



Floresteca S.A.

3Q 2021 Results Summary

October 2021



Floresteca

Agenda

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Final Harvest Operations by Farm

The table on the right presents FSA projects initial area (ha), based on the end of 2Q2021, the harvested area (where all the volume has been removed by the end of 3Q 2021), and the currently standing area.

In total during this last quarter, 347.11 hectares have been finalized (DLG 2000 and 2001).

Together with the 772.10 ha finished in the first semester, in the year to date, 1,020.73 ha were harvested.

Table: Area Changes 3Q 2021

Project	Planting Year	Initial Area (ha) - End of 2Q 2021	Harvested Area (ha)	Current Area (ha) - End of 3Q 2021
Paiolandia	1997	281.17	0.00	281.17
Paraiso	1997	0.00	0.00	0.00
Paiolandia	1998	93.89	0.00	93.89
Bambu	1999	549.07	0.00	549.07
Capim Branco	1999	59.15	0.00	59.15
Serra das Araras	1999	104.96	0.00	104.96
Vale Dourado	1999	46.56	0.00	46.56
Bambu	2000	513.83	0.00	513.83
Duas Lagoas	2000	1,412.56	302.29	1,110.27
Duas Lagoas	2001	1,688.29	44.82	1,643.47
São Miguel	2001	97.52	0.00	97.52
Barranquinho	2002	960.13	0.00	960.13
Cacimba	2002	565.75	0.00	565.75
Duas Lagoas	2002	48.41	0.00	48.41
São Miguel	2002	5.71	0.00	5.71
Santa Maria do Jauru	2002	1,059.97	0.00	1,059.97
Barranquinho	2003	12.78	0.00	12.78
Cacimba	2003	10.19	0.00	10.19
Santa Maria do Jauru	2003	206.72	0.00	206.72
Santa Fé	2003	2,550.47	0.00	2,550.47
Barranquinho	2004	1,002.89	0.00	1,002.89
Terra Santa	2004	1,127.44	0.00	1,127.44
Duas Lagoas	2005	202.93	0.00	202.93
Duas Lagoas	2006	215.84	0.00	215.84
Mutum	2007	511.32	0.00	511.32
São José	2007	301.22	0.00	301.22
Santa Maria do Jauru II	2008	94.42	0.00	94.42
Total		13,723.19	347.11	13,376.08

Harvest Operations by Farm

This graph shows the 2021 budgeted areas (FYB - brown color) and areas where sales have already started (green color). Here, operations may still be ongoing and also include thinnings.

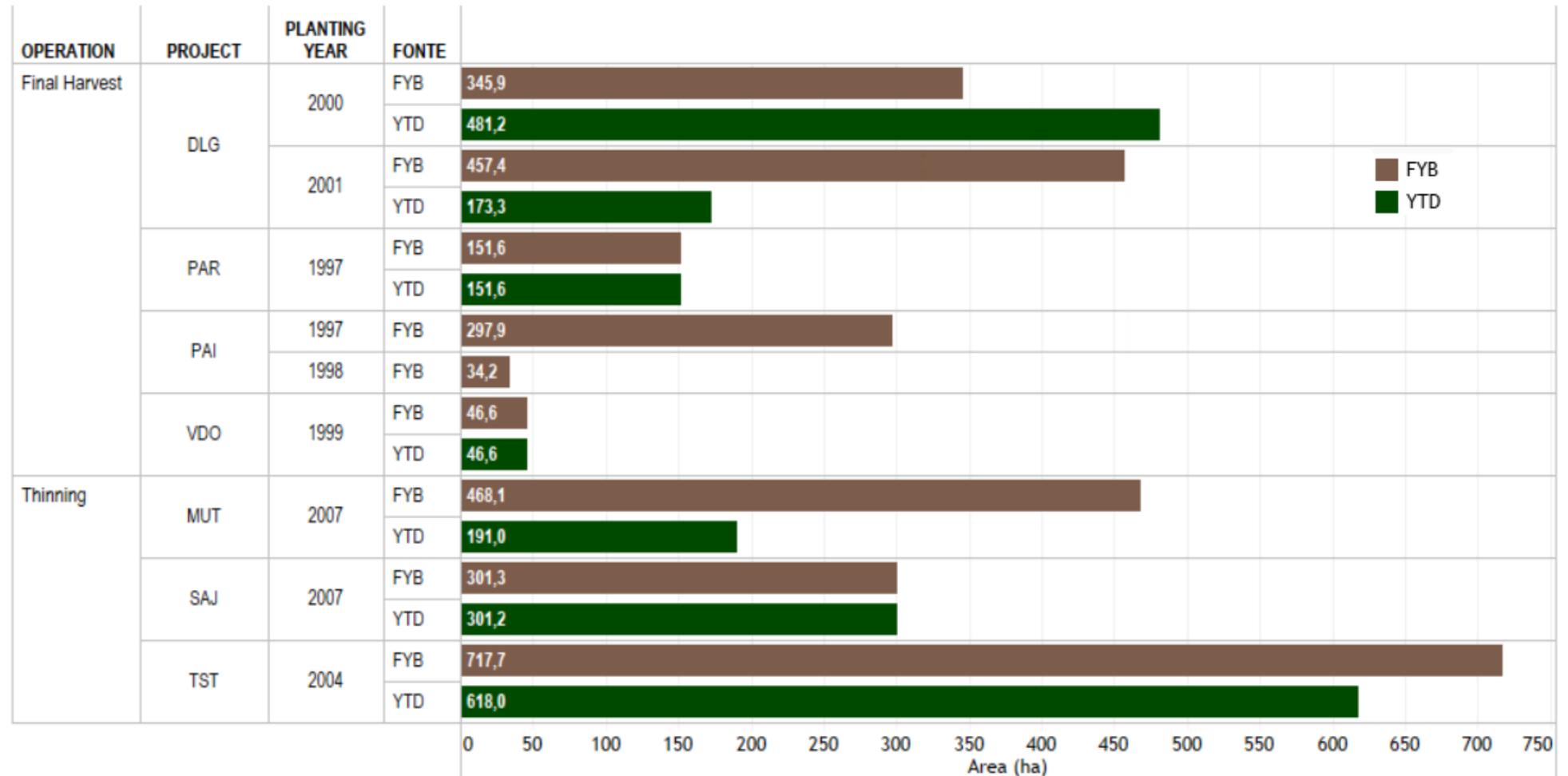
Harvest areas in Duas Lagoas (DLG) 2000 are going above budget to compensate for the impossibility of starting Paiolandia (PAI).

Paraíso (PAR) was harvested according to plan.

São José (SAJ) thinning was finished in the 2Q.

