



EVERGREEN
FORESTS
LIMITED

Interim report **2000**



Evergreen Forests Limited is a pure play, plantation forestry investment company, with no downstream processing. Evergreen's objective is to provide superior shareholder returns through a progressive listed company managing a portfolio of high-quality radiata plantation forestry assets that meet clearly defined investment criteria.

As at 31 December 2000, it owns or has cutting rights over 21,000 net stocked hectares (52,000 acres) planted in fast-growing radiata pine. The company is run by a small Auckland-based executive team. Forest management is undertaken by specialists on contract. Forestry New Zealand, a subsidiary company, manages Evergreen's sales and marketing activities.

Evergreen is a public company with 2,400 shareholders listed on both the Australian and the New Zealand Stock Exchanges. The code of the ordinary shares is EVF and the code of the March 2009 zero coupon convertible notes is EVFGA (EVFG on the Australian Stock Exchange). The company is also traded in the USA by way of a sponsored Level 1 American Depositary Receipt (ADR) programme (issuer code: EVFSY).

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highlights

PROFIT GROWTH

Evergreen recorded a six month operating surplus of \$3.5 million, compared with \$2.1 million for the corresponding period last year.

MARKET CONDITIONS

Markets are at cyclically low levels but there has been steady demand for Evergreen's high value pruned logs.

INVESTORS

Two European institutional investors became substantial security holders over the past six months.

financial summary

IN \$NZ 000'S (UNLESS OTHERWISE STATED)	31 DEC 2000 (6 MONTHS) UN-AUDITED	31 DEC 1999 (6 MONTHS) UN-AUDITED	30 JUN 2000 (12 MONTHS) AUDITED
Operating revenue	17,266	5,973	19,606
Net operating surplus	3,532	2,107	5,152
Equity	107,965	101,388	104,433
Shares on issue (number in 000's)	131,434	131,434	131,434
Convertible notes on issue (number in 000's)	28,500	28,500	28,500
Land at cost	27,090	27,090	27,090
Forest at cost	144,637	137,034	140,030
Net asset backing per share at historical cost	\$0.82	\$0.77	\$0.79

All financial information is in New Zealand dollars, unless otherwise stated. At 31 December 2000, the rounded conversion rate was \$NZ1.00 = \$US0.4395.



Peter Wilson
CHAIRMAN



Mark Bogle
CHIEF EXECUTIVE

DEAR SHAREHOLDER,

It is pleasing to report that Evergreen has recorded a profit of \$3.5 million for the six months ended 31 December 2000. The Company is well placed to record its third consecutive annual profit improvement for the full year ending 30 June 2001.

Internationally, log prices which had recovered off cyclical lows in early 2000 stabilised around mid year but have softened again over recent months. Against this, the Company's record of consistent earnings growth is a creditable performance and demonstrates the benefits of retaining the flexibility to manage harvesting operations to match levels of demand for different grades of logs in domestic and offshore markets.

We expect market conditions to remain relatively flat over the 2001 calendar year. In that event, the Company's near term profitability will stabilise at or about present

levels. Beyond 2001, the Company's harvest capability will increase (see graph, page 5) and the prospects for significant further profit improvement are good.

OPERATING RESULT

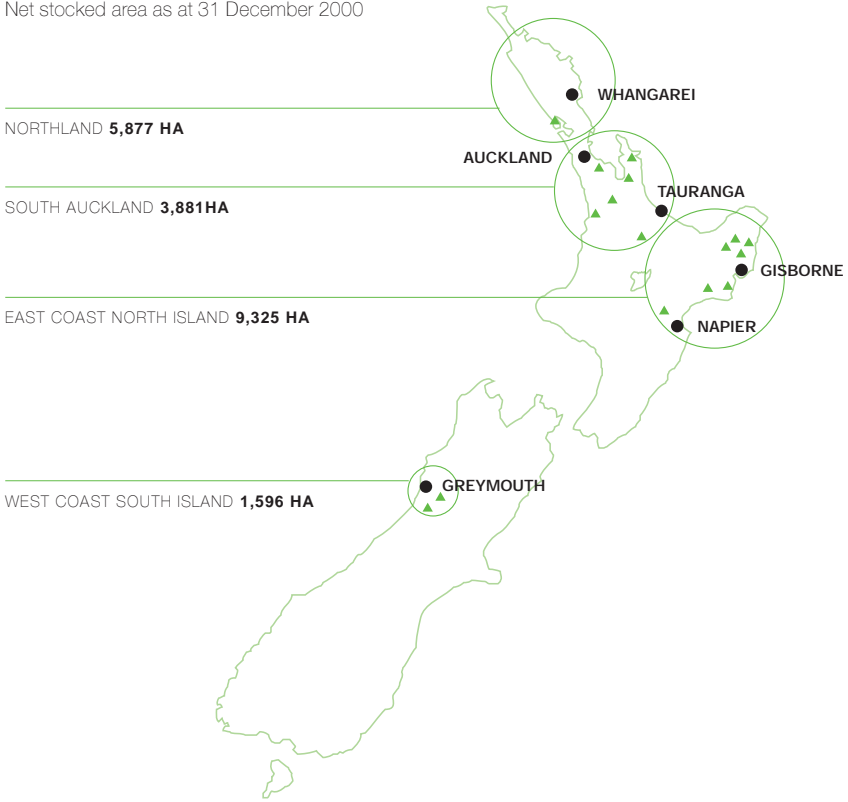
A surplus of \$3.5 million for the six months ended 31 December 2000 is in line with expectations. Operating revenue increased relative to the corresponding period last year mainly because of third party trading carried out by Evergreen's subsidiary marketing organisation, Forestry New Zealand.

