



# Floresteca S/A 2022 Management Plan



Floresteca

# Introduction

Floresteca S/A (“Floresteca” or the “Company” or “FSA”) is a forest company focused on the sustainable and responsible management of Teak plantations in Brazil. Founded in 1994, the Company was established with the objective of developing and managing teak plantations in Brazil. Floresteca forests produce teak round logs for export markets and firewood.

The Company’s forest operations currently are focused on silvicultural maintenance, including thinning, pruning, pest control, road maintenance, among others. The current workforce stands at 26 active employees, distributed throughout Floresteca’s 18 teak farms located in the southern portion of Mato Grosso State. Floresteca’s forest management process is fully sustainable and ensures that the teak plantation activities occur in accordance with the preservation of the existing native forests reserves. Floresteca has received FSC certification for most of its forests since 1997.

The Company has a Contract for Forest Services and Acknowledgement of Building and Planting Rights dated July 5, 2007 (“Master Agreement”), whose latest amendment (“fifth”) and latest addendum (“ninth”) were effective on the date of the accompanying financial statements. The contract was entered into by Floresteca S.A. (“FSA”) and the foreign entities Floresteca B.V. (“FBV”) and Stichting Administratie-en Trustkantoor Tectona (“SATT”) (beneficiary), whereby the Company agrees to deliver high quality teak forests it has planted (“Forest”). At this point in time, neither FBV nor SATT have a permanent establishment in Brazil and the delivery of the physical product to SATT is merely notional.

Accordingly, the Company does not deliver a physical forest but is responsible for managing it.

The Company annually submits a Management Plan and Budget (“MP”) to Floresteca BV and SATT, containing the maintenance plan for the following year covering all forest maintenance activities, including thinning, overhead and management expenses, as well as harvesting costs, final cuts and sales relating to final cuts concerning the forests belonging to SATT. This MP includes the areas that are eligible for final cuts, and it is available for comments by SATT, prior to conclusion. In December 2021 the Company submitted a draft Management Plan for 2022 -2026 to SATT.

This Management Plan has been prepared on behalf of FSA by TRC Agroflorestal Ltda (TRC), in its role as external management service provider to FSA.

# Disclaimer

This Management Plan was prepared on behalf of FSA by TRC, in its role as external management service provider to FSA, and to be solely used by Stichting Administratie- en Trustkantoor Tectona (“SATT”)(the “Recipient”). Any and all use of this report other than as expressly authorized herein is strictly prohibited, and no other individual or legal entity other than the Recipients is authorized to make use of this Management Plan, except as otherwise agreed in writing by TRC. Nothing in this Management Plan is or shall be relied upon as a promise or representation of future events or results. TRC prepared this report based on information available to it at the time of its preparation and has no duty to update this Management Plan. Statements in this plan involving estimates are subject to change and actual amounts may materially differ materially from those described in this Management Plan depending on a variety of factors. As a result of such facts, TRC and FSA make no representation or warranty, express or implied, as to the accuracy or completeness of the information provided in this Management Plan or any other representation or warranty whatsoever concerning this Management Plan. Recipient’s use of the estimates contained in this report shall be at Recipient’s sole risk. TRC and FSA expressly disclaim any and all liability arising out of or relating to the use of this Management Plan.



# Company History

Floresteca was originally founded as Floresteca Agroflorestal Ltda, under the National Tax Payers Registry number (CNPJ) 74.301.482/0001-56. The Company began plantation operations in 1994 in the municipality of Jangada, in the state of Mato Grosso, about 90 km from Cuiabá, the State capital. From 1994 to 1999, it expanded to include areas in Rosário Oeste, near Jangada.

In 1997, Floresteca received Forestry Stewardship Counsel (FSC) Certification, maintained to the present, for most of the plantations under management. From 1998 Floresteca began planting on third party land through usufruct or land use deal (LUD) contracts. Under these contracts, Floresteca planted teak on the property of the landowner-partner, who in return is due a percentage of the planted forest as payment, with delivery of the timber at roadside. The percentage due to the land partners varies as per the specific contracts. All costs associated with silviculture and maintenance, as well as harvesting and final land clearing for LUD partners are borne by FSA.

Between 1999 and 2000, the Company expanded to the Cáceres and Porto Esperidião regions of Mato Grosso, where there was greater availability of suitable land for teak plantations, as well as greater availability of support services. Over the years the Company has made changes to adapt to the ever changing legal and tax environment in Brazil. Today Floresteca is a Sociedade Anonima (SA) and is now called Floresteca S/A (“FSA”).

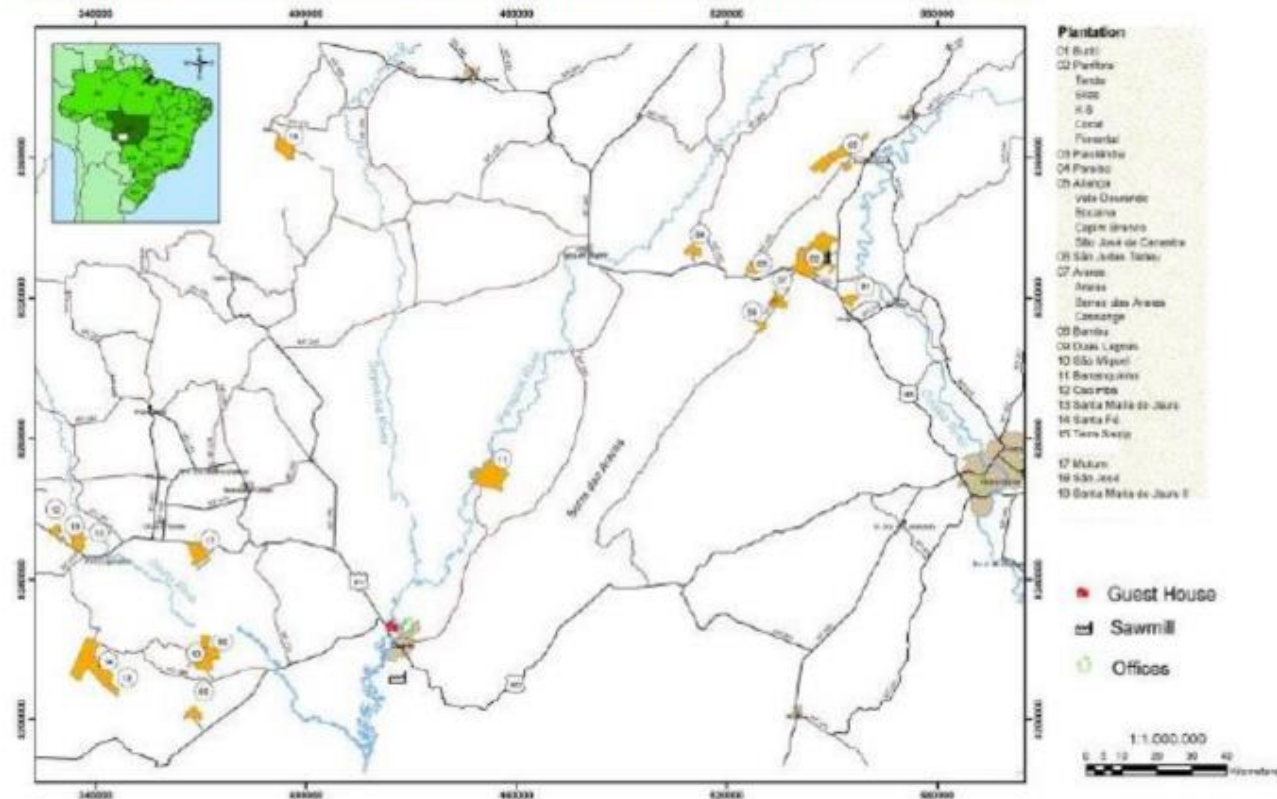
In 2015 FSA began final harvests.

