



# Floresteca S.A.

## 3Q 2022 Results Summary

November 2022



# Agenda

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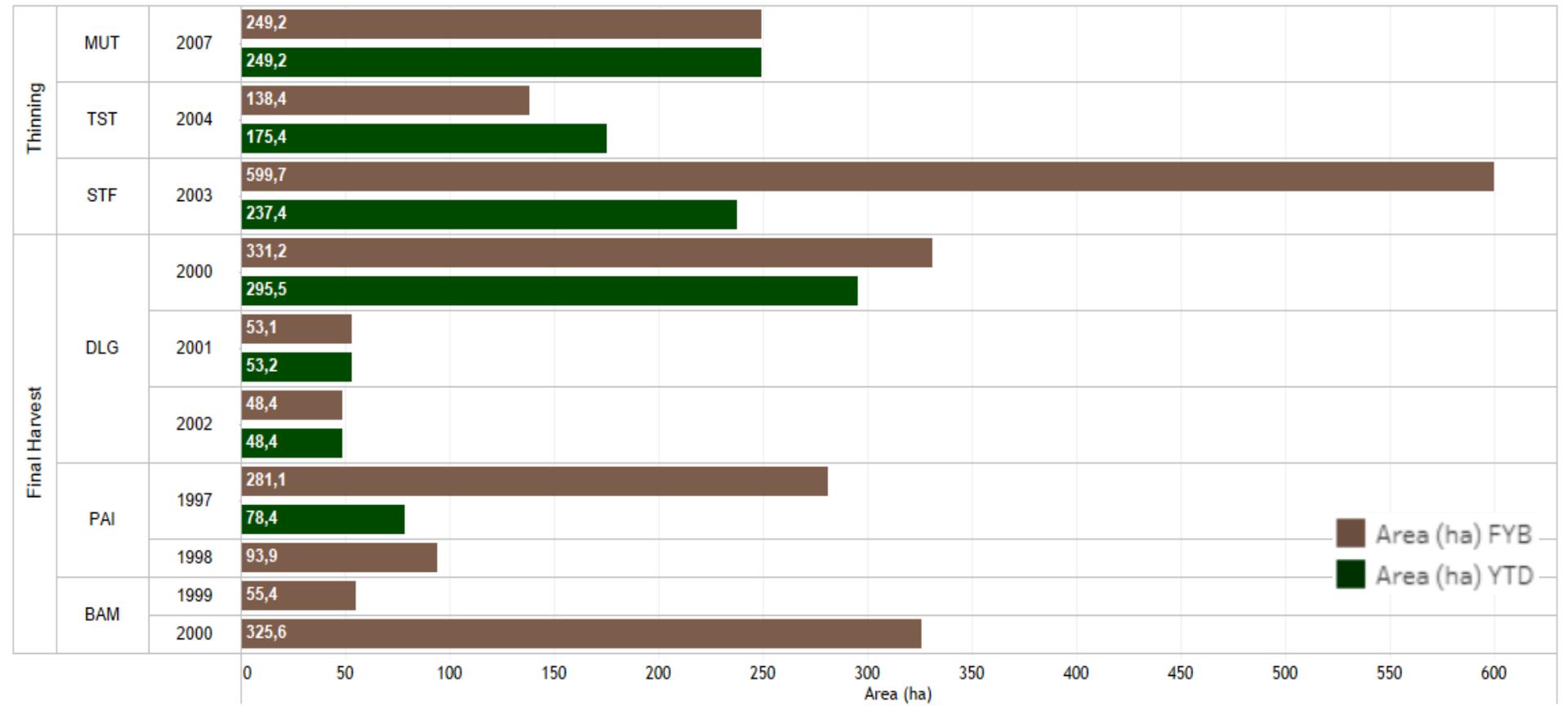
# Harvest Operations by Farm

Table: Area Changes - YTD

Project	Planting Year	Initial Area (ha) - End of 2Q 2022	Harvested Area (ha)	Current Area (ha) - End of 3Q 2022
Paiolandia	1997	281.17		281.17
Paiolandia	1998	93.89		93.89
Bambu	1999	549.07		549.07
Bambu	2000	513.83		513.83
Duas Lagoas	2000	1,110.27	140.7	969.57
Duas Lagoas	2001	1,643.47		1,643.47
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
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
<b>Total</b>		<b>13,165.41</b>	<b>140.7</b>	<b>13,024.71</b>

The table on the left presents FSA projects initial area (ha), based on the end of 2Q 2022, the harvested area at the 3Q 2022, and the currently standing area. We do not have any final harvest areas fully finished in 2022.

The graphic below shows the 2022 budgeted areas (brown color) and areas where harvest operations have already started (green color). Here, operations may still be ongoing.



# Sales Summary – Year to date

	January	February	March	April	May	June	July	August	September	Total
<b>BAM1999</b>										
Budget	0	0	1,477	0	0	0	0	0	0	1,477
YEE	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	8,466
YEE	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	11,154
YEE	674	1,331	154	1,470	1,806	527	2,105	908	300	9,275
<b>DLG2001</b>										
Budget	0	0	0	1,505	2,159	912	0	0	0	4,576
YEE	0	21	0	0	0	50	551	1,453	1,074	3,149
<b>DLG2002</b>										
Budget	0	0	0	0	0	1,247	2,528	2,088	0	5,863
YEE	0	0	0	0	0	2,294	931	401	258	3,883
<b>MUT2007</b>										
Budget	1,600	1,621	0	0	0	0	0	0	0	3,221
YEE	0	799	1,883	151	1,504	505	20	0	0	4,862
<b>PAI1997</b>										
Budget	0	122	4,000	4,000	4,500	4,500	1,370	0	0	18,491
YEE	0	0	0	0	0	0	0	1,868	6,913	8,781
<b>PAI1998</b>										
Budget	0	0	0	0	0	0	3,631	3,520	0	7,151
YEE	0	0	0	0	0	0	0	0	0	0
<b>SER1999</b>										
Budget	0	0	0	0	0	0	0	0	0	0
YEE	488	0	0	0	0	0	0	0	0	488
<b>STF2003</b>										
Budget	0	0	0	0	0	0	0	0	0	0
YEE	0	0	1,313	3,098	3,176	1,238	1,904	239	0	10,968
<b>TST2004</b>										
Budget	0	0	0	0	0	0	0	0	478	478
YEE	90	573	0	1,138	1,569	0	272	727	1,041	5,409
<b>VDO1999</b>										
Budget	0	0	0	0	0	0	0	0	0	0
YEE	376	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	60,877
YEE	1,629	2,724	3,350	5,856	8,055	4,615	5,783	5,594	9,586	47,193

