



# Floresteca S.A.

## 4Q 2023 Results Summary

December 2023



Floresteca

# Agenda

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# Harvest Operations by Farm

Table: Area Changes – 2023

Project	Planting Year	Initial Area (ha) - End of 3Q 2023	Harvested Area (ha) - 4Q 2023	Current Area (ha) - End of 4Q 2023	Site Class 3 Area (ha)	Current Area (ha) - Dismissive Site Class 3
Paiolandia	1997	0.00		0.00		0.00
Paraiso	1997	0.00		0.00		0.00
Paiolandia	1998	0.00		0.00		0.00
Bambu	1999	549.07		549.07	524.93	24.14
Bambu	2000	513.83		513.83	265.26	248.57
Duas Lagoas	2000	536.4	48.79	487.61	307.59	180.02
Duas Lagoas	2001	1,435.99	112.11	1,323.88	801.79	522.09
São Miguel	2001	97.52		97.52	41.92	55.6
Barranquinho	2002	960.13		960.13		960.13
Cacimba	2002	252.2	137.99	114.21		114.21
Duas Lagoas	2002	0.00		0.00		0.00
São Miguel	2002	5.71		5.71		5.71
Santa Maria do Jauru	2002	1,059.97		1,059.97	83.35	976.62
Barranquinho	2003	12.78		12.78		12.78
Cacimba	2003	10.19	8.15	2.04		2.04
Santa Maria do Jauru	2003	206.72		206.72		206.72
Santa Fé	2003	2,550.47	44.81	2,505.66	739.65	1,766.01
Barranquinho	2004	1,002.89		1,002.89	94.72	908.17
Terra Santa	2004	1,127.44		1,127.44		1,127.44
Duas Lagoas	2005	202.93		202.93		202.93
Duas Lagoas	2006	215.84		215.84		215.84
Mutum	2007	511.32		511.32		511.32
São José	2007	301.22		301.22		301.22
Santa Maria do Jauru II	2008	94.42		94.42		94.42
Total		11,647.04	351.85	11,295.19	2,859.21	8,435.98

The table on the left presents FSA projects initial area (ha), based on the end of 3Q2023, the harvested area at the 4Q 2023, and the currently standing area. Also, was included Site Class 3 areas, that have been disregarded for 2024 initial area.

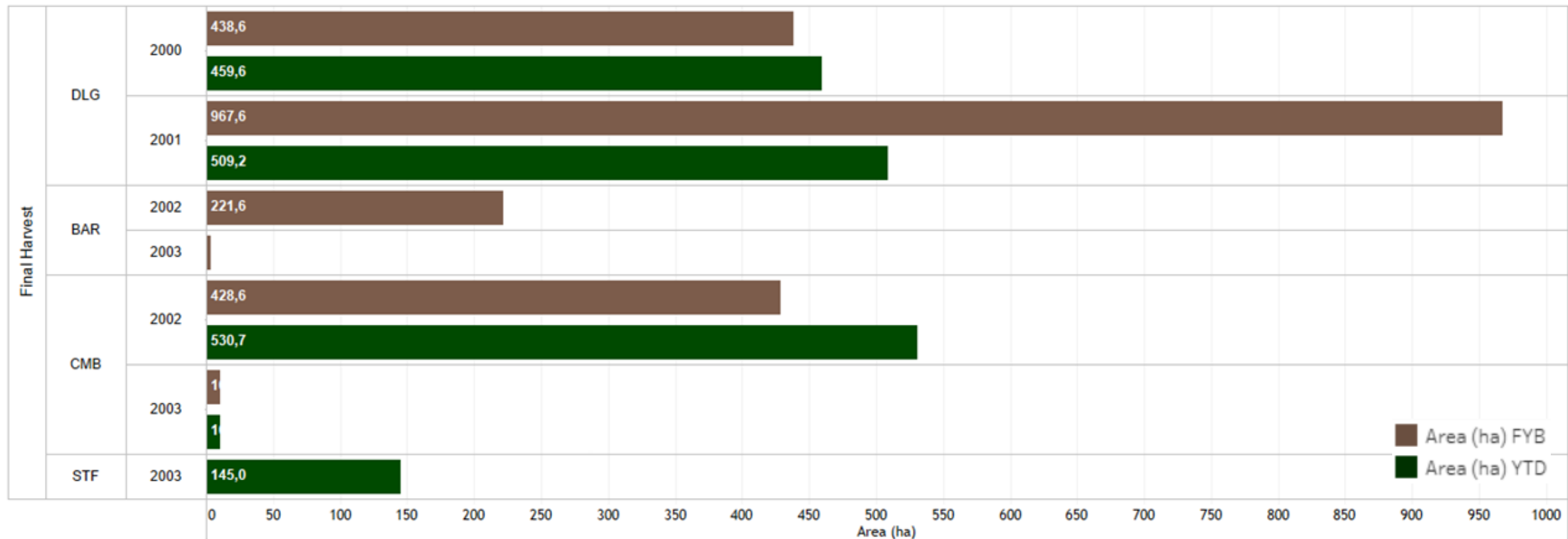
During the 4Q2023, was completed the activities in all stands of CMB, and some stands of the DLG and STF projects too.

However, were not completely concluded some stands in the DLG and STF projects, so the activities continue to be carried out in these stands.

