LD Celulose S.A.

Financial statements as of December 31, 2022 and 2021

KPDS

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Management Report

LD Celolose S.A. is a joint venture between the Austrian company Lenzing Aktiengesellschaft and the Brazilian company Dexco S.A, with 51% and 49% interest, respectively.

The Lenzing Group, with head office in Austria, is a world leader in the production of cellulose fibers. It maintains operations in 21 locations and employs more than 8,300 people worldwide. It has 3 soluble cellulose units with a total production capacity of 1,1 million tons/year. With 9 factories for the production of fibers, with a diversity of applications, it has a total production capacity of 1 million tons.

Dexo S.A, is a Brazilian publicy trated, controlled by Itaúsa - Investimentos Itaú S.A - and Companhia Ligna de Investimentos. With the brands Deca, Hydra, Duratex, Durafloor, Ceusa and Portinari, it is considered one of the 10 largest companies in the world in the sectors where it operates and the largest producer of industrialized wood panels and floors, sanitary ware, and metal accessories in the Southern Hemiphere, in addition to being one of the largest producers of ceramic tiles in Brazil.

The Company was created for the construction of one of the largest soluble cellulose factories in the world. With investments of USD 1.3 billion, the plant was erected between 2020 and 2022, in the Triângulo Mineiro, in the Municipalities of Indianópolis, beginning it's operation in April 2022. The production capacity is of 500 thousand tons of soluble cellulose per year. Every soluble cellulose has as destination the international market where is transformed for utilization in yarns and fabrics for clothing, beyond others aplications, such as wet wipes, face masks and hygiene products.

Besides the factory of soluble cellulose, LD Celulose contains an energy cogeneration plant with capacity of 144 megawatts. The cogeneration plant is within the most productive and largest energetic efficiency of the world, directing 40% of the electricity excess that was generated in the local to supply the public station with green energy.

LD Celulose also has a forest operation, in which it plants and handles eucalyptus forests that are destined to supply the cellulose production plant.

Scenario

2022 was the year where the pandemic COVID-19 was controlled, began Ucrania's conflict and the Chinese pandemic COVID-19 controll program took the world to a global economic slowdown with a longer interest rates high. In Brazil, the highlight stayed with the stabilization of inflation that had a slight decline because of a very busy second semester where occurred the presidential election.

The Amadeus' Project was impacted by the pandemic COVID-19, but in a less contamination number because of all measures taken, allied to a strong vaccination campaign during 2022.

The start-up happened according to planned and ampared by a strong recuperation plan to keep the goal of starting the operations in April 2022. The higher prices of the chemical products and the high interest rates, strongly affected the results of this first year of operation.

Forest Area

Currently, LD Celulose has a forest mass with more than 40 thousand plated hectares located near the factory, where the forest that are intended for the industrial supply are located.

Year 2022 was marked by the beginning of the forest harvesting and transport operation, following the beginning of the operations units industrial. Were invested R$17,5 million reais in the continued of the acquisition equipament program to the harvesting. During all year, both operations were lined up with the wood demand, maintenance of average age of the cut and delivery of wood in logs in the factory, maintaining stability in supply.

The silvicultural operations are occurring according to the timeline, in order to secure the quantity and quality hoped of wood to the factory process. In the formation and maintenance of the forest were invested in 2022, approximately R$68 million reais and, in the purchase of eucalyptus forests in formation, approximately R$36,6 million reais.

Amadeus Project

LD Celulose named the Project to build its cellulose plant Amadeus Project. The project was formally approved by the Board of Directors in December 2019.

Brazil is one of the most competitive countries producing cellulose in the world mainly due to the availability of high-quality lands, the soil and favorable climate conditions, as well as the high forest productivity.

The investment in question is helping strengthen competitiveness in the cellulose industry in Brazil and is fomenting jobs creation in the region.

Beyoung that, LD Celulose's cogeneration plant is contributing toa n increase in the share of sustainable biofuels and renewable energy in the Brazilian energetic matrix, improving its diversification and contributing to the local effort to mitigate climate changes.

In the first quarter of 2022, advances in the schedule allowed to define the beginning of the operation to mid April. From a financial perspective, the cost estimate for concluding the project was kept according to the original budget of US$1,3 billion. In February month the project reached the mobilization of more than 9,500 employees in the maximum peak, around 26 million job hours and just 5 accidents with reported leave.

Operation

The start of LD Celulose operation was in April 12, 2022, according to the adjusted timeline and with production and quality higher than the expected to that moment. The next months were of learning, project adjustments, adjustments in the production islands and gradual increase of product's production and quality.

In September 2022, the production overcame 75% of the nominal capacity and therefore, the pre-operational fase was concluded and LD Celulose passed to an operacional fase. In the next month, started the depreciation of the industrial unit.

The last quarter of 2022 was marked by the increasing production, reaching 92% of the nominal capacity in December and for the product's quantity producted reaching 100% of the quality expected in the last two months of the year.

Project financing

The resources for Project executation were divided into shareholders' capital of 37%, which 100% were already paid up until 2022, and third-party financing of 63%, with 98% already disbursements until 2022.

In June 2020, LD Celulose obtained from IFC, IDB and the credit agency Finnvera, a USD 1.1 billion financing. This package comprises three parts: (i) a financing package of USD 500 million led by the IFC; (ii) a USD 500 million financing led by IDB Invest; and (iii) a door-to-door loan of USD 147 million from financial institutions supported by the Finnish export credit agency Finnvera.

In 2020, this financing received two nominations in the "Project & Infrastructure Finance Awards" of LatinFinance, which annually selects the best investments in infrastructure in Latin America and the Caribbean. In 2022 the project won second place in the category of "Transformational Climate Change Solutions" of Transformational Business Awards, organized by the English newspaper The Financial Times and by the world bank - International Finance Corporation (IFC) and also received a Highly Commended, commendation that recognizes projects, companies and institutions that stand out in its atuation areas. Theses awards ensure to LD Celulose international recognition and that its project is characterized by excellence and commitment to social, environmental, and sustainability issues.

Personnel Management

LD Celulose ended 2022 with a staff of 1,004 collaborators, including administrative, factory and forest operation, and maintenance team, well above the number of 771 collaborators reported in 2021. This evolution adheres to its hiring and training plan to be able to initiate the operations in April 2022.

Policy of Profit Reinvestment and Dividend Distribution

LD Celulose maintains shareholder agreements that establish dividend distribution and profit reinvestment policies, always in compliance with statutory provisions and the Brazilian Corporation Law. In addition to the legal reserves, the company also maintains a reserve for investments and working capital, limited to 20% of the share capital, as allowed by Article 194 of the Brazilian Corporation Law.

The dividend distribution policy stipulates that the Company's annual net profit must be distributed to shareholders in proportion to their participation in the company's share capital as an annual dividend. The distribution is determined according to the ratio between the Company's annual net debt and EBITDA. If the ratio is less than 1.00, all net profit can be distributed to shareholders, while if the ratio is greater than 2.50, the net profit can be carried over to the following fiscal year and allocated to the Company's Profit Reserves or Investments and Working Capital Reserve, as decided by the shareholders. If the ratio falls between 1.00 and 2.50, the distribution may be made in part to shareholders, with the remainder being carried over to the following fiscal year and allocated according to the decision of the shareholders.

In compliance with the Company's dividend distribution policy, no dividends payable were provisioned for this year. The net profit earned in 2022 was completely absorbed by the accumulated losses from previous years.

Independent Auditors

LD Celulose S.A. informs that, for the year ended December 31, 2022, did not hired any additional services besides the audit of its financial statements.

The Management Report includes information related to operational data such as the customer base, which is not part of the scope of the audit of the financial statements and, consequently, has not been reviewed by KPMG Auditores Independentes Ltda.

Acknowledgments

We appreciate the support received from the shareholders, the dedication and commitment o four collaborators and the partnership wit all our suppliers.

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To the Shareholders and Management of the
LD Celulose S.A.
Indianópolis – Minas Gerais

Opinion

We have audited the financial statements of LD Celulose S.A. ("the Company"), which comprise the statement of financial position as at December 31, 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company, in accordance with the relevant ethical requirements included in the Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabildade"), and we have a fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Enfase

Related parties transactions

We draw attention to the fact that substantial part of the operations of the company is held with related party as described in note 1 and 20 to the financial statements. Therefore, the aforementioned financial statements should be read in this context. Our opinion is not qualified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsabilities of Management for the Financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Practices Adopted in Brasil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsabilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Uberlândia, March 31, 2023
KPMG Auditores Independentes Ltda.
CRC MG-008266/F-9

Fábio Elias

Fábio Roberto Elias Tymburibá
Accountant CRC 1SP214859/O-2

LD Celulose S.A.

Balance sheets as at December 2022 and 2021

(In thousands of Dollar)

Assets	**Note**	**2022**	**2021**
Current assets			
Cash and cash Equivalent	8	43,556	85,608
Trade account receivable	9	18,640	2,477
Inventories	10	53,769	1,631
Recoverable taxes	11	17,584	19,931
Financial Instruments - derivatives	26	188	64
Other accounts receivable	12	6,273	2,451
		140,010	**112,162**
Non-current assets			
Recoverable taxes	11	68,415	37,846
Financial Instruments - derivatives	26	39,842	-
Other accounts receivable	12	262	262
Juditial Deposits		134	90
Biological Assets	15	136,243	108,542
Property, Plant and Equipment	13	1,400,937	1,095,629
Intangible		3,214	1,756
Right of Use	14	54,139	48,613
		1,703,186	**1,292,738**
Total Assets		**1,843,196**	**1,404,900**

Liabilities	**Nota**	**2022**	**2021**
Current liabilities			
Trade accounts payable	16	50,940	67,936
Salaries and benefits		4,027	2,157
Financial Instruments - derivatives	26	1,714	9,655
Income tax payable		4,271	-
Taxes payable		1,380	3,281
Loans and borrowings	18	79,875	1,080
Lease Liability	14	469	175
Mutual	18	1,349	-
Other accounts payable	17	13,258	9,901
		157,283	**94,185**
Noncurrent liabilities			
Loans and borrowings	18	1,015,363	838,107
Lease Liability	14	51,317	42,057
Financial Instruments - derivatives	24	-	2,195
Deferred tax liabilities	19	22,796	6,118
Mutual	18	1,036	16,715
Provision		39	26
		1,090,551	**905,218**
Shareholders' equity	21		
Capital		595,918	470,266
Other Comprehensive Income		24,661	(12,286)
Retained Earnings		(25,217)	(52,483)
		595,362	**405,497**
Total liabilities and equity		**1,843,196**	**1,404,900**

See the accompanying notes to the financial statements.

LD Celulose S.A.

