

CARE

RISK RATING AGENCY

UPDATE OF THE RISK RATING OF
PARTICIPATION CERTIFICATES IN
POSSESSION OF THE TRUST
"FIDEICOMISO FINANCIERO
FORESTAL BOSQUES DEL
URUGUAY"

Montevideo, April 2022

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**Update of the Public Offering Rating of Participation Certificates of the Trust
“Fideicomiso Financiero Bosques del Uruguay”**

April 7, 2022

Subscription Date:	August 5, 2011
Term:	Until all the assets and obligations of the Trust are liquidated
Issue Amount:	USD 50,000,000
Securities Issued:	Participation Certificates
Allocations:	Whenever there is Distributable Net Income after each Fiscal Year-End, or upon the sale of the assets of the Trust or upon the final distribution of the Remaining Net Income
Financial Structuring:	Ferrere Abogados
Manager:	Agroempresa Forestal S.A.
Registered Agent:	Bolsa Electrónica de Valores del Uruguay S.A.
Registrar Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Validity of the Rating:	November 30, 2022
Rating Committee:	Julio Preve, Adrián, Tambler and Martín Durán Martínez
Risk Rating:	BBB+.uy ¹
Manual Used:	<i>Manual de Calificación de Finanzas Estructuradas Administradas por Terceros</i> [Third Party Managed Structured Finance Rating Manual]

¹ The granted rating may be subject to changes at any time as a result of CARE's work methodology.

General Overview

CARE has updated the rating of the Participation Certificates in possession of the Trust “Fideicomiso Financiero Bosques del Uruguay”, maintaining the BBB+.uy investment grade rating.

From the actual main elements of judgment, the rating committee highlights the following:

- The absence of legal risk of structure, duly highlighted and ratified in the course of time.
- It is a project with adequate consistency between the proposed business plan, land purchase actions of planted areas, forest management and first harvests. From an economic and financial point of view for the investor, this business withstands the non-business stresses to which the issuer and the rating agency have reasonably subjected the project. The last cash flow update carried out in March 2022, estimated an IRR of 4.79% which, although lower than that estimated in the prospectus, maintains a value that is still reasonable.
- The Manager's reports, approved by the Surveillance Committee, are generally satisfactory for the progress of the project.
- Its corporate governance structure minimizes risk to investors, and until the preparation of this report, it has adequately functioned (Manager's reports, Meetings of Holders of the Participation Certificates and Surveillance Committee reports).
- The management capacity of the project management company, Agroempresa Forestal, remains under the efficiency standards evaluated in the previous update reports, which has been confirmed in the different reports of the parties involved. It is worth noting that the Manager carries out three more projects, which have very similar financial characteristics and, for the time being, no major setbacks have been encountered. The company currently manages 80,000 hectares of forests between the four trusts.
- As of December 31, 2021, the Trust “Fideicomiso Financiero BDU” owns a total of 9,536 hectares, of which 5,508 hectares are forested and 177 hectares are available for planting, obtaining an average harvest of 60%.
- In December 2021, a new valuation of the trust lands was presented, on this occasion, carried out by two entities. A

national consulting firm, Agroclaro, specialized in land valuation, and a New Zealand company, Woodlands Pacific, which measures the value of lands and carries out a valuation of forests. This valuation reached a total amount of USD 66.61 million, comprising USD 28.46 million for the land, USD 0.86 million for future grazing income and USD 39.29 million for forestry income².

- In this report, a new update of the cash flow as of March 2022 is presented and projected until the termination of the trust in 2031, based on several possible scenarios. According to CARE, the most likely scenario estimates an IRR for the entire period of 4.79%, a value equal to the one estimated in the previous update (2021) and, however, lower than that of the prospectus, still positive and reasonable. These results are estimated on the basis of the expected wood prices and an evolution of costs, revenues and valuation of the land price, which CARE considers reasonable.
- In the international wood market, there was a significant increase in demand and prices throughout 2021. After the sharp fall in commodity markets, detrimentally affected by COVID-19, the markets showed a strong rebound. International demand for pulp, chips and solid wood has recovered and is showing a better prospect for the coming years. Domestic demand for timber for pulp mills will grow even more when the third pulp mill in the country starts production, which may probably generate a certain tension on supply. Meanwhile, demand for eucalyptus solid wood for export has shown a substantial growth since the second half of 2020 and remained at good levels in 2021. Even though, the 2018 export record was not surpassed. Pine sawn wood prices have significantly increased compared to previous years, and exports have reached a historical record high. Section V provides updated and more detailed information on these aspects, in particular, about the evolution of land and wood prices.
- In December 2021, the Executive Branch vetoed the Bill that proposed to regulate and set certain limits to forestry, lifting the threats related to a possible change in the policy on the forestry sector. As a consequence, in terms of public policies, no threats are observed. However, a new decree (Decree No. 405/021) was

² This new valuation determines a 24% increase compared to the previous valuation, which is attributed to the use of a different methodology, mainly for the valuation of the land assets. CARE shares the methodology used on this occasion and there were some differences with the methodology previously adopted.

issued to regulate some aspects of forestry plantations, which decreased to 40 hectares (previously 100 hectares) the minimum plantation area that requires an environmental assessment (National Directorate of Civil Aviation and Aeronautic Infrastructure, DINACEA for its acronym in Spanish) for registration and authorization, and also requiring authorization to those reforestations carried out prior to this regulation. Regardless of these changes in the regulations, in terms of public policies, no threats are observed.

I. INTRODUCTION

1. Scope and Conceptual Framework of the Rating

CARE Risk Rating Agency has been hired to update the rating of the Participation Certificates in possession of the Financial Trust “Fideicomiso Financiero Forestal Bosques del Uruguay” (hereinafter “Bosques del Uruguay”), with a face value of USD 50,000,000 (fifty million U.S dollars), whose characteristics are detailed in the websites of the Central Bank of Uruguay, www.bcu.gub.uy, the Electronic Stock Exchange, www.bevsa.com.uy, and of CARE, www.care.com.uy.

Risk rating implies the stating of a specialized point of view given by a company authorized for this purpose by the Central Bank of Uruguay (BCU), who supervises and controls the financial system, as well as risk rating agencies. The rating obtained does not represent a recommendation or guarantee of CARE for future investors; therefore, for any decision to be made, the rating should be considered as one point of view, among others. CARE neither audits nor verifies the accuracy of the data submitted as it comes from sources regarded as reliable.

The conceptual framework of this rating implies a prospective exercise by which a trust is given a grade that qualifies its expected performance and its capacity to generate profits over time, in accordance with the forestry business project that its management is mandated to carry out. Once the IRR's range, derived from multiple simulations, has been admitted as reasonable for the project in the first rating, future ratings are not strictly connected to obtaining those figures. In fact, this is not the case of an issue with a fixed return commitment. Therefore, the grade will not depend strictly neither on the extent of the Internal Rate of Return calculated for the project, nor on the investors' opportunity cost of capital. In short, the grade will be based, among other criteria, on the compliance with the project and the achievement of a minimum return deemed acceptable at the time of each re-rating.

CARE Risk Rating Agency is a rating agency with records and manuals approved by the Central Bank of Uruguay in April 1998. Its rates are based on its methodology, duly approved by such authority. In addition, the necessary professionals, who will integrate the rating committee, are selected for each case. CARE judges according to its manuals. These manuals, its code of ethics, records and precedents are available on CARE's website: www.care.com.uy, as well as on the regulator's website: www.bcu.gub.uy. In this case, the rating committee was composed by Martín Durán, Julio Preve, and Adrián Tamber. CARE also hired the services of Herrera Profesionales Asociados, law firm, whose report was attached to the original rating. Furthermore, CARE regularly pays for additional field experts, when necessary, and performs site visits.

2. General Background and Most Relevant Events in the Period

A. General Background

The main purpose of the Financial Trust "Fideicomiso Financiero Forestal Bosques del Uruguay" is: (a) to issue Participation Certificates subscribed by the Beneficiaries according to the terms and conditions set forth in the Trust Agreement and the Issuance Document (stage completed), b) to implement the Production Project, which basically consists of an investment project that creates a Forestry Asset in Uruguay to produce and commercialize timber in the Uruguayan and international markets; and (c) to allocate the proceeds resulting from the implementation of such Project among the Holders, as set forth in the Trust Agreement.

