(A free translation of the original in Portuguese)

CONSOLIDATED FINANCIAL STATEMENTS

FLORESTECA S.A.

DECEMBER 31, 2017
AND INDEPENDENT AUDITOR'S REPORTS

MAZARS
CABRERA

(A free translation of the original in Portuguese)

Contents

Management Report 2017

The past year was very successful for Floresteca S.A. (FSA). In early 2017, FSA finalized the main elements of its reorganization, becoming a company dedicated to the management of the forestry assets of its European investors. In February 2017, FSA, together with an institutional investor partner, realized the sale of its participation in 2 special purpose companies, representing 2,932.70 hectares of planted teak forest assets. This resulted in USD 13,6 mm in revenue, which was used to further reduce the Company's debts, generate liquidity for operations, and to pay the stakeholders whose projects have been finalized.

In March 2017, FSA agreed to a Management Services and Timber Sales and Purchase Agreement (MSTSPA) with Teak Resources Company (TRC Agroflorestal Ltda. - TRC), contemplating a wide range of services previously performed by FSA. With this agreement, FSA will be able to maintain continuity in the management of the forests on economically advantageous terms, tied directly to the number of hectares standing annually. FSA maintains dedicated workforce to perform silvicultural maintenance, with general administration and harvesting will be performed by TRC.

As part of the agreement, FSA sells the timber roadside in Mato Grosso to TRC at market prices and based on an independently produced quarterly benchmark report for Mato Grosso teak logs. As a result, top line revenue will be lower, reflecting the new sales basis, as will selling (logistics) expenses, which will be eliminated. Working capital requirements have also been greatly reduced, as have the risks associated with log export sales (credit/default risk).

As these changes took place over the course of 1S2017, they are not fully reflected in these annual financial statements, but the partial effects can be clearly seen. Net sales revenue fell from BRL 93,4 million to BRL 42.9 million, mainly from the change in sales basis to roadside. General and administrative costs fell from BRL 11.4 million in 2016 to BRL 10.6 million in 2017. Selling costs fell from BRL 30.7 million in 2016 to BRL 14.1 million in 2017.

The impact on FSA's balance sheet from the forest asset sales in 2017 was the elimination of BRL 134.2 million in investments on 12/31/2016 to zero at year end 2017, while cash increased to BRL 26 million from BRL 16 million a year earlier. Bank debt fell from BRL 27,3 million on 12/31/2016 to BRL 0.7 million at year end 2017. Remaining debt is all tied to machinery used in forest maintenance. Working capital also fell considerably. Accounts receivable totalled BRL 6.6 million on December 31, 2017, compared to BRL 14.7 million on 12/31/2016, and inventory fell from BRL 12.0 million on 12/31/2016 to BRL 5.0 million on 12/31/2017.

The sum of the changes made in 2017, as well as the asset sales which occurred in 2016 and 2017, resulted in substantial reductions in the accounting value of FSA, as sales terms were significantly below their accounting book value. Overall, these decisions were necessary to provide the necessary liquidity in FSA to maintain forestry operations and preserve the value of the forests, as well as to reduce the onerous debts incurred to finance operations.

At the end of 2017, FSA began payments to SATT for the projects completed in 2016. Payments totalling USD 2,151 million and representing approximately 27.4% of the total amounts due for those projects were realized in 4Q2017. In January of 2018, FSA made additional payments of USD 2,037 million for 2016 SATT projects. In total, approximately 53% of the total amounts due for the 2016 projects has been paid. FSA stands ready to make the additional payments to finalize the remaining amounts due for projects completed in 2016.

FSA is now appropriately structured to complete its mission of maximizing the value of the forests under its management through final cuts and is in a much better position to carry out operations with the cash flow that the forests generate.

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Independent auditors' report on the financial statements

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

Qualified opinion

We have audited the individual and consolidated financial statements of Floresteca S.A. ("the Company"), Identified as controlling company and consolidated, respectively, which comprise the statement of financial position on December 31, 2017, statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified opinion on the individual financial statements

In our opinion, except for the possible effects of the matters described in the paragraph basis for qualified opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the financial position of Floresteca S.A. as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil.

Basis for qualified opinion

On February 22th, 2017, the SCPs Monte Verde and Santa Lucia, indirectly controlled by the Company, sold its two teak projects for a total of R$ 176,500,000. As of December 31, 2016, these projects were valued based on their discounted cash flow considering the full life cycle of the assets, amounting to R$ 209,000,000, 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, consolidated and controlling company result are understated by R$ 8,262,000 as of December 31, 2017. This effect should have been recorded in the result of December 31, 2016 instead of being recognized in the 2017.

On December 31, 2017, the subsidiary Buriti Imoveis S.A. had loans from LFP Prime bank in the amount of R$ 11,424,000 as presented in the consolidated financial statements, note 17. We request a confirmation letter for LFP Prime bank to confirm the Company's subsidiary transactions and balances at December 31, 2017, but we did not receive the bank confirmation. Therefore, we were not able, in those circumstances, to carry out alternative audit procedures that would enable us to conclude on loans from LFP Prime bank presented in the consolidated financial statements and on the possible effects of adjustments related to these balance in the consolidated results.

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the individual and consolidated financial statements section of our report. We are independent of the Company in accordance with the relevant ethics principles provided in the Accountant's Code of Professional Ethics and professional rules issued by the Accounting Federal Council and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis - Operations

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 cut started from 2015, 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 and the use of deferred taxes on tax losses depends on generating future income to be earned from the interim thinning and the final cutting of these forests. Our opinion is not modified in respect of this matter.

Related party transactions

Without qualifying our opinion, we draw attention to Note 12, which describes that a significant part of the transactions are carried out with related parties, and the results of these transactions could have been different if they had been carried out with third parties.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Company's management is responsible for such other information that comprises the management report.

Our opinion on the individual and consolidated financial statements does not cover the management report and we do not express any form of audit conclusion on this report. In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work we have performed, we conclude that there is a material misstatement in the management´s report, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of management for the individual and consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the individual and consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements individual and consolidated, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements individual and consolidated or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements individual and consolidated, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Jangada, March 26, 2018

Mazars Auditores Independentes
CRC 2SP023701/O-8

Paulo Alexandre Misse
Accountant CRC 1SP268349/O-5

Floresteca S.A.

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

		Controlling Company		Consolidated	
Assets	**Note**	**2017**	**2016**	**2017**	**2016**
Current assets					
Cash and cash equivalents	8	25,967	15,958	25,974	16,339
Accounts receivable	9	6,594	14,715	6,594	14,715
Inventories	10	5,005	11,965	5,005	11,965
Recoverable taxes	11	4,982	4,449	4,982	4,449
Other receivables		1,895	4,477	1,896	4,645
Total current assets		**44,443**	**51,564**	**44,451**	**52,113**
Non-current assets					
Advances to agricultural partners		5,089	5,504	5,089	5,504
Other receivables		1,010	4,861	680	4,537
Investments	13	-	134,226	-	50,864
Investment property	14	-	-	2,014	1,836
Biological Assets	15	466,512	432,949	466,512	434,795
Property, plant & equipment	16	14,565	17,487	14,565	17,487
Intangible assets		80	83	80	83
Total non-current assets		**487,256**	**595,110**	**488,940**	**515,106**
Total assets		**531,699**	**646,674**	**533,391**	**567,219**

