

Dear Readers,

Fascination and passion are the forces that inspire our company in its daily work with the unique natural raw material of wood. However, these qualities alone are far from sufficient in global competition, which has long since found its way into the wood and wood processing industries, as well. Cost optimization, productivity increases, efficiency and quality – these criteria are decisive in international comparison.

Danzer Group has taken up these challenges. In years past, we have invested a great deal in optimizing our technical systems for manufacturing lumber and veneer. Production engineering improved through production machines we develop on our own and computer-supported processes ensure the highest standards of production and quality. We will continue to follow this route. However, another factor is decisive to our success: our customers.

The needs and wishes of our customers are our yardstick. To satisfy our customers, we give high priority to improving and optimizing our worldwide sales and distribution. New distribution channels in Europe and North America are the first step in this direction.

In addition, we not only sell our customers products, but also offer services to give them measurable benefits. Danzer Group considers itself to be a supplier of ideas, as well, and a process consultant, in brief: a reliable partner for the long term.

I hope you enjoy your reading.



Hans-Joachim Danzer

## New Structure in European Veneer Sales

A new era is starting for the European veneer customers of Danzer Group. The corporation is reorganizing its sales structure according to territories and aiming its sales more specifically at the needs of industrial and regional customers. These changes will considerably improve Danzer Group's service for its customers. "We want to learn more about our customers' needs and make the appropriate products available to them," explains Michael Engel, Senior Vice President of Sales at Danzer AG and responsible for sales in Europe.

Shorter delivery periods and easier procurement and processing of veneer ("ease of use") – these customer requirements form the background for the restructuring. By dividing Europe into seven sales territories, customers can be clearly assigned to the respective subsidiary in the veneer division. The new motto, "one face to the customer", is intended to benefit industrial customers in particular, for whom permanent points of contact will be created in the Sales Department. Purchasers from the industry can thus enjoy key account management treatment which, in contrast to purchasing from middlemen, ensures a direct exchange of information

and thus more efficient order handling. This also includes preparation of the goods and delivery right from the place of production.

Regional customers of Danzer Group can also profit from the new regional sales structures. Proximity to the sales office brings purchasers many benefits. They can choose from a wide variety of different kinds of wood and purchase wood spontaneously, in small quantities or by placing a call-off order. What is more, this will ensure individual, user-oriented consultancy as well as close coordination between production and procurement within Danzer Group.

A stronger user orientation for veneer production is also the reason behind the second change in the sales structure of Danzer Group: dividing up customers into the categories of "industrial customers" and "regional customers". Industrial customers for veneer place high demands on the product, especially in terms of uniform surface quality, for instance, uniform lengths and widths, precise sorting by color or moisture content. A new feedback system in the Sales Department will conduct information on customers' needs directly to Production. This >>



>> will make it easier to ensure optimum utilization of the veneer sheets or save on incoming goods inspections – both of which reduce processing costs for customers and thus improve their value creation.

"We are professional wood experts, and our customers can put their wholehearted trust in our knowledge," is Engel's motto for sales, which also applies to regional customers, of course. The special demands they place on veneer products – including not only uniformly high quality, but also individual preparation, for instance, immediate availability or being able to choose according to regional requirements – are being given particular attention in the course of the sales restructuring.

## Danzer Forestland Enlarges Its Forest Holdings

The forest management company Danzer Forestland, a subsidiary of Danzer Group, recently acquired more than 12,000 hectares of forest in the U.S. states of New York and Pennsylvania. This investment underscores the commitment of Danzer Group to sustainable management. "This puts the focus not only on obtaining high-quality round timber for our own production, but also on managing forests in such a way as to ensure sustainable wood production for coming generations," commented Hans-Joachim Danzer, CEO of Danzer Group. Until now, the corporation had owned around 20,000 hectares in the deciduous forests of the northeastern U.S.A. There are plans to acquire more forest areas.

