Buildings	Machinery and equipment	Vehicles and tractors	Furniture and utensils	Computing	Mines	Fixed assets in progress, intangible assets and others	Total
<u>Cost</u>										
Balance on 12/31/2021	115,571	32,127	384,218	1,406,960	82,379	13,512	15,560	121,791	158,334	2,330,452
Additions and transfers	-	-	8,854	25,650	9	3	1,509	2,418	(17,080)	21,363
Casualties and reclassifications	-	-	-	(10)	(696)	-	(26)	-	-	(732)
Balance on 03/31/2022	<u>115,571</u>	<u>32,127</u>	<u>393,072</u>	<u>1,432,600</u>	<u>81,692</u>	<u>13,515</u>	<u>17,043</u>	<u>124,209</u>	<u>141,254</u>	<u>2,351,083</u>
Balance on 12/31/2022	115,571	32,127	394,544	1,449,975	80,754	13,630	17,500	136,087	278,510	2,518,698
Additions and transfers	-	12,105	5,223	39,855	240	201	1,526	3,420	(18,337)	44,233
Casualties	-	(65)	(52)	(86)	-	-	-	-	-	(203)
Reclassifications	-	-	(70)	-	-	-	-	-	-	(70)
Balance on 03/31/2023	<u>115,571</u>	<u>44,167</u>	<u>399,645</u>	<u>1,489,744</u>	<u>80,994</u>	<u>13,831</u>	<u>19,026</u>	<u>139,507</u>	<u>260,173</u>	<u>2,562,658</u>
<u>Accumulated depreciation and depletion</u>										
Balance on 12/31/2021			(96,113)	(588,292)	(80,885)	(10,511)	(11,996)	(54,235)	(32,477)	(874,509)
Depreciation and depletion expense			(2,953)	(18,078)	(204)	(170)	(357)	(1,316)	(1,168)	(24,246)
Casualties and reclassifications			-	7	696	-	26	-	-	729
Realization of capital gain			104	(1,208)	-	-	-	-	-	(1,104)
Saldo em 31/03/2022			<u>(98,962)</u>	<u>(607,571)</u>	<u>(80,393)</u>	<u>(10,681)</u>	<u>(12,327)</u>	<u>(55,551)</u>	<u>(33,645)</u>	<u>(899,130)</u>
Balance on 12/31/2022			(107,652)	(663,753)	(79,931)	(11,171)	(13,426)	(59,759)	(37,268)	(972,960)
Depreciation and depletion expense			(3,037)	(18,828)	(151)	(160)	(430)	(1,340)	(1,249)	(25,195)
Casualties and reclassifications			32	60	-	-	-	-	-	92
Realization of capital gain			104	(1,208)	-	-	-	-	-	(1104)
Balance on 03/31/2023			<u>(110,553)</u>	<u>(683,729)</u>	<u>(80,082)</u>	<u>(11,331)</u>	<u>(13,856)</u>	<u>(61,099)</u>	<u>(38,517)</u>	<u>(999,167)</u>
<u>Net balances on</u>										
03/31/2022	<u>115,571</u>	<u>32,127</u>	<u>294,110</u>	<u>825,029</u>	<u>1,299</u>	<u>2,834</u>	<u>4,716</u>	<u>68,658</u>	<u>107,609</u>	<u>1,451,953</u>

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

03/31/2023

115,571

44,167

289,092

806,015

912

2,500

5,170

78,408

221,656

1,563,491

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

Goods offered as a warranty

In the period ended March 31, 2023, property, plant and equipment that were offered as collateral for loan operations and legal proceedings, totaled R\$10,678 (R\$10,937 on December 31, 2022).

12.2. Right of use on leasing

The movement in the right of use, during the quarter ended March 31, 2023, was as follows:

	Parent	Consolidated			
	Machinery and equipment	Machinery and equipment	Lands	Buildings	Total
<u>Costo</u>					
Cost on 12/31/2021	75,386	75,386	13,109	183	88,678
Addition/Remeasurement	4,086	4,086	4,213	(1)	8,298
Cost on 03/31/2022	79,472	79,472	17,322	182	96,976
Cost on 12/31/2022	127,397	127,397	13,151	176	140,724
Addition/Remeasurement	22,577	22,577	(69)	56	22,564
Cost on 03/31/2023	149,974	149,974	13,082	232	163,288
<u>Depreciation</u>					
Depreciation on 12/31/2021	(59,905)	(59,905)	(1,327)	(105)	(61,337)
Addition	(3,881)	(3,881)	(174)	(9)	(4,064)
Depreciation on 03/31/2022	(63,786)	(63,786)	(1,501)	(114)	(65,401)
Depreciation on 12/31/2022	(86,780)	(86,780)	(1,857)	(141)	(88,778)
Addition	(13,023)	(13,023)	(132)	(9)	(13,164)
Depreciation on 03/31/2023	(99,803)	(99,803)	(1,989)	(150)	(101,942)
Net balances on 03/31/2022	15,686	15,686	15,821	68	31,575
Net balances on 03/31/2023	50,171	50,171	11,093	82	61,346

The recognized amounts of additions and remeasurement in the individual amount of R\$ 22,577 (R\$ 4,086 on March 31, 2022) and consolidated amount of R\$ 8,298 (R\$ 22,564 on March 31, 2022) did not affect the statements of cash flows and part of the depreciation of the lease-use right in the amount of R\$758 (R\$311 on March 31, 2022) was appropriated to the inventory cost.

13. BIOLOGICAL ASSETS (PARENT AND CONSOLIDATED)

The information referring to the biological asset was presented in the Company's financial statements of December 31, 2022, in explanatory note 18.

Biological assets are represented by forests formed and in formation, intended for the supply of wood for the production of bio-reducer which, in turn, is a raw material in the manufacture of silicon ferroalloys. The forests are located in Bahia. Changes in the balance of biological assets and the net effect of changes in fair value on profit or loss are shown below:

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	<u>03/31/2023</u>	<u>12/31/2022</u>
At the beginning of the financial year	276,279	223,683
Planting and maintenance	12,815	64,519
Depletion	(7,240)	(49,926)
Fair value variation	-	38,003
At the end of the financial year	<u>281,854</u>	<u>276,279</u>

Forests under two (2) years of age are maintained at historical cost due to the Management's understanding that during this period the historical cost of the forest in formation approaches fair value.

To determine the fair value of biological assets, we used the cash flow model, whose projections are based on a single projective scenario, with productivity and eucalyptus planting area for a cutting cycle of approximately 7 (seven) years. The period of cash flows was designed according to the productivity cycle of forestry projects. The production volume of eucalyptus "standing wood" to be harvested was estimated considering the average productivity per m3 of wood of each garden at the cutting age.

The fair values of biological assets were considered as level 3 in the fair value hierarchy defined by IFRS 13 / CPC 46 (information for assets or liabilities that are not based on data observable by the market, ie, unobservable assumptions).

The Company has 17,168 hectares (about 42,423 acres) of biological assets pledged as guarantee for financing from the National Bank for Economic and Social Development (BNDES). The total amount of this credit facility available to the Company is R\$40,493. In 2018, R\$ 2,500 were released from this line. In the years 2019, 2020, 2021, 2022 and in the first quarter of 2023 there were no other releases.

The Company evaluates the fair value of biological assets annually.

14. SUPPLIERS

	Parent		Consolidated	
	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
Electrical energy	23,703	26,059	23,703	26,059
Raw material and inputs	76,218	82,267	76,218	82,267
Other suppliers (i)	19,818	14,291	22,982	21,312
	<u>119,739</u>	<u>122,617</u>	<u>122,903</u>	<u>129,638</u>

(i) These are various services (consulting, transport, research and prospecting, etc.) as well as suppliers not linked to production.

15. CASH ADVANCE FROM CUSTOMERS (PARENT COMPANY AND CONSOLIDATED)

03/31/2023 12/31/2022

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	<u>03/31/2023</u>	<u>12/31/2022</u>
Cash advance from customers	52,513	61,209

Advances from customers refer to funds received from goods still in transit on the base date of March 31, 2023 and December 31, 2022 without the corresponding recognition of revenue for the year. The Company only recognizes revenue from these sales in transit when there is no longer a performance obligation to be met, therefore, when control of the products is transferred to the customer, who then determines their use and obtains the benefits of the product..

16. LOANS AND FINANCING

	Parent		Consolidated	
	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
Current:				
Financings (i)	44,141	43,071	44,141	43,071
Financing BNDES BW Guirapá (ii)	-	-	27,802	27,213
Subtotal Financing	<u>44,141</u>	<u>43,071</u>	<u>71,943</u>	<u>70,284</u>
Cost of Money raising	-	-	(455)	(455)
Current Total	<u>44,141</u>	<u>43,071</u>	<u>71,488</u>	<u>69,829</u>
Non-current:				
Financings (i)				
Financing BNDES BW Guirapá (ii)	62,680	61,116	62,680	61,116
Subtotal Financing	-	-	204,267	210,634
Cost of Money raising	<u>62,680</u>	<u>61,116</u>	<u>266,947</u>	<u>271,750</u>
Non-current total	<u>62,680</u>	<u>61,116</u>	<u>(3,473)</u>	<u>(3,587)</u>
Current:	<u>62,680</u>	<u>61,116</u>	<u>263,474</u>	<u>268,163</u>
	<u>106,821</u>	<u>104,187</u>	<u>334,962</u>	<u>337,992</u>

- (i) Long-term third-party capital for investment in forest investment and for the acquisition of machinery and equipment allocated in metallurgy and mining.
- (ii) Financing with the National Bank for Economic and Social Development (BNDES) raised by the subsidiary BW Guirapá and its subsidiaries on October 6, 2015 to finance the construction of wind farms. The guarantees offered for the payment of the debt were: pledge of BW Guirapá shares, pledge of credit rights (O&M contract), pledge of emerging rights (authorization of independent producer), pledge of machinery and equipment (wind turbines), fiduciary assignment of credit rights (revenues from the sale of energy and CER, and constitution of reserve accounts) and bank bail.

The table below shows the main characteristics of the debts of the Company and its subsidiaries:

<u>Modality</u>	<u>Salaries</u>	<u>Charges (annual)</u>	<u>Amortization</u>	<u>Guarantees</u>	<u>Parent</u>	<u>Consolidated</u>
FINAME	2021 to 2024	TJLP + 3.4% to 3.9%.	Monthly	Fiduciary alienation	858	858

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

FINEM	2022 to 2025	TJLP + 2.26%	Monthly	Land mortgage	12,481	12,481
FINEM	2032	TJLP + 2.65%	Monthly	See (ii) above	-	232,069
				TJLP subtotal (explanatory note 4.3)	13,339	245,408
NCE	2024	CDI + 0.70%	Annual	Export History	58,721	58,721
CCB	2025	CDI + 1.86%	Annual	Clean	33,939	33,939
				CDI subtotal (explanatory note 4.3)	92,660	92,660
FINAME	2022 to 2024	2,5% to 6%	Monthly	Fiduciary alienation	822	822
				Subtotal	106,821	338,890
				(-) Captation cost	-	(3,928)
				Total	106,821	334,962

Restrictive contractual clauses – “covenants”

The Company has financings which include restrictive clauses requiring compliance with the performance of annual indices, subject to the anticipation of debt maturity in the event of non-compliance with the “covenants”.

On March 31, 2023 and December 31, 2022, Ferbasa met the ratio required in the financing agreements (Finame) in which the ratio between net financial debt and EBITDA, consolidated, must be less than or equal to 2.5x during the entire term of the contracts.

Specifically, BW Guirapá and the Wind Power Plants are required to maintain, throughout the term of the BNDES financing agreement, a consolidated annual debt service coverage ratio (ICSD) equal to or greater than 1.30, which was met on March 31, 2023 and December 31, 2022. In addition, they have as relevant obligations, compliance with deadlines to start and execute the commercial operation; presentation to BNDES of the respective operating licenses; remain in good standing with the environmental bodies, CCEE, ANEEL, the MME, the National Electric System Operator (“ONS”) and/or any other bodies and entities that are part of the Direct or Indirect Public Administration; as well as adopt measures and actions aimed at preventing or correcting damage to the environment, safety and occupational medicine. These clauses were met on March 31, 2023 and December 31st, 2022.

17. PAYABLE LEASINGS

	Parent		Consolidated		
	Machinery and Equipment	Machinery and Equipment	Lands	Buildings	Total
Balance on 12/31/2021	14,410	14,410	10,964	81	25,455
Additions/Remeasurement	4,086	4,086	4,213	(1)	8,298
Payments	(5,231)	(5,231)	(22)	(12)	(5,265)
Execution AVP			70		
(Adjustment to Present Value)	1,243	1,243		2	1,315
Balance on 03/31/2022	14,508	14,508	15,225	70	29,803
Balance on 12/31/2022	39,882	39,882	10,161	34	50,077
Additions/Remeasurement	22,577	22,577	(69)	56	22564
Payments	(15,141)	(15,141)	(24)	(13)	(15,178)
Execution AVP			79		
(Adjustment to Present Value)	1,706	1,706		3	1,788

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

Value)					
Balance on 03/31/2023	<u>49,024</u>	<u>49,024</u>	<u>10,147</u>	<u>80</u>	<u>59,251</u>
Current	34,273				35,093
Non-current	14,751				24,158

On March 31, 2023, the Company estimated the discount rates, based on the risk-free interest rates observed in the Brazilian market, for the term of its contracts. The weighted average rate used for the parent company is 17.02% p.a. and for the subsidiary BW it is 8.65% p.a..