# 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 and STF.



# Sales Summary – Year end estimate

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>BAR2002</b>													
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
<b>BAR2003</b>													
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
<b>CMB2002</b>													
Budget	7,000	7,000	4,760	3,500	0	0	2,808	4,512	4,512	4,512	3,346	2,366	30,194
YEE	186	1,226	4,256	4,617	7,462	6,083	2,453	2,571	2,669	580	108	4	32,216
<b>CMB2003</b>													
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
<b>DLG2000</b>													
Budget	2,171	2,171	2,171	2,173	2,172	2,172	2,170	2,170	548	0	0	0	17,918
YEE	4,827	1,452	577	921	1,648	1,859	2,066	1,099	741	376	435	213	16,213
<b>DLG2001</b>													
Budget	2,570	2,571	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	1,171	1,635	999	309	872	3,580	20,824
<b>PA11997</b>													
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
<b>STF2003</b>													
Budget	0	0	0	0	0	0	0	0	0	0	0	0	0
YEE	0	23	0	0	0	0	0	0	422	3,007	2,532	4,086	10,071
<b>Total</b>													
Budget	11,741	11,742	9,501	8,102	6,658	6,658	9,235	11,397	11,183	11,182	10,056	8,733	116,189
YEE	10,089	8,754	9,289	7,907	11,904	11,312	5,690	5,305	4,831	4,272	3,947	7,884	91,186

Overall, the accumulated annual volume is lower than budget. However, in the original budget, approximately 30K m<sup>3</sup> were coming from LUD (Land Use Deal) areas (out of the ~116K m<sup>3</sup>), meaning that FSA really had only 86K m<sup>3</sup> of its own wood. So, the year closed with 91K m<sup>3</sup> – or ~5K m<sup>3</sup> more than it was expected for FSA own logs.

In the previous report, we had forecasted 95k m<sup>3</sup> for YEE, but in 4Q2023 there was a lot of pressure in railroad caused by cotton season and logistics were not in a good pace as we desired. So, part of the logs produced could not be moved out of the farms.

During 1Q2024 we will have harvesting crews in three farms: Santa Fé, Duas Lagoas and Santa Maria do Jauru.

# Yields - Final Harvests

**Table: Log sales final harvest, stands planned for 2023**

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
CMB	2002	S1	36,7	36,7	14,9	14,9	356,7	356,7	77,7	60,9	142	137
		S2	26,0	26,0	13,5	13,5	36,9	36,9	65,5	44,4	218	256
	2003	S1	34,3	34,3	20,8	20,8	10,2	10,2	106,0	84,2	190	227
DLG	2000	S2	29,4	29,4	10,9	10,9	189,6	189,6	52,4	46,5	151	153
	2001	S1	39,8	39,8	14,1	14,1	70,5	70,5	83,2	71,4	117	124
		S2	29,7	29,7	12,1	12,1	33,5	33,5	55,1	47,8	177	175
		S3	21,6	21,6	8,4	8,4	48,8	48,8	12,9	12,7	319	241
Total			33,8	33,8	13,8	13,8	746,1	746,2	66,3	54,0	159	155

- Table = 2023 budget stands. Total values (volume, area and trees) planned and performed until end of 4Q 2023.
- DBH and BA are the latest measured data.

**Table: Log sales final harvest, unplanned stands for 2023**

Project	Planting Year	Site Class	DBH (cm)	AB (m <sup>2</sup> /ha)	Area (ha)	Vol. (m <sup>3</sup> /ha)	Removed (TPH)
			YTD	YTD	YTD	YTD	YTD
CMB	2002	S1	31,4	16,3	43,5	74,4	202
		S2	28,3	14,8	93,7	60,6	220
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	S1	37,9	12,9	124,5	61,2	105
		S2	33,3	13,1	94,0	57,1	147
STF	2003	S1	31,5	15,4	95,0	76,6	198
Total			32,2	13,9	628,5	62,0	163

- Table = 2023 unplanned stands. Total values (volume, area and trees) planned and performed until end of 4Q 2023.

The tables show separately planned and unplanned sales of 2023. These tables show only stands where operations are fully finished, so that the yields per hectare are comparable.

## 2023 Planned

During the 4Q2023 the activities remained on CMB and DLG projects.

In CMB, the volumes were lower (60.0 m<sup>3</sup>/ha actual against 77.3 m<sup>3</sup>/ha budget). Misestimations of commercial heights were identified as the main cause of the deviation.

In DLG, the volume were also lower (46.9 m<sup>3</sup>/ha actual against 53.4 m<sup>3</sup>/ha budget). In this project, as explained previously, the fungal diseases have caused hard-to-predict losses.

## 2023 Unplanned

In order to substitute the volumes in BAR LUD areas, some unplanned stands were included on DLG, CMB and STF.

The table on the left shows the sales yields of the all finalized unplanned stands.

