

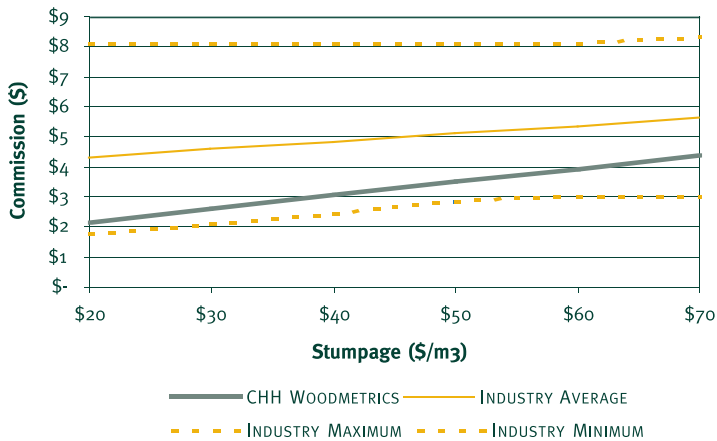
Q: What does Woodmetrics™ charge?

A: Our fees are charged in three parts:

1. A percentage commission of the stumpage revenue, which is performance based (typically 3.0% to 4.5% depending on forest size).
2. A per tonne fee which reflects the Woodmetrics™ overhead (\$1.25/tonne).
3. The direct costs as quoted in the Woodsale Management Agreement which are derived from quotes from suppliers.

It is important to note that the commission rate is in the **lower quartile** of industry charges and the Woodmetrics™ overhead is **well below the industry average**. Woodmetrics™ takes no percentage management fee off the top of the direct forest analysis costs.

CHH Woodmetrics commission compared with other Industry charges



For further details please contact Woodmetrics™



Q: Who is CHH Woodmetrics?

A: CHH Woodmetrics is a new business owned by Carter Holt Harvey. It has been established to provide forest owners such as trusts, partnerships, local government and farm foresters with a unique and competitive woodsale management service that is specifically tailored to them.

It is conservatively estimated that the value private forest owner often forego when selling their trees is 10%. The Woodmetrics™ service is designed to transfer that value back to the forest owner by:

- promoting **genuine competition**;
- providing buyers with **better pre-sale information** which reduces the factors that cause buyers to discount their prices.

This is the crucial combination that **maximises returns to the forest owner**.

CHH Woodmetrics is not a buyer of trees, a harvester or a log trader and therefore has no conflict of interest when marketing stumpage on behalf of an owner. It simply acts as an independent agent to **best represent the interests of forest owners**.

The goal of CHH Woodmetrics is to maximise returns to the forest owner while minimising risk.

Q: What is the Woodmetrics service?

A: Woodmetrics™ is a 5-step process tailored to maximise returns while minimising risk. The five steps are:

1. **Forest Analysis:** a thorough resource analysis service **customised** to meet the owner's needs, including mapping, harvest planning and road design, resource consent application, volume and log grade assessment, pruned log assessment and road construction.
2. **Value Optimisation:** with proprietary knowledge and expertise, Woodmetrics™ ensures maximum value is achieved by selecting the most appropriate sale method and the optimum time to sell.
3. **Marketing:** Woodmetrics™ produces a high quality stumpage prospectus that is marketed to all potential buyers.
4. **Sale Management:** on behalf of the forest owner, Woodmetrics™ undertakes bidder compliance analysis, benchmark price calculations and stumpage contract preparation.
5. **Harvest Management:** once the highest price has been achieved, Woodmetrics™ ensures those gains aren't eroded. That is done by managing the harvest and associated risks, including: managing the owner's health and safety and environmental obligations, managing payments and post-harvest and site restoration audits.

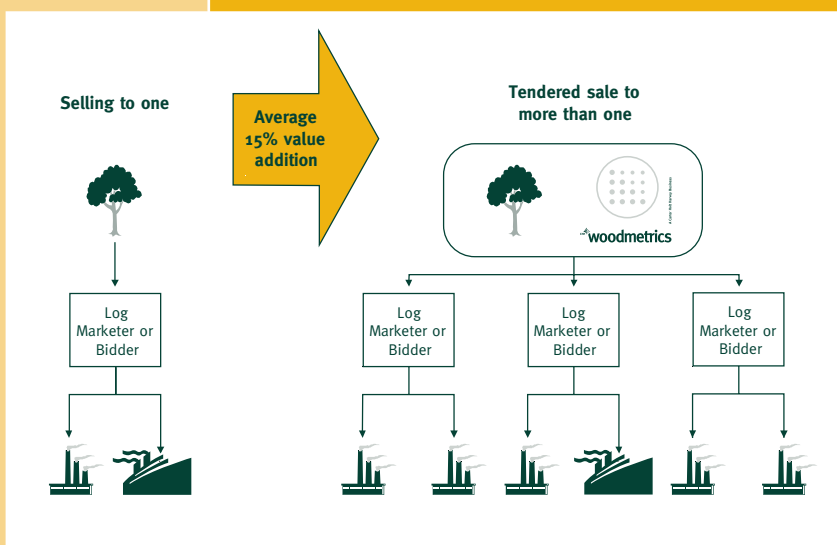
Q: How does the Woodmetrics™ service differ?

