



**Fideicomiso Financiero
Forestal Bosques del
Uruguay I**

**Financial Forestry
Trust Bosques del
Uruguay I**

Interim Financial Statements for the
six months ended June 30, 2022, and
Independent Review Report

NOTICE: This is a translation of the original document in Spanish. This document was translated by a third party. In case of any deviation, the original version prepared by the auditor is available and shall prevail.

FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Interim Financial Statements for the six-month period ended June 30, 2022, and Independent Review Report

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Independent Review Report on Interim Financial Information

To the Directors and Shareholders of
EF Asset Management Administradora de Fondos de Inversión S.A.

Introduction

We have reviewed the accompanying interim financial statements of Fideicomiso Financiero Forestal Bosques del Uruguay I, expressed in United States dollars, which comprise the Interim Statement of Financial Position as of June 30, 2022, the related Interim Statement of Comprehensive Income, the Interim Statement of Cash Flows, and the Interim Statement of Changes in Fiduciary Net Position, for the period then ended, as well as the notes about significant accounting policies and other explanatory notes attached to the interim financial statements. The Management of EF Asset Management Administradora de Fondos de Inversión S.A., trustee of the Trust, is responsible for the information contained in the interim financial statements and its explanatory notes, which have been prepared in accordance with the International Accounting Standards applicable to interim financial statements (IAS 34). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Limited Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 (ISRE 2410), “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Federation of Accountants (IFAC).

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Fideicomiso Financiero Forestal Bosques del Uruguay I as of June 30, 2022, and of its financial performance and its cash flows for the six-month period then ended, in accordance with the International Accounting Standard applicable to interim financial statements (IAS 34).

Other Matters

Our work included the review of the translation of the financial statements from U.S. dollars into Uruguayan pesos. Such translation has been made in accordance with the basis stated in in Note 2.2. The translation of the financial statements into Uruguayan pesos has been made exclusively for the purpose of complying with the legal and tax regulations in force in the Eastern Republic of Uruguay.

August 30, 2022



Héctor Cuello
Partner, Deloitte S.C.



FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Interim Statement of Financial Position as of June 30, 2022

(in U.S. dollars and Uruguayan pesos)

		USD		Equivalent in UYU	
	Notes	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Assets					
Non-current assets					
Property, plant and equipment	5	28,472,807	28,473,037	1,135,011,504	1,272,602,380
Biological assets-plantations	4	35,318,544	37,286,986	1,407,903,103	1,666,541,861
Total non-current assets		63,791,351	65,760,023	2,542,914,607	2,939,144,241
Current assets					
Inventories	3.1	2,753,674	324,246	109,769,688	14,492,155
Trade receivables and other accounts receivable	3.2	952,857	1,339,368	37,983,813	59,863,067
Other non-financial assets	3.3	437,767	236,884	17,450,711	10,587,590
Cash and cash equivalents	3.4	237,003	158,061	9,447,645	7,064,517
Total current assets		4,381,301	2,058,559	174,651,857	92,007,329
Total assets		68,172,652	67,818,582	2,717,566,464	3,031,151,570
Equity					
Participation certificates	7	50,000,000	50,000,000	931,350,000	931,350,000
Translation reserves	7	-	-	961,904,625	1,259,941,435
Retained earnings		12,094,872	11,592,562	582,033,315	561,588,146
Total equity		62,094,872	61,592,562	2,475,287,940	2,752,879,581
Liabilities					
Non-current liabilities					
Loans and liabilities	3,6	2,307,415	1,000,000	91,980,504	44,695,000
Deferred tax liability	2.15	1,914,539	2,598,200	76,319,267	116,126,549
Total non-current liabilities		4,221,954	3,598,200	168,299,771	160,821,549
Current liabilities					
Trade payables and other accounts payable	3.5	1,355,826	1,157,855	54,047,253	51,750,336
Loans and liabilities	3.6	500,000	1,469,965	19,931,500	65,700,104
Total current liabilities		1,855,826	2,627,820	73,978,753	117,450,440
Total liabilities		6,077,780	6,226,020	242,278,524	278,271,989
Total liabilities and equity		68,172,652	67,818,582	2,717,566,464	3,031,151,570

The accompanying Notes are an integral part of these interim financial statements.

The report dated August 30, 2022 is attached hereto.

Deloitte S.C.

FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Interim Statement of Comprehensive Income for the six-month period ended June 30, 2022 (in U.S. dollars)

	Notes	Quarter ended on		Semester ended on	
		06/30/2022	06/30/2021	06/30/2022	06/30/2021
Operating revenue	3.7	2,376,409	77,757	3,083,260	620,144
Cost of sales		(2,108,394)	(21,890)	(2,549,747)	(327,246)
Gross margin		268,015	55,867	533,513	292,898
Operating expenses	3.8	(396,946)	(326,776)	(649,273)	(624,683)
Financial results	3.9	(127,675)	(44,391)	(380,532)	1,364
Profit or loss for the period before income tax		(256,606)	(315,300)	(496,292)	(330,421)
Income tax	2.15	998,602	12,675	998,602	12,675
Profit or loss for the period		741,996	(302,625)	502,310	(317,746)
Items that will not to be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive items		-	-	-	-
Comprehensive income for the period		741,996	(302,625)	502,310	(317,746)

The accompanying Notes are an integral part of these interim financial statements.

The report dated August 30, 2022 is
attached hereto.

Deloitte S.C.

FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Interim Statement of Comprehensive Income for the six-month period ended June 30, 2022 (in Uruguayan pesos)

	Notes	Quarter ended on		Semester ended on	
		06/30/2022	06/30/2021	06/30/2022	06/30/2021
Operating revenue	3.7	95,555,231	3,415,165	126,228,855	26,811,502
Cost of sales		(84,178,238)	(957,735)	(102,792,606)	(14,314,827)
Gross margin		11,376,993	2,457,430	23,436,249	12,496,675
Operating expenses	3.8	(15,939,659)	(14,313,264)	(26,759,307)	(27,167,020)
Financial results	3.9	(5,193,002)	(1,945,355)	(16,039,056)	38,426
Profit or loss for the period before income tax		(9,755,668)	(13,801,189)	(19,362,114)	(14,631,919)
Income tax	2.15	39,807,282	550,975	39,807,282	550,975
Profit or loss for the period		30,051,614	(13,250,214)	20,445,169	(14,080,944)
Items that will not to be reclassified subsequently to profit or loss					
Effect of translation to presentation currency	2.2	(298,036,810)	62,893,719	(298,036,810)	62,893,719
Comprehensive income for the period		(267,985,196)	49,643,505	(277,591,641)	48,812,775

The accompanying Notes are an integral part of these interim financial statements.

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Deloitte S.C.

FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Interim Statement of Cash Flows for the six-month period ended June 30, 2022 (in U.S. dollars and Uruguayan pesos)

	USD		Equivalent in UYU	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Cash flows from operating activities				
Profit or loss for the period before income tax	(496,292)	(330,421)	(19,362,114)	(14,631,919)
Adjustments for:				
Depreciations	230	230	9,506	9,995
Costs of sales of standing forests	591,118	-	23,330,260	-
Unpaid accrued interests	7,416	809	295,604	35,231
	<u>102,472</u>	<u>(329,382)</u>	<u>4,273,256</u>	<u>(14,586,693)</u>
Changes in assets and liabilities				
Trade receivables and other accounts receivable	386,510	775,333	16,341,256	33,307,143
Inventories	(901,285)	(448,624)	(38,105,408)	(19,272,214)
Other non-financial assets	(200,883)	(55,639)	(8,493,132)	(2,390,168)
Trade payables and other accounts payable	512,912	(167,028)	21,685,406	(7,175,272)
Translation adjustment	-	-	(1,543,831)	396,642
Net flows from operating activities	<u>(100,274)</u>	<u>(225,340)</u>	<u>(5,842,453)</u>	<u>(9,720,562)</u>
Cash flows used in investing activities				
Costs related to biological assets	<u>(150,819)</u>	<u>(180,402)</u>	<u>(6,150,789)</u>	<u>(7,878,432)</u>
Cash flows used in investing activities	<u>(150,819)</u>	<u>(180,402)</u>	<u>(6,150,789)</u>	<u>(7,878,432)</u>
Cash flows from financing activities				
Obtention of loans	<u>330,035</u>	<u>(169,611)</u>	<u>14,197,909</u>	<u>(6,757,720)</u>
Net flows (used in) / from financing activities	<u>330,035</u>	<u>(169,611)</u>	<u>14,197,909</u>	<u>(6,757,720)</u>
Changes in cash flows and cash equivalents	<u>78,942</u>	<u>(575,353)</u>	<u>2,204,667</u>	<u>(24,356,714)</u>
Opening balance of cash and cash equivalents	<u>158,061</u>	<u>628,192</u>	<u>7,064,517</u>	<u>26,597,669</u>
Effect associated with the maintenance and translation of cash and cash equivalents	-	-	178,461	61,625
Closing balance of cash and cash equivalents	<u>237,003</u>	<u>52,839</u>	<u>9,447,645</u>	<u>2,302,580</u>

The accompanying Notes are an integral part of these interim financial statements.

The report dated August 30, 2022 is
attached hereto.

Deloitte S.C.

FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Interim Statement of Changes in Fiduciary Net Position for the six-month period ended June 30, 2022

(in U.S. dollars)

	PARTICIPATION CERTIFICATES	ADJUSTMENTS TO EQUITY	RETAINED EARNINGS	TOTAL EQUITY
As of December 31, 2020	50,000,000	-	654,189	50,654,189
Profit or loss for the period	-	-	(317,746)	(317,746)
As of June 30, 2021	50,000,000	-	336,443	50,336,443
Profit or loss for the period	-	-	11,256,119	11,256,119
As of December 31, 2021	50,000,000	-	11,592,562	61,592,562
Profit or loss for the period	-	-	502,310	502,310
As of June 30, 2022	50,000,000	-	12,094,872	62,094,872

Interim Statement of Changes in Fiduciary Net Position for the six-month period ended June 30, 2022

(in Uruguayan pesos)

	PARTICIPATION CERTIFICATES	ADJUSTMENTS TO EQUITY	RETAINED EARNINGS	TOTAL EQUITY
As of December 31, 2020	931,350,000	1,140,631,668	72,716,717	2,144,698,385
Translation reserve	-	62,893,719	-	62,893,719
Profit or loss for the period	-	-	(14,080,944)	(14,080,944)
As of June 30, 2021	931,350,000	1,203,525,387	58,635,773	2,193,511,160
Translation reserve	-	56,416,048	-	56,416,048
Revaluation of property, plant and equipment, net of deferred tax	-	-	-	-
Profit or loss for the period	-	-	502,952,373	502,952,373
As of December 31, 2021	931,350,000	1,259,941,435	561,588,146	2,752,879,581
Revaluation of property, plant and equipment, net of deferred tax	-	-	-	-
Translation reserve	-	(298,036,810)	-	(298,036,810)
Profit or loss for the period	-	-	20,445,169	20,445,169
As of June 30, 2022	931,350,000	961,904,625	582,033,315	2,475,287,940

The accompanying Notes are an integral part of these interim financial statements.

The report dated August 30, 2022 is
attached hereto.

