



# Floresteca S.A.

## 4Q 2022 Results Summary



# Agenda

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# Harvest Operations by Farm

Table: Area Changes – 2022

Project	Planting Year	Initial Area (ha) - End of 4Q 2021	Harvested Area (ha) - 1Q 2022	Harvested Area (ha) - 2Q 2022	Harvested Area (ha) - 3Q 2022	Harvested Area (ha) - 4Q 2022	Current Area (ha) - End of 4Q 2022
Paiolandia	1997	281.17				209.11	72.06
Paraiso	1997	0.00					0.00
Paiolandia	1998	93.89					93.89
Bambu	1999	549.07					549.07
Capim Branco	1999	0,00					0,00
Serra das Araras	1999	0,00					0,00
Vale Dourado	1999	0,00					0,00
Bambu	2000	513.83					513.83
Duas Lagoas	2000	1,110.27			140.7	341.91	627.66
Duas Lagoas	2001	1,643.47				65.20	1,578.27
São Miguel	2001	97.52					97.52
Barranquinho	2002	960.13					960.13
Cacimba	2002	565.75					565.75
Duas Lagoas	2002	48.41				48.41	0.00
São Miguel	2002	5.71					5.71
Santa Maria do Jauru	2002	1,059.97					1,059.97
Barranquinho	2003	12.78					12.78
Cacimba	2003	10.19					10.19
Santa Maria do Jauru	2003	206.72					206.72
Santa Fé	2003	2,550.47					2,550.47
Barranquinho	2004	1,002.89					1,002.89
Terra Santa	2004	1,127.44					1,127.44
Duas Lagoas	2005	202.93					202.93
Duas Lagoas	2006	215.84					215.84
Mutum	2007	511.32					511.32
São José	2007	301.22					301.22
Santa Maria do Jauru II	2008	94.42					94.42
Total		13,165.41			140.7	664.63	12,360.08

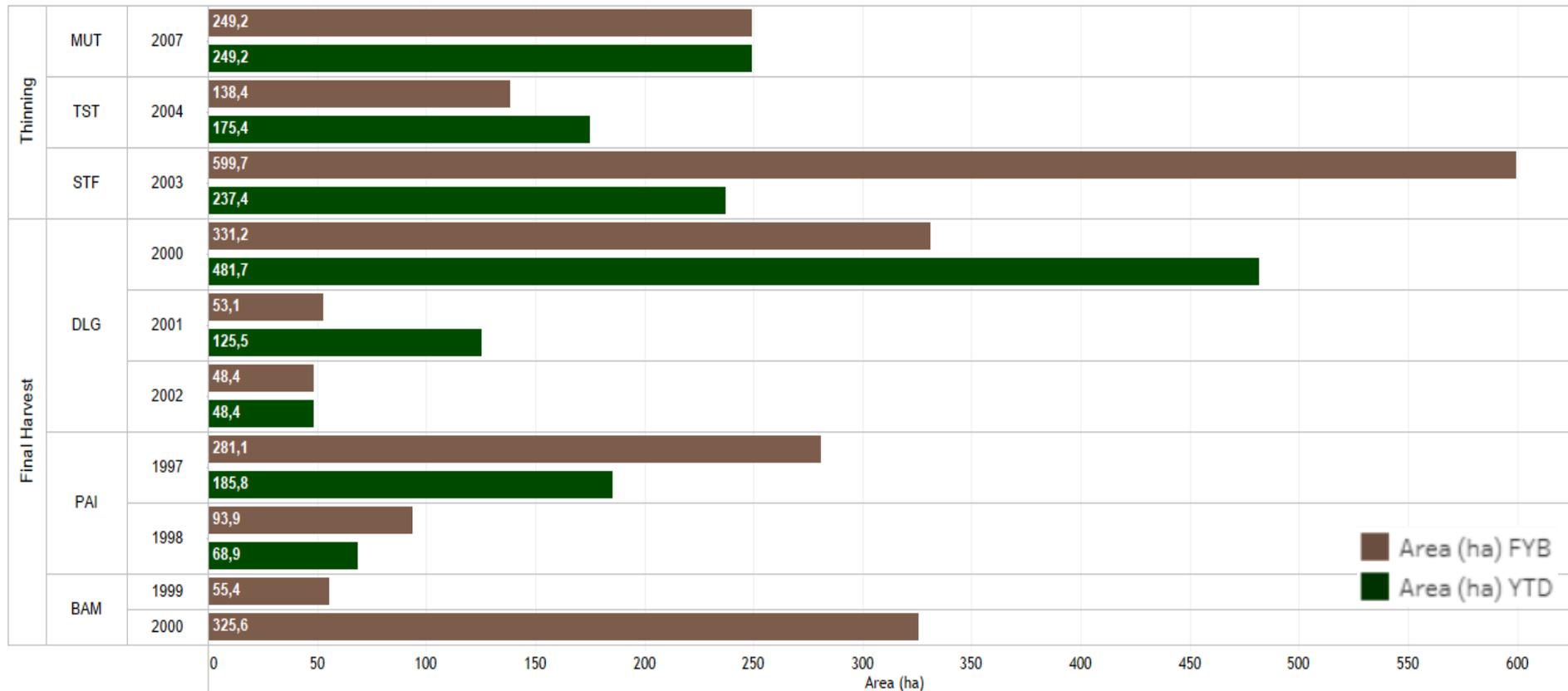
The table on the left presents FSA projects initial area (ha), based on the end of 2021, and the harvested area during each quarter of 2022, resulting in the final standing area in the end of 2022.

The “Harvested Area” figures consider only stands that are fully harvested. This is the final area position, used for all area-based fees (G&A and Property maintenance).

Considering that FSA was not allowed to do any final harvests until April, areas accumulated for the second half of the year, and many stands were finalized in this last quarter.