During the 2Q and 3Q, sales volumes increased following the court decision to lift the injunction that was forbidding any final harvests in FSA. With that final harvest resumed in Duas Lagoas (DLG 2002) and Paiolândia (PAI 1997). Nevertheless, the global sea freight crisis, strongly impacting the prices and empty containers availability, held the harvesting speed until August. Prices and availability started to get better in September, yet very far from the past.

Thinning in MUT 2007 is finished and in TST 2004 has finish in October.

BAM final cut was totally replaced by DLG final cut as a tentative to get better revenues and help to sustain the cash flow in Floresteca.

# Sales Summary – Year end estimate

	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	142	3,443	6,832	19,692
<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	0	0	0	3,149
<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	0	0	0	3,883
<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	2,719	4,635	3,891	20,026
<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	0	0
<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	2,456	0	0	7,865
<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	5,316	8,078	10,723	71,310

TRC will focus on DLG and PAI final cuts during the 4Q, dedicating 3 full harvesting teams to these farms. Nevertheless, harvesting volumes will be highly dependent on empty containers availability in Brazil.

Even doing all the changes during the year, the forecast is to be nearly 17.000 m<sup>3</sup> below budget – primary reasons explained previously: injunction and sea freight global crisis.

# 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
STF	2003	S1	35,7	9,1	83,5	83,5	7,7	37,8	30	85
TST	2004	S1	36,9	15,4	32,9	32,9	20,2	20,3	83	112
Total			36,4	12,6	116,4	116,4	11,2	32,8	45	92

- Table = 2022 budget stands. Total values (volume, area and trees) planned and performed until end of 3Q 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	29,4	10,6	16
Total			183,3	42,9	78

- Table = 2022 non budget stands. Total values (volume, area and trees) performed until end of 3Q 2022.

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

## Planned

The results at the closed stands in TST (20.2 against 20.3 m<sup>3</sup>/ha) were close to the budgeted. At this project, the high number of sick trees increased the number of removed trees, however a significant number of defect logs were left behind due fungal disease affecting the m<sup>3</sup>/ha.

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 sick trees increased the number of removed trees.

## Unplanned

As mentioned at the last report, with the injunction forbidding final harvests in place, alternatives operations outside of the initial plan were execute to maintain FSA revenue stream. Some delayed thinnings in STF2003 were chosen to be performed for its capacity to generate good quality logs and being possible to operate during the wet season.

In TST, one stand unplanned was harvested (phyto thinning) due to court order to conduct an expert opinion to the judicial litigation.

# Log Sales & Prices

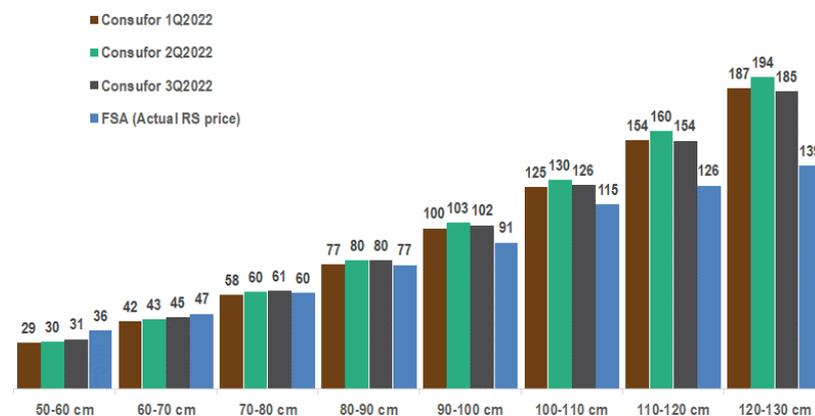
Roadside Prices Comparison 2022 YTD

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	5,168	9,120	172,270	331,956	33	36	56	60	8%	19%
60-70	9,165	9,188	406,558	429,616	44	47	66	70	15%	19%
70-80	10,213	2,702	599,619	161,591	59	60	75	74	17%	6%
80-90	4,725	7,532	364,419	579,652	77	77	85	86	8%	16%
90-100	17,264	8,910	1,487,836	809,779	86	91	94	93	28%	19%
100-110	6,144	3,976	778,968	455,517	127	115	105	106	10%	8%
110-120	4,317	3,440	677,914	434,610	157	126	114	115	7%	7%
120-130	2,341	1,667	447,326	231,136	191	139	125	124	4%	4%
130-140	1,148	633	244,691	104,602	213	165	135	133	2%	1%
140-150	284	24	76,827	4,545	271	190	145	141	0%	0%
150-160	109	0	29,418	0	271	0	155	0	0%	0%
<b>Total Geral</b>	<b>60,877</b>	<b>47,193</b>	<b>5,285,845</b>	<b>3,543,005</b>	<b>87</b>	<b>75</b>	<b>96</b>	<b>90</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 (~13% 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 bottom graph.

