Floresteca S.A.

1Q2020 Results Summary for Stakeholders

April 2020

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Note on Change in Report Format

- In response to comments and suggestions from stakeholders, FSA has changed the format of the quarterly Management Reports, which will now com in a PowerPoint format like this report.

- The focus is now more clearly on the harvesting activities and project results and their drivers.

- FSA will continue to produce an annual report in a format similar to what has been produced in recent years, although with much greater focus on as is the case in the new quarterly format.

- It bears emphasizing that all of the information and tables shown in the old report will continue to be available and provided as requested.

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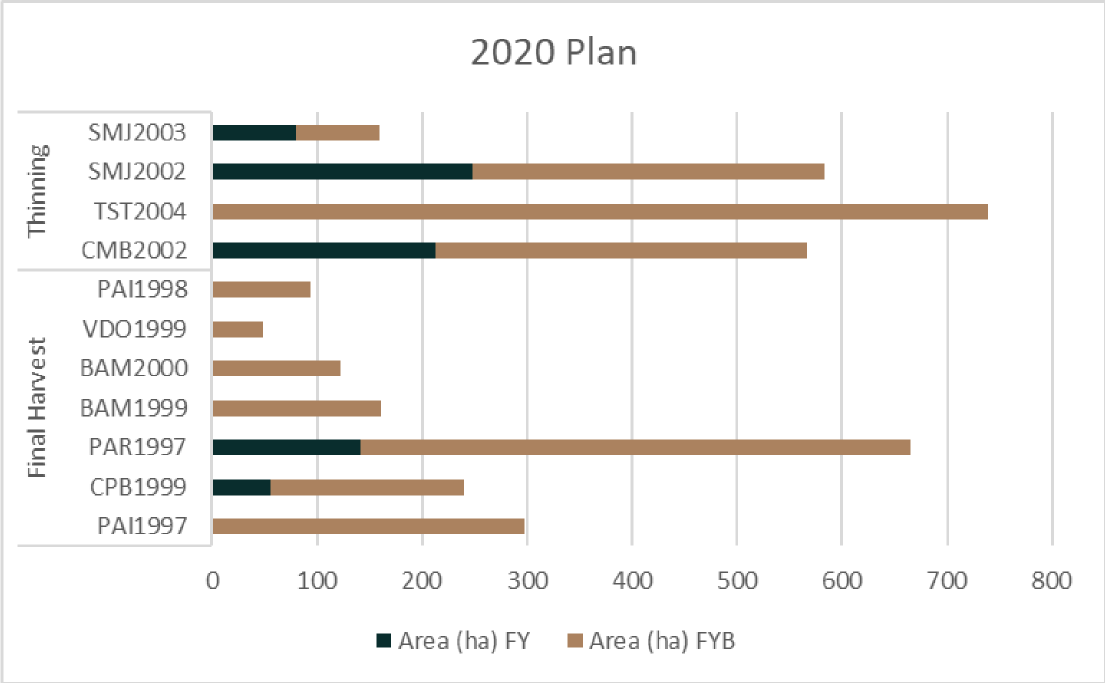
Agenda

1. Harvesting Operations by Farm & Project Year
2. Yields
3. Log Sales and Prices
4. Market Update
5. Project Results to Date
6. Legal and Compliance Update
7. Outlook on Upcoming Quarters

Harvest Operations by Farm

Table 4.1 Area Changes in the YTD

Project	Planting Year	Initial Area (ha) - End of 4Q 2019	Harvested Area (ha)	Current Area (ha) - End of 1Q 2020
Paiolandia	1997	297.92		297.92
Paraíso	1997	555.05	14.1	540.95
São José da Canastra	1998	28.08	28.08	0.00
Paiolandia	1998	93.95		93.95
Bambu	1999	549.07		549.07
Capim Branco	1999	507.87	70.55	437.32
Serra das Araras	1999	105.01		105.01
Vale Dourado	1999	48.59		48.59
Bambu	2000	513.83		513.83
Duas Lagoas	2000	1,527.51		1,527.51
Duas Lagoas	2001	1,764.34		1,764.34
São Miguel	2001	97.52		97.52
Barranquinho	2002	970.2		970.2
Cacimba	2002	571.08		571.08
Duas Lagoas	2002	48.41		48.41
São Miguel	2002	5.71		5.71
Santa Maria do Jauru	2002	1,085.18		1,085.18
Barranquinho	2003	12.95		12.95
Cacimba	2003	10.19		10.19
Santa Maria do Jauru	2003	207.87		207.87
Santa Fé	2003	2,562.71		2,562.71
Barranquinho	2004	1,021.00		1,021.00
Terra Santa	2004	1,143.17		1,143.17
Duas Lagoas	2005	207.67		207.67
Duas Lagoas	2006	233.88		233.88
Mutum	2007	539.18		539.18
São José	2007	301.3		301.3
Santa Maria do Jauru I	2008	99.87		99.87
Total		**15,109.11**	**112.73**	**14,996.38**



- In the YTD, 113 hectares have been finalized (PAR 97, CAN 98, CPB 99).
- On the next slide we comment the harvesting operations in the year to date.

