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RISK RATING AGENCY

UPDATE OF THE RISK RATING OF
PARTICIPATION CERTIFICATES IN
THE FIDUCIARY DOMAIN OF THE
FINANCIAL FORESTRY TRUST
“FIDEICOMISO FINANCIERO
FORESTAL BOSQUES DEL URUGUAY”

Montevideo, September 2024

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Update of the Public Offering Rating for the Participation Certificates of the Financial Forestry Trust Fideicomiso Financiero Forestal Bosques del Uruguay

September 30, 2024

Subscription Date: August 5, 2011

Term: Until all the Trust's assets are liquidated and its obligations are discharged

Name: Fideicomiso Financiero Forestal Bosques del Uruguay

Issue Amount: USD 50,000,000

Securities: Participation Certificates

Distributions: Whenever there is Distributable Net Income after each fiscal year-end, upon the sale of the Trust's assets, or through the final distribution of the Remaining Net Income.

Financial Structuring: Ferrere Abogados

Manager: Agroempresa Forestal S.A.

Registered Agent: Bolsa Electrónica de Valores del Uruguay S.A.

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

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

Validity of the Rating: April 30, 2025

Rating Committee: Julio Preve, Adrián Tambler and Martín Durán Martínez

Risk Rating: BBB +.uy

Manual used: *Manual de Calificación de Finanzas Estructuradas Administradas por Terceros* [Third-Party Managed Structured Finance Rating Manual]

GENERAL OVERVIEW

CARE has updated the rating of the Participation Certificates within the fiduciary domain of the Financial Forestry Trust Fideicomiso Financiero Forestal Bosques del Uruguay, maintaining its BBB+.uy investment grade rating.

Considering the key elements assessed, on this occasion, the rating committee states as follows:

- The absence of structural legal risk, duly highlighted and validated in the course of time.
- It is a project with appropriate consistency between the proposed business plan, land acquisition actions, planted areas, forest management and the first harvests. From the investor's economic and financial standpoint, this business withstands non-business -related stresses to which the issuer and the rating agency have reasonably subjected the project. A new cash flow update carried out in March 2024, estimated an IRR of 5.1% for the entire period, slightly higher than that of the previous year's 4.9% (see Section IV).
- The reports from the Surveillance Committee and the Manager have been generally satisfactory in terms of the project's progress.
- Its corporate governance structure minimizes the risk to investors, and until the preparation of this report, this project has effectively operated (Manager's reports, meetings of the Holders of the Participation Certificates (PCs) and Surveillance Committee's reports.)
- The management capacity of the Project Management company, Agroempresa Forestal, continues to meet the efficiency standards evaluated in the previous update reports, as confirmed by various reports from the parties involved. Notably, the Manager oversees three additional projects with similar financial structures, without encountering any significant setbacks to date. Across the four trusts, the company currently manages over 80,000 hectares of forests and holds a participation in PCs valued at approximately USD 13.8 million.
- The Financial Forestry Trust BDU owns a total of 9,535 hectares, approximately 5,400 of which were planted by the end of the second half of 2024. The forested area, combined with the

remaining plantable land, will result in a 59% utilization of the available land.

- The most recent appraisal of the Trust's land and plantations as of December 31, 2023, estimated a total amount of USD 79.94 million. This amount includes USD 41.97 million for forest plantations, USD 30.76 million for land, USD 0.78 million for future grazing income, and USD 5.43 million for carbon credits. The book value of these assets is detailed in Section III. As of June 30, 2024, the Trust's book equity was approximately USD 72.7 million, remaining above the issuance value of the PCs.
- The Manager and the Surveillance Committee continue to collaborate on strategies to monitor and manage the forests affected by the drought. In this regard, pruning of trees with epicormic shoots has been scheduled to restore their suitability to produce high-quality timber. Smaller areas that do not respond to this management may be allocated for pulp production.
- Global demand for forestry products is projected to grow at a rate exceeding population growth, while supply remains relatively limited in its capacity to expand. In this context, the long-term trend for wood prices is expected to show an upward trajectory, at least in nominal terms. However, the effects of the pandemic, the repercussions of the conflict between Russia and Ukraine, and the slowdown of the global economy have significantly increased volatility in international trade and the prices of wood and forestry products.
- In this context, global market prices for pulp, Uruguay's main forestry export product, have experienced a modest rebound during the first half of 2024, followed by a slight decline since August. Meanwhile, solid eucalyptus wood exports, which faced a highly subdued market in 2022 and part of 2023, are slowly recovering, due to the demand from China, India, and Vietnam. The domestic market has shown strong demand for wood, whether for pulpwood or sawn wood.
- The market for agricultural land, including planted areas, has shown long-term trends of rising prices driven by sustained growth in demand for food, fibers and wood. Additionally, opportunities to expand the agricultural frontier are becoming increasingly limited. In Uruguay, land price increases are expected to be more moderate than those observed between

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2004 and 2014. After a period of adjustment and erratic activity, with few transactions between 2015 and 2020, land prices have risen over the past three years: 6.2% in 2021, 6.9% in 2022, and 1.1% in 2023¹. These recent increases in land values can be partly explained by the rebound in international prices in 2021 and 2022, the appreciation of the Uruguayan peso against the dollar, and the high levels of global inflation.

- Regarding public policies no changes in forestry policy have been observed that could pose a threat to this project.

¹. In 2023, the traded areas experienced another decline in prices, indicating that average values may be significantly influenced by location and land quality.

I. INTRODUCTION

1. Scope and Conceptual Framework of the Rating

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

A risk rating represents the expression of a specialized opinion provided by a company authorized for this purpose by the Central Bank of Uruguay (BCU, for its acronym in Spanish), which oversees and regulates the financial system as well as risk rating agencies. The rating provided by CARE does not constitute a recommendation or guarantee for future investors. Therefore, it should be considered as one perspective among others when making decisions. CARE neither audits nor verifies the accuracy of the information provided as it comes from sources deemed reliable in its judgment.

The conceptual framework of this rating involves a forward-looking assessment, assigning a grade to the trust based on its expected performance and ability to generate profits over time, based on the forest business project its management is mandated to run. While the initial rating established a reasonable range for the Internal Rate of Return (IRR) through multiple simulations, subsequent ratings are not strictly bound to achieve those figures. Indeed, this is not an issuance with a fixed return commitment. Therefore, the rating grade does not solely depend on the IRR calculated for the project or the investors' opportunity cost of capital. Ultimately, the rating grade is determined by various criteria, including project compliance and the achievement of a minimum return deemed acceptable at the time of each re-rating.

CARE Risk Rating Agency is a rating agency with records and manuals approved by the Central Bank of Uruguay in April 1998. Its ratings are based on a methodology duly approved by this authority, and for each case, a rating committee is convened by selecting the necessary professionals, who conduct evaluations in accordance with the agency's 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 of Martín Durán, Julio Preve, and Adrián Tamber. CARE hired the legal services of Herrera Profesionales Asociados, whose

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report is attached to the original rating. CARE also regularly consults forestry experts to prepare farm reports and conducts site visits.

