

CARE

RISK RATING AGENCY

RISK RATING UPDATE OF THE
PARTICIPATION CERTIFICATES OF
THE *FIDEICOMISO FINANCIERO*
FORESTAL BOSQUES DEL
URUGUAY 4 FINANCIAL TRUST

Montevideo, April 2025

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Public Offering Rating Update

April 11, 2025

Name: Fideicomiso Financiero Forestal Bosques del Uruguay 4
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 330,000,000
Initial Offering Date: April 10, 2019
Term: Maximum 30 years
Distributions: Whenever there are Net Distributable Funds according to the results and after the third year, as provided by the established procedure.
Trust Assets: Land and forest plantations
Rating Committee: Julio Preve, Adrián Tamber 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 4 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.
- 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 9.1%, under the scenario aligned with the rating agency's long-term view of the business. This figure is slightly below the 2024 estimate of 9.5%
- This project shares its core structure with three other initiatives involving the same business model and stakeholders, all of which have been reasonably complying with their business plans. All trusts have been assigned investment-grade ratings and are rated by CARE. The deviations observed have been duly justified by the Manager and the Surveillance Committee and are attributed to temporary market conditions. In principle, they do not appear to compromise the project's execution.
- This project has acquired 55,365 hectares of forest land, comprising 34,000 hectares already planted and has leased 6,030 hectares, of which approximately 3,600 are planted. The total planted area, including both owned and leased land, amounts approximately to 38,000 hectares.
- A plot of land was acquired with an ongoing forestry operation, which significantly mitigated the risks of acquisition and planting. The Business Plan includes converting a substantial portion of the already planted area (pine) into eucalyptus to produce high-quality timber.
- 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 alignment of incentives between the Trust and the Manager is noteworthy, as the latter has acquired Participation Certificates (PCs) in the Trusts. As of December 2023, the Manager holds PCs amounting to approximately USD 14 million.
- In 2024, 683 hectares were harvested, representing a 1.7% reduction in forest assets. Additionally, 807 hectares of eucalyptus were planted, which will be managed for the production of high-quality timber. However, the plantation and reforestation plan for the year could not be fully executed due to delays in obtaining certain permits and difficulties in soil preparation.
- Gross revenues in 2024 amounted to approximately USD 52 million, 9% above the budgeted figure for the year. Although this represents only about half of the amount projected in the Prospectus.
- Production costs, as well as general, fixed, and administrative expenses, exceeded the annual budget by 17% and 51%, respectively, resulting in a negative impact on the financial performance for the year ended December 2024. This decline is mainly attributable to challenging market conditions for pine, characterized by very narrow margins, and to the low sales from the Olimar Plant, which has only recently begun operations.
- The Olimar Plant began operations toward the end of the first quarter of 2024 and has been gradually fine-tuning its commissioning throughout the year. Nevertheless, it is currently operating at 50% of its potential capacity. Some exports were carried out, with mixed results, and by the end of 2024 the plant recorded a negative financial result. However, it holds an inventory of veneer sheets that, once sold, will significantly reduce the year's losses. Operational adjustments have been implemented, prioritizing the production of higher-grade, high-

value veneer sheets. It is expected that these measures will result in better performance in 2025.

- As of December 2024, the annual appraisal of the Trust's land and forestry assets estimated a total value of USD 542.8 million, comprising USD 176.5 million for land and USD 366.3 million for forest plantations. This appraisal shows a 7.9% increase in total value, driven by a 5.2% appreciation in land and a 10.5% rise in the value of forest plantations. The book value of these assets is detailed in Section III. As of December 31, 2024, the Trust's equity stood at USD 550.9 million, significantly exceeding the original issuance amount of USD 330 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 4* Financial Trust.

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 Mr. Leandro Rama, Attorney at Law, to conduct the legal risk assessment for the original rating. CARE also regularly consults forestry experts to prepare on-site reports and conducts farm visits. Beyond standard updates, the rating may change due to new relevant events. The semiannual performance of the Business Plan outlined in the Prospectus shall be considered a material event.

