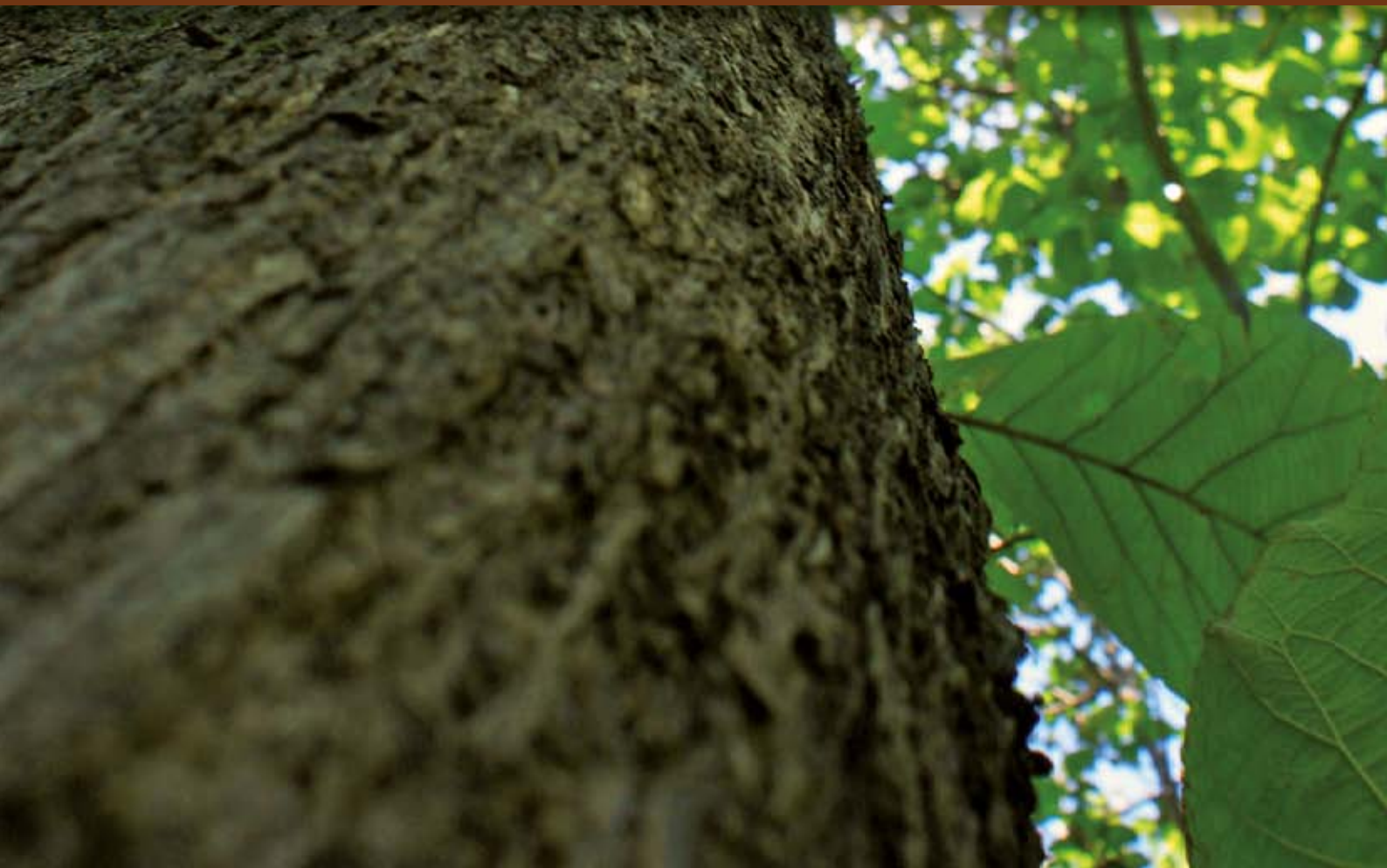




**CONSOLIDATED FINANCIAL STATEMENTS**  
AS OF SEPTEMBER 30, 2011, OF  
**TEAK HOLZ INTERNATIONAL AG, LINZ**



**Our vision:  
Sustainable growth**





- ... **is growing** to become one of the major producers of certified teak wood, and is aiming to expand its plantation areas step-by-step
- ... **is developing** and cultivating plantations of third party business partners
- ... **is supplying** the international markets (mainly in Asia) with premium quality teak logs
- ... **is focusing** on social principles, ecological standards are in harmony with economic demands to guarantee sustained success

## TEAK HOLZ INTERNATIONAL AG: SUSTAINABLE GROWTH!

Teak Holz International AG (THI AG, the Company) domiciled in Linz, Austria, and its subsidiaries (THI Group), is a company specialized in sustainable management of teak plantations, which is listed on the Vienna Stock Exchange. THI Group provides its forestry expertise as service also to external business partners, as well as handles international teak log sales.

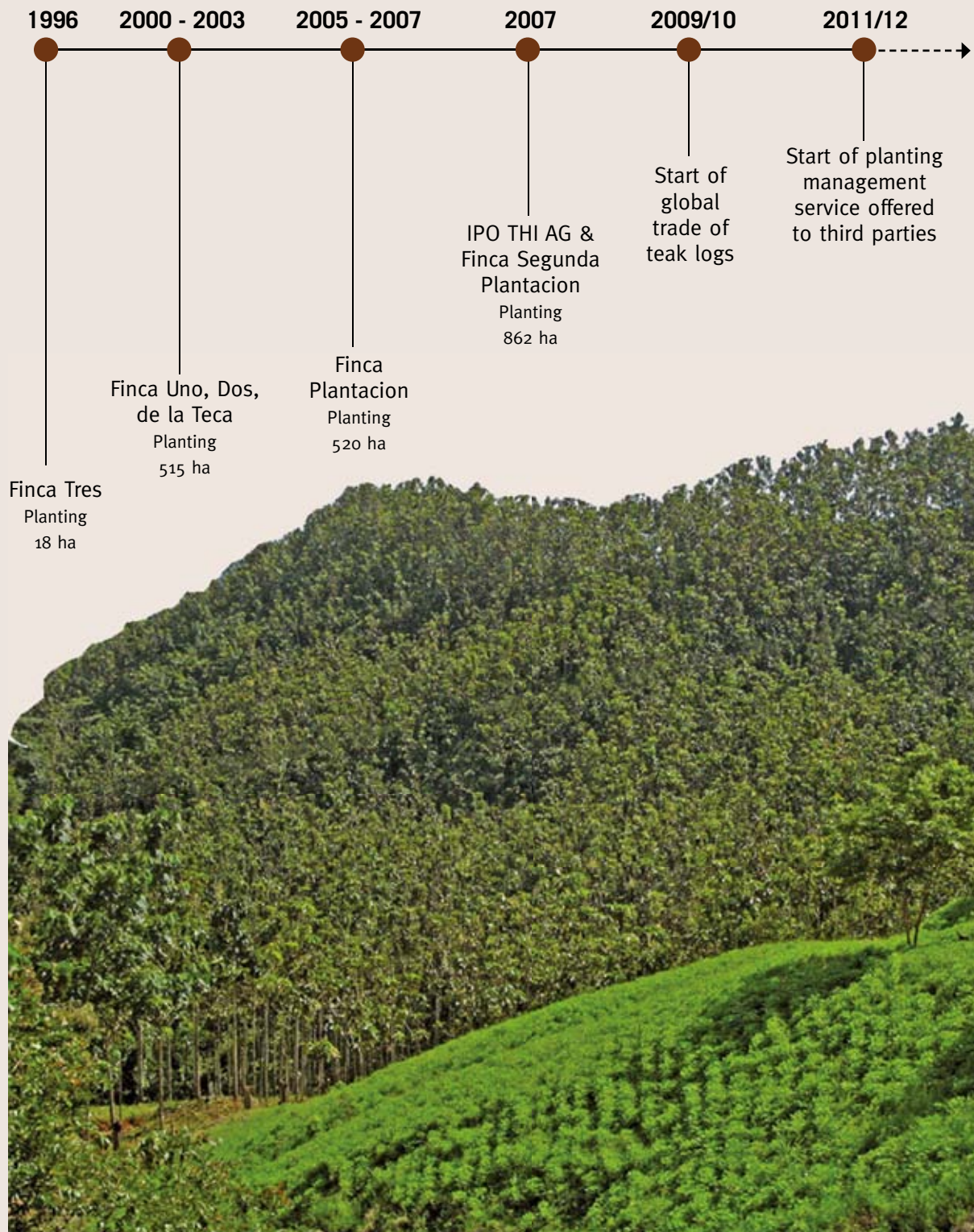
On March 28, 2007, Teak Holz International AG made an initial public offering at the Vienna Stock Exchange. The shares have been traded on the Vienna Stock Exchange in the standard market continuous segment since March 29, 2007, ISIN: AToTEAKHOLZ8, WKN: AoMMG7, ticker symbol: TEAK. The TEAK share is also traded on the stock exchanges in Frankfurt, Berlin, Stuttgart and Munich. Since June 2009, the “green” TEAK share has met the strict ecological and social criteria of the VÖNIX Sustainability Index, the membership was confirmed until 2012.

The responsibly managed teak forests on the Costa-Rican Pacific Coast currently cover an area of approx. 1,934 hectares, on which approx. 2 million individually cultivated teak trees are growing. It is intended to gradually increase the total plantation area. Since November 2008 four plantations covering a total area of 850 ha have been certified.

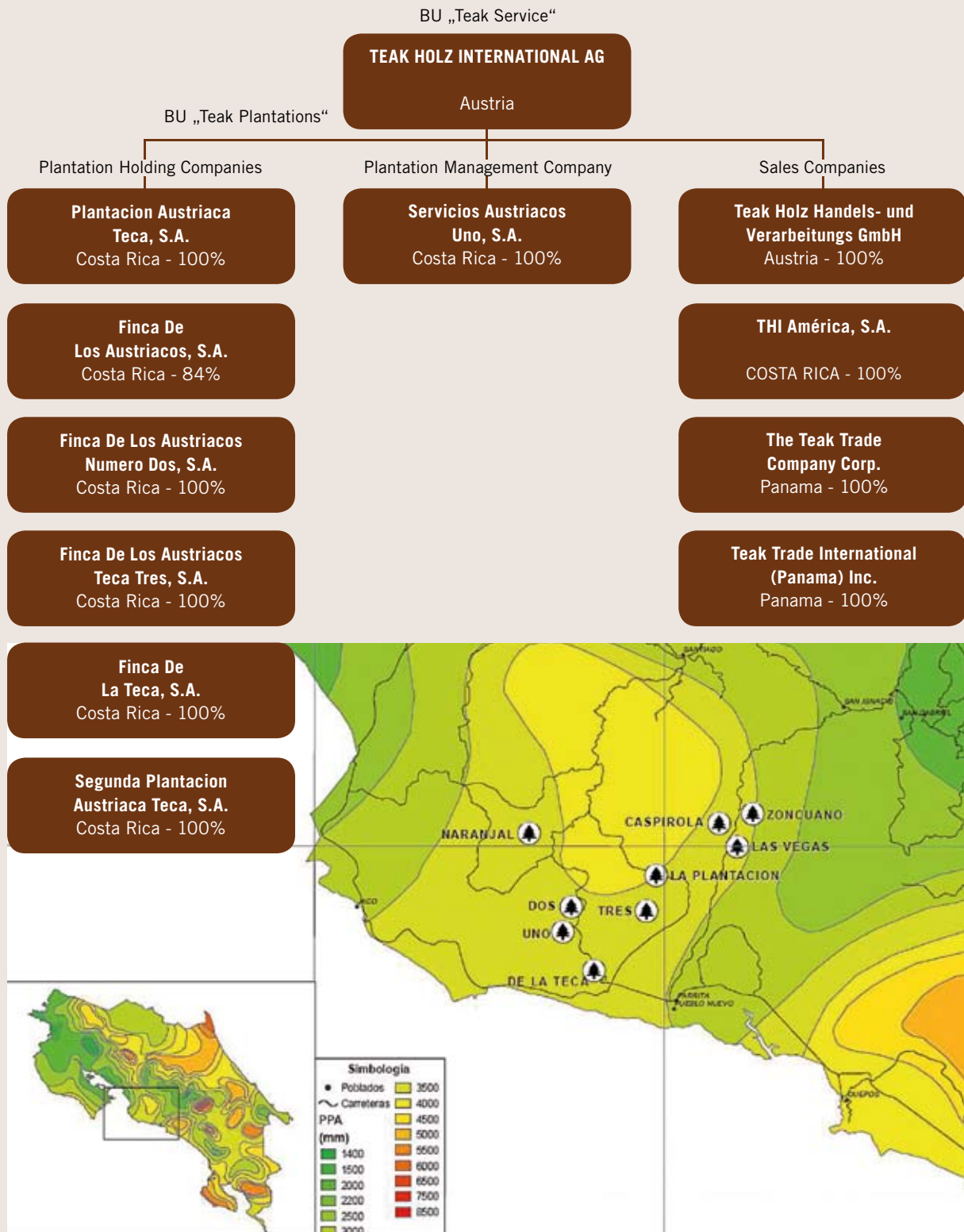
An investment in the THI business model is a sustainable and growing investment characterized by a long term focus.



## THE COMPANY'S DEVELOPMENT UP TO NOW



## THE COMPANY'S STRUCTURE



Map shows the location of the THI plantations, average annual precipitations ideal for teak trees.