The amounts classified in non-current liabilities are broken down as follows, by expiration year:

<u>Expiration year</u>	<u>Parent</u>	<u>Consolidated</u>
2024	9,840	11,010
2025 to 2029	4,911	8,022
2030 to 2034	-	2,500
2035 to 2039	-	2,009
2040 to 2044	-	535
2045 onwards	-	82
Total	<u>14,751</u>	<u>24,158</u>

The Company has the potential right to recover PIS/COFINS embedded in the consideration of leases. When measuring cash flows, tax credits were not highlighted, with the potential PIS/COFINS effects shown in the table below:

	<u>Parent</u>				<u>Consolidated</u>			
	<u>Nominal</u>		<u>Adjustment to Present Value</u>		<u>Nominal</u>		<u>Adjustment to Present Value</u>	
	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
Consideration	59,573	47,445	49,024	39,882	74,174	62,208	59,251	50,077
PIS/COFINS potential (9.25%)	5,511	4,389	4,535	3,689	6,861	5,754	5,481	4,632

18. LABOR AND ACTUARIAL OBLIGATIONS

	<u>Parent</u>		<u>Consolidated</u>	
	<u>03/31/2023</u>	<u>12/31/2022</u>	<u>03/31/2023</u>	<u>12/31/2022</u>
Current:				
Salaries and wages	10,459	11,648	10,647	11,884
Labor provisions and charges	30,367	26,280	30,623	26,448
Profit sharing (i)	39,000	97,700	39,019	97,848
	<u>79,826</u>	<u>135,628</u>	<u>80,289</u>	<u>136,180</u>
Non-current:				
Labor and actuarial obligations (ii)	47,583	45,962	47,583	45,962
	<u>127,409</u>	<u>181,590</u>	<u>127,872</u>	<u>182,142</u>

- (i) The Company's Bylaws establish that the profit for the year is allocated up to 10% (ten percent) for distribution to employees and up to 10% (ten percent) of the resulting balance to reward the managers. On March 31, 2023, the balance in the caption of management participation is R\$ 18,975, of which R\$ 4,275 refers to the first quarter of 2023 and R\$ 14,700

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

for the year of 2022 and the balance in the caption of employee share is R\$20,025, of which R\$14,878 refers to the first quarter of 2023 and the remaining balance for the year 2022 payable of R\$5,147 (R\$61,000 on December 31, 2022). Additionally, for December 31, 2022, there was a bonus to employees in the amount of R\$22,000.

- (ii) The Company maintains labor and actuarial obligations as follows:
- a. Private pension: The Company maintains a defined contribution plan for supplementary retirement, managed by *BRASILPREV Seguros e Previdência S.A.* and assistance of the Health Insurance managed by *Bradesco Saúde*.
 - b. Retirement premium: The Company also stipulates an additional post-employment benefit for employees who receive a salary below the social security ceiling (maximum level) and who have worked at the Company for at least 10 (ten) uninterrupted years. This is a single payment to the employee at the end of their employment relationship.
 - c. FGTS fine: The Company set up a post-employment benefit provision related to the FGTS fine upon retirement for employees exposed to harmful risks (special retirement), opting for the FGTS (*Service Time Guarantee Fund*), terminated at their request, and not remaining on the occasion of their termination. These special retirees will be entitled to the benefit as if they were terminated, as long as the length of service exceeds 5 or 8 years, depending on the location where they work.
 - d. Healthcare: In the first quarter of 2022, there was a review and change in the rules of the Healthcare plan managed by *Bradesco Saúde*. The plan changed from a contributory to a non-contributory one, there were changes in the discounts table and the rules of permanence for the terminated and retired were revised, which caused a reduction in actuarial obligations, generating a reversal of R\$ 22,056 in other operating income. Employees who join the Company as a result of the aforementioned changes will not be entitled to remain in the plan when retired or terminated. Employees with more than 30 years of uninterrupted employment, when terminated due to retirement and as long as they assume the full cost of the plan, will have the right to remain in the plan. On the other hand, active employees before the changes, when terminated as retired or non-retired, will have the respective time limiters (1 year for each contribution year limited to 9 years and 1/3 of the contribution time with a minimum of 6 months and a maximum of 2 years, respectively) of permanence in the plan provided that the legal requirements established for such are met and assuming the full cost of the health care plan.

19. TAXES AND SOCIAL CONTRIBUTIONS

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Current:				
IRPJ e CSLL	5,306	29,260	5,394	29,300
IPI	2,373	1,891	2,373	1,891
ICMS	10,145	12,781	10,167	12,820
IRRF to recolher	9,793	4,530	9,902	4,710
PIS and COFINS	3,766	7,080	4,251	7,568

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

Others	2,051	2,553	2,274	2,795
	<u>33,434</u>	<u>58,095</u>	<u>34,361</u>	<u>59,084</u>
Não circulante:				
IRPJ – Reinvestment (i)	3,500	-	3,500	-
PIS and COFINS	-	-	87	87
	<u>3,500</u>	<u>-</u>	<u>3,587</u>	<u>87</u>
	<u><u>36,934</u></u>	<u><u>58,095</u></u>	<u><u>37,948</u></u>	<u><u>59,171</u></u>

- (i) The balance linked to tax incentive refers to reinvestment amounts at 30% of income tax due in calendar year 2022, plus another portion (50% of this 30%) of own funds. These amounts are provisioned until the projects are approved by SUDENE. In the event of approval, these amounts that would otherwise be collected as taxes are released for the Company to invest in projects. Therefore, if approved, they will be capitalized; otherwise, they will be passed on to the Federal Revenue Service as income tax.

20. PROVISION FOR ENVIRONMENTAL LIABILITIES

21. The Company uses judgments and assumptions when measuring its obligations related to the provision for closing mines and wind farms, as well as the decommissioning of assets linked to its operations. The costs potentially covered by insurance or indemnities are not deducted from the amount provisioned, as their recovery is considered uncertain.
22. Decommissioning costs were measured based on information available for the costs of dismantling equipment and civil works, inflated and discounted at the average rate of capital cost of each project. Thus, the Company applied the technical interpretation ICPC 12 - Changes in Liabilities for Deactivation, Restoration and Other Similar Liabilities, recording the provision calculated from its best estimate of the costs to be incurred in the dismantling of this equipment at the end of the authorization, discounted to present value considering a long-term rate of the direct treasury discounted by inflation measured according to the IPCA.

The movements in these provisions are shown below:

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
<u>Non-current</u>				
At the beginning of the year	15,666	15,953	56,313	57,415
Losses	(254)	(944)	(254)	(1,759)
Monetary adjustment, AVP and others	645	657	645	657
	<u>16,057</u>	<u>15,666</u>	<u>56,704</u>	<u>56,313</u>

23. PROVISION FOR CONTINGENCIES (PARENT AND CONSOLIDATED)

The Management of the Company and its subsidiaries, based on the position of its legal advisors, classified the lawsuits according to the degree of risk of loss, as follows:

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	Possible		Probable	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Tax / Administrative	28,750	28,695	48,628	48,571
Labor	816	896	7,449	7,449
Civil	466	465	4,697	4,697
	<u>30,032</u>	<u>30,056</u>	<u>60,774</u>	<u>60,717</u>

The description of the main contingent liabilities of the Company, including those that were considered as a possible loss by management and its legal advisors, was presented in the financial statements of December 31, 2022, in explanatory note 27 and there were no significant changes in its possible contingencies in that period.

24. REIMBURSEMENT ACCOUNT - CCEE (CONSOLIDATED)

	Consolidated	
	03/31/2023	03/31/2023
Opening balance	73,515	49,515
Reimbursement	558	18,015
Penalty (note 27)	-	2,443
Update	4,615	4,825
Constrained-off rollback	-	(1,283)
Final balance	<u>78,688</u>	<u>73,515</u>
<u>Current</u>	29,480	12,870
<u>Non-current</u>	49,208	60,645
	<u>78,688</u>	<u>73,515</u>

Under authorization, the BW Guirapá Wind Complex has all its production contracted for a period of twenty years with the Electric Energy Commercialization Chamber ("CCEE"), within the scope of the Reserve Auction – 2011 ("LER 2011") in the regulated environment. Reimbursement accounts – CCEE refer to the differences between the contracted amount and the amount of electricity actually generated. The calculation criteria are contractually defined, through a tolerance limit between the energy actually generated and the energy contracted, as shown below:

- (a) The contractual limit accepted, without the incidence of penalties or bonuses, is equivalent to the supply of 90% to 130% of the energy contracted for one year, calculated at the end of each four-year period. In these cases, the positive or negative deviation between the energy supplied and the energy contracted is recognized in assets or liabilities, respectively, by applying the updated contractual price on the calculated MWh. Any differences between the supply of electricity and the contracted energy will be compensated for each contractual four-year term, with the first four-year term ending on June 30, 2018 the second four-year term ended on June 30, 2022 and the third four-year term began in July 2022.

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

- (b) If the energy supplied is less than 90% of the contracted energy, a penalty will be applied, equivalent to the application of 115% of the current contractual price on the amount in MWh that is less than 90%. If the energy supplied exceeds 130% of the contracted energy, the Companies will receive 70% of the contracted price on the amount in MWh that exceeds 130%. In both cases, the financial settlement takes place from July of the current year until June of the following year.

Additionally, as of June 2023, the CCEE will begin reassessing the reimbursement calculations considering the energy not supplied by constrained off wind farms. The effects of constrained off will be calculated for CCEARs and CERs with the contractual year ending by September 2021. For the period from October 2021, the recalculation schedule has not yet been released, since the ANEEL Public Consultation process no. 22/2022 was not completed. The Company reflected in the segregation between current and non-current the schedule already disclosed.

25. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

	Result			Assets	Liabilities
	Leasing costs (i)	Sales revenue (ii)	Other (revenues)/expenses operational (iii)	Accounts receivable from customers (ii)	Other suppliers (iii)
Parent:					
José Carvalho Foundation	-	7	32	-	23
Subsidiaries:					
<i>BW Guirapá S.A.</i>	-	-	(137)	-	-
<i>Silício de Alta Pureza da Bahia S.A.</i>	210	-	-	-	-
<i>Mineração Vale do Jacurici S.A.</i>	381	-	-	-	-
<i>Reflorestadora e Agrícola S.A.</i>	15	-	-	-	-
<i>Indústria de Minérios Damacal Ltda.</i>	9	-	-	-	-
<i>Ferbasa & CO (iv)</i>	-	-	-	-	-
Related party:					
Marubeni Corporation (iv)	-	157,567	-	35,711	-
Total on March 31, 2023	<u>615</u>	<u>157,574</u>	<u>(105)</u>	<u>35,711</u>	<u>23</u>
Total on December 31, 2022	2,460	563,029	9,213	15,931	1,238
Total on March 31, 2023	615	90,138	1,917	11,060	-

- (i) Refers to the leasing of operations of the subsidiaries.
- (ii) Refers to revenue and accounts receivable from the sale of alloys (FeSi75) to the related company abroad and accounts receivable from the sale of wood, quicklime and slag dust to the Parent.
- (iii) It refers to: (a) Term of Cooperation and Partnership for the reservation and guarantee of enrollments in José Carvalho Foundation schools for dependents of the Company's employees residing in the municipalities where the school headquarters are located (Pojuca, Catu and Andorinhas); (b) Agreement for socio-educational-sports training for children aged between 8 and 14, public school students, aiming at the development of learning and sports practice; (c) Term of Cooperation and Partnership for the

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

implementation of the José Carvalho Memorial, whose objective is to preserve the memory, the cultural heritage, the existing collection, the founder's residence in life, in addition to hosting the permanent organizational culture program; (d) Infrastructure Sharing Agreement and Administrative Structure of corporate activities between Ferbasa and BW.

- (iv) In January 2023, there was a capital contribution in the amount of R\$2,616 thousand.
- (v) Maurubeni Corporation has a stake in *Silício de Alta Pureza da Bahia S.A. ("Silbasa")* in conjunction with Ferbasa and Japan Metals & Chems - JMC.

Additionally, the Company has, in its staff, members close to the family of key management personnel, who hold managerial positions and receive compensation compatible with their respective functions. Ferbasa made remuneration payments in the amount of R\$931 in the first quarter of 2023 (R\$824 in the first quarter of 2022).

The Company has no guarantees granted or received to/from related parties.

25.1. Management Compensation

Approved at the Annual Shareholders' Meeting, the overall compensation of key management personnel, which includes statutory directors and officers, is shown below:

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Global Compensation	8,485	6,342	9,250	7,203
Social security charges	786	627	940	799
	<u>9,271</u>	<u>6,969</u>	<u>10,190</u>	<u>8,002</u>

The Company and its subsidiaries do not have key personnel who are not statutory, nor do they have share-based compensation plans or other long-term benefits, in addition to what is disclosed in explanatory note 29 of the 2022 Financial Statements.

26. NET WORTH

26.1. SHARE CAPITAL

The Company's authorized capital limit is R\$1,500,000 (one billion five hundred million reais). The subscribed and paid-in capital of the Company, on March 31, 2023 and December 31, 2022, totals R\$ 1,225,444 (one billion, two hundred and twenty-five million, four hundred and forty-four thousand reais), of which subscribed and paid-in capital is represented by 88,320 thousand registered shares with no par value, of which 29,440 thousand are common shares and 58,880 thousand are preferred shares, distributed as follows:

Shareholders	03/31/2023		12/31/2022	
	Ordinary shares	Preferred shares	Ordinary shares	Preferred shares
José Carvalho Foundation	29,086,696	15,162,000	29,086,696	15,162,000
Trígono Capital	3,000	7,785,700	3,000	8,296,600

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

Vanguard Group	-	1,533,124	-	1,525,772
BlackRock	-	917,271	-	887,737
Other Shareholders	310,304	30,298,605	310,304	29,824,591
Actions in Treasury	40,000	3,183,300	40,000	3,18,300
	<u>29,440,000</u>	<u>58,880,000</u>	<u>29,440,000</u>	<u>58,880,000</u>

The Company may, by deliberation at the General Meeting, promote the increase of the various existing types and classes, without keeping proportion with the others or create a new class of preferred shares, observing the limit of 2/3 of the total shares issued for the shares non-voting preferred shares, or subject to restrictions on such right.

26.2. Shares in treasury

The Company has shares acquired through a share buyback program. The shares acquired under the program will remain in treasury, and the decision on the sale and/or cancellation of these shares will be taken in due course and will be duly communicated to the market. The volume of treasury shares and respective market values, considering the closing price quoted on B3, is as follows:

	03/31/2023		12/31/2022	
	PN	ON	PN	ON
Number of shares in treasury	3,183,300	40,000	3,183,300	40,000
Quote on B3 – BRL/share	52.60	57.44	59.17	53.47
Average acquisition cost - BRL/share	8.07	0.06	8.07	0.06

Preferred shares are non-voting and have a statutory guarantee of payment of dividends 10% higher than those paid to holders of common shares and priority in capital reimbursement.

26.3. Profit reserves

- The legal reserve is constituted with an increase in capital stock and the allocation of 5% of the profit for the year, until it reaches 20% of the capital stock, and its use is restricted to offsetting losses, after the profit balances have been absorbed accrued and other profit reserves.
- The SUDENE tax incentive profit reserves, related to income tax, refers to the portion of the tax incentive of the income tax (exploitation profit) and ICMS DESENVOLVE related to the gain of the tax incentive of the debit balance of the tax on circulation of goods. These reserves are constituted by transferring the tax incentive portion that affected the income tax and ICMS expense for the year and cannot be distributed to shareholders. The reserve referring to SUDENE also includes the value of reinvestment of income tax.
- Profits, after appropriation of the legal reserve, profit reserve (tax incentive) and allocation of dividends to be distributed to shareholders, are transferred to the profit retention reserve account for investments, to be carried out in accordance with the Company's capital budget and strategic planning. In 2022, the prescribed dividends in the amount of R\$1,531 (R\$1,338 on December 31st, 2021) were reversed to the profit reserve account according to Law 6.404/76.

