

### SALES PERFORMANCE







	Q2 2021	Q2 2020	
Total for TFC	Total wood volume sold (m <sup>3</sup> )	332,745	224,916
	Total charcoal sales (MDC)	49,280	69,441
	Total gross sales (USD)	8,468,572	6,367,676
Paraná (Pine and Eucalyptus)	Total wood volume sold (m <sup>3</sup> )	6,663	14,179
	Total gross sales (BRL)	175,082	430,014
	Total gross sales (USD)	33,094	73,513
Minas Gerais (Eucalyptus)	Total wood volume sold (m <sup>3</sup> )	301,495	188,195
	Total gross sales (BRL)	16,238,726	9,633,610
	Total gross sales (USD)	3,069,457	1,774,461
Minas Gerais (Charcoal)	Total charcoal sales (MDC)	49,280	69,441
	Total gross sales (BRL)	14,560,277	13,296,388
	Total gross sales (USD)	2,752,195	2,449,126
Antioquia (Pine)	Total wood volume sold (m <sup>3</sup> )	24,587	22,543
	Total gross sales ('000 COP)	3,949,346	3,962,129
	Total gross sales (USD)	1,069,996	1,040,156
Colombia (Forest Services)	Total gross sales ('000 COP)	5,698,261	3,925,038
	Total gross sales (USD)	1,543,829	1,030,419

- In the second quarter of the year, The Forest Company sold 333,000 m<sup>3</sup> of wood, an increase of 48% compared to Q2 2020. The total revenues in USD were 33% higher than in Q2 2020, driven by the good performance of Brazilian operations
- Charcoal sales in value were 12% higher in USD during Q2 2021 compared to Q2 2020. After maintenance of kilns over the last months, we expect the production volume to recover in the second half of the year
- Average charcoal prices in Q2 2021 were 54% higher compared to Q2 2020
- Wood sales in Minas Gerais increased by 73% in USD compared to Q2 2020. The increase is explained by an improvement in market prices and volume sold
- Wood sales decreased in Paraná by 53% in volume compared to Q2 2020, as there is less volume available for harvest due to the age class of plantations. Total value decreased by 55% in USD
- In Antioquia, Q2 2021 total sales were 9% higher in volume than in the same period last year
- Total sales from Forest Services in Colombia increased by 45% in COP and 50% in USD compared to Q2 2020

### IMPACT KPIs

The Forest Company's impact strategy contains five themes, contributing to five of the SDGs, and ten defined impact goals. Here, we report on three of these goals. Please contact us if you are interested in knowing more about our impact performance this quarter.

- **Natural forest:** The Forest Company took all safeguards to avoid the invasion of exotic species in our natural forests with a strict monitoring of these areas
- **Employee training:** Due to COVID-19 restrictions and social distancing, we had to restructure some of the scheduled activities. The Forest Company promotes online training for employees through web-based systems, in addition to in-person training with social distancing
- **Carbon sequestration:** The carbon sequestration for Q2 has been achieved and The Forest Company continues to implement the best silvicultural practices to boost the productivity of our plantations

Impact theme	Impact goal	Target Q2 2021	Actual Q2 2021	2021 goal achievement
	<b>Natural forest</b> Increase the area of natural forest under The Forest Company's protection to 22,400ha by 2022	Total protected area 25,335 ha	Total protected area 25,335 ha	
	<b>Employee training</b> 100% of employees will receive training every year by 2022	Percentage of employees receiving training Women: 50% Men: 50%	Percentage of employees receiving training 100% of the workforce (men and women) were trained in Q2	
	<b>Carbon sequestration</b> 7.8 million tCO <sub>2e</sub> through The Forest Company's forest plantations by 2022	608,000 tCO <sub>2e</sub>	608,000 tCO <sub>2e</sub>	



## COVID-19 UPDATE

As of the end of Q2 2021, we have had eleven people in Brazil, and thirty in Colombia infected with COVID-19, all of whom recovered.

The Forest Company carried out a vaccination campaign in partnership with the local governments. About 80% of employees in Brazil received the first dose and 60% the second dose of vaccine.

In Brazil, the daily death toll reduced substantially during Q2 2021, closing the quarter with around 1,500 deaths per day due to COVID-19 (compared to 4,000 at the end of the first quarter).

The vaccination campaign is moving forward in the country, with 41% of the general population getting at least one dose, and 15% the second dose. The expectation is that, by October, practically the entire adult population will have been vaccinated with the first dose.

