



PRECIOUS WOODS

HALF YEAR RESULT: PRECIOUS WOODS INVESTS IN ITS TURNAROUND

The turnaround introduced in spring of 2009 grew into a profound reorganisation of the Precious Woods Group. The core objective shared by the Board of Directors, Group Management and employees is to increase operational profitability while maintaining the reached high ecological and social standards. Although the measures introduced are beginning to show initial results (e.g. at Precious Woods Europe), internal and external factors meant that, by mid-2010, they had not yet brought about positive figures.

Negative results are i.e. reported in Brazil and – due to the ban on the export of logs – in Gabon. For the Board of Directors and the Group Management, the focus is on accelerating the impact of the measures initiated.

The markets for tropical timber products have shown signs of a recovery over the past few months. Precious Woods (PW) is obtaining better prices for its products, and sales volumes have stabilized. Our cost-cutting and process-optimization programs have been showing the first signs of success in Europe and Central America. However, political restrictions have once again had a negative effect on the result: in Gabon, the government's ban on the export of logs has been enforced rigorously since January 1, 2010. Contrary to expectations, the export quotas for logs that the government announced have not yet been approved. In Brazil, the required harvest permit has been granted, however around three months late and only for a part of the harvest area. These developments have influenced the negative result of the first half of 2010.

The operative loss is 8.9 million USD.

Following four factors were the main contributors to the operative loss recorded in the first half of 2010:

- The negative impact of the ban on the export of logs from Gabon (USD 2.3 million).
- An unexpected loss on stored wood in Brazil (USD 0.9 million) caused by an inventory error (which is currently being investigated with an internal audit).
- Excessive fixed costs in relation to sales figures in Brazil (USD 2.3 million). These were caused primarily by the extended ban on harvesting due to the rainy season lasting longer than normal, by the delay in receiving the harvest permit and by the necessary switch to lower-quality woods.
- The USD 2.4 million drop in the net growth of biological assets in Central America (compared to the previous year) caused by the change in the valuation system for



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plantations introduced at the end of 2009 (see 2009 Annual Report, page 26).

The Board of Directors and the Group Management find the unsatisfactory performance at mid-2010 bitterly disappointing given that intensive work is being put into a profound turnaround. Since fall of 2009 – and with greater intensity starting at the beginning of this year – measures have been taken to tackle the above-mentioned causes. However, they are requiring longer than expected to be effective. The Board of Directors and Group Management expect the measures to have a greater impact next year and the turnaround to be completed.

Detailed information can be found in the [Half Year Report 2010 \(PDF\)](#).

Please note:

There will be an investorcall: 6.9.2010 at 10.00 pm. Please dial: +41 (0)44 580 65 21

Participants: Prof. Ernst A.Brugger (Chairman of the board), Joachim Kaufmann (CEO), Cornelia Gehrig (CFO)