Annual Report 2015

PRECIOUS WOODS Annual Report 2015

PRECIOUS WOODS

Cover:

Treetop recorded in Amazonas, Brazil

Back:

Assembly square for drying, PW Amazon, Brazil

Precious Woods 2015 – Positive development

- All of the goals for the 2015 business year reached
- Positive result (EBIT) for 2015
- Improved productivity in all operating companies

Precious Woods is one of the world's larger companies active in the sustainable management and use of tropical forests. The images in this Annual Report provide insight into Precious Woods' manifoldly activities, emphasizing the company's principle of creating triple added value: environmental, social and economic.

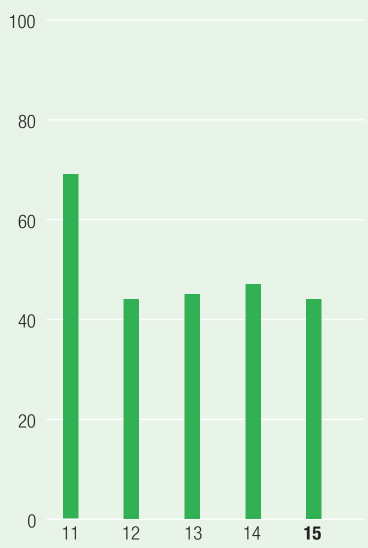
Key figures and information for investors

5-year summary of key financial data (in TUSD)

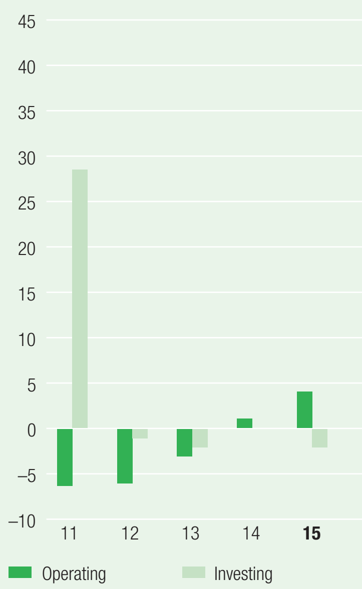
	2015	2014	2013	2012 [1]	2011
Total revenue	**44 396**	**47 123**	**45 342**	**43 886**	**68 974**
Amortization & Depreciation, Impairments	5 768	7 815	6 689	9 437	6 330
Amortisation & Depreciation	5 788	7 796	7 891	7 933	10 090
Impairments	–20	19	–1 202	1 504	–3 760
EBITDA	**6 861**	**3 715**	**–8 776**	**–3 857**	**–2 129**
in % of the total revenue	15.45 %	7.88 %	–19.36 %	–8.79 %	–3.09 %
EBIT	1 093	–4 100	–15 465	–13 295	–8 459
in % of the total revenue	2.46 %	–8.70 %	–34.11 %	–30.29 %	–12.26 %
Net result	**–4 746**	**–10 189**	**–20 595**	**–17 765**	**–56 156**
in % of the total revenue	–10.69 %	–21.62 %	–45.42 %	–40.48 %	–81.42 %
Balance sheet total	71 220	87 406	103 816	116 765	145 394
Shareholders' equity	**12 902**	**20 276**	**32 921**	**52 971**	**71 798**
in % of the balance sheet total	18.12 %	23.20 %	31.71 %	45.36 %	49.38 %
Net indebtedness	**33 477**	**42 604**	**46 389**	**34 782**	**34 437**
Cash flow from operating activities	**4 411**	**1 093**	**–2 680**	**–5 580**	**–9 101**
Investments/acquisitions	–2 094	217	–2 050	–1 226	41 054
Average full-time-equivalent employee	1 209	1 217	1 217	1 183	1 511

[1] The prior-year figures have been restated.

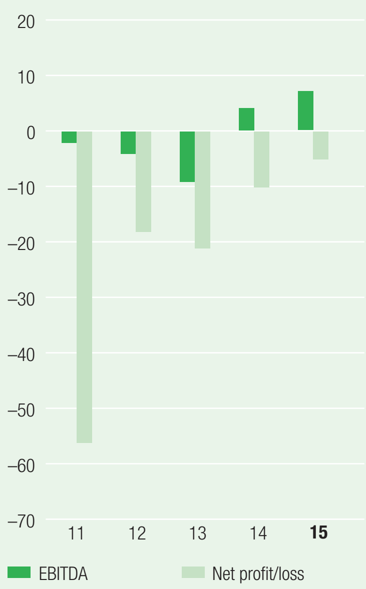
Total revenue
USD million



Cash flow from operating and investing activities
USD million

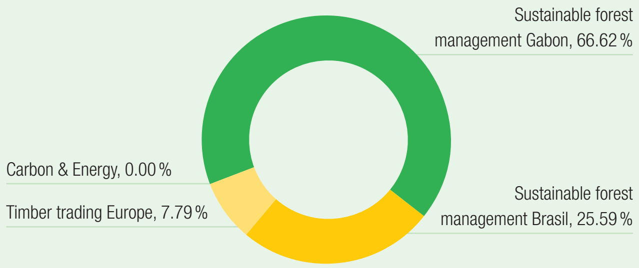


EBITDA and net profit/loss
USD million

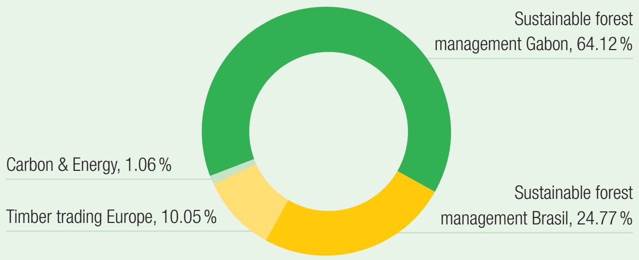


Total revenue by business segment

2015: TUSD 44 396

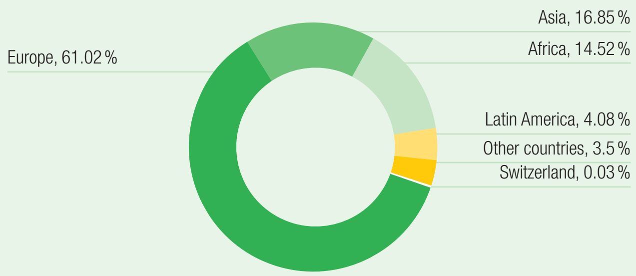


2014: TUSD 47 123

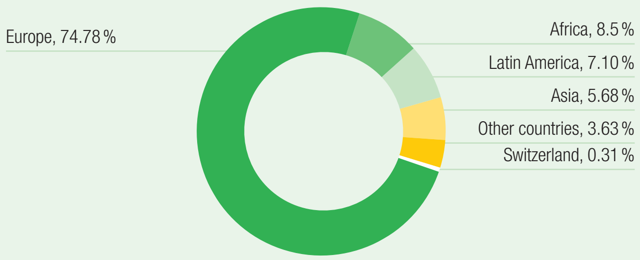


Total net sales by market region

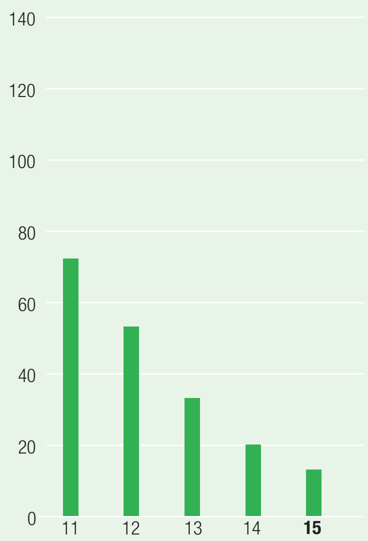
2015: TUSD 44 396



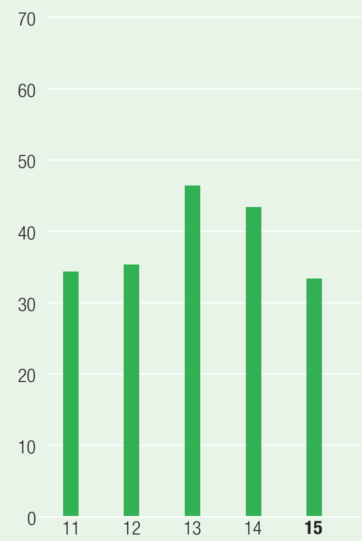
2014: TUSD 46 622



Shareholders' equity
USD million



Net indebtedness
USD million



Information for investors	**2015**
Share price in CHF	3.85
Stock market capitalization in CHF million	19
Earnings per share in USD	–1.26

Contents

To our shareholders

Ernst A. Brugger
Chairman of the Board of Directors

Dear Shareholders

Our company reached – and in some cases even exceeded – all of the goals we set for the 2015 business year. The positive momentum from the previous year was further increased. The operating result (EBITDA) is USD 6.9 million, or nearly twice as high as in the previous year. And – after difficult years of restructuring – we are happy to report positive EBIT. Important drivers of this positive development have been improved productivity in all operating companies (Brazil and Gabon), further efficiency gains in the Holding, and – despite weaker markets – good sales performance. At the same time, a comprehensive external FSC audit was carried out in both operating companies, with very good results.

The positive development achieved in 2015 is based on significant improvements in the productivity and market performance of both operating companies. Production flow was improved at all plants. Targeted investments in forestry equipment resulted in larger harvests and yields. Improved maintenance increased the productivity of the sawmills and also the veneer plant in Gabon. Despite depressed timber markets, the sales team was able to maintain prices and even increase them in some cases – not least of all due to our high certification standard.

Both in Gabon and in Brazil, management and employees delivered a great and impressive performance. The precondition for this was competent and stable leadership in Precious Woods Amazon as well as in the two operating companies in Gabon (CEB and TGI). The local conditions are complex and require clear goal orientation as well as a high degree of flexibility. Crucial in this regard is that we are consistently guided by our values of sustainability, economic competitiveness, and positive social and environmental impact. The management of the Holding under the leadership of our CEO/CFO once again enhanced and consolidated this focus on performance during the reporting year.

While the 2015 net loss of USD 4.7 million is better than in the previous year, it continues to be characterized by the excessive interest rate burden due to overly high debt from the past as well as exchange rate effects. With great effort, the Board of Directors and the CEO have therefore achieved further reduction of debt and the creation of higher liquidity. By converting bonds, about USD 4.8 million in shareholders' equity was created before the end of the reporting year. A further increase in shareholders' equity from authorized capital in the amount of about USD 4.0 million was de facto realized during the reporting year but was not posted until January 2016. We will aim to further increase share capital in 2016, firstly by further increasing our operating performance through operational investments in Brazil and Gabon, and secondly by further reducing debt.

In the reporting year, Precious Woods reached and in some cases exceeded the goals it had set. But the reporting year was also characterized by a political environment that paid more attention to tropical forests and their importance for a more sustainable world. One of the most significant events was without a doubt the Climate Change Conference in Paris at the end of 2015, which attached enormous importance to the protection of tropical forests for the global climate and the biodiversity of our planet. Numerous support programmes were derived on that basis. What is crucial for Precious Woods is that the realization is becoming stronger that responsible – i.e., sustainable – use of tropical and subtropical forests means the best protection and thus also the most sustainable impact in a social sense as well. As a company, we are strongly positioned in this global dialogue, given that our performance demonstrably creates threefold added value: economically, ecologically, and socially. Step by step, we will continue to expand our performance through additional products and services in the field of biodiversity.

In this way, the good 2015 results – in both a quantitative and qualitative sense – are combined with a thoroughly positive entrepreneurial perspective. The Board of Directors would like to express its considerable gratitude to the management of the Holding and the two country organizations in Brazil and Gabon. The approximately 1300 employees in our operating companies deserve our special thanks. We would also like to thank you, dear Shareholders, for your interest and your dedication in our company. For us, this means more than simply support: It is an additional incentive for us to achieve our ambitious goals.

Yours faithfully

Ernst A. Brugger
Chair of the Board of Directors

Precious Woods – a sustainable forestry company

Precious Woods is one of the leading companies in sustainable management of tropical rainforests globally, and is regarded as a pioneer in many areas. Its core business is the production and sale of FSC-certified semi-finished tropical timber products. In Brazil, Precious Woods holds a 40% share in a biomass power plant allowing the company to also sell certified emission reductions (CER) by utilizing waste wood from the manufacturing process. The aim of all activities is highest customer value while preventing deforestation in tropical forests in utilizing them sustainably. Economic success ensures the socially and ecologically sustainable activities and is essential for the long-term conservation of tropical forests. The Precious Woods Group is headquartered in Switzerland and employed an average of 1300 people in Brazil, Gabon, The Netherlands and Switzerland in 2015.

Vision

As an economically successful company, Precious Woods contributes to the long-term preservation of tropical forests and their positive impact on biodiversity and natural water cycle, through sustainable forestry and the marketing of the resulting products.

Focus on economic, social and ecological added value

Precious Woods creates added value in economic terms through sustainable use of tropical forest resources. The broad range of timber and non-timber products generates added value which goes beyond the traditional forestry industry and which secures the long-term development of the Group. Precious Woods ensures added value socially through the creation of jobs, schools and health clinics as well as other infrastructure, in remote tropical forest areas. Thereby, the company provides an important contribution to economic and social development in these regions. Precious Woods actively engages to improve the living conditions of its employees, their families and communities. Added value in ecological terms means managing Precious Woods' forest areas consistently with sustainable practices to preserve these renewable, natural resources and their biodiversity also for future generations. (A comprehensive description of Precious Woods' social and ecological engagement is provided in the Sustainability chapter on pages 23–26 as well as in the reports on the individual business segments.)

Products and markets

Precious Woods produces and sells logs and sawn timber (beams, poles, boards), planed products and veneer made from high quality tropical timber. Main target groups are the marine- and hydraulic engineering sector, garden-, building- and road construction as well as outdoor furniture manufacturers in markets across Europe, Brazil, Asia and the United States. Thanks to continuous public campaigning of prominent non-governmental-organisations, awareness of the ecological and social consequences of uncontrolled exploitation of tropical forest resources is increasing and leading to a positive change in framework conditions. This development offers Precious Woods, with its strategy aimed consequently at sustainability, an increasing market potential.

Global and economic challenges in a dynamic environment

The important function of tropical forests in carbon sequestration is gradually becoming established in the consciousness of the world community and tropical forestry is increasingly being viewed in the light of global resource depletion. When selecting suitable locations for its forestry operations, Precious Woods not only assesses availability, accessibility and quality of the forest resources, but also places special emphasis on the framework conditions of the respective countries. Precious Woods respects the legal and institutional structures, forest policies and the relevant legislation, as well as their implementation.

A pioneer – more than FSC certification

Precious Woods defines and measures the sustainability of all its activities on the basis of the principles and criteria of the Forest Stewardship Council (FSC), which was founded in 1993. Independent FSC auditors assess regularly Precious Woods. Precious Woods is convinced that in the long term, countries with tropical forest resources will grant new concessions to those companies who comply with sustainability criteria and that certification strengthens the company`s position on the market. Especially customers in the public sector are putting increasing pressure on producers and suppliers of tropical timber and demanding sustainably produced wood. Precious Woods played a leading role in the introduction of FSC certification in Brazil, and also provides guidance in harvest planning with GPS as well as road and land use planning in the forest. Furthermore, Precious Woods is also a pioneer in the use of non-timber products from forest resources. This includes the generation of electricity from biomass in Brazil as well as trade in certified emission reductions (CER) (since 2006), which is an additional income source, managed since 2011 in collaboration with the renowned myclimate foundation.

Strategy: market orientation and continuous optimisation of the value chain

Due to the holistic approach, ranging from sustainable forest management through timber production to marketing and distribution, Precious Woods promotes certification of the whole chain of custody and complete traceability. The procurement of additional timber products for Precious Woods' own trading focuses on forestry companies that are also FSC-certified. Ongoing unknown new species of wood are tested and introduced in the market. In this case, Precious Woods examines applications for about 90 different timber species to ensure to meet customer and market demands and to enable sustainable economic management over the long term.

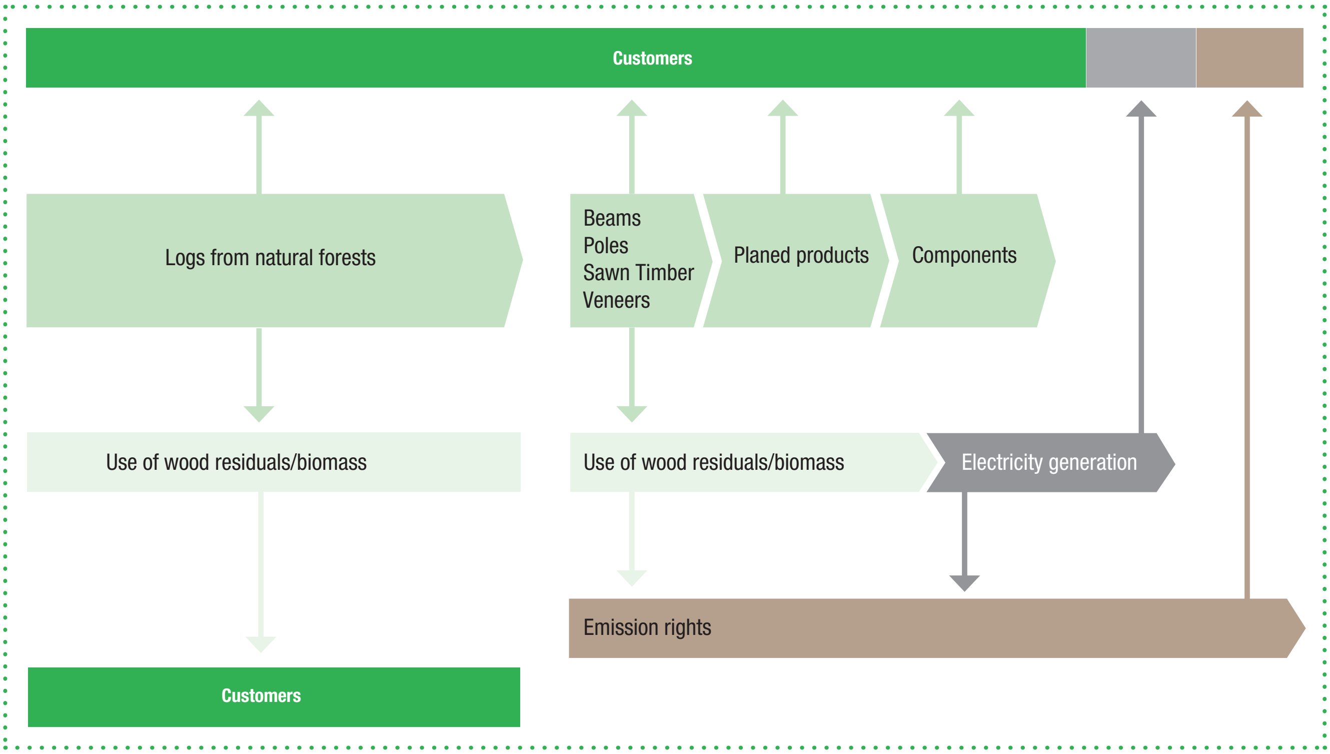
Midterm targets: sustainable growth

Following the acquisition-driven growth between 2000 and 2008, the company aims since then for an organic, sustainable growth. Midterm targets are an EBITDA margin of around 20 % of net annual sales and an equity ratio of about 40 %. In order to secure the operational activities and political risks, Precious Woods has to ensure sufficient liquidity so that also seasonal fluctuation can be absorbed. In addition, Precious Woods wants to secure the 100 % FSC-certification in all activities.

Management organisation with increased market orientation

Precious Woods consist of three business units and a Group management that focuses on the realisation of strategic goals, sales and marketing, communication as well as financial management and control.

Products and value chain



Milestones Precious Woods

1990 Precious Woods is founded by Swiss Investors. The company begins in Costa Rica with reforestation of uncultivated pasture.