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



# Market Update

In the 3Q 2022, Ghana, Panama and Ecuador were the main teak suppliers to India, with 64% of total teak wood imported. The total imported volume in India was 17% lower quarter over quarter, and 28% lower year over year. TRC's market share in India is estimated to be 8% among all Indian imports and 73% among the imported Brazilian teak wood in the third quarter.

The 4Q of each year is normally marked by Ecuador's exporting season, the country's volumes have begun to grow in July 2022 and have been consistently growing since then. It is forecasted that the volume arriving in India from Ecuador replaces the volume arriving from Panama's exporting season at a similar level.

The Covid-19 pandemic in India have been steady during the third quarter of 2022, the vaccination in the country have reached more than 1.03 billion doses with 70% of the population totally vaccinated and 75% received at least one dose.

The global logistic crisis from the lack of available containers and the increase of maritime freight cost seems to be backing off worldwide, following trends of a global recession. With these arrivals in India have shifted to much higher volumes from competing origins (Ghana, Ecuador and Panama mainly). Exception is made for the route Brazil-India which is still very compromised in terms of freight rates and availability. Chinese lockdowns aiming to achieve zero covid rate, the war between Ukraine and Russia, the global inflation caused by the pandemic and the rupee depreciation are also affecting the Asian trade of Teak wood.

Teak producing countries and traders were able to ship high volumes to India during the 3Q2022 strongly rising the stock level of teak wood in the country and directly leading to a decrease on prices to generate liquidity and also to respond to the Indian rupee depreciation and the global inflation which are jeopardizing the population's purchasing power. The price decrease also directly impacts teak producer's and trader's capacity to cover freight costs, especially for low margin products. TRC will keep tracking volume and price fluctuation on the 4Q2022.

TRC is seeking and achieving logistic alternatives and strategic partners to properly deal with the current scenario. Production will still be limited to the capacity of the logistic channels that are made available. Non-India and local markets are playing an important role to keep the operations running.

# 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>-9,654,641</b>
<b>Outstanding</b>	<b>13,903,743</b>

Harvest report 2021 is considering the finalization of the project CPB1999.

# Legal and Compliance Update

## VTP – Floresteca S/A:

**10/05/2022:** the COURT OF APPEALS announces the trial of the VTP'S APPEAL AGAINST THE VERDICT for 10/19/2022.

**10/19/2022:** the trial of the VTP'S APPEAL AGAINST THE VERDICT is postponed. The new date has not been set yet.

**10/27/2022:** the trial of the VTP'S APPEAL AGAINST THE VERDICT is postponed to 11/09/2022

## 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:**

**09/12/2022:** FSA presents an opposition against the FIRST PRELIMINARY INJUNCTION APPEAL, and claims the appeal shall be denied, based in the following arguments (i) FSA has not been properly noticed by FRIGIERI about the offer to sell the farm, and could not express the preemptive right; (ii) FRIGIERI has debts with FSA, and the farm is the only way to guarantee the payment; (iii) it is mandatory the publicity of the existence of the claim before Terra Santa Farm Real Estate Registry Office, baring FRIGIERI to sell the land until the debt is reinforced; (iv) the partial registration requested by FRIGIERI (of 1.327,47 hectares) does not exist, considering the preemptive right is over all the farm, not only a part of it.

**10/05/2022:** the COURT OF APPEALS announces the trial of the FIRST PRELIMINARY INJUNCTION APPEAL for 10/19/2022.

**10/20/2022:** the COURT OF APPEALS denies the FIRST PRELIMINARY INJUNCTION APPEAL filed by FRIGIERI.

**10/27/2022:** the COURT OF APPEALS scheduled conciliation hearing to 03/21/2023

- **Bambu IV** – No news since the last report.

# 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.

**08/08/2022:** Ms. Marilsen Andrade Addario sends the case to Mr. Sebastião Barbosa Farias, that has the proper jurisdiction to analyze the plea for clarification filed by Mr. Rondon on 07/19/2022.

**08/15/2022:** in behalf of celerity, and pretending to avoid futures claims of nullity by Mr. Rondon, FSA informs to Mr. Sebastião Barbosa Farias that has no opposition against the jurisdiction conflict presented by Mr. Rondon.

**08/16/2022:** Mr. Sebastião Barbosa Frias sends the jurisdiction conflict to be analyzed by the President of the COURT OF APPEALS and suspends the case until his final decision.

**08/22/2022:** Rondon Company presents the opposition against Mr. Rondon’s plea for clarification filed on 07/19/2022, arguing that in the DIRECTOR REMOVAL LAWSUIT Mr. Rondon has requested to the judge to unite the cases (DIRECTOR REMOVAL LAWSUIT and PAIOLANDIA LAWSUIT FILED BY RONDON), and now is requesting the opposite, on behalf of his own interests, and in the end, Rondon Company requests to the reporting judge to fine Mr. Rondon, for acting against his own request, and try to change the facts.

**10/06/2022:** FSA informs to Mr. Sebastião Barbosa Farias that the jurisdiction conflict has been dismissed by the President of the COURT OF APPEALS, which means that Ms. Marilsen Andrade Addario has the proper jurisdiction to analyze the appeal, and requests to send the case to Ms. Marilsen Andrade Addario.

**10/10/2022:** despite the decision of the President of the COURT OF APPEALS, Mr. Sebastião Barbosa Frias grants the plea for clarification filed by Mr. Rondon on 07/19/2022 and confirms that he has the proper jurisdiction to analyze the case, as the reporting judge

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

Despite showing sign of improvement, in the last quarter the main challenge should remain on logistics, which is still strongly affecting trade between Brazil and India, the main destination for all global Teak wood production. This is affecting not only freight rates, compressing margins for producers, but even the sheer availability of transporting units.