TEAK HOLZ INTERNATIONAL AG, LINZ

## Average growth of a teak tree

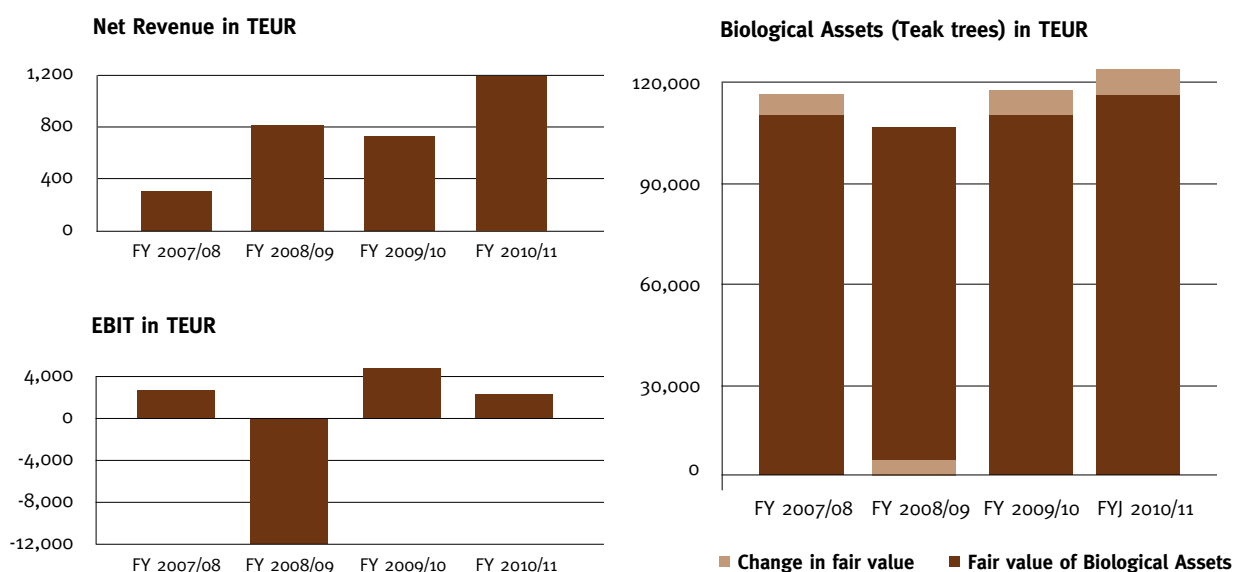


## FINANCIAL FIGURES OF THI-GROUP

Key figures of consolidated statement of comprehensive income		FY 2010/11	FY 2009/10	FY 2008/09	FY 2007/08
Revenue*	TEUR	1,200	702	816	311
Change in value of biological assets (teak trees)	TEUR	7,309	8,049	-4,271	6,549
EBIT (operating result)*	TEUR	2,377	4,446	-11,820	2,632
EBT (earnings before taxes)*	TEUR	1,419	3,143	-10,930	2,174
Consolidated profit/loss for the year	TEUR	413	3,711	-10,113	2,680
Earnings per share (basic)*	EUR	0.10	0.71	-1.62	0.43
<b>Cash flow key figures:</b>					
Net cash flow from operating activities	TEUR	-4,849	-3,510	-3,512	-3,839
Net cash flow from investing activities	TEUR	-1,165	446	1,672	-405
Net cash flow from financing activities	TEUR	-2,066	11,592	1,919	-958
<b>Key figures of consolidated balance sheet:</b>					
Balance sheet total	TEUR	143,395	143,472	125,723	135,218
Biological assets (teak trees in plantations)	TEUR	123,997	117,637	109,665	117,787
Share capital	TEUR	31,205	31,205	31,205	31,205
Equity	TEUR	108,968	108,555	102,019	112,132
Equity ratio	%	75.99	75.66	81.15	82.93
Return on equity*	%	1.30	2.90	-10.71	2.35
<b>Key figures of personnel</b>					
Total personnel (on average)	Persons	86	115	121	106
Thereof personnel in Austria**	Persons	13	22	22	23
Thereof personnel in Costa Rica	Persons	73	93	99	83

\*\* The Company occupied nine persons in Austria as of September 30, 2011.

\* Note: The calculation of the values marked with an asterisk (\*) of the financial years 2010/11 and 2009/10 is based on figures of continuing operations, see details in the comments. All other values of prior periods have not been adopted.



Did you know that ...

1.111

... we plant approx. 1,111 young teak trees on one hectare soil, (equals 10,000 square metres).

... the time difference between Austria and Costa Rica amounts 7 hours, (excluding European Summer time).

7

... the THI plantations cover an area of approx. 1,934 hectares.

This area equals the

size of the Austrian Lake "Wörthersee", the Frankfurt Airport, the "Pasterze" glacier, 2,400 football fields, or the second Viennese District, many islands, and so on.

1.934

... at the final harvest there will be extracted about 600 teak trees per hectare.

600

... all our trees, standing alongside each other, would

6.400

result in a line of 6,400 km. That's almost the earth radius.

... timber, after oil and natural gas, is the 3<sup>rd</sup> most important commodity of the world.

3

41,7 %

... the free float of THI AG at balance sheet date September 30, 2011 was 41,7 %, which is equal to 2,939,526 shares of the total 6,241,032 issued shares.

... according to a NASA study there were no storms registered between 1985 and 2005 on Costa Rica's Pacific Coast.

1985

500

... one kilogram of teak wood binds 500 grams of CO<sub>2</sub>.

... that the TEAK-share was rated with "BUY" and a stock price target of 7-10 Euros. (11/2011)

7-10

50

... that THI AG received a major deal of up to 50 million Euros at the beginning of October 2011.

... the value of the teak trees at balance sheet date September 30, 2011 was 123,996,626 Euros.

123.996.626

... in the summer of 2007, our plantation workers planted an enormous amount of approx. 950,000 young teak plants in our 862 ha plantation "Segunda Plantación Austriaca Teca, S.A.". Therefore, each of the approx.

150 employees planted more than 6,000 pieces on this fertile soil.

950.000

90 ... that on Costa Rica's 51,000 km territory live 4.58 millions of Costa Ricans, which results in an average of 90 people per square kilometre.



## SUMMARY OF MATERIAL EVENTS IN FISCAL YEAR FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

### 1<sup>st</sup> quarter from October to December 2010

- As the core business of the THI Group – responsible management of teak plantations – will be even more in the spotlight in the future, management decided to discontinue the “Teak Production” segment as of the end of the first quarter.

### 2<sup>nd</sup> quarter from January to March 2011

- In the first half of the fiscal year (October 2010 until March 2011) a significant increase in sales could be achieved in log trade.
- At the 4<sup>th</sup> ordinary general meeting of THI AG, all resolutions were adopted by a large majority or unanimously by the shareholders.
- In the first six months of the fiscal year, the TEAK share gained approx. 50 percent and has ranked among the top three performers at the Vienna Stock Exchange since January 2011.

### 3<sup>rd</sup> quarter from April to June 2011

- The strong increase in revenue from log trade continued also in the third quarter.
- In the months April to June, the Company successfully presented itself to interested investors, traders, analysts and journalists at several roadshow events in Austria and Germany.
- Financial media turned their attention to the strong performance of the share and henceforth reported more frequently on the business model of THI AG.
- The TEAK share continues to be included in the index composition of the VÖNIX Sustainability Index.

### 4<sup>th</sup> quarter from July to September 2011

- The dynamic increase in timber sales in the three quarters, however, could not be maintained until the end of the fiscal year. Reason for this was the decline in supply of high quality teak log, especially of certified wood.
- In the summer, THI AG intended to carry out a capital increase to finance the purchase of previously offered teak plantations. However, due to the deteriorating general conditions in the global financial economy as of August, the capital increase could not be placed in the full amount. On September 23, 2011, the management board, therefore, decided to cancel the capital increase.
- In the fiscal year 2010/2011, the TEAK share rose by 28.2% and was listed at EUR 5.000 at the balance sheet date (September 30, 2011). As a result of the negative turnaround in the financial economy, the TEAK share also declined as of August.

### Material events after September 30, 2011

- Major contract for external plantation management. The service agreement that had been entered into at the beginning of October 2011 has a contract value of an indexed amount of EUR 50 million and a term of more than 20 years.
- New focus of teak log trade. Since third-party teakwood according to the Company's set quality standards is no longer available in sufficient quantities in Costa Rica, the timber trade is organized on a project-oriented basis.
- Change and reduction of the management board as of the end of October 2011. Appointment of Mag. Siegfried Mader as CEO of THI AG.



We draw attention to the fact that the English translation of these consolidated financial statements is presented for the convenience of the reader only and that the German wording is the only legally binding version.

## TABLE OF CONTENTS

# CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011 OF TEAK HOLZ INTERNATIONAL AG

<b>CHAIRMAN'S FORWARD</b>	12
<b>CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011</b>	
GENERAL INFORMATION, CONSOLIDATED GROUP	22
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011 (PRIOR YEAR FOR COMPARISON)	23
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011 (PRIOR YEAR FOR COMPARISON)	24
CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011 (PRIOR YEAR FOR COMPARISON)	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011 (PRIOR YEAR FOR COMPARISON)	26
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	27
COMMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS	41
<b>GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2010/11</b>	61
<b>CORPORATE GOVERNANCE REPORT</b>	77
<b>AUDITOR'S REPORT</b>	85
<b>REPORT OF THE SUPERVISORY BOARD</b>	87
<b>STATEMENT OF ALL LEGAL REPRESENTATIVES PURSUANT TO § 82 (4) (3) OF THE BÖRSEG</b>	89

## CHAIRMAN'S FORWARD

**Dear Shareholders,  
Ladies and Gentlemen,**

The fiscal year 2010/2011, which we documented for you in this extensive report, was another year of change for THI AG.

Obvious ones, namely organisational and personnel changes in the Management Board can be noted right on this page. As the contracts with the present members the Management Board were temporary, the Supervisory Board discussed its future members and came to a decision at the end of October 2011.

Before I was appointed as a member of the Management Board, I had been acting as a project manager for THI AG for nine months and was jointly responsible for the closure of the major contract for external plantation cultivation.

This Service-Agreement represents another essential and promising change in the THI group.

The company, which has been responsibly establishing Teak plantations in Costa Rica for twelve years, has developed a Know How in Forest Engineering which now is provided as a service to external business partners. At the beginning of October 2011, THI AG announced the closure of a major deal for development and cultivation of Teak plantations in Costa Rica. The framework contract has an indexed value up to 50 million Euros and a contract period of more than 20 years. Similar projects are planned to follow up in the next years.

THI AG expects an increased income by offering such new service activities in forest management. Those Service Incomes can reduce the operative deficit to a certain extent and partly increase the self-financing level of the Costa Rican subsidiary Servicios Austriacos Uno, S.A.

It has to be considered, that the business idea of the growing company is based on a long-term model. Until the already necessary investments and launching costs as well as the fixed expenses can be covered by the sale of the own teak wood, the management's main task consists in a long-term securing of liquidity.



Mag. Siegfried Mader



In the fiscal year 2010/2011 the turnover has increased a 70 % compared to the previous year (EUR 0.702 million). Within the audit period a Net Sales of EUR 1.200 million was accomplished. However, due to a fall of high quality teak round logs on offer, especially on certified timber, this dynamic development of the first half year could not be continued until the end of the fiscal year.

This fact led to yet another decision in the company. As no sufficient quantity of timber corresponding to the premium quality demands of THI AG was available in Costa Rica, the management decided a reorientation of the trade activities. Until the company has a sufficient amount of high quality timber of its own plantations available, trade with third party timber will be based on projects. This structure allows the company to use certain trade opportunities.

Adaptations regarding the main target markets – Southeast Asia – are not necessary. However, a high demand for certified Teak in this market faces a declined quantity of timber sources from responsible forestry. By the time a corresponding quantity of such timber will have grown, we will be able to take advantage of these favourable market opportunities.

With approx. 2.000 ha THI AG has this particular potential which is very marketable and allows us to look towards an optimistic future. By focusing on THI group's core business – responsible cultivation of teak-plantations – the Management faces the future with confidence.

Although some things change, we stick to our vision:

Sustainable and responsible growth!

Ladies and Gentlemen, we would like to invite you to keep growing with us!



Linz, January 26, 2012

A handwritten signature in blue ink, appearing to read 'Siegfried Mader', written in a cursive style.

Mag. Siegfried Mader  
CEO





**Enrique Guzmann,**  
Plantation Foreman

**THP AG**  
TEAM HOLZ INTERNATIONAL

















## GENERAL INFORMATION

Teak Holz International AG (THI AG, the Company) domiciled in Linz, and its subsidiaries (“THI Group“), is a company specialized in sustainable management of teak plantations, which is listed on the Vienna Stock Exchange. THI Group provides its forestry expertise as service also to external business partners, as well as handles international teak log sales.

On March 28, 2007, Teak Holz International AG made an initial public offering at the Vienna Stock Exchange. The shares have been traded on the Vienna Stock Exchange in the standard market continuous segment since March 29, 2007, ISIN: AT-0TEAKHOLZ8, WKN: AoMMG7, ticker symbol: TEAK. The TEAK share is also traded on the stock exchanges in Frankfurt, Berlin, Stuttgart and Munich. Since June 2009, the “green” TEAK share has met the strict ecological and social criteria of the VÖNIX Sustainability Index, the membership was confirmed until 2012.

The responsibly managed teak forests on the Costa Rican Pacific Coast currently cover an area of approx. 1,934 hectares, on which approx. 2 million individually cultivated teak trees are growing. It is intended to gradually increase the total plantation area. Since November 2008 four plantations covering a total area of 850 ha have been certified.

## CONSOLIDATED GROUP

As of the balance sheet date September 30, 2011, THI Group, in addition to Teak Holz International AG, includes eleven subsidiaries (one of them domiciled in Austria, eight domiciled in Costa Rica and two domiciled in Panama). All subsidiaries were fully consolidated.

**As of September 30, 2011, the consolidated group is as follows:**

	COMPANY NAME	COUNTRY	CORPORATE DOMICILE	SHARE 2010/11
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%
9	The Teak Trade Company Corp.**	Panama	Panama City	100%
10	Teak Trade International (Panama) Inc.**	Panama	Panama City	100%
11	THI America, S.A. *	Costa Rica	Alajuela-Palmes, La Garita	100%

\* The subsidiary THI America, S.A. was established in the past fiscal year. Apart from that, there were no changes over the previous year.

\*\* These companies were established in Panama City in the fiscal year 2009/2010 to carry out future projects; no projects have been realized so far. Accordingly, the companies did not conduct business operations, and no revenue has been generated.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from October 1, 2010 to September 30, 2011 (Prior year for comparison)

in Euro	NOTES*	2010/11	2009/10 TEUR
<b>Continuing operations</b>			
Revenue	15	1,199,616	702
Gains/losses arising from changes in fair value less point-of-sale costs of biological assets	4	7,309,087	8,049
Cost of materials and purchased services and write-downs of timber inventories	16	-2,658,850	-901
Personnel expenses	17	-1,392,391	-1,683
Depreciation and amortization		-102,856	-160
Other operating income	18	228,287	177
Other operating expenses	19	-2,205,558	-1,739
<b>Earnings before interest and taxes (EBIT)</b>		<b>2,377,335</b>	<b>4,446</b>
Financial income	20	396,242	55
Financial expenses	20	-1,354,562	-1,358
<b>Financial result</b>		<b>-958,320</b>	<b>-1,303</b>
<b>Earnings before taxes (EBT)</b>		<b>1,419,015</b>	<b>3,143</b>
Taxes on income	21	-817,442	1,290
<b>Comprehensive income from continuing operations</b>		<b>601,572</b>	<b>4,433</b>
<b>Discontinued operations</b>			
<b>Result from discontinued operations</b>	23	<b>-188,454</b>	<b>-722</b>
<b>Consolidated profit/loss for the year = Consolidated comprehensive income</b>		<b>413,119</b>	<b>3,711</b>
<b>thereof attributable to:</b>			
Equityholders of the parent company		413,119	3,711
Minority shareholders		0	0
<b>Earnings per share (EUR) attributable to the equity holders of the parent company from discontinued operations</b>			
- basic earnings per share	22	-0.03	-0.12
- diluted earnings per share	22	-0.03	-0.11
<b>Earnings per share (EUR) attributable to the equity holders of the parent company from continuing operations</b>			
- basic earnings per share	22	0.10	0.71
- diluted earnings per share	22	0.10	0.70