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Harvest Yields & Sales Summary

Sales volume (m³) YTD 2020 Actual and Budget

	January	February	March	Total
BAR2002				
Budget	0	0	0	0
YTD	28	0	0	28
BAR2004				
Budget	0	0	0	0
YTD	24	0	0	24
CAN1998				
Budget	0	0	0	0
YTD	73	0	0	73
CMB2002				
Budget	1,700	1,700	1,800	5,200
YTD	799	1,154	1,261	3,215
CPB1999				
Budget	1,000	1,000	1,000	3,001
YTD	3,054	3,281	2,746	9,080
MUT2007				
Budget	0	0	0	0
YTD	1,137	0	0	1,137
PAI1997				
Budget	2,000	2,000	2,399	6,399
YTD	0	0	0	0
PAR1997				
Budget	2,022	2,022	2,022	6,067
YTD	841	2,289	509	3,639
SJT1998				
Budget	0	0	0	0
YTD	49	0	24	73
SMJ2002				
Budget	2,400	2,400	2,700	7,500
YTD	349	0	1,686	2,035
SMJ2003				
Budget	0	0	0	0
YTD	398	1,437	439	2,274
Total Volume				
Budget	9,122	9,123	9,921	28,166
YTD	6,752	8,160	6,666	21,578

- Harvest Team started final harvest at PAR1997 in January. PAR harvesting was suspended, however in March by court order (see the Compliance & Legal Section)
- PAI1997 final harvests were again postponed due to lingering issues with the landowners;
- CAN1998 and SJT1998 operations were finalized during 1Q2020
- MUT2007 sales in January came from harvested volume from late 2019.
- Almost half of the total volume sold during 1Q came from CPB1999 (42%), whose schedule was brought forward with the stoppage and delay on PAR and PAI.

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Yields - Final Harvests

Table: Log sales final harvest, 2020 YTD volume vs Budget FY

2019 Plan Project	Area (ha) YTD	Area (ha) FYB	Site Class	DBH	BA	Production yield (m³/ha) YTD	Production yield (m³/ha) FYB	Trees Removed (Trees/ha) YTD	Trees Removed (Trees/ha) FYB
CPB1999	121.3	121.3	S1	35.3	10.3	95.2	97.6	147	147
CPB1999	27.4	27.4	S2	31.4	9.2	46.4	56.8	120	120
CAN1998	44.6	44.6	S1	33.2	11.6	79.5	84.5	131	131
SJT1998	26.8	12.1	S1	33.7	13.9	116.8	101.5	144	160
TOTAL	**220.0**	**205.3**	-	-	-	**88.6**	**89.5**	**140**	**141**

2020 Plan Project	Area (ha) YTD	Area (ha) FYB	Site Class	DBH	BA	Production yield (m³/ha) YTD	Production yield (m³/ha) FYB	Trees Removed (Trees/ha) YTD	Trees Removed (Trees/ha) FYB
PAI1997	0.0	153.1	S1	33.4	15	0.0	99.7	0	171
PAI1997	0.0	29.5	S2	30.1	10.1	0.0	59.3	0	140
PAI1997	0.0	115.3	S3	21	8.5	0.0	26.5	0	265
CPB1999	53.6	171.8	S1	35.2	10.5	25.1	74.4	108	108
CPB1999	1.6	13.6	S2	30.8	9	30.8	54.6	108	121
PAR1997	10.8	88.5	S2	24.2	12.9	97.6	46.2	276	275
PAR1997	130.8	435.6	S3	21.4	9.9	19.8	23.1	272	270
BAM1999	0.0	161.3	S3	19.7	11.1	0.0	17.8	0	358
BAM2000	0.0	16.6	S1	30.7	17.8	0.0	101.3	0	237
BAM2000	0.0	106.3	S2	25.7	14.2	0.0	56.6	0	272
VDO1999	0.0	48.6	S1	34.1	13.9	0.0	103	0	152
PAI1998	0.0	48.1	S1	33	13	0.0	87.1	0	150
PAI1998	0.0	45.9	S2	27.7	10.5	0.0	55	0	173
TOTAL	**196.8**	**1,434.0**	-	-	-	**25.6**	**48.8**	**226**	**234**
%	**14%**	**100%**	-	-	-	**52%**	**100%**	**96%**	**100%**

