CARE

RISK RATING AGENCY

RISK RATING UPDATE OF THE PARTICIPATION CERTIFICATES OF THE *FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY II* FINANCIAL TRUST

Montevideo, April 2025

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

April 8, 2025

Trustee:	EF Asset Management Administradora de Fondos de Inversión
Manager (Operator) and Organizer:	Agro Empresa Forestal S.A.
Registrar and Paying Agent:	EF Asset Management Administradora de Fondos de Inversión
Representative Entity:	Bolsa Electrónica de Valores del Uruguay S.A.
Securities:	Participation Certificates
Currency:	U.S. Dollars
Issue Amount:	USD 70,000,000
Initial Offering Date:	January 19, 2015
Term:	Until all the Trust's assets are liquidated and its obligations are discharged - 30 years maximum
Distributions:	Subject to cumulative net income, in accordance with the established procedure
Trust Assets:	Land and forest plantations
Validity of the Rating:	November 30, 2025
Rating Committee:	Julio Preve, Adrián Tambler and Martín Durán Martínez
Risk Rating:	BBB +.uy[1]
Manual used:	*Manual de Calificación de Finanzas Estructuradas Administradas por Terceros* [Third-Party Managed Structured Finance Rating Manual]

[1]. The assigned rating may be subject to change at any time pursuant to CARE's rating methodology.

GENERAL OVERVIEW

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

Considering the key elements assessed in this update, the Rating Committee highlights the following:

- A financial structure which, from a legal standpoint, provides the necessary guarantees, as highlighted in the legal report included in Annex I of the original rating and subsequently ratified over time.

- From an economic and financial standpoint, the project has demonstrated the capacity to withstand stress scenarios external to the business, as reasonably applied by both the issuer and the rating agency. An updated cash flow projection as of December 2024 was submitted, estimating an IRR for the entire period of approximately 8.1%, a figure that remains virtually unchanged from the estimates made the previous year (see Section IV).

- The Manager's reports (Agro Empresa Forestal S.A.), validated by the Surveillance Committee, are generally deemed satisfactory in relation to the project's progress. The Committee further reports that the minimum expected standards have been properly met with respect to planted areas, establishment success, and the Mean Annual Increment (MAI) of the forests.

- It is worth noting that the same company also manages three other projects with similar characteristics, all of which have been rated investment grade by CARE. The company currently manages over 80,000 hectares of productive forests, funded through the issuance of a total of USD 640 million in Participation Certificates. Additionally, the company holds Participation Certificates across the four Trusts with an aggregate value of approximately USD 13.8 million.

- The management capacity of the project’s operating company, Agro Empresa Forestal, continues to meet the efficiency standards evaluated in the previous update reports, as confirmed in various reports from the parties involved.

- The corporate governance structure minimizes investor risk and has operated properly up to the date of this report, as evidenced by the Manager's reports, meetings of Participation Certificate Holders, and reports from the Surveillance Committee.

- The Trust owns a total of approximately 14,700 hectares, of which around 9,100 hectares are forested and about 234 hectares remain available for planting, resulting in a land utilization rate of 65%.

- As of December 2024, a new appraisal of the Trust's land and forest plantations estimated a total value of USD 120.4 million, representing a 3.2% decrease compared to the prior year. The valuation comprises USD 50.1 million for the land and USD 70.3 million for the forest assets. This slight decline is primarily attributed to the 8.7% reduction in the value of the forest plantations, likely due to a change in the valuation firm. The book value of these assets is detailed in Section III. As of December 31, 2024, the Trust's equity amounted to USD 123 million, well above the original issuance amount of USD 70 million.

- In 2024, the Trust's gross revenues totaled USD 5.1 million, 11% below the budgeted amount. This difference is primarily explained by the absence of carbon credit sales, the sale of pulpwood harvested directly from the properties, and the inclusion of pulp logs in export shipments, which yield lower prices than sawlogs. All the wood sold during the year originated from thinning operations, as no final harvests (clear-cutting) were carried out in 2024.

- Regarding expenditures, operating costs were broadly in line with the budget, although notable deviations were observed in specific components. General expenses, on the other hand, were below budget. In terms of investments, 62 hectares were planted during the year out of the 276 hectares planned for 2024, with the remainder expected to be planted in 2025. Overall, total expenditures—including investments—were 9% below the annual budget.

- Global demand for wood products is expected to grow at a faster pace than the world's population, driven primarily by rising incomes in emerging countries. Meeting this growing demand will require enhanced productivity through sustainable forest management. However, this long-term growth trend could be affected by adverse global conditions that may depress demand and, consequently, prices. The lingering effects of the COVID-19 pandemic, the repercussions of the conflict between Russia and Ukraine, and the slowdown of the global economy—particularly in China—have all contributed to heightened volatility in international trade and in the prices of wood and forest products. Moreover, a renewed rise in protectionist policies could further increase price and trade volatility.

- In this context, the international prices of the products sold by this Trust (pulp and solid wood) have shown highly volatile behavior in recent years. In the case of pulp, the main forest product exported by Uruguay, prices experienced a partial recovery during the first half of 2024. However, they began to decline in August and continued falling through year-end, with indications of a potential recovery ahead. Exports of eucalyptus solid wood, which faced a severely depressed market in 2022 and part of 2023, have been gradually recovering, driven by demand from China, India, and Vietnam. Conversely, pine wood exports have yet to reach sustained levels of demand, with India remaining the only active export market. In the domestic market, demand for wood remains strong, both for pulp production and sawmilling.

- The agricultural land market (including forest land) shows long-term upward price trends, driven by the sustained increase in demand for food, fiber, and timber. Additionally, opportunities to expand the agricultural frontier are becoming increasingly limited. In the case of Uruguay, land price increases are expected to be more moderate than those observed between 2004 and 2014. Following a period of adjustment and erratic behavior, with few transactions between 2015 and 2020, land prices have been rising steadily for several years. The average land price in current U.S. dollars, as reported by the Agricultural Statistics Directorate, Ministry of Livestock, Agriculture and Fisheries (DIEA-MGAP, for its acronym in Spanish), for the first half of 2024, is expected to have nearly reached the historical peak of 2014 (-0.6%), although measured in nominal terms.

- Regarding public policy, the new administration may once again consider introducing certain amendments to the current regulatory framework aimed at restricting land use for forestry activities, potentially impacting the sector. However, this Trust has already completed its plantation stage and obtained the necessary permits. Therefore, no specific threats to this project are identified in this report.

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 of the Financial Trust *Fideicomiso Financiero Forestal Bosques del Uruguay II*, with a nominal value of USD 70,000,000 (seventy million U.S. dollars).

A risk rating represents the expression of a specialized opinion provided by a company authorized for such purpose by the Central Bank of Uruguay (BCU, for its acronym in Spanish), which oversees and regulates both the financial system and risk rating agencies. The rating assigned by CARE does not constitute a recommendation or guarantee for potential investors and should therefore be considered as one element among others when making investment decisions. CARE neither audits nor verifies the accuracy of the information provided, as it is based on sources that the agency deems reliable.

The conceptual framework of this rating involves a forward-looking assessment, assigning a grade to the Trust according to its expected performance and its ability to generate profits over time, based on the forest business project its management is mandated to execute. 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 issuance does not involve 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 rating update.

CARE Risk Rating Agency is a credit 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. For each rating process, a committee is convened, composed of selected professionals who carry out the evaluation in accordance with CARE's internal manuals. These manuals, its code of ethics, records and historical 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 Tambler. CARE hired the legal services of Herrera Profesionales to conduct the legal risk assessment at the time of the original rating. CARE also regularly consults forestry experts to prepare on-site reports and conducts farm visits.

2. General Background and Key Events of the Period

A. General Background

The *Fideicomiso Financiero Forestal Bosques del Uruguay II* Financial Trust aims to provide investors with long-term returns, primarily generated from the sale of timber and standing timber, as well as the appreciation of land assets. Additionally, though to a lesser extent, returns are expected from the sale of carbon credits and grazing of non-forested land. The Trust follows investment and management protocols that comply with appropriate productive, environmental, and social standards. According to the total projected revenue outlined in the Prospectus, approximately 78% is expected to come from timber sales, 20.5% from the sale of land at the end of the project, and less than 1.5% from carbon credit and grazing revenue [2].

As the most relevant precedent, the Trusts *Fideicomisos Financieros Forestales Bosques del Uruguay I, III and IV* issued Participation Certificates in August 2011, December 2016, and April 2019 amounting to USD 50, 190 and 330 million, respectively. These Trusts, managed by the same entity as this one, have satisfactorily complied with their original business plans, which are similar to the one presented in this report. All three have been rated investment grade by CARE.