# Harvest Operations by Farm

The graph below shows the 2022 budgeted areas (brown color) and areas where harvest operations, both thinnings and final harvest, have already started (green color). Here, operations may still be ongoing, but may already contribute to the sales volume presented in the next slide



# Sales Summary – Year end

	January	February	March	April	May	June	July	August	September	October	November	December	Total
<b>BAM1999</b>													
Budget	0	0	1,477	0	0	0	0	0	0	0	0	0	1,477
YEE	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>BAM2000</b>													
Budget	0	0	1,189	3,999	3,278	0	0	0	0	300	4,500	3,003	16,270
YEE	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>DLG2000</b>													
Budget	3,500	2,878	0	653	0	0	0	546	3,576	4,500	4,000	2,104	21,757
YEE	674	1,331	154	1,470	1,806	527	2,105	908	300	1,294	4,464	4,488	19,522
<b>DLG2001</b>													
Budget	0	0	0	1,505	2,159	912	0	0	0	0	0	0	4,576
YEE	0	21	0	0	0	50	551	1,453	1,074	64	181	0	3,395
<b>DLG2002</b>													
Budget	0	0	0	0	0	1,247	2,528	2,088	0	0	0	0	5,863
YEE	0	0	0	0	0	2,294	931	401	258	518	0	89	4,491
<b>MUT2007</b>													
Budget	1,600	1,621	0	0	0	0	0	0	0	0	0	0	3,221
YEE	0	799	1,883	151	1,504	505	20	0	0	0	0	0	4,862
<b>PAI1997</b>													
Budget	0	122	4,000	4,000	4,500	4,500	1,370	0	0	0	0	0	18,491
YEE	0	0	0	0	0	0	0	1,868	6,913	1,763	4,257	1,699	16,500
<b>PAI1998</b>													
Budget	0	0	0	0	0	0	3,631	3,520	0	0	0	0	7,151
YEE	0	0	0	0	0	0	0	0	0	0	0	641	641
<b>SER1999</b>													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YEE	488	0	0	0	0	0	0	0	0	0	0	0	488
<b>STF2003</b>													
Budget	0	0	0	0	0	0	0	0	0	577	1,333	3,013	4,923
YEE	0	0	1,313	3,098	3,176	1,238	1,904	239	0	0	0	0	10,968
<b>TST2004</b>													
Budget	0	0	0	0	0	0	0	0	478	4,047	0	0	4,525
YEE	90	573	0	1,138	1,569	0	272	727	1,041	1,168	719	0	7,295
<b>VDO1999</b>													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YEE	376	0	0	0	0	0	0	0	0	0	0	0	376
<b>Total Volume</b>													
Budget	5,100	4,621	6,666	10,158	9,937	6,659	7,528	6,154	4,054	9,423	9,833	8,120	88,253
YEE	1,629	2,724	3,350	5,856	8,055	4,615	5,783	5,594	9,586	4,808	9,620	6,918	68,539

In the 4Q operations were concentrated in the final harvest of Duas Lagoas (DLG) and Paiolandia (PAI). In the first farm, we managed to harvest more area than initially planned over the year to try to compensate the stop in of final harvesting in the 1Q. In Paiolandia, which was expected to be finished by year end, operations were delayed and will extend through the first quarter of 2023.

We finished the year, 19.7 K m<sup>3</sup> below budget, with the main variations coming from the 1<sup>st</sup> semester, when final harvest was stopped by the VTP case injunction.

In the 4Q specifically, sales were below plan by 6 K m<sup>3</sup>, as the thinning that was planned in STF and TST had already been performed earlier in the year.

# Yields - Final Harvests

**Table: Log sales final harvest, stands planned for 2022 budget**

Project	Planting Year	Site Class	DBH (cm)	BA (m <sup>2</sup> /ha)	AREA (ha)		VOL (m <sup>3</sup> /ha)		REMOVED (TPH)	
					FYB	YTD	FYB	YTD	FYB	YTD
DLG	2000	S1	32,1	12,7	6,7	6,7	76,0	59,5	157	157
		S2	31,4	13,6	92,2	92,2	72,1	55,3	159	159
	2001	S1	39,4	10,7	53,2	53,2	86,1	72,5	123	86
	2002	S1	38,0	17,9	48,4	48,4	121,1	92,8	146	146
PAI	1997	S1	39,1	16,2	17,0	17,0	105,8	107,0	150	150
Total			34,7	14,1	217,4	217,4	89,2	72,0	146	137

- Table = 2022 budget stands. Total values (volume, area and trees) planned and performed until end of 4Q 2022.
- DBH and BA are the latest measured data.

**Table: Log sales final harvest, stands unplanned for 2022 budget**

Project	Planting Year	Site Class	DBH (cm)	AB (m <sup>2</sup> /ha)	Area (ha)	Vol. (m <sup>3</sup> /ha)	Removed (TPH)
			YTD	YTD	YTD	YTD	YTD
DLG	2000	S1	34,2	13,1	48,9	71,1	142
Total			34,2	13,1	48,9	71,1	142

- Table = 2022 non budget stands. Total values (volume, area and trees) performed until end of 4Q 2022.

The tables show separately planned and non-planned sales in 2022. These tables show only stands where operations are fully finished, so that the yields per hectare are comparable.

## Planned

In DLG, considering the whole project, the YTD yields were 21% below budgeted (69.1 m<sup>3</sup>/ha actual against 87.8 m<sup>3</sup>/ha budget). Our estimates were done based on 2020 forest inventory, which was the last available measurement at the time. However, new data from pre-harvest inventory has shown that the trees grew much less in this period. Also, a significant volume of defect logs were left behind due fungal disease on the trees.

The final harvest started in July at PAI and until now only one stand (004) were concluded. At the stand 004, the actual yields are similar to the initial planned (107.0 m<sup>3</sup>/ha actual against 105.8 m<sup>3</sup>/ha budget).

## Unplanned

As Bambu was postponed to 2023, we are operating on unplanned stands in DLG to cover that and maintain FSA expected production for the year.

