



Media release

Declining sales and a deep crisis in the industry

Zug, 25 April 2024 – Precious Woods achieved consolidated net revenues of EUR 56.4 million in the 2023 fiscal year, 14.4% below the previous year (EUR 65.9 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR -5.1 million, or -9.1 %, a decrease of EUR 18.4 million from the previous year (EUR 13.3 million). Earnings before interest and taxes (EBIT) amounted to EUR -9.4 million, EUR 16.3 million lower than the previous year (EUR 6.9 million). The net result was EUR -12.7 million (previous year: EUR 1.0 million). The EBITDA and EBIT figures include markdowns in the valuation of biomass in the amount of EUR 2.5 million each.

Decline in sales and large losses

In 2023, the entire company achieved net revenues of EUR 56.4 million, a decrease of 14.4% from the previous year (EUR 65.9 million). The reduction in quantities and volumes totaled 7.7 % and shifts in the price/product mix affected sales by 2.7 % and there were virtually no effects from currency differences (>1 %). Electricity sales in Brazil amounted to EUR 1.9 million (previous year: EUR 3.7 million).

The 2023 fiscal year was marked by a deep crisis in the construction supply industry. Demand on the timber markets deteriorated dramatically in the second half of the year, with timber prices falling to a lower level. The crisis in the construction sector due to the turnaround in interest rates and the associated construction loan crisis in Asia as well as the political unrest at production locations – but also in sales markets – further exacerbated the situation. In Brazil, production in the forest and sawmill continued to fall due to a lack of orders. Moreover, the Amazon River carried so little water at the end of the year that shipments came to a temporary standstill. This led to a prolonged interruption in deliveries. The further weakening of the EUR and USD against the Brazilian real resulted in higher consolidation costs and lower income in local currency. On 30 August 2023, a military coup took place in Gabon against the backdrop of the country's political tensions. This led to a temporary interruption of the local economy, especially in the Gabon Special Economic Zone, which in turn resulted in a standstill of supplies in the local sales market and consequently to high inventories, especially of logs. The consequences included liquidity bottlenecks and increased inventory costs.

The two veneer plants (CPL in Gabon – our 49% stake) produced about 23 % less due to the partial interruption in the supply of logs and the fact that no work was carried out from 14 August to 10 September due to the upcoming elections. At the end of 2022, fuel prices in Gabon increased by almost 100% in total over the previous year and are currently still at a very high level. Shipping costs per container also remained at a very high level for almost the entire year in both Gabon and Brazil. Due to the acute crisis, drastic measures had to be taken, and an extensive restructuring program was initiated, which was largely completed in 2023. The measures primarily involve a reduction in the

number of employees from 1 550 to 1259. The associated one-off personnel costs amounted around to EUR 1.3 million.

The combination of the decline in sales and the rapid implementation of the restructuring measures resulted in a severe worsening of the already tense liquidity situation. Measures had to be taken at all possible levels to stop the outflow of funds and to generate additional cash. These measures have been effective, and the situation was stabilized at a low level by the end of the year.

In Brazil, the harvest volume for logs was 86 500 m³, 46.8 % lower than in the previous year, which was primarily due to lower demand. The sawmill processed 137 700 m³ of wood, 26.3 % less than in the previous year. This resulted in 31.8 % lower sawn timber production, totalling 28 400 m³ (previous year: 41 700 m³).

In Gabon, the harvest volume in 2023 was 162 800 m³, a decline of 28.9 % from the previous year (228 900 m³). The sawmills in Bambidie processed a total of 92 150 m³, a decrease of 38.9 %. Sawn timber production amounted to 36 900 m³ (previous year: 54 900 m³) – a decrease of 32.8 %.

Margin development

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR -5.1 million, a decrease of EUR 18.4 million from the previous year (EUR 13.3 million). This corresponds to an EBITDA margin of -9.1 % (previous year: 20.2%). The valuation for biomass in Brazil resulted in a negative effect of EUR 2.5 million in 2023 (previous year: positive effect of EUR 4.2 million).

