



Stakeholder meeting Floresteca

Brazil, Mato Grosso, November 2016



Agenda

1. Introduction
2. Financial Statements 2015
3. Management Plan 2016 – YTD Results
4. Management Plan 2017
5. Roadside Prices and Methodology
6. Accrued Harvest Report 2015-16 YTD
7. Payment Protocol
8. External Controls
9. Reporting
10. New Focus & Organization

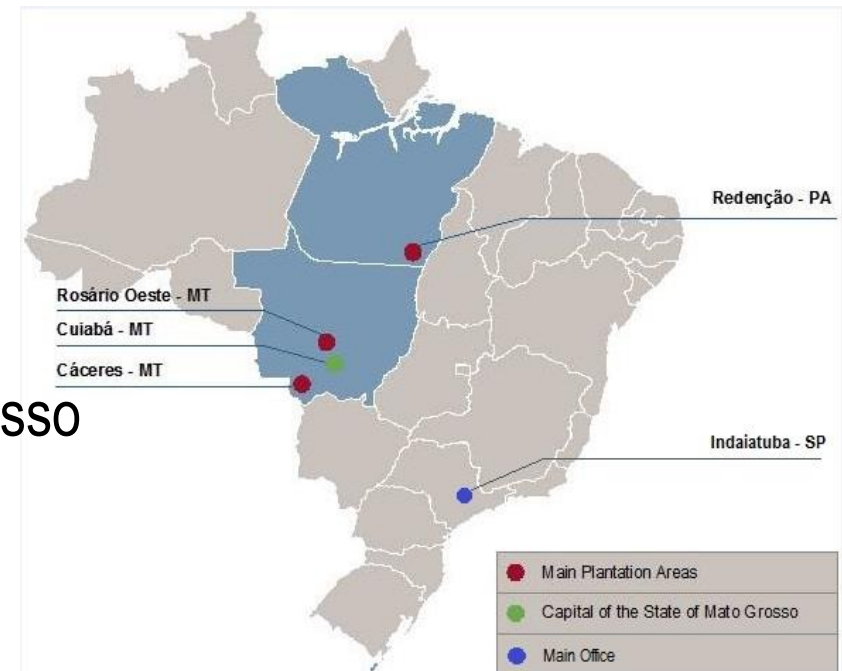


Introduction

Floresteca Group was founded in 1994, with the objective of developing and managing large scale teak plantations in Brazil.

Floresteca is the world largest private producer of certified (FSC) Teak.

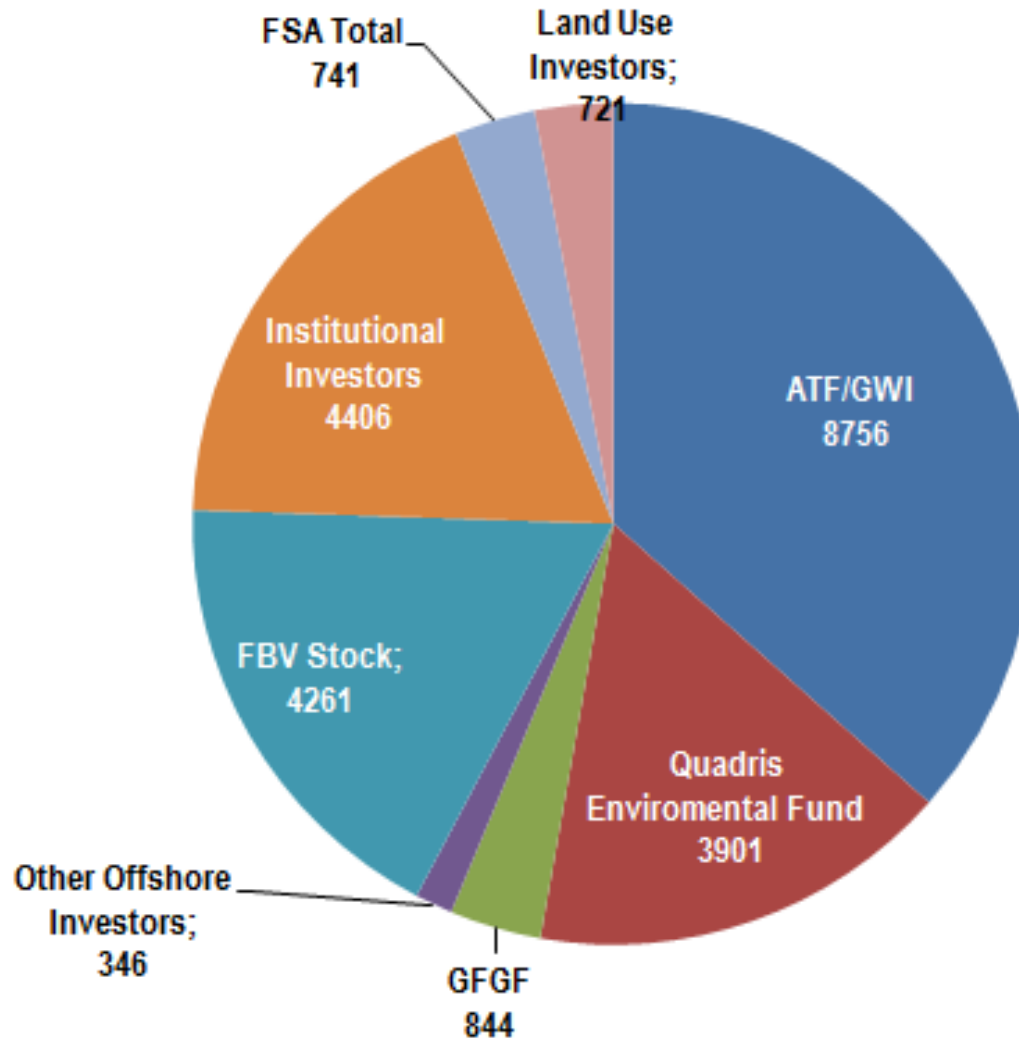
- 110,000 hectares of land under management
- 42,000 hectares planted with Teak
- Production: 100.000 m³/ year
- Solid timber distribution network
- Over 33 different farms in Pará and Mato Grosso
- Nearly 700 skilled employees
- FSC certification since 1997



Floresteca

FSA Stakeholders

Total of 23,977 hectares under Floresteca SA management at 31/12/2015:



Financial Statements FSA 2015



CONSOLIDATED FINANCIAL STATEMENTS

FLORESTECA S.A.

DECEMBER 31, 2015
AND INDEPENDENT AUDITOR'S REPORT



FSA Financial Highlights

Floresteca SA Consolidated Financial Highlights

BRL Millions

BALANCE SHEET HIGHLIGHTS	2013	2014	2015
Total Assets	890,2	775,3	999,2
Cash	11,8	3,1	0,4
Non-Current Assets	850,3	747,6	965,1
Investments	60,7	60,1	79,7
Biological Assets	766,2	659,8	844,8
Fixed Assets	12,8	15,8	18,8
Total Non-Current Liabilities	489,3	459,8	605,8
Debt	423,3	454,1	627,6
ST	9,4	14,5	32,4
LT	413,9	439,5	595,3
Deferred Tax Liabilities	66,7	15,7	10,0
Book Equity	378,8	290,2	338,8

- Biological Assets account for over 90% of total assets;
- Divergence between Biological Assets and Long Term Debt, which represents SATT stakeholders investment;
- Growth in FSA indebtedness ex-SATT Investments



Floresteca

Management Plan

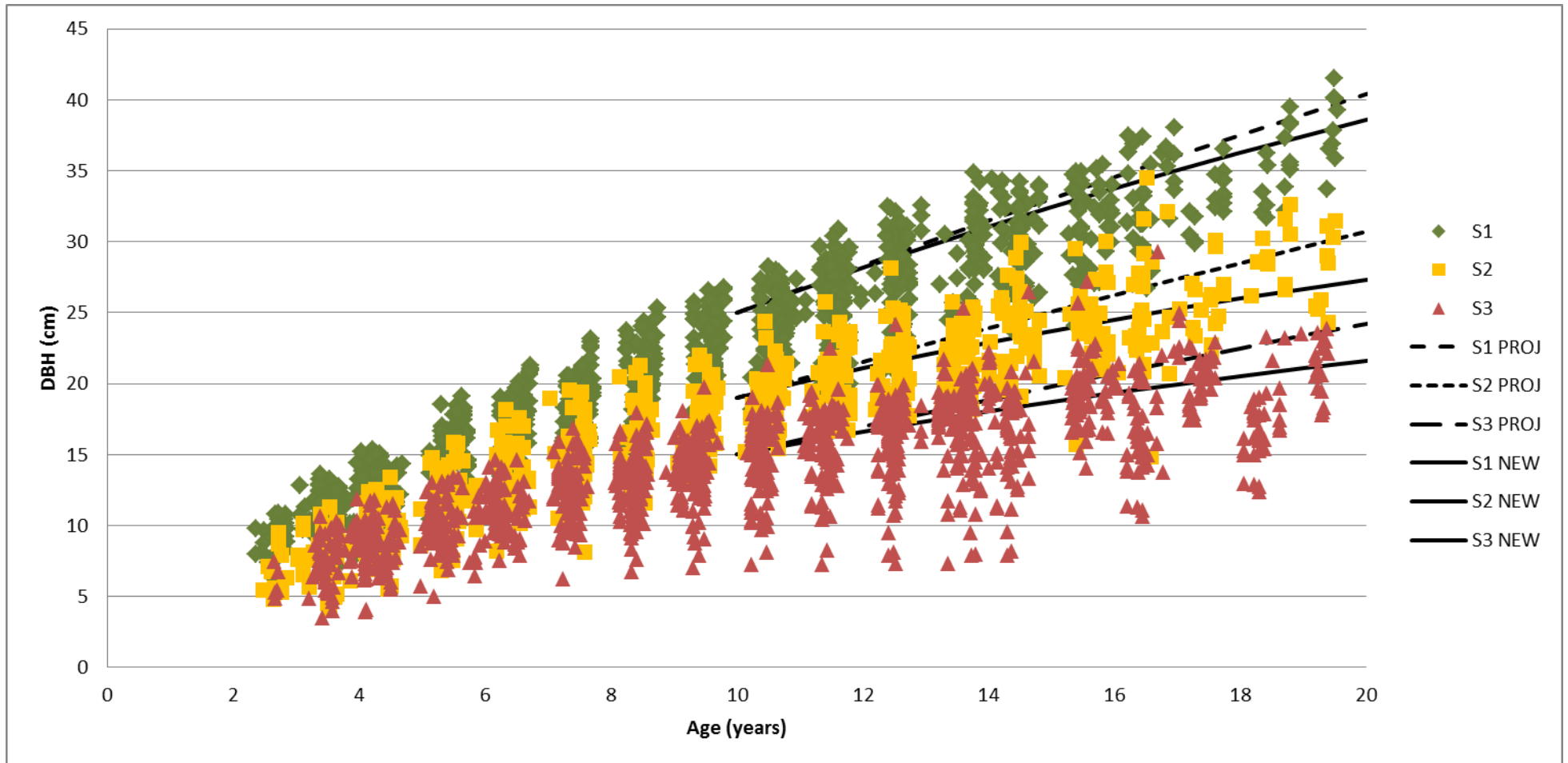
Management Plan Elements:

