

CARE

RISK RATING AGENCY

RISK RATING UPDATE OF THE
PARTICIPATION CERTIFICATES OF
THE *FIDEICOMISO FINANCIERO*
FORESTAL BOSQUES DEL
URUGUAY III 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 III* Financial Forestry Trust

April 9, 2025

Name: Fideicomiso Financiero Forestal Bosques del Uruguay III
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 190,000,000
Initial Offering Date: December 6, 2016
Term: 20 years
Distributions: Subject to cumulative net income, in accordance with the established procedure
Trust Assets: Land and forest plantations
Rating Committee: Julio Preve, Adrián Tambler and Martín Durán Martínez
Risk Rating: BBB +.uy¹
Validity of the Rating: November 30, 2025
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 III 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 detailed 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 various stress scenarios, as reasonably applied by both the issuer and the rating agency. The latest update of the financial cash flow as of December 2024 estimated an IRR of 6.4%, a figure that remains unchanged from the previous year (see Section IV).
- As of December 2024, the Trust owns a total of 45,230 hectares, of which approximately 27,000 hectares are already planted and around 1,000 hectares are available for planting, resulting in an average land utilization rate of nearly 64%. In this case, a plot of land was acquired with an ongoing forestry operation, which considerably mitigated the acquisition and planting risks. However, the Business Plan provides that a good part of the currently planted area with pine and eucalyptus pulpwood will be converted to Eucalyptus grandis to produce high-quality timber (wood for the sawmill industry.)
- 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, The company currently manages. Additionally, as of December 2024, the company holds Participation Certificates across the four Trusts with an aggregate value of approximately USD 14 million.
- 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 considering the planted areas, establishment success, and the Mean Annual Increment (MAI) of the forests.

- 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 company's corporate governance structure minimizes risks to investors and, until the preparation of this report, it has properly operated and adjusted to the incorporation of the new Trusts.
- The conversion of young, poorly managed pine plantations is close to completion, which are being replaced by mixed eucalyptus plantations. At the same time, thinning is progressing in older, higher-quality pine areas that were left standing. This process produces a significant amount of small-diameter wood, which is currently being exported to the Asian market.
- In 2024, 826 hectares of pine were harvested, resulting in a 1.5% decrease in the value of the forest asset. Meanwhile, 632 hectares were planted, 28% more than originally planned for the year. Gross revenues totaled approximately USD 22 million, of which 62% came from pine exports, 32% from domestic sales (pulp and sawmills), and 2% from grazing activities. No carbon credits were sold, which accounts for total gross revenues falling 19% short of the 2024 budget forecast.
- In terms of expenditure, operating costs were generally in line with the budget, although notable deviations were observed in specific components. General expenses, however, exceeded the budget by 48%, primarily due to CIF sales—which did not include maritime freight and insurance costs in the original projections—as well as more extensive clear-cutting of pine areas than initially anticipated. Investment activities totaled approximately USD 4.3 million, which was slightly below the budgeted amount, and were allocated 57% to pruning and 43% to reforestation. These investments were financed through available credit lines.
- As of December 2024, a new appraisal of the Trust's land and forest plantations estimated a total value of USD 237.4 million, comprising USD 149.7 million for the land and USD 87.7 million

for the forest plantations. On this occasion, a new valuation firm was engaged, and the updated valuation does not consider revenue from grazing or carbon credit sales. For this Trust, carbon credits represent a highly relevant asset, estimated at USD 22.5 million, approximately 10% above the appraised value. The book value of these assets is detailed in Section III. As of December 30, 2024, the Trust's net assets amounted to slightly over USD 238.5 million, exceeding the original issuance value of USD 190 million.

- 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 *Fideicomiso Financiero Forestal Bosques del Uruguay III* Financial Trust, with a nominal value of USD 190,000,000 (one hundred ninety 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 Tamber. CARE hired Mr. Leandro Rama, Attorney at Law, to conduct the legal risk assessment for the original rating. This report is attached thereto as Annex I². CARE also regularly consults forestry experts to prepare on-site reports and conducts field visits. Beyond standard updates, the rating may change due to new relevant events.

². See www.care.com.uy

2. General Background and Key Events of the Period

A. General Background

The *Fideicomiso Financiero Forestal Bosques del Uruguay III* 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.

As the most relevant precedent, the Trusts *Fideicomisos Financieros Forestales Bosques del Uruguay I, II and IV* issued Participation Certificates in August 2011, October 2014, and April 2019 amounting to USD 50, 70 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.

The *Fideicomiso Financiero Forestal Bosques del Uruguay III* Financial Trust was established on August 22, 2016, by means of a Trust Agreement made and entered into by and between EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A., acting as the Trustee, Agro Empresa Forestal S.A., acting as the Manager, and the Initial Subscribers of the Securities, acting as the Beneficiaries.

