



Mondi Contribution to the Mpumalanga Provincial Economy

“Some facts and figures”

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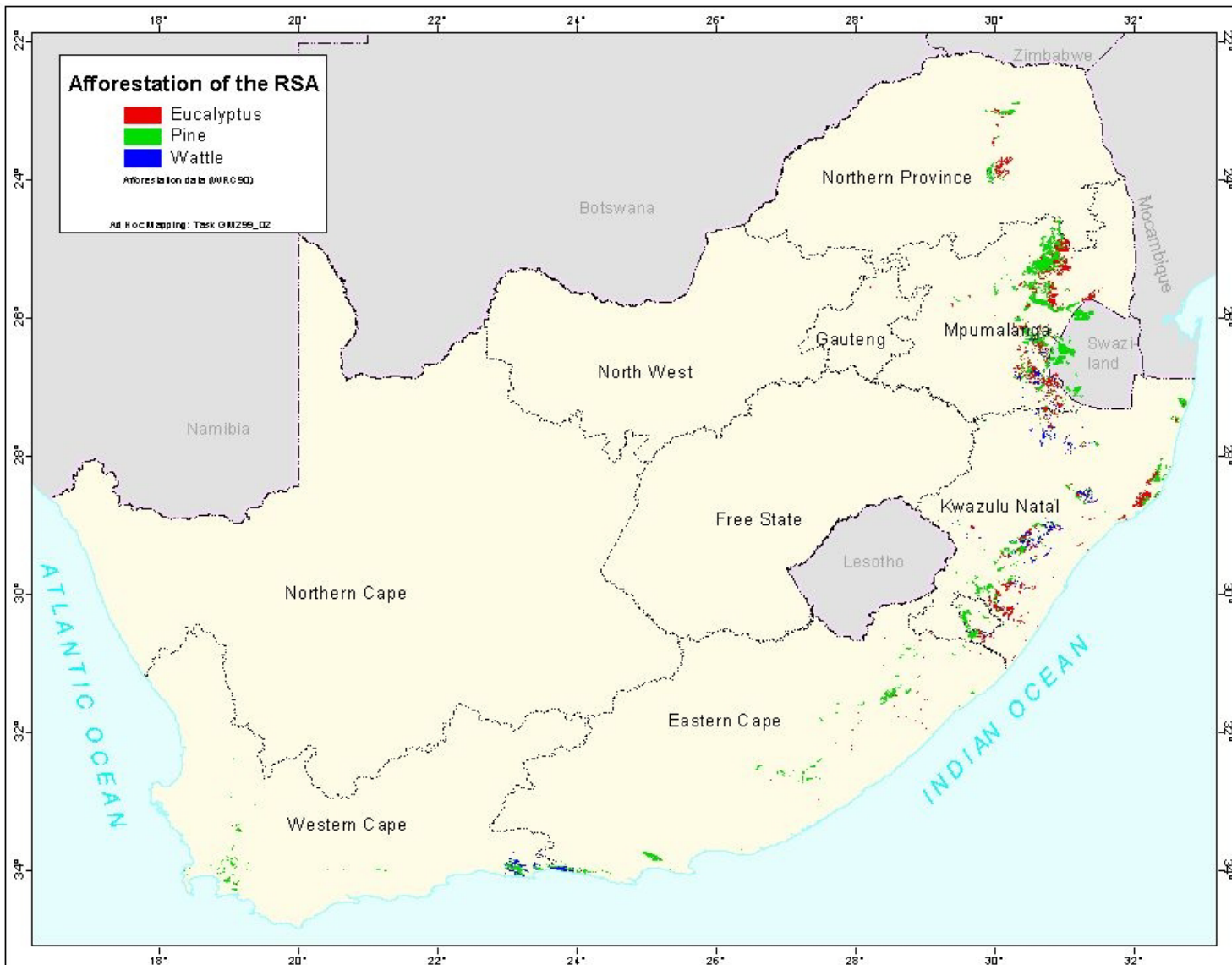
Date 15 October 2009

Presentation Structure

- ✓ Forestry industry in SA
- ✓ Mondi background
- ✓ Mondi investment in Mpumalanga
 - Existing
 - Planned
- ✓ Impact of investment
- ✓ The Mkhondo Mondi Development Project
- ✓ Relationship with Govt and policies