In March 2017, FSA agreed to a Management Services and Timber Sales Agreement (MSTSA) with TRC Agroflorestal Ltda (TRC), outsourcing a wide range of services previously performed by FSA. This agreement allows FSA to maintain continuity in the management of its forests at on economically advantageous terms, at a variable costs tied to the number of hectares standing annually and assure access to the expert know-how of the largest teak management company in Brazil. While FSA maintains a dedicated workforce to perform silvicultural maintenance, general administration and harvesting will be performed by TRC. Previously, FSA sold logs directly to buyers in Asia, incurring significant costs and risks for logistics and distribution. FSA now sells its timber roadside in Mato Grosso to TRC, greatly reducing the working capital requirements and risks associated with log export sales (credit/default risk). The logs are sold at market prices and based on an independently produced quarterly benchmark report for Mato Grosso teak logs.



# Assets Location

Location of the Floresteca Plantations in Mato Grosso, Brazil



# Current Standing Areas

Project	Planting Year	Initial	Harvested	Current Area
Paiolandia	1997	281.17		281.17
Paraíso	1997	151.56	151.56	0.00
Paiolandia	1998	93.89		93.89
Bambu	1999	549.07		549.07
Capim Branco	1999	59.15	59.15	0.00
Serra das Araras	1999	104.96	104.96	0.00
Vale Dourado	1999	46.56	46.56	0.00
Bambu	2000	513.83		513.83
Duas Lagoas	2000	1,442.19	754.88	687.31
Duas Lagoas	2001	1,688.29	44.82	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>		13,904.38	1,161.93	12,742.45

From the originally 19.528 hectares planted in Mato Grosso by Floresteca S/A, 13.904 hectares were still standing at the beginning of 2021.

Over the course of 2021 (including the expected harvest from the writing of this document until the end of 2021), another 1.161,93 hectares were harvested on 6 different projects.

From these, one is completely finished (Paraíso 1997), three are expected to be finished by year-end 2021 (Capim Branco 1999, Vale Dourado 1999 and Serra das Araras 1999) and 2 will still have standing forests through to 2022.

So, 23 projects adding up to 12.742 hectares will be standing at the start of the period of this management plan.

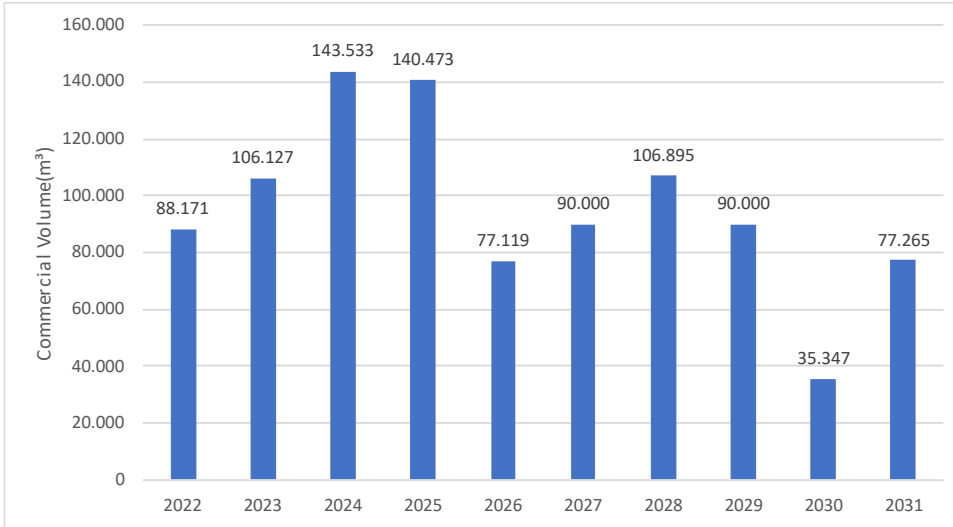


# Assumptions

- Fx rate: For convenience and continuity, we show the accrual P&L, Cash Flow and others financial tables in USD. TRC is considering the most up to date market consensus Fx rate from forecasts of the Brazilian Central Bank's Focus report: BRL 5.50 / USD for the full 2022-26 period.
- Inflation: For the starting period of this management plan, we are considering an inflation for the correction of salaries of 9,68%, which is the latest accumulated IPCA (Brazilian CPI).
- No inflation is considered for the future estimations.



# Volumes - Long Term Plan



TRC uses an optimization model in Remsoft Woodstock to maximize the NPV of the assets, based on the latest inventory data, price and costs assumptions.

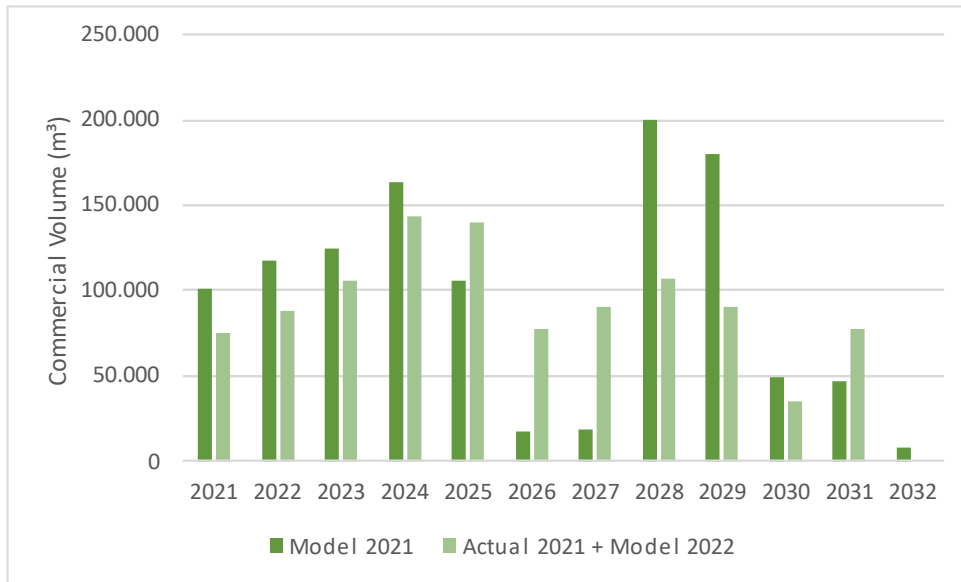
Although SATT has declared its preference to shorten rotation ages as close as possible to 20 years old, there are other limiting factors that doesn't allow harvest to follow integrally to that assumption.

TRC is fully aware that extending harvesting over a longer period may expose stakeholders to increased risk but at the same time may benefit them financially if these risks do not materialize. TRC is open to discuss and change the long-term schedule accordingly.

In this graph, we show volumes expected until the end of clear fell on all FSA assets, considering the latest optimization results.



# Volumes - Long Term Plan – comparison to last year's model



In this graph we present the comparison between the outputs of our long term Woodstock model between last year and this year's model, for similar optimization conditions and restrictions.

TRC has developed a new growth model, based on 5 years of new inventory measurement data since the last model had been fit.

TRC trusts that by using this new growth function, future estimates will to be more stable when the model gets updated with new inventory data every year, and more accurate when compared to actual production.

The impact of this new model in the total expected production until all FSA assets are harvested is slightly above 100 K m<sup>3</sup>, dropping from 1.131 K m<sup>3</sup> to 1.030 K m<sup>3</sup> (considering 2021 actuals).

# Short Term Harvesting Recommendations

Regarding production, manager makes the following recommendations:

1. Maintain scheduled thinning to avoid in-stand competition and control disease outbreaks, independent of market conditions, as the most important value driver comes from the final cut volumes. During the first 24 months of this plan, our recommended thinning schedule is:
  - **2022 Thinnings:** Mutum 2007, Terra Santa 2004 (both partially carried from 2021) and Santa Fé 2003.In the future, other phytosanitary thinnings may be needed if relevant fungal infections are observed.
2. The eligible projects for the final harvest, according to the recommended schedule:
  - **2022 Final Harvests:** Paiolandia 1997 and 1998, Bambu 1999 and 2000, Duas Lagoas 2000, 2001 and 2002,;
  - **2023: Final Harvests:** Duas Lagoas 2000 and 2001, Bambu 1999 and 2000 and Barranquinho 2002.

While projects might be eligible for harvest, issues caused by weather events, legal restrictions or market conditions may force alterations on the harvest schedule. For the next 2 years, we see higher risks in PAI, BAM and TST, due to litigations with landowners. If needed, projects of similar quality and yields will be reallocated in order to avoid stops in operations.

