

Global Forest Products

South Africa



Jeff Leonard

Forest Trends / Katoomba Group



GLOBAL ENVIRONMENT FUND

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Global Forest Products - South Africa

- **Environmentally -sustainable forest products company**
- **Located in Sabie, Mpumalanga Province**
- **Established in January 2001 by GEF and Mondi to own and manage softwood lumber business previously held by Mondi**
- **Assets include:**
 - 67,000 ha of FSC - certified plantation forest
 - 29,000 ha of conservation land
 - 2000 employees
 - 3 sawmills
 - plywood plant
 - 2 value added facilities



GFP Business Plan

- **GFP objective is to become one of Southern Hemisphere's premier producers of high-quality environmentally sustainable forest products**

- **Five-year business plan to:**
 - Upgrade and expand sawmilling capabilities through \$60 million capital expenditure program
 - Extract higher value from logs and improve product mix
 - Focus on export markets that offer better prices for higher-value products

- **Business Plan proceeding**
 - Management team in place
 - Capex program under implementation
 - Trial containers well received in export markets



GFP's Environmental Focus

- **All forests and processing facilities certified by Forestry Stewardship Council (FSC)**
- **GFP has strong environment manager and gives environment special focus at senior management level**
- **Ongoing program to preserve natural environment**
 - 29,000 ha set aside for conservation, with no planting
 - 7 natural heritage sites established and maintained
 - Home to unique Dragonfly, cycad specie, largest concentration of tree ferns in world
 - Reintroduced unique fish specie - Barbus Treurensis - at two sites
- **Company actively supports governmental and NGO initiatives**
 - Water and weed control projects



GFP's Community Focus

- **Company plays important role in community**
 - Schools
 - Clinics
 - Literacy programs
 - AIDs awareness campaign
- **Public at large has restricted access for recreational purposes to many company sites**
 - GFP currently refining its multiple resource strategy



GFP's Economic Impact

- **For industry that has seen number of mills reduced from 180 to 90 over last decade, GFP offers successful business model others can replicate**
- **For employees lacking skills and knowledge, GFP provides training**
- **For relatively poor and undeveloped province, GFP offers jobs**
- **For rapidly growing furniture and downstream industries, GFP offers reliable high quality raw material**
- **For country in need of foreign exchange, GFP plans major export program**



Business Opportunity

- **Attractive quality and cost structure of forest resource**
- **Secure supply of raw material**
- **Substantial local market**
- **Value creation opportunities**
 - Achieve optimum processing
 - Add maximum value at downstream facilities
 - Introduce improved product mix into export market



Business Opportunity - Con't

- **Global Forest Products is ideally positioned to benefit from a number of industry trends including:**
 - Rising importance of plantation-style forestry given resource constraints and efficiency concerns
 - Migration toward and consolidation around low-cost producers
 - Emergence of Southern Hemisphere as major competitors to the traditional Northern producers
 - Increasing demand for FSC-certified product

- **These four converging trends will support GFP in successfully executing its Business Plan**



Company Update

- **Significant achievements registered during 2001**
 - Management team, including 5 expatriates, in place
 - Organizational structure reorganization completed, including headquarters relocation
 - Through improved manufacturing and drying, Company can now produce high-grade product
 - Capex program designed, laid out and under implementation
 - Positive export market response to samples and trial containers
 - IDC loan of \$30 million secured for capex program



Milestones before Investment Offering

- Substantial completion of first phase of capex program
- Significant monthly cash flows
- Confirmation of export program for high-grade products



Global Environment Fund (GEF)

- **International investment management firm**
 - Established in 1989 in Washington, DC
- Dedicated to investing in and providing management support to companies that:
 - Make positive contributions to environmental quality, human health and sustainable management of natural resources
 - Yield attractive returns to our investors
- **GEF manages over \$300m through a group of private equity funds**
 - Two concentrating on environmental infrastructure in emerging markets
 - One addressing improved healthcare in Latin America
 - One focusing on technologies that improve efficiencies in manufacturing, energy and telecommunications
- **GEF has completed more than 30 private investments**