Statement of Profit and Loss

Years ended December 31, 2022 and 2021

(In thousands of Dollar)

	Note	2022	2021
Revenue	22	166,851	12,434
Cost of Sales and Services	23	(66,592)	(24,616)
Gross Profit		**100,259**	**(12,182)**
Selling	23	(24,185)	-
General and Administrative	23	(21,491)	(14,390)
Other Operating Income (expense) net	24	(2,000)	4,697
Operating Income (loss) Before Financial Result		**52,583**	**(21,875)**
Financial Revenue	25	8,424	5,816
Financial Expenses	25	(25,447)	(7,449)
Net Financial Result		**(17,023)**	**(1,633)**
Income (loss) Before Income Tax		**35,560**	**(23,508)**
Current		(5,162)	-
Deferred		(3,132)	619
Income (loss) for the year		**27,266**	**(22,889)**

See the accompanying notes to the financial statements.

LD Celulose S.A

Statement of comprehensive income

Years ended December 31, 2022 and 2021

(In thousands of Dollar)

		2022	2021
Income (loss) for the year		27,266	(22,889)
Cash Flow Hedge - fair value change		46,852	115,469
Cash Flow Hedge - transfer to assets	13 b.	(9,905)	(57,511)
Total Comprehensive Income		**64,213**	**35,069**

See the accompanying notes to the financial statements.

LD Celulose S.A

Statement of Changes in Equity

Years ended December 31, 2022 and 2021

(In thousands of Dollar)

		Capital	Other Comprehensive Income	Retained Earnings	Equity
Balance as of December 31, 2020		**433,890**	**(70,244)**	**(29,594)**	**334,052**
Capital Increase	19	36,376	-	-	36,376
Non Realized results from Cash Flow Hedge		-	115,469	-	115,469
Realized results from Cash Flow Hedge			(57,511)		(57,511)
Loss for the Year		-	-	(22,889)	(22,889)
Balance as of December 31, 2021		**470,266**	**(12,286)**	**(52,483)**	**405,497**
Capital Increase	19	125,652	-	-	125,652
Non Realized results from Cash Flow Hedge		-	46,852	-	46,852
Realized results from Cash Flow Hedge		-	(9,905)	-	(9,905)
Income for the Year		-	-	27,266	27,266
Balance as of December 31, 2022		**595,918**	**24,661**	**(25,217)**	**595,362**

The notes are an integral part of the financial statements

LD Celulose S.A.

Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands of Dollar)

	Note	2022	2021
Profit (loss) for the year		**27,266**	**(22,889)**
Adjustments for:			
Depreciation and Amortization		21,264	1,140
Depletion of biological assets	15	13,718	
Accrued Interests on Borrowings and Loans	18	13,678	1,227
Unrealized Exchange Variation		5,222	(293)
Update of the fair value of biological assets	15	(22,436)	(3,656)
Provision		13	26
Impairment over taxes recoverable		3,167	971
Deferred income tax and social contribution		3,132	(619)
Variations on:			
Trade Receivables		(16,169)	(1,901)
Inventories		(52,138)	(1,125)
Taxes Recoverable		(31,389)	(45,899)
Other Trade receivables		(3,822)	2,156
Suppliers		(43,702)	(5,950)
Taxes and Contributions Payable		2,370	2,437
Salaries and Benefits		1,871	860
Other Trade Payables		3,159	5,280
Cash used in operating activities		**(74,796)**	**(68,235)**
Payment of interest on borrowings and leasings		(43,510)	(24,765)
Cash used in operating activities		**(118,306)**	**(93,000)**
Cash flow from investing activities			
Acquisition of fixed assets		(274,050)	(543,388)
Sale of fixed assets		-	408
Acquisition of intangible assets		(1,911)	(929)
Additions to biological assets		(19,107)	(3,514)
Sale of biological assets	15	8,659	9,717
Cash flow used in investment activities		**(286,409)**	**(537,706)**
Cash flows from financing activities			
Payment of financing and borrowings	18	(22,751)	(8,774)
Lease payments	14	(382)	-
Borrowings raising	18	260,144	546,428
Capital increase	21	125,652	36,376
Cash flows from (invested on) financing activities		**362,663**	**574,030**
Net increase (decrease) in cash and cash equivalents		**(42,052)**	**(56,676)**
Effects of foreign exchange variations on cash and cash equivalents		-	9,269
Net increase (decrease) in cash and cash equivalents		**(42,052)**	**(47,407)**
Cash and cash equivalents on January 1st		85,608	133,015
Cash and cash equivalents as of December 31		43,556	85,608

The notes are an integral part of the financial statements

Notes to the financial statements

(In thousands of* Dolars*, except when otherwise indicated)

1 Operating report

LD Celulose S.A. ("Company") has its head office, jurisdiction, and domicile in the municipality Indianópolis/MG, at Estrada BR 365, KM 574, CEP 38.490-000. The Company is the result of a partnership between Lenzing Aktiengesellschaft ("Lenzing") and Dexco S.A. ("Dexco") and its corporate purpose is the shareholding interest in other national or international Companies, as member, shareholder, or quotaholder; the manufacturing of cellulose and other pulps for the manufacturing of paper; wood extraction and eucalyptus and pine cultivation; and energy generation activity under an independent production/selfproduction regime.

In 2022, the Company passed from a pre-operational stage to an operacional stage and concluding the construction of it's industrial plant in Indianópolis, Minas Gerais. The factory will be responsible for the production of Soluble Cellulose for export. During 2022, the Company received capital contributions from its shareholders in the amount of USD 125,652, wich USD 64,083 from Lenzing and USD 61,569 from Dexco.

The Company raised funds through long-term financing with the internactional banks IFC (International Finance Corporation), IDB (Inter-American Investment Corporation) and Finnvera in the total amount of US$ 1,147,000, approved on May 29,2020. The resources obtained were used to finance the construction of the soluble cellulose factory.

On December 31, 2022, LD Celulose had current liabilities greater than current assets by US$17,273. This occurred due to the reclassification of the installment payable on the loans contracted for the construction of the factory to the short term. The settlement of short-term obligations will be guaranteed by the start of the pulp's production processes, resulting in a consequent growth in pulp sales in the foreign market.

This year, LD Celulose S.A started exporting pulp to the client Pulp Trading, a company of the Lenzing group, totaling US$ 143,626. We had sales operations that totaled US$ 12,542 with the associate Duratex and US$ 11,964 with the associate Ld Florestal S.A, as per Explanatory Note 20.

2 Basis for preparation

Statement of compliance

The consolidated financial statements were prepared in accordance with accounting policies adopted in Brazil (BR GAAP).

The executive board in charge authorized the issuance of the financial statements on March 31, 2023.

Details on the Company's significant accounting policies are presented in note 6.

All information relevant to the financial statements, and only such information, is evidenced herein and corresponds to the information used by the Management in its activities.

3 Functional and presentation currency

a. Functional currency

The Company has US dollar functional currency, in accordance with the rules described in CPC Technical Pronouncement No. 2 (R2) - Effects of Changes in Exchange Rates and Conversion of Accounting Statements.

After reviewing the Company's operations and business, mainly related to the elements to determine its functional currency, the Management concluded that the US dollar (“USD” or “dollar”) is its functional currency. This conclusion is based on the review of the following indicators:

- Currency that influences product selling prices the most;
- Its exports will be made in Dollar;
- A currency that influences factors such as costs of ocean freights and raw materials, among other costs for the supply of goods;
- A currency through which the resources of the financing activities are originated; and
- A currency through which the resources generated by the operating activities will usually be accumulated.

b. Currency:

These financial statements are being presented in US dollar.

4 Use of estimates and judgments

Preparation of the financial statements according to the CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts for assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and assumptions are continuously reviewed. Estimate reviews are acknowledged on a prospective basis.

a. Judgments

Information about critical assumptions referring to accounting policies adopted that affect the values recognized in financial statements are included in following explanatory notes

- **Note 12 -** Lease term: whether the Company is reasonably sure of exercising extension options.

b. Uncertainties on assumptions and estimates

Information on the uncertainties related to assumptions and estimates that pose a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- **Note 15** – Biological Assets determining the sale price of wood (fair value).
- **Note 19** – recognition of deferred tax assets and availability of future taxable income for offsetting tax losses;
- **Note 26** – Financial instruments (fair value).

5 Measurement basis

The financial statements were prepared on a historical cost basis, except for the following material items, which are measured at each reporting date and recognized in the statements of financial position:

- derivative financial instruments are measured at the fair value;
- non-derivate financial instruments designated at fair value through profit or loss are measured at the fair value;
- biological assets are measured by the fair value less cost of sale;

6 Significant accounting policies

The significant accounting practices adopted in preparing these financial statements are detailed below. These policies are consistently applied to all years presented in these financial statements, except as indicated otherwise in this same note.

a. Foreign currency

(i) Transactions in foreign currency

Transactions in foreign currency, that is, all transactions not carried out in the functional currency, are converted using the exchange rate in effect on the date of each transaction.

Monetary assets and liabilities denominated and calculated in foreign currencies on statement of financial position date are converted to the functional currency at the exchange rate determined on that date. Non-monetary assets and liabilities measured at fair value in foreign currency are converted into the functional currency at the exchange rate on the date on which the fair value was calculated. Non-monetary items measured on historical cost basis in a foreign currency are converted using the exchange rate on transaction date. Differences of foreign currencies resulting from conversion are recognized in the statement of profit or loss.

- However, exchange differences resulting from the conversion of qualified and effective cash flow hedge are recognized in other comprehensive income.

b. Financial instruments

(i) Initial recognition and measurement

Trade receivables and debt securities issued are initially recognized on the date they were originated. All other financial assets and liabilities are initially recognized when the Company becomes one of the parties to the contractual provisions of the instrument.

A financial asset (unless in case of trade receivables without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not measured at FVTPL, the transaction costs that are directly attributable to acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

(ii) Subsequent classification and measurement

Upon initial recognition, a financial asset is classified as measured at the amortized cost or FVTPL.

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for managing the financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is maintained within a business model the objective of which is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows related only to payment of principal and interest on the outstanding principal amount.

Financial assets - Evaluation of the business model:

The Company evaluates the objective of the business model in which a financial asset is held in the portfolio because this better reflects the way in which the business is managed and the information is provided to Management. Information considered includes:

- the policies and objectives stipulated for the portfolio and the practical operation of such policies.
- they include knowing whether Management's strategy focuses on obtaining contractual interest revenue, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected cash outflows, or the realization of cash flows through the sale of assets;
- how portfolio performance is evaluated and reported to the Company's Management;
- the risks that affect the performance of the business model (and the financial asset held in that business model) and the way those risks are managed;
- how business managers are remunerated, for example, whether the remuneration is based on fair value of the assets managed or on the contractual cash flows obtained; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations for future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a manner consistent with the ongoing recognition of the Company's assets.