26.4. Other comprehensive income and equity valuation adjustment

Other comprehensive income comprises income and expense items (including reclassification

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

adjustments), which are not recognized in the income statement as required or permitted by the pronouncements, interpretations and guidelines issued by the CPC (*Brazilian Civil Procedure*). Created by Law No. 11,638/07, the group of "Equity valuation adjustments" held in the Company's equity includes valuation adjustments with increases and decreases in assets and liabilities, when applicable, while not included in the income for the year, until their effective execution.

26.5. Unearned profit reserve

In calendar year 2018, the Company set up a reserve for unrealized profits arising from the gain on advantageous purchase from the acquisition of the BW Guirapá complex in the amount of R\$ 49,595.

26.6. Dividends and interest on equity

The Company grants its shareholders the right to receive a mandatory minimum dividend of 25% of adjusted annual net income each year. Interest on shareholders' equity is considered as distribution of profits for purposes of determining the minimum mandatory dividend. The preferred share has dividends 10% (ten percent) higher than that attributed to the common share.

27. EARNINGS PER SHARE

As defined by technical pronouncement CPC 41 - Earnings per Share, the basic calculation of earnings per share is made by dividing the net profit for the three-month period attributable to holders of common and preferred shares of the Company, by the weighted average number of common shares and preferred options available during the period. In the case of the Company, diluted earnings per share is equal to basic earnings per share, as it does not have dilutive potential common or preferred shares.

	<u>03/31/2023</u>	<u>03/31/2022</u>
Profit from operations attributable to the Parent's shareholders	131,504	252,229
Reconciliation of distributable income, by class (numerator):		
Attributable profit from operations:		
To common shares	42,642	81,789
To preferred shares	88,862	170,440
Weighted average number of shares, by class (denominator):		
Weighted average number of shares in treasury:		
Ordinaries issued	29,400,000	29,400,000
Preferred issued	55,696,700	55,696,700
Basic results/diluted* earnings per share (in BRL)		
Ordinary shares	1.45042	2.78195
Preferred shares	1.59546	3.06014

(*) The Company does not hold any potential dilutive shares outstanding or other instruments that could result in the dilution of earnings per share.

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

28. NET REVENUE OF SALES

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Gross sales revenue				
Domestic Market	362,246	435,422	388,932	453,144
Foreign Market	408,072	390,014	408,072	390,014
	<u>770,318</u>	<u>825,436</u>	<u>797,004</u>	<u>843,158</u>
Sales deductions				
Returns and reductions	(5,306)	(14,838)	(5,306)	(14,838)
Sales tax	(74,135)	(89,456)	(75,324)	(90,582)
	<u>(79,441)</u>	<u>(104,294)</u>	<u>(80,630)</u>	<u>(105,420)</u>
	<u>690,877</u>	<u>721,142</u>	<u>716,374</u>	<u>737,738</u>

29. COSTS OF GOODS SOLD AND EXPENSES

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Cost of Goods Sold (i)	(477,412)	(358,923)	(495,861)	(376,831)
Selling Expenses	(5,252)	(4,396)	(5,252)	(4,396)
General and Administrative Expenses	(26,049)	(17,924)	(27,194)	(18,718)
Employee profit sharing	(14,878)	(26,627)	(14,878)	(26,627)
Management compensation	(9,271)	(6,969)	(10,190)	(8,002)
Total general and administrative expenses	<u>(50,198)</u>	<u>(51,520)</u>	<u>(52,262)</u>	<u>(53,347)</u>
Other revenue (expenses) (iv)	(19,645)	13,664	(21,149)	10,706
	<u>(552,507)</u>	<u>(401,175)</u>	<u>(574,524)</u>	<u>(423,868)</u>

Henceforth, the breakdown by nature of costs of goods sold and operating expenses:

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Variable costs and indirect product expenses	(302,677)	(223,251)	(304,083)	(224,344)
Personnel expenses (ii)	(112,230)	(108,796)	(114,313)	(110,718)
Depreciation and depletion expenses	(34,093)	(21,859)	(44,841)	(32,572)
Expenses with provision of services (iii)	(48,219)	(32,045)	(53,993)	(37,767)
Maintenance and repair expenses	(24,564)	(20,492)	(25,041)	(20,756)
Fuels and lubricants	(8,447)	(7,641)	(8,472)	(7,662)
Cost of idle capacity	(2,632)	(755)	(2,632)	(755)
Other revenue (expenses) (iv)	(19,645)	13,664	(21,149)	10,706
	<u>(552,507)</u>	<u>(401,175)</u>	<u>(574,524)</u>	<u>(423,868)</u>

(i) Costs of goods sold include:

a) Electricity cost for consumption in the 14 electric furnaces. In addition to electric furnaces,

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

energy is consumed in the areas of auxiliary and other services, as well as in mining;

- b) The Company imports reactive metallurgical coke (met coke) (commodity available on the international market) for the production of ferrochrome;
 - c) Cost of transporting Chrome ore between the mines (City of Campo Formoso) and the metallurgy (Pojuca - BA), by rail;
 - d) The consolidated includes depreciation, amortization, energy transmission, system use, operation and maintenance costs, etc. for the generation of wind energy in the amount of R\$ 18,986 (R\$ 18,445 on March 31, 2022).
- (ii) Includes personnel expenses, management fees and employee and administrators' profit sharing.
- (iii) Next, the breakdown by nature of other net income (expenses):

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Post-employment benefit (Note No. 18)	(1,621)	21,859	(1,621)	21,859
Other taxes and contributions	(2,342)	(1,206)	(2,832)	(1,543)
Social and business responsibility	(2,680)	(2,544)	(2,710)	(2,549)
Consulting and research	(4,868)	(3,381)	(4,868)	(3,471)
Realization of Capital Gain	-	-	(1,104)	(1,104)
Transfer of energy	(4,329)	(209)	(4,329)	(209)
Others expenses	(3,805)	(855)	(3,685)	(2,277)
	<u>(19,645)</u>	<u>13,664</u>	<u>(21,149)</u>	<u>10,706</u>

30. FINANCIAL RESULT

	Parent		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
<u>Financial income</u>				
Income from financial investments (*)	32,424	22,978	36,707	26,474
Exchange variation	6,041	8,395	6,041	8,395
Other financial income	647	1,056	665	1,079
	<u>39,112</u>	<u>32,429</u>	<u>43,413</u>	<u>35,948</u>
<u>Financial expenses</u>				
Exchange variation	(6,307)	(25,875)	(6,307)	(25,875)
Update provision closure of mines	(492)	(968)	(492)	(968)
Interest incurred	(3,152)	(3,475)	(8,805)	(8,875)
Other financial expenses	(2,745)	(2,381)	(4,553)	(3,767)
	<u>(12,696)</u>	<u>(32,699)</u>	<u>(20,157)</u>	<u>(39,485)</u>
<u>Derivative and non-derivative financial instrument</u>				
Variation in derivative and non-derivative	-	(9,201)	-	(9,201)

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

financial instruments asset				
	<u>-</u>	<u>(9,201)</u>	<u>-</u>	<u>(9,201)</u>
	<u>26,416</u>	<u>(9,471)</u>	<u>23,256</u>	<u>(12,738)</u>

- (i) There was an increase in income from financial investments due to the increase in the amount invested and the change in the mix of financial investments with an increase in IPCA-linked securities, as well as the growth in the interest rate.

31. OPERATING SEGMENTS

The Company proceeded with the segmentation of its operational structure, taking into account the way in which Management manages its business. The operating segments defined by Management are shown below:

- Ferroalloys segment - involves the operations of high carbon chrome ferroalloys, low carbon ferroalloys and chrome ferrosilicon, special silicon 75 and standard silicon 75;
- Wind energy segment – involves the operations of the subsidiary BW Guirapá;
- Other segments include - forestry activity, with the sale of standing timber and mining activities, with the sale of Chrome ore, chromite sand, quicklime and hydrated lime..

Information about the financial result, income tax and social contribution, total assets and liabilities, were not disclosed in the segment information, due to the non-use, by the Company's management, of said data in a segmented manner, since they are managed and analyzed in a consolidated way in its operation.

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

	Consolidated							
	Ferroalloys		Wind energy		Other segments		Total	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022	03/31/2023	03/31/2022	03/31/2023	03/31/2022
<u>Liquid Sales</u>								
Domestic Market	272,078	327,991	25,553	16,652	14,022	11,882	311,653	356,525
Foreign Market	404,721	381,213	-	-	-	-	404,721	381,213
	<u>676,799</u>	<u>709,204</u>	<u>25,553</u>	<u>16,652</u>	<u>14,022</u>	<u>11,882</u>	<u>716,374</u>	<u>737,738</u>
Cost of Goods Sold	(467,330)	(354,511)	(18,986)	(18,445)	(9,545)	(3,875)	(495,861)	(376,831)
Gross profit	<u>209,469</u>	<u>354,693</u>	<u>6,567</u>	<u>(1,793)</u>	<u>4,477</u>	<u>8,007</u>	<u>220,513</u>	<u>360,907</u>
Operational expenses	<u>(75,214)</u>	<u>(43,181)</u>	<u>(1,891)</u>	<u>(3,133)</u>	<u>(1,558)</u>	<u>(723)</u>	<u>(78,663)</u>	<u>(47,037)</u>
Operational result before the financial result	<u>134,255</u>	<u>311,512</u>	<u>4,676</u>	<u>(4,926)</u>	<u>2,919</u>	<u>7,284</u>	<u>141,850</u>	<u>313,870</u>
<u>Product sales (tons)</u>								
Domestic Market	32,221	30,455						
Foreign Market	41,233	33,948						
	<u>73,454</u>	<u>64,403</u>						

CIA DE FERRO LIGAS DA BAHIA – FERBASA & SUBSIDIARIES

Management's notes to the financial statements

Three-month period ended on March 31, 2023

In thousands of reais, except as otherwise indicated

32. LONG TERM COMMITMENTS

As of March 31, 2023, the Company has long-term commitments with suppliers in the form of take or pay with rail transport and power reserve and energy transmission contracts. The contracts provide for termination clauses and suspension of supply for reasons of non-compliance with essential obligations. There are no liabilities recorded other than the amount that is recognized monthly. These long-term commitments total R\$84,431 in the parent company and R\$88,277 in the consolidated per year.

33. INSURANCE COVERAGE

The Company and its subsidiaries have insurance coverage against equipment fire, explosions, electrical damage, vehicles, international transport, import, civil and corporate liability, guarantee insurance and operational risks of wind energy generation, on March 31, 2023 in the amount of R\$233,194 (R\$170,865 on December 31, 2022) in the parent company and R\$1,223,699 (R\$1,033,503 on December 31, 2022) in the consolidated.

34. TRANSACTIONS THAT DID NOT AFFECT THE CASH

During the first quarter of 2023 and 2022, the Company carried out the following transactions that did not involve cash, therefore these are not reflected in the statements of cash flows.

Descrição	Note	Parent		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Gain (loss) with actuarial liabilities	23(*)	-	1,135	-	1,135
Right of use in leases according to IFRS 16	17.2	22,577	52,011	22,564	52,011
Depreciation Right-of-use appropriate to inventory cost	17.2	791	3,931	791	3,931
Depletion appropriate to inventory cost	18(*)	-	1,984	-	1,984
Realization of Capital Gain	17.1	1,104	4,418	1,104	4,418
Execution of Added value					

(*) Notes to the Financial Statement as of December 31st, 2021

Accountant:

Arnaldo Pereira Anastácio

Accounting Manager

CRC-RJ 61263/O - 0-T-BA



Ferbasa

1 Q23 EARNINGS *Release*



*A vida
e a Obra de*
JOSÉ CARVALHO



FESA
B3 LISTED N1



Cia de Ferro Ligas da Bahia – **FERBASA** (B3: FESA3 and FESA4), Brazil's main supplier of ferroalloys and the only producer of Ferrochrome in the Americas, discloses the results related to **the financial performance of the first quarter of 2023**, whose individual and consolidated quarterly interim information was prepared in accordance with accounting practices adopted in Brazil, based on the Lei das Sociedades por Ações (a Model Business Corporation Act – MBCA-like law), and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). This document contains forward-looking statements and information regarding **FERBASA**, based on assumptions and expectations that may or may not materialize, and are therefore not a guarantee of the Company's future performance. Although **FERBASA** believes that the assumptions and expectations used are reasonable, we caution investors that such information is and will, as the case may be, subject to risks and other factors related to the Company's operations and business environments, so that actual results may differ from the projections, express or implied, contained in this material. Thus, FERBASA expressly disclaims the duty to update the statements, prospects and expectations contained in this document.

STOCKS

IBOVESPA: FESA3/FESA4
PFDs in the stock market: 40.905
thousand
Market Value: R\$ 4.800 million

INVESTORS RELATIONS

Heron Albergaria de Melo
Director of Investor Relations

Carlos H. Temporal
Manager of Investor Relations
+55 71 3404 3065/ 3066/ 3023
<http://www.ferbasa.com.br/ri>
dri@ferbasa.com.br

SCHEDULE

Earnings Release
May 15th, 2023
3 p.m. (Brasília time)
1 p.m. (New York time).
Access: [click here](#)

1. HIGHLIGHTS OF CONSOLIDATED RESULTS

The table below shows the highlights of the 1Q23 compared to 4Q22 and 1Q22.

Highlights (in R\$ million)	1Q23	4Q22	Δ%	1Q22	Δ%
Average US dollar practiced	5.19	5.25	-1.1%	5.37	-3.4%
Net Revenue	716.4	714.2	0.3%	737.7	-2.9%
Cost of Goods Sold	495.9	472.1	5.0%	376.8	31.6%
<i>Cost over revenue</i>	69.2%	66.1%		51.1%	
Adjusted EBITDA	187.3	189.1	-1.0%	325.6	-42.5%
<i>EBITDA Margin</i>	26.1%	26.5%		44.1%	
Net Income	131.6	152.0	-13.4%	252.3	-47.8%
<i>Profit margin</i>	18.4%	21.3%		34.2%	

PRODUCTION – In 1Q23, 70.2 thousand tons of ferroalloys were produced, a decrease of 9.3% compared to 4Q22, a reflection of the 8.9% decrease in the production of chromium alloys and 10.2% of silicon. In the case of HP FeSi, the reduction was 4.1% in the same period.