\* NOTES: find comments on the consolidated financial statements

## CONSOLIDATED BALANCE SHEET

as of September 30, 2011 (Prior year for comparison)

in Euro	NOTES	30.09.2011	30.09.2010 TEUR
<b>ASSETS</b>			
Intangible assets	3	25,347	10
Property, plant and equipment	2	10,883,939	11,250
Biological assets	4	123,996,626	117,637
Financial assets (restricted Cash)	6	1,000,000	0
Trade receivables and other non-current assets		197	0
Deferred tax assets	11	6,812,417	4,842
<b>Non-current assets</b>		<b>142,718,526</b>	<b>133,740</b>
Inventories	5	212,881	313
Trade receivables	7	90,110	332
Other receivables and current assets		192,100	122
Cash and cash equivalents	8	181,540	8,965
<b>Current assets</b>		<b>676,631</b>	<b>9,732</b>
<b>Total assets</b>		<b>143,395,157</b>	<b>143,472</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	9		
Share capital		31,205,160	31,205
Other reserves		46,943,309	52,986
Earnings reserves		30,819,227	24,364
<b>Equity attributable to equityholders of the parent company</b>		<b>108,967,696</b>	<b>108,555</b>
Minority interests		324	0
<b>Total equity</b>		<b>108,968,020</b>	<b>108,555</b>
<b>Liabilities</b>			
Non-current financial liabilities	10	20,969,495	23,732
Employee benefits	14	0	158
Other non-current debt		4,363	5
Deferred tax liabilities	11	10,590,533	7,871
<b>Non-current liabilities</b>		<b>31,564,391</b>	<b>31,766</b>
Current financial liabilities	10	1,695,674	1,346
Trade payables	12	336,653	788
Employee benefits	14	134,746	133
Other current payables and accrued liabilities	13	695,672	884
<b>Current liabilities</b>		<b>2,862,745</b>	<b>3,151</b>
<b>Total liabilities</b>		<b>34,427,136</b>	<b>34,917</b>
<b>Total equity and liabilities</b>		<b>143,395,157</b>	<b>143,472</b>



## CONSOLIDATED CASH FLOW STATEMENT

for the period from October 1, 2010 to September 30, 2011 (Prior year for comparison)

in Euro	NOTES	2010/11	2009/10 TEUR
<b>Cash flow from operating activities</b>			
Consolidated profit/loss for the year		60,572	4,433
Adjustments for:			
Depreciation/amortization of non-current assets		102,856	160
Depreciation/amortization of current assets		881,425	0
Gains / losses from the disposal of property, plant and equipment and intangible assets		41,244	6
Change in value of biological assets	4	-7,309,087	-8,049
Change in employee benefits		68,837	13
Interest expenses / income	20	958,320	1,303
Other non-cash income / expenses		11,415	-95
Income taxes	21	817,442	-1,290
		<b>-3,825,974</b>	<b>-3,519</b>
Change in trade receivables and other assets		63,809	-104
Change in inventories		-102,241	-74
Change in trade payables, other debt and accrued liabilities		-212,909	465
<b>Changes in working capital</b>		<b>-251,341</b>	<b>286</b>
Interest paid		-791,790	-279
Interest received		24,442	5
Income taxes paid		-4,657	-3
<b>Net cash flow from investing activities from continuing operations</b>		<b>-4,849,320</b>	<b>-3,510</b>
<b>Net cash flow from investing activities from discontinuing operations</b>		<b>-226,163</b>	<b>-482</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment and intangible assets		-176,586	-54
Proceeds from the disposal of property, plant and equipment and intangible assets		11,250	0
Investments in financial instruments (restricted cash at banks)		-1,000,000	0
Proceeds from financial instruments (restricted cash)		0	500
<b>Net cash flow from investing activities from continuing operations</b>		<b>-1,165,336</b>	<b>446</b>
<b>Net cash flow from investing activities from discontinuing operations</b>		<b>480,259</b>	<b>-336</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		-3,086,802	-105
Payments from borrowings		1,021,300	2,145
Payments from convertible bond less borrowings costs		0	9,551
Dividends		0	0
<b>Net cash flow from financing activities from continuing operations</b>		<b>-2,065,502</b>	<b>11,592</b>
<b>Net cash flow from financing activities from discontinuing operations</b>		<b>-957,199</b>	<b>355</b>
<b>Change in cash and cash equivalents</b>		<b>-8,783,261</b>	<b>8,066</b>
Cash and cash equivalents as of October 1	8	8,964,801	899
<b>Cash and cash equivalents as of September 30</b>	<b>8</b>	<b>181,540</b>	<b>8,965</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from October 1, 2010 to September 30, 2011 (Prior year for comparison)

### INTEREST OF SHAREHOLDERS IN TEAK HOLZ INTERNATIONAL AG

in Euro	NOTES	Share capital	Capital reserves	Retained earnings and earnings reserves	Minority interests	Total equity
<b>Balance as of October 1, 2009</b>		31,205,160	57,465,696	13,347,543	324	102,018,724
Consolidated comprehensive income		0	0	3,710,539	0	3,710,539
<b>Subtotal</b>		<b>31,205,160</b>	<b>57,465,696</b>	<b>17,058,082</b>	<b>324</b>	<b>105,729,263</b>
Issuance convertible bond less issuance costs		0	2,825,639	0	0	2,825,639
Reclassifications		0	-7,305,499	7,305,499	0	0
<b>Balance as of September 30, 2010</b>		<b>31,205,160</b>	<b>52,985,836</b>	<b>24,363,581</b>	<b>324</b>	<b>108,554,901</b>
<b>Balance as of October 1, 2010</b>	9	31,205,160	52,985,836	24,363,581	324	108,554,901
Consolidated comprehensive income		0	0	413,119	0	413,119
<b>Subtotal</b>		<b>31,205,160</b>	<b>52,985,836</b>	<b>24,776,700</b>	<b>324</b>	<b>108,968,020</b>
Reclassifications		0	-6,042,527	6,042,527	0	0
<b>Balance as of September 30, 2011</b>		<b>31,205,160</b>	<b>46,943,309</b>	<b>30,819,227</b>	<b>324</b>	<b>108,968,020</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, 2011 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 21.

Those IFRS which are already mandatory for accounting periods ending September 30, 2011 are applied to all periods presented in these consolidated financial statements.

For the purpose of clarity, amounts are rounded and – unless otherwise stated – reported in 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) New and amended standards and interpretations that have been adopted by the European Union and applied for the first time in the fiscal year:**

All new regulations (amendments to standards, new and amended interpretations) that were mandatory for the first time in the fiscal year had no or no material impact on the consolidated financial statements.

**(b) Standards, interpretations and amendments to regulations that have not yet been applied**

A number of amendments to standards and interpretations and a new interpretation and a new standard have already been published, but not yet adopted by the European Union or are not yet mandatory. The impact of these regulations on the consolidated financial statements of the Company is not material or cannot be estimated reliably and, therefore, is not presented in detail.

## 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 (2004)). Accordingly, a deferred tax liability is not recognized in this case, either (see IAS 12.15b).

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

Minority interests are accounted for as separate items within equity.

## 3. Segment reporting

### Reporting by business segment

#### (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

The organization of the THI Group is structured in business units. The three segments are: BU "Teak Plantations", BU "Teak Sales" and BU "Teak Service". The former fourth business unit "Teak Production" was outsourced from the Group effective December 31, 2010, thus at the end of the first quarter of the fiscal year 2010/2011. Henceforth, this threetier segmentation is in line with the group-wide budgeting and controlling structure, on which the reporting system, risk management and other organizational procedures are based.

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. Segment reporting is based on the data of the Group's internal information and reporting system. Inter-segment services are charged at arm's length prices.

Description of the individual business segments:

**Segment Teak Service:**

In this business segment, no revenue is generated from operations. This segment serves as the corporate umbrella and performs all groupwide management functions and services for all other business segments.

**Segment Teak Sales:**

Those revenues are attributed to this segment which are generated from the global teak log trade.

**Segment Teak Plantations:**

In this segment, all plantation-specific functions are performed for the six plantation holding companies. The biological assets (this are the reforested teak plants and trees in the plantations) and their changes in value are allocated to this segment.

**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 its activities as pure property company and the 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 statement of comprehensive income. 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 EUR	PERIOD-END RATE 9/30/2011	PERIOD-END RATE 9/30/2010	AVERAGE RATE 2010/11	AVERAGE RATE 2009/10
TCRC*	0.68568	0.70208	0.71005	0.74584
USD	1.35057	1.36119	1.39561	1.35730

\* 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 straightline basis over the expected useful lives of the assets and recognized directly in the consolidated statement of comprehensive income. 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 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 statement of comprehensive income. 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 statement of comprehensive income 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. To this end, the cash outflows over the contractual period (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 time and 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.

### **Convertible bond**

On September 1, 2010, the Company issued a convertible bond bearing an interest rate of 5% with a nominal value of TEUR 10,000. The term of the convertible bond with a nominal value of TEUR 10,000 is 5 years as of the time of the initial issuance. Each holder has the right to convert the whole, but not part, of the bond with the respective nominal amount of TEUR 50 at the conversion price of EUR 5 per no-par value share. The conversion agent determines the number of no-par value shares to be delivered in a conversion by dividing the total nominal amount of the notes submitted for conversion by a holder by the conversion price ruling at the conversion date, rounded down to the next whole share. The conversion right may be exercised by a holder during the entire term (September 1, 2010 to August 31, 2015) in the months of April, July and October and in the period from December 1 to December 15 of each calendar year, and in the period from August 1, 2015 to August 21, 2015 at 16:00 hours (CET) at the latest.

The fair value of the debt component, which is reported in long-term liabilities, was calculated using market interest rates for similar, non-convertible bonds. At the date of the issuance, the fair value of the debt component of the bond was TEUR 7,040, of which pro rata issuance costs of TEUR 320 were deducted. The other financial liability is measured at amortized cost using the effective interest method. The residual value (difference between proceeds from issuance and fair value of the debt component), representing the value of the equity conversion component, is recognized in equity under capital reserves in the amount of TEUR 2,826 (after deduction of pro rata issuance costs in the amount of TEUR 134).

To secure the claims of bondholders, THI AG granted liens on the shares in the Costa Rican subsidiaries of THI AG to Semper Constantia Privatbank AG (domiciled in Vienna).

## **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 statement of comprehensive income. 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 and 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. Long-term employee benefits

As of the balance sheet date September 30, 2011, the Company has no obligation for long-term employee benefits. In the previous year, employee benefits related solely to a contractual termination benefit obligation towards the managing directors of Teak Holz International AG, Linz, and were transferred to current liabilities in the past fiscal year due to the expiration of the contract.

## 14. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## 15. Other provisions and contingent liabilities

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 statement of comprehensive income.

## 16. 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.

## 17. 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 statement of comprehensive income 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 statement of comprehensive income as other operating income over the useful life of the asset. Government grants, if any, are recognized as deferred income under non-current liabilities.

## 18. 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 statement of comprehensive income 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 statement of comprehensive income in the period of contract termination.

## 19. Research and development

Expenses for research activities are expensed as incurred in the consolidated statement of comprehensive income (2010/11: TEUR 37, 2009/10: TEUR 82). In the past fiscal year, no development activities have taken place.

## 20. Risk management

### (a) The risk management system of the THI Group

As an internationally operating group of companies, THI Group in its business activities is exposed to operating risks which are monitored and assessed in a responsible manner by management and which are countered directly by appropriate hedging measures. According to the objective, risk management is designed in a way that the system helps to safeguard the going concern of the Group in the long term. Negative deviations and changes in the risk situation are identified by the system immediately and hedging measures are taken in order to proactively prevent any damages from occurring or minimize their extent.

The segmentation of the areas BU "Teak Plantations", BU "Teak Sales", BU "Teak Production" (until December 31, 2010) and BU "Teak Service" is in line with the group-wide budgeting and controlling structure, on which the reporting system and other organizational procedures are based. The risk management system is also based on the business unit structure of the Group and is managed and accounted for by the management board as a whole. The management board monitors the current risk situation, evaluates the development, examines adequate control measures and implements them. As board responsible for risk, the management board regularly reports to the supervisory board. In addition to the regular reports, the supervisory board is informed immediately in case of a material change in the overall risk situation of the Group. As a consequence, adequate control measures are assessed and implemented.

#### **(b) Description of the main risks**

The Group's international activities expose it to a variety of financial risks, most notably the liquidity risk, 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.

In the Group's internal risk analysis, the following significant risk groups were defined and are described below:

#### **Liquidity risk**

Securing a sound financial basis and maintaining liquidity are the focus of the corporate strategy. Particularly in times of the global financial and economic crisis, the financial power of the Group is of crucial importance. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit lines. The business model of the company in the growth stage focuses on the long term, so that naturally the break-even point is expected in later years. Up to the time when the investments and preproduction costs that have already been required and the current operating expenses can be covered by the sale of teak wood from own forestry activities, ensuring the medium-term liquidity is still the major corporate risk.

After an apparently optimistic recovery of the global economy in 2010 and until mid-2011, as of July, and especially from the middle of August, a negative trend has set in. The escalating development of government debt in the USA and in individual European countries, the rising pressure on interest rates due to downgrades by rating agencies, the permanent crisis interventions to stabilize the euro and other events have since been keeping a grip on the global financial and real economy. Share prices, particularly those of banks and financial institutions, but also across all other industries, fell sharply. As a listed company, THI AG was also faced with these impacts in the fourth quarter of the reporting period (July until September 2011). As a result, the price of the TEAK share also declined.

Emphasis is placed on the liquidity risk, which is caused by the negative operating cash flow, but hedged through existing and newly agreed additional credit facilities. Until the first income from harvests of own plantations is generated, liquidity – as already planned at the time of the initial public offering in 2007 – shall be secured through borrowings. Securing long-term liquidity is a key responsibility of the management, which holds corresponding negotiations with several credit institutions in order to extend credit facilities. After the balance sheet date, those negotiations were completed successfully and credits were granted. In addition, the management is leading further negotiations to enter into new credit agreements. Management is very optimistic and assumes that the negotiations already held will lead to further credit approvals in the course of the fiscal year 2011/2012.

According to the risk management hedging measures, the previously started comprehensive cost prevention and cost cutting program was continued in the fiscal year 2010/11, which showed positive effects. Nevertheless, according to the projections a negative operating cash flow had to be expected as of the balance sheet date September 30, 2011. Management repeatedly indicated this during the year in its regular reporting.

By securing liquidity through equity and borrowings, the Company is expected to be able to continue as a going concern in the medium term until the first significant harvests.

Based on the currently available information and the risk management measures taken, management at the present time assumes that the Company – despite the identified risks – will be able to continue as a going concern.

### **Market risk**

The sales price of teak wood is one of the most important parameters for the result of the Company. A direct and significant influence of the market price for teak wood on the Group's comprehensive income results from the measurement of biological assets at fair value (see also Note 4 on the consolidated financial statements) and the measurement of financial liabilities from usufruct rights and minority interests (see also Note 10 on accounting and measurement principles). Since there is no comparable market price for plantation teak wood, the price is fixed for each contract, depending on several factors. In the reporting year, the demand from customers in Asia and Europe for high quality teak wood increased. The sales department reported stable prices for all wood qualities. Thus, in the medium and long term, management expects a positive development of market prices.

If an assumed sales price of USD 600 per m<sup>3</sup> was used in the fair value measurement of the biological assets (instead of the USD 800 per m<sup>3</sup> actually used in the measurement model) for timber from final cuttings, a hypothetical book value of TEUR 109,085 would result as of September 30, 2011 (instead of the actually reported value of TEUR 123,997, based on USD 800 per m<sup>3</sup>), i.e. a reduction of the sales price for the harvest by 25% results in a decrease of the biological assets by TEUR 14,911. After-tax profits would decrease by TEUR 12,115.