# Sales and Price

- Budget Prices(USD/m<sup>3</sup>):

Girth class (cm)	Base case scenario	Alternative scenarios	
	Consufor Oct 2021	Consufor 3-year average	15% drop over Consufor Oct 2021
56-80	45,6	58,7	38,8
80-90	77,1	97,3	65,6
90-100	100,2	125,4	85,2
100-110	126,8	157,7	107,8
110-120	157,0	194,2	133,5
120-130	191,1	235,0	162,4
130+	270,9	311,0	230,2

Logs prices used as a base case for this document are based on the Consufor Mato Grosso Teak Price Report sent in October 2021, relative to the third quarter. This study comprises 18 companies and 96 price samples for plantations throughout the state of Mato Grosso. There was the price decrease seen on the Consufor reports over the year (on average ~15% for the full year).

No price appreciation of inflation is considered in any of the calculations presented throughout this document.

For sensitivity analysis, we present later in this document two alternative scenarios' cash flows. One where prices trend back to the 3-year average and another if prices reduce even further, dropping current prices by 15%

# Sales and Price

- Roadside revenues (USD)

YEAR	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
<b>Commercial Volume - m<sup>3</sup></b>	<b>88.171</b>	<b>106.127</b>	<b>143.533</b>	<b>140.473</b>	<b>77.119</b>	<b>90.000</b>	<b>106.895</b>	<b>90.000</b>	<b>35.347</b>	<b>77.265</b>	<b>954.929</b>
<b>Gross Revenues</b>	<b>7.254</b>	<b>7.618</b>	<b>12.782</b>	<b>10.129</b>	<b>9.886</b>	<b>9.432</b>	<b>12.360</b>	<b>7.782</b>	<b>4.171</b>	<b>9.804</b>	<b>91.218</b>
Biomass (<56 cm)	0	0	0	0	0	0	0	0	0	0	0
Logs: 56-80 cm	1.796	2.922	2.614	3.415	533	1.366	1.057	1.900	334	646	16.582
Logs: 80-90 cm	1.447	1.344	2.265	2.497	898	1.185	1.369	1.202	467	948	13.622
Logs: 90-100 cm	1.215	996	2.003	1.581	1.383	1.252	1.891	1.174	621	1.292	13.408
Logs: 100-110 cm	1.118	873	2.061	1.199	1.680	1.441	2.214	1.171	711	1.513	13.980
Logs: 110-120 cm	798	631	1.697	779	1.656	1.326	2.031	865	648	1.459	11.891
Logs: 120-130 cm	499	441	1.246	413	1.558	1.183	1.746	580	587	1.383	9.636
Logs: 130+ cm	381	412	897	246	2.179	1.678	2.051	890	802	2.563	12.099
<b>Average price</b>	<b>82</b>	<b>72</b>	<b>89</b>	<b>72</b>	<b>128</b>	<b>105</b>	<b>116</b>	<b>86</b>	<b>118</b>	<b>127</b>	<b>96</b>

Crossing the estimated volumes for the year with the prices discussed in the previous slides, the total roadside revenues for the year are calculated. They are expected to reach almost USD 7.3M in 2022, representing an average price of USD 82/ m<sup>3</sup> for the 88 K m<sup>3</sup> projected in sales.

Total revenues and average prices vary year on year depending on the commercial volumes being sold and the quality (tree size) of the forests being harvested.

# Macroeconomic Outlook

## Brazil

Subject Descriptor	Units	2018	2019	Forecast				
				2020	2021	2022	2023	2024
Gross domestic product, constant prices	(%) change	1,8%	1,4%	-4,1%	5,2%	1,5%	2,0%	2,1%
Total investment	(%) of GDP	15,1%	15,4%	15,4%	17,3%	17,5%	17,9%	18,3%
Gross national savings	(%) of GDP	12,4%	11,9%	13,6%	16,7%	15,8%	15,4%	15,4%
Inflation, average consumer prices	(%) change	3,7%	3,7%	3,2%	7,7%	5,3%	3,5%	3,3%
Volume of Imports of goods	(%) change	13,6%	6,4%	-2,5%	9,2%	2,7%	3,2%	3,1%
Volume of exports of goods	(%) change	4,5%	-1,9%	0,2%	8,4%	2,9%	3,7%	3,2%
Unemployment rate	(%) of total labor force	12%	12%	14%	14%	13%	12%	11%
Population	Persons (Millions)	208	210	212	213	214	215	216
General government gross debt	(%) of GDP	86%	88%	99%	91%	90%	92%	92%
Current account balance	U.S. dollars (Billions)	-51,5	-65,0	-25,9	-8,5	-31,2	-47,8	-62,0

## India

Subject Descriptor	Units	2018	2019	Forecast				
				2020	2021	2022	2023	2024
Gross domestic product, constant prices	Percent change	6,5%	4,0%	-7,3%	9,5%	8,5%	6,6%	6,3%
Total investment	Percent of GDP	32,1%	30,7%	29,3%	29,7%	30,3%	30,6%	30,9%
Gross national savings	Percent of GDP	30,0%	29,8%	30,2%	28,7%	28,9%	29,2%	29,0%
Inflation, average consumer prices	Percent change	3,4%	4,8%	6,2%	5,6%	4,9%	4,3%	4,1%
Volume of Imports of goods	Percent change	3,6%	-5,6%	-15,5%	7,8%	8,5%	8,5%	8,5%
Volume of exports of goods	Percent change	5,1%	-4,1%	-7,1%	6,5%	5,8%	6,0%	6,0%
Population	Persons (Millions)	1.353	1.368	1.379	1.392	1.405	1.418	1.431
General government gross debt	Percent of GDP	70%	74%	90%	91%	89%	88%	87%
Current account balance	U.S. dollars (Billions)	-57,2	-24,6	24,0	-30,4	-44,6	-52,0	-70,5

\*Data source: IMF (International Monetary Fund)

The Covid-19 pandemic has strongly impacted emerging markets such as Brazil and India, as can be seen in the 2020 figures and their projections.

In Brazil, the GDP growth has been decreasing since 2018 with a steeper drop in 2020, effect of the pandemic crisis. Unemployment rate has also been impacted and reached 14% in 2020, close to the projected 2.6% increase in 2020. The government gross debt reached in 2020, the highest recorded amount in 20 years, despite the slight growth on national savings and the recovery slant of the current account balance. Investments have been stable and is forecasted to grow in the following years, despite the pandemic economic impacts

In India, the GDP strongly increased in 2021 after a major drop caused by the pandemic crisis. It also impacted negatively the volume of traded goods, inflation rate and gross debt. However, the current account balance presented a positive result in 2020.

Before the 2020 pandemic crisis, the country had been facing tougher credit conditions due to the crisis in the banking sector.

# Brazilian Teak Market Outlook

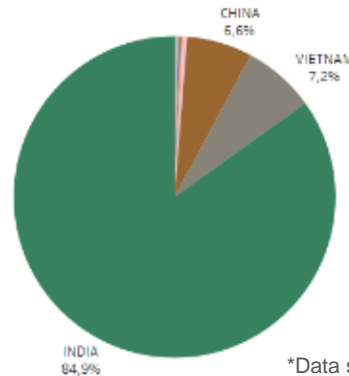
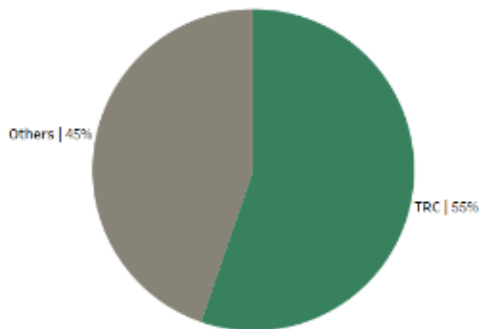
Brazilian Teak Exporting Volume, last 12 months per quarter (in containers)

\*3Q2021 data available until August 2021.



