

CARE

RISK RATING AGENCY

UPDATE OF THE RISK RATING OF
PARTICIPATION CERTIFICATES IN
POSSESSION OF THE FINANCIAL
FORESTRY TRUST "FIDEICOMISO
FINANCIERO FORESTAL BOSQUES
DEL URUGUAY 4"

Montevideo, October 2023

4	GENERAL OVERVIEW
8	I INTRODUCTION
16	II THE TRUST AND THE PARTICIPATION CERTIFICATES
19	III. THE MANAGEMENT
25	IV. UNDERLYING ASSET AND FUTURE CASH FLOW
31	V THE ENVIRONMENT
43	VI. RISK RATING

**Update of Rating of the Public Offering Participation Certificates of the Financial Forestry Trust “Fideicomiso Financiero Bosques del Uruguay 4”
October 23, 2023**

Trustee: EF Asset Management Administradora de Fondos de Inversión
Manager and Organizer: Agroempresa Forestal S.A.
Registrar and Paying Agent: EF Asset Management Administradora de Fondos de Inversión
Registered Agent: Bolsa Electrónica de Valores del Uruguay S.A.
Securities Issued: Participation Certificates
Currency: U.S. Dollars
Issue Amount: USD 330,000,000
Initial Public Offering Date: April 10, 2019
Term : 30 years maximum.
Allocations: Whenever there is Distributable Net Income according to the results and after the third year, as provided by the established procedure
Trust Assets: Land and forests.
Validity of the Rating: April 30, 2024
Rating Committee: Julio Preve, Adrián Tamber and Martín Durán Martínez
Risk Rating: BBB +.uy¹
Manual used: Manual de Calificación de Finanzas Estructuradas Administradas por Terceros [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 Financial Forestry Trust “Fideicomiso Financiero Bosques del Uruguay 4”, maintaining the BBB+.uy investment grade rating.

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

- Its financial structure that, from a legal standpoint, provides the necessary guarantees, as set forth in the legal report in Annex I of the original rating.
- A project that, from an economic and financial point of view, passes various tests to which the issuer and the rating agency have reasonably made it perform. As of March 2023, a new financial flow update is available, which yields an IRR for the most likely scenario of 8.6%, slightly lower than that estimated in 2022 (8.9%).
- This project shares its basic characteristics with other three similar projects, such as they conduct the same business and they are run by the same participants. All of them have fulfilled their business plans without major inconveniences. All the projects have been rated by CARE with investment grade rating. The deviations observed have been duly justified by the Manager and the Surveillance Committee and, in principle, have not changed the project's progress.
- This project comprises 55,365 hectares acquired; of which, as of June 30, 2023, 33,561 hectares are already planted and 1,614 hectares are available for planting, obtaining an average harvest of 64%. This Trust also leases a total of 6,030 hectares, 3,539 of which are planted. The forested area, including owned and leased lands, amounts approximately to 39,000 hectares.
- A tract of land was acquired with an ongoing business, which considerably mitigated the risks of acquisition and planting. The business plan provides the conversion of a good part of the already planted area (pine) into eucalyptus to produce high quality wood.
- The management capacity of the Project Management company, Agroempresa Forestal, complies with the standards of efficiency evaluated in the previous update reports. It has also been confirmed in different reports of the parties involved.

- Its corporate governance structure minimizes risks to investors, and until the preparation of this report it has properly operated and adjusted to the incorporation of the new Trusts.
- It is noteworthy the incentive alignment between the Trust and the Manager, since the latter acquired Participation Certificates (PCs) for 0.6% of the total amount of the initial public offering. Likewise, each year, Agroempresa Forestal is bound to acquire Participation Certificates offered in the secondary market, for the amount equivalent to 0.6% of the initial issue, until acquiring a total participation of 3% in the fifth year from the initial offering date. As of December 2022, the company has already acquired Participation Certificates related to the different Trusts "Bosques del Uruguay" for approximately USD 11.5 million.
- The first half of the year was marked by rainfall records well below the historical average, affecting plantations as a result of the intense drought. The water deficit had consequences such as reduced tree growth and extra costs incurred in the fire protection system during the summer. The most affected areas were those with the shallowest soils. Although the forests have been recovering, some very specific areas are being evaluated and monitored. In January, a fire outbreak was recorded, however, the Trust experienced no significant losses.
- The 2023 budget, in principle, estimated a revenue for about 45 million dollars, mostly from sawnwood exports (pines and eucalyptus) and, to a lesser extent, from pulpwood sales to pulp mills. However, the results were below than those outlined in the annual plan and budget, basically as a consequence of the lower dynamism of the international market. The Manager's projections as of June 2023 estimate that total revenues would reach USD 30 million, 34% less than projected for the year.
- The lower revenue expected for the year, the reduction in gross margins and an increase in general expenses, resulted in a negative management result² at the end of the year (USD -3.91 million), although it was expected to be positive (USD 2.69 million).
- The Olimar industrial project construction is advancing steadily. Significant progress has already been made in the civil works; and the installation of the boiler and equipment is currently underway. The initial investment cost is estimated to be 31% higher than the approved project, as a result of the depreciation of the dollar against the Uruguayan peso and the increase in

².Management results: sales- (operating costs + investments + expenses).

some costs. However, the Manager presented a new financial projection, with improvements in the sales prices of the final product and some technical coefficients, resulting in maintaining the original profitability of the project.

- The last valuation of the Trust's lands and plantations was performed in December 2022. This valuation reached a total amount of USD 452.6 million, comprising USD 161.05 million for land, USD 3.16 million for future grazing income, USD 288.43 million for forest income. This new valuation showed a 11.9% growth, mainly resulting from the increase in the forests value. The Trust's book equity as June 30, 2023, is USD 463.21 million, being above the value of the issuance, which was USD 330 million.
- After the effects of the pandemic were overcome, the consequences of the conflict between Russia and Ukraine, the cooling of the global economy, and of China in particular, as well as the zero COVID-19 measures implemented by this country, had a significant impact on 2022. These phenomena brought about changes in the world economy and trade, for example occasional increases in raw material prices, higher international inflation and freight and energy costs. All this situation led to a greater volatility in the wood market, and the increase in costs tightened the margins of the business. In the second half of 2022, measures taken by China had a significant impact on some of the products imported by that country, affecting, among others, the demand and prices of wood and pulp.
- In 2023, the price of pulp showed a very sharp reduction due to a low growth of the world economy, including China's. This situation could have affected the level of demand. Raw wood market has also shown signs of weakness and low demand. Considering eucalyptus wood, its demand has dramatically reduced since the second half of 2022 and is expected to start recovering slowly. Regarding pine wood, the continued demand from India has helped sustain trade to a greater extent. Besides, the reduction in international freight costs has been a positive sign for trade.
- The market for agricultural land (including forestry) shows long-term trends of increasing prices, due to the sustained increase in demand for food and wood and the fact that, in general, the possibilities for expanding the agricultural frontier are increasingly limited. In the case of Uruguay, the expected increases in the prices of land will be more moderate than those

between 2004 and 2014. After a period of adjustment and erratic behavior with little business between 2015 and 2020, the price of land had increased in two years: 6.2% in 2021 and 6.9% in 2022. These increases involved a growth in the number of operations partly due to the rise in the prices of some products, high international inflation, the weak dollar exchange rate in Uruguay and the absence of increases since 2015.

- Regarding public policies, threats related to a possible change in policy in the forest sector have been cleared up. In this opportunity, the forests are already planted, and all the permits and previous authorizations were granted. However, difficulties are arising when conducting reforestation, as a result of the implementation of Decree No. 405/21 dated December 2021.

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 Forestry Trust “Fideicomiso Financiero Forestal Bosques del Uruguay 4”.