SALES VOLUME – 73.4 thousand tons of ferroalloys were sold in the first quarter of the year, a volume 10.0% higher than in 4Q22. This variation was influenced by the significant increase of 44.9% in sales to the foreign market (ME) and by the 15.9% reduction in volumes destined for the domestic market (MI), which reaffirms the Company's ability to adapt its mix of marketing to market oscillations.

NET REVENUE – In 1Q23, net revenue totaled R\$716.4 million, with no relevant change (+0.3%) when compared to 4Q22. This result was motivated by reductions of 8.4% in the average dollar price of ferroalloys and 1.1% in the average dollar practiced, offset by the 10% increase in sales volume.

COST OF GOODS SOLD – Consolidated COGS amounted to R\$495.9 million in 1Q23, incorporating an increase of 5.0% compared to 4Q22, and reflecting the increase in costs, especially with reducers, chromium ore and electrode paste. Considering only the ferroalloys segment, the ratio between COGS and net revenue increased from 61.9% in 4Q22 to 69.0% in 1Q23.

SELLING AND GENERAL/ADMINISTRATIVE EXPENSES – Selling expenses, in 1Q23, increased by 211.8% compared to 4Q22, due to the recovery of credit related to the default of a customer. General/administrative expenses decreased by 27.8%. Without considering provisions for profit sharing, bonuses and management compensation, general and administrative expenses went from R\$30.1 million in 4Q22 to R\$27.2 million in 1Q23, a reduction of 9.6%.

OTHER OPERATING INCOME/EXPENSES – This line resulted in expenses of R\$21.1 million in 1Q23, compared to R\$30.6 million recorded in 4Q22. The 31.0% reduction was caused by expenses with corporate social responsibility carried out in 4Q22.

ADJUSTED EBITDA – Operating cash generation, measured by EBITDA, reached R\$187.3 million in 1Q23 (R\$15.3 million of which related to the BWG wind complex). This total is equivalent to 26.1% of EBITDA margin and a reduction of 1% compared to 4Q22, when EBITDA reached the amount of R\$ 189.1 million (R\$ 12.3 million referring to BWG) and margin of 26.5%.

CASH GENERATION – The generation of cash and cash equivalents and financial investments amounted to R\$109.7 million in 1Q23, with a consolidated financial reserve of R\$1.39 billion in the same period. Thus, net cash increased from R\$943.1 million in 4Q22 to R\$1.06 billion in 1Q23.

FINANCIAL RESULT – The financial result totaled R\$ 23.3 million in 1Q23, 33.8% lower than in 4Q22, influenced by the 21.4% contraction in financial income due to the effect of the reduction in inflation and the turbulence in the market finance in the retail and healthcare segment.

CAPEX – In 1Q23, R\$ 57.0 million were invested, 44.8% lower than in 4Q22, but an increase of 71.2% compared to the same period of the previous year (R\$ 33.3 million).

NET PROFIT – Consolidated net profit amounted to R\$131.6 million in 1Q23, down 13.4% from 4Q22. This result derives from the aforementioned effects, which will be detailed in the following sections of this report.

2. CORPORATE PROFILE

FERBASA is a national leader in the production of ferroalloys, the only producer of ferrochrome in the Americas and one of the 10 largest industries operating in Bahia, according to the *Anuário Valor 1000* ranking. With an integrated production cycle in the areas of Mining, Metallurgy, Forestry Resources and Renewable Energy, the Company seeks to ensure the verticalization of its main supply chain of raw materials, to ensure quality and predictability in the respective supply.

The Company is based on an Integrated Management System certified under ISO 9001, ISO 45001 and ISO 14001 standards, and its main products include high carbon ferrochrome alloys (HC FeCr), low carbon ferrochrome (LC FeCr), ferrosilicon (FeSi75), high purity ferrosilicon 75 (HP FeSi75) and chromium ferrosilicon (FeSiCr), intended mainly for the steel industry and the manufacture of stainless and special steels. With 62 years of experience, **FERBASA** serves the domestic and foreign markets, in this case, mainly China, Japan, the United States and the European Union.

Holding 95% of the national chromite resources, Mining currently has two chromium ore extraction units (one underground and one in the open), two quartz mines and a plant dedicated to the production of quicklime, all located in the Center North of Bahia.

The Forestry area comprises 64,000 hectares (about 158,000 acres), of which 25,000 (about 61,776 acres) are planted and renewable eucalyptus forests. Of the forest assets, the Company preserves as a reserve of native forests more than what is established by law (20%), with 1,243 hectares (about 3070 acres) of approved areas as a Private Natural Heritage Reserve (PNHR – in Portuguese: RPPN – *Reserva Particular do Patrimônio Natural*).

The production of ores and bio-reducer aims to supply the Metallurgical unit (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 BW Guirapá Wind Complex, installed in the municipalities of Caetité and Pindaí, in the state of Bahia, is part of the verticalization strategy. With an installed capacity of 170 MW, the 07 parks will have their clean and renewable energy available to meet part of **FERBASA's** own consumption from 2036 onwards, with the end of the current supply contract entered into with the Electric Energy Trading Chamber – CCEE (in Portuguese - *Câmara de Comercialização de Energia Elétrica*).

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

Recognized for its citizenship trajectory, which distinguishes and forges its culture, **FERBASA**, since its origin, acts responsibly and consciously in favor of the socioeconomic development of the surrounding communities. In this sense, the Social Responsibility **Program Ferbasa Is Here** makes annual investments to equip the communities served with the conditions capable of promoting effective changes in the social fabric, mainly in actions aimed at raising the educational level. The Program has 06 lines of action - Education, Culture, Rural and Community Development, Sports, Environment and Health -, in parallel with the social work carried out by its parent company, José Carvalho Foundation, which annually offers free and quality education, to around 4,000 children and adolescents in its 6 own schools and 2 socio-educational projects.

3. MARKET ENVIRONMENT

CRUDE STEEL: according to data from the World Steel Association (WSA), in 2M23 world production of crude steel reached 297.8 Mt and decreased by 0.8% compared to 2M22. Of this total, China participated with 168.7 Mt, which represents an increase of 5.6% (56.6% of the total produced in 2M23). Among the 10 largest world producers, in addition to China, the highlights were the growth of Iran (+21.1%) and India (+1.0%), while South Korea (-1.0%), Russia (-5.4%) and the USA (-5.6%) registered reductions. Brazil (-5.8%) was among the worst performers in the analyzed period along with Turkey (-23.1%), Germany (-8.6%) and Japan (-6.1%).

In South America, the volume produced in 2M23 reached 6.8 Mt, a decline of 2.1% compared to 2M22, of which Brazil contributed with 5.3 Mt - a decrease of 5.8% in the same period. According to statistics from *Instituto Aço Brasil* - IABr (Brazilian Institute of Steel), Brazilian production of crude steel this year has been leveraged, so far, by domestic demand. In 1Q23, domestic apparent consumption grew by 3.4%, while exports decreased by 6.1%, both in relation to 1Q22.

FeSi: In China, the nation responsible for around 70% of the world's supply of FeSi, production reached 1.4 Mt in 1Q23, decreasing 6.3% compared to 1Q22 and showing stability (+ 0.3%) compared to 4Q22, according to specialized reports. It is worth noting that the production level in March/23 was the lowest since September/22. Between 1Q22 and 1Q23, on the consumption side, Chinese crude steel production increased by 6.1%. In terms of exports, there was a drop of 25.7% between 2M22 and 2M23.

Between 4Q22 and 1Q23, the average price of FeSi, in dollars, grew 2.8% in Europe and dropped 7.9% in the US, while in China, the export price rose 1.1% and the domestic price (in renminbi) fell 3.9%.

STAINLESS STEEL: Specialized reports estimate that the world production of stainless steel totaled 13.5 Mt in 1Q23, with a decrease of 3.9% compared to 1Q22 and 5.1% compared to 4Q22. Of this total, China produced 7.9 Mt (58% of the 1Q23 total), which means an increase of 1.6% compared to 1Q22 and a decrease of 10.8% compared to 4Q22. Between 4Q22 and 1Q23, the positive highlights were the 10.5% growth in Japan and 165% in South Korea, whose production in

4Q22 had been very low. Inversely, India (-6.9%) and Indonesia (-16.9%) stood out for the negative results. In Brazil, production in 1Q23 (90 thousand tons) is estimated to have grown by 33.9% compared to 1Q22 and 0.8% compared to 4Q22.

In Europe, stainless steel production was estimated at 1.7 Mt in 1Q23, a decrease of 9.7% compared to 1Q22 and an increase of 8.6% compared to 4Q22. In the same period, 513 thousand tons were produced in the US, recording a slight improvement of 1.4% compared to 1Q22 and 6.1% compared to 4Q22.

FeCr: World production of HC FeCr, which normally remains in line with the volumes produced for stainless steel, totaled 3.8 Mt in 1Q23, with a decrease of 1.6% compared to 1Q22 and an increase of 1.0% compared to 4Q22, according to estimates from specialized publications. Of this volume, China was responsible for 1.7 Mt (44% of the total in 1Q23), which means a subtle evolution of 1.0% compared to 1Q22 and 10.4% compared to 4Q22.

In 1Q23, the price of HC FeCr maintained its upward trend in China, even with weakened demand, due to strong pressures on the cost of chromium ore, a situation aggravated by the still low levels of ore inventories in Chinese ports. By way of comparison, it can be seen that between October/22 and March/23 the import price of Chinese HC FeCr was increased by 14.7%, while its stainless steel production fell by 3.2% and its stainless steel stocks jumped 106%. As a result, between 4Q22 and 1Q23, Chinese HC FeCr prices increased by 12.5% for imports and 7.1% for the domestic market, in renminbi terms. In Europe and the USA prices grew by 7.3% and 0.7% respectively.

We reiterate that the prices practiced by **FERBASA** are based on a “basket” of international prices, among which those practiced by the European, American, and mainly Asian markets.

4. PRODUCTION

In 1Q23, 70.2 thousand tons of ferroalloys were produced, a decrease of 9.3% compared to 4Q22 due to reductions of 8.9% in chromium alloys and 10.2% in silicon alloys. HP FeSi production dropped 4.1% in the same period and reached 47.1% of total silicon alloys produced in 1Q23.

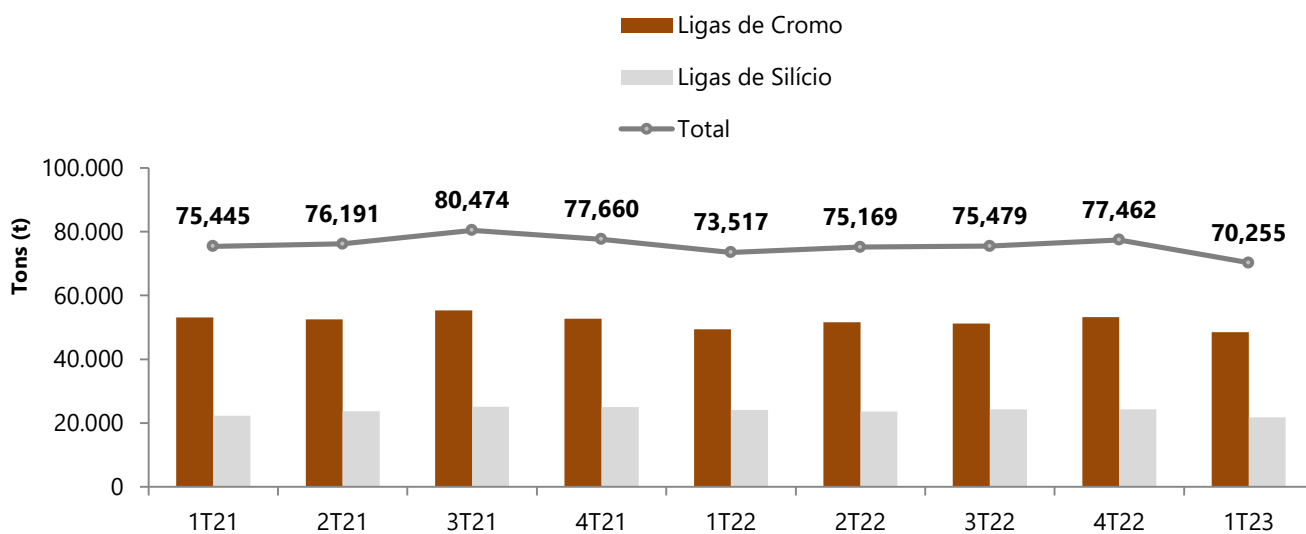
All production variations are in line with inventory conditions and the sales plan. It is worth mentioning that a portion of the manufactured ferroalloys is consumed internally, as an input in the other production chains.

Production (tons)	1Q23	4Q22	Δ%	1Q22	Δ%
Chromium Alloys	48,462	53,186	-8.9%	49,393	-1.9%
Silicon Alloys	21,793	24,276	-10.2%	24,124	-9.7%
Total	70,255	77,462	-9.3%	73,517	-4.4%
Use of Installed Capacity (MWh) %	76.7%	83.7%		84.1%	

The installed capacity, measured based on the potential consumption of electricity 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 mix of products that makes it possible to operate furnaces at maximum power.

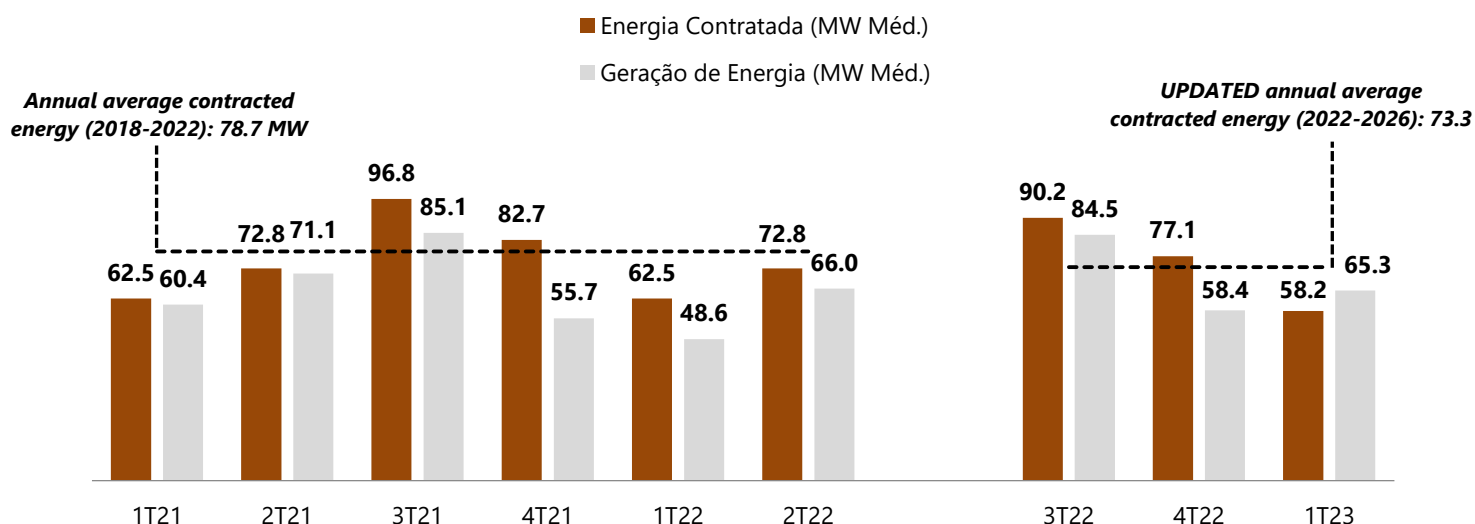
The use of installed capacity may be affected by: (i) reduction in power or stoppage of furnaces during peak hours (6:00 pm to 9:00 pm); (ii) furnace shutdown or power reduction for maintenance, renovation, or operational intervention; (iii) production of alloys that require power reduction; and (iv) commercialization of part of the contracted energy in the Free Market.