- With the proceeds from the issuance, the Trust acquired a total area of 46,269 hectares, of which 55% was already forested with the most widely planted commercial species in Uruguay: eucalyptus and pine. These plantations were in the middle of their productive cycle and the Business Plan aimed to increase the planted area to 65%.
- A total of 47 properties were acquired, originally with a high proportion of pine trees (more than 50%). Currently, eucalyptus pulpwood plantations account for 30% of the total area and Eucalyptus grandis plantations, primarily intended for solid wood production, account for approximately 20% of the forest assets.
- The Business Plan established cutting the pine trees at the end of their cycle and replacing them with Eucalyptus grandis and dunnii species. Also, it provided that some poorly grown and maintained pine plantations were cut before the end of their cycle and replanted with Eucalyptus grandis species. The Business Plan also established that after clearcutting the eucalyptus plantations grown for pulp, this species must be replanted to produce solid wood.

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- This project is located in the central-eastern part of the country, distributed in these departments: Cerro Largo (38%), Lavalleja (24%), Treinta y Tres (19%), Florida (17%) and Rocha (2%), as these are areas with great potential for forest development.
- In the Prospectus, it was projected that from the total estimated sales revenue, 70-80% will be from the sale of wood and/or standing timber, 20-25% from the sale of the land at the end of the project, and less than 1.5% from the sale of carbon credits and grazing activities.
- In October 2018, the Cruz Roja farm, previously owned by the *Bosques del Uruguay II* Financial Trust was acquired. This property covers an area of 1,782 hectares, of which 1,350 hectares are available for planting and 51% had been already planted.
- In September 2018, the last capital call was made for USD 8,997,000, completing the issuance.
- On February 11, 2020, the meeting of the Holders of the Trust's Participation Certificates was held, with 100% attendance. At this meeting, it was resolved to amend certain terms and conditions of the Trust Agreement to authorize the Trust to incur debt up to 15% of its estate, subject to the prior approval from the Surveillance Committee and notification to the Risk Rating Agency.
- To cover cash deficits from harvesting costs and the export process, the Trust has obtained short-term loans from local private banks (overdraft agreements and export financing), which have been renewed on several occasions. In all cases, the Surveillance Committee granted its approval, and the Trustee duly notified the Risk Rating Agency.
- The Trust holds FSC (Forest Stewardship Council) certification. In 2024, 100% of the Trust's hectares were certified under the FSC® standard.
- On December 28, 2020, a meeting of the Holders of the Participation Certificates was held, with 100% attendance. 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.
- By 2024, the Trust was expected to have completed the conversion of eucalyptus plantations originally intended for pulpwood into mixed plantations to produce solid wood from *E. grandis* in the most

suitable areas, complemented by *E. dunnii* for pulpwood production in lower-lying areas. Regarding pine plantations, after having carried out an economic assessment based on location, age, growth rates, and management status, it was decided to conduct early harvesting on some areas and replant them with *E. grandis* and *E. dunnii* species. Pruning and thinning operations continued across the remaining stands.

- As of December 31, 2024, 36% of the area was planted with *E. grandis* (for high-quality timber), 27% was allocated for pulpwood production (mainly *E. dunnii*), and 36% remained as pine.
- The Trust's outlook for the commercialization of its carbon credit stock in the next few years seems promising. The process of carbon credit verification began in 2021, verifying tree growth and carbon accumulation according to the plan. The verification process was finally completed in 2024.
- In April 2022, the Trustee obtained a long-term (10 years) loan for a total of USD 7 million from a local bank to further progress in the conversion investments and to take advantage of the low interest rates. The Surveillance Committee authorized this operation, complying with the applicable regulations. This loan will be repaid in 120 installments, and its amortization has already begun.
- In the third quarter of 2022, the Trust sold 4 properties because their location and percentage of use was producing negative effects on the profitability of the project. The total income from the sale of this 4 farms (1,051 hectares) located in Rocha was USD 2.95 million.
- 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.

B. Key Highlights of the Period

- In 2024, the Trust recorded total revenues of nearly USD 22 million, with 32% coming from domestic wood sales (pulp and sawmills), 62% from wood exports, and 2% from grazing leases. Annual revenues were approximately 19% below initial

projections, a shortfall entirely attributable to the fact that no carbon credits were sold, despite projected sales of around USD 8.6 million.