TRC Exporting Share Among Brazilian Competitors, last 12 months (volume wise)

Brazilian Teak Exporting Destination Share, last 12 months (volume wise)



\*Data source: Piers, IHS Markit

The Brazilian teak wood market is mainly focused on planting for exporting. The country's main producing regions are the states of Mato Grosso and Pará.

The exported container volume has decreased during the first quarter of 2021, slightly increasing on the following period. Considering that September keeps the trend of July and August, the total exported volume on the 3Q2021 is projected to reach 2,139 containers, the same volume level of 2Q2021.

In the last 12 months, TRC achieved of 55% of the Brazilian teak market share among its exporting competitors.

The main importing country of Brazilian teak is India, with 85% of the imported volume in the last 12 months, followed by Vietnam with 7.5% and China with 6.6%.

Currently, there is a strong global logistic crisis is greatly affecting producing countries' (incl. Brazil) capacity to export containers, especially to India. It is still unclear how long it will take before conditions normalize.

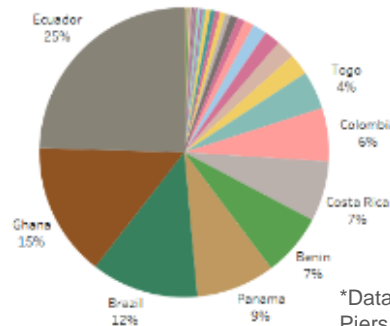
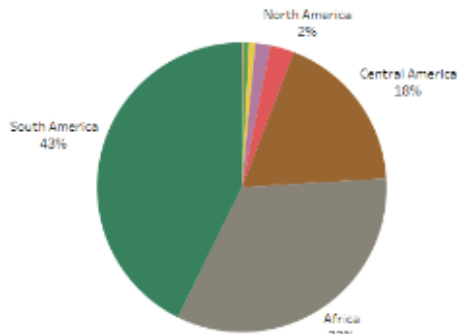
# Indian Teak Market Outlook

India Total Teak Importing Volume, in cubic meters  
\*2021 data available until July 2021



Market Share by Teak Exporting Region, in the last 12 months  
(volume wise)

Market Share by Teak Exporting Country, in the last 12 months  
(volume wise)



\*Data source:  
Piers, IHS Markit

India is the main global consumer of teak wood. Its volume imported had been increasingly growing since 2017 until it was strongly impacted by the Covid-19 pandemic. During 2021 the country has been recovering its importing pace, as can be seen on the bar chart, the data shown in 2021 is available until July only and the volume has already passed 2020's figures. It's possible that the total volume of 2021 passes the volume of 2019, despite the recent maritime freight crisis.

India's main suppliers in the last 12 months, in terms of region, are South America with 43% of all imports, followed by Africa with 33% and Central America with 18%.

In terms of country, Ecuador has shipped the highest teak volume (25%) to India, followed by Ghana (15%), Brazil (12%), Panama (9%), Togo (4%), Colombia (6%), Costa Rica (7%) and Benin (7%).

It is important to highlight that even though countries such as Ecuador and Ghana are playing an important role on India's teak imports, they offer thinner logs with inferior quality and price when compared to TRC's teak logs.

# Cost of Production (CoP)

- Cost of Production (USD):

2022	Cost	m <sup>3</sup>	Unit/m <sup>3</sup>
Tree Selection	USD 0	0	0.00
Harvesting	USD 809,969	85,907	9.43
Forwarding	USD 682,948	85,907	7.95
Lot Formation	USD 378,572	85,907	4.41
Loading	USD 179,091	85,907	2.08
Tax	USD 209,568	85,907	2.44
<b>Total</b>	<b>USD 2,260,149</b>	<b>85,907</b>	<b>26.31</b>
	<b>Cost</b>	<b>há</b>	<b>Unit/há</b>
Land Cleaning	USD 702,714	985	713.42
<b>Harvesting + Land Cleaning</b>	<b>USD 2,962,863</b>	<b>85,907</b>	<b>34.49</b>

- Comparison, in USD

	2021 MP	2022 MP	Var.
Tree Selection	USD 0	0	0
Harvesting	USD 647,935	809,969	162,034
Forwarding	USD 725,600	682,948	-42,653
Lot Formation	USD 357,125	378,572	21,447
Loading	USD 167,774	179,091	11,318
Tax	USD 230,357	209,568	-20,789
<b>Total Harvesting</b>	<b>USD 2,128,791</b>	<b>2,260,149</b>	<b>131,358</b>
Volume	(m <sup>3</sup> ) 95,144	85,907	-9,237
<b>Cop/m<sup>3</sup></b>	<b>USD 22.37</b>	<b>26.31</b>	<b>3.9</b>
Land Cleaning	USD 831,903	702,714	-129,189
<b>Harvesting + Cleaning</b>	<b>USD 2,960,694.04</b>	<b>2,962,862.57</b>	<b>2,168.5</b>

- Comparison, in BRL

	2021 MP	2022 MP	Var.
Tree Selection	BRL 0	0	0
Harvesting	BRL 3,239,673	4,454,830	1,215,157
Forwarding	BRL 3,628,002	3,756,214	128,211
Lot Formation	BRL 1,785,625	2,082,145	296,520
Loading	BRL 838,868	985,002	146,134
Tax	BRL 1,151,787	1,152,626	839
<b>Total Harvesting</b>	<b>BRL 10,643,955</b>	<b>12,430,817</b>	<b>1,786,862</b>
Volume	(m <sup>3</sup> ) 95,144	85,907	-9,237
<b>Cop/m<sup>3</sup></b>	<b>BRL 111.87</b>	<b>144.70</b>	<b>32.8</b>
Land Cleaning	BRL 4,159,515	3,864,927	-294,588
<b>Harvesting + Cleaning</b>	<b>BRL 14,803,470.20</b>	<b>16,295,744.12</b>	<b>1,492,273.9</b>

Note: All unitary costs are calculated using the total sales volume.

- The cost of production (COP) for the 2022 harvesting to be USD 26.31 per cubic meter (commercial volume).
- At the assumed FX rate of BRL 5.50/USD used throughout the management plan, this corresponds to BRL 144.70 per cubic meter. For comparison, in MP 2021, COP was BRL 111.87 per cubic meter. The increase in BRL is related to fuel and labor costs increase.
- Once a farm has completed its final harvest, the land must be cleaned prior to returning it to the landowner. The cleaning process involves extracting the roots, and their subsequent removal from the property, and finally a grading to level the land. Cleaning is included in the Harvesting + Depletion in the P&L. The total cost is estimated as BRL 3,923 / hectare, in current BRL terms, and is shown in USD at the budget FX rate:



# Forest Maintenance

Activities	Unit of Measure	2022			2023		
		Units	USD	USD/Unit	Units	USD	USD/Unit
Fertilization	ha	0	0	0	0	0	0
Firebreak Maintenance	ha	435	49,432	114	425	45,640	107
Road Maintenance	ha	154	106,400	691	125	89,749	718
Sprout Control	ha	128	16,552	129	112	13,155	117
Ant Control	ha	511	10,072	20	1,087	22,257	20
Weed Control	ha	1,313	86,909	66	2,601	178,691	69
Pruning	ha	128	13,523	106	112	24,995	223
Inventory	parc	1,459	40,378	28	1,298	37,336	29
Planting	ha	0	0	0	0	0	0
Soil Preparation	ha	0	0	0	0	0	0
Tree Selection for Thinning	ha	1,234	32,388	26	0	0	0
Operational Support	-	-	351,794	0	-	438,869	0
Tax over Forestry Services	-	-	42,300	0	-	52,752	0
Depreciation			10,427			3,619	
<b>Total</b>	ha	<b>12,742</b>	<b>760,175</b>	<b>60</b>	<b>11,185</b>	<b>907,064</b>	<b>81</b>

Most relevant expenses are on Operational Support and Road Maintenance, which are actually linked to the harvesting operations, to allow extraction of the wood and the proper functioning of machinery.

Weed Control is done with a mower prior to harvesting operations to improve traffic conditions and safety inside the stands.

Inventory and Firebreak Maintenance are done annually.

Ant Control, Sprout control and Pruning will be done in Mutum in 2022 and in Cacimba in 2023.

