



Floresteca S/A 2024 Management Plan



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 13 active employees, distributed throughout Floresteca’s 10 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 Beheer Tectona (“SBT” and/or “Beneficiary”), formerly named Stichting Administratie-en Trustkantoor Tectona (“SATT”), whereby the Company agrees to deliver high quality teak forests it has planted (“Forest”). At this point in time, neither FBV nor SBT have a permanent establishment in Brazil and the delivery of the physical product to SBT 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 SBT, 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 SBT. This MP includes the areas that are eligible for final cuts, and it is available for comments by SBT, prior to conclusion. In December 2022, the Company submitted a draft Management Plan for 2024 -2028 to SBT



Introduction

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.

On request of SBT this MP 2024 has been altered from previous MPs in order to abstain from referrals to general financial statements of FSA and henceforth will focus on SBT's results specifically.

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 Beheer Tectona (“SBT” and/or “Beneficiary”) (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.

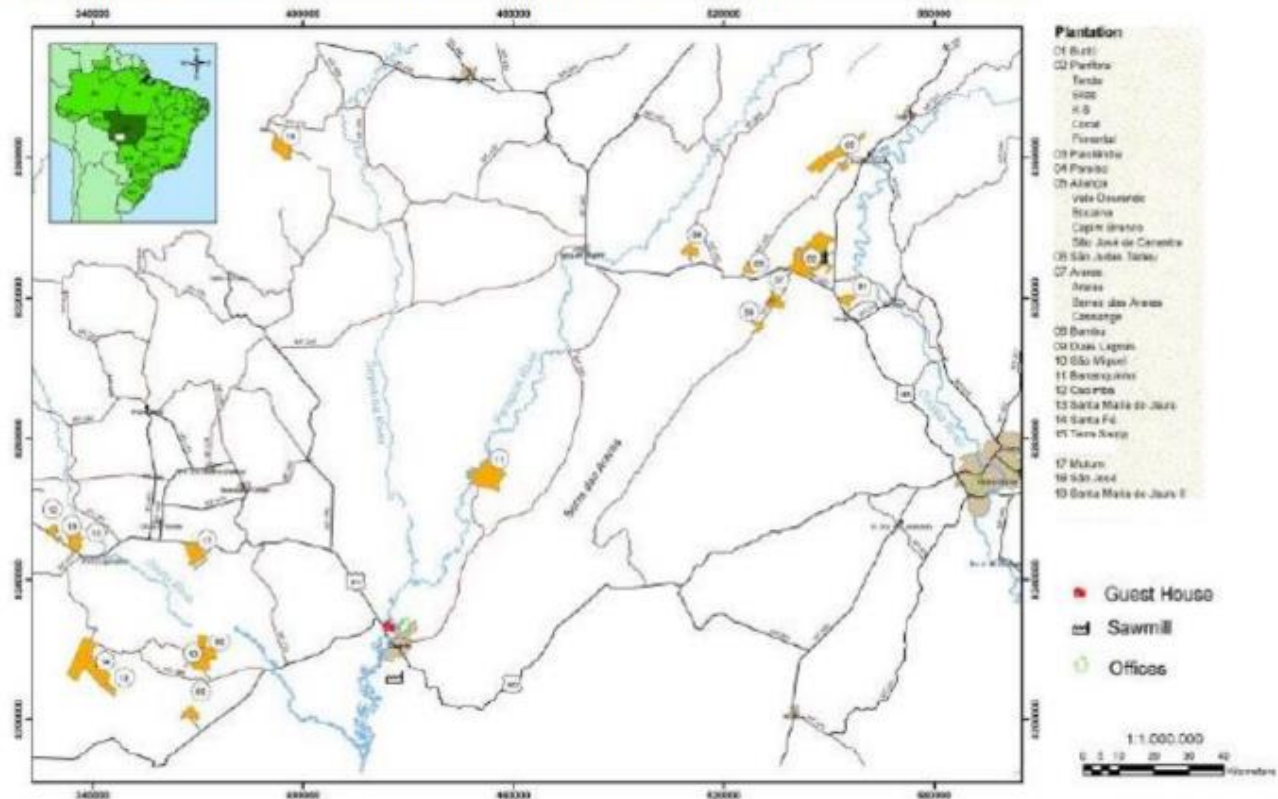
Between 1999 and 2000, the Company expanded to the Cáceres and Porto Esperidião regions of Mato Grosso, where there was greater availability of suitable land for teak plantations, as well as greater availability of support services. Over the years the Company has made changes to adapt to the ever changing 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 small 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	2023 Initial	2023 1Q Harvested	2023 2Q Harvested	2023 3Q Harvested	2023 4Q Harvested *	2023 Total Harvested Area	2024 Estimated Initial Area	Area Site Class 3	2024 Proposal Initial Area
Paiolandia	1997	72,1	63,5	8,5	0,0	0,0	72,1	0,0	0,0	0,0
Paiolandia	1998	93,9	34,7	59,2	0,0	0,0	93,9	0,0	0,0	0,0
Bambu	1999	549,1	0,0	0,0	0,0	0,0	0,0	549,1	524,9	24,2
Bambu	2000	513,8	0,0	0,0	0,0	0,0	0,0	513,8	265,3	248,6
Duas Lagoas	2000	962,6	0,0	0,0	91,3	433,2	524,5	438,1	307,6	130,5
Duas Lagoas	2001	1.578,3	0,0	38,5	103,8	182,9	325,1	1.253,1	801,8	451,3
São Miguel	2001	97,5	0,0	0,0	0,0	0,0	0,0	97,5	41,9	55,6
Barranquinho	2002	960,1	0,0	0,0	0,0	0,0	0,0	960,1	0,0	960,1
Cacimba	2002	565,8	15,1	190,6	107,8	126,5	440,1	125,7	0,0	125,7
Duas Lagoas	2002	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
São Miguel	2002	5,7	0,0	0,0	0,0	0,0	0,0	5,7	0,0	5,7
Santa Maria do Jauru	2002	1.060,0	0,0	0,0	0,0	0,0	0,0	1.060,0	83,4	976,6
Barranquinho	2003	12,8	0,0	0,0	0,0	0,0	0,0	12,8	0,0	12,8
Cacimba	2003	10,2	0,0	0,0	0,0	8,2	8,2	2,0	0,0	2,0
Santa Maria do Jauru	2003	206,7	0,0	0,0	0,0	0,0	0,0	206,7	0,0	206,7
Santa Fé	2003	2.550,5	0,0	0,0	0,0	145,0	145,0	2.405,5	739,7	1.665,9
Barranquinho	2004	1.002,9	0,0	0,0	0,0	0,0	0,0	1.002,9	94,7	908,2
Terra Santa	2004	1.127,4	0,0	0,0	0,0	0,0	0,0	1.127,4	0,0	1.127,4
Duas Lagoas	2005	202,9	0,0	0,0	0,0	0,0	0,0	202,9	0,0	202,9
Duas Lagoas	2006	215,8	0,0	0,0	0,0	0,0	0,0	215,8	0,0	215,8
Mutum	2007	511,3	0,0	0,0	0,0	0,0	0,0	511,3	0,0	511,3
São José	2007	301,2	0,0	0,0	0,0	0,0	0,0	301,2	0,0	301,2
Santa Maria do Jauru II	2008	94,4	0,0	0,0	0,0	0,0	0,0	94,4	0,0	94,4
TOTAL		12.695,0	113,3	296,8	302,9	895,8	1.608,8	11.086,2	2.859,2	8.227,0