- Continuous Forest Inventory (CFI)
- Growth & Yield Forecasts
- Planning Criteria
- Harvest Plan



Management Plan

Growth Projection Update



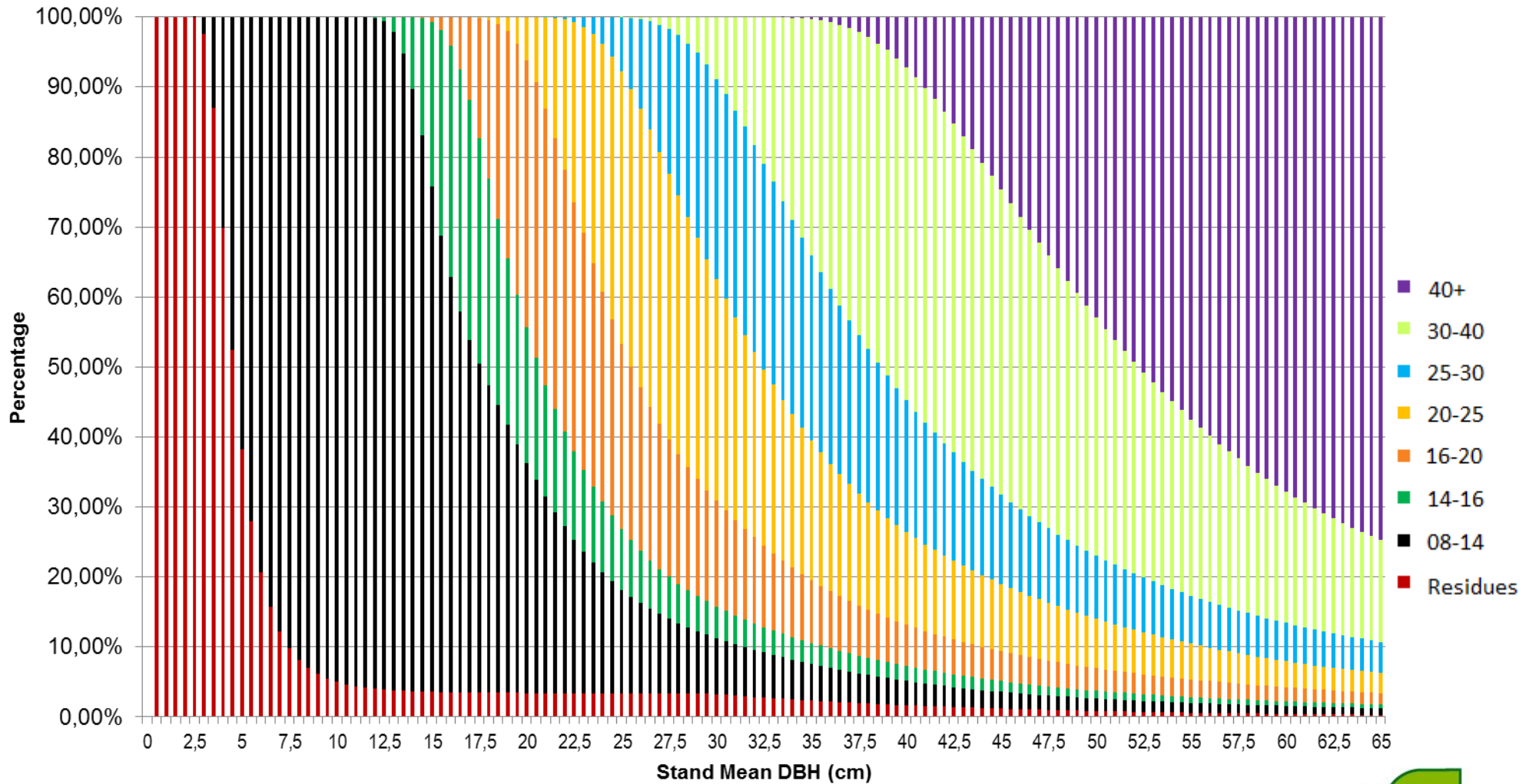
CFI up to date – more data available at older ages
Review of projections



