



## Media release

### Successful Partial Divestment of Precious Woods Central America

Precious Woods Holding Ltd. remains a significant minority shareholder following the divestment of its Central American Segment

**Zug/Zurich, 14 October 2011 – Precious Woods Holding Ltd. has completed the sales process for Precious Woods Central America in a successful and timely manner. The divestment of 75% of the shares in Precious Woods Central America will enable Precious Woods Holding Ltd., as a minority shareholder, to remain involved in the teak business in Central America and to repay its bank and some other debts. The remaining liquidity will put Precious Woods in a position to push ahead with the development of the Group as a whole.**

#### **Swiss solution for Precious Woods Central America**

In a bidding process, two larger Swiss shareholders of Precious Woods Holding Ltd. (PWH) have each purchased 37.5% (75% in total) of the newly established subholding Precious Woods Central America (PWCA), in which all Central American assets are integrated. With a stake of 25%, PWH remains a significant minority shareholder. This solution is in line with the wishes of the majority of shareholders, who voted accordingly in the consultative ballot at this year's Annual General Meeting. The existing local management team will retain operational responsibility, and PWH is represented by its chairman Ernst A. Brugger in the three-member PWCA Board of Directors.

#### **Reduction of debt and capital costs**

With the divestment of its stake in PWCA, PWH will be in a position to fulfil the debt repayment arranged with the banks in a standstill agreement. Here it is worth recalling the situation that led to the sales process for PWCA: assets in Central America were pledged to the banks, which for their part did not wish to extend the standstill agreement any later than the end of October 2011. This posed a specific risk that the banks would seek to wind up PWCA on expiry of the standstill. At the same time, from the perspective of the Board of Directors, the liquidity of PWH was insufficient to complete the accelerated turnaround process, and debt and the associated financing costs also needed to be reduced from an accounting perspective.

Following the completion of the partial divestment, Precious Woods will be able to repay timely all the holding's bank debts as well as a convertible bond due in 2012. This debt reduction to the tune of over USD 40 million is a significant opportunity for PWH to liberate itself from a high debt burden. At the same time, the solution will enable capital costs to be reduced substantially and liquidity to be improved. It is essential that the solution adopted for PWH and its shareholders does also make excellent sense from a business perspective.



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Moreover, the two Swiss shareholders are granting two loans summing up to USD 5 million. The additional funds allow Precious Woods Amazon to acquire a concession area of 39000 ha adjacent to existing estates with a view to securing its medium-term harvest schedule, as well as to secure the legalisation of property rights on further considerable land.

**Business opportunity**

The negotiated company value of USD 62 million is around USD 15 million below the book value. This is attributable to the noticeable weakening of the global economy and uncertainty, which are also affecting land and forest values in Central America. However, the negotiated company value is slightly higher than alternative offers from third parties that did not take into account a minority shareholding by PWH. The achieved result represents a business opportunity to expand the operational activities of Precious Woods Central America. The three shareholders undertake to cooperate closely over the long term, and this intention has been laid down in a shareholders' agreement. The Board of Directors has therefore unanimously adopted this solution with the business prospects that it offers.

**For additional information:**

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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](http://www.preciouswoods.com)