From the originally 19.528 hectares planted in Mato Grosso by Floresteca S/A, 12,695.0 hectares were still standing at the beginning of 2023.

Over the course of 2023 (including the expected harvest from the writing of this document until the end of 2023), another 1,608.8 hectares were harvested on 6 different projects.

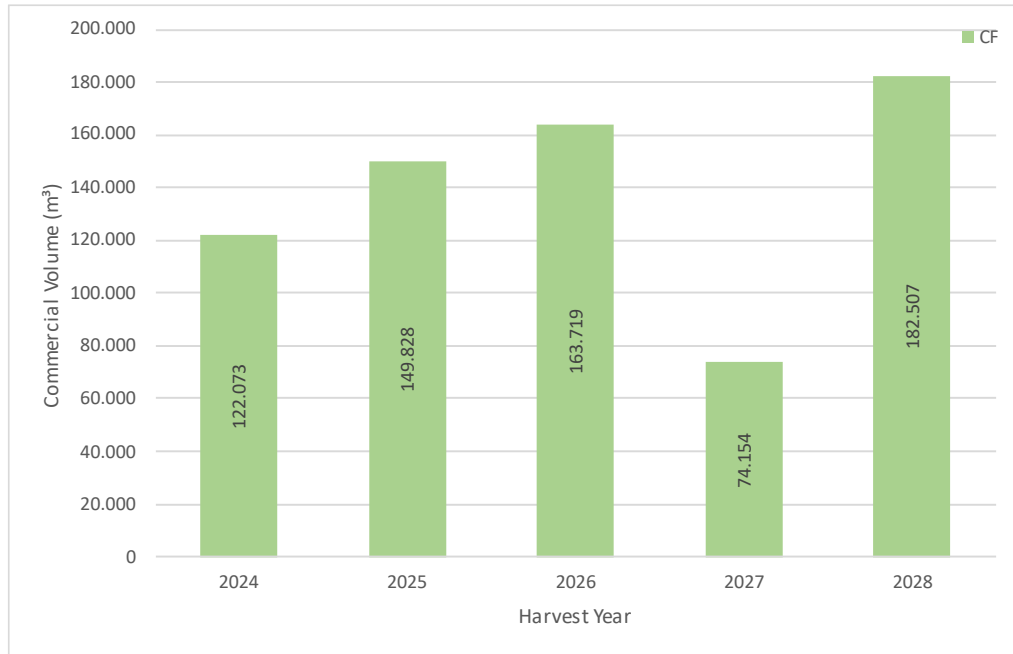
As a strategy to reduce costs for FSA, it has been agreed to remove from TRC management another 2,859.2 hectares of poorly developed stands (Site Class 3) on 8 different projects that would not generate enough revenues to pay for their own harvesting and annual management costs. However, it is important to say that if any revenues still come from these areas, they still belong to FSA and will be reported as SBT proceeds accordingly.

