

# Annual Report 2023



**PROTEAK**  
WE MAKE FORESTRY MATTER



Annual Report presented in accordance with the General Provisions Applicable to Securities Issuers and Other Securities Market Participants, issued by the National Banking and Securities Commission, for the fiscal year ended December 31, 2023.

**Name of Issuer:** Proteak Uno S.A.B. de C.V.

**Address:** Paseo de la Reforma 540, Col. Lomas de Chapultepec, C.P. 11000, Mexico, D.F.

**Outstanding share certificates:** The certificates representing the capital stock of Proteak Uno S.A.B. de C.V. are non-par value Ordinary Share Certificates (CPOs).

**Ticker symbol:** The ticker symbol in the Bolsa Mexicana de Valores, S.A. de C.V. (Mexican Securities Exchange, BMV), for the negotiable instruments of Proteak Uno S.A.B. de C.V. is “TEAK CPO”

The **1,108,248,135** fully subscribed and paid CPOs (made up of 369,582,683 series T share 738,665,452 series K shares) representing the capital stock of Proteak Uno S.A.B. de C.V. that are outstanding are registered in the National Securities Registry (RNV) under the National Banking and Securities Commission and are listed on the Bolsa Mexicana de Valores, S.A. de C.V.

The registration in the National Securities Registry does not imply certification regarding the quality of the security or the solvency of the issuer, or the accuracy or truthfulness of the information contained in the Annual Report, nor does it validate any acts that may have been carried out in contravention of the law.



Mexico City, April 30<sup>th</sup>, 2024.



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# General Information

## 1.1 Glossary of terms and definitions

The terms used in this report and related below will have the following meanings, which will equally apply to the singular or plural forms of said terms:

<b>Management</b>	Means the management of Proteak Uno S.A.B. de C.V., including the Board of Directors, Chief Executive Officer, executive and managerial team of the Company, as appropriate
<b>Company, Business, Corporation</b>	Interchangeably refers to Proteak Uno S.A.B. de C.V. and its subsidiaries.
<b>CPO</b>	Acronym in Spanish for (Certificado de Participación Ordinaria) Ordinary Share Certificate. In this Annual Report, also referred to as "Share".
<b>Dollars / USD</b>	Refers to the legal currency of the United States of America.
<b>Issuer</b>	Refers to Proteak Uno S.A.B. de C.V.
<b>Financial statements</b>	Refers to Consolidated Financial Statements reported on December 31, 2023.
<b>U.S.A.</b>	Refers to United States of America.
<b>IFRS</b>	International Financial Reporting Standards.
<b>ISR</b>	Acronym in Spanish for (Impuesto Sobre la Renta) Income Tax.
<b>IVA</b>	Acronym in Spanish for (Impuesto al Valor Agregado) Value Added Tax.
<b>LMV</b>	Acronym is Spanish for (Ley del Mercado de Valores) Securities Exchange Act.
<b>MBA</b>	Refers to a Master's Degree in Business Administration.
<b>Mexico</b>	Refers to the United Mexican States.
<b>MM</b>	Refers to millions.
<b>MXN / pesos</b>	Refers to the legal currency of Mexico.
<b>Public Offering</b>	Refers to the public offering(s) of Share Certificates under the responsibility of the relevant Issuer, through one or more issues under the terms of this Program, with a revolving nature.



<b>PTU</b>	Acronym in Spanish for (Participación de los Trabajadores en las Utilidades) Worker profit sharing.
<b>Subsidiaries</b>	Refers to the subsidiary companies of Proteak Uno S.A.B. de C.V.
<b>TEAK</b>	Refers to the Ticker Symbol of the Ordinary Share Certificates of Proteak Uno S.A.B. de C.V.
<b>Holder</b>	Refers to the Person who may at any time hold one or more CPOs, as recorded in the registry of the Indeval or the Underwriters, as the case may be.
<b>TIR</b>	Acronym in Spanish for (Tasa Interna de Retorno) Internal Rate of Return.
<b>Trading</b>	Commercialization.
<b>WACC</b>	Refers to the weighted average cost of capital or discount rate.

**Companies and institutions mentioned in the report**

<b>AFAMJAL</b>	Acronym in Spanish for (Asociación de Fabricantes de Muebles de Jalisco) Association of Furniture Manufacturers of Jalisco.
<b>AKA</b>	Ausfuhrkredit-Gesellschaft mbH (AKA). Specialized bank in export financing, headquartered in Frankfurt. It offers long-term financing, refinancing, services related to medium and long-term export financing, among other international business
<b>Arauco</b>	Forest company with a product portfolio including melamine boards, MDF (medium-density fiberboard), PBO (oriented strand board), MDP (particleboard), plywood, wood, and pallets.
<b>BMV</b>	Mexican Securities Exchange (Bolsa Mexicana de Valores).
<b>CAMCORE</b>	Cooperativa de Recursos de Coníferas de Centroamérica y Mexico (Central America and Mexico Coniferous Resources Cooperative)
<b>CNBV</b>	National Banking and Securities Commission. (Comisión Nacional Bancaria y de Valores).
<b>COFEMER</b>	National Commission for Regulatory Improvement. (Comisión nacional de mejora regulatoria).
<b>Commerzbank</b>	Commerzbank AG is the second largest bank in Germany after Deutsche Bank. Commerzbank specializes in commercial banking, corporate banking, and investment banking. It is listed on the Frankfurt Stock Exchange and is part of the DAX index.
<b>COILLTE</b>	Forest and Land solutions. (Soluciones forestales y territoriales)



<b>CONACYT</b>	National Council of Science and Technology. (Consejo Nacional de Ciencia y Tecnología)
<b>CONAFOR</b>	National Forestry Commission. (Comisión Nacional Forestal).
<b>CONAGUA</b>	National Water Commission. (Comisión Nacional del Agua).
<b>Duraplay</b>	Company producing wood panels available in various substrates and coatings.
<b>Ecodirecta</b>	Group of Costa Rican forestry companies, consisting of the companies Ecodirecta, S.A., Casa Corazón Verde Ecológico, S.A. and Eco-Transmisión – Ecotrans –, S.A., The companies that Proteak acquired biological assets from.
<b>Emman</b>	Company that produces and markets MDF (Medium Density Fiberboard) and Particleboard panels.
<b>Dieffenbacher</b>	German company that is part of an international group of leading companies in the production of machinery and installation of panel plants worldwide.
<b>FAO</b>	Food and Agriculture Organization of the United Nations.
<b>Finnfund</b>	Finnish Fund of Industrial Cooperation Ltd. (Finnfund).
<b>FINSA</b>	Financiera Maderera S.A., Spanish company dedicated to the production and sale of panels, resins, laminates, and veneers, among others.
<b>FSC®</b>	Forest Stewardship Council®. The FSC was founded as a non-governmental organization in 1993 to combat global deforestation. It has consolidated its role as the most rigorous and credible effort toward responsible and sustainable forest management. The FSC seal is the link between responsible forest production and consumption, helping consumers make better purchasing decisions to the benefit of both people and the environment. The FSC provides organizations and companies interested in responsible forestry with a certification system in accordance with international standards. The FSC is present in over 50 countries across the globe.
<b>IFC</b>	International Finance Corporation: the IFC is a member of the World Bank Group that supports the development of the private sector.
<b>IMSS</b>	Mexican Social Security Institute. (Instituto Mexicano del Seguro Social).
<b>Indeval</b>	Institution for the Deposit of Securities. (S.D. Indeval, S.A. de C.V.).
<b>ITTO</b>	International Tropical Timber Organization.
<b>Kronospan</b>	Company producing particleboard (PB) and medium-density fiberboard (MDF) panels.



<b>Macosa</b>	Company belonging to the industrial-forestry sector dedicated to the manufacturing and distribution of particleboard panels.
<b>Masisa</b>	Company that produces and markets wood panels for furniture and interior architecture.
<b>MEM</b>	Magna Expo Mueblera is a trade fair or exhibition related to the furniture industry.
<b>PEFC</b>	Program for Forest Certification Recognition.
<b>PROPARCO</b>	Agency for Promoting and Participating in Economic Cooperation. It is a subsidiary of the French Development Agency that provides funding to key sectors for sustainable development in Africa, Asia, Latin America, and the Middle East.
<b>RNV</b>	National Securities Registry. (Registro Nacional de Valores).
<b>SEMARNAT</b>	Refers to the Mexican Ministry of the Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales).
<b>TSCA</b>	Toxic Substances Control Act. (Ley de Control de Sustancias Químicas).
<b>EY</b>	Ernst & Young, (Mancera, S.C.).
<b>GBM</b>	Acronym in Spanish for Grupo Bursatil Mexicano.

**Subsidiary Companies of Proteak UNO S.A.B. de C.V.**

<b>Comefor</b>	Comefor S.A. de C.V.
<b>Comefor International</b>	Comefor Internacional S.A. de C.V. (Subsidiary in Mexico).
<b>FOMEX</b>	Forestaciones Operativas de Mexico, S.A. de C.V. (Forestaciones Operativas de Mexico, S.A. de C.V.)
<b>Pro Eucalipto Holding</b>	Pro Eucalipto Holding S.A.P.I. de C.V. ((Holding company for the MDF Project).
<b>ProMDF</b>	Pro MDF S.A.P.I. de C.V.
<b>Proteak Panamá</b>	Proteak Panamá S.A. (Subsidiary in Panama)
<b>Proteak Forestal</b>	Proteak Forestal S.A. (Forestry and Operating Subsidiary in Costa Rica).
<b>Proteak Vehicular</b>	Proteak Vehicular S.A. (Subsidiary for vehicles in Costa Rica).





<b>Proteak Comercial</b>	Proteak Comercial S.A. (Subsidiary for services in Costa Rica).
<b>Proteak Dos</b>	Proteak Dos S.A. de C.V (Subsidiary in Mexico).
<b>Proteak Tres</b>	Proteak Tres S.A. de C.V. (Subsidiary in Mexico, Parent of Proteak Tres Sucursal).
<b>Proteak Tres Sucursal</b>	Proteak Tres Sucursal Colombia (Forestry Subsidiary in Colombia).
<b>Proucalipto</b>	Proucalipto S.A.P.I. de C.V. (formerly KUOSOL).
<b>SCT</b>	Servicios Comefor Tres S.A de C.V.
<b>Tecnotabla</b>	Tecnotabla LLC (MDF marketing company in the USA).

**Terms related to the forestry industry.**

<b>Acacia</b>	Timber species with the scientific name <i>Acacia mangium</i> , flowering tree of the family in the order Fabaceae
<b>Thinning</b>	Refers to the action of removing trees to thin a plantation.
<b>Biological Asset</b>	It refers to standing trees or forest mass. In this document, it always refers to usable volume or its corresponding economic value.
<b>Sapwood</b>	The young part of the wood that corresponds to the last growth rings of the tree, produced by the vascular change in the plant stem, which corresponds to the only functional xylem. Sapwood is usually of a lighter color.
<b>HCVF</b>	Forests of outstanding and critical importance due to their high environmental or socioeconomic value, biodiversity, or landscape value.
<b>Bordero</b>	Forestry Equipment.
<b>Cogeneration</b>	It means obtaining electrical energy and useful thermal energy (steam and hot water) simultaneously during the MDF production process.
<b>DBH</b>	Refers to the Diameter at Breast Height of a tree, and is the diameter measured at a height of 1.30 m above ground level.
<b>Heartwood</b>	It means, the part of the wood located in the central zone of the trunk. It represents the oldest part of the tree, tends to be dark in color, and has greater hardness and natural durability.
<b>Eucalyptus</b>	Refers to the timber species whose scientific name is <i>Eucalyptus</i> .



<b>HDF</b>	High Density Fiberboard.
<b>Hectares or “ha”</b>	Refers to the measurement of a surface area equivalent to 10,000 m <sup>2</sup> or 2.471 acres.
<b>MAI</b>	Mean Annual Increment, is measured in cubic meters per hectare a year, and indicates the productivity of the production unit.
<b>Lumber</b>	Wood cut in sawmills from logs, resulting in boards or planks typically ranging between 2.0 and 2.4 meters in length and less than 2 inches in thickness.
<b>Round logs</b>	Refers to wood in its natural state after being harvested, without branches or roots, with or without bark, without crowns, including all the wood that is extracted from the commercial forestry plantation and from which Roundlogs are obtained.
<b>MDF</b>	Medium Density Fiberboard
<b>MDP</b>	Medium Density Particleboard
<b>EIS</b>	Environmental Impact Statement.
<b>Mulcher</b>	Forestry Machinery
<b>OEE</b>	Overall Equipment Effectiveness.
<b>Organological</b>	Cultivation technique over open spaces, established on substrates prepared by mixing organic materials with vegetative layers.
<b>Ponderosa Pine</b>	It is a species of conifers, native to the western United States. In English, it is also called Bull Pine and Blackjack Pine, as well as Western Yellow Pine.
<b>Teak</b>	Refers to a timber-yielding species with the scientific name <i>Tectona grandis</i> .
<b>Plywood</b>	Wood panels formed by different layers of glued and pressed wood.
<b>UF</b>	Urea formaldehyde.

**Terms and institutions associated with obtaining Carbon Credit**

<b>tCO2</b>	Tonnes of Carbon dioxide equivalent (CO2).
<b>VCS</b>	Verified Carbon Standard

For ease of reading, data is often rounded and may differ from unrounded figures.



## 1.2 Executive Summary

Proteak Uno, S.A.B. de C.V. (hereinafter simply Proteak or the Company) is a Mexican company that is dedicated to the planting, harvesting, transformation, industrialization and commercialization of commercial forest plantations. The Company operates in three segments: Teak production and trading, Eucalyptus production and trading, and MDF board production and marketing using Eucalyptus biological assets as raw material<sup>1</sup>.

### *Company Results during the 2023 Fiscal year*

2023 was a year full of great challenges for Proteak. We closed with total revenues of MXN \$1,360MM, with 4 key factors that we can pinpoint as the most important:

1. We managed to maintain sales volume above 190k m3.
2. Consistent production of MDF, totaling 193k m3, aligned with demand and volume placement.
3. Market share in the national MDF market at 21% and in value-added products at 32%.
4. Fair value adjustment of the Teak biological asset to MXN (\$57.3)MM.

Throughout this fiscal year, our commercial actions focused on maintaining and strengthening strategic alliances with our base of over 100 clients.

### *Board Business Unit*

In 2023, Tecnotabla maintains a 21% market share in the total MDF market, positioning itself in second place, while Arauco continues to lead the sector. In the value-added boards segment, the market share was 32%.

It is estimated that in Mexico, the demand for MDF during 2023 was close to 970k m3, representing a 6% increase compared to the previous year. It is projected that for the fiscal year 2024, the share of imports will remain at 38%, the same as in 2023.

Projects have been carried out that showcase the versatility of our melamine portfolio, in collaboration with artists from the design field, students, and professionals, through the fourth edition of our Vértice program for the creation of innovative pieces. We created the "Tecnomaster" program, which, in conjunction with workshops and promotions, allowed us to train various stakeholders in the carpentry industry in the use and care of MDF. We know that new technologies bring us closer to a greater number of users, so we had media coverage throughout our process, from the eucalyptus plantation to the MDF board manufacturing process.

Tecnotabla began production in 2016, when consumption was approximately 625k m3 annually. This means that from 2016 to 2023, the market has grown by 55%. This undoubtedly shows that the MDF category is in a dynamic cycle, confirming our theory that national production would stimulate both consumption and the furniture production industry.

During this year, production reached 193k m3, 9% below that of 2022, in line with demand and sales volume. The MDF plant maintains an optimal level of operation with the desired quality. The boards manufactured were of different

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<sup>1</sup> This summary is not intended to contain all information that may be relevant to making investment decisions about the securities mentioned herein. Therefore, the investing public should read the entire Annual Report, including the financial information and related notes, before making an investment decision. The following summary is prepared in accordance with, and is subject to, the detailed information and financial statements contained in this Annual Report. It is recommended to pay special attention to the "Risk Factors" section of this Annual Report, to determine the convenience of making an investment in the securities issued by the Issuer.



thicknesses and densities, corresponding to all the varieties marketed in Mexico and those necessary to operate in the US market.

There was a minimal reduction of 1 percentage point on average in the OEE indicator compared to the previous year, due to both scheduled and unscheduled downtimes that occurred in the production line facilities.

Throughout this year, we managed to reduce production costs due to improved negotiations on raw materials and increased efficiencies in our consumption factors.

### *Forestry Platform*

To ensure future wood supply to the plant, the forestry platform continued to focus efforts and resources on Eucalyptus plantations, as well as on harvesting for immediate consumption by the board plant. In 2023, more than 370k m<sup>3</sup> of wood from our own and third-party sources were harvested to supply the plant and maintain inventory for normal operational processes. This was achieved without any setbacks.

At the close of 2023, Proteak had more than 13,300 hectares planted with Teak and Eucalyptus, maintaining our position as the largest commercial forestry platform in the country.

During 2023, we harvested and released approximately 2,500 hectares, selecting the most strategic areas to initiate the second rotation on these same lands, following Proteak's standards.

During this period, 134 hectares were newly established with teak plantations, accumulating a total of 6,030 hectares planted over the period.

Maintenance was carried out on over 8,100 hectares, both teak and eucalyptus. All plantations are in suitable production conditions and in line with their maturity, with no losses or material productivity deterioration recorded.

The 2023 forestry campaign was executed, focusing on land preparation and the planting of harvested hectares. Throughout the year, 1,500 hectares of eucalyptus were established to ensure future fiber supply for our MDF board business unit.

Proteak has a genetic improvement program focused on selecting new clones, generating hybrids through controlled pollination to increase plant phenology and streamline operational costs such as weed control and waste reduction through tree self-pruning.

Currently, for Eucalyptus, there are 98 clones in research trials and 10 operational clones with an average IMA (mean annual increment) between 40 – 55 m<sup>3</sup>/ha/year. Additionally, we have 7 hybrids of *E. urophylla* and *E. pellita*, which ensure the quality of fiber provided by these two species. Throughout 2023, 6 operational clones selected at the end of 2022 were established. The Eucalyptus clones incorporated into the operation possess the necessary wood characteristics and quality for the MDF industrialization process.

During the upcoming years, we will continue to incorporate clones to enhance and expand our genetic base.

There was pest presence in 356 hectares of Teak, which were controlled through the release of biological control organisms produced in Proteak's laboratory, without reporting any damage. No pest presence was reported in Eucalyptus during the year.



### *Teak Business Unit*

In order to ensure optimal management of the plantations to maximize their value prior to commercial exploitation, we continue to carry out intensive stratification work on our plantations, also setting up operational plots in each of them. This working system allows us to make specific management decisions and validate the value of our Teak Forest assets at all times.

Additionally, we worked on developing business opportunities to generate additional cash flow, such as: maquila services for plantations and nursery plant production for third parties.

The plantations continue to grow uninterrupted, and their estimated value increases as they mature and approach the harvest age.

As a result of the thinning activities carried out during the 2023 period, 1,943 m<sup>3</sup> of wood were channeled to MDF production, due to its quality.

In Teak, the establishment of an operational clonal trial was conducted, involving the selection of 11 clones sourced from our own plantations, with ages ranging from 10 to 11 years, as well as from CAMCORE trials.

### *Social and Environmental Responsibility*

During 2023, Proteak demonstrated its commitment to sustainability and good forest management through various actions.

To start with, we designed our first sustainability and social responsibility strategy based on three pillars.

1. Environmental: Preserve Forest resources for future generations by implementing the best sustainable silvicultural and forestry practices.
2. Social: Improve the quality of life in local communities through various education and entrepreneurship programs.
3. Governance: Operate under the highest national and international standards, maintaining FSC® certifications and incorporating other international certifications and memberships into our portfolio.

Similarly, the annual FSC® audits for forest management and chain of custody for the Eucalyptus and Teak plantations were successfully concluded. Both certifications were obtained with non-conformities at the close of the audit, demonstrating Proteak's commitment to good forest management and sustainability. Regarding conservation areas, we have more than 2,100 hectares designated as High Conservation Value Forests (HCVF).

Regarding carbon credits, the audit for the period 2021-2022 was conducted, showing a total of 55,301 tCO<sub>2</sub>e captured by the plantations. In 2024, the verification process will be completed to sell them in the international voluntary market.

During 2023, a social satisfaction survey was conducted in the communities near the sites where we operate, which will be repeated annually. It's important to remark that, in the 12 surveyed communities, the results indicate broad support for the company's activities and overall satisfaction with its performance, especially regarding job creation in the region, management of pollutants, and protection of water sources. It was found that 82% of respondents believe that Proteak generates some positive change in their communities, and 92% considered that Proteak creates jobs in the area. Additionally, 67% of respondents answered that Proteak takes responsibility for the impacts it generates. Also, 79% of respondents considered that Proteak's operations do not affect their communities with noise or dust

Also, annual reports were submitted to the United Nations Global Compact to demonstrate compliance with principles regarding human rights, labor standards, environmental stewardship, and anti-corruption in the company's operations.





Similarly, an annual report was submitted to the International Finance Corporation (IFC) and FINNFUND to monitor the implementation of environmental and social sustainability performance standards.

### *Income from Revaluation of Biological Assets*

Biological assets are recognized at their fair value, in accordance with the following considerations; it is important to mention that the Company's fair value determination methodology has been consistent and in compliance with IFRS; specifically, for the year 2023, the methodology used is consistent with that of previous years and has only been strengthened by the Company's Management in conjunction with its valuation specialists, so there are no modifications to the classification, measurement, and valuation of the biological asset presented in the consolidated financial statements as of December 31, 2023, and 2022.

External appraisers are used for the valuation of significant assets and liabilities such as biological assets. The involvement of external appraisers is determined annually by Management, once discussed and approved with the Audit Committee.

#### **For Teak Wood:**

The Company's valuation adheres to the guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) and the International Valuation Standards Council (IVSC), particularly IVS 2017 focused on the valuation of agricultural properties and biological assets. These standards incorporate IFRS, specifically IFRS 13, Fair Value Measurement; IAS 41; and IAS 16, Property, Plant and Equipment, among others.

The methodology of Proteak calculates the present value of the projection of future cash flows, i.e., income minus all expenses involved in the sale of wood. For this, the wood currently on the surface managed by the Company is taken as the basis.

The valuation method focuses on the following essential pillars:

1. Growth curve projections are used to forecast volume, determining the present value of future cash flows at a certain age to ascertain maximum value.
2. Current prices are considered alongside long-term projections in relevant markets.
3. Cost determination for cash flow projections is based on industry best practices:
  - Harvesting.
  - Road construction for machinery access.
  - Ground transportation costs.
  - Port administrative expenses.
  - Maritime freight.
  - Silviculture costs.
  - Indirect operational forest costs.
  - Joint venture costs (for applicable plantations).
  - Land lease expenses (if applicable).
  - Land cost (applies only to Proteak-owned land).
4. The discount rate is determined by the appraiser using various sources of information (based on evidence and theoretical cost of capital) to consider the appropriate discount rate to be applied in a forestry valuation.



The Company's valuation method is based on accepted practices and principles, determining the value of the biological asset as a reasonable market value or selling price as of the date of the Company's financial statements, aligning its methodology with international practices and standards.

**For Eucalyptus wood:**

The value of eucalyptus is determined at the end of the year based on the costs incurred.

During 2023 and 2022, the unit cost of eucalyptus was MXN \$436.95 and MXN \$338.50 per m<sup>3</sup>, respectively. Regardless of the diameter or circumference of the log and its quality. See note 3 section (h) of the Audited Financial Statements.

**Statement of Financial Situation and Results of the Company<sup>2</sup>**

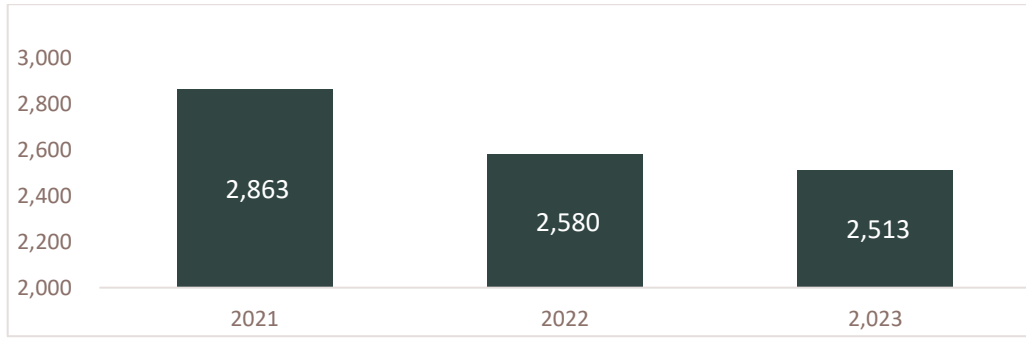
Assets	Dec-23	Dec-22	Dec-21
Cash and cash equivalents	86,703	273,348	452,900
Customers	88,433	193,691	202,080
Recovable taxes	200,239	208,210	156,139
Accounts receivable from related parties	10,874	8,359	-
Sundry debtors	117	51	1,127
Wood and processed wood inventory	384,285	482,205	295,616
Consumable mature biological assets	123,343	150,767	83,026
Advance payments	47,077	115,646	122,422
Long-term assets held for sale	13,277	-	-
Restricted cash	90,741	161,537	125,967
Right-of-use assets	203,537	192,974	41,460
Mature and immature consumable biological assets	1,562,213	1,628,897	2,115,983
Property, machinery, and equipment	2,513,350	2,579,528	2,862,794
Deferred income tax	183,436	138,302	97,562
Joint venture investment	292,672	267,178	280,203
Advance payments	6,151	3,161	9,077
Guarantee deposits	1,113	590	3,223
<b>Total Assets</b>	<b>5,807,561</b>	<b>6,404,444</b>	<b>6,849,579</b>

**Table 1 Assets (MXN '000)**  
Source: Audited Financial Statements

As of December 2023, the total assets of the Company amounted to MXN \$5,808MM, 9% lower than the closing of 2022 and 15% lower than 2021. This variation is mainly due to the decrease in cash and cash equivalents, accounts receivable, and the value of biological assets.

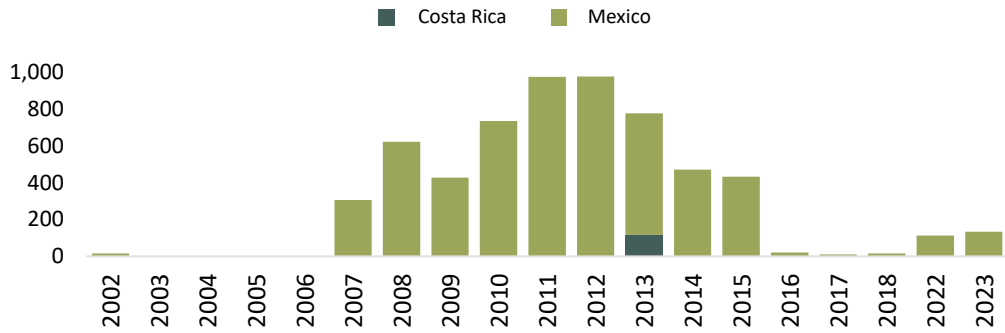
Property, plant, and equipment reflect a slight decrease primarily due to the exchange rate effect and the depreciation of the MDF plant.

<sup>2</sup> The bases for preparing the financial statements are found in Note 2 of the Audited Consolidated Financial Statements.

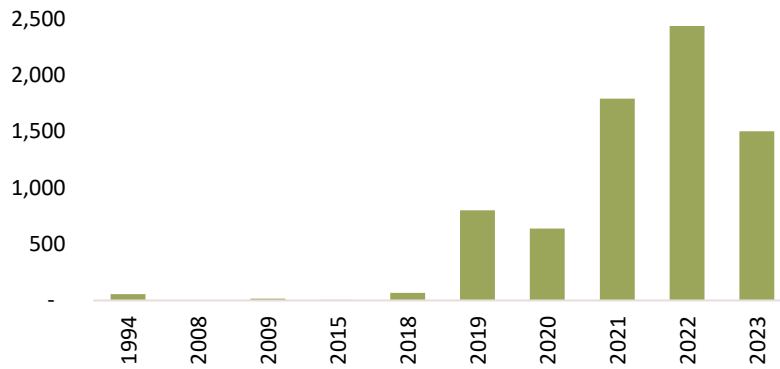


**Graph 1 Fixed Net Assets (MXN MM)**  
Source: Audited Financial Statements

Proteak's Biological Assets are distributed according to the year they were planted as shown in the following graphs.



**Graph 2 Proteak's Teak hectares by year planted.**  
Source: Proteak Uno, S.A.B. de C.V.



**Graph 3 Proteak's Eucalyptus hectares by year planted.**  
Source: Proteak Uno, S.A.B. de C.V.

Biological assets (current and non-current) reflect several combined effects, broadly classifiable as: i) new additions, ii) natural growth of assets, iii) capitalizable costs of plantation and maintenance, iv) reduction due to harvesting, and v) exchange rate effect. The combination of these factors resulted in a net decrease of MXN \$94MM, representing a -5% compared to 2022. In 2022, there was a decrease of -19% compared to 2021.

The current liabilities experienced an increase of MXN \$100MM, mainly due to MXN \$48MM increase in the accounts payable, as a result of extended payment terms. Additionally, there was an increase of MXN \$40MM in the contract liabilities account, due to an increase in customer advances.

The following table presents an analysis of Proteak's financial liabilities, with the amounts presented corresponding to undiscounted cash flows, including interest.

As of December 31, 2023	Less than 1 year	More than 1 less than 3 years	3 to 5 years	More than 5 years
Suppliers	258,650	-	-	-
Short-term credits	444,005	-	-	-
Short-term interest	32,206	-	-	-
Long-term credits	-	381,128	762,818	200,990
Sundry creditors	67,318	-	-	-
Financial Leases	70,762	75,878	13,274	4,398

As of December 31, 2022	Less than 1 year	More than 1 less than 3 years	3 to 5 years	More than 5 years
Suppliers	210,492	-	-	-
Short-term credits	415,297	-	-	-
Short-term interest	34,499	-	-	-
Long-term credits	-	274,769	682,371	679,145
Sundry creditors	130,976	-	-	-
Financial Leases	54,682	84,436	13,800	-

As of December 31, 2021	Less than 1 year	More than 1 less than 3 years	3 to 5 years	More than 5 years
Suppliers	103,622	-	-	-
Short-term credits	219,250	-	-	-
Short-term interest	25,283	-	-	-
Long-term credits	-	224,437	500,268	1,157,369
Sundry creditors	130,837	-	-	-
Financial Leases	34,201	54,287	8,995	-

**Table 2 Liabilities (MXN '000)**  
Source: Audited Financial Statements

The total Equity of the Company at the year-end stands at MXN \$2,785MM, marking a 15% decline compared to the previous year's closing. This primarily reflects the outcome of the 2023 fiscal year, as well as the effects of foreign currency translation on the Teca forest assets. The company's solvency concludes with a Debt-to-Equity ratio of 0.9 to 1.0.

## Equity

	2023	2022	2021
Subscribed and exhibited capital stock	2,656,820	2,656,070	2,653,189
Share Issuance and Placement Premium	152,851	153,957	153,957
Other Reserves	-	18,709	21,590
Accumulated Deficit	(318,520)	(12,753)	(233,077)
Profit (Loss) for the Year	(279,565)	(305,767)	220,324
Accumulated Translation Adjustment	148,187	347,770	556,212
Revaluation Surplus	325,957	312,525	332,835
Other equity items (non-controlling participation)	99,073	124,012	115,046
<b>Equity</b>	<b>2,784,803</b>	<b>3,294,523</b>	<b>3,820,076</b>

**Table 3 Equity (MXN '000)**  
Source: Audited Financial Statements

## Income Statement

	2023	2022	2021
Net Income	1,395,810	1,919,690	1,938,424
Loss from Change in Fair Value of Biological Assets	(57,261)	(473,536)	73,631
Subsidies Received	2,877	-	6,360
Cost of Sales	(1,339,808)	(1,448,973)	(1,421,462)
Administrative and sales expenses	(278,281)	(296,275)	(310,337)
Other Income – Net	18,683	30,777	35,246
<b>OPERATING PROFIT (LOSS)</b>	<b>(257,980)</b>	<b>(268,317)</b>	<b>321,862</b>
Share of Profit in Joint Venture	63,556	(68)	24,252
Comprehensive Financing Result	8,851	(78,301)	(187,348)
<b>LOSS (PROFIT) BEFORE INCOME TAXES</b>	<b>(185,573)</b>	<b>(346,686)</b>	<b>158,766</b>
Corporate Tax	(115,144)	50,146	94,507
<b>CONSOLIDATED NET PROFIT (LOSS)</b>	<b>(300,717)</b>	<b>(296,540)</b>	<b>253,273</b>

**Table 4 Income Statement (MXN '000)**  
Source: Audited Financial Statements

Net revenues amounted to MXN \$1,396MM, a 27% decrease compared to 2022, primarily due to pricing pressure and downward adjustments, as well as increased imports from Asian countries. We maintained our position as the second-largest player in the domestic market.

On the other hand, sales from the Teak business unit amounted to MXN \$27MM, derived from timber obtained from thinning activities.

The revaluation of our biological assets in 2022 totaled MXN -\$57MM.