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

	Budget	Actual	Variance
Gross Revenue - Domestic Sales	9,002,571	7,087,636	-21%
Gross Revenue - Export Sales	8,803,217	14,409,142	64%
Other Revenue	9,078,334	332,351	-96%
TOTAL	26,884,122	21,829,129	-19%

Source: Manager

- Of the total volume of wood invoiced in 2024, approximately 65% corresponded to commercial thinning and the remaining 35% to clear-cutting (final harvest). The cost of sales applies only to the clear-cutting sales (as it represents an asset reduction) and amounted to USD 3.6 million.
- Pine exports exceeded expectations due to the reactivation of the Indian market. In contrast, domestic sales of eucalyptus for pulp and chips were below initial projections as a result of declining sales to chip exporters. The high proportion of pine in total sales negatively impacted expected margins, as pine yields significantly lower returns compared to eucalyptus.
- The 2024 budget for expenses and investments was estimated at a total of USD 21 million, with production costs accounting for the largest share (44.5%), followed by investments (23%).

Table 2. Projected vs. Actual Costs and Investments– 2024 (USD)

	Budgeted	Actual	Variance
Operating Costs	12,442,898	18,392,369	48%
General Expenses, Management, and Fixed Costs	3,870,910	3,681,971	-5%
Plantation and Maintenance Investments	4,827,410	4,291,654	-11%
TOTAL	21,141,218	26,365,994	25%

Source: Manager

- Production costs were significantly higher than budgeted, primarily due to increased clear-cutting of pine, higher export costs and elevated harvesting costs per cubic meter. Additionally, some sales were made under CIF terms, which required the inclusion of maritime freight and insurance expenses. It is also worth noting that some of the harvested wood has not yet been sold, although the associated costs have already been incurred. In 2024, approximately 826 hectares of forest were harvested.

- EBITDA (gross revenue, production costs, and general expenses) was slightly negative, likely due to the narrow margins on pine exports and the fact that some of the harvested wood had not yet been invoiced.
- Investment activities resulted in additional outflows of USD 4.3 million, allocated 57% to pruning and 43% to reforestation. These activities were financed through available credit lines. In 2024, planting was conducted on 632 hectares, 28% more than initially planned. Pruning covered 5,320 hectares, 26% below the projected plan.
- In 2024, the Trust was awarded CCB (Climate, Community and Biodiversity) project certification, and the volume of carbon verified in 2022 was approved; however, no carbon credits were sold.
- At the end of 2024, a new appraisal of the Trust's land and forest plantations estimated a total value of USD 237.4 million, comprising USD 149.7 million for the land and USD 87.7 million for forest plantations³. Although land value increased by 8.0%, the value of the plantations declined by 4.7%, resulting in a net positive revaluation of 2.9% in total asset value.
- During the third quarter of 2024, the annual audit for FSC certification 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. In 2024, a total of 4,735 hectares of forest were certified, resulting in 100% of the BDU III Trust's plantations being FSC® certified.
- The Manager submitted the 2025 budget, which has already been approved by the Surveillance Committee. Gross revenue is projected at USD 14.0 million, composed of approximately 42% from domestic wood sales (pulp and sawmills), 45% from wood exports, and the remainder from other income (primarily grazing and carbon credits). After deducting operating costs and expenses, the projected net operating cash flow would be slightly positive, at

³. On this occasion, a new appraisal 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 USD 77,000. Finally, investments are estimated at around USD 4.5 million.

Table 3. Projected Operating Budget – 2025 (USD)

	Budget
Gross Revenue – Domestic Sales	5,954,492
Gross Revenue – Export Sales	6,337,602
Other Revenue	1,753,646
Total Revenue	14,045,740
Operating Costs	-9,408,254
General Expenses	-4,560,301
Net Operating Cash Flow	77,185
Investments	-4,540,060
Net Operating and Investment Flow	-4,462,875

Source: Manager

- As of December 2024, the area under grazing represented 69% of the total potential grazing area. Of the area not used for grazing, 83% corresponds to young plantations where livestock cannot yet be introduced, while the remaining 17%, approximately 2,300 hectares, would be available for grazing.

3. Information Reviewed

The following information was reviewed for this update:

- Financial statements of EF Asset Management 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 and their subsequent updates for the *Bosques del Uruguay I, II, and IV* Financial Trusts conducted by CARE
- 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 III* Trust, established under the relevant Financial Trust Agreement, were offered through a public offering. This agreement, the certificates and the other referenced contracts are analyzed in this section.

1. General description

Name:	Fideicomiso Financiero Forestal Bosques del Uruguay III
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agro Empresa Forestal S.A.
Registrar and Paying Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Representative	
Entity:	Bolsa Electrónica de Valores S.A.
Stock Exchange listing:	Bolsa Electrónica de Valores S.A.
Organizer:	EF Asset Management Administradora de Fondos de Inversión 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 190,000,000
Initial Offering Date:	December 6, 2016
Term of the Issue:	20 years. 30 years maximum.
Subscription date:	December 6, 2016
Distributions:	Based on accumulated results, pursuant to the established procedure.