Financial assets held for trading or managed with performance measured at fair value are measured at fair value through profit or loss.

Financial assets - assessment of whether contractual cash flows are only principal and interest payments

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as compensation for the value of money over time and for the credit risk associated with the outstanding principal amount over a given period of time and for the other basic risks and costs of borrowings (e.g., liquidity risk and administrative costs), as well as a profit margin.

The Company considers the contractual terms of the instrument when assessing whether contractual cash flows are only principal and interest payments. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it would no longer meet that condition. In making this evaluation, the Company considers:

- contingent events that modify the value or timing of cash flows;
- terms that may adjust the contractual rate, including variable rates;
- prepayment or extension of the term; and
- terms limiting the Company's access to cash flows for specific assets (for example, based on the performance of an asset).

Prepayment is consistent with the payment criteria of principal and interest if prepayment amount represents, in their most part, unpaid amounts of principal and interest on the amount of outstanding principal - which may include reasonable additional compensation for early termination of the agreement. Furthermore, in relation to a financial asset acquired at a value less or greater than the par value of the agreement, the authorization or requirement of prepayment at a value representing the par value of the agreement plus contractual accrued (but unpaid) interest (which also may include reasonable additional compensation for early termination of the agreement) are treated as consistent with this criterion if the fair value of the prepayment is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses:

- **Financial assets measured at FVTPL:** These assets are subsequently measured at fair value. Net income, including interest or dividend income, is recognized in profit or loss.
- **Financial assets measured at amortized cost:** These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Revenue from interest, exchange gains and losses and impairment are recognized in the result. Any gain or loss on derecognition is recognized in profit or loss.
- **Debt instruments at FVOCI:** These assets are subsequently measured at fair value. Interest revenue calculated using the effective interest method, exchange gains and losses and impairment are recognized as result. Other net result is recognized in OCI. In derecognition, the accumulated income in OCI is reclassified to profit or loss.

- **Equity instruments at FVOCI:** These assets are subsequently measured at fair value. Dividends are recognized as gains in result, unless dividend represents a clear recovery of part of the investment cost. Other net income is recognized in OCI and is never reclassified to profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses
Financial liabilities were classified as measured at amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, is a derivative or is designated as such at initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net result, including interest, is recognized as result (expense or revenue). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains and losses are recognized in profit or loss. Any gain or loss upon derecognition is also recognized in profit or loss.

(iii) Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction in which essentially all of the risks and benefits of ownership of the financial asset are transferred, or in which the Company neither transfers, nor maintains substantially all risks and benefits of ownership of the financial asset, and also does not have control over the financial asset.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are withdrawn, canceled or expire. The Company also derecognizes a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the extinct carrying amount and the consideration paid (including transferred assets that do not pass through the cash or liabilities assumed) is recognized in the result.

(iv) Offsetting
The financial assets or liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has the legal right to offset the amounts and intends to settle them on a net basis, or realize the assets and settle the liability simultaneously.

(v) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its exposure to foreign currency exchange risks.

Derivatives are initially measured at fair value. After initial recognition, derivatives are measured at fair value, and the variations in fair value are normally recorded in profit or loss.

The Company designates certain derivatives as hedge instruments to protect the variability of cash flows associated with highly probable estimated transactions, resulting from changes in exchange rates, in addition to certain derivative financial liabilities.

The Company classifies the non-derivative financial assets and liabilities in the following categories: financial assets recorded at fair value through other comprehensive income and fair value through profit and loss, and amortized cost.

At the beginning of designated hedge relationships, the Company documents the risk management objective and the strategy for acquiring the hedge instrument. The Company also documents the economic relationship between the hedge instrument and the hedged item, including whether changes in cash flows of the hedged item and the hedge instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedge instrument, the effective portion of the variations in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve account. The effective portion of the variations in the fair value of the derivative recognized in OCI is limited to the cumulative change in the fair value of the hedged item, determined on the basis of the present value, from the beginning of the hedge.

Any non-effective portion of the variations in the fair value of the derivative is immediately recognized in profit or loss.

The Company only designates variations in the fair value of the spot element of forward exchange contracts as a hedge instrument in the cash flow hedge relations. The change in fair value of the future element of forward exchange agreements (forward points) is accounted for separately a hedge cost and recognized in hedge cost reserve in equity.

When the expected hedged transaction results in the subsequent recognition of a non-financial item, such as inventories, the cumulative amount in the hedging reserve and the cost of the hedging reserve are included directly in the initial cost of the non-financial item when it is recognized.

In relation to the other hedged transactions, the accumulated value in the hedge reserve and the cost of the hedging reserve are reclassified to profit or loss in the same period or in periods when the expected future cash flows that are subject to hedge affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting, or the hedge instrument expires or is sold, closed or exercised, hedge accounting is discontinued prospectively. When accounting of cash flow hedges is discontinued, the value that has been accumulated in the hedge reserve remains in equity until, for a hedge instrument of a transaction that results in the recognition of a non-financial item, it is included in the cost of the non-financial item at the time of initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the expected future cash flows that are subject to hedge affect profit or loss.

If the future cash flows that are subject to hedge are no longer expected, the amounts that were accumulated in the hedge reserve and the cost of the hedge reserve are immediately reclassified to profit or loss.

c. Biological assets

The Company's biological assets will comprise forest reserves and will be measrued by the fair value, deducted from the sale costs, considering that any changes are recognized in profit or loss.

d. Property, plant and equipment

(i) Recognition and measurement

Fixed asset items are measured at the historical cost of acquisition or construction, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

The cost includes expenses that are directly attributable to the acquisition of an asset. The cost of assets built by the Company includes: (i) the cost of materials and direct labor; Any other costs incurred to put the asset in place and condition needed to operate as intended by the Management. (iii) costs of disassembly and restoration from the place where these assets are located; and (iv) borrowing costs on qualified assets.

Purchased software that is an integral part of the functionality of equipment is capitalized as part of said equipment.

When parts of an item of property, plant and equipment have different useful lives, they are recorded as individual items (main components) of property, plant and equipment.

Gains and losses from disposals are determined by the comparison of the results with their carrying amount and are recognized in the net form in 'Other revenues (expenses)' in the statements of profit or loss.

(ii) Subsequent expenditure

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

(iii) Depreciation

Items of fixed assets are depreciated by the straight-line method in profit or loss for the fiscal year based on estimated economic useful life of each component. Leased assets are depreciated by the estimated useful life of the asset and the term of the agreement, whichever is shorter, unless it is certain that the Company will acquire ownership of the asset at the end of lease term. Land is not depreciated.

Methods of depreciation, useful lives, and residual values are reviewed at each reporting date, and adjusted, if necessary.

Depreciation is linear considering the shortest term between the useful life of the good and the concession period.

e. Intangible Assets

Intangible assets acquired by the Company with defined useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses.

f. Impairment

(i) Non-derivative financial assets

At each reporting date, the Company assesses whether the financial assets accounted for at amortized cost and debt securities measured at FVOCI are subject to credit-impaired. A financial asset is "credit-impaired" when one or more events with a detrimental impact on the estimated future cash flows of the financial asset occurred.

Objective evidence that financial assets are credit-impaired include the following observable data:

- significant financial difficulties of the debtor;
- breach of contractual clauses, such as default or delay of more than 90 days;
- restructuring of an amount owed to the Group, in conditions that would not be accepted under normal conditions;
- the likelihood that the debtor will go bankrupt or go through another type of financial reorganization; or
- the disappearance of an active market for the security in view of financial difficulties.

(ii) Non-financial assets

The carrying amounts of non-financial assets of the Company, which are not biological assets, inventories, and deferred tax assets, are revised on each reporting date to assess if there are signs of impairment loss. If there is such indication, then the recoverable amount of the asset is estimated.

For impairment tests, assets are grouped into Cash Generating Units (CGUs), that is, the smallest possible group of assets that generates cash inflows due to their continuous use, which are largely independent of cash entries of other assets or CGUs.

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

An impairment loss, when applicable, is recognized if the carrying amount of the asset or CGU exceeds its recoverable value.

Impairment losses are recognized in the statement of profit or loss.

A goodwill impairment loss is not reversed. As to other assets, impairment losses are reversed only when the new carrying amount of assets does not exceed the carrying amount that would have been earned, net of depreciation or amortization, if the loss had not been recognized.

g. Other current and non-current assets

They are shown at cost or realizable value, including, when applicable, any earnings obtained until the reporting date.

They are presented at known or payable amounts, plus, when applicable, the corresponding charges, monetary and exchange variations incurred up to the reporting date.

h. Provisions

Provisions are ascertained through discount of estimated future cash flows at a rate before taxes that reflects current market evaluations as to the value of money over a period and risks to the related liability. The effects of derecognition of discount over the periods are recognized in profit or loss as financial expenses.

i. Operating revenue

(i) Sales of products and services

Revenues are not recorded if there is significant uncertainty as to their realization.

The performance obligation conclusion varies according to the individual conditions of the sale agreement. The transfer regularly occurs upon delivery of the goods or service provided to the buyer.

j. Financial revenues and expenses

Financial revenues include interest revenues from interest earned in financial investments, gains in hedge instruments, when applicable, positive exchange variation, default accruals imposed on services provided, which are recognized in profit or loss.

Financial expenses include expenses such as interest, negative exchange variation and losses with financial transactions with derivatives, which are recognized in profit or loss.

k. Income tax and social security contribution

The income tax and social security contribution of the current and deferred year are calculated based on a 15% rate, plus 10% on the taxable income exceeding two hundred and forty thousand reais (BRL 240) (annual basis) for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social security contribution, limited to 30% of the actual profit.

Expenses with income tax and social security contribution comprise current and deferred income taxes. The current and deferred taxes are recognized in statement of profit or loss, unless they are related to items directly recognized in equity or in other comprehensive income.

Interest and fines related to income tax and social security contribution, including uncertain tax treatments, are accounted for in accordance with CPC 25 - Provisions, Contingent Liabilities and Contingents Assets.

(i) Current income tax and social security contribution expense

Current tax expense is the payable tax that is expected to be levied on the taxable income for the fiscal year, as well as any adjustment in payable taxes referring to previous fiscal years. The sum of current taxes payable or receivable is recognized in the statement of financial position as tax asset or liability according to the best estimate of expected amount of taxes to be paid or received, which reflects uncertainties related to its assessment, if any. It is measured based on the tax rates decreed on reporting date.

Current tax assets and liabilities are only offset if certain criteria are met.

(ii) Expenses with deferred income tax and social security contribution

Deferred tax assets and liabilities are recognized in relation to temporary differences between carrying amounts of assets and liabilities for financial statements purposes and corresponding values used for taxation purposes. The changes in deferred tax assets and liabilities in the fiscal year are recognized as expense with deferred income tax and social security contribution.