Financial result

At EUR -3.7 million, the financial result was slightly above the previous year's level of EUR -3.5 million, primarily due to currency effects. At the end of the year, net debt was 48.9 million, EUR 2.8 million higher than the previous year (EUR 46.1 million).

The net loss was EUR 12.7 million, compared to the previous year's profit of EUR 1.0 million.

Cash flow from operating activities decreased by EUR 3.7 million to EUR 2.7 million. The change in working capital was EUR 5.3 million. Investments in tangible fixed assets amounted to EUR 1.7 million. Cash flow from financing activities was EUR -2.4 million.

Outlook for 2024

With our newly established cost structure, we have created the basis for significantly reducing our loss in 2024 despite the expected decline in sales, even under the difficult conditions of the ongoing crisis in the timber and construction industry, and we aim to break even at an operating level. The strategic objective includes stabilizing day-to-day business at a low level so that the necessary replacement investments can be made. We want to fulfil our mandate for profitable growth, even though external debt in relation to EBITDA is still very high. At the same time, the refinancing of existing loans remains a major challenge. We expect increased profitability in Gabon and Brazil in 2024 because we were able to implement most of the restructuring effects in 2023. We remain very cautious in our assessment of the market situation, in part due to the high interest rates affecting the construction industry and the fact that consumer sentiment is still subdued. Building and using wood is and will remain a trend, also due to the potential and climate contributions that wood can make as a construction material. We therefore expect a fiscal year that marks a turnaround towards a financially healthy company focused on its core tasks, able to withstand the upheavals of the global markets and create added value for customers and shareholders – in addition to our mandate of having a positive impact on the environment and society.

General Meeting on 22 May 2024

This year's ordinary Annual General Meeting will take place on 22 May 2024 in the Volkshaus Zurich. The invitation to the General Meeting will be published in the Swiss Official Gazette of Commerce (SOGC) and on the Precious Woods website on 25 April 2024, together with the complete agenda and the proposals by the Board of Directors.

The complete Annual Report is now available for download at www.preciouswoods.com as well as an online version.

Information:

Markus Brüttsch (Chairman), Fabian Leu und Markus Pfannkuch (co-CEOs)
and Richard Meister (CFO)

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Precious Woods is an international company active in the sustainable management and use of tropical forests. The company's core activities include sustainable management of tropical forests, timber processing and the trading of FSC-certified timber products. The generation of emission rights and electricity from wood waste represent further integral elements of the company's business. Additional information about Precious Woods can be found at www.preciouswoods.com

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

Precious Woods Group – Key figures

in thousand EUR

INCOME STATEMENT	2023		2022	
Net sales	56'401	100.0%	65'866	100.0%
Production cost	-36'176	-64.1%	-26'454	-40.2%
Operational contribution	20'225	35.9%	39'411	59.8%
Labour cost	-21'105	-37.4%	-22'662	-34.4%
Other operating cost	-3'997	-7.1%	-3'177	-4.8%
Share on associates	-266	-0.5%	-240	-0.4%
EBITDA	-5'143	-9.1%	13'332	20.2%
Depreciation and amortization	-4'247	-7.5%	-6'417	-9.7%
EBIT	-9'390	-16.6%	6'915	10.5%
Financial result	-3'740	-6.6%	-3'463	-5.3%
EBT	-13'130	-23.3%	3'452	5.2%
Income taxes	413	0.7%	-2'486	-3.8%
Net result	-12'717	-22.5%	965	1.5%

in thousand EUR

BALANCE SHEET	31.12.2023		31.12.2022	
Current assets	31'438	23.7%	39'930	29.3%
Non-current assets	101'246	76.3%	96'469	70.7%
TOTAL ASSETS	132'684	100.0%	136'399	100.0%
Current liabilities	50'263	37.9%	40'208	29.5%
Non-current liabilities	41'306	31.1%	45'829	33.6%
Equity	41'115	31.0%	50'362	36.9%
TOTAL LIABILITIES & EQUITY	132'684	100.0%	136'399	100.0%