



PRECIOUS WOODS

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Zug, 2 May 2012

**Invitation to the 21st ordinary Annual General Meeting
on Thursday, 24 May 2012, 3.15 p.m., at the Metropol, Fraumünstergasse 12, Zurich**

Dear Shareholders

We are pleased to invite you to our Annual General Meeting on 24 May 2012 and hope that you can attend in person. Failing this, you have the option of exercising your voting rights by proxy. The meeting will be chaired by Ernst A. Brugger, Chairman of the Board of Directors.

Agenda item	Motions of the Board of Directors
1. Welcome, agenda and notes on the Annual General Meeting	
2. Reporting on financial year 2011	To take note and discuss
3. Annual Report, consolidated financial statements and financial statements 2011	To adopt; to accept the reports of the statutory auditor
4. Consultative vote on the remuneration report (cf. pages 93 and 94 of the Annual Report)	To approve
5. Discharge of the members of the Board of Directors and Management for financial year 2011	To grant
6. Appropriation of the result as per the balance sheet	To carry forward to a new account

7. Election of the Board of Directors	To re-elect Ernst A. Brugger for a three-year term of office; to re-elect Ernst A. Brugger as Chairman of the Board of Directors; to elect Dominik Mohr for the first time; Thomas Hagen declines re-election
8. Addition to Article 7 of the Articles of Association (reduction of the threshold for inclusion on the agenda)	To approve
9. Addition to Article 3b of the Articles of Association (Conditional Capital)	To approve
10. Amendment of Article 3d of the Articles of Association (Authorized Capital)	To approve
11. Election of the auditor	To re-elect Ernst & Young AG, Zurich, for a term of office of one year

Immediately after the Annual General Meeting, we warmly invite you to a presentation and discussion on “Illegal logging in the tropics”. The latest World Bank report “Justice for Forests” serves as a basis for the discussion. Participants are Dr. Claude Martin, Chairman, and Dr. Ralph Ridder, member of Precious Woods’ Sustainability Advisory Committee (SAC).

Claude Martin, Dr. dipl. phil. II (Biol.) University of Zurich (SAC Chairman)
Vice-Chairman of the International Institute for Sustainable Development (IISD), former Director General of WWF International and former member of the Board of Directors of Precious Woods.

Ralph Ridder, Dr. MSc. Forestry, Ludwig Maximilian University Munich
General Director of the Association Technique des Bois Tropicaux (ATIBT), former Head of the FLEGT and REDD units and Head of the Global Forest Program at the World Resources Institute in Washington.

Heiko Liedeker, MSc. Forest Ecology, University of Vermont
Head of the FLEGT and REDD units at the European Forest Institute and former Executive Director of FSC International.

Link to the topic “Justice for Forests”:

http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/Illegal_Logging.pdf

Afterwards you are invited to join us for an *Apéro riche*.

Comments on the agenda items and motions of the Board of Directors

Explanatory notes on agenda item 7:

Dominik Mohr is an experienced entrepreneur in the tropical timber market. He is bilingual (German/French), 48 years of age, married and has two children. Since 2001, he has been president of the French company CID (Commercial Importation et Distribution SA), which is active in the timber trade, specializing in tropical timber. Its headquarters are in Nantes. In its function as a holding company, CID manages the companies Bois du Poitou SA (Niort), Scierie Savoyarde SARL (Chambéry), Meneboo-Bois SA (Arras) and Forestière de la Haute Marne SARL (Chaumont). CID employs 100 people, and generates a consolidated turnover of EUR 48 million.

Explanatory notes on agenda item 8:

At the last ordinary Annual General Meeting, on 19 May 2011, the company’s Board of Directors promised to amend the threshold for exercise of the right to add items to the agenda, in accordance with Article 699(3) of the Swiss Code of Obligations. Because there was no provision for this in the Articles of Association, the statutory provision has hitherto applied. This grants the right of inclusion of items on an agenda only to a shareholder or shareholders who together represent shares of a minimum par value of CHF 1 million. The Board of Directors considers this threshold far too high and moves that the following new paragraph 3 be added to Article 7 of the Articles of Association (the former paragraphs 3 ff. are therefore renumbered 4 ff.):

“Shareholders may submit items for inclusion on the agenda, provided that they shall together hold at least 1% of the share capital or shares of par value CHF 1 million. A written application for this purpose shall be made to the company no later than 50 days before the Annual General Meeting.”