1993 With the founding of Precious Woods Ltd. the private company opens its doors to shareholders.

1994–1997 Market entry in Brazil. Precious Woods Amazon is founded with the establishment of a sustainable forestry operation. In 1997, it is the first company in the region to be certified according to Forest Stewardship Council (FSC) standards.

2001 Precious Woods together with the Dutch timber trading company A. van den Berg B.V. founds another forestry business in the Brazilian state of Pará (Precious Woods Pará).

2002 Precious Woods Holding AG becomes a public company by being listed at the SIX Swiss Exchange.

2003 Precious Woods continuously expands its activities and extends reforestation operations in Central America and Nicaragua.

2005 Precious Woods acquires BK Energia in Itacoatiara, Brazil, which is a wood chip based power plant operating since 2002. BK Energia is directly linked to the Precious Woods Amazon sawmill. Precious Woods takes over its largest customer and business partner, the Dutch A. van den Berg B.V.

2006 Precious Woods sells its first carbon emission rights, thereby expanding its activities in the business segment of non-timber products from tropical forests.

2007 Precious Woods ventures into West Africa: Acquisition of the forestry company Compagnie Equatoriale des Bois (CEB) and the veneer company Tropical Gabon Industrie (TGI) in Gabon.

2008 In October 2008, the subsidiary Precious Woods Gabon receives the FSC-certificate for its forestry operation (Forest Management Certificate) and the product chain certification (Chain of Custody Certificate) for the sawmilling and moulding activities. The lack of stable legal and institutional frameworks in the Brazilian state of Pará is forcing Precious Woods to give up its forestry operation.

2009 The market environment demands rapid adaptation in terms of productivity, marketing and organisational structure. Precious Woods becomes the first company globally whose production line in the tropical forestry and timber industry is fully FSC-certified after the TGI veneer company receives FSC certification.

2010 The radical restructuring of the Precious Woods Group intensifies; issues from the past being resolved, the productivity increased and the market position strengthened. Precious Woods receives the environmental award from the Swiss Environmental Foundation (Umweltpreis der Schweizerischen Umweltstiftung).

2011 The 2011 Annual General Meeting approves the partial divestment of 75 % of the shares in Precious Woods Central America (PWCA) to two existing Swiss shareholders. This results in a significant partial debt reduction at the Holding.

2012 The Extraordinary General Meeting approves the increase of the ordinary, sold to the existing co-shareholders and the debt is reduced further. The Group sells 40 % of its shares in BK Energia to the co-shareholder, holding now only 40 % of the shares.

2013 On 15 March 2013, the capital increase was carried out sucessfully. The share capital was increased by CHF 309 451 to CHF 3 747 806 by 309 451 shares with a nominal value of CHF 1.00. The delisting from SIX Swiss Exchange effected on August 2013. On November 2013, it was decided to close the sales company (PW Europe) in the Netherlands.

2014 Successful conversion of the distribution structure over the PW holding of the B2B of PW Amazon.

2015 On 30 December 2015, the right to convert convertible loans was exercised to purchase shares. The capital increase amounted to 1 216 214 shares with a nominal value of CHF 1 each to CHF 4 984 020.

2015 results of the Precious Woods Group

Consolidated net sales in the reporting year were USD 44.4 million and thus 5.8% lower than the previous year sales of USD 47.1 million. The negative exchange rate effect contained in that figure amounts to about 16%. Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to USD 6.9 million in 2015 (previous year: USD 3.7 million). Earnings before interest and taxes (EBIT) reached USD 1.1 million (previous year: USD –4.1 million), which represents an improvement of USD 5.2 million. The net loss was USD –4.7 million compared with USD –10.2 million in the previous year.

Income statement

Total income

In 2015, the Precious Woods Group achieved net sales of USD 4.4 million, 5.8% lower than the USD 47.1 million in the previous year. Because average exchange rates diverged very strongly from those of the previous year, the exchange rate effect was about –16%. At constant exchange rates, sales would have risen by 11%. The trade in logs and sawn timber from Europe, which began in 2014, contributed about USD 3 million (previous year: USD 0.7 million) to sales development.

Since the release of emission certificates from the year 2014 did not occur until February 2016, there were no sales from the trade in biomass certificates in the 2015 business year (previous year: USD 0.5 million).

In Brazil, export sales remained at the level of the previous year, but local sales fell compared with the previous year. Firstly, deliveries to our energy plant were adversely affected by a prolonged outage, and secondly, sales of biomass from the forest were only possible again in September 2015. In Gabon, more logs were sold on the local market than in the previous year. The net effect of local sales in both countries amounted to USD +2.0 million.

Operational development: Costs and market

In all plants, we were able to further optimize production flow during the business year and in that way achieve significant cost savings. In Gabon, there were no notable disruptions, while in the previous year there had been strikes by customs authorities and rail transport bottlenecks. In the Amazon, we experienced an approximately 3-week additional interruption of production in the sawmill in November 2015 due to an outage of the energy suppliers. This led us to invest in additional generators so that we can continue to produce if such an event occurs again in the future.

Thanks to investments in forestry equipment, the harvest amount was increased, leading to higher sawn timber production. While the yield at PW Amazon was at a steady 21% or so, the yield at PW Gabon was increased by 2 percentage points to 37%. This means that a large contribution to profitability was made at nearly constant costs.

At our veneer plant in Gabon (TGI), maintenance of the seasoning equipment was completed in the first half of 2015, so that production without any major disruptions was possible afterwards. Although 16% less veneer was produced due to the lengthy maintenance interruption, sales were only 2% lower than in the previous year because inventory was reduced.

As was the case for all commodities markets in 2015, sawn timber suffered from falling prices. Especially in China, demand fell due to lower growth. Overall, average sales prices were still about 7% higher than in the previous year; they are of course also very heavily dependent on the available species of wood. In principle, the Asian sales market is becoming increasingly important for us. While in 2014, only 5.7% of our sales were in Asia, the share rose to 16.9% in 2015 – especially at the expense of the European sales market. The demand for legally produced and especially FSC-certified wood continues to increase, so that we expect to open up new markets in the future and also increase sales to existing clients.

Operational contribution

Although net sales were 5.8% lower than in the previous year, the operational contribution again rose by USD 1.3 million or 4.8%. The greatest impact was the optimization of the flow of goods and the higher yield. Reduced logistics costs thanks to the greater availability of rail capacity also had a positive effect on total costs.

Operating result (EBITDA)

EBITDA of USD 6.9 million was generated in 2015 (previous year: USD 3.7 million). This corresponds to a margin of 15.5%, compared with 7.9% in the previous year. In addition to the improvements in the operational contribution of USD 1.3 million, savings in personnel expenses in production and administration contributed USD 3.4 million.

The improvements of EBITDA were mainly seen at PW Gabon. If we had not had any interruption of production at PW Amazon, EBITDA would have been significantly higher there as well. Overall, an EBIT margin of 10.1% and 8.9%, respectively, was generated in both segments. In the previous year, the EBIT margin was considerably lower and was even still negative at PW Gabon.

Financial result

At USD –5.4 million, the financial result was at the same level as in the previous year. However, the exchange rate effects in 2015 amounted to USD –1.9 million, compared with USD –0.4 million in the previous year. Average net debt was within the range of the previous year, because the capital increases took place only at the end of 2015. After the capital increases, net debt is now at around USD 33 million.

Net result

The net loss was USD 4.7 million (previous year: USD –10.2 million). Without exchange rate effects in the income statement, the net loss would be about USD 2.8 million (previous year: USD –9.8 million).

Balance sheet

The total assets fell by about USD 16 million year-on-year. The decline is primarily due to conversion to USD. Another effect is the development of tangible fixed assets, because investments were lower than depreciation. At 24.2 % of net sales, working capital was within target range and about the same level as the previous year. Net debt fell by USD 2 million.

Shareholders' capital increased by about USD 4.8 million due to the capital increase from the conversion of loans, but it was reduced by the 2015 loss and also by additional exchange rate effects, ending up at USD 12.9 million compared with USD 20.3 million in the previous year. The capital increase from authorized capital was posted only on 22 January 2016, which will increase shareholders' capital by about USD 4 million. The equity ratio as of 31 December 2015 was 18.1 % (previous year: 23.2 %).

The cash flow from operating activities was USD 4.4 million and thus USD 3.3 million higher than in the previous year. The change in working capital was USD –2.3 million, and investments in tangible fixed assets were USD 2.2 million. The net cash flow from financing activities amounted to USD –1.1 million.

Brazil – increased profitability

At USD 11.4 million, the net sales of PW Amazon were 15.7 % lower than the previous year net sales of USD 13.5 million. The decline in turnover is in part due to lower sales to BK Energia because of service interruptions and also due to lower sales of biomass from the forest. Earnings before interest, taxes, depreciation, and amortization (EBITDA) were USD 1.6 million, as in the previous year. Operating profit (EBIT) was USD 1.1 million and thus USD 0.2 million better than in the previous year.

Further increase of profitability

With significantly lower sales, EBIT ended up at USD 1.1 million (EBIT margin of 10.1 %). This margin is within our range of expectations. An approximately 3-week interruption of production due to a lack of energy supply prevented an even better result.

The investments were primarily used for the expansion of the forest road network. Because of the interruption of energy supply, we invested in additional generators so that we can produce more independently in the event of future interruptions and so that we can keep operating even during regular maintenance work undertaken by BK Energia.

Sales of biomass were about 40 % lower than in the previous year. The supply contract with a local buyer of biomass from the forest could not be renewed before September 2015, and the supplies to BK Energia fell by 15 % due to the interruption.

Log harvest fell by 10 %, and the sale of logs and sawn timber on the local market fell by 20 %. Export sales were approximately the same as in the previous year. A total of approximately 112 000m^3 of logs were processed in the sawmill, representing an increase of 1 % over the previous year. Yield remained constant at about 21 %.

By law, our company in Brazil must harvest many different types of wood. This constitutes a great challenge: Because some types of wood have very low volumes, not all woods can be processed and sold. Our ongoing task is therefore to establish and promote unused or underused species on the export market and to examine their areas of application. On the local market, market prices are very low, and our competitiveness is still limited. The reasons for this are the sale of illegally harvested and thus cheaper timber on the local market and the high logistics costs for delivery to the main domestic market in the south of the country.

Continuous efforts on legacies and exceptional factors

Currently, about 370 000 hectares of forests (own forest and smaller concessions) are available for harvest. We have made further efforts to legalize the land titles that have not yet been secured and to evaluate new concessions.

There were no new developments in 2015 regarding the pending threat of two major fines. One is a threatened fine from the Brazilian environmental protection authority IBAMA dating back to 2002 and the other a threatened property tax fine from the year 2007. We are expecting to resolve both cases in collaboration with our lawyers within the scope of provisions already set aside.

Precious Woods Amazon in brief

Precious Woods has been operating in the state of Amazon, Brazil, since 1996. PW Amazon runs sustainable forestry operations on 506 699 hectares (end 2015) of its own land and concessions near Itacoatiara, 250 kilometres East of Manaus. In 2008, Precious Woods discontinued its operational activities in the state of Parà, where the company had managed around 46 000 hectares of forest (from a total of 76 000 hectares) since 2001. PW Amazon has been certified according to FSC-standards since 1997. FSC forests are managed sustainably on the basis of a forestry management plan under which only two or three trees per hectare are harvested during a 25–35 year cycle. Simultaneously, the moderate and sustainable use generates a source of income for the local population, which in turn contributes further to the protection of the forest. The harvested timber is processed into sawn timber, planed timber, construction piles and finished products at the company's own factory. The wood products are exported to Europe, to the United States and to Asia as well as sold on the local market.

Place for commissioning Sawmill Itacoatiara, Brazil

Social and ecological sustainability

Precious Woods Amazon passed the 2015 certification audit with an excellent result.

In addition to our scientific mandates, we maintain a close and intensive contact with the communities, allowing us to undertake joint projects. These important projects include forestry training, security, but also support for local small businesses.

We are also able to report on the following activities in 2015:

- Together with the military police of Itacoatiara, investigations of poaching and illegal woodcutting were conducted in the region. Monthly patrols to secure our forest areas were also started.
- In cooperation with EMBRAPA, we started and continued a project on the measuring of tree growth after harvesting and the productivity capacity of the forest.
- Research project for monitoring the carbon dynamic in managed forests in the Amazon. The goal of this project is to define the methodology for measuring carbon sequestration in managed forest in the Amazon in order to prevent offsets of emission credits.
- Job offering programme for inhabitants of the communities, selection of potential agricultural labourers in accordance with the absorption capacity of the company.
- Purchase and promotion of products from the communities, such as: cassava flour, fruit pulp, tucumã, cassava, rambutã, and vegetables.
- Support in the extraction of non-timber forest products (oils, resins, seeds, etc.) that traditionally are processed by the communities.
- Offering of courses for vocational development and improvement of skills for the manufacture of handicrafts. This programme is done in partnership with CETAM (Center for Technological Education of Amazonas) and SENAI (National Industrial Learning Service). These courses provide the local population with the opportunity to improve their income with the manufacture and sale of handmade products.

Key figures Precious Woods Amazon

		2015	2014	Change
Economic				
Sales sawn and industrialized wood	in m^3	21 200	18 400	15.2 %
whereof export	in m^3	16 700	15 200	9.9 %
Sales logs and piles	in m^3	2 300	4 500	–48.9 %
Sales biomass	in m^3	77 300	80 600	–4.1 %
Timber harvest	in m^3	131 200	132 400	–0.9 %
Net sales	in USD million	11.4	13.5	–15.6 %
Operating result (EBITDA)	in USD million	1.6	1.5	6.7 %
Environmental				
Energy consumption	in GJ	42 400	50 200	–15.5 %
CO_2 emissions	in t	2 300	2 700	–14.8 %
FSC share of timber production sold	in %	100	100	–
Employment				
Employees (yearly average)		468	466	0.4 %
Women	in %	10.7	13.1	–18.3 %
Accidents at work		76	75	1.3 %
Days lost per accident		3.7	2.3	60.9 %

Outlook for 2016

After the conversion of the production workflows in the sawmill were largely completed in 2015, we will replace some machines in 2016 to further increase productivity. This will also be reflected in higher yield and thus increased profitability. We make increased efforts to promote local sales of timber in Brazil, and we see potential in individual projects and special wooden buildings. It is difficult to increase local sales, however, because the logistical prerequisites have not yet been established. The export market thus will remain dominant. For the year 2016, we are expecting an increase in production volume of 10 % and an increase in yield of 5 %, which corresponds to an increase in sales of approximately 15 %.

Precious Woods Gabon – significant increase in productivity and profitability

The net sales of PW Gabon were USD 29.6 million and thus 2 % lower than the USD 30.2 million in the previous year. Earnings before interest, taxes, depreciation, and amortization (EBITDA) were USD 7.9 million, representing an increase of 49 % over the USD 5.3 million in the previous year. The EBITDA margin of 26.8 % (previous year: 17.5 %) is an excellent result, meeting our expectations. Operating profit (EBIT) improved strongly once again by USD 4.4 million to USD 2.6 million, corresponding to a margin of 8.9 %.

Significant increase in productivity

The log harvest volume in 2015 was 204 000m^3, corresponding to an increase of 11.3 % over the previous year. 116 500m^3 were processed in the sawmills (10.7 % more than in the previous year), with an increase in yield by 2 percentage points. This resulted in sawn timber production of 40 000m^3 and an increase in sold volume of 2.4 % over the previous year. The difference to the 2 % decline in sales is due to the product and price mix but primarily also due to the exchange rate effect. At constant exchange rates, sales growth would have been 9 %.

Production costs were reduced by about 17 %. This resulted in a gross profit margin of 38.5 % (previous year: 25.6 %). There were no notable logistics disruptions in 2015; sufficient rail transport capacity was available, thus reducing transport costs.

The financial situation continued to be tight, but we were able to make gradual, necessary investments in machines and equipment. The greatest need for investment was in forestry machinery, allowing us to increase harvest volume. As already reported in the half-year report, the renovation of the seasoning equipment in our veneer plant was successfully undertaken, and no further interruptions occurred.

Positive development – greater flexibility

With the EBITDA margin of 26.8 % (previous year: 17.5 %), significant operational improvement can again be seen. Moreover, working capital could be reduced by USD 1.5 million, which in conjunction with the EBITDA led to a gratifying cash flow. The state of Gabon also reimbursed the first third of the overdue input tax toward the end of 2015, so that we now have an outstanding amount of USD 2.6 million due from the state of Gabon. The financial situation of the government is very tight, now that not only the crude oil industry but also manganese production has declined significantly. Thanks to our good banking relationships, we were able to secure our existing credit lines and enter into additional leasing obligations. This means we will once again succeed in 2016 to make the necessary operational investments in order to further improve productivity.

Precious Woods Gabon in brief

PW Gabon consists of two companies: CEB (Compagnie Equatoriale des Bois) and TGI (Tropical Gabon Industrie). Since 2007, PW Gabon has been managing a tropical forest in Eastern Gabon across a concession area of 616 700 hectares. In 2011, a small concession of 57 300 hectares was added. Occasionally, PW Gabon manages sustainably community forests for communities based on annually allocated felling quotas. In 2014, a protected area was additionally separated in extent of 19 900 hectares. PW Gabon employs around 790 staff and harvests approximately 180 000 – 210 000 cubic metres of logs each year. The company operates according to a forest management plan that ensures that no more timber is harvested per hectare than will grow back within a harvest cycle of 25 years. PW Gabon runs two sawmills and a small moulding plant in Bambidie, the centre base of PW Gabon's forestry operation. TGI's rotary veneer factory for Okoumé veneer is located in Owendo, a suburb of the port city Libreville. The main export markets for PW Gabon's manufactured timber products are Europe, South Africa and Asia. PW Gabon's forestry operation is FSC-certified since October 2008, and the TGI-chain-of-custody since January 2010.

Prime Minister of Gabon visit PWG, ceremony of tree planting

Report on further progress in social and ecological sustainability

At both locations – Bambidie and Owendo – FSC audits were conducted and very successfully concluded in 2015. We reached a level that no other company in Africa had ever reached before.

- The forestry management plan was revised and renewed and is now divided into three zones. This enables us to work simultaneously in all three areas
- Training was offered for our logger teams, and we improved in regard to reduced impact logging
- More training was offered for our medical nurses in collaboration with AGIR (Association Générale des Intervenants Retraités)
- Research cooperation with the Research Institute in Tropical Ecology (IRET) on non-timber products was continued
- We also continued the Dynafor project in collaboration with Natur+, which studies the dynamic and enrichment of the forest
- Together with the WCS (Wildlife Conservation Society), a monitoring protocol for surveying and evaluating biodiversity was included in our concessions

Outlook

After two years of successful improvement of productivity and profitability, we reached a very gratifying level in 2015. Further minor improvements are expected for the year 2016. Investments in the sawmills are planned, which will enable us to further increase production volumes. A major challenge consists in the marketing of our sawn timber, given that prices came under significant pressure in 2015 and certain markets such as China are in decline. But because we have established ourselves as a niche player, we expect a slight increase in sales also in the current year. The financial situation is likely to ease further, given that the planned EBITDA margin is within the range of the previous year. The biomass power plant project in Bambidie will be planned and hopefully implemented over the course of the year, if we are able to obtain the requisite permits. This would allow us to make sensible use of most of our biomass and to massively reduce our energy costs, fuel use, and CO_2 emissions. Additionally, we are undertaking projects to increase the added value in our sawmills. The goal is to increase production depth, to employ more local personnel, and to improve sales.

Uncertainties exist in terms of isolated political risks. Strikes by the public authorities or state-run enterprises of Gabon are possible and may entail corresponding risks. A new forestry law has been presented to Parliament, which we are able and willing to further design in the coordination with professional colleagues, scientists, and NGOs.

