

# **Agreed-upon procedures report**

**Floresteca S.A.**

Period from January 1, 2019 to December 31, 2019

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## **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, 2019.

### **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.

## Agreed-upon procedures report

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

Period from January 1, 2019 to December 31, 2019

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, 2019 to Floresteca S.A. "Company", set forth in the accompanying schedule, Appendix I – Harvest Report results 2018, Appendix II – Harvest Report results 2019 and Appendix III – Harvest Report accumulated until 2019. Our engagement was undertaken in accordance with the International Standard on Related Services ISRS 4400, issued by International Federation of Accountants ("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, 2019 to December 31, 2019, are as follows:

- 1- We obtained and compared the accumulated amount presented in the Harvest Report on December 31, 2018 to the initial amount in the Harvest Report from 2019.
- ✓ We identified differences between the accumulated "PRE-TAX RESULT" balances presented in the Harvest Report on December 31, 2018 and initial amount used in 2019 Harvest Report, these differences totaled an amount of USD 17,796, as demonstrated below:

YEAR PLANT	PROJECT	AREA (HA)	PRE-TAX RESULT On December 31, 2018	PRE-TAX RESULT Initial amount in 2019	Divergence in USD
1994	BUR	592,29	(2.977.601)	(2.997.291)	(19.690)
1995	K_8	331,91	2.935.565	2.935.565	0
1995	SIL	582,8	6.809.279	6.809.279	0
1996	COC	374,88	(1.981.908)	(1.981.908)	0
1996	PIM	693,42	6.105.168	6.105.168	0
1996	TEN	191,42	(755.711)	(755.711)	0
1997	PAI	297,92	(1.335.497)	(1.335.497)	0
1997	PAR	555,05	(2.903.633)	(2.903.633)	(0)
1998	BOC	431,65	3.446.185	3.446.185	(0)
1998	CAN	44,62	(169.275)	(169.275)	0
1998	COC	133,84	1.025.378	1.025.378	0
1998	PAI	93,95	(268.431)	(268.431)	0
1998	SIL	24,41	19.151	19.151	0
1998	SJT	26,76	95.528	95.528	(0)

1998	VDO	351,68	2.307.103	2.307.103	0
1999	ARA	98,88	(294.017)	(294.017)	0
1999	BAM	549,07	(2.469.564)	(2.469.564)	(0)
1999	BOC	108,18	334.213	334.213	(0)
1999	CAS	88,49	(205.806)	(205.806)	0
1999	CPB	507,87	(418.473)	(418.473)	0
1999	SER	105,01	(408.007)	(408.007)	0
1999	VDO	48,59	(125.943)	(125.943)	(0)
2000	BAM	513,83	(2.114.415)	(2.114.415)	0
2000	DLG	1.527,51	(5.157.155)	(5.157.155)	(0)
2001	DLG	2.136,42	(6.936.813)	(6.936.813)	0
2001	SMG	97,52	(298.346)	(298.346)	0
2002	BAR	970,2	(3.189.543)	(3.189.543)	(0)
2002	CMB	571,08	(761.536)	(759.644)	1.892
2002	DLG	48,41	(24.551)	(24.551)	(0)
2002	SMG	5,71	(18.548)	(18.548)	(0)
2002	SMJ	1.085,18	(3.060.501)	(3.060.501)	(0)
2003	BAR	12,95	(32.907)	(32.907)	(0)
2003	CMB	10,19	(9.541)	(9.541)	(0)
2003	SMJ	207,87	(477.544)	(477.544)	(0)
2003	STF	2.562,71	(6.190.827)	(6.190.827)	(0)
2004	BAR	1.021,00	(2.758.559)	(2.758.559)	(0)
2004	TST	1.143,17	(2.051.592)	(2.051.592)	0
2005	DLG	207,67	(483.905)	(483.905)	(0)
2006	DLG	233,88	(470.138)	(470.138)	(0)
2007	MUT	539,18	(639.383)	(639.383)	(0)
2007	SAJ	301,3	8.644	8.644	0
2008	SMJII	99,87	(138.282)	(138.282)	0
		<b>19.528,34</b>	<b>(26.041.737)</b>	<b>(26.059.534)</b>	<b>(17.796)</b>

According to local management the prior report issued at November 5, 2019 did not consider the final version of the Harvest Report, therefore the Pre-Tax Result on December 31, 2018 should be USD26.059.534 as stated in the Harvest Report 2019 as initial amount.