		Controlling Company		Consolidated	
Liabilities	**Note**	**2017**	**2016**	**2017**	**2016**
Current liabilities					
Loans and financing	17	377	24,881	377	24,881
Leasing		127	136	127	136
Suppliers and other accounts payable	20	6,676	5,690	2,008	1,844
Taxes payable		207	214	207	347
Salaries, vacations and payroll charges payable		291	1,521	291	1,521
Total current liabilities		**7,678**	**32,442**	**3,010**	**28,729**
Non-current liabilities					
Loans and financing	17	431,281	453,087	442,705	414,045
Leasing		109	110	109	110
Contingencies	18	179	75	179	75
Deferred taxes	19	3,930	15,014	3,930	15,014
Suppliers and other accounts payable	20	-	32,002	-	366
Unrealized gains in investments	14	5,064	5,064	-	-
Total non-current liabilities		**440,563**	**505,352**	**446,923**	**429,610**
Equity					
Capital	21(a)	27,798	27,797	27,798	27,797
Legal reserve	21(b)	5,559	5,559	5,559	5,559
Profit reserve		50,101	92,769	50,101	92,769
Translation Reserve		-	(17,245)	-	(17,245)
Total equity		**83,458**	**108,880**	**83,458**	**108,880**
Total liabilities		**448,241**	**537,794**	**449,933**	**458,339**
Total equity and liabilities		**531,699**	**646,674**	**533,391**	**567,219**

The management explanatory notes are an integral part of these financial statements.

Floresteca S.A.

Statement of income
Year ended December 31,
(In thousands of Reais, except where otherwise indicated)

		Controlling Company		Consolidated	
	Note	**2017**	**2016**	**2017**	**2016**
Net revenue	22	42,893	93,419	42,893	214,063
Cost of sales	23	(41,597)	(43,018)	(41,597)	(63,309)
Gross profit		**1,296**	**50,401**	**1,296**	**150,754**
Operating profit (expenses)					
Other operational income (expenses) net	24	216	(13,470)	(684)	(298,291)
Selling and distribution expenses	25	(14,129)	(30,687)	(14,129)	(30,687)
Administrative and general expenses	26	(10,600)	(11,256)	(10,640)	(11,395)
Equity accounting result	13	(13,297)	(222,506	(11,354)	(31,095)
Loss before financial result		**(36,514)**	**(227,518)**	**(35,511)**	**(220,714)**
Finance income		82,380	223,521	83,715	228,079
Finance costs		(99,552)	(205,272)	(101,890)	(212,397)
Financial result	27	**(17,172)**	**18,249**	**(18,175)**	**15,682**
Loss before tax		**(53,686)**	**(209,269)**	**(53,686)**	**(205,032)**
Current income tax and social contribution	19(b)	-	-	-	(4,237)
Deferred income tax and social contribution	19(a)	11,084	(4,971)	11,084	(4,971)
Net loss for the year		**(42,602)**	**(214,240)**	**(42,602)**	**(214,240)**
Quantities of shares in the end of the year		27,797,555	27,796,555	27,797,555	27,796,555
Net loss per shares (in Reais)		**(1,53)**	**(7,71)**	**(1,53)**	**(7,71)**

The management explanatory notes are an integral part of these financial statements.

Floresteca S.A.

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

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Loss for the year	**(42,602)**	**(214,240)**	**(42,602)**	**(214,240)**
Foreign currency translation differences	(1,390)	(12,290)	(1,390)	(12,290)
Reclassification adjustments to amounts recognized in the profit (loss) (Note 13(c))	18.635	-	18.635	-
Total comprehensive loss	**(25,357)**	**(226,530)**	**(25,357)**	**(226,530)**

The management explanatory notes are an integral part of these financial statements.

Floresteca S.A.

Statement of changes in equity
Year ended December 31
(In thousands of Reais)

	Attributable to owners of the Company							
	Capital	Legal reserve	Profit reserve	Translation reserve	Loss of the year	Total	Non-controlling interests	Total equity
Balance at December 31, 2015	**27,797**	**5,559**	**311,157**	**(4,955)**	**-**	**339,558**	**(724)**	**338,834**
Loss for the year	-	-	-	-	(214,240)	(214,240)	-	(214,240)
Transfers to profit reserve	-	-	(214,240)	-	214,240	-	-	-
Prior year adjustments	-	-	(4,148)	-	-	(4,148)	-	(4,148)
Non-controlling interests in shareholders' equity of subsidiaries sold	-	-	-	-	-	-	724	724
Foreign currency translation differences	-	-	-	(12,290)	-	(12,290)	-	(12,290)
Balance at December 31, 2016	**27,797**	**5,559**	**92,769**	**(17,245)**	**-**	**108,880**	**-**	**108,880**
Capital increase	1	-	-	-	-	1	-	1
Loss for the year	-	-	-	-	(42,602)	(42,602)	-	(42,602)
Transfers to profit reserve	-	-	(42,602)	-	42,602	-	-	-
Prior year adjustments	-	-	(66)	-	-	(66)	-	(66)
Foreign currency translation differences of 2017	-	-	-	(1,390)	-	(1,390)	-	(1,390)
Accumulated foreign translation recognized in the profit (loss) (Note 13(c))	-	-	-	18,635	-	18,635		18,635
Balance at December 31, 2017	**27,798**	**5,559**	**50,101**	**-**	**-**	**83,458**	**-**	**83,458**

The management explanatory notes are an integral part of these financial statements.

Floresteca S.A.

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

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Cash flows from operating activities				
Loss for the year	**(42,602)**	**(214,240)**	**(42,602)**	**(214,240)**
Adjustments for:				
Depreciation and amortization	3,618	2.258	3,618	2,822
Depletion	26,460	26.079	26,460	46,369
Provision for contingencies	104	32	104	(143)
Allowance for doubtful accounts	(21)	75	(21)	75
Fair value of assets	(42,701)	96.409	(41,033)	383,846
Unrealized exchange (gains) losses	63,293	(102.435)	63,143	(101,186)
Interest incurred	(206)	264	940	5,007
Equity accounting	11,562	222.506	10,442	31,095
Result from the sale of fixed assets	483	1.040	483	614
Adjustments from previous years	(66)	-	(66)	-
Write-off of investments sold	-	769	-	769
Foreign currency translation differences	-	-	(1,390)	(12,290)
Provision (reversion) for investments loss	1,735	1.894	912	(722)
Deferred income tax and social contribution	(11,084)	4.971	(11,084)	4,971
	10,575	**39.622**	**9,906**	**146,987**
Changes in operating assets				
(Increase) Decrease in Accounts receivable	8,142	(7.530)	8,142	(7,530)
(Increase) Decrease in inventories	3,669	3.577	3,669	3,891
(Increase) Decrease in recoverable taxes	(504)	271	(533)	292
(Increase) Decrease in other receivables	6,849	6.088	7,021	6,648
Changes in operating liabilities				
Increase (Decrease) in Suppliers and other account payable	(32,751)	15.787	(1,114)	(17,482)
Increase (Decrease) in taxes payable	(7)	(178)	(140)	(80)
Increase (Decrease) in salaries, vacations and payroll charges payable	(1,230)	141	(1,230)	75
Cash flow applied in operating activities	**(5,257)**	**57,778**	**25,721**	**132,801**
Cash flows from investment activities				
Purchase of property, plant & equipment	(1,176)	(2,085)	(1,176)	(2,085)
Planting and purchase of biological assets - non current	(13,263)	(16,535)	(14,031)	(16,535)
Cash from merger Tecamet LLC	331	-	-	-
Dividends received	38,198	-	38,198	-
Capital (increase) decrease in subsidiary	2,224	(7,219)	2,224	(7,219)
Non-controlling interests	-	-	-	724
Cash flow from investment activities	**26,314**	**(25,839)**	**25,215**	**(25,115)**
Cash flows from financing activities				
Capital increase	1	-	1	-
Loans taken out	38,754	62,883	8,501	62,883
Leases (paid) taken out	(60)	23	(60)	23
Payments of loans	(49,743)	(79,311)	(49,743)	(154,682)
Cash flow applied in financing activities	**(11,048)**	**(16,405)**	**(41,301)**	**(91,776)**
Net increase in cash and cash equivalents	**10,009**	**15,534**	**9,635**	**15,910**
At the end of the year	25,967	15,958	25,974	16,339
At the beginning of the year	15,958	424	16,339	429
Net increase (decrease) in cash and cash equivalents	**10,009**	**15,534**	**9,635**	**15,910**

The management explanatory notes are an integral part of these financial statements.