- As of the end of 2024, the land portfolio of BDU II consisted of 20 properties covering a total area of 14,656 hectares, of which approximately 9,100 hectares are planted and around 234 hectares remain available for planting, resulting in a land utilization rate of 65%. The acquired properties are located in the departments of Lavalleja, Cerro Largo, Florida, and Treinta y Tres.

- Pinus taeda plantations currently account for 15% of the total forest estate. Eucalyptus plantations for pulp production represent 18%, while Eucalyptus grandis plantations—primarily intended for solid wood production—account for 68.5% of the total planted area, according to the Surveillance Committee’s report.

- The land acquisition and plantation phases have been completed. Future project operations will mainly involve forest and wire fence maintenance, weed control, pruning, thinning, harvesting, stump removal, regrowth management, monitoring, replanting, and other related activities.

- In October 2018, the Cruz Roja property, covering 1,782 hectares, was sold to the *Bosques del Uruguay III* Trust. Of the

[2]. Chapter IV of the Prospectus: Investment Objective and Characteristics.

total area, 1,350 hectares were available for planting and 51% of the area had already been planted. This transaction was authorized by the Surveillance Committee and unanimously endorsed by the Holders of the Participation Certificates, as resolved at the meeting held on April 16, 2018.

- In April 2017, the Trust Agreement was amended to authorize the Trust to incur debt of up to 15% of its assets, subject to prior approval by the Surveillance Committee and notification to the Risk Rating Agency.

- On June 13, 2019, a meeting of the Holders of the Participation Certificates was held, with 100% attendance. At this meeting, it was unanimously resolved, for the first time, to make an advance distribution in the amount of USD 2 million, given the availability of Distributable Net Funds.

- Since July 2020, contracting short-term loans for working capital has become a standard management practice, with due notification consistently provided to the Surveillance Committee and the Risk Rating Agency. To date, there have been no difficulties in meeting the obligations incurred.

- On December 28, 2020, a meeting of the Holders of the Participation Certificates was held, with 100% representation. At this meeting, it was resolved to amend certain terms and conditions of the Participation Certificates. changes included modifying the fee adjustment formula for Agro Empresa Forestal and agreeing to publish Trust-related information on the Bosques del Uruguay website once a year.

- Efforts are underway to validate and register carbon credits under the CCB (Climate, Community & Biodiversity) Standard. This standard highlights the fund's engagement with the local community and enables the issuance of higher-value carbon credits.

- The Trust holds FSC (Forest Stewardship Council) certification. As of December 2024, 72% of its total area is certified, and efforts are ongoing to achieve full certification of 100% of its total area.

- Agro Empresa Forestal (AF) has been a signatory to the PRI (Principles for Responsible Investment) since 2022. In this regard, the company is required to submit annual reports and evaluations related to responsible investment practices and must meet minimum standards and specific indicators to maintain its membership. In 2023, AF submitted its first report (voluntary on this occasion, though mandatory in the future), earning three stars Policy, Governance and Strategy (PGS) and four stars in Confidence-Building Measures (CBM). The highest possible rating is five stars, with PGS being the most relevant module.

- 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 fee.

B. Key Highlights of the Period

- In 2024, the Trust recorded total revenues of USD 5.1 million, approximately 15% below initial projections and 55% lower than the previous year. The main deviations from the budget are explained, on the one hand, by lower values in domestic sales, as these were made directly from the property at prices lower than those for delivery to pulp mills. On the other hand, exports had been budgeted as sawlogs (+20 cm), but ultimately consisted of a mix of products, including lower-priced pulpwood. Additionally, no carbon credits were sold, as market prices were not profitable.

Table 1. Projected vs. Actual Revenue – 2024 (USD)

	Budget	Actual	Variance
Gross Revenue - Domestic Sales	4,919,760	4,135,787	-16%
Gross Revenue - Export Sales	600,450	769,020	28%
Other Revenue	494,424	185,409	-63%
TOTAL	**6,014,634**	**5,090,216**	**-15%**

Source: Manager

- Revenue was derived 81% from domestic wood sales, 15% from wood exports, and 4% from grazing leases.

- The total budget for expenses and investments in 2024 was estimated at USD 6.4 million, with production costs accounting for the largest share (42%).

Table 2. Budget vs. Actual Expenditures – 2024 (USD)			
	Budgeted	**Actual**	**Variance**
Operating Costs	2,865,815	2,906,898	1%
General Expenses, Management, and Fixed Costs	2,214,014	1,844,612	-17%
Plantation and Maintenance Investments	1,341,090	1,102,664	-18%
TOTAL	**6,420,919**	**5,854,174**	**-9%**

Source: Manager

- Production costs in 2024 were reasonably in line with the annual budget, although some variations were observed in some components. Both operating expenses and investments came in below budget, resulting in total costs and investments being 9% lower than projected.

- In 2024, 62 hectares were planted out of the 276 hectares that were scheduled for the year; the remaining area will be planted in 2025. On average, operating costs per cubic meter for thinning harvests and road maintenance showed no variation compared to the 2023 average.

- During the fourth quarter of 2024, the project was validated under the VCS-CCB (Verified Carbon Standard – Climate, Community & Biodiversity), enhancing the value of the carbon credits and enabling progress toward their commercialization to realize revenues in the coming years.

- Toward the end of 2024, a new appraisal of the Trust's land and forest plantations estimated a total value of USD 120.4 million—comprising USD 50.1 million for the land and USD 70.3 million for forest plantations[3]. Although land value increased by 9.1%, the value of the plantations decreased by 8.7%, resulting in a net asset revaluation of -3.2%.

- During the third quarter of 2024, a surveillance audit under the FSC® certification scheme was conducted. Several properties were inspected, and Forest Management was audited against the FSC National Forest Stewardship Standard for Uruguay (STD-URU-01-2021). The audit results were positive, with no non-conformities identified. A few minor observations were noted and promptly addressed by the operations team as part of ongoing improvement efforts.

- The Manager submitted the 2025 budget, which has already been approved by the Surveillance Committee. Gross revenue is projected at USD 7.8 million, composed of

[3]. On this occasion, a new valuation firm (INDUFOR) was engaged. The firm does not include revenue from grazing or carbon credit sales in its valuation, based on the assumption that such income is already embedded in the land value. However, it acknowledges that approximately USD 3 million in carbon credits may be potentially available for future sale.

approximately 24% from domestic wood sales (pulp and sawmills), 71% from wood exports, and the remainder from other income (primarily grazing). After deducting operating costs and expenses, the projected net operating cash flow would be negative, at approximately USD 45,000. Finally, investments are estimated at around USD 910,000.

Table 3. Projected Operating Budget – 2025 (USD)

	Budget
Gross Revenue – Domestic Sales	1,868,112
Gross Revenue – Export Sales	5,548,279
Other Revenue	354,515
Total Revenue	**7,770,906**
Operating Costs	-5,604,271
General Expenses	-2,211,823
Net Operating Cash Flow	**-45,188**
Investments	-910,552
Net Operating and Investment Flow	**-955,740**

Source: Manager

- As of December 2024, the area under grazing represented 84% of the total potential grazing area. The remaining 2,290 hectares are not currently used for grazing due to the presence of young plantations and areas undergoing stump removal, where livestock access is not yet permitted.

3. Information Reviewed

The following information was reviewed for this update:

- Financial statements of the Trustee as of December 31, 2024
- Financial statements of the Trust as of December 31, 2024
- Audited Financial Statements of Agro Empresa Forestal as of December 31, 2024, with Independent Auditor's Report
- Quarterly reports from the Manager, the latest dated December 31, 2024
- Quarterly reports from the Surveillance Committee, the latest dated December 2024
- Timber market report as of September 30, 2024 (Agro Empresa Forestal)
- Credit rating reports of comparable trusts
- Relevant information from the forestry sector
- Valuation of forest assets as of December 2024 by Indufor Forest Intelligence

II. THE TRUST AND THE PARTICIPATION CERTIFICATES

Participation Certificates of the *Fideicomiso Financiero Forestal Bosques del Uruguay II* Trust, established under the relevant Financial Trust Agreement, were offered through a public offering. This agreement, the certificates and the other referenced contracts were analyzed in the legal report prepared at the time of the original rating.