- *First table = 2019 budget stands. Total values (volume, área and trees) planned and realized until the first quarter of 2020.*
- *Second table = 2020 budget stands. Total values (volume, area and trees) planned and realized until the first quarter of 2020.*
- *Site class, DBH and BA are provided to the budgeted stands.*

- In Canastra and São Judas Tadeu, operations were finalized. Results obtained from CAN98 were 6% lower than budgeted (79.5 m³/ha actual vs 84.5 m³/ha planned). In SJT98, budget called for only a partial harvesting in 2019, but whole project was harvested within the year (12.06 ha vs 26.76 ha). Yields per hectare were 16% higher, as neighboring unmanaged stands were cut and ended up contributing with extra volume.

- In Capim Branco, final harvest started in 2019 and some stands considered to that year are not closed yet. In the 2020 production (1,394 m³) little volume has been sold and no stands were closed to date, so no conclusions can be made about their yields;

- In Paraíso, final harvest started in January and produced 3,639 m³, however due to legal issues the operations were interrupted.

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Yields - Thinning

Table: Log sales thinning, 2020 YTD volume vs Budget FY

2019 Plan Project	Area (ha) YTD	FYB	Site Class	DBH	BA	Production yield (m³/ha) YTD	FYB	Trees Removed (Trees/ha) YTD	FYB
CMB2002	38.7	44.7	S1	33.0	17.3	21.3	32.6	73	73
SMJ2002	55.5	55.5	S2	28.6	14.0	4.5	21.9	86	86
SMJ2003	97.4	97.4	S1	30.8	16.2	11.7	28.6	85	37
MUT2007	71.1	71.1	S1	29.0	17.1	25.4	29.3	89	89
BAR2002	88.0	88.0	S1	28.4	18.5	16.0	12.3	59	53
BAR2002	326.2	326.2	S2	23.8	14.8	13.8	8.2	106	91
BAR2003	10.4	10.4	S1	28.7	23.7	27.2	33.6	130	102
BAR2004	226.0	226.0	S1	24.3	17.4	22.0	20.7	133	143
BAR2004	79.8	79.8	S2	21.3	18.1	22.5	20.5	299	273
TOTAL	**576.8**	**582.8**	-	-	-	**18.1**	**22.8**	**100**	**94**

2020 Plan Project	Area (ha) YTD	FYB	Site Class	DBH	BA	Production yield (m³/ha) YTD	FYB	Trees Removed (Trees/ha) YTD	FYB
CMB2002	147.6	256.3	S1	32.2	16.1	13.0	28.0	71	70
CMB2002	64.6	98.5	S2	30.7	14.5	7.2	22.3	70	70
TST2004	0.0	738.3	S1	31.7	16.0	0.0	20.3	0	53
TST2004	0.0	0.3	S2	19.8	17.6	0.0	17.7	0	44
SMJ2002	160.4	247.7	S1	29.5	14.5	9.9	23.2	79	81
SMJ2002	87.8	87.8	S2	28.1	14.4	2.2	21.4	107	107
SMJ2003	79.6	79.6	S1	32.2	17.0	14.2	31.5	78	78
TOTAL	**540.1**	**1,508.6**	-	-	-	**9.8**	**22.9**	**80**	**66**
%	**36%**	**100%**	-	-	-	**43%**	**100%**	**121%**	**100%**

- *First table = 2019 budget stands. Total values (volume, área and trees) planned and realized until the first quarter of 2020.*
- *Second table = 2020 budget stands. Total values (volume, area and trees) planned and realized until the first quarter of 2020.*
- *Site class, DBH and BA are provided to the budgeted stands.*

- Finalized operations: Mutum 2007 (-15%, 25.4 m³/ha actual vs 29.3 m³/ha planned) and Barranquinho 2002, 2003 and 2004 (+20%, 17.8 m³/ha actual vs 14.3 m³/ha planned). Growth was overestimated in planning for the two stands of MUT (015 and 016). In BAR, we considered a target stocking of 238 trees per hectare in planning, but the real target was 222.