## Environmental Brochure of Danzer Group

Environmental protection has for years denoted a comprehensive, systematic management duty within Danzer Group. Now the company has published for the first time its own environmental brochure describing the many different steps it has taken to reach its goals. Danzer Group illustrates exhaustively the different parts of its Environmental and Safety Management System, explains details of the certification process for its environmental protection measures and describes all the concrete steps taken to protect the environment at its various locations around the world. In addition, the brochure contains many interesting facts on the subjects of wood as a raw material and forests in general. The environmental brochure of Danzer Group will first appear in English and can be ordered from the company.

## Website Redesigned

The redesigned websites of Danzer Group and all its subsidiaries will be go online one after the other in spring. The aim of the redesign and expansion of the websites is to align the design and content of the group and all its subsidiaries with a uniform standard. At the same time, the corporation's websites will in the future be presenting it as a customer- and service-orient-

ed supplier of veneer, lumber and round timber. This is intended to provide detailed information on the Group and the subject of wood not only to customers and suppliers, but also to a large number of other target groups, such as architects, designers, the media or job applicants. The Danzer Group website is found at [www.danzergroup.com](http://www.danzergroup.com).

**DANZERGROUP**  
A World of Veneer, Lumber and Timber

Danzer Group | Corporate Social Responsibility | Products | Resource Wood | Career | Info Center | Contact

### Welcome to Danzer Group

**Language selection**  
English | Deutsch

The Danzer Group comprises companies which process high-quality woods for decorative purposes. For over 70 years now the family-run company Danzer has been producing hardwood veneers and timber, as well as trading in round timber. The Danzer Group has always been guided by common values and objectives – such as a passion for beautiful wood and a desire for the highest quality. We are pleased that you wish to find out more about the Danzer Group, its companies and activities.

**Press**  
IFO obtains SGS Legality Verification Certificate  
Danzer Group Company in the Republic of Congo successfully passes a Legality Audit – considered to...  
more

**Fairs**  
Dubai Wood and Wood Machinery Show

Film Highlight | References | Calendar 2006 | Environment



## Our Environmental Responsibility

DANZERGROUP

## Interforest Lumber Introducing Sapele Mahogany on the U.S. Market

Danzer's subsidiary in the U.S.A., Interforest Lumber, is responding to current consumer trends and the consequent changing demand from the wood processing industry with a new kind of wood in its range of lumber. Interforest Lumber recently began carrying African Sapele mahogany hardwood in its program. This dark, versatile wood comes from the concessions of Danzer's subsidiaries IFO (in the Republic of Congo) and SIFORCO (in the Democratic Republic of Congo), and is being introduced as an alternative to mahogany on the North American market.

"Sapele mahogany offers high quality with the best working properties and is thus an interesting alternative to genuine mahogany for furniture makers and millwork manufac-

tures," explains Greg Lottes, CEO of Interforest Lumber. "Moreover, its structure and color is in line with the trend toward dark kinds of wood increasingly in demand among end users and their customers." Sapele mahogany can be used for making furniture and kitchen furnishings, as well as for floor coverings, but is easier to procure and process than mahogany.

Interforest Lumber imports sawn wood from the African concessions of Danzer Group to North America and dries it there so as to meet the demands of the domestic market. Apart from the wood's valuable properties, the logging methods of IFO and SIFORCO are another aspect in support of its introduction to the North American market. All African concessions of

Danzer Group are sustainably managed. In case of IFO this is already supplied by forest management plans. In the case of SIFORCO such plans will be worked out over the next years.

