

FORESTRY, BIOMASS & SUSTAINABILITY

New Demand Drivers and Sustainable
Forestry Investment
13 & 14 May 2010, London

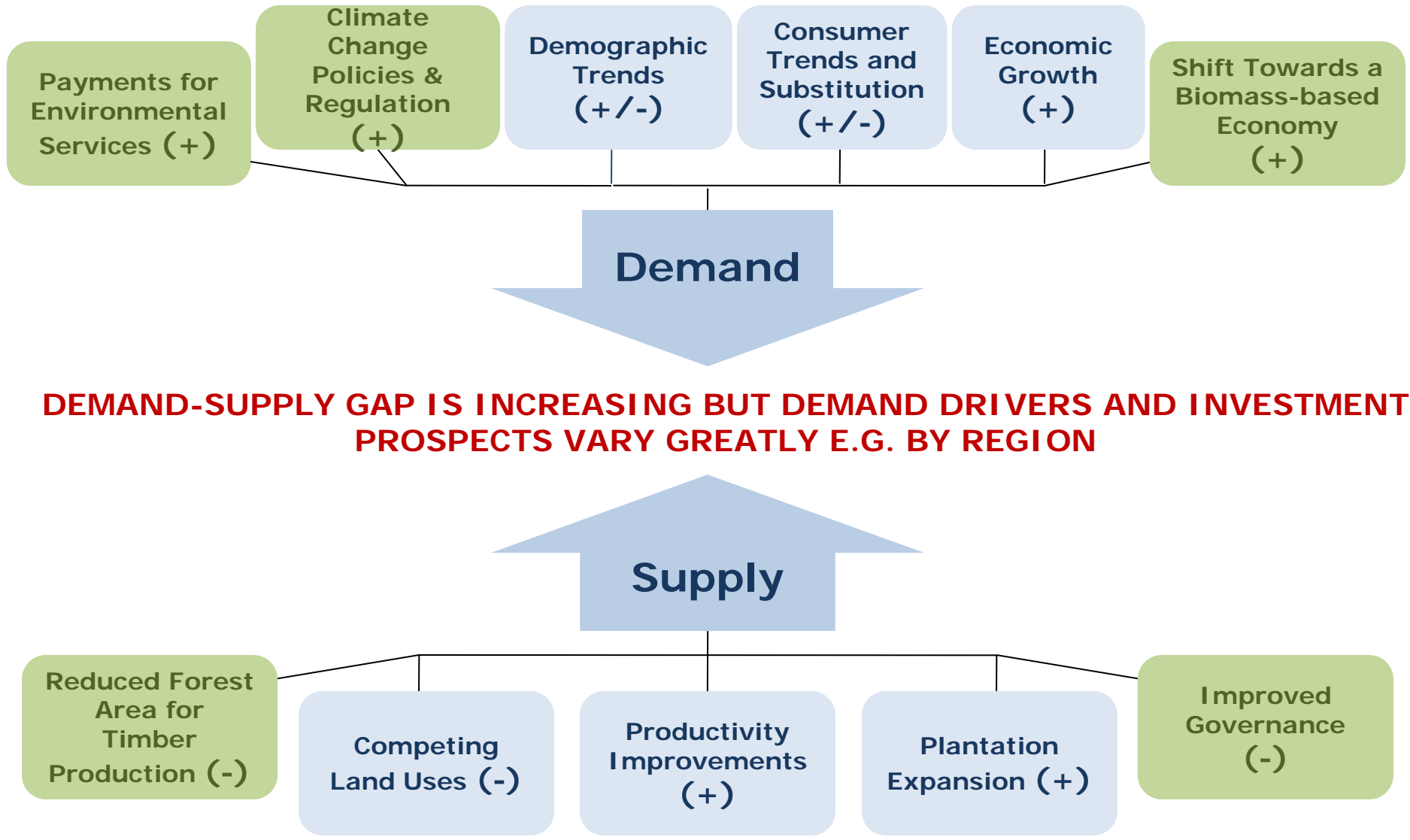
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Changing Demand Drivers Create Threats and Opportunities



Two Megatrends Influencing Timberland Investing

We see two megatrends influencing timberland investment opportunities:

- 1) **A shift towards a biomass-based economy** from the traditional fossil-based society
 - driven by climate change and other environmental policies (global, EU, national), and reduced stocks of traditional energy

- 2) **Growing economic importance of emerging markets** with China and India at the forefront

