



Media release

Financial statements for first half-year 2014 confirm positive outlook for Precious Woods in 2014

- **Group:** 29% sales increase to USD 25.6 million; EBITDA of USD 0.3 million; positive operational cash flow
- **Gabon:** 56% sales increase and clearly positive EBITDA following investments made in previous years
- **Brazil:** Despite a slightly decreased turnover a positive EBITDA following optimisations in costs, production and distribution
- **Europe:** Reorganisation to direct distribution and close-down of Precious Woods Europe
- **Outlook 2014:** two-figure sales increase; positive EBITDA; positive operational cash flow

Zug, 26 August 2014 – The Precious Woods Group achieved a 29% sales increase amounting to USD 25.6 million, a positive operational result (EBITDA) of USD 0.3 million as well as an operational cash flow of USD 1.4 million in the first half-year 2014. Investments made in the previous year in the saw mill and veneer plant in Gabon allowed for a significant increase in productivity. Operational improvements, the successful reorientation to direct sales and distribution as well as focussed efforts in the Asian export markets strengthened the operational result in Brazil and ensured further cost savings through the almost completed closure of Precious Woods Europe. With the achieved half-year result, PW obtained on all stages a distinctive operational improvement. The measures taken show their effects, and the positive trend should continue in the second half of this year. The Group expects a two-figure sales increase, a distinctly positive EBITDA and balanced EBIT as well as a positive operational cash flow for the business year 2014.

Strengthened production in Gabon and Brazil, cost savings in Europe

The 29% sales increase to USD 25.6 million is attributed to achievements made in the operations in Gabon, while the sales figures for Brazil and Europe are below on the previous year, not least because of the reorganisation to direct sales and distribution that have started positively.

In Gabon, the investments done in previous years in the saw mill and veneer factory are paying off: in the first half of this year sales could be increased by 56% to USD 17.4 million. Despite bottlenecks in the railway network that temporarily resulted in increased transport costs as well as strong rainfalls, Precious Woods Gabon's operational result could be increased from USD 0.5 million in the previous year to USD 2.2 million.



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In Brazil, sales amounted to USD 6.5 million and were roughly USD 0.6 below on the previous year, which can be attributed partly to harvest delays due to early rainfalls that had also caused higher costs. Nevertheless, cost savings on all levels and further optimisation of production processes enabled Precious Woods Amazon to achieve an improved operational result by USD 1.8 million on the previous year to USD 0.4 million.

In Europe, the reorganisation to direct timber trade and the consequential closure of Precious Woods, which is almost completed, as well as cost cutting measures on Holding-level generated additional cost savings.

Emission trading certificates from the production 2013 will only be traded in the second half of 2014, therefore no sales are recorded for this reporting period.

Gross profits in the first half-year 2014 amounted to USD 12.9 million, which is a remarkable increase of 23.2% on the previous year. The profit margin decreased slightly from 52.7% in the previous year to 50.4%, due to changes in the inventory. Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to positive USD 0.3 million, an increase by USD 2.3 million on the previous year. Earnings before interest and taxes (EBIT) could also be improved significantly from USD -6.1 million in the first half 2013. However, for this reporting period there is still a deficiency of USD -3.5 million. Precious Woods records in this reporting period a net loss of USD 5.9 million.

Slight reduction of debts

The remarkable sales increase tied down additional funds in current assets, which further strained liquidity. The operational cash flow amounted to USD 1.4 million, an increase of around USD 2 million on the corresponding figure in the previous year. In the first quarter 2014, shares in the Dutch company GWW, specialised in hydraulic engineering, were sold, and thereby contributed to a positive investment cash flow of USD 1.3 million. Net debts could be reduced by just under USD 1 million. The equity ratio decreased to 28% due to the repeated loss. Based on its operational consolidation Precious Woods is confident to secure additional financial means for growth as well as for refinancing of loans by the end of this year.

Forecasting a stronger second half-year

Due to the improvements already achieved and further expected positive effects from cost-saving measures, Precious Woods assumes a further improved result for the second half of 2014 compared to the first half-year: For the business year 2014 Precious Woods confirms the earlier targets for a two-figure sales growth, a distinct positive EBITDA and a balanced EBIT, as well as a positive operational cash flow.



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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 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. Additional information about Precious Woods can be found at www.preciouswoods.com

This document includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industry in which it operates. Forward-looking statements involve all matters that are not historical fact. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.