



Media release

Forceful set of measures in response to a disappointing first half-year.

- Group: major cost cuts fail to prevent a disappointing first-half result.
- Gabon: sales down due to logistical difficulties and production downtime caused by technical problems
- Brazil: half-year result positively impacted by the divestment of BK Energia shares
- Europe: depressed economic environment puts pressure on sales and margins
- Outlook: six-point plan to strengthen operations and secure liquidity

Zug/Zurich, 19 September 2012 – The Precious Woods Group has not achieved the goals that it had set itself for the first half of 2012 and sales during the period under review were down 34% on last year. This was largely attributable to external logistical and internal technical problems that occurred at its Gabon production site as well as declining sales by Precious Woods Europe. Nevertheless, the tail-off in demand in the Benelux region – an important market for South American woods – had no effect on Precious Woods Amazon's result during the first half of the year. A USD 3.2 million reduction in costs, at holding company level, and the positive effects of the reduction of its stake in BK Energia resulted in a USD 0.3 million improvement in Precious Woods' year-on-year operating result. For all that, a USD 1.8 million loss was still unsatisfactory. The Board of Directors has therefore decided on a wide-sweeping plan with six distinct measures and initiated their implementation forthwith.

GABON: Logistical problems and late completion of the sawmill in Gabon

During the first six months of the year, the forestry and timber industry in Gabon suffered an accumulation of logistical problems. The Kango Bridge, which is vital for traffic, was damaged by a barge, and there were strikes in the port town of Owendo as well as safety-related problems with waggons of the railway company. Together, these had a huge negative influence on PW Gabon's half-year results. In view of logistical problems, completion of the new saw line in Bambidie will be delayed by several months. In addition, there was a massive downturn in local roundwood sales caused by declining customer demand and unexpectedly inferior roundwood quality. Together, these factors led to a substantial drop in sales, which stood at USD 11.1 million and were 43% lower than in 2011. The effect of the drop in volumes fully affected EBITDA, which at USD -0.4 million was very disappointing and USD 4.8 million below the figure for the previous year. Despite these difficulties, Precious Woods Gabon diversified its customer portfolio, expanded its product range and began to open up important new markets.

BRAZIL: Half-year result in Brazil impacted by the divestment of BK Energia shares

At USD 6 million, the sales volume reported by Precious Woods Amazon (PWA) in mid-2012 was approximately 4% below the 2011 result. The reason for this was a lower yield of the logs in the log yard. This problem will be solved in the future following a reorganization of the log yard. PWA made further progress on the operational front. Process management was further improved, a redundancy compensation scheme cut the workforce by another 55 employees and the CEO was replaced by a new management team of existing senior management. The conversion and upgrade of four sawing lines will boost productivity.



PRECIOUS WOODS

In autumn 2011, Precious Woods reached an agreement on debts outstanding from 2005 with regard to the purchase of the BK Energia biomass power plant. The cash-neutral solution left Precious Woods a minority shareholder in BK Energia, holding just 40% of the shares. As a result, BK Energia was no longer fully consolidated since 1 April 2012 and, as from that point in time, has been included in share of profits of associates. The described divestment of shares had a one-off positive impact of USD 3.2 million on the EBITDA of Carbon&Energy and a one-off negative impact of -1.2 million on PWA's operating result. As a result of additional higher provisions for litigation, PWA's EBITDA was down by USD 1.5 million to USD -3.3 million, despite a USD 1.5 million improvement in the operating result.

EUROPE: Weak economy

In its main market, the Netherlands, Precious Woods Europe (PWEU) is suffering massively from the ongoing economic crisis, which is currently beset with liquidity problems and government-imposed austerity measures. Market prices have come under enormous pressure. In order to compensate partially for weak demand, sales activities in England, Germany, Denmark and Belgium were intensified. At USD 8.8 million, sales for the first half were around 28% lower than last year. Due to lower sales, the operating result was disappointing in spite of the restructuring measures.

OUTLOOK: Six-point plan to strengthen operations and secure liquidity

Precious Woods expects the economic environment to remain difficult during the second half of the year but will be implementing a six-point plan to bring about a rapid boost to operations and secure the Group's long-term liquidity:

- **Delisting on the SIX:** In order to reduce costs and expenses, the Board of Directors has decided to apply for delisting of PW stock on the SIX Swiss Exchange. In the future the stock will be marketed via the ZKB's OTC stock exchange platform for non-listed shares. Communications with our shareholders will remain as transparent as ever.
- **Rigorous cost-cutting:** Cost-cutting will be implemented rapidly and effectively across the board in all departments and segments. The organization will be significantly simplified. The drastic reorganization at PW Europe will soon be completed and sales and marketing will be incorporated within Group management.
- **Securing liquidity:** We are seeking cooperation with a strong partner in Brazil to secure liquidity. At the same time, we are looking into the possibility of raising new capital from interested investors or a capital increase at Group level. Alternatively, Precious Woods is considering the sale of its remaining minority interest in Precious Woods Central America.
- **Strengthening management in Gabon:** Gabon and Central Africa are set to become strategically more important and we are therefore taking steps to strengthen management. More specifically, we are hoping to find increased expertise in processing and logistics.
- **Simplified Group structure:** Increased significance of Gabon together with the planned simplification of Group structure will cut the number of Group management. After consultations with the Board of Directors, CEO Joachim Kaufmann will be resigning from his post with effect from today, but will remain available for the foreseeable future to coach local management in Brazil. The Board of Directors wishes to thank Mr Kaufmann for his commitment to the turnaround process, for clearing up many of the complex issues from the past, and the enormous improvements he has made to productivity, particularly in Brazil. Group Management will henceforth comprise Gerhard Willi (Chief Financial Officer), and Stefan Meinhardt, (Chief Commercial Officer).



PRECIOUS WOODS

- **Reduced Board of Directors:** The Board of Directors will be reduced from six to three members as it has been requested by many shareholders at the last General Assembly meeting. Three directors are resigning from the Board: as announced earlier, Ruedi Wehrli (Vice-Chairman) is leaving following his election as President of Economiesuisse with effect from 1.10.12. Additionally Marga Gyger and Markus Breitenmoser are also leaving the Board of Directors. The Board thanks all three members for their committed contribution in the Council. From now on, the Board of Directors will thus consist of three members: Ernst A. Brugger (President of the Board), Katharina Lehmann and Dominik Mohr. Board of Directors and Group Management will selectively consult external experts as needed.

The Board of Directors and Group Management firmly believe that these six central measures will show rapid and significant results. Since we place a great value on transparency to all shareholders we will conduct an information session for shareholders and investors or in the event of a capital increase hold an extraordinary general assembly meeting in November 2012. Our objective is to make the company as successful in business terms as it undoubtedly already is and will remain from an ecological and social point of view.

To download Half-Year Report 2012

www.preciouswoods.com

Conference call:

19 September 2012, 9.15 a.m. detailed information can be found at www.preciouswoods.com

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Precious Woods is an international company active in the sustainable management and use of tropical forests. The company's core activities include reforestation and sustainable management of tropical forests, timber processing and the trading of FSC-certified timber products. The generation of emission rights and electricity from wood waste represent further integral elements of the company's business. Shares of Precious Woods Holding Ltd have been listed on the SIX Swiss Exchange since March 2002. Additional information about Precious Woods can be found at www.preciouswoods.com

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