1 Operations

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. is the Controlling Company, and the Consolidated figures for the Company for the year ended 31 December 2017 comprise the Controlling Company and its subsidiaries (together referred to as the "Group"). The main activity of the Group is forestry, involving planting, cultivation, cutting, 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, cutting, commercialization of forests and wooden products	Brazil
Buriti Imóveis S.A.	Purchase & sale of rural properties	Brazil

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

The Company has 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 encumbered to third parties.

The Company is in the maintenance stage of its own forests and forests encumbered under agreements with 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 encumbered to third parties, and the advances provided to agricultural partners, depends on future income generation to be earned from the interim thinning and final cutting 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 follows the terms of the last and consolidated version ("Fifth Amendment"), of the "Foresting Service Agreement and Recognition of Rights Over Construction and Planting" ("Master Agreement"), in accordance with the exhibit III of the Fifth Amendment and its last addendum ("Ninth"), with effect on the date of these financial statements, entered into between Floresteca S.A. ("FSA"), Panflora Agroflorestal Ltda. and the Netherlands based entities, Floresteca B.V. ("FBV") and Stichting Administratie-en Trustkantoor Tectona ("SATT") (Beneficiary), in which the Company guarantees to deliver to the Beneficiary a high quality forest planted with teak ("forest"). At this moment, neither FBV nor SATT have a permanent establishment in Brazil and the delivery of the physical product to SATT is merely notional. In this way, the Company does not deliver the forest.

Annually the Company provides a draft Management Plan and Budget ("MP") to Floresteca BV and SATT, containing the maintenance plan for the following year (contemplating all forestry maintenance activities (including thinnings), overhead and management costs, as well as harvesting costs, final cuts and sales to be done related to final cuts concerning the forests belonging to SATT). This MP includes the areas that are eligible for final cuts, and it is presented for comments on the Floresteca BV website as well as to SATT, prior to conclusion. On December 10, 2016, as forest operator, the Company provided a draft Management Plan for the year 2017 to Floresteca BV and SATT and there was no objection, from all parties involved in the Master Agreement, to the MP submitted for the year 2017.

The parties involved in the Master Agreement have authorized FSA to hire a specialized consultancy for market price research and to choose the consultancy. The market price research is designed to provide the basis for the selling price to be practiced by FSA for sale of the forests that belong to SATT.

In the event SATT intends to sell, assign or transfer the timber from its forest, the Company shall have the right of first refusal in such sale, assignment or transference.

The amounts due to SATT, resulting from sales of forests in Brazil made by the Company, will be sent to SATT through the settlement of the loan and through dividends, without harming SATT. Floresteca BV is responsible for compensating SATT, through the payment of the loans and through dividends from Floresteca BV.

The contractual terms and conditions already entered into are described below:

At the end of the planting cycle of each forest project, the Company will be reimbursed for the total aggregated costs of the project until final cut.

(i) As a pre-payment for the cost price, the Company is entitled to the revenues depicted in (ii), (iii) and (iv) below.

(ii) 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.

(iii) 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 20 after the beginning of the planting.

(iv) 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 20 after the beginning of the planting and US$ 3,000.00 per hectare from years 20 to 25 after the beginning of the planting.

Further, at the end of the cycle for cultivating the teak (final cutting), both for plantations with a cycle of approximately 20 years and for plantations with a cycle of approximately 25 years, the Company will be entitled to reimbursement of final cut costs, which includes costs for harvesting, forwarding to road side and returning the land clean and root free to its owners, and an incentive fee of 5% of the wood harvested at final cutting.

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	
	2017	2016	2017	2016
Floresteca S.A.	300	18	508	508
SATT	16,951	17,624	-	-
Tecamet Agroflorestal Ltda.	-	251	-	-
LHS Participações Ltda.	191	191	3,607	3,607
Panflora Agroflorestal Ltda.	-	-	740	1,413
Pecflor Ltda.	-	-	4,154	4,154
Buriti Imóveis S.A. (a)	-	-	592	592
Fronteca Agroflorestal S.A.	-	-	-	2,933
Third Parties	499	530	8,340	8,340
Planted areas - SCPs	-	2,933	-	-
	17,941	**21,547**	**17,941**	**21,547**

Floresteca S.A.'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.

According to projections that take into consideration the final cutting 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 cutting.

The activity of Floresteca S.A. is currently substantiated by revenues from thinnings, loans from related parties, and loans and financing taken out with financial institutions.

2 Preparation basis

These financial statements were authorized for issue by the Board of Directors on March 26, 2018.

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

The individual and 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);

The preparation of the financial statements, in accordance with the accounting practices adopted in Brazil, issued by CPC, requires the use of certain critical financial estimates, as well as the decision exercise by the Company's Management in the application process of the accounting policies. Those areas that require higher level of judgment and have greater complexity, as well as the areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(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.

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.

3.1 Basis of consolidation

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

			Company Shareholding structure	
	Participation	**Country**	**2017**	**2016**
Tecamet LLC (a)	Direct	United States	-	100%
Tecamet Agroflorestal Ltda. (a)	Indirect	Brazil	-	99,99%
Buriti Imóveis S/A	Direct	Brazil	99,99%	99,99%

(a) On October 1st 2017, subsidiaries Tecamet LLC and Tecamet Agroflorestal Ltda. had their assets merged into Floresteca S.A.. Tecamet Agroflorestal Ltda. was a 99,99% subsidiary of Tecamet LLC.

(i) 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.

(ii) 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.

(iii) 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.

3.2 Foreign currency

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.

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

3.3 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 cancelled 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, 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.

3.4 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.

(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.

3.5 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.

3.6 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.

3.7 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.

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.

3.8 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 cutting.

3.9 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.

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 assets as of December 31, 2017.

3.10 Non-financial assets

The carrying values of the Company's non-financial assets, 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.

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 non-financial assets as of December 31, 2017.

3.11 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.

3.12 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.

3.13 Dividends

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.

3.14 Revenue

The revenue from the sale of forest assets and/or their by-products is stated at the fair value of the consideration received or receivable. Revenue 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 revenue can be measured reliably.

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.

3.15 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.

3.16 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.

3.17 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.

The subsidiary Buriti Imóveis S.A. uses the *lucro presumido* tax method and deferred tax is not applicable in their cases.

The current income tax for the activity of Buriti Imóveis S.A. 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%.

The Company itself uses the *lucro real tax method*. As its qualifies as a rural activity entity, (cultivation of forests is intended for cutting), 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.

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.

3.18 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:

(i) 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.

(ii) 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.

(iii) 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.