In 1Q23, **FERBASA** used 76.7% of installed capacity. The 7.0 p.p. retraction compared to 4Q22, it was mainly due to maintenance stoppages in the furnaces.



4.1 Electrical Power Generation – BW Guirapá

In 1Q23, net generation of electricity at BW Guirapá wind farms was 65.3 average MW, 34.3% higher than 1Q22 and 12.1% higher than the 58.2 average MW related to energy contracted for the quarter. Climate effects were the main positive highlight, increasing forecast gross generation by 9.6 average MW.



The results mentioned above must be analyzed in the light of the main factors that influence the energy 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 effective generation (availability by energy); (ii) wind turbine performance, measured by the relationship between the actual and expected generation, depending on the theoretical power curve of the turbine; (iii) climatic conditions of the atmosphere regarding wind quality (speed and density), which is the determining factor for the level of power generation of wind farms; (iv) systemic restrictions imposed by the National Electric System Operator - ONS; and (v) internal and external electrical losses.

Regarding the estimated gross generation (best expectation) of 66.6 average MW for 1Q23, the net generation actually realized, of 64.3 average MW, can be explained as follows:

Manageable factors (- average 4,8 MW):

- Achieved availability of 97.4%, which caused a reduction of 1.9 average MW in power generation. This result comes mainly from damage to wind turbines, in particular from the breakage of 02 gearboxes, 01 main bearing and 01 generator.
- The average realized performance of 96.2% in the period, responsible for a decrease of 2.9 average MW. Performance is related to the adjustment of the calibration of existing measurement equipment in the Parks, which guides the use of wind turbines.

3Q22 – Non-manageable factors (+ average 3,5 MW):

- The weather has positively impacted the expected gross generation by 9.6 average MW, as the average wind speed (18.11 mph) was above the required generation forecast for the period.
- Internal and external electrical losses referring, respectively, to equipment and the transmission system (External Systemic Losses – ONS apportionment) suppressed a total of 4.9 average MW from gross generation.
- The systemic restrictions imposed by the ONS for the real-time management of the National Interconnected System - SIN (in Portuguese – *Sistema Interligado Nacional*) impacted the Park's generation by an average of 1.2 MW.

5. SALES

Sales volume in 1Q23 reached 73.4 thousand tons of ferroalloys, an increase of 10% compared to 4Q22. This result stems from the expressive 44.9% increase in export volume and the 15.9% reduction in sales to the domestic market. In the case of chrome alloys, part of the growth in volumes destined for the foreign market was due to delays in shipments in 4Q22 due to logistical limitations. For silicon alloys, the sales reductions are related to the cooling of international prices and its consequences on domestic producers.

The Company remains flexible to direct products between the Brazilian market and exports, depending on market circumstances.

Sales (tones)	1Q23	4Q22	Δ%	1Q22	Δ%
DOMESTIC MARKET (MI)					
Chromium Alloys	29,003	32,942	12.0%	25,642	13.1%
Silicon Alloys	3,218	5,374	-40.1%	4,813	-33.1%
MI Total	32,221	38,316	-15.9%	30,455	5.8%
FOREIGN MARKET (ME)					
Chromium Alloys	22,077	7,472	195.5%	14,232	55.1%
Silicon Alloys	19,156	20,976	-8.7%	19,716	-2.8%
ME Total	41,233	28,448	44.9%	33,948	21.5%
TOTAL (MI + ME)	73,454	66,764	10.0%	64,403	14.1%

5.1 Net Revenue

Net revenue, in 1Q23, totaled R\$716.4 million, the same level as in 4Q22. In the analyzed period, there was a slight decline of 0.5% in net revenue from ferroalloys, explained by the reductions of 8.4% in the average price in dollars and 1.1% in the average dollar practiced, which were offset by the 10% increase in sales volume.

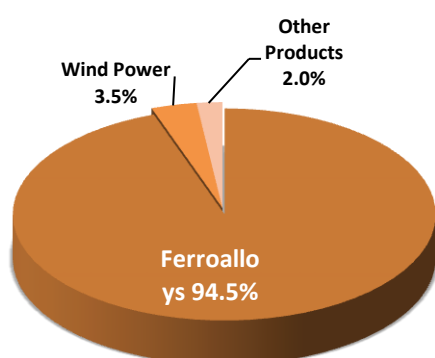
Net Revenue (R\$ millions)	1Q23	4Q22	Δ%	1Q22	Δ%
DOMESTIC MARKET (MI)					
Ferroalloys	272.1	320.2	-15.0%	328.0	-17.0%
Wind Power	25.6	23.4	9.4%	16.6	54.2%
Other Products (*)	14.0	10.4	34.6%	11.8	18.6%
Total MI	311.7	354.0	-11.9%	356.4	-12.5%
FOREIGN MARKET (ME)					
Ferroalloys	404.7	360.2	12.4%	381.3	6.1%
Total ME	404.7	360.2	12.4%	381.3	6.1%
TOTAL (MI+ME)	716.4	714.2	0.3%	737.7	-2.9%
Average US dollar practiced (R\$/USD)	5.19	5.25	-1.1%	5.37	-3.4%

Includes revenue with chromite sand, lime, microsilica, wood and slag.

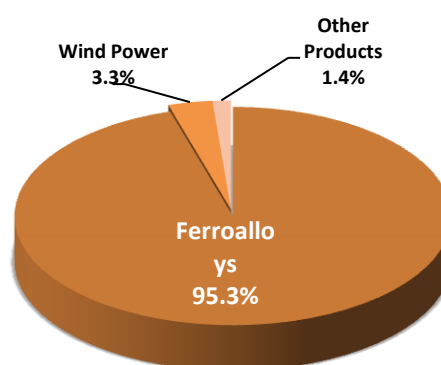
5.2 Net Revenue by Product and Market (%)

As it follows, there is the Net Revenue by Product:

Sales Mix - 1Q23

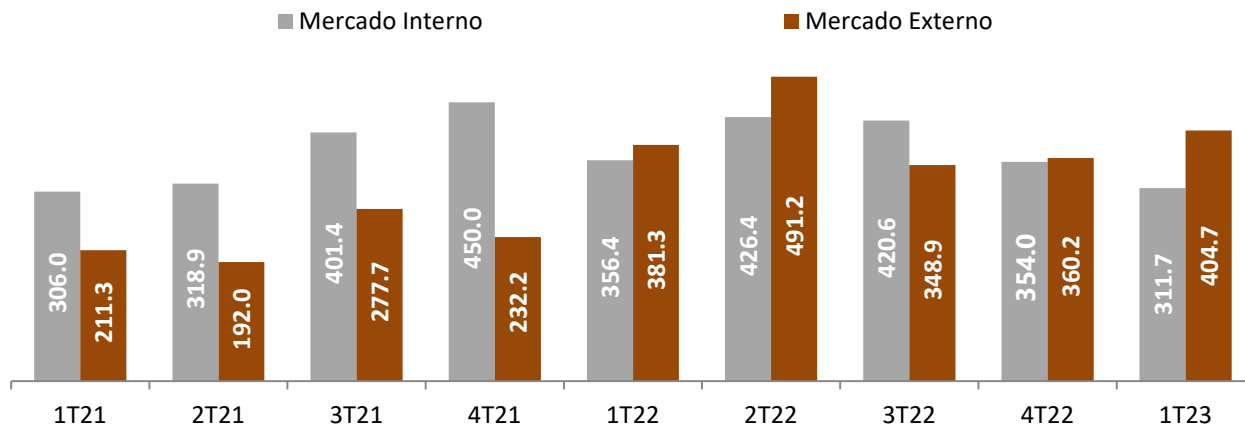


Sales Mix- 4Q22



The chart below shows the trajectory of net revenue between 1Q21 and 1Q23, distributed between the domestic market and exports. An almost constant growth in total revenue can be seen until its peak in 2Q22, which is explained by the disorganization of global production chains after the pandemic and the consequent rise in international prices of our products, a situation that was exacerbated by the energy crisis resulting from the beginning of the conflict in Eastern Europe. Since then, there has been a slight reversal of this trend and milder variations in total net revenue, especially in recent quarters. We also highlight the growth in the share of sales to the foreign market from 1Q22 onwards, best seen in the chart below.

Distribution of Net Revenue by Market (In millions of Reals)



6. COST OF GOODS SOLD

Consolidated cost of goods sold (COGS) totaled R\$495.9 million in 1Q23 and incorporated a 5.0% increase compared to 4Q22. When considering exclusively data from ferroalloys, COGS grew by 10.9%, accompanying the increase in sales volume.

Compared to 1Q22, consolidated COGS in 1Q23 increased by 31.6%, while in the case of ferroalloys, COGS increased by 31.8%. This increase, for the most part, is justified by the 14.1% increase in sales volume and reflects increases in the costs of inputs and raw materials in general, especially with reducers, chromium ore and electrode paste, in a scenario where inflationary pressures impacted the entire production chain of our business.

Specifically dealing with electricity, we observed a decline of 8.7% in the average cost of electricity consumed in the production of ferroalloys, between 1Q22 and 1Q23, which is a result of the 30.5% retraction in expenses with sector charges, arising from more favorable conditions for water reservoirs, and the 9.6% growth in the average contracted tariff, with *CHESF* and *Mercado Livre*.

Regarding the production cost of high carbon ferrochrome in 1Q23, in addition to the reduction in production, the main factors responsible for the increase were the increases in the costs of chromium ore, resulting from expenses to expand operational reserves in Mining, and of coke, due to the increase in the international price of coal, resulting from the effects of the conflict in Eastern Europe.

Regarding low carbon ferrochrome (LC FeCr), we highlight the increases in the costs of chrome ore, the FeSi Cr reducer (produced internally) whose furnaces required corrective maintenance, in addition to the aforementioned increase in the cost of high carbon ferrochrome (HC FeCr). Additionally, all other inputs showed an increase in their costs, accompanying the global inflationary process.

In the case of ferrosilicon, still considering the 1Q23, we highlight the increases in the costs of bio-reducer and electrodic paste. In the case of the bio-reducer, the increase in the humidity of the wood consumed increased the generation of fines in the charcoal kilns and implied the need for a greater acquisition of charcoal from third parties.

Regarding the COGS of the BW Guirapá wind complex, the Wind Energy line shown in the table below refers to its main cost components, which are associated with the operation of wind turbines, equipment maintenance, energy transmission and depreciation.



COGS (R\$ millions)	1Q23	%NR(*)	4Q22	%NR(*)	1Q22	%NR(*)
Ferroalloys	467.3	69.0%	421.3	61.9%	354.5	50.0%
Wind Power	19.0	74.2%	19.7	84.2%	18.4	110.8%
Other Products (i)	9.3	66.4%	5.5	52.9%	8.6	72.9%
Subtotal products	495.6		446.5		381.5	
Depletion of biological asset	-		9.5		-	
Idle Capacity	2.6		1.2		0.7	
Others	(2.3)		14.9		(5.4)	
Subtotal others	0.3		25.6		(4.7)	
Total General	495.9		472.1		376.8	
%Net Revenue	69.2%		66.1%		51.1%	

(*) Considers the percentages of COG by the Net Revenue of each product.

(i) They include costs for the products: chromite sand, lime, microsilica, wood and slag.

7. EXPENSES

7.1 Selling Expenses

Selling expenses totaled R\$5.3 million in 1Q23. In 4Q22, these expenses totaled R\$1.7 million, a figure greatly reduced by the recovery of a credit related to customer default, in the amount of R\$3.9 million. The percentages of selling expenses over net revenue corresponded to 0.2% in 4Q22 and 0.7% in 1Q23.

7.2 General and Administrative Expenses

Consolidated general and administrative expenses include portions related to salaries, benefits, management fees, social charges, consulting services and provision for profit sharing. In 1Q23, these expenses totaled R\$52.3 million (R\$1.6 million referring to BWG), a decrease of 27.8% compared to the R\$72.4 million (R\$1.9 million referring to BWG) recorded in 4Q22. It is worth noting that 4Q22 was increased by the bonus to employees in the amount of R\$ 22 million.

Without considering provisions for profit sharing, bonuses and management compensation, general and administrative expenses went from R\$30.1 million in 4Q22 to R\$27.2 million in 1Q23, a decrease of 9.6%.

7.3 Other Expenses/Operating Revenues

This line presented expenses of R\$ 21.1 million in 1Q23, against the R\$ 30.6 million recorded in 4Q22 - a reduction of 31.0%, caused by the concentration of expenses with corporate social responsibility in the last quarter of 2022. Components of expenses in 1Q23 were drilling services at Mining and the result of the transfer of energy.

8. ADJUSTED EBITDA

EBITDA is not a measure defined by Brazilian and international accounting standards, representing the profit for the period calculated before interest, income tax, social contribution, depreciation, amortization, and depletion. **FERBASA** presents its adjusted EBITDA in accordance with **CVM* Resolution 156/22**, that is, with the respective purge of the net effect of the fair value of biological assets, the provision for contingencies and other non-recurring effects.

*CVM – in Portuguese: *Comissão de Valores Mobiliários*, which stands for Securities and Exchange Commission of Brazil.