When it comes to environmental demand drivers we see at present more potential in bioenergy demand than in carbon-credit driven business such as CDM or REDD

Competition for Wood Biomass is an Opportunity for TL Investors

- Replacing 1% of total primary energy consumption in EU27 **would require over 90 million m³ of wood** corresponding to about 1/8 of the Net Annual Increment of Europe's forests (source: UNECE/FAO)
- Achieving the RES target using (partly) wood biomass would result in a potential **mismatch of about 200-260 million m³** between demand for and supply of wood in 2020 according to McKinsey and Pöyry
- **P & P industry will compete for same feedstock, which will have a positive impact on wood prices and timberland returns**
 - ✓ Floor price for pulpwood
 - ✓ Increased revenue for timberland owners and diversification of revenue sources
 - ✓ Increased pulp wood prices may be a problem for P&P industry but many of them are turning into biocombines creating new revenue earning models

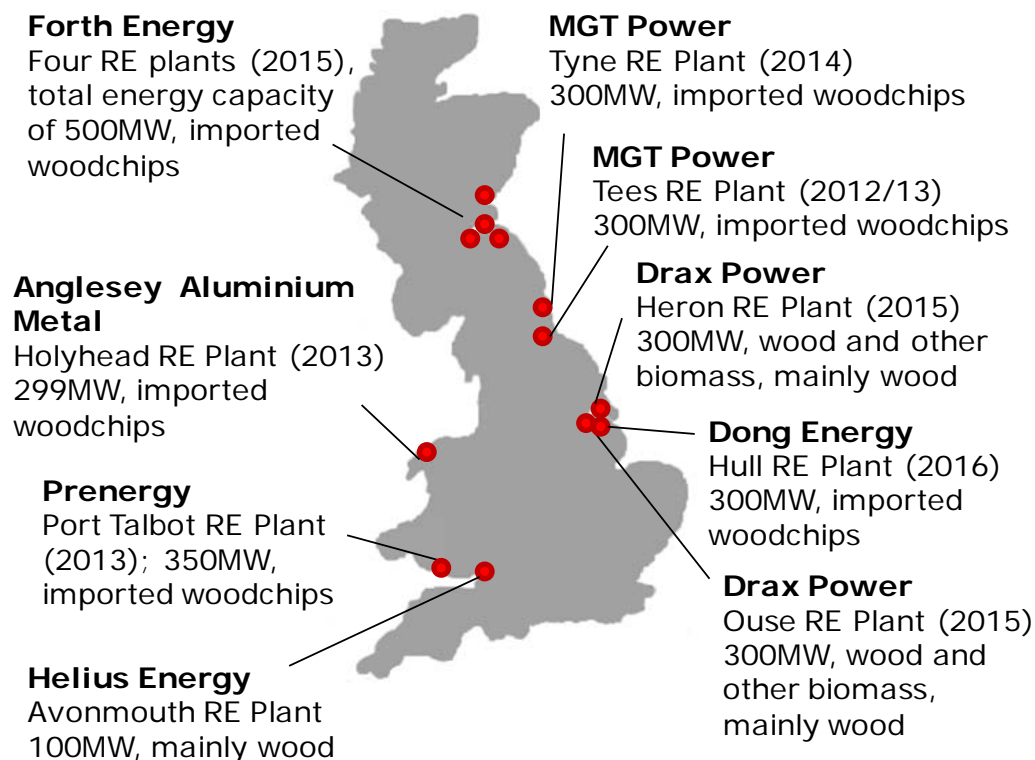


UK Has Ambitious Plans Using Wood Biomass for Energy

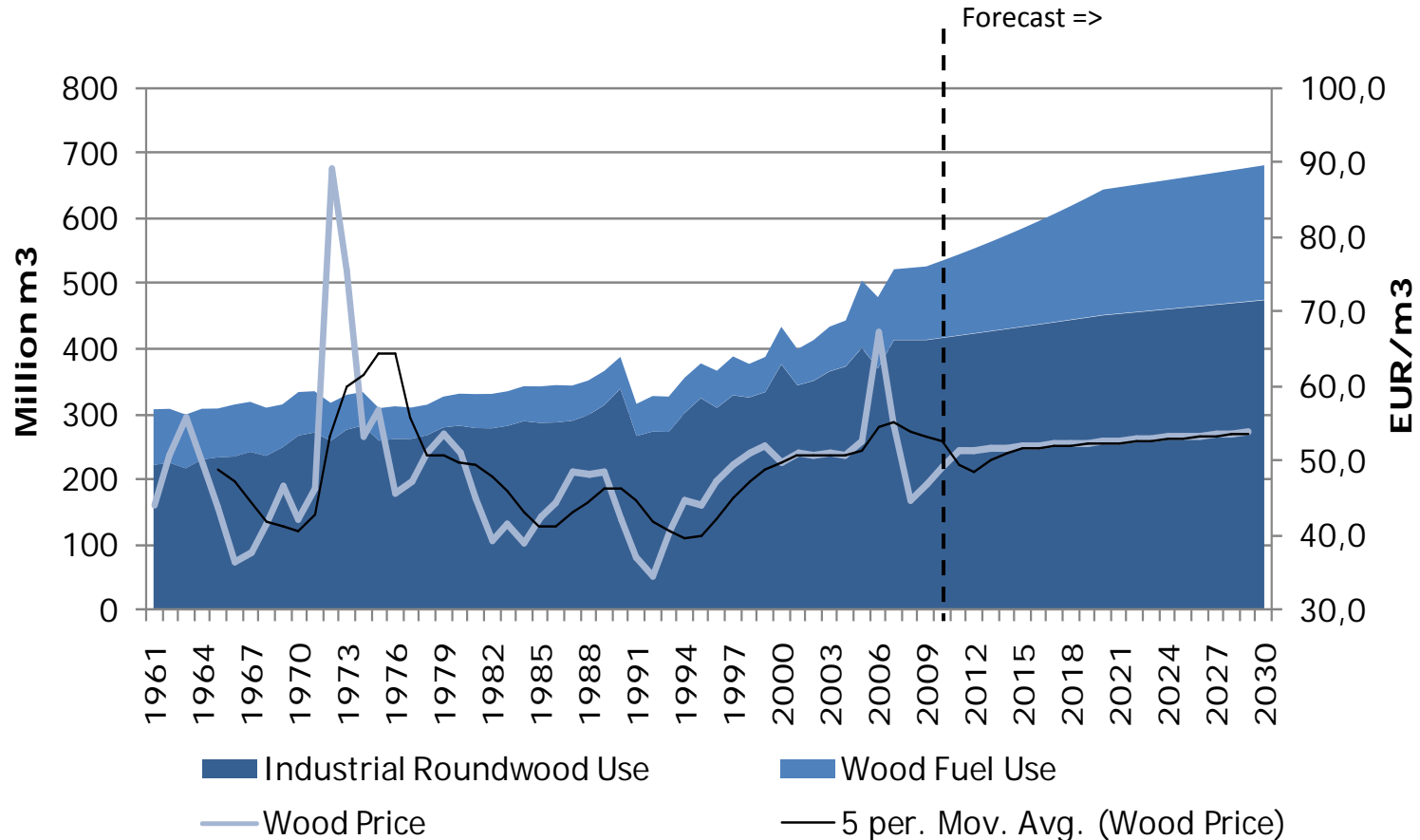
From where will all the wood come from and who will carry the risk?

- Implementation of just those projects on the map, would require about 10 million m³ of wood, and there are others needing an additional 15-20 million tons of wood chips annually
 - **Majority of wood chips must be imported**
- Opportunities for timberland investors
- ✓ E.g. off-take agreements from Baltics
 - ✓ A great need to improve the entire supply chain and co-operation amongst all players

Selected Planned Renewable Energy Plants Using Wood Biomass in the United Kingdom



Biomass Demand as a Driving Force for Wood Use in Europe



Source: FAO, Metla, Dasos

Note: Prices Are in Real Terms Deflated to 2009 Prices

Pointers to Take Home

- By 2030 about 45 -55m ha of new industrial planted forests are needed, equalling about 90 - 110bn EUR investment
- In addition incremental demand for wood biomass plantations
- Timberland investment universe is expanding and becoming more "globalised" driven by a wider range of demand factors many of them environmental
- At the same time, there is increasing demand for ensuring sustainability
 - ✓ sustainability of wood and wood biomass supply can be demonstrated through forest certification and verifying legal origin of wood by third party auditors
 - ✓ improved use of waste wood from forest and processing
 - ✓ 2nd generation biofuels: will not compete for land needed for food production

→New opportunities for timberland investment:

- More diversified revenue sources due to bioenergy and env. services
- Timberland investments increasing outside the traditional US market (in Europe, Latin America, Asia and even Africa)