



PRECIOUS WOODS

# *Precious Woods*

*Sustainable management of tropical forests*  
*Innovative market performance*





# Introduction

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Ernst A. Brugger  
Chairman of the Board of Directors  
Precious Woods Holding

*“If Precious Woods didn’t  
already exist, it would  
have to be founded now.”*

## *Precious Woods – on behalf of sustainability*

Sustainability in tropical forest management is becoming ever more important – out of an increasing necessity. Even though worthwhile regulations exist in many tropical countries, their enforcement is often fragmentary or corrupt. Importing countries – in particular Europe and the US – established new regulations for imports, but are struggling with their implementation. Important growing economies, such as China and India, are lagging behind.

A “mission impossible” for a company like Precious Woods?

Since 1990, PRECIOUS WOODS obtained an exceptional track record in Central America, Brazil and Gabon in ecological and social areas, and on which it reported transparently. The company has continuously received independent FSC-certification. The key to success has been expertise, many innovations, vocational training and professional developments as well as great commitment of all members of staff.

However, the economic performance still remains below expectations, even though significant progress has been made in Brazil and Gabon during the past four years. We continue to work with great dedication and commitment to further increase profitability.

If Precious Woods didn’t already exist, it would have to be founded now: a company with strong commitment and clear focus on quality; a company that considers sustainability not as a buzzword, but as strict guidance for its business model.

Yours, sincerely

*Ernst A. Brugger*



# Review

Ernst A. Brugger, Chairman of the Board of Directors, Precious Woods Holding

*“The best protection of natural forests can only be ensured once local communities recognize the existential value of their forests”.*

*Investor brochure, 1994*

## Precious Woods – a pioneering story

The story of Precious Woods is shaped by this vision of sustainability, a long-term approach and the distinctive courage to pioneer work and to assume risks in the realization of new opportunities. This entrepreneurial attitude has always been intrinsically linked with the creation of added value for both society and environment, and has been the driving force through good times and bad.

The reforestation efforts in Central America and the management of primary forests in Brazil and Gabon all aimed at creating added value in three dimensions: ecological, social and economic. Till today, all efforts are based on the conviction that “the best protection of natural forests can only be ensured once local communities recognize the existential value of their forests”. (Investor brochure, 1994)

The history of Precious Woods has also been marked by bad times: liquidity problems, leadership crisis, market and sales problems as well as external logistical, political and legal risks. Those times required a lot of strength, resilience, risk-management skills and a strong conviction.

20 years on the company is positioned well for the future: significantly decreased debts, actively engaged in tropical forestry in Brazil and Gabon, supplemented by industrial processing and electricity production from biomass in Brazil and soon also in Gabon.



## The road from then to now ...

1990–1995: Reforestation efforts in Costa Rica, private pioneer company, later turned into a public company with over 400 shareholders. 13 years later, pastureland in Nicaragua is obtained and reforested. An average of 300 hectares are planted every year, and almost the same amount of land is acquired for secondary forest and biodiversity reserves. Harvesting of the first planted areas begins in 2009, and the model also starts to generate financial returns.

1995–1997: Activities are initiated in Brazil. The problems in forest management and processing are severe right from the start. It takes a further 10 years to realize expansion of the value chain with the acquisition of a wood chip power plant, when also the integration of the most important customer (PW-Europe until end of 2013) allows a jump in turnover.

2008: Market entry in Gabon, West Africa. The timber supply in Gabon is economically of high significance, and the recently built sawmill capacities successfully create added value.

2008–2012: Financial and economic crisis. The concluded acquisitions were difficult and expensive to recapitalize. Ultimately, the debt burden was too great. The divestment in Central America in 2012 became necessary to disencumber the company sustainably.

*“Precious Woods has planted 2 700 000 trees in Costa Rica over a period of 20 years”.*

As a result, Precious Woods is now free of legacy problems, rich in experience of more than 20 years and ready to continue its engagement in sustainable tropical forest management.

While many lessons have been learnt, the learning process never comes to an end. The potential is great, most likely greater than ever before.



Andres Gut assumes responsibility for the first placement of shares in 1993.