# Yields - Thinning

**Table: Log sales thinning, 2022 FY volume vs Budget FY**

Project	Planting Year	Site Class	DBH (cm)	BA (m <sup>2</sup> /ha)	AREA (ha)		VOL (m <sup>3</sup> /ha)		REMOVED (TPH)	
					FYB	YTD	FYB	YTD	FYB	YTD
MUT	2007	S1	30,4	12,0	114,6	114,6	12,3	21,0	54	87
		S2	24,1	15,4	116,0	116,0	14,3	19,2	182	202
		S3	22,7	9,3	18,6	18,6	7,8	11,8	243	266
STF	2003	S1	35,7	9,1	83,5	83,5	7,7	37,8	30	85
TST	2004	S1	37,1	14,7	135,9	135,9	33,6	24,8	87	92
Total			32,2	13,2	468,7	468,7	18,0	24,3	98	123

- Table = 2022 budget stands. Total values (volume, area and trees) planned and performed until end of 4Q 2022.
- DBH and BA are the latest measured data.

**Table: Log sales thinning, 2022 unplanned**

Project	Planting Year	Site Class	Area (ha)	Vol. (m <sup>3</sup> /ha)	Removed (TPH)
			YTD	YTD	YTD
STF	2003	S1	153,9	49,0	90
TST	2004	S1	39,5	13,2	37
Total			193,4	41,7	79

- Table = 2022 non budget stands. Total values (volume, area and trees) performed until end of 4Q 2022.

The tables show separately 2022 planned and unplanned sales, including only stands where operations are fully finished, so that the yields per hectare are comparable.

## Planned

Mutum (MUT) thinnings were concluded in the 2Q. Here, the systematic fifth row removal performed in some stands and a significant proportion of diseased trees resulted in a higher number of removed trees and volume than budgeted (average of 12.9 vs 19.4 m<sup>3</sup>/ha).

The results in TST (24.8 m<sup>3</sup>/ha actual against 33.6 m<sup>3</sup>/ha budget) were lower than budget. At this project, a significant number of defect logs were left behind due fungal disease affecting overall yields. It is worth remembering that this operation was delayed for some years due to litigation from the landowners.

In STF, we finished the thinning at the 3Q. Due to the injunction forbidding final harvests a more intense thinning was performed to maintain FSA revenue stream, which resulted in a higher number of removed trees and volume than budgeted (37.8 against 7.7 m<sup>3</sup>/ha). Also, in some stands, the high number of diseased trees increased the number of removed trees.

## Unplanned

Apart from what was reported last quarter, operation on one unplanned stand in TST was finalized (phyto thinning), following a court order to conduct an expert opinion to the judicial litigation in place with the landowner.

# Log Sales & Prices

## Roadside Prices Comparison 2022 YTD

Girth Class	Volume m3		Value USD		Avg RS Price (USD/m <sup>3</sup> )		Avg Girth (cm)		Proportion	
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
50-60	8,235	11,678	274,507	417,695	33	36	56	59	9%	17%
60-70	14,682	13,684	650,139	639,602	44	47	66	70	17%	20%
70-80	16,481	5,037	966,687	299,815	59	60	75	74	19%	7%
80-90	5,735	13,391	442,364	1,028,726	77	77	85	85	6%	20%
90-100	25,465	10,706	2,194,666	954,981	86	89	94	93	29%	16%
100-110	8,165	5,497	1,035,156	616,512	127	112	105	106	9%	8%
110-120	5,302	5,185	832,593	627,149	157	121	114	114	6%	8%
120-130	2,600	2,273	496,660	307,306	191	135	125	124	3%	3%
130-140	1,188	971	253,218	155,513	213	160	135	134	1%	1%
140-150	290	117	78,424	20,791	271	177	145	142	0%	0%
150-160	110	0	29,798	0	271	0	155	0	0%	0%
<b>Total Geral</b>	<b>88,253</b>	<b>68,539</b>	<b>7,254,211</b>	<b>5,068,090</b>	<b>82</b>	<b>74</b>	<b>96</b>	<b>88</b>	<b>100%</b>	<b>100%</b>

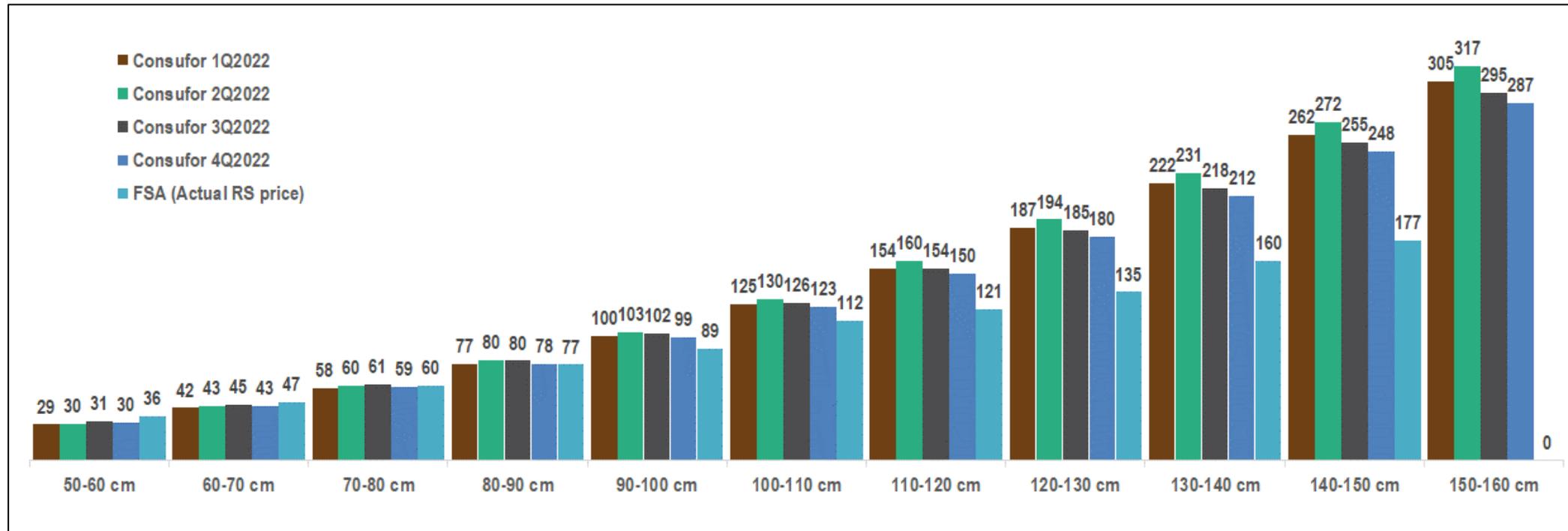
FSA sells to TRC at the roadside, based on the most recent Consufor price survey at the moment of sale.

