



Floresteca S.A.

4Q2020 Results Summary

December 2020



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Agenda

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Harvest Operations by Farm

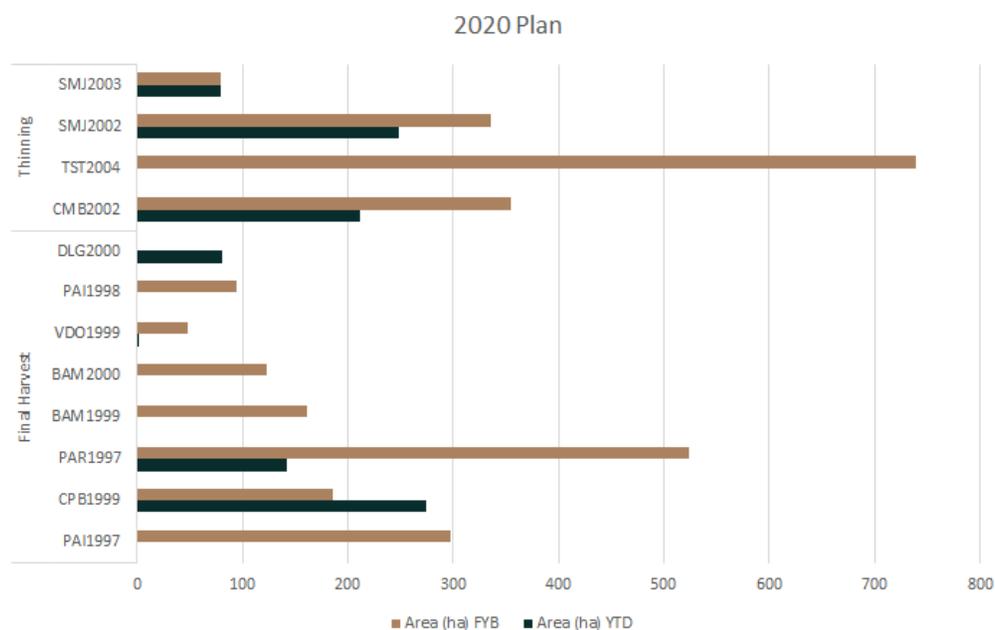
Table 4.1 Area Changes in the YTD

Project	Planting Year	Initial Area (ha) - End of 3Q 2020	Area Changes (ha)	Harvested Area (ha)	Current Area (ha) - End of 4Q 2020
Paiolandia	1997	297.92	281.17		281.17
Paraiso	1997	540.95	540.95	145.18	395.77
Paiolandia	1998	93.95	93.89		93.89
Bambu	1999	549.07	549.07		549.07
Capim Branco	1999	414.47	414.47	60.51	353.96
Serra das Araras	1999	105.01	104.96		104.96
Vale Dourado	1999	48.59	48.59	2.03	46.56
Bambu	2000	513.83	513.83		513.83
Duas Lagoas	2000	1,527.51	1,494.08		1,494.08
Duas Lagoas	2001	1,764.34	1,688.29		1,688.29
São Miguel	2001	97.52	97.52		97.52
Barranquinho	2002	970.20	960.13		960.13
Cacimba	2002	571.08	565.75		565.75
Duas Lagoas	2002	48.41	48.41		48.41
São Miguel	2002	5.71	5.71		5.71
Santa Maria do Jauru	2002	1,085.18	1,059.97		1,059.97
Barranquinho	2003	12.95	12.78		12.78
Cacimba	2003	10.19	10.19		10.19
Santa Maria do Jauru	2003	207.87	206.72		206.72
Santa Fé	2003	2,562.71	2,550.47		2,550.47
Barranquinho	2004	1,021.00	1,002.89		1,002.89
Terra Santa	2004	1,143.17	1,127.44		1,127.44
Duas Lagoas	2005	207.67	202.93		202.93
Duas Lagoas	2006	233.88	215.84		215.84
Mutum	2007	539.18	511.32		511.32
São José	2007	301.30	301.22		301.22
Santa Maria do Jauru	2008	99.87	94.42		94.42
Total		14,973.53	14,703.01	207.72	14,495.29

We have conducted an overall remapping of the Teak stands in FSA properties, so areas have changed from the previous report. This was performed via remote sensing, based on recent satellite images from rainy season.

The goal was to better represent the reality of plantations and to improve production estimates.