- The purchase and planting of the lands has already been completed for all the forests; therefore, the project operations essentially involve the maintenance of plantations and wire fences, weed and pest control, pruning, thinning, removal of vines, resprouts management, surveillance, etc.
- Clearcutting of some forests has also begun; therefore, harvesting and replanting of harvested areas is progressively carried out.
- The land assets of BDU amount to 9,536³ hectares of which, as of December 31, 2021, 5,508 hectares are forested and 177 hectares are available for planting, which would result in an average utilization rate of 60%. It comprises 14 properties located in central-eastern and southeastern Uruguay in Cerro Largo (26%), Durazno (16%), Florida (49%), Lavalleja (6%) and Treinta y Tres (3%). The planted species are mainly Eucalyptus grandis (65.2%), E. dunnii (28.4%) and E. saligna (6.2%).
- Pruning and thinning necessary for the management of timber quality is carried out as the forests reach an adequate development.
- It is estimated that approximately 71% of the planted area will be destined to produce quality timber and 29% to produce pulpwood.
- On April 5, 2017, clause 7 of the Agreement was amended to allow the trust to get into debt up to a certain percentage of its assets (15%), requiring the prior approval of the Surveillance Committee and notification to the Risk Rating Agency. As of the

³ Adjusted to information from the Land Property Registry. There is a small difference when considering the hectares measured by satellite information.

end of 2018, obtaining short-term credits for working capital has become a regular management practice, always complying with the requirement of communicating it to the Surveillance Committee and the Risk Rating Agency. To date, there have been no difficulties in complying with the obligations assumed.

- As planned, in 2019 the company began to sale pulpwood from commercial thinning of species for quality timber, and in the second half of 2020, some sales of solid wood are carried out.
- In 2019, the consulting firm Deloitte was hired to suggest changes in the corporate governance and management structure of Agroempresa Forestal in order to adapt it to the requirements to manage assets of the 4 trusts for more than USD 600 million.
- The trust is a member of the health committee of the Society of Forestry Producers [SPF for its acronym in Spanish], whose objective is to monitor and identify pests and diseases in forest plantations.
- The trust is FSC (Forest Stewardship Council) certified.
- On December 28, 2020, a Meeting of Holders of the Participation Certificates (PCs) was held with 100% representation and it was resolved to modify certain terms and conditions of the PCs. These modifications involved changing the parametric of the adjustment of Agroempresa Forestal Fee and uploading information related to the Trusts to Bosques del Uruguay WEBSITE once a year.

B. Most Relevant Events in the Period

- During the reported period, various silviculture and management tasks (pruning and thinning) were carried out, with some minor deviations from the budget.
- The trust exceeded the business plan projected in the 2021 budget. Pulpwood sales closed the year above budget as a result of higher yields from commercial thinning. Likewise, additional sales of columns and firewood, and exports of *Eucalyptus grandis* were also made.
- Higher sales and the increase in the price of diesel fuel, which had an impact on freight costs, implied an increase in production costs with respect to the budgeted amount.

However, the Trust also achieved a higher gross margin compared to what had been budgeted.

- As a result of the margin improvement and the availability of funds, investments were reinforced by planting more hectares than those projected for the year, in order to improve the utilization of some fields.
- In December 2021, the Manager reported that in general the plantations are in good health. The Surveillance Committee inspected some of the Trust's sites and also reported on good growth, trees conditions, completion of tasks, etc.
- In December 2021, a new valuation of the trust's lands and forests is presented. This valuation reached a total amount of USD 66.61 million, comprising USD 28.46 million for the land, USD 0.86 million for future grazing income and USD 39.29 million for forestry income. This new valuation determines an increase of 24% in the value of the lands and forests, but as shown below, this is largely explained by the methodology considered.

3. Analyzed Information

On this occasion, the information analyzed was as follows:

- Balance sheet with audit's report of Agroempresa Forestal as of December 31, 2020.
- Financial statements of the Trustee as of December 31, 2021.
- Financial statements of the Trust as of December 31, 2021.
- Manager's quarterly reports, the latest as of December 31, 2021.
- Surveillance Committee's reports, the latest as of December 2021.
- Valuations of the lands carried out by Agroclaro Servicios Profesionales.
- Valuations of the forests carried out by Woodlands Pacific Forest.
- Relevant information on the forestry sector.
- Rating reports of other similar trusts.

II. THE TRUST AND THE PARTICIPATION CERTIFICATES

Participation Certificates in possession of the trust “Fideicomiso Financiero Forestal Bosques del Uruguay”, created by means of the relevant Financial Trust Agreement, were offered in a public offering. This agreement, the certificates and the other agreements mentioned are analyzed in this section.

1. General description

Name: Fideicomiso Financiero Forestal Bosques del Uruguay

Trustee: EF Asset Management Administradora de Fondos de Inversión S.A.

Manager: Agroempresa Forestal S.A.

Registrar

Agent: EF Asset Management Administradora de Fondos de Inversión S.A.

Registered

Agent: Bolsa Electrónica de Valores S.A.

Organizer: Agroempresa Forestal S.A.

Securities

Issued: Participation Certificates

Trust Assets: The Trust invested in the purchase of rural properties for forest exploitation.

Currency: U.S. Dollars

Issued

Amount: USD 50,000,000

Initial Public

Offering Date: August 5, 2011

Term of the

Issue: Until all the assets and obligations of the Trust are liquidated

Allocations: Whenever there is Distributable Net Income after each Fiscal Year-End, or upon the sale of the Assets of the Trust or upon the final distribution of the Remaining Net Income

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Risk Rating: BBB+.uy

2. Legal Analysis

The legal analysis was added in Annex I of the original rating report. It ruled out any possible conflict arising from, for example, the legal structure, the relevant agreements, the compliance with current regulations, etc.

Such report concludes: ***“...In summary, and considering all aspects involved, the trust has a reasonable degree of coverage, with no substantial legal risks associated to legal contingencies in the projected issuance process.”***

Risks considered

Structural legal risk. It includes the analysis of possible defaults in the payments to beneficiaries due to defects in the legal structure. Having carried out the relevant analysis, given that there has been no change in the legal construction and taking into account the passage of time without any controversies, it is again concluded that *the structural legal risk is considered to be virtually nil.*

Liquidity risk. The certificates have been designed to be liquid. Hence, liquidity can be considered as adequate given the characteristics of the Uruguayan market. However, this process is not instantaneous, it may take some time, which may be difficult to determine. *This risk is medium-low.*

III. THE MANAGEMENT

The characteristics of the issue make it necessary to analyze two managing entities: EF Asset Management (EFAM) as Issuer and Trustee of the Financial Trust, and Agroempresa Forestal S.A. (AF) as Manager of the project.

1. EF Asset Management (EFAM)

The trustee is EF Asset Management Administradora de Fondos de Inversión S.A (EFAM). It is a closed joint stock company with the purpose of managing investment funds and trusts of any nature. It was registered in the National Register of Commerce under No. 2014 - Taxpayer Identification Number: 214769530012, on April 7, 2003.

On August 20, 2003, the Central Bank of Uruguay (BCU for its acronym in Spanish) authorized the company to operate under the Investment Funds Law No. 16,774 of September 27, 1996, and its subsequent amendment in Law No. 17,202 of September 24, 1999.

On July 9, 2004, the Central Bank of Uruguay (Communication No. 2004/188) authorized the firm to operate as a Financial Trust pursuant to Law No. 17,703 of October 27, 2003. Additionally, on that date, the company was registered as Financial Trustee in the Securities Market Registry of the Central Bank of Uruguay.

On May 23, 2005, the Central Bank of Uruguay authorized EFAM to act as a Professional Trustee in accordance with the aforementioned Law (No. 17,703). On the same date, the company was registered in the Register of Professional Trustees, General Trustees Section of the Central Bank of Uruguay.

Economic and Financial Situation

The analysis of the financial statements as of December 31, 2021, continues to show a situation of robust solvency. The liquidity ratio remains below one. It is worth noting that the non-current assets are largely made up of the security deposits to which the firm is bound, in accordance with the current regulations, and by the trusts it manages and which are, therefore, of restricted availability. This explains the financial liabilities, which are incurred to constitute these securities which, once they are released, such liabilities are paid. As for the eventual temporary need for funds to meet short-term obligations, the firm has obtained financing from related parties, and therefore, the liquidity risk is very limited.

