





<b>Highlights</b>	<b>3</b>
<b>MDF Business Unit</b>	<b>3</b>
<b>Teak Business Unit</b>	<b>4</b>
<b>Income Statement Analysis</b>	<b>6</b>
<b>Balance Sheet Analysis</b>	<b>9</b>
<b>Cash Flow Analysis</b>	<b>11</b>
<b>Environmental and Social Development</b>	<b>11</b>
<b>Stock Development</b>	<b>12</b>
<b>Proteak Informs</b>	<b>13</b>
<b>Financial Statements</b>	<b>14</b>

## Highlights

- Construction of the MDF plant in Huimanguillo, Tabasco continues according to schedule.
- The first 20 containers of mature Mexican Teak were exported to India.
- The innovative program designed together with CONAFOR and the Tabasco state government for the development of Eucalyptus plantations in ejidos and small communities started successfully.

## MDF Business Unit

### Plant Construction

The country's largest industrial-forestry Project continues according to Schedule.

As of quarter-end, civil works were 95% completed and the machinery assembly made significant progress, particularly inside the industrial building where the press, which is the heart of the process, is installed.

During the quarter, key permits and service engineerings, such as energy and gas supply, were approved for the start-up of the plant. This will allow Proteak to start production tests as planned, during the fourth quarter of the year.

### Commercialization

Regarding marketing, Proteak continued making progress with the sale of FINSA panels, increasing volume and expanding its customer base significantly. The latter already covers several Mexican states such as Distrito Federal, Puebla, Hidalgo, Michoacán, Morelos, Nuevo León, Coahuila, Jalisco, Querétaro, San Luis Potosí and Guanajuato.

Panel imports from Brazil have been putting pressure on local prices, which remain constant in Mexican Pesos. On another hand, Proteak made progress in the development of its commercial strategy for panel exports from Mexico to United States, focusing on value-added products.

In preparation for the intensive operation that will derive from the MDF plant start-up, the Company strengthened its team with a logistics specialist who has wide experience in the subject. He has

already started implementing the Strategic Logistics Plan, developing suppliers according to the “Proteak standard” of quality and service.

## **Forestry**

The 2015-2016 annual planting program has been moving forward in line with regional precipitation, which has been delayed due to the effects of the phenomena known as “El Niño” (more information about this phenomena available at:

<http://www.mymodernmet.com/profiles/blogs/atacama-desert-rainfall-phenomenon>).

In the case of Eucalyptus, which will supply the MDF Plant, the 2015-2016 program contemplates planting 2,250 hectares. At the end of the quarter, 1,000 hectares were already prepared and/or planted and an additional 1,300 hectares from the 2014-15 campaign had received maintenance. It is worth mentioning that less rain reduces the need for maintenance in forestry plantations.

During the period, the sourcing of land made significant progress with the acquisition of three properties totaling nearly 900 effective hectares for Eucalyptus plantations; the incorporation of only 600 additional hectares is pending.

