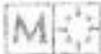


Financial report 2016

Floresteca B.V.

Amsterdam

Registration number at the Chamber of Commerce: 34159844

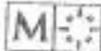
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Annual report of the directors

The annual report can be obtained at the office of the Company

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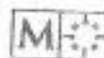
Consolidated annual accounts

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Consolidated balance sheet as at 31 December 2016

(before proposed appropriation of results)

	Note	31 December 2016		31 December 2015	
		€	€	€	€
Assets					
Fixed assets					
Tangible fixed assets	5	5,161,760		4,604,555	
Financial fixed assets	6	9,033,513		6,977,934	
Forestry assets	7	46,295,123		148,463,394	
			60,490,396		160,045,883
Current assets					
Stock	8	3,471,186		3,719,990	
Receivables	9	6,940,566		3,488,510	
Cash at banks and in hand		4,677,874		1,549	
			15,089,626		7,210,049
			<u>75,580,022</u>		<u>167,255,932</u>



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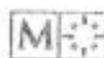
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Consolidated profit and loss account 2016

	Note	2016		2015	
		€	€	€	€
Net turnover	16	62,416,563		14,505,724	
Cost of sales	17	18,869,089		6,904,760	
Gross profit			43,747,474		7,600,964
Selling expenses		9,040,624		3,869,416	
General and administrative expenses		4,379,243		2,824,267	
Other income and expenses	18	14,412,782		8,349,281	
Total costs			27,832,649		15,042,964
Net sales margin			15,914,825		(7,442,000)
Financial income and (expenses)	19		(1,929,419)		(29,060,427)
Result before taxation			13,985,406		(36,502,427)
Taxation on result	14		(2,259,557)		(6,356)
Share in result participations			(9,046,081)		4,150,450
Result after taxation			2,679,768		(32,358,333)

Consolidated statement of comprehensive income

Result after taxation	2,679,768	(32,358,333)
Revaluation Forestry Assets	(83,944,657)	(72,959,430)
Deferred tax liability on Forestry Assets	8,401,000	(287,000)
Translation differences	(3,636,781)	6,668,210
Total comprehensive income	(76,500,670)	(98,936,553)



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Consolidated cash flow statement 2016

	Note	2016		2015	
		€	€	€	€
Cash flow from operating activities					
Operating result (net sales margin)			(15,914,825)		(7,442,000)
<i>Adjustments in respect of:</i>					
Other non-cash items		(120,060)		(1,847,251)	
Provisions		(251,644)		(6,668,236)	
Depletion		13,489,556		-	
Depreciation of tangible fixed assets		1,054,823		395,088	
Result from sale of fixed assets		178,623		-	
Monetary restatement of advances to agriculture partners		-		-	
Cost of sales		251,390		235,112	
Other expenses		12,695,787		6,415,186	
			27,298,475		(1,470,101)
<i>Changes in working capital:</i>					
Receivables		(142,230)		(2,273,493)	
Stocks		1,131,960		(1,750,153)	
Current liabilities		28,685,416		16,400,118	
(increase) decrease in advance from agriculture partners		-		7,882	
			29,675,146		12,384,354
Interest received/(paid)		-		-	
Cash flow from operating activities			41,058,796		3,472,253


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		2016		2015	
	Note	€	€	€	€
Cash flow from investment activities					
<i>Investments in:</i>					
- Tangible fixed assets, Forestry assets and Joint Ventures		(7,306,394)		(2,690,657)	
- Other financial fixed assets		-		-	
		<u>(7,306,394)</u>		<u>(2,690,657)</u>	
Cash flow from financing activities					
Receipts from long-term liabilities		20,728,087		2,529,666	
Payments on long-term liabilities		(46,527,753)		(4,226,888)	
Receipt from long-term receivable		-		-	
		<u>(25,799,666)</u>		<u>(1,697,022)</u>	
Net cash flow		7,952,736		(915,426)	
FX rate differences		<u>(3,172,898)</u>		<u>220,762</u>	
Increase/(decrease) cash and cash equivalents		<u>4,779,838</u>		<u>(694,664)</u>	
Movement in cash and cash equivalents					
Cash and cash equivalents as at 1 January		(101,964)		592,698	
Increase/(decrease) cash and cash equivalents		<u>4,779,838</u>		<u>(694,664)</u>	
Cash and cash equivalents as at 31 December		<u>4,677,874</u>		<u>(101,964)</u>	
Classified as cash		-		1,549	
Classified as part of current liabilities		-		<u>(103,514)</u>	
				<u>(101,964)</u>	



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Notes to the consolidated balance sheet and profit and loss account

1 General

1.1 Activities

The core activity of Floresteca B.V., Strawinskylaan 825 Tower B, 8th floor, Amsterdam (hereafter "Floresteca" or "the company") is creating, managing, exploiting and financing teak plantations and the processing and trading of the timber production from these plantations. All activities of Floresteca are based on the fundamental criteria of efficiency, quality and ecological and social responsibility.

The mission of Floresteca is to produce and process high quality teakwood, to generate attractive returns for its investors and shareholders and to create sustainable employment and welfare for its employees, the region where its projects are located and the population of that region. The activities of Floresteca contribute to reducing deforestation of natural forests in Brazil, which sequester CO₂.

Creation and maintenance of the forestry assets is performed by Floresteca S.A. and its subsidiaries. This forest company is led by a management team which consists of highly educated experts with years of experience in the Brazilian forestry industry and international wood trade. The forestry assets have been certified by the Forest Steward Council (FSC). This organization has created criteria for sustainable forestry which are internationally acknowledged.

1.2 Continuity

Forestry activities are characterized by long-term finance need during the phase of creation and maintenance of the plantations. Available liquidity should be generated at the end of the forestry cycle. The value of the forestry assets can only be maintained, if the company can secure and provide the necessary financial means for the care of the forestry assets up to the point of harvest. As explained in note 4.5 "Liquidity risk" to the consolidated financial statements, the short-term finance needs of Floresteca B.V. in order to meet the finance obligations to bondholders and to provide for the necessary financial means for the care of the forestry assets up to the point of harvest are not covered by the current and in the near short term expected available liquidity. Due to the conditions described above, there is a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Therefore, Floresteca may not be able to realize its assets and discharge its liabilities in the normal course of business.

To meet these short-term finance needs, the company intends to restructure the current finance obligation to bondholders. For this reason, the company issued an Information Memorandum in June 2013 which included a proposal to their bondholders to postpone redemptions and interest payments until available liquidity is sufficient, and not to take into account compounded interest as

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part of short term interest payments. Next to aforementioned, management is actively attempting to sell forestry assets to third party investors.

Based on constructive meetings with bond holders, management is of the opinion that the majority of the bond holders will agree with aforementioned restructuring of the current finance obligations to bondholders. Besides, based on current developments in terms of the sale of forestry assets to third party investors, management is of the opinion, that these will be sufficient in the short term. Taking aforementioned into account, management is of the opinion that the short-term finance needs can be met.

Consequently, the annual accounts have been prepared based on the assumption of continuity of the company.*

1.3 Group structure

Floresteca B.V. is part of the Floresteca Group. Floresteca Holding N.V. is the 100% parent of Floresteca B.V. The ultimate parent of this group is Forestry Management Holland B.V. (FMH) in Amsterdam.

The annual accounts of Floresteca B.V. and her group company Floresteca S.A. are included in the consolidated annual accounts of Floresteca B.V.

1.4 Consolidation principles

General

The consolidated annual accounts include the financial information of Floresteca B.V. and its group Companies. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. Group companies are participating interests in which the company has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated annual accounts from the date that control commences until the date that control ceases.

In preparing the consolidated annual accounts, intra-group debts, receivables and transactions are eliminated.

Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly controlled entities are accounted for using the proportionate method to comply with legal requirements as the activities of the jointly controlled entities are similar to the activities of Floresteca (cultivating, maintaining and selling of forestry assets). The assets, liabilities, income

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and expenses of the jointly controlled entities are proportionally accounted for taking into account the interest of Floresteca.

Part 9, Book 2, article 402 Civil code of the Netherlands

The financial information of Floresteca B.V. is included in the consolidated annual accounts. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the company exclusively states the share of the result of participating interests after tax and the general result after tax.

1.5 Principles for preparation of the consolidated cash flow statement

The cash flow statement is prepared according to the indirect method.

The funds in the cash flow statement consist of cash and cash equivalents. Cash equivalents can be considered to be highly liquid investments.

Cash flows in foreign currencies are translated at an estimated average rate. Exchange rate differences concerning finances are shown separately in the cash flow statement.

Corporate income taxes, interest received and paid and dividends received are presented under the cash flow from operating activities.

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2 Principles of valuation of assets and liabilities

2.1 General

The annual accounts were prepared in accordance with the statutory provisions of Part 9, Book 2, Civil Code of the Netherlands and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

The annual accounts are prepared in euros. The principles of valuation are based on historical cost convention, with the exception of the valuation of the forestry assets. Assets and liabilities are valued at face value, unless otherwise indicated. Notes to the items of the balance sheet, profit and loss account and cash flow statement are numbered.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably measured. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable or cannot be measured with sufficient reliability.

2.2 Comparison with prior year

The principles of valuation and determination of result remain unchanged compared to the prior year.

2.3 Foreign currency

Functional currency

Group companies are valued with reference to the currency of the economical environment where the group company performs its activities (functional currency). The financial report is prepared in euros, being the functional and presentation currency of Floresteca B.V.

Transactions, receivables and liabilities

Transactions denominated in foreign currencies during the reporting period are recognized in the annual accounts at the exchange rate ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies (including the maintenance provision) are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences resulting from settlement and translation are accounted for in the profit and loss account.

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Translation differences in respect of forestry assets relating to the net present value of the estimated future revenue and costs are charged or credited to the revaluation reserve within shareholder's equity.

Translation differences in respect of long-term loans relating to the financing of foreign investments are charged or credited to the translation differences reserve within shareholder's equity under the statutory and legal reserves.

Exchange rate differences arising on foreign currency loans that are entered into, to finance the net investment in a foreign participation, are recognized in the translation differences reserve insofar that such loans effectively hedge the exchange rate exposure on that net investment.

Group companies

The assets, liabilities, income and expenses of foreign participations denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. The resulting translation differences are taken to the translation differences reserve within shareholder's equity.

2.4 Tangible fixed assets

Tangible fixed assets are valued at acquisition or production cost including directly attributable expenses, less straight-line depreciation over the estimated useful economic life, or realisable value if lower. Directly attributable production cost includes the costs of the raw materials and consumables, and also includes interest during construction and installation costs. The expected disposal expenses are recorded at the time of capitalization. This amount is recognized as part of the production costs.

2.5 Financial fixed assets

Participations

Group companies and other participating interests in whom the company exercises significant influence are stated at net asset value. The company is considered to exercise significant influence if it holds at least 20% of the voting rights.

Participations in the company annual accounts are valued at net asset value. Net asset value is calculated using the accounting policies applied in these annual accounts.

Participating interests with an equity deficit are carried at nil. A provision is formed if and when Floresteca B.V. is fully or partially liable for the debts of the participating interest, or has the firm intention to allow the participating interest to pay its debts.

Participating interests acquired are initially measured at the fair value of the identifiable assets and liabilities upon acquisition. Any subsequent valuation is based on the accounting policies that apply to these annual accounts, taking into account the initial valuation.

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. The net asset value is

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calculated on the basis of the company's accounting policies. Participating interests with a negative net asset value are valued at nil. If the company guarantees for the debts of the relevant participating interest, a provision is recognized. This provision is recognized primarily to the debit of the receivables on the respective participating interest and for the remainder presented under provisions for the part of the share of the losses incurred by the participating interest, or for the estimated payments by the company on behalf of these participating interests.

Participating interests where no significant influence is exercised are stated at cost less any accumulated impairment losses.

Loans to non-consolidated participating interest are included at amortized cost using the effective interest method, less impairment losses.

Receivables on group companies

Receivables recognized under financial fixed assets are stated at amortized costs, which normally consist of its face value net of any provisions considered necessary.

Other receivables

Receivables included in financial fixed assets are valued at face value, less provisions where necessary. The accounting policies for other financial fixed assets are included under the heading 'Financial instruments.'

2.6 *Forestry assets*

The forestry assets relate to those forestry assets of which the economical ownership has not been transferred. These are valued at fair value. This fair value is based on the net present value of the estimated future cash flows. These cash flows consist of proceeds and expenditures.