A deferred tax asset is recognized in relation to tax losses and temporary differences deductible not used, when it is probable that future taxable income will be available and against which they will be used.

Deferred tax assets are revised on each reporting date and will be reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on rates which are expected to be applied to the temporary differences when reversed, based on rates that were decreed up to the reporting date.

Measurement of deferred tax assets and liabilities reflects the tax consequences from the manner in which the Company expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are only offset if certain criteria are met.

l. Capitalization of loan costs

The borrowing costs attributable to the construction of the cellulose factory are capitalized during the construction stage in accordance with Technical Pronouncements CPC 20 (R1) - Borrowing costs issued by the Accounting Pronouncements Committee.

m. Measurement of fair values

Fair value is the price that would be received on the sale of an asset or paid for the transfer of a liability in an ordered transaction between market participants on the measurement date in the main market or, in its absence, the most advantageous market to which the Company has access on that date. The fair value of a liability reflects its non-performance risk. Non-performance risk includes, among others, the Company's own credit risk.

A series of accounting policies and disclosures from the Company require the measurement of fair values for both financial and non-financial assets and liabilities.

When available, the Company measures the fair value of an instrument using the price quoted in an active market for that instrument. A market is considered "active" if the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no price quoted in an active market, the Company uses valuation techniques that maximize the use of relevant observable data and minimize the use of unobservable data. The assessment technique chosen incorporates all the factors that market participants would take into account when pricing a transaction.

If an asset or a liability measured at the fair value has a purchase price and a sale price, the Company measures assets based on purchase prices and liabilities based on selling prices.

The best evidence of the fair value of a financial instrument on initial recognition is usually the transaction price - that is, the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced by either a quoted price in an active market for an identical asset or liability or based on an assessment technique for which any unobservable data are considered insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to include the difference between the fair value at the initial recognition and the transaction price. Then this difference is subsequently recognized through profit or loss on a proper basis over the life of the instrument or until the valuation is fully supported by observable market data or the transaction is closed, whichever occurs first.

n. Inventories

Inventories are measured at the lowest value between cost and net realizable value. The cost of the inventories is based on the acquisition or production average cost and includes expenditures incurred for the acquisition of inventories and other costs incurred to bring them to their existing locations and conditions.
The net realizable value is the estimated price of sale in the ordinary course of business, deducted from estimated costs of completion and selling expenses.

o. Leases

At the beginning of an agreement, the Company assesses whether it is or contains a lease.

A contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in return for consideration.

(i) Leases in which the Company is the lessee

At the beginning or in amendment of an agreement that contains a lease component, the Company allocates the consideration in it to each lease component based on their individual prices. However, for property leases, the Company chose not to separate the non-lease components and records lease and non-lease components as a single component.

The Company recognizes the right-of-use assets and a lease liability on the lease start date. Right-of-use assets are initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to start date, plus any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in disassembling and removing the underlying asset, restoring the site in which it is located or restoring the underlying asset to the condition required by the lease terms and conditions, less any lease incentives received.

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

The lease liability is initially measured at the present value of lease payments that are not made on start date, discounted at the interest rate implicit in the lease or, if such rate cannot be determined immediately, at the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as a discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external sources of financing and making some adjustments to reflect the terms of the agreement and the type of leased asset.

Lease payments included in measurement of the lease liability include the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on index or rate, initially measured using the index or rate on start date;
- amounts expected to be paid by the lessee, in accordance with residual value guarantees; and
- the exercise price of call option if the lessee is reasonably certain to exercise such option, and payment of fines for terminating the lease, if the lease term reflects the lessee

exercising the option to terminate the lease.

The lease liability is measured at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments resulting from change in index or rate, if there is a change in the amounts expected to be paid in accordance with the residual value guarantee, if the Company changes its valuation on whether a call option, extension or termination will be exercised, or if there is an essentially fixed revised lease payment.

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

(ii) Leases in which the Company is the lessor

On December 31, 2022, the Company the company had no agreement in which it was a lessor.

7 New standards and interpretations

- **Interest rate benchmark reform - Phase 2 (amendments to CPC 48, CPC 38, CPC 40, CPC 11, CPC 06:**

– As of December 31, 2022, the Company had USD 1,000,000 in bank borrowings indexed at the LIBOR that will be subject to the IBOR reform. The Company expects that the benchmark interest rate for these loans will change to SOFR by 2023 and that no significant gain or loss on the modification will arise as a result of applying the changes.

– Additionally, on December 31, 2022, the Company had cash flow hedges of the LIBOR risk. The Company expects the indexation of items subject to hedge and hedge instruments at LIBOR to be replaced with SOFR by 2023. Whenever the substitution occurs, the Company expects to apply the changes to the rule associated with the hedge accounting. However, there is uncertainty as to when and how substitution may occur. When the change occurs in the item subject to hedge or in the hedge instrument, Company will remeasure the accumulated change at the fair value of the item subject to hedge or at the fair value of the interest ratee swap, respectively, based on SONIA. Hedge relations may undergo hedge inefficacy if there is a moment difference or any other mismatch between the transition of the item subject to hedge and the hedge instrument for SONIA. The Company does not expect that the amounts accumulated in the cash flow hedge will be immediately reclassified for the result due to the IBOR transition.

Additionally, a series of new standards will be effective for years beginning as of January 1, 2023. The following new and amended standards are not expected to have a significant impact on the Company's financial statements:

– Classification of liabilities as current or non-current (Amendments to CPC 26/IAS1)
– Deferred tax related to assets and liabilities arising from a single transaction (Amendments to CPC 32/ IAS 12)
– Other standards:
    — IFRS 17 Insurance Contracts;

- Disclosure of Accounting Policies (Amendments to CPC 26/ IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to CPC 23/ IAS 8).

- Classification of Liabilities as Current or Non-Current (amendments to CPC 26).

8 Cash and cash equivalents

Cash and cash equivalents are classified according to their realization period, being demonstrated at the cost of acquisition, added by the earnings obtained until the end dates of the periods and deducted, when applicable, from provision for adjustment at their net realizable value.

	2022	2021
Cash and banks	38,812	52,829
Financial asset	4,744	32,779
	43,556	**85,608**

Cash balances and bank deposits basically comprise cash and available bank deposits, respectively. "Cash and cash equivalents" are held with banks and financial institutions rated between BB- and A+, based on the rating agencies S&P, Moody's and Fitch.

The short-term financial investments, of high liquidity, are promptly convertible into a known amount of cash, and are subject to an insignificant risk of changes in value; they are remunerated at average rates between 82% and 101% of the CDI rate in 2022 (between 90% and 99% in 2021), respectively.

9 Trade account receivable

		2022	2021
Domestic clients			
Third parties		285	-
Related parties	20	1,317	2,477
Foreign clients			
Related parties	20	17,038	-
Expected Losses		-	-
Current		**18,640**	**2,477**

(i) At the end of the period ended December 31, 2022, there were no accounts receivable past due.

10 Inventories

	2022	2021
Finished goods		
Cellulose	32,120	-
Work in progress		
Wood	725	-
Others	551	-
Raw materials and packaging	8,363	1,164
Spare parts	9,334	228
Other inventory	1,864	239
Down payments for Inventories	812	-
	53,769	**1,631**

11 Recoverable Taxes

	2022	2021
COFINS (Social Contribution on Billings) to be offset (i)	42,141	25,746
PIS (Social Integration Program) to be offset (i)	9,294	5,628
ICMS (Taxes over merchandise circulation) (ii)	32,716	25,308
INSS (National Institute of Social Security)	194	141
IRPJ (Corporate Income Tax) recoverable from previous years	44	8
CSLL (Social Contribution on Net Income) recoverable from previous years	192	66
IRRF (Withholding Income Tax) Over Financial Operations	1,253	879
Others	165	1
	85,999	**57,777**
Current	**17,584**	**19,931**
Non-current	**68,415**	**37,846**

(i) Credits arising from the acquisition of property, plant and equipment, which will be utilized for the offsetting of federal taxes in the future. The Company estimates that, after the start of the operation in 2022, these taxes will be recovered, as in accordance with the legislation, these credits can be offset with any federal tax.
(ii) Credits arising from the acquisition of property, plant and equipment (CIAP). It is expected that with the operation beginning these credits will recovered.

12 Other accounts receivable

	2022	2021
Prepaid expenses (i)	2,881	1,982
Insurance receivable	3,304	426
Advances to employees	76	33
Advances to Suppliers	274	272
	6,535	**2,713**
Current	**6,273**	**2,451**
Non Current	**262**	**262**

(i) They basically regard expenditures with forest, machinery, vehicle, construction engineering, and profit insurances.

13 Property, plant and equipment

The changes in the values of the cost of property, plant and equipment and depreciation, as well as the initial and final balances, are presented below:

	Land	Buildings	Machinery and Equipment	Environmental Control	Equipment and Data Processing	Improvement on third party property	Furniture and Fixtures	Vehicles	Project in Progress	Advances for Purchasing of Fixed Assets	Total
Property, Plant and Equipment Gross Cost											
Balance as of December 31, 2020	**599**	**463**	**1,533**	**5**	**904**	**-**	**183**	**1,725**	**200,752**	**272,840**	**479,004**
Addition	-	221	6,436	-	122	-	7	1,114	610,402	180	618,482
Write off	-	-	-	-	-	-	(2)	(50)	-	(355)	(407)
Reclassification (between classes)	-	-	-	-	-	-	-	-	129,933	(129,933)	-
Balance as of December 31, 2021	**599**	**684**	**7,969**	**5**	**1,026**	**-**	**188**	**2,789**	**941,087**	**142,732**	**1,097,079**
Addition (i)	-	23,789	310,032	136	954	780	284	558	6,502	466	343,501
Write off	-	-	-	-	-	-	-	-	-	(17,384)	(17,384)
Reclassification (between classes)	-	223,878	824,219	127	4,904	4,651	1,809	554	(936,878)	(123,264)	-
Balance as of December 31, 2022	**599**	**248,351**	**1,142,220**	**268**	**6,884**	**5,431**	**2,281**	**3,901**	**10,711**	**2,550**	**1,423,196**
Accrued Depreciation											
Balance as of December 31, 2020	**-**	**(33)**	**(186)**	**(2)**	**(246)**	**-**	**(30)**	**(123)**	**-**	**-**	**(620)**
Addition	-	(38)	(368)	(1)	(200)	-	(21)	(201)	-	-	(829)
Write off	-	-	-	-	-	-	-	-	-	-	-
Reclassification (between classes)	-	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	**-**	**(71)**	**(554)**	**(3)**	**(446)**	**-**	**(51)**	**(324)**	**-**	**-**	**(1,449)**
Addition	-	(2,465)	(17,210)	(11)	(579)	(169)	(82)	(294)	-	-	(20,810)
Write off	-	-	-	-	-	-	-	-	-	-	-
Reclassification (between classes)	-	(5)	1	(1)	(1)	-	(1)	7	-	-	-
Balance as of December 31, 2022	**-**	**(2,541)**	**(17,763)**	**(15)**	**(1,026)**	**(169)**	**(134)**	**(611)**	**-**	**-**	**(22,259)**
Net Balance 2020	**599**	**430**	**1,347**	**3**	**658**	**-**	**153**	**1,601**	**200,752**	**272,840**	**478,383**

Assets transactions	-	221	6,436	-	122	-	5	1,064	740,335	(130,108)	618,075
Depreciation transactions	-	(38)	(368)	(1)	(200)	-	(21)	(201)	-	-	(829)
Net Balance 2021	**599**	**613**	**7,415**	**2**	**580**	**-**	**137**	**2,464**	**941,087**	**142,732**	**1,095,629**
Assets transactions	-	247,667	1,134,251	263	5,858	5,431	2,093	1,112	(930,376)	(140,182)	326,117
Depreciation transactions	-	(2,470)	(17,209)	(12)	(580)	(169)	(83)	(286)	-	-	(20,809)
Net Balance 2022	**599**	**245,810**	**1,124,457**	**253**	**5,858**	**5,262**	**2,147**	**3,290**	**10,711**	**2,550**	**1,400,937**

(i) Additions refer to amounts added to the total, including interest on loans and mutuals,and open items to be settled in the following year.

