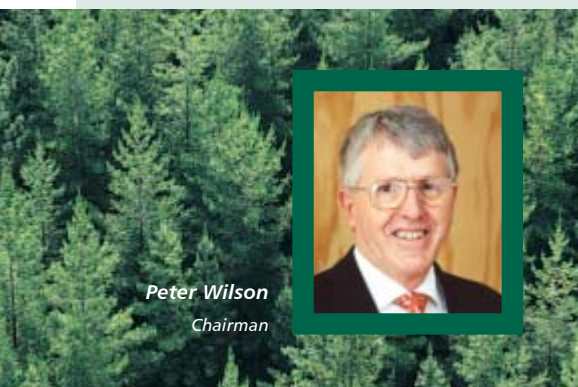


Chairman's Report

Your Directors are pleased to report a further improvement in earnings in the year to 30th June 2002. Net Surplus increased to \$6.746 million (2001: \$5.044 million) while forest values were maintained in excess of capitalised book values.



Peter Wilson
Chairman

The improving trend in the second half of calendar year 2001 was impacted by events in the USA and the trading uncertainties that followed. We also experienced a short-term reduction in the price for pruned production and a strengthening of unpruned values with stability more evident in the last quarter of this last financial year.

Evergreen's ability to match its harvesting to market conditions provided a cushion to these changes, delivering a year on year result of improved earnings.

Investments

Investment in young forests (including funding costs) totalled \$9.8 million in 2002 (2001: \$9.4 million). The high cash costs of establishment of younger forests is largely behind us now and while some further investment is required, operating cash flows (based on prospective increased harvest volumes) are forecast to increase significantly.

We remain committed to the intensive management of our forest estate to produce high value clearwood on appropriate sites. While this policy does require additional investment in silviculture, we hold the view that there will be increasing value recognition for clearwood through its application in high end-value products for discerning markets.

Funding

Our policy of looking to improve our debt structure has continued this year. We bought back and cancelled 4.275 million convertible notes in July 2001 and a further 2.267 million notes were converted into ordinary shares this year. The effect of these transactions has been to reduce debt and increase equity.

The share buy back programme has operated for much of the year on low volumes and has recently been extended to August 2003. It will now include the buy back of convertible notes.

These are modest measures but signal our intention to continue to move to an improved matching of debt to cash flows.

Since balance date we have renegotiated our Bank loans, extending the term to 5 years. The facility now includes funding to enable repayment of a vendor loan due in 2004.

Shareholder Returns

Our stated intention has been to achieve improved value recognition in the share price. That was achieved this financial year although recent prices reflect current sector sentiment. While we would acknowledge there is still much to be done, our focus on maintaining the development of a valuable resource, coupled with strong future cash flows, indicates a more mature phase has been reached.

Directors do not propose that the Company should pay a dividend this year. We remain convinced that the most rewarding yield will be to ensure growth in share value and with future rewards resulting from much improved operating cash flows. Shareholders have received earlier written advice of the company's share and note buy back intentions.

Valuation Accounting

Shareholders need to be aware that the Accounting authorities are proposing a requirement to move from historical cost accounting to valuation accounting for forest crops. This will see Evergreen's forests revalued each year with any movement in forest values recorded through the Statement of Financial Performance (profit and loss account). In addition, our Auditor's advice is that, consistent with the proposed change in the accounting standard, tax should be provided in the accounts (net of deductions carried forward) on a notional sale of all of the Company's assets.

Evergreen has no intention of selling all of its forest assets nor do we anticipate any situation where that may happen. Our practice has been to note independent valuation assessments on an annual basis and adjust carrying values if required. The provision for tax on something that is not in the company's contemplation and its reflection in earnings reports will constitute a change that may well be evident in next year's accounts.

Industry Outlook

Last year I identified a number of challenges to be met by our industry. I expressed confidence in our ability to move forward and acknowledged the regional development initiatives of Government. While the last year has seen progress in advancing the regional development concepts and these appear to have been embraced by local authorities, there has been a less than adequate

acknowledgement of the very important role this industry has in New Zealand's economic development.

