PAULOWNIA PLANTATION PROJECT FOR THE PRODUCTION OF WOOD

AUGUST

2009

VALSECO

CONTENTS

1. THE CONCEPT

2. VALSECO AND THE PAULOWNIA PROJECTS

3. VALSECO-COTEVISA

4. THE PAULOWNIA TREE AND ITS VIRTUES

5. THE VALUE CHAIN
   - VALSECO-COTEVISA
   - THE FARMER

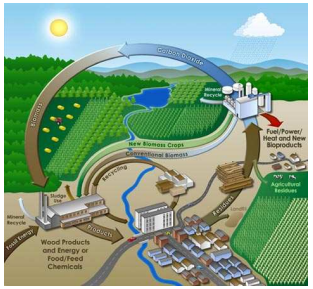
6. COST COMPARISON

7. BUSINESS MODEL

8. FORMULAS FOR EXPLOITACION
   - LEASING
   - ONGOING EXPLOITATION
   - CONTRACTING OF SERVICES

1. THE CONCEPT

- ✓ Development of Paulownia crops for use as wood
- ✓ Production of wood from Paulownia crops
- ✓ Driving the development of the Spanish market for cultivated wood
- ✓ Creation of an enduring industry in the Autonomous Community
- ✓ Viable alternative to traditional crops
- ✓ Production of a renewable fuel source (CO2 neutral)



2. VALSECO AND ITS WOOD PROJECTS

- **Valseco is engaged in agro-industrial projects based on the cultivation of olives, nuts, pistachios and Paulownia.**

- **Valseco is driving the search for investor partners seeking those who meet the following criteria:**

  - **Interested in improving their rural farming enterprise**
  - **Interested in investing in agribusiness**
  - **Seek a management company and alliances to carry forward the implementation, maintenance and operation of the Project**
  - **Share the idea of innovation in this sector, based on investor effort and natural resources to produce the goods, products and services demanded by today's society with a higher yield of value added for their professional effort and investment**
  - **Seek profitability based on the real productivity of projects that work without major fluctuations, or financial bubbles that give rise to unexpected consequences due to changes in the world economy.**

3. VALSECO-COTEVISA

VALSECO

- Function: Extensive experience in Project implementation.
  Supplies, consulting and maintenance of plantations, own technology
- Operations: First plantings carried out in Toledo in 1995
- Market: Spain. Exportation in the future
- Surface area: Own facilities: Office 400 m2. Warehouses 2.000 m2, laboratory, experimental farms
- Collaborations: Spanish Universities for R&D&I
  Madrid Schools of Agricultural Engineers and Albacete School of Agronomy Engineering

3. VALSECO-COTEVISA

COTEVISA:

- **Function:** Production of Paulownia Plantations
- **Market:** Spain. Exportation in the future
- **Surface area:** 66,000 m2 of nurseries and hothouses
  2,000 m2 of laboratories and offices
- **Collaborations**: Spanish Universities for R&D&I
  Agricultural and Forestry Schools

4. PAULOWNIA AND ITS VIRTUES

- ✓ Originally from China (more than 2 million hectares planted)
- ✓ Improved in the U.S.
- ✓ We have the exclusive for Spain
- ✓ Rapidly growing tree
- ✓ It is already growing in Cáceres: 6 meters in 1 year. Better than in Georgia, U.S.A.
- ✓ The tree is completely harmless to the environment
- ✓ Grows back when cut at 3 years. Pruned at least 8 times.
- ✓ Produces 1 m3 of wood starting in the ninth year
- ✓ Only needs watering during the first 2 years
- ✓ Allows for alternating crops such as cereals (co-production of biofuels is being evaluated), pasture for cattle, etc.