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2. General Background and Key Events of the Period

A. General Background

The main purpose of the Financial Forestry Trust "Fideicomiso Financiero Forestal Bosques del Uruguay" is: **(a)** to issue Participation Certificates, subscribed by the Beneficiaries in accordance with the terms and conditions set forth in the Trust Agreement and the Issuance Document (stage completed); **(b)** to implement the Production Project, which is basically an investment project that builds a Forest Estate in Uruguay, aiming to produce and commercialize wood in the Uruguayan and international markets; and **(c)** to distribute the proceeds from the implementation of such Project among the Holders, as provided in the Trust Agreement.

- The land purchasing and planting operations have been carried out across all forests. Therefore, the project's activities now primarily focus on plantation and fence maintenance, weed and pest control, pruning, thinning, stump removal, resprout management, surveillance, and other related tasks.
- Commercial thinning is already in progress, and clear-cutting has also begun in select forests designated for pulp production. Consequently, harvesting and replanting activities are gradually being carried out on the harvested areas.
- BDU's land assets total 9,535² hectares, of which approximately 5,400 hectares were planted as of June 30, 2024. The assets include 14 farms located in central-eastern and southeastern Uruguay, specifically in Cerro Largo (26%), Durazno (16%), Florida (49%), Lavalleja (6%), and Treinta y Tres (3%). The planted species are predominantly *Eucalyptus grandis* (73%) and *Eucalyptus dunnii* (26%).
- Pruning and thinning activities required for managing quality timber are conducted as the forests reach optimal growth.
- It is estimated that approximately 71% of the planted area will be destined to produce quality timber and 29% to produce pulpwood.
- On April 5, 2017, section 7 of the Agreement was amended to allow the Trust to incur debt up to a certain percentage of its assets (15%), requiring the prior approval of the Surveillance Committee and the notification to the Risk Rating Agency. Since late 2018, obtaining short-term credits for working capital has become a regular management practice, complying with the requirement of notifying the Surveillance Committee and the Risk Rating Agency. To date,

². Adjusted to the information provided by the Land Property Register. There is a slight discrepancy when considering the hectares measured by satellite information.

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there have been no difficulties in meeting the obligations undertaken.

- As planned, the company began selling pulpwood from the commercial thinning of quality timber species in 2019, followed by occasional solid wood sales starting in the second half of 2020.
- In 2019, the consulting firm Deloitte was hired to suggest changes in the corporate governance and management structure of Agroempresa Forestal to meet the requirements of managing the assets of 4 Trusts exceeding USD 600 million.
- The Trust is a member of the Health Committee of the Society of Forest Producers (SPF, for its acronym in Spanish). Its objective is to monitor and identify pests and diseases in forest plantations.
- On December 28, 2020, a meeting of the Holders of the PCs was held, with 100% representation. During the meeting, it was resolved to amend certain terms and conditions of the PCs. These amendments included adjustments to the parameters for Agroempresa Forestal's fee and an agreement to upload information related to the Trusts to the Bosques del Uruguay's WEBSITE once a year.
- The Trust has 100% of its hectares FSC®- certified and continues to perform the necessary tasks to meet the certification requirements.
- AENOR finished the carbon credit verification process in 2022. The documentation required for the validation of carbon credits under the CCB standard (Climate, Community & Biodiversity Standard) was prepared, and the verification of carbon credits under the VCS Standard (Verified Carbon Standard) was conducted to determine the stock of carbon credits available for sale. Once the CCB certification was obtained, the Trust completed its first carbon credit sales in 2023, totalling USD 2.3 million.
- Agro Empresa Forestal (AF) has been a signatory member of PRI (Principles for Responsible Investment) since 2022. In this regard, it is required to annually report on its responsible investment activities and comply with minimum standards and specific indicators to maintain its membership. In 2023, AF submitted its first report (voluntary on this occasion, though it will be mandatory in the future), obtaining three stars Policy, Governance and Strategy (PGS) and 4 stars in Confidence-Building measures (CBM). The maximum rating is five stars and PGS is the most significant module.

- The most recent appraisal of the Trust's lands and forests (December 2023) estimated a total value of USD 78.94 million, comprising USD 30.76 million for the land, USD 0.78 million for future grazing income, USD 5.43 million for future carbon credit income, and USD 41.97 million for forestry income.
- On February 28, 2024, a meeting of the Beneficiaries was held, during which it was resolved to amend the Trust Agreement regarding adjustments to the Manager's remuneration.

B. Most Relevant Events in the Period

- Gross revenue for 2024 is projected at USD 13.8 million, representing a 275% year-over-year increase compared to the previous year. This revenue is expected to comprise 71% from domestic wood sales (pulp and sawmills), 16% from wood exports, 12% from carbon credit sales, and 1% from grazing contracts.

Table 1. Estimated Revenue for 2024 (USD)	
	Budget
Gross Revenue from Domestic Sales	9,844,163
Gross Revenue from Export Sales	2,144,471
Revenue from Carbon Credits	1,656,804
Revenue from Grazing	133,728
TOTAL	13,779,166

Source: Manager

- In the first half of the year, a total of 330 hectares were harvested, generating gross revenue of USD 4.2 million. This revenue was composed of 82% from domestic wood sales (pulp and sawmills), 16% from wood exports, and 2% from grazing contracts. No carbon credit sales were recorded during this period.
- Total gross sales slightly exceeded the planned figures for the semester, although there were fewer exports and higher domestic market sales than anticipated for the period.
- The 2024 expense and investment budget is estimated at USD 8.85 million, with production costs representing the largest portion (65%).

Table 2. Estimated Costs and Investments for 2024 (USD)	
Production Costs	5,798,072
Export Costs	694,400
Plantation and Management Investments	673,853
Expenses, Management, and Fixed Costs	1,685,262
Total	8,851,587

Source: Manager

- In the first half of the year, 76 hectares were planted, with budget forecasts closely aligning with projections. On average, operational costs per cubic meter for harvesting (thinning and clear-cutting) and road maintenance decreased by 1% in the first half of 2024 compared to the same period in 2023. This reduction was influenced by lower rates resulting from the decline in diesel prices over the past year.
- The Surveillance Committee, in collaboration with the Manager's technical team, has agreed to implement measures to mitigate the potential adverse effects of epicormic shoots on wood quality. Accordingly, pruning of the most affected trees has been scheduled for the second half of the year, which is expected to restore their suitability for quality timber production. However, after this process, some smaller areas may still need to be allocated for pulp production.

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
- Interim financial statements of the Trustee as of June 30, 2024
- Interim financial statements of the Trust as of June 30, 2024
- Manager's quarterly reports, the last one as of June 30, 2024
- Surveillance Committee's quarterly reports, the last one as of June 2024
- Wood market report as of June 30, 2024 (Agro Empresa Forestal)
- Relevant information from the forest sector
- Rating reports of other similar trusts

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II. THE TRUST AND THE PARTICIPATION CERTIFICATES

Participation Certificates held by the Financial Forestry Trust “Fideicomiso Financiero Forestal Bosques del Uruguay,” established through the corresponding Financial Trust Agreement, were offered in a public offering. This Agreement, the certificates and the other agreements mentioned are analyzed in this section.