Deloitte S.C.

FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY I

Notes to the interim financial statements for the six-month period ended June 30, 2022

NOTE 1 - GENERAL INFORMATION ON FIDEICOMISO FORESTAL BOSQUES DEL URUGUAY I

In the city of Montevideo, on May 6, 2011, the Fideicomiso Financiero Forestal Bosques del Uruguay I was established on agreement, by the signing of the respective agreement between EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A. as "Trustee", Agroempresa Forestal S.A. as "Manager", and the Initial Underwriters of the Securities as "Trustors". This agreement was recorded at the notary office on May 9, 2011.

The capital of the Trust has been paid-in with the amounts paid by the Trustors, acting as Initial Underwriters of the Securities, under the conditions set out in the Agreement and to be used for the fulfillment of the purposes therein.

The Trustee has invested the funds from the placement of the Securities (Participation Certificates) in the purchase of rural Properties, located within the Eastern Republic of Uruguay, which became part of the equity of the Trust, and has been carrying out forestry activity on such Properties.

The Business Plan establishes the framework within which the Trust's strategy is developed to fulfil its purpose, and specifically indicates the general requirements the Properties shall meet.

The Trustee shall appoint the Manager, through the Management Agreement, to be in charge of managing the Assets of the Trust and to implement the Business Plan related to this Trust and the Management Agreement. Notwithstanding the foregoing, the Trustee shall be responsible for all the actions of the Manager with reference to the tasks subcontracted to the Manager.

The Trust shall not invest in such securities not permitted to Pension Savings Funds.

The equity of the Trust consists of its Assets and all economic rights, present and future, generated therefrom. The equity of the Trust shall be used solely and exclusively for the purposes intended, and only the rights and actions related to such assets may be exercised with respect thereto.

On August 5, 2011, EFAM issued, on behalf of the Trust, book-entry Participation Certificates for a nominal value of fifty million U.S. dollars (USD 50,000,000).

The Participation Certificates grant Holders rights of participation in accordance with the financial performance of the Trust and the terms and conditions provided in the Agreement.

The Trust shall remain in full force for a maximum of 30 years, or until all its assets are liquidated and all its liabilities are paid off.

In the Meeting of Holders on February 27, 2013, the Holders resolved to amend some terms and conditions of the Trust Agreement. On March 5, 2013, in order to implement such modifications, the parties decided to amend the Trust Agreement. They agreed to add as a purpose of the Trust, apart from purchasing land, the possibility of leasing rural properties. It was also authorized the acquisition of rural properties through the execution of Preliminary Real Estate Agreements on a term basis.

In accordance with Section 330 of the Central Bank of Uruguay's Compilation of Securities Market Standards, the Trust's accounting period and fiscal year ends on each December 31.

The statement of comprehensive income, the statement of changes in equity, and the statement of cash flows, are presented for the six-month period ended June 30, 2022.

These interim financial statements were authorized to be issued by EF Asset Management Administradora de Fondos de Inversión S.A., Trustee of the Trust, on August 30, 2022.

NOTE 2 - BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting standards

These interim financial statements were prepared in accordance with Decree 124/11. This Decree, issued by the Executive Branch on April 1, 2011, establishes as mandatory accounting standards for issuers of publicly traded securities, the International Financial Reporting Standards (IFRS), adopted by the International Accounting Standards Board (IASB), translated into Spanish.

This interim financial reporting does not include all the information required by the International Financial Reporting Standards (IFRS) for the presentation of complete financial statements. As this report was prepared in accordance with the International Accounting Standard No. 34 - "Interim Financial Reporting", these interim financial statements shall be read in conjunction with the Trust's financial statements for the year ended December 31, 2021, prepared in accordance with the IFRS.

Decree 108/22 dated April 4, 2022, establishes the option for entities covered by Decree 124/11 the criteria for presentation of equity items introduced by the aforementioned decree. The Trust has not opted for the application of the presentation criteria provided for in such decree.

2.1.1 New standards, interpretations and amendments which became effective in the current fiscal period

The accounting policies applied by the Trust for the preparation and presentation of these interim financial statements are the same as those applied in the financial statements dated December 31, 2021, except for the adoption of the new standards effective as of January 1, 2022. The Trust did not adopt in advance other standards, interpretations or amendments which have been issued but not yet effective.

In the current period, the following new and/or revised standards issued by the IASB became effective.

- Amendment to IFRS 3 - Updating references to the Conceptual Framework.
- Amendment to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use.
- Amendment to IAS 37 - Onerous Contracts - Cost of fulfilling a contract.
- IFRS 1 - First-time Adoption of IFRS - Subsidiary as a first-time adopter.
- Amendment to IFRS 9 Financial Instruments: Fees in the '10%' Test for Derecognition of Financial Liabilities.
- IAS 41 Agriculture - Taxation in fair value measurement.
- Amendment to IFRS 16- Covid-19-Related Rent Concessions.

The application of these new standards had no significant impact on the financial statements of the Trust.

2.1.2 New and revised standards, interpretations and amendments published whose application is not yet mandatory

At the date of the authorization of these financial statements, the standards and interpretations issued by the IASB, which are not yet effective for the periods beginning on January 1, 2022, and were not adopted in advanced by the Trust, are as follows:

- IFRS 17 - Insurance Contracts. (1)

- Amendment to IAS 1 - Classification of Liabilities as Current or Non-current. (1)
- IAS 8 - Definition of Accounting Estimates. (1)
- IAS 1 - Disclosure of Accounting Policies. (1)
- IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction. (1)

(1) Effective for periods beginning on January 1, 2023.

The Management estimates that the application of these amendments will not significantly affect the financial statements.