Key figures Precious Woods Gabon

		2015	2014	Change
Economic				
Sales sawn and industrialized wood	in m^3	34 700	33 800	2.7 %
Sales rotary veneer	in m^3	21 000	24 100	–12.9 %
Sales sliced veneer	in m^2	332 500	440 100	–24.4 %
Sales logs	in m^3	36 000	15 900	126.4 %
Timber harvest	in m^3	203 700	183 000	11.3 %
Net sales	in USD million	29.6	30.2	–2.0 %
Operating result (EBITDA)	in USD million	7.9	5.3	49.1 %
Environmental				
Energy consumption	in GJ	128 100	145 600	–12.0 %
CO_2 emissions	in t	11 600	13 100	–11.5 %
FSC share of timber production sold	in %	100	100	–
Employment				
Employees (yearly average)		790	786	0.5 %
Women	in %	9.2	9.2	–
Accidents at work		94	128	–26.6 %
Days lost per accident		12.5	11.9	5.0 %

Precious Woods Trading – logs and sawn timber from Europe

After the decision in November 2013 to close PW Europe, its operations were gradually transferred to PW Holding. In 2015, resale from Brazil was handled completely by PW Holding in Zug. Precious Woods Europe was completely shut down effective 31 March 2015.

In 2014, PW began trading in European logs and sawn timber from Europe in order to expand its offerings and open up a new area of business. This does not constitute a core business, but rather is intended to complement the range of offerings. The net sales from trading amounted to USD 3.5 million in 2015. In the previous year, net sales were USD 4.7 million, but they included part of the resale from Brazil, which was handled by the still existing Dutch company at the time. Pure trading sales amounted to USD 0.5 million in 2014.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) were USD 0.2 million, an improvement of USD 0.8 million over the previous year, given that the fixed cost burden in the Netherlands came to an end in April 2015.

PW Europe continues to exist as a company in order to settle any transit imports to the EU area. However, no inventory is being created, and no further business can be processed.

Contracts with employees expired on 31 March 2015. The salesman responsible for the Benelux countries was integrated into the PW Holding sales team effective 1 January 2015.

Precious Woods Trading in brief

PW Europe (based in the Netherlands) was established following the acquisition of A. van den Berg B.V. by the Precious Woods Group in 2005. After the shutdown decision at the end of 2013, PW Europe employed only 3 employees at the end of 2014. The activities were taken over by PW Holding in Zug and clients were then supplied directly from the production plants in Brazil and Gabon. The Benelux countries continue to be an important market for the Precious Woods Group and for our sawn timber production using tropical woods. Clients continue to be supported by the experienced sales team; only the inventory of sawn timber is now administered on a centralized basis in Brazil. In 2014, trading of certified European logs was also taken up, complementing our extensive offerings.

Key figures Trading

		2015	2014	Change
Economic				
Sales logs and sawn wood	in m^3	17 100	7 600	125.0 %
Net sales	in USD million	3.5	4.7	–25.5 %
Operating result (EBITDA)	in USD million	0.2	–0.6	133.3 %
Environmental				
CO_2 emissions	in t	2 300		
PEFC share of timber sold	in %	100		

Different finished products from Brazilian tropical wood

Carbon & Energy – trading in CER emission certificates

The certification and subsequent sale of CERs for the year 2014 was completed successfully only in the 1st quarter of 2016. Accordingly, there were no net sales in 2015. In 2014, net sales were USD 0.5 million from the 2013 certification.

The contracts expiring in 2016 with BK Energia, the city of Itacoatiara, and MyClimate were successfully renewed. This means biomass deliveries and future contributions to profit from CER sales are ensured.

CERs from Brazilian biomass

BK Energia's 9megawatt power plant in Brazil provided the city of Itacoatiara and the sawmill of Precious Woods with electricity in the reporting year 2014. All electricity is generated from the waste timber of the PW Amazon sawmill, i.e., renewable biomass.

During maintenance work and an unexpected three weeks interruption, the Itacoatiara power plant was not available as usual. It therefore produced a total of 42 544 metric tons of CO_2 equivalents in 2015, which amounts to a reduction of 8.8 % compared with the previous year.

The biomass power plant will continue to play an important role for Precious Woods: firstly from an operational perspective (efficient electricity and waste heat supply for seasoning of wood), secondly on sustainability considerations thanks to complete utilization of the harvested wood and avoidance of CO_2 emissions.

Precious Woods Carbon & Energy

The Precious Woods business segment Carbon & Energy comprises of trade in CERs and until 31 March 2012 a biomass power plant. Precious Woods ran this biomass power plant in Itacoatiara, Brazil, which has been in operation since 2002 and was acquired by Precious Woods in 2005. As of 1 April 2012 Precious Woods has sold 40 % of its shares in the biomass plant to the existing minority shareholder and thus reduced its share from 80 % to 40 %. Therefore, the biomass plant was not fully consolidated any longer as per 1 April 2012. Precious Woods' sawmill remains to be the sole biomass supplier of the plant. The plant is a climate project, replacing diesel with biomass. Climate projects comply with the Clean Development Mechanism (CDM) of the Kyoto Protocol. The resulting CERs are traded since 2011 by the myclimate foundation on behalf of Precious Woods.

Carbon markets and emissions trading

According to the World Bank, global carbon markets experienced constant growth after 2005, reaching USD 142 billion. Since 2010 the market has stagnated, mainly because of lack of clarity concerning continuation of the Kyoto Protocol, which was still not resolved at the United Nations Framework Convention on Climate Change (UNFCCC) held in Durban in November 2011 or subsequently at the conference in Doha a year later. A binding climate protection agreement was concluded no later than 2015 and should enter into force in 2020. It is also envisioned that the United States, India, and China will be signing on to the agreement for the first time. The EU is maintaining its reduction targets for 2020 and aims to improve the current market situation in emissions trading. The EU Emissions Trading System (EU ETS) underwent major changes for its 2013–2020 trading period. The emission rights are now allocated uniformly on a centralized basis rather than according to the National Allocation Plans (NAPs) previously used. A greater and still increasing share is being auctioned to enterprises rather than allocated at no charge as in the past. Moreover, the EU has required intraEuropean air traffic to participate in the EU ETS since the year 2012.

Already in 2010, the European market share of the global carbon market, including secondary Clean Development Mechanism (CDM) transactions, rose to 97 %. From 2005 to 2010, Precious Woods benefited from prices of up to EUR 20 per metric ton of avoided CO_2 emissions as part of its CDM projects, e.g., the biomass power plant in Itacoatiara (Brazil). In 2010, an oversupply of CERs from CDM projects developed. Moreover, dubious projects, lax auditing, loopholes, and criminal activities against the EU ETS cast a bad light on the carbon market. In response, the UNFCCC tightened the rules and increased pressure on the certification authorities. Consequently, prices dropped in general and therefore also the achievable prices for Precious Woods to EUR 8 per metric ton of avoided CO_2 emissions. The new calculation method for the project in Brazil cut the number of CERs in half, and conservative calculations by the certification authority reduced the figure by a further 15 %.

[1] myclimate is a Switzerland-based organisation setup in 2002 to provide environmentally responsible solutions to individuals and companies. www.myclimate.org

Kiln for biomass BK Energia, Brazil

Sustainability as the highest entrepreneurial principle

Precious Woods is committed to the currently strictest certification standard, the Forest Stewardship Council (FSC). The FSC determines the applicable criteria for sustainability in forestry. Certification includes both forestry operations as well as production and trading of timber. Precious Woods thus guarantees 100% FSC-certified products from its PW Amazon and PW Gabon operations. But because FSC certification continues to be further developed, new efforts must always be made to adjust to the norms. Thanks to its consistent engagement on behalf of sustainability, Precious Woods is one of the leading companies in terms of quality in the field of sustainable tropical forestry and timber. The trade in European logs and sawn timber that was gradually taken up in 2014 is certified according to the PEFC standard.

Selective wood utilization is not equivalent to sustainable forestry

Selective logging is not at all equivalent to sustainable forestry. FSC-certified tropical forestry as practiced by Precious Woods is based on careful planning and selection of the trees to be logged, without endangering the stock of tree species. Average logging at Precious Woods is 1 to 3 trees per hectare during a cycle of 25 or 35 years, corresponding to a harvest of approximately 9 m^3/ha. Compared with a growth of about 3–4 m^3/ha per year, this means that the forest rapidly replaces the harvested volume. The legal foundations would permit a far higher quota, which would also result in lower costs. But this is not an option for Precious Woods, because we would then be unable to fulfil our ecological or social responsibility. There are also major differences between the various certification systems, the FSC standard being the most demanding. The regular development (and tightening) of this standard entails major challenges for us on an ongoing basis, but we are ready to take on and implement these challenges for the sake of the environment.

Illegal logging threatens certified timber trade and sustainable development

Illegal logging and trade grew to threatening dimensions at the beginning of the century, especially in tropical countries. A study by Chatham House estimated the global damage from illegal logging to producing countries at USD 15–20 billion annually. The consequences are deforestation, loss of biodiversity, increase in carbon emissions, but also often conflicts with indigenous peoples, violence, and human rights abuses. It is up to the producing as well as importing countries to prevent illegal logging and trade. Various measures by governments and the private sector have been implemented over the past ten years. These measures have started to produce results, but governments have been slow in implementing them.

Sustainability as the entrepreneurial principle of Precious Woods

With its sustainable management of tropical forests, Precious Woods has taken on a challenge of global importance. This was once again made clear during the 2015 Climate Change Conference in Paris. Global reforestation and sustainable management of tropical forests make a very significant contribution to the achievement of climate targets. Sustainability means creating economic, ecological, and social added value – for investors, employees, partners, and stakeholder groups. Depending on the tropical forest region, only one to three trees per hectare are harvested during a single harvest cycle (usually every 25–35 years). Especially valuable forest habitats remain untouched and are protected by Precious Woods. Forests are attributed economic value, so that there is hardly a risk of them being cleared for agricultural purposes. The achievements of Precious Woods in all areas of sustainability thus contribute to the long-term protection of forest ecosystems of the country in question. Where the state authorities fail in the areas of forest preservation or carbon storage, the company is able to make a valuable contribution. However, political stability, institutional reliability, and efficiency are necessary preconditions for long-term engagement. In any event, finding the right balance between the different aspects of sustainability in tropical forestry remains a constant challenge for Precious Woods.

Flower-Girl, Visit of Prime Minister in PWG, Gabon

EU FLEGT Action Plan

Faced with the deteriorating situation of illegal logging and timber trade, which increasingly competed with legal sources and not least of all FSC certified timber, the EU launched the FLEGT (Forest Law Enforcement, Governance and Trade) Action Plan in 2003. The EU is still one of the largest consumers of timber globally and therefore has a significant impact on the legalization process in producing countries. Options include support for producing countries as well as controls or subsidies for relevant initiatives in the private sector. These are agreed with producing countries as part of Voluntary Partnership Agreements (VPAs). The first VPAs have now been signed and more are in the ratification process. In 2013, the EU Timber Regulation (EUTR) entered into force as a transitional arrangement. The EUTR prohibits the marketing of all products sourced from illegally harvested or illegally traded timber in all 28 European member states, and it obliges all importers of timber and timber products to apply a due diligence system. The Lacey Act in the United States was similarly amended in 2008, and already in 2010 Switzerland introduced the declaration of origin for timber products. It is expected that other countries worldwide will likewise commit themselves to controls on import and the use of certified tropical wood.

Environmental and social key performance indicators

Environmental indicators		**2015**	**2014**	**2013**
Forest management				
Forest protection	total area in ha	1 160 700	1 160 700	1 123 300
FSC share of timber production sold	in %	100	100	100
PEFC share of traded timber sold	in %	100	100	
Energy consumption and emissions				
Reduction of CO_2 emissions	in t	42 544	46 671	41 591
CO_2 emissions	in t CO_2-equivalents	14 000	16 000	17 100
Electricity consumption	in GJ	24 500	28 500	26 500
Fossil fuel consumption	in GJ	147 300	171 000	186 400
Social indicators				
Employees (yearly average)				
Number of employees (yearly average)		1 269	1 268	1 217
Brazil		468	466	473
Gabon		790	786	724
Europe		1	8	13
Corporate		10	8	7
Women	in %	10	11	12
Rate of employee turnover	in %	3	3	3
Health and safety				
Accidents at work		170	203	97
Accidents per 1000 employees		134	161	81
Days lost per accident		9.4	9.0	12.5
Fatal accidents at work		–	1	1
Training				
Training hours		1 055	610	933
Training hours per employee		0.8	0.5	0.8

Opportunities for FSC-certified timber

With its standard, FSC certification goes far beyond the minimal requirements of legality, establishing more far-reaching requirements in regard to ecological and social sustainability in forestry as well as an uninterrupted chain of custody. The tightening legal situation in importing countries will probably benefit trade with FSC-certified timber, not only because FSC certification may be recognized by the enforcement authorities in future, but especially also because the competition from illegal – and thus lower-priced – timber is likely to decline.

The total forest area under FSC certification was 186 million hectares at the end of 2015, which roughly corresponds to the area of Germany, France, Spain, and Italy combined. But only about 10 % of that area covers tropical and subtropical forests, which means they are still highly underrepresented in terms of FSC certification. Precious Woods manages slightly less than 10 % of the total FSC-certified natural tropical forest areas.

The role of forestry in the climate debate

Over the past decades, large forest areas have been deforested or degraded, especially in the tropics. The causes lie in non-sustainable forestry, especially illegal logging, conversion to commercial agricultural land, slash-and-burn subsistence farming, and the exploitation of mineral resources. Deforestation has been a cause for great concern in recent years. This is mainly due to its negative impact on global warming and regional rainfall patterns. Today, deforestation in the tropics contributes about 10–12 % to greenhouse gas emissions caused by humans. But after the adoption of the Paris climate agreement in December 2015, the REDD+ concept (Reducing Emissions from Deforestation and Forest Degradation) has become a key component of the compensation scheme for preserving forests in developing countries. Many countries, international organizations, NGOs, and companies are currently engaged in creating the methodologies and capacities for such a compensation scheme. Sustainable forestry will play an important role in this regard and could also play a role in REDD+ activities and be eligible for compensation.

Carbon footprint

The CO_2 emissions generated by Precious Woods are recorded in three categories on the basis of World Resources Institute (WRI) classification (see illustration):
(1) direct emissions from fossil fuels (diesel, oil and gas consumption),
(2) indirect emissions from the consumption of electricity from the grid,
(3) other indirect emissions from business flights and the transport of timber while still in the possession of Precious Woods. This also applies to the holding.
The total emissions amount to 21 702 metric tons of CO_2 equivalents, 27.8 % less than in the previous year.

Precious Woods footprint	**Category 1**	**Category 2**	**Category 3**		**Total**
	Direct emissions from fuel consumption	Indirect emissions from electricity consumption	Flights	Transportation	
In metric tons of CO_2	**10 955**	**3 008**	**407**	**7 332**	**21 702**
Share per category	50 %	14 %	2 %	34 %	100 %

Social sustainability: Precious Woods leading the way in terms of quality

Precious Woods aims to create social added value. Given the limited financial possibilities, this continued to be a challenge in 2015, but it was mastered very well by our local teams. The number of total employees in 2015 was an average of 1300, a slight increase. Thanks to higher production, the number of employees was increased at the locations in Gabon and Brazil, thus compensating the staff reduction at the location in the Netherlands. The social benefits for the village communities and families in Africa and Brazil were maintained at the corresponding level: housing, electricity and drinking water, schools, and medical care are examples worthy of mention. These benefits provided by Precious Woods significantly exceed the legal requirements and FSC rules.

Sustainability Advisory Committee (SAC)

The Sustainability Advisory Committee (SAC) advises Precious Woods on new developments in sustainability in tropical forestry and supports the company in relations with local and international stakeholder groups and associations. It gives recommendations for achieving Precious Woods economic, ecological and social sustainability objectives and related reporting requirements. SAC continued operating in 2015 under the chairmanship of Claude Martin and has been mainly focussing on FSC-certification as well as the FLEGT, EUTR and REDD+ mechanisms.

SAC members:

Claude Martin, Dr. dipl. phil. II (Biol.) University of Zurich (Chairman)

- Chancellor of Int. University in Geneva. Former Director General of WWF International and former Board member of Precious Woods.

Jürgen Blaser, Dr. dipl. Forst-Ing., ETH Zurich (until the election in the Board of the Directors of Precious Woods Holding AG)

- Professor for International Forestry and Climate Change, Bern University of Applied Sciences, School of Agricultural, Forest and Food Sciences. Former Senior Forestry Officer at the World Bank and former Deputy Director of Intercorporation.

Heiko Liedeker, MSc. Forest Ecology, University of Vermont

- Executive Director of Leading Standards GmbH. Former Head of EU – FLEGT and REDD at the European Forest Institute and Executive Director FSC International.

Ralph Ridder, Dr. MSc. Forestry, Ludwig Maximilian University Munich

- Former Director General, Association Technique des Bois Tropicaux (ATIBT), Head of EU – FLEGT and REDD departments and head of Global Forest Program, World Resources Institute, Washington.

Corporate Governance 2015

Clearly defined lines of responsibility and a high degree of transparency are vital factors in the success of Precious Woods' efficient business management and strong, responsible corporate culture. We believe that by embracing the principles of corporate responsibility we are benefiting all stakeholder groups of Precious Woods: shareholders, employees, customers, suppliers and communities.

The following Corporate Governance Report is based on the Corporate Governance Directive of the SIX Swiss Exchange. To avoid repetition, some sections contain cross-references to other chapters in this Annual Report and to Precious Woods' website (www.preciouswoods.com). The following abbreviations are used:

BoD = Board of Directors
GM = Group Management

1. Group structure and shareholders

Precious Woods consists of four operational business segments: sustainable forestry in Brazil, sustainable forestry in Gabon, Trading and Carbon & Energy. For more information about the individual segments, please refer to pages 11 to 21 of the Annual report.

Precious Woods Holding Ltd was the only listed company within the Group. The delisting from the SIX Swiss Exchange took place on 9 August 2013. Precious Woods Holding Ltd has its headquarters in Zug. More information about Precious Woods' shares can be found on page 33 of this report. For more detailed information about the holding company and the consolidated subsidiaries (name, headquarters, share capital and percentage ownership), please refer to note 1 of the Financial Statements of PW Holding. A list of shareholders with more than 3 % of the voting rights can be found in note 31 of the consolidated Group Financial Statements. There are no cross-shareholdings or shareholders' agreements. Further information on shareholders is published on our website (Investor Relations – Corporate Governance – Shareholder Structure) and on the website of the OTC ZKB platform.

2. Capital structure

The ordinary share capital on 31 December 2015 stood at CHF 4 984 020 (4 984 020 registered shares at CHF 1 each). On 22 January 2016, the ordinary share capital consisted at CHF 5 961 557 (5 961 557 registered shares at CHF 1 each).

The General Meeting agreed on the same day to increase the conditional capital from CHF 1 590 488 to CHF 1 719 177 (1 719 177 shares with a nominal value of CHF 1 each). This allows for a capital increase at a suitable moment (p.e. conversion of convertible loans). On 14 November 2013, a capital increase of CHF 20 000 (20 000 shares with nominal value of CHF 1 each) was carried out from the conditional capital. The right to convert a convertible bond was exercised. The conditional capital on 31 December 2013 amounted to CHF 1 699 177 (1 699 177 shares with nominal value of CHF 1 each). On 30 December 2015, the right to convert convertible bonds was exercised. The capital increase amounted to CHF 1 216 214 (1 216 214 shares with a nominal value of CHF 1 each). As of 31 December 2015 the conditional share capital amounted to CHF 482 963 (482 963 shares with a nominal value of CHF 1 each). On 18 February 2016, the right to convert a convertible bond was again exercised. The capital increase amounted to CHF 40 540 (40 540 shares with a nominal value of CHF 1 each). The remaining conditional capital amounts to CHF 442 423 (442 423 shares with a nominal value of CHF 1 each).

On 21 Mai 2014, the Annual General Meeting renewed the authorized capital CHF 1 547 260 (1 547 260 shares with a nominal of CHF 1 each) by two years. The Board of Directors is authorized to increase the share capital at any time until 20 May 2016 by a maximum amount of CHF 1 547 260. During the years 2013 to 2015, no new shares were issued by the company under the authorized share capital. Effective 22 January 2016, the share capital was increased under the authorized capital in the amount of CHF 977 537 in shares (977 537 shares with a nominal value of CHF 1 each). The amount of the remaining authorized capital is CHF 569 723 in shares (569 723 shares with a nominal value of CHF 1 each). More information about the capital structure can be found in note 17 of the consolidated Group Financial Statements.