The unrealized positive revaluation is accounted for in the shareholder's equity. When negative revaluation occurs, this is firstly accounted for in the respective revaluation reserve. If this revaluation reserve is nil, then the excess revaluation loss is accounted for in the profit and loss account.

Reversal of the negative revaluation follows the presentation of the occurrence of the original negative revaluation.

The estimation of the future revenue is derived from a forestry model which forecasts the expected commercial volume of wood to be harvested and sold. The model forecasts the increment of teak based on the stock, growth expectations, mortality, commercial volumes etc. The model is differentiated per plantation and based on the forestry model which is being used for the management of the forestry assets.

The future estimated sale prices for logs, included in the model, are based on historical price developments and actual data. The actual development of prices depends on demand and supply of wood in general and teak wood particularly. The combination between quality and the amount of wood harvested and sold determines the actual revenue. The end result is dependent on the actual realized growth, the estimated future growth and also the future maintenance. In order to make a reliable estimation about the future growth, historical data has been used.

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The historical development in wood prices and growth estimation are no guarantee for future developments. Hereby an inherent uncertainty exists concerning the estimations. The actual outcome will probably deviate, because the estimations will mostly not occur as stated and the differences may deviate significant.

Management is convinced that the estimations used for valuation of the forestry assets are not unrealistic.

Taken into account the above-mentioned inherent uncertainty, a sensitivity analysis has been disclosed.

The prices for higher quality classes are based on prices of actual logs and of international, regular markets. The prices for the lower qualities are based on prices which are already being realized.

The key value drivers of the value of the forestry assets are the estimated productivity in cubic meters, the future price of this production and the discount rate. The valuation model and specifically the prognosis of future production, price assumptions and cost prices have been reviewed by an International Forest Consulting company.

The net present value of the expected future cash flows was calculated based on several assumptions, (as per the end of the financial year) including:

	2016	2015
Inflation up and including next 3 years	1.26%-6.29%	0.50%-10.67%
Inflation after 3 years	2.20%-4.50%	2.17%-5.00%
Annual wood price increase up and including next 3 years	3.00%-3.00%	0.00%-4.00%
Annual wood price increase after 3 years	3.00%-3.00%	0.00%-5.50%
Price range per cubic meter (depends on a.o. diameter) ¹	\$17-\$353	\$17-\$650
Production losses	0%	3%
Discount rate	10.5%	11.0%
1 €	\$ 1.0555	\$ 1.0902
1 €	R\$3.4374	R\$4.2482
Expected decrease in logistic costs per year up and including next 10 years	0%	3%

The estimated inflation is differentiated in the valuation model between inflation in Brazil, Europe and the United States of America.

¹ The above price range does not include the annual inflation and price increase which are included in the valuation model. In the 2015 valuation model these prices were CIF per cubic meter, for 2016 the basis for the valuation model are Road side prices.

¹ The above price range does not include the annual inflation and price increase which are included in the valuation model.


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2.7 Impairment of fixed assets other than forestry assets

On the balance sheet date, the company tests whether there are any indications of an asset which could be subject to impairment. If there are such indications, the recoverable amount of the asset concerned is estimated. If this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs, is identified. An asset is subject to impairment if its book value is higher than its recoverable value; the recoverable value is the higher of Market value and the value in use.

If it is established that a previously recognized impairment no longer applies or has declined, the increase in carrying amount of the assets in question is accounted for as income in the profit and loss account for an amount which is not higher than the originally accounted impairment.

2.8 Stocks

Stocks for own use and (re)sale

Raw materials and consumables are carried at the lower of cost price in accordance with the first-in, first-out (FIFO) principle and market value.

Stocks of semi-finished and finished products are stated at the lower of manufacturing cost or market value. Cost comprises all purchase cost or the cost of manufacture, including charges incurred to bring stocks to their current location and into their current state. Cost of manufacture includes direct labor costs and mark-ups for fixed and variable production overheads, including costs of the production planning department, maintenance division and internal logistics.

Market value presents the estimated selling price less directly attributable selling expenses, net of an allowance for obsolescence of stocks were applicable.

Non-current asset held for sale

Non-current asset held for sale are valued at acquisition price or at lower recoverable value.

2.9 Receivables

Trade debtors are carried at the fair value of the consideration, usually its face value.

A provision is made for doubtful debtors on an individual basis.

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2.10 Cash at banks and in hand

Cash at banks and in hand consists of cash in hand, cash at banks and deposits with a maturity of less than twelve months. The cash in hand and cash at bank is at free disposal if not otherwise indicated in the notes to the annual accounts.

2.11 Shareholder's equity

Where the Group purchases its own shares, the acquisition price of the shares purchased is deducted from other reserves, until the moment these shares are cancelled or sold. If purchased shares are sold, the proceeds on the sale are added to other reserves.

Expenses directly related to the purchase, sale and/or issue of new shares are charged directly to shareholders' equity, taking into account relevant corporate income tax effects. Other direct movements within shareholders' equity are also recognized taking into account relevant corporate income tax effects.

2.12 Revaluation

Increases in the value of assets measured at fair value are recognized in the revaluation reserve if these assets are not frequently quoted on the stock exchange. Value adjustments on these assets that are not immediately taken to profit or loss are directly taken to the revaluation reserve in shareholders' equity. The revaluation reserve is formed for each individual asset and is not higher than the difference between the carrying amount on the basis of historical cost and the carrying amount on the basis of fair value. If an asset is disposed of, any revaluation reserve formed in respect of it is released to the profit and loss. In determining the revaluation reserve, an amount is deducted for deferred taxation that is calculated on the basis of the current tax rate

2.13 Provisions

General

A provision is recognized for a legal or constructive obligation arising from a past event, if there is a probable outflow of resources and the amount can be estimated reliably.

Maintenance provision

The maintenance provision consists of the estimated future cost for the forestry assets sold to third parties, less the deducted future retainments which Floresteca can withhold on the expected revenues. This provision is valued at net present value, using a discount rate of 5%.

2.14 Long-term liabilities

Long-term liabilities are valued at amortized cost, being the amount received taking into account premium or discount, and less transaction costs. The difference between the book value

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determined and the ultimate redemption value, including the interest payable is determined by recognizing the effective interest in the profit and loss account during the term of the liabilities.

2.15 *Leasing*

Operational lease

Lease contracts for which substantially all of the risks and rewards incidental to ownership of the assets are transferred to the lessor, are recognized as operational leases. Obligations under operational leases are recognized on a straight-line basis in the profit and loss account over the term of the contract, taking into account reimbursements received from the lessor.

2.16 *Estimates*

The preparation of the annual accounts requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

The most important estimates for Floresteca concern the estimates used in the forestry model as described in note 2.6 and further detailed in note 7.

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3 Principles for determination of result

3.1 General

Income is recognized in the profit and loss account when an increase in economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be estimated with a sufficient reliability. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be estimated with sufficient reliability. The revenue and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

3.2 Revenue recognition

Income from the sale of certificates and goods is recognized as soon as all substantial rights and risks relating to the certificates and goods are transferred to the customer. Certificates consist of the economic ownership hence benefits related to the forestry assets. The legal ownership remain at a foundation in the Netherlands (Stichting Administratie- en Trustkantoor Tectona)

3.3 Net turnover and other operating income

Net turnover is determined as income from the supply of goods and services, less discounts and such like, exclusive of turnover taxes and after elimination of intragroup sales. Revenues from services rendered are recognized in the profit and loss account in proportion to the stage of completion of the transaction as at reporting date. The stage of completion is assessed by reference to assessments of the work performed. The services mainly consist of maintenance and harvesting activities which will settled with retainers and success fees.

Net turnover is determined as income from the sale of certificates, less discounts and such like, exclusive of turnover taxes and after elimination of intragroup sales.

Floresteca recognizes turnover when all substantial rights and risks regarding the economical ownership of certificates on forestry assets have been transferred.

3.4 Cost

Costs are recognized on the historical cost convention and are allocated to the reporting year to which they relate.

Depreciation on other tangible fixed assets is based on the purchase price or production cost. Depreciation is provided by the straight-line method over the estimated useful economic life.

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3.5 *Cost of sales*

Cost of sales represents the direct and indirect expenses attributable to turnover, including raw materials and consumables, cost of work contracted out and other external expenses, personnel expenses in respect of production employees, depreciation costs relating to buildings and machinery and other operating expenses that are attributable to the cost of sales.

Realized revaluations of the forestry assets presented in the forestry assets assets are accounted for in the cost of sales.

3.6 *General and administrative expenses*

These include those costs which are not directly related to the cost of sales.

3.7 *Personnel remuneration*

Regular payments

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Pensions

Floresteca has a pension scheme, which is a defined contribution scheme for a limited number of staff.

Floresteca pays contributions to pension funds and insurance companies on a compulsory, contractual or voluntary basis. Except for the payment of contributions, Floresteca has no other obligation in connection with these pension schemes. Contributions are recognized as staff costs when incurred. Prepaid contributions are accounted for under prepayments and accrued income if this leads to a repayment or a reduction in future payments.

3.8 *Other expenses*

Other expenses relate to income or expenses arising from events or transactions that are part of ordinary operations, but are separately presented for the sake of comparability. The transactions are separately presented because of their nature, size or incidental characteristic.

3.9 *Financial income and expenses*

Interest income and expense

Interest income and expense are time-apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

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3.10 Taxation

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholder's equity, in which case it is recognized in shareholder's equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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4 Risk management

4.1 General

During the normal course of business, the company uses various financial instruments that expose the company to risks. These relate to financial instruments that are included on the balance sheet. Floresteca does not hold or trade in financial derivatives except for the hedge contract as disclosed in note 15.

4.2 Market risk

Currency risk

Floresteca is mainly active in the European Union and Brazil and for the sale of its produced wood in Asia. The currency risk mainly relates to positions and future transactions in US dollars, British pounds and Brazilian real. Based on a risk analysis, the Board of Directors determined that these currency risks can be hedged. However, since these risks will manifest in the long term, hedging the currency risks is not economic feasible at this moment.

As at balance sheet date, the following main balances include positions in foreign currencies:

	Total amount in annual accounts in EUR	Amount dominated in US dollar	Amount dominated in Brazilian Real	Amount dominated in British Pound	Amount dominated in Euro
Forestry assets	€ 48,296,123db	€ 48,296,123db	€ 0	€ 0	€ 0
Maintenance provision	€ 0	€ 0	€ 0	€ 0	€ 0
Long-term liabilities	€ 194,619,522cr	€ 0cr	€ 0	€ 46,390,974cr	€ 148,228,548cr
Receivables	€ 6,940,566db	€ 0	€ 4,250,386	€ 582,453db	€ 2,107,727db

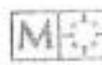
Price risk

Floresteca is exposed to risks relating to the valuation of the forestry assets, presented in the fixed assets as further described in note 7.

4.3 Interest risk

Floresteca is exposed to interest rate risks on the interest-bearing receivables (mainly taken up in the financial fixed assets and cash at banks and in hand) and interest-bearing long-term liabilities and current liabilities.

The interest rate risk for financial instruments is open to possible changes in the fair value of these balances, which have a fixed interest rate over the entire term and are held until maturity. The company's policy is not to use derivative financial instruments to control interest rate fluctuations.

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It should be noted, however, that changes in interest rates might have a material impact on the discount rate used to determine the valuation of the forestry assets.

4.4 Credit risk

Floresteca does not have any significant concentrations of credit risk with third parties. The credit risk with related parties is significant because these are depending on dividend distributions made by Floresteca BV. With respect to these receivables a provision has been accounted for in 2015 amounting to EUR 10 million (2013: 10 million).

4.5 Liquidity risk

There is a strong focus on the consolidated liquidity position of the group. Due to the economic turmoil and a general uncertainty in the market, sales of certificates and issuing of bonds decreased significantly as of 2009. In addition to these market events the temporary suspension of Quadris in 2010 worsened liquidity of the group. This resulted in a back log regarding our bond holders by the end of 2010.

To be less dependent on Quadris, new investment funds have been approached. Global Forestry Growth Fund (GFGF) in Luxembourg started selling the certificates in 2011. Also, some asset backed loans have been provided by GFGF to Floresteca SA in Brazil. In 2016 GFGF has made no additional investments and is managing the current portfolio of teak assets. The reason for no further investment is the fact that subscriptions and redemptions of GFGF are equal to each other.

