

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, April 2024

4	GENERAL OVERVIEW
8	I. INTRODUCTION
15	II. THE TRUST AND THE PARTICIPATION CERTIFICATES
17	III. THE MANAGEMENT
23	IV. UNDERLYING ASSET AND FUTURE CASH FLOW
28	V. THE ENVIRONMENT
39	VI. RISK RATING

Update of Rating of the Public Offering Participation Certificates of the Financial Forestry Trust “Fideicomiso Financiero Bosques del Uruguay 4”

April 10, 2024

Name: Fideicomiso Financiero Forestal Bosques del Uruguay 4
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 máximo.
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: November 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 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:

- From a legal standpoint, this project has a financial structure that provides the necessary guarantees, as set forth in the legal report in Annex I of the original rating.
- From an economic and financial point of view, this project has passed various tests, which the issuer and the rating agency have reasonably made it undergo. As of December 2023, a new cash flows update is available, which yields an IRR of 9.5%, for the scenario that CARE considers it meets with the criteria of its view of this business for the long term. This IRR is slightly higher than that estimated in 2023 (8.6%).
- This project shares its basic characteristics with other three similar projects, as they conduct the same business and they are run by the same actors. 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.
- As of December 2023, this project is composed by 55,365 acquired hectares, of which 34,331 hectares are planted and 630 hectares are available for planting, obtaining an average harvest of 63%. This Trust also leases a total of 6,030 hectares, of which 3,600 are planted. The planted area, including owned and leased land, amounts approximately to 39,000 hectares.
- A plot 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 timber.
- 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 2023, AF S.A. has already acquired Participation Certificates of the different Trusts "Bosques del Uruguay" for approximately USD 13.8 million.
- The first half of the year was marked by rainfall records well below the historical average, affecting the plantations as a result of the intense drought. This water deficit resulted in reduced tree growth, health problems in some specific areas with very shallow soils, and extra expenses incurred in the fire protection system during the summer. The most affected areas (300 hectares of 3 farms) have fully recovered as rainfall returned to normal levels. In 2 of the 3 highly affected farms, pruning of epicormic shoots was carried out to keep the pruned volume and the value of the trees. There were no significant losses of the Trust's planted area. In January, a fire outbreak was recorded, however, it did not imply significant losses for the Trust.
- The 2023 budget, in principle, estimated a revenue for about 45 million dollars, mostly from sawn wood exports (pines and eucalyptus) and, to a lesser extent, from pulpwood sales to pulp mills. However, the results were a 34% below than those outlined in the annual plan and budget, basically as a consequence of the low demand from the international market. Revenues from pulp sales were 15% higher than budgeted, but it could not offset lower exports.
- Investments in planting were 35% below budget for the year, due to lower pine harvests (reconversion) and some pending permits. Production costs were 24% lower than planned, as a result of lower sales.
- In the fourth quarter of 2023, the civil works and assembly of the Olimar industrial project have been completed. Personnel

were hired, the first tests were carried out and, in December, the production of veer sheets began.

- The last land and forest valuation was conducted in December 2023. This valuation reached a total amount of USD 502.91 million, comprising USD 167.80 million for land, USD 3.71 million for future grazing income, and USD 331.40 million for forest income. This new valuation showed a 11.1% growth, mainly resulting from the appreciation of the forests. The book value of these assets is reported in the financial statements which is discussed in Section III. The Trust's book equity reported in the financial statements as December 31, 2023, was USD 507.7 million, being above the value of the issuance, which was USD 330 million.
- In the end of 2022, the global economy has started to show signs of deceleration, and it is projected to remain at current levels, although it is likely to improve in the next few years. After the pandemic was overcome, the global economy has been recovering more slowly than expected, resulting in a lower dynamism in global trade of goods and services. The conflict between Russia and Ukraine continues to raise questions and have a negative impact on trade
- In this context, the prices of pulp, the country's main forest export product, showed a downward trend during most of 2023. Beyond a slight rebound in recent months, its values are expected to continue relatively stable at least during the first half of 2024. On the contrary, the market conditions for solid wood exports were unfavorable resulting in a significant reduction in both export volumes and income, particularly in the case of pine. Pine log exports significantly drop in volume and income in 2023, primarily due to the absence or minimal presence of China in the market. Although India remained in the market, its demand was also low. Eucalyptus solid wood exports also declined, albeit to a lesser degree, facing a slightly more demanding market than pine.
- The market for agricultural land (including forest) has shown long-term trends of rising prices as a consequence of the sustained growth in demand for food, fibers and wood. Additionally, the opportunities to expand the agricultural frontier are increasingly limited. In Uruguay's case, it is expected that increases in the price of land will be more moderate than those observed between 2004 and 2014. Following a period of adjustment and sporadic activity with limited transactions from

2015 to 2020, the price of land has increased over the past three year: 6.2% in 2021, 6.9% in 2022, and 5% in the first half of 2023. These increases have pushed average values to very close levels to the 2014 peak, which has resulted in a larger number of operations, partly due to the elevated prices of certain products, high international inflation, the weakened dollar exchange rate in Uruguay and the absence of price hikes since 2015.

- Regarding public policies, there has been no changes in forestry policy that could pose a threat to this project.

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 such purpose by the Central Bank of Uruguay (CBU). The CBU is in charge of supervising and controlling the financial system, as well as risk rating agencies. The rating provided by CARE does not represent a recommendation or guarantee 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 submitted data as it comes from sources considered reliable.