South African Forest Industry



AREAS

1.3 million ha
1.1 % of area
721,000 ha pine
496,000 ha gum
108,000 ha wattle

ANNUAL HARVEST

22 million m³
19.5 million tonnes
5.4 million m³ sawlogs
11.7 million t pulpwood
650,000 t mining timber
500,000 m³ poles

INDUSTRY

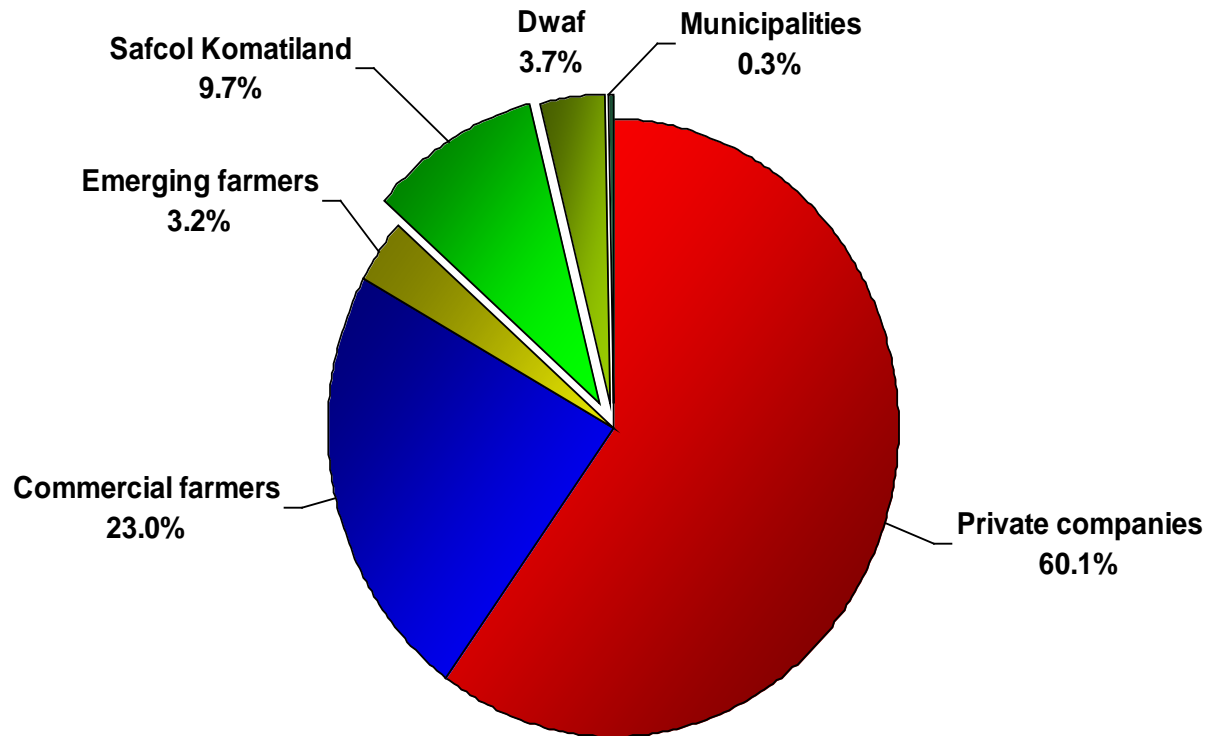
CONTRIBUTION

1.0 % of RSA GDP
7.4% of Agric GDP
4.3 % of Man GDP
170,000 employees
860,000 dependants

