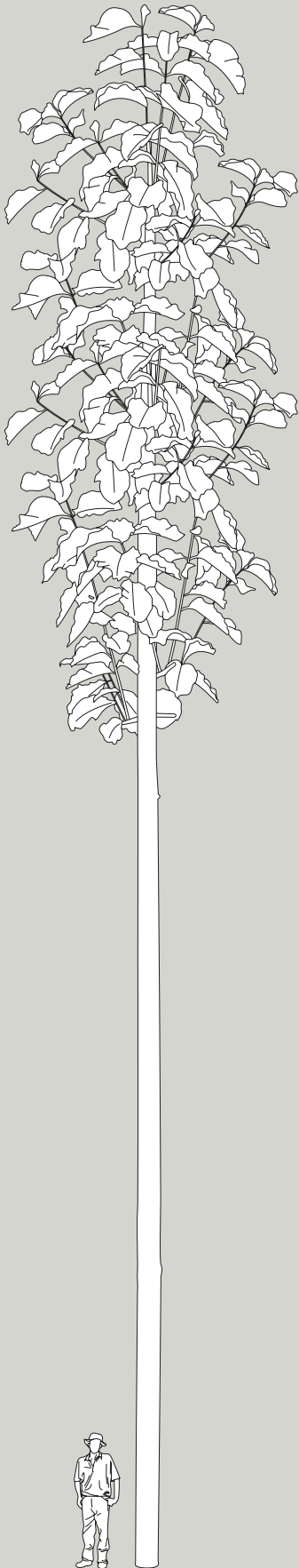


**GROWING TOGETHER**  
Annual Report 2006/07







## OVERVIEW IN BRIEF



- The Linz-based company, Teak Holz International AG (THI AG), specialises in sustainable investments in teak forestry in Costa Rica.
- On March 28, 2007 THI AG undertook an IPO on the Vienna Stock Exchange. Since March 29, 2007, company shares have been traded in the Standard Market Continuous segment of the Wiener Börse AG (Vienna Stock Exchange) in regulated OTC dealings. The issue price was EUR 9.
- On January 28, 2008, the company published its first consolidated financial statements for the year ending September 30, 2007. These were prepared in line with the International Financial Reporting Standards (IFRS).
- Biological assets were recognised according to the International Accounting Standard IAS 41 “Agriculture”. The increase in the value of the biological assets was reported with TEUR 23,186 in the consolidated financial statements.
- The financial year (October 1, 2006 to September 30, 2007) resulted in EBIT of TEUR 20,916 and a balanced financial result. The consolidated net result for the year after tax (largely latent) totalled TEUR 14,321.
- The sale of teak products resulted in 12-month net sales of TEUR 369, of which TEUR 194 was consolidated as per April 2007.
- As a result of above-average wood growth, which has been confirmed by a number of expert reports, all the volume parameters were maintained.
- The financial parameters were adjusted on the balance sheet date. The exchange rate for the USD/EUR was set at 1.426 and the discount rate raised from 12 % to 12.75 %.
- As a consequence of the long-term nature of the business model, taking into account the general deductions per growth class of the individual plantations, the estimates contained in the independent expertise were transferred to the consolidated financial statements as attached market values.
- On the balance sheet date, company personnel numbered 165, of whom 15 are employed in Austria and 150 in Costa Rica.
- On the balance sheet date, the THI AG plantations had an area of 1,934 hectares (ha) and contained approximately 2,127,000 teak trees. Expansion of the plantation area to some 4,500 ha is planned by 2014.

---

**Imprint****Publisher**

Teak Holz International AG  
Investor Relations  
A-4040 Linz, Freistädter Strasse 313  
Phone: +43 (0)732 / 90 89 09-90  
Fax: +43 (0)732 / 90 89 09-97  
investorrelations@teakholzinternational.com  
www.teakholzinternational.com

UID: ATU 62255507  
FN 271414 p, Linz Provincial Court

This Annual Report has been prepared with the greatest possible care and every effort has been made to ensure the accuracy of the data that it contains. Nevertheless, rounding, typographical and printing errors cannot be excluded. This Annual Report contains assessments and assertions relating to the future made on the basis of all the information currently available. We would draw your attention to the fact that various factors could cause actual conditions and the actual results to deviate from the expectations outlined in this report.

We draw attention to the fact that the consolidated financial statements from page 43 – 94 have been translated into English for the convenience of the reader and that the German wording is the only legally binding version.

**Editorial closing date**

February 5, 2008  
1st edition

**Photos**

All photos from Teak Holz International AG  
(except on pages 16/17: Getty Images International LTD, Munich)

**Concept and design**

Rückenwind Agentur für  
Marketing-Kommunikation GmbH, Pasching



## CONTENTS

OVERVIEW IN BRIEF .....	3
INTRODUCTION OF THE SUPERVISORY BOARD CHAIRMAN .....	6
INTRODUCTION OF THE MANAGING BOARD .....	8
TEAK HOLZ INTERNATIONAL AG .....	12
THE TEAK SHARE .....	14
COSTA RICA – PURA VIDA! .....	18
SUSTAINABLE TEAK PLANTATION MANAGEMENT .....	20
REARING AND GROWTH OF A TEAK TREE .....	22
THE THI PLANTATION WORKERS .....	24
TEAK – THE MOST VALUABLE OF WOODS .....	28
RESPONSIBLE PLANTATION MANAGEMENT .....	32
CORPORATE GOVERNANCE .....	38
THE CORPORATE GOVERNANCE REGULATIONS .....	40
CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2007 .....	43



**Dr. Thomas Wolfesberger**  
Supervisory Board Chairman

## INTRODUCTION OF THE SUPERVISORY BOARD CHAIRMAN

Dear Shareholders,

2006/07 was both an eventful and successful financial year. It was also a year of major change for our young company.

Firstly, the existing company was provided with a holding structure and the transition into a stock corporation completed. Six plantation companies and two other investments were purchased in order to be equipped and ready for the strategic orientation of the Group. Moreover, as a result of the untiring efforts of numerous personages from both in- and outside the company, the IPO was completed successfully at the end of March 2007. This step has opened up new dimensions for the company and widened its growth potential.

Plantation management in harmony with socio-ecological standards and economic demands furnishes the basis for sustained success.

However, a cost-efficient minimum plantation area is vital to such an undertaking and therefore in April 2007, prior to the rainy season, the plantation area was subjected to timely expansion from 1,072 ha to 1,934 ha. This area corresponds with that of some 2,600 football pitches, or the Wörthersee (Lake Wörther) in Austria. Further expansion of the area available for crops is planned for the coming years and will serve to underpin the growth strategy.

Throughout the year, existing aspects of the company were optimised and even more newly developed. The main task was to provide an adequate and transparent picture of the long-term business model, which without doubt demands explanation. In the case of biological assets, special, internationally valid accounting principles (IAS 41 "Agriculture") must be applied. However, initially these rules had to be modified to the concrete requirements of teak plantations and this demanded very close co-operation with international financial and forestry experts. Independent external expert reports were prepared in order to register the growth patterns of the company's current reserves of over 2.1 million teak trees and then subsequently state these facts in the consolidated financial statements.

---

Among the reasons for the achievement of above-average growth as compared to other plantations were the optimum choice of the planting areas and the professional care of the individual trees.

The company has also grown. In the meantime, THI AG has 165 personnel, of whom 150 work in the Costa Rican plantations. Thanks are due to the entire workforce, managerial employees and the two members of the Managing Board for their efforts and constant endeavour.

Special gratitude goes also to our shareholders, customers and business partners, who through their trust form the basis for the success of THI AG. The teamwork between all the persons and institutions involved has facilitated the growth of our joint company thus far. We hope that you will continue to accompany us on this successful course in years to come.

“Growing together”, is the title of the first financial report of Teak Holz International AG, which we herewith present for your perusal.

Linz, February 2008



Dr. Thomas Wolfesberger  
Supervisory Board Chairman



**Klaus Hennerbichler**  
Member of the Board



**Mag. Reinhard Pfistermüller**  
Member of the Board

## INTRODUCTION OF THE MANAGING BOARD

**Ladies and gentlemen,**

We have an obligation to report on a successful financial year, which closed more than four months ago. However, we wish to not only reflect on the past, but also want to take a shared look at the future with you. Accordingly, instead of a foreword, we wish to provide a “cautious” preview.

In general, the company is pleased by the result. For the analysts, the operating result did not live up to expectations, but this can be traced to the weaker US dollar and a conservative approach to accounting. Consequently at the end of January 2008, Erste Bank der oesterreichischen Sparkassen AG continued to give the “TEAK share” a buy rating, which represents a clear green light with regard to the future for both existing, and we hope, potential investors.

Purchasing the “green” Teak Holz International AG share constitutes a sustainable and growing investment with a long-term orientation. The current climate discussion and the increased sensitivity of buyers serve the strengthening of the THI AG strategy.

THI AG is also examining the possibility of the allocation of CO<sub>2</sub> emission certificates. Initial estimates have been made in order to ascertain roughly how much CO<sub>2</sub> is bound in by the plantations, as the sale of certificates could represent additional earnings potential for THI AG.

As described in the capital market prospectus, the company is to retain its desired strategy of expansion and we plan to purchase additional plantations. Indeed, following the comprehensive evaluation of large sites by our R&D team, a pre-selection of promising plantations has already been made and this includes both areas that will require planting and sites with teak trees of varying ages. These purchases could put THI AG in a position where it can accelerate and



---

intensify the marketing of teak timber. Specialists see major market opportunities in the teak segment, especially in China and in south-east Asian countries with increasing prosperity.

From THI's perspective, it might be more cost-efficient to extend the value added chain and thus achieve increased marketing revenues. This would require a rapid and flexible pro-active response to potential market opportunities. Equally within the scope of its corporate strategy, the company is also pursuing the capture of new areas of business and chances, which, if required, would involve the purchase of interests and strategic investments.

The Managing Board would like to express its gratitude to the Supervisory Board for the intensive co-operation to date and for the confidence that it has shown.

As in the past financial year, the focus in both 2008 and the years to come will be on growth. Therefore, esteemed shareholders, let us "grow together".

Linz, February 2008



Mag. Reinhard Pfistermüller  
Member of the Board



Klaus Hennerbichler  
Member of the Board

AN IDEA TAKES ROOT





## TEAK HOLZ INTERNATIONAL AG

- OUR MISSION
- THE TEAK SHARE

## TEAK HOLZ INTERNATIONAL AG

THI AG specialises in investments in sustainable teak plantations in Costa Rica. The fledgling company, which is based in Linz/Austria, cultivates premium quality teak timber in rapidly growing and profitable plantations.



THI AG concentrates on the search for and forestation of plots of land suitable for the tropical wood teak (plantation development), the intensive and individual cultivation of teak plantations (operations) and the global sale of this high-value wood as logs or blocks.

The cycle is provided by the period from plantation planting to harvesting and in general amounts to a minimum of 15 years. Initial thinning is already planned following the eighth growth period. The competitive advantage of the company derives from the combination of the optimum growing conditions in Costa Rica with European know-how. Indeed, THI AG has transferred state-of-the-art tree nursery know-how, research and management methods to Central America.

A cost-efficient approach and both social and ecological responsibility have opened up new growth opportunities for Teak Holz International AG. THI AG acts as a fair employer to its Costa Rican personnel and pursues ecological principles.

### OUR MISSION

We intend:

- to be one of the most important producers of tropical woods in the teak segment.
- to enlarge the area of the plantations from its current level of 1,934 ha to 4,500 ha by 2014.
- to supply the European, American and Asian markets with top quality teak in logs and blocks.
- to adhere to social values.
- to harmonise business success with ecological and social principles.
- to achieve ongoing improvements through research and development.

### Natural interest and compound interest

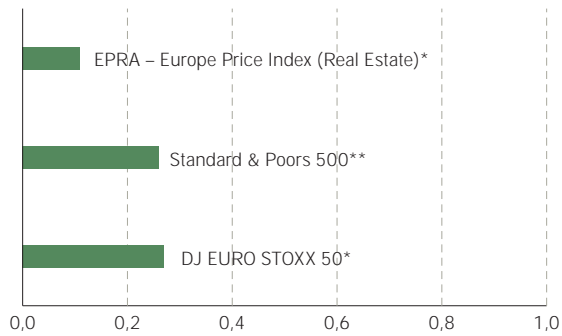
Just as each year a teak tree gains an additional ring, the returns on the wood class assets are also subject to continuous growth. According to the RMK Timberland Group, typical returns on wood investments consist of 5 % from the changes in land prices, 20 % from the shifts in timber prices and 75 % from biological growth. This means that three-quarters of growth consists of quasi-natural interest and compound interest.

In the 20 years of its existence, the US forest ownership index, NCREIF Timberland Property, has provided an average return of 15 per cent, which is more than shares or bonds, and in the medium-term, similar or higher returns can be assumed. This is because demand, especially for industrial wood, is rising sharply, primarily from growth markets such as China. In addition, around the world, wood is becoming increasingly fashionable in the home building and furnishings sectors. At the same time, the supply of high-quality timber is limited and this permits the expectation of further price rises.

Therefore, investments in wood provide above-average returns and the adjacent diagram shows the special characteristics of wood class assets.

Limited dependency on the financial market and hence low correlation (this means high diversification efficiency).

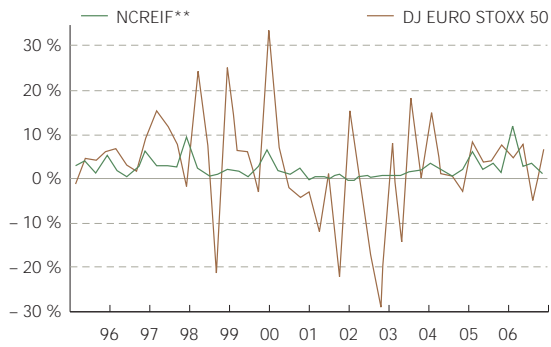
#### Correlation with NCREIF Timber Index



\*) Source Bloomberg: calculations based on quarterly returns (1995 – 2006)  
 \*\*) Source Bloomberg: calculations based on quarterly returns (1999 – 2006)

Attractive returns combined with markedly reduced volatility (fluctuation range).

#### Quarterly returns\*



\*) Based on Bloomberg data (calculations based on quarterly returns (1995 – 2006))  
 \*\*) NCREIF Timberland Index (National Council of Real Estate Investment Fiduciaries Timberland Index)

## THE TEAK SHARE

TEAK SHARE	
Issuer	Teak Holz International AG
Stock market	Wiener Börse AG (Vienna Stock Exchange)
ISIN	AT0TEAKHOLZ8
Stock exchange abbreviation	TEAK
Trading segment	regulated OTC
Market segment	Standard Market Continuous
Branch/Sub-branch	Basic industry/Paper & Forestry
Lead Manager	Erste Bank der oesterreichischen Sparkassen AG
Initial Public Offering (IPO)	March 28, 2007
Total shares issued	6,241,032
Shares in free float	1,897,500 (30.4 %)
Nominal	EUR 31,205,160
Issue price as at March 28, 2007	EUR 9.00

The TEAK share is a “green share” and is the first of its type worldwide to involve an exclusive long-term investment in the valuable wood teak. The adjacent statistics from Wiener Börse AG show data, facts and figures concerning the price trend for the period from March 28, 2007 (IPO) to February 5, 2008 (editorial closing date for the Annual Report).

### The price trend of the TEAK share

Price trend March 29, 2007 to February 5, 2008



### SHARE TURNOVER (MARCH 29 – DECEMBER 28, 2007)

Wiener Börse AG trading	EUR 48,801,119.64 5,427,374 shares at approx. EUR 8.99
External trading (OTC)	EUR 15,481,341.05 1,685,008 shares at approx. EUR 9.19
<b>Total</b>	<b>EUR 64,282,460.69</b> <b>7,112,382 shares at approx. EUR 9.04</b>

Accordingly, the average price per traded share in 2007 remained at around the issue price of EUR 9.00. Three of four TEAK shares were traded on the Wiener Börse AG, the remainder externally (OTC). In the annual monetary turnover rankings, the TEAK share was rated 58th from the 121 national and international investment stocks traded on the Wiener Börse AG in 2007. Moreover, in terms of shares traded, THI was rated 48th. This placing in the middle of the league is satisfactory, due to the fact that as the IPO first took place at the end of March, the share was only traded for nine months of the year. The largest daily turnover occurred on the first day of trading and amounted to EUR 2,450,192.02 (273,892 shares).

In total, since the IPO, to date over 7.3 million TEAK shares have been traded with a volume of over EUR 65.4 million.

---

## Capitalisation

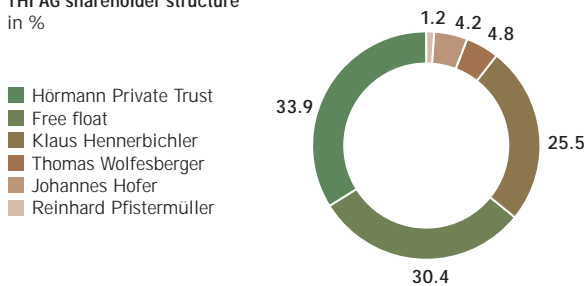
On the final trading day of the calendar year, the book value of the company (number of shares multiplied by the price on a certain day) amounted to EUR 48,617,639.28 (price: EUR 7.79). In the Wiener Börse AG ratings, THI AG occupied the 84th ranking among 115 compared national and international investment stocks.

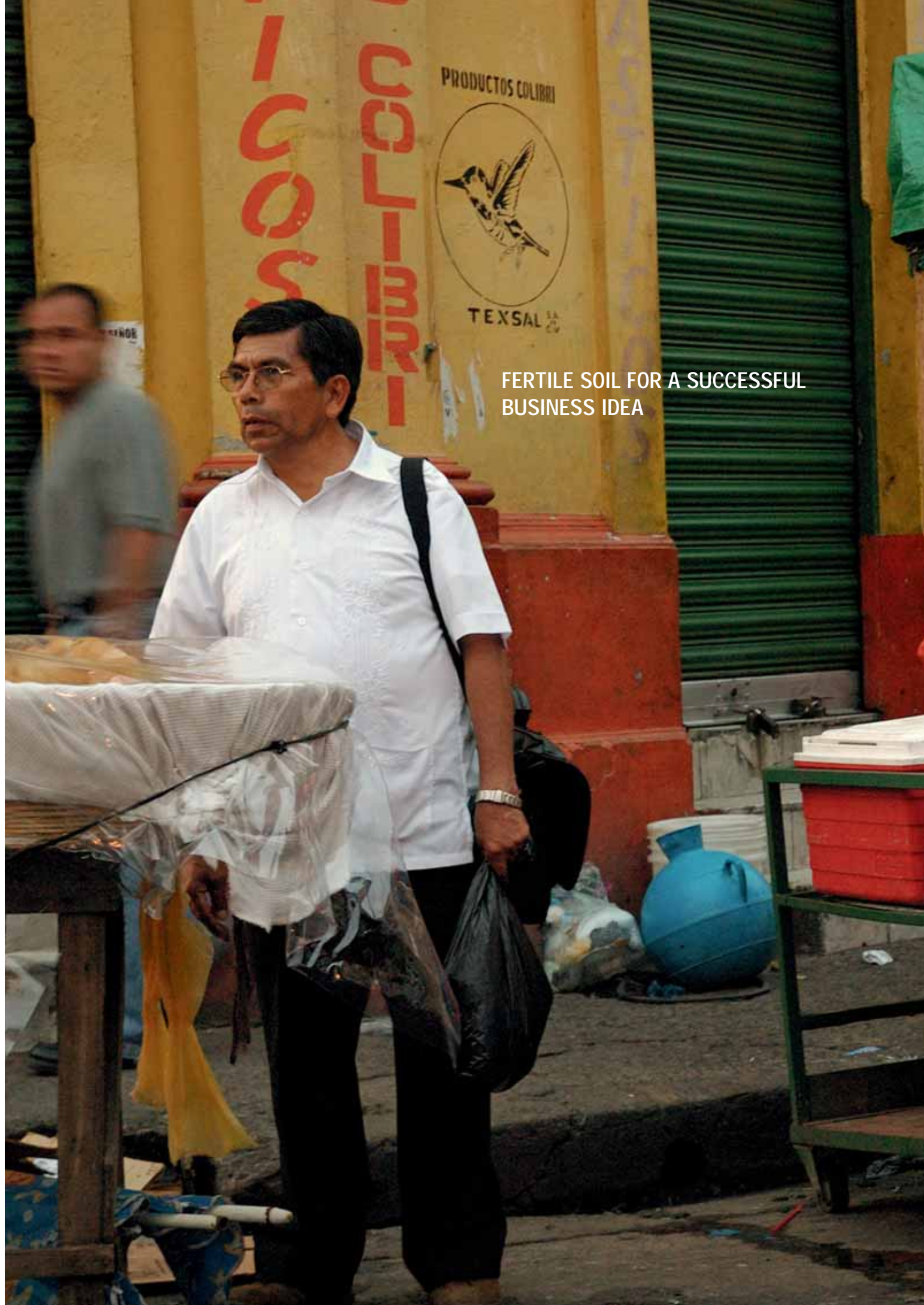
The market value of the TEAK share on September 30, 2007 was EUR 17.50. Following the publication of the THI consolidated annual financial statements on January 28, 2008, the analysts of Erste Bank der oesterreichischen Sparkassen AG upheld their recommendation to purchase the TEAK share.