Jochen Spoeringer, Arnaldo André, José Miguel Brenes, Andres Gut, Gerardo Rojas, Edgar Viquez, Edi Stürm, Ronald Guerreiro

## ... and the milestones along the way



**1989** Anton Schrafl invests in Costa Rica (Guanacaste) in first pastureland (around 70 hectares) to plant pochote and teak. The state supports the idea to gradually expand the plantations.

**1990** Precious Woods is founded.



PRECIOUS WOODS

**1993** Through the creation of Precious Woods Ltd the private company opens its doors to shareholders. Andres Gut assumes responsibility for the first equity placement. First trading outside the stock exchange is done via Zürcher Kantonalbank. The acquired capital allows for additional purchase of land and provides the possibility of planning the steps to Brazil.

**1994–1996** Market entry in Brazil. Precious Woods Amazon established with setting up sustainable forestry operations. Andres Gut takes over the responsibility for Precious Woods Amazon.

**1997** Andres Gut is elected as the new Chairman of the Board of Directors. Economically, the start-up phase in Brazil is difficult, however, it is the first timber company in the Amazon to become FSC-certified (see page 11).

**2003** Gradual expansion of reforestation efforts in Central America. In addition, pastureland in Nicaragua is obtained and reforested, on average 300 hectares per year.



**2005** Acquisition of a wood chip power plant adjacent to the sawmill in Brazil. Precious Woods becomes a pioneer in utilizing biomass for the generation of electricity. Precious Woods Holding takes over its largest customer, the Dutch firm A.v. den Berg B.V., which leads to the creation of Precious Woods Europe and to a significant jump in turnover.

**2006** Precious Woods sells its first carbon emission certificates in Brazil and Central America, and thereby successfully expands its activities in the non-timber business sector.

**2007** Entry in West Africa. Acquisition of the timber company CEB and the veneer company TGI in Gabon.

**2010** The comprehensive restructuring of the Precious Woods Groups intensifies. Legacy problems are resolved, productivity increased and the market position strengthened. Precious Woods receives the environmental award “Umweltpreis der schweizerischen Umweltstiftung” from a Swiss Foundation.

75%

**2011** The Annual General Meeting supports the rigorous resolution of legacy problems proposed by the Board of Directors. In October 75% of Precious Woods Central America is sold to two existing Swiss shareholders, leading to a significant reduction in debts.

**2012** The remaining shares of 25% of PWCA are sold to the existing joint shareholders. The Group divests 40% of its shares in B K Energia to the joint shareholder and keeps only 40% of the shares.

**2013** Delisting from the SIX Swiss Exchange and closure of the distribution facility in The Netherlands.



# Interview



*“Why shouldn’t we be the first ones actually, to enable the breakthrough of an expanded well-founded vision with enormous economical and ecological consequences?”*

1st investor brochure Costa Rica, 1990

## Interview Anton Schrafl

*What was the vision that inspired you to sell your banana plantation in Costa Rica in 1989 in order to invest in teak?*

Costa Rica is a fertile country, but one that was deforested heavily until the mid-1980s. It was around that time that the international debate about sustainable use of limited natural resources kicked off and Costa Rica started a systematic reforestation program. Myself, I was first and foremost a businessman who liked to pursue and implement new ideas. When I saw how enormously fast trees grow in Costa Rica, I decided to invest in precious timber species such as teak, and thereby contributing to the reforestation of Costa Rica. Even though, at that time, I didn’t know much about tropical forestry. My vision was to earn money with teak plantations in an ecologically responsible way.

*How did you choose the name Precious Woods?*

As precious timber formed the core of my business idea, I named the company Precious Woods. However, it was only in 1993 that Precious Woods Ltd became a public company. This became necessary, when we needed more money for the acquisition of additional land. We were not expecting any financial returns from our plantations for some 20 years.

*What were your highlights during your time with Precious Woods?*

I have always liked Costa Rica very much; the country in which the story of Precious Wood began. Previously, I had worked with bananas and cattle in Costa Rica. When I look back now, it makes me hap-



py and proud to know that I have contributed to the country’s reforestation with my plantations.

*How do you see Precious Woods today?*

Very positively. I see enormous potential, if the measures under way are implemented correctly. I see that a professional leadership has taken over the reins and that increased marketing efforts are being done. Precious Woods, with the right kind of leadership, can develop into a precious pearl.