South African Forest Industry



Plantation area by ownership



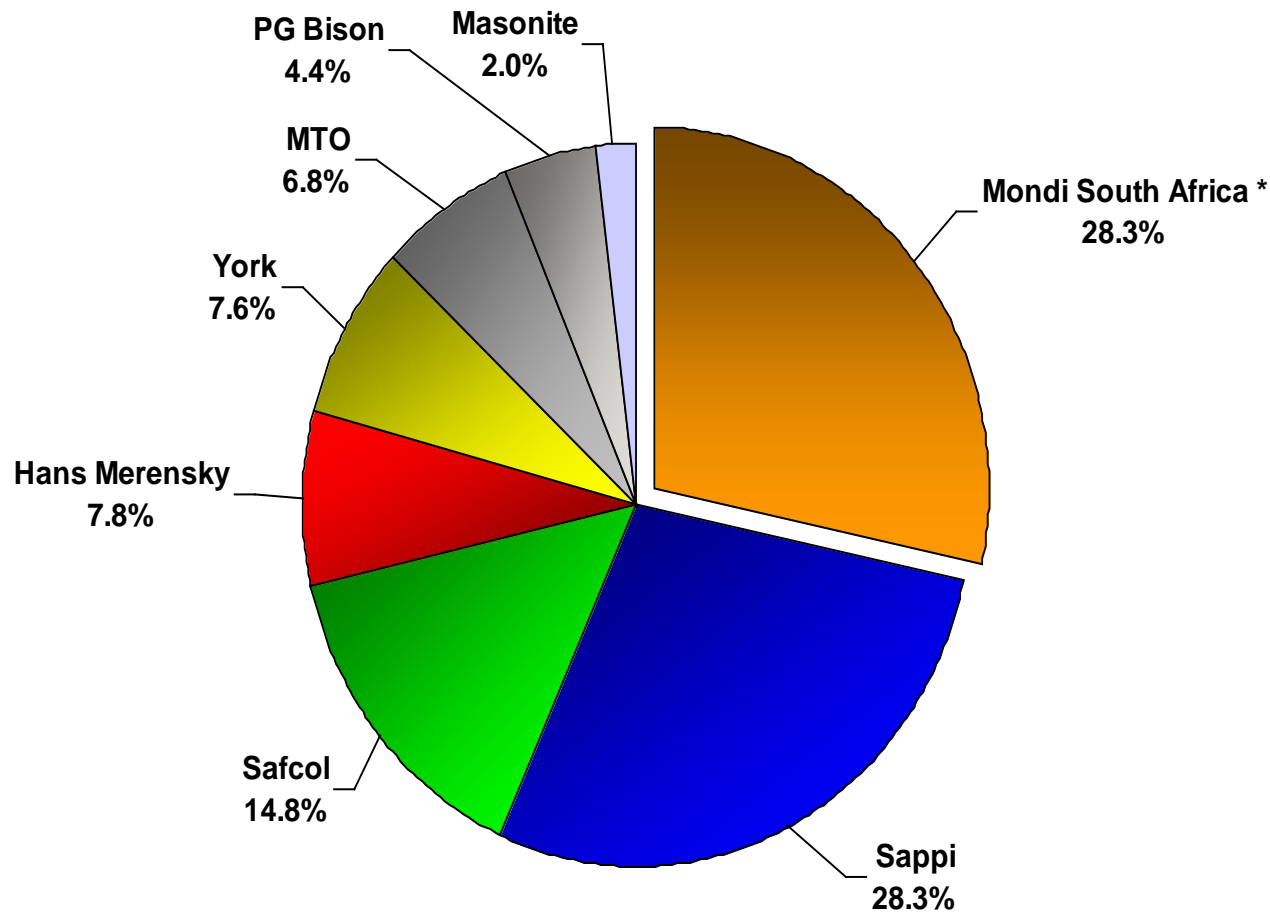
Total area = 1,333,562 ha

(Source: DWAF, 2006)

South African Forest Industry



Plantation area by “company” (2007)