The conceptual framework of this rating implies a forward-looking assessment, where a trust is assigned a grade that qualifies its expected performance and its capacity to generate profits over time, in accordance with the forest business project its management is mandated to run. After establishing a reasonable range for the Internal Rate of Return (IRR) through multiple simulations in the initial rating, subsequent ratings are not strictly bound to obtaining those figures. In fact, this is not the case of an issue with a fixed return commitment. Therefore, the rating grade will not strictly depend on the Internal Rate of Return calculated for the project or on the investors' opportunity cost of capital. In short, the rating grade will be determined by various criteria, including the compliance with the project and the attainment of a minimum return deemed acceptable at the time of each re-rating.

CARE Risk Rating Agency is a rating agency with records and manuals approved by the Central Bank of Uruguay in April 1998. Its rates are based on its methodology, duly approved by such authority. In addition, the necessary professionals 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 for the legal risk assessment 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 sale of wood and standing timber, and the increase in the price of its land asset, as well as, to a lesser extent, from the sale of carbon credits and the grazing of non-forested lands. Investment and management protocols with appropriate productive, environmental and social standards are complied with at all times.
- As the primary precedent, the Financial Forestry 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 land and forests, continues with the silvicultural management of trees, and finishes with the harvesting and trade of wood, either for pulp production or sawmill industry.
- The maximum duration 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, 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 planted and in full operation with the proceeds from the issuance. A total of 55,365 hectares were acquired, 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 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 planted hectares and about 630 hectares are available for planting, which would result in an average harvest of 63%. 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 3,600 hectares are currently planted. The leased land is 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 sawn wood. 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.
- In order to cover cash deficits from harvesting expenses and 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.
- Agro Empresa Forestal (AF) has been a signatory member of PRI (Principles for Responsible Investment) since 2022. In this regard, this company is required to annually report on its responsible investment activities, complying with minimum requirements and certain indicators to maintain its investor membership. In 2023, AF submitted its first report (on this occasion, it was voluntary, later it will be mandatory), obtaining three stars Policy, Governance and Strategy (PGS) and 4 stars Confidence building measures (CBM). The maximum rating is 5 stars and the most relevant module is PGS.

b. Most Relevant Events in the Period

- On July 7, 2023, a meeting of the Holders was held, where the Manager presented an update on the status of the Olimar project and the estimated the investment costs of the plant. The meeting approved the cost projections presented by the Manager.
- On December 12, 2023, a meeting of the Holders was held, where it was approved to make amendments to the Trust Agreement to modify the adjustment parameter of the Manager's services payment.
- During 2023, gross wood sales were well below estimations and budget expectations (-34%) mainly due to the deterioration of the international market for pine and eucalyptus wood, which is the main market and products of this Trust fund. Sawm wood sales in the domestic market were also well below forecasts, but having a minor impact given their lower incidence on overall sales. Between January and December 2023, pine export revenues were 34% below projections and eucalyptus export

revenues were 43% below the original estimations for the period.

- Meanwhile, demand for pulpwood from pull mills remained in line with forecasts, and their revenues ended the year above projections (+15%). However, higher pulpwood sales failed to offset lower sales of wood for the sawmill industry.

Table 1. Gross Sales and Budget in 2023 (USD)			
Activity	Actual	Budget	Difference
Eucalyptus wood for sawmill industry			
Domestic Market	1,338,085	5,404,892	-75.2%
Pine wood for sawmill industry			
Domestic Market	969,002	2,705,932	-64.2%
Pulp	10,235,016	8,878,599	15.3%
Eucalyptus wood for sawmill industry			
International Market	8,687,289	15,185,466	-42.8%
Pine wood for sawmill industry			
International Market	8,241,425	12,453,937	-33.8%
Grazing	380,702	437,783	-13.0%
Total	29,851,519	45,066,609	-33.8%

Source: Manager

- Between the fall and spring 2023, some 1,333 hectares of eucalyptus were planted on seven farms, 36% more than initially planned for the year (2075). This deviation is explained by two reasons: the slow progress in pine harvests, which prevents them from being converted, and 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 issued the permits for two farms of the Trust.
- Investment in management (pruning and thinning) was slightly above the budget (+9.5%) largely due to higher costs, as the areas operated were within the budget.
- Production costs were under the budget (-24%), as a result of a lower pine and eucalyptus harvest for export. This decrease was not proportional to the reduction of harvested areas because there was a surplus of wood to be sold in 2024.
- Operating expenses were 6% over budget, showing variations in the composition of some of its items. The item that increased the most was protection, which 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. Actual Costs and Investments vs. 2024 Budget (USD)

Activity	Actual	Budget	Difference
Production Costs	23,629,538	31,036,275	-23.9%
Investments in Planting	2,154,269	3,249,262	-33.7%
Investments in Management	592,709	541,138	9.5%
Expenses	8,160,954	7,682,688	6.2%
Total	34,537,470	42,509,363	-18.8%