*What is your advice for the future?*

Precious Woods should focus on strong leadership, increase external communications, and should begin to utilize its great potential.

*Dr. Anton E. Schrafl (1932–2013)*  
Swiss citizen. Dr Anton E. Schrafl held numerous executive positions at Holcim, a producer of building materials, and was Vice President. He worked in leading positions at several other companies and was a member in various business organisations, including the Swiss Chamber of Trade. Anton E. Schrafl ran Precious Woods from 1990 to 1994.

# A pioneer in the tropical forest

*“Precious Woods has been a pioneering company right from the beginning. New ideas were quickly picked up and often implemented successfully.”*

## FSC Forest Stewardship Council

Precious Woods assumed a pioneering role in the certification of tropical timber in Brazil. The land in Brazil received FSC-certification in 1997, the first in the region. Since that time Precious Woods has supported ecologically and socially sustainable management of forests according to the requirements of the FSC, Forest Stewardship Council. Sustainable harvest planning ensures that no more timber is harvested than will regrow in the same period of the harvest cycle. In the early years, FSC was a unique selling point; today, it is a requirement in an increasing number of markets. New labels, such as the FLEGT Timber Pass (legality and traceability of timber) and WWF’s GFTN (Global Forest & Trade Network) have to be considered as well.

FSC-certifications address not only social and ecological aspects; they also require legality proof of harvested timber and thereby support the fight against illegal logging. Up until now, illegal timber has been processed mainly in Asia, before being sold not only in the Far East, but also in North America and Europe. However, this should change in future: The European Parliament passed the EU Timber Regulation (EUTR) in 2011, which bans the import of illegally harvested tropical timber and derived products as of March 2013. Importers and traders will be obliged to use and sell only legally harvested timber throughout the supply chain. A special law exists also in the USA, the so-called Lacey Act.



The subsidiaries Precious Woods Amazon, Precious Woods Gabon and Precious Woods Europe as well as the Precious Woods Holding in Zug (Trading Office) all have chain-of-custody certificates. They guarantee that all traded products originate from 100% FSC-certified forests.

## Forest management planning

**a) Land-use planning via GPS** Precious Woods assumed a leading role also in GPS inventory management. Trees identified for harvesting are captured electronically through the GPS system: species, size, location and quality of the trees are recorded in such a way that Precious Woods has precise knowledge about timber stock and its potential for use at all times.

**b) Road planning** Road planning is an important part of forest management. It ensures safe transport of trees out of the forest, while minimizing the impact on the forest itself.

**c) Machine planning** The forest management plan ensures efficient use of essential forestry machinery, keeping maintenance and operational costs to a minimum, in particular fuel and diesel consumption. At the same time, damage to the forest is minimized.





*“Precious Woods assumes a leading role in inventory management via GPS.”*

### ***Cloning***

Cloning involves the selection and propagation of the best local varieties for reforestation projects, always with strict adherence to cloning requirements. Precious Woods belonged to the leading companies in relation to seed sales and development of productive clones.

### ***Biomass***

Precious Woods was the first timber company to establish a 9-mega-watt biomass power plant in the Amazon in cooperation with an engineering company. Wood waste from the sawmill is utilized to generate around 40% of the electricity demand of Itacoatiara (90'000 inhabitants), contributing to further reduction of carbon emissions.

### ***Carbon emission certificates***

Precious Woods sold its first carbon emission certificates in 2006. The company received them partly for its plantations in Central America, as young trees have particular high carbon capture capacity. In addition, Precious Woods receives emission certificates also for the use of wood waste in energy generation and the resulting reduction of carbon and methane emissions into the atmosphere. In 2011, Precious Woods was able to gain the Swiss “myclimate” foundation as a renowned strategic partner for the future management of emission certificates.



*Precious Woods planted first trees in Costa Rica*



# Global context

Claude Martin, President of the Sustainability Advisory Committee, Precious Woods Group

## Tropical forest management & scarcity of natural resources

More than ever before, forestry in tropical countries has to be viewed in the light of increasing scarcity of global resources. While the food price crisis in 2008 was mainly a result from speculation, it also highlighted the increasing pressure on land in the tropics.

“Use it sustainably – or lose it!”