2. General Background and Key Events of the Period

A. General Background

- The *Fideicomiso Financiero Forestal Bosques del Uruguay 4* Forestry Trust aims to provide investors with long-term returns primarily obtained from the sale of wood and standing timber, as well as the appreciation of its land assets. Additionally, a smaller portion of returns is derived from carbon credit sales and grazing activities on non-forested land. All investment and management activities are carried out in accordance with robust productive, environmental, and social standards.
- As the most relevant precedent, the Trusts *Fideicomisos Financieros Forestales Bosques del Uruguay I, II and III* issued Participation Certificates in August 2011, October 2014, and December 2016, for USD 50 million, USD 70 million, and USD 190 million, respectively. These Trusts, managed by the same entity as this one, are satisfactorily complying with their original Business Plans, which are similar to the one presented in this report.
- The development of this forest project begins with the acquisition of land and forests, continues with the silvicultural management of trees, and finishes with the harvesting and trade of wood, either for pulp production or sawmill industry.
- The maximum duration of the Trust is 30 years, or until the Participation Certificates issued by the Trustee are fully paid and all other obligations under the Agreement are met. However, given the scope of this project and the current age of the acquired asset, its estimated duration is approximately 20 years.
- The *Fideicomiso Financiero Forestal Bosques del Uruguay 4* Forestry Trust was established on December 17, 2018, by means of a Trust Agreement made and entered into by and between EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A., acting as the Trustee, Agroempresa Forestal S.A., acting as the Manager, and the Initial Subscribers of the Securities, acting as the Beneficiaries.
- The proceeds from the issuance were allocated to acquire a forest estate that was already planted and fully operational. A total of 55,365 hectares were purchased, divided into two blocks: the North (Terena) covering 18,802 hectares, and the Northeast (Guanare) covering 36,563 hectares. The properties of the Northeast Block are located in the departments of Cerro Largo and Treinta y Tres, while those in the North Block are in the departments of Tacuarembó and Rivera.

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- The area planted on freehold land currently amounts to approximately 34,000 hectares, of which around one-third remains planted with pine. The Trust also leases 6,030 hectares, of which around 3,600 are planted. The leased properties are located in the departments of Cerro Largo, Treinta y Tres, Tacuarembó, Rivera, and Durazno.
- At the end of the project, the total estimated sales revenue will be 51% from wood, 33% from standing timber, and 15% from land sales when the project is completed. Revenue from grazing is expected to be marginal. These projections were calculated by discounting expected cash flows at a 6% rate.
- The Business Plan provides that as pine forests are cut down; the harvested areas will be replanted with eucalyptus species to produce knot-free sawn wood. In the least productive areas, eucalyptus species will be planted for pulp production.
- On August 28, 2019, the Trust took possession of the acquired properties, and the Manager started operations.
- The Trust's forests are certified by the FSC® (Forest Stewardship Council), with 99% of its total area under certification.
- To cover cash deficits from harvesting expenses and export process, the Trust has taken out short-term loans with local private banks (pre-export finance), which have been renewed on several occasions. The Trust has also obtained a long-term loan that is being amortized without any inconveniences. In all cases, the Surveillance Committee granted its approval, and the Trustee duly notified the Risk Rating Agency.
- On December 28, 2020, a meeting of the Holders of the PCs was held, with 100% representation. During the meeting, it was resolved to amend certain terms and conditions of the PCs. These amendments included adjustments to the parameters for Agro Empresa Forestal's fee and an agreement to upload information related to the Trusts to the Bosques del Uruguay's WEBSITE once a year.
- In January 2022, the Trust Agreement was amended to include the execution of "Industrial Projects" in the Business Plan, which would allow investors to receive a higher return.
- On June 16, 2022, a meeting of the Beneficiaries was held, which unanimously approved the anticipated sale of a 139-hectare property located in Route 27, 3 km away from the city of Rivera. This farm, which is very close to the city of Rivera, would be very difficult to

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reforest because of the risk of fire in its proximity to the surrounding populated areas.