Table 1. Statement of Financial Position of EFAM (thousands of UYU)

Item	12/31/2021	12/31/2020	12/31/2019
Current Assets	18,989	15,859	16,842
Non-current Assets	281,068	228,346	176,772
Total Assets	300,057	244,205	193,613
Current Liabilities	33,484	27,348	22,132
Non-current Liabilities	230,681	180,257	140,738
Total Liabilities	264,165	207,605	162,870
Equity	35,891	36,600	30,743
Total Liabilities and Equity	300,057	244,205	193,613
Current Ratio	0.57	0.58	0.76

Source: Financial Statements of EFAM

The results for the fiscal year-end 2021 show a significant drop compared with the previous year, basically explained by the financial results as shown in the following table.

Table 2. Statement of Comprehensive Income of EFAM (thousands of UYU)

Item	12/31/2021	12/31/2020	31/12/2019
Operating Revenues	75,867	60,275	48,081
Sales and Administration Expenses	(63,018)	(53,901)	(43,595)
Operating Result	12,849	6,373	4,486
Financial Results	(12,734)	2,566	2,484
Pre-tax profits or losses	116	8,939	6,970
Revenues Tax on Economic Activities (IRAE)	(824)	(2,686)	(2,586)
Profit or loss for the year	(709)	6,253	4,384
Revenues from Operating Activities	16.94%	10.57%	9.33%
Revenues for the year	-0.93%	10.37%	9.12%

Source: Financial Statements of EFAM

EFAM manages an important portfolio of trusts, both in number and diversity; therefore, its suitability for this function is beyond doubt.

2. Agroempresa Forestal S.A. (AF)

The operating and managing company has already been analyzed by CARE when performing the original rating of this and the three other similar trusts and their successive updates. On all occasions the firm's evaluation in terms of its capacity to carry out the different projects has been positive, therefore from now on it will only be followed up, flagging any relevant fact that may justify a review of such opinion.

Succinctly, AF Global SRL is the holding company under which AF Administraciones Forestales operates. The other two divisions are La Novillada (weed control and sales of agrochemicals) and AF Maderas, which is focused on the export of logs for sawmilling and timber sales in the domestic market.

AF started operations in Uruguay in 2000; in 2007 in Chile, and in 2010 in Brazil. Combining the three countries, AF has managed more than 100,000 hectares.

In Uruguay, being the most relevant precedent, AF manages, among others, the assets of four trusts (including this one) rated by CARE, which together had an original value of more than USD 630 million. Due to their good performance to date, all of them have been rated with an investment grade.

With the starting-up of the fourth trust, AF considered it was crucial to restructure its organization to adapt it to the new and growing needs. As a consequence, the consulting firm Deloitte was hired to suggest the improvements that AF should make in this regard.

This work took six months, and resulted in a series of recommendations detailed in the previous update. In general terms, as these recommendations have already been implemented and analyzed, it is not necessary to repeat them in this report.

These changes have been reported by the firm in the reports: *Advances in Human Capital*.

The new structure, complementary and supportive to the corporate structure, has been defined and changes in the various professional positions that comprise it are periodically reported. In this regard, in this period and at the middle management level, AF reports the incorporation of Fernando Laventure as Logistics Coordinator; his role is to ensure the supply of wood to the different consumption points and storage yards.

Key Persons

The basic structure consists of a Board of Directors, an Audit Committee and a Compliance Committee.

- **Francisco Bonino, Agricultural Engineer**, continues to be the keyman as Chairman of the Board and member of the Audit Committee.
- **Dan Guapura, Industrial Mechanical Engineer**, General Manager.
- **Maria Stella, Economist, MSc.**, in charge of reporting to investors, the annual valuations (BEVSA/Independents/AF), the financial projections and the evolution of key variables (prices, comparable transactions, etc.).

One aspect to highlight is that AF has working teams that operate with members living in Uruguay, Chile and Brazil. In this regard, the incorporation of new personnel had to be planned taking into consideration both the new person joining the company and those who already have their ongoing activities and responsibilities.

Economic and Financial Situation⁴

The company's balance sheet closes each December 31. We had access to the latest available balance sheet audited by Deloitte as of 12/31/20.

According to such financial statements, the firm shows a positive and growing evolution of its assets, consistent with the evolution of the results obtained. It is worth mentioning its participation in the 4 trusts it manages. At the fiscal year ended 2020, the company's assets amounted to a total of Participation Certificates, issued by EFAM, for almost USD 6.6 million.

In view of the above, a favorable opinion continues to be held as to AF's capacity to carry out this and the other operations mentioned above. It is also worth recalling that, AF, as trust asset manager, is subject to strict controls in such cases, including the possibility of its replacement in the event any of the contingencies provided in the relevant agreements may occur.

The Trust

The Trust BDU was created in May 2011, and in August 2011, EFAM (the Trustee) issued on its behalf book-entry Participation Certificates for a face value of USD 50 million. The land acquisition stage and the planting campaign were reasonably completed on schedule, and the operating company is now working on the management and maintenance tasks corresponding to this type of exploitation according to the different species.

The Trust fiscal and accounting year ends on December 31 in accordance with article 330 of the Compilation of Securities Market Regulations of the Central Bank of Uruguay.

A summary of the statements of financial position and comprehensive income for the year ended 2021 is shown in the following tables.

Table 3. Statement of Financial Position of the Trust			
Thousands of USD	12/31/2021	12/31/2020	12/31/2019
Current Assets	2,059	1,688	330
Non-current Assets	65,760	53,717	50,206
Total Assets	67,819	55,405	50,537
Current Liabilities	2,628	1,019	294
Non-current	3,598	3,732	2,658
Total Liabilities	6,226	4,751	2,952
Equity	61,593	50,654	47,584
Total Liabilities and Equity	67,819	55,405	50,537
Current Ratio	0.78	1.66	1.12

Source: Financial Statements of the Trust "Fideicomiso Financiero Bosques del Uruguay"

⁴ In relation to the health crisis caused by COVID-19, Management estimates that this situation will not have a significant impact on its financial statements, since the Company has mainly entered into long-term agreements, which have not evidenced any operating and/or financial difficulties to date.

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The equity book value of the trust for the fiscal year-end amounted to USD 61.6 million as shown in the table above, representing a growth of 21.5% compared with the equity book value for the fiscal year-end 2020, and remaining above the value of the issuance of Participation Certificates, which was USD 50 million. This increase in equity value is partly explained by the valuation of biological assets and particularly the value of land, USD 5.5 million and USD 7 million, respectively.

Liabilities include loans taken out with local banks, including one for USD 2 million to be paid in four semiannual installments beginning in June 2022. Other minor loans were repaid last January.

Table 4. Statement of Comprehensive Income of the Trust			
Thousands of USD	12/31/2021	12/31/2020	12/31/2019
Operating revenues	3,489	4,199	1,776
Change in the fair value of biological assets	5,507	2,914	9,276
Cost of goods sold	(2,942)	(3,158)	(1,170)
Gross margin	6,055	3,955	9,882
Administration and selling expenses	(1,180)	(1,036)	(975)
Financial results	(13)	57	44
Sundry profit or loss	7,034	719	
Profit or loss for the year before Revenues Tax on Economic Activities	11,896	3,695	8,952
Income Tax	(957)	(625)	(241)
Profit or loss for the year	10,938	3,070	8,711
Other comprehensive income			(8,148)
Comprehensive income for the year	10,938	3,070	562

Source: Financial Statements of the Trust "Fideicomiso Financiero Bosques del Uruguay"

Once again, given the characteristics of the forestry business, it is logical to expect negative or of little value results in the first years, since the main item that the trust sells is harvested timber; therefore, the first logging is expected approximately 10 years after planting (year 2022 onwards). Meanwhile, revenues from commercial activities are marginal: sale of pruning and thinning products, grazing, etc. In this case, the increase in results recorded in the last fiscal year compared with the previous one is mainly explained by the change in value of both forests (biological assets) and land (sundry profit or loss), as a result of the valuations carried out at the end of 2021.