It is assumed that around 50 million hectares of land have been bought or leased by foreign investors in Africa alone. The increasing seizure of land is intended primarily for food production, but also to grow crops for biofuels. These developments, which have come to be known as “land-grabbing”, are particularly rampant in the poorest developing countries and are also affecting forested areas in Africa. In Brazil and Southeast Asia forests are being sacrificed to meet the huge demand for soya beans (mainly for animal feed), beef and palm oil. Despite government declarations promoting forest protection, deforestation rates are primarily determined by the world market prices of commodities. Although the main reason for deforestation in Central Africa continues to be subsistence farming (slash-and-burn agriculture) by small-scale farmers, the consequences of commercial agriculture and rising global market prices also impact African forests. There are for instance increasing reports of plans for new palm oil plantations in Cameroon, Gabon and the Democratic Republic of Congo.



**Biodiversity** is life in its entire richness and the result of more than three billion years of evolution. It comprises the different species of animals, plants, fungi and bacteria – from the deep sea to the highest mountain, the diverse habitats in which they live, such as forests and waters, the genetic diversity within the species as well as the interrelationships within and between species and habitats.

**Ecosystem services** are the goods and benefits provided by biodiversity, the so-called natural capital. Essential ecosystem services for social and economic development include the air we breathe, carbon storage, filtration of water, fertile soils, protection from avalanches and floods, natural pest control, pollination of flowers, production of goods (e.g. fibres, wood), food, and active ingredients for medicines.





*Assigning economic value*

Large-scale agricultural plantations and cattle pastures that are replacing forests clearly indicate that forests still remain without value on national balance sheets. The consequence of this fact is a momentous market failure: Cattle feed or a few dozen kilograms of beef per hectare offer higher profits than forest protection. In order to resolve this imbalance and its severe consequences ecosystem services of intact forests have to be accounted for. This includes for instance the global importance of biodiversity in tropical forests, not the least also for local communities who depend on them. The critical role of tropical forests in regulating the water balance and in agriculture in surrounding areas has to be considered financially as well.

*Making forest protection competitive*

Over the last decade though, it is mainly the enormous significance of tropical forests in reducing carbon emissions that has received most attention. The REDD system (Reduced Emissions from Deforestation and Forest Degradation), which is currently being developed under the United Nations Framework Convention on Climate Change – UNFCCC, aims to stop carbon emissions resulting from deforestation by attributing a (tradable) value to existing forest. However, even if REDD will be implemented in the coming years, which will undoubtedly prove difficult in certain countries, the question of which instruments, economic incentives and control mechanisms can really make forest protection competitive still has to be answered.

*Dual strategy: protected areas and sustainable forestry*

Forest protection areas, for instance national parks, have to play an important role also in future, especially forest areas with high biodiversity. However, protection zones alone will not prevent deforestation. Fragmentation of large forest landscapes, as in the Amazon or in Central Africa, can only be prevented if value creation from tropical forests outside protected areas can be guaranteed, not contributing to deforestation while preserving biodiversity. Only sustainable forestry can guarantee

*“Biodiversity is too important to the economy to leave its protection to nature conservationists alone.”*

*Biodiversity and the economy: close interactions. 2011*

forest protection as well as value creation and local employment. For this reason, a dual strategy that stipulates both, forest reserves as well as sustainable forestry is also essential for the implementation of REDD.

Of 761 million hectares permanent tropical forest estate 403 million hectares are considered as high productive forests, out of which 165 million hectares are allocated for logging. Only 20% of these are managed sustainably. It is therefore in the interest of climate- and biodiversity protection as well as the local economy to increase this figure as quickly as possible. It applies: “Use it sustainably – or lose it!”