1. General description

Name:	Fideicomiso Financiero Forestal Bosques del Uruguay
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agroempresa Forestal S.A.
Registrar Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Registered Agent:	Bolsa Electrónica de Valores S.A.
Organizer:	Agroempresa Forestal S.A.
Securities Issued:	Participation Certificates
Trust Assets:	The Trust invested in the acquisition of rural properties for forestry development
Currency:	U.S. Dollars
Issued Amount:	USD 50,000,000
Initial Public Offering Date:	August 5, 2011
Term of the Issue:	Until all the Trust’s assets are liquidated and its obligations are discharged
Distributions:	Whenever there is Distributable Net Income after each fiscal year-end, upon the sale of the Trust’s assets, or through the final distribution of the Remaining Net Income.

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Risk Rating: BBB +.uy

2. Legal Analysis

The legal analysis was included in Annex I of the original rating report. It ruled out any potential conflicts arising from aspects such as the legal structure, the relevant agreements or the compliance with current regulations, among others.

This report concludes: ***“In summary, 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.”***

Risks Considered

Structural Legal Risk. This involves analyzing the possibility of defaults in payments to beneficiaries due to defects in the legal structure. Having carried out the relevant analysis, and given that no changes have occurred in the legal framework and time has passed without any disputes, CARE once again concluded that *the structural legal risk is considered to be virtually nil.*

Liquidity Risk. The certificates were designed to be liquid. Hence, liquidity is deemed adequate, considering the characteristics of the Uruguayan market. However, this process is not instantaneous and may require an indeterminate amount of time. *This risk is categorized as medium-low.*

III. THE MANAGEMENT

The characteristics of the issuance require the analysis of two managing entities: EF Asset Management (EFAM), acting as Issuer and Trustee of the Financial Trust, and Agroempresa Forestal S.A. (AF) acting as Manager.

1. EF Asset Management (EFAM)

The trustee is EF Asset Management Administradora de Fondos de Inversión S.A. (EFAM), a closed joint-stock company dedicated to 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 amendments provided in Law No. 17,202, dated September 24, 1999.

On July 9, 2004, the Central Bank of Uruguay (Notice No. 2004/188) authorized EFAM to operate as a Financial Trust pursuant to Law No. 17,703, dated October 27, 2003. On that date, the company was registered as a 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 that date, the company was also registered with 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, 2024, continues to show a strong solvency position.

The liquidity ratio remains below one. It is worth noting that non-current assets mainly consist of security deposits required by current regulations for the trusts managed by the entity, and these are therefore subject to restricted availability. As a result, financial liabilities were incurred to establish these securities, which are gradually settled as the securities are released. As for the eventual temporary need for funds to meet short-term obligations, the entity has obtained financing from related parties. Consequently, the liquidity risk is minimal.

Table 3. Statement of Financial Position of EFAM (thousands of UYU)

Item	06/30/2024	12/31/2023	12/31/2022
Current Assets	34,859	26,198	26,974
Non-current Assets	247,959	248,688	245,533
Total Assets	282,818	274,886	272,507
Current Liabilities	43,136	38,315	43,807
Non-current Liabilities	212,146	211,246	204,187
Total Liabilities	255,281	249,561	247,994
Equity	27,537	25,325	24,512
Total Liabilities and Equity	282,818	274,886	272,507
Current Ratio	0.81	0.68	0.62

Source: Financial Statements of EFAM

The results for the first half of 2024 show an increase in revenue compared to the same period in the previous year.

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

Item	06/30/2024	06/30/2023	12/31/2023
Operating Revenue	48,060	41,150	85,442
SG&A	(38,149)	(32,680)	(71,408)
Operating Result	9,911	8,471	14,033
Financial Results	(6,541)	(6,966)	(11,743)
Income before taxes	3,370	1,505	2,290
Corporate Income Tax (IRAE)	(1,158)	(799)	(1,477)
Income for the period	2,212	706	812
Revenue from Operating Activities	20.62%	20.59%	16.42%
Income for the period	4.60%	1.72%	0.95%

Source: Financial Statements of EFAM

EFAM manages a substantial and diverse portfolio of trusts, reflecting its unquestionable competence in this role.

Consequently, no risks have been identified concerning EFAM's performance as a fiduciary manager.

2. Agroempresa Forestal S.A. (AF)

The operating and managing company was previously analyzed by CARE when performing the original rating for this trust and three similar ones, as well as in subsequent updates. On all occasions, the company's evaluation in terms of its capacity to execute the different projects has been positive. Therefore, from now on, future evaluations will focus on monitoring its performance and flagging any significant events that might warrant a review of this assessment.

CARE's review of the progress of each project run by the company remains the most reliable source of information for evaluating its capacity.

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In summary, AF Global S.R.L. is the holding company under which AF Administraciones Forestales operates. The other two divisions are La Novillada, specializing in weed control and sales of agrochemicals, and AF Maderas, which focuses on exporting roundwood for sawmilling and wood sales in the domestic market.

AF began its operations in Uruguay in 2000, expanded to Chile in 2007, and to Brazil in 2010. Combining the three countries, AF has managed more than 100,000 hectares.

In Uruguay, AF's most notable achievement is the management of the assets of four trusts (including this one) rated by CARE. The four trusts together have an original value of more than USD 630 million. Due to their strong performance to date, all 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 demands. Therefore, this company hired the consulting firm Deloitte to recommend improvements for organizational adaptation.

This work took six months and resulted in a series of recommendations, most of which have been implemented as outlined in previous updates. Consequently, it is not necessary to repeat them in this report.

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

Key Personnel

The basic structure comprises a Board of Directors, an Audit Committee and a Compliance Committee. The company has not reported any significant changes to its corporate structure.

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

Economic and Financial Situation

The company's fiscal year ends on December 31. CARE reviewed the latest available balance sheet audited by Grant Thornton as of December 31, 2023.

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According to these financial statements, the company shows a positive and consistent growth in its assets, aligned with the favorable evolution of its results. It is worth highlighting AF's role in the four Trusts it manages. At year-end 2023, its assets included Participation Certificates issued by the four Trusts, amounting to approximately USD 13.8 million.

In view of the above, AF's capacity to successfully manage this and other related operations 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 BDU was created in May 2011. In August of the same year, EFAM (the Trustee) issued on its behalf book-entry Participation Certificates with a nominal value of USD 50 million. The land acquisition stage and planting campaign were successfully completed on schedule. Currently, the operating company focuses on management, maintenance, harvesting, and subsequent commercialization activities specific to the various species involved.

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

A summary of Trust's financial position and the income statement as of June 30, 2024, is presented in the tables below.

Table 5. Statement of Financial Position of the Trust			
Thousands of USD	06/30/2024	12/31/2023	12/31/2022
Current Assets	6,103	6,374	4,148
Non-current Assets	70,294	73,012	67,969
Total Assets	76,397	79,386	72,117
Current Liabilities	1,228	3,295	3,514
Non-current Liabilities	2,446	2,731	2,234
Total Liabilities	3,674	6,026	5,748
Equity	72,724	73,360	66,369
Total Liabilities and Equity	76,397	79,386	72,117
Current Ratio	4.97	1.93	1.18

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

The Trust's book value of equity for the period ending June 2024 is USD 72.7 million, as indicated in the table above. In nominal terms, this remains above the issuance value of the Participation Certificates, which was USD 50 million.