- This meeting of Beneficiaries also approved by an absolute majority the execution of the Olimar Project, financed by a long-term loan (10 years), which has already been granted.
- On July 7, 2023, a meeting of the Holders of the PCs was held, at which the Manager presented an update on the status of the Olimar Project and the projected investment costs of the plant. The meeting approved the cost projections presented by the Manager.
- On December 12, 2023, another meeting of the Holders of the PCs was held, at which amendments to the Trust Agreement were approved to modify the adjustment parameter for the Manager's fee.
- The construction of the Olimar Industrial Plant was completed in the fourth quarter of 2023 and inaugurated in March 2024. The final investment cost amounted to USD 6.98 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 51 million, representing a 69% increase over the previous year. Of that total, 41% came from domestic wood sales (pulp and sawmills), 58% from wood exports, and 1% from grazing leases. Annual revenues were 9% above initial projections, a shortfall mainly driven by higher export volumes and lower domestic sales.

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

	Budget	Actual	Variance
Gross Revenue - Domestic Sales	29,469,529	20,778,778	-29%
Gross Revenue - Export Sales	16,837,181	29,601,156	76%
Other Revenue	557,847	579,305	4%
TOTAL	46,864,557	50,959,239	9%

Source: Manager

- Domestic sales consisted of 75% eucalyptus wood destined for pulp mills, while the remaining 25% corresponded to sales of eucalyptus and pine logs to local sawmills. Notably, the primary domestic client for pine logs in the department of Rivera faced considerable delays and challenges in fulfilling its payment commitments. Consequently, the Manager decided to suspend wood deliveries to this client and will not resume them until the outstanding amounts are settled.
- Export sales consisted of 68% eucalyptus logs and 32% pine logs. The higher-than-budgeted export volumes were driven by the rebound in the pine market in India and the recovery of eucalyptus demand in China at the beginning of 2024.
- The export market for eucalyptus has shown relatively steady demand, with improved pricing from China. However, the Indian market, the main destination for pine, continues to face significant challenges, with low prices that make it difficult to execute transactions at acceptable margins.
- The 2024 budget for expenses and investments was estimated at a total of USD 38 million, with production costs accounting for the largest share (77%).

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

	Budgeted	Actual	Variance
Operating Costs	29,439,822	34,411,859	17%
General Expenses, Management, and Fixed Costs	6,205,546	9,391,943	51%
Plantation and Maintenance Investments	2,491,912	3,623,679	45%
TOTAL	38,137,280	47.427.481	24%

Source: Manager

- Overall, total expenditures exceeded the annual budget, ultimately having an impact on financial margins. The main cost overruns were due to higher maintenance expenses and increased management and administrative costs. In 2024, 683

hectares were harvested through clear-cutting, representing a 1.7% reduction in the value of forest assets.

- As a result of increased operating costs and general expenses, EBITDA (gross revenue, production costs, and general expenses) stood at approximately USD 8 million in 2024, compared to the budgeted figure of around USD 11 million.
- In 2024, a total of 807 hectares were planted, representing 33% less than the amount originally budgeted. Weed control activities were also carried out in the spring 2023 plantations, which are reported to be showing good growth and a high survival rate. However, extreme moisture conditions in the second quarter have partially affected plantation growth.
- The Olimar plant began operating at full capacity toward the end of the first quarter of 2024. However, throughout the year, operations remained below potential as part of an ongoing commissioning and adjustment process. As a result, the plant's performance for the year was poor. According to the Surveillance Committee, if the stock of veneer sheets pending export were valued, the year's loss would amount to just over half a million dollars.
- A revised production plan has been proposed for the Olimar plant in 2025, aiming to maximize the output of very high-value veneer sheets. This strategy is expected to reduce overall production metrics, including the volume of wood consumed and the total number of sheets produced, thereby increasing the cost per cubic meter of veneer. However, the higher unit costs are offset by the exceptionally high market value of the finished product. The Surveillance Committee notes that the plant's performance has fallen short of expectations and recommends a comprehensive evaluation of the plan be carried out at the end of the first quarter of 2025.
- In the reporting period, the Trust repaid installments on its long-term loan, while maintaining export pre-financing and short-term credit facilities to support ongoing operations. By year-end, the Trust's debt level stood at approximately 5% of equity.

- At the end of 2024, a new appraisal of the Trust's land and forest plantations estimated a total value of USD 542.8 million, comprising USD 176.5 million for the land and USD 366.3 million for the plantations². Land values increased by 10.5% and forest asset values by 5.2%, resulting in a positive asset revaluation of 7.9%.
- 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 841 hectares of forest were certified, resulting in 91% of the Trust's plantations being FSC® certified as of December 2024.
- The Manager submitted the 2025 budget, which has already been approved by the Surveillance Committee. Gross revenue is projected at USD 53.6 million, composed of approximately 65% from domestic wood sales (pulp and sawmills), 34% from wood exports, and the remainder from grazing leases. After deducting operating costs and expenses, the projected net operating cash flow would be approximately USD 15 million. Finally, investments are estimated at around USD 2.4 million.