The ownership structure on September 30, 2007 was as follows:

---

THI AG shareholder structure  
in %





FERTILE SOIL FOR A SUCCESSFUL  
BUSINESS IDEA



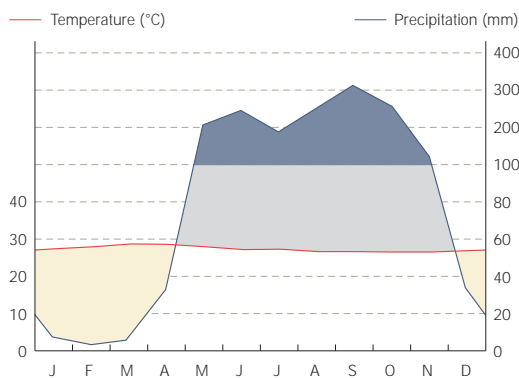


## INVESTMENT IN COSTA RICA

- COSTA RICA – PURA VIDA!
- SUSTAINABLE TEAK PLANTATION MANAGEMENT
- REARING AND GROWTH OF A TEAK TREE
- THI PLANTATION WORKERS

Costa Rica – general information	
Area	51,100 km <sup>2</sup>
Type of state	Presidential republic (democracy since 1889, no army since 1949)
Population	4.38 million
Head of state and government	Óscar Arias Sánchez
Capital/Population	San José / ~ 400,000
National languages	Spanish, English
Membership in economic organisations	WTO, IBRD, IDB (Inter-American Development Bank), IMF, IDA, IATA, OAS (Organisation of American States), UNO, World Bank, IACHR (Inter-American Court of Human Rights), CAFTA (not yet ratified)
Currency	Costa Rica colón (CRC)
Time difference	CET – 7 h
Unemployment rate	6.6 % (second lowest in Latin America and the Caribbean)
GDP per capita	approx. USD 12,500 p.a.

Climatic diagram Puntarenas/Costa Rica



### Tropical climate

Spring and autumn do not exist there being only summer (“verano”) and winter (“invierno”). The summer is also called the dry season and lasts from December to April. The winter incorporates a monsoon season and extends from May to November. The day and night temperatures depend on the seasons and differ to a greater extent. The warmest months are March, April and May, the wettest are September and October, when 1,500 – 6,000 mm of rain can fall. However, even in the rainy season, it does not rain either throughout, or on every day. In general, the rainfall commences in the early afternoon in the central highlands and reaches the Pacific lowlands in the late afternoon.

## COSTA RICA – PURA VIDA!

Costa Rica pulsates with pure joie de vivre. It is a country with an area slightly larger than half of that of Austria and is home to various ethnic groups, who co-exist peacefully.

Costa Rica is a tropical paradise with an unbelievably rich diversity of flora and fauna. Nowhere else in the world does such a variety of species occur in so small a space. More than a quarter of the nation consists of national parks and protected areas.

As far as climate protection is concerned, this tiny country is also a genuine pioneer and by 2021, Costa Rica intends to become the first “CO<sub>2</sub>-neutral” nation in history.

Over 800 bird species, hundreds of species of mammals, almost 400 types of reptile live and thousands of plants grow in various climatic zones. The flora includes the tropical wood teak, which was first cultivated in Costa Rica at the beginning of the 20th century. Costa Rica provides the ideal soil and best possible climatic prerequisites for this sensitive tree, which only grows and flourishes in special and extremely limited climate zones.

Moreover, Costa Rica not only offers excellent preconditions in an ecological sense, but also from an economic perspective. It has one of the highest living standards in Latin America, the economy is well developed and the unemployment rate is at an European level; statistics that can all be traced back to the stable political situation. These factors, along with the nation’s ideal strategic position between North and South America, the investment-friendly climate and the availability of highly productive specialist personnel, have led to the local activities of a large number of international companies, including THI AG.



## SUSTAINABLE TEAK PLANTATION MANAGEMENT



**Costa Rica.** A picturesque nation in the heart of Central America, cradled between the Pacific and the Caribbean. The climate is tropical. Rich vegetation flourishes on fertile volcanic soil and these paradisiacal conditions are virtually perfect for the valuable teak tree to flourish. Indeed, experts agree that the gently rolling hills of the protected Pacific coast offer the ideal preconditions for growth as part of professional and eco-friendly teak forestation.

### Criteria for the ideal teak plantation

By 2014, THI AG intends to more than double the area that it already has under cultivation. Various criteria are applied when considering investments in new areas for crops.

In connection with professional plantation management, the selection of the best plots of land is of fundamental significance. The geographical proximity of the properties to each other and the fulfilment of diverse location criteria are also important. And, in addition to infrastructural requirements such as readiness for site development and the availability of power, water and roads, the climatic conditions and the soil properties play a cardinal role.

Teak flourishes in a zone along the Equator from roughly 10°N to 10°S. It should be cultivated on land at an altitude of 100 – 600 m above sea level with a gently hilly, sloping topography. Nutrient-rich soils, preferably of volcanic origin are especially suitable for the trees and teak grows especially well in annual average temperatures of 22 – 27°C with rainfall in excess of 2,500 mm/year. Conversely, a clearly defined dry season (minimum three months) is essential for the formation of heartwood. These climatic and other parameters are based on comprehensive experience and the know-how derived from ongoing research projects.

### Permanent individual tree care

As opposed to large-scale cultivation, the Teak Holz International AG plantations are the object of intensive and individual tree nursery. This means that soil conditions and the rearing requirement of the plants are taken into consideration through repeated training branch lopping and mulching. This form of cultivation results in considerable increases in yield, as teak trees react remarkably well to intensive care. Regular, professional pruning supports an increase in tree girth and secures the development of an homogeneous, round

and branch-free trunk. As opposed to the slow growing jungle teak, this results in the attainment of trees with uniform mechanical characteristics. Between the seventh and tenth year of growth, thinning is planned, which will involve the removal of individual trees. The planned final use, i.e. the harvest should be possible between the fifteenth and twentieth year of the stand. The final step in the farming process is the global marketing of the timber.

Recognised experts also see the creation of sustainable teak plantations on the Pacific coast of Costa Rica in a highly positive light:



» I have been working on teak projects for the past 15 years and obtained my doctorate with a thesis concerning teak timber in Costa Rica.

Due to its soils, differing altitudes and climatic conditions, which correspond with those that predominate where teak grows naturally, the Par

rita region and the Pacific coast in general are ideal for growing this species of tree. The plots of land form irregular blocks, where teak forest, protective zones and rivers alternate with natural jungle. Thus the teak plantations are not areas of monoculture, but represent a combination with untouched rain forest.

The plantations do not require pesticides or chemicals to protect the plants against insect attack or disease, as problems of this type are practically non-existent due to the strength of teak as a species. Moreover, in order to obtain optimum timber quality, the trees are subjected to intensive husbandry such as correct branch removal. In fact, projects like that of Teak Holz International AG provide employment for the local population.

#### Diego Pérez, PhD.

Diego Pérez has specialised in research into the forestry aspects of teak timber. He is recognised in the branch as a highly knowledgeable expert and is sometimes called "Mr. Teak". Diego has carried out research at international universities and provides consulting services.



» Teak plantations can play a positive role from an environmental perspective in Costa Rica and in many tropical countries. What we see here is that most of the teak plantations have been planted on lands that were previously degraded due to agriculture or cattle. And so these deforested lands

provide little economic or ecological values. With plantations, once the trees are planted, they can provide all kinds of environmental benefits, ranging from regulation of water, positive impacts on the climate, stabilization of soil, all very positive benefits.

So by bringing in investment and planting trees in new operations on degraded lands, employment is generated as well as other secondary economic benefits in areas that really don't have many other opportunities.

I believe that when properly implemented, well established forest plantations can play a key positive role. Such plantations are providing environmental, social and economic benefits as part of a broader landscape that also include protected areas, sustainable agriculture and eco tourism.

#### Steve Gretzinger

Among other subjects, the ecology expert, Steve Gretzinger, studied forestry in the USA and for many years has been working in Central and South America, as well as Asia. He is well-acquainted with the conditions prevailing in the international tropical woods market.

## REARING AND GROWTH OF A TEAK TREE



» The CATIE national forestry seed bank only sells certified teak seeds from tested farming to customers undertaking large-scale forestry operations. We pre-germinate the seeds and as soon as they attain the correct size, they are reared further in so-called „Jiffy-Pots“. After only eight to ten weeks the teak seedlings can be planted outdoors. Through our scientifically based quality

system, we can ensure that a certain quantity of seeds will provide a guaranteed number of plants, which is of great importance to plantation owners.

**William Vásquez Carballo, MSc.**

is head of Forest Seed Bank, Department of Nature Resources and Environment at CATIE (Tropical Agricultural Research and Higher Educational Center) in Turrialba, Costa Rica.



## AVERAGE GROWTH OF A TEAK TREE



Teak seed  
ø approx. 1 cm

After 5 months  
Height: 1 m  
ø 1 cm

After 2 years  
Height: 4.8 m  
ø 5.6 cm

After 7 years  
Height: 15.2 m  
ø 19.5 cm

After 9 years  
Height: 18.3 m  
ø 24.1 cm

After 15 years  
Height: 25.2 m  
ø 34.6 cm

## THE THI PLANTATION WORKERS – EVERYTHING IS “SOLO BUENO”!



Today, things are really going “very well” at the THI AG teak plantations. A committed team of excellently trained plantation specialists ensures that teak trees of the highest quality grow at above-average speed thanks to the very best possible tending.

THI AG can point to long-term, comprehensive experience in the development and management of plantations in the Parrita region of Costa Rica. All of the measures implemented at the plantations are organised and supervised by a number of specialists, trained in Austria. The latest scientific know-how is speedily implemented in teamwork with the local plantation workers. The highly motivated team aims to attain its goal of harvesting top quality timber by means of expertise.

### First self-planted THI plantation

In the meantime, the teak plants are growing well at the Segunda Plantacion Austriaca Teca, S.A. plantations, which THI AG purchased in the spring of 2007. During the rainy period, our enthusiastic plantation employees individually planted approximately 950,000 seedlings in 862 ha of fruitful soil. By the end of September 2007, this major planting project was successfully completed and Segunda Plantacion Austriaca Teca, S.A. thus became the first plantation purchased by THI AG to have been planted by the company itself.



» I have been working for the Austrians since 2001 and from the beginning I have been involved in the entire process, having done everything from cultivating the seeds to planting. I live with my wife and five children on the “Finca de Los Austriacos” and enjoy working in the plantations. The word quickly went round that professional equipment, regular working hours and fair pay were on offer and in the meantime, we have a total of around 150 plantation workers. In the early years, the Austrian tree cultivation methods were entirely new to us and some of them seemed very complicated, but now everything is going “solo bueno!”.

Enrique Guzmann  
Plantation foreman





» Everything is explained to us carefully and this immediately makes clear why we do something the way we do and not differently.

Cristian Arias  
Plantation worker



» Here I was given my own working boots which is not the case at other firms.

Genaro Hernández  
Plantation worker



» Austrians are really OK. They speak our language and you can have a joke with them.

Rafael López  
Plantation worker



» Our trees are the most beautiful!

Alexis Hernández  
Plantation worker



» In this area there are not a lot of job opportunities. I'm glad that I don't have to travel far to work.

Adolfo Aguilar  
Plantation worker



» I have just joined the team and already feel at home.

Jonathan Cascante  
Plantation worker



» The environment is looked after and in the "Quebradas" you can again see beautiful animals and plants.

Cristian Cascante  
Plantation worker



» You can see how well the teak trees are growing. I like working on this "finca".

Jorge Chavez  
Plantation worker





ONLY TEAK IS TOUGHER

#### TEAK

- THE MOST VALUABLE OF WOODS
- THE TEAK MARKET
- QUALITY ASSURANCE
- TEAK SALES AND DISTRIBUTION

## TEAK – THE MOST VALUABLE OF WOODS



Teak is one of the longest known and most valuable of woods. This tropical timber originated from Asia, but in the meantime is grown and harvested in numerous other equatorial countries around the globe.

Teak has long been employed in the furniture and boatbuilding industries and is much in demand. At the beginning of the 20th century, commercial cropping commenced and was subsequently intensified, but involved a period to harvest of 60 – 80 years. However, using modern plantation management like that employed by THI AG, in the meantime it has become possible to reduce the rotation time to 15 – 20 years, in order to meet growing demand and achieve a corresponding increase in value added.

The rise in demand emanates from the fact in recent years teak and teak products have penetrated a range of new areas. Teak is popular because it is largely impervious to moisture and is thus highly weather-resistant, due to its high oil content. Teak does not require special care, emits neither resin nor splinter and over time, acquires an elegant, silver-grey patina.

As a consequence of excellent resistance to fungi, termites and chemicals, teak has also become one of the world's preferred woods for special constructional requirements.

### The teak market

Teak was originally an Asian species and it is there that 5.5 million of the current 6.0 million hectares of cultivated teak forest, currently estimated to exist, are found. In Costa Rica, teak has been grown since the first half of the 20th century, both by local farmers on a traditional basis and plantations managed according to modern methods. In ratio to the global timber market, the volume traded is relatively small, but worldwide demand correspondingly large.

In the past decade, the price of teak as a valuable raw material has shown a clear upward trend, even though the quantities of tropical wood available have increased, especially due to overexploitation.

Therefore, in view of growing demand and a future drop in excessive felling, price increases can be expected. In future, the uncontrolled exploitation of the tropical forests for timber will tend to be restricted by statutory measures. Plantations offer a possibility for the coverage of the demand for tropical woods in years to come, especially as the sensitivity of consumers in respect of quality is also set to rise.

## Quality assurance

Teak purchasers make high quality demands on this special commodity and therefore THI AG invests a great deal of time and money in quality assurance and enhancement. For the company, innovation and research means the optimum nurturing of the raw material, and the expansion of know-how with regard to product properties and processing, in order to maximise the returns from the raw material. Accordingly, for many years THI AG has been carrying out analyses of the soil structure and climate zones, soil improvement, the growth cycle and the care of the teak plants, as well as the logistical processes and the applications of teak. Indeed, through European tree nursery techniques, plantation development know-how and intensive farming, THI AG has opened up new growth opportunities.

Independent experts regularly inspect the plantations, assessing the number of trees and their growth and taking soil analyses. Due to the knowledge thus obtained, control measures are adopted with the aim of achieving the best possible quality of the teak timber at harvest time.

## Teak sales and distribution

THI AG is developing a flexible product and distribution structure. A multifaceted product range from the sale of the standing trees to pre-processed cut wood, serves the attainment of the highest possible returns by means of diversification into various customer segments in tandem with a flexible distribution structure. The markets include Asia, North America and Europe, sales taking place via wood retailers, traders, importers, trade fairs and direct selling.

South-east Asia purchases large quantities of timber from thinning and due to the fact that most of the purchasers in the region are themselves retailers who buy on the spot in Costa Rica, logistics costs are generally low.

North America is classified as a market that makes especially stringent quality demands and this situation is mirrored by Europe. THI AG intends to enter the value added chain at a lower point from regional wholesaling downwards.



» We examine the timber with regard to its possible industrial use. This assessment involves the analysis of the resistance of the wood should for example it be used as flooring. In Costa Rica, our institute undertakes virtually all sampling of this type. Teak is internationally famous, because it possesses excellent characteristics with regard to durability. Accordingly, it is much in demand in the global market, especially in Europe and North America where teak is esteemed due to its regular structure and attractive appearance. Teak is extremely resistant even while growing and is largely immune to pests, which means that for natural reasons, insecticides are not required at all. Teak has long been planted in Costa Rica, as the tropical climate in our country favours rapid harvesting. Here, I am talking about a period of 15 – 20 years.

### Dr. Róger Moya Roque

Professor at the CIIBI Research Institute of the Technical Forestry College in Cartago, Costa Rica. The speciality of the Institute is wood technology, which deals mainly with the physical-mechanical properties of the various species of timber such as teak.

The market will be approached on a selective basis that will extend to individual retailers and further processed products will be offered via the product portfolio of Teak Holz Handels- und Verarbeitungs GmbH, which will act as a sales and distribution company. At present, this sales subsidiary is primarily active in the Austrian market, but in the coming years will extend its operations to the global market.

A photograph of a lush green forest with a rocky river flowing through it. The river is filled with large, dark rocks, and the water is turbulent, creating white foam. The forest is dense with various types of trees and plants, including ferns and palm trees. The overall scene is vibrant and natural.

A GREEN INVESTMENT



## **RESPONSIBLE PLANTATION MANAGEMENT**

- CO<sub>2</sub> EMISSION CERTIFICATES
- WE SUPPORT UN GLOBAL COMPACT

## RESPONSIBLE PLANTATION MANAGEMENT

**Plantations only bring sustained success, when they are operated in line with socio-ecological standards and economic requirements.**



*Repeated branch pruning encourages the girth of the teak tree.*

Responsibly developed and managed teak plantations reduce soil erosion, create lasting employment and infrastructure in economically disadvantaged regions and contribute to climate protection.

In addition, responsible plantation management takes the following factors into equal account:

**Pro environment:** no stripping or use of pesticides, retention of biodiversity.

**Pro people:** recognition of traditional forestry rights, the guarantee of comprehensive employee rights, regular training and education.

**Pro business:** the efficient and conservative use of resources, completion of forest inventories, production of the strongest possible timber that is suited to the market, increased product multiplicity.

**In order to secure a supply of timber in the desired quality and quantity from the teak plantations, the following aspects must be organised to perfection:**

- Project development: location, soil, climate and land preparation, e.g. infrastructure, logistics and sowing
- Plantation upkeep
- Plantation thinning
- Market-oriented product range (logs and blocks)
- Efficient sales structures, logistics
- Preparation for the next sowing



---

### **CO<sub>2</sub> emission certificates**

Teak plantations contribute to climatic protection. The trees bind in the carbon contained in CO<sub>2</sub> and emit oxygen into the atmosphere. In future, these environmental benefits can be put to economic advantage through the sale of CO<sub>2</sub> emission certificates.