4 Critical accounting 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.

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 3.9 - Recoverable value of financial assets
- Note 3.10 - Recoverable value of non-financial assets
- Notes 5 and 15 - Recording of the fair value of the biological assets
- Notes 3.4 and 16 - Useful lives of property, plant and equipment
- Note 3.12 and 18 - Provision for contingencies

5 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 at fair value. Forests, equivalent to 16,951 ha, are evaluated in accordance with the price defined at the "Foresting Service Agreement and Recognition of Rights over Construction and Planting", which corresponds to costs, plus transfer pricing (15%), plus exchange variation on cost proportional to loans obtained from Floresteca B.V. for developing operation, less the depletion of the year. The remaining biological assets, forests totalling 990 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.

(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.

6 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.

(i) 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.

(ii) 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 fulfil 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.

(iii) 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.

(iv) 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 behaviour. 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.

(v) 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.

7 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.

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

	Controlling Company		Consolidated	
Revenue	**2017**	**2016**	**2017**	**2016**
Brazil	16,639	4,576	16,639	4,576
All foreign countries				
United States of America	-	-	-	120,644
China	4,119	-	4,119	-
India	-	52,302	-	52,302
Singapore	15,863	18,864	15,863	18,864
Vietnam	4,181	7,761	4,181	7,761
Other countries	2,091	9,916	2,091	9,916
	42,893	**93,419**	**42,893**	**214,063**

8 Cash and cash equivalents

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Cash	1	4	1	6
Banks	25,966	15,954	25,973	16,333
Total	**25,967**	**15,958**	**25,974**	**16,339**

9 Accounts receivable

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Accounts receivable from third parties	79	14,812	79	14.812
Accounts receivable related parties (Note 12 (a))	6,515	-	6,515	-
Allowance for doubtful accounts	-	(97)	-	(97)
Total	**6,594**	**14,715**	**6,594**	**14,715**

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

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Position of the bills receivable per year:				
To fall due	6,556	4,279	6,556	4,279
Overdue from 1 to 30 days	17	4,467	17	4,467
Overdue from 31 to 60 days	-	3,818	-	3,818
Overdue from 61 to 359 days	1	2,085	1	2,085
Overdue more than 360 days	20	66	20	66
	6,594	**14,715**	**6,594**	**14,715**

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.

The bad debts provision was not constituted, since the company's management analyzed the specific aspects of its customers, such as business field, credit situation in general, market economic situation, and there was no expectation of unlikely receive.

10 Inventories

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Firewood and logs	4,936	5,997	4,936	5,997
Blocks and sawn timber	69	5,455	69	5,455
Inputs	-	513	-	513
Total	**5,005**	**11,965**	**5,005**	**11,965**

No provision was made on inventories, since the Company's management analyzed specific aspects of its business, such as the realization and time required to move their inventories.

11 Recoverable taxes

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Contribution for Social Security Financing (COFINS)	4,056	3,632	4,056	3,632
Social Integration Program (PIS)	883	790	883	790
Funrural	20	13	20	13
INSS	19	9	19	9
Income tax withheld at source (IRRF)	3	3	3	3
PIS/COFINS/CSLL withheld at source	1	1	1	1
ICMS	-	1	-	1
Total	**4,982**	**4,449**	**4,982**	**4,449**

No provision related to the non-use of tax credits was made, since the company's management analysed the specific aspects of its tax credits and concluded that these tax credits will be used in the coming years.

12 Related parties

We detail in this note the main balances of assets and liabilities as of December 31, 2017, as well as certain transactions that influenced the results for the year, originate from transactions with the controlling shareholder, 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.

Controlling Company and ultimate controllers

The controlling shareholder of the Company is Floresteca B.V. and the ultimate controllers are Brazilian and foreign individuals.

(a) 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 described below:

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
In current assets				
Accounts receivables				
TRC Agroflorestal Ltda. (Nota 9)	6,515	-	6,515	-
	6,515	**-**	**6,515**	**-**
Other receivables				
SCP Monte Verde	476	121	476	121
SCP Santa Lúcia	222	71	222	71
	698	**192**	**698**	**192**

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
In non-current assets				
Other receivables				
Buriti Imóveis S.A.	330	324	-	-
Panflora Agroflorestal Ltda.	50	-	50	-
Tecamet Agroflorestal Ltda-inherent costs of cultivation	-	2,854	-	2,854
Sylvio de Andrade Coutinho Neto	290	1,258	290	1,258
Sylvio de Andrade Coutinho	340	425	340	425
	1,010	**4,861**	**680**	**4,537**

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Biological assets				
Floresteca BV (Note 15)	465,729	432,699	465,729	432,699
	465,729	**432,699**	**465,729**	**432,699**
Advances to agricultural partners				
LHS Participações Ltda.	558	558	558	558
	558	**558**	**558**	**558**
In current liabilities				
Other accounts payable				
Provision for losses - Buriti	4,669	3,846	-	-
Provision for losses - SCP Monte Verde	415	-	415	-
Provision for losses - SCP Santa Lucia	497	-	497	-
Floresteca Brasil	-	29	-	29
	5,581	**3,875**	**912**	**29**

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
In non-current liabilities				
Loans and financing				
Floresteca BV - Loans (Note 17 (b))	430,873	401,193	430,873	401,193
Tecamet LLC	-	49,470	-	-
	430,873	**450,663**	**430,873**	**401,193**
Other accounts payable				
Bioteca Ltda.	-	360	-	360
Tecamet Agroflorestal Ltda	-	31,642	-	6
Total	**-**	**32,002**	**-**	**366**
In the income statement				
Gross revenue				
TRC Agroflorestal Ltda. (Note 22)	12,440	-	12,440	-
TEAKRC Pte Ltd	11,606	-	11,606	-
Floresteca Trading Pte Ltd	2,442	19,045	2,442	19,045
Sylvio de Andrade Coutinho	17	-	17	-
Salteca Agroflorestal Ltda	17	-	-	125,214
Total	**26,505**	19,045	**26,505**	**144,259**

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Administrative and general expenses				
TRC Serviços Florestais Ltda.	335	-	335	-
TRC Agroflorestal Ltda. (Note 26)	10,633	-	10,633	-
Total	10,968	-	10,968	-
Other operating income (expenses)				
Floresteca BV. (Note 24)	-	6,352	-	6,352
Total	**-**	**6,352**	**-**	**6,352**

(b) Remuneration of key Management personnel

The remuneration of the Company's senior management includes salary and payroll taxes totalling R$ 499 through December 31st 2017 (R$ 352 in 2016). Members of the board of directors are not included in these figures, as they do not receive remuneration.

13 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	
			2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1	Buriti Imóveis S.A. (a)	Direct	99,99%	99.99%	7,085	6,907	11,754	10,753	(4,669)	(3,846)	-	-	(823)	-
2	Tecamet LLC (c)	Direct	-	100%	-	83,496	-	133	-	83,362	-	83,362	(1,120)	(191,410)
3	SCP M. Verde (b)	Ostensible partnership	-	-	1,307	151,276	489	4,040	818	147,236	-	36,454	(3,481)	(20,732)
4	SCP S. Lúcia (b)	Ostensible partnership	-	-	73	59,548	1,158	2,700	(1,085)	56,848	-	14,410	(7,873)	(8,344)
					8,465	**301,227**	**13,401**	**17,626**	**(4,936)**	**283,600**	**-**	**134,226**	**(13,297)**	**(220,486)**

(a) The Company has provision for loss of the investment in the subsidiary Buriti Imóveis S.A. in the amount of R$ 4,669.