General and logistics expenses totaled MXN \$278MM, representing a 6% decrease compared to 2022. This includes distribution expenses for boards of MXN \$123MM, reflecting a 1% decrease from 2022 due to lower sales volume. Meanwhile, general administrative expenses closed at MXN \$155MM, reflecting a 10% decrease from 2022.

Subsidies received from the National Forestry Commission amounted to MXN \$3MM. This financial support is not contingent on any future requirements and does not need to be repaid.

Income of MXN \$19MM was received, which is reported in the consolidated statement of income under the item "Other income, net."

As a result, the operating loss before participation in joint ventures closed at MXN \$(258)MM.

Regarding financial results, in 2023, the company reported net financial expenses of MXN \$9MM, stemming from interest payments and bank commissions of MXN \$(199)MM, and an effect from fluctuations in the exchange rate of MXN \$208MM. The combination of these effects resulted in a net loss before taxes of MXN \$186MM.

### *Stock Performance*

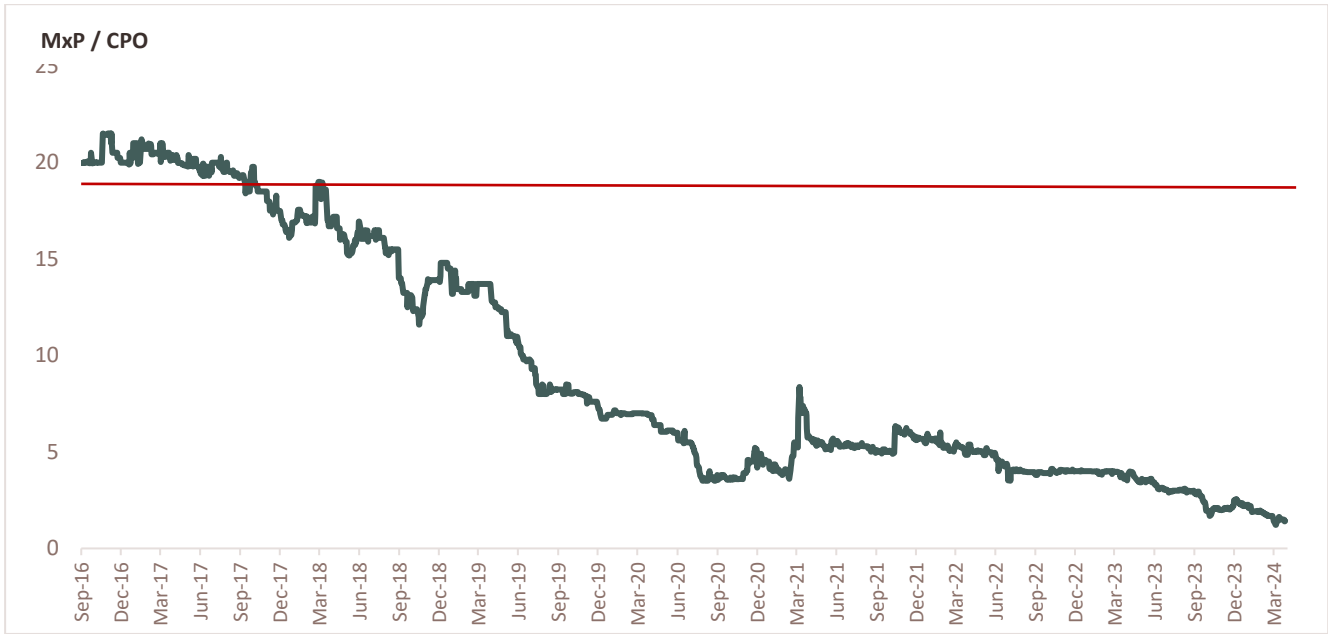
In the last year, the closing value of the Issuer (represented by its CPO) fluctuated between MXN \$1.69 (October 2023) and MXN \$4.00 (January and February 2023), closing at MXN \$1.42 on March 31, 2024. The trading volume was 56% higher than in 2022.

The closing price of the stock, over the last 6 years, fluctuated between MXN \$1.69 (October 2023) and MXN \$19.00 (February and March 2018), closing at MXN \$1.42 in March 2024, with low transaction volume of the stock, due to its nature as a long-term investment. In 2023, 2022, 2021, 2020, 2019, and 2018, the total transaction volume of shares was 17.7MM, 11.3MM, 12.7MM, 8.8MM, 4.8MM, and 9.6MM, respectively. It is important to highlight that the capital increase in 2015 was at MXN \$15.00 per CPO, in 2019 at MXN \$10.00 per CPO, in 2020 at MXN \$6.00 per CPO, and in 2023 at MXN \$3.67 per CPO. The Company considers that none of the transactions carried out in the year could be linked to the existence of undisclosed insider information to the general investing public.

In September 2018, Signum Research, an independent financial and stock market analysis firm, published its comments on the second quarter 2018 report with a recommendation to buy.

In October 2021, coverage of GBM Casa de Bolsa began, said organization, issued a purchase recommendation on the basis: "We are convinced that Proteak is breaking into a high cash flow generation business that is reaching a turning point in both segments in which it operates (MDF and TECA)".

The figure below shows stock performance from September 2016 to March 2024:



**Graph 4 TEAK CPO Performance (MXN)**  
Source: Yahoo Finance

### 1.3 Risk factors

Proteak considers the following risk factors<sup>3</sup> that should be taken into account by any holder of the Company's securities, as well as any future holder, given that they could have a significant impact on the operations, financial situation, and operating results, as well such as its liquidity and price per share.

The main risks to which the Company is exposed are as follows:

1. Operational Risks
2. Risks Related to Property and Biological Assets
3. Market Risks
4. Financial Risks

<sup>3</sup> The investing public should carefully consider the risk factors described below before making any investment decision. The risks and uncertainties described below are not the only ones facing the Company. Risks and uncertainties that the Company is unaware of, as well as those that the Company currently considers to be insignificant, could also affect its operations and activities.

The realization of any of the risks described below could have a material adverse effect on the operations, financial condition or results of operations of the Company.

The risks described below are intended to highlight those that are specific to the Company, but in no way should be considered as the only risks that the investing public may face. Said additional risks and uncertainties, including those that generally affect the industry in which the Company operates, the geographical areas in which it has a presence or those risks that they consider not to be important, may also affect their business and the investment value.

The information other than historical information included in this report reflects the operating and financial perspective in relation to future events, and may contain information about financial results, economic situations, trends and uncertain facts. The expressions "believes", "expects", "estimates", "considers", "anticipates", "plans" and other similar expressions, identify such estimates.

In evaluating such estimates, the potential investor should take into account the factors described in this section and other caveats contained in this report. Risk Factors describe non-financial circumstances that could cause actual results to differ materially from those expected based on forward-looking estimates.



## 5. Risks due to Accounting Judgments

### 1.3.1 Operational Risks

#### *Proteak's Management and Operations Team*

The successful performance of Proteak's operations is directly dependent on its management team. Consequently, potential investors should consider that the loss of key personnel at Proteak could have an adverse effect on the value of the shares or the dividends derived from them, and therefore on the value of the CPOs. It cannot be guaranteed that Proteak will be able to retain its current management team or continue to attract new talent.

#### *Proteak's growth requires the acquisition of additional properties*

Although the lands required to develop the business plan of current operations are virtually secured, as we have 100% ownership of Teak plantations and over 75% ownership of Eucalyptus plantations, future growth plans depend on the incorporation of new lands.

Proteak's operational results and its growth are directly related to the acquisition or leasing of additional land for planting and/or existing plantations. In the event that this acquisition or lease cannot be carried out on planned terms, there is a risk that such a situation may adversely affect the value of the securities, as well as the investors' IRR. In this regard, Proteak has years of experience in buying and planting land, and as of the date of this report, the Company has secured almost all the land necessary to fulfill its Business Plan, both for Teak and Eucalyptus, demonstrating its ability to acquire large amounts of land that yield good returns. Despite this, there is a risk that Proteak may not be able to acquire the planned land at reasonable prices. Additionally, it is important to note that the Company has begun implementing new participation schemes for plantation development, such as trusts, which do not require capital investment.

#### *Proteak's corporate bylaws*

Proteak's corporate bylaws establish that approval from the Board of Directors is required for any individual or group of individuals to acquire 10% or more of the shares or rights over such shares, including, without limitation, the negotiable instruments that represent them. The foregoing could dissuade potential TEAKCPO investors from acquiring a significant percentage of the CPOs and affect their liquidity and price.

#### *Disruption of operations due to internal or external factors*

If there are strikes, technical stoppages, or shutdowns mandated by natural or biological threats, or work stoppages at any Proteak facility, Proteak's operations and production levels could be affected.

#### *Ethics in business*

Unethical behavior or poor risk management practices can damage the company's image. Likewise, violations of the code of ethics could lead to fines imposed by government agencies or other institutions as a result of actions by supervisors, clients, or employees. By adhering to good business ethics, the company can have a positive impact on value chain development and minimize this risk.

#### *Consequences of not obtaining the Forest Plantation Registration Certificate (or its equivalent abroad) in any property or the failure to submit annual reports*



The General Law on Sustainable Forestry Development establishes as an offense the failure to comply with the obligation to obtain the Certificate of Forest Plantation Registration for each land suitable for planting. Likewise, once the mentioned certificate is obtained, Proteak is obliged to submit annual plantation reports to the relevant authorities.

The infractions for not obtaining the Certificate of Forest Plantation Registration or not submitting the mentioned annual reports range from a warning to temporary or permanent closure, partial or total, of the facilities, machinery, and equipment of the storage and transformation centers of forest raw materials or of the sites and facilities where activities giving rise to such infraction are carried out.

There is a risk that Proteak, for any reason, may not obtain a Forest Plantation Registration Certificate or may omit submitting any annual report in this regard. In such a case, the corresponding sanctions, if imposed, could affect the operation of Proteak or its results, impacting the IRR or the value of the CPO. To date, Proteak is in compliance with all requirements and has all the necessary authorizations for the exploitation of its plantations.

### 1.3.2 Risks Related to Property and Biological Assets

#### *Plagues*

Biological assets are subject to pests and/or diseases, like any other agricultural or forestry asset. Additionally, most biological assets consist mainly of two forest species - Teak and Eucalyptus - so if a pest or disease occurs, it is possible that it will spread more quickly than if the biological assets were more diversified in terms of forest species. To mitigate this risk, Proteak has a considerable area of land with native vegetation interspersed with forest plantations, which serves to partially isolate sections of the plantation and acts as a buffer zone in case of pest emergence. Furthermore, the properties are located in different states of Mexico and Costa Rica, minimizing the risk of pest spread between plantations; no Proteak plantation represents more than 10% of the total area. Additionally, Teak is a forest species with high pest resistance compared to other forest species, and to date, no deadly pests affecting Teak in North America are known, further reducing this risk. If this risk materializes, the value of the Shares or the dividends derived from them and, therefore, the value of the CPOs, could be adversely affected.

#### *Life cycles of the Teak and Eucalyptus species*

As of 2023, the sale of Teak wood and its derivatives is one of the two main sources of income for Proteak. In the event that consumption of Teak was to decrease for any reason, this would have a direct impact on the IRR.

Teak, like any asset of a forest nature, has a long-term life cycle that involves, among other factors, planting, growth, thinning and harvesting of the plantations that must be followed before Proteak can carry out its commercialization. This cycle depends mainly on time, as well as various growth-determining factors: climate, temperature, and soil fertility. It is not possible to control this cycle entirely, so purchasers of CPOs should consider that the commercialization of Teak, on which Proteak's income depends, is a long-term business, where market conditions may change.

Eucalyptus, on the other hand, is also a forestry asset, but it has a much shorter life cycle than Teak, making it a complementary species that shortens the timeframe for the Company to receive cash flows from its transformation.

The diversification of the Company's business portfolio significantly reduces its risk profile.



### *There is seasonal risk in wood extraction from plantations*

Due to meteorological phenomena, there is a risk that Proteak will be temporarily prevented from extracting wood from its plantations, mainly due to road damage. To mitigate this risk, the Company owns various estates in different locations from which it can extract wood. In turn, Proteak invests in the construction and repair of roads leading to the plantations to ensure year-round extraction. However, there is a risk of decreased sales for a period if a major meteorological event occurs, thereby affecting the value of the CPO.

### *Extreme weather events*

Given the region where most of Proteak's properties are located, there is a risk of hurricanes that regularly form in the Caribbean Sea and then move across the Yucatan Peninsula into the Gulf of Mexico. Statistically, the most powerful hurricanes have occurred at intervals of between 5 and 10 years on the Yucatan Peninsula. It is worth mentioning that most hurricanes that reach the Tabasco state area significantly weaken as a result of their trajectory over land, reducing wind speed and the amount of precipitation. Consequently, the probability and magnitude of damage are reduced. This is due to the hurricanes crossing over land on the Yucatan Peninsula from east to west.

The plantations located in western Mexico are also exposed to meteorological phenomena that develop in the Pacific Ocean. However, historically, these phenomena have been of lesser magnitude.

The plantations located in northern Tabasco and southern Chiapas are practically not exposed to meteorological phenomena such as hurricanes. In late 2016, Costa Rica was affected by Hurricane Otto; however, our plantations experienced minor impact.

On the other hand, there are no irrigation systems on the properties, so production depends entirely on regular rainfall. In the event of a prolonged drought on the property, production could be adversely affected, thus impacting the company's yields as well, resulting in lower income available for distribution to shareholders in the form of dividends or lower IRR. To prevent this, Proteak's land purchase protocols stipulate that a ranch must historically have rainfall of at least 2,000 mm to establish a plantation, knowing that both Teak and Eucalyptus thrive with at least 1,200 mm of rainfall.

If these risks materialize, despite the preventive measures taken by Proteak, it's possible that biological assets could be adversely affected, thereby reducing the value of the CPOs.

### *Illegal logging*

Proteak's plantations could be affected by this crime. To mitigate this risk, managers and plantation supervisors conduct regular visits and monitoring to detect any intrusion by a third party. Additionally, all our plantations with commercial value have permanent security and direct communication with the corporate office to report any incidents. Furthermore, since the Teak market is typically for export, the marketing of illegal wood is more challenging, making the company less susceptible to this risk.

### *Fire*

Just like any other forest resource, biological assets are subject to the risk of fire.





To minimize the occurrence of forest fires, Proteak has implemented preventive measures such as:

1. Placing firebreaks or paths around the plantations every year;
2. Establish plantations in areas with the lowest historical incidence of fires, as well as in areas where rainfall is at least 2,000 mm per year;
3. Cleaning in young plantations, to try to reduce or eliminate combustible material. This is done in the first three years of the plantation, since this is when a fire would be most damaging to the Biological Assets. In plantations over 5 years old, the impact of a fire would be less, since the shade generated by the trees themselves reduces the amount of combustible material and therefore fires; and
4. Dispersion of plantations. At the moment, there are more than 12,200 planted hectares and most of them are several kilometers apart, so there is a reduction in risk due to geographic diversification.

Likewise, Proteak has implemented reactive measures such as:

1. Radio and/or cellular communication system with all the equipment active in times of drought;
2. Permanent patrolling of all plantations; and
3. Constant communication with the authorities to receive their support in case of fire.

### *Biological Assets are not insured*

There is no insurance coverage available for mature biological assets. In the event of an unforeseen incident affecting these assets, it cannot be guaranteed that Proteak would have the resources to repair or replace them. Consequently, Proteak's operating results would be adversely affected.

### *The expropriation or any circumstance that affects the ownership or possession of the property could negatively affect the investors*

If, for any reason, Proteak ceases to be the owner or legitimate possessor of the property, or if it is unable to carry out its activities due to a judicial or administrative resolution, expropriation, seizure, or any other reason in favor of the government or third parties, it is possible that the new owner or possessor may oppose the fulfillment of the Business Plan or hinders the development of operations that should be carried out within the property by Proteak.

There is a risk that the quality of the biological assets may not meet expectations, either because the genetic material is not uniform, the agroclimatic conditions are not adequate throughout their life, the studies conducted are incorrect, the soil quality is not suitable for producing Teak or Eucalyptus, or due to various reasons that cannot be foreseen today. To mitigate this risk, Proteak has acquired certified seeds and has developed its own genetic varieties from a selection of its best trees. Additionally, since 2011, the company has been planting clones. However, if the quality of the biological assets ultimately falls short of expectations, or if there are human errors in the cloning or thinning process, Proteak's operational results could decrease, and consequently, the value of the CPOs could be adversely affected.

### *Expected Volume*

There is a risk that the expected volume for the biological assets may not match the projected volume, partly due to the same factors mentioned in the previous paragraph. If the volume achieved by the biological assets does not meet the estimates, Proteak's operational results could decrease. Therefore, Proteak has classified its properties into 11 different qualities, distinguishing the projected growth for each of them based on the factors described above. However, this classification may be affected in the future depending on the actual growth in each plantation.



## *Subsidies*

This year, subsidies received from the National Forestry Commission amounted to MXN \$3MM. The granting of subsidies depends on authorized programs and requirements established by government authorities.

### 1.3.3 Market Risks

#### *Environmental certifications and certifications of legal origin of the products*

The international practice is increasingly oriented towards sustainable forest management. Institutional buyers of wood and derived products are requesting certifications that ensure not only their environmental suitability but also their legal origin. In the future, such certifications will practically be a requirement for accessing most institutional markets. Currently, Proteak has two national certifications (FSC®) and one international certification (TSCA), in addition to having strict internal policies to comply with the applicable requirements for these certifications. However, it is possible that Proteak may not be able to maintain these certifications in the future or that they may be replaced by alternative standards. If this risk materializes and Proteak does not have these certifications, the market for potential buyers of biological assets could be reduced, and consequently, Proteak's operational results could be adversely affected, reducing its income.

Within the international board industry, compliance with standards and certifications is required to ensure that MDF is produced under a controlled environment with low chemical emissions, in such a way that they safeguard people's well-being and health. As of the date of the financial statements, the Company produces MDF boards under these standards. If these standards were to change drastically, the Company may not comply with them.

#### *Market Changes*

Despite its growing popularity, it is not possible to guarantee wood prices. There is a possibility that these prices may plummet or experience temporary declines. A shift in consumer preferences, the emergence of substitute products, whether synthetic materials (although there are no known substitutes at this time) or other tree species, or the generation of wood surpluses, would have a negative effect on the prices of biological assets, consequently reducing Proteak's revenues.

In recent years, MDF has replaced the use of natural wood due to its superior finish. However, despite the industry's continuous growth, substitute products such as MDP (Medium Density Particleboard), HDF (High Density Fiberboard), and plywood, among others, have also emerged. This could create pressure on prices or influence demand, directly impacting the Company's revenue from MDF sales.

Similarly, there is a risk that the market where Teak is traded may experience distortions leading to an oversupply of the product. This could cause a decrease in selling prices and result in outcomes not aligned with the business plan expectations. Such developments could negatively impact investors' Internal Rate of Return (IRR), and operational results may not meet expectations, thereby adversely affecting the value of the CPOs.

#### *Entry of New Competitors*

Due to the nature of Proteak's economic activity, the projected returns have been calculated based on the existence of current competitors. However, if additional competitors enter the market, there is a risk that Proteak's results and profits may not meet expectations, affecting the market value of the stock.



## *Risks Factors related to Mexico*

A significant portion of operations is expected to take place in Mexico. Therefore, the business's development largely depends on the economic and political performance, as well as the climatic phenomena affecting the country's economy. Consequently, political, economic, or social events that could affect the Mexican economy may also have a negative impact on Proteak's operational results.

### 1.3.4 Financial Risks

#### *Losses or minimum profits have been recorded in previous years*

Investors should consider that during 2023 and some previous fiscal years, Proteak has generated results with losses or minimal profits, so it's possible that the company may not accumulate profits during a period of contraction, investment, and/or growth. Therefore, there is a risk that investors may not achieve the expected returns on their investment, and consequently, the value of the CPOs may be adversely affected.

#### *Volatility of the Securities Market*

The market price of the CPOs is volatile, which could make it difficult for potential investors to sell their CPOs at the price they paid for them or at a higher price. There are various factors, not directly related to Proteak's operational results, that can affect the price and liquidity of the CPOs. These factors include: (i) volatility in the market price and volume of transactions of companies in the same industry as Proteak; (ii) operational performance of companies comparable to Proteak; (iii) new legislation or new interpretations thereof, including tax provisions applicable to Proteak's business; (iv) political situations or events; and (v) general economic trends in the Mexican, US, or international economy or financial markets, including those resulting from wars, acts of terrorism, or responses to such events.

#### *Liquidity Risk of the Company*

Cash flow projections are carried out at the level of each operational entity of the Company, and subsequently, the finance department consolidates this information. The finance department of the Company continuously monitors cash flow projections and liquidity requirements, ensuring that sufficient cash and immediately realizable investments are maintained to meet operational needs. The Company regularly monitors and makes decisions, considering not to violate limits or obligations as established in debt contracts. The projections consider financing plans, compliance with obligations to do and not to do, compliance with internal minimum liquidity ratios, and legal or regulatory requirements.

The cash surpluses of the operational entities are transferred to the Company's treasury, which invests these funds in time deposits and negotiable securities, whose maturity or liquidity allows flexibility to cover cash needs. As of December 31, 2023, and December 31, 2022, The Company had term deposits of MXN \$86MM and MXN \$244MM, respectively, and other equally liquid assets amounted to MXN \$1MM and MXN \$29MM, respectively, respectively, that is estimated to allow liquidity risk Management.

Due to the nature of the investment in Proteak, with expected returns spanning between 3 and 25 years, there is a risk that the CPO may not be liquid in the stock market. This is mainly because the profile of Proteak's shareholders is long-term.



### *Capital Risk*

The Company's objectives regarding capital risk management are: i) to safeguard its ability to continue as a going concern; ii) to provide adequate returns to shareholders and benefits to other stakeholders; and iii) to maintain an optimal capital structure.

For the purpose of maintaining or adjusting the capital structure, the Company may vary the amount of dividends to be paid to shareholders, carry out a capital reduction, issue new shares, or sell assets and reduce its debt.

As with other entities in the industry, the Company monitors its capital structure based on the financial leverage ratio. This ratio is calculated by dividing net debt by total capital. Net debt includes the total of current and non-current loans recognized in the consolidated balance sheet, minus cash and cash equivalents. Total capital includes equity according to the consolidated balance sheet, plus net debt.

As of December 31, 2023, the leverage ratio was 0.36.

### *Fair value estimate*

This section explains the judgments and estimates made in determining the fair values of financial instruments recognized and measured at fair value in the financial statements. To indicate the reliability of the data used in determining the fair value, the Company classified its financial assets and liabilities into the three levels indicated by the accounting standards. Please refer to Notes 11 and 14 of the Audited Financial Statements for more details.

The fair value of an asset or liability is calculated using the assumptions that market participants would use when making an offer for that asset or liability, assuming that those market participants act in their own economic interest.

The calculation of the fair value of a non-financial asset takes into account the market participants' ability to generate economic benefits from the optimal and highest use of that asset or through its sale to another market participant who could make the optimal and highest use of that asset.

The Company employs appropriate valuation techniques under the circumstances and with sufficient available information for calculating the fair value, maximizing the use of relevant observable variables and minimizing the use of unobservable variables.

All assets and liabilities for which fair value determinations or disclosures are made in the financial statements are categorized within the fair value hierarchy described below, based on the lowest significant input that is significant to the overall fair value measurement:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The market price used for financial assets held by the Company is the current purchase price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments not traded in an active market is determined using valuation techniques that maximize the use of observable inputs and minimize the use of company-specific estimates. If all relevant variables for determining the fair value of a financial instrument are observable, the instrument is included in Level 2.



Level 3: If one or more relevant variables are not based on observable market information, the instrument is included in Level 3. This is the case of unquoted equity instruments.

The specific valuation techniques for financial instruments include:

- The use of market quoted prices or dealer quotes for similar instruments for other financial instruments, discounted cash flow analysis.
- As of December 31, 2023, and 2022, the fair values of financial assets and liabilities recognized at amortized cost approximate their carrying amounts as they are short-term. The fair values and hierarchies of biological assets and credits. See notes 11 and 14 of the Audited Financial Statements.

For the valuation of significant assets and liabilities, such as investment properties, unquoted financial assets, teak biological assets, and contingent considerations, external appraisers are used. The involvement of external appraisers is determined annually by Management, once discussed and approved with the Audit Committee.

At each closing date, Management analyzes the movements in the values of assets and liabilities that require continuous monitoring of their valuation according to the Company's accounting policies.

### *Credit risk and Company liabilities*

Credit risk is managed in a consolidated manner, except for that related to accounts receivable balances. Each Proteak entity is responsible for managing and analyzing the credit risk of each of its customers before defining credit terms and delivery conditions. Credit risk arises from cash and investments in securities, derivative financial instruments, and deposits in banks and financial institutions, as well as credit granted to wholesale and retail customers, including outstanding balances and future committed transactions. For customers, independent ratings, if any, are considered. If none exist, the Company's Management estimates the credit quality of the customer, considering their financial situation, experience, and other factors. Individual credit limits are established based on internal or external ratings, in accordance with policies established by the Board of Directors. Credit limits are regularly monitored. Additionally, the Company has credit insurance of up to MXN \$1,440MM, which represents 90% of estimated sales (MXN \$1,600MM), valid until January 31, 2024. The premium amount for this insurance was MXN \$1.8MM.

There are no significant concentrations of credit risk, either through exposure to individual customers, specific industry sectors, and/or regions.

The Company does not request collateral in the form of security.

The credit quality of financial assets is evaluated based on historical information on counterparty default rates.

<u>Cash and cash equivalents</u>	<u>Credit rating</u>	<u>December 31,</u>		
		<u>2023</u>	<u>2022</u>	<u>2021</u>
Banco Actinver, S. A.	AA	-	-	1,636
Banco Santander Mexico, S. A.	AAA	5	42	465
BBVA Bancomer, S. A.	AAA	10,810	37,484	146,705
HSBC Mexico, S. A.	AAA	1,527	2,383	503
Banco Monex, S. A.	BB+	15,601	32,518	41,237





Sabadell	AAA	52,800	50,434	95,548
Multiva	A-	-	900	1,742
Banco Invex, S.A.	AA-	1,421	112,917	98,144
Cash on hand and other banks		4,539	36,670	66,920
		<b>86,703</b>	<b>273,348</b>	<b>452,900</b>

**Table 5 Cash and Cash Equivalents (MXN '000)**

Source: Audited Financial Statements

<u>Customers:</u>	<u>December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Customers A	12,707	5,397	28,317
Customers B	59,958	184,510	155,669
Customers C	13,076	3,345	18,094
Customers D	2,692	439	-
<b>Total</b>	<b>88,433</b>	<b>193,691</b>	<b>202,080</b>

**Table 6 Customers (MXN '000)**

Source: Audited Financial Statements

A Customers. Refers to export sales of logs "Round logs", whose minimum collection period is 120 days from the date of billing. These operations are supported by letters of credit or collection against documents.

B Customers. They are customers derived from the sale of MDF boards, the rotation of these clients is a maximum of 90 days.

C Customers. Are customers derived from the provision of forest services to entities outside the Proteak group.

D Customers. Are customers for the sale of seedlings to third parties.

The customer portfolio does not have a credit quality, as it consists mostly of accounts receivable from smaller customers.

### *Impairment of financial assets*

The company has a type of financial assets that are subject to the expected credit loss model:

- Accounts receivable for product sales (round logs and MDF boards).

Although cash and cash equivalents are also subject to impairment requirements under IFRS 9, no impairment loss was identified.

The Company applies the simplified approach of IFRS 9 to measure expected credit losses using an estimate of expected losses over the life of the instrument for all accounts receivable.



To measure expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of sales made in the last 36 months, and the corresponding historical credit losses experienced within this period. Historical loss rates are adjusted to reflect current information.

Movements in the provision for expected credit losses as of December 31, 2023, 2022, and 2021 for accounts receivable are presented below:

<u>Customers:</u>	<u>December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Balances at the start of the year	45,109	40,497	48,254
Increase in provision for recognized credit losses in income for the year	607	9,000	131
Accounts receivable canceled during the year as uncollectable	(1,273)	(4,388)	(7,888)
<b>Balances at the end of the year</b>	<b>44,443</b>	<b>45,109</b>	<b>40,497</b>

**Table 7 Provision for credit losses (MXN '000)**

Source: Audited Financial Statements

Accounts receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the debtor's inability to make contractual payments or the absence of attachable assets.

Expected credit losses are presented as net impairment losses within the operating result. Subsequent recoveries of previously written-off amounts are credited against the same line.

### *Credits granted by the Company*

The Company does not grant loans to third parties, so there is no risk of collection associated with them.

### *Future issues or sales of CPOs or the expectation of their occurrence could lower the market value of the CPOs*

The issuance of new CPOs, the sale of existing ones, or the expectation of such issuance or sale could, as the case may be, dilute the corporate and economic rights of shareholders or create a negative perception in the market, which could result in a reduction in the market price of the CPOs.

### *Foreigners may not hold more than 49% of Series T Shares*

The Agrarian Law and the Foreign Investment Law do not allow the participation of foreigners to exceed 49% of the shares or social parts corresponding to Series "T," directly or through trusts, agreements, social or statutory pacts, pyramid schemes, or any other mechanism that grants control or a greater participation than established, except as provided in Article 18 of the Foreign Investment Law. Therefore, investors' participation in Proteak is carried out through a neutral investment made in Mexican companies or trusts authorized by the Ministry of Economy, in this case through a Trust



creating an investment instrument in which CPOs are issued to the Foreign Investor. In the event that the Trust must be terminated in accordance with Article 394 of the General Law of Negotiable Instruments and Credit Transactions or for any other reason, the Shares will be affected to a new trust, which will be similar to the previous one, so all investors will maintain their investment in Proteak without violating the provisions of the Agrarian Law and the Foreign Investment Law. Proteak cannot guarantee that, in the event of the Trust's expiration, a similar one will be established, which would directly affect foreign investors, who will not be able to maintain ownership of Series "T" shares in a proportion that does not exceed the maximum permitted. However, it is planned that if there is foreign investment participation in Series "T" shares exceeding 49%, authorization will be requested from the Ministry of Economy for the CPOs, when issued by the Issuing Trust, to be considered as neutral investment instruments. However, Proteak cannot guarantee that such authorization will be obtained.

### *Foreign holders of Proteak's CPOs shall have limited voting rights*

Foreign holders of CPOs or individuals whose investment in CPOs is considered as "Foreign Investment" under the Foreign Investment Law may only instruct the Trustee on how to exercise the voting rights derived from the Shares corresponding to Series "K." Therefore, the Trustee will exercise the corporate rights of the corresponding Series "T" Shares that are incorporated into CPOs owned by holders considered as Foreign Investment, always and at all times voting in the same manner as the majority of Mexican Investors holding Series "T" shares not held in trust.

### *The actual results of Proteak could be lower than the estimated results and projections mentioned in this Annual Report*

All estimates or projections contained in this Annual Report are solely expectations of future events and are mere estimates subject to various risks that cannot be quantified due to being subject to different variables and cannot be guaranteed or assured. The calculation of the expected returns mentioned in this Annual Report is based on available information. Such returns are subject to various risks, as actual results may vary from the projections and expected amounts.

Investors should consider, before making an investment decision, that Proteak's results may be substantially different from the projections mentioned here, resulting in obtaining a lower return than expected.

### *Interest rates*

The effective interest rate method is a method for calculating the amortized cost of a financial instrument and allocating financial income or expense over the relevant period. The effective interest rate is the rate that discounts the estimated future cash inflows or outflows (including all fees and basis points paid or received, which are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the expected life of the financial instrument, where appropriate, to a shorter period, with its net carrying amount.

80% of all liabilities with cost contracted as of December 31, 2023 and 2022, were contracted at a fixed rate.

Any increase in the interest rate may have a negative impact on the Company's results and financial position.

Fluctuations in the interest rate are uncertain because they depend on the future behavior of the markets and can have an impact on the Company's financial results.

As of December 31, 2023, a one percentage point (1%) difference in the interest rate would have generated a positive/negative impact on the income statement of approximately \$4,678, as a result of such percentage effects.

As of December 31, 2022, a one percentage point (1%) difference in the interest rate would have generated a



positive/negative impact on the income statement of approximately \$4,997, respectively.

It is worth noting that the Company does not maintain derivative financial instruments or other hedging instruments to mitigate this risk.

### *Exchange Rate*

Proteak's biological assets (specifically Teak), particularly the mature ones, are considered a commodity, and therefore, their value is typically denominated in dollars. The Company has recognized this situation by adopting the dollar as its functional currency.

For the Eucalyptus and MDF operations, the value of the biological inventory is denominated in pesos, and the sales are also mainly in pesos (the Company estimates that 1% of revenue will be from exports). Therefore, it may seem that there is no foreign exchange exposure, except that the debt incurred for the construction of the plant is payable in dollars.

In the past, the value of the Mexican peso against the US dollar and other currencies has fluctuated inconsistently. For example, as of December 31, 2023, the exchange rate of the Mexican peso against the US dollar showed an appreciation of \$2.468, resulting from the change in parity, from \$19.3615 on December 31, 2022, to \$16.8935 on December 31, 2023. Due to the observed exchange rate movements between both currencies, depreciations or appreciations may occur from time to time in the future.