## **Teak Business Unit**

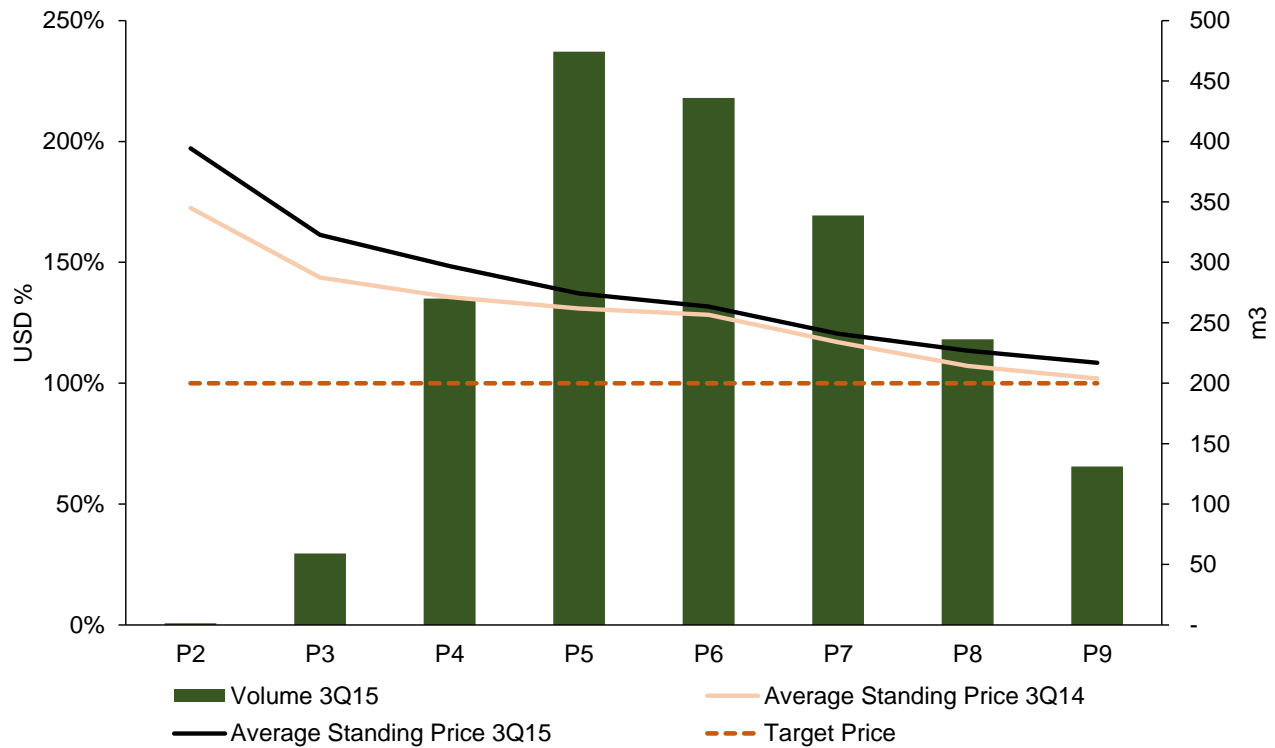
### **Commercialization**

During the quarter, Proteak started harvesting the mature Teak plantations acquired in 2010 in Tabasco. Thus, the first 20 containers of Mexican Teak were exported to India, starting the promotion of the “Mexico Teak” concept in Asian markets.

Furthermore, Proteak continued implementing a sales strategy that privileges price over volume and exported 138 Teak containers from its Colombia plantations to India, China and Vietnam. Despite the existing pressure on thin wood prices in Asian markets, during the quarter Proteak managed to obtain sales prices 22% above the budget, and 12% higher than the 3Q14 ones.



### Teak Prices 3Q15



### Forestry

In the case of Teak, the annual plantation program contemplates planting 270 hectares; at the end of the quarter, 215 hectares were already prepared and/or planted and 6,777 additional ones had received maintenance.

## Income Statement Analysis

### SUMMARY OF RESULTS AND KEY INDICATORS

In '000 MXP	3Q'15	3Q'14	Q vs Q	YTD 2015	YTD 2014	YoY
Teak Sales	37,872	26,776	41%	86,750	99,993	(13%)
Eucalyptus / Panel Sales	29,715	6,154	383%	48,325	26,403	83%
Income from Revaluations	45,556	21,710	110%	136,640	63,943	114%
Other Income	6,092	7,781	(22%)	9,938	7,819	N/C
Teak Sales Cost	29,161	22,371	30%	69,957	87,143	(20%)
Eucalyptus Sales Cost	29,755	7,147	316%	46,125	25,803	79%
Gross Margin	60,286	31,272	93%	162,656	84,033	94%
Teak Gross Margin Without Revaluation	8,711	4,405	98%	16,793	12,850	31%
Eucalyptus / Panel Gross Margin Without Revaluation	(40)	(993)	(96%)	2,201	600	267%
Operating Income	29,034	6,051	380%	84,084	25,337	232%
Debt	1,481,676	249,429	494%	1,481,676	249,429	494%
Total Liabilities / Total Assets	0.4	0.2	123%	0.4	0.2	123%
Debt / Equity	0.5	0.1	333%	0.5	0.1	333%
Debt / Total Assets	0.3	0.1	220%	0.3	0.1	220%
Debt / Current Assets	1.6	0.4	289%	1.6	0.4	289%

N/C Not Comparable

(1) Other Net Income considers subsidies, asset sales and other expenses.