So, 20 projects adding up to 8,227 productive hectares under TRC management, belonging to SBT and landowners are expected to 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 5.00 / USD for the full 2024-28 period.
- Inflation: For the starting period of this management plan, we are considering an inflation for the correction of salaries of 4,90%, which is the latest accumulated IPCA (Brazilian CPI). These salaries base the both FSA direct employees as well as TRC harvesting services costs.
- No inflation is considered for the future estimations.

Volumes - Long Term Plan



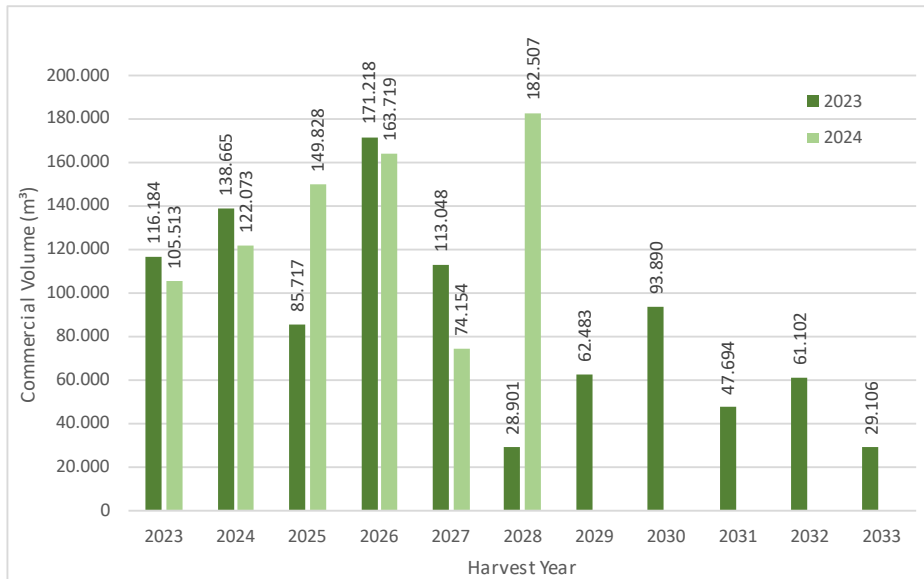
The estimated wood flow is obtained through an optimization model in Remsoft Woodstock, whose objective is to maximize the NPV of the assets, based on the latest inventory data, price and costs assumptions.

SBT has declared its preference to shorten rotation ages as close as possible to 20 years old. Even though, there are limiting factors that doesn't allow harvest to follow integrally to that assumption, TRC tries to stay as close as possible to the preference of SBT for a 20-year rotation.

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.

In this graph, we show volumes expected until the end of clear fell on all FSA forest assets under management, considering the latest optimization results. Total estimated production for the 5-year period adds up to **720 K m³**.

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



In this graph, we present the comparison between the outputs of FSA long-term Woodstock model between last year and this year's model.

It is clear to note that the decision to bring harvesting as close as possible to 20 years old has brought forward most of the volume.

Total commercial volume estimates changed from 948 K m³ in 2023 estimates to 798 K m³ in 2024, including 2023 actuals. This is a reduction of 150 K m³ (11%).

There are 2 main components to this difference:

The exclusion of Site Class 3 stands on the management area by 2,859 ha account for a reduction of 91 K m³ of lower value logs that wouldn't bring FSA any profits.

The remaining difference derives from projects being harvested sooner than the previous plan. With less time for the forest to grow, they generate a lower yield.