The conditions for the allocation of CO<sub>2</sub> certificates are being examined. An Austro-American company has been commissioned with the preparation of the methodology required for such an investigation. The objective is to sell the CO<sub>2</sub> volumes bound up in the teak plantations during the past three years as certificates. In view of the anticipated shortage of emission certificates, higher prices are also expected.

In future, the sale of certificates, which among other bodies can be traded on the Chicago Climate Exchange (CCX), will represent income potential for THI AG.



## **We support UN Global Compact**

The UN Global Compact is a voluntary initiative for the promotion of the social commitment of international companies and organisations. In order to underline its sense of corporate social responsibility, Teak Holz International AG joined the UN Global Compact in the third quarter of 2007. Support of this initiative means adherence to the following guidelines:

### **Human Rights**

- Businesses should support and respect the protection of internationally proclaimed human rights.
- Businesses should make sure that they are not complicit in human rights abuses.

### **Labour Standards**

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Businesses should eliminate all forms of forced and compulsory labour.
- Businesses should ensure the effective abolition of child labour.
- Businesses should eliminate discrimination in respect of employment and occupation.

### **Environment**

- Businesses should support a precautionary approach to environmental challenges.
- Businesses should undertake initiatives to promote greater environmental responsibility.
- Businesses should encourage the development and diffusion of environmentally friendly technologies.

### **Anti-Corruption**

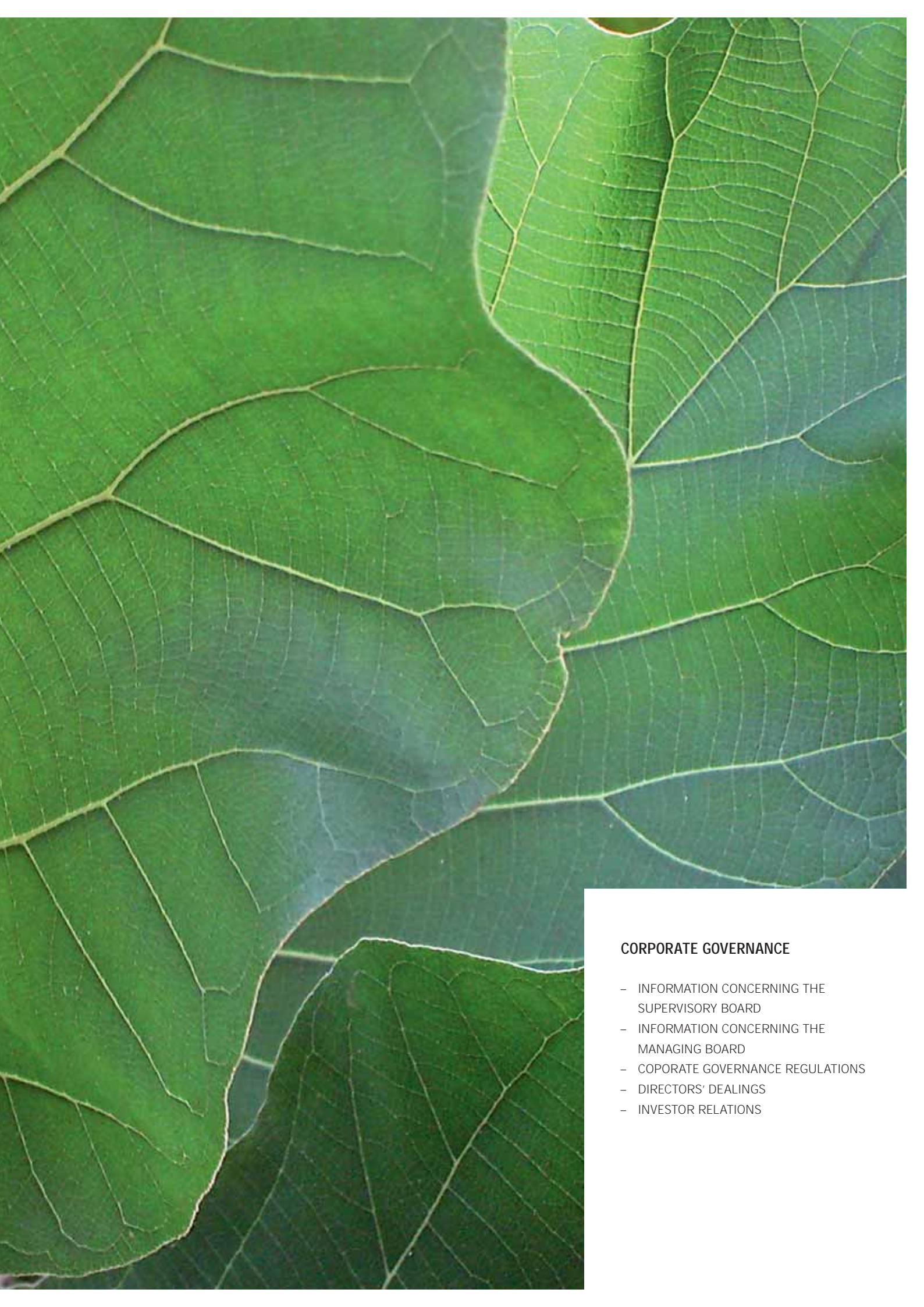
- Businesses should work against corruption in all its forms, including extortion and bribery.

This voluntary initiative for the promotion of responsible global development and corporate social commitment are important motives for THI AG.



A close-up photograph of a vibrant green leaf, showing a detailed network of veins. The central vein runs vertically down the right side, with several secondary veins branching off at an angle. The leaf's surface is covered in a fine, intricate pattern of smaller veins, creating a complex, organic texture. The lighting is bright, highlighting the natural green color and the slight sheen of the leaf's surface. The overall composition is a detailed study of botanical structure.

DENSE FOLIAGE,  
BUT TRANSPARENCY



## **CORPORATE GOVERNANCE**

- INFORMATION CONCERNING THE SUPERVISORY BOARD
- INFORMATION CONCERNING THE MANAGING BOARD
- CORPORATE GOVERNANCE REGULATIONS
- DIRECTORS' DEALINGS
- INVESTOR RELATIONS

## CORPORATE GOVERNANCE

Teak Holz International AG is committed to transparent corporate communications. Of special importance in this connection are the promotion of the interests of shareholder, efficiency at Managing and Supervisory Board level, close co-operation between corporate bodies and candid, internal and external communications.

Corporate governance stands for a sense of responsibility and corporate management and controls oriented towards long-term value added. Efficient teamwork between the Supervi-

sory and Managing Boards, the protection of shareholders' interests, and open and transparent company communications are central elements in good corporate governance. This should enhance confidence in the company, its management and Austria as a financial marketplace on the part of investors in general and international stockholders in particular. The Austrian Corporate Governance Code also provides additional company management standards for those companies undertaking a voluntary obligation to adherence.

### Information concerning the Supervisory Board

In accordance with a company resolution, the members of the Teak Holz International AG Supervisory Board were first appointed within the scope of the foundation of the stock corporation in January 2007. Their term of office expires with the end of the first Annual General Meeting on February 22, 2008.

<b>DR. THOMAS WOLFESBERGER</b>	
<b>Born</b>	1960
<b>Education</b>	University degree in law
<b>Position</b>	Supervisory Board chairman
<b>Career</b> Project developer, real estate specialist, extensive experience in the banking sector and as a legal expert, CEO of the Real-Treuhand Linz since 1992, member of the management of numerous project companies, former reader in civil business law at the Johannes Kepler University of Linz. Teak Holz International AG investor.	

<b>ERWIN HÖRMANN</b>	
<b>Born</b>	1939
<b>Education</b>	Master motor mechanic and railway construction engineer
<b>Position</b>	Deputy-Chairman of the Supervisory Board
<b>Career</b> From 1970, managing partner of the Ploier & Hörmann Hoch- und Tiefbau construction company, building of sports facilities, strong current electrical company and surveying office, now retired. Teak Holz International AG investor.	

<b>MAG. ALEXANDER HÜTTNER, LL.M. (NYU)</b>	
<b>Born</b>	1973
<b>Education</b>	University degree in law
<b>Position</b>	Member of the Supervisory Board
<b>Career</b> Lawyer and partner in Saxinger Chalupsky & Partner Rechtsanwälte GmbH (SCWP) in Linz, master's degree studies (LL.M.) at New York University, gathering of international experience at Shearman & Sterling LLP in New York as an international associate.	

<b>GOTTHARD GRAF PILATI VON THASSUL ZU DAXBERG</b>	
<b>Born</b>	1945
<b>Education</b>	University degrees in law and forestry
<b>Position</b>	Member of the Supervisory Board
<b>Career</b> Authorisation as a lawyer and notary at the Frankfurt State Court, retired since 11/1996, entrepreneur since 2001 with the Graf Pilati forestry business and partner in Graf Pilati GmbH, with responsibility for asset investment, financial planning, legal matters, auditing, building surveillance and hunting preserve supervision.	

### Information concerning the Managing Board

Since the beginning of the new financial year on October 1, 2007, the THI AG Managing Board has consisted of the following two members:

<b>KLAUS HENNERBICHLER</b>	
<b>Born</b>	1969
<b>Education</b>	Training in horticulture, landscape gardening and forestry
<b>Position</b>	Member of the Board of Management (COO)
<b>Career</b>	Self-employed horticultural company owner since 1989, development and management of teak afforestation in Costa Rica since 1996, second place of residence in La Garita/Costa Rica since 1999, member of the Teak Holz International AG Managing Board with responsibility for plantation management and forestry since February 1, 2007. Teak Holz International AG investor.
<b>Functions</b>	Plantation management, forestry and purchasing. In addition, shared functions relating to strategy, marketing, communications, organisation, sales and distribution with the other member of the Managing Board.
<b>Appointed until January 2012</b>	

<b>MAG. REINHARD PFISTERMÜLLER</b>	
<b>Born</b>	1974
<b>Education</b>	University degree in business management
<b>Position</b>	Member of the Board of Management (CFO)
<b>Career</b>	Partner in Pp7 Immobilienreuehand und Unternehmensberatung since 2006, Teak Holz International AG CFO since February 1, 2007. Mr. Pfistermüller possesses extensive commercial and sales experience, having been responsible for controlling and accounting, auditing, M&A and the Sales region West in the Bauprofi Group. His previous post was as the commercial manager of Messrs Felbermair. Teak Holz International AG investor.
<b>Functions</b>	Finance, treasury, controlling, legal matters and auditing. In addition, shared functions relating to strategy, marketing, communications, organisation, sales and distribution with the other member of the Managing Board.
<b>Appointed until January 2012</b>	

Mag. Johannes Hofer, the former CEO, left THI AG by mutual consent on September 30, 2007.

## THE CORPORATE GOVERNANCE REGULATIONS

Depending on their gravity, the Austrian Corporate Governance Code prescribes the application of three types of rules:

### L-RULES Legal Requirements

Legal statutes applying to listed Austrian stock corporations in general and valid irrespective of an affiliation to the CG Code.

### C-RULES Comply or Explain

Should be adhered to, deviations require explanation.

### R-RULES Recommendations

Rules with the character of a recommendation, non-adherence neither requires revelation or explanation.

### Limitations and deviations

Basically, Teak Holz International AG recognises the Austrian Corporate Government Code in its current version from June 2007. Limitations and deviations are explained as follows:

#### C-Rule 16

The Managing Board consists of two members. As a result of the clear organisational structure and in line with the taking of unanimous decisions, until further notice no managing Board Chairman (CEO) will be appointed.

#### C-Rule 18

Due to the size of the organisation and its clear structure, an internal auditing department is not to be established. This is planned should the company attain the appropriate dimensions.

#### C-Rules 39, 41 and 43

Due to the size of the Supervisory Board, greater efficiency would not be achieved by the creation of committees. No further committees have been formed with the exception of the audits committee.

#### C-Rule 80

At present, the company is completing the creation of a comprehensive risk management system, which will be in place in 2008.

#### Supplementary declarations to Rules 49, 51 and 53

#### C-Rule 49

Saxinger Chalupsky & Partner Rechtsanwälte GmbH (SCWP) advises the company and its subsidiary in legal matters. Mag. Alexander Hüttner is a lawyer, and both the SCWP CEO and a company partner.

#### C-Rule 51

The members of the Supervisory Board receive cash payments for expenses incurred in the exercise of their duties. As a result of a resolution of the ordinary general meeting of shareholders they can also be allocated emoluments, the amount of which shall be determined by the annual general meeting pursuant to § 98 AktG (Austrian Stock Corporations Act). The costs relating to payments to the Supervisory Board are borne by the company.

#### C-Rule 53

With regard to the criteria for independence, the Teak Holz International AG Supervisory Board adheres to the guidelines contained in the Corporate Governance Code, Annex 1. In line with these guidelines, with the exception of Dr. Thomas Wolfesberger and Mr. Erwin Hörmann, all the members of the Teak Holz International AG Supervisory Board can be regarded as independent.

#### C-Rule 66

Quarterly reports. Teak Holz International AG concluded its IPO on March 29, 2007 with the first day of trading and on March 30, 2007 (value and closing date). These events were virtually simultaneous with closing date of the financial statements for the first half-year. A capital market prospectus was prepared and published for the IPO, so that at the end of the second quarter a comprehensive report on the status of the



---

company was issued. In addition, within the scope of a letter of comfort from the end of March 2007, a review was provided by the company auditors, which confirmed the actuality of the prospectus data. For this reason, a separate half-year report was not published on this occasion.

---

#### **C-Rule 71**

The financial calendar was modified due to changes in the BörseG (Austrian Stock Exchange Act) and the Austrian Corporate Governance Code. Therefore, the current financial calendar was issued on July 5, 2007 and is the object of ongoing updates.

#### **Directors' dealings**

Directors' dealings (securities business subject to obligatory reporting) exist when members of the Managing and Supervisory Boards of a stock corporation purchase or sell shares in their own company. In line with the Austrian Corporate Governance Code, Teak Holz International AG reports purchases and sales of its shares by members of the Managing and Supervisory Boards to the Finanzmarktaufsicht (FMA, financial market regulating authority). In the 2006/07 financial year expired no securities dealings requiring reporting occurred.

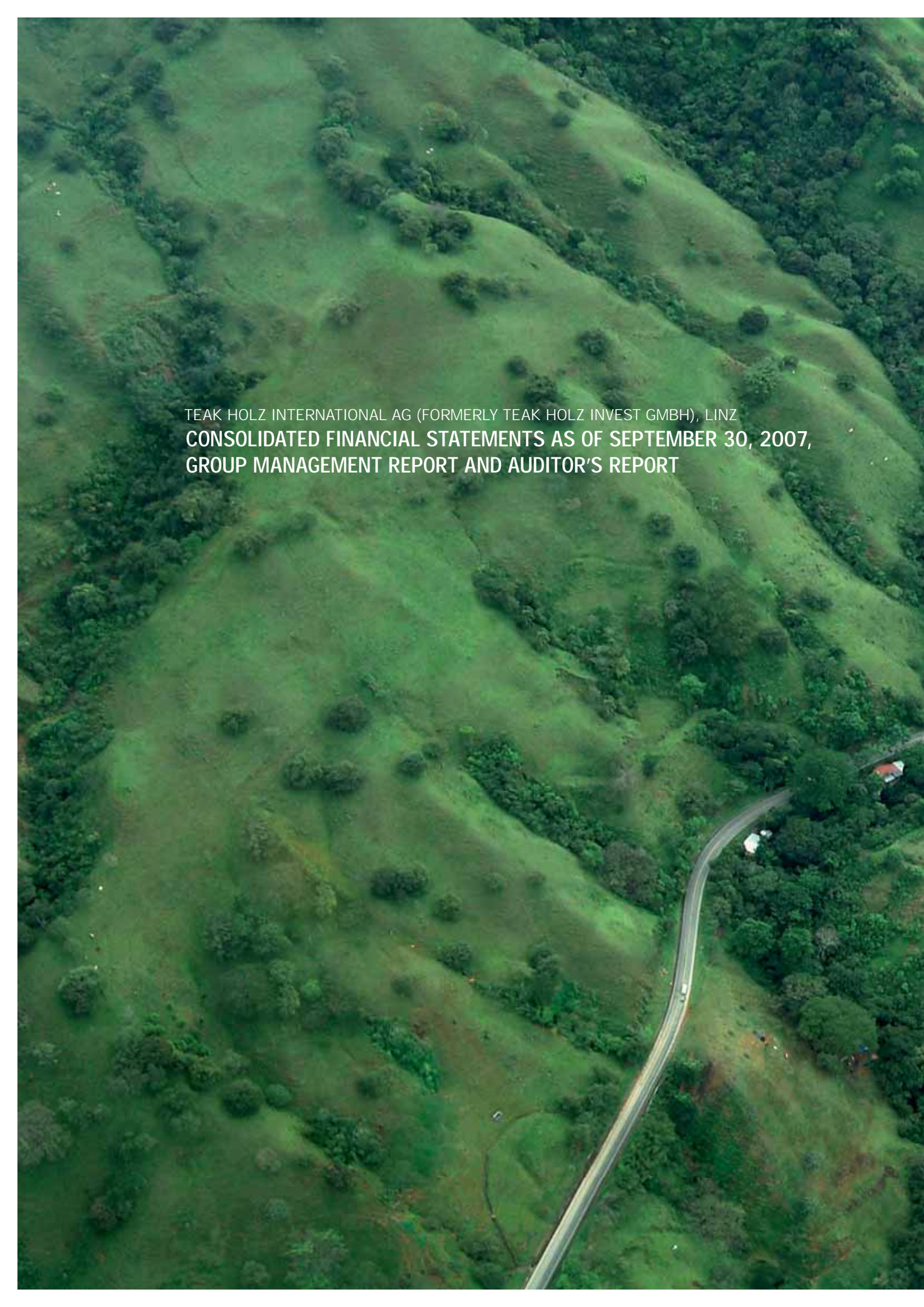
#### **Investor relations**

Teak Holz International AG understands investor relations as meaning ongoing and open communications. In addition to the obligatory ad hoc reports, press releases and other company publications are prepared and made available via the company homepage: [www.teakholzinternational.com](http://www.teakholzinternational.com).