## Income Statement Analysis

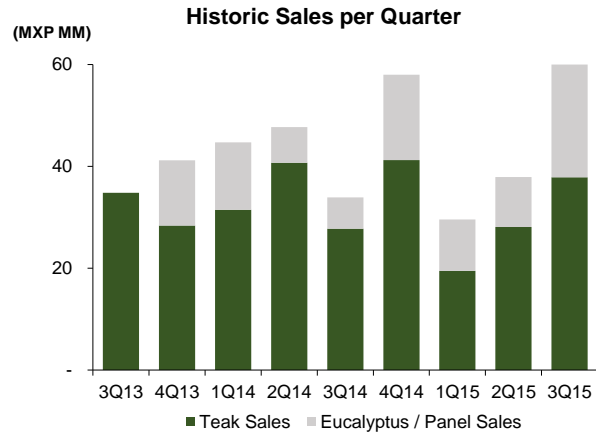
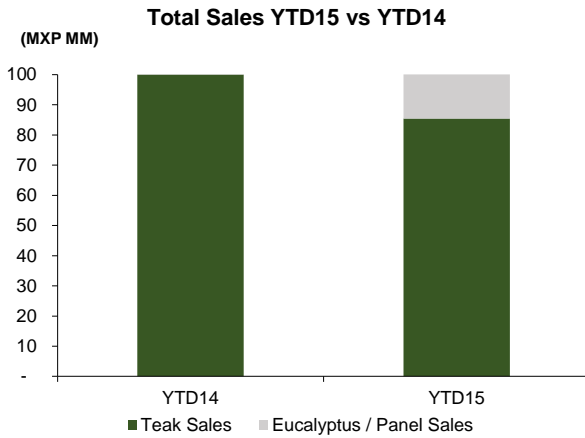
### Sales

Quarterly results reflected positive margins in all of the Company's business lines. Total quarterly Sales amounted to MXP 68MM, 78% higher than those registered in 2Q15 and 105% above 3Q14 sales.

Teak Sales increased 35% compared to the previous quarter, reflecting mainly the first exports of Mexican Teak to India and the increase of thick wood sales from Colombia to Asian markets, thereby optimizing the offered product mix.

Eucalyptus Sales show the sale of MDF panels from Proteak's Spanish commercial partner: FINSA. This commercial strategy aims at creating a client portfolio and defining efficient distribution channels to sell the Company's own products once the Huimanguillo MDF plant starts operating. The outcome of this strategy was clearly shown in the quarter's results, as sales were 4 times the ones registered during the previous quarter.

Since 1Q15, Eucalyptus wood is not being sold, as it will be used to supply the MDF plant.