# Log Sales & Prices

## Roadside Prices Comparison 2023 YEE

Girth Class	Description	Volume m <sup>3</sup>		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	Regular	11,741	0	561,746	0	48	0	56	0	10%	0%
	Channel	0	0	0	0	0	0	0	0	0%	0%
60-70	Regular	19,226	10,194	919,821	376,381	48	37	66	61	17%	11%
	Channel	0	0	0	0	0	0	0	0	0%	0%
70-80	Regular	21,396	25,633	1,023,873	1,307,301	48	51	75	72	18%	28%
	Channel	0	0	0	0	0	0	0	0	0%	0%
80-90	Regular	33,019	21,378	2,565,735	1,654,186	78	77	84	84	28%	23%
	Channel	0	436	0	23,351	0	54	0	86	0%	0%
90-100	Regular	9,008	4,952	891,215	459,492	99	93	94	94	8%	5%
	Channel	0	2,585	0	173,253	0	67	0	95	0%	3%
100-110	Regular	7,780	5,322	957,162	638,576	123	120	105	104	7%	6%
	Channel	0	4,628	0	387,436	0	84	0	105	0%	5%
110-120	Regular	6,409	2,504	960,883	360,167	150	144	114	114	6%	3%
	Channel	0	6,372	0	641,139	0	101	0	115	0%	7%
120-130	Regular	5,682	698	1,021,203	116,541	180	167	125	125	5%	1%
	Channel	0	5,259	0	624,746	0	119	0	124	0%	6%
130-140	Regular	1,532	203	380,297	41,145	248	203	135	134	1%	0%
	Channel	0	820	0	114,997	0	140	0	132	0%	1%
140-150	Regular	388	0	95,468	0	246	0	145	0	0%	0%
	Channel	0	203	0	34,470	0	170	0	141	0%	0%
150-160	Regular	6	0	1,331	0	222	0	155	0	0%	0%
	Channel	0	0	0	0	0	0	0	0	0%	0%
<b>Total Geral</b>		<b>116,187</b>	<b>91,186</b>	<b>9,378,733</b>	<b>6,953,182</b>	<b>81</b>	<b>76</b>	<b>96</b>	<b>92</b>	<b>100%</b>	<b>100%</b>

FSA sells to TRC at the roadside, with the pricing determined by the latest Consufor price survey available at the time of the transaction.

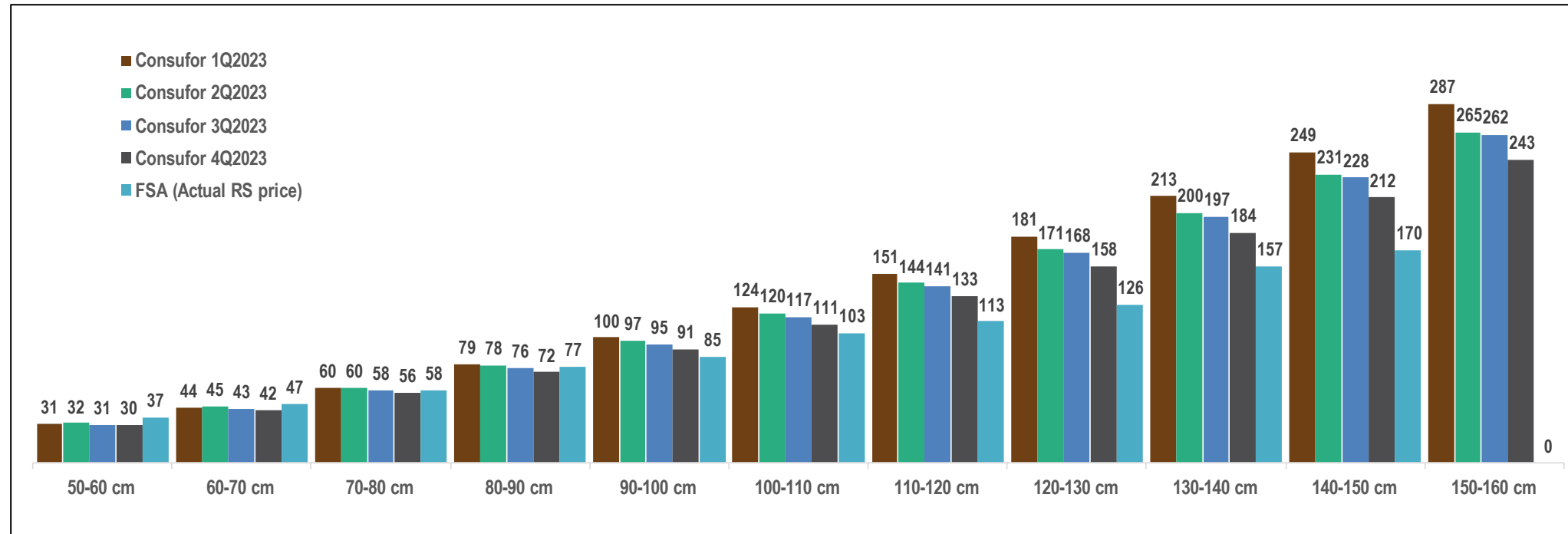
Over the course of 2023, roadside prices consistently declined quarter over quarter, resulting in a year-end price that was lower than what we had initially budgeted for.

Also, prices for defective logs, such as channeling or crooked, are given a discount on their Consufor value (30%). Sales are then detailed separately for 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 (YEE) vs Consufor roadside prices (USD/M<sup>3</sup>)



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 4Q 2023, Ecuador, Brazil, Colombia, Mexico and Guatemala were the top five teak suppliers to India. These five countries were responsible for 76% of teak volume in India.

