

Half-Year Report 2016



PRECIOUS WOODS

Precious Woods is one of the world's leading companies in sustainable management of tropical forests globally.

Additional information can be found at www.preciouswoods.com

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Successful first half-year 2016: Strong increase in operating profit (EBIT) – EBIT margin of 6.7% – Stronger operating cash flow

The first half-year 2016 concludes with positive earnings before interest and taxes (EBIT) of USD 1.6 million, USD 1.4 million higher than the USD 0.2 million in the same period of the previous year. In all country organisations, significant increases in productivity and earnings were achieved again. This positive development also resulted in stronger cash flow, allowing Precious Woods to invest in machines and equipment using its own resources. A further, smaller capital increase reduced net debt as of the end of the reporting period.

The net sales of the Precious Woods Group in the first half-year 2016 were USD 23.3 million and thus 3.4% higher than the same period in the previous year (USD 22.6 million). The increase in sales was not influenced by any exchange rate effect. The saw mills in Gabon increased sales by 3.9%, and the sales in the veneer plant (TGI) shot up by 42.9% compared with the previous year. This was of course strongly influenced by the planned 6-week service interruption necessary in 2015. In Brazil, sales were 17.6% higher than in the previous year. Sawn timber production capacity increased by 25% with stable fixed costs.

In the first half-year 2016, shipping capacity in Gabon was cut in half. While this delayed delivery, sales were not impacted. Additionally, the effective weight of the containers now has to be determined, which also resulted in delays because the necessary equipment was initially not available at the port.

The gross profit was USD 14.2 million and thus 9.2% higher than the previous year (USD 13.0 million). The gross profit margin was 60.8%, compared with 57.6% in the previous year. The significant positive change can be explained with reference to the optimization measures that were implemented at all locations. Earnings before interest, taxes, depreciation, and amortization (EBITDA) amounted to USD 4.3 million, USD 1.4 million higher than the previous year (USD 2.9 million). Earnings before income and taxes (EBIT) amounted to USD 1.6 million (previous year: USD 0.2 million).

The financial result was USD –2.0 million (previous year: USD –4.3 million). The pure interest charge was USD 1.5 million (previous year: USD 1.6 million). While the exchange rate losses in the previous year amounted to USD 2.1 million, the reporting period saw exchange rate gains of USD 0.1 million. The net result was USD –0.4 million (previous year: USD –4.1 million). Equity at the end of the reporting period was USD 23.3 million, i.e., USD 10.4 million higher than at the end of 2015. The equity ratio increased strongly to 30.0%, compared with 18.1% on 31 December 2015.

Working capital was within the expected range at USD 10.2 million or 22.7% of 12-month sales, USD 0.5 million below the level on 31 December 2015. Net debt amounted to USD 29.3 million, USD 4.1 million below the level of USD 33.5 million at the end of 2015. The positive cash flow and the capital increase led to this improvement. The figure includes the result of the capital increase, which was credited on 1 July 2016.

Operating cash flow was USD 4.0 million (previous year: USD 1.7 million). Investment cash flow was USD –1.1 million (previous year USD –0.6 million).

Precious Woods Holding: Further cost savings

Holding costs increased by USD 0.1 million compared with the same period in the previous year due to additional projects and the capital increase. The holding organization continues to have 11 employees, 7 of which are employed in sales (office and field staff).

Precious Woods Gabon: Increase in productivity – Organizational improvements

Production volumes in the saw mill amounted to 19 087 m³ (previous year: 18 465 m³) and in the veneer plant 15 573 m³ (previous year: 8 912 m³). While the production volume in the saw mill was slightly higher than in the previous year, production in the veneer plant increased dramatically over the previous year due to the 6-week service interruption in 2015. As in the previous year, the maintenance work in the saw mill was carried out in the first half-year. Moreover, minor investments in productivity were made on a selective basis.

A focus was on further process optimization from order placement to delivery. Lead time was reduced and quality improvements were achieved. Transport was largely carried out by rail. The operating result (EBITDA) stayed unchanged at USD 3.6 million.

