



Floresteca S.A.

2Q 2023 Results Summary

June 2023



Agenda

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Harvest Operations by Farm

Table: Area Changes – 2023

Project	Planting Year	Initial Area (ha) - End of 1Q 2023	Harvested Area (ha) - 1Q 2023	Current Area (ha) - End of 2Q 2023
Paiolandia	1997	8.52	8.52	0.00
Paraiso	1997	0.00		0.00
Paiolandia	1998	59.22	59.22	0.00
Bambu	1999	549.07		549.07
Bambu	2000	513.83		513.83
Duas Lagoas	2000	627.66		627.66
Duas Lagoas	2001	1,578.27	38.47	1,539.8
São Miguel	2001	97.52		97.52
Barranquinho	2002	960.13		960.13
Cacimba	2002	550.64	190.61	360.03
Duas Lagoas	2002	0.00		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		12,246.76	296.82	11,949.94

The table on the left presents FSA projects initial area (ha), based on the end of 1Q2023, the harvested area at the 2Q 2023, and the currently standing area. During this quarter, 297 hectares of harvesting were concluded on Cacimba (CMB), Paiolandia (PAI) and Duas Lagoas (DLG).

In PAI, operations are fully finished and the farm will now be prepared to return the land back to the landowner.

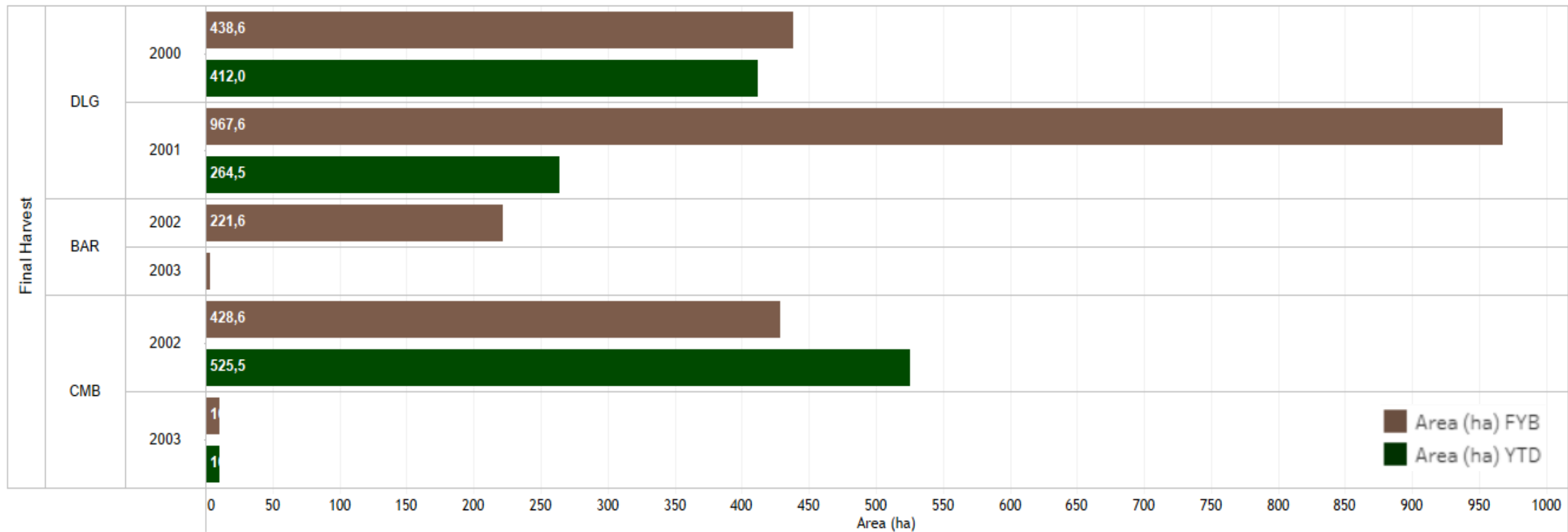
The final harvesting activities will continue in CMB and DLG in the third quarter.

Harvest Operations by Farm

This graph shows the 2023 budgeted areas (FYB - brown color) and areas where harvest has already started (green color). Here, operations may still be ongoing.

Barranquinho (BAR), despite being on budget, will no longer be performed, as a relevant part of that area belongs to the landowner, which would mean spending on harvesting only to deliver the logs to them. We came to an agreement to postpone that and increase areas where the production belongs to FSA in CMB.

Cacimba (CMB), as explained above, had its harvesting area increased in order to substitute BAR and enhance FSA production.



Sales Summary – Year to date

	Jan	Feb	Mar	Apr	May	Jun	Total
BAR2002							
Budget	0	0	0	2,429	4,486	4,486	11,401
YTD	0	0	0	0	0	0	0
BAR2003							
Budget	0	0	0	0	0	0	0
YTD	0	0	0	0	0	0	0
CMB2002							
Budget	7,000	7,000	4,760	3,500	0	0	22,260
YTD	186	1,226	4,256	4,617	7,462	6,083	23,830
CMB2003							
Budget	0	0	0	0	0	0	0
YTD	0	0	0	0	70	788	858
DLG2000							
Budget	2,171	2,171	2,171	2,171	2,171	2,171	13,026
YTD	4,827	1,452	577	921	1,648	1,859	11,284
DLG2001							
Budget	2,570	2,570	2,570	0	0	0	7,711
YTD	1,306	2,069	2,129	1,630	2,563	2,559	12,256
PAI1997							
Budget	0	0	0	0	0	0	0
YTD	3,770	3,983	2,327	738	162	23	11,005
STF2003							
Budget	0	0	0	0	0	0	0
YTD	0	23	0	0	0	0	23
Total							
Budget	11,741	11,741	9,501	8,100	6,657	6,657	54,397
YTD	10,089	8,754	9,289	7,907	11,904	11,312	59,256

YTD sales volume is better than expected by almost 4.9 K m³

Volumes invoiced in January and February came from the end of 2022, therefore invoices primarily came from PAI and DLG in both months.

BAR will no longer be harvested as explained previously. Its volume will be compensated in CMB and STF projects. CMB is ongoing and STF will start during 3Q.

Most part of 2Q volume came from CMB and DLG and plan for 3Q is to finish all CMB volume that belongs to FSA and move to STF right after.