Mutum (MUT) thinning has started but was temporarily stopped in July to prioritize the thinning in Terra Santa (TST), where we need to work in the dry season. Mutum will be resumed in the 4Q 2020.

In Terra Santa (TST), it won't be able to finish the planned area because the rain started sooner this year in Mato Grosso. And, in this farm, it is very hard to operate inside the stands over wet soils.



Sales Summary – Year to date

	January	February	March	April	May	June	July	August	September	Total
CPB1999										
Budget	0	0	0	0	0	0	0	0	0	0
YTD	244	66	0	24	24	0	0	0	0	358
DLG2000										
Budget	3.500	3.000	3.500	4.000	4.500	0	0	0	0	18.500
YTD	2.552	3.645	5.276	4.961	2.776	1.611	2.782	1.894	1.715	27.210
DLG2001										
Budget	0	0	0	0	0	0	0	2.348	2.348	4.697
YTD	0	0	0	112	1.516	953	509	723	308	4.121
MUT2007										
Budget	0	0	2.017	2.017	2.017	0	0	0	0	6.051
YTD	0	0	0	0	647	1.646	379	0	0	2.671
PAI1997										
Budget	0	0	0	0	0	0	4.071	5.000	4.000	13.071
YTD	0	0	0	0	0	0	0	0	0	0
PAI1998										
Budget	0	0	0	0	0	0	0	0	0	0
YTD	0	0	0	0	0	0	0	0	0	0
PAR1997										
Budget	2.152	2.152	0	0	0	0	0	0	0	4.304
YTD	2.692	1.872	2.488	1.245	207	0	0	0	3	8.508
SAJ2007										
Budget	0	2.936	2.936	2.936	0	0	0	0	0	8.807
YTD	0	732	1.322	3.207	2.506	674	509	0	0	8.950
SER1999										
Budget	0	0	0	0	0	0	0	0	0	0
YTD	0	0	0	0	0	0	0	1.310	3.604	4.914
TST2004										
Budget	0	0	0	0	0	0	0	2.500	4.500	6.999
YTD	0	0	0	0	0	0	0	656	2.354	3.010
VDO1999										
Budget	0	0	0	0	0	4.500	671	0	0	5.171
YTD	0	0	0	0	0	0	0	0	101	101
Total Volume										
Budget	5.652	8.088	8.452	8.952	6.517	4.500	4.742	9.848	10.848	67.599
YTD	5.487	6.315	9.086	9.548	7.676	4.883	4.179	4.583	8.085	59.844

After a consistent first semester, the 3Q was very challenging for the Teak market in Mato Grosso. As a result of a global container supply crisis, stocks were dammed at the farm and to avoid risks of losing production, operations were slowed down.

From the 25.2 K m³ expected for the quarter, only 16.8 K m³ were sold.

There were 2 separate harvesting crews working, one in DLG and SER; and another in MUT and TST.

Sales Summary – Year end estimate

	January	February	March	April	May	June	July	August	September	October	November	December	Total
CPB1999													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	244	66	0	24	24	0	0	0	0	0	2.700	0	3.058
DLG2000													
Budget	3.500	3.000	3.500	4.000	4.500	0	0	0	0	0	3.556	3.000	25.056
YTD	2.552	3.645	5.276	4.961	2.776	1.611	2.782	1.894	1.715	0	0	3.000	30.210
DLG2001													
Budget	0	0	0	0	0	0	0	2.348	2.348	2.348	2.348	2.348	11.741
YTD	0	0	0	112	1.516	953	509	723	308				4.121
MUT2007													
Budget	0	0	2.017	2.017	2.017	0	0	0	0	0	0	0	6.051
YTD	0	0	0	0	647	1.646	379	0	0	0	0	2.100	4.771
PAI1997													
Budget	0	0	0	0	0	0	4.071	5.000	4.000	4.500	3.157	0	20.728
YTD	0	0	0	0	0	0	0	0	0				0
PAI1998													
Budget	0	0	0	0	0	0	0	0	0	0	343	3.000	3.343
YTD	0	0	0	0	0	0	0	0	0				0
PAR1997													
Budget	2.152	2.152	0	0	0	0	0	0	0	0	0	0	4.304
YTD	2.692	1.872	2.488	1.245	207	0	0	0	3	0	0	0	8.508
SAJ2007													
Budget	0	2.936	2.936	2.936	0	0	0	0	0	0	0	0	8.807
YTD	0	732	1.322	3.207	2.506	674	509	0	0	0	0	0	8.950
SER1999													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	0	0	0	0	0	0	0	1.310	3.604	2.844	0	0	7.758
TST2004													
Budget	0	0	0	0	0	0	0	2.500	4.500	2.943	0	0	9.942
YTD	0	0	0	0	0	0	0	656	2.354	3.478	2.000	0	8.488
VDO1999													
Budget	0	0	0	0	0	4.500	671	0	0	0	0	0	5.171
YTD	0	0	0	0	0	0	0	0	101	1.200	3.869	0	5.170
Total Volume													
Budget	5.652	8.088	8.452	8.952	6.517	4.500	4.742	9.848	10.848	9.791	9.404	8.348	95.142
YTD	5.487	6.315	9.086	9.548	7.676	4.883	4.179	4.583	8.085	7.522	8.569	5.100	81.035

For the last quarter of 2021, situation for export logs is expected to remain difficult, causing our current forecast to be 6.3 K m³ lower than budget.

In TST, there was still a small leftover from the planned area to be felled in October, but still a significant stock inside the farm to be sold.

Final harvest will be concluded in SER, VDO and CPB and then operation will return to DLG.

Thinning will be resumed in MUT in December. It had been postponed to the end of the year because TRC did not have capacity to harvest TST2004 and MUT2007 at the same time and TST was a priority to be finished in the dry season (until October).

At the time of writing this report, there is a legal injunction coming from the VTP court case, forcing FSA to stop all final harvesting until an expert appointed by the judge can perform an investigation to provide information to the court. FSA is trying to revert this decision, but in case it is not successful, the plan contained here and that bases this report cannot be executed.

Yields - Final Harvests

Table: Log sales final harvest, stands planned for 2021 budget

PROJECT	PLANTING YEAR	Site Class	DBH (cm)	AB (m ² /ha)	AREA (ha)		VOL (m ³ /ha)		REMOVED (TPH)	
					FYB	YTD	FYB	YTD	FYB	YTD
DLG	2000	S1	35,2	14,3	188,2	188,2	87,6	77,3	152	152
	2001	S1	35,6	13,7	44,8	44,8	85,2	68,2	126	126
PAR	1997	S2	24,7	13,1	93,5	93,5	46,6	47,2	275	275
		S3	21,6	10,3	461,6	461,6	22,2	28,7	270	270
Total			25,1	11,7	788,1	788,1	44,3	44,7	234	234

- Table = 2021 budget stands. Total values (volume, area and trees) planned and performed until end 3Q of 2021.
- DBH and BA are the last measured data.