Source: Manager

- Finally, management results showed a clear deterioration compared to estimations in the budget for the year. A positive result of USD 2.69 million was projected for 2023, however, it ended being negative, approximately USD -5.0 million.
- The Trust paid off two instalments of the long-term loan in the reported period. Additionally, export prefinancing and short-term credit operations were maintained for conducting operations. At the end of 2023, export prefinancing debts amounted to USD 6.1 million, loans to finance cash flow to USD 10.3 million, and the Olimar project debt to USD 5.2 million. At the end of the quarter, the total debt amounted to USD 21.7 million, 4.3% of the Trust's equity.
- The Manager reported that plantations are generally in good health, however, some areas have been affected by the water deficit experienced in the first half of the year. This deficit resulted in reduced tree growth and extra expenses incurred in the fire protection system during the summer. Two farms were significantly affected, especially in areas with shallower soils, which between them cover an area of just over 200 hectares. These farms have fully recovered as rainfall returned to normal levels. However, pruning of epicormic shoots² was needed to keep the pruned volume and the value of the trees. It has been reported that there were no significant losses of forested area as a consequence of this water deficit.
- Health problems were observed in the pine plantations during the periodic monitoring. Therefore, it was decided, together with the Surveillance Committee, to conduct clear-cutting on 55.4 hectares, which was destined to the domestic market.
- In the fourth quarter of 2023, the civil works and assembly of the Olimar industrial project have been completed. Personnel were hired, the first tests were carried out and, in December 2023, the production of wood veer sheets began. Currently, Agro Empresa is making contacts abroad with potential buyers.

². Shoots growing in the area already pruned as a consequence of water stress.

- The final cost of the investment was USD 6.98 million, being higher than originally expected, mainly due to two factors: the depreciation of the dollar against the Uruguayan peso and an increase in some costs.
- In the first half of 2023, a total of 1,209 hectares were FCS©, and in the last quarter of the year an additional 3,179 hectares were also certified.
- A new land and forest valuations was presented on December 2023 by two different companies, which were the same as in 2021 and 2022. Agroclaro performed the land valuation and a New Zealand company, Woodlands Pacific, conducted the valuation of the forests. This valuation reached a total amount of USD 502.91 million, comprising USD 167.80 million for land, USD 3.71 million for future grazing income, and USD 331.40 million for forest income. The book value of these assets is discussed in Section III.
- In March 2024, a sale of Certificates of Participation with a nominal value of USD 28.23 million and a cash value of USD 35.52 million (price 125.84) was made on the Montevideo Stock Exchange

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, 2023
- Financial statements of the Trustee as of December 31, 2023
- Financial statements of the Trust as of December 31, 2023
- Manager's reports, the last one as of December 31, 2023
- Surveillance Committee's reports, the last one as of December 31, 2023
- CARE Rating reports and their updates of the Financial Forestry Trusts: Fideicomisos Financieros Forestales Bosques del Uruguay I, II and III
- Relevant information on the forest sector
- Valuations of land and forests as of December 2023, performed by Agroclaro and Woodlands Pacific
- Updates of financial projections as of December 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 4
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agro Empresa 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:	Agro Empresa Forestal S.A.
Securities Issued:	Participation Certificates
Trust Assets:	The Trust invested in the acquisition and/or lease of rural properties for forest exploitation
Currency:	U.S. Dollars
Issued Amount:	USD 330,000,000
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, considering all aspects involved, the Trust has a reasonable degree of coverage, and no substantial legal risks related to legal contingencies are posed to the 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 could be difficult to determine. *This risk is medium-low*.

III. THE MANAGEMENT

The characteristics of the issue require 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 financial statements as of December 31, 2023, continues to show a robust solvency ratio.

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 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	31/12/2023	12/31/2022	12/31/2021
Current Assets	26,198	26,974	18,989
Non-current Assets	248,688	245,533	281,068
Total Assets	274,886	272,507	300,057
Current Liabilities	38,315	43,807	33,484
Non-current Liabilities	211,246	204,187	230,681
Total Liabilities	249,561	247,994	264,165
Equity	25,325	24,512	35,891
Total Liabilities and Equity	274,886	272,507	300,057
Current Ratio	0.68	0.62	0.57

Source: Financial Statements of EFAM

The results for fiscal year ended 2023 show a significant recovery compared to the same period of the previous year.

Table 4. Income Statement of EFAM (Thousands of UYU)			
Item	31/12/2023	31/12/2022	31/12/2021
Operating Revenue	85,442	80,546	75,867
SG&A	(71,408)	(66,556)	(63,018)
Operating Result	14,033	13,990	12,849
Financial Results	(11,743)	(28,054)	(12,734)
Income before taxes	1,505	(14,064)	116
Corporate Income Tax (IRAE)	(1,477)	2,685	(824)
Income for the period	812	(11,379)	(709)
Revenue from Operating Activities	16.42%	17.37%	16.94%
Income for the period	0.95%	-14.13%	-0.93%

Source: Financial Statements of EFAM

Therefore, there are no risks associated with EFAM continuing in its role 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 has 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 Novillada (weed control and sales of agrochemicals) and AF Maderas,

focused on the export of logs for sawmill industry 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 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, this company hired the consulting firm Deloitte to suggest the improvements that AF should make in this regard.

This work took six months, resulting in a series of recommendations detailed in the previous update. In general terms, those suggestions have been implemented as reported in previous updates. Consequently, it is not necessary to repeat them in this report.

The new structure, complementary and supportive to the corporate structure, has been defined. Changes in the various professional positions comprising such structure are periodically reported.

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 audited by Grant Thornton as of December 31, 2023.

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 role as Manager of the 4 Trusts is worth noting. For the fiscal year ended 2023, the company's assets included a total of

Participation Certificates issued by EFAM approximately amounting to USD 13.8 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 the possibility of its 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 (Trustee) 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 year ended December 2023.