- Investor perceptions are very important for our country and its capital demanding industries. We need long term investors who have confidence that New Zealand will achieve economic growth at least as high as alternatives (particularly Australia). Much greater investment in research and development, strong leadership in creating a productivity and value culture are clearly needed if the pivotal export sector is to optimise its capacity. Evergreen supports advocacy for this direction.
- Kyoto Protocol: While we must seek to achieve the desired outcomes for environmental management, to nationalise assets in the form of carbon sequestration credits when investors

increasing flow of manufacturing grade wood. Further infrastructure investment by port companies and internal transportation and logistic companies is evident and this will enhance the efficiency in the logistic chain from forest to consumer.

- The further emergence of China as an important market for New Zealand forest products is pleasing as is the continuing demand in Korea. The New Zealand industry must coordinate its efforts in these, and other markets, to ensure we optimise the opportunity they represent.
- The need for our industry to continue to ensure good corporate performance and corporate behaviour remains an essential goal as investor confidence is fundamental for both domestic and offshore investors. This can only be delivered by sustained good performance.

We have been active in our efforts to extend investor interest in our company as a means to fund expansion and progress is being made.

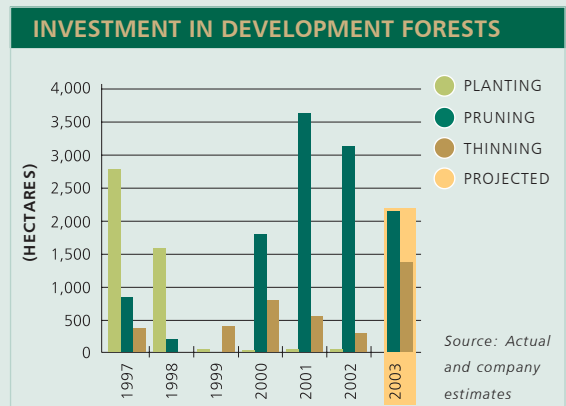
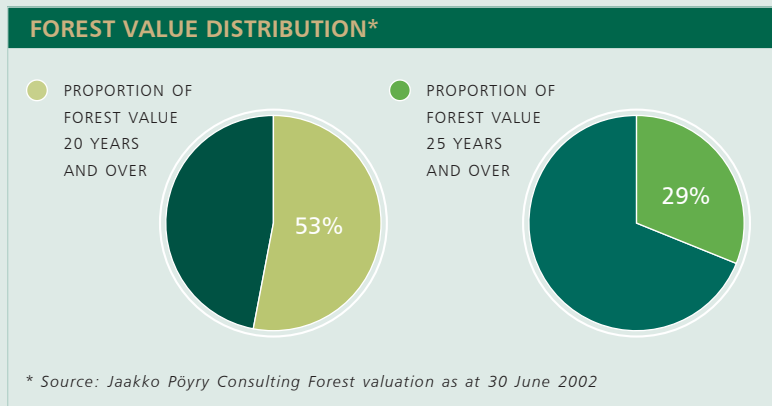
Funding arrangements have been extended and restructured to better match harvest cash flows.

We are well through the major investment needed to create excellent forests for our future.

That is a good level of achievement in your Board's opinion and these strategies will continue in the year ahead.

Directors

We have been advised of an intended change in manager of the US based Fund which is a major investor in our Company. Pursuant to that change, Stephen N. Hurley and Roy M. McCluskey have resigned as Directors. Following the



have made decisions in the knowledge that such benefits would accrue to them, is very short sighted. Responsible industry will invest to achieve best practice. To deny the asset and to impose costs that will disadvantage this country and its private capital investors, is an act of dogma rather than reason. We will continue to support the Kyoto objectives but oppose the Government's suggested adoption plan.

- Evergreen remains committed to environmental best practice. We are well advanced in securing FSC certification for our forest estate that confirms we manage them on a sustainable basis. We have also retired 500.4 hectares of land for natural regeneration with covenant protection to ensure its preservation.
- There has been new investment in forest ownership by offshore investors and signals by others that processing capacity will be created to utilize the

There is a role for Evergreen to be an active contributor and commentator on what we see is good for the sector and for the New Zealand economy. We will continue to communicate our views in a constructive manner.