In North India Ecuador had 53% of volume followed by Brazil with 31%, but in South (Chennai and Tuticorin ports) distribution was much more scattered – Brazil was first place with 20% of the volume, followed by Colombia and Benin with 16 and 10%.

Ghana government imposed a minimum price for teak timber and that will affect Ghana's Teak exports in 2024 – that was already seen in 4Q2023 with Ghana's volume decreasing sharply. Ecuador season will last until February at least – with a lot of volume coming from there – and Panama/Costa Rica season will start in March. There is a lot of pressure in price and liquidity in North market, basically because of the large volumes coming from Ecuador in Mundra port.

South stocks, on the opposite hand, were at regular levels, and we cannot see pressure on price and liquidity until Panama/Costa Rica season starts.

# 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
<b>Total</b>	<b>23,710,307</b>
<b>Paid</b>	<b>-9,946,029</b>
<b>Outstanding</b>	<b>13,764,277</b>

Harvest report 2023 will be finalized and reported in the next quarterly report.

# 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** – No Updates since the last report.
- **Bambu IV** – No Updates since the last report.

## **BAMBU I FARM – OVERVIEW**

The farm have land use deal (“LUD”, also “Usufruct Agreements”) The landowners, Mr. Luiz Plácido Pinto Junior and his wife Rosane Costa Marques Pinto claim for the accountability of the usufruct from Bambu I Farm.

- **Bambu I:** First movement after two years

**01/23/2024:** The judge of the claim ruled in Plaintiff’s favor, and has a result, FSA shall account to the court for the teak plantations. We clarify that the accountability claim is a two-phase procedure, the first phase aims only to ascertain the duty of the defendant to render accounts, and the second phase to provide the required accounts and investigate the existence or not of a balance/irregularity.

**01/29/2024:** FSA file a plea for clarification, to (i) reinforce that they have presented the purchase agreement with Plaintiffs acquittance statement, which proves that the Plaintiffs sold their hectares and are out of the business, without accounting rights; and (ii) concerning the only hectare that there is no release agreement between Plaintiffs and defendants, to proceed with the case, and let FSA present their pretended evidence, as they have requested on 07/18/2022.

# Legal and Compliance Update

**BAMBU V FARM – OVERVIEW** The farm have had use deal ("LUD", also "Usufruct Agreements") The landowners, Mr. Fernando Augusto Palma Faria and his wife Cristina Adiles Costa Marques Faria claim for the accountability of the usufruct from Bambu V Farm.

• **Bambu V:** Floresteca has not yet been officially notified of the lawsuit, but we already had access to the content. In short, they want the judiciary to declare the remuneration clause null and void. They understand that remuneration cannot be set in percentage terms (15%) and the judge is the one who must, once the clause is null and void, assign a price, based on market practice. They omit in the initial request the fact that they have already sold 15% of the plantation to Floresteca.

## **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.

**11/05/2023:** Rondon Company presents an opposition against Mr. Rondon special appeal filed on 08/11/2023, arguing that (i) Mr. Rondon hasn't paid the court costs and the fine, so the special appeal cannot be accepted; (ii) the requests made by Mr. Rondon are against the jurisprudence of the Superior Court of Justice, and (iii) the appealed decision must be maintained.

**11/21/2023:** the reporting judge denies the court cost exemption requested by Mr. Rondon, and notices him to pay it, under penalty of the appeal be considered abandoned

**12/01/2023:** Mr. Rondon pays the court costs related to the special appeal.

**12/19/2023:** Mr. Rondon files a new appeal before the COURT OF APPEALS, directed to the Superior Court of Justice, against the decision from 11/23/2023 that rejected the special appeal filed by Mr. Rondon. Such appeal aims to have Mr. Rondon's special appeal analyzed by the Superior Court.

**01/09/2024:** Silvia Helena Marrey Mendonça resigns as Rondon Company's lawyer in 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.



# Outlook on Upcoming Quarters

FSA should remain with 3 out of 4 TRC harvesting crews in the following quarter. In April, 2 out of the four harvesting crews will be dedicated to FSA's areas. Logistic bottlenecks coming from cotton might remain until the end of February and only then the capacity of moving the logs to the port should be at a regular pace again.

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.

FSA is currently negotiating with banks to refinance its current debts to more favorable interest rates and payment terms, in order to help with its liquidity. It is important to remark that this will not increase debt, this is just to improve the conditions, maintaining the same level of leverage it currently has.

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**)

