PRECIOUS WOODS Annual Report 2021

2021

Annual Report

PRECIOUS WOODS

Cover:
João Cruz, CEO PW Amazon with his employees
Back:
Employee at the PW Gabon sawmill

Precious Woods 2021 – Increased sales and profitability

Increase in sales to
54.3
EUR million

EBITDA margin
27.7 %

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' manifold activities, emphasizing the company's principle of creating triple added value: environmental, social and economic.

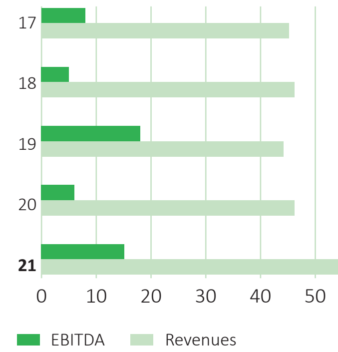
Key figures and information for investors

5-year summary of key financial data (in thousand EUR)

	2017	2018	2019	2020	2021
Revenues	**44 997**	**46 349**	**44 380**	**46 186**	**54 299**
Depreciation, amortization and impairments	4 681	3 416	4 494	3 882	4 329
Depreciation and amortisation	4 699	3 435	2 239	3 922	4 317
Impairments	–18	–19	635	–40	12
EBITDA	**8 210**	**5 111**	**18 450**	**5 769**	**15 066**
in % of revenues	18.2 %	11.0 %	41.6 %	12.5 %	27.7 %
EBIT	3 529	1 695	13 956	1 887	10 737
in % of revenues	7.8 %	3.7 %	31.4 %	4.1 %	19.8 %
Net result	**1 643**	**–1 717**	**7 973**	**–2 181**	**4 686**
in % of revenues	3.7 %	–3.7 %	18.0 %	–4.7 %	8.6 %
Balance sheet total	71 405	73 435	131 076	109 443	117 438
Shareholders' equity	**20 095**	**11 614**	**55 104**	**39 309**	**44 438**
in % of the balance sheet total	28.1 %	15.8 %	42.0 %	35.9 %	37.8 %
Net indebtedness	**31 283**	**34 441**	**41 631**	**41 910**	**42 184**
Cash flow from operating activities	**3 351**	**3 307**	**3 806**	**5 868**	**6 049**
Investments/acquisitions	–2 244	–3 542	–4 650	–4 038	–2 332
Average full-time-equivalent employee	1 340	1 408	1 498	1 548	1 540

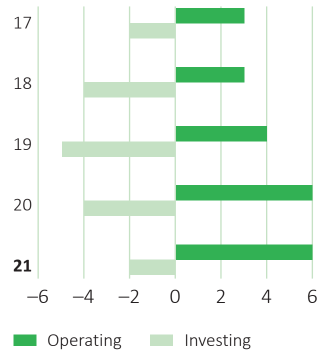
EBITDA and Revenues

EUR million



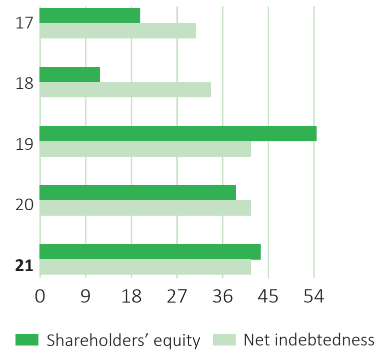
Cash flow from operating and investing activities

EUR million



Shareholders' equity and Net indebtedness

EUR million



Revenues by business segment

2021
54.3
million EUR

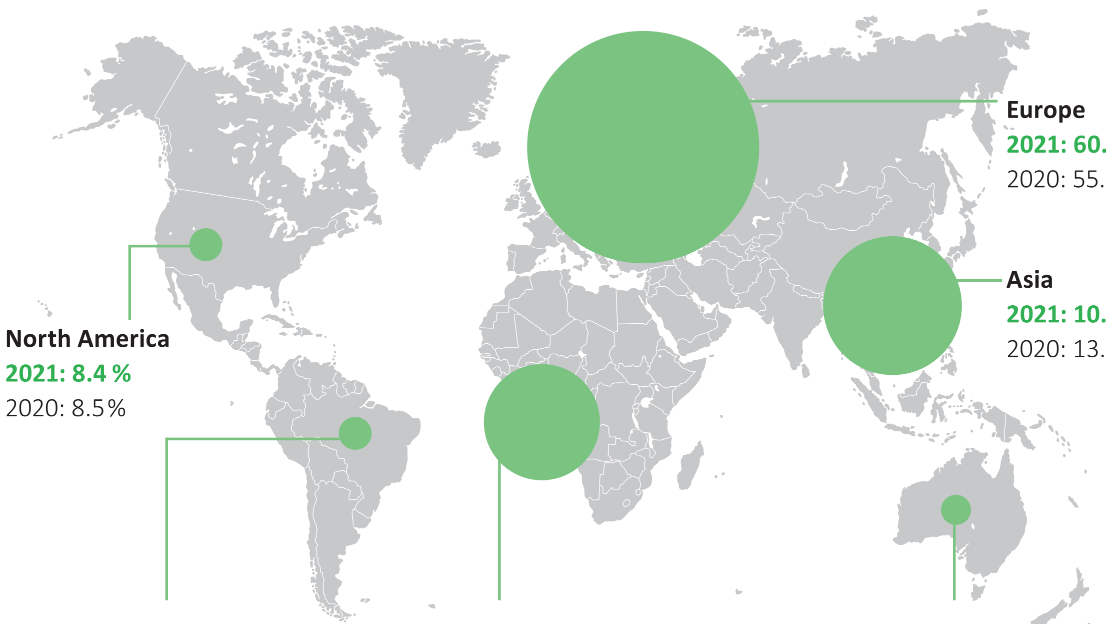
2020
46.2

Sustainable forest management Brazil
2021: 28.7 %
2020: 27.5 %

Sustainable forest management Gabon
2021: 65.0 %
2020: 67.1 %

Trading
2021: 6.3 %
2020: 5.4 %

Revenues by market region



Europe
2021: 60.3 %
2020: 55.1 %

Asia
2021: 10.0 %
2020: 13.5 %

North America
2021: 8.4 %
2020: 8.5 %

Latin America
2021: 12.3 %
2020: 7.8 %

Africa
2021: 9.0 %
2020: 14.7 %

Australia
2021: 0.0 %
2020: 0.4 %

2021
54.3
million EUR

2020
46.2
million EUR

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Shareholders' letter

« *Climate value should be assigned to sustainably produced wood. Then the incentive structure to fight climate change would be pulling in the right direction.* »

Katharina Lehmann, Chairwoman

Picture large: Forest area in Brazil
Picture small: Sawmill at PW Amazon, Brazil

To our shareholders

Katharina Lehmann
Chairwoman of the BoD

Dear Shareholders

Precious Woods can look back on a successful and eventful year 2021. Increases in sales and revenue led to the financial successes we present in detail in the annual report. With an increase in sales of 17.6% and an EBIT margin of 19.8%, we have again made good progress. The high interest rates on borrowed capital and our excessively high working capital continue to have a negative impact. This excessive working capital is impairing our liquidity and, at the same time, we are unable to show the revenue hidden in our high inventories. These difficulties – which have arisen repeatedly due to logistics problems – hurt, and they overshadow the improvement of our operational activities. For this reason, and also because Covid-19 continued to complicate day-to-day operations and travel, 2021 was a major challenge.

Successful operational activity
In both Brazil and Gabon, sawmills achieved volume and yield increases in 2021. Combined with higher sales prices due to the good current market situation and reduced production costs, this resulted in an increase in profitability of which we can be proud. We see a lot of further potential: The new azobé hardwood sawmill in Bambidie is slowly entering normal operations after a difficult start. In Brazil, targeted, smaller investments are leading to increased cutting capacity, and we are confident that we will be able to maintain our results in 2022 despite currency fluctuations. In parallel to the technical and operational improvements, our management and specialized team in Switzerland, Gabon, Brazil, and the Netherlands knows how to ensure the stability and further development of our activities and processes with a great deal of commitment, motivation, and prudence. Last but not least, we can expect that our products made of tropical wood will continue to sell well in future, benefiting from the trend of increasing global demand for wood as a renewable raw and construction material.

Successful sustainable activity
The fact that Precious Woods passes its FSC and PEFC/PAFC certification audits with top marks almost goes without saying. This is because we, our management and our employees play a pioneering role in the sustainable management of tropical forest areas and will never compromise – this is the core of our vision and mission. With innovations such as the new FSC Ecosystem Services certifications for carbon storage and water conservation, we are also proving that sustainable forest management is one of the solutions to protect our world's carbon sinks. As only the second company to be certified worldwide, we feel obliged to actively contribute our business model to the climate change debate. Because we are convinced that climate effective measures, are not exclusive to reforestation projects. And, of course, social sustainability completes our business model. Numerous projects presented in the following chapters – in cooperation with the local population but also with research institutions – are results or visible products of our effective activity.

Investments in renewal and growth
Over the past few years, we have laid the operational foundation for the further development of Precious Woods. We want to continue along this path and steadily improve our processes, products, and infrastructure. At the same time, we want to grow profitably – both qualitatively and quantitatively. Our defined strategic objectives include investments in the expansion of our managed forest areas in Brazil and Gabon, in the depth of our value chain, in our performance, and in our employees.

Unfortunately, our external debt in relation to EBITDA continues to be very high. The assets tied up in our forest areas in Brazil contribute to this. Given that growth financing via conventional financing institutions does not yet seem possible, we are actively seeking strategic partnerships and local financing options. Because interest on borrowing is too high, we have decided to issue a bond to counteract this situation.

Outlook and thanks
Infrastructural and institutional obstacles, along with the effects of the global pandemic, once again impacted the year. The operational progress and the financial result can be weighted and evaluated all the more in light of these

circumstances. Our EBITDA of EUR 15.1 million, or 27.7%, is a sustainable result that gives us an incentive, opens up opportunities, and at the same time represents an obligation.

On behalf of the entire Board of Directors, I would like to express my thanks for all the valuable contributions, the huge commitment, and the flexibility shown by the management of the Group, but also of the companies in Brazil, Gabon, and Switzerland. In particular, I would like to thank Markus Brütsch for his prudent leadership, but also for our good and constructive work together. And I would like to thank our approximately 1 500 employees of Precious Woods for their daily work not only for our company, but also for our mission.

I would also like to warmly thank my colleagues on the Board of Directors. I very much appreciate the open and reliable exchange of ideas. And finally, we would like to thank you, our valued shareholders – for your loyalty and for continuing to accompany, support, and promote the activities of Precious Woods through your commitment.

We look forward to welcoming you in person at this year's General Meeting on 19 May 2022 at the Volkshaus in Zurich.

Yours faithfully

Katharina Lehmann
Chairwoman of the Board of Directors

Sustainability

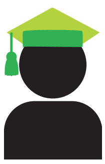
The social and environmental aspects of the company's activities are an important part of Precious Woods' daily work.

Picture large: Gorilla from Gabon
Picture small: Children playing in the Centre Culturel of Bambidie, Gabon

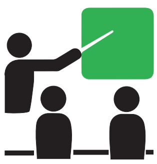
Precious Woods – living sustainability in all three dimensions

Precious Woods is one of the largest companies in sustainable management of tropical rainforests globally and is regarded as a pioneer in many areas. Certification according to the standard of the Forest Stewardship Council (FSC) has been part of the entrepreneurial philosophy of Precious Woods for many years. Since 2017, the entire Group has also been certified according to the Project for the Endorsement of Forest Certification (PEFC) standard. These standards define all essential criteria for sustainability in forestry. The certification schemes cover forestry processes as well as timber processing, trading, and social and environmental demands in the context of tropical forest management. Precious Woods thus guarantees 100 %-certified products from its PW Amazon, PW Gabon, and PW Holding operations. The core business is the production and sale of certified sawn and semi-finished tropical timber products. Through its biomass power plant in Brazil, Precious Woods also sells certified emission reductions (CERs) by utilizing residual wood from production. The aim of all activities is a high level of customer value while preventing deforestation of tropical forests through sustainable management and the associated local added value. Economic success ensures the social and environmental sustainability of activities and is essential for the long-term conservation of tropical forests. The Precious Woods Group is headquartered in Switzerland and employed about 1 500 people in Brazil, Gabon and Switzerland in 2021.

Indicators training
2021 (2020)



Training hours
1 493 (652)



Training hours per employee
1.0 (0.4)

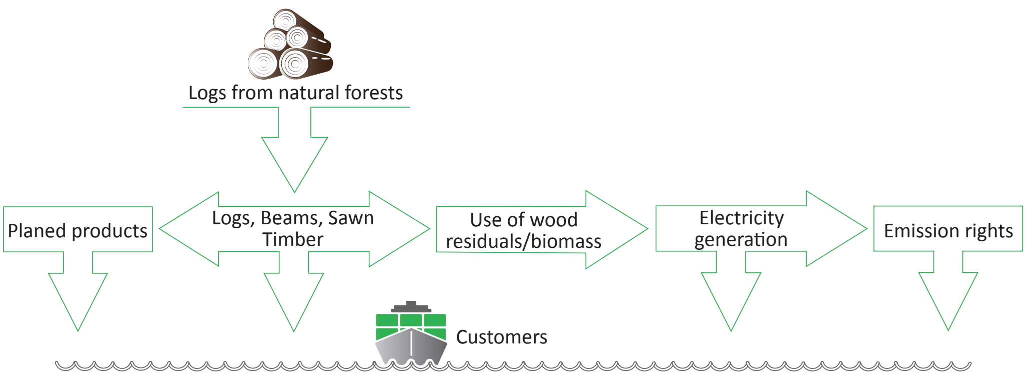
Vision

As an economically successful company, Precious Woods creates jobs and supports local communities and contributes to the long-term preservation of tropical forests and their positive impact on sustainability goals such as biodiversity and the natural water cycle through sustainable forestry as well as the processing and the marketing of the resulting products.

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 from more than 60 tropical tree species. Main target groups are the shipbuilding and hydraulic engineering sector, garden, building and road construction, as well as outdoor furniture manufacturers in Europe, Brazil, Asia, and the US. Thanks to continuous public campaigning by prominent non-governmental organizations, awareness of the negative environmental, social, and economic consequences of exploitation of tropical forests is increasing and leading to a positive change in framework conditions. This development offers Precious Woods – with its consistent strategy aimed at sustainability – a growing market share.

Market orientation and continuous optimization of the value chain



Thanks to its holistic approach ranging from sustainable forest management and timber production to marketing, 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 and processing companies that are also certified. Lesser-known species of wood are continuously tested and introduced on the market. For that purpose, Precious Woods examines uses for about 60 different timber species and puts this knowledge into practice to satisfy customer and market demands. At the same time, these activities preserve the integrity of the tropical forests. Thanks to all these factors, Precious Woods makes sustainable and long-term economic activity possible.

Goal of sustainable growth

Following acquisitive growth between 2000 and 2008, the company has since aimed at organic, sustainable growth. Medium-term goals are an EBITDA margin of 20% of net annual sales and an equity ratio of about 40%. In order to secure its operational activities, Precious Woods must have sufficient liquidity to absorb seasonal fluctuations and political risks. Not least of all, Precious Woods wants to secure 100% certification according to the highest standards in all its activities.

Management organization with strong market orientation

Precious Woods consists of four business units and a Group Management that focuses on the realization of strategic goals, sales, marketing and communication, as well as financial management and control. These areas as well as their activities and results are documented in detail in this annual report.

Sustainable forestry in all dimensions

Selective logging is not at all equivalent to sustainable forestry. FSC- and PEFC-certified tropical forest management as practiced by Precious Woods is based on careful planning and selection of the trees to be harvested, without endangering the diversity of tree species, the stocks, or the regenerative capacity. Average logging at Precious Woods is 1 to 3 trees per hectare, depending on the country, during a cycle of 25 or 35 years. The legal foundations would permit a far higher logging 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 environmental or social responsibility. Our activities are independently verified each year and documented by scientific studies. In this way, we demonstrate that timber can be harvested in tropical forests without negatively affecting or endangering the ecosystem. Quite the contrary: this sustainable forestry contributes to the preservation of forests that might otherwise fall victim to other forms of management. Thanks to this insight, it is possible to secure employment and generate local added value even in tropical regions.

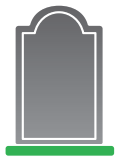
Since 2019, Precious Woods has published a separate sustainability report, which can be found on our website. In 2022, the report will be aligned with the Global Reporting Initiative (GRI) guidelines.

Indicators Health and safety
2021 (2020)

Accidents at work
143 (115)

Accidents per
1 000 employees
93 (74)

Days lost per
accident
8.9 (10.8)



Fatal accidents at work
- (-)

Indicators employees
2021 (2020)

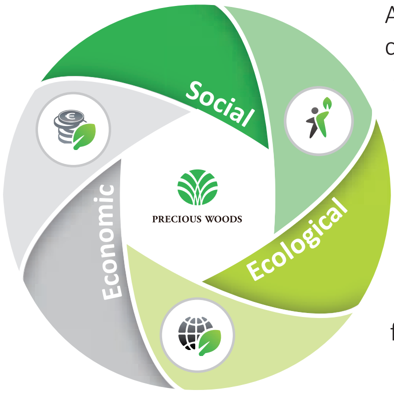
Number of employees total (yearly-Ø)
1 540 (1 548)

Brazil
755 (676)

Gabon
771 (858)

Europe
1 (1)

Corporate
13 (13)



At the same time, Precious Woods makes a wide range of contributions to improving local earning opportunities and ensures social added value not only through the creation of jobs, but also through targeted basic and continuing on-the-job training in Brazil and Gabon, schools, health clinics, social projects as well as other infrastructure in remote tropical forest areas. In doing so, the company makes an important contribution to economic and social development and stability in these regions. Precious Woods actively aims to improve the living conditions of its employees, their families, and the communities.

Added value in ecological terms means managing Precious Woods' forest areas consistently with sustainable practices to preserve these renewable natural resources – including their biodiversity – also for future generations. The social and environmental engagement of Precious Woods is also described in detail in the reports on the individual business segments.

		Brazil	**Gabon**
Forest area	in ha	493 597	596 800
Net forest area	in %	76	92
Employees		755	771
Communities		9	44
Harvest volume per year	in m^3	180 000	240 000
Harvested area per year	in ha	12 500	22 000
Harvest volume per ha	in m^3	13	10
Harvest cycle	in years	35	25

Market opportunities thanks to sustainability certificates

The PEFC and FSC certification standards go far beyond the minimum requirements of legality, setting out more extensive demands in regard to environmental and social sustainability in forestry as well as an uninterrupted chain of custody. The increasingly stringent legal requirements in importing countries will benefit trade in sustainably certified timber in the medium term. The total forest area under FSC certification was 238 million hectares at the beginning of 2022, which roughly corresponds to the area of Germany, France, Spain, the United Kingdom, Sweden, and Italy combined. But only about 9% of that area covers tropical forests and afforestation, which means they are still highly underrepresented in terms of FSC certification. Precious Woods manages about 5.5% of the total FSC-certified tropical forest area.

Contribution to the UN Sustainable Development Goals

In 2015 the United Nations adopted the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals (SDG) as its central element covering a wide range of social, economic, and environmental development issues. Within the SDG, protecting biodiversity and guaranteeing the livelihoods of the local population are addressed as priorities and targets for 2030. Precious Woods through its certified and sustainable activities in the Congo Basin and Amazon rainforest is a strong contributor to these Sustainable Development Goals.

Moreover, the 2015 Paris Agreement of the UN Framework Convention on Climate Change (UNFCCC) underlines that practicing sustainable forest management is a key element for limiting climate change and its impacts. This commitment was reinforced by various multinational initiatives at the COP26 climate conference in Glasgow in 2021

Precious Woods Amazon: Close ties with the local population

In 1997, PW Amazon was the first FSC-certified company in Brazil. More far-reaching investments have been made not least of all in the fields of workplace safety, accident prevention, and training. We maintain partnerships with educational institutions in order to promote schooling as well as professional training for the employees, their families, and the local inhabitants of Itacoatiara (the neighbouring city with approximately 100 000 inhabitants) and the surrounding communities.

Precious Woods attaches great importance to good mutual understanding with the local population: In 2016, PW Amazon began a socioeconomic survey of the local communities, which is repeated every year. We draw on this survey to gain insights about environmental, ethnic, and religious aspects and the measures we should take to support the local population.