The Company continues to develop markets for its higher quality pruned logs in Korea and for industrial grade (unpruned) sawlogs into India. The proportion of logs sold onto the domestic market has also increased, and now represents about one third of sales (see pie graph, page 4). This more diversified customer base is a positive development.

Continued on page 4...

LAND AND FOREST HOLDINGS

Net stocked area as at 31 December 2000



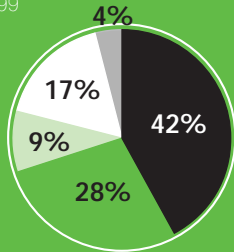
LAND AND FOREST HOLDINGS	LEGAL AREA	PLANTABLE AREA	NET STOCKED AREA
AS AT 31 DECEMBER 2000, IN HECTARES	AREA	AREA	AREA
Owned land			
Northland	7,257	6,158	5,877
South Auckland	5,577	3,927	3,881
East Coast	13,359	9,381	9,325
Total owned	26,193	19,466	19,083
Forestry rights			
West Coast	2,326	2,106	1,596
Total all properties	28,519	21,572	20,679

report to shareholders

FINAL DESTINATION OF EVERGREEN WOOD BY VOLUME

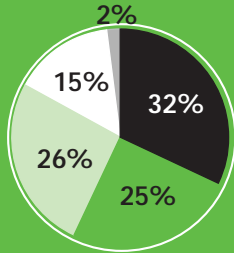
Six months to December 1999

- Korea
- India
- Domestic
- Japan
- Philippines



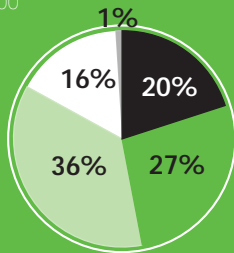
12 months to June 2000

- Korea
- India
- Domestic
- Japan
- Philippines



Six months to December 2000

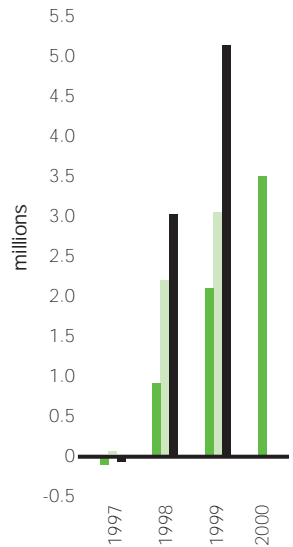
- Korea
- India
- Domestic
- Japan
- USA



SHARE REGISTER

The company is pleased to note that two new overseas shareholders have become substantial security holders over the past six months. Both of the new shareholders are institutional clients of the International Woodland Company (IWC). IWC is a Danish-based forestry management and investment consultancy organisation.

EARNINGS GROWTH RECORD 1997-2000



- half year (dec)
- half year (june)
- full year

OUTLOOK

Evergreen's maturing forest estate reflects the company's transition from its development phase to a more production- and profit-oriented focus.

The company has plans for further growth with associated economies of scale and operational synergies. At the same time, we will explore opportunities for investment in related areas such as forest management and marketing,

which complement the company's core investment activities.

We are confident that a combination of our initiatives in this respect, our focus on careful management of our forest estate and improved prospects for the New Zealand forestry industry in general will combine to provide improved shareholder returns.