In general, reductions in the value of the Mexican peso against other currencies could adversely affect Proteak's business and financial condition, including its ability to make principal and interest payments related to foreign currency-denominated debt that the Company has incurred.

As of the end of the fiscal year 2023 and 2022, the Company held foreign currency-denominated bank debt totaling MXN \$1,439MM and MXN \$1,703MM, respectively.

If the Mexican currency had weakened/strengthened by 10% against the USD, keeping all other variables constant, the consolidated profit before taxes for the twelve months accumulated up to December 31, 2023, would have experienced a positive/negative impact of approximately \$81MM pesos due to these exchange rate effects. On the other hand, the consolidated profit before taxes for the twelve months accumulated up to December 31, 2022, would have experienced a positive/negative impact of approximately \$47MM pesos.

It is worth noting that the Company does not maintain derivative financial instruments or other hedging instruments to mitigate this risk.

As of December 31, 2023, and December 31, 2022, the Company held the following positions of assets and liabilities in foreign currency:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<b>Mexican pesos:</b>			
Assets	748	2,445	5,643
Liabilities	(19,319)	(21,365)	(20,838)
Net position	<u>(18,571)</u>	<u>(18,920)</u>	<u>(15,195)</u>
<b>Euros:</b>			
Assets	€ -	€ -	€ -
Liabilities	€ (1,704)	€ (2,626)	€ (910)



Net position                    € (1,704)    € (2,626)    € (910)

**Table 8 Assets and liabilities in pesos and euros ('000)**

Source: Audited Financial Statements

### *Change in Agricultural and Environmental Regulation*

Proteak is a commercial company that owns forest land and must comply with the provisions of the Agrarian Law and environmental legislation, among other applicable regulations in agrarian and forestry matters, which establish various restrictions for the possession and exploitation of Biological Assets. In the event that the Agrarian Law or the legislation on environmental matters, or any other applicable provision related to the Biological Assets, undergoes modifications that restrict the rights that Proteak currently enjoys, or in the event that Proteak fails to comply with the agrarian legislation or environment, the holding of Biological Assets by Proteak could be limited, which would have a negative effect on Proteak's operating results and, consequently, on the value of the CPOs.

### *Innovations and Investments in new businesses*

Proteak is a company with various types of income through its subsidiaries, its investments in new businesses or innovations may not obtain the expected results, in the first years.

### *Risk Factors Related to Other Markets*

#### *Operations abroad*

Proteak conducts various commercial activities abroad. Currently, the principal markets are in India and China, Vietnam, and the United States, so any political or economic change in those countries could affect Proteak's operations and income. The Company has 10 years of experience trading wood abroad and 6 years of experience operating in Costa Rica, which has reduced operational risks and increased market knowledge in those countries.

Proteak also has assets in Costa Rica, mainly land and biological assets, making it subject to changes in legislation and politics or other developments that may occur in the country. This could pose a risk that the economic results obtained from these activities, including the acquisition of mature wood plantations and plantation lands, may not match the projected or expected results. As a result, investors' internal rates of return (IRR) could be adversely affected.

#### *Contraction of the wood industry in major importing countries*

A contraction in the economy or the timber industry in India, the main importer of Teak, could have an impact on the global supply and demand of the product and therefore put pressure on the prices at which Proteak's products are sold. Additionally, a contraction in the economy of China, the main importer of wood and forest products, could also have an indirect effect on prices. Furthermore, a global recession that affects the overall economic situation and the construction sector would significantly alter Proteak's results and projections.

### **1.3.5 Risks Related to Accounting Judgments**

#### *Accounting judgments to recognize the fair market value of biological assets and land*

The estimates and assumptions are continuously reviewed and are based on historical experience and other factors, including expectations about future events that are considered reasonable within the circumstances.





### *Critical accounting estimates and judgments*

Company management makes estimates and judgments in respect of the future. The resulting accounting estimates, by definition, will rarely equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the following year are presented below:

#### 1. Critical Accounting Judgments

Significant information regarding assumptions, estimates of uncertainties and critical judgments recognized in the consolidated financial statements are described below:

- Valuation and classification of Biological Assets
- Determination of fair values for revaluation of land
- Deferred Tax Assets
- Management's Judgment in Determining Functional Currency
- Estimate of useful life of property, machinery, and equipment

#### *Valuation and classification of Biological Assets.*

The consumable biological assets of the Company consist of teak and eucalyptus timber plantations.

The biological assets are recognized at their fair value, according to the following considerations; it is important to mention that the Company's fair value determination methodology has been consistent and in accordance with IFRS; specifically, for the purposes of 2023, the methodology used is consistent with previous years and has only been strengthened by the Company's Management together with its valuation specialists, so there are no modifications to the classification, measurement, and valuation of the biological asset presented in the consolidated statements of financial position as of December 31, 2023, and 2022:

Valuation and classification of Biological Assets. See Note 3, section (h) of the Audited Financial Statements.

The result of the valuation can be seen in the following summary, which includes 50% of the biological assets of Tacotalpa (joint venture).

Fair value of components according to IFRS	
Tree crop value	1,576
Plantation land value	457

**Table 9 Fair value of components according to IFRS (MXN MM)**  
Source: Audited Financial Statements

Similarly, for the purposes of 2023, the Company conducted a sensitivity analysis, as follows.



1. Sensitivity of the biological asset value to the discount rate.

Pre-tax discount rate (%)	Biological asset value	Variation vs. base (%)
8.25	1,737	10.2
8.75	1,653	4.8
9.25 (base)	1,576	-
9.75	1,507	(4.4)
10.25	1,443	(8.5)

**Table 10 Sensitivity of biological asset value to discount rate (MXN MM)**  
Source: Audited Financial Statements



2. Sensitivity of biological asset value to harvesting and transportation costs.

Harvesting costs	Biological asset value		
	Price variation		
	-5%	Base	+5%
5.00%	1,401	1,562	1,724
Base	1,415	1,576	1,738
(5.00)%	1,429	1,590	1,752

**Table 11: Sensitivity of biological asset value to harvesting and transportation costs (MXN MM)**  
Source: Audited Financial Statements

3. Sensitivity of the biological asset value to forestry costs.

Forestry costs	Biological asset value	Variation vs. Base (%)
5.00%	1,566	(0.70)%
Base	1,576	-
(5.00)%	1,587	0.70%

**Table 12 Sensitivity of the biological asset value to forestry costs (MXN MM)**  
Source: Audited Financial Statements

4. Sensitivity of the biological asset value to indirect costs.

Indirect costs	Biological asset value	Variation vs. Base (%)
5.00%	1,567	(0.60)%
Base	1,576	0.00%
(5.00)%	1,586	0.60%

**Table 13 Sensitivity of the biological asset value to indirect costs (MXN MM)**  
Source: Audited Financial Statements

### *Determination of fair values for revaluation of land*

Land is recorded at fair value, on the basis of periodic valuations conducted by independent appraisers. To determine the fair value of land items, the company uses an independent expert appraiser who uses estimates to determine the value of comparable assets existing in the market. These appraisals must be reviewed, if it is considered there are elements that presume significant changes in the values of assets and any change could affect the amount recognized as valuation surplus, and if the latter is depleted, the impact is applied to income. See Note 12 of the Audited Financial Statements.

### *Deferred Tax Assets*

The Company recognizes deferred tax assets up to the amount it is probable to realize them. The Company considers taxable profits. If the Company determines that it is able to realize its deferred tax assets in the future beyond the amount recorded, an adjustment to the deferred tax asset will be made, which would increase the results in the period in which such



determination is made. If the Company determines that it would not be able to realize all or part of its deferred tax asset in the future, an adjustment to the deferred tax asset would be made, which would decrease the results in the period in which such decision is made. As of December 31, 2023, and 2022, tax losses are recognized only in the Companies that will generate future taxable profits. See Note 19 of the Audited Financial Statements.

### *Management's Judgment in determining functional currency*

Each Group company defines the functional currency as the currency of the main economic environment in which each of them operates.

### *Useful life of property, machinery, and equipment*

The Company reviews the estimated useful life of property, machinery, and equipment at the end of each annual period. During the period, it was not determined to modify the useful lives, as according to management's assessment, the useful lives reflect the economic conditions of the Company's operating environment.

## **1.4 Other Securities**

As of the date of this report, the Company does not have any other securities registered in the National Securities Registry (RNV) other than the Ordinary Participation Certificates mentioned above. Each Ordinary Participation Certificate consists of one "T" Series share and two "K" Series shares. Nacional Financiera (Nafin) is the fiduciary agent responsible for safeguarding the Company's shares and exchanging them for the corresponding Ordinary Participation Certificates.

As a publicly traded company listed on the Mexican Stock Exchange, there is an obligation to disclose financial information on a quarterly and annual basis in a timely manner. The financial statements presented include the income statement, which compares figures for the current quarter to the same quarter of the previous year, and the balance sheet, which compares the results of the current quarter to those of the immediate previous year.

## **1.5 Significant Changes to the rights over the securities registered in the registry**

There have been no modifications to the rights of any of the TEAK securities registered in the National Securities Registry (RNV).

## **1.6 Allocation of funds, if any**

The funds obtained were applied according to the Consolidated Cash Flow Statement (Audited Financial Statements).

The funds obtained from the capital raising in 2015 were used for the MDF Project.

The funds obtained in the capital survey carried out in 2017 were used as part of the plan to grow the plantations and to face the challenges posed by the year with liquidity as the board's operation was consolidated.

The funds obtained from the capital raising in 2018 were used as working capital to consolidate the MDF operation.

The funds obtained from the capital raising in 2020 were used as working capital and to service debt for the MDF operation.

The funds obtained from the capital survey carried out in 2023 were used as working capital.



## 1.7 Documents of a Public Nature

Proteak submits the following documents to the Mexican Stock Exchange (BMV): quarterly reports for the year 2023 and previous years, relevant events, and annual reports for previous fiscal years, all of which have been delivered in a timely manner. These documents can be accessed at the BMV information center, through their website [www.bmv.com.mx](http://www.bmv.com.mx), or at Montes Urales 424, Floor 1B, Office 01B-142, Lomas de Chapultepec V Sección, Postal Code 11000, Mexico City, Mexico.

Additionally, investors can obtain copies of these documents by requesting them in writing to:

Mariana Rojo Granados  
Director of Administration and Finance  
Email: [mariana.rojo@proteak.com](mailto:mariana.rojo@proteak.com)  
The Issuer's website is: [www.proteak.com](http://www.proteak.com).





# The Issuer

## 2.1 History and development of the issuer

**Name of issuer:** Proteak Uno S.A.B. de C.V. (TEAK or the issuer)

**Address:** Paseo de la Reforma 540, Col. Lomas de Chapultepec, CP, 11000, Mexico, D.F. +52 55 62351

Proteak's evolution may be observed in five stages:

### *Phase Zero, Feasibility Analysis (1999 – 2000)*

In this phase a strategic-financial study was conducted during which the first forestry engineers and consultants were hired and the foundations for the initial stage of the project were determined. Once the type of wood that made the most sense from an economic perspective was defined, the internal rates of return (IRRs) for several types of wood were analyzed, finding IRRs below 16% for soft or industrial woods, while the return was over 20% for hard or fine woods, especially those of rapid or medium growth. The company ultimately opted for Teak (*Tectona Grandis*).

Nayarit was identified as an interesting and viable state to establish the pilot plantation. This phase was funded by Hector Bonilla, founder, and a couple of partners.

### *Phase One, Scalability of the Project (2000 - 2006)*

Proteak was incorporated on September 11, 2001, by means of public deed number 1,003, issued by Mr. Alfredo Bauza Witte, Esq., Notary Public number 230 in and for Mexico City, and registered in the Public Registry of Commerce of the Federal District under commercial entry number 281217.

Once the feasibility of the project had been analyzed, funds were sourced with the objective to plant between 150 and 200 hectares a year. The initial capital was obtained from small individual investors close to the founder. Other investors interested in the project were added. Funds were obtained year after year based on the needs of the business, with the capital coming from among the investors. During this stage, 580 hectares of Teak were planted on different ranches in Nayarit, creating a small operations team.

In addition, the FSC® certificate (Forestry Stewardship Council) was obtained, the highest governing body on international sustainable forestry practices. It is worth noting that Proteak was the first forest plantation in Mexico to receive this certification. Each year, FSC® personnel visit both new and old plantations to ensure their compliance with the standards set forth by the FSC® as well as federal and local government regulations.

### *Phase Two, Scaling Up (2007 - 2009)*

In this phase, the operating procedures were determined, as reflected in the operation manuals, in order to scale up the project within an adequate cost scheme. The goal was to plant more than 800 hectares per year until reaching a target planting goal of over 2,700 hectares in 4 years and demonstrating the capabilities of the company in Plantation operations. To this end, additional capital was raised and land purchase options in Jalisco, Tabasco and Veracruz were enhanced. The decision to open different hubs increased the complexity of the operation. However, it was necessary to demonstrate that the Company is capable of handling distant operations efficiently. Besides capitalizing on diversification at the time of purchasing land, which is one of the most important barriers to a successful forestry business.



At the end of this phase Proteak had 2,281 hectares of Teak in 23 different plantations (Jabalinas is considered 4 different ranches as well as Tintal, although at this point it did not have a plantation) in the states of Nayarit, Jalisco, and Tabasco. The Company met the objectives of this phase in terms of execution, costs, and tree growth within the expected parameters. The land where the plantations are located are as follows: 90% of the land are small landholdings and the remaining 10% are *ejidos* (community-owned land) in the process of being changed over to full ownership in order to be transformed into small landholdings estimated time of 24 months

### *Phase Three, IPO, Institutional Growth (2010-2011)*

In this phase the company began implementing the business plan proposed for the initial public offering, consisting of the purchase of 1,400 hectares of mature plantations, as well as 8,000 hectares of Teak plantation. The process of institutionalizing company business processes also began during this phase, as well as the process for determining the business rules and policies which enabled us to move toward the future as a world-class company. This includes, among other initiatives, the implementation of a computer system for Enterprise Resource Planning (ERP), which as of the date of this report has been implemented in all of the Company subsidiaries.

In addition, we decided to open Proteak subsidiaries in Costa Rica and Colombia, in order to diversify the age profiles of our plantations and guarantee the continued supply of timber to our wood processing plants and our customers. We began processing mature wood from Colombia in a third-party plant to increase the production capacity and thus ensure the supply of Teak products. At this stage, a better understanding of the forestry business was achieved, as well as of the factors that affect the tree's growth, thus increasing the expected return on investment.

These key factors are as follows:

- Purchasing better land: Priority is being given to purchasing higher quality land, even if this is at a higher price, but with much richer soils where Teak is expected to grow better.
- Preparation of the soil: Proteak enhanced its preparation practices, seeking to improve the properties of the soil in terms of hydrological features, including the construction of canals and/or levees, and correcting the pH to facilitate the exchange of nutrients and the enrichment of the soil.
- Fertilization: It has been proven through numerous tests in the Company's plantations that fertilization in the initial years results in increased Teak growth.
- Planting with select genetic material (commonly known as 'clones'), rather than seeds, allows the rapid adaptation of the plant to a characteristic ecosystem, resulting in faster growth and a tree with better properties and lower variability, which leads to higher quality wood and more consistent volumes.

Lastly, at this stage we begin with the acquisition of mature plantations begins in order to bring future cash flows into the present. In 2010, 119 hectares of 16-year-old Teak were acquired in Tabasco, Mexico, as well as 950 hectares of Teak and 1,450 hectares of Acacia in Costa Rica, and 890 hectares of Teak in Colombia, including 560 hectares over 20 years old (plus a purchase option on 410 hectares of plantations aged 6 to 8 years old) thus greatly improving the Company's plantation profile.



#### *Phase Four, Stabilization of the Company (2012 -2013)*

Once the acquisitions of mature plantations are completed, Proteak begins to exploit the resources acquired in recent years. A 'trading' area was created, aiming to commercialize the round timber extracted from the plantations without any original value-added processing, achieving a greater presence in the global Teak market, particularly in Asia. The company also seeks to gain a significant role and greater knowledge in the distribution channel through increased intermediary activity.

In addition, Proteak has been able to consolidate its manufacturing operations, making processes more efficient, optimizing margins, and improving the distribution of products in the global market.

Another notable development during 2012 was the creation of the first hydroponic nursery in Mexico, which will allow us to continue with research and the genetic improvement of our trees, as well as ensuring the production of sufficient clones to plant our entire production target. During this phase, Proteak's intention was to start generating positive cash flows, ensuring the implementation of the Business Plan and future growth.

In 2013, the Eucalyptus nursery was acquired through the purchase of FOMEX, where all the genetic material for the Eucalyptus plantations is produced. With Proteak's two nurseries, the availability of clones is guaranteed.

#### *Phase Five, Diversification of the Company (2013 - Present)*

Throughout these 11 years, Proteak has managed to capitalize on its forestry experience, achieving a solid platform to expand its species portfolio and thus increase the current value of the Company and improve the return of its shareholders. This growth platform is based on the following competitive advantages that the issuer has developed:

1. Mastery of the forestry business and leading position in the market.
2. Unique and proven comprehensive business platform
3. Industry with high growth potential and low correlation to economic and market impacts.
4. World-class capabilities in research, development, and application of forestry techniques.
5. Geographical diversification in strategic markets with natural entry barriers.
6. Strong corporate governance with a proven management team.

In 2014, the Company entered the industrial sector with the beginning of the MDF plant construction. In only three years Proteak designed and developed the most important industrial forestry project in Mexico. In May 2016, the MDF plant started commercial operations and after twenty months of sales the Tecnotabla board, the Good Wood MDF, was recognized for its quality as it is the only MDF manufactured in Mexico that uses 100% sustainable certified wood from the Company's own commercial forest plantations. At the close of 2016, only seven months after having started operations, it was estimated that the Company had achieved a 20% market share, positioning its Tecnotabla brand as the second most important player in the Mexican market. In 2017, Tecnotabla maintained this estimated market share with a portfolio that remains diversified with MDF boards and value-added boards. In 2018, the company achieved market leadership with a 22% market share. In 2019, we maintained a solid second-place position with 21%, following the integration of Arauco with Masisa, which combined to achieve market leadership. In 2020, we reached a record market share of 24%. By the end of 2021, we closed with 24%, maintaining the share achieved in the previous year. In 2022, we continued to strengthen our position in the market with 23%. Currently, as of the end of 2023, we closed with a market share of 21%, retaining the second position in the local market.



## Diversification to other business units

In 2013, Proteak took advantage of its experience in the forestry sector and diversified its business portfolio with shorter cycle plantations than Teak by developing the most important forestry-industrial project in the country: an MDF board plant in Tabasco in order to meet more than 20% of the national demand. To this end, it carried out a capital increase with resources used initially for the FOMEX acquisition, the largest private forestry company in the country with more than 6,500 hectares of certified eucalyptus trees, to which Proteak added 3,000 hectares, guaranteeing wood supply.

This business unit is a natural expansion of Proteak's core capabilities and the perfect complement to its cash flow structure, given that Teak is a long-term investment, where 85% of cash flows occur from the 18th to the 25th year. The combination of a Eucalyptus plantation with an MDF plant provides short-term cash flows, decreasing the WACC and thus increasing the value of the Company. Proteak's main differentiators will be distribution costs as well as our forestry experience regarding improved plantations, which will enable Proteak to generate a profitable business in the medium- and long-term.

In 2023, Proteak faced numerous challenges and opportunities. We closed the year with total revenues of MXN \$1,360MM. There were four key factors that significantly impacted our performance

1. We successfully maintained our marketing base above 190k m3.
2. Consistent production of MDF totaling 193k m3.
3. Market share in the national natural MDF market at 21% and in value-added products at 32%.
4. Adjustment for fair value of the Teak biological asset of MXN (\$57.3)MM, due to a change in the revaluation methodology used.

Throughout this fiscal year, our commercial efforts focused on maintaining and strengthening strategic alliances with our base of over 100 clients. Proteak actively participated as a commercial player in the industrial MEM sector. This year, we launched the fourth version of our Vértice program and created the "Tecnomaster" program. Additionally, we aimed to professionalize the design, architecture, and carpentry sectors through various theoretical and practical workshops.

## Main investments

During the last 5 years (2023, 2022, 2021, 2020, and 2019), Proteak has made investments in commercial forest plantations totaling MXN \$208MM, MXN \$219MM, MXN \$137MM, MXN \$70MM, and MXN \$106MM, respectively.

## 2.2 Description of the business

### 2.2.1 Main activity

Proteak operates in two different stages of the forest-industrial business, which do not have a cyclical behavior:

#### I. Forestry

Proteak's main activity relates to commercial forest plantations of Teak (*Tectona grandis*) and Eucalyptus (*Eucalyptus Urophylla*). As of the date of this report, Proteak has more than 6,000 hectares of *Tectona grandis* and 7,300 hectares of *Eucalyptus urophylla*.



The forestry business consists of 5 main stages:

### **1) Site Selection**

Proteak has gained the necessary expertise to identify, select, and acquire suitable land for its business development. The company has carefully analyzed the relationship between soil quality and the expected return on investment, establishing strict selection criteria. Currently, Proteak is acquiring land for plantation that, combined with appropriate preparation techniques and the use of selected genetic material, can generate an Average Annual Increment (IMA) in teak plantations of more than 18 m<sup>3</sup>/ha/year and an expected IMA of up to 48 m<sup>3</sup>/ha/year in eucalyptus plantations.

### **2) Soil preparation and planting**

This stage is extremely important for tree growth, as a plant sown in well-prepared soil will grow much faster than one sown in the same unprepared soil. In addition, proper soil preparation allows for maximizing the effective planting area and obtaining more uniform growth. Proteak carries out an intensive mechanical preparation of the soils to adapt the physical and chemical conditions in order to obtain provide optimal conditions for growth. In most cases, the weeds and grass found in the land is cleared. The main preparation activities include harrowing (semi-heavy and heavy), subsoiling and trimming. In second rotation lands (i.e., those that were previously planted and harvested), mechanical stump removal is carried out using mulchers or grinders).

In parallel, teak seedlings are propagated in a hydroponic nursery and greenhouse using genetically selected material. It's worth noting that Proteak does not alter the genetic code of its trees in any way. Once they reach the correct size and optimal moisture levels, the seedlings are transferred to the field and planted.

To produce teak seedlings, Proteak currently uses improved genetic material derived from selected and evaluated clones in trials. At the Las Choapas nursery, eucalyptus clones are produced and tested on-site, allowing for optimal growth. In 2023, Proteak planted 1,500 hectares of eucalyptus and 134 hectares of teak.

Proteak does not use irrigation in its plantations; instead, the required moisture for tree development is obtained through precipitation and hydraulic structures such as channels and berms for water management.

### **3) Maintenance**

#### **Teak**

In its first years of life the plant competes for nutrients with weeds and grasses, so it is vitally important that the area around the trees be cleared to ensure their proper development and survival. During these initial years, maintenance costs are higher, and could increase in the event of severe weather conditions that favor the growth of weeds and grasses (such as prolonged rains). Maintenance costs for the following years relate to the pruning of branches to avoid unwanted regrowth. Intensive weed and grass clearing is not necessary as the tree is taller and its shade prevents vegetation that would compete for the nutrients from the soil from growing. Pruning is carried out to ensure that the trees have a good shape and better quality.

#### **Eucalyptus**

Unlike Teak plantations, Eucalyptus plantations have a shorter cycle and require less intensive maintenance. So, in the first two years of life, the area is cleaned of weeds and grasses to ensure plant survival and nutrient absorption. Since Eucalyptus does not need pruning, maintenance is focused solely on weed control.





#### **4) Thinning**

##### ***Teak***

In a given area, a predetermined number of trees per hectare is planned for planting. Proteak maintains a policy of planting between 850 and 1,100 trees on average per hectare, with sufficient space between them to facilitate mechanized maintenance, thus reducing costs.

When the tree canopies begin to touch each other, tree growth is reduced, signaling the need to reduce the tree density per hectare, a process commonly known as thinning or clearing. These thinning operations depend on the growth of each plot. Proteak considers the product obtained from the initial thinning to have no commercial value, as the trees to be cut do not meet the dimensional or qualitative characteristics for sawing or selling in logs. Thinning programs are tailored for each plantation based on its particular characteristics.

Trees with less promising growth potential, such as smaller, deformed, or bifurcated trees, are always cut during thinning, leaving the best trees for the final harvest, from which up to 70% of the income from a plantation is derived. Therefore, the costs associated with thinning are considered part of the effort required to bring the remaining trees to maturity and are not attributed to the trees that are cut down.

##### ***Eucalyptus***

Thinning is not carried out in Eucalyptus plantations since the final product is MDF board production. Unlike Teak plantations, the aim is not to achieve the best quality of wood, but the greatest amount of volume since 100% of the tree can be used for the industrial process.

#### **5) Final Harvest**

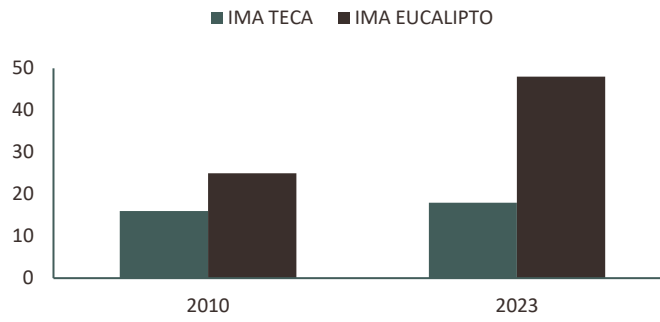
##### **Teak**

Once the necessary thinning has been carried out, the remaining trees can remain planted for a longer interval than the time between two conventional necessary thinnings. Proteak's projections consider round logs prices (cut logs with bark).

##### **Eucalyptus**

Eucalyptus fiber is usable from the third year; however, based on the harvesting plan, the planting cycle will be 5 or 6 years when the trees already have the proper amount of fiber to be harvested. After this period, the trees will be cut down and sold to the Proteak subsidiary that operates the MDF plant. It should be noted that, in the case of Eucalyptus, a tree can be harvested up to three times because the tree is cut down and new buds sprout from the stump.

Over time, Proteak's forestry experience has been reflected in the constant increase of the MAI in its plantations. In the following graph, this growth in both Teak and Eucalyptus plantations can be seen.

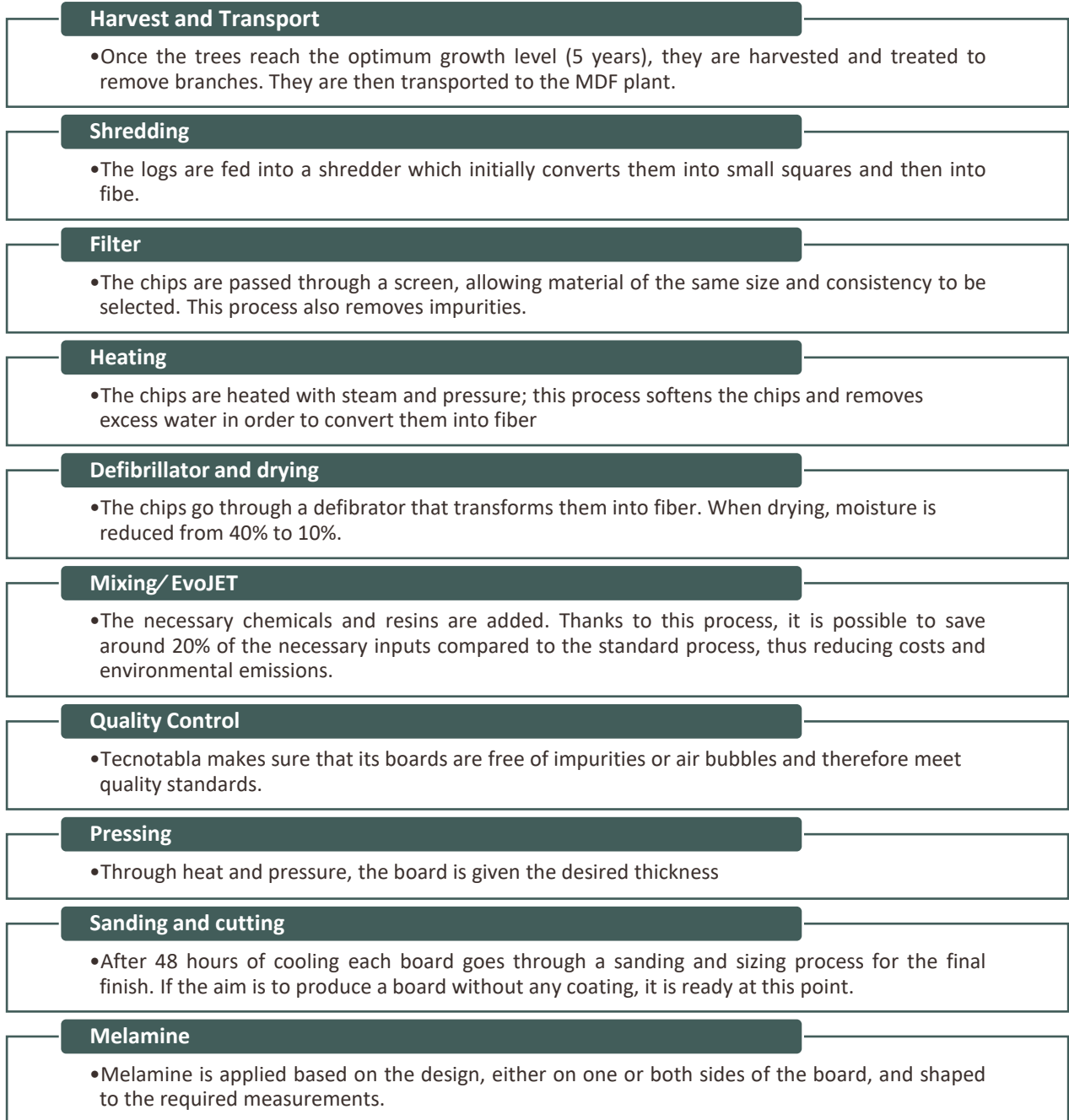


**Graph 5: IMA by Year of Plantation**  
Source: Proteak Uno, S.A.B. de C.V.



## II) Industrialization

The MDF production process is as follows:



Tecnotabla uses the waste to generate biomass, thus guaranteeing 100% use of the raw material.

Income by product is detailed in section 3.2 Financial information by line of business.

The main climate risks are detailed in the section on risk - in the extreme weather event section (1.3.2).



## 2.2.2 Distribution Channels

### *Business Unit - MDF*

Proteak entered the industrial segment of the wood value chain in 2014 with the construction of the MDF plant in Huimanguillo, Tabasco, under the brand Tecnotabla. The plant has an annual total production capacity of 280,000 m<sup>3</sup>, supplying both the domestic and export markets. Operations commenced in February 2016, with commercial activities starting in April 2016. Since then, the plant has maintained a solid presence in the market.

In 2017, approximately 56% of the MDF boards consumed in the country were imported, mainly from Chile, Brazil, and the United States. By 2023, the situation had changed, with 38% of the market value represented by imported boards, primarily from China, Brazil, and Chile, while 62% of the consumption was from domestic production. This shift has led large distributors (wholesalers and retailers) with national presence to have a wide product portfolio, ranging from bare MDF boards to value-added products (melamine), with different characteristics and types of coatings covering various market segments.

It is estimated that more than 80% of the market is concentrated in the center, south and west of the country. Now, the northern zone has been increasing its participation due to its proximity to the United States border and the entry of new players into the national territory.

As part of Proteak's strategies, specialized products with added value have been developed that have increased our offer in the Mexican market and thereby strengthened our relationship with customers, positioning us at the top of preferences in the final consumer.

During 2023, the distribution channels maintained a similar structure with previous years, thus highlighting the following aspects:

- Consolidation and regional expansion of large wholesalers, increasing their market penetration and participating in more links of the value chain.
- Professionalization of channels with points of sale to the public, providing additional services such as: cutting, sizing, among others; offering a better shopping experience, offering services according to the needs of its customers and increasing its catalog with complementary products.
- According to the INEGI National Survey of Construction Companies, the construction sector has registered an increase of more than 30% in production, which represents growth opportunities for the wood sector and for the advancement of the Mexican economy.
- According to the Jalisco Furniture Manufacturers Association (AFAMJAL), the furniture industry in Mexico is growing, due to the impact of "nearshoring" and has placed the country as the sixth largest furniture exporter.
- Furniture manufacturers in Mexico have had a great boom derived from the pandemic, which has led them to open more branches and showrooms, increasing their regional expansion with a greater product offering.
- Changes in consumer behavior, mainly among young people, have helped furniture manufacturers have a greater turnover of their products and have led them to use different materials for the production of their furniture, likewise, they have had to modify their times manufacturing to meet market needs with greater agility.
- Increase in the professionalization of small carpenters, as a result of the increase in training they can receive through practical in-person workshops, virtual tutorials, social networks and various media, in which they can obtain new knowledge about the use of different materials.
- The arrival in Mexico of large-scale furniture stores such as IKEA and the regional expansion that is beginning to develop due to the boom in the national market.



- Home Centers still without significant relevance in the MDF board market.

### 2.2.3 Source and availability of raw material

For the Company's forestry segment, the only strategic and significant raw material is the seed or clone with which the trees are generated. Previously, all plantations used seedlings generated through seeds; however, today, all of Proteak's land is being planted with clones, which translates into a significant improvement in the yield of the plantations. Therefore, the Company must ensure the source of both the seeds and the clones.