- 2- According to local management the following projects K8 - 1995, SIL - 1995, COC - 1996, PIM - 1996, TEN - 1996, VDO - 1998, COC -1998, Sil 1998 were concluded until 2018. We compared the accumulated amount of these projects in the Harvest Report on December 31, 2018 to the initial amount in the Harvest Report from December 31, 2019 and verified that were concluded. No differences were identified.

- 3- We obtained the analytical breakdown of 2019 sales with a total amount of US\$ 8,307,952, which is presented in the Appendix II as “2019 THINNING REVENUES” of US\$ 1,281,055 plus “2019 FINAL CUT REVENUES” of US\$ 7,026,897. We also compared with the accounting balances in Brazilian Reais and no differences were identified. We did not perform any procedures regarding revenues conversion from Real to US Dollar.
- 4- We compared the total amount of all invoices issued in 2019 included in the data base spreadsheet "DB" with the breakdown of sales with a total amount of US\$ 8,307,952, which is summarized in the appendix II as “2019 THINNING REVENUES” plus “2019 FINAL CUT REVENUES” and no differences were identified.
- 5- We performed the following procedures to recalculate the information used as the basis for report calculation in the "Cockpit" spreadsheet:
  - a) The “INCENTIVE FEE” of US\$ 247,201 summarized in the Appendix II as “2019 5% INCENTIVE FEE”, was calculated by management applying 5% on the result of "2019 FINAL CUT REVENUES" of US\$ 7,026,897 reduced by “2019 FINAL CUT COSTS” of US\$ 2,082,868, or US\$ 4,944,029 x 5%.
  - b) The unit cost of “harvesting & land clearing costs” used for “2019 FINAL CUT COSTS” calculation, was recalculated taking the following steps:
    - ✓ We compared the total costs of US\$ 2,082,868, summarized in the Appendix II as “2019 FINAL CUT COSTS” to the final cut costs presented in the " Cockpit" spreadsheet and no differences were identified. These costs were summarized by type of expense plus taxes. No audit or details test has been performed to validate these costs and they were not compared to the accounting balance.
    - ✓ We verified that the Exchange rate of R\$3,94 described in the "Cockpit" spreadsheet is in accordance with BACEN website - 2019 average rate. No differences were identified.
    - ✓ We compared the total volume of cargo in m<sup>3</sup> of the final cut sales presented in the in the database sheet ("DB") used in the calculation with the volume considered in Appendix II as “2019 FINAL CUT VOLUME (m<sup>3</sup>)” with a total volume of 55.797 m<sup>3</sup> and no differences were identified.
- 6- Considering the information in the database sheet (“DB”), we summarized “CMB”, “Revenues”, “Harvesting costs” and “Performance fee” per project and compared to the Appendix I - Harvest Report Results 2019 and no differences were identified.

- 7- Considering the information in the database sheet (“DB”), we recalculated the “2019 SILVICULTURAL COSTS” as described below:
  - ✓ For the first 20 years plantation cycle, the amount of USD 4,500 is divided by 13 years (year 8 to year 20 after plantation) and multiplied per hectare planted “AREA (HA)”.
  - ✓ In case of 21 to 25 years plantation cycle, the amount of USD 3,000 is divided by 5 years and multiplied per hectare planted “AREA (HA)”, for the year.
- 8- The “TOTAL AFTER-TAX RESULT (USD/HA)” balance was recalculated dividing TOTAL AFTER-TAX RESULT by AREA (HA). No differences were identified.
- 9- After inquiries local management confirmed that the methodology above mentioned was taken into consideration by Management to prepare the Harvest Report and corresponds to the Appendix II – Harvest Report results January 1st to December 31, 2019.