1. General description

Name:	Fideicomiso Financiero Forestal Bosques del Uruguay II
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agro Empresa Forestal S.A.
Registrar:	EF Asset Management Administradora de Fondos de Inversión S.A.
Representative Entity:	Bolsa Electrónica de Valores S.A.
Organizer:	Agro Empresa Forestal S.A.
Securities Issued:	Participation Certificates
Trust Assets:	The Trust invested in the development of a forestry estate, including the acquisition and/or leasing of rural properties and the establishment of forest plantations.
Currency:	U.S. Dollars
Issue Amount:	USD 70,000,000
Initial Offering Date:	August 5, 2011
Term of the Issue:	Until all the Trust's assets are liquidated and its obligations are discharged. 30 years maximum
Subscription date:	January 19, 2015
Distributions:	Based on accumulated results, pursuant to the established procedure.
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 compliance with current regulations, among others.

The conclusion stated: ***"…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."***

3. Risks Considered

Structural Legal Risk. This refers to the analysis of potential defaults in payments to beneficiaries resulting from defects in the legal structure, such as non-compliance with applicable regulations or the possible enforcement of court rulings arising from claims filed by parties potentially affected by the establishment of the Trust. Based on the aforementioned legal report—which is essentially consistent with those prepared for analogous Trusts I, III, and IV—and considering the passage of time without any legal disputes, CARE concludes that the structural legal risk is *virtually nil.*

Liquidity Risk. The Certificates have been structured to be liquid, and liquidity is therefore considered adequate given the characteristics of the Uruguayan market. However, the process is not immediate and may take 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 Agro Empresa Forestal S.A. (AF) acting as Project Operator.

1. EF Asset Management (EFAM)

The trustee is EF Asset Management Administradora de Fondos de Inversión S.A. (EFAM), a closed joint-stock company whose corporate purpose is the management of investment funds and trusts of all types. It was registered with the National Commercial Registry on April 7, 2003, under No. 2014 (Tax ID: 214769530012).

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, as amended by Law No. 17,202 of September 24, 1999.

On July 9, 2004, the Central Bank of Uruguay (Notice No. 2004/188) authorized EFAM to act as a Financial Trustee under Law No. 17,703 of October 27, 2003. On that same date, the company was registered as a Financial Trustee in the Securities Market Registry of the Central Bank of Uruguay.

On May 23, 2005, EFAM was further authorized by the Central Bank to act as a Professional Trustee under the same Law (No. 17,703) and was registered with the Register of Professional Trustees, General Trustees Section of the Central Bank of Uruguay.

Economic and Financial Situation

The analysis of EFAM's interim financial statements as of December 31, 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, which are required by regulations applicable to the trusts managed by the company, and are therefore of restricted availability. As a result, financial liabilities were incurred to fund these deposits, which are cancelled once the corresponding guarantees are released. Regarding any temporary need for liquidity to meet short-term obligations, the company has access to financing from related parties, which significantly mitigates liquidity risk.

A summary of the company's balance sheet and income statement as of December 31, 2024, along with comparative figures from prior years, is presented below.

Table 4. Statement of Financial Position of EFAM (in thousands of UYU)			
Item	**31/12/2024**	**12/31/2023**	**12/31/2022**
Current Assets	33,440	26,198	26,974
Non-current Assets	290,099	248,688	245,533
Total Assets	**323,539**	**274,886**	**272,507**
Current Liabilities	45,457	38,315	43,807
Non-current Liabilities	249,374	211,246	204,187
Total Liabilities	**294,830**	**249,561**	**247,994**
Equity	**28,708**	**25,325**	**24,512**
Total Liabilities and Equity	**323,539**	**274,886**	**272,507**
Current Ratio	**0.74**	**0.68**	**0.62**

Source: Financial Statements of EFAM

As of fiscal year-end 2024, results show an increase in revenue over the same period in the prior year, which is reflected in the growth of net income for the year.

Table 5. Income Statement of EFAM (in thousands of UYU)			
Item	**31/12/2024**	**12/31/2023**	**12/31/2022**
Operating Revenue	95,753	85,442	80,546
Admin. and Selling Expenses	(78,523)	(71,408)	(66,556)
Operating Result	**17,230**	**14,033**	**13,990**
Financial Results	(11,495)	(11,743)	(28,054)
Profit before Income Taxes	**5,735**	**2,290**	**(14,064)**
Corporate Income Tax (IRAE)	(2,352)	(1,477)	2,685
Net Income for the Year	**3,383**	**812**	**(11,379)**
Operating Margin	17.99%	16.42%	17.37%
Net Profit Margin	**3.53%**	**0.95%**	**-14.13%**

Source: Financial Statements of EFAM

EFAM manages a substantial and diverse portfolio of trusts, reflecting its proven competence in this role. Accordingly, no risks have been identified concerning EFAM's performance as a fiduciary manager.

2. Agro Empresa Forestal S.A. (AF)

The managing company has been previously evaluated by CARE in the original rating for this Trust and three similar ones, as well as in subsequent updates. On all occasions, the company's performance and its capacity to execute the various projects have been assessed positively. Accordingly, future evaluations will focus on monitoring its performance and identifying any significant developments that may warrant a revision of this assessment.

CARE's own review of the progress of each project under AF's management remains the most reliable source of information for assessing the company's operational capacity.

In summary, AF Global S.R.L. is the holding company under which AF Administraciones Forestales operates. The group also includes two other divisions: La Novillada, specializing in weed control and sale of agrochemicals, and AF Maderas, which focuses on the export of sawlogs and sale of wood in the domestic market.

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

In Uruguay, its most significant track record is the management of the assets of four trusts (including this one) rated by CARE. These four trusts together had an original value of more than USD 630 million. All of them have received investment-grade ratings, reflecting their solid performance to date.

With the launch of the fourth trust, AF considered it was crucial to restructure its organization to adapt it to meet increasing operational demands. To that end, this company hired the consulting firm Deloitte to provide recommendations for improvement.

This work took six months and resulted in a series of recommendations, most of which have already been implemented, as outlined in previous updates. Accordingly, they will not be repeated in this report.

The new structure, designed to complement and support the corporate structure, has been formally established. Any changes to key professional positions within this structure are reported regularly.

Key Personnel

The organizational structure is composed of a Board of Directors, an Audit Committee and a Compliance Committee. No significant changes to the organizational structure have been reported.

- ***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.
- ***María Stella, Economist (MSc.),*** is responsible for investor reporting, annual valuations (BEVSA/Independent/AF), financial projections and the monitoring of key variables such as prices and comparable transactions.

Economic and Financial Situation

The company's fiscal year ends on December 31. At the time of this review, CARE analyzed the latest available financial statements, issued by Grant Thornton as of December 31, 2024.

According to those financial statements, the company shows a positive and sustained growth in equity, consistent with the favorable evolution of its financial results. It is worth highlighting AF's role in the four Trusts it manages. At year-end 2024, its assets included Participation Certificates issued by the four Trusts, totaling approximately USD 14 million.

In view of the above, CARE maintains a favorable opinion regarding AF's capacity to manage this and other related operations. It is also worth recalling that, as trust asset manager, AF is subject to standard oversight mechanisms, including the possibility of its replacement in the event that any of the contingencies provided in the relevant agreements may occur.

The Trust

The BDU II Trust was established on August 14, 2014, pursuant to its Trust Agreement, and was authorized for registration by the Central Bank of Uruguay on December 5, 2014. On January 19, 2015, Participation Certificates amounting to USD 70 million were issued and listed on BEVSA under a deferred integration regime, as provided in the Issuance Document and disclosed in the Prospectus. The Participation Certificates were fully paid after a process that began in January 2015 and concluded in February 2017.

A summary of Trust's financial position and the income statement as of December 31, 2024, is presented in the tables below.

Table 6. Statement of Financial Position of the Trust

Thousands of USD	12/31/2024	12/31/2023	12/31/2022
Current Assets	2,026	4,705	2,313
Non-current Assets	125,972	128,863	117,217
Total Assets	**127,998**	**133,568**	**119,530**
Current Liabilities	1,309	2,536	1,101
Non-current Liabilities	3,232	2,869	2,602
Total Liabilities	**4,541**	**5,405**	**3,702**
Equity	**123,457**	**128,163**	**115,827**
Total Liabilities and Equity	**127,998**	**133,568**	**119,530**
Current Ratio	**1.55**	**1.86**	**2.10**

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

The valuations conducted at the end of the fiscal year resulted in a decrease in biological assets of USD 7.9 million (including appraisals and new plantations) and an increase in land value of USD 4.1 million. As a result, the Trust's main assets are composed of USD 70.3 million for forest plantations and USD 55.6 million for land and improvements (USD 50.1 million attributable to land). The outcome of the appraisals is discussed in another section.