2. Legal Analysis

The legal analysis attempts to rule out any possible conflict arising, for example, from the legal structure, the relevant agreements, the compliance with current regulations, etc⁴.

The legal analysis report has reviewed the objective and subjective contingencies of the agreements and 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.”***

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 and II—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.*

⁴. See Anex I of the original rating, available at care@care.com.uy.

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.

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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. This group also includes two

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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 Trust BDU III was established on August 22, 2016, pursuant to its Trust Agreement and the Central Bank of Uruguay authorized its registration on November 16, 2016. On December 6, 2016, Participation Certificates amounting to USD 190 million were issued and listed on BEVSA. They were fully paid after a process that began on December 7, 2016, with the first issuance. The second and largest issuance, totaling USD 161 million, took place on February 13, 2017, while the final issuance was made on September 24, 2018.

The Trust's fiscal and accounting year ends each December 31. 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
Assets	262,155	257,631	248,153
Current Assets	8,513	10,098	16,057
Non-Current Assets	253,642	247,533	232,097
Liabilities	23,654	16,970	18,560
Current Liabilities	11,003	5,801	6,518
Non-Current Liabilities	12,651	11,169	12,042
Equity	238,501	240,661	229,593
Total Liabilities and Equity	262,155	257,631	248,153
Current Ratio	0.77	1.74	2.46

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

The land and forest plantation valuations conducted at fiscal year-end indicated a decrease of USD 5 million in biological assets and USD 11.2 million in land. As a result, the book value of both items recorded in the financial statements amounts to USD 87.7 million for the forest assets and USD 149.7 million for the land. When improvements are included, the land value increases to USD 171.1 million. In the case of biological assets, the stated amount also reflects a USD 4.2 million increase due to the

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capitalization of plantation costs and a USD 3.5 million decrease due to harvesting. A more detailed analysis is provided in a subsequent section.

As of December 2024, financial liabilities amounted to USD 12.3 million. Although the USD 7 million loan has been amortized regularly (33 installments were repaid by year-end), additional short-term transactions have been carried out, and an overdraft of USD 2.7 million was also recorded.

As of December 2024, the Trust's equity amounted to USD 238.5 million, a nominal figure higher than the USD 190 million originally issued.

A summary of the income statement as of December 2024 is presented below.

Table 7. Income Statement of the Trust			
In thousands of USD	31/12/2024	31/12/2023	12/31/2022
Operating Revenue	21,889	21,575	30,475
Change in Fair Value of Biological Assets	(5,033)	8,093	20,569
Cost of Goods Sold	(22,452)	(17,509)	(29,025)
Gross Profit	(5,596)	12,159	22,018
Admin. and Selling Expenses	(5,129)	(5,029)	(4,951)
Financial results	210	(518)	(1,196)
Other Gains and Losses	-	-	897
Income before Corporate Income Tax (IRAE)	(10,514)	6,611	16,769
Corporate Income Tax (IRAE)	(1,412)	(29)	1,791
Income for the year	(11,926)	6,582	18,560
Revaluation of property, plant and equipment	11,160	4,841	4,416
Deferred IRAE tax related to revaluation	(1,394)	(355)	(302)
Comprehensive income for the year	(2,160)	11,068	22,674

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

Operating revenue from sales is mainly generated from wood sales. In this period, results were negative; compared to the previous year, there was a downward adjustment in the value of biological assets and the cost of goods sold that exceeded operating revenue, resulting in a negative gross margin.

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.*

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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 Forest Manager: This risk is duly provided for in the Agreement depending on different outcomes, circumstances and the potential vacancy of the current AF President, Mr. Francisco Bonino, Engineer. This risk is considered *very low*.

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. 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 9.19% 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 2036.

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.

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.⁵. 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%. This rate is higher than the one used in the valuation (7.5%) and also exceeds CARE's estimated opportunity cost for this update (5.8%), thereby reflecting a conservative assumption.

Investment revenues are projected based on the updated cash flow, which is expected to begin in 2025 and end with the termination of the Trust in 2036.

Based on this projection, the IRR for the entire term of the Trust is estimated at 6.4%, showing no variation from the previous year's

⁵. 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.	6.2%
2 Wood prices adjust to U.S. inflation. Costs adjust to USD and Uruguayan inflation, and land value increases by 1.5% annually.	6.1%
3 Same as Scenario 2, but land prices increase by 3% annually.	6.4%
4 Both wood and land prices increase by 1.5%.	4.9%
5 Land prices increase by 1.5%.	4.8%
6 All variables remain constant	4.4%

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. 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 4.2% in real terms.

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)⁶. 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.