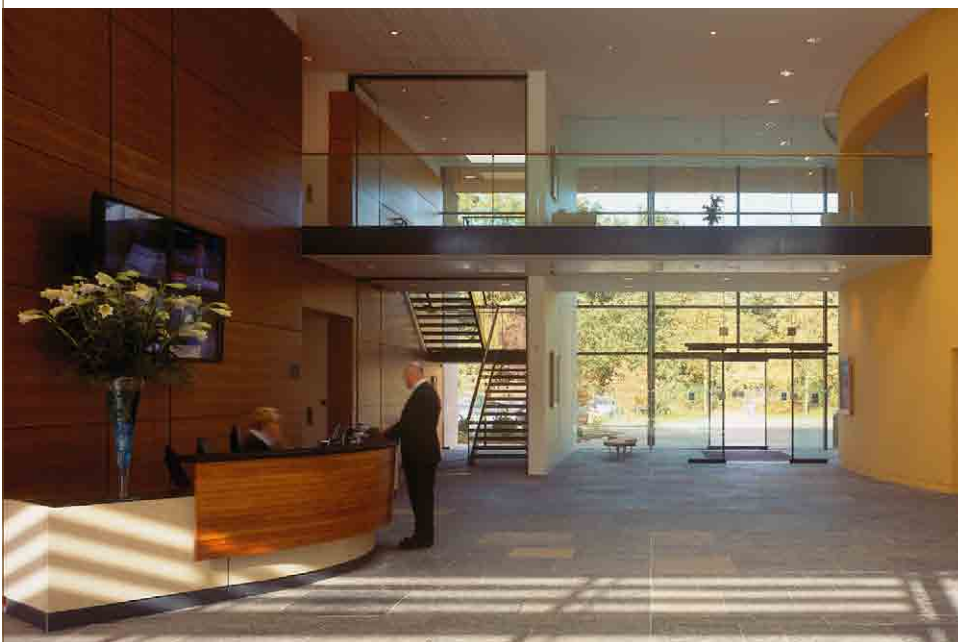
"Moreover, Interforest Lumber has access to large stands of timber thanks to the concessions, so that customers can be sure of encountering no problems in obtaining supplies of Sapele mahogany for a long time to come," emphasizes Lottes. Last year, Interforest Lumber sold roughly 600 m<sup>3</sup> of this type of wood in North America, and in 2006 total sales of Sapele mahogany lumber are intended to reach 2500 m<sup>3</sup>. In the long term, Interforest Lumber is aiming at making Sapele mahogany account for ten to fifteen percent of its total sales.

## Flooring Strips Production at IFO and SIFORCO

The African Danzer subsidiaries IFO and SIFORCO have begun producing flooring strips. INTERHOLCO AG will be using the new product line primarily to appeal to manufacturers of floor coverings. The annual production capacity of IFO and SIFORCO is currently around 10,000 m<sup>3</sup>, which will

allow Danzer to satisfy the demand of industrial customers for large quantities. The flooring strips production will make use of wood that could not be made into lumber in the first production process. This will enable Danzer Group to improve the product yield and earnings. Thanks to their stability

and durability, African types of wood are highly sought after by manufacturers of floor coverings. Sapelli, Iroko, Afrormosia, Wengé, Doussie, Boiré and Bossé wood are particularly fashionable. The flooring strips will be available in half-quarter slice or flat cut.



## Danzer Veneer in the Royal Bank of Scotland

Veneer from Danzer is being used in the new headquarters of the Royal Bank of Scotland. The architect's office commissioned for the building has had the entire interior decoration, including furniture, doors and wall paneling, finished with syconore veneer from Danzer. The building in Edinburgh, completed in the summer of 2005, is the worldwide corporate headquarters of the Royal Bank of Scotland.

*Danzer veneers in the Royal Bank of Scotland.*

## Did you know...

... that approx. 3.3 billion m<sup>3</sup> of raw timber is logged worldwide? In terms of forest area the highest percentage of logging takes place in the temperate forests in the temperate climates of Europe and North America with 1.5 m<sup>3</sup> per hectare, followed by the tropical forests with 0.9 m<sup>3</sup> per hectare.

... that 1.8 times as much timber grows back as is logged in European forests?

... that timber resource in European countries will increase by 22% between 2000 and 2040?

... that 40 percent of the wood logged worldwide is used as fuel wood and that in Africa as much as 88% of logged wood serves as fuel wood?

... that African countries only exported approx. 9.4 million cubic meters of wood in 2002 – this corresponds to some 1.5% of the entire African timber harvest – whereas the European countries exported 233 million cubic meters of wood and the countries of North and Central America exported 112 million cubic meters?

... that when concrete and steel are used for housing construction as much as 17% more energy is consumed than if wood is used? At the same time the construction materials concrete and steel increase the output of greenhouse gases: A house which has been built with concrete contributes 31% more to global warming than a house built with wood. In the case of steel the contribution is 26% higher.