Table 3. Projected Operating Budget – 2025 (USD)

	Budget
Gross Revenue – Domestic Sales	34,832,070
Gross Revenue – Export Sales	18,441,545
Other Revenue	280,000
Total Revenue	53,553,615
Operating Costs	-30,336,485
General Expenses	-7,990,512
Net Operating Cash Flow	15,226,618
Investments	-2,420,468
Net Operating and Investment Flow	12,806,150

Source: Manager

². On this occasion, a new valuation firm (INDUFOR) was engaged. The firm does not include revenue from grazing.

- The Surveillance Committee considers the budget to be appropriate, noting a significant increase in projected wood production volumes and reasonable gross margins given current market conditions and production costs.

3. Information Reviewed

The following information was reviewed for this update:

- Financial Statements of Agro Empresa Forestal as of December 31, 2024, with Independent Auditor's Report
- Financial statements of the Trustee as of December 31, 2024
- Financial statements of the Trust as of December 31, 2024
- 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 June 30, 2024 (Agro Empresa Forestal)
- Credit Rating Reports and their subsequent updates for the *Bosques del Uruguay I, II, and III* 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 4* Trust, established under the relevant Financial Trust Agreement, were offered through a public offering. This agreement, the certificates and the other agreements mentioned are analyzed in this section.

1. General description

Name:	Fideicomiso Financiero Forestal Bosques del Uruguay 4
Trustee:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agro Empresa Forestal S.A.
Registrar and Paying Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Representative	
Entity:	Bolsa Electrónica de Valores S.A.
Stock Exchange listing:	Bolsa Electrónica de Valores S.A.
Organizer:	Agro Empresa Forestal S.A.
Securities	
Issued:	Participation Certificates
Trust Assets:	The Trust invested in the acquisition and leasing of rural properties for the development of forestry operations.
Currency:	U.S. Dollars
Issue Amount:	USD 330,000,000
Initial Offering Date:	December 6, 2016
Distributions:	Whenever there are Distributable Net Funds at each fiscal-year end, from the sale of Trust Assets, or as part of the final distribution of the Remaining Net Income. (Between years 0 and 2, there will be no distribution of funds, even if they exist, as they will be used to finance the Business Plan.)
Risk Rating:	BBB +.uy

2. Legal Analysis

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

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

This report concludes: ***"...To conclude, 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, II and III—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.

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.

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

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

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	21,212	17,629	13,401
Non-Current Assets	569,241	526,001	471,224
Total Assets	590,453	543,631	484,626
Current Liabilities	24,091	24,340	9,843
Non-Current Liabilities	15,448	11,580	11,122
Total Liabilities	39,539	35,919	20,965
Equity	550,915	507,711	463,661
Total Liabilities and Equity	590,454	543,631	484,626
Current Ratio	0.88	0.72	1.36

Source: Financial Statements of the Trust

Under Non-Current Assets, within the Property, Plant and Equipment item, the Olimar plant is recorded at a net book value of USD 6.6 million. The plant became operational during 2024; therefore, its operations for the fiscal year were only partial and, presumably, temporarily in deficit.

As of December 2024, appraisals estimated an increase of USD 38.5 million in the value of biological assets and USD 8.7 million in land value.

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As shown in the preceding table, biological assets are recorded at a book value of USD 366.3 million (including an addition of USD 2.7 million for plantation costs and a deduction of USD 6.4 million for harvested areas), while land is valued at USD 176.5 million, or approximately USD 20 million more when improvements are included.

As of December 2024, the Trust's equity amounted to USD 550.9 million, substantially higher, in nominal terms, than the USD 330 million originally raised through the issuance.

As for financial liabilities, several bank loans were recorded with an outstanding balance of USD 23 million as of the end of the fiscal year, including an overdraft of USD 1.1 million. A significant portion of these loans mature in the short term, which results in the current ratio remaining below one at year-end. To address this situation, the Trust may need to undertake additional financial transactions.