As of December 31, 2024, the Trust's equity amounted to USD 123.5 million, as shown in the preceding table. Although lower than in the previous fiscal year, it remains significantly higher in nominal terms than the original issuance amount of USD 70 million.

Table 7. Income Statement of the Trust

In thousands of USD	31/12/2024	31/12/2023	12/31/2022
Operating Revenue	5,090	11,668	8,846
Biological Assets (1)	(7,903)	11,126	10,992
Continuing Operations	**(2,813)**	**22,794**	**19,838**
Cost of Goods Sold	(3,364)	(9,291)	(7,304)
Gross Profit	**(6,177)**	**13,503**	**12,534**
Admin. and Selling Expenses	(2,247)	(2,710)	(1,679)
Operating Income	**(8,424)**	**10,793**	**10,855**
Other Gains and Losses (2)	-	-	-
Financial results	267	(188)	(345)
Income before taxes	**(8,157)**	**10,606**	**10,511**
Corporate Income Tax (IRAE)	(325)	(131)	823
Income for the year	**(8,482)**	**10,475**	**11,334**
Other Comprehensive Income (2)	4,149	1,899	1,675
Deferred Tax	(374)	(38)	(169)
Total Comprehensive Income	**(4,706)**	**12,336**	**12,840**

Source: Financial Statements of the *Fideicomiso Financiero Bosques del Uruguay II* Trust
(1) Change in the fair value of plantations
(2) Change in the fair value of land

Equity at the end of the fiscal year decreased due to the deficit recorded, as shown in the income statement.

Operating revenue for the period was mainly generated from wood sales (USD 4.9 million), while a smaller portion corresponded to income from grazing and other sources. Additional details on the Trust's production and commercial activities during the period are presented in a separate section of this report.

Risks Considered

Management Risk Given the proven suitability of AF S.A. and EFAM to fulfil their duties, and according to all the analyses carried out in the rating of the BDU Trust, CARE considers that the risk of non-compliance by either the Manager or the Trustee with their project-related responsibilities to be virtually nonexistent. *Virtually no risk.*

Conflict Risk: This refers to the potential for legal disputes that may interfere with the assigned mandate, and the extent to which provisions exist to address them. For the same reasons noted above, it is highly unlikely that, even in the event of a conflict, the Trustee and the Manager would be unable to resolve it satisfactorily. *Very low risk*.

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

Risk of Change in Forest Manager: This risk is also provided for in the agreements, with appropriate mechanisms in place depending on various project performance scenarios.

IV. UNDERLYING ASSET AND FUTURE CASH FLOW

The Trust invested in the acquisition of rural properties to develop forestry activities, in accordance with the terms and conditions outlined in the Agreement. These properties became part of the Trust's assets. The Trustee invested in those Properties specifically recommended by the Manager, pursuant to the Business Plan and following the procedures provided in the Agreement.

1. Evaluation of Investment Profitability and Internal Rate of Return

The Project outlined in the Prospectus estimated an Internal Rate of Return (IRR) of 8.55% for the investor. Subsequently, the Manager made adjustments to the projected cash flows. The most recent update, prepared in March 2025, includes actual data as of December 2024 and projections until the termination of the Trust.

In this latest financial projection, the Manager modeled a range of scenarios, estimating various trends in wood and land prices, as well as production costs from 2025 until the termination of the Trust in 2035.

Among the various scenarios presented, the one that meets CARE's criteria for reasonably conservative projections includes the following assumptions:

- **Product prices** are projected to adjust in line with U.S. inflation, assumed at 2.1% per year[4]. No real price increases are estimated for either pulpwood or solid wood.
- **Land prices** are expected to increase at an annual rate of 3% in nominal U.S. dollar terms.
- **Domestic costs** are projected to adjust according to inflation rates in both the U.S. and Uruguay. In Uruguay, an average annual devaluation of 3.5% and an inflation rate of 6.2% are projected.

Additionally, the projected yields are consistent with the actual performance observed in the forest plantations. Prices and costs are based on current levels. The final value of the forest assets is calculated as the net present value of a 20-year stream of future revenues, discounted at a rate of 8.5%, which is considered a conservative assumption.

Investment returns are projected based on the updated cash flow, which is expected to begin in 2025 and continue through the termination of the Trust in 2035. The USD 2 million profit distribution made in 2019 was also considered as income.

Based on this projection, the IRR for the entire term of the Trust is estimated at 8.2%, showing no variation from the previous year's

[4]. Current values remain slightly above those benchmarks, although a reversion to historical levels is likely.

estimate. This rate of return is calculated under the assumption that the investor acquired the Participation Certificates at par value in year zero.

The table below presents the results of different scenarios modeled for sensitivity analysis, including both optimistic and conservative assumptions.

Table 8. IRR Results under Different Scenarios

Scenario	IRR
1 Wood prices adjust to U.S. inflation, plus 1.5% annual growth	
Costs adjust to USD and Uruguayan inflation. Land price	
increases by 1.5% annually.	8.1%
2 Wood prices adjust to U.S. inflation. Costs adjust to USD and Uruguayan	
inflation, and land value increases by 1.5% annually.	8.1%
3 Same as Scenario 2, but land prices increase by 3% annually.	**8.2%**
4 Both wood and land prices increase by 1.5%.	6.9%
5 Land prices increase by 1.5%.	6.9%
6 All variables remain constant	6.7%

Source: Manager

As shown in the table, the expected internal rates of return under the different scenarios exhibit limited variation.

Scenario 3 aligns with CARE's criteria for making reasonably conservative projections. It assumes that wood prices will increase in line with U.S. inflation, effectively remaining stable in real terms. According to the World Bank's most recent projections through 2035, annual growth was expected to range between 1.1% and 1.5%, depending on the source region (see Section V). Regarding land, an annual increase of 3% is considered both reasonable and conservative, and is the standard assumption typically used by the rating agency in its projections.

Scenario 6 represents the real IRR scenario, under which wood and land prices, as well as production costs, are assumed to remain constant in nominal terms throughout the entire period. In this case, the IRR would stand at 6.7% in real terms.

This revised IRR estimate is consistent with the rigorous sensitivity analysis conducted by CARE during the original rating process**.** At that time, the projected cash flows were stress-tested against adverse assumptions regarding:

- the forest growth rate, and
- the expected appreciation in land value.

The most adverse scenario assumed a 25% reduction in the anticipated forest growth rate and no increase in land prices throughout the entire period. Based on the results observed in the permanent sample plots, such a significant decline in growth rates appears unlikely at present.

A simulation of 10,000 iterations under this highly unfavorable scenario yielded an expected nominal IRR of 6.58%, with a 95% probability that the IRR would exceed 5.74%.

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)[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 ensure a medium-term perspective, CARE used the average values from the past five years for all variables.

To consider systemic risk, CARE uses the average "beta"[6] of forest production companies in emerging markets, which is 1.13, indicating that investments in the forest sector entail a higher risk and variability than the average of all the activities in that market. The risk-free rate was set at 2.78%, based on the average yield of 10-year U.S. Treasury Bonds. The country risk premium (UBI index) was estimated at 110 basis points[7], while the equity market risk premium was set at 4.51%.

When applying these values, the expected rate of return on equity is estimated at 5.83%. This figure is lower than the investor's expected IRR in the scenario that aligns with CARE’s criteria (8.2%), suggesting that the investment would generate a return exceeding the opportunity cost of capital.

In the current context, the risk-free rate is higher than the average for the last 5 years. However, the country risk is lower than it was over the period under review. Therefore, if current values were used, the opportunity cost of capital would be slightly lower (5.38%).

Another benchmark for assessing the Trust’s expected IRR is the yield curve, which reflects alternative investment options modeled specifically for Uruguay.[8] Currently, the 10-year U.S. dollar yield curve (CUD, for its acronym in Spanish) stands 5.24%. In this case, the IRR estimated under the most likely scenario also exceeds the value of the U.S. dollar yield curve.

Considering these parameters, the project's return for the investor remains above the estimated opportunity costs.

While these comparisons should not be interpreted strictly, they provide useful reference points, among others, for evaluating the original investment considering the current macro-financial context.

[5]. 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.

[6]. This value is provided by Damodaran.

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

[8]. Spot Yield Curve of Uruguayan Sovereign Bonds issued in local currency indexed to inflation or in U.S. dollars, as applicable.

3. Compliance with Minimum Project Standards

The characteristics of the project make the economic results sensitive to the actions carried out by the Manager: land acquisition, forest establishment and maintenance, conversion of species, operating costs, harvesting and sale, etc. For this reason, the Trust Agreement included minimum performance standards for the Manager.