Table: Log sales final harvest, stands unplanned for 2021 budget

PROJECT	PLANTING YEAR	Site Class	AREA (ha)	VOL (m ³ /ha)	REMOVED (TPH)
			YTD	YTD	YTD
DLG	2000	S1	225,4	57,8	155
		S2	19,1	62,8	180
	2001	S1	128,4	8,1	104
SER	1999	S2	105,0	46,8	247
Total			477,9	42,2	162

The tables show separately planned and non-planned sales in 2021. The planned tables show only stands where operations are fully finished, so that the yields per hectare are comparable.

Planned

DLG operation started at the end of November 2020. Until the end of 3Q, we were able to conclude six stands, with YTD yields 13% below budgeted. At this project, a significant number of defect logs were left behind due fungal disease on the trees.

To make complete sense of the total volumes per hectare given that the final harvest can extend over longer periods, areas and volumes from 2020 were aggregated to the 2021 figures on this yield table, whenever necessary.

Unplanned

As Paiolândia was postponed to 2022, we are operating on unplanned stands in DLG to cover that and maintain FSA expected production for the year.

SER was included as an embargo it was under was recently lifted, allowing us to operate there.

Yields - Thinning

Table: Log sales thinning, 2021 FY volume vs Budget FY

PROJECT	PLANTING YEAR	Site Class	DBH (cm)	AB (m ² /ha)	AREA (ha)		VOL (m ³ /ha)		REMOVED (TPH)	
					FYB	YTD	FYB	YTD	FYB	YTD
MUT	2007	S1	23,9	20,0	57,7	57,7	17,8	19,3	175	202
		S2	22,3	19,9	96,9	95,1	16,8	14,5	256	274
		S3	18,9	12,3	38,2	38,2	2,5	4,6	204	201
SAJ	2007	S1	31,3	10,8	301,3	301,2	29,2	29,7	85	114
Total			27,6	14,1	494,1	492,2	23,4	23,6	139	162

- Table = 2021 budget stands. Total values (volume, area and trees) planned and performed until end of 3Q.
- DBH and BA are the latest measured data.

Stands finished in Mutum (MUT) thinning add up to 191 ha from the 468 ha planned for the year. On average, yields are very close to estimates (14.0 m³/ha actuals vs 14.3 m³/ha budget)

The third thinning at São José started at the end of January and was finished as planned in July. The final yields were in line with the estimates (29.7 m³/ha actual x 29.2 m³/ha budget)

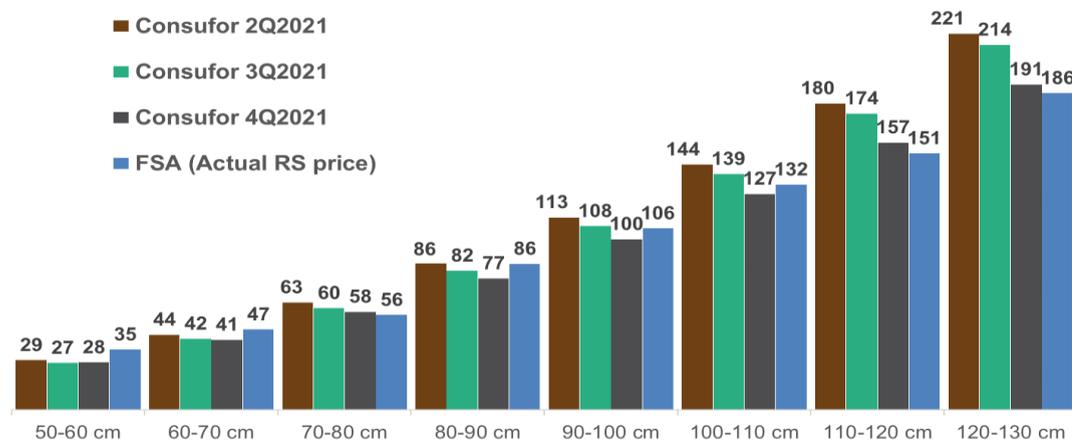
With the delay in sales caused by export logistics problems, no stands are concluded in Terra Santa to date.

Log Sales & Prices

Roadside Prices Comparison 2021 YTD

	Volume m3		Value USD		Avg RS Price (USD/m ³)		Avg Girth (cm)		Proportion	
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
50-60	6,973	9,687	292,224	336,216	42	37	60	58	10%	16%
60-70	12,216	2,089	672,168	123,548	55	50	66	67	18%	3%
70-80	19,476	14,544	1,412,879	801,546	73	61	75	72	29%	24%
80-90	10,355	14,592	996,904	1,192,361	96	90	85	85	15%	24%
90-100	6,703	4,904	796,561	543,356	119	109	93	94	10%	8%
100-110	3,478	7,326	548,144	885,132	158	138	105	105	5%	12%
110-120	6,312	4,146	1,177,900	685,870	187	160	113	114	9%	7%
120-130	1,516	1,954	358,663	361,403	237	196	125	125	2%	3%
130-140	506	603	143,413	134,620	283	237	135	133	1%	1%
140-150	56	0	18,732	0	335	0	145	0	0%	0%
150-160	8	0	3,081	0	391	0	155	0	0%	0%
Total Geral	67,599	59,844	6,420,670	5,064,051	95	85	92	89	100%	100%

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



FSA sells to TRC at the roadside, based on the most recent Consufor price survey at the moment of sale.

The Consufor report has been showing a steady drop in roadside prices in Mato Grosso over 2021. This is a direct reflex of the COVID pandemic, affecting market stability and increasing risk for traders, and an overall increase logistic costs both because of inflation in Brazil and the international sea freight crisis.

The reference roadside prices decreased 4% from the 2Q to 3Q and another 8% to the 4Q.. Up to now, actual average price is 10% lower than budget (\$85 actual x \$95 budget)

It is still very unclear when the container availability problems will normalize and freight rates to India will be reestablished.

Prices for defective logs, such as channel or crooked, are given a discount on their Consufor value (most relevant for thicker girth classes, or bottom logs) That is the reason why the actual averages on each girth classes are below Consufor prices in the graph.

Market Update

In the 3Q2021, Ecuador, Ghana and Panama were the main teak suppliers to India, with 61% of total teak logs imports. The total imported volume in India was 30% lower in the 3Q2021 when compared to the previous quarter and 185% higher when compared to the same period of 2020 (considering the Covid-19 lockdown impact in India in that period).