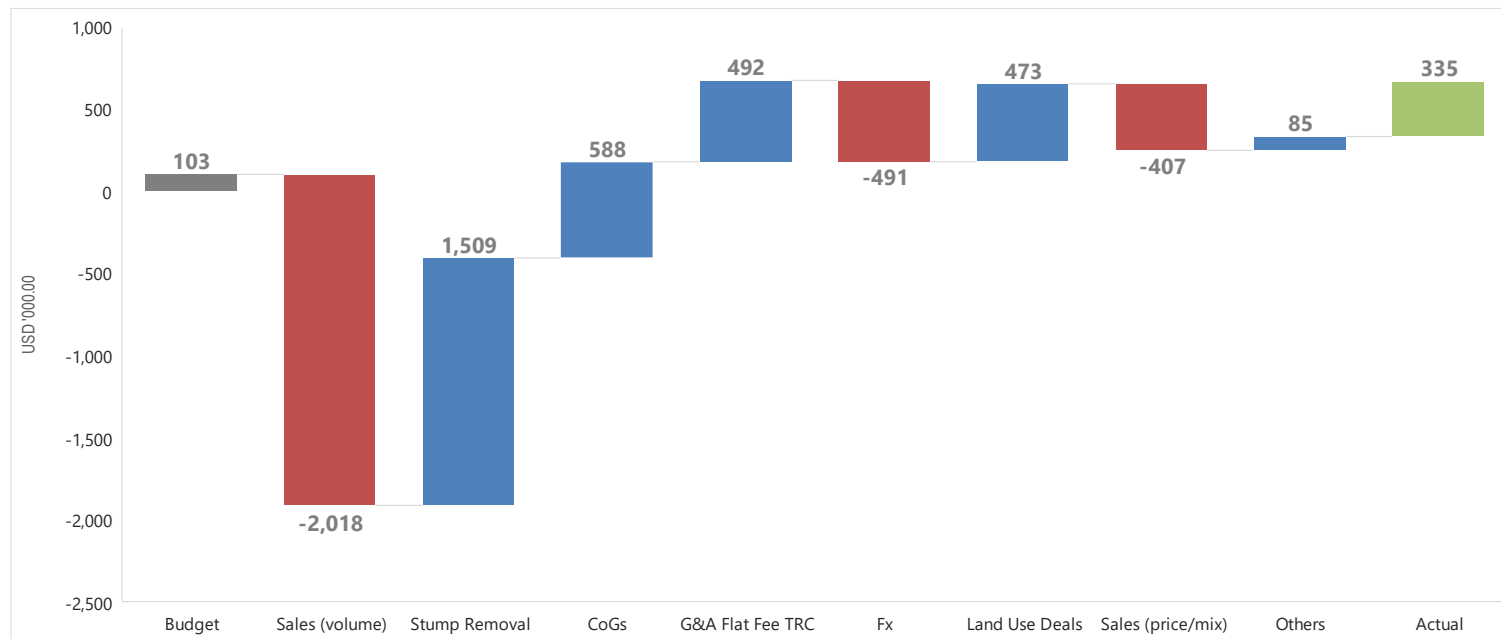
# FSA Summary Financial Information

# Summary P&L

FSA Profit and Loss (In USD 0,00) Volume	FY	FY	Var.	%
	Budget	Actual		
	116,189	91,186		
<b>01 - Sales</b>	<b>9,378,732</b>	<b>6,591,227</b>	<b>-2,787,505</b>	<b>-30%</b>
01.01 - Log Sales	9,378,732	6,953,182	-2,425,550	-26%
Fx gain (loss) to Actual	0	-490,890	-490,890	0%
01.03 - Biomass	0	44,494	44,494	0%
01.04 - Other Sales	0	84,440	84,440	0%
01.1 - (-) Sales Deductions	-125,000	-252,361	-127,361	102%
<b>02 - Net Sales</b>	<b>9,253,732</b>	<b>6,338,866</b>	<b>-2,914,866</b>	<b>-31%</b>
03 - CoGs	-3,652,809	-3,064,565	588,244	-16%
03.01 - Stump Removal	-1,531,019	-22,012	1,509,007	-99%
<b>04 - Gross Profit</b>	<b>4,069,903</b>	<b>3,252,289</b>	<b>-817,615</b>	<b>-20%</b>
<b>05 - Operational Expenses</b>	<b>-3,967,262</b>	<b>-2,917,664</b>	<b>1,049,598</b>	<b>-26%</b>
5.01 - Forestry	-462,768	-267,719	195,049	-42%
5.02 - Property Management	-589,321	-503,598	85,723	-15%
5.03 - G&A Expenses	-327,333	-512,119	-184,786	56%
5.04 - G&A Flat Fee TRC	-2,114,570	-1,622,096	492,474	-23%
5.05 - Land Use Deals	-473,269	0	473,269	-100%
5.06 - Other Operational	0	-12,131	-12,131	0%
<b>06 - EBITDA</b>	<b>102,642</b>	<b>334,625</b>	<b>231,983</b>	<b>226%</b>
<b>07 - Depreciation/Amortization/Depletion</b>	<b>-6,630,464</b>	<b>-5,823,891</b>	<b>806,573</b>	<b>-12%</b>
7.01 - Depreciation/Amortization	-41,785	-5,636	36,150	-87%
7.02 - Depletion	-6,364,167	-5,774,886	589,281	-9%
7.03 - Financial Income	0	235,174	235,174	0%
7.04 - Financial Expenses	-224,512	-278,543	-54,032	24%
<b>08 - EBT</b>	<b>-6,527,822</b>	<b>-5,489,266</b>	<b>1,038,556</b>	<b>-16%</b>
<b>09 - Income Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>10 - Profit &amp; Loss</b>	<b>-6,527,822</b>	<b>-5,489,266</b>	<b>1,038,556</b>	<b>-16%</b>

# Summary P&L YEE

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



The overall FY Operational Result amounted to **USD 335 K**, exceeding the budgeted **USD 103 K** with a positive variance of **USD 232 K**.