On December 2015, the short-term loans in the amount of CHF 5.6 million were replaced by another short-term loan which will be renewable on a yearly basis. Further information about Convertible bonds and loans can be found in note 16 of the consolidated Group Financial Statements.

The convertible bond in the amount of 17 million was due and new loan agreements were completed in December 2014. All agreements were timely signed. There was still a slight delay and the convertible bond was fully paid on 8 January 2015. The new loan agreements have a term of five years and one year.

3. Board of Directors

The BoD is responsible for strategy and organizational development, and supervises and controls the operational management. It defines the Group's business principles, and keeps itself regularly informed about the company's business performance. The BoD is authorized to make decisions on all matters that are not reserved for the Annual General Meeting or are conferred to another governing body of the company by law, the Articles of Association or other regulations.

The members of the BoD of Precious Woods contribute experience and expertise from a wide range of different fields and have both the skills and the time required, to ensure that they can critically and constructively engage with the GM and are able to form independent opinions. Members of the BoD are elected in staggered successions at the Annual General Meeting for a maximum term of three years.

The BoD is a self-constituting body and appoints the Chair from among its own members for a term of one year. After reaching one's 70th birthday, the respective member of the BoD will step down from its post at the company's next Annual General Meeting. At the Annual General Meeting on 20 May 2015 the re-election of Katharina Lehmann and Ernst A. Brugger lined up and they were elected for another year. Additional, Jürgen Blaser and Robert Hunink were elected as new members of BoD. Dominik Mohr has decided not to stand for re-election. The composition of the BoD is as follows on 31 December 2015: Ernst A. Brugger (Chair), Katharina Lehmann (Vicepresident), Jürgen Blaser (Member) and Robert Hunink (Member).

Members of the Board of Directors

The Precious Woods BoD has four members. The following statement about the members of the BoD and their activities at Precious Woods and cross-involvements represents the situation on 31 December 2015.

Prof. Ernst A. Brugger (Prof. Dr. phil. II), Swiss citizen, born in 1947, BoD chair since 18 May 2009, member of the RNC, BoD member since 2004, and mandate ends 2016. Other activities and interests:

- Chair of the Board of Directors of BHP – Brugger und Partner AG, Zürich
- Chair of the Board of Directors of BlueOrchard Finance S.A., Geneva
- Chair of the Board of Directors of Lausanne Hospitality Consulting, Lausanne
- Chair of the Board of Sanu Future Learning AG
- Chair of the Board of Directors of the SV Group, Zürich

(from left) Katharina Lehmann (BoD), Markus Brütsch (CEO/CFO), Ernst A. Brugger (BoD), Stéphane Glannaz (CCO), Jürgen Blaser (BoD), Robert Hunink (BoD)

- Member of the Board of Directors of BG Bonnard & Gardel Holding SA, Lausanne
- Member of the Board of Directors of Energie 360° Schweiz, Zurich
- Member of the Board of Directors of Paul Reinhart AG, Winterthur

Katharina Lehmann (lic. oec. HSG), Swiss citizen, born in 1972, BoD member since 2008, mandate ends in 2016. Other activities and interests:

- Since 1996 Chair of the Board of Directors and Chief Executive of the companies that make up Erlenhof AG, i.e. Holzwerk Lehmann AG und Blumer-Lehmann AG

Jürgen Blaser, Swiss citizen, born in 1955, BoD member since 2015, mandate ends in 2016. Other activities and interests:

- Professor of International Forestry and Climate Change at Bern University of Applied Sciences, Agricultural, Forest and Food Sciences
- Global Advisor on Forests to the Swiss Agency for Development and Cooperation

Robert Hunink, Dutch citicen, born in 1953, BoD member since 2015, mandate ends in 2016. Other activities and interests:

- President of ATIBT (Association Technique Internationale des Bois Tropicaux)
- Advisor for Olam International, Singapore

Additional information about the members of the BoD can be found in their profiles on our Website (Investor Relations – Corporate Governance – Board of Directors)

Committees of the Board of Directors

The committee meetings have been integrated with in the regular BoD meetings, due to the small size of the BoD no separate committee meetings are taking place.

The whole Board of Directors monitors the concordance between budget, finances and organisation, examines the interim statements and the Annual Financial Report as well as the budget and oversees the relations with the external auditors. It is also the responsibility of the whole BoD to ensure the monitoring of the internal control system (IKS) and risk-management procedures as well as overseeing the processes for compliance with legal and regulatory requirements.

Ernst A. Brugger is leading for strategy questions and thus for the topics that were previously assigned to the Remuneration & Nomination Committee (RNC) within the Board of Directors. The whole Board of Directors ensures adequate terms and conditions of engagement for GM and the senior executives of the subsidiaries; it evaluates new members of the BoD and GM, determines remuneration guidelines and oversees corporate governance.

The BoD met a total of 7 times during 2015. Each meeting lasted between two and eight hours. The BoD keeps itself informed of business matters by means of consolidated, periodic, operational and financial reports. All relevant documents are made available to the BoD on a regular and timely basis. Chairman, Delegate of the board and the CEO realised interim meetings and visited the local management in Gabon and Brazil regularly.

Further information about the decision-making process as well as the areas of responsibility and control mechanisms can be found in the bylaws, which are published on Precious Woods' Website (Investor Relations – Corporate Governance – Articles of Association and Bylaws).

4. Group Management

The GM under the leadership of the CEO is responsible for the operational management of the company. The organisation, roles and responsibilities of the GM and its members are defined in the bylaws, which are set by the BoD. More information is available on the Website (Investor Relations – Corporate Governance – Articles of Association and Bylaws).

In the reporting year, the GM consisted of the members Markus Brütsch, CEO/CFOand Stéphane Glannaz, CCO.

Markus Brütsch, born 1960, Swiss citizen, has been CFO of Precious Woods Group since 1 January 2014. In July 2014, he was also elected as CEO of Precious Woods Group. Before he worked as CFO at Winterthur Technology Group and Cicor Group.

Stéphane Glannaz (Master in marketing and intl. business), born in 1972, French and Swiss citizen (dual national), has been CCO of Precious Woods Group since 1 October 2013. Stéphane Glannaz was the Vicepresident of Olam Intl. Ltd. Singapure, Timber Division and Head of Marketing and Sales.

Additional information about the members of the GM can be found in their profiles on the Precious Woods Website (Investor Relations – Corporate Governance – Executive Management).

5. Compensation, shareholdings, loans

Employment contracts and the "Compensation Regulations for the Board of Directors of PWH" provide the framework for the compensation and stock option plans of the BoD, GM and the senior managers of the subsidiaries. In the case of services provided by members of the BoD in request of the company that are clearly outside the usual scope of Board activities, compensation is determined by the Board of Directors. Members can be compensated for their individual activities on the basis of effective time invested. Decisions regarding compensation and shareholdings for BoD and GM are made annually on the basis of the Compensation Regulations for the BoD based on market criteria.

The regulations mentioned as well as a detailed list of compensation granted to the members of the BoD and GM can be found on the Website (Investor Relations – Corporate Governance – Remuneration Policy), in note 18b of the consolidated Group Financial Statements and in note 8 of the Financial Statement of PW Holding. All management personnel and employees are insured in accordance with the minimum legal requirements of the countries in which they are employed.

In 2015, no leave settlements, loans or other benefits have been granted to any of the members of the governing bodies.

No cash compensation, shares, options, loans or other payments are made to former governing body members. A list of shares held by members of the BoD can be found on the Website (Investor Relations – Corporate governance – Remuneration Policy) and in note 8 of the Financial Statements of PW Holding.

6. Shareholders' rights of participation

Shareholders of Precious Woods enjoy all the rights to which they are entitled to without any statutory restrictions on voting rights. There are also no clauses differing from the legal provisions regarding statutory quota. All shareholders entered in the share register four weeks before the Annual General Meeting are eligible to participate in the Annual General Meeting. No changes affecting voting rights are made to the share register after the mailing of invitations to the Annual General Meeting. Requests to add items to the agenda of the Annual General Meeting can be made up to 30 days before the ordinary Annual General Meeting. At the ordinary Annual General Meeting held on 20 May 2015, all statutory items on the agenda were approved. The minutes of the Annual General Meetings are published on the Website (Investor Relations – General Meeting).

7. Changes of control and defence measures

The agreements with the members of the BoD and GM contain no statutory "option-out" or "opting-up" clauses or clauses on changes of control with the following exception: The CEO/CFO Markus Brütsch has a change of control clause in the employment contract defining a half-year salary in addition to the notice period.

8. Auditor

The Annual General Meeting selects an external auditor that possesses the independence and professional qualifications as stipulated by law for the term of one fiscal year. Procedures and subject of the audit are in accordance with legal provisions. Since the 2010 reporting year Ernst & Young, Zurich, has assumed the role of Group auditor. The auditing fees paid to Ernst & Young for auditing the accounts of PWH, the Group and the companies worldwide amounted to USD 233 925 in 2015. Ernst & Young also received an additional USD 145 572 in non-audit services in 2015. Ernst & Young audited the relevant subsidiary companies. The Board of Directors monitors the efficiency and effectiveness of the external audit. Detailed information can be found in the bylaws, which are published on our Website (Investor Relations – Corporate Governance – Articles of Association and Bylaws).

9. Information policy

Precious Woods pursues a pro-active and transparent information policy. Shareholders of the company are informed regularly about current affairs through the Annual Report and the Half-Year Report. Precious Woods maintains an informative Website (www.preciouswoods.com), which is updated on a regular basis.

Further information can be obtained from Group Communications (phone +41 41 726 13 16 or media@preciouswoods.com)

Shareholder information

Share capital

On 31 December 2015, the fully paid-in share capital of PW Holding amounted to CHF 4 984 020. It is divided into 4 984 020 registered shares with a nominal value of CHF 1 each. Additionally, the company has conditional capital of CHF 482 963 and authorized capital of CHF 1 547 260 to cover option and conversion rights. Further information on the share capital can be found in note to the 2015 financial statements of Precious Woods Holding.

Equivalent to 100 shares

Precious Woods is owner or concession holder of 506 699 hectares of forest in Brazil, and holds a forest concession in Gabon of 654 100 hectares. With the purchase of 100 shares, a shareholder had indirectly access to around 101 665 square metres of forests (2014: 134 480 square metres) in the Amazon and 131 240 square metres of forests (2014: 176 600 square metres) in Gabon in 2015.

Stock market listing

The shares of PW Holding were listed on the SIX Swiss Exchange in Zurich between 18 March 2002 and 9 August 2013. Since 12 August 2013 the shares are traded on the OTC ZKB platform.

Stock type: registered share
Nominal value: CHF 1.00
Security number: 1 328 336
ISIN: CH0013283368

Share register information

(Entries, transfers, changes of address, etc.)
Nimbus AG
Ziegelbrückstrasse 82
CH-8866 Ziegelbrücke
Phone +41 55 617 37 37
Fax +41 55 617 37 38
preciouswoods@nimbus.ch

Company headquarters

Precious Woods Holding Ltd
Untermüli 6
CH-6300 Zug
Phone +41 41 726 13 13
Fax +41 41 726 13 19
www.preciouswoods.com
office@preciouswoods.com

Stock price development

At the beginning of 2015, the share price was trading at CHF 2.60 on the OTC ZKB platform; on 30 June 2015, the price was higher at CHF 3.45. From July until the end of year 2015, the share price underwent several fluctuations between CHF 3.50 and CHF 4.25. The closing price of the shares was at CHF 3.85 on 31 December 2015.

Information for investors

		2015	2014	2013	2012	2011
Share price per 31.12.	in CHF	3.85	2.46	2.30	2.90	9.73
Stock market capitalization	in CHF million	19	9	9	10	34
Basic earnings per share	in USD	–1.26	–2.73	–5.53	–5.07	–16.33
Equity (book value) per share	in USD	2.59	5.38	8.74	15.49	20.88
Assets per share						
Primary forest in Brazil (ownership and concession)	in m^2	1 017	1 345	1 345	1 473	1 473
Primary forest in Gabon (concession)	in m^2	1 312	1 736	1 789	1 960	1 960

Forest photographing from Brazil

Precious Woods Group financial statements

Wine-leaved passion-flower from Brazil

Consolidated statement of financial position

in TUSD	Notes	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents		3 828	2 769
Trade and other receivables	3	8 623	10 945
Inventories	4	11 025	11 789
Other current assets	5	1 015	1 648
Total current assets		**24 491**	**27 151**
Non-current assets			
Property, plant and equipment	6, 7	38 399	48 450
Intangible assets	8	6 520	9 094
Investments in associates	9	646	1 228
Non-current financial assets	10	529	531
Other non-current assets		622	855
Deferred income tax assets	32	6	91
Total non-current assets		**46 722**	**60 249**
Non-current assets held for sale	11	7	6
TOTAL		**71 220**	**87 406**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	12	15 751	15 618
Current income tax liabilities		285	194
Short-term convertible loans	13, 16	–	7 306
Current financial liabilities	13	15 541	19 164
Current provisions	14	29	205
Total current liabilities		**31 606**	**42 487**
Non-current liabilities			
Long-term convertible loans	13, 16	468	–
Non-current financial liabilities	13	21 296	18 902
Deferred tax liabilities	32	–	91
Non-current provisions	14	4 948	5 650
Total non-current liabilities		**26 712**	**24 643**
Equity			
Share capital		4 543	3 278
Additional paid-in capital		71 160	67 659
Foreign currency translation reserve		6 417	13 400
Retained earnings		–69 354	–64 207
Equity attributable to owners of Precious Woods Holding Ltd		**12 766**	**20 130**
Non-controlling interests		**136**	**146**
Total shareholders' equity		**12 902**	**20 276**
TOTAL		**71 220**	**87 406**

Consolidated statement of profit or loss

in TUSD	Notes	2015	2014
Net sales from trading activities	20	44 396	46 622
Revenue from emission reduction activities	21	–	501
Total revenue		**44 396**	**47 123**
Changes in inventories of finished goods and work in progress		1 018	–4 025
Raw materials and consumables used		–2 757	966
Other production costs	22	–14 776	–17 469
Operational contribution		**27 881**	**26 595**
Direct and indirect labour costs	24	–17 344	–20 772
Other operating expenses	25	–3 871	–2 405
Other operating income	25	195	297
Earnings before interest, tax, depreciation and amortization (EBITDA)		**6 861**	**3 715**
Depreciation, amortization and impairment	23	–5 768	–7 815
Earnings before interest and tax (EBIT)		**1 093**	**–4 100**
Financial income	26	119	1 020
Financial expenses	26	–5 389	–6 334
Share of (losses)/profits of associates	9	–136	62
Earnings before tax (EBT)		**–4 313**	**–9 352**
Income taxes (expenses)/income	32	–433	–837
Net (loss)/profit for the period		**–4 746**	**–10 189**
Allocation of net (loss)/profit:			
Equity owners of Precious Woods Holding Ltd		–4 751	–10 304
Non-controlling interests		5	115
Basic earnings per share	28	**–1.26**	**–2.73**
Diluted earnings per share	28	**–1.26**	**–2.74**

Consolidated statement of comprehensive income

in TUSD	2015	2014
Net (loss)/profit for the period	**–4 746**	**–10 189**
Actuarial gains and losses	–434	–421
Tax effect on actuarial gains and losses	38	37
Foreign currency translation differences	12	–32
Items that will not be reclassified to profit or loss, net of tax	**–384**	**–416**
Unrealised gains and losses financial assets available for sale	0	3
Foreign currency translation differences	–7 010	–2 005
Items that may be reclassified subsequently to profit or loss, net of tax	**–7 010**	**–2 002**
Total other comprehensive (loss)/income for the period	**–7 394**	**–2 418**
Total comprehensive (loss)/income for the period	**–12 140**	**–12 607**
Allocation of total comprehensive (loss)/income:		
Equity owners of Precious Woods Holding Ltd	–12 280	–12 714
Non-controlling interests	140	107

Consolidated statement of changes in equity

in TUSD	**Notes**	Attributable to equity holders of Precious Woods Ltd						
		Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance 1 January 2014		**3 278**	**67 660**	**15 430**	**–53 482**	**32 886**	**35**	**32 921**
Net (loss)/profit for the period		–	–	–	–10 304	**–10 304**	115	**–10 189**
Other comprehensive (loss)/income for the period		–	–	–2 030	–380	**–2 410**	–8	**–2 418**
Total comprehensive (loss)/income for the period		**–**	**–**	**–2 030**	**–10 684**	**–12 714**	**107**	**–12 607**
Purchase of treasury shares		–	–1	–	–	**–1**	–	**–1**
Equity component convertible loans	16	–	–	–	–	**–**	–	**–**
Costs of capital increase/transaction costs		–	–0	–	–	**–0**	–	**–0**
Change in consolidation scope		–	–	–	–41	**–41**	4	**–37**
Balance 31 December 2014		**3 278**	**67 659**	**13 400**	**–64 207**	**20 130**	**146**	**20 276**
Net (loss)/profit for the period		–	–	–	–4 751	**–4 751**	5	**–4 746**
Other comprehensive (loss)/income for the period		–	–	–6 983	–396	**–7 379**	–15	**–7 394**
Total comprehensive (loss)/income for the period		**–**	**–**	**–6 983**	**–5 147**	**–12 130**	**–10**	**–12 140**
Sale of treasury shares		–	1	–	–	**1**	–	**1**
Proceeds from issue of shares		1 265	3 413	–	–	**4 678**	–	**4 678**
Equity component convertible loans	16	–	87	–	–	**87**	–	**87**
Costs of capital increase/transaction costs		–	–	–	–	**–**	–	**–**
Change in consolidation scope		–	–	–	–	**–**	–	**–**
Balance 31 December 2015		**4 543**	**71 160**	**6 417**	**–69 354**	**12 766**	**136**	**12 902**

Consolidated statement of cash flows

in TUSD	Notes	2015	2014
Net cash flow from operating activities			
Profit/(loss) for the period		–4 746	–10 189
Income taxes (income)/expenses	32	433	837
Interest income	26	–4	–2
Interest expenses	26	3 256	4 313
Dividend income	26	–38	–109
Profit/loss for the period before interest and tax		**–1 099**	**–5 150**
Depreciation and amortization	23	5 787	7 796
Impairment on property, plant and equipment	6	–	45
Impairment of intangible assets	8	–	1
Reversal of impairment of non-current assets	23	–20	–27
(Profit)/loss on sale of non-current assets and liabilities	25	–73	41
Share of (losses)/profits of associates	9	22	–221
Fair value adjustments of financial liabilities		–	–32
Disposal of financial liabilities as a result of forgiveness		–42	–
Changes in provisions		–93	–1 006
Allowances on inventories		160	–91
Other non-cash items		1 802	–340
Operating cash flow before working capital changes		**6 444**	**1 016**
Decrease/(increase) in trade and other receivables		1 088	–3 659
Decrease/(increase) in inventories	4	–1 458	1 689
Decrease/(increase) in other current assets		250	21
Increase/(decrease) in trade payables and other liabilities		–1 906	2 041
Income tax (paid)/received		–7	–15
Net cash flow operating activities		**4 411**	**1 093**
Cash flow from investing activities			
Purchase of intangible assets	8	–	–4
Proceeds from sale of property, plant and equipment		93	29
Purchase of property, plant and equipment	6	–2 231	–1 224
Proceeds from disposal of associates		–	1 276
Proceeds from disposal of financial assets		2	33
Purchase of financial assets		–0	–4
Dividends received		38	109
Interests received		4	2
Net cash flow investing activities		**–2 094**	**217**
Cash flow from financing activities			
Purchase of own shares		–	–1
Proceeds from increase of authorized share capital		3 761	–
Proceeds from borrowings		7 349	6 315
Repayment of borrowings		–10 764	–5 914
Proceeds from convertible loans	16	1 937	–2
Repayment of bonds		–688	–
Interests paid		–2 676	–1 857
Net cash flow financing activities		**–1 081**	**–1 459**
(Decrease)/increase in cash and cash equivalents		**1 236**	**–149**
Translation effect on cash		**–177**	**–267**
Cash and cash equivalents, at the beginning of the year		**2 769**	**3 185**
Total Cash and cash equivalents, at the end of the year		**3 828**	**2 769**

Notes to the consolidated financial statements

1. Basis of presentation and accounting policies

Basis of presentation

Precious Woods Holding Ltd (the Group) was incorporated as an international business group on 17 December 1990 under the laws of the British Virgin Islands. In 2001 the corporate domicile was relocated to Switzerland. The registered office is located in Zug. The Group's subsidiaries are organized and operate under the laws of Brazil, Gabon, the British Virgin Islands, the Netherlands and Luxembourg.