Currently FSA has 7 direct employees for its own silvicultural activities, but part of these activities planned are performed as service either by TRC (inventory, tree selection and operational support or by third-party contractors (road maintenance)

YEAR	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>G&amp;A</b>	<b>-2.570</b>	<b>-2.361</b>	<b>-1.841</b>	<b>-1.579</b>	<b>-1.259</b>	<b>-1.139</b>	<b>-960</b>	<b>-767</b>	<b>-530</b>	<b>-469</b>
Management Services Cost	-1.703	-1.544	-1.147	-947	-703	-612	-475	-329	-147	-101
G&A own expenses	-155	-155	-155	-155	-155	-155	-155	-155	-155	-155
Legal Expenses	-182	-182	-182	-182	-182	-182	-182	-182	-182	-182
Property costs	-530	-481	-357	-295	-219	-191	-148	-102	-46	-31

**Annual Management Fee:** According to the Management Services Agreement between Floresteca S/A and TRC, a fixed value per hectare (BRL 735, or USD 133 for 2022) is charged for the administrative services (e.g. treasury, legal, forest planning, IT etc.). This is paid on monthly basis and is updated, compliant to the MSTSA, per Brazilian CPI inflation (23% since December 2020). These expenses are set to decrease at the same proportion as managed area decreases

**G&A own expenses:** Costs invoiced straight to FSA, include the remuneration of the administrators, financial statements audit, among other smaller costs. In 2022, it is expected to be USD 155 K and are considered to be fixed annual costs.

**Legal Expenses:** General costs related to litigations in which FSA is involved. Currently estimated at USD 182 K per year, considered to be fixed annual costs.

**Property costs:** These expenses refer to local property management staff, infrastructure maintenance, operational and environmental licenses, as well as FSC certification costs. In 2022, these expenses come to USD 530 k. These expenses are set to decrease at the same proportion as managed area decreases. Among other expenses, currently FSA holds 9 employees on these functions.

# Profit and Loss

YEAR	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Commercial Volume - m³	88.171	106.127	143.533	140.473	77.119	90.000	106.895	90.000	35.347	77.265	954.929
Average price	82	72	89	72	128	105	116	86	118	127	96
Gross Revenues	7.254	7.618	12.782	10.129	9.886	9.432	12.360	7.782	4.171	9.804	91.218
Revenues Deductions	-171	-278	-248	-324	-51	-130	-100	-180	-32	-61	-1.575
<b>NET REVENUES</b>	<b>7.084</b>	<b>7.341</b>	<b>12.533</b>	<b>9.805</b>	<b>9.836</b>	<b>9.302</b>	<b>12.259</b>	<b>7.601</b>	<b>4.140</b>	<b>9.743</b>	<b>89.643</b>
<b>Operational Activities</b>	<b>-6.518</b>	<b>-8.097</b>	<b>-7.592</b>	<b>-7.430</b>	<b>-4.282</b>	<b>-4.783</b>	<b>-5.146</b>	<b>-4.559</b>	<b>-1.899</b>	<b>-3.418</b>	<b>-53.724</b>
Harvesting	-3.578	-5.400	-5.502	-5.645	-2.870	-3.511	-4.086	-3.748	-1.340	-2.927	-38.608
Management Services Cost	-1.703	-1.544	-1.147	-947	-703	-612	-475	-329	-147	-101	-7.708
G&A own expenses	-155	-155	-155	-155	-155	-155	-155	-155	-155	-155	-1.545
Legal Expenses	-182	-182	-182	-182	-182	-182	-182	-182	-182	-182	-1.818
Property costs	-530	-481	-357	-295	-219	-191	-148	-102	-46	-31	-2.401
Forestry	-370	-336	-250	-206	-153	-133	-100	-44	-29	-22	-1.643
Other operational expenses	-278	-283	-294	-306	0	0	0	0	0	0	-1.161
<b>EBITDA</b>	<b>288</b>	<b>-1.039</b>	<b>4.647</b>	<b>2.069</b>	<b>5.554</b>	<b>4.519</b>	<b>7.113</b>	<b>3.042</b>	<b>2.241</b>	<b>6.325</b>	<b>34.759</b>
<b>CoGS</b>	<b>-5.416</b>	<b>-5.901</b>	<b>-3.094</b>	<b>-2.643</b>	<b>-1.767</b>	<b>-1.999</b>	<b>-2.814</b>	<b>-3.123</b>	<b>-679</b>	<b>-1.139</b>	<b>-28.575</b>
Depletion	-6.317	-6.717	-3.700	-3.144	-2.139	-2.323	-3.063	-3.269	-754	-1.192	-32.619
Property costs	530	481	357	295	219	191	148	102	46	31	2.401
Forestry	370	336	250	206	153	133	100	44	29	22	1.643
<b>EBIT</b>	<b>-5.128</b>	<b>-6.939</b>	<b>1.553</b>	<b>-574</b>	<b>3.787</b>	<b>2.520</b>	<b>4.299</b>	<b>-81</b>	<b>1.562</b>	<b>5.186</b>	<b>6.184</b>
Finance expenses	-30	-1	-0	0	0	0	0	0	0	0	-30
<b>EBT</b>	<b>-5.158</b>	<b>-6.940</b>	<b>1.553</b>	<b>-574</b>	<b>3.787</b>	<b>2.520</b>	<b>4.299</b>	<b>-81</b>	<b>1.562</b>	<b>5.186</b>	<b>6.154</b>
Acc. Loss	-19.897	-25.055	-31.995	-30.442	-31.016	-27.229	-24.709	-20.411	-20.492	-18.930	-13.744
<b>Income Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit (Loss)</b>	<b>-5.158</b>	<b>-6.940</b>	<b>1.553</b>	<b>-574</b>	<b>3.787</b>	<b>2.520</b>	<b>4.299</b>	<b>-81</b>	<b>1.562</b>	<b>5.186</b>	<b>6.154</b>

The table shows Floresteca's Profit and Loss (accrual basis) forecast.

The 'EBITDA' here includes the capitalized forestry and property related expenses and ignores the depletion. This is reported in order to reflect the potential cash generation on accrual basis. These items are then returned to come to the correct taxable basis in EBT.

Apart from the costs discussed in the previous slides that compose this P&L, there are two other expense items that affect FSA financial results:

- Interests on the bank loan, reported under 'Financial expenses'.
- Annual land use deal payments for Barranquinho farm of BRL 1,5M per year, indexed by cattle prices, included in the 'Other operational expenses' item.

Given the historical accumulated losses that FSA holds, even on the years with positive EBT, no income taxes are charged.