The following are the main accounting policies applied:

2.2 Functional currency and criteria used for the translation of financial statements into Uruguayan pesos

IAS 21 states that functional currency shall provide useful information about the Trust and reflect its economic substance of events and its relevant circumstances. If a particular currency is widely used by the Trust or has a significant impact on the Trust, it may be appropriate as its functional currency.

In accordance with the Standard, a currency is considered to be the functional currency when:

- purchases are financed in that currency;
- collections of trade receivables are denominated in that currency;
- prices of sales or services rendered are denominated in that currency;
- the cost of sales or services rendered is denominated in that currency.

The U.S. dollar is the functional currency of the Trust since its main income and expenses are denominated in that currency.

The Uruguayan peso shall be the presentation currency of Trust's financial statements in order to comply with the legal and fiscal provisions in force.

In accordance with such regulations, in order to translate the Trust's financial statements from the functional currency into the presentation currency:

- assets and liabilities shall be translated at the closing exchange rate;
- income and expenses shall be translated at the exchange rate in effect at the date of the transactions;
- equity items, except for the profit or loss for the period, shall be translated at the closing exchange rate;
- translation gains and losses shall be directly recognized in equity without affecting the profit or loss for the period.

The equity items have been retranslated as follows: 1) capital is presented at its value in historical Uruguayan pesos, including the difference between such value and that which would result from the application of the general criterion of translation as adjustment to equity; 2) retained earnings correspond to the financial performance for prior fiscal years expressed in U.S. dollars and translated in accordance with the general translation standard.

The difference resulting from the use of the closing exchange rate for assets, liabilities and equity translation, and the exchange rate in effect at the date of each transaction for the profit or loss for the period is directly presented in the equity item under the heading "Adjustment to Equity" and in the statement of comprehensive income as "Translation Reserve".

2.3 Balances in currencies other than the functional currency

Assets and liabilities in currencies other than the functional currency are measured at the closing exchange rates for the period. Exchange differences are recognized in profit or loss. Balances of assets and liabilities denominated in non-functional currency at the end of the period are summarized in Note 6.

2.4 Overall valuation criteria for assets and liabilities

Assets and liabilities (except for biological assets, and property, plant and equipment) are measured according to the cost initially disbursed or the commitment assumed respectively, and subsequently measured at amortized cost. In all cases, these amounts were adjusted as mentioned in the preceding item.

2.5 Cash and cash equivalents

Current and demand deposits held in financial institutions are considered cash and cash equivalents.

2.6 Financial assets and liabilities

Financial assets and liabilities are measured at amortized cost.

The Trust holds bank loans with local financial institutions.

2.7 Trade receivables and other accounts receivable

Trade receivables and other accounts receivable are presented at their amortized cost using the effective interest method. The Management has not established an allowance for bad debts based on the expected credit loss method, considering the probability of default and the amount expected to recover in that scenario. Therefore, the effect of its application does not have a significant effect on the financial statements of the Trust.

2.8 Other non-financial assets

Non-financial assets are recognized at their nominal value and correspond mainly to tax credits.

2.9 Biological assets – plantations

Forest plantations and the costs incurred in the formation of the forests between December 31, 2021, and June 30, 2022, are presented at their fair value in the statement of financial position as of December 31, 2021.

The Trust annually determines the value of forest plantations according to a valuation of its forests carried out by independent forest consultants. The fair value of forest plantations is estimated by the independent consultant using current value techniques of estimated cash flows, and mainly income or expectation approach techniques.

On the basis of the methodology describe above, the independent appraiser determined that the fair value of the biological assets as of December 31, 2021, was USD 37,286,986, equivalent to UYU 1,666,541,861.

To this end, the following elements are considered:

- the representative prices estimated in the projection for the period,
- variable and fixed annual costs related to timber production,
- an estimated discount rate based on a capital asset pricing model, which amounts to 7.5%.

Changes in fair value measurement (combination of biological growth, changes in prices, costs and expenses) are recognized in the statement of comprehensive income.

Biological assets are recognized and measured at their fair value separately from land.

The fair value of these assets is determined mainly by using sources of information of hierarchy Level 3. The prices of comparable goods are the most significant source of information to determine this fair value.

2.10 Inventories

Inventories are valued at acquisition cost.

This cost is determined based on the FIFO valuation method for the allocation of the products sold.

The Trust estimates that the accounting values of the inventories will not exceed their net realizable value.

2.11 Property, plant and equipment

The components and evolution of property, plant and equipment balances for the six-month period ended June 30, 2022, are set out in Note 5 of these financial statements.

In accordance with the terms of the agreement, lands were valued by an independent appraiser on December 31, 2021. The book value of the lands was adjusted to the values provided in the report issued by such expert, which amounted to USD 28,463,214, equivalent to UYU 1,272,163,350.

The fair value of these lands is determined mainly by using sources of information of hierarchy Level 3.

These amounts were translated into Uruguayan pesos as expressed in Note 2.2.

Improvements and other improvements are presented in U.S. dollars historical acquisition cost, after deducting the relevant accumulated depreciation. During the third quarter of 2020, a change in the valuation of the useful life of the Improvements was made. It was estimated that they have a useful life of 30 years instead of 50. This change in valuation has been made prospectively, starting from the net values of the improvements as of December 31, 2019, and depreciating the remainder on a straight-line basis.

Disbursements after the acquisition of an item of property, plant and equipment are added to the carrying amount of assets when it is likely that future economic benefits, in addition to those originally assessed, will be derived therefrom.

The Board and Management estimate that the net book value of the assets will not exceed their use value and that there have been no impairment losses on any item of property, plant and equipment.

Depreciations for the period are charged to operating expenses.