The activities of the Group are primarily organized and presented in four operating segments supported by a central corporate office.

- *Sustainable Forest Management Brazil:* operations active in the sustainable management of tropical forests and the processing of tropical hardwoods commenced in 1996 in Brazil
- *Sustainable Forest Management Gabon:* operations active in the sustainable management of tropical forests and the processing of tropical hardwoods commenced in 2007 in Gabon
- *Trading:* a major additional distinct operational area since 2005 but discontinued during 2014; additional trading of timber from external sources started in 2014 in Switzerland
- *Carbon & Energy:* trading of Certified Emission Reductions (CERs)

Unless specified otherwise, all figures are reported in TUSD. 1 TUSD = USD 1000.

Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

The consolidated financial statements for the Precious Woods Group have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared according to the historical costs convention with the exception of investment property, financial assets at fair value through profit or loss and available-for-sale financial assets, which are valued at fair value.

Significant accounting judgments, estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions, which may have a significant risk of causing a material impact on the consolidated financial statements, relate primarily to provisions, land titles in Brazil, valuation of convertible loans and non-current assets held for sale.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

Land titles Brazil

For certain land acquired by Precious Woods in Brazil, the land title registration is not yet finalized. These transactions are disclosed as pre-payments. For pre-payments for land titles with a certain risk of losing the land, an allowance is recorded based on Management's estimate of the outcome. This required an estimate of the probability to be able to prove the ownership of the land (see Note 6).

Certified Emission Reductions

The power plant BK Energia in Brazil generates CERs (Certified Emission Reductions). These CERs are purchased from BK Energia, an associate of PW Group, and sold by Precious Woods Holding. CERs are on stock as long as the certification is not yet achieved and sold afterwards (see Note 21).

Valuation of derivative financial instruments / convertible loans

Where the fair value of derivative financial instruments recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of management judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments (see Notes 15 and 16).

Debt restructuring / refinancing

Precious Woods Holding was successful in refinancing the convertible bond in the amount of CHF 17 million, which fell due in December 2014. CHF 5.6 million of the refinancing, however, has been on a short-term basis and net result was still negative. This short-term loans have been successfully refinanced mid of December 2015 by another short-term loan which is defined as extendable year-by-year.

With the aim to reduce total financial debt Precious Woods Holding performed end of 2015 capital increases from authorized and conditional share capital in the total amount of CHF 8.1 million whereof CHF 4.5 million loans were converted into equity. The paid-in capital of CHF 3.6 million is shown under other current liabilities and was transferred to equity on 22 January 2016 only after publication in the commercial register.

The liquidity situation of the Group was less stressed than in the previous year; the operating cash-flow contributed much higher than in 2014.

New standards, amendments and interpretations

Certain International Financial Reporting Standards (IFRS) and IFRIC interpretations were revised or introduced by the International Accounting Standards Board (IASB), effective on or after 1 July 2014.

- *IAS 19 Employee Benefits: Defined Benefit Plans: Employee Contributions* – The amendment simplified the requirements for contributions from employees or third parties to a defined benefit plan, when those contributions are applied to a simple contributory plan that is linked to service. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. The amendment will allow continuing accounting for employee contributions using the existing accounting policy, rather than spreading them over the employees' working lives. Therefore this amendment had no impact on the financial statement of the Group.

The Annual Improvements to IFRSs 2010–2012 cycle contains the following relevant amendments:

- *IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets* – These amendments clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The amendments had no material impact on the financial statement of the Group.
- *IFRS 8 Operating Segments: Disclosure of Judgments* – These amendments require the disclosure of judgments made by management in aggregating operating segments. Further is the reconciliation of segment assets to the entity's assets necessary when segment assets are reported. The amendments had no material impact on the financial statement of the Group.
- *IAS 24 Related Party Disclosures – Key Management Personnel* – This amendment defines when to include – as a related party – an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The amendment had no impact on the financial statement of the Group.

The Annual Improvements to IFRSs 2011–2013 cycle contains the following relevant amendment:

- *IFRS 13 Fair Value Measurement – Clarification of the Portfolio Exemption*. The amendment had no impact on the financial statement of the Group.

Future changes in IFRS

The Group is currently assessing the potential impact of the new standards that will be effective for annual periods beginning on or after 1 January 2016 and beyond, which include:

- IFRS 10 Consolidated Financial Statements / IAS 28 Investment in Associates and Joint Ventures (amendments): Inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture – effective on or after 1 January 2016
- IFRS 11 Joint Arrangements (amendments): Accounting for Acquisitions of Interests in Joint Operations – effective on or after 1 January 2016
- IAS 1 Presentation of Financial Statements: Disclosure Initiative – effective on or after 1 January 2016
- IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets (amendment): Depreciation and Amortization – effective on or after 1 January 2016
- IAS 27 Separate Financial Statements (amendments): Equity method – effective on or after 1 January 2016
- Annual Improvements to IFRSs 2012–2014 cycle – effective on or after 1 January 2016
- IAS 12 Income Taxes (amendments): Recognition of Deferred Tax Assets for Unrealized Losses – effective on or after 1 January 2017
- IAS 7 Cash Flow Statement (amendments): Disclosure Initiative – effective on or after 1 January 2017
- IFRS 9 Financial Instruments: Classification and Measurement – effective on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers – effective on or after 1 January 2018
- IFRS 16 Leases – effective on or after 1 January 2019

The significant accounting policies are as follows:

a. Basis of consolidation

The consolidated financial statements include the balances and transactions of Precious Woods Holding Ltd and its subsidiaries. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is lost.

The following subsidiaries are included in the consolidated financial statements:

Subsidiary	Country	Ownership 2015	2014
Precious Woods Management Ltd.	British Virgin Islands	100 %	100 %
Madeiras Preciosas da Amazônia Manejo Ltda.	Brazil	100 %	100 %
Mil Madeiras Preciosas Ltda.	Brazil	100 %	100 %
Carolina Indústria Ltda.	Brazil	100 %	100 %
Precious Woods do Pará S.A.	Brazil	100 %	100 %
Precious Woods Manejo Florestal Ltda.	Brazil	100 %	100 %
Monte Verde Madeiras Ltda.	Brazil	100 %	100 %
Precious Woods Europe B.V.	The Netherlands	100 %	100 %
Geveltim Houtimport B.V.	The Netherlands	100 %	100 %
Lastour & Co. S.A.	Luxembourg	100 %	100 %
Unio Holding S.A.	Luxembourg	100 %	100 %
Precious Woods – Compagnie Equatoriale des Bois S.A.	Gabon	99 %	99 %
Precious Woods – Tropical Gabon Industrie S.A.	Gabon	100 %	100 %

The acquisition method is used to account for the acquisition of subsidiaries by the Group. On the acquisition date all identifiable assets and liabilities of the subsidiary are measured at fair value. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed.

For purchases of non-controlling interests, the difference between any consideration paid and the relevant share of non-controlling interest acquired is deducted from equity. Gains or losses on disposals of non-controlling interests are also recorded in equity.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

b. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. They are stated at nominal value. Bank overdrafts are shown within borrowings in current liabilities.

c. Trade receivables

Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowances. Doubtful accounts are individually measured and impaired. Indications for such impairments are substantial financial problems on the part of the customer, a declaration of bankruptcy or a financial reorganization being likely, or a delay in payment occurring. A general allowance based on past experiences is made in addition to these individual measurements.

d. Inventories

Inventories include raw materials, auxiliary materials and supplies, semi-finished goods, finished goods and trading goods. Inventories are valued at the lower of cost or net realizable value. Round wood and finished products are recorded at the average cost of production, less provision for losses, when applicable. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale.

The cost of semi-finished and finished goods contains direct production costs including materials and production costs, as well as production overhead costs.

e. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is applied using the straight-line method over the estimated useful life of the assets as follows:

Land:	not depreciated
Permanent forest roads:	25 years
Buildings and improvements:	3 to 25 years
Machinery and vehicles:	4 to 10 years
Furniture and fixtures:	5 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The effect of such change is recognized immediately in the statement of profit or loss. The forests in Brazil are valued at cost as fair values cannot be reliably measured in sustainable management of existing tropical forest. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of profit or loss.

f. Intangible assets

Acquired trademarks and licenses have a finite useful life and are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (12 to 24 years).

Other intangible assets have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs of intangible assets over their estimated useful lives (12 to 50 years).

g. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Such assessment occurs on the basis of events or changes in circumstances, which indicate that the value of an asset may be impaired. If such indications exist, the recoverable amount will be determined for the respective asset. If the asset does not generate cash inflows that are largely independent from other assets, the recoverable amount is determined on the lowest group of assets for which cash inflows are separable. An impairment loss results, if the carrying value exceeds the recoverable amount. The recoverable amount is the higher of value in use or fair value less costs of disposal. The impairment is recorded in the statement of profit or loss.

h. Leases

Leasing of assets, in which substantially all the risks and rewards incidental to ownership are transferred to the lessee, are classified as finance leases. Finance leases are initially recognized in the statement of financial position at the lower of the fair value of the leased assets, or the present value of the minimal lease payments. The leased asset is depreciated over the shorter of the useful life or the lease term. The corresponding financial obligations are recorded as liabilities. Leased assets, in which substantially all risks and rewards incidental to ownership are effectively held and used by the lessor, are classified as operating leases. Lease payments under an operating lease are recorded in the statement of profit or loss on a straight-line basis over the lease term.

i. Financial assets

Financial assets are designated to the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments. The classification depends on the purpose of the financial asset. Management determines the categories of its financial assets at initial recognition and re-evaluates the classification at each reporting date.

Financial assets at fair value through profit or loss

This designation is split into two sub-categories: financial assets held for trading and those which Management designated at their fair value through profit or loss at inception. A financial asset is held for trading if it is principally purchased for the purpose of selling in the short term. Derivatives, including separated embedded derivatives are classified as held for trading, unless they are used for hedge accounting. Financial assets at fair value through profit or loss are categorized as current assets if they are either held for trading or if they are expected to be realized within 12 months from the reporting date.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with defined payments that are not quoted in an active market. They are classified as current assets if their maturity does not exceed 12 months after the reporting date. Otherwise they are included in non-current assets.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated as available-for-sale investments or that are not designated to any of the other categories. They are included in non-current assets, unless Management has decided to sell within 12 months after the reporting date.

All purchases and sales of financial assets are recorded on the trade date. Trade date is the date on which the Group commits itself to the purchase or sale of the asset.

Financial assets not categorized at fair value through profit or loss are initially recorded at fair value plus transaction costs. Financial assets categorized as at fair value through profit or loss are initially measured at the actual price paid. The related transaction costs are recorded directly in the statement of profit or loss. Financial assets are derecognized if the contractual rights to the cash flows from the financial asset expire, or are transferred, and the Group has substantially transferred all the risks and rewards of ownership of the financial asset.

Loans and receivables are measured at amortized cost, using the effective interest method. Financial assets at fair value through profit or loss are subsequently measured at fair value, with changes in fair value recorded in the statement of profit or loss. Available-for-sale investments are subsequently measured at fair value with unrealized profits or losses resulting from changes in the fair value of available-for-sale investments recorded in other comprehensive income. Upon sale or impairments of available-for-sale investments the accumulated fair value adjustments in other comprehensive income are recycled through profit or loss.

The fair value of financial assets is based on current market prices. In case there is no active market for a financial asset and hence no current market prices are available, the Group determines the fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, book value analysis, or discounted cash flow analyses.

The Group assesses at each reporting date whether there is objective evidence that loans and receivables are impaired. In such cases, Management estimates the future cash flows. An impairment loss is recorded in the statement of profit or loss when the carrying value is higher than the present value of estimated future cash flows of the financial asset. If in a subsequent period the impairment loss of loans and receivables decreases and can be objectively allocated to an event that occurred after the impairment was recorded, the reversal amount is recognized through profit or loss for that period at a maximum of the previously recognized impairment loss.

j. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is concluded and are subsequently measured at fair value. The Group does not apply hedge accounting. Consequently, all changes in fair value are recognized in the statement of profit or loss.

k. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized over the period of the borrowings, using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

l. Convertible loans

Convertible loans represent compound financial instruments consisting of a liability as well as an equity component or a derivative financial instrument. The fair value of the liability component is determined by discounting the future cash flows with an equivalent market interest rate for non-convertible instruments.

The difference between cash received before the allocation of the transaction costs at the date of inception and the fair value of the liability component represents the fair value of the embedded equity conversion option or the fair value of the derivative financial liability. The value included in shareholders' equity, net of tax, is not re-measured subsequently.

The costs of issuing convertible loans are allocated to the liability and equity component at the date of inception. The part of the costs that is allocated to the equity component will be netted.

The interest expense of the liability component equals a market interest rate for comparable non-convertible loans.

m. Revenue recognition

Net sales are determined by deducting transportation costs, value added taxes, discounts and returns from gross sales. Revenue trading activities are recognized when the entity has transferred the significant risks and rewards of ownership of the goods to the buyer, when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when the amount of revenue can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. For information on revenue from emission reduction activities, please refer to chapter t on certified emission reductions.

n. Currency

As the business of Precious Woods started in Costa Rica the presentation currency of the Group is the United States dollar (USD). The subsidiaries' accounting records are maintained in the legal currency of the country in which they operate and which is their functional currency.

The currency translation rates for the consolidated financial statements are as follows:

in USD		31 December 2015	in % of previous year	Average 2015	in % of previous year	31 December 2014	Average 2014
Swiss franc	1 CHF	1.0073	99.7 %	1.0398	95.1 %	1.0105	1.0938
Brazilian real	1 BRL	0.2523	67.8 %	0.3046	71.6 %	0.3722	0.4257
Euro	1 EUR	1.0906	89.7 %	1.1101	83.5 %	1.2155	1.3290
Central African CFA franc	1 XAF	0.0017	89.5 %	0.0017	85.0 %	0.0019	0.0020

o. Currency translation

The financial statements of the subsidiaries have been translated from their functional currencies to the presentation currency (USD). Therefore, all assets and liabilities are translated by using the rate of exchange prevailing at the reporting date. Shareholders' equity accounts are translated at historical exchange rates. The statement of profit or loss is translated at the average rate for the year. Translation differences are recognized as foreign currency translation in other comprehensive income.

p. Currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through profit or loss.

q. Taxation

The charge for current income tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates for the countries where the Group has operations. Deferred income taxes are accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements, and the corresponding tax basis used in the computation of taxable profit. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction, which affects neither the taxable profit nor the accounting profit.

r. Pension plans

The Group has both defined benefit plans and defined contribution plans.

In a defined benefit plan the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation is defined. Professionally qualified independent actuaries value the defined benefit obligations on a regular basis. The obligation and costs of pension benefits are determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past service costs, which comprise plan amendments and curtailments, as well as gains or losses on the settlement of pension benefits are recognized immediately when they occur. Remeasurements, which comprise actuarial gains and losses on the pension obligation, the return on plan assets and changes in the effect of the asset ceiling excluding amounts included in net interest, are recognized directly in other comprehensive income and are not reclassified to profit or loss in a subsequent period. The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to the interest rate on government bonds where the currency and terms of the government bonds are consistent with the currency and estimated terms of the defined benefit obligation. A net pension asset is recorded only to the extent that it does not exceed the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Payments to defined contribution pension plans are charged as an expense to the statement of comprehensive income as they fall due.

s. Segment reporting

Operating segments are reported in the manner consistent with the internal reporting to the chief operating decision maker, which is the Group Management of Precious Woods. Group Management is responsible for allocating resources and assessing the performance of the operating segments.

t. Certified Emission Reductions (CERs)

Certified Emission Reductions (CERs) are granted by the United Nations Framework Convention on Climate Change (UNFCCC) for Greenhouse Gas Reduction of one metric ton of CO_2 equivalent.

u. Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

2. Financial risk management

In the normal course of business the Group is exposed to changes in currency exchange rates, financing risk, changes in interest rates and credit risks.

The Precious Woods Group's financial risk management seeks to minimize potential adverse effects on financial performance.

The Group may use derivative financial instruments to economically hedge financial risks. In the reporting period, the Precious Woods Group did not apply hedge accounting.

Risk management is carried out by the Group finance department under conditions approved by the Board of Directors and Group Management. The Group Management takes decisions covering specific areas, such as foreign exchange risk, on a case-by-case basis.

Market risk

The market risk includes interest rate risk, foreign exchange risk and equity price risk.

Interest rate risk

The Group has no significant interest-bearing assets. The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risks. Group borrowings are denominated in CHF, BRL, EUR and XAF.

Management's policy is to maintain its borrowings in fixed rate instruments. There was no material variable interest rate borrowing on 31 December 2014 as well as on 31 December 2015.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The XAF is in a fix relation to the EUR. As most of the sales out from Gabon are denominated in EUR and all cost in XAF the currency risk is limited to the translation into USD for the presentation. The sales out of Brazil are denominated in EUR and USD, the cost are in BRL. Therefore the currency risk for the local books is given.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. To manage their foreign exchange risk arising from future commercial transactions the Group may use forward contracts, transacted by the Group finance department.

The sensitivity is based on the exposure on 31 December based on assumptions that have been deemed reasonable by Management, showing the impact on profit or loss before tax as well as on equity. The Group uses historical volatilities of the currency pairs below to determine the reasonable shift.

The following table summarizes the Group's sensitivity to currency exposures regarding the positions in the statement of financial position of the main currencies on 31 December.

in TUSD	31.12.15 Reasonable shift	31.12.15 "Impact" on profit or loss before tax	31.12.15 "Impact" on equity	31.12.14 Reasonable shift	31.12.14 "Impact" on profit or loss before tax	31.12.14 "Impact" on equity
EUR/CHF	+/–15 %	+/–843	+/–3 504	+/–15 %	+/–544	+/–3 898
USD/CHF	+/–15 %	+/–33	+/–1 668	+/–15 %	+/–88	+/–1 667
USD/BRL	+/–15 %	+/–22	+/–1 405	+/–15 %	+/–17	+/–2 082
CHF/BRL	+/–15 %	+/–0	+/–6 544	+/–15 %	+/–0	+/–6 528
XAF/CHF	+/–15 %	+/–0	+/–835	+/–15 %	+/–0	+/–458

All the loans in Precious Woods Holding are denominated in CHF and were replaced by new CHF loans. The situation will be monitored very closely when it comes to a due date of a loan whether it shall be replaced or repaid in CHF and hedged before.

Price risk

The Group is exposed to equity securities price risks because of unlisted investments held by the Group and classified as available for sale or at fair value through profit or loss. At the reporting date, the exposure to unlisted equity securities at fair value was USD 0.5 million (2014: USD 0.5 million). Please refer to Note 10.

Liquidity risk

Liquidity risk management is centralized at the Group head office and monitored through cash-flow forecasts. The subsidiaries provide regular forecasts based on the expected cash-inflows and -outflows. Excess funds are pooled in accounts managed by the holding company. Cash deficits are funded by the holding company in general. Group administration raises the majority interest-bearing debt centrally. The Group seeks to reduce liquidity risks through sufficient cash reserves and credit facility arrangements.