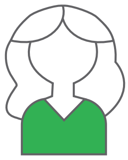
Precious Woods also organized capacity building courses and projects for the benefit of the local communities in 2021, which are described in more detail in the segment reports.

In cooperation with the HAFL (University of Applied Sciences, School of Agricultural, Forest and Food Sciences) and other educational institutions, we regularly accompany graduation theses and dissertations. In that way, we gain important insights into the impact of our activities, the regenerative capacity of our forest areas, and any potential for improvement. In doing so, we often succeed in attracting young managers for our locations in Brazil and Gabon.

Precious Woods in Gabon – Projects for the protection of flora, fauna, and biodiversity

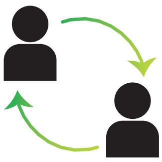
With the FSC and PEFC sustainability standards, PW Gabon goes far beyond other standards and legal requirements – for example in our monitoring and inspection of concession areas, the analysis of timber harvest and usage areas, as well as the professional and environmentally sound disposal of fuels, lubricants, accumulators, and chemical substances. Over the past few years, an average of only 1-3 trees per hectare have been logged in the protected zones of the concession, corresponding to about 14 m^3/ha. Thanks to this gentle use, the share of the forest impacted by logging has been kept very low. Cutting, access roads, and loading areas take up less than 8% of the used area on average, which is two and a half times better than the average in Gabon as determined by a study of the Food and Agriculture Organization (FAO).

Precious Woods devotes special attention to wildlife protection: the company is involved in the training and education of its employees and the local population through its own fauna teams. In cooperation with several universities, PW Gabon also works to collect data on big game, the diversity of species, and other aspects of biodiversity. We also combat illegal activities, especially poaching as part of a public-private partnership with the NGO Conversation Justice and the Gabon government. In this context, it is important to prevent access via forestry roads and back paths into the zones that have already been used.



Women
in %
7.3 (8.2)

Men
in %
92.7 (91.8)



Rate of employee
turnover
in %
5.9 (3.5)

Indicators Forest management 2021 (2020)

Forest protection total area in ha
1 090 400 (1 103 500)

FSC share of timber Production sold in %
100 (97)

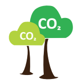
PEFC share of traded timber sold in %
100 (100)

Our contribution to ongoing protection of the forests

4 : 1

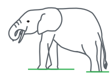
- Up to 4 m^3/ha/year growth in sustainably managed forests compared with less than 1 m^3/ha/year in protection zones
- 20 years measurement of wood volume growth

330 000 000 tC



- Carbon sequestered by PW forest areas (calculated at 300 tC/ha)

Fauna / Flora



- Large populations of elephants and gorillas (Gabon)
- Most effective protection of biodiversity through RIL (reduced-impact logging)

Sounding Board

The responsibility for ensuring and further developing sustainability lies with the Board of Directors. The Board of Directors is supported by experts for individual cases and by the Sounding Board on a regular basis. The Sounding Board discusses new developments with Precious Woods in regard to the sustainable management of tropical forests and supports the company in its relations with local and international stakeholders and professional organizations. Topics include recommendations for reporting by Precious Woods as well as the fulfilment of sustainability goals in their economic, environmental, and social dimensions.

Institutional framework as opportunity and challenge

The importance of tropical forests in carbon sequestration and the conservation of the enormous biodiversity is gradually becoming established in the public consciousness. The global community and tropical forestry are 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 and reliability of the countries in question. Precious Woods respects the legal and institutional structures, local environmental and forestry policies, and relevant legislation, as well as their implementation in practice.

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, as set out in the G8 Action Programme on Forests. Since then, various measures by governments and the private sector have been initiated. Implementation of these measures has started to produce results, but governments have been sluggish and have shown little care in implementing them.

Carbon Footprint

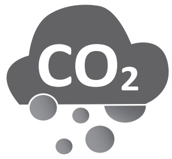
The carbon emissions generated by Precious Woods are recorded in three categories according of World Resources Institute (WRI) classification, in 2021.

	Total in metric tons of CO_2	**22 002**	**100.0 %**
Category 1	Direct emissions from fuel consumption	14 974	68.1%
Category 2	Indirect emissions from electricity consumption	171	0.8%
Category 3	Flights	245	1.1%
	Transportation	6 611	30.0%

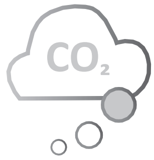
The role of forestry in the current climate change debate

Over the past decades, large forest areas have been deforested or degraded, especially in tropical forest areas. There are multitudinous causes: the continuing demand for land for commercial livestock farming and agriculture, slash-and-burn subsistence farming, the increasing exploitation of mineral resources in tropical forests, uncontrolled forest fires, illegal logging for firewood and sawn timber, or simply non-sustainable forestry. Deforestation has still been a cause for great concern in recent years. This is mainly due to its negative impact on global warming and the special climate regime of large forest massifs. Today, deforestation in the tropics and non-sustainable forestry contribute about 11% to greenhouse gas emissions. After the adoption of the Paris Agreement in December 2015, the REDD+ concept (reducing emissions from deforestation and forest degradation, sustainable management of forests and enhancement of forest carbon stocks) has become a key component of carbon compensation schemes for preserving forests in tropical countries. Many countries with tropical forest areas, international organizations, NGOs, scientific institutes and companies are currently engaged in creating methods and capacities for such compensation schemes and projects. Sustainable forestry as applied and advocated by Precious Woods will play an important role in this regard. We will continue to pursue the development of REDD+ activities and carefully review our eligibility for participating in REDD+ compensation projects or other international initiatives.

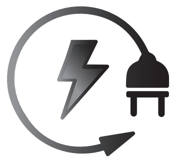
Indicators Energy and emissions 2021 (2020)



Reduction of CO_2 emissions in t
33 788 (34 867)



CO_2-emissions in t CO_2-equivalents
15 100 (16 800)



Electricity consumption in GJ
20 100 (30 900)

Fossil fuel consumption in GJ
201 400 (193 400)

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 In Itacoatiara, Brazil, Precious Woods acquires 80% of BK Energia, a biomass power plant affiliated to PW Amazon's sawmill, which has been in operation since 2002. In the same year Precious Woods acquires its largest customer and partner, the Dutch company A. van den Berg B.V., which was continued as Precious Wood Europe.

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 Acquisition of the forestry company Compagnie Equatoriale des Bois (CEB) and the veneer company Tropical Gabon Industrie (TGI) in Gabon. Acquisition of a minority stake in the company Nordsudtimber in the Democratic Republic of Congo.

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 FSC certification for the TGI veneer factory makes Precious Woods the first company in the world whose entire production line in the forestry and timber industry in the tropics is comprehensively certified.

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 In October, the partial sale of 75% of PW Central America to two existing Swiss shareholders approved by the 2011 General Meeting of Shareholders will be completed, resulting in a partial debt reduction for the Holding company.

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 successfully. 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. In November 2013, it was decided to dissolve the sales company PW Europe in the Netherlands and to transfer its activities to Precious Woods Holding.

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.

2016 On 28 June 2016, the share capital increased with authorized capital in the amount of CHF 806 798 (806 798 shares with a nominal value of CHF 1.00 each). Furthermore, the share capital increased with conditional capital in the amount of CHF 93 850 (93 850 shares with a nominal value of CHF 1.00 each) in August 2016.

2019 The land areas and biomass in Brazil were assessed and reported at fair value.

2020 We have entered into a new partnership for our veneer production (TGI) with effect from 1 October 2020. The new company Compagnie des placages de la Lowé (CPL) will strengthen Precious Woods competences in Gabon.

2021 In May 2021, Precious Woods acquired 100% of the shares in the biomass power plant (formerly BK Energia Ltda.) and changed its name to MIL Energia Renovável Ltda.

Increased sales and profitability

Precious Woods achieved consolidated net sales of EUR 54.3 million in the fiscal year 2021. This was 17.6 % above the previous year's sales (EUR 46.2 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 15.1 million, or 27.7 %, an increase of EUR 9.3 million over the previous year (EUR 5.8 million). Earnings before interest and taxes (EBIT) amounted to EUR 10.7 million, EUR 8.8 million higher than the previous year (EUR 1.9 million). The net result was EUR 4.7 million (previous year: EUR -2.2 million). The EBITDA and EBIT figures include increases in the valuation of biomass in the amounts of EUR 4.1 million and EUR 0.9 million, respectively, in 2020.

in EUR million	2021	2020	Index	Change
Net Sales Precious Woods Group	**54.3**	**46.2**	**117.6 %**	**+8.1**
Net Sales Precious Woods Gabon	35.5	31.0	114.3%	+4.4
Sawmills	23.4	20.7	113.3%	+2.7
Veneer plant [1]	0.0	9.3		–9.3
Net Sales Precious Woods Amazon	15.2	13.4	113.3%	+1.8
Sawmills	14.5	12.7	114.3%	+1.8
Net Sales Energy Biomass power plant [2]	1.7	0.0		+1.7
Net Sales Precious Woods Trading	3.4	2.5	138.0%	+0.9

[1] Veneer sales until September 30, 2020

[2] Energy sales as of June 1, 2021

Covid-19 pandemic

Fortunately, production was restricted only slightly due to the impact of Covid-19. We recorded few cases of illness, enhanced hygiene regulations at work were well accepted, and we did not have to impose any shutdowns. Travel was also resumed. In 2021, however, the lack of resources in certain public offices has affected us and made the processes more difficult, such as issuance of permits, processing of customs formalities, and other official business.

Income statement

Total income

In 2021, we achieved net sales of EUR 54.3 million, an increase of 17.6% over the previous year (EUR 46.2 million). Currency effects amounted to -1.4%, volumes increased by 5.6%, and shifts in the price/product mix impacted sales by 3.1%. Newly added is the revenue from electricity sales in Brazil of EUR 1.7 million. Sales of emission certificates amounted to EUR 0.1 million, as in the previous year.

Net sales
54.3
EUR million

Once again in the 2021 fiscal year, we struggled with major infrastructure problems. The transport routes in Gabon were at times unusable or at least severely restricted. Not enough containers were available, and rail capacity was not sufficient to transport the logs and sawn timber to the port on time. Fortunately, the high shipping costs did not result in any order cancellations, even though the cost of a container was at times higher than the value of the contents. After unrestricted operation of the container port in Manaus in 2020, difficulties arose in 2021. We could no longer ship with all companies, and the requirement of an additional government certification led to delays of several weeks, which are still ongoing. At the beginning of 2022, this meant that we were unable to generate sales in the months of February and March. Production operations in both companies were not affected by these logistics problems. However, these non-shipments were reflected in higher inventories and tied-up capital, leading to a deterioration in our liquidity situation despite positive earnings. In Brazil, we achieved consistently high log processing with increased yields. The order mix, including the possibility of producing products for the local market, made this increase possible. In Gabon, while we have not yet achieved full productivity in the new hardwood sawmill, there has been a significant improvement since the new equipment was put into operation. Further productivity increases are expected in this regard.

Despite the more difficult operating conditions, we achieved Group sales growth of about EUR 8.1 million or 17.6% in 2021. The exchange rate effects of -1.4% and the effect of the price/product mix of 3.1% are primarily due to the sale of sawn timber in the local market in Brazil. Prices were affected due to the share of locally sold products in Brazil but also due to product shifts in veneer in Gabon. The price increase for sawn timber was several percentage points higher, given the good market situation. Operations in Brazil achieved an increase in sales of EUR 1.8 million or 13.3%. In Gabon, we achieved an increase in sales of EUR 4.5 million or 14.3%. This is also due to the fact that all veneer sales from the production merger are made through us. Trading sales in logs and sawn timber from Europe increased and amounted to EUR 3.4 million, 38.0% or EUR 0.9 million higher than the previous year.

Operational development: Costs and market

The production volume of sawn timber in Brazil increased by 3.5%. Yield improved by 0.9 percentage points. The harvest volume was only 160 300 m^3, given that heavy rains blocked our operations starting in September. Nevertheless, the total volume processed in the sawmills was almost the same as the previous year. Sales of sawn timber for the local market increased by 2% in terms of volume, and sales for the export market increased by about 13%. Sawmill capacity was again expanded somewhat, thanks to targeted investments. Good capacity utilization throughout the year led to an increase in profitability.

The sawmills in Gabon processed 14.7% more logs and at the same time produced a total of 19.8% more sawn timber. This was due to a higher yield of about 1.6 percentage points. Export sales increased by 22.1% over the previous year, but the inventories of logs and sawn timber in the sawmills also increased markedly.

Average prices for sawn timber across the Group were about 8% higher than the previous year. This positive development will continue.

Our sales team achieves strong customer loyalty and retention, even though we are not always able to ship on time because of delivery delays beyond our control. We also see a general worldwide trend of increased demand for wood. This, and also the fact that we benefit from our reputation for sustainable forestry in the tropics, strengthens our market access and opportunities. A special challenge for us continues to be the search for markets and applications for the approximately 50 different timber species that we process each year. With our dual certification and credibility, we have good arguments and a head start here, given that sustainability is playing an ever-greater role in the procurement of tropical woods. However, the major challenge remains to establish even small quantities of lesser-known timber species on the markets and with customers. Europe continues to be our main sales market with a share of 60.3%, followed by Latin America with 12.3%, Asia with 10.0%, Africa with 9.0%, and other countries with 8.4 %. The share in Europe increased by 5.2 percentage points.

Investment
2.3
EUR million

The investment volume was EUR 2.3 million (previous year: EUR 4.0 million). Replacement investments in machinery and vehicles, renewal projects in road construction, and expansion of production capacities for sawn timber in Brazil were implemented. These targeted investments will further improve the Group's earning power. Maintenance work was carried out in all plants. In some cases, there were delays due to defective or delayed parts deliveries.

Operational costs

Production costs fell by 7.0% across the Group. The operational contribution increased by 35.0% or EUR 9.5 million over the previous year. Personnel costs fell by 4.9% or EUR 0.9 million. Operational costs include the change in biomass, which amounts to an increase of EUR 3.2 million in 2021 over 2020.

Operating result (EBITDA)

Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 15.1 million, an increase of EUR 9.3 million over the previous year (EUR 5.8 million). This corresponds to an EBITDA margin of 27.7% (previous year: 12.5%). The valuation for biomass in Brazil resulted in to an effect of EUR 4.1 million in 2021 and EUR 0.9 million in the previous year.

PW Amazon achieved an EBITDA margin of 72.5% (previous year: 31.5%). At PW Gabon, the EBITDA margin was 16.2% (previous year: 13.6%). Consolidated depreciation was EUR 4.3 million (previous year: EUR 3.9 million), 11.5% higher than the previous year due to the investments made in 2020. At Group level, earnings before interest and taxes (EBIT) reached EUR 10.7 million (previous year: EUR 1.9 million). This corresponds to a margin of 19.8% (previous year: 4.1%). The valuation for biomass in Brazil gave rise to an effect of EUR 4.1 million in 2021 and EUR 0.9 million in the previous year.

Financial result

At EUR -2.8 million, the financial result was slightly below the previous year's level of EUR -3.0 million. At the end of the year, net debt was EUR 42.2 million, EUR 0.3 million higher than the previous year (EUR 41.9 million). The currency effect of EUR -0.2 million was practically at the previous year's level of EUR -0.1 million.

EBITDA margin

27.7 %

EBIT margin

19.8 %

Financial result

-2.8

EUR million

Net result
4.7
EUR million

Net result
Net profit was EUR 4.7 million compared to a loss of EUR 2.2 million in the previous year. The positive development after the first half-year continued. Most of the order books for 2022 are already full, which makes us confident for the first half of 2022.

Outlook for 2022
The operational progress achieved in recent years has laid the foundation for the further development of Precious Woods. The strategic objective includes expanding our managed forest areas in Brazil and Gabon. In addition, we want to invest in the depth of our value chain, generating more margin. Negotiations for additional concessions are underway, and individual projects for the further processing of sawn timber are in development. For these projects, we depend on local financing opportunities that are on the horizon. We want to fulfil our mandate for profitable growth, even though external debt in relation to EBITDA is very high. This is in part due to our considerable assets tied up in the forest. If we did not have these, the revenue situation in Brazil would be somewhat reduced by concession fees, but we would not have any external debt. We expect increased profitability from our basic business in Gabon in 2022 and a high, but lower operating result in Brazil compared to 2021. This is solely due to the exchange rate effect after the strong depreciation of the EUR and USD. We assess the market situation as very good, given that building with wood has a positive impact compared with steel and concrete in terms of the climate targets, as has come increasingly into focus after the climate conference. We expect a gratifying development and a positive result in the current fiscal year.

Balance sheet

Assets
117.4
EUR million

Total assets amounted to EUR 117.4 million, EUR 8.0 million higher than in the previous year. Biomass and the value of our forest area in Brazil are valued in Brazilian Real. This leads to fluctuations, given that this value represents a major part of the assets.

Equity
44.4
EUR million

Equity amounted to EUR 44.4 million (previous year: EUR 39.3 million). The equity ratio as of the balance sheet date was 37.8% (previous year: 35.9%). This increase is mostly due to profit and exchange rate effects. The difference between consolidated equity and equity of Precious Woods Holding Ltd is mainly due to the high loss carry-forwards from the past.

Operating cash flow
6.0
EUR million

Cash flow from operating activities increased by EUR 0.1 million to EUR 6.0 million. The change in working capital was EUR -5.4 million. Investments in tangible fixed assets amounted to EUR 2.3 million. Cash flow from financing activities was EUR -4.3 million.

Picture right: School class at the Centre Culturel of Bambidie, Gabon

PW Amazon

The corona virus also shaped the year 2021. We took many measures to protect the health of employees. For example, vaccinations directly at the workplace.

Picture large: Employees at the PW Amazon sawmill
Picture small: Employee at the PW Amazon sawmill

Precious Woods Amazon – a successful year

PW Amazon achieved net sales of EUR 15.2 million, 13.3 % higher than the previous year (EUR 13.4 million). Export sales increased by 12.6 %, revenues in the local market by 2.0 %, and sales from deliveries of biomass to the energy plant were 49.8 % lower than the previous year because the sales were consolidated from June 2021 onwards. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 11.0 million (previous year: EUR 4.2 million), corresponding to a margin of 72.5 % (previous year: 31.5 %). Earnings before interest and taxes (EBIT) amounted to EUR 10.7 million (previous year: EUR 3.5 million). This corresponds to an increase of EUR 7.2 million over the previous year. EBITDA and EBIT in the 2021 fiscal year include an increase in the value of biomass in the amount of EUR 4.1 million (previous year: EUR 0.9 million).

in EUR million	**2021**	**2020**	Index	Change
Net Sales	15.2	13.4	113.3%	+1.8
EBITDA	11.0	4.2	260.9%	+6.8
EBIT	10.7	3.5	304.8%	+7.2

Key figures Environmental in 2021 (2020)

Energy consumption in GJ
66 700 (54 900)

Direct CO_2 emissions in t
3 500 (2 600)

FSC share for timber production sold in %
100 (100)

Reduced harvest volume, increased production volumes, higher yield

The harvest volume for logs was 160 300 m^3, 15% lower than in the previous year. Heavy rainfalls came much too early in September and severely restricted harvesting activities. We were not able to fell the entire volume, and approximately 25 000 m^3 of logs will not be harvested until the summer of 2022. The sawmill processed 162 400 m^3 of wood, 1.3% less than in the previous year. Yield increased again. This resulted in 3.5% higher sawn timber production, totalling 39 600 m^3 (previous year: 38 300 m^3). The production year started in mid-January. The annual maintenance work in the sawmill was carried out in June, at the same time as the interruption in production due to the diminished log inventory. At that time, the delayed evacuation of 30 000 m^3 from the forest from the 2020 harvest caused difficulties in processing. The staffing shortfall at the public authorities due to the pandemic also led to various impediments in harvesting activities in 2021. The harvest permit for the second part of our forest areas was delayed again by about two months. Although this interrupted harvesting activities, furloughs were avoided. We built a new temporary camp in the harvesting area to accommodate roughly 180 employees. The camp is temporary because it will operate only for two harvesting periods, after which the regular camps with permanent installations will become active again.

Unfortunately, the maintenance costs for forestry machinery were relatively high due to the age of the machinery. We will therefore replace part of the machinery in 2022. The additional line for short logs in the sawmill had a positive effect. In addition, we were again able to produce for the local market, allowing us to process non-exportable wood species with a higher yield. The fight against illegal timber trade by the authorities continues, which we very much welcome. Based on these activities, we expect to be able to count on local demand in 2022 again. We are therefore planning to further expand our activities and establish a small sawn timber warehouse in São Paulo. We will be able to achieve higher average prices in this region than in the Manaus region, but we will have to accept a loss in yield.

