CONSOLIDATED FINANCIAL STATEMENTS

FLORESTECA S.A.

DECEMBER 31, 2015
AND INDEPENDENT AUDITOR'S REPORT

MAZARS

Contents

Management Report 2015

Group Overview

The Floresteca Group, controller of Floresteca S.A. (FSA, and "Floresteca"), is a Brazilian manager of teak wood plantations. With over 20 years of experience, the Floresteca Group manages over 40 thousand hectares of teakwood plantations in Brazil, making it one of the largest managers of plantation teak in Brazil and worldwide. FSA currently manages over 20 thousand hectares of planted forest in the Brazilian state of Mato Grosso; the Floresteca Group also manages teak plantations through other Group Companies in the Brazilian state of Pará. Though the largest shares of the forests are managed for investors, both retail and institutional, the Floresteca also co-invests a significant share in nearly all projects. It receives income from fees and retainers for the management of the assets, as well as a percentage of the sales of wood.

Teak wood has a comparative long rotation cycle, typically of around 20 years. While Floresteca has invested in the development of faster growing seeds and clones, its operational cycle is still far longer than that of typical plantation wood operations in eucalyptus and pine species, which target the market for fiber and cellulose. Teak wood is valued for long, straight and thick pieces of wood, generated only at the end of the complete 15-20 year cycle. As a result, the cash flow profile of the business is quite atypical: an initial investment in land and planting, maintenance costs in smaller amounts over the growth cycle, with some small cash generation periods from the thinnings (in early years largely for biomass, in later years for sawn wood as well), with returns determined only with final felling of the best trees. The patience of the investor is rewarded by unit values for wood of 10 to 20 times that of eucalyptus and pine wood in Brazil.

As a result of this long operational cycle, the company has only now begun the final cut of its first trees. Through most of its 20 year history, the focus has been on management of the forests and cost minimization, with revenue sporadic and of a small dimension relative to assets. Consequently, typical financial indicators such as analysis of margins (gross, operating, EBIT and EBITDA) have historically not been meaningful, as the Company had not yet finalized its operational cycle. The most relevant performance indicators are found on its balance sheet, in terms of the changes in biological assets and investments in specific plantations.

However, this large asset base has begun to reach maturity, and the Company is gearing up for significant growth in revenue, which will occur over the next 5 years and beyond. While continuing to maintain its forests, the Company has added a greater focus and attention to the marketing, sales, distribution and logistics aspects of the business, as the growth has warranted, and as will become apparent in the discussed that follows.

Income Statement Highlights

Sales of logs and squares, a typical teak sawn wood product, are largely exported to Asia, with India the largest individual market. In 2015, 67.8% of sales were to India, with 21.6% to other markets. Only 10.5% of sales were in the domestic sawn wood and biomass markets. This contrasted with 2014 sales, where India represented 56.0%, other markets 29.7% and domestic sales 14.2%.

As sales of the Company's products are largely in export markets, and pricing in these markets is predominantly in USD, exchange rate variations can have a significant impact on sales. Since costs are largely in BRL, in periods where the BRL has devalued substantially, as in 2014 and 2015, the Company benefits with higher BRL sales, and improved operating margins. Net Sales increased 48.5% in 2015, over 2014, in line with FX variation of 47% in 2015 vs 2014. Cost of goods declined 7.7% in 2015, generating a gross profit of R$ 25.4 million, vs R$ 5.8 mm in 2014. The main components of COGS are forest formation cost, harvesting cost and manufacturing cost, which totaled R$ 28.3 million in 2015.

Selling expenses represented R$ 15,9 million in 2015, an increase of 100% over 2014. In large part, this was a result of logistics costs, which represented 66% of selling expenses in 2015, vs 71% in 2014. General and Administrative expenses were R$ 8.4 million in 2015, reduction by 17.9%.

Other operational income and expenses totaled R$ 78.1 million in 2015 vs a R$ -116.4 million in 2014.

This item mostly represents changes in the fair value of forests and investments, and has been subject to a certain amount of annual volatility, due to accounting changes for biological assets, as well as changes in discount rates due to changes in macroeconomic conditions in Brazil. It bears emphasizing that this item does not have an actual cash impact in the current year, but may represent one in the future, and thus impacts the balance sheet values of both biological assets and investments (commented below in the Balance Sheet Highlights section).

As mentioned above, EBIT and EBITDA are not accurate measures of value generation or cash flow for Floresteca, as a direct result of the long operating cycle involved in teak plantation. On a BR GAAP basis, the operating results of Floresteca were R$ 79.2 million in 2015.

Floresteca's results are also highly affected by financial income and expenses, most of which arise from the annual restatement of intercompany loans to Floresteca BV (FBV), Floresteca's main shareholder. The loans are denominated largely in EUR, and are in turn tied to the value of forests planted and managed by Floresteca SA for FBV, whose value is also largely tied to the EUR. As with the fair value of biological assets and investments in plantations, the overall changes are not cash items, though they do impact in the current year's results as they flow though the income statement. In 2015, financial expenses were R$ 334.8 million, compared to R$ 111.8 mm in 2014. Of this overall amount, R$ 14.5 million were attributable to cash interest expenses on financings to banks and other lenders. while the remaining R$ 320.3 million in financial expenses could be attributed to net exchange losses. Financial income was similarly affected by FX variation-fully R$ 281.5 million of the R$ 283.6 million in total financial income was attributable to exchange gains.

Pretax results totaled R$ 47.6 million in 2015, in contrast with R$ -140.8 mm in 2014. Net income / loss was R$ 53.3 million in 2015, with most of the taxes deferred and deferrable to the time of final cuts of the forests. In 2014, Floresteca had a net loss was R$ 89.9.

Balance Sheet Highlights

The most important items on the asset side are biological assets and investments, as mentioned above, and which totaled R$ 844.8 million and R$ 79.7 million at 31 December 2015, representing a change of 28.0% and 32.6% respectively vs 2014 at the same time.

Outstanding loans and financings at 31 December 2015 were R$ 627.6 million, compared to R$ 454.0 million at the same time in 2014. The Company had cash balances of R$ 0.4 million on 31 December 2015, vs R$ 3.1 million in 2014 at the same time.

The accounting equity base of Floresteca was R$ 338.8 million on 31 December 2015, an increase of 16.8% year over year, reflecting the increase in retained earnings.

Independent auditors' report on the financial statements

To
The Directors and Shareholders
Floresteca S.A.
Jangada - MT

1 We have audited the accompanying individual and consolidated financial statements of Floresteca S.A., identified as Parent Company and Consolidated, which comprise the statement of financial position as at December 31, 2015, the statements of comprehensive and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

2 Management of the Company is responsible for the preparation and fair presentation of these individual financial statements in accordance with accounting practices adopted in Brasil, and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

6 As stated in Note 3(a), the Company have not consolidated nor have applied the equity method of accounting for the parent company, for the subsidiary Floresteca Indústria de Madeira Ltda. As of December 31, 2015, this subsidiary had total assets amounting to R$ 5,438 thousand, total liabilities amounting to R$ 8,808 thousand, negative equity amounting to R$ 3,369 thousand and losses for the year then ended amounting to R$ 2,095 thousand. Due to the fact that the financial statements of this subsidiary have not been audited nor reviewed by us or by other independent auditors, we were unable to evaluate the effects of the scope limitation related to the lack of consolidation and to the non application of the equity method of accounting as of December 31, 2015, in accordance with CPC 36 (IFRS 10) and CPC 18 (IAS 28).

7 As described in Note 32, on February 2016 the subsidiary Tecamet Agroflorestal Ltda sold its three teak projects for a total of R$ 125,200 thousand. As of December 31, 2015 these projects were valued based on their discounted cash flow considering the full life cycle of the assets, amounting to R$ 305,900 thousand, rather than by their actual sales price obtained which, in this case, is the best reference for their fair value in accordance with CPC 29 (IAS 41)- biological assets. Consequently, parent company investments, consolidated Biological assets and parent company and consolidated equity and result for the year are overstated by R$ 180,700 thousand as of December 31, 2015 and for the year then ended.

Opinion on the individual financial statements

8 In our opinion, except for the effects and possible effects of the matters described in paragraph 6 and 7, the individual financial statements present fairly, in all material respects, the financial position of Floresteca S.A. as of December 31, 2015, and the results of its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

9 In our opinion, except for the effects and possible effects of the matters described in paragraph 6 and 7, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Floresteca S.A. and its subsidiaries as of December 31, 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards.

Emphasis

Operations

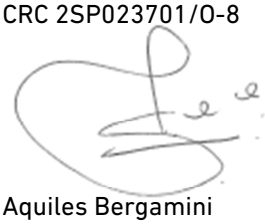
10 Without qualifying our opinion, we draw attention to Note 1 which states that the Company is in the maintenance stage of its own forest and forests belonging to third parties planted between for which the final felling is expected to begin as from 2017, and until then, the Company's financial needs are supported by investors and financial institutions. The settlement of financial liabilities with third parties and with related parties, as well as the return to the corresponding investors, depends on generating future income to be earned from the interim and the final felling of these forests.

Related party transactions

11 Without qualifying our opinion, we draw attention to Note 11 which describes that a significant part of the transactions is with related parties, and the results of these transactions could have been different if they had been carried out with non-related parties.

São Paulo, June 14, 2016

Mazars Auditores Independentes
CRC 2SP023701/O-8



Aquiles Bergamini
Accountant CRC 1SP 156763/O-0

Floresteca S.A.

Statements of financial position as of December 31
(In thousands of Reais)

Assets	Note	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
Current assets					
Cash and cash equivalents	7	429	3,089	424	24
Trade accounts receivable	8	7,926	6,688	7,926	6,688
Inventories	9	15,856	8,421	15,542	8,227
Recoverable taxes	10	4,741	5,739	4,720	5,721
Other receivables	13	5,087	3,831	5,369	4,131
Total current assets		**34,039**	**27,767**	**33,981**	**24,791**
Non-current assets					
Advances to agricultural partners	12	5.904	5,373	5,904	5,373
Other receivables	13	10,343	4,629	9,657	3,943
Investments	14	79,660	60,072	366,722	299,006
Investment property	15	5,508	1,769	-	-
Biological Assets	16	844,803	659,787	538,902	413,013
Property, plant & equipment	17	18,787	15,838	18,705	15,726
Intangible assets		134	113	78	56
Total non-current assets		**965,139**	**747,581**	**939,968**	**737,117**
Total assets		**999,178**	**775,348**	**973,949**	**761,908**

Liabilities	Note	Consolidated 2015	Consolidated 2014	Parent Company 2015	Parent Company 2014
Current liabilities					
Loans and financing	18	32,353	14,484	31,196	13,727
Leasing		77	25	77	25
Accounts payable to suppliers and other accounts	21	20,265	8,884	19,602	6.592
Taxes payable		427	844	392	819
Salaries, vacations and payroll charges payable		1,444	1,071	1,380	1,027
Total current liabilities		**54,566**	**25,308**	**52,647**	**22,190**
Non-current liabilities					
Loans and financing	18	595,261	439,547	566,081	422,253
Leasing		103	-	103	-
Provision for contingencies	19	218	289	43	227
Other accounts payable	21	151	4,257	410	5,405
Deferred tax liabilities	20	10,043	15,739	10,043	15,739
Unrealized gains in investments	15	-	-	5,064	5,064
Total non-current liabilities		**605,776**	**459,832**	**581,744**	**448,688**
Equity	**22**				
Capital		27,797	27,797	27,797	27,797
Legal reserve		5,559	5,559	5,559	5,559
Retained earnings		311,157	257,966	311,157	257,966
Translation Reserve		(4,955)	(292)	(4,955)	(292)
Equity attributable to owners of the Company		**339,558**	**291,030**	**339,558**	**291,030**
Non-controlling interests		**(722)**	**(822)**	**-**	**-**
Total equity		**338,836**	**290,208**	**339,558**	**296,094**
Total liabilities		**660,342**	**485,140**	**634,391**	**465,814**
Total equity and liabilities		**999,178**	**775,348**	**973,949**	**761,908**

See the accompanying notes to the financial statements.

Floresteca S.A.

Statements of comprehensive income
Years ended December 31
(In thousands of Reais)

		Consolidated		Parent Company	
	Note	**2015**	**2014**	**2015**	**2014**
Net revenue	23	53,740	36,184	52,680	35,783
Cost of sales	24	(28,334)	(30,713)	(27,675)	(30,160)
Gross profit		**25,406**	**5,470**	**25,005**	**5,623**
Other operational income (expenses) net	26	77,085	(116,428)	13,721	(127,264)
Selling and distribution expenses	25	(15,957)	(7,974)	(15,957)	(7,906)
Administrative and general expenses	27	(7,314	(10,198)	(6,860)	(9,430)
Equity accounting result	14	19,588	(686)	72,380	4,276
Results from operating activities		**98,808**	**(129,130)**	**88,289**	**(134,702)**
Finance income		283,605	100,103	281,620	99,441
Finance costs		(334,793)	(111,773)	(322,412)	(106,027)
Net finance (costs) income		**(51,188)**	**(11,670)**	**(40,792)**	**(6,586)**
Results before tax	**28**	**47,620**	**(140,799)**	**47,497**	**(141,287)**
Current income tax and social contribution	20(b)	(26)	(10)	-	-
Deferred income tax and social contribution		5,695	50,947	5,695	50,947
Result for the year		**53,289**	**(89,863)**	**53,191**	**(90,341)**
Non-controlling interests		(98)	208	-	-
Result for the year		**53,191**	**(90,341)**	**53,191**	**(90,341)**

See the accompanying notes to the financial statements.