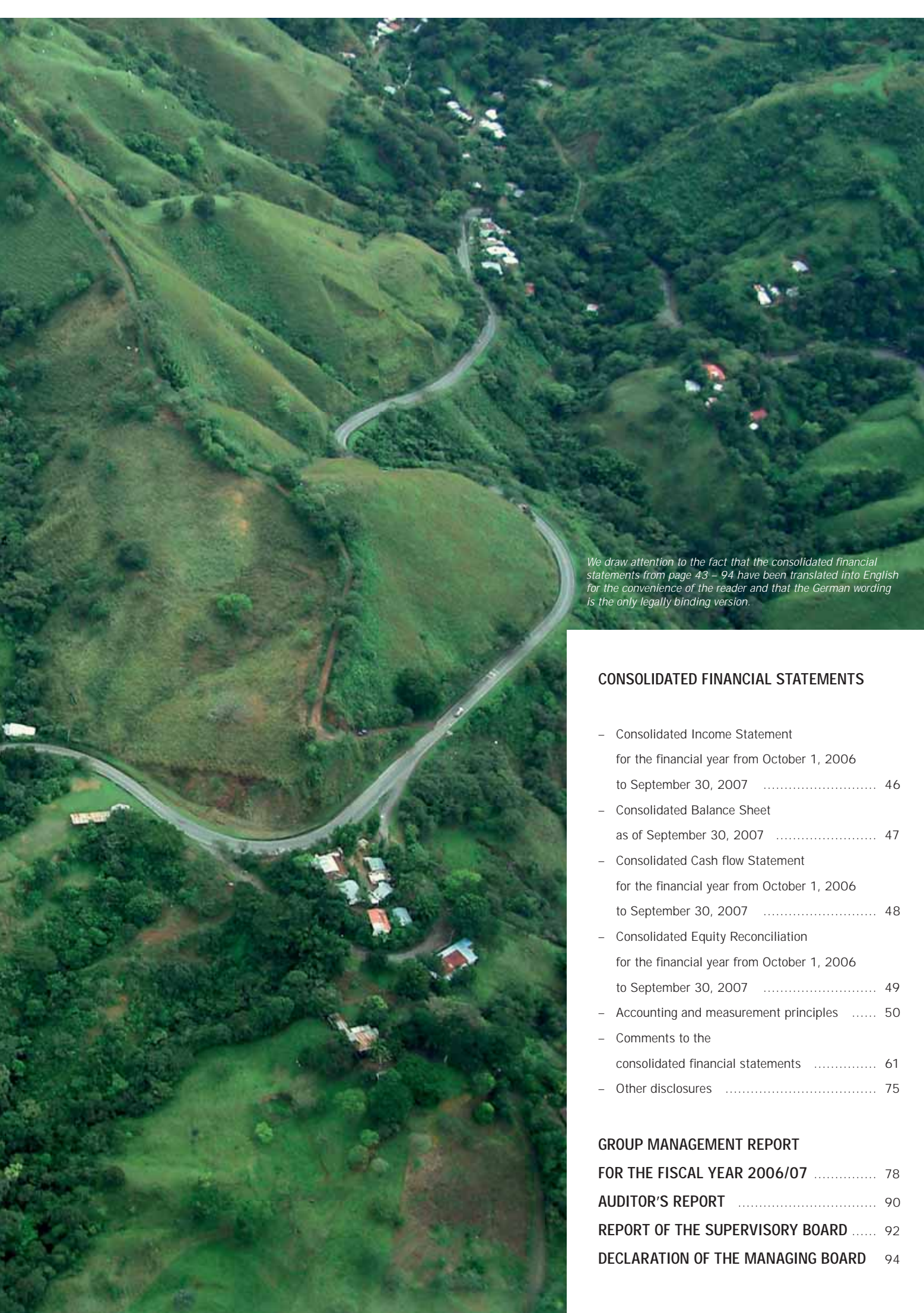
Furthermore, the investor relations team is pleased to answer individual inquiries on the part of shareholders, representatives of the media and any other persons or institutions interested in Teak Holz International AG.

#### **Contact**

Teak Holz International AG  
Investor Relations, Press  
A-4040 Linz, Freistädter Strasse 313  
[investorrelations@teakholzinternational.com](mailto:investorrelations@teakholzinternational.com)  
[www.teakholzinternational.com](http://www.teakholzinternational.com)  
Phone: +43 (0)732 / 90 89 09-91  
Fax: +43 (0)732 / 90 89 09-97

An aerial photograph of a lush, green, hilly landscape. The terrain is covered in dense vegetation, with a winding asphalt road cutting through the hills. The road curves from the bottom left towards the right side of the frame. The overall scene is vibrant and natural, with varying shades of green and some darker patches of trees.

TEAK HOLZ INTERNATIONAL AG (FORMERLY TEAK HOLZ INVEST GMBH), LINZ  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2007,**  
GROUP MANAGEMENT REPORT AND AUDITOR'S REPORT



*We draw attention to the fact that the consolidated financial statements from page 43 – 94 have been translated into English for the convenience of the reader and that the German wording is the only legally binding version.*

## **CONSOLIDATED FINANCIAL STATEMENTS**

– Consolidated Income Statement for the financial year from October 1, 2006 to September 30, 2007 .....	46
– Consolidated Balance Sheet as of September 30, 2007 .....	47
– Consolidated Cash flow Statement for the financial year from October 1, 2006 to September 30, 2007 .....	48
– Consolidated Equity Reconciliation for the financial year from October 1, 2006 to September 30, 2007 .....	49
– Accounting and measurement principles .....	50
– Comments to the consolidated financial statements .....	61
– Other disclosures .....	75

## **GROUP MANAGEMENT REPORT**

<b>FOR THE FISCAL YEAR 2006/07 .....</b>	<b>78</b>
<b>AUDITOR'S REPORT .....</b>	<b>90</b>
<b>REPORT OF THE SUPERVISORY BOARD .....</b>	<b>92</b>
<b>DECLARATION OF THE MANAGING BOARD .....</b>	<b>94</b>

## GENERAL INFORMATION

Teak Holz International AG (formerly: Teak Holz Invest GmbH) (the Company) based in Linz, and its subsidiaries (“THI Group”), is a company specialized in sustainable teak forest investments in Costa Rica.

By shareholder resolution dated January 26, 2007 Teak Holz Invest GmbH, once founded as Pp7 Projektpartner Immobilienreue-hand und Unternehmensberatung GmbH, was transformed into Teak Holz International AG, a public limited company pursuant to Sections 245 ff AktG (Austrian Stock Corporation Act).

On March 28, 2007, Teak Holz International AG made an initial public offering at the Wiener Börse AG (Vienna Stock Exchange). The shares of Teak Holz International AG have been traded on the Wiener Börse AG in the standard market continuous segment since March 29, 2007.

## CONSOLIDATED GROUP

THI Group originated as follows:

- <sup>1)</sup> By purchase agreement dated December 4, 2006 100 % of the shares in Teak Holz Handels- und Verarbeitungs GmbH, Linz, were acquired by Teak Holz Invest GmbH at a purchase price of EUR 97,216.69.
- <sup>2)</sup> Effective as of December 6, 2006, a capital increase by contributions in kind was performed in Teak Holz Invest GmbH pursuant to Section 6a paragraph 4 in conjunction with Section 52 paragraph 6 GmbHG (Austrian Act on Private Limited Companies).
- <sup>3)</sup> By purchase agreement dated January 8, 2007 13 shares of Finca De Los Autriacos, S.A., Costa Rica, were acquired by Teak Holz Invest GmbH at a purchase price of EUR 1,474,590 (3.21 %).
- <sup>4)</sup> Effective as of January 9, 2007 another capital increase by contributions in kind was performed in Teak Holz Invest GmbH pursuant to Section 6a paragraph 4 in conjunction with Section 52 paragraph 6 GmbHG.
- <sup>5)</sup> By purchase agreement dated January 22, 2007 100 % of the shares in Servicios Austriacos Uno, S.A., Costa Rica, were acquired by Teak Holz Invest GmbH at a purchase price of EUR 219,090.
- <sup>6)</sup> By purchase agreement dated January 22, 2007 100 % of the shares in Segunda Plantacion Austriaca Teca, S.A., Costa Rica, were acquired by Teak Holz Invest GmbH at a purchase price of EUR 1,000.
- <sup>7)</sup> By purchase agreement dated April 11, 2007 4 shares of Finca De Los Autriacos, S.A., Costa Rica, were acquired by Teak Holz International AG at a purchase price of EUR 440,180 (0.99 %).
- <sup>8)</sup> By purchase agreement dated May 7, 2007 6 shares of Plantacion Austriaca Teca, S.A., Costa Rica, were acquired by Teak Holz International AG at a purchase price of EUR 2,040,000 (6 %).

As of September 30, 2007 THI Group, apart from Teak Holz International AG, comprises eight subsidiaries (one of them domiciled in Austria and seven based in Costa Rica). All subsidiaries were fully consolidated.

Acquisitions of subsidiaries of Teak Holz International AG in the fiscal year 2006/07 include the following:

Company	SELLER/CONTRIBUTOR					Total
	Angela Renate Hennerbichler and Klaus Hennerbichler	Erwin Hörmann	Dr. Thomas Wolfesberger	Mag. Reinhard Pfistermüller	Susanne Hofer and Mag. Johannes Hofer	
Plantacion Austriaca Teca, S.A., Costa Rica	Shares: 30 % EUR 10,428,220 <sup>2)</sup>	Shares: 30 % EUR 10,428,220 <sup>2)</sup>	Shares: 16 % EUR 5,561,717 <sup>2)</sup> Shares: 2 % EUR 680,000 <sup>8)</sup>	Shares: 4 % EUR 1,390,429 <sup>2)</sup> Shares: 2 % EUR 680,000 <sup>8)</sup>	Shares: 14 % EUR 4,866,502 <sup>2)</sup> Shares: 2 % EUR 680,000 <sup>8)</sup>	Shares: 100 % EUR 34,715,088
Finca De Los Austriacos, S.A., Costa Rica	Shares: 17.04 % EUR 7,650,178 <sup>2)</sup> Shares: 6.91 % EUR 3,176,056 <sup>4)</sup> Shares: 0.99 % EUR 440,180 <sup>7)</sup>	Shares: 48.64 % EUR 21,841,814 <sup>2)</sup> Shares: 6.91 % EUR 3,176,056 <sup>4)</sup> Shares: 3.21 % EUR 1,474,590 <sup>3)</sup>	n/a	n/a	n/a	Shares: 83.70 % EUR 37,758,874
Finca De Los Austriacos Numero Dos, S.A., Costa Rica	Shares: 50 % EUR 2,286,966 <sup>2)</sup>	Shares: 50 % EUR 2,286,966 <sup>2)</sup>	n/a	n/a	n/a	Shares: 100 % EUR 4,573,932 <sup>2)</sup>
Finca De Los Austriacos Teca Tres, S.A., Costa Rica	Shares: 50 % EUR 1,269,801 <sup>2)</sup>	Shares: 50 % EUR 1,269,801 <sup>2)</sup>	n/a	n/a	n/a	Shares: 100 % EUR 2,539,602 <sup>2)</sup>
Finca De La Teca, S.A., Costa Rica	Shares: 100 % EUR 4,422,636 <sup>2)</sup>	n/a	n/a	n/a	n/a	Shares: 100 % EUR 4,422,636 <sup>2)</sup>
Segunda Plantacion Austriaca Teca, S.A., Costa Rica	Shares: 50 % EUR 500 <sup>6)</sup>	Shares: 50 % EUR 500 <sup>6)</sup>	n/a	n/a	n/a	Shares: 100 % EUR 1,000 <sup>6)</sup>
Servicios Austriacos Uno, S.A., Costa Rica	Shares: 50 % EUR 109,545 <sup>5)</sup>	Shares: 50 % EUR 109,545 <sup>5)</sup>	n/a	n/a	n/a	Shares: 100 % EUR 219,090 <sup>5)</sup>
Teak Holz Handels- und Verarbeitungs GmbH, Linz	Shares: 50 % EUR 48,608.35 <sup>1)</sup>	Shares: 50 % EUR 48,608.34 <sup>1)</sup>	n/a	n/a	n/a	Shares: 100 % EUR 97,216.69 <sup>1)</sup>

As of September 30, 2007 the consolidated group is as follows:

	COMPANY NAME	COUNTRY	CORPORATE DOMICILE	SHARE 2006/07
1	Plantacion Austriaca Teca, S.A.	Costa Rica	San Jose Province, County 04 Puriscal	100 %
2	Finca De Los Austriacos, S.A.	Costa Rica	San Jose Province, County 04 Puriscal	83.70 %
3	Finca De Los Austriacos Numero Dos, S.A.	Costa Rica	San Jose Province, County 04 Puriscal	100 %
4	Finca De Los Austriacos Teca Tres, S.A.	Costa Rica	Province of Puntarenas, County 09, Parrita	100 %
5	Finca De La Teca, S.A.	Costa Rica	Province of Puntarenas, County 01, Parrita	100 %
6	Segunda Plantacion Austriaca Teca, S.A.	Costa Rica	San Jose Province	100 %
7	Servicios Austriacos Uno, S.A.	Costa Rica	Alajuela-Alajuela, La Garita	100 %
8	Teak Holz Handels- und Verarbeitungs GmbH	Austria	Linz	100 %

## CONSOLIDATED INCOME STATEMENT

in Euro	NOTE	2006/07	1/21 – 9/30/06 TEUR
Revenue		193,877	584
Gains arising from changes in fair value less point-of-sale costs of biological assets		23,185,955	0
Changes in inventory		-26,259	-48
Cost of materials and purchased services		-138,879	-41
Personnel expenses	11	-1,198,617	-108
Depreciation and amortization		-49,793	-15
Other operating income		384,399	5
Other operating expenses	12	-1,434,866	-214
<b>Earnings before interest and taxes (EBIT)</b>		<b>20,915,817</b>	<b>163</b>
Financial income		432,756	4
Financial expenses		-437,949	-3
<b>Financial result</b>	<b>13</b>	<b>-5,193</b>	<b>1</b>
<b>Earnings before taxes (EBT)</b>		<b>20,910,624</b>	<b>164</b>
Taxes on income	14	-6,589,663	-56
<b>Consolidated profit for the year</b>		<b>14,320,961</b>	<b>108</b>
<b>thereof attributable to:</b>			
Equityholders of the parent company		14,320,961	108
Minority shareholders		0	NA
<b>Earnings per share (EUR) attributable to the equityholders of the parent company</b>	<b>15</b>		
– basic earnings per share		3.20	NA
– diluted earnings per share		3.20	NA

## CONSOLIDATED BALANCE SHEET

in Euro	NOTE	30.09.2007	30.09.2006 TEUR
<b>ASSETS</b>			
Intangible assets		637	0
Property, plant and equipment	2	11,132,009	12
Biological assets	3	111,458,975	0
Investments	4	5,950	6
Trade receivables and other non-current assets		197	0
Deferred tax assets	9	1,782,196	0
<b>Non-current assets</b>		<b>124,379,963</b>	<b>18</b>
Inventories		174,060	
Financial assets (restricted cash)	5	2,500,000	0
Trade receivables and other current assets		197,579	293
Cash and cash equivalents	6	6,020,521	68
<b>Current assets</b>		<b>8,892,160</b>	<b>361</b>
<b>Total assets</b>		<b>133,272,123</b>	<b>379</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	31,205,160	21
Other reserves		61,785,401	0
Earnings reserves		16,461,587	124
<b>Equity attributable to equityholders of the parent company</b>		<b>109,452,149</b>	<b>145</b>
Minority interests		324	0
<b>Total equity</b>		<b>109,452,473</b>	<b>145</b>
<b>Liabilities</b>			
Non-current financial liabilities	8	9,013,395	0
Employee benefits	10	55,007	0
Other non-current debt		12,834	0
Deferred tax liabilities	9	7,680,204	0
<b>Non-current liabilities</b>		<b>16,761,440</b>	<b>0</b>
Current financial liabilities	8	5,978,000	140
Trade payables, other current debt and accrued liabilities		1,080,210	94
<b>Current liabilities</b>		<b>7,058,210</b>	<b>234</b>
<b>Total liabilities</b>		<b>23,819,650</b>	<b>234</b>
<b>Total equity and liabilities</b>		<b>133,272,123</b>	<b>379</b>

## CONSOLIDATED CASH FLOW STATEMENT

in Euro	NOTE	2006/07	1/21 - 9/30/06 TEUR
<b>Cash flow from operating activities</b>			
Consolidated profit for the year		14,320,961	108
Adjustments for:			
Depreciation/amortization		49,793	15
Gains/losses from the disposal of property, plant and equipment and intangible assets		3,927	0
Change in value of biological assets		-23,185,955	0
Change in employee benefits		55,007	0
Interest expenses/income		5,194	0
Other non-cash income/expenses		-294,916	60
Income taxes		6,589,663	0
		<b>-2,456,326</b>	<b>183</b>
Change in trade receivables and other assets		360,008	42
Change in inventories		140,983	0
Change in trade payables, other debt and accrued liabilities		175,264	7
<b>Changes in working capital</b>		<b>676,255</b>	<b>49</b>
Interest paid		-437,949	0
Interest received		178,392	0
Income taxes paid		-1,097	0
<b>Net cash flow from operating activities</b>		<b>-2,040,725</b>	<b>232</b>
<b>Cash flow from investing activities</b>			
Acquisitions of subsidiaries (net of cash acquired)	16, 17	-262,788	0
Investments in biological assets		-3,597,245	0
Investments in property, plant and equipment		-3,808,993	-26
Investments in financial instruments (restricted cash)		-2,500,000	-281
<b>Net cash flow from investing activities</b>		<b>-10,169,026</b>	<b>-307</b>
<b>Cash flow from financing activities</b>			
Payments received from issuing equity shares		17,126,111	37
Costs of issuing shares		-690,558	0
Payments from borrowing/repayment of borrowing		3,921,843	73
Dividends		-123,893	0
<b>Net cash flow from financing activities</b>		<b>20,233,503</b>	<b>110</b>
<b>Change in cash and cash equivalents</b>		<b>8,023,752</b>	<b>35</b>
Cash and cash equivalents as of October 1		68,442	33
Currency translation differences		0	0
<b>Cash and cash equivalents as of September 30</b>		<b>6,020,521</b>	<b>68</b>



## CONSOLIDATED EQUITY RECONCILIATION

SHARE OF SHAREHOLDERS IN TEAK HOLZ INTERNATIONAL AG						
in Euro	Note	Share capital/ subscribed capital	Capital reserves	Retained earnings and earnings reserves	Minority interests	Total equity
	7					
<b>Balance as of January 21, 2006</b>		21,389	0	0	0	21,389
Consolidated profit for the year		0	0	123,893	0	123,893
<b>Total net income = Balance as of September 30, 2006</b>		<b>21,389</b>	<b>0</b>	<b>123,893</b>	<b>0</b>	<b>145,282</b>
<b>Balance as of October 1, 2006</b>		21,389	0	123,893	0	145,282
Consolidated profit for the year		0	0	14,320,961	0	14,320,961
Changes due to business combinations		0	0	0	324	324
<b>Total net income</b>		<b>21,389</b>	<b>0</b>	<b>14,444,855</b>	<b>324</b>	<b>14,466,567</b>
Proceeds from the issue of shares		31,183,771	65,997,702	0	0	97,181,473
Costs of issuing shares (net of tax)		0	-2,071,673	0	0	-2,071,673
Reclassifications		0	-4,212,301	4,212,301	0	0
Distributions (for 2005/06)		0	0	-123,893	0	-123,893
		31,183,771	59,713,728	4,088,407	0	94,985,906
<b>Balance as of September 30, 2007</b>		<b>31,205,160</b>	<b>59,713,728</b>	<b>18,533,262</b>	<b>324</b>	<b>109,452,473</b>

## ACCOUNTING AND MEASUREMENT PRINCIPLES

### 1. Basis of preparation

The principle accounting and measurement policies applied in the preparation of these consolidated financial statements are set out below:

Pursuant to Section 245a UGB (Austrian Commercial Code) the consolidated financial statements as of September 30, 2007 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Reporting currency is the Euro; unless indicated otherwise, all amounts are stated in Euros (EUR).

As of September 30, 2006, the Company was not required to prepare and publish consolidated financial statements.

These consolidated financial statements, therefore, represent the first consolidated financial statements of THI Group. The accounting regulations were applied uniformly for the reporting period in the consolidated financial statements, as well as in the preparation of the opening balance sheet (in accordance with IFRS) as of January 21, 2006, the incorporation date of the Company. IFRS 1 was applied. An explanation on how the transition to IFRS has impacted the financial situation and results of operations, as well as the cash flow was not made for reasons of immateriality or only minor business activities in the year of incorporation, respectively.

The consolidated financial statements as of September 30, 2007 were basically prepared in accordance with the historical cost principle, except for biological assets (teak trees), which at the balance sheet date are stated at their fair value less estimated selling costs.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that influence the amount and presentation of assets and liabilities in the balance sheet, as well as income and expenses recorded during the reporting period. Although these estimates are made by the management to the best of their knowledge and are based on current transactions, actual figures may eventually differ from these estimates. These are explained in the Notes to the financial statements under Item 5.

Those IFRS which are already mandatory for accounting periods ending September 30, 2007 are applied to all periods presented in these consolidated financial statements. The early adoption of individual statements was not made voluntarily.