On the other hand, in this scenario, pre-tax and after-tax profits would have been TEUR 573 (prior year: TEUR 994) higher due to changes in the value of financial liabilities, provided all other variables had remained constant.

As hedging measures against the market risk, the Company focuses on market diversification, adjustment of distribution channels and regional segmentation, as well as on fixing prices with customers for the medium term. The Group will continue to hedge against the market risk 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 market price risk as far as possible.

In addition to the strict budgetary policy, the Group has intensified the international teak log trade in the past two years to improve the operating cash flow on the revenue side. In the reporting period, sales could be significantly increased year-on-year. However, the dynamics of the first half-year could not be maintained by the end of the fiscal year. Reason for this was the decline in supply of high quality teak log, especially of certified wood.

Since wood according to the high quality requirements of the Group was no longer available in Costa Rica in the corresponding quantities, management decided to refocus its trading activities. Until sufficient quantities of high quality wood will be available from the Company's own plantations, the trade in third-party teakwood will be organized on a project-oriented basis. This way, the Company shall continue to seize trading opportunities as well as realize cost savings potentials.

In the future, the Group also expects more income from the newly provided service activities in forest management. Due to the upcoming revenue from the operating service activities of the Costa Rican subsidiary Servicios Austriacos Uno, S.A. the negative operating cash flow can be reduced. These service revenues can, to a certain extent, reduce the operating loss and in part increase the level of self-financing of the company in Costa Rica.

### 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. Financial transactions are transacted only with financial institutions of high credit standing. Based on past experience, the risk of a payment default can be considered low.

### 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. However, due to the international character of the wood trade and the target markets in Southeast Asia, the US dollar is the dominant trading currency. Thus, attempts are made to limit the currency circulation to the U.S. dollar in trading transactions. 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, 2011 (September 30, 2010) had changed by the percentage specified below ("volatility"), the pre-tax profits, due to changes in the value of financial liabilities from usufruct rights and minority interests, 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, 2011	September 30, 2010
USD	+10% (USD stronger)	-899	-975
USD	-10% (USD weaker)	718	795

In the above-mentioned scenario, after-tax profits would have changed to the same extent. If the USD/EUR exchange rate (currently 1.35057) changed by 10% (i.e. 1.2155 or 1.4856) at the balance sheet date, the biological asset, provided all other variables remained constant, would have to be reported TEUR 10,771 higher or TEUR 8,392 lower. In this scenario, after-tax profits would be TEUR 9,314 higher or TEUR 7,409 lower.

### 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 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 amortized 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 earnings before taxes as of September 30, 2011 would have been lower (higher) by TEUR 60 (as of September 30, 2010: TEUR 7). In the above-mentioned scenario, the decline in the after-tax result would have amounted to TEUR 45 (as of September 30, 2010: TEUR 5). 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.

If the discount rate (currently 12.75%) changed by 10% (i.e. 11.475% or 14.025%), the biological asset, provided all other variables remained constant, would have to be reported TEUR 9,960 higher or TEUR 8,216 lower. In this scenario, after-tax profits would be TEUR 8,299 higher or TEUR 6,964 lower.

### 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 to 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.

in TEUR	2010/11	2009/10
Non-current financial liabilities	20,969	23,732
Current financial liabilities	1,696	1,346
Cash and cash equivalents	-182	-8,965
Net debt	22,484	16,113
Equity	108,968	108,555
Total capital	131,452	124,668
Gearing ratio	17.10%	12.92%

The change in the gearing ratio is due, among other things, to the repayment of high-interest, non-current financial liabilities, which subsequently resulted in a decrease in cash and cash equivalents.

Based on the currently available information and the measures taken – despite the identified risks – at the present time management assumes that the Company will be able to continue as a going concern and does not see any going concern risks for the fiscal year 2011/12.

## 21. Critical accounting estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires 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 and the financial liabilities for usufruct rights and minority interests that are dependent on the value of the biological assets). The measurement of the biological assets is explained in detail in Note 4 in the notes to the consolidated financial statements. For a sensitivity analysis of the parameter “sales price teak wood”, which is crucial in the measurement, reference is made to the comments on the market price risk.

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 financial position and financial performance.







## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

### Index

1. Segment reporting	42
2. Property, plant and equipments	43
3. Intangible assets	44
4. Biological assets in Costa Rica	44
5. Inventories	47
6. Current financial assets (restricted cash)	47
7. Trade receivables	47
8. Cash and cash equivalents	48
9. Equity	48
10. Financial liabilities and additional disclosures on financial instruments	49
11. Deferred tax assets and liabilities	52
12. Trade payables	53
13. Other current payables and accrued liabilities	53
14. Employee benefits	53
15. Revenue	54
16. Cost of materials, cost of sales, other purchased services and write-downs on timber inventories	54
17. Personnel expenses	54
18. Other operating income	54
19. Other operating expenses	55
20. Financial result	55
21. Taxes on income	55
22. Earnings per share	56
23. Discontinued operations	56
24. Acquisitions of Costa Rican property companies	57
25. Business combinations	57
26. Number of employees	57
27. Contingent liabilities	57
28. Related party transactions	57
29. Expenses for the auditor	59
30. Events after the balance sheet date	59

## COMMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Segment reporting

#### Segments THI Group Fiscal Year 2010/11

in Euro	Teak Service	Teak Sales	Teak Production*	Teak Plantations	Total Segments	Con-solidation	THI Group IFRS
<b>Revenue operating</b>	<b>0</b>	<b>1,179,729</b>	<b>44,655</b>	<b>19,890</b>	<b>1,244,274</b>	<b>0</b>	<b>1,244,274</b>
Third country revenue external	0	1,179,729	0	19,890	1,199,619	0	1,199,619
Domestic revenue external	0	0	44,655	0	44,655	0	44,655
Losses/gains arising from changes in fair value less point-of-sale costs of biological assets	0	0	0	7,309,087	7,309,087	0	7,309,087
Cost of sales/external services	-78,346	-1,166,462	-101,535	-531,777	-1,878,120	0	-1,878,120
Depreciation and amortization	-92,774	-114,159	-40,258	-777,347	-1,024,538	0	-1,024,538
thereof impairment charge		-112,973	0	-768,452	-881,425		-881,425
Other expenses and income	-2,084,640	-707,130	-140,522	-578,736	-3,511,028	0	-3,511,028
<b>EBIT (segment result)</b>	<b>-2,255,760</b>	<b>-808,022</b>	<b>-237,660</b>	<b>5,441,117</b>	<b>2,139,675</b>	<b>0</b>	<b>2,139,675</b>
Financial result							-971,931
Taxes							-754,625
<b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR</b>							<b>413,119</b>

\* Effective December 31, 2010, the business unit "Teak Production" was outsourced from THI Group (discontinued operations).

#### Segments THI Group Fiscal Year 2009/10

in Euro	Teak Service	Teak Sales	Teak Production	Teak Plantations	Total Segments	Con-solidation	THI Group IFRS
<b>Revenue operating</b>	<b>0</b>	<b>701,599</b>	<b>515,869</b>	<b>0</b>	<b>1,217,468</b>	<b>0</b>	<b>1,217,468</b>
Third country revenue external	0	701,599	0	0	701,599	0	701,599
Domestic revenue external	0	0	515,869	0	515,869	0	515,869
Losses/gains arising from changes in fair value less point-of-sale costs of biological assets	0	0	0	8,049,244	8,049,244	0	8,049,244
Depreciation and amortization	-159,954	0	-484,721	-117	-644,792	0	-644,792
thereof impairment charge	0	0	-479,884	0	-479,884	0	-479,884
Other expenses and income	-1,986,017	-811,496	-975,457	-1,405,602	-5,178,571	58,047	-5,120,524
<b>EBIT (segment result)</b>	<b>-2,145,971</b>	<b>-109,897</b>	<b>-944,309</b>	<b>6,643,525</b>	<b>3,443,349</b>	<b>58,047</b>	<b>3,501,399</b>
Financial result							-1,321,767
Taxes							1,530,907
<b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR</b>							<b>3,710,539</b>

The revenues reported in these consolidated financial statements of Teak Holz International AG for the fiscal year from October 1, 2010 to September 30, 2011 were generated in Austria, Germany, Denmark, India and Costa Rica. Third-country revenues of the Teak Sales segment include revenue shares of customers which each amount to more than 10% of total revenue (TEUR 356, TEUR 166; PY: TEUR 379, TEUR 143). The Teak Production segment includes revenue shares of a customer which amount to more than 10% of total revenue (PY: TEUR 126). The item "impairment charge" recognized in the segment reporting includes write-downs of timber inventories.

## COMMENTS TO THE CONSOLIDATED BALANCE SHEET

### 2. Property, plant and equipment

in Euro	LAND BUILDINGS	FACTORY AND OFFICE EQUIPMENT, VEHICLE FLEET,	TECHNICAL EQUIPMENT AND MACHINERY	TOTAL
<b>Acquisition cost</b>				
October 1, 2010	10,922,412	526,537	741,874	12,190,823
Retransfers	0	0	0	0
Additions	0	86,526	67,575	154,101
Disposals	-476,857	-228,807	-492,640	-1,198,304
<b>September 30, 2011</b>	<b>10,445,556</b>	<b>384,256</b>	<b>316,809</b>	<b>11,146,620</b>
<b>Depreciation</b>				
October 1, 2010	333,756	211,074	395,911	940,741
Retransfers	0	0	0	0
Depreciation of the fiscal year	7,661	93,794	37,996	139,452
Disposals	-341,418	-118,613	-357,481	-817,512
<b>September 30, 2011</b>	<b>0</b>	<b>186,256</b>	<b>76,426</b>	<b>262,682</b>
<b>Carrying amount</b>				
October 1, 2010	10,588,656	315,463	345,965	11,250,084
<b>September 30, 2011</b>	<b>10,445,556</b>	<b>198,000</b>	<b>240,383</b>	<b>10,883,939</b>

#### Prior year

in Euro	LAND BUILDINGS	FACTORY AND OFFICE EQUIPMENT, VEHICLE FLEET	TECHNICAL EQUIPMENT AND MACHINERY	TOTAL
<b>Acquisition cost</b>				
October 1, 2009	10,891,545	531,480	396,964	11,819,989
Retransfers	30,867	-52,456	35,025	13,436
Additions	0	70,889	314,555	385,444
Disposals	0	-23,376	-4,670	-28,046
<b>September 30, 2010</b>	<b>10,922,412</b>	<b>526,537</b>	<b>741,874</b>	<b>12,190,823</b>
<b>Depreciation</b>				
October 1, 2009	76,599	173,399	60,131	310,129
Retransfers	0	-42,916	50,062	7,146
Depreciation of the fiscal year	257,157	87,366	289,644	634,167
Disposals	0	-6,775	-3,926	-10,701
<b>September 30, 2010</b>	<b>333,756</b>	<b>211,074</b>	<b>395,911</b>	<b>940,741</b>
<b>Carrying amount</b>				
October 1, 2009	10,814,946	365,825	336,833	11,517,604
<b>September 30, 2010</b>	<b>10,588,656</b>	<b>315,463</b>	<b>345,965</b>	<b>11,250,084</b>

Depreciation of the previous year includes a write-down to the lower realizable value of property, plant and equipment of the carpenter's workshop Schöndorf (Teak Production segment). The total amount is EUR 479,884.

In the fiscal year 2010/11, rental and leasing expenses in the amount of TEUR 151 (prior year: TEUR 73) arose in the reporting period from the use of property, plant and equipment not recognized in the balance sheet. The recognized expenses do not include any conditional rent payments or payments from subleases. Based on leasing and rental agreements, the obligations for the coming years are as follows:

Obligations to third parties from operating leases:

in TEUR	2010/11	2009/10
Within the following year	32	17
Between one and five years	139	17
<b>Total</b>	<b>171</b>	<b>34</b>

### 3. Intangible assets

in Euro	Intangible assets
<b>Acquisition cost</b>	
October 1, 2010	19,343
Additions	22,485
Disposals	-7,629
<b>September 30, 2011</b>	<b>34,199</b>
<b>Amortization</b>	
October 1, 2010	9,447
Amortization of the fiscal year	3,682
Disposals	-4,277
<b>September 30, 2011</b>	<b>8,853</b>
<b>Carrying amount</b>	
<b>October 1, 2010</b>	<b>9,896</b>
<b>September 30, 2011</b>	<b>25,347</b>

Prior year:

in Euro	Intangible assets
<b>Acquisition cost</b>	
October 1, 2009	19,343
Additions	0
Disposals	0
<b>September 30, 2010</b>	<b>19,343</b>
<b>Amortization</b>	
October 1, 2009	5,547
Amortization of the fiscal year	3,900
Disposals	0
<b>September 30, 2010</b>	<b>9,447</b>
<b>Carrying amount</b>	
<b>October 1, 2009</b>	<b>13,795</b>
<b>September 30, 2010</b>	<b>9,896</b>

### 4. 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.

The measurement of biological assets is based on estimates by experts of the THI Group (as of September 30, 2011, based on independent expert estimates) and is adjusted annually. In this connection, reference is made to the fact that a transparent market for "in-growth teak wood plantations" does not exist. Therefore 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 harvest are calculated. The parameters used are the values of physical inventory-taking (number of trees per hectare), assumptions on the wood mass per tree and the number of trees to be cut in thinnings and final cutting, financial data at the balance sheet date (USD exchange rate, yield 10Y treasury note + interest spreads customary in the market) and assumptions on future teak wood prices.

As non-financial measures, the qualities of the inventory and the plantation areas are assessed by internal forestry 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. 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 are measured at fair value less costs for care and forestation, and taking into account a 30% deduction. The deduction applied so far is henceforth calculated by using one single average deduction rate in the amount of 30%, which also accounts for any other shortfalls in income. By applying an average rate over the entire management period the previously erratic changes in value are prevented based on tree age and now accounted for evenly from planting until harvest. Since the Company decided to subject all its plantation areas to a certification in the future, the Company is following the recommendations of the certification organization, e.g. with regard to the cultivation period, cultivation intensity and measurement. A general average deduction rate also corresponds to the principle of prudence and is in line with the measurement of biological assets based on the risks involved that is applied by the Company.

Biological assets that are first recognized upon acquisitions or contributions of already seeded plantation areas are initially measured at acquisition cost. In the subsequent measurement, the fair value less point-of-sale costs is recognized on the basis of the measurement principles presented above. 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 (or adjusted acquisition costs due to thinnings). 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, 2010	117,637,374
Change in fair value	7,309,087
Harvest	-949,835
<b>Carrying amount as of September 30, 2011</b>	<b>123,996,626</b>
Prior year:	
Carrying amount as of October 1, 2009	109,664,514
Change in fair value	8,049,244
Harvest	-76,384
<b>Carrying amount as of September 30, 2010</b>	<b>117,637,374</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	2010/11	2009/10
Change in value of existing plantings	7,309,087	8,049,244
<b>Increase/decrease in fair value of biological assets</b>	<b>7,309,087</b>	<b>8,049,244</b>

### Thinning/harvest

As harvests in the meaning of IAS 41, which reduce the amount of biological assets, the Group regards the thinning and the final cutting. In the fiscal year 2010/11, thinnings were carried out according to the certification guidelines. Due to the price decline for thinning wood, no profit could be generated and timber inventories were written down by an amount of EUR 768,452.