Floresteca S.A.

Statement of other comprehensive income
Years ended December 31
(In thousands of Reais)

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Income for the year	**53,289**	**(90,341)**	**53,191**	**(90,341)**
Foreign currency translation differences	(4,663)	(232)	(4,663)	(232)
Total comprehensive income	**48,626**	**(90,573)**	**48,528**	**(90,573)**

See the accompanying notes to the financial statements.

Statement of changes in equity
(In thousands of Reais)

	Attributable to owners of the Company							
	Capital	Legal reserve	Retained earnings	Translation reserve	Accumulated Profit/(losses)	Total	Non-controlling interests	Total equity
Balance at January 1, 2014	**27,797**	**5,559**	**346,133**	**(60)**	**-**	**379,429**	**(615)**	**378,814**
Loss for the year	-	-	-	-	(90,341)	(90,341)	(207)	(90,547)
Transfers to Retained Earnings	-	-	(90,341)	-	90,341	-	-	-
Prior years adjustments	-	-	2,173	-	-	2,173	-	2,173
Foreign currency translation differences	-	-	-	(232)	-	(232)	-	(232)
Balance at December 31, 2014	**27,797**	**5,559**	**257,965**	**(292)**	**-**	**291,030**	**(822)**	**290,208**
Results (-) for the year	-	-	-	-	53,191	53,191	98	53,289
Transfers to Retained Earnings	-	-	53,191	-	(53,191)	-	-	-
Foreign currency translation differences	-	-	-	(4,663)	-	(4,663)	-	(4,663)
Balance at December 31, 2015	**27,797**	**5,559**	**311,157**	**(4,955)**	**-**	**339,558**	**(722)**	**338,836**

See the accompanying notes to the financial statements.

Floresteca S.A.

Statement of cash flows - indirect method
Years ended December 31
(In thousands of Reais)

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Cash flows from operating activities				
Income for the year	**53.191**	**(90.341)**	**53.191**	**(90.341)**
Adjustments for:				
Depreciation and amortization	1.636	1.488	1.605	1.450
Provision for investors	(4.106)	175	(4.995)	175
Provision for losses in investments	-	-	-	825
Provision for contingencies	(71)	(250)	(184)	(312)
Allowance for doubtful accounts	(28)	(465)	(28)	(465)
Fair value of assets	(178.970)	115.968	(123.076)	126.068
Unrealized exchange gains/losses	188.561	(51)	174.051	(931)
Interest incurred	(471)	1.105	(1.023)	526
Provision for interest	(24.151)	542	-	-
Equity accounting	(19.588)	686	(72.379)	(4.276)
Deferred income tax and social contribution	(5.696)	(50.947)	(5.696)	(50.947)
Monetary restatement of advances to agricultural partners	-	(167)	-	(167)
	10.308	**(22.256)**	**21.466**	**(18.394)**
Changes in operating assets				
(Increase Decrease in trade accounts receivable	(821)	(4.400)	(821)	(4.469)
(Increase Decrease in inventories	(7.435)	3.297	(4.081)	3.150
(Increase Decrease in recoverable taxes	998	3.212	1.001	3.212
(Increase Decrease in other receivables	(11.241)	2.162	(7.484)	1.286
Changes in operating liabilities				
Increase (Decrease in accounts payable to suppliers and other account payable	30.872	(5.921)	13.010	(5.119)
Increase (Decrease in taxes payable	(417)	518	(427)	497
Increase (Decrease in salaries, vacations and payroll charges payable	373	365	353	353
Cash flow applied in operating activities	**22.637**	**(23.022)**	**23.018**	**(19.485)**
Cash flows from investment activities				
Purchase of property, plant & equipment	(4.606)	(2.349)	(4.606)	(2.344)
Planting and purchase of biological assets - non current	(6.047)	1.583	(6.047)	1.583
Investments	-	(72)	-	(72)
Non-controlling interests	98	(208)	-	-
Cash flow from investment activities	**(10.555)**	**(1.046)**	**(10.652)**	**(833)**
Cash flows from financing activities				
Loans taken out	5.224	29.451	2.562	29.451
Leases (paid) taken out	184	(26)	209	(26)
Loan - Metlife	-	13.704	-	14.450
Payments of loans	(15.468)	(26.986)	(14.737)	(26.986)
Cash flow applied in financing activities	**(10.060)**	**16.143**	**(11.965)**	**16.889**
Net decrease in cash and cash equivalents	**2.022**	**(7.926)**	**400**	**(3.430)**
Cash and cash equivalents at January 1st	3.088	11.849	24	3.453
Effect of exchange rate fluctuations on cash held	(4.681)	(835)	-	-
Cash and cash equivalents at December 31	**429**	**3.088**	**424**	**24**

See the accompanying notes to the financial statements.

1 Operations

(a) Own activities

Floresteca S.A. was established on January 12, 1994 as a Brazilian limited liability company and on October 24, 2007 it was transformed into a private company, with its headquarters in BR 364 road, kilometer 510, Fazenda Buriti, the municipality of Jangada, in the State of Mato Grosso, Brazil.

In the financial statements, Floresteca S.A. alone is the Parent Company, and the Consolidated figures for the Company for the year ended 31 December 2015 comprise the Parent Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities; for purposes of these financial statement notes, the Group refers to the entities related directly only to Floresteca S.A., operating in the State of Mato Grosso, and not to other companies or entities related to the Floresteca Group). The main activity of the Group is forestry, involving planting, cultivation, felling, and trading of wood products of the species of trees known as *Tectona grandis* (Teak). Activities of each entity are described below:

Entity	Activity	Country
Floresteca S.A.	Forestry, cultivation, felling, commercialization of forests and wooden products	Brazil
Tecamet LLC	Special purpose holding which obtained a loan from a US institutional partner	United States
Tecamet Agroflorestal Ltda	Forestry, cultivation, and commercialization of forests assets	Brazil
Buriti Imóveis S.A.	Purchase & sale of rural properties	Brazil
Bioteca Ltda	Seedlings production and genetic improvement	Brazil

The operating activities are carried out in various municipalities of Mato Grosso State.

The Company is in the maintenance stage of its own forests and forests belonging to third parties planted between 1994 and 2008, characterized by investments in cultivation and costs for their organization and development. The settlement of financial liabilities with third parties and with related parties, as well as the recovery of cultivation costs in forests belonging to third parties, and the advances provided to agricultural partners, depends on future income generation to be earned from the interim thinnings and final felling of these forests.

Currently, the Company is not investing in the forest base expansion and is focusing solely on the maintenance of the forestry assets in Mato Grosso State.

The Company has the Foresting Service Agreement and Recognition of Rights over Construction and Planting of July 5, 2007, which, in its last amendment (Ninth), with effect on the date of these financial statements, entered into between Floresteca S.A., Panflora Agroflorestal Ltda. and the companies from abroad, Floresteca B.V. and Stichting Administratie-en Trustkantoor Tectona (beneficiary), in which the Company transferred as a sale and undertakes to deliver 18,108 hectares of forests planted in high-quality teak to the beneficiary and to Floresteca B.V. In 2015, final cuts involving 440,58 hectares realized.

In addition to the revenues to be gained through the future sale of its own forests, Floresteca S.A. also earns revenues resulting from the maintenance and management of forests belonging to third parties, in accordance with the contractual terms and conditions already entered into and described below:

(i) The amounts related to the thinning of trees made between the third and seventh year of each project that is sold, as from the date of the planting of the teak, have been and will be totally appropriated by Floresteca S.A.

(ii) In the case of a plantation with a cycle of approximately 20 years: Up to the maximum of US$ 2,000.00 per hectare from years 8 to 12 after the beginning of the planting and US$ 2,500.00 per hectare from years 12 to 15 after the beginning of the planting.

(iii) In the case of a plantation with a cycle of approximately 25 years: Up to the maximum of US$ 2,000.00 per hectare from years 8 to 12 after the beginning of the planting, US$ 2,500.00 per hectare from years 12 to 15 after the beginning of the planting and US$ 3,000.00 per hectare from years 15 to 20 after the beginning of the planting.

(iv) At the end of the cycle for cultivating the teak (final felling), both for plantations with a cycle of approximately 20 years and for plantations with a cycle of approximately 25 years, Company will be entitled to reimbursement of administrative expenses related with the reforestation activity, until the final thinning.

The maturities of the Company's loan agreements with its parent company Floresteca B.V. are in accordance with the expected date for final felling of the forests.

At December 31, the areas planted in teak and the respective owners of the land are summarized as follows:

	In hectares (Unaudited)			
	Owner of the forests		Owner of the land	
	2015	2014	2015	2014
Floresteca S.A.	18	18	508	508
Floresteca BV	18,108	18,549	-	-
Tecamet Agroflorestal Ltda	2,197	2,197		
LHS Participações Ltda.	191	191	5,553	5,553
Panflora Agroflorestal Ltda.	-	-	1,897	2,338
Pecflor Ltda	-	-	4,154	4,154
Buriti Imóveis S.A.	-	-	592	592
Fronteca Agroflorestal S.A.	-	-	2,933	2,933
Third Parties	530	530	8,340	8,340
Planted areas - SCPs	2,933	2,933	-	-
	23,977	**24,418**	**23,977**	**24,418**

FSA's last teak forest was planted in 2008.

The use of third party lands is structured through agricultural partnership agreements, which grant the partners the right to a percentage of the area planted in teak.

The felling of the plantations and the receipt from forests sales are forecast to occur simultaneously in four or five thinnings, as described previously.

According to projections that take into consideration the final felling of the forests and the market value of teak, the overall remuneration to be obtained by the Company will be sufficient to cover the costs until the final felling.

The activity of Floresteca S.A. is currently substantiated by its own funds, resulting from the revenues from thinnings, and working capital funds from third parties, such as loans and financing taken out with financial institutions.

On July 02, 2013, Floresteca S.A. incorporated a subsidiary under the corporate name of Tecamet Agroflorestal Ltda., a Brazilian limited liability company with its headquarters in the City of Cáceres, State of Mato Grosso, at Avenida Castelo Branco, No. 272, São Miguel, Postal Code: 78200-000. Its main activities are the performance of forestry projects and the cultivation and commercialization of forestry assets.

An amendment to the articles of association dated as of August 16, 2013 increased the capital stock of Tecamet Agroflorestal Ltda. from R$ 1,000.00 to R$ 22,520,576.00 by means of an investment of 2,197.05 hectares of forest assets owned by Floresteca S.A. (see Note 16 a,b)

On October 18, 2013, Floresteca S.A. transferred its shares to Tecamet LLC, a Delaware based subsidiary of Floresteca S.A. that executed a loan agreement with Metropolitan Life Insurance Company, with head office at 10801 Mastin Blvd., Suite 930, Overland Park, KS 66210, U.S.A.

The shares of Tecamet Agroflorestal Ltda. held by Sylvio de Andrade Coutinho Neto and Tecamet LLC were then subject to a pledge agreement by which they were pledged to Metropolitan Life Insurance Company as a collateral for the obligations undertaken by Tecamet LLC as per the loan agreement. The shares of Tecamet LLC are also subject to the pledge agreement.

In February of 2016, Tecamet Agroflorestal Ltda. sold most of its assets. Please see Subsequent Event in these notes for additional details.

(b) Activities in unincorporated joint ventures (SCP)

On August 12, 2005 and on March 26, 2007, the Company executed agreements for unincorporated joint ventures (SCP), for the exploitation of teak forests, operating as an ostensible partner with a right to the equivalent of 30% of the revenues resulting from the exploitation of the teak forests in the state of Mato Grosso, which on June 30, 2012, had its rights reduced to 24.66%, the same percentage applying on December 31, 2015.

Within this context the final object of the Company's commercial relationship in these ventures is:

(i) To manage and develop the farms for planting of teak or, as a secondary object, other types of timber and/or;

(ii) To share the development and exploitation costs and profits of the aforementioned farms; and

(iii) To define and obtain mutual agreements with respect to the guidelines and principles under which this management and development will be carried out.

(iv) These investments are being accounted in accordance with CPC 19 (IFRS 11) see Note 2(e) and 14.

2 Preparation basis

(a) Declaration of conformity (in according with IFRS and CPC rules)

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and also in conformity with accounting practices generally accepted in Brazil (BR GAAP), which are derived from Brazilian Corporation Law and the pronouncements, orientations and interpretations issued by the Accounting Pronouncements Committee (CPC) and the Federal Accounting Council (CFC);

These financial statements were authorized for issue by the Board of Directors on June 14, 2016.