In the case of Teak seeds, Proteak has the supplier Semillas y Bosques Mejorados S.A. from Guanacaste Costa Rica, however, there are various suppliers in other countries such as Panama, Ecuador, Venezuela and several Asian countries. On the other hand, Proteak obtains seeds from its own garden, thereby reducing its dependence on third-party sources.

For Teak clones, Proteak made an investment in 2011 to develop a clonal garden, in order to ensure the reproduction and growth of seedlings with the same genetic material. From 2012 to 2014, most of the genetic material used was acquired from a Brazilian company, Proteca Forestal LTDA, and was also its own; as part of the acquisition of Ecodirecta (on the latter, Proteak does not pay royalties for their use). Although there are several suppliers of Teak clones in the world, the investment made in the clonal garden has allowed Proteak to select and reproduce its own genetic material, applying cutting-edge techniques and guaranteeing the supply of seedlings. It should be noted that the clones that Proteak selects and reproduces are not genetically altered (GMO).

In the case of Eucalyptus, FOMEX was a pioneer of plantations in Mexico and developed expertise and top-quality genetic material. In the purchase of FOMEX, a nursery was acquired along with clonal gardens, therefore, Proteak is the owner of the genetic material developed and produced in the area, significantly reducing its dependence on third parties. To continue improving the genetic material and the IMA of the plantations, in 2015 clones of Eucalyptus Eurograndis were purchased from Brazil.

Proteak is constantly innovating, so in 2015 the capacity of the nursery was increased to produce up to 7 million plants annually, enough to plant 3,000 hectares, through the rehabilitation of a third hydroponic module with the capacity to produce 40 thousand mother plants each, 9 new rooting modules of 100 thousand plants each and two organoponic modules of 30 thousand mother plants each.

In both cases, Proteak also has access to one of the largest bases of Teak and Eucalyptus genetic material known through its membership of CAMCORE (Central America and Mexico Coniferous Resources Cooperative), a non-profit organization of the University of North Carolina aimed at providing the best genetic material available for the development of forest plantations.

Regarding land, Proteak has secured almost all of the land necessary to fulfill its business plan, both for Teak and Eucalyptus.





## 2.2.4 Patents, Licenses, Trademarks, and other Contracts

Proteak does not have patents or registered technologies related to processes applied within the Company as of December 31, 2023. As for trademarks and trade names, the following are registered:

Mexico:

Designation	Date of Submission
PROTEAK RENEWABLE FORESTRY	May-06-10
TECNOTABLA EL MDF DE BUENA MADERA	Feb-18-15
TABLATEC EL MDF DE BUENA MADERA	Feb-18-15
GOOD WOOD MDF	Apr-24-15
TECNO TABLA, ESPECIAL PARA AMBIENTES HÚMEDOS	Jan-07-16
TECNO TABLA, ESPECIAL PARA PINTAR	Jan-07-16
TECNO TABLA, SOLUCIONES DECORATIVAS	Jan-07-16
TECNO TABLA, SOLUCIONES ESPECIALIZADAS	Jan-07-16
TECNO TABLA, SOLUCIONES BÁSICAS	Jan-07-16
ADVANCED PANEL TECHNOLOGY	Jan-07-16
TECNO TABLA, ESPECIAL PARA RAUTEAR	Jan-07-16
PROTEAK	Jul-08-10
PROTEAK	May-06-10
PROTEAK WE MAKE FORESTRY MATTER	Aug-04-14
TECNOTABLA (Y DISEÑO)	Feb-18-15
TABLATEC (Y DISEÑO)	Feb-18-15
TECHNOBOARD	Apr-24-15
TECHBOARD	Apr-24-15
TECNOTABLA ADVANCED PANEL TECHNOLOGY BY PROTEAK	Dec-03-18
TECNOTABLA EL MDF DE BUENA MADERA BY PROTEAK	Dec-03-18
TECNOTABLA BY PROTEAK	Dec-03-18
(DISEÑO)	Dec-03-18
TECNOTABLA	Dec-03-18
VÉRTICE BY TECNOTABLA (Y DISEÑO)	Feb-27-20
VÉRTICE BY TECNOTABLA	Feb-27-20

**Table 14: Trademarks and commercial notices registered in Mexico**

Source: Proteak Uno, S.A.B. de C.V.

Guatemala:

Designation	Date of Submission
TECNOTABLA BY PROTEAK Y DISEÑO	May-02-19
TECNOTABLA EL MDF DE BUENA MADERA Y DISEÑO	May-02-19
TECNOTABLA ADVANCED PANEL TECHNOLOGY BY PROTEAK Y DISEÑO	May-02-19

**Table 15: Trademarks and commercial notices registered in Guatemala**

Source: Proteak Uno, S.A.B. de C.V.

United States:

Designation	Date of Submission
TECNOTABLA	May-18-15
ADVANCED PANEL TECHNOLOGY	Feb-29-16
PROTEAK RENEWABLE FORESTRY	Jun-21-11

**Table 16: Trademarks and commercial notices registered in the United States of America**

Source: Proteak Uno, S.A.B. de C.V.



Costa Rica:

Designation	Date of Submission
PROTEAK RENEWABLE FORESTRY	May-09-11
PROTEAK RENEWABLE FORESTRY	May-09-11
PROTEAK RENEWABLE FORESTRY	May-10-11

**Table 17: Trademarks and commercial notices registered in Costa Rica**

Source: Proteak Uno, S.A.B. de C.V.

The trademarks registered in Costa Rica have the same name; however, they refer to different activities (commercialization of lumber and round logs, manufacturing, and establishment of plantations). These trademarks are in the process of renewal.

### 2.2.5 Key Customers

When FOMEX was acquired, the company continued selling the Eucalyptus located in marginal areas (far from the MDF plant) to third parties. However, from 2016 to 2021, PRO MDF represented 90% of the sale of sawn logs, and from 2022 to 2023, it represented 100%. This ensured the supply of raw materials needed for our manufacturing process.

In 2016, Proteak started operations through PRO MDF and found that the strategy of advance sales of boards from third parties was successful. By the end of 2023, Tecnotabla has a diversified client portfolio, with over 100 clients. The main clients with whom it has traded are:

Main Clients Tecnotabla 2023	
AGLOMERADOS Y TRIPLAY VIC SA DE CV	9.33%
MADERAS Y PUERTAS GAVILAN SA DE CV	8.67%
TRIPLAY Y LAMINADOS GUADALAJARA SA DE CV	8.04%
MJB TABLEROS Y MADERAS S DE RL DE CV	4.61%
TABLEROS Y CHAPAS DE JALISCO SA DE CV	3.87%
Otros (103)	65.48%

**Table 18: Main Clients Tecnotabla**

Source: Proteak Uno, S.A.B. de C.V.

Within the other category, there is no client with a share of 10% or more.

### 2.2.6 Applicable Legislation and Tax Regime

The forestry legislation is regulated by the General Law of Sustainable Forest Development and the regulations derived from it. In October 2013, the Senate and Chamber of Deputies approved the issuance of a new Income Tax Law (LISR), which came into effect on January 1, 2014. With this, the simplified regime was eliminated, and all forestry activities are taxed at 30%.

Proteak's activities are also governed by the General Law of Ecological Balance and Environmental Protection, the General Law for the Prevention and Comprehensive Management of Waste, the Agrarian Law, the Regulation of the Agrarian Law on Rural Property Planning, the applicable Official Mexican Standards, as well as other laws and regulations applicable in environmental and/or forestry matters.



Likewise, due to the land tenure that the Company holds in Costa Rica, transactions occurring within these countries are subject to local regulations and legislation.

#### **AUDITING LAW (Single Circular of External Auditors).**

Proteak is subject to the various provisions that regulate the operation of the securities market in Mexico and other foreign regulations related to the Company's securities registered in markets outside of Mexico.

In this last respect, it is necessary to mention that on April 26, 2018, the CNBV, through COFEMER, published the General Provisions Applicable to Entities and Issuers supervised by the CNBV that contract external audit services of basic financial statements (Auditors Law), in order to improve the quality of external audit services and persons subject to the supervision of the Commission.

Among the main requirements is to have qualified personnel who meet certain requirements to be part of the Audit Committee. This law was published in the Official Gazette of the Federation (DOF) on April 26, 2018, and updated with the reform, published in the DOF on November 15, 2018.

In accordance with the provisions of Annex N of the Issuers Sole Circular (CUE - for its acronym in Spanish), no relevant, current or potential impact of the regulations on climate change is considered due to the current regulatory compliance in our facilities in relation to the emissions of gases and compounds of effect greenhouse. It is important to mention that, due to the high standards of our creditors in terms of environmental and social impact, Proteak is subject to the Guidelines on the Environment, Health and Safety of Boards and Products and Particulate Wood issued by the International Finance Corporation of the World Bank., which has been met to date in accordance with the evaluation criteria of said institutions.

The Company has received from the National Forestry Commission (CONAFOR), through its National Forestry Program, a series of subsidies for engaging in reforestation activities. These subsidies are obtained by competition and awarded in phases. In the year ending December 31, 2023, the subsidies received amounted to MXN \$3MM, for the year ending December 31, 2022, no subsidies were received. These subsidies are not conditional on any subsequent compliance nor do they have to be repaid in the future. For more information. See note 3, section (w) of the Audited Financial Statements.

#### **2.2.7 Human Resources**

Employees of Proteak are hired by five of its subsidiaries: Comefor, Fomex, Pro MDF, Proucalipto, and Servicios Comefor Tres (SCT). As of December 2023, Proteak had 145 trusted employees, of which 11 are directors and the remainder work in administrative, forestry, operational, or plant areas. In 2022, the Company had 133 trusted employees. All workers receive legally mandated benefits and social security, and there are additional benefits that apply to certain workers based on the locations where they work.

Proteak hires a significant number of temporary or occasional workers to carry out activities related to the preparation, establishment, and maintenance of forest plantations. The average number in 2023 was 503 temporary workers. Temporary workers enter into fixed-term contracts with the Company; they are enrolled in social security (IMSS) and receive legally mandated benefits, as well as transportation services.

Currently, Proteak's workers, excluding trusted employees, are affiliated with local unions (Tabasco and Veracruz) that are aligned with their duties, which the Company recognizes as legitimate and sole representatives of their interests, as established in the respective Collective Labor Contracts. The relationship with the union is cordial, based on understanding, agreements, and mutual support in matters of productivity and worker welfare.

In 2023, the average number of permanent employees amounted to 307, all located in Mexico. As of December 2023, Proteak had a total of 810 employees, 18% trusted and 82% unionized. In 2022, the total number of employees was 1,451, of which 29% were trusted and 71% unionized. The variation in the total number of employees is due to the contingency of certain forestry activities.



### 2.2.8 Environment Compliance

During 2023, Proteak continued to demonstrate its commitment to environmental compliance through various actions. Firstly, they successfully completed the annual FSC® audits for Forest Management and Chain of Custody for the Eucalyptus and Teak plantations. Additionally, annual reports were submitted to the United Nations Global Compact to demonstrate compliance with principles related to human rights, labor standards, environment, and anti-corruption in the Company's operations, as well as the annual report to the International Finance Corporation (IFC) and FINNFUND, where the application of environmental and social sustainability performance standards is monitored. Furthermore, the health, hygiene, and environmental policy was implemented, addressing various aspects such as legal compliance, incorporation of sustainable development in operations, safety responsibility, and responsible operation in communities. Similarly, a safety, health, and environmental week was held in all Proteak locations.

### 2.2.9 Market Information

In 1990, the world had 4,128 million hectares of forest; by 2020 that area had decreased to 3,714 million hectares, and about 31% (1,151 million hectares) of the world's forests were designated primarily as production forests, which in the forestry world can be divided into two types of timber from a strategic and economic perspective:<sup>4</sup>

#### **Industrial Woods:**

These woods are used for the manufacture of paper, cardboard and the construction industry. Some industrial species have a very fast growth rate or IMA, over 30m<sup>3</sup>/hectare/year, therefore, they have short planting cycles (between 5 and 15 years). While others may have fairly low increases, just 0.9 m<sup>3</sup>/ha/year, such as the ponderosa pine. At the same time, these woods have a relatively low market value (less than USD 100 per m<sup>3</sup>).<sup>5</sup>

Within this type of wood, we find softwood species such as Pines (Taeda, Ellioti, Patula and Radiata), and hardwoods such as Eucalyptus (Eucalyptus Grandis, Eucalyptus Urophylla, Eucalyptus Dunni), poplar and oak, among many others.

#### **Fine or High-Value Woods:**

Hardwoods of high value refer to those woods primarily used for shipbuilding, manufacturing furniture for both indoor and outdoor use, interior decoration, panels, and terrace construction. The species in this category are known as luxury woods or specialty woods.

This type of wood generally has a slow growth rate (less than 15m<sup>3</sup>/ha/year) and therefore has longer plantation rotations (20 years) but has a relatively high market value (more than USD 500 per m<sup>3</sup>).<sup>6</sup> Among this type of wood are some tropical hardwoods such as Mahogany, Red Cedar and Teak, temperate woods such as Maple, Walnut and Cherry; and softwoods such as Cypress and Cedar.

#### **Fine Woods: Teak**

"In terms of wood, Teak is like a diamond among precious stones".<sup>7</sup>

Teak is native to India and Southeast Asia (Myanmar, Thailand, Laos) and is the most cultivated quality tropical wood in the world. It is known for having excellent properties, being one of the most valuable in the world. It is characterized by its

<sup>4</sup> FAO, Global Forest Resources Assessment 2015, How are the world's forests changing, Second Edition, 2016.

<sup>5</sup> Evans Julian, Turnbull John W.: Plantation Forestry In The Tropics The Role, Silviculture And Use Of Planted Forests For Industrial, Social, Environmental And Agroforestry Purposes 3 Rev Ed Oxford University Press (United Kingdom), 2004.

<sup>6</sup> Ibidem.

<sup>7</sup> ITTO Tropical Forest Update Volume 12 Number 1, OTTI, 2004, Page 3.



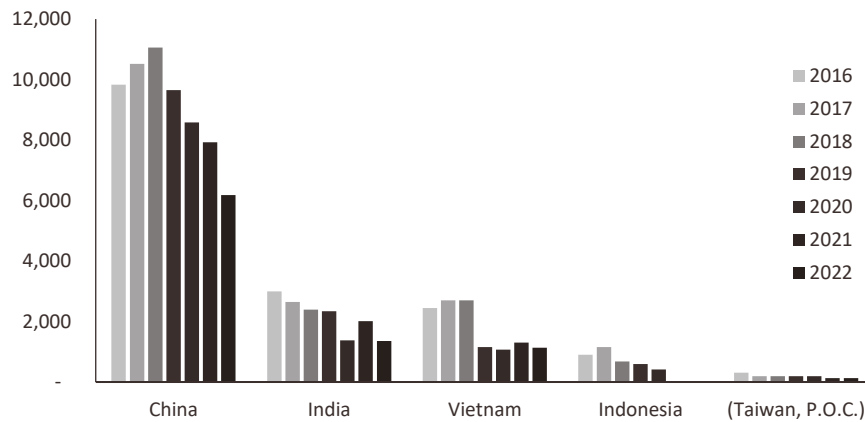
strength and low weight, its durability, dimensional stability, non-corrosive nature, ease of carving and drying, resistance to termites, fungi and weather, and its beauty. The purposes for which Teak is used are many, such as the construction of bridges and docks, furniture, railway cars and sleepers, and carpentry, in general. It is highly valued in shipyards, where it is used for ship decks; in addition, it is used for carving, and is durable as flooring.<sup>8</sup>

**Industrial Woods: Eucalyptus**

Eucalyptus is considered to be a precious wood among industrial woods and is also the most profitable due to its rapid growth, growing up to 75 m high with a 2 m diameter. After year 5, its properties are optimal for structural uses. Eucalyptus is remarkably diverse but 83% is used as cellulose in paper. The other 17% is used to manufacture posts, boards, furniture, veneer, among other uses.

**Tropical Wood Market in the World:**

Papua New Guinea and Malaysia lead the list of the largest exporters of tropical round logs, while China and India position themselves as the largest importers of this product. Countries previously on the export list, such as Myanmar, significantly reduced their exports as a result of government bans. While India has decreased its imports in recent years, mainly due to a slowdown in its economy, China has increased its imports of tropical wood.

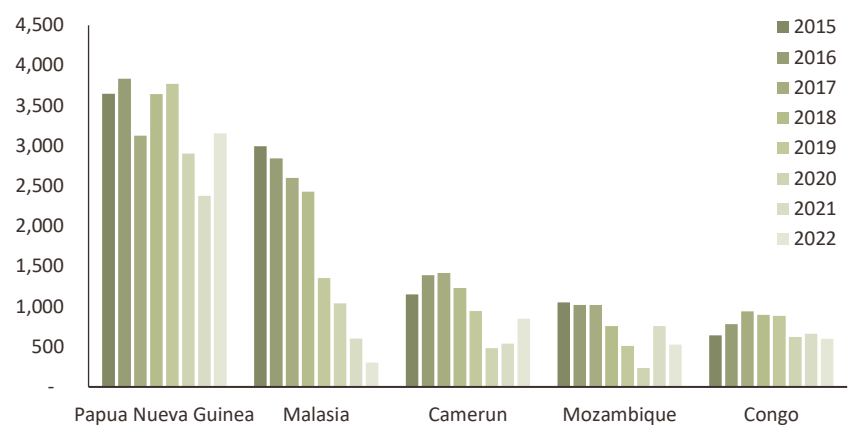


**Graph 6: Importers of Tropical Wood**

Source: ITTO Biennial Review

<sup>8</sup> ibidem. Pag. 3. The future of Teak in Tropical America <http://www.fao.org/docrep/n6845s/n6845s02.htm>.





**Graph 7 Exporters of Tropical Wood**  
 Fuente: ITTO Biennial Review

The most recent studies indicate that the growth rate in wood consumption is in line with population growth. Currently, most of the world's production comes from unsustainable sources (natural forests). Plantations will play a much more important role in meeting this demand as natural forests are exhausted or will be protected. Satisfying this demand in the future will require more than 9 million hectares of forest plantations, above the 4.3 million hectares of Teak currently planted, which are mainly composed of sub-optimal quality and growth plantations.

The clearest trend in the supply of Teak wood in the market is that as deforestation, or protection, of natural forests progresses, the dimensions of natural trees will get closer and closer to the dimensions of plantation trees, erasing thus the difference that exists today in the perception of quality of one wood and another. Another very important trend that will gain more and more strength is the consumption of certified wood. It is important to clarify that not all forest plantations are likely to be certified because a good part of them did not follow the high sustainability standards required from their origins.

According to the ITTO (International Tropical Timber Organization) in May 2014, the major global certification bodies (FSC and PEFC) reported a total gross area of 438 million hectares under their individual (approved) certification standards, of which only 182,000 hectares of Teak are certified.<sup>9</sup>

**World Teak Market**

Teak is one of the tropical woods with the greatest added value and one of the most difficult to obtain from natural forests. Teak is primarily obtained in Southeast Asia, as it originates from the tropical forests of Asia. Trends in Teak trade is mainly determined by the behavior and performance of the Asian market. It is estimated that the natural Teak forests expand 29 million hectares, mainly in India, Laos, Myanmar and Thailand, half of this figure is found in Myanmar. The estimated area

<sup>9</sup> Biennial Review and Assessment of the World Timber Situation 2013 - 2014, International Tropical Timber Organization, 2015.



of Teak plantations worldwide is 4.3 million hectares, of which 83% is in Asia, 11% in Africa, about 6% in the Americas and less than 1% in Oceania.<sup>10</sup>

On a global scale, 2 to 2.5 million cubic meters of Teak are harvested annually, including from natural forests and forest plantations, with forest plantations being the main source of harvest, accounting for 1 to 1.5 million cubic meters. It is estimated that this level of production will increase, particularly from forest plantations in Central and South America. Myanmar is the only country producing high-quality Teak from natural forests, while India, Laos, and Thailand have logging bans in their forests (illegal logging has been detected). Although there is no exact information on Myanmar's production, it is estimated that the maximum sustainable Teak production in this country is 50,000 cubic meters per year.<sup>11</sup>

Due to the fact that natural Teak production has reached its sustainable extraction limit, it is highly likely that the supply from natural forests is decreasing. According to estimates from the ITTO, prices for high-quality Teak logs exceed USD \$1,800 per cubic meter in Myanmar, while lower-quality Teak sawn timber can be sold for up to USD \$1,000 per cubic meter.<sup>12</sup>

The only known substitute for natural Teak is that produced in commercial plantations. Although it is cheaper than naturally extracted Teak, plantation Teak has been well accepted in the market.

Since the first Teak plantation was established at Nilambur, in the state of Kerala (India) in 1842, the production of high-quality wood has been carried out with relatively long rotation cycles of 50–70 years. However, shorter rotations of 20–30 years are now being used in many countries for veneer and sawlog production in order to achieve relatively faster returns. A new wave of innovation promises to reduce rotations to cycles of 15 to 20 years, which will allow even greater availability of Teak in world markets.

Only 1.1% of the world's commercial plantations are made of Teak.<sup>13</sup>

The introduction of Teak beyond its natural environment is a relatively recent phenomenon. The 83% of the world's teak plantations are found in the tropics of Asia (India and Indonesia being the most prominent), with 11% being planted in the tropical region of Africa (mainly Ghana and Nigeria). 5% has been planted in tropical regions of the Americas, with Panama, Costa Rica, Ecuador, and Brazil being the most prominent.<sup>14</sup> It is estimated that about 225,000 hectares have been planted in Latin America, and in Central America, there is the potential to plant at least another 100,000 hectares. Thus, within 20 years the potential production of Teak for Latin America would be around 1,300,000m<sup>3</sup>.<sup>15</sup>

As the trend for teak from commercial plantations with 20-30-year rotations continues to grow, the teakwood products industry is expected to develop new technologies for the harvesting of young wood.

## Domestic Teak Production

Mexico presents optimal ecological niches for the proper development and high yield of Teak in states with a tropical climate such as Chiapas, Campeche, Tabasco, Veracruz and Oaxaca. In addition, commercial Teak plantations have been

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<sup>10</sup> Kollert, W. and Cherubini, L. 2012. Teak resources and market assessment 2010. FAO Planted Forests and Trees Working Paper FP/47/E, Rome. Disponible en: <http://www.fao.org/forestry/plantedforests/67508@170537/en/>

<sup>11</sup> Ibidem, pp. 7.

<sup>12</sup> Ibidem, pp.20.

<sup>13</sup> Camino, Ronnie de, Las Plantaciones de Teca en América Latina; Mitos y Realidades, FAOCATIE, 2013, pp.4.

<sup>14</sup> The global Teak Study, Analysis, Evaluation and Future Potential of Teak Resources, Kollert W. Kleine M., 2017.

<sup>15</sup> Ibidem, pp.14.



carried out in Michoacán, Puebla, Jalisco, Colima, Nayarit and Tamaulipas, which also contemplate the planting of other precious woods, such as red cedar, mahogany, primavera, etc.<sup>16</sup>

Teak was first introduced to Mexico in 1950 by the now-defunct Papaloapan Commission, with the establishment of some plantations in Tabasco, Veracruz, Chiapas, and Campeche. According to the National Forestry Commission, Mexico has two main groups of Teak plantations: mixed plantations and exclusive Teak plantations. With the implementation of the Program for the Development of Commercial Forest Plantations (PRODEPLAN), the planted area of Teak along with other species from 2000 to 2014 was 177,216 hectares, while Teak-only plantations during the same period were 25,324 hectares. The most recent information shows that Campeche accounts for 34.8% of the established Teak area, followed by Tabasco with 28.7%, Chiapas with 11.6%, Veracruz with 9.0%, Nayarit with 7.7%, and the other states collectively account for 8.2%.<sup>17</sup>

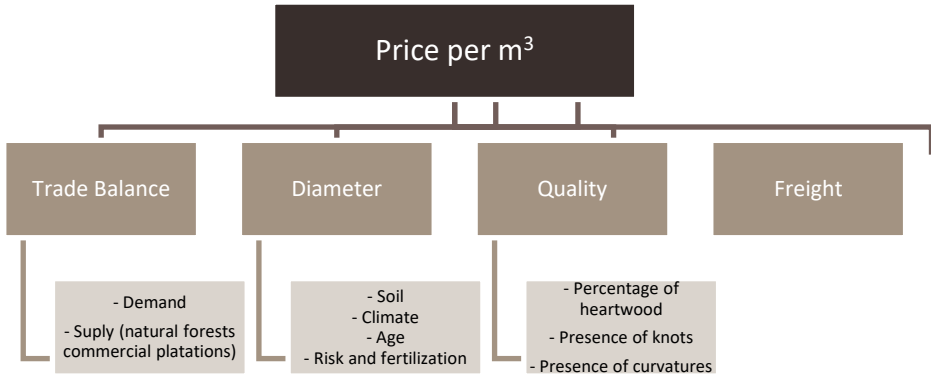
**Determination of Teak Prices**

The biological assets (specifically teak) of Proteak, particularly the mature ones, are a commodity product, therefore, their value is usually denominated in US dollars (USD). Refer to Note 4.1 of the Audited Financial Statements.

Teak prices depend, in addition to the supply/demand balance, on the diameter and length of the log, which in turn depends on age, soil, climate, irrigation, fertilization, quality (percentage of heartwood, knots, pith, certification, and defects), and the distance between the origin and consumption markets.

Silvicultural treatments such as thinning and pruning, if carried out rationally, can also improve wood quality, producing wood with minimal knots and curvature, less taper, and more heartwood.

The following table illustrates the variables that affect teak prices:



**Figure 1 Factors that determine the price of Teak**  
 Source: SAI with ITTO data and SAGARPA (FUMIAF) report.

Although there is no international system for classifying the quality of Teak wood, the best-known system is the one used by Myanmar for classifying the wood that is auctioned in the markets of the Burmese capital. This system classifies the wood according to the quality, as well as the diameter of the trunk (the larger the diameter, the greater the amount of wood to be sawn). The system has 8 levels, of which the first 3 indicate the highest quality wood and age for veneer (veneer quality). These 3 types of quality occur only in natural plantations, and the remaining 5 classify quality wood for sawmills

<sup>16</sup> Main Timber Species Established in PFC by Federal Entity, CONAFOR, 2015.  
<sup>17</sup> Ibid.



(sawing quality). High quality lumber is very scarce and fetches prices in the thousands of dollars per m3, while sawmill grade lumber is the most common and similar to lumber produced on commercial plantations.

Myanmar's classification system has the following categories:

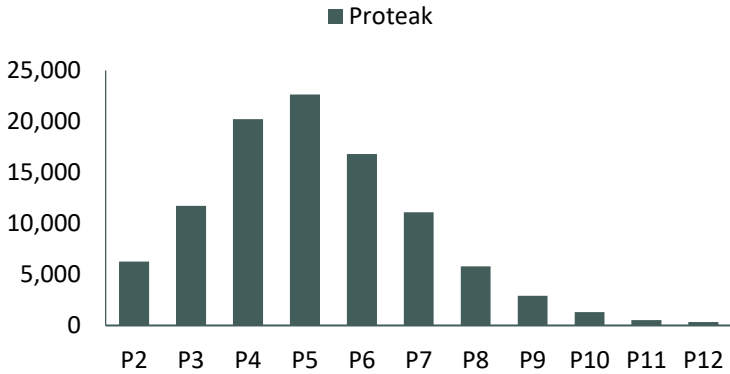
- Third Quality (4 Q)
- Sawing grade I (SG-1)
- Sawing Grade II (SG-2)
- Sawing Grade III (SG-3)
- Sawing Grade IV (SG-4)
- Sawing Grade IV (SG-5)
- Sawing Grade IV (SG-6)
- Sawing Grade IV (SG-7)

As for future forecasts, given the distribution of the age ranges and the long rotations no significant increase in the supply is expected in the next 20 years. The overexploitation of natural forests and their consequent reduction will be replaced by production in commercial plantations. Although in the short term the price of Teak has been affected due to factors such as the economic slowdown in India and the weakness of the Rupee (INR), according to Coillte Consult, it can be expected that in the long term the price of wood grows at or above inflation, considering a 1% potential real growth per year as a conservative estimate.

### Market Trends

As mentioned, Teak is the only economically viable plantation-based tropical hardwood and will therefore significantly increase its share of the tropical plantation wood market in the coming years.

Our market presence continues through our exports of round logs and lumber to Asia.



**Graph 8 Volume by size category for round logs**  
Source: Proteak Analysis

### Competition

Because the teak market in Mexico is very small and still developing, there are not many major competitors in the market. Among the most significant competitors is Santa Genoveva, an agricultural company that started planting in 2002 and which



plans to grow 19,560 hectares over 20 years. In 2008, the company raised funds through a structured instrument for the development of this growth plan.

Derived from the fact that our main sales are for export, our main competitors are large global players, but it is worth noting that the Teak market has such high levels of demand that currently all producers/marketers cannot satisfy it.

**Carbon Capture**

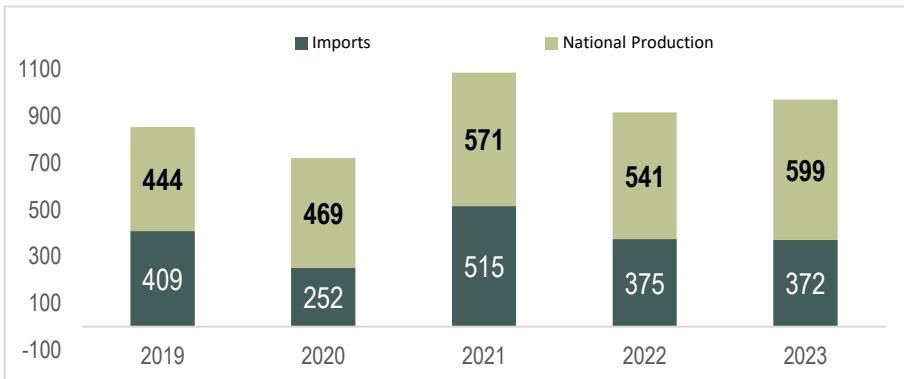
Proteak has voluntarily engaged in a carbon credit certification process, called the "Fresh Breeze Afforestation Project." This project has been developed under the standards of the Verified Carbon Standard (VCS) and was the first of its kind in Mexico, accumulating a reduction of 1,213,275 tons of carbon dioxide equivalent (tCO2e) during the period 2019-2020. For the period 2021-2022, a total of 55,301 (tCO2e) was captured. With regard to these latest tons of CO2e, the verification process will be concluded in 2024 to sell them in the international voluntary market.

The Company firmly believes that carbon capture will make a significant contribution to mitigating climate change. It also seeks to demonstrate that forest plantations are an ideal instrument to encourage private investment in the sector, in addition to promoting afforestation projects in local communities. Additionally, the project will contribute to sustainability in Mexico, by i) increasing the supply and quality of work; ii) decentralized rural development; iii) increase net production value, iv) improvements in the fiscal balance; v) preservation of biodiversity, and vi) preservation and improvement of soil quality.

**MDF Mexican Market**

During 2023, the market value of MDF in Mexico exceeded 970,000 m3 (6% more than in 2022). The share of imports continues to be significant, accounting for 38% of the total (1% less than in 2022); however, compared to 2021, imports have lost 9 percentage points of market share in Mexico. Since 2021, China's share has averaged around 40% of the total, followed by Brazil and Chile, which remain at the top of importers; the entry of new players into the market (Kronospan) has increased the supply of products.

Regarding domestic production, the main players maintain their consolidation in the Mexican market, with the main brands being Arauco, Tecnotabla, and Duraplay. The latter, during 2023, announced the acquisition of the particleboard plant located in Chihuahua that belonged to Masisa.



**Graph 9: Nacional MDF Market (m³)**  
 Source: Proteak Uno, S.A.B de C.V.





## **MDF Prices in Mexico**

During 2023, the average price per m<sup>3</sup> of MDF continued to decline, a trend observed since the second half of 2022 and persisted throughout 2023, driven by the market stabilization process. Considering that 2021 was an extraordinary year of operation and that imports of value-added products from Asia pressured the decrease in prices, particularly in some regions of the country. Even though the contraction in demand and the decrease in prices remained constant, the average price per m<sup>3</sup> of MDF in our sales in the domestic market reached \$7,132 MXN/m<sup>3</sup> in 2023 vs. \$9,628 MXN/m<sup>3</sup> in 2022. Towards the end of 2023, the price of Bare MDF increased, and it is expected that by 2024, the prices of both bare and value-added boards will experience an upward adjustment.

## **Market Trends**

For 2023, the board market in Mexico remains relatively young but has shown increased dynamism due to the entry of new players and an increase in the variety of products with different characteristics and designs.

The maturity of established producers in the country, along with the professionalization of distributors and increased knowledge among large, medium, and small manufacturers, as well as the contribution of allies such as architecture, design, universities, and content creators (influencers), who have strengthened and increased their presence on social media and their level of impact on the end consumer, among others, have boosted the penetration and use of this material in various sectors of Mexico.

