

**AGREED-UPON PROCEDURES REPORT**

**FLORESTECA S.A**

**PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018**



## Contents

Floresteca S.A - Executive Summary.....	3
Agreed-upon procedures report .....	4
Appendix I – Harvest Report results until December 31, 2017.....	6
Appendix II – Harvest Report results January 1st to December 31, 2018.....	7
Appendix III – Harvest Report accumulated until December 31, 2018.....	8



## Floresteca S.A - Executive Summary

Floresteca S.A. was incorporated on January 12, 1994 and is headquartered in the Municipality of Jangada, State of Mato Grosso - MT, Brazil. The main operations of Floresteca S.A. are carried out in various municipalities of the State of Mato Grosso - MT and its main activities comprise the forestation, planting, felling and clearing of Tectona Grandis (Teak) forests owned by third parties and proprietary forests.

### Objectives

Harvest Report were prepared for the purpose of demonstrating to the investors who hold an interest in the volumes, gross sales revenues, taxes on sales revenues, direct selling expenses and net revenue in Real and Dollar for the year ended December 31, 2018.

### Sales revenues

Revenues from the sale of the thinning and final cut are recorded on the accrual basis of accounting, as of the date on which the rough wood is delivered to customers and the Company is entitled to invoice them.

### Translation of Brazilian Reais to US dollars

The net sales revenue amounts presented in U.S. dollars in Harvest Report were determined by the conversion from the real to the dollar in a daily basis, in accordance with the official rates from BACEN. These translations are being presented for the convenience of the reader only.

### Correction in "Silvicultural Costs" calculation

Until the year end 2017, the Harvest Report was calculating the Silvicultural Costs disregarding the 8<sup>th</sup> year of planting and after a review this cost was included into the calculation. Although SIL, K8 and COC have been affected in the previous miscalculation by USD -349.680, USD -199.146 and USD 46.329, respectively. The Administration decided to not restate published results, therefore, the final value for those projects is unchanged.

## Agreed-upon procedures report

To the Directors of  
Floresteca S.A.  
Jangada, MT

Period from January 1, 2018 to December 31, 2018.

We have performed the procedures agreed with you and enumerated below with respect Final Cut Results and the Thinning Results for the year ended December 31, 2018 to Floresteca S.A. "Company", set forth in the accompanying schedule, Appendix I – Harvest Report results 2017, Appendix II – Harvest Report results 2018 and Appendix III – Harvest Report accumulated until 2018. Our engagement was undertaken in accordance with the International Standard on Related Services ISRS 4400, issued by IFAC applicable to agreed-upon procedures engagements. The agreed-upon procedures, performed on the Harvest Report prepared by the Company, for the period from January 1, 2018 to December 31, 2018, are as follows:

- We compared the accumulated amount presented in the Harvest Report on December 31, 2017 to the initial amount in the Harvest Report from 2018.
  - We identified differences between the accumulated "PRE-TAX RESULT" balances presented in the Harvest Report on December 31, 2017 and initial amount used in 2018 Harvest Report, these differences totaled an amount of USD 2,671,330, as demonstrated below.

YEAR PLANT	PROJECT	PRE-TAX RESULT On December 31, 2017	PRE-TAX RESULT Initial amount in 2018	Divergence in USD
1994	BUR	(2.501.732)	(2.857.106)	355.374
1996	COC	(1.879.667)	(2.104.595)	224.928
1996	TEN	(890.412)	(1.005.264)	114.852
1997	PAI	(1.089.713)	(1.156.745)	67.032
1997	PAR	(2.445.717)	(2.570.603)	124.886
1999	ARA	(256.937)	(259.789)	2.852
1999	BAM	(2.263.663)	(2.279.501)	15.838
1999	BOC	374.780	371.660	3.120
1999	CAS	(172.622)	(175.175)	2.553
1999	CPB	(228.022)	(242.672)	14.650
1999	SER	(368.628)	(371.657)	3.029
1999	VDO	(107.722)	(109.123)	1.401
2000	BAM	(1.906.906)	(1.936.550)	29.644
2000	DLG	(4.540.276)	(4.628.402)	88.126
2001	DLG	(6.012.400)	(6.197.283)	184.883
2001	SMG	(256.149)	(264.589)	8.440
2002	BAR	(2.741.758)	(2.853.705)	111.947
2002	CMB	(508.970)	(574.864)	65.894
2002	DLG	(2.208)	(7.794)	5.586
2002	SMG	(15.913)	(16.572)	659
2002	SMJ	(2.569.478)	(2.694.691)	125.213
2003	BAR	(26.557)	(28.425)	1.868
2003	CMB	(4.544)	(6.014)	1.470
2003	SMJ	(375.608)	(405.589)	29.981
2003	STF	(4.934.114)	(5.303.735)	369.621
2004	BAR	(2.228.425)	(2.405.136)	176.711
2004	TST	(1.458.023)	(1.655.879)	197.856
2005	DLG	(370.086)	(412.019)	41.933
2006	DLG	(335.208)	(389.180)	53.972
2007	MUT	(316.720)	(456.700)	139.980
2007	SAJ	191.162	112.940	78.222
2008	SMJII	(74.903)	(103.711)	28.808
		<b>(33.094.544)</b>	<b>(35.765.875)</b>	<b>2.671.330</b>