Risks considered

Management risk, considering the suitability of AF S.A. and EFAM to fulfil their duties, and according to all the analyses carried out in the rating of the BDU, we consider that the risk of non-compliance of the Manager and the Trustee with the project's responsibilities is practically nonexistent. *Virtually no risk.*

Risk of conflicts is derived from the possibility of lawsuits which may interfere with the mandate received, and of the existence of provisions to face them. For the same reasons as the above mentioned, it is unlikely

that even if conflicts arise, the Trustee and the Manager could not resolve them satisfactorily. *Very low risk.*

Risk due to change of trustee is adequately provided for in the relevant cases, which leaves this possibility to investors properly represented.

Risk due to change of forest manager is also provided for in the agreement depending on different results and circumstances.

IV. UNDERLYING ASSET AND FUTURE CASH FLOW

The Company invested in the purchase of rural properties located within the territory of the Eastern Republic of Uruguay, used for forestry activities.

The Trust Agreement provides the scope and guidelines within which the Trust develops its strategy to fulfill its purpose.

The company has demonstrated its capacity to advance in the proposed processes, the activities are executed with adequate quality and according to the reported schedule. To date, all planned activities are underway. The initial planting schedule of the fields has been completed, and the maintenance and management tasks are being carried out without major setbacks. Likewise, harvesting activities have already begun, either for pulp mills from thinning or for solid wood.

The total area acquired was 9,536 hectares, of which 5,508 hectares have already been forested, representing 60% of the total area harvested.

1. Evaluation of the Return on Investment and the Internal Rate of Return

The prospectus estimated an internal rate of return of 8.58%. Subsequently, the Manager has updated the expected cash flows and the project has been adjusting its profitability downwards. For this report, a new Cash Flow was used to calculate a new IRR for the investor.

A series of possible scenarios are presented, estimating different evolutions of wood prices, production costs and land price from 2022 until the termination of the Trust in 2031. The assumptions considered for CARE's most likely scenario are as follows:

- Product prices are adjusted for U.S. inflation (projected by BEVSA)⁵. Real price increases are not projected either for pulpwood or for solid wood.
- Land prices have increased by 1.5% per year in current dollars.
- Internal costs are adjusted for U.S. and Uruguayan inflation. Uruguay's devaluation and inflation are projected based on BEVSA's valuation criteria.

Additionally, projected yields remain in line with the actual behavior observed in the forests, and prices and costs are based on current levels.

CARE completely agrees with these assumptions.

Based on this projection, the IRR for the entire project would be 4.79%, the same rate as estimated in 2021.

⁵ Historical U.S. inflation rates are expected to be around 2.3%. Inflation rates are currently well above these values, but it is expected to return to historical values in the short term.

The following table shows the IRR results after considering more favorable and less favorable scenarios.

Table 5. IRR results for different scenarios	
Scenario	TIR
1 Wood adjusts for U.S. inflation, plus 1.5% growth. Costs adjust for USD UY inflation and land increases by 1.5%	4.9%
2 Wood adjusts for U.S. inflation. Costs adjust for USD UY inflation and land increases by 1.5%.	4.8%
3 Wood and Land prices increase by 1.5%.	4.4%
4 Land price increases by 1.5%.	4.3%
5 All other factors unchanged	4.1%
6 Same as 2 but land increases by 3%	5.03%

Source: Manager and CARE

As shown in the table, the expected rates of return for the different scenarios have little variation, which implies that the IRR is relatively robust.

Scenario 2 is the baseline scenario described above. This scenario considers an increase in the price of wood similar to U.S. inflation, that is, prices unchanged in real terms. World Bank projections for the next ten years assume an increase between 1.1% and 1.3% per year, depending on the origin (see Section V). In the case of land, an increase of 1.5% per year seems reasonable, however, it could be higher as in recent years there has been practically no uptrend. If the increase in the land price was 3% (reasonable and possible for CARE), the IRR would be 5.03%.

Scenario 1 assumes that wood prices would have an additional long-term price adjustment of 1.5% per year (above U.S. inflation).

Scenario 3 assumes that wood would have an adjustment below long-term U.S. inflation.

Scenario 4 assumes that wood prices and production costs would remain constant in nominal terms throughout the period and only the land price would increase by 1.5%.

Scenario 4 is the most unfavorable. As shown in the table above, even if wood or land prices do not increase in the remaining years, the IRR would still be positive (4.1%).

2. New Estimate of the Opportunity Cost of Capital

In theory, the opportunity cost of capital establishes the minimum expected profitability of a project and is the key indicator to discount expected cash flows. CARE updated the estimation of the opportunity cost of capital using the Capital Asset Pricing Model (CAPM) and, following Damodaran⁶, added a premium that takes into account the

⁶A. Damodaran, "Estimating Equity Risk Premiums" Stern School of Business.

specific risk of the market in which the project is executed (country risk was considered in this case).

Therefore, the formula for calculating the cost of equity is as follows:

$$E(r_i) = r_f + \beta_{im}(E(r_m) - r_f) + Er_p$$

Where:

$E(r_i)$: Expected return on investment

β_{im} : Own systematic risk compared to market risk⁷

r_f : risk-free rate (10- Year U.S. Treasury Bond)

$E(R_m) - R_f$: Market Risk Premium. Specific risk premium for the market where the project operates (difference between yields on equity assets⁸ and the risk-free rate).

Er_p : Premium for specific risk to the company or project evaluated. Uruguay's country risk (Uruguay Bond Index) is considered.

The risk-free rate is generally considered to be the U.S. Federal Reserve 10-Year Treasury Bonds yields. The usual procedure consists in using the 5 or 10-year averages of these yields, thus avoiding the high values of the late 1990s and early 2000s (5% to 7%), as well as the very low values of recent years (close to zero in 2020). In the last ten years, this yield was 2.0%, and is currently at approximately 2.05%⁹.

In order to measure the country risk, we considered the yields of Uruguayan sovereign bonds measured with the República AFAP Uruguay Bond Index. In this case, the "anomalous" values of the 2002 crisis should also be avoided. Although in certain periods the Uruguayan economy goes through crises of this magnitude, it is not considered very likely that this could occur in the medium term.

The value of Damodaram's "beta unlevered" parameter for January 2021 is 0.96 (1.07 for the average of the last 5 years), indicating that investment in forestry production has almost the same risk and variability as the average of all the activities in that market.

For the calculation of these indicators, CARE considered the average values of the last 5 years, which are those examined by investors when making their decisions. Therefore, we considered 1.94% as the yield of

⁷ We considered the average betas of primary agricultural commodity companies in emerging markets according to A. Damodaram.

⁸ Equity Risk Premium of the S&P 500. In the last 5 years, the average was 4.73%.

⁹ These bonds' current yield is at rates similar to the average values of the last 5 to 10 years. During the worst part of the health crisis they were even lower, below 1%, but now they are increasing.

the U.S. Bonds, and 1.47 basis points for country risk (Uruguay Bond Index). Both values are particularly low in comparison with historical values.

Using these values results in an expected rate of return on equity of 6.40%. This value would be higher than the last calculated IRR for the most likely scenario (4.8%)¹⁰. While these comparisons cannot be taken in a strict sense, they are a reference that, among others, help to form a judgment about the investment.

The opportunity cost of capital with the parameters used is low compared to the past; this is a consequence of the fall in both the returns of the U.S. treasury bonds (risk-free rate) and the country risk.

3. Economic and Productive Management

In 2021, most of the sales were of Eucalyptus Grandis pulp from commercial thinning to pulp mills. These sales generated 13% more income than projected for the year as a result of higher crop yields. In addition, columns were commercialized, firewood was sold and Eucalyptus grandis logs were exported, which had not been forecasted in the year's budget. The following table shows a comparison between the initial budget and the expected budget as of December 2021.

Table 6. Actual Sales and Budget 2021 (USD)			
Activity	Actual	Budget	Difference
Sales stock in 2020	460,716	351,000	109,716
Eucalyptus Pulp	2,771,119	2.619.504	151,615
Eucalyptus + 20	45,315		45,315
Eucalyptus + 30	0	0	0
Columns UTE (+20)	76,664	0	76,664
Firewood	6,129	1	6,128
Total	3,359,943	2.970.505	389,438

Source: Manager

The return on investment is 80% dependent on wood sales that will be made when the forests are developed. Therefore, forest management and monitoring are key elements during these years.