Short Term Harvesting Recommendations

Regarding production, manager makes the following recommendations:

1. The eligible projects for the final harvest, according to the recommended schedule are:

- **2024 Final Harvests:** Bambu 2000, Duas Lagoas 2000 and 2001, São Miguel 2001 and 2002, Santa Maria do Jauru 2022, Santa Fé 2003 and Terra Santa 2004;
- **2025: Final Harvests:** Duas Lagoas 2000 and 2001, Barranquinho 2002 and 2003, Santa Maria do Jauru 2002 and 2003, Santa Fé 2003 and Terra Santa 2004.

While projects might be eligible for harvest, issues caused by weather events, legal restrictions or market conditions may force alterations on the harvest schedule. If needed, projects of similar quality and yields will be reallocated in order to avoid stops in operations.

Sales and Price

- Roadside prices – benchmark market report (USD/m³):

Girth class (cm)	Jan/2023 Roadside Price (USD/m ³)	Jan/2024 Roadside Price (USD/m ³)	Roadside price for defective/channel logs
56-80	48,9	49,8	34,9
80-90	79,0	78,4	54,9
90-100	100,3	98,3	68,8
100-110	124,4	120,5	84,3
110-120	151,2	145,0	101,5
120-130	180,9	171,7	120,2
130+	248,9	232,2	162,6

Girth class (cm)	Estimated % of defective/channel logs
56-80	0%
80-90	0%
90-100	0%
100-110	25%
110-120	50%
120-130	75%
130+	100%

Logs prices used as a base case for this document are based on the benchmark market report sent in January 2024, relative to the 4Q of 2023. This study excludes FSA and comprises 11 companies and 83 price samples for plantations throughout the state of Mato Grosso.

Price equation used is:

$$price = (center\ girth / pi) ^ 2,0329 * 0,0961$$

As can be noted, prices continued to drop over 2023, following a downward trend since the beginning of the pandemic in early 2020. The reduction is higher for the thicker girth classes.

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

Logs with formation problems, such as dried, crooked, bent or presenting channels are given a discount of 30% over the market prices of regular logs of the same size. This is the market standard to account for losses observed on these kind of logs at the time of sawing. For future projections, an assumption is made regarding the percentage of logs presenting these conditions, which is shown on the table aside. But these discounts are applied only when and if they actually happen.

Sales and Price

Roadside revenues (USD)

YEAR	2024	2025	2026	2027	2028	Total	MP 2023	Variation
Final Harvest Area (ha)	1.628	1.874	2.299	774	1.652	8.227	9.922	-1.695
Commercial Volume - m³	122.073	149.828	163.719	74.154	182.507	692.282	831.825	-139.543
Gross Revenues	9.740	12.348	11.161	5.587	19.079	57.915	81.486	-23.571
Biomass (<56 cm)	0	0	0	0	0	0	0	
Logs: 56-80 cm	2.454	2.638	4.757	1.826	1.485	13.159	15.314	-2.155
Logs: 80-90 cm	1.844	2.430	2.514	1.014	2.093	9.895	11.414	-1.519
Logs: 90-100 cm	2.261	3.008	2.135	1.060	3.229	11.693	9.333	2.360
Logs: 100-110 cm	1.441	1.978	842	697	3.000	7.958	10.869	-2.911
Logs: 110-120 cm	1.010	1.308	485	536	3.051	6.389	10.155	-3.766
Logs: 120-130 cm	502	632	246	291	2.359	4.029	10.482	-6.453
Logs: 130+ cm	228	355	184	164	3.861	4.792	13.919	-9.127
Average Price (USD/m³)	80	82	68	75	105	84	98	-14
Average Yields (m³/ha)	75	80	71	96	110	84	84	0
Average Revenues (USD/ha)	5.983	6.589	4.855	7.217	11.550	7.040	8.213	-1.173

The total roadside revenues for the year are calculated by crossing the estimated volumes with the prices discussed in the previous slides.

They are expected to reach USD 9.7 M in 2024, representing an average price of USD 80/ m³ for the 122 K m³ projected in sales.

Total revenues and average prices differ year on year depending on the commercial volumes being sold and the quality (tree size) of the forests being harvested, as can be noted by the variation on the average KPIs for prices, yields and revenues/ha.

Macroeconomic Outlook

Brazil

Subject Descriptor	Units	2020	2021	Forecast				
				2022	2023	2024	2025	2026
Gross domestic product, constant prices	(%) change	-3,3%	5,0%	2,9%	3,1%	1,5%	1,9%	1,9%
Total investment	(%) of GDP	16,1%	19,4%	18,1%	17,8%	17,6%	17,5%	17,4%
Gross national savings	(%) of GDP	14,2%	16,6%	15,4%	15,9%	15,8%	15,6%	15,4%
Inflation, average consumer prices	(%) change	3,2%	8,3%	9,3%	4,7%	4,5%	3,0%	3,0%
Volume of Imports of goods	(%) change	-3,5%	22,7%	-2,3%	-5,3%	0,0%	1,1%	1,9%
Volume of exports of goods	(%) change	0,0%	4,1%	5,4%	6,9%	5,7%	3,6%	3,0%
Unemployment rate	(%) of total labor force	14%	13%	9%	8%	8%	8%	8%
Population	Persons (Millions)	201	202	203	204	205	206	208
General government gross debt	(%) of GDP	96%	90%	85%	88%	90%	92%	94%
Current account balance	U.S. dollars (Billions)	-28,2	-46,4	-53,6	-40,6	-40,8	-45,4	-50,3