Overall, roadside prices had a decrease during 2022, compared to the prices used in the preparation of this budget (~10% on average). Prices for defective logs, such as channelling or crooked, are given a discount on their Consufor value (30%). That is the reason why the actual averages on each girth classes are below Consufor prices in the graph on the next slide.

It is important to state that the thicker one tree is, the higher the incidence of channels in its bottom log. Hence, the higher differentiation in price for thicker logs.

# Log Sales & Prices

Floresteca S.A (YTD) VS Consufor roadside prices (USD/M<sup>3</sup>)



# Market Update

## India

In the 4Q 2022, Ecuador, Brazil and Ghana were the main teak suppliers to India, with 68% of total teak wood imported.

After a strong inflow from August to November, following the shift in logistic costs trend worldwide, the market is stabilizing. A reduction in arrivals and ground stocks was observed in December for the main ports in India.

Supply in India is still highly dependent on sea freight rates from Teak origins across the globe. Panamá and Costa Rica season will reach their peak in late 1Q into 2Q, affecting the market for better or for worse, depending on freight conditions. Colombia, Guatemala and Mexico will also play a role as well, although at smaller scale.

The Indian market was extremely important to keep the liquidity for FSA production in this last quarter of 2022, given the situation in the other Asian markets reported below.

## China and Vietnam

These markets have been strongly affected by the global inflation and recession environment observed in the second semester of 2022. The outdoor furniture market suffered the most, with some sawmills reporting drops of more than 70% in their inquiries.

Also, COVID situation in China, where restrictions started to be lifted across the country and resulted high infection rates, contributed to a very unstable market.

Global economic conditions seem to be improving and inflation in the main developed markets started to decelerate. Markets are expected to improve after the Chinese New Year, in the end of January, but should normalize only later in 2023.

# Project Results to Date

Harvest Report Amounts Paid and Provisions (in USD):

2016 HR	7,841,879
2017 HR	5,645,549
2018 HR	1,977,316
2019 HR	6,103,896
2020 HR	81,498
2021 HR	1,908,246
<b>Total</b>	<b>23,558,384</b>
<b>Paid</b>	<b>-9,694,641</b>
<b>Outstanding</b>	<b>13,863,743</b>

Harvest report 2022 will be finalized and reported in the next quarterly report.

# Legal and Compliance Update

## VTP – Floresteca S/A:

**11/22/2022:** FLORESTECA and VTP submit to the reporting judge the settlement of the case, whereby, among others, (i) VTP acknowledges the accuracy of the verdict and COURT OF APPEALS's decision, final and unappealable, and expressly waives any appeal or cases in Brazil; (ii) VTP acknowledges that it is forbidden to file new cases in Brazil against the defendants, except for the ratification of the Dutch court decision, between the original parties; (iii) the lawyers for Floresteca and the other defendants waive the legal attorney fees.

**11/24/2022:** the settlement is ratified by the COURT OF APPEALS.

## PARAISO, TERRA SANTA, AND BAMBU IV FARMS – OVERVIEW

The three farms have land use deals (“LUDs”, also “Usufruct Agreements”) with the same landowner, Mr. Antonio Frigieri Filho and his wife Jacqueline da Costa Marques Frigeiri. Under these LUD agreements, they own a specific part of the planted area in each farm. The precise terms and the percentage area differ in each agreement. They received some advance payments for the final harvest proceeds under the agreements that shall be deducted from the actual final proceeds. It bears stating that the likely amounts to be received by the Landowners for the 3 farms are at present less than the advance payments, or at least will largely reduce the net amounts payable to them.

- Paraiso – The judge of the claim released the deposited amounts and **dismissed the case**

# Legal and Compliance Update

- **Terra Santa** – No updates since the last report.

- **Bambu IV:**

**02/10/2022:** LHS presents to the judge of the claim the updated debts spreadsheet (BRL 328,882.44).

**10/11/2022:** LHS requests to the judge of the claim to freeze BRL 349.409,04 in Jaqueline da Costa Marques Frigieri's bank account, and if there is not enough money, to freeze Antonio Frigieri Filho's bank account, in a value high enough to pay the debts.

**10/19/2022:** the judge of the claim proceeds with the accounts freezing.

**11/09/2022:** the Central Bank informs to the judge of the claim that 45,028.83 BRL were frozen in Jaqueline da Costa Marques Frigieri's bank account.

**12/02/2022:** the Central Bank informs to the judge of the claim that were frozen (i) more in 1,841.80 BRL in Jaqueline da Costa Marques Frigieri's bank account, and (ii) 305,962,23 BRL in Antonio Frigieri Filhos's bank account. Actually, is frozen in FRIGIERI's bank account the total value of 352,832,86

# Legal and Compliance Update

## **LUD claim on PAIOLANDIA FARM:**

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

**12/12/2022:** the reporting judge (i) denies Mr. Rondon’s request from exemption or reduction of court costs, and (ii) allows Mr. Rondon to pay the court cost (in the total amount of 88,000.00 BRL) in 6 installments. MR. RONDON’S FIRST APPEAL only will be ruled by the COURT OF APPEALS after payment of the first instalment by Mr. Rondon

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

# Outlook on Upcoming Quarters

Overall conditions both related to market and logistics have been consistently improving, which is allowing the 1Q 2023 to run much better compared to 2022. There are currently 4 harvesting crews (full TRC harvesting capacity) working on FSA farms simultaneously.

Currently, the ongoing court cases FSA is involved are not causing any operational constraints.

Cash availability is still a pressing issue in FSA and other debts will be needed to cover its operations for the year. All measures necessary to preserve cash are being considered.