As is customary, appraisals of both biological assets and farms are conducted at the end of each fiscal year, meaning that interim financial

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statements maintain the values from the 2023 year-end. Changes in biological assets occur due to new additions or plantation sales, as was the case during this period, resulting in a net decrease of USD 2.7 million.

Bank liabilities as of June 30, 2024, amounted to USD 302,000, compared to USD 2.3 million recorded at the end of 2023, indicating that repayments are proceeding as planned.

The following table provides a summary of the interim results for the indicated period.

Table 6. Income Statement of the Trust			
Thousands of USD	06/30/2024	06/30/2023	12/31/2023
Operating Revenue	4,146	346	5,491
Change in the Value of Biological Assets	-	-	4,904
Cost of Goods Sold	(4,024)	(70)	(2,681)
Gross Margin	121	275	7,714
SG&A	(1,032)	(741)	(1,340)
Financial Results	48	(193)	(144)
Miscellaneous Results	7	-	289
Income before			
Corporate Income Tax (IRAE)	(856)	(659)	6,519
Income Tax	220	252	(317)
Income for the Period	(636)	(406)	6,202
Other Comprehensive Income	-	-	790
Comprehensive Income for the Period	(636)	(406)	6,991

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

Productive and commercial activities are analyzed in another section. Operating revenue for the period (over USD 4 million) is almost entirely attributable to wood sales.

The preceding table indicates that changes in the value of biological assets are a key factor influencing the project's results, particularly during its current phase.

Risks Considered

Management Risk: Considering the suitability of AF S.A. and EFAM to fulfil their duties, and according to all the analyses carried out in the rating of the Trust BDU, CARE has considered that the risk of non-compliance by the Manager and the Trustee with the project's responsibilities is virtually non-existent. *Virtually no risk.*

Risk of Conflicts: This risk relates to the potential for lawsuits that may interfere with the mandate and the existence of provisions to address them. For the same reasons mentioned above, it is highly unlikely that the Trustee and the Manager will be unable to resolve such conflicts to the project's satisfaction. *Very low risk.*

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Risk due to Change of Trustee: This risk is duly provided for in the relevant cases, ensuring that such a possibility remains within the control of properly represented investors.

Risk due to Change of Forest Manager: This risk is accounted for and addressed in accordance with various potential outcomes.

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IV. UNDERLYING ASSET AND FUTURE CASH FLOW

Investments were made in acquiring rural properties, located within the Eastern Republic of Uruguay, to develop forestry.

The Trust Agreement defines the scope and guidelines for the Trust to develop its strategy and fulfil its objectives.

The company has proven its ability to make progress in the proposed processes and execute the activities in accordance with the reported schedule. To date, all planned activities are underway. The initial planting schedule has been completed, and maintenance and management operations are carried out without major setbacks. Likewise, harvesting activities have already begun, either for pulp mills from thinning or for solid wood.

The total acquired area amounts to 9,536 hectares, of which approximately 5,400 hectares have already been planted.

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

The Prospectus initially estimated an internal rate of return of 8.58%. Subsequently, the Manager has updated the expected cash flows, and the project's profitability has been adjusting downwards. An updated financial flow was presented in March 2024, including actual data as of December 2023 and projections until the termination of the Trust.

In this new financial estimate, the Manager presented a range of possible scenarios, estimating various trends in wood and land prices, as well as production costs, from 2024 until the termination of the Trust in 2031. According to CARE, the most reasonable scenario for making projections assumes the following:

- **Product prices** will adjust according to U.S. inflation (as projected by BEVSA)³. No real price increases are estimated for either pulpwood or solid wood.
- **Land prices** are projected to increase by 3% annually in current dollars.
- **Internal costs** will adjust based on both U.S. and Uruguayan inflation. Uruguay's devaluation and inflation are projected based on BEVSA's valuation criteria.

Additionally, projected yields are consistent with the actual performance observed in the forests, and prices and costs are based on current levels.

Based on this projection, the IRR for the entire project period of the Trust would be 5.2%, slightly higher than the 4.9% calculated in the previous year. This return assumes that the investor acquired the Participation Certificates at par value in year zero.

³. It is estimated that Historical U.S. inflation would be around 2.1-2.3%, assuming a return to historical levels.

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The table below shows the IRR results for sensitivity purposes after considering some of the most and least favorable scenarios.

Table 7. IRR Results for Different Scenarios	
Scenario	IRR
1 Wood adjusts for U.S. inflation, plus 1.5% growth	
Costs adjust for USD and Uruguayan inflation, and land increases by 1.5%	5.1%
2 Wood adjusts for U.S. inflation. Costs adjust for USD and Uruguayan inflation, and land increases by 1.5%	5.0%
3 The prices of wood and land increase by 1.5%	4.2%
4 Land price increases by 1.5%	4.2%
5 All other factors remain constant	4.2%
6 Same as Scenario 2, but with a 3% increase in land prices	5.2%

Source: Manager and CARE

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

Scenario 6 aligns with CARE's criteria for making projections. It assumes an increase in the prices of wood similar to the U.S. inflation, implying no change in prices in real terms. The World Bank's most recent projections through 2035 estimate annual growth between 1.1% and 1.5%, depending on the source (see Section V). For land, an annual growth rate of 3% is considered reasonable and conservative, representing the baseline value generally used by the rating agency for projections.

Scenario 4 assumes that the prices of wood and production costs would remain constant in nominal terms throughout the period, and only the prices of land would increase by 1.5%. This is the most unfavorable scenario. As indicated in the table above, even if wood or land prices do not increase in the remaining years, the IRR would still be positive (4.2%).

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 for discounting expected cash flows.

CARE estimates the opportunity cost of capital using the Capital Asset Pricing Model (CAPM)⁴. 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 ensure a medium-term perspective, CARE used the average values from the past five years for all variables.

To consider systemic risk, the average "beta"⁵ of forest production companies in emerging markets, which is 1.04, is used. This indicates

⁴. The Capital Asset Pricing Model (CAPM) is a financial valuation model used to calculate the expected return on investment an investor should require, based on the level of risk associated with a financial asset.

⁵. The value is provided by Damodaran.

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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 considered the 10-year U.S. Treasury Bond yield of 2.30%. For country risk (Uruguay Bond Index), 115 basis points⁶ were used, and for the equity market risk premium, 4.68% was applied.

When applying these values, the expected rate of return on equity is 5.92%. This value is higher than the investor's expected IRR for the scenario CARE considers the most likely (5.2%), which, according to this methodology⁷, indicates that the project would be less attractive.

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 used, the opportunity cost of capital would be slightly lower (5.42%).

Other indicators that could be used to compare the expected IRR of the Trust include yield curves, which are alternative investment options specifically estimated for Uruguay.⁸ Currently, the 10-year Yield Curve in Dollars (CUD, for its acronym in Spanish) stands at 4.63%. In this case, the estimated IRR in the scenario based on CARE's criteria does exceed the value of the dollar yield curve; however, the latter inherently carries lower risk (sovereign risk).

While these comparisons cannot be interpreted strictly, they should be considered as a reference that, among others, help to form a judgment about the original investment compared to the current context.

3. Forestry Production Performance Risks

It considers the risks associated with forest management, as well as climate-related factors (droughts) and other risks like fires.