Enhancement of shareholder value, particularly through better value recognition in the company's

share price, remains the singular focus of both the company's Board and management.

Peter D. Wilson

CHAIRMAN

1 March 2001

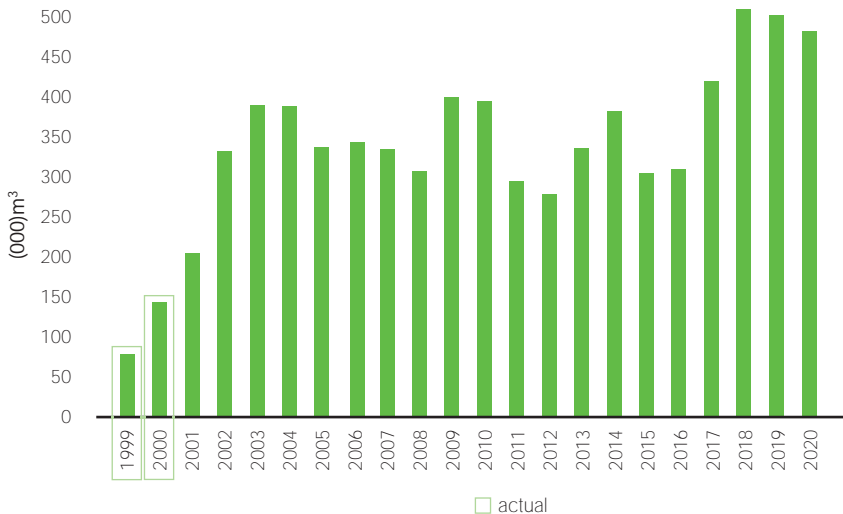
Mark S. Bogle

CHIEF EXECUTIVE

1 March 2001

HARVEST PROFILE (CLEARFALL VOLUME) 1999 – 2020

Years ended 30 June



Source: 2000 valuation reports. Figures include projected share of Nuhaka harvest.

statements of financial performance

FOR THE PERIODS

IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)
CONTINUING ACTIVITIES				
Operating revenue	3	17,266	5,973	19,606
Operating expenses	3	(13,723)	(3,866)	(14,447)
Net operating surplus before taxation		3,543	2,107	5,159
Taxation		-	-	-
Net operating surplus after taxation		3,543	2,107	5,159
Minority interest in surplus of subsidiary		(11)	-	(7)
Net surplus for the period		3,532	2,107	5,152

statements of movements in equity

FOR THE PERIODS

IN \$NZ 000'S	GROUP		
	31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)
Equity at the beginning of the period	104,941	99,281	99,281
Total recognised revenue and expenses for the period – net surplus	3,532	2,107	5,152
Movements in minority interests	11	-	508
Equity at end of the period	108,484	101,388	104,941

statements of financial position

AS AT

IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000	31 DEC 1999	30 JUNE 2000
EQUITY				
Attributed to parent company shareholders		107,965	101,388	104,433
Attributed to minority interests		519	-	508
Total equity		108,484	101,388	104,941
CONVERTIBLE NOTES				
Ten year zero coupon convertible notes	4	31,171	28,957	30,040
NON CURRENT LIABILITIES				
Borrowings	5	48,789	47,856	48,320
CURRENT LIABILITIES				
Borrowings		1,038	-	-
Payables and accruals		3,907	1,166	3,921
		4,945	1,166	3,921
Total liabilities and equity		193,389	179,367	187,222
NON CURRENT ASSETS				
Land		27,090	27,090	27,090
Roading and land improvements		2,356	2,181	2,332
Forests	6	144,637	137,034	140,030
Fixed assets		337	338	467
Investments	7	7,762	6,563	6,843
Advances		1,231	442	556
		183,413	173,648	177,318
CURRENT ASSETS				
Cash and short term deposits		-	4,467	528
Receivables, prepayments and inventories		9,976	1,252	9,376
		9,976	5,719	9,904
Total assets		193,389	179,367	187,222