Because of the strong focus on liquidity there were also positive developments to be noticed. First of all the Brazilian operations are nearly cash flow neutral. This is the result of cost cutting and increasing efficiency of the forestry activities.

To increase liquidity Floresteca Group has been, and still is, in negotiation with financial institutions to buy some projects as a whole or to invest in greenfield projects.

The results achieved, the interest of financial institutions in Floresteca and increasing demand in the market by financial institutions for forestry investments strengthen our confidence for the future.

In order to meet the finance needs Floresteca B.V. has issued bond programs in the past. This was a very successful instrument of financing our strategic goals. Now Floresteca has built up a sufficient matured project base so the focus will shift towards selling assets to investment funds and in the process of deleveraging the company.

The short-term finance needs are not covered by the current available liquidity which exists in the Floresteca Group. In order to meet these finance needs Floresteca B.V. will continue to attempt selling forestry assets to institutional investors. Furthermore, to meet the finance obligations, redemption schemes have to be adjusted. Floresteca has communicated this to the bondholders in June 2013 in the form of an Information Memorandum. The communication is primarily focussing on the mismatch between the redemption of obligations and the available cash flows of the

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company. The incoming cash flows will be generated from either selling certificates and projects and/or realisation of the thinning and harvesting results of forestry assets owned by the Company.

In June 2012 Floresteca issued an Information Memorandum which included a proposal to their bondholders. The main proposed changes in the conditions of the bonds are as follow:

- Current redemption schemes will be postponed
- Redemptions will be based on available liquidity derived from sales of assets and/or harvest of own assets and/or operational cash flow from forestry exploitation.
- The amount due on date of new conditions will be subject to interest
- Interest method will be changed to simple interest
- Collateral to the bonds will be settled through a collective instrument

In the Information Memorandum 4 scenarios are made with regard to the availability of cash for redemption of the bonds. Based on the scenario's full redemption of the bonds will be between 2016 and 2023.

By the end of 2013 over 60% of the bondholders have agreed to the changed conditions as described in the Information Memorandum. About another 20 to 30% were expected to agree to a change of the current conditions and will postpone for a period of minimum 5 years.

During 2016 the bond holders which did not agreed to the proposal of June 2012 have been approached. During meetings with the bondholders it became clear that they were willing to postpone redemptions for a maximum timeframe of 5 years including the accumulated interest. In close harmony with representative groups of the bond holders 2 alternatives have been developed. After we offered the alternatives to market over 90% of the bond holders agreed with one of the 3 options. In addition, some bond holders postponed the expiration date on an individual basis.

Below a table is presented with all the bond holders and to which option they agreed

Options	Number of bond holders	% based on outstanding amount
Agreed to Information Memorandum June 2012:	419	55%
Agreed to convert bond into Forestry Assets:	9	0%
Agreed to the BFRG alternative	106	14%
Agreed to the Workforce bondholders	150	19%
Postponement of expiration date	10	1%
Subtotal:	694	89%
Bondholders which did not yet agree	81	11%
Total bondholders	775	100%


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Redemption outlook

The total assets under management in Mato Grosso amount to 24,000 hectares. These hectares will provide a substantial cash flow in the near future. Redemption could take place from the expected cash flows from the forestry assets owned by Floresteca.

During 2017 and 2018 Floresteca will proceed to restructure the company further and support the interests of the bond holders in the best possible way.

Going concern assumption

Although financing of the current level of activities indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, management believes that the majority of the bond holders will agree with postponing redemption schemes and alteration of the interest rate, and that the finance requirements are realisable. Even though the equity decreased because of a negative revaluation and the outlook for the equity will be negative despite that Floresteca will be able to pay off their debts. Therefore, the annual accounts have been prepared based on the assumption of continuity. Discontinuity of the company, and consequently preparation of the annual accounts on liquidation basis, would have a material effect on equity and results.

4.6 Fair value

The fair value of the financial instruments stated on the balance sheet, including receivables, cash at banks and in hand, long-term liabilities and current liabilities, is close to the carrying amount. Considering interest rates and maturity dates, management assumes that fair values approximate the carrying amounts.

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5 Tangible fixed assets

	Land and buildings	Machinery and equipment	Other tangible fixed assets	Investment property	Assets under construction	Total fixed assets
	€	€	€	€	€	€
1 January 2016						
Acquisition or production costs	3,096,002	10,954,585	11,203	39,075	2,480,666	16,581,531
Accumulated negative revaluations and depreciation	(981,695)	(9,555,591)	-	-	(1,439,690)	(11,976,976)
Book value	2,114,307	1,398,994	11,203	39,075	1,040,976	4,604,555
Movements 2016						
Additions	49,088	434,825	207,560	-	31,129	722,602
Disposals	(160,022)	(1,387,109)	(112,687)	-	(41,181)	(1,700,999)
Depreciation disposals	80,685	1,336,482	-	-	32,451	1,449,618
Depreciation	(96,064)	(433,777)	-	-	(130,550)	(660,391)
Deconsolidations	-	-	-	-	-	-
Exchange rate differences	414,031	313,373	-	-	99,842	827,246
Revaluation result	-	-	-	-	-	-
Other movements	(58,685)	(107,252)	6,976	9,217	68,873	(80,871)
	229,033	156,542	101,849	9,217	60,564	557,205
31 December 2016						
Acquisition or production cost	3,340,414	10,208,422	113,052	48,292	2,639,330	16,349,510
Accumulated negative revaluations and depreciation	(997,074)	(8,652,886)	-	-	(1,537,790)	(11,187,750)
Book value	2,343,340	1,555,536	113,052	48,292	1,101,540	5,161,760
Depreciation rates	0-4%	10-25%	20-33%		0%	



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6 Financial fixed assets

	Subsidiary	Investment in GFGF	Advances to agricultural partners	Related parties	Total
	€	€	€	€	€
1 January 2016	(1,081,208)	5,732,252	1,092,243	1,234,647	6,977,934
Movements 2016					
Result of participations	9,046,081	-	-	-	9,046,081
Exchange rate differences	(4,710,531)	-	257,634	291,224	(4,161,673)
Investments	-	-	-	-	-
Desinvestment	-	-	(75,162)	(873,952)	(949,114)
Repayments	-	-	-	-	-
Change in deferred tax assets	-	-	-	-	-
Revaluation through P&L	-	741,434	-	-	741,434
Reclassification	-	-	-	-	-
Other movements	(2,621,149)	-	-	-	(2,621,149)
	1,714,401	741,434	182,472	(582,728)	2,055,579
31 December 2016	633,193	6,473,686	1,274,715	651,919	9,033,513

Subsidiary

Participations include the following company:

Participation in issued share capital	2016	2015
Floresteca Industria de Madeira Ltda. Mato Grosso, Brazil	-	100.00%
Bioteca, Mato Grosso, Brazil	-	50.00%

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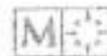
7 Forestry assets

For a detailed specification of the movements in the forestry assets we refer to the notes presented below:

	Acquisition price	Historical cost	Negative revaluation through P&L	Positive revaluation through shareholder's equity	Total valuation Forestry assets
	€	€	€	€	€
1 January 2016	28,942,582	27,126,816	(17,038,257)	109,432,253	148,463,394
Movements 2016					
Purchase of forestry assets	-	-	-	-	-
Disposals	(266,801)	(232,220)	247,631	(176,078)	(427,468)
Annual revaluation	-	-	(2,748,521)	(3,583,670)	(6,332,191)
Depletion	-	-	-	-	-
Reclassification	-	(2,302,371)	-	2,302,371	-
Assumptions changes	-	-	(12,647,766)	(85,909,540)	(98,557,306)
Other movements	-	-	-	3,391,385	3,391,385
Exchange rate differences	-	-	(273,667)	30,876	(242,691)
	(266,801)	(2,534,591)	(15,422,223)	(83,944,656)	(102,166,271)
31 December 2016	28,675,781	24,592,225	(32,460,480)	25,487,597	46,295,123

Negative and/or positive revaluations are calculated on cash generating units. The negative /positive revaluation consists of the difference between the estimated fair value and the historical costs and the acquisition price of the cash generating unit. A cash generating unit is defined by the transaction and/or the plantation. During 2016, Floresteca purchased forestry assets from third party certificate holders for an amount of € 0, - (2015: € 0, -). These purchases were performed by barter transactions; hence these purchases were not settled in cash. For annual account purposes these purchased forestry assets have been measured in conformity with the forestry assets already owned by the company. This achieves a consistent and uniform valuation for every cash generating unit.

On February 17th 2016 the Company has sold the projects 2004 Icaroma, 2008 Porte do Céu and 2008 Mutum to a USA based institutional investor for a total amount of USD 31 million. The main



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consideration for the sale was the possibility for early redemption of Brazilian and USA debts of Floresteca SA, for a majority bearing 10,5% interest.

The historical cost relates to the forestry assets of Floresteca.

The legal ownership of the forestry assets (both for own assets and third party assets) is being held by Stichting Trust- en Administratiekantoor Tectona.

Floresteca B.V. has granted pledges to individual investors when issuing bond programs. These pledges relate to forestry assets. A total area of 3,592 hectares with a book value of 94.0 million is pledged.

The historical development in wood prices and growth estimation are no guarantee for future developments. Hereby an inherent uncertainty exists concerning the estimations. The actual outcome will probably deviate, because the long-term estimations will mostly not occur as stated and the differences may deviate significantly.

Management considers that the estimations used for valuation of the forestry assets are adequate.

Taken into account uncertainties inherent to forestry due to nature, long-term production cycles of wood and market conditions, a sensitivity analysis is given below:

Discount rate

	Discount rate				
	8%	9%	10,5%	12%	15%
Valuation	€ 55,006,779	€ 51,222,212	€ 46,295,123	€ 42,126,012	€ 35,562,042

Floresteca acknowledges for the presentation of the sensibility of the market prices four scenarios. In these scenarios, the estimated price increase per assortment is differentiated. The used scenarios are as follows as from 2016 onwards:

Price scenario	Diameter class							Price sensitivity
	4-14cm	14.1-16cm	16.1-20cm	20.1-25cm	25.1-30cm	30.1-40cm	>40cm	
Nil	0%	0%	0%	0%	0%	0%	0%	72%
Low	3%	3%	3%	3%	3%	3%	3%	100%
Medium	3%	3%	3%	3%	3%	3%	3%	100%
High	3%	3%	3%	3%	3%	3%	3%	100%


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Dollar exchange rate²

	Exchange rate	Valuation
10% lower	0.9500	€ 51,436,318
Exchange rate end 2016	1.0555	€ 46,295,123
10% higher	1.1611	€ 42,084,663

² It should be noted that the forestry assets are expressed in US dollar but also include expenses in Reais. In the above scenario analysis, it is assumed that the US dollar and Reais currency rates correlate.

Floresteca currently has, in principle, a yearly cycle in which the value drivers are being completely evaluated and when necessary adjusted. The outcome of this reassessment is reviewed every year by an International Forest Consulting company. However, the valuation model and its value drivers are being reviewed yearly by Floresteca management and recent material events that (might) impact the revenues and costs and therefore the value of the forestry assets are taken into account when preparing the 2016 annual accounts.

8 Stock

	31-12-2016	31-12-2015
	€	€
Raw materials	3,471,186	3,719,990
	<u>3,471,186</u>	<u>3,719,990</u>

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9 Receivables

	31-12-2016		31-12-2015	
	Total	Term > 1 year	Total	Term > 1 year
	€	€	€	€
Trade debtors	4,250,386	-	1,350,909	-
Amount due from group companies	-	-	-	-
Recoverable taxes	1,212,758	-	1,761,672	-
Other receivables	1,477,422	-	375,929	-
	<u>6,940,566</u>	<u>-</u>	<u>3,488,510</u>	<u>-</u>

Trade debtors

	31-12-2016	31-12-2015
	€	€
Trade debtors	4,274,332	1,374,855
Less: provision uncollectible accounts	(23,946)	(23,946)
	<u>4,250,386</u>	<u>1,350,909</u>

Amounts due from group companies

	31-12-2016	31-12-2015
	€	€
Floresteca Holding N.V.	2,409,313	2,312,064
Forestry Management Holland B.V. (FMH)	9,820,004	9,442,311
Less: provision for doubtful debts	(12,229,317)	(11,754,375)
	<u>-</u>	<u>-</u>

On the average amounts due from group companies an annual interest of 5% is calculated (last year 5%). There are no arrangements regarding to redemption and security.