Whenever it was possible to visually detect inconsistencies inside stands (e.g. natural forest, bare soil, group of dead trees) stands perimeter was reshaped. For areas where uncertainties occurred, coordinates were collected and ground validation was performed



Harvest Yields & Sales Summary

Sales volume (m³) FY 2020 Actual and Budget

	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	0	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	2.316	1.502	2.629	2.616	2.289	861	25.016
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	146	0	0	793	1.883	2.423	9.151
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	171	0	0	171
DLG2000													
YTD	0	0	0	0	0	0	0	0	0	0	612	1.097	1.709
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	1.434	1.795	3.443	2.462	1.502	2.629	3.580	4.172	3.283	47.586

Overall, 2020 production (47,586 m³) is much lower than forecasted, mainly due to the Covid-19 pandemic impact on operations;

In the 4Q, only wood from Capim Branco (CPB) and sawmill volume from Paraíso (PAR) were sold.

After FSA won in court the case against PAR landowner, operations were resumed, and its final harvest should be finished in the 1Q 2021.

Paiolandia (PAI) final harvests are still being postponed due to market conditions and lingering issues with the landowners and that is the reason why we harvested more in CPB.

The thinning in Cacimba (CMB) and Santa Maria do Jauru (SMJ) were halted in March and will not restart in 2021 since there is more urgent thinning to be carried in São José and Terra Santa farms (disease spread).



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Yields - Final Harvests

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

2019 Plan

Project	Year	Site Class	DBH (cm)	BA (m ² /ha)	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
CPB	1999	S1	34.9	10.3	165.7	165.7	70.0	71.4	108	108
		S2	31.4	9.2	27.4	27.4	46.4	56.8	120	120
Total					193.1	193.1	66.6	69.4	110	110

2020 Plan

Project	Year	Site Class	DBH (cm)	BA (m ² /ha)	Area (ha) - FY	Area (ha) - FYB	Production Yield (m ³ /ha) - FY	Production Yield (m ³ /ha) - FYB	Trees Removed (Trees/ha) - FY	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
		S2	27.7	10.5	0.0	45.9	0.0	55.0	0	173
PAR	1997	S2	24.3	12.9	41.3	88.5	60.3	46.2	274	275
		S3	21.3	9.8	273.9	435.6	24.3	23.1	269	270
CPB	1999	S1	35.2	10.5	260.4	171.8	64.0	74.4	84	108
		S2	30.8	9.0	13.6	13.6	45.2	54.6	121	121
VDO	1999	S1	34.1	13.9	2.0	48.6	84.3	103.0	122	152
BAM	1999	S3	19.9	11.3	0.0	161.3	0.0	17.8	0	358
	2000	S1	31.2	18.5	0.0	16.6	0.0	101.3	0	237
		S2	25.7	14.0	0.0	106.3	0.0	56.6	0	272
DLG	2000	S1	0.0	0.0	81.5		21.0			
Total					672.8	1,434.0	42.1	48.8	161	234

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

In Capim Branco (CPB), final harvest started in 2019 and ended in the last quarter. In general, our yield estimates were 4% below the budget.

From the original 2020 plan, only CPB, PAR and VDO were harvested so far, due to COVID19 and legal issues with the landowners of PAI and BAM.

CPB and VDO will not be finished during 2020 since one stand of CPB (stand 004) and the 50 remaining hectares in VDO got burned in September. No damage to the wood or the growth of remaining trees was observed, but due to the bad appearance of the bottom logs after the fire, TRC decided to not harvest them until the next wet season, so the blackish bark gets washed away.

At the last quarter, final harvest operations were restarted at PAR, and we expect to finish it in February 2021.

DLG 2021 budget was initialized at the end of November, and operations will continue during this year.



Yields - Thinning

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

2019 Plan

Project	Year	Site Class	DBH (cm)	BA (m ² /ha)	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 (cm)	BA (m ² /ha)	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, area and trees) planned and performed until end of 2020.
- Second table = 2020 budget stands. Total values (volume, area and trees) planned and performed until end of 2020.
- Site class, DBH and BA are provided only to the budgeted stands.

The thinnings were interrupted at Cacimba (CMB) and Santa Maria de Jauru (SMJ) in March. For this last quarter, no thinnings were forecasted.

Due to legal issues with the landowners, we cannot operate TST.