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 (CBU). This entity is in charge of supervising and controlling 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, to make any decision, 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 in which a trust is given a grade that qualifies its expected performance and its capacity to generate profits over time, in accordance with the forest business project that its management is mandated to run. 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 either on the extent of the Internal Rate of Return calculated for the project or on the investors' opportunity cost of capital. In short, the grade will be based, among other criteria, on the compliance with the project and achieving 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 integrating 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 Martínez, Adrián Tamber and Julio Preve. CARE hired Mr. Leandro Rama, Attorney at Law, for the legal risk assessment at the time of the original rating. CARE also regularly hires forestry experts to prepare reports and performs site visits.

Beyond standard updates, the rating may change due to new relevant facts. The biannual evolution of the business plan provided in the Prospectus is considered a significant event.

2. General background and most relevant events in the period

a. General background

- The Financial Forestry Trust “Fideicomiso Financiero Forestal Bosques del Uruguay 4” aims to provide investors with long-term returns obtained essentially from the proceeds of the sales of wood and standing timber, and the increase in the price of its land asset, as well as, to a lesser extent, from the proceeds of the sale of carbon credits and the grazing of non-forested lands. Investment and management protocols with appropriate productive, environmental and social standards are followed.
- As the most relevant precedent, it is worth mentioning that the Trusts “Fideicomisos Financieros Forestales Bosques del Uruguay I, II and III” issued Participation Certificates in August 2011, October 2014, and December 2016, for the amount of 50, 70 and 190 million dollars, respectively. These Trusts, managed by the same entity as this one, are satisfactorily complying with their original business plans, which are similar to the one presented in this report.
- The development of this forest project begins with the acquisition of lands and forests, continues with the silvicultural management of trees, and finishes with the harvesting and commercialization of wood, either for pulp production or sawmilling.
- The maximum term of the Trust is 30 years, or until the Participation Certificate issued by the Trustee are fully paid and all other obligations under the Agreement are met. However, due to the scope of this project and the current age of the asset acquired, it is estimated to last approximately 20 years.
- The Financial Forestry Trust "Fideicomiso Financiero Forestal Bosques del Uruguay 4" was created on December 17, 2018, by means of a Trust Agreement made and entered into by and 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 "Beneficiaries".
- The Trust acquired forest assets already forested and in full operation with the proceeds from the issuance. A total of 55,365 hectares were purchased, comprising two blocks: the North (Terena) covering 18,802 hectares, and the Northeast (Guanare) covering 36,563 hectares. The farms of the Northeast Block are

RISK RATING AGENCY

located in the departments of Cerro Largo and Treinta y Tres, and those of the North Block in the departments of Tacuarembó and Rivera.

- There are approximately 33,561 hectares of planted land and about 1,614 hectares available for planting, which would result in an average harvest of 64%. Approximately 33% of such area is planted with pine (around 11,400 hectares).
- The Trust also leases a total of 6,030 hectares, of which 3,572 hectares are currently planted. The lands leased are located in the departments of Cerro Largo, Treinta y Tres, Tacuarembó, Rivera and Durazno.
- The estimated total sales revenue will be 51% from the sale of wood, 33% from the sale of standing timber, and 15% from the sale of land at the end of the project. Revenue from grazing is marginal and estimated by discounting the expected cash flows at a rate of 6%.
- The business plan provides that as pine forests are cut, the harvested areas will be replanted with eucalyptus species to produce knot-free sawnwood. In the least productive areas, eucalyptus species will be planted for pulp production.
- On August 28, 2019, the Trust took possession of the farms acquired, and the Manager started operations.
- The Trust's forests are FSC (Forest Stewardship Council) certified. To date (June 2023), the Trust has 60% of its hectares certified and continues working on the incorporation of more farms and areas.
- In order to cover cash deficits from harvesting costs and the export process, the Trust has taken out short-term loans with local private banks (pre-export finance), which have been renewed on several occasions. The Trust has also obtained another long-term loan that is being amortized without any inconveniences. On all occasions, the Surveillance Committee's approval has been obtained and the trustee has duly notified the Rating Agency.
- On December 28, 2020, a meeting of the Holders of the Participation Certificates was held and attended by all of them. At such meeting, it was resolved to modify certain terms and conditions of the Participation Certificates. 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.

- In January 2022, the Trust Agreement was amended to include the execution of "Industrial Projects" in the Business Plan, which would allow investors to receive a higher return.
- On 16 June, 2022, a meeting of the Beneficiaries was held, which unanimously approved the anticipated sale of a 139-hectare plot of land located in Ruta 27, 3 km away from the city of Rivera. This farm, which is very close to the city of Rivera, would be very difficult to reforest because of the risk of fire in its proximity to the surrounding populated areas.
- This meeting of Beneficiaries also approved by an absolute majority the execution of the Olimar Project, financed by a long-term loan (10 years), which has already been granted.
- The last valuation of the Trust's lands and forests was presented on December 31, 2022. As in the previous year, two valuations were performed by different companies, which were the same as in 2021. Agroclaro conducted the land valuation without considering the value of the forests, and Woodlands Pacific conducted the valuation of the forests considering the value of the land estimated and provided by the former. This valuation reached a total amount of USD 452.64 million, comprising USD 161.05 million for land, USD 3.16 million for future grazing income, USD 288.43 million for forest income

b. Most relevant events in the period

- In the first half of the year, gross sales were below estimations and budget expectations due to the deterioration of the international market for pine and eucalyptus wood, the main market and products of this trust fund. Between January-June 2023, revenue from pine export was 21% below estimations and revenue from eucalyptus export was 30% below the original plan for this period.
- Domestic demand for sawnwood was also weak and its sales were below forecasts. However, pulpwood demand from pulp mills remained in line with projections, and revenue from pulp was 61% higher than projected for this period.
- The Manager has adjusted revenue forecasts for 2023 downward, which would be reduced a 34%, in view of this

CARE

RISK RATING AGENCY

market situation, and based on the assumption that the current situation will last at least until the end of the year. Gross revenue for the year is expected to be reaching USD 30 million, compared to the original forecast of USD 45 million. As shown in the table below, the greatest differences are in pine and eucalyptus sawnwood, both for the domestic and international markets. Revenue from pulpwood will end the year slightly below forecasts (-9%).

Table 1. Revenue in the first half the year and projection for 2023 (USD)

Activity	First half of the year			TOTAL 2023		
	Actual	Budget	Difference	Projected	Budget	Difference
Energy	930,869	0	930,869	1,031,349	0	1,031,349
Sawn Eucalyptus Wood Domestic Market	37,246	1,342,852	-1,305,606	1,760,720	5,404,892	-3,644,172
Sawn Pine Wood Domestic Market	451,998	1,238,420	-786,422	1,521,288	2,705,932	-1,184,644
Pulp	4,504,613	2,800,456	1,704,157	8,121,464	8,878,599	-757,135
Sawn Eucalyptus Wood International Market	3,942,279	5,656,287	-1,714,008	8,809,304	15,185,466	-6,376,162
Sawn Pine Wood International Market	4,870,805	6,165,599	-1,294,794	8,178,532	12,453,937	-4,275,405
Grazing	52,143	218,892	-166,749	437,783	437,783	0
Total	14,789,953	17,422,506	-2,632,553	29,860,440	45,066,609	-15,206,169

Source: Manager

- In fall 2023, around 249 hectares of eucalyptus were planted in three farms. The areas to be planted in spring were adjusted downward, as a result of the lower progress made in pine harvests and the fact that the General Forestry Directorate (DGF, for its acronym in Spanish) and the National Directorate for Quality and Environmental Assessment (DINACEA, for its acronym in Spanish) still have not authorized to plant a few hectares on two farms whose budgets projected their reforestation in the second half of the year. The total investment in planting for the current year is estimated at USD 2.6 million (-19% compared to the original budget).
- In the first half of the year, investment in management (pruning and thinning) was 11% under budget as fewer hectares were pruned than planned due to the water deficit occurred during the period, which increased the risk of fire. The Surveillance Committee notes that unit costs of pruning, in dollars, exceeded the costs included in the budget, ranging from 6% to 36% for the highest pruning. Investments in management are expected to be in line with the budget at the end the year.