Management Plan

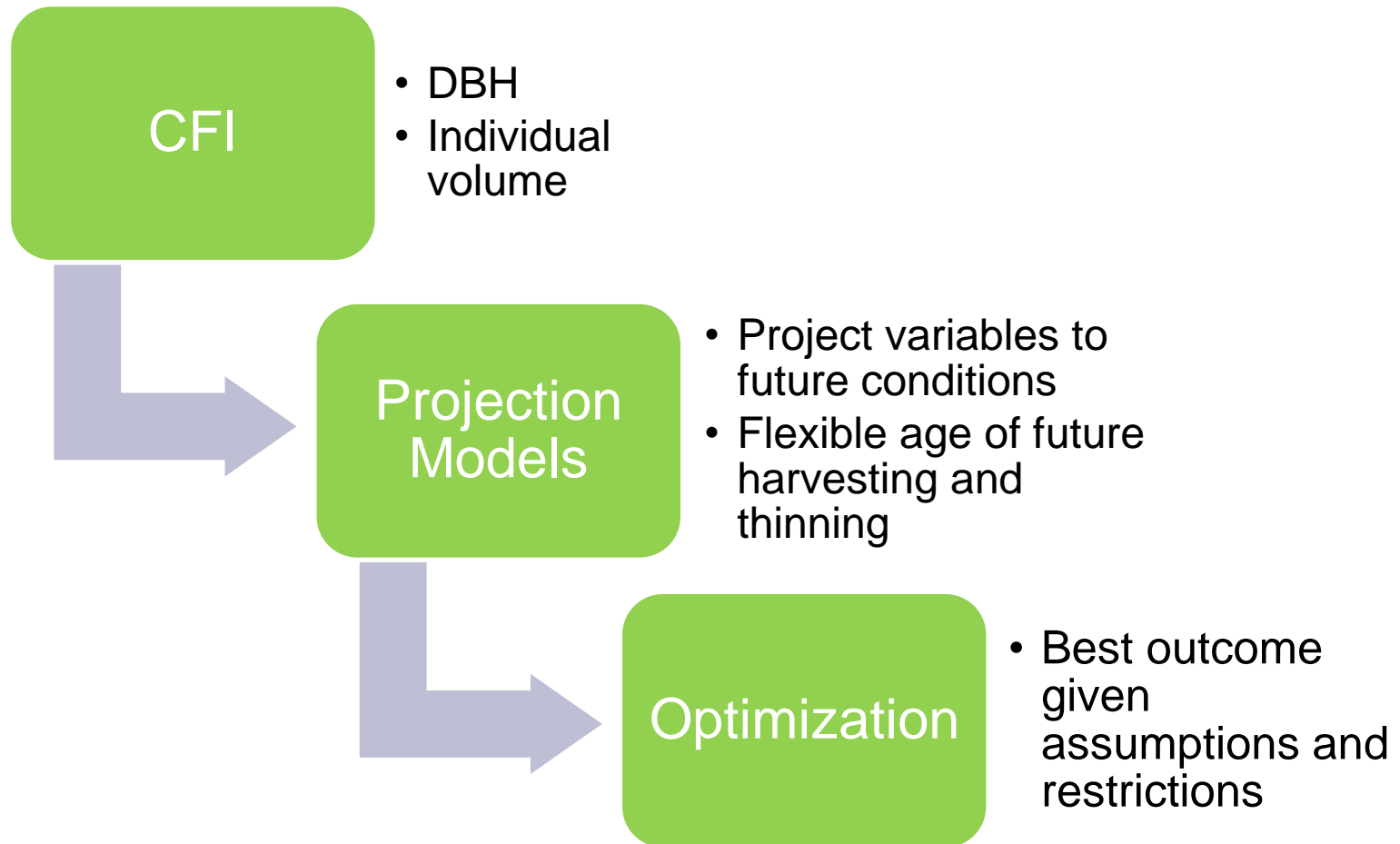
Taper estimation for short logs

Timber Assortments x Mean DBH



Management Plan

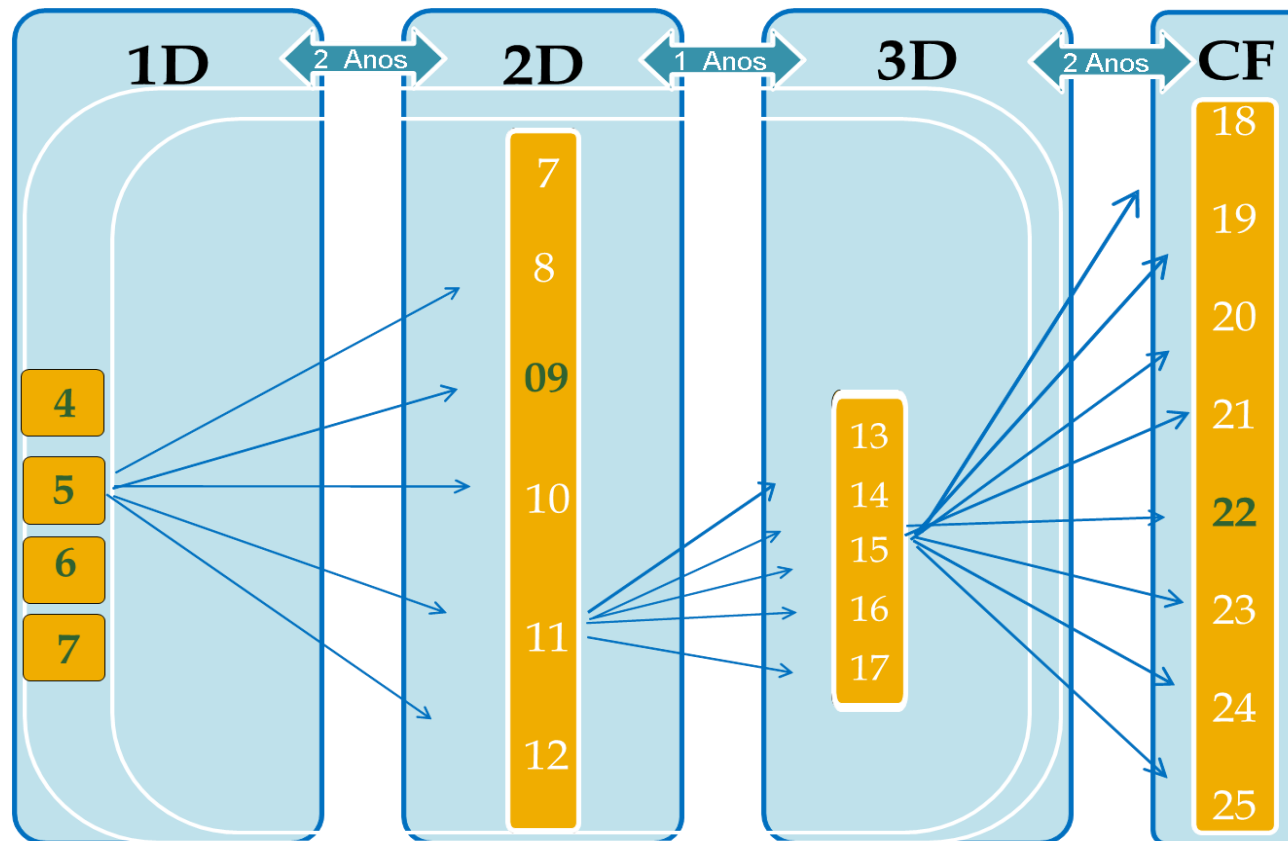
Growth & Yield forecast



Management Plan

Growth & Yield forecast

Decision tree of possible harvesting regimes



Management Plan

Planning Criteria

CONSIDERED CONDITIONS AND RESTRICTIONS

**Basal area of
increased competition**

**Market conditions for
each diameter class**

Stable wood supply



Management Plan

Planning Criteria

Basal area of increased competition

Basal area, m^2 / hectare, measures the spatial competition of the trees amongst each other.

We consider areas in thinning condition when basal area reaches above $12 m^2/ha$.

This trigger has been set based on experiments that showed that increment on DBH may be affected as the basal area reaches this level, depending on site condition

Market Conditions

Logs with diameter from 18 cm to 23 cm are not viable for export;

Need to be processed by sawmill to maximize value;

$4.000 m^3$ per month on average

Stable supply

As a large player, Floresteca can obtain better pricing, by supplying on a consistent basis;

Logistics and other related activities are also done on a more efficient scale

Logs with diameter greater than 25 cm;

$2.500 m^3$ per month



Management Plan

2016 – Areas Eligible for Harvesting

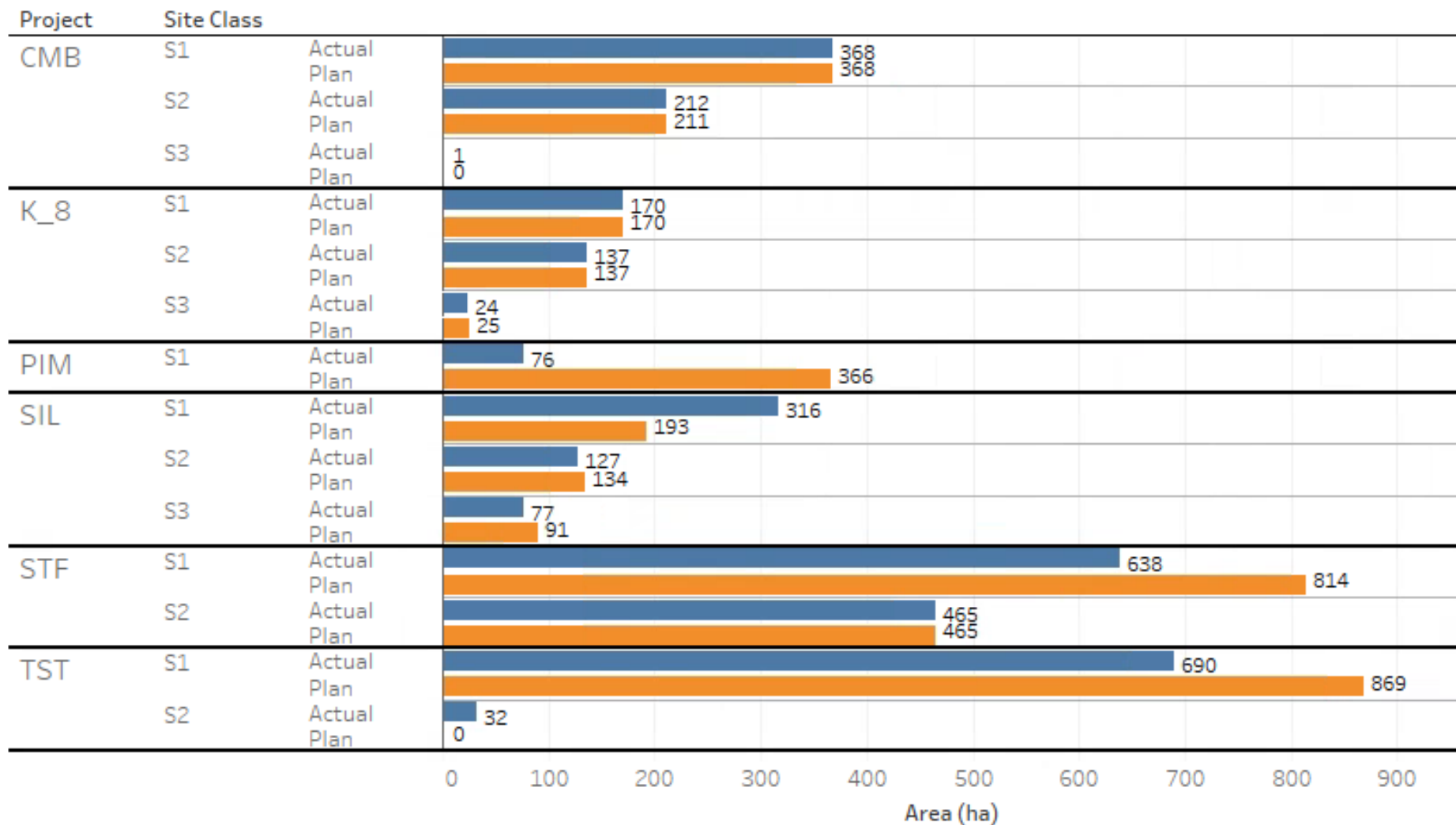
			Thinnings										Basal		>16
Project			Area (ha)	08-16 (m ³)	16-18 (m ³)	18-20 (m ³)	20-23 (m ³)	23-25 (m ³)	25-30 (m ³)	30-35 (m ³)	35-40 (m ³)	>40 (m ³)	Area (m ² /ha)	Total	m ³ /ha
CMB	S1	Seeds	367,9		3	1.831,7	3.261,2	2.045,8	3.003,1	702,4	96,3	0,0	19,9	12.333,4	33,5
CMB	S2	Seeds	211,2		5	786,6	1.143,4	515,4	605,4	134,7	13,0	0,0	15,6	3.997,2	18,9
STF	S1	Clones	88,0		2	450,5	640,6	342,4	317,1	25,9	0,0	0,0	18,2	2.127,6	24,2
STF	S1	Seeds	726,3		7	3.372,5	4.213,4	1.990,0	1.843,2	181,2	0,0	0,0	16,7	14.499,2	20,0
STF	S2	Seeds	465,1		5	1.626,2	1.854,4	802,7	735,8	97,9	0,0	0,0	21,2	6.717,6	14,4
TST	S1	Seeds	869,5		5	4.579,5	5.534,8	2.591,0	3.052,6	541,0	42,1	0,0	16,5	20.466,8	23,5
Total			2.728,1		26	12.647,1	16.647,8	8.287,3	9.557,3	1.683,1	151,4	0,0		60.141,6	22,0