Table 5. Statement of Financial Position of the Trust (thousands of USD)			
Item	12/31/2023	12/31/2022	12/31/2021
Current Assets	17,629	13,401	13,024
Non-current Assets	526,001	471,224	422,304
Total Assets	543,631	484,626	435,328
Current Liabilities	24,340	9,843	11,006
Non-current Liabilities	11,580	11,122	5,785
Total Liabilities	35,919	20,965	16,791
Equity	507,711	463,661	418,537
Total Liabilities and Equity	543,631	484,626	435,328
Current Ratio	0.72	1.36	1.18

Source: Financial Statements of the Trust

The 2023 valuation showed positive revaluations in biological assets of USD 42.5 million and USD 6.8 million in land values. Therefore, the assets for these items as recognized in the non-current assets of the preceding table are biological assets amounting to USD 331.4 million while property, plant and equipment amounts to USD 194.6 million, of which, USD 167.8 million refers to land. This item also includes investment in the Olimar plant. This plant started construction in 2022 and was completed around the end of 2023. Capitalized costs amounted to USD 6 million in the last fiscal year, overall they were just under USD 7 million, as discussed in another section.

The book value of equity as shown in the table above was USD 507.7 million, being much higher, in nominal terms, than the issued amount, which was USD 330 million.

Financial liabilities include various bank loans with a balance of USD 21.7 million at the fiscal year-end. Most of these loans have short-term maturities, which means that the current ratio will be below unity at the end of the year. It is possible that the Trust will have to carry out some additional financial operation to comply with those obligations.

Table 6. Income Statement of the Trust (thousands of USD)			
Item	12/31/2023	12/31/2022	12/31/2021
Operating revenue	30,075	37,458	43,529
Change in the value of biological assets	42,470	42,396	(27,161)
Cost of goods sold	(24,045)	(30,198)	(35,441)
Gross profit	48,500	49,656	(19,073)
SG&A	(9,624)	(10,258)	(7,876)
Financial results	(1,085)	(1,253)	(224)
Miscellaneous income	-	-	3,188
Income before Corporate Income Tax (IRAE)	37,790	38,146	(23,986)
IRAE	81	856	(391)
Income for the period	37,871	39,001	(24,377)
Revaluation of land	6,756	6,658	38,218
Associated deferred IRAE	(578)	(536)	(2,790)
Comprehensive income for the period	44,050	45,123	11,051

Source: Financial Statements of the Trust

According to the table above, operating revenue is almost entirely from wood sales. Additionally, as always occurs at the end of the year, the changes in value of the Trust's main assets are recorded, the final result of all of them was slightly lower than the previous year's³.

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.*

³. Land revaluation is recorded in the reserves under the equity item.

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

Investments were made in acquiring a forestry project, which became part of the Trust assets, to develop forestry activities, in accordance with the provisions set forth in the Agreement and the Business Plan.

This forestry 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, Risks and Sensitivities

The Project outlined in the Prospectus estimated for the baseline scenario an Internal Rate of Return for the investor of 7.67%. Subsequently, the Manager has updated the expected cash flows. The latest update of the financial flow including actual data as of December 2023 and a projection for the 2024-2039 period was presented.

The Manager presented a series of possible scenarios, estimating different evolutions for the prices of wood and land, and production costs from 2024 until the termination of the Trust in 2039. According to CARE, the scenario meeting the criteria for long-term projections considers 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 price of land has 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.

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 (6.0%).

Investment income in PCs is projected in the new flow, which would begin in 2025 and end with the termination of the Trust in 2039.

Based on this projection, the IRR for the entire project period of the Trust considering CARE's criteria would be 9.5%, slightly lower than that estimated a year ago (8.6%).

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.

Table 7. IRR Results for Different Scenarios

Scenario	TIR
1 Wood adjusts for U.S. inflation, plus a 1.5% growth. Costs adjust for USD UY inflation, and land increases a 1.5%	9.4%
2 Wood adjusts for U.S. inflation. Costs adjust for USD UY Inflation, and land increases a 1.5%.	9.3%
3 Same as 2 but the price of land increases a 3%	9.5%
4 The price of wood and land increase a 1.5%.	7.8%
5 The price of wood increases a 1.5%	7.6%
6 All other factors unchanged	7.4%

Source: Manager

As the table shows, there is little variation in the expected rate of return under the assumptions considered.

CARE considers scenario 3 meets the criteria to make the projections as it assumes an increase in the prices of wood similar to the U.S. inflation, that is, no change in prices in real terms. World Bank projections for the next ten years forecast 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 land, as well as production costs would remain constant in nominal terms throughout the entire period. 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 (7.4%).

2. New Estimate of the Opportunity Cost of Capital

One method to assess the attractiveness of an Internal Rate of Return (IRR) is to compare it with the opportunity cost of equity. This rate serves as a benchmark for the expected profitability of a project and is the key indicator to discount the expected cash flows.

CARE estimates the opportunity cost of capital using the Capital Asset Pricing Model (CAPM)⁵. This model considers the risk-free rate, the market risk premium, and the risk premium assigned to the specific production system, in this case forest production. To avoid abrupt fluctuations in the rate and have a medium-term perspective, CARE takes into account the average values from the last 5 years for all variables.

To consider systemic risk, it is used the average "beta"⁶ of forest production companies in emerging markets, which 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. For the risk-free rate, CARE considers 2.30% for the yield of the U.S. Bonds, 124 basis points⁷

⁵. The Capital Asset Pricing Model (CAPM) helps to calculate investment risk and what return on investment an investor should expect when investing in a financial asset.

⁶. Provided by Damodaran.

⁷. It is the 5-year average, currently the country risk is around 80 basis points

for the country risk (Uruguay Bond Index), and 4.68% for the equity market risk premium.

When applying these values, the expected rate of return on equity reaches 6.01%. This value is higher than the investor's expected IRR for the scenario that according to CARE meets the criteria (9.5%), indicating that the investment would have a greater return than the opportunity cost.

