



# Letter to our shareholders

Dear Shareholders

The facts and figures in the enclosed Half-Year Report are an unexpected setback for the Board of Directors, Group Management and the employees of the Precious Woods Group. The result from Gabon, especially, was well below target. The main reasons for the disappointing result were both external (particularly the serious logistical problems that affect the industry as a whole) and internal, in various operative and technical areas. After (the) good two years of hard work it took to achieve the turnaround, this situation puts us back a step on the road we have, rightly, chosen. The crisis can be surmounted, but it will call for rapidly and systematically applied measures, an even greater sense of purpose, and some changes in our organization. At the request of the Chairman, and liaising closely with Group Management, the Board of Directors has therefore agreed to the following far-reaching measures together with a number of organizational and staff changes. These are listed below and will be put into practice with immediate effect:

1. Today we have applied to the SIX (Swiss Exchange) to have our stock delisted and from the first quarter of 2013 will in all likelihood ensure its continued marketability via the ZKB's OTC stock exchange platform. A company our size can no longer fulfil the stock exchange's regulations and administrative requirements. This step will cut our costs substantially and at the same time ensure the marketability of our stock. Communications with our shareholders will remain as open and transparent as always.
2. We have tightened up the existing cost-cutting program across the board and, by consistently putting it into practice, should be able to make substantial savings. This will require us to simplify our organization.
3. We want to secure sufficient liquidity and eliminate the company's debts: i.e. to make loan repayments due in 2012 and return the convertible loan due in 2014 and 2015 punctually. This means we will search for a strong partner for PWA to improve local networking and risk management. It also means to search for new capital and if this proves not successful, we will sell our share in PWCA to the existing co-shareholders. The drastic restructuring in PWEU will soon be completed and distribution will be incorporated within Group Management.
4. Apart from this, we have plans to strengthen our management in Gabon and, in the foreseeable future, to gear the strategic thrust of our operations even more markedly towards Central Africa (the Congo Basin). This will rapidly increase our expertise along the entire wood chain, including processing. It will also mean increasing our ability to handle the logistical side of our operations.



5. Strengthening our operations in Gabon and Central Africa and simplifying the Group's structure will inevitably lead to a distinctive simplification and reduction in the Group's management staff. After consultations with the Board of Directors, CEO Joachim Kaufmann will therefore be resigning from his post with effect from today. He has agreed to be at the Group's disposal for a limited time in the capacity of coach for PWA's management. In the course of the past two years, Joachim Kaufmann has spared no effort to achieve the turnaround. He has eradicated many of the major and often complex issues lingering on from the past and made considerable progress with efficiency and productivity, particularly in Brazil. The Board of Directors is very grateful for his enormous achievements, commitment and loyalty to the company.
6. Group Management will henceforth comprise Gerhard Willi, CFO, and Stefan Meinhardt, CCO. The Board of Directors has also decided to be more directly involved in operational decisions and to organize itself accordingly.

The Board of Directors and Group Management firmly believe that these six central measures will show rapid and significant results. Our objective is unchanged: to make the company as successful as a business as it already is, and will remain, in ecological and social terms.

Ernst A. Brugger  
Chairman of the Board of Directors

Rudolf Wehrli  
Vice-Chairman

Zug, 19 September 2012

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