⁶. 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.

To consider systemic risk, CARE uses the average "beta"⁷ 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 points⁸, 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 (6.4%), 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.⁹ Currently, the 10-year U.S. dollar yield curve (CUD, for its acronym in Spanish) stands 5.24%. The IRR estimated under Scenario 3 also exceeds the value of the 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.

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 requirements¹⁰ have been satisfactorily met:

- Land acquisition: Completed from the beginning of the project.
- Plantable area: As of December 2024, no area has been reported as "available for planting" for more than 12 months.
- Planting practices and survival rates: The percentage of planting practices and survival rates recorded in Fall 2023 was 91%.

⁷. This value is provided by Damodaran.

⁸. It is the 5-year average, currently the country risk is around 80 basis points.

⁹. Spot Yield Curve of Uruguayan Sovereign Bonds issued in local currency indexed to inflation or in U.S. dollars, as applicable.

¹⁰. Clause 10 of the Trust Agreement.

- Compliance with the budget: Planting, pruning, thinning, harvesting, clear-cutting and general expenses must show variations of less than 25% compared to the budget submitted to the Surveillance Committee. In 2024, deviations exceeding 25% were recorded in operating costs; however, these were duly justified.
- Mean Annual Increment (MAI) of the plantations: MAI recorded in the last measurement (September 2024), reasonably complies with the expected values.

Overall, there is a good level of compliance with the performance standards.

Table 9. Project Compliance		
Indicator	Prospectus	Executed
Land Price (USD/ha) as of 2024	3,413	3,310
Forest Utilization Rate (%)	60%-65%	61%
Total Area	47,281	45,225
Planted Area (current)	31,300	27,737
36% 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.

The main deviations from the original project are related to the increase in production costs, as well as administrative and general expenses. These differences are mainly driven by macroeconomic variables (inflation and exchange rates) evolving differently than projected, as well as rising input costs.

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 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 installed on the Trust's forests and distributed among different properties. Pine plantations will remain stable, and eucalyptus plantations (for pulp or sawmill) will increase. The objective of the permanent plots is to measure two key tree growth parameters, height and diameter, crucial for estimating production.

The growth results from the permanent-plot measurements are as follows (updated as of 2024):

- (1) *E. grandis*: This is the target species of the Business Plan, intended to be maximized in planted areas. Its timber is used to produce knot-free solid wood, and pulp as a by-product. The first plantations are now six years old and are performing between the minimum and most likely growth curves. In younger stands,

actual performance is consistent with the projections outlined in the Prospectus.

- (2) *E. dunnii*: This species is grown exclusively for pulp production (100%) and is planted in areas unsuitable for *E. grandis*. The oldest *E. dunnii* trees were acquired as standing timber by the fund and have already been harvested. Those planted by the Trust are now six years old, and their development is consistent with the projections outlined in the Prospectus, placing them above the maximum expected growth curve.
- (3) *Pinus taeda*: This species is grown for solid wood production and was also acquired as standing timber. Its total volume has consistently remained above the projected maximum expected curve, while commercial volume has exceeded the minimum curve from age 13 onward. This occurs due to the lack of market for logs with a small-end diameter of less than 20 cm, which has delayed thinning operations. As a result, the volume reduction caused by thinning will take place at 15 years of age instead of 13, as originally projected in the Prospectus growth curves.

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 87.7 million for the forest plantations, representing a 4.7% decrease compared to the previous year.

Regarding the land, its appraised value was USD 149.7 million, equivalent to an average of USD 3,310 per hectare, representing an 8% 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.

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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
2016	150.8
2017	168.4
2018	179.0
2019	145.7
2020	115.0
2021	194.6
2022	214.5
2023	230.6
2024	237.4
Annual Growth Rate (2016–2024)	5.8%

Source: CARE, based on valuation reports

Note: Carbon credits and grazing revenues were not included in the valuation.

The trend shows a steady increase in total assets, considering both plantations and the land.

The 2024 appraisal estimated the total value of the Trust's assets as of December 31, 2024, at USD 237.4 million, representing a 2.9% decrease compared to the previous year. The overall trend shows sustained growth in asset value, with a compound annual growth rate (CAGR) of 5.8% over the entire period, primarily driven by the growth of forest plantations.

The table below shows the results of the 2024 appraisal, broken down by component, and compares them with previous years. The increase in total value is attributable to the revaluation of land, as the value of the forest assets was revised downward.

Table 11. Valuation by Component (in USD millions)				
	2022	2023	2024	Variation
Wood production	80.76	92.01	25.93	-4.7%
Grazing	3.02	3.13	-	-
Land value	133.72	138.56	149.70	8.0%
Total	217.50	233.70	237.40	1.6%
Carbon credits	27.60	25.93	22.50	-13.2%

Source: CARE, based on 2022–2024 appraisals

Note: In 2024, the valuation firm estimated that carbon credits could be worth USD 22.5 million; however, based on its methodology, it determined that this value should not be included in the valuation.