*ITTO – Status of Tropical Forest Management*

*Intact tropical forests: 1664 million hectares (m ha)  
Thereof 761 m ha Permanent Forest Estate – PFE*

*358 m ha “PFE protected areas”*

*403 m ha “PFE productive forests”*

<i>Allocated</i>	<i>Sustainable forest management</i>	<i>certified</i>
<i>165</i>	<i>31 (19%)</i>	<i>17 (10%)</i>

*Status of Tropical Forest Management, 2011. ITTO Technical Series No. 38*



# Sustainability – our guiding principle

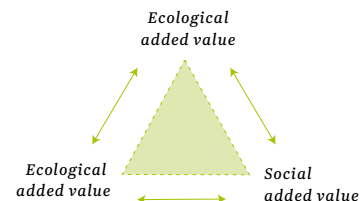
Ernst A. Brugger, Chairman of the Board of Directors of Precious Woods Holding

*“.... that there are always enough trees growing back, so that future generations may have the same benefits from the forest as the generation living today.”*

Georg Ludwig Hartig,  
1804, addressing “sustainability”

## Corporate responsibility in practice

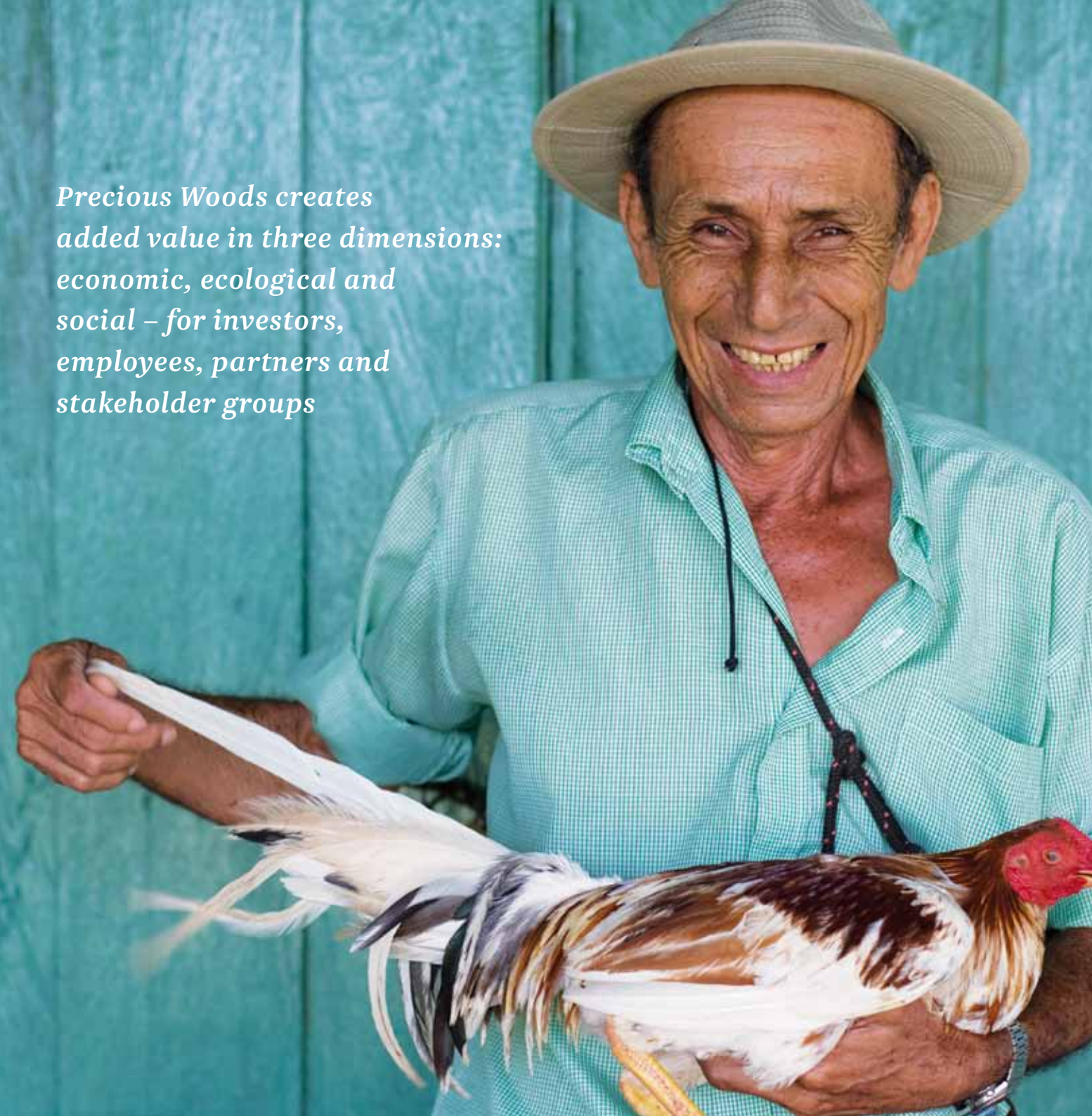
Already in the inception phase did the founders of Precious Wood in Costa Rica have the idea to create a pioneering company geared towards sustainability: not only economic, but also ecological and social added value was to be achieved in the long term. Given the interrelationships between these three goals, which can be both positive and negative, sustainability is the search for the optimum balance. This optimal management field is and has always been our guiding principle.