Log Sales & Prices

Roadside Prices Comparison 2020 FY

	Volume m3		Value USD		RS Price (USD/m ³)		Diameter Point	
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
15-20 cm	7.215	5.961	141.664	125.324	19,63	21,02	18,94	17,43
20-25 cm	28.212	16.938	1.509.967	809.141	53,52	47,77	22,72	22,80
25-30 cm	14.103	10.224	1.289.220	1.015.674	91,41	99,34	27,08	27,55
30-35 cm	10.762	5.996	1.481.362	736.580	137,65	122,85	31,47	32,77
35-40 cm	5.314	6.073	1.161.508	1.129.215	218,56	185,95	38,02	37,40
40+ cm	1.458	2.394	441.509	494.880	302,72	206,73	45,69	41,48
Total Geral	67.065	47.586	6.025.230	4.310.814	89,84	90,59	29,25	27,50

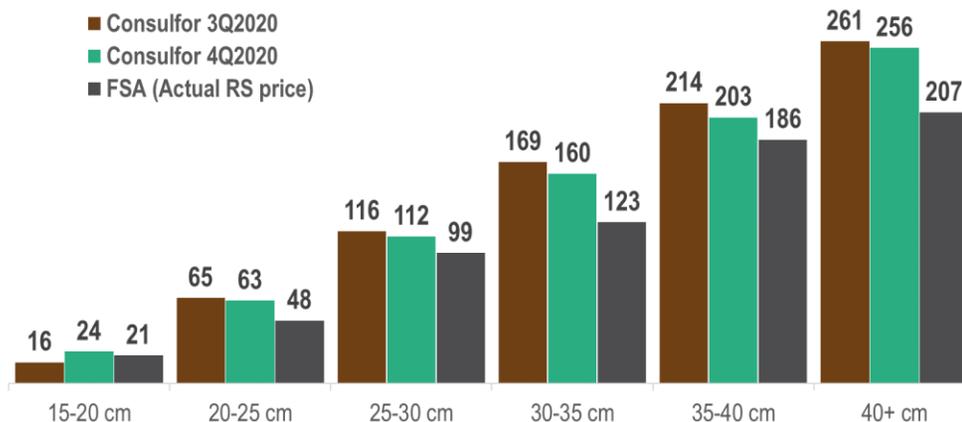
Overall average roadside prices are USD 111.69 vs USD 88.71 budgeted, a favorable variation of USD 22.98. An increased proportion of higher quality logs is observed, caused by the postponement of worse quality final harvests, such as PAR and PAI, and thinning projects (CMB, SMJ and TST).

FSA sells to TRC at the roadside, based on the most recent Consufor price survey from September 2020.

The Indian market has been gradually recovering from the Covid-19 lockdown impact and is increasing its volumes, it is important to emphasize that the pricing shown in the Consufor report for 3Q2020 is reflecting the current market, since all trading has reestablished – see the next slide for additional information;

Due to the situation of the teak market by the end of June, FSA sold to TRC at Consufor Minimum prices, also considering the very small volume initially planned. However, TRC started paying the price based on curve formula related with the girth measure.

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



Market Update

- In the 4Q2020 Ecuador, Ghana and Brazil were the main teak supplier to India (representing 66% of total teak logs imports). The total imported teak wood volume in India was 24% lower in the 4Q2020 when compared to the same period of 2019;
- The COVID-19 pandemic led the Indian government to impose a national lockdown in late March, which has been extended and entered the initial unlocking phase on June 1st. The Unlocking Phase has also been extended reaching phase 7.0 in December, which still involves containment zones but with less restrictions on interstate and between districts transit and the vaccination is planned to start in late January 2021.
- December 2020 has practically same level of arrivals of same month of 2019 so now the key question will be to understand if the market will keep absorbing these level of pre-pandemic arrivals and we believe that this will happen smoothly at least until March. After that, Panama and other LATAM cargo will start to land from April onwards which could bring some pressure on the supply side. Only then we will be able to see market reactions in terms of price and liquidity.
- Non-india sales have responded very positively on Q4. We also have very good expectations for 2021, specially for new segment of lamellas for engineered flooring on the Chinese local market. This can increase considerably TRC market in that country. Indoor/Outdoor furniture also had strong demand there, so we believe that China will overtake Vietnam as main destination outside India of TRC products along this year. Vietnam demand is still there, but we are unsure how much we can increase at that market.



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.

- Paraiso – As indicated earlier in the report, final harvest began at Paraiso Farm (PAR 1997) in January 2020, 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. On September 25th, the judge of the claim provides a new decision that reinstates FSA into Paraiso Farm possession. On October we restarted the final harvest at Paraiso Farm.
- 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 procedure will be accompanied by a technical assistant appointed and approved by the parties.
- 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. On October, FSA legal advisory informed to the judge of the claim that intends to produce witness and expert evidence.

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.