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Although these values do not account for the potential future value of carbon, the appraiser reports that it could amount to USD 22.5 million. The discount rate applied to carbon revenues is the same as that used for forest assets.

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 eucalyptus and pine timber will have the most significant impact on the final outcome. As mentioned above, the Business Plan provides the replacement of pine trees with eucalyptus species managed for quality timber production. While the long-term objective is to produce solid wood from eucalyptus, the acquired forest estate initially had slightly over 50% of its area planted with pine. A portion of these pine stands has been commercialized over the initial years; however, 36% of the area remains planted with pine. Finally, as in all forestry projects, some areas are specifically planted for pulp production, while thinnings and commercial residues from high-quality forests are also used for this purpose.

The Food and Agriculture Organization of the United Nations (FAO), in its report *Global Forest Sector Outlook 2050*,¹¹ 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

¹¹. FAO 2022

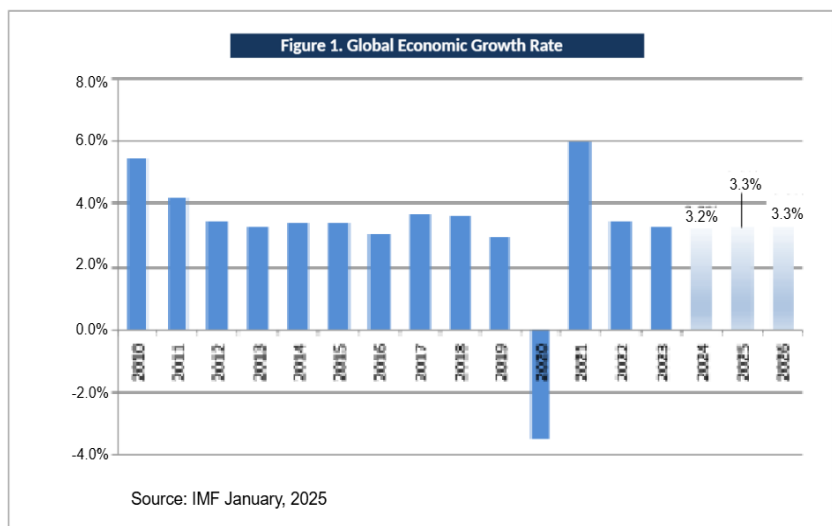
cooling of China's economy— have all contributed to significant volatility in international trade and the prices of wood and forestry products.

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.

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.



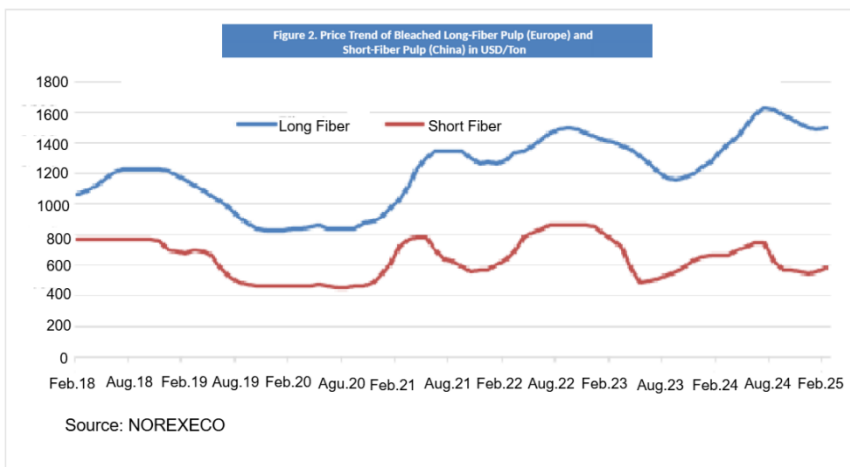
Historical Price Trends

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, after a marked sharp peak in prices in 2018, international, regional and domestic 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: NBSK¹² (main international prices for long-fiber conifer pulp in Europe), and BHKP¹³ (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 price¹⁴ 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

¹². Northern Bleached Softwood Kraft. Long-fiber bleached pulp.

¹³. Blanched Hardwood Kraft Pulp. Short-fiber bleached cellulose pulp.