Table 7. Income Statement of the Trust			
In thousands of USD	31/12/2024	31/12/2023	12/31/2022
Operating Revenue	50,959	30,075	37,458
Change in Fair Value of Biological Assets	38,548	42,470	42,396
Cost of Goods Sold	(43,101)	(24,045)	(30,198)
Gross Profit	46,406	48,500	49,656
Admin. and Selling Expenses	(9,054)	(9,624)	(10,258)
Financial results	(834)	(1,085)	(1,253)
Other Gains and Losses	-	-	-
Income before Corporate Income Tax (IRAE)	36,518	37,790	38,146
Corporate Income Tax (IRAE)	(1,660)	81	856
Income for the year	34,857	37,871	39,001
Revaluation of property, plant and equipment	8,700	6,756	6,658
Deferred IRAE tax related to revaluation	(353)	(578)	(536)
Comprehensive income for the year	43,204	44,050	45,123

Source: Financial Statements of the Trust

The operating revenue recorded during the period, as shown in the preceding table, was derived almost entirely from wood sales. The remainder, approximately USD 1.3 million, corresponds primarily to sales from the Olimar plant. The cost of wood sold represented 84% of the revenue generated from that item.

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

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responsibilities is deemed to be limited. In addition, their replacement is considered in the event of any deviations that justify it. *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, which leaves this possibility to investors properly represented.

Risk of Change in Forest Manager: This risk is duly provided for in the Agreement depending on different outcomes.

IV. UNDERLYING ASSET AND FUTURE CASH FLOW

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

This forestry project was already established. Therefore, the forests will be managed for about 20 years, mainly by harvesting them, selling wood, and replanting the harvested areas with eucalyptus. At the end of the project, the land and standing timber will be sold.

1. Evaluation of Investment Profitability, Internal Rate of Return, Associated Risks, and Sensitivity Analysis

The Project outlined in the Prospectus estimated an Internal Rate of Return (IRR) of 7.7% for the investor. Subsequently, the Manager has updated the expected cash flows, resulting in higher IRR values. The most recent update includes actual data as of December 2024 and a projection for the 2025–2039 period.

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 2039.

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 year³. 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 returns are projected based on the updated cash flow, which is expected to begin in 2025 and end with the termination of the Trust in 2039.

³. Current values remain slightly above those benchmarks, although a reversion to historical levels is likely.

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Based on this projection, the IRR for the entire duration of the Trust, under the scenario aligned with the rating agency's criteria, would be 9.1%, slightly lower than the 9.5% estimated one year earlier. 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.	9.0%
2 Wood prices adjust to U.S. inflation. Costs adjust to USD and Uruguayan inflation, and land value increases by 1.5% annually.	8.9%
3 Same as Scenario 2, but land prices increase by 3% annually.	9.1%
4 Both wood and land prices increase by 1.5%.	7.8%
5 Land prices increase by 1.5%.	7.7%
6 All variables remain constant	7.4%

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 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 reasonable 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 7.4% 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)⁴. This model considers the risk-free rate, the market risk premium, and the risk premium assigned to the specific

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

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"⁵ 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 points⁶, 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 (9.1%), 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.⁷ Currently, the 10-year U.S. dollar yield curve (CUD, for its acronym in Spanish) stands 5.47%. 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. 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.

⁵. This value is provided by Damodaran.

⁶. t represents the five-year average; in March 2025 it was lower, but it is currently around that level (107–110).

⁷. Spot Yield Curve of Uruguayan Sovereign Bonds issued in local currency indexed to inflation or in U.S. dollars, as applicable.

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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. 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.

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,

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and production costs. In certain years, such as the current one, variations may also arise due to changes in valuation criteria.

The table below shows the evolution of the Trust's land and forest plantation values, according to the data provided in the annual appraisals. It should be clarified that the 2020 appraisal was carried out by another firm using a different methodology, which resulted in an undervaluation of the land.