(b) 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%. On September 30, 2016, had its rights increased to 25,42%, as demonstrated below:

	Monte Verde				Santa Lúcia			
	2017		2016		2017		2016	
	Ostensible partner	Equity partner	Ostensible partner	Equity partner	Ostensible partner	Equity partner	Ostensible partner	Equity partner
Capital	21,50%	78,50%	21,50%	78,50%	24,66%	75,34%	24,66%	75,34%
Retained earnings	25,42%	74,58%	25,42%	74,58%	25,42%	74,58%	25,42%	74,58%

In December 31, 2017, investments in the SCPs Monte Verde and Santa Lucia were negative, thus, any investment-application of Equity method was recognized in the Company's financial statements regarding the SCPs. The company recorded provisions for losses in the amounts of R$ 497 and R$ 415 for SCP Santa Lúcia and SCP Monte Verde, respectively.

In 2017, the Company received dividends in the amount of R$ 31,114 and R$ 7,084, related to its participation in the SCPs Monte Verde and Santa Lucia, respectively.

(c) On October 1st, 2017, subsidiaries Tecamet LLC and Tecamet Agroflorestal Ltda (indirect) had their assets merged into Company. The main benefits from this event have been the optimization of resources and internal controls at accounting, tax and financial.

			Accounting balance
	September 30, 2017	**September 30, 2017**	**October 1, 2017**
	Tecamet	**Floresteca S.A.**	**Floresteca S.A.**
Assets			
Current			
Cash and cash equivalents	331	-	331
Tax to recover	29	-	29
Other assets	1	-	1
	361	**-**	**361**
Noncurrent			
Investments TMT	-	80,852	-
Related Parties FSA	79,723	-	-
Biological Asset	768	-	768
	80,491	**80,852**	**768**
Total assets	**80,852**	**80,852**	**1,129**
Noncurrent			
Related Parties TMT		79,723	-
Total liabilities	**-**	**79,723**	**-**
Owner's equity			
Capital stock	22,521	-	-
Retained earnings	76,966	19,764	1,129
Foreign currency translation differences (i)	(18,635)	(18,635)	-
Total Owner's equity	**80,852**	**1,129**	**1,129**
Total liabilities and owner's equity	**80,852**	**80,852**	**1,129**

(i) The "Foreign currency translation differences" in the amount of R$ 18,635, recognized in other comprehensive income and recorded in a specific shareholders equity account was transferred from shareholders' equity to the statement of income as a reclassification adjustment as required by CPC 02 - Effects of Changes in Exchange Rates and Conversion of Financial Statements.

14 Investment properties

	Consolidated	
	2017	**2016**
Balance at January 1st	6,900	10,572
Change in fair value	178	(3,672)
	7,078	**6,900**
Acquisition cost (a)	5,230	5,230
Accumulated change in fair value (b)	1,848	1,670
	7,078	**6,900**

	Consolidated	
	2017	**2016**
Elimination of the unrealized gains for consolidation purposes	(5,064)	(5,064)
Net balance	**2,014**	**1,836**

(a) In 2012 the Company sold 943.94 hectares of Buriti farm land, for the amount of R$ 5,230, to subsidiary Buriti Imóveis S.A. pursuant to the purchase and sale agreement entered into on November 28, 2012. The unrealized gain of operation between related parties, in the amount of R$ 5,064 is eliminated for consolidation purposes.

(b) The investment properties were valued on December 31, 2017, carried out by external independent qualified appraisers with recent experience valuing investment properties in the location held by the Company.

15 Biological assets

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Own Biological Assets at beginning of year	249	7,752	2,095	313,653
(+) Additions	1,292	15	1,292	15
(+) Merger process Tecamet	768	-	768	-
(+) Transfers - adjustments from Floresteca B.V.	-	(7,203)	-	(7,203)
(-) Interim thinnings - Depletion for the period	-	(7)	-	(20,298)
(-) Sales (a)	-	-	-	(283,764)
(-) Fair value adjustement (b)	(1,526)	(308)	(3,372)	(308)
Own biological assets	**783**	**249**	**783**	**2,095**
Encumbered Biological Assets at beginning of period	432,700	531,150	432,700	531,150
(+) Transfer LUD Cost	-	10,079	-	10,079
(+) Additions (c)	11,971	13,644	11,971	13,644
(-) Depletion	(26,460)	(26,072)	(26,460)	(26,072)
Exchange Rate Adjustment (d)	41,753	(81,802)	41,753	(81,802)
Transfer pricing 15% (d)	5,765	(14,299)	5,765	(14,299)
Investors biological assets (e) (Nota 12)	465,729	432,700	465,729	432,700
Total Biological assets	**466,512**	**432,949**	**466,512**	**434,795**

(a) In February of 2016, Floresteca sold Unencumbered Own Forests, ("UOF") of its subsidiary Tecamet Agroflorestal Ltda.

(b) The decrease in the fair value of the own biological assets in the year ending December 31, 2017 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 decrease in value were:

- Addition of G&A costs not included in the previous modelling;
- Exclusion of the real price appreciation (compounded annually) over the log sales;
- Reduction on roadside prices due to a method change. Prices in use are based on a market average (made by an independent appraiser) instead of being the actual roadside result.

(c) Silvicultural investments made in the forests along the year.

(d) As the proceeds from the forest are due to SATT, but paid by Floresteca B.V., under Brazilian accounting and tax rules, the valuation of the forest is accounted for at cost plus 15%, as the minimum value transfer pricing mark up between related entities.

(e) Refers to forests encumbered for deliver to the beneficiary Stichting Administratie-en Trustkantoor Tectona (SATT) in case SATT requires delivery of forests, corresponding to the teak (Tectona grandis) forests.

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.

16 Property, plant and equipment

	Controlling Company									
	Land	Buildings and improvements	Facilities	Machinery and equipment	Vehicles and aircraft	Furniture and fixtures	Computers	Property, plant & equipment under construction	Fair value - CPC 27	Total
Residual value on December 31, 2015	**5,290**	**1,573**	**1,952**	**4,880**	**643**	**90**	**64**	**83**	**4,130**	**18,705**
Acquisition cost	5,290	4,496	3,978	23,170	4,213	689	1,005	83	-	42,924
Accumulated depreciation	-	(2,923)	(2,026)	(18,290)	(3,570)	(599)	(941)	-	4,130	(24,219)
Balance on December 31, 2015	**5,290**	**1,573**	**1,952**	**4,880**	**643**	**90**	**64**	**83**	**4,130**	**18,705**
Additions and reclassification	-	9	64	1,230	248	88	99	340	-	2,078
Write-offs	(126)	(176)	(40)	(4,234)	(533)	(207)	(141)	-	-	(5,457)
Depreciation	-	(416)	(297)	(1,288)	(192)	(26)	(37)	-	-	(2,256)
Depreciation write-offs	-	88	40	4,072	521	149	111	-	(564)	4,417
Residual value on December 31, 2016	**5,164**	**1,078**	**1,719**	**4,660**	**687**	**94**	**96**	**423**	**3,566**	**17,487**
Acquisition cost	5,164	4,329	4,002	20,166	3,928	570	963	423	-	39,545
Accumulated depreciation	-	(3,251)	(2,283)	(15,506)	(3,241)	(476)	(867)	-	3,566	(22,058)
Balance on December 31, 2016	**5,164**	**1,078**	**1,719**	**4,660**	**687**	**94**	**96**	**423**	**3,566**	**17,487**
Additions and reclassification	-	-	-	735	317	24	49	51	-	1,176
Write-offs	-	-	-	(367)	(477)	-	(10)	(363)	-	(1,217)
Depreciation	-	(411)	(308)	(1,619)	(229)	(21)	(29)	-	(998)	(3,615)
Depreciation write-offs	-	-	-	297	437	-	-	-	-	734
Residual value on December 31, 2017	**5,164**	**667**	**1,411**	**3,706**	**735**	**97**	**106**	**111**	**2,568**	**14,565**
Acquisition cost	5,164	4,329	4,002	20,534	3,768	594	1,002	111	-	39,504
Accumulated depreciation	-	(3,662)	(2,591)	(16,828)	(3,033)	(497)	(896)	-	2,568	(24,939)
Balance on December 31, 2017	**5,164**	**667**	**1,411**	**3,706**	**735**	**97**	**106**	**111**	**2,568**	**14,565**
Rate depreciation % a.a.	-	4-10	10	20-25	20	10	20	-		