Evergreen Outlook

We have the capacity to access increased harvest volumes and have invested to enable an early response to changing market conditions.

Our marketing and trading subsidiary, Forestry New Zealand has been restructured and its resources increased. We expect that this subsidiary will contribute positively to earnings in this and future years.

We have invested in a debarker facility at the Northland Port that will enable improved quality control and presentation of product to domestic and offshore end users.

appointment of the new manager to the Fund, we expect to address Director representation.

Acknowledgement

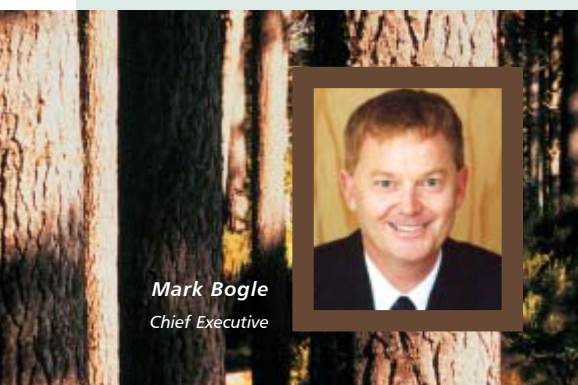
Your Board acknowledges the contribution of the Xylem Investments' board representatives over the last 7 years.

The energy and enterprise of our management team is also acknowledged. The Company has expanded its administrative and marketing staff to reflect the increased role now required to manage the harvesting and marketing of greater production volumes.

Peter Wilson
CHAIRMAN
20 September 2002

Chief Executive's Report

Evergreen continued its record of increasing operating earnings in 2002. The net profit of \$6.746 million represents a solid result and the company is well poised for future growth.



Mark Bogle
Chief Executive

We are confident that our focus on resource ownership and our pure play structure is correct. We believe that the combination of operational flexibility and investment management skills will maximise shareholder value. The increase in reported profits is some evidence of this.

We are experiencing the transition from a company investing in its young crops for the future, to an operational forestry company generating positive cash flow and profits. This transition will become more evident as the company's harvest levels increase and its other operational and marketing activities continue to grow.

Operations

Evergreen's clearfell harvest was 186,394m³ this year, an increase of 14% over the previous year. In addition, the company sold 14,478m³ via stumpage sales. This combined total of 200,872m³ remains below the company's near-term sustainable harvest capability of 360,000m³ per annum.

The ability of the company to alter its harvest mix to stay in tune with the log markets is an advantage of the pure-play structure. In response to changing log prices late last year, the company purposely targeted lower value stands that yielded virtually no pruned logs but good quantities of unpruned logs. As a result of this decision the harvest mix changed,

with the proportion of pruned logs harvested down 27% on the previous year. Pruned log prices have subsequently improved with the net result being higher value recovery prospects.

We have increased our focus on Evergreen's operations and three new appointments have been made to manage the company's growing harvesting and marketing activities. Evergreen's strategy is to directly manage areas that have the greatest potential to affect end-value. Previously, this was investment management (silviculture, planting, and inventory) and harvest planning (forward roading, resource consents). These new appointments signal our intention to increase our knowledge and resources in marketing and market development as the company's harvest increases. In addition, the company has invested in a debarking unit in Northland to improve the quality of delivered wood to our customers. We will continue to seek incremental investments of this nature that enhance our export returns and offer positive investment returns.

Physically, our Northland forests provided the bulk of the harvest volume. Increasing volumes are now coming from our South Auckland forests. This trend will continue.

Markets

This year saw an increase in Evergreen's volume exported from 59% of 2001 production to 74% of 2002 volume. Korea remains our most important market taking 38% of the company's harvest volume.

New Zealand's log exports have increased steadily over recent years and totalled 7.6 million m³ for the year ended 30 June 2002. Of this, Korea imported a record 4.2 million m³ up 30% from the 3.3 million m³ imported in 2001. Sales to China increased substantially over the year (see chart over) creating price tension throughout Asian log markets.