This difference refers to a change in the "Silvicultural costs" calculation applied retrospectively, which previously did not cover the first year of cost. According to local management, until the year end 2017, the

Harvest Report was calculated not taking account the first year of costs and after review of methodology this cost was included in calculation.

2. For the projects K8 and SIL95, that were finished until 2016, we compared the accumulated amount presented in the Harvest Report on December 31, 2016 to the initial amount in the Harvest Report from 2018. No differences were identified.
3. We obtained the analytical breakdown of 2018 sales and compared the full invoices of the breakdown with the accounting balances in Brazilian Reais. No differences were identified. We did not perform any procedures regarding revenues conversion from real to dollar.
4. We compared if all invoices emitted in 2018 were included in the "DB" spreadsheet (data base spreadsheet) are in the breakdown of sales, and vice versa. No differences were identified.
5. In the "Cockpit" spreadsheet, we validated the information used as the basis for report calculation. To do so, we performed the following procedures:
  - a) "INCENTIVE FEE" was calculated using 5% on the result of "2018 FINAL CUT REVENUES" deducting "2018 FINAL CUT COSTS".
  - b) The unit cost of "harvesting & land clearing costs" used for "2018 FINAL CUT COSTS" calculation, was recalculated taking the following steps:
    - We compared the total costs related to the final cut with the final cut costs presented in the "Operational Monitoring" report prepared by the Company. These costs were summarized by type of expense. No audit or details test has been done to validate these costs and they were not compared to the accounting balance. No differences were identified.
    - We verify that the Exchange rate described in the "Cockpit" spreadsheet is in accordance with IPEA website report - 2018 closing rate for purchase. No differences were identified.
    - We compared the total volume of cargo in m<sup>3</sup> presented in the "Operational Monitoring" report with the total volume used in the calculation. We identified a difference of 246 m<sup>3</sup> in the final cut volume, which generates a total difference an amount of USD 6,334 in the "2018 FINAL CUT COSTS". Company's calculation totaled an amount of USD 1.791.388,19 and the amount recalculated totaled USD 1.797.721,83, which represents 0.3523% of increase in the harvesting costs. No audit or details test has been done to validate these cargo volumes.
6. Considering the information in the database sheet ("DB"), we summarized "CMB", "Revenues", "Harvesting costs" and "Performance fee" per project and compared with the Harvest Report Results 2018. No differences were identified.
7. Considering the information in the database sheet ("DB"), we recalculated the "2018 SILVICULTURAL COSTS" as described below:
  - For the first 20 year plantation cycle, the amount of USD 4,500.00 is divided by 13 years (year 8 to year 20 after plantation) and multiplied per hectare planted "AREA (HA)".
  - In case of 25 year plantation cycle, the amount of USD 3,000.00 is divided by 5 years and multiplied per hectare planted "AREA (HA)", for the years 21 to 25.
8. The "TOTAL AFTER-TAX RESULT (USD/HA)" balance was calculated sharing TOTAL AFTER-TAX RESULT by AREA (HA). No differences were identified.
9. We asked to local management if the statements disclosed in Appendix II – Harvest Report results January 1st to December 31, 2018; was applied as above-mentioned calculations, and there were no negative responses.

We did not perform any procedures regarding the information in "RESULTS PRE-PAID TO DATE" because, according to local management, the control about these amounts, related to payments, is kept by Floresteca B.V. Therefore, we did not perform any procedures regarding the information in "FINALIZED PROJECTS" either, since this information is directly affected by the amounts in "Results pre-paid to date".

Attached to this report there is a Company's Executive Summary to information purposes only not reviewed by us and written by Company. We did not perform any procedures regarding the information in "Floresteca S.A. - Executive Summary".

(\*\*) The "Cockpit", "DB", "Results", "AuxAreaColhida", "AuxRetainer" and "Products" files are base data for the Harvest Report summary calculation.