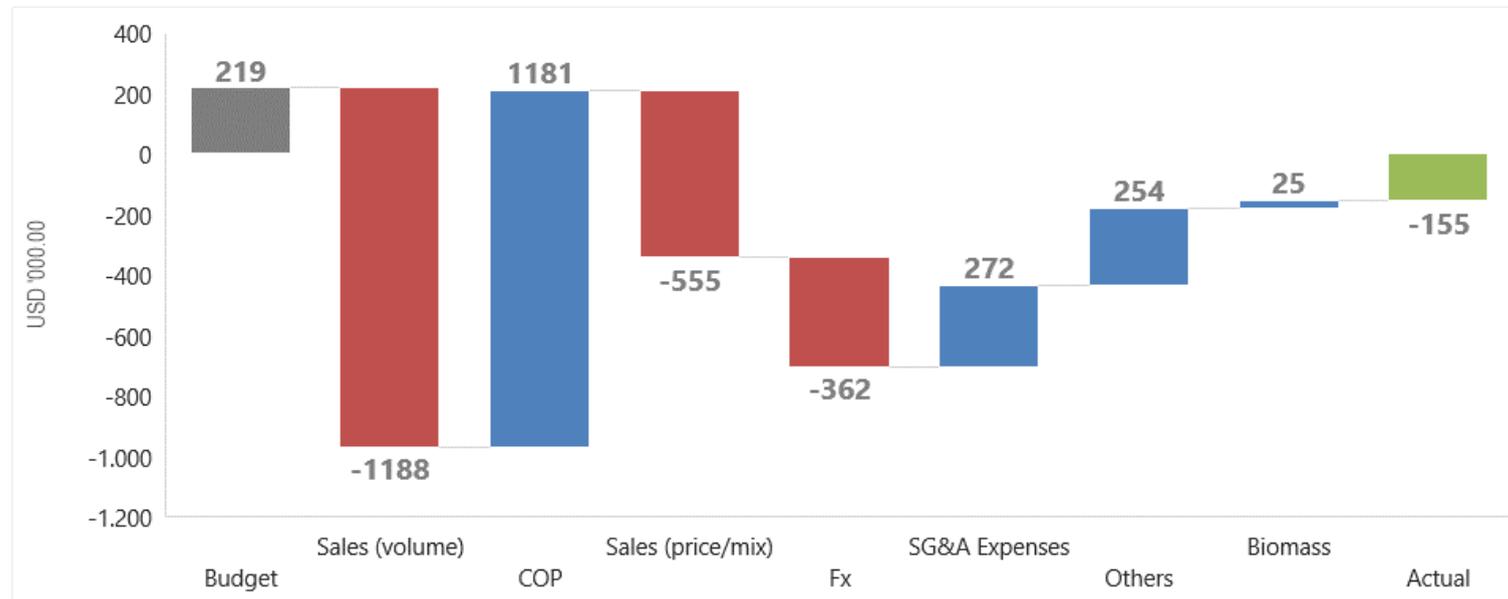
## FSA Summary Financial Information

# Summary P&L

FSA (USD) PROFIT & LOSS	YTD Budget	YTD Actual	Var.	%	2022 Budget	2022 FY	Var.	%
<i>Volume m³</i>	60,877	47,193	-13,684	-22%	88,253	71,311	-16,943	-19%
<b>Sales</b>	<b>5,285,845</b>	<b>3,608,243</b>	<b>-1,677,602</b>	<b>-32%</b>	<b>7,254,211</b>	<b>5,871,713</b>	<b>-1,382,498</b>	<b>-19%</b>
Log Sales	5,285,845	3,543,005	-1,742,841	-33%	7,254,211	5,806,474	-1,447,737	-20%
Biomass	0	24,652	24,652	0%	0	24,652	24,652	0%
Other Sales	0	40,587	40,587	0%	0	40,587	40,587	0%
(-) Sales Deductions	-116,916	-163,654	-46,737	40%	-170,637	-233,456	-62,819	37%
<b>Net Sales</b>	<b>5,168,929</b>	<b>3,444,590</b>	<b>-1,724,339</b>	<b>-33%</b>	<b>7,083,574</b>	<b>5,638,256</b>	<b>-1,445,318</b>	<b>-20%</b>
COP	-2,517,994	-1,336,855	1,181,139	-47%	-3,578,024	-2,047,756	1,530,269	-43%
<b>Gross Profit</b>	<b>2,650,935</b>	<b>2,107,735</b>	<b>-543,200</b>	<b>-20%</b>	<b>3,505,550</b>	<b>3,590,500</b>	<b>84,951</b>	<b>2%</b>
<b>Operational Expenses</b>	<b>-2,432,149</b>	<b>-2,262,922</b>	<b>169,227</b>	<b>-7%</b>	<b>-3,219,012</b>	<b>-3,437,901</b>	<b>-218,888</b>	<b>7%</b>
Forestry	-303,560	-284,160	19,401	-6%	-370,493	-351,092	19,401	-5%
Property Management	-389,705	-264,364	125,341	-32%	-530,443	-456,140	74,303	-14%
SG&A Expenses	-1,553,653	-1,281,898	271,755	-17%	-2,040,231	-1,786,475	253,755	-12%
Land Use Deals	-185,230	0	185,230	-100%	-277,845	-92,615	185,230	-67%
Other operational	0	-70,246	-70,246	0%	0	-81,111	-81,111	0%
Fx gain (loss) to Actual	0	-362,254	-362,254	0%	0	-670,467	-670,467	0%
<b>EBITDA</b>	<b>218,787</b>	<b>-155,187</b>	<b>-373,973</b>	<b>-171%</b>	<b>286,537</b>	<b>152,600</b>	<b>-133,938</b>	<b>-47%</b>
Depreciation/Amortization	0	-12,812	-12,812	0%	0	-12,812	-12,812	0%
Depletion	-3,970,636	-1,873,328	2,097,308	-53%	-6,316,582	-4,056,498	2,260,084	-36%
Other accounting adj.	0	-177,386	-177,386	0%	0	-177,386	-177,386	0%
Financial Income	0	120,880	120,880	0%	0	120,880	120,880	0%
Financial Expenses	-27,100	-102,120	-75,020	277%	-29,826	-104,846	-75,020	252%
<b>EBT</b>	<b>-3,778,949</b>	<b>-2,199,952</b>	<b>1,578,997</b>	<b>-42%</b>	<b>-6,059,871</b>	<b>-4,078,062</b>	<b>1,981,809</b>	<b>-33%</b>
Income Tax	0	-94,012	-94,012	0%	0	-94,012	-94,012	0%
Deffered Income Tax	0	506,697	506,697	0%	0	506,697	506,697	0%
<b>Profit &amp; Loss</b>	<b>-3,778,949</b>	<b>-1,787,267</b>	<b>1,991,682</b>	<b>-53%</b>	<b>-6,059,871</b>	<b>-3,665,377</b>	<b>2,394,494</b>	<b>-40%</b>