Table 9. Evolution of the Land and Plantations Valuation in Millions of USD				
	Land	Forests	Grazing	Total
2020	113.0	275.5	-	388.4
2021	154.4	246.1	3.7	404.1
2022	161.1	288.4	3.2	452.6
2023	167.8	331.4	3.7	502.9
2024	176.5	366.3	-	542.8
Variation 2024/2023	5.2%	10.5%	-100.0%	7.9%
Annual Growth Rate				8.7%

Source: Valuations

As of December 2024, the valuation of the Trust's land and forest assets estimated a total value of USD 542.8 million, consisting of USD 366.3 million for forest plantations and USD 176.5 million for land.

Between 2023 and 2024, the combined value of land and forests increased by 7.9%, primarily driven by a 10.5% appreciation in forest assets and a 5.2% increase in land value.

From 2020 to 2024, the compound annual growth rate (CAGR) was 8.7%, while the CAGR since the 2019 issuance value has been 10.5%.

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*,⁸ 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

⁸. FAO 2022

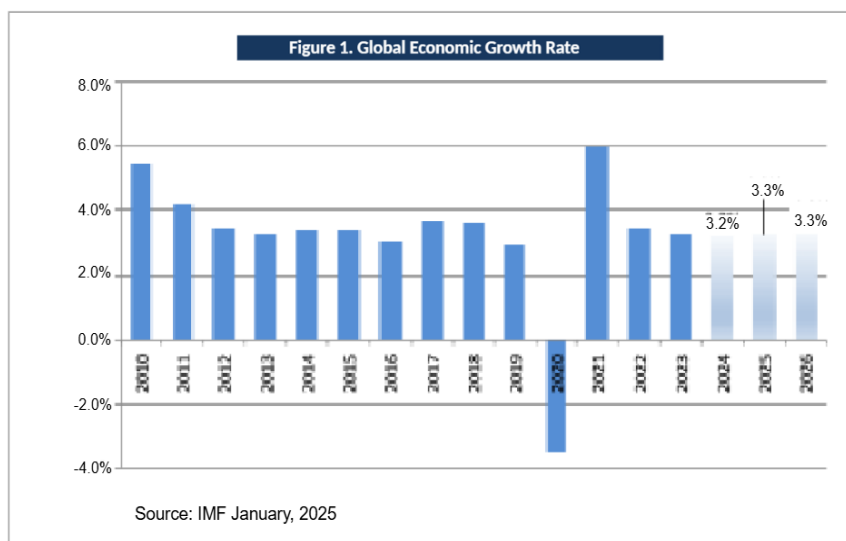
cooling of China's economy— have all contributed to significant volatility in international trade and the prices of wood and forestry products.

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.



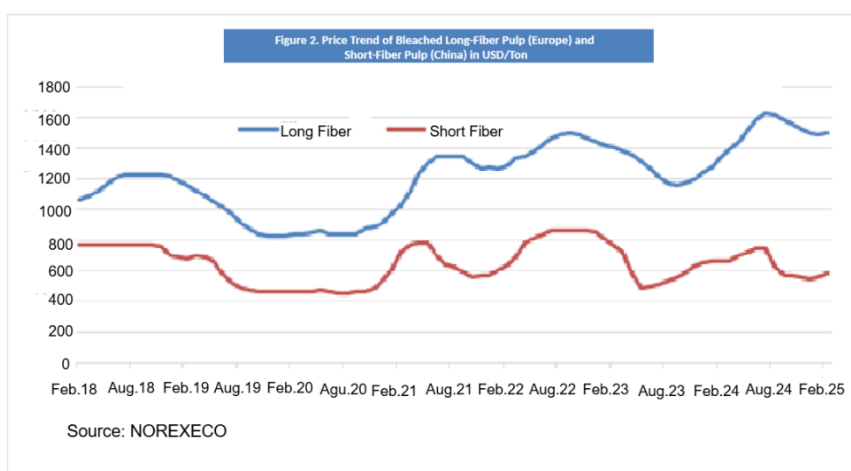
Historical Price Trends

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: NBSK⁹ (main international prices for long-fiber conifer pulp in Europe), and BHKP¹⁰ (short-fiber pulp in China). The behavior mentioned in the previous paragraph is shown in the figure below.



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 price¹¹ 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.

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

¹⁰. Blanched Hardwood Kraft Pulp. Short-fiber bleached cellulose pulp.

