



PRECIOUS WOODS

BRIDGE FINANCING AND IMPROVED ACCESS TO CAPITAL MARKET

Precious Woods is investing in a far-reaching restructuring of the company in order to achieve satisfactory operational results as quickly as possible.

As indicated previously in the reporting for the first half year of 2010, these changes are taking longer than planned. In this regard, external factors like the political and legal complexities in Brazil and Gabon also play a role. The path taken since the middle of 2009 towards achieving increases in operational productivity along with improved market and customer orientation has been judged to be promising by the Board of Directors and by Management. For 2011 efforts will be made to achieve a significant improvement in the operating result so break-even can be reached as quickly as possible.

As it continues on this path, Precious Woods remains committed to its high ecological and socially responsible targets (FSC certification). Investments are being planned carefully and being made in a targeted way, for example in the new sawmill in Bambidie (Gabon) for the processing of valuable hardwoods – a reaction to the ban on the export of logs abruptly imposed by the government.

Bridge financing

The protracted implementation of the measures introduced has led the Board of Directors to improve the liquidity of the Group by means of two loans from current shareholders in the amounts of CHF 2 million and CHF 5 million. Both loans, which run for four years, are based on the same conditions: they have an interest rate of 6.25% and can be converted into Precious Woods shares. The Board of Directors is very grateful to both lenders for their commitment.

Improvement in ability to access the capital market

Looking ahead to the turnaround that is in progress as well as the strategic development of the Precious Woods Group and the related investments in the foreseeable future, the Board of Directors has also decided to propose a capital increase whereby the subscription rights of all shareholders will be ensured. Due to legal and statutory regulations, an increase in the capital of the company is possible only if the issue price of new shares is at least the same as their nominal value. The nominal value of a Precious Woods share is currently CHF 50.00; the price on the stock market is fluctuating in the neighbourhood of CHF 30.00. Under these



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requirements, it is therefore at present not possible for Precious Woods to issue new shares. Therefore, the nominal value must be reduced enough to a level below the stock market price. In that way, the company's ability to access the capital market will be ensured.

The reduction in the nominal value of the Precious Woods share also enables the lenders to convert both of the aforementioned loans at a fixed conversion price of CHF 35.00. A reduction in the nominal value has no effect on the intrinsic value of the company because the reduction amount is being allocated to the reserves. This measure gives Precious Woods the necessary flexibility to carry out a capital increase under favourable market conditions while also ensuring the subscription rights of the current shareholders.

The Board of Directors will call an Extraordinary General Meeting in due time (bitte überprüfen ob korrekt) to allow for a discussion and a vote on this reduction in the nominal value in the context of the strategic orientation of the company.

For more information please contact:

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