India

Subject Descriptor	Units	2020	2021	2022	Forecast			
					2023	2024	2025	2026
Gross domestic product, constant prices	Percent change	-5,8%	9,1%	7,2%	6,3%	6,3%	6,3%	6,3%
Total investment	Percent of GDP	28,8%	31,2%	31,0%	31,7%	31,9%	32,0%	32,0%
Gross national savings	Percent of GDP	29,7%	30,0%	29,1%	29,9%	30,1%	30,1%	30,0%
Inflation, average consumer prices	Percent change	6,2%	5,5%	6,7%	5,5%	4,6%	4,1%	4,1%
Volume of Imports of goods	Percent change	-15,3%	20,9%	7,4%	2,3%	6,0%	6,0%	6,1%
Volume of exports of goods	Percent change	-7,6%	22,2%	0,0%	-1,8%	4,3%	3,6%	3,7%
Population	Persons (Millions)	1.396	1.408	1.417	1.429	1.442	1.455	1.467
General government gross debt	Percent of GDP	89%	84%	81%	82%	82%	82%	82%
Current account balance	U.S. dollars (Billions)	24,0	-38,7	-67,0	-66,8	-74,2	-83,7	-97,2

In Brazil, the year of 2022 did not present GDP growth as significant as the previous year. It is estimated that in 2023 it will grow slightly better, but from 2024, growth will be stable at a lower rate.

The unemployment rate reached 13% in 2021 and fell to 9% in 2022, projections predict stability from 2023.

The government's gross debt decreased in 2022. National savings also grew in the year, although the current account balance was negatively impacted.

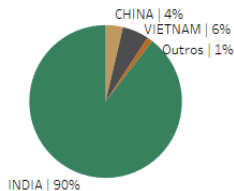
Investments fell in 2022, contrary to expectations. It is expected that from 2023 the level will be stabilized, although falling by 0.1 p.p.

In India, as in Brazil, GDP in 2022 did not grow as significantly as in the previous year. It is estimated that from 2023 onwards, GDP will increase linearly at a much higher rate than Brazil, which should also drive growth rates for the Teak market

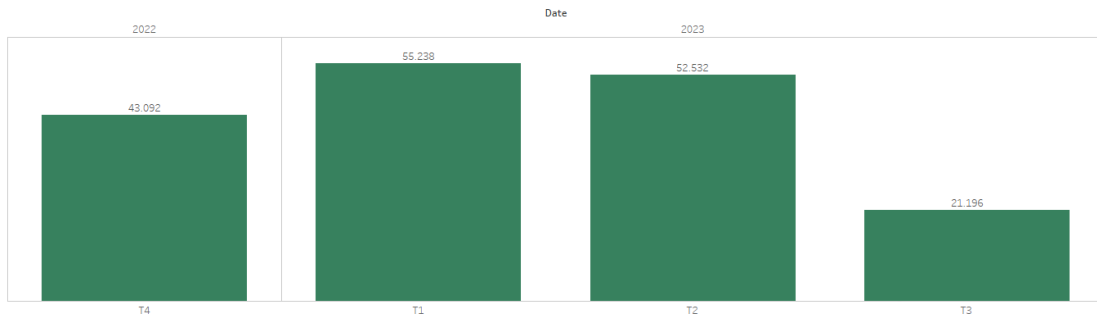
*Data source: IMF (International Monetary Fund)

Brazilian Teak Market Outlook

Brazilian Teak Exporting Destination Share, last 12 months (m³)



Brazilian Teak Exporting Volume, last 12 months (m³)



*Data source: Sinoimex

The Brazilian Teak wood market is mainly focused on exports. The main producing regions in the country are the states of Mato Grosso and Pará.