The International Accounting Standards Board (IASB) adopted further standards or amendments to standards and interpretations which are not yet mandatory for the accounting period ending September 30, 2007.

The following standards and interpretations had been adopted by the EU by the time these consolidated financial statements were prepared and published in the official journal:

- Amendment to IAS 1 Capital Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11 Group and Treasury Share Transactions pursuant to IFRS 2 Share-based Payment

---

The Group analyzed the effects of IFRS 7 and of the amendments to IAS 1 and came to the conclusion that material additional disclosures in the notes will include the sensitivity analysis of the market risks and the additional disclosures regarding capital. The Group will apply IFRS 7 and the amendments to IAS 1 for the first time in the fiscal year 2007/08.

The following standards or amendments to standards and interpretations were adopted by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), however, by the time these consolidated financial statements were prepared, they had not yet been adopted by the EU.

- Amendments to IAS 1 – Presentation of Financial Statements
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 23 Borrowing Costs

The effects of these standards and interpretations cannot yet be estimated reliably.

The consolidated financial statements were prepared by the management and released for publication as of the date of signature. The separate financial statements of the parent company, which were included in the consolidated financial statements after reconciliation to the applicable accounting standards, have not yet been adopted by the supervisory board. The supervisory board and the shareholders can change the separate financial statements in a way which might also affect the presentation of the consolidated financial statements.

## 2. Consolidation

The financial statements of companies included in the consolidated financial statements were prepared according to uniform accounting and measurement principles. To that end the financial statements drawn up in accordance with country-specific or international regulations are adjusted to the uniform group accounting and measurement principles.

IFRS require the mandatory application of IFRS 3 for business combinations. The Costa Rican subsidiaries are pure property companies that do not constitute businesses as defined by IFRS 3. When an entity acquires a group of assets or net assets that does not constitute a business, it shall allocate the cost of the group between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition (IFRS 3.4). Accordingly, a deferred tax liability is not recognized in this case, either (see IAS 12.15b).

All inter-company receivables and liabilities, sales, interest expenses and income and other income and expenses of the consolidated group were eliminated. Interim results within the Group are also eliminated, unless they are immaterial.

Minority interests are accounted for as separate items within equity.

### 3. Segment reporting

#### a. General

A segment is a distinguishable component of an entity that is engaged in providing products or services (business segment), or engaged in providing products or services within a particular economic environment (geographical segment) and that is subject to risks and returns that are different from those of other segments.

#### b. Segment reporting of THI Group

Segment results and assets comprise amounts that are directly attributable to a segment, or that can be allocated on a reliable basis to a segment. Non-allocated amounts mainly include deferred taxes, interest-bearing loans, credits and expenditure. Group assets, as well as income and expenses, are included in Austria.

Since the Group is engaged exclusively in the raising of teak trees and the distribution of teakwood, which constitutes the sole business segment, segment information is presented exclusively at the level of geographical segments of the THI Group. The presentation of the geographical segments is based on the management's internal reporting structure.

In the presentation on basis of geographical segments the segment revenue is based on the geographical location of the customers, segment assets are based on the geographical locations of the assets. This particularly applies to the teakwood plantations located in Costa Rica.

### 4. Foreign currencies

#### a. Functional currency and reporting currency

The consolidated financial statements are prepared in Euro, which is the functional currency and the reporting currency of THI AG. Functional currency of the Costa Rican subsidiaries is also the Euro due to the activity as pure property company and financial structure in accordance with IAS 21.

#### b. Transactions and balances

Transactions in foreign currencies are measured at the foreign exchange rate prevailing at the date of the transaction. Monetary balance sheet items that are stated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate prevailing at the balance sheet date. Currency translation differences arising from the translation are recognized in the income statement. Non-monetary balance sheet items in foreign currencies which are measured at their fair value are translated into the functional currency at the foreign exchange rates prevailing at the time the financial statements are prepared.

in Euro	PERIOD-END RATE 9/30/2007	PERIOD-END RATE 10/1/2006	AVERAGE RATE 2007/2006
TCRC*	0.750	0.657	0.702
USD	1.423	1.261	1.344

\* Thousand Costa Rican Colónes

---

## 5. Property, plant and equipment

Property, plant and equipment is stated at acquisition cost less systematic depreciation. Acquisition costs include the purchase price plus directly attributable incidental acquisition costs.

Depreciation is charged on a straight-line basis over the expected useful lives of the assets and recognized directly in the income statement. Land is not subject to depreciation. The following useful lives are applied:

---

	YEARS
Leasehold improvements	10 – 33.3
IT equipment (hardware)	3 – 5
Machinery and technical equipment	4 – 5
Automobiles	5
Factory and office equipment	5 – 10

---

The net carrying amount and the expected useful life are reassessed annually.

In accordance with IAS 36 impairment is charged, if the recoverable amount of an asset is less than its carrying amount. The recoverable amount represents the higher of fair value less cost to sell or value in use of an asset.

The difference between the proceeds from the sale of property, plant and equipment and the carrying amount at the time of disposal is recognized as gain or loss in the operating result.

## 6. Biological assets

The Group is engaged exclusively in forestry. In accordance with IAS 41 “Agriculture”, agricultural activity is defined as the management by an entity of the biological transformation of biological assets for sale, into agricultural produce, or into additional biological assets.

The Company is specialist in sustained teak forest investments in Costa Rica. It is focused on the search for and afforestation of land suitable for the production of the tropical wood teak (plantation development), the care and intensive raising of teak plantations (operations), as well as the distribution of the valuable wood teak.

Biological assets with a lifecycle stretching over several years shall be measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in profit or loss for the period in which it arises.

## 7. Intangible assets

Intangible assets are stated at acquisition cost less systematic amortization. Acquisition costs include the purchase price plus directly attributable incidental acquisition costs.

Amortization is charged on a straight-line basis over the expected useful lives of the assets, as of the date of first use, and recognized in the income statement.

The following useful lives are applied:

Software: 5 years

In accordance with IAS 36 impairment is charged, if the recoverable amount of an intangible asset is less than its carrying amount. The recoverable amount represents the higher of fair value less cost to sell or value in use of an asset.

The difference between the proceeds from the sale of intangible assets and the carrying amount at the time of disposal is recognized as gain or loss in the operating result.

## 8. Financial instruments

Original financial instruments recognized in the balance sheet mainly comprise cash and cash equivalents, investments, accounts receivable, restricted cash at banks, trade payables, loan liabilities and other long-term debt. The accounting and measurement policies stated under the respective balance sheet item apply to these financial instruments.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Accounts payable are recognized at amortized cost. Foreign currency payables are measured at the exchange rate prevailing at the balance sheet date. Interest-bearing financial liabilities are initially recognized at fair value less transaction costs incurred; subsequently they are measured at amortized cost using the effective interest method. Borrowing costs are recognized as expense in the income statement in the period in which they occur.

### Usufruct rights

In accordance with IAS 32.16.a) (i) the usufruct rights granted by "Finca De Los Austriacos Numero Dos, S.A." are classified as other financial liabilities and recognized and measured pursuant to IAS 39. The liability is paid after the harvest of the teakwood (less a lump sum payment for the raising and care, harvest costs and administrative expenses) depending on the value of the teakwood and the quantity of solid cubic meters produced. Hence, this constitutes a non-financial, company-specific parameter so that no embedded derivative can be separated.

The usufruct rights are subsequently measured at amortized cost for the entire financial instrument using the effective interest method, the effective interest rate being determined according to the expected life of the instrument. To this end, the cash outflows over the contractual period, the value (based on the respective market price at the balance sheet date for different qualities of solid cubic meters of teakwood expected to be produced, discounted to the respective balance sheet date) and the probability of their occurrence are estimated and adjusted through profit or loss.

---

### **Financial liabilities to shareholders**

In addition to the equity component (nominal amount EUR 324) recognized under the item “minority interests”, the minority shareholders of “Finca De Los Austriacos, S.A.” according to a contractual arrangement are entitled to the payment of a share in the proceeds of sale generated. This is carried out after the harvest of the teak trees (afforestation, care, harvest costs) and dependent on the value of the teakwood and solid cubic meters produced. The Group holds a purchase option for the minority interests after the final harvest and use of the teaks grown on this plantation in the amount of the paid-up nominal.

The Group accounts for and measures the contractual arrangement as a compound financial instrument and identifies an equity and liability component in accordance with IAS 32.28. From an economic perspective, the design of the payment claim of minority shareholders from the liability component is no different than the cash flows associated with the usufruct rights.

In accordance with IAS 32.31 in conjunction with IAS 32.32, the financial liability on initial recognition shall be measured first and only the residual amount (of the consideration received) shall be accounted for as equity component and measured. This amount equals the paid-up nominal (EUR 324). A subsequent measurement of the equity component is not made, whereas other financial liabilities are accounted for and measured in accordance with the above-mentioned accounting principles on usufruct rights.

## **9. Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## **10. Trade receivables and other assets**

Trade receivables and other assets are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

## **11. Cash and cash equivalents**

Cash and cash equivalents include cash in hand and bank deposits. Current assets due within three months, which are subject to only minor fluctuations in value, are included as cash equivalents. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## 12. Deferred taxes

Deferred tax assets/liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax assets/liabilities are not accounted for if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets/liabilities are determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Temporary differences mainly arise from the differences in measurement of biological assets, non-current and current assets, on the recognition and measurement of provisions, as well as from tax loss carryforwards.

Deferred tax assets/liabilities are provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 13. Employee benefits

The employee benefit obligations relate exclusively to contractual termination benefits payable to managing directors of Teak Holz International AG. These are recognized at the amount of future obligations, discounted by 4 %.

## 14. Other provisions

Provisions are set up when THI Group has a present legal or constructive obligation to third parties as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. The provisions are recognized at the amount that represents the best estimate of expenses required to settle the obligation.

Provisions are measured at the present value of expected expenditure, with a pre-tax interest rate taking into account the current market expectations regarding the interest effect and the risks associated with the obligation. Increases in the provisions resulting from the mere compounding of interest are recognized as interest expenses in the income statement.



---

## 15. Revenue recognition

### a. Sales revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue from the sale of goods is recognized in the income statement when significant risks and rewards of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably.

### b. Interest income

Interest income is recognized pro rata temporis using the effective interest method.

## 16. Government grants

Government grants are presented in the balance sheet as deferred income at the date of origin, if there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them. Government grants received by the Group as compensation for expenses incurred are recognized in the income statement in the periods in which the expenses were incurred. Such grants received by the Group as compensation for the costs of an asset are recognized systematically in the income statement as other operating income over the useful life of the asset. Government grants, if any, are recognized as deferred income under non-current liabilities.

## 17. Leases

Leases in which all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases at the lessee. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. In case a lease is terminated early, possible contract penalties or charges incurred are immediately recognized in the income statement in the period of contract termination.

## 18. Research and development

Expenses for research activities are expensed as incurred (2007/06: TEUR 65; 2006/05: TEUR 0).

In the past fiscal year no development activities have taken place.

## 19. Risk management

### a. General

The Group's (international) activities expose it to a variety of financial risks, particularly foreign exchange risk, interest rate risk and credit risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

According to the development of the Group the risk management is being implemented and should be in place in the current year. The risk management is conducted by the management board as a whole on the basis of guidelines issued. According to the hierarchy of the Group all associated companies, all departments, executives and employees are subject to the risk management. The finance and accounting department of the Group's parent company identifies, assesses and hedges against financial risks together with the aforementioned entities of the Group.

### b. Market risk

The Group will try to hedge against the market risk as best as it can through the conclusion of supply contracts with its customers. It is planned to provide for adequate price and quality ranges under the supply contracts in order to counter the market and fair value risk as far as possible. This is done in close cooperation with the operating business units (distribution/plantation management) to be able to provide optimal supply quantities and qualities.

### c. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and CR colon. Foreign exchange risks arise from expected future transactions, recognized assets and liabilities and net investments in foreign operations. To hedge against these risks it is planned to agree on the Euro as transaction currency whenever possible. For business transactions denominated in a foreign currency it is planned to hedge against the foreign exchange risk through derivative financial instruments, transacted by the finance department of the Group's parent company.

### d. Interest rate risk

Interest rate risk is the risk arising from fluctuations in the value of financial instruments, other balance sheet items (e. g. receivables and payables) and/or cash flows due to fluctuations in the market interest rates.

For fixed-interest balance sheet items, the risk comprises the present value risk. In case the market rate for the financial instrument fluctuates, either a profit or a loss may result if the financial instrument is sold prior to maturity.

For variable-interest balance sheet items, the risk relates to the cash flow. With variable-interest financial instruments, adjustments in the interest rates may result from changes in the market rates. Such changes would entail changes in interest payments. Variable-interest (both short-term and long-term) financial liabilities account for the major part of financial interest balance sheet items.

An interest rate risk, i.e. possible fluctuations in the value of financial instruments due to changes in market interest rates, arises particularly with medium- and long-term fixed interest receivables and payables.

---

**e. Credit risk**

The best possible way to minimize credit risk is to agree on special payment terms for commercial transactions. In the international business with traders, wholesalers and major processors advance payments (cash in advance, cash by wire) for placing orders and letters of credit for providing payment guarantees have been established and enforced.

Agreements on derivative financial instruments and financial transactions are transacted only with financial institutions of high credit standing.

**f. Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The maintenance of sufficient liquidity is mandatory for every company pursuant to the Austrian Commercial Code. The Group secures liquidity through available (partly unused) credit lines.

## **20. Critical accounting estimates and assumptions**

The preparation of the consolidated financial statements in accordance with IFRS requires the management to make assessments, estimates and judgments which have an impact on the application of the guidelines and carrying amounts of assets and liabilities, income and expenses. The estimates and respective assumptions are based on historical experience and on other factors that are believed to be reasonable under the circumstances. The result forms the basis for carrying amounts that cannot be derived from other sources. Actual results may differ from these estimates.

Estimates and respective assumptions are reviewed periodically. Changes in estimates are considered in the period in which the estimate was reviewed, if the review relates only to this period, or in the review period and future periods, if the review relates to both current and future periods.

The area in which such estimates and assumptions have a significant impact on the consolidated financial statements relates primarily to the measurement of biological assets (taking into account the resulting effects in the determination of deferred income taxes). This is explained in more detail under Item 2 in the Notes to the financial statements.

Estimates and assumptions are also required for other balance sheet items. In case estimates and assumptions change, this would not have material effects on the Group's assets and liabilities, the financial position and results of operations.



---

## COMMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Index

1. Segment reporting .....	62
2. Property, plant and equipment .....	64
3. Biological assets in Costa Rica .....	65
4. Investments .....	68
5. Current financial assets (restricted cash) .....	68
6. Cash and cash equivalents .....	69
7. Equity .....	69
8. Financial liabilities .....	70
9. Deferred tax assets and liabilities .....	70
10. Employee benefits .....	71
11. Personnel expenses .....	72
12. Other operating expenses .....	72
13. Financial result .....	72
14. Taxes on income .....	73
15. Earnings per share .....	73
16. Acquisitions of Costa Rican property companies .....	74
17. Business combinations .....	74
18. Number of employees .....	75
19. Contingent liabilities .....	75
20. Related party transactions .....	76
21. Events after the balance sheet date .....	77

## COMMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Segment reporting

in Euro	GEOGRAPHICAL SEGMENTS			
	Costa Rica		Austria	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
Revenue	0	0	193,877	583,875
Gains arising from changes in fair value less point-of-sale costs of biological assets	23,185,955	0	0	0
Changes in inventories	0	0	-26,259	-47,529
Other operating income	294,916	0	89,483	4,559
<b>Segment income incl. increase in value of biological assets</b>	<b>23,480,871</b>	<b>0</b>	<b>257,101</b>	<b>540,905</b>
<b>Segment result</b>	<b>22,171,408</b>	<b>0</b>	<b>-1,255,591</b>	<b>162,580</b>
Interest result	125,914	0	-131,107	1,096
Taxes on income	-6,955,787	0	366,123	-55,894
<b>Profit/loss for the year</b>	<b>15,341,535</b>	<b>0</b>	<b>-1,020,575</b>	<b>107,782</b>
<b>Total segment assets</b>				
Property, plant and equipment	10,623,930	0	508,079	0
Biological assets	111,458,975	0	0	0
Other assets	46,072	0	8,852,872	0
Deferred tax assets	759,663	0	1,022,533	0
<b>Total assets</b>	<b>122,888,640</b>	<b>0</b>	<b>10,383,484</b>	<b>0</b>
<b>Total segment liabilities</b>				
Total liabilities	8,423,395	0	7,716,051	0
Deferred tax liabilities	7,678,601	0	1,603	0
<b>Total liabilities</b>	<b>16,101,996</b>	<b>0</b>	<b>7,717,654</b>	<b>0</b>

	Consolidation		Group	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006
	0	0	193,877	583,875
	0	0	23,185,955	0
	0	0	-26,259	-47,529
	0	0	384,399	4,559
	0	0	<b>23,737,972</b>	<b>540,905</b>
	0	0	<b>20,915,817</b>	<b>162,580</b>
	0	0	-5,193	1,096
	0	0	-6,589,663	-55,894
	0	0	<b>14,320,961</b>	<b>107,782</b>
	0	0	11,132,009	0
	0	0	111,458,975	0
	0	0	8,898,944	0
	0	0	1,782,196	0
	0	0	<b>133,272,124</b>	<b>0</b>
	0	0	16,139,446	0
	0	0	7,680,204	0
	0	0	<b>23,819,650</b>	<b>0</b>

## COMMENTS TO THE CONSOLIDATED BALANCE SHEET

### 2. Property, plant and equipment

in Euro	LAND	FACTORY AND OFFICE EQUIPMENT, VEHICLE FLEET	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Acquisition cost</b>				
Oktober 1, 2006	0.00	21,070.02	0.00	21,070.02
Changes in consolidated group	6,794,858.45	200,818.74	392,572.55	7,388,249.74
Additions	3,619,829.80	146,779.42	42,383.50	3,808,992.72
Disposals	0.00	27,665.01	0.00	27,665.01
<b>September 30, 2007</b>	<b>10,414,688.25</b>	<b>341,003.17</b>	<b>434,956.05</b>	<b>11,190,647.47</b>
<b>Depreciation</b>				
Oktober 1, 2006	0.00	8,845.90	0.00	8,845.90
Depreciation in the fiscal year	0.00	25,641.81	15,931.27	41,573.08
Disposals	0.00	8,219.65	0.00	8,219.65
<b>September 30, 2007</b>	<b>0.00</b>	<b>42,707.36</b>	<b>15,931.27</b>	<b>58,638.63</b>
<b>Carrying amount</b>				
Oktober 1, 2006	0.00	12,224.12	0.00	12,224.12
<b>September 30, 2007</b>	<b>10,414,688.25</b>	<b>298,295.81</b>	<b>419,024.78</b>	<b>11,132,008.84</b>

#### PRIOR YEAR:

in Euro	LAND	FACTORY AND OFFICE EQUIPMENT	OTHER PROPERTY, PLANT AND EQUIPMENT	TOTAL
<b>Acquisition cost</b>				
Januar 21, 2006	0.00	0.00	0.00	0.00
Additions	0.00	27,323.75	0.00	27,323.75
Disposals	0.00	6,253.73	0.00	6,253.73
<b>September 30, 2006</b>	<b>0.00</b>	<b>21,070.02</b>	<b>0.00</b>	<b>21,070.02</b>
<b>Depreciation</b>				
Depreciation in the fiscal year	0.00	2,592.17	0.00	2,592.17
Disposals	0.00	6,253.73	0.00	6,253.73
<b>September 30, 2006</b>	<b>0.00</b>	<b>8,845.90</b>	<b>0.00</b>	<b>8,845.90</b>
<b>Carrying amount</b>				
Januar 21, 2006	0.00	0.00	0.00	
<b>September 30, 2006</b>	<b>0.00</b>	<b>12,224.12</b>	<b>0.00</b>	<b>12,224.12</b>



---

Rental and leasing expenses in the amount of TEUR 30 arose in the reporting period from the use of property, plant and equipment not recognized in the balance sheet. The recognized expenses do not include any conditional rent payments or payments from subleases.