The advance of vaccination generates hope for a second semester closer to normal in people's daily lives, and sectors that are still far from their pre-shock levels count on the presence of repressed demand to bring more concrete relief.

Colombia is being battered by a surging third wave of Covid-19. About 40,000 lives have been lost to the disease since April – about 40% of the total death toll.

The Colombian government blamed weeks of anti-government protests by unions, students and other social organizations for the extension of the third wave, which began after the Easter holiday.

Despite the current peak, the government lifted most restrictions imposed in March 2020 to control the pandemic, in an attempt to boost the economy and amid widespread disregard for security measures.

More than 10 million Colombians have already received the complete vaccination schedule against Covid-19, a figure that is equivalent to 19% of the population. The Government's goal is to vaccinate throughout this year 30% of the national population, to achieve herd immunity.

To speed things up, Colombia is now allowing companies to import vaccines and distribute them for free among their staff. With the government's help, employers have purchased 2.5 million doses so far, in an effort to protect workers and boost productivity during the pandemic.

## MARKET UPDATE - BRAZIL

Demand for charcoal in Minas Gerais remains extremely heated. The strong demand from China for raw materials for steel production has been boosting Brazilian exports of pig iron, positively impacting the charcoal industry. However, there is a movement orchestrated by large pig iron producers in the local market to lower charcoal prices. We expect a price reduction in the market for the coming months, which tends to have a limited effect for us due to our long-term contracts, with a subsequent price increase in the rainy season starting in October.

Demand for pulpwood to supply pulp mills has been high since the beginning of the year. The expectation for the pulp and paper industry is still positive for the year, with substantial increases in Eucalyptus pulp prices (+25% in the CIF price delivered in China during Q2 2021 compared to Q1 2021).

Overall, we see a positive outlook for wood prices, with new investments in the forest industry driving up prices.



**MARKET UPDATE - COLOMBIA**

As mentioned in the previous report, The Forest Company sees a unique opportunity to lead the growth of the Colombian forest market. We negotiated with our customers to change the established method of sale in tons to cubic meters, as in developed markets. This will generate more value for our customers, who will have confidence and predictability about the volume of wood they are buying.

The Colombian government is focusing on increasing the area of commercial plantations in Colombia. For example, The Ministry of Agriculture and Rural Development recently informed that it is carrying out the identification of properties with potential for the implantation of commercial forest plantations.

The registration of properties will allow the determination of the potential availability of properties for commercial forest plantations in the next two years; this is within the scope of the government commercial reforestation policy and will have a positive impact on the environment and sustainability of Colombia.



**COUNTRY MACRO HIGHLIGHTS**

Macro Indicators	Brazil	Colombia
Benchmark interest rate <sup>1,2</sup>	4.3%	1.8%
Central Bank target inflation	3.8% (+/-1.5%)	3.0% (+/-1.0%)
12-month inflation rate <sup>1</sup>	8.4%	3.6%
USD/local currency FX rate <sup>1</sup>	5.00	3,757

1- Figures from 30/06/2021 2- SELIC for Brazil and BanRep rate for Colombia

**BRAZIL**

- In Brazil, economic activity has been recovering at a stronger pace than expected. The rising prices of raw materials, such as soybeans and iron ore, will likely benefit Brazil for at least the next two years. The strength of commodity prices contributes to accelerated growth, but is putting pressure on inflation rates
- During Q2 2021, the benchmark interest rate increased by 150 bps to 4.3%. At the May meeting, the rate increased again to 3.5% (75-bp). The Central Bank of Brazil indicated that this monetary tightening tends to continue in the face of a persistent inflationary scenario
- With the prospect of better growth, lower fiscal risk, strong exports and higher interest rates, the exchange rate ended the semester at the lowest levels of the year. During Q2 2021, the BRL appreciated by about 14% against the USD

**COLOMBIA**

- The performance of services has been stronger than anticipated, and the country's key oil exports are recovering rapidly, in line with improving global demand
- The protests over a proposed tax bill create a very challenging and unpredictable political outlook ahead of next year's general election, which is likely to postpone investment decisions until there is more policy visibility
- At its June meeting, the Colombian Central Bank kept the benchmark interest rate unchanged at the record low of 1.8%. The Bank's decision came amid signs of an ongoing recovery and well-anchored inflation expectations
- During Q2 2021, the COP depreciated by about 2% against the USD. The Colombian currency is anticipated to remain under pressure due to the effects of the fiscal discussion on sovereign rating decisions