For the 4Q, volumes are planned to come from DLG and STF.

Sales Summary – Year end estimate

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BAR2002													
Budget	0	0	0	2,429	4,486	4,486	3,809	2,412	0	0	0	0	17,621
YEE	0	0	0	0	0	0	0	0	0	0	0	0	0
BAR2003													
Budget	0	0	0	0	0	0	448	229	0	0	0	0	678
YEE	0	0	0	0	0	0	0	0	0	0	0	0	0
CMB2002													
Budget	7,000	7,000	4,760	3,500	0	0	2,808	4,512	4,512	4,512	3,346	2,366	44,317
YEE	186	1,226	4,256	4,617	7,462	6,083	2,354	6,854	6,854	6,390	2,354	2,354	50,989
CMB2003													
Budget	0	0	0	0	0	0	0	0	0	0	540	540	1,080
YEE	0	0	0	0	70	788	0	0	0	0	0	0	858
DLG2000													
Budget	2,171	2,171	2,171	2,171	2,171	2,171	2,170	2,170	548	0	0	0	17,914
YEE	4,827	1,452	577	921	1,648	1,859	2,171	2,171	2,171	548	0	0	18,345
DLG2001													
Budget	2,570	2,570	2,570	0	0	0	0	2,074	6,123	6,670	6,170	5,827	34,575
YEE	1,306	2,069	2,129	1,630	2,563	2,559	3,437	0	0	2,694	6,170	6,170	30,727
PAI1997													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YEE	3,770	3,983	2,327	738	162	23	0	0	0	0	0	0	11,005
STF2003													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YEE	0	23	0	0	0	0	0	0	0	0	4,000	3,500	7,523
Total													
Budget	11,741	11,741	9,501	8,100	6,657	6,657	9,235	11,397	11,183	11,182	10,056	8,733	116,184
YEE	10,089	8,754	9,289	7,907	11,904	11,312	7,962	9,025	9,025	9,632	12,524	12,024	119,447

So far, the YEE is to slightly increase the total volume when compared to the budget (~3 K m³).

The plan is to finish CMB and then move to STF. In parallel, DLG will have a continuous operation.

It is important to highlight that there were ~30 K m³ coming from land use deal areas in the original budget (out of the ~116 K m³) and now, in the latest forecast, there are ~14 K m³ (out of the ~119 K m³). Therefore, FSA revenue will improve on these 16 K m³ difference.

Yields - Final Harvests

Table: Log sales final harvest, stands planned for 2022

Project	Planting Year	Site Class	DBH (cm)		BA (m ² /ha)		AREA (ha)		VOL (m ³ /ha)		REMOVED (TPH)	
							FYB	YTD	FYB	YTD	FYB	YTD
DLG	2000	S1	33,8	33,8	13,5	13,5	107,4	107,4	84,6	59,6	157	157
		S2	31,2	31,2	12,0	12,0	141,8	141,8	71,0	53,6	159	137
	2001	S1	39,4	39,4	10,7	10,7	53,1	53,2	86,1	72,5	123	123
	2002	S1	38,0	38,0	17,9	17,9	48,4	48,4	121,1	92,8	146	146
PAI	1997	S1	35,8	35,8	16,1	16,1	149,8	149,8	98,9	105,8	166	166
		S2	31,9	31,9	11,0	11,0	29,3	29,3	71,9	68,1	161	161
		S3	20,6	20,6	9,2	9,2	102,0	102,1	15,4	31,1	293	293
	1998	S1	36,1	36,1	13,9	13,9	59,2	59,2	86,6	89,5	143	143
		S2	27,0	27,0	10,4	10,4	34,7	34,7	58,3	52,3	138	138
Total			30,8	30,8	12,5	12,5	725,9	725,9	76,1	69,5	173	169

- Table = 2022 budget stands. Total values (volume, area and trees) planned and performed until end of 2Q 2023.
- DBH and BA are the latest measured data.

Table: Log sales final harvest, stands planned for 2023

Project	Planting Year	Site Class	DBH (cm)		BA (m ² /ha)		AREA (ha)		VOL (m ³ /ha)		REMOVED (TPH)	
							FYB	YTD	FYB	YTD	FYB	YTD
CMB	2002	S1	36,5	36,5	15,0	15,0	168,9	168,9	69,1	52,7	145	142
		S2	26,0	26,0	13,5	13,5	36,9	36,9	65,5	43,8	218	256
DLG	2001	S2	29,7	29,7	12,1	12,1	33,5	33,5	55,1	45,5	177	175
Total			34,3	34,3	14,5	14,5	239,2	239,2	66,6	50,3	161	164

- Table = 2023 budget stands. Total values (volume, area and trees) planned and performed until end of 2Q 2023.
- DBH and BA are the latest measured data.

The tables show separately sales related to stands on 2022 and 2023 management plans. These tables show only areas where operations are fully finished, so that the yields per hectare are comparable.

2022 Planned

Due to constraints of Indian Market, some stands that were harvested last year were only sold this quarter.

In PAI, volumes were higher than the budgeted (75.0 m³/ha actual against 68.4 m³/ha budget).

On the other hand, in DLG, volumes were lower (63.7 m³/ha actual against 84.4 m³/ha budget) mainly due to losses caused by diseases. Many of the best areas in DLG have high levels of fungal infections that generate hard-to-predict losses.

2023 Planned

Due to the decision of not harvesting BAR, the operations remained in CMB and DLG projects.

Both had lower actual yields (51.1 m³/ha actual against 68.4 m³/ha budget), also caused by fungal diseases.

Yields - Thinning

Table: Log sales final harvest, stands unplanned for 2023

Project	Planting Year	Site Class	DBH (cm)	AB (m ² /ha)	Area (ha)	Vol. (m ³ /ha)	Removed (TPH)
			YTD	YTD	YTD	YTD	YTD
DLG	2000	S1	35,3	14,8	80,3	74,1	150
		S2	31,2	11,5	49,1	51,2	147
		S3	25,3	8,7	48,5	27,3	164
	2001	S2	32,7	13,0	38,5	54,1	152
Total			32,0	12,6	216,4	54,9	153

- Table = 2023 unplanned stands. Total values (volume, area and trees) planned and performed until end of 2Q 2023.