Although the contraction of demand, the downward trend in MDF prices, the entry of new players, and imports continue to be significant influences in the market, the sector remains active, and some key points stand out:

- Natural wood, particleboard, and other materials continue to be replaced by increased use of MDF, expanding its penetration, due to the growing awareness of the attributes and qualities of medium-density fiberboard.
- The COVID-19 pandemic caused a shift in consumption habits in the construction and furniture manufacturing sectors, increasing demand and the turnover time for distributors. This has led to a good recovery in these industries and has opened up business opportunities for Mexican producers and companies.

As a result, the use of value-added boards has significantly benefited, highlighting the attributes of their use and increasing their market share in Mexico from 18% in 2022 to 22% in 2023, which reflects an opportunity for price and margin recovery.

Even though the consumption of MDF boards in Mexico has been increasing in recent years, compared to per capita figures in other countries, it is still low. The entry of new players in the market, the increase in the supply of value-added products, the use of technology in material manufacturing, the participation of other industries such as construction, design, universities, and sector specialists, as well as the showcasing of materials in fairs, exhibitions, etc., open up a range of opportunities for the development and growth of the industry.

## **Competition**

In 2023, there were five domestic MDF producers in Mexico: Tecnotabla, Arauco, Emman, Macosa, and Duraplay. On the other hand, the offering of value-added products in the Mexican market includes various brands representing the same producers, importers, and some distributors with their own brands.



By the end of the year, domestic production reached 62% participation (3 percentage points higher than in 2022). Local producers also benefited from the dynamism in the market and high demand, despite the impact of the decrease in board prices. However, global trends open opportunities for the advancement of the industry in the Mexican market, as evidenced by the entry of Kronospan, which increased its market share in different regions throughout the year.

### 2.2.10 Corporate Structure

Proteak was incorporated on September 11, 2001, by means of public deed number 1,003, issued by Mr. Alfredo Bauza Witte, Notary Public number 230 in and for Mexico City, and registered in the Public Registry of Commerce of the Federal District under commercial entry number 281217.

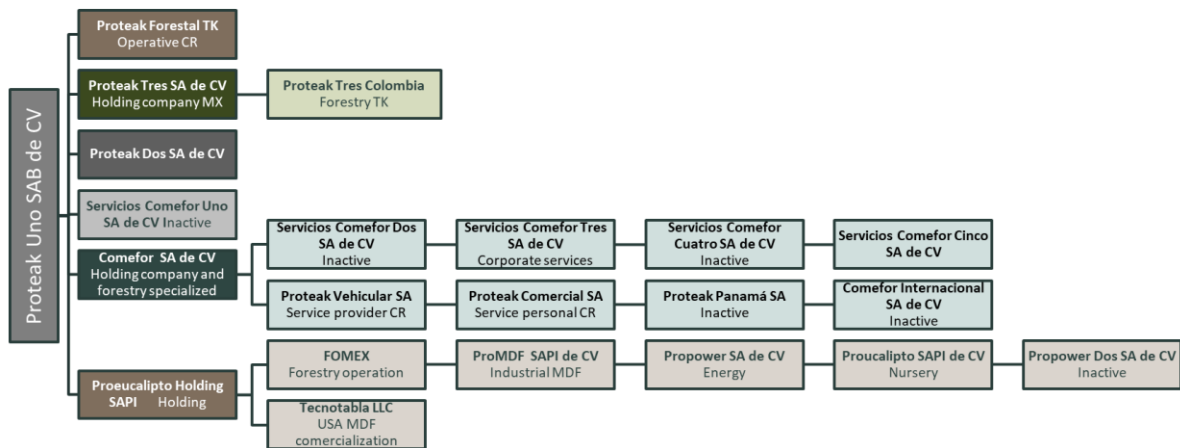
ProMDF S.A.P.I de C.V.'s main objective is the construction, equipping and operation of a medium density fiberboard (MDF) plant. The company was incorporated on April 22, 2013 and began operations in June 2016.

Comefor began operations in 2007 for the purpose of trading the wood from Proteak's first thinning. It was incorporated on April 19, 2007 by means of public deed number 28,245, issued by José Eugenio Castañeda Escobedo, Notary Public Number 211 in and for Mexico City, and registered in the Public Registry of Commerce of the Federal District under commercial folio number 365817 on June 16, 2007. The shareholders' meeting in which Comefor was consolidated as a subsidiary of Proteak was held on October 27, 2009.

From 2011 Proteak, in order to extend its operations in Central America, created new companies: Proteak Panama, Proteak Forestal, Proteak Vehicular, Proteak Comercial, Proteak DOS, Proteak TRES, Proteak TRES sucursal, Comercializadora Internacional Proteak Colombia and Comefor Internacional.

Four companies, Proteak Uno, and Fomex in Mexico, Proteak Forestal in Costa Rica and Proteak Tres in Colombia maintain forestry assets, with Fomex specializing in Eucalyptus and the other three in Teak. ProMDF maintains the required assets for forest production. Fomex and ProMDF have employees since the reform in Mexico on subcontracting.

A diagram describing the composition of Proteak is shown below:



**Diagram 1 Corporate Structure**  
Source: Proteak Uno, S.A.B. de C.V.

For more information see note 1 of the Audited Financial Statements.

### 2.2.10.1 Control of the Issuer

Proteak does not have any person or group of persons exerting control over it, nor does it have any special class of shares granting any special rights to its holders.

### 2.2.11 Description of its main assets

Proteak's main assets are the lands where the plantations are located and the Biological Asset (trees) that are growing on these lands, together they make up what are called Forest Assets.

The asset owned by Pro MDF is described below:

Ranch	Country	State	Area / Has
Los Naranjos	Mexico	Tabasco	31
<b>TOTAL</b>			<b>31</b>

**Table 19: Pro MDF properties**  
Source: Proteak Uno, S.A.B. de C.V.

As part of Pro MDF's asset list is the MDF Plant built on the Los Naranjos property, with a lifespan of up to 25 years. This plant has a net installed capacity of 260,000 m3 of MDF board. Two years after starting operations, production levels



exceeded 190,000 m3. During 2022, production surpassed 210,000 m3. To date, there are no plans to build, expand, or make improvements to the facilities.

Below is the list of properties owned by Fomex, the effective surface area level of the land is on average 80%:

Ranch	Country	State	Surface (ha). Deed
Plots 12, 13, 23, 24, José María Pino Suárez	Mexico	Tabasco	400
75 Bis, Manuel Sánchez Marmol	Mexico	Tabasco	49
Plot 3, Laguna del Rosario	Mexico	Tabasco	79
Plots 60 y 64, Agrícola Gregorio Méndez	Mexico	Tabasco	52
Plot 14, José María Pino Suárez	Mexico	Tabasco	100
Plot 10, Ranchería Tierra Colorada	Mexico	Tabasco	50
Plot 87, Manuel Sánchez Marmol	Mexico	Tabasco	100
Plots 50-A, 59, A, 59B, 55, 58, Agrícola Venutiano Carranza	Mexico	Tabasco	179
Plot 16, Laguna del Rosario	Mexico	Tabasco	100
Plot 27, Laguna del Rosario	Mexico	Tabasco	100
Plot 40, Laguna del Rosario	Mexico	Tabasco	100
Plot 19, Fracc. 1, Laguna del Rosario	Mexico	Tabasco	100
Plot 33, 109, 109A, Cuitlahuac, Choapas	Mexico	Veracruz (Choapas)	239
Rustic Property Ranchería Tancochapan	Mexico	Tabasco	100
Plots 3, 4, 5, 6, 9, 10, 11, 12, 13, 14, 15, 16, 26, 27, Col Pedro C. Colorado	Mexico	Tabasco	711
Rustic Property Ranchería Tierra Colorada	Mexico	Tabasco	25
Rustic Property Ranchería Tancochapa	Mexico	Tabasco	2,246
Section of Rustic Property	Mexico	Veracruz (Choapas)	10
Plot 88, Manuel Sánchez Marmol	Mexico	Tabasco	100
El Ausente	Mexico	Tabasco	196
Los Panchos	Mexico	Tabasco	490
Valle Verde	Mexico	Tabasco	316
Piñas Primavera	Mexico	Tabasco	280
Santa Elena	Mexico	Tabasco	100
El Trebol (Promesa de compra venta)	Mexico	Tabasco	553
Eucaliptos Maravilla	Mexico	Tabasco	275
<b>TOTAL</b>			<b>7,051</b>

**Table 20 Fomex Properties**  
Source: Proteak Uno, S.A.B. de C.V.



These assets are the properties owned by Proteak. As Fomex, the level of effective land area is on average 80%:

Ranch	Country	State	Surface (ha). Deed
Ajengibre	Mexico	Jalisco	676
Ardillas	Mexico	Nayarit	131
Asterisco	Mexico	Chiapas	98
Capitán	Mexico	Nayarit	253
Capri	Mexico	Chiapas	14
Cuvadonga	Mexico	Tabasco	196
Desenredo	Mexico	Nayarit	86
Diamante	Mexico	Tabasco	62
Don Justi	Mexico	Tabasco	77
El Abuelo	Mexico	Tabasco	494
El Azteca	Mexico	Tabasco	378
El Establo	Mexico	Chiapas	35
El Milagro	Mexico	Chiapas	105
El Porvenir	Mexico	Tabasco	67
El Rincón	Mexico	Chiapas	138
Empeño I y II	Mexico	Nayarit	314
Enredo	Mexico	Nayarit	103
Esperanza	Mexico	Nayarit	64
Insomnio	Mexico	Nayarit	138
La Estrella	Mexico	Chiapas	214

Ranch	Country	State	Surface (ha). Deed
La Laguna	Mexico	Tabasco	400
Las Amapas	Mexico	Tabasco	360
Las Caobas	Mexico	Tabasco	317
Libertad	Mexico	Nayarit	166
Los Brasiles	Mexico	Tabasco	360
Los Cedros	Mexico	Tabasco	100
Mariachi	Mexico	Nayarit	114
Nueva Pezuña	Mexico	Chiapas	20
Pasiones	Mexico	Nayarit	179
Pediatra	Mexico	Nayarit	229
Piedra Santa	Mexico	Tabasco	356
Pocito	Mexico	Tabasco	600
San Agustín	Mexico	Chiapas	70
San Juan	Mexico	Chiapas	102
San Pablo	Mexico	Tabasco	180
Santa Rosa	Mexico	Tabasco	95
Tintal	Mexico	Tabasco	385
Victoria 2	Mexico	Nayarit	108
Victoria 7	Mexico	Nayarit	89
Zombie	Mexico	Chiapas	157
<b>TOTAL</b>			<b>8,030</b>

**Table 21 Properties of Proteak**  
Source: Proteak Uno, S.A.B. de C.V.

Proteak preserves and protects natural areas. In Costa Rica, environmental law states that if a piece of land remains untouched for more than 3 years and native vegetation from the area invades it, it automatically becomes a protected area.

The credit granted by the IFC and PROPARCO is secured by some rural and/or urban properties as well as biological assets totaling MXN \$1,711MM.

Another important asset of Proteak is the biological asset, which consists of the usable forest mass or stand.

Additionally, Proteak has machinery and equipment to carry out forestry operations, including agricultural machinery and implements (tractors, excavators, harvesters, loaders, trucks, plows, ditches, lime spreaders, drills, etc.). On the other hand, Pro MDF, the subsidiary dedicated to manufacturing MDF boards from Eucalyptus, has the civil works and buildings corresponding to the plant located in the municipality of Huimanguillo, Tabasco, as well as all the machinery and equipment involved in the production process.

In compliance with the terms of the credit contract between Pro MDF and AKA, dated January 14, 2014, a guarantee is required, which is controlled through the Irrevocable Guarantee Trust Agreement identified under number F/2137. As of December 31, 2023, and 2022, the assets comprising the MDF industrial plant are contributed to this trust, with a book value of \$1,463,208 and \$1,403,856, thousands of Mexican pesos, respectively.





The details and terms of the credits are described in section 3.3 Relevant Credit Information of this report.

#### 2.2.12 Judicial, Administrative or Arbitration Processes

There is no pending judicial, administrative, or arbitration procedure against Proteak, Comefor, or the Trustee that is relevant to the bondholders. There is also no knowledge of any procedure that could be enforced by government authorities that represents a material contingency for the Company's financial situation. For more information, see note 20 of the Audited Financial Statements.

As of the date of this Annual Report, the company is not subject to the provisions established in articles 9 and 10 of the Commercial Bankruptcy Law.

#### 2.2.13 Representative Shares of the Social Capital

As of December 31, 2023, and 2022, there are 244,736,886 and 2,455,299 shares pending subscription, respectively.

During 2023, 249,957 Ordinary Participation Certificates (CPO) were subscribed, with a nominal value of \$3.00, for a total amount of MXN \$0.8MM. Additionally, a premium for the subscription of these CPOs was decreed for a net amount of MXN \$1.1MM.

Likewise, it was agreed to cancel the reserve of the stock plan for employees.

During 2022, 3,000,000 shares were capitalized, with a nominal value of \$0.960438945, for an amount of MXN \$2.8MM, corresponding to 1,000,000 accrued CPOs, corresponding to the stock plan for executives and employees.

During 2021, 6,000,000 shares were capitalized, with a nominal value of \$0.960438945, for an amount of MXN \$5.8MM, corresponding to 2,000,000 accrued CPOs, corresponding to the stock plan for executives and employees.

As of December 31, 2021, the reserve of the CPOs allocated to the approved stock plan for executives and employees amounted to MXN \$20.5MM.

Dividends paid in cash or in kind by Mexican companies in the Group are subject to income tax if the dividends are paid from profits that have not been taxed by the Income Tax Law. In this case, the dividends will be taxed by multiplying them by a factor of 1.4286 and applying the income tax rate of 30% to the result. This income tax must be paid by the Company distributing the dividends. Additionally, it is established that entities distributing dividends to their shareholders, who are individuals or residents abroad, must withhold 10% for income tax, which will be paid in Mexico.

The above will not apply when the distributed dividends come from the "net fiscal profit account" that the distributing company had as of December 31, 2013.

In the case of a reduction of capital, the procedures established by the Income Tax Law (LISR) provide that any surplus in the balance of the contributed capital account be given the same tax treatment as applicable to dividends.

As of December 31, 2023, and 2022, the Company does not have a balance in the Net Fiscal Profit Account (CUFIN).



### **Share-based Payments**

As of December 31, 2023, the Company's Management decided to cancel the CPO plan it had established. As a result, the CPOs designated for this plan were canceled as follows:

	<b>Number of CPOs</b>
As of January 1, 2023	3,365,000
Cancelled 2023	(3,365,000)
As of December 31, 2023	-

**Table 22 Cancellation of CPO**  
Source: Audited Financial Statements

As of January 1, 2022, the movements in the number of outstanding CPOs amounted to 4,200,000 with an average price of MXN \$5.49. In 2022, 835,000 CPOs were granted at an average price of MXN \$5.49. These were allocated and delivered, resulting in a total of 3,365,000 CPOs as of December 31, 2022.

In 2021, out of the 3,365,000 CPOs, 1,365,000 were accrued but pending delivery, while the remaining 2,000,000 were yet to be accrued. The CPOs granted represented 3,031,285 shares at the weighted average price of MXN \$6.05 each.

Refer to Note 17.2 of the Audited Financial Statements for further details.

#### **2.2.14 Dividends**

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

As of December 31, 2023, the company has not declared or established any dividends. Refer to Note 2, section (u) of the Audited Financial Statements for further information.



# Financial Information

## 3.1 Selected financial information

The selected financial information is presented below. In order to generate a comparability of the data. Please refer to Note 3 of the Audited Financial Statements for a summary of accounting policies.

	2023	2022	2021
Net Income	1,395,810	1,919,690	1,938,424
Loss Generated by Change in Fair Value of Biological Assets	(57,261)	(473,536)	73,631
Subsidies Received	2,877	-	6,360
Cost of Sales	(1,339,808)	(1,448,973)	(1,421,462)
Administrative and Selling Expenses	(278,281)	(296,275)	(310,337)
Other Income - Net	18,683	30,777	35,246
<b>OPERATING PROFIT (LOSS)</b>	<b>(257,980)</b>	<b>(268,317)</b>	<b>321,862</b>
Equity interest in joint venture	63,556	(68)	24,252
Comprehensive financing result	8,851	(78,301)	(187,348)
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(185,573)</b>	<b>(346,686)</b>	<b>158,766</b>
Income Taxes	(115,144)	50,146	94,507
<b>CONSOLIDATED NET INCOME (LOSS)</b>	<b>(300,717)</b>	<b>(296,540)</b>	<b>253,273</b>

Table 23 Consolidated Income Statement (MXN '000)

Source: Audited Financial Statements



Assets	dec-23	dec-22	dec-21
Cash and cash equivalents	86,703	273,348	452,900
Customers	88,433	193,691	202,080
Recoverable taxes	200,239	208,210	156,139
Accounts receivable from related parties	10,874	8,359	-
Sundry debtors	117	51	1,127
Inventory of wood and processed wood	384,285	482,205	295,616
Mature consumable biological assets	123,343	150,767	83,026
Prepayments	47,077	115,646	122,422
Long-lived assets held for sale	13,277	-	-
Restricted cash	90,741	161,537	125,967
Right-of-use assets	203,537	192,974	41,460
Mature and immature consumable biological assets	1,562,213	1,628,897	2,115,983
Property, machinery, and equipment	2,513,350	2,579,528	2,862,794
Deferred income tax	183,436	138,302	97,562
Joint venture investment	292,672	267,178	280,203
Advance payments	6,151	3,161	9,077
Guarantee deposits	1,113	590	3,223
<b>Total Assets</b>	<b>5,807,561</b>	<b>6,404,444</b>	<b>6,849,579</b>

Table 24 Proteak Assets Distribution (MXN '000)

Source: Audited Financial Statements

	2023	2022	2021
Profit (loss) per share MXN	(0.252)	(0.274)	0.229
Depreciation and amortization for the fiscal year	164,987	128,662	126,076
Accounts receivable turnover (times)	15.78	9.91	9.59
Accounts payable turnover (times)	(5.18)	(6.88)	(13.72)
Inventory turnover (times)	(3.49)	(3.00)	(4.81)

Table 25 Financial Indicators

Source: Audited Financial Statements

### Statement of Financial Position

Assets	2023	2022	2021	Variations 2023-2022	Δ 2023-2022
Cash and cash equivalents	86,703	273,348	452,900	(186,645)	(68.3%)
Customers	88,433	193,691	202,080	(105,258)	(54.3%)
Recoverable taxes	200,239	208,210	156,139	(7,971)	(3.8%)
Accounts receivable from related parties	10,874	8,359	-	2,515	30.1%
Sundry debtors	117	51	1,127	66	129.4%
Inventories	384,285	482,205	295,616	(97,920)	(20.3%)
Mature consumable biological assets	123,343	150,767	83,026	(27,424)	(18.2%)
Prepayments	47,077	115,646	122,422	(68,569)	(59.3%)
Long-term assets held for sale	13,277	-	-	13,277	0.0%
<b>Current Assets</b>	<b>954,348</b>	<b>1,432,277</b>	<b>1,313,310</b>	<b>(477,929)</b>	<b>(33.4%)</b>
Restricted cash	90,741	161,537	125,967	(70,796)	(43.8%)
Right-of-use assets	203,537	192,974	41,460	10,563	5.5%
Biological assets, mature and immature consumables	1,562,213	1,628,897	2,115,983	(66,684)	(4.1%)
Property, machinery, and equipment	2,513,350	2,579,528	2,862,794	(66,178)	(2.6%)
Deferred income taxes	183,436	138,302	97,562	45,134	32.6%
Investment in joint venture	292,672	267,178	280,203	25,494	9.5%
Prepayments	6,151	3,161	9,077	2,990	94.6%
Security deposits	1,113	590	3,223	523	88.6%
<b>Non-Current Assets</b>	<b>4,853,213</b>	<b>4,972,167</b>	<b>5,536,269</b>	<b>(118,954)</b>	<b>(2.4%)</b>
<b>Total Assets</b>	<b>5,807,561</b>	<b>6,404,444</b>	<b>6,849,579</b>	<b>(596,883)</b>	<b>(9.3%)</b>
Suppliers	258,650	210,492	103,622	48,158	22.9%
Sundry creditors	67,318	130,976	130,837	(63,658)	(46.8%)
Financial leasing	70,762	54,682	34,201	16,080	29.4%
Accounts payable to related parties	794	1,563	-	(769)	(49.2%)
Provisions	15,997	16,497	9,840	(500)	(3.0%)
Contract liabilities	90,092	49,929	24,160	40,163	80.4%
Income tax payable	49,057	15,326	13,407	33,731	220.1%
Short-term credits	476,211	449,796	244,533	26,415	5.9%
<b>Short-Term Liabilities</b>	<b>1,028,881</b>	<b>929,261</b>	<b>560,600</b>	<b>99,620</b>	<b>10.7%</b>
Labor obligations	15,385	9,134	12,487	6,251	68.4%
Long-term finance leases	93,550	98,236	63,282	(4,686)	(4.5%)
Long-term credits	1,344,936	1,636,285	1,882,074	(291,349)	(17.8%)
Deferred income tax	540,006	437,005	511,060	103,001	23.6%
<b>Long-term Liabilities</b>	<b>1,993,877</b>	<b>2,180,660</b>	<b>2,468,903</b>	<b>(186,783)</b>	<b>(8.6%)</b>
<b>Total Liabilities</b>	<b>3,022,758</b>	<b>3,109,921</b>	<b>3,029,503</b>	<b>(87,163)</b>	<b>(2.8%)</b>
Subscribed and exhibited share capital	2,656,820	2,656,070	2,653,189	750	0.0%
Share premium	152,851	153,957	153,957	(1,106)	(0.7%)
Other reserves	-	18,709	21,590	(18,709)	(100.0%)
Accumulated deficit	(318,520)	(12,753)	(233,077)	(305,767)	2397.6%
Profit (loss) for the year	(279,565)	(305,767)	220,324	26,202	(8.6%)
Accumulated translation adjustment	148,187	347,770	556,212	(199,583)	(57.4%)
Revaluation surplus	325,957	312,525	332,835	13,432	4.3%
Other equity items (non-controlling interest)	99,073	124,012	115,046	(24,939)	(20.1%)
<b>Shareholders' equity</b>	<b>2,784,803</b>	<b>3,294,523</b>	<b>3,820,076</b>	<b>(509,720)</b>	<b>(15.5%)</b>
<b>Total liabilities and stockholders' equity</b>	<b>5,807,561</b>	<b>6,404,444</b>	<b>6,849,579</b>	<b>(596,883)</b>	<b>(9.3%)</b>

Table 26 Consolidated Balance Sheet (MXN '000)

Source: Proteak Audited Financial Statements



### 3.2 Financial information by line of business, geographical area, and export sales

In 2023, revenue from the sale of MDF products exceeded MXN \$1,300MM, a decrease of -28% compared to 2022, primarily affected by price reductions, while maintaining a solid second place in the domestic market.

	2023				2022				2021			
	Teak	Eucalyptus	MDF	Total	Teak	Eucalyptus	MDF	Total	Teak	Eucalyptus	MDF	Total
Income	27	-	1,369	1,396	18	-	1,902	1,920	35	-	1,904	1,938
Losses generated by changes in fair value	(57)	-	-	(57)	(474)	-	-	(474)	74	-	-	74
Subsidies received	-	3	-	3	-	-	-	-	-	6	-	6
<b>Total Revenue</b>	<b>(30)</b>	<b>3</b>	<b>1,369</b>	<b>1,341</b>	<b>(456)</b>	<b>-</b>	<b>1,902</b>	<b>1,446</b>	<b>108</b>	<b>6</b>	<b>1,904</b>	<b>2,018</b>
Historical timber cost	(16)	-	-	(16)	(14)	-	-	(14)	(92)	-	-	(92)
Depreciation	(18)	-	(141)	(160)	(5)	-	(119)	(124)	(2)	-	(119)	(121)
MDF board costs	-	-	(1,139)	(1,139)	-	-	(1,309)	(1,309)	-	-	(1,181)	(1,181)
Logistics costs	(26)	-	-	(26)	(1)	-	-	(1)	(27)	-	-	(27)
<b>Total Costs</b>	<b>(60)</b>	<b>-</b>	<b>(1,280)</b>	<b>(1,340)</b>	<b>(20)</b>	<b>-</b>	<b>(1,429)</b>	<b>(1,449)</b>	<b>(121)</b>	<b>-</b>	<b>(1,300)</b>	<b>(1,421)</b>
Salaries and wages	(16)	(28)	(39)	(83)	(21)	(17)	(25)	(63)	(31)	(7)	(20)	(59)
Professional services	(17)	(3)	(8)	(28)	(36)	(4)	(4)	(43)	(53)	(1)	(10)	(64)
Depreciation	(5)	-	(0)	(5)	(4)	-	-	(4)	(5)	-	(0)	(5)
Travel expenses	(6)	(0)	(2)	(9)	(6)	(0)	(2)	(7)	(2)	(0)	(0)	(3)
Office services	(12)	(3)	(6)	(21)	(12)	(4)	(7)	(23)	(9)	(1)	(5)	(14)
Other	(6)	(2)	(2)	(9)	7	(22)	(1)	(16)	(8)	(5)	1	(13)
Freight	-	-	(123)	(123)	-	-	(124)	(124)	-	-	(145)	(145)
Allowance for doubtful accounts	0	-	(1)	(1)	(6)	-	(4)	(9)	(2)	-	1	(0)
Employee stock plan	-	-	-	-	(7)	-	-	(7)	(7)	-	-	(7)
<b>Total costs</b>	<b>(63)</b>	<b>(35)</b>	<b>(181)</b>	<b>(278)</b>	<b>(83)</b>	<b>(47)</b>	<b>(166)</b>	<b>(296)</b>	<b>(118)</b>	<b>(14)</b>	<b>(178)</b>	<b>(310)</b>
Other Net Income	15	6	(2)	19	29	1	0	31	24	10	1	35
<b>Operating loss (income)</b>	<b>(138)</b>	<b>(26)</b>	<b>(94)</b>	<b>(258)</b>	<b>(530)</b>	<b>(46)</b>	<b>308</b>	<b>(268)</b>	<b>(106)</b>	<b>2</b>	<b>426</b>	<b>322</b>

Table 27 Operating Income by Segment (MXN MM)

Table 27 Operating Income by Segment



The assets by business unit as of December 31, 2023, 2022, and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Teak	1,925,150	2,496,555	2,674,752
Eucalyptus	1,258,454	1,111,561	1,470,674
PRO MDF	2,623,957	2,796,328	2,704,153
<b>Total</b>	<b>5,807,561</b>	<b>6,404,444</b>	<b>6,849,579</b>

**Table 28 Assets by Segment (MXN '000)**

Source: Audited Financial Statements

The liabilities by segment as of December 31, 2023, 2022, and 2021 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Teak	532,584	293,023	436,070
Eucalyptus	358,998	744,074	528,667
PRO MDF	2,131,176	2,072,824	2,064,766
<b>Total</b>	<b>3,022,758</b>	<b>3,109,921</b>	<b>3,029,503</b>

**Table 29 Liabilities by Segment (MXN '000)**

Source: Audited Financial Statements

The revenue by geographical region as of December 31, 2023, 2022, and 2021 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Mexico	1,356,790	1,824,159	1,864,091
United States of America	39,020	95,531	74,333
<b>Total</b>	<b>1,395,810</b>	<b>1,919,690</b>	<b>1,938,424</b>

**Table 30 Income by geographical area (MXN '000)**

Source: Audited Financial Statements

Non-current assets, excluding deferred taxes, by geographical region as of December 31, 2023, 2022, and 2021 are as follows:

	2023	2022	2021
Mexico	4,642,495	4,800,737	5,391,069
United States of America	467	533	515
Costa Rica	26,815	32,595	47,123
<b>Total</b>	<b>4,669,777</b>	<b>4,833,865</b>	<b>5,438,707</b>

Table 31 Non-current assets excluding deferred taxes by geographical area (MXN '000)

Source: Audited Financial Statements

### 3.3 Relevant Credit Information

The table below shows the analysis of Proteak's financial liabilities based on the period between the date of the consolidated statement of financial position and the maturity date. The amounts presented in the table correspond to undiscounted cash flows, including interest.

As of December 31, 2023, 2022, and 2021, the Company held credits for the amounts of MXN \$1,821MM, MXN \$2,086MM, and MXN \$2,127MM, respectively, for long-term loans, which are analyzed as follows:

Institution	2023		2022		2021	
	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
AKA-Commerzbanck Aktiengesellschaft (1)	56,068	1,004,320	40,425	1,173,311	21,852	1,306,228
Proparco (2)	52,432	144,268	50,995	205,721	1,698	261,028
International Finance Corporation (IFC) (3)	67,711	196,348	58,543	257,253	1,733	314,818
Sabadell (4)	300,000	-	299,833	-	199,250	-
Mexarrend	-	-	-	-	20,000	-
<b>Total</b>	<b>476,211</b>	<b>1,344,936</b>	<b>449,796</b>	<b>1,636,285</b>	<b>244,533</b>	<b>1,882,074</b>

Table 32 Proteak Credit (MXN '000)

Source: Audited Financial Statements

- (1) In 2014, a credit agreement was signed between Pro MDF and AKA Ausfunhrkredit-Gesellschaft mbh (AKA) with an annual fixed interest rate of 3.68%. As of December 31, 2023, and 2022, the outstanding balance payable to AKA amounted to MXN \$1,060MM and MXN \$1,213MM, respectively, of which MXN \$18MM and MXN \$21MM correspond to accrued interest at the same dates.

Subsequent to the signing of the original contract, on October 19, 2021, an amendatory agreement was executed, which remains in effect as of the date of these financial statements. As part of the amendatory agreement, new ratios were established, along with the timeframe for compliance, additionally, the amendatory agreement also modified the semiannual payments to be made from January 2023 until January 2029.



In compliance with the terms of the credit agreement, a guarantee is required, which is managed through the Irrevocable Trust Agreement identified as F/2137. As of December 31, 2023, and 2022, the assets comprising the MDF industrial plant are contributed to this trust. The book value of these assets is MXN \$1,463MM and MXN \$1,404MM, respectively.

- (2) Promotion et Participation pour la Coopération Economique (Proparco). During 2017, a credit agreement was signed between Proteak and Proparco with a fixed annual interest rate of 7.95%. As of December 31, 2023, and 2022, the outstanding balance payable to Proparco amounted to MXN \$196MM and MXN \$257MM, respectively, of which MXN \$6MM and MXN \$8MM, correspond to accrued interest payable at the same dates.

Subsequent to the signing of the original contract, on November 8, 2021, an amending agreement was signed, which remains in effect as of the date of these financial statements, as part of the amending agreement, the initial payment dates were postponed.

- (3) There is a credit agreement between Proteak and IFC, with fixed and variable interest rates considering loans in Mexican pesos and USD; as of December 31, 2023, and 2022, the outstanding balance owed to IFC amounted to MXN \$264MM and MXN \$316MM, respectively, of which MXN \$8MM and MXN \$5MM correspond to accrued interest as of the same dates.

Subsequent to the original contract signing, on November 8, 2021, an amending agreement was signed, which remains in effect as of the date of these financial statements, as part of the amending agreement, the initial payment dates were postponed.

In compliance with the terms of the credit agreement, an Irrevocable Trust Agreement for the Administration and Guarantee of Real Estate and Biological Assets was entered into with IFC and Proparco. As of December 31, 2023, and 2022, land and biological assets are contributed to the trust; the value of these assets as of December 31, 2023, amounts to MXN \$1,711MM.

- (4) During 2022, credit opening contracts for working capital were signed in the form of revolving credit facilities between Pro MDF and Sabadell, with a variable interest rate of 4% plus the Interbank Equilibrium Interest Rate (TIIE) 28 days. As of December 31, 2023, and 2022, the outstanding balance payable to Sabadell amounted to MXN \$300MM and MXN \$299MM, respectively. As part of the contract, the Company is obligated to pay a 1% commission for the use of the credit lines, calculated on the maximum amount of the credits, which will be payable once, after the first drawdown of each line. Additionally, an annual maintenance fee of 1% on the maximum amount of the credits will be paid on each anniversary date of the contract signings.

During the second half of 2023, the Company conducted a series of negotiations with financial institutions from which it has contracted its bank loans, in these negotiations, the Company obtained agreements to defer or postpone the maturity dates of interest and principal payments from the second half of 2023, postponing these maturities to 2024.

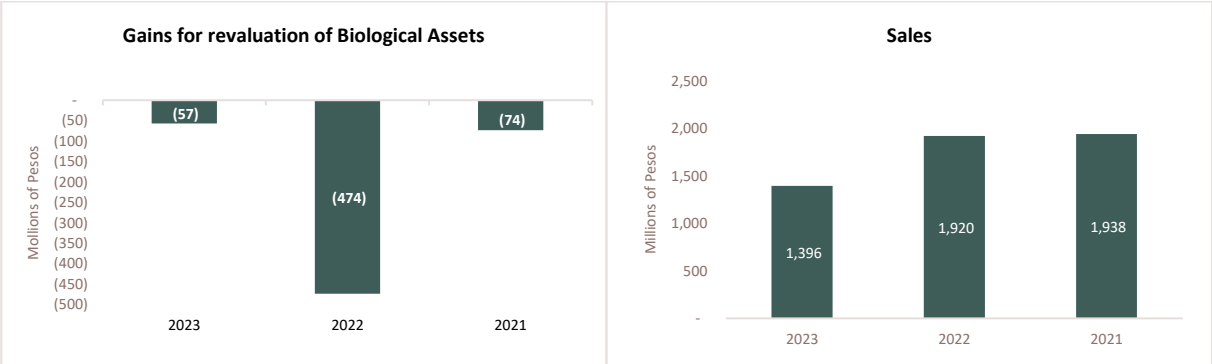


As of December 31, 2023, and 2022, the fair value of the loans amounted to MXN \$1,827MM and MXN \$2,550MM, respectively. The fair value for long-term debt is based on the present value of discounted cash flows at their present value using interest rates obtained from easily observable markets.