										Consolidated
	Land	Buildings and improvements	Facilities	Machinery and equipment	Vehicles and aircraft	Furniture and fixtures	Computers	Property, plant & equipment under construction	Fair value - CPC 27	Total
Residual value on December 31, 2015	**5,290**	**1,573**	**2,027**	**4,886**	**642**	**92**	**64**	**83**	**4,130**	**18,787**
Acquisition cost	5,290	4,496	4,244	23,268	4,229	693	1,024	83	-	43,327
Accumulated depreciation	-	(2,923)	(2,217)	(18,382)	(3,587)	(601)	(960)	-	4,130	(24,540)
Balance on December 31, 2015	**5,290**	**1,573**	**2,027**	**4,886**	**642**	**92**	**64**	**83**	**4,130**	**18,787**
Additions and reclassification	-	9	64	1,230	248	88	99	340	-	2,078
Write-offs	(126)	(176)	(306)	(4,332)	(549)	(211)	(160)	-	-	(5,860)
Depreciation	-	(416)	(297)	(1,288)	(192)	(26)	(37)	-	(564)	(2,820)
Depreciation write-offs	-	88	231	4,164	538	151	130	-	-	5,302
Residual value on December 31, 2016	**5,164**	**1,078**	**1,719**	**4,660**	**687**	**94**	**96**	**423**	**3,566**	**17,487**
Acquisition cost	5,164	4,329	4,002	20,166	3,928	570	963	423	-	39,545
Accumulated depreciation	-	(3,251)	(2,283)	(15,506)	(3,241)	(476)	(867)	-	3,566	(22,058)
Balance on December 31, 2016	**5,164**	**1,078**	**1,719**	**4,660**	**687**	**94**	**96**	**423**	**3,566**	**17,487**
Additions and reclassification	-	-	-	735	317	24	49	51	-	1,176
Write-offs	-	-	-	(367)	(477)	-	(10)	(363)	-	(1,217)
Depreciation	-	(411)	(308)	(1,619)	(229)	(21)	(29)	-	(998)	(3,615)
Depreciation write-offs	-	-	-	297	437	-	-	-	-	734
Residual value on December 31, 2017	**5,164**	**667**	**1,411**	**3,706**	**735**	**97**	**106**	**111**	**2,568**	**14,565**
Acquisition cost	5,164	4,329	4,002	20,534	3,768	594	1,002	111	-	39,504
Accumulated depreciation	-	(3,662)	(2,591)	(16,828)	(3,033)	(497)	(896)	-	2,568	(24,939)
Balance on December 31, 2017	**5,164**	**667**	**1,411**	**3,706**	**735**	**97**	**106**	**111**	**2,568**	**14,565**
Rate depreciation % a.a.	-	4-10	10	20-25	20	10	20	-		

(a) Other information:

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, 2017, the Company had fully depreciated assets that were still operating in the total amount of R$ 18,350 (R$ 25,624 at December 31, 2016).

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.

17 Loans and financing

		Controlling Company		Consolidated	
	Annual rate of interest	2017	2016	2017	2016
Local currency					
Finame	4,5 to 7.5%	785	1,179	785	1,179
		785	**1,179**	**785**	**1,179**
Foreign currency					
Export credit - CCE	4 to 5%	-	3,322	-	3,322
Export credit - ACC	4 to 7,5%	-	22,804	-	22,804
Foreign Funding Loan - LF Prime (a)	11%	-	-	11,424	10,428
		-	**26,126**	11,424	**36,554**
Related parties (see Note 12)					
Floresteca BV (b)	0%	430,873	401,193	430,873	401,193
Tecamet LLC	0%	-	49,470	-	-
		430,873	**450,663**	**430,873**	**401,193**
Total		**431,658**	**477,968**	**443,082**	**438,926**
Current		377	24,881	377	24,881
Non-Current		431,281	453,087	442,705	414,045
Total		**431,658**	**477,968**	**443,082**	**438,926**

(a) Subsidiary Buriti Imóveis S.A. obtained in 2012 a foreign loan for the sole purpose of financing the forestry planting, maintenance and harvest operations. The contracts for loans and financings have non-financial covenants.

(b) The loans 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 will be paid by the delivery of the forest or by the financial proceeds of the teak forests. The settlement of these liabilities is tied to the sale of the forests.

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

	Controlling Company	Consolidated
2018	377	377
2019	339,286	339,286
2020	78	5,262
2021	-	5,056
2022	-	1,184
2023	-	-
2024	-	-
2025	-	-
2026	91,917	91,917
	431,658	**443,082**

On December 31, 2017, the Company does not have loans contracts, financing or others contracts with covenants terms in which they could generate liabilities to be recognized in the financial statements.

As a security of the LF Prime loans the Company granted in guarantee the delivery of its shares of Buriti S.A. On December 31, 2017, the Company did not have any other assets granted of guarantee as of any obligations owed.

18 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.

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

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Civil & tax	179	75	179	75
	179	**75**	**179**	**75**

There are other contingencies considered as a possible risk of loss by Company Management, based on information from its legal advisers. In these cases, no provision has been recorded. The amounts are demonstrated below:

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Labor	-	2,000	-	2,000
Civil & tax	353	221	353	221
	353	**2,221**	**353**	**2,221**

19 Deferred taxes

(a) Deferred income tax and social contribution

At December 31, 2017 the deferred income tax and social contribution have the following origin:

	Controlling Company and Consolidated				
	2016	**Addition**	**Write-off**	**Movement**	**2017**
Asset					
Accumulated tax losses (a)	16,355	42,041	-	42,041	58,396
Temporary differences - fair value	-	885	-	885	885
Exchange variation taxed as cash	4,293	(4,293)	-	(4,293)	-
	20,648	38,633	-	38,633	59,281
Deferred income tax and social contribution asset – 34%	7,020	13,135	-	13,135	20,156
Liabilities				-	
Temporary differences - fair value	(3,932)	-	3,932	3,932	-
Provision on temporary differences	(3,921)	(1,839)	-	(1,839)	(5,760)
Incentivized accelerated depreciation	(3,453)	-	1,166	1,166	(2,287)
Exchange variation taxed as cash	-	(3,526)	-	(3,526)	(3,526)
Transfer pricing investors forests - fair value (b)	(53,502)	(5,765)		(5,765)	(59,267)
	(64,808)	(11,130)	5,098	(6,032)	(70,840)
Deferred income tax and social contribution liabilities - 34%	(22,034)	(3,785)	1,733	(2,051)	(24,086)
Net deferred income tax and social contribution	**(15,014)**	**9,351**	**1,733**	**11,084**	**(3,930)**

(a) In 2017, accumulated tax losses increased due to the loss for the year and Tecamet consolidation on October 1st 2017, whose foreign currency translation differences of R$ 18,635 were recognized as a tax loss.

