



**CONSOLIDATED FINANCIAL STATEMENTS  
OF TEAK HOLZ INTERNATIONAL AG, LINZ,  
AS OF SEPTEMBER 30, 2008**







---

#### Imprint

##### **Publisher**

Teak Holz International AG  
Investor Relations  
A-4040 Linz, Freistaedter Strasse 313  
Phone: +43 (0)70 / 908 909-91  
Fax: +43 (0)70 / 908 909-97  
rettenbacher@teak-ag.com  
www.teak-ag.com

FN 271414p, Linz Provincial Court  
UID: ATU 62255507  
ISIN: ATOTEAKHOLZ8  
Share abbreviation: TEAK

This 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 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 these consolidated financial statements have been translated into English for the convenience of the reader and that the German wording is the only legally binding version.**

Published  
German edition: January 29, 2009  
English edition: March 12, 2009

Photos: All photos from Teak Holz International AG  
Production: Ingeborg Schiller, Salzburg

## TABLE OF CONTENTS

### CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2008

#### CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2008

|   |    |
|---|----|
| GENERAL INFORMATION, CONSOLIDATED GROUP   | 4  |
| CONSOLIDATED INCOME STATEMENT<br>FROM OCTOBER 1, 2007 TO SEPTEMBER 30, 2008<br>(PRIOR YEAR FOR COMPARISON)            | 5  |
| CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2008<br>(PRIOR YEAR FOR COMPARISON)                                    | 6  |
| CONSOLIDATED CASH FLOW STATEMENT FROM OCTOBER 1,<br>2007 TO SEPTEMBER 30, 2008 (PRIOR YEAR FOR COMPARISON)            | 7  |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM OCTOBER 1, 2007<br>TO SEPTEMBER 30, 2008 (PRIOR YEAR FOR COMPARISON) | 8  |
| SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  | 9  |
| COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS   | 25 |
| <b>GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2007/08</b>  | 42 |
| <b>AUDITOR'S REPORT</b>   | 55 |
| <b>REPORT OF THE SUPERVISORY BOARD</b>  | 57 |
| <b>STATEMENT OF ALL LEGAL REPRESENTATIVES</b>   | 59 |

## GENERAL INFORMATION

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

On March 28, 2007, Teak Holz International AG made an initial public offering at the Vienna Stock Exchange. The shares of Teak Holz International AG have been traded on the Vienna Stock Exchange in the standard market continuous segment since March 29, 2007. Ticker symbol: TEAK, ISIN: AT0TEAKHOLZ8.

## CONSOLIDATED GROUP

As of the balance sheet date September 30, 2008, THI Group, in addition to Teak Holz International AG, includes eight subsidiaries (one of them domiciled in Austria and seven domiciled in Costa Rica). All subsidiaries were fully consolidated.

As of September 30, 2008 the consolidated group is as follows:

|   | COMPANY NAME                              | COUNTRY    | CORPORATE DOMICILE                         | SHARE 2007/0 |
|---|---|------------|--|--------------|
| 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 STATEMENTS

from October 1, 2007 to September 30, 2008 (Prior year for comparison)

| in Euro   | NOTES* | 2007/08          | 2006/07<br>TEUR |
|---|--------|------------------|-----------------|
| Revenue   |        | 311,257          | 194             |
| Gains arising from changes in fair value less point-of-sale costs of biological assets  | 3      | 6,549,193        | 23,186          |
| Changes in inventory  |        | -1,267           | -26             |
| Cost of materials and purchased services  |        | -349,418         | -139            |
| Personnel expenses  | 11     | -1,822,939       | -1,198          |
| Depreciation and amortization   |        | -127,637         | -50             |
| Other operating income  |        | 129,652          | 384             |
| Other operating expenses  | 12     | -2,057,282       | -1,435          |
| Earnings before interest and taxes (EBIT)   |        |                  |                 |
| <b>Betriebsergebnis (EBIT)</b>  |        | <b>2,631,559</b> | <b>20,916</b>   |
| Financial income  | 13     | 210,434          | 433             |
| Financial expenses  | 13     | -668,372         | -438            |
| <b>Financial result</b>   |        | <b>-457,938</b>  | <b>-5</b>       |
| <b>Earnings before taxes (EBT)</b>  |        | <b>2,173,621</b> | <b>20,911</b>   |
| Taxes on income   | 14     | 505,954          | -6,590          |
| <b>Consolidated profit for the year</b>   |        | <b>2,679,575</b> | <b>14,321</b>   |
| <b>thereof attributable to:</b>   |        |                  |                 |
| Equityholders of the parent company   |        | 2,679,575        | 14,321          |
| Minority shareholders   |        | 0                | 0               |
| <b>Earnings per share (EUR) attributable to the equityholders of the parent company</b> |        |                  |                 |
| - basic earnings per share  | 15     | 0.43             | 3.20            |
| - diluted earnings per share  |        | 0.43             | 3.20            |

\* NOTES: find comments on the consolidated financial statements, beginning page 25

## CONSOLIDATED BALANCE SHEET

as of September 30, 2008 (Prior year for comparison)

| in Euro   | NOTES | 9/30/2008          | 9/30/2007<br>TEUR |
|---|-------|--------------------|-------------------|
| <b>ASSETS</b>   |       |                    |                   |
| Intangible assets   |       | 9,830              | 1                 |
| Property, plant and equipment                                     | 2     | 11,365,338         | 11,132            |
| Biological assets   | 3     | 117,786,916        | 111,459           |
| Investments   |       | 0                  | 6                 |
| Trade receivables and other non-current assets                    |       | 197                | 0                 |
| Deferred tax assets   | 9     | 2,031,552          | 1,782             |
| <b>Non-current assets</b>   |       | <b>131,193,833</b> | <b>124,380</b>    |
| Inventories   |       | 382,311            | 174               |
| Financial assets (restricted cash)                                | 4     | 2,500,000          | 2,500             |
| Trade receivables   |       | 208,264            | 153               |
| Other receivables and current assets                              |       | 113,893            | 44                |
| Cash and cash equivalents   | 5     | 819,204            | 6,021             |
| <b>Current assets</b>   |       | <b>4,023,672</b>   | <b>8,892</b>      |
| <b>Total assets</b>   |       | <b>135,217,505</b> | <b>133,272</b>    |
| <b>EQUITY AND LIABILITIES</b>                                     |       |                    |                   |
| <b>Equity</b>   | 6     |                    |                   |
| Share capital   |       | 31,205,160         | 31,205            |
| Other reserves  |       | 59,535,605         | 61,785            |
| Earnings reserves   |       | 21,390,959         | 16,462            |
| <b>Equity attributable to equityholders of the parent company</b> |       | <b>112,131,724</b> | <b>109,452</b>    |
| Minority interests  |       | 325                | 0                 |
| <b>Total equity</b>   |       | <b>112,132,049</b> | <b>109,452</b>    |
| <b>Liabilities</b>  |       |                    |                   |
| Non-current financial liabilities                                 | 7     | 9,713,753          | 9,013             |
| Employee benefits   | 10    | 131,188            | 55                |
| Other non-current debt  |       | 7,072              | 13                |
| Deferred tax liabilities  | 9     | 7,417,625          | 7,680             |
| <b>Non-current liabilities</b>                                    |       | <b>17,269,638</b>  | <b>16,761</b>     |
| Current financial liabilities                                     | 7     | 4,580,254          | 5,978             |
| Trade payables  |       | 357,299            | 272               |
| Other current payables and accrued liabilities                    |       | 878,265            | 809               |
| <b>Current liabilities</b>  |       | <b>5,815,818</b>   | <b>7,059</b>      |
| <b>Total liabilities</b>  |       | <b>23,085,456</b>  | <b>23,820</b>     |
| <b>Total equity and liabilities</b>                               |       | <b>135,217,505</b> | <b>133,272</b>    |

## CONSOLIDATED CASH FLOW STATEMENT

from October 2007 to September 30, 2008 (Prior year for comparison)

| in Euro   | NOTE | 2007/08           | 2006/07<br>TEUR |
|---|------|-------------------|-----------------|
| <b>Cash flow from operating activities</b>  |      |                   |                 |
| Consolidated profit for the year  |      | 2,679,575         | 14,321          |
| Adjustments for:  |      |                   |                 |
| Depreciation/amortization   |      | 127,637           | 50              |
| „Gains / losses from the disposal of property, plant and equipment and intangible assets“ |      | 15,588            | 4               |
| Change in value of biological assets  | 3    | -6,549,193        | -23,186         |
| Change in employee benefits   |      | 76,181            | 55              |
| Interest expenses / income  | 13   | 457,938           | 5               |
| Other non-cash income / expenses  |      | 23,256            | -295            |
| Income taxes  | 14   | -505,953          | 6,590           |
|   |      | <b>-3,674,971</b> | <b>-2,456</b>   |
| Change in trade receivables and other assets  |      | -124,578          | 360             |
| Change in inventories   |      | 13,002            | 141             |
| „Change in trade payables, other debt and accrued liabilities“                            |      | 155,353           | 175             |
| <b>Changes in working capital</b>   |      | <b>43,777</b>     | <b>676</b>      |
| Interest paid   |      | -411,818          | -438            |
| Interest received   |      | 210,434           | 178             |
| Income taxes paid   |      | -5,982            | -1              |
| <b>Net cash flow from operating activities</b>  |      | <b>-3,838,560</b> | <b>-2,041</b>   |
| <b>Cash flow from investing activities</b>  |      |                   |                 |
| Acquisitions of subsidiaries (net of cash acquired)                                       |      | 0                 | -263            |
| Investments in biological assets  |      | 0                 | -3,597          |
| Investments in property, plant and equipment and intangible assets                        |      | -489,343          | -3,809          |
| Proceeds from the disposal of property, plant and equipment and intangible assets         |      | 84,100            | 0               |
| Investments in financial instruments (restricted cash)                                    |      | 0                 | -2,500          |
| <b>Net cash flow from investing activities</b>  |      | <b>-405,243</b>   | <b>-10,169</b>  |
| <b>Cash flow from financing activities</b>  |      |                   |                 |
| Payments received from issuing equity shares  |      | 0                 | 17,126          |
| Costs of issuing shares   |      | 0                 | -2,761          |
| Repayment of borrowings   |      | -2,500,000        | 0               |
| Payments from borrowings  |      | 1,542,486         | 3,922           |
| Dividends   |      | 0                 | -124            |
| <b>Net cash flow from financing activities</b>  |      | <b>-957,514</b>   | <b>18,163</b>   |
| <b>Change in cash and cash equivalents</b>  |      | <b>-5,201,317</b> | <b>5,953</b>    |
| Cash and cash equivalents as of October 1   |      | 6,020,521         | 68              |
| <b>Zahlungsmittel und -äquivalente zum 30. September</b>                                  |      | <b>819,204</b>    | <b>6,021</b>    |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| SHARE OF SHAREHOLDERS IN TEAK HOLZ INTERNATIONAL AG |       |                   |                   |   |                    |                    |
|---|-------|-------------------|-------------------|---|--------------------|--------------------|
| in Euro   | NOTES | Share capital     | Capital reserves  | „Retained earnings and earnings reserves“ | Minority interests | Total equity       |
| Balance as of October 1, 2006                       | 6     | 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   | 325                | 325                |
| <b>Total net income</b>                             |       | <b>21,389</b>     | <b>0</b>          | <b>14,444,854</b>                         | <b>325</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                 | 0                 | -2,071,673                                | 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        | 61,785,401        | 2,016,734                                 | 0                  | 94,985,906         |
| <b>Balance as of September 30, 2007</b>             |       | <b>31,205,160</b> | <b>61,785,401</b> | <b>16,461,588</b>                         | <b>325</b>         | <b>109,452,473</b> |
| Balance as of October 1, 2007                       |       | 31,205,160        | 61,785,401        | 16,461,588                                | 325                | 109,452,474        |
| Consolidated profit for the year                    |       | 0                 | 0                 | 2,679,575                                 | 0                  | 2,679,575          |
| <b>Total net income</b>                             |       | <b>31,205,160</b> | <b>61,785,401</b> | <b>19,141,163</b>                         | <b>325</b>         | <b>112,132,049</b> |
| Reclassifications                                   |       | 0                 | -2,249,796        | 2,249,796                                 | 0                  | 0                  |
| <b>Balance as of September 30, 2008</b>             |       | <b>31,205,160</b> | <b>59,535,605</b> | <b>21,390,959</b>                         | <b>325</b>         | <b>112,132,049</b> |



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented.