The negative variation on Sales Volume is because TRC didn't model correctly the LUD production conditions. The budget accounted for 14,122 m<sup>3</sup> from CMB2002 LUD areas as regular income; however, these will merely result in harvesting costs since the logs are due to the landowner. However, this deficit was partially offset by the extra volume from STF2003 and CMB2002, (~12 K m<sup>3</sup> of FSA's own volume), replacing the BAR LUD areas.

As explained in the last report, the positive variation in Stump Removal costs (**USD 1.5 M**) is due to the postponement of these costs, as part of the strategy to preserve cash during the year, given the compressed margins.

The lower-than-planned volume in this period (**- 25,003 m<sup>3</sup>**) caused savings on CoGs costs, by **USD 588 K**.

The positive variation on G&A flat fee TRC **USD 492 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. Additionally, the year-end inflation correction (IGPM) turned out negative, reducing the total fee paid.

The negative effect on Fx rates is due to BRL valuation in comparison to the budget expectation. The budget fx rate was **5.20** but the average for 2023 was **4.98**.

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.

Sales (price/mix) is presenting a negative variation (**USD - 407 K**) since Consufor price report dropped on average by **6%**, in comparison to the budget. Also, the discount of **30%** (on average) for defective logs.



# Cost of Production Summary - YEE

## Harvesting Cost, per activity:

Type	Act. Group	Unit	Total Cost (BRL)		Quantity (un)		Unitary Cost (BRL/un)	
			Actual	Budget	Actual	Budget	Actual	Budget
Harvesting	Felling	m³	4.357.370	5.551.576	119.300	206.318	37	27
	Forwarding	m³	4.820.107	4.512.622	126.055	116.184	38	39
	Loading	m³	1.209.266	1.563.428	90.789	106.362	13	15
	Lot Formation	m³	2.569.575	3.349.528	85.979	114.235	30	29
	Operational Support	-	1.952.152	2.389.022	0	0	0	0
	Soil Prep	ha	135.402		138		983	
	Stump Removal	ha	136.941	7.961.027	45	1.465	3.055	5.434
	Tree Selection	ha	5.087		27		188	
	Taxes	--	796.953	1.628.442			0	0
	Adjustment	--	-203.104	0			0	0
<b>Total geral</b>			<b>15.779.751</b>	<b>26.955.646</b>				

Total Activities		FY	Budget	Var %
COP	BRL	15.507.409	18.994.618	-18%
Commercial Vol. + Stock Vol.	m³	86.830	116.187	-25%
COP/m3	BRL	179	163	9%
Cost of Goods Sold (CoGs)		15.935.738	0	0%
Accounting adj. (CoGs - COP)		428.329	0	0%
Land Clearing		FY	Budget	Var %
Soil Prep	BRL	135.402	0	0%
Stump Removal	BRL	136.941	7.961.027	-98%
Area	ha	138	0	0%
Area	ha	45	1.466	-97%
Soil prep	BRL/ha	981	0	0%
Stump Removal	BRL/ha	3.055	5.430	-44%
TOTAL		FY	Budget	Var %
COP + Land Clearing	BRL	15.779.752	26.955.645	
BRL/USD Budget Rate		5,20	5,20	0%
COP + Land Clearing	USD	3.034.568	5.183.778	-41%

As a strategy to save some money, FSA halted all land clearing activities, thus almost BRL 8 M were not spent and contributed positively to FSA's cash flow.

Unitary COP, considering only harvesting and associated activities, was 9% above budget, basically coming from increases in diesel and food prices in the first semester and the expenses of the third harvesting crew in FSA's areas from November onwards (and part of their volume harvested not being invoiced in December). Total Cost was under budget.

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).

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 - YEE

## Forestry Operations YEE

Type	Act. Group	Unit	Total Cost (BRL)		Quantity (un)		Unitary Cost (BRL/un)	
			Actual	Budget	Actual	Budget	Actual	Budget
Silviculture	Exotic Control	ha	69.674		0		0	
	Firebreaks	ha	417.227	364.274	1.136	650	367	560
	Inventory	parc	395.603	439.047	2.233	2.631	177	167
	Pest Control	ha	31.794	93.659	0	1.087	0	86
	Pruning	ha	141.340	181.450	92	206	1.540	881
	Research	-	80.315		0		0	
	Roads	km	138.303	850.000	1	170	153.670	5.000
	Sprout Control	ha	55.332	59.309	33	103	1.699	576
	Weed Control	ha	327.961	373.249	628	828	522	451
	Taxes	--	32.695	45.408			0	0
	Adjustment	--	-298.103	0			0	0
<b>Total geral</b>			<b>1.392.141</b>	<b>2.406.396</b>	<b>4.122</b>	<b>5.675</b>	<b>157.975</b>	<b>7.721</b>

Forestry costs kept their trend along the year and ended 42% under budget in FY.

The three most relevant activities that contributed to the savings were road maintenance, inventory and pest control. Firebreak maintenance was the activity that contributed negatively, but it was necessary.