*Jim Prescott on the importance of customer orientation, new equipment and restructuring measures*

## “A more diverse and competitive product for all customers”

*Mr. Prescott, why did the Danzer Group name you as the CEO of Veneer North America?*

I believe Danzer chose me as CEO for the North American Veneer Group because of my strong background in Sales Management. I bring a unique, cross industry perspective that will serve to complement our veteran teams.

*How do customers fit into the Danzer strategy?*

At Danzer, we understand that our customers hold the key to our success. This is why a clear focus at all Danzer companies is directed toward improving customer satisfaction. Our Getting Closer campaign was specifically designed to drive our forward strategies. So, for us, Getting Closer has become much more than a slogan. We have invested heavily in new machinery, installed a new operating system, improved our communication flow and most importantly trained and invested in our people. We focus our energies on the changing needs of our customers while developing customer specific products as part of our “Total Product Offerings.” program. All of these efforts are directed toward enhancing each customer’s buying experience with Danzer.

*You seem to be making a number of changes. Can you explain?*

Today, the industry recognizes each of our veneer companies as market leaders in their own right. Just imagine what we bring to the table when we leverage our global capabilities and best practices. This combination of

strengths is providing each of our businesses and all of our customers a more diverse and competitive product offering. Certainly, no one else in the industry has this potential except the Danzer Group. For the first time, all of our North American veneer businesses are enjoying this advantage.

*Can you tell us about your goals at Danzer?*

My primary goal is to grow our market share by becoming more competitive in an increasingly global market. As the world leader we are positioning ourselves to be the supplier of choice for high quality veneer.

We believe strongly in the future of this industry and we are committed to maintaining our leadership role. From my perspective, it is very revealing that while our competitors have reduced their capital spending, we have poured significant capital into modernizing our operations. We installed world class machinery system-wide to allow us to

„The combination of strengths is providing all of our customers a more diverse and competitive product offering.“

process the highest quality veneers at extremely competitive unit cost levels. We have expanded our procurement activities both do-

mestically and internationally to provide the widest possible offering. Most recently, we purchased large tracks of land in North America that will provide high quality logs for years to come. By our estimates, we believe our investment rate is more than twice that of our closest competitor.

We have also changed our approach to inventory management. We know that our customers require access to a wide variety of quality inventories, and so we have commit-

ted ourselves to a strategy that expands our total product offering. With our new approach, we will carry the largest and highest quality inventory in the world. This is extremely important to today's buyer who is looking for a significant edge over the competition.

„Our new investments are already providing lower costs, higher consistency and increased output.“

*Would you say that the equipment and the team are both decisive factors?*

Danzer is well known for its' investments in world class equipment, but the key to success is our people. We focus on attracting the very best talent both from the industry and from major Universities. This strong pool of talent provides us with a significant advantage in purchasing, producing and marketing our veneers. In the end, our success comes from bringing together top grade talent with best in class equipment.

*Can you explain the recent closings and restructuring?*

We regret the need to make some of the changes of the past two years, but they were necessary. Successful companies must make hard decisions to keep pace with the changing global landscape. We closed a couple of facilities because we no longer required the additional capacity. Keep in mind, we are not reducing the size of our sales, engineering, procurement or support teams. We have simply reduced the labor content of our products allowing us to maintain a competitive edge. To be more specific, the plant and offices of The Dean Company (Princeton, WV)

are now closed. Most of our Sales and Management Team have accepted new positions with David R. Webb Company. Today, we continue to serve the needs of The Dean Company customers, providing them with a more diverse and competitive product mix.

In Darlington we closed the veneer mill and transferred production to more efficient equipment in Durham, Ontario. Our plan is to maintain Danzer Services and a Sales office in Darlington. The warehouse will continue to stock a very substantial inventory of domestic and specialty veneers.