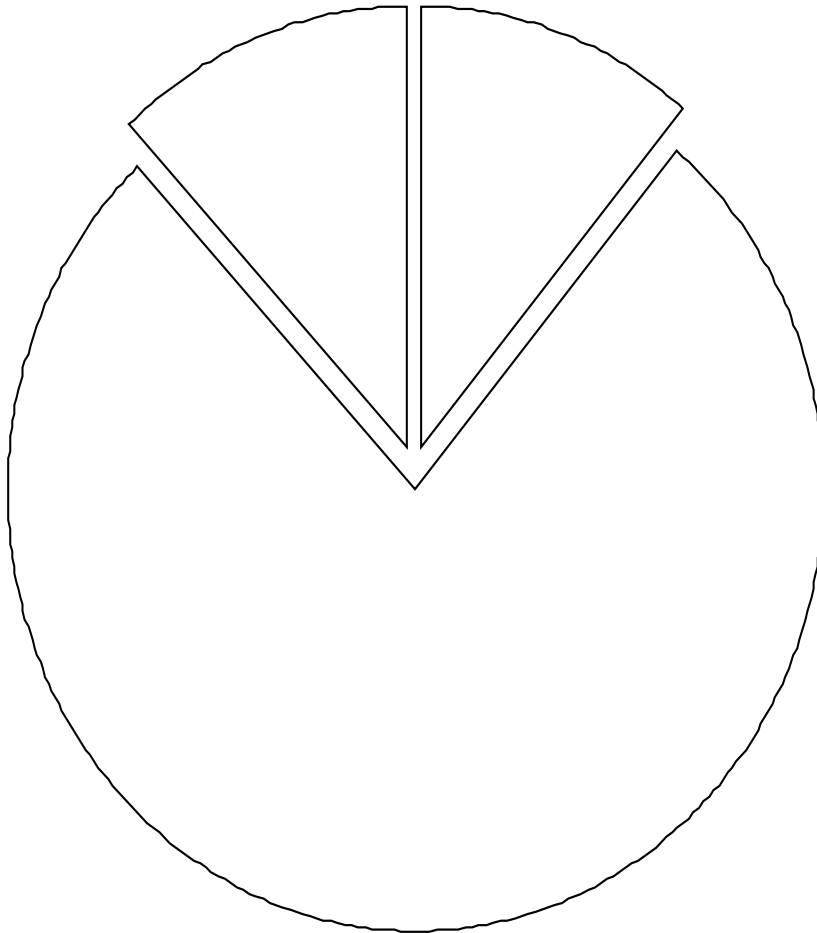


Area represented = 880,000 ha (66%) * Includes SQF and MSN

Mondi Forestry Operations

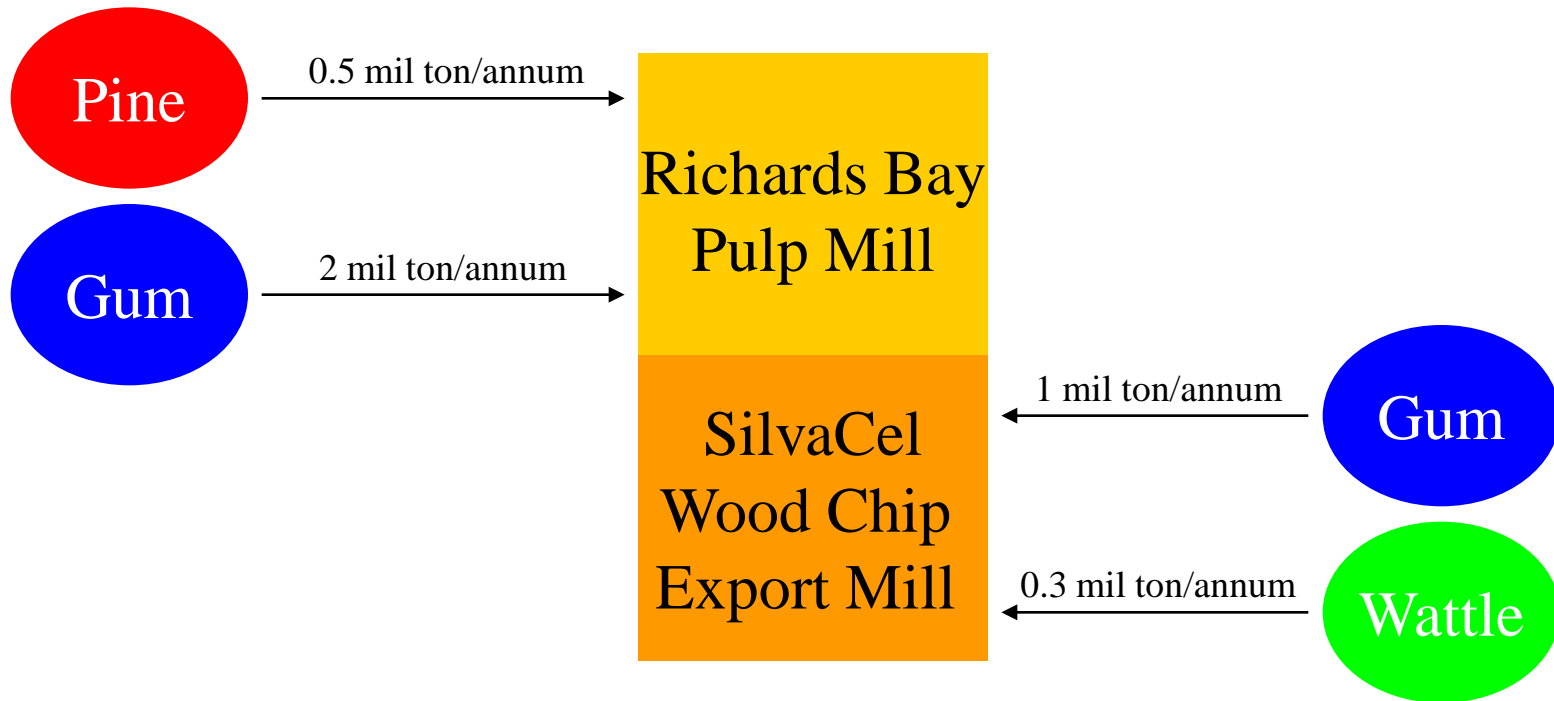


Genus breakdown



(as at Sept 2007 – 221,027 ha)

Pulpwood Consumption



Mondi background and sectors



- ✓ **An international paper and packaging group with €6.3 billion revenue**
- ✓ **Key operations in Western Europe, emerging Europe, Russia and South Africa.**
- ✓ **Manufacture of packaging paper and converted packaging products**
- ✓ **Mondi is fully integrated across the paper and packaging process, from the growing of wood, manufacture of pulp and paper to converting**
- ✓ **Mondi has operations in 35 countries and about 40 000 employees**
- ✓ **Mondi South Africa Division (MSAD) has a pulp Mill at Richards Bay and a paper producing Mill in Merebank in Durban.**
- ✓ **MSAD owns or leases 350,000 hectares of land, 245,000 is planted**
- ✓ **In Mpumalanga province the extent of Mondi's forestry land is 139 000 hectares of which 59 000 hectares are under claim (43%)**
- ✓ **Mondi owns a 69.99% equity in MPSA with the Shanduka group owning 25.01%**



Nature and size of investment in Mpumalanga province

MSAD INVESTMENTS IN MPUMALANGA PROVINCE 2005-2009					
	2005	2006	2007	2008	TOTAL
Log Purchases (Procurement)	67,192,512	66,181,513	82,898,761	156,562,126	372,834,912
Harvesting	59,618,287	65,545,512	74,534,529	78,440,178	278,138,506