Forest management risk refers to forest management decisions related to planting species in appropriate farms; managing plants production and their establishment; enhancing tree quality through genetic improvement programs; developing and implementing spacing and silvicultural activities; protecting silvicultural plantations and 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 track record and experience. The forest sector in Uruguay is in a mature stage characterized by the presence of important entities involved in primary and industrial production, production services, logistics, and foreign trade.

Considering biological risks, the selected species have shown an appropriate performance in the ecosystems where they have been planted, and their pathologies are well known. However, as this is a long-

⁶. It is the 5-year average, currently the country risk is around 80 basis points.

⁷. It is important to point that although this is a valid analysis from a financial viewpoint, institutional investors do not have this opportunity cost, since they cannot invest in global markets.

⁸. Spot Yield Curve of Uruguayan Sovereign Securities issued in inflation-indexed local currency or in dollars, as applicable.

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term project, if the species were to present biological issues in the future, the country and the region would have access to an extensive network of highly skilled professionals specializing in basic and applied research. These professionals are primarily based at the National Institute of Agricultural Research and the University of the Republic, particularly in the School of Agronomy and the School of Sciences.

Regarding climate risks, the most significant is the occurrence of extreme droughts, such as the one experienced in 2022/2023, as their negative effects are unlikely to be mitigated. These types of risks are difficult to prevent and challenging to predict in terms of future impact. The severe drought experienced in 2022/2023 provided valuable real-world information about the effects that any drought may have on forest production.

In the case of forest fires, they are a widely recognized risk in forestry activities, and these projects have internalized it appropriately. Management measures are taken to minimize their occurrence such as creating firebreaks, waste removal, continuous surveillance in the summer, and contracting insurance policies. On the other hand, the extensive dispersion of farms also reduces fire risks, as any potential fire outbreak will be contained within the farm where it originated.

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

4. Land and Forest Estate Appraisal

A new appraisal of the land and plantations as of December 31, 2023, was conducted by the same consulting firms as in the previous two years. Agroclaro performed the land appraisal without considering the value of the forests, and Woodlands Pacific conducted the appraisal of the forest estate considering the land value estimated and provided by the former.

Table 8 shows the evolution of the Trust's land and forest estate values, according to the data provided in the annual appraisals. It should be clarified that these appraisals were performed following different methodologies and considered both the land and plantations together. Additionally, the most recent two appraisals include the projected income from carbon credits, which had not been accounted for prior to 2021.

Table 8. Evolution of Land and Plantation Valuation

Year	Millions of USD
2014	31.05
2015	31.91
2016	33.30
2017	34.60
2018	48.47
2019	50.11
2020	53.71
2021	66.61
2022	76.22
2023	78.94
Rate 2014-2023 (annual growth)	10.9%

Source: CARE based on appraisals

This appraisal estimated a total asset value of USD 78.94 million as of December 31, representing a 3.6% increase compared to the previous year⁹. This trend shows an uptrend in assets and has grown at a compound annual growth rate of 10.9%, mainly due to the growth of the forests.

This appraisal was based on the following:

- a. The value of land was measured by combining two concepts: the real market value of similar farms commercialized, and a valuation based on the current rental income, assuming a cap rate of 3.4%.
- b. The value of forests, grazing and carbon credits was estimated by discounting future cash flows at a rate of 7.5%.
- c. For carbon credits, only those already certified to date were considered, adopting a conservative approach.

The table below shows the 2023 appraisal results divided into different items.

Table 9. Appraisals in Millions of Dollars

	2021	2022	2023	Variation
Wood production	37.29	38.24	41.97	9.8%
Grazing	0.86	0.81	0.78	-3.7%
Carbon credits	-	7.60	5.43	-28.6%
Land value	28.46	29.57	30.76	4.0%
Total	66.61	76.22	78.94	3.6%

Source: Care based on appraisals

Although last year the total assets grew by 3.6%, these items showed a different behavior. The most noteworthy aspect was the reduction in the carbon credits item, which decreased by USD 2.17 million, representing a 28.6% decline compared to the previous year. This reduction is explained by the lower availability of carbon credits for sale, as they

⁹. This figure is higher than the one recorded in the Trust's financial statements because it includes items that are not reflected in the accounting records.

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were marketed in 2023. Meanwhile, the value of forests increased by nearly 10%, and land value rose by 4%.

5. Risks considered

Cash Flows Generation Risk. In view of the foregoing, the aim is to show the ability to generate cash flows within the agreed term. This risk is considered low and manageable through timely monitoring. CARE noted that this risk has been lower since the plantation stage was completed. *Medium low risk.*

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

V. THE ENVIRONMENT

The environmental analysis assesses future factors that may have an impact on the generation of projected cash flows. However, these factors are external to the company and connected to the overall framework. They include the expected evolution of domestic or international markets for inputs and products, as well as the analysis of public policies, which may directly influence the fulfillment of the project's objectives.

By public policies, CARE considers not only domestic policies, but also those of the countries with which trade is conducted.

The demand for wood products is projected to grow at a rate exceeding the global population increase, driven by rising incomes in emerging regions worldwide. Meeting this increased demand will require boosting productivity through sustainable forest management practices.

Regarding the international forest products market, current trade barriers are relatively stable and governed by predictable regulations; therefore, no significant risks are expected. Additionally, concerning the potential expansion of environmental barriers, the country—and this project in particular—stand out for their environmental care and related certifications.

There is substantial evidence and sound reasoning to support the long-term upward trend in land prices, driven by rising demand for food and fibers, productivity improvements, and the limited availability of land for agricultural expansion. Additionally, increasing environmental protection measures could impose medium-term restrictions on land use.

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 wood and land prices.

Regarding the country's sectoral policy, no changes are currently projected that could affect the ongoing development and growth of the forest sector.

1. Economic and Market Risk

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

A) Prices of Wood

It is the most important factor and, therefore, the most decisive item for the rating agency, as it accounts for more than 80% of the investment returns.

In the case of this project, the price of high-quality timber will have the most significant impact on its final outcome, as producing quality timber

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is the main objective of this Trust. The expected price of wood destined for pulp production is also important, as a certain percentage of wood is always allocated to this purpose, especially in the first years of the project.

The Food and Agriculture Organization of the United Nations (FAO), in its report “*Global Forest Sector Outlook 2050*,”¹⁰ predicts that global consumption of primary processed wood products will grow by 37% by 2050. This increase in wood product consumption, compared to the projected 25% growth in the global population, “will be driven by higher incomes in emerging world regions, resulting in catch-up effects for consumer goods (e.g. paper, packaging, clothing and furniture) and in more construction sector activities.”

The report also states that meeting the future demand for wood may be achieved by a combination of increased sustainable production in naturally regenerated temperate and boreal forests, as well as in planted forests, which are increasingly located in the Global South.

The increase in demand faces a supply that has been constrained by growing measures to protect native forests, as well as stricter oversight of production forests. At the same time, policies aimed at mitigating the impacts of climate change also promote the protection of forests, due to their role as significant carbon sinks. In this context, a new opportunity appears for the sector: the consolidation of the carbon market, where the sale of carbon credits is a new source of income for these projects. International negotiations continue to progress toward securing environmental commitments to reduce emissions, indicating that demand for carbon credits is expected to increase in the medium to long term.