Because the above procedures do not constitute either an audit or a review made in accordance with International and Brazilian Standards on Auditing or International and Brazilian Standards on Review Engagements, we do not express any assurance on the Harvest Report as of December 31, 2018.

Had we performed additional procedures or had we performed an audit or review of the Harvest Report in accordance with International and Brazilian Standards on Auditing or International and Brazilian Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties, that have not assumed responsibility for the adequacy, or have not agreed to, the above procedures. This report relates only to the accounts and items specified above and does not extend to any financial statements of Floresteca S.A., taken as a whole.

Jangada, November 5, 2019

Mazars Auditores Independentes SS  
CRC 2SP023701/O-8



Paulo Alexandre Misse  
Accountant CRC 1SP268349/O-5

**Appendix I – Harvest Report results until December 31, 2017**

YEAR PLANT	PROJECT	AREA (HA)	ACCUMULATED RESULTS UNTIL 2017 (USD)						
			TO DATE THINNING VOLUME (m <sup>3</sup> )	TO DATE FINAL CUT VOLUME (m <sup>3</sup> )	TO DATE THINNING REVENUES	TO DATE FINAL CUT REVENUES	TO DATE SILVICULTURAL COSTS	TO DATE FINAL CUT COSTS	TO DATE 5% INCENTIVE FEE
1994	BUR	592,29	32.005	6.799	815.535	654.207	(4.086.801)	(218.249)	(21.798)
1995	K_8	331,91	26.708	23.658	1.250.302	3.880.996	(1.493.595)	(534.829)	(167.308)
1995	SIL	582,80	60.568	40.059	4.503.524	6.195.666	(2.622.600)	(1.007.923)	(259.387)
1996	COC	374,88	1.446	-	32.221	-	(2.136.816)	-	-
1996	PIM	693,42	78.015	43.108	4.430.165	6.820.431	(3.536.442)	(1.334.699)	(274.287)
1996	TEN	191,42	3.372	-	85.830	-	(1.091.094)	-	-
1997	PAI	297,92	18.721	-	362.647	-	(1.519.392)	-	-
1997	PAR	555,05	7.917	-	260.152	-	(2.830.755)	-	-
1998	BOC	431,65	33.463	-	3.144.009	-	(1.942.425)	-	-
1998	CAN	44,62	1.709	-	58.287	-	(200.790)	-	-
1998	COC	133,84	6.926	9.804	375.280	1.632.999	(602.280)	(314.707)	(65.915)
1998	PAI	93,95	10.012	-	210.714	-	(422.775)	-	-
1998	SIL	24,41	1.352	-	43.553	-	(109.845)	-	-
1998	SJT	26,76	5.455	-	232.004	-	(120.420)	-	-
1998	VDO	351,68	16.836	101	767.852	18.439	(1.582.560)	(3.235)	(760)
1999	ARA	98,88	7.133	-	150.943	-	(410.732)	-	-
1999	BAM	549,07	242	-	1.251	-	(2.280.752)	-	-
1999	BOC	108,18	8.421	-	821.023	-	(449.363)	-	-
1999	CAS	88,49	6.928	-	192.399	-	(367.574)	-	-
1999	CPB	507,87	46.517	-	1.866.942	-	(2.109.614)	-	-
1999	SER	105,01	2.427	-	64.538	-	(436.195)	-	-
1999	VDO	48,59	1.859	-	92.712	-	(201.835)	-	-
2000	BAM	513,83	3.681	-	19.956	-	(1.956.507)	-	-
2000	DLG	1.527,51	74.590	-	1.187.886	-	(5.816.288)	-	-
2001	DLG	2.136,42	50.238	-	1.198.017	-	(7.395.300)	-	-
2001	SMG	97,52	3.888	-	72.981	-	(337.569)	-	-
2002	BAR	970,20	20.369	-	168.842	-	(3.022.546)	-	-
2002	CMB	571,08	34.503	-	1.204.270	-	(1.779.134)	-	-
2002	DLG	48,41	4.072	-	143.022	-	(150.816)	-	-
2002	SMG	5,71	61	-	1.217	-	(17.789)	-	-
2002	SMJ	1.085,18	41.197	-	686.062	-	(3.380.753)	-	-
2003	BAR	12,95	596	-	7.437	-	(35.862)	-	-
2003	CMB	10,19	924	-	22.204	-	(28.218)	-	-
2003	SMJ	207,87	11.267	-	170.051	-	(575.640)	-	-
2003	STF	2.562,71	85.366	-	1.793.000	-	(7.096.735)	-	-
2004	BAR	1.021,00	15.074	-	68.825	-	(2.473.962)	-	-
2004	TST	1.143,17	50.423	-	1.114.110	-	(2.769.989)	-	-
2005	DLG	207,67	5.033	-	19.295	-	(431.315)	-	-
2006	DLG	233,88	3.694	-	15.612	-	(404.792)	-	-
2007	MUT	539,18	14.489	-	289.857	-	(746.557)	-	-
2007	SAJ	301,30	15.003	-	530.125	-	(417.185)	-	-
2008	SMJII	99,87	-	-	-	-	(103.711)	-	-
		<b>19.528,34</b>	<b>812.500</b>	<b>123.528</b>	<b>28.474.652</b>	<b>19.202.737</b>	<b>(69.495.323)</b>	<b>(3.413.641)</b>	<b>(789.455)</b>