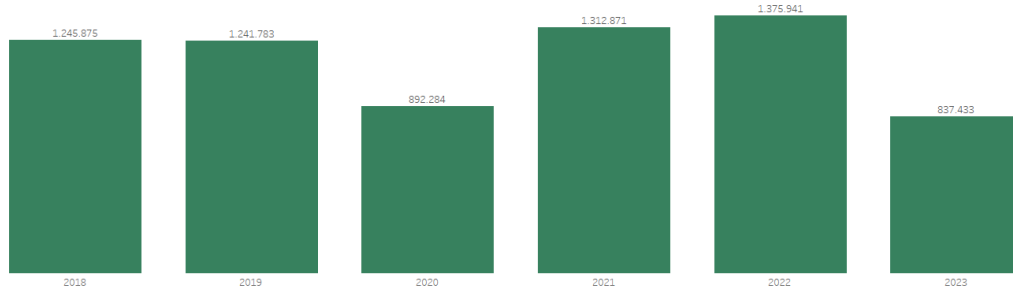
The main importing country of Brazilian Teak is India, with 90% of the volume imported in the last 12 months, followed by Vietnam with 6% and China with 4%.

Higher export volumes were sold from Brazil in the last 12 months, recovering from the pandemic and logistic crisis years, even though a significant decrease was observed in the third quarter of 2023, due to market constraints in North India.

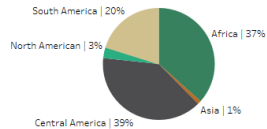
Indian Teak Market Outlook

Indian Total Teak Importing Volume (m³)

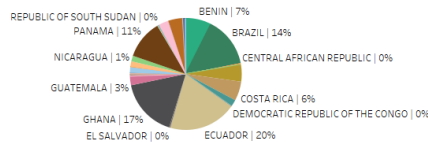
* 2023 data available until August 2023



Market Share by Teak Exporting Region, last 12 months (m³)



Market Share by Teak Exporting Region, last 12 months (m³)



India is the leading global consumer of Teak wood. Its imported volume had been growing steadily since 2017 until it was heavily impacted by the Covid-19 pandemic. During 2021 the country recovered its import rhythm and in 2022 it continued to grow.

The data presented for 2023 is only available until the month of August. If the same level is kept for the remaining 4 months of the year, total volume should present a small decrease compared to 2022.

India's top suppliers in the last 12 months, in terms of region, are Central America with 39% of all imports, followed by Africa with 37% and South America with 20%.

In terms of country, Ecuador sent the largest volume of teak (20%) to India, followed by Ghana (17%), Brazil (14%), Panama (11%) and Costa Rica (6%).

*Data source: Sinoimex

Harvesting and Land Clearing

Cost of Production (USD):

2024	Cost	m ³	Unit/m ³
Harvesting	USD 1.366.850	122.073	11,20
Forwarding	USD 946.060	122.073	7,75
Lot Formation	USD 728.771	122.073	5,97
Loading	USD 313.086	122.073	2,56
Tax	USD 323.112	122.073	2,65
Total	USD 3.677.879	122.073	30,13
Operational Support	USD 557.385		
Harvesting + Operational Support	USD 4.235.264		
	Cost	ha	Cost/ha
Stump Removal	USD 1.127.500	1.025	1.100
Harvesting + Land clearing	USD 5.362.764		

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

Comparison, in USD

	2023 MP	2024 MP	Var
Harvesting	USD 1.067.811	1.366.850	299.239
Forwarding	USD 867.812	946.060	78.248
Lot Formation	USD 644.140	728.771	84.631
Loading	USD 300.659	313.086	12.427
Tax	USD 266.687	323.112	56.425
Total	USD 3.146.909	3.677.879	530.970
Volume	m³ 116.182	122.073	5.891
COP	27,09	30,13	3,04
	Cost	Cost	
Stump Removal	USD 1.531.019	1.127.500	(403.519)
Harvesting + Land clearing	USD 4.677.928	4.805.379	127.451

The cost of production (COP) for the 2024 harvesting to be USD 30,13 per m³. Unitary costs are rising compared to last year due to increased fuel costs (6%) as well as a decrease in Fx rate (from 5.20 to 5.00), which affects the value in USD terms.

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 plowing to level the land. The total cost is estimated as BRL 5.500 / hectare and takes in general about 12 months after harvesting to be performed.

Forest Maintenance

Activities	Unit of Measure	2024		
		Units	USD	USD/Unit
Fertilization	ha	0	0	0
Firebreak Maintenance	ha	404	47,463	117
Road Maintenance	ha	235	135,000	574
Sprout Control	ha	128	15,363	120
Ant Control	ha	1,639	30,369	19
Weed Control	ha	647	61,810	95
Pruning	ha	0	0	0
Inventory	parc	2,000	70,700	35
Planting	ha	0	0	0
Soil Preparation	ha	0	0	0
Tree Selection for Thinning	ha	0	0	0
Tax over Forestry Services	-	-	10,075	0
Depreciation			0	
Total	ha	8,421	370,779	44

Most relevant expenses are on Road Maintenance, which is actually linked to the harvesting operations, to allow extraction of the wood.

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.