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 YEE

FSA Total Overhead Costs (In USD 0,00)	FY	FY	Var.	%
	Budget	Actual		
5.02 - Property Management	-589,321	-503,598	85,723	-15%
5.03 - G&A Expenses	-327,333	-512,119	-184,786	56%
5.04 - G&A Flat Fee TRC	-2,114,570	-1,622,096	492,474	-23%
<b>TOTAL</b>	<b>-3,031,224</b>	<b>-2,637,814</b>	<b>393,410</b>	<b>-13%</b>

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

Property Management showing savings (USD 85 K) as there were no expenditures on permits, taxes, and fees, office supplies, CAR recertification, controlled burning authorization fees, social actions, and electricity.

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), an accounting and financial adjustment (USD 36 K), lawyer costs (remaining success fees from VTP case), as well as the need of maintain apprentices in FSA payroll (enforced by Brazilian law) and property taxes (ITR), that was not correctly budgeted (USD 103 K).

The reduction in TRC's monthly fees has been driven by nearly **-4%** negative inflation rates in the YEE, in contrast to the budget which had anticipated positive inflation rates. Additionally, there are pending G&A invoices amounting to **USD 320 K** from 2022.

# 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.
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	FY	
	5,20	5,13	5,20	4,97	5,20	4,89	5,20	4,94	5,20	4,98	
<b>Initial Balance</b>	<b>233.427</b>	<b>637.837</b>	<b>661.294</b>	<b>86.528</b>	<b>-188.799</b>	<b>810.886</b>	<b>-18.832</b>	<b>1.379.003</b>	<b>233.427</b>	<b>637.837</b>	<b>404.410</b>
<b>Gross Revenues</b>	<b>3.363.049</b>	<b>1.687.299</b>	<b>1.849.934</b>	<b>3.059.615</b>	<b>2.742.406</b>	<b>2.410.971</b>	<b>2.580.944</b>	<b>1.252.058</b>	<b>10.536.333</b>	<b>8.409.944</b>	<b>-2.126.389</b>
Log Sales	2.843.818	1.671.719	1.849.934	2.505.924	2.742.406	2.394.596	2.580.944	1.148.703	10.017.102	7.720.941	-2.296.161
Other Sales	519.231	15.580	0	553.692	0	16.375	0	103.356	519.231	689.003	169.772
(-) Sales Deductions	-26.616	-9.757	-17.313	-11.026	-25.666	-5.216	-24.155	-3.758	-93.750	-29.757	63.993
<b>Net Revenues</b>	<b>3.336.433</b>	<b>1.677.542</b>	<b>1.832.621</b>	<b>3.048.589</b>	<b>2.716.740</b>	<b>2.405.755</b>	<b>2.556.789</b>	<b>1.248.301</b>	<b>10.442.583</b>	<b>8.380.187</b>	<b>-2.062.396</b>
Harvesting	-1.050.648	-1.053.985	-676.452	-946.467	-1.000.506	-565.063	-925.271	-653.794	-3.652.877	-3.219.310	433.568
Stump Removal	-289.956	0	-290.014	-22.161	-475.496	0	-475.496	0	-1.530.962	-22.161	1.508.801
Forestry Costs	-79.640	-68.829	-237.604	-69.295	-57.646	-88.777	-87.869	-43.505	-462.758	-270.406	192.352
Property Costs	-147.492	-110.405	-141.659	-106.401	-142.687	-156.920	-157.483	-151.478	-589.321	-525.204	64.118
G&A Own expenses	-45.810	-46.198	-24.030	-65.941	-24.044	-22.143	-41.141	-49.076	-135.026	-183.358	-48.332
Flat Fee	-590.193	-427.525	-595.289	-399.376	-461.938	-401.029	-467.150	-396.033	-2.114.570	-1.623.962	490.608
LUD	-203.341	0	-269.928	-201.923	0	-98.077	0	0	-473.269	-300.000	173.269
<b>Operational Cash Generation</b>	<b>929.352</b>	<b>-29.400</b>	<b>-402.355</b>	<b>1.237.026</b>	<b>554.423</b>	<b>1.073.747</b>	<b>402.380</b>	<b>-45.585</b>	<b>1.483.800</b>	<b>2.235.787</b>	<b>751.988</b>
Legal Expenses	-6.010	-28.947	-6.010	-49.173	-6.010	-30.510	-6.009	-40.895	-24.038	-149.525	-125.487
Financial expenses	0	-994	0	-3.068	0	15.454	0	21.252	0	32.644	32.644
Income tax	0	0	0	0	0	0	0	0	0	0	0
Loan	-264.148	-237.450	-263.286	-230.985	-257.696	-222.239	-277.850	-222.503	-1.062.980	-913.177	149.803
Transfers to FBW/SATT	-120.750	-110.419	-120.750	-112.200	-120.750	-103.935	-120.750	-112.848	-483.000	-439.402	43.598
Legal Provision VTP	-110.577	-120.913	-57.692	-59.760	0	-11.346	0	-4.140	-168.269	-196.160	-27.890
<b>Cash Generation</b>	<b>427.867</b>	<b>-528.123</b>	<b>-850.093</b>	<b>781.841</b>	<b>169.967</b>	<b>721.170</b>	<b>-2.229</b>	<b>-404.720</b>	<b>-254.488</b>	<b>570.168</b>	<b>824.656</b>
Fx gain/loss	0	-23.185	0	-57.484	0	-153.052	0	-39.439	0	-273.160	-273.160
<b>Closing Balance</b>	<b>661.294</b>	<b>86.528</b>	<b>-188.799</b>	<b>810.886</b>	<b>-18.832</b>	<b>1.379.003</b>	<b>-21.061</b>	<b>934.844</b>	<b>-21.061</b>	<b>934.844</b>	<b>955.905</b>

In 2023, the operational cash generation was **USD 2.2 M** versus the **USD 1.4 M** budgeted, a favorable variance of **USD 751 K**.