2.12 Accrual basis and revenue recognition

Revenue is recognized when earned and expenses when incurred, regardless of when they are collected or paid, respectively. Income is recognized when future economic benefits are likely to enter the Trust's equity as a result of transactions carried out by the Trust.

Revenue from sales of goods and services is recognized when the entity has transferred the most significant risks of ownership to the customer or once such services are performed, and the amount of revenue can be measured reliably.

Income and expenses included in the statement of comprehensive income are recognized at the amount originally obtained or disbursed for goods or services.

Operating expenses, financial results and others are recognized on an accrual basis.

2.13 Definition of capital

The difference in value of equity as of June 30, 2022, with respect to the amount of capital to be maintained has been regarded as the profit or loss for the period. The definition of capital used for this purpose is financial capital.

2.14 Definition of funds

In preparing the statement of cash flows, the definition of funds as for cash and cash equivalents is used, applying the indirect method.

2.15 Taxes, current income tax and deferred tax

The Trust is subject to VAT, Income Tax on Economic Activities [IRAE, for its acronym in Spanish] and Wealth Tax. It is also a withholding agent for the Personal Income Tax.

The Trust is subject to IRAE for all income generated in Uruguay and not included in the exemptions granted by Law No. 15,939, intended to promote the forestry sector.

The Trust shall pay the Wealth Tax, however, the yield of forest plantations in forestry priority areas, as well as the lands on which such plantations are located are exempted from such tax.

Regarding the aforementioned tax, in 2013, Law No. 19,088 amended the exemption regulating the agricultural sector and applied a surcharge to those taxpayers. Decree No. 293/013, which regulates such Law, introduced an amendment extending the exemption from the Wealth Tax to trusts, which already existed for certain listed companies. This exemption is applicable for five fiscal years since the creation of the trust. Therefore, the Trust does not enjoy such Wealth Tax and Surcharge exemption for the period ended on June 30, 2022.

The sale of agricultural products in their natural state is subject to the suspended VAT system. The sale of uncut logs, and the felling of forests planted by the Trust or acquired standing, are considered agricultural products in their natural state for the purpose of their sale. Therefore, the VAT will remain on hold, and the tax included in the purchases, which is part of their cost, can be recovered. Grazing income is exempt from VAT, thus a portion of indirect purchasing VAT cannot be recovered as it is associated with such type of income.

The Trust shall pay the Rural Real Estate Tax for the farms acquired. However, as provided by Law No. 18,245, those farms destined to forest plantations and included in the Quality Timber projects defined by the Ministry of Livestock, Agriculture and Fisheries, are exempted from the Rural Real Estate Tax.

Additionally, the Trust determines the amount of Income Tax by the Deferred Tax Method, which consists in the recognition (as credit or debit) of the tax effect on the temporary differences between the accounting and fiscal valuation of assets and liabilities, determined at the current rate of 25%, and its subsequent charge to the profit or loss for the period in which their reversal occurs.

Income tax

a. Components of income tax recognized in the statement of financial position and the statement of comprehensive income

	USD		Equivalent in UYU	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Current Tax Expense				
(Loss)/Gain on Deferred Tax	998,602	12,675	39,807,282	550,975
	998,602	12,675	39,807,282	550,975

b. Deferred income tax

Assets and liabilities that give rise to temporary differences as of June 30, 2022 are attributable as follows:

	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Property, plant and equipment-lands	130,800	524,573	5,214,096	23,445,782
Other property, plant and equipment -Agri	134	(108)	5,328	(4,806)
Biological Assets	1,783,605	2,073,735	71,099,843	92,685,572
Deferred tax liability	1,914,539	2,598,200	76,319,267	116,126,549

c. Movements in deferred taxes during the year

	USD				
	Balance at 12.31.2021	Adjustment to Earnings	Translation Effect	Adjustment to Equity	Balance at 06.30.2022
Fixed assets- lands	524,573	(457,359)	63,586	-	130,800
Other fixed assets- Agri	(108)	254	(13)	-	134
Biological assets	2,073,735	(541,498)	251,368	-	1,783,605
DEFERRED TAX LIABILITY	2,598,200	(998,602)	314,941	-	1,914,539

	UYU				
	Balance at 12.31.2021	Adjustment to Earnings	Translation Adjustment	Adjustment to Equity	Balance at 06.30.2022
Fixed assets- lands	23,445,782	(18,231,687)	-	-	5,214,096
Other fixed assets- Agri	(4,806)	10,134	-	-	5,328
Biological assets	92,685,572	(21,585,729)	-	-	71,099,843
DEFERRED TAX LIABILITY	116,126,549	(39,807,282)	-	-	76,319,267

d. Reconciliation between income tax expense and accounting profit

	06/30/2022	
	USD	Equivalent in UYU
Accounting profit before IRAE	(496,292)	(19,362,114)
	25%	25%
Income tax at applicable rate	(124,073)	(4,840,529)
<u>Adjustments that do not generate temporary difference:</u>		
Non-taxable income	(489,308)	(20,687,444)
Expenses associated to non-taxable income	353,302	14,937,264
Tax losses	102,576	4,336,792
Land revaluations charged to Equity	-	-
Translation adjustment	314,941	-
Other net items	(1,156,040)	(33,553,366)
	(998,602)	(39,807,282)

2.16 Provisions

Provisions are financially recognized when the Trust has a present obligation (legal or contractual) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.17 Financial Instruments

The main financial instruments of the Trust are deposits in bank current accounts, credits and debts.

The main purpose of maintaining more liquid assets is for the Trust to have cash and cash equivalents available to meet its operational needs. The Trust has not contracted derivative financial instruments for this period.

