Global Forest Products

South Africa

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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**