The local financing situation has not improved. The reduced liquidity of the government of Gabon also has an impact on banks and industry. The existing banks are still supporting us to the extent of their abilities. The input tax credit from the past has been reimbursed, but the total credit from current operating activities continues to be about USD 3 million.

Precious Woods Amazon:

Significant increase in productivity

Production volumes in the saw mill amounted to 13 116 m³ (previous year: 11 581 m³) and were thus 13.3 % higher than the previous year. Net sales amounted to USD 6.9 million, about USD 1 million or 17.6 % higher than the previous year period. The operating result (EBITDA) improved by about USD 1.4 million from the previous year to USD 1.9 million.

Also in Brazil, workflows and material flows in the saw mill were further optimized with the goal of reducing lead time, avoiding waiting times, and keeping inventory to a minimum. These improvements were achieved with modest investments.

Due to the rainy season in Brazil, logs can be harvested only between July and December, so that log inventories decline in the first half-year. The many different timber species that we have to harvest in order to protect biodiversity constitute a major challenge for sales. New sales markets in Asia and the Middle East have been developed successfully – they are intended to compensate the decline on the European market.

Precious Woods Trading:

Trading in certified logs and sawn timber from Europe

Net sales from trading activities amounted to USD 1.2 million (previous year: USD 1.8 million), and the operating result (EBITDA) amounted to USD 0.1 million (previous year: USD 0.1 million).

Carbon & Energy:

Emission trading (CER)

CER certificates from the 2014 production were traded in the first half-year 2016. Sales amounted to USD 0.4 million, after no sales occurred in the 2015 reporting year.

Share price

At the beginning of 2016, shares were trading at CHF 3.75 on the OTC ZKB platform; on 30 June 2016 (cut-off date for the interim report), the price was significantly higher at CHF 5.50. The highest price was reached in May 2016 at CHF 6.10.

Outlook

We are maintaining our guidance of sales growth with positive EBIT, increased cash flow, and an overall result that is at least balanced. We intend to switch our presentation currency from USD to EUR, given that most of our costs and income are in EUR.

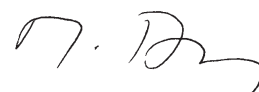
Net debt was reduced and equity was increased. Current operations generate a cash flow that allows us to make ongoing replacement and additional investments necessary for the organic growth of the Group. Financing solutions are being made available by the banks for special project financing.

We stopped an acquisition project after detailed due diligence. No other specific projects are currently planned. We are putting all our energy into further organic growth of the Group.

On behalf of the Board of Directors / Management



Ernst A. Brugger
Chairman of the Board of Directors



Markus Brütisch
CEO / CFO

Precious Woods Group

Interim condensed consolidated financial statements

as at 30 June 2016

Interim consolidated statement of financial position

| in TUSD | 30 June 2016 | 31 December 2015 |
|--|---------------|------------------|
| ASSETS | | |
| Current assets | unaudited | audited |
| Cash and cash equivalents | 3 859 | 3 828 |
| Trade and other receivables | 11 465 | 8 623 |
| Inventories | 11 435 | 11 025 |
| Other current assets | 1 582 | 1 015 |
| Total current assets | 28 341 | 24 491 |
| Non-current assets | | |
| Property, plant and equipment | 40 674 | 38 399 |
| Intangible assets | 6 570 | 6 520 |
| Investments in associates | 768 | 646 |
| Non-current financial assets | 536 | 529 |
| Other non-current assets | 726 | 622 |
| Deferred income tax assets | 6 | 6 |
| Total non-current assets | 49 280 | 46 722 |
| Non-current assets held for sale | 7 | 7 |
| TOTAL | 77 628 | 71 220 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Trade and other payables | 11 796 | 15 751 |
| Current income tax liabilities | 347 | 285 |
| Short-term convertible loans | 488 | – |
| Current financial liabilities | 14 143 | 15 541 |
| Current provisions | – | 29 |
| Total current liabilities | 26 774 | 31 606 |
| Non-current liabilities | | |
| Long-term convertible loans | – | 468 |
| Non-current financial liabilities | 22 346 | 21 296 |
| Deferred tax liabilities | – | – |
| Non-current provisions | 5 258 | 4 948 |
| Total non-current liabilities | 27 604 | 26 712 |
| Equity | | |
| Share capital | 6 402 | 4 543 |
| Additional paid-in capital | 77 374 | 71 160 |
| Foreign currency translation reserve | 9 118 | 6 417 |
| Retained earnings | –69 774 | –69 354 |
| Equity attributable to owners of Precious Woods Holding Ltd | 23 120 | 12 766 |
| Non-controlling interests | 130 | 136 |
| Total shareholders' equity | 23 250 | 12 902 |
| TOTAL | 77 628 | 71 220 |