2.18 Estimates and assumptions in the application of accounting policies

The preparation of financial statements requires the Trustee to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

The most significant accounting policies, estimates and assumptions to determine the accounting values of assets and liabilities are as follows:

(a) Impairment of non-financial assets

At each annual reporting date, the Trust reviews the carrying values of Property, plant and equipment: Land, to determine whether or not there are any indications of impairment. If an impairment event occurs, the recoverable amount of the assets is estimated to determine whether it is necessary to write down the value of the assets.

(b) Fair value of property, plant and equipment, and biological assets

The Trust annually hires independent expert appraisers to determine the fair value of lands (Note 2.11) and biological assets (Note 2.9).

The methods used to determine the fair value require to make estimates and assumptions based on objective information and knowledge of the business. Such estimates are highly sensitive, and any variation in them may lead to a significant variation in the fair values of biological assets recognized in the financial statements. Therefore, estimates are periodically revised, and adjusted accordingly, if necessary.

(c) Income tax

The Trust recognizes the effects of deferred tax based on estimates and assumptions depending on how its assets and liabilities are realized and canceled, respectively. Changes in such estimates and assumptions could significantly modify the balance of assets and liabilities accounted for deferred income tax for the period in which such modifications occur. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are reviewed at each reporting date and are recognized only to the extent that it is probable that there are future taxable profits against which the deductible temporary difference can be utilized. Additionally, in order to determine the portion of deferred tax assets to be recognized in the statement of financial position, whether or not there are future taxable temporary differences with which the deductible temporary differences can be compensated should be considered. For these purposes, the Trustee estimates the reversions of temporary differences and the future tax results, as well as the available tax planning opportunities (Note 2.15).

2.19 Impairment of tangible assets

At each year-end, the Trust hires an independent expert to determine the fair value of the lands and forests.

Key assumptions to determine the fair value

In order to determine the impairment loss, the Management hires an independent appraiser, who estimates future cash flows for the remaining useful life of the Trust.

The determination of the recoverable amount of the Trust is based on complex estimates that require the application of assumptions and professional judgment by the expert, which include:

(a) Wood flows

Wood flows are predicted by a five-step process, as follows:

- Stratify forest plantations
- Validation of growth and yield tables
- Design of harvesting scenarios
- Programming of wood supply
- Wood flows planning

(b) Land sale flow

According to the variations estimated by the income approach, the valuation considered land sales in the following years:

- year of disinvestment
- year zero cash flow

(c) Operating and management costs

- Forest costs: These costs are related to the amount spent to establish and cultivate the forest until it is ready for the final harvest.
- General expenses: These expenses are related to the amount spent on activities such as management, office maintenance, forest inventory, protections and certification, vehicles, roads, security and communications.

(d) Wood price

These are the prices of wood by assortment class, which are the expected prices of wood set at the sawmill discounted from the company's average transport and harvest costs.

(e) Land price and cost

It is the weighted average potential price of land.

(f) Determining the discount rate

The discount rate refers to the cost of capital (debt and equity) used to finance the net operating assets and is determined as the average cost of such sources of financing weighted by their relative share in the financial structure of the Trust sector.

The Weighted Average Cost of Capital (WACC) represents a weighted average cost of debt and equity. The cash flows used in the discounted fund flows are presented as the cash flows available to both debt and equity holders. Therefore, free cash flow is converted to present value through the application of a "WACC".

(g) Sensitivity analysis

The Trust applies the sensitivity analysis to assess whether changes in the discount rate estimates, wood prices, forest and general costs, and land sale prices may make a significant difference in the financial statements. The sensitivity analysis did not identify any significant impairment losses.

2.20 Consistency of accounting principles

Except as expressed in Note 2.1, the criteria applied in the valuation of assets and liabilities, as well as to determine the profit or loss for the six-month period ended June 30, 2022, are similar to the ones applied for the fiscal year ended December 31, 2021.

NOTE 3 – OPENING OF ITEMS

3.1 Inventories

<i>Item</i>	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Wood	2,729,170	308,954	108,743,292	13,808,667
Coadjuvant	4,704	-	193,913	-
Herbicide	12,914	14,294	544,920	638,865
Fertilizer	5,408	998	225,889	44,623
Ant killer	1,478	-	61,674	-
	2,753,674	324,246	109,769,688	14,492,155

3.2 Trade receivables and other accounts receivable

<i>Item</i>	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Trade receivables	952,829	1,338,787	37,982,697	59,837,120
Grazing debtors	28	581	1,116	25,947
	952,857	1,339,368	37,983,813	59,863,067

3.3 Other non-financial assets

<i>Item</i>	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Tax credits	409,774	234,654	16,334,803	10,487,934
Advances to suppliers	3,132	2,230	124,848	99,656
Other non-financial assets	24,861	-	991,060	-
	437,767	236,884	17,450,711	10,587,590

3.4 Cash and cash equivalents

Item	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Banks	237,003	158,061	9,447,645	7,064,517
	237,003	158,061	9,447,645	7,064,517

3.5 Trade payables and other accounts payable

Item	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Trade payables	841,621	999,771	33,549,523	44,684,762
Tax creditors	492,257	130,376	19,622,829	5,827,157
Customer advances	3,180	-	126,766	-
Provisions	14,564	-	580,547	-
Other accounts payable	4,204	27,708	167,588	1,238,417
	1,355,826	1,157,855	54,047,253	51,750,336

3.6 Loans and liabilities – current and non-current

Item	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Bank loan	2,807,415	2,469,965	111,912,004	110,395,104
	2,807,415	2,469,965	111,912,004	110,395,104

As of June 30, 2022, the bank loan corresponds to a loan in U.S. dollars taken out with a local bank for the principal amount of USD 1,500,000 equivalent to UYU 59,794,500, to be paid in four equal semi-annual installments since June 2022.