New concessions to secure our activities

About 420 000 hectares of forests (own forest and smaller concessions) are currently available for harvest. We have made further efforts to legalize the land titles that have not yet been secured and to evaluate and secure new concessions.

The bidding process for public concessions has been delayed. In parallel, we are trying to acquire further private concessions in order to secure harvest volumes until the second rotation. A recalculation showed that the second rotation cannot begin until 2035, and not 2029 as originally assumed. Negotiations for new, private concessions should be completed in 2022. The additional public concessions will serve to increase capacity in timber processing, and it remains uncertain when this process can be completed. We are also trying to either exchange land areas in protected zones (about 45 000 ha) with productive, usable land or obtain permission to manage such land. This is the subject of ongoing negotiations with the government.

Summary of further activities

Over the past fiscal year, we were largely able to keep our Covid situation under control. At the beginning of 2022, the number of individuals testing positive in our workforce increased. As of mid-February, we no longer recorded any new cases. The precautions and hygiene measures are still in place today and are being implemented rigorously.

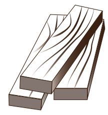
The investment volume in Brazil amounted to approximately EUR 2.8 million, including the acquisition of MIL Energia Renovável. About EUR 0.9 million was spent on machinery, buildings, and vehicles.

The local currency (BRL) no longer fluctuated as much against the euro as in 2020. However, prices for consumables increased by about 18% due to inflation. Salaries are based on the official inflation index and increased by approximately 7%.

Legal rules and our commitment to the sustainable use of tropical forests require our company in Brazil to harvest many different species of timber. This continues to be a great challenge and also entails greater complexity for our operational activity. Our ongoing task is to establish and promote lesser-known and lesser-used timber species on the export markets, to examine their areas of application and to increase their familiarity. On the local market, prices remain very low, and transport costs to the populated areas in the south of the country are high. There is also a lack of awareness in regard to legally produced timber, and we are competing in the domestic market with illegally harvested and therefore cheaper sawn timber. As a consequence, our competitiveness on the local sales market remains limited, but it improved thanks to actions taken against the illegal timber trade. We regularly gain new customers for use of lesser-known wood species in Europe, the United States, and Asia. Increasingly, we are successful in educating customers, persuading them to buy these timber species, entering into promising partnerships, and opening up markets for products with specific applications or in connection with the special features of the wood species.

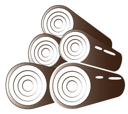
In the reporting year, there was no new information concerning the pending threat of two major fines dating back to 2002 and 2007. The threatened fine by the Brazilian environmental protection agency IBAMA and a threatened property tax fine continue to be legal cases that our lawyers are working on, and we expect that the matter can be resolved within the scope of provisions already set aside.

Key figures
Economic in m^3
2021 (2020)



Sales sawn and industrialized wood
35 400 (36 800)

whereof export
22 200 (20 000)



Sales logs and piles
500 (400)

Sales biomass
57 100 (89 200)

Harvest volume
160 300 (18 500)

Key figures
Social in 2021 (2020)

Employees
755 (676)

Women in %
7.6 % (8.5 %)

Men in %
92.4 % (91.5 %)

Accidents at work
21 (19)

Days lost per accident
10.2 (10.8)

Training hours per employee
0.5 (0.3)

Precious Woods Amazon in brief

Precious Woods has been operating in the state of Amazonas, Brazil, since 1996. PW Amazon runs sustainable forestry operations on 493 597 hectares of its own land and concessions (as of the end of 2021) near Itacoatiara, 170 kilometres east of Manaus. PW Amazon also operates its own biomass power plant. PW Amazon has been certified according to FSC criteria since 1997. In December 2017, PW Amazon was additionally certified according to PEFC guidelines. Certified forests are managed sustainably on the basis of an audited harvesting plan under which only two or three trees per hectare of forest are harvested in a 35-year cycle. At the same time, this gentle 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, the United States, and Asia as well as being sold on the local market.

Social and environmental sustainability continues to be at high level

Precious Woods Amazon passed the recertification audits for FSC and PEFC in 2021 with excellent results.

Both the PEFC and FSC audits were carried out completely online, which meant additional difficulties for our team and the auditors. We continue to work on several scientific projects to obtain information on forest ecology and to optimize and document our resource-preserving forestry operations. We are also in close and intensive contact with the regional communities, allowing us to undertake useful joint projects. Supporting the local population and businesses through a wide range of development projects continues to be a focus of our social engagement.

In the reporting year we conducted the following activities:

- Also, in Brazil, we welcomed a film team that produced a feature for PRO7 on the fight against illegal logging and trade, portraying MIL Madeiras as the benchmark for best practice. The feature was completed very successfully and is available online.
- Together with the military police of Itacoatiara, several operations were again carried out against poaching and illegal logging. This also includes raising awareness in the communities and the training of local scouts who recognize violations and report them directly. 200 scouts have already been trained in nine communities since the beginning of the programme.
- In 2021, areas near us were affected by severe flooding. To restore destroyed infrastructure and homes, MIL Madeiras donated more than 220 m^3 of timber.
- We support various research projects in the field of environment and sustainability in collaboration with four local universities and research institutions. A major project on fauna inventory before and after timber use will investigate the influence of management on fauna. The goal of such projects is not only to obtain scientific data, but also to gain insights into how we could apply our techniques with even lower impact. Another project collects wood samples to study wood DNA, with the long-term goal of being able to identify wood geographically so as to prevent illegal logging.
- It continues to be a major priority and endeavour to support and promote the agricultural production of the communities in our region. In 2020, we were able to establish a two-hectare

coffee plantation, maintained by the local population with our support. 2021 saw initial successes, and an expansion of the area is being considered. Furthermore, we were able to advance a land regularization process. This has allowed several communities to legally secure their land ownership, which is often an enormous obstacle to development.

- In the three largest cities in our catchment area, we have helped the public authorities to clean up landfills and build new, safe landfills. This engagement is important not only from an environmental standpoint, but also from a social perspective, given that uncontrolled landfills pose a major health risk.

- Also, in Brazil, many training courses had to be postponed due to the pandemic. Nevertheless, thanks to our own trainers and external assistance, we were able to conduct various safety training sessions in the sawmills and in the forest. To protect our employees to the greatest possible extent, our focus was on enforcing the protection measures and organizing an internal vaccination campaign together with the health authorities. This enabled all interested employees to be vaccinated against the coronavirus directly at the workplace. At the end of 2021, we were able to resume training activities with an Occupational Safety Action Week.

- Not only MIL Madeiras as a company shows social commitment, however. As part of the Occupational Safety Action Week, our employees also conducted a “Reach Out” campaign, in which they collected over two tonnes of food donations for needy population groups.

Outlook for 2022

We expect a log harvest volume of about 195 000 m^3. The aim is to further increase production and sales volume. Because we have a high proportion of fixed costs, an increase in profitability can be achieved only through an increase in volume. New, local financing options are being explored to enable the modernization and subsequent expansion of our sawmill and harvesting area. If we succeed in doing so, we expect cost reductions and increased yield. Our ambition is, and remains, to gain a foothold in the local Brazilian market as well with sustainably produced sawn wood products, and we are taking the opportunity to establish ourselves. At the same time, we want to maintain our long-standing relationships with clients and partners and intensify and expand our activities in our traditional European, North American, and Asian markets.

PW Gabon

Even during the pandemic, it was possible to carry out some further education and training, for example in the area of occupational safety.

Picture large: Employee in the sawmill of PW Gabon
Picture small: Forest employee of PW Gabon

Precious Woods Gabon – increase in sales and revenue despite major infrastructural obstacles

PW Gabon generated net sales of EUR 35.5 million (previous year: EUR 31.0 million). This corresponds to an increase of 14.3 % over the previous year. Earnings before interest, taxes, depreciation and amortization (EBITDA) reached EUR 5.7 million (previous year: EUR 4.2 million). The EBITDA margin was 16.2 % (previous year: 13.6 %). Earnings before interest and taxes (EBIT) amounted to EUR 1.9 million (previous year: EUR 1.2 million). This corresponds to a margin of 5.4 % (previous year: 3.7 %). The higher profitability is due to the improved performance of the new sawmill and the increased sales prices of sawn timber. The effect of the veneer plant (now CPL) must be taken into account with respect to the increase in sales. Sales of logs to the veneer plant are consolidated, but sales of veneer are made through the holding company and are credited to the PW Gabon segment.

in EUR million	**2021**	**2020**	Index	Change
Net Sales	35.5	31.0	114.3%	+4.4
EBITDA	5.7	4.2	135.9%	+1.5
EBIT	1.9	1.2	166.4%	+0.8

Key figures Environmental in 2021 (2020)

Energy consumption in GJ
144 400 (167 400)

Direct CO_2 emissions in t
11 600 (14 200)

FSC share of timber Production sold in %
100 (96)

Operational successes despite difficulties

The harvest volume in 2021 was 233 700 m^3, a decline of 6.6% from the previous year (250 100 m^3). The considerable inventory of logs permitted a reduction of the harvest volume. One of the three current harvest zones consist mainly of the hardwood azobé. We built a specialized sawmill for this wood species in 2020. The azobé site is difficult to access, and we were unable to harvest the entire volume in a timely manner. The sawmills in Bambidie processed 149 000 m^3 of logs, an increase of 14.7%. Sawn timber production amounted to 53 500 m^3 (previous year: 44 600 m^3). The new hardwood sawmill started two-shift operations only in February 2021, but was still able to achieve the expected productivity. Thanks to the higher yield compared to the other two sawmills, the production volume increased significantly.

Fortunately, we recorded only few outages due to the Covid pandemic. The safety measures implemented and the inspections carried out by public authorities helped to keep the impact on our operations low. As is the case practically every year, however, we did suffer from obstacles beyond our control. Road conditions sometimes prevented deliveries to the port, and we had to repair the road ourselves on behalf of the government. Rail capacity was also not expanded as promised, and the capacity of rail cars was insufficient at times, also because additional capacity was reserved for neighbouring mining companies. Fortunately, we were able to ensure the supply of logs to our veneer plant at all times. But lack of containers, strikes by the public authorities, and the low frequency of container ships with limited capacity for handling at the port had a very strong negative impact. This again led to an excessively high inventory of sawn timber at the end of the year. Travel restrictions and customs clearances impeded the planned support of the infrastructure, so that the overhaul of the sawmills as well as planned training courses were delayed enormously. This also resulted in increased standstills.

The inventory for the new forest management plan for the years 2025 – 2049 is currently being prepared by an external service company and should be ready by the end of 2023. This plan is a basis for obtaining the concession. The other requirements have already been met, and we are optimistic that we will be able to secure operations. Already in 2021, we began harvesting and processing additional tree species on an experimental basis. What we have been doing for a long time in Brazil will now also become the practice in Gabon. The market is ready for other wood species. This also provides better support for low-impact forestry, despite the increase in harvest volumes. The changed conditions for business in Gabon also call for accelerated investment in further processing of sawn timber. Export taxes were increased in 2021 from 1.5 % to 7.5% for air-dried sawn timber and to 3.0% for kiln-dried sawn timber. Local processing of sawn timber is therefore becoming more important strategically, also because this reduces the tax rates.

PW Gabon's total investments in the amount of EUR 1.6 million were used for buildings (EUR 0.2 million), forestry machinery (EUR 0.6 million), homes for employees and their families in Bambidie (EUR 0.1 million), vehicles (EUR 0.3 million), and the sawmills (EUR 0.4 million).

At the beginning of 2021, we had to make some staffing changes in the management team in Bambidie. This led to several bottlenecks, but the existing management team handled the situation well. Starting in April 2021, the management team was complete again.

The VAT credit with the Gabonese government remained at the same high level of EUR 2.4 million and continues to tie up funds. The situation was aggravated by the increased inventory due to the shipping and handling problems mentioned above. Our net working capital is currently much too high, but we have been able to finance investments from cash flow or with bank loans from local institutions. Nevertheless, liquidity remained very tight due to sales delays, increased inventory levels, and increased costs from operating activities. We expect the situation to improve in 2022 and hope to be able to reduce the inventory level.

Increase in working capital due to delivery delays

Already in 2020, we were struggling with massive infrastructural problems. Unfortunately, these challenges worsened further in 2021. Nevertheless, we managed to increase profitability in the sawmills – also because we have learned a lot from the painful experiences of the past, increased our flexibility, and are now able to respond more quickly to events. The fact that we are operating profitably even in very difficult times allows us to look to the future with confidence.

Working capital increased again by EUR 2.3 million (increase in the previous year: EUR 1.9 million). Additional inventories amounted to EUR 1.0 million at the end of the year. Accounts receivable increased by about EUR 0.3 million, while accounts payable decreased by EUR 1.0 million and are at a normal level. As a result, we now have a record level of capital tied up in relation to net sales. This strongly limits our liquidity in Gabon. Net debt fell by EUR 0.7 million from the previous year.

Many projects and activities

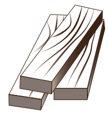
FSC and PAFC recertification audits for forestry management and for chain of custody (CoC) were carried out successfully at our two sites in Bambidie and Owendo. With this continued high level and our dual certification, we remain the pioneering company in sustainable forest management in the tropics.

The CoC audit was performed online due to travel restrictions, which was a particular challenge for both our team and the auditors.

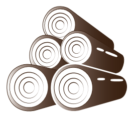
In addition to our certification activities, our projects in the past year included the following:

- At the beginning of the school year, we carried out another school supplies campaign. School supplies procured in large quantities were given to the children of our employees at reduced prices, enabling them to start school successfully.

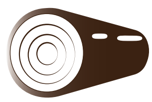
Key figures Economic in m^3 2021 (2020)



Sales sawn and industrialized wood
51 400 (39 000)



Sales logs
75 500 (53 900)



Sales rotary veneer
33 400 (20 000)

Harvest volume
233 700 (250 100)

Key figures
Social in 2021 (2020)

Employees
771 (858)

Women in %
6.2 % (7.2 %)

Men in %
93.8 % (92.8 %)

Accidents at work
122 (96)

Days lost per accident
7.6 (9.1)

Training hours per employee
1.1 (0.4)

- Our public-private partnership on fauna protection with the ministry responsible for forestry and the NGO Conservation Justice continued with growing success. Employees of the three partners stationed in Bambidie regularly patrol our forest to prevent poaching and to protect wildlife. The project has already had considerable success, underscoring the importance of this partnership. The necessary skills can be guaranteed and the fauna can be protected effectively only thanks to the cooperation of all three partners. Project financing is secured until the end of 2022. Follow-up financing is currently being sought with the goal of expanding the project even further.

- Our engagement on behalf of protecting flora and fauna is also being noticed by the media. In 2021, we welcomed two film teams to our operation, including one from Arte. Filming means significant extra work, but it also allows us to reach a large audience and generate interest in sustainable forestry. The films are scheduled to be released in 2022 and 2023.

- The P3FAC-AFRITIMB research project was continued. The goal of this project is to study forest dynamics in the Congo Basin and to better understand those dynamics in the context of sustainable forest management. In order to provide researchers with reliable reference data, we have excluded one zone from forest management for this purpose. The data continues to be provided to the AfriTRON and RAINFOR global research projects. We have also actively supported other research projects of universities and NGOs from Gabon, the Netherlands, Belgium, the United States, Germany, France, and Switzerland.

- Because of the pandemic, external training once again had to be reduced to a minimum in 2021. Nevertheless, we were able to conduct numerous training sessions for our logging teams with internal experts. The goal is to perfect the knowledge and skills of our employees in reduced impact logging. Occupational health and safety briefings are carried out several times a week by our safety officers in order to guarantee continuous training and sensitization of our employees. At the end of 2021, we were able to resume several essential external first aid courses.

- The cultural offerings and activities of the Centre Culturel were also impaired, but some activities could still be carried out: The Centre Culturel has also created the campaign “le centre culture vient chez vous”. Some activities are being moved to the neighbourhoods of Bambidie to give a wide audience access to our social project.

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 596 800 hectares. In 2014, a protected area of 19 900 hectares was separated out. Starting in October 2020, the veneer company (TGI) was spun off and TGI now holds a stake of 49% in Compagnie des placages de la Lowé (CPL). CEB employs 771 persons and CPL about 200. Each year, approximately 240 000 cubic meters of logs are harvested. The company operates according to a sustainable 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. The CPL rotary veneer factories for okoumé veneer and selected hardwoods are 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 has been FSC-certified since October 2008 and the veneer chain of custody since January 2010. The forestry operation has also been PAFC-certified since 2017. Both operations were PAFC-certified for CoC in 2018.

Outlook for 2022

We expect a higher yield from the new sawmill and higher production volumes in 2022. There will be further improvements in the production processes, which will reduce costs. Similar harvest volumes are planned as in 2021. Initial investments in the depth of the value chain are planned. We expect the delivery situation to improve, which will subsequently increase liquidity. Market prices have held at a higher level, and we are confident that this will not change much, given the expected increase in worldwide demand for wood. Thanks to the high market prices, we expect higher margins, provided that no further setbacks or delivery delays occur due to the pandemic or other unexpected events.

PW Trading

Picture: New planting of beech trees with protective trousers in Belgium

Precious Woods Trading – increase in sales

Trading in logs and sawn timber from Europe complements the current product range of Precious Woods and expands our knowledge in the sales and procurement market. Trading supplements our core business, namely the processing and trading of tropical sawn timber and veneer from Brazil and Gabon.

Net sales from the trading business in the 2021 reporting year amounted to EUR 3.4 million, corresponding to an increase of 38.0 % from the previous year (2020: EUR 2.5 million).

in EUR million	**2021**	**2020**	Index	Change
Net Sales	3.4	2.5	138.0%	+0.9
EBITDA	0.3	–0.4	-	+0.7
EBIT	0.3	–0.4	-	+0.7

The main sales market for our traded products is China. The demand for our products fell in 2020 but increased again in 2021. The shortage of raw materials led to price increases, but transportation costs rose disproportionately. Earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to EUR 0.3 million. The EBITDA margin was 9.2% (previous year: -16.9%).

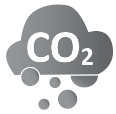
For Precious Woods, trading activities in Europe are strategically important, because this activity secures expertise in the sales and procurement market and creates synergies with our other business areas in production. The challenge will be to apply the insights specifically to our operations in Africa and Brazil and to use them for the benefit of our customers or product developments. In future, the range of products is to be supplemented by the sale of tropical timber from other FSC-certified operations in Central and South America. Some of these projects are carried out by local communities, in which cooperation with the environmental organization Rainforest Alliance is sought or already in the implementation phase.

Precious Woods Trading in brief

After the decision to shut down PW Europe, the administration of that company was taken over by PW Holding in Zug from 2014, and goods were delivered directly from the production plants in Brazil and Gabon.

In 2014, activities were expanded to include the trading of certified European logs and sawn timber. This now complements our diverse range of products.

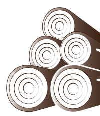
Key figures Environmental in 2021 (2020)



Direct CO_2 emissions in t
0.2 (0.2)

PEFC share
Sold in %
100 (100)

Key figures Economic in m³ 2021 (2020)



Sales logs and sawn wood
13 600 (12 300)

Carbon and energy

Picture: Biomass power plant MIL Energia Renovável, Brazil

Carbon & Energy – sale of energy and emission certificates

Revenue from electricity sales in the period from June – December 2021 amounted to EUR 1.7 million. Earnings before interest, taxes, depreciation and amortization were EUR 0.4 million and a margin of 21.4 %. Based on the 2019 figures, 39 269 emission certificates were sold and paid out in 2021.

Emission certificates thanks to residual wood in Brazilian

MIL Energia Renovável's 9-megawatt power plant, which has been fully owned by MIL Madeiras since May 2021, supplies around 70% of the households of the neighbouring city of Itacoatiara with electricity. The production site of Precious Woods Amazon also requires around 2 MW. All of the power plant's electricity (heat for wood seasoning and electrical energy) is generated from the residual wood of the PW Amazon sawmill, i.e., renewable biomass. The company has been fully consolidated since 1 June 2021 and therefore no revenue from electricity sales was recognized in the previous year.

MIL Energia not only produces electricity and steam or heat. Our activities resulted in a total of 33 788 tons of CO_2 equivalents in 2021 and 40 776 tons in 2020, which can be counted towards carbon reduction and thus contribute to global climate protection. However, the amount of 2020 will not be reflected in the figures until 2022, as the revenue is delayed.