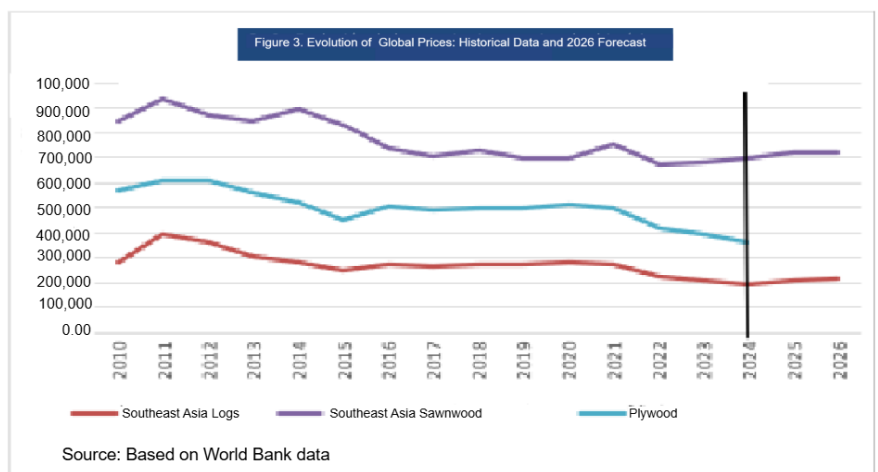
¹¹. FOB export value / exported tons.

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 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.



¹². World Bank Commodities Price Forecast. In subsequent reports, price projections are provided only for 2024 and 2025.

In 2021, the World Bank presented a long-term projection for sawlogs and sawnwood, showing a slight increase in nominal values for 2035¹². 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 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.

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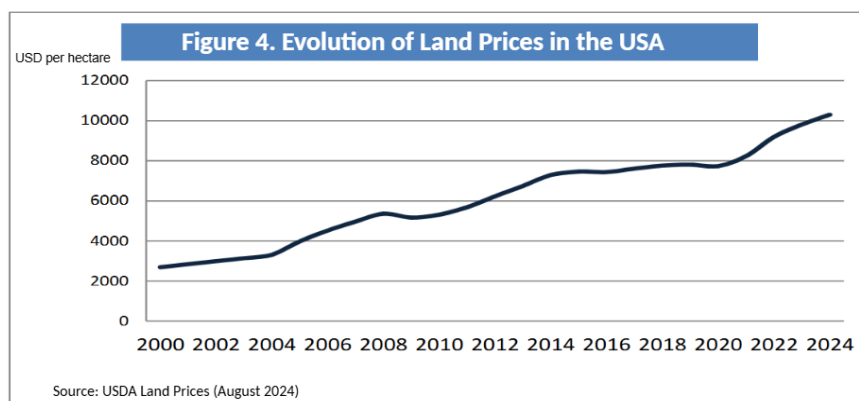
RISK RATING AGENCY

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.

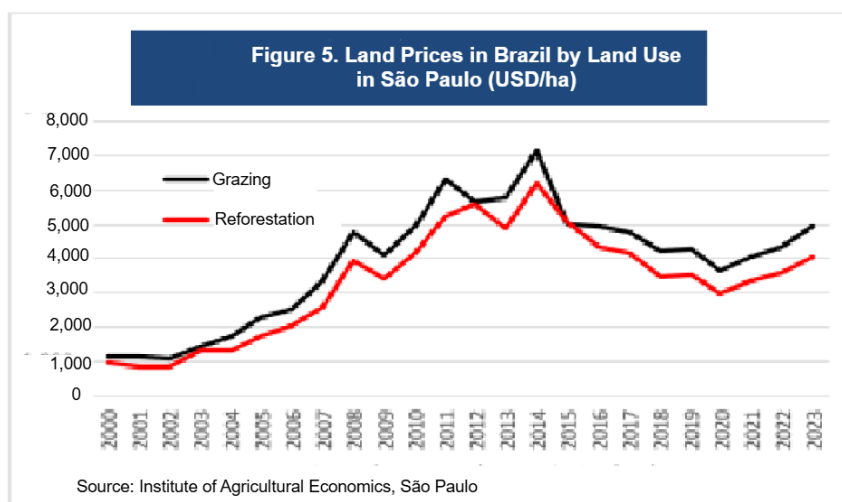
Between 2000 and 2024, the cumulative annual growth rate of land prices in the U.S., in current dollars, was 5.75%, exceeding the inflation rate of the U.S. dollar (2.54%). This translates into a real annual increase of 3.14% over the past 24 years.