The Company is obligated to comply with certain obligations to perform and refrain from doing based on the loans it has contracted at the end of the 2023 and 2022 fiscal years. As mentioned earlier, as of December 31, 2023, and 2022, the obligations to perform and refrain from doing were fulfilled by the Company. Likewise, as of the financial statements' date, the Company is in the process of renegotiating its obligations to perform and refrain from doing with the financial institutions with which it has contracted its bank loans.

### 3.4 Management's Comments and Analysis on Operating Results and Financial Position

#### 3.4.1 Operating Results



**Graph 10 Income from changes in the fair value of Biological Assets, Sale of Goods**  
 Source: Audited Financial Statements.

In 2023, we managed to maintain sales volume above 190k m3, a level similar to the previous year. However, due to price adjustments, which had been declining since mid-2022 primarily due to the influx of products from Asian countries, we closed sales revenue at MXN \$1,396MM. The commercial actions undertaken to maintain our alliances with customers and ensure volume placement comprise three main aspects: i) programs (Vértice and "Tecnomaster"), ii) advertising and promotion (media coverage, influencers, and special sales), and iii) workshops and training for the carpentry sector.

The adjustment for revaluation in the biological asset has a positive effect compared to what was recorded in 2022 by MXN \$416MM (revaluation effect 2023 MXN \$(57)MM and 2022 MXN \$(473)MM), determined according to the new methodology applied for calculating fair value.

Likewise, it is important to mention that, unlike the agriculture sector where a single cycle determines the success or failure of the crop, in the forestry sector, a year of rainfall does not determine the growth of the plantation, instead, it is the sum of all years completing the cycle. Therefore, both the growth in the current period and the cumulative growth are in line with expectations.

The revaluations do not include the exchange rate effect since this is reflected directly in comprehensive income, resulting from the depreciation of the dollar, the functional currency of the Company.





The methodology for determining fair values adopted by the Company has been consistent and in accordance with IFRS.

For the valuation of significant assets and liabilities such as biological assets, external valuers are utilized. The involvement of external valuers is determined annually by Management, once discussed and approved by the Audit Committee.

#### **For Teak Wood:**

The Company's valuation adheres to the guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) and the International Valuation Standards defined by the International Valuation Standards Council (IVSC), particularly IVS 2017 focused on the valuation of agricultural properties and biological assets. These standards incorporate IFRS into their practice, particularly IFRS 13, Fair Value Measurement; IAS 41; and IAS 16, Property, Plant and Equipment, among others.

Proteak's methodology calculates the present value of the projected future cash flows, i.e., revenues minus all expenses involved in the sale of wood. For this purpose, the wood currently on the surface managed by the Company is taken as the basis.

The valuation method focuses on the following essential pillars:

5. Projecting volume through growth curves to locate the value at a certain age and determine the maximum present value of flows.
6. Current prices are considered with long-term projections in the markets of interest.
7. The determination of costs considered for cash flow projection is based on industry best practices:
  - Harvesting.
  - Road construction for machinery access.
  - Land transportation.
  - Port administrative expenses.
  - Maritime freight.
  - Silviculture costs.
  - Indirect forest operation costs.
  - Joint venture costs (for applicable plantations).
  - Land lease (if applicable).
  - Land cost (applicable only to Proteak-owned land).
8. The implied discount rate is determined by the appraiser, through sources of information (based on evidence and theoretical cost of capital calculation) to consider the appropriate discount rate to be applied in a forestry valuation.

The Company's valuation method is based on accepted practices and principles, thus determining the value of the biological asset as a fair market value or selling value as of the Company's financial statements date. Therefore, the Company's methodology aligns with international practices and standards.

#### **For Eucalyptus wood:**

The value of eucalyptus is determined at the end of the year based on the incurred costs.

During 2023 and 2022, the unit cost of eucalyptus amounted to MXN \$436.95 and MXN \$338.50 per m<sup>3</sup>, respectively. Regardless of the diameter or circumference of the log and its quality. See Note 3 section (h) of the Audited Financial Statements.



The revaluation of the biological asset of our plantations in 2023 amounted to MXN \$(57)MM. Proteak owns 1,160 hectares of teak in a joint venture of which Proteak owns 50%. The income and/or losses from the revaluation of these hectares are recognized as a share in the joint venture. In 2023, this result amounted to MXN +\$68MM.

Total income includes the sale of goods, the gain or loss from the change in fair value of biological assets, as well as subsidies received. In 2023, subsidies amounting to MXN \$3MM were obtained, while in 2022, no subsidies were received from CONAFOR. This financial support is not conditional on any compliance and does not have to be returned in the future.

The cost of goods sold for products is divided according to each segment of the company. There was a decrease in the cost of goods sold for the MDF segment compared to 2022, with a decrease of -10%, primarily due to lower sales volume. The costs of goods sold vary according to the needs of the business units. The cost is mainly represented by the MDF business unit, accounting for 96% of Proteak's total cost.

Within the MDF business, there are 2 types of costs: the cost of MDF board production (substrate) and the cost of fixed asset depreciation. Regarding asset depreciation costs, the cost has decreased due to its accounting nature, where in 2023, 2022, and 2021 they represent only 11%, 8%, and 9% of the total cost, respectively.

The cost of sales for the Teak business is distributed into 3 categories: historical wood cost, depreciation, and logistical costs. The sum of these costs amounted to MXN \$(60)MM, MXN \$(20)MM, and MXN \$(121)MM in 2023, 2022, and 2021, respectively, in addition to the operations conducted in each of these periods.

The gross profit, including other income, amounted to MXN \$20MM compared to MXN \$28MM in 2022, primarily impacted by the lower volume operated in MDF and by the price adjustments discussed throughout this report.

Administrative and selling expenses show a decrease of 6% compared to 2022. Within this amount, there are MXN \$123MM corresponding to logistics and distribution expenses of MDF boards. The Company has managed to reduce expenses, which for the years 2023, 2022, and 2021, have been as follows: MXN \$278MM, MXN \$296MM, and MXN \$310MM, respectively. For more information, refer to Note 18 of the Audited Financial Statements.

The annual operating loss was MXN \$(258)MM, compared to the loss of MXN \$(268)MM recorded in 2022. It is worth mentioning that these results reflect the consolidation of the board plant, as well as the operation of the Teak business.

Regarding the comprehensive cost of financing, interest income from term deposits amounted to MXN \$13MM in 2023 and MXN \$16MM in 2022. Interest expenses totaled MXN \$170MM and MXN \$149MM, while bank fees and expenses amounted to MXN \$42MM and MXN \$40MM, respectively.

The exchange rate variation affects liabilities due to the concentration of debt in USD. In the periods of 2023 and 2022, exchange rate fluctuations amounted to MXN \$208MM and MXN \$95MM, respectively. The net result was a financial expense of MXN \$9MM compared to MXN \$(78)MM reported in 2022. This difference mainly stems from the exchange rate variation related to interest payable and receivable.

Additionally, during the fiscal year, the company incurred an income tax expense (current and deferred) of MXN \$(115)MM in 2023 and MXN \$50MM in 2022. The tax result differs from the accounting result mainly due to items that accumulate over time and are deducted differently for each purpose; the recognition of the effects of inflation for tax purposes, as well as items that only affect the accounting or tax result. The total income tax is divided between the income tax payable and



the deferred income tax, where the income tax payable in 2023 and 2022 amounted to MXN \$(38)MM and MXN \$(9)MM, respectively, and the deferred income tax amounted to MXN \$(77)MM and MXN \$59MM.

As a result of all the above, the Company closed the fiscal year 2023 with a consolidated net loss of MXN (\$301)MM, compared to a consolidated net loss of MXN \$(297)MM reported in 2022.

### 3.4.2 Financial Position, Liquidity, and Capital Resources

#### Assets

As of December 2023, the total assets of the company amounted to MXN \$5,808MM, 9% lower than the closing of 2022.

The company's liquidity during the period primarily stemmed from the operation of the MDF board business and its management of working capital, as well as treasury actions regarding the cash position.

At the close of 2023, the cash position reflected an amount of MXN \$87MM, MXN \$(187)MM lower than at the end of 2022. Surplus cash from operating entities is transferred to the company's treasury. The company's treasury invests these funds in time deposits and marketable securities, whose maturities or liquidity allow flexibility to meet the company's cash needs. As of December 31, 2023, 2022, and 2021, the company held time deposits of MXN \$86MM, MXN \$244MM, and MXN \$394MM, respectively, as well as other equally liquid assets of MXN \$957k, MXN \$29MM, and MXN \$59MM, respectively.

The accounts receivable balance at the end of 2023 remains at MXN \$88MM compared to MXN \$194MM in 2022, reflecting the downward trend in sales and improvement in days sales outstanding.

Meanwhile, the inventory balance closed at MXN \$384MM, representing a decrease of MXN \$98MM compared to the balance at the end of December 2022, with the decrease mainly in the raw materials and finished goods categories.

The real estate, machinery, and industrial equipment totaled MXN \$2,513MM, showing a decrease of MXN \$66MM compared to the closing balance of 2022, primarily related to asset depreciation.

As of the reporting date, Proteak has over 6,000 hectares of Teak plantations and more than 7,300 hectares of Eucalyptus plantations. Below is the breakdown of biological assets, including mature and immature ones:

	2023	2022	2021
Initial balance	1,779,664	2,199,009	2,059,002
Plantation and maintenance costs	208,008	218,806	136,964
(Loss) Gain generated by changes in the fair value of biological assets, less estimated selling costs	(57,261)	(473,536)	73,631
Disposal of biological asset due to agricultural product production	(87,149)	(74,793)	(125,003)
Conversion effect	(157,706)	(89,822)	54,415
<b>Ending balance</b>	<b>1,685,556</b>	<b>1,779,664</b>	<b>2,199,009</b>
Current mature biological assets	(123,343)	(150,767)	(83,026)
<b>Non-current mature and immature consumable biological assets</b>	<b>1,562,213</b>	<b>1,628,897</b>	<b>2,115,983</b>

**Table 33 Summary of biological asset transactions (MXN '000)**

Source: Audited Financial Statements

## Liabilities

The current liabilities increased by MXN \$100MM compared to the balance at December 2022, mainly due to the following factors: the accounts payable closed MXN \$48MM higher than the 2022 result, stemming from extended payment terms; on the other hand, the liabilities for contracts increased by MXN \$40MM, due to advances received from our customers.

The table below shows the analysis of Proteak's financial liabilities, presented based on the period between the date of the consolidated financial position statement and the maturity date, and correspond to undiscounted cash flows, including interests:

As of December 31, 2023	Less than 1 year	More than 1 less than 3 years	3 to 5 years	More than 5 years
Suppliers	258,650	-	-	-
Short-term credits	444,005	-	-	-
Short-term interest	32,206	-	-	-
Long-term credits	-	381,128	762,818	200,990
Other creditors	67,318	-	-	-
Financial Leases	70,762	75,878	13,274	4,398

As of December 31, 2022	Less than 1 year	More than 1 less than 3 years	3 to 5 years	More than 5 years
Suppliers	210,492	-	-	-
Short-term credits	415,297	-	-	-
Short-term interest	34,499	-	-	-
Long-term credits	-	274,769	682,371	679,145
Other creditors	130,976	-	-	-
Financial Leases	54,682	84,436	13,800	-

As of December 31, 2021	Less than 1 year	More than 1 less than 3 years	3 to 5 years	More than 5 years
Suppliers	103,622	-	-	-
Short-term credits	219,250	-	-	-
Short-term interest	25,283	-	-	-
Long-term credits	-	224,437	500,268	1,157,369
Other creditors	130,837	-	-	-
Financial Leases	34,201	54,287	8,995	-

**Table 34 Financial Liabilities of Proteak (MXN '000)**

Source: Audited Financial Statements

The description and details of the loans are in section 3.3 Relevant Credit Information.



## Capital

The total equity of the Company at the year-end amounts to MXN \$2,785MM, a decrease of 15% compared to the previous year-end. This decrease is due to the accumulated results from previous years, as well as the effect of foreign currency conversion of Teak Forest assets denominated in USD. The Company maintains a debt-to-equity ratio of 0.9 to 1.0 compared to a ratio of 1.1 to 1.0 in 2022 and 1.3 to 1.0 in 2021.

As of December 31, 2023, there are 244,736,886 shares pending subscription.

The company's share capital as of December 31, 2023, consists of 1,108,248,135 shares, of which 369,582,683 are "T" series shares and 738,665,452 are "K" series shares. The "T" series shares will have the right, upon liquidation of the company, to receive land as payment for their share in the social equity, in accordance with the current Agrarian Law. See note 17 of the Audited Financial Statements.

### 3.4.3 Internal Control

The company's internal control is conducted in accordance with best practices and overseen by the Audit Committee, whose functions are detailed in section 4.4.

To fulfill responsibilities regarding the integrity of financial information, the company's management maintains and verifies compliance with policies communicated to all personnel through appropriate channels.

Valuation of biological assets at fair value: Biological assets, including agricultural produce, should be recognized at fair value when it can be reliably measured from an active market. This is based on parameters determined through studies on biological assets. The fair value in the company's plantations is measured as follows:

- The present value of the projection of future cash flows (income minus all expenses involved in the sale of wood) derived from the marketing of wood currently located on the surface managed by the Company is calculated.
- The Company considers that there is an active and efficient market for eucalyptus wood with a diameter without bark greater than 8 cm and a maximum of 55 cm. The time at which a plantation reaches the required commercial characteristics depends on its development and growth. For eucalyptus plantations, this typically occurs after the second year since planting. See Note 3, section (h) of the Audited Financial Statements.

## 3.5 Estimates, Provisions, and Critical Accounting Reserves

### Critical Accounting Judgments and Key Sources of Estimation Uncertainty.

Estimates and assumptions are reviewed continuously and are based on historical experience and other factors, including expectations about future events that are deemed reasonable within the circumstances.

### Critical Accounting Estimates and Judgments

The Company's Management makes estimates and judgments regarding the future. Accounting estimates, by their nature, involve uncertainty, and actual results may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follows.





**Critical Accounting Judgments**

Significant information regarding assumptions, estimates of uncertainties and critical judgments recognized in the consolidated financial statements are described below:

- Valuation and classification of biological assets.
- Determination of fair values for revaluation of land.
- Derred tax asset.
- Managerial judgment in determining functional currency.
- Estimate of useful life of property, machinery, and equipment.

**Valuation and classification of biological assets.**

The valuation and classification of the Company's biological assets are determined as described in Note 3(h) of the Audited Financial Statements.

The result of the valuation can be seen in the following summary, which includes 50% of the biological assets of Tacotalpa (joint venture):

Fair value of components according to IFRS	
Tree growing value	1,576
Plantation land value	457

**Table 35 Fair value of components according to IFRS (MXN MM)**  
Source: Audited Financial Statements

Similarly, for the purposes of 2023, the Company conducted a sensitivity analysis as follows.

Sensitivity of the biological asset value to the discount rate:

Pre-tax discount rate (%)	Biological asset value	Variation vs. base (%)
8.25	1,737	10.2
8.75	1,653	4.8
9.25 (base)	1,576	-
9.75	1,507	(4.4)
10.25	1,443	(8.5)

**Table 36 Sensitivity of Biological Asset Value to Discount Rate (MXN MM)**  
Source: Audited Financial Statements



Sensitivity of the biological asset value to harvesting and transportation costs:

Harvesting costs	Biological asset value		
	Price variation		
	-5%	Base	+5%
5.00%	1,401	1,562	1,724
base	1,415	1,576	1,738
(5.00)%	1,429	1,590	1,752

**Table 37 Sensitivity of Biological Asset Value to Harvesting and Transportation Costs (MXN MM)**  
Source: Audited Financial Statements

Sensitivity of the biological asset value to forestry costs:

Silviculture costs	Biological asset value	Variation vs. Base (%)
5.00%	1,566	(0.70)%
Base	1,576	-
(5.00)%	1,587	0.70%

**Table 38 Sensitivity of Biological Asset Value to Silviculture Costs (MXN MM)**  
Source: Audited Financial Statements

Sensitivity of the biological asset value to indirect costs:

Indirect costs	Biological asset value	Variation vs. Base (%)
5.00%	1,567	(0.60)%
Base	1,576	0.00%
(5.00)%	1,586	0.60%

**Table 39 Sensitivity of Biological Asset Value to Indirect Costs (MXN MM)**  
Source: Audited Financial Statements

**Determination of fair values for land revaluation**

Land is presented at its fair value, based on periodic valuations. To determine the fair value of the land, the Company engages an independent appraiser who uses estimates to determine the value of comparable assets existing in the market. These valuations must be reviewed if significant changes in asset values are presumed; any change in asset value could affect the amount recognized in revaluation surplus, or in income if there is no longer any amount in the revaluation surplus category. See Note 12 of the Audited Financial Statements.

**Deferred tax assets**

The company recognizes deferred tax assets up to the amount that it is probable they will be realized. If the company determines that it is not able to realize all or part of the deferred tax asset in the future, it adjusts the deferred tax asset, decreasing the results in the period in which such determination is made. Conversely, if the company determines that it is able to realize its deferred tax assets in the future, for an amount greater than the amount recorded, the corresponding adjustment is made to the deferred tax asset, increasing the results in the period in which such determination is made. As



of December 31, 2023, and 2022, only the amounts that the company has estimated will be reversed with future tax profits have been recognized as deferred tax assets. See Note 19 of the Audited Financial Statements.

### **Management's Judgment in Determining Functional Currency**

Each Proteak company defines the functional currency as the currency of the primary economic environment in which they operate.

### **Useful lives of property, machinery, and equipment**

The Company reviews the estimated useful life of buildings, machinery, and equipment at the end of each annual period. During the period, it was not determined that the useful lives should be modified because, according to management's assessment, the useful lives reflect the economic conditions of the Company's operating environment.

### **Summary of the main accounting policies:**

#### **a) Preparation bases**

##### **i. Compliance with IFRS**

The consolidated financial statements of the Company as of December 31, 2023, and 2022, and for the years ended on the same date have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements and accompanying notes of the Company were authorized for issue by the Chief Executive Officer of the Company, César Arturo Vélez Pongutá, and the Chief Financial Officer, Mariana Rojo Granados, on April 26, 2024, and will be approved at the Company's Annual General Meeting of Shareholders on a future date.

##### **Going Concern**

The consolidated financial statements have been prepared by Management assuming that the Company will continue to operate as a going concern.

For the years ended December 31, 2023, and 2022, the Company incurred operating losses of MXN \$(257,980)k and MXN \$(268,317)k, respectively, and net consolidated losses of MXN \$(300,717)k and MXN \$(296,540)k, respectively.

On the other hand, the cash and cash equivalents balance at the end of 2023 amounted to MXN \$86,703k, and at the end of 2022, it was MXN \$273,348k; there was a decrease of MXN \$186,645k in this item during the year. During 2023 and 2022, the Company primarily applied cash flows to cover financing activities amounting to MXN \$249,538k and MXN \$217,566k, respectively.

As of December 31, 2023, the Company holds loans with financial institutions amounting to MXN \$1,821,147k, of which MXN \$476,211k are due in 2024. During 2023, the financial costs associated with these loans amounted to MXN \$144,732k.

During the second half of 2023, the Company conducted a series of negotiations with financial institutions from which it has contracted its bank loans. In these negotiations, the Company obtained agreements to defer or postpone the maturity



dates of interest and principal payments from the second half of 2023, deferring these payments to 2024. Below are the amounts for which a payment deferral agreement was obtained in 2023:

	Currency	Capital	Interests
<b>AKA</b>	<b>USD</b>	USD 500,000	USD 1,043,746
<b>Proparco</b>	<b>USD</b>	USD 515,802	USD 372,085
<b>IFC</b>	<b>USD</b>	USD 553,823	USD 231,836
<b>Total USD</b>		<b>1,569,625</b>	<b>1,647,667</b>
<b>IFC MXN <sup>(1)</sup></b>	<b>MXN</b>	<b>-</b>	<b>\$3,702,610</b>

<sup>(1)</sup> Figures in Mexican Pesos

**Table 40 Amounts for which a payment deferral agreement was obtained in 2023 (MXN '000)**

Source: Audited Financial Statements

The renegotiated maturity dates with financial institutions are as follows:

AKA: April 30, 2024  
 IFC: June 30, 2024  
 Proparco: June 30, 2024

The aforementioned matters could generate uncertainty about the Company's ability to continue as a going concern. Similarly, there is significant uncertainty about the repayment of the Company's bank loans if financial institutions decide not to extend the maturity dates further and declare a default, accelerating the repayment of the loans and demanding payment of the principal from the Company.

The Company has conducted its financial planning for the following years, considering various scenarios to anticipate possible impacts related to the going concern principle. Based on its financial projections, the Company believes it has and will have the necessary resources to cover its operational and financing needs. Within the projections, the following is considered, and the Company has activated a series of actions to achieve it:

**Operational Cash Flow.**

The Company's MDF business projections are based on demand forecasts and market trends showing improvement and stabilization in demand for 2024. Additionally, a further stabilization and recovery of the price levels observed in the market are projected. Regarding efficiencies and productivity, increased productivity of the production plant, efficiency in consumption factors, and maintaining high utilization of its operational capacity are projected. These elements are expected to contribute to improvements in margins and operational cash flows for the coming years.

**Agreements with financial institutions for the deferral of debt maturities.**

In accordance with the negotiations conducted with financial institutions, the Administration of Proteak maintains high expectations of successfully achieving forthcoming negotiations or agreements to further extend the maturity dates of the credits until the projected dates when the Company will be generating sufficient cash flows for their settlement.



### **Sources of financing.**

The Company maintains the capacity to carry out equity issuances or sales of non-strategic business assets in order to obtain cash flow, all of which would contribute to maintaining Proteak's status as a going concern. Prior to implementation, the Company's management will review whether any exemptions related to contracts with financial institutions are required to fulfill obligations to perform or refrain from specified actions stipulated in the debt contracts.

The future financial and operational performance of the Company is subject to various risks and uncertainties. Management acknowledges the risk of not meeting its obligations in the future. However, through proper risk management, Management has a reasonable expectation that it can continue operating for a period of at least 12 months and meet its obligations in accordance with the going concern principle, for the purposes of the financial statements as of December 31, 2023.

### **ii.Measurement and presentation basis**

The financial statements have been prepared on the basis of historical cost, except for the following items:

- Land measured at fair value.
- Biological assets, mature and immature consumables measured at fair value in accordance with International Accounting Standard (IAS) 41

### **iii.Presentation of consolidated income statements**

The Company classifies its costs and expenses by function in the consolidated income statements in order to adhere to industry practices.

### **iv.Presentation of consolidated statements of cash flows**

The Company presents its consolidated statement of cash flows using the indirect method.

### **v.Critical accounting judgments and estimates**

In the application of the Company's accounting policies, see Note 5 of the Audited Financial Statements, management is required to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily observable from other sources. Estimates and assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed periodically. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and in future periods if the revision affects both the current period and future periods.





## vi.Changes in accounting policies

The Company applied, for the first time, the standards and interpretations that became effective for periods beginning on January 1, 2023, and were applicable to it, as follows; the Company has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

- **Definition of accounting estimates - Amendments to IAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. Additionally, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

These amendments had no impact on the Company's consolidated financial statements.

- **Disclosure of accounting policies - Amendments to IAS 1 and the IFRS Practice Statement 2**

The amendments to IAS 1 and the IFRS Practice Statement 2 Making Materiality Judgments provide guidance and examples to assist entities in applying materiality judgments to information about accounting policies. The amendments aim to help entities provide more useful information about accounting policies, replacing the requirement for entities to disclose their "significant" accounting policies with the requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of "materiality" when making decisions about the disclosure of accounting policies.

The amendments had no impact on the Company's accounting policy disclosures, nor on the measurement, recognition, or presentation of any item in the Company's financial statements.

- **Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12**

The amendments to IAS 12, Income Taxes reduce the scope of the initial recognition exemption provided in the standard, so it no longer applies to transactions that result in equal amounts of tax payable and deductible for taxable and deductible temporary differences.

These amendments had no impact on the Company's consolidated financial statements.

### **Standards issued that have not yet become effective**

Below are descriptions of new and amended standards and interpretations that have been issued but have not yet become effective as of the date of publication of the Company's consolidated financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback Transaction**

In September 2022, the IASB issued amendments to IFRS 16 with the aim of specifying the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure that the seller-lessee does not recognize any amount for the gain or loss that is related to the right-of-use retained.



The amendments are effective for annual periods beginning on or after January 1, 2024, and must be applied retrospectively to sale and leaseback transactions entered into after the initial application date of IFRS 16. Early application is permitted provided this fact is disclosed.

It is not expected that the amendments will have a material impact on the Company's financial statements.

- **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following points:

- The meaning of the right to defer the settlement of a liability.
- That the right to defer the settlement of the liability must exist at the end of the reporting period.
- That the classification is not affected by the probability of the entity exercising its right to defer the settlement of the liability.
- That only if any embedded derivative in a convertible liability itself represents an equity instrument, would the terms of the liability not affect its classification.

Additionally, a disclosure requirement was introduced when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is subject to fulfilling future commitments within a period included in a twelve-month timeframe.

The amendments became effective for periods beginning on or after January 1, 2024, and must be applied retrospectively. The Company is assessing the impact these amendments will have on its current practices and whether any of its existing loan agreements may require renegotiation.

- **Supplier Financing Arrangements - Amendments to IAS 7 and IFRS 7**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier financing arrangements and require additional disclosure about such arrangements. The aim of the disclosure requirements imposed by the amendments is to assist users of the financial statements in better understanding the effects of supplier financing arrangements on an entity's liabilities, cash flows, and liquidity risk exposure.

The amendments became effective for annual periods beginning on or after January 1, 2024. Early application is permitted provided this fact is disclosed.

It is not expected that the amendments will have a material impact on the Company's financial statements.

- b) Reclassifications for consistent presentation in the consolidated financial statements**

The Company has made certain reclassifications to the financial information presented as of December 31, 2022, in the consolidated statement of financial position, to provide consistent presentation of the financial information as of December 31, 2023. Below is a summary of the reclassifications made.

The Company retrospectively adjusted the presentation of right-of-use assets as of December 31, 2022. In accordance with IFRS 16, Leases, a lessee shall present right-of-use assets separately from other assets in the statement of financial position or in the notes. Therefore, the Company made the following reclassification in the property, plant, and equipment category as of December 31, 2022.

Non-current assets:	Balance as of December 31, 2022 (as initially reported)	Reclassification effects	Balance as of December 31, 2022 (adjusted)
Property, plant, and equipment, net	\$2,725,611	(\$146,083)	\$2,579,528
Right-of-use assets	46,891	146,083	192,974
<b>Total non-current assets</b>	<b>\$2,772,502</b>	<b>-</b>	<b>\$2,772,502</b>

**Table 41** Reclassification for consistent presentation in the consolidated financial statements (MXN '000)  
Source: Audited Financial Statements

## Material Accounting Policies.

### a) Consolidation Bases

The subsidiaries of Proteak are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date control is transferred to the Company and continue to be consolidated until the date control is lost.

Intercompany transactions and balances, as well as unrealized gains on transactions between Proteak companies, are eliminated in the preparation of the consolidated financial statements.

Non-controlling interests in subsidiaries are presented separately in the consolidated statement of financial position, the consolidated statement of comprehensive income, and the consolidated statement of changes in equity, respectively.

The Company reassesses whether it has control over subsidiaries if facts and circumstances indicate that changes to one or more of the elements determining control have occurred. Consolidation of a subsidiary begins when the Company obtains control over it and ends when control over the subsidiary is lost. The assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Company obtains control until the date control is lost.

When the Group loses control of a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests, and other components of equity, recording any gain or loss in the income statement for the period. Any investment retained in the former subsidiary is recognized at fair value.

#### (i) Joint Arrangements

Under IFRS 11, Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.



A joint venture is a contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control exists when the decisions about the relevant activities require unanimous approval of the parties sharing control. The Company only holds an investment in a joint venture.

The Company's interest in the joint venture is accounted for using the equity method, after initially being recognized at cost in the consolidated statement of financial position.

Considerations for determining significant influence or joint control are similar to those made for determining control over a subsidiary. The Company's investment in the joint venture is recognized using the equity method.

The Company's share of the joint venture's results is shown directly in the consolidated income statements outside of operating profit and represents the post-tax result and non-controlling interest of the joint venture.

Under the equity method, the investment in an associate or a joint venture is initially recognized at its acquisition cost. From the acquisition date, the carrying amount of the investment is adjusted to recognize changes in the Company's share of the net assets of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same period as those of the Company, and necessary adjustments are made to ensure any differences in accounting policies are reconciled.

## **(ii) Equity Method**

Under the equity method, investments are initially recognized at cost and subsequently adjusted to recognize the share of post-acquisition results, as well as movements in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Company and its joint ventures are eliminated up to the amount of the Company's interest in the joint venture. Unrealized losses are also eliminated. The accounting policies of investments accounted for using the equity method have been aligned when necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of investments accounted for using the equity method is tested for impairment in accordance with the policy described in note 3(k). The requirements of IFRS 9, Financial Instruments, are applied to determine whether it is necessary to recognize an impairment loss regarding the Company's investment in a joint venture.

The Company jointly maintains 50% control in the entity referred to as the "Tacotalpa Trust".

## **b) Segment Information**

A business segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Company. The operating results of a segment are reviewed regularly by the Management Committee to make decisions regarding resource allocation to the segment and to evaluate its performance, for which financial information is available. The Company has identified three operating segments, which are divided into teak production and marketing, eucalyptus production and marketing, and MDF board production, using eucalyptus biological assets as raw materials.

Financial information by operating segments is presented consistently with the information included in the internal reports provided to the highest decision-making authority in the Company's operations. This highest authority is responsible for



allocating resources and evaluating the performance of the Company's operating segments, and it is exercised by the Board of Directors.

**c) Foreign Currency Translation**

**(i) Presentation Currency**

The presentation currency of the Company is the Mexican peso.

**(ii) Transactions and Balances**

Initially, the Company's subsidiaries record foreign currency transactions at the spot exchange rate prevailing on the transaction date in their respective functional currencies, as appropriate. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the spot exchange rate prevailing on the closing date.

All differences arising from settling or converting monetary items are recorded in the consolidated income statement. These differences are initially recognized in other comprehensive income until the disposal of the net investment, at which point they are reclassified to the income statement. Tax adjustments attributable to the exchange differences of these monetary items are also recognized in other comprehensive income.

Non-monetary items recognized at historical cost in foreign currency are translated using the exchange rate at the transaction date. Non-monetary items recorded at fair value, denominated in foreign currency, are translated at the exchange rates prevailing on the date when the fair value was determined. Gains or losses arising from the translation of non-monetary items measured at fair value are recognized in accordance with the recognition of gains or losses derived from the change in the fair value of the corresponding item (i.e., exchange differences arising from items whose fair value gains or losses are recognized in other comprehensive income or in income are also recognized in other comprehensive income or in income, respectively).

**(iii) Proteak Companies**

The results and financial position of all subsidiaries of the Company (none of which operate in a hyperinflationary economy) are translated into the presentation currency as follows:

- a. The assets and liabilities recognized in the statement of financial position are translated at the exchange rate prevailing on the closing date of the financial statement.
- b. The revenues and expenses recognized in the income statement are translated at the average exchange rate for each year (except when this average is not a reasonable approximation of the effect derived from translating the results at the exchange rates prevailing on the transaction dates; in which case those exchange rates were used).
- c. The equity accounts recognized in the statement of financial position are translated at the historical exchange rate.
- d. The resulting exchange differences are recognized as other comprehensive income.

**d) Cash and Cash Equivalents**

Cash and cash equivalents include cash and other highly liquid short-term investments with maturities of less than three months. These items are recorded at their historical cost, which does not differ significantly from their fair value. See Note 7 of the Audited Financial Statements.

Restricted cash is subject to contractual restrictions and therefore not available for the Company's general use. See Note 15 of the Audited Financial Statements.





In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, demand deposits, and other highly liquid short-term investments with maturities of three months or less.

**e) Financial Assets**

**(i) Classification**

The Company classifies its financial assets at amortized cost.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the cash flows.

**(ii) Recognition and Derecognition**

Regular purchases and sales of financial assets are recognized on the trade date, which is the date on which the Company commits to buy or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have been transferred and the Company has transferred substantially all risks and benefits of ownership.

**(iii) Measurement**

At initial recognition, financial assets are measured at fair value plus, in the case of a financial asset other than at fair value through profit or loss (VR-profit or loss), transaction costs directly attributable to the acquisition of the asset. financial

Subsequent measurement depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

**(iv) Impairment**

The Company applies the simplified approach of IFRS 9 to measure expected credit losses using an estimate of expected losses over the life of the instrument for all accounts receivable. See Note 4.2 of the Audited Financial Statements for more details.