GEORGIA, EE.UU 3 YEARS

PAJARES RÍO, EXTREMADURA 1 YEAR

4. PAWLOUNIA AND ITS VIRTUES

Paulownia 1 week after planting

Paulownia 1 months after planting

Paulownia 1 year after planting

5. THE VALUE CHAIN

PRODUCTION FACILITY FOR IN VITRO CULTIVATION

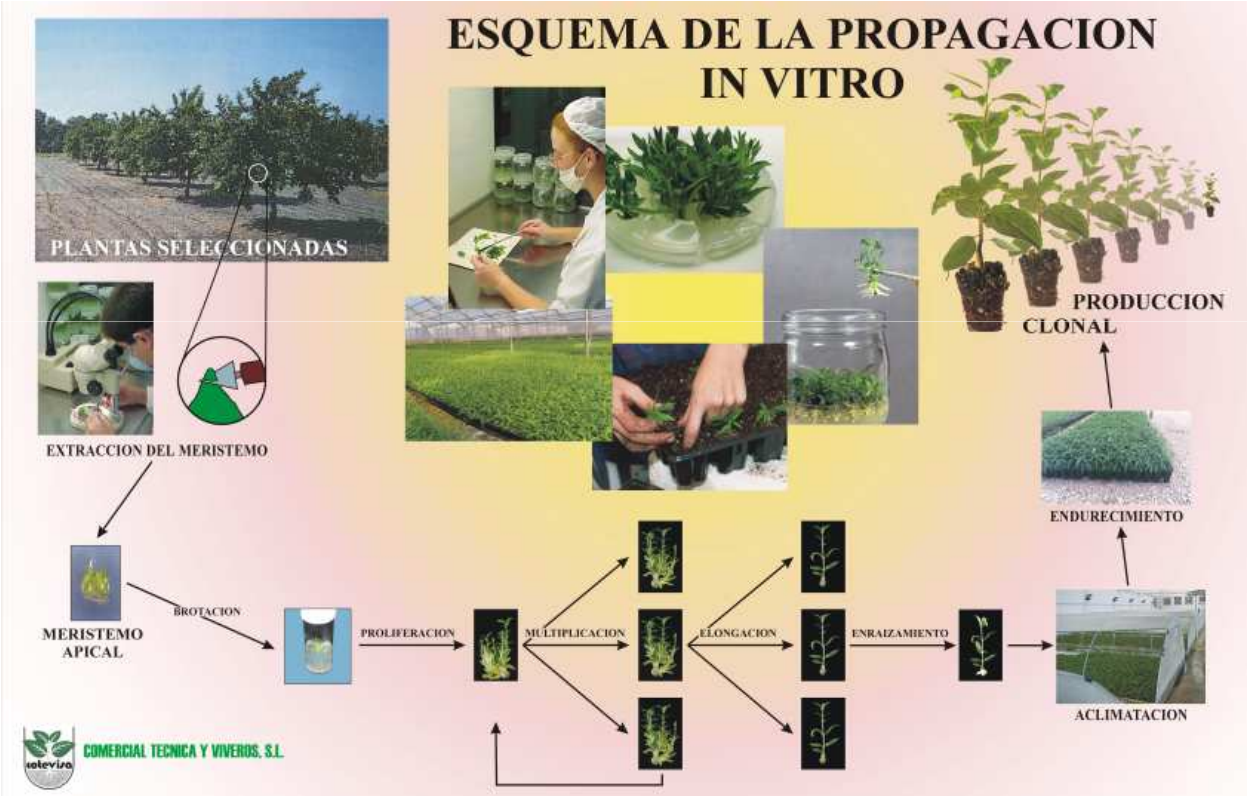
PLANTATIONS FOR WOOD

INVESTMENT GROWERS – CONTRACTING OF SERVICES AND LONG TERM PURCHASE CONTRACT FOR WOOD

TREE CUTTING SERVICE FOR TIMBER COMPANY (8-10 YEARS)

5. THE VALUE CHAIN VALSECO-COTEVISA

- Model facility for technology of in Vitro propagation
- Agreements with Spanish Universities for R&D&I
- Differentiated experience in the implementation of plantation projects
- Team for facility, maintenance and technical supervision for Project management



5. THE VALUE CHAIN-FARMERS

- The current agricultural model in Europe is coming to an end (subsidies, PAC reform, sustainability, etc.)
- Farmers must seek alternatives for cultivation
- Crops for the production of wood are an enduring solution supported by a market that is subject to steadily growing demand, while wood from forests is a resource that is steadily declining
- Long term purchase contracts
- Alternative markets for wood
- Consolidation of agricultural employment
- PAC subsidies, installation of watering system.