It was the right moment to initiate sustainable activities at that time, as the global debate about a sustainable economy had just started. In 1992, the United Nations Conference on Environment and Development stipulated fundamental agreements, such as the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC), or the book entitled “Changing Course” by the World Business Council for Sustainable Development. In Costa Rica, the government radically changed its course in favour of reforestation, having had at that time one of the highest deforestation rates globally. Precious Woods’ vision and mission developed further and became more precise:

*“Precious Woods contributes to the preservation of tropical forests, their biodiversity and stabilizing effect on the climate by entrepreneurial success, and strives for risk-adequate returns.”*

*Precious Woods creates added value in three dimensions: economic, ecological and social – for investors, employees, partners and stakeholder groups*





*“To compete in an environment of overexploitation and slash-and-burn practices while staying true to one’s own high standards is one of the greatest achievements of Precious Woods.”*

Jürgen Blaser, Sustainability Advisory Committee, Precious Woods Group

#### How can this be achieved?

*“Precious Woods is a world-leading supplier of FSC-certified tropical timber products and services, electricity produced from biomass, and emission rights based on sustainable forest management.”*

Precious Woods is the entrepreneurial response to the global pressure on forest resources: creating economic value means preserving tropical forests and their biodiversity as well as their globally important functions for water the balance and the climate.

#### Sustainability as a business model

Over the past 20 years, Precious Woods has demonstrated great success especially in ecological and social fields, evidenced by the early and since 2009 extensive FSC-certification. Local ecological programs promote nature and wildlife protection, while our social activities help to improve the quality of education and health services in the communities located in and around our operations. The creation of job opportunities is of particular importance in remote regions.

*“The best protection of natural forests can only be ensured once local communities recognize the existential value of their forests”. (Investor brochure, 1994)*

If viewed from an economic perspective, the success is still small. The open questions are: Is it possible to make the sustainability model sufficiently profitable? Is the promised sustainability return (equivalent to the return for pension funds) achievable? And should Precious Woods actually be a foundation, rather than a company? Based on our experiences so far, we are confident that the sustainable business model can be realized. In this industry sector however, it places extraordinary high demands on management at all levels, and also requires excellent political risk assessment, market intelligence, efficiency in logistics and market positioning.



The conditions in rural and often very remote areas in tropical countries are more complex than those in highly developed Switzerland. The political scene is different, institutions are often weak and poorly organised, and corruption is common practice between business and public authorities, which amongst other circumstances affects sustainability negatively; they reward what can be bought at will in the short term without any obligation.

The Precious Woods Group has achieved a lot in those countries in which it operates: strong creditability as a transparent company committed to the long term, and with highest quality standards. However, credibility is not enough for a sustainable business model, it also requires strong competitiveness based on efficiency and productivity, innovation and customer focus.



Precious Woods knows what it takes: capital is essential but not sufficient in itself; equally important are expertise and skills, dedication and motivation, assertiveness and determination, rational and emotional intelligence, strong values.



*“Local ecological programs promote nature and wildlife protection, while our social activities help to improve the quality of education and health services in the communities located in and around our operations. The creation of job opportunities is of particular importance in remote regions.”*

*Precious Woods village in Bambidie, Gabon, West Africa*





# Customers and markets

## Innovative in utilizing new tropical timber

More than 80 tropical timber species cultivated by Precious Woods – around half of which are commonly known – contribute to realizing our economic goals. This requires comprehensive market expertise: understanding of international, but also the local markets in Brazil and Gabon, as well as knowledge of the different timber varieties and their applications by our customers.