NEW ZEALAND MARKET: VOLUME OF LOG EXPORTS (m3)

| YEAR ENDED 30 JUNE 2002 | 2002 | 2001 | 2000 | 1999 |
|-----------------------------|------------------|------------------|------------------|------------------|
| Country | | | | |
| Korea, Republic of | 4,243,739 | 3,265,446 | 3,426,521 | 2,721,934 |
| Japan | 1,367,529 | 1,693,561 | 1,646,767 | 1,705,803 |
| China, People's Republic of | 1,280,047 | 412,564 | 378,662 | 56,580 |
| India | 225,137 | 261,897 | 194,259 | 347,247 |
| Philippines | 213,176 | 168,161 | 205,336 | 80,329 |
| Other | 241,136 | 375,148 | 318,035 | 278,185 |
| Total | 7,570,764 | 6,176,777 | 6,169,580 | 5,190,078 |

China is now New Zealand's third largest log market with considerable potential for further growth.

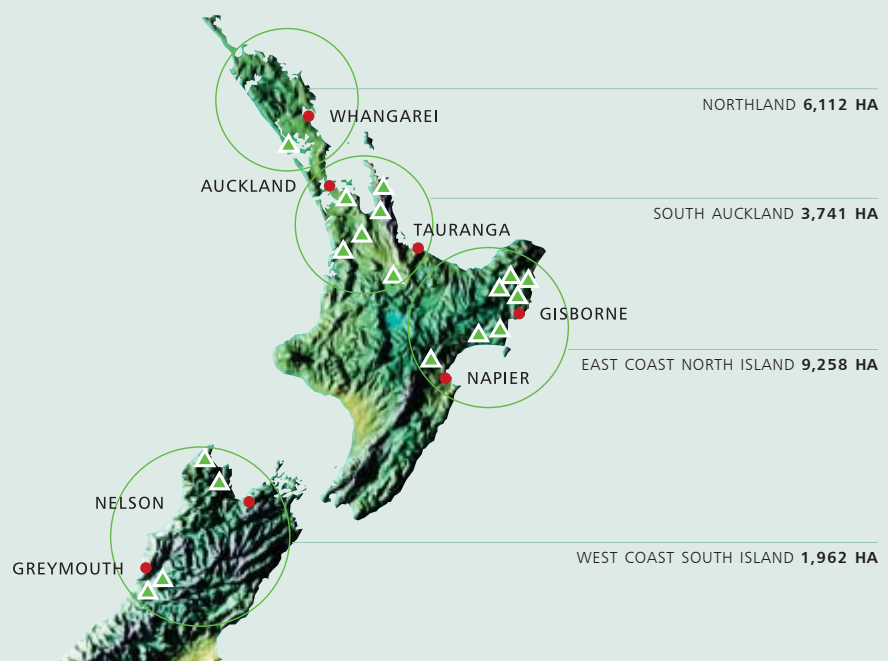
Logs represent 55% of New Zealand's forestry exports by volume and 23% by value. This will remain a valuable export component, as the domestic processing industry does not have the capacity to process all of the wood harvested in New Zealand. Conversely, foreign processors face decreasing supply from traditional sources and have sunk capital costs in their plants. These factors, combined with low labour costs and tariff structures that favour log imports, provide an attractive environment for New Zealand log exporters. Evergreen will continue to sell into markets which offer the best prices, and in many cases this will entail log exports.

Valuation

As in previous years, the company retained Jaakko Pöyry Consulting (Asia-Pacific) Limited to independently assess the market value of its forest assets as at 30 June 2002. The company's forest value (net of harvest) increased by \$5 million over the last 12-months. Jaakko Pöyry discounts projected pre-tax cash flows by 9% real, assuming some improvement in log prices to 2007, and zero price growth thereafter. The net asset value matrix on page 9 shows the sensitivity of Evergreen's forest values across different discount rate and real price growth assumptions. Further valuation information is shown on page 10. The latest valuation equates to \$0.85 per ordinary share, or \$0.78 on a fully diluted, going concern basis (after allowing for a notional conversion of the company's zero coupon convertible notes and before notional tax provisioning).