### 1. Basis of preparation

The consolidated financial statements as of September 30, 2008 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the provisions of the Austrian Commercial Code to be complied with pursuant to Section 245a UGB.

The consolidated financial statements have been prepared under the historical cost convention, 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 consolidated financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Item 20.

Those IFRS which are already mandatory for accounting periods ending September 30, 2008 are applied to all periods presented in these consolidated financial statements. The early adoption of individual statements was not made voluntarily.

For the purpose of clarity, amounts are rounded and – where stated – reported in thousands of euros. However, the exact amounts, including the digits not displayed, are used for calculations so that arithmetic differences may arise as a result.

The consolidated financial statements were prepared by the management and authorized for issue as of the date of signature. The separate financial statements of the parent company, which were included in the consolidated financial statements after transition 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.

#### a. Interpretation, new standards and amendments to standards effective in 2007/08

IFRS 7 – Financial instruments: Disclosures and IAS 1 (Amendment) Capital disclosures (mandatory for accounting periods beginning on or after January 1, 2007)

The first-time adoption of these amendments requires new disclosures on financial instruments, but does not result in any change with respect to classification and measurement of financial instruments included in the consolidated financial statements or disclosures on taxes as well as trade payables and other liabilities. The adoption of these amendments resulted in additional disclosures in connection with financial instruments, risk management, sensitivity analyses and market risks, as well as with the Company's capital management.

IFRIC 10 – Interim financial reporting and impairment (mandatory for accounting periods beginning on or after November 1, 2006). This standard did not have an impact on the Group's financial statements.

IAS 39 (Amendment) “Financial instruments: Recognition and measurement” and IFRS 7 (Amendment) Financial instruments: Disclosures – Reclassification of financial assets (effective from July 1, 2008). This standard did not have an impact on the Group’s financial statements.

**b. New standards and interpretations adopted by the European Union**

IFRS 8, “Operating segments”, (mandatory for accounting periods beginning on January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US Standard SFAS 131, “Disclosures about segments of an enterprise and related information”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The Company will apply IFRS 8 for accounting periods from October 1, 2009. The comparative figures of the previous periods have been adjusted accordingly.

IFRIC 11 “IFRS 2 - Group and treasury share transactions”, was adopted by the European Union in June 2007 and is mandatory for accounting periods beginning on or after March 1, 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Company’s financial statements.

**c. Standards, interpretations and amendments to published standards that have not yet been adopted by the European Union and which are not relevant for the Group**

The following standards, interpretations and amendments have already been published, but not yet adopted by the European Union:

IFRS 1 (Revised) “First time adoption” and IAS 27 (Amendments) “Consolidated and separate financial statements” – Recognition of the carrying amount of the interest held in the subsidiary in the IFRS separate financial statements of the parent company (mandatory for accounting periods beginning on or after January 1, 2009). This amendment does not have an impact on the Group’s financial statements.

IFRS 1 (Revised) “First time adoption” (Amendment) - Revision (mandatory for accounting period beginning on or after January 1, 2009). This amendment does not have an impact on the Group’s financial statements.

IFRS 2 (Amendment) “Share-based payment” (mandatory for accounting periods beginning on or after January 1, 2009). This amendment does not have an impact on the Group’s financial statements.

IAS 23 (Amendment) “Borrowing costs” (mandatory for accounting periods beginning on or after January 1, 2009). The Company does currently not have any qualifying assets requiring the capitalization of borrowing costs.

IAS 32 (Amendment) “Financial instruments: Presentation” and IAS 1 (Amendment) “Presentation of financial statements” – “Puttable financial instruments and obligations arising on liquidation” (the “Amendment”). The Company will apply these amendments for accounting periods from October 1, 2009.

IFRIC 13 “Customer loyalty programmes” (mandatory for accounting periods beginning on or after July 1, 2008). IFRIC 13 is not applied by the Company, since the business processes of the Company do not include any customer loyalty programmes.

IFRIC 14 “IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction” (mandatory for accounting periods beginning on or after January 1, 2008). This interpretation is not expected to have an impact on the Group’s financial statements.

Under the annual improvements project of the IASB a total of 20 standards were amended in May 2008. The amendments included the following:

IFRS 5 (Amendment) “Non-current assets held for sale and discontinued operations” and consequential amendment to IFRS 1 “First-time adoption” - Plan of partial disposal of a subsidiary that results in loss of control (mandatory for accounting periods beginning on or after July 1, 2009). The Company will apply these amendments for accounting periods beginning on October 1, 2009).

IAS 23 (Amendment) “Borrowing costs” (mandatory for accounting periods beginning on or after January 1, 2009) – Components of borrowing costs. The Company will apply the amendments prospectively for the capitalization of borrowing costs for qualifying assets from October 1, 2009.

IAS 16 (Amendment) “Property, plant and equipment” (mandatory for accounting periods beginning on or after January 1, 2009).

- Sale of assets held for rental,
- and recoverable amount.

The Company will apply the amendments from October 1, 2009.

IAS 19 (Amendment) “Employee benefits” (mandatory for accounting periods beginning on or after January 1, 2009).

- Plan curtailments and negative past service cost
- Expenses for the administration of the plan
- Term “fall due” is replaced by “due to be settled”
- Contingent liabilities

The Company will apply the amendments from October 1, 2009.

IAS 20 (Amendment) “Accounting for government grants and disclosure of government assistance” (mandatory for accounting periods beginning on or after January 1, 2009) – Accounting for below-market rate government loans. The Company will apply the amendments prospectively from October 1, 2009.

IAS 27 (Amendment) “Consolidated and separate financial statements” – Measurement of subsidiaries held for sale in the separate financial statements of the parent company (mandatory for accounting periods beginning on or after January 1, 2009). Measurement of subsidiaries held for sale in the separate financial statements of the parent company. The amendment does not have an impact on the Group’s financial statements.

IAS 28 (Amendment) “Investments in associates” (mandatory for accounting periods beginning on or after January 1, 2009)

- Prohibition of reversal of impairment and goodwill
- Disclosures on investments in associates and joint ventures

The amendment does not have an impact on the Group’s financial statements.

IAS 29 (Amendment) “Financial reporting in hyperinflationary economies” (mandatory for accounting periods beginning on or after January 1, 2009) – Description of the measurement basis in financial statements. The amendment does not have an impact on the Group’s financial statements.

IAS 36 (Amendment) "Impairment of assets" (mandatory for accounting periods beginning on or after January 1, 2009) – Disclosures in the notes on the determination of the recoverable amount based on the FVLCTS. The Company will apply the amendments from October 1, 2009.

IAS 38 (Amendment) "Intangible assets" (mandatory for accounting periods beginning on or after January 1, 2009)

- Advertising and sales promotion
- Amortization method to be used

The amendment does not have an impact on the Group's financial statements.

IAS 39 (Amendment) "Financial instruments: Recognition and Measurement" (mandatory for accounting periods beginning on or after January 1, 2009).

- Reclassification of financial instruments to or from the category "at fair value through profit or loss"
- Adjustment of the effective interest rate
- Hedging relationship and segment reporting

The Company will apply the amendments from October 1, 2009.

IAS 40 (Amendment) "Investment property" (mandatory for accounting periods beginning on or after January 1, 2009).

- Property that is under construction or development for future use as investment property.

The amendment does not have an impact on the Group's financial statements.

- Fair value cannot be measured reliably.

The amendment does not have an impact on the Group's financial statements.

IFRIC 12 "Service concession arrangements" (mandatory for accounting periods beginning on or after January 1, 2008). IFRIC 12 is not relevant to the Company's operations, since it does not operate in the public sector.

IFRIC 15 "Agreements for construction of real estates" (mandatory for accounting periods beginning on or after January 1, 2009). This interpretation is not expected to have an impact on the Group's financial statements.

The following amendments to standards (mandatory for accounting periods beginning on or after January 1, 2009) under the IASB's improvements project of May 2008 relate to changes in wording or editing, which have no or only insignificant effects on accounting:

- IFRS 7 (Amendment) – Presentation of the financial result
- The amendment of IAS 8 "Accounting policies, changes in accounting estimates and errors" - guidelines
- IAS 10 (Amendment) "Events after the reporting period" – Dividends approved after the balance sheet date, but before the financial statements were authorized for publication
- IAS 18 (Amendment) "Revenue" – Cost of floating a loan
- IAS 20 (Amendment) "Accounting for government grants and disclosure of government assistance" with regard to the terms contained to other IFRS
- IAS 29 (Amendment) "Financial reporting in hyperinflationary economies". Adjustment of terms
- IAS 34 (Amendment) "Interim financial reporting" – Amendment regarding "earnings per share"
- IAS 40 (Amendment) "Investment property" – Adjustment in terminology of IAS 8.
- IAS 40 (Amendment) "Investment property" – Property held as investment property
- IAS 41 (Amendment) "Agriculture" – Adjustment in terminology
- IAS 41 (Amendment) "Agriculture" – Modification of an example



**d. Standards, interpretations and amendments to published standards not yet adopted by the European Union**

The following standards, interpretations and amendments have already been published, but not yet adopted by the European Union:

IAS 41 (Amendments) "Agriculture" (mandatory for accounting periods beginning on or after January 1, 2009).

- Additional biological transformations in the calculation of the fair value
- Market interest rate in the discounting of future cash flows (permitted use of an after-tax interest rate)

These amendments are unlikely to have an impact on the consolidated financial statements.

IFRS 3 (revised) "Business combinations" and IAS 27 (Amendments) "Consolidated and separate financial statements" (mandatory for accounting periods beginning on or after July 1, 2009). In case of future business combinations that fall under the scope of this standard, the Company will apply the amended standards for accounting periods beginning on or after October 1, 2009.

IAS 1 (Amendment) "Presentation of financial statements" and "IAS 1 (2007)" replace the existing IAS 1 (mandatory for accounting periods beginning on or after January 1, 2009). The Company will apply IAS 1 (Amendment) for accounting periods beginning on or after October 1, 2009.

IAS 39 (Amendment) "Financial instruments: Recognition and measurement" – Underlyings permitted to be designated as a hedge (revised July 2008 - mandatory for accounting periods beginning on or after July 1, 2009). The adoption of this amendment to the standard is unlikely to have an impact on the Company's consolidated financial statements.

IFRIC 16 "Hedges of a net investment in a foreign operation" (mandatory for accounting periods beginning on or after October 1, 2008). The adoption of this interpretation is unlikely to have an impact on the Company's consolidated financial statements.

IFRIC 17 "Distributions of non-cash assets to owners" (mandatory for accounting periods beginning on or after July 1, 2009). The adoption of this interpretation is unlikely to have an impact on the Company's 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 intercompany 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 interest-bearing loans, credits and expenditure. Group assets, as well as income and expenses are included in the Austria segment.