# Summary P&L YTD

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



The YTD Operational Result was - USD 155 K versus USD 219 K budgeted or an unfavorable variation of USD 374 K.

The main negative variation remains coming from the lower than budget volume (13,684 m<sup>3</sup>), due to logistics crisis and injunction prohibiting the final cut during 1Q. As consequence, the COP (Harvesting costs) presented a saving by USD 1,1 M.

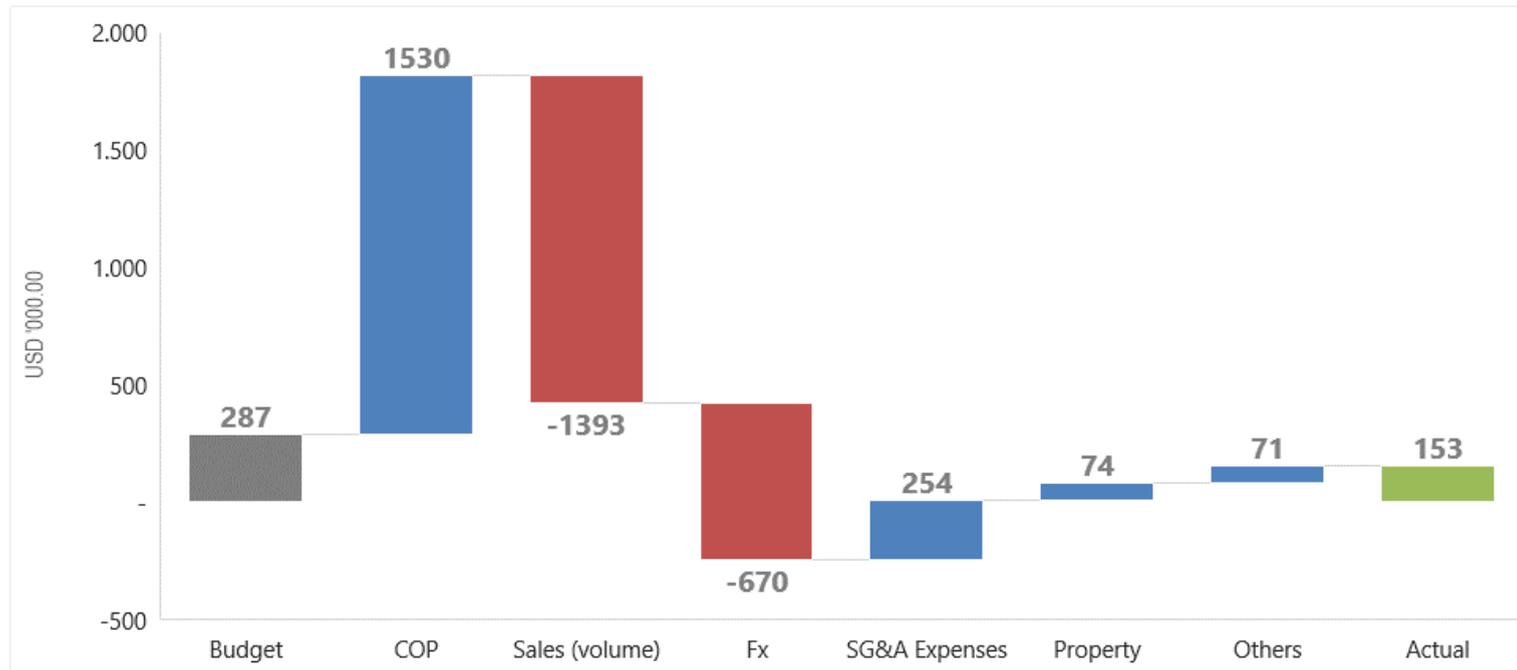
Sales (price/mix) presented a negative variation since Consufor price report dropped by roughly 13% on average for this year.

The negative effect on Fx rates is due to BRL valuation in comparison to the budget expectation. The budget fx rate was 5.50 and in the end of 3Q, it was 5.41, averaging 5.10 in the period.

As commented on last report, the positive variance on SG&A Expenses 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.

# Summary P&L YEE

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



The overall FY Operational Result is USD 153 K versus USD 287 K budgeted or an unfavorable variation of USD 133 K.