In the current situation, the risk-free rate is higher than the average for the last 5 years. However, the country risk is lower than in the period under consideration. Therefore, if current values were applied, the opportunity cost of capital would be slightly lower (5.52%).

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 Uruguay⁸. Currently, the 10-year Indexed Unit Yield Curve (CUI, for its acronym in Spanish) is at 3.23% and the 10-year Yield Curve in Dollars (CUD, for its acronym in Spanish) is at 4.89%. In this case, the estimated IRR in the most likely scenario does exceed the dollar value of the curve.

Considering these criteria, the project's return for the investor remains above the opportunity costs under consideration.

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.

3. Forestry Production Performance Risks

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

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

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 as important firms are getting 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, since this is a long-term project,

⁸. Yield Spot Curve of Uruguayan Sovereign Securities issued in national currency indexed to inflation, as the case may be.

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 experienced in 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. The severe drought experienced in 2022/2023 provided real information about the effects that any drought may have on forest production.

In the case of forest fires, they are a common risk in forestry activities, and these projects have internalized it appropriately. Management measures are taken to minimize their occurrence such as firebreaks, debris removal, continuous surveillance in the summer, and contracting insurance policies. On the other hand, the extensive dispersion of farms also reduces fire risks, since if any potential fire outbreaks, it will be restricted to the farm it started.

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

4. Land and Forest Valuation

A new land and forest valuation was presented on December 2023 by two different companies, which were the same as in 2021 and 2022. 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 forest valuations are considered as a photograph of the Trust's existing forests as of December 31. Therefore, they considered the biological growth of the trees, the variation in the number of hectares, adjustments in the price of wood and production costs, etc.

This table shows the evolution of the Trust's land and forest values, 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.

Table 8. Evolution of the Land and Forest Valuation in Millions of USD				
	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
2023	167.80	331.40	3.71	502.91
Variation 2023/2021	4.2%	14.9%	- 17.4%	11.1%

Source: Valuations

This valuation was based on the following methodology:

- a. The value of land is 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 is estimated by discounting future income flows at a rate of 7.5%.

According to these assumptions, the land and forest valuation as of December 2023 is USD 502.91 million, comprising USD 331.40 million for the forests, USD 3.71 million for grazing and USD 167.80 million for land.

Between 2022 and 2023, the value of the land and forests together increased a 11%. This increase is mainly explained by the appreciation of the forests and land, which was 14.9% and 4.2%, respectively. Future grazing income increased a 17.4%, but this item only has a marginal impact on the total value.

The appreciation of the forests provided in the valuation dated December 2023 is basically a consequence of the forests' growth, a projection of better prices of wood and more efficient harvesting costs. In turn, the increase in the estimated transportation and logistics costs and the delay in sales flows have 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 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 connected 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 fulfilment 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, 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.

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. The price of wood accounts for 78% of the investment returns.

In the case of this project, the price of quality timber will have the most significant impact on its final result as its production is the main objective of this Trust. Likewise, the expected price for pulpwood is also fundamental, as a certain percentage of wood is always destined for pulp, especially in the first years of the project.

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

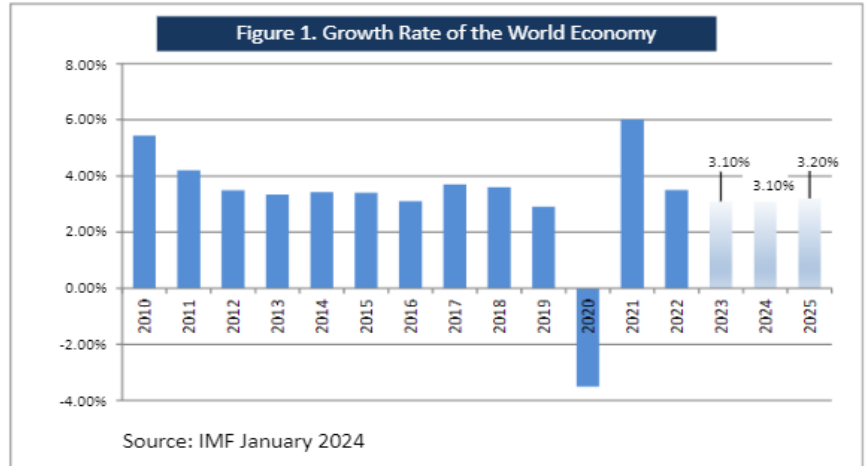
as by the control over the yield of forests. Meanwhile, policies aimed at mitigating the impacts of climate change also promote the protection of forests as they are important carbon sinks. In this regard, it is worth noting that the carbon market seems to be consolidating as the sale of carbon credits 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 could have a negative impact on demand and, consequently, on prices, as it has occurred in the last few years. 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 world economy and, in particular the Chinese economy, as well as the zero COVID-19 measures implemented by that country had a significant impact on 2022. 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. This situation led to 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. This situation continued throughout 2023.

In the long term, there are no elements to expect 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 there would be no major deviations from the expected trajectory in the future.