			Final Harvest										Basal		>15
Project			Area (ha)	08-16 (m ³)	16-18 (m ³)	18-20 (m ³)	20-23 (m ³)	23-25 (m ³)	25-30 (m ³)	30-35 (m ³)	35-40 (m ³)	>40 (m ³)	Area (m ² /ha)	Total	m ³ /ha
K_8	S1	Seeds			3	1.017,3	1.980,7	1.590,7	4.855,0	4.351,6	2.509,0	857,5	15,3	18.287,3	107,4
K_8	S2	Seeds	136,9		3	834,6	1.502,8	1.114,6	2.809,6	2.093,5	1.048,1	317,0	12,8	10.712,0	78,2
K_8	S3	Seeds	24,8		3	105,4	166,7	104,9	205,8	126,2	58,4	16,8	8,2	944,9	38,2
PIM	S1	Seeds	365,9		9	2.226,0	4.327,2	3.703,1	10.873,0	9.622,1	4.535,6	1.559,7	13,2	39.249,5	107,3
SIL	S1	Seeds	192,6		5	581,9	1.487,6	1.382,1	4.669,8	5.479,3	4.231,9	2.061,4	11,0	20.293,5	105,3
SIL	S2	Seeds	134,4		3	693,9	1.096,3	683,0	1.689,7	1.442,2	994,9	460,8	8,7	8.053,7	59,9
SIL	S3	Seeds	90,8		5	417,6	394,0	98,3	105,3	32,9	2,8	0,0	15,3	1.881,5	20,7
Total			945,4		27	5.876,7	10.955,3	8.676,6	25.208,2	23.147,8	13.380,6	5.273,2		99.422,3	105,2