(b) Investors Biological Assets have been increased by 15% over cost the minimum margin stipulated by Brazilian tax law transfer pricing rules.

(b) Realization estimated period

Deferred tax asset values have the following realization expectations:

Year	Controlling Company	Consolidated
2018	3,030	3,030
2019	4,480	4,480
2022	1,508	1,508
2023	7,629	7,629
2024	1,551	1,551
	18,198	18,198

(c) Current income tax and social contribution

(i) Controlling 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:

	Controlling Company	
	2017	**2016**
Loss before income tax and social contribution	**(53,686)**	**(213,698)**
Equity result	13,297	222,506
Permanent additions:		
Non-deductible expenses	53	(15,971)
Temporary addition (exclusions):		
Temporary exclusions including the transitory tax regime	(1,705)	10,849
Accumulated fiscal losses compensation	-	(3,686)
Tax calculation basis for income tax and social contribution current	(42,041)	-
Combined statutory tax rate	34%	34%
Current income tax and social contribution	-	-
Differed income tax and social contribution	11,084	(4,971)

(d) 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	2017 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

Reconciliation of the expense calculated by the application of tax rates combined and income tax expenses and social contribution debited on the result is demonstrated in the table below:

	2017	2016
Operational gross revenue	-	125,233
Adjusted operational revenue	**-**	**125,233**
Calculation of income tax		
Rate applied on the adjusted revenue (IRPJ 8%)		10,019
Other revenues	-	1,171
Calculation basis	**-**	**11,190**
Rate used for calculation (IRPJ 15% and 10%)		**2,779**
Calculation of social contribution on profit		
Rate applied on the adjusted revenue (CSLL 12%)		15,028
Other revenues	-	1,171
Calculation basis	**-**	**16,199**
Rate used for calculations (CSLL 9%)	**-**	**1,458**
Income tax and social contribution current	**-**	**4,237**

20 Suppliers and other accounts payable

	Controlling Company		Consolidated	
	2017	2016	2017	2016
Current				
Provision for losses - Buriti Imóveis S.A.	4,668	3,846	-	-
Provision for losses - SCP Santa Lúcia	497	-	497	-
Provision for losses - SCP Monte Verde	415	-	415	-
Suppliers	1,067	1,738	1,067	1,738
Accounts payable to shareholders	-	54	-	54
Customer’s advance - others	29	23	29	23
Floresteca Brasil Ltda	-	29	-	29
	6,676	**5,690**	**2,008**	**1,844**
Non-current				
Tecamet Agroflorestal Ltda	-	31,642	-	6
Bioteca Ltda	-	360	-	360
Total non-current	**-**	**32,002**	**-**	**366**
Total accounts payable	**6,676**	**37,692**	**2,008**	**2,210**

21 Equity

(a) Capital

The subscribed and paid-in capital at December 31, 2017 is represented by 27,797,555 registered common shares (27,796,555 in 2016), with a par value of R$ 1 each, of which 27,796,553 belong to the shareholders abroad, During the period, there was no change in the Company's capital.

Shareholders	Ownership	Number of shares	R$
Floresteca B.V.	99,996388%	27,796,551	27,797
Sylvio de Andrade Coutinho Neto	0,003605%	1,002	1
Hendrik Cornelis van Druten	0,000004%	1	-
Laurentius P. Antonius Brouns	0,000004%	1	-
	100%	**27,797,555**	**27,798**

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.

22 Net revenue

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

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Gross revenue - Related parties	26,505	19,045	26,505	144,259
Gross revenue - Third parties	11,473	71,623	11,473	71,643
Adjustment of revenue - accrued basis	6,845	5,227	6,845	5,227
Gross revenue	**44,823**	**95,915**	**44,823**	**221,129**
(-) Deductions				
Sales taxes	(1,307)	(2,043)	(1,307)	(6,613)
Returns and discounts	(623)	(453)	(623)	(453)
	(1,930)	**(2,496)**	**(1,930)**	**(7,066)**
	42,893	**93,419**	**42,893**	**214,063**

23 Cost of sales

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Cost of logs	(28,280)	(23,265)	(28,280)	(43,556)
Cost of square blocks	(6,699)	(15,087)	(6,699)	(15,087)
Cost of sawn timber	(1,577)	(4,194)	(1,577)	(4,194)
Production losses	(1,490)	(714)	(1,490)	(714)
Cost of firewood	(49)	(580)	(49)	(580)
Adjustment of cost - Accrued basis	(3,502)	822	(3,502)	822
	(41,597)	**(43,018)**	**(41,597)**	**(63,309)**

Most cost of sales refers to the forestry depletion and totalled R$ 26,460 in 2017.

24 Other operating income (expenses), net

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Fair value of forests & properties for investment (a)	(4,817)	(1,497)	(5,717)	(288,934)
Transfer price (Note 15 (d))	5,765	(14,299)	5,765	(14,299)
Income from sale of assets	178	529	178	529
Result of investments sold	-	81	-	81
Reversal (provision) for loss of investments	-	(1,892)	-	724
Provision related parties	-	6,351	-	6,351
Other income (expenses)	(910)	(2,743)	(910)	(2,743)
	216	**(13,470)**	**(684)**	**(298,291)**

(a) Note that fair value is one of the largest single items in the statement of income, and a large determinant of the Company's results in 2016. On February 2016 the subsidiary, Tecamet Agroflorestal Ltda sold its three teak projects for a total of R$ 125,214, 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, 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, The negative impact of the sales versus the asset value on balance sheet value was R$ 180,700 in 2016.

25 Selling and distribution expenses

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Freight (a)	(8,502)	(22,799)	(8,502)	(22,799)
Port Costs (a)	(2,478)	(5,120)	(2,478)	(5,120)
Allowance for doubtful accounts & credit losses (b)	(2,865)	(75)	(2,865)	(75)
Others	(284)	(2,693)	(284)	(2,693)
	(14,129)	**(30,687)**	**(14,129)**	**(30,687)**

(a) From March 2017 on, FSA started to sale your full production at the Road Side system, substantially reducing the logistic cost of the period, following the MSA (Master Service Agreement) between FSA and TRC.

26 Administrative and general expenses

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Management Services & Consultants	(6,712)	(4,864)	(6,752)	(5,003)
Payroll	(885)	(2,390)	(885)	(2,390)
Taxes	(890)	(1,436)	(890)	(1,436)
Offices expenses	(457)	(933)	(457)	(933)
Maintenance	(141)	(907)	(141)	(907)
Depreciation	(133)	(726)	(133)	(726)
Others	(1,382)	-	(1,382)	-
	(10,600)	**(11,256)**	**(10,640)**	**(11,395)**

27 Financial result

	Controlling Company		Consolidated	
	2017	**2016**	**2017**	**2016**
Financial income				
Exchange gains - Accrual (a)	80,693	221,039	82,022	224,425
Exchange gains - Cash	639	1,394	639	2,565
Other	1,048	1,089	1,054	1,089
	82,380	**223,522**	**83,715**	**228,079**
Financial costs				
Exchange losses - Accrual (a)	(79,925)	(200,099)	(81,438)	(206,670)
Exchange losses - Cash	(19,164)	(3,130)	(19,164)	(3,130)
Interest (b)	(110)	(1,526)	(923)	(2,079)
Other	(353)	(518)	(365)	(518)
	(99,552)	**(205,273)**	**(101,890)**	**(212,397)**
	(17,172)	**18,249**	**(18,175)**	**15,682**

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 B.V. in USD, and Euros (€) mainly.