2023 Unplanned

The rainy season extended longer and had higher rainfall this year, so in order to maintain the production, some stands outside of the initial plan in DLG were harvested.

Log Sales & Prices

Roadside Prices Comparison 2023 YTD

Girth Class	Description	Volume m ³		Value USD		Avg RS Price (USD/m ³)		Avg Girth (cm)		Proportion	
		Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
50-60	Regular	5,096	6,994	243,894	260,200	48	37	56	60	9%	12%
	Channel	0	0	0	0	0	0	0	0	0%	0%
60-70	Regular	8,656	11,252	414,202	546,331	48	49	66	70	16%	19%
	Channel	0	0	0	0	0	0	0	0	0%	0%
70-80	Regular	10,032	3,316	480,139	200,818	48	61	75	74	18%	6%
	Channel	0	0	0	0	0	0	0	0	0%	0%
80-90	Regular	15,715	14,949	1,221,149	1,177,601	78	79	84	85	29%	25%
	Channel	0	176	0	10,216	0	58	0	88	0%	0%
90-100	Regular	4,549	2,136	450,027	211,016	99	99	94	95	8%	4%
	Channel	0	1,226	0	85,063	0	69	0	94	0%	2%
100-110	Regular	3,876	4,342	476,926	529,402	123	122	105	104	7%	7%
	Channel	0	3,384	0	290,464	0	86	0	105	0%	6%
110-120	Regular	3,012	1,756	451,209	259,232	150	148	114	114	6%	3%
	Channel	0	4,771	0	493,116	0	103	0	115	0%	8%
120-130	Regular	2,599	542	466,977	94,683	180	175	125	126	5%	1%
	Channel	0	3,437	0	422,720	0	123	0	126	0%	6%
130-140	Regular	684	182	169,561	37,490	248	206	135	134	1%	0%
	Channel	0	613	0	88,357	0	144	0	133	0%	1%
140-150	Regular	176	0	43,359	0	246	0	145	0	0%	0%
	Channel	0	181	0	31,075	0	171	0	141	0%	0%
150-160	Regular	2	0	454	0	227	0	155	0	0%	0%
	Channel	0	0	0	0	0	0	0	0	0%	0%
Total Geral		54,397	59,256	4,417,896	4,737,786	81	80	96	94	100%	100%

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

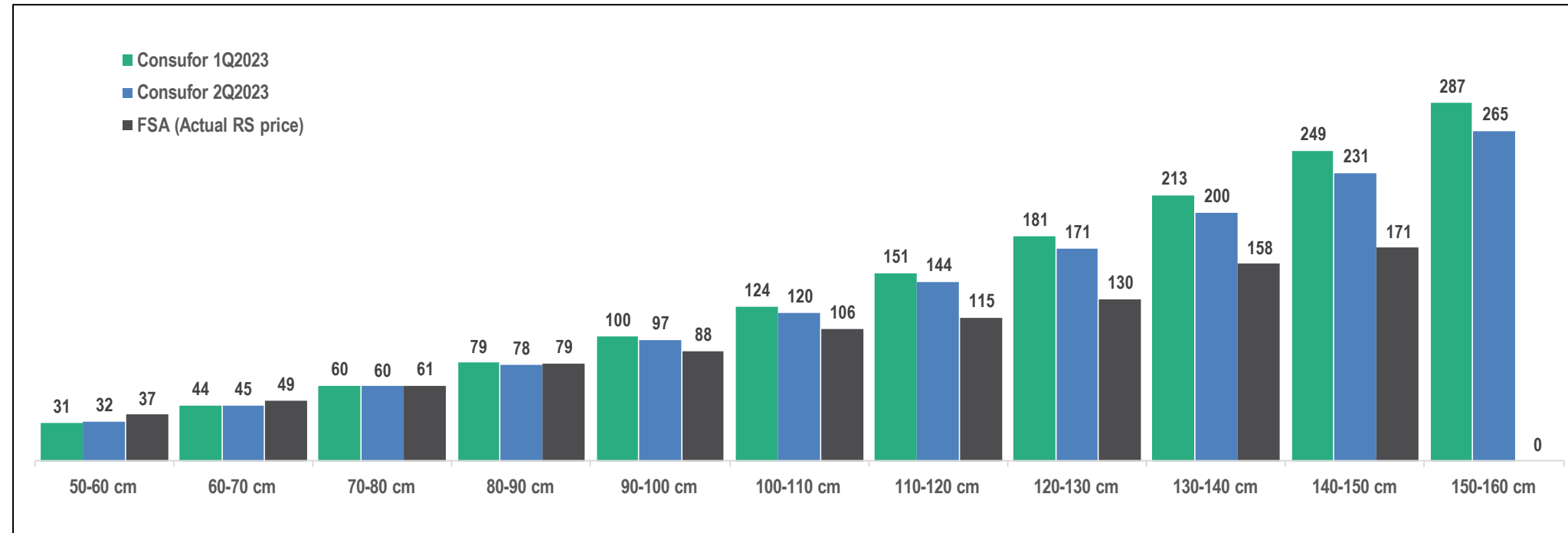
Overall, roadside prices had a decrease in the first and second quarter of 2023, compared to the prices used in the preparation of this budget (~2% on average).

Also, prices for defective logs, such as channeling or crooked, are given a discount on their Consufor value (30%). Starting from this report, the sales will be detailed by regular and discounted (channel) logs.

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/M³)



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.

Market Update

India

During 2Q 2023, Ghana, Ecuador and Panama were the main teak suppliers to India, with 56% of total teak wood imported. Brazil came closer to Panama with another 14% of total volume.

Ghana kept a steady supply since the beginning of the year with a ~700 containers/month – most part of its volume as rough and clean squares. Ecuador has decreased its volumes compared to 1Q - from ~800 containers to ~400 containers/month and Panama has increased more than 5 times in 2Q.

Benin and Togo were responsible for another 12% of arrivals, but almost 100% of this volume in clean and rough squares.

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
2022 HR	151,923
Total	23,710,307
Paid	-9,781,961
Outstanding	13,928,345

Harvest report 2022 is considering the finalization of the project DLG2002.

Legal and Compliance Update

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.

- **Terra Santa** – Updates since the last report.

05/19/2023: The judge of the claim denied the plea for clarification filed by FSA which requested the adjustment of the amount of the value of the claim to R\$ 8.938.206,26.