The following table analyses the Group's remaining contractual maturity for financial liabilities and derivative financial instruments.

in TUSD	Less than 1 year	Between 1 and 2 years	Over 2 years
31 December 2015			
Trade and other payables	15 751	–	–
Financial liabilities	15 541	3 084	18 680
Non-derivative financial liabilities	**31 292**	**3 084**	**18 680**
Net settled derivative financial instruments	–	–	–
Derivative financial instruments	**–**	**–**	**–**

in TUSD	Less than 1 year	Between 1 and 2 years	Over 2 years
31 December 2014			
Trade and other payables	15 618	–	–
Financial liabilities	26 471	5 082	13 820
Non-derivative financial liabilities	**42 089**	**5 082**	**13 820**
Net settled derivative financial instruments	–	–	–
Derivative financial instruments	**–**	**–**	**–**

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Where banks and financial institutions are concerned, generally independently rated parties with a minimum rating of "A" are accepted. The Group has one main relation with a bank, which has a rating of "A". Most of the sales are CAD (Cash Against Documents) and if this does not apply and the customers are independently rated, these ratings are used. The Group has set up a policy to minimize credit risk and monitor its clients. Customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The Group therefore monitors its accounts receivable at individual customer level by payment due date rather than the number of days from invoice date. No concentrations of credit risk are currently present. An allowance on bad debt is determined on both an individual and a general basis. An individual allowance is determined when a customer disputes the amount due, or if legal steps have been taken to recover the overdue amount. A general allowance on bad debt is determined for all other amounts based on past experience. For detailed information see Note 3.

Capital management

When managing capital, the Precious Woods Group's objectives are to safeguard the Group's ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital. In order to reach these goals, the Precious Woods Group issues new shares or sells assets to reduce debts. The mid-term target of the Group is to have an equity ratio of >40 %. Capital is considered the equity attributable to holders of Precious Woods Holding. There were no changes in the Group's approach to capital management during the year.

Guarantees and pledges of assets

Precious Woods Tropical Gabon Industrie has pledged buildings in the amount of USD 8.5 million (2014: USD 9.5 million), has pledged machinery and equipment in the amount of USD 2.9 million (2014: USD 3.2 million) and leased property and plants by USD 0.1 million (2014: USD 0.1) to secure bank loans. Precious Woods Compagnie Equatoriale des Bois has pledged machinery and equipment in the amount of USD 5.0 million (2014: USD 5.6 million), leased property and plants by USD 1.8 million (2014: USD 2.0 million) and inventories in the amount of USD 1.4 million (2014: USD 1.6). Precious Woods Holding Ltd has no pledged assets, but other securities in the amount of USD 23.2 million in connection with loans (2014: USD 2.0).

3. Trade and other receivables

in TUSD	2015	2014
Trade receivables, third parties	6 053	6 737
Trade receivables, associates	4	81
Less allowance for bad debts	–920	–1 363
Total trade receivables net	**5 137**	**5 455**
Other short-term receivables	3 486	5 490
Total	**8 623**	**10 945**

The carrying amounts of the receivables approximate to their fair values.

Taking into consideration the terms and conditions established with customers, the following table sets forth details of the age of trade accounts receivable:

in TUSD	2015	2014
Not overdue	5 266	5 861
Less than 30 days overdue	686	4
31 to 60 days overdue	80	–
61 to 180 days overdue	15	9
More than 180 days overdue	10	944
Total trade receivables gross	**6 057**	**6 818**
Allowance for bad debts	–920	–1 363
Total trade receivables net	**5 137**	**5 455**

Allowances for bad debts

in TUSD	2015	2014
At 1 January	1 363	1 470
Addition in allowance for bad debts	159	91
Release of allowance for bad debts	–170	–13
Translation differences	–432	–185
At 31 December	**920**	**1 363**

Trade receivables net include amounts denominated in the following currencies:

in TUSD	2015	2014
EUR	4 173	4 434
USD	260	383
BRL	74	168
XAF	630	470
Total trade receivables net	**5 137**	**5 455**

4. Inventories

in TUSD	2015	2014
Logs	4 216	4 078
Sawn wood	3 140	3 425
Veneers	182	990
Industrialized products	284	330
Certified Emission Reductions (CERs)	268	140
Export products in transit	1 817	1 736
Spare parts and other	1 360	1 405
Less obsolescence reserve	–242	–315
Total inventories	**11 025**	**11 789**

In 2013, the inventory of Precious Woods Europe is – due to restructuring – revaluated to net realizable value. This revaluation did decrease the value of the inventory by TUSD 4968. Per 31 December 2015 the inventory was reduced by sales to a net amount of TUSD 37 (2014: TUSD 629).

Obsolescence reserve

in TUSD	2015	2014
At 1 January	315	560
Increase	160	–91
Decrease	–171	–108
Translation differences	–62	–46
At 31 December	**242**	**315**

5. Other current assets

in TUSD	2015	2014
Prepaid expenses, prospecting	674	927
Prepaid expenses, other	341	719
Marketable securities	–0	2
Total other current assets	**1 015**	**1 648**

Prepaid expenses are expenses paid in the current accounting period but relating to a future accounting period. Prospecting costs are the costs incurred in the collection of data regarding the area to be harvested the next year.

6. Property, plant and equipment

in TUSD	Forest and land	Forest roads	Buildings and im-provements	Machinery and vehicles	Leased machinery and vehicles	Furniture and fixtures	Construction in progress	Advanced payment for property, plant and equipment	**Total**
Cost									
At 1 January 2014	**21 475**	**16 280**	**26 276**	**32 728**	**6 131**	**3 974**	**446**	**5 438**	**112 748**
Additions	–	349	16	279	–	69	511	–	1 224
Disposals	–	–	–	–644	–	–9	–	–	–652
Reclassifications	–147	–	–	–	–	–	–	147	–
Reclassification of assets held for sale	–	–	–	–668	–	–1	–	–	–669
Translation differences	–2 248	–1 759	–2 591	–3 315	–584	–412	–68	–674	–11 651
At 31 December 2014	**19 080**	**14 870**	**23 701**	**28 380**	**5 547**	**3 622**	**889**	**4 911**	**101 000**
Additions	–	215	528	673	1 270	92	723	–	3 501
Disposals	–	–	–	–425	–	–759	–	–	–1 184
Reclassifications	–	–	639	2 728	–2 132	–398	–1 239	–	–401
Reclassification of assets held for sale	–	–	–	–71	–	–	–	–	–71
Translation differences	–3 646	–2 896	–3 156	–4 853	–584	–368	–93	–1 582	–17 178
At 31 December 2015	**15 434**	**12 189**	**21 712**	**26 433**	**4 101**	**2 189**	**280**	**3 329**	**85 667**
Accumulated depreciation									
At 1 January 2014	**–**	**5 531**	**14 073**	**25 428**	**2 807**	**2 987**	**–**	**2 098**	**52 924**
Charge for the year	–	652	1 762	2 283	1 732	241	–	–	6 670
Impairment charge	–	–	–	21	–	10	–	15	46
Reversal of impairment	–	–27	–	–	–	–	–	–	–27
Elimination on disposals	–	–	–	–634		–9	–	–	–643
Reclassifications	–	–	–	–	–	–	–	–	–
Reclassification of assets held for sale	–	–	–	–662	–	–1	–	–	–663
Translation differences	–	–628	–1 483	–2 709	–354	–328	–	–255	–5 757
At 31 December 2014	**–**	**5 528**	**14 352**	**23 727**	**4 185**	**2 900**	**–**	**1 858**	**52 550**
Charge for the year	–	680	1 329	2 150	529	147	–	–	4 835
Impairment charge	–	–	–	–	–	–	–	–	–
Reversal of impairment	–	–20	–	–	–	–	–	–	–20
Elimination on disposals	–	–	–	–405	–	–759	–	–	–1 164
Reclassifications	–	–	–	2 100	–2 100	–399	–	–	–399
Reclassification of assets held for sale	–	–	–	–69	–	–	–	–	–69
Translation differences	–	–1 051	–1 883	–4 207	–441	–285	–	–598	–8 465
At 31 December 2015	**–**	**5 137**	**13 798**	**23 296**	**2 173**	**1 604**	**–**	**1 260**	**47 268**
Carrying amount									
At 31 December 2014	**19 080**	**9 342**	**9 349**	**4 653**	**1 362**	**721**	**889**	**3 053**	**48 450**
At 31 December 2015	**15 434**	**7 052**	**7 914**	**3 137**	**1 928**	**585**	**280**	**2 069**	**38 399**

Based on the continued efforts to clean the land titles from legal issues, Precious Woods had not to reclassify additional land in 2015 (2014: TUSD 147) as advanced payments for property, plant and equipment. Please refer to “Land titles Brazil”, Note 1.

7. Forest, forest improvements

The forests of Precious Woods in Brazil are managed in a sustainable manner, which means that no more than the incremental growth will be harvested and the substance of the forest will be preserved. These forests and forest improvements are valued at the lower of cost or market. The fair value approach cannot be applied due to the lack of reliable information about biological growth rates for more than 300 species in the field and associated market prices for potential harvest quantities.

8. Intangible assets

in TUSD	Trademarks and licences	Other	Total
Cost			
At 1 January 2014	**16 971**	**11 913**	**28 885**
Additions	–	4	4
Reclassifications	–	–	–
Translation differences	–1 704	–1 240	–2 945
At 31 December 2014	**15 267**	**10 677**	**25 944**
Additions	–	–	–
Reclassifications	–	401	401
Translation differences	–1 598	–1 819	–3 417
At 31 December 2015	**13 669**	**9 259**	**22 928**

in TUSD	Trademarks and licences	Other	Total
Accumulated amortization and impairment			
At 1 January 2014	**10 681**	**6 877**	**17 558**
Charge for the year	932	191	1 123
Impairment	–	1	1
Reclassifications	–	–	–
Translation differences	–1 152	–680	–1 832
At 31 December 2014	**10 461**	**6 389**	**16 850**
Charge for the year	793	160	953
Impairment	–	–	–
Reclassifications	–	399	399
Translation differences	–1 093	–701	–1 794
At 31 December 2015	**10 161**	**6 247**	**16 408**
Carrying amount			
At 31 December 2014	**4 806**	**4 288**	**9 094**
At 31 December 2015	**3 508**	**3 012**	**6 520**

Other intangible assets mainly include forest concessions and software.

9. Investment in associates

in TUSD	2015	2014
At 1 January	1 228	2 726
Share of profit of associates including impairment	–22	221
Additions	–	–
Dividends earned	–122	–159
Disposal	–	–1 316
Translation differences	–438	–244
At 31 December	**646**	**1 228**

BK Energia

The investment of 40 % is valued using the equity method as the Group has no control over BK Energia. The value amounts to TUSD 654 as of 31 December 2015 (2014: TUSD 1228).

in TUSD (representing 100 %)	Assets	Liabilities	Revenues	Profit
Key figures 2014	3 786	585	5 059	552
Key figures 2015	2 176	288	3 194	–35

GWW Houtimport B.V.

On 28 March 2014 the 50 % participation in GWW Houtimport – held since 2005 – was sold to C.A. Hoogendoorn Beheer B.V. for the amount of TUSD 1315 (TEUR 960) retroactively by 1 January 2014. The loss from sale of the participation in the amount of TUSD 40 (TEUR 30) is included in the financial result in 2014.

10. Non-current financial assets

in TUSD	2015	2014
NST	502	504
NIBO	27	27
At 31 December	**529**	**531**

The non-current financial assets contain an investment of TUSD 502 (2014: TUSD 504) in Norsudtimber Company (NST) in Vaduz and an investment of TUSD 27 (2014: TUSD 27) in Nederlandse Internationale Bosbouw Onderneming NV (NIBO). Norsudtimber holds majority participations in four important forestry companies in the Democratic Republic of the Congo. This investment is placed in EUR and has a value of TEUR 410 (2014: TEUR 410), whilst the NIBO investment is directly held in USD.

11. Non-current assets held for sale

In 2014, Precious Woods Europe reclassified – based on the decision of the shut-down of the operational activities in November 2013 – several non-current assets from property, plant and equipment to non-current assets held for sale as soon as these items were not in use anymore. The actual value of these non-current assets amounts to TUSD 7.

12. Trade and other payables

in TUSD	2015	2014
Trade payables, third parties	5 424	5 583
Trade payables, related parties	1	–
Total trade payables	**5 425**	**5 583**
Other current liabilities, third parties	6 581	5 965
Other current liabilities, associates	287	160
Other accrued liabilities	3 458	3 910
Total other payables	**10 326**	**10 035**
At 31 December	**15 751**	**15 618**

13. Financial liabilities

The carrying amount of financial liabilities corresponds approximately to their fair value.

Net book value of financial liabilities

in TUSD	2015	2014
Financial liabilities from borrowings	35 306	43 272
Financial liabilities finance-lease	1 999	2 101
Total financial liabilities	**37 305**	**45 373**
Total current financial liabilities	15 541	26 471
Non-current financial liabilities, third parties	21 202	17 703
Non-current financial liabilities, associates	562	1 199
Total financial liabilities	**37 305**	**45 373**

Interest expenditure from finance-lease liabilities amounted to TUSD 318 (2014: TUSD 301). Finance-lease liabilities are secured effectively as the rights to the leased asset revert to the lessor in the event of a breach of contract.

The carrying amounts of financial liabilities are denominated in the following currencies. The amounts are translated into USD at the exchange rate of the reporting date.

in TUSD	2015	2014
Currencies financial liabilities/borrowings denominated in:		
EUR	1 836	2 039
XAF	9 235	13 245
CHF	24 178	26 644
BRL	2 056	3 445
Total financial liabilities	**37 305**	**45 373**

The effective interest rates at the reporting date by currency were as follows:

	2015	2014
EUR	6.5 %	6.5 %
XAF	8.0–11.0 %	8.0–11.0 %
CHF	6.0–10.7 %	11.5–12.6 %

14. Provisions

in TUSD	Legal claims	Restructuring	Others	2015 Total	2014 Total
Short-term provisions	–	29	–	29	205
Long-term provisions	1 184	–	3 764	4 948	5 650
Total	**1 184**	**29**	**3 764**	**4 977**	**5 855**
At 1 January	1 405	205	4 245	5 855	7 172
Additions	517	–	217	734	557
Unused amounts reversed	–156	–	–9	–165	–1 016
Used during the year	–60	–158	–601	–819	–690
Reclassifications	–45	–	636	591	565
Translation adjustments	–477	–18	–724	–1 219	–733
At 31 December	**1 184**	**29**	**3 764**	**4 977**	**5 855**

Legal claims

The amount of USD 1.2 million represent a provision for certain legal claims brought against the Group by different stakeholders. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant losses beyond the amounts provided for as on 31 December 2015.

Restructuring

The provision for restructuring of Precious Woods Europe in the Netherlands was reduced to the amount of TUSD 29 (2014: TUSD 205). The amount contains provisions for salaries, social costs for employees and rental contracts.

Others

The total amount of TUSD 3764 for long-term provisions includes employee benefits (TUSD 2190), provisions for social security (TUSD 29), provisions for tax fees (TUSD 1176) and other provisions (TUSD 369).

15. Financial instruments by category

in TUSD	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale assets	**Total**
31 December 2015				
Assets				
Cash and cash equivalents	3 828	–	–	3 828
Trade and other receivables	6 289	–	–	6 289
Available-for-sale financial assets	–	–	529	529
Other financial assets at fair value through profit and loss	–	–	–	–
Total	**10 117**	**–**	**529**	**10 646**

in TUSD	Liabilities at fair value through profit and loss	Other financial liabilities at amortized costs	**Total**
31 December 2015			
Liabilities			
Trade and other payables	–	12 249	12 249
Convertible loans	–	–	–
Financial liabilities	–	37 305	37 305
Derivative financial instruments	–	–	–
Total	**–**	**49 554**	**49 554**

in TUSD	Loans and receivables	Assets at fair value through profit and loss	Available-for-sale assets	**Total**
31 December 2014				
Assets				
Cash and cash equivalents	2 769	–	–	2 769
Trade and other receivables	7 639	–	–	7 639
Available-for-sale financial assets	–	–	531	531
Other financial assets at fair value through profit and loss	–	2	–	2
Total	**10 408**	**2**	**531**	**10 941**

in TUSD	Liabilities at fair value through profit and loss	Other financial liabilities at amortized costs	**Total**
31 December 2014			
Liabilities			
Trade and other payables	–	11 664	11 664
Convertible loans	–	7 306	7 306
Financial liabilities	–	38 067	38 067
Derivative financial instruments	–	–	–
Total	**–**	**57 037**	**57 037**

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 – techniques that use inputs, which have a significant effect on the recorded fair value, and which are not based on observable market data

Assets measured at fair value

in TUSD	31 December 2015	Level 1	Level 2	Level 3
Available-for-sale financial assets	529	–	–	529
Other financial assets at fair value through profit and loss	–	–	–	–
Total	**529**	**–**	**–**	**529**

Liabilities measured at fair value

in TUSD	31 December 2015	Level 1	Level 2	Level 3
Financial liabilities	–	–	–	–
Derivative financial instruments	–		–	
Total	**–**	**–**	**–**	**–**

Assets measured at fair value

in TUSD	31 December 2014	Level 1	Level 2	Level 3
Available-for-sale financial assets	531	–	–	531
Other financial assets at fair value through profit and loss	2	–	–	2
Total	**533**	**–**	**–**	**533**

Liabilities measured at fair value

in TUSD	31 December 2014	Level 1	Level 2	Level 3
Financial liabilities	–	–	–	–
Derivative financial instruments	–		–	
Total	**–**	**–**	**–**	**–**

Reconciliation of fair value measurement of level 3 financial assets

in TUSD	2015	2014
At 1 January	533	589
Sales	–	–
Purchases	–	–
Gains and losses recognized in the statement of profit or loss	–4	–56
At 31 December	**529**	**533**

16. Convertible bonds and loans

On 14 November 2013 a new convertible loan at a par value of CHF 2 million was obtained. The convertible loan was split into a liability and an equity component. On 30 December 2015 it was converted into shares at the rate of CHF 3.70 per share.

On 8 December 2014, new loan contracts were signed in the amount of CHF 17.6 million. They were used to pay back the convertible bond at a par value of CHF 17 million, placed on 15 December 2009, which was due on 17 December 2014. The new loan contracts are split into a loan in the amount of CHF 12 million, repayable in 5 years and several loans in the total amount of CHF 5.6 million, repayable in 1 years' time. Also in December 2014 a loan in the amount of CHF 2 million has been obtained, repayable in December 2015.

On 12 January 2015, a new loan contract was signed in the amount of CHF 0.4 million, repayable on 16 December 2015; in December 2015 it was renewed to 16 December 2016. In May 2015, the convertible loans of CHF 5.5 million were replaced by a convertible loan in the amount of CHF 0.5 million, repayable in 2 years' time and by a loan in the amount of CHF 5 million, repayable in 4 years' time. In December 2015, the loan contract from December 2014 was renewed and increased to CHF 6 million, repayable on 31 December 2016.

As at 31 December 2015 the group has no longer placed any convertible bonds. The total carrying amount of the convertible loans (financial liabilities) amounts to TUSD 468 (2014: TUSD 7306), all recognized as short-term convertible loans. The initial recognition was calculated using market interest rate for equivalent non-convertible loans of 10.8 % (2014: 11.5–12.6 %).

17. Share capital

This supplementary information, whose purpose is to show development of the Group's share capital, is denominated in Swiss francs, the functional currency of Precious Woods Holding In the financial statements it is translated into the Group's presentation currency (USD) using historical exchange rates.