The main source of the positive variation is related COP (Harvesting Costs) due to the lower volume harvested, and the postponement of stump removal to 2023, as part of the strategy to preserve cash during the year, given the lower revenue.

Sales volume: lower harvested volume (-16.943 m<sup>3</sup>), TRC is not able to achieve the volume budgeted for the YEE, because of the logistics crisis and the VTP injunction.

As commented on previous slide, the valuation of BRL causing a negative impact on USD result. The budget fx rate was 5.50 and for forecast, TRC is considering 5.20.

There is no significant variation from YTD for the other items.

# Cost of Production Summary - YTD

## 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	1.954.789	3.108.460	53.267	107.442	37	29
	Forwarding	m³	2.199.709	2.589.615	63.305	60.530	35	43
	Loading	m³	523.806	701.044	45.377	61.118	12	11
	Lot Formation	m³	915.442	1.392.649	41.348	60.896	22	23
	Operational Support	-	1.293.027	1.602.192	0	0	0	0
	Soil Prep	ha	351.793	1.800.937	154	892	2.290	2.020
	Stump Removal	ha	287.224	1.712.002	59	892	4.828	1.920
	Tree Selection	ha	206.284	44.967	1.305	249	158	180
	Taxes	--	303.201	781.763			0	0
	Adjustment	--	-682.574	115.336			0	0
<b>Total geral</b>			<b>7.352.700</b>	<b>13.848.965</b>				

Commercial Vol.	m³	46,804	60,877	-23%
Stock Volume	m³	767	0	0%
<b>COP/m3</b>	<b>BRL</b>	<b>141</b>	<b>170</b>	<b>-17%</b>
BRL/USD Budget Rate		5.50	5.50	0%
<b>COP/m3</b>	<b>USD</b>	<b>26</b>	<b>31</b>	<b>-17%</b>
Stump Removal	BRL	639,017	3,512,938	-82%
<b>COP/m3</b>	<b>USD</b>	<b>29</b>	<b>41</b>	<b>-31%</b>

Total costs were lower than budget basically because final cut was halted by VTP injunction during Q1 and logistics crisis hold the speed after that. Unitary COP (considering only harvesting activities was 17% lower), effects of good yields during Q2 and Q3.

COP considering harvesting and stump removal was 82% lower – primary effect of postponing the land clearing activities to preserve cash in 2022.

In Brazil, BRL appreciation and inflation of basic inputs like fuel, lubricants, machine parts and food are playing a negative role in overall prices, putting pressure in the forest activities. So far, TRC was able hold off any major increases.

Adjustment: is the difference between the actual expenditures incurred in the period to the estimated costs of the resources used registered by our operational controls (standard cost)

# Silvicultural Operations Summary - YTD

## Forestry Operations YTD

Type	Act. Group	Unit	Total Cost (BRL)		Quantity (un)		Unitary Cost (BRL/un)	
			Actual	Budget	Actual	Budget	Actual	Budget
Silviculture	Firebreaks	ha	313.112	211.229	803	415	390	509
	Inventory	parc	346.395	214.175	2.331	1.365	149	157
	Pest Control	ha	2.131	55.398	43	511	49	108
	Pruning	ha		74.377		128		582
	Research	-	23.817		0		0	
	Roads	km	63.436	468.160	31	123	2.020	3.800
	Sprout Control	ha	161.105	68.277	119	96	1.352	712
	Weed Control	ha	146.859	358.498	367	986	401	364
	Taxes	--	59.791	191.956			0	0
	Adjustment	--	446.233	27.514			0	0
Total geral			1.562.878	1.669.582	3.695	3.624	4.360	6.232

Forestry costs are slightly over budget. Primary activities that contributed negatively were firebreaks, inventory and sprout control. Offsetting this were pruning and road maintenance.

TRC believes the forest costs will remain near the budget until YE, once firebreaks and inventory are finished and there is good chance that only minor road maintenances are necessary (once harvesting activities will be focused in DLG and PAI during 4Q).

Adjustment: is the difference between the actual expenditures incurred in the period to the estimated costs of the resources used registered by our operational controls (standard cost).

# General & Administrative Expenses

## G&A / Overhead Summary YTD

FSA (USD)	YTD Budget	YTD Actual	Var.	%
<b>TOTAL OVERHEAD COSTS</b>				
SG&A Expenses	-1,553,653	-1,281,898	271,755	-17%
Property Management	-389,705	-264,364	125,341	-32%
<b>Total</b>	<b>-1,943,358</b>	<b>-1,546,262</b>	<b>397,096</b>	<b>-20%</b>

## G&A / Overhead Summary YEE

FSA (USD)	2022 Budget	2022 FY	Var.	%
<b>TOTAL OVERHEAD COSTS</b>				
SG&A Expenses	-2,040,231	-1,786,475	253,755	-12%
Property Management	-530,443	-456,140	74,303	-14%
<b>Total</b>	<b>-2,570,674</b>	<b>-2,242,615</b>	<b>328,059</b>	<b>-13%</b>

G&A costs include the management services agreement between FSA and TRC, as well as other direct FSA costs, such as the remuneration of the administrators and financial statements audit, among others.