Currently FSA has 6 direct employees for its own silvicultural activities, but part of these activities planned are performed as service either by TRC (inventory) or by third-party contractors (road maintenance)

Total Operational Expenses

YEAR	2024	2025	2026	2027	2028	2029	2030	Total	MP 2023	Variation
Harvesting	-4.235	-963	-9.915	-2.573	-6.332	0	0	-24.018	-26.153	2.135
Stump Removal	-1.128	-1.921	-2.061	-2.529	-852	-1.817	0	-10.307	-12.161	1.854
Forestry Costs	▼ -370	▼ -297	▼ -213	▼ -109	▼ -74	▼ 0	▼ 0	-1.063	-1.535	471

Expanding the horizon until the final harvest of all Floresteca assets, total operational costs in harvesting, land clearing and forest maintenance add up to USD 35 M.

Harvesting is projected based on the unitary costs per m³ multiplied by the total production expected for each year.

Stump removal is modelled to happen on the following year after final harvest, multiplying the unitary cost per hectare by the area to be cleared.

Forest maintenance is estimated based on the current costs per hectare multiplied by the remaining standing forest on each year.

YEAR	2024	2025	2026	2027	2028	2029	2030	Total	MP 2023	Variation
G&A	-2.315	-1.690	-1.301	-803	-624	-11	0	-6.744	-11.534	4.790
Management Services C	-1.120	-915	-670	-349	-231	-11	0	-3.297	-6.307	3.010
Delayed Mmgt Services	-294	0	0	0	0	0	0	-294	0	-294
G&A own expenses	-126	-126	-126	-126	-126	0	0	-631	-1.350	719
Legal Expenses	-140	-140	-140	-140	-140	0	0	-700	-1.923	1.223
Property costs	-634	-509	-364	-187	-127	0	0	-1.822	-1.954	132

Annual Management Fee: According to the Management Services Agreement between Floresteca S/A and TRC, a fixed value per hectare (BRL 687, or USD 137 for 2024) 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 IGP-M inflation index (-3.89% in 2023). 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 2024, it is expected to be USD 126 K and are considered to be fixed annual costs to the future.

Legal Expenses: General costs related to litigations in which FSA is involved. Currently estimated at USD 140 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 2024, these expenses come to USD 634 K. These expenses are set to decrease at the same proportion as managed area decreases. Among other expenses, currently FSA holds 7 employees on these functions.

The decision to bring forward harvesting and to remove S3 areas from TRC management is significantly decreasing G&A costs overall, as the comparison to the MP 2023 figures shows (only costs estimated for 2024 onwards).

FSA Projected Cash Flow

Cash Flow (USD 000)

Floresteca S.A.

YEAR	2024	2025	2026	2027	2028	2029	2030	Total
Opening Balance	885	-905	4.553	1.202	1.620	8.633	10.968	885
Cash Balance from Operations	-9	6.730	-2.394	1.010	7.570	2.818	-248	15.478
Gross Revenues	8.301	11.681	11.281	7.225	15.734	4.893	0	59.115
Revenues Deductions	-105	-129	-150	-62	-109	0	0	-556
Harvesting	-4.235	-963	-9.915	-2.573	-6.332	0	0	-24.018
Stump Removal	-1.128	-1.921	-2.061	-2.529	-852	-1.817	0	-10.307
Other operational expenses	-526	-248	-248	-248	-248	-248	-248	-2.012
G&A	-2.315	-1.690	-1.301	-803	-624	-11	0	-6.744
Cash Balance from Investing	-370	-297	-213	-109	-74	0	0	-1.063
Forestry Costs	-370	-297	-213	-109	-74	0	0	-1.063
Investment	0	0	0	0	0	0	0	0
Cash Flow to Firm	-379	6.433	-2.607	901	7.496	2.818	-248	14.415
Cash Balance from Financing	-929	-492	-261	0	0	0	0	-1.682
Debt Issuance	0	0	0	0	0	0	0	0
Interest	-123	-39	-12	0	0	0	0	-173
Debt Repayment	-806	-453	-250	0	0	0	0	-1.509
Cash Flow to Equity	-1.308	5.941	-2.868	901	7.496	2.818	-248	12.733
Cash Balance from Stakeholders	-483	-483	-483	-483	-483	-483	2.898	0
FBV Funding	-300	-300	-300	-300	-300	-300	1.800	0
SATT Funding	-183	-183	-183	-183	-183	-183	1.098	0
Net Free Cash Flow	-1.791	5.458	-3.351	418	7.013	2.335	2.650	12.733
Closing Balance	-905	4.553	1.202	1.620	8.633	10.968	13.618	13.618

Retainers

Above slides regarding FSA costs of Forestry Maintenance and G&A have been included with the goal of providing full transparency.

The project results of the plantations presented in the following slide comprise the forestry assets belonging to SBT and landowners (LUD) jointly.