Indian has been continually recovering from the Covid-19 pandemic second wave of infection since April 2021. The vaccination started in late January and has reached more than 650 million doses in the 3Q2021, with 17.2% of the population totally vaccinated and 47% received at least one dose.

The global market is facing strong logistical bottlenecks, with shortage of containers and a significant increase in maritime freight costs, led by the congestion at Chinese ports, due to their closing or lower operation capacity. This came after the announcement of new restrictions over new cases of Covid-19 in China and because of higher container demand in the USA and EU. It is not yet clear for how long the global supply chain disruption will last; latest analysis predict at least until the first months of 2022.

Markets are already suffering the mingling supply as Teak producing countries and traders are facing enormous difficulties in making way with their wood to Asia.

Given the above, TRC has decide to take a cautious approach on the next quarter by temporally reducing harvested volumes, while going after logistic alternatives and strategic partners to properly deal with the current scenario. Production will be limited to the capacity of the logistic channels that are made available.

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
2020 HR	14,321
Total	21,582,961
Paid	-9,526,585
Outstanding	12,056,376

Harvest Report 2020 refers only to biomass sales revenues that occurred in 2020 in SJT1998 farm, which was reported as finished in 2019. No other projects were finalized in 2020.

Legal and Compliance Update

VTP – Floresteca S/A:

10/04/2021: the previous judge of the claim - Mr. Yale Sabo Mendes, is back from the COURT OF APPEALS and upholds VTP's plea for clarification filed on 05/31/2021 and denies FLORESTECA plea for clarification filed on 06/02/2021. In short, he revoked the sentence and (i) states that the lawsuit should be analyzed and conducted under the Brazilian Consumer Code; (ii) the Specialized Class Action Court is proper to analyze lawsuits conducted under the class action law (n. 7.347/1985 and 4.717/1965), and does not have jurisdiction to this case, that shall be analyzed under Brazilian Consumer Code; (iii) VTP shall be discharged of the payment of court costs, that are not mandatory, according with decree n. 8.343/14 (International Access to Justice Convention, signed by Brazil in The Hague, Netherlands), and (iv) the lawsuit should proceed, as if the sentence had not been issued.

10/29/2021: VTP requests to the COURT OF APPEAL to (i) deny the SECOND, THIRD, FOURTH and FIFTH VEREDICT'S INJUNCTION APPEAL, or (ii) deny the suspension requested by TRC AGRO, TRC PARÁ, TRC MATO GROSSO and TRC CONSULTORIA, or, if the court analyzes the SECOND, THIRD, FOURTH and FIFTH VEREDICT'S INJUNCTION APPEAL, to (iii) allow the immediately beginning of the expert's job.

10/29/2021: in the FIRST VEREDICT'S INJUNCTION APPEAL, the reporting judge from the COURT OF APPEALS denies the temporary suspension of the decision from 10/04/2021, based in the following arguments: (i) the judge of the claim based his decision in an error, acting in the limits granted by the Brazilian law; (ii) the other questions argued by the appellants should be first analyzed by the lower court, which hasn't been made yet; (iii) the COURT OF APPEALS merit's analysis should be restricted to the jurisdiction of the 7th lower court. Now on, the COURT OF APPEALS will analyze the FIRST VEREDICT'S INJUNCTION APPEAL.

11/05/2021: The judge of the claim (Mr. Yale) provides a new decision, where he asserts that the case shall proceed. In accordance with the decision: (i) the expert's studies shall be limited to the technical and scientific examination, such as the teak planting beginning, conditions, management and maintenance, average price of teak and factors that impact price, and the questions regarding the interpretation of contractual clauses are denied; (ii) **the defendants cannot proceed with the final cut on the farms subject to expert study until the expert's analysis**, except for the thinning operations; (iii) there are no reasons to send notices to CONSUFOR, SEWALL and FSC International, or to postpone the deadline of VTP' answer of the plaintiffs' defenses; (v) a new expert is nominated;

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 landowner, Mr. Antonio Frigieri Filho and his wife Jacqueline da Costa Marques Frigeiri. Under these LUD agreements, they own a specific part of the planted area in each farm. The precise terms and the percentage area differ in each agreement. They received some advance payments for the final harvest proceeds under the agreements that shall 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, or at least will largely reduce the net amounts payable to them.

- Paraiso – As indicated earlier in the report, FSA has proceeded a mortgage to Paraiso Farm regarding past debts. In the APPEAL trial, the COURT OF APPEALS reforms the verdict, and (i) confirms that the usufruct agreement is valid and enforceable, and (ii) sentenced FRIGIERI to pay the court cost and legal attorney fees of 20%.
- Terra Santa; Floresteca has already contested the action and has been asking for the thinning to be authorized. The process is concluded for decision. A preliminary decision was granted not to cut the trees until the delimitation of Frigieri's area. Recently, Floresteca has obtained a favorable decision to proceed with a phytosanitary treatment. The phyto thinning started from July onwards. The expert's work that will base the judge analysis should begin on 09/14/2021.
LHS requests the publicity of the existence of the claim before Terra Santa Farm Real Estate Registry Office, in order to guarantee FRIGIERI's debts to FSA
- Bambu IV; 06/22/2021: in the FIRST PRELIMINARY INJUNCTION APPEAL trial, the COURT OF APPEALS reforms the order from 03/03/2021 and confirms that the escrow presented by FRIGIERI is insufficient and the main case should proceed. From now on, LHS may request new legal constrains, like freezing bank accounts or other assets.

Legal and Compliance Update

LUD claim on PAIOLANDIA FARM:

Overview – Rondon Empreendimentos Imobiliários Ltda (“Rondon”) is the landowner of Paiolandia Farm and entered a land use with FSA. Rondon claims for the immediate payment of the debt by FSA, related to the timber of Paiolandia Farm.

Mr. Rondon files a plea for clarification of the sentence and argues that (i) Rachel has spontaneously presented before the judge of the claim in presentation of Rondon Company, and is the sole responsible for the case dismissal; (ii) Mr. Rondon became a third party, and has not been noticed to express himself about the denial of court costs exemption; (iii) the judge of the claim has not expressed about the reunion of the case with the DIRECTOR REMOVAL LAWSUIT, that should be analyzed together, and (iv) the legal attorney fees should be reduced, regarding the low complexity of the case.

Now a Rondon family lawsuit is in course, where Mr. Rondon Andrade Porto (partner of Rondon Empreendimentos Ltda) filed a case to remove the rightful Director of the company - Ms. Rebeca de Andrade Porto.

Outlook on Upcoming Quarters

As stated in the last quarterly report, the logistics turmoil is indeed affecting operations strongly. The spike in freight rates and the lack of available containers for export is compromising the capacity of moving wood out of the farms and its final roadside prices. Whenever possible, logs are being sold to TRC sawmill to maintain their liquidity.