Precious Woods is a high-performing partner for sawn timber, semi-finished products and veneer for customers in Europe and worldwide. By introducing uncommon timber species to the market and by developing new applications Precious Woods also assumes a pioneering role.

## Markets

Nowadays, tropical timber is a global business. In addition to the local markets in Brazil and Gabon, our main markets are located predominantly in Europe, North America and increasingly in Asia. Given the relatively high dependency on the construction sector we are naturally directly impacted by its economic development.

The timber market is divided into various sub-markets. Precious Woods operates in the three main segments of construction (building construction, hydraulic and civil engineering), retail and do-it-yourself, as well as in the timber processing industry. The applications in these segments are diverse:



Public bench in England made of certified Cumaru wood



Pier at Bibione Beach in Italy made of several FSC hardwood species



Breakwater construction in front of a bridge in Catharijne, Holland

## Marine hydraulic engineering

Precious Woods’ introduction of the species Angelim Vermelho (Brazil) can be considered as a pioneering achievement in marine hydraulic engineering. This exceptional wood quickly found its way into use as sheet piling and for water barriers, and Precious Woods became the leading supplier of this durable timber variety. Today, Angelim Vermelho accounts for more than 15 percent of sales in the construction sector. In addition, timber species from Gabon such as Tali and Azobe have also been established in this sector.

## Garden products

The Far East dominated for many years the garden products sector with Bangkirai. However, Precious Woods was able to successfully place new timber species in Europe on the market. Alongside Asian Bangkirai the Brazilian wood species Louro Preto, Sucupira Amarela, Red Louro and Cendrinho became popular in this highly competitive market as garden fencing materials, as well as Tali, Bilinga, Massaranduba and Cumaru for garden decking.

## Road construction and outdoor furniture

Starting from scratch, Precious Woods built a strong reputation for outdoor applications. Once unknown wood species such as Louro Itauba and Piquia from Precious Woods Amazon, as well as Movingui and Longhi Rouge from Precious Woods Gabon, are now highly valued in the production of park benches and play grounds.

## Door and window frames

Sapupira, one of Precious Woods’ most typical products was introduced into the carpentry sector 15 years ago and has become indispensable since then. Building on this success other species such as Guariuba, Jatoba, Louro Gamela from Precious Amazon and Padouk, Sapeli, Sipo and Iroko from Precious Woods Gabon were introduced and marketed.





*Construction Scherf in Utrecht, Holland, architecture firm Search Amsterdam. The facades are made of the FSC-certified tropical timber Arura Vermelho from Precious Woods Brazil, a species not well known in Holland. The window frames of the 150 apartments are made of Sapupira.*

### **Facades**

Precious Woods appeals to architects and construction companies also in the façade and cladding sector, whether interior or exterior, with a wide selection of different timber varieties. Over the past 20 years Precious Woods has been considered a trendsetter in many applications of Iroko and Kotibe (Precious Woods Gabon) or Louro Game-la and Angelim Rajado (Precious Woods Amazon); equally so for example in the application of special fire-resistant treatment.

### **Marketing of new timber species**

New species: only 25 out of around 80 tradable timber species are currently being marketed. It is the aim for the near future to introduce a considerable amount of those timber species into the market, which are currently not so well known and utilized. The company has experience of introducing new varieties and the timing is good, given that some of the more commonly known timber is already in short supply. Our challenge is to find customers who are ready to try out new timber species.

### **Cost versus value**

100 percent of Precious Woods' land has been certified according to FSC standards; a time consuming and costly process resulting in higher production costs. However, the current prices accepted by consumers for FSC-timber does not cover the cost and value of sustainable forestry. There is little consumer awareness still and a lack of related framework conditions. Even though consumers clearly favour sustainable production in market surveys, they are not willing to pay higher prices. It requires more public marketing efforts by Precious Woods, but also by non-profit-organisations to steer consumer behaviour in a more positive direction. Support from national governments is undoubtedly desirable, if not essential.



# Outlook

Ernst A. Brugger, Chairman of the Board of Directors of Precious Woods Holding

*What is the next chapter for the Precious Woods Group? What are the opportunities and risks that we face? Will our long-term approach pay off over the next 20 years? What can we predict – or at least anticipate?*

*Scenario 2030: a global view into our future*

*The fight over natural resources is increasing dramatically*

The increasingly expansive and rapid process of globalisation is tied to strong demographic growth (a world population of 7 billion today, rising to 9 billion by 2030) and the related increase in demand for energy (including bioenergy), food (food security) and also timber products. The investment company Pictet anticipates a 40 percent increase in demand for timber as raw material by 2050.