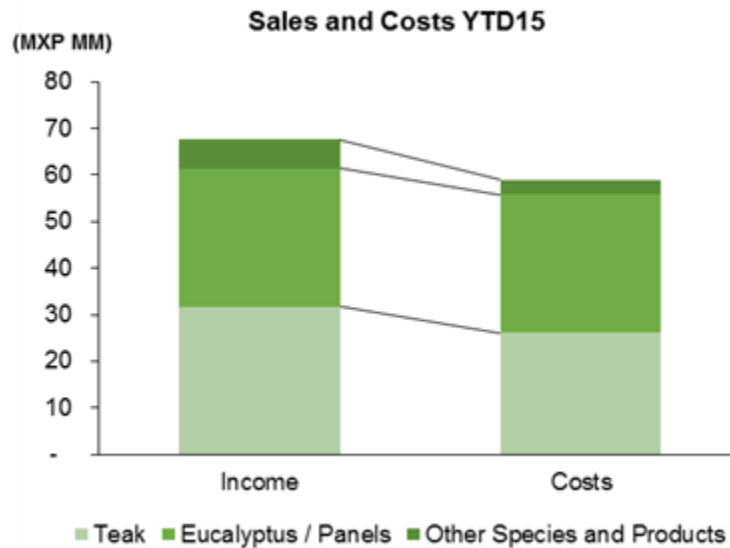
Net Quarterly Sales totaled MXP 119MM, 96% higher than those registered the same quarter last year, mainly driven by an increase in the revaluation of Biological Assets. The latter totaled MXP 46MM and was determined by projecting the reasonable value of plantations based on their historical growth rate, in line with international accounting standards.

In addition, Net Sales include the Sale of Goods and Subsidies received. During the quarter, Proteak received MXP 6MM in subsidies from CONAFOR's PRONAFOR Program for the Eucalyptus plantations.

### Sales Costs, General Expenses and Net Income

Gross Margin for the quarter reached MXP 60MM, 14% higher than the one registered in 2Q15, and 93% above the 3Q14 figure, reflecting a combination of the following factors: more volume and higher sales prices, a more efficient product mix and a higher revaluation of biological assets.

Thanks to the Company's commercialization efforts, Teak as well as Eucalyptus sales costs decreased as a percentage of sales compared to the same quarter last year.



General Expenses for the quarter totaled MXP 31MM, in line with the Company Budget and reflecting the cost of the Employee CPO Program. It should be noted that this is a non-cash item.

General Expenses as of September 2015 increased 36% compared to the same period of 2014, mainly due to the inclusion of new team members and expenses related to the MDF project. The Company estimates that expenses will stabilize after the second semester of 2016, given that 50% of administrative personnel for the MDF project has already been hired and only vacancies at an operational level are pending.

The increase in Net Sales, combined with a significant improvement in margins, the provision for Biological Asset revaluation and a strict control of General Expenses, resulted in an Operating Profit of MXP 29MM, 380% higher than the one registered the same quarter last year.

Net Income for the quarter reached MXP 23MM.



## I. Balance Sheet Analysis

### Assets

As of September 2015, total assets of the Company amounted to MXP 4,775MM, 54% higher than year-end 2014, mainly driven by investment in the MDF plant, the capital increase that took place in May for MXP 371MM, and the exchange rate effect on Teak Assets.

Among Current Assets, Clients stand out with a total of MXP 106MM, showing an increase of MXP 41MM compared to December 2014 mainly due to the incorporation of MDF clients.

Inventory increased MXP 63MM compared to December 2014 as a natural consequence of the start of Eucalyptus wood harvest in preparation for supplying the MDF plant; it also includes the inventory of FINSA panels to be commercialized.

Other Assets reflect the reclassification of MXP 116MM from Prepaid Expenses for the MDF plant machinery; once the machinery is installed, it is reclassified as Machinery and Industrial Equipment.

Real Estate registered an increase of 20% compared to year-end 2014, reflecting the progress in the construction of the industrial building for the MDF plant and the incorporation of land acquired for Eucalyptus plantations.

Machinery and Industrial Equipment recorded an increase of MXP 982MM driven by the integration of equipment for the MDF plant, already being installed.