Lifting the injunction given by the judge in the VTP case, ordering to completely stop the final harvest operation, is key to Floresteca in the short term. FSA lawyers have already filed their response to the judge and will soon appeal to the superior court to revert that decision, that can jeopardize the financial health of the Company and puts at risk hundreds of direct and indirect jobs.

COVID 19 cases in Mato Grosso are at the lowest level since June, 2020. Restrictive measures were relaxed in Q2 and Q3. Schools and services provided by the government (State and Municipalities) will come back in late October. Vaccination in Mato Grosso started in mid January and continues. Mato Grosso State currently is vaccinating 12 to 17 year old teenagers.

TRC did a partnership with Caceres Municipality in the 2nd week of June with the second dose happened in the first week of September, so ~90% of its employees are fully vaccinated. Nevertheless, the company still holds the previous cautious measures and probably will relax them only in November or December but always following what WHO and ANVISA recommend.

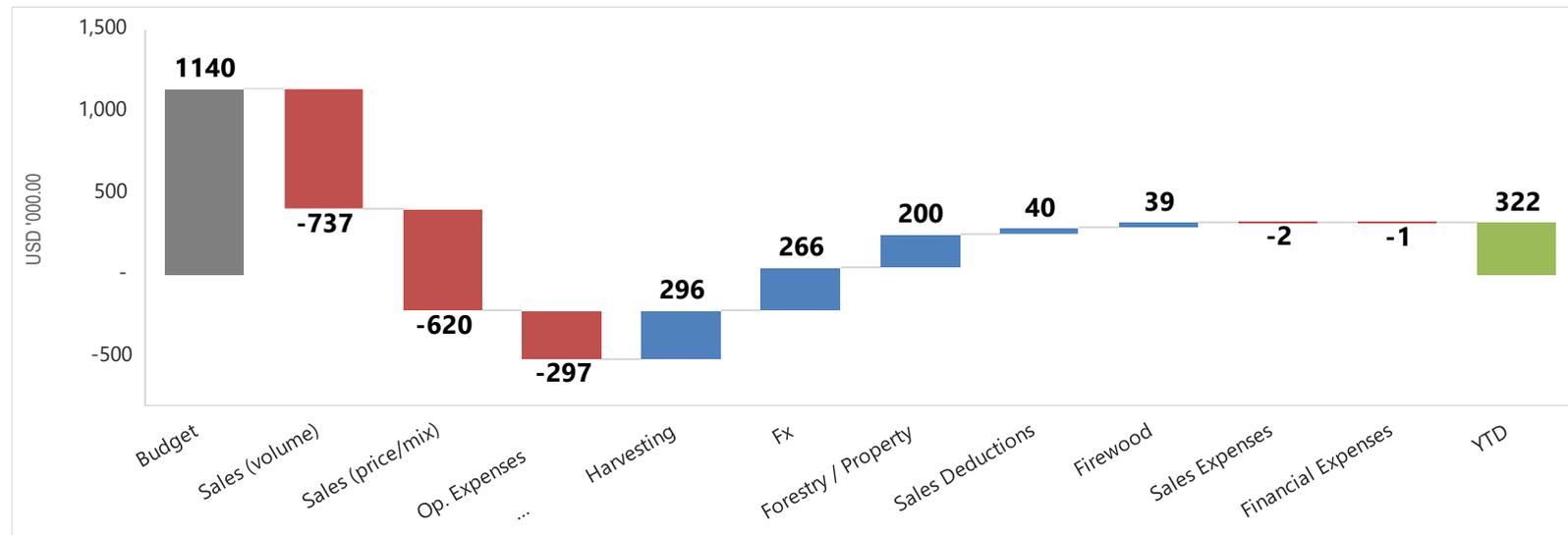
Operations in Serra das Araras (SER), Vale Dourado (VDO) and Capim Branco (CPB) should be finished by the end of the year and stump removal will be performed to return the land to the owners in SER and VDO.

Thinning in Mutum (MUT) will resume in December, and as the wood will be sold to TRC sawmill, it shouldn't be affected by the export market.

FSA Summary Financial Information

Summary P&L YTD

Operational Result vs Budget, Changes against Budget Amounts (USD, '000s)



Operational Result YTD was USD 322 k versus USD 1,4 M budgeted or an unfavorable variation of USD 817 k.

Sales Volume: lower harvested volume (7.755 m³, or - 11%), as explained in the production slides earlier in this report.

Sales (price/mix) were impacted for average drop YTD of ~11% on Consufor Prices.

Op. Expenses: due to inflation index IGP-M (General Index Price – Market) increase above expectations, the management fee between TRC and FSA has been higher than budget.

Cost of Production (Harvesting) was also lower due to the lower volume harvested, and the partial postponement of stump removal to 2022, as part of the strategy to preserve cash during the year, given the lower revenues.

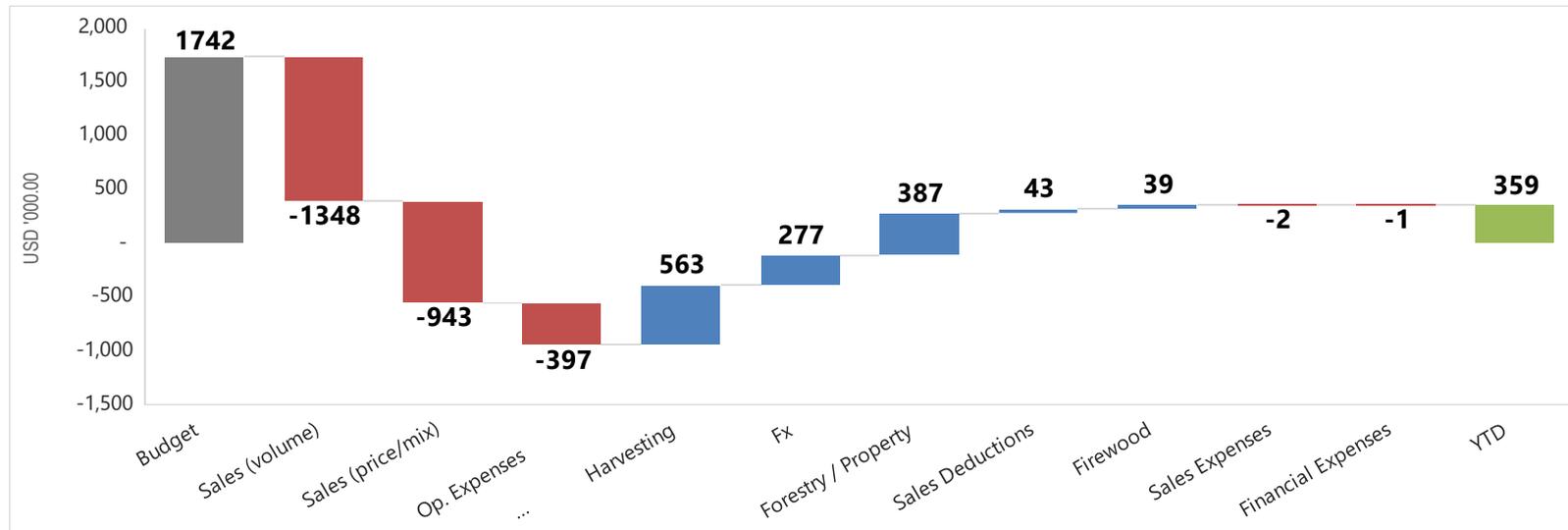
The positive effect on Fx rates is due to BRL devaluation. The budget fx rate was 5.00 and until end of 3Q, it averaged 5.33.