06/13/2023: FRIGIERI appeals against the verdict, arguing that (i) the judge of the claim has not appreciated the request made by FRIGIERI to condemn FSA to present all the documents related to the teak plantation, and the verdict must be annulled; or (ii) the verdict shall recognize FRIGIERI's right to at least 94.874 hectares of actual teak plantation.

06/27/2023: FSA presents an opposition against FRIGIERI's appeal filed on 06/13/2023, arguing that the verdict shall not be annulled, and appeals against the verdict, to request the adjustment of the amount of the value of the claim to R\$ 8.938.206,26, according to the difference between the area of teak requested by FRIGIERI (94,874 hectares) and the area sentenced (3,26 hectares).

07/21/2023: FRIGIERI presents his opposition against the appeal filed by FSA on 06/27/2023 and requests the maintenance of the value of the claim.

- **Bambu IV:** Updates since the last report.

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, the total amount of 352,832,86 BRL was frozen in FRIGIERI's bank account.

06/19/2023: FRIGIERI requests to the judge of the claim to (i) unfrozen the amount of 40 minimum salaries, which must be declared unseizable, or (ii) only release the frozen money upon a court escrow by LHS.

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.

05/04/2023: Mr. Rondon files a plea of clarification for reconsideration of the decision of the judge of the claim of 04/25/2023, submitting the proof of costs payment.

05/08/2023: The judge of the claim denied Mr. Rondon's plea for clarification, which requested reconsideration and progress of the appeal, considering that Mr. Rondon did not pay the court costs within the legal deadline and only requested an extension after the deadline had already passed.

05/18/2023: Mr. Rondon files a plea of clarification requesting the admissibility of the appeal, considering that the judge of the claim has not summoned the plaintiff to pay double court cost, in that moment, which would have prevented the decision of the desertion of the appeal.

05/29/2023: the reporting judge immediately denies the plea of clarification filed by Mr. Rondon on 05/18/2023 and apply a penalty for malicious prosecution of 0,01% of the actualized value of the matter in controversy, that shall be increased if Mr. Rondon files a new appeal on the same subject.

06/26/2023: Mr. Rondon appeals against the decision from 05/29/2023, that denied the plea of clarification filed by him on 05/18/2023.

07/05/2023: the COURT OF APPEALS announces the trial for a date between 07/18/2023 and 07/20/2023 (in this kind of trial, the parties cannot present their verbal arguments)

07/12/2023: FSA notices that Rondon Company is selling Paiolandia farm for 62.000.000 BRL and requests the publicity of the existence of the claim in the Real Estate Registry Office, in order to guarantee future debts.

06/29/2023: Rondon Company presents an opposition against Mr. Rondon's appeal filed on 06/26/2023, to request the denial of the appeal and the penalty increase.

06/29/2023: the COURT OF APPEALS denies Mr. Rondon's appeal filed on 06/26/2023, and fines Mr. Rondon for malicious prosecution in 1% of the updated value of the matter in controversy.

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

FSA should remain with 2 out of 4 TRC harvesting crews in the following months. At this stage, there are no impediments to the execution of the planned volumes for the second half of the year.

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

Cash availability is still a pressing issue in FSA. The plans for the year were reviewed trying to avoid harvesting areas that generate production for LUD landowners and focus production on areas generating revenue to FSA. All stump removal operations were also postponed to preserve cash.

It is important to highlight that many of the actions taken now to preserve cash now are pushing costs to the future, but they should still be covered by FSA cash generation at some point. The main components to this are:

- Areas of final harvest where land clearing was not performed and the land has not yet been formally returned to landowners and FSA may be ruled by court to perform clearing, or at least reimburse their costs (currently 1.800 ha in Paraíso, Paiolândia and Duas Lagoas farms, estimated cost of **USD 1.9M**).
- Delayed management services invoices from TRC from March and April 2022 (**USD 320 K**)