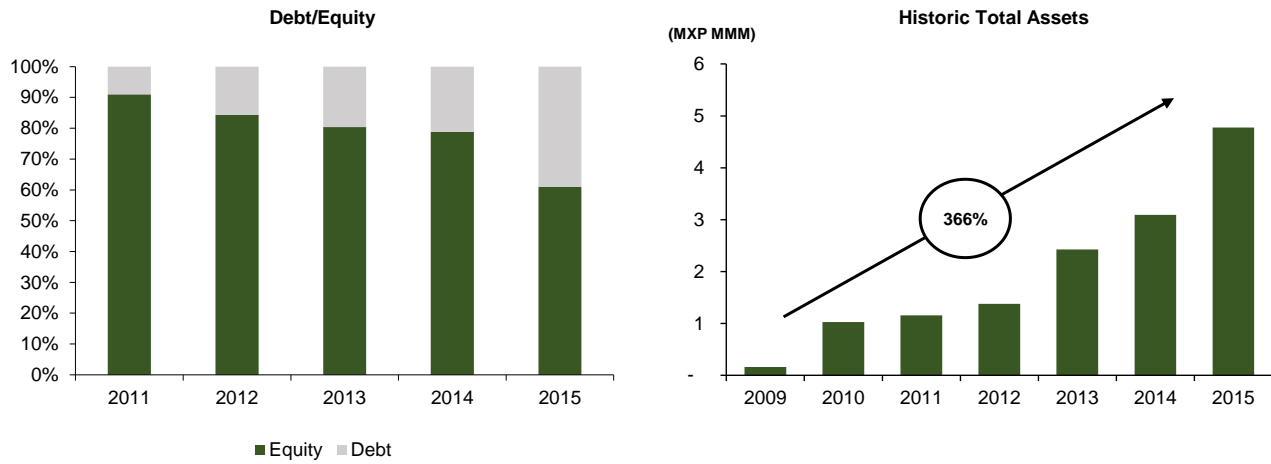
Biological Assets (Current and Non-Current) increased 16% compared to December 2014, reflecting the provision for Biological Asset revaluation corresponding to the three quarters of 2015.

The value of Proteak's plantations is mainly modified by four factors: (i) capitalized forestry expenses, (ii) exchange rate, (iii) revaluations representing the growth of biological assets, and (iv) outflows from the wood's cost of sales.

So far this year, the following has been registered: (i) MXP 111MM in capitalized forestry expenses, destined for both, maintenance of existing plantations and planting of new ones, improving their expected return by promoting higher growth rates; (ii) MXP 37MM from revaluation of the USD; (iii) MXP 137MM in revaluation derived from the previously discussed growth; and (iv) MXP 42MM, which represent the wood's cost of sales. During the quarter, harvested wood amounted to 21 Mm<sup>3</sup> (thinnings and harvest).

Long-Term Assets Kept for Sale are mainly non-strategic plots that will be sold in the medium term. These assets are located in Costa Rica with a value of MXP 101MM as of quarter-end; the 14% variation compared to year-end 2014 figures stems mainly from the appreciation of the US Dollar.

## Liabilities and Equity



Accounts Payable increased MXP 53MM vs year-end 2014 due to deferred payments to MDF plant suppliers.

Deferred Tax Liabilities show the provisions that were generated by the annual calculation of 2014 Taxes.

Other Liabilities with Cost recorded an increase of MXP 1,150MM, mainly due to the disbursements of the credit with AKA-Commerzbank for the acquisition of machinery for the MDF plant; they also include the first disbursement of the credit line signed with FND in May 2015 and the last disbursement of the IFC loan.

During the quarter, Proteak made the first amortization of principal of the IFC 2013 credit line for a total of USD 0.3MM.

Total Equity reached MXP 2,910MM as of September, MXP 472MM higher than the 2014 year-end figure, showing the capital increase completed in May, the premium in the subscription of employee shares and the conversion effect as a result of the US Dollar appreciation. Proteak's solvency continues strong with an Equity to Liabilities ratio of 1.6 to 1.

## **II. Cash Flow Analysis**

During the third quarter, the Company cash flow position recorded a net decrease of MXP 180MM, as investment activities and new plantations were funded.

Investment Activities amounted to MXP 468MM, net of the sale of certain assets available for sale, and included mainly the acquisition of Equipment, Advanced Payments and Civil Works related to the MDF plant.

The difference between Operating cash flows and Investment Activities was funded mainly with capital contributions from institutional investors received in 2Q15 (MXP 371MM), in addition to disbursements of the AKA/Commerzbank loan (MXP 356MM).