Transport	147,313,446	153,837,787	179,721,062	226,717,901	707,590,196
Maintenance	2,244,152	1,856,155	2,577,021	10,055,974	16,733,302
Personnel Expenses	14,706,048	12,070,066	13,520,428	13,142,610	53,439,152
Silviculture	65,890,721	72,807,719	77,501,848	108,768,983	324,969,271
Other Operating Expenses	15,275,920	19,120,894	16,595,279	26,744,611	77,736,704
CSI ¹	3,000,000	1,800,000	1,200,000	1,200,000	7,200,000
MZ Investments ²				8,100,000	8,100,000
TOTAL	R375,241,086	R393,219,646	R448,548,928	R629,732,383	R1,846,742,043

MSAD INVESTMENTS IN MPUMALANGA PROVINCE 2005 - 2008

	2005	2006	2007	2008	TOTAL
Log Purchases (tons)	54,723	291,090	306,384	489,475	1,141,672
Harvesting (tons)	594,941	1,085,871	1,106,077	1,027,718	3,814,607
Transport (tons)	600,436	1,179,974	1,281,716	1,353,090	4,415,216
Establishment ha's	4,570	7,914	5,585	7,474	25,543
Maintenance ha's	35,637	126,191	113,040	120,050	394,918

CSI projects include

- Provision of boreholes in Mkhondo and Numbi
- Vegetable gardens
- Mkhondo Education, Career Guidance, Science, FET Skills Development Centres
- Mkhondo Early Childhood Development
- Mkhondo Rural Orphan Care
- Food security programmes
- Mkhondo livestock programme
- Classroom provision in Marite
- Uplands Outreach for schools in Hazyview and White River
- Water provision in Louisville & Dekaap
- Cholera epidemic response programme
- Small contractor development through Mondri Zimele

