



Floresteca S.A.

2Q2020 Results Summary for Stakeholders

July 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 come 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.



Agenda

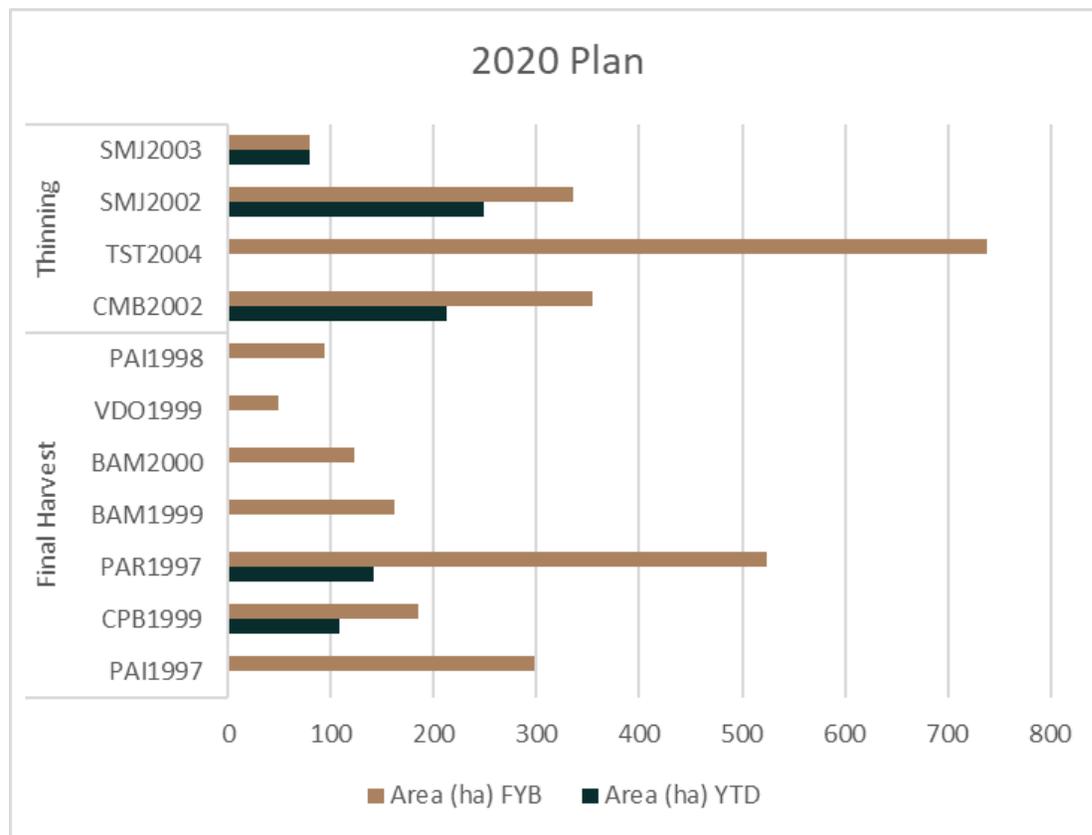
1. Harvesting Operations by Farm & Project Year
2. Yields
3. Log Sales and Prices
4. Market Update
5. Project Results to Date
6. Legal and Compliance Update
7. Outlook on Upcoming Quarters



Harvest Operations by Farm

Table 4.1 Area Changes in the YTD

Project	Planting Year	Initial Area (ha) - End of 1Q 2020	Harvested Area (ha)	Current Area (ha) - End of 2Q 2020
Paiolandia	1997	297.92		297.92
Paraiso	1997	540.95		540.95
São José da Canastra	1998	0.00		0.00
Paiolandia	1998	93.95		93.95
Bambu	1999	549.07		549.07
Capim Branco	1999	437.32	22.85	414.47
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	2008	99.87		99.87
Total		14,996.38	22.85	14,973.53



- In the YTD, 22.85 hectares have been totally harvested (CPB 99).