In this regard, the Surveillance Committee reported that the minimum requirements have been satisfactorily met:

- Land acquisition: Completed. The objective was to acquire 13,200 hectares and lease 800 hectares; a total of 14,656 hectares have been acquired.
- Plantable area: No area has been reported as "available for planting" for more than 24 consecutive months.
- Planting practices and survival rates: The percentage of planting practices and survival rates recorded in May 2024 was 84% on average.
- Mean Annual Increment (MAI) of the plantations:
  - Eucalyptus dunnii (pulp): Development is aligned as expected in the Prospectus and above the maximum expected curve.
  - Eucalyptus grandis (quality timber): Plantations are performing between the most probable and the maximum expected curve.
  - Pinus taeda: The Trust plantations are 14 years old, with both commercial and total volume curves above the minimum expected level. However, a significant difference remains between commercial and total volumes, primarily due to the lack of a market for smaller-diameter logs (less than 20 cm).

Overall, plantations show a good level of compliance with the performance standards.

Table 9. Project Compliance

Indicator	Prospectus	Executed
Land Price (USD/ha) as of 2024 (*)	4,164	3,404
Distance to Montevideo (km)	270	267
Forest Utilization Rate (%)	60%-65%	63%
E. grandis/dunnii Area Ratio	2.7	4.4
Total Area	14,000	14,658
Planted Area (current)	8,680	9, 087
15% of the area is planted with pine		

Source: Surveillance Committee

(*) In the Prospectus, it was projected a 3% nominal annual increase in land prices; however, this has not occurred yet. As presented in Section V, after a very significant adjustment in prices between 2004 and 2014, values fell and deviated from the historical trend of growth until 2020. Since 2021, land prices appear to have resumed their growth trend.

As the Trust has acquired properties already planted, the schedules to begin the clear-cut timber sales have been adjusted from the original projection, advancing the Trust's revenues for these activities. In turn, the planting costs have been deferred in the areas acquired that were already forested, as these costs will be incurred only after the corresponding clear-cutting has taken place. Macroeconomic variables (inflation and exchange rates) have evolved differently than initially anticipated, resulting in a significant increase in domestic costs in terms of US dollars.

4. Forestry Production Performance Risks

This category includes risks related to forest management, as well as climate-related risks such as droughts and wildfires.

Forest management risk refers to forest management decisions related to planting species in suitable sites; managing plants production and establishment; enhancing tree quality through genetic improvement programs; developing and implementing spacing and silvicultural activities; protecting silvicultural forest tree crops and land from different hazards such as fire, pests and diseases, animals, and invasive weeds.

The productive management risk is minimal because it is mitigated by the Manager’s proven 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, support services, logistics, and foreign trade.

Considering biological risks, the selected species have shown a strong performance in the ecosystems where they have been planted, and their pathologies are well known. However, as this is a long-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 risks are difficult to prevent and predict, particularly in terms of their long-term impact. The

[5]. This value is provided by Damodaran.

[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.

severe drought experienced in 2022/2023 provided valuable real-world data about the effects that any drought may have on forest production.

In the case of forest fires, this is a well-known and inherent risk in forestry operations, and such projects have appropriately internalized it. Preventive management measures are in place to minimize the likelihood of fire, including the establishment of firebreaks, waste removal, continuous surveillance in summer, and contracting insurance policies. Additionally, the wide geographic dispersion of the properties helps to mitigate risk, as any fire outbreak would likely be confined to the affected property.

The Manager also conducts ongoing monitoring of the plantations to enable early detection of any phytosanitary or management issues that could affect the normal development of the plantations.

5. Results from Permanent-Plot Measurements

Permanent plots were established on those forests aged between 6 and 9 years old distributed among different farms. The objective of the permanent plots is to measure two tree growth parameters, height and diameter, crucial for estimating production.

The growth results from the permanent plots show that Eucalyptus dunnii growth rate is in line with the projections provided in the Prospectus and within the maximum expected curve, according to the Surveillance Committee's report. The Eucalyptus grandis growth rate is also in line with the forecast included in the Prospectus and within the most probable and the maximum expected curve.

In the case of pines, there is an important difference between the total and the commercial volume due to market trends. Currently, there is no commercial market for logs smaller than 20 cm diameter, producing a difference in volumes. In any case, both total and commercial curves are above the minimum curve.

6. Land and Forest Estate Appraisal

As of December 2024, a new appraisal of the Trust's land and forest plantations was carried out. Unlike in the previous three years, this valuation was conducted by different firms. Pike & Co and Consur UIT were responsible for appraising the land, while the valuation of the forest plantations was performed by Indufor.

Indufor's valuation approach includes only the value of the land (as determined by Pike and Consur UIT) and the forest plantations. Unlike other appraisers, Indufor does not consider grazing and potential carbon credit revenues, as its methodology assumes these elements should already be embedded in the land valuation.

The valuation approach applied to the forest plantations (timber) combined a comparable sales approach with a discounted cash flow (DCF) analysis, using a discount rate of 7.5% and incorporating a notional land rental. This approach resulted in a valuation of USD 70.3 million for the forest plantations, representing an 8.7% decrease compared to the previous year. *In this case, there was no reduction in the planted area, so the difference is primarily attributable to the change in the valuation firm.*

Regarding the land, its appraised value was USD 50.1 million, equivalent to an average of USD 3,404 per hectare, representing a 9.1% increase compared to the previous year. The land valuation was based on a combination of three factors: (i) historical trends in land prices, (ii) the market value of comparable properties recently sold, and (iii) the intrinsic characteristics of the properties, including soil type, effective planting area, geographic location, and native forest cover.

The table below shows the evolution of the Trust's land and forest plantation values. The series begins after the land acquisition stage was completed to ensure data comparability. It is important to note that different valuation methodologies were used over time and that the valuations reflect only the combined value of land and forest assets. Grazing and carbon credits revenues were not included, as not all valuation firms take these components into consideration.

Table 10. Evolution of Land and Forest Plantation Valuation

Year	In millions of USD
2015	26.70
2016	51.50
2017	66.00
2018	66.20
2019	74.99
2020	71.90
2021	97.80
2022	111.10
2023	123.00
2024	120.40

Source: CARE, based on valuation reports

Note: The planted area only stabilized in 2018. In 2015 and 2016, the area was smaller; in 2018, the area increased temporarily, as a property was later sold to BDU III.
Carbon credits and grazing revenues were not included in the valuation.

The 2024 appraisal estimated the total value of the Trust's assets as of December 31, 2024, at USD 120.4 million, representing a 3.2% decrease compared to the previous year. The overall trend shows sustained growth in asset value, with a compound annual growth rate (CAGR) of

10.5% over the entire period, primarily driven by the growth of forest plantations.

Although the valuation does not include the potential value of future carbon credits, the appraiser reported that this value could amount to approximately USD 1.9 million. The same discount rate applied to revenues from forest plantations was used to value the carbon-related income.

The table below shows the results of the 2024 appraisal, broken down by component, and compares them with previous years.

Table 11. Valuation by Component (in USD millions)

	2022	2023	2024	Variation
Wood production	67.06	77.04	70.30	-8.7%
Grazing	1.31	1.35	-	-
Land value	44.04	45.94	50.10	9.1%
Total	112.41	124.33	120.40	-3.2%
Carbon credits	0.48	1.10	1.90	-

Source: CARE, based on valuations

Note: In 2024, the valuation firm estimated that carbon credits could be worth USD 1.9 million; however, based on its methodology, it determined that this value should not be included in the valuation.

The appraisals of forest plantations represent a snapshot of the existing forest assets as of December 31. Therefore, compared to the previous year's valuation, they reflect factors such as biological growth of the trees, changes in the number of hectares, adjustments in wood prices, and production costs. In certain years, such as the current one, variations may also arise due to changes in valuation criteria.

7. Risks considered

Cash Flows 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 flows generation risk is minimal.*

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

V. THE ENVIRONMENT

The environmental analysis assesses future factors that may have an impact on the generation of projected cash flows. These are circumstances beyond the control of the company and relate to the broader macroeconomic and regulatory context. They include the expected evolution of domestic and international markets for inputs and products, as well as the analysis of public policies, which may directly impact the fulfillment of the project's objectives. Public policy refers not only to domestic regulations, but also to those of countries with which Uruguay maintains trade relations.