Explanatory notes on agenda item 9:

For the purpose of conserving liquidity, the Board of Directors has resolved to allow payment of a proportion of the directors’ compensation, amounting to at least 20%, in the form of shares. This proportion may be increased to a maximum of 50% on a voluntary basis. The members of the Management Board may join this scheme voluntarily, in the same proportions. With regard to conservation of liquidity, there is no question of the company covering the corresponding number of shares via the market. Besides, the company no longer holds shares of its own.

The Board of Directors therefore moves that Article 3b (Conditional Capital) be amended as follows:

Former wording	New wording
“The Company’s share capital shall be increased, by a maximum sum of CHF 140 488, by issue of no more than 140 488 registered shares, to be fully paid up, of par	“The Company’s share capital shall be increased, by a maximum sum of CHF 140 488, by issue of no more than 140 488 registered shares, to be fully paid up, of par

value CHF 1 each. This shall be done by exercise of option rights, which the Board of Directors may grant to the employees of the Company or of Group companies. The Board of Directors shall be authorized to determine the details of the terms of exercise. Shareholder subscription rights shall not apply to such registered shares.”	value CHF 1 each. This shall be done by exercise of option rights, which the Board of Directors may grant to the employees <u>and members of the Boards of Directors</u> of the Company or of Group companies. The Board of Directors shall be authorized to determine the details of the terms of exercise. Shareholder subscription <u>and pre-emption</u> rights shall not apply to such registered shares.”
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It is determined in these vesting conditions that any option rights must be converted into shares within a short period of time.

Explanatory notes on agenda item 10:

The authorized share capital, formed at the ordinary Annual General Meeting of 2010, will expire as of 20 May 2012. The Board of Directors has not made use of it. To continue to ensure sufficient business flexibility, in order to seize opportunities as they arise, the Board of Directors moves that the share capital authorization be extended, with identical wording, until 24 May 2014. The Board of Directors has demonstrated sufficient judgement in the past to be able to continue to deal responsibly with this competence, which pertains to the Annual General Meeting.

General matters

Since 26 April 2012, the Annual Report 2011 (Annual Report, financial statements, consolidated financial statements and report of the statutory auditor) has been available for inspection at the company’s headquarters at Baarerstrasse 79, 6300 Zug. Copies are available via phone +41 44 245 81 21 or via media@preciouswoods.com

Shareholders who are unable to attend the Annual General Meeting in person may arrange to be represented by

1. members of the bodies of the company (members of the Board of Directors or dependent persons), by completing the proxy form on the admission card and sending it to the share register (envelope enclosed);
2. the independent proxy (Dr. Urs Egli, of Egli Isler Partner Rechtsanwälte AG, Puls 5, Hardturmstrasse 11, 8005 Zurich), by completing the proxy form on the admission card and sending it to the independent proxy;
3. another person with capacity to act (who need not be a shareholder), by completing the proxy form on the admission card and passing it to the designated proxy; or
4. the custodian bank, by completing the proxy form on the admission card and forwarding it to the custodian bank.

Save express contrary instructions, votes shall be cast in favour of the motions of the Board of Directors, unless additional or amendment motions are submitted to the Annual General Meeting.

Custodian proxies, in the terms of the Article 689d of the Swiss Code of Obligations, are required to inform the company of the number and par values of the shares they represent. They shall do so no later than during the admission process of the meeting. Custodian proxies shall be institutions governed by the Swiss Federal Act of 8 November 1934 on banks and savings banks and commercial asset managers.

The shareholders entered in the share register as of 15 May 2012 with voting rights shall be entitled to vote. No entries shall be made in the share register in the period from 15 to 24 May 2012.

Please return the enclosed registration form to Nimbus no later than Tuesday, 15 May 2012.

Yours sincerely

The Board of Directors

Encl.:

- Registration form for the Annual General Meeting, incorporating an order form for the Annual Report 2011
- Return envelope to Nimbus
- Location plan of the Metropol Zurich