The period's cash flow evolved in line with the Company investment plan, with an ending cash position of MXP 226MM.

## **Environmental and Social Development**

### **Development Program for Plantations in Ejidos and Small Communities**

Along with CONAFOR, the state government of Tabasco and Ameplanfor, Proteak started a unprecedented program in Mexico to develop Eucalyptus plantations in *ejidos* and small communities. In it, small producers hire the Company to work the land, using its genetic material and high technology, and most of the costs are covered by CONAFOR and the state government. In addition, Proteak commits to buy all the wood production to supply the MDF plant.

During the quarter 140 hectares were prepared and planted under the program, successfully converting idle land into productive one and incorporating small producers into the value chain of commercial forestry plantations.

### **FSC Certification**

The annual FSC forestry management audit of Proteak's Mexican Teak plantations concluded with no observations.

### **Carbon Credits**

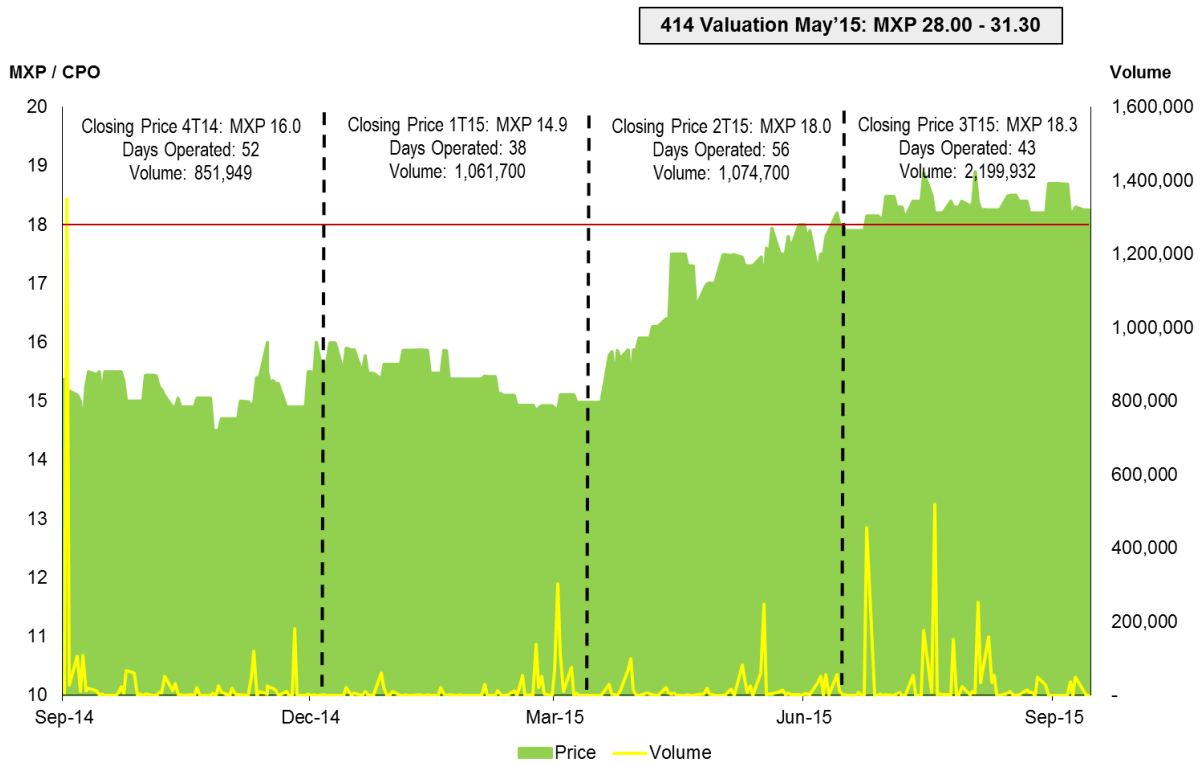
During the quarter, Proteak signed the agreement with AENOR for them to initiate the verification process of the Teak plantations included in the "Fresh Breeze" project. This verification will determine how much carbon is being sequestered and, thus, how many carbon credits the Company can issue for sale in the voluntary market.