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

THI Group considers the measurement of teak plantations by internal experts (based on the independent expert opinion as of September 30, 2011) well founded and commensurate with the risks involved. 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 interference (exception: necessary sanitary thinnings) - 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 proceeds estimated so far of USD 190 per m<sup>3</sup> for the timber harvested in the thinnings scheduled for the 8th year of the plantation's existence were adjusted to USD 100 per m<sup>3</sup> due to the current market situation in the past fiscal year and based on experience. 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. Further proof of the price estimates is derived from the sales transacted so far, in which a price of USD 850 was fetched for wood of 115-119 cm in diameter. These sales related to purchased, not certified wood. Due to the constantly rising demand for certified wood, it can be assumed that the estimated price for own certified wood of USD 800 was set quite conservatively. 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.

In case the estimates are changed in the next period, the fair value of the biological assets might change significantly (for details see Note 20 Market risk).

### Discount rate

The discount rate used is 12.75% (prior year: 12.75%).

### Securing the harvest

The estimated value of the trees at the time of harvest is maintained if the Group can secure and provide the financial means necessary for the care of the plantations up to the point of harvest.

### 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 Group 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 seriously 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.

## 5. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average price method. The cost of the harvested teak trees results from the fair value less point-of-sale costs. 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). The lower net realizable value results from the estimated selling price realizable in the ordinary course of business, less any selling expenses incurred.

<b>Inventories:</b>	<b>9/30/2011</b>	<b>9/30/2010</b>
Teak stock	204,588	502,406
Larch stock	0	17,765
Prepayments on inventories	8,293	21,288
Finished goods	0	42,094
Other inventory	0	18,718
Allowance Teak Production	0	-288,861
<b>Net carrying amount</b>	<b>212,881</b>	<b>313,410</b>

The teak stock includes inventories from the thinning of the Group's own plantations in the amount of EUR 86,155. The fair value less selling costs amounted to EUR 854,605 at the time of the harvest. A write-down was made in the amount of EUR 768,452. The inventories from the operating business of the BU Trade also included in the teak stock in the amount of EUR 118,433 were measured at net realizable value. A write-down in the amount of EUR 112,973 was made in the past fiscal year. The allowance Teak Production resulted from a write-down of inventories in the previous year.

## 6. Non-current financial assets (restricted cash)

Non-current financial assets include restricted cash deposited with banks in the amount of EUR 1,000,000 (prior year EUR 0). The restricted cash serves as collateral for a debt financing and is restricted until May 31, 2016.

## 7. Trade receivables

Trade receivables amount to EUR 90,110 in the past fiscal year (prior year: EUR 331,919). They include receivables from related parties in the amount of EUR 32,616 (prior year: EUR 65,827) (see Note 28 - Related party transactions).

## 8. Cash and cash equivalents

in Euro	9/30/2011	9/30/2010
Cash and cash equivalents	181,540	8,964,801
<b>Cash and cash equivalents in cash flow</b>	<b>181,540</b>	<b>8,964,801</b>

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

## 9. Equity

### Share capital

The share capital of Teak Holz International AG, Linz, amounts to EUR 31,205,160 and is fully paid in. As of September 30, 2011, 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 annual general meeting.

### Minority interests

Minority interests are shares held by minority shareholders in the Group's total equity, which are explained in detail in the consolidated notes to the financial statements under Note 8 "Accounting and measurement principles".

### Authorized capital

At the 2nd ordinary general meeting on February 20, 2009, 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 (authorized capital). In addition, the management board is authorized, subject to the approval of the supervisory board, to exclude the subscription right of existing shareholders. The supervisory board is authorized to resolve on amendments to the articles of association resulting from the issue of shares from the authorized capital.

### Conditional capital

At the extraordinary general meeting on June 23, 2010, the management board, subject to the approval of the supervisory board, was authorized to issue convertible bonds within five years as of the date this resolution was passed, containing a subscription and/or conversion right for the purchase of a total of up to 3,120,516 registered no-par value shares of the Company with a prorated amount in the share capital of up to EUR 15,602,580. In addition, the management board is authorized, subject to the approval of the supervisory board, to exclude the subscription right of existing shareholders.

### Capital reserve

The release of capital reserves in the amount of EUR 6,042,527 (prior year: EUR 7,305,499) equals the net loss for the year reported in the financial statements of Teak Holz International AG, Linz, which was offset by the release of reserves.

Due to the issuance of the convertible bond on September 1, 2010 in the amount of EUR 10,000,000, an equity share of EUR 2,960,000, less proportional transaction costs of EUR 134,361, results from splitting the proceeds from issuance ("split accounting", see also Note 8 on accounting and measurement principles). The netted amount of EUR 2,825,639 is reported under capital reserves.



## 10. Financial liabilities

### Non-current financial liabilities

in Euro	9/30/2011	9/30/2010
Secured loans from banks	5,367,603	6,131,129
Unsecured loans from banks	0	13,124
Convertible bond	7,241,728	6,725,764
Shareholder loan	0	2,130,000
Loan from Austrian Research Promotion Agency	273,100	273,100
Usufruct rights	1,797,434	1,949,411
Liabilities to minority shareholders	6,289,630	6,509,453
	<b>20,969,495</b>	<b>23,731,981</b>

The collateral for the bank loans includes a cover bill and a mortgage on the forest property of Gotthard Graf Pilati von Thassul zu Daxberg (member of the supervisory board) in the amount of EUR 5,625,000. Non-current financial liabilities include liabilities to minority shareholders, 65 ha (prior year: 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), the majority of which will fall due after planned harvests in 5 or 7 years. 1 minority interest = 1 ha in Finca De Los Austriacos, S.A., Costa Rica, was acquired by Teak Holz Handels- und Verarbeitungs GmbH in the reporting period. As the subsidiary Teak Holz Handels- und Verarbeitungs GmbH is fully consolidated, the Group now retains 65 shares = 65 ha minority interests. The shareholder loan in the amount of EUR 2,130,000 was repaid early in the past fiscal year. Non-current financial liabilities also include the debt share less proportional transaction costs of the convertible bond issued on September 1, 2010 in the nominal amount of EUR 10,000,000. This bond is secured by liens on the shares in the Costa Rican subsidiaries of THI AG. The nominal interest rate of the convertible bond is 5% p.a. The effective interest rate (market interest rate of a comparable bond without conversion right) is 13.5% p.a.

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

in Euro	Carrying amounts		Cash flows (incl. interest)	
	9/30/2011	9/30/2010	9/30/2011	9/30/2010
Less than 1 year	1,367,603	308,671	1,999,363	912,670
Between 1 and 5 years	11,532,098	11,165,323	13,548,741	13,620,417
More than 5 years	8,069,793	12,257,987	17,279,904	27,561,565
<b>Total</b>	<b>20,969,495</b>	<b>23,731,981</b>	<b>32,828,008</b>	<b>42,094,652</b>

The fair values approximate the carrying amounts of the liabilities.

### Current financial liabilities

in Euro	9/30/2011	9/30/2010
Liabilities to banks (overdrafts)	1,695,674	1,346,327

Liabilities to banks in the amount of EUR 34,718 (prior year: EUR 429,431) are not secured at the balance sheet date. The remaining bank liabilities in the amount of EUR 1,660,957 were secured by intra-group guarantees in the amount of EUR 1,850,000, a cover bill and the pledge of restricted cash in the amount of EUR 1,000,000. The fair values approximate the carrying amounts of the liabilities. The average interest rate of the liabilities to banks ranges between 3.294 and 4.375%. The interest rate for FFG loans is 2%.

## 10. Additional disclosures on financial instruments

in Euro	MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT 30.09.2011	AMOUNT RECOGNIS- ED IN BALANCE SHEET PURSUANT TO IAS 39	FAIR VALUE 30.09.2011
			Continued purchase costs	
<b>ASSETS</b>				
Trade receivables	LaR	90,110	90,110	90,110
Financial assets (restricted cash)	LaR	1,000,000	1,000,000	1,000,000
Other receivables and current assets	LaR/n.a.	154,196	154,196	154,196
Cash and cash equivalents	LaR	181,539	181,539	181,539
<b>EQUITY AND LIABILITIES</b>				
Non-current financial liabilities				
Usufruct rights	FLAC	1,797,434	1,797,434	1,797,434
Liabilities to minority shareholders	FLAC	6,289,630	6,289,630	6,289,630
Liabilities to shareholders	FLAC	0	0	0
Convertible bond	FLAC	7,241,728	7,241,728	7,241,728
Bank loans	FLAC	5,640,703	5,640,703	5,640,703
Trade payables	FLAC	336,653	336,653	336,653
Other liabilities	FLAC	241,106	241,106	241,106
Current financial liabilities	FLAC	1,695,674	1,695,674	1,695,674
Of which accumulated according to measurement category pursuant to IAS 39:				
Loans and receivables (LaR)		1,426,042	1,426,042	1,426,042
Financial liabilities measured at amortized cost (FLAC)		23,242,927	23,242,927	23,242,927



MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT 30.09.2010	AMOUNT RECOGNIS- ED IN BALANCE SHEET PURSUANT TO IAS 39	FAIR VALUE 30.09.2010
		Continued purchase costs	
LaR	331,919	331,919	331,919
LaR	0	0	0
LaR/n.a.	61,564	61,564	61,564
LaR	8,964,801	8,964,801	8,964,801
FLAC	1,949,411	1,949,411	1,949,411
FLAC	6,509,453	6,509,453	6,509,453
FLAC	2,130,000	2,130,000	2,130,000
FLAC	6,725,764	6,725,764	6,725,764
FLAC	6,417,352	6,417,352	6,417,352
FLAC	787,990	787,990	787,990
FLAC	527,864	527,864	527,864
FLAC	1,346,327	1,346,327	1,346,327
	9,358,495	9,358,495	9,358,495
	26,394,162	26,394,162	26,394,162



## 11. Deferred tax assets and liabilities

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

in Euro	ASSETS		LIABILITIES		NET	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Property, plant and equipment	2,881	0	-3,735	-3,735	-854	-3,735
Biological assets	0	0	-10,525,030	-7,789,487	-10,525,030	-7,789,487
Issuance costs convertible bond	0	0	-62,581	-78,559	-62,581	-78,559
Tax advantage due to tax loss carryforwards	6,810,348	4,843,194	0	0	6,810,348	4,843,194
<b>Gross amount deferred tax assets/liabilities</b>	<b>6,813,229</b>	<b>4,843,194</b>	<b>-10,591,346</b>	<b>-7,871,781</b>	<b>-3,778,116</b>	<b>-3,028,587</b>
Netting	-813	-813	813	813	0	0
<b>Net amount deferred tax assets/liabilities</b>	<b>6,812,417</b>	<b>4,842,381</b>	<b>-10,590,533</b>	<b>-7,870,968</b>	<b>-3,778,116</b>	<b>-3,028,587</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Tax loss carryforwards

As of September 30, 2011, THI Group has loss carryforwards in the amount of EUR 33,210,638 (prior year: EUR 25,484,272), which will expire in the next years as follows:

in Euro	2010/11	2009/10
2011/12	2,038,930	2,038,930
2012/13	1,146,087	1,146,087
2013/14	1,258,447	1,258,447
2014/15	2,455,636	1,744,371
Unlimited	26,311,537	19,296,437
Total	33,210,638	25,484,272
Recognized as deferred tax asset	-27,086,418	-19,360,052
<b>Unrecognized tax loss carryforwards</b>	<b>6,124,220</b>	<b>6,124,220</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 10/1/2010	CHANGE THROUGH PROFIT OR LOSS	BALANCE 9/30/2011
Property, plant and equipment	-3,735	2,881	-855
Biological assets	-7,789,487	-2,735,543	-10,525,030
Convertible bond	-78,559	15,978	-62,581
Tax advantage due to tax loss carryforwards	4,843,193	1,967,155	6,810,348
<b>Total</b>	<b>-3,028,587</b>	<b>-749,529</b>	<b>-3,778,116</b>

**Prior year:**

in Euro	<b>BALANCE 10/1/2009</b>	<b>CHANGE THROUGH PROFIT OR LOSS</b>	<b>BALANCE 9/30/2010</b>
Property, plant and equipment	-3,788	52	-3,735
Biological assets	-7,240,474	-549,013	-7,789,487
Convertible bond	0	-78,559	-78,559
Tax advantage due to tax loss carryforwards	2,681,196	2,161,997	4,843,194
<b>Total</b>	<b>-4,563,066</b>	<b>1,534,477</b>	<b>-3,028,587</b>

## 12. Trade payables

Trade payables amount to EUR 336,653 in the past fiscal year (prior year: EUR 787,990). They include payables to related parties in the amount of EUR 0 (prior year: EUR 298,024).

## 13. Other current payables and accrued liabilities

in Euro	<b>9/30/2011</b>	<b>9/30/2010</b>
Legal and consulting costs	98,350	98,500
Liabilities to shareholders	227,102	468,259
Deferred income	26,226	30,532
Other	343,994	286,540
<b>Total</b>	<b>695,672</b>	<b>883,831</b>

## 14. Employee benefits

### Termination benefits (long-term benefits)

in Euro	<b>2010/11</b>	<b>2009/10</b>
Net liability on October 1	158,265	145,283
Allocation	68,837	61,096
Reversal	-227,102	-48,114
<b>Net liability on September 30</b>	<b>0</b>	<b>158,265</b>

Short-term employee benefits include accrued expenses for unused vacation in the amount of EUR 111,672 (prior year: EUR 96,878) and vacation pay and Christmas bonus in the amount of EUR 23,074 (prior year: EUR 35,746).

## COMMENTS TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income has been prepared using the total expenditure format. The comments relate exclusively to earnings from continuing operations. The previous year was adjusted accordingly.

### 15. Revenue

in Euro	2010/11	2009/10
Third country revenue	1,199,616	701,599
Domestic revenue	0	0
<b>Total</b>	<b>1,199,616</b>	<b>701,599</b>

### 16. Cost of materials, cost of sales, other purchased services and write-downs on timber inventories

in Euro	2010/11	2009/10
Cost of sales teak log wood	1,085,388	306,225
Cost of purchased services	691,708	594,327
Write-down of harvested teak trees	768,452	0
Write-down of timber inventory	112,973	0
Consumables	328	0
<b>Total</b>	<b>2,658,850</b>	<b>900,552</b>

### 17. Personnel expenses

in Euro	2010/11	2009/10
Wages/salaries	1,075,666	1,325,260
Expenses for termination benefits	78,757	29,378
Statutory social security contributions	198,634	293,050
Other personnel expenses	39,334	35,368
<b>Total</b>	<b>1,392,391</b>	<b>1,683,056</b>

Expenses for termination benefits include the contractual termination benefits of managing directors. Expenses for termination benefits include contributions to staff provision funds in the amount of EUR 9,920 (PY: EUR 14,304).