7. BUSSINES MODEL

- Investment plan
- Projection of earnings
- Results

ECONOMIC MODEL FROM PRODUCTION OF MADERA. ALLEGED 25 HECTARES

DATA FROM THE FARM

COURSE: SALE OF WOOD BIOMASS FOOT PURCHASING

PROPOSE TO DO CYCLES 10 YEARS FROM FELLING TO FLARE

THE FARM:	STANDARD MODEL							
OWNER:								
SURFACE OF THE FARM:		25,00	HECTARES					
STUDY DATE:	AUGUST -09		HECTARES	FRAMEWORK	5 X 4	DENSITY	20,00	m2
No TREE / HA	500							
No. TREE TOTAL	12.500							

YEAR		PLANTATION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9
INCOME:											
Timber produced (m3/árbol)		-	-	0,25	0,35	0,45	0,55	0,65	0,75	0,90	1,00
Timber produced (m3)		-	-	125	175	225	275	325	375	450	500
Production trends in total farm	A los 10 años	-	-	3.125	4.375	5.625	6.875	8.125	9.375	11.250	12.500
Program expected sale											12.500
Timber sale price (50 € / m3 standing)	50,00	-	-	50,00	50,00	50,00	50,00	50,00	50,00	50,00	50,00
Harvest Farm Total Value:	€uros	-	-	-	-	-	-	-	-	-	625.000
INVESTMENT:											
Projects and studies:	105										
Study and design:	60										
Soil Study S.I.S.											
Standard soil survey	45										
Installation of irrigation:	2.000										
Air irrigation installation											
Surveys and water harvesting											
Pumping Equipment											
Filter Head											
Fertigation											
Electrical installation:											
Electric line and box C.B.T.											
Planting:	3.753										
Site preparation and refining	250										
Amendments and subscribers. (including applicatio	158										
Insecticides and herbicides. (Including applications	70										
Marking of the plantation	250										
Opening of furrows	250										
Plant	1.500	3,00 €/árbol									
Protector	150										
Tutor acacia wood 170 x 3 x 3											
Manual planting work	1.125	2,25 €/árbol									
Total investment per hectare	5.858										
Total investment to transform plot	146.450	146.450									
MAINTENANCE COSTS:											
Total Maintenance Costs plot	17.500		17.500	17.500	17.500	17.500	17.500	17.500	17.500	17.500	17.500
Maintenance costs have	700		700	700	700	700	700	700	700	700	700
Pesticides, fertilizers, herbicides and fert.	175		175	175	175	175	175	175	175	175	175
Maintaining irrigation facilities	60		60	60	60	60	60	60	60	60	60
Pruning and training entutorado	75		75	75	75	75	75	75	75	75	75
Tillage	120		120	120	120	120	120	120	120	120	120
Energy consumption and irrigation fee	195		195	195	195	195	195	195	195	195	195
Direction and technical assistance	75		75	75	75	75	75	75	75	75	75
Collection costs (included in sale price)											
BALANCE:											
Income-maintenance costs		-	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	467.500
Income-maintenance-Investment Expenditures		- 146.450	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	- 17.500	321.050
Performance of the implementation (€ / Ha)		- 5.858	- 700	- 700	- 700	- 700	- 700	- 700	- 700	- 700	25.000

Comment:

* Results depend on the data on cultivation techniques, design, price of production factors annual rate of production and mechanization of operations

* We do not consider price of land, loss of income or capital gains

8. FORMULAS FOR EXPLOITATION

- Leasing of farm for a period of 10 years
- Joint exploitation, with the issue of shares based on capitalization of the project
- Contracting of Services, through contracting of planning, technical management, maintenance
- Capital investment in the business to achieve annual profitability of 22%