According to the last International Monetary Fund (IMF) report dated January 2024, *global growth is projected to be at 3.1% in 2024 and 3.2% in 2025, growth is expected to rise (0.2 %) from the previous projection of October 2023. However, forecasts for 2024-25 are still below the historical average of 3.8% (2000-19).*



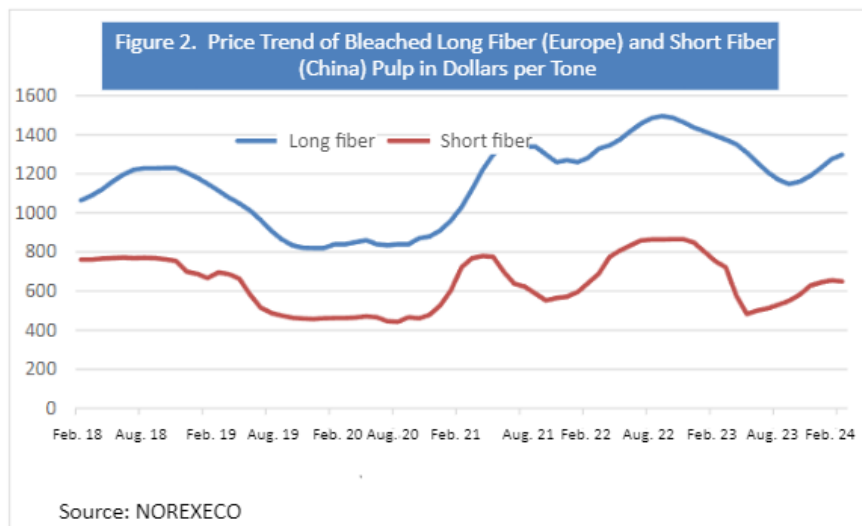
This slight increase in the outlook for economic growth is explained by the greater-than-expected resilience in the United States and several large emerging market and developing economies, as well as the fiscal support in China. However, the negative effects of high interest rates to fight inflation, the withdrawal of fiscal support amid high debt weighing on economic activity, and low underlying productivity growth remain. On a positive note, inflation is falling faster than expected in most regions, in the midst of unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8% in 2024 and to 4.4% in 2025.

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 in 2018, international, regional and domestic pulp values showed a very significant drop of around 35-40%. The greatest fall of pulpwood prices 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, international prices of pulpwood fell sharply during most of the year, however, they showed a slight recovery towards the end of the year. 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 also contributed to the lower demand.

The figure below provides information on prices per ton for two types of pulp: NBSK⁹ (main international prices for long-fiber conifer pulp in Europe), and BHKP¹⁰ (short-fiber pulp in China). The behavior mentioned in the previous paragraph is shown in the figure below.

⁹.Northern Bleached Softwood Kraft. Long-fiber bleached pulp.

¹⁰.Blanched Hardwood Kraft Pulp. Bleached short-fiber cellulose pulp.



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

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 estimating that the downward trend in pulp prices has ended and it may be expected that they remain at current levels, at least, in the short term.

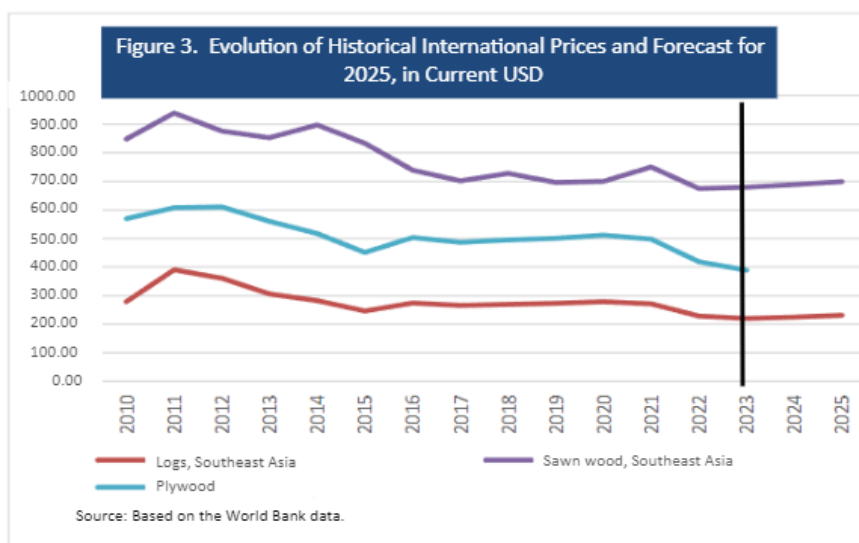
No information is currently available to estimate the outlook for the evolution of international prices for pulp in the long term. In the last 10 years, the annual growth in the international price of long-fiber pulp (NBSK) has been 3.6%. This is an indicative value since there is no certainty that it will remain the same in the future.

The demand for raw eucalyptus wood for sawmill industry has followed a similar trend to that of pulp, albeit less pronounced. Prices have maintained a slight upward trend. However, the volumes commercialized have been 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, demand dropped significantly, which strongly affected Uruguayan exports. This weakening demand, which also responds to the situation of the world economy, continued throughout 2023.

The trend in pine wood for sawmill industry has been similar to that of eucalyptus but it showed greater variability and marked demand

problems. The country's export performance in 2023 was clearly downward, consolidating two consecutive years of retraction. Both its prices and international competition have made it difficult to close deals. China practically withdrawn from the market and India continues to be the main import market for Uruguayan pines.

According to the last World Bank price report of October 2023, the price of raw and sawn wood will show a slight increase in the next two years, around 1 to 2% per year, but they have remained on a downward trend since 2011.



In 2021, the World Bank presented a long-term projection for raw wood for the sawmill industry and sawn wood, showing a slight growth in nominal values for 2035 in the long term¹¹. In the case of logs, a 0.95% annual cumulative growth rate is expected, and for sawn wood 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) was also projected.