EVERGREEN FORESTS LIMITED LAND AND FOREST HOLDINGS

NET STOCKED AREA AS AT 30 JUNE 2002

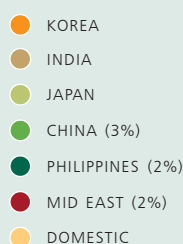


EVERGREEN FORESTS LIMITED LAND AND FOREST HOLDINGS

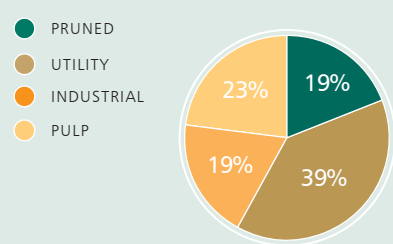
AS AT 30 JUNE 2002, IN HECTARES (AREA)

| | LEGAL | PLANTABLE | NET STOCKED |
|-----------------------------|---------------|---------------|---------------|
| Owned land | | | |
| Northland | 7,257 | 6,158 | 6,112 |
| South Auckland | 5,577 | 3,927 | 3,741 |
| East Coast | 13,359 | 9,531 | 9,258 |
| South Island | 254 | 208 | 158 |
| Total owned | 26,447 | 19,824 | 19,269 |
| Forestry rights | | | |
| South Island | 2,718 | 2,247 | 1,804 |
| Total all properties | 29,165 | 22,071 | 21,073 |

DESTINATION OF EVERGREEN WOOD BY VOLUME (Year Ended 30/06/02)



EVERGREEN HARVEST PRODUCT GRADE BY VOLUME (Year Ended 30/06/02)



WORLD WILDLIFE FUND

“Forest Certification is a system of forest inspection plus a means of tracking timber and paper through a “chain of custody” – following the raw material through to the finished product. This ensures that the products have come from forests, which are well managed – meaning they take into account environmental, social and economic principles and criteria.”

Environmental Certification

Evergreen is well underway with the process of obtaining FSC certification. The auditors, SmartWood, completed a scoping audit in May and will undertake a final audit in November 2002. The audit process reviews performance against the ten FSC Principles and Criteria. We are on track to obtain this internationally recognised certification for most of our forest estate by June 2003.

After certification Evergreen will be able to sell its logs with the FSC label, thereby providing customers with an external endorsement of the company's sustainable management practices.

The benefits of certification and the certification process are further discussed in the feature article this year, prepared by our FSC auditors, SmartWood, on page 11. Several key environmental elements that Evergreen is undertaking as a result of the FSC certification process are highlighted throughout the report.



Lake Karaka, which bounds Evergreen's Rototuna Forest, is a typical dune wetland found along the west coast of Northland. These dune lakes are ranked as “ecologically outstanding” because of their habitat for rare and threatened fauna. Fernbirds were present and recorded during the ecological assessment of this lake. Evergreen is committed to ensuring the lake margin remains protected and monitoring wildlife in its biannual ecological assessment programme.

FSC PRINCIPLES AND CRITERIA

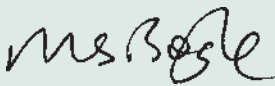
1. Compliance with laws and FSC principles
2. Tenure and use rights and responsibilities
3. Indigenous People's Rights
4. Community Relations and Worker's Rights
5. Benefits from the forest
6. Environmental Impact
7. Management Plan
8. Monitoring and Assessment
9. Maintenance of High Conservation Value Forests
10. Plantations

Summary

With the outlook for world growth mixed, Evergreen has cautiously increased its production while maintaining its emphasis on operational flexibility to maximise shareholder value. The increased focus on the planning, harvesting and marketing operations reflects the maturing of the company's resource base. Evergreen's increasing future harvest capacity means the company is well placed to capitalise on the cyclical nature of log markets.

The company's emphasis on pruned logs, sustainable forest certification, and market development will allow the company to pursue high-value niche markets. We will continue to look for incremental investments such as the debarker where such investments provide improved quality and adequate investment returns.

Investors are increasingly focused on real assets and companies with increasing cash flow and these trends should benefit the company. Forestry is a desirable component of a diversified investment portfolio. Evergreen shares offer the opportunity to invest at a discount to underlying net asset value. Finally, shareholders in Evergreen are supporting a sustainable business that contributes positively to the environment which will be recognised by the wider community with the completion of FSC Certification.