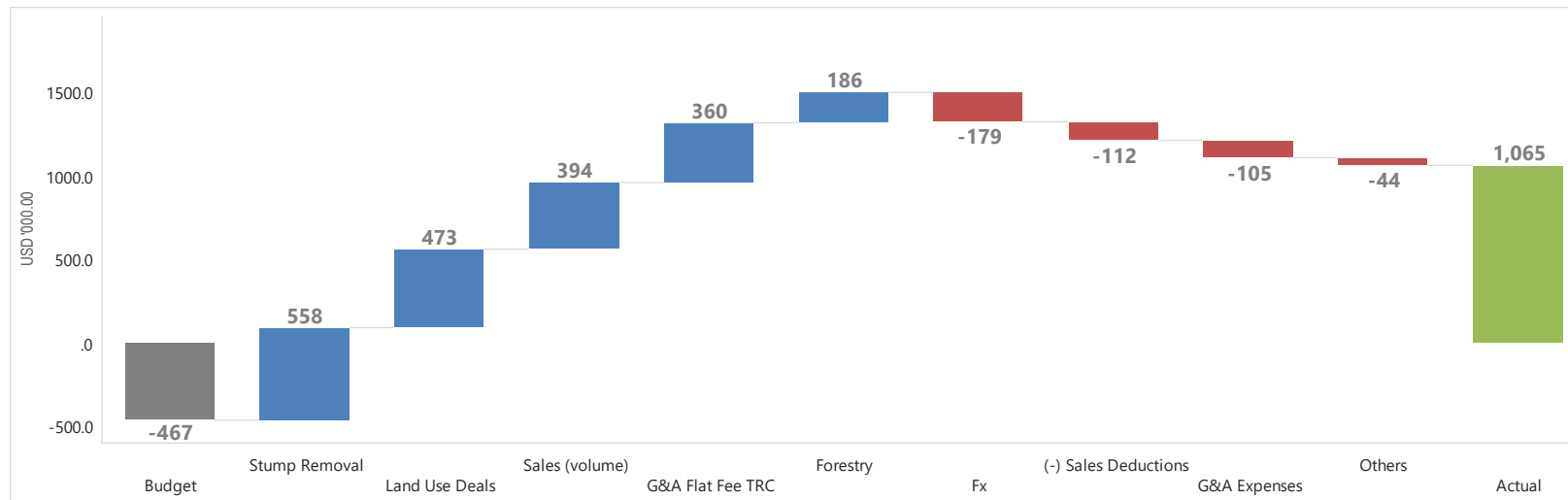
FSA Summary Financial Information

Summary P&L

FSA Profit and Loss (In USD 0,00) Volume	YTD	YTD	Var.	%	FY	FY	Var.	%
	Budget	Actual			Budget	Actual		
	54,397	59,256			116,184	105,325		
01 - Sales	4,417,896	4,586,622	168,727	4%	9,378,732	7,516,472	-1,862,260	-20%
01.01 - Log Sales	4,417,896	4,737,786	319,890	7%	9,378,732	8,142,443	-1,236,288	-13%
Fx gain (loss) to Actual	0	-179,380	-179,380	0%	0	-654,188	-654,188	0%
01.03 - Biomass	0	21,274	21,274	0%	0	21,274	21,274	0%
01.04 - Other Sales	0	6,942	6,942	0%	0	6,942	6,942	0%
01.1 - (-) Sales Deductions	-58,882	-170,721	-111,840	190%	-125,000	-370,702	-245,702	197%
02 - Net Sales	4,359,014	4,415,901	56,887	1%	9,253,732	7,145,769	-2,107,962	-23%
03 - CoGs	-1,727,032	-1,808,193	-81,160	5%	-3,652,809	-3,735,202	-82,393	2%
03.01 - Stump Removal	-580,027	-22,012	558,015	-96%	-1,531,019	-57,692	1,473,327	-96%
04 - Gross Profit	2,051,954	2,585,696	533,742	26%	4,069,903	3,352,875	-717,028	-18%
05 - Operational Expenses	-2,519,323	-1,520,366	998,957	-40%	-3,967,262	-3,246,195	721,067	-18%
5.01 - Forestry	-317,253	-130,882	186,372	-59%	-462,768	-462,768	0	0%
5.02 - Property Management	-289,151	-197,633	91,518	-32%	-589,321	-589,321	-0	0%
5.03 - G&A Expenses	-254,167	-358,838	-104,671	41%	-327,333	-432,003	-104,671	32%
5.04 - G&A Flat Fee TRC	-1,185,482	-825,146	360,336	-30%	-2,114,570	-1,754,234	360,336	-17%
5.05 - Land Use Deals	-473,269	0	473,269	-100%	-473,269	0	473,269	-100%
5.06 - Other Operational	0	-7,868	-7,868	0%	0	-7,868	-7,868	0%
06 - EBITDA	-467,369	1,065,330	1,532,699	-328%	102,642	106,680	4,039	4%
07 - Depreciation/Amortization/Depletion	-2,807,927	-3,366,105	-558,179	20%	-6,630,464	-6,068,761	561,703	-8%
7.01 - Depreciation/Amortization	-20,971	-2,253	18,718	-89%	-41,785	-23,067	18,718	-45%
7.02 - Depletion	-2,664,245	-3,350,845	-686,600	26%	-6,364,167	-5,930,885	433,281	-7%
7.03 - Financial Income	0	170,528	170,528	0%	0	170,528	170,528	0%
7.04 - Financial Expenses	-122,711	-183,535	-60,824	50%	-224,512	-285,335	-60,824	27%
08 - EBT	-3,275,296	-2,300,776	974,520	-30%	-6,527,822	-5,962,080	565,742	-9%
09 - Income Tax	0	0	0	0%	0	0	0	0%
10 - Profit & Loss	-3,275,296	-2,300,776	974,520	-30%	-6,527,822	-5,962,080	565,742	-9%

Summary P&L YTD

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



The YTD Operational Result was **USD 1 M** versus **USD - 467 K** budgeted or a favorable variation of **USD 1,5 M**.

The main positive variation (**USD 558 K**) came from the postponement of Stump Removal costs, as part of the strategy to preserve cash during the year, given the compressed margins.

Land Use Deals of Barranquinho Farm and Paiolandia Farm presented a positive variation by **USD 473 K** 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.

The over budget volume (**4.859 m³**) caused a positive variation on sales volume of **USD 394 K**.

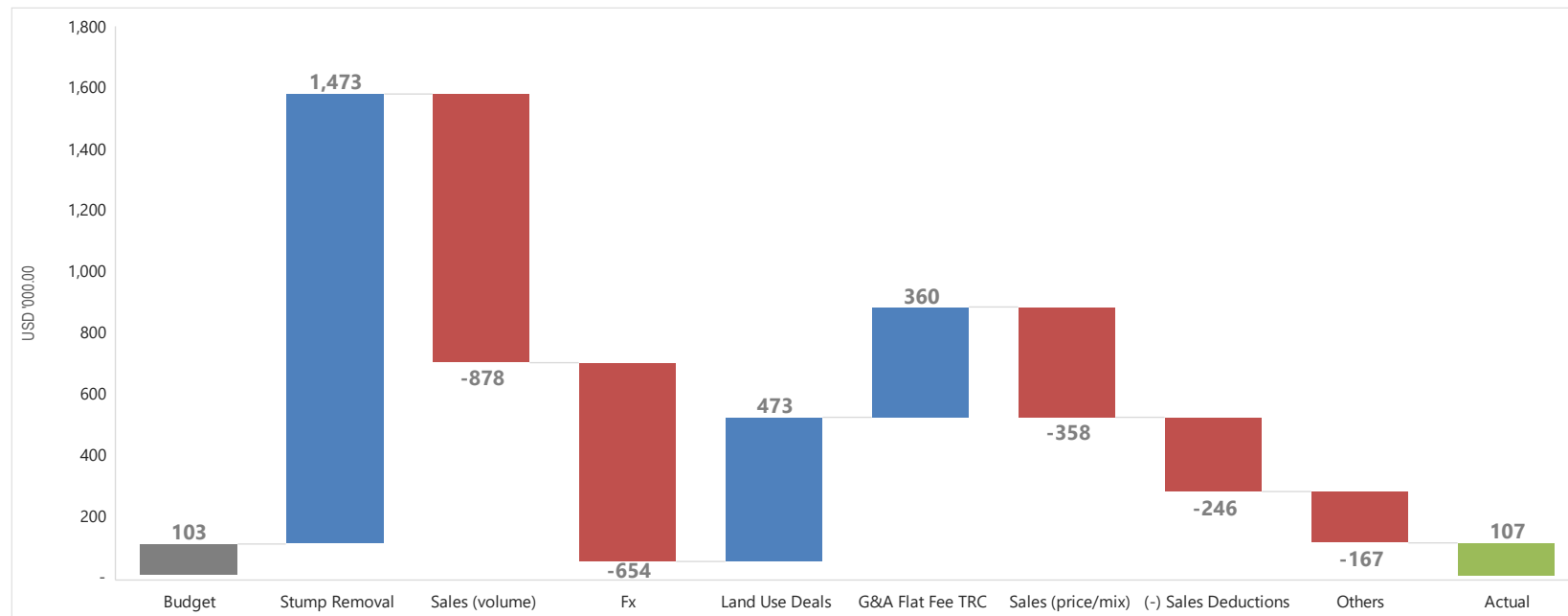
The positive variation on G&A flat fee TRC **USD 360 K**, was related the 2022 invoices (March and April), which was not paid in that moment and postponed until FSA has enough means to pay them. The new reprojecion is considering the payments for the beginning of 2024. Also, in May and June the inflation correction was negative.