## Social Development

Proteak concluded the diagnosis of the region and selected 11 pre- and elementary schools to be included in the Company's Local School Support Program, which will benefit nearly 900 children in its first phase. The Program includes improvements to school facilities tending to their most urgent needs, such as water services, electricity, windows and perimeter fencing. In addition, the Company will donate trees, as well as didactic and sports material for the students.

## Stock Development

During the quarter, the market continued recognizing the fundamental value of Proteak; the Price of its OPC (CPO for its name in Spanish) remained above MXP 18.00, with an average of MXP 18.30 vs a MXP 14.40 average during 3Q14.



## Proteak Informs

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## Financial Statements

The following table presents a summarized quarterly Income Statement in MXP '000, and a comparison with the same period of 2014. Regarding Gross Profit, Operating Profit and Net Income, the table shows the percentage of net sales plus revaluation income they represent.

Income Statement										
	3Q15	%	Sept'15	%	3Q14	%	Sept'14	%	Δ 3Q'15 vs 3Q'14	Δ Sept'15 vs Sept'14
Teak Sales	37,872	32%	86,750	31%	26,776	44%	99,993	51%	41%	(13%)
Eucalyptus / Panel Sales	29,715	25%	48,325	17%	6,154	10%	26,403	13%	383%	83%
Income from Revaluations	45,556	38%	136,640	49%	21,710	36%	63,943	32%	110%	114%
Subsidies	6,058	5%	7,021	3%	6,150	10%	6,640	3%	(1%)	6%
Teak Cost of Sales	29,161	24%	69,957	25%	22,371	37%	87,143	44%	30%	(20%)
Eucalyptus / Panel Cost of Sales	29,755	25%	46,125	17%	7,147	12%	25,803	13%	316%	79%
<b>GROSS PROFIT (LOSS)</b>	<b>60,286</b>	<b>51%</b>	<b>162,656</b>	<b>58%</b>	<b>31,272</b>	<b>51%</b>	<b>84,033</b>	<b>43%</b>	<b>93%</b>	<b>94%</b>
General Expenses	31,285	26%	81,488	29%	26,852	44%	59,875	30%	17%	36%
Other Income/Expenses	33	0%	2,916	1%	1,631	3%	1,179	1%	(98%)	147%
<b>OPERATING PROFIT (LOSS)</b>	<b>29,034</b>	<b>24%</b>	<b>84,084</b>	<b>30%</b>	<b>6,051</b>	<b>10%</b>	<b>25,337</b>	<b>13%</b>	<b>380%</b>	<b>232%</b>
Financial Income / Expenses	6,796	6%	7,456	3%	(174)	(0%)	11,833	6%	4006%	(37%)
Other Financial Expenses	2,843	2%	(6,982)	(3%)	21,839	36%	15,152	8%	N/A	N/A
Conversion Effect	(5,553)	(5%)	(7,900)	(3%)	(7,036.00)	(12%)	(23,059)	(12%)	N/A	N/A
<b>Financing Results</b>	<b>(4,086)</b>	<b>(3%)</b>	<b>7,426</b>	<b>3%</b>	<b>(14,629)</b>	<b>(24%)</b>	<b>(3,926)</b>	<b>(2%)</b>	<b>72%</b>	<b>289%</b>
<b>(Loss) Profit Before Income Taxes</b>	<b>24,948</b>	<b>21%</b>	<b>91,510</b>	<b>33%</b>	<b>(8,578)</b>	<b>(14%)</b>	<b>21,411</b>	<b>11%</b>	<b>391%</b>	<b>327%</b>
Income Taxes	2,077	2%	22,045	8%	50	0%	(25)	(0%)	N/A	N/A
Non-controlling Participation	20	0%	39	0%	0%	0%	0	0%	N/A	N/A
<b>Net Income</b>	<b>22,851</b>	<b>19%</b>	<b>69,426</b>	<b>25%</b>	<b>(8,628)</b>	<b>(14%)</b>	<b>21,436</b>	<b>11%</b>	<b>365%</b>	<b>224%</b>
<b>Comprehensive Income</b>	<b>22,851</b>	<b>19%</b>	<b>69,426</b>	<b>25%</b>	<b>(8,628)</b>	<b>(14%)</b>	<b>21,436</b>	<b>11%</b>	<b>365%</b>	<b>224%</b>