Mark Bogle
CHIEF EXECUTIVE
20 SEPTEMBER 2002

NET ASSET VALUE

| AS AT 30 JUNE 2002 BASED ON APPRAISED MARKET VALUE | 2002 | 2001 |
|--|---------|---------|
| Book Value of Equity (\$m) | 123.5 | 114.4 |
| Add: Forests (at valuation) (\$m) | 162.4 | 157.4 |
| Less: Forests (at cost) (\$m) | (161.3) | (151.7) |
| Equity (at valuation) (\$m) | 124.7 | 120.1 |
| Divide by: Issued shares (million) | 145.8 | 140.7 |
| Net Asset Value per share (\$NZ) | 0.85 | 0.85 |
| Fully Diluted Net asset value per share (\$NZ) (assuming all convertible notes convert into shares and before notional tax provisioning) | 0.78 | 0.76 |

NET ASSET VALUE (undiluted)

| AS AT 30 JUNE 2002 Value of Evergreen's ordinary shares with different price growth and discount rate assumptions | | | |
|---|----------------------------------|------|------|
| DISCOUNT RATE ² | REAL PRICE INCREASE ¹ | | |
| | NIL% | ONE% | TWO% |
| Eight per cent | 1.00 | 1.15 | 1.31 |
| Nine per cent | 0.85 | 0.98 | 1.12 |
| Ten per cent | 0.73 | 0.84 | 0.95 |

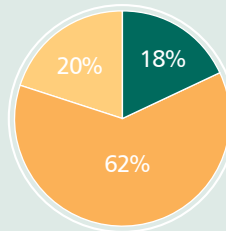
1. Per annum, over the ten-year period 2007 to 2017.

2. Pre-tax, real.

DISTRIBUTION BY LOG TYPE*

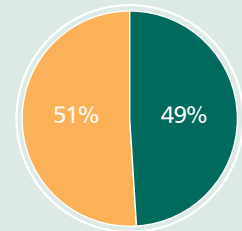
VOLUME

- PRUNED
- SAWLOGS
- PULP



VALUE

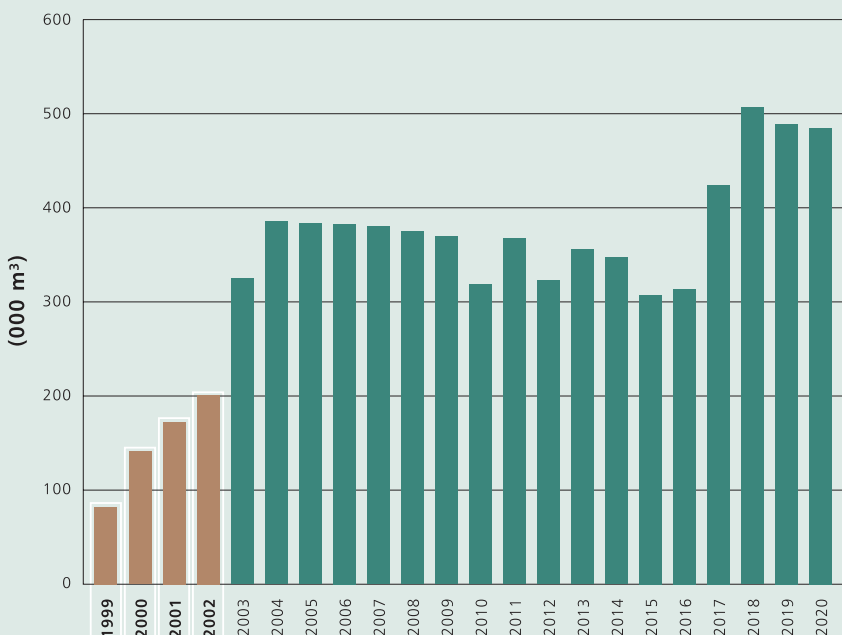
- PRUNED
- SAWLOGS
- PULP (0%)



* Source: Jaakko Pöyry Consulting Forest valuation as at 30 June 2002

HARVEST PROFILE (CLEARFALL VOLUME) 1999–2020

YEARS ENDED 30 JUNE



Source: Jaakko Pöyry Reports 2002. Figures include projected share of Nuhaka harvest