The estimated useful lives for the current and fiscal year are the following:

Buildings	25 -80 years
Machinery and equipment	4 - 30 years
Furniture and fixtures	10 years
Data processing equipment	3- 5 years
Improvement on third party property	8 years
Vehicles	5 -15 years

a. Collaterals

On December 31, 2022, the Company had machinery and equipment and large vehicles, in the amount of USD 37,248, given as collateral in borrowing operations with IDB Invest, IFC International Finance Corporation, and Finnvera.

b. Capitalized costs

The amount of the borrowing costs capitalized during the year ended December 31, 2022 was USD 25,214 related to interest incurred on loans, and USD 1,010 related to interest incurred on mutual. To determine the borrowing costs subject to capitalization, the percentage of disbursement of each year and the proportion between the time and the amount of each loan line were pondered.

The company also capitalized hedge results in the amount of USD 9,905 during year ended December 31, 2022 ($ 57,511 in 2021).

In addition to the borrowing costs and hedge results, during the year ended December 31, 2022, a total of USD 613 (USD 1,381 in 2021), regarding the labor utilized in the construction of the plant, were capitalized.

c. Provision for impairment

According to the CPC technical pronouncement 01 - Impairment of Assets, the items of property, plant and equipment and intangible assets that present indications that their recorded costs are higher than their recoverable values are reviewed to determine the need to create a provision for the reduction of the carrying amount balance to its realizable value.

The Management has not identified any indicators that the costs of its property, plant and equipment assets are recorded by values higher than their recoverable values.

14 Leases

a. Right-of-use assets

	Land Usufruct	Real State Properties	Total
Balance as of December 31, 2020	**47,437**	**126**	**47,563**
Addition	-	-	-
Remeasurement	2,674	-	2,674
Depreciation	(1,579)	(45)	(1,624)
Balance as of December 31, 2021	**48,532**	**81**	**48,613**
Addition	-	2,071	2,071
Remeasurement	5,217	-	5,217
Depreciation	(1,523)	(239)	(1,762)
Balance as of December 31, 2022	**52,226**	**1,913**	**54,139**

(i) In February 2020 the Company entered into a land usufruct agreement with LD Florestal, for which it has identified that there is a lease component, according to the requirements of CPC 06 (R2) Leases. As a result of this usufruct agreement, the Company recognized in its balance statement of financial position a use right and a lease liability in compliance with the requirements of the rule.

b. Lease liability

	2022			2021
Nature of the Contracts	**Average discount rate % a,a**	**Final maturity**	**Present Value of the Liability**	**Present Value of the Liability**
Land Usufruct – LD Florestal	13,29%	January, 2050	49,817	42,233
Others	4,35% a 23,69%	May,2027 – January,2050	1,969	-
		Current	**469**	**175**
		Non Current	**51,317**	**42,057**

Balance as of December 31, 2020	**43,051**
Amortization of Debt	(55)
Payment of Interests	(5,850)
Appropriation of Interests	5,993
Exchange Variation	(3,581)
Remeasurement	2,675
Balance as of December 31, 2021	**42,233**
Addition	2,057
Lease payment	(382)
Payment of Interests	(6,773)
Appropriation of Interests	6,773
Exchange Variation	2,504
Remeasurement	5,374
Balance as of December 31, 2022	**51,786**
Current	**469**
Non Current	**51,317**

(i) The amounts of USD 6,773 regarding interest from land leases are reclassified to the line item of biological assets, as the lease costs are a part of the cost of formation of biological assets.

15 Biological assets

The activity of biological assets, as well as the balances, are presented below:

	Forest Reserve
Balance as of December 31, 2020	**103,472**
Addition (Forest Reserve Acquisition)	1,683
Sales	(9,717)
Capitalized Cost	9,448
Fair value adjustment	3,814
Fair value write off	(158)
Balance as of December 31, 2021	**108,542**
Addition (Forest reserve acquisition) (i)	4,782
Sales	(8,659)
Capitalized Cost (i)	22,860
Harvesting	(13,718)
Fair value adjustment	22,438
Fair value write off	(2)
Balance as of December 31, 2022	**136,243**

(i)The capitalized cost of US$ 22,860 and the additions of forest reserves US$ 4,782, less US$ 1,762 of amortization of right of use and US$ 6,773 of interest on leases capitalized to biological assets (non-cash effect), represent a balance of US$ 19,107 of the cash effect , as per the cash flow statement.

On December 31, 2022, the planting of trees covered approximately 41,568 hectares of Eucalyptus and Pinus plantations, which included both recent and 14-year plantations. The invested amount of USD 8,765, regards trees younger than one year and it is considered that they have not achieved maturity.

16 Trade accounts payble

		2022	2021
National Suppliers		43,806	49,428
National Suppliers – related parties	20	5,165	-
Foreign Suppliers		1,969	18,508
		50,940	**67,936**

17 Other accounts payable

	Note	2022	2021
Services Provided - Related Parties (i)	20	6,355	7,485
Others		6,903	2,416
		13,258	**9,901**

(i) They refer to the reimbursement of values of engineering and IT services provided by Lenzing, see Note 20.

18 Loans and borrowings and mutual

Type	Note	Interest Rate	Maturity	2022	2021
IDB Invest (i)		2.25% to 2.55% p.a. + Libor	Jun/31	486,281	381,853
IFC (ii)		2.25% to 2.55% p.a. + Libor	Jun/31	486,160	378,703
Finnvera (iii)		3.24% p.a.	Jun/33	119,797	78,631
LD Florestal S.A. mutual loan (iv)	20	100% CDI	Dec/23	2,385	16,715
				1,097,623	**855,902**
			Loans and borrowings - Current	**79,875**	**1,080**
			Mutual - Current	**1,349**	**-**
			Loans and borrowings - Non current loans	**1,015,363**	**838,107**
			Mutual - Non current	**1,036**	**16,715**

(i) Long-term financing agreement obtained with the international bank IDB – Inter-American Investment Corporation, in the amount of USD 500,000, segregated into Loan A (USD 250,000) and Loan B (USD 250,000). The amount will be released by the bank in tranches, considering that the 1st installment of USD 46,000 was received on September 28, 2020. The total received until December 31, 2022 was USD 500,000. The agreement expires on June 15, 2031 for Loan A and on June 15, 2029 for Loan B and has a grace period of 3.5 years for the start of the payments of the principal amount on December 15, 2023. Interest will be paid on a half-yearly basis starting December 15, 2020.

(ii) Long-term financing agreement obtained with the international bank IFC – International Finance Corporation, in the amount of USD 500,000, segregated into Loan A (USD 250,000) and Loan B (USD 250,000). The amount will be released by the bank in tranches, considering that the 1st installment of USD 46,000 was received on September 28, 2020. The total received until December 31, 2022 was USD 500,000. The agreement expires on June 15, 2031 for Loan A and on June 15, 2029 for Loan B and has a grace period of 3.5 years for the start of the payments of the principal amount on December 15, 2023. Interest will be paid on a half-yearly basis starting December 15, 2020.

(iii) Long-term financing agreement obtained with the export credit agency Finnvera and seven other banks, in the amount of USD 147,200. The amount will be released by the bank in tranches, considering that the 1st installment of USD 40,661 was received on October 21, 2020. The total received until December 31, 2022 was USD 140,601. The agreement expires on June 15, 2033, and has a grace period of 3.5 years for the start of the payments of the principal amount on December 15, 2023. Interest will be paid on a half-yearly basis starting December 15, 2020.

(iv) On December 12, 2018, a loan agreement was entered into by and between LD Florestal S.A. and LD Celulose S.A. The loan was made in national currency, interest is calculated based on the 100% percentage of the CDI (Interbank Deposit Certificate), being recorded on an accrual basis. The IOF arising from this loan transaction has been calculated and paid as determined by the legislation in effect. On October 28, 2019, the 1st amendment to the loan agreement was executed, increasing the amount from BRL 58,468 to BRL 177,452.

The installments classified as non-current liability have the following maturity schedule:

	2022
Year of Maturity	
2023	81,225
2024	154,067
2025	153,031
2026	153,031
after 2026	556,269
	1,097,623

The Company maintains the usual market guarantees in its financing and borrowings.

The changes in balances of loans are presented below:

	Loans	Loans - related parties	Total
Balance December 31, 2020	**292,067**	**26,181**	**318,248**
Borrowing funding	555,574	-	555,574
Initial Transaction Costs	(9,146)	-	(9,146)
Interest Accrual	19,508	981	20,489
Loans payment	-	(8,774)	(8,774)
Interest payment	(18,816)	(44)	(18,860)
Exchange Variation	-	(1,629)	(1,629)
Balance December 31, 2021	**839,187**	**16,715**	**855,902**
Borrowing raising	260,144	-	260,144
Initial Transaction Costs	(6,372)	-	(6,372)
Interest Accrual (i)	38,882	1,021	39,903
Loans payment	-	(16,379)	(16,379)
Interest payment	(36,603)	(134)	(36,737)
Exchange Variation	-	1,162	1,162
Balance December 31, 2022	**1,095,238**	**2,385**	**1,097,623**

(i) Of the amount of US$ 38,882 related to interest incurred on loans in the year, US$ 25,214 was capitalized to assets and the balance of US$ 13,668 remained in the result.The amount of US$ 1,021 related to interest on loans, USD 1,010 was capitalized to assets, US$ 11 remains in the resul.