Based on this outlook, wood prices are expected to follow an upward trend in the long term, at least in nominal terms. However, this trend may be affected by unfavorable circumstances that depress demand and, consequently, prices. The impact of the pandemic, the repercussions of the conflict between Russia and Ukraine, the global economic slowdown, and, in particular, China’s economic cooling have all contributed to significant volatility in international trade and the prices of wood and forestry products.

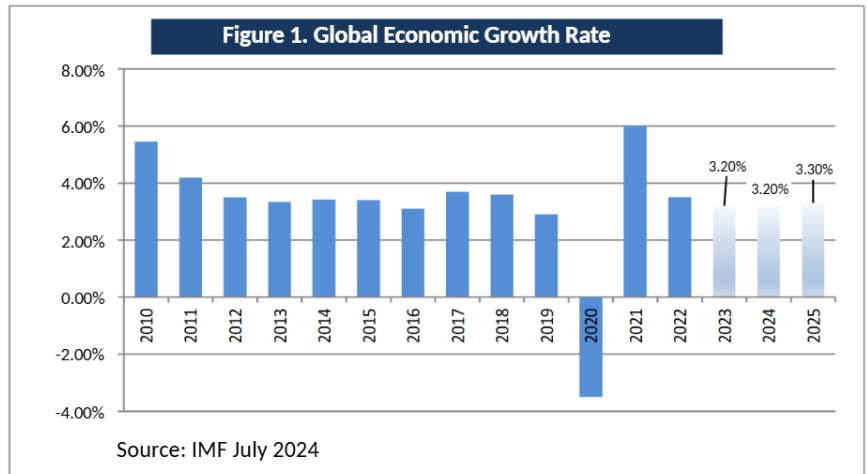
In the long term, there are no elements to expect changes in the trends described in the Prospectus. However, unfavorable scenarios, such as the ones mentioned above, should not be totally ruled out.

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.

¹⁰. FAO 2022.

World Economic Growth Outlook

According to the latest International Monetary Fund (IMF) report dated July 2024, global growth is projected to be at 3.2% in 2024 and 3.3% in 2025, remaining in line with the April 2024 forecast. This projection reflects the lowest global growth rate in decades, falling below the historical average of 3.8% (2000–2019).



The negative effects of high interest rates aimed at fighting inflation persist, along with the withdrawal of fiscal support in the context of significant indebtedness, which constrains economic activity and hinders productivity growth.

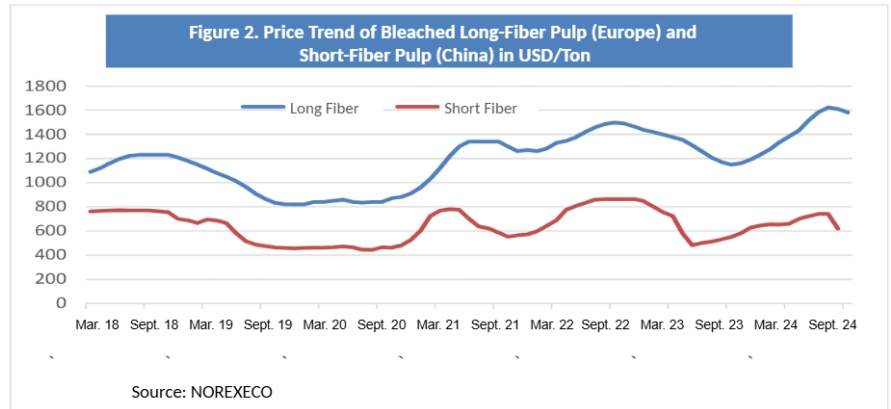
Historical Price Trends

Regarding pulpwood, the reduction in consumption caused by the pandemic initially led to an abrupt fall in demand and prices. Thus, after a marked sharp 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 occurred in 2019 and then, attenuated or remained at these depressed levels for practically all 2020. This drop was temporary, and in 2021 pulpwood prices recovered rapidly, maintaining their upward trajectory until the end of 2022. In 2023, international prices dropped sharply for much of the year before beginning to recover toward the end of the year and throughout the first half of 2024. However, since July/August, pulp prices seem to have reached a plateau and have even begun to decline.

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

¹². Blanched Hardwood Kraft Pulp. Short-fiber bleached cellulose pulp.

The figure below provides information on prices per ton for two types of pulp: NBSK¹¹ (main international prices for long-fiber conifer pulp in Europe), and BHKP¹² (short-fiber pulp in China). The behavior mentioned in the previous paragraph is shown in the figure below.



The price recovery observed during the first half of 2024 is explained by a reduction in pulp stocks, which had significantly influenced prices throughout much of 2023.

In the first half of 2024, the implicit price¹³ received for Uruguay's pulp exports was USD 604 per ton FOB, representing a 6.5% increase compared to the average export price in 2023, but 14.4% lower than the values recorded in 2022.

CARE had access to some projections which estimate that, in the short term, international pulp prices may remain at current levels, driven by reduced stock levels and growth prospects in China, the primary buyer of pulp.

No information is currently available to project the long-term outlook for international pulp prices. Over the past 10 years, the annual growth rate of international price of long-fiber pulp (NBSK) has been 3.6%. However, this figure is only indicative, and does not ensure that future trends will follow the same pattern.

Demand for raw eucalyptus wood for the sawmill industry has followed a similar trend to pulp, though less pronounced. Prices have maintained a slight upward trend. However, the most substantial impact has been on commercialized volumes. After a very uncertain start to 2020, characterized by a slowdown in exports at the end of 2019 and the onset of the pandemic at the beginning of 2020, the second half of the year witnessed a strong rebound, consolidating the market recovery. This positive trend continued throughout 2021 and part of 2022.

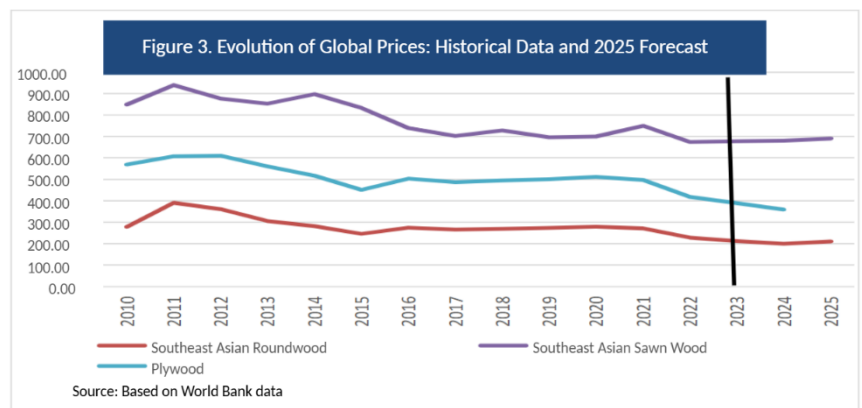
The external demand for eucalyptus roundwood for sawmills has experienced a marked decrease since the second half of 2022, with a gradual recovery beginning in the second quarter of 2023. In the first quarter of 2024, a new downturn was recorded compared to the end of the previous year, both in value and volume, although a recovery in prices began again from the second quarter onwards. India, China, Vietnam, and Malaysia continue to be the primary markets for Uruguayan products.