8 statements of cash flows

FOR THE PERIODS				
IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided by (applied to):				
Receipts from customers		16,118	6,616	17,758
Payments to suppliers and employees		(13,546)	(4,526)	(13,390)
Interest received		48	32	220
Distributions received – Nuhaka		102	-	-
Interest paid		(41)	-	-
Net goods & services tax		236	(278)	(304)
Net cash flows from operating activities	8	2,917	1,844	4,284
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided by (applied to):				
Acquisition of fixed assets		(67)	(126)	(607)
Interest paid		(1,305)	(25)	(1,252)
Acquisition and development of forests		(1,690)	(22,228)	(23,887)
Acquisition of units in Nuhaka Farm Forestry Fund		(976)	(683)	(964)
Loans & advances		(445)	40	(3,192)
Net cash flows applied to investing activities		(4,483)	(23,022)	(29,902)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided by (applied to):				
Proceeds from term borrowings		-	2,000	2,000
Proceeds from vendor financing		-	14,933	14,933
Proceeds from convertible note issue		-	6,429	6,429
Proceeds from minority interests		-	-	501
Issue costs		-	(65)	(65)
Net cash flows from financing activities		-	23,297	23,798
NET INCREASE (DECREASE) IN CASH HELD		(1,566)	2,119	(1,820)
Add cash at beginning of period		528	2,348	2,348
Total cash at the end of the period		(1,038)	4,467	528

notes to the financial statements

FOR THE PERIOD ENDED 31 DECEMBER 2000

IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)

1 STATEMENT OF ACCOUNTING POLICIES

The accounting policies used for the six months ended 31 December 2000 are consistent with those used in the published half year financial statements for the six months ended 31 December 1999 and the published annual financial statements for the year ended 30 June 2000.

2 AUDIT

Figures for the six months ended 31 December 2000 and 31 December 1999 are unaudited. Figures for the twelve months ended 30 June 2000 have been extracted from audited financial statements.

3 OPERATING REVENUE AND EXPENSES

Operating revenue includes:

Sales income	17,150	5,836	19,330
Interest income	49	107	220
Dividend income	36	-	-
Net surplus on sale of assets	-	-	-
Other revenue	31	30	56

	17,266	5,973	19,606
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Operating expenses includes:

Depreciation	95	70	185
Rental & operating lease costs	126	62	141
Other operating expenses	13,502	3,734	14,121

	13,723	3,866	14,447
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notes to the financial statements

FOR THE PERIOD ENDED 31 DECEMBER 2000

IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)
4	CONVERTIBLE NOTES			
	28,500,000 Notes at \$1.00	28,500	28,500	28,500
	Interest accrued at 7.18%	3,753	1,609	2,656
	Convertible value of notes on issue	32,253	30,109	31,156
	Issue costs – net of amortisation	(1,082)	(1,152)	(1,116)
		31,171	28,957	30,040

The Ten Year Zero Coupon Convertible Notes accrue interest at the rate of 7.18% per annum and are secured by a second ranking floating charge over the assets of the company and its charging subsidiaries (Charging Group). Each convertible note is redeemable in cash after ten years (19 March 2009) for \$2.00 each. Noteholders can elect to convert the notes (principal plus accrued interest less any withholding taxes) into shares at any time prior to redemption at a fixed conversion price of \$0.55. Noteholders may reimburse the Company for withholding taxes, enabling the noteholders to obtain full conversion. The Company has the right to give twenty days notice of early redemption at any time, if after 19 March 2002 the share price is above \$1.10.

The notes are constituted under a trust deed dated 2 February 1999. Incorporated in this trust deed are a number of covenants including the following summarised covenants:

- The Charging Group will not allow total secured liabilities (which includes the convertible notes, but based on a sliding scale if the ordinary share price is greater than \$0.55) to exceed 60% of freehold land plus 40% of forestry assets.
- The Charging Group will not allow its secured liabilities falling due for payment within 12, 24 and 36 months to exceed the value of its forest trees which are, respectively, at least 25, 24 and 23 years of age.

The notes do not carry voting rights in the meetings of shareholders.

notes to the financial statements

FOR THE PERIOD ENDED 31 DECEMBER 2000

IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)
5 NON CURRENT LIABILITIES				
Bank		32,900	32,900	32,900
Other		15,889	14,956	15,420
Term borrowings		48,789	47,856	48,320

Bank Borrowings

The company has a facility agreement with Westpac Banking Corporation to a maximum level of \$45.9 million. The bank borrowings are secured by way of a debenture trust deed over the assets of the Charging Group. Pursuant to the loan agreements the Charging Group has given undertakings as to the nature and conduct of its business. One of the principal undertakings is to ensure that the ratio of earnings to bank interest will not be less than 1.3 times in respect of the twelve months ending the 31 December 2000 and 1.5 times thereafter.

