



Media release

Half-Year Report of the Precious Woods Group as at 30 June 2011

Implementation Of Turnaround Measures As Planned

Zug/Zurich, 15 September 2011 – The Precious Woods Group succeeded in further improving operating performance in the business segments in the first half of 2011, and is confident of being able to implement the turnaround measures as planned during the current financial year. In view of the divestment plan the Precious Woods Central America segment has been treated as a “discontinued operation” since 2011. Therefore, a direct comparison with the previous year is only possible if the figures for 2010 are reclassified accordingly. Compared to the first half of 2010, EBITDA is slightly below the prior-year level, with the CHF/USD exchange rate effect and exceptional costs at the holding level having prevented any improvement. Liquidity for the seasonally more difficult first half of the year was secured by means of convertible loans with a nominal value of CHF 5.5 million.

New hardwood sawmill commissioned in Gabon

Precious Woods successfully commissioned a new hardwood sawmill in Gabon on 1 July 2011. Market demand, and hence prices, increased both for local trade in logs and export trade in sawn wood, helping to almost completely offset the losses suffered since the introduction of the log export ban in 2010. Earnings are set to increase further via ongoing improvements in productivity at the sawmill and the moulding plant. The overall result in Gabon was affected by logistical problems caused by war conflicts in Côte d'Ivoire, which is why the financial results for the first half-year were slightly below expectations. Concrete improvements are anticipated for the second half thanks to management changes and process optimization in concession areas.

Process optimizations in Central America

Precious Woods Central America carried out various process optimizations in the first half of 2011, and is confident of meeting expectations for 2011. The sale of assets in Central America approved by the Annual General Meeting is well advanced, and the capital released by the sale will be used primarily to reduce debt, strengthen liquidity and finance operating investment plans.

New customers in Brazil

Unusually heavy rainfall in Brazil made forest management significantly more difficult in the first half of 2011, in particular the transport of logs out of the forest. This resulted in inventory and production bottlenecks as well as



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higher costs. The acquisition of a major new customer for log deliveries will positively influence the 2011 annual result. The negotiations with a potential new customer concerning the sale of biomass from forest management are well advanced. In addition, Precious Woods is in the process of acquiring a concession area adjacent to existing estates with a view to securing its medium-term harvest schedule.

Ongoing trend of rising sales prices in Europe

The weather-related problems in Brazil and the resulting late deliveries influenced the result of Precious Woods Europe for the first half of 2011. Pending decisions on the Dutch real estate market represent a further difficulty, the result for the first half of 2011 is therefore slightly below expectations. The restructuring process has continued, with administrative personnel costs being reduced further. The ongoing trend of rising sales prices is also having a positive effect on income, and Precious Woods Europe is confident about continuing business performance in 2011.

“myclimate” gained as strategic partner for Carbon & Energy

Energy production in Brazil was around 20% below its normal level in the first half of 2011, due to unusually heavy rainfall and the related drop in wood waste volumes. The result was impacted further by routine maintenance work being brought forward. It is anticipated that electricity generation will reach its planned level in the second half of 2011, and that both sales and operating results will meet expectations.

The sale of the Certified Emission Reductions (CERs) generated by the power station in 2009 had a positive impact on income in the first half of the year. Due to changes to the calculation method for CERs, revenue generated from the 2010 and 2011 harvests cannot be expected to be recognized until the second quarter of 2012 at the earliest. In addition, Precious Woods has gained the Swiss “myclimate” foundation as a renowned strategic partner for future management of CERs’.

Improving capital market viability

At the holding level, in order to help secure liquidity, convertible loans with a nominal value of CHF 5.5 million were issued, the nominal value was reduced from CHF 50 to CHF 1 per share and conditional capital was increased, thereby significantly strengthening the capital market viability of Precious Woods.

Positive outlook for the second half of 2011 thanks to intensive efforts

In view of the operational progress made in the first half of 2011, the Precious Woods Group is confident that the turnaround measures can be implemented as planned over the year 2011. The intensive work of the last two years is bearing fruit, and the success of the measures introduced and implemented in the first half of the year with a view to increasing sales and operating income will become apparent in the second half of the year. Under consideration of the reclassification of the Precious Woods Central America segment as a “discontinued



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operation”, the original operating result (EBITDA) target for the 2011 financial year is USD 5.3 million. At the beginning of the second half of 2011, Precious Woods estimates that an operating result (EBITDA, excluding one-offs) of USD 2 million to USD 4 million can be achieved for the 2011 financial year. In comparison with the prior-year period, measures aimed at structural optimization generated additional costs of around CHF 2.3 million. These costs will be significantly lower in the second half of the year. The increased spending on structural optimization at the holding level as mentioned above and the CHF/USD exchange rate effect will most likely prevent the achievement of a better operating result (EBITDA). Nevertheless, this operating result (EBITDA) – again under consideration of the reclassification of the Precious Woods Central America segment – would still correspond to an improvement of over USD 11 million on the previous year.

The complete Half-Year Report 2011 will be available on our website at www.preciouswoods.com from 7.00 a.m. on 15 September 2011.

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Precious Woods is one of the world's leading companies in the sustainable management and use of tropical forests and plantations. 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