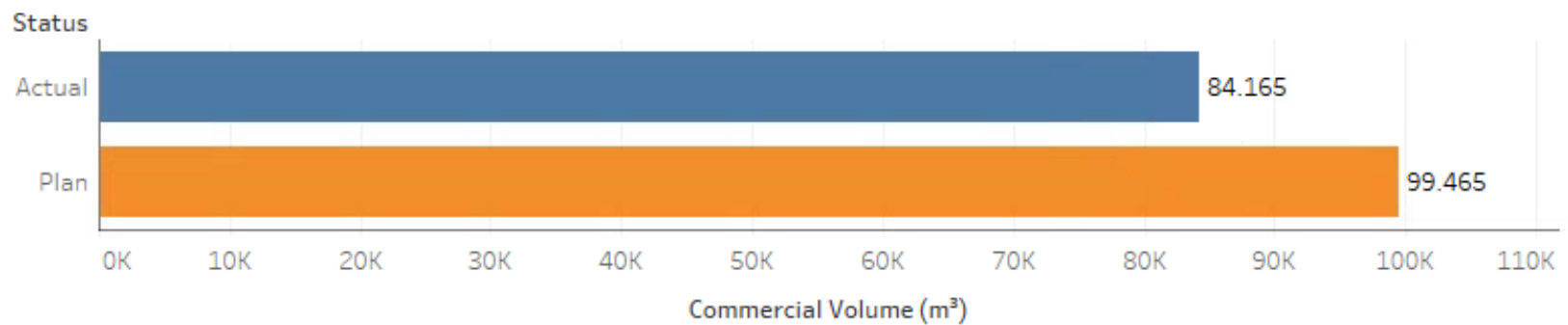
Management Plan

2016 – Actual Results – Total Area Harvested



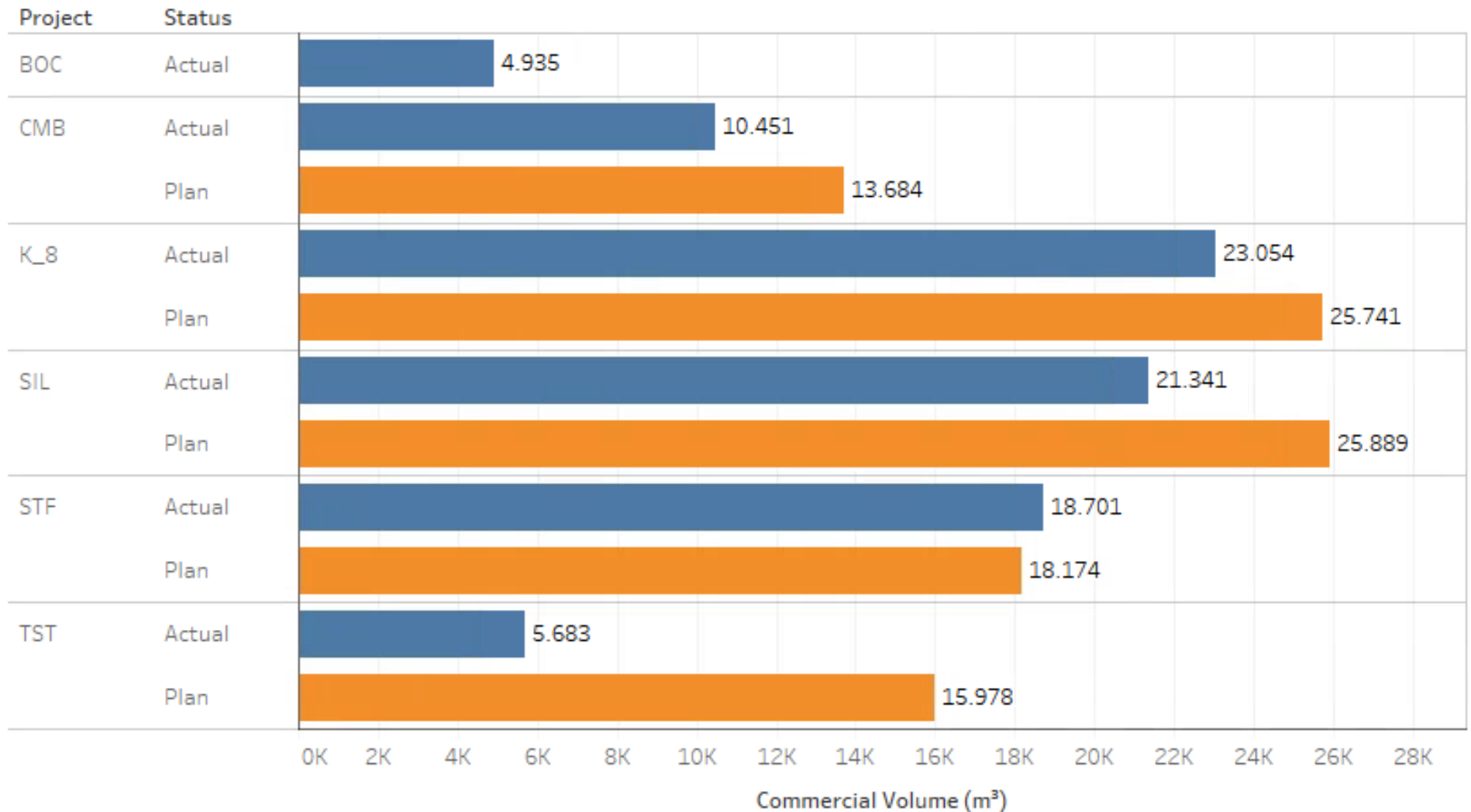
Management Plan

2016 – 3Q – Actual Results – Total commercial volume traded



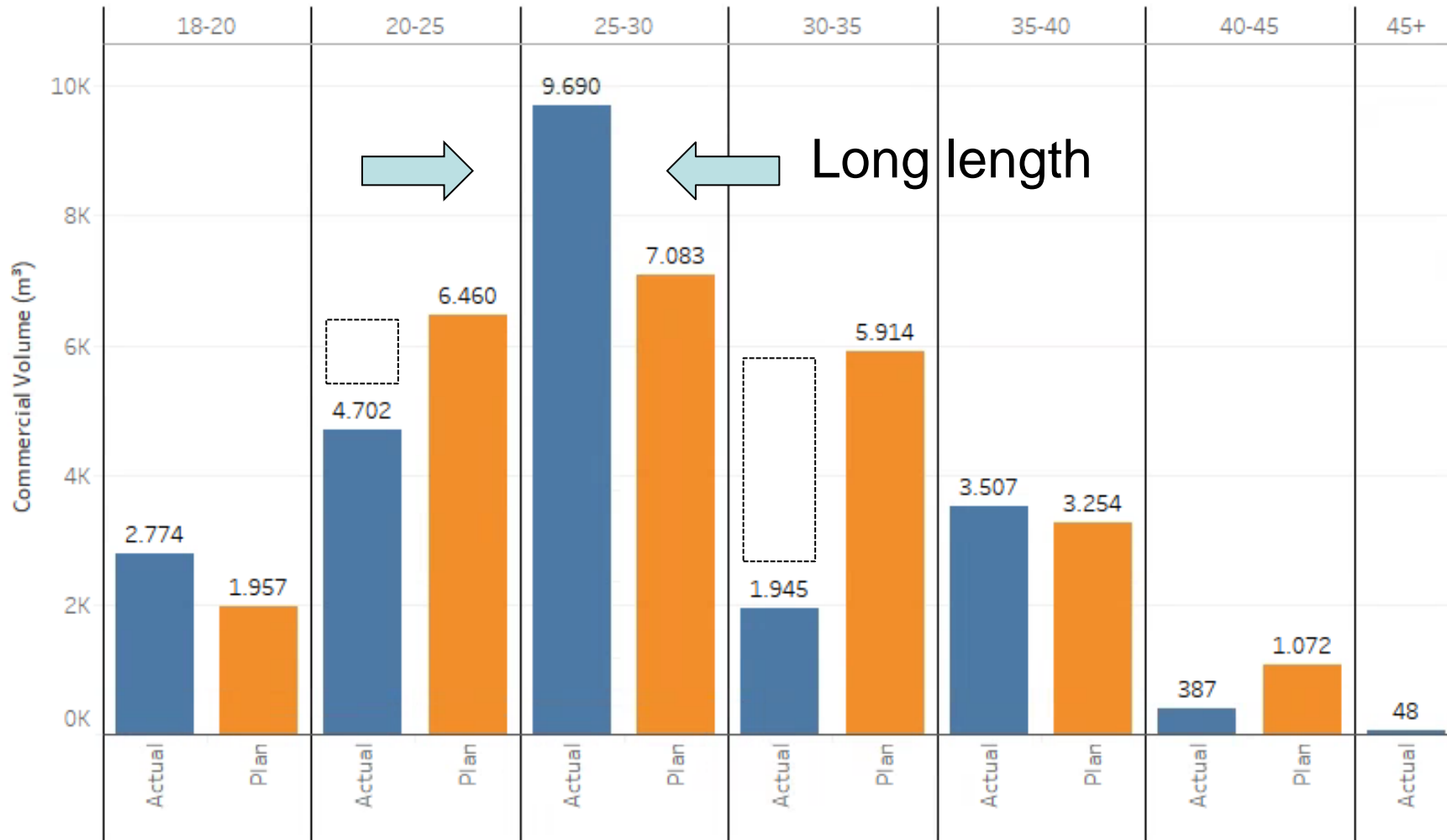
Management Plan

2016 – 3Q – Actual Results – Total commercial volume traded by project



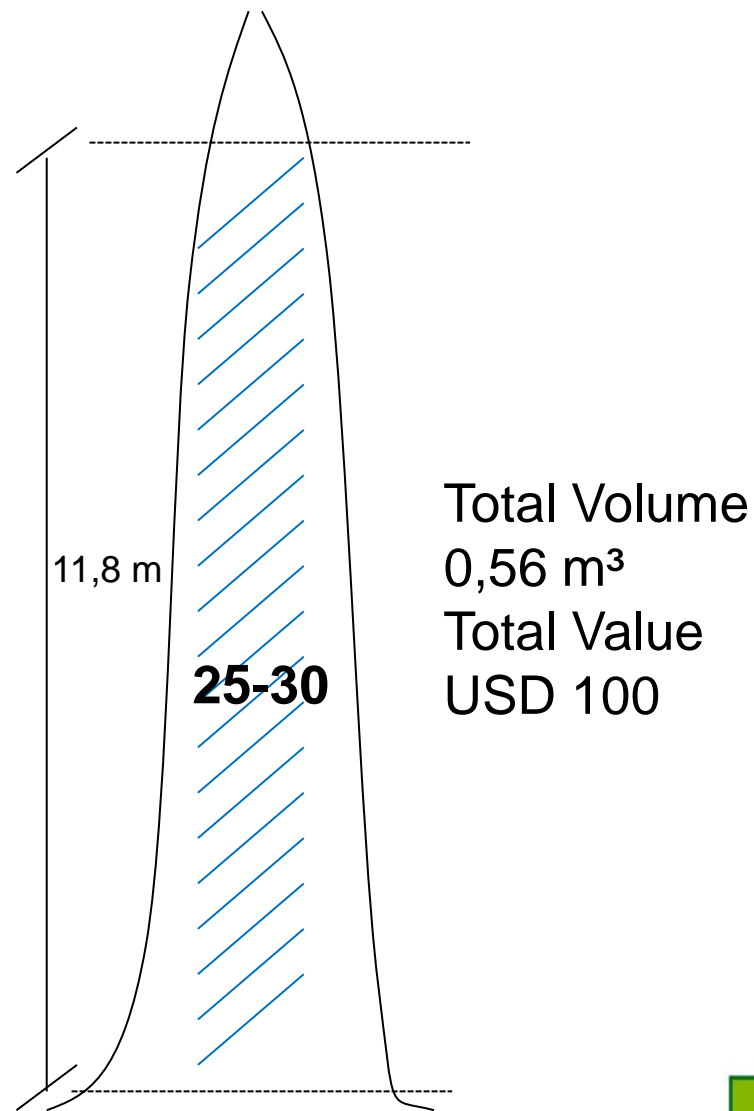
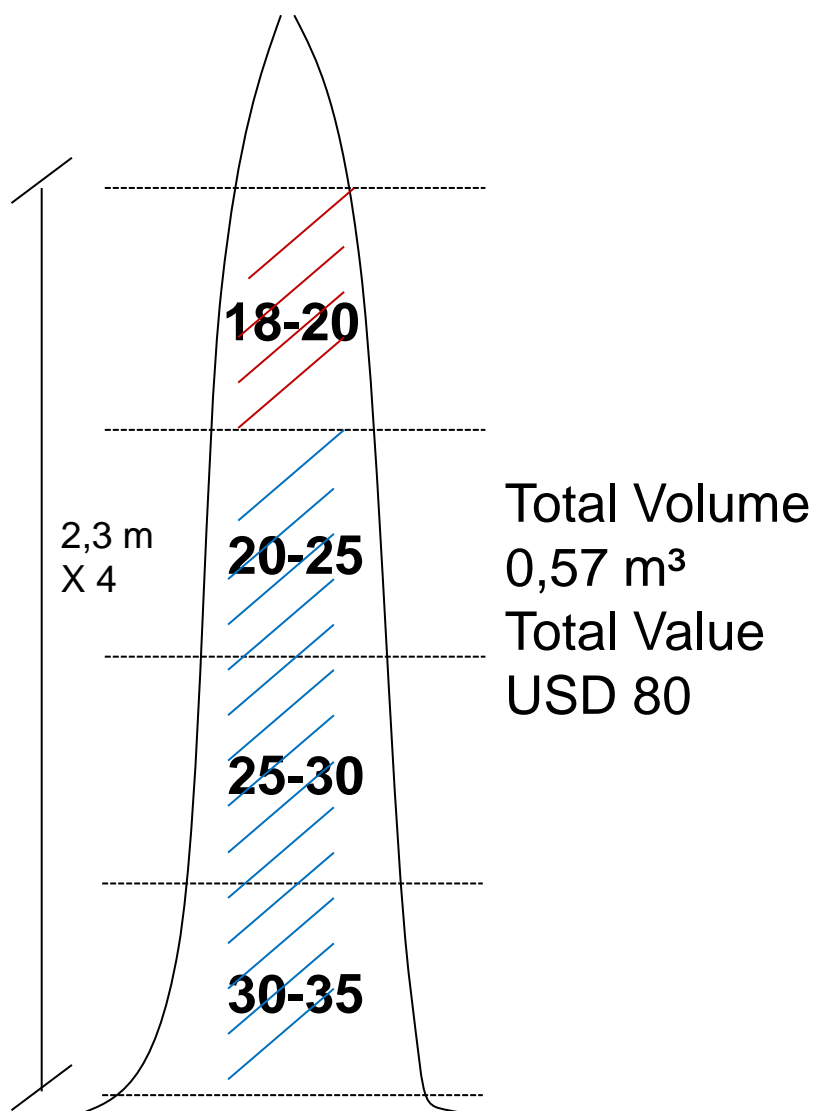
Management Plan

2016 – Actual Results – K 8 – Commercial Volume per Diameter Class



Management Plan

Log optimization



Management Plan

2017 – Areas Eligible for Harvesting

Final Harvest

															Total Volume (m ³)	
Project	Operation	Site Class	Area (ha)	Basal Area (m ² /ha)											>18 cm	m ³ /ha
				4-16.	16-18.	18-20.	20-23.	23-25.	25-30.	30-35.	35-40.	40+				
1994BUR	CF	S2	81,8	9,3	1.024	452	570	1.010	720	1.237	155	1	0	3.692	45,1	
1994BUR	CF	S3	510,5	7,9	7.397	3.087	3.513	5.493	2.962	2.704	132	0	0	14.804	29,0	
1996PIM	CF	S1	215,8	13,3	1.787	968	1.048	2.128	1.943	5.838	5.656	3.379	721	20.713	96,0	
1996PIM	CF	S2	139,6	11,6	1.477	703	785	1.681	1.419	3.362	2.153	535	22	9.958	71,3	
1996PIM	CF	S3	83,6	8,8	1.548	633	696	1.067	492	262	1	0	0	2.520	30,1	
1996COC	CF	S3	374,9	8,6	13.365	3.255	1.796	485	5	0	0	0	0	2.286	6,1	
1996TEN	CF	S3	191,4	8,6	2.508	1.094	1.296	2.168	1.378	1.709	138	0	0	6.688	34,9	
1998COC	CF	S1	133,8	12,7	1.334	684	711	1.612	1.444	3.793	2.993	1.011	65	11.629	86,9	
1998SIL	CF	S2	24,4	9,1	401	177	205	332	207	190	4	0	0	937	38,4	
Total			1.755,8	9,6	30.842	11.052	10.621	15.975	10.571	19.095	11.232	4.925	808	73.227	41,7	

Thinnings

															Total Volume (m ³)	
Project	Operation	Site Class	Area (ha)	Basal Area (m ² /ha)											>18 cm	m ³ /ha
				4-16.	16-18.	18-20.	20-23.	23-25.	25-30.	30-35.	35-40.	40+				
2007MUT	2D	S1	220,2	18,5	5.710	1.961	2.074	1.903	322	54	0	0	0	4.352	20	
2007MUT	2D	S2	243,0	14,5	5.686	1.719	1.177	418	12	0	0	0	0	1.607	7	
2007SAJ	2D	S1	254,3	20,2	6.439	2.330	2.543	3.146	708	130	0	0	0	6.527	26	
2007SAJ	2D	S2	47,0	18,0	1.057	358	387	340	44	6	0	0	0	777	17	
Total			764,6	17,8	18.892	6.368	6.181	5.807	1.086	189	0	0	0	13.264	17	



FLORESTECA ROADSIDE PRICE POLICY

- Floresteca sells roadside in Brazil to clients who export to Asia. Through these clients, Floresteca has access to market information about current final market prices (CIF), which serve as the reference point for the establishing of a RSP at the farm.
- Conceptually the Road Side Price is determined by deducting all costs related to the delivery of the logs to final buyers, including logistics, taxes, commissions to local sales agents, and other deductions involved in delivering the wood to final buyers in Asia or elsewhere:

CIF Price for Logs

- (-) International Freight
- (-) Sales & Trading Commissions
- (-) Port Costs
- (-) Local Freight
- (-) Sales Taxes
- (-) Cargo Handling
- = Roadside Price**



FLORESTECA ROADSIDE PRICE POLICY - SAW MILL

- Currently logs below 23cm with the quantities supplied by Floresteca would not be viable to export directly due to liquidity concerns plus logistic costs so it is considered a non-export grade; The roadside prices of these logs is thus largely determined by the local demand for the logs as biomass or for other alternative uses in Brazil;
- Non-export grade logs can be sold to a sawmill which can add value by processing the logs into rough sawn timber. Sawmills will typically pay prices similar or higher than to their Roadside Prices for use as biomass, depending on the economics of sawn products. Generally, sawmills should be able to offer superior RSP vs the biomass market.