Legal and Compliance Update

VTP:

01/18/2021: FSA requests to the judge of the claim (i) the case termination, and (ii) to order the payment of the court costs by the plaintiff, as established by the Brazilian law Court of Justice, against the decision of the SECOND PRELIMINARY INJUNCTION APPEAL, to (i) reform the decision and maintain the PRELIMINARY INJUNCTION, or, in case of denial, (ii) claim the application of the PRELIMINARY INJUNCTION only to TRC AGROFLORESTAL and TRC PARÁ.

11/11/2020: in the trial, the COURT OF APPEALS grants VTP's plea for clarification presented on 09/21/2020 of the THIRD PRELIMINARY INJUNCTION APPEAL and decides that no changes should be made in the decision other than the inclusion of the justification used on the defeated vote.

12/01/2020: BIOTECA presents to the COURT OF APPEALS the opposition against the plea for clarification filed by VTP on 11/12/2020 (of the FOURTH PRELIMINARY INJUNCTION APPEAL decision's) to (i) reinforce that VTP is just trying to rediscuss the matter, and already filed several pleas for clarifications rejected by the COURT OF APPEALS – FIRST, SECOND, THIRD and FIFTH PRELIMINARY INJUNCTION APPEAL, and (ii) request the malicious prosecution penalty to VTP, that may vary from 1% to 10% of the value of the matter in controversy.

12/13/2020: the COURT OF APPEALS rejects the special appeal filed by VTP on 10/28/2020 (of the FIRST PRELIMINARY INJUNCTION APPEAL decision's).

01/20/2021: the judge of the claim - Mr. Yale Sabo Mendes, is assigned to the COURT OF APPEAL for 2 years (by the Brazilian law, he is unable to judge VTP's splitting cases and appeal in the COURT OF APPEAL). VTP lawsuit has a new judge of the claim – Ms. Claudia Beatriz Schmidt.

02/04/2021: VTP lawsuit has a new temporary judge of the claim – Ana Paula da Veiga Carlota Miranda.

02/08/2021: VTP files a new appeal before the COURT OF APPEAL, directed to the Superior Court of Justice, against the decision from 12/12/2020 that rejected the special appeal filed by VTP (of the FIRST PRELIMINARY INJUNCTION APPEAL decision's). Such appeal aims to have VTP's special appeal analyzed by the Superior Court.



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.

11/07/2020: the judge of the claim notice Rondon Company to present a valid power of attorney, in 15 days.

11/24/2020: Rondon Company informs to the judge of the claim that one of the company partners – Mr. Rondon Andrade Porto, filed a case to remove the rightful Director of the company - Ms. Rebeca de Andrade Porto2 (“DIRECTOR REMOVAL LAWSUIT”), and requests the reunion of the cases, to be analyzed together.

12/04/2020: FSA informs to the judge of the claim that (i) the period for the presentation of a valid power of attorney expired without any action from Rondon Company, and the case must be closed; (ii) Rondon Company shall pay for the legal fees borne by the defeated party, and (iii) Rondon Company is a wealthy company, and the court costs exception must be revoked.

01/11/2021: Rondon Company, presented by the rightful director – Ms. Rebeca de Andrade Porto, and with the consent of the majority stockholder – Ms. Rachel de Andrade Porto, spontaneously presents before the judge of the claim, and informs that Mr. Rondon de Andrade Porto (“Mr. Rondon”) is a minoritarian quota holder (25%), with no authority to execute the power of attorney on behalf of Rondon Company, and claims for the case termination, with no court costs condemnation.

01/18/2021: FSA requests to the judge of the claim (i) the case termination, and (ii) to order the payment of the court costs by the plaintiff, as established by the Brazilian law.



Outlook on Upcoming Quarters

- Indian market is recovering from the 2Q lockdown and stocks on ground are facing a historical low, which has opened an opportunity window for companies that can get back to production faster, as many traders are out of business and some producing countries are still on their rainy season;
- Harvest is already at pre-COVID levels given these improvements of market conditions. These conditions are likely to remain positive until the end of the 1Q 2021. After that, it is still unclear how the Indian demand will structurally behave after stocks are back to regular levels.
- Legal issues with landowners in Paraíso were sorted and our crew resumed harvesting there.
- 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;
- At the time of writing of this report, COVID-19 new cases are spiking again in Brazil. Although vaccination has already started, it is only reaching priority populations so far. We still need to be cautious on possible new developments of the disease worldwide and working under a strict health and safety policy to ensure a safe environment for workers.