*So both Danzer Group and its customers will benefit from these changes?*

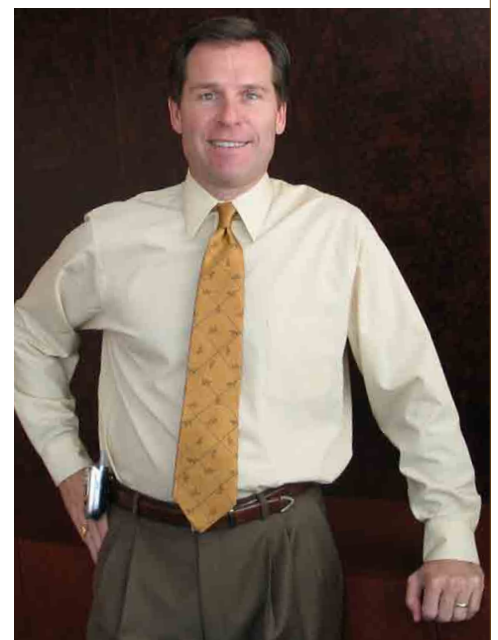
Our new investments are already providing lower costs, higher consistency and increased output. What is amazing is that we have only scratched the surface of our new capabilities. Already today, our new equipment provides us with more production capacity from three veneer mills than was available from five. This means we still have substantial open capacity to meet the future growth needs of our customers.

*How do you see the future of this industry?*

We believe there will be a significant shake-out in our industry over the next 24 months. Less competitive producers who lack the financial resources, who have failed to install high efficiency equipment or who can not offer the breadth of product mix will not survive.

Interestingly we are finding that our customers rank security of supply as a critical factor in their decision making process. Customers want a source of supply that they can count on today and for their future. Danzer provides that security and so much more.

*Jim Prescott, CEO Veneer in North America, is responsible for David R. Webb, Interforest, Danzer Specialty Veneers and Danzer Services.*



## IFO Receives Legality Certificate

Industrie Forestière d'Ouessou (IFO), an African subsidiary of Danzer Group, has successfully passed an independent legality audit. The "Legality of Production" Certificate of the Swiss auditing company Société Générale de Surveillance (SGS), attests that all timber from the concessions of this company in the Republic of Congo comes from legal sources. Neither does IFO log outside its own concessions, nor does it trade in or process such wood.

The criteria for the legality audit at IFO last September are part of the SGS program "Timber Legality and Traceability Verification" ([www.forestry.sgs.com](http://www.forestry.sgs.com)). The audit concentrated on adherence to all legal regulations, especially in terms of forest management, timber processing, sales and distribution. Particular weight was given to the rights of employees and the local population. In addition, SGS made sure that all taxes and fees are paid in full and that all necessary licenses and documentation are properly administrated.

*IFO indicates that wood is of a legal origin.*

## Veneer Factory in Melnik Expanded by Additional Production Line

Just before the end of 2005, Danzer Group concluded the second stage of expansion at its veneer factory in Melnik in the Czech Republic. Following a construction period of around nine months, an additional production line – the fifth – started operations in December. All in all, Danzer Group invested more than 5.8 million Euro in expanding the production and storage space, as well as in new machines. The expansion has increased production capacity at the Melnik plant to around 38,000 solid cubic meters.

To accommodate the new production line, the veneer factory has been enlarged by nearly 5,000 square meters. New equipment only takes up part of the area, the rest is being saved as reserve space for two additional production lines. In addition, nearly 5,000 square meters was also added to the round timber storage space in the course of the expansion. Among other things, Danzer Group is using a VS4000 slicing machine it developed itself in the expanded production facility.

What tipped the scales in favor of expanding the Melnik plant was that it had reached the limit of its capacity. The four former production lines were already running three shifts

*The production capacity in the Melnik plant has been increased by some 6,000 solid cubic meters.*

and thus could not increase their output. The new line will make production much more flexible, aside from preventing malfunctions or necessary maintenance work from causing delays in the production process. The production capacity in the Melnik veneer factory had hitherto been about 32,000 solid cubic meters per year.

The Melnik production facility of Danzer Group is the most modern veneer factory in Europe, and is equipped entirely with model VS4000 slicers developed by the group itself. The plant, which is located near Prague and began operations in 2001, currently provides work for around 430 employees. The first step in the expansion involved setting up a new slicing plant in Melnik.