The following should be noted: the liquidity and continuity issue set out in note 1.2 is also applicable to Floresteca Holding N.V. and FMH. The recoverability of these receivables are therefore also uncertain. These receivables can only be repaid by dividend distributions made by Floresteca B.V.

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Because Floresteca B.V. is a 100% subsidiary of Floresteca Holding N.V. and FMH which is the ultimate parent company receiving dividend distributions are uncertain and subsequent repayment of the receivable as well. Taking into account the limited liquidity at balance sheet date and in the near future, these receivables have been provided for.

<i>Other receivables</i>	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
Deposits	13,028	12,978
Other receivables	1,464,394	362,951
	<u>1,477,422</u>	<u>375,929</u>

10 Shareholder's equity

Shareholders' equity is explained in more detail in note 4 to the company annual accounts.


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11 Provisions

	Maintenance provision	Deferred taxes	Total
	€	€	€
1 January 2016	96,256	8,814,000	8,910,256
Additions	-	-	-
Utilizations	-	-	-
Releases	(96,256)	(10,843,000)	(10,939,256)
Interest	-	-	-
Exchange rate difference	-	2,442,000	2,442,000
Movement	(96,256)	(8,401,000)	(8,497,256)
31 December 2016	-	413,000	413,000

The provision for maintenance relates to the net estimated future cost of maintenance for the forestry assets which have been sold to third parties. The estimated future cost is nominated in Brazilian Real and consist mainly of operational expenses on the Forestry assets. If the future estimated cost exceeds the future estimated retainers which are accounted for in US Dollar, a provision has been recognized. As a result, the impact of the exchange rates can be significant because these are impacted by the changes in both the US Dollar and Brazilian Real. For the amounts nominated in US Dollar and Brazilian Real we refer to note 4.2.

The provision is presented at net present value, using a discount rate of 5% (2015: 5%). The estimated future costs of maintenance related to forestry assets owned by the company are accounted for in the valuation of the forestry assets, as presented in the financial fixed assets.

The provision for deferred taxes relates to the difference between the book value and the tax base regarding forestry assets held in a joint venture. This joint venture cannot take advantage of the ruling for avoidance of double taxation. The amount is deducted from the revaluation reserve.

In general, the provisions are of a long-term nature (exceeding one year).


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12 Long-term liabilities

Long term liabilities

	31-12-2016	31-12-2015
	€	€
Bonds and other private loans	206,254,393	198,316,970
Leasing	32,001	24,246
Metlife	-	18,468,999
	<u>206,286,394</u>	<u>216,810,215</u>
Reclassification long term loans term < 1 year to current	(11,666,872)	(11,464,078)
	<u>194,619,522</u>	<u>205,346,137</u>

	31 December 2016	Term < 1 year	Term < 5 years	Term > 5 years	31 December 2015
	€	€	€	€	€
Bonds and other private loans	206,254,393	11,666,872	49,250,778	145,336,743	198,316,970
Leasing	32,001	-	32,001	-	24,246
MetLife	-	-	-	-	18,468,999
	<u>206,286,394</u>	<u>11,666,872</u>	<u>49,282,779</u>	<u>145,336,743</u>	<u>216,810,215</u>

Bonds and other private loans

This item also contains loans related to:

- GroenSpaarCertificaten, amounting to € 1,918,051 (2015: € 1,812,173). This is a zero-coupon bond loan with an interest rate of 8.785% annually and a nominal value of EUR 50,000 per certificate. These are issued by Floresteca during 2004 and 2005. The average remaining duration of this program is 1.39 year at year end.
- Floresteca Spaar Certificaten, amounting to € 49,114,322 (2015: € 51,527,097) with a term between 5 and 20 years and an interest rate between 7.0% and 9.0% depending on the term,
- Agreed to Information Memorandum June 2012, amounting to € 73,980,965 (2015: € 69,483,819)

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- Agreed to convert bond into Forestry Assets, amounting to € 141,879 (2015: € -)
- Agreed to the BFRG alternative, amounting to € 18,419,571 (2015: € 17,278,462)
- Agreed to the Workforce bondholders € 27,267,835 (2015: € 25,281,829)
- Postponement of expiration date € 3,563,373 (2015: € 3,406,544)
- Bondholders which did not yet agree € 11,980,670 (2015: € 11,881,154)

Furthermore, private loans have been issued for an amount of € 17,296,471 (2015: € 16,555,662) with interest percentages between 8.5% and 12.5%.

On the following loans forestry assets have been pledged (see note 7):

- High Yield Notes
- Floresteca Jubileum JaarrenteCertificaten
- Floresteca Rente Certificaten
- Private loans

All loans are denominated in euros, except for a number of bond loans which are denominated in British pounds of £ 39,613,545 (€ 46,175,015) (2015: £ 36,345,385 (€ 49,489,903)).

Transaction costs

This item furthermore includes an amount of € 1,365,036 transaction costs to be amortized over the average term of the related contracts being 20 years of which 11 (2015: 12) year remain.


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13 Current liabilities

	31-12-2016	31-12-2015
	€	€
Trade creditors	536,452	4,986,031
Other taxes and social securities	122,767	204,469
Obligation to certificate holders	541,991	1,122,098
Loans and lease terms	7,277,884	8,149,108
Long term liabilities term < 1 year	1,668,784	1,838,832
Overdue redemptions and interest on liabilities	11,666,872	11,464,078
Income tax liabilities	1,292,927	(2,313,220)
Payable to investors	7,515,869	-
Liability to credit institutionals	-	103,514
Other liabilities	5,216,526	6,236,532
	<u>35,840,072</u>	<u>31,791,442</u>

Other liabilities

	31-12-2016	31-12-2015
	€	€
Wages and salaries payable	429,446	326,934
Received payments for new bonds including interest payable	-	-
Related parties	106,185	1,530,766
Other liabilities	4,680,895	4,378,832
	<u>5,216,526</u>	<u>6,236,532</u>

14 Taxation on result

In relation to taxation of delivering forestry assets located in Brazil the company takes the position that this activity is actually the selling of property. This means that the tax treaty for avoidance of double taxation and the prevention of fiscal evasion between the Netherlands and Brazil is applicable, which allocates the possibility of taxation to Brazil.

As a result of which no deferred tax liability is accounted for relating to revaluation of the Forestry Assets except for those which are part of joint venture agreements.

Early 2009 the Dutch Tax Administration has taken the position that they agree that the treaty applies for the company, and therefore taxation will be assigned to Brazil.

Deferred tax assets have not been recognized, because it is not probable that future taxable profit will be available against which the Group can use the benefits from.


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The total unrecognized carry forward losses amounts to EUR 109 million (2015: EUR 109 million).

15 Commitments not included in the balance sheet

Lease and rental obligations

Regarding some company cars lease agreements have been signed. The annual lease term amounts to € 5,379 with a total obligation of € 10,758. The average remaining term is 0.25 years (3 months).

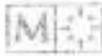
Floresteca leased the office space for € 4,066 monthly until January 2019.

Liability related to the tax unity

Floresteca B.V. forms with Floresteca Holding N.V. a fiscal unity for the corporate income tax. Based on the legislation Floresteca B.V. is liable for the corporate income tax payable for the total combination.

Hedging contracts

Floresteca entered into an agreement in which the exchange rate risk regarding the forestry assets portfolio of an invest fund, which fund is investing in the forestry assets portfolio sold and managed by Floresteca SA, is hedged. The hedge stabilizes the USD volatility against EUR and Pound Sterling and is settled in kind. The fair value of the hedge agreement is recorded in the balance sheet as accrual.

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16 Net turnover

	<u>2016</u>	<u>2015</u>
	€	€
Revenues from wood sales Brazil	62,274,684	12,650,064
Sale of revenue rights EU countries	141,879	1,855,660
	<u>62,416,563</u>	<u>14,505,724</u>

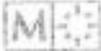
In the sale of revenue rights other EU countries is included an amount of € 141,879 (2015: € 1,840,660) in barter transactions (non-cash).

17 Cost of sales

	<u>2016</u>	<u>2015</u>
	€	€
Cost of goods sold	18,417,699	6,669,648
Fair value sold certificates	427,468	2,393,431
Realization of revaluation reserve	(176,078)	(2,158,319)
Addition to maintenance provision	-	-
	<u>18,669,089</u>	<u>6,904,760</u>

The cost of goods sold relate to sold wood by Floresteca S.A. as a result of thinning.

The cost of sold certificates regarding forestry assets consists of the fair value of the sold forestry assets and the related realization of the revaluation reserve on these assets. Since the obligation to perform the maintenance for the forestry assets remains with Floresteca, a part of the cost of sales consists of the addition to the maintenance provision caused by the sales during the year.

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18 Other income and expenses

The other expenses can be broken down as follows:

	2016	2015
	€	€
(Reversal of) impairment on forestry assets	15,669,853	(4,506,839)
(Release) addition to compensation reserve for negative stock	(580,107)	169,140
Revised estimated production and maintenance cost regarding work in progress	(2,798,927)	(4,606,440)
Provision for uncollectible accounts	474,941	454,525
Other	1,647,022	13,667,966
	<u>14,412,782</u>	<u>5,178,352</u>

The revised estimated production and maintenance cost relate to the difference between the estimated forestry costs which are included in the maintenance provision and which are released to work in progress and the realization of these costs.

General expenses include audit fee of external auditor Mazars Paardekooper Hoffman Accountants N.V. for the statutory audit of the financial statements amounting to EUR 45,000 excl. VAT and audit fee of Mazars Brazil amounting to EUR 33,500 excl. VAT. The external auditor has not charged any fees relating to other assurance related services, tax, consulting or any other consulting services.

19 Personnel expenses

The general and administrative expenses include the following personnel expenses:

	2016	2015
	€	€
Salary costs	1.060,650	936,060
Social costs	37,113	40,357
Pension costs	6.155	12.261
	<u>1,103,919</u>	<u>988,678</u>

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20 Financial income and expenses

	2016	2015
	€	€
Other interest income	449,960	569,654
Interest expenses	(15,389,034)	(16,896,689)
Exchange rate differences	12,273,032	(12,718,882)
Interest maintenance provision	(4,813)	(22,393)
Change of value investment funds	741,434	-
Hedge result	-	7,882
	<u>(1,929,419)</u>	<u>(29,060,428)</u>

The exchange rate differences mainly contain the exchange rate difference on the maintenance provision.

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21 Related parties

All group companies mentioned in note 1.3 are considered to be related parties.

Based on Guidelines for Annual Reporting in the Netherlands, key management of Floresteca B.V. and Floresteca Holding N.V. are also regarded as related party. Key management have current accounts with Floresteca B.V. amounting to in total € 51,000 payable (2015: € 72,000 payable). On these amounts interest is calculated at an average rate of 5 %. In addition, key management has non-paid management fees amounting to € 959,235 (2015: € 939,585).

The advances made to LHS Participações Ltda. Consist of prepayment of amounts related to the use of the land by Floresteca S.A. for growing teak (agricultural partnership), which will be discounted in the future without monetary restatement, at the time of the felling of the portion of the permanent teak plantation, representing an amount advanced of € 173,000 in 2013 (€173,000 in 2012) or through the sale of forests belonging to LHS Participações Ltda.

22 Employees

During 2016, an average of 368 employees (of which in the Netherlands 5) employees was employed. (2015: 358 of which 5 in the Netherlands).