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 past fiscal year, the sales company Teak Holz Handels- und Verarbeitungs GmbH, Linz, generated an insignificant amount of revenue from the sale of finished products, but in the future will almost exclusively take over the distribution activities for the Costa Rican subsidiaries. For this reason, this company is not presented separately in the segment reporting.

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 teak wood 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 Teak Holz International AG, Linz. 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 consolidated 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.

The exchange rates used are as follows:

| in Euro | PERIOD-END RATE<br>9/30/2008 | PERIOD-END RATE<br>9/30/2007 | AVERAGE RATE<br>2007/2008 | AVERAGE RATE<br>2006/2007 |
|---------|------------------------------|------------------------------|---------------------------|---------------------------|
| TCRC*   | 0.81554                      | 0.750                        | 0.788                     | 0.702                     |
| USD     | 1.44487                      | 1.423                        | 1.504                     | 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 consolidated 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    |

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 almost 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 valuable teak wood (plantation development), the care and intensive raising of teak plantations (operation), as well as the distribution of the valuable teak wood.

Biological assets with a life cycle of many 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 consolidated 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 consolidated balance sheet mainly comprise cash and cash equivalents, trade receivables, other assets, 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 consolidated income statement in the period in which they occur.

In the reporting year and in the prior fiscal year the Company had no derivative financial instruments.

### 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 teak wood (less a lump sum payment for selling expenses, harvest costs and administrative expenses) depending on the value of the teak wood 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 teak wood 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 from sales. This is carried out after the harvest of the teak trees (selling, care, harvest costs) and dependent on the value of the teak wood 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 consolidated income statement. When a trade receivable is uncollectible, it is written off.

## 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 consolidated 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 5% (prior year: 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 consolidated income statement.

At the balance sheet date, the Company had no other provisions and contingent liabilities.

### 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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement in the period of contract termination.

## 18. Research and development

Expenses for research activities are expensed as incurred (2007/08: TEUR 186; 2006/07: TEUR 65).  
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.

At the balance sheet date, the distribution system of the Company is being established. In the past fiscal year, first harvests of Costa Rican teak were made. According to the Company's plans, wood sales and related revenues, however, are expected to be generated only as of the fiscal year 2008/09.

### 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.

If the exchange rate of the U.S. dollar as of September 30, 2008 (September 30, 2007) had changed by the percentage specified below („volatility“), the pre-tax profits, provided all other variables had remained constant, would have been higher or lower by the following amounts:

| Currency | Volatility | Hypothetical impact on result in TEUR |                    |
|----------|------------|---------------------------------------|--------------------|
|          |            | September 30, 2008                    | September 30, 2007 |
| USD      | +10%       | 21                                    | 254                |
| USD      | -10%       | -297                                  | -864               |

Fluctuations in the value of the Costa Rican colón would have had an insignificant effect on the consolidated profit for the year, provided all other variables had remained constant.

**d. Cash flow and 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.

Changes in market interest rates of fixed-interest original financial instruments only have an impact on the result, if these are measured at fair value. Consequently, all fixed-interest financial instruments measured at amortised cost are not subject to interest rate risks in terms of IFRS 7. Changes in market interest rates affect the interest result of variable-interest original financial instruments whose interest payments are not designated as underlyings under cash flow hedges against interest rate risks, and therefore are included in the calculation of the result sensitivities. If the market interest rate had been 100 basis points higher (lower), the result as of September 30, 2008 would have been lower (higher) by TEUR 53 (September 30, 2007: TEUR 54).

Due to the short maturity, the carrying amounts of trade receivables and other receivables and payables, as well as cash recognized in the balance sheet approximate the fair values.

**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 continues to secure the necessary liquidity, also through shareholder loans. In addition, the Company expects cash inflows from the first thinnings in the fiscal year 2008/09.

According to the forecasts, the management expects that the operating cash flow will again be negative in the fiscal year 2008/09. That is why in the fiscal year 2008/09 appropriate measures will be taken by the management to raise additional debt capital and thus meet the projected liquidity need in the future. Therefore, the going concern of the Company is supposed to be secured at least in the medium term.

**g. Capital risk management**

The objectives of the Group with regard to capital risk management are to ensure the Company's ability to continue as a going concern and to maintain an optimal capital structure. Up to the first major thinning revenues generated by the Group, the Company will be debt financed. The Group undertakes various measures to obtain borrowings at optimal conditions.

In order to monitor the capital structure, the Group calculates the gearing ratio from the proportion of net debt to total capital. Net debt consists of financial liabilities according the consolidated balance sheet less cash and cash equivalents. Total capital is calculated as equity according to the consolidated balance sheet plus net debt.

Another objective of capital risk management is to generate a suitable leverage effect. In this context, the management seeks to achieve a gearing ratio of a maximum of 25%. This is designed to ensure that in the future (even in case the planned parameters for the thinning and cutting measures fall short of expectations) the financing in any case will primarily be equity based.

| <b>in TEUR</b>                    | <b>2007/08</b> | <b>2006/07</b> |
|-----------------------------------|----------------|----------------|
| Non-current financial liabilities | 9,714          | 9,013          |
| Current financial liabilities     | 4,580          | 5,978          |
| Cash and cash equivalents         | -819           | -6,021         |
| Net debt                          | 13,475         | 8,970          |
| Equity                            | 112,132        | 109,452        |
| Total capital                     | 125,607        | 118,422        |
| Gearing ratio                     | 10.73%         | 7.58%          |

Material effects for the rise in the gearing ratio result from the increase in liabilities to minority share-holders and the holders of usufruct rights as well as from the negative cash flow of the past fiscal year, which diminished cash at the balance sheet date.

## 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. Furthermore, there are insignificant uncertainties regarding the recoverability of the deferred tax assets recognized on tax loss carryforwards.

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 3 in the notes to the consolidated 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 ON THE CONSOLIDATED FINANCIAL STATEMENTS

### Index

|  |    |
|--|----|
| 1. Segment reporting                               | 26 |
| 2. Property, plant and equipments                  | 28 |
| 3. Biological assets in Costa Rica                 | 29 |
| 4. Current financial assets (restricted cash)      | 32 |
| 5. Cash and cash equivalents                       | 32 |
| 6. Equity  | 32 |
| 7. Financial liabilities                           | 33 |
| 8. Additional disclosures on financial instruments | 34 |
| 9. Deferred tax assets and liabilities             | 36 |
| 10. Employee benefits                              | 37 |
| 11. Personnel expenses                             | 37 |
| 12. Other operating expenses                       | 37 |
| 13. Financial result                               | 38 |
| 14. Taxes on income                                | 38 |
| 15. Earnings per share                             | 39 |
| 16. Acquisitions of Costa Rican property companies | 39 |
| 17. Business combinations                          | 39 |
| 18. Number of employees                            | 39 |
| 19. Contingent liabilities                         | 39 |
| 20. Related party transactions                     | 40 |
| 21. Events after the balance sheet date            | 41 |

## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Segment reporting

| in Euro  | GEOGRAPHICAL SEGMENTS |                    |                   |                   |
|--|-----------------------|--------------------|-------------------|-------------------|
|  | Costa Rica            |                    | Austria           |                   |
|  | 30/9/2008             | 30/9/2007          | 30/9/2008         | 30/9/2007         |
| Revenue  | 0                     | 0                  | 311,257           | 193,877           |
| Gains arising from changes in fair value less point-of-sale costs of biological assets | 6,549,193             | 23,185,955         | 0                 | 0                 |
| Changes in inventories   | 0                     | 0                  | -1,267            | -26,259           |
| Other operating income   | 0                     | 294,916            | 129,653           | 89,483            |
| <b>Segment income incl. increase in value of biological assets</b>                     | <b>6,549,193</b>      | <b>23,480,871</b>  | <b>439,642</b>    | <b>257,101</b>    |
| <b>Operating result</b>  | <b>5,403,106</b>      | <b>22,171,408</b>  | <b>-2,771,547</b> | <b>-1,255,591</b> |
| Interest result  | -246,057              | 125,914            | -211,881          | -131,107          |
| Taxes on income  | -478,001              | -6,955,787         | 983,954           | 366,123           |
| <b>Profit/loss for the year</b>  | <b>4,679,048</b>      | <b>15,341,535</b>  | <b>-1,999,474</b> | <b>-1,020,575</b> |
| <b>Total segment assets</b>  |                       |                    |                   |                   |
| Property, plant and equipment and intangible assets                                    | 10,661,110            | 10,623,930         | 714,058           | 508,079           |
| Biological assets  | 117,786,916           | 111,458,975        | 0                 | 0                 |
| Other assets   | 34,722                | 46,072             | 3,989,148         | 8,852,872         |
| Deferred tax assets  | 0                     | 759,663            | 2,031,552         | 1,022,533         |
| <b>Total assets</b>  | <b>128,482,747</b>    | <b>122,888,640</b> | <b>6,734,758</b>  | <b>10,383,484</b> |
| <b>Total segment liabilities</b>   |                       |                    |                   |                   |
| Total liabilities  | 8,709,765             | 8,423,395          | 6,958,066         | 7.716.051         |
| Deferred tax liabilities   | 7,417,625             | 7,678,601          | 0                 | 1.603             |
| <b>Total liabilities</b>   | <b>16,127,390</b>     | <b>16,101,996</b>  | <b>6,958,066</b>  | <b>7,717,654</b>  |

|  | Consolidation |           | Group              |                    |
|--|---------------|-----------|--------------------|--------------------|
|  | 30/9/2008     | 30/9/2007 | 30/9/2008          | 30/9/2007          |
|  | 0             | 0         | 311,257            | 193,877            |
|  | 0             | 0         | 6,549,193          | 23,185,955         |
|  | 0             | 0         | -1,267             | -26,259            |
|  | 0             | 0         | 129,653            | 384,399            |
|  | <b>0</b>      | <b>0</b>  | <b>6,988,835</b>   | <b>23,737,972</b>  |
|  | <b>0</b>      | <b>0</b>  | <b>2,631,559</b>   | <b>20,915,817</b>  |
|  | 0             | 0         | -457,938           | -5,193             |
|  | 0             | 0         | 505,953            | -6,589,663         |
|  | <b>0</b>      | <b>0</b>  | <b>2,679,575</b>   | <b>14,320,960</b>  |
|  | 0             | 0         | 11,375,168         | 11,132,009         |
|  | 0             | 0         | 117,786,916        | 111,458,975        |
|  | 0             | 0         | 4,023,870          | 8,898,944          |
|  | 0             | 0         | 2,031,552          | 1,782,196          |
|  | <b>0</b>      | <b>0</b>  | <b>135,217,505</b> | <b>133,272,124</b> |
|  | 0             | 0         | 15,667,831         | 16,139,446         |
|  | 0             | 0         | 7,417,625          | 7,680,204          |
|  | <b>0</b>      | <b>0</b>  | <b>23,085,456</b>  | <b>23,819,650</b>  |