### 18. Other operating income

in Euro	2010/11	2009/10
Income from reimbursement of expenses	26,057	30,844
Grants received	128,685	146,612
Other	73,545	0
<b>Total</b>	<b>228,287</b>	<b>177,456</b>

## 19. Other operating expenses

in Euro	2010/11	2009/10
Legal, audit and consulting fees	577,433	306,663
Other services, charges	3,521	76,019
Advertising and marketing	63,321	45,253
General administration	394,398	388,106
Automobile expenses	160,655	266,103
Research expenditure	36,432	81,682
Transport and travel expenses, further training	85,861	79,880
Other	883,937	495,206
<b>Total</b>	<b>2,205,558</b>	<b>1,738,912</b>

## 20. Financial result

in Euro	2010/11	2009/10
<b>Financial income</b>		
Interest income from bank deposits	24,441	55,370
Adjustment liabilities from minority interests and usufruct rights	371,801	0
<b>Financial expenses</b>		
Exchange rate differences	-46,809	-85,749
Interest expenses from bank liabilities / loans	-1,307,753	-278,912
Adjustment liabilities from minority interests and usufruct rights	0	-993,570
<b>Financial result - net</b>	<b>-958,320</b>	<b>-1.302.861</b>

The expense/income from financial liabilities to minority shareholders and holders of usufruct rights mainly results from adding accrued interest to the discounted debt (interest rate: 12.75%, prior year: 12.75%) and from other value adjustments of biological assets to the harvest proceeds of which an enforceable right exists.

## 21. Taxes on income

in Euro	2010/11	2009/10
<b>Tax recognized in the statement of comprehensive income</b>		
Current tax of the fiscal year	-4,657	-3,486
<b>Deferred taxes</b>		
Allocation and reversal of temporary differences	-2,779,939	-627,604
Income from recognized tax loss carryforwards	1,967,155	1,921,194
<b>Total income taxes in the statement of comprehensive income</b>	<b>-817,442</b>	<b>1,290,104</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	2010/11	2009/10
<b>Taxable income</b>	<b>1,419,015</b>	<b>3,142,846</b>
Tax at the applicable tax rate (25%)	-354,753	-785,712
Effect of foreign tax rates	133,939	0
Effect of permanently non-deductible expenses	993,038	1,408,733
Effect of non-taxable income	-129,247	-13,988
Effect from tax loss carryforwards not accounted for/recognized	-50,590	-436,093
Effect from tax loss carryforwards from prior years	0	-75,077
Effect from differences from biological assets not recognized as deferred tax assets	-1,498,528	1,444,117
Other	88,699	-251,877
<b>Total income taxes in the statement of comprehensive income</b>	<b>-817,442</b>	<b>1,290,104</b>

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%.

## 22. Earnings per share

### (a) Basic earnings per share

The calculation of basic earnings per share as of September 30, 2011 was based on the profit share attributable to the ordinary shareholders (EUR 601,572) in the amount of EUR 0.10 (prior year: EUR 0.71) and the average/mixed number of ordinary shares outstanding during the fiscal year 2010/11 in the amount of 6,241,032 (prior year: 6,241,032).

### (b) Diluted earnings per share

A dilution would occur if earnings per share were reduced through the issue of potential shares from option and conversion rights. At the balance sheet date, such rights existed from a convertible bond. However, if these are taken into account, earnings per share from continuing operations increase, which is why these option and conversion rights do not result in a dilution. Thus, diluted earnings also amount to EUR 0.10 (prior year 0.70).

## 23. Discontinued operations

On December 31, 2010, the business unit Teak Production was outsourced from the Group. Earnings from these discontinued operations are as follows:

in Euro	2010/11	2009/10
Revenue	44,656	515,869
Expenses	-295,927	-1,479,084
<b>Earnings before taxes from discontinued operations</b>	<b>-251,271</b>	<b>-963,215</b>
Taxes	62,818	240,801
<b>Earnings after taxes from discontinued operations</b>	<b>-188,454</b>	<b>-722,414</b>



Earnings per share from discontinued operations attributable to the shareholders of the parent company in the fiscal year (in EUR per share) are:

in Euro	2010/11	2009/10
<b>Earnings per share from discontinued operations</b>		
basic	-0.03	-0.12
diluted	-0.02	-0.11

## 24. Acquisitions of Costa Rican property companies

In the fiscal year 2010/11, no property companies were acquired.

## 25. Business combinations

In the fiscal year 2010/11, no business combinations were formed.

## OTHER DISCLOSURES

### 26. Number of employees

The average number of employees was:

	2010/11	2009/10
Austria	13	22
Costa Rica	73	93
<b>THI Group</b>	<b>86</b>	<b>115</b>

### 27. Contingent liabilities

As of the balance sheet date, the Company has no contingent liabilities to external third parties.

### 28. 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 2010/11, the following persons served on the management board:

Klaus Hennerbichler (COO) until October 27, 2011

Dr. Markus Baumgartner (CFO)

Pavel Brenner (Chief Sales Officer) until October 27, 2011

Mag. Siegfried Mader (CEO) since October 28, 2011

**In the fiscal year 2010/11, the following persons served on the supervisory board:**

Mag.iur. Alexander Hüttner, LL.M.(NYU) (chairman of the supervisory board)  
 Erwin Hörmann (deputy chairman of the supervisory board)  
 Gotthard Graf Pilati von Thassul zu Daxberg (member of the supervisory board)  
 Dr. Manfred Luger (member of the supervisory board)  
 Dr. Karl Arco (member of the supervisory board), until September 2, 2011

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

in EUR	MANAGEMENT BOARD REMUNERATIONS/ SUPERVISORY BOARD EMOLUMENTS	
	2010/11	2009/10
Management board	489,699	489,258
Supervisory board	40,000	32,000
	<b>529,699</b>	<b>521,258</b>

Remunerations to the management board include an expense for the transfer to the provision for termination benefits in the amount of EUR 68,837 (prior year: EUR 61,096). 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.iur. Alexander Hüttner, LL.M. (NYU), chairman of the supervisory board), current fees in the amount of TEUR 162 (prior year: TEUR 81) were incurred.

Erwin Hörmann assigned his receivable from THI Group in the amount of TEUR 307 (prior year: TEUR 307) to Klaus Hennerbichler in the past fiscal year. In connection with the sale of the production site in Schöndorf to THP GmbH (shareholder Klaus Hennerbichler) the liability of THI Group to Klaus Hennerbichler in the amount of TEUR 468 (prior year: TEUR 193) was settled. At the balance sheet date, the Company has liabilities to Klaus Hennerbichler from termination benefits according to contract in the amount of TEUR 227. According to contractual agreement, the payment was postponed.

In current business transactions (incl. offsetting) with Hennerbichler GmbH & Co KG (Klaus Hennerbichler, management board member of THI AG) income of TEUR 14 (prior year: TEUR 46) was generated for the THI Group. The financial liability to Erwin Hörmann (TEUR 2,130, prior year: TEUR 2,130) was repaid in the past fiscal year. The resulting interest expense amounted to TEUR 61 in the fiscal year 2010/11 (prior year: TEUR 95).

As collateralization of a bank loan, a mortgage in the amount of TEUR 4,000 was granted on a forest property of supervisory board member Gotthard Graf Pilati von Thassul zu Daxberg. Furthermore, collateral has been provided by supervisory board member Pilati for current bank liabilities in the amount of TEUR 1,625. To that end, a provision for liability commissions was established in the amount of TEUR 169 (prior year: TEUR 70).

Mrs. Doris Baumgartner (wife of Dr. Markus Baumgartner, CEO) works in accounting and receives a market-level salary.

Furthermore, a business relationship exists with THP GmbH (shareholder Klaus Hennerbichler). In current business transactions (incl. offsetting) expenses were incurred in the amount of TEUR 55. At the balance sheet date, the Company has outstanding receivables from THP GmbH in the amount of TEUR 18.

## 29. Expenses for the auditor

Expenses for the auditor amount to TEUR 61.35 (prior year: TEUR 57) and are broken down as follows:

in EUR	2010/11	2009/10 TEUR
Audit of the consolidated financial statements	23,650	23
Other assurance services	31,350	29
Other services	6,350	5
<b>Total</b>	<b>61,350</b>	<b>57</b>

## 30. Events after the balance sheet date

### Major contract for plantation management

On October 6, 2011, THI AG announced the closing of a major contract to establish and manage teakwood plantations in Costa Rica. The framework agreement has a contract value of an indexed amount of up to EUR 50 million and a term of more than 20 years. With this service project, the THI Group for the first time offers its forestry expertise, which it had successfully applied over many years in its own plantations, to an external business partner.

The first suitable plots of the areas to be managed in the future by THI AG could be selected already in the upcoming dry season of Costa Rica and individual plots be purchased by the project partner in order to be able to start with the planting in the rainy season. The projects are financed by institutional investors.

The forestry engineers of THI AG are already strongly involved in the evaluation of the soil conditions and the selection of the areas, since the location decision is of strategic importance for a long-term timber investment. In doing so, the THI quality standards can be secured from the outset. The scope of services provided includes all forestry functions from planting up to the final harvest. These functions are organized and supervised by experts trained in Austria with special emphasis on ecological and social standards.

In the future, THI AG expects more income from such newly provided service activities in forest management. Due to the upcoming revenue from the operating service activities of the Costa Rican subsidiary Servicios Austriacos Uno, S.A. the negative operating cash flow can be reduced. These service revenues can, to a certain extent, reduce the operating loss and partially increase the level of selffinancing of the company in Costa Rica.

### Changes in the management board as of the end of October 2011

On October 28, 2011, THI AG announced organizational and personnel changes in the management board. At the end of October 2011, Mag. Siegfried Mader assumed the position of CEO of THI AG. Since the contracts with the three members of the management board expire on January 25, 2012, the supervisory board discussed the future organizational composition and make-up of the management board and made related decisions at the supervisory board meeting in the evening of October 27, 2011.

Mr. Mader had been working for THI AG as project manager for nine months and had taken a leading role in the successful closing of the major contract for external plantation management and is appointed to serve on the management board for a term of five year. Dr. Markus Baumgartner will focus on financial agendas until the termination of his contractual relationship as CFO.

Mr. Klaus Hennerbichler, who had been with the Company for more than twelve years, resigned from the management board (COO since the beginning of 2007) at his own request and changed into an employment relationship in order to continue to provide his expertise to the Group. The availability of the shareholder Klaus Hennerbichler is crucial for the Company to internally preserve and provide the plantation know-how accumulated so far.

In addition to the increased focus on the core competence of THI AG, development and responsible management of teakwood plantations, in the future, teakwood trade will also be reoriented. Until sufficient quantities of wood will be available from the Company's own plantations, the trade in third-party teakwood will be organized on a project-oriented basis. This way, the Company shall continue to seize trading opportunities as well as realize cost savings potentials. It is for this reason that the separate position of chief sales officer is no longer required. Mr. Pavel Brenner, who had served as a member of the management board responsible for trade and marketing since July 2010, therefore left the management board and the Company as of October 28, 2011.

#### **Additional credit facilities secure liquidity**

Securing long-term liquidity is a key responsibility of the management. As already planned at the time of the initial public offering, liquidity shall be maintained through equity and borrowings until the first significant income is generated from harvests from own plantations.

In the fiscal year 2010/11, liquidity was always secured through existing credit facilities. In addition, the management negotiated with banks in order to enter into new credit agreements. After the balance sheet date, those negotiations were completed successfully and credits were granted.

No further material events occurred after September 30, 2011.

These consolidated financial statements were prepared by the Company's management and authorized for publication on January 17, 2012.

Linz, January 17, 2012

The Management Board:



Mag. Siegfried Mader



Dr. Markus Baumgartner



## GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2010/2011

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

#### 1.1. Summary of fiscal year

##### 1<sup>st</sup> quarter from October to December 2010

- As the core business of the THI Group – responsible management of teak plantations – will be even more in the spotlight in the future, management decided to discontinue the “Teak Production” segment as of the end of the first quarter.

##### 2<sup>nd</sup> quarter from January to March 2011

- In the first half of the fiscal year (October 2010 until March 2011) a significant increase in sales could be achieved in log trade.
- At the 4th ordinary general meeting of THI AG, all resolutions were adopted by a large majority or unanimously by the shareholders.
- In the first six months of the fiscal year, the TEAK share gained approx. 50 percent and has ranked among the top three performers at the Vienna Stock Exchange since January 2011.

##### 3<sup>rd</sup> quarter from April to June 2011

- The strong increase in revenue from log trade continued also in the third quarter.
- In the months April to June, the Company successfully presented itself to interested investors, traders, analysts and journalists at several roadshow events in Austria and Germany.
- Financial media turned their attention to the strong performance of the share and henceforth reported more frequently on the business model of THI AG.
- The TEAK share continues to be included in the index composition of the VÖNIX Sustainability Index.

##### 4<sup>th</sup> quarter from July to September 2011

- The dynamic increase in timber sales in the three quarters, however, could not be maintained until the end of the fiscal year. Reason for this was the decline in supply of high quality teak log, especially of certified wood.
- In the summer, THI AG intended to carry out a capital increase to finance the purchase of previously offered teak plantations. However, due to the deteriorating general conditions in the global financial economy as of August, the capital increase could not be placed in the full amount. On September 23, 2011, the management board, therefore, decided to cancel the capital increase.
- In the fiscal year 2010/2011, the TEAK share rose by 28.2% and was listed at EUR 5,000 at the balance sheet date (September 30, 2011). As a result of the negative turnaround in the financial economy, the TEAK share also declined as of August.

##### Material events after September 30, 2011

- Major contract for external plantation management. The service agreement that had been entered into at the beginning of October 2011 has a contract value of an indexed amount of EUR 50 million and a term of more than 20 years.
- New focus of teak log trade. Since third-party teakwood according to the Company's set quality standards is no longer available in sufficient quantities in Costa Rica, the timber trade is organized on a project-oriented basis.
- Change and reduction of the management board as of the end of October 2011. Appointment of Mag. Siegfried Mader as CEO of THI AG.

## 1.2. Introduction

Sustainable, responsible action in the economy again came in the spotlight of global media attention as a result of the implications of the major tsunami on the Japanese coast in March 2011. Stock analysts and investors more frequently evaluate companies also according to their social and ecological commitment. Investors, small and large, more and more base their purchase and investment decisions on the industry in which a company operates.

A survey published in November 2011 shows that the total volume of sustainable financial investments in Austria already amounts to EUR 2.43 billion in 2010, which is an increase of 17 percent year-on-year. The share of sustainable investments in the total Austrian market rose to 1.7 percent in 2010, compared to a mere 1.5 percent in 2009. Additional strong growth impulses are expected in the coming years particularly from institutional investors (pension and staff provision funds), who already account for the main share of these investments. But also for private Austrian investors, sustainability criteria become ever more important in their investment decisions.

Timber is an asset class which in the long run can be considered an attractive portfolio diversification. Investments in timber have good prospects for the future. The long-term investment in the renewable resource “timber” can be assessed positively. As a result of the rapid population growth, especially in Asia, demand for wood is expected to increase worldwide. Futurologists predict a significant rise in demand for raw wood and wood products up to the year 2030. This goes for domestic wood species as well as for valuable woods, such as teak. The excellent properties of the versatile teak wood are appreciated particularly in Asia. Due to the rising economic power of China and India, wood experts predict that demand will rise even further. Teak wood is also gaining in popularity in America and Europe.