EBITDA - Consolidated (R\$ millions)	1Q23	4Q22	Δ%	1Q22	Δ%
Net Profit	131.6	152.0	-13.4%	252.3	-47.8%
(+/-) Net financial result (ex-derivative and non-derivative financial instruments)	(23.3)	(35.3)	-34.0%	3.5	-765.7%
(+/-) Income derivative and non-derivative financial instruments ¹	-	0.1	-	9.2	-
(+/-) IRPJ/CSLL	33.5	30.1	11.3%	48.9	-31.5%
(+/-) Depreciation, amortization, exhaustion, and capital gain ²	45.9	37.7	21.8%	33.7	36.2%
EBITDA	187.7	184.6	1.7%	347.6	-46.0%
(+/-) Provision for contingencies and other provisions ³	(0.4)	6.1	-	-	-
(+/-) Net effect of fair value of biological assets ⁴	-	(0.1)	-	-	-
(+/-) Receipt of Insurance Claim ⁵	-	(1.5)	-	-	-
(+/-) Actuarial adjustment effect ⁶	-	-	-	(22.0)	-
Adjusted EBITDA	187.3	189.1	-1.0%	325.6	-42.5%
<i>EBITDA Margin</i>	<i>26.1%</i>	<i>26.5%</i>		<i>44.1%</i>	

- 1) Derivative financial instruments correspond to Purchase NDFs and Sale NDFs and non-derivative financial instruments correspond to Export Hedge.
- 2) Capital gain refers to the effect of the realization of assets valued at their fair value, reflecting the acquisition of BWG.
- 3) Effect of creating new processes and reversals of provisions for contingencies for the period (Note 27 to the 2022 Financial Statements).
- 4) Net effect between the change in fair value for the period (price/growth) and the fair value of depletion, on sale/consumption (Note 18 to the 2022 Financial Statements).
- 5) Refers to the receipt of an insurance claim due to the failure of some gearboxes at BWG.
- 6) Refers to the actuarial adjustment resulting from changes in the health plan managed by Bradesco Saúde.

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

EBITDA - BW (R\$ millions)	1Q23	4Q22	Δ%	1Q22	Δ%
Profit (Loss)	0.2	0.7	-71.4%	(8.9)	-
(+/-) Net Financial Result	4.2	2.8	50.0%	4.0	5.0%
(+/-) IRPJ/CSLL	0.3	(0.2)	-	-	-
(+/-) Depreciation and Amortization	10.6	10.5	1.0%	10.6	-
EBITDA	15.3	13.8	10.9%	5.7	168.4%
(+/-) Receipt of Insurance Claim ⁵	-	(1.5)	-	-	-
Adjusted EBITDA	15.3	12.3	24.4%	5.7	168.4%
<i>EBITDA Margin</i>	<i>59.8%</i>	<i>52.6%</i>		<i>34.3%</i>	

9. FINANCIAL STRUCTURE

9.1 Net Cash and Cash Consumption

According to the Cash Flow Statement (DFC, CPC – 03 R2) (in Portuguese – *Demonstração de Fluxo de Caixa*), which only considers the variation in cash and cash equivalents, the amount generated by operating, investing, and financing activities in 1Q23 was R\$ 106, 1 million, mainly impacted by:

(+) R\$166.7 million in **operating income generated in the year**, including changes in working capital, payment of interest and taxes;

(-) R\$ 38.3 million from **investment activities**, a result influenced by: (i) transfer to the Cash and Cash Equivalent balance of Financial Applications in the amount of (+) R\$ 22.9 million; (ii) acquisitions for fixed assets and funding of biological assets, which together totaled (-) R\$57.0 million; (iii) and others in the amount of (-) R\$4.2 million;

(-) R\$ 22.3 million from **financing activities**, impacted by: (i) amortization of consolidated loans and financing in the amount of (-) R\$ 7.1 million (with emphasis on the R\$ 6.5 million referring to BWG's debt with BNDES – Brazilian Bank (in Portuguese – *Banco Nacional do Desenvolvimento*); (ii) payment of leases/rentals in the amount of (-) R\$ 15.2 million.

Also considering the balance of the “Financial Investments” account, whose positive variation was R\$ 3.6 million, in 1Q23 a total cash generation of R\$ 109.7 million was carried out. On March 31st, 2023, the consolidated financial reserve was R\$ 1.39 billion (cash and cash equivalents and financial investments) and the consolidated debt of R\$ 338.9 million (R\$ 232.1 million referring to BWG debt with BNDES). Thus, the Company ended the year with a net cash position of R\$ 1.06 billion.

Net Cash - Consolidated (R\$ millions)	03/31/2023	12/31/2022	Δ
Cash and cash equivalents	580.2	474.1	106.1
Financial investments	814.6	811.0	3.6
Total Financial Reserve	1,394.8	1,285.1	109.7
Loans and financing*	(338.9)	(342.0)	3.1
Net Cash	1,055.9	943.1	112.8

(*) amount not deducted from the borrowing cost (IOF) of R\$ 3.9 and R\$ 4.0 million for 03/31/23 and 12/31/22, respectively.

9.2 Net Financial Results

The financial result was R\$23.3 million in 1Q23, 33.8% lower than the result of R\$35.2 million in 4Q22, basically due to the 21.4% reduction in financial revenue. This reduction is justified by the mark-to-market effect on the Company's financial investment portfolio, resulting from the reduction in inflation and the turmoil that occurred in the financial market, especially in the retail and health segments.

Financial Results (R\$ million)	1Q23	4Q22	Δ%	1Q22	Δ%
Financial performance					
Financial revenue	37.4	47.6	-21.4%	27.5	36.0%
Financial expense	(13.8)	(13.4)	3.0%	(13.6)	1.5%
Net Exchange variation	(0.3)	1.1	-	(17.5)	-98.3%
Subtotal	23.3	35.3	-34.0%	(3.6)	-
Result of Settled Financial Instruments	-	(0.1)	-	(9.2)	-
Total general	23.3	35.2	-33.8%	(12.8)	-

10. FIXED, INTANGIBLE ASSETS AND BIOLOGICAL ASSETS

10.1 CAPEX

In 1Q23, CAPEX of R\$57.0 million was 44.8% lower than in 4Q22. The values segregated by business unit are shown in the table below.:

CAPEX (R\$ millions)	Metallurgy	Mining	Forestry	Wind Power	1Q23	4Q22	1Q22
Machinery and Equipment	4.9	18.5	1.3	3.5	28.2	69.2	16.7
Biological Asset	-	-	12.8	-	12.8	11.8	11.9
Buildings	0.9	0.9	0.6	-	2.4	13.2	1.6
Mines	-	3.4	-	-	3.4	4.6	2.4
Furniture and utensils	0.1	-	-	-	0.1	0.5	-
Advances, IT, Intangible and Others	0.6	0.1	9.3	0.1	10.1	3.9	0.7
Total	6.5	22.9	24.0	3.6	57.0	103.2	33.3

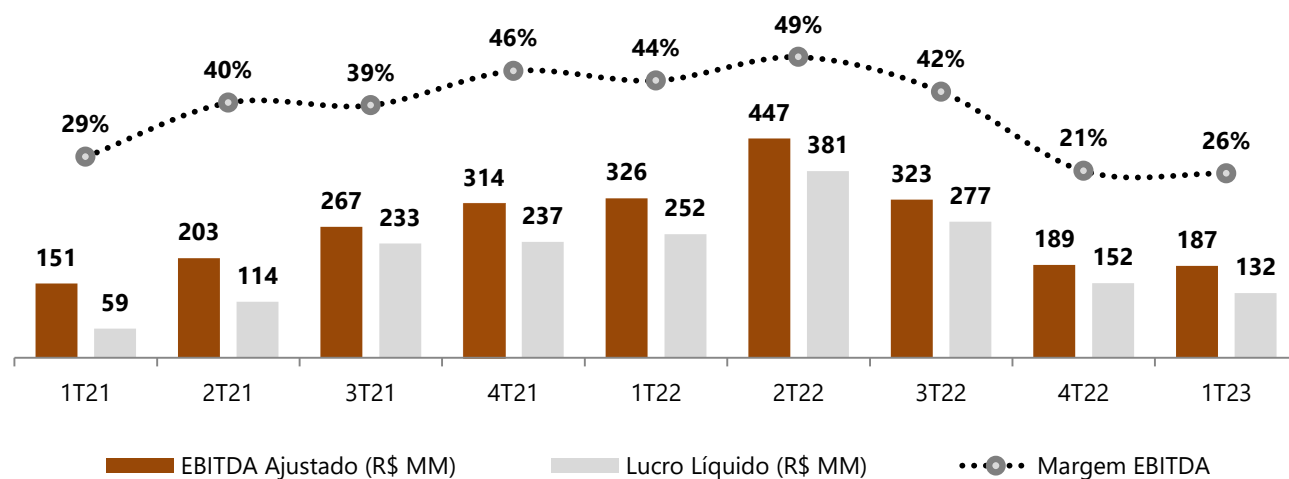
The highest amounts of investments in the period were allocated to the acquisition of machinery and equipment (49.5%), especially in Metallurgy and Mining, as well as Forestry maintenance of biological assets (22.4%). Together, these lines represented 71.9% of the total CAPEX carried out by **FERBASA** in 1Q23.

11. NET PROFIT

As a result of the effects mentioned in this report, consolidated net income in 1Q23 totaled R\$131.6 million (18.4% margin on net revenue). Thus, the main elements that influenced this result, in relation to 4Q22, were:

- (i) Decrease of 8.4% in the dollar-weighted average price of ferroalloys;
- (ii) 10% increase in sales volume of ferroalloys and change in the sales mix in favor of exports, influenced by the decrease in sales in the domestic market;
- (iii) 10.9% increase in cost of goods sold (COGS) of ferroalloys.

Additionally, **FERBASA** generated consolidated cash generation of R\$109.7 million in 1Q23. Below is the evolution of adjusted EBITDA and EBITDA margin and net income since 1Q21.



12. STATEMENT OF ADDED VALUE.

The following table shows the wealth generated by the Company in 1Q23 and its respective distribution to related parties:

DVA (Statement of Added Value) (R\$ millions)	1Q23	4Q22	Δ%	1Q22	Δ%
Employees	102.4	123.0	-16.7%	100.8	1.6%
Government	68.4	78.9	-13.3%	96.8	-29.3%
Others (1)	15.1	23.0	-34.3%	49.0	-69.2%
Net Profit (2)	131.6	152.0	-13.4%	252.3	-47.8%
Total	317.5	376.9	-15.8%	498.9	-36.4%

(1) Refer to interest, rents, leases, financial income, derivative and non-derivative financial instruments and other.

(2) Shareholders and retained earnings.

13. CAPITAL MARKET

13.1 FESA4 performance on B3

Some indicators on the performance of FERBASA's shares in the capital market are shown in the table below:

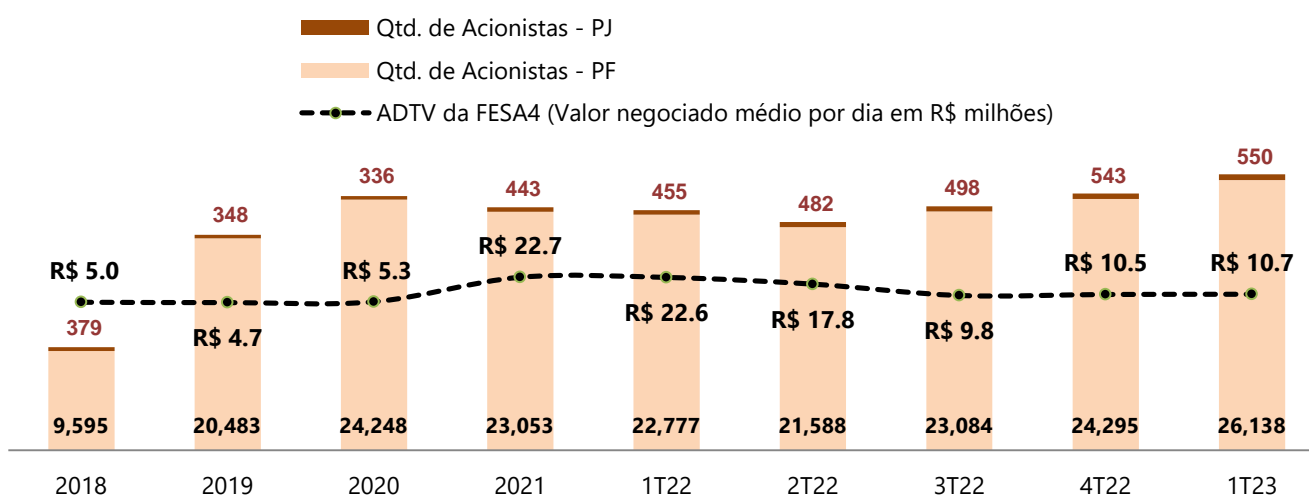
	1Q23	Δ%	4Q22
Volume of shares traded (thousand)	12,318	4.1%	11,828
Transacted value (R\$ thousand)	671,476	5.0%	639,971
Market value (R\$ thousand) ⁽¹⁾	4,812,851	-2.1%	4,914,713
Shares in <i>Free Float</i> Circulation (thousand) ⁽²⁾	40,905	-	40,905
Last quotation of the period (R\$ PN)	53.02	-0.8%	53.47
Book value per share (R\$)	37.27	2.9%	36.22

Notas:

(1) Number of shares (by ON and PN class) multiplied by their respective stock prices on 03/31/2023 e 12/31/2022;

(2) Total volume of Company shares, excluding the shares of the treasury (ON: 40,000; PN: 3,183,300), of the Controlling shareholder (ON: 29,086,700; PN: 15,162,000) and of the Management (ON: 98; PN: 39,600).

The graph below shows the Evolution of the shareholder base by type of shareholder, referring to the last day of each period, and of the ADTV index (Average Daily Trading Volume), which represents the average volume (in R\$ million) traded per day, acronym in English.



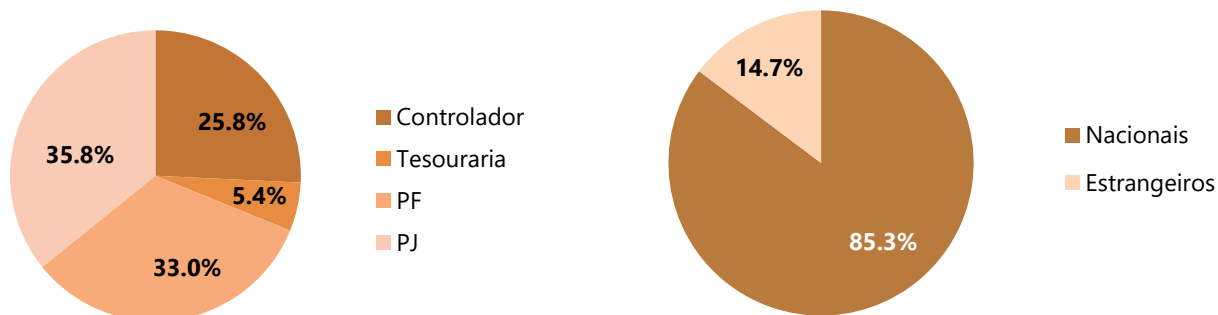
Despite the record number of investors in our shareholder base (26,688 shareholders), ADTV of R\$10.7 million in 1Q23 remained at the level of 4Q22, influenced by the maintenance of the average volume of PNs traded (+0.8%) and the FESA4 quotation, as indicated in the table above. In the first quarter of the year, the fluctuations suffered by the capital market – both due to local turmoil (retail and health segments) and uncertainties about the world economy – resulted in the outflow of foreign capital from the Brazilian stock exchange.