The project results of SBT however are computed by taking into account so called Retainers as depicted in the Master Agreement and applied in verified harvest reports and external valuation reports of Sewall.

Project Results

Project	Project Results (USD 000)						Total
	2024	2025	2026	2027	2028	2029	
1999BAM	0	0	0	0	0	0	0
2000BAM	0	0	0	0	0	0	0
2000DLG	0	0	0	0	0	0	0
2001DLG	0	0	0	0	0	0	0
2001SMG	0	0	0	0	0	0	0
2002BAR	0	0	0	0	0	0	0
2002CMB	665	0	0	0	0	0	665
2002DLG	0	0	0	0	0	0	0
2002SMJ	0	0	0	0	0	0	0
2002SMG	0	0	0	0	0	0	0
2003BAR	0	0	68	0	0	0	68
2003CMB	189	0	0	0	0	0	189
2003STF	0	0	0	0	0	0	0
2003SMJ	0	0	602	0	0	0	602
2004BAR	0	0	0	0	0	0	0
2004TST	0	0	0	0	2.485	0	2.485
2005DLG	0	0	0	0	0	0	0
2006DLG	0	0	141	0	0	0	141
2007MUT	0	0	0	0	0	0	0
2007SAJ	0	0	0	0	1.746	0	1.746
2008SMJIII	0	0	0	0	0	0	0
Total	854	0	811	0	4.231	0	5.896

The total project results from forests still to be harvested expected is almost USD 5.9 M

There is still an outstanding position of nearly USD 13.9 M to be paid from previously published Harvest Reports until 2022.

2023 Harvest report result is still to be calculated and will be delivered in the 1Q of 2024.

Legal and Compliance Update

FAZENDAS PARAISO, TERRA SANTA E BAMBU IV, which belong to the same landowner (Antonio Frigieri) and the **LUD claim on FAZENDA PAIOLANDIA** are all still ongoing, and their updates will be sent with each quarterly report.

For 2024, there are legal and lawyer fees related to the cases to be paid, estimated at USD 10.000 per month.

Appendix

Annual Inventory Summary

Projects measured in 2023

Project	Year	Area (ha)	Age (years)	DBH (cm)	Height (m)	Dominant Height (m)	Basal Area (m ² /ha)	Trees per hectare	Individual			
									Total Volume (m ³ /ha)	Total Volume (m ³ /tree)	Total Volume (m ³)	Commercial Volume (m ³)
BAM	1999	549,1	22,9	20,6	15,5	16,9	12,2	359	81,8	0,23	44.901	14.449
	2000	513,8	21,9	24,2	17,7	18,7	13,3	286	98,9	0,36	50.806	26.409
BAR	2002	960,1	20,3	27,6	21,4	22,5	15,4	260	135,3	0,56	129.902	76.835
	2003	12,8	19,5	34,8	27,3	27,8	20,7	214	221,4	1,03	2.829	2.052
	2004	1.002,9	18,3	26,3	21,0	22,5	17,4	327	151,3	0,50	151.762	85.174
DLG	2000	393,5	22,6	24,0	15,6	16,3	7,2	148	50,3	0,33	19.786	10.242
	2001	1.173,9	21,6	23,2	16,0	16,9	9,7	235	66,7	0,30	78.262	37.271
	2005	202,9	17,5	28,1	18,1	19,4	10,4	161	75,2	0,47	15.261	10.537
	2006	215,8	16,4	31,5	19,6	20,5	13,7	172	102,4	0,60	22.112	16.449
MUT	2007	511,3	14,9	28,1	20,2	20,6	11,8	190	91,5	0,51	46.764	31.397
SAJ	2007	301,2	15,3	35,8	23,5	23,9	14,1	138	124,0	0,89	37.358	29.243
SMG	2001	97,5	21,3	26,6	19,2	20,0	12,0	213	95,0	0,46	9.269	5.584
	2002	5,7	20,2	29,1	22,5	23,1	13,7	201	119,1	0,59	680	432
SMJ	2002	1.060,0	20,4	29,2	21,2	22,3	14,6	234	119,8	0,59	126.939	86.523
	2003	206,7	19,5	34,6	23,7	24,5	15,6	178	138,3	0,88	28.596	21.810
SMJII	2008	94,4	14,0	27,5	19,1	19,6	15,1	256	114,3	0,45	10.795	7.075
STF	2003	2.550,5	19,4	27,9	20,5	21,5	13,9	255	111,9	0,55	285.406	176.813
TST	2004	1.127,4	18,7	35,7	25,3	25,8	14,2	155	138,6	0,98	156.210	113.175
Total	-	10.979,7	19,4	27,9	20,2	21,2	13,5	239	110,9	0,55	1.217.637	751.470



Thank you!



Floresteca