CIF to RS Example, short logs, 15-20 cm	
<i>3Q2016</i>	USD per Cubic Meter
CIF Price in Asia	215
Logistics, Port, Sales Commissions, etc.	-202
Roadside Price	13
Biomass / Firewood Price in MT	10
Saw Mill Price	30



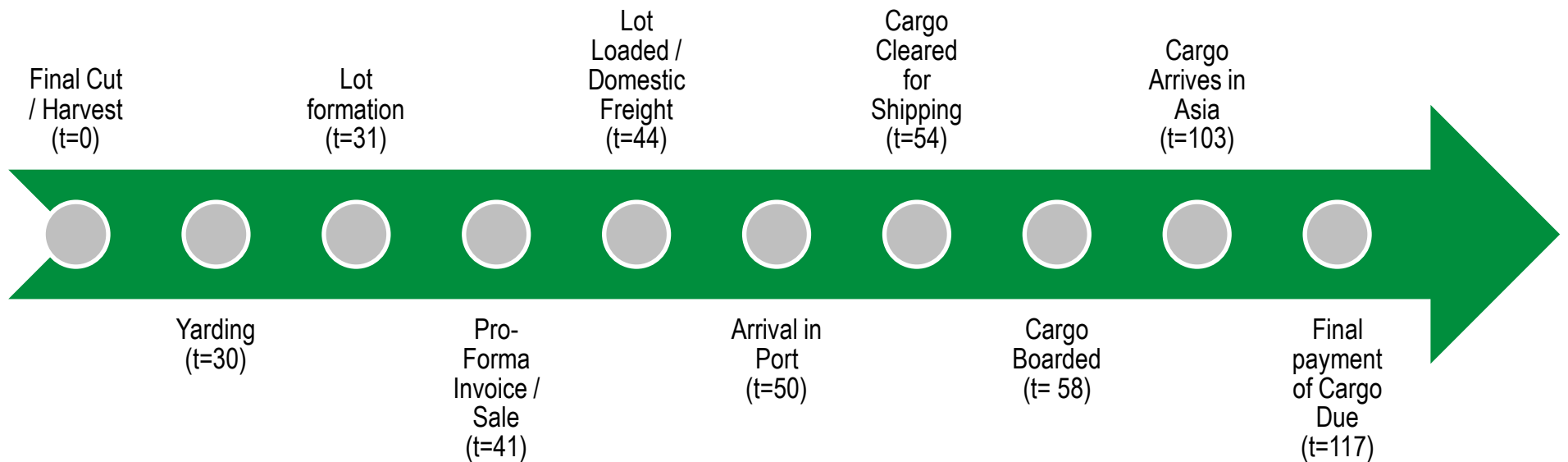
Investor Results

- From the Roadside Price for final cuts, the following items need to be deducted:
 - Harvest costs from final cuts
 - Forest exhaustion / land clearing / cleaning
 - Applicable Taxes
 - Accumulated retainers
 - The 5% performance fee from net result



FLORESTECA SALES & LOGISTICS CYCLE

- The sales and logistics cycle for teak wood logs from plantations in Mato Grosso, for final sale in India and other locations in Asia, is substantial, requiring around 120 days from RS or 150 days from stumpage;
- As can be observed, there are a large number of payments and temporal elements in play in this cycle.



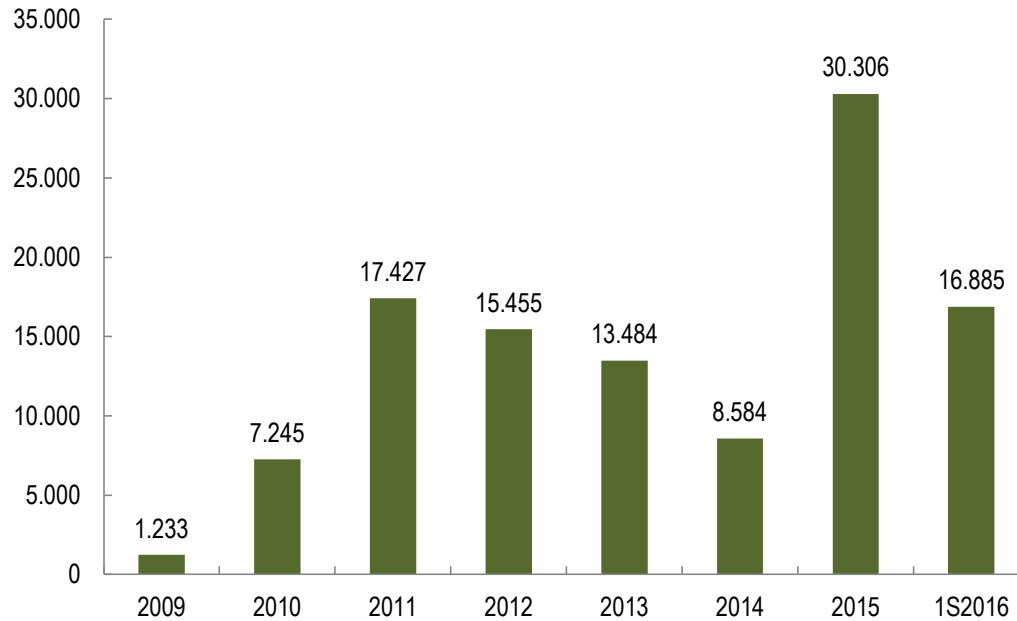
FLORESTECA PRICE AND MARKET ANALYSIS

- This following slides summarize Floresteca's historical roadside prices, and has been prepared for SATT stakeholders. The prices and analysis herein contained reflect the prices realized by Floresteca in the course of its business, and are subject to several qualifications:
 - Floresteca's has only recently fully completed its first operational cycle, and has been realizing final cuts since mid 2015;As a result, the volumes of the larger diameter classes of logs have a much shorter price series, and substantial volumes only since mid 2015;
 - There is material variation in the prices within each diameter class, as a matter of actual market conditions. This also applies to quality factors within each class (e.g., discounts for channeling).
 - The teak log market is largely private, and public pricing information is generally not available. For all of these reasons, Floresteca's prices cannot necessarily be considered as general market prices, but as prices that should generally track the general market trends.
 - We have also restricted the analysis in this presentation to short logs (those of 2.35 meters), the most liquid market category and the one for which we have a longer track record. Sales of semi-long, and long logs is incipient, and volumes are very small within the overall sales mix.

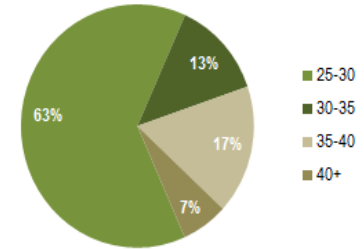


FLORESTECA ANNUAL SALES VOLUMES AND MIX

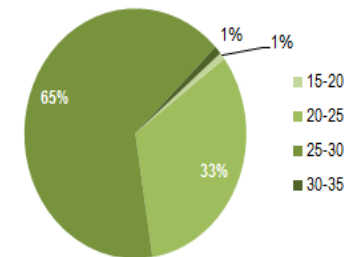
Floresteca Sales Volume (m3)