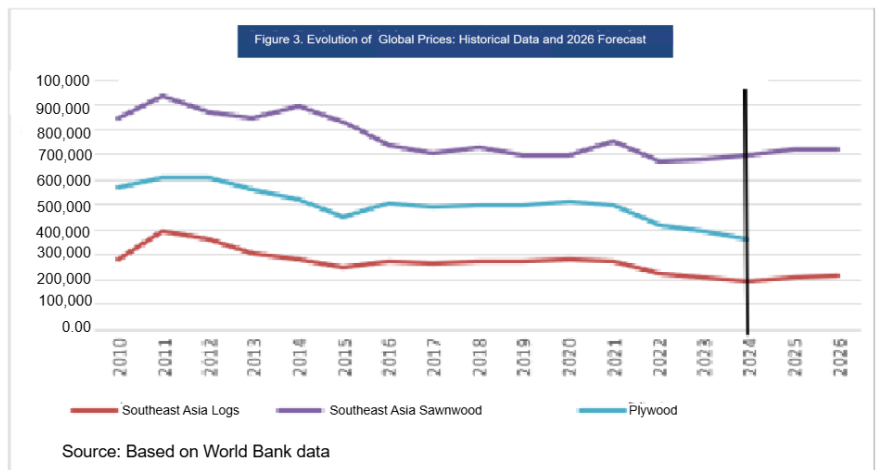
¹⁴. FOB export value / exported tons.

upward trend, while the greatest impact has been observed in traded volumes. Following a highly uncertain start to 2020, driven by the export 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.



In 2021, the World Bank presented a long-term projection for sawlogs and sawnwood, showing a slight increase in nominal values for 2035¹⁵. 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

¹⁵. World Bank Commodities Price Forecast. In subsequent reports, price projections are provided only for 2024 and 2025.

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 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.

	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

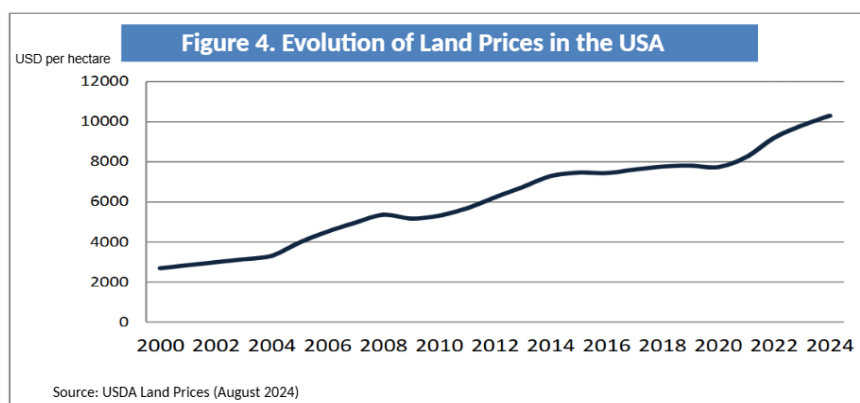
The outlook for international demand for land continues to be encouraging. In the short and medium term, its prices are expected to increase as a consequence of the difficulties for expanding the agricultural frontier and the need for a rational and sustainable use of soil resources. However, this does 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.

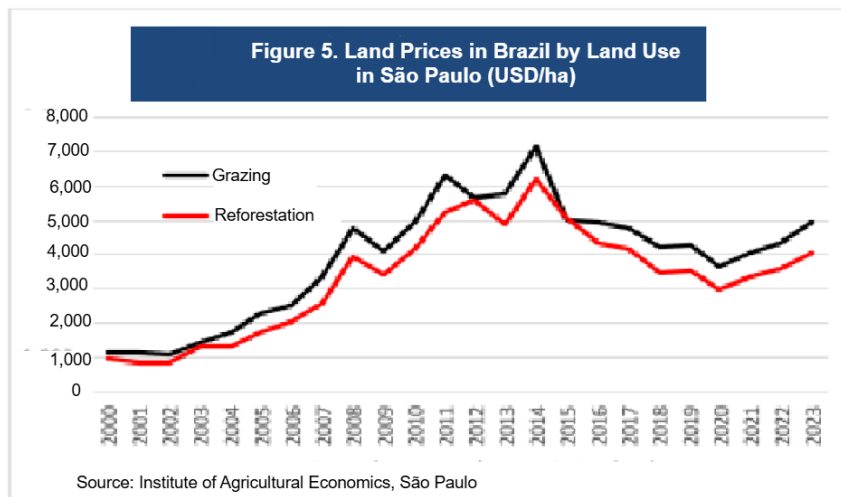
In the 21st century, the price of land in the United States has followed a continuous upward trend, with some exceptions (2009 and 2015) when minimal reductions were verified. However, these exceptions did not change this trend. The price of land in the United States only declined in the early 1980s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



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 Chamber¹⁶ 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.