Forestry: Overall forestry costs were higher than the budget for 2020 mainly due to firebreaks maintenance, weed control and inventory. An accounting adjustment between silviculture and harvesting caused by the transference of personnel is distorting the P&L to show savings on this item.

See details on slide 20.

Summary P&L YEE

Operational Result vs Budget, Changes against Budget Amounts (USD, '000s)



Operational Result YEE is USD 359 k versus USD 1,7 M budgeted or an unfavorable variation of USD 1,3 M.

Sales volume: lower harvested volume (14.107 m³, or - 15%).

Sales (price/mix): the main driver remain the roadside prices decreased since Consufor price report dropped by roughly 8% on average for 4Q.

Op. Expenses: the over budget costs described in the previous slide will be maintained for the year end.

Harvesting: as mentioned in the previous slide, due to a strategy to improve FSA cash flow during 2021, the stump removal activity was partially postponed to 2022 (more details in next slide).

Forecast fx is set at 5.44, keeping the Fx rates as a positive variation.

Forestry/Property: the forecast for year end is to have saving on this item due to reductions in property maintenance activities.

Cost of Production Summary - YTD

Harvesting Cost, per activity:

		Budget YTD	Actual YTD	Var. %
Tree Selection	BRL	0	0	0%
Harvesting	BRL	2.278.391	2.922.276	28%
Forwarding	BRL	2.575.671	2.437.549	-5%
Lot Formation	BRL	1.290.740	1.203.270	-7%
Loading	BRL	591.524	500.181	-15%
Tax	BRL	858.177	232.194	-73%
Total	BRL	7.594.503	7.295.470	-4%
Commercial Vol.	m ³	67.599	59.844	-11%
BRL/m ³	BRL	112,35	121,91	9%
BRL/USD rate	-	5,00	5,33	100%
USD/m ³	USD	22	23	2%
Standard Cost to Effective Adjustment	BRL	N/A	85.069	N/A
Total (+) Adjustment	BRL	7.594.503	7.380.539	-3%
USD/m ³	USD	22	23	3%
Harvesting + Stump Removal	BRL	2.501.718	345.352	-86%

Cost of Production (Harvesting) is 2% above budget (USD 23 actual x USD 22 budget). Less harvested volume and COVID cautious measures (as providing masks, gloves, disinfectants, two buses per team and some medical assistance) are the main drives for that.

Standard Cost Adjustment is the difference between the actual expenditures incurred in the period (effective) to the estimated costs of the resources used registered by our operational controls (standard cost). Basically, costs that were being considered in the silviculture should have been allocated in the harvesting.

Stump removal was performed in DLG2000 but in a very slow pace. As part of the strategy to preserve cash on FSA during 2021, less stump removal area will be carried until necessary. Although this is a temporary saving, once the activity must be done earlier or later, FSA situation is expected to improve in the future and it will be able to bear those costs without compromising its financial health.

Silvicultural Operations Summary - YTD

Forestry Operations FY

Type	Act. Group	Unit	Total Cost (BRL)		Status Quantity (un)		Unitary Cost (BRL/un)	
			Actual	Budget	Actual	Budget	Actual	Budget
Silviculture	Firebreaks	ha	442.215	132.283	646	265	684	499
	Weed Control	ha	175.102		234		747	
	Pruning	ha		103.967		146		713
	Roads	km	192.774	489.956	98	160	1.958	3.062
	Inventory	parc	329.289	83.855	2.248	1.249	149	69
	Tree Selection	ha	201.307	133.591	1.396	1.351	181	124
	Operational Support	-	1.336.440	1.231.025	1	21	0	0
	Sprout Control	ha	197.197	40.940	299	73	661	561
	Pest Control	ha		91.640		910		101
	Research	-	1.637		8		0	
Taxes	--	32.695	175.866			0	0	
Total geral			2.908.656	2.483.124	4.930	4.174	4.381	5.129

Forestry operations are above the budget. Main differences were:

- Firebreaks were intensified during 2021 due to two dry years in a row and the risks of forest fires were very high along the year.
- Weed control was performed to achieve better safety conditions (visibility) during harvesting of some areas.
- Roads: part of the road maintenance was postponed due to the prospect of temporarily pausing the harvest (India partial lockdown during June and July). From July onwards there was more clarity about India market and the road maintenance restarted.
- Inventory: in 2021 100% of FSA projects were measured and resulted in mor expenses than budgeted.
- Operational support: 8.5% above the budget and mainly due to fuel price increases and COVID safety measures.

General & Administrative Expenses

G&A / Overhead Summary YTD

FSA Participações
Profit and Loss
(In USD 0,00)

	2021 Budget	2021 YTD	Varição
G&A Expenses	(1,576,658)	(1,883,231)	-306,574
Property Management	(334,256)	(384,079)	-49,824
Total	(1,910,913)	(2,267,310)	-356,397

G&A / Overhead Summary YEE

FSA Participações
Profit and Loss
(In USD 0,00)

	2021 Budget	2021 FY	Varição
G&A Expenses	(2,072,576)	(2,480,871)	-408,295
Property Management	(454,097)	(512,549)	-58,452
Total	(2,526,673)	(2,993,420)	-466,747

G&A costs include the management services agreement between FSA and TRC, as well as other direct FSA costs, such as the remuneration of the administrators and financial statements audit.

Year to date, these costs were USD 306 k over the budget due to higher (16%) inflation index IGP-M (General Price Index– Market) than estimated on budget, which is the reference for the contract between TRC and FSA.

For year end, the increase on TRC invoices are also the main source of variation.