¹³. FOB export value / exported tons.

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For sawn pine wood, the international market for Uruguayan products shows no clear signs of recovery. Since the second quarter of 2023, exports of pine roundwood have dropped significantly in both volume and value, a trend that has persisted during the first half of 2024. Prevailing prices and international competition have made deal-making increasingly difficult, with China having practically withdrawn from the market and India remaining the primary, almost the only one, importing market for Uruguayan pine.

According to the World Bank's latest commodity price forecast report from April 2024, prices for both raw and sawn wood are expected to show slight annual increases of around 1-2% over the next two years. However, these prices have been on a downward trend since 2011. Meanwhile, plywood prices are expected to continue declining in 2024.



In 2021, the World Bank presented a long-term projection for raw and sawn wood, showing a slight increase in nominal values for 2035¹⁴. In the case of roundwood, a 0.95% annual cumulative growth rate is expected, and for sawn wood a 1.5%. These price increases would not offset 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, which are also projected to experience a slight reduction in real terms (positive nominal increases but somewhat lower than the long-term devaluation of the dollar.)

Uruguay's forest product exports will probably reach a new record in 2024, mainly due to a full year of operation of all three pulp mills. In the first half of 2024, the total value of forestry exports was 8% higher than the same period in the previous year.

While there was a 14% increase in pulp exports during the first semester, this difference is likely to narrow by the end of the year as second-semester export volumes are not expected to significantly exceed those of the previous year. Conversely, there was a notable decrease in revenue from pine roundwood and chip exports compared to the first semester of 2023.

¹⁴. World Bank Commodities Price Forecast. Subsequent reports only projected prices for 2024 and 2025.

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

Table 10. Exports of Selected Forest Products (in millions of USD FOB)

	2019	2020	2021	2022	2023	1st semester 2023	1st semester 2024	Variation
Pulp	1,527	1,107	1,576	1,818	2,019	1,015	1,159	14%
Pine roundwood	89	132	204	127	67	58	33	-43%
Plywood boards	55	67	105	102	74	41	51	26%
Chips (eucalyptus and pine)	102	21	74	113	98	58	24	-59%
Coniferous and non-coniferous sawn wood	97	104	159	184	157	87	95	9%
Paper and cardboard	36	25	26	25	30	20	17	-15%
Eucalyptus roundwood	14	21	23	34	24	12	19	61%
Total	1,921	1,477	2,167	2,412	2,469	1,290	1,398	8%

Source: CARE, based on Customs and Uruguay XXI data

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

It is worth highlighting that sawn wood, both coniferous and non-coniferous, exports, have continued to grow significantly, 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.

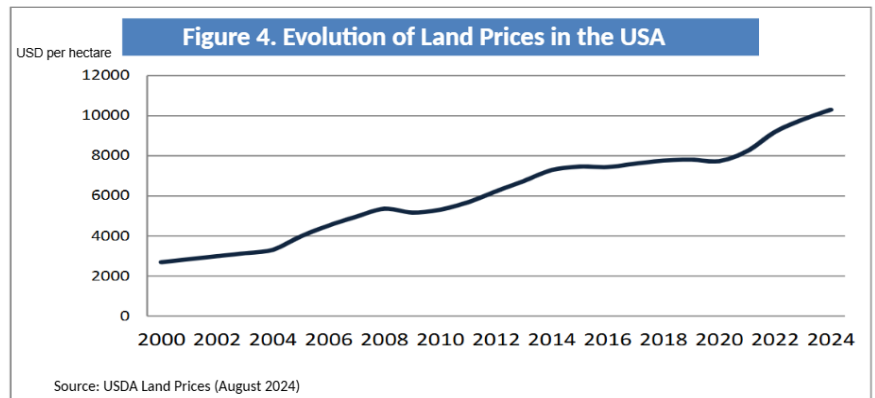
In this report, CARE updated the analysis of price trends in countries that could offer valuable insights into what may occur in our country.

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 this trend. The price of land in the United States only declined in the early 1980s due to a change in its monetary policy called the "Voelker Plan" and, to a lesser extent, after the Lehman Brothers financial crisis and the COVID-19 pandemic. In all cases, price reductions were very moderate and reversed within a few years.

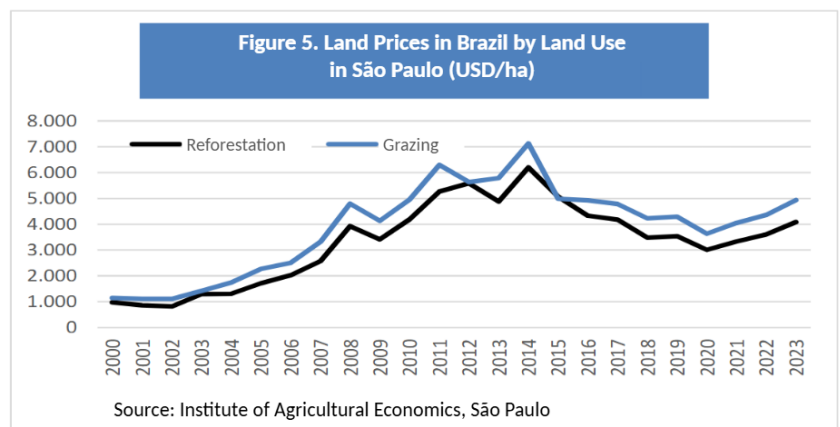
Between 2000 and 2024, the cumulative annual growth rate of land prices in the U.S., in current dollars, was 5.75%, exceeding the inflation rate of the U.S. dollar (2.54%). This translates into a real annual increase of 3.14% over the past 24 years.

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The average land price remained relatively stable between 2017 and 2020, showing minimal increases aligned with the U.S. inflation rate. Even though, in the last four years, values have recovered significantly, improving in real terms and keeping pace with higher inflation. Between 2020 and 2024, the average price per hectare has accumulated an increase of 33.2%. When analyzed separately, agricultural land experienced a 37.2% increase between 2021 and 2024, while livestock land increased by 30.7% during the same period.



Land prices in Brazil are generally influenced by exchange rate fluctuations, as land valuations in that country are conducted in its local currency (real). Consequently, currency fluctuations can amplify land price movements. In dollar terms, land prices showed sustained growth until 2014, followed by a decline until 2020, reflecting a pattern similar to that observed in Uruguay. Since 2020, prices have shown significant recovery (12% in 2021, 8% in 2022, and 13% in 2023), although they remain well below their peak levels. The 2023 increase in land prices, measured in dollars, is partly explained by rising prices in local currency and the appreciation of the real against the dollar.



Argentina's unique situation makes it impossible to show an updated and reliable trend in land prices. The high volatility of its policies, export taxes on agricultural production, macroeconomic imbalances, and the

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restrictions on foreign exchange, have caused distortions in land values that deviate significantly from the expected trends. However, the changes in its economic policy will probably enable the resumption of reliable data series in the medium term.

Based on technical reports consulted by CARE, in Argentina, in 55 years (1956 to 2011), the price of high-quality agricultural land increased at an average annual cumulative rate of 3.5% in real terms.