Interim consolidated statement of profit or loss

| in TUSD | 30 June 2016 unaudited | 30 June 2015 unaudited |
|--|---------------------------|---------------------------|
| Net sales from trading activities | 22 922 | 22 569 |
| Revenue from emission reduction activities | 408 | – |
| Total revenue | 23 330 | 22 569 |
| Changes in inventories of finished goods and work in progress | –215 | –1 297 |
| Raw materials and consumables used | –1 267 | –1 819 |
| Other productions costs | –7 653 | –6 452 |
| Operational contribution | 14 195 | 13 001 |
| Direct and indirect labour costs | –8 901 | –8 434 |
| Other operating expenses | –1 002 | –1 737 |
| Other operating income | 15 | 105 |
| Earnings before interest, tax, depreciation and amortization (EBITDA) | 4 307 | 2 935 |
| Depreciation, amortization and impairment | –2 754 | –2 728 |
| Earnings before interest and tax (EBIT) | 1 553 | 207 |
| Financial income | 302 | 140 |
| Financial expenses | –2 257 | –4 389 |
| Share of (losses)/profits of associates | –62 | –74 |
| Earnings before tax (EBT) | –464 | –4 116 |
| Income taxes (expenses)/income | 37 | 28 |
| Net (loss)/profit for the period | –427 | –4 088 |
| Allocation of net (loss)/profit: | | |
| Equity owners of Precious Woods Holding Ltd | –421 | –4 091 |
| Non-controlling interests | –6 | 3 |
| Basic earnings per share | –0.07 | –1.09 |
| Diluted earnings per share | –0.07 | –1.09 |

Interim consolidated statement of comprehensive income

| | 30 June 2016 | 30 June 2015 |
|--|--------------|---------------|
| in TUSD | unaudited | unaudited |
| Net (loss)/profit for the period | -427 | -4 088 |
| Actuarial gains and losses | — | — |
| Tax effect on actuarial gains and losses | — | — |
| Foreign currency translation differences | -3 | 12 |
| Items that will not be reclassified to profit or loss, net of tax | -3 | 12 |
| Unrealised gains and losses financial assets available for sale | — | -2 |
| Foreign currency translation differences | 2 705 | -5 169 |
| Items that may be reclassified subsequently to profit or loss, net of tax | 2 705 | -5 171 |
| Total other comprehensive (loss)/income for the period | 2 702 | -5 159 |
| Total comprehensive (loss)/income for the period | 2 275 | -9 247 |
| Allocation of total comprehensive (loss)/income: | | |
| Equity owners of Precious Woods Holding Ltd | 2 281 | -9 234 |
| Non-controlling interests | -6 | -13 |