CONSOLIDATED  
 FINANCIAL  
 STATEMENTS

## COMMENTS TO THE CONSOLIDATED BALANCE SHEET

### 2. Property, plant and equipment

| in Euro                         | LAND<br>BUILDINGS    | FACTORY AND OFFICE<br>EQUIPMENT,<br>VEHICLE FLEET | TECHNICAL<br>EQUIPMENT AND<br>MACHINERY | TOTAL                |
|---------------------------------|----------------------|---|---|----------------------|
| <b>Acquisition cost</b>         |                      |   |   |                      |
| October 1, 2007                 | 10,414,688.25        | 341,003.17  | 434,956.05                              | 11,190,647.47        |
| Retransfers                     | 311,484.00           | -19,447.87  | -258,046.89                             | 33,989.24            |
| Additions                       | 165,372.76           | 300,717.00  | 12,279.35                               | 478,369.11           |
| Disposals                       | 0.00                 | -151,357.34                                       | -3,064.68                               | -154,422.02          |
| <b>September 30, 2008</b>       | <b>10,891,545.01</b> | <b>470,914.96</b>                                 | <b>186,123.83</b>                       | <b>11,548,583.80</b> |
| <b>Depreciation</b>             |                      |   |   |                      |
| October 1, 2007                 | 0.00                 | 42,707.36   | 15,931.27                               | 58,638.63            |
| Retransfers                     | 20,435.24            | 0.00  | -20,435.24                              | 0.00                 |
| Depreciation in the fiscal year | 25,518.22            | 40,469.20   | 29,191.31                               | 95,178.73            |
| Disposals                       | 0.00                 | 29,158.69   | 269.56                                  | 29,428.25            |
| <b>September 30, 2008</b>       | <b>45,953.46</b>     | <b>112,335.25</b>                                 | <b>24,956.90</b>                        | <b>183,245.61</b>    |
| <b>Carrying amount</b>          |                      |   |   |                      |
| October 1, 2007                 | 10,414,688.25        | 298,295.81  | 419,024.78                              | 11,132,008.84        |
| <b>September 30, 2008</b>       | <b>10,845,591.55</b> | <b>358,579.71</b>                                 | <b>161,166.93</b>                       | <b>11,365,338.19</b> |

#### PRIOR YEAR:

| in Euro                         | LAND<br>BUILDINGS    | FACTORY AND OFFICE<br>EQUIPMENT,<br>VEHICLE FLEET | TECHNICAL<br>EQUIPMENT AND<br>MACHINERY | TOTAL                |
|---------------------------------|----------------------|---|---|----------------------|
| <b>Acquisition cost</b>         |                      |   |   |                      |
| October 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>             |                      |   |   |                      |
| October 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>          |                      |   |   |                      |
| October 1, 2006                 | 0.00                 | 12,224.12   | 0.00                                    | 12,224.1             |
| <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> |

In the fiscal year 2007/08 rental and leasing expenses in the amount of TEUR 38 (prior year: 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:

|                            |           |
|----------------------------|-----------|
| Within the following year  | 28        |
| Between one and five years | 61        |
| <b>Total</b>               | <b>89</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. The long-term loan in connection with the acquisition of the corporate property Schöndorf was secured by mortgage (TEUR 520).

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 lifecycle of many 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.

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 teak wood 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 teak wood plantations“ does not exist. That is why the carrying amounts of biological assets are based on a reconciliation procedure from independent estimate to fair value.

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

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

The first interference (thinning, reduction of the number of trees) is scheduled to take place in the dry period of the 7th or 8th year of the plantation's existence as carefully as possible to prevent damage to the remaining trees. That is why these interferences are performed and supervised by the Company's own staff. At the end of the forest rotation period 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 care, forestation and estimated point-of-sale costs, taking into account an adequate growth allowance. In doing so, the following growth categories and allowances are used:

|                            |   |                      |
|----------------------------|---|----------------------|
| <b>1st growth category</b> | <b>Planting (year 0) - lignification (end of year 2)</b>        | <b>Allowance 40%</b> |
| <b>2nd growth category</b> | <b>Lignification (end of year 2) - thinning (end of year 8)</b> | <b>Allowance 20%</b> |
| <b>3rd growth category</b> | <b>Thinning - final cutting</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:**

|   |                       |
|---|-----------------------|
| in Euro                                 |                       |
| Carrying amount as of October 1, 2007   | 111,458,974.60        |
| Change in fair value                    | 6,549,193.28          |
| Harvest                                 | -221,252.00           |
| <b>Balance as of September 30, 2008</b> | <b>117,786,915.88</b> |

**Prior year:**

|   |                       |
|---|-----------------------|
| <b>Additions from contributions and purchases</b> |                       |
| 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> |

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

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

|   |                     |                      |
|---|---------------------|----------------------|
| in Euro                                       | <b>9/30/2008</b>    | <b>9/30/2007</b>     |
| Change in value of existing plantations       | 6,549,193.28        | -2,468,596.41        |
| Afforestation in the current year             | 0.00                | 25,654,551.60        |
| <b>Increase in value of biological assets</b> | <b>6,549,193.28</b> | <b>23,185,955.19</b> |

**Harvest**

As harvests in the meaning of IAS 41, which reduce the amount of biological assets, the Company regards the thinning and the final cutting. In the fiscal year 2007/08 the first thinning was carried out and the harvested timber in the amount of EUR 221,252.00 is recognized under inventories. The harvested timber has not yet been sold in the past fiscal year.



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

Die THI-Gruppe hält die Bewertung der Teakpflanzungen durch externe Bewertungsgutachten für gut abgestützt und 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 and the prices to be fetched in the future.

- 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 teak wood per hectare are taken from the forest. 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 teak wood per hectare are harvested.
- b. The estimated proceeds of 400 USD per m<sup>3</sup> for the wood generated in the thinning after 8 years, or the estimated proceeds of 800 USD per m<sup>3</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>3</sup>. 400 USD per m<sup>3</sup> can be fetched for a teakwood of merely between 14 and 15 cm in diameter, possibly 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 the standing tree 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 12.75% (prior year: 12.75%).

#### **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 2008/09, 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 2008/09 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, up to now, however, no such incidences occurred. The Company reduces this biological risk as far as possible through adequate preventive measures (e.g. cutting the weeds before the dry season, creating forest aisles and permanent monitoring). 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 plantations are protected against such storms from the Caribbean Sea by the Cordilleras with an altitude of more than 3,000 meters. According to all reports so far, no storms are known to have come from the Pacific side that would have damaged plantations. Even that side of Costa Rica open to the Pacific Ocean was spared by the cyclones affecting the Caribbean according to current reports. 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. Current financial assets (restricted cash)

Current financial assets include restricted cash deposited with banks in the amount of EUR 2,500,000. The restricted cash serves as collateral for a debt financing and matures on September 30, 2009.

#### 5. Cash and cash equivalents

| in Euro                                       | 9/30/2008         | 9/30/2007           |
|---|-------------------|---------------------|
| Cash and cash equivalents                     | 819,204.07        | 6,020,520.88        |
| <b>Cash and cash equivalents in cash flow</b> | <b>819,204.07</b> | <b>6,020,520.88</b> |

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

#### 6. Equity

##### Share capital

The share capital of Teak Holz International AG amounts to EUR 31,205,160.00 and is fully paid in. As of September 30, 2008 the number of (no-par value) ordinary shares was 6,241,032. Bearers of ordinary shares are entitled to dividends and have one vote per share at the general meeting.

##### Capital reserve

The release of capital reserves in the amount of EUR 2,249,796.63 (prior year: EUR 4,212,300.70) equals the net loss for the year reported in the financial statements of Teak Holz International AG, Linz, which was compensated by the release of reserves.

##### 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“.

##### Authorized capital

At the ordinary general meeting on February 22, 2008 the management board, subject to the approval of the supervisory board, was authorized to increase the share capital of the Company, possibly in several tranches, against cash contribution or contribution in kind by up to EUR 15,602,580 through the issue of up to 3,120,516 new bearer shares against cash contribution or contribution in kind to up to EUR 46,807,740 within 5 years as of the date the amendment to the articles of association is registered in the commercial register, and to set the issue price and conditions in consultation with the supervisory board. In addition, the management board is authorized, subject to the approval of the supervisory board, to exclude the subscription right of existing shareholders.

## 7. Financial liabilities

### Non-current financial liabilities

| in Euro                              | 9/30/2008           | 9/30/2007           |
|--------------------------------------|---------------------|---------------------|
| Secured loans from banks             | 671,493.53          | 279,500.00          |
| Unsecured loans from banks           | 364,500.00          | 310,500.00          |
| Usufruct rights                      | 1,912,565.95        | 1,868,521.04        |
| Liabilities to minority shareholders | 6,765,193.29        | 6,554,874.31        |
| <b>Total</b>                         | <b>9,713,752.77</b> | <b>9,013,395.35</b> |

The collateral for the bank loans includes a cover bill in the amount of EUR 279,500.00 and a mortgage on the premises and production facilities in Schöndorf in the amount of EUR 520,000.00.

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

### Maturities of non-current liabilities and loans:

| in Euro               | Carrying amounts    |                     | Cashflows            |                      |
|-----------------------|---------------------|---------------------|----------------------|----------------------|
|                       | 9/30/2008           | 9/30/2007           | 9/30/2008            | 9/30/2007            |
| Less than 1 year      | 1,497,383.10        | 0.00                | 1,665,983.60         | 0.00                 |
| Between 1 and 5 years | 1,188,509.27        | 2,268,305.88        | 1,387,101.34         | 2,815,380.25         |
| More than 5 years     | 7,027,860.41        | 6,745,089.47        | 22,083,866.32        | 22,180,327.36        |
| <b>Total</b>          | <b>9,713,752.78</b> | <b>9,013,395.35</b> | <b>25,136,951.26</b> | <b>24,995,707.61</b> |

The fair values correspond to the carrying amounts of the liabilities.

### Current financial liabilities

| in Euro                                       | 9/30/2008           | 9/30/2007           |
|---|---------------------|---------------------|
| Current portion of unsecured loans from banks | 0.00                | 2,500,000.00        |
| Liabilities to banks (overdrafts)             | 4,580,254.37        | 3,477,999.96        |
| <b>Total</b>                                  | <b>4,580,254.37</b> | <b>5,977,999.96</b> |

Liabilities to banks in the amount of EUR 3,994,758.32 are secured by restricted cash in the amount of EUR 2,500,000.00. The interest rate is 5.23% p.a.

The fair values correspond to the carrying amounts of the liabilities. The average interest rate of the liabilities to banks ranges between 4.625 and 6.375%. The interest rate for FFG loans is 2.00%.

## 8. Additional disclosures on financial instruments

Carrying amounts, amounts recognized and fair values according to measurement categories

| in Euro   | MEASUREMENT<br>CATEGORY PURSU-<br>ANT TO IAS 39 | CARRYING<br>AMOUNT<br>30/9/2008 | AMOUNT RECOGNIZED<br>IN BALANCE SHEET<br>PURSUANT TO IAS 39 | FAIR VALUE<br>30/9/2008 |
|---|---|---------------------------------|---|-------------------------|
|   |   |                                 | Amortised acquisition cost                                  |                         |
| <b>Assets</b>   |   |                                 |   |                         |
| Non-current financial assets  |   |                                 |   |                         |
| Available-for-sale financial assets   | AfS   | --                              | --  | --                      |
| Other   | LaR/n.a.  | 197                             | 197   | 197                     |
| Trade receivables   | LaR   | 208,264                         | 208,264   | 208,264                 |
| Current financial assets  |   |                                 |   |                         |
| Other receivables and assets  | LaR/n.a.  | 49,596                          | 49,596  | 49,596                  |
| Cash and cash equivalents   | LaR   | 819,204                         | 819,204   | 819,204                 |
| <b>Equity and liabilities</b>   |   |                                 |   |                         |
| Non-current financial debt and<br>other non-current liabilities               |   |                                 |   |                         |
| Usufruct rights   | FLAC  | 1,912,566                       | 1,912,566   | 1,912,566               |
| Liabilities to minority shareholders  | FLAC  | 6,765,193                       | 6,765,193   | 6,765,193               |
| Other   | FLAC  | 1,035,994                       | 1,035,994   | 1,035,994               |
| Trade payables  | FLAC  | 357,298                         | 357,298   | 357,298                 |
| Other liabilities   | FLAC  | 590,259                         | 590,259   | 590,259                 |
| Current financial liabilities   |   |                                 |   |                         |
| FLAC  | FLAC  | 4,580,254                       | 4,580,254   | 4,580,254               |
| Of which accumulated according to measurement<br>category pursuant to IAS 39: |   |                                 |   |                         |
| Loans and receivables (LaR)   |   | 3,577,261                       | 3,577,261   | 3,577,261               |
| Available-for-sale financial assets (Afs)                                     |   | --                              | --  | --                      |
| Financial liabilities measured at amortised<br>cost (FLAC)                    |   | 15,241,565                      | 15,241,565  | 15,241,565              |