Uruguay's forest product exports reached a new record in 2023 because UPM third pulp mill started operations, which resulted in an increase in the export of pulpwood. The rest of the forest products showed a significant drop, as a consequence of lower international demand and lower export prices. The rise in the value of pulp exports is attributed to increased export volumes, despite a lower export price in 2023.

The table below presents the value of forest product exports in the last few years, showing a clear growth trend.

	2017	2018	2019	2020	2021	2022	2023	Variation
Pulp	1,310	1,660	1,527	1,107	1,576	1,818	2,019	11%
Pine logs	88	150	89	132	204	127	67	48%
Plywood boards	64	76	55	67	105	102	74	-27%
Chips (eucalyptus and pine)	64	95	102	21	74	113	98	-13%
Coniferous and non-coniferous sawn wood	93	115	97	104	159	184	157	-15%
Paper and cardboard	34	32	36	25	26	25	30	-12%
Eucalyptus logs	21	29	14	21	23	34	24	-30%
Total	1,673	2,158	1,921	1,477	2,167	2,403	2,469	2%

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.

This table shows the sharp drop in pine exports, which, as above mentioned, is explained by market difficulties.

It is worth highlighting the continued growth of sawn wood (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 continues to be 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.

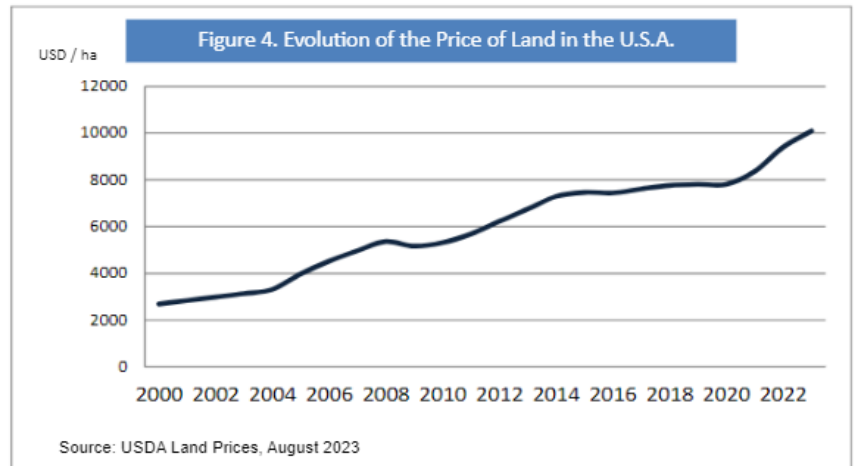
In the 21st century, the price of land in the United States has followed a continuous upward trend, with some exceptions (2009 and 2015) when minimal reductions were verified. However, these exceptions did not change such trend. The price of land in the United States fell only in the early 1980s due 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%.

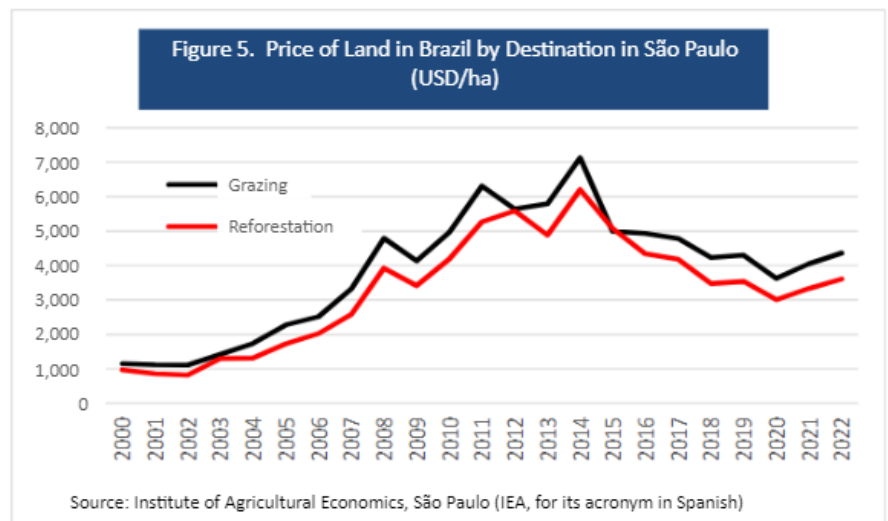
The price of land (average) has remained relatively stable between 2017 and 2020, showing minimal increases aligned with the U.S. inflation rate.

¹¹. World Bank Commodities Price Forecast. Subsequent reports only projected prices for 2023 and 2024.

Even though, in the last three years, it has recovered an upward trend in real terms, being in line with the high inflation. Average prices of land increased a 7.0% in 2021, a 12.4% in 2022, and a 7.4% in 2023. 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 price of land is 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. The price in dollars showed a sustained growth until 2014 followed by a gradual decline until 2020, similar to the trend observed in Uruguay. From 2020 onwards, the price of land begins to recover significantly (12 and 8% in 2021 and 2022, respectively), but it still remains well below the maximum values.



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 prices of land should follow. The changes in its economic policy will probably make it possible to continue with the series in the medium term.

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.