Production costs were higher than projected; mainly due to higher harvest and freight volumes and also to the increase in the price of diesel fuel and its impact on freight rates. Investments were also slightly higher than projected because more forests were planted during the year.

¹⁰ It is important to clarify that although this is a valid analysis from a financial point of view, institutional investors do not have this opportunity cost since they cannot invest in global markets.

Table 7. Actual and budgeted costs and investments 2021 (USD)

Activity	Actual	Budget	Difference
Production Costs	2,431,997	2,196,087	235,910
Implantation Investments	154,124	92,182	61,942
Investments in Management	28,822	39,704	-10,882
Expenses	1,068,054	1,049,126	18,928
Total	3,682,997	3,377,099	305,898

Source: Manager

The company has demonstrated its capacity to advance in the proposed processes, the activities are executed with adequate quality and according to the reported schedule.

4. Valuation of Lands and Forests

In this report, CARE presents the valuation of the lands and forests of the Trust as of December 2021. Two valuations carried out by different entities were presented. Agroclaro carried out the valuation of the land without considering the value of the fields, and Woodlands Pacific carried out the valuation of the forests taking into account the land value estimated and provided by the former.

Table 8 shows the evolution of the values of the lands and forests of the Trust. This series begins after the purchase period is completed in order to be able to compare the data. It should be clarified that these valuations were carried out under different methodologies and consider both the land and forests together.

Table 8. Evolution of land and plantation valuations

Year	Millions of USD
2014	31.05
2015	31.91
2016	33.30
2017	34.60
2018	48.47
2019	50.11
2020	53.71
2021	66.61
Rate 2014-2021 (compound annual growth)	11.5%

Source: CARE based on Valuations

The valuation estimated a total value for the assets of USD 66.61 million as of December 31, 2021, a much higher value than the previous year's (24%). This evolution shows an uptrend in assets, which has been growing at a compound annual growth rate of 11.5%, mainly due to the growth of forests.

This significant increase in 2021 accounts for a change in the methodology used. As already discussed in depth in previous ratings, CARE had some difficulty with the methodology used since it punished the price of land as a lower value than the current market value was estimated.

This valuation was based on the following:

- a. The value of the land is measured by combining two concepts: the real market value of similar properties that were commercialized and the valuation based on the current rent assuming a cap rate of 3.4%.
- b. The value of forests (like grazing) is estimated by discounting future income flows at a rate of 7.5%.

According to these assumptions, the valuation of the lands and forests of the trust as of December 2021 is USD 66.61 million, comprising 37.29 MM for forests, 0.86 MM for grazing and 28.46 MM for land.

5. Risks considered

Cash Flow Generation Risk. In view of the foregoing, the aim is to show the ability to generate cash flows within the agreed term. This risk is considered low and can be timely monitored. It is noted that this risk has been lower since the plantations have been completed. *Medium-low risk.*

Risk of currency mismatch. The most relevant income and expenses are foreseen in the same currency; therefore, this risk is *virtually nil.*

V. THE ENVIRONMENT

The environmental analysis refers to the evaluation of future factors that may affect the generation of the projected cash flows, but which derive from circumstances beyond the company's control and refer to the overall framework. They are related to the expected evolution of domestic or international markets for inputs and outputs, as well as to the analysis of public policies, which may have a direct impact on the fulfillment of the project objectives.

By public policies we mean not only domestic policies, but also those of the countries with which there is established trade. With regard to the country's sectoral policy, we must highlight a Bill that proposes to limit afforestation to priority forest lands and to set a limit to the planting of forests. This Bill finally obtained the necessary votes in both Chambers, but it was not enacted, since, as it was previously mentioned, the President of the Eastern Republic of Uruguay vetoed it.

As for the international market for forest products, at least so far, barriers are relatively subject to predictable elements, hence no major risks are foreseen; and as for the possible extension of environmental barriers, the country, and especially this project, stand out for their care and related certifications in this regard.

The COVID-19 pandemic initially had a negative impact on the international wood supply and demand, however, from 2021 onwards it is beginning to show a substantial recovery in demand, and prices have largely recovered the higher records of recent years.

Given the extended time frame of the projections based on the nature of the project itself, the environmental analysis is provided according to the major trends in the evolution of wood and land prices.

5. 1. Economic and market risk

In this case, this report will focus on wood and land prices as they are key elements of the Trust.

A) Wood prices

It is the most important price and, therefore, the most decisive item for the rating agency since the price of wood accounts for 80% of investment returns.

In the case of this project, the price of quality wood will have the most significant impact on its final result since this is the main objective of this trust. Likewise, the expected price for pulpwood is also important, as a certain percentage of wood is always destined for pulp, and in particular, during the first years, it has been the most relevant destination.

In the long-term, wood prices are expected to have an uptrend, at least in nominal values, because demand will grow hand in hand with the increase in the world population and the economic growth of emerging countries. This increase in demand is expected for both solid wood for furniture or housing construction, and for cellulose, due to increased consumption of tissue and printing paper.

On the other hand, this increase in demand faces a supply that has been constrained by increasing protection measures for native forests, as well as by the control over the yield of forests. Meanwhile, policies aimed at mitigating the impacts of climate change also promote the protection of forests as they are important carbon sinks. In this regard, it is worth noting that the carbon market seems to be consolidating as the sale of carbon credits could provide new income for some forestry projects. Negotiations, currently conducted in the international markets, aim to advance towards environmental commitments to reduce emissions, therefore demand for carbon credits should also grow in the medium and long term.

However, this long-term trend may be affected by unfavorable circumstances, which have a negative impact on demand and, consequently, on prices, as it happened between 2019 and 2020. Thus, after a sharp upward spike in prices in 2018, wood values showed a very significant drop of 35-40% at international, regional and domestic levels, being the largest one in 2019. Afterwards, practically throughout 2020, prices showed an attenuated fall or remained at those depressed levels. However, this fall was temporary, and in 2021 prices quickly recovered their long-term trend.

As for pulpwood, the reduction in the consumption of different types of paper (printing, packaging, office paper) was not compensated by the increase in the consumption of tissue paper. In addition, some industries had to temporarily stop their activities as a result of cases of COVID-19 among their employees. This situation led to a decrease in the imports of pulpwood and wood for pulp production (logs and chips) from the main markets (China, Japan, Europe). In the second half of 2021, once the aforementioned difficulties were overcome, demand and prices steadily recovered to reach levels similar to those in 2018.

In the case of eucalyptus wood for sawmilling, prices and demand have shown a behavior similar to that of pulp, although the recovery in demand began earlier than in the case of such product. After a very uncertain beginning in 2020, influenced by the slowdown in exports at the end of 2019 and the declaration of a pandemic at the beginning of 2020, in the second half of that year, prices and demand showed an uptrend consolidating the market recovery, which continued throughout 2021, and prices and demand would remain relatively high in 2022.

CARE

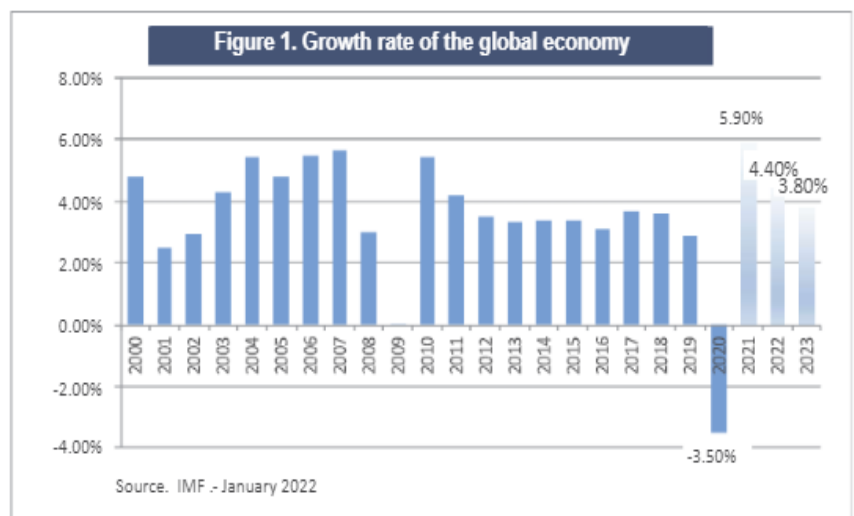
RISK RATING AGENCY

Considering pine sawn wood, demand recovered from mid-2020 onwards and this trend did not change throughout 2021. In this sector, there has been a significant increase in prices, confirmed by the record levels of exports in terms of volume and value.

