

20 Years of Green Resources

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On November 23rd 2015, Green Resources celebrated 20 years of operations. The company has become the largest forest company in Africa, outside of South Africa and Swaziland, with 44,000 ha net standing forest (over 80,000 ha gross area), all greenfield establishments. It is an African leader in FSC certified plantation forests. Green Resources, and the companies acquired by GR, has been responsible for 1/3 of the new commercial scale (incl. Government owned) forest plantations established in Africa since 2000.

Harvesting through commercial thinnings started in 2010 and final harvest of forest has started this year. Over the coming years, the harvesting volume will increase significantly, reaching ¾ million m³ per year from the existing forest. During 2015, GR has mechanised its harvesting operations in Tanzania and invested significantly in harvesting operations in Uganda. The harvesting is mostly going to its own industrial operation, but it has also successfully sold standing forest to small sawmillers in Tanzania.

Green Resources has a fast expanding wood products business with six new factories built over the last six years. The wood processing assets are operating at less than half capacity, ready to convert a significant part of the growing harvest in GR's own forest to final wood products in the near future. Over the coming years, it is the company's strategy is to focus most of its investment on harvesting and wood processing.

Eastern Africa is better than ever for forestry

In 1995, Mads Asprem established Green Resources, to set up of plantations and wood processing operations in East Africa Eastern and Southern Africa were selected because of their very favourable growing conditions, excellent location close to Asia, strong historic Nordic relationships and lack of serious competition. The objective was to establish some of the world's lowest costing and fastest growing forest plantations, and GR has achieved what it set out to do. It has been a long and hard road, with operational issues and late financing being the largest problems. There is continued potential and need for improvements, with the best Southern hemisphere plantation forests recording 2% annual improvement in yield.

GR operates in Mozambique, Tanzania and Uganda, three of the world's fastest growing economies, with Tanzania and Uganda becoming net importers of wood and wood products in recent years. Mozambique is ideally located to supply South and East Asian markets where there is an increasing shortage of wood. Mozambique and Tanzania have potential to create a world scale forest industry. Currently, less than 0.2% of the three countries where GR operates is occupied by plantation forestry, compared to 40% in the Nordic region. Based on this potential, Green Resources has secured land to plant another 100,000 ha of forest.

It is complicated to establish greenfield forest plantations in Africa, requiring extensive stakeholder interaction and large amount of preparations and specialised studies. There have been 50 independent assessments and audits of parts or all of GR's operations during the last five years, many of them made public, not counting due diligence work.

Large positive economic, environmental and social impacts

There are large positive economic, environmental and social impacts of forestation activities. GR employs more than 3,500 people and afforestation takes place in rural areas where there is little other employment. GR pays VAT and other taxes in an industry that is still dominated by the informal sector, and it delivers high quality, controlled products that enables the buyers to know what they are paying for.

Green Resources' community development programs have built close to 2/3 of the public infrastructure in the villages in Tanzania where it has operated in the longest. The fast growing forest sequestrates large amounts of CO₂ and is an effective way of combating climate change. GR's forestry does also increase the biodiversity. Typically, only half of the forestry area is covered with plantations. The result is recovering natural forests in the valley bottoms and other set aside areas, and a great mosaic of plantation forest and natural forest is created. The animal life is coming back as GR prevents damage to the ecosystem, such as eliminating the risk of fire. The trees also provide a habitat and cover for a host of plants and animals.

Early Company history

Tree nurseries were established and the first trial planting took place in Uganda in 1996 and Tanzania in 1997. 3,000 ha of plantations were established over the next four years, helped by the first share issue directed towards a wider group of Norwegian investors that took place in 1998. Most of the investors who bought shares in 1998 are still equity owners in Green Resources. When Green Resources started planting trees in Tanzania and Uganda, virtually no new forest had been established in East Africa for more than a decade.

The late John Haule, formerly the General Manager of Sao Hill Sawmill, Tanzania and Jossy Byamah, a manager in the Ugandan National Forest Authority, were hired as Country Managers. Green Resources has continued to hire first class local foresters and general managers to run its operations, together with a small group of international experts. The company has established a strong organisation with low turnover and an increasing number of internally promoted managers.

At the end of 1998, GR made its first acquisition of the company that leased Sao Hill sawmill, Tanzania's leading sawmill and utility pole plant, which was established in the early 1980s by Norwegian development aid. Sao Hill sawmill did well in two years, but in 2001 there was a 25% drop in the export prices of timber, an increase in the Government's log price, and the operations at Sao Hill Industries and the tree planting activities came to a halt. In 2003, GR was able to acquire Sao Hill assets from TWICO, the state-owned forestry company, enabling small investments and a restructuring of the business. Today, Sao Hill Industries is the largest solid wood products plant in East Africa and the only one of the more than a dozen former Tanzanian state owned wood processing companies that is still in operation.

Refinancing and expansion

GR raised new equity and small scale planting was restarted from 2004. By 2007, GR had developed a new, more aggressive business plan, and invited institutional shareholders to buy shares in the company. Significant amounts of equity were raised from 2008 to 2011. As part of the expansion, a new subsidiary was established in Mozambique, the operations in Uganda were expanded through

the purchase of DFK and the Norwegian Afforestation Group, while in Tanzania, the focus was on village based land acquisition. Annual planting peaked at 5,000 ha.

In 2009, a large investment program started at Sao Hill Industries, Tanzania, establishing East Africa's largest pole treatment plant, a new sawline which is probably Africa's largest single sawmill, and a new wood briquetting plant commenced operation in 2015. A new greenfield utility pole plant was established in Uganda in 2011, and in 2015, the Ugandan operation has been expanded with a new sawmill.

GR obtained the world's first certification for a forest based voluntary carbon offset project in 2009, according to the VCS standard, and has also generated registered CDM projects. While the carbon projects have generated USD 2million of revenues, this has not compensated for the indirect costs of the negative press created about Green Resources by the anti-carbon trading lobby.

Merger with GSFF, Mozambique

In 2014, Green Resources acquired the Swedish company Global Solidarity Forest Fund AB, which has established Mozambique's largest forest company through a number of operating subsidiaries. The combination of the two companies created a clear leader in the African afforestation business. In 2013/14, Green Resources and GSFF planted a combined 7,300 ha of new forest, reduced to 5,300 ha in 2014/15. The GSFF operations were fully integrated with Green Resources' existing organisation, the business entirely restructured and the combined costs reduced by 2/3. Following the merger, GR has more than 20,000 ha forest in Northern Mozambique's Nacala corridor, where the infrastructure has been transformed during the last five years, including new tarmac roads, electricity and broadband internet connection, a new harbour for capsized carriers and an upgraded railroad.