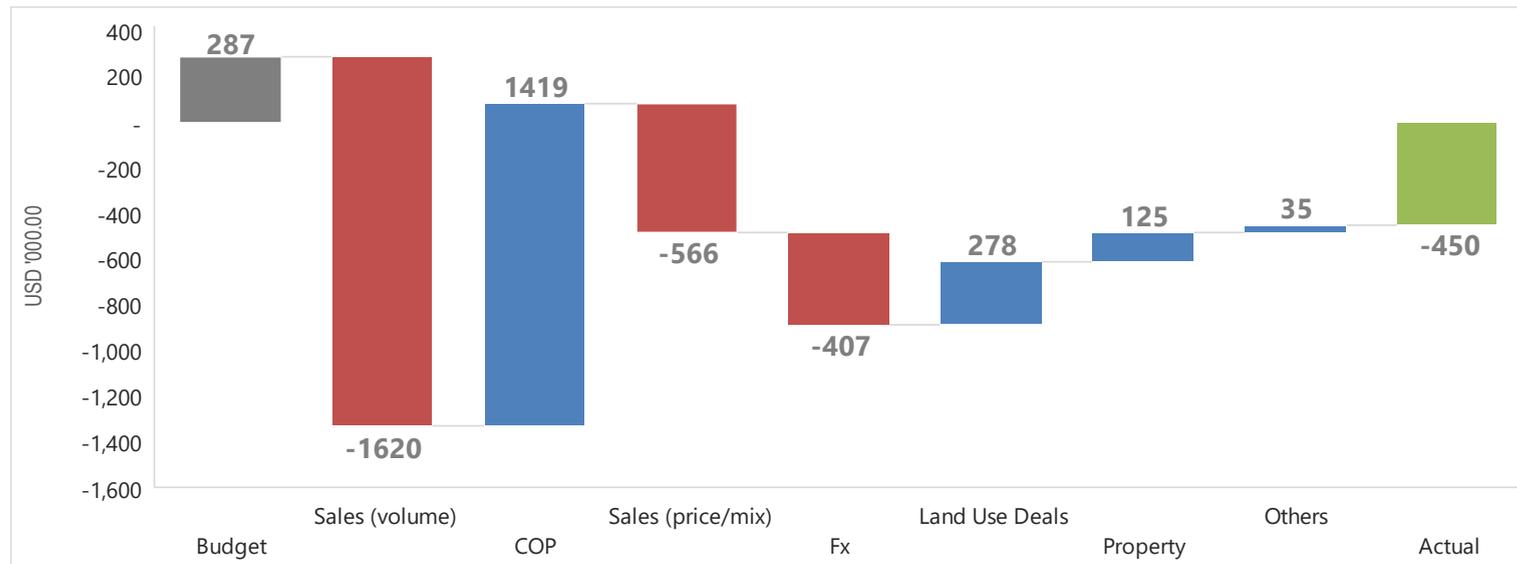
## FSA Summary Financial Information

# Summary P&L

FSA (USD) PROFIT & LOSS	2022 Budget	2022 FY	Var.	%
<i>Volume m³</i>	<b>88,253</b>	<b>68,539</b>	<b>-19,714</b>	<b>-22%</b>
<b>Sales</b>	<b>7,254,211</b>	<b>4,783,854</b>	<b>-2,470,357</b>	<b>-34%</b>
Log Sales	7,254,211	5,068,090	-2,186,121	-30%
Fx gain (loss) to Actual	0	-407,449	-407,449	0%
Biomass	0	52,506	52,506	0%
Other Sales	0	70,708	70,708	0%
(-) Sales Deductions	-170,637	-227,727	-57,090	33%
<b>Net Sales</b>	<b>7,083,574</b>	<b>4,556,127</b>	<b>-2,527,447</b>	<b>-36%</b>
COP	-3,578,024	-2,158,847	1,419,177	-40%
<b>Gross Profit</b>	<b>3,505,550</b>	<b>2,397,280</b>	<b>-1,108,270</b>	<b>-32%</b>
<b>Operational Expenses</b>	<b>-3,219,012</b>	<b>-2,846,808</b>	<b>372,205</b>	<b>-12%</b>
Forestry	-370,493	-377,211	-6,719	2%
Property Management	-530,443	-404,953	125,491	-24%
SG&A Expenses	-2,040,231	-1,964,002	76,229	-4%
Land Use Deals	-277,845	0	277,845	-100%
Other operational	0	-100,642	-100,642	0%
<b>EBITDA</b>	<b>286,537</b>	<b>-449,528</b>	<b>-736,065</b>	<b>-257%</b>
Depreciation/Amortization	0	-14,622	-14,622	0%
Depletion	-6,316,582	-3,249,640	3,066,943	-49%
Other accounting adj.	0	-69,134	-69,134	0%
Financial Income	0	133,448	133,448	0%
Financial Expenses	-29,826	-216,845	-187,019	627%
<b>EBT</b>	<b>-6,059,871</b>	<b>-3,866,321</b>	<b>2,193,550</b>	<b>-36%</b>
Income Tax	0	-94,012	-94,012	0%
Deffered Income Tax	0	2,426,184	2,426,184	0%
<b>Profit &amp; Loss</b>	<b>-6,059,871</b>	<b>-1,534,149</b>	<b>4,525,722</b>	<b>-75%</b>
<b>Indicadores</b>	<b>Budget</b>	<b>Actual</b>	<b>Var.</b>	<b>%</b>
<i>Preço/m³</i>	82	68	-14	-17%
<i>COP/m³</i>	-41	-31	9	-22%
<i>Forestry/ha plantado</i>	-349	-366	-17	5%
<i>SG&amp;A e Property/ha plantado</i>	-2,421	-2,300	121	-5%

# Summary P&L YEE

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



The overall FY Operational Result is negative USD 450 K versus USD 287 K budgeted or an unfavorable variation of USD 736 K.

The main negative variation remains coming from the lower-than-budget volume (19,714 m<sup>3</sup>), due to the injunction prohibiting the final cut during 1Q and the logistics crisis.

This lower production and the postponement of land clearing to 2023 (as part of the strategy to preserve cash) resulted in savings on COP cost by USD 1,4 M.

Sales (price/mix) presented a negative variation since Consufor price report dropped by roughly 10% on average for this year.