In the long term, there are no elements to assume changes in the trends described in the prospectus, however, unfavorable scenarios, such as the one occurred between 2019 and 2020, should not be totally ruled out.

In this rating, CARE updated key information on the sector, confirming that in the future there should be no major deviations in the expected trajectory.

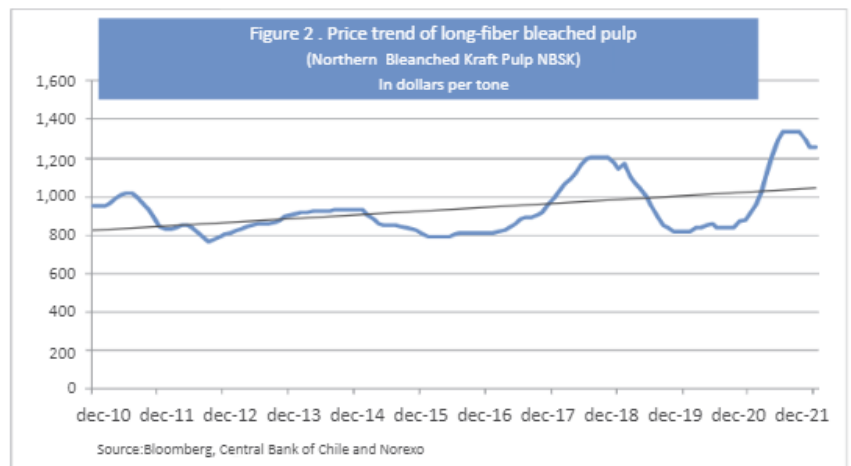
The International Monetary Fund (IMF), in its world economic outlook for the coming years, has been adjusting its projections, which it describes as highly uncertain given the impact of the COVID-19 pandemic, which has led the world to an unprecedented crisis. In its last report of January 25, 2022, the IMF estimated a 5.9% increase in the world economy for 2021, and a 4.4% increase for 2022.



The IMF estimated that global growth will moderate from 5.9% in 2021 to 4.4% in 2022, largely reflecting forecast markdowns in the two largest economies. Elevated inflation is expected to persist for longer than envisioned with ongoing supply chain disruptions and high energy prices continuing in 2022. Global growth is expected to slow to 3.8% in 2023.

Uruguay has consolidated a forest estate of more than 1 million hectares of planted forest, which allows this country to obtain a good quantity and quality of wood, and almost all of it is produced under international certifications. Wood extraction has been growing steadily and is currently at its highest value, exceeding 20 million cubic meters for processing industries and energy production.

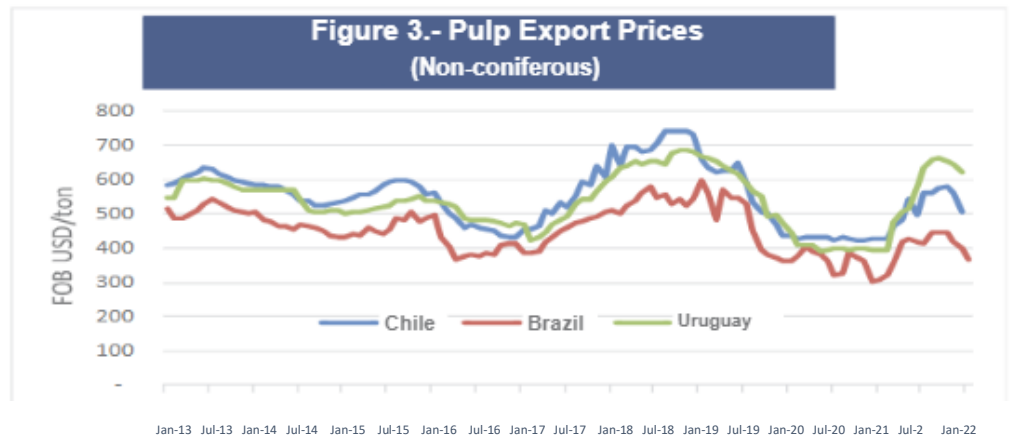
After relatively low international pulp prices, a process of substantial growth was observed throughout 2021, showing signs of stability in the last few months. Thus, after several months of trading close to USD 800 per ton, the benchmark price of NBSK¹¹ pulp (the main international price for long-fiber conifer pulp) reached a new high of USD 1,340 per ton between June and August, before a slight fall of USD 1,260 in December 2021. The 2021 average was USD 1,234, showing a year-over-year appreciation of 45%. In the last months of the year, the market has been already showing signs of stability in the short term.



From a medium-term perspective, the price in current terms is above the levels recorded in 2018. If a longer time series data is considered and prices in dollars are deflated by the U.S. CPI (in order to approximate purchasing power), current values would also be above the average of the last 14 years, which could justify the steady trend of these values in the short term, or even some reduction as shown in the figure.

Regional export prices followed the general movements of international market exchange rates, also showing an uptrend in 2021. Therefore, the average non-coniferous pulp export price for the January-December 2021 average increased 39% in Uruguay, 20% in Chile and 11% in Brazil, compared to the same period of the previous year.

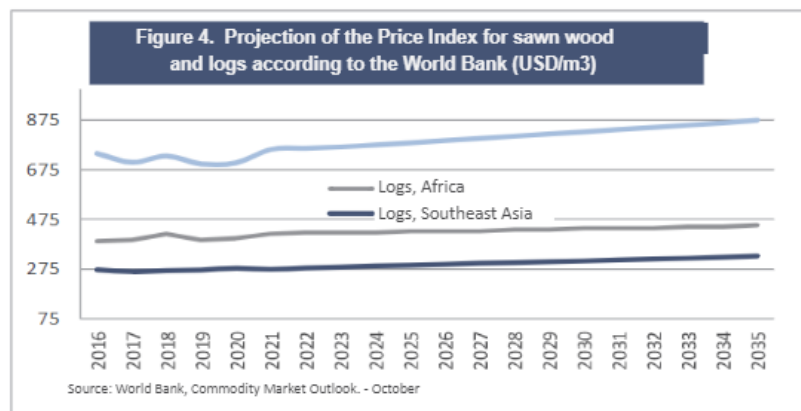
¹¹ Northern Bleached Softwood Kraft. Long-fiber bleached pulp.



Source: URUNET and Uruguay XXI

Meanwhile, prices of solid wood products in the United States are at relatively high levels, in a context of sustained growth in housing construction. In the case of softwood and plywood, an all-time record was verified around mid-2021, which quickly adjusted downward to levels similar to that of hardwood. Thus, the January-September 2021 average price for these three products was higher than that observed in the same period of the previous year (62%, 67% and 33%, respectively).

The medium-term outlook for raw wood for sawmilling or sawn wood showed a slight growth in nominal values in the long term, as provided by the World Bank¹² in the following figure. Regarding raw wood, the latest WB report shows a slight growth between 2022 and 2035, averaging 0.95% compound annual growth for logs and 1.05% annual growth for sawn wood. These price increases would not be enough to cover the U.S. dollar devaluation, therefore, they could experience a slight fall in real terms.



¹² World Bank Commodities Price Forecast. October 2021.

As a result of this international situation, a significant recovery in revenues from exports was verified in Uruguay in 2021, compared to the same period of the previous year.

Forestry exports reported a very good performance in 2021, even exceeding pre-pandemic values and achieving a new all-time record. Pulp was ranked as the country's second largest export commodity, only behind beef (1,576 million; 42% more than in 2020). This increase is almost exclusively explained by higher export prices, which recovered from low levels in 2020. The average pulp export price reached USD 562 per ton in 2021, increasing 39% compared to the 2020 average. Meanwhile, USD 569 million of wood products were exported (an increase of 64%).

Table 9. Export of selected forest products (in millions of dollars FOB)

	2016	2017	2018	2019	2020	2021	Variation
Pulp	1,222	1,310	1,660	1,527	1,107	1,576	42%
Logs (except eucalyptus)	5	88	150	89	132	204	55%
Plywood boards	58	64	76	55	67	105	56%
Chips (eucalyptus and pine)	82	64	95	102	21	74	255%
Coniferous and non-coniferous sawn wood	65	93	115	97	104	159	52%
Paper and Cardboard	52	34	32	36	25	26	6%
Eucalyptus logs	17	21	29	14	21	23	7%
Total	1,500	1,673	2,158	1,921	1,477	2,167	47%

Source: CARE, based on data from URUNET, Uruguay XXI and OPYPA

Note: Exports to the Free Trade Zone are not considered, as we consider pulp exports from this destination.