- Production costs in the first half of 2023 were under the budget (-12%), as a result of a lower pine and eucalyptus harvest for export. On the assumption that the current unfavorable situation of sawnwood exports continues, it is estimated that production costs would be 30% lower than estimated at the end of the year.
- Operating expenses in the first half of 2023 were 8% over budget, showing variations in the composition of some of its items. The item that increased the most is the protection one. This item accounts for part of the overall deviation because the Trust had to incur in more fire surveillance expenses due to the increased risks of droughts.

Table 2. Investments and costs in the first half of the year and projections for 2023 (USD)

Activity	First half of the year				TOTAL 2023	
	Actual	Budget	Difference	Projected	Budget	Difference
Production Costs	10,949,287	12,410,221	-1,460,934	21,677,899	31,036,275	-9,358,376
Investments in Planting	981,170	1,305,467	-324,297	2,636,334	3,249,262	-612,928
Investments in Management	284,112	317,745	-33,633	563,195	541,138	22,057
Expenses	3,968,052	3,678,791	289,261	8,453,151	7,682,688	770,463
Total	16,182,621	17,712,224	-1,529,603	33,330,579	42,509,363	-9,178,784

Source: Manager

- The Manager has revised the commercial plan, providing a reduction in revenue and gross margins in view of the difficult market situation. These points are the main reasons why the management result shows a clear decline, from USD 2.69 million budgeted for 2023 to a negative result of USD -3.91 million.
- The Trust paid off the long-term loan in the reported period. Additionally, export prefinancing and short-term credit operations were maintained for conducting operations.
- In the first half of 2023, a total of 1,209 additional hectares located on two of the Trust's farms were included in the FCS® certificate, reaching 68% of its certified hectares.
- In January 2023, a fire broke out on a farm owned by the Trust. There were no relevant material losses and the fire protection and detection system was very successful.
- The Manager reported that plantations are generally in good health, however, some areas have been affected by the water deficit occurred in the first half of the year. This water deficit

resulted in reduced tree growth and extra costs incurred in the fire protection system during the summer. Two farms were significantly affected, especially in areas with shallower soils. Some health problems have been detected in these farms and mitigation measures are being evaluated and developed.

- In general, these areas have been recovering and the most affected ones are currently being evaluated. Severe water deficit causes discoloration, defoliation, apical death and a physiological imbalance resulting in the appearance of epicormic shoots³ and in extreme cases the death of the tree. In order to mitigate this situation, pruning of epicormic shoots is carried out as the affected areas recover. This practice is necessary to keep the area free of tree knots, however, it implies extra costs in management activities.
- Considering the Olimar plant, significant progress has been made in the second half of the year and civil works are being carried out as planned. The installation of the boiler is currently underway and the machinery will be installed in the second half of the year.
- The initial investment cost is estimated to be 31% higher than the approved project, as a result of the depreciation of the dollar against the Uruguayan peso and the increase in some costs.
- The Manager presented an update of the financial model of the industrial project. Although higher investment and operating costs are projected, technical production coefficients and selling prices are also modified. Therefore, the IRR for the industrial project would not register major variations, as long as sales prices of sheets comply with the stated objective, since the result is highly sensitive to this variable.

3. Analyzed Information

In this report, the information analyzed was as follows:

- Balance sheet with audit's report of Agroempresa Forestal as of December 31, 2022
- Financial statements of the Trustee as of June 30, 2023
- Financial statements of the Trust as of June 30, 2023
- Manager's reports, the last one as of June 30, 2023
- Surveillance Committee's reports, the last one as of June 30, 2023

RISK RATING AGENCY

- Rating reports and their updates of the Financial Forestry Trusts: Fideicomisos Financieros Forestales Bosques del Uruguay I, II and III, performed by CARE
- Relevant information on the forest sector
- Valuations of the lands and plantations as of December 2022 performed by Agroclaro and Woodlands Pacific.
- Updates of financial projections as of March 2023

II. THE TRUST AND THE PARTICIPATION CERTIFICATES

Participation Certificates in possession of the Financial Forestry Trust “Fideicomiso Financiero Forestal Bosques del Uruguay 4”, 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 IV
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agroempresa Forestal S.A.
Registrar and Paying Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Registered Agent:	Bolsa Electrónica de Valores S.A.
Stock Exchange Listing:	Bolsa Electrónica de Valores S.A.
Organizer:	Agroempresa Forestal S.A.
Securities Issued:	Participation Certificates
Trust Assets:	The Trust invested in the purchase and/or lease of rural properties for forest exploitation.
Currency:	U.S. Dollars
Issued Amount:	USD 330,000,000

CARE

RISK RATING AGENCY

Allocations: Whenever there is Distributable Net Income at each fiscal-year end, or because of the sale of the Trust Assets or the final distribution of the Remaining Net Income. (Between years 0 and 2, there will be no distribution of funds, even if they exist, as they will be used to finance the business plan)

Risk rating: BBB +.uy

2. Legal Analysis

The legal analysis was included in Annex I (“Fideicomiso Financiero Forestal Bosques del Uruguay 4”. Legal Report). It ruled out any possible conflict arising from, for example, the legal structure, the relevant agreements, the compliance with current regulations, etc.

At the beginning of the report, the introduction stated that *“after comparing all these documents, it is concluded that the legal and regulatory provisions for financial trusts are complied with, both in terms of its formal constitution and aspects related to its capacity and recognition of the parties. As for the substance, there are no legal obstacles that prevent or jeopardize the expected yield from the participation certificates to be issued”*.

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

3. Risks considered

Structural legal risk. It includes the analysis of possible defaults in the payments to beneficiaries due to defects in the legal structure for noncompliance with any regulation in force, and the possible enforcement of court orders as a result of claims for damages by possibly injured parties. Having verified the aforementioned report, which essentially resembles the reports of Trusts I, II and III, CARE 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 authorized the company to operate under the Investment Funds Law No. 16,774 dated September 27, 1996, and its subsequent amendment provided in Law No. 17,202 dated September 24, 1999.

On July 9, 2004, the Central Bank of Uruguay (Notice No. 2004/188) authorized the firm to operate as a Financial Trust pursuant to Law No. 17,703 dated 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 pursuant to 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 interim financial statements as of June 30, 2023, 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 security deposits to which the firm is bound, in accordance with current regulations, and by the trusts it manages which are, therefore, of restricted availability. This explains the financial liabilities incurred to constitute these securities, which once they are released, those financial liabilities will be paid off. 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 3. Statement of Financial Position of EFAM (thousands of UYU)

Item	06/30/2023	12/31/2022	12/31/2021
Current Assets	22,460	26,974	18,989
Non-current Assets	234,787	245,533	281,068
Total Assets	257,247	272,507	300,057
Current Liabilities	39,398	43,807	33,484
Non-current Liabilities	192,631	204,187	230,681
Total Liabilities	232,029	247,994	264,165
Equity	25,218	24,512	35,891
Total Liabilities and Equity	257,247	272,507	300,057
Current Ratio	0.57	0.62	0.57

Source: Financial Statements of EFAM

The results for the six months ended 2023 show a significant recovery compared to the same period of the previous year, mainly explained by the financial results, as presented in the table below.

Table 4. Income Statement of EFAM (thousands of UYU)

Item	06/30/2023	06/30/2022	31/12/2022
Operating Revenue	41,150	39,409	80,546
SG&A	(32,680)	(30,976)	(66,556)
Operating Result	8,471	8,433	13,990
Financial Results	(6,966)	(20,984)	(28,054)
Income before taxes	1,505	(12,551)	(14,064)
Corporate Income Tax (IRAE)	(799)	(87)	2,685
Income for the period	706	(12,638)	(11,379)
Revenue from Operating Activities	20.59%	21.40%	17.37%
Income for the period	1.72%	-32.07%	-14.13%

Source: Financial Statements of EFAM

Therefore, there are no risks associated with EFAM remaining as the Trustee.