Interim consolidated statement of changes in equity

| in TUSD | Attributable to equity holders of Precious Woods Ltd | | | | | Non-controlling interests | Total equity |
|---|--|----------------------------|--------------------------------------|-------------------|---------------|---------------------------|---------------|
| | Share capital | Additional paid-in capital | Foreign currency translation reserve | Retained earnings | Total | | |
| Balance 31 December 2014 | 3 278 | 67 659 | 13 400 | -64 207 | 20 130 | 146 | 20 276 |
| Net (loss)/profit for the period | — | — | — | -4 091 | -4 091 | 3 | -4 088 |
| Other comprehensive (loss)/income for the period | — | — | -5 169 | 26 | -5 143 | -16 | -5 159 |
| Total comprehensive (loss)/income for the period | — | — | -5 169 | -4 065 | -9 234 | -13 | -9 247 |
| Proceeds from issue of shares | — | — | — | — | — | — | — |
| Equity component convertible loans | — | 155 | — | — | 155 | — | 155 |
| Costs of capital increase/transaction costs | — | — | — | — | — | — | — |
| Balance 30 June 2015 | 3 278 | 67 814 | 8 231 | -68 272 | 11 051 | 133 | 11 184 |
| Balance 31 December 2015 | 4 543 | 71 160 | 6 417 | -69 354 | 12 766 | 136 | 12 902 |
| Net (loss)/profit for the period | — | — | — | -421 | -421 | -6 | -427 |
| Other comprehensive (loss)/income for the period | — | — | 2 701 | 1 | 2 702 | — | 2 702 |
| Total comprehensive (loss)/income for the period | — | — | 2 701 | -420 | 2 281 | -6 | 2 275 |
| Proceeds from issue of shares | 1 859 | 6 333 | — | — | 8 192 | — | 8 192 |
| Equity component convertible loans | — | — | — | — | — | — | — |
| Costs of capital increase/transaction costs | — | -119 | — | — | -119 | — | -119 |
| Balance 30 June 2016 | 6 402 | 77 374 | 9 118 | -69 774 | 23 120 | 130 | 23 250 |

Interim condensed consolidated statement of cash flows

| in TUSD | 30 June 2016 unaudited | 30 June 2015 unaudited |
|---|---------------------------|---------------------------|
| Profit/(loss) for the period | -427 | -4 088 |
| Operating cash flow before working capital changes | 3 604 | 1 980 |
| Net cash flow operating activities | 4 008 | 1 703 |
| Net cash flow investing activities | -1 096 | -556 |
| Net cash flow financing activities | -3 032 | -1 875 |
| (Decrease)/increase in cash and cash equivalents | -120 | -728 |
| Translation effect on cash | 151 | -31 |
| Cash and cash equivalents, at the beginning of the year | 3 828 | 2 769 |
| Cash and cash equivalents, at the end of the period | 3 859 | 2 010 |



Notes to the interim condensed consolidated financial statements

1. Basis of presentation and accounting policies

The unaudited interim condensed consolidated financial statements of Precious Woods Group for the six months ended 30 June 2016, have been prepared in accordance with IAS 34 and were authorized for issue by the Board of Directors on 22 August 2016. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015. They mainly focus on new activities, events and circumstances and do not duplicate information previously reported.

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 accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015. The new or revised standards and interpretations were either not relevant or their adoption did not have an impact on the financial statements of the Group.

2. Net debt / refinancing

After the successful capital increase end of 2015 with new capital and conversion of loans the group achieved a substantial net debt decrease. Another capital increase was published on 30 June 2016 and closed on 1st July 2016 with additional equity of USD 4.4 million. A refinancing of the local loans in Africa has been launched

with the aim to lower interest. The Group is further looking to strengthen its equity and to reduce the debt to a reasonable value to ensure the future growth. The Board of Directors and Management believe that the going concern assumption of Precious Woods Group is given.

3. Seasonality

For the forestry operations in Brazil the first half of the year is characterized by the rainy season (January to May) during which no logs are harvested.

4. Convertible loans

The short-term convertible loan of TCHF 500 (maturity in May 2017) has a carrying amount of TUSD 488 (2015: TUSD 468).

5. Financial information by segment

The Group's reportable segments are Sustainable Forest Management Brazil, Sustainable Forest Management Gabon, Trading and Carbon & Energy.