(b) Measurement basis

The consolidated and individual financial statements have been prepared based on historical cost, with the exceptions of:

- Biological assets that are measured at fair value less costs to sell;
- Investment property that is measured at fair value.

(c) Functional currency and presentation currency

The Company's functional currency is the Brazilian Real and these financial statements are presented in thousands of Reais. All the financial information presented in thousands of Brazilian reais was rounded out to the nearest thousands, except when indicated otherwise.

(d) Use of estimates and judgments

The preparation of the consolidated and individual financial statements in conformity with IFRS and BR GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the individual and consolidated financial statements is included in the Note 16 - Recording of the fair value of the biological assets

The information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 8 - Allowance for doubtful accounts
- Note 16 - Recording of the fair value of the biological assets
- Note 17 - Useful lives of property, plant and equipment
- Note 19 - Provision for contingencies

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and individual financial statements and have been applied consistently for all periods presented in these financial statements.

(a) Basis of consolidation

The group of entities that consolidate these financial statements are described below:

			Company Shareholding structure	
	Participation	**Country**	**2015**	**2014**
Tecamet LLC	Direct	United States	100%	100%
Tecamet Agroflorestal Ltda.	Indirect	Brazil	99,99%	99,99%
Buriti Imóveis S/A	Direct	Brazil	99,99%	99,99%
Bioteca Ltda	Direct	Brazil	50%	50%

* Tecamet Agroflorestal Ltda is a 99,99% subsidiary of Tecamet LLC.

Entity not included in the consolidation:

			Company Shareholding structure	
	Participation	**Country**	**2015**	**2014**
Floresteca Indústria de Madeira Ltda	Direct	Brazil	**99,99%**	**99,99%**

In 2013 Floresteca Indústria de Madeira Ltda.'s operational activities were incorporated by Floresteca, and is not consolidated its financial statements, as the sawmill activities, employees and the property, plant & equipment were transferred to the Company.

The change was motivated by tax considerations. As a rural sector company, Floresteca has social tax benefits which also allow it to have sawmill activities. The incorporation has allowed the Company to be more competitive as a result. The sawmill is now a division of the Company.

(i) Non-controlling interests

The Group elects to measure any non-controlling interests in the acquiree at their proportionate share of the acquiree´s identifiable net assets, which are generally at fair value.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Investments in associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for under the equity method and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group´s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group´s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group´s interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at eh exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Reais (R$) at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Reais (R$) at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit of loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Non derivative financial instruments

The non-derivative financial instruments with which the Company operates have the following characteristics.

(i) Non derivative financial assets

The Company recognizes loans and receivables and deposits initially on the date on which they were originated. All other financial assets are recognized initially on the date of the negotiation on which the Company becomes one of the parties to the contractual provisions of the instrument.

The Company ceases to recognize a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company transfers the rights to receipt of the contractual cash flows on a financial asset in a transaction where, essentially, all the risks and benefits of ownership of the financial asset are transferred. Eventual interests that are created or withdrawn by the Company in the financial assets are recognized as an individual asset or liability.

The financial assets or liabilities are offset and the net value is presented in the balance sheet when, and only when, the Company has the legal right to offset the amounts and has the intention of settling them on a net basis or of realizing the asset and settling the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred.

Financial assets at fair value comprise cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or calculable payments that are not quoted on an active market. These assets are initially recognized at their fair value plus any attributable transaction costs. After initial recognition, the loans and receivables are valued at their amortized cost through the effective interest method, less any loss through impairment.

Loans and receivables comprise trade accounts receivable and prepayments to agricultural partners.

Cash and cash equivalents

Cash and cash equivalents comprise balances of cash and financial investments with original maturity of three months or less, as from the date of contracting, which are subject to an insignificant risk of changes in value and are used in short-term obligations. Limits of secured bank checks that have to be paid on demand and which are an integral part of the Group's cash management are included as a component of cash equivalents for purposes of the statement of cash flows.

(ii) Non derivative financial liabilities

The Group recognizes debt securities issued and subordinated liabilities initially on the date on which they are originated. All other financial liabilities are recognized initially on the date of the negotiation on which the Company becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual obligations are withdrawn or canceled or have expired.

The Company classifies non-derivative financial liabilities as other financial liabilities. These financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are valued at their amortized cost through the effective interest method.

The Company has the following non-derivative financial liabilities: loans and financing, leasing, accounts payable to suppliers and other accounts payable and obligations with the participating partner in unincorporated joint ventures.

(iii) Capital

Common shares

Common shares are classified as shareholders' equity. Additional costs directly attributable to the issuing of shares and share options are recognized as a deduction from shareholders' equity, net of any tax effects.

(d) Property, plant and equipment

(i) Recognition and valuation

Items of property, plant and equipment are stated at historical cost of acquisition or construction, less accumulated depreciation and accumulated losses from impairment, when necessary.

The cost includes expenditures that are directly attributable to the acquisition of an asset.

The software purchased, which is an integral part of the functionality of a piece of equipment, is capitalized as part of that equipment.

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

Gains and losses on the disposal of an item of property, plant and equipment are calculated through comparison between the funds originating from the disposal and the carrying value of the item of property, plant and equipment, and they are recognized net in other income in the income statement.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

	Years
Buildings	10-25 years
Plant and equipment	4-5 years
Fixtures and fittings	10 years
Vehicles and aircrafts	5 years
Hardware	5 years

The depreciation methods, the useful lives and the residual amounts are reviewed at each closing of the financial year and eventual adjustments are recognized as changes in accounting estimates.

(e) Intangible assets

(i) Software

Software is stated at the cost of acquisition, less amortization, which is calculated according to its estimated useful life.

Intangible assets with a definite useful life have their recovery value tested annually if there is evidence of a loss in value.

(ii) Amortization

Amortization is recognized in the income statement on a straight-line basis, and on the estimated useful lives of intangible assets, as from the date on which they are available for use.

The estimated useful life for the current and comparative periods is 5 years for software.

Amortization methods, useful lives and residual values are reviewed at each closing of the financial year and are adjusted, when appropriate.

(f) Biological assets

The biological assets consist of the teak (*Tectona grandis*) forests and are stated at fair value, less selling expenses. Changes in fair value less sales costs are recognized in the statement of income. Sales costs include all costs that would be required to sell the assets. The depletion of the forests in formation is calculated by the proportional method and takes into consideration the volume extracted in relation to the total expected volume, weighted by the estimate of the realization value of the forests in different stages of formation.

(g) Investment property

An investment property is a property held to earn income from leasing or for appreciation of capital, or both, but not for sale in the normal course of business, use in the production or supply of products or services or for administrative purposes. Investment property is stated at cost on initial recognition and subsequently at fair value. Changes in fair value are recognized in the statement of income.

Cost includes expenses that are directly attributable to the purchase of an investment property. The cost of an investment property built by the owner includes the costs of material and direct labor, any cost directly attributed to placing this investment property in conditions for use according to its purpose.

Gains and losses on the disposal of an investment property (calculated by the difference between the net amount received and the carrying value) are recognized in the income statement for the year. When an investment property previously recognized as property, plant and equipment is sold, any amount recognized in an equity valuation adjustment is transferred to retained earnings.

When the use of the property changes so that it is reclassified as an item of property, plant and equipment, its fair value calculated on the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of the inventories is the historical cost of acquisition and includes expenditures incurred on the acquisition of inventories, production and transformation costs and other costs incurred to bring them to their locations and existing conditions.

The values of inventories of inputs do not exceed market value. The net realizable amount is the estimated selling price in the normal course of business, less the estimated finishing costs and selling expenses.

The cost of standing timber transferred from the biological assets is its fair value less the selling expenses calculated on the date of the felling.

(i) Decrease to recoverable value (Impairment)

Based on the application of the procedures described below, Company's Management did not identify any evidence that might justify the need for a decrease to recoverable value of financial and non-financial assets as of December 31, 2015 and 2014.

(ii) Financial assets (including receivables)

A financial asset not stated at fair value through profit and loss is valued each presentation date in order to ascertain whether there is objective evidence that there may have been impairment (loss in its recoverable value). An asset has a loss in its recoverable value if objective evidence indicates that a loss has occurred after the initial recognition of the asset and that this loss had a negative effect on the projected future cash flows that can be reliably estimated.

Objective evidence that financial assets have lost value may include non-payment or late payment by a debtor, restructuring of the amount owed to the Company under conditions that the Company would not consider in other transactions, evidence that the debtor or issuer will enter into a process of bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of loss of value for receivables both at the individualized level and at the collective level. All the individually material receivables are valued with respect to loss of a specific value. Receivables that are not individually important are evaluated collectively with respect to loss in value through joint grouping of these securities with similar risk characteristics.

When evaluating impairment collectively, the Company uses historical trends of the probability of default, of the term for recovery and of the amounts of loss incurred, adjusted to reflect management's judgment with respect to the assumptions if the current economic and credit conditions are such that the real losses will probably be greater or less than those suggested by historical trends.

A decrease in recoverable value in relation to a financial asset measured by the amortized cost is calculated as the difference between the carrying value and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the income statement and reflected in a provision against receivables. The interest on the asset that lost value continues to be recognized through the reversal of the discount. When a subsequent event indicates a reversal of the loss in value, the decrease in the loss in value is reversed and recorded in the income statement.

(iii) Non-financial assets

The carrying values of the Company's non-financial assets, which are not biological assets, inventories and deferred income taxes and social contribution, are reviewed on each presentation date in order to verify whether there is evidence of impairment. If there is evidence of impairment, then the recoverable value of the asset is determined.

The recoverable value of an asset or a cash generating unit is the greater amount between the value in use and the fair value, less selling expenses. On evaluating the value in use, the estimated future cash flows are discounted to their present values through the discount rate before taxes that reflects the prevailing market conditions with respect to the recoverability period of the capital and the specific risks of the asset. For purposes of testing the recoverable value, the assets that cannot be tested individually are grouped together in the smallest group of assets that generates a cash entry of continuous use, which is largely independent of the cash flows of other assets or groups of assets.

With respect to other assets, the losses in recoverable value recognized in prior periods are evaluated on each presentation date for any evidence that the loss has increased, decreased or no longer exists. A loss in value is reversed if there has been a change in the estimates used to determine the recoverable value. A loss through impairment is reversed only in the situation where the carrying value of the asset does not exceed the book value that would have been obtained, net of depreciation or amortization, if the loss in value had not been recognized.

(i) Short-term employee benefits

Liabilities from short term benefits for employees are stated on an undiscounted basis and are incurred as expenses as the related service is provided.

(j) Provisions

A provision is recognized, as a result of a past event, if the Company has a legal or constructive obligation that may be reliably estimated and it is likely that economic resources will be required to settle the obligation. The provisions are calculated through discounting the expected future cash flows at a rate before taxes that reflects the current market valuations with respect to the amount of money at the time and the specific risks for the liability. Financial costs incurred are recorded in the income statement.

(k) Dividends

Pursuant to the Brazilian legislation, the Company is required to distribute as a mandatory annual minimum dividend 25% of the adjusted net income when established in the bylaws. In accordance with accounting practices, CPC 24 - Subsequent Event and ICPC 08 (R1) - Accounting for Proposed Dividend Payments, only the minimum mandatory dividend may be recorded; however, declared dividends not yet approved should only be recorded as a liability in the financial statements after approval by the competent agency.

The profit obtained by the Company in the year ended December 31,2015, was mainly derived from the increase in the fair value of the forests, which do not generate actual cash flow in the accounting period, but rather will be realized only in the final felling. Consequently, dividends were not paid in accordance to the article 197 of the Law 6.404/76.

(l) Operating income

The operating income from the sale of forest assets and/or their by-products is stated at the fair value of the consideration received or receivable. Operating income is only recognized if there is convincing evidence that the most significant risks and benefits inherent to the ownership of the products is transferred to the buyer, that it is likely that the financial and economic benefits will flow into the Company, that the associated costs and the possible return of products can be estimated reliably, that there is no continued involvement with the products sold and that the amount of operating income can be measured reliably. If it is likely that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a decrease in the operating income as the sales are recognized.

The time of transfer of risks and benefits varies depending on the individual conditions of the sales agreement. For a sale of timber products, transfer normally occurs when the product is delivered to the client's transporter; however, for some international shipments the transfer occurs through delivery of the products at the buyer's port. As a general rule the buyer has no right of return for these products.

(m) Leases

The minimum lease payments made under finance leases are allocated between interest expenses and a decrease in the outstanding liability. Financial expenses are allocated to each period during the lease term in order to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Financial income and expenses

Financial income includes basically exchange rate variation gains.

Financial expenses basically include exchange rate variation losses and expenses with interest on loans. Loan costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are stated in the income statement through the effective interest method.

(o) Income tax and social contribution

The Group has 2 methods of tax calculation that are allowed in Brazil: *lucro real* (profits under tax concepts and rules on an accrual basis) and *lucro presumido* (application of a fixed margin under limits of revenues and other gains on a cash basis. The fixed margin depends on the activity and sector of the entity).

Current and deferred income and social contribution taxes are calculated based on the rates of 15%, plus a surcharge of 10% on taxable income in excess of R$ 240/year, for income-tax and 9% on taxable income for the social contribution on net income.