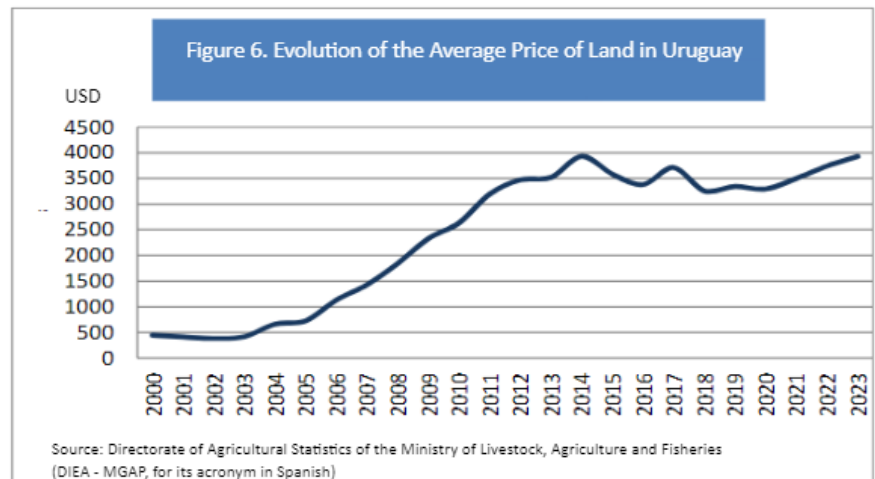
The Argentine Chamber of Rural Real Estate (CAIR, for its acronym in Spanish) an organization that monitors market trends, estimates that activity has been gradually recovering in 2024 after the change in its administration. The activity index calculated by the Chamber¹⁵ reached 45.55 points in July 2024, compared to 21.52 points at the end of December 2023. According to the Chamber, the market is showing demand for good to very good agricultural land, although supply remains very limited for the time being.

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. Since 2015, 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, land prices seemed to return to their historical growth rates, increasing by 6.2% compared to 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 latest "Land Price" report from the Directorate of Agricultural Statistics (DIEA, for its acronym in Spanish) published on April 15, 2024, indicates a slight increase of 1.1% in values compared to the previous year. It is worth noting that last year, the total area of land sold dropped significantly, making its location and/or soil quality increasingly influential in setting the average price.

These recent increases in land values may be a consequence of the rebound in international prices during 2021 and 2022, the strengthening of the Uruguayan peso against the U.S. dollar—the currency used for land transactions—and the impact of high international inflation.

¹⁵. 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 operators¹⁶ estimated the land values with similar characteristics, considering the different destinations for the products and using different appraisal 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 appraisals, which showed that the results are in line with the data provided by DIEA.

There is a proven relationship¹⁷ 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 land with a CONEAT index below 100 is demanded to produce other products different from meat and wool (rice production or afforestation), items considered for the calculation of this index.

The appreciation of land price is a relatively significant 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 assumed a cumulative annual appreciation of 3% from 2024 to 2031. 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 land price for 20-year-moving periods was 7.9%.

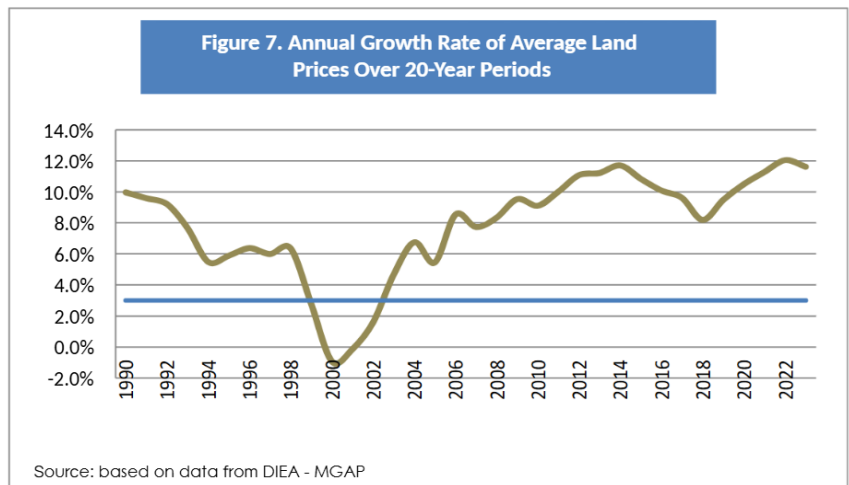
¹⁶. SERAGRO, Agroclaro, Consur and private operators

¹⁷. 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)

- The annual growth rate was only less than 3% for land 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, it would not be below the value considered in any period.

The annual trend 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 land prices are expected in the medium and long term, they would not reach the same magnitude as in the past. Price increases will probably offset long-term U.S. inflation rates¹⁸, along with a modest component driven by improvements in land productivity, resulting in annual growth rates of approximately 3% to 4%. This does not rule out the possibility of periods with higher or lower annual growth rates.

¹⁸. It is estimated to be approximately 2.5%. Currently, it remains above those levels, but it is reasonably expected to return to its historical values.

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2. Public Policies, Political Risk

The risk of public policies refers to potential threats from the State acting against the ownership and operational models proposed by the Trust.

The forest sector is strongly regulated by Forestry Law No. 16,466, Land Use and Sustainable Development Law No. 18,306 and Environmental Protection Law No. 17,283, along with their amendments and regulatory decrees. Overall, the subsequent amendments to these regulations have introduced new rules and restrictions, through the requirements for the Prior Environmental Authorizations and, especially, for forest plantations as provided in the last decree dated December 2021.

In December 2021, after the Senate approved a Bill to regulate the forest sector, previously passed by the House of Representatives, the Executive Branch vetoed this Bill. Thus, no legislative changes were enacted in the forest sector. This project proposed to restrict 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 directly affected this project, its approval could have impacted the forest sector in the future. Being this Bill vetoed, at least for the time being, uncertainties regarding forestry policy have been resolved.

Also, in December 2021, the Executive Branch issued Decree No. 405/021, introducing some changes to forest regulations, probably in response to the concerns raised by the vetoed Bill. This decree reduced the minimum threshold for requiring prior environmental authorization from the National Directorate for Environmental Quality and Assessment (DINACEA, for its acronym in Spanish) from 100 to 40 hectares. Additionally, the decree mandates that reforestation projects that were originally exempt from such authorization—because they were implemented before the requirement was established—must now obtain it. This decree also revised soil categorizations and adjusted criteria for conducting environmental impact assessments.

These modifications, as well as the general regulations for the sector, are unlikely to have a significant impact on this Trust, as the acquisition of new forest areas is not planned. However, they may affect certain aspects of the 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 indicate greater threats than those mentioned above.

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

VI. RISK RATING

Based on the analysis of the main risks identified in each section, and considering the various technical approaches (legal, qualitative, and quantitative) presented by the Trustee and the Manager, as well as those carried out by CARE, and taking into account the data publicly available, CARE's rating committee concludes that the Issue is rated BBB+.uy¹⁹ on the scale provided in our Manual.

Rating Committee



Julio Preve, Engineer



Martín Durán Martínez, CA



Adrian Tamber, Agr. Eng.

¹⁹. **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 unfavorable 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.**