**(v) Financial Liabilities**

The Company initially recognizes all its financial liabilities net of directly attributable transaction costs. The Company does not have financial liabilities at fair value or liabilities arising from asset transfers, nor does it have financial guarantee contracts or commitments to provide loans at below-market interest rates.

Subsequent measurement of financial liabilities is at amortized cost using the effective interest method.

**f) Accounts Receivable from Customers**

Accounts receivable from customers are initially recognized at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognized at fair value, less the provision for expected credit losses. See Note 8 of the Audited Financial Statements for more information on the recognition of accounts receivable from customers by the Company and Note 4.2 for a description of the Company's expected credit loss provisioning policies, both included in the Audited Financial Statements.



### **g) Inventories**

Teak and MDF inventories are recorded at the lower of cost and net realizable value. Costs include the product cost plus import costs, freight, handling, shipping, customs warehousing, and distribution center costs. The cost of purchased inventory is determined after deducting discounts and allowances. Net realizable value is the estimated selling price in the ordinary course of business less estimated completion costs and estimated costs necessary to make the sale. As for biological assets transferred to inventory, these are transferred at the last value of the biological asset, in accordance with its valuation.

Inventory is subject to impairment testing in each accounting period to identify obsolescence, damage to items, or declines in their market value.

If the estimated value of future economic benefits of inventories, i.e., their estimated net realizable value, is lower than their carrying amount, an impairment loss is recognized, which is accounted for as part of the cost of sales in the period incurred. As of December 31, 2023, and 2022, the Company has recognized the corresponding impairment estimates. For more details, refer to Note 10 of the Audited Financial Statements.

### **h) Biological assets: Mature and Immature Consumable Assets**

The company's consumable biological assets consist of teak and eucalyptus wood forestry plantations.

The IAS 41, Agriculture, establishes that biological assets should be valued at their fair value less estimated point-of-sale costs. This value is determined based on the price of an active market.

When the fair value of a biological asset cannot be reliably measured, IAS 41 allows for its valuation at its accumulated historical cost.

### **Classification, Measurement, and Valuation of the Biological Asset**

The biological assets are recognized at their fair value, following the considerations below. It is important to mention that the Company's methodology for determining fair values has been consistent and in accordance with IFRS, specifically, for the year 2023, the methodology used is consistent with previous years and has only been enhanced by the Company's management in conjunction with its valuation specialists, therefore, there are no modifications to the classification, measurement, and valuation of the biological asset presented in the consolidated financial statements as of December 31, 2023, and 2022:

#### **For Teak**

Proteak's methodology calculates the present value of future cash flow projections (income minus all expenses related to the sale of wood) derived from the marketing of timber currently located on the Company's managed land. This present value serves as a benchmark to reflect the fair value of the asset in the financial statements, understood as the price a potential buyer would be willing to pay. The Company's valuation adheres to the guidelines of the Uniform Standards of Professional Appraisal Practice (USPAP) and the International Valuation Standards defined by the International Valuation Standards Council (IVSC), particularly IVS 2017 focused on the valuation of agricultural properties and biological assets. These standards incorporate IFRS into their practice, particularly IFRS 13, Fair Value Measurement; IAS 41; and IAS 16, Property, Plant and Equipment, among others.

The Company's valuation method is based on accepted practices and principles (previously mentioned), determining the fair market value or selling price of the biological asset as of the Company's financial statement date (fair value), therefore, the Company's methodology aligns with international practices and standards.



As part of the Company's methodology, growth curves are used for volume projection. In general terms, the volume value is placed on yield curves at a certain age, and the maximum present value of cash flows is determined.

Similarly, current prices and long-term projections in relevant markets are considered to validate that the prices used are aligned with market conditions and expectations.

On the other hand, the determination of costs for cash flow projections is based on industry best practices.

The costs included in the cash flow projection are:

- Harvesting: tree felling, tree extraction to yards or stacking areas (dragging, loading and unloading), cutting and sizing of logs, loading onto trucks for transport to port.
- Road construction to facilitate the entry of machinery and transport of logs within the premises.
- Ground transportation to take the wood from the premises to the port of origin.
- Port administrative expenses, as well as cargo movements to the ship.
- Maritime freight from the port of origin to the port of destination.
- Forestry costs: activities related to establishment, maintenance, and forest protection to bring the net planted area to term (technological package).
- Indirect forestry operating costs, such as leasing and maintenance of machinery and vehicles, forest inventories, planning, paperwork and permits, research and development, sustainability and compliance costs, general administrative expenses.
- Cost of joint venture: Distribution of profits in the joint venture participation for applicable plantations.
- Land leases, where applicable.
- Land cost, understood as a virtual item reflecting the opportunity cost of having a low-risk income like renting the land instead of having a plantation. Applicable only to Proteak-owned land.

Following the rationale associated with the fair market value, an implicit discount rate is determined by the valuator; they utilize a variety of information sources when considering the appropriate discount rate to apply in a forestry valuation. The information sources reviewed to derive the discount rate are divided into two categories:

- Information based on evidence.
- Theoretical cost calculated of capital.

### **For Eucalyptus**

The Company considers that there is an active and efficient market for eucalyptus wood with a diameter without bark greater than 8 cm and a maximum of 55 cm. The moment when a plantation reaches the required commercial characteristics depends on its development and growth. For eucalyptus plantations, this typically occurs after the second year since planting.

The Company estimates the market value at the valuation date, considering the volume, measured in cubic meters (m<sup>3</sup>) estimated from the plantation, and the unit prices observed or obtained by the Company in that market, minus the costs and expenses of the point of sale (such as harvesting, hauling, measurement, identification, rentals, etc.)

For the determination of volume, the Company obtains data on diameter, height, and tree density through a systematic inventory of its mature plantations, from which the usable commercial volume is determined. During 2023 and 2022, the unit cost of eucalyptus amounted to MXN \$436.95 and MXN \$338.50 per cubic meter, respectively, regardless of the diameter or circumference of the log and its quality.



For assets that have not yet reached maturity (the Company considers that the initial plantation risks are not overcome until year 2, a period when the biological asset is most vulnerable to factors that can affect its survival) and for which there is no observable active market, the Company recognizes the asset at its cumulative historical cost.

The Company classifies its biological assets as current assets if they are to be harvested and sold within one year, and the remainder as non-current assets.

The value of eucalyptus is determined at the end of the year based on the costs incurred.

**i) Non-current assets held for sale**

Non-current assets (or Disposal Groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continued use, and once the sale is considered highly probable. Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

An impairment loss is recognized for any initial or subsequent reduction of the asset (or Disposal Group) to fair value less costs to sell results in recognition of an impairment loss. Conversely, any subsequent increase in the fair value less costs to sell of an asset (or Disposal Group) is recognized up to the amount of any impairment loss previously recognized. Any previously unrecognized gain or loss at the date of sale of the non-current asset (or Disposal Group) is recognized at the date of derecognition.

Non-current assets (including those forming part of a Disposal Group) are not depreciated or amortized while classified as held for sale. However, interest and other expenses attributable to the liabilities of a Disposal Group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and assets of a Disposal Group classified as held for sale are presented separately from other assets in the statement of financial position.

**j) Property, machinery, and equipment**

Land is shown at its fair value, based on valuations prepared by external independent experts. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount.

The fair value determined for the land is classified as Level 2 in the fair value hierarchy.

The remaining items of property, plant, and equipment are recognized at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenses directly attributable to the acquisition of these assets and all expenses related to placing the asset in the location and conditions necessary for it to operate as intended by management. The cost includes capitalized borrowing costs for qualifying assets in accordance with the Company's policies.

Costs related to an item incurred after initial recognition are capitalized, as part of that item or as a separate item, as appropriate, only when it is probable that they will generate future economic benefits for the Company and the cost can be reliably measured. The carrying amount of replaced components is derecognized. Maintenance and repair expenses are charged to the statement of profit or loss in the period they are incurred.

The effects of revaluation of land are recorded as part of the revaluation surplus net of Deferred Income Tax (ISR). Decreases that offset previous increases in the same asset are charged to other comprehensive income, and all other decreases are charged to the statement of profit or loss.



Land is not depreciated. Depreciation for the remaining items of property, plant, and equipment of the Company is calculated using the straight-line method, which is applied to the cost of the asset excluding its residual value and considering its estimated useful lives, as follows:

	Useful Life
Computer equipment	3 years
Transportation equipment	4 years
Agricultural equipment and machinery	10 years
Office equipment	10 years
Properties	33 years
Industrial equipment and machinery	5-25 years
Leasehold improvements	Term of the lease

The Company allocates the initially recognized amount for an item of property, plant, and equipment to its significant parts (components) and depreciates each of these components separately.

The residual values and useful lives of assets are reviewed and adjusted, if necessary, at the end of the year.

When the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized to reduce the carrying amount to its recoverable amount.

The gain or loss on the sale of property, plant, and equipment is determined by comparing the fair value of the consideration received with the net book value of the asset sold, and it is presented in the consolidated statement of income under the line item "Other income, net".

When revalued assets are sold, the amounts recognized in the revaluation surplus are transferred to accumulated earnings.

Leased assets are presented as a separate line item in the statement of financial position (Right-of-use assets). See notes 13 and section (t) of Note 3 in the Audited Financial Statements.

#### **k) Impairment of non-financial assets**

Other non-financial assets (excluding goodwill and indefinite-lived intangible assets), including investments in joint ventures, are subject to impairment tests when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the carrying amount of the asset that exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. For impairment assessment purposes, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are largely independent of the cash flows of other assets or groups of assets (cash-generating units). Impaired non-financial assets are reviewed for possible reversal of impairment at the end of each reporting period. As of December 31, 2023, and 2022, there were no impairment losses.

#### **l) Accounts payable**

Accounts payable to suppliers and miscellaneous creditors represent liabilities for goods and services provided to the Company before the end of the reporting period that have not been paid. The amounts are unsecured and are generally settled within 60 days of recognition. Suppliers and other accounts payable are presented as current liabilities, unless the payment is not due within 12 months after the reporting period. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.





#### **m) Loans**

Loans received are initially recognized at their fair value, net of related costs incurred, and subsequently recognized at their amortized cost. Any difference between the funds received (net of related costs incurred) and the redeemable value is recognized in the statement of comprehensive income over the term of the loan using the effective interest method.

The fees incurred to obtain the loans are recognized as transaction costs to the extent that it is probable that a portion or all the loan will be received.

#### **Affirmative and negative covenants.**

Some of the Company's loan agreements have obligations to do and not to do, requiring compliance with certain performance indicators. These obligations are governed by market conditions and practices and do not constitute burdensome responsibilities and charges for the Company. As of December 31, 2023, and 2022, the Company fulfilled its obligations to do and not to do.

#### **n) Loans Cost**

General or specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets requiring a significant period to prepare them for their intended use or sale are capitalized as part of the cost of those assets until the assets are substantially ready for use or sale.

As of December 31, 2023, and 2022, no borrowing costs were capitalized. Biological assets are not considered qualifying assets; in accordance with the scope of IAS 23, Borrowing Costs, it is not required to apply this standard to borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset measured at fair value, such as a biological asset.

#### **ñ) Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions for future operating losses are not recognized.

Provisions are measured at the present value of the expected cash outflows required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

#### **o) Income taxes**

The expense for income tax for the period comprises current and deferred income tax. The tax is recognized in the statement of comprehensive income, except when it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The charge for income tax is calculated based on the enacted or substantively enacted tax laws at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically assesses the positions taken in tax returns with respect to situations in which tax regulations are subject to interpretation. The Company, when appropriate, records provisions for additional amounts that it estimates it will pay to tax authorities.

Deferred income tax is recognized on temporary differences that arise between the tax bases of assets and liabilities and their respective carrying amounts shown in the consolidated statements of financial position. However, deferred income tax arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the



time of the transaction, neither affects accounting nor taxable profit or loss, is not recognized. Deferred income tax is determined using tax rates and laws that have been enacted at the reporting date and are expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax liabilities can be utilized.

The deferred tax liability arises, among other factors, from tax timing differences related to property, plant, and equipment, biological assets, and other assets. Regarding the deferred taxes of subsidiaries and joint ventures, the Company has concluded that it is in a position to control the reversal of the associated timing differences.

The deferred tax asset is recognized on deductible temporary differences arising from investments in subsidiaries, associates, and joint ventures only if it is probable that the temporary differences will reverse in the future and if there is sufficient taxable profit against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to the same tax authority or to different tax authorities but there is an intention to settle the balances on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered.

When assessing the recoverability of deferred tax assets, the Company relies on the same assumptions used in the projected information included in other sections of the financial statements and in other management reports to determine such recoverability.

**p) Employee benefits**

**(i) Short-term benefits**

Proteak provides short-term employee benefits, which may include wages, salaries, annual compensation, and bonuses payable within the next 12 months. Proteak recognizes a provision when it is contractually obligated to pay such benefits to employees.

According to the new Labor Reform Law regarding vacation that came into effect on January 1, 2023, in Mexico, employees are entitled to 12 days of vacation starting from the first year of service, which will increase by two business days annually until reaching 20 days. From the sixth year onwards, the vacation period will increase by two days for every five years of service. For the financial statements as of December 31, 2023, and 2022, the Company calculated the amount of vacation and vacation premium related to the new Labor Reform Law and recorded the relevant amount.

**(ii) Employee profit sharing.**

The Company recognizes a liability and an expense for Workers' Profit Sharing (PTU) based on a calculation that takes into account the taxable profit after certain adjustments. The Company recognizes a provision when it is legally obligated to make the payment.

Due to the labor subcontracting reform approved in Mexico, the calculation method for PTU payments was modified in 2021. Limitations were established, stating that the amount of PTU allocated to each employee cannot exceed the



equivalent of three months of their current salary, or the average PTU received by the employee in the previous three years (assigned PTU), whichever is higher.

If the accrued PTU determined by applying the 10% rate on the base taxable income exceeds the sum of the PTU allocated to each employee, the latter must be considered the accrued PTU for the period. According to the Federal Labor Law (LFT), the difference between both amounts is considered not to generate obligations for current or future payments.

If the PTU determined by applying the 10% rate on the base taxable income is less than or equal to the sum of the WPS allocated to each employee, the accrued PTU will be the amount determined by applying the 10% rate to the base taxable income.

**(iii) Seniority bonus**

The companies of the Company have established a plan as required by the LFT, under which the companies of the Company that have personnel are obligated to pay their workers, and these are entitled to receive, a seniority premium upon termination of the employment relationship after 15 years of service. This obligation is considered a post-employment obligation.

The liability or asset recognized in the statement of financial position regarding the seniority premium is classified as defined benefits and represents the present value of the Defined Benefit Obligation (DBO) at the date of the statement of financial position along with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated cash flows using the interest rate of government bonds denominated in the same currency in which the benefits will be paid and which have terms similar to the pension obligation.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss, unless changes to the pension plan are conditional on the employee remaining in service for a specified period (the vesting period). In such cases, past service costs are amortized using the straight-line method during the period that the right grants.

**(iv) Termination benefits**

Severance benefits are paid when the employment relationship ends before the normal retirement date or when an employee voluntarily accepts termination in exchange for these benefits. The Company recognizes severance benefits on the earlier of the following dates: a) when it is committed to terminate the employment of employees according to a detailed formal plan without the possibility of withdrawing from its obligation, b) when the Company recognizes restructuring costs in accordance with IAS 37 and involves payments of severance benefits. In the case of a voluntary termination offer, severance benefits are valued based on the expected number of employees who would accept the offer. Benefits due within 12 months after the reporting date are discounted to their present value.

**q) Share-based payments**

The Company participates in equity-based payment plans, through which it receives employee services and provides as consideration equity instruments (shares) of the Company. The value of the services received from employees is recognized as an expense, using as a reference for its estimation the fair value of the shares granted, considering:

- Any market performance-related vesting conditions (for example, the Company's stock price).
- That the impact of any services and conditions other than market performance-based vesting conditions are excluded from this estimation (for example, profitability, sales growth targets, and remaining as an employee



for a specified period of time), and any condition that does not affect the granting of the benefit (for example, employees' need to save).

At the end of each year, the Company reviews its estimates regarding the number of shares expected to be granted, considering changes in vesting conditions other than market performance. The impact of this estimate revision, if any, is recognized in the income statement, with a corresponding entry in equity.

When the shares are exercised, the share capital account (nominal value) and the share premium account are credited. The fair value of these shares is determined on the date they are granted.

During the 2023 fiscal year, management decided to cancel the executive stock option plan. Therefore, starting in 2023, there are no stock-based compensation plans in place.

**r) Capital stock**

Common stocks are classified as equity, with no preferred stock issued. The share premium from the issuance of shares is net of share issuance costs. Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction from the proceeds, net of taxes.

**s) Revenue recognition**

**Sale of goods**

The revenue mainly comes from the sale of timber logs and MDF.

Revenue is recognized when control of the products is transferred, which occurs when the products are delivered to the customer, the customer has full discretion over the sales channel and the price of the products, and there are no unfulfilled obligations that could affect the acceptance of the products by the customer. Delivery is deemed effective when the products are shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with the sales contract, acceptance provisions have lapsed, or the Company has objective evidence that all acceptance criteria have been met.

The Company does not stipulate volume discounts with its customers, and only in specific situations does it offer prompt payment discounts, typically ranging from 1% to 8% of the sales value for those customers who pay within the first month after delivery of the goods, and only on occasions determined by the Company. Revenue from these sales is recognized based on the price set in the contract, net of discounts. Revenue is only recognized to the extent that it is probable that no significant changes will occur. No financing component is deemed present because sales are made with a credit period of between 60 and 120 days, which is consistent with market practice. The Company has no obligation to replace defective products once the product is delivered to and accepted by the customer.

The Company only has one identified performance obligation, which is the delivery of the product.

The Company recognizes its revenue at a point in time, which is when the product is delivered. The Company has not identified any costs to fulfill contracts for the delivery of its products.

Contract liabilities represent consideration received from customers. These are recognized when the consideration is received from the customer to satisfy a performance obligation in the future. The reconciliation of contract liabilities is as follows:

	2023	2022
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Liabilities under contracts at the beginning of the year	<b>49,929</b>	24,160
Customer advances received	<b>89,537</b>	49,378
Performance obligations fulfilled	<b>(49,374)</b>	(23,609)
Liabilities under contracts at the end of the year	<b>90,092</b>	49,929

**Table 42 Contract Liabilities (MXN '000)**  
Source: Audited Financial Statements

**t) Leases**

Leases are recognized as a right-of-use asset and a corresponding liability on the date the leased asset is available for use by the Company.

The assets and liabilities arising from a lease agreement are initially measured at present value.

The lease liabilities include the present value of the following payments:

- Fixed payments (including those that are in substance), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate; initially measured using the index or rate at the lease commencement date.
- Amounts expected to be payable by the Company under residual value guarantees.
- Exercise price of a purchase option if the Group has reasonable certainty of exercising that option, and
- Payments of penalties for the termination of the lease contract, if the lease terms reflect that the Company will exercise such option.

Lease payments that will be made under renewal options, with reasonable certainty of being exercised, are also included in the measurement of the liability.

Lease payments are discounted using the implicit interest rate in the lease contract. If that rate cannot be readily determined, as is often the case for the Company's leases, the lessee's incremental borrowing rate is used, which is the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees, and conditions.

To determine the incremental borrowing rate, the Company:

- when possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since the third-party financing was received
- uses other approaches where it starts with a risk-free interest rate adjusted for credit risk for leases held that do not have recent third-party financing, and
- applies specific adjustments to the lease, for example, term, country, currency, and guarantees.

The Company is exposed to potential future increases in lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate become effective, the lease liability is reassessed and adjusted to the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease term to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, including the following:





- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- restoration costs.

The right-of-use assets are typically depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If the Company has reasonable certainty of exercising a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset.

Payments associated with short-term leases of equipment and vehicles, as well as all leases of low-value assets, are recognized under the straight-line method as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets include information technology equipment and small office furniture items.

As of December 31, 2023, and 2022, there are no residual value guarantees.

As part of its activities, the Company leases land, offices, warehouses, equipment, and vehicles. Rental contracts are typically made for fixed periods ranging from 6 months to 4 years, but they may include extension options. The contracts may contain lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices.

The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease contracts do not impose any commitments other than the warranty on the leased assets, which are maintained by the lessor. The leased assets cannot be used as collateral for loan purposes.

#### **u) Leasing Activities**

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

#### **v) Earnings per share**

Basic earnings per ordinary share is calculated by dividing the controlling interest by the weighted average of ordinary shares outstanding during the period. Diluted loss per share is determined by adjusting the controlling interest and ordinary shares, assuming that the Company's commitments to issue or exchange its own shares would be fulfilled.

#### **w) Subsidies**

Government subsidies related to the planting of biological assets are recognized in the consolidated statement of income (as part of total income) at the time they are effectively received. In the year ended December 31, 2023, subsidies received from the National Forestry Commission amounted to MXN \$3MM. This financial support is not conditioned on any compliance or repayment in the future.

#### **x) Rounding of balances**



All amounts disclosed in the consolidated financial statements and notes have been rounded to thousands unless otherwise indicated.

**y) Uncertainty about Income Tax Treatments**

IFRIC 23, Uncertainty over Income Tax Treatments, clarifies how the requirements for recognition under IAS 12 are applied when there is uncertainty over income tax treatments. It addresses four issues when there is uncertainty: the first being whether an entity separately considers uncertain tax treatments; the second, the assumptions an entity makes about the review of tax treatments by tax authorities; the third, how an entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates; and lastly, how an entity should consider changes in facts and circumstances. As of December 31, 2023, and 2022, the uncertain tax positions of the Company were not material.



# Management

## 4.1 External Auditors

The process for selecting external auditors involves ratification in the Report of the Chairman of the Audit Committee and ratification through a resolution in the Audit Committee meeting minutes.

During the 2023 fiscal year, the external auditor issued an Unmodified Opinion, and the audit report will include a separate section titled "Material Uncertainty Related to Going Concern" primarily due to the Company's request for extensions on some of its debt contracts to make payments after their original maturity dates in 2024; as of the date of this report, the Company is in negotiation and expects to reach a favorable resolution with its bank creditors. Additionally, the consolidated accounting losses reported by the Company in the years 2023 and 2022 (and losses reported in previous years) indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern

## 4.2 Related party transactions and conflicts of interest

As of December 31, 2023, the Company's management decided to cancel the CPO (Stock Purchase Option Certificate) plan it had in place. Therefore, the CPOs allocated for this plan were canceled as follows:

	Number of CPOs
As of January 1, 2023	3,365,000
Cancelled in 2023	(3,365,000)
As of December 31, 2023	-

**Table 43 CPO Cancellation**  
Source: Audited Financial Statements

In 2022, 835,000 CPOs were allocated and delivered at a price of \$5.49 per CPO. The total expenses recognized for the employee stock plan for the year ended December 31, 2022. See Note 17 of the Audited Financial Statements for more details.

## 4.3 Administrators and shareholders

Proteak's management is overseen by a Board of Directors, which, during 2023, comprised 9 directors. This board holds meetings at least 4 times a year. Since its inception, the Board of Directors has been professional and predominantly composed of Independent Members not affiliated with the management.

None of the directors has absolute decision-making power; most of them are renowned entrepreneurs or senior executives in high-performing companies. It is worth noting that none of the shareholders controls the Board, as the shareholder group with the largest stake controls less than 20% of the capital.



There is not relationship between directors and/or officers by blood, affinity, or civil law.

There is a code of conduct applicable to the Company's executives, which includes the main guidelines:

General guidelines of the code of conduct.

1. Human rights (prohibition of slavery, child labor, discrimination, sexual and workplace harassment).
2. Gift policy.
3. Anti-bribery policy.
4. Specific leadership conduct guidelines.
5. Adherence to and understanding of the ethical line.
6. Declaration of conflicts of interest.

The compensations received by the Board of Directors are determined by the Nominations and Compensations Committee. There are not special agreements or programs for the Board of Directors other than the remuneration distributed, as determined in the Shareholders' Meeting.

In order to ensure an impartial vision of strategic planning, Proteak has incorporated the figure of the independent director, which currently represents 89% of the total directors, a percentage that exceeds the 25% required by the Securities Market Law.

The Board of Directors shall have the widest powers recognized by law to a general agent to enter into all kinds of contracts and to carry out all kinds of acts and operations that by law or by provision of these bylaws are not reserved for a Shareholders' Meeting, as well as to administer and manage the Company's business, carry out each and every one of its corporate purposes, and represent it before all kinds of judicial (civil and criminal), labor or administrative authorities, whether federal, state or municipal, with the broadest power for lawsuits and collections, acts of administration and dominion, in the terms of the first three paragraphs of article 2554 of the Civil Code for the Federal District and the corresponding articles of the Federal Civil Code and the Civil Codes of all the States of the Republic, also enjoying those that require a special clause and to which articles 2574, 2582, 2587 and 2593 of the Civil Code for the Federal District and their corresponding articles of the Federal Civil Code and the Civil Codes of all the States of the Republic refer, as well as articles 9 and 10 of the General Law of Credit Titles and Operations, including in an enumerative manner, but in no way limited to, the following:

- a. To lodge complaints and lawsuits, as well as to withdraw them, file accusations, act as coadjutor to the Public Prosecutor, and grant pardons.
- b. To initiate amparo proceedings and their incidents, as well as to withdraw them;
- c. To grant general or special powers, without limitations or with those that the Board deems pertinent, and to revoke all kinds of general and/or special powers, including powers for acts of administration, acts of dominion, and for lawsuits and collections.
- d. To delegate any of its powers to the person or persons, managers, officials, attorneys, or committees that the Board deems appropriate.

The aforementioned powers shall be exercised by the Board of Directors, provided that the exercise of these does not involve a violation of what is established in the second paragraph of Clause Twenty-Second of these bylaws.



During the Ordinary General Shareholders' Meeting held on April 28, 2023, the following individuals were ratified as proprietary members of the Board of Directors of Proteak for the fiscal year corresponding to the 2023 period: Mr. Diego Prieto Barbachano, Mr. Jorge Silberstein Tenenbaum, Mr. Ricardo Haneine Haa, and Ms. Ana Aragão Teixeira Aguiar de Matos de Lima Miranda. Additionally, during this meeting, the appointment of Mr. Diego Prieto Barbachano as Chairman of the Board of Directors was ratified:

Proprietary Member
Diego Prieto Barbachano
Luis Eduardo Tejado Bárcena*
Jorge Hillmann
Manuel Ruiz Gutiérrez Topete
Abraham Hernández Pacheco
Ricardo Elizondo Guajardo
Jorge Silberstein Tenenbaum
Ricardo Haneine Haa
Ana Aragão Teixeira Aguiar de Matos de Lima Miranda

\*In case of Mr. Luis Eduardo Tejado Bárcena, there exists a contractual relationship between Proteak and the company where the director currently renders services.

**Table 44 Board of Directors in force during the year 2023**  
 Source: Proteak Uno, S.A.B de C.V.

The companies where the members of the Board of Directors currently provide services have no relationship with Proteak.

*Shareholders owning more than 10% of the Issuer's share capital*

The Company does not have any beneficial shareholder owning more than 10% of the Issuer's share capital.

*Shareholders exercising significant influence*

Proteak does not have any shareholder exercising significant influence.

*Shareholders exercising control or command power*

Proteak does not have any shareholder exercising control or command power.

*Control of the issuing company*

*The issuing company is autonomous; it is not controlled directly or indirectly by another company, nor by a foreign government, nor by any other individual or legal entity.*

*Gender Inclusion*

At the end of 2023, we formalized the Diversity and Inclusion Policy, which considers aspects such as:

1. Generating employment opportunities in positions that were previously only considered for men.





2. Increasing progressively the percentage of women in the organization.
3. Establishing the Diversity and Inclusion Committee in 2024.
4. Defining the responsibility of senior management and leaders in promoting diversity and inclusion actions.
5. Salary equity: paying based on position and not on gender.

In 2023, we closed the year with 17% female staff (compared to 16% in 2022), incorporating more women into leadership and management positions.

The Management Committee ended the year 2023 with 11 directors: 8 men and 3 women, thus advancing the percentage of women in the strategic decision-making of the company.

In 2023, we obtained the Top Companies distinction, companies for women, for the actions undertaken to support the creation of better spaces where women can work. We carried out internal promotions to managerial positions, granting access to more women in decision-making spaces. Additionally, we launched the program for women operators of heavy machinery and tractor drivers, mainly in forestry and manufacturing operations, with 7 women currently undergoing training.

Our commitment is to gradually increase the percentage of women throughout the organization's workforce our goal for 2024 is to increase the headcount of women by 5%.

## 4.4 Proteak's Committees

In all committees, at least one member has expertise in finance.

All directors adhere to the regulations applicable to governing bodies and underlying committees in accordance with the social statutes and other applicable regulations, aimed at improving their efficiency.

### *Audit Committee*

The Audit Committee will consist of at least 3 members, who must meet the independence requirement stipulated in Article 26 of the Securities Market Law (LMV). The main functions of the Audit Committee include, among others, the following:

- a. Provide opinion to the Board of Directors on matters within its competence according to the LMV.
- b. Select the legal entity to carry out audit work.
- c. Establish the hiring conditions and scope of professional mandates of external auditors, approve additional services other than auditing provided by external auditors if applicable, and monitor compliance with audit contracts and independence requirements of external auditors.
- d. Meet with the external auditor when deemed necessary or at least once a year to review matters within its competence.
- e. Discuss the Company's financial statements with those responsible for their preparation and review, and based on this, recommend to the Board of Directors whether or not to approve them.
- f. Recommend to the Board of Directors the basis for the preparation of financial information and assist in its review and issuance, as well as opine on relevant changes in policies, criteria, and accounting practices used to prepare financial statements.



- g. Verify compliance with Proteak's accounting and tax regulations.
- h. Members of the Audit Committee shall be appointed by the Board of Directors at the Annual General Meeting.
- i. The Committee shall review, discuss, and evaluate its own performance at least annually. The committee shall also periodically review and evaluate the adequacy of its operating rules and recommend proposed changes to the Board of Directors for consideration.

	Member	Position
1	Manuel Ruíz Gutiérrez Topete	Chair
2	Abraham Hernández Pacheco	Member
3	Ana Aragão Teixeira Aguiar de Matos de Lima Miranda	Member

**Table 45 Audit Committee**  
Source: Proteak Uno, S.A.B de C.V.

### *Corporate Practices Committee*

The Corporate Practices Committee shall be composed of at least 3 members who must meet the independence requirement stipulated in Article 26 of the LMV. The main functions of the Corporate Practices Committee are as follows:

- a. Provide opinion to the Board of Directors on matters within its competence according to the LMV.
- b. Request the opinion of independent experts when deemed necessary for the proper performance of its functions.
- c. Convene Shareholders' Meetings and ensure that relevant items are included on the agenda.
- d. Assist the Board of Directors in preparing the report containing the main policies, accounting criteria, and information used in the preparation of the financial information presented annually to the Shareholders' Meeting, as well as in preparing the report on operations and activities in which it has been involved.
- e. Members of the Corporate Practices Committee shall be appointed by the Board of Directors at the Annual General Meeting.
- f. The Committee shall review, discuss, and evaluate its own performance at least annually. The committee shall also periodically review and evaluate the adequacy of its operating rules and recommend proposed changes to the Board of Directors for consideration.

The members of the Corporate Practices Committee, considered financial experts, are:

	Member	Position
1	Manuel Ruíz Gutiérrez Topete	Chair
2	Abraham Hernández Pacheco	Member
3	Ana Aragão Teixeira Aguiar de Matos de Lima Miranda	Member

**Table 46 Corporate Practices Committee**  
Source: Proteak Uno, S.A.B de C.V.



*Compensation Committee*

The Compensation Committee shall consist of at least 3 members who must meet the independence requirement stipulated in Article 26 of the LMV. The main functions of the Compensation Committee include, among others, the following:

- a. Support the Board of Directors in fulfilling its responsibilities regarding the compensation of company executives.
- b. Establish and oversee compensation programs, both short-term and long-term, for first and second-level company officials.
- c. Prepare an annual report on the compensation of first and second-level executives of the organization, as well as the Chairman of the Board and the directors.
- d. If necessary, propose changes to the company's compensation schemes to the Board of Directors.
- e. The Committee may propose to the Board of Directors the hiring of internal or external resources deemed necessary or appropriate by the Committee to fulfill its responsibilities.
- f. The Committee shall review, discuss, and evaluate its own performance at least annually. The committee shall also periodically review and evaluate the adequacy of its operating rules and recommend proposed changes to the Board of Directors for consideration.
- g. The members of the Compensation Committee are:

	Member	Position
1	Ricardo Elizondo Guajardo	Chair
2	Ricardo Haneine Haula	Miembro
3	Jorge Silberstein Tenebaum	Miembro

**Table 47 Compensation Committee**  
Source: Proteak Uno, S.A.B de C.V.

*Forestry Committee*

The Forestry Committee shall consist of one to two members who must meet the independence requirement stipulated in Article 26 of the LMV. The main functions of the Forestry Committee include, among others, the following:

- a. Supervise all aspects of the company's forestry activities on behalf of the Board of Directors and advise them on matters related to the company's forestry activities. The Committee is available to act as an advisor to the Company's Executive Management in this regard.
- b. Conduct an annual, in-depth review of the performance of the established forestry asset.
- c. Supervise the plantation establishment process and ensure that technical parameters are met.
- d. Review the organizational structure, management capacity, capabilities, and resources available for forestry functions.