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 written by Company and not reviewed by us. 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. The files mentioned above is not included as attachments in this report.

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, 2019.

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.

Campinas, June 9, 2020

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP034519/O-6

A handwritten signature in blue ink, appearing to read 'Cristiane Hilario', is written over a faint, circular stamp.

Cristiane Cléria S. Hilário  
Accountant CRC 1SP243766/O-8



## Appendix I – Harvest Report accumulated results until December 31, 2018

YEAR PLANT	PROJECT	AREA (HA)	ACCUMULATED RESULTS UNTIL 2018 (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	13.049	815.535	1.047.272	(4.442.175)	(384.799)	(33.124)
1995	K_8	331,91	26.708	23.658	1.250.302	3.880.996	(1.493.595)	(534.829)	(167.308)
1995	SIL	582,8	60.568	40.059	4.503.524	6.195.666	(2.622.600)	(1.007.923)	(259.387)
1996	COC	374,88	1.446	4.897	32.221	259.638	(2.136.816)	(130.493)	(6.457)
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	6.158	85.830	426.777	(1.091.094)	(164.089)	(13.134)
1997	PAI	297,92	18.721	0	362.647	-	(1.698.144)	-	-
1997	PAR	555,05	7.917	0	260.152	-	(3.163.785)	-	-
1998	BOC	431,65	33.463	22.109	3.144.009	3.224.526	(2.201.415)	(589.167)	(131.768)
1998	CAN	44,62	1.709	0	58.287	-	(227.562)	-	-
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	0	210.714	-	(479.145)	-	-
1998	SIL	24,41	1.352	1.343	43.553	125.735	(109.845)	(35.795)	(4.497)
1998	SJT	26,76	5.455	0	232.004	-	(136.476)	-	-
1998	VDO	351,68	16.836	27.468	767.852	4.018.629	(1.582.560)	(732.511)	(164.306)
1999	ARA	98,88	7.133	0	150.943	-	(444.960)	-	-
1999	BAM	549,07	242	0	1.251	-	(2.470.815)	-	-
1999	BOC	108,18	8.421	0	821.023	-	(486.810)	-	-
1999	CAS	88,49	6.928	0	192.399	-	(398.205)	-	-
1999	CPB	507,87	46.517	0	1.866.942	-	(2.285.415)	-	-
1999	SER	105,01	2.427	0	64.538	-	(472.545)	-	-
1999	VDO	48,59	1.859	0	92.712	-	(218.655)	-	-
2000	BAM	513,83	3.681	0	19.956	-	(2.134.371)	-	-
2000	DLG	1.527,51	74.590	0	1.187.886	-	(6.345.042)	-	-
2001	DLG	2.136,42	50.238	0	1.198.017	-	(8.134.830)	-	-
2001	SMG	97,52	3.888	0	72.981	-	(371.326)	-	-
2002	BAR	970,2	20.369	0	168.842	-	(3.358.385)	-	-
2002	CMB	571,08	37.846	0	1.217.172	-	(1.976.815)	-	-
2002	DLG	48,41	4.072	0	143.022	-	(167.573)	-	-
2002	SMG	5,71	61	0	1.217	-	(19.765)	-	-
2002	SMJ	1.085,18	41.356	0	695.891	-	(3.756.392)	-	-
2003	BAR	12,95	596	0	7.437	-	(40.344)	-	-
2003	CMB	10,19	924	0	22.204	-	(31.746)	-	-
2003	SMJ	207,87	11.267	0	170.051	-	(647.595)	-	-
2003	STF	2.562,71	85.366	0	1.793.000	-	(7.983.827)	-	-
2004	BAR	1.021,00	15.074	0	68.825	-	(2.827.385)	-	-
2004	TST	1.143,17	50.423	0	1.114.110	-	(3.165.702)	-	-
2005	DLG	207,67	5.033	0	19.295	-	(503.200)	-	-
2006	DLG	233,88	3.694	0	15.612	-	(485.751)	-	-
2007	MUT	539,18	15.557	0	293.813	-	(933.196)	-	-
2007	SAJ	301,3	15.003	0	530.125	-	(521.481)	-	-
2008	SMJII	99,87	0	0	-	-	(138.282)	-	-
		<b>19.528,34</b>	<b>817.070</b>	<b>191.651</b>	<b>28.501.338</b>	<b>27.632.669</b>	<b>(75.844.346)</b>	<b>(5.229.012)</b>	<b>(1.120.183)</b>