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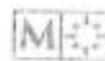
Company annual accounts

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Company balance sheet as at 31 December 2016

(before proposed appropriation of results)

	Note	31 December 2016		31 December 2015	
		€	€	€	€
Assets					
Fixed assets					
Tangible fixed assets	1	12,053		22,191	
Financial fixed assets	2	8,052,901		(14,238,354)	
Forestry assets		46,295,123		148,463,394	
			54,360,077		134,247,231
Current assets					
Stock		-		-	
Receivables	3	126,549		155,960	
Cash at banks and in hand		28,243		1,549	
			154,792		157,509
			54,514,869		134,404,740



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	Note	31 December 2016		31 December 2015	
		€	€	€	€
<i>Shareholder's equity and liabilities</i>					
Shareholder's equity	4				
Issued share capital	5	18,000		18,000	
Revaluation reserve					
	6	25,074,597		100,618,254	
Translation differences reserve		3,291,476		6,928,257	
Other reserves		(186,356,413)		(153,998,080)	
Reserve of Investment properties		-		-	
Result for the year		2,679,768		(32,358,333)	
			(155,292,572)		(78,791,902)
Provisions			413,000		8,910,256
Long-term liabilities			190,848,939		184,854,321
Current liabilities	7		18,545,502		19,432,065
			<u>54,514,869</u>		<u>134,404,740</u>



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Company profit and loss account 2016

	2016	2015
	€	€
Other result after tax	(20,474,360)	(22,618,467)
Share in result participations	23,154,128	(9,739,866)
Result after taxation	<u>2,679,768</u>	<u>(32,358,333)</u>


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Notes to the company balance sheet and profit and loss account

General

The financial information of Floresteca B.V. is included in the consolidated annual accounts. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the company exclusively states the share of the result of participating interests after tax and the general result after tax. Insofar as no further explanation is provided of items in the company balance sheet and profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Related parties

All group companies, mentioned in 1.3, are regarded as related parties. Based on Guidelines for Annual Reporting in the Netherlands, key management regarded as related party.

Accounting policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following:

Share of result of participating interests

This item concerns the company's share of the profit or loss of these participating interests. Insofar as gains or losses on transactions involving the transfer of assets and liabilities between the company and its participating interests or between participating interests themselves can be considered unrealized, they have not been recognized.

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1 Tangible fixed assets

	Other tangible fixed assets
	€
1 January 2016	
Acquisition or production costs	324,746
Accumulated negative revaluations and depreciation	(302,554)
Book value	<u>22,191</u>
Movements 2016	
Investments	-
Disposals	-
Accumulated depreciation disposals	-
Depreciation	(10,138)
	<u>(10,138)</u>
31 December 2016	
Acquisition or production cost	324,746
Accumulated negative revaluations and depreciation	(312,693)
Book value	<u>12,053</u>
Depreciation rates	<u>20-33%</u>


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2 Financial fixed assets

	Subsidiary	Investment in GFGF	Amount due from group companies	Total
	€	€	€	€
1 January 2016	(19,970,606)	5,732,252	-	(14,238,354)
Movements 2016				
Result of participations	23,154,128	-	-	23,154,128
Exchange rate differences	(4,710,531)	-	-	(4,710,531)
Investments	-	-	-	-
Reclassification	-	-	3,106,224	3,106,224
Revaluation through P&L	-	741,434	-	741,434
	<u>18,443,597</u>	<u>741,434</u>	<u>3,106,224</u>	<u>22,291,255</u>
31 December 2016	<u>(1,527,009)</u>	<u>6,473,686</u>	<u>3,106,224</u>	<u>8,052,901</u>

Floresteca B.V. is at the head of the group and has the following capital interests:

Participation in issued share capital	2016	2015
Consolidated participating interests		
Floresteca S.A., Mato Grosso, Brazil	99.99%	99.99%
Floresteca Industria de Madeira Ltda. Bioteca, Mato Grosso, Brazil	-	50.00%
Joint ventures (accounted for using proportionate method)	25.42%	24.66%

In Brazil, joint ventures have been set up with investing parties for which Floresteca performs the maintenance and cultivation of teak plantations and is entitled to part of the revenues upon harvesting.


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3 Receivables

	31-12-2016		31-12-2015	
	Total	Term > 1 year	Total	Term > 1 year
	€	€	€	€
Trade debtors	-	-	-	-
Amounts due from group companies	-	-	-	-
Other receivables	126,549	-	155,960	-
	126,549	-	155,960	-

Trade debtors

	31-12-2016	31-12-2015
	€	€
Trade debtors	23,946	23,946
Less: provision uncollectible accounts	(23,946)	(23,946)
	-	-

Trade debtors consists of a sales transaction to an investment fund in December 2015 which has been received in January 2016.

Amounts due from group companies

	31-12-2016	31-12-2015
	€	€
Floresteca Holding N.V.	2,409,313	2,312,064
Forestry Management Holland B.V. (FMH)	9,820,004	9,442,311
Less: provision doubtful debts	(12,229,317)	(11,754,375)
	-	-

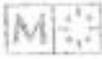
On the average amounts, due from group companies Floresteca Holding N.V. and Forestry Management Holland B.V. an annual interest of 5% is calculated (last year 5%). There are no arrangements regarding to redemption and security. The following should be noted: the liquidity and continuity issue set out in note 1.2 is also applicable to Floresteca Holding N.V. and FMH. The

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recoverability of these receivables are therefore also uncertain should the liquidity and the continuity not be warranted, since Floresteca B.V. is a 100% subsidiary of Floresteca Holding N.V. and FMH is the ultimate parent company. Taking into account the current liquidity of the company and expectations for the near future, the related receivables have been fully provided for

<i>Other receivables</i>	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
Deposits	13,028	12,978
Other receivables	113,521	142,982
	<u>126,549</u>	<u>155,960</u>


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4 Shareholder's equity

	Issued share capital	Revaluation reserve	Deferred tax liabilities	Translation differences reserve	Other reserves	Reserve of Investment properties	Result for the year	Total
	€	€		€	€	€	€	€
1 January 2015	18,000	182,391,684	(8,527,000)	260,047	(126,585,817)	-	(27,412,263)	20,144,651
Movements								
Appropriation of the result	-	-	-	-	(27,412,263)	-	27,412,263	-
Other movements	-	(72,959,430)	(287,000)	6,668,210	-	-	-	(68,578,220)
Purchase own share (through Forestry management Holland BV)	-	-	-	-	-	-	-	-
Result current year	-	-	-	-	-	-	(32,358,333)	(32,358,333)
	0	(72,959,430)	(287,000)	6,668,210	(27,412,263)	-	(4,946,070)	(68,936,553)
31 December 2015	18,000	109,432,254	(8,814,000)	6,928,257	(153,998,080)	-	(32,358,333)	(78,791,902)
	Issued share capital	Revaluation reserve	Deferred tax liabilities	Translation differences reserve	Other reserves	Reserve of Investment properties	Result for the year	Total
	€	€		€	€		€	€
1 January 2016	18,000	109,432,254	(8,814,000)	6,928,257	(153,998,080)	-	(32,358,333)	(78,791,902)
Movements								
Appropriation of the result	-	-	-	-	(32,358,333)	-	32,358,333	-
Other movements	-	(83,944,658)	8,401,000	(3,636,781)	-	-	-	(79,180,438)
Purchase own share (through Forestry management Holland BV)	-	-	-	-	-	-	-	-
Result current year	-	-	-	-	-	-	2,679,768	2,679,768
	0	(83,944,658)	8,401,000	(3,636,781)	(32,358,333)	-	35,038,101	(78,500,670)
31 December 2016	18,000	25,487,597	(413,000)	3,291,476	(186,356,413)	-	2,679,768	(155,292,572)



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For a more detailed specification of the movement in the revaluation reserve, we refer to note 7 of the consolidated annual accounts.

5 Issued share capital

The authorized share capital of Floresteca B.V. as at 31 December 2016 amounts to EUR 90,000 and consists of 900 ordinary shares of EUR 100 each.

The issued and paid-in share capital amounts to EUR 18,000 and consists of 180 ordinary shares with a nominal value of EUR 100 each.

6 Revaluation reserve

A revaluation reserve is accounted for the unrealized positive revaluations of the forestry assets net of deferred tax liabilities.

7 Proposed appropriation of result

Following the proposed result appropriation of the Board of Directors the loss of 2016 of € 2,679,768 will be deducted for € 32,358,333 from the other reserves.

8 Current liabilities

	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€
Trade creditors	50,523	86,836
Other taxes and social securities	10,223	14,478
Obligation to certificate holders	541,991	1,122,098
Long term liabilities term < 1 year	1,668,784	1,838,832
Overdue redemptions and interest liabilities	11,666,872	11,464,078
Amounts due to group companies	-	641,200
Other liabilities	<u>4,607,109</u>	<u>4,264,543</u>
	<u>18,545,502</u>	<u>19,432,065</u>
<i>Other liabilities</i>	<u>31-12-2016</u>	<u>31-12-2015</u>
	€	€


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Wages and salaries payable	(12,419)	(12,400)
Received payments for new bonds including interest payable	0	0
Other liabilities	4,619,528	4,276,943
	<u>4,607,109</u>	<u>4,264,543</u>

9 Taxation

In relation to taxation of delivering forestry assets located in Brazil the company takes the position that this activity is actually the selling of property. This means that the tax treaty for avoidance of double taxation and the prevention of fiscal evasion between The Kingdom of the Netherlands and The Federative Republic of Brazil is applicable, which allocates the possibility of taxation to Brazil.

Early 2009 the Dutch Tax Administration has taken the position that they agree that the treaty applies for the company, and therefore taxation will be assigned to Brazil.

Deferred tax assets have not been recognized, because it is not probable that future taxable profit will be available against which the Group can use the benefits from.

The total unrecognized carry forward losses amount to EUR 109 million (2015: EUR 109 million)

10 Commitments not included in the balance sheet

Lease and rental obligations

Regarding some company cars lease agreements have been signed. The annual lease term amounts to € 5,379 with a total obligation of € 10,758. The average remaining term is 0.25 years (3 months).

Floresteca leased the office space for € 4,066 monthly until January 2019.

Liability related to the tax unity

Floresteca B.V. forms with Floresteca Holding N.V. a fiscal unity for the corporate income tax. Based on the legislation Floresteca B.V. is liable for the corporate income tax payable for the total combination.

Hedging contracts

Floresteca entered into an agreement in which the exchange rate risk regarding the forestry assets portfolio of an invest fund is hedged. The fair value of the hedge agreement is recorded in the balance sheet as accrual.

11 Employees

During 2016, an average of 5 employees was employed in the Netherlands (2015: 5).

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12 Remuneration of members of the Board of Directors

The company has one director, Floresteca Holding NV, which receives no remuneration. Floresteca Holding N.V. has two directors which are identified as key management of the company. In 2016 management remunerations accounted for in the profit and loss account of Floresteca BV amounted to € 217,800 (2015: € 217,800). Part of the management fees (€ 199,650) have been deferred because of the limited liquidity of the Company. This deferred remuneration is contingent based on the availability of liquidity in the future. The out-of-pocket expenses are partly reimbursed.

13 Share options and shares granted to employees

Floresteca B.V. has not granted any share options or shares to its employees.

Subsequent events

Asset sale

On February 22th, 2017, SCPs Monte Verde and SCP Santa Lucia., indirectly controlled by Floresteca SA who owned 25,42% of the shares, Sustainable Teak Participações Ltda who owned 74,58% of the shares and Salteca Agroflorestal Ltda the buyer, agreed to the terms of the sale of three teak projects, totaling 2,412.70 ha (Monte Verde 2005, Santa Lúcia 2006). The projects were sold for a total of USD 14 million on the date of sale.

The use of proceeds has been as follows:

- Revenu asset sale USD 14 million
- Debt redemptions USD 9 million
- Rest is working capital expenditure USD 5 million

The impact of the asset sale is already incorporated in the valuation of the related assets at 31 December 2016.

Company sale

In order to prepare markets for the hitherto unknown teakwood from Brasil FSA has developed processing facilities meeting product demand and made arrangements with national and international logistic companies and traders in Asia.

Now the plantations of FSA are one by one getting into maturity FSA the time has come for FSA to get back to basics and focus exclusively on its core business of planting, maintaining and harvesting and delivered the timber at the road side of the farms.

The maintenance and harvesting of current operated farms of 17.500 ha is secured by income from thinnings and final cuts while FSA carries no further costs on external debts.

In order to free FSA from the need of working capital for processing and distribution FSA has decided to sell Floresteca Indústria de Madeira Ltda and Bioteca Ltda to related parties S. de Andrade Coutinho Neto and S. de Andrade Coutinho. Floresteca Indústria de Madeira Ltda has changed it's name into TRC Agroflorestal Ltda (TRC).