- e. The chairman and members shall be appointed by the Board of Directors. The Board of Directors shall have the authority to remove any member of the Committee at any time without cause.
- f. The Committee shall hold at least four meetings per year but may meet more frequently if deemed necessary.
- g. The Committee may meet more frequently as necessary.
- h. The chairman of the Committee shall appoint a secretary responsible for preparing minutes of the meeting, which shall be distributed to the rest of the Board of Directors.
- i. The minutes of the Committee meetings shall be distributed to the Board of Directors, and the chairman of the Committee shall report its findings and recommendations directly to the Board.
- j. Any member of the Committee may participate in a meeting thereof, either entirely or partially via telephone, through which all persons participating in the meeting can hear each other speak (participation in a meeting in this manner shall be deemed as being present in person).
- k. The Forestry Director, Chairman, and Chief Executive Officer shall have the right to attend all Committee meetings.
- l. The Committee may propose to the Board of Directors the hiring of internal or external resources deemed necessary or appropriate by the Committee to fulfill its responsibilities.
- m. The Committee shall review, discuss, and evaluate its own performance at least annually.

The Committee shall also periodically review and assess the adequacy of its operating rules and recommend proposed changes to the Board of Directors for consideration.

**Proteak's Executive Officers**

Name	Position	Current and total experience
<b>César Arturo Vélez Pongutá</b>	<b>Chief Executive Officer</b>	César Vélez joined Proteak in 2019 as Chief Financial Officer and was appointed CEO of Proteak in September 2022. He has more than 18 years of experience in the financial area of leading transnational companies in the forestry and mass consumption sectors, in which I have carried out financial management, creation of business plans, evaluation of investment projects, mergers and acquisitions, financial analysis, among others. Before Proteak, he was the Director of Administration and Finance, and in different managerial and executive positions at Masisa. He has also served at Rayovac as Head of Planning and Business Analyst. He has a degree in Economics from the Universidad de La Salle in Bogotá, Colombia, a Master in Evaluation and Project Administration from the Universidad Panamericana, and an MBA in Senior Business Management from IPADE.
<b>Mariana Rojo Granados</b>	<b>Chief Financial Officer</b>	Mariana Rojo Granados has a degree in Public Accounting from the Autonomous Technological Institute of Mexico (ITAM) and a graduate of the Senior Management program (D1) from IPADE Business School; she assumed the position of Director of Administration and Finance on December 12, 2022. Mariana Rojo has extensive experience of more than 20 years in capital and debt markets in listed Mexican companies and will supervise all administration and finances, playing a key role in investor communications.
<b>Cinthia Paulina Villaseñor Islas</b>	<b>General Counsel</b>	Paulina Villaseñor joined Proteak in 2015. Prior to joining Proteak, she had 9 years of experience in <i>tier one</i> law firms with a focus on corporate and business law, at Goodrich Riquelme y Asociados, Ríos Ferrer, Guillén-Llarena, Treviño y Rivera, S.C., and Olivares y Cía, S.C. She was also Director of Legal Affairs at the Road Development Branch of the Ministry of Communications and Transportation. She holds a degree in law from the UNAM.
<b>Ofelia Rendón Rodríguez</b>	<b>Director of Human Development</b>	Ofelia Rendón ingresó a Proteak en 2022. Es Licenciada en Administración Industrial, Administración y gestión de Empresas por el Instituto Politécnico Nacional y cuenta con un Master of Business Administration (MBA), por la Universidad del Valle de México. Ha desempeñado el cargo de directora de recursos humanos



		en diversas empresas de gran impacto en la República Mexicana y que cuentan con presencia internacional, tales como Great Panther Mining Limited; Grupo Kaltex, Bunge, Philips entre otras.
<b>Jürgen Bernhard Stock Leyton</b>	<b>Forestry Director</b>	Jürgen Stock joined Proteak as Research Manager in December 2007 and is currently the Forestry Director. Prior to joining Proteak, he was Research Manager, Forestry Division of Smurfit Carton de Venezuela. He has worked on developing successful clonal propagation programs for forest species which increased the company's productivity by 40%. He holds a degree in forest engineering and a Master of Science from the University of the Andes in Merida, Venezuela.
<b>Cesar Rodríguez Bejarano</b>	<b>Sales Director</b>	He joined Proteak in 2014 as Industrial Sales Director. He has over 15 years of experience in the steel and metalworking industry and more than 7 years in the board industry, has had direct experience in customer service, sales and purchasing as well as being an expert in establishing supply chains. He has worked in companies such as New Process Steel and Ryerson Inc. He holds a degree in International Business from ITESM and has an MBA from EGADE Business School.
<b>Iván Ahedo Gaudry</b>	<b>Marketing Director</b>	He joined Proteak in March 2018 as Marketing Director. Ivan has more than 21 years of international experience in Marketing, Commercial Strategy and Strategic Planning in different industries and companies in Retail, Consumer, Services, Entertainment and B2B; including brands and companies of recognized success and international influence like 3M, José Cuervo, Grupo LALA, SABMiller (USA), Starbucks and PPGComex. He has been an advisor, business consultant and mentor for the Endeavor organization since 2009. He holds a BA (Hons) in Marketing from the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) in Mexico, as well as postgraduate studies in Finance and Business from the University of Miami and Amsterdam, Netherlands.
<b>Luis Antonio González Arce*</b>	<b>Supply Chain Director</b>	Luis González Arce joined Proteak in 2021. He has more than 18 years of corporate and operational experience in the areas of Supply Chain, Logistics and Operations, Production and Manufacturing, Distribution and Warehouses, Procurement and Purchasing, Planning and S&OP and Projects and Continuous Improvement in transnational and mass consumption companies. Prior to joining Proteak, he served as Director of Operations and Supply Chain at Bexel International and before that he was at Arca Continental for 10 years in Supply Chain and Logistics Management positions. He is an Industrial and Systems Engineer from ITESM and has 2 MBAs, from ESSEC Business School France and from EGADE Business School.
<b>Boris Ludovic Moghrani Cisneros</b>	<b>IT Director</b>	He joined Proteak in April 2016 as IT Director of Proteak and Bluedrop, Proteak's sister company. Boris has more than 23 years of experience in IT, design, implementation and execution of IT strategies, business realignment of IT objectives, business process reengineering through IT and management of multidisciplinary teams. Prior to Proteak, he worked in internationally recognized companies such as Monsanto, MasNegocio.com and Sports World. He holds a degree in Computational Mathematics from UNAM.
<b>Rodrigo Méndez Pech</b>	<b>Plant Director</b>	He joined Proteak in November 2017 as Production Manager and has been the Plant Director since December 2019. Rodrigo has more than 23 years of experience in coordination, management and control of production and maintenance. He has worked in various companies such as FEMSA, Embotelladora Bepensa and Organización de Aguas de Mexico. Rodrigo is a Mechanical and Electrical Engineer from the Universidad Juárez Autónoma de Tabasco and holds a Master's in Administrative Engineering from the Instituto de Estudios Universitarios.
<b>German Steven Ortiz Murillo</b>	<b>Harvest Commercial Director</b>	He joined Proteak in 2011, carrying out mapping of areas and inventories for the purchase of plantations. In 2012 he served as head of Industrial Production of Teak, in 2013 he took the position as Manager of Harvesting and Export Logistics in Teak, being responsible for the commercialization of Teak at a National and International level, in 2019 he added to his responsibilities the Eucalyptus harvest area and as of January 2023 he acquired the appointment of Harvest Commercial Director. Before Proteak he worked in the area of Cadastre and topography in the Government of Costa Rica. He is a Topographical Engineer graduated from the University of Costa Rica.

\*Note: as of the date of publication of this report, Luis Antonio González Arce is no longer part of the Proteak management team.

**Table 48 Proteak's Executive Officers**

Source: Proteak Uno, S.A.B. de C.V.





### Proteak's Board of Directors

Name	Position	Current and total experience
<b>Diego Prieto Barbachano</b>	<b>Chair of the Proteak Board of Directors</b>	He was appointed member of the board in April 2021 and is president of the Board of Directors, appointed by ordinary general assembly in December 2021. He has a degree in Finance, Master in Business Administration (MBA), director of Administration and Finance at the Escuela Bancaria y Comercial, and Director, partner and advisor of companies in the educational, agroindustrial and real estate sectors in Mexico.
<b>Jorge Silberstein</b>	<b>Member of the Proteak Board of Directors.</b>	He has been a member of the Board of Directors since April 2021. He was Head of Investment Banking at Barclays Investment Bank for 11 years, until 1999 he served as Undersecretary of Communications at (SCT) and was previously Deputy General Director of Financial Engineering at Banobras, S.N.C., From 1989 to 1993, he held important positions in the Ministry of Finance and Public Credit, both as Sub-coordinator of the Divestiture Unit, as well as General Director of Financial Engineering of the Divestment Unit
<b>Luis E. Tejado</b>	<b>Member of the Proteak Board of Directors.</b>	He has been the Chief Executive Officer of Bluedrop since 2012. Prior to that he was Chief Executive Officer of Proteak from 2007 to 2012 and Chief Financial Officer of Grupo Editorial Expansión from 2004 to 2007. He was part of the Boston Consulting Group as a project leader and consultant. From 1993 to 1995, he was Director of the Finance Department. He is an Industrial Engineer from the Universidad Panamericana and holds an MBA from Harvard Business School.
<b>Manuel Ruiz Gutiérrez Topete</b>	<b>Member of the Proteak Board of Directors.</b>	He is also president of the Audit committee and is a director for Vitamedica and director of Administration and Finance for the Formula 1 Grand Prix of Mexico Project. In addition, he is Treasurer for FICSAC (Patronato Universidad Iberoamericana). Before joining these companies, he worked in the banking sector as Director of Administration and Finance for Banamex. He was also Chief Financial Officer (CFO) for the National Bank of Mexico and Citibank. Before this he was part of Seguros Banamex as CFO. He has a degree in Economics from the Universidad Iberoamericana and has an MBA from Cornell University with a specialization in Finance.
<b>Jorge Hillman</b>	<b>Member of the Proteak Board of Directors.</b>	Since 2014, he is a member of the Board of Directors of Proteak and is a member of 3 other companies: Peccin SA, CEPAR - CESBE Participações and Famex S/A - Administracao de Espacos Comerciais. Currently, he works at TCP Partners Consulting as a new business advisor in different regions of Brazil. He was previously a director of TONDO, Caixas do Sul Brazil and has more than 30 years of professional experience in national and multinational companies. He has been executive director of different companies in Brazil, Central America and Canada such as Masisa Do Brasil LTDA, Nueva C.R. S.A., The PQ Corporation INC Brazil and Toronto, and SIK A S.A. He has a degree in engineering and business administration from UFRGS, in Porto Alegre, Brazil. He has an MBA in Finance from IBMEC, Rio de Janeiro and a postgraduate degree in Marketing from ESPM, São Paulo.
<b>Ricardo Elizondo Guajardo</b>	<b>Member of the Proteak Board of Directors.</b>	Founding partner and director of the Mexican fund Ideas y Capital. It has invested since 2005 in 24 private companies. He is currently a member of the Board of Directors of Proteak and the following 11 companies: Fruitex, Econduce, Prolade, EnKontrol, Grupo Amigo, Boletia, Dvdendo LLC, Nimbler, Pro Organic Growers, CFE Internacional, LLC and CFenergía, subsidiaries of the Federal Commission of Electricity (CFE). None of these companies have any affiliation with Proteak. He was a director and president of the Venture Capital committee of the Mexican Private Capital Association (AMEXCAP) from April 2015 to April 2018. He is a professor of Innovation and New Business Development in the ITAM Executive MBA and a mentor in several incubators and accelerators in Mexico. Previously, Ricardo was the Deputy Editorial Director of the Reforma newspaper where he worked for 16 years. Ricardo has a Master of Business Administration (MBA) and a Master of Public Administration (MPA2), both from Harvard University.
<b>Ricardo Haneine Haua</b>	<b>Member of the Proteak Board of Directors.</b>	He was appointed member of the Board of Directors since December 2021. With more than 21 years of experience, he is currently a consulting partner at A.T. Kearney.



<p><b>Ana Aragão Teixeira Aguiar de Matos de Lima Miranda</b></p>	<p><b>Member of the Proteak Board of Directors.</b></p>	<p>He has been a member of the Audit Committee since December 2021. Currently, he is CFO at Timber Capital Portugal, and was CFO at Investwood.</p>
<p><b>Abraham Hernández Pacheco</b></p>	<p><b>Member of the Proteak Board of Directors.</b></p>	<p>Currently, he is a member of the Proteak Audit Committee. He is president and founding partner of VITALIS, a Mexican company expert in private pensions, in which he also chairs the Investment Committee. He is president of the Pensions, Benefits and Social Security section of the International Actuarial Association, in which he is also a member of the Nominating and Strategic Planning Committees. He created and was the first Head of the ProMexico Business Intelligence Unit. Participates on the Board of other public companies, FIBRAS and private equity funds. He actively participates in social causes focused on reducing poverty in old age, the fight against labor informality and in favor of responsible investment. Abraham is an actuary and is currently studying a PhD in applied mathematics.</p>

**Table 49 Proteak’s Board of Directors**  
Source: Proteak Uno, S.A.B. de C.V.

## 4.5 Articles of Association and other agreements

- a. The registered office shall be located at Paseo de la Reforma 540, Lomas de Chapultepec, CP. 11000, Mexico City, Mexico.
- b. The duration is 99 years.
- c. The main purpose of the Company is the cultivation, planting, production, sowing, harvesting, processing, buying, selling, industrialization, import, export, commercialization, and disposal by any means of flowers, plants, trees, seeds, and other products derived from them.
- d. A clause admitting foreigners is foreseen.
- e. The share capital is represented by ordinary shares, nominative, without expression of nominal value.
- f. The fixed minimum capital amounts to the sum of MXN [2,875,161,977] and the variable is unlimited.
- g. The shares may have other characteristics as determined by the General Shareholders' Meeting that agrees to their issuance in accordance with applicable regulations.
- h. All shares representing the fixed or minimum or variable capital have equal rights and obligations and grant their holders equal rights and obligations in accordance with article 112 of the LGSM.
- i. In case the Shareholders' Meeting resolves on the issuance of shares with restricted rights and/or obligations, such issuance shall be subject to the provisions of article 54 of the LMV.
- j. Each share, of any series and class, grants the right to vote at Ordinary or Extraordinary General Shareholders' Meetings.
- k. In accordance with article 123 of the Agrarian Law, the social capital must distinguish a special series of shares or social parts identified with the letter "T," which will be equivalent to the capital contributed in agricultural, livestock, or forestry lands or destined for the acquisition of these, according to the value of the lands at the time of their contribution.
- l. The "T" Series shares issued by the Company shall not have special rights over the land or corporate rights other than those corresponding to the shares in accordance with the LGSM, except that upon liquidation of the Company, only the holders of said "T" Series shares shall have the right to receive land in payment of what corresponds to them in the social equity.



m. Foreign shareholders may not have a stake exceeding 49% of the "T" Series Shares.

n. Approval of the Board of Directors is required for any person or group of persons intending to acquire shares or the titles representing them, or rights on shares, by any means or title (i) whose consequence is that their shareholding individually and/or jointly with the related person(s) represents an interest equal to or greater than a 30% interest; (ii) maintaining a shareholding of 30% or more of the total shares, whose consequence is that their shareholding individually and/or jointly with the related person(s) represents an interest equal to or greater than a 40% interest; and (iii) maintaining a shareholding of 40% or more of the total shares, whose consequence is that their shareholding individually and/or jointly with the related person(s) represents an interest equal to or greater than 50% (fifty percent) of the total shares. Likewise, (i) any person who is a competitor of the Company or any subsidiary of the Company, who individually or jointly with one or more related persons, intends to acquire shares, or the titles representing them, or rights on shares, by any means or title, whose consequence is that their shareholding individually and/or jointly with the related person(s) represents a percentage equal to or greater than 5% (five percent) of the total shares, or their multiples; (ii) any contract, agreement, or legal act that intends to limit or result in the transfer of any of the rights and faculties corresponding to shareholders or holders of shares or the titles representing them of the Company, including derivative financial instruments, as well as acts that imply the loss or limitation of voting rights granted by the shares representing the social capital of this Company in a proportion equal to or greater than 5% of the total Shares into which the social capital of the Company is divided; and (iii) the execution of Restricted Agreements.

o. In accordance with article 108 of the LMV, in case of cancellation of the registration of the shares representing the social capital of the Company or of the credit titles representing such shares in the RNV, either at the request of the Company itself, subject to prior agreement of the extraordinary general shareholders' meeting of the Company and with the favorable vote of the holders of shares, with or without voting rights, representing 95% or by resolution adopted by the CNBV, in terms of the LMV, the Company shall be obliged, subject to a request from the Comisión Nacional Bancaria y de Valores, to make a public acquisition offer within a maximum period of 180 calendar days, counted from the date on which such requirement takes effect or from the date on which the assembly has adopted the respective agreement, the provisions of articles 96, 97, 98, sections I and II, 101, first paragraph, of the LMV shall apply. The offer must be directed exclusively to the Shareholders or to the holders of the credit titles representing the shares of the Company who are not part, at the time of the CNBV's request, of the group of persons who control the Company. The term "Control" used in the articles of association shall be that defined in Article 2, section iii) of the LMV; the offer must be made at least at the price that is higher between the quoted value and the book value of the shares or credit titles representing such shares, according to the latest quarterly report submitted to the CNBV and the Bolsa Mexicana de Valores ("BMV") before the start of the offer, adjusted when said value has been modified in accordance with applicable criteria for determining relevant information, in which case, the most recent financial information available to the Company must be considered, and a certification from the CEO and/or the Deputy CEO regarding the determination of the book value must be presented; and the Company must affect in trust for a minimum period of 6 (six) months, counted from the date of the corresponding cancellation, the necessary resources to acquire at the same price as the offer the securities of the investors that did not participate in the offer.

p. In order for an Ordinary General Shareholders' Meeting held on first or subsequent call to be legally convened, at least the majority of the shares issued by the Company and with voting rights must be represented, and to adopt resolutions in any Ordinary General Shareholders' Meeting, held on first or subsequent call, the affirmative vote of the simple majority of the shares represented at the Meeting shall be required.

q. In order for an Extraordinary General Shareholders' Meeting held on first call to be legally convened, at least 75% (seventy-five percent) of all shares issued by the Company and with voting rights must be represented; in the case of second or subsequent call to consider the Extraordinary General Shareholders' Meeting legally convened, at least 50% (fifty percent) of all shares issued by the Company must be represented.



r. For the validity of the resolutions adopted in any Extraordinary General Shareholders' Meeting held on first or subsequent call, the affirmative vote of at least 50% (fifty percent) of the total shares representing the social capital shall be required.

s. In terms of article 23 of the Securities Market Law ("LMV"), the administration of the Company is entrusted to a Board of Directors and a managing director, in accordance with the articles of association, as well as the provisions of the LMV.

t. The Board of Directors shall be composed of the number of full members determined by the General Shareholders' Meeting between a range of 3 (three) and 21 (twenty-one) directors, of which at least twenty-five percent (25%) must be independent in terms of article 26 of the LMV. For each full director, his respective alternate may be appointed, on the understanding that the alternate directors of the independent directors must have the same status and that the alternate directors may only replace the full directors of the same series of shares that elected them. Likewise, the Board of Directors shall have a chairman and his respective alternate and shall appoint a secretary who shall not be part of said body. The General Shareholders' Meeting that designates or ratifies the members of the Board of Directors shall qualify the independence of its directors. Notwithstanding the foregoing, in no case may persons designated as independent directors under article 26 of the LMV be designated or act as independent directors.

u. In the corresponding Shareholders' Meeting, each shareholder or group of Shareholders who individually or jointly own 10% (ten percent) of the shares with voting rights, representing the social capital of the Company, shall have the right to appoint 1 (one) full director and his respective alternate.

v. Notwithstanding the foregoing,, Shareholders who individually or jointly own ten percent or more of the social capital of the Company intending to appoint a director must notify the Company's Nominations Committee within a period not exceeding five (5) days after the publication of the call for an Ordinary Annual General Shareholders' Meeting.

w. The Company's Nominations Committee may propose to the Ordinary Annual General Shareholders' Meeting the ratification, in whole or in part, of the positions for the next year of the members of the Board of Directors previously appointed by the shareholders.

x. In each Shareholders' Meeting that resolves on the appointment of the members of the Board of Directors, the members designated by the Shareholders or group of Shareholders who own 10% (ten percent), or more, of the social capital shall be appointed first.

y. The members of the Board of Directors, in the diligent exercise of the functions conferred on them by both the LMV and other laws, as well as the articles of association, shall act in good faith and in the best interest of the Company.

z. The members and secretary of the Board of Directors of the Company shall maintain confidentiality regarding the information and matters they become aware of by virtue of their position in the Company, when such information or matters are not of a public nature.

aa. The Board of Directors, for the performance of its functions, shall be assisted for the oversight of the management, conduct, and execution of the Company's business by a Compensation Committee and an Audit Committee.

bb. The Board of Directors shall meet at least four times during each fiscal year.

cc. The management, conduct, and execution of the Company's business and of the legal entities controlled by it shall be the responsibility of the managing director, subject for that purpose to the strategies, policies, and guidelines approved by the Board of Directors.

dd. The Company is not obliged to appoint Commissioners as it has adopted for its administration and supervision the regime relating to the integration, organization, and functioning of public limited liability





companies, entrusting its supervision to the legal entity that carries out the external audit of the Company, as well as to the Audit Committee.

ee. The bylaws do not establish any statutory restrictions for the Board of Directors to establish compensation plans for the executives and directors of the Issuer. With regard to decision-making regarding any matter in which the directors have a personal interest, the articles of association establish that members and, where applicable, the secretary of the Board of Directors, who have a conflict of interest in any matter, must abstain from participating and being present in the deliberation and voting on such matter. Likewise, the articles of association establish that the affirmative vote of at least 51% (fifty-one percent) of the formally appointed members of the Board of Directors or, as the case may be, the affirmative vote of at least 51% (fifty-one percent) of the shares representing the social capital of the Company, in the case of a resolution of the shareholders' meeting, whether on first or subsequent call, is required to approve the execution of contracts with related parties.

ff. As of the date of the Offer, there will be no agreement that has the effect of delaying, preventing, deferring, or making more burdensome a change of control in Proteak.

gg. As of the date of preparation of this Annual Report, there are no trusts or any other mechanisms by virtue of which the corporate rights conferred by the Shares are limited.

hh. In order to be able to change the rights associated with the Shares, and any limitation on their acquisition by the shareholders, requires amendment of the corporate bylaws. The amendment of the corporate bylaws requires a General Extraordinary Shareholders' Meeting, wherein at least 75% (seventy-five percent) of all the voting shares must be represented at first call, and in the event of a second or subsequent call, at least 50% (fifty percent) of the voting shares issued by the company must be represented. Resolutions adopted in any extraordinary shareholders' meeting, whether on first or subsequent call, shall require the affirmative vote of at least 50% (fifty percent) of all the voting shares represented at the meeting to be valid.

ii. Clause Eight of the articles of association establishes a mechanism for the Board of Directors to approve that any person or group of persons acquire shares or rights on such Shares, including, without limitation, the credit titles representing them, according to the percentages established in the previous paragraph.

jj. It is the responsibility of the board of directors to determine the Compensation Committee, which is governed under article 26 of the LMV for independence consideration. This is composed of 3 members of the board, which determines the emoluments to be received. See section 4.4.

## 4.6 Other corporate governance practices

Proteak presents this section because it is considered relevant information for the investing public, outlining strategic guidelines for the company and its framework of action.

Proteak is a Variable Stock Corporation (Sociedad Anónima Bursátil de Capital Variable S.A.B. de C.V.) governed by the provisions of its bylaws, the General Law of Business Corporations (Ley General de Sociedades Mercantiles - LGSM), the Securities Market Law (Ley del Mercado de Valores - LMV), and the Unique Circular, as applicable.

Below are some of the main corporate governance provisions of Proteak.

The management is entrusted to a Board of Directors currently composed of 9 directors, of which 8 are independent members according to the LMV. This Board meets 3 or 4 times a year.





At the corresponding Shareholders' Assembly, each Shareholder or group of Shareholders, who individually or together hold 10% (ten percent) of the CPOs with voting rights, representing the social capital of the Company, shall have the right to appoint 1 (one) proprietary director and their respective alternate.

The Board of Directors shall have the broadest powers of representation recognized by law to enter into all types of contracts and to carry out all kinds of acts and transactions that, by law or by provisions of the bylaws, are not reserved for a Shareholders' Assembly, as well as to manage and direct the Company's business.

Proteak has three Committees that assist the Board of Directors in carrying out its functions, which are mentioned below:

- **Audit Committee:** It is composed of at least 3 members who must meet the independence requirement stipulated in Article 26 of the LMV.
- **Corporate Practices Committee:** It is composed of at least 3 members who must meet the independence requirement stipulated in Article 26 of the LMV.
- **Nominations and Compensation Committee:** It is composed of the number designated by the Shareholders' Assembly, but the majority of its members must also be members of the Company's Board of Directors, or secretaries of the Company.

Proteak has contracted the services of EY Ernst & Young (Mancera, S.C) as external auditor, to fulfill the functions established for such position in both the bylaws and applicable legislation.

Mr. César Arturo Vélez Pongutá is the Chief Executive Officer of Proteak, and he is responsible for the management, leadership, and execution of Proteak's businesses and of the entities it controls, in accordance with the strategies, policies, and guidelines approved by the Board of Directors or the Ordinary General Shareholders' Meeting, as applicable. The Ordinary General Shareholders' Meeting or the Board of Directors is responsible for appointing the CEO.

The liability of the members of the Board of Directors, as indicated in Clause Twenty of the bylaws, may be demanded by Proteak and/or by the shareholders who, individually or collectively, hold shares with voting rights, even if limited or restricted, representing at least 5% (five percent) of the total share capital, regardless of the corporate and/or patrimonial rights conferred by such shares to their holders.

## Capital Markets

### 5.1 Share structure

As of December 31, 2023, TEAK's paid-up share capital consists of 1,108,248,135 Ordinary Participation Certificates fully subscribed and paid, each of them comprised of one nominative share of series "T" (369,582,683 shares) and 2 nominative shares of series "K" (738,665,452 shares).

*Foreign shareholders may not hold an equity interest exceeding 49% of the series T Shares*



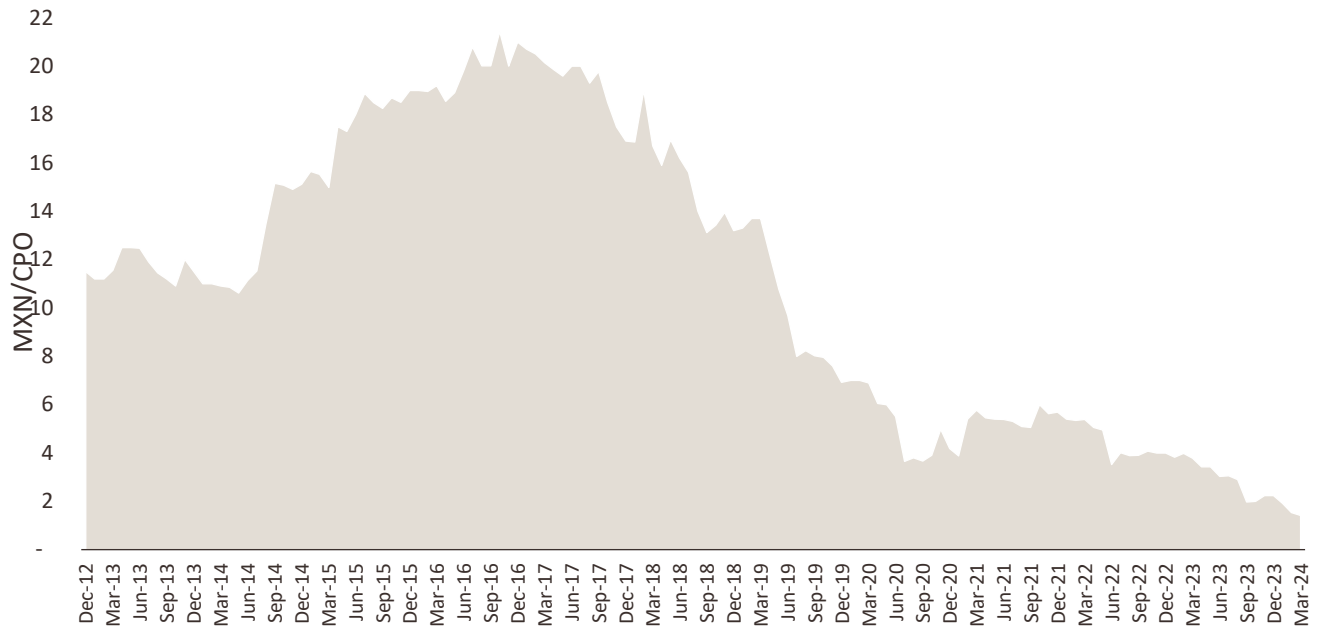
The Agrarian Law and the Foreign Investment Law do not allow foreigners' participation to exceed 49% of the Series "T" Shares or Social Parts, directly or through trusts, agreements, social or statutory pacts, pyramid schemes, or any other mechanism that grants control or a greater participation than established, except as provided in Article 18 of the Foreign Investment Law. Therefore, investors' participation in Proteak is carried out through neutral investment made in Mexican companies or trusts authorized by the Ministry of Economy, in this case through a Trust creating an investment instrument where Ordinary Participation Certificates (CPO) are issued for the Foreign Investor. In case the Trust needs to be terminated as indicated in Article 394 of the General Law of Negotiable Instruments and Operations or for any other reason, the Shares will be affected to a new trust, which will be similar to the previous one, so all investors will maintain their investment in Proteak without violating the provisions of the Agrarian Law and the Foreign Investment Law. Proteak cannot guarantee that, in case of Trust expiration, another similar one will be constituted, which would directly affect foreign investors, who will not be able to maintain ownership of the Series "T" shares in a proportion that does not exceed the maximum allowed. However, it is envisaged that if there is a foreign investment participation in the Series "T" Shares greater than 49%, authorization from the Ministry of Economy would be requested for the CPOs to be issued by the Issuing Trust to be considered as neutral investment instruments. However, Proteak cannot guarantee obtaining such authorization.

### *Foreign holders of Proteak's CPOs shall have limited voting rights*

Foreign holders of CPOs may only instruct the Trustee on how to exercise the voting rights derived from the Shares corresponding to the Series "K" Shares, so the Trustee will exercise the corporate rights of the corresponding Series "T" Shares that are incorporated into CPOs owned by foreign holders, systematically voting in the same direction as the majority of the Shares of said Series "T" voted at the relevant Assembly. This may pose a risk for foreign investors regarding decision-making and their representation in Proteak.

## **5.2 Share Performance on the Securities Exchange**

The performance of the TEAK CPO share listed on the BMV from December 2012 to March 2024 is presented below.



**Graph 11 Stock prices**  
Source: Yahoo Finance

It is worth noting that, given its long-term nature, Proteak's stock has low liquidity.



Month	Maximum Price	Minimum Price	Total Volume Traded	Listed on
mar-24	1.64	1.22	202,592	BMV
feb-24	1.92	1.53	401,787	BMV
jan-24	2.26	1.89	1,673,481	BMV
4T23	2.57	1.69	7,008,528	BMV
3T23	3.10	1.95	7,703,240	BMV
2T23	3.99	3.03	2,735,400	BMV
1T23	4.00	3.52	267,670	BMV
4T22	4.12	3.85	5,260,194	BMV
3T22	4.10	3.51	113,923	BMV
2T22	5.39	3.52	536,188	BMV
1T22	6.01	4.85	5,426,507	BMV
4T21	6.35	4.90	1,467,631	BMV
3T21	5.47	4.92	342,013	BMV
2T21	5.69	5.10	1,008,919	BMV
1T21	8.36	3.60	9,904,067	BMV
4T20	5.15	3.75	7,084,847	BMV
3T20	3.80	3.65	1,374,447	BMV
2T20	6.05	6.05	410,782	BMV
1T20	7.16	6.90	14,431	BMV
4T19	8.20	7.95	681,611	BMV
3T19	9.80	8.00	2,052,705	BMV
2T19	12.90	9.60	1,852,435	BMV
1T19	14.40	13.00	225,823	BMV
4T18	14.80	11.60	366,183	BMV
3T18	16.50	12.49	843,689	BMV
2T18	17.19	14.90	2,952,145	BMV
1T18	19.00	16.70	5,455,844	BMV
4T17	19.78	16.09	4,195,242	BMV
3T17	20.30	18.40	1,193,319	BMV
2T17	20.40	19.31	10,571,568	BMV
1T17	21.20	19.92	4,789,995	BMV

**Table 50 Performance of TEAK CPO stock**  
Source: Mexican Stock Exchange, Investing

## 5.3 Market Trainer

Currently Proteak has no market trainer.