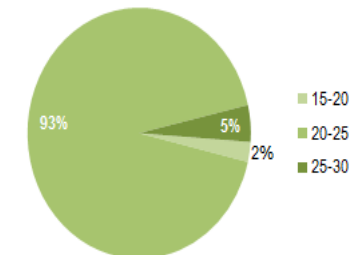
Volume by Diameter - 1S2016



Volume by Diameter - 2013



Volume by Diameter -- 2009

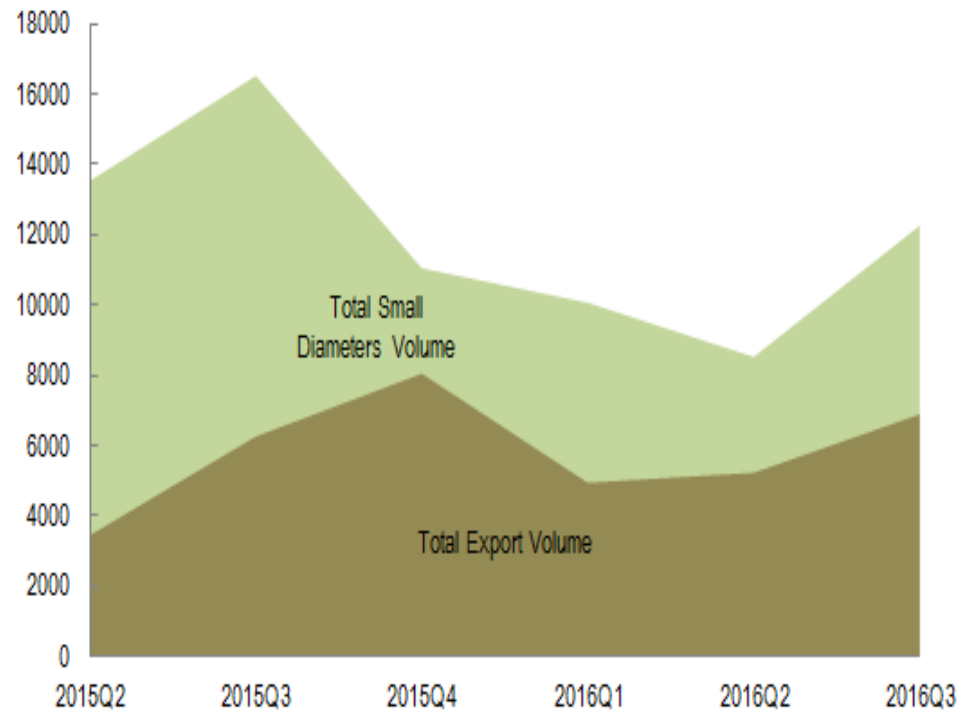


Floresteca export log sales volumes and composition have varied considerably over 2009-2016, with a preponderance of thinner logs in earlier years, and greater share of large diameter logs in more recent years. These mix factors directly effect realized prices, shown in the following slide.



PRODUCTION VOLUME AND FINAL MARKETS

Sales Volume by Final Market, m3

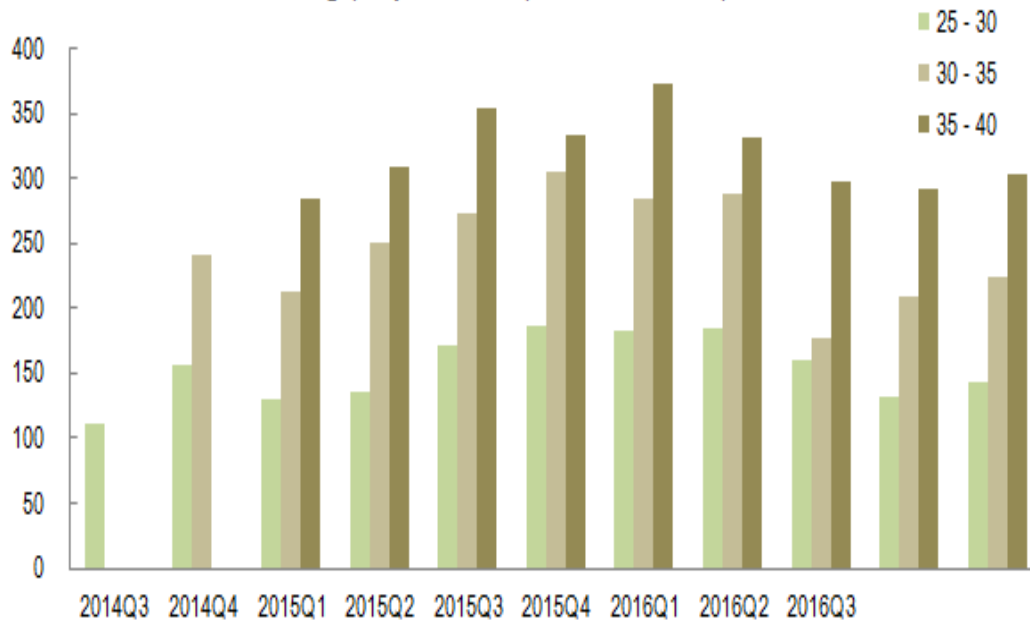


Non-export log sales have declined in relative terms as the export grade logs production has increased. Currently, export grade logs account for around 1/3 of total volume, the remainder destined for the local market and sawmill.

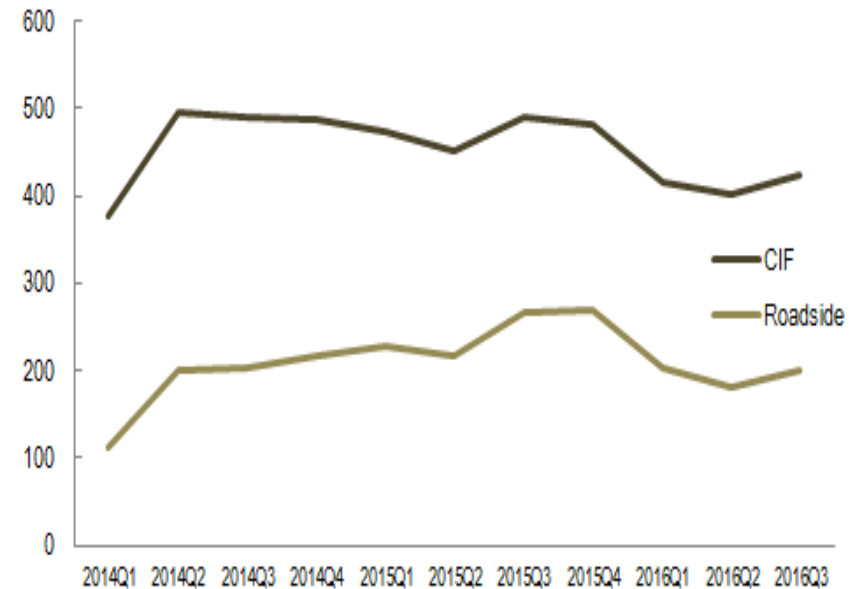


AVERAGE ROADSIDE LOG PRICES

Short Logs, Export Grades, Roadside Prices, USD / m³



Floresteca Weighted Average CIF and Roadside Prices
USD / m³

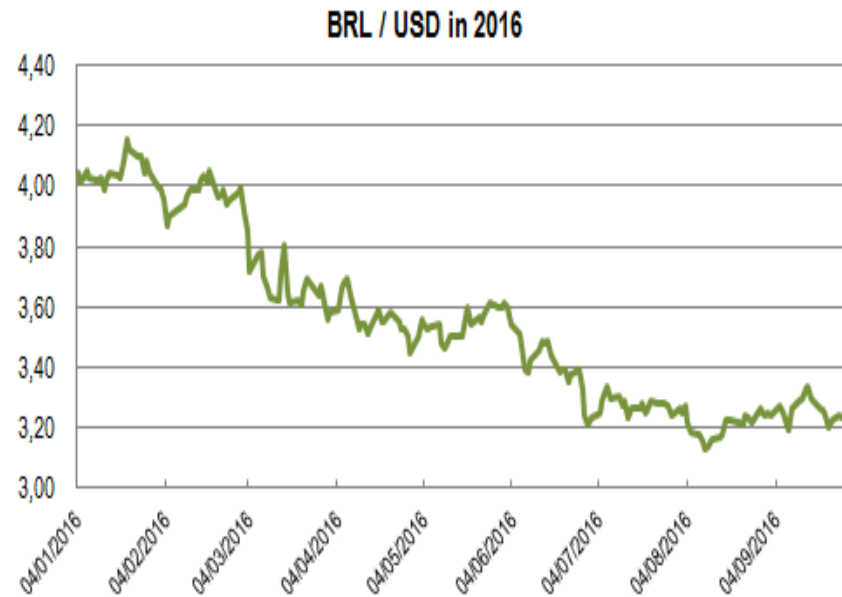


- Similar to the CIF prices, roadside prices for commercial grade short logs were at a high in mid 2015, and thereafter fell, reaching low levels in 1Q2016. In 2Q2016, roadside prices increased for most diameter classes, and this trend continued into 3Q2016, with all diameter classes showing unit price increases.
- The peak in prices for this relatively small period can be seen in the graph on the right for weighted average CIF and roadside prices. Roadside prices did decline, but were attenuated by the impact of BRL devaluation on local currency logistics and other costs. In 3Q2016, rising CIF prices for logs led to similar increases in roadside prices.



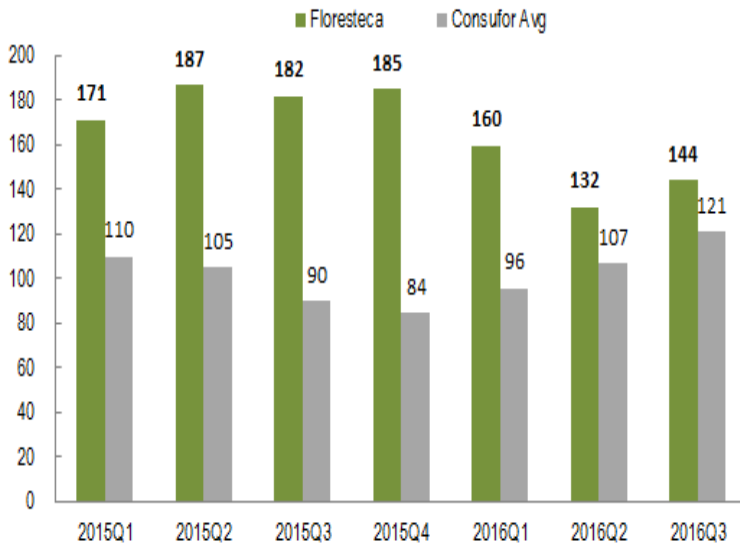
ROADSIDE PRICE ANALYSIS: FX EFFECTS

- Roadside prices are a function of the trading & logistics costs, as well as prices in Asia; as around 2/3s of these costs are denominated in BRL, FX changes cause changes in roadside prices. As a result, and all else equal, generally BRL devaluation vs the USD raises roadside prices, whereas BRL valuation results in lower roadside prices.
- The BRL had been slowly devaluing vs the USD from 2011, then rapidly devalued in 2015 and early 2016; From 2012 through 1S2016, the BRL lost nearly 90% of its value vs the USD. However, over the course of 2016, the BRL has revalued by nearly 20%; Consensus economic forecast project relative FX stability from current rate over the next several years.