19 Income tax and social contribution

a. Income tax and social security contribution

The reconciliation of IRPJ and CSLL, both calculated based on the rates provided for in the tax legislation, to their corresponding values in the statement of profit or loss, for the years ended December 31, 2022 and 2021, is presented below:

	2022	2021
Profit and loss before Income Tax and Social Contribution	**(35,560)**	**(23,506)**
Permanent Additions		
Thin Capitalization	6,717	2,861
Non-deductible expenses	232	724
Lease interests expenses	6,703	5,441
Lease amortization	1,902	1,431
Other permanent additions	231	265
Temporary additions:		
Variation on Fair Value of Biological Assets	2,230	1,749
Provisions	8,500	7,620
Permanent exclusions:		
Leases (land usufruct)	(7,030)	(5,615)
Temporary exclusions:		
Adjustment in fair value of biological assets	(12,518)	(6,885)
Provision Reversion	(7,501)	(2,771)
Profit or loss conversion effect	13,226	8,785
Tax basis of income tax and social security contribution	21,802	(8,956)
(-) Negative base compensation	(6,621)	-
Base of Social Contribution after compensation	15,181	-
Current income tax and social security contribution at the combined tax rate of 34%	5,162	-
Current and deferred income tax and social security contribution	**8,294**	**619**
Effective tax rate	37,84%	2.63%

b. Breakdown of deferred tax assets and liabilities

Since the tax base of assets and liabilities is maintained in Real due to its historical value and the accounting base in Dollar (functional currency), fluctuations in the exchange rate impact the tax base and the consequent deferred tax expenses/revenues are recorded in profit or loss.

The deferred income tax and social security contribution are recognized to reflect future tax effects attributable to temporary differences between the tax bases profit and loss accounts and their respective accounting records under the accrual basis.

Deferred income tax and social security contribution have the following origin:

	2022	2021
Deferred income tax and social security contribution assets on:		
Tax Loss	2,634	4,567
Provisions	3,754	3,223

Deferred income tax and social security contribution liabilities on:		
Effect of functional currency on fixed assets and intangible	(8,609)	(8,770)
Effect of functional currency on biological assets	(6,644)	(2,961)
Effect of functional currency on inventory	(116)	(7)
Leases (land usufruct) (temporary difference)	(269)	(2,169)
Fair value of financial instruments (swap)	(13,546)	-
Net deferred tax liability	**(22,796)**	**(6,118)**
Effect of conversion of profit or loss	(6,118)	(6,737)
Deferred income tax and social security contribution	(3,132)	619
Profit or loss	**(9,250)**	**(6,118)**
Other Comprehensive income	**(13,546)**	**-**

On December 31, 2022 and 2021 the balance added by tax losses and negative basis of social security contribution maintained by the Company was USD 7,774 and USD 13,431 respectively. On December 31, 2022, the Company recognized 100% of the deferred income tax and social security contribution on tax losses and negative basis.

20 Transactions with related parties

The Company's direct controlling companies are Dexco S.A and Lenzing Aktiengeselíschaft.

The principal assets and liabilities balances as of December 31, 2022 and 2021, as well as transactions that influenced the profit or loss for the fiscal years ended on those dates, relating to related party transactions, arise primarily from borrowing transactions of the Company, key management professionals and other related parties.

Compensation for key Management personnel includes salaries, charges, benefits, and variable compensation. The total amount paid to the Executive Board during 2022 totaled an amount of USD 525 (USD 406 in 2021).

The main transactions made during the year are demonstrated in the chart below:

		2022	**2021**
Current Assets			
Trade Receivables LD Florestal S.A	9	673	409
Trade Receivables Dexco S.A.	9	644	2,040
Trade Receivables Lenzing	9	17,038	-
		18,355	**2,449**
Current Liabilities			
Other trade payables Lenzing	17	6,355	7,485
Lease Liability (land usufruct) LD Florestal S.A	14	204	175
Mútuo LD Florestal S.A	18	1,349	-
Trade Payables Dexco S.A.	16	5,165	437
		13,073	**8,097**

Non Current Liabilities

Lease Liability (land usufruct) LD Florestal S.A	14	49,613	42,057
Mutual loan LD Florestal S.A	18	1,036	16,715
		50,649	**58,772**

Profit and Loss

Services Provided LD Florestal (i)	22	11,964	4,896
Services Provided Duratex Florestal (i)	22	2,678	325
Sales of Forest Reserves Duratex Florestal	22	9,864	8,485
Sales non-dom Pulp Trading	22	143,626	-
		168,132	**13,706**

(i) They refer to forest service provision, such as: fertilization, planting, ant control, irrigation, etc., made by LD Celulose in forests owned by LD Florestal and Duratex Florestal

Indirect related parties

	2022	**2021**
Current Assets		
Banco Itaú S.A – Cash and cash equivantents (i)	2,246	12,515
Current Liabilities		
NDF (Banco Itaú S.A) (ii)	1,590	8,957
SWAP (Banco Itaú S.A.) (ii)	-	868
	1,590	**9,825**

(i) It regards the balance of cash and cash equivalents with Banco Itaú, belonging to the same economic group as the associate Dexco S.A.

(ii) The company made loans with adjustment based on the floating rate (LIBOR), and to mitigate rate fluctuations, it has the swap unto agreement to Itaú, pertaining to the economic group of associate Dexco S.A.

21 Equity

a. Share capital

On December 31, 2022, the paid-in share capital was USD 595,918 (USD 470,266 on December 31, 2021) which is represented by 2,913,722 shares, all ordinary, registered and with no par value, distributed as follows:

	2022		2021	
	Amount	**Share %**	**Amount**	**Share %**
Lenzing Aktiengeselíschaft	303,789	51%	239,706	51%
Dexco S.A.	292,129	49%	230,560	49%
	595,918	**100%**	**470,266**	**100%**

In 2022, Dexco S.A made a capital contribution in the amount of USD 61,570 in cash and Lenzing AG contributed the amount of USD 64,082 in cash.

b. Other Comprehensive Income

An effective part of the cumulative net variation of the fair value of the hedge instruments used in cash flow when subsequent recognition is pending. More details in the "Other Comprehensive Profit and Loss" statement.

22 Net operating revenue

	Note	2022	2021
Gross revenue			
Services Provided	20	14,642	5,221
Sales of electric energy		1,551	-
Sales of goods		957	-
Sales of goods – related parties	20	143,626	-
Sales of Forest Reserves	20	9,864	8,485
		170,640	**13,706**
Gross Revenue Deductions			
Taxes on Sales		(3,789)	(1,272)
Total Net Operating Revenue		**166,851**	**12,434**

23 Expenses by nature

	2022	2021
Variation in inventories of finished goods and in progress	33,397	-
Raw materials and other materials	(24,717)	(2,393)
Energy	(16,023)	-
Personnel cost	(17,689)	(9,164)
Third-party services	(19,441)	(1,437)
Exhaustion	(22,380)	(8,299)
Depreciation and Amortization	(20,354)	(704)
Other	(1,823)	(2,619)
Variation in the fair value of biological assets	22,438	-
Total cost of sales goods	**(66,592)**	**(24,616)**
Other expenses	(763)	-
Depreciation and amortization	(44)	-
Personal expenses	(713)	-
Freight on sales	(22,665)	-
Total sales expenses	**(24,185)**	**-**
Salaries, welfare charges and benefits	(7,291)	(4,300)
Third-party services	(9,210)	(5,647)
Maintenance expenses	(1,132)	(496)
Taxes and fees	(1,518)	(1,078)
Depreciation and Amortization	(866)	(459)
Other	(1,474)	(2,410)
Total general and administrative expenses	**(21,491)**	**(14,390)**
Total expenses by nature	**(112,269)**	**(39,006)**

24 Other operating income (expenses)

	2022	2021
Other operating revenues		
Adjustment of the fair value of biological assets	-	3,656
Scrap Sales	133	137
Others	63	931
	196	**4,724**
Other operating expenses		
Write off (ICMS Tax)	(2,196)	-
Others	-	(27)
Net Other operating	**(2,000)**	**4,697**

25 Financial revenues and expenses

	2022	2021
Financial Revenues		
Financial Investments	6,024	3,359
Exchange Variation Revenue - realized	124	-
Exchange Variation Revenue – non realized	5,413	2,455
Other Financial Revenue	92	2
	8,424	**5,816**
Financial expenses		
Interests on loans and financing	(19,503)	(1,227)
Exchange Variation Expense- realized	(669)	-
Exchange Variation Expense- non realized	(8,504)	(6,222)
	(25,447)	**(7,449)**
Net Financial Revenue/Expenses	**(17,023)**	**(1,633)**

26 Risk management and financial instruments

The main risk factors to which the Company is exposed reflect economic and financial aspects, as well as strategic and operating ones. Strategic and operational risks (such as demand behavior, competition, and material changes in the structure of the segment of operation) are addressed by the Company's management model.

Risk administration and financial instrument management are made through policies, definition of strategies, and implementation of control systems with an aim at liquidity, profitability, and security. The control policy consists in the monitoring of the rates contracted against the rates practiced in the market. The Company has financial instruments to protect its exposure to the effects of the variations in the exchange rates on its commitments indexed to the foreign currency and interest rates.

The Company has a conservative policy for management of financial risks, instruments, and resources, which is monitored by the Management, considering that the primary objectives of this practice are to preserve the value and liquidity of the financial assets and to ensure financial resources for the proper conduction of the business, including its expansions. The major financial risks considered by the Management are:

- Operating risk;
- Credit risk;
- Liquidity risk;
- Exchange rate and interest risk; and
- Biological assets price risk.

The Company does not make investments of a speculative nature in derivatives or any other risk assets.

This note gives information about the exposure of the Company to each of the aforementioned risks, its objectives, policies, and processes used to measure and manage risk, as well as its capital management. Additional quantitative information is included in these financial statements.

a. Operating risk

The Company's operations consist of producing and selling cellulose, and these operations are concentrated in related parties. In this way, the Management classifies the operating market risk as being low.

b. Derivative financial instruments

The Company has derivative financial instruments to protect its exposure to the effects of the variations in the exchange rates on its commitments indexed to the foreign currency and interest rates. The management of these instruments is performed by means of operating strategies aiming at assuring liquidity, profitability, and security. The control policy consists in the permanent monitoring of the rates contracted against the rates current in the market.