EFAM manages an important portfolio of trusts, both in number and diversity. Therefore, its suitability for this role 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 and its successive updates of this and the three other similar trusts. 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.

CARE reviewed the evolution of each project run by the company, which is the best source of information available to assess its capacity.

Succinctly, AF Global S.R.L. is the holding company under which AF Administraciones Forestales operates. The other two divisions are La

RISK RATING AGENCY

Novillada (weed control and sales of agrochemicals) and AF Maderas, focused on the export of logs for sawmilling and wood 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, AF's the most relevant precedent is that it manages, among others, the assets of four trusts (including this one) rated by CARE. The four trusts together had an original value of more than USD 630 million. Given 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. Therefore, the consulting firm Deloitte was hired to suggest the improvements that AF should implement in this regard.

This work took six months, resulting in a series of recommendations detailed in the previous update. In general terms, they have been implemented as reported in previous updates, consequently 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. Also, changes in the various professional positions comprising such structure are periodically reported. In this regard, the company informed CARE that no major changes have been made in the corporate structure in this period.

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 key figure 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.).

Economic and Financial Situation

The company's balance sheet closes each December 31. CARE had access to the latest available balance sheet as of December 31, 2022, audited by Price Waterhouse Coopers Ltda.

According to such financial statements, the company shows a positive and growing evolution of its assets, consistent with the evolution of the results obtained. AF's participation in the 4 trusts it manages is worth mentioning. At the fiscal year ended 2022, the company's assets included a total of Participation Certificates issued by EFAM approximately amounting to USD 11.5 million.

In view of the above, the capacity of AF to carry out this and the other operations mentioned above is considered positive. It is also worth recalling that AF, as trust asset manager, is subject to strict controls, including its possible replacement in the event any of the contingencies provided in the relevant agreements may occur.

The Trust

The Trust Agreement was made and entered into on December 17, 2018, by and between EFAM (Trust) and AF (Manager). On March 18, 2019, the Central Bank of Uruguay authorized the Trust registration in the Stock Market Registry and the subsequent issue of the Participation Certificates amounting to USD 330 million.

Therefore, Participation Certificates were issued for USD 330 million and fully paid in three successive issues made between April 11, 2019, and August 26, 2019, thus, complying with the beginning of the forest business plan described in another section of this report.

The tables below show the Trust's Financial Statements for the six months ended June 2023.

Table 5. Statement of Financial Position of the Trust (thousands of USD)			
Item	06/30/2023	12/31/2022	12/31/2021
Current Assets	17,065	13,401	13,024
Non-current Assets	473,984	471,224	422,304
Total Assets	491,050	484,626	435,328
Current Liabilities	16,649	9,843	11,006
Non-current Liabilities	11,189	11,122	5,785
Total Liabilities	27,837	20,965	16,791
Equity	463,213	463,661	418,537
Total Liabilities and Equity	491,050	484,626	435,328
Current Ratio	1.02	1.36	1.18

Source: Financial Statements of the Trust

The valuation of lands and forests are performed at the end of each fiscal year. Therefore, in this case, the book values provided in the preceding

RISK RATING AGENCY

table are the same as those of December 2022, including the modifications inherent to the operations of the first half of the year.

The book value of equity shown in the table above was USD 463.2 million, much higher, in nominal terms, than the amount issued, which was USD 330 million.

Considering liabilities, the balance of the Trust's bank loans as of June 2023 is USD 17.5 million, of which USD 11.2 million are short-term.

Table 6. Income Statement of the Trust (thousands of USD)			
Item	06/30/2023	06/30/2022	12/31/2022
Operating revenue	15,039	27,218	37,458
Change in the value of biological assets	-	-	42,396
Cost of goods sold	(11,784)	(21,985)	(30,198)
Gross margin	3,254	5,233	49,656
SG&A	(4,485)	(5,943)	(10,258)
Financial results	(675)	(919)	(1,253)
Miscellaneous income	-	-	-
Income before Corporate Income Tax (IRAE)	(1,905)	(1,628)	38,146
IRAE	1,457	2,487	856
Income for the period	(448)	859	39,001
Revaluation of land	-	-	6,658
Associated deferred IRAE	-	-	(536)
Comprehensive income for the period	(448)	859	45,123

Source: Financial Statements of the Trust

According to the table above, income for the period is almost entirely from wood sales, and also from marginal income from grazing and others. In this case, recording changes in the value of biological assets (or in the value of the land) is not necessary, as it will be done at the end of the year.

Risks considered

Management risk, considering the suitability of AF S.A. and EFAM to fulfil their duties, and according to all the analyses performed, CARE considered that the risk of non-compliance of the Manager and the Trustee with the project's responsibilities is limited. In addition, their replacement is considered in the event of any deviations that justify it. *Very low risk.*

Risk of conflicts is derived from the possibility of lawsuits interfering 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 RATING AGENCY

Risk due to change of trustee is duly 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

1. Trust assets and descriptive aspects of the project

An investment in the purchase of a forest project was made, under the conditions set forth in the Agreement, to become part of the Trust assets and develop forest exploitation, in accordance with the provisions of the Business Plan.

This forest project has already been set up. Therefore, the forests will be exploited for about 20 years, mainly by harvesting them, selling wood, and replanting the harvested areas with eucalyptus. The land and standing timber will be sold at the end of the project.

2. Evaluation of the return on investment and the Internal Rate of Return, associated risks and sensitivities

The latest update of the financial flow including actual data as of December 2022 and a projection for the 2022-2039 period was presented.

The Manager presented a series of possible scenarios, estimating different evolutions for the prices of wood, production costs and land from 2023 until the termination of the Trust in 2039. According to CARE, the most likely scenario is based on the following assumptions:

- Product prices are adjusted for U.S. inflation (projected by BEVSA)⁴. Real price increases are not projected either for pulpwood or solid wood.
- The prices of land have increased by 3% 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. It assumes that certain degree of inflation in dollars is sustained, thus penalizing future margins⁵.

Additionally, projected yields remain in line with the actual behavior observed in the forests, and prices and costs are based on current levels. The final value of the forests is the future income stream of 20 years, discounted at 8.5%, higher than that used in the valuation (7.5%) and also higher than the opportunity cost estimated by CARE in this report (6.37%).

Investment income in PCs is projected in the new flow, which would begin in 2024 and end with the termination of the Trust in 2039.

Based on this projection, the IRR for the entire project period of the Trust in the most likely scenario would be 8.6%, slightly lower than that estimated a year ago (8.9%).

The table below shows the IRR results after considering the most and least favorable scenarios.

⁴. Historical U.S. inflation is estimated to be around 2.1-2.3%. assuming a return to historical levels.

⁵. It assumes that inflation in Uruguay would be 6% and devaluation would be 3.8%, worsening the exchange rate lag. This increases dollar costs in the medium and long term and negatively affects profitability

Table 7. 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 a 1.5%	8.6%
2 Wood adjusts for U.S. inflation. Costs adjust for USD UY Inflation, and land increases a 1.5%.	8.4%
3 Same as 2 but the price of land increases a 3%	8.6%
4 Wood and land price increase a 1.5%.	7.6%
5 Wood price increases a 1.5%	7.4%
6 All other factors unchanged	7.2%

Source: Manager

As the table shows, there is little variation in the expected rate of return for the different scenarios.

CARE considers scenario 3 to be the most likely, as it assumes an increase in the prices of wood similar to U.S. inflation, that is, no change in prices in real terms. World Bank projections for the next ten years assume an increase in the price of wood between 1.1% and 1.5% per year, depending on its origin (see Section V). In the case of land, an increase of 3% per year seems reasonable, as it is the minimum value that the rating agency generally uses for projections (between 3 and 4%).

Scenario 6 assumes that the prices of wood and production costs would remain constant in nominal terms throughout the period and will only increase the price of land a 1.5%. This is the most unfavorable scenario, in which even if the prices of wood or land do not increase in the remaining years, the IRR would still be positive (7.2%).