Additional investments planned and budgeted for:

- Mondi Mkhondo Development Project 2009 - 2013 (integrated settlement development): R52m in cash and land
- Mpumalanga Land Reform projects 2009 (capacity-building; business establishment; community development): R1,5m X10=R15m
- CSI 2009: R2,3m
- Mondi Zimele investments in small contractors R5m
- Ongoing paper donations to schools

People employed in Mpumalanga in 2004 and 2008



	2004	2008
Permanent	66	79
Contractors	3 877	4 748

Contribution of the new investment(s) to job creation



Investment Description	Effect on Employment
Mondi Zimele Investments	Approx. 660 jobs in two contracting companies.
Mondi Mkhondo Development Project	Jobs already created in surveying and data capturing. More jobs envisaged with project roll-out in the construction industry and in the provision of infrastructure. Also planned is the development of small businesses for the provision of building materials. Projected at 2 000 jobs
Land Reform Projects	Likely to have significant job creation potential. Sidu community development process in Piet Retief has already created 46 jobs. Planned creation of approx. 100 jobs per claimant community. 8-10 communities targeted in the next year. Therefore 1 000 jobs.

Skills Development



Skills developed in the province through the new investment (s)

- Forestry technical skills for Mondi contractors and land claimant communities
- Business management skills for Mondi contractors and land claimant communities
- Forestry academic skills for Mondi affected communities and land claimants through the Mondi Forestry Bursary Scheme and Traineeship Programme

CSI programmes provide skills in:

- project management to ensure sustainability of projects,
- small business development skills (eg livestock programme, Bee farming),
- liaison and negotiation skills for Mondi community liaison committees.

Impact of new investment(s) on small, micro and medium enterprises (SMMEs) in the province:

- Mondi Zimele investments into two small forestry contractors in Piet Retief and Iswepe has not only helped create two sustainable enterprises but has also had significant employment impact.
- Mondi's land reform projects are designed to develop claimant communities into sustainable forestry enterprises. At least three new business entities from the communities of Sesihlangene, Msibi and Sidu are currently being established to undertake silviculture activities with a further five being planned for the year.
- Mondi's Forestry Partners programme has identified the Thnjekwayo community in Amsterdam for business development.
- Mondi's Preferential Procurement policy is designed to give preference to BEE empowered companies.

Mondi Land contribution in Mkhondo agrivillages



	Res Sites	Res land extent	Res land @R2 500 per ha	Communal land extent	Communal land value @R2 500 per ha	Forestry land extent	Forestry land @ R 5 500 per ha
Y1	400	60 ha	R150 000	400 ha	R1 000 000	1 000 ha	R5 500 000
Y2	400	60 ha	R150 000	400 ha	R1 000 000	1 000 ha	R5 500 000
Y3	400	60 ha	R150 000	400 ha	R1 000 000	1 000 ha	R5 500 000
Total	1 200 sites	180 ha	R450 000	1 200 ha	R3 000 000	3 000 ha	R16 500 000
TOTAL Agri							R19 950 000

Mondi land contribution to urban development in Piet Retief



- Mondri has set aside 56ha for urban development in Piet Retief
- Mondri has bought 35h Wilverdiend farm in addition
- Mondri has agreed to donate this to the MMDP for Forest View

Land	Res sites	Res land extent	Res land value
Mondi donated 2007	950	56 ha	R1,5m
Mondi acquired Wilverdiend (including facility)	550	35 ha	R3m
Total urban			R 4,5m

Therefore Mondi contribution to MMDP



■ **Mondi contribution to date**

- Budget already set aside R27,5m
- Urban Land already donated R4,5m

■ **Already pledged**

- Agrivillage Residential land to be donated R450 000
- Agrivillage Communal land to be donated R3m
- Agrivillage Forestry land to be sold and money donated R16,5m

- **Total Mondi contribution in the Mondi Mkhondo Development Project = R51 950 000 to create 6 agrivillages and one urban settlement for 1 200 rural households and 1 500 urban households**