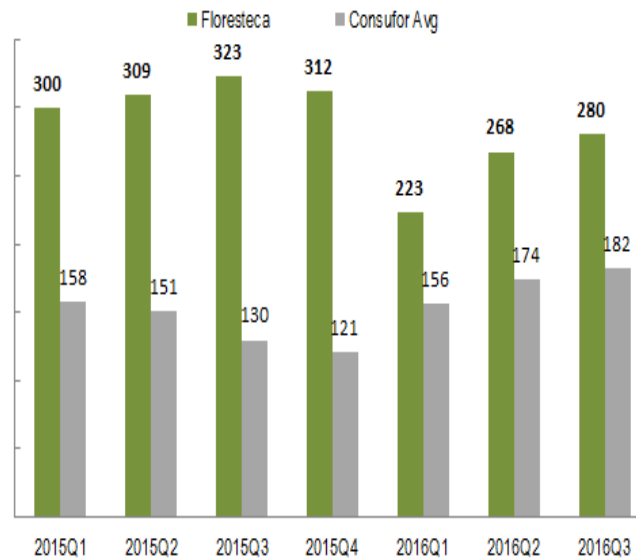


FLORESTECA ROADSIDE PRICES VS CONSUFOR LOCAL BENCHMARK

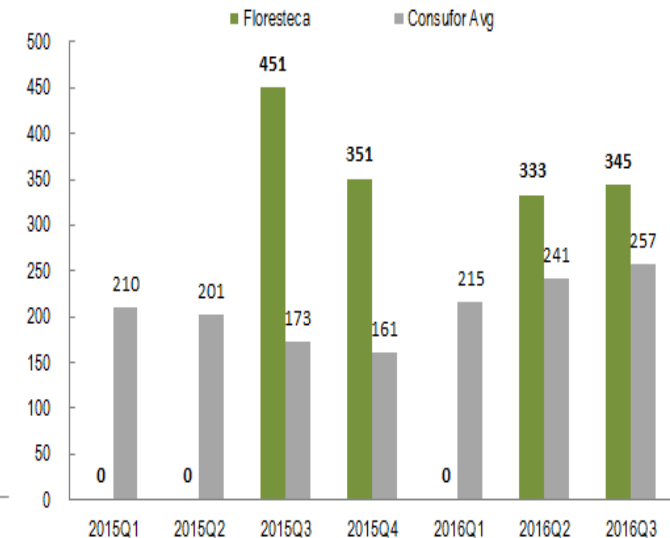
Short Log RS Prices 25-30 cm diameters, USD /cbm



Short Log RS Prices 30-40 cm, USD /cbm



Short Log RS Prices 40+ cm, USD /cbm



- A local forestry consulting company, Consufor, has begun to track teak log prices in Mato Grosso.
- The most recent Consufor numbers show that Floresteca's prices are generally substantially superior to average prices reported by Consufor, for export grade short logs (Note that the log categories are those used by Consufor).
- Non-export grade logs do not have a reliable local benchmark



Harvest Report – 2015 + 2016 YTD

INTERV CF
YEAR 2015

All values in USD 0.00

EAR PLAN	PROJECT	AREA	OLUME (M	RS RESULT	FINAL CUT REC.	MAX. RET/FEE	SG&A	WITH. TAX	PAID	TO BE PAID
1.995	K_8	86,0	601	98.958	-15.167	-4.190	-34.062	-6.831	0	38.708
1.995	SIL	420,0	19.272	3.929.600	-539.391	-169.510	-1.352.587	-280.217	0	1.587.895
Total Geral		506,0	19.873	4.028.558	-554.558	-173.700	-1.386.649	-287.048	0	1.626.603

INTERV CF
YEAR 2016

EAR PLAN	PROJECT	AREA	OLUME (M	RS RESULT	FINAL CUT REC.	MAX. RET/FEE	SG&A	WITH. TAX	PAID	TO BE PAID
1.995	K_8	329,1	19.387	3.635.845	-384.169	-181.792	-871.974	-329.687	0	1.868.224
1.995	SIL	482,8	13.085	2.763.518	-259.296	-138.176	-662.766	-255.492	0	1.447.788
Total Geral		811,9	32.473	6.399.363	-643.464	-319.968	-1.534.740	-585.178	0	3.316.011

Note: The sum of areas is greater than the total as some areas had harvest activities in both years.

Reporting

	Timing	Delivery Date Final	Status
Management Plan	Annually	Draft Nov 30th; Finalize Dec. 15th	
Harvesting Report	Annually	April 30th	
Quarterly Report + Outlook	Quarterly	1 month following calendar quarter	To begin 1Q2017
Parameter Report/ previous Pöyry	Quarterly	1 month following calendar quarter	Included in quarterly report
Financial Statements	Annually	April 30th	

- Report example
- Distribution via FBV website



Payment Protocol

- FBV is working with SATT to establish an efficient mechanism for payments of the proceeds, taking into account the existing deficits on retainers, administrative costs and taxes;
- Floresteca had proposed to settle the retainer deficits with future thinning revenue; however, SATT has concluded that this arrangement is not practicable, as individual stakeholders desire to have their projects ring-fenced;
- In order to address this problem, the retainer deficits will be settled on a per project basis, considering the thinning and final cut revenues;
- This arrangement is necessary to finance the management of the SATT assets through the end of the projects.
- As a result, proceeds for projects will be accumulated and payments will be made as projects are finalized.



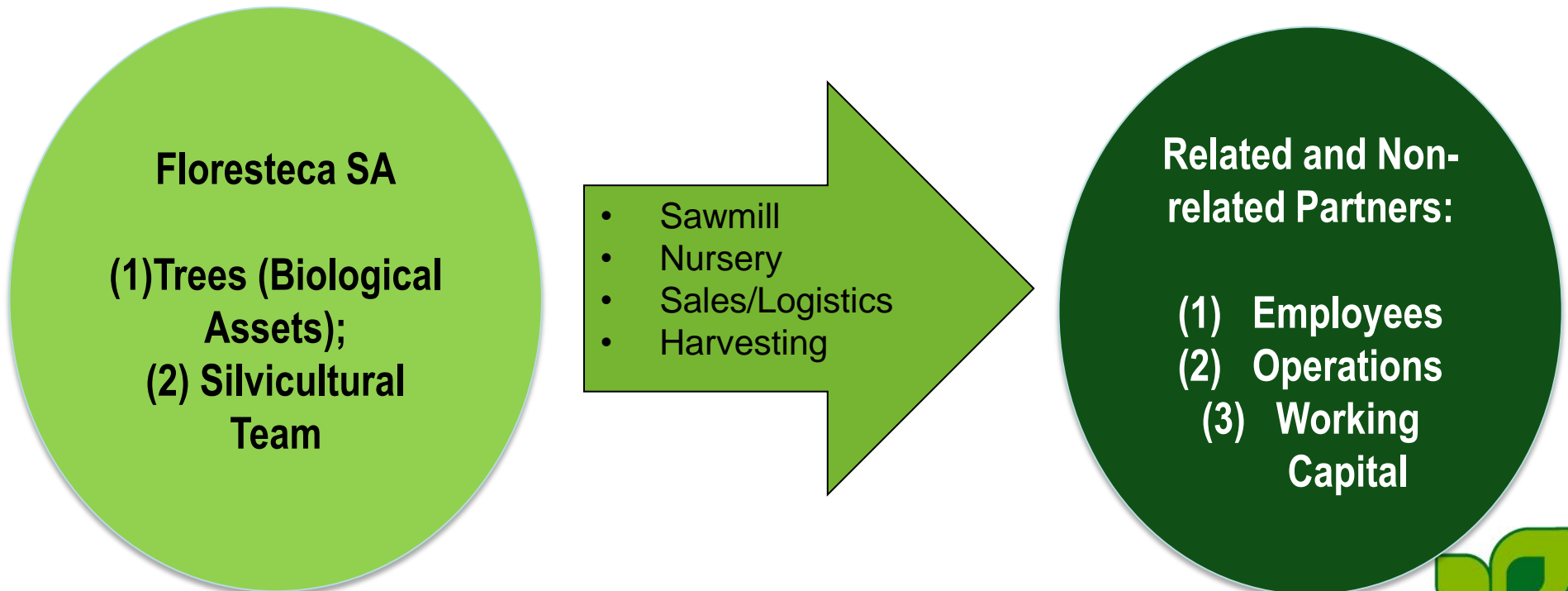
External Controls

- Continue annual financial statement audits (Mazars);
- Replace annual Poyry Report and Harvest / Thinning Report (Mazars) with quarterly results reporting, which will include:
 - Third party monitoring on site of harvesting volumes, sizes on a continuous basis;
 - Third party roadside price benchmarks on a half year basis;
 - Actual roadside prices, based on CIF prices minus all costs to be reviewed by a top 10 professional services firm semi-annually.



FLORESTECA: FOCUS ON CORE BUSINESS

- Floresteca is reorganizing to as to streamline its activities and align them with standard market practice for forestry management;
- Related activities, not specific to the SATT forests, (sawmill, nursery, sales and logistics, and harvesting) are to be separated;
- SATT stakeholders will gain greater clarity on the economic performance of their assets, and reduce their risks from operations and working capital;
- Non-SATT forest assets under negotiation for possible sale





Thank you!

Cáceres - Mato Grosso, Brazil November 2016



Floresteca