Forestry Costs presented a temporary saving, which was reprojecion to the next quarter.

The negative effect on Fx rates was due to BRL valuation in comparison to the budget expectation. The budget fx rate was **5.20** and the average fx rate on the first semester was **5.07**.

Summary P&L YEE

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



The overall FY Operational Result is expected to be **USD 107 K** versus **USD 103 K** budgeted or a favorable variation of **USD 4 K**.

Stump Removal remains as the main positive variation, by **USD 1,4 M**.

As commented on last report, the reason of a negative variation on Sales Volume is because TRC didn't model correctly the LUD production conditions. 14.122 m³ from CMB2002) LUD areas were budgeted as regular revenues but, in fact, will only present harvesting costs, as those logs must be delivered to the landowner. Anyway, that was partially offset by the higher-than-budget volume for STF2003 and CMB2002 (~20 K m³, FSA own volume), in substitution for BAR LUD areas

The negative effect on Fx rates is due to BRL valuation in comparison to the budget expectation. The budget fx rate was **5.20** and for forecast, TRC is considering **4.85**.

There is no variance from the YTD slide explanations regarding Land Use Deals and G&A flat fee TRC.

Sales (price/mix) is presenting a negative variation since Consufor price report dropped on average by **4%**, in comparison to the budget. In addition, for projection, TRC is considering the discount of **30%** for defective logs.

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	2.420.690	2.653.271	72.113	95.922	34	28
	Forwarding	m³	2.701.179	2.144.107	70.179	54.473	38	39
	Loading	m³	704.056	763.686	57.497	47.580	12	16
	Lot Formation	m³	1.479.888	1.498.429	51.158	51.938	29	29
	Operational Support	-	1.080.807	1.156.247	0	0	0	0
	Soil Prep	ha	135.402		138		983	
	Stump Removal	ha	136.941	3.016.141	45	555	3.055	5.434
	Tree Selection	ha	5.087		27		188	
	Taxes	--	458.636	764.829			0	0
	Adjustment	--	15.288	0			0	0
Total geral			9.137.974	11.996.711				

Total Activities		YTD	Budget	Var %
COP	BRL	8,865,631	8,980,569	-1%
Commercial Vol. + Stock Vol.	m³	55,722	54,397	2%
COP/m3	BRL	159	165	-4%
Cost of Goods Sold (CoGs)		9,402,603	0	0%
Accounting adj. (CoGs - COP)		536,972	0	0%
Land Clearing		YTD	Budget	Var %
Soil Prep	BRL	135,402	0	0%
Stump Removal	BRL	136,941	3,016,141	-95%
Area	ha	138	0	0%
Area	ha	45	555	-92%
Soil prep	BRL/ha	981	0	0%
Stump Removal	BRL/ha	3,055	5,434	-44%
TOTAL		YTD	Budget	Var %
COP + Land Clearing	BRL	9,137,974	11,996,710	
BRL/USD Budget Rate		5.20	5.20	0%
COP + Land Clearing	USD	1,757,303	2,307,060	-24%

Unitary COP, considering only harvesting and associated activities, was 4% under budget. Good yield and fuel price decrease were the main drivers for that.

Land clearing activities were held back as much as possible. Soil prep was done in Serra das Araras project during 1Q to finish all activities in the farm and deliver it to the owners. Stump removal was done in just one stand in DLG project. The savings in land clearing activities should be kept until the end of the year, contributing positively to FSA's cash flow.

The Adjustment shows on the first table represents the difference between the actual expenditures incurred in the period (effective cost of production) to the estimated costs of the resources used registered by our operational controls (standard cost). This quarter, this variation was fairly small.

For a better reconciliation with P&L, the information of the Cost of Goods Sold (CoGs) was included, meaning the average cost of production from effectively sold volume in the balance sheet. In addition, the Accounting adj. is the difference between the Cost of Production (COP) and the Cost of Goods sold and represents the variation in stock/inventories in the period.

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	140.573	359.124	295	640	477	561
	Inventory	parc	217.105	335.213	1.291	2.019	168	166
	Pruning	ha	47.583	123.316	37	140	1.299	881
	Research	-	57.362		0		0	
	Roads	km	120.790	575.000	1	115	134.211	5.000
	Sprout Control	ha	55.332	40.307	33	70	1.699	576
	Weed Control	ha	194.798	182.092	427	404	456	451
	Taxes	--	18.785	34.666			0	0
	Adjustment	--	-57.280	0			0	0
Total geral			795.049	1.649.718	2.083	3.388	138.310	7.634

Forestry costs were 52% under budget. Comments:

- Firebreak maintenance: activity is still ongoing; thus savings are temporary;
- Inventory: tree measurements were delayed by ~30days; thus savings are temporary;
- Pruning and sprout control: part of the resources from pruning were spent on sprout control. Savings may remain for year end.
- Research: disease control and debarking were tested in Duas Lagoas forests.
- Roads: part of the resources may last until the end of the year, but we will have more accuracy in 4Q – when rain starts again and generating greater or less need in road maintenance.