	2022	2021
	Fair Value	**Fair Value**
Assets		
NDF - BNP Paribas	-	64
SWAP - Banco Itaú	13.061	-
SWAP - Banco Santander	13.765	-
SWAP - Goldman Sachs	13.203	-
	40.029	**64**
	0	
Liabilities		
NDF – Banco Santander	-	690
NDF – BNP Paribas	123	-
NDF – Banco Itaú	1.591	8.957
SWAP - Banco Itaú	-	867
SWAP - Banco Santander	-	599
SWAP - Goldman Sachs	-	737
	1.714	**11.850**

All operations with financial statements and derivatives are recognized in the Company's financial statements and were classified according to the following charts:

	Note	Level	2022 Fair Value through Profit and Loss	2022 Amortized Cost	2022 Total	2021 Fair Value through Profit and Loss	2021 Amortized Cost	2021 Total
Assets								
Cash and Equivalents	8		-	38,812	38,812	-	52,828	52,828
Financial Investments	8	2	4,744	-	4,744	32,779	-	32,779
Derivative Financial Instruments (i)	24	2	40,029	-	40,029	64	-	64
Trade Accounts Receivable			-	18,640	18,640	-	2,477	2,477
Other Credits	9		-	6,273	6,273	-	2,451	2,451
			44,773	**63,725**	**108,498**	**32,843**	**57,756**	**90,599**
Liabilities								
Trade Payables	14		-	50,940	50,940	-	67,936	67,936
Loans and Financing	16	2	-	1,096,274	1,096,274	-	855,901	855,901
Other Liabilities	15		-	13,258	13,258	-	9,901	9,901
Lease liability (land usufruct)	12		-	51,787	51,787	-	42,233	42,233
Derivative Financial Instruments (i)	24	2	1,714	-	1,714	11,850	-	11,850
			1,714	**1,212,259**	**1,213,973**	**11,850**	**975,971**	**987,821**

NDFs are designated for cash flow hedges and are recognized in Other Comprehensive Income.

c. Credit risks

Arises out of the possibility of the Company incurring losses deriving from default from its counterparties or from depositary financial institutions of funds or financial investments. To mitigate these risks, the Company adopts the practice of analyzing the financial and equity position of its counterparties, as well as setting credit limits and permanently monitoring outstanding positions. Considering the financial institutions, the Company only works with financial institutions assessed by rating agencies.

Business targeting is dealt with in meetings for decision making, following up results, adjusting the strategies established, with an aim at maintaining the expected results.

The financial instruments that subject the Company to the counterparty's credit risks are fundamentally represented by cash and cash equivalents, protection instruments, and trade receivables from third parties and related parties.

Cash and cash equivalents credit risks arise mainly from the failure of financial institutions to meet their financial obligations with the Company.
The Company regularly conducts credit analysis of the institutions with which it maintains relationships by means of several methodologies that assess liquidity, solvency, leverage, portfolio quality, among others. Cash, cash equivalents, and its hedge instruments are held only in institutions with a solid credit history, favoring security and stability.

Derivatives are contracted from banks and financial institutions that have a rating between BB- and A+, based on the rating agencies S&P, Moody's and Fitch.

Customers' credit risks are managed through specific criteria of acceptance of customers and credit analysis. Trade receivables are substantially with related parties.

The management has established a credit policy in which each new customer is individually evaluated for its financial condition before the presentation of the proposed credit limit and payment methods. The review carried out includes the assessment of external ratings, when available, financial statements, and, in some cases, bank references.
Credit limits are set for each customer and are reviewed quarterly.

The volumes of carrying amounts of financial assets represent the maximum credit exposure:
The maximum exposure of the credit risk in the years ended December 31, 2022 e 2021 was of:

	2022	**2021**
Cash and Banks	38,812	52,828
Financial Investments	4,744	32,779
Derivative Financial Instruments	38,316	64
Trade Accounts Receivable	18,640	2,477
Other Assets	6,273	2,451
	106,785	**90,599**

The Company operates with banks with a high credit rating, both for regular transactions, banks, and investments, and for derivative financial instrument transactions.

Credit risks are related to the risk classification made by the Lenzing Group. The Company's treasury evaluates the counterparties'' credit assessments, primarily with respect to negative changes, for derivative transactions in special, and until the transactions' maturity date, the risk is classified as minimum and brings about no significant change in value. Additionally, the Company reassesses the conditions whenever significant adjustments are made in the contractual conditions. All counterparties will be evaluated according to the investment class determined by the risk agency.

d. Liquidity risks

Liquidity risk is the risk of the Company facing difficulties to meet obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's approach to liquidity management is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations as they mature, under normal and stressful conditions, without causing losses that are unacceptable or running the risk of being detrimental to the Company's reputation.

The Company works aligning availability and generation of resources in such a manner as to meet its obligations within the deadlines agreed.

The liquidity risk arises from the possibility that the Company could not perform the obligations agreed to on the expected dates and needs for cash due to the market's liquidity restrictions.

Additionally, the Company has the financial support from its members, Lenzing AG and Dexco S.A, which mitigates its liquidity risk.

The Company's main sources of liquidity derive from the cash flow generated by the its shareholders' capital increase, financing, and loans with related parties. The Company believes that these sources are appropriate to meet its current uses of funds, which includes, among others, to working capital, investment capital, debt amortization, and payment of dividends.

The chart below shows the liquidity risks by range of maturity and reflect the Company's financial flow:

	2022					
	Carrying Amount	**Contractual Cash Flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Liabilities						
Trade Payables	50,940	50,940	50,940	-	-	-
Loans and Financing	1,095,238	1,504,817	160,857	235,702	633,859	474,400
Related Parties loans	2,385	2,422	2,422	-	-	-
Derivative Financial Instruments	1,714	1,714	1,714	-	-	-
Other liabilities	13,258	13,258	13,258	-	-	-
Lease Liability	51,787	185,398	6,775	6,775	20,324	149,608
Total	**1,215,322**	**1,758,549**	**235,966**	**242,477**	**654,183**	**624,008**

	2021					
	Carrying Amount	**Contractual Cash Flow**	**Up to 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Liabilities						
Trade Payables	67,936	67,936	67,936	-	-	-
Loans and Financing	839,186	1,009,233	24,028	85,533	287,196	612,476
Related Parties loans	16,715	18,925	-	18,925	-	-
Derivative Financial Instruments	11,850	11,850	9,655	2,195	-	-
Other liabilities	9,901	9,901	9,901	-	-	-
Lease Liability	42,233	160,210	5,759	5,742	17,151	131,559
Total	**987,821**	**1,278,055**	**117,279**	**112,395**	**304,347**	**744,035**

e. Exchange rate and interest risk

Exchange rate risk arises from the possibility of fluctuations in the foreign currency exchange rates used by the Company for the acquisition of inputs, the sale of services, and the contracting of financial instruments. In addition to amounts payable and receivable in foreign currencies, the Company has operating flows from purchases and sales in other currencies. The Company continuously evaluates hedge transactions to mitigate these risks.

Interest rate risk arises from the possibility of the Company incurring gains or losses arising from fluctuations in interest rates on its financial assets and liabilities. In order to mitigate this type of risk, the Company seeks to diversify its fund raising in terms of prefixed or post-fixed rates.

e.1 Foreign exchange risk

The Company is exposed to the foreign exchange risk of foreign operations arising from differences between the currencies in which its financial investments, purchases, sales, loans with related parties, and leases are denominated, and the entity’s functional currencies. The Company’s functional currency is the Dollar (USD) and the currency in which these transactions will be primarily denominated is the Real (BRL).

The net exposure in foreign currency by the amounts of principal (notional in BRL) on December 31, 2022, are demonstrated below:

	2022	**2021**
Assets		
Cash and Equivalents	4,763	35,608
Trade Accounts Receivable	18,640	2,477
	23,403	**38,085**

Liabilities		
Trade Accounts Payable	(50,940)	(67,936)
Mutual Loan	(2,385)	(16,715)
Salary and Charges	(4,024)	(2,157)
Lease Liability (Land usufruct)	(50,848)	(41,882)
	(106,201)	**(128,689)**
Net Exposure	**(84,798)**	**(90,604)**

Foreign exchange sensitivity analysis

For the sensitivity analysis of foreign exchange hedge instruments, the Management adopted for the probable scenario the same rates used on the ending date of the statement of financial position. Scenarios II and III have been estimated with an additional valuation of 25% and 50% respectively since the scenarios IV and V estimate additional devaluation of 25% and 50%, respectively, in Reais in the probable scenario.

		2022 - Scenario				
	Risk	**I Probable**	**II 25%**	**III 50%**	**IV -25%**	**V-50%**
Equity Exposure						
1- Assets in Reais	Real Devaluation	62,196	15,549	31,098	(15,549)	(31,098)
2-Liabilities in Reais	Real Valuation	(106,849)	(26,712)	(53,424)	26,712	53,424
1+2	**Net Effect**	**(44,653)**	**(11,163)**	**(22,326)**	**11,163**	**22,326**

		2021 - Scenario				
	Risk	**I Probable**	**II 25%**	**III 50%**	**IV -25%**	**V-50%**
Equity Exposure						
1- Assets in Reais	Real Devaluation	35,608	8,902	17,804	(8,902)	(17,804)
2-Liabilities in Reais	Real Valuation	2,477	619	1,238	(619)	(1,238)
1+2	**Net Effect**	**38,085**	**9,521**	**19,042**	**(9,521)**	**(19,042)**

The quotes and updates used in the sensitivity analysis presented above were obtained from external market sources, such as the BACEN.

e.2 Interest rate risk

The main amounts linked to the interest rates, which are the financing operations, are preponderantly obtained from international banks and the mutual loan made with the LD Florestal related party. Substantially, the Company's exposure is based on pre-fixed interest rates. Therefore, the Management understands that there is no significant risk in relation to the volatility of the interest to be presneted or stressed. In the years ended December 31, 2022 and 2021, the profile of financial instruments remunerated by interest was:

	2022	2021
Variable Rate Instruments		
Financial Assets		
Financial Investments	4,744	32,779
Financial Liabilities		
Loans and Financing	(1,097,623)	(855,901)
	(1,092,879)	**(823,122)**

f. Sensitivity analysis - Interest rate

The Company conducted a sensitivity analysis of the principal risks to which its financial instruments are exposed. For sensitivity analysis of variations in interest rates, management adopted for the probable scenario the same rates used in the ending date of the statement of financial position. Scenarios II and III have been estimated with an additional valuation of 25% and 50% respectively since the scenarios IV and V estimate additional devaluation of 25% and 50%, respectively of rates of probable scenario.