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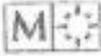
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Outsourcing management

By agreement of March 14th, 2017 Floresteca SA and TRC have entered into a Management Services and Timber Sales & Purchase Agreement (MSA) by which maintenance and general management activities have been outsourced by Floresteca SA to TRC. Further TRC is the preferred buyer of the teak harvested by Floresteca at Road Side Prices (RSP). RSP to be determined by independent benchmark reports and at market conform RSP. By this arrangement Floresteca SA is reaping the benefits of the scale and knowledge of TRC, whom is serving an international multi-client base by delivering teak forest management services and providing liquidity to teak farmers. The combined costs for maintenance and general management by Floresteca SA and TRC are capped at USD 4.500 for a 20 year rotation project and USD 7.500 for a 25 year rotation project. Additional costs might occur for costs related to the final cut.

Amsterdam, 29 December 2017

Floresteca Holding N.V.
Strawinskylaan 825
Amsterdam

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Other information

Profit appropriation according to the Articles of Association

According to article 24 of the Articles of Association the profit for the year is at the free disposal of the General Meeting of Shareholders.

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INDEPENDENT AUDITOR'S REPORT

To: the shareholders and directors of Floresteca B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

OUR DISCLAIMER OF OPINION

We were engaged to audit the financial statements as at 31 December 2016 of Floresteca B.V., based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

We do not express an opinion on the financial statements. Due to the significance of the matter described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The consolidated financial statements comprise:

- 1 the consolidated statement of financial position as at 31 December 2016;
- 2 the following statements for 2016: the consolidated profit and loss account, and cash flow statement; and
- 3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The financial statements comprise:

- 1 the balance sheet as at 31 December 2016;
- 2 the statement of profit and loss account for 2016; and
- 3 the notes, comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR DISCLAIMER OF OPINION

We draw attention to note 2.6 and note 7 to the financial statements related to the valuation method applicable to Forestry Assets. These notes disclose that the valuation of Forestry Assets has been determined internally by management based on numerous assumptions with respect to future cash flows. Many of those assumptions are beyond the control of Floresteca B.V. and actual cash flows in the future are likely to be different from those assumed in the calculation and such variation may be significant.

We were unable to obtain sufficient and appropriate audit information to verify the market values of the Forestry Assets disclosed, amongst other due to the lack of independent external market data. As those valuations are also underlying the valuation of the investment in GFGF (note 2), we are also unable to verify the market value of that investment.

We are independent of the company in accordance with the "Dutch Independence Standard regarding assurance engagements (ViO)" and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Dutch Code of Ethics (VGBA)".

WILHELMINA TOWER, DELFLANDLAAN 1 - P.O. BOX 7266 - 1007 JG AMSTERDAM
TEL: +31 (0)88 27 72 400- FAX: +31 (0)88 277 2245 - amsterdam.audit@mazars.nl

MAZARS PAARDEKOOPEL HOFFMAN ACCOUNTANTS N.V.
WITH ITS REGISTERED OFFICE IN ROTTERDAM (KvK ROTTERDAM NR. 24402415).
73303/JK/SdP

EMPHASIS OF UNCERTAINTY WITH RESPECT TO THE GOING CONCERN ASSUMPTION

We draw attention to note 1.2 to the financial statements which indicates that the short-term finance needs of Floresteca B.V. are not covered by the current available liquidity and, besides other measures, the company is working on a debt restructuring programme. These conditions, along with other matters as set forth in note 1.2 and note 4.5 indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the management;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Due to the significance of the matter described in the 'Basis for our disclaimer of opinion' section, we have not been able to consider in accordance with Part 9 of Book 2 of the Civil Code whether or not the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We were engaged to read the other information and, based on our knowledge and understanding to obtain through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. Because of the matter described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Amsterdam, 29 December 2017

MAZARS PAARDEKOOPEL HOFFMAN ACCOUNTANTS N.V.

w.s. J.C. van Oldenbeek MSc RA

Annual report of the directors

The board of directors of Floresteca B.V. hereby presents its annual accounts for the financial year ending 31 December 2016.

1. Course of events during the financial year

1.1 General information regarding the legal person

Floresteca B.V. was founded on 25 July 2001 as a limited company under Dutch law, established in Amsterdam and registered with the local Chambers of Commerce as number 34159844. Floresteca B.V. is headquartered at Strawinskylaan 825 in Amsterdam. The management board of Floresteca B.V. is formed by Floresteca Holding N.V.

The objectives of Floresteca B.V. include acquiring, transferring, managing and utilising land for the purposes of forestry and forestry concessions, the purchase and sale of wood and wood products, taking participating interests in legal bodies, companies and ventures, loaning monies to third parties, in particular – but not exclusive to – subsidiaries and participating interests of the company and supplying advice and services in the field of forestry.

Floresteca B.V. is a 100% participating interest of Floresteca Holding N.V., the latter having been established in accordance with Dutch Law on 28 February 1967 and registered at the Amsterdam Chambers of Commerce as number 33219453 and being headquartered in Amsterdam at Strawinskylaan 825.

Floresteca B.V. holds 99.99% of the shares in Floresteca S.A., a company under Brazilian law. Floresteca S.A. operates large-scale teak plantations in the federal state of Mato Grosso.

Floresteca S.A. in turn holds the following participating interests per 31 December 2016:

- 99,99% of the shares in the capital of Buriti Imóveis S.A.. (henceforth “BIS”). BIS holds the land where the teak plantation Buriti is established. The land was acquired from Floresteca S.A. to obtain a loan facility with the shares of BIS as a pledge.

All participating interests of Floresteca S.A. are limited companies under Brazilian law. In these annual accounts, Floresteca S.A. and its participating interests will henceforth be referred to as “Floresteca Brazil”. Floresteca Brazil and Floresteca B.V. will henceforth be referred to jointly as “Floresteca”.

Floresteca Brazil manages, maintains and runs forestry activities on behalf of (i) its own risk and expense (ii) joint venture partners and (iii) third parties (European and American investors and Brazilian landowners) grouped in the Stichting Administratie- en Trustkantoor Tectona (“SATT”).

Floresteca Brazil is one of the largest privately-owned (FSC-certified) teak plantation companies in the world. The company was founded in 1994 with the aim of sustainable development and maintenance of teak plantations in Brazil. Floresteca Brazil limits itself exclusively to the cultivation of teak trees in terms of production and exclusively to Brazil in terms of location.

Floresteca Brazil offers teak products such as round timber, S4S wood and rough sawn timber.

As per 31 December 2016 Floresteca managed in total 22,461 (2015: 24,407) hectare of teak plantations for both its own risk and joint venture partners.

The company's forestry activities comprise the planting, thinning, pruning, harvesting, monitoring and management of teak trees. Floresteca Brazil employs approximately 368 (2015: 358) staff members across about 45 different teak projects, localised in the southern state of Mato Grosso. Floresteca Brazil's forestry management techniques reflect a completely sustainable model that makes the removal of or encroachment on natural forests unnecessary. By planting new forests on extensively used agricultural land, Floresteca Brazil has been able to secure a number of important environmental certificates including that of the Forest Stewardship Council (FSC) under the SGS QUALIFOR programme. The certificates can be obtained from the site www.fsc.org under the certificate codes SW-FM/COC-005657 and SW-COC-005658

The teak cycle is long; 20 to 25 years elapse between planting and final harvesting. Over the years the trees will grow and the product range will increase accordingly. The overview below shows the products that Floresteca already offers.

Round timber

- Is primarily sold to the furniture industry and dealers in Asia

'Squares' (rough quarter-sawn tree trunks)

- Are primarily sold to dealers in Asia

Wood for local use

- Is used as a biomass product for energy generation

Sawing timber

- Is primarily sold to the furniture industry

S4S wood (wood surfaced on 4 sides)

- Is primarily sold to the furniture and interiors industry

Over the past Floresteca Brazil has developed to become a major plantation operation with a strong revenue potential for the coming years.

Risks and uncertainties

A number of risks and uncertainties can be distinguished in relation to Floresteca's activities. This list is not exhaustive.

(a) Risk appetite

All activities are based on repayment of the bondholders by maximizing the revenues of the harvest proceeds.

For the time being and until repayment of bondholders is properly addressed Floresteca will not initiate new activities or will initiate new activities in the near future.

(b) Trends in teak prices

The starting point for estimated fair value calculations of forestry assets is the expectation that market prices for high quality timber will show a rising trend. The possibility can never be excluded, however, that timber prices will fall due to declining demand for hardwood, development of alternative species, over-production by competitors or for other reasons.

The Floresteca Group has had various studies carried out into the markets for hardwood, potential growth of sustainable forestry and trends in timber prices. It bases its forecasts on actual market data and estimations on the mid and long term.

An inherent uncertainty exists concerning the estimations used for the estimated fair value calculations. The actual outcome will deviate, because the estimations will not occur as stated and the differences may deviate significantly.

Management is convinced that the estimations used for valuation of the forestry assets are not unrealistic.

(c) Exchange rate and inflation risks

Capital to finance the activities of the Floresteca Group is predominantly raised in euros. At present the main trading currency for teak is the US dollar, therefore the incoming cash flows are mainly predominated in US Dollar. For operational costs there is a risk as regards movements in Brazilian real. There is a risk that adverse economic effects will have a significant influence on the level of inflation and hence on local Brazilian costs. Movements in the value of the currency can have both a favourable and an adverse effect on movements in the value of the Forestry Assets. .

(d) Fire and other disasters

In general, fire forms the largest risk to all forms of forestry, including the specific regions of Mato Grosso. Plantations may be lost due to fire in the first three years. After three to five years the risk to continued existence of teak plantations declines considerably, although in those circumstances fire can delay the growth of teak. Floresteca follows a very strict fire prevention policy. Other risks which can be mentioned are amongst others hurricanes, on-going dry season, floods and the possibility of diseases.

(e) Regulatory risks

Management assumes the legislation and regulations currently in force in the Netherlands and Brazil in preparing the annual accounts. A change in these legal and fiscal regulations could have an influence on the fair value of the Forestry Assets.

(f) *Liquidity and continuity*

Forestry activities are characterised by long-term finance need during the phase of creation and maintenance of the plantations. Available liquidity should be generated at the end of the forestry cycle. The value of the forestry assets can only be maintained, if the company can secure and provide the necessary financial means for the care of the forestry assets up to the point of harvest. As explained in note 4.5 "Liquidity risk" to the consolidated financial statements, the short term finance needs of Floresteca B.V. in order to meet the finance obligations to bondholders and to provide for the necessary financial means for the care of the forestry assets up to the point of harvest are not covered by the current and in the near short term expected available liquidity.

Due to the conditions described above, there is a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Therefore, Floresteca may not be able to realise its assets and discharge its liabilities in the normal course of business.

To meet these short term finance needs, the company has started restructuring the current finance obligation to bondholders by mutual consent. For this reason the company issued an Information Memorandum in June 2012 ("IM2012") which included a proposal to their bondholders to postpone redemptions and interest payments until available liquidity is sufficient, and to alter compounded interest into single interest. Further the company sketched 4 scenarios for revenues as a base for servicing the bonds, being 3 scenarios based on sales of Certificates of Beneficial Interest owned (CBI's) and 1 scenario based on regular maturation of the CBI's.

During 2013 and 2014 it became clear that some of the bond holders desired alternative terms and conditions compared to the IM2012. This resulted in 2 additional Alternatives to the IM2012.. Redemption of the bonds under these Alternatives are due per the first of januari 2018.

The main features of the 3 alternatives are as follows:

	Initial proposal IM2012	Alternative BFRG	Alternative Workforce bondholders
Commencing date	1 January 2013	1 January 2013	1 January 2013
Duration redemption postponement	Until harvest results have redeemed the bond in full	5 years with an option to extend by 1 year	5 years with an option to extend by 5 year
Interest	Current interest rate at single interest	Euribor + 4% at compounded interest	Current interest rate at compounded interest
Redemption sources	<ul style="list-style-type: none"> • Harvest and thinning results • Refinancing proceeds • Sales of forestry assets to investment funds 	<ul style="list-style-type: none"> • Harvest and thinning results • Refinancing proceeds 	<ul style="list-style-type: none"> • Harvest and thinning results • Refinancing proceeds
Nature of pledge	Collective hold by a foundation	Individual if applicable before commencing date	Individual if applicable before commencing date
Sell of pledged items by Floresteca to generate cash flow	Proceeds will be used for redemption	NA	NA
One of compensation	NA	3% on the initial subscription	NA

Per 21 December 2017 the following restructuring results have been achieved:

Options	Number of bond holders	% based on restructuring amount
Agreed to Information Memorandum June 2012:	419	55%
Agreed to convert bond into Forestry Assets:	10	0%
Agreed to the Alternative BFRG	106	14%
Agreed to the Alternative Workforce bondholders	150	20%
Postponement of expiration date	10	2%
Subtotal:	694	91%
Bondholders which did not yet agree	82	9%
Total bondholders	776	100%

Further to the restructured bonds the company is indebted to:

	Amount inc interest	
Floresteca Spaarcertificaten	€ 2.283.326,50	Due - 2031
Groen Spaarcertificaten	€ 2.086.552,31	Due - 2032
Familie office 1	€ 11.534.957,65	2018 onwards
Familie office 2	€ 1.217.924,86	2018 onwards
Zero Coupon Notes 20 year* (in GBP)	£ 41.502.637,01	2026 - 2030
Zero Coupon Notes 20 year* (in EUR)	€ 2.861.729,22	2026 - 2030
Interest Bearing Certificates* (in GBP)	£ 1.672.946,30	2027
Other debts	€ 1.500.000,00	Due
Total	€ 64.660.073,86	

These credit arrangements have been kept unchanged until now.