Share capital overview

	Number of shares at a nominal value of CHF 1 2015	Number of shares at a nominal value of CHF 1 2014
Issued and fully paid-in capital beginning of year	**3 767 806**	**3 767 806**
Increase of issued and fully-paid capital	1 216 214	–
Issued and fully paid-in capital end of year	**4 984 020**	**3 767 806**
Authorized share capital – authorized during the year	–	–
Authorized share capital – eliminated during the year	–	–
Authorized share capital at the end of the year	**1 547 260**	**1 547 260**
Conditional share capital – authorized during year	–	–
Conditional share capital – eliminated during year	–1 216 214	–
Conditional share capital at end of the year	**482 963**	**1 699 177**

The shares rank equally with regard to voting rights and dividends, and the Articles of Association include no restrictions on transfer of the Group's shares. The Group's registered shares are not subject to any restriction on voting, distribution, transfer or other rights that exceed regulations which are unalienable under Swiss law. The authorized share capital and the conditional share capital are intended to be utilized for acquisitions, the purchase of forests or for reforestations, investments, convertible loans, expansions of shareholder base or any other important reason. The shareholders' subscription rights can be excluded in these cases, as well as for firm underwriting agreements. Additionally, CHF 140 488 of the conditional share capital are intended to cover options of employees and board members.

Ordinary share capital

On 30 December 2015 the ordinary share capital increased by converting loans of 1 216 214 shares to CHF 4 984 020.

Authorized share capital

In May 2014, the existing authorized share capital of CHF 1 547 260 was prolonged until May 2016.

Conditional share capital

On 30 December 2015, as a result of the exercise of conversion rights from convertible loans for CHF 1 216 214 the conditional share capital decreased to CHF 482 963. The price was CHF 3.70 per share.

With effect as at 22 January 2016, the Group increased its ordinary share capital to CHF 5 961 557 by issuing 977 537 new shares from the authorized share capital with a nominal value of CHF 1 each. The remaining authorized share capital amounts to CHF 569 723. The price for the increase was CHF 3.70 per share. This lead to the following share capital overview per 22 January 2016:

	Number of shares at a nominal value of CHF 1 22.01.16
Issued and fully paid-in capital beginning of year	**4 984 020**
Increase of issued and fully-paid capital	977 537
Issued and fully paid-in capital end of year	**5 961 557**
Authorized share capital – authorized during the year	–
Authorized share capital – eliminated during the year	–977 537
Authorized share capital at the end of the year	**569 723**
Conditional share capital – authorized during year	–
Conditional share capital – eliminated during year	–
Conditional share capital at end of the year	**482 963**

On 18 February 2016, as a result of the exercise of a conversion right of a convertible loan for CHF 40 540 the conditional share capital decreased to CHF 442 423. The price was CHF 3.70 per share.

18. Related party balances and transactions

An overview of the subsidiaries of Precious Woods is presented on page 42. Balances and transactions between Precious Woods and its subsidiaries, which are related parties of Precious Woods, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below. Major shareholders holding 3 % or more of Precious Woods Holding are disclosed in Note 31. The transactions with related parties are performed on normal commercial terms and conditions that would also be provided to unrelated third parties ("at arm's length").

a. Balances and transactions

The balances with related parties, as of 31 December 2015 and 2014, are detailed below:

in TUSD	2015 [1]	2014
Trade receivables and other current receivables, associates	4	81
Current loans from shareholders with significant influence	6 447	–
Current loans from other shareholders	–	12 359
Trade and other current liabilities, related parties	1	–
Trade and other current liabilities, associates	287	160
Non-current loans from shareholders with significant influence	17 124	–
Non-current loans from other shareholders	468	12 126
Sales of wood, related parties	22	45
Interest expenses to shareholders with significant influcence	171	–
Interest expenses to other shareholders	17	310

b. Compensation

During the ordinary course of business in 2015 and 2014, the Group granted compensation to related parties as follows:

in TUSD	2015	2014
Group Management		
Short-term employee benefits	728	751
Post-employment employee benefits	113	106
Long-term benefits	–	–
Termination benefits	–	–
Share-based payment	–	–
Total Group Management	**841**	**857**
Board of Directors		
Short-term employee benefits	289	421
Post-employment employee benefits	11	18
Long-term benefits	–	–
Termination benefits	–	–
Share-based payment	–	–
Total remuneration and fees Board of Directors	**300**	**439**
Operating management		
Short-term employee benefits	621	630
Post-employment employee benefits	38	38
Long-term benefits	–	–
Termination benefits	–	–
Share-based payment	–	–
Total operating management	**659**	**668**
Total compensation to key management personnel	**1 800**	**1 964**

19. Employee benefits

Employee benefits

The employee benefit plans of the Group are based on legal requirements in the respective countries. Beyond these regulatory requirements, the Group provides meals, housing, education and access to medical care according to the local operating group's policy.

The Group's contribution to defined contribution plans amounted to TUSD 4 in 2015 (2014: TUSD 19). The pension plan for employees in Switzerland is a defined benefit plan and covers the risks of age, death and disability. Financing occurs by means of employer and employee contributions, defined in the pension fund rules in terms of an age related sliding scale of percentages of salary, as well as returns from the investments made by the pension fund. The pension fund guarantees the vested benefit amount as confirmed annually to members, as regulated by Swiss law. Interest may be added to member balances at the discretion of the Board of Trustees. At retirement date, members have the right to take their retirement benefit as a lump sum or as an annuity.

No material plan amendment, curtailment or settlement has occurred during the year.

Changes in the present value of the defined benefit obligation

in TUSD	2015	2014
Defined benefit obligation at 1 January	1 654	1 051
Current service costs	285	171
Interest costs	22	23
Contribution by plan participants	87	80
Actuarial losses/(gains)	371	338
Benefits paid/transferred	515	155
Exchange differences	–45	–164
31 December	**2 889**	**1 654**

Plans wholly or partly funded	2 889	1 654
Plans wholly unfunded	–	–

Movement in the fair value of the plan assets

in TUSD	2015	2014
Opening fair value of plan assets	928	705
Interest income	15	18
Return on plan assets excluding interest income	–64	–83
Contributions by the employers	156	148
Contributions by plan participants	87	80
Benefits paid/transferred	515	155
Exchange differences	–25	–95
31 December	**1 612**	**928**

in TUSD	2015	2014
Present value of obligations	2 889	1 654
Fair value of plan assets	1 612	928
(Surplus)/deficit in the plan	1 277	726
Net actuarial gains/(losses) not yet recognized	–	–
Net liability	**1 277**	**726**

Changes in net liability

in TUSD	2015	2014
Opening net liability	726	346
Pension cost recognized in profit or loss	292	177
Pension cost recognized in other comprehensive income	434	421
Employer contributions	–156	–148
Exchange differences	–19	–70
Recognized in profit or loss	**1 277**	**726**

Amounts recognized in profit or loss in respect of the defined benefit plan are as follows:

in TUSD	2015	2014
Current service costs	285	171
Net interest costs	7	5
Recognized in profit or loss	**292**	**177**

Amounts recognized in other comprehensive income in respect of the defined benefit plan are as follows:

in TUSD	2015	2014
Return of plan assets excluding interest income	–64	–83
Changes in demographic assumptions	–	–
Changes in financial assumptions	–117	–289
Experience adjustments	–253	–49
Recognized in other comprehensive income	**–434**	**–421**

The assets are invested in a multi-employer plan and are therefore mixed. Thus, it is not possible to disclose the asset allocation as requested in IAS 19.

Principal actuarial assumptions used

	2015	2014
Expected employer contributions in CHF	150 000	136 000
Discount rates	0.90 %	1.10 %
Expected salary increases	1.00 %	1.00 %
Expected long-term increase of pensions	0.00 %	0.00 %

Sensitivity to changes in the principal assumptions

in TUSD	DBO	Effect
Actual assumption 31 December 2014	2 889	
Discount rate +0.5 %	2 616	–9.40 %
Discount rate –0.5 %	3 204	10.90 %
Salary increase rate +0.5 %	2 931	1.50 %
Salary increase rate –0.5 %	2 848	–1.40 %

Number of insured persons

in TUSD	2015	2014
Number of insured persons	14.0	11.0
Number of insured retired persons	–	–
Average weighted duration in years	20.0	20.0

20. Net sales from trading activities

in TUSD	2015	2014
Sales of wood	53 635	57 113
Sales deductions	–9 239	–10 491
Net sales	**44 396**	**46 622**

21. Revenue from carbon emission reduction activities

in TUSD	2015	2014
Revenue from Certified Emission Reductions (CERs) over book value	–	501
Revenue from emission reduction activities	**–**	**501**

The Precious Woods Group obtains the CERs from its BK Energia renewable-power-generation project located in the Amazon region of Brazil, complying with all the necessary conditions established in the Kyoto Protocol and by the UNFCCC (United Nations Framework Convention on Climate Change). Carbon emissions are avoided by substituting diesel fuel with wood waste from the sawmill and from forest operations for electricity generation. The produced CERs are recognized as inventory and valued at the lower of cost or net realizable value. The 41 591 CERs produced in 2013 were issued by UNFCCC in August 2014 and Precious Woods sold them in November 2014. The verification for the 46 671 CERs produced in 2014 was issued by UNFCCC in February 2016; whilst the verification for the 42 544 CERs produced in 2015 is planned for autumn 2016.

22. Other production costs

in TUSD	2015	2014
Logistics, transportation costs and freight	2 305	2 866
Fuel, oil and lubricants	3 841	4 679
Energy – third parties	483	675
Forest taxes & expenses	1 331	1 586
Maintenance and spare parts	4 907	5 058
Insurances (production)	288	279
Rent and lease (production)	587	819
Capitalized own production	–398	–317
Miscellaneous production costs	1 432	1 824
Total	**14 776**	**17 469**

23. Depreciation, amortization and impairment

in TUSD	2015	2014
Depreciation and amortization	5 788	7 796
Impairment of property, plant and equipment	–	45
Impairment of intangible assets	–	1
Reversal of impairment of property, plant and equipment	–20	–27
Total	**5 768**	**7 815**

In 2015 there was no impairment necessary for property, plant and equipment (2014: TUSD 45). Details about the reversal of impairment of TUSD 20 (2014: TUSD 27) are given in Note 6.

24. Direct and indirect labour costs

in TUSD	2015	2014
Wages and salaries	12 697	15 057
Social security costs	2 141	3 001
Pension costs – defined contribution plans	4	19
Pension costs – defined benefit plans	292	177
Other employment benefits	2 210	2 518
Total	**17 344**	**20 772**

in TUSD	2015	2014
Forest and processing costs	12 540	16 791
Administration and other labour costs	4 804	3 981
Total	**17 344**	**20 772**

25. Other operating income and expenses

in TUSD	2015	2014
Other income		
Gain on disposal of fixed assets	73	27
Other income	122	270
Total other operating income	**195**	**297**
Other expenses		
Audit fees	233	289
Legal and tax	212	279
Other consulting fees	341	449
Travel	800	782
IT expenses	255	298
Insurances (non-production)	211	235
Loss on disposal of fixed assets	–	6
Other administrative expenses	1 819	67
Total other operating expenses	**3 871**	**2 405**

In other administrative expenses communication and investor relation expenses, marketing, non-income tax expenses and the change in allowance for bad debts are included. The net gain on sale of fixed and intangible assets amount to TUSD 73 (2014: TUSD 20).

26. Financial income and expenses

in TUSD	2015	2014
Financial income		
Interest income and dividends	42	111
Foreign-exchange gains	35	910
Other financial income	42	–1
Total financial income	**119**	**1 020**
Financial expenses		
Interest expenses	3 256	4 312
Foreign-exchange losses	1 942	1 296
Other financial expenses	191	726
Total financial expenses	**5 389**	**6 334**

27. Leasing

Operating leasing

The Group has entered into various operating leases for vehicles and buildings. The operating leases have lifespans of one to five years. Certain leases include renewal options.

As of 31 December future minimum lease payments under significant non-cancellable operating leases are as follows:

in TUSD	2015	2014
Within one year	68	197
Within two to five years	103	192
Total lease payments	**171**	**389**

Finance leasing

The Group has entered into several finance leases for vehicles and machinery. The finance leases have lifespans of three to four years.

As of 31 December future minimum lease payments under finance lease are as follows:

in TUSD	2015	2014
Within one year	1 112	1 279
Within two to five years	1 087	1 049
Total lease payments	2 199	2 328
Minus interest expense component	–200	–227
Total lease payments	**1 999**	**2 101**

28. Earnings per share

Calculation of the basic and diluted earnings per share is based on the following data:

In USD	2015	2014
Net loss/income attributable to Group equity holders	–4 751 314	–10 304 052
Weighted average number of shares	3 771 184	3 767 806
Basic loss/earnings per share	**–1.26**	**–2.73**
Weighted average number of shares for diluted earnings per share	3 770 921	3 767 425
Diluted earnings per share	**–1.26**	**–2.74**

Basic earnings per share (EPS) are calculated by dividing the net income attributable to shareholders of Precious Woods Holding by the weighted average number of shares outstanding during the year. For diluted EPS, the weighted average number of shares outstanding is adjusted to assume conversion of all potentially dilutive shares arising from options on Precious Woods shares.

29. Contingencies

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It is not anticipated that any material liabilities other than those for which a provision has been made will arise from contingent liabilities (see Note 14).

Assessment by Brazilian authorities

In 2002, a Brazilian subsidiary was assessed by IBAMA, the Brazilian Institute of Environment and Renewable Natural Resources, in relation to certain log-transporting procedures, which had been in place and approved informally by government agencies for many years. In July 2010, an important administrative case was won against IBAMA. The fines imposed on the Group, which are not yet settled, amount to approximately USD 8 million. The Group's Management and its attorneys believe that the remaining fines are arbitrary in nature, unjustified, and will also be eventually cancelled, and therefore consider that no material loss will occur as a result of the final decision on this process; consequently, no accrual was recorded in the Group's consolidated financial statements as of 31 December 2015 (31 December 2014: 0). In 2011, the subsidiary was notified by the Federal Justice to offer assets to pledge or to prepay the penalty. The subsidiary offered 61 907 hectares to pledge. The counterparty has not accepted the pledge and instead blocked an amount of TUSD 230 in cash on Group accounts.

30. Financial information by segment

The Group's reportable segments are Sustainable Forest Management Brazil, Sustainable Forest Management Gabon, Trading and Carbon & Energy. Precious Woods' forests in Brazil and Gabon are managed in a sustainable manner, which means that not more timber is harvested than can simultaneously grow back, and that the value of the forest is preserved. An integral part of Precious Woods' approach to sustainable forestry is the use of waste wood to produce electricity and the registration and sale of carbon emission reductions (CERs).

Management monitors and evaluates EBITDA of all segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Operating segments – 31 December 2015

in TUSD	Sustainable Forest Management Brazil	Sustainable Forest Management Gabon	Trading	Carbon & Energy	Other [1]	**Total 31.12.2015**
Revenue						
Third parties	10 658	29 557	3 458	–	–	43 673
Intersegment	4	–	–	–	–4	–
Associated and related parties	701	22	–	–	–	723
Total revenue	**11 363**	**29 579**	**3 458**	**–**	**–4**	**44 396**
Loss/profit on sale of fixed assets and affiliates	24	–	49	–	–	73
EBITDA	**1 603**	**7 924**	**204**	**–1**	**–2 869**	**6 861**
Depreciation and amortization	–480	–5 296	–2	–	–10	–5 788
Impairment charges/reversals	20	–	–	–	–	20
Loss/profit from operating activities (EBIT)	**1 143**	**2 628**	**202**	**–1**	**–2 879**	**1 093**
Financial income and expenses	–1 168	–2 154	5 518	–	–7 466	–5 270
Share of profit of associates						–136
Net (loss)/profit before tax					–	**–4 313**
Income taxes	1 446	–34	–0	–	–1 845	–433
Segment assets	**27 133**	**46 630**	**2 141**	**207**	**–4 891**	**71 220**
Investments in associates	646	–	–	–	–	646
Capital expenditures	251	3 251	–	–	–	3 502
Segment liabilities	**51 956**	**34 558**	**226**	**287**	**–28 709**	**58 318**

[1] The eliminations and adjustments consist of the intersegment eliminations and the results from Precious Woods Holding Ltd, the Luxembourg entities and Precious Woods Management Ltd, which are not allocated to a specific segment.

Operating segments – 31 December 2014

in TUSD	Sustainable Forest Management Brazil	Sustainable Forest Management Gabon	Trading	Carbon & Energy	Other [1]	**Total 31.12.2014**
Revenue						
Third parties	10 496	30 165	4 677	501	–	45 839
Intersegment	1 801	–	–	–	–1 801	–
Associated and related parties	1 178	45	61	–	–	1 284
Total revenue	**13 475**	**30 210**	**4 738**	**501**	**–1 801**	**47 123**
Loss/profit on sale of fixed assets and affiliates	15	7	–1	–	–	21
EBITDA	**1 547**	**5 277**	**–598**	**140**	**–2 651**	**3 715**
Depreciation and amortization	–636	–7 041	–50	–	–69	–7 796
Impairment charges	13	–	–32	–	–	–19
Loss/profit from operating activities (EBIT)	**924**	**–1 764**	**–680**	**140**	**–2 720**	**–4 100**
Financial income and expenses	–613	–2 302	–541	–	–1 858	–5 314
Share of profit of associates						62
Net (loss)/profit before tax					–	**–9 352**
Income taxes	–29	110	–1	–	–917	–837
Segment assets	**28 799**	**54 971**	**2 930**	**136**	**569**	**87 405**
Investments in associates	1 228	–	–	–	–	1 228
Capital expenditures	390	832	–	–	–	1 222
Segment liabilities	**54 655**	**40 104**	**7 191**	**159**	**–34 979**	**67 130**

[1] The eliminations and adjustments consist of the intersegment eliminations and the results from Precious Woods Holding Ltd, the Luxembourg entities and Precious Woods Management Ltd, which are not allocated to a specific segment.

Geographic information

in TUSD	**2015**		**2014**	
Net sales from trading activities				
Switzerland	12	0.0 %	146	0.3 %
European Union	27 091	61.0 %	34 863	74.8 %
Latin America	1 813	4.1 %	3 313	7.1 %
Africa	6 445	14.5 %	3 961	8.5 %
Asia	7 483	16.9 %	2 648	5.7 %
Other countries	1 552	3.5 %	1 691	3.6 %
Total	**44 396**	**100.0 %**	**46 622**	**100.0 %**
Location of non-current assets				
Switzerland	42	0.1 %	52	0.1 %
European Union	3	0.0 %	24	0.0 %
Latin America	14 493	31.3 %	21 660	36.4 %
Africa	31 708	68.6 %	37 724	63.4 %
Total	**46 246**	**100.0 %**	**59 460**	**100.0 %**

Reconciliation of reportable segment profit or loss

in TUSD	**2015**	**2014**
Total EBITDA for reportable segments	9 730	6 366
EBITDA Other	–2 869	–2 651
EBITDA of continuing operations	**6 861**	**3 715**
Depreciation, amortization and impairment	–5 768	–7 815
EBIT	**1 093**	**–4 100**
Financial income and expenses	–5 270	–5 314
Share of profit of associates	–136	62
Earnings before tax from continuing operations	**–4 313**	**–9 352**

31. Major shareholders

On 31 December 2015, the major shareholders holding 3 % (rounded) or more of Precious Woods Holding registered shares were as follows:

	Number of shares 2015		Additional number of shares in case of conversion of convertible loans 2015 [1]		Number of shares 2014		Additional number of shares in case of conversion of convertible loans 2014 [1]	
Fleischmann Werner	702 401	14.1 %	–	–	419 318	11.1 %	–	–
Aires International Investment Inc.	603 520	12.1 %	–	–	20 000	0.5 %	762 762	20.2 %
Basler Insurances	333 053	6.7 %	–	–	333 053	8.8 %	–	–
von Braun	324 324	6.5 %	–	–	–	0.0 %	–	–
BoD / Management Precious Woods	246 245	4.9 %	–	–	39 301	1.0 %	–	–
Round Enterprises Ltd.	201 203	4.0 %	–	–	201 203	5.3 %	–	–
Artemis Beteiligungen III AG	189 571	3.8 %	–	–	189 571	5.0 %	–	–
Novartis Pooling Fund I	140 000	2.8 %	–	–	140 000	3.7 %	–	–

[1] Calculation is based on the current number of shares. Please also refer to note 16 for information on convertible loans.