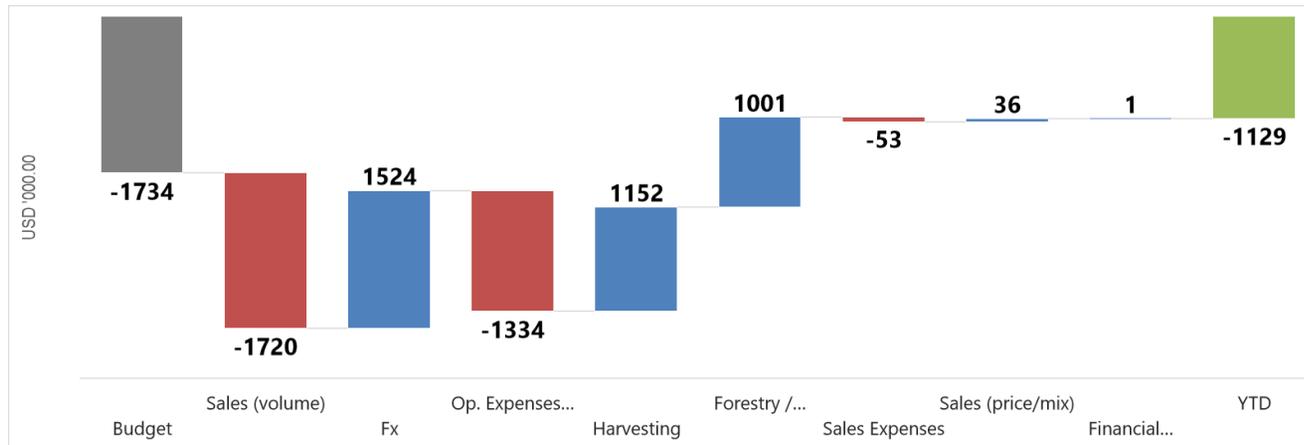


FSA Summary Financial Information



Summary P&L 2020

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



- Operational Result 2020 was USD -1,119 k versus USD -1,734 k budgeted or a favorable variation of USD 604 k.
- Sales Volume: the main driver was lower harvested volume (20 k m³, or 29%) caused by the activities interruption due to COVID-19 and the Frigieri lawsuits in Paraiso and Terra Santa (both farms were planned to be harvested in 2020), which resulted in lower sales volume and harvesting costs.
- Op. Expenses: overhead over budget mainly due to USD 1,2 M of legal expenses detailed in the compliance section;
- Forestry: Overall forestry costs were substantially lower than the budget for 2020 due to the halt in activities forced by Covid-19 pandemic.
- To facilitate comparisons, all values in BRL were converted to the USD using the budget fx rate of BRL 3.82/ USD. As the actual fx rate increased over the year from 5.19 in 1Q, 5.47 in 2Q, 5.64 in 3Q and 5.20 in 4Q overall results were positively impacted by this adjustment;



Cost of Production Summary (2020)

Harvesting Cost, per activity:

		Budget YTD	Actual YTD	Var. %
Tree Selection	BRL	106.060	132.202	25%
Harvesting	BRL	2.521.884	1.609.227	-36%
Forwarding	BRL	3.469.114	1.776.756	-49%
Lot Formation	BRL	1.715.571	770.733	-55%
Loading	BRL	694.703	376.593	-46%
Tax	BRL	1.036.778	1.107.707	7%
Total	BRL	9.544.110	5.773.218	-40%
Commercial Vol.	m ³	67.065	47.586	-29%
BRL/m ³	BRL	142,31	121,32	-15%
BRL/USD rate	-	3,82	3,82	100%
USD/m ³	USD	37,25	31,76	-15%
Standard Cost to Effective Adj	BRL	N/A	237.870	N/A
USD/m ³	USD	37,25	33,07	-11%
Stump Removal	BRL	3.356.100	953.379	-72%
Total (+) Standard Cost	BRL	12.900.210	6.964.467	-46%
USD/m ³	USD	50,35	38,31	-24%

Cost of Production (Harvesting) after Standard Cost to Effective adjustment was 11% lower than budgeted. Basically, the measures took during the pandemic (forced vacation, suspensions and working-time decrease) helped to partially hold the expenses, but payroll and capital costs continued to be paid.

Even halting Cacimba and Santa Maria thinning in March and keeping only 20 workers in Capim Branco doing the final cut for three months, the team speeded the production up from 3Q onwards and achieved good volumes – contributing to a lower CoP.

Stump removal was performed in Araras, Cassange, São Judas Tadeu and São José da Canastra farms and all the activities were concluded in July. The stump removal was canceled in Capim Branco farm since FSA has a commitment to sell the farm in 2021 with the stumps on it. In 1Q 2021 the stump removal will start in Duas Lagoas farm.

Standard cost to effective 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).