Next to aforementioned, management is actively attempting to sell forestry assets to third party investors. As explained in paragraph 2.5 Redeeming External debt Floresteca SA forestry assets were sold in line with the strategy to redeem the debts in subsidiary Floresteca SA. Sales of CBI's in the period 2014 until 2017 however did not occur as a result of the product apparently not being suitable.

The current asset value is significant lower than earlier projections, while the interest burden at approximately 7,8% in the average has remained above current low market interest ranges.

In the light of the above factors the company has actively informed and involved the total group of Floresteca BV financiers regarding restructuring the Floresteca group and its debt burden. The ultimate goal is to reach an agreement proposal in favour of the creditors of Floresteca B.V. and, in a broader sense, the other stakeholders, resulting in full and final discharge of Floresteca BV. A company- and debt restructuring plan will be presented to the totality of financiers in early 2018.

Based on (i) completed sales and further current developments in terms of the sale of forestry assets and timber by Floresteca Brazil and (ii) the cooperative position of the Floresteca BV financiers in the past as well as momentarily, management is of the opinion, that cash flow will be sufficient in the short term to support the continuity of the company. Taking aforementioned into account, management is of the opinion that the short term finance needs can be met.

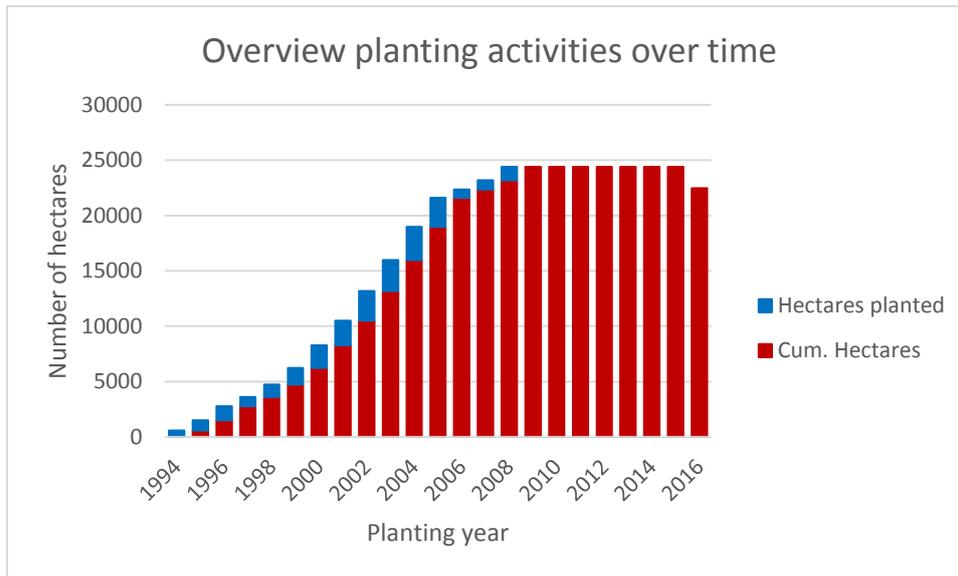
Consequently the annual accounts have been prepared based on the assumption of continuity of the company."

1.2 Status as per balance sheet date and course of events during the financial year

Floresteca Brazil

Floresteca Brazil is one of the world's largest privately-owned producer of FSC-certified teak.

On 31 December 2016, Floresteca Brazil managed 22,461 hectares of planted teak. The current managed area was planted over the years 1999 – 2008 and can be summarized as follows:



Planting of managed area over the years (from 2009 no planting activities for the account of Floresteca)

The managed area is for 5,232 hectares owned by Floresteca Group of which 297 hectares are of uncertain quality. Therefore the number of hectares capitalized on the balance sheet amounts to 4,935 hectares. The other hectares are owned by third parties.

Floresteca B.V.

Floresteca B.V. owns the rights to areas of timber as certificates which it holds in the Tectona Trust and Administration Office Foundation (SATT). These certificates confer an entitlement to part of the revenue of the underlying areas of timber (further also "Certificates of Beneficial Interest" or "CBI's"). The activities of Floresteca B.V. consist of selling these CBI's to investment funds.

Besides selling certificates from the companies own forestry assets also CBI's are sold which were repurchased from GoodWood Investments B.V. and/or GoodWood participants. The average price paid for repurchased CBI's is higher than the average selling price due to the product mix (older trees repurchased and jonger sold) and different counterparties. Even though the purchases of these CBI's were major in the years 1999 upto and including 2009. As a result of the financial crisis which started in 2009 these investment funds were not capable of to continue these purchases. As these investment funds are now all suspended and other funds are not interested in this asset class as currently positioned, the company does not foresee liquidity events based on sales of its CBI's. In 2016, Floresteca B.V. did not repurchase CBI's.

Table of ownership of timber rights, in the form of CBI's held per investment vehicle at the end of 2016 (in hectare)

	End of 2015	Change over 2016	End of 2016
ATF/GoodWood Investments B.V.	9,107	(744)	8,363
Quadris Environmental Fund Plc	3,971	(136)	3,835
Lignum AG	118	(4)	114
Direct Investors	227	6	233
GFGF	849	(11)	838
Total	14,272	(889)	13,383

The above investment vehicles are all independent of Floresteca B.V. in the sense that the shares are held by third parties and the management boards are made up of different individuals than the directors and/or shareholders of Floresteca B.V. Therefore Floresteca has no significant influence neither control over these vehicles.

During 2016 an average of 368 employees (of which in the Netherlands 5) were employed by Floresteca (2015: 358 employees of which in the Netherlands 5).

1.3 Analysis of the financial position and result of the Group

In 2016, Floresteca B.V. achieved a net result of € 2.7 million positive compared to a negative result for 2015 amounting to € 32.4 million.

The increase in result is mainly the result of the following items:

- Gross profit increased by € 36 million due to the sale of forestry and the start of final harvesting.
- decrease in financial expenses by € 27 million due to an decrease of the Brazilian Real and a decrease of US Dollar. The forestry assets are measured in US Dollar and presented in Euro, which has a positive impact on the valuation. The provision for maintenance consist mainly of cost expressed in Brazilian Real. Because of the decrease of the Brazilian Real the provision decreased as well.
- Increase of the total cost amounting to € 13 million.
- Increase on taxation on result amounting to € 2 million.
- Decrease in the share of result in participations € 13 million.

The forestry assets are valued at fair value hence the unrealised decrease in fair value is recorded as an decrease of € 84 million in equity. The company's solvency is 205.5% negative (2015: 46.0% negative). The effect of a negative solvency is caused by disposal on the assets which has been sold in february 2017 in order to redeem expensive Floresteca Sa debts and furthermore a disposal on the assets because of a lower asset net present value.

1.4 Valuation of Forestry assets

The forestry assets of which the economical ownership has not been transferred are valued at estimated fair value. This value is based on the net present value of the estimated future revenue under deduction of the net present value of the estimated future costs.

The estimation of the future revenue is derived from a forestry model which prognosticates the expected commercial volume of wood to be harvested and sold. The model prognosticates the increment of teak based on the stock, growth expectations, mortality, commercial volumes etc. The model is differentiated per plantation and based on the forestry model which is being used for the management of the forestry assets. Since final cuts have occurred in 2016 a more exact details on the total yield versus commercial yield became clear. E.g. the lower end of the trunks contain supporting roots, which in forestry hargo are called 'elephant feet'. These diminish the commercial wood for minus 5-10%. A rather lower commercial production is now taken into account in the forestry asset valuation.

The future estimated sale prices are based on historical price developments and actual data. The actual development of prices depends on demand and supply of wood in general and teak wood particularly. The combination between quality and the amount of wood harvested determine the actual revenue. The valuation therefore is dependent on the actual realised growth of the wood, the estimated future growth and also the future maintenance. In order to make a reliable estimation about the future growth, historical data has been used.

The key value drivers of the value of the forestry assets are the estimated productivity in cubic meters, the future price of this production and the discount rate.

Floresteca currently has a yearly cycle in which the valuation model and its value drivers are being completely evaluated and when necessary adjusted. These annual accounts and particularly the valuation model are therefore based on the general assumptions obtained from the assessment of the value drivers prepared at year-end.

The market for teak is stable, however due to increased competition the spot prices are under pressure. These effects have been considered in the valuation model 2016 prepared by the Company. The impact of the competition resulted in a decrease on the valuation amounting in a range from 25% - 35% in euro as per 31 December 2016.

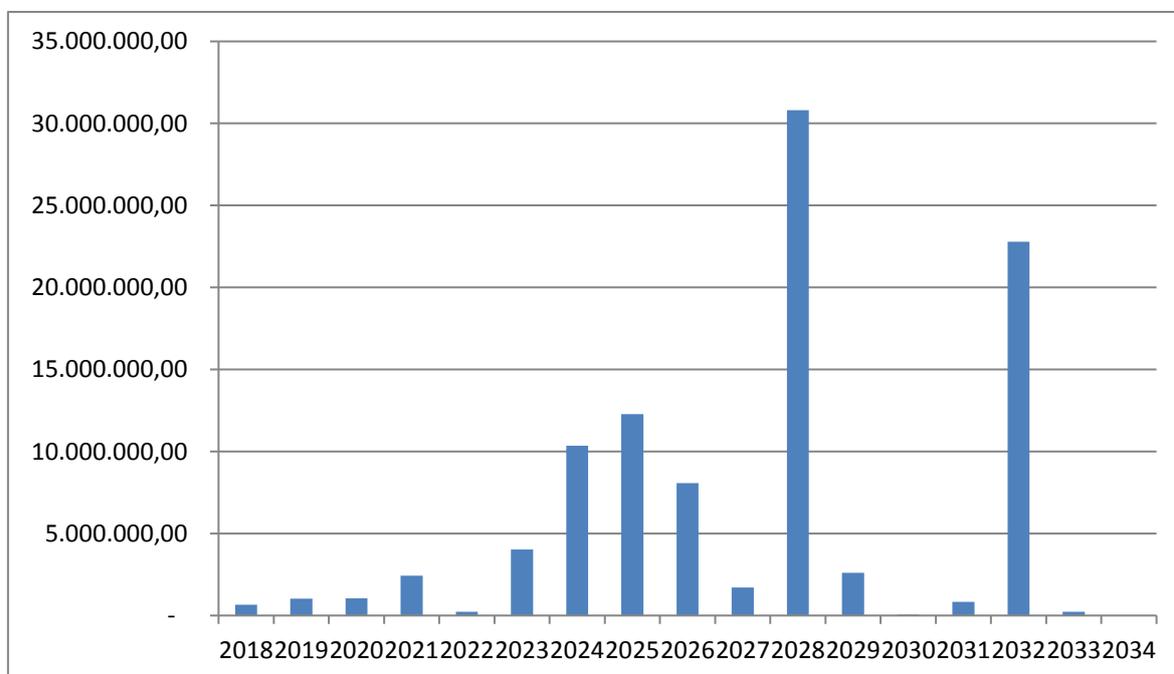
Due to Floresteca SA's revised strategy of 'Forestry Only' the commercial yield is no longer sold by Floresteca SA on the export markets but only domestically at the yard of the farm. The latter sales terms are referred to as 'road side' rather than as FOT (Free on Truck at farm), FOB (Free on Board export harbour) or CIF (Cost Insurance Freight port of destination). Therefor going forward teak market prices for valuation purposes are based on annual and quarterly benchmark reports on road side prices Matto Grosso, Brasil.