## 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          |                      | LIABILITIES          |                      |
|---|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2007/08             | 2006/07             | 2007/08              | 2006/07              | 2007/08              | 2006/07              |
| Property, plant and equipment                       | 553.66              | 1,116.18            | -8,293.85            | -4,526.21            | -7,740.19            | -3,410.03            |
| Biological assets                                   | 23,480.25           | 740,578.90          | -7,401,954.36        | -7,696,365.48        | -7,378,474.11        | -6,955,786.58        |
| Inventories   | 0.00                | 0.00                | -55,313.00           | 0.00                 | -55,313.00           | 0.00                 |
| Tax advantage due to tax loss carryforwards         | 2,055,453.95        | 1,061,188.39        | 0.00                 | 0.00                 | 2,055,453.95         | 1,061,188.39         |
| <b>Gross amount deferred tax assets/liabilities</b> | <b>2,079,487.86</b> | <b>1,802,883.47</b> | <b>-7,465,561.21</b> | <b>-7,700,891.69</b> | <b>-5,386,073.35</b> | <b>-5,898,008.22</b> |
| Netting   | -47,935.77          | -20,687.88          | 47,935.77            | 20,687.88            | 0.00                 | 0.00                 |
| <b>Net amount deferred tax assets/liabilities</b>   | <b>2,031,552.09</b> | <b>1,782,195.59</b> | <b>-7,417,625.44</b> | <b>-7,680,203.81</b> | <b>-5,386,073.35</b> | <b>-5,898,008.22</b> |

### Tax loss carryforwards

As of September 30, 2008 THI Group has loss carryforward in the amount of EUR 11,330,495.05 (prior year: EUR 7,111,626.18), which will expire in the next years as follows:

| in Euro                                    |                     |                     |
|--|---------------------|---------------------|
| 2011/12                                    | 2,038,930.26        | 2,038,930.26        |
| 2012/13                                    | 1,146,087.26        | 0.00                |
| Unlimited                                  | 8,145,477.53        | 5,072,695.92        |
| Total                                      | 11,330,495.05       | 7,111,626.18        |
| Recognized as deferred tax asset           | -8,209,092.77       | -4,232,030.53       |
| <b>Unrecognized tax loss carryforwards</b> | <b>3,121,402.28</b> | <b>2,879,595.65</b> |

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.

### Changes in temporary differences during the year

| in Euro                                     | BALANCE              | CHANGE THROUGH    | BALANCE              |
|---|----------------------|-------------------|----------------------|
| Property, plant and equipment               | -3,410.03            | -4,330.16         | -7,740.19            |
| Biological assets                           | -6,955,786.58        | -422,687.53       | -7,378,474.11        |
| Inventories                                 | 0.00                 | -55,313.00        | -55,313.00           |
| Tax advantage due to tax loss carryforwards | 1,061,188.39         | 994,265.56        | 2,055,453.95         |
| <b>Total</b>                                | <b>-5,898,008.22</b> | <b>511,934.87</b> | <b>-5,386,073.35</b> |



| <b>Prior year:</b>                          |                              |  |                              |
|---|------------------------------|--|------------------------------|
| in Euro                                     | <b>BALANCE<br/>10/1/2006</b> | <b>CHANGE THROUGH<br/>PROFIT OR LOSS</b> | <b>BALANCE<br/>9/30/2007</b> |
| 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                 |
| <b>Total</b>                                | <b>0.00</b>                  | <b>-5,898,008.22</b>                     | <b>-5,898,008.22</b>         |

## 10. Employee benefits

| in Euro                              | <b>9/30/2008</b>  | <b>9/30/2007</b> |
|--------------------------------------|-------------------|------------------|
| Net liability on October 1           | 55,007.04         | 0.00             |
| Allocation                           | 76,180.68         | 55,007.04        |
| <b>Net liability on September 30</b> | <b>131,187.72</b> | <b>55,007.04</b> |

## COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

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

## 11. Personnel expenses

| in Euro                                 | <b>2007/08</b>      | <b>2006/07</b>      |
|---|---------------------|---------------------|
| Wages/salaries                          | 1,289,715.43        | 855,906.58          |
| Expenses for termination benefits       | 91,399.12           | 63,468.70           |
| Statutory social security contributions | 292,594.11          | 131,446.89          |
| Other personnel expenses                | 149,230.36          | 147,794.67          |
| <b>Total</b>                            | <b>1,822,939.02</b> | <b>1,198,616.84</b> |

Expenses for termination benefits include the contractual termination benefits of managing directors in the amount of EUR 76,180.68 (prior year: EUR 55,007.04).

## 12. Other operating expenses

| in Euro   | <b>2007/08</b>      | <b>2006/07</b>      |
|---|---------------------|---------------------|
| Legal, audit and consulting fees                | 365,629.12          | 159,036.63          |
| Other services, charges                         | 273,011.73          | 254,403.59          |
| Advertising and marketing                       | 255,988.39          | 58,475.05           |
| General administration                          | 247,395.11          | 387,100.79          |
| Automobile expenses                             | 225,215.15          | 119,331.19          |
| Research expenditure                            | 185,745.55          | 64,502.20           |
| Transport and travel expenses, further training | 170,900.03          | 89,746.73           |
| Other   | 333,397.41          | 302,269.82          |
| <b>Total</b>                                    | <b>2,057,282.49</b> | <b>1,434,866.00</b> |

### 13. Financial result

| in Euro  | 2007/08            | 2006/07          |
|--|--------------------|------------------|
| <b>Financial income</b>                                  |                    |                  |
| Interest income from bank deposits                       | 210,433.76         | 178,391.68       |
| Interest income minority interests and usufruct rights   | 0.00               | 254,363.89       |
| <b>Financial expenses</b>                                |                    |                  |
| Exchange rate differences                                | -2,190.21          | 0.00             |
| Interest expenses from bank liabilities / loans          | -411,817.58        | -437,949.08      |
| Interest expenses minority interests and usufruct rights | -254,363.89        | 0.00             |
| <b>Financial result - net</b>                            | <b>-457,937.92</b> | <b>-5,193.51</b> |

### 14. Taxes on income

| in Euro  | 2007/08           | 2006/07              |
|--|-------------------|----------------------|
| <b>Current tax directly recognized in equity due to capital measures</b> | 0.00              | -690,557.79          |
| <b>Tax recognized in the income statement</b>                            |                   |                      |
| Current tax of the fiscal year   | -5,981.48         | -1,097.34            |
| <b>Deferred taxes</b>  |                   |                      |
| Allocation and reversal of temporary differences                         | -482,330.72       | -6,959,196.61        |
| Income from recognized tax loss carryforwards                            | 994,265.56        | 1,061,188.40         |
| <b>Total income taxes in the income statement</b>                        | <b>505,953.36</b> | <b>-5,899,105.55</b> |

The tax burden of the Group differs from the theoretical tax burden based on the tax rate applicable in Austria, the corporate domicile of the parent company, as follows:

| in Euro  | 2007/08             | 2006/07              |
|--|---------------------|----------------------|
| <b>Taxable income</b>  | <b>2,173,621.00</b> | <b>20,910,623.48</b> |
| Tax at the applicable tax rate (25%)                                   | -518,990.13         | -5,227,833.46        |
| Effect of foreign tax rates  | 0.00                | -1,114,866.07        |
| Effect of permanently non-deductible expenses                          | -4,330.16           | -9,986.51            |
| Effect of non-taxable income   | 0.00                | 73,729.00            |
| Effect of tax loss carryforwards not accounted for/recognized          | -286,521.82         | -388,725.71          |
| Effect from the recognition of tax loss carryforwards from prior years | 226,070.16          | 0.00                 |
| Change in deferred tax liabilities due to tax planning                 | 1,159,297.76        | 0.00                 |
| Other  | -69,572.45          | 78,019.41            |
| <b>Total income taxes in the income statement</b>                      | <b>505,953.36</b>   | <b>-6,589,663.34</b> |

In the past fiscal year a transfer pricing model was developed under tax planning, according to which the future income from the sale of wood in Austria is subject to an income tax rate of 25%. The income tax rate in Costa Rica, by contrast, amounts to 30%.

## 15. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share as of September 30, 2008 was based on the profit share attributable to the ordinary shareholders in the amount of EUR 0.43 (prior year: EUR 3.20) and the average/mixed number of ordinary shares outstanding during the fiscal year 2007/08 in the amount of 6,241,032 (prior year: 4,474,302).

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

## 16. Acquisitions of Costa Rican property companies

In the past fiscal year 2007/08 no property companies were acquired.

## 17. Business combinations

In the past fiscal year 2007/08 no business combinations were formed.

## OTHER DISCLOSURES

## 18. Number of employees

The average number of employees was:

| in Euro          | 2007/08    | 2006/07    |
|------------------|------------|------------|
| Austria          | 23         | 15         |
| Costa Rica       | 83         | 150        |
| <b>THI Group</b> | <b>106</b> | <b>165</b> |

## 19. Contingent liabilities

As of the balance sheet date the Company has a liability from letters of credit 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 2007/08 the following persons served on the management board:

Mag. Reinhard Pfistermüller (CFO)

Klaus Hennerbichler (COO)

### In the fiscal year 2007/08 the following persons served on the supervisory board:

Dr. Thomas Wolfesberger (chairman of the supervisory board), until February 22, 2008

Mag. Alexander Hüttner, LL.M. (chairman of the supervisory board), since February 22, 2008

Erwin Hörmann (deputy chairman of the supervisory board)

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

Dr. Martin Pree (member of the supervisory board, chairman of the audit committee), since February 22, 2008

### Remunerations/emoluments of the management and supervisory board

| in Euro           | OTHER       |                  | BONUSES     |                  | MANAGEMENT BOARD REMUNERATIONS/SUPERVISORY BOARD EMOLUMENTS |                   |
|-------------------|-------------|------------------|-------------|------------------|---|-------------------|
|                   | 2007/08     | 2006/07          | 2007/08     | 2006/07          | 2007/08   | 2006/07           |
| Management board  | 0.00        | 49,208.47        | 0.00        | 71,515.14        | 373,200.00  | 240,000.00        |
| Supervisory board | 0.00        | 0.00             | 0.00        | 0.00             | 64,000.00   | 64,000.00         |
|                   | <b>0.00</b> | <b>49,208.47</b> | <b>0.00</b> | <b>71,515.14</b> | <b>437,200.00</b>   | <b>304,000.00</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:

Through the legal representation/consulting of Teak Holz International AG, Linz, by Saxinger, Chalupsky & Partner Rechtsanwälte GmbH, Linz (Mag. Alexander Hüttner, chairman of the supervisory board) current fees in the amount of TEUR 49 (prior year: TEUR 195) were incurred.

In December 2007 Teak Holz Handels- und Verarbeitungs GmbH, Linz, acquired a production facility and administration building in equal parts from Hörmann Privatstiftung, Linz, and Mr. Klaus Hennerbichler. The total amount was TEUR 153 and was paid in full.

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, Costa Rica, Servicios Austriacos Uno, S.A., Costa Rica, and Teak Holz Handels- und Verarbeitungs GmbH, Linz) and to Erwin Hörmann in the amount of TEUR 159 resulting from the acquisitions of subsidiaries (Segunda Plantacion Austriaca Teca, S.A, Costa Rica, Servicios Austriacos Uno, S.A., Costa Rica, and Teak Holz Handels- und Verarbeitungs GmbH, Linz).

