



Media release

Lower earnings in the first half of 2020

Zug, August 13, 2020 – In the first half of 2020, Group sales amounted to EUR 23.1 million, and earnings before interest and taxes (EBIT) amounted to EUR –0.4 million or –1.9%. Despite sales growth of 1.9 %, this represents a reduction in EBIT of EUR 1.8 million compared with the same period of the previous year. Along with other influences, the impact of the Covid-19 virus on operations, but also on sales markets, caused this drop in earnings. At the veneer plant in Gabon, production could not resume as scheduled in January due to delays in technical maintenance. Strikes and transport problems also interfered with deliveries within Gabon. The lack of margins and the loss of production had a severe impact on EBIT for the first half of the year. The sawn timber volumes of all sawmills were about 2.3 % lower than in the previous year, while the production volumes of the veneer plant fell by only about 3.7 % despite the loss of production. Operations in Brazil developed positively in line with expectations, and the exchange rate also developed to our advantage. The Group's net result was EUR –2.3 million (previous year: EUR –0.2 million). The generated cash flow enabled further investments in productivity. Debt remained at the year-end level. Working capital fell by about EUR 2.4 million but is still too high at 31.9 % of sales. Barring governments having to impose new Covid-19 lockdown measures, the outlook and expectations for 2020 as a whole is cautiously positive, given that the second quarter ended at least with a breakeven result.

Net sales	unit	30.06.2020	30.06.2019	Index	Change
Precious Woods Group	mEUR	23.1	22.7	101.9%	0.4
<i>Sawmills in Gabon</i>	<i>mEUR</i>	<i>12.0</i>	<i>10.7</i>	<i>112.1%</i>	<i>1.3</i>
<i>Veneer plant in Gabon</i>	<i>mEUR</i>	<i>6.3</i>	<i>4.8</i>	<i>132.0%</i>	<i>1.5</i>
Precious Woods Gabon	mEUR	15.8	13.8	114.4%	2.0
Precious Woods Amazon	mEUR	6.2	6.3	98.5%	-0.1
Precious Woods Trading	mEUR	1.4	2.7	51.2%	-1.3

The Group's **gross profit** was EUR 11.7 million, 12.3 % below the previous year period (EUR 13.4 million). The gross profit margin was 50.7 %, compared with 58.9 % in the previous year. The main reasons for this negative development are a lower sales price and additional personnel costs. The latter were incurred because we were only able to begin partial operations at the new sawmill in Gabon in April 2020. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 1.6 million (previous year: EUR 3.1 million), corresponding to a margin of 6.7 %. Earnings before interest and taxes (EBIT) reached EUR –0.4 million (previous year: EUR 1.3 million) and a margin of –1.9%.

The **financial result** remained unchanged at EUR –1.3 million (previous year: EUR –1.3 million). The current interest charge amounted to EUR 1.3 million (previous year: EUR 1.1 million), due to the investment volumes in Gabon since 2019. The net result was EUR –2.3 million (previous year: EUR –0.2 million). Exchange rate effects on the net result amounted to EUR 0.1 million (previous year: EUR –0.1 million).



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The sawmills in **Gabon** produced a total of 19 269 m³ of sawn timber, corresponding to an increase of 0.7% (previous year: 19 143 m³). Production volume at the veneer plant fell by 3.7 % to 11 082 m³ (previous year: 11 504 m³). As in the previous year, maintenance work in the sawmills was carried out in May. The volume reduction in the veneer plant was due to a 4-week interruption of operations.

Net sales were 14.2 % above the same period of the previous year, reaching EUR 15.8 million (previous year: EUR 13.8 million). The operating result (EBITDA) was EUR 1.0 million (previous year: EUR 2.6 million). The operating profit margin was 6.2 % (previous year: 18.7 %).

The production volume in **Brazil** in the first half-year was 14 953 m³ of sawn timber, 5.8 % lower than in the previous year (15 873 m³). A limited supply of logs in June caused a decline in sawmill activity. The new harvesting season began at the end of June, ensuring the supply of logs.

Net sales were 1.5 % below the previous year, reaching EUR 6.2 million (previous year: EUR 6.3 million). Operating profit (EBITDA) amounted to EUR 1.5 million, representing an improvement of EUR 0.3 million (previous year: EUR 1.2 million). This resulted in an operating profit margin of 24.5 % (previous year: 19.3 %).

Net sales from **trading** in European logs and sawn timber amounted to EUR 1.4 million, corresponding to a decrease of 48.8 % (previous year: EUR 2.7 million). The operating profit margin was -7.6 % (previous year: 5.3 %).

Outlook

It is especially difficult to formulate a reliable outlook for this year as a whole. We have expanded production capacity, and the new sawmill in Gabon will be fully operational in the second half of the year. The course has been set for an increase in productivity and profitability. We cannot predict how the market will develop or what further restrictions to expect. From today's perspective, we nevertheless expect an increase in sales and also profitability compared to the first half of the year.

We are currently involved in the process of establishing a joint venture for veneer production in Gabon. This will enable us to continue to operate this component of our business successfully and to be part of a value chain in Europe. At the same time, we are investing in technology, with the aim of increasing yield and reducing costs.

The complete half-year report is available for download or as an online version at www.preciouswoods.com. You also have the option of ordering a printed version via our website under "Contacts/Annual Reports Request" or by e-mail to media@preciouswoods.com. To receive regular press releases, the newsletter is available on our website under "Contacts/Subscribe Newsletter".



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Precious Woods is an international company active in the sustainable management and use of tropical forests. The company's core activities include 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. Additional information about Precious Woods can be found at www.preciouswoods.com

This document includes forward-looking statements that reflect the Company's intentions, beliefs or current expectations and projections about the Company's future results of operations, financial condition, liquidity, performance, prospects, strategies, opportunities and the industry in which it operates. Forward-looking statements involve all matters that are not historical fact. Such statements are made on the basis of assumptions and expectations which, although the Company believes them to be reasonable at this time, may prove to be erroneous.

in thousand EUR

INCOME STATEMENT	30.06.2020		30.06.2019	
Total revenue	23'126	100.0%	22'705	100.0%
Production costs	-11'398	-49.3%	-9'326	-41.1%
Operational contribution	11'727	50.7%	13'380	58.9%
Labour costs	-8'938	-38.7%	-9'950	-43.8%
Other operating costs	-1'237	-5.4%	-344	-1.5%
EBITDA	1'552	6.7%	3'086	13.6%
Depreciation and amortization	-1'992	-8.6%	-1'738	-7.7%
EBIT	-440	-1.9%	1'348	5.9%
Financial result	-1'269	-5.5%	-1'317	-5.8%
EBT	-1'709	-7.4%	31	0.1%
Income taxes	-631	-2.7%	-205	-0.9%
Net profit / -loss	-2'340	-10.1%	-174	-0.8%
BALANCE SHEET	30.06.2020		31.12.2019	
Current assets	30'377	27.1%	31'697	24.2%
Non-current assets	81'885	72.9%	99'379	75.8%
TOTAL ASSETS	112'262	100.0%	131'076	100.0%
Current liabilities	26'357	23.5%	23'399	17.9%
Non-current liabilities	52'203	46.5%	52'573	40.1%
Equity	33'702	30.0%	55'104	42.0%
TOTAL LIABILITIES & EQUITY	112'262	100.0%	131'076	100.0%