The demand for wood products is expected to grow at a faster rate than the projected increase in the world population, driven primarily 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, trade barriers —at least for now— remain relatively stable and governed by predictable regulations; therefore, no significant risks are expected. Regarding the potential expansion of environmental barriers, both the country and this project, in particular, stand out for their environmental stewardship 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, enhanced productivity, and the limited availability of land for agricultural frontier expansion. In parallel, the increasing implementation of environmental protection measures could introduce medium-term restrictions on land use.

Given the extended time frame of the projections, which aligns with the nature of the project itself, this environmental analysis is presented according to major trends in the evolution of wood and land prices.

In terms of national sectoral policy, the change in administration may prompt renewed consideration of regulatory changes intended to restrict land use for forest operations—an initiative originally proposed in Parliament in 2021; however, it was subsequently vetoed by the president in office at the time. Such new regulations could have a material impact on the current development and expansion of forestry activities.

1. Economic and Market Risk

This section of the report focuses on the prices of wood and land, which are key elements of the Trust’s business model.

A) Wood Prices

The most critical and therefore the most decisive variable for the rating agency is the price of wood, as it accounts for more than 80% of projected investment returns.

In the case of this project, the price of high-quality timber (primarily Eucalyptus) will have the most significant impact on its final outcome, as producing quality timber is the Trust's core purpose. Nonetheless, the expected price of pulpwood also plays a relevant role, since a portion of the harvested timber, particularly during the early years of the projects, is consistently allocated to pulp production.

The Food and Agriculture Organization of the United Nations (FAO), in its report *Global Forest Sector Outlook 2050,*[9] predicts that global consumption of primary processed wood products is expected to grow 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.

Rising demand is facing a constrained supply due to growing measures to protect native forests, as well as stricter regulatory controls over production forests. At the same time, policies aimed at mitigating the impacts of climate change also promote the protection of forests, due to their significant role as 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. Ongoing international negotiations continue to make progress toward securing environmental commitments on emissions reductions, suggesting that demand for carbon credits is likely to grow over the medium and 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 lingering effects of the COVID-19 pandemic, the repercussions of the conflict between Russia and Ukraine, and the slowdown of the global economy —particularly the cooling of China's economy— have all contributed to significant volatility in international trade and the prices of wood and forestry products.

[9]. FAO 2022

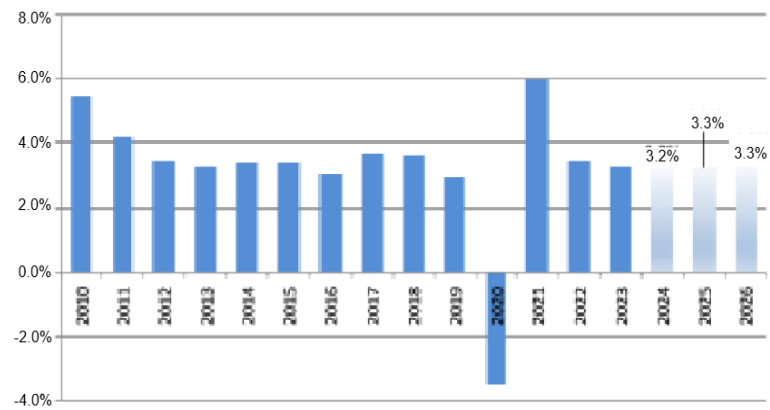
In the long term, there are no elements to expect changes in the trends described in the Prospectus. However, unfavorable scenarios, such as the ones mentioned above, should not be totally ruled out.

For this rating update, CARE reviewed key information about the forestry industry, confirming that there would be no major deviations from the expected trajectory in the future.

World Economic Growth Outlook

According to the most recent report from the International Monetary Fund (IMF), dated January 2025, global economic growth is projected to reach 3.3% in both 2025 and 2026—below the historical average of 3.7% recorded between 2000 and 2019. Additionally, the IMF expects global headline inflation to decline to 4.2% in 2025 and 3.5% in 2026, with advanced economies expected to meet target levels earlier than emerging markets and developing countries.

Figure 1. Global Economic Growth Rate



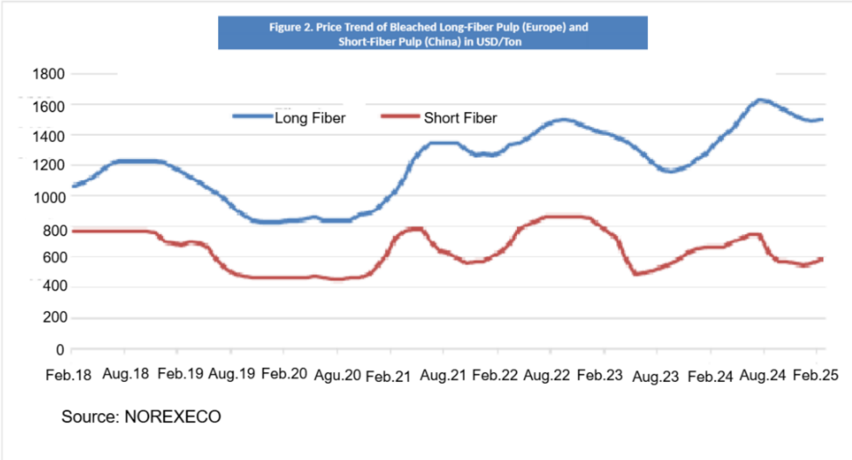
Source: IMF January, 2025

Historical Price Trends

In recent years, international prices of forestry products have exhibited high volatility, driven by a series of factors that have affected global demand—including the COVID-19 pandemic, geopolitical conflicts, weak global economic growth, and inventory accumulation, among others.

Regarding pulpwood, the reduction in consumption caused by the pandemic initially triggered a sharp drop in demand and prices. Thus, domestic after a marked sharp peak in prices in 2018, international, regional and pulp values experienced a very significant drop of around 35-40%. The greatest fall of pulpwood prices occurred in 2019, after which they either recovered slightly or remained at depressed levels throughout most of 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. From July/August 2024 onward, pulp prices began to decline once again and appear to have bottomed out in the early months of 2025.

The figure below presents data on prices per ton for two types of pulp: NBSK[10] (main international prices for long-fiber conifer pulp in Europe), and BHKP[11] (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 price[12] received for Uruguay's pulp exports was USD 624 per ton FOB, representing a 12% increase compared to the average export price in 2023, but 11% lower than the values recorded in 2022.

CARE had access to some projections which estimate that, in the short term, international pulp prices could improve relative to current levels (as of February 2025), although they would likely remain below the 2024 average.

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.

In the case of eucalyptus sawlogs, demand has shown volatility similar to that of pulp, though to a lesser extent. Prices have shown a modest upward trend, while the greatest impact has been observed in traded volumes. Following a highly uncertain start to 2020, driven by the export

[10]. Northern Bleached Softwood Kraft. Long-fiber bleached pulp.

[11]. Blanched Hardwood Kraft Pulp. Short-fiber bleached cellulose pulp.

[12]. FOB export value / exported tons.

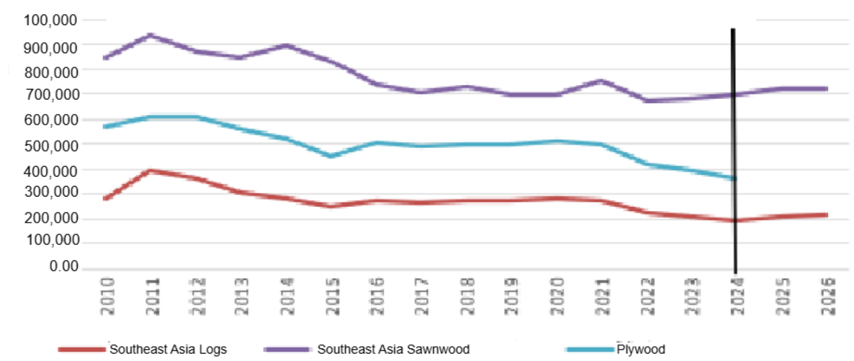
slowdown at the end of 2019 and the outbreak of the pandemic in early 2020, the second half of the year showed signs of recovery, consolidating a positive trend that continued throughout 2021 and into early 2022.

In the second half of 2022, external demand for eucalyptus sawlogs fell sharply, with a slow recovery beginning in the second quarter of 2023. In 2024, exports—both in value and volume—began to recover again from the second quarter, mainly driven by price improvements. China, Vietnam, India, and Malaysia remain the main markets for this Uruguayan product.