Furthermore, financial liabilities exist to Erwin Hörmann (TEUR 149) and Klaus Hennerbichler (TEUR 2) in connection with the current business operations of Teak Holz Handels- und Verarbeitungs GmbH, Linz.

## 21. Events after the balance sheet date

By a loan agreement dated December 12, 2008 Hörmann Privatstiftung, Linz, grants a credit facility of up to TEUR 2,130, which can be used multiple times, to Teak Holz International AG, Linz. The liquidity inflow had occurred in full by January 7, 2009. The term to maturity is up to three years and the loan carries an interest rate of the 3M EURIBOR + a variable spread. The properties of the following Costa Rican subsidiaries serve as collateral for the obligation resulting from this loan agreement:

- Finca De Los Austriacos S.A.
- Finca De Los Austriacos Numero Dos S.A.
- Plantacion Austriaca Teca S.A.

As of the end of January 2009, Dr. Martin Pree transfers from the supervisory board to the management board. As of February 1, 2009, Dr. Martin Pree takes over the duties and responsibilities of the former CFO, Mag. Reinhard Pfistermüller, who resigns from Teak Holz International AG, Linz, as of January 31, 2009. From the beginning of February 2009, Dr. Pree, together with the second managing director, Mr. Klaus Hennerbichler (COO), will assume the key executive and managerial functions of the Group.

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 7, 2009.

Linz, January 7, 2009

The Management Board

signed:  
Klaus Hennerbichler

signed:  
Mag. Reinhard Pfistermüller

## GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2007/08

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

#### 1. Course of business

##### 1.1. General information on the teakwood industry

After oil and natural gas, wood is the world's third most important raw material. Among the wood species, the valuable teak wood (*Tectona grandis* Linn. f.) – it originates from South and Southeast Asia – is one of the most interesting species in forestry. Teak is one of the longest known and most valuable woods.

In the past century the demand for teakwood resulted in a deforestation and ruthless depletion of the primeval forests in the countries of origin, such as Malaysia, Indonesia, Myanmar, Laos, Thailand or in parts of India. As a result of this, soon after the complete depletion of some areas, new teak seedlings were planted on these areas. That is why in India, for instance, teak plantations have been operated for a long time. Due to the unrelenting interest in teakwood and the predictable end of teakwood reserves from the primary forests, teak plantations were established also outside Asia already at the beginning of the twentieth century.

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 valuable wood are particularly appreciated in Asia. As a result of the growing economic power of China and India, wood experts expect an even further increase in demand. Teakwood is also becoming more popular in America and Europe.

Worldwide the area covered by teak plantations is currently an estimated 6.0 million hectares (ha). The majority of this area, covering 5.5 million ha, is located in Asia. India alone accounts for 44%, Indonesia for 31%, 17% are located in Thailand, Myanmar, Bangladesh and Sri Lanka. Plantations are also operated in Africa (0.3 million ha) with 5.0% of the global distribution of teak, and in South America (0.2 million ha) with 3%. Since the beginning of the 20th century teak has been planted in Central and South America, in Costa Rica since 1929. The raw material offered in Costa Rica is supplied by local farmers, traditional plantations and intensive plantation management. In 2000 the area of teak plantations in Costa Rica was approx. 30,300 ha, which equaled 17% of the total plantation area of around 178,000 ha.

Verifiable sales prices of teakwood on the world market, as could be verified by the trade on wood exchanges, do not exist. The prices of Myanmar teak are quoted in the industry, since Myanmar is one of the main exporting countries of teakwood. However, the prices published regularly by the ITTO (International Tropical Timber Organization, Japan) for Myanmar teak can only be regarded as a reference value for teakwood from other countries of origin. Eventually, the price fetched on the market is determined individually in the sales transactions based on the wood quality of the individual load, even the individual tree.

##### 1.2. General information on teakwood

The valuable teak wood – occasionally referred to as “the diamond among wood species” – has been known for a long time and due to its many advantages and weather resistance is used comprehensively, for instance in shipbuilding. Appreciated in many applications is the fact that teakwood is water repellent and due to its weather resistance has many advantages particularly for exterior applications and can be left outside even during the winter.



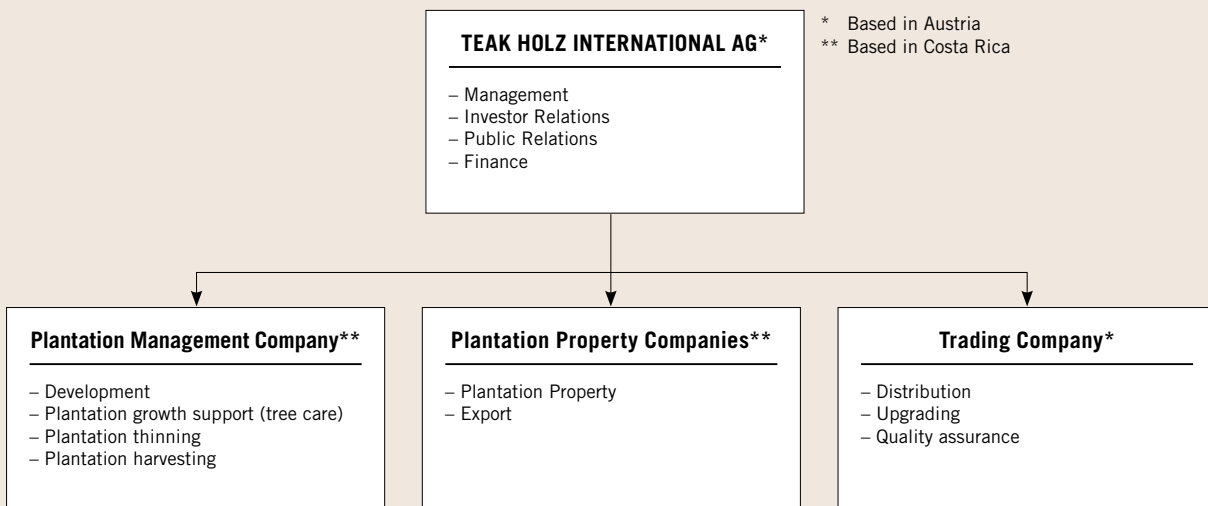
Teak has a pleasant, soft feeling surface, it does neither splinter nor form resin and is extremely sturdy. The high content of natural oils makes the wood extremely durable and solid with regard to density and shape. The excellent characteristics of teakwood are the very low extent of shrinkage (only about half that of oak wood) and the preserving characteristics, which prevent many metal fittings and splices from corroding. 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. Applications, such as terrace deckings, swimming pool frames, garden furniture, etc. are becoming better known and more popular also in the West.

### 1.3. The Company

Teak Holz International AG (THI) is a company specialized in sustainable teak forest investment in Costa Rica, listed on the Vienna Stock Exchange and is domiciled in Linz, Austria. The Company focuses on the search for and afforestation of land suitable for the production of the valuable teak wood (plantation development), the care and intensive raising of teak plantations (operation), and the worldwide distribution of the solid plantation teak wood as round timber, in blocks or as cut wood.

With the capital raised through the IPO (March 28, 2007) the Company was able to purchase additional land of about 862 ha in the fiscal year 2006/07, so that the currently cultivated plantation area totals approx. 1,934 ha. To illustrate the size, the area of Lake Wörthersee or the area of the Frankfurt airport, which also equals 19 km<sup>2</sup>, shall be mentioned. The teak plantations of THI are located at the protected Pacific coast of Costa Rica, where approx. 2.12 million teak trees are grown and taken care of on an individual basis. THI plans to expand its plantation area to approximately 4,500 ha by the year 2014.

The organizational structure of Teak Holz International AG is as follows:



THI assumes the central leadership and management functions and coordinates and monitors the strategic and group-wide measures of THI Group. The organizational allocation of the functions to the two managing directors was as follows in the fiscal year 2007/08:

| MANAGING DIRECTORS                | 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 |

As of the September 30, 2008, THI Group, apart from Teak Holz International AG, includes eight subsidiaries. All subsidiaries have been fully consolidated. Minorities are recognized as a separate item within equity.

|   | COMPANY NAME                              | COUNTRY    | CORPORATE DOMICILE                         | SHARE 2007/08 |
|---|---|------------|--|---------------|
| 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 %         |

The subsidiaries of the THI Group are controlled by THI AG. This includes the plantation holding companies (of the individual plantations) and the plantation management company (Servicios Austriacos Uno, S.A.) domiciled in Costa Rica, as well as Teakholz Handels- und Verarbeitungs GmbH domiciled in Austria.

In accordance with the strategic requirements of THI Group, it focuses on securing raw material resources. Plantation areas are managed under separate holding companies after locating, evaluation and positive decision-making. The operations of the individual plantations (the holding companies) are transacted by a separate plantation management company (Servicios Austriacos Uno, S.A.). This includes all those forest-related functions: soil analysis and fertilization, soil conservation, opening/creation of infrastructure, selection of high-quality seeds and plants, planting, constant individual care/ breeding of trees, pruning, mulching, several thinnings, harvest/ final cutting, preparation and planting of the next generation of trees etc. 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.

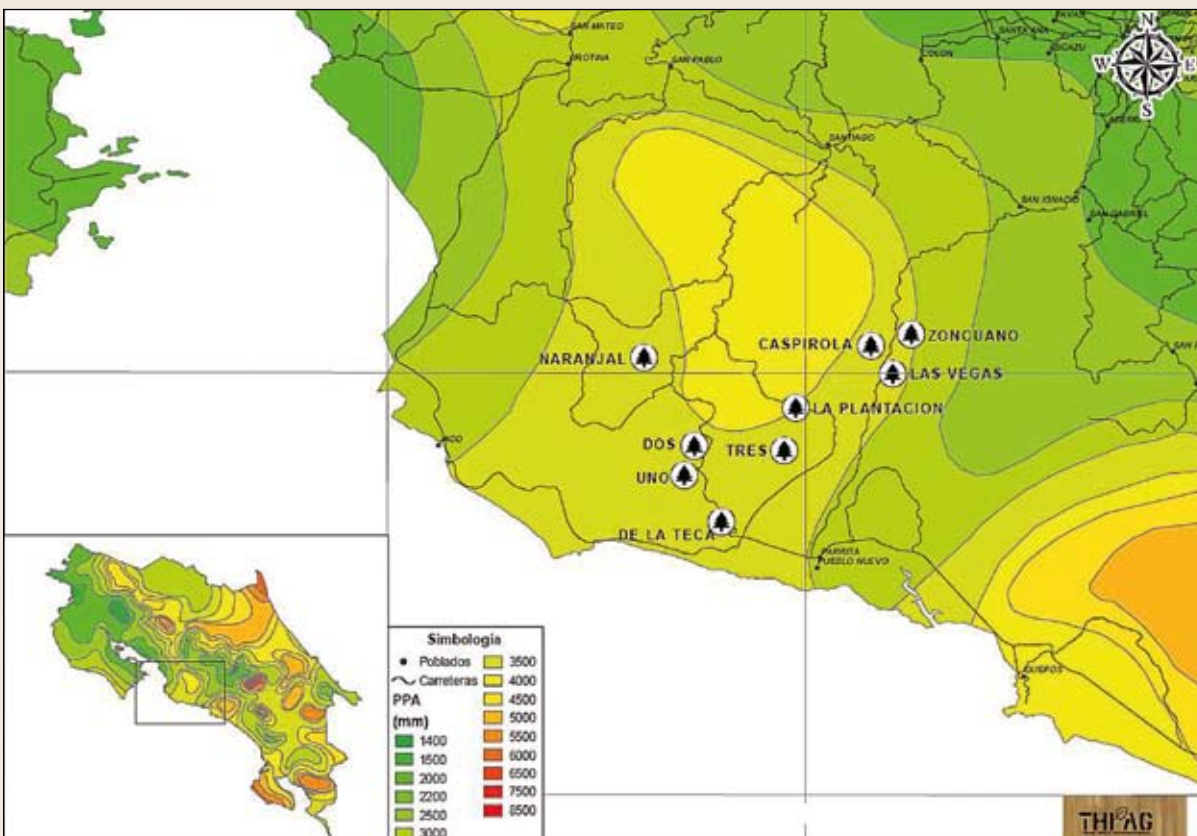
Teakholz Handels- und Verarbeitungs GmbH, domiciled in Austria, is responsible for the global distribution of the teakwood and the increase in the value added. Research and development, as well as quality assurance are also located at this company. The company also has its own production site in Austria, where wood is refined and transformed into individually planned products. These wood products, mainly for exterior applications such as terrace deckings or swimming pool frames, up to now have been sold exclusively in Austria.