2. Developments after the balance sheet date and anticipated future course of events/the management board's perspective on the company's operations

2.1 Growth towards sustained yield

One of Floresteca's most important objectives were to achieve a sustainable yield. Given the current economic circumstances and finance constraints new planting activities for the Floresteca Group are not expected on a short notice.

With the current managed area the company is able to achieve an expected revenue amounting EUR 100 million (excluding the potential revenue in joint venture projects). The timing of the revenues is as follows:



Revenue potential in USD, derived from the valuation model as used for preparation of the annual accounts excluding potential joint venture income.

The management's view is that the business model that has been developed offers an great opportunity to exploit a sustainable raw material that (i) is becoming ever scarcer due to the protection of areas where teak grows naturally (ii) has Asia as its most important market, presenting new opportunities due to the increasing prosperity of this region of 3 billion people (iii) thrives in the fertile soils of central Brazil (iv) can be cost-effectively produced in Brazil thanks to expert forestry management and ideal climatologically conditions.

2.2. Maintenance

The existing teak plantations require intensive maintenance in order to achieve optimum production within the planned cultivation cycle of 20 to 25 years. Maintenance consists of weeding, pruning, clearing fire breaks and surveillance.

2.3 Wood Production & Technology Production

As a part of its strategic reposition of Forestry Only the sawmilling and processing now is no longer part of the core business.

Floresteca exclusively produces certified products which are environmentally friendly and only uses raw materials from FSC-certified sources. The *FSC Chain of Custody* awarded to Floresteca means that all its products and semi-manufactures are FSC-certified for further use.

2.4 Research and Development

In the past Floresteca SA has focussed a lot in Research and Development to try to improve the product. We are now re-focussing on “forestry only” as explained in paragrapg 2.5.3. so we have no active research and development at the moment.

2.5 Redeeming external debt Floresteca SA

Over the course of the years FSA has developed proprietary projects with the aim of paying for operational costs of the company by using the income or sales result of these projects. As a matter of pre-finance of opertaional costs FSA has arranged several loans from Brazilian Banks and an USA based Institutional lender over the years 2010-2017. These loans were needed to bridge the gap between costs of maintenance versus net income from thinning operations and for finance the working caiptal involved in processing and logistics. As a collateral for part of these loans FSA has pledged the farms 2004 Icaroma, 2008 Porte do Céu and 2008 Mutum through the Tecamet Ltd subsidiary. In 2016 these farms were sold to a USA investor at a price of USD 31 million. In 2017 the FSA stake in a joint venture with an USA based Instritutional Investor has been disinvested at USD 14 million.

The use of proceeds has been as follows:

- Revenue asset sale USD 45 million
- Debt redemptions USD 38 million
- Rest is working capital expenditure USD 7 million

These sales resulted in substantial reductions in the accounting value of FSA, as sales terms were significantly below their accounting book value. While painful, and a real loss for FSA's shareholders, these sales were necessary to provide the necessary liquidity in FSA to maintain forestry operations and preserve the value of the forests, as well as to reduce the debts incurred to finance these operations (which ultimately became too onerous over time).

As a result of redemptions of loans the external debts of FSA are now marginal, giving a solid base for the further operations of FSA and the maintenace of its projects. Further, with FSA nearly fully deleveraged, working capital has fallen substantially, and will remain at low levels going forward.

2.5.1 First clear fellings projects SIL95 and K8 in 2016.

End of 2015 clear fellings of the projects SIL95 and K8 have started and were concluded at the end of 2016. Following the finalisation of these projects the total net operational result of these projects could be calculated and amount to well over USD 7 mio. These results will be distributed to the investors in these specific projects.

2.5.2 Re-focus on 'forestry only'

In order to prepare markets for the hitherto unknown teakwood from Brasil FSA has developed processing facilities meeting product demand and made arrangements with national and international logistic companies and traders in Asia.

Now the plantations of FSA are one by one getting into maturity FSA the time has come for FSA to get back to basics and focus exclusively on its core business of planting, maintaining and harvesting and deliver the timber at the road side of the farms.

As per 31 December 2016 Floresteca managed in total 22,461 (2015: 24,407) hectare of teak. Following sales of projects and final cuts, the maintenance and harvesting of current operated farms of 17.500 ha is secured by income from thinnings and final cuts while FSA carries no further costs on external debts.

In order to free FSA from the need of working capital for processing and distribution FSA has decided to sell Floresteca Indústria de Madeira Ltda and Bioteca Ltda to TRC Agroflorestal Ltda, owned by related parties S. de Andrade Coutinho Neto and S. de Andrade Coutinho.

Further due to the debt position of FBV it is unlikely FSA will be able to finance new teak plantations and hence the current plantations of 17.500 will be run off until 2033. Given this position the overhead costs of FSA will rise on a per ha basis. Therefore FSA has decided to disengage the majority of its staff and outsource part of the management activities and overhead to TeakRC Ltda, a company who is offering similar services to other teak growers.

This re-focus on 'forestry only' is expected to result for FSA in preventing the overhead costs per ha to increase, diminish risks, higher flexibility and one-activity-only financial statements.

In March 2017, FSA agreed to a Management Services and Timber Sales and Purchase Agreement (MSTSPA) with Teak Resources Company (TRC Agroflorestal Ltda.), contemplating a wide range of services previously performed by FSA. As previously conveyed, this agreement will allow FSA to maintain continuity in the management of its forests at an economically advantageous terms, and tied to the number of hectares standing annually. While FSA maintains dedicated 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. As a result, going forward, top line revenue will fall to reflect the new sales basis (excluding logistics), but so will selling expenses. As these changes took place over the course of 2017, they are not (fully) reflected in these financial statements,

2.6 Developments at external investment funds

2.6.1 Introduction

Floresteca develops and grows teak plantation projects for its own risk and rewards and to the benefit of third party investment funds. The sales of assets to these investment funds is structured through a trustee based in the Netherlands. This trustee (Stichting Administratie- en Trustkantoor Tectona hereafter "SATT") is the owner of the teak trees on certain plots of land, planted and maintained by Floresteca Brazil. As a compensation to become the owner of the teak trees and have them maintained SATT has to pay the related cost price incurred for these teak trees to Floresteca SA. Further Floresteca SA is entitled to a profit margin, being 5% of the final cuts of all plantations of SATT. Cost Price and profit Margin considered to be the Purchase Price payable by SATT. SATT issues certificates (CBI's) to the beneficial owners of the corresponding teak trees (private investors or investment funds). Floresteca BV, being the initial owner of such certificates, is selling the to investors. Floresteca BV, becoming the initial owner of the CBI's, has taken the obligation towards SATT to pay the Purchase Price to Floresteca SA on behalf of SATT.

Floresteca BV has provided loans equal to the cost price to Floresteca SA. These Loans are to be netted of by the Purchase Price Receivable at the side Floresteca SA. Hence the Loans are considered to be a pre-payment to the Purchase Price Receivable by Floresteca SA. In the balance sheet of Floresteca BV Loan and Purchase Price Receivable by FSA are set off against each other.

Following the sale of teak trees to SATT the management of the teak projects e.g. maintenance, planning, harvesting, marketing, sale and transport, remains with Floresteca Brasil. A reserve for maintenance has been included on the balance sheet.

2.6.2 Quadris Environmental Fund Plc (Quadris)

Sales of Certificates to Quadris have soared over the last years. Unfortunately the sales in 2010 fell short of expectations. The Financial Supervision Commission directed Quadris to suspend dealing on the 29 March 2010. The Commission subsequently engaged Ernst & Young LLC to act as Adviser to Quadris using its powers under section 13 of the Collective Investment Schemes Act 2008. Ernst & Young's terms of reference included a wide ranging review of Quadris' arrangements including its current offering & promotional materials in addition to the events that lead to its custodial arrangements being in breach of the Commission's regulations. The report produced by Ernst & Young has highlighted a number of changes that are required to ensure greater transparency and understanding of the fund specific risks for investors.

Quadris' new Custodian has confirmed to the Commission that all of the schemes assets are under its control. On that basis the Commission has agreed to revoke the Direction it issued suspending the scheme. The Direction is revoked with immediate effect as of 23 July 2010.

In 2011 Quadris has been restructured and changes in the Board of Directors have occurred. The company does not expect sales of CBI's to Quadris to commence again..

2.6.3 Stichting Amazon Teak Foundation and GoodWood

Until 2005, Floresteca financed its activities and expansion to a significant extent through the sale of forestry assets to third parties, including GoodWood Investments B.V. ("GoodWood"). Stichting Amazon Teak Foundation (ATF), the parent company of GoodWood, and GoodWood are holding a license under the Dutch Financial Supervision Act under the respective numbers 12013488 and 12012113.

In December 2010 GoodWood went bankrupt. Floresteca has no obligations towards GoodWood. From a commercial point of view, Floresteca B.V. had an interest in buying up the guaranteed products and other products that have been repurchased from investors by GoodWood. This is because the underlying teak interests have increased in age, bringing the moment of harvest closer. In terms of the operational activities of Floresteca Brazil, these teak interests (Certificates) may therefore represent an opportunity, depending on the price and available liquid means. The exact internal rate of return on the purchase of these forestry assets will be depending on several drivers such as €/US\$ exchange rate in the far future.

No legal obligation exists from Floresteca to buying CBI's from GoodWood. In the agreements between Floresteca and ATF/GoodWood Investments B.V. a waiver has been expressly stipulated for liabilities from Floresteca towards ATF/GoodWood and/or their Investors.

2.6.4 Global Forestry Growth Fund

In 2011 a new investment fund has been established: The Global Forestry Growth Fund (GFGF). GFGF is dedicated to bringing investors uncorrelated and socially responsible forestry investments. Global Forestry combines several aspects of the forestry sector to provide investments solutions that are both stable and minimally correlated to traditional financial markets. The fund has assets under management exceeding USD 35 million. However, the fund has not bought CBI's for a couple of years due to the fund facing more redemptions than capital inflow. Management does not expect that GFGF will re-start buying CBI's.

2.7 Financial position of the Group as per 31 December 2016

Regarding the financial position of the group there are two important drivers: Solvency and Liquidity.

Solvency for the group is negative. The main driver for this solvency is the net present value of the expected revenues from the forestry assets of the group. Even though the equity increased because of the positive result 2016 and negative revaluation the outlook for the equity will be negative despite that Floresteca expects to be able to pay off its debts based on cash flow and re-negotiated terms and conditions of the bonds and other financiers.

There is a strong focus on the consolidated liquidity position of the group. Since 2010 there has been a lack of sufficient liquidity for the total group. This lack was bridged with institutional loans of FSA, which now have been redeemed by sales of assets, and renegotiated terms and conditions with bondholders allowing for postponing redemptions and payments of interests. As of 2016 Floresteca SA is selfsupporting and limited positive liquidity will be generated by the commenced final harvesting activities.

Furthermore, to meet the finance obligations, redemption schemes have to be adjusted. Floresteca has communicated this to the bondholders in June 2012 in the form of an Information Memorandum. The communication is primarily focussing on the mismatch between the obligations and the available cash flows of the company.

The company had obligations from loans amounting to € 195 million as per 31 December 2016 of which € 12 million were overdue.

The incoming cash flows will be generated from either selling forestry assets or realisation of the thinning and harvesting results of forestry assets owned by the Company. The fair value of the forestry assets amounts to € 47 million as per 31 December 2016. The fair value is based on a valuation model developed by the Company which is updated every year. The model is based on the Discounted Cash Flow method and the discount rate used amounts to 9%. The undiscounted cash flow amounts to € 100 million which is 2 times the total amount of the liability per 31 December 2016.

Going concern assumption

Although financing of the current level of activities indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, management believes that the majority of the bond holders will agree with postponing redemption schemes and that the finance requirements are realisable. This belief is based on the feed back management has gotten from the bondholders in numerous meetings about a restructuring. A committee of bondholders have expressed their support for seeking solutions for continuity rather than liquidation. Further the revised strategy on Forestry Only, the completed deleverage at the level of Floresteca SA, and the latter now being break even, has made the company much more robust. Therefore the annual accounts have been prepared based on the assumption of continuity. Discontinuity of the company, and consequently preparation of the annual accounts on liquidation basis, would have a material effect on equity and results.

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