Additionally, a loan in U.S dollars taken out with a local bank for the principal amount of USD 450,000 equivalent to UYU 17,938,350, to be paid in one installment in January 2023.

Likewise, a loan in U.S dollars taken out with a local bank for the principal amount of USD 100,000 equivalent to UYU 3,986,300, to be paid in one installment in January 2023.

Additionally, a loan in U.S dollars taken out with a local bank for the principal amount of USD 350,000 equivalent to UYU 13,952,050, to be paid in one installment in January 2023.

Finally, a loan in U.S dollars taken out with a local bank for the principal amount of USD 400,000 equivalent to UYU 15,945,200, to be paid in one installment in January 2023.

As of December 31, 2021, the bank loan corresponds to a loan in U.S. dollars taken out with a local bank for the principal amount of USD 2,000,000 equivalent to UYU 89,390,000, to be paid in four equal semi-annual installments since June 2022.

Additionally, a loan in U.S dollars taken out with a local bank for the principal amount of USD 200,000 equivalent to UYU 8,939,000, to be paid in one installment in January 2022.

Likewise, a loan in U.S dollars taken out with a local bank for the principal amount of USD 125,000 equivalent to UYU 5,586,875, to be paid in one installment in January 2022.

Finally, a loan in U.S dollars taken out with a local bank for the principal amount of USD 125,000 equivalent to UYU 5,586,875, to be paid in one installment in January 2022.

Accrued and unpaid interests at the date of these financial statements, amount to USD 7,415 equivalent to UYU 295,604 as of June 30, 2022, and USD 19,965 equivalent to UYU 892,354 as of December 31, 2021.

3.7 Operating revenue

<i>Item</i>	USD			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Revenue from wood sales	2,345,172	47,253	3,017,462	556,958
Revenue from grazing	31,154	30,467	65,594	63,149
Revenue from beehives	83	37	204	37
	2,376,409	77,757	3,083,260	620,144

<i>Item</i>	Equivalent in UYU			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Revenue from wood sales	94,300,034	2,081,068	123,503,014	24,063,524
Revenue from grazing	1,251,803	1,332,467	2,717,438	2,746,348
Revenue from beehives	3,394	1,630	8,403	1,630
	95,555,231	3,415,165	126,228,855	26,811,502

3.8 Operating expenses

<i>Item</i>	USD			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Forestry Operator Fee	124,807	147,288	249,615	294,576
Other fees	48,899	40,614	81,398	68,448
Farm expenses	67,434	92,820	122,277	195,748
Taxes	127,333	30,825	128,051	31,859
Insurances	16,353	14,101	32,707	28,203
Miscellaneous	12,120	1,128	35,224	5,849
	396,946	326,776	649,273	624,683

<i>Item</i>	Equivalent in UYU			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Forestry Operator Fee	5,025,830	6,455,338	10,337,095	12,807,183
Other fees	1,989,005	1,780,762	3,402,124	2,969,763
Farm expenses	2,697,974	4,070,995	5,068,411	8,529,444
Taxes	5,076,113	1,340,212	5,106,647	1,384,608
Insurances	656,858	616,476	1,352,783	1,223,069
Miscellaneous	493,879	49,481	1,492,247	252,953
	15,939,659	14,313,264	26,759,307	27,167,020

3.9 Financial results

<i>Item</i>	USD			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Interests and bank charges	(4,020)	(1,831)	(7,532)	(4,838)
Interests on loans	(25,961)	(20,526)	(47,556)	(41,233)
Exchange difference	(97,694)	(22,034)	(325,444)	47,435
	(127,675)	(44,391)	(380,532)	1,364

Item	Equivalent in UYU			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Interests and bank charges	(162,906)	(80,210)	(316,314)	(208,551)
Interests on loans	(1,042,243)	(897,415)	(1,963,307)	(1,790,761)
Exchange difference	(3,987,853)	(967,730)	(13,759,435)	2,037,738
	(5,193,002)	(1,945,355)	(16,039,056)	38,426

NOTE 4 - BIOLOGICAL ASSETS – PLANTATIONS

Biological assets comprise forest plantations located mainly in the departments of Cerro Largo, Durazno and Florida, composed mainly by Eucalyptus Grandis, Saligna, Dunnii and Globulus species, and amount to 5,394 forested hectares on an area of approximately 9,535 hectares (9,500 hectares as of December 31, 2021).

The evolution of the biological asset for the six-month period ended June 30, 2022, and December 31, 2021, is as follows:

	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Opening balance	37,286,986	32,277,823	1,666,541,861	1,366,643,023
Cost increase added to biological assets	150,819	237,688	6,150,789	10,380,180
Reduction by harvest of biological assets	(2,119,261)	(736,009)	(89,916,788)	(32,895,922)
Change in the fair value of biological assets	-	5,507,485	-	246,157,037
Translation adjustment	-	-	(174,872,759)	76,257,543
	35,318,544	37,286,986	1,407,903,103	1,666,541,861

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is composed as follows:

In U.S. dollars:

06/30/2022													12/31/2021
	Source values						Depreciations					Net value	Net value
	Opening value	Additions	Disposals	Revaluation	Translation adjustment	Closing value	Accumulated at opening	Disposals	For the period	Translation adjustment	Accumulated at closing		
Lands	28,463,214	-	-	-	-	28,463,214	-	-	-	-	-	28,463,214	28,463,214
Improvements	12,380	-	-	-	-	12,380	(2,557)	-	(230)	-	(2,787)	9,593	9,823
Total	28,475,594	-	-	-	-	28,475,594	(2,557)	-	(230)	-	(2,787)	28,472,807	28,473,037