In the case of sawn pine wood, the international market for Uruguayan products shows no clear signs of recovery. Since the second quarter of 2023, exports of pine logs have dropped significantly in both volume and value, a trend that has persisted during the first half of 2024. Prevailing prices and strong international competition have made deal-making increasingly difficult. China has virtually withdrawn from this market, leaving India as the primary—and almost exclusive—importer of Uruguayan pine. Some reports indicate that, by the end of 2024, India's consumption capacity may exceed the volumes currently being supplied, which could place downward pressure on prices going forward.

According to the latest World Bank price forecast report from October 2024, prices for both roundwood and sawnwood are expected to post slight increases of around 2% to 3% per year over the next two years. However, they have continued to follow a downward trend since 2011.

Figure 3. Evolution of Global Prices: Historical Data and 2026 Forecast



Source: Based on World Bank data

In 2021, the World Bank presented a long-term projection for sawlogs and sawnwood, showing a slight increase in nominal values for 2035[13]. In the case of logs, an average annual cumulative growth rate of 0.95% was projected, while sawnwood was expected to grow at a rate of 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

[13]. World Bank Commodities Price Forecast. In subsequent reports, price projections are provided only for 2024 and 2025.

nominal increases but somewhat lower than the long-term devaluation of the dollar.)

Uruguay's forest product exports reached a new record in 2024, primarily driven by the first full year of operation of all three pulp mills. The total value of exports from forestry producers was 20% higher than in the same period of the previous year.

In 2024, pulp ranked as Uruguay's top export product for the first time, overtaking beef as a result of higher prices and increased export volumes.

A notable increase was also recorded in exports of plywood, sawnwood, and eucalyptus logs, while exports of wood chips experienced a significant decline.

The following table shows the value of forestry exports over the past few years, revealing a clear upward trend.

Table 12. Exports of Selected Forest Products (in millions of USD, FOB)

	2019	2020	2021	2022	2023	2024	Variation
Pulp	1,527	1,107	1,576	1,818	2,019	2,545	26%
Pine logs	89	132	204	127	69	64	-7%
Plywood boards	55	67	105	102	80	89	11%
Chips (eucalyptus and pine)	102	21	74	113	109	56	-49%
Sawnwood (coniferous and non-coniferous)	97	104	159	184	171	188	10%
Paper and cardboard	36	25	26	35	30	27	-11%
Eucalyptus logs	14	21	23	34	24	39	62%
Total	**1,921**	**1,477**	**2,167**	**2,412**	**2,503**	**3,009**	**20%**

Source: CARE, based on Customs and Uruguay XXI data
Note: Exports of logs to the Free Trade Zone were not included, as pulp exports from this destination were considered.

It is worth highlighting that sawnwood (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, this does not rule out the possibility of short-term deviations from the overall upward trend, as changes in several variables—such as interest rates, currency devaluations, international inflation, or commodity prices—may affect nominal land values.

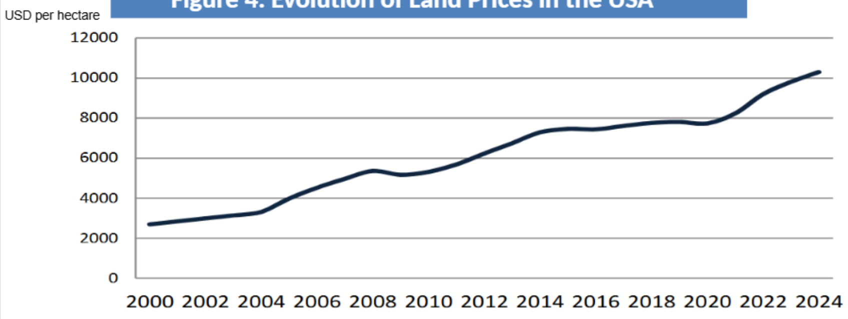
In this report, CARE updated the analysis of land price trends in several relevant countries, based on the understanding that their trajectories may offer useful insights into potential developments in Uruguay.

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.

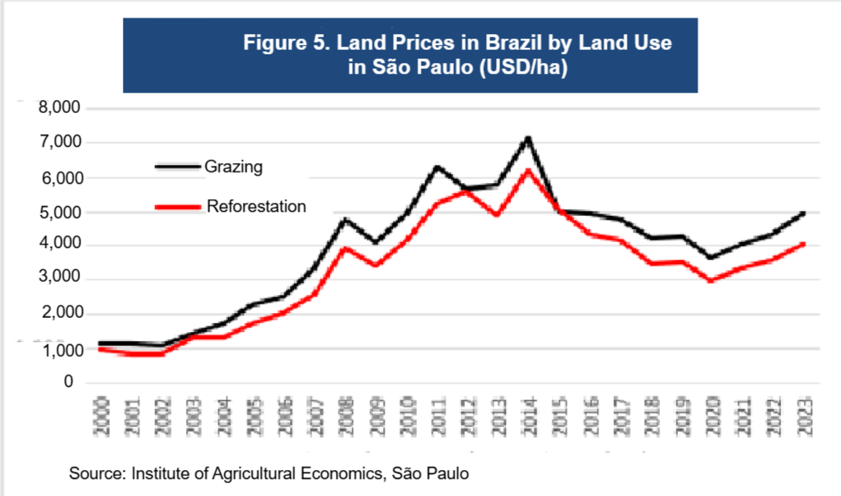
The average land price remained relatively stable between 2017 and 2020, showing minimal increases aligned with the U.S. inflation rate. Even though, in the last four years, values have recovered significantly, improving in real terms and keeping pace with higher inflation. Between 2020 and 2024, the average price per hectare recorded a cumulative increase of 32%. When analyzed separately, agricultural land prices rose by 36% over that period, while prices for grazing land increased by 31%.

Figure 4. Evolution of Land Prices in the USA



Source: USDA Land Prices (August 2024)

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, exchange rate movements can amplify changes in land prices. In U.S. dollar terms, land prices showed sustained growth until 2014, followed by a decline through 2020, mirroring a trend also observed in Uruguay. Since 2020, prices have shown significant recovery (12% in 2021, 8% in 2022, and 13% in 2023), although they still remain well below their historical peak. The 2023 increase in land prices, when expressed in dollars, is partly explained by rising prices in local currency and the appreciation of the real against the U.S. dollar. No information is yet available for 2024, but it is highly likely that a decline in land values in current U.S. dollars will be observed, primarily due to the significant depreciation of the Brazilian real during the year.



Argentina's recent economic history has made it impossible to obtain a reliable and up-to-date series of land prices. The high volatility of its policies, export taxes on agricultural production, macroeconomic imbalances, and the restrictions on foreign exchange, have caused distortions in land values that deviate significantly from the expected trends. However, ongoing changes in its economic policy will probably make it possible to resume consistent and reliable statistical 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 a compound annual growth rate of 3.5% in real terms.

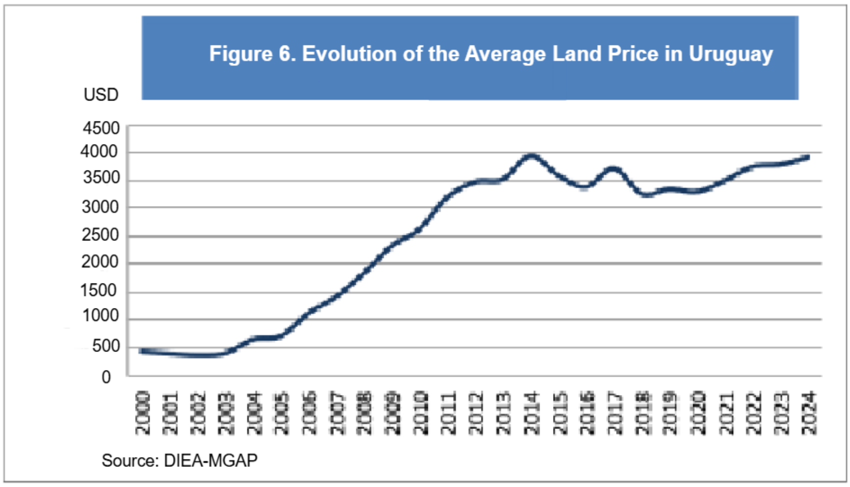
The Argentine Chamber of Rural Real Estate (CAIR, for its acronym in Spanish), an institution that monitors market trends, reported a sustained recovery in market activity in 2024 (referring to the volume of transactions rather than prices), after the change in its administration. The activity index published by the Chamber[14] stood at 49.69 points in December 2024, compared to 21.52 points at the end of December 2023. The report notes that the index had reached 60 points in November 2024 and attributes the sharp drop in December to seasonal factors (four public holidays falling on weekdays during the month). According to the Chamber, despite the December decline, market activity in 2024 closed on an upward trend.