- **Access to grasslands (20 000ha) (R40m)**

importance for Mondi of economic development policies



Policy	•very high	•high	•medium	•low	•zero
a. Supporting skills training	•X				
b. Marketing your area/region			•x		
c. Ensuring reasonable tariffs (and stamping out illegal imports)		•x			
d. Ensuring high quality of life in the area		•X			
e. Ensuring reliable service (electricity, water, refuse removal)	•X				
f. Ensuring reliable and safe public transport		•X			
g. Improving access to finance		•X			
h. Business advice and support	•X				
i. Inter-firm collaboration and cluster development		•X			
j. Better relations with unions and individual workers at the shop floor		•x			

State of the relationship between Mondi and government in the Mpumalanga Province:



Good relationship established visible through partnership initiatives:

- The Mkhondo Education Centre that offers, Career Guidance, Science Skills and FET Skills Development with **Education Dept**
- The Uplands Outreach programme – reaching out to 13 schools in the rural areas of White River and Hazyview **Education Dept**
- The Rural Orphan Care programme in Mkhondo, which is recognized nationally as best practice in addressing the needs of orphans and vulnerable children **Social Development Dept.**
- The Mondi Mkhondo Development Programme **Premiers office leading a number of departments**
- Comprehensive Rural Development Programme: Agrivillage development in Mkhondo coordinated by **Dept Agriculture**
- The Mondi mobile services – aimed at providing a comprehensive health service to communities in the rural areas of Mkhondo: **Department of Health.**
- Land Reform programmes – a good working relationship has been established with the **Mpumalanga RLCC** to settle claims effectively and to ensure sustainable timber industry.

Parting shot



“Mondi is committed to continuing and developing its forestry operations in Mpumalanga. The new investments that have been initiated and planned for the period 2008-2012 have all been designed with a view to successfully taking Mondri into a new era where small business development, land reform and sustainability is paramount. The intended outcomes of job creation, rural development and poverty alleviation is part and parcel of this process, and we plan to regularly measure progress against these objectives, using Mondri’s Socio-Economic Assessment Toolbox.”

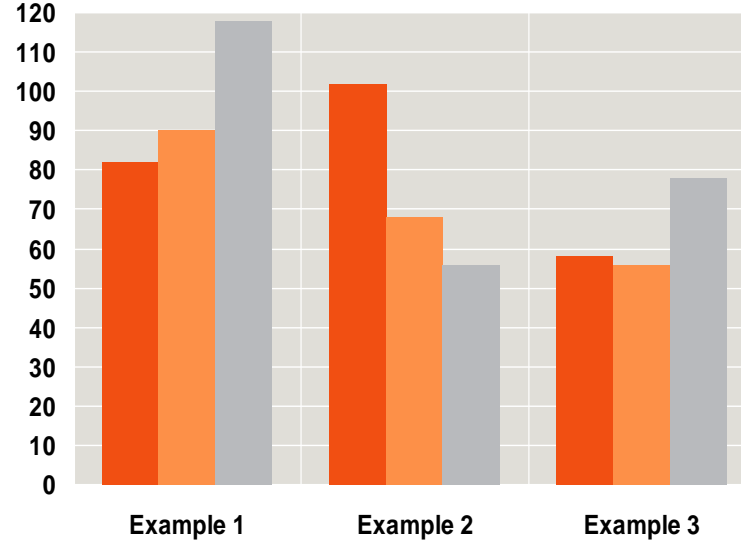
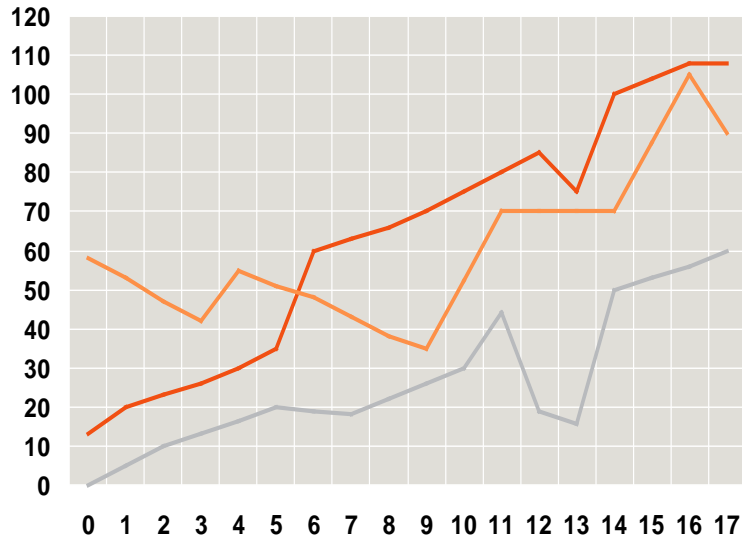
THANK YOU