This recovery covered all the chain's exported products, with a strong increase in pine exports, reaching a new revenue record. Chip exports, which had been halted for much of 2020 due to lack of market, have also strongly recovered; however, they still remain below the 2019 record.

In general, Europe and Asia were the main destinations for forest product exports, which is strongly influenced by the volume of pulp exports. Excluding pulp, China, the United States and India are the main destinations for Uruguay's forest products exports, followed by the European Union and Vietnam.

The amounts and volumes of eucalyptus logs exported showed a slight recovery in 2021. Exports of this product amounted to USD 23 million, being Vietnam and China the two main destinations, followed by Cambodia. In addition, India was added as the fourth most important market.

The export volume of pine was relatively high throughout 2021. In 2021, its value was 55% higher than in 2020, reaching USD 204 million. Although China remained the main destination, India once again became a relevant market, especially in the second half of the year.

In the case of plywood, in 2021, there was a very significant increase in the value exported (56%), mainly due to better prices. The United States and Mexico are the two main destinations for this product.

Meanwhile, sawn wood exports increased by 52%, reaching USD 159 million.

As for chips, the future main export product of this trust, in 2021, exports exceed those for the whole of 2020 by 255%. It is worth noting that due to market problems, no chip exports were made during the second half of 2020.

B) Land prices

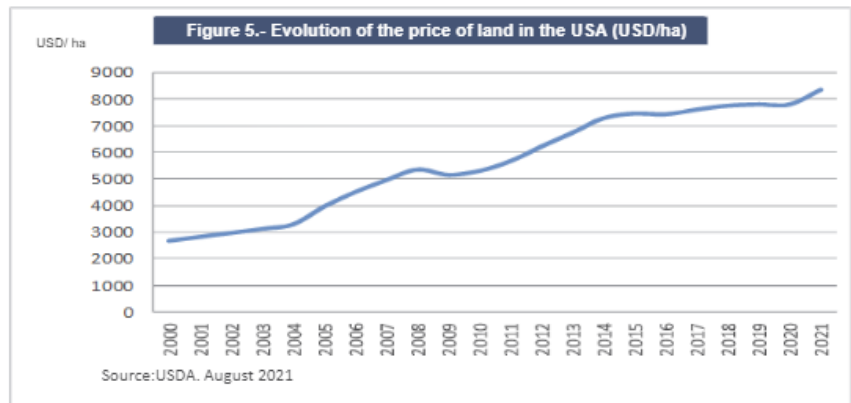
According to the Directorate of Agricultural Statistics of the Ministry of Livestock, Agriculture and Fisheries (MGAP for its acronym in Spanish) reports, for the average of the transactions throughout the country, the price of land, second item in level of importance, has showed a very strong dollar appreciation from 2004 until 2014, falling in 2015, and a certain stability with the variations typical of a small number of transactions in recent years.

Prospects for international demand for land continue to be encouraging, placing prices at increasing levels for the short and medium term, but at more moderate rates than in the past. However, increases in price above trend may be expected in the short term. The drop in international interest rates, the expansionary policy of developed countries, high commodity prices and the low land values of recent years could have positive effects on prices of land in the medium term due to the increased flow of capital in search of real assets.

In this report, we updated the trends of prices in the different countries that we consider important.

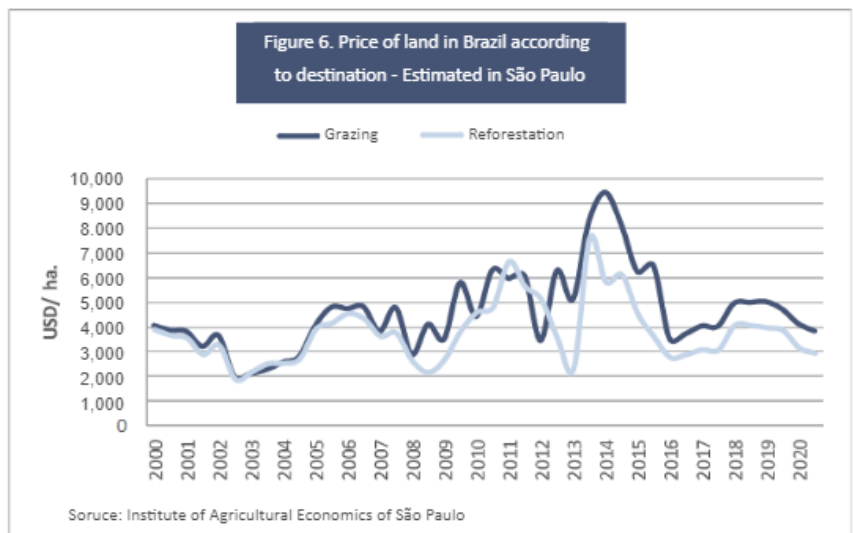
Regarding the price of land in the United State, in the twenty-first century there has been a continuous trend for increased prices, with some exceptions (2009 and 2015), when minimal reductions were verified, but without modifying such trend. The price of land in the United States fell only in the early 1980s due to the change in its monetary policy called the "Voelker Plan" and, to a lesser extent, after the Lehman Brothers financial crisis; in both cases very moderately. Both negative price-level shocks were reversed within a few years.

In 2018, (average) land prices increased by 2%, in 2019, the United States Department of Agriculture (USDA) reported an increase of 0.6% in nominal terms, in 2020, it maintained the same nominal value as in the previous year, and, in 2021, the average price of land increased by 7%. If data on agricultural and livestock land is analyzed separately, the former increased by 7.8% while the latter by 5.7%; this can be explained by the increases in the price of agricultural products.



In Brazil, land prices are influenced by the effect of the exchange rate, to the extent that in that country the prices of this asset are denominated in local currency. Therefore, price fluctuations are amplified by this effect. In 2014, a sharp fall in land prices began but in 2017 it started to reverse.

By 2020, last year reported by the Institute of Agricultural Economics of São Paulo, land prices in U.S dollars had fallen significantly by 18% for grazing land and by 21% for forestry and natural grazing land. This fall is exclusively explained by the devaluation of the Brazilian real, which between 2020 and 2019 lost more than 30% of its value against the dollar. As for prices in Brazilian real, they increased by 7.6% in 2020 compared to 2019.

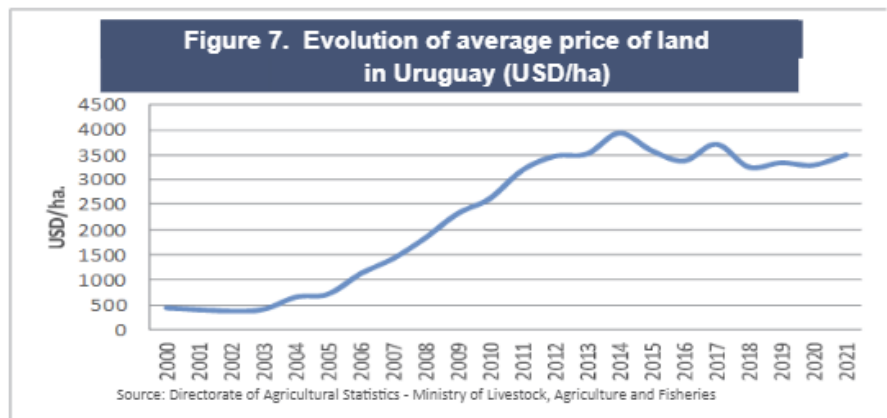


In the case of Argentina, its particular situation makes it impossible to have an updated and reliable series of land prices. The high volatility of its policies and export taxes to agricultural production, the macroeconomic imbalances, and the restrictions on foreign exchange, generate distortions in values that have nothing to do with the trend that land prices should show. On the basis of some technical works consulted by CARE, in Argentina, in 55 years (1956 to 2011) the price of

agricultural land (of very good quality) increased at an average annual growth rate of 3.5% in real terms.