13.2 Shareholding Composition and Investor Profile

The table below shows the shareholding composition of **FERBASA** on 03/31/2023.

Shareholders (number of shares)	ON	%	PN	%	TOTAL	%
José Carvalho Foundation	29,086,696	98.80	15,162,000	25.75	44,248,696	50.10
Trígono Capital	3000	0.01	7,785,700	13.22	7,788,700	8.82
Vanguard Group	-	-	1,533,124	2.60	1,533,124	1.74
Black Rock	-	-	917,271	1.56	917,271	1.04
Caixa Econômica	-	-	795,443	1.35	795,443	0.90
Treasury Shares	40,000	0.14	3,183,300	5.41	3,223,300	3.65
Other shareholders	310,304	1.05	29,503,162	50.11	29,813,466	33.75
Total	29,440,000	100.00	58,880,000	100.00	88,320,000	100.00

The shareholder profile of **FERBASA's** preferred shares (**FESA4**), considering the **shareholder base on 03/31/2023** as a reference, is configured as follows:



The Company remains committed to the quality of its relationship with its shareholders and with the market in general, based on the principles of integrity, transparency, equity, independence and responsibility, always seeking the best investor relations practices.

14. ESG Schedule

FERBASA historically prioritizes in its corporate agenda actions that contribute to the evolution of the ESG agenda, analyzing the impacts on the sustainability of the business and on the relationship with its stakeholders. In addition, we clarify that the Company, so far, does not have:

- (i) Loans or financing linked to ESG targets and indicators;
- (ii) Insurance related to ESG aspects;
- (iii) Carbon credit transactions;
- (iv) Provisions or contingent liabilities constituted related to ESG, in addition to the environmental provision already disclosed by the Company; and
- (v) Risk of discontinuing its operations.

15. GLOSSARY

High Carbon Ferrochrome (HC FeCr) - Iron and chromium alloy that features carbon content, also known as "*Charge Chrome*", it is used in the manufacture of stainless steels and special alloys. Stainless steels are used in food, chemical, cellulose, petroleum, in addition to the so-called "white good" products, household items, civil construction and other.

Low Carbon Ferrochrome (LC FeCr) - Iron and chromium alloy that presents carbon with a maximum content of 0.15%, used during the production of steels to correct chromium contents without causing undesirable variations in carbon content. Industrially, it has the same purpose as ferrochrome high carbon, being used in the production of stainless steels with wide application in the consumer goods industries.

Ferrosilicon Chromium (FeSiCr) - Reducing element in the manufacture of Low Carbon Ferrochrome and steels, for the addition of chromium and silicon.

Ferrosilicon 75 (FeSi75) - In steel production, Ferrosilicon 75 Standard is used as a deoxidant and alloying element; in the casting industry serves as a graphite agent. High Purity Ferrosilicon (HP) makes up the manufacture of steels intended for the manufacture of transformers, hydroelectric plants, freezers, airtight compressors for refrigerators and others.

ASSETS – (in R\$ thousands)	CONSOLIDATED		
	1Q23	2022	1Q22
Current Assets	1,823,177	1,694,947	1,551,311
Cash and cash equivalents	580,246	474,102	318,374
Financial Investments	441,555	393,461	454,793
Receivables from customers	239,805	211,934	266,746
Stocks	525,668	579,161	458,999
Taxes to be recovered	15,550	18,324	27,861
Prepaid expenses	4,571	5,595	9,447
Advances to suppliers – electric power	1,667	2,000	2,000
Other assets	14,115	10,370	13,091
Non-current Assets	2,304,564	2,372,438	2,031,882
Advance to supplier – electric power	-	167	1,667
Financial investments	373,009	417,569	257,155
Stocks	8,738	8,738	6,834
Taxes to be Recovered	6,692	6,662	3,907
Deferred income tax and social contribution	-	17,845	-
Judicial Deposits	8,484	46,544	46,381
Other credits	826	826	632
Investments	124	124	124
Fixed and Intangible	1,563,491	1,545,738	1,451,953
Right of use on lease	61,346	51,946	31,575
Biological Asset	281,854	276,279	231,654
Assets Total	4,127,741	4,067,385	3,583,193

LIABILITIES AND EQUITY - (in R\$ thousands)	CONSOLIDATED		
	1Q23	2022	1Q22
Current Liabilities	437,323	505,951	416,880
Suppliers	122,903	129,638	112,885
Advances from customers	52,513	61,209	-
Loans and financing	71,943	70,284	75,398
Cost of funding	(455)	(455)	(455)
Labor and actuarial obligations	80,289	136,180	83,487
Taxes and social contributions	34,361	59,084	33,172
CCEE reimbursement account	29,480	12,870	38,963
Proposed dividends and JCP	47	47	42,800
Leases to pay	35,093	27,417	12,720
Other liabilities	11,149	9,677	17,910
Non-current Liabilities	517,971	520,547	537,366
Loans and financing	266,947	271,750	328,800
Cost of funding	(3,473)	(3,587)	(3,929)
Obligations with acquisition of subsidiaries	4,978	4,978	4,978
Labor and actuarial obligations	47,583	45,962	43,158
Taxes and social contributions	3,587	87	87
Taxes and deferred social contributions	7,505	1,022	7,371
CCEE reimbursement account	49,208	60,645	24,619
Provision for contingencies	60,774	60,717	57,008
Provision for environmental liabilities	56,704	56,313	58,191
Leases to pay	24,158	22,660	17,083
Total Equity	3,172,447	3,040,887	2,628,947
Controlling Shareholders' Equity	3,171,180	3,039,676	2,627,851
Share capital	1,225,444	1,225,444	1,225,444
Profit reserve	1,792,591	1,792,591	1,129,261
Equity valuation adjustments	47,395	47,395	46,671
Treasury shares	(25,754)	(25,754)	(25,754)
Retained earnings	131,504	-	252,229
Participation of non-controlling shareholders	1,267	1,211	1,096
Total Liabilities and Shareholders' Equity	4,127,741	4,067,385	3,583,193

RESULTS REPORT (in R\$ thousands)	CONSOLIDATED					
	1Q23		4Q22		1Q22	
	R\$ thousand	%NR	R\$ thousand	%NR	R\$ thousand	%NR
GROSS REVENUE	797,004	100.0	759,592	100.0	828,320	100.0
Domestic Market	388,932	48.8	424,771	55.9	447,107	54.0
Foreign Market	408,072	51.2	334,821	44.1	381,213	46.0
Sales tax, returns and rebates.	(80,630)	(10.1)	(45,431)	(6.0)	(90,582)	(10.9)
NET REVENUE	716,374	100.0	714,161	100.0	737,738	100.0
Cost of Goods Sold	(495,861)	(69.2)	(472,092)	(66.1)	(376,831)	(51.1)
Variation in the fair value of biological assets	-	-	9,577	1.3	-	-
GROSS PROFIT	220,513	30.8	251,646	35.2	360,907	48.9
Operating expenses						
With sales	(5,252)	(0.7)	(1,676)	(0.2)	(4,396)	(0.6)
Administrative	(27,194)	(3.8)	(30,089)	(4.2)	(18,718)	(2.5)
Adm's payment, Profit Sharing and Employee Allowance	(25,068)	(3.5)	(42,329)	(5.9)	(34,629)	(4.7)
Other (expenses) operating income	(21,149)	(3.0)	(30,587)	(4.3)	10,706	1.5
Operating Income Before Financial Result	141,850	19.8	146,965	20.6	313,870	42.5
Financial Revenue	37,372	5.2	47,532	6.7	27,553	3.7
Financial Expense	(13,850)	(1.9)	(13,362)	(1.9)	(13,610)	(1.8)
Net Exchange variation	(266)	(0.0)	1,080	0.2	(17,480)	(2.4)
Derivative and non-derivative financial instruments (settlement)	-	-	(141)	(0.0)	(9,201)	(1.2)
Financial result	23,256	3.2	35,109	4.9	(12,738)	(1.7)
Profit before IRPJ/CSLL	165,106	23.0	182,074	25.5	301,132	40.8
IRPJ/CSLL	(33,546)	(4.7)	(30,082)	(4.2)	(48,867)	(6.6)
Profit for the period	131,560	18.4	151,992	21.3	252,265	34.2

RESULTS REPORT (in R\$ thousands)	BW GUIRAPÁ					
	1Q23		4Q22		1Q22	
	R\$ thousand	%NR	R\$ thousand	%NR	R\$ thousand	%NR
NET REVENUE	25,553	100.0	23,425	100.0	16,652	100.0
Cost of Goods Sold	(18,986)	(74.3)	(19,760)	(84.4)	(18,445)	(110.8)
GROSS PROFIT	6,567	25.7	3,665	15.6	(1,793)	(10.8)
Operating Expenses						
General, administrative, and Other operating revenues/expenses	(1,891)	(7.4)	(348)	(1.5)	(3,133)	(18.8)
Operating profit before financial result	4,676	18.3	3,317	14.2	(4,926)	(29.6)
Financial Revenue	3,279	12.8	4,414	18.8	2,806	16.9
Financial Expense	(7,460)	(29.2)	(7,199)	(30.7)	(6,785)	(40.7)
Financial Result	(4,181)	(16.4)	(2,785)	(11.9)	(3,979)	(23.9)
Profit (Loss) before IRPJ/CSLL	495	1.9	532	2.3	(8,905)	(53.5)
IRPJ/CSLL	(293)	(1.1)	207	0.9	(19)	(0.1)
Profit (Loss) for the term	202	0.8	739	3.2	(8,924)	(53.6)



CASH FLOW STATEMENT - (in R\$ thousands)	CONSOLIDATED		
	INDIRECT METHOD	1Q23	2022
Cash flow from operating activities			
Profit for the period	131,560	1,062,474	252,265
Net profit adjustments			
Interest and monetary and exchange variations	(4,616)	(53,971)	9,035
Depreciation, amortization, and exhaustion	37,601	121,275	28,621
Depletion of biological asset	7,240	51,910	3,951
Change in the fair value of biological assets	-	(38,003)	-
Deferred taxes	24,328	(3,515)	21,053
Provision for profit holdings	19,153	-	29,612
Lease payable update	(172)	7,283	1,315
Post-employment benefit update	1,621	(17,954)	(21,859)
Constitution (reversal) of provision for contingencies	(414)	951	43
Others	1,329	3,036	1,331
	217,630	1,133,486	325,367
Reduction (increase) in asset accounts:			
Accounts to receive from customers	(28,240)	82,953	4,345
Stocks	54,251	(157,549)	(37,906)
Taxes to be recovered	9,891	51,395	48,080
Advance to suppliers	500	2,000	500
Judicial Deposits	31,893	6,381	(445)
Other Assets	(3,921)	1,703	(4,236)
Increase (decrease) in liabilities accounts:			
Suppliers	(6,216)	20,186	1,895
Taxes and social contributions	(1,750)	6,258	4,346
Income tax and social contribution to pay	9,218	185,401	27,814
Labor and actuarial obligations	(75,045)	22,333	(59,972)
CCEE reimbursement accounts	558	19,175	13,012
Advances from customers	(8696)	56,321	8083
Other liabilities	1,370	4,681	(24)
Income tax and social contribution paid	(29,380)	(204,652)	(75,077)
Interest paid in the year	(5,314)	(35,468)	(5,912)
Net cash generated by operating activities	166,749	1,194,604	249,870
Cash flow from investment activities			
Capex	(57,048)	(260,250)	(33,285)
Sale of property, plant, and equipment	1,200	1,381	752
Movement in financial investments	17,501	(123,022)	(95,681)
Net cash invested in investment activities	(38,347)	(381,891)	(128,214)
Cash flow from financing activities			
Amortization of loans and financing	(7,080)	(71,663)	(9,054)
Amortization of leases	(15,178)	(34,707)	(5,265)
Dividends and JCP paid	-	(448,753)	(5,475)
Net cash invested in financing activities	(22,258)	(555,123)	(19,794)
Increase in cash and cash equivalents	106,144	257,590	101,862
Cash and cash equivalent at the beginning of the year	474,102	216,512	216,512
Cash and cash equivalent at the end of the term	580,246	474,102	318,374
Net Increase of the cash balance and cash equivalent	106,144	257,590	101,862