The positive variance on SG&A Expenses 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)	1Q2022	1Q2022	2Q2022	2Q2022	3Q2022	3Q2022	4Q2022	4Q2022	2022	2022	Var.
	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Forecast	Budget	FY	
Fx Rate	5.50	4.74	5.50	5.24	5.50	5.41	5.50	5.20			
<b>Initial Balance</b>	<b>79,850</b>	<b>522,130</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>79,850</b>	<b>522,130</b>	<b>442,280</b>
<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>1,803,699</b>	<b>6,746,155</b>	<b>4,694,647</b>	<b>-2,051,508</b>
Gross Revenues	1,127,155	685,172	1,997,777	654,586	1,504,416	1,180,299	1,707,807	1,290,153	6,337,155	3,810,211	-2,526,944
Other Sales	409,000	295,726	0	53,104	0	22,060	0	513,546	409,000	884,436	475,436
(-) Sales Deductions	-32,458	-8,519	-42,106	-5,464	-42,352	-7,598	-53,721	-52,139	-170,637	-73,720	96,917
<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>1,751,560</b>	<b>6,575,518</b>	<b>4,620,927</b>	<b>-1,954,591</b>
Harvesting	-539,589	-236,707	-722,961	-509,310	-618,379	-558,515	-847,676	-691,776	-2,728,604	-1,996,309	732,296
Other operational expenses	0	0	-92,606	-151,328	-92,606	-96,616	-92,606	-230,527	-277,818	-478,471	-200,653
Management Services Cost	0	0	-272,797	-141,138	-428,473	-555,199	-433,608	-437,081	-1,134,878	-1,133,417	1,460
G&A own expenses	-42,174	-175,453	-39,194	-54,090	-31,571	-43,668	-41,606	-81,076	-154,545	-354,288	-199,743
Property costs	-141,126	-60,472	-117,342	-93,426	-131,238	-113,989	-140,687	-157,523	-530,392	-425,409	104,983
Forestry Costs	-78,584	-83,011	-137,774	-76,302	-87,202	-158,301	-66,932	-50,541	-370,493	-368,155	2,338
<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>-1,648,524</b>	<b>-5,196,731</b>	<b>-4,756,050</b>	<b>440,681</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>103,036</b>	<b>1,378,787</b>	<b>-135,123</b>	<b>-1,513,910</b>
Legal Expenses	-79,545	-42,962	-79,545	-28,341	-11,364	-70,280	-11,364	-19,587	-181,818	-161,171	20,647
Financial expenses	-12,117	-12,098	-9,389	-5,928	-5,594	-8,990	-2,726	-1,699	-29,826	-28,715	1,111
Loan	-138,768	-150,885	-144,337	-153,726	-145,291	883,294	-150,896	227,976	-579,292	806,658	1,385,950
Transfers to FBV	-85,569	-58,217	-85,569	-18,600	-85,569	-124,722	-85,569	-66,389	-342,274	-267,928	74,346
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>206,500</b>	<b>153,577</b>	<b>53,555</b>	<b>-100,022</b>
VTP Costs	0	-4,318	0	-22,057	0	-23,605	0	-4,801,026	0	-4,851,006	-4,851,006
Fx gain/Loss	0	84,769	0	-97,247	0	4,222	0	-252,715	0	-260,972	-260,972
<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>-4,536,293</b>	<b>233,427</b>	<b>-4,536,293</b>	<b>-4,769,720</b>

## YTD Notes:

The main driver for YTD result is a lower projection of revenues, due to VTP injunction and logistic constraints in container shipping between Brazil and India.

Operational expenses presented savings because payments of TRC management services for February and March were pushed to 1Q.2023. A delayed tax payment coming from the incorporation of Buriti by FSA caused the SGA expenses in the 1Q to come above budget. But together with the revenues that came in December, this operation was positive for FSA. As explained on the P&L slide, the harvesting costs was also lower due to preserve cash during the year.

As agreed, in September there was a new loan by BRL 2 M to support operations. It will be repaid in 24 installments from October 2022 to September 2024.

## Full Year Notes:

The expected cash generation for 2022 is USD 53 K versus USD 153 K budgeted.

Aiming to improve the cash, TRC agreed with the buyer of Capim Branco Farm to anticipate the second installment to November. The original payment was budget to 1Q.2023.

In November there was a new loan by USD 584 K (BRL 3 M), as part of the total operation approved by FBV (BRL 11 M).

The decision in FSA's favor in the VTP case triggered significant success fees for lawyers to be paid in December. Together with anticipated legal costs arising from the probable fact of VTP appealing to the second instance against this decision, these costs add up to USD 4.8 M.

It is worth remembering that landowners in PAI have right to 20% of the sales revenues coming from this farm, given the land lease contract in place. This is already considered in these estimates.

# FSA Balance Sheet

## Floresteca S.A- Balance Sheet position of September 30, 2022

(In thousands of reais/dollars)

ASSETS			LIABILITIES AND EQUITY	
	RS	\$	RS	\$
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>	
Cash and cash equivalents	1.681.159	310.980	Loans and financing	6.680.402
Accounts receivable	10.803.661	1.998.458	Suppliers and other accounts payable	2.835.401
Inventories	901.780	166.811	TAX	343.710
Other receivables	379.373	70.176	Payroll	127.840
Taxes Recoverable	853.043	157.796	Other debts	46.673
<b>Total Current Asset</b>	<b>14.619.017</b>	<b>2.704.221</b>	<b>Total Current Liabilities</b>	<b>10.034.026</b>
<b>NON-CURRENT ASSETS</b>			<b>Non-current liabilities</b>	
Advances to agricultural partners	7.516.297	1.390.362	Loans and financing	544.172.746
Other receivables	25.588	4.733	Contingencies	28.721.606
Deferred taxes	50.516.977	9.344.613	Deferred taxes	4.010.941
Forests - Own	530.834.133	98.193.513	Suppliers and other accounts payable	14.856.320
Property, plant & equipment	434.434	80.361	Deferred taxes	4.010.941
Intangible assets	5.185	959	<b>Total Non-Current Liabilities</b>	<b>591.761.613</b>
<b>Total Non-Current Asset</b>	<b>589.332.614</b>	<b>109.014.542</b>	<b>EQUITY</b>	
			Capital	27.797.555
			Legal reserve	5.559.311
			Statement of profit or loss	(6.036.850)
			Profit Reserve	(25.164.024)
			Foreign exchange adjusts	12.397
<b>TOTAL CURRENT ASSETS</b>	<b>603.951.631</b>	<b>111.718.763</b>	<b>TOTAL EQUITY</b>	<b>2.155.992</b>
			<b>TOTAL LIABILITIES AND EQUITY</b>	<b>603.951.630</b>