- In Cacimba, thinning started in December and is still occurring. In 2019, the 002 stand was thinned and resulted in 21.3 m³/ha vs 32.6 m³/ha. We expect lower volumes coming from this project, since areas from LUD have not been thinned and based on the closed stands volumes. Our estimates were done based on 2018 forest inventory and new data from Pre-thinning inventory has shown that the disease percentage is higher in some stands. Our estimates did not consider any losses on infected trees.
- In Santa Maria do Jauru, thinning is still ongoing. As in CMB, we expect lower volume coming from this operation, based on the closed stands volumes. The disease percentage seems to be higher in some stands and our estimates did not consider any losses on infected trees.

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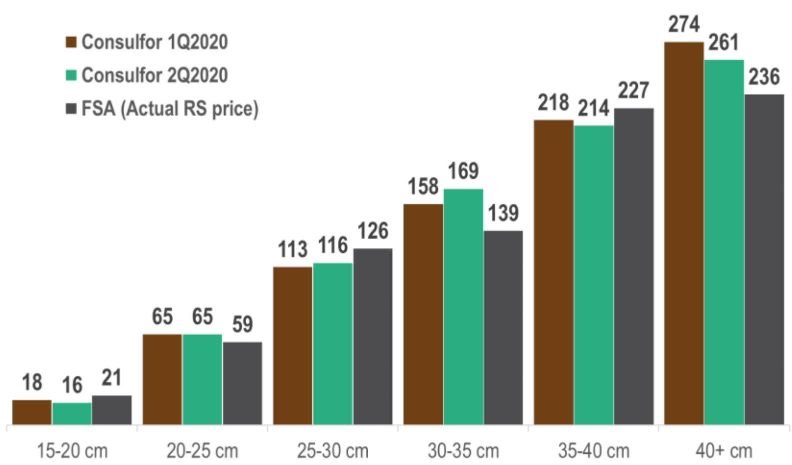
Log Sales & Prices

Table Roadside Prices Comparison 2020 YTD

	Volume (m³)		Value USD		RS Price (USD/m³)		Diameter Point	
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
15-20 cm	3,192	3,404	62,677	72,813	19.63	21.39	18.94	18.01
20-25 cm	13,350	8,737	708,768	518,857	53.09	59.39	22.73	22.99
25-30 cm	5,361	3,562	433,919	449,725	80.95	126.26	27.06	27.82
30-35 cm	4,567	2,735	619,754	379,836	135.71	138.89	31.44	32.42
35-40 cm	1,349	2,459	277,976	557,377	206.04	226.69	38.02	37.68
40+ cm	347	683	102,918	161,327	296.37	236.37	45.70	41.27
Total	**28,166**	**21,578**	**2,206,012**	**2,139,935**	**78.32**	**99.17**	**28.94**	**26.82**

- Overall average roadside prices YTD of $89.51 / m3, vs USD 78.32 / m3 in the budget, due to the better mix of logs.

Table Floresteca S.A (YTD) VS Consufor roadside prices (USD/M³)



- FSA normally sells to TRC at the roadside, based the most recent Consufor survey prices; The most recent survey was done in March 2020.
- With the closing of the Indian market due to the Covid-19 pandemic, it is important to emphasize that the pricing shown in the Consufor report for 2Q2020 is not reflective of the current market, since all trading has ceased – see the next slide for additional information; The following 2 bullets address the difference in prices for 1Q2020 sales.
- Consufor prices for the middle diameter classes have increased while the lower and higher classes have fallen, as can be seen below;
- Note that the FSA prices are similar to or above the Consufor prices for most of the grades considered, with the exception of the 30-35 cm and 40+ cm diameter logs. The new pricing criteria taking into consideration the quality aspects of the logs (channels and other defects) results in using the lower end of the survey price range, based on the market discount applied to such logs vs non-channel logs of the same grade.

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Log Sales & Prices

Table Roadside Revenues Final Harvesting Projects YTD 2020

Project / Year	Value USD
CAN1998	16,380
CPB1999	1,403,873
PAR1997	119,237
SJT1998	13,281
Total	**1,552,771**

- Revenues originally accrued in BRL converted to USD using the budgeted fx rate of 3.82.

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Market Update (from Consufor Report of March 2020)

5. SUMMARY OF KEY MARKET FACTS

It is important to mention that for this quarter, the prices and volumes presented here represent a POTENTIAL market, based on the expectations of the participants, since no negotiations have been carried out in recent weeks due to the global pandemic that affects the world, and especially India, the main Brazilian teak market. According to information provided by the survey participants and the media, some main factors are affecting the teak log negotiations:

- The advance of the new coronavirus epidemic around the world has caused shake-ups in global markets and has raised the concerns of investors and governments about the impact of the spread of the virus on global supply chains, corporate profits and the growth of the global economy.