The following table presents the consolidated Balance Sheet as of September 2015 in MXP '000, and its comparison with 2014 year-end figures.

Balance Sheet				
	Sept'15	Dec'14 <sup>(1)</sup>	Δ Sept'15 vs Dec'14	%
Cash & Equivalents	225,675	121,875	103,800	85%
Accounts Receivable (Clients)	105,702	65,120	40,582	62%
Other Accounts Receivable	145,509	128,797	16,712	13%
Inventory	99,010	35,661	63,349	178%
Current Biological Assets (Mature)	221,002	267,000	(45,998)	(17% )
Assets Available for Sale	101,173	88,942	12,230.99	14%
Other Assets	11,040	126,541	(115,501)	(91% )
<b>CURRENT ASSETS</b>	<b>909,110</b>	<b>833,936</b>	<b>75,174</b>	<b>9%</b>
Property	1,133,118	946,956	186,162	20%
Plant and Equipment	1,189,403	207,877	981,526	472%
Other Equipment	22,122	-	22,122	N/A
Non-Current Biological Assets	1,303,009	1,041,884	261,125	25%
Deferred Income Tax	20,277	19,205	1,072	6%
Other	41,653	27,200	14,453	53%
Prepaid Expenses	155,857	16,411	139,446	N/A
<b>NON-CURRENT ASSETS</b>	<b>3,865,439</b>	<b>2,259,533</b>	<b>1,605,906</b>	<b>71%</b>
<b>ASSETS</b>	<b>4,774,550</b>	<b>3,093,469</b>	<b>1,681,081</b>	<b>54%</b>
Accounts Payable	92,430	39,868	52,562	132%
Payable Taxes	-	5,798	(5,798)	(100% )
Other Current Liabilities	44,767	54,344	(9,577)	(18% )
Current Loans	137,869	6,893	130,976	N/A
<b>CURRENT LIABILITIES</b>	<b>275,066</b>	<b>106,903</b>	<b>168,163</b>	<b>157%</b>
Long Term Debt	1,343,807	324,750	1,019,057	314%
Deferred Taxes	245,975	223,757	22,218	10%
<b>LONG TERM LIABILITIES</b>	<b>1,589,782</b>	<b>548,507</b>	<b>1,041,275</b>	<b>190%</b>
<b>LIABILITIES</b>	<b>1,864,848</b>	<b>655,410</b>	<b>1,209,438</b>	<b>185%</b>
Capital Stock	2,361,955	1,984,922	377,033	19%
Accumulated Earnings (Losses)	96,299	26,873	69,426	258%
Conversion Effect	223,004	220,858	2,146	1%
Revaluation Surplus	101,295	101,295	0	0%
Other Comprehensive Income	127,149	104,111	23,038	22%
<b>TOTAL EQUITY</b>	<b>2,909,702</b>	<b>2,438,059</b>	<b>471,643</b>	<b>19%</b>
<b>TOTAL LIABILITIES + EQUITY</b>	<b>4,774,550</b>	<b>3,093,469</b>	<b>1,681,081</b>	<b>54%</b>

(1) Audited Financial Statements 2014

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October 28th, 2015. Mexico City. Today, Proteak Uno, S.A.B. de C.V. (BMV: TEAK) published its 3Q15 results. This information is presented according to Financial Reporting Standards (NIF) in nominal terms.