Based on leasing and rental agreements the obligations for the coming years are as follows:

Obligations to third parties from operating leases:

	in TEUR
Within the following year	21
Between one and five years	41
<b>Total</b>	<b>62</b>

At the balance sheet date no items of intangible assets or of property, plant and equipment have been pledged as collateral or in any other way restricted in their use.

At the balance sheet date no obligations exist for the acquisition of items of property, plant and equipment.

### 3. Biological assets in Costa Rica

#### Fundamental measurement principles in accordance with IAS 41

Biological assets with a quarterly lifecycle shall be measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset shall be included in profit or loss for the period in which it arises.

In the case of THI Group biological assets exclusively include the teak plants and trees (the teak plantations) grown in Costa Rica. In this context, the biological growth measured by experts in random samples constitutes an important value factor.

The measurement of biological assets is based on independent expert estimates. The value is determined using the discounted cash flow method. The discounted proceeds to be expected for the harvests less discounted costs necessary for the efficient establishment and care of a plantation and sale are calculated. The parameters used are the values of physical inventory-taking (average commercial value and average breast height diameter of the tree populations, number of trees per hectare and wood mass per hectare), financial data at the balance sheet date (USD exchange rate, 3m USD Libor + interest spreads customary in the market), conservative assumptions on future teakwood prices and finally the experiences of the independent estimating expert and of the forest engineers surveying the annual increase in inventory.

As non-financial measures the qualities of the inventory and the plantation areas are assessed by external forest experts.

In case of a deterioration of current qualities this could well lead to a downward revision of growth forecasts, quantities to be expected, prices and proceeds.

In this connection reference is made to the fact that a transparent market for “in-growth teakwood plantations” does not exist. That is why the carrying amounts of biological assets are based on a transition procedure from independent estimate to fair value.

**Important parameters used in the determination of the fair value:**

Discount interest rate:	12.75 % (prior year 12 %)
Basis for pricing:	ITTO (International Tropical Timber Organization – Annual and Monthly Reports), see Item b) “Risk management regarding biological assets“

The first and only thinning takes place in the 8th year of the plantation’s existence as carefully as possible to prevent damage to the remaining trees.

After a further 7 years, i. e. in the 15th year following the establishment of the plantation, the butt logs, provided that systematic fertilization prevents a lack of nutrients in the soil, have reached their target diameter and can be cleared.

Biological assets generated by the Company itself (planting of teak seedlings on own land by THI Group) from the beginning are measured at fair value less costs for maintenance, forestation and sale, taking into account an adequate growth allowance. In doing so, the following growth categories and allowances are used:

<b>1. Growth category</b>	<b>Planting (year 0) – lignification (end of year 2)</b>	<b>Allowance: 40 %</b>
<b>2. Growth category</b>	<b>Lignification (end of year 2) – thinning (end of year 8)</b>	<b>Allowance: 20 %</b>
<b>3. Growth category</b>	<b>Thinning (end of year 8) – final cutting (end of year 15)</b>	<b>Allowance: 0 %</b>

Biological assets that are first recognized upon acquisitions or contributions of already seeded plantation areas are initially measured at acquisition cost. Gains arise only when the fair value, determined using the discounted cash flow method, less estimated point-of-sale costs of biological assets, taking into account growth allowances, exceeds the acquisition costs. Diminutions in value, by contrast, are recognized already in the period in which they arise.

The carrying amounts of biological assets (teak plantations) in Costa Rica are as follows:

**Additions from contributions and purchases**

in Euro	
Carrying amount as of October 1, 2006	0.00
Contributions	84,675,774.41
Purchases	3,597,245.00
Change in fair value	23,185,955.19
<b>Balance as of September 30, 2007</b>	<b>111,458,974.60</b>

Prior year figures are not stated, since the Group had no biological assets as of September 30, 2006.

#### Details of change in fair value of biological assets

The change in fair value of biological assets can be summarized as follows:

in Euro	30.09.2007	30.09.2006
Change in value of existing plantations	-2,468,596.41	0.00
Afforestation in the current year	25,654,551.60	0.00
<b>Increase in value of biological assets</b>	<b>23,185,955.19</b>	<b>0.00</b>

The change in value of existing plantations is mainly due to changes in financial parameters over the prior year. This in particular relates to the discount rate used of 12.75 % (prior year: 12 %) and the change in foreign exchange rate of the USD against the EUR.

#### Harvest

As harvests in the meaning of IAS 41, which reduce the amount of biological assets, the Company regards the thinning after 8 years and the final harvest after 15 years.

#### Disclosure on assumptions relating to the future and uncertainties in estimates regarding biological assets

THI Group considers the measurement of teak plantations by external expert opinions well founded and conservative. Crucial for the measurement of future proceeds are the increase in volume, the prices to be fetched in the future and the inclusion of price hikes due to inflation or real price increases.

- a. Increase in volume: Regarding the first and only interference – referred to as thinning after 8 years in the respective tables – it was assumed that 500 trees or approx. 100 solid cubic meters of teakwood per hectare are taken from the forest. Already today it can be established that the assumptions are met or slightly exceeded. With regard to the expected quantities from the final cuttings – after 15 years – it was assumed that 600 trees or 450 solid cubic meters of teakwood per hectare are harvested.
- b. The estimated proceeds of 400 USD per m<sup>2</sup> for the wood generated in the thinning after 8 years, or the estimated proceeds of 800 USD per m<sup>2</sup> for the wood generated in the clearance after 15 years are based on all price notifications and quotations received and also on wood prices taken from wood offerings that were plausible and reasonable. The collected prices, some of which in the periodical reports of the ITTO (International Tropical Timber Organization), are in a price range between 400 and 2,500 USD per m<sup>2</sup>. 400 USD per m<sup>2</sup> can be fetched for a teakwood of merely between 14 and 15 cm in diameter, possible uneven, generated probably from thinnings. From the price range established in this way the two reference figures, 400 USD for the cubic meter from thinning wood, or 800 USD for the cubic meter wood from the clearance, were taken and used to determine the fair values at the balance sheet date. Both figures represent an average assortment or an assortment average, as can be generated from thinning wood on the one hand and from clearance wood on the other hand.
- c. In order to further reduce any remaining risk of excessive measurement THI Group does not account for inflation or real price increase in the calculation of the market value of the plantations.

### Discount rate

The discount rate used is made up as follows:

	30.09.2007	30.09.2006
In the USA the interest rate for borrowing is currently	6.25 %	5.50 %
plus a general risk premium of	2.00 %	2.00 %
plus an unspecified surcharge that accounts for uncertainties of political, (world)economic or other nature	4.50 %	4.50 %
	<b>12.75 %</b>	<b>12.00 %</b>

### Securing the harvest

The value of tree plantations can only be maintained, if the Company can secure and provide the financial means necessary for the care of the plantations up to the point of harvest. Depending on the growth, teak plantations are self-supporting approximately as of their tenth year. The proceeds from thinnings then exceed the maintenance costs. If THI Group did not establish new plantations as of the fiscal year 2007/08, costs would have to be borne between 2007/08 and 2015/16 until all plantations would have reached the age of 10. On the other hand, the Company anticipates proceeds from thinnings in the fiscal years 2007/08 to 2015/16 that will clearly exceed the costs. In the first years of this period under review the maintenance costs would be higher than the income from thinnings, if the harvests of the thinnings cannot be placed accordingly on the world market.

### Dealing with biological risks (fire, storm, flooding, lightning stroke)

The fire risk for young tree plantations is significant during the dry season. Through appropriate preventive measures, such as cutting the weeds before the dry season, creating forest aisles and permanent monitoring, the Company reduces this risk as far as possible. Once teak trees are more than 4 to 6 meters in height, they are no longer damaged by fire.

Tropical cyclones can result in direct windfall and in huge floodings. The hilly surface of the plantations makes a major loss through flooding seem very unlikely. However, major damage caused by a tropical cyclone cannot be excluded. Each year THI Group loses a certain number of trees due to lightning strokes. These losses are provided for under natural mortality. No insurance was taken out for any events described, since the premium, compared to the amounts of loss to be expected, would be unreasonably high.

## 4. Investments

The item "investments" includes shares in Teakplantagen Beteiligungs GmbH, Linz.

## 5. Current financial assets (restricted cash)

Current financial assets exclusively include restricted cash deposited with banks in the amount of EUR 2,500,000. Restricted cash serves as collateral for borrowings and expires on September 30, 2008.

## 6. Cash and cash equivalents

in Euro	30.09.2007	30.09.2006
Cash and cash equivalents	6,020,520.88	68,442.45
<b>Cash and cash equivalents in cash flow</b>	<b>6,020,520.88</b>	<b>68,442.45</b>

All cash and cash equivalents have a remaining maturity of less than 3 months.

## 7. Equity

### Share capital

The share capital of Teak Holz International AG amounts to EUR 31,205,160.00 and is fully paid in.

in Euro	
Issued as of October 1, 2006	38,889.00
Capital increase for cash	9,518,611.00
Capital increase by contribution in kind	21,647,660.00
<b>Issued as of September 30, 2007 - fully paid in</b>	<b>31,205,160.00</b>

On September 30, 2007 the number of ordinary shares was 6,241,032 (carrying amount: EUR 21,389).

Bearer of ordinary shares are entitled to dividends and have one vote per share in the annual general meeting.

### Capital reserve

Included in capital reserves are a premium on the capital increase for cash in the amount of EUR 7,590,000.00 and a premium on the capital increase by contributions in kind in the amount of EUR 58,407,702.00. Furthermore, capital reserves were released in the amount of EUR 4,212,300.70, which equals the amount released in the financial statements of Teak Holz International AG to compensate the cumulative losses.

### Minority interests

Minority interests are shares held by minority shareholders in the Group's total equity, which are explained in detail in the Notes to the financial statements under Item 3 "Accounting and measurement principles".

## 8. Financial liabilities

### Non-current financial liabilities

in Euro	30.09.2007	30.09.2006
Secured loans from banks	279,500.00	0.00
Unsecured loans from banks	310,500.00	0.00
Usufruct rights	1,868,521.04	0.00
Liabilities to minority shareholders	6,554,874.31	0.00
	<b>9,013,395.35</b>	<b>0.00</b>

Non-current financial liabilities include liabilities to minority shareholders (66 ha in Finca de los Austriacos, S.A.) and holders of usufruct rights (26 ha in Finca de los Austriacos Numero Dos, S.A.).

### Current financial liabilities

in Euro	30.09.2007	30.09.2006
Current portion of unsecured loans from banks	2,500,000.00	0.00
Liabilities to banks (overdrafts)	3,477,999.96	139,417.81
	<b>5,977,999.96</b>	<b>139,417.81</b>

The carrying amounts of financial liabilities, in particular of liabilities to minority shareholders and holders of usufruct rights, correspond to the fair values.

## 9. Deferred tax assets and liabilities

### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

in Euro	ASSETS		LIABILITIES		NET	
	30.09.2007	30.09.2006	30.09.2007	30.09.2006	30.09.2007	30.09.2006
Property, plant and equipment	1,116.18	0.00	-4,526.21	0.00	-3,410.03	0.00
Biological assets	740,578.90		-7,696,365.48		-6,955,786.58	0.00
Tax advantage due to tax loss carryforwards	1,061,188.39	0.00	0.00	0.00	1,061,188.39	0.00
<b>Gross amount deferred tax assets/liabilities</b>	<b>1,802,883.47</b>	<b>0.00</b>	<b>-7,700,891.69</b>	<b>0.00</b>	<b>-5,898,008.22</b>	<b>0.00</b>
Netting	-20,687.88	0.00	20,687.88	0.00	0.00	0.00
<b>Net amount deferred tax assets/liabilities</b>	<b>1,782,195.59</b>	<b>0.00</b>	<b>-7,680,203.81</b>	<b>0.00</b>	<b>-5,898,008.22</b>	<b>0.00</b>

### Unrecognized deferred tax assets

Deferred tax assets were not recognized for the following amounts:

in Euro	30.09.2007	30.09.2006
Unrecognized loss carryforwards	2,879,595.65	0.00

The tax loss carryforwards expire in different years. Deferred tax assets have not been recognized when it is not likely that future taxable profits will be available against which they can be utilized.

### Tax loss carryforwards

As of September 30, 2007 THI Group has loss carryforwards in the amount of EUR 7,111,626.18 (2005/06: EUR 1,543,878.75) which will expire in the next years as follows:

in Euro	30.09.2007	30.09.2006
2011/12	2,038,930.26	879,385.36
Unlimited	5,072,695.92	664,493.39
Total	7,111,626.18	1,543,878.75
Recognized as deferred tax assets	4,232,030.53	1,543,878.75
Unrecognized tax loss carryforwards	2,879,595.65	0.00

### Changes in temporary differences during the year

in Euro	BALANCE OCTOBER 1, 2006	CHANGE THROUGH PROFIT OR LOSS	BALANCE SEPTEMBER 30, 2007
Property, plant and equipment	0.00	-3,410.03	-3,410.03
Biological assets	0.00	-6,955,786.58	-6,955,786.58
Tax advantage due to tax loss carryforwards	0.00	1,061,188.39	1,061,188.39
Total	0.00	-5,898,008.22	-5,898,008.22

## 10. Employee benefits

in Euro	30.09.2007	30.09.2006
Net liability on October 1	0.00	0.00
Allocation	55,007.04	0.00
Net liability on September 30	55,007.04	0.00

## COMMENTS TO THE CONSOLIDATED INCOME STATEMENT

The consolidated income statement has been prepared using the total expenditure format.

### 11. Personnel expenses

in Euro	2006/07	1/21 – 9/30/06
Wages/salaries	910,913.62	98,476.76
Expenses for termination benefits	8,461.66	283.24
Statutory social security contributions	131,446.89	8,413.97
Other personnel expenses	147,794.67	1,136.84
	<b>1,198,616.84</b>	<b>108,310.81</b>

### 12. Other operating expenses

in Euro	2006/07	1/21 – 9/30/06
General administration	546,137.42	0.00
Other	405,145.65	214,219.44
Other services, fees	254,403.59	0.00
Automobile expenses	119,331.19	0.00
Transport	109,848.15	0.00
	<b>1,434,866.00</b>	<b>214,219.44</b>

### 13. Financial result

in Euro	2006/07	1/21 – 9/30/06
<b>Financial income</b>		
Interest income from bank deposits	178,391.68	4,311.94
Interest income minority interests and usufruct rights	254,363.89	0.00
<b>Financial expenses</b>		
Interest expenses from bank liabilities / loans	-437,949.08	-3,215.60
Interest expenses minority interests and usufruct rights	0.00	0.00
<b>Financial result – net</b>	<b>-5,193.51</b>	<b>1,096.34</b>



## 14. Taxes on income

recognized in the income statement:

in Euro	2006/07	
<b>Current taxes</b>		
Current year	-1,097.34	-55,894.03
<b>Deferred taxes</b>		
Allocation and reversal of temporary differences	-5,527,377.60	0.00
Income from tax loss carryforwards recognized	-1,061,188.40	0.00
<b>Total income taxes in the income statement</b>	<b>-6,589,663.34</b>	<b>-55,894.03</b>
Profit before taxes	20,910,623.00	163,676.52

	2006/07	%
Taxes at the applicable tax rate	-5,227,833.46	25.00
Effect of foreign tax rates	-1,114,866.07	5.33
Effect of permanently non-deductible expenses	-9,986.51	0.00
Effect of non-taxable income	73,729.00	-0.35
Effect of tax loss carryforwards not accounted for/recognized	-388,725.71	1.86
Other	78,019.41	-0.37
<b>Total income taxes in the income statement</b>	<b>-6,589,663.34</b>	<b>31.47</b>

### Deferred taxes recognized directly in equity

in Euro	2006/07	1/21 - 9/30/06
Due to capital measures	690,557.79	0.00

## 15. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share as of September 30, 2007 was based on the profit share attributable to the ordinary shares in the amount of EUR 3.20 (2005/06: EUR 0) and the average/mixed number of ordinary shares outstanding during the fiscal year 2006/07 in the amount of 4,474,302 (2005/06: 0).

No conversion or option rights were in circulation. Thus, basic earnings per share equal diluted earnings per share.

## BUSINESS COMBINATIONS AND ACQUISITIONS OF COSTA RICAN PROPERTY COMPANIES

### 16. Acquisitions of Costa Rican property companies

ACQUISITIONS IN THE FISCAL YEAR	SHARE IN %	INITIAL CONSOLIDATION ON
Plantacion Austrica Teca, S. A.	100	01.10.2006
Finca de los Austriacos, S. A.	83.70	01.10.2006
Finca de los Austriacos Numero Dos, S. A.	100	01.10.2006
Finca de los Austriacos Teca Tres, S. A.	100	01.10.2006
Finca de la Teca, S. A.	100	01.10.2006
Segunda Plantacion Austriaca Teca, S. A	100	01.10.2006
Servicios Austriacos Uno, S. A.	100	01.10.2006
<b>Thereof acquired by purchase agreements:</b>		
Plantacion Austrica Teca, S. A.	6	
Finca de los Austriacos, S. A.	4.2	

#### Effects of the acquisition of Costa Rican property companies:

in Euro	2006/07
Property, plant and equipment	7,211,014.58
Biological assets	88,273,019.41
Trade receivables and other assets	108,279.26
Cash and cash equivalents	53,179.63
Financial liabilities from minority interests and usufruct rights	9,015,270.88
Interest-bearing loans	2,400,000.00
<b>Recognized net assets</b>	<b>84,230,222.00</b>

The purchase prices paid in cash of Servicios Austriacos Uno, S.A. in the amount of EUR 219,090 and of Segunda Plantacion Austriaca Teca, S.A. in the amount of EUR 1,000 are included in the cash flow statement in "Acquisitions of subsidiaries".

### 17. Business combinations

Effective as of April 1, 2007, THI Group acquired 100 % of the shares in Teak Holz Handels- und Verarbeitungs GmbH.

## Effects of acquisition

The total effect of the acquisition impacted the balance sheet items of THI Group as follows:

in Euro	CAPITAL EXPENDITURE 2006/07
Property, plant and equipment	351,286.00
Inventories	315,043.15
Trade receivables and other assets	104,842.94
Minorities	0.00
Interest-bearing loans	259,376.17
Deferred tax liabilities	0.00
Other liabilities	414,579.23
<b>Recognized net assets</b>	<b>97,216.69</b>
Goodwill on investments	0.00
<b>Total purchase price</b>	<b>97,216.69</b>
Liquid funds included	338.64
<b>Net cash outflow</b>	<b>96,878.05</b>

The business combination in the fiscal year 2006/07 contributed EUR – 221,543.14 to the current operating result. If the business combination had existed as of October 1, 2006, its contribution to the current operating result would be EUR –86,233.22.

## OTHER DISCLOSURES

### 18. Number of employees

The average number of employees was:

in Euro	2006/07	1/21 – 9/30/06
Austria	15	2
Costa Rica	150	0
<b>THI Group</b>	<b>165</b>	<b>2</b>

### 19. Contingent liabilities

As of the balance sheet date a letter of credit liability exists in the amount of EUR 10,000.

## 20. Related party transactions

### Identification of related parties:

THI Group has a close relationship with its management and supervisory board members, and with the shareholders.