**Appendix II – Harvest Report results from January 1<sup>st</sup> to December 31, 2018**

YEAR PLANT	PROJECT	AREA (HA)	2018 RESULTS (USD)						
			2018 THINNING VOLUME (m <sup>3</sup> )	2018 FINAL CUT VOLUME (m <sup>3</sup> )	2018 THINNING REVENUES	2018 FINAL CUT REVENUES	2018 SILVICULTURAL COSTS	2018 FINAL CUT COSTS	2018 5% INCENTIVE FEE
1994	BUR	592,29	-	5.349,98	-	389.807,51	(355.374,00)	(142.566,78)	(12.362,04)
1995	K_8	331,91	-	-	-	-	-	-	-
1995	SIL	582,80	-	-	-	-	-	-	-
1996	COC	374,88	-	4.896,91	-	259.637,83	-	(130.493,48)	(6.457,22)
1996	PIM	693,42	-	-	-	-	-	-	-
1996	TEN	191,42	-	6.157,62	-	426.777,13	-	(164.088,89)	(13.134,41)
1997	PAI	297,92	-	-	-	-	(178.752,00)	-	-
1997	PAR	555,05	-	-	-	-	(333.030,00)	-	-
1998	BOC	431,65	-	22.109,14	-	3.224.525,54	(258.990,00)	(589.167,03)	(131.767,93)
1998	CAN	44,62	-	-	-	-	(26.772,00)	-	-
1998	COC	133,84	-	-	-	-	-	-	-
1998	PAI	93,95	-	-	-	-	(56.370,00)	-	-
1998	SIL	24,41	-	1.343,25	-	125.735,48	-	(35.795,08)	(4.497,02)
1998	SJT	26,76	-	-	-	-	(16.056,00)	-	-
1998	VDO	351,68	-	27.366,92	-	4.000.190,17	-	(729.276,93)	(163.545,66)
1999	ARA	98,88	-	-	-	-	(34.227,69)	-	-
1999	BAM	549,07	-	-	-	-	(190.062,69)	-	-
1999	BOC	108,18	-	-	-	-	(37.446,92)	-	-
1999	CAS	88,49	-	-	-	-	(30.631,15)	-	-
1999	CPB	507,87	-	-	-	-	(175.801,15)	-	-
1999	SER	105,01	-	-	-	-	(36.349,62)	-	-
1999	VDO	48,59	-	-	-	-	(16.819,62)	-	-
2000	BAM	513,83	-	-	-	-	(177.864,23)	-	-
2000	DLG	1.527,51	-	-	-	-	(528.753,46)	-	-
2001	DLG	2.136,42	-	-	-	-	(739.530,00)	-	-
2001	SMG	97,52	-	-	-	-	(33.756,92)	-	-
2002	BAR	970,20	-	-	-	-	(335.838,46)	-	-
2002	CMB	571,08	2.785,72	-	11.009,85	-	(197.681,54)	-	-
2002	DLG	48,41	-	-	-	-	(16.757,31)	-	-
2002	SMG	5,71	-	-	-	-	(1.976,54)	-	-
2002	SMJ	1.085,18	158,64	-	9.829,16	-	(375.639,23)	-	-
2003	BAR	12,95	-	-	-	-	(4.482,69)	-	-
2003	CMB	10,19	-	-	-	-	(3.527,31)	-	-
2003	SMJ	207,87	-	-	-	-	(71.955,00)	-	-
2003	STF	2.562,71	-	-	-	-	(887.091,92)	-	-
2004	BAR	1.021,00	-	-	-	-	(353.423,08)	-	-
2004	TST	1.143,17	-	-	-	-	(395.712,69)	-	-
2005	DLG	207,67	-	-	-	-	(71.885,77)	-	-
2006	DLG	233,88	-	-	-	-	(80.958,46)	-	-
2007	MUT	539,18	1.068,58	-	3.955,58	-	(186.639,23)	-	-
2007	SAJ	301,30	-	-	-	-	(104.296,15)	-	-
2008	SMJII	99,87	-	-	-	-	(34.570,38)	-	-
		<b>19.528,34</b>	<b>4.012,94</b>	<b>67.223,82</b>	<b>24.794,59</b>	<b>8.426.673,66</b>	<b>(6.349.023,23)</b>	<b>(1.791.388,19)</b>	<b>(331.764,27)</b>