In the case of Uruguay, data reported on the average of land transaction prices by the Directorate of Agricultural Statistics of the Ministry of Livestock, Agriculture and Fisheries (DIEA-MGAP, for its acronym in Spanish) show a very strong appreciation of land values from 2004 to 2014. Since 2015, there has been a certain downward adjustment, although showing erratic behavior, probably as a consequence of the low number of transactions as both the quality and location of traded land have had a great influence on the average prices.

[14]. The Rural Real Estate Market Activity Index (InCAIR) is a monthly index that reflects the rural real estate market activity. The maximum baseline is 100 points, corresponding to the highest recorded historical activity. It does not show prices/values, only market activity. This index has been measured since November 2013.

Since 2021, land prices in Uruguay seem to have returned to their historical growth rates, increasing by 6.2% in that year and by 6.9% in 2022. These figures were likely influenced by the rebound in international prices, the appreciation of the Uruguayan peso against the U.S. dollar—the currency in which land transactions are conducted—as well as by elevated global inflation.

Since 2023, land price increases have moderated to 1.1% for that year, while preliminary figures for the first half of 2024 indicate an average increase of 3.4%[15]. It is worth noting that data from a single semester, as it represents a smaller transaction volume than a full year, may be influenced by the location and/or quality of the land when determining the average price. Should the 2024 figure be confirmed, the average land price in current U.S. dollars would have nearly reached the historical peak recorded in 2014 (-0.6%).



Other sources of data provided by consulting firms and market operators,[16] using different valuation methodologies, estimated land values for properties with similar characteristics, taking into account their respective productive uses. The most common methodologies are the comparison of actual sales of similar properties and valuation based on expected rental income. In general, market value is determined by combining both approaches. Based on the review of several land appraisals accessed by CARE, the resulting estimates are consistent with the data provided by DIEA.

There is a proven correlation[17] between the CONEAT Index (National Commission for Agro-Economic Soil Studies) and land prices when the index is above 100. However, when the index falls below 100, prices also decline, but not in the same proportion as when they are above that threshold. This is mainly due to the fact that land with a CONEAT index below 100 is typically used for other purposes—such as rice production or forestry—rather than for meat or wool production, which are the primary activities considered.

[15]. First semester land sales 2024, DIEA-MGAP, October 15, 2024.

[16]. SERAGRO, Agroclaro, Consur and private operators.

[17]. B. Lanfranco and G. Sapriza, *The CONEAT Index as a Measure of Land Productivity and Value*, Technical Series No. 187, National Institute of Agricultural Research (INIA), 2011.

The appreciation of land price is a relatively significant component of the Trust's final income (20%). As such, its future behavior will have a substantial impact on the overall return on investment. The most recent update to the financial model, under the scenario considered by the rating agency, assumes a cumulative annual appreciation of 3% between 2025 and 2031. Therefore, analyzing historical trends is essential to gain insight into potential future outcomes.

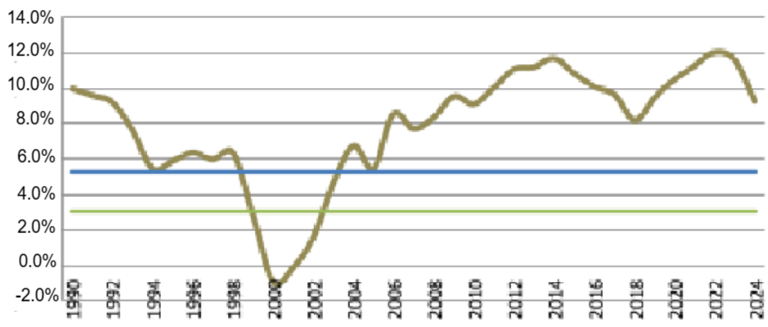
For this purpose, CARE analyzed annual variations in the prices of land (in current U.S. dollars) for a 50-year series (1970 to 2024), using 20-year moving periods. The analysis revealed the following:

- On average, the annual growth rate of land prices over 20-year periods was 7.9%.
- The annual growth rate fell below 3% only in the case of properties sold between 1999 and 2002, that is, those acquired in 1979 and 1982.
- For all other periods, the annual growth rate of land prices consistently exceeded 3%.

If the same analysis is applied to 30-year periods, the annual growth rate falls slightly (7.3%), and the minimum annual growth would be 5%. Accordingly, the growth rate remains above the benchmark in all observed periods.

The annual trend of this indicator (based on 20-year intervals) shows an upward trajectory until 2014, after which it begins to decline, though it remains well above 3%, averaging around 9% annual growth.

Figure 7. Annual Growth Rate of Average Land Prices over 20-year periods



Source: Based on data form DIEA-MGAP

CARE considers that although sustained increases in land prices are expected in the medium and long term, they would not reach the same magnitude observed in the past. Price increases will probably offset long-term U.S. inflation rates[18], 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.

2. Public Policies, Political Risk

The risk associated with public policies refers to the potential threat of government actions that could impact the ownership structures and operating models defined by the Trust.

The forestry sector is subject to strict regulation under Forestry Law No. 16,466, Land Use and Sustainable Development Law No. 18,306, and Environmental Protection Law No. 17,283, including their amendments and regulatory decrees. In general, successive regulatory amendments have gradually introduced new regulations and restrictions to growth, particularly through the requirements of Prior Environmental Authorizations, and more specifically, those applicable to forest plantations under the most recent decree issued in December 2021.

In December 2021, after the Senate approved a Bill, previously passed by the House of Representatives, to further regulate the forestry sector, the Executive Branch vetoed the proposed law. As a result, no legislative changes were implemented at that time. The bill proposed restricting afforestation activities to designated priority forestry lands and capping the total forested area at 10% of the country's agricultural land. Although this bill would not have directly impacted the current project, its approval could have introduced future regulatory constraints on the broader forestry sector. With the bill vetoed, regulatory uncertainty regarding forest policy was temporarily 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, it established that reforestation projects that were originally exempt from this requirement, because they were implemented before it came into effect, must now obtain authorization. This decree also revised soil classifications and adjusted the criteria for conducting environmental impact assessments.

On January 13, 2025, shortly before the end of its term, the outgoing administration enacted Decree No. 3/025, amending Decree No. 405/021 with the aim, among others, of streamlining the permitting process for reforestation projects. This decree provides for the replacement of the Prior Environmental Authorization requirement with a Special Environmental Authorization, allowing producers to avoid

[18]. Inflation in the U.S. remains slightly above its historical average, although it is expected to return to that level in the short term.

changing soil types for subsequent plantings. This change simplifies and accelerates the permitting process, as producers are no longer required to wait for formal approval from the Ministry of Environment. Instead, they may begin planting once the authorization is in process, provided they notify the National Directorate for Environmental Assessment at least 30 days in advance.

The new administration has expressed some reservations regarding the most recent decree issued by the previous government and has indicated its intention to review the current regulatory framework governing forestry activities. It has not ruled out the possibility of introducing changes similar to those included in the 2021 bill, previously vetoed by the Executive Branch. While this creates a degree of short-term uncertainty, any regulatory modifications—if enacted—are expected to affect future projects rather than those already in execution.

These modifications, as well as the general regulations for the sector, are not expected 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 planting plan.

Environmental and Regulatory 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 legal, qualitative, and quantitative approaches presented by both the Trustee and the Manager, as well as CARE's own assessment and the publicly available information, CARE's Rating Committee concludes that the securities are rated BBB+.uy[19] in accordance with the CARE Structured Finance Rating Manual. It is an investment grade rating.

Rating Committee

Julio Preve, Engineer

Martín Durán Martínez, CA

Adrián Tambler, Agr. Eng.

[19]. ***BBB+.uy.*** This rating applies to instruments issued by companies or entities that present a medium-low investment risk. Their ability to meet principal and interest payments on the agreed terms and schedule is considered appropriate. The instrument itself, the issuer's condition, the quality of the underlying project, and the external environment collectively provide a moderate level of comfort in the analysis conducted—although some weakness may exist in any of the four areas of risk (instrument, project, issuer, or environment).

The risk associated with the instrument may increase in the event of foreseeable changes in the structure of the project, the issuing entity, the economic sector to which it belongs, or the broader economy. The likelihood of such unfavorable changes in the external environment is considered low to medium-low, and generally consistent with the issuer's ability to manage them—though it implies slightly more risk than higher-rated categories.

This is considered a minimum investment grade rating. The "+" sign indicates that the rating is closer to the next higher category.