The biomass power plant in Itacoatiara remains very important for Precious Woods: firstly, from an operational perspective because this results in favorable electricity and heat procurement costs; secondly due to the opportunity to sell residual wood from timber harvesting and as a by-product of the sawmill; and thirdly because complete utilization of the harvested wood makes an important contribution to avoiding CO_2 emissions and can therefore replace heat and power generation using fossil fuels.

Emission trading together with myclimate

This small-scale project was the first worldwide that generated emission certificates on the basis of sustainably harvested biomass from FSC-certified forestry activities. The woodchip power plant with 9 MW of electric output is located on the site of the sawmill of Precious Woods in Itacoatiara. Precious Woods owned 40% until the end of May 2021 and now owns 100% of the shares.

The plant produces up to 45 000 MWh of electricity each year, for which otherwise about 10–15 million liters of diesel would be consumed. This replaces several diesel generators and provides the neighbouring city's approximately 100 000 inhabitants with climate-friendly power. Thanks to the power plant, the local population benefits from lower energy prices and stable energy supply (fewer outages and transport losses). The waste heat generated during electricity production is used for the sawmill's wood seasoning plants.

"A complete and sensible use of the harvest volume makes a crucial contribution to sustainability."

Precious Woods

For the production of this electrical and thermal power, about 100 000 tons of wood are required each year. This residual wood is delivered in the form of wood cuttings and sawdust from the sawmill. All this biomass comes from sustainable forestry in accordance with FSC guidelines. Prior to start-up of the plant, this residual wood was rotting in large piles on the property or in the forests. The sustainable use of the residual wood reduces emission of the greenhouse gases CO_2 and methane.

Precious Woods Carbon & Energy

The Precious Woods Carbon & Energy business segment comprises the trading of CERs and the operation of the biomass power plant MIL Energia Renovável in Itacoatiara, Brazil. After a partial ownership since 2012, Precious Woods took over 100% of the shares again in May 2021. PW Amazon's sawmill is the sole biomass supplier of the power plant. The plant is listed as a climate-relevant project also because diesel was replaced by biomass and thus renewable energy. The project complies with the Clean Development Mechanism (CDM) of the Kyoto Protocol. The resulting emission certificates have been traded since 2011 by the myclimate[1] foundation on behalf of Precious Woods.

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

Veneer

Picture: Veneer ready for delivery, veneer factory in Gabon

Veneer plants of the Compagnie des Placages de la Lowé

In October 2020, Precious Woods transferred the activities of the veneer plant in Gabon (TGI) into a joint venture with a French partner (PDG) and has since held a 49 % stake in the Compagnie des Placages de la Lowé (CPL).

Veneer production

The merger of the activities of TGI and PDG took place because both were too small on their own to meet the high demands of the European market. Precious Woods' core competence lies in sustainable forestry and the initial processing of logs in sawmills. The strengths of the French partner lie in the production of veneer and plywood panels. Operations are currently still being carried out in the existing mills. In a further step, the activities are to be merged at the site of the former TGI.

Logs are supplied almost entirely by Precious Woods Gabon. CEB sold a total of about 75 600 m^3 of logs to customers in the local market, with CPL accounting for about 65 000 m^3 or 86%. Initial investments to increase productivity and the changes to the production and order mix have already had an impact on yield. Yield at TGI was 51%, but it has increased to over 60% since October 2021. Despite lower average prices, there was a positive overall effect.

Sales from veneer production are generated exclusively by Precious Woods Holding Ltd. As explained in the chapter on PW Gabon, this resulted in an increase in sales at PW Gabon. Sales from the delivery of logs to CPL are not shown in this segment because of the consolidation.

Log processing in 2021 was 59 163 m^3 and veneer production was 34 634 m^3.

Corporate Governance

We work closely with educational institutions and universities in our training and further education activities as well as in our research projects. Often also in a practical way on our companies in Gabon and Brazil.

Picture large: USTM (Université des Sciences et Techniques de Masuku) visit and study programme at PW Gabon
Picture small: Forest employee of PW Gaon

Corporate Governance

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 22 to 35 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 49 of this report. For more detailed information about the holding company and the direct subsidiaries (name, headquarters, share capital and percentage ownership), please refer to note 1 and 4 of the Financial Statements of PW Holding.

A list of shareholders with more than 3% of the voting rights can be found in note 23 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 – Share information) and on the website of private bank Lienhardt & Partner and the OTC-X Berner Kantonalbank.

2. Capital structure

The ordinary share capital on 31 December 2021 stood at CHF 7 052 745 (7 052 745 registered shares at CHF 1.00 each).

Since 18 May 2017, the conditional share capital amounted to CHF 1 396 638 (1 396 638 shares with a nominal value of CHF 1.00 each) in accordance with Article 3a of the Articles of Association. No change occurred in 2021. As of 31 December 2021, the conditional capital amounts to CHF 1 396 638 (1 396 638 shares with a nominal value of CHF 1.00 each).

On 27 May 2021, the Annual General Meeting approved an authorized share capital of CHF 1 000 000 (1 000 000 shares with a nominal value of CHF 1.00 each). The BoD is thus authorized to increase the share capital at any time until 19 May 2023 by a maximum amount of CHF 1 000 000 by way of issuance of no more than 1 000 000 registered shares that are to be fully paid in with a nominal value of CHF 1.00 each. In 2021, no capital increase from authorized share capital was executed. On 31 December 2021, the amount of the authorized capital is CHF 1 000 000 in shares (1 000 000 shares with a nominal value of CHF 1.00 each) and expires on 19 May 2023. More information about the capital structure can be found in note 22 of the Consolidated Group Financial Statements.

The loan of CHF 1.0 million granted in October 2020 was repaid in full in August 2021.

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 by the Annual General Meeting for a term of one year.

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 27 May 2021 Katharina Lehmann, Markus Brütsch, Jürgen Blaser and Robert Hunink were due for re-election. They were re-elected for a year on a proposal from BoD. The composition of the BoD is as follows on 31 December 2021: Katharina Lehmann (Chairwoman), Markus Brütsch (Delegate), 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 2021.

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

Katharina Lehmann (lic. oec. HSG)
Swiss citizen, born in 1972
Chairwoman since 18 May 2017
BoD member since 2008, mandate ends in 2022

Other activities and interests:

- Since 1996 Chair of the Board of Directors and Delegate of the companies that make up Erlenhof AG, i.e. Lehmann Holzwerk AG and Blumer-Lehmann AG
- BoD member of Frutiger AG, Thun
- BoD member of Blumer Techno Fenster AG, Waldstatt
- Board member of Industrie- und Handelskammer (IHK), St. Gallen/Appenzell
- Chairwoman of Association Senke Schweizer Holz (SSH)

« *Sustainably produced and reused wood is becoming indispensable: for the replacement of conventional materials, for the production of textiles, food or building materials. In this way, we can reduce our carbon footprint and better manage the transition to a bioeconomy.* »

Markus Brütsch
Swiss citizen, born in 1960
BoD member (Delegate) since 2017, mandate ends in 2022

Other activities and interests:
- CEO/CFO of Precious Woods Holding Ltd since January 2014
- BoD member of Paul Reinhart AG
- Executive Chairman of BoD of Oro de Cacao Ltd. until June 2021

« *The protection of rainforests must be achieved through a combination of protected parks and sustainable forestry. Only in this way is the preservation of biodiversity and the extraction of renewable raw materials possible.* »

Jürgen Blaser
Swiss citizen, born in 1955
BoD member since 2015, mandate ends in 2022

Other activities and interests:
- Professor of International Forestry and Climate Change at University of Applied Sciences, Agricultural, Forest and Food Sciences
- Global Advisor on Tropical Forests, especially for the World Bank Group

« *"Even if I knew that tomorrow the world would go to pieces, I would still plant my apple tree" (Martin Luther). Our commitment to the sustainability of Precious Woods' forests remains a concern that we must not neglect, even in these difficult times.* »

Robert Hunink
Dutch citizen, born in 1953
BoD member since 2015, mandate ends in 2022

Other activities and interests:

- Former President of ATIBT (Association Technique Internationale des Bois Tropicaux), until October 2019

« *Despite the pandemic-related difficult health environment and an increasingly tense geopolitical situation, the Precious Woods team managed to deliver very solid results without compromising on our mission and our core values.* »

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 budgets, finances and organization, 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.

Katharina Lehmann is leading for strategy questions and shareholders' relations, 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 ten times during 2021. 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 and Delegate of the board/CEO/CFO realized 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).

4. Group Management

The GM under the leadership of the CEO is responsible for the operational management of the company. The organization, 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).

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

In the reporting year, the GM consisted of the members:

Markus Brütsch
Swiss citizen, born 1960

- Since January 2014, CFO of Precious Woods Group
- In July 2014, additionally CEO of Precious Woods Group
- Before CFO at Cicor Group and Winterthur Technology Group

« *The infrastructural challenges in the second pandemic year were even greater than usual. With the successful conclusion of the business year, we have proven that we have mastered this very well.* »

Stéphane Glannaz (Master in Marketing and Intl. Business)
French and Swiss citizen, born in 1972

- Since 1 October 2013, CCO of Precious Woods Group
- Before vice-president of Olam Intl. Ltd. Singapore, Timber Division and Head of Marketing and Sales

« *The principle of sustainability means taking less than what nature generates and respecting the balance of its biodiversity. More than ever we feel a strong demand for natural products like wood and therefore we will have to demonstrate that forests are more than just wood and must be managed sustainably for the well-being of our generation and those to come.* »

Fabian Leu (Intl. Executive MB HSG)
Swiss citizen, born in 1986

- Since 1 August 2021, CTO of Precious Woods Group
- Before Technical Consultant of Precious Woods Holding and Managing Director Sawmills Bambidie, PW Gabon

« *The creation of more added value at source is an important objective for us, and we were able to improve the performance of our processing facilities, despite various challenges.* »

Markus Pfannkuch (Intl. Executive MBA HEC)
German citizen, born in 1982

- Since 1 August 2021, CSO of Precious Woods Group
- Before Technical Consultant of Precious Woods Holding and Forest Manager, PW Gabon

« *The international community has once again reaffirmed its focus on forests for sustainable development. At Precious Woods, we are a leading provider of the nature-based solutions needed to achieve these goals, and we are ready to contribute with our long-standing know-how.* »

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), in note 25 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 2021, 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) 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. Due to the Covid-19 pandemic, the Annual General Meeting was held on 27 May 2021 with shareholders excluded. Shareholders were able to have their voting rights represented and exercised by the independent proxy. All statutory items on the agenda were approved. The minutes of the Annual General Meetings are published on the website (Investor Relations – Annual General Meeting).

7. Changes of control and defense measures

The agreements with the members of the BoD and GM contain no statutory "opting-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 reporting year 2010 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 EUR 231 963 in 2021. Ernst & Young also received an additional EUR 111 038 in non-audit services in 2021. 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 by-laws, which are published on our website (Investor Relations – Corporate Governance).

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 Communications (phone +41 41 726 13 16 or media@preciouswoods.com)

Information

Picture: Forest area in Gabon

Shareholder information

Share capital

On 31 December 2021, the fully paid-in share capital of PW Holding amounted to CHF 7 052 745. It is divided into 7 052 745 registered shares with a nominal value of CHF 1.00 each. Additionally, the company has conditional capital of CHF 1 396 638 and authorized capital of CHF 1 000 000 to cover option and conversion rights. Further information on the share capital can be found in note 1 to 3 to the 2021 financial statements of Precious Woods Holding.

Equivalent to 100 shares

Precious Woods is owner or concession holder of 493 597 hectares of forest in Brazil, and manages a forest concession in Gabon of 596 800 hectares. With the purchase of 100 shares, a shareholder had indirectly access to around 69 987 square meters of forests (2020: 71 844 square meters) in the Amazon and 84 620 square meters of forests (2020: 84 620 square meters) in Gabon in 2021.

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. Between 12 August 2013 and 31 December 2021, the shares were traded via the OTC ZKB platform. Since 1 July 2021, tradability has been guaranteed via the private bank Lienhardt & Partner in Zurich and from 1 December 2021 via the OTC-X of the Berner Kantonalbank.

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.)
ShareCommService AG
Europastrasse 29
CH-8152 Glattbrugg
Phone +41 44 809 58 58
Fax +41 44 809 58 59
preciouswoods@sharecomm.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 2021, the share price was quoted at CHF 9.60. The share price rose steadily in 2021. In the month of September 2021, the share price recorded high of CHF 13.50. The closing price of the share on 31 December 2021 was at CHF 11.70.

Information for investors

		2017	2018	2019	2020	2021
Share price per 31.12.	in CHF	6.50	8.00	8.30	9.60	11.70
Stock market capitalization	in CHF million	46	56	59	68	83
Basic earnings per share	in EUR	0.23	–0.24	1.13	–0.31	0.67
Equity (book value) per share	in EUR	2.85	2.25	7.81	5.57	6.30
Assets per share						
Primary forest in Brazil (ownership and concession)	in m^2	718	718	670	718	700
Primary forest in Gabon (concession)	in m^2	846	846	846	846	846

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Picture left: Little monkey in Brazil

Consolidated statement of profit or loss

in thousand EUR	Notes	2021	2020
Revenues	4	**54 299**	**46 186**
Gain/(loss) from changes in fair value from biological assets	11	4 074	927
Changes in inventories		2 270	–1 065
Raw materials		–9 108	–4 374
Consumables used	5	–9 918	–9 892
Other production costs	5	–5 142	–4 769
Labour costs	6	–18 197	–19 131
Other operating expenses	7	–2 994	–3 393
Other operating income	7	505	1 634
Share of profit/(loss) of associates	13	–723	–354
Earnings before interest, tax, depreciation and amortization (EBITDA)		**15 066**	**5 769**
Depreciation, amortization and impairment	8	–4 329	–3 882
Earnings before interest and tax (EBIT)		**10 737**	**1 887**
Financial income	9	195	191
Financial expenses	9	–2 983	–3 148
Earnings before tax (EBT)		**7 949**	**–1 070**
Income tax (expenses)/income	28	–3 263	–1 111
Net profit/(loss) for the period		**4 686**	**–2 181**
Allocation of net (loss)/profit:			
Equity owners of Precious Woods Holding Ltd		4 693	–2 173
Non-controlling interests		–7	–8
Basic earnings per share	24	**0.67**	–0.31
Diluted earnings per share	24	**0.67**	–0.31

Consolidated statement of comprehensive income

in thousand EUR	Notes	2021	2020
Net profit/(loss) for the period		**4 686**	**–2 181**
Defined benefit plans			
Remeasurement	29	360	307
Tax effect on remeasurement		–45	–37
Items that will not be reclassified to profit or loss		**315**	**270**
Recycling of accumulated translation effects from derecognition of investment in associate, net of tax	32	615	–
Currency translation effects, net of tax		–487	–13 884
Items that may be reclassified subsequently to profit or loss		**128**	**–13 884**
Total other comprehensive income/(loss) for the period		**443**	**–13 614**
Total comprehensive income/(loss) for the period		**5 129**	**–15 795**
Attributable to:			
Equity owners of Precious Woods Holding Ltd		5 136	–15 787
Non-controlling interests		–7	–8

Consolidated statement of financial position

in thousand EUR	Notes	31 December 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents		2 256	2 778
Trade and other receivables	17	13 757	11 523
Inventories	15	15 461	12 118
Prepayments	16	1 035	596
Total current assets		**32 509**	**27 015**
Non-current assets			
Property, plant and equipment	10	61 886	61 600
Right-of-use assets	21	1 823	3 415
Biological assets	11	14 356	10 162
Intangible assets and goodwill	12	4 258	2 650
Investments in associates	13	1 426	3 340
Non-current loans and investments	14	420	390
Other non-current assets		436	548
Recoverable taxes		324	323
Total non-current assets		**84 929**	**82 428**
Total assets		**117 438**	**109 443**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	18	16 582	14 803
Current income tax payables		782	697
Current loans, interest payables and legal liabilities	19	32 508	4 294
Current lease liabilities	19, 21	913	1 108
Current liabilities due to employees	29	24	–
Current provisions	26	9	–
Total current liabilities		**50 818**	**20 902**
Non-current liabilities			
Non-current loans, interest payables and legal liabilities	19	10 130	38 044
Non-current lease liabilities	19, 21	889	1 242
Deferred tax liabilities	28	7 549	6 214
Non-current liabilities due to employees [1]	29	2 952	3 090
Non-current provisions [1]	26	662	642
Total non-current liabilities		**22 182**	**49 232**
Equity			
Share capital	22	5 731	5 731
Additional paid-in capital		64 938	64 938
Revaluation surplus on land		28 457	28 457
Foreign currency translation reserve		–5 355	–5 483
Retained earnings		–49 414	–54 422
Equity attributable to owners of Precious Woods Holding Ltd		**44 357**	**39 221**
Non-controlling interests		**81**	**88**
Total shareholders' equity		**44 438**	**39 309**
Total liabilities and shareholders' equity		**117 438**	**109 443**

[1] Comparative information as of 31 December 2020 has been reclassified to present non-current liabilities due to employees separately from non-current provisions.

Consolidated statement of changes in equity

in thousand EUR	Attributable to equity holders of Precious Woods Ltd							
	Share capital	Additional paid-in capital	Revaluation surplus on land	Currency translation effects	Retained earnings	**Total**	Non-controlling interests	**Total equity**
Balance 1 January 2020	**5 731**	**64 938**	**28 457**	**8 401**	**–52 519**	**55 008**	**96**	**55 104**
Net profit/(loss) for the period	–	–	–	–	–2 173	**–2 173**	–8	**–2 181**
Other comprehensive income/ (loss) for the period	–	–	–	–13 884	270	**–13 614**	–	**–13 614**
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–13 884**	**–1 902**	**–15 787**	**–8**	**–15 795**
Balance 31 December 2020	**5 731**	**64 938**	**28 457**	**–5 483**	**–54 422**	**39 221**	**88**	**39 309**
Net profit/(loss) for the period	–	–	–	–	4 693	**4 693**	–7	**4 686**
Other comprehensive income/ (loss) for the period	–	–	–	128	315	**443**	–	**443**
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**128**	**5 008**	**5 136**	**–7**	**5 129**
Balance 31 December 2021	**5 731**	**64 938**	**28 457**	**–5 355**	**–49 414**	**44 357**	**81**	**44 438**

Consolidated statement of cash flows

in thousand EUR	Notes	2021	2020
Net cash flow from operating activities			
Profit/(loss) for the period		4 686	–2 181
Income taxes (income)/expenses	28	3 263	1 111
Interest income		–29	–0
Interest expenses	9	2 449	2 747
Dividend income from non-current assets	9	–	–119
Profit/(loss) for the period before interest and tax		**10 369**	**1 558**
Depreciation, amortization and impairment	8	4 329	3 882
(Profit)/loss on sale of non-current assets		–202	62
Gain recognized on contribution of net assets into associate	7	–	–1 368
Share of (profit)/loss of associates	13	723	354
Gain recognized on FV measurement on previously held interest in an associate		–110	–
Disposal of financial liabilities as a result of forgiveness	19	–400	–
Changes in provisions		185	186
Increase obsolence reserve on inventories	15	624	900
Change in fair value of biological assets	11	–4 074	–927
Other non-cash items		13	–87
Operating cash flow before working capital changes		**11 457**	**4 560**
Decrease/(increase) in trade and other receivables	17	–1 213	–5 973
Decrease/(increase) in inventories	15	–3 887	–382
Decrease/(increase) in prepayments and assets held for sale		56	824
Increase/(decrease) in trade payables and other liabilities	18	1 174	7 112
Income tax (paid)/received	28	–1 538	–273
Net cash flow operating activities		**6 049**	**5 868**
Cash flow from investing activities			
Proceeds from sale of intangible assets	12	1 471	1
Purchase of intangible assets	12	–1 366	–125
Proceeds from sale of property, plant and equipment	10	15	33
Purchase of property, plant and equipment	10	–1 604	–3 994
Acquisition of subsidiaries, net of cash	32	–553	–
Issuance of financial assets to associates		–	–291
Proceeds from disposal of other non-current assets		–	342
Purchase of other non-current assets		–311	–260
Increase/(decrease) in recoverable taxes		–13	–
Dividends from associates	13	–	138
Dividends from non-current financial assets	9	–	119
Interests received		29	0
Net cash flow investing activities		**–2 332**	**–4 038**
Cash flow from financing activities			
Proceeds from borrowings	19	904	2 141
Repayment of borrowings	19	–3 535	–1 270
Interests paid	19	–1 245	–1 492
Interests paid on lease liabilities	19, 21	–142	–127
Repayment of lease liabilities	19, 21	–273	–815
Net cash flow financing activities		**–4 291**	**–1 563**
Net increase/(decrease) in cash and cash equivalents		**–574**	**267**
Cash and cash equivalents, at the beginning of the year		**2 778**	**2 578**
Increase/(decrease) in cash and cash equivalents		–574	267
Translation effect on cash		52	–67
Total Cash and cash equivalents, at the end of the year		**2 256**	**2 778**

Notes to the consolidated financial statements

1. Basis of presentation, consolidation and general accounting policies

Basis of presentation

Precious Woods Group (hereinafter referred to as "Precious Woods" or "the Group") is one of the leading companies in sustainable management of tropical forests globally. The parent company, Precious Woods Holding Ltd., has its registered office in Zug. The Group's subsidiaries are organized and operate under the laws of Brazil, Gabon, Netherlands, British Virgin Islands and Luxembourg.