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

General & Administrative Expenses

G&A / Overhead Summary YTD

FSA Total Overhead Costs (In USD 0,00)	YTD	YTD	Var.	%
	Budget	Actual		
5.02 - Property Management	-289,151	-197,633	91,518	-32%
5.03 - G&A Expenses	-254,167	-358,838	-104,671	41%
5.04 - G&A Flat Fee TRC	-1,185,482	-825,146	360,336	-30%
TOTAL	-1,728,800	-1,381,617	347,184	-20%

G&A / Overhead Summary YEE

FSA Total Overhead Costs (In USD 0,00)	FY	FY	Var.	%
	Budget	Actual		
5.02 - Property Management	-589,321	-589,321	-0	0%
5.03 - G&A Expenses	-327,333	-432,003	-104,671	32%
5.04 - G&A Flat Fee TRC	-2,114,570	-1,754,234	360,336	-17%
TOTAL	-3,031,224	-2,775,559	255,665	-8%

G&A own expenses include direct FSA costs, such as the remuneration of the administrators and financial statements audit, among others.

All YTD variations in Property management are being considered as timing shifts and are being reprojected to be compensated until year end.

The increase in G&A own expenses is caused by the payment of taxes related to the transfer of Capim Branco farm land titles (USD 36 K), lawyer costs (remaining success fees from VTP case), as well as the need of maintaining apprentices in FSA payroll (enforced by Brazilian law), that was not correctly budgeted.

There has been a reduction in TRC monthly fees is caused by negative inflation indexes observed in the last three months (nearly -5% on aggregate), while budget previewed positive inflation rates (USD 40 K), and the remainder are the postponed G&A invoices (USD 320 K) from 2022 that were once again pushed to 2024.

Cash Summary - YEE

Actual and Budget Cash Flow USD

FSA Cash Flow (In USD 0,00) Fx rate	1Q2023	1Q2023	2Q2023	2Q2023	3Q2023	3Q2023	4Q2023	4Q2023	2023	2023	Var.
	5.20	5.13	5.20	4.97	5.20	4.85	5.20	4.85	5.20	4.95	
	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Forecast	Budget	FY	
Initial Balance	233,427	637,837	661,294	86,528	-188,799	810,886	-18,832	308,312	233,427	637,837	404,410
Gross Revenues	3,363,049	1,687,299	1,849,934	3,059,615	2,742,406	2,382,917	2,580,944	1,369,345	10,536,333	8,499,176	-2,037,157
Log Sales	2,843,818	1,671,719	1,849,934	2,505,924	2,742,406	2,382,917	2,580,944	1,369,345	10,017,102	7,929,904	-2,087,198
Other Sales	519,231	15,580	0	553,692	0	0	0	0	519,231	569,272	50,041
(-) Sales Deductions	-26,816	-9,757	-17,313	-70,181	-25,666	-76,796	-24,155	-123,185	-93,750	-279,919	-186,169
Net Revenues	3,336,433	1,677,542	1,832,621	2,989,435	2,716,740	2,306,121	2,556,789	1,246,160	10,442,583	8,219,257	-2,223,326
Harvesting	-1,050,648	-1,053,985	-676,452	-916,035	-1,000,506	-835,117	-925,271	-1,056,362	-3,652,877	-3,861,499	-208,622
Stump Removal	-289,956	0	-290,014	-22,161	-475,496	-35,532	-475,496	0	-1,530,962	-57,692	1,473,269
Forestry Costs	-79,640	-68,829	-237,604	-61,223	-57,646	-168,223	-87,869	-87,869	-462,758	-386,145	76,614
Property Costs	-147,492	-110,405	-141,659	-103,964	-142,687	-180,349	-157,483	-195,145	-589,321	-589,863	-542
G&A Own expenses	-45,810	-45,458	-24,030	-72,600	-24,044	-20,663	-41,141	-37,760	-135,026	-176,482	-41,456
Flat Fee	-590,193	-428,264	-595,289	-378,052	-461,938	-461,938	-467,150	-467,150	-2,114,570	-1,735,405	379,166
LUD	-203,341	0	-269,928	-201,923	0	-539,282	0	0	-473,269	-741,205	-267,936
Operational Cash Generation	929,352	-29,400	-402,355	1,233,476	554,423	65,016	402,380	-598,126	1,483,800	670,966	-812,834
Legal Expenses	-6,010	-28,947	-6,010	-49,065	-6,010	-19,231	-6,009	-19,231	-24,038	-116,474	-92,436
Financial expenses	0	-994	0	-1,702	0	-1,038	0	-1,266	0	-5,000	-5,000
Income tax	0	0	0	0	0	0	0	0	0	0	0
Loan	-264,148	-237,450	-263,286	-230,985	-257,696	-230,994	-277,850	-251,713	-1,062,980	-951,141	111,839
Transfers to FBV/SATT	-120,750	-110,419	-120,750	-112,200	-120,750	-117,308	-120,750	-117,308	-483,000	-457,234	25,766
Legal Provision VTP	-110,577	-120,913	-57,692	-57,683	0	0	0	0	-168,269	-178,597	-10,327
Cash Generation	427,867	-528,123	-850,093	781,841	169,967	-303,555	-2,229	-987,643	-254,488	-1,037,480	-782,992
Fx gain/loss	0	-23,185	0	-57,484	0	-199,019	0	-170,092	0	-449,779	-449,779
Closing Balance	661,294	86,528	-188,799	810,886	-18,832	308,312	-21,061	-849,423	-21,061	-849,423	-828,362

The operational cash generation for the first semester was positive in **USD 1,2 M**, while the Management Plan projected **USD 527 K**.

The main negative variation came from the lower receivables in the first semester, as consequence of the slowed down operation from November 2022 to March 2023. For the second semester, revenues are lower than planned due to the decrease in Consufor prices, the correct representation of the 30% discount on channel logs and lower fx rates.

Due to the increase on expected volume for the year, harvesting costs presented a negative variation by **USD - 208 K**.

As commented on the P&L slide, stump removal is presenting savings of **USD 1,4 M**, aiming to preserve cash during the year. This strategy will remain for the full year.

For Flat Fee, as a strategy to preserve cash as well, TRC reprojected the payment of 2022 delayed invoices (March and April) to the beginning of 2024.

BAR's LUD payment (**USD - 300 K**) was split in 4 installments: **USD - 201 K** in June and **USD - 32 K** for the following months. PAI's LUD (**USD - 441 K**), was projected for September. The PAI expenses were carried over from last year, as the final harvest operation delayed, so did the final LUD payment (20% of revenues).