The capacities of wood from responsible forestry will have to be increased considerably worldwide in order to be able to meet the demand and to protect, or even save, the primeval forests. Against the background of the global climate problem, a growing critical environmental awareness in consumer behavior can be noticed with regard to rejection of primeval forest clearings. Many buyers already consider it good etiquette to use only wood from sustainably managed plantations. The increasing individual buyer sensitivity is also accompanied by a growing awareness of society, which ultimately results in statutory provisions. Studies show that the majority of EU citizens are in favor of a uniform EU legislation that makes sure that wood and wood products in the EU are of legal origin. In 2010, the EU regulation “FLEGT” (Forest Law Enforcement, Governance and Trade) entered into force. This new regulation can be considered a milestone in banning timber of illegal origin. This will further increase the importance and market opportunities of wood from sustainable plantations – including teak wood – in the future.

## 1.3. Development of the individual business units

THI Group is structured in business units. The three segments are: BU “Teak Service”, BU “Teak Plantations” and BU “Teak Sales”. The former fourth business unit “Teak Production” was outsourced from the Group effective December 31, 2010 and thus was discontinued as of the beginning of the second quarter of the fiscal year 2010/2011. Henceforth, this three-tier segmentation is in line with the group-wide budgeting and controlling structure, on which the reporting system and other organizational procedures are based. The individual business units can be briefly described as follows:

**BU “Teak Service“:** This business unit, which serves as the corporate umbrella, performs all group-wide management functions and services for the other business units. In this business segment, no revenue is generated from operations.

**BU “Teak Plantations“:** In this business unit, all plantation-specific functions are performed for the six plantation holding companies. The biological assets (this are the reforested teak plants and trees in the plantations) and their changes in value are allocated to this unit.

**BU “Teak Sales“:** This business unit is responsible for the global teak log trade. Target market is Southeast Asia, most notably India, which is considered the largest consumer market for teak wood.

#### 1.4. Development of business unit “Teak Service”

This business unit performs all group-wide management functions and services for the other business units. In this business segment, no revenue is generated from operations.

**General meeting:** The 4th ordinary general meeting of THI AG took place on February 24, 2011. Approximately 120 persons accepted the invitation into the Old Town Hall of the City of Linz. After a presentation by the management board, the development of the Company was hailed in the discussion by several shareholders. All four resolutions on agenda items were adopted by a large majority or unanimously by the shareholders or their voting representatives. All detailed voting results were published immediately and made available online. At the general meeting, THI AG again invited a guest speaker and could win Mag. Philipp Gaggl, Head of Sustainable Business Solutions of PwC Austria, who talked about current trends and developments in the area of sustainability and corporate social responsibility.

**The development of the TEAK share:** As of the balance sheet date September 30, 2011, the TEAK share (ISIN: AT0TEAKHOLZ8) closed at EUR 5.000 and increased over the beginning of the fiscal year (EUR 3.899) by an absolute amount of EUR 1.101 or 28.2% in relative terms. In the reporting period, the market capitalization increased by approx. EUR 6.9 million from approx. EUR 24.3 million to approx. 31.2 million.

At the end of November 2010, the price of the TEAK share reached its year-low at EUR 3.400 (closing price) and then rose continuously in the subsequent six months. From the end of January 2011, the share developed much better than the leading index of the Vienna Stock Exchange, ATX, see chart.



Chart: Development of the TEAK share price from October 2010 until September 2011, ATX for comparison;  
 Source: Wiener Börse AG

In the first half of the fiscal year (until the end of March), the share gained approx. 50 percent and has ranked among the top three performers at the Vienna Stock Exchange since the beginning of 2011. After the publication of the half-year financial report, an analyst again confirmed his buy recommendation and increased the target price of the TEAK share from EUR 9.000 to EUR 10.000. In mid-June 2011, the price of the TEAK share reached its year-high at EUR 7.120 (closing price). The positive price development, however, ended as of the second half of July as a result of the emerging global financial crisis. Since August 2011, with the negative turnaround in the financial economy, the TEAK share and the ATX show a parallel – unfortunately downward – trend.

From the beginning of October 2010 until the end of September 2011 1,162,530 TEAK shares (single count) with a value of EUR 6,418,492 were traded, annual average price: EUR 5.521. In the reporting period, the volume of traded shares increased year-on-year. On an annual average, 5,144 shares (single count) were traded daily, which is approximately double the prior year figure (approx. 2,600 shares). The top 10 trading volumes ranked between approx. 20,000 and 36,000 shares. The peak daily volume was 36,641 shares (single count) on April 8, 2011. In the ranking of the securities traded on the Vienna Stock Exchange, the TEAK share again ranks in the middle, as regards total volumes, in the reporting period, which is quite remarkable for a small cap company.

In addition to the Vienna Stock Exchange, the TEAK shares are also traded on the stock exchanges in Frankfurt, Munich, Stuttgart and Berlin. Earnings per share at the balance sheet date: basic earnings per share from continuing operations: EUR 0.100 (prior year: 0.710) or diluted earnings per share from continuing operations: EUR 0.100 (prior year: EUR 0.700).

Share data (ISIN: ATOTEAKHOLZ8)		2010/11	2009/10
Lowest price	EUR	3.400	2.980
Highest price	EUR	7.120	4.240
Price at the beginning of the fiscal year	EUR	3.899	3.640
Price at the balance sheet date	EUR	5.000	3.899
Market capitalization at balance sheet date	million EUR	31.2	24.3
Increase in market capitalization	million EUR	6.9	1.6
Earnings per share from continuing operations (basic)	EUR	0.100	0.710
Earnings per share from continuing operations (diluted)	EUR	0.100	0.700

In the months April to June 2011, the Company presented itself to interested investors, traders, analysts and journalists at several roadshow events in Austria and Germany. At these events, a particular interest in the THI presentations was noted, as compared to the other companies, and the responsible business model was discussed in detail. Financial media turned their attention to the strong performance of the share and henceforth reported more frequently on THI AG: “Insiders’ tip teakwood growth share”, “The share is grossly undervalued despite its increase in price”. A major specialist magazine on resources in Germany headlined in early May: “Teak Holz International combines sustainability with return on investment” and issued a buy recommendation.

In May 2011, the annual external evaluation regarding the continued participation or inclusion in the VÖNIX Sustainability Index was carried out. Again, more than 60 Austrian listed public limited companies were thoroughly assessed based on approx. 100 individual environmental and social criteria. In mid-June 2011, THI AG was informed that the TEAK share would again be included in the updated index composition of the VÖNIX Index in the period up to June 2012.

**Capital increase:** In the summer 2011, THI AG intended to carry out a capital increase. Due to the positive market signs in May and June 2011, the management board of THI AG, with the approval of the supervisory board, on June 27, 2011 decided to increase the share capital of the Company through the issue of new bearer shares. The reason for this decision was that specific plantation areas in Costa Rica had been offered for purchase. The purchase of these plantation areas would



have facilitated the realization of the longstanding desire of the Company to expand its plantations. The realization of the capital increase to finance the potential acquisition project was assessed positively at that time and raising the entire amount was considered realistic.

However, due to the deteriorating general conditions in the global financial and real economy as of July, and particularly as of mid-August 2011, the capital increase turned out to be difficult. On September 23, 2011, the management board, therefore, decided to cancel the capital increase, since the capital increase could not be placed in the full amount due in part to the difficult market environment. The intended purchase of additional plantation areas then offered on the market, which should have been financed with the issue proceeds, could not be realized.

**Other disclosures:** In the reporting period, consolidated and separate financial statements of THI AG were prepared for the fiscal year from October 1, 2009 to September 30, 2010 and published on time as an annual financial report on January 27, 2011. All other mandatory documents relating to the previous fiscal year 2009/2010 and the interim reports for the fiscal year 2010/2011 were also published under the mandatory disclosure regime.

As of September 2, 2011, Dr. Karl Arco resigned from the supervisory board for personal reasons. Mr. Arco, year of birth 1961, has been a member of THI AG's supervisory board since June 23, 2010.

**Development of headcount:** In the reporting period, the average number of persons employed in the Group was as follows:

	2010/11	2009/10
Austria	13	22
Costa Rica	73	93
<b>Total THI Group</b>	<b>86</b>	<b>115</b>

As of the balance sheet date September 30, 2011, 9 persons were employed in Austria. Due to the spin-off of the business unit "Teak Production" from the THI Group as of December 31, 2010, the number of staff in Austria declined significantly year-on-year from the beginning of January 2011. The number of Costa Rican plantation workers depends on the respective projects. After the completion of projects and extraordinary maintenance measures as well as the optimization of work procedures, the number of plantation workers was reduced, an average of 73 persons (prior year: 93) were employed in the reporting period.

**Business Unit „Teak Production“:** As the core business of the THI Group – responsible management of teak plantations – will be even more in the spotlight in the future, management decided to discontinue the "Teak Production" segment as of the end of the first quarter of the fiscal year 2010/2011. Therefore the production site in Schöndorf was sold effective December 31, 2010. The decision was adopted unanimously by the supervisory board and management of THI AG.

## 1.5. Development of business unit "Teak Plantations"

In this business unit, all plantation-specific functions are performed for the six plantation holding companies. This unit allocates the biological assets (this are the reforested teak plants and trees in the plantations) and their changes in value. With regard to the measurement assumptions and the determination of value, reference is made to the detailed comments under Note 4 "Biological assets in Costa Rica" in the notes to the consolidated financial statements.

The biological assets have the greatest impact on the respective profit/loss for the year. That is why the development of the plantations and the related forestry functions are given very high priority. All forestry measures to be implemented are

designed to secure raw material resources and ultimately pursue the goal of achieving the best possible wood quality at an adequate timber volume at the time of the harvest.

In general, after the selection and purchase of adequate areas, the following forestry functions have to be implemented over the years: soil analysis and fertilization, soil conservation, opening, creation and maintenance of infrastructure, selection of high quality seeds, raising of plants, planting, constant individual breeding and care of the trees, pruning, grass cut, terracing, mulching, liming, cutting of individual trees for plantation maintenance, final harvest, preparation and planting of the next generation of trees.

Under routine checks, soil samples were again taken in the plantations by our THI forest engineers. The taking of soil and the subsequent analysis are the basis for determining the correct amount of lime to be applied. Based on the individual test results, lime was applied in some plantation sectors and soil softening measures implemented. The reason for the necessity of these regular soil analyses dates back many decades. The pastures then compacted by many years of livestock breeding today are still overacidified at some spots. 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. Only in very few cases is it necessary to use fertilizers, since the soil of volcanic origin itself is very fertile.

The fertile soils and the former livestock breeding are also the reason for the at times dense grass growth. The removal of the scrub around the teak saplings, especially in the first years, enhances their growth. The supply with nutrients and water can also be improved through the so-called "terracing". Using this method – particularly in steep areas – shallow pits are dug around the trunks and the grass is removed. These are examples for the annual maintenance activities in the fincas to optimize tree growth.

**Measures in the fiscal year 2010/2011:** During the fiscal year, the teak plants and teak trees developed ideally in the 1,934 hectare plantations. The approx. two million teak trees in the eight fincas have grown as planned due to the ideal tree care measures and the favorable climate conditions. The regular wood measurements on the "permanent measurement areas" show that the tree care measures implemented so far have proven very successful.

According to the certification guidelines, thinnings in the amount of TEUR 949 were performed in the fiscal year 2010/2011 (prior year: TEUR 76). The trees are removed to ensure the healthy growth of the forest and to care for the plantation. In doing so, trees in a finca were removed that had been affected by adverse weather conditions. Due to the price decline for thinning wood, no profit could be generated and a write-down of TEUR 768 was made.

In the reporting year, replantings were made only to a minor extent. The main work in the fincas, however, is focused on routine care measures. The number of plantation workers depends on the respective projects. After the completion of projects and extraordinary maintenance measures as well as the optimization of work procedures, the number of staff was reduced, an average of 73 persons (prior year: 93) were employed in the reporting period.

**Natural phenomena:** The media occasionally reports on the impacts of storms, severe weather, landslides and other natural disasters in Central and South America. Earthquakes are also common in the region. Since tectonic faults run through Central America and numerous volcanoes are active, Costa Rica regularly experiences earthquakes of various magnitudes. In the THI plantations located in the southwest of the country, quakes are most often felt only slightly and so far have not caused any damages. Erosion may occur in connection with the frequent heavy rainfalls, so far, however, washouts have occurred only in a very limited extent in the THI plantations.

The reasons for this are the generally optimal selection of the plantation areas and the permanently implemented preventive measures. The infrastructure creation or maintenance measures that are regularly performed by THI plantation workers, e.g. regulation of watercourses, construction and cleaning of water drains on roads etc., prevent or mitigate the consequences of heavy downpours. The pavement of tracks and roads, the maintenance of bridges and the partial regulation of watercourses also serve to protect the landscape. This is also one of the requirements in connection with the certification. Such maintenance work is usually performed preventively in the dry season from December to April.

**Plantation management in harmony with nature:** Four teak plantations of THI AG extending over 850 hectares have been certified since November 2008. On an annual basis, compliance with the guidelines is examined in an audit by an external audit organization, which took place in autumn 2010. All conditions were met again and show the high level of quality and environmental protection of our plantations.

The presence of various plants and animals in the teak plantations attests to the ideal coexistence of economically oriented plantation management and pristine environment. In the existing protected habitats along creeks and stream courses, the so-called “quebradas”, rare and partially protected mammals are regularly seen, e.g. sloths, anteaters, armadillos, kinkajous, monkeys, opossum and the like. The variety of reptiles and amphibians is also large. In addition to various colorful frog species on the ground, there is also a varied bird life, such as toucan, macaw and numerous colorful singing birds.

**Plantation management as external service:** The Company that has been establishing teak plantations in Costa Rica according to responsible criteria for more than twelve years has gained forestry expertise which is now also offered as a service to external partners. At the beginning of October 2011, THI AG announced the closing of a major contract to establish and manage teakwood plantations in Costa Rica. The framework agreement has a contract value of an indexed amount of EUR 50 million and a term of more than 20 years.

The scope of services provided includes all forestry functions from planting up to the final harvest. These functions are organized and supervised by experts trained in Austria with special emphasis on ecological and social standards. The forestry engineers of THI AG are already strongly involved in the evaluation of the soil conditions and the selection of the areas, since the location decision is of strategic importance for a long-term timber investment. In doing so, the THI quality standards can be secured from the outset.

The first suitable plots of the areas to be managed in the future by THI AG could be selected already in the upcoming dry season of Costa Rica and individual plots be purchased by the project partner in order to be able to start with the planting in the rainy season in the summer 2012.

## 1.6. Development of business unit “Teak Sales”

This business unit is responsible for the global teak log trade. Target market is Southeast Asia, most notably India, which is considered the largest consumer market for teak wood.

In the past two fiscal years, THI AG intensified the international teak log trade. As a result of the implemented organizational and technical measures, trade volumes could be increased significantly in the two periods. Thus, significant sales increases in the operating log trade were registered year-on-year in the first six months (period from October 1, 2010 to March 31, 2011) and also in the first three quarters (until June 30, 2011) of the fiscal year 2010/2011. However, this dynamic could not be maintained in the fourth quarter of the fiscal year. Reason for this was the decline in supply of high quality teak log, especially of certified wood. In the fiscal year 2010/2011, the business unit “Teak Sales” generated revenues in the amount of TEUR 1,180 (prior year: TEUR 702).