2. New estimate of the opportunity cost of capital

In theory, the opportunity cost of capital provides the minimum expected profitability of a project and is the key indicator to discount expected cash flows. In this regard, the estimation of the opportunity cost of capital was updated using the Capital Asset Pricing Model (CAPM), which relates the risk-free rate, the market risk premium and the risk premium assigned to the specific production system, in this case the industry of paper and forest products.

For the purpose of estimating the opportunity cost of capital, and since this project is already being executed, CARE considered the average of the last 5 years for all variables, in order to minimize cyclical variations, both upward and downward, and to have a medium-term vision.

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

Where:

β_{im} : Own systematic risk compared to market risk, value provided by Damodaran.

r_f : risk-free rate. The yield of the 10-year Treasury Bonds of the Federal Reserve of the United States of America is considered.

$E(R_m) - R_f$: Market Risk Premium. Specific risk premium for the market where the project operates (the difference between yields on equity assets and the risk-free rate.) To estimate the return on equity assets, the equity market risk premium provided by Damodaran (Equity Risk Premium of S&P 500) is considered.

E_{rp} : Premium for specific risk to the company or project evaluated. Uruguay's country risk, measured by the República AFAP (Pension Saving Fund) Uruguay Bond Index, is considered in this case.

The value of Damodaran's "beta unlevered" parameter for the average of the last 5 years (2019-2023) is 1.04, indicating that investing in forest production entails a higher risk and variability than the average of all the activities in that market. CARE considered 2.18% for the yield of the U.S. Bonds, 132 basis points for the country risk (Uruguay Bond Index), and 4.95% for the equity market risk premium.

When applying these values, the expected rate of return on equity is 6.37%. This value is lower than the calculated IRR for the most likely scenario (8.6%), indicating that the investment would have a higher profitability than the theoretical one.

In the current situation, the values of the risk-free rate and the stock market return are higher than the average for the period under consideration. However, the country risk is lower than the average for the last few years. The opportunity cost of capital would be slightly higher (6.77%) if current values were applied.

Other indicators that the expected IRR of the Trust could be compared with are the yield curves. These are possible investment options since they are estimated specifically for Uruguay.⁶ Currently, the 10-year Indexed Unit Yield Curve (CUI, for its acronym in Spanish) is at 3.37% and the 10-year Yield Curve in Dollars (CUD, for its acronym in Spanish) is at 5.02%. The expected IRR for the investor in the Participation Certificates exceeds the opportunity cost, in this case, but only the country risk is considered and not the sector risk.

While these comparisons cannot be taken in a strict sense, they should be considered as a reference that, among others, help to form a judgment about the investment.

⁶Yield Spot Curve of Uruguayan Sovereign Securities issued in national currency indexed to inflation, as the case may be.

3. Compliance with minimum project standards

It considers the risks related to forest management and those aspects related to the climate such as droughts or fires.

Forest management risk refers to forest management decisions: planting of species in appropriate sites; management of plants production and their establishment; tree improvement through genetic improvement programs; development and implementation of spacing and silvicultural activities; protection of the silvicultural plantations and of land from different hazards such as fire, health issues, animals, weeds, etc,

The productive management risk is minimal because it is mitigated by the Manager's performance and experience. The forest sector in Uruguay is in a maturity stage where important firms are involved in primary and industrial production, production services, logistics and foreign trade.

Considering biological risks, the species selected have showed an appropriate performance in the ecosystems planted and their pathologies are well known. However, as this is a long-term project, if the species were to present biological problems in the future, there is an important supply of qualified human resources in the country and the region in terms of basic and applied research, both in the National Institute of Agricultural Research and in the University of the State (basically the School of Agronomy and the School of Sciences).

Regarding climate risks, the most important one would be the occurrence of extreme droughts such as the one of 2022/2023, because it is very unlikely that its negative effects could be mitigated. These types of risks are difficult to prevent, as well as to estimate their future impact. After the severe drought of 2022/2023, real information about the effects that this drought may have on forest production has been collected.

In the case of forest fires, they are a common risk in forestry activities, and these projects have appropriately internalized it. Management measures are taken to minimize their occurrence such as firebreaks, debris removal, continuous surveillance in the summer, and paying for insurance. On the other hand, the high dispersion of farms also reduces fire risks, since if it were to occur, it would be restricted to that farm.

Finally, the Manager permanently monitors the plantations in order to detect any health or management problems affecting the normal development of the plantations.

4. Land and Forests valuation

The last valuation of the Trust's lands and forests was presented on December 31, 2022. Two valuations were performed by different companies, which were the same as in 2021. Agroclaro conducted the

land valuation without considering the value of the forests, and Woodlands Pacific conducted the valuation of the forests considering the value of the land estimated and provided by the former.

The valuations of the plantations are considered as a photograph of the Trust's existing forests as of December 31. Therefore, they consider the biological growth of the trees and also the variation in the number of hectares compared to the previous year's valuations.

The table below shows the evolution of the values of the Trust's land and forests, according to the data provided in the valuations performed annually. It should be clarified that the 2020 valuation was carried out by another company and following a different methodology, which undervalued the land value.

	Land	Forests	Grazing	Total
2020	112.98	275.46		388.44
2021	154.39	246.05	3.66	404.10
2022	161.05	288.43	3.16	452.64
Variation 2022/2021	4.3%	17.2%	-13.7%	12.0%

Source: Valuations

This valuation was based on the following methodology:

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

According to these assumptions, the Trust's land and forests valuation as of December 2022 is USD 452.64 million, comprising 288.43 MM for the forests, 3.16 MM for grazing and 161.05 MM for the land.

Between 2021 and 2022, the value of the land and forests together increased a 12%. This increase is mainly explained by the increase in the forests and land value, which was 17.2% and 4.3%, respectively. On the contrary, future grazing income fell a 13.7%.

The increase in the forests value provided in the valuation dated December 2022 is basically a consequence of the forests' growth and the projection of better prices of wood. In turn, the increase in the projected transportation and logistics costs and the delay in sales flows had the opposite effect.

Cash flow generation risk. Considering the management, biological and physical variables, as well as the economic and financial variables included in the sensitivity analysis; CARE concluded that the cash flow generation *risk is minimum*.

RISK RATING AGENCY

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 is carried out to evaluate future factors that may affect the generation of the projected cash flows deriving from circumstances beyond the company's control and referring 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's objectives.

By public policies, CARE refers not only to domestic policies, but also to those of the countries' with which the Trust commercializes. Regarding the country's sectoral policy, for the time being, no changes are foreseen that could affect the current development and growth of this activity.

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. As for the possible extension of environmental barriers, the country, and especially this project, have stood out for its care and certifications related to it.

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

1 . Economic and market risk

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

A) Prices of wood

It is the most important price and, therefore, the most decisive item for the rating agency since the price of wood accounts for 78% of the investment returns.

In the case of this project, the price of quality eucalyptus and pine wood will have the most significant impact on its final result. As mentioned above, the business plan provides the replacement of pine trees with eucalyptus species managed for quality timber. While the long-term objective will be to produce solid eucalyptus timber, the acquired asset was initially approximately 50% planted with pine, which will be traded over the first few years. Finally, as in all forest projects, some areas are planted to produce pulp, and the thinning and commercial waste from quality forests also have such purpose.

In the long-term, the prices of wood 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 pulp, due to

increased consumption of paper. Communication, packaging and hygiene (tissue paper) are the main uses of paper.