The consolidated financial statements for the Precious Woods Group have been prepared on a historical cost basis, except for leasing, biological assets and land, that have been measured at fair value, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are presented in euros, as the Group's revenues, profits and cash flows are principally denominated in euros. All values are rounded to the nearest thousand (in thousand EUR), except when otherwise indicated. The functional currency of the parent company Precious Woods Holding Ltd. is swiss francs.

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.

Change in scope of consolidation in 2021

There was one change in the scope of consolidation, implemented in 2021:

On 31 May 2021, MIL Madeiras Preciosas Ltda., already owning 40% of BK Energia Itacoatiara Ltda., acquired the remaining 60% of the ordinary shares outstanding, and with this transaction, obtained 100% ownership of the renewable power plant. BK Energia Itacoatiara Ltda. was renamed MIL Energia Renovável Ltda. afterwards. The plant generates renewable energy from biomass and meets the requirements of the Kyoto Protocol and the UNFCCC, resulting in tradable certified emission reductions. As a result of the acquisition, the Group expects to improve its own knowledge about renewable power plant and to be prepared for the extension of the energy business in combination with additional forest activities. The details of this acquisition are further explained in Note 32.

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. 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

- Biological assets (see Note 11),
- Leasing and right-of-use assets (see Note 21),
- Deferred income tax assets (see Note 28),
- Land titles in Brazil (see Note 10),
- Provisions (see Note 26),
- Contingencies (see Note 27),
- Defined benefit obligations (see Note 29) and
- Goodwill (see Note 12)

Impact of the Covid-19 pandemic

Fortunately, production was only slightly curtailed as a result of the impact of Covid-19. We recorded only few cases of illness. Work under stricter hygiene regulations was well received, and we did not have to order any plant shutdowns. We were also able to resume travel. In 2021, however, it was mainly the lack of resources in certain public offices that affected us and made operations more difficult. For example, in the issuing permits, handling customs formalities or other business.

New or revised IFRS standards, amendments and interpretations

Certain IFRS and interpretations were revised or introduced. The relevant ones for the Group are,

effective on or after 1 January 2021:
- *Interest rate benchmark reform phase 2 – These amendments to IFRS 7, IFRS 4 and IFRS 16 had no impact on the consolidated financial statements.*

effective on or after 1 April 2021:
- *IFRS 16 Covid-19-Related Rent Concessions* – This amendment had no impact on the consolidated financial statements.

effective on or after 1 January 2022:
- IFRS 3 Business combinations (amendments) – effective on or after 1 January 2022.
- IAS 16 Property, plant and equipment (amendments) – effective on or after 1 January 2022.
- IAS 37 Provisions, contingent liabilities and contingent assets (amendments) – effective on or after 1 January 2022.
- Annual improvements (amendments) – effective on or after 1 January 2022.
- IFRS 17 Insurance contracts (new standard) – effective on or after 1 January 2023.

- IAS 1 Presentation of financial statements (narrow-scope amendments) – effective on or after 1 January 2023.
- IAS 12 Income taxes (amendments) – effective on or after 1 January 2023.
- IAS 1 Presentation of financial statements (narrow-scope amendments) – effective on or after 1 January 2024.

The material general accounting policies are as follows:

a. Currency

The subsidiaries' accounting records are maintained in the legal currency of the country in which they operate and which is their functional currency. 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. The currency translations rates are presented in Note 30.

The financial statements of the subsidiaries have been translated from their functional currencies to the presentation currency (EUR). 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. Translation differences from changes in share capital of subsidiaries are recognized directly in equity. The statement of profit or loss is translated at the average rate for the year. Translation differences are recognized as currency translation effects in other comprehensive income.

b. 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 is recognized, if the carrying value exceeds the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal. The impairment is recorded in the statement of profit or loss.

All specific accounting policies may be found adjacent to the corresponding note on the following pages.

2. Financial risk management

In the normal course of business, the Group is exposed to changes in market risk, liquidity risk and credit risk.

Precious Woods financial risk management seeks to minimize potential adverse effects on financial performance.

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

Precious Woods has no significant interest-bearing assets. The Group's interest rate risk arises from loans. Loans issued at variable rates expose Precious Woods to cash flow interest rate risks. Management's policy is to maintain its borrowings in fixed rate instruments. There was no material variable interest rate borrowing on 31 December 2020 as well as on 31 December 2021.

Foreign currency risk

Precious Woods operates internationally and is exposed to foreign currency risk arising from various currency exposures. The XAF is in a fix relation to the EUR. Most of the sales out from Gabon are denominated in EUR and largely all costs are in XAF. The sales out of Brazil are denominated in EUR and USD, the costs are in BRL. Therefore, the currency risk for the local books is given. Foreign currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. Group loans are denominated in CHF, BRL, EUR and XAF.

To manage its foreign currency risk arising from future commercial transactions the Group may use forward contracts, transacted by the Group finance department. The Group did not use this instrument in the past two years.

The sensitivity analysis below 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 thousand EUR	31.12.21 Reasonable shift	31.12.21 "Impact" on profit or loss before tax	31.12.21 "Impact" on equity	31.12.20 Reasonable shift	31.12.20 "Impact" on profit or loss before tax	31.12.20 "Impact" on equity
EUR/CHF	+/–10%	+/–123	+/–2 164	+/–10%	+/–224	+/–2 161
USD/CHF	+/–10%	+/–40	+/–976	+/–10%	+/–62	+/–902
USD/BRL	+/–15%	+/–7	+/–507	+/–15%	+/–42	+/–508
BRL/CHF	+/–15%	+/–0	+/–4 572	+/–15%	+/–0	+/–4 355
BRL/EUR	+/–15%	+/–15	+/–0	+/–15%	+/–0	+/–0
XAF/CHF	+/–10%	+/–51	+/–1 742	+/–10%	+/–56	+/–1 654

Price risk

Precious Woods is exposed to equity securities price risks because of unlisted investments held by the Group and classified as measured at fair value through OCI. For details about the exposure please see Note 14.

Liquidity risk

Liquidity risk management is centralized at the Groups 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 maturities for financial liabilities.

in thousand EUR	Less than 1 year	Between 1 and 2 years	Over 2 years	**Total**
31 December 2021				
Trade and other payables	16 582	–	–	16 582
Lease liabilities	913	548	341	1 802
Loans, interest payables and legal liabilities	32 508	9 767	363	42 638
Financial liabilities	**50 003**	**10 315**	**704**	**61 022**

in thousand EUR	Less than 1 year	Between 1 and 2 years	Over 2 years	**Total**
31 December 2020				
Trade and other payables	14 803	–	–	14 803
Lease liabilities	1 108	639	602	2 350
Loans, interest payables and legal liabilities	4 294	30 140	7 904	42 338
Financial liabilities	**20 206**	**30 779**	**8 507**	**59 491**

Uncertainty regarding repayment of loan liabilities

As of 31 December 2022, loan liabilities including accrued interest in the total amount of around CHF 26 million are due for repayment. The loan is secured by pledged land titles owned by a subsidiary. The company is in talks to extend the existing contract and at the same time plans to repay it by raising new liquid funds. At this point in time, no contracts have been concluded and therefore there is uncertainty regarding the successful refinancing of this loan liability at the end of the term. If the refinancing cannot take place in a timely manner, there is the possibility of transferring land titles in Brazil to settle the debt.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, 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. Precious Woods has one main relation with a bank, which has a rating of “A+”. Most of the sales are CAD (Cash Against Documents) or L/C (Letter of Credit) 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 monitors its account receivables 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 for expected credit losses is determined on both an individual and a collective basis. An individual allowance is determined when a customer disputes the amount due, or if further steps have been taken to recover the overdue amount. Collective loss allowances are determined based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For detailed information see Note 17.

Capital management

When managing capital, Precious Woods’ 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, Precious Woods issue new shares or sells assets to reduce debts. The mid-term target of the Group is to have an equity ratio of >40%. As per 31 December 2021, the Group’s equity ratio increased to 38%, from 36% in 2020. The Group’s equity ratio compares the total shareholders equity to the total assets as presented in the consolidated statement of financial position. 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

As of 31 December 2021, the Group has pledged assets as follows:

Land	EUR 25.1 million
Machinery and vehicles	EUR 1.5 million
Leased machinery and vehicles	EUR 5.8 million

As of 31 December 2020, the Group had pledged assets as follows:

Land	EUR 24.0 million
Machinery and vehicles	EUR 1.5 million
Leased machinery and vehicles	EUR 5.1 million

3. Financial information by segment

The activities of the Group are primarily organized and presented in four operating segments supported by a central corporate office. Management monitors and evaluates EBITDA of all segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

- *Sustainable Forest Management Brazil:* Activities in the field of sustainable management of tropical forests and the processing of tropical timber in Brazil
- *Sustainable Forest Management Gabon:* Activities in the field of sustainable management of tropical forests and the processing of tropical timber in Gabon
- *Trading:* trading of timber from external sources in Switzerland
- *Carbon & Energy:* Activities in the field of energy production from biomass and trading of certified emission reductions (CERs)

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). In 2020, 38 484 tons of CO_2 equivalents were verified; whilst in 2021 39 960 tons of CO_2 equivalents were produced, but are not yet verified.

Operating segments – for the year ending on 31 December 2021

in thousand EUR	Sustainable Forest Management Brazil	Sustainable Forest Management Gabon	Trading	Carbon & Energy [2]	Other [1]	**Total**
Revenues						
Third parties	13 550	35 277	3 444	1 723	–	53 994
Intersegment	1 368	178	–	27	–1 573	–
Associates and related parties	305	–	–	–	–	305
Total revenues	**15 223**	**35 455**	**3 444**	**1 750**	**–1 573**	**54 299**
Gain from changes in fair value from biological assets	4 074	–	–	–	–	4 074
Profit/(loss) on sale of PP&E	–	15	–	–	–	15
Share of profit/(loss) of associates	211	–934	–	–	–	–723
Earnings before interest, tax, depreciation and amortization (EBITDA)	**11 041**	**5 736**	**317**	**375**	**–2 403**	**15 066**
Depreciation and amortization	–379	–3 810	–	–8	–120	–4 317
Impairment charges/reversals	–12	–	–	–	–	–12
Profit/(loss) from operating activities (EBIT)	**10 650**	**1 926**	**317**	**367**	**–2 523**	**10 737**
Financial income						195
Financial expenses						–2 983
Earnings before tax (EBT)						**7 949**
Income taxes	–2 687	–446	–54	–69	–7	–3 263
Segment assets	**66 593**	**49 767**	**2 440**	**3 592**	**–5 083**	**117 438**
Investments in associates	–	1 426	–	–	–	1 426
Capital expenditures	774	809	–	12	9	1 604
Segment liabilities	**40 859**	**45 187**	**1 410**	**504**	**–14 960**	**73 000**

[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.

[2] Since 1 June 2021, the segment Carbon & Energy also includes the subsidiary MIL Energia Renovável Ltda. (Note 32)

Operating segments – for the year ending on 31 December 2020

in thousand EUR	Sustainable Forest Management Brazil	Sustainable Forest Management Gabon	Trading	Carbon & Energy	Other [1]	**Total**
Revenues						
Third parties	12 037	28 899	2 496	65	0	43 497
Intersegment	787	29	–	–	–815	–
Associates and related parties	607	2 082	–	–	–	2 689
Total revenues	**13 431**	**31 009**	**2 496**	**65**	**–815**	**46 186**
Initial recognition of fair value from biological assets	927	–	–	–	–	927
Profit/(loss) on sale of PP&E	17	–78	–	–	–	–61
Share of profit/(loss) of associates	385	–739	–	–	–	–354
Earnings before interest, tax, depreciation and amortization (EBITDA)	**4 231**	**4 220**	**–422**	**6**	**–2 266**	**5 769**
Depreciation and amortization	–774	–3 062	–	–	–86	–3 922
Impairment charges	40	–	–	–	–	40
Profit/(loss) from operating activities (EBIT)	**3 497**	**1 158**	**–422**	**6**	**–2 352**	**1 887**
Financial income						191
Financial expenses						–3 148
Earnings before tax (EBT)						**–1 070**
Income taxes	–770	–357	–8	–	24	–1 111
Segment assets	**56 213**	**51 238**	**1 989**	**663**	**–659**	**109 443**
Investments in associates	980	2 360	–	–	–	3 340
Capital expenditures	353	3 636	–	–	5	3 994
Segment liabilities	**38 189**	**45 130**	**810**	**136**	**–14 130**	**70 134**

[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 thousand EUR		**2021**		**2020**
Revenues				
Europe	32 727	60.3%	25 458	55.1%
Latin America	6 666	12.3%	3 596	7.8%
Africa	4 883	9.0%	6 770	14.7%
Asia	5 451	10.0%	6 214	13.5%
Australia	–	0.0%	197	0.4%
North America	4 572	8.4%	3 951	8.5%
Total revenues	**54 299**	**100.0 %**	**46 186**	**100.0 %**
Location of non-current assets				
Europe	394	0.5%	489	0.6%
Latin America	56 188	66.2%	50 225	61.1%
Africa	28 272	33.3%	31 443	38.3%
Total non-current assets [1]	**84 854**	**100.0 %**	**82 157**	**100.0 %**

[1] The non-current assets are shown without deferred tax assets, financial investments and post-employment benefit assets.

Accounting policies
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.

4. Revenue from contracts with customers

in thousand EUR	2021	2020
Revenues from sale of timber and roundwood	52 549	46 121
Revenues from sale of energy	1 663	–
Revenue from sales of certified emission reductions (CERs)	87	65
Total revenues	**54 299**	**46 186**

Accounting policies

Revenue from contracts with customers – according to IFRS 15 – is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group generates revenues from sale of logs and sawn timber products and recognizes the revenue at a point in time when the goods are at the point the customer purchases them. Payment of the transaction price is due immediately at the point the customer purchases the goods, or within 30 days for account holding customers. For international sales the Group recognizes the revenue for goods at a point in time, according to the agreed Incoterms (International Commercial Terms).

MIL Energia Renovável (former BK Energia Itacoatiara) – a subsidiary of Precious Woods – generates electricity and CERs (Certified Emission Reductions) with its biomass power plant in the Amazon region of Brazil. The electricity produced is fed into the regional state electricity grid and measured on a monthly basis. The revenue is recognized at that point in time. Payment of the transaction is due within 30 days by the grid owner. The CERs are purchased by Precious Woods Holding. The produced CERs are recognized as inventory and valued at the lower of cost or net realizable value as long as the certification is not yet achieved, and sold afterwards.

5. Consumables used and other production costs

in thousand EUR	2021	2020
Fuel, oil and lubricants	4 840	4 999
Energy – third parties	41	512
Maintenance and spare parts	5 037	4 381
Total consumables used	**9 918**	**9 892**

in thousand EUR	2021	2020
Logistics, transportation costs and freight	1 714	1 640
Forest taxes & expenses	1 961	1 738
Insurances (production)	215	258
Rent and lease (production)	21	65
Company-produced additions to plant and equipment	–69	–367
Miscellaneous production costs	1 300	1 435
Total other production costs	**5 142**	**4 769**

6. Labour costs

in thousand EUR	2021	2020
Wages and salaries	13 208	13 846
Social security costs	2 265	2 576
Pension costs – defined contribution plans	232	–158
Pension costs – defined benefit plans	252	524
Other employment benefits	2 240	2 343
Total labour costs	**18 197**	**19 131**

in thousand EUR	2021	2020
Forest and processing costs	13 215	14 045
Administration and other labour costs	4 982	5 086
Total labour costs	**18 197**	**19 131**

7. Other operating income and expenses

in thousand EUR	2021	2020
Other operating income		
Gain on disposal of intangible assets	186	–
Gain on disposal of fixed assets	15	17
Gain on net asset contribution into associate	–	1 368
Other income	304	249
Total other operating income	**505**	**1 634**
Other operating expenses		
Audit fees	215	202
Legal and tax fees	169	184
Other consulting fees	273	204
Tax expenses (non-income taxes)	537	565
Travel expenses	257	333
Expenses for short-term leases	258	329
IT expenses	173	165
Insurances (non-production)	153	160
Change in expected credit loss allowance	108	490
Loss on disposal of fixed assets	–	78
Other administrative expenses	853	683
Total other operating expenses	**2 994**	**3 393**

In other administrative expenses communication and investor relation expenses and marketing are included.

8. Depreciation, amortization and impairment

in thousand EUR	2021	2020
Depreciation of property, plant and equipment	2 528	2 116
Depreciation of right-of-use assets	1 478	1 351
Amortization of intangible assets	311	455
Impairment of property, plant and equipment	22	–
Reversal of impairment of property, plant and equipment	–10	–40
Total depreciation, amortization and impairment	**4 329**	**3 882**

9. Financial income and expenses

in thousand EUR	2021	2020
Financial income		
Dividends on non-current financial assets [1]	–	119
Fair value remeasurement of previously held equity interest in an associate [2]	110	–
Other financial income	85	72
Total financial income	**195**	**191**
Financial expenses		
Interest expenses	2 449	2 747
Foreign-exchange losses	244	80
Other financial expenses	290	321
Total financial expenses	**2 983**	**3 148**

[1] As a result of the sale of the shares in NST, the fully impaired dividend from previous years, was paid out in 2020.

[2] Please refer to Note 32 for further details about the investment in a subsidiary

10. Property, plant and equipment

The carrying amounts of all assets summarized in property, plant and equipment, are as follows:

in thousand EUR	2021	2020
Land	42 332	42 178
Forest roads	3 916	4 280
Buildings and improvements	6 765	4 952
Machinery and vehicles	6 858	3 235
Furniture and fixtures	241	286
Construction in progress	887	6 065
Advanced payments for PPE	887	604
Total carrying amounts	**61 885**	**61 600**

The Group uses different valuation methods for its assets. Beside the land in Brazil and Gabon, which is presented at fair value according to the revaluation model of IAS 16 Property, Plant and Equipment, the assets are held at cost.

The forests in Brazil are presented separately as biological assets, according to IAS 41 Agriculture and are further detailed in Note 11; as well as the leased assets, presented separately according to IFRS 16 Leases in Note 21.

a. Land at fair value

Precious Woods applies the revaluation model according to IAS 16 Property, Plant and Equipment for all its land assets. Independent valuators performed in 2019 a revaluation of the land in Brazil and Gabon according to the revaluation model of IAS 16.31. The carrying amount for those assets, if the cost model had been applied, would have been EUR 12.1 million (2020: EUR 12.2 million).

Reconciliation of carrying amount of level 2 land revaluation

in thousand EUR	**2021** **at Fair Value**	**2020** **at Fair Value**
At 1 January	42 178	56 331
Reclassification to advanced payments for PPE	–129	–
Currency effects	283	–14 153
At 31 December	**42 332**	**42 178**

Accounting policies

The land value is measured at fair value with any changes in value recognized in other comprehensive income under revaluation surplus.

Land revaluation Brazil and Gabon

The revaluations in 2019 were performed by BDO Brazil for the land assets in Brazil and by A.N. Dengue for the land assets in Gabon. These valuators are not related to the Group and have recent experience in location and category of the land being valued. The valuation was based on the market value. The sales comparison approach is used to determine market value. This approach consists of comparing the subject land to similar land sold in the recent past in an open market situation, and adjusting the value for market trends. This results in a market value for the land. For 2021, land prices and their fluctuations were reviewed. No major fluctuations were detected, so no new assessments were made.