Equivalent in Uruguayan pesos:

06/30/2022													12/31/2021
	Source values						Depreciations					Net value	Net value
	Opening value	Additions	Disposals	Revaluation	Translation adjustment	Closing value	Accumulated at opening	Disposals	For the period	Translation adjustment	Accumulated at closing		
Lands	1,272,163,350	-	-	-	(137,534,250)	1,134,629,100	-	-	(9,506)	12,708	(111,100)	1,134,629,100	1,272,163,350
Improvements	553,332	-	-	-	(59,828)	493,504	(114,302)	-	(9,506)	12,708	(111,100)	382,404	439,030
Total	1,272,716,682	-	-	-	(137,594,078)	1,135,122,604	(114,302)	-	(9,506)	12,708	(111,100)	1,135,011,504	1,272,602,380

NOTE 6 - ASSETS AND LIABILITIES IN A CURRENCY OTHER THAN THE FUNCTIONAL CURRENCY

The statement of financial position includes the following balances in currencies other than the functional currency:

	June 30, 2022		December 31, 2021	
	UYU	Equivalent in USD	UYU	Equivalent in USD
Assets				
Other non-financial assets	16,430,470	412,173	11,098,815	254,694
Cash and cash equivalents	66,478	1,668	38,839	891
Total assets	16,496,948	413,841	11,137,654	255,586
Liabilities				
Non-current liabilities				
Deferred tax	(76,319,267)	(1,914,539)	(72,776,041)	(1,670,056)
Total	(76,319,267,00)	(1,914,538.00)	(72,776,041)	(1,670,056)
Current liabilities				
Trade payables and other accounts payable	(41,839,001)	(1,049,570)	(8,283,052)	(190,079)
Total	(194,477,535)	(4,878,647)	(8,283,052)	(190,079)
Total liabilities	(270,796,802)	(6,793,185)	(81,059,093)	(1,860,135)
Net position	(177,980,587)	(4,464,806)	(69,921,439)	(1,604,549)

The U.S. dollar exchange rate as of June 30, 2022, is UYU 39.863, and as of December 31, 2021, is UYU 44.695.

NOTE 7 – EQUITY

The participation certificates issued by the Trust, in nominal values, amount to USD 50,000,000 (equivalent to UYU 931,350,000).

NOTE 8 – COMMITMENTS

As of June 30, 2022, the Trust entered into commitments for grazing contracts amounting to USD 127,226 for 9,128 hectares of pastured land.

NOTE 9 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

a) Balances of trade payables and other accounts payable with related parties are composed as follows:

	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Trade accounts payable				
Agro Empresa Forestal S.A.	52,242	62,036	2,082,512	2,772,687
	52,242	62,036	2,082,512	2,772,687

b) Transactions with related parties are composed as follows:

	USD			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Accrued fees				
Agro Empresa Forestal S.A.	124,807	147,288	249,615	294,576
	124,807	147,288	249,615	294,576

	Equivalent in UYU			
	Quarter ended on		Semester ended on	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Accrued fees				
Agro Empresa Forestal S.A.	5,025,830	6,455,338	10,337,095	12,807,183
	5,025,830	6,455,338	10,337,095	12,807,183

NOTE 10 - FINANCIAL RISK MANAGEMENT

The main types of risks to which the financial instruments of the Trust and their management policies are exposed, are detailed below.

10.1 Credit risk

Credit Risk is the risk of financial loss faced by the Trust if a debtor or counterparty of a financial instrument fails to meet any contractual obligations.

The Trust is exposed to a low credit risk since the financial instruments in which it can invest have the same restrictions as Pension Savings Funds.

Accounts receivables risk is comprised by approximately four debtors that pay timber sales in the short term and that have always met their obligations.

10.2 Liquidity risk

Liquidity risk occurs if the Trust fails to meet its financial obligations as they expire. The Trust main obligation is to pay the participation certificates. In accordance with Note 1, such certificates give holders the right to participate in the profit.

The Trust is not significantly exposed to this risk in accordance with the business plan established in the Trust Agreement and the limitations on the assets to be invested.

10.3 Market risk

Market risk occurs when changes in market prices, for example, in the exchange rate and interest rates, affect the income of the Trust or the value of the financial instruments held.

a) Currency risk

The Trust is exposed to this risk because of its monetary position in Uruguayan pesos (Note 6). The Trust's sensitivity to a 10% increase and decrease in the Uruguayan peso against the U.S. dollar is detailed below. The sensitivity analysis included outstanding monetary items expressed in foreign currency. With a 10% strengthening of the Uruguayan peso against the U.S. dollar, the comprehensive income for the period would be reduced by USD 496,090 equivalent to UYU 17,798,059. If a weakening of 10% were to occur, the comprehensive income for the period would increase by USD 405,892, equivalent to UYU 17,798,059.

b) Interest rate risk

The Trust is exposed to low interest rate risk. The debt is at a fixed rate.

c) Price risk

Price risk occurs when changes in market prices relevant to the activity carried out by the Trust affect its income or the value of the financial and non-financial instruments it holds.

The main assets exposed to this risk at each period end of the financial statements are as follows:

	USD		Equivalent in UYU	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Inventories	2,753,674	324,246	109,769,688	14,492,155
Property, plant and equipment (Lands)	28,463,214	28,463,214	1,134,446,529	1,272,163,350
Biological asset	35,318,544	37,286,986	1,407,903,103	1,666,541,861
	66,535,432	66,074,446	2,652,119,320	2,953,197,366

NOTE 11 – SUBSEQUENT EVENTS

After June 30, 2022, no other events or circumstances have occurred that significantly affect the financial position of the Trust, its financial performance, and its cash flows.