Harvest Yields & Sales Summary

Sales volume (m³) YTD 2020 Actual and Budget

	January	February	March	April	May	June	Total
BAR2002							
Budget	0	0	0	0	0	0	0
YTD	28	0	0	28	0	0	28
BAR2004							
Budget	0	0	0	0	0	0	0
YTD	24	0	0	0	0	0	24
CAN1998							
Budget	0	0	0	0	0	0	0
YTD	73	0	0	0	0	0	73
CMB2002							
Budget	1.700	1.700	1.800	2.500	1.669	0	9.369
YTD	799	1.154	1.261	171	-0	1.088	4.473
CPB1999							
Budget	1.000	1.000	1.000	1.000	1.199	0	5.200
YTD	3.054	3.281	2.746	1.263	1.153	1.308	12.803
MUT2007							
Budget	0	0	0	0	0	0	0
YTD	1.137	0	0	0	0	0	1.137
PAI1997							
Budget	2.000	2.000	2.399	2.400	2.700	1.799	13.298
YTD	0	0	0	0	0	0	0
PAR1997							
Budget	2.022	2.022	2.022	2.022	2.022	2.022	12.134
YTD	841	2.289	509	0	0	268	3.907
SJT1998							
Budget	0	0	0	0	0	0	0
YTD	49	0	24	0	0	0	73
SMJ2002							
Budget	2.400	2.400	2.700	134	0	0	7.634
YTD	349	0	1.686	0	456	779	3.270
SMJ2003							
Budget	0	0	0	2.504	0	0	2.504
YTD	398	1.437	439	0	187	0	2.461
TST2004							
Budget	0	0	0	0	3.000	5.000	8.000
YTD	0	0	0	0	0	0	0
VDO1999							
Budget	0	0	0	0	0	2.502	2.502
YTD	0	0	0	0	0	0	0
Total Volume							
Budget	9.122	9.123	9.921	10.561	10.591	11.323	60.641
YTD	6.752	8.160	6.666	1.462	1.795	3.443	28.249

- Overall, 2020 production (4,946 m³) is much lower than forecasted, mainly due to the Covid-19 pandemic impact on operations;
- In the 2Q, only wood from Capim Branco (CPB) final harvest and Cacimba thinning (CMB) were sold.
- The court order which temporarily suspended activities in PAR is still ruling (see the Compliance & Legal Section)
- PAI final harvests are still being postponed due to market conditions and lingering issues with the landowners;
- We stopped thinning Cacimba (CMB) and Santa Maria do Jauru (SMJ) in March, but during last quarter we were able to sell the wood that was already piled at roadside. Operations were not finished, and we will only resume them next year.



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Yields - Final Harvests

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

- 2019 Plan

Project	Year	Site Class	DBH	BA	Area (ha) - YTD	Area (ha) - FYB	Production Yield (m ³ /ha) - YTD	Production Yield (m ³ /ha) - FYB	Trees Removed (Trees/ha) - YTD	Trees Removed (Trees/ha) - FYB
CAN	1998	S1	33.2	11.5	44.6	44.6	79.5	84.5	131	131
SJT	1998	S1	33.7	13.9	26.8	12.1	116.8	101.5	144	160
CPB	1999	S1	34.9	10.3	165.7	165.7	70.9	71.4	108	108
		S2	31.4	9.2	27.4	27.4	46.4	56.8	120	120
Total					264.5	249.8	74.4	73.6	117	116