Subsidiaries Buriti Imóveis S.A., Bioteca Ltda and Tecamet Agroflorestal Ltda (indirect investment by the Company) use the *lucro presumido* tax method and deferred tax is not applicable in their cases.

Lucro presumido current income tax for the activity of Buriti Imóveis S.A., Bioteca Ltda and Tecamet Agroflorestal Ltda is calculated under presumption of profit equal to 8% of gross billing, deducting the returns of sales - all on a cash basis - and application of 15%, plus a surcharge of 10% on taxable income in excess of R$ 240/year. For social contribution the presumption of profit is equal to 12% and application of rate 9%.

For Tecamet LLC, a foreign corporation active in the United States is taxed on certain U.S. investments and other passive net income and on net income that is effectively connected with the conduct of a trade or business in the United States. A foreign corporation not engaged in a U.S. trade or business is taxed on certain U.S source gross investment and other passive income.

Taxable income of a corporation was taxed at rates ranging from 15% to 38% percent for the 2015 tax year. Corporate capital gains generally are taxed at the same rates as ordinary income. The United States use a self-assessment system where all taxpayers are required to computer their own tax liability for the tax period.

Tecamet LLC has been incorporated in 2013 as U.S. subsidiary of an international Brazilian parent company whose sole purpose was obtaining additional trade financing within the United States. For the year 2015 the company did not engage in any U.S. trade or business activities. As such, the company is not subject to any U.S. taxation or filing requirements.

The Company itself uses the *lucro real tax method*. As its qualifies as a rural activity entity, (cultivation of forests s intended for felling and), it is taxed based on the same rules applicable to other legal entities , with the important difference that, the offsetting of tax loss carry forwards are not subject to the limit of 30% maximum per tax year . The Company may therefore be fully compensated in one single base period.

The expense with income tax and social contribution comprises current and deferred income taxes. Current and deferred taxes are recognized in the income statement, unless they are related to items directly recognized in shareholders' equity.

The current tax is the tax payable or receivable expected on the taxable income or loss for the year, at decreed or substantively decreed tax rates on the date of presentation of the financial statements and any adjustment to the taxes payable with respect to prior years.

Deferred tax is recognized with respect to the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for taxation purposes. Deferred tax is stated at the rates that are expected to be applied to the temporary differences when they are reversed, and are based on the laws that were decreed or substantively decreed up till the presentation date of the financial statements.

Deferred tax assets and liabilities are offset if there is a legal right for offsetting current tax liabilities and assets, and they are related to income taxes levied by the same tax authority on the same Company subject to taxation.

Deferred income tax and social contribution assets are recognized for unused, deductible tax loss carry forwards, tax credits and temporary differences when it is likely that future income subject to taxation will be available and against which they will be used.

Deferred income tax and social contribution assets are reviewed on each reporting date and will be decreased in the measure that their realization is no longer likely.

(p) Accounting pronouncements and interpretations recently issued and not yet applied by the Company

The early adoption of the standards below, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC). Management is studying the full impact of their adoption:

IFRS 9 - Financial Instruments

In July 2014, IASB issued the IFRS 9 pronouncement, which addresses the recognition and measurement of financial assets and liabilities, as well as contracts for purchase and sale of non-financial items. This standard replaces IAS 39 - Financial Instruments: Recognition and Measurement. The adoption will be required as from January 1, 2018.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued the IFRS 15 pronouncement, which addresses the recognition of customers contract revenues in accordance with the transfer of the goods and services involved to the customer, at values that reflect the payment to which the company expects to be entitled upon the transfer of goods and services, and replaces IAS 18 - Revenue, IAS 11 - Construction contracts and related interpretations. The adoption will be required as from January 1, 2018.

IFRS 16 - Leases

The new standard requires lessees to recognize the liability of the future payments and the right of use of the leased asset for virtually all lease contracts, including operating leases. Certain short-term and low-value contracts could be out of the scope of this new standard. The criteria for recognition and measurement of leases in the financial statements of the lessors are substantially maintained. IFRS 16 is effective for years beginning on or after January 1, 2019 and replaces IAS 17 - Leases and corresponding interpretations.

Amendments to CPC 27 - fixed assets and CPC 04 (R1)-Clarification of Acceptable Methods of depreciation and amortization (effective for annual periods started on or after January 1, 2016, with anticipated adoption allowed)

The amendments to the CPC 27 prohibit companies to use the method of depreciation based on revenue for fixed asset items. The changes of the CPC 04 (R1) introduce a rebuttable assumption that the recipe is not a proper basis for determining the amortization of intangible assets. This assumption may be refuted only in two conditions below:

- When the intangible asset is expressly measured by revenue.
- When it is possible to demonstrate that the revenue and the economic benefits of the intangible assets are highly correlated.

The amendments apply prospectively to the annual periods started on or after January 1, 2016. Currently, the Company uses the straight-line method of depreciation and amortization for fixed assets and intangible assets respectively.

The company believes that the implementation of these amendments to the CPC and CPC 04 27 (R1) will have no material impact on its financial statements.

Amendments to CPC fixed assets and IAS 27-29 41 CPC-Agriculture: Productive Plants (effective for annual periods started on or after January 1, 2016, with anticipated adoption allowed)

The amendments to the CPC and CPC 27 29 bring the definition of productive plants that meet the definition of productive plants capable of accounting for as property, plant and equipment in accordance with the CPC 27 instead of the CPC 29. The growth in productive plant continues to be accounted for in accordance with the CPC 29.

The implementation of these amendments to the CPC and CPC 27 29 will have no material impact on the financial statements of Company, because their forests do not meet the definition of productive plants.

4 Determining fair value

Fair values have been calculated for valuation or disclosure purposes based on the methods below. When applicable, additional information on the assumptions used in the calculation of the fair values is disclosed in the specific notes.

(a) Biological assets

Biological assets are valued either at cost or at fair value. Forests, equivalent to 18,108 ha, are still classified as biological assets, and valued at cost, because the revenue recognition conditions are yet to be met. In this case, fair value was set to be the price defined at the foresting service agreement and recognition of rights over construction and planting plus 15% required by the Brazilian tax authorities in accordance with the transfer pricing rules. The remaining biological assets, forests totaling 5,142 ha, were calculated based on the present value of the projected cash flow for each one of the existing plantations, discounted at a rate compatible with the business and the Company's capital structure. Forests planted through December 31, 2015, were assessed at fair value, except for the forests for which the legal title has been passed to Floresteca B.V.

(b) Investment property

Fair value has been calculated for measurement and/or disclosure purposes based on an independent third party specialist reports. When applicable, additional information on the assumptions used in the calculation of the fair values is disclosed in the specific notes.

5 Risk management

(a) Overview

The Company is exposed to the following risks arising from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operating risk
- Currency risk

This note presents information on the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's capital management. Additional quantitative disclosures are included throughout these financial statements.

(b) Risk management framework

The Company's risk management policies are established in order to identify and analyze the risks faced by the Company, to define appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are frequently reviewed in order to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss for the company if a client or counterparty in a financial instrument fails to fulfill its contractual obligations, which arise mainly from the Company's trade receivables and investment securities.

Liquidity risk

Liquidity risk is the risk where the Company is going to encounter difficulties in complying with its obligations associated with its financial liabilities that are settled with immediate payment or with another financial asset. The Company's approach for liquidity management is to guarantee, to the maximum possible extent, that it always has sufficient liquidity to fulfill its obligations as they fall due, under normal conditions and stress conditions, without causing unacceptable losses or with the risk of an adversely affecting the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, have on the Company's gains or on the value of their stakes in financial instruments. The purpose of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Operating risk

Operating risk is the risk of direct or indirect losses arising from a variety of causes related to the Company's processes, personnel, technology and infrastructure and external factors, other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operating risks arise from all the Company's operations.

The Company's objective is to manage the operating risk in order to avoid the occurrence of financial losses and damages to the Company's reputation and to seek cost efficiency and to avoid control procedures that restrict initiative and creativity.

The main responsibility for the development and implementation of controls for addressing operating risks is attributed to senior management. This responsibility is supported by the development of the Company's general standards for operating risk management in the respective areas.

Currency risk

The Company is subject to currency risk on its sales, purchases and loans denominated in a currency different from the respective functional currencies of the Company's entities, in their large majority the Real (R$), but also the US Dollar (USD) and the Euro (€).

Interest on loans is denominated in the currency of the loan. In general, loans are denominated in a currency equivalent to the cash flows generated by the Company's basic operations.

6 Operating segments

The Group has only one reportable segment, where the Group's CEO (the chief operating decision maker) reviews internal management reports before presenting to the Board of Directors.

Information about the Forestry and Timber Products reportable segment are presented below. Performance is measured based on segment profit before tax, as included in the internal management reports, that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results relative to other entities that operate within this segment.

Information presented at the statement of financial position balance sheets and statement of comprehensive income that is part of the consolidated financial statements, do not diverge on the internal management reports.

Geographical segment

The forestry and timber products reportable segment is carried out and managed in the Mato Grosso State. In 2013 an office in Delaware/US has been incorporated with the special purpose of obtaining a loan from a US institutional partner. In February of 2016, Tecamet Agroflorestal Ltda. sold most of its assets. Please see Subsequent Event in these notes for additional details.

Based on geographical segment, the revenues are demonstrated by the customer's location:

	Consolidated		Parent Company	
Revenue	**2015**	**2014**	**2015**	**2014**
Brazil	5,658	5,170	4,598	4,769
All foreign countries				
India	36,450	20,265	36,450	20,265
Switzerland	-	7,773	-	7,773
Vietnam	5,863	-	5,863	-
Other countries	5,769	2,976	5,769	2,976
	53,740	**36,184**	**52,680**	**35,783**

7 Cash and cash equivalents

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Cash	8	17	4	15
Banks	101	3,071	100	8
Cash in transit	320	-	320	-
Financial investments	-	1	-	1
Total	**4299**	**3,089**	**424**	**24**

Cash in transit refers to amount of USD 82 that was available to the Company in December 31 2015 and was exchanged into Reais along January 2016.

8 Trade accounts receivable

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Accounts receivable from third parties	7,917	6,707	7,917	6,707
Accounts receivable - Related parties (Note 11)	30	30	30	30
Allowance for doubtful accounts	(21)	(49)	(21)	(49)
Total	**7,926**	**6,688**	**7,926**	**6,688**

The balance of accounts receivable from third parties, as of December 31, 2015 is distributed by maturity as follows:

	Consolidated		Parent Company	
Position of the bills receivable per period:	**2015**	**2014**	**2015**	**2014**
To fall due	5,133	4,832	5,133	4,832
Overdue from 1 to 30 days	1,546	1,076	1,546	1,076
Overdue from 31 to 60 days	255	711	255	711
Overdue from 61 to 359 days	993	31	993	31
Overdue more than 360 days	19	57	19	57
	7,946	**6,707**	**7,946**	**6,707**

The Company has a policy of recording balances of overdue bills based on historical losses, which substantially represents the bills overdue for more than 360 days. The Company made an individualized assessment of the remaining balances and the provision has been adjusted.

A large share of the receivable amounts due at the end of 2015 were generated by a specific customer advance - see note 21.

9 Inventories

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Inputs	952	466	952	466
Firewood and logs	9,124	4,819	9,124	4,819
Blocks and sawn timber	5,466	2,942	5,466	2,942
Seedlings	313	194	-	-
Total	**15,856**	**8,421**	**15,542**	**8,227**

Over the course of 2015, the Company began to use rail transport in the domestic logistics for a significant share of its sales. Under CPC 30 rules (regarding sales recognition), this change resulted in a larger amount of inventory, which in fact was in transit to final clients. This explains a large part of the increase in inventory recorded at the end of 2015 in comparison 2014.

10 Recoverable taxes

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Social Integration Program (PIS)	829	1,000	829	1,000
Contribution for Social Security Financing (COFINS)	3,817	4,608	3,817	4,608
Income tax withheld at source (IRRF)	36	72	32	72
Funrural	30	41	30	41
ICMS	17	18	-	-
PIS/COFINS/CSLL withheld at source	12	-	-	-
Total	**4,741**	**5,739**	**4,720**	**5,721**

Recoverable taxes expire in 5 years from their constitution. The decreasing noticed at Social Integration Program (PIS), Contribution for Social Security Financing (COFINS) and Income tax withheld at source (IRRF) are due to reviewing occurred along 2015 (Note 30).

11 Related parties

The main balances of assets and liabilities as of December 31, 2015 and 2014, as well as certain transactions that influenced the results for the year, originate from transactions with the parent company, key management professionals and other related parties. These transactions are carried out under conditions agreed upon between the parties, which take into consideration the Company's organizational structure as a whole and, therefore, could be different if they were carried out directly with third parties that are not related parties.

Parent company and ultimate controllers

The direct parent company of the Company is Floresteca B.V. and the ultimate controllers are Brazilian and foreign individuals.