VIXC SAETOSUS SYRT



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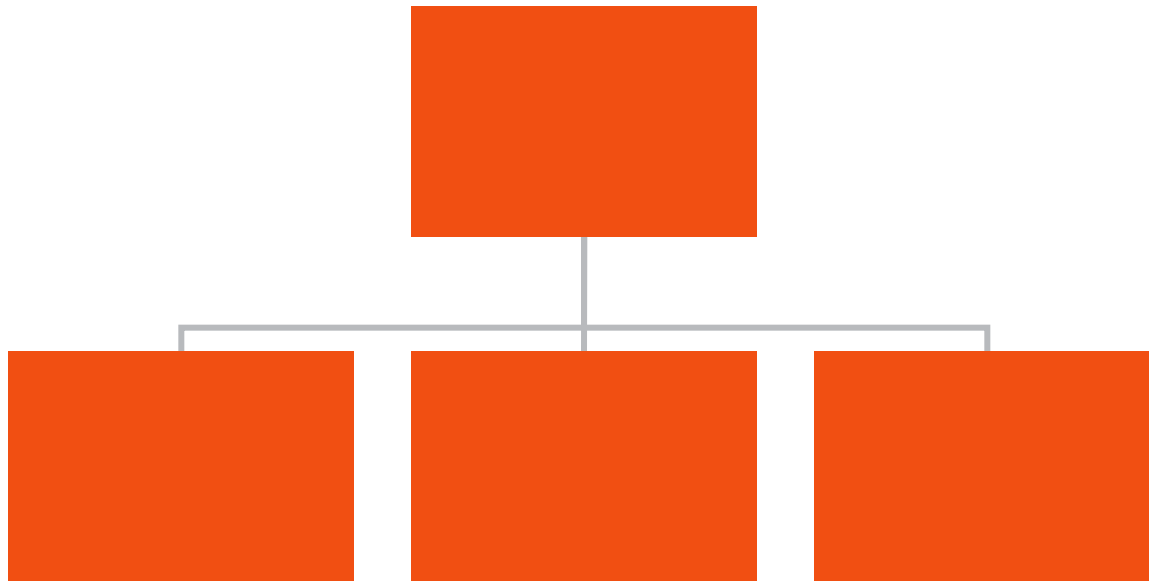


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Row head 2	X	X	X
Row head 3	X	X	X

VIXC SAETOSUS SYRT

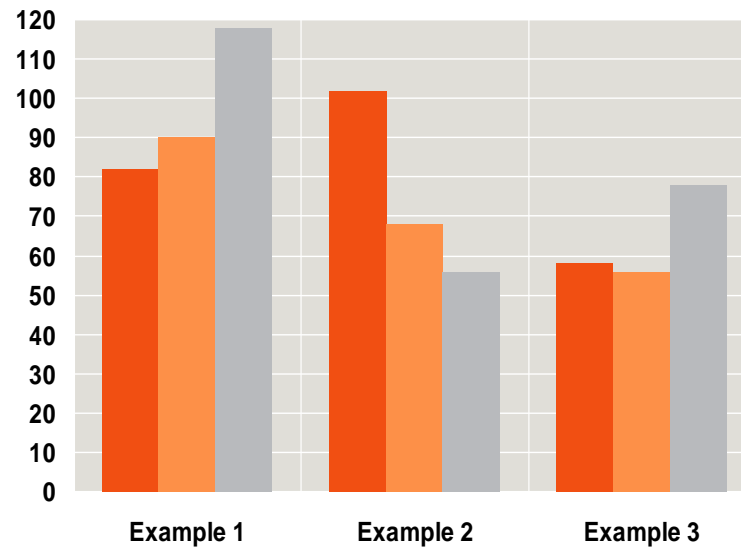
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FORWARD - LOOKING STATEMENTS

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