- 2020 Plan

Project	Year	Site Class	DBH	BA	Area (ha) - YTD	Area (ha) - FYB	Production Yield (m ³ /ha) - YTD	Production Yield (m ³ /ha) - FYB	Trees Removed (Trees/ha) - YTD	Trees Removed (Trees/ha) - FYB
PAI	1997	S1	33.4	15.0	0.0	153.1	0.0	99.7	0	171
		S2	30.1	10.1	0.0	29.5	0.0	59.3	0	140
		S3	21.0	8.5	0.0	115.3	0.0	26.5	0	265
	1998	S1	33.0	13.0	0.0	48.1	0.0	87.1	0	150
PAR	1997	S2	24.2	12.9	10.8	88.5	37.8	46.2	276	275
		S3	21.4	9.9	130.8	435.6	26.8	23.1	272	270
CPB	1999	S1	35.2	10.5	139.9	171.8	35.0	74.4	107	108
		S2	30.8	9.0	1.6	13.6	30.8	54.6	108	121
VDO	1999	S1	34.1	13.9	0.0	48.6	0.0	103.0	0	152
BAM	1999	S3	19.7	11.1	0.0	161.3	0.0	17.8	0	358
		S1	30.7	17.8	0.0	16.6	0.0	101.3	0	237
	2000	S2	25.7	14.2	0.0	106.3	0.0	56.6	0	272
Total					283.1	1,434.0	31.3	48.8	190	234

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

- From 2019 plan, all operations are finalized in São José da Canastra (CAN) and São Judas Tadeu (SJT). The first finished 6% below the initial volume estimates while the second 15% above.
- In Capim Branco (CPB), final harvest started in 2019 and some stands considered to that year are still not closed, so the actual m³/ha will still increase
- From the 2020 plan, we operated only in CPB and PAR so far. CPB should be finished by the end of this year, and PAR is depending on the lifting of the legal order blocking activities.



Yields - Thinning

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

- 2019 Plan

Project	Year	Site Class	DBH	BA	Area (ha) - YTD	Area (ha) - FYB	Production Yield (m ³ /ha) - YTD	Production Yield (m ³ /ha) - FYB	Trees Removed (Trees/ha) - YTD	Trees Removed (Trees/ha) - FYB
CMB	2002	S1	33.0	17.3	34.7	44.7	23.8	32.6	73	73
BAR	2002	S1	28.4	18.6	88.0	88.0	16.0	12.3	59	53
		S2	23.8	14.8	326.2	326.2	13.8	8.2	105	91
	2003	S1	28.7	22.2	10.4	10.4	27.2	33.6	130	102
	2004	S1	24.4	17.4	226.0	226.0	22.0	20.7	133	143
		S2	21.3	18.1	79.8	79.8	22.5	20.5	299	273
SMJ	2002	S1	28.6	14.0	55.5	55.5	4.5	21.9	86	86
	2003	S1	30.8	16.2	97.4	97.4	11.7	28.6	85	85
MUT	2007	S1	29.0	17.1	71.1	71.1	25.4	29.3	89	89
Total					989.2	999.2	17.2	18.0	118	112

- 2020 Plan

Project	Year	Site Class	DBH	BA	Area (ha) - YTD	Area (ha) - FYB	Production Yield (m ³ /ha) - YTD	Production Yield (m ³ /ha) - FYB	Trees Removed (Trees/ha) - YTD	Trees Removed (Trees/ha) - FYB
CMB	2002	S1	31.8	15.7	209.7	354.8	17.4	26.4	71	70
SMJ	2002	S1	29.7	14.7	199.0	247.2	14.9	23.6	82	82
		S2	27.5	13.8	49.3	88.3	1.2	20.4	117	105
	2003	S1	32.2	17.0	79.6	79.6	16.6	31.5	78	78
TST	2004	S1	31.7	16.0	0.0	738.3	0.0	20.3	0	53
		S2	19.8	17.6	0.0	0.3	0.0	17.7	0	44
Total					537.5	1,508.6	14.9	22.9	80	66

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

- In Cacimba (CMB), around 80% of the planned area was done (disregarding the landowner area). We expect lower volumes coming from this project. Our estimates were done based on 2018 forest inventory and new data from pre-thinning inventory show that the disease percentage is higher in some stands and we didn't consider any losses on infected trees. This operation resulted in 17.4 m³/ha vs 26.4 m³/ha;
- In Santa Maria do Jauru (SMJ), we estimate that 65% of the planned area was thinned and resulted in 13.3 m³/ha vs 24.4 m³/ha. As in CMB, we already 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;