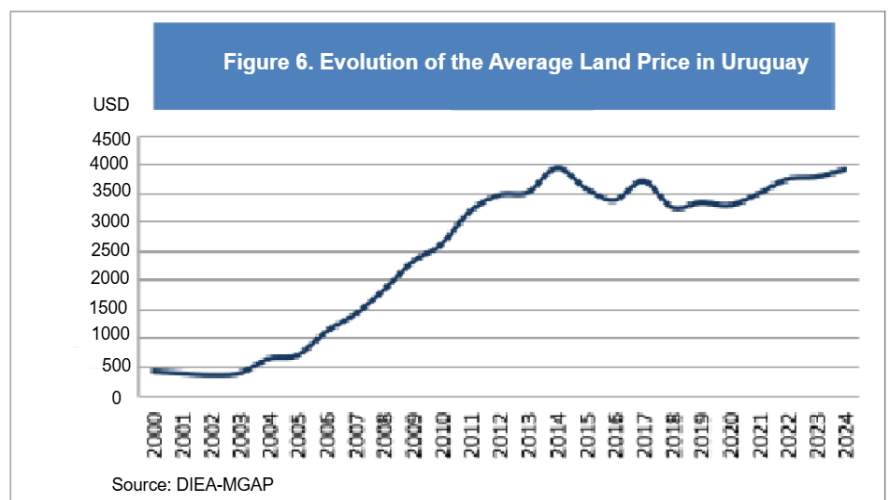
In the case of Uruguay, data reported on the average of land transaction prices by the Directorate of Agricultural Statistics of the Ministry of Livestock, Agriculture and Fisheries (DIEA-MGAP, for its acronym in Spanish) show a very strong appreciation of land values from 2004 to 2014. Since 2015, there 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.

¹⁶. 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.

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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%¹⁷. 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,¹⁸ 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 correlation¹⁹ 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

¹⁷. First semester land sales 2024, DIEA-MGAP, October 15, 2024.

¹⁸. SERAGRO, Agroclaro, Consur and private operators.

¹⁹. 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.

or forestry—rather than for meat or wool production, which are the primary activities considered.

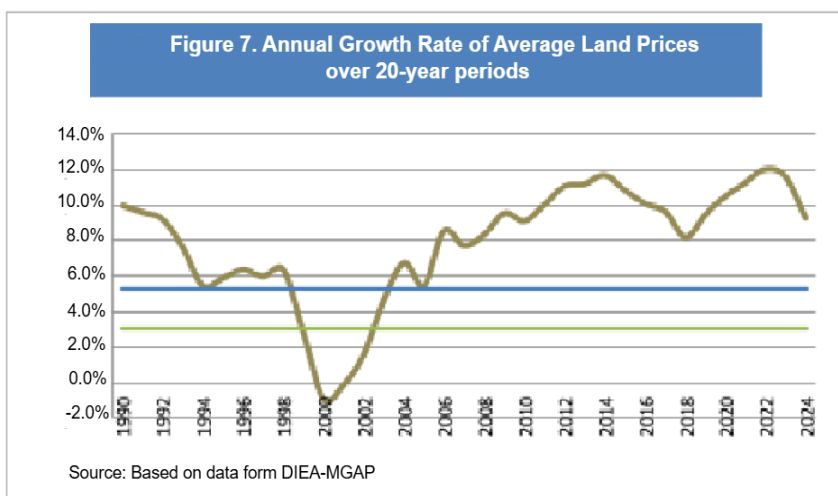
The appreciation of land price is a relatively significant component of the Trust's final income (20%). As such, its future behavior will have a substantial impact on the overall return on investment. The most recent update to the financial model, under the scenario considered by the rating agency, assumes 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.



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 rates²⁰, 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

²⁰. Inflation in the U.S. remains slightly above its historical average, although it is expected to return to that level in the short term.

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process for reforestation projects. This decree provides for the replacement of the Prior Environmental Authorization requirement with a Special Environmental Authorization. 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

The rating opinion is developed through the assignment of weights and scores to the risks comprising each risk area (securities, trustee, manager, underlying assets, cash flow, and the environment.) These are organized in a matrix where the indicators of each factor within each risk area are evaluated and scored by the rating committee. The resulting total score corresponds to a rating grade as defined in the rating manual. In the matrix, each area is broken down into factors, and each factor into specific indicators.

Based on the analysis of the main risks identified in each section, and considering the various legal, qualitative, and quantitative approaches presented by the Structurer and CARE's own assessment and the publicly available information, CARE's Rating Committee concludes that the securities are rated BBB+.uy²¹ in accordance with the CARE Structured Finance Rating Manual. It is an investment grade rating.

Rating Committee

²¹. **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.



Julio Preve, Engineer



Martín Durán Martínez, CA



Adrián Tamber, Agr. Eng.