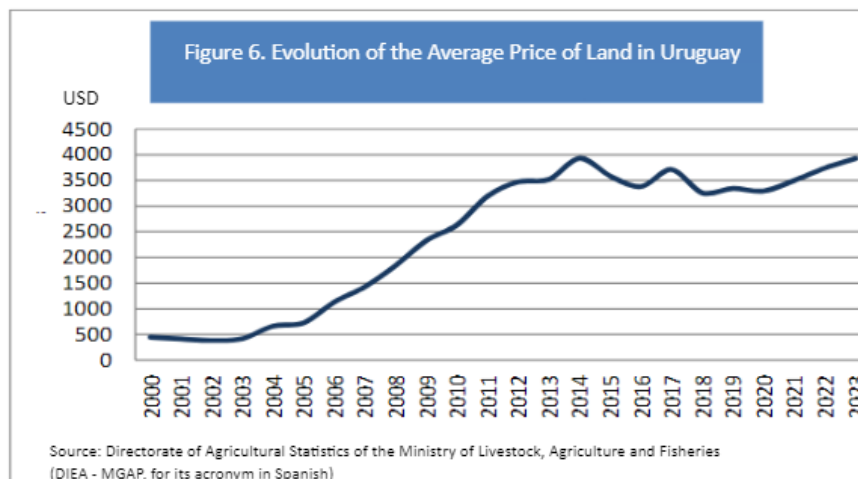
A recent publication of the Argentine Chamber of Rural Real Estate (CAIR, for its acronym in Spanish) estimated that the price of agricultural land is at an all-time low since InCAIR¹² (activity index estimated by the Chamber) has been computed. In its last report dated December 2023, the index reached 21.52/100, showing that economic uncertainty was stronger than any positive market expectations.

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 (DIEA-MGAP, for its acronym in Spanish) showed a very strong appreciation of the value of land 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 the quality and location of traded land 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. In 2022, the average price grew again, in this case by 6.9%, showing a significant increase in the areas traded annually. This would indicate a higher level of activity in a growing market. The last report, "The Price of Land", of the Directorate of Agricultural Statistics (DIEA, for its acronym in Spanish) published on November 22, 2023, showed a new increase, in this case of 5%, in values in the first half of 2023 compared to the previous year.

These recent increases in the price of land may be a consequence of the rebound in international prices, the strengthening of the Uruguayan peso against the dollar, currency in which land transactions are carried out, as well as the high international inflation. Average farmland values for the first half of 2023 would already be at the same level as in the 2014 record.

¹² .The "Rural Real Estate Market Activity Index" (InCAIR) is a monthly index that reflects the "activity" of the rural real estate market. The maximum baseline is 100 points, corresponding to the peak of maximum historical activity. It does not show prices/values, only market activity. Its measurement began in November 2013.



Other sources of data provided by consulting firms and market managers¹³ estimated the land values with similar characteristics, considering the different destinations for the products, using different valuation criteria. The most common methodologies are: comparing real sales of land with similar characteristics and performing valuations according to expected income. 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 relationship¹⁴ 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 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 (16%). Therefore, its evolution will have a significant impact on the final return on the investment. The latest update of the financial model assumed a cumulative annual valuation of 3% from 2024 onwards. 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 50-year series (1970 to 2023) for 20-year periods, which showed the following:

- On average, the annual evolution of the price of land for 20-year-moving periods was 7.9%.
- The annual growth rate was only less than 3% for land sold between 1999 and 2002, that is, land purchased between 1979 and 1982.

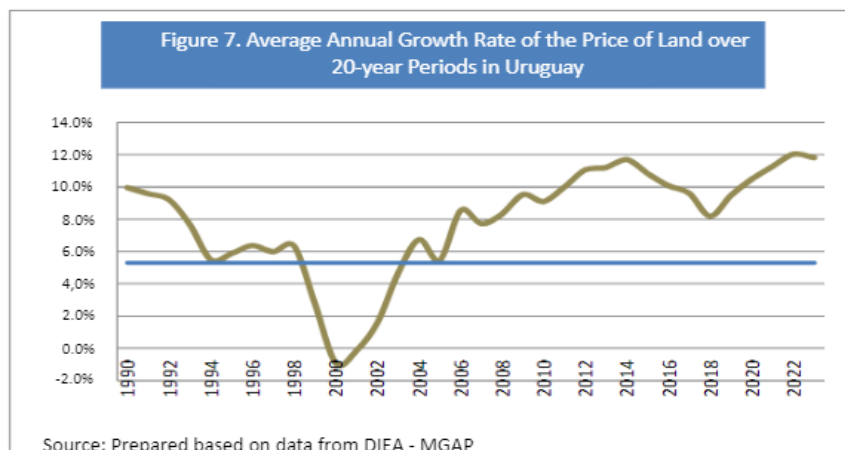
¹³. SERAGRO, Agroclaro, Consur and private operators

¹⁴. 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)

- 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, it 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, their increase would not be similar as in the past. Rising prices will probably offset the long-term inflation in the U.S.A.¹⁵, alongside 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. High international inflation and agricultural prices, as well as current prices of land could result in higher price growth rates in the short term.

5.4 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, especially, 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, already passed by the House of Representatives, the Executive Branch vetoed such Bill. Thus, the forestry policy did not

¹⁵. It is estimated at approximately 2%. It is currently well above these values but they have not been incorporated into the new projections yet.

undergo any legislative changes. This project proposed to limit forest plantations to priority forest land, as well as to set a limit of 10% on the total forested area of the country's agricultural land. Although this Bill would not have affected this project, its approval may have an impact on the forest sector in the future. 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 Decree No. 405/021, which provides some changes in forest regulations, probably in response to 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 reforestation projects 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 its reforestation plan.

Currently, no new elements 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. Low risk.*

VI. RISK RATING

CARE's opinion is formed 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+.uy¹⁶ on the scale of our methodology. This is an investor grade rating.

Rating Committee

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.**



Julio Pieve, Engineer



Martín Durán Martínez, CA



Adrian Tamber, Agr. Eng