Silvicultural Operations Summary (2020)

Forestry Operations FY

Activity Group	Un.	Status				
Operational Support -		Actual	1.220.353	0		0
		Budget	2.338.181	0		0
Roads	km	Actual	159.744	34		4.769
		Budget	579.000	196		2.954
Weed Control	ha	Actual	117.790	347		339
		Budget	1.027.554	3.753		274
Sprout Control	ha	Actual	117.039	210		556
		Budget	1.288.884	4.238		304
Inventory	parc	Actual	139.776	1.421		98
		Budget	127.479	1.612		79
Pruning	ha	Actual	21.326	151		141
		Budget	813.404	1.199		678
Firebreaks	ha	Actual	288.807	770		375
		Budget	346.652	460		753
Fire Fighting	-	Actual	48.352	0		0
Pest Control	ha	Actual	21.900	586		37
		Budget	241.400	9.226		26
Tax		Actual	169.745	0		0
		Budget	131.623	0		0

Standard Cost to Effective Adj -	Actual	-77.740
	Budget	0

Actual	2.227.092
Budget	6.894.177

Total Cost (BRL)

TOTAL

Status

■ Actual ■ Budget

Overall forestry costs were substantially lower than the budget for the year.

Operational support was under budget, since is primarily related to harvesting and all harvest activities were severely impacted as mentioned in previous sections of the report.

Road maintenance was taken in Cacimba, Capim Branco, Santa Maria and Paraiso farms. Roads are primarily related to harvesting activities, also, and were impacted as operational support.

Weed control was carried out partially in some stands in Capim Branco, Cacimba, Santa Maria and Paraiso to provide visibility and safety for the harvesting teams.

Firebreak maintenance and inventory were kept as planned and were within budget.

Sprout control and pruning were halted until December. This extreme measure was taken during the meetings with the SATT, FSA and FBV board to steady the company cash flow, nevertheless, FSA started some pruning and sprout control in Paiolândia in December. This preventive measure was taken to reduce the risks associated to the forest management and the owners' complaints.



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General & Administrative Expenses

G&A / Overhead Summary YTD

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

	2020 Budget	2020 FY	Variação
G&A Expenses	(2.182.736)	(3.503.509)	-1.320.773
Property Management	(643.476)	(568.672)	74.804
Total	(2.826.212)	(4.072.181)	-1.245.969

Overall G&A Local costs include general and administrative costs specific to FSA, and include the remuneration of the administrators, financial statements audit, among others. These costs were 1,3 M over the budget on 2020 due to higher legal expenses and attorney success fees for VTP process (see the compliance section);

Property management costs refer to local property management related staff and infrastructure maintenance. These costs were 74 K under budget due to lower general expenses (49 k) and maintenance (30 k).



Cash Summary 2020

Actual and Budget Cash Flow

FSA											
Cash Flow											
(In USD 0,00)											
	1Q2020	1Q2020	2Q2020	2Q2020	3Q2020	3Q2020	4Q2020	4Q2020	2020	2020	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	FY	Variation
Fx rate	3,82	5,20	3,82	5,48	3,82	5,64	3,82	5,33	3,82	5,20	
Initial Balance	817.040	334.914	1.056.241	357.795	155.727	1.147.440	6.422	873.497	817.040	334.914	(482.126)
Gross Revenues	2.167.768	2.170.579	2.169.389	1.090.001	1.640.875	1.933.888	1.429.932	1.133.317	7.407.964	6.327.784	(1.080.180)
Biomass Sales	0	5.958	0	5.645	0	6.147	0	9.618	0	27.368	27.368
Log Sales	2.167.768	2.164.620	2.169.389	1.069.312	1.640.875	1.857.870	1.429.932	1.056.579	7.407.964	6.148.381	(1.259.583)
Other Sales				15.044		69.871		67.120	0	152.035	152.035
(-) Sales Deductions	(28.354)	0	(31.223)	(243)	(39.902)	(1.534)	(26.097)	(4.355)	(125.576)	(6.131)	119.445
Net Revenues	2.139.414	2.170.579	2.138.166	1.089.758	1.600.973	1.932.354	1.403.834	1.128.962	7.282.387	6.321.652	(960.735)
Operational expenses	(1.741.902)	(1.478.670)	(2.862.084)	(1.260.107)	(1.530.813)	(1.538.423)	(1.221.561)	(1.049.428)	(7.356.359)	(5.326.629)	2.029.731
Legal Expenses	0	(156.227)	0	(158.840)	0	(469.894)	0	(337.338)	0	(1.122.298)	(1.122.298)
Financial rev./exp.	(35.350)	8.616	(72.753)	4.509	(3.927)	10.437	(3.927)	(3.159)	(115.956)	20.403	136.358
Income tax	0	0	0	0	0	0	0	0	0	0	
Transfers to FBV	(158.312)	(392.283)	(176.595)	(86.157)	(140.708)	(210.754)	(154.660)	(538.684)	(630.275)	(1.227.878)	(597.603)
Bridge Loan	0	0	0	1.568.773	(78.758)	(78.758)	(236.274)	(157.516)	(315.031)	1.332.499	1.647.531
Fx gain/Loss	0	(129.134)	0	(368.290)	0	81.096	0	328.200	0	(88.129)	(88.129)
Closing Balance	1.056.241	357.795	155.727	1.147.440	6.422	873.497	(202.238)	244.536	(202.238)	244.536	446.774