The appreciation of BRL causes a negative impact on results, accounting for a negative variation of USD 407 K. The budget fx rate was 5.50 and final year average was 5.21.

The positive variation in the Land Use Deals of Barranquinho Farm (USD 278 K) is due to a conceptual error on budget. As a land rent payment, it should affect only the cash flow and shouldn't have been included in the accrual P&L.

Property: overall savings on materials and burning licenses fee (due to decreased land cleaning activities)

# Cost of Production Summary - YEE

## Harvesting Cost, per activity:

Type	Act. Group	Unit	Total Cost (BRL)		Quantity (un)		Unitary Cost (BRL/un)	
			Actual	Budget	Actual	Budget	Actual	Budget
Harvesting	Felling	m³	3.315.137	4.514.937	87.446	157.272	38	29
	Forwarding	m³	3.471.273	3.789.720	99.576	88.385	35	43
	Loading	m³	818.300	998.446	69.139	88.673	12	11
	Lot Formation	m³	1.736.821	2.082.320	72.000	88.450	24	24
	Operational Support	-	2.165.430	1.935.481	0	0	0	0
	Skidding	m³	46.127		436		106	
	Tree Selection	ha	218.648	178.134	1.371	987	159	180
	Taxes	--	519.074	1.152.626			0	0
	Adjustment	--	-1.056.166	343.555			0	0
<b>Total geral</b>			<b>11.234.644</b>	<b>14.995.218</b>				

COP		Actual	Budget	Var %
<b>Total Activities</b>	BRL	<b>11,234,644</b>	<b>14,995,219</b>	<b>-25%</b>
Commercial Vol.	m³	68,539	88,253	-22%
Stock Variation	m³	4,888	0	0%
<b>COP/m3</b>	<b>BRL</b>	<b>153</b>	<b>170</b>	<b>-10%</b>

Land Clearing		Actual	Budget	Var %
	BRL	639,017	4,683,918	-86%
	ha	256	1,189	-78%
<b>BRL/ha</b>		<b>2,496</b>	<b>3,940</b>	<b>-37%</b>

Total		Actual	Budget	Var %
<b>COP + Land Clearing</b>	<b>BRL</b>	<b>11,873,661</b>	<b>19,679,137</b>	<b>-40%</b>
BRL/USD Budget Rate		5.50	5.50	0%
<b>COP + Land Clearing</b>	<b>USD</b>	<b>2,158,847</b>	<b>3,578,025</b>	<b>-40%</b>

Unitary COP, considering only harvesting and associated activities, was 10% under the budget. Good performance along the second semester of 2022, timber stock coming from the end of 2021 to early 2022 (4,888 m³) and taxes contributed to keep the expenses under budget.

Land clearing activities were held as much as possible, keeping total costs well below budget. Unitary cost was lower because land clearing is composed of three distinct activities with individual costs: stump removal, debris piling and debris burn. Most part of land clearing was debris removal and burn – cheaper than stump removal.

Total costs (harvesting+land clearing) were 40% lower than budget. The primary reasons for that were explained individually above.

Adjustment is the difference between the actual expenses incurred in the period registered in our ERP system, composed of salaries, purchase of goods, services or materials, compared to the estimated costs, via standard costs methodology, of the resources used on each activity registered on our operational control system. In this case the adjustment is negative, bringing total costs down.

This difference comes mainly from timing shifts between expenses/invoices and the actual execution of activities in the field. But, in a minor scale, it can also be caused by errors and omissions in the field appointments or misrepresentation of reality on the standard cost methodology assumptions.

# Silvicultural Operations Summary - YEE

## Forestry Operations YEE

Type	Act. Group	Unit	Total Cost (BRL)		Quantity (un)		Unitary Cost (BRL/un)	
			Actual	Budget	Actual	Budget	Actual	Budget
Silviculture	Firebreaks	ha	452.576	271.878	1.154	435	392	625
	Inventory	parc	526.487	222.081	3.373	1.417	156	157
	Pest Control	ha	2.131	55.398	43	511	49	108
	Pruning	ha		74.377		128		582
	Research	-	143.583		0		0	
	Roads	km	67.221	585.200	34	154	1.961	3.800
	Sprout Control	ha	241.852	91.035	182	128	1.331	712
	Weed Control	ha	264.660	477.997	643	1.315	412	364
	Adjustment	--	329.953	27.094			0	0
	Taxes	--	46.201	232.649			0	0
<b>Total geral</b>			<b>2.074.663</b>	<b>2.037.709</b>	<b>5.429</b>	<b>4.088</b>	<b>4.301</b>	<b>6.348</b>

Forestry costs were slightly over budget (+1.8%). Primary activities that contributed negatively were:

- firebreaks: all FSA farms firebreaks were maintained, but Terra Santa and Barranquinho presented 47% of the costs, once their firebreaks were not fully maintained in 2021;
- inventory: in order to improve future production estimates, decision was taken to measure all FSA assets. However, the budget was still considering only half of the assets.
- research: disease control, pruning, sprout control and debarking were tested in Santa Fé and Duas Lagoas forests. Debarking costs will be passed along to prices and recovered as revenues.
- Sprout control was carried out in younger forests of Mutum in replacement of some pruning and weed control.

Pest control, pruning, road maintenance and weed control practically offset the over expenses observed in above activities.

Adjustment: see previous slide for explanation

# General & Administrative Expenses

## G&A / Overhead Summary YEE

FSA (USD)	2022 Budget	2022 FY	Var.	%
<b>TOTAL OVERHEAD COSTS</b>				
G&A own expenses	-336,364	-570,246	-233,882	70%
G&A Fee TRC	-1,703,867	-1,393,756	310,111	-18%
Property Management	-530,443	-404,953	125,491	-24%
<b>Total</b>	<b>-2,570,674</b>	<b>-2,368,954</b>	<b>201,720</b>	<b>-8%</b>

G&A own expenses include direct FSA costs, such as the remuneration of the administrators and financial statements audit, among others. In this year, the negative variance of USD 233 K is due to VTP case, part of the payments to the lawyers for Floresteca occurred in November and December.