Transactions with related parties

The commercial transactions for sale of forests, timber and seeds, as well as the financial transactions for loans and raising of funds between the Companies are conducted as described below:

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
In current assets				
Other receivables				
Buriti Imóveis S.A. (c) (see Note 13)		-	301	300
Tecamet Agroflorestal Ltda (see Note 13)		-	4	1
Floresteca Serviços Florestais Ltda (see Note 13)	516	211	516	211
SCP Monte Verde (see Note 13)		-		-
SCP Santa Lúcia (see Note 13)	1,451	654	1,451	654
	1,967	**865**	**2,272**	**1,166**
Trade accounts receivable (see Note 8)				
Pecflor Ltda	30	30	30	30
	30	**30**	**30**	**30**
In non-current assets				
Other receivables				
Abas Participações Ltda (see Note13)	99	99	99	99
Floresteca Indústria de Madeira Ltda (see Note 13)	4,098	686	3,412	-
Fronteca Agroflorestal S.A. (see Note 13)	-	78	-	78
Panflora Agroflorestal Ltda. (see Note 13)	432	430	432	430
Tecamet Agroflorestal Ltda-inherent costs of cultivation (see Note 13)	-	544	2,805	544
LHS Participações Ltda-inherent costs of cultivation (see Note 13)	2,876	2,791	2,876	2,791
	7,505	**4,628**	**9,624**	**3,942**

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Biological assets (see Note 16)				
Floresteca BV (a)	531,150	405,132	531,150	405,132
	531,150	**405,132**	**531,150**	**405,132**
Advances to agricultural partners (see Note 12)				
LHS Participações Ltda. (b)	558	558	558	558
	558	**558**	**558**	**558**
In current liabilities				
Other accounts payable				
Customer's advance - seedlings				
Floresteca Brasil Ltda (see Note 21)	1,649	2,747	-	-
Provision for losses - Bioteca	-	-	723	821
Provision for losses - Buriti	-	-	1,230	617
Fornecedores SCP - (see Note 21)	2,262	-	2,262	-
SCP Monte Verde - Buriti (see Note 21) (c)	937	2,569	937	2,569
Floresteca B.V. - Other balances payable (e)	6,352	-	6,352	-
Dividends to LHS Participações Ltda	768	768	-	-
	11,968	**6,084**	**11,504**	**4,007**
In non-current liabilities				
Loans and financing (see Note 18)				
Floresteca BV - Loans (d)	499,586	372,556	499,586	372,556
Floresteca BV - Advances (d)	1,919	1,306	1,919	1,306
Tecamet LLC (f)	-	-	59,624	42,436
	501,505	**373,862**	**561,129**	**416,298**
Other accounts payable				
Floresteca B.V. - Other balances payable (e)	-	2,582	-	2,582
Bioteca Ltda.	-	-	259	1,149
Panflora Agroflorestal Ltda.	-	-	-	-
Floresteca Brasil Ltda	-	13	-	13
Floresteca Serviços Florestais Ltda.	151	151	151	151
Floresteca Indústria de Madeira Ltda.	-	514	-	514
Uniteca Agroflorestal S/A	-	996	-	996
Total (see Note 21)	**151**	**4,257**	**410**	**5,405**
In the income statement				
Other operating income (expenses) (see Note 26)				
Floresteca BV	(3,770)	(175)	(3,770)	(175)
	(3,770)	**(175)**	**(3,770)**	**(175)**

(a) As mentioned in Note 1 (a), Floresteca BV, on behalf and order of the beneficiary Stichting Administratie-en Trustkantoor Tectona, corresponding to the teak (*Tectona grandis*) forests.

These amounts are classified as biological assets because not all the conditions for the revenue recognition criteria have been met.

(b) The advances made to LHS Participações Ltda. consist of prepayment of amounts related to the use of the land by Floresteca S.A. for growing teak (agricultural partnership), which will be discounted in the future without monetary restatement, at the time of the felling of the portion of the permanent teak plantation, representing an amount advanced of R$ 558 in 2015 (R$ 558 in 2014) or through the sale of the forests belonging to LHS Participações Ltda.

(c) The transaction with the subsidiary Buriti Imóveis S.A. is related to the sale of 943.94 hectares of Buriti farm, amounting to R$ 5,230, on November 28, 2012, through the purchase agreement between the parties. The subsidiary Buriti Imóveis S.A. partially paid R$ 4,930, leaving an amount of R$ 300 in 2014 to be paid in the future.

(d) The loans in the amount of R$ 500,432 in 2015 (R$ 372,556 in 2014), in the non-current liabilities originates from funds obtained from Floresteca B.V. for developing the Company's operations and they are being restated by the exchange variation of the US dollar or euro. Besides the mentioned liabilities in foreign currency, the Company has a contract in Reais, representing an amount of R$ 1,073. For all of these loans there is no interest and they are guaranteed by the teak forests. The settlement of these liabilities is tied to the sale of the forests.

The advances from clients in non-current liabilities originate from funds obtained from related parties abroad for development of the Company's operations and are being updated by the exchange variation of the US dollar equivalent to R$ 1,919 in 2015 (R$ 1,306 in 2014).

(e) The balance of a partnership with investors is updated by the exchange variation of the US dollar, equivalent to R$ 6,352 in 2015 (R$ 2,582 in 2014). Until 2014 the Company had appropriated the revenues gained on the sale of the products from the interim thinnings, considering the revenue limit per hectare described in Note 1. The revenues that exceed the predetermined limits should be passed on to the investors. In 2015, the criteria has been changed from interim thinnings to final cut, and based on the contractual defined premises, the Company recorded accounts payable from earnings to the investors in the SIL1995 and K-8 projects in the amount of R$ 6,352. The amounts for the investors will be passed on via the parent company, Floresteca B.V.

Although presented as an account payable to the investors, the Company understands that it is entitled to receivables constituted by part of G&A expenses which have not yet be recovered from the Total Net Revenue by Floresteca S.A,. In addition, the Company additionally claims part of the retainers which it has not yet received out of thinnings, for those plantation projects where the total project thinning proceeds exceeded the maximum project retainer.

(f) The loans in the amount of R$ 59,625 in 2015 (R$ 42,436 in 2014), in the non-current liabilities originates from funds obtained by Tecamet LLC. In February of 2016, Tecamet Agroflorestal Ltda. sold most of its assets. Please see Subsequent Event in these notes for additional details.

The remuneration of the Company's senior management includes fixed remuneration and payroll charges in total R$ 261 in 2015 (R$ 302 in 2014).

12 Advances to agricultural partners

The balance of the advance for rural usufruct and partnership agreements with third parties in the amount of R$ 5,904 in 2015 (R$ 5,373 in 2014) refer mainly to advances granted to the owners of the land used for the planting of teak, monetarily restated by the variation of the Market General Price Index (IGPM). In accordance with the rural usufruct and partnership agreements, these advances will be discounted at the time of the felling of the part of the permanent forests belonging to the owners of the land.

In the advances to agricultural partners, there are balances of advances to related parties amounting to R$ 558 in 2015 (R$ 558 in 2014). See Note 11.

13 Other receivable

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
In current assets				
Buriti Imóveis S.A. (c)	-	-	301	300
Advances to suppliers (b)	2,469	3,108	2,447	3,107
Tecamet Agroflorestal Ltda (c)	-	-	4	1
SCP Santa Lúcia (c)	1,451	654	1,451	654
Others	1,167	69	1,166	69
Total	**5,087**	**3,831**	**5,369**	**4,131**
In non current assets				
Inherent costs of cultivation Tecamet (a)	2,805	544	2,805	544
Inherent costs of cultivation LHS (a)	2,876	2,791	2,876	2,791
Fronteca Agroflorestal Ltda. (c)	-	78	-	78
Panflora Agroflorestal Ltda. (c)	432	430	432	430
Abas Participações Ltda. (c)	99	99	99	99
Floresteca Indústria Mad.Ltda. (c)	4,098	686	3,412	-
Others	33	-	33	-
Total	**10,343**	**4,629**	**9,657**	**3,943**

(a) The balance refers to the costs inherent to cultivation applied in the areas belonging to Tecamet Agroflorestal Ltda and LHS Participações Ltda, which will be discounted in the future without monetary restatement, at the time of the felling of the portion of the permanent teak plantation.

(b) Breakdown of Advances to suppliers:

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Floresteca Serviços Florestais Ltda (i)	516	211	516	211
Property, plant & equipment acquisition	174	422	174	422
Others	1,779	2,475	1,757	2,474
Total	**2,469**	**3,108**	**2,447**	**3,107**

(i) Payments made in advance to Floresteca Serviços Florestais Ltda for corporative services. (Note 11).

(c) Related parties - Note 11:

14 Investments

The investments in the subsidiaries and the financial information of these subsidiaries are described below:

#	Company	Participation	Participation		Assets		Liabilities		Equity		Investment-application of Equity method		Equity method result	
			2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1	Buriti Imóveis S.A.	Direct	99.99%	99.99%	10,572	6,833	11,802	7,450	(1,230)	(617)	-	-	-	(527)
2	Bioteca Ltda.	Direct	50.00%	50.00%	1,445	2,220	2,892	3,861	(1,447)	(1,641)	-	-	-	-
3	Tecamet LLC (b)	Direct	100%	100%	365,526	292,272	78,464	53,339	287,062	238,933	287,062	238,934	52,957	5,489
4	SCP M. Verde (a)	Ostensible partnership	24,66%	24,66%	342,144	297,103	108,200	92,634	233,945	204,469	56,906	49,637	7,269	(500)
5	SCP S. Lúcia (a)	Ostensible partnership	24,66%	24,66%	139,079	62,075	46,808	19,760	92,271	42,315	22,754	10,435	12,319	(186)
					858,766	**660,503**	**248,166**	**177,044**	**610,601**	**483,459**	**366,722**	**299,006**	**72,319**	**4,276**

(a) See the SCP balance sheet at note 31

The Company changed the accounting method of the investments in the SCPs retrospectively in 2014, Contractually, the Company has 24,66% invested in both projects, however, during 2014 the capitalization at SCP Monte Verde had not been paid in the same proportion. The Company has the option to make this additional contribution - R$ 785 - by the end of agricultural year, June 30th, 2016, otherwise it will suffer a dilution of its participation in the Monte Verde project. Although the Company is the ostensible partner under Brazilian law, it does not control the SCP'S. The amounts of R$ 79,660 as at December 31, 2015 (2014: R$ 60,072) represent the proportional equity stake in the SCPs and are not eliminated in consolidation.

(b) Tecamet Agroflorestal Ltda is a subsidiary for Tecamet LLC. The main increase in its assets is related to forests valuation. Indirectly it is an investment for the company and therefore its financial information is consolidated as described below:

		Participation	Participation		Assets		Liabilities		Equity		Investment-application of Equity method	
			2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1	Tecamet Agroflorestal Ltda	Indirect	99,99%	99,99%	305,949	246,830	4	1	305.945	246,829	305.945	246,828

15 Investment properties

	Consolidated	
	2015	**2014**
Gross amount (a)	6,833	6,549
Change in fair value (b)	3,739	284
Elimination of the unrealized gains for consolidation purposes	(5,064)	(5,064)
Net balance	**5,508**	**1,769**

(a) Refers to the acquisition of 943.94 hectares of Buriti farm, in the amount of R$ 5,230, by the parent company Floresteca SA pursuant to the purchase and sale agreement entered into on November 28, 2012. The Company will pay this liability upon release of Working Capital with LFP Prime Sicav-Sif S.A. - Global Forestry Growth Fund. The unrealized gain of R$ 5,064 is eliminated in the consolidation.

(b) The fair value assigned to the investment property is given by the mark to market price in accordance with a technical report made by a specialized company. The investment properties were valued on December 31, 2015 (2014: December 31, 2014) carried out by external independent qualified appraisers with recent experience valuing investment properties in the location held by the Company.

16 Biological assets

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Own Biological Assets at beginning of period	254,655	372,456	7,822	136,102
(+) Additions	40	41	40	41
(+) Transfers - adjustments from Floresteca BV (a)	-	1,528	-	1,528
(-) Interim thinnings - Depletion for the period	(34)	-	(34)	-
(-) Transfers to Tecamet Agroflorestal Ltda (b)	-	(553)	-	(553)
Fair Value Adjustment	58,992	(118,817)	(136)	(129,236)
Own biological assets	**313,653**	**254,655**	**7,752**	**7,881**
Investors Biological Assets at beginning of period	405,132	393,790	405,132	393,790
(-) Transfers to Floresteca S.A. (a)	-	(1,528)	-	(1,528)
(+) Additions	6,006	4,666	6,006	4,666
(-) Depletion	(14,953)	(4,174)	(14,953)	(4,174)
Exchange Rate Adjustment	118,528	10,899	118,528	10,899
Transfer pricing 15%	16,437	1,479	16,437	1,479
Investors biological assets (c)	531,150	405,132	531,150	405,132
Total Biological assets	**844,803**	**659,787**	**538,902**	**413,013**

(a) For the incorporation of 2,197.05 hectares of forests by Tecamet Agroflorestal Ltda, the Group has organized a combination of areas, where the Company has transferred 308.76 hectares to investors (8º amendment of the principal agreement); Investors have transferred back 502 hectares to the Company (9º amendment of the principal agreement); LHS Participações Ltda has sold 221.24 hectares to the Company.