The capital increase on the authorized share capital of CHF 977 537 per 22 January 2016 lead to the following overview:

	Number of shares per 22.01.2016	
Fleischmann Werner	706 191	11.8 %
Aires International Investment Inc.	603 520	10.1 %
Campdem Development SA	540 540	9.1 %
Basler Insurances	333 053	5.6 %
Aage V. Jensen Charity Foundation	324 657	5.4 %
von Braun	324 324	5.4 %
BoD / Management Precious Woods	251 245	4.2 %
Vassalli Christian	220 000	3.7 %
Round Enterprises Ltd.	201 203	3.4 %
Artemis Beteiligungen IV AG	189 571	3.2 %

32. Income taxes

Major components of tax expenses/(income)

in TUSD	2015	2014
Current tax expenses/(income)	189	10
Deferred tax expenses/(income) relating to temporary differences	244	827
Total	**433**	**837**

Reconciliation of tax expenses/(income)

in TUSD	2015	2014
Accounting loss before taxes	**–4 313**	**–9 352**
Expected tax expenses/(income) based on a weighted average	299	–2 644
Tax adjustments related to prior years	–	88
Effect of revaluation of DTA	168	3 348
Various	–34	45
Total income taxes from continuing and discontinued operations	**433**	**837**

The weighted average applicable tax rate, considering all profit and loss making entities, was 7 % (2014: 28 %).

Deferred income tax

in TUSD	2015	2014
Total deferred income tax assets	4 163	4 918
Total deferred income tax liabilities	–4 157	–4 918
Net deferred income tax assets/(liabilities)	**6**	**–**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset them and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets

in TUSD	2015	2014
Tax loss carry-forwards	3 178	4 645
Provisions	274	299
Financial liabilities	587	–
Other	124	–26
Total deferred income tax assets	**4 163**	**4 918**

Deferred income tax liabilities

in TUSD	2015	2014
Inventories	–	45
Property, plant and equipment	–3 285	–4 717
Intangible assets	–872	–1 239
Other	–	993
Total deferred income tax liabilities	**–4 157**	**–4 918**

Net deferred income tax assets/(liabilities)	**6**	**–**
Reported in the balance sheet as follows:		
Deferred income tax assets	6	91
Deferred income tax liabilities	0	–91
Net deferred income tax assets/(liabilities)	**6**	**–**

Net movement of the deferred income tax account is as follows:

in TUSD	2015	2014
At 1 January	–	14
Income statement charge	–244	–827
Tax charged to other comprehensive income	523	796
Translation difference	–272	17
At 31 December	**6**	**–**

The Group did not recognize deferred income tax assets on deductible temporary differences of TUSD 23 296 (2014: TUSD 34 926) and on unused tax losses of TUSD 227 452 (2014: TUSD 192 246).

These tax loss carry-forwards expire as shown in the table below:

in TUSD	2015	2014
0–2 years	114 518	15 975
3–5 years	35 979	126 433
5–7 years	42 609	30 487
over 7 years	47 460	54 277
Total tax loss carry-forwards and deductible differences	**240 565**	**227 172**

TUSD 18 703 of these loss carry-forwards belong to the Dutch operations of Precious Woods with an applicable tax rate of 25 % (2014: TUSD 28 655 with an applicable tax rate of 25 %), TUSD 32 562 belong to the Brazilian operations with an applicable tax rate of 34 % (2014: TUSD 20 412 with an applicable tax rate of 34 %), TUSD 18 005 belong to the Gabonese operations with an applicable tax rate of 30 % (2014: TUSD 24 213 with an applicable tax rate of 30 %) and TUSD 181 478 belong to the Swiss operation with an applicable tax rate of 8.8 % (2014: TUSD 153 892 with an applicable tax rate of 8.8 %).

33. Divestments and acquisitions

There were no acquisitions in 2014 and 2015. End of March 2014 (retroactively by 1 January 2014) the 50 % participation of GWW Houtimport B.V. was sold.

34. Subsequent events

There were no significant events after the reporting period.

35. Approval of financial statements and dividends

The financial statements were approved by the Board of Directors on 25 April 2016 and authorized for issue, and are subject for approval by the shareholders at the Annual General Meeting. The Board of Directors proposes not to pay a dividend for 2015 (2014: no dividend paid).

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To the General Meeting of

Precious Woods Holding AG, Zug

Zurich, 25 April 2016

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the group financial statements of Precious Woods Holding AG, which comprise the statement of financial position, statement of profit and loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes (pages 36 to 70), for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these group financial statements in accordance with IFRS and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of group financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these group financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the group financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the group financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the group financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the group financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of group financial statements according to the instructions of the Board of Directors.

We recommend that the group financial statements submitted to you be approved.

Ernst & Young Ltd

Rico Fehr	Philipp Baumann
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Precious Woods Holding Ltd financial statements

Balance sheets as of 31 December 2015 and 2014 (in TCHF)

ASSETS	Notes	2015	2014
Current assets			
Cash and cash equivalents		3 295	1 719
Trade receivables			
against third parties		4 237	4 591
against Group		–	–
Other short-term receivables			
against third parties		33	138
against Group	9	3 944	11 723
Inventories		515	165
Prepaid expenses		63	143
Total of current assets		**12 087**	**18 479**
Non-current assets			
Property, plant and equipment		11	21
Financial Assets to Group	9	19 917	23 773
Investments	4	53 386	63 386
Long-term financial assets		30	30
Instangible assets		1	–
Total non-current assets		**73 345**	**87 210**
TOTAL Assets		**85 432**	**105 689**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	2015	2014
Current liabilities			
Trade payables			
against third parties		585	760
against Group		4 601	3 226
against investors and members of the govering bodies		1	–
Short-term interest bearing liabilities	5	6 400	14 005
Other short-term liabilities	6	4 040	1 196
Accrued expenses		1 942	1 777
Total short-term liabilities		**17 569**	**20 964**
Non-current liabilities			
Long-term interest bearing liabilities	7	17 500	12 000
Total long-term liabilities		**17 500**	**12 000**
Shareholders' equity			
Share capital	1, 2 ,3	4 984	3 768
Capital contribution reserves		82 244	78 961
Statutory retained earings			
General statutory reserves		29 122	29 122
Reserves for own shares		412	412
Accumulated deficits			
Loss carry forward		–39 537	–35 070
Loss of the year		–26 862	–4 467
Own Shares		–	–1
Total shareholders' equity		**50 362**	**72 725**
TOTAL Liabilities & Equity		**85 432**	**105 689**

See notes to Precious Woods Holding Ltd financial statements on pages 76 to 80.

Statements of income and accumulated deficit 2015 and 2014 (in TCHF)

INCOME	Notes	2015	2014
Sales			
Net trading-sales timber products		40 771	40 526
Net trading-sales CO_2 certificates		122	467
General costs of production		–37 698	–37 657
Total operating income		**3 195**	**3 336**
Personnel expenses	8	–2 389	–2 327
Administrative expenses		–1 332	–1 256
Audit fees		–132	–164
Operating result before interest, tax, depreciation and amortization (EBITDA)		**–658**	**–411**
Depreciation, amortization and impairment	9	–11 852	–3 549
Operating result before interest & tax (EBIT)		**–12 510**	**–3 960**
Financial income		1 341	1 368
Financial expenses	4, 10	–12 000	–2 561
Foreign exchange differences		–3 693	690
Operating result before tax		**–26 862**	**–4 463**
Non-operational income		2	–
Non-operational expenses		–2	–4
Earings before tax (EBT)		**–26 862**	**–4 467**
Taxes		–	–
Profit / (loss) of the year		**–26 862**	**–4 467**

See notes to Precious Woods Holding Ltd financial statements on pages 76 to 80.

Notes to the financial statements of Precious Woods Holding Ltd

Essential accounting and valuation principles:

a. Principles

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Were not prescribed by law, the significant accounting and valuation principles applied are described below.

The 2015 financial statements are presented according to the new accounting law for the first time. To ensure comparison with the previous year, the financial statements as of 31 December 2014 have been reclassified accordingly.

b. Inventories

Inventories and non-invoiced services are recorded at acquisition: If the net realizable value at the balance sheet date is lower than acquisition costs, net realizable values are used. Acquisition costs are calculated using the weighted average cost method.

c. Financial assets and Investments

Financial assets and investments are valued at their acquisition cost adjusted for impairment losses.

d. Interest bearing financial liabilities

Interest-bearing liabilities are recognized in the balance sheet at its nominal value.

e. Leasing

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognized as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognized in the balance sheet.

f. Revenue from sale of goods and services

Net sales are determined by deducting transportation costs, value added taxes, discounts and returns from gross sales. Revenue trading activities are recognized when the entity has transferred the significant risks and rewards of ownership of the goods to the buyer, when the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, when the amount of revenue can be measured reliably, and when it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1. General

The company is the holding company of the Precious Woods Group.

The Precious Woods Group is active in the field of sustainable forest management in South America and Africa following the guidelines for sustainable forest management laid out by the Forest Stewardship Council (FSC), and is also active in the trading of timber products as well as the sale of CO_2 emission rights.

The company was founded on 17 December 1990 as Precious Wood Ltd, duly registered in Tortola, British Virgin Islands. On 23 March 1992 the company was renamed Precious Woods Ltd.

On 25 June 2001, the Board of Directors and the Annual General Meeting of the company resolved to change the corporate domicile from Tortola, British Virgin Islands, to Zug, Switzerland, and to continue the incorporation of the company under Swiss law. The company was registered in its present form on 11 October 2001 in the commercial register of the canton of Zug, Switzerland.

The share capital as of 31 December 2015 was composed of 4 984 020 (2014: 3 767 806) fully paid-in registered shares, each with a nominal value of CHF 1. As of 22 January 2016, the share capital was composed of 5 961 557 fully paid-in registered shares, each with a nominal value of CHF 1.

2. Authorized capital

On 21 May 2014, the ordinary General Meeting approved authorized capital in the amount of CHF 1 547 260 (1 547 260 shares with a nominal value of CHF 1 each). The Board of Directors is thus authorized to increase the share capital at any time until 20 May 2016 by a maximum amount of CHF 1 547 260 by way of issuance of no more than 1 547 260 registered shares that are to be fully paid in with a nominal value of CHF 1 each. During the years 2013 to 2015, no new shares were issued by the company under the authorized share capital. Effective 22 January 2016, the share capital was increased under the authorized capital in the amount of CHF 977 537 in shares (977 537 shares with a nominal value of CHF 1 each). The amount of the remaining authorized capital is thus CHF 569 723 in shares (569 723 shares with a nominal value of CHF 1 each).

The remaining authorized share capital expires on 20 May 2016.

3. Conditional share capital

As of 31 December 2015, the company had the following conditional share capital:

a. On 18 December 2012 the extraordinary General Meeting authorized the company to increase its conditional share capital according to Article 3a of the Articles of Association from CHF 1 450 000 to 1 578 689 (1 578 689 shares with a nominal value of CHF 1 each). On 14 November 2013, the right to convert a convertible bond was exercised to purchase shares. The capital increase amounted to CHF 20 000 (20 000 shares with a nominal value of CHF 1 each). The exercise price was CHF 3.00 per share. As of 31 December 2013 the conditional share capital amounted to CHF 1 558 689 (1 558 689 shares with a nominal value of CHF 1 each). In the year 2014 no changes took place. On 30 December 2015, the right to convert convertible bonds was exercised to purchase shares. The capital increase amounted to CHF 1 216 214 (1 216 214 shares with a nominal value of CHF 1). The exercise price amounted to CHF 3.70 per share. As of 31 December 2015 the conditional share capital thus amounted to CHF 342 475 (342 375 shares with a nominal value of CHF 1 each). On 18 February 2016, the right to convert a convertible bond was again exercised to purchase shares. The capital increase amounted to CHF 40 540 (40 540 shares with a nominal value of CHF 1 each). The remaining conditional capital thus amounts to CHF 301 935 (301 935 shares with a nominal value of CHF 1 each).
b. Additionally, according to Article 3b of the Articles of Association the share capital of the company may be increased by the maximum amount of CHF 140 488 by the issuance of no more than 140 488 (2012: 140 488) registered shares that are to be fully paid in and have a nominal value of CHF 1 each; this increase being the result of the exercise of option rights that can be granted to employees of the company or of affiliated companies. In the years 2014 and 2015 no changes took place.

4. Investments in subsidiaries

The company holds the following direct investments:

Company	Currency	Nominal share capital	Voting rights and Participation	Currency	Nominal share capital	Voting rights and Participation
			31 December 2015			31 December 2014
Precious Woods Management Ltd. British Virgin Islands (sub-holding)	USD	20 000	100.00 %	USD	20 000	100.00 %
Madeiras Preciosas de Amazonia Manejo Ltda. Brazil (sub-holding company) 0.02 % of the shares are held by Precious Woods Management Ltd., B.V.I.	BRL	4 400 000	99.98 %	BRL	4 400 000	99.98 %
MIL Madeiras Preciosas Ltda. Brazil (land and forest operations) 2.7 % of the shares are held by Madeiras Preciosas de Amazonia Manejo Ltda., Brazil	BRL	68 074 251	97.30 %	BRL	68 074 251	97.30 %
Precious Woods do Pará S.A. Brazil (sub-holding company, land and forest operations)	BRL	1 003	100.00 %	BRL	1 003	100.00 %
Precious Woods Manejo Florestal Ltda. Brazil (land and forest operations)	BRL	24 429 917	100.00 %	BRL	24 429 917	100.00 %
Precious Woods Europe B.V. Netherlands (sub-holding, timber trade)	EUR	18 000	100.00 %	EUR	18 000	100.00 %
Unio S.A. Luxembourg (sub-holding for Gabonese entities)	EUR	1 000 000	100.00 %	EUR	1 000 000	100.00 %
Lastour & Co. S.A. Luxembourg (sub-holding for Gabonese entities)	EUR	372 575	100.00 %	EUR	372 575	100.00 %

BRL – Brazilian real
EUR – European euro
USD – US dollar

Effective 31 December 2015, the valuation of the Lastour investment had to be adjusted pursuant to the historical acquisition value and due to a change in accounting principles.

5. Other short-term interest-bearing liabilities

As of 31 December 2015, the short-term liabilities encompassed two loans from shareholders in the amount of CHF 6.4 million. The conditions of the two loans have been agreed as an interest rate of 6 % and a term until December 2016.

6. Other short-term liabilities

As of 31 December 2015, the short-term liabilities encompassed the paid-in capital in the amount of CHF 3.6 million for the authorized capital increase which will be exercised on 22 January 2016.

7. Long-term interest-bearing liabilities

As of 31 December 2015, the long-term liabilities encompassed one loan in the amount of CHF 17 million and one convertible loan from shareholders in the amount of CHF 0.5 million. The conditions of the loan have been agreed as an interest rate of 6 % and a term until December 2019. The convertible loan has an interest rate of 5 % and a term until May 2017. Additional information on the convertible loan can be found in note no. 16 of the consolidated group financial statements.

8. Board and Executive compensation

Compensation

The compensation of the Board of Directors was as follows:

For the year 2015 all amounts in TCHF	Compensation Fix in cash	Compensation Fix in shares	Compensation For part. in committees	Other [1] compensation	**Total compen-sation**	**Loans and credits**	**Numbers of shares**
Ernst A. Brugger	140	–	–	–	**140**	**–**	**74 615**
Katharina Lehmann	60	–	–	4	**64**	**–**	**63 522**
Dominik Mohr [2]	12	–		4	**16**	**–**	**–**
Jürgen Blaser [3]	18			1	**19**		
Robert Hunink [4]	18			1	**19**		
Total	**248**	**–**	**–**	**10**	**258**	**–**	**138 137**

For the year 2014 all amounts in TCHF	Compensation Fix in cash	Compensation Fix in shares	Compensation For part. in committees	Other compensation	**Total compen-sation**	**Loans and credits**	**Numbers of shares**
Ernst A. Brugger	200	–	–	–	**200**	**–**	**29 833**
Katharina Lehmann	114	–	–	8	**122**	**–**	**9 468**
Dominik Mohr	38	–	–	9	**47**	–	–
Total	**352**	**–**	**–**	**17**	**369**	**–**	**39 301**

[1] These amounts comprise social contributions for all other members of the Board

[2] This Board member resigned as of May 2015

[3] This Board member is elected in May 2015

[4] This Board member is elected in May 2015

The compensation of the Group Management was as follows:

For the year 2015 all amounts in TCHF	Salary Fix in cash	Salary [1] Variable in cash and shares	Other [2] compensation	**Total compen-sation**	**Loans and credits**	**Numbers of shares**
Markus Brütsch, CFO / CEO	375	–	68	**443**	**–**	**108 108**
Group Management Total	**700**	**–**	**109**	**809**	**–**	**108 108**

For the year 2014 all amounts in TCHF	Salary Fix in cash	Salary [1] Variable in cash and shares	Other [2] compensation	**Total compen-sation**	**Loans and credits**	**Numbers of shares**
Markus Brütsch, CFO / CEO	315	–	50	**365**	**–**	**–**
Group Management Total	**687**	**–**	**97**	**784**	**–**	**–**

[1] During 2015 and 2014 no share-based compensation was made to the Group Management.

[2] These amounts comprise payments to pension plans (mandatory and non-mandatory), ESPPs and other social contributions.

No compensation was made to former members of the Board of Directors or Group Management. Furthermore, no payments at more favourable conditions were made to active or former members of the Board of Directors or Group Management.

9. Depreciation, amortization, and valuation adjustments

As of 31 December 2015, in addition to the normal depreciation on property, plant, and equipment, there were also valuation adjustments in the total amount of CHF 11.8 million on other short-term receivables (CHF 6.3 million) and financial assets held in group companies (CHF 5.5 million).

10. Financial expenses

The valuation adjustment of the Lastour investment already mentioned in note no. 4 was undertaken in the amount of CHF 10 million pursuant to the historical values.

11. Major shareholders

The overview of major shareholders of 31 December 2015 and 22 January 2016 we refer to note no 31 to the consolidated group financial statements.

12. Debt restructuring/refinancing

The Precious Woods Holding Ltd. was successful in refinancing the convertible bond in the amount of CHF 17 million, which fell due in December 2014. CHF 5.6 million of the refinancing, however, has been on a short-term basis and net result was still negative. This short-term loans have been successfully refinanced mid of December 2015 by another short-term loan which is defined as extendable year-by-year.

With the aim to reduce total financial debt Precious Woods Holding Ltd. performed end of 2015 capital increases from authorized and conditional capital in the total amount of CHF 8.1 million whereof CHF 4.5 million loans were converted into equity. The paid-in capital of CHF 3.6 million is shown under other liabilities and was transferred to equity on 22 January 2016 only after publication in the commercial register.

The liquidity situation of the group was less stressed than in the previous year; the operating cash-flow contributed much higher than in 2014.

13. Pledged assets/other securities

As of 31 December 2015, Precious Woods Holding Ltd had no pledged assets, but had pledged land securities in Brazil in the amount of CHF 23 million in connection with loans.

14. Other notes

As of 31 December 2015, the annual balance sheet shows that half of the share capital and the general statutory reserves are no longer sufficiently covered. On 25. General Annual Meeting 2016, the Board of Directors applies for cover with general statutory reserves. For additional information on significant events after the reporting date and contingent liabilities, please refer to the notes of the consolidated group financial statements. For the full-time employment of Holding employees, please refer to the social key figures in the sustainability report.

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Building a better working world

To the General Meeting of

Precious Woods Holding AG, Zug

Zurich, 25 April 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Precious Woods Holding AG, which comprise the balance sheet, income statement and notes (pages 74 to 80), for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved. Furthermore, we draw attention to the fact that half of the share capital and legal reserves is no longer covered (article 725 paragraph 1 CO).

Ernst & Young Ltd

Rico Fehr
Licensed audit expert
(Auditor in charge)

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The Precious Woods Annual Report is available in both German and English. The printed English text is the binding version.

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PRECIOUS WOODS