# Cash Flow – Base case scenario – Prices from Oct 2021

YEAR	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Opening Balance	80	-702	-2.206	1.570	2.770	7.455	11.105	17.349	19.522	20.894	80
<b>Cash Balance from Operations</b>	<b>658</b>	<b>-703</b>	<b>4.897</b>	<b>2.275</b>	<b>5.707</b>	<b>4.652</b>	<b>7.213</b>	<b>3.086</b>	<b>2.270</b>	<b>6.347</b>	<b>36.402</b>
Gross Revenues	7.254	7.618	12.782	10.129	9.886	9.432	12.360	7.782	4.171	9.804	91.218
Revenues Deductions	-171	-278	-248	-324	-51	-130	-100	-180	-32	-61	-1.575
Logistics	0	0	0	0	0	0	0	0	0	0	0
Harvesting	-3.578	-5.400	-5.502	-5.645	-2.870	-3.511	-4.086	-3.748	-1.340	-2.927	-38.608
Other operational expenses	-278	-283	-294	-306	0	0	0	0	0	0	-1.161
G&A	-2.570	-2.361	-1.841	-1.579	-1.259	-1.139	-960	-767	-530	-469	-13.473
Income Tax	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Balance from Investing</b>	<b>39</b>	<b>73</b>	<b>-250</b>	<b>-206</b>	<b>-153</b>	<b>-133</b>	<b>-100</b>	<b>-44</b>	<b>-29</b>	<b>-22</b>	<b>-825</b>
Forestry Costs	-370	-336	-250	-206	-153	-133	-100	-44	-29	-22	-1.643
Investment	409	409	0	0	0	0	0	0	0	0	818
<b>Cash Flow to Firm</b>	<b>697</b>	<b>-630</b>	<b>4.647</b>	<b>2.069</b>	<b>5.554</b>	<b>4.519</b>	<b>7.113</b>	<b>3.042</b>	<b>2.241</b>	<b>6.325</b>	<b>35.577</b>
<b>Cash Balance from Financing</b>	<b>-609</b>	<b>-5</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-617</b>
Interest	-30	-1	-0	0	0	0	0	0	0	0	-30
Debt Repayment	-579	-5	-2	0	0	0	0	0	0	0	-586
<b>Cash Flow to Equity</b>	<b>87</b>	<b>-635</b>	<b>4.645</b>	<b>2.069</b>	<b>5.554</b>	<b>4.519</b>	<b>7.113</b>	<b>3.042</b>	<b>2.241</b>	<b>6.325</b>	<b>34.960</b>
<b>Cash Balance from Stakeholders</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>7.821</b>	<b>0</b>
FBV Funding	-686	-686	-686	-686	-686	-686	-686	-686	-686	6.174	0
SATT Funding	-183	-183	-183	-183	-183	-183	-183	-183	-183	1.647	0
<b>Net Free Cash Flow</b>	<b>-782</b>	<b>-1.504</b>	<b>3.776</b>	<b>1.200</b>	<b>4.685</b>	<b>3.650</b>	<b>6.244</b>	<b>2.173</b>	<b>1.372</b>	<b>14.146</b>	<b>34.960</b>
Closing Balance	-702	-2.206	1.570	2.770	7.455	11.105	17.349	19.522	20.894	35.040	35.040
<b>CBI holders' results</b>	<b>-15.316</b>	<b>0</b>	<b>0</b>	<b>-380</b>	<b>-3.414</b>	<b>-606</b>	<b>0</b>	<b>0</b>	<b>-5.623</b>	<b>-4.700</b>	<b>-30.039</b>
Previous harvest report acc. results	-14.921	0	0	-380	-3.414	-606	0	0	-5.623	-4.700	-14.921
Current harvest report results	-395	0	0	-380	-3.414	-606	0	0	-5.623	-4.700	-15.118
Closing Balance after investor payment	-16.018	-17.522	-13.746	-12.926	-11.655	-8.611	-2.367	-195	-4.445	5.001	5.001
<b>Provision for VTP case</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>						<b>-5.000</b>
Closing Balance considering provision	-17.018	-19.522	-16.746	-16.926	-16.655	-13.611	-7.367	-5.195	-9.445	1	1

This table summarizes the cash flow of Floresteca. Logs prices are based on the latest Conusfor Teak Price Report, sent in October 2021.

With the decrease in prices and rise in costs over 2021, margins are very tight and the operational cash generation is very low or even negative in the initial two years, insufficient to cover the financial expenses and legal provisions, resulting in negative final cash flows.

An annual provision of USD 686 K is set to fund FBV operations and USD 183 K to fund SATT.

The deepest cash gap would happen in 2023, at almost USD 2.2 M. If these estimates materialize, apart from a deeper reduction in expenses, financing alternatives such as loans or asset sales will need to be considered

The provision of USD 1 M per year for the VTP case is notional and will depend on its duration and decisions in court. It may even be higher than this in case it escalates to the superior courts in Brasilia. We currently have two specialized lawyer firms quotations, with total costs being USD 10.2 M for one and USD 16 M for the other (retainers + success fees). There still another possible claim of TRC lawyers costs in this case of USD 1.1 M.



# Cash Flow – Alternative scenario - Prices return to 3-year average

YEAR	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Opening Balance	80	1.078	1.454	8.323	12.063	18.950	24.763	33.838	37.866	40.059	80
<b>Cash Balance from Operations</b>	<b>2.438</b>	<b>1.177</b>	<b>7.990</b>	<b>4.815</b>	<b>7.909</b>	<b>6.815</b>	<b>10.045</b>	<b>4.941</b>	<b>3.091</b>	<b>8.129</b>	<b>57.350</b>
Gross Revenues	9.083	9.578	15.946	12.761	12.103	11.631	15.220	9.688	5.125	11.973	113.108
Revenues Deductions	-219	-357	-319	-417	-65	-167	-129	-232	-41	-79	-2.025
Logistics	0	0	0	0	0	0	0	0	0	0	0
Harvesting	-3.578	-5.400	-5.502	-5.645	-2.870	-3.511	-4.086	-3.748	-1.340	-2.927	-38.608
Other operational expenses	-278	-283	-294	-306	0	0	0	0	0	0	-1.161
G&A	-2.570	-2.361	-1.841	-1.579	-1.259	-1.139	-960	-767	-530	-469	-13.473
Income Tax	0	0	0	0	0	0	0	0	-124	-369	-493
<b>Cash Balance from Investing</b>	<b>39</b>	<b>73</b>	<b>-250</b>	<b>-206</b>	<b>-153</b>	<b>-133</b>	<b>-100</b>	<b>44</b>	<b>-29</b>	<b>-22</b>	<b>-825</b>
Forestry Costs	-370	-336	-250	-206	-153	-133	-100	-44	-29	-22	-1.643
Investment	409	409	0	0	0	0	0	0	0	0	818
<b>Cash Flow to Firm</b>	<b>2.476</b>	<b>1.251</b>	<b>7.740</b>	<b>4.609</b>	<b>7.756</b>	<b>6.682</b>	<b>9.944</b>	<b>4.897</b>	<b>3.062</b>	<b>8.108</b>	<b>56.524</b>
<b>Cash Balance from Financing</b>	<b>-609</b>	<b>-5</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-617</b>
Interest	-30	-1	-0	0	0	0	0	0	0	0	-30
Debt Repayment	-579	-5	-2	0	0	0	0	0	0	0	-586
<b>Cash Flow to Equity</b>	<b>1.867</b>	<b>1.245</b>	<b>7.738</b>	<b>4.609</b>	<b>7.756</b>	<b>6.682</b>	<b>9.944</b>	<b>4.897</b>	<b>3.062</b>	<b>8.108</b>	<b>55.908</b>
<b>Cash Balance from Stakeholders</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>7.821</b>	<b>0</b>
FBV Funding	-686	-686	-686	-686	-686	-686	-686	-686	-686	6.174	0
SATT Funding	-183	-183	-183	-183	-183	-183	-183	-183	-183	1.647	0
<b>Net Free Cash Flow</b>	<b>998</b>	<b>376</b>	<b>6.869</b>	<b>3.740</b>	<b>6.887</b>	<b>5.813</b>	<b>9.075</b>	<b>4.028</b>	<b>2.193</b>	<b>15.929</b>	<b>55.908</b>
Closing Balance	1.078	1.454	8.323	12.063	18.950	24.763	33.838	37.866	40.059	55.987	55.987
<b>CBI holders' results</b>	<b>-15.680</b>	<b>0</b>	<b>0</b>	<b>-453</b>	<b>-5.123</b>	<b>-949</b>	<b>0</b>	<b>0</b>	<b>-8.517</b>	<b>-7.060</b>	<b>-37.784</b>
Previous Harvest report acc. results	-14.921										-14.921
Current harvest report results	-759	0	0	-453	-5.123	-949	0	0	-8.517	-7.060	-22.863
Closing Balance after investor payment	-14.602	-14.226	-7.357	-4.071	-2.307	2.556	11.632	15.659	9.335	18.204	18.204
<b>Provision for VTP case</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>						<b>-5.000</b>
Closing Balance considering provision	-15.602	-16.226	-10.357	-8.071	-7.307	-2.444	6.632	10.659	4.335	13.204	13.204

As an alternative scenario, we considered a return-to-average situation, with log prices recalculated to match the 3-year average, based on the Consufor Mato Grosso Teak Price Report prices

This represents an increase on the average roadside price for the period from USD 96/m<sup>3</sup> to USD 118/m<sup>3</sup>, or 23%. Overall revenues would increase roughly by USD 21.8 M.

Operational cash generation would significantly improve, but still be insufficient to cover VTP legal costs in the first two years, if they materialize at this levels.