(b) The areas belonging to Tecamet Agroflorestal Ltda are: 121,90ha Bambu 1999; 71,85ha Bambu 2000; 57.74ha Santa Fé 2003; 392,25ha Mutum 2008; 836.79ha Icaroma 2004; 716.52ha Porta do Céu 2008. The last three projects were sold in February of 2016. Please see Subsequent Event item in these notes.

(c) These amounts are classified as biological assets at cost because the revenue recognition conditions have not yet to been met.

Determining fair value

The calculation of the fair value of the biological assets (own forests) was done based on the calculation of the net present value of the projected cash flow for each one of the existing plantations, discounted at a discount rate compatible with the business and the Company's capital structure. All planted forests were assessed at fair value.

The projections for production and sale of timber up to the final felling of the forests were made for each one of the plantations, based on forest inventory data, the growth curves adopted in each case, the operating conditions set out by the long-term planning model and also taking into consideration the genetic material and soil and climatic conditions of the plantations. In a standard production cycle for teak forests, the thinnings occur each five years and the final felling between twenty and twenty-five years.

Price projections for teak logs have two components: spot and trend values. Spot prices were calculated based on the weighted average of sales realized during 2015. Trend prices reflect the Compounded Annual Growth Rate (CAGR) from Floresteca's export sales series (last 5 years). The long-term projection is conservative, and in fact somewhat lower than the historical average obtained in the last twelve years for native teak.

The operating costs were estimated based on the current costs, comprising the expenditures for thinning, de-branching, de-budding, mowing and other cultivation activities. Income tax was estimated based on taxable income in accordance with prevailing legislation.

As per CPC 29 (IAS 41), the fair value of the land must be taken into consideration. The opportunity cost for the use of own land in the regions of the properties would be cattle raising. The average remuneration rate for such assets was 2.23 *arrobas* of cattle per hectare; the average estimated value was R$ 137.00 per arroba on 31/12/2015.

The discount rate used, equal to 8.39% aa, has been obtained through Weighted Average Capital Cost (WACC) calculation compatible with the business risk and the Company's target capital structure

The increase in the fair value of the forests in the year ending December 31, 2015 is due to changes in the composition of factors used to discount the Company's projected cash flows. The main changes that contributed to the increase in value were:

. Exchange rate used in the projections, which increase the projected cash flow and the value of the stock of biological assets on the base date of the financial statements;

. The biological growth of forests. Each year adds to the volume of wood as the forests mature.

The Company has reviewed its fair value determination and excluded the retainers on thinnings and the final fellings from its computation retroactively from January 1st, 2013. Such items are now considered retainers to be realized by future timber sales rather than biological assets.

Regarding the equivalent 18,108 ha of forests, whose legal title has been passed to the parent Company but remained classified as biological assets at cost, they were valued at the price set in the foresting service agreement and recognition of rights over construction and planting plus 15% which the minimum requirement in accordance with the Brazilian transfer pricing rules (cost plus 15%).

Regulatory and environmental risks

The Company is subject to the laws and regulations of the various countries in which it operates. The Company has established environmental policies and procedures focused on compliance with environmental and other laws. Management carries out regular analyses to identify environmental risks and to assure that the systems in operation are adequate for managing these risks.

Supply and demand risks

The company is exposed to risks resulting from fluctuation in prices and the volume of sales of its plantations. When possible, the Company manages this risk by aligning its volume of extraction with the market supply and demand. Management regularly analyzes the trends of the industry in order to assure that the Company's price structure is in accordance with the market and to assure that projected extraction volumes are consistent with the expected demand.

Climatic and other risks

The Company's plantations are exposed to risks of damages caused by climatic changes, diseases, forest fires and other forces of nature. The Company has extensive processes in operation focused on monitoring and reducing these risks, where the main means are a fire brigade that is highly qualified with respect to preventive controls for forest fires, and a forest systematization and planning team that monitors the health of the forest and analyses diseases and pests.

17 Property, plant and equipment

(a) Breakdown of property, plant and equipment

				Consolidated	
				2015	2014
	Rate of depreciation % p.a.	Cost	Accumulated depreciation	Net	Net
Land	-	5,290	-	5,290	5,290
Buildings and improvements	4 -10	4,495	(2,922)	1,573	1,969
Facilities	10	4,244	(2,217)	2,027	2,044
Machinery and equipment	20 -25	23,268	(18,383)	4,885	2,406
Vehicles and aircraft	20	4,230	(3,587)	643	448
Furniture, fixtures and others	10	693	(601)	92	95
Computers	20	1,024	(960)	64	56
Property, plant & equipment under construction	-	83	-	83	962
Fair value - CPC 27	-		4,130	4,130	2,568
		43,327	**(24,540)**	**18,787**	**15,838**

				Parent Company	
				2015	2014
	Rate of depreciation % p.a.	Cost	Accumulated depreciation	Net	Net
Land	-	5,290	-	5,290	5,290
Buildings and improvements	4 -10	4,495	(2,922)	1,573	1,969
Facilities	10	3,978	(2,027)	1,951	1,942
Machinery and equipment	20 -25	23,170	(18,288)	4,882	2,400
Vehicles and aircraft	20	4,213	(3,571)	642	447
Furniture, fixtures and others	10	689	(599)	90	93
Computers	20	1,005	(941)	64	56
Property, plant & equipment under construction	-	83	-	83	962
Fair value - CPC 27	-		4,130	4,130	2,568
		42,923	**(24,218)**	**18,705**	**15,726**

The Company reviewed the usual life of its assets and based on an analysis by its own senior staff concluded that the rates applied are in line with the estimated useful life of the assets.

At December 31, 2015, the Company had fully depreciated assets that were still operating in the total amount of R$ 25,556 (2014: R$ 23,470).

(b) Changes in the cost

							Consolidated
	2013			2014			2015
	Cost	Additions	Reductions	Cost	Additions	Reductions	Cost
Land	5,290	-	-	5,290	-	-	5,290
Buildings and improvements	4,475	-	-	4,475	21	-	4,495
Facilities	3,944	12	-	3,956	288	-	4,244
Machinery and equipment	18,476	2,590	(754)	20,312	3,560	(604)	23,268
Vehicles and aircraft	5,339	95	(81)	5,353	566	(1,690)	4,230
Furniture and fixtures	659	11	-	670	23	-	693
Computers	1,012	(25)	-	987	37	-	1,024
Property, plant and equipment under construction	461	1,271	(770)	962	2,386	(3,266)	83
	39,657	**3,954**	**(1,605)**	**42,006**	**6,880**	**(5,559)**	**43,327**

							Parent Company
	2013			2014			2015
	Cost	Additions	Reductions	Cost	Additions	Reductions	Cost
Land	5,290	-	-	5,290	-	-	5,290
Buildings and improvements	4,475	-	-	4,475	21	-	4,495
Facilities	3,679	12	-	3,690	288	-	3,978
Machinery and equipment	18,384	2,585	(754)	20,215	3,558	(604)	23,170
Vehicles and aircraft	5,323	95	(81)	5,337	566	(1,690)	4,213
Furniture and fixtures	656	11	-	666	23	-	689
Computers	992	(25)	-	968	37	-	1,005
Property, plant and equipment under construction	461	1,271	(770)	962	2,386	(3,266)	83
	39,259	**3,949**	**(1,605)**	**41,604**	**6,879**	**(5,559)**	**42,923**

(c) Changes in depreciation

							Consolidated
	2013			2014			2015
	Accumulated depreciation	Additions	Reductions	Accumulated depreciation	Additions	Reductions	Accumulated depreciation
Buildings and improvements	(2,089)	(416)	-	(2,506)	(417)	-	(2,922)
Facilities	(1,587)	(325)	-	(1,912)	(305)	-	(2,217)
Machinery and equipment	(17,020)	(1,186)	301	(17,906)	(692)	216	(18,382)
Vehicles and aircraft	(4,644)	(342)	81	(4,906)	(166)	1,484	(3,587)
Furniture and fixtures	(544)	(31)	-	(575)	(26)	-	(601)
Computers	(914)	(17)	-	(931)	(29)	-	(960)
Fair value - CPC 27	(58)		2,626	2,568	-	1,562	4,130
	(26,857)	**(2,318)**	**3,008**	**(26,167)**	**(1,634)**	**3,262**	**(24,539)**

							Parent Company
	2013			2014			2015
	Accumulated depreciation	Additions	Reductions	Accumulated depreciation	Additions	Reductions	Accumulated depreciation
Buildings and improvements	(2,089)	(416)	-	(2,506)	(417)	-	(2,922)
Facilities	(1,450)	(298)	-	(1,748)	(278)	-	(2,027)
Machinery and equipment	(16,936)	(1,181)	301	(17,816)	(689)	216	(18,289)
Vehicles and aircraft	(4,632)	(339)	81	(4,890)	(164)	1,484	(3,571)
Furniture and fixtures	(543)	(30)	-	(574)	(25)	-	(599)
Computers	(895)	(17)	-	(912)	(29)	-	(941)
Fair value - CPC 27	(58)		2,626	2,568	-	1,562	4,130
	(26,603)	**(2,282)**	**3,008**	**(25,877)**	**(1,604)**	**3,262**	**(24,219)**

(d) Provision for decrease to recoverable value of assets (impairment)

The Company reviews the assumptions and indexes related to the recoverability of its property, plant and equipment each year, based on a projection for the discounted cash flow of the business. No evidence was identified that might indicate the need for recording a provision for impairment of these assets.

18 Loans and financing

		Consolidated		Parent Company	
	Annual rate of interest	2015	2014	2015	2014
Local currency					
Finame	4,5 to 7%	1,433	842	1,433	842
		1,433	**842**	**1,433**	**842**
Foreign currency					
Export credit - CCE	4 to 5%	7,933	8,147	7,933	8,147
Export credit - ACC	4 to 7,5%	26,769	10,686	26,769	10,686
Foreign Funding Loan - LFP	11%	11,501	7,149	-	-
Foreign Funding Loan-Metlife	9,11%	78,460	53,338	-	-
Standby Letter of credit	0,8%	13	7	13	7
		124,676	**79,327**	**34,715**	**18,840**
Related parties (see Note 11)					
Floresteca BV	0%	501,505	373,862	501,505	373,862
Tecamet LLC	0%	-	-	59,624	42,436
		501,505	**373,862**	**561,129**	**416,298**
By Maturity					
Current		32,353	14,484	31,196	13,727
Non-Current		595,261	439,547	566,081	422,253
Total		**627,614**	**454,031**	**597,277**	**435,980**

Financing and loans represent the sources of funds, obtained from financial institutions, Itaú- Unibanco, Santander, Bradesco, HSBC, LFP Prime and Metropolitan Life Insurance for the sole purpose of financing the forestry planting, maintenance and harvest operations. The contracts for loans and financings have non-financial covenants.

The Company has export prepayment loans in foreign currency, which are prepayments received for funding the expenditures for the logistics part in the export operations. The settlement of the debt is related to and tied to the exports.

Non-financial covenants

The parent company and its subsidiaries have contractual clauses for early maturity (non financial covenants). The management of the Parent company and the subsidiaries monitor these clauses systematically. At December 31, 2015 and 2014 the Parent Company and Subsidiaries had complied with all the contractual clauses. See the obligations listed below:

(a) To provide all the financial, economic and accounting elements that are requested;

(b) To provide copies of the financial statements;

(c) To provide free access to the Company's premises to the financial agent/BNDES;

(d) To provide proof, when requested, of the investment of the forecast funds;

(e) To take out adequate insurance;

(f) Not to assign or transfer the right and obligations arising from the contract; not to sell the assets to a third party, other than the financial agent; and

(g) Not to change the nature or purpose of its business.

The Company, mandatorily, will be subject to accelerated debt repayments if it:

. Omits paying the amounts due on the fixed dates;

. Suffers a legitimate protest; ceases its activities for a period of more than 30 days; files for bankruptcy; requests judicial reorganization; is petitioned for bankruptcy liquidation; if its assets are frozen; if its equity is withdrawn;

. Any legal, extrajudicial or administrative measure is brought against it that may affect guarantees or credit rights;

. Is included in the registry of credit bureau for bad credit/ non-payment;

. Is sold, merged, taken over, split off or subject to any other corporate reorganization, where equity control is changed, and which permanently impedes the exercise of the majority of the votes;

. Assigns or transfers the rights and obligations arising from contracts; or sells the assets to third parties, other than the financial agent; and

. Changes the nature or purpose of its business.

All the covenants stated in the Company's financing contracts were met during the year ending 31/12/2015.

Guarantees

At December 31, 2015, the Group's loans and financing in general have promissory notes as a fiduciary guarantee and the secured guaranty of fiduciary alienation of the financed asset. It is also included a stand-by letter of credit as a guarantee for MetLife's loan interests in Tecamet.