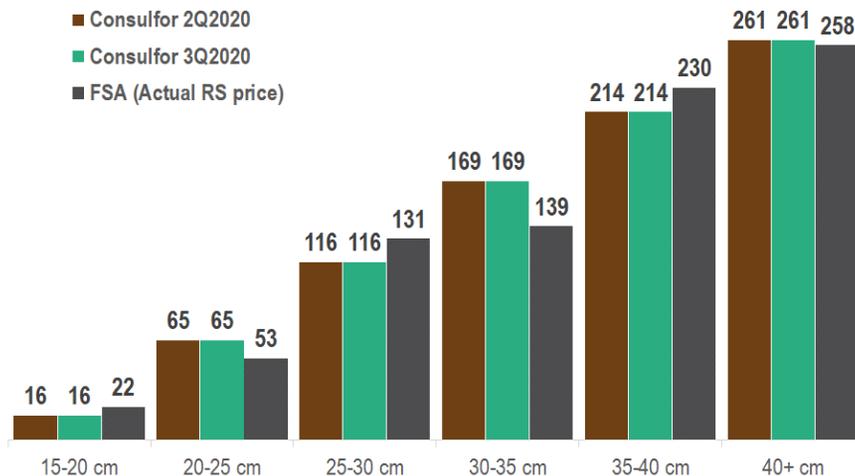
Log Sales & Prices

Table Roadside Prices Comparison 2020 YTD

	Volume m3		Value USD		RS Price (USD/m ³)		Diameter Point	
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
15-20 cm	6.139	3.615	120.538	78.139	19,63	21,62	18,94	17,81
20-25 cm	27.136	12.153	1.464.899	645.617	53,98	53,13	22,73	22,80
25-30 cm	12.367	4.668	986.394	612.752	79,76	131,26	27,06	27,88
30-35 cm	10.354	3.256	1.400.199	453.902	135,23	139,39	31,45	32,55
35-40 cm	3.714	3.656	732.002	839.583	197,07	229,65	38,06	37,69
40+ cm	930	902	268.670	232.326	288,75	257,57	45,76	41,79
Total Geral	60.641	28.250	4.972.701	2.862.320	82,00	101,32	29,20	26,84

- Overall average roadside prices YTD of 101.32 USD/m³, vs 82.00 USD/m³ in the budget. An increased proportion of higher quality logs is observed, caused by the postponement of worse quality final harvests, such as PAR and PAI, and thinning projects (CMB, SMJ and TST).

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



- FSA sells to TRC at the roadside, based the most recent Consufor survey prices; The most recent survey was done in June 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 does not reflect the current market, since all trading has ceased – see the next slide for additional information;
- Due the current situation of teak market by end of June FSA starts to sell to TRC at Consufor Minimum prices also considering the very small volume initial planned. However we expect that teak market start to recover during the Q3. Prices have been adjusted to Consufor AVG prices from 1st August onwards;