The fair value measurement for the land has been categorized as a level 2 fair value based on the inputs to the valuation technique used.

b. Other assets at cost

Beside the land, all other asset categories in property, plant and equipment are held at cost.

in thousand EUR	Forest roads	Buildings and improve-ments	Machinery and vehicles	Furniture and fixtures	Construction in progress	Advanced payments for PPE	**Total PPE at cost**
Cost							
At 1 January 2020	**11 528**	**21 326**	**28 841**	**2 340**	**4 451**	**2 538**	**71 024**
Additions	–	431	695	102	2 766	–	3 994
Disposals [1]	–	–8 632	–8 617	–1 358	–43	–	–18 650
Reclassifications	–	366	673	48	–1 087	–	–
Currency effects	–1 277	–633	–1 634	–81	–22	–741	–4 388
At 31 December 2020	**10 252**	**12 858**	**19 957**	**1 051**	**6 065**	**1 797**	**51 980**
Additions	–	136	672	59	568	169	1 604
Disposals	–	–	–31	–1	–	–	–32
Change in consolidation scope – addition [2]	–	227	2 357	61	–	–	2 645
Reclassifications [3]	399	2 124	5 684	14	–5 747	129	2 603
Currency effects	25	16	58	9	1	17	126
At 31 December 2021	**10 676**	**15 361**	**28 697**	**1 193**	**887**	**2 112**	**58 926**
Accumulated depreciation and impairment							
At 1 January 2020	**6 068**	**15 562**	**25 138**	**1 817**	**–**	**1 685**	**50 272**
Charge for the year	529	618	818	150	–	–	2 116
Reversal of impairment	–40	–	–	–	–	–	–40
Disposals [1]	–	–7 881	–7 934	–1 133	–	–	–16 948
Currency effects	–586	–393	–1 300	–69	–	–492	–2 841
At 31 December 2020	**5 971**	**7 906**	**16 722**	**765**	**–**	**1 193**	**32 558**
Charge for the year	784	509	1 107	125	–	–	2 525
Impairment charge	–	–	–	–	–	22	22
Reversal of impairment	–10	–	–	–	–	–	–10
Disposals	–	–	–31	–	–	–	–31
Change in consolidation scope – addition [2]	–	170	2 354	53	–	–	2 577
Reclassifications [3]	–	–	1 637	–	–	–	1 637
Currency effects	15	11	50	8	–	10	94
At 31 December 2021	**6 760**	**8 596**	**21 839**	**952**	**–**	**1 225**	**39 372**
Carrying amount							
At 31 December 2020	**4 280**	**4 952**	**3 235**	**286**	**6 065**	**604**	**19 422**
At 31 December 2021	**3 916**	**6 765**	**6 858**	**241**	**887**	**887**	**19 554**

[1] Please refer to note 13 for further details about the disposal on PP&E contributed in an associate

[2] Please refer to note 32 for further details about the investment in a subsidiary

[3] The reclassifications contain also reclassifications from/to land, and from leasing (Note 21)

For certain land acquired by Precious Woods in Brazil, the land title registration is not yet finalized. These transactions are disclosed as advanced payments for property, plant and equipment at historical cost. For advanced payments for land titles with a certain risk of losing the land, an allowance is recorded based on Management's estimate of the probability of not being able to prove the ownership of the land. Despite the continued efforts to clean the land titles from legal issues, Precious Woods had on the one hand to reclassify additional land of EUR 0.1 million (2020: EUR 0) as advanced payments for property, plant and equipment as new information on potential claims became available. On the other hand, it was not possible in 2021 to reverse any advanced payments for property, plant and equipment to land (2020: EUR 0).

Accounting policies

In general, assets in 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:

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 and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the consolidated statement of profit or loss.

11. Biological assets

in thousand EUR	2021	2020
At 1 January	10 162	13 158
Change in fair value less cost to sell	4 074	927
Currency effects	120	–3 923
At 31 December	**14 356**	**10 162**

The forests of Precious Woods in Brazil are organized as one single forest management and 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. Independent experts of BDO Brazil did the external appraisal of the Group's naturally grown forests according to IAS 41 Agriculture and IFRS 13 Fair Value Measurement. This external appraisal will be repeated regularly. For 2021, the valuation was updated internally.

Accounting policies

Biological assets are measured at their fair value less costs to sell, with any resultant gain or loss recognized in the consolidated statement of profit or loss. The fair value of biological assets was estimated by applying the income approach, considering the discounted cash flow method. The income approach reflects current market expectations in relation to future values. The costs to sell are made up of harvesting, transporting and processing costs.

Valuation process

The Group has a team within the Internal Reporting department that performs the valuation of biological assets. The valuation is updated internally at the end of each reporting period. If indicators of major changes are noted, a new external independent appraiser is engaged to recalculate the fair value of the assets. When considering the appropriate input data, the team reviews available information such as quantity of tree harvest: expected yield, current market prices, expected harvest costs through to harvest and the expected timing of harvest.

The valuation policies and procedures, as well as changes in the fair value measurements are reviewed by the chief financial officer (CFO) annually. The CFO is responsible for the Group's internal valuation team. The Group's internal valuation team comprises two employees, both of whom hold relevant internationally recognized professional qualifications and are experienced in valuations in the forest industry.

Methodology and assumptions used in determining fair value

Since management was able to provide reliable cash flow estimates, the group utilized the Income Approach, specifically the Discounted Cash Flow (DCF) Method for determine the fair value of the biological assets. The DCF Method is a commonly used method for valuing biological assets based on its expected future cash flows.

The following significant assumption were adopted by the group to determine the fair value of the forest:

Volumes: The biological assets consist of a variety of naturally grown trees native to the region, which are cut from 50 cm in diameter and have a natural renewal cycle of 35 years. For value estimation and still considering the characteristics of the evaluated assets and the sustainable management, an annual exploration area of about 11 000 hectares was considered. The exploration area of effective forest management area is calculated from the total area of forests owned by Precious Woods (in order to obtain the exploration approval) excluding 20 % of the permanent preservation area.

For the estimation of the fair value of the forest, a certain volume of exploration area was considered, according to the evolution through years and the Group's management expectation of exploration for the coming years. Based on historical data, a weighted average productivity was applied to get an average projected volume per year. The harvesting volume is calculated on effective quantities achieved in the last 20 years of activity in this area with 16 m^3/ha/year (2020: 16 m^3/ha/year). The total harvesting volume is expected to be 186 000 m^3 (2020: 186 000 m^3). The actual harvesting volume for 2021 was 160 300 m^3 (2020: 188 500 m^3).

Volume adjustment factor: The logs will be transformed to sawn timber in various dimensions. An average yield factor was applied.

Prices: The average price applied on the volume to generate revenues were derived from the segregation between export or domestic market, type of product (commercial / non-commercial) and the corresponding prices. Generally, the costs contain cutting, transportation and processing as well as the depreciation expenses of the related fixed assets. For the export market, additional costs for drying and packaging are added. The majority of timber is for the export market and related to market prices.

Operating costs: The costs include all cost related to the sustainable forest management and the production cost in the industry.

Cost to sell: On top of operating cost there are cost for packaging, administration, sales activities and transportation respected, but no financial costs or income taxes.

Level 3 fair value
The valuation model considers the present value of the net cash flows expected to be generated from the natural forest management activities in the next 4 years. The forest for the 31 years remaining part of the cycle is regarded as non-productive forest, even if a harvesting will follow, as the forest is naturally re-generated during the cycle of 35 years. Therefore, the values remain +/- the same if there are no major market price differences than the ones applied.

Key assumption used in the determination of the discount rate
In determining the after tax weighted average cost of capital (WACC) a group rate of 14.0% (2020: 14.1%) has been applied considering the following inputs:

	2021	**2020**
Unlevered beta factor	1.46	1.46
Risk free rate	0.6%	0.6%
Equity risk premium	9.6%	9.6%
Debt/Equity ratio	38.9%	38.9%
Tax rate	34.0%	34.0%

Sensitivity analysis
Assuming all other unobservable inputs are held constant, the following changes in these above assumptions will cause a change in the fair value of the forest:

in thousand EUR	FV	Effect
Assumption 31 December 2021	14 356	
Sales prices-5.0%	12 054	–16.0%
Costs +5.0%	12 739	–11.3%
Volumes-10.0%	12 641	–12.0%
Discount rate +50.0%	12 439	–13.4%

in thousand EUR	FV	Effect
Assumption 31 December 2020	10 162	
Sales prices-5.0%	8 237	–18.9%
Costs +5.0%	8 779	–13.6%
Volumes-10.0%	9 241	–9.1%
Discount rate +50.0%	9 334	–8.1%

The above sensitivity analysis shows how the present value of the discounted cash flows would be affected if the key valuation parameters were attributed other values than those that form the basis of the current valuation of the discounted cash flows. An increase by the same percentage would have the opposite effect on the valuation.

The Group is exposed to a number of risks relevant to its natural forest management activities, namely:

Regulatory and environmental risk: The Group has established environmental policies and procedures aimed at compliance with environmental legislation. Management performs regular reviews to identify environmental risks and to ensure that the management systems in place are adequate. The Group manages its natural forest in compliance with FSC and PEFC standards since 1994 and 2017 respectively.

Supply and demand risk: The Group is exposed to risks arising from fluctuations in the price and demand for log products. When possible, the Group manages these risks by aligning its harvest volumes to market demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with expected demand on a sustainable basis.

Climate and other risk: The Group's forests are exposed to the risk of damage from climatic changes, diseases and other natural forces.

12. Intangible assets and goodwill

in thousand EUR	Goodwill	Trademarks, licences and customer portfolios	Other	**Total**
Cost				
At 1 January 2020	–	12 319	7 957	20 276
Additions	–	–	126	126
Disposals	–	–	–72	–72
Currency effects	–	–	–554	–554
At 31 December 2020	**–**	**12 319**	**7 457**	**19 776**
Additions	–	293	1 073	1 366
Change in consolidation scope [1]	264	2 266	–	2 530
Disposals	–	–	–1 285	–1 285
Reclassifications	–	108	–108	–
Currency effects	2	20	31	53
At 31 December 2021	**266**	**15 006**	**7 168**	**22 440**
Accumulated amortization and impairment				
At 1 January 2020	–	10 840	5 922	16 762
Charge for the year	–	282	173	455
Disposals	–	–	–72	–72
Currency effects	–	–	–19	–19
At 31 December 2020	**–**	**11 122**	**6 004**	**17 126**
Charge for the year	–	281	30	311
Change in consolidation scope [1]	–	718	–	718
Reclassifications	–	5	–5	–
Currency effects	–	7	20	27
At 31 December 2021	**–**	**12 133**	**6 049**	**18 182**
Carrying amount				
At 31 December 2020	–	1 197	1 453	2 650
At 31 December 2021	**266**	**2 873**	**1 119**	**4 258**

[1] Please refer to note 32 for further details about the investment in a subsidiary

Other intangible assets mainly include forest concessions and software.

Accounting policies
Acquired goodwill and acquired intangible assets with indefinite useful lives are recognized as assets at the date of the acquisition. After initial recognition, these positions are measured at cost less any accumulated impairment losses. They are not amortized, but annually tested for impairment – or when the circumstances indicate that the carrying value may be impaired.

Forest concessions are classified as intangible assets, as the right to direct the use of the concession is not with the Group, but with the government or the land owner. Other intangible assets have a finite useful life and are carried at cost less accumulated amortization and impairment loss. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives of 12 to 50 years.

Valuation process for goodwill
The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in below. The projections are based on knowledge and experience and also on judgements made by management as to the probable economic development of the relevant markets.

Carbon & Energy
As a result of the purchase accounting from the acquisition of remaining 60% interest in MIL Energia Renovável Ltda. (see Note 32), a goodwill of EUR 0.3 million was recognized and allocated to the cash generating unit "Carbon & Energy". The value-in-use calculation was done by an independent external valuation firm in Brazil. As a result of the analysis, management did not identify an impairment for this cash-generating unit to which goodwill of EUR 0.3 million is allocated.

None of the goodwill recognized is expected to be deductible for income tax purposes.

Key assumption used in value-in-use calculations and sensitivity to changes in assumptions
The calculation of value in use for Carbon & Energy CGU is most sensitive to the following assumptions:

- Discount rate
- Gross margin

Discount rate
Discount rate represent the current market assessment of the risks specific to Carbon & Energy CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. In determining the pre-tax weighted average cost of capital (WACC) a discount rate of 15.13% has been applied considering the following inputs:

	2021
Unlevered beta factor	0.80
Risk free rate	2.5%
Equity risk premium	5.5%
Debt/Equity ratio	71.5%
Tax rate	23.8%

A rise in the pre-tax discount rate to 15.63% (i.e., +0.5%) in the Carbon & Energy unit would result in a further impairment.

Gross margin
Gross margins are based on average values achieved in years preceding the beginning of the budget period. The gross margins for the Carbon & Energy CGU used for 2022 and 2023 correspond to 10.3%. From 2024 to 2027 the gross margin used was 30.0%. These are increased over the budget period for anticipated efficiency improvements. Decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 1.0% would result in a further impairment in the Carbon and Energy CGU.

13. Investment in associates

Movements in investments in associates

in thousand EUR	2021	2020
At 1 January	3 340	1 066
Net additions	–	3 099
Share of profit/(loss) of associates	–723	–354
Dividend earned	–531	–138
Change in consolidation scope – disposal	–660	–
Currency effects	–0	–333
At 31 December	**1 426**	**3 340**

There are no unrecognized share of losses relating to the above associates.

Proportion of ownership in investment in associates

Associate	Country	31 December 2021	31 December 2020
MIL Energia Renovável Ltda. (ex BK Energia) [1]	Brazil		40%
Compagnie des Placages de la Lowé S.A. [2]	Gabon	49%	49%

[1] until 31 May 2021; as of 1st June 2021 100% investment and fully consolidated subsidiary

[2] since 1st October 2020

MIL Energia Renovável Ltda. (former BK Energia Itacoatiara Ltda.)

in thousand EUR	2021	2020
At 1 January	980	1 066
Share of profit/(loss) of associates	211	385
Dividend earned	–531	–138
Change in consolidation scope – disposal	–660	–
Currency effects	–0	–333
At 31 December	**–**	**980**

On 31 May 2021 MIL Madeiras Preciosas Ltda., already owning 40% of BK Energia Itacoatiara Ltda., acquired the remaining 60% of the ordinary shares outstanding, and with this transaction, obtained 100% ownership of the renewable power plant. BK Energia Itacoatiara Ltda. was renamed MIL Energia Renovável Ltda. afterwards. The details of this acquisition are further explained in Note 32.

Set out below is the summarized financial information for BK Energia Itacoatiara Ltda.:

in thousand EUR	31 December 2021	31 December 2020
Current assets	–	2 692
Non-current assets	–	72
Current liabilities	–	313
Equity	**–**	**2 451**
Group's share in equity	–	980
Group's carrying amount in the investment	**–**	**980**

in thousand EUR	Jan – May 2021	2020
Revenues	1 301	2 738
Cost of sales	–672	–1 374
Administration expenses	–79	–178
Financial result	34	72
Earnings before tax (EBT)	**584**	**1 258**
Income tax (expenses)/income	–56	–296
Net profit/(loss) for the period	**528**	**962**
Group's share of profit/(loss) for the year	**211**	**385**

The associate had no contingent liabilities or capital commitments as at 31 May 2021.

Compagnie des Placages de la Lowé S.A.

in thousand EUR	2021	2020
At 1 January	2 360	–
Net additions/(disposals)	–	3 099
Share of profit/(loss) of associates	–934	–739
At 31 December	**1 426**	**2 360**

Precious Woods Tropical Gabon Industrie S.A., owned 100% by Precious Woods Group, entered into an arrangement with Placage Déroule du Gabon S.A., also a veneer producing company in Gabon, owned 100% by Arbor Group, France. Precious Woods Tropical Gabon Industrie S.A. acquired 49% shares and voting rights in Placage Déroule du Gabon S.A. by contribution of net assets. The deal took place on 1st October 2020. At the same time, Placage Déroule du Gabon S.A. was renamed to Compagnie des Placages de la Lowé S.A. The new company is located in Libreville.

Precious Woods Group has no control or joint control over the investment but exercises significant influence.

At the date of acquisition, the fair value of the investment in Compagnie des Placages de la Lowé S.A. amounted to EUR 4.4 million.

Set out below is the summarized financial information for Compagnie des Placages de la Lowé S.A.

in thousand EUR	31 December 2021	31 December 2020
Current assets	11 807	12 902
Non-current assets	4 174	3 438
Current liabilities	9 719	9 724
Non-current liabilities	4 028	3 182
Equity 100 %	**2 234**	**3 434**
Group's share in equity 49 %	1 095	1 683
Goodwill	677	677
Elimination of unrealized profit on downstream sales	–346	
Group's carrying amount in the investment	**1 426**	**2 360**

in thousand EUR	2021	2020
Revenues	15 035	3 812
Cost of sales	–15 036	–4 437
Administration expenses	–532	–761
Financial result	–506	–81
Earnings before tax (EBT)	**–1 039**	**–1 467**
Income tax (expenses)/income	–161	–41
Net profit/(loss) 100 % [1]	**–1 200**	**–1 508**
Net profit/(loss) 49 %	–588	–739
Elimination of unrealized profit on downstream sales	–346	–
Group's share of profit/(loss) [1]	**–934**	**–739**

[1] In 2020, only October – December

The associate had no contingent liabilities or capital commitments as at 31 December 2021 or 2020.

Accounting policies

Associates are entities, over which the Group holds 20 to 50 percent of the voting rights and exercises significant influence. The Group does not exercise control over their financial and operational policy decisions. These associates are accounted for using the equity method. The Group's share of profit of associate is classified within operating profit as these businesses form an integral part of the Group's financial performance, reflecting its core business activities. Goodwill arising from an acquisition is included in the carrying amount of the investments in associated companies. Equity accounting is discontinued when the carrying amount of the investment together with any long-term interest in an associate reaches zero, unless the Group has either incurred or guaranteed additional obligations in respect of the associate.

The Group tests associates for impairment only when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment. Objective evidence of impairment includes events such as significant financial difficulties of the associate or information about significant changes with an adverse effect that have taken place in the economic environment in which the associate operates, and indicates that the carrying amount of the associate may not be recovered.

An impairment loss is only recognized when the carrying amount of the associate exceeds its recoverable amount, being the higher of value in use and fair value less costs of disposal. The recoverable amount of an investment in an associate is assessed for each associate, unless the associate does not generate cash inflows from continuing use that are largely independent of those from other assets of the Group.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

14. Non-current loans and investments

in thousand EUR	2021	2020
Non-current loans, associates	394	365
NIBO investment	26	25
Total non-current loans and investments	**420**	**390**

The loan to associates was granted in connection with the investment in Compagnie des Placages de la Lowé S.A.

The investment in Nederlandse Internationale Bosbouw Onderneming NV (NIBO) is placed in USD with a value of USD 27 306.

15. Inventories

in thousand EUR	2021	2020
Logs	4 699	3 343
Sawn timber	2 907	3 862
Industrialized products	802	657
Certified Emission Reductions (CERs)	145	135
Export products in transit	2 949	1 705
Consignment inventory	241	170
Spare parts and other	5 188	4 040
Obsolescence reserve	–1 470	–1 794
Total inventories	**15 461**	**12 118**

Obsolescence reserve

in thousand EUR	2021	2020
At 1 January	1 794	1 757
Increase	624	900
Reversed	–949	–834
Currency effects	1	–29
At 31 December	**1 470**	**1 794**

Accounting policies
Inventories are valued at the lower of cost or net realizable value. Logs 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.

16. Prepayments

in thousand EUR	2021	2020
Prepaid expenses, prospecting	363	93
Prepaid expenses, other	672	503
Total prepayments	**1 035**	**596**

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.

17. Trade and other receivables

in thousand EUR	2021	2020
Trade receivables, third parties	6 182	9 517
Trade receivables, associates	4 224	12
Allowance for expected credit losses	–681	–1 029
Total trade receivables net	**9 725**	**8 500**
Other current receivables	4 032	3 023
Total trade and other receivables net	**13 757**	**11 523**

The carrying amounts of the receivables approximate to their fair values. Other receivables mainly contain credit balances from governments, therefore the expected credit loss is immaterial.

Allowance for credit losses for trade receivables

in thousand EUR	2021	2020
At 1 January	1 029	785
Increase of allowance for credit losses	128	490
Reversal of allowance for credit losses	–	–0
Utilisation of loss allowances	–475	–20
Currency effects	–1	–226
At 31 December	**681**	**1 029**

The exposure to credit risk is covered with the impairment for expected credit losses under IFRS 9 on trade receivables. It contains collectively assessed positions (Lifetime ECL), using the simplified approach, as well as individually assessed positions.

The individual allowances for credit losses include receivables past due more than 12 months, where the Group is in negotiation with the debtors for a solution.