The cash gap would be reduced to USD 545 negative in 2023 which could be possibly be worked around with renegotiation of debts and receivables.

# Cash Flow – Alternative scenario - Prices decrease 15%

YEAR	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Opening Balance	80	-1.764	-4.369	-2.474	-2.744	465	2.720	7.125	8.157	8.909	80
<b>Cash Balance from Operations</b>	<b>-404</b>	<b>-1.804</b>	<b>3.016</b>	<b>805</b>	<b>4.232</b>	<b>3.257</b>	<b>5.374</b>	<b>1.946</b>	<b>1.649</b>	<b>4.886</b>	<b>22.956</b>
Gross Revenues	6.166	6.476	10.865	8.610	8.403	8.017	10.506	6.614	3.546	8.334	77.536
Revenues Deductions	-145	-236	-211	-276	-43	-110	-85	-153	-27	-52	-1.339
Logistics	0	0	0	0	0	0	0	0	0	0	0
Harvesting	-3.578	-5.400	-5.502	-5.645	-2.870	-3.511	-4.086	-3.748	-1.340	-2.927	-38.608
Other operational expenses	-278	-283	-294	-306	0	0	0	0	0	0	-1.161
G&A	-2.570	-2.361	-1.841	-1.579	-1.259	-1.139	-960	-767	-530	-469	-13.473
Income Tax	0	0	0	0	0	0	0	0	0	0	0
<b>Cash Balance from Investing</b>	<b>39</b>	<b>73</b>	<b>-250</b>	<b>-206</b>	<b>-153</b>	<b>-133</b>	<b>-100</b>	<b>-44</b>	<b>-29</b>	<b>-22</b>	<b>-825</b>
Forestry Costs	-370	-336	-250	-206	-153	-133	-100	-44	-29	-22	-1.643
Investment	409	409	0	0	0	0	0	0	0	0	818
<b>Cash Flow to Firm</b>	<b>-366</b>	<b>-1.731</b>	<b>2.767</b>	<b>599</b>	<b>4.079</b>	<b>3.124</b>	<b>5.274</b>	<b>1.902</b>	<b>1.620</b>	<b>4.864</b>	<b>22.130</b>
<b>Cash Balance from Financing</b>	<b>-609</b>	<b>-5</b>	<b>-2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-617</b>
Interest	-30	-1	-0	0	0	0	0	0	0	0	-30
Debt Repayment	-579	-5	-2	0	0	0	0	0	0	0	-586
<b>Cash Flow to Equity</b>	<b>-975</b>	<b>-1.736</b>	<b>2.765</b>	<b>599</b>	<b>4.079</b>	<b>3.124</b>	<b>5.274</b>	<b>1.902</b>	<b>1.620</b>	<b>4.864</b>	<b>21.514</b>
<b>Cash Balance from Stakeholders</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>-869</b>	<b>7.821</b>	<b>0</b>
FBV Funding	-686	-686	-686	-686	-686	-686	-686	-686	-686	6.174	0
SATT Funding	-183	-183	-183	-183	-183	-183	-183	-183	-183	1.647	0
<b>Net Free Cash Flow</b>	<b>-1.844</b>	<b>-2.605</b>	<b>1.896</b>	<b>-270</b>	<b>3.210</b>	<b>2.255</b>	<b>4.405</b>	<b>1.033</b>	<b>751</b>	<b>12.685</b>	<b>21.514</b>
Closing Balance	-1.764	-4.369	-2.474	-2.744	465	2.720	7.125	8.157	8.909	21.594	21.594
<b>CBI holders' results</b>	<b>-15.223</b>	<b>0</b>	<b>0</b>	<b>-333</b>	<b>-2.282</b>	<b>-398</b>	<b>0</b>	<b>0</b>	<b>-3.692</b>	<b>-3.172</b>	<b>-25.101</b>
Previous Harvest report acc. results	-14.921	0	0	-333	-2.282	-398	0	0	-3.692	-3.172	-14.921
Current harvest report results	-302	0	0	-333	-2.282	-398	0	0	-3.692	-3.172	-10.180
Closing Balance after investor payment	-16.987	-19.592	-17.697	-18.300	-17.373	-15.516	-11.112	-10.079	-13.020	-3.507	-3.507
<b>Provision for VTP case</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>	<b>-1.000</b>						<b>-5.000</b>
Closing Balance considering provision	-17.987	-21.592	-20.697	-22.300	-22.373	-20.516	-16.112	-15.079	-18.020	-8.507	-8.507

This scenario simulates if the prices trend remains and they decrease another 15% from the latest Consufor report from Oct 2021.

This represents a decrease on the average roadside price for the period to USD 81/m<sup>3</sup>. Overall revenues would decrease by USD 13.7 M.

Margins would be even more compressed and the negative cash generation from 2022 and 2023 would not be recovered until the end of 2025, ending this period still with a negative cash balance of USD 5.6M

The biggest cash gap would happen in 2023, at almost USD 4.4 M negative.

# CBI holders' result (pre SATT costs) - 2022 onwards

Project	SATT Area (ha)	Scenarios			Scenarios		
		Base case	3-year average prices	15% decrease in prices	Base case	3-year average prices	15% decrease in prices
		USD 000			USD/ha		
1997PAI	297,9	0	110	0	0	368	0
1998PAI	94,0	0	118	0	0	1.261	0
1999BAM	549,1	0	0	0	0	0	0
2000BAM	513,8	0	0	0	0	0	0
2000DLG	1.527,5	0	0	0	0	0	0
2001DLG	2.136,4	0	0	0	0	0	0
2001SMG	97,5	0	0	0	0	0	0
2002BAR	970,2	0	0	0	0	0	0
2002CMB	571,1	2.463	3.750	1.602	4.312	6.567	2.805
2002DLG	48,4	395	531	302	8.161	10.974	6.235
2002SMJ	1.085,2	0	0	0	0	0	0
2002SMG	5,7	0	0	0	0	0	0
2003BAR	13,0	103	147	76	7.990	11.316	5.900
2003CMB	10,2	276	307	257	27.111	30.123	25.193
2003STF	2.562,7	0	0	0	0	0	0
2003SMJ	207,9	951	1.373	680	4.577	6.606	3.273
2004BAR	1.021,0	0	0	0	0	0	0
2004TST	1.143,2	5.623	8.517	3.692	4.919	7.451	3.230
2005DLG	207,7	0	22	0	0	104	0
2006DLG	233,9	606	949	398	2.592	4.058	1.702
2007MUT	539,2	1.240	2.364	509	2.299	4.384	944
2007SAJ	301,3	3.460	4.564	2.663	11.484	15.147	8.839
2008SMJII	99,9	0	111	0	0	1.107	0
<b>TOTAL</b>	<b>14.236,6</b>	<b>15.118</b>	<b>22.863</b>	<b>10.180</b>	<b>1.062</b>	<b>1.606</b>	<b>715</b>

This table shows the expected CBI results (pre-SATT costs) per project, for the 3 different price scenarios considered, both on absolute scale (USD 000) and on a per hectare basis (USD/ha).

There is great variability between projects results, as a result of the existing heterogeneity on FSA forests.

Several projects result in zero value for investors as their net results are not enough to cover the agreed retainers.

The highest results are seen on purely clonal plantation, Where development is considerably above average, such as 2007SAJ.

The impact of prices on final proceeds is significant, with the best-case scenario being more than double the results of the worst case, for a variation in average price of approximately 45%.

# CapEx

- Recommended Capex for Floresteca S/A in 2022 (USD):

Description	Purpose of Use	Type	Acquisition Date	Quantity	Unit Value	Total
Semi-artesian well STF	Property	Facilities	April-22	1	9,091	9,091
Brush Cutters RP 1700	Forestry	Tractors and Implements	January-22	1	7,273	7,273
<b>Total</b>						<b>16,364</b>

- The total recommended CapEx for Floresteca Properties in 2022 is USD 16,364 of which are for equipment for normal continuity of operations.