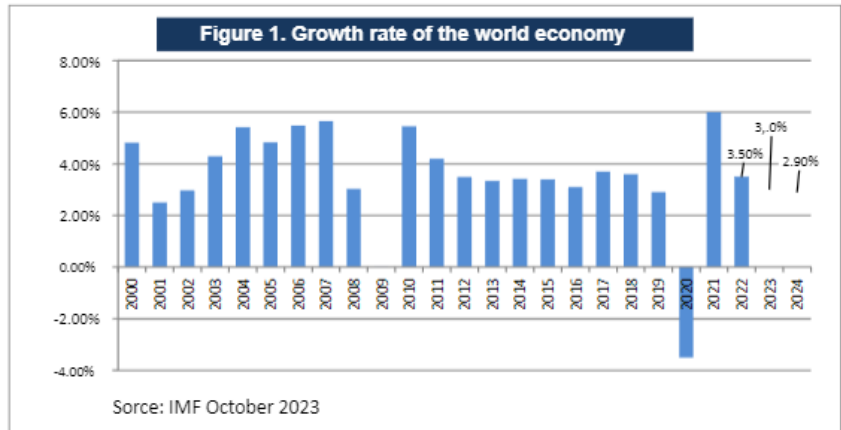
On the other hand, this increase in demand faces a supply that has been constrained by increasing protective measures for native forests, as well as by the control over the yield of forests. Meanwhile, policies aimed at mitigating the impacts of climate change also promote the protection of forests as 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 forest 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 may have a negative impact on demand and, consequently, on prices, as it happened between 2019 and 2020 as a result of the COVID -19 pandemic. Once the impact of the pandemic has been overcome, demand and prices started to recover, however, by mid-2022 conditions changed. The consequences of the conflict between Russia and Ukraine, the cooling of the global economy and, in particular of China's, as well as the zero COVID-19 measures implemented by this country had a significant impact on that year. These phenomena brought about changes in the world economy and trade, such as increases in raw material prices, higher international inflation and freight and energy costs. All this situation created greater volatility in the wood market, and the increase in costs narrowed the margins of the business. In the second half of 2022, the measures taken by China, together with expectations of lower world economic growth, had a significant impact on some of the products imported by that country, resulting in lower pulp prices and greater difficulties in selling raw wood.

In the long term, there are no elements to assume changes in the trends described in the Prospectus. However, unfavorable scenarios, such as the ones mentioned above, should not be totally ruled out.

In this rating, CARE updated key information about the forest sector, confirming that, in the future, there would be no major deviations from the expected trajectory.

According to the latest International Monetary Fund (IMF) report of October 2023, *global growth is projected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in both 2023 and 2024. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. This organization expects that the global headline inflation will fall from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024.*



The recent resolution to raise the U.S. debt ceiling and, earlier this year, the actions taken by authorities to contain the bank turbulence reduced the immediate risks of financial sector turmoil and the adverse risks to the outlook. However, the current scenario of high inflation, the continuation of the war, low growth in China and the current restrictive policy of central banks, maintain a downward outlook for global growth.

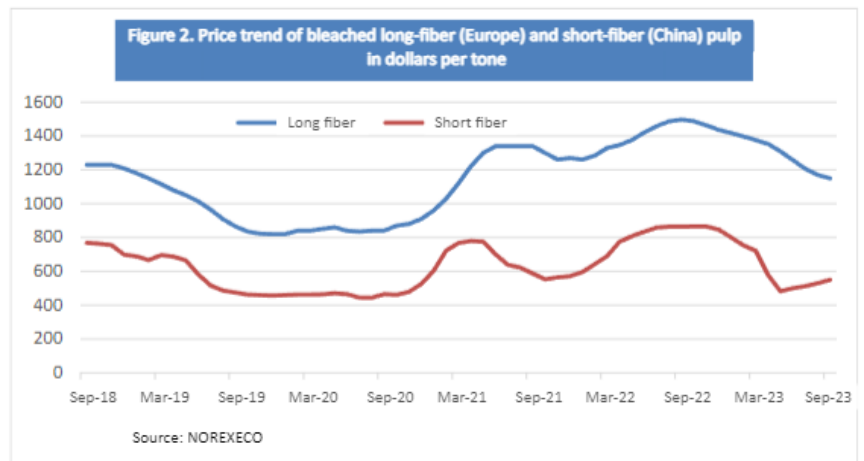
On the upside, inflation could fall faster than expected, reducing the need for a tight monetary policy, and domestic demand could again prove more resilient.

Regarding pulpwood, its reduction in consumption caused by the pandemic initially led to an abrupt fall in demand and prices. Thus, after a marked upward peak in prices during 2018, international, regional and domestic pulp values showed a very significant drop of around 35-40%. The greatest fall was verified in 2019 and then attenuated or remained at these depressed levels for practically all 2020. This drop was temporary, and in 2021 prices recovered rapidly, until the end of 2022. In 2023, at least until the middle of this year, international pulp prices showed sharp declines in their values. This last drop is mainly related to a decrease in the demand for paper, specially for packaging materials, as a consequence of the expected reduction in economic growth in the international economy. The long Covid quarantine in China, the overstock in that country and a drop in demand from the European Union are also contributing to the lower demand.

The figure below provides information on prices per ton for two types of pulp: NBSK⁷ (main international prizes for long-fiber conifer pulp in Europe), and BHKP⁸ (short-fiber pulp in China). The behavior mentioned in the previous paragraph is shown in the figure below.

⁷.Northern Bleached Softwood Kraft. Long-fiber bleached pulp.

⁸.Blanched Hardwood Kraft Pulp. Bleached short-fiber cellulose pulp.



The fall in the prices of short fiber pulp was stronger than in the prices of long-fiber pulp, primarily due to the increased supply of the former product in the region, as a result of the start-up of a large-scale project in Chile and also of the UPM 2 mill.

In the last few months, the fall in the price of long fiber has gone down considerably, while the price of short fiber has started to recover. It is important to point out that as prices fall, international freight rates also drop significantly, partially offsetting the economic effects.

CARE had access to some projections which estimate that the downward trend in pulp prices has ended and a slight recovery could be expected in the short term, at least in the case of short fiber (between 7 and 10%), since it is low in historical terms.

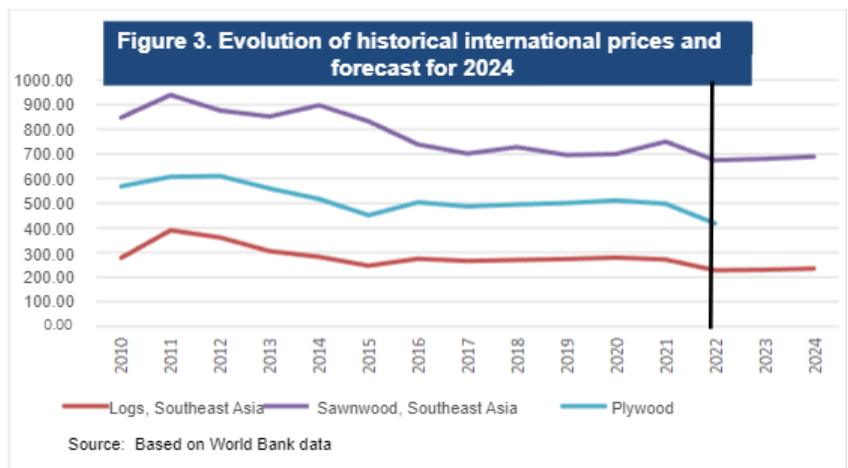
No information is currently available to estimate the outlook for the evolution of international prices for pulp in the long term. Even though, prices may probably evolve in line with the rest of the forest products (raw wood) (see figure 4). In the last 10 years, the annual growth in the international price of pulp has been 3.9%, which is an indicative value, since there is no certainty that, in the future, it will remain the same as in the past.

Regarding raw eucalyptus wood for sawmilling, demand has shown a behavior similar to that of pulp, although less marked. Prices have maintained a slight upward trend, being the volumes commercialized the most affected. After a very uncertain beginning of 2020, marked by the slowdown in exports at the end of 2019 and the declaration of a pandemic at the beginning of 2020, the second half of the year showed great momentum, consolidating the market recovery. This trend continued throughout 2021 and until mid-2022. In the second half of 2022, China practically exited the market, causing a significant drop in demand, which strongly affected Uruguayan exports. A recovery in trade

is expected for 2023, which has already begun in the second quarter of this year.