The negative variation on revenues was consequence of the decrease in Consufor prices over the year and the discount of 30% (on average) for defective logs.

Due to the decrease on expected volume during the year, harvesting costs presented a positive variation by **USD 433 K**.

As noted on the P&L slide, stump removal has resulted in savings of **USD 1.5 M**, with the goal of preserving cash throughout the year.

To also preserve cash, TRC revised the Flat Fee payment terms for the delayed 2022 invoices (March and April), postponing payment until FSA has the necessary funds to cover them.

BAR's LUD payment was settled in September (**USD - 300 K**) and PAI's LUD is planned for 2024, awaiting the outcome of legal proceedings.

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 150 K** for 2023.



## Appendix - Financial Tables

# Cash Summary - YEE

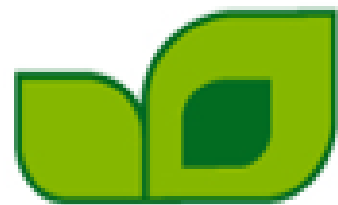
## YEE and Budget Cash Flow BRL

FSA Cash Flow (In BRL 0,00)	1Q2023	1Q2023	2Q2023	2Q2023	3Q2023	3Q2023	4Q2023	4Q2023	2023	2023	Var.
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Forecast	Budget	FY	
<b>Initial Balance</b>	1,213,820	3,252,138	3,438,729	439,598	-981,756	3,907,820	-97,927	6,905,498	1,213,820	3,252,138	2,038,318
<b>Gross Revenues</b>	17,487,853	8,707,657	9,619,658	15,312,648	14,260,513	11,784,647	13,420,907	6,235,609	54,788,932	42,040,562	-12,748,369
Log Sales	14,787,853	8,626,639	9,619,658	12,433,451	14,260,513	11,699,495	13,420,907	5,698,160	52,088,932	38,457,746	-13,631,186
Other Sales	2,700,000	81,018	0	2,879,197	0	85,152	0	537,449	2,700,000	3,582,816	882,816
(-) Sales Deductions	-138,403	-50,738	-90,029	-57,336	-133,463	-27,124	-125,605	-19,540	-487,500	-154,738	332,762
<b>Net Revenues</b>	17,349,450	8,656,920	9,529,628	15,255,312	14,127,051	11,757,523	13,295,302	6,216,070	54,301,431	41,885,825	-12,415,607
Harvesting	-5,463,371	-5,480,725	-3,517,552	-4,921,629	-5,202,631	-2,938,325	-4,811,407	-3,399,731	-18,994,961	-16,740,410	2,254,551
Stump Removal	-1,507,772	0	-1,508,071	-115,235	-2,472,579	0	-2,472,579	0	-7,961,000	-115,235	7,845,765
Forestry Costs	-414,126	-357,913	-1,235,539	-360,336	-299,761	-461,639	-456,917	-226,224	-2,406,343	-1,406,112	1,000,231
Property Costs	-766,957	-574,105	-736,628	-553,284	-741,972	-815,984	-818,912	-787,686	-3,064,469	-2,731,058	333,411
G&A Own expenses	-238,214	-240,228	-124,957	-342,894	-125,030	-115,144	-213,932	-255,196	-702,133	-953,462	-251,329
Flat Fee	-3,069,004	-2,223,129	-3,095,504	-2,076,753	-2,402,078	-2,085,352	-2,429,180	-2,059,370	-10,995,766	-8,444,603	2,551,163
LUD	-1,057,375	0	-1,403,625	-1,050,000	0	-510,000	0	0	-2,461,000	-1,560,000	901,000
<b>Operational Cash Generation</b>	4,832,631	-219,179	-2,092,247	5,835,182	2,882,999	4,831,079	2,092,375	-512,137	7,715,759	9,934,945	2,219,186
Legal Expenses	-31,251	-150,525	-31,251	-255,698	-31,251	-158,653	-31,247	-212,657	-125,000	-777,532	-652,532
Financial expenses	0	-5,169	0	-15,951	0	80,361	0	110,509	0	169,749	169,749
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	-1,155,645	-1,444,818	-1,157,016	-5,527,496	-4,748,520	778,977
Transfers to FBV/SATT	-627,900	-574,180	-627,900	-583,438	-627,900	-540,462	-627,900	-586,810	-2,511,600	-2,284,890	226,711
Legal Provision VTP	-575,000	-628,749	-300,000	-310,753	0	-59,002	0	-21,527	-875,000	-1,020,031	-145,031
<b>Cash Generation</b>	2,224,909	-2,812,540	-4,420,486	3,468,222	883,829	2,997,678	-11,590	-2,379,637	-1,323,337	1,273,723	2,597,060
<b>Closing Balance</b>	3,438,729	439,598	-981,756	3,907,820	-97,927	6,905,498	-109,517	4,525,861	-109,517	4,525,861	4,635,378





Thank You!



Floresteca