Operating segments – 30 June 2016

| in TUSD | Sustainable Forest Management Brazil | Sustainable Forest Management Gabon | Timber Trading | Carbon & Energy | Other ¹ | Total 30 June 2016 |
|--|---|--|-------------------|-----------------------|--------------------|-------------------------------|
| Revenue | | | | | | |
| Third parties | 5 908 | 15 407 | 1 166 | 408 | – | 22 889 |
| Intersegment | 583 | 47 | – | – | –630 | – |
| Associated and related parties | 441 | – | – | – | – | 441 |
| Total revenue | 6 932 | 15 454 | 1 166 | 408 | –630 | 23 330 |
| Loss/profit on sale of associate | – | – | – | – | – | – |
| Loss/profit on sale of fixed assets and affiliates | 4 | – | – | – | 0 | 5 |
| EBITDA | 1 948 | 3 572 | 89 | 108 | –1 410 | 4 307 |
| Segment assets | 33 935 | 45 507 | 2 217 | –69 | –3 962 | 77 628 |
| Segment liabilities | 53 043 | 34 340 | 745 | 204 | –33 954 | 54 378 |

¹ The eliminations and adjustments consist of the inter- and intrasegment 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 – 30 June 2015

| in TUSD | Sustainable Forest Management Brazil | Sustainable Forest Management Gabon | Timber Trading | Carbon & Energy | Other ¹ | Total 30 June 2015 |
|--|---|--|-------------------|-----------------------|--------------------|-------------------------------|
| Revenue | | | | | | |
| Third parties | 5 404 | 14 853 | 1 803 | – | – | 22 060 |
| Intersegment | 4 | – | – | – | –4 | – |
| Associated and related parties | 487 | 22 | – | – | – | 509 |
| Total revenue | 5 895 | 14 875 | 1 803 | – | –4 | 22 569 |
| Loss/profit on sale of associate | – | – | – | – | – | – |
| Loss/profit on sale of fixed assets and affiliates | – | – | 54 | – | – | 54 |
| EBITDA | 508 | 3 583 | 132 | – | –1 288 | 2 935 |
| Segment assets | 24 206 | 46 614 | 2 292 | 86 | –0 | 73 198 |
| Segment liabilities | 52 419 | 34 439 | 6 074 | 231 | –31 149 | 62 014 |

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.

Reconciliation of reportable segment profit or loss

| | 30 June 2016 | 30 June 2015 |
|---|--------------|---------------|
| Total EBITDA for reportable segments | 5 717 | 4 223 |
| EBITDA Other | -1 410 | -1 288 |
| EBITDA of continuing operations | 4 307 | 2 935 |
| Depreciation, amortization and impairment | -2 754 | -2 728 |
| EBIT | 1 553 | 207 |
| Financial income and expenses | -1 955 | -4 248 |
| Share of (losses)/profits of associates | -62 | -74 |
| Earnings before tax from continuing operations | -464 | -4 116 |

6. Subsequent events

There have not been any significant new events between 30 June 2016 and the date of authorization that would affect the interim condensed consolidated financial statements.

Additional information

Relating to the share register

(entries, transfers, changes of address, etc.):

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Stock exchange listing

The shares of Precious Woods Holding AG were listed on the SIX Swiss Exchange between 18th March 2002 and 9th August 2013. Since 12th August 2013, the shares are traded over the OTC ZKB platform. You find further information on our website under www.preciouswoods.com.

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

Credits

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Precious Woods Holding Ltd

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Cautionary note on forward-looking statements: This Half-Year Report contains forward-looking statements that reflect Precious Woods' current views with respect to future events. These forward-looking statements are based on assumptions and involve risks and uncertainties with regard to future global economic conditions, foreign exchange rates, regulatory rules, market conditions, environmental factors, the actions of competitors and other factors. These risks and uncertainties could cause actual results to differ materially from those contained in the forward-looking statements. Precious Woods does not assume any obligation, to update information or forward-looking statements set forth in this document.

The Precious Woods Half-Year Report is available in both German and English.
The English text is the binding version.

► Front- and Backcover:

Photographing of brasilian Forest



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