### In the fiscal year 2006/07 the management board consisted of the following persons:

Mag. Johannes Hofer (CEO), resigned as September 30, 2007

Mag. Reinhard Pfistermüller (CFO)

Klaus Hennerbichler (COO)

### In the fiscal year 2006/07 the supervisory board consisted of the following persons:

Dr. Thomas Wolfesberger (chairman of the supervisory board)

Erwin Hörmann (deputy chairman of the supervisory board)

Mag. Alexander Hüttner (member of the supervisory board)

Graf Gotthard Pilati von Thassul zu Daxberg (member of the supervisory board)

### Emoluments of the management and supervisory board

in Euro	OTHER		BONUSES		MANAGEMENT SALARIES/ SUPERVISORY BOARD EMOLUMENTS	
	2006/07	1/21 – 9/30/06	2006/07	1/21 – 9/30/06	2006/07	1/21 – 9/30/06
Management board	49,208.47	0.00	71,515.14	0.00	240,000.00	0.00
Supervisory board	0.00	0.00	0.00	0.00	64,000.00	0.00
	<b>49,208.47</b>	<b>0.00</b>	<b>71,515.14</b>	<b>0.00</b>	<b>304,000.00</b>	<b>0.00</b>

As of the balance sheet date no loans and advances have been granted to members of the management or supervisory board of the THI Group. Stock option plans or similar share-based payment systems do not exist.

### Transactions with related parties:

Dr. Thomas Wolfesberger (chairman of the supervisory board)

Erwin Hörmann (deputy chairman of the supervisory board) and Klaus Hennerbichler (COO)

Mag. Johannes Hofer (CEO), resigned as September 30, 2007, and

Mag. Reinhard Pfistermüller (CFO)

through contributions and sale of shares to THI AG.

Dr. Thomas Wolfesberger (chairman of the supervisory board),

Erwin Hörmann (deputy chairman of the supervisory board) and

Klaus Hennerbichler (COO)

through interest expenses on already repaid loans in the amount of TEUR 126.

Mag. Alexander Hüttner (member of the supervisory board)

through the legal representation/consulting of Teak Holz International AG, current fees in the amount of TEUR 195 (incl. assistance in initial public offering).

The contributions in kind of and acquisitions of shares from related parties are explained in detail under Item 2 in the Notes to the financial statements. All contribution transactions and purchases of shares in businesses were measured by experts and

---

correspond to market prices. Market interest rates were paid on the loans granted by equity holders/shareholders. Services rendered and existing service agreements (in particular fees from current legal representation/consulting) correspond to market conditions.

As of the balance sheet date liabilities exist to Klaus Hennerbichler in the amount of TEUR 159 resulting from the acquisitions of subsidiaries (Segunda Plantacion Austriaca Teca, S.A, Servicios Austriacos Uno, S.A. and Teak Holz Handels- und Verarbeitungs GmbH) and to Erwin Hörmann in the amount of TEUR 159 resulting from the acquisitions of subsidiaries (Segunda Plantacion Austriaca Teca, S.A, Servicios Austriacos Uno, S.A. and Teak Holz Handels- und Verarbeitungs GmbH).

## 21. Events after the balance sheet date

On October 22, 2007 Teak Holz International AG signed a cooperation agreement with DBM Fonds Invest GmbH (Delbrück Bethmann Maffei/ABN AMRO), domiciled in Frankfurt/Main, Germany, for the purpose of operating newly acquired teakwood plantations.

The cooperation between THI AG and DBM Fonds Invest GmbH for the purpose of creating plantation portfolios with already existing tree populations can be cited as a material content of the contract. It is planned to finance the acquisitions of teak plantations/plantation companies through one or more closed funds, with DBM taking the role of fund arranger and THI the role of project developer. Investments are to be made in portfolios of already existing teakwood plantations along the protected Pacific coast of Costa Rica. The cited areas will have teak populations of various growth stages and categories.

The definition of investment criteria, the composition of the individual portfolios, the purchase transaction, the management and care of these plantations, and the worldwide distribution of the valuable wood are to be effected by the management of THI AG. In addition, THI shall provide operational control of the joint future plantation holding companies. Furthermore, under the cooperation agreement the two parties guarantee exclusivity and the option to join any additional global tropical wood projects involving existing plantations. At the release date of these consolidated financial statements THI AG cannot comment on any details of possible fund placements, since the Company does not act as arranger.

Other events of material significance did not occur after the close of the fiscal year.

These consolidated financial statements were prepared by the Company's management and authorized for issue on January 14, 2008.

Linz, January 14, 2008

The Management Board

signed:  
Klaus Hennerbichler

signed:  
Mag. Reinhard Pfistermüller

## GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2006/07

### I. REPORT ON THE COURSE OF BUSINESS AND ECONOMIC SITUATION

#### 1. Course of business

##### Industry

The valuable raw material teak is one of the most interesting raw materials from forestry. What up to now has been cut in the primeval forests of Asia will no longer be available in the future, and where teak is available, it will no longer be permitted to be cut. The excellent qualities of the multipurpose tropical wood are particularly appreciated in Asia. As a result of the growing economic power of China, wood experts expect an even further increase in demand. Teakwood is also becoming more popular in America and Europe. Teak is one of the longest known and most valuable woods of Asia. Due to the high quality of the wood, teak is cultivated and harvested in numerous tropical countries worldwide.

Due to the extraordinarily good stand vigor and the high resistance to fungal decay, termites and chemicals, teakwood is a construction wood appreciated worldwide for special needs; as timber for framework constructions of all kinds, such as windows, garage and other doors, and for stairs, parquets, handrails and decorative claddings; in shipbuilding for deck planks and superstructures, as well as in the chemical industry for tubs, extractor hoods and washing towers; furthermore, in small blanks for arts-and-craft objects, carvings, nameplates, household goods, decorative packaging and foundation planks; due to the beautiful, appealing wood pattern as veneer for furniture, panels and all forms of decorative design.

The excellent characteristics of teakwood are the very low extent of shrinkage (only about half that of oak wood for instance), the extraordinarily high weather resistance (water-repellent due to the natural oil content) and the preserving characteristics, which prevent metal fittings and splices from corroding.

Worldwide the area covered by teak plantations is currently an estimated 6.0 mn ha; 5.5 mn ha are located in Asia (i. e. 43 % thereof in India, 31 % in Indonesia, 7 % in Thailand, 6 % in Myanmar, 3 % in Bangladesh and 2 % in Sri Lanka); plantations are also operated in Africa (0.3 mn ha) with 5.0 % of the global distribution of teak, and in South America (0.2 mn ha) with 3 %.

Since the beginning of the 20th century teak has been planted in South America; in Costa Rica since 1929; the commodity offered in Costa Rica is supplied by local farmers, traditional plantations and intensive plantation management.



The marking shows the location of the plantation areas owned by THI AG in the Parrita region at the protected Pacific coast of Costa Rica.

##### Plantation – conditions and lifecycle

Teakwood plantations of Teak Holz International AG (THI AG) are located at the Pacific coast of Costa Rica. The western part of the country is protected by the foothills of the Cordilleras particularly against any storms from the Caribbean Sea, so that in the past decades no storms occurred. The seasonally wet climate (full-blown rainy seasons followed by a dry period of several months) and the slightly hilly landscape at approx. 100 to 600 meters above sea level provide the ideal conditions for the cultivation of teak in this region.

The high rainfalls and the previously extensive use as grassland have left a soil which is to be characterized as very suitable

with regard to its mechanical properties and its depth, but low in nutrients. In order to provide soil conditions for the teak tree, under which it can be optimally supplied with nutrients and grow rapidly, the missing nutrients are applied to the soil. At the onset of the annual rainy season in April the seedlings are planted, which had previously been raised from high-quality seeds. Approx. 1,100 young plants are planted on one hectare. Past experience shows that this planting density guarantees the optimal development of plantations.

In order to best promote the fast growth of the trees, the plantation is freed from scrub. This way it is prevented that other plants deprive the soil of nutrients and cast shadow on the young teak plants. The cut scrub remains as natural fertilizer on the soil and thus protects the plantation base. The areas reforested with teakwood are crossed by natural forest areas and rivers. The so-called “quebradas”, which are protected areas, provide important habitats for fauna and flora.

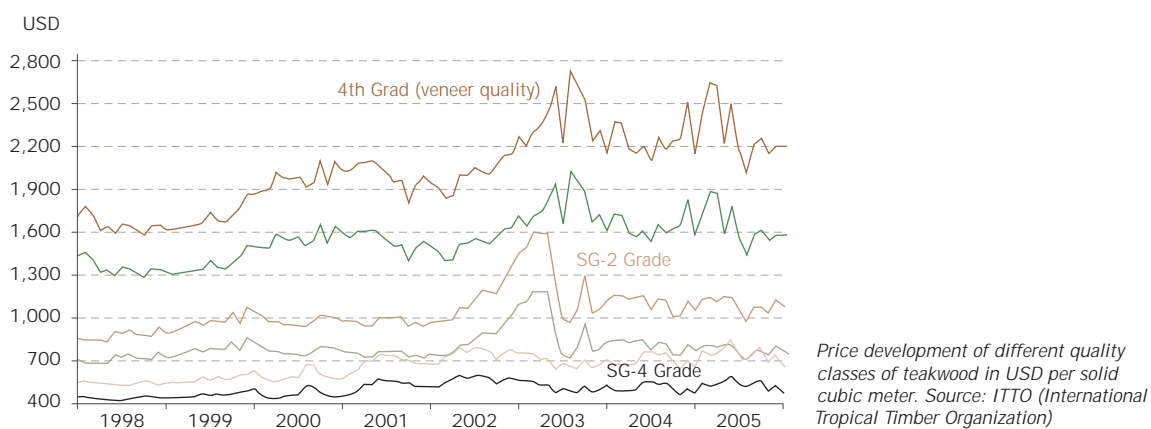
All measures taken on the plantations are organized by several Austrian-trained forest experts and monitored periodically in accordance with the latest scientific findings. A staff of trained local workers is employed over the entire year. In peak times (e.g. during the planting or thinning) additional persons are temporarily employed, depending on demand.

The teak plant grows fast and, under ideal conditions, after one year the trees can reach a height of up to three meters and a diameter of four to five centimeters. With the growth in height and the increase in diameter, the value of the tree also rises steadily.

The intensive plantation care allows for a significantly later thinning, without slowing down the speed of growth. As soon as, despite individual tree care – possibly due to competitiveness – a reduced growth can be observed with individual trees, parts of the trees are removed. According to the current state of knowledge, the thinning is performed for the first time approximately after the eighth vegetation period. The intervention is carried out according to scientific criteria and is aimed at creating the best growth conditions for the trees remaining in the plantations for approximately an additional seven years.

Approximately as of the 15th year after the planting, the trunks can have diameters of around 40 cm and more and the final cutting of the teak trees can be made. The wood is either sold directly from stock or the cut trunks are loaded into containers for transportation. After the harvest the preparation of the soils starts for the reforestation and replanting of the plantation areas.

Accordingly, only the current costs for planting and managing the plantations are included in the fiscal year. These expenses are not yet matched with revenues from the sale of teakwood. Material income at the group level relates to the increase in value of the plantations in Costa Rica. The selling price of teakwood on the world market is strongly influenced by the quality of the wood.



## The Company

Teak Holz Invest GmbH, once founded as Pp7 Projektpartner Immobilienreuehand & Unternehmensberatung GmbH, as of January 26, 2007 was transformed into Teak Holz International AG, an Austrian company based in Linz.

Teak Holz International AG specializes in sustainable teak forest investment in Costa Rica. The Group focuses on the search for and afforestation of land suitable for the production of the tropical teakwood, on research, development, the care and intensive raising of teak plantations, and the distribution of the valuable teakwood.

### In the past fiscal year the Company acquired the following plantation companies:

- Finca De Los Austriacos, S.A., Costa Rica
- Finca De Los Austriacos Numero Dos, S.A., Costa Rica
- Finca De Los Austriacos Teca Tres, S.A., Costa Rica
- Finca De La Teca, S.A., Costa Rica
- Plantacion Austriaca Teca, S.A., Costa Rica
- Segunda Plantacion Austriaca Teca, S.A., Costa Roca,

### In addition, further investments were acquired to align the structure of the Group:

- Servicios Austriacos Uno, S.A., Costa Rica
- Teak Holz Handels- und Verarbeitungs GmbH, Linz

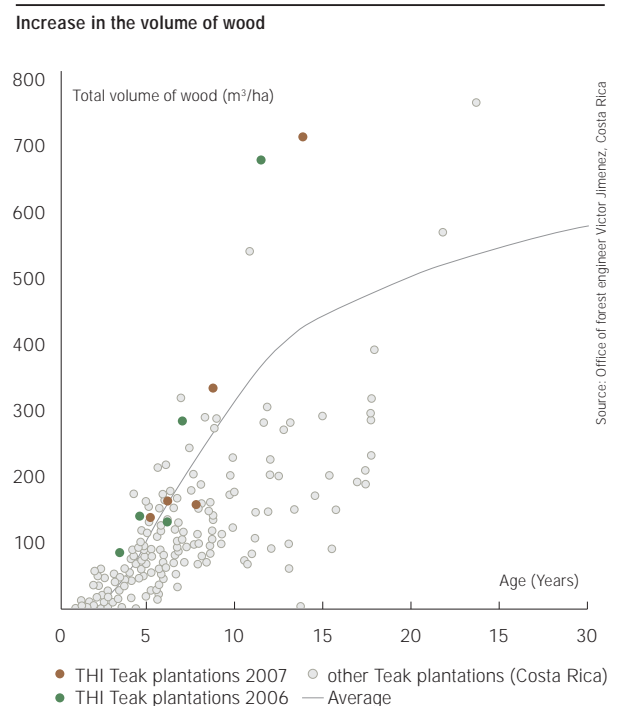
THI AG currently owns 1,934 ha of teak plantation areas in Costa Rica. The area of Wörthersee (Lake Wörther) in Austria or the area of the Frankfurt airport of also 19 km<sup>2</sup> shall be mentioned as illustrative comparison. THI AG plans to expand its plantation area to 4,500 ha within the next six to seven years.

### Increase in the volume of wood:

The surveying of the tree population of THI plantations by the office of forest engineer Victor Rodriguez in Costa Rica showed an average increase in volume of plus 28 m<sup>3</sup> per hectare within one year. The comparison included data collected in August 2007 (refer to the brown points in the following graph) and in August 2006 (green points). The graph shows the total volume per hectare of each THI plantation with tree populations with a stand age of more than three years. The values of THI move along the average growth line, some even lie significantly above it. The shift from green to brown represents the increase within the period under review.

Compared to that, many of the third-party teak plantations (grey points), despite their high age, have only below average volumes. According to the assessment it can be expected that the increases per hectare will grow even further as the plantations grow older.

The optimal selection of suitable areas and their preparation and fertilization, the use of best seeds and plants, the

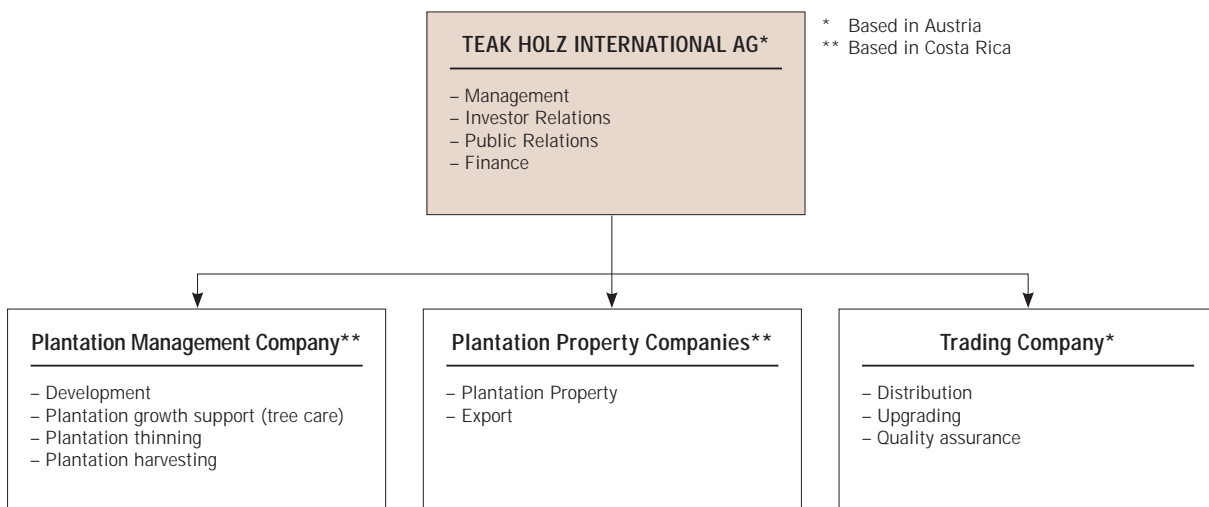




sustained care and cultivation of each individual tree by very well educated and trained workers can be mentioned as reasons for the above-average growth. The European scientific know-how and management expertise of THI AG applied in Costa Rica, together with social and ecological responsibility constitute a clear competitive advantage over competitors.

### Organizational structure

Teak Holz International AG is a management and financial holding company domiciled in Linz, Austria.



THI AG assumes the central leadership and management functions and coordinates and monitors the strategic and group-wide measures of THI Group.

The functional areas are: strategy, marketing, communication (investor relations, PR), organization, distribution and IT (information and communication technology), finance, treasury, controlling, law and audit, in addition the control of the operative areas plantation management, forestry and purchase. The subsidiaries of the THI Group are controlled by THI AG. This includes the plantation property companies (of the individual plantations) and the plantation management company domiciled in Costa Rica, and Teakholz Handels- und Verarbeitungs GmbH based in Austria.

In accordance with the strategic requirements of THI Group, it focuses on securing raw material resources. Plantation areas are managed under separate property companies after locating, evaluation and positive decision-making.

The operations of the individual plantations (the property companies) are transacted by a separate plantation management company. This includes all those forest-related functions (preparation of soils, establishment of infrastructure, preparation for new planting, afforestation, continuous tree care and growth support, thinning, final harvesting etc.).

Teakholz Handels- und Verarbeitungs GmbH, based in Austria, is responsible for the global distribution of the teakwood. Apart from the increase in the value added, the main focus is on the establishment and expansion of modern and efficient distribution structures. Research and development, as well as quality assurance are also located at this company.

The organizational structure of Teak Holz International AG provides for the transfer of up-to-date European forestry know-how and management expertise to Costa Rica and, at the same time, for the strengthening of entrepreneurship in the country.

### Initial public offering

On March 28, 2007 THI AG could successfully complete its IPO (initial public offering) on the Wiener Börse AG (Vienna Stock Exchange). The ordinary shares of THI AG (AT0TEAKHOLZ8) have been traded over the counter since March 29, 2007 in the “Standard Market Continuous” segment on the Wiener Börse AG. The issue price was EUR 9.

Inclusive of all 247,500 additionally placed new shares (greenshoe), the total number of shares issued by Teak Holz International AG is 6,241,032, 1,897,500 (30.4 %) of which is free float. Through the execution of the greenshoe the Company generated additional net issue proceeds of just under EUR 2.1 mn, which raises the total net issue proceeds of the Company generated from the IPO to approximately EUR 15.0 mn.

With the capital raised through the IPO, THI AG is able to implement its growth strategy. Thus, a large portion of the planned purchases of plantation areas (approx. 862 ha) could already be realized in the first quarter after the IPO.

### Changes in management

As of the beginning of the new fiscal year on October 1, 2007 all functions of the management board of THI AG were assumed by Mag. Reinhard Pfistermüller and Klaus Hennerbichler, who up to now had been members of THI AG’s management board. Now they also share those functions for which Mag. Johannes Hofer in his capacity as CEO had been previously responsible. Per September 30, 2007 Mr. Hofer left THI AG by mutual consent.