Since August 2008 Teak Holz Handels- und Verarbeitungs GmbH has been holding a so-called „chain of custody“ certificate (SW-COC-003355), which allows the Company through the whole value chain to trade in and process FSC™ wood and to label these products with the FSC™ trademark. This way, buyers and consumers can be sure to obtain wood “from well managed forests”.

#### 1.4. General information on the teak plantations of THI

The teakwood plantations of THI 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 slightly hilly landscape at approx. 100 to 600 meters above sea level provides the ideal conditions for the cultivation of teak in this region.

In the Puntarenas province the annual amount of precipitation is approx. 1,300 – 2,500 mm, as illustrated in the map below. The majority of it occurs in the months May to November. In the rainy season, however, it does not rain every day and not all day, either. The rains usually start in the highlands in the early afternoon and reach the Pacific coast in the late afternoon. In the dry season (December to March) precipitation is less than 100 mm. The annual average temperature is 24°C and the seasonal fluctuations in temperature as well as those between day and night at approx. 2°C are relatively low.



Average annual amount of precipitations in the areas of THI plantations.

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 fast, the soils are analyzed in detail and any missing nutrients, lime or fertilizers are applied to the soils as needed.

At the onset of the annual rainy season in April the seedlings, which had previously been raised from high-quality, certified seeds, can be planted at a distance of approx. three times three meters. 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 mulch or 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.

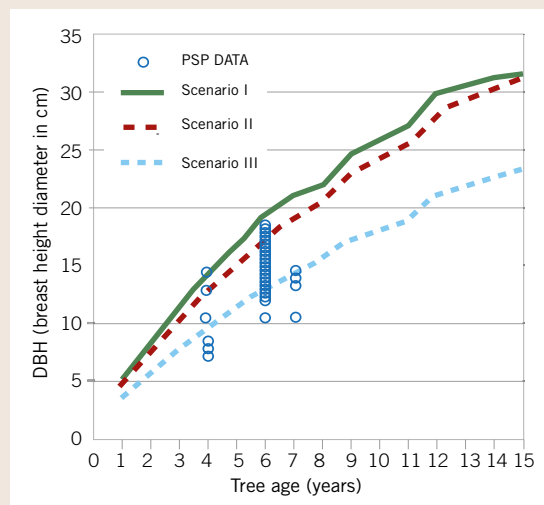
All measures taken on the plantations are organized by several Austrian-trained forest experts and monitored periodically in accordance with the latest scientific findings. A staff of trained local workers is employed over the entire year. In peak times (e.g. during the planting or thinnings) additional local workers are employed temporarily, depending on demand. The teak plant grows fast and, under ideal conditions, after one year 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. As soon as, despite individual tree care – possibly due to competitiveness – a reduced growth can be observed with individual trees, individual trees are removed. According to the current state of knowledge, tree removals of this type are performed in the third and in the fifth year according to scientific criteria. The first commercial interference is made approximately in the eighth year and is aimed at creating optimal growth conditions for the trees remaining in the plantations for the years to come. Approximately as of the fifteenth year after the planting the harvest (final cutting) of the teak plantation can be started. After the harvest the preparations start for the planting of the new generation of trees in the plantations.

### 1.5. Permanent sampling plots

The purpose of the growth forecasts is to be able to make well-founded predictions on the future growth of the plantations. However, even with the best data basis available at a respective time (see PSP) it is not possible to make reliable estimates and predictions regarding future events. It is in the nature of things that the growth of each tree is dependent on numerous influencing factors. Consequently, the growth of a plantation as a whole – as sum of the individual trees standing on it – also has to be assessed very specifically.

A network of so-called “permanent sampling plots” (PSP) was and is established in the plantations according to representative statistical criteria. Such an established measurement area has a radius of 12.62 meters and thus covers an area of 0.05 ha (500 m<sup>2</sup>). The location of each measurement plot is identified clearly by its GPS coordinates and documented electronically. In the plantations the PSP is clearly marked, as are all trees standing in this circular area. All PSP serve the recurring measurement to determine the growth.

In the measurement, which is performed annually during the dry season, among others the following data are collected: number of trees within a permanent measurement plot, breast height diameter (BHD) and height per tree. If the tree population changes, for instance due to thinning measures, these cut trees also



have to be measured exactly and included in the documentation. Measurement plots are also established in younger plantations (up to two years old), which, however, are smaller than the PSP and whose data are recorded in a simplified form. Following the recommendations and guidelines of external advisers and institutions, the growth forecasts are henceforth formulated using scenarios. In the following chart, for instance, the breast height diameters (BHD) of trees established in the PSP, illustrated in blue circles, are related to three growth curves for a 15-year period.

Scenario I (green) shows a possible growth trend according to the highest expectations. In addition, a more conservative scenario II (red) was calculated. The blue curve could illustrate the trend in the lower range.

The periodic measurements in the future will gradually lead to a refinement of the data material and continue to make the projections of the growth development more reliable. Scenario II or a higher trend towards scenario I represent the objectives of THI, which can be assessed as achievable through consistent optimal care of the plantations and which the Company continues to pursue.

### 1.6. Development in the past fiscal year

In the past fiscal year 2007/08 THI Group worked on the continued implementation of the intended growth strategy. Thus, in the area of forestry, comprehensive activities were undertaken in the plantations. On the one hand, routine measures were taken based on the long years of experience of our forestry experts, on the other hand, new methods were also implemented, which had been devised in our research and development projects. From a commercial and organizational perspective, the conditions were also gradually improved. The expansion of personnel resources resulted in an intensification of distribution activities at the national and also international level.

#### Activities in teak plantations of THI

In the second half of the fiscal year 2007/08 the organization of the Costa Rican subsidiary Servicios Austriacos Uno, S.A. was enhanced in order to be efficiently prepared for the internationalization of the distribution in the future. That is why in May 2008 a new commercial director was appointed.

In all plantations of THI soil analyses were carried out almost plantation-wide. The areas compacted by many years of livestock breeding decades ago are often over acidified. After determining the acid content of the soils, the need for and the right quantity of lime applications were determined. Lime is a proven and effective agent to neutralize the pH-value. Lime revitalizes the soils, has a fertilizing effect and is positive for the trunk formation. Moreover, dependent on the age of the tree population, individual breeding measures were performed, for instance selective prunings.

The teak seedlings planted on the plantations of Segunda Plantacion Austriaca Teca, S.A. in the fiscal year 2006/07 using mycorrhiza fungi cultures for the first time have developed very well. The removal of the scrub around the teak saplings enhances their growth. The supply with nutrients and water can also be improved through the so-called "terracing". Using this method – particularly in steeper areas – shallow pits are dug around the trunks and the grass is removed. It is necessary to cut the grass also in the dry period (December to April).

In addition to the comprehensive maintenance work in all plantations, the Company started to try different and even new types of thinnings on selected test areas. As a result, important findings could be established for the first commercial thinnings in the future, which will contribute to the increase in efficiency and profitability.

### **Distribution activities**

As of the beginning of February 2008, the position of marketing director/international sales manager was created at Teakholz Handels- und Verarbeitings GmbH, Linz. In addition to the increase in the value added, this position focuses on the establishment and expansion of modern and efficient international distribution structures. The resources for intensified measures in the national market were also improved. At the beginning of August 2008 a new managing director was appointed for Teak Holz Handels- und Verarbeitings GmbH, Linz. The key criteria in the selection included varied experience with teak, executive function performed in afforestation projects as well as sales know-how. The main focus of the tasks of the new managing director will be on intensifying sales at the national and international level and on continuing research activities.

In the fiscal year a wood drying plant was put into operation at the Schöndorf location. The plant is state-of-the-art and allows to exactly calibrate the specific degree of dryness for each wood species (teak and other wood) required for further processing. The standardized wood moisture optimizes the further processing and guarantees ideal wood qualities of the final products and, for that matter, high customer satisfaction.

Advertising measures were taken and the website ([www.TEAK-austria.com](http://www.TEAK-austria.com)) was completely relaunched in order to enhance the company profile and market penetration of Teakholz Handels- und Verarbeitings GmbH, Linz.

### **1.7. Events in the holding company**

The first consolidated financial statements of THI AG of the fiscal year 2006/07 were prepared and published in time on January 28, 2008. On February 22, 2008 the 1st ordinary general meeting of THI AG took place in Linz. The shareholders and guests present praised the informative annual report and the short film presented for the first time about the teak plantations in Costa Rica. All resolutions on the seven items of the agenda were adopted with overwhelming majority or unanimously by the shareholders. This also applies for the resolution on the authorization of the management board, subject to the approval by the supervisory board, to within five years increase the Company's share capital by up to half of the share capital held at the time the resolution was passed. All detailed voting results were published on the very day of the general meeting and made available online.

The supervisory board was re-elected for the term specified in the articles of association until the fiscal year 2011/12 and is composed as follows: Mag. Alexander Hüttner, LL.M. (NYU) has assumed the position of chairman of the supervisory board. As in the previous years, Mr. Erwin Hörmann serves as deputy chairman of the supervisory board and Gotthard Graf Pilati von Thassul zu Daxberg as member of the supervisory board. Dr. Martin Pree was newly elected to the supervisory board and also assumed the position of chairman of the audit committee.

## 2. Financial and non-financial performance indicators

### 2.1. Financial performance indicators

| Key figures in TEUR  | 2007/08 | 2006/07 | +/- %   |
|--|---------|---------|---------|
| <b>Teak Holz International AG, consolidated financial statements</b> |         |         |         |
| Fully consolidated companies   | 8       | 8       | 0.00    |
| Domestic   | 1       | 1       | 0.00    |
| Foreign  | 7       | 7       | 0.00    |
| Revenue  | 311     | 194     | 60.54   |
| Increase in value of biological assets                               | 6,549   | 23,186  | -71.75  |
| Consolidated profit for the year                                     | 2,680   | 14,321  | -81.29  |
| Personnel expenses   | 1,823   | 1,199   | 52.09   |
| Property, plant and equipment  | 11,365  | 11,132  | 2.10    |
| Biological assets  | 117,787 | 111,459 | 5.68    |
| Balance sheet total  | 135,218 | 133,272 | 2.41    |
| Equity   | 112,132 | 109,452 | 2.45    |
| Cash and cash equivalents  | 819     | 6,021   | -86.39  |
| <b>Profitability ratios::</b>  |         |         |         |
| Operating result (EBIT)  | 2,632   | 20,916  | -87.42  |
| Return on equity*)   | 2.35%   | 19.11%  |         |
| <b>Financial ratios:</b>   |         |         |         |
| Net debt*)   | 13,606  | 9,026   | 50.74   |
| Equity ratio*)   | 82.93%  | 82.13%  |         |
| Net gearing*)  | 12.13%  | 8.25%   |         |
| <b>Cash flow ratios:</b>   |         |         |         |
| Net cash flow from operating activities                              | -3,839  | -2,041  | 88.10   |
| Net cash flow from investing activities                              | -405    | -10,169 | -96.01  |
| Net cash flow from financing activities                              | -958    | 18,162  | -105.27 |

\* The calculation is made pursuant to KFS/BW 3 Empfehlung zur Ausgestaltung finanzieller Leistungsindikatoren im Lagebericht bzw. Konzernlagebericht (Recommendation on the disclosure of financial performance indicators in the management report or group management report).