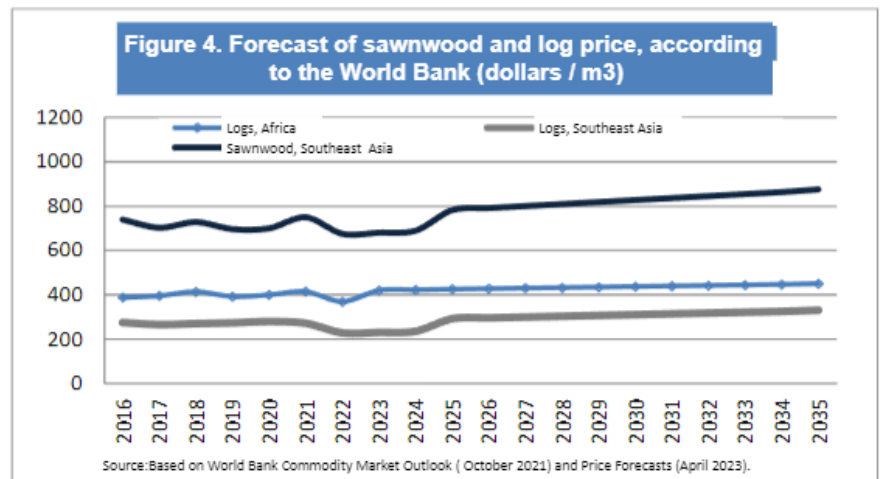
In the case of pine sawnwood, the behavior of its demand is similar to that of eucalyptus. However, in 2023 trade has not recovered. Demand for pine recovered from mid-2020, and this trend continued throughout 2021. However, in 2022 difficulties returned, basically due to the abrupt drop in purchases from China and the increase in maritime transportation costs. Imports from India remain at a good pace, consolidating its position as the main market for Uruguayan exports.

According to the latest World Bank price report of April 2023, the price of raw wood and sawnwood will show a slight increase in the next two years, around 1 to 2% per year.



The long-term outlook for raw wood for sawmilling or sawnwood shows a slight growth in nominal values in the long term. The World Bank⁹ projections report a slight growth in nominal values for 2035. In the case of logs, a 0.95% annual cumulative growth rate is expected, and for sawnwood a 1.5%. These price increases would not cover the devaluation of the dollar, on the contrary, they might experience a slight fall in real terms. These projections are consistent with those for food commodities, for which a slight reduction in values in real terms (positive nominal increases but somewhat lower than the long-term devaluation of the dollar) is also projected.

⁹World Bank Commodities Price Forecast. This forecast was presented in previous reports only prices for 2023 and 2024 are projected.



Uruguay's forest product exports are expected to be once again at an all-time high in 2023, mainly due to the start-up of UPM's new pulp mill. The table below shows the value of forest product exports in the last few years and the first half of 2023. In this table, a clear growth trend can be observed.

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

	2017	2018	2019	2020	2021	2022	First half of 2023
Pulp	1,310	1,660	1,527	1,107	1,576	1,818	1,016
Pine logs	88	150	89	132	204	127	45
Plywood boards	64	76	55	67	105	102	41
Chips (eucalyptus and pine)	64	95	102	21	74	113	58
Coniferous and non-coniferous sawnwood	93	115	97	104	159	184	87
Paper and cardboard	34	32	36	25	26	25	13
Eucalyptus logs	21	29	14	21	23	34	12
Total	1,673	2,158	1,921	1,477	2,167	2,403	1,272

Source: CARE, based on Customs and Uruguay XXI data

Note: Exports of logs to the Free Trade Zone were not included, as pulp exports from this destination were considered.

It is worth highlighting the continued growth of sawnwood (coniferous and non-coniferous) exports, becoming the second largest forest export product after pulp.

B) Prices of land

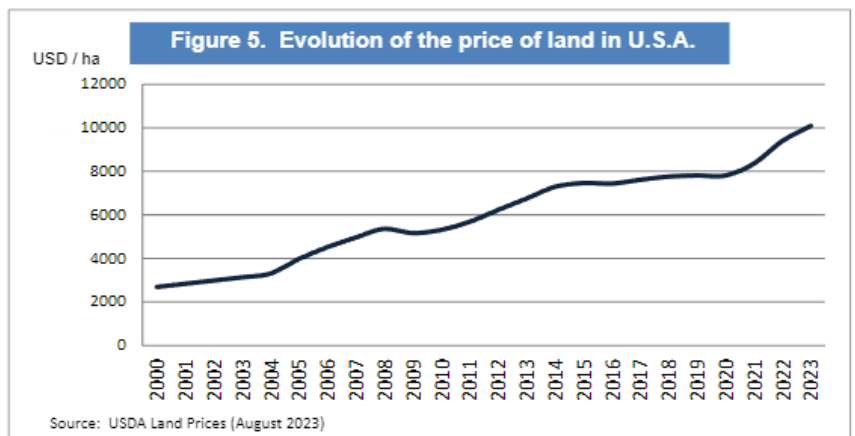
The outlook for international demand for land is encouraging. In the short and medium term, its prices are expected to increase, as a consequence of the difficulties for expanding the agricultural frontier and the need for a rational and sustainable use of soil resources. However, it does not imply that there may be short-term variations deviating from this growing trend because the evolution of several variables may affect nominal prices of land, such as interest rates, currency devaluation, international inflation or the price of commodities.

In this report, CARE updated the price trends in those countries which could provide relevant information about what may occur in our country.

In the 21st century, the price of land in the United States has followed a continuous upward trend, with some exceptions (2009 and 2015) when minimal reductions were verified. However, these exceptions did not change 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, it fell very moderately. Both negative price-level shocks were reversed within a few years.

From 2000-2023, the cumulative annual growth rate of the price of land in the U.S. in current dollars was 5.9% per year. This value is higher than the inflation of the U.S. currency (2.49%), resulting in a real increase of 3.3%.

The price of land (average) has remained relatively stable between 2017 and 2020, showing minimal increases similar to the U.S. inflation rate. Even though, apparently, in the last two years, it has recovered an upward trend in real terms, being in line with inflation. In 2021, average prices of land increased a 7.0%, in 2022 a 12.4% and in 2023 a 7.4%. If agricultural and livestock land is analyzed separately, the former increased a 23.5% between 2021 and 2023, while the latter a 18.2%. Such trend could be mainly explained by price increases in agricultural commodities.



In Brazil, the prices of land are influenced by the effect of the exchange rate as, in that country, the prices of this asset are denominated in the official currency (Brazilian real). Therefore, price fluctuations are amplified by this effect. In 2011, the price of land grew significantly but this trend changed in the following years. From 2014 onwards, the price

of land recovered a more stable behavior showing small annual variations.



By 2021, last year reported by the Institute of Agricultural Economics of São Paulo, the prices of land in U.S. dollars have shown an increase of approximately 8%, recovering part of the reduction verified in the previous year (16% for grazing land) as a result of the devaluation of the Brazilian real.