Log Sales Volume YEE

	January	February	March	April	May	June	July	August	September	October	November	December	Total
BAR2002													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	28	0	0	28	0	0	0	0	0	0	0	0	28
BAR2004													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	24	0	0	0	0	0	0	0	0	0	0	0	24
CAN1998													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	73	0	0	0	0	0	0	0	0	0	0	0	73
CMB2002													
Budget	1.700	1.700	1.800	2.500	1.669	0	0	0	0	0	0	0	9.369
YTD	799	1.154	1.261	171	(0)	1.088	0	0	0	0	0	0	4.473
CPB1999													
Budget	1.000	1.000	1.000	1.000	1.199	0	1.397	1.616	1.728	1.363	320	0	11.624
YTD	3.054	3.281	2.746	1.263	1.153	1.308	1.397	1.616	1.728	1.363	320	0	19.227
MUT2007													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	1.137	0	0	0	0	0	0	0	0	0	0	0	1.137
PAI1997													
Budget	2.000	2.000	2.399	2.400	2.700	1.799	0	0	0	0	0	0	13.298
YTD	0	0	0	0	0	0	0	0	0	0	0	0	0
PAR1997													
Budget	2.022	2.022	2.022	2.022	2.022	2.022	0	0	0	0	0	0	12.134
YTD	841	2.289	509	0	0	268	0	0	0	0	0	0	3.907
SJT1998													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YTD	49	0	24	0	0	0	0	0	0	0	0	0	73
SMJ2002													
Budget	2.400	2.400	2.700	134	0	0	0	0	0	0	0	0	7.634
YTD	349	0	1.686	0	456	779	0	0	0	0	0	0	3.270
SMJ2003													
Budget	0	0	0	2.504	0	0	0	0	0	0	0	0	2.504
YTD	398	1.437	439	0	187	0	0	0	0	0	0	0	2.461
TST2004													
Budget	0	0	0	0	3.000	5.000	0	0	0	0	0	0	8.000
YTD	0	0	0	0	0	0	0	0	0	0	0	0	0
VDO1999													
Budget	0	0	0	0	0	2.502	0	0	0	0	0	0	2.502
YTD	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Volume													
Budget	9.122	9.123	9.921	10.561	10.591	11.323	1.397	1.616	1.728	1.363	320	0	67.065
YTD	6.752	8.160	6.666	1.462	1.795	3.443	1.397	1.616	1.728	1.363	320	0	34.673



Market Update

- During the 2Q2020 Brazil, Ghana and Panama were the main teak supplier to India (together they represent 82% of total teak logs imports), the volume was 22% lower in 2Q2020 when compared to 2Q2019;
- The COVID-19 pandemic led the Indian government to impose a national lockdown in late March, which have been extended to late May and entered the unlocking phase in June 1st. Essentially, log imports are moving slowly, many customers are facing cash flow and labor constraints at the moment.
- It is unclear how the Indian market will be impacted by Covid-19 and the lockdown in the medium term. Although, measures to facilitate essential transport and business activity were taken in the containment zones. Bear in mind, however, that India was going through a slow growth period prior to the Covid-19 crisis. We believe a cautious approach is best.
- Sales outside of India have also been impacted since much of the underlying demand is tied to European and US demand for garden furniture. Customers are complaining about orders being cancelled and consequently have reduced new purchases.



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	-9.383.240
Outstanding	12.185.400

The outstanding value is unchanged since the last Quarterly Report.



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. 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 current LUD farm agreements.

- Paraiso – As indicated earlier in the report, final harvest began at Paraiso Farm (PAR 1997) in January, but was interrupted by the courts verdict. The Local Judge 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 decision did however uphold that the landowner owes FSA for past advances. Such decision, which was provided by Local Judge, is pending of Floresteca's appeal before Mato Grosso Court. The landowner has since made contacts requesting that FSA return to finalize the harvests and remove the stumps in the farm, but we still did not reach a legal agreement.
- 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.
- Bambu IV; There has been no material update on these, however our legal advisors believe that decision in the case of Paraiso may have some future bearing on this outcome.

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. There was a mandated freezing real state assets, and any changes in the legal structure all the defendants. On April 23rd, 2020, a preliminary favorable decision by Mato Grosso Court lifted the injunction, and the final decision was reached on July 29th, confirming the favorable decision taken on April 23rd. In the main proceedings, an expert was pointed to verify the quality of the farms, but such decision is pending of appeals by both parties.



Outlook on Upcoming Quarters

- Indian market is slowly recovering from the 2Q lockdown, but still uncertain how it will behave for the remainder of the year;
- 2S2020 is forecasted to see reduced harvesting levels and minimum forest maintenance activities to preserve company cash;
- FSA believes resuming harvesting more fully will only be able to occur in during 4Q2020;
- The Management Plan as it stands is no longer a useful reference. FSA prepared a revised plan for the remainder of 2020 and all related financial tables shown in this report are considering this new plan;
- Legal issues with landowners 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) continue to impose substantial legal costs on FSA and liabilities on unrelated third parties;





Obrigado / Thank You!



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