- India is now facing one of its greatest crisis in history. There is a 21-day lockdown to enforce self-distancing to prevent the spread of COVID-19 and flatten its growth curve.

- All sawmills in India, importers, wholesalers, retailers, pallet and wooden packaging manufacturers are closed during the lockdown period.

- Most companies in the Indian wood industry reported that the epidemic had a great impact on their production, and their operations were almost stopped. Moreover, port operations are also closed, many Indian importers are expressing their concern about their arriving containers, which can't get custom clearance as no custom agent is working at the moment.

- Furthermore, the hike in ocean freight costs has made imports unaffordable to many importers, amplified by a devaluation of the Indian rupee against the US dollar and euro.

SOURCE: CONSUFOR

Project Results to Date

Harvest Report Amounts Paid and Provisions (in USD):

2016 HR	7,841,879
2017 HR	5,645,549
2018 HR	1,977,316
2019 HR	6,103,896
Total	**21,568,640**
Paid	**-9,315,263**
Outstanding	**12,253,377**

- The outstanding Harvest Report paid amounts and provisions are shown in the figure below. The outstanding value is unchanged since the last Quarterly Report.
- The estimated HR 2020 amounts for the projects being finalized are not yet available, but estimates will be shown in the 2Q2019 Management Report.

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Outlook on Upcoming Quarters

- Impact of Covid19 pandemic
- Indian market is locked down; recovery scenario is uncertain; other markets depend on the depth of the upcoming recession in Europe & the US
- 2Q2020 Cost Containment and greatly reduced harvesting;
- FSA believes resuming harvesting more fully will only be able to occur in after 3Q2020;
- The Management Plan as it stands is not a useful reference. FSA management is preparing a revised plan for consideration for the remainder of 2020 and into 2021;
- Legal issues continue to hamper operations (Paraiso, Bambu, Terra Santa) and Paiolandia, even if the market restrictions ease. The planning will take these legal constraints into account.
- Legal issues brought to FSA and several other third parties by the Dutch association Vereniging Teak participanten (VTP) are imposing substantial legal costs on FSA, and imposing liabilities on unrelated third parties.

Legal and Compliance Update

PARAISO, TERRA SANTA, AND BAMBU IV FARMS - OVERVIEW

The three farms have land use deals (“LUDs”, also “Usufruct Agreements”) with the same land owners, Mr. Antonio Frigieri Filho, and his wife Jacqueline da Costa Marque Frigeiri (‘Landowners”). Under these LUD agreements, in all three farms, the Landowners receive a percentage of the wood, or the proceeds from the sale of the wood, following the final harvest. The precise terms and the percentage of the wood differ in each agreement. For each farm, the Landowners received some advance payments for the final harvest proceeds under the agreements where these advances will be deducted from the actual final proceeds. It bears stating that the likely amounts to be received by the Landowners for the 3 farms are at present less than the advance payments, and at best will largely reduce the net amounts payable to them. It bears noting that Mr. Frigieri and his wife are the only LUD partners with whom Floresteca has any pending litigation, of a total of 22 outstanding LUD farm agreements.

- **Paraiso Farm –** As indicated earlier in the report, final harvests began at Paraiso Farm (PAR 1997) in January, but was interrupted by the courts verdict in this specific case. The State Court ruled that the usufruct agreement be terminated, with the land reverting to the landowner, however the ruling was silent on the timber on the property. The court did however uphold that the landowner owes FSA for past advances. The landowner has since made contacts requesting that FSA return to finalize the harvests and

- **Terra Santa and Bambu IV Farms**; There has been no material updated on these separate cases, however our legal advisors believe that decision in the case of Paraíso may have some future bearing on the outcome of these cases.

VTP – We were informed that VTP – The Dutch stakeholder group Vereniging Teak Participaten (VTP) filed a claim on February 27th in city of Cuiabá, State of Mato Grosso before the 7th civil court, demanding (among other measures) the indemnification of a minority of holders of certificates of beneficial interests – CBI – issued in the Netherlands by ATF and GOOD WOOD. The proceedings are not yet public, FSA became aware of their existence via a preliminary injunction, which mandated the freezing any changes in the legal structure all the defendants. On April 23rd, 2020, a favorable decision on to lift the injunction was given by State Court and a final decision is expected before the end of June. In the main proceedings a first hearing is scheduled for August 2020. We have also been informed that FBV has retained lawyers in the Netherlands who are taking actions against VTP

TRUCKING COMPANY ALLEGATIONS - No new updates this quarter. Please see the 2019 Annual report for background details.

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Obrigado / Thank You!

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