## Appendix II – Harvest Report results from January 1st to December 31, 2019

YEAR PLANT	PROJECT	AREA (HA)	2019 RESULTS (USD)						
			2019 THINNING VOLUME (m <sup>3</sup> )	2019 FINAL CUT VOLUME (m <sup>3</sup> )	2019 THINNING REVENUES	2019 FINAL CUT REVENUES	2019 SILVICULTURAL COSTS	2019 FINAL CUT COSTS	2019 5% INCENTIVE FEE
1994	BUR	592	-	7.482	-	452.322	-	(279.282)	(8.652)
1995	K_8	332	-	-	-	-	-	-	-
1995	SIL	583	-	-	-	-	-	-	-
1996	COC	375	-	-	-	-	-	-	-
1996	PIM	693	-	-	-	-	-	-	-
1996	TEN	191	-	-	-	-	-	-	-
1997	PAI	298	-	-	-	-	(178.752)	-	-
1997	PAR	555	-	-	-	-	(333.030)	-	-
1998	BOC	432	-	16.291	-	2.570.691	-	(608.139)	(98.128)
1998	CAN	45	-	3.544	-	396.325	(16.848)	(132.309)	(13.201)
1998	COC	134	-	-	-	-	-	-	-
1998	PAI	94	-	-	-	-	(56.370)	-	-
1998	SIL	24	-	-	-	-	-	-	-
1998	SJT	27	-	3.051	-	348.940	-	(113.906)	(11.752)
1998	VDO	352	-	-	-	-	-	-	-
1999	ARA	99	-	5.608	-	540.611	-	(209.351)	(16.563)
1999	BAM	549	-	-	-	-	(329.442)	-	-
1999	BOC	108	-	8.527	-	1.332.144	-	(318.326)	(50.691)
1999	CAS	88	-	6.135	-	691.567	-	(229.019)	(23.127)
1999	CPB	508	-	5.158	-	694.297	(304.722)	(192.536)	(25.088)
1999	SER	105	-	-	-	-	(63.006)	-	-
1999	VDO	49	-	-	-	-	(29.154)	-	-
2000	BAM	514	-	-	-	-	(177.864)	-	-
2000	DLG	1.528	-	-	-	-	(528.753)	-	-
2001	DLG	2.136	-	-	-	-	(610.733)	-	-
2001	SMG	98	-	-	-	-	(33.757)	-	-
2002	BAR	970	5.887	-	290.630	-	(335.838)	-	-
2002	CMB	571	4.302	-	16.390	-	(197.682)	-	-
2002	DLG	48	38	-	3.843	-	(16.757)	-	-
2002	SMG	6	-	-	-	-	(1.977)	-	-
2002	SMJ	1.085	700	-	2.482	-	(375.639)	-	-
2003	BAR	13	282	-	17.598	-	(4.483)	-	-
2003	CMB	10	-	-	-	-	(3.527)	-	-
2003	SMJ	208	-	-	-	-	(71.955)	-	-
2003	STF	2.563	1.765	-	6.090	-	(887.092)	-	-
2004	BAR	1.021	6.747	-	298.952	-	(353.423)	-	-
2004	TST	1.143	-	-	-	-	(395.713)	-	-
2005	DLG	208	5.054	-	248.641	-	(71.886)	-	-
2006	DLG	234	4.959	-	325.964	-	(80.958)	-	-
2007	MUT	539	5.700	-	45.930	-	(186.639)	-	-
2007	SAJ	301	-	-	-	-	(104.296)	-	-
2008	SMJII	100	1.064	-	24.535	-	(34.570)	-	-
		<b>19.528,34</b>	<b>36.498</b>	<b>55.797</b>	<b>1.281.055</b>	<b>7.026.897</b>	<b>(5.784.867)</b>	<b>(2.082.868)</b>	<b>(247.201)</b>