Current and Long-term loans and financing have their maturities as follows:

	Consolidated	Parent Company
2016	32,352	32,075
2017	8,906	7,795
2018	4,480	3,490
2019	402,035	400,797
2020	11,957	5,101
2021	16,929	9,909
2022	20,251	14,493
2023	25,772	19,585
2026	104,933	104,933
	627,614	**597,278**

In February of 2016, Tecamet Agroflorestal Ltda. sold most of its assets and elected to pre-pay its loans to MetLife, totaling R$ 85,7 million (USD 21,3 million). Please refer to note 32

19 Provision for contingencies

The Company is party (defendant) to judicial and administrative proceedings in various courts and government agencies, arising from the normal course of operations, involving tax, labor, civil and other issues.

Based on information from its legal advisers, an analysis of the pending legal proceedings, and previous experience with regards to amounts claimed, Management recorded a provision in an amount considered sufficient to cover the estimated losses from the lawsuits in progress, as follows:

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Labor	112	184	-	184
Civil & tax	106	105	43	43
	218	**289**	**43**	**227**

Labor contingencies provisions were reduced as a result of a decline in labor dispute claims over the course of 2015. The Company may not be successful in some cases regarding Mato Grosso State taxes, and for these an additional provision has been made.

There are other proceedings assessed by the external legal counsel that are considered as a possible risk by Company Management. As the amounts cannot be quantified with sufficient security, and considering that accounting practices adopted in Brazil and IFRS do not require provision in such cases, no provision has been recorded. Amounts are demonstrated as follow:

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Labor	-	329	-	329
Tax	470	368	470	368
	470	**697**	**470**	**697**

20 Deferred income and social contribution taxes

Deferred income and social contribution taxes are recorded to reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and their respective carrying value, at the combined statutory tax rate of 34%.

The projections for realization of deferred tax assets are reviewed annually, in December. If material facts occur that may change these projections, they will be reviewed during the year by the Company.

(a) Deferred income tax and social contribution

At December 31, 2015 and 2014 the deferred income tax and social contribution have the following origin:

	Parent Company		Consolidated	
	2015	**2014**	**2015**	**2014**
Accumulated tax losses	(24,469)	(22,433)	(24,469)	(22,433)
Incentivized accelerated depreciation	4,016	1,027	4,016	1,027
Exchange variation taxed as cash	(25,233)	9,746	(25,233)	9,746
Provision on temporary differences	1,996	1,666	1,996	1,666
Temporary differences - fair value	5,429	4,920	5,429	4,920
Transfer pricing	16,436	-	16,436	-
Transfer pricing Investor forests-prior years (a)	51,364	51,364	51,364	51,364
Calculation basis	29,539	46,290	29,539	46,290
Deferred income tax and social contribution liabilities calculated at the combined rate of 34%	10,043	15,739	10,043	15,739

The reduction is explained by the significant change at Biological assets' fair value, as mentioned at Note 16.

(a) Investors Biological Assets have been added 15% as cost plus, that is the margin stipulated by Brazilian tax law transfer pricing rules.

(b) Current income tax and social contribution

(i) Parent Company - Income Tax Basis of the Company under the *Lucro Real* method

The basis for income tax calculation, applying the combined statutory tax rates for income tax and social contribution taxes reflected on the income statement, is presented as follows:

	Parent Company	
	2015	**2014**
Income before income tax and social contribution	47,497	(141,287)
Permanent additions:		
Non-deductible expenses	65	1,269
Temporary exclusions:		
Temporary exclusions including the Transitory Tax Regime	22,782	84,788
Permanent exclusions:		
Equity result	(72,380)	(4,276)
Tax calculation basis for income tax and social contribution current	(2,036)	(59,506)
Combined statutory tax rate	34%	34%
Current income tax and social contribution	-	-

(ii) Consolidated - Current income tax and social contribution

The Group has 2 methods of tax calculation that are allowed in Brazil: *lucro real* (profits under tax concepts and rules on an accrual basis) and *lucro presumido* (application of a fixed margin under limits of revenues and other gains on a cash basis. The fixed margin depends on the activity and sector of the entity).

Entity	Tax method	Tax basis
Floresteca S.A.	*Lucro Real*	There was no tax basis
Tecamet LLC	*A foreign corporation not engaged in U.S. trade or business is taxed on certain U.S. source gross investment and other passive income.*	There was no tax basis
Tecamet Agroflorestal Ltda	*Lucro presumido*	There was no tax basis
Buriti Imóveis S.A.	*Lucro presumido*	There was no tax basis
Bioteca Ltda	*Lucro presumido*	See note below

Lucro Presumido Bioteca Ltda. Subsidiary

	Consolidated	
	2015	**2014**
Gross revenue	1,151	431
Tax calculation basis for income tax current - 8%	92	35
Current income tax - 15%	14	5
Tax calculation basis for social contribution current - 12%	138	52
Current social contribution - 9%	12	5
Total Taxes Due	**26**	**10**

21 Accounts payable to suppliers and other accounts payable

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Current				
Suppliers	2,671	2,376	2,662	2,372
Suppliers-SCP	2,262	-	2,262	-
Accounts payable to shareholders	1,013	1,013	54	54
Customer's advance - others	5,370	164	5,370	144
Customer's advance - seedlings Floresteca Brasil Ltda. (see Note 11)	1,649	2,747		-
Provision for losses - Bioteca Ltda	-	-	723	821
Provision for losses - Buriti Imóveis S.A.	-	-	1,230	617
SCP Monte Verde (see Note 11)	937	2,569	937	2,569
Investors - Proceeds of final cuts	6,352	-	6,352	-
Others	11	15	12	15
	20,265	**8,884**	**19,602**	**6,592**
Non-current				
Accounts payable to investors	-	2,582	-	2,582
Floresteca Serviços Florestais Ltda	151	151	151	151
Floresteca Indústria de Madeira Ltda	-	514	-	514
Floresteca Brasil Ltda	-	13	-	13
Uniteca Agroflorestal S/A	-	996	-	996
Bioteca Ltda	-	-	259	1,149
Total Non-Current (see Note 11)	**151**	**4,257**	**410**	**5,405**
Total Accounts Payable	**20,416**	**13,140**	**20,011**	**11,997**

22 Equity

(a) Capital

The subscribed and paid-in capital at December 31, 2015 is represented by 27,796,555 registered common shares (27,796,555 in 2014), with a par value of R$ 1 each, of which 27,796,553 belong to the shareholders abroad. During the year, there was no change in the Company's capital.

		Number of shares	R$ thousand
Shareholders	**Ownership**	**2015**	**2015**
Floresteca B.V.	99,999985%	27,796,551	27,796.996
Sylvio de Andrade Coutinho Neto	0.000007%	2	0.002
Hendrik Cornelis van Druten	0.000004%	1	0.001
Laurentius P. Antonius Brouns	0.000004%	1	0.001
	100,00%	**27,796,555**	**27,797**

For Brazilian companies to be able to remit profits abroad or to repatriate invested foreign capital, the capital must be registered in the Central Bank of Brazil.

The Company's foreign capital is registered in the Central Bank of Brazil.

(b) Legal reserve

The reserve is recorded at the rate of 5% of the net profit for each year in compliance with article 193 of Law 6404/76, up to the limit of 20% of the capital.

(c) Retained earnings

The bylaws determine the distribution of a minimum dividend of 25% of the net income for the year, adjusted in accordance with article 202 of law 6.404/76.

The profit obtained by the Company in the year, is mainly related to the profit from the increase in fair value of the forests, in other words, they are not realized profits, and do not represent actual cash flow. Cash flow and profits will be realized only in the final felling. Consequently, the dividends were not paid in accordance to the article 197 of the Law 6.404/76.

23 Net revenue

Reconciliation between the gross income for tax purposes and the net income presented in the income statement:

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Gross revenue - Third parties	65,932	38,209	65,932	37,778
(-) Gross revenue - Third parties IAS 18	(11,610)	(462)	(11,610)	(462)
Gross revenue - Related parties	1,151	-	-	-
Gross revenue	**55,473**	**37,747**	**54,322**	**37,316**
(-) Deductions				
Sales taxes	(1,592)	(1,095)	(1,501)	(1,065)
Returns and discounts	(141)	(468)	(141)	(468)
	(1,733)	**(1,563)**	**(1,642)**	**(1,533)**
	53,740	**36,184**	**52,680**	**35,783**

The Company began to use railway transport for its domestic logistics more extensively over the course of 2015. Under IAS rules, products being shipped in this way are regarded as inventory until they reach their destination in port, and as a result are deducted from Gross Revenue.

24 Cost of sales

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Cost of logs	(16,662)	(9,111)	(16,662)	(9,111)
Cost of square blocks	(9,542)	(8,820)	(9,542)	(8,820)
Cost of sawn timber	(3,443)	(1,696)	-	(1,696)
Cost of firewood	(618)	(2,375)	(618)	(2,375)
Production losses	(186)	(568)	-	(171)
Export performance	-	(8,077)	-	(8,077)
Other	(473)	(157)	-	-
Cost of sales - IAS 18	2,590	90	2,590	90
	(28,334)	**(30,713)**	**(27,675)**	**(30,160)**

25 Selling expenses

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Freight	(10,546)	(5,620)	(10,546)	(5,620)
Port Costs	(4,356)	(2,203)	(4,356)	(2,203)
Allowance for doubtful accounts & credit losses	(23)	(143)	(23)	(74)
Others	(1,032)	(9)	(1,032)	(9)
	(15,957)	**(7,974)**	**(15,957)**	**(7,906)**

26 Other operating income (expenses), net

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Fair value of forests & properties for investment	62,850	(115,968)	-	(126,068)
Transfer price	16,945	-	16,945	-
Income from sale of assets	1,055	-	1,055	-
Expenses with investors - Related parties	(3,769)	(175)	(3,769)	(175)
Provision for losses in investments (see Note 14)	-	-	(514)	(825)
Other income (expenses)	4	(284)	4	(197)
	77,085	**(116,428)**	**13,721**	**(127,264)**

Note that fair value is one of the largest single items in the statement of comprehensive income, and a large determinant of the Company's results in 2015.

Transfer Price refers to the increase in value related to the transfer pricing margin of 15% accruing in 2015.

Floresteca effected final cuts on certain projects over the course of 2015, which generated revenues to the investors who are the ultimate beneficiaries of the forests. The net amounts to be paid to the investors is R$ 3,769.

27 Administrative and general expenses

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Consultants & Professional Services	(3,412)	(4,474)	(3,399)	(3,765)
Payroll	(2,499)	(188)	(2,078)	(154)
Taxes	(2,206)	(4,520)	(2,202)	(4,511)
Maintenance	(416)	(394)	(415)	(388)
Offices expenses	(127)	(708)	(127)	(700)
Depreciation	1,348	86	1,363	86
	(7,314)	**(10,198)**	**(6,860)**	**(9,430)**

Taxes: The Company lost tax credits totaling R$ 1,764 from the expiry of Pis, Cofins and IRRF taxes;

Depreciation: Under CPC 27, an annual review of the useful life of property, plant & equipment is permitted. In 2015, the Company determined that fully depreciated assets had a residual value of R$ 1,562, resulting in a positive value for depreciation.

Offices expenses: the changes in the inputs registers improved by ERP and the new proposed cost center control have allowed a better measurement and classification of expenses, where the costs have been allocated accordingly.

28 Net financial income (expenses)

	Consolidated		Parent Company	
	2015	**2014**	**2015**	**2014**
Financial income				
Exchange gains - Cash	1,406	411	1,406	411
Exchange gains - Accrual (a)	281,535	99,076	279,551	98,414
Other	664	616	644	616
	283,605	**100,103**	**281,620**	**99,441**
Financial costs				
Interest (b)	(8,361)	(5,071)	(1,779)	(872)
Exchange losses - Cash	(5,938)	(893)	(5,938)	(893)
Exchange losses - Accrual (a)	(320,314)	(105,530)	(314,530)	(103,987)
Other	(180)	(279)	(165)	(275)
	(334,793)	**(111,773)**	**(322,412)**	**(106,027)**
	(51,188)	**(11,670)**	**(40,792)**	**(6,586)**

Financial income includes basically exchange rate variation gains. The change in value of the forests due only to exchange rate gains is reflected here.

Financial expenses basically include exchange rate variation losses and expenses with interest on loans. Loan costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are stated in the income statement through the effective interest method.

(a) The net exchange gains and losses refer to fluctuations in the exchange rates on loans taken out with Floresteca BV in USD, and Euros (€) mainly. 2015: (R$ 13,895); (2014: R$ (6,936))

(b) Loan interests incurred from Metlife, LFP Prime and Brazilian financial institutions.

29 Financial instruments

The Company uses financial instruments in its operations. The majority of the instruments used are trade finance and bank loans, and short term investments of cash in bank certificates of deposit and other short term money market instruments. These instruments are managed by means of operating strategies and internal controls intended to provide liquidity, profitability and security. The Company does not make speculative investments in derivatives or in any other risk assets.

The Company's operations are subject to the risk factors described in Note 6.