The standard payment terms for trade receivables are in most instances Cash Against Documents (CAD) or Letter of Credit (L/C). The trade receivables are not interest-bearing, and the Group considers them to be credit impaired when internal or external information give cause for serious concern to receive the outstanding amount. The credit ratings for the lifetime ECL base on the aging buckets of the trade receivables. Taking into consideration the terms and conditions established with customers, the lifetime expected credit loss allowance for trade receivables is as follows:

in thousand EUR	Expected credit loss default rate	2021	2020
Not overdue	0.5–0.6%	9 538	7 640
Less than 30 days overdue	0.5–0.6%	771	605
31 to 60 days overdue	1.7–2.0%	38	66
61 to 180 days overdue	10.0%	28	138
More than 180 days overdue	15.0%	31	142
Total trade receivables gross		**10 406**	**9 529**
Allowance for individual impairments		–616	–938
Allowance for expected credit losses		–65	–91
Total trade receivables net		**9 725**	**8 500**

Accounting policies

Trade accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less allowances. The allowances base on the simplified approach of full lifetime expected credit losses as defined by the impairment model of IFRS 9. To calculate these allowances the trade accounts receivables are clustered into ageing buckets and each of these buckets weighted with a certain percentage. Doubtful accounts are assessed individually to analyze if a significant increase in credit risk occurred and an individual impairment is needed. Indications for such impairments are substantial financial problems on the part of the customer, a declaration of bankruptcy, or a significant delay in payment occurring.

18. Trade and other payables

in thousand EUR	2021	2020
Trade payables, third parties	4 480	5 259
Trade payables, associates	710	565
Total trade payables	**5 190**	**5 824**
Other current liabilities, third parties	6 478	5 430
Other current liabilities, associates	406	136
Other current liabilities, related parties	427	–
Accrued expenses	4 081	3 413
Total other payables	**11 392**	**8 979**
Total trade and other payables	**16 582**	**14 803**

Further details about the financial risk management are described in Note 2.

19. Financial liabilities, other than trade and other payables

Carrying value of financial liabilities, other than trade and other payables

in thousand EUR	2021	2020
Loans, interest payables and legal liabilities	42 638	42 338
Lease liabilities	1 802	2 350
Total	**44 440**	**44 688**
Current loans	2 483	1 561
Current loans, related parties with significant influence	28 844	2 293
Current interest payables	1 181	440
Current lease liabilities	913	1 108
Total current	**33 421**	**5 402**
Non-current loans	4 193	6 718
Non-current loans, related parties with significant influence	5 794	27 328
Non-current interest payables	143	3 998
Non-current lease liabilities	889	1 242
Total non-current	**11 019**	**39 286**
Total	**44 440**	**44 688**

Details about the financial risks are described in Note 2.

The changes in liabilities from financing activities are detailed below:

in thousand EUR	Current financial liabilities	Non-current financial liabilities	**Total**
At 1 January 2020	**8 989**	**35 219**	**44 208**
Cashflows			
Cash inflow	2 141	–	2 141
Cash outflow for lease payments	–	–942	–942
Cash outflow for interests paid	–	–1 492	–1 492
Cash outflow due to redemption	–2 009	–1 004	–3 013
Non-cash changes			
Reclassifications	–3 577	3 577	–
Increase in lease liabilities	–	1 592	1 592
Increase in interests on lease liabilities	–	127	127
Accrued interests	–	2 613	2 613
Currency effects	–142	–405	–547
At 31 December 2020	**5 402**	**39 286**	**44 688**
Cashflows			
Cash inflow	904	–	904
Cash outflow for lease payments	–	–415	–415
Cash outflow for interests paid	–	–1 245	–1 245
Cash outflow due to redemption	–2 010	–1 525	–3 535
Non-cash changes			
Reclassifications	28 258	–28 258	–
Increase in lease liabilities	–	710	710
Increase in interests on lease liabilities	–	142	142
Accrued interests	–	2 350	2 350
Disposal due to renouncement	–165	–235	–400
Currency effects	1 032	209	1 241
At 31 December 2021	**33 421**	**11 019**	**44 440**

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

in thousand EUR	**2021**	**2020**
Currencies financial liabilities/borrowings denominated in:		
EUR	3 003	3 004
XAF	7 537	9 004
CHF	33 463	31 454
BRL	437	1 226
Total financial liabilities	**44 440**	**44 688**

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

	2021	**2020**
EUR	1.0 – 4.0%	1.0 – 4.0%
XAF	8.5–11.0%	8.5–11.0%
CHF	1.5 – 6.0%	1.5 – 6.0%
BRL	4.5 – 6.8%	4.5 – 6.8%

Further details about the financial risk management are described in Note 2.

20. Financial instruments by category and fair value hierarchy

Financial instruments by category

in thousand EUR	at amortized costs	at fair value through OCI	Total
31 December 2021			
Assets			
Cash and cash equivalents	2 256	–	2 256
Trade and other receivables	11 199	–	11 199
Non-current loan to associates	394	–	394
Non-current financial assets	436	26	462
Total financial assets	**14 285**	**26**	**14 311**

in thousand EUR	at amortized costs	at fair value through OCI	Total
31 December 2020			
Assets			
Cash and cash equivalents	2 778	–	2 778
Trade and other receivables	9 717	–	9 717
Non-current loan to associates	365	–	365
Non-current financial assets	–	25	25
Total financial assets	**12 860**	**25**	**12 885**

in thousand EUR	2021	2020
Liabilities at amortized costs		
Trade and other payables	11 717	10 554
Loans, interest payables and legal liabilities	42 638	42 338
Lease liabilities	1 802	2 350
Total financial liabilities	**56 157**	**55 242**

Accounting policies

Financial assets are categorized as current assets if they are expected to be realized within 12 months from the reporting date otherwise they are included in non-current assets. Trade accounts receivables and other current assets are measured at amortized cost less allowances for expected credit losses. Financial assets at fair value through OCI are subsequently measured at fair value, with changes in fair value recorded in other comprehensive income.

Trade accounts payables and current liabilities are categorized as current liabilities if they are expected to be realized within 12 months from the reporting date otherwise they are included in non-current liabilities. They are measured at amortized cost. Borrowings are classified as current liabilities unless Precious Woods has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. They are initially recorded at fair value, net of transaction costs, and subsequently measured at amortized cost according to the effective interest rate method.

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

Fair value hierarchy

The carrying amounts of financial instruments correspond approximately to their fair value. 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 thousand EUR	**31 December 2021**	Level 1	Level 2	Level 3
Non-current financial assets	26	–	–	26
Biological assets	14 356	–	–	14 356
Land	42 332	–	42 332	–
Total assets measured at fair value	**56 714**	–	**42 332**	**14 382**

in thousand EUR	**31 December 2020**	Level 1	Level 2	Level 3
Non-current financial assets	25	–	–	25
Biological assets	10 162	–	–	10 162
Land	42 178	–	42 178	–
Total assets measured at fair value	**52 365**	**–**	**42 178**	**10 187**

Reconciliation of fair value measurement of level 3 assets

in thousand EUR	**2021**	**2020**
At 1 January	10 187	13 183
Gain from changes in fair value from biological assets	4 074	927
Currency effects	121	–3 923
At 31 December	**14 382**	**10 187**

21. Leasing

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

The development of the lease liabilities is as follows:

in thousand EUR	**2021**	**2020**
At 1 January	2 350	2 173
Additions	710	1 592
Interest expenses	142	127
Redemption	–999	–596
Payments	–415	–942
Currency effects	14	–4
At 31 December	**1 802**	**2 350**
Thereof current	913	1 108
Thereof non-current	889	1 242

Right-of-use assets

in thousand EUR	Leased buildings and building improvements	Leased machinery and vehicles	**Total**
At 1 January 2020	**102**	**3 148**	**3 250**
Additions	407	1 185	1 592
Depreciation	–70	–1 281	–1 351
Disposals	–	–71	–71
Currency effects	–5	0	–4
At 31 December 2020	**434**	**2 981**	**3 415**
Additions	73	637	710
Reclassification to PPE (exercised purchase options)		–837	–837
Depreciation	–134	–1 344	–1 478
Currency effects	13	0	13
At 31 December 2021	**386**	**1 437**	**1 823**

As of 31 December, other operating expenses contain the following expenses in connection with leases:

in thousand EUR	**2021**	**2020**
Expenses for short-term leases	258	330
Expenses for leases of low value	3	1
Total operating lease expenses	**261**	**331**

Accounting policies
Each contract is assessed at inception, whether it constitutes or contains a lease. This is given, when the contract conveys the right to control the use of the identified asset for the period of use in exchange for substantially all of the economic benefits. Precious Woods elected to apply the recognition exemptions to short-term leases and low value leases. For such leases no right-of-use asset and no lease liability are recorded, instead the lease payments are recognized as operating expenses.

At the commencement date, the lease liability is measured at the present value of future lease payments to be made over the lease term. Incremental borrowing rates are used for the discount rates. The right-of-use asset corresponds initially to the lease liability, plus any initial direct costs, advance payments and dismantling or removing costs. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life. If at the end of the lease term the ownership of the leased asset is transferred to the lessee or the lessee is reasonably certain to exercise the purchase option, then the right-of-use asset has to be depreciated according to the useful life defined for property, plant and equipment.

22. Share capital

The functional currency of Precious Woods Holding is Swiss francs. In the financial statements it is translated into the Group's presentation currency (EUR) using historical exchange rates.

Share capital overview

	Number of shares at a nominal value of CHF 1	Number of shares at a nominal value of CHF 1	Share capital in thousand EUR	Share capital in thousand EUR
	2021	**2020**	**2021**	**2020**
Issued and fully paid-in capital				
At 1 January	**7 052 745**	**7 052 745**	**5 731**	**5 731**
Increase	–	–	–	–
At 31 December	**7 052 745**	**7 052 745**	**5 731**	**5 731**

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. Precious Woods' 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.

Ordinary share capital

On 31 December 2021, the issued and fully paid-in share capital amounted to CHF 7 052 745 (2020: CHF 7 052 745).

Authorized share capital

On 27 May 2021, authorized capital in the amount of CHF 1 000 000 was adopted by the general meeting. It will expire in May 2023.

Conditional share capital

On 31 December 2021, the portion of the conditional share capital which is intended to cover options of employees and board members amounted to CHF 46 638, and the total conditional share capital amounted to CHF 1 396 638.

23. Major shareholders

On 31 December 2021, the major shareholders holding 3% (rounded) or more of Precious Woods Holding outstanding shares were as follows:

	Number of shares 2021		Number of shares 2020	
Fleischmann Werner	1 475 801	20.9%	1 356 305	19.2%
Campdem Development SA	537 817	7.6%	630 000	8.9%
Aage V. Jensen Charity Foundation	455 704	6.5%	455 704	6.5%
Basler Insurances	333 053	4.7%	333 053	4.7%
von Braun	324 324	4.6%	324 324	4.6%
BoD / Management Precious Woods	322 773	4.6%	299 901	4.3%
Vasalli Christian	247 100	3.5%	242 400	3.4%
Gut Thomas	241 808	3.4%	241 808	3.4%
Gut Joseph	241 533	3.4%	241 533	3.4%
Total number of outstanding shares	**7 052 745**	**100.0 %**	**7 052 745**	**100.0 %**

The financial liabilities on loans from related parties are presented in Note 19.

24. Earnings per share

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

In EUR	2021	2020
Net income/(loss) attributable to Group equity holders	4 692 582	–2 172 675
Weighted average number of shares	7 049 367	7 052 513
Basic earnings/loss per share	**0.67**	**–0.31**
Weighted average number of shares for diluted earnings per share	7 049 367	7 052 513
Diluted earnings per share	**0.67**	**–0.31**

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.

25. Related party balances and transactions

An overview of the subsidiaries of Precious Woods is presented in Note 31. 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 23.

a. Balances and transactions

The balances with related parties, as of 31 December 2021 and 2020, are detailed below:

in thousand EUR	2021	2020
Trade and other current receivables from related parties	97	–
Trade receivables and other current receivables from associates	4 224	12
Non-current loan to associates	394	365
Trade and other current liabilities from related parties	427	–
Trade and other current liabilities to associates	1 117	701
Current loans from shareholders with significant influence	28 844	2 293
Non-current loans from shareholders with significant influence	5 794	27 328
Non-current financial liabilities from shareholders with significant influence	0	3 418
Paid interest expenses to shareholders with significant influence	505	474
Paid interest expenses to other shareholders	–	–

The current loans from shareholders with significant influence bear interest at 1.5% for EUR 2.4 million – maturing in October 2022; at 6.0% for EUR 19.3 million and accrued interests at 0.0% for EUR 4.7 million – maturing in December 2022; at 4.0% for EUR 1.0 million – maturing in March 2022; at 4.5% for EUR 1.0 million – maturing in December 2022; and at 6.0% for EUR 0.4 million – maturing in December 2022.

The non-current loans from shareholders with significant influence bear interest at 6.0% for EUR 5.8 million, maturing in December 2024.

b. Compensation

During the ordinary course of business in 2021 and 2020, the Group granted remunerations to related parties as follows:

in thousand EUR	2021	2020
Board of Directors		
Short-term employee benefits	197	200
Post-employment employee benefits	9	9
Total remuneration and fees Board of Directors	**206**	**209**
Group Management		
Short-term employee benefits	1 044	771
Post-employment employee benefits	169	135
Total Group Management	**1 213**	**906**
Operating management		
Short-term employee benefits	812	685
Post-employment employee benefits	78	84
Total operating management	**890**	**768**
Total compensation to key management personnel	**2 309**	**1 883**

There was no compensation paid related to long-term benefits, termination benefits or share-based payments.

26. Provisions

in thousand EUR	Legal claims	Others	2021 Total	2020 Total
Current provisions	9	–	9	–
Non-current provisions	279	383	662	642
Total provisions	**288**	**383**	**671**	**642**
At 1 January	212	430	642	1 136
Additions	76	22	98	22
Unused amounts reversed	–2	–72	–74	–239
Used during the year	–	–	–	–38
Currency effects	2	3	5	–239
At 31 December	**288**	**383**	**671**	**642**

Legal claims

The amount of EUR 0.3 million represents 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 2021 (2020: EUR 0.2 million).

Others

The total amount of EUR 0.4 million for other current and non-current provisions includes amounts for tax fees of EUR 0.2 million (2020: EUR 0.1 million) and for other provisions of EUR 0.2 million (2020: EUR 0.2 million) included.

Accounting policies

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 profit or loss net of any reimbursement.

27. 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 payouts other than those for which a provision has been made will arise from contingent liabilities (see Note 10).

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 EUR 3.8 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 payouts 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 2021 (31 December 2020: 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 has instead blocked an amount of EUR 0.1 million in cash on Group accounts.

28. Income taxes

Major components of tax expenses/(income)

in thousand EUR	2021	2020
Current tax expenses/(income)	1 598	699
Deferred tax expenses/(income) relating to temporary differences	1 665	412
Total income taxes	**3 263**	**1 111**

Reconciliation of tax expenses/(income)

in thousand EUR	2021	2020
Earnings before tax	**7 949**	**–1 070**
Expected tax expenses/(income) based on a weighted average	2 371	–147
Derecognition of previously recognized deferred tax assets	1 138	759
Minimum tax in Gabon	345	434
Change in permanent differences	–568	7
Non-deductible expenses	–	58
Other	–23	–
Total income taxes	**3 263**	**1 111**

The weighted average applicable tax rate, considering all profit- and loss-making entities, was 28% (2020: 28%).

Deferred income tax

in thousand EUR	2021	2020
Total deferred tax assets	9 873	9 950
Total deferred tax liabilities	–17 422	–16 164
Net deferred tax assets/(liabilities)	**–7 549**	**–6 214**

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 thousand EUR	2021	2020
Inventories	26	27
Tax loss carry-forwards	1 234	1 747
Provisions	138	113
Financial liabilities	7 764	7 348
Other	711	715
Total deferred tax assets	**9 873**	**9 950**

Deferred income tax liabilities

in thousand EUR	2021	2020
Property, plant and equipment	–12 336	–12 481
Biological assets	–4 881	–3 455
Intangible assets	–205	–228
Total deferred tax liabilities	**–17 422**	**–16 164**
Net deferred tax assets/(liabilities)	**–7 549**	**–6 214**
Reported in the balance sheet as follows:		
Deferred tax assets	–	–
Deferred tax liabilities	–7 549	–6 214
Net deferred tax assets/(liabilities)	**–7 549**	**–6 214**

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

in thousand EUR	2021	2020
At 1 January	–6 214	–12 928
Income statement charge	–1 665	–412
Tax charged to other comprehensive income	389	3 996
Currency effects	–59	3 130
At 31 December	**–7 549**	**–6 214**

The Group did not recognize deferred income tax assets on deductible temporary differences of EUR 5.7 million (2020: EUR 4.6 million) and on unused tax losses of EUR 40.5 million (2020: EUR 43.5 million).

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

in thousand EUR	2021	2020
0–2 years	26 218	36 668
3–4 years	–	954
5–7 years	6 868	2 681
over 7 years	7 369	3 237
Total tax loss carry-forwards	**40 455**	**43 540**

EUR 5.4 million of these tax loss carry-forwards belong to the Dutch operations of Precious Woods with an applicable tax rate of 15% (2020: EUR 9.0 million with an applicable tax rate of 19%), EUR 3.3 million belong to the Brazilian operations with an applicable tax rate of 34% (2020: EUR 3.2 million with an applicable tax rate of 34%), and EUR 31.8 million belong to the Swiss operation with an applicable tax rate of 11.85% (2020: EUR 31.3 million with an applicable tax rate of 11.91%). From the Gabonese operations no tax loss carry-forwards remain from 2020 (2020: EUR 0.0 million).

Accounting policies

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 generally recognized for all deductible temporary differences 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, at the time of the transaction, affects neither the taxable profit nor the accounting profit.

29. 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.

Provisions for employee benefit plans

in thousand EUR	2021	2020
Current employee benefits – defined benefit plans	24	–
Non-current employee benefits – defined benefit plans	1 652	1 899
Non-current employee benefits – defined contribution plans	1 218	1 107
Non-current employee benefits – jubilee provisions	82	84
Total liabilities due to employees	**2 976**	**3 090**

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. Interests 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 curtailment or settlement has occurred during the year. As of the beginning of 2020, the pension solution of Precious Woods Holding Ltd. was transferred from the Bâloise Collective Foundation for Occupational Benefits to the AXA Occupational Benefits Foundation. The conversion rates for the new foundation are higher than before. This resulted in past service costs from plan change of EUR 144 174 and was recognized in P&L in 2020.

Changes in the present value of the defined benefit obligation

in thousand EUR	2021	2020
Defined benefit obligation at 1 January	5 486	4 593
Current service costs	249	376
Interest costs	8	12
Contribution by plan participants	91	86
Actuarial losses/(gains)	–170	33
Benefits paid/transferred	11	239
Past service costs	–	144
Currency effects	257	3
31 December	**5 932**	**5 486**
Plans wholly or partly funded	5 932	5 486
Plans wholly unfunded	–	–

Movement in the fair value of the plan assets

in thousand EUR	2021	2020
Opening fair value of plan assets	3 587	2 717
Interest income	6	7
Return on plan assets excluding interest income	190	340
Contributions by the employers	212	200
Contributions by plan participants	91	86
Benefits paid/transferred	11	239
Currency effects	183	–2
31 December	**4 280**	**3 587**

in thousand EUR	2021	2020
Present value of obligations	5 932	5 486
Fair value of plan assets	4 280	3 587
Net liability	**1 652**	**1 899**

Changes in net liability

in thousand EUR	2021	2020
Opening net liability	1 899	1 876
Pension cost recognized in profit or loss	252	524
Pension cost recognized in other comprehensive income	–360	–306
Employer contributions	–212	–200
Currency effects	73	5
Recognized in balance sheet	**1 652**	**1 899**

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

in thousand EUR	2021	2020
Current service costs	249	376
Net interest costs	3	4
Past service costs	–	144
Recognized in profit or loss	**252**	**524**

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

in thousand EUR	2021	2020
Return of plan assets excluding interest income	190	340
Changes in assumptions	306	–165
Experience adjustments	–136	131
Recognized in other comprehensive income	**360**	**306**

Principal actuarial assumptions used

	2021	2020
Expected employer contributions	213 675	212 063
Discount rates	0.35%	0.15%
Expected salary increases	1.00%	1.00%
Expected long-term increase of pensions	0.00%	0.00%

In 2021, the mortality table used did change from BVG 2015 GT to BVG 2020 GT. Also, the disability probability table and the exit probability table, did change from BVG tables 2015 to BVG tables 2020.