Cash Summary - YEE

Actual and Budget Cash Flow

FSA Cash Flow (In USD 0,00)											
	1Q2021 Budget	1Q2021 Actual	2Q2021 Budget	2Q2021 Actual	3Q2021 Budget	3Q2021 Actual	4Q2021 Budget	4Q2021 Forecast	2021 Budget	2021 FY	Variation
Fx rate	5.00	5.70	5.00	5.00	5.00	5.44	5.00	5.44	5.00	5.44	
Initial Balance	282,272	252,855	(3,567)	307,517	(131,761)	153,632	59,531	309,620	282,272	252,855	(29,417)
Gross Revenues	2,261,131	1,934,506	1,940,729	1,966,616	2,175,253	2,059,877	2,424,640	1,685,597	8,801,753	7,646,596	(1,155,157)
Biomass Sales	0	21,934	0	9,055	0	5,681	0	0	0	36,670	36,670
Log Sales	1,504,131	1,167,899	1,898,729	1,949,972	2,133,253	2,049,668	2,382,640	1,643,597	7,918,753	6,811,137	(1,107,617)
Other Sales	757,000	744,672	42,000	7,589	42,000	4,528	42,000	42,000	883,000	798,790	(84,210)
(-) Sales Deductions	(50,389)	(2,451)	(77,406)	(6,095)	(44,000)	(3,046)	(73,526)	(73,526)	(245,322)	(85,118)	160,204
Net Revenues	2,210,742	1,932,056	1,863,323	1,960,521	2,131,253	2,056,831	2,351,114	1,612,071	8,556,432	7,561,478	(994,954)
Operational expenses	(1,110,849)	(1,430,345)	(1,704,695)	(1,653,812)	(1,551,427)	(1,338,756)	(1,918,474)	(1,458,524)	(6,285,444)	(5,881,436)	404,008
Legal Expenses	(201,000)	(139,302)	(126,000)	(175,035)	(126,000)	(189,638)	(126,000)	(126,000)	(579,000)	(629,975)	(50,975)
Financial rev./exp.	(1,015,011)	295	(6,182)	25,299	(2,100)	629	(5,346)	(5,346)	(1,028,639)	20,877	1,049,516
Income tax	0	0	0	0	0	0	0	0	0	0	
Transfers to FBV	(107,021)	(171,291)	(91,940)	(115,509)	(197,734)	(116,798)	(86,394)	(105,221)	(483,090)	(508,819)	(25,729)
Transfers to SATT	(62,700)	(39,044)	(62,700)	(39,012)	(62,700)	0	(62,700)	0	(250,800)	(78,056)	172,744
Others Transfers	0	503	0	(33,182)	0	(63,166)	0	0	0	(95,844)	(95,844)
Bridge Loan	0	(55,325)	0	(165,973)	0	(165,973)	0	(165,973)	0	(553,244)	(553,244)
Fx gain/Loss	0	(42,886)	0	42,819	0	(27,142)	0	20,114	0	(7,095)	(7,095)
Closing Balance	(3,567)	307,517	(131,761)	153,632	59,531	309,620	211,731	80,739	211,731	80,739	(130,991)

Full Year budgeted closing cash is USD 211 k vs a USD 80 k year-end estimate, an unfavorable variance of USD 130 k.

The main driver was the price decrease seen on the Consufor reports over the year (on average ~15% for the full year).

Operational expenses are under budget due to the savings on forestry and harvesting costs, as explained on the P&L slide.

The bridge loan contracted will be repaid on monthly installments of BRL 276 k from March 2021 onwards, until December of 2022. The collateral for this transaction is the collection of FSA receivables for log sales.

FSA Balance Sheet

Floresteca S/A

Balance Sheet position of January 01 to September 30, 2021

(In thousands of reais/dollars)

FX RATE- ASSETS 5,4388
FX RATE - LIABILITIES 5,4394

ASSETS			LIABILITIES AND EQUITY		
	R\$	\$		R\$	\$
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	10.344	1.902	Loans and financing	648.039	119.138
Accounts receivable	7.836	1.441	Leasing	2.081	383
Inventories	2.108	388	Suppliers and other accounts payable	6.675	1.227
Recoverable taxes	2.627	483	Taxes payable	173	32
Other receivables	321	59	Salaries, vacations and payroll charges payable	235	43
Total Current Assest	23.237	4.273	Total Current Liabilities	657.202	120.823
NON-CURRENT ASSETS			Non-current liabilities		
Advances to agricultural partners	7.403	1.361	Leasing	1.734	319
Deferred taxes	45.948	8.448	Contingencies	42.175	7.754
Biological Assets	623.338	114.610	Total Non-Current Liabilities	43.909	8.072
Property, plant & equipment	5.991	1.102	EQUITY		
Intangible assets	5	1	Capital	27.798	5.110
Total Non-Current Assest	682.687	125.522	Legal reserve	5.559	1.022
			Profit reserve	(28.544)	(5.248)
			Foreign exchange adjusts		14
			TOTAL EQUITY	4.813	899
TOTAL CURRENT ASSETS	705.924	129.794	TOTAL LIABILITIES AND EQUITY	705.924	129.794

Appendix - Financial Tables

Summary P&L - YTD (USD)

FSA Participações			
Profit and Loss			
(In USD 0,00)			
	2021	2021	Varição
	Budget	YTD	
Volume m3	67,599	59,844	-7,755
Log Sales	6,420,678	5,102,858	-1,317,820
Logs	6,420,678	5,064,051	-1,356,627
Firewood	0	38,807	38,807
Other Sales	0	0	
(-) Sales Deductions	(199,845)	(159,917)	39,928
Net Sales	31,104,162	24,714,702	-6,389,460
CoGS			
COP	(2,011,142)	(1,714,833)	296,308
Depletion	(4,890,620)	(3,041,098)	1,849,522
Carry Over Costs	0	123,399	123,399
Total CoGS	(34,508,809)	(23,162,662)	11,346,148
Gross Profit + Depletion	(3,404,648)	1,552,040	4,956,688
Operational Expenses			
Payroll expenses	(8,471)	651	9,122
G&A Expenses	(1,576,658)	(1,883,231)	-306,574
Sales Expenses	0	(2,382)	-2,382
Other operational income/expenses	0	(262,635)	-262,635
Operational Result	(11,330,292)	(9,185,945)	2,144,347
Financial Income	0	91,752,373	91,752,373
Financial Expenses	(7,817)	(91,892,826)	-91,885,009
Financial Result	(39,086)	(702,263)	-663,178
EBT	(11,369,377)	(9,888,208)	1,481,169
Income Tax	0	0	
Deffered Income Tax	0	539,177	539,177
Profit & Loss	(11,369,377)	(7,192,325)	4,177,053

FSA Participações			
Profit and Loss			
(In USD 0,00)			
	2021	2021	Varição
	Budget	YTD	
Profit & Loss	(11,369,377)	(7,192,325)	4,177,053
Income Tax	0	(539,177)	(539,177)
Financial Income	0	(91,752,373)	-91,752,373
Financial Expenses	7,817	91,892,826	91,885,009
Depreciation and Amortization	2,920	1,826	-1,094
Depletion	4,890,620	3,041,098	-1,849,522
Other accounting adjustments	0	139,236	139,236
EBITDA	13,137,408	6,724,854	-6,412,554
Capitalized Costs			
Forestry	(1,044,678)	(412,077)	632,601
Depreciation	(48,610)	(70,795)	-22,185
Property Management	(334,256)	(384,079)	-49,824
Others	(60,341)	(421,379)	-361,038
Fx gain (loss) to Actual	0	265,829	265,829
EBITDA adjusted	1,139,598	322,469	-817,128

Note: In response to our Stakeholders' requests TRC has updated the reporting basis of the P&L to their formal accounting basis. Main differences is exclusion of non-cash / capitalized items in the accounting figures.