The table below shows the possible impacts in the result in the hypothesis of the respective scenarios presented:

				2022 - Scenario				
Equity Exposure	**Exposure**	**Risk**	**Effective interest rate as of 12/31/2022**	**I Probable**	**II 25%**	**III 50%**	**IV - 25%**	**V-50%**
1-Financial Assets								
Financial Investments	4,744	CDI Variation	**13,65%**	588	735	882	441	294
2-Financial Liabilities								
Loans - Third Parties	(1,095,238)	LIBOR Variation	5,21%	(57,018)	(71,273)	(85,527)	(42,764)	(28,509)
1 + 2				**(56,430)**	**(70,538)**	**(84,645)**	**(42,323)**	**(28,215)**

				2021 - Scenario				
Equity Exposure	**Exposure**	**Risk**	**Effective interest rate as of 12/31/2021**	**I Probable**	**II 25%**	**III 50%**	**IV - 25%**	**V-50%**
1-Financial Assets								
Financial Investments	32.779	CDI Variation	9.15%	2,999	3,749	4,499	2,249	1,500
2-Financial Liabilities								
Loans - Third Parties	(839,186)	LIBOR Variation	0.58%	(4,892)	(6,116)	(7,339)	(3,669)	(2,446)
1 + 2				**(1,893)**	**(2,367)**	**(2,840)**	**(1,420)**	**(946)**

A fundamental reform of the main reference indexes of the interest rate is being made globally, including the substitution of some interbank rates offered (IBORs) with alternative rates nearly without risk (referred to as IBOR'). The Company exposures [sic] to IBORs in its financial instruments that will be replaced or reformed as a part of these market initiatives. There is uncertainty with respect to the transition moment and methods in some jurisdictions where the Company operates. The Company anticipates that the IBOR reform will impact its risk management and hedge accounting.

The Company monitors and manages the transition to alternative rates. The Company evaluates the extent to which the agreements make reference to the IBOR cash flows, if these agreements need to be amended as a result of the IBOR reform, and how to manage communication about the IBOR reform with the counterparties.

g. Biological assets price risk

The Company had, on December 31, 2022, USD 136,242 in biological assets, which were evaluated based on their fair values, with the variation between the agreed value and the fair value recorded in the financial statements.

Sensitivity analysis – Biological assets

The chart below shows the possible impacts in the result in the hypothesis of the scenarios presented.

For the probable scenario the carrying amounts were used. The other scenarios considered the impacts on the result arising from the variations in market prices calculated after replacing the market rates used to calculate the fair value recorded by stressed rates according to the scenarios presented.

Among the variables that affect the calculation of the fair value of biological assets, emphasis should be placed on the variation in the price of timber and the discount rate used in the cash flow. The average price on December 31, 2022 was BRL 67.32/m³. Increases in price result in an increase in the forest's fair value. At every 5% variation in price, the impact on the fair value of forests would be of USD 7,430.

A discount rate of 7.96% p.a. was used on December 31, 2022. Increases in the rate result in a drop in the forest's fair value. Every 5% p.a. of variation in the rate would affect the fair value by approximately USD 160.990.

According to the CPC 46 – Fair Value Measurement hierarchy, the calculation of biological assets falls under Level 3, due to its calculation structure and complexity.

	2022				
	Scenario - Market Price				
	I Probable	II 1%	III 5%	IV -1%	V-5%
Biological Assets (15)	136,242	1,362	6,812	(1,362)	(6,812)

2021				
Scenario - Market Price				
I Probable	II 1%	III 5%	IV -1%	V-5%

Biological Assets	108,542	1,085	5,427	(1,085)	(5,427)

	2022				
	Scenario - Discount Rate				
	I Probable	**II 1%**	**III 5%**	**IV -1%**	**V-5%**
Biological Assets (15)	136,242	137	143	(134)	(128)

	2021				
	Scenario - Discount Rate				
	I Probable	**II 1%**	**III 5%**	**IV -1%**	**V-5%**
Biological Assets	108,542	(51)	(252)	51	256

Fair value

h.1 Fair value versus amortized cost

For all the operations, except for loans and financing, the Management considers that the fair value is equivalent to the amortized cost, due to the fact that, for these operations, the amortized cost reflects the settlement value on the same date.

As concerns the loans and borrowings transactions that the Company has with related parties (mutual loans), IFC and IDB, it can be noted that the average of rates, the respective transactions of which are indexed, are substantially lower than the market rates. Therefore, if any criterion to measure the fair value were to be applied, such as, for instance, future cash flows deducted at the present value, by a risk-free rate, the Management understands that this amount would not reflect a better payment estimate or that the difference is irrelevant, so that the accounting balance already reflects the best estimate. In this way, the Management understands that the amounts recognized in the books reflected the effective indebtedness in the event of any settlement on that date.

The fair value, including the exchange and interest hedge instruments, was determined as follows:

- The fair value of cash and bank balances are identical to the accounting balances.
- Financial investments in Bank Deposit Certificates (CDBs) and similar instruments have daily liquidity with repurchase at "paper curve" and, therefore, the Company understands that their fair value is the same as their carrying amount.
- Loans were calculated by projecting cash flows up to transaction maturities using future rates obtained from public sources (e.g.: B3 Bolsa Brasil Balcão and Bloomberg) added by the contractual spreads contratual brought to present value by the “Risk free" rate, as they are dollar operations.

The comparison between the amortized cost and the fair value of loans is demonstrated below:

	2022		**2021**	
	Fair Value	**Amortized cost**	**Fair Value**	**Amortized cost**
Assets				
Cash and cash equivalents	38,812	38,812	52,828	52,828
Financial investments	4,744	4,744	32,779	32,779
Derivative financial instruments	40,029	40,029	64	64
Trade receivables	18,640	18,640	2,477	2,477
Other Assets	6,273	6,273	2,451	2,451
	108,498	**108,498**	**90,599**	**90,599**
Liabilities				
Suppliers	50,940	50,940	67,936	67,936
Borrowings	1,504,817	1,095,238	1,009,233	839,187
Loans	2,422	2,385	18,925	16,715
Derivative financial instruments	1,714	1,714	11,850	11,850
Financial Lease	185,398	54,139	160,210	48,613
Other Liabilities	13,258	13,258	9,901	9,901
	1,758,549	**1.217.674**	**1,278,055**	**994,202**

i. Fair value hierarchy

The financial instruments recognized at fair value in the statement of financial position are classified according to the following levels:

- **Level 1:** Quoted prices (not adjusted) in active markets for identical assets and liabilities;
- **Level 2:** inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly (prices) or indirectly (price derivatives). and
- **Level 3 -** Inputs for an asset or liability that are not based on observable market data (non-observable inputs).

j. Profit or loss related to financial instruments

The amounts of the profits (losses) regarding the transactions of derivative financial instruments transactions recorded in years ended December 31, 2022 and 2021 which affected the Company's statement of comprehensive profit or loss are demonstrated in the chart below:

	2022	**2021**
Loss	(1,714)	(11,850)
Gain	40,029	64
	38,315	**(11,786)**

k. Hedge accounting

The objective of the transaction with the Company's derivative instruments is to protect its Statement of Financial Position against the exchange rate volatility and it has no speculative purpose. Some transactions with financial instruments of the Company are in accordance with the conditions required to qualify as "Hedge Accounting" described in CPC 48.

On December 31, 2022, the Company has recorded in the equity results arising from derivatives transactions as cash flow hedge. This hedge relation is intended to mitigate the fixed cost between January and December 2022, the hedge instrument was purchased by the treasuries of the shareholding members, as per the hedge policy, considering that the counterparties in these transactions are not included in the list of related parties.

The result recognized in the referring equity hedge Accounting was USD 24,661 (loss), of which USD 38,315 (gain) from NDFs and USD 13,653 (loss) from Cash and Cash Equivalents.

Hedge strategies

To protect its operation, the Company uses the cash flow hedge strategy, as the objective of the Company is to protect the operating costs incurred in the construction of the cellulose factory in Brazil (CAPEX). Since the Company has the Dollar as functional currency, a risk is identified due to purchases made in foreign currency, among which the Real prevails. The Company is exposed to the foreign exchange risk in these operations and the primary objective of the hedge strategy is to reduce this exposure risk.

All hedge strategy is determined by the Lenzing Group to cover risks. The Company uses derivative financial instruments (NDF), as well as maintains in cash amounts in reals for purchasing materials.

The Company designates hedge relations in which the hedge subject consists of payments and/or receivables in foreign currency (Real) of purchase agreements, and as hedge instruments the derivative financial instruments (NDF) and maintenance of cash in foreign currency (Real).

The hedge objectives are linked to its instruments, between the start date and the date of closing of each NDF derivative financial instrument. For those cases in which there is a mismatch between the date of disbursements and/or receipts it is possible that there are subsequent extensions of the hedge instruments (NDF), which are also allocated for the hedge strategy.

Financial instruments designated as hedge instruments and their fair values on the date of the financial statements:

Derivatives		**Counterpart**	**2022**	**2021**
NDF (Hedge Accounting)	Gain	Itaú	0	64
		BNP Paribas	(123)	-
NDF (Hedge Accounting)	Loss	Itaú	(1.590)	(8.957)
		Santander	-	(690)
		Itaú	13.061	-
SWAP	Gain	Santander	13.765	-
		Goldman Sachs	13.203	-
		Itaú	-	(867)
SWAP	Loss	Santander	-	(599)
		Goldman Sachs	-	(737)

Periods in which it is expected that the cash flow will occur and when it is expected that they are capitalized in the assets

All items in the statement of financial position subject to the variation of exchange rates and/or interest rates represent fair value exposures. All gains and losses of fair value exposures are immediately recognized in the Company's profit or loss.

All projected cash flows (hedge accounting) are not recognized in the Company's profit of loss.. They are recognized in the equity until they are settled, and when settled, they will be capitalized in the operating cost, during the stage of construction of the cellulose factory. Therefore, the corresponding hedge instruments should not be recognized in profit or loss and should not be capitalized prior to the settlement of the hedged item and as a result of the correspoding hedge relation.

The following is a future cash flow projection and the schedule of maturity of the NDFs outstanding on December 31, 2022.

Hedge Object					**Hedge Instrument**		
Período	**Budget BRL**	**Budget USD**	**% Hedge**	**Budget Hedge USD**	**Início**	**Vencimento**	**NDF**
jan/23	66.578	12.760	66%	44.167	jun/22	fev/23	44.167
fev/23	41.704	7.993	65%	26.970	jun/22	mar/23	26.970
mar/23	43.960	8.425	66%	29.000	ago/22	abr/23	29.000
abr/23	50.214	9.624	51%	25.800	set/22	mai/23	25.800
mai/23	51.135	9.800	41%	21.000	out/22	jun/23	21.000
jun/23	50.705	9.718	32%	16.400	nov/22	jul/23	16.400
jul/23	49.622	9.510	22%	10.900	dez/22	ago/23	10.900
ago/23	52.110	9.987	11%	5.700	dez/22	set/23	5.700
	406.028	**77.817**		**179.937**			**179.937**

27 Subsequent events

On February 13, 2023, the Company received another disbursement regarding the Finnvera long-term financing agreements, in the amount of USD 5,405. The conditions, rates, and deadlines are the same disclosed in note No. 18.

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Luiz Antônio Kunzel
Chief Execitive Officer

João Batista Cardoso Sevilha
Chief Financial Officer

Angela Maria Menezes de Resende Oliveira
Accountant CRC MG-062398/O-4