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 Chamber¹³ 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.

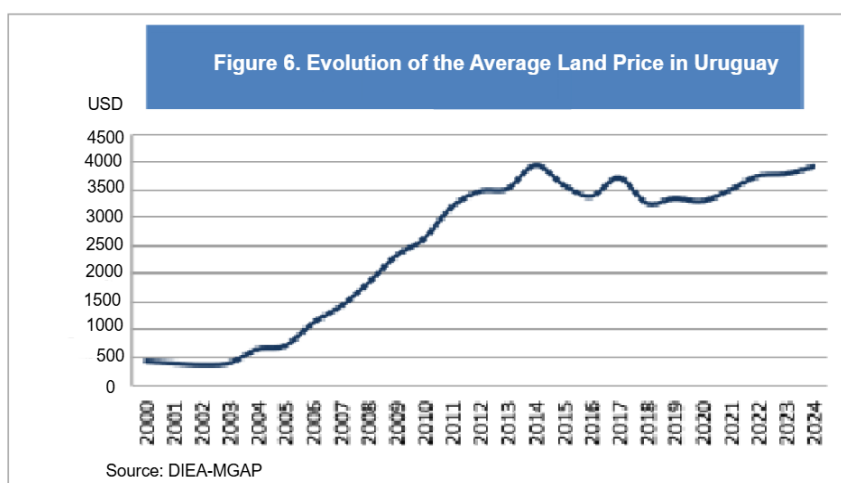
In the case of Uruguay, data reported on the average of land transaction prices by the Directorate of Agricultural Statistics of the Ministry of Livestock, Agriculture and Fisheries (DIEA-MGAP, for its acronym in Spanish) show a very strong appreciation of land values from 2004 to 2014. Since 2015, there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

¹³. 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.

low number of transactions as both the quality and location of traded land have had a great influence on the average prices.

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%¹⁴. 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,¹⁵ 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 correlation¹⁶ 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

¹⁴. First semester land sales 2024, DIEA-MGAP, October 15, 2024.

¹⁵. SERAGRO, Agroclaro, Consur and private operators.

¹⁶. 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.

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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.

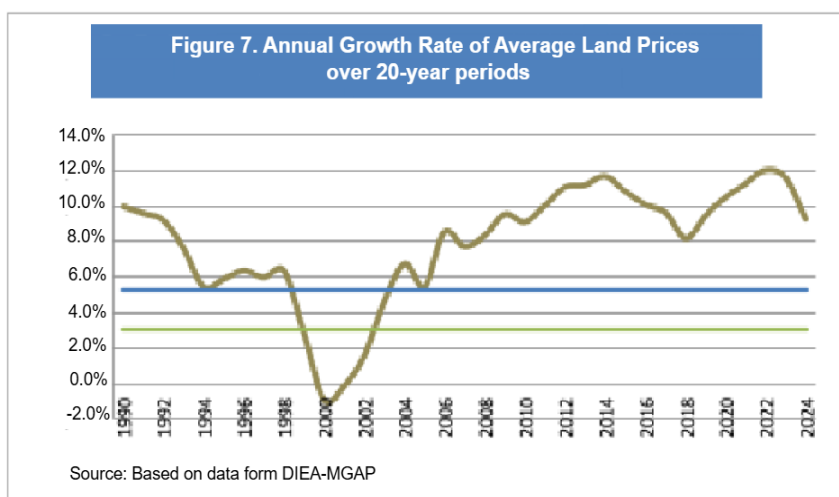
The appreciation of land price is a relatively significant component of the Trust's final income (20%). As such, its future behavior will have a substantial impact on the overall return on investment. The most recent update to the financial model, under the scenario considered by the rating agency, assumes 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 rates¹⁷, 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

¹⁷. 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, allowing producers to avoid 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

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+.uy¹⁸ in accordance with the CARE Structured Finance Rating Manual. The inclusion of the plus sign (+) indicates that the rating is closer to the next higher category. It is an investment grade rating.

Rating Committee

¹⁸. **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



Adrian Tambler, Agr. Eng.