- Full Year Budgeted closing cash is USD (202 k) vs USD 250 k FY, a favorable variance of USD 446 k.
- FSA hired a bank loan of BRL 5,5 M loan to amortize the last debt on the BRL 5,6 M. FSA pay per month BRL 276 k from March 2021.
- The remaining variation was due the difference in the assumption of the Legal Expenses (USD 1,2 M).
- Operational expenses and Sales were directly affected by the COVID-19 pandemic, with lower activity level resulting in lower expenses and revenues.
- To facilitate comparisons, all values in BRL were converted to the USD using the budget fx rate of BRL 3.82/ USD. As the actual fx rate increased over the year from 5.19 in 1Q, 5.47 in 2Q, 5.64 in 3Q and 5.20 in 4Q overall results were negatively impacted by this adjustment.
- Compared to the cash position sent in last report, in which the closing balance was USD 250 k the main changes are:
 - Legal expenses are considering probable attorney costs and success fee related to the VTP court case (USD 1,165 k);
 - Operational Expenses were lower USD 320 k than last report.
 - Gross Revenues figures were lower by USD 80 k;



FSA Balance Sheet

Floresteca S/A - Balance Sheet position of January 01 to December 31, 2020

(In thousands of reais/dollars)

FX RATE- ASSETS 5,1961
FX RATE - LIABILITIES 5,1967

ASSETS	ASSETS		LIABILITIES AND EQUITY	LIABILITIES AND EQUITY	
	R\$	\$		R\$	\$
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents	9.620	1.851	Loans and financing	3.027	583
Accounts receivable	6.680	1.286	Trade and other accounts payable	2.095	403
Inventories	1.562	301	Taxes payable	141	27
Recoverable taxes	2.811	541	Payroll, vacation pay and related charges	226	43
Other receivables	81	16			
Total Current Assest	20.754	3.994	Total Current Liabilities	5.489	1.056
NON-CURRENT ASSETS			Non-current liabilities		
Related parties	605.063	116.446	Loans and financing	24.482	4.712
Other receivables	6.261	1.205	Related parties	625.962	120.468
Deferred tax	9.775	1.881	Provision for contingencies	485	93
Own biological assets	120.708	23.231	Other provisions	37.082	7.137
Property, plant & equipment	6.288	1.210			
Intangible assets	6	1	Total Non-Current Liabilities	688.011	132.409
Total Non-Current Assest	748.101	143.974	EQUITY		
			Capital	27.798	5.350
			Legal reserve	5.559	1.070
			Profit reserve	41.838	8.052
			Translation Reserve		
			Foreign exchange adjusts		31
			TOTAL EQUITY	75.355	14.502
			Controlling interests	-	-
TOTAL CURRENT ASSETS	768.855	147.968	TOTAL LIABILITIES AND EQUITY	768.855	147.968



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Appendix - Financial Tables



Summary - P&L FY (USD)

FSA Participações			
Profit and Loss			
<i>(In USD 0,00)</i>			
	2020 Budget	2020 FY	Variação
<i>Volume m3</i>	67.065	47.586	-19.479
Log Sales	6.039.149	4.340.560	-1.698.589
Logs	6.025.230	4.310.814	-1.714.416
Firewood	0	29.746	29.746
(-) Sales Deductions	(113.517)	(166.696)	-53.179
Net Sales	5.911.713	4.173.864	-1.737.849
CoGS			
Harvesting + Depletion	(9.912.670)	(7.667.017)	2.245.652
Total CoGS	(9.912.670)	(7.667.017)	2.245.652
Gross Profit + Depletion	(4.000.956)	(3.493.153)	507.803
Operational Expenses			
Payroll expenses	29	(27.277)	-27.306
G&A Expenses	(2.182.736)	(3.499.435)	-1.316.699
Sales Expenses	0	(748)	-748
Other operational income/expenses	(20.763)	(1.748.930)	-1.728.167
Operational Result	(6.204.427)	(8.769.543)	-2.565.116
Financial Income	0	363.099.021	363.099.021
Financial Expenses	(24.374)	(363.442.903)	-363.418.529
Financial Result	(24.374)	(343.882)	-319.508
EBT	(6.228.801)	(9.113.425)	-2.884.624
Deffered Income Tax	0	(199.935)	(199.935)
Profit & Loss	(6.228.801)	(9.313.360)	-3.084.559