The positive variance on G&A Fee TRC (According to the Management Services Agreement between Floresteca S/A and TRC) was related to not invoicing Flat Fee in January and February. As agreed between involved parties (TRC and FSA), this is to offset an overcharge that was done in the past because of the wrong application of the inflation index to the contracted fee.

# Cash Summary - YEE

## Actual and Budget Cash Flow

FSA - Cash Flow (In USD 0,00) Fx Rate	1Q2022	1Q2022	2Q2022	2Q2022	3Q2022	3Q2022	4Q2022	4Q2022	2022	2022	Var.
	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Forecast	Budget	FY	
Initial Balance	79,850	522,130	374,074	709,372	628,233	22,228	453,010	310,947	79,850	522,130	442,280
<b>Gross Revenues</b>	<b>1,536,155</b>	<b>980,899</b>	<b>1,997,777</b>	<b>707,690</b>	<b>1,504,416</b>	<b>1,202,359</b>	<b>1,707,807</b>	<b>1,367,581</b>	<b>6,746,155</b>	<b>4,258,529</b>	<b>-2,487,626</b>
Gross Revenues	1,127,155	685,172	1,997,777	654,586	1,504,416	1,180,299	1,707,807	1,319,637	6,337,155	3,839,694	-2,497,460
Other Sales	409,000	295,726	0	53,104	0	22,060	0	47,944	409,000	418,834	9,834
(-) Sales Deductions	-32,458	-8,519	-42,106	-5,464	-42,352	-7,598	-53,721	-5,611	-170,637	-27,191	143,446
<b>Net Revenues</b>	<b>1,503,697</b>	<b>972,380</b>	<b>1,955,671</b>	<b>702,226</b>	<b>1,462,064</b>	<b>1,194,761</b>	<b>1,654,086</b>	<b>1,361,971</b>	<b>6,575,518</b>	<b>4,231,338</b>	<b>-2,344,180</b>
Harvesting	-539,589	-236,707	-722,961	-509,310	-618,379	-558,515	-847,676	-709,376	-2,728,604	-2,013,910	714,695
Other operational expenses	0	0	-92,606	-151,328	-92,606	-96,616	-92,606	-96,616	-277,818	-344,561	-66,743
Management Services Cost	0	0	-272,797	-141,138	-428,473	-555,199	-433,608	-414,004	-1,134,878	-1,110,340	24,537
G&A own expenses	-42,174	-175,453	-39,194	-54,090	-31,571	-43,668	-41,606	-90,979	-154,545	-364,191	-209,645
Property costs	-141,126	-60,472	-117,342	-93,426	-131,238	-113,989	-140,687	-131,290	-530,392	-399,176	131,216
Forestry Costs	-78,584	-83,011	-137,774	-76,302	-87,202	-158,301	-66,932	-70,716	-370,493	-388,329	-17,837
<b>Operational expenses</b>	<b>-801,473</b>	<b>-555,644</b>	<b>-1,382,672</b>	<b>-1,025,594</b>	<b>-1,389,470</b>	<b>-1,526,288</b>	<b>-1,623,115</b>	<b>-1,512,981</b>	<b>-5,196,731</b>	<b>-4,620,507</b>	<b>576,224</b>
<b>Operational Cash Generation</b>	<b>702,223</b>	<b>416,737</b>	<b>572,998</b>	<b>-323,368</b>	<b>72,594</b>	<b>-331,527</b>	<b>30,971</b>	<b>-151,010</b>	<b>1,378,787</b>	<b>-389,169</b>	<b>-1,767,956</b>
Legal Expenses	-79,545	-42,962	-79,545	-28,341	-11,364	-70,280	-11,364	-37,544	-181,818	-179,128	2,690
Financial expenses	-12,117	-12,098	-9,389	-5,928	-5,594	-8,990	-2,726	-1,372	-29,826	-28,388	1,438
Loan	-138,768	-150,885	-144,337	-153,726	-145,291	883,294	-150,896	770,872	-579,292	1,349,554	1,928,846
Transfers to FBV	-85,569	-58,217	-85,569	-18,600	-85,569	-124,722	-85,569	-71,177	-342,274	-272,716	69,558
Transfers to SATT	-92,000	-45,782	0	-37,876	0	-39,673	0	-36,836	-92,000	-160,167	-68,167
<b>Cash Generation</b>	<b>294,224</b>	<b>106,792</b>	<b>254,158</b>	<b>-567,840</b>	<b>-175,223</b>	<b>308,102</b>	<b>-219,583</b>	<b>472,932</b>	<b>153,577</b>	<b>319,986</b>	<b>166,409</b>
VTP Costs	0	-4,318	0	-22,057	0	-23,605	0	-187,300	0	-237,281	-237,281
Fx gain/Loss	0	84,769	0	-97,247	0	4,222	0	26,711	0	18,454	18,454
<b>Closing Balance</b>	<b>374,074</b>	<b>709,372</b>	<b>628,233</b>	<b>22,228</b>	<b>453,010</b>	<b>310,947</b>	<b>233,427</b>	<b>623,290</b>	<b>233,427</b>	<b>623,290</b>	<b>389,863</b>

The operational cash generation for 2022 was negative in **USD 389 K** versus a positive estimate of USD 1.4 M budgeted, a variation of nearly **-USD 1.8M**.

The main drivers are the lower sales revenues due to VTP injunction, logistic constraints in container shipping between Brazil and India and the decrease in Consufor prices over the year.

Other Sales is related to the revenue from the first installment of the sale of Capim Branco Farm. There is still one more payment of BRL 2.7 M to be received in 2023.

As explained on the P&L Slide, the harvesting costs presented saving due to the lower volume harvested and lower land clearing costs.

Other Operational Expenses are higher due to land use deal payments for Barranquinho farm. In this year for preserve cash, the annual payment was divided in nine installments, that compounded interests.

As for G&A own expenses, apart from the taxes from the incorporation of Buriti (reported in previous quarters), the change in FSA directors brought extra costs to dismiss the previous director, that had a long employment history with FSA.

As agreed, and approved by FBV, during the second semester there were loans totaling by BRL 11 M to support operations.

VTP costs came to cover the success fees after the final ruling of the case. Another USD 200 K are still to be paid in 2023.