All transactions involving financial instruments are recognized in the Company's financial statements, as shown in the table below:

				Consolidated
		2015		2014
	Book value	Fair value	Book value	Fair value
Assets				
Fair value through profit or loss				
Cash and cash equivalents (Note 7)	429	429	3,089	3,089
Loans and receivables				
Trade accounts receivable (Note 8)	7,926	7,926	6,688	6,688
Advances to agricultural partners (Note 12)	5,904	5,904	5,373	5,373
	14,259	**14,259**	**15,149**	**15,149**
Liabilities				
Liabilities at amortized cost				
Loans and financing (Note 18)	627,614	627,614	454,031	454,031
Leasing	77	77	25	25
Accounts payable to suppliers and other accounts payable (Note 21)	20,416	20,416	13,140	13,140
	648,107	**648,107**	**467,196**	**467,196**

(a) Identification and valuation of financial instruments

The book value of financial instruments registered in the balance sheet is equal to their market value. The Company has no operations involving financial instruments other than those reflected in the financial statements as of December 31, 2015, and it has not realized any transactions in financial derivatives.

Financial liabilities registered at amortized cost

Loans, financing and Suppliers are classified and registered at amortized cost.

(b) Determination of fair value of financial instruments

The Company shows its financial assets and liabilities at fair value, based on the applicable accounting pronouncements that define fair value, with reference to valuation concepts and disclosure requirements for fair value.

Specifically in the case of disclosure, the Company applies the rules of hierarchy as follows:

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between informed and willing parties in a fair transaction;

Fair value is measured according to a hierarchy of 3 levels, according to the observable inputs used to value an asset or liability on the measurement date.

Valuation according to a hierarchy of 3 levels for measuring fair value is based on observable and non-observable inputs. Observable inputs reflect market data obtained from independent sources, while non-observable inputs reflect the Company's market assumptions. These two types of input create the fair value hierarchy shown below:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs, other than the quoted prices included in Level 1, which are directly (by price) or indirectly (by price derivatives) observable for an asset or liability.

Level 3: inputs for an asset or liability that are not based on observable market data (non-observable inputs).

	Consolidated			
	2015			
	Book value	Level 1	Level 2	Level 3
Assets				
Fair value through profit or loss				
Cash and cash equivalents (Note 7)	429	429	-	-
Loans and receivables				
Trade accounts receivable (Note 8)	7,926	-	7,926	-
Advances to agricultural partners (Note 12)	5,904	-	5,904	-
Total	**14,259**	**429**	**13,830**	**-**
Liabilities				
Liabilities at amortized cost				
Loans and financing (Note 18)	627,614	-	627,614	-
Leasing	77	-	77	-
Accounts payable to suppliers and other accounts payable (Note 21)	20,416	-	20,416	-
	648,107	**-**	**648,107**	**-**

	Consolidated			
	2014			
	Book value	Level 1	Level 2	Level 3
Assets				
Fair value through profit or loss				
Cash and cash equivalents (Note 7)	3,089	3,089	-	-
Loans and receivables				
Trade accounts receivable (Note 8)	6,688	-	6,688	-
Advances to agricultural partners (Note 12)	5,373	-	5,373	-
Total	**15,149**	**3,089**	**15,149**	**-**
Liabilities				
Liabilities at amortized cost				
Loans and financing (Note 18)	454,031	-	454,031	-
Leasing	25	-	25	-
Accounts payable to suppliers and other accounts payable (Note 21)	13,140	-	13,140	-
	467,196	**-**	**467,196**	**-**

Level 1: Operations with balances classified at this level refer to amounts held in cash, quote in local currency in Brazil and held for trading.

Level 2: Operations with balances classified at this level refer to amounts held as investments in Bank Certificates of Deposit (CDB), Consumer Market Price Index (IGP-M), earnings interest according to variations in the interbank deposit rate (CDI) and fixed rates. The criteria for measuring book value, which by the nature of the transaction is equivalent to fair value, depends preponderantly on information observable in an active market.

The financial instruments subject to foreign exchange risk and the respective sensitivity analysis are shown in the table below:

	US$/R$	
Consolidated	**Ptax Purchase**	**Ptax Sale**
Rates at December 31, 2015	3,9042	3,9048
Scenario 1: Deterioration of 25% of the Real	4,8803	4,8810
Scenario 2: Deterioration of 50% of the Real	5,8563	5,8572
Scenario 3: Appreciation of 25% of the Real	2,9282	2,9286
Scenario 4: Appreciation of 50% of the Real	1,9521	1,9524

	Euro/R$	
	Ptax Purchase	**Ptax Sale**
Rates at December 31, 2015	4,2482	4,2482
Scenario 1: Deterioration of 25% of the Real	5,3103	5,3103
Scenario 2: Deterioration of 50% of the Real	6,3723	6,3723
Scenario 3: Appreciation of 25% of the Real	3,1862	3,1862
Scenario 4: Appreciation of 50% of the Real	2,1241	2,1241

		Gain/ (Loss) in thousands of reais			
Category	**Balances in USD**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	67,771	(66,158)	(132,316)	66,158	132,316
Net position	**67,771**	**(66,158)**	**(132,316)**	**66,158**	**132,316**

		Gain/ (Loss) in thousands of reais			
Category	**Balances in Euros**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	84,096	(89,360)	(178,720)	89,360	178,720
Net position	**84,096**	**(89,360)**	**(178,720)**	**89,360**	**178,720**

Parent Company

	US$/R$	
	Ptax Purchase	**Ptax Sale**
Rates at December 31, 2015	3,9042	3,9048
Scenario 1: Deterioration of 25% of the Real	4,8803	4,8810
Scenario 2: Deterioration of 50% of the Real	5,8563	5,8572
Scenario 3: Appreciation of 25% of the Real	2,9282	2,9286
Scenario 4: Appreciation of 50% of the Real	1,9521	1,9524

	Euro/R$	
	Ptax Purchase	**Ptax Sale**
Rates at December 31, 2015	4,2482	4,2482
Scenario 1: Deterioration of 25% of the Real	5,3103	5,3103
Scenario 2: Deterioration of 50% of the Real	6,3723	6,3723
Scenario 3: Appreciation of 25% of the Real	3,1862	3,1862
Scenario 4: Appreciation of 50% of the Real	2,1241	2,1241

		Gain/ (Loss) in thousands of reais			
Category	**Balances in USD**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	44,732	(66,158)	(132,316)	66,158	132,316
Net position	**44,732**	**(66,158)**	**(132,316)**	**66,158**	**132,316**

		Gain/ (Loss) in thousands of reais			
Category	**Balances in Euros**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	84,096	(89,360)	(178,720)	89,360	178,720
Net position	**84,096**	**(89,360)**	**(178,720)**	**89,360**	**178,720**

30 Insurance

The Company's policy is to contract insurance coverage for goods subject to risk in amounts considered to be sufficient to cover possible losses, considering the nature of the activity. The risk assumptions adopted, given their nature, do not form part of the scope of an audit of the financial statements, consequently they were not reviewed by our independent auditors.

On December 31, 2015, the Company had contracted insurance coverage100% of its fleet of vehicles.

31 Interests in unincorporated joint ventures (SCP)

As described in Note 1e, all the assets and liabilities carried out by the unincorporated joint ventures are recorded separately or are separable from the other transactions of Floresteca S.A. (the ostensible partner under Brazilian Law).

Accordingly, the amounts pertaining to the unincorporated joint ventures are presented as follows:

SCP Monte Verde

Assets	2015	2014
Current assets		
Cash and cash equivalents	873	1,598
Trade accounts receivable	1,584	41
Inventories	-	1,501
Recoverable taxes	308	262
Other receivables	4	5
Related parties	937	2,569
Total current assets	**3,706**	**5,976**
Non-current assets		
Biological Assets	338,394	291,095
Property, plant & equipment	44	32
Total non-current assets	**338,438**	**291,128**
Total Assets	**342,144**	**297,103**

Liabilities	2015	2014
Current liabilities		
Accounts payable to suppliers and others	443	56
Taxes payable	1	2
Salaries, vacations and payroll charges payable	35	38
Total current liabilities	**479**	**97**
Non-current liabilities		
Deferred tax liabilities	107,721	92,538
Total non-current liabilities	**107,721**	**92,538**
Special Equity		
Capital	24,837	24,837
Retained earnings	209,108	179,632
Total equity	**233,945**	**204,469**
Total liabilities	**108,200**	**92,634**
Total equity and liabilities	**342,144**	**297,103**

SCP Santa Lúcia

Assets	2015	2014
Current assets		
Cash and cash equivalents	289	1
Trade accounts receivable	1,743	-
Inventories	70	5
Recoverable taxes	47	98
Other receivables	209	19
Total current assets	**2,358**	**122**
Non-current assets		
Biological Assets	136,178	61,950
Property, plant & equipment	3	4
Total non-current assets	**136,721**	**61,954**
Total Assets	**139,079**	**62,075**

Liabilities	2015	2014
Current liabilities		
Accounts payable to suppliers and others	694	12
Taxes payable	129	-
Salaries, vacations and payroll charges payable	48	48
Related parties	1,451	654
Total current liabilities	**2,322**	**714**
Non-current liabilities		
Deferred tax liabilities	44,486	19,046
Total non-current liabilities	**44,486**	**19,046**
Special Equity		
Capital	5,342	5,342
Retained earnings	86,929	36,973
Total equity	**92,271**	**42,315**
Total liabilities	**46,808**	**19,760**
Total equity and liabilities	**139,079**	**62,075**

SCP Monte Verde

Special equity attributed to:	2015	2014
Ostensible partner - 24,66%		
Capital	5,340	5,340
Retained earnings	51,566	44,297
	56,906	**49,637**
Equity partner - 75,34%		
Capital	19,497	19,497
Retained earnings	157,542	135,335
	177,039	**154,832**
Total	**233,945**	**204,469**
Capitalization paid in 2014		
Ostensible partner	46	1,36%
Equity partner	3,322	98,64%
Total	**3,368**	

For maintenance of 24,66% in the investment, the Company has the option for paying R$ 785 until June 2016 when the agricultural year ends, otherwise it will suffer a dilution of its share in the projects.

SCP Santa Lúcia

Special equity attributed to:	2015	2014
Ostensible partner - 24,66%		
Capital	1,317	1,317
Retained earnings	21,437	9,118
	22,754	**10,435**
Equity partner - 75,34%		
Capital	4,025	4,025
Retained earnings	65,492	27,856
	69,517	**31,880**
Total	**92,271**	**42,315**
Capitalization paid in 2014		
Ostensible partner	25	24,66%
Equity partner	79	75,34%
Total	**104**	

In addition to Floresteca S.A. and in accordance with Note 1e, the unincorporated joint ventures (SCP) are in the formation stage of the forests and did not present material results during 2015 and 2014, except for the determination of the fair value of forests.

32 Subsequent event

Subsequent event

On February 17th, 2016, Tecamet Agroflorestal Ltda., indirectly controlled by Floresteca SA, and Salteca Agroflorestal Ltda, agreed to the terms of the sale of three teak projects, totaling 1946 ha (Icaroma 2004, Porto do Céu 2008, and Mutum 2008, and collectively "Tecamet Assets"). The projects were sold for a total of USD 31.1 million, or BRL 125.2 million on the date of sale. The balance sheet values of these projects was BRL 305.9 million at 31/12/2015, as shown in these financial statements. The proceeds from the sales were used to subsequently repay Floresteca's debt with MetLife, which totaled R$ 85,7 million (USD 21,3 million) at 17/02/2016 and R$ 78,5 million (USD 20,1 million) at 31/12/2015.

Floresteca believes that the Tecamet assets should be registered on 31/12/2015 based on their discounted cash flow considering the full life cycle of the assets and consistent with the methodology historically used by the Company, and not for the actual sales price. The arguments for this accounting treatment are:

1 While discussions regarding a potential sale had been initiated at 31/12/2015, the discussions were not at a stage which, in the opinion of management, were mature and would lead to the subsequent sale.

2 In any case, the sale of the assets included specific factors which would not be present under fair market conditions. Market conditions generally for teak forests in formation and with considerable time periods remaining for final cuts are notably illiquid. Although the sales value was calculated based on discounted cash flow, the buyer of the forests opted to:

   (a) Not use monetary correction of the assets;
   (b) Not include real price growth;
   (c) Use his own cost of capital to discount the cash flows

   The monetary correction and real price growth are utilized by Floresteca to value its assets over the full cycle of the assets, and the cost of capital at fair value is done so as to reflect prevailing market conditions, and not Floresteca's own cost of capital. If the same values are used in both models, the fair value and the sale value are practically the same

3 It also follows that the balance sheet as a whole would become unbalanced, as the assets of Tecamet would be removed from the current methodology, while its liabilities would not.

Floresteca understands that the decision to sell or not sell its assets, at any given time, does not constitute a sufficient motive to discard the valuation of the assets thought their full life cycle by means of discounted cash flow analysis.

* * *

Board of Directors
Sylvio de Andrade Coutinho Neto
Fausto Hissashi Takizawa

Executive Board
Fausto Hissashi Takizawa
Chief Executive Officer

Accountant
Jussara Tomie Ono
CRC MT - 007689/O-4
Accountant