**Appendix III – Harvest Report accumulated until December 31, 2018**

YEAR PLANT	PROJECT	AREA (HA)	ACCUMULATED RESULTS UNTIL 2018 (USD)					
			PRE-TAX RESULT	TAX PROVISION (15%)	TOTAL AFTER-TAX RESULT	RESULTS PRE-PAID TO DATE	FINALIZED PROJECTS	TOTAL AFTER-TAX RESULT (USD/HA)
1994	BUR	592,29	(2.977.601)	-	(2.977.601)	(1.575.371)	-	-
1995	K_8	331,91	2.935.565	(440.335)	2.495.231	-	2.495.231	7.518
1995	SIL	582,80	6.809.279	(1.021.392)	5.787.887	-	5.787.887	9.931
1996	COC	374,88	(1.981.908)	-	(1.981.908)	-	(1.981.908)	(5.287)
1996	PIM	693,42	6.105.168	(915.775)	5.189.393	(415.416)	4.773.977	7.484
1996	TEN	191,42	(755.711)	-	(755.711)	-	(755.711)	(3.948)
1997	PAI	297,92	(1.335.497)	-	(1.335.497)	-	-	-
1997	PAR	555,05	(2.903.633)	-	(2.903.633)	-	-	-
1998	BOC	431,65	3.446.185	(516.928)	2.929.257	-	-	-
1998	CAN	44,62	(169.275)	-	(169.275)	-	-	-
1998	COC	133,84	1.025.378	(153.807)	871.571	-	871.571	6.512
1998	PAI	93,95	(268.431)	-	(268.431)	-	-	-
1998	SIL	24,41	19.151	(2.873)	16.279	-	16.279	667
1998	SJT	26,76	95.528	(14.329)	81.198	-	-	-
1998	VDO	351,68	2.307.103	(346.066)	1.961.038	-	1.961.038	5.576
1999	ARA	98,88	(294.017)	-	(294.017)	-	-	-
1999	BAM	549,07	(2.469.564)	-	(2.469.564)	-	-	-
1999	BOC	108,18	334.213	(50.132)	284.081	-	-	-
1999	CAS	88,49	(205.806)	-	(205.806)	-	-	-
1999	CPB	507,87	(418.473)	-	(418.473)	-	-	-
1999	SER	105,01	(408.007)	-	(408.007)	-	-	-
1999	VDO	48,59	(125.943)	-	(125.943)	-	-	-
2000	BAM	513,83	(2.114.415)	-	(2.114.415)	-	-	-
2000	DLG	1.527,51	(5.157.155)	-	(5.157.155)	-	-	-
2001	DLG	2.136,42	(6.936.813)	-	(6.936.813)	-	-	-
2001	SMG	97,52	(298.346)	-	(298.346)	-	-	-
2002	BAR	970,20	(3.189.543)	-	(3.189.543)	-	-	-
2002	CMB	571,08	(761.536)	-	(761.536)	-	-	-
2002	DLG	48,41	(24.551)	-	(24.551)	-	-	-
2002	SMG	5,71	(18.548)	-	(18.548)	-	-	-
2002	SMJ	1.085,18	(3.060.501)	-	(3.060.501)	-	-	-
2003	BAR	12,95	(32.907)	-	(32.907)	-	-	-
2003	CMB	10,19	(9.541)	-	(9.541)	-	-	-
2003	SMJ	207,87	(477.544)	-	(477.544)	-	-	-
2003	STF	2.562,71	(6.190.827)	-	(6.190.827)	-	-	-
2004	BAR	1.021,00	(2.758.559)	-	(2.758.559)	-	-	-
2004	TST	1.143,17	(2.051.592)	-	(2.051.592)	-	-	-
2005	DLG	207,67	(483.905)	-	(483.905)	-	-	-
2006	DLG	233,88	(470.138)	-	(470.138)	-	-	-
2007	MUT	539,18	(639.383)	-	(639.383)	-	-	-
2007	SAJ	301,30	8.644	(1.297)	7.347	-	-	-
2008	SMJII	99,87	(138.282)	-	(138.282)	-	-	-
		<b>19.528,34</b>	<b>(26.041.737)</b>	<b>(3.462.932)</b>	<b>(29.504.670)</b>	<b>(1.990.787)</b>	<b>13.168.365</b>	