Summary P&L - YEE (USD)

FSA Participações			
Profit and Loss			
<i>(In USD 0,00)</i>			
	2021	2021	Variação
	Budget	FY	
<i>Volume m3</i>	95,142	81,035	-14,107
Log Sales	9,090,992	6,838,963	-2,252,029
Logs	9,090,992	6,800,156	-2,290,836
Firewood	0	38,807	38,807
Other Sales	0	0	
(-) Sales Deductions	(264,348)	(220,888)	43,460
Net Sales	8,826,644	6,618,075	-2,208,569
CoGS			
COP	(2,960,694)	(2,397,812)	562,882
Depletion	(6,311,988)	(3,551,118)	2,760,869
Carry Over Costs	0	123,399	123,399
Total CoGS	(9,272,682)	(5,825,531)	3,447,150
Gross Profit + Depletion	(446,037)	792,543	1,238,581
Operational Expenses			
Payroll expenses	(11,410)	(364)	11,045
G&A Expenses	(2,072,576)	(2,480,871)	-408,295
Sales Expenses	0	(2,382)	-2,382
Other operational income/expenses	0	(262,635)	-262,635
Operational Result	(2,530,023)	(1,953,709)	576,314
Financial Income	0	91,752,373	91,752,373
Financial Expenses	(10,626)	(91,895,635)	-91,885,009
Financial Result	(10,626)	(143,261)	-132,636
EBT	(2,540,649)	(2,096,971)	443,678
Income Tax	0	0	
Deffered Income Tax	0	539,177	539,177
Profit & Loss	(2,540,649)	(1,557,794)	982,855

FSA Participações			
Profit and Loss			
<i>(In USD 0,00)</i>			
	2021	2021	Variação
	Budget	FY	
Profit & Loss	(2,540,649)	(1,557,794)	982,855
Income Tax	0	(539,177)	(539,177)
Financial Income	0	(91,752,373)	-91,752,373
Financial Expenses	10,626	91,895,635	91,885,009
Depreciation and Amortization	3,401	2,067	-1,334
Depletion	6,311,988	3,551,118	-2,760,869
Other accounting adjustments	0	139,236	139,236
EBITDA	3,785,366	1,738,713	-2,046,653
Capitalized Costs			
Forestry	(1,451,587)	(623,344)	828,243
Depreciation	(55,633)	(75,671)	-20,038
Property Management	(454,097)	(512,549)	-58,452
Others	(81,706)	(444,675)	-362,969
Fx gain (loss) to Actual	0	276,512	276,512
EBITDA adjusted	1,742,344	358,985	-1,383,358

Note: In response to our Stakeholders' requests, TRC has updated the reporting basis of the P&L to their formal accounting basis. Main difference is the exclusion of non-cash / capitalized items in the accounting figures.

Cash Summary - YEE

YEE and Budget Cash Flow, in BRL

FSA Cash Flow (In BRL 0,00)	FY										
	1Q2021 Budget	1Q2021 Actual	2Q2021 Budget	2Q2021 Actual	3Q2021 Budget	3Q2021 Actual	4Q2021 Budget	4Q2021 Forecast	2021 Budget	2021 FY	Variation
Initial Balance	1,411,359	1,264,273	(17,833)	1,752,014	(658,805)	768,500	297,657	1,684,145	1,411,359	1,264,273	(147,086)
Gross Revenues	11,305,654	9,672,531	9,703,646	9,833,081	10,876,267	10,299,383	12,123,201	8,427,986	44,008,767	38,232,980	(5,775,787)
Biomass Sales	0	109,672	0	45,273	0	28,404	0	0	0	183,349	183,349
Log Sales	7,520,654	5,839,497	9,493,646	9,749,862	10,666,267	10,248,339	11,913,201	8,217,986	39,593,767	34,055,683	(5,538,084)
Other Sales	3,785,000	3,723,362	210,000	37,946	210,000	22,640	210,000	210,000	4,415,000	3,993,948	(421,052)
(-) Sales Deductions	(251,944)	(12,253)	(387,032)	(30,476)	(220,000)	(15,228)	(367,632)	(367,632)	(1,226,608)	(425,588)	801,019
Net Revenues	11,053,710	9,660,278	9,316,614	9,802,605	10,656,267	10,284,154	11,755,569	8,060,354	42,782,160	37,807,392	(4,974,768)
Operational expenses	(5,554,244)	(7,151,723)	(8,523,476)	(8,269,058)	(7,757,133)	(6,693,781)	(9,592,368)	(7,292,619)	(31,427,221)	(29,407,182)	2,020,039
Legal Expenses	(1,005,000)	(696,509)	(630,000)	(875,177)	(630,000)	(948,188)	(630,000)	(630,000)	(2,895,000)	(3,149,874)	(254,874)
Financial rev./exp.	(5,075,054)	1,474	(30,909)	126,496	(10,500)	3,145	(26,732)	(26,732)	(5,143,195)	104,383	5,247,578
Transfers to FBV	(535,104)	(856,454)	(459,702)	(577,545)	(988,672)	(583,990)	(431,972)	(526,107)	(2,415,450)	(2,544,096)	(128,646)
Transfers to SATT	(313,500)	(195,219)	(313,500)	(195,060)	(313,500)	0	(313,500)	0	(1,254,000)	(390,279)	863,721
Others Transfers	0	2,517	0	(165,909)	0	(315,830)	0	0	0	(479,222)	(479,222)
Bridge Loan	0	(276,623)	0	(829,866)	0	(829,866)	0	(829,866)	0	(2,766,221)	(2,766,221)
Closing Balance	(17,833)	1,752,014	(658,805)	768,500	297,657	1,684,145	1,058,653	439,174	1,058,653	439,174	(619,479)



Obrigado / Thank You!