CIA DE FERRO LIGAS DA BAHIA S.A. – FERBASA AND SUBSIDIARIES

Balance Sheet
In thousands of reais

ASSETS	Note	Parent		Consolidated		LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022			03/31/2023	03/31/2022		
CURRENT						CURRENT					
Cash and cash equivalent	4	455.030	355.370	580.246	474.102	Suppliers	14	119.739	122.617	122.903	129.638
Financial Investments	5	441.555	393.461	441.555	393.461	Advances from customers	15	52.513	61.209	52.513	61.209
Accounts receivable	6	229.646	201.761	239.805	211.934	Loans and Financing	16	44.141	43.071	71.488	69.829
Inventories	7	525.668	579.161	525.668	579.161	Labor and actuarial obligations	18	79.826	135.628	80.289	136.180
Recoverable taxes	8	10.899	13.770	15.550	18.324	Taxes and social contributions	19	33.434	58.095	34.361	59.084
Prepaid expenses		4.571	5.595	4.571	5.595	CCEE reimbursement account	22	-	-	29.480	12.870
Advances to suppliers		1.667	2.000	1.667	2.000	Proposed dividends and interest on equity		-	-	47	47
Other assets		10.439	6.572	14.115	10.370	Leases payable	17	34.273	26.643	35.093	27.417
Total current assets		<u>1.679.475</u>	<u>1.557.690</u>	<u>1.823.177</u>	<u>1.694.947</u>	Other liabilities		<u>10.200</u>	<u>8.733</u>	<u>11.149</u>	<u>9.677</u>
						Total current liabilities		<u>374.126</u>	<u>455.996</u>	<u>437.323</u>	<u>505.951</u>
NON-CURRENT						NON-CURRENT					
Advances to suppliers		-	167	-	167	Loans and financing	16	62.680	61.116	263.474	268.163
Financial Investments	5	321.048	365.358	373.009	417.569	Obligations with acquisition of subsidiary		4.978	4.978	4.978	4.978
Inventories	7	8.738	8.738	8.738	8.738	Labor and actuarial obligations	18	47.583	45.962	47.583	45.962
Recoverable taxes assets	8	6.692	6.662	6.692	6.662	Taxes and social contributions	19	3.500	-	3.587	87
Deferred taxes	9	-	17.845	-	17.845	Deferred taxes liabilities	9	6.420	-	7.505	1.022
Judicial deposits	10	8.388	46.448	8.484	46.544	CCEE reimbursement account	22	-	-	49.208	60.645
Other credits		819	819	826	826	Provisions for contingencies	21	60.774	60.717	60.774	60.717
		<u>345.685</u>	<u>446.037</u>	<u>397.749</u>	<u>498.351</u>	Provision for environmental liabilities	20	16.057	15.666	56.704	56.313
						Leases payable	17	<u>14.751</u>	<u>13.239</u>	<u>24.158</u>	<u>22.660</u>
						Total non-current liabilities		<u>216.743</u>	<u>201.678</u>	<u>517.971</u>	<u>520.547</u>
Investments	11	554.911	552.603	124	124						
Permanent and Intangible Assets	12	849.953	824.124	1.563.491	1.545.738	EQUITY	24				
Right of use in leasing	12	50.171	40.617	61.346	51.946	Share capital		1.225.444	1.225.444	1.225.444	1.225.444
Biological Asset	13	281.854	276.279	281.854	276.279	Retained earnings		1.792.591	1.792.591	1.792.591	1.792.591
		<u>1.736.889</u>	<u>1.693.623</u>	<u>1.906.815</u>	<u>1.874.087</u>	Equity assessment adjustment		47.395	47.395	47.395	47.395
Total non-current assets		<u>2.082.574</u>	<u>2.139.660</u>	<u>2.304.564</u>	<u>2.372.438</u>	Treasury shares		(25.754)	(25.754)	(25.754)	(25.754)
						Accumulated profit		<u>131.504</u>	<u>-</u>	<u>131.504</u>	<u>-</u>
						Equity attributable to owners of the Company		<u>3.171.180</u>	<u>3.039.676</u>	<u>3.171.180</u>	<u>3.039.676</u>
						Participation of non-controlling shareholders		<u>-</u>	<u>-</u>	<u>1.267</u>	<u>1.211</u>
						Total Equity		<u>3.171.180</u>	<u>3.039.676</u>	<u>3.172.447</u>	<u>3.040.887</u>
TOTAL DO ATIVO		<u>3.762.049</u>	<u>3.697.350</u>	<u>4.127.741</u>	<u>4.067.385</u>	TOTAL LIABILITIES AND EQUITY		<u>3.762.049</u>	<u>3.697.350</u>	<u>4.127.741</u>	<u>4.067.385</u>

The notes are an integral part of these financial statements.

CIA DE FERRO LIGAS DA BAHIA S.A. – FERBASA AND SUBSIDIARIES

Income statements

(In thousands of Reais - R\$, except earnings per share)

	Note	Parent		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022
NET SALES REVENUE	26	690.877	721.142	716.374	737.738
Cost of sales	27	(477.412)	(358.923)	(495.861)	(376.831)
GROSS PROFIT		<u>213.465</u>	<u>362.219</u>	<u>220.513</u>	<u>360.907</u>
OPERATING EXPENSES	27				
Selling expenses		(5.252)	(4.396)	(5.252)	(4.396)
General and administrative expenses		(50.198)	(51.520)	(52.262)	(53.347)
Other operating income (expenses)		<u>(19.645)</u>	<u>13.664</u>	<u>(21.149)</u>	<u>10.706</u>
		(75.095)	(42.252)	(78.663)	(47.037)
Equity	11	(308)	(9.608)	-	-
OPERATING PROFIT		<u>138.062</u>	<u>310.359</u>	<u>141.850</u>	<u>313.870</u>
FINANCIAL RESULT	28				
Financial income		39.112	32.429	43.413	35.948
Financial costs		(12.696)	(32.699)	(20.157)	(39.485)
Hedging financial instrument		-	(9.201)	-	(9.201)
		<u>26.416</u>	<u>(9.471)</u>	<u>23.256</u>	<u>(12.738)</u>
PROFIT BEFORE PROFIT TAXES		<u>164.478</u>	<u>300.888</u>	<u>165.106</u>	<u>301.132</u>
INCOME TAX AND SOCIAL CONTRIBUTION	9				
Exemption and reduction		24.184	56.956	24.508	56.956
Current		(32.893)	(84.606)	(33.726)	(84.770)
Deferred		<u>(24.265)</u>	<u>(21.009)</u>	<u>(24.328)</u>	<u>(21.053)</u>
		(32.974)	(48.659)	(33.546)	(48.867)
PROFIT FOR THE PERIOD		<u>131.504</u>	<u>252.229</u>	<u>131.560</u>	<u>252.265</u>
Profit attributed to controlling shareholders				<u>131.504</u>	<u>252.229</u>
Profit attributed to non-controlling shareholders				56	36
BASIC/DILUTED PROFIT PER ON SHARE - BRL	25			<u>1,45042</u>	<u>2,78195</u>
BASIC/DILUTED PROFIT PER PN SHARE - BRL	25			<u>1,59546</u>	<u>3,06014</u>

The notes are an integral part of these financial statements.

CIA DE FERRO LIGAS DA BAHIA S.A. – FERBASA AND SUBSIDIARIES

Statements of comprehensive income
In thousands of Reais

	Note	Parent		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022
NET INCOME FOR THE PERIOD		<u>131.504</u>	<u>252.229</u>	<u>131.560</u>	<u>252.265</u>
Other comprehensive results:					
Actuarial obligations	18	-	34	-	34
Effect of income tax and social contribution on actuarial obligations	18	-	(12)	-	(12)
Derivative and non-derivative financial instruments		-	9.669	-	9.669
Effect of income tax and social contribution on financial instruments		-	<u>3.288</u>	-	<u>3.288</u>
		-	6.403	-	6.403
TOTAL COMPREHENSIVE INCOME		<u>131.504</u>	<u>258.632</u>	<u>131.560</u>	<u>258.668</u>
Profit attributed to controlling shareholders				131.504	258.632
Profit attributed to non-controlling shareholders				56	36

The notes are an integral part of these financial statements.

CIA DE FERRO LIGAS DA BAHIA S.A. – FERBASA AND SUBSIDIARIES

Statements of changes in equity
In thousands of Reais

Note	Share capital	Attributable controlling shareholders							Total equity	Attributable to non-controlling shareholders	Total consolidated shareholder's equity	
		Profit reserves			Profits to be realized	Asset valuation adjustments	Treasury shares	Retained earnings				
		Legal	Tax incentive	For Investments								
BALANCES ON DECEMBER 31, 2020	1.225.444	152.069	315.565	612.032	49.595	40.268	(25.754)	-	2.369.219	1.060	2.370.279	
Other comprehensive results	-	-	-	-	-	6.403	-	-	6.403	-	6.403	
Net income for the period	-	-	-	-	-	-	-	252.229	252.229	36	252.265	
Prescribed dividends	-	-	-	-	-	-	-	-	-	-	-	
BALANCES ON MARCH 31, 2022	24	<u>1.225.444</u>	<u>152.069</u>	<u>315.565</u>	<u>612.032</u>	<u>49.595</u>	<u>46.671</u>	<u>(25.754)</u>	<u>252.229</u>	<u>2.627.851</u>	<u>1.096</u>	<u>2.628.947</u>
BALANCES ON DECEMBER 31, 2022		1.225.444	205.182	542.706	995.108	49.595	47.395	(25.754)	-	3.039.676	1.211	3.040.887
Other comprehensive results		-	-	-	-	-	-	-	-	-	-	
Net income for the period		-	-	-	-	-	-	131.504	131.504	56	131.560	
Prescribed dividends		-	-	-	-	-	-	-	-	-	-	
BALANCES ON MARCH 31, 2023	24	<u>1.225.444</u>	<u>205.182</u>	<u>542.706</u>	<u>995.108</u>	<u>49.595</u>	<u>47.395</u>	<u>(25.754)</u>	<u>131.504</u>	<u>3.171.180</u>	<u>1.267</u>	<u>3.172.447</u>

The notes are an integral part of these financial statements.

CIA DE FERRO LIGAS DA BAHIA S.A. – FERBASA AND SUBSIDIARIES

Cash flow demonstrations
In thousands of Reais

	Note	Parent		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022
CASH FLOW FROM OPERATING ACTIVITIES					
Net income for the period		131.504	252.229	131.560	252.265
Adjustments to reconcile net income for the period with net cash generated by operating activities:					
Interest and net monetary and exchange variations		(15.246)	3.929	(4.616)	9.035
Depreciations, amortizations and depletions	12	26.853	17.908	37.601	28.621
Depletion of biological assets	13	7.240	3.951	7.240	3.951
Equity	11	308	9.608	-	-
Residual value of permanent assets written off		111	3	111	3
Deferred taxes	9	24.265	21.009	24.328	21.053
Provision for profit sharing	18	19.153	29.612	19.153	29.612
Lease payable update	17	(254)	1.243	(172)	1.315
Update of postemployment benefit plans	18	1.621	(21.859)	1.621	(21.859)
Constitution (reversal) of provision for contingencies	21	(414)	43	(414)	43
Others		-	110	1.218	1.328
Decrease (increase) in asset accounts:					
Accounts receivable		(28.254)	4.390	(28.240)	4.345
Inventories		54.251	(37.906)	54.251	(37.906)
Recoverable taxes assets		9.282	47.532	9.891	48.080
Advance to suppliers		500	500	500	500
Judicial deposits		31.893	(445)	31.893	(445)
Other assets		(4.043)	(5.263)	(3.921)	(4.236)
Increase (decrease) in liability accounts:					
Suppliers		(2.331)	3.374	(6.216)	1.895
Taxes and social contributions		(707)	4.812	(1.750)	4.346
Income tax and social contribution		8.709	27.650	9.218	27.814
Labor and actuarial obligations		(74.955)	(59.907)	(75.045)	(59.972)
CCEE reimbursement account		-	-	558	13.012
Advances from customers		(8.696)	8.083	(8.696)	8.083
Other liabilities		1.365	29	1.370	(24)
Income tax and social contribution paid		(29.163)	(74.981)	(29.380)	(75.077)
Interest paid in the period		(425)	(607)	(5.314)	(5.912)
Net cash generated by operating activities		152.567	235.047	166.749	249.870
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Acquisition of Permanent Assets	12	(40.598)	(21.316)	(44.233)	(21.363)
Cost of planting and maintenance of biological assets	13	(12.815)	(11.922)	(12.815)	(11.922)
Receipt for sale of permanent assets		1.200	752	1.200	752
Financial applications and redemption		17.628	(96.590)	17.501	(95.681)
Deposit for reinvestment and guaranteed account		-	-	-	-
Capital contribution		(2.616)	-	-	-
Net cash used in investing activities		(37.201)	(129.076)	(38.347)	(128.214)
CASH FLOWS FROM FINANCING ACTIVITIES					
Funding	16				
Amortization of financing	16	(565)	(2.598)	(7.080)	(9.054)
Amortization of leases	17	(15.141)	(5.231)	(15.178)	(5.265)
Dividends and interest on shareholders' equity paid		-	(5.475)	-	(5.475)
Net cash (invested in) generated by financing activities		(15.706)	(13.304)	(22.258)	(19.794)
NET INCREASE (REDUCTION) IN THE BALANCE OF CASH AND CASH EQUIVALENTS		99.660	92.667	106.144	101.862
Cash and cash equivalents at the beginning of the year	4	355.370	129.806	474.102	216.512
Cash and cash equivalents at the end of the period	4	455.030	222.473	580.246	318.374
NET INCREASE (REDUCTION) IN THE BALANCE OF CASH AND CASH EQUIVALENTS		99.660	92.667	106.144	101.862

The notes are an integral part of these financial statements.

CIA DE FERRO LIGAS DA BAHIA S.A. – FERBASA AND SUBSIDIARIES

Statements of added value

In thousands of Reais

	Note	Parent		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022
SALES REVENUE		765.012	810.598	791.698	828.320
Other income		3.545	1.288	3.740	1.333
		<u>768.557</u>	<u>811.886</u>	<u>795.438</u>	<u>829.653</u>
INPUTS PURCHASED FROM THIRD PARTIES					
Cost of goods sold (includes raw materials)		(309.898)	(215.027)	(291.085)	(196.418)
Materials, energy, third-party services and others		(157.061)	(108.851)	(184.302)	(136.629)
		<u>(466.959)</u>	<u>(323.878)</u>	<u>(475.387)</u>	<u>(333.047)</u>
GROSS VALUE ADDED		301.598	488.008	320.051	496.606
Depreciation, amortisation and depletion	12 e 13	(34.093)	(21.859)	(44.841)	(32.572)
Capital gain	11	-	-	(1.104)	(1.104)
		<u>(34.093)</u>	<u>(21.859)</u>	<u>(45.945)</u>	<u>(33.676)</u>
NET VALUE ADDED PRODUCED BY THE COMPANY		267.505	466.149	274.106	462.930
ADDED VALUE RECEIVED IN TRANSFER					
Financial income	28	39.112	32.430	43.413	35.949
Equity	11	(308)	(9.608)	-	-
		<u>38.804</u>	<u>22.822</u>	<u>43.413</u>	<u>35.949</u>
TOTAL ADDED VALUE TO DISTRIBUTE		<u>306.309</u>	<u>488.971</u>	<u>317.519</u>	<u>498.879</u>
DISTRIBUTION OF ADDED VALUE					
Employees:					
Salaries and wages		82.810	84.988	84.036	86.153
Benefits		13.302	10.375	13.426	10.463
FGTS (<i>Service Time Guarantee Fund</i>)		4.866	4.170	4.899	4.191
		<u>100.978</u>	<u>99.533</u>	<u>102.361</u>	<u>100.807</u>
Taxes, fees and contributions:					
Federal		51.620	74.815	53.668	76.401
State		13.533	19.897	13.571	19.903
Municipal		1.050	376	1.213	536
		<u>66.203</u>	<u>95.088</u>	<u>68.452</u>	<u>96.840</u>
Third-party capital remuneration		7.624	42.121	15.146	48.967
Equity remuneration					
Retained earnings		131.504	252.229	131.504	252.229
Participation of non-controlling		-	-	56	36
		<u>131.504</u>	<u>252.229</u>	<u>131.560</u>	<u>252.265</u>
DISTRIBUTED VALUE ADDED		<u>306.309</u>	<u>488.971</u>	<u>317.519</u>	<u>498.879</u>

The notes are an integral part of these financial statements.