A: The most important key differences are summarised below:

1. Exposure to more markets

The benefits of marketing a product to more than one buyer are the same for wood as any other product:

- more buyers equals more competition;
- different buyers value the same forest differently, resulting in different bid prices – one buyer will only provide one price.



No log buyer has access to all domestic and export markets. The question is, which buyer has access to the most valuable mix of markets at the time, **or** has the greatest need for the wood? The industry norm of selling to only one buyer removes the opportunity for significant gains in value by selling to different markets and through greater bidder competition. Selling to one buyer limits the value of the forest to the value that buyer can extract from a particular market mix.

Buyer differences in harvesting and cartage costs can easily account for a 10% variation in bid prices. If logs are being exported, different buyers will have different shipping rates, different exchange rate levels and other factors that can

account for another 10%. Forest owners won't get exposure to those differences unless they sell their trees through a competitive tender process.

Independent research of private forest and woodlot sales has shown that by adding a second bidder competing for your forest, will on average increase your return by 15%.

Carter Holt Harvey, the largest forest owner in New Zealand, has also seen the value in marketing trees to more than one buyer, and it is now selling its trees by a stumpage process that maximises returns on its forestry asset.

Private owners, too, have benefited from exposing their trees to more than one buyer. A well known Hawke's Bay forester saw the value in this approach in 2000 when he presented his pruned stand to two large and well known buyers. The result was that one buyer's bid was more than 25% higher than the other.

2. We market standing trees, not logs

Stumpage selling is the method of woodsale where trees are sold on stump – ie the value of the forest is determined while the trees are still standing. By selling through a **competitive** stumpage process, the forest owner is marketing trees rather than logs and leaving the log making, value optimisation and log marketing to the highest bidder. It is up to the successful buyer to **maximise the value** of the log making because they have the best understanding of the markets into which they sell the logs.

3. We provide buyers with better pre-sale information

When it comes to marketing and selling their trees, some private owners operate with incomplete information. The Woodmetrics™ service transfers the value many owners forego (conservatively estimated at 10%) by providing **better pre-sale information**. Buyers discount their prices because of a lack of credible and accurate information. The Woodmetrics™ service aims to **reduce buyer discounting by increasing the competition** and by presenting better pre-sale information to more buyers.

Because CHH Woodmetrics has the experience and expertise, the pre-sale analysis is efficient and accurate. This results in **reduced costs** for the owner and **better prices** because the analysis is done for the buyers before they bid.

4. We offer payment protection insurance

Too often, sellers of forestry assets are left with nothing to show for their 25-year investment because the buyer takes their trees and doesn't pay. Woodmetrics™ will assess every potential bidder for their past financial performance to minimise the forest owner's risk, and because CHH Woodmetrics has the backing of New Zealand's largest forestry company, it is able to offer **free payment protection insurance**.

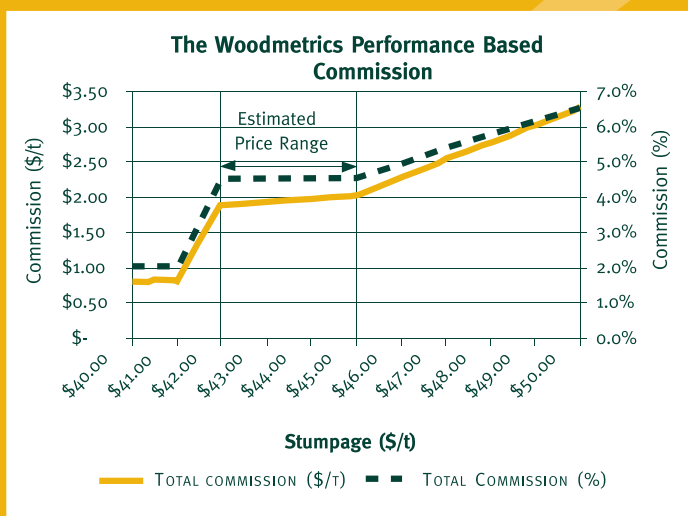
5. A unique shared risk, shared gain commission structure

The Woodmetrics™ performance based commission is an industry first, where we not only share in the forest owners' gains, but also their risks.

This system guarantees that **Woodmetrics™ will always be working harder to achieve the best prices** for the forest owner.

6. We're not involved in log trading and have no commitments to log buyers

Because we are not involved in log trading and have no commitments to any log buyer, the Woodmetrics™ service acts solely in the **interests of the forest owner**, providing a completely transparent woodsale service.



CHH Woodmetrics operates independently from other CHH divisions including the log trading business. Being part of New Zealand's largest forestry company with over 100 years of experience means, however, that Woodmetrics™ has a wealth of skills and knowledge in the woodsale business.

Q: How long does the Woodmetrics™ sale process take?

A: The period from signing the Woodsale Management Agreement until a sale is agreed will vary greatly, depending on the size, locality and variability of the resource. The logistics of selling and market conditions will necessarily be the major influences.

The pre-sale analysis involves pre-harvest assessment, harvest planning, engineering, mapping and resource consent application (if required). The time taken to complete these tasks will vary depending on the size and characteristics of the forest and local planning requirements. A small woodlot could be ready for sale within a month, while a large forest block could take six months or more.