FSA Participações			
Profit and Loss			
<i>(In USD 0,00)</i>			
	2020 Budget	2020 FY	Variação
Profit & Loss	(6.228.801)	(9.313.360)	-3.084.559
Income Tax	0	199.935	199.935
Financial Income	0	(363.099.021)	-363.099.021
Financial Expenses	24.374	363.442.903	363.418.529
Depreciation and Amortization	15.493	16.024	531
Depletion	6.937.470	5.843.858	-1.093.612
Other accounting adjustments	10.381	1.748.930	1.738.548
EBITDA	758.917	(1.160.731)	-1.919.648
Capitalized Costs			
Forestry	(1.245.534)	(583.008)	662.526
Depreciation	(165.561)	(73.962)	91.599
Property Management	(643.476)	(568.672)	74.804
Others	(437.923)	(266.224)	171.699
Fx gain (loss) to Actual	0	1.523.693	1.523.693
EBITDA adjusted	(1.733.576)	(1.128.903)	604.673

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.



Cash Summary YEE

YEE and Budget Cash Flow BRL

FSA Cash Flow (In BRL 0,00)	FY										Variation
	1Q2020 Budget	1Q2020 Actual	2Q2020 Budget	2Q2020 Actual	3Q2020 Budget	3Q2020 Actual	4Q2020 Budget	4Q2020 Forecast	2020 Budget	2020 FY	
Initial Balance	3.121.093	1.279.373	3.899.804	1.860.071	181.928	6.283.384	(403.420)	4.927.136	3.121.093	1.279.373	(1.841.720)
Gross Revenues	8.280.875	8.291.610	8.287.065	4.163.803	6.268.142	7.387.450	5.462.338	4.331.546	28.298.421	24.174.409	(4.124.012)
Biomass Sales	0	22.761	0	21.565	0	23.480	0	36.740	0	104.546	104.546
Log Sales	8.280.875	8.268.850	8.287.065	4.084.770	6.268.142	7.097.064	5.462.338	4.036.130	28.298.421	23.486.814	(4.811.606)
Other Sales	0	0	0	57.468	0	266.906	0	258.675	0	583.049	583.049
(-) Sales Deductions	(108.312)	0	(119.272)	(929)	(152.426)	(5.858)	(99.691)	(16.635)	(479.702)	(23.422)	456.280
Net Revenues	8.172.563	8.291.610	8.167.793	4.162.874	6.115.716	7.381.592	5.362.647	4.314.910	27.818.719	24.150.987	(3.667.731)
Operational expenses	(6.654.064)	(5.648.520)	(10.933.160)	(4.813.609)	(5.847.706)	(5.876.777)	(4.666.362)	(4.008.815)	(28.101.292)	(20.347.721)	7.753.571
Legal Expenses	0	(596.786)	0	(606.767)	0	(1.794.995)	0	(1.288.630)	0	(4.287.178)	(4.287.178)
Financial rev./exp.	(135.036)	32.914	(277.915)	17.223	(15.000)	39.869	(15.000)	(12.067)	(442.950)	77.939	520.889
Income tax	0	0	0	0	0	0	0	0	0	0	0
Transfers to FBV	(604.751)	(1.498.520)	(674.594)	(329.121)	(537.503)	(805.082)	(590.801)	(2.057.771)	(2.407.649)	(4.690.494)	(2.282.845)
Bridge Loan	0	0	0	5.992.712	(300.855)	(300.855)	(902.565)	(601.710)	(1.203.420)	5.090.147	6.293.567
Closing Balance	3.899.804	1.860.071	181.928	6.283.384	(403.420)	4.927.136	(1.215.500)	1.273.053	(1.215.500)	1.273.053	2.488.553





Obrigado / Thank You!



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The logo for Floresteca features a stylized green leaf icon above the company name. The leaf is composed of two overlapping shapes, one larger than the other, both in shades of green. The text 'Floresteca' is written in a clean, sans-serif font below the icon.