# Legal and Compliance Update

## VTP – Floresteca S/A:

10/04/2021: the previous judge of the claim - Mr. Yale Sabo Mendes, returned back from the COURT OF APPEALS and upholds VTP's plea for clarification filed on 05/31/2021 and denies FLORESTECA plea for clarification filed on 06/02/2021. In short, he revoked the sentence of his colleague, Mr. Ramon Fagundes Botelho, and (i) states that the lawsuit should be analyzed and conducted under the Brazilian Consumer Code; (ii) the Specialized Class Action Court is proper to analyze lawsuits conducted under the class action law (n. 7.347/1985 and 4.717/1965), but does not have jurisdiction to this case, that shall be analyzed under Brazilian Consumer Code; (iii) VTP shall be discharged of the payment of court costs, that are not mandatory, according with decree n. 8.343/14 (International Access to Justice Convention, signed by Brazil in The Hague, Netherlands), and (iv) the lawsuit should proceed, as if the sentence of Mr. Botelho had not been issued.

10/29/2021: VTP requests to the COURT OF APPEAL to (i) deny the SECOND, THIRD, FOURTH and FIFTH VERDICT'S INJUNCTION APPEAL, or (ii) deny the suspension requested by TRC AGRO, TRC PARÁ, TRC MATO GROSSO and TRC CONSULTORIA, or, if the court analyzes the SECOND, THIRD, FOURTH and FIFTH VERDICT'S INJUNCTION APPEAL, to (iii) allow the immediately beginning of the expert's job.

10/29/2021: in the FIRST VERDICT'S INJUNCTION APPEAL, the reporting judge from the COURT OF APPEALS denies the temporary suspension of the decision from 10/04/2021, based in the following arguments: (i) the judge of the claim based his decision in an error, acting in the limits granted by the Brazilian law; (ii) the other questions argued by the appellants should be first analyzed by the lower court, which hasn't been made yet; (iii) the COURT OF APPEALS merit's analysis should be restricted to the jurisdiction of the 7th lower court. Now on, the COURT OF APPEALS will analyze the FIRST VERDICT'S INJUNCTION APPEAL.

11/05/2021: The judge of the claim (Mr. Yale) provides a new decision, where he asserts that the case shall proceed. In accordance with the decision: (i) the expert's studies shall be limited to the technical and scientific examination, such as the teak planting beginning, conditions, management and maintenance, average price of teak and factors that impact price, and the questions regarding the interpretation of contractual clauses are denied; (ii) **the defendants cannot proceed with the final cut on the farms subject to expert study until the expert's analysis**, except for the thinning operations; (iii) there are no reasons to send notices to CONSUFOR, SEWALL and FSC International, or to postpone the deadline of VTP' answer of the plaintiffs' defenses; (v) a new expert is nominated;

# Legal and Compliance Update

## **PARAISO, TERRA SANTA, AND BAMBU IV FARMS - OVERVIEW**

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

- Paraiso – As indicated earlier in the report, FSA has proceeded a mortgage to Paraiso Farm regarding past debts. In the APPEAL trial, the COURT OF APPEALS reforms the verdict, and (i) confirms that the usufruct agreement is valid and enforceable, and (ii) sentenced FRIGIERI to pay the court cost and legal attorney fees of 20%.
- Terra Santa; Floresteca has already contested the action and has been asking for the thinning to be authorized. The process is concluded for decision. A preliminary decision was granted not to cut the trees until the delimitation of Frigieri’s area. Recently, Floresteca has obtained a favorable decision to proceed with a phytosanitary treatment. The phyto thinning started from July onwards. The expert’s work that will base the judge analysis should begin on 09/14/2021. LHS requests the publicity of the existence of the claim before Terra Santa Farm Real Estate Registry Office, in order to guarantee FRIGIERI’s debts to FSA
- Bambu IV; 06/22/2021: in the FIRST PRELIMINARY INJUNCTION APPEAL trial, the COURT OF APPEALS reforms the order from 03/03/2021 and confirms that the escrow presented by FRIGIERI is insufficient and the main case should proceed. From now on, LHS may request new legal constrains, like freezing bank accounts or other assets.

# 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.

Mr. Rondon files a plea for clarification of the sentence and argues that (i) Rachel has spontaneously presented before the judge of the claim in presentation of Rondon Company, and is the sole responsible for the case dismissal; (ii) Mr. Rondon became a third party, and has not been noticed to express himself about the denial of court costs exemption; (iii) the judge of the claim has not expressed about the reunion of the case with the DIRECTOR REMOVAL LAWSUIT, that should be analyzed together, and (iv) the legal attorney fees should be reduced, regarding the low complexity of the case.

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.



# Appendix



# Annual Inventory Summary

## Cáceres Region Plantations 2021 Inventory Data

Project	Planting Year	Area (ha)	Age	DBH (cm)	Height (m)	Dominant Height (m)	Basal Area (m <sup>2</sup> /ha)	Trees/ha	Total Volume (m <sup>3</sup> /ha)	Individual Vol (m <sup>3</sup> /ha)	Total Volume (m <sup>3</sup> )
BAM	1999	549	20,9	20,0	14,9	16,2	11,7	365	74,2	0,20	40.755
	2000	514	19,9	23,4	17,0	17,9	12,5	289	89,7	0,31	46.107
BAR	2002	960	18,6	26,3	20,6	21,6	14,1	262	121,2	0,46	116.322
	2003	13	17,8	32,9	25,7	26,3	17,9	207	187,0	0,90	2.390
	2004	1.003	16,6	24,9	20,2	21,4	15,7	329	133,9	0,41	134.255
DLG	2000	1.110	20,7	27,4	19,1	19,8	9,8	158	77,8	0,49	86.359
	2001	1.643	19,7	25,0	17,2	18,0	9,9	218	72,0	0,33	118.269
	2002	48	18,4	39,7	25,3	25,9	17,8	141	163,2	1,16	7.900
	2005	203	15,6	26,6	17,8	18,7	9,5	165	69,6	0,42	14.125
	2006	216	14,5	29,6	19,0	19,7	12,1	171	90,6	0,53	19.562
SMG	2001	98	19,4	25,9	18,6	19,3	11,9	222	92,1	0,41	8.984
	2002	6	18,3	28,2	21,7	22,4	12,8	201	112,4	0,56	642
Total											595.670

# Annual Inventory Summary

## Porto Esperidião Region Plantations 2021 Inventory Data

Project	Planting Year	Area (ha)	Age	DBH (cm)	Height (m)	Dominant Height (m)	Basal Area (m <sup>2</sup> /ha)	Trees/ha	Total Volume (m <sup>3</sup> /ha)	Individual Vol (m <sup>3</sup> /ha)	Total Volume (m <sup>3</sup> )
CMB	2002	566	18,5	33,1	23,2	23,7	13,6	163	115,8	0,71	65.528
	2003	10	17,4	34,0	25,8	26,4	17,9	195	160,5	0,82	1.635
MUT	2007	511	12,9	25,4	19,0	19,7	16,9	361	126,9	0,35	64.900
SAJ	2007	301	13,5	31,3	22,7	23,0	10,8	139	92,0	0,66	27.722
SMJ	2002	1.060	18,7	27,5	20,4	21,6	13,4	241	105,6	0,44	111.924
	2003	207	17,8	32,8	23,0	23,8	14,0	178	120,7	0,68	24.955
SMJII	2008	94	12,0	25,2	17,9	18,4	13,2	265	93,2	0,35	8.801
STF	2003	2.550	17,6	26,0	19,6	20,6	13,0	267	101,0	0,38	257.581
TST	2004	1.127	16,7	32,7	24,1	24,7	16,6	206	155,9	0,76	175.805
Total											738.850

# Annual Inventory Summary

## Jangada Region Plantations 2021 Inventory Data

Project	Planting Year	Area (ha)	Age	DBH (cm)	Height (m)	Dominant Height (m)	Basal Area (m <sup>2</sup> /ha)	Trees/ha	Total Volume (m <sup>3</sup> /ha)	Individual Vol (m <sup>3</sup> /ha)	Total Volume (m <sup>3</sup> )
PAI	1997	281	22,9	29,1	20,6	21,3	12,6	211	106,0	0,50	29.793
	1998	94	22,4	33,0	23,3	23,8	12,1	141	108,9	0,77	10.220
Total											40.013



Thank you!



Floresteca