### 2.2. Non-financial performance indicators

Since the Company serves as holding company of the THI Group, there are only few (material) non-financial performance indicators. The future development of THI depends heavily on the development and the growth of the Costa Rican teak plantations, as well as the subsequent sale of the wood by the sales subsidiary.

The forestry know-how can be stated explicitly as a non-financial performance indicator. Through the establishment of a research and development unit in the Group it can be ensured that the technical advancements in forestry as well as in tree nursing can be pursued on an ongoing basis and communicated to the relevant employees. Training and qualification measures are also an integral part of the Company's personnel development.



|  | <b>FY 2007/08</b> | <b>PRIOR YEAR</b> |
|--|-------------------|-------------------|
| Value drivers of the Group                           |                   |                   |
| Ordinary shares                                      | 6,241,032         | 6,241,032         |
| Plantation area                                      | 1,934             | 1,934             |
| Development of personnel (headcount as of 9/30/2008) |                   |                   |
| Austria  | 23                | 15                |
| Costa Rica   | 83                | 150               |

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

After Teak Holz Handels- und Verarbeitungs GmbH, Linz, had already been awarded a so-called “chain of custody” certificate (SW-COC-003355) from the environmental protection organization Rainforest Alliance in August 2008, the second operating THI subsidiary, Servicios Austriacos Uno, S.A., Costa Rica, was also FSC™ certified recently. In mid-November 2008 the plantation management company domiciled in Costa Rica was awarded the forestry certificate (SW-FM-003610). The certificate certifies that four teak plantations (Finca Uno, Finca Dos, Finca de la Teca and Finca Naranjal) with a total area of 850 hectares comply with the principles of the “Forest Stewardship Council”.

The certification was performed by the international environmental protection organization Rainforest Alliance (SmartWood Program). It will continue to check on a regular basis whether FSC™ principles are complied with. The certificates are valid for five years. Note: “Not included under the scope of the certificate is the product chain (“chain of custody”), so that Servicios Austriacos UNO, S.A. is not able to sell certified wood of these plantations. “FSC™ and Rainforest Alliance/SmartWood are not responsible for any claims of financial nature on income from capital investments and do not confirm them.”



For more detailed information on the Forest Stewardship Council (FSC) and Rainforest Alliance (SmartWood Program) please refer to the following websites:

[www.fsc.org](http://www.fsc.org)    [www.fsc-deutschland.de](http://www.fsc-deutschland.de)                      [www.ra.org](http://www.ra.org)    [www.rainforest-alliance.org/index\\_german.cfm](http://www.rainforest-alliance.org/index_german.cfm)

#### Strengthening the liquidity

By a loan agreement dated December 12, 2008 Hörmann Privatstiftung, Linz, grants a credit facility of up to TEUR 2,130, which can be used multiple times, to Teak Holz International AG, Linz. The liquidity inflow had occurred in full by January 7, 2009. The term to maturity is up to three years and the loan carries an interest rate of the 3M EURIBOR + a variable spread. The properties of the following Costa Rican subsidiaries serve as collateral for the obligation resulting from this loan agreement:

- Finca De Los Austriacos, S.A.
- Finca De Los Austriacos Numero Dos, S.A.
- Plantacion Austriaca Teca, S.A.

### Changes in the management

As announced on December 17, 2008, Mag. Reinhard Pfistermüller resigns from THI AG as of January 31, 2009. The employment is terminated with mutual consent. Mag. Pfistermüller will devote himself to the strategic development of his own participating interests. Dr. Martin Pree takes over the duties and responsibilities of the former CFO as of February 1, 2009. Since February 2008 Dr. Pree has been a member of the supervisory board of THI AG and chairman of the audit committee and will resign from the supervisory board as of the end of January 2009. From the beginning of February 2009, Dr. Pree, together with the second managing director, Mr. Klaus Hennerbichler (COO), will assume the key executive and managerial functions of THI Group.

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

In the past fiscal year the forestry know-how developed by THI Group and the research and development team in the previous years was increasingly in demand by external third parties. So, for instance, marketing concepts were worked out for investors, feasibility studies prepared, analyses of fallow land made or teak plantations owned by third parties with already existing tree populations assessed for marketing, etc. These examples of consulting activities could become an additional business segment for THI Group in the future.

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 commercial thinnings. In the past months individual test thinnings were performed in order to establish technical and economic findings for the first major thinnings planned for the fiscal year 2008/09. The first reduction in the number of trees is scheduled to start in January/February 2009. The major part of this thinning material will be sold as round timber. First contracts with customers have already been concluded.

Teakholz Handels- und Verarbeitings GmbH, Linz, a wholly owned subsidiary of THI, is responsible for the worldwide distribution. In the past fiscal year a modern and efficient distribution organization was established in the company and new sales-oriented personnel was hired.

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

- the current climate debate
- 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 sensitivity 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, especially in Costa Rica
- rising prosperity in China and India, 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 Western industrialized countries
- increased demand and limited supply usually results in price increase

## 2. Material risks and uncertainties

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

### Personnel risks:

- The management of the THI Group is focused on a few experts and decision-makers.
- Personnel resources were expanded in the commercial area in Costa Rica and in the distribution area in Austria, management positions were filled for the first time or with someone new.
- 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.

### Operating risks:

- The management of plantations in 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 thinnings in the next fiscal years revenues can already be generated prior to the final cutting (harvest).
- 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, THI Group refers to the Item "Risk management" in the consolidated financial statements.

### III. REPORT ON RESEARCH AND DEVELOPMENT

The research and development activities of THI are performed by the subsidiary Teak Holz Handels- und Verarbeitungs GmbH, Linz. In addition to general research activities, the focus is currently on the project by the name of “Kompetenzzentrum Teak Austria”.

These projects were originally scheduled for the period from 03/2007 to 03/2009. While numerous subprojects could be concluded successfully and on time and documented, there were also some delays or postponements regarding individual subprojects. Reasons for these included for instance the change at a project partner, nature-related restrictions (rain in Costa Rica), difficulties in coordination of schedules due to the involvement of several partners and the great distance to Costa Rica, lengthy preparations in the project pre-phase, which had been underestimated by all project partners. Upon the recommendation of the FFG Forschungsförderungsgesellschaft Österreich (Austrian Research Promotion Agency) the first research period was extended until 12/2008 and the second research period until 12/2009.

**Intended use of the project:**

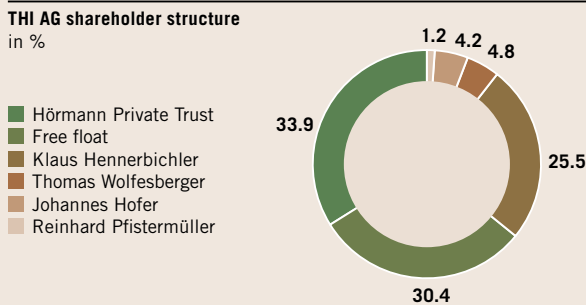
THI expects significant results from the project in the areas growth capacity, quality assurance, material science and product certification, which shall provide the Company with a vital competitive edge in know-how over its competitors.

In these projects the Company cooperates with several departments of the University of Natural Resources and Applied Life Sciences (BOKU) in Vienna, WoodKplus (Institute of Wood Research) as well as FFG Forschungsförderungsgesellschaft Österreich and the certification authority HFA Holzforschung Austria.

#### IV. DISCLOSURES PURSUANT TO 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 two shareholdings of at least five percent as of the balance sheet date.

As of September 30, 2008 the shareholder structure is as follows:



No shareholder has any special control rights. Hörmann Privatstiftung (private foundation), Linz, 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 2,249,796.63 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 7, 2009

The Management Board

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, Linz, for the fiscal year from October 1, 2007 to September 30, 2008. These consolidated financial statements comprise the balance sheet as of September 30, 2008, the consolidated income statement, cash flow statement and statement of changes in equity for the year ended September 30, 2008, 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, 2008 and of its financial performance and its cash flows for the fiscal year from October 1, 2007 to September 30, 2008 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, 2008 show a consolidated profit for the year of TEUR 2,680. 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 sales company. As explained in the disclosures of the consolidated financial statements (Note 3, Biological assets in Costa Rica) the teak trees planted and managed by the Costa Rican subsidiaries are not yet marketable. First minor harvests were made in the past fiscal year, according to the Company's plans, however, larger harvests and wood sales of Costa Rican teak and related sales revenues are expected only as of the fiscal year 2008/09.

In December 2008 Teak Holz International AG, Linz, was granted a shareholder loan in the amount of TEUR 2,130. The cash inflow had occurred in full by January 7, 2009 (cf. disclosures of the consolidated financial statements, Note 21, Events after the balance sheet date). Management therefore assumes that the financing is secured for the coming fiscal year. A significant delay or a failure in the afforestation or marketing of the Costa Rican teak woods 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 7, 2009

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 2007/2008 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, 2007 to September 30, 2008 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, 2008 and company earnings for the financial year from October 1, 2007 to September 30, 2008. 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, 2008, as well as group earnings and cash flow for the financial year from October 1, 2007 to September 30, 2008. 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 implementing the risk management, which should be in place in the midyear of the current financial year 2008/2009.

In their opinion relating to the consolidated financial statements, the auditors established that the consolidated net profit for the year of TEUR 2,680 constituted a purely unrealised profit and that inflows of funds will first result when the biological assets are sold. As repeatedly pointed out, the future development of THI depends heavily on the development and the growth of the Costa Rican teak plantations, as well as the subsequent sale of the wood by the sales subsidiary. First minor harvests were made in the past fiscal year, according to the Company's plans, however, larger harvests and wood sales of Costa Rican teak and related sales revenues are expected only as of the fiscal year 2008/09.

In their opinion relating to the financial statements, the auditors established that the net loss for the year of TEUR 2,250 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 2007/2008 financial year related to capital measures. 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 auditors pointed out, that in December 2008 Teak Holz International AG, Linz, was granted a shareholder loan in the amount of TEUR 2,130. The cash inflow had already occurred in full by January 2009. Management therefore assumes that the financing is secured for the coming fiscal year. A significant delay or a failure in the afforestation or marketing of the Costa Rican teak woods can threaten the going concern of the Company in the medium term.

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 21, 2009. 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 21, 2009

The Chairman of the Supervisory Board

signed:

Mag.iur. Alexander Hüttner, LL.M. (NYU)

## **STATEMENT OF ALL LEGAL REPRESENTATIVES PURSUANT TO § 82 (4) (3) OF THE BÖRSEG (AUSTRIAN STOCK EXCHANGE ACT)**

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

Linz, January 7, 2009

The Managing Board

signed:  
Klaus Hennerbichler

signed:  
Mag. Reinhard Pfistermüller

STATEMENT OF  
ALL LEGAL  
REPRESENTATIVES





Teak Holz International AG  
Investor Relations  
A-4040 Linz, Freistaedter Strasse 313  
Tel.: +43 (0)70 / 908 909-91  
Fax: +43 (0)70 / 908 909-97  
rettenbacher@teak-ag.com  
www.teak-ag.com