In the case of Uruguay, data reported on the average of land transactions by the Directorate of Agricultural Statistics of the Ministry of Livestock, Agriculture and Fisheries, shows a very strong appreciation from 2004 to 2014, when the maximum value was reached. From 2015 onwards, a certain downward adjustment begins, but with an erratic behavior, probably as consequence of a low number of transactions, where both quality and location of traded lands had a great influence on the average values. Thus, in 2017, the Directorate of Agricultural Statistics (DIEA for its acronym in Spanish) reported a 9.8% increase in the price of land, then, in 2018, a 12.3% reduction, in 2019, a slight increase of 2.6%, and a new fall in the first half of 2020, when the average price of the average hectare decreased by -1.4%. In 2021, the DIEA reported an increase of 6.2%.¹³

The low number of transactions verified in the latest years raises some doubts as to the values obtained, which should be confirmed in the following years.



There are other sources of data provided by consulting firms and market managers¹⁴, which by using different valuation criteria, estimate the value of lands with similar characteristics, taking into account the different destinations for the products. The most commonly methodologies are: comparison of real sales of similar lands and valuation according to expected revenues. In general, the market value is calculated combining both methodologies. A study of several land valuations, to which CARE had access, shows that by 2021 lands would have increased in value between 3 and 4%, which coincides, in a large extent, with the data published by the DIEA for the average land in the country.

¹³ "Precio de la Tierra" [Land Price] Purchases and Sales, published on March 29, 2022.

¹⁴ SERAGRO, Agroclaro, Consur and private managers.

There is a proven relationship¹⁵ between the National Commission for Agro-Economic Soil Studies [CONEAT for its acronym in Spanish] index and the price of land with CONEAT values above 100, however, when the index is below 100, prices also fall but not exactly in the same proportion as when they are above 100. This is basically explained by the fact that many of the fields with a CONEAT value below 100 are demanded for the production of other products different from meat and wool (rice, afforestation), items taken into account for the calculation of this index. By making these corrections to the available information, we obtained a price series with a behavior very similar to that of the Directorate of Agricultural Statistics: a sustained and very important increase until 2014, and then a continuous decrease up to the present. Our model differs in that it assigns the current price a greater drop than the one calculated from the mean values of the Directorate of Agricultural Statistics' Series. This would be explained by the high proportion of agricultural and forestry fields (some already forested) in the sales and purchases in recent years.

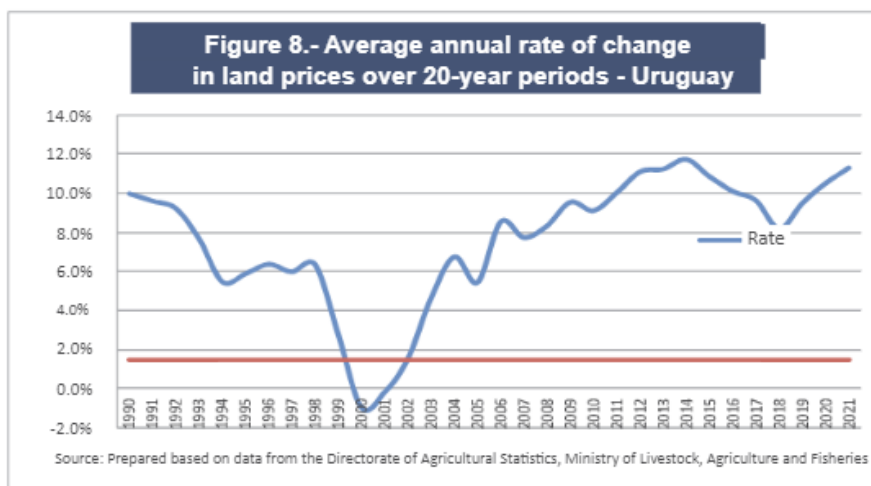
Land value is a relatively important component of the trust's final revenues (20%), therefore its evolution will have a significant contribution to the final return on the investment. The last update of the financial model assumed a cumulative annual valuation of 3% from 2022 to 2031, consequently, it is important to know what has happened in the past so as to have some predicting capability for what may happen in the future.

For this purpose, CARE analyzed the annual variation of land prices (in current U.S. dollars) for a 52-year series (1970 to 2021) for 20-year periods, which shows the following:

- On average, the annual evolution of land prices for 20-year moving periods was 7.6%.
- The annual growth rate was only less than 1.5% for lands sold between 2000 and 2001, that is, land purchased between 1980 and 1981.
- For the remainder of the period, annual land price growth always exceeded 1.5%.

If the same analysis is carried out for 30-year periods, the annual growth rate falls slightly (7.3%), and the minimum annual growth would be 5%; therefore, in no period the increase in land price would be below the value considered in the prospectus.

¹⁵ B. Lanfranco and G. Sapriza (Serie Técnica N° 187 de INIA [Technical Series No. 187 from National Institute of Agricultural Research], "El índice CONEAT como medida de productividad y valor de la tierra" [The CONEAT Index as a Measure of Land Productivity and Value], 2011)



The annual evolution of this indicator - for 20-year intervals - shows an uptrend until 2014, and then starts to fall but remains well above 1.5% (around a 11% annual growth).

CARE considers that although sustained increases in land prices are to be expected in the medium and long terms, they would not have a similar magnitude than those of the past. Most likely, increases in prices will compensate the long-term U.S. inflation¹⁶, plus a small component of increased land productivity, therefore, this increase should be between 2 and 4% per year. This does not imply that there will be periods of higher annual growth rates, as may be the case in the next few years. Low international interest rates, the new agricultural cycle and current land prices could result in higher price growth rates in the short term.

5.2 Public policies, political risk

The risk of public policies refers to any threats posed by the State of acting against the ownership and exploitation modalities proposed by the trust. At present, there are no elements that might indicate that the government could take policy measures against this type of business.

In December 2021, after the Senate approved the Bill to regulate forestry, already approved by the House of Representatives, the Executive Branch vetoed such Bill, thus the forestry policy did not undergo any legislative changes. This project proposed to limit the planting of forest plantations to priority forestry lands, as well as to set a limit on the total forested area of 10% of the country's agricultural land. Although for the time being, it has not affected this project, the approval of this regulation, in the future, could have an impact on the

¹⁶ It is estimated at approximately 2%. It is currently well above those values but it should reasonably return to its historical values.

forestry sector. Being this Bill vetoed, at least for the time being, doubts on the forestry policy have been cleared up.

Also, in December 2021, the Executive Branch issued a decree (No. 405/021) that proposed some changes in forestry regulations, probably in response to some of the concerns of the Bill vetoed. This decree lowered from 100 to 40 hectares the minimum limit to require prior environmental authorization from the DINACEA and also required such authorization for those reforestations that originally had not submitted it because they were carried out prior to the approval of such decree. In addition, some soil categorizations and criteria for environmental impact assessments were modified. However, these modifications have no impact on this trust.

No further conditions are observed that would make it possible to foresee greater threats than those mentioned above.

Environmental risk: *In conclusion, the environment risk both in terms of markets and public policies is considered low.*

VI. RISK RATING

Based on the analysis of the main risks identified in each section; bearing in mind the various technical approaches -legal, qualitative, and quantitative- both those presented by the Trustee and the Manager, as well as those carried out by CARE, and with the data publicly available, CARE's rating committee concludes that the Issue is rated **BBB+.uy**¹⁷ on the scale provided in our Manual.

Rating Committee



Julio Pieve, Engineer



Martín Durán Martínez, CA



Adrian Tamber, Agr. Eng.

¹⁷ **BBB+.uy**. These are instruments issued by companies or corporations with a medium-low investment risk. Its capacity to pay principal and interests on the agreed terms and deadlines is adequate. Its own role, the status of the company, the quality of the project, and the characteristics of the environment, give an overall moderate satisfaction to the analyses carried out, provided, however, there may be some weakness in any of the four risk areas (role, project, company, environment). The risk of the instrument could be increased in the event of foreseeable changes in the project as presented, in the issuing company, in the economic sector in which it operates, or in the economy as a whole. The probability of foreseeable unfavourable changes in the environment is low to medium-low, and compatible with the company's capacity to manage them, although with a slightly higher risk than in the previous categories. **Minimum investment grade. The sign "+" indicates that the rating is closer to a higher category.**