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

28 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			
	December 31, 2017		December 31, 2016	
	Book value	Fair value	Book value	Fair value
Assets				
Fair value through profit or loss				
Cash and cash equivalents (Note 8)	25,974	25,974	16,339	16,339
Loans and receivables				
Trade accounts receivable (Note 9)	6,594	6,594	14,715	14,715
Advances to agricultural partners	5,089	5,089	5,504	5,504
	37,657	**37,657**	**36,558**	**36,558**
Liabilities				
Liabilities at amortized cost				
Loans and financing (Note 17)	443,082	443,082	438,926	438,926
Leasing	236	236	246	246
Accounts payable to suppliers and other accounts payable (Note 20)	2,008	2,009	2,210	2,210
	445,326	**445,326**	**441,382**	**441,382**

(a) Identification and valuation of financial instruments

The book value of financial instruments registered in the balance sheet is equal to their market value.

(b) Financial liabilities registered at amortized cost

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

(c) Derivatives

The company has no operations with financial instruments not reflected in the financial statements on December 2017, as well as not conducted operations with financial derivatives (swap, contract for a term, hedge, commitments for the purchase or sale of foreign currency, future contracts or options, among others).

(d) 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			
	December 31, 2017			
	Book value	**Level 1**	**Level 2**	**Level 3**
Assets				
Fair value through profit or loss				
Cash and cash equivalents (Note 8)	25,974	25,974	-	-
Loans and receivables				
Trade accounts receivable (Note 9)	6,594	-	6,594	-
Advances to agricultural partners (Note 13)	5,089	-	5,089	-
	37,657	**25,974**	**11,683**	**-**
Liabilities				
Liabilities at amortized cost				
Loans and financing (Note 19)	443,082	-	443,082	-
Leasing	236	-	236	-
Accounts payable to suppliers and other accounts payable (Note 22)	2,008	-	2,008	-
	445,326	**-**	**445,326**	**-**

	Consolidated			
	December 31, 2016			
	Book value	**Level 1**	**Level 2**	**Level 3**
Assets				
Fair value through profit or loss				
Cash and cash equivalents (Note 8)	16,339	16,339	-	-
Loans and receivables				
Trade accounts receivable (Note 9)	14,715	-	14,715	-
Advances to agricultural partners	5,504	-	5,504	-
	36,558	**16,339**	**20,219**	**-**
Liabilities				
Liabilities at amortized cost				
Loans and financing (Note 17)	438,926	-	438,926	-
Leasing	247	-	247	-
Accounts payable to suppliers and other accounts payable (Note 20)	2,210	-	2,210	-
	441,383	**-**	**441,383**	**-**

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$/R$	
Controlling Company and Consolidated	**Ptax Purchase**	**Ptax Sale**
Rates at December 31, 2017	3,3074	3,3080
Scenario 1: Deterioration of 25% of the Real	4,1343	4,1350
Scenario 2: Deterioration of 50% of the Real	4,9611	4,9620
Scenario 3: Appreciation of 25% of the Real	2,4806	2,4810
Scenario 4: Appreciation of 50% of the Real	1,6537	1,6540

	Euro/R$	
	Ptax Purchase	**Ptax Sale**
Rates at December 31, 2017	3,9672	3,9693
Scenario 1: Deterioration of 25% of the Real	4,9590	4,9616
Scenario 2: Deterioration of 50% of the Real	5,9508	5,9540
Scenario 3: Appreciation of 25% of the Real	2,9754	2,9770
Scenario 4: Appreciation of 50% of the Real	1,9836	1,9847

Controlling Company					**Gain (loss)**
Category	**Balances in USD**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	34,053	(28,162)	(56,324)	28,162	56,324
Net position	**34,053**	**(28,162)**	**(56,324)**	**28,162**	**56,324**

					Gain (loss)
Category	**Balances in Euros**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	79,902	(79,287)	(158,581)	79,287	158,581
Net position	79,902	(79,287)	(158,581)	79,287	158,581

Consolidated					**Gain (loss)**
Category	**Balances in USD**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	37,507	(31,018)	(62,037)	31,018	62,037
Net position	**37,507**	(31,018)	(62,037)	31,018	62,037

					Gain (loss)
Category	**Balances in Euros**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**
Loans and financing	79,902	(79,287)	(158,581)	79,287	158,581
Net position	79,902	(79,287)	(158,581)	79,287	158,581

29 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, 2017, the Company had contracted insurance coverage 100% of its vehicles.

30 Interests in unincorporated joint ventures (SCP)

On February 22th, 2017, the SCPs Monte Verde and SCP Santa Lucia, sold both teak projects, totaling 2,932.70 ha (Monte Verde 2005 and Santa Lúcia 2006). The projects were sold to Salteca Agroflorestal Ltda for a total of R$ 176.5 million. As of December 31, 2016, these projects were valued based on their discounted cash flow considering the full life cycle of the assets, amounting to R$ 209 million, rather than by their actual sales price obtained, which in this case, is the best reference for their fair value.

Considering the FSA's 25,42% economic stake in the SCPs and sales taxes, FSA received R$ 40,6 million.

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:

(a) SCP Monte Verde

Assets	2017	2016
Current assets		
Cash and cash equivalents	8	465
Trade accounts receivable	-	4
Inventories	-	14
Recoverable taxes	335	312
Related parties	-	749
Total current assets	343	**1,544**
Non-current assets		
Other receivables	935	-
Biological Assets	-	149,692
Property, plant & equipment	29	40
Total non-current assets	**964**	**149,732**
Total Assets	**1,307**	**151,276**

Liabilities	2017	2016
Current liabilities		
Accounts payable to suppliers and others	1	22
Taxes payable	-	23
Salaries, vacations and payroll charges payable	13	47
Related parties	475	-
Total current liabilities	**489**	**92**
Non-current liabilities		
Deferred tax liabilities	-	3,948
Total non-current liabilities	-	**3,948**
Special Equity		
Capital	15,891	24,837
Retained earnings	(15,073)	122,399
Total equity	**818**	**147,236**
Total equity and liabilities	**1,307**	**151,276**

(b) SCP Santa Lúcia

Assets	2017	2016	Liabilities	2017	2016
Current assets			**Current liabilities**		
Cash and cash equivalents	-	8	Accounts payable to suppliers and others	-	40
Trade accounts receivable	-	135	Taxes payable	-	13
Inventories	-	30	Salaries, vacations and payroll charges payable	-	78
Recoverable taxes	70	61	Related parties	223	941
Other receivables	-	3			
Total current assets	**70**	**237**	**Total current liabilities**	**223**	**1,072**
Non-current assets			**Non-current liabilities**		
Biological Assets	-	59,308	Deferred tax liabilities	-	1,628
Property, plant & equipment	3	3	Other accounts payable	935	-
Total non-current assets	**3**	**59,311**	**Total non-current liabilities**	**935**	**1,628**
			Special Equity		
			Capital	5,537	5,342
			Retained earnings (Accumulated losses)	(6,622)	51,506
			Total equity	**(1,085)**	**56,848**
Total Assets	**73**	**59,548**	**Total equity and liabilities**	**73**	**59,548**

* * *

Executive Directors
Glenn Harold Peebles III
Fausto Hissashi Takizawa

Board of Directors
Sylvio de Andrade Coutinho Neto
Laurentius Petrus Antonius Brouns;
Hendrik Cornelis Van Druten

Administrative and Financial Manager
Tiago Bego

Accountant
André Luiz Augusto
CRC SP - 269589/O-6
Accountant