### Appendix III – Harvest Report accumulated until December 31, 2019

YEAR	PLANT	PROJECT	AREA (HA)	ACCUMULATED RESULTS UNTIL 2019 (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	(2.832.903)	-	(2.832.903)	(1.575.371)	(4.408.274)	(4.783)
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	(1.514.249)	-	(1.514.249)	-	-	-
1997	PAR		555,05	(3.236.663)	-	(3.236.663)	-	-	-
1998	BOC		431,65	5.310.608	(796.591)	4.514.017	-	4.514.017	10.458
1998	CAN		44,62	64.692	(9.704)	54.988	-	-	-
1998	COC		133,84	1.025.378	(153.807)	871.571	-	871.571	6.512
1998	PAI		93,95	(324.801)	-	(324.801)	-	-	-
1998	SIL		24,41	19.151	(2.873)	16.279	-	16.279	667
1998	SJT		26,76	318.810	(47.821)	270.988	-	270.988	10.127
1998	VDO		351,68	2.307.103	(346.066)	1.961.038	-	1.961.038	5.576
1999	ARA		98,88	20.680	(3.102)	17.578	-	17.578	178
1999	BAM		549,07	(2.799.006)	-	(2.799.006)	-	-	-
1999	BOC		108,18	1.297.340	(194.601)	1.102.739	-	1.102.739	10.194
1999	CAS		88,49	233.615	(35.042)	198.573	-	198.573	2.244
1999	CPB		507,87	(246.522)	-	(246.522)	-	-	-
1999	SER		105,01	(471.013)	-	(471.013)	-	-	-
1999	VDO		48,59	(155.097)	-	(155.097)	-	-	-
2000	BAM		513,83	(2.292.279)	-	(2.292.279)	-	-	-
2000	DLG		1.527,51	(5.685.909)	-	(5.685.909)	-	-	-
2001	DLG		2.136,42	(7.547.546)	-	(7.547.546)	-	-	-
2001	SMG		97,52	(332.103)	-	(332.103)	-	-	-
2002	BAR		970,20	(3.234.751)	-	(3.234.751)	-	-	-
2002	CMB		571,08	(940.935)	-	(940.935)	-	-	-
2002	DLG		48,41	(37.465)	-	(37.465)	-	-	-
2002	SMG		5,71	(20.525)	-	(20.525)	-	-	-
2002	SMJ		1.085,18	(3.433.658)	-	(3.433.658)	-	-	-
2003	BAR		12,95	(19.792)	-	(19.792)	-	-	-
2003	CMB		10,19	(13.069)	-	(13.069)	-	-	-
2003	SMJ		207,87	(549.499)	-	(549.499)	-	-	-
2003	STF		2.562,71	(7.071.829)	-	(7.071.829)	-	-	-
2004	BAR		1.021,00	(2.813.030)	-	(2.813.030)	-	-	-
2004	TST		1.143,17	(2.447.304)	-	(2.447.304)	-	-	-
2005	DLG		207,67	(307.150)	-	(307.150)	-	-	-
2006	DLG		233,88	(225.133)	-	(225.133)	-	-	-
2007	MUT		539,18	(780.092)	-	(780.092)	-	-	-
2007	SAJ		301,30	(95.652)	-	(95.652)	-	-	-
2008	SMJII		99,87	(148.317)	-	(148.317)	-	-	-
			19.528,34	(25.866.519)	(3.967.109)	(29.833.628)	(1.990.787)	14.863.987	