# FSA Balance Sheet

## Floresteca S.A- Balance Sheet position of Decemberr 31, 2022

(In thousands of reais/dollars)

**FX RATE- ASSETS 5,2171**

**FX RATE - LIABILITIES 5,2177**

ASSETS			LIABILITIES AND EQUITY	
	R\$	\$	R\$	\$
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>	
Cash and cash equivalents	3.252.150	623.364	Loans and financing	4.135.042
Accounts receivable	11.666.350	2.236.175	Suppliers and other accounts payable	3.218.483
Inventories	3.166.284	606.905	TAX	388.226
Other receivables	388.248	74.418	Payroll	102.660
Taxes Recoverable	816.953	156.591		
<b>Total Current Assest</b>	<b>19.289.985</b>	<b>3.697.454</b>	<b>Total Current Liabilities</b>	<b>7.844.411</b>
<b>NON-CURRENT ASSETS</b>			<b>Non-current liabilities</b>	
Advances to agricultural partners	7.437.215	1.425.546	Loans and financing	567.312.521
Other receivables	5.588	1.071	Contingencies	41.467.155
Deferred taxes	57.923.759	11.102.674	Deferred taxes	860.542
Forests - Own	528.898.059	101.377.788	Suppliers and other accounts payable	14.856.320
Property, plant & equipment	377.796	72.415	Deferred taxes	860.542
Intangible assets	5.185	994		
<b>Total Non-Current Assest</b>	<b>594.647.603</b>	<b>113.980.488</b>	<b>Total Non-Current Liabilities</b>	<b>624.496.539</b>
			<b>EQUITY</b>	
<b>TOTAL CURRENT ASSETS</b>	<b>613.937.588</b>	<b>117.677.941</b>	Capital	27.797.555
			Legal reserve	5.559.311
			Statement of profit or loss	(26.596.204)
			Profit Reserve	(25.164.024)
			Foreign exchange adjusts	13.531
			<b>TOTAL EQUITY</b>	<b>(18.403.362)</b>
			<b>TOTAL LIABILITIES AND EQUITY</b>	<b>613.937.588</b>

# Cash Summary - YEE

## YEE and Budget Cash Flow BRL

FSA Cash Flow (In BRL 0,00)	1Q2022		2Q2022		3Q2022		4Q2022		2022		Var.
	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Forecast	Budget	FY	
	<b>Initial Balance</b>	439,175	2,797,258	2,057,409	3,360,863	3,455,279	116,430	2,491,553	1,681,166	439,175	
<b>Gross Revenues</b>	8,448,852	5,394,943	10,987,772	3,892,294	8,274,290	6,612,975	9,392,938	7,521,696	37,103,852	23,421,909	-13,681,943
Gross Revenues	6,199,352	3,768,448	10,987,772	3,600,225	8,274,290	6,491,644	9,392,938	7,258,003	34,854,352	21,118,319	-13,736,033
Other Sales	2,249,500	1,626,495	0	292,069	0	121,331	0	263,693	2,249,500	2,303,589	54,089
(-) Sales Deductions	-178,520	-46,852	-231,582	-30,052	-232,938	-41,788	-295,463	-30,858	-938,503	-149,549	788,954
<b>Net Revenues</b>	8,270,332	5,348,092	10,756,190	3,862,243	8,041,352	6,571,187	9,097,475	7,490,838	36,165,349	23,272,360	-12,892,989
Harvesting	-2,967,740	-1,301,890	-3,976,283	-2,801,208	-3,401,085	-3,071,835	-4,662,217	-3,901,570	-15,007,324	-11,076,503	3,930,822
Other operational expenses	0	0	-509,333	-832,304	-509,333	-531,390	-509,333	-531,390	-1,528,000	-1,895,084	-367,084
Management Services Cost	0	0	-1,500,381	-776,256	-2,356,603	-3,053,593	-2,384,842	-2,277,021	-6,241,827	-6,106,871	134,956
G&A own expenses	-231,957	-964,994	-215,567	-297,497	-173,643	-240,175	-228,833	-500,385	-850,000	-2,003,050	-1,153,050
Property costs	-776,192	-332,594	-645,378	-513,841	-721,807	-626,941	-773,781	-722,093	-2,917,158	-2,195,469	721,689
Forestry Costs	-432,214	-456,562	-757,756	-419,659	-479,612	-870,654	-368,128	-388,936	-2,037,711	-2,135,812	-98,101
<b>Operational expenses</b>	-4,408,103	-3,056,041	-7,604,699	-5,640,765	-7,642,083	-8,394,587	-8,927,134	-8,321,396	-28,582,019	-25,412,788	3,169,231
<b>Operational Cash Generation</b>	3,862,229	2,292,051	3,151,491	-1,778,522	399,269	-1,823,399	170,340	-830,558	7,583,329	-2,140,428	-9,723,758
Legal Expenses	-437,500	-236,291	-437,500	-155,878	-62,500	-386,543	-62,500	-206,493	-1,000,000	-985,205	14,795
Financial expenses	-66,642	-66,541	-51,639	-32,605	-30,769	-49,444	-14,994	-7,544	-164,044	-156,133	7,911
Loan	-763,227	-829,869	-793,854	-845,494	-799,100	4,858,118	-829,926	4,239,793	-3,186,107	7,422,549	10,608,656
Transfers to FBV	-470,627	-320,195	-470,627	-102,300	-470,627	-685,971	-470,627	-391,473	-1,882,507	-1,499,939	382,568
Transfers to SATT	-506,000	-251,800	0	-208,320	0	-218,200	0	-202,600	-506,000	-880,920	-374,920
<b>Cash Generation</b>	1,618,234	587,356	1,397,871	-3,123,119	-963,727	1,694,561	-1,207,706	2,601,125	844,672	1,759,923	915,252
VTP Costs	0	-23,751	0	-121,315	0	-129,825	0	-1,030,153	0	-1,305,043	-1,305,043
<b>Closing Balance</b>	2,057,409	3,360,863	3,455,279	116,430	2,491,553	1,681,166	1,283,847	3,252,138	1,283,847	3,252,138	1,968,292



Thank You!