The interest rate at 31 December 2000 was 8.125% (1999: 6.4%). The interest rate for these borrowings is not fixed but the Company has a one year interest rate swap for \$32.9 million at 8.125% expiring on 30 June 2001.

Other Borrowings

Vendor finance was obtained for the purchase of two forest properties. These borrowings are secured by a first registered mortgage over the properties. Interest at 6.25% is added to the principal outstanding and is payable on maturity – 22 December 2004.

The term borrowings are repayable as follows:

Less than one year	-	-	-
Between one and two years	4,000	-	2,000
Between two and five years	44,789	47,856	46,320
	48,789	47,856	48,320

6 FORESTS

At beginning of period	140,030	116,063	116,063
Development costs capitalised during the period	1,767	1,177	3,075
Interest costs capitalised during the period	2,905	1,813	4,466
Forests acquired during the period	-	18,007	16,484
Amortisation of prepaid rental costs	(65)	(26)	(58)
At end of period (at cost)	144,637	137,034	140,030

notes to the financial statements

FOR THE PERIOD ENDED 31 DECEMBER 2000

IN \$NZ 000'S	NOTES	GROUP		
		31 DEC 2000 (6 MONTHS)	31 DEC 1999 (6 MONTHS)	30 JUNE 2000 (12 MONTHS)
7 INVESTMENTS				
Nuhaka Farm Forestry Fund		7,762	6,563	6,843

During the half year the company acquired further units in the Nuhaka Farm Forestry Fund, a Group Investment Fund listed on the New Zealand Stock Exchange. The total holding at 31 December 2000 was 29.4%, represented by 521,693 units (value based on market price as at 31 December 2000 was \$6,312,485).

8 NET CASH FLOW FROM OPERATING ACTIVITIES

The following is a reconciliation between the surplus after taxation shown in the statement of financial performance and the net cash flow from operating activities.

Operating surplus after tax	3,532	2,107	5,152
Add non-cash items:			
Depreciation	95	70	185
Amortisation of prepaid rent	65	26	58
Amortisation of Nuhaka investment	58	-	-
Minority interest	11	-	7
Add/(less) movements in working capital:			
Accounts receivable	(1,323)	63	(1,923)
Inventories	493	-	(1,581)
Accounts payable	(14)	(422)	2,386
Net cash provided by operating activities	2,917	1,844	4,284

DIRECTORS

Peter D. Wilson, CA, Chairman
Resident: Wellington, New Zealand

Donald M. Campbell, BSc (Highest Distinction)
(Nebraska), MBA (Stanford)
Resident: Hillsborough, California

William J. Falconer, CNZM, LLB
Resident: Auckland, New Zealand

Stephen N. Hurley, AB (Amherst College),
MBA(Hons) (Harvard University)
Resident: Boston, Massachusetts

Roy M. McCluskey, AB Economics (Stanford)
Resident: Boston, Massachusetts

The Hon. James K. McLay, QSO, LLB
Resident: Auckland, New Zealand

MANAGEMENT

Mark S. Bogle, MPP, CA
Chief Executive

David E. Sayer, BSc(For), MNZIF
General Manager

Barry G. Herbison, BCom, CA, CTP
Chief Financial Officer

David J. Paul, BForSci(Hons)
Resource Forester

Errol J. Caron, BCom, CA
Financial Accountant

DIRECTORY

Registered Office

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Fax 64-9-307 3247

E-mail info@evergreen.co.nz

Internet Address

This and previous annual and half year reports can be accessed on the website:

www.evergreen.co.nz

Share Registrar

Computershare Registry Services Limited
Private Bag 92 119, Auckland 1020, New Zealand
Tel 64-9-488 8700 Fax 64-9-488 8787

Auditors

PricewaterhouseCoopers, Auckland

ADR Depository Bank

Bankers Trust Company
4 Albany Street
New York, New York 10006
Tel 1-212-250 8500 Fax 1-212-250 5644

Bankers

Westpac Banking Corporation

Solicitors

Russell McVeagh

Trustee

Perpetual Trust Limited

Listings

The Ordinary Shares and Convertible Notes are traded on the New Zealand Stock Exchange ("NZSE") and the Australian Stock Exchange ("ASX"). The American Depositary Receipts (ADRs) are traded on the "Pink Sheets" in the United States of America (20 Ordinary Shares comprise one ADR).

Codes

	N Z	Australia	USA
Ordinary Shares	EVF	EVF	-
Convertible Notes	EVFGA	EVFG	-
ADRs	-	-	EVFSY

www.evergreen.co.nz