Consumer demand of the growing middle class has a strong impact in large markets such as China, India and Brazil. Current tensions are increasing: agriculture and the demand for bioenergy threaten tropical forests more and more – while simultaneously export markets for tropical timber are growing in densely populated regions that have little forest resources of their own, like China and India. Population growth, especially in Africa and Latin America, will not only increase local demand for wood products, it will also increase demographic pressure on forest areas at the same time.

The fight over natural resources will increase considerably, in particular in Africa. Control over raw materials will be even more important in future for companies like Precious Woods. Related legal safeguards will grow in significance.



*The international community of states intervenes rather late*

The depletion of tropical primary forests will likely continue for at least another 10 years. Pressure from the energy and agriculture sectors as well as from the land-seeking local population is too great to expect faster political changes.

Deforestation happens faster and to greater extent than reforestation, which offers insufficient compensation in terms of surface area. However, the disastrous consequences for the climate (CO2) and water balance of large regions as well as related catastrophes are becoming increasingly visible all over the world. Mankind only seems to learn their lessons in the wake of disasters: any social and political response is not likely to materialize before the medium term.

In this context, the concept of sustainability will gain a global economic dimension: sustainably produced timber will be in higher demand over the long term and achieve increasing prices in important markets.

OECD countries in particular, but also China at a later stage will introduce and implement consumer standards. Credible labels and certificates, such as that of the FSC, will become more relevant on the market. REDD should realize financial compensation for biodiversity services of tropical forests as of 2020, and greater subsidies should be provided in many tropical countries for reforestation efforts. National and regional standards will increase in significance for governments and non-governmental-organisations (NGO) as well as for the private sector.

The positive development towards a more effective framework is slow and is not likely to have any impact on the markets until 2020; policy-making is lagging behind the business sector.





### *How can Precious Woods shape the future successfully?*

In the context of the outlined scenario, the most important factors for success are:

- Long-term control over raw materials (forest, land), which means well-considered decisions in the acquisition of concessions and land areas
- Efficient logistics as driver for efficient market development
- Reducing political risks by an intelligent choice of countries and locations based on existing and broadened expertise and networks
- High ability in market development and flexibility related to changing demands, which means top performance in sales and marketing
- Strong and effective branding based on continuous improvement and positioning of our quality, efficiency and sustainability
- Operationally strong performing management and strategically competent leadership by the Board of Directors

### *For what kind of investors are we exciting and convincing?*

Precious Woods' business model is geared towards the long term and determined to a large extent by external framework conditions. It aligns entrepreneurial success with a contribution to preserving biodiversity and climate quality in the tropics. The time frame of a single financial year is too short. Investors have to take a medium to long-term approach, and can thereby realize added value three-fold:

- Investment in a facility with growing net asset value, substantiated by real values and with an expected return of Libor plus approximately 3 percent, corresponding to the return target of pension funds



*Sawmill in Gabon,  
West Africa*

- Contribution to the globally important protection of biodiversity and climate
- Engagement in a company that combines competitiveness and credibility in the long term, thereby creating sustainable corporate value

Investors, who are seeking this combination of rational and emotional, individual and collective values, invest in Precious Woods. We offer a high level of transparency and an open dialogue to these investors.



*This brochure is also available on our website [www.preciouswoods.com](http://www.preciouswoods.com)*

Precious Woods is one of the leading companies in sustainable management of tropical rainforests globally, and is regarded as pioneer in many areas. Its core business is the production and marketing of FSC-certified semi-finished tropical timber products. In Brazil, Precious Woods holds a 40 percent share in a biomass power plant allowing the company to also sell emission certificates by utilizing waste wood from the production process.

The shares of Precious Woods Holding Ltd were listed on the SIX Swiss Exchange in Zürich between 18 March 2002 and 9 August 2013. Since 12 August 2013 the shares are traded on the OTC ZKB platform.



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## *Imprint*

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Precious Woods Holding Ltd

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