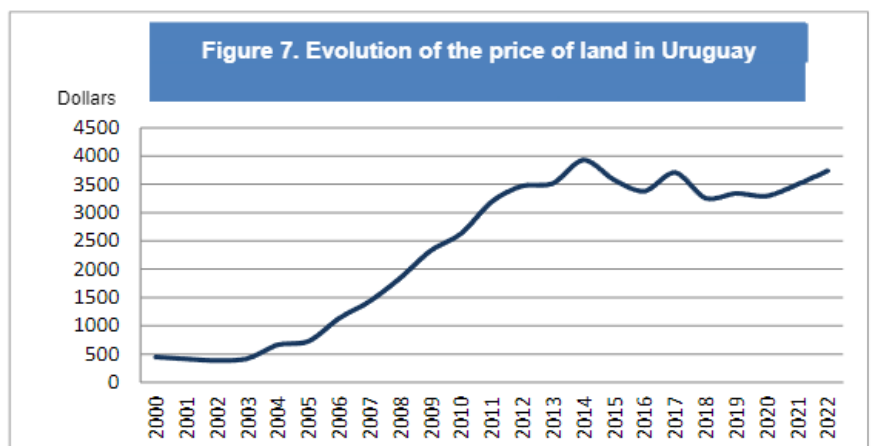
The special situation of Argentina makes it impossible to show an updated and reliable trend of the prices of land. The high volatility of its policies and export taxes to agricultural production, its macroeconomic imbalances, and the restrictions on foreign exchange, have caused distortions in values that have nothing to do with the trend that the prices of land should follow. On the basis of some technical reports consulted by CARE, in Argentina, in 55 years (1956 to 2011), the price of agricultural land (very good quality) increased at an average annual cumulative rate of 3.5% in real terms.

A recent publication of the Argentine Chamber of Rural Real Estate (CAIR, for its acronym in Spanish) shows that rural real estate activity decreased a 31% year-on-year between 2020 and 2021, reaching the lowest historical minimum since InCAIR (activity index estimated by the Chamber) was computed at the beginning of 2022. In its latest report dated July 2023, it states that during the first half of 2023 the level of activity has significantly recovered due to the improvement of international prices, the impacts of droughts were overcome and to the possible change of government.

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, showed a very strong appreciation of the value of lands from 2004 to 2014. From 2015 onwards, there has been a certain downward adjustment, although showing an erratic behavior, probably as a consequence of the low number of transactions since both

quality and location of traded lands have had a great influence on the average values

In 2021, the price of land seems to return to its historical growth rates, increasing a 6.2% over the previous year. The latest report, "The price of land", of the Directorate of Agricultural Statistics (DIEA, for its acronym in Spanish) published on May 10, 2023, showed a new increase in values compared to the previous year's, in this case, it was of 6.9%. It is important to point out that, in the last three years, the volume of land traded annually has significantly increased, which would indicate a higher level of activity in a growing market. These recent increases in the price of land may be a consequence of the rebound in international prices, as well as the strengthening of the Uruguayan peso against the dollar, currency in which land transactions are carried out. In turn, high international inflation and the current levels of the prices of fields, which have not shown sustained increases since 2014, have also contributed to the increase in prices.



Other sources of data provided by consulting firms and market managers¹⁰ using different valuation criteria estimated land valuations with similar characteristics, considering the different destinations for the products. The most commonly used methodologies are: comparing real sales of lands with similar characteristics and performing valuations according to expected revenue. In general, the market value is calculated combining both methodologies. CARE had access to a study of several land valuations, which showed that the results are in line with the information provided by DIEA.

There is a proven relationship¹¹ between the National Commission for Agro-Economic Soil Studies (CONEAT, for its acronym in Spanish) Index and the price of land with CONEAT index 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 farmlands with a CONEAT index below 100 are demanded

¹⁰.SERAGRO, Agroclaro, Consur and private operators.

¹¹. B. Lanfranco and G. Sapriza (Serie Técnica No. 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)

RISK RATING AGENCY

for the production of other products different from meat and wool (rice, afforestation), items considered for the calculation of this index.

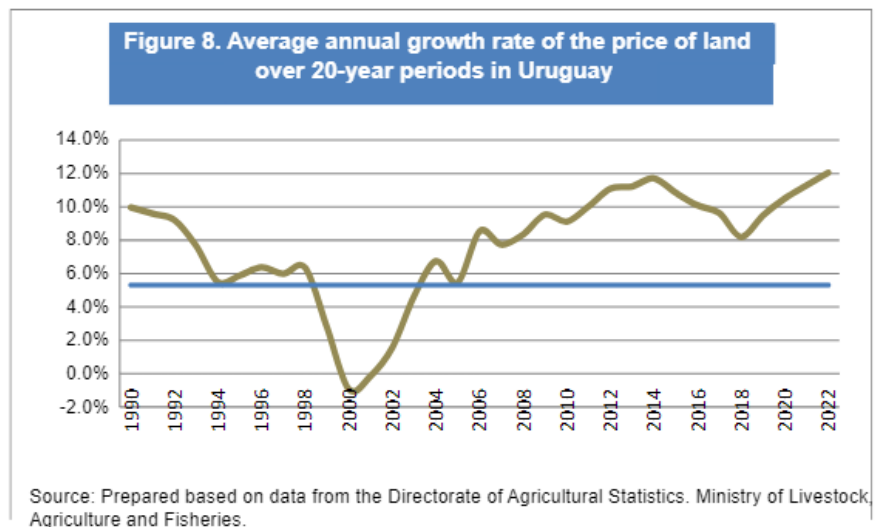
Land valuation is a relatively important component of the Trust's final income (20.5%). Therefore, its evolution will have a significant impact on the final return on the investment. The last update of the financial model, in the most likely scenario, assumed a cumulative annual valuation of 3% from 2022 to 2035. Consequently, it is important to know what has happened in the past to have some predicting capability for what may happen in the future.

For this purpose, CARE analyzed the annual variation of the prices of land (in current U.S. dollars) for a 53-year series (1970 to 2022) for 20-year periods, which showed the following:

- On average, the annual evolution of the prices of land for 20-year-moving periods was 7.8%.
- The annual growth rate was only less than 3% for lands sold between 1999 and 2002, that is, land purchased between 1979 and 1982.
- For the rest of the period, annual land price growth always exceeded 3%.

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, the increase in the price of land would not be below the value considered in any period.

The annual evolution of this indicator (for 20-year intervals) showed an uptrend until 2014, and then started to fall but remained well above 3% (approximately 12% annual growth).



CARE considers that although sustained increases in the prices of land are expected in the medium and long terms, they would not have a similar increase as those of the past. Most likely, increases in prices will compensate the long-term U.S. inflation¹², 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 the current prices of land could result in higher price growth rates in the short term.

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.

The forest sector is strongly regulated by the Forestry Law No. 16,466, the Land Use and Sustainable Development Law No. 18,306 and by the Environmental Protection Law No. 17,283, as amended, and their regulatory decrees. Overall, the subsequent amendments to the regulations have been adding new rules and restrictions to growth, through the requirements of the Previous Environmental Authorizations and specially to forest plantations as provided in the last decree dated December 2021.

In December 2021, after the Senate approved the Bill to regulate the forest sector, which had been 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

¹². It is estimated at approximately 2%. It is currently well above these values, but it is expected to reasonably return to its historical values.

RISK RATING AGENCY

proposed to limit forest plantations to priority forestry lands, as well as to set a limit of 10% on the total forested area 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 forest 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 the Decree No. 405/021, which provides some changes in forestry regulations, probably in response to some of the concerns related to the Bill vetoed. This decree lowers from 100 to 40 hectares the minimum limit to require prior environmental authorization from the National Directorate for Quality and Environmental Assessment (DINACEA, for its acronym in Spanish). Furthermore, this decree also states that authorization is required 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.

These modifications, as well as the general regulations for the sector, will not probably have a major impact on this Trust, since it will not acquire new forest areas. However, it could affect reforestation.

Currently, no new elements could suggest that the government may implement policy measures against this type of project and no further conditions are observed that would 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

CARE's opinion is built by assigning weighting factors and scores to the risk factors comprising each risk area (securities, trustee and manager, underlying assets and cash flow, and the environment). Arranged in a matrix, the indicators of each factor in each risk area generate scores according to the opinion of the rating committee, which make up the final score. It corresponds to a grade provided in the rating manual. In the rating matrix, the areas are divided into factors, and these into indicators.

Based on the analysis of the main risks identified in each section; considering 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 Securities are rated BBB+.uy¹³ on the scale of our methodology. This is an investor grade rating.

Rating Committee



Julio Pieve, Engineer



Martín Durán Martínez, CA



Adrian Tambler, Agr. Eng

¹³. **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.**