TRC renegotiated an important part of the loans, getting a better interest rate (18% p.a versus 8.42% p.a), by indexing them to USD instead of BRL. This decision will bring estimated savings of **USD 111 K** for 2023.

FSA Balance Sheet

Floresteca S.A- Balance Sheet position of June 30, 2023

(In thousands of reais/dollars)		FX RATE- ASSETS	4,8186		
		FX RATE - LIABILITIES	4,8192		
ASSETS	R\$	\$		R\$	\$
CURRENT ASSETS				LIABILITIES AND EQUITY	
Cash and cash equivalents	3.907.820	810.987		CURRENT LIABILITIES	
Accounts receivable	12.603.081	2.615.507		Loans and financing	3.958.946 821.494
Inventories	1.103.329	228.973		Suppliers and other accounts payable	2.173.824 451.076
Other receivables	239.690	49.743		TAX	253.996 52.705
Taxes Recoverable	715.627	148.513		Payroll	115.008 23.865
Total Current Asset	18.569.547	3.853.723		Total Current Liabilities	6.501.774 1.349.140
NON-CURRENT ASSETS				Non-current liabilities	
Advances to agricultural partners	7.114.715	1.476.511		Loans and financing	529.685.005 109.911.397
Deferred taxes	61.165.962	12.693.721		Contingencies	41.396.835 8.589.981
Forests - Own	479.839.412	99.580.669		Deferred taxes	589.154 122.251
Property, plant & equipment	279.150	57.932		Suppliers and other accounts payable	14.009.777 2.907.075
Intangible assets	5.185	1.076		Deferred taxes	589.154 122.251
Total Non-Current Asset	548.404.424	113.809.908		Total Non-Current Liabilities	585.680.771 121.530.704
	-			EQUITY	
				Capital	27.797.555 5.768.085
				Legal reserve	5.559.311 1.153.575
				Statement of profit or loss	(6.264.186) (1.299.839)
				Profit Reserve	(52.301.253) (10.852.683)
				Foreign exchange adjusts	14.648
				TOTAL EQUITY	(25.208.574) (5.216.214)
				Controlling interests	-
TOTAL CURRENT ASSETS	566.973.971	117.663.631		TOTAL LIABILITIES AND EQUITY	566.973.971 117.663.630

Appendix - Financial Tables

Cash Summary - YEE

YEE and Budget Cash Flow BRL

FSA Cash Flow (In BRL 0,00)	1Q2023	1Q2023	2Q2023	2Q2023	3Q2023	3Q2023	4Q2023	4Q2023	2023	2023	Var.
	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	Forecast	Budget	FY	
Initial Balance	1,213,820	3,252,138	3,438,729	439,598	-981,756	3,907,820	-97,927	1,495,314	1,213,820	3,252,138	2,038,318
Gross Revenues	17,487,853	8,707,657	9,619,658	15,312,648	14,260,513	11,557,146	13,420,907	6,641,322	54,788,932	42,218,774	-12,570,157
Log Sales	14,787,853	8,626,639	9,619,658	12,433,451	14,260,513	11,557,146	13,420,907	6,641,322	52,088,932	39,258,559	-12,830,372
Other Sales	2,700,000	81,018	0	2,879,197	0	0	0	0	2,700,000	2,960,215	260,215
(-) Sales Deductions	-138,403	-50,738	-90,029	-364,940	-133,463	-399,338	-125,605	-640,563	-487,500	-1,455,579	-968,079
Net Revenues	17,349,450	8,656,920	9,529,628	14,947,708	14,127,051	11,157,808	13,295,302	6,000,759	54,301,431	40,763,195	-13,538,236
Harvesting	-5,463,371	-5,480,725	-3,517,552	-4,763,383	-5,202,631	-4,342,607	-4,811,407	-5,493,081	-18,994,961	-20,079,796	-1,084,835
Stump Removal	-1,507,772	0	-1,508,071	-115,235	-2,472,579	-184,765	-2,472,579	0	-7,961,000	-300,000	7,661,000
Forestry Costs	-414,126	-357,913	-1,235,539	-318,361	-299,761	-874,761	-456,917	-456,917	-2,406,343	-2,007,952	398,391
Property Costs	-766,957	-574,105	-736,628	-540,611	-741,972	-937,816	-818,912	-1,014,756	-3,064,469	-3,067,288	-2,818
G&A Own expenses	-238,214	-236,383	-124,957	-377,522	-125,030	-107,450	-213,932	-196,352	-702,133	-917,706	-215,573
Flat Fee	-3,069,004	-2,226,974	-3,095,504	-1,965,872	-2,402,078	-2,402,078	-2,429,180	-2,429,180	-10,995,766	-9,024,104	1,971,662
LUD	-1,057,375	0	-1,403,625	-1,050,000	0	-2,804,268	0	0	-2,461,000	-3,854,268	-1,393,268
Operational Cash Generation	4,832,631	-219,179	-2,092,247	5,816,725	2,882,999	-495,938	2,092,375	-3,589,527	7,715,759	1,512,080	-6,203,678
Legal Expenses	-31,251	-150,525	-31,251	-255,141	-31,251	-100,000	-31,247	-100,000	-125,000	-605,666	-480,666
Financial expenses	0	-5,169	0	-8,851	0	-5,400	0	-6,581	0	-26,002	-26,002
Income tax	0	0	0	0	0	0	0	0	0	0	0
Loan	-1,373,572	-1,234,738	-1,369,087	-1,201,121	-1,340,019	-1,201,168	-1,444,818	-1,308,907	-5,527,496	-4,945,934	581,562
Transfers to FBV/SATT	-627,900	-574,180	-627,900	-583,438	-627,900	-610,000	-627,900	-610,000	-2,511,600	-2,377,618	133,983
Legal Provision VTP	-575,000	-628,749	-300,000	-299,953	0	0	0	0	-875,000	-928,702	-53,702
Cash Generation	2,224,909	-2,812,540	-4,420,486	3,468,222	883,829	-2,412,506	-11,590	-5,615,016	-1,323,337	-7,371,840	-6,048,503
Closing Balance	3,438,729	439,598	-981,756	3,907,820	-97,927	1,495,314	-109,517	-4,119,702	-109,517	-4,119,702	-4,010,185



Thank You!