Sensitivity to changes in the principal assumptions

in thousand EUR	DBO	Effect
Actuarial assumption 31 December 2021	5 932	
Discount rate +0.25%	5 687	–4.1%
Discount rate –0.25%	6 194	4.4%
Salary increase rate +0.25%	5 955	0.4%
Salary increase rate –0.25%	5 910	–0.4%

in thousand EUR	DBO	Effect
Actuarial assumption 31 December 2020	5 486	
Discount rate +0.5%	5 258	–4.2%
Discount rate –0.5%	5 730	4.4%
Salary increase rate +0.5%	5 510	0.4%
Salary increase rate –0.5%	5 463	–0.4%

Plan asset allocation

in thousand EUR	2021	2020
Liquidity	3.65%	2.75%
Bonds	31.70%	38.90%
Mortgages	3.87%	4.29%
Convertible loans	0.00%	0.00%
Shares	34.80%	30.20%
Real estate investments	23.14%	21.21%
Alternative investments	2.84%	2.65%
Total plan assets	**100.00 %**	**100.00 %**

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

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 subsequent periods. 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.

30. Currency translation rates

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

					2021				2020
in EUR		Year-end rate	in % of previous year	Average rate	in % of previous year	Year-end rate	in % of previous year	Average rate	in % of previous year
Swiss franc	1 CHF	0.9656	104.5%	0.9250	99.0%	0.9238	100.3%	0.9342	103.9%
Euro	1 EUR	1.0000	100.0%	1.0000	100.0%	1.0000	100.0%	1.0000	100.0%
Brazilian real	1 BRL	0.1582	100.8%	0.1568	91.1%	0.1569	70.8%	0.1721	75.9%
US dollar	1 USD	0.8815	108.1%	0.8455	96.4%	0.8153	91.5%	0.8774	98.2%
CFA-Franc BEAC	1 XAF	0.0015	100.0%	0.0015	100.0%	0.0015	100.0%	0.0015	100.0%

31. Basis of consolidation

The consolidated financial statements comprise the financial statements of Precious Woods Holding Ltd and its subsidiaries. Control is achieved when Precious Woods Holding Ltd. is exposed, or has rights, to variable returns from its direct or indirect involvement with the investee and has the ability to affect those returns through its power over the investee. Usually control is achieved through a majority of voting rights. 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 2021	Ownership 2020
MIL Madeiras Preciosas Ltda.	Brazil	100%	100%
MIL Energia Renovável Ltda. (ex BK Energia Itacoatiara Ltda.) [1]	Brazil	100%	40%
Monte Verde Manejo Florestal Ltda.	Brazil	100%	100%
Precious Woods Manejo Florestal Ltda.	Brazil	100%	100%
Precious Woods – Compagnie Equatoriale des Bois S.A.	Gabon	99%	99%
Precious Woods – Tropical Gabon Industrie S.A.	Gabon	100%	100%
Precious Woods Europe B.V.	Netherlands	100%	100%
Lastour & Co. S.A.	Luxembourg	100%	100%
Unio Holding S.A.	Luxembourg	100%	100%

[1] Associated company until 31 May 2021; as of 1st June 2021 100% investment and fully consolidated subsidiary

On 31 May 2021 MIL Madeiras Preciosas Ltda., acquired the remaining 60% of the ordinary shares outstanding, and obtained 100% ownership of the renewable power plant. BK Energia Itacoatiara Ltda. was renamed MIL Energia Renovável Ltda. afterwards. Note 32 contains the details of this purchase.

Further information about the associated entities of the Group are disclosed in Note 13.

Accounting policies

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.

32. Increase of investment in MIL Energia Renovável Ltda.

On 31 May 2021 MIL Madeiras Preciosas Ltda., owning already 40% of the ordinary shares, acquired the remaining 60% of the outstanding ordinary shares of the renewable power plant BK Energia Itacoatiara Ltda. and renamed it to MIL Energia Renovável Ltda. The fair value of the 40% at acquisition date amounted to EUR 1.4 million. The remeasurement to fair value of the Group's existing 40% interest in BK Energia Itacoatiara Ltda. resulted in a gain of EUR 0.1 million (EUR 1.4 million fair value less the EUR 0.7 million carrying amount of the equity-accounted investee at the date of acquisition less EUR 0.6 million of accumulated currency translation loss reclassified to profit or loss). This amount has been included in financial income (see Note 9).

The financial statements include the results of MIL Energia Renovável Ltda. for the seven-month period from the acquisition date. For this period, the revenue in the consolidated statement of profit or loss, contributed by MIL Energia Renovável Ltda., amounted to EUR 1.7 million and the net profit to EUR 0.3 million. If MIL Energia Renovável Ltda. had been fully consolidated from 1 January 2021, the consolidated statement of profit or loss would have included revenue of EUR 3.0 million and net profit of EUR 0.8 million.

The fair values of the identifiable assets and liabilities of MIL Energia Renovável Ltda. as at the date of acquisition were:

in thousand EUR	1st June 2021
Cash and cash equivalents	976
Trade and other receivables	844
Inventories	36
Total current assets	**1 856**
Property, plant and equipment	66
Intangible assets	1 522
Total non-current assets	**1 588**
Trade and other payables	–269
Current income tax payables	–23
Current provisions	–8
Total current liabilities	**–300**
Total net assets	**3 144**

The goodwill of EUR 0.3 million arising from the acquisition consists largely of the expected synergies and economies of scale from increasing the portion of investment in BK Energia. It is the aggregate of the consideration transferred of EUR 3.4 million, compared with the net of acquisition-date assets and liabilities of EUR 3.1 million. These assets contain also a customer portfolio of EUR 1.5 million. The dividend receivables for the periods prior to the acquisition of the remaining share were offset against the cash consideration.

The details of the purchase considerations recognized at acquisition date and the derivation of goodwill were as follows:

in thousand EUR	1st June 2021
Cash consideration	2 042
Fair value of pre-existing interest (40%) in BK Energia	1 366
Total purchase consideration	**3 408**
Less net assets acquired at fair value	**3 144**
Goodwill	**264**

in thousand EUR	1st June 2021
Cash consideration	–2 042
Offset with dividend receivable	522
Net cash acquired	976
Net outflow of cash – investing activities	**–544**

33. Subsequent events

There were no significant events after the reporting period.

34. Approval of financial statements and dividends

The financial statements were approved by the Board of Directors on 28 April 2022 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 2021 (2020: no dividend paid).

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To the General Meeting of
Precious Woods Holding AG, Zug

Zurich, 28 April 2022

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Precious Woods Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, and appendix to the consolidated financial statements, including a summary of significant accounting policies, for the year ended December 31, 2021.

In our opinion the consolidated financial statements (pages 52 to 92) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Emphasis of matter

We draw attention to Note 2. Financial risk management of the consolidated financial statements, which sets out an uncertainty regarding the refinancing of a loan liability. If it is not possible to extend or repay the liability in a timely manner, the creditor has the option to require ownership of the pledged land titles in Brazil as a repayment of the loan liability. Our opinion is not modified in respect of this matter.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Kaspar Streiff Licensed audit expert (Auditor in charge)	Gianantonio Zanetti Licensed audit expert


STIHL
Precious Woods Amazon
Mil Madeiras Preciosas Ltda.
STIHL MS 661

Precious Woods Holding Ltd financial statements

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Picture left: Employee of PW Amazon

Balance sheets as of 31 December 2021 and 2020

in thousand CHF	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents		963	2 653
Trade receivables			
against third parties		4 296	4 019
against Group		118	135
Other short-term receivables			
against third parties		12	19
against Group		2 574	2 773
Inventories		445	240
Prepaid expenses		61	70
Total current assets		**8 469**	**9 909**
Non-current assets			
Financial assets to Group	5	53 690	47 626
Investments	4	48 048	57 931
Property, plant, equipment and lease	9	331	431
Intangible assets		25	44
Long-term financial assets		50	50
Total non-current assets		**102 144**	**106 082**
TOTAL assets		**110 613**	**115 991**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables			
against third parties		327	192
against Group and associates		2 677	2 744
Short-term interest-bearing liabilities against third parties		500	–
Short-term interest-bearing liabilities against shareholders	6	26 126	2 481
Short-term lease liabilities	13	93	94
Other short-term liabilities	14	709	453
Accrued expenses and short term provisions		6 240	4 722
Total short-term liabilities		**36 672**	**10 687**
Non-current liabilities			
Long-term interest-bearing liabilities against shareholders	7	6 000	30 668
Long-term lease liabilities	13	223	316
Long-term provisions		85	90
Total long-term liabilities		**6 308**	**31 074**
Shareholders' equity			
Share capital	1, 2, 3	7 053	7 053
Legal capital reserves			
Capital contribution reserves		88 924	88 924
Legal retained earnings			
General legal retained earnings		4 534	4 534
Voluntary retained earings			
Accumulated losses		–26 281	–23 681
Net loss for the year		–6 596	–2 600
Total shareholders' equity		**67 633**	**74 230**
TOTAL liabilities & equity		**110 613**	**115 991**

Statements of income 2021 and 2020

in thousand CHF	Notes	2021	2020
Sales			
Net sales timber products		55 975	42 859
Net sales CO_2 certificates		94	69
Changes in inventories of finished goods		59	46
Changes in inventories of CO_2 certificates		9	7
General costs of production		–52 388	–39 508
Total operating income		**3 749**	**3 473**
Personnel expenses		–3 044	–2 989
Administrative expenses		–1 517	–1 357
Audit fees		–238	–174
Earnings before interest, tax, depreciation and amortization (EBITDA)		**–1 050**	**–1 047**
Depreciation, amortization and impairment	5, 9	2 400	–741
Earnings before interest & tax (EBIT)		**1 350**	**–1 788**
Financial income		1 616	1 807
Financial expenses	4	–7 724	–2 045
Foreign exchange differences		–1 783	–562
Earnings before tax (EBT)		**–6 541**	**–2 588**
Taxes		–55	–12
Net loss for the year		**–6 596**	**–2 600**

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). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

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 financial liabilities are recognized in the balance sheet at its nominal value.

e. Leasing
Leasing and rental agreements are recorded according to the right-of-use. For this reason, the right-of-use corresponds to the present value of the lease liability at the inception of the contract. The term of the lease agreement is determined by the fixed contract term and any extension options. The lease liability corresponds to the present value of future lease payments, which bear interest at an implicit rate and are reduced by the amortization payments.

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 the Programme for the Endorsement of Forest Certification (PEFC). The PW Group 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 2021 was composed of 7 052 745 (2020: 7 052 745) fully paid-in registered shares, each with a nominal value of CHF 1.00.

2. Authorized share capital

On 27 May 2021, the Annual General Meeting approved an authorized share capital of CHF 1 000 000 (1 000 000 shares with a nominal value of CHF 1.00 each). The Board of Directors is thus authorized to increase the share capital at any time until 19 May 2023 by a maximum amount of CHF 1 000 000 by way of issuance of no more than 1 000 000 registered shares that are to be fully paid in with a nominal value of CHF 1.00 each. In 2021, no capital increase was carried out from authorized share capital. On 31 December 2021, the amount of the authorized capital is thus CHF 1 000 000 in shares (1 000 000 shares with a nominal value of CHF 1.00 each).

The remaining authorized share capital expires on 19 May 2023.

3. Conditional share capital

The company had the following conditional share capital:

a. Since 18 May 2017, the conditional capital thus amounted to CHF 1 350 000 (1 350 000 shares with a nominal value of CHF 1.00 each) according to Article 3a of the Articles of Association. As of 31 December 2021, the conditional share capital amounted to CHF 1 350 000 (1 350 000 shares with a nominal value of CHF 1.00 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 46 638 by the issuance of no more than 46 638 (2020: 46 638) registered shares that are to be fully paid in and have a nominal value of CHF 1.00 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. As of 31 December 2021, the conditional share capital thus amounted to CHF 46 638 (46 638 shares with a nominal value per CHF 1.00 each).

4. Investments in subsidiaries

The company holds the following direct and significantly indirect investments:

Company	Currency	**2021** Nominal share capital	**2020** Nominal share capital	**2021** Voting rights and Participation	**2020** Voting rights and Participation
MIL Madeiras Preciosas Ltda., Brazil [1]	BRL	168 143 929	168 143 929	100.00%	100.00%
MIL Energia Renovável Ltda., Brazil (former BK Energia Ltda.) [2]	BRL	7 160 000	2 600 000	100.00%	40.00%
Monte Verde Manejo Florestal Ltda., Brazil [1]	BRL	37 585 742	37 585 742	100.00%	100.00%
Precious Woods Manejo Florestal Ltda., Brazil [1]	BRL	24 429 917	24 429 917	100.00%	100.00%
Precious Woods Europe B.V., Netherlands [1]	EUR	18 000	18 000	100.00%	100.00%
Unio S.A., Luxembourg [1]	EUR	1 000 000	1 000 000	100.00%	100.00%
Precious Woods Tropical Gabon Industrie S.A. (TGI), Gabon [2]	XAF	10 000 000	10 000 000	100.00%	100.00%
Compagnie des Placages de la Lowé S.A., Gabon [2]	XAF	1 550 428 600	1 550 428 600	49.00%	49.00%
Lastour & Co. S.A., Luxembourg [1]	EUR	372 575	372 575	100.00%	100.00%
Precious Woods Compagnie Equatoriale des Bois S.A. (CEB), Gabon [2]	XAF	1 571 276 074	1 571 276 074	99.02%	99.02%
Precious Woods Management Ltd., British Virgin Islands [1]	USD	20 000	20 000	100.00%	100.00%

[1] participation directly held by

[2] participation indirectly held by

As at 31 December 2021, a negative value adjustment of the participations Lastour & Co. and Unio S.A. was made due to the historical acquisition value in the amount of CHF 5.6 million, which led to the change in financial expenses compared to the previous year. In addition, two further impairments of investments of CHF 4.3 million were recognized on the investments in MIL Madeiras Preciosas Ltda. and Unio S.A. (see Note 9). For further information on investments as well as investments in associates, we refer to note 31 and 13 to the consolidated group financial statements.

5. Financial assets to Group

As at 31 December 2021, the financial assets to Group include loans granted to the subsidiaries. The main part of the change in this year was that a part of the loans previously written off could be revalued as a positive impairment in the amount of CHF 13.1 million. At the same time, an impairment of CHF 6.3 million was made on other loans.

6. Other short-term interest-bearing liabilities

As of 31 December 2021, the short-term liabilities consist of four loans from shareholders in the amount of CHF 22.9 million. The major part of these loans was shown in the year 2020 under long-term interest-bearing liabilities. The loans have an interest of 6% and 1.5%. The loans are due in October 2022 and December 2022. The position further includes three loans in the amount of EUR 1.0 million each (total CHF 3.2 million) from shareholders. The loans have an interest of 4.5% and 4.0% and are due in December 2022.

Uncertainty regarding repayment of loan liabilities

As of 31 December 2022, loan liabilities including accrued interest in the total amount of around CHF 26 million are due for repayment. The loan is secured by pledged land titles owned by a subsidiary. The company is in talks to extend the existing contract and at the same time plans to repay it by raising new liquid funds. At this point in time, no contracts have been concluded and therefore there is uncertainty regarding the successful refinancing of this loan liability at the end of the term. If the refinancing cannot take place in a timely manner, there is the possibility of transferring land titles in Brazil to settle the debt.

7. Long-term interest-bearing liabilities

As of 31 December 2021, the long-term liabilities consist of one loan in the amount of CHF 6.0 million from shareholder. The loan bear interest at 6% and is due in December 2024.

8. Board and Executive compensation

As of the balance sheet date, there are no loans and credits between the Company and the Board of Directors. The compensation and the number of shares held by the Board of Directors are composed as follows:

in thousand CHF	Fix in cash	Fix in shares	Other compensation	**Total**	**Ownership of shares**
For the year 2021					
Katharina Lehmann	90	–	–	**90**	104 453
Markus Brütsch	30	–	–	**30**	178 220
Jürgen Blaser	30	–	–	**30**	3 500
Robert Hunink	30	–	3	**33**	25 000
Total	**180**	**–**	**3**	**183**	**311 173**

in thousand CHF	Fix in cash	Fix in shares	Other compensation	**Total**	**Ownership of shares**
For the year 2020					
Katharina Lehmann	90	–	–	**90**	95 053
Markus Brütsch	30	–	–	**30**	176 348
Jürgen Blaser	30	–	–	**30**	3 500
Robert Hunink	30	–	5	**35**	17 500
Total	**180**	**–**	**5**	**185**	**292 401**

As of the balance sheet date, there are no loans and credits between the Company and the Group Management. The compensation and the number of shares held by the Group Management are composed as follows:

in thousand CHF	Salary Fix in cash	Salary [1] Variable in cash	Employer [2] social contributions	**Total**	**Ownership of shares**
For the year 2021					
Markus Brütsch, CEO / CFO	375	125	89	**589**	178 220
Group Management Total	**983**	**145**	**183**	**1 311**	**189 820**

in thousand CHF	Salary Fix in cash	Salary [1] Variable in cash	Employer [2] social contributions	**Total**	**Ownership of shares**
For the year 2020					
Markus Brütsch, CEO / CFO	375	125	89	**589**	176 348
Group Management Total	**700**	**125**	**145**	**970**	**183 848**

[1] During 2021 and 2020 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 favorable conditions were made to active or former members of the Board of Directors or Group Management.

9. Depreciation, amortization and impairment

As of 31 December 2021, depreciation, amortization and impairment includes, on the one hand, the normal depreciation on property, plant and equipment in the amount of CHF 0.1 million, On the other hand, it includes as impairment of the investments MIL Madeiras Preciosas Ltda. and Unio S.A. (see Note 4) in the amount of CHF 4.3 million. The positive impairments according to Note 5 is also included in the amount of CHF 6.8 million. Overall, the participation in MIL Madeiras Preciosas Ltda. could be revalued indirectly by around CHF 10 million via the release of the loans that had already been written off.

10. Major shareholders

For the overview of major shareholders as of 31 December 2021 and 2020 we refer to the note 23 to the consolidated group financial statements.

11. Pledged assets / other securities

As of 31 December 2021, and 2020, Precious Woods Holding Ltd had no pledged assets, but the liabilities of CHF 26.0 million are secured by land securities in Brazil (see notes 6 and 7).

12. Other note / Full time employment

The full-time employment of Holding employees for the year 2021 amounts to 13.1 FTE (2020: 13.1 FTE). We refer to the social key figures in the sustainability report for further information.

13. Other note / Lease liabilities

The leasing liabilities are recorded in the balance sheet as short- and long-term on the basis of the economic approach, which includes all leasing contracts with the exception of short-term contracts (up to 12 months term) and low-value assets. The right-of-use is capitalized in the balance sheet and the leased assets are depreciated over the term of the lease.

in CHF	Asset class	Useful life	**2021**	**2020**
Position of balance				
Property, plant, equipment and lease (rights-of-use assets)	Vehicles	3 years	5 583	15 842
	Office spaces	5 years	304 575	391 597
	IT equipment	5 years	4 349	6 721
Total rights-of-use assets			**314 507**	414 160
Total Leasing liabilities (short- and long-term)			**315 421**	409 910

Position of income statement	**1.1.-31.12.2021**	**1.1.-31.12.2020**
Depreciation (rights-of-use assets)	–99 389	–55 777
Interest expenses lease liabilities	–4 331	–2 859

14. Other note / Other short-term liabilities

As at 31 December 2021, other short-term liabilities include pension fund liabilities of CHF 0.1 million (2020: CHF 0.0 million).

15. Other note / Significant events after the reporting date

For additional information on significant events after reporting date, we refer to the note 33 of the consolidated group financial statements.

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To the General Meeting of
Precious Woods Holding AG, Zug

Zurich, 28 April 2022

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 98 to 104), for the year ended 31 December 2021.

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 2021 comply with Swiss law and the company's articles of incorporation.

Emphasis of Matter
We draw attention to Note 6. Other short-term interest-bearing liabilities of the financial statements, which sets out an uncertainty regarding the refinancing of a loan liability. If it is not possible to extend or repay the liability in a timely manner, the creditor has the option to require ownership of the pledged land titles in Brazil as a repayment of the loan liability. Our opinion is not modified in respect of this matter.

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 para. 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.

Ernst & Young Ltd

Kaspar Streiff Licensed audit expert (Auditor in charge)	Gianantonio Zanetti Licensed audit expert

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PRECIOUS WOODS