FX RATE- ASSETS 5,4060

FX RATE - LIABILITIES 5,4066

## Appendix - Financial Tables

# Cash Summary - YEE

## YEE and Budget Cash Flow BRL

FSA Cash Flow (In BRL 0,00)	1Q2022	1Q2022	2Q2022	2Q2022	3Q2022	3Q2022	4Q2022	4Q2022	2022	2022	Var.
	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Forecast	Budget	FY	
<b>Initial Balance</b>	<b>439,175</b>	<b>2,797,258</b>	<b>2,057,409</b>	<b>3,360,863</b>	<b>3,455,279</b>	<b>116,430</b>	<b>2,491,553</b>	<b>1,681,166</b>	<b>439,175</b>	<b>2,797,258</b>	<b>2,358,083</b>
<b>Gross Revenues</b>	<b>8,448,852</b>	<b>5,394,943</b>	<b>10,987,772</b>	<b>3,892,294</b>	<b>8,274,290</b>	<b>6,612,975</b>	<b>9,392,938</b>	<b>9,920,344</b>	<b>37,103,852</b>	<b>25,820,557</b>	<b>-11,283,295</b>
Gross Revenues	6,199,352	3,768,448	10,987,772	3,600,225	8,274,290	6,491,644	9,392,938	7,095,843	34,854,352	20,956,160	-13,898,192
Other Sales	2,249,500	1,626,495	0	292,069	0	121,331	0	2,824,501	2,249,500	4,864,397	2,614,897
(-) Sales Deductions	-178,520	-46,852	-231,582	-30,052	-232,938	-41,788	-295,463	-286,766	-938,503	-405,458	533,045
<b>Net Revenues</b>	<b>8,270,332</b>	<b>5,348,092</b>	<b>10,756,190</b>	<b>3,862,243</b>	<b>8,041,352</b>	<b>6,571,187</b>	<b>9,097,475</b>	<b>9,633,578</b>	<b>36,165,349</b>	<b>25,415,099</b>	<b>-10,750,250</b>
Harvesting	-2,967,740	-1,301,890	-3,976,283	-2,801,208	-3,401,085	-3,071,835	-4,662,217	-3,804,765	-15,007,324	-10,979,698	4,027,626
Other operational expenses	0	0	-509,333	-832,304	-509,333	-531,390	-509,333	-1,267,897	-1,528,000	-2,631,591	-1,103,591
Management Services Cost	0	0	-1,500,381	-776,256	-2,356,603	-3,053,593	-2,384,842	-2,403,946	-6,241,827	-6,233,796	8,031
G&A own expenses	-231,957	-964,994	-215,567	-297,497	-173,643	-240,175	-228,833	-445,920	-850,000	-1,948,585	-1,098,585
Property costs	-776,192	-332,594	-645,378	-513,841	-721,807	-626,941	-773,781	-866,376	-2,917,158	-2,339,751	577,407
Forestry Costs	-432,214	-456,562	-757,756	-419,659	-479,612	-870,654	-368,128	-277,978	-2,037,711	-2,024,853	12,858
<b>Operational expenses</b>	<b>-4,408,103</b>	<b>-3,056,041</b>	<b>-7,604,699</b>	<b>-5,640,765</b>	<b>-7,642,083</b>	<b>-8,394,587</b>	<b>-8,927,134</b>	<b>-9,066,881</b>	<b>-28,582,019</b>	<b>-26,158,273</b>	<b>2,423,746</b>
<b>Operational Cash Generation</b>	<b>3,862,229</b>	<b>2,292,051</b>	<b>3,151,491</b>	<b>-1,778,522</b>	<b>399,269</b>	<b>-1,823,399</b>	<b>170,340</b>	<b>566,696</b>	<b>7,583,329</b>	<b>-743,174</b>	<b>-8,326,504</b>
Legal Expenses	-437,500	-236,291	-437,500	-155,878	-62,500	-386,543	-62,500	-107,728	-1,000,000	-886,440	113,560
Financial expenses	-66,642	-66,541	-51,639	-32,605	-30,769	-49,444	-14,994	-9,342	-164,044	-157,932	6,112
Loan	-763,227	-829,869	-793,854	-845,494	-799,100	4,858,118	-829,926	1,253,865	-3,186,107	4,436,621	7,622,728
Transfers to FBV	-470,627	-320,195	-470,627	-102,300	-470,627	-685,971	-470,627	-365,139	-1,882,507	-1,473,605	408,903
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>	<b>1,618,234</b>	<b>587,356</b>	<b>1,397,871</b>	<b>-3,123,119</b>	<b>-963,727</b>	<b>1,694,561</b>	<b>-1,207,706</b>	<b>1,135,752</b>	<b>844,672</b>	<b>294,550</b>	<b>-550,121</b>
VTP Costs	0	-23,751	0	-121,315	0	-129,825	0	-26,405,642	0	-26,680,533	-26,680,533
<b>Closing Balance</b>	<b>2,057,409</b>	<b>3,360,863</b>	<b>3,455,279</b>	<b>116,430</b>	<b>2,491,553</b>	<b>1,681,166</b>	<b>1,283,847</b>	<b>-23,588,724</b>	<b>1,283,847</b>	<b>-23,588,724</b>	<b>-24,872,571</b>



Thank You!