The position of the CEO has not been replaced. Due to the new distribution of functions in the management board, the continuous and future-oriented development of the Company is guaranteed. The clear focus on finance and plantation management will even further underscore this strategy. The distribution of functions is presented in the following:

MANAGEMENT BOARD	FUNCTIONAL AREAS
Mag. Reinhard Pfistermüller (CFO)	Finance, treasury, controlling, law and audit
Klaus Hennerbichler (COO)	Plantation management, forestry and purchase
Both managing directors	Strategy, marketing, communication, organization, distribution, IT

## 2. Financial and non-financial performance indicators

### a. Financial performance indicators

	FY 2006/07	PRIOR YEAR
Fully consolidated companies	8	0
Domestic	1	0
Foreign	7	0
Revenue	194 TEUR	584 TEUR
Increase in value of biological assets	23,186 TEUR	0 TEUR
EBITDA	20,966 TEUR	178 TEUR
EBIT	20,916 TEUR	163 TEUR
Consolidated profit for the year	14,321 TEUR	108 TEUR
Personnel expenses	1,199 TEUR	108 TEUR
Property, plant and equipment	11,132 TEUR	12 TEUR
Biological assets	111,459 TEUR	0 TEUR
Balance sheet total	133,272 TEUR	379 TEUR
Equity	109,452 TEUR	145 TEUR
Equity ratio	82.13 %	38.35 %
Cash and cash equivalents	6,021 TEUR	68 TEUR

### b. Non-financial performance indicators

VALUE DRIVERS OF THE GROUP	
Ordinary shares	6,241,032
Plantation sizes	1,934 ha
DEVELOPMENT OF PERSONNEL (headcount as of 9/30/2007)	
Austria	15
Costa Rica	150

### **3. Material events that occurred after the close of the fiscal year**

On October 22, 2007 Teak Holz International AG signed a cooperation agreement with DBM Fonds Invest GmbH (Delbrück Bethmann Maffei/ABN AMRO), domiciled in Frankfurt/Main, for the purpose of operating newly acquired teakwood plantations.

The cooperation between THI AG and DBM Fonds Invest GmbH for the purpose of creating plantation portfolios with already existing tree populations can be cited as a material content of the contract. It is planned to finance the acquisitions through one or more closed funds, with DBM taking the role of fund arranger and THI the role of project developer. Investments are to be made in portfolios of already existing teakwood plantations along the protected Pacific coast of Costa Rica. The cited areas have to have teak populations of various growth stages.

The definition of investment criteria, the composition of the individual portfolios, the purchase transaction, the management and care of these plantations, and the worldwide distribution of the valuable wood shall be made by THI AG and its subsidiaries. In addition, THI shall provide operational control of the joint future plantation holding companies. Furthermore, under the cooperation agreement the two parties guarantee exclusivity and the option to join any additional global tropical wood projects involving existing plantations. At the time the financial statements are prepared THI AG cannot comment on any details of possible fund placements, since the Company does not act as arranger.

No other material events have occurred after the close of the fiscal year.

## **II. REPORT ON THE EXPECTED DEVELOPMENT AND RISKS OF THE COMPANY**

### **1. Expected development of the Company**

Up to now, the activities of the THI Group have focused primarily on locating and analyzing areas in Costa Rica that are suitable for the planting and cultivation as teakwood plantations. After the decision to purchase certain properties, these areas were and are developed and prepared, and subsequently planted, fertilized and continuously cared for according to scientific criteria.

After years of preparations and related capital expenditure the first plantations have an age structure suitable for thinning.

---

The first interventions in the plantations are planned for the fiscal year 2007/2008.

Making a deliberately cautious assessment of the proceeds to be expected from the thinning, the following figures were assumed:

- removal of up to 500 trees per ha
- an economically usable wood production of approx. 0.2 m<sup>3</sup> per tree is assumed
- anticipated selling price of USD 400 per solid cubic meter

The revenues per ha are matched with the following costs incurred up to the time of thinning:

- average property costs of around USD 9,400 per hectare
- predicted costs per hectare until and including thinning of around USD 6,500

Crucial for the success of THI Group are the establishment of modern and efficient global distribution structures and the deepening of the value added chain. Teakholz Handels- und Verarbeitungs GmbH bears the operational responsibility for that.

The following developments on the market can have a positive impact on marketing successes:

- the current debate on climate change
- trading of CO<sub>2</sub> certificates from sustainable plantation management
- restriction or prohibition of tropical wood depletion in tropical primeval forests
- rising awareness of the problem and increased sensibility of buyers and consumers
- trend towards renewable raw materials in accordance with ecological requirements as sustainable investment
- inclusion of social aspects and social responsibility to workers
- rising prosperity in Asia, the traditional teakwood users
- the product qualities, advantages and variety of use of teakwood are increasingly known to and appreciated also by consumers in Europe and the USA
- increased demand for high-class wood qualities in the western industrial countries
- increased demand and limited supply usually results in price increase

## 2. Significant risks and uncertainties

Due to the young company history and the sustainable business model, risks and uncertainties exist.

### Personnel risk

- The know-how in distribution is currently still underrepresented with regard to experience. The future marketing objectives shall be reached through increase of and strengthening distribution.
- The management of the THI Group focuses on a few experts and decision-makers.
- The labor turnover in the THI Group, with the exception of the departure of a managing director, is negligible. The headcount is on the rise.
- Forest work in rainforest plantations is always risky. Through safety equipment, training and preventive first-aid facilities the risks shall not only be reduced, but prevented.

#### **Operational risk**

- The management of plantations in the free nature is subject to natural and climatic influences of various kinds (such as e.g. rain, storm, thunderstorm), which can reflect risks. That is why the selection of locations is so important, with the west coast of Costa Rica providing the best and relatively safest conditions.

#### **Business risks**

- Focusing on one particular country in Central America, Costa Rica, makes the Company dependent on the development of that country. Costa Rica, however, for a long time has had the most stable political and economic development of all Central American countries.
- The preproduction costs incurred in the past few years can only be covered with the wood harvest in subsequent years. Through upcoming thinning projects in the following fiscal years revenues can already be generated prior to final cuttings.
- THI Group also depends heavily on the future development of the distribution company. Thus, the resources, capacities and the know-how are being expanded further, in order to be able to use market opportunities.

#### **Financial risks**

With regard to financial risks, we refer to Item “19 Risk management” of the consolidated financial statements.

### **III. REPORT ON RESEARCH AND DEVELOPMENT**

The research and development activities of the THI Group are performed by the subsidiary Teakholz Handels- und Verarbeitungs GmbH. In addition to general research activities, the focus is currently on the project by the name of “Kompetenzzentrum Teak Austria”. The period from 03/2007 to 03/2009 has been fixed for these projects.

#### **Intended use of the project:**

THI AG expects significant results from the project in the areas growth capacity, quality assurance, material science and product certification, which shall provide the Company with a vital competitive edge in know-how over its competitors.

On the part of the principal, Teakholz Handels- und Verarbeitungs GmbH in Linz under the direction of the managing director, Ing. Wolfgang Allerstorfer, the following persons are also involved in the project: Klaus Hennerbichler (COO of THI AG), Markus Theiss and Martin Jachs.

---

Under this project cooperations exist with the following participating institutions and departments of the Universität für Bodenkultur – BOKU (University of Natural Resources and Applied Life Sciences) in Vienna:

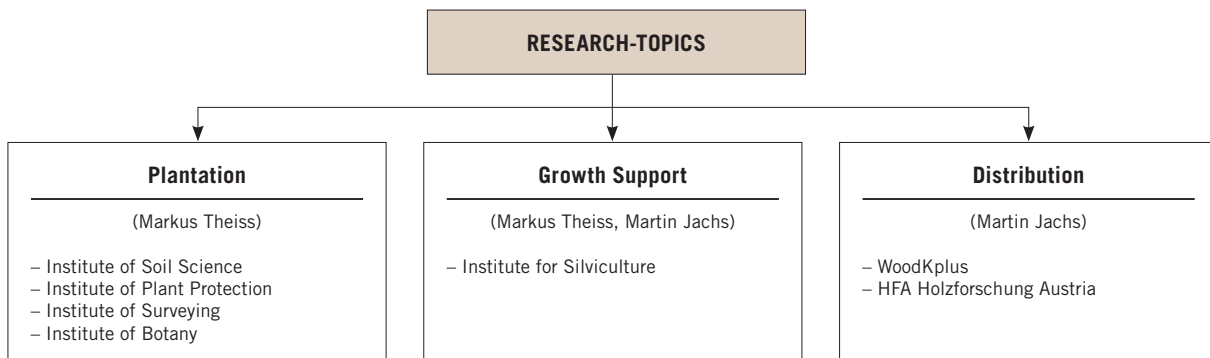
- WoodKplus – Institute of Wood Science (material science)
- WoodKplus – Institute of Marketing and Innovation
- BOKU – Institute of Surveying, Remote Sensing and Land Information
- BOKU – Institute of Soil Science
- BOKU – Institute of Plant Protection (Mycorrhiza)
- BOKU – Institute of Botany (plant physiology)
- BOKU – Institute of Silviculture (yield forecasts, management plans)

and:

- FFG Forschungsförderungsgesellschaft Österreich (Austrian Research Promotion Agency)
- HFA Holzforschung Austria (certification authority)

---

Structure/organization chart of research issues



The contents of the subprojects mentioned include the following:

1. **Compilation of an interactive forest map that has to be adaptable and extendable according to the growth strategy of the THI Group**

As first measure an overview map will be created, in which all plantations, the path network and further work-relevant data are included. This map contains the exposure of the areas and will serve for the preparation of the test set of all institutes involved and, subsequently, also for data collection.

2. **Growth optimization of the teak plant**

- a. Soil analysis: The analysis of the soil, together with the growth performances, locations up to the construction of paths will be of importance at each stage and for each institute.
- b. Plant physiology: promotion of growth through special treatment of scrub, fertilization and the like.
- c. Mycorrhiza: promotion of growth through optimized use of fungi cultures.
- d. Thinning measures: promotion of growth through selection of the optimal interventions through appropriate measures.

### 3. Yield forecasts, management plans

The objective of this subproject is the preparation of a yield forecast model, and the compilation of management options and their evaluation. Based on the findings made, these are applied for the selection of new areas. These data will continuously enter into the interactive forest map.

### 4. Material science

The definitions of material science serve for the technical description of the teakwood of THI Group. Among others, contents include: description of wood quality, mechanical and chemical properties, improvement of the natural durability, drying optimization, etc.

The data gained enter into the interactive forest map. This shall provide answers to questions like, "On which areas are the best material parameters gained and why?". All of these findings shall subsequently serve the selection of optimal new areas or the management plans.

### 5. Certifications by Holzforschung Austria (HFA)

All findings made in material science are then subjected to a certification by Holzforschung Austria with the objective to be present on the European market with technically certified wood, in order to create higher consumer confidence and strong customer relations.

### 6. Market research and analysis

Simultaneously to the research project, market surveys and market analyses are performed on the envisaged target markets to optimize the marketing of the teakwood.

## IV. DISCLOSURES IN ACCORDANCE WITH THE ÜBERNAHMERECHTS- ÄNDERUNGSGESETZ 2006 (LAW AMENDING THE ACQUISITION ACT)

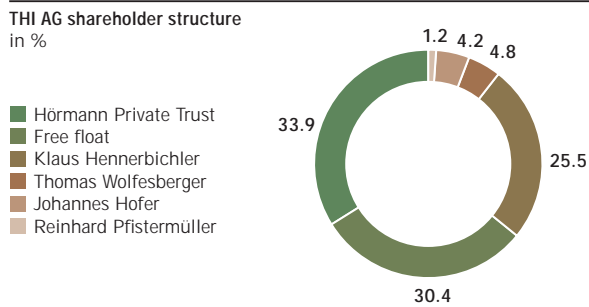
The share capital of the Company is made up of no-par bearer shares. According to the principle of "one share – one vote" all shares issued grant the same rights and obligations. No restrictions exist with regard to the voting rights or the transfer of shares and the management board is not aware of any agreements between shareholders restricting the voting rights or the transfer of shares.

The management board is aware of the following shareholdings of at least five percent as of the balance sheet date:

- Hörmann Privatstiftung (> 25 percent)
- Klaus Hennerbichler (> 25 percent)



As of the balance sheet date, the shareholder structure after the capital increase is as follows:



No shareholder has any special control rights.

Hörmann Privatstiftung (private foundation), Klaus Hennerbichler, Dr. Thomas Wolfesberger, Mag. Johannes Hofer and Mag. Reinhard Pfistermüller have undertaken to sell shares in the Company only after obtaining the consent of the contract partners.

The regulations regarding the appointment and recall of members of the management board are derived exclusively from the relevant provisions of the Austrian Stock Corporation Act 1965 (AktG) as amended.

The share capital of THI AG in the amount of EUR 31,205,160 is made up of 6,241,032 bearer shares. In the past fiscal year, capital reserves in the amount of EUR 4,212,300.70 were released.

The Company has not entered into any material contracts that take effect, change or end at a change in control over the Company as a result of a takeover bid.

With regard to the development/composition of the capital of the THI Group, we refer to the consolidated equity reconciliation included in the consolidated financial statements.

Linz, January 14, 2008

signed:  
Klaus Hennerbichler

signed:  
Mag. Reinhard Pfistermüller

## AUDITOR'S REPORT

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Teak Holz International AG (formerly Teak Holz Invest GmbH), Linz, for the financial year from October 1, 2006 to September 30, 2007. These consolidated financial statements comprise the balance sheet as of September 30, 2007, the consolidated income statement, cash flow statement and statement of changes in equity for the year ended September 30, 2007, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; 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 consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and 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 consolidated 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 internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of September 30, 2007 and of its financial performance and its cash flows for the financial year from October 1, 2006 to September 30, 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

Without qualifying our audit opinion, we draw attention to the fact that the Group is exposed to special risks which, by their nature, are typical of a growth company.

---

The consolidated financial statements as of September 30, 2007 show a consolidated profit for the year of TEUR 14,321. This results mainly from gains arising from changes in fair value of teak trees and hence represents just a book profit. Corresponding cash inflows arise only at the time the biological assets are sold.

The Group is dependent on the future economic development of its Costa Rican plantation companies and the activities of the distribution company. As explained in the comments to the consolidated financial statements under section “II. Comments to the consolidated balance sheet, 3. Biological assets in Costa Rica”, the teak trees planted and managed by the Costa Rican subsidiaries are not yet ready for the market. According to the plans of the Company, first harvest and wood sales of Costa Rican teak and related revenues are expected as of the fiscal year 2007/08. The management assumes that, as a result of the cash flows from the capital increase carried out in 2007 under an initial public offering, the further financing is secured. A significant delay or a failure in the afforestation or marketing can threaten the going concern of the Company in the medium term.

#### **Report on the Consolidated Management Report**

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the Group.

In our opinion, the management report for the Group is consistent with the consolidated financial statements.

Vienna, January 14, 2008

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

signed:  
Mag. Dr. Aslan Milla  
Austrian Certified Public Accountant

## REPORT OF THE SUPERVISORY BOARD

At its meetings during the 2006/2007 financial year, the Supervisory Board fulfilled the duties assigned to it by law and articles. The Managing Board provided regular reports concerning the course of business and the status of the company and its group subsidiaries.

Both the annual financial statements, the management report, as well as the consolidated financial statements and the group management report for the financial year from October 1, 2006 to September 30, 2007 were audited by the PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatung GmbH, Erdbergstrasse 200, A-1030 Vienna.

Following its conclusion, the audit led to no objections. The auditors confirmed that in accordance with the Austrian principles of orderly accounting, the annual financial statements conform with the legal statutes and provide as true and fair a view as possible of the company's asset and financial position as at September 30, 2007 and company earnings for the financial year from October 1, 2006 to September 30, 2007. Moreover, that the management report was consistent with the annual financial statements. In addition, the auditors confirmed that in accordance with the International Financial Reporting Standards (IFRS) as employed in the EU, the consolidated financial statements also conformed with the legal statutes and provided as true and fair view as possible of the group's asset and financial position as at September 30, 2007, as well as group earnings and cash flow for the financial year from October 1, 2006 to September 30, 2007. Moreover, that the group management report was consistent with the annual consolidated financial statements.

In a supplement to their opinion, the auditors noted that the company, respectively the group, are subject to risks, which are typical of an undertaking in the development phase. The Supervisory Board has held exhaustive discussions with the Managing Board concerning the existing risks, which are presented in the management report and the group management report. The Managing Board will report to the Supervisory Board regularly with regard to changes in the risk situation, especially during the installation of risk management, which should be fully operative from the beginning of the 2008/2009 financial year.

In their opinion relating to the consolidated financial statements, the auditors established that the consolidated net profit for the year of TEUR 14,321 constituted a purely unrealised profit and that inflows of funds will first result when the biological assets are sold. In their opinion relating to the financial statements, the auditors established that the net loss for the year could mostly be traced to personnel, administrative and consultation costs, which were not counterbalanced by appropriate sales revenues. The Supervisory Board held in-depth discussions with the Managing Board concerning the expenditure and earnings situation. The Managing Board reported that a large amount of the expenses incurred in the 2006/2007 financial year related to the increase in capital completed during this period and the IPO carried out in March 2007. As far as the company's earnings situation was concerned, the Managing Board explained that due to the holding function of the company, this has no separate income, but that such is expected in future from the operative activities of the group companies. The Managing Board also stated that due to the long-term nature of investments in teak, sales revenues in the coming years will derive initially from thinning and subsequently from the final clearing of the plantations. As explained in the group management statement, initial income from the operative activities of the group companies in Costa Rica is anticipated in the 2007/2008 financial year with a markedly upward trend in the following years.

The annual financial statements, management report, annual consolidated financial statements and group management report were discussed at a meeting of the audit committee on January 28, 2008. In its report to the Supervisory Board, the audit committee endorsed the result of the audit and following its examination of the management report, the group management report, the annual financial statements and the annual consolidated financial statements, and scrutiny of the management, came to

---

the final conclusion that no reason for objection existed. The Supervisory Board accepted the report of the audit committee and thus the result of the audit. Moreover, the final result of the examination of the management report, the group management report, the annual financial statements and the annual consolidated financial statements by the Supervisory Board also gave no cause for objection.

Thus the Supervisory Board accepted the annual financial statements, which in accordance with § 125 paragraph 2 of the AktG (Austrian Stock Corporations Act), are therefore taken as approved. The Supervisory Board also consented to the annual consolidated financial statements and the group management report.

The Supervisory Board proposes that PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatung GmbH, Erdbergstrasse 200, A-1030 Vienna be appointed as the auditors for the 2007/2008 financial year.

Linz, January 28, 2008

The Chairman of the Supervisory Board

signed:

Dr. Thomas Wolfesberger

## **DECLARATION OF THE MANAGING BOARD PURSUANT TO § 82 (4) (3) OF THE BÖRSEG (AUSTRIAN STOCK EXCHANGE ACT)**

We declare that to the best of our knowledge the consolidated financial statements prepared in accordance with the stipulated accounting principles provide as true and fair a view as possible of the Group's assets, finances and income, and that the group management report presents an accurate description of both the course of business, the business result and the status of the company, in order that a true picture is communicated, as well as the major opportunities and risks relating to probable group development.

Linz, January 14, 2008

The Managing Board

signed:  
Klaus Hennerbichler

signed:  
Mag. Reinhard Pfistermüller





**Teak Holz International AG**  
Investor Relations  
A-4040 Linz, Freistädter Straße 313  
[investorrelations@teakholzinternational.com](mailto:investorrelations@teakholzinternational.com)  
[www.teakholzinternational.com](http://www.teakholzinternational.com)  
Phone: +43 (0)732 / 90 89 09-90  
Fax: +43 (0)732 / 90 89 09-97