

Floresteca Agroflorestal Ltda.

Review of the Valuation Model of Teak Plantations – Gross Revenue Before Source Tax

SUMMARY STATEMENT

SGS-ICS Gesellschaft für Zertifizierungen m.b.H. und Umweltgutachter (SGS-ICS), Hamburg/Germany, was commissioned by Floresteca B.V. (the company) to review the plantation valuation model of Floresteca Agroflorestal Ltda. in Mato Grosso State, Brazil.

SGS is the world's leading inspection, verification, testing and certification company. SGS is recognized as the global benchmark for quality and integrity. SGS-ICS is the provider of the Forest Plantation Valuation Service, under which Floresteca's valuation model has been reviewed.

The company is responsible for the design and development of the model, as well as for the data capture, entry and analysis. The task of SGS-ICS was to make a review of the model used for the plantation growth, including field verifications of data; to discuss any observations which may arise and make adjustments or corrections which may be necessary, if any; and to give a clear endorsement on the soundness of the model and the value produced.

The elements of the valuation model reviewed are:

- analyse inventories,
- calculate projections of growth of the Teak trees,
- determine thinning and final harvesting decisions,
- calculate volumes of industrial logs and commercial assortments, and
- calculate future revenues based on the above information and a financial model consisting of price and inflation expectations.

The review carried out by SGS-ICS is based on samples taken in the field (effectively planted area and inventories) and from the computer-based valuation model. Indicators, main variables and market data used by the company were discussed and found to be realistic.

The effectively planted area was measured with GPS technology. The methodology as well as the execution of the measurements and analysis of the data was found to be very sound. Results obtained appear to be highly accurate.

The inventory methodology applied consists of standard practice and procedures of inventories based on permanent sample plots applied in forestry.

The growth model derived from the field data is transparent, comprehensive and provides accurate data on current growth and a realistic projected growth of the plantations on the basis of each individual project.

Projected volumes are based on a volume formula that considers multiple factors including standard scaling practices in the Teak log market. The projected volumes represent real commercial volumes.

Projected profits and values of standing timber calculated on the basis of the valuation model and assumptions made by the company appear to be realistic and founded on transparent and comprehensive variables.

The results of the Valuation Model are summarized in the report and are included as Annex B. The gross revenue before source taxation is as follows:

Total gross revenue before source taxation

Project Name	Project Code	Year of Planting	Area [HA]	Total gross revenue [USD] (rounded)	Gross revenue/ha [USD/ha]
Buriti	BUR	1994	592.29	USD 27'858'757	USD 47'036
K8	K 8	1995	331.91	USD 26'407'621	USD 79'563
Silas	SIL	1995	582.80	USD 50'141'596	USD 86'036
		1998	24.41	USD 1'454'188	USD 59'573
Cocal	COC	1996	374.88	USD 18'921'226	USD 50'473
		1998	133.84	USD 11'903'197	USD 88'936
Pimental	PIM	1996	698.26	USD 57'394'960	USD 82'197
Tenda	TEN	1996	191.42	USD 9'687'366	USD 50'608
Paiolandia	PAI	1997	297.92	USD 26'502'349	USD 88'958
		1998	93.95	USD 8'634'539	USD 91'906
Paraíso	PAR	1997	555.05	USD 32'759'676	USD 59'021
Bocaina	BOC	1998	431.65	USD 50'722'291	USD 117'508
		1999	108.18	USD 14'513'066	USD 134'157
São José da Canastra	CAN	1998	44.62	USD 5'810'157	USD 130'214
São Judas Tadeu	SJT	1998	26.76	USD 3'052'939	USD 114'086
Vale Dourado	VDO	1998	351.68	USD 32'388'510	USD 92'097
		1999	48.59	USD 6'604'013	USD 135'913
Araras	ARA	1999	98.88	USD 5'591'001	USD 56'543
Bambu	BAM	1999	549.07	USD 34'977'065	USD 63'702
		2000	513.83	USD 50'803'750	USD 98'873
Capim Branco	CPB	1999	507.87	USD 68'867'341	USD 135'600
Cassange	CAS	1999	88.49	USD 8'956'937	USD 101'220
Serra das Araras	SER	1999	105.01	USD 5'800'326	USD 55'236
Duas Lagoas	DLG	2000	1527.51	USD 171'611'744	USD 112'347
		2001	2136.42	USD 212'154'276	USD 99'304
		2002	48.41	USD 7'305'596	USD 150'911
São Miguel	SMG	2001	97.52	USD 14'239'363	USD 146'015
		2002	5.71	USD 865'473	USD 151'571
Barranquinho	BAR	2002	970.20	USD 140'349'311	USD 144'660
		2003	12.95	USD 2'023'331	USD 156'242
		2004	1021.00	USD 166'358'603	USD 162'937
Cacimba	CMB	2002	571.08	USD 71'372'380	USD 124'978
		2003	10.19	USD 1'589'476	USD 155'984
Santa Maria do Jauru	SMJ	2002	1085.18	USD 137'537'755	USD 126'742
		2003	207.87	USD 25'701'217	USD 123'641
Santa Fe	STF	2003	2563.74	USD 401'992'345	USD 156'799
Icaroma	ICR	2004	837.96	USD 136'534'627	USD 162'937
Terra Santa	TST	2004	1173.09	USD 191'139'680	USD 162'937
TOTAL			19020.19	USD 2'240'528'048	

According to the verifications performed and described in the previous paragraphs, that amount fairly represents the value of the plantation at that date.

Projected values reflect a present high level of monitoring and maintenance of all plantations.

High priority is given and will further have to be given to marketing of the resulting wood resources.

The valuation includes figures for considerable sale volumes of smaller diameters in 2004 and 2005. The according volumes were mainly used up internally for test purposes, so that realized sales of sawn wood can only be considered as indicators.

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Guido Fuchs
Lead Assessor

Dr. Hans-Joachim Bellmann
LeadAssessor

representative of SGS-ICS