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.
4. PAWLOUNIA AND ITS VIRTUES

Paulownia 1 week after planting

Paulownia 1 month 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. BUSINESS MODEL

- Investment plan
- Projection of earnings
- Results
### DATA FROM THE FARM

**The Farm:** Standard Model

**Owner:**

**Surface of the Farm:** 25.00 hectares

**Study Date:** August -09

**No Tree / Ha:**

**No. Tree Total:** 12,500

### Economic Model from Production of Madera, Alledged 25 Hectares

#### Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Plantation</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>250</td>
<td>0,25</td>
<td>0,35</td>
<td>0,45</td>
<td>0,55</td>
<td>0,65</td>
<td>0,75</td>
<td>0,90</td>
<td>1,00</td>
</tr>
<tr>
<td></td>
<td>Timber produced (m3/arb)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Production trends in total farm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Program expected sale</td>
<td>50,00</td>
<td>-</td>
<td>-</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
</tr>
<tr>
<td></td>
<td>Timber sale price (50 € / m3 standing)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
<td>50,00</td>
</tr>
<tr>
<td></td>
<td>Harvest Farm Total Value (€uros)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>625,000</td>
</tr>
</tbody>
</table>

#### Investment

- Projects and studies: 105
- Study and design: 60
- Soil Study S.I.S.: 45
- Installation of irrigation: 2,000
- Air irrigation installation
- Surveys and water harvesting
- Pumping Equipment
- Filter Head
- Fertilization
- Electrical installation:
  - Electric line and box C.B.T.: 3,753
  - Site preparation and refining: 250
  - Amendments and subscribers. (including applications): 158
  - Insecticides and herbicides. (including applications): 70
  - Marking of the plantation: 250
  - Opening of furrows: 250
  - Plant: 1,500
  - Protector: 150
  - Tutor acacia wood 170 x 3 x 3: 1,125
  - Manual planting work: 2,25 €/arbol

#### Maintenance Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Maintenance Costs plot</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
<th>17,500</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maintenance costs have</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td></td>
<td>Pesticides, fertilizers, herbicides and fert.</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
<td>175</td>
</tr>
<tr>
<td></td>
<td>Maintaining irrigation facilities</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Pruning and training entutorado</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Tillage</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>Direction and technical assistance</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>Collection costs (included in sale price)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

#### Balance

- Income-maintenance costs
- Income-maintenance-InvestmentExpenditures
- Performance of the implementation (€ / Ha)

*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%