Until mid-2011 a market recovery could be noticed in Southeast Asia and demand was also on the increase. Apart from India, orders could be generated also in other countries, e.g. in Singapore or Vietnam. In this context, country-specific differences were noticed with regard to the wood qualities in demand: Whereas customers in India also demanded younger trunks, e.g. customers in Vietnam were considerably more selective and preferred trees with thicker diameters. But irrespective of age, the trees always have to be free of knots and straight-grained. This, however, constitutes the key problem with thinning wood, as those trees are cut in particular which are not expected to have the optimal sales criteria at the time of the final harvest. As a result, the general conditions for the sale of thinning wood have deteriorated by the end of the fiscal year and prices for thinning wood have also declined.

**High quality certified teakwood currently not available:** Demand from Asia for high quality teakwood remains strong. China emerges as a new market, where the processing plants also have high quality requirements, as they often sell their products to Europe. In Southeast Asia, where the valuable teak wood has been known and used for a long time, there is always a general basic demand for teak wood. The logs are traded and dispatched exclusively as unprocessed logs, as the customers want to cut the timber, depending on the further use, in their own sawmills. Thus, the teak trees are loaded into containers and shipped.

Adjustments regarding the main target markets are basically not necessary. However, the demand for certified teakwood meanwhile is contrasted with a decline in wood sources from responsible forestry. Thus, at present not all market opportunities can be seized. In the future, such opportunities can only be realized once a sufficient wood supply has “grown”.

Since wood according to the high quality requirements of THI AG is no longer available in Costa Rica in the corresponding quantities, management decided to refocus its trading activities after the balance sheet date. Until sufficient quantities of high quality wood will be available from the Company's own plantations, the trade in third-party teakwood will be organized on a project-oriented basis. This way, the Company shall continue to seize trading opportunities as well as realize cost savings potentials.

The capacities of wood from responsible forestry will have to be increased considerably worldwide in order to be able to meet the demand and to protect the primeval forests. Those who demonstrably guarantee this to their customers, for instance through a certification, will be able to increase their presence in this market segment in the future. This will further increase the importance and market opportunities of wood from sustainable plantations – including teak wood – in the future.

## 1.7. Report on branches

At the balance sheet date, THI AG has no branches.



## 1.8. Financial and non-financial performance indicators

Key figures in TEUR	2010/11	2009/10	+/- %
<b>Teak Holz International AG, consolidated financial statement</b>			
Fully consolidated companies	11	10	10
Domestic	1	1	0
Foreign	10	9	11
Revenue	1,244	1,217	2
Change in value of biological assets	7,309	8,049	-9
Consolidated profit for the year	413	3,711	-89
Personnel expenses	1,508	2,008	-25
Property, plant and equipment	10,884	11,250	-3
Biological assets	123,997	117,637	5
Balance sheet total	143,395	143,472	0
Equity	108,968	108,555	0
Cash and cash equivalents	182	8,965	-98
<b>Profitability ratios:</b>			
Operating result (EBIT)	2,140	3,501	-39
Return on equity*	1.07%	2.01%	-47
<b>Financial ratios:</b>			
Net debt*	22,484	16,272	38
Equity ratio*	75.99%	75.66%	0
Net gearing*	20.63%	14.99%	38
<b>Cash flow ratios:</b>			
Net cash flow from operating activities	-5,075	-3,992	27
Net cash flow from investing activities	-685	110	-723
Net cash flow from financing activities	-3,023	11,947	-125

Note: The calculation of financial performance indicators in the group management report is based on the overall presentation of continuing and discontinued operations, whereas in the statement of comprehensive income a division is made and only an aggregate result is disclosed from discontinued operations.

### Non-financial performance indicators: sustainability and CSR

In addition to a company's financial figures and data, other aspects are gaining importance that so far cannot or not sufficiently be measured in monetary terms. This includes social and ecological standards that are increasingly demanded of a company by shareholders and stakeholders. These approaches have been discussed for quite some time in politics, science and the general public under the terms "corporate social responsibility" and "sustainability". The term sustainability originates from forestry and was used for the first time almost 300 years ago.

The business model of THI AG – investment in responsibly managed teak plantations – has a longstanding tradition and is modern and forward-looking at the same time. The TEAK share of THI AG meets those sustainability criteria that are gaining importance for investors. The fulfillment of those social and ecological requirements that are demanded of eco-investments was confirmed for the TEAK share by external experts in June 2011.



Since June 2009 the TEAK share has been included in the VÖNIX Sustainability Index. For THI AG, the extension is an additional confirmation for the business model focusing on sustainability in the long term and on corporate social responsibility activities. VÖNIX (VBV Austrian Sustainability Index, ISIN: AT0000496906) is a stock index consisting of those Austrian companies at the Vienna Stock Exchange that pay special attention to ecological and social objectives in their business activities. THI AG and an additional approx. 20 companies meet the strict social and ecological criteria and are currently listed in the Index. Details on index composition are available on the homepage of Wiener Börse AG: [www.indices.cc/indices/details/vox/composition/](http://www.indices.cc/indices/details/vox/composition/)

Compliance with social and ecological standards is reviewed annually. All conditions were met again and show the high level of quality and environmental protection of our plantations. Four teak plantations of THI AG extending over 850 hectares have been certified. The presence of various plants and animals in the teak plantations attests to the ideal coexistence of economically oriented plantation management and pristine environment.

With the reforestations in the responsibly managed plantations, THI AG also contributes to the absorption of CO<sub>2</sub>. UNEP, the environmental program of the United Nations, has been calling on the global community of states for years to invest more money in forests and soils. As a result of the global discussion about the effects of climate change, the importance of the raw material wood will increase further, and therefore investments in the asset class wood are promoted. This shall further raise the attractiveness of the investment in the “green TEAK share” with its long-term focus. For years, THI AG has voluntarily complied with the GLOBAL COMPACT principles of the United Nations and is member in the Global Compact Network Austria.

## 1.9. Material events after the balance sheet date

**Major contract for plantation management:** On October 6, 2011, THI AG announced the closing of a major contract to establish and manage teakwood plantations in Costa Rica. The framework agreement has a contract value of an indexed amount of up to EUR 50 million and a term of more than 20 years. With this service project, the THI Group for the first time offers its forestry expertise, which it had successfully applied over many years in its own plantations, to an external business partner.

The scope of services provided includes all forestry functions from planting up to the final harvest. These functions are organized and supervised by experts trained in Austria with special emphasis on ecological and social standards. The first agreed project, which is financed by institutional investors, shall be followed by further comparable projects with this partner in the coming years.

In the future, THI AG expects more income from such newly provided service activities in forest management. Due to the upcoming revenue from the operating service activities of the Costa Rican subsidiary Servicios Austriacos Uno, S.A. the negative operating cash flow can be reduced. These service revenues can, to a certain extent, increase the level of self-financing of the company in Costa Rica and thus reduce the operating loss.

**Changes in the management board as of the end of October 2011:** Since the contracts with the three members of the management board expire on January 25, 2012, the supervisory board discussed the future organizational composition and make-up of the management board and made related decisions at the supervisory board meeting in the evening of October 27, 2011. According to these decisions, Mag. Siegfried Mader was appointed on October 28, 2011 to serve on the management board of THI AG as CEO for a term of five years. Mag. Mader had been working for THI AG as project manager for nine months and had taken a leading role in the successful closing of the major contract for external plantation management. Dr. Markus Baumgartner will focus on financial agendas until the termination of his contractual relationship as CFO.

Mr. Klaus Hennerbichler, who had been with the Company for more than twelve years, resigned from the management board (COO since the beginning of 2007) at his own request and changed into an employment relationship in order to continue to provide his expertise to the Group. The availability of the shareholder Klaus Hennerbichler is crucial for the Company to internally preserve and provide the plantation know-how accumulated so far. Due to the reorientation of the teakwood trade, the separate position of chief sales officer is no longer required. Mr. Pavel Brenner, who had served as a member of the management board responsible for trade and marketing since July 2010, therefore left the management board and the Company as of October 28, 2011.

**Additional credit facilities secure liquidity:** Securing long-term liquidity is a key responsibility of the management, which holds corresponding negotiations with several credit institutions in order to extend credit facilities. After the balance sheet date, those negotiations were completed successfully and credits were granted. In addition, the management is leading further negotiations to enter into new credit agreements. Management is very optimistic and assumes that the negotiations already held will lead to further credit approvals in the course of the fiscal year 2011/2012.

Apart from that, no material events occurred after the balance sheet date.



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

### 2.1. Expected development of the Company

**General environment:** After an apparently optimistic recovery of the global economy in 2010 and until mid-2011, as of July, and especially from the middle of August, a negative trend has set in. The escalating development of government debt in the U.S.A. and in individual European countries, the rising pressure on interest rates due to downgrades by rating agencies, the permanent crisis interventions to stabilize the euro and other events have since been keeping a grip on the global financial and real economy. Share prices, particularly those of banks and financial institutions, but also across all other industries, fell sharply.

As a listed company, THI AG was also faced with these impacts in the fourth quarter of the reporting period (July until September 2011). As a result, the price of the TEAK share also declined beyond the balance sheet date.

In addition to the strict budgetary policy, the Group has intensified the international teak log trade in the past two years to improve the operating cash flow on the revenue side. In the reporting period, sales could be significantly increased year-on-year. However, the dynamics of the first half-year could not be maintained by the end of the fiscal year. Reason for this was the decline in supply of high quality teak log, especially of certified wood.

Since wood according to the high quality requirements of the Group was no longer available in Costa Rica in the corresponding quantities, management decided to reorient its trading activities. Until sufficient quantities of high quality wood will be available from the Company's own plantations, the trade in third-party teakwood will be organized on a project-oriented basis. This way, the Company shall continue to seize trading opportunities as well as realize cost savings potentials.

In the future, the Group also expects more income from the newly provided service activities in forest management. Due to the upcoming revenue from the operating service activities of the Costa Rican subsidiary Servicios Austriacos Uno, S.A. the negative operating cash flow can be reduced. These service revenues can, to a certain extent, reduce the operating loss and in part increase the level of self-financing of the company in Costa Rica.

Due to the focus on the core business of THI Group – responsible management of teak plantations — management has a confident and optimistic outlook on the future.

### 2.2. Material risks and uncertainties

In the reporting year, THI Group was faced with risks typical of a company in the development stage. The liquidity risk, which was affected by the negative operating cash flow, constituted the main business risk during the reporting period, but was always covered by existing and sufficient credit lines. In the Group's internal risk analysis, the main risk groups were defined and described. The comments on liquidity risk, market risk, credit risk, currency risk, cash flow risk and interest rate risk, as well as on capital risk management are presented in detail in the notes to the consolidated financial statements, Note 20 "Risk management". Subsequently, the main risk, the liquidity risk, shall be dealt with in detail.

**Liquidity risk:** The financial strength of the Company and maintaining liquidity are of crucial importance in the context of the global financial and economic situation. The Company is faced with special risks typical of a company in the development



stage. The business model of the company in the growth stage focuses on the long term so that naturally, from today's perspective, the break-even point is expected in later years.

Up to the time when the investments and preproduction costs that have already been incurred and the current operating expenses can be covered by the sale of teak wood from own plantations, securing the medium to long-term liquidity is still the major corporate risk. Until the first significant income from harvests of own plantations is generated, liquidity – as already planned at the time of the initial public offering in 2007 – shall be secured through equity and borrowings. Emphasis is placed on the liquidity risk, which is caused by the negative operating cash flow, but hedged through existing and newly agreed additional credit facilities.

Securing long-term liquidity is a key responsibility of the management, which holds corresponding negotiations with several credit institutions in order to extend credit facilities. Management is very optimistic and assumes that the negotiations already held will lead to further credit approvals in the course of the fiscal year 2011/2012.

According to the risk management hedging measures, the previously started comprehensive cost prevention and cost cutting program was continued in the fiscal year 2010/11, which showed positive effects. Nevertheless, according to the projections a negative operating cash flow had to be expected as of the balance sheet date September 30, 2011. Management repeatedly indicated this during the year in its regular reporting.

After the balance sheet date, negotiations could be successfully completed and credits were granted. In addition, the management is leading further negotiations to enter into new credit agreements. Management is very optimistic and assumes that the negotiations already held will lead to further credit approvals in the course of the fiscal year 2011/2012. By securing liquidity through equity and borrowings, the Company is expected to be able to continue as a going concern in the medium term until the first significant harvests.

Based on the currently available information and the risk management measures taken, management at the present time assumes that the Company – despite the identified risks – will be able to continue as a going concern.

### III. REPORT ON RESEARCH AND DEVELOPMENT

The research and development activities of THI were conducted through the subsidiary Teak Holz Handels- und Verarbeitungs GmbH. In the fiscal year 2010/2011, expenses for research activities in the amount of TEUR 37 were recognized in the consolidated statement of comprehensive income (prior year: TEUR 82). The research projects started in previous periods on wood-specific basic research, e.g. chemical and mechanical properties of teak and their implications for durability, were completed by the end of the calendar year 2010. No development activities were carried out in the reporting period.

### IV. REPORTING ON MATERIAL CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE ACCOUNTING PROCESS (DISCLOSURES PURSUANT TO SECTION 243A (2) UGB)

The THI management board is aware of its responsibility for creating and designing an internal control system and risk management system with regard to the accounting process and compliance with statutory regulations. The internal control system is designed in a way that the required assurance on the reliability of financial reporting and externally published financial statements is provided on time.

Organization and procedures of the internal control system of THI AG take into account the clear structure characteristic of small companies. The Company pursues a simply structured business model, the number of business segments and products is low, as is the number of employees with executive and administrative functions. The control system is based on the struc-

ture of the business segments. In their current activities and reporting, the employees are in direct contact with the group accounting department and the management board. The group-wide requirements on accounting and measurement meet International Financial Reporting Standards (IFRS) and are in accordance with the provisions of the Commercial Code to be applied pursuant to Section 245a UGB.

Due to the Company's size, no separate "internal audit" unit was established. There is, however, an internal control and reporting system in place that is suitable to ensure a timely and adequate internal monitoring of the accounting process. It enables the management to identify the material risks of the core business and swiftly react to them. The harmonized group-wide requirements, on the one hand, ensure uniformity of accounting in the THI Group and, on the other hand, these requirements are assessed continuously by the established control and risk management system.

The process of accounting and reporting is supported by established and effective information and communication systems (IT). Due to the international activities of the Group, data security and data backup are crucial. The IT backup system is state of the art and, needless to say, also part of the continuous risk assessment. Due to the above-mentioned clear corporate structure and the relatively low data volume, accounting and regular reporting are always secured – even in case of a short interruption of data availability.

The monthly prepared financial data and the quarterly figures of the Group are the basis of the regular reporting by management to the supervisory board. Subsequently, under regular reporting, specified company data is made accessible to shareholders and the public according to the financial calendar. All prepared and implemented measures of the internal control system ultimately serve the purpose of providing continuous information and open communication to the various target and interest groups.

The effectiveness and appropriateness of the design of the internal control system and the risk management system are evaluated annually, adjusted to the changed general conditions and gradually refined.

## **V. DISCLOSURES ON CAPITAL, SHARE, VOTING AND CONTROL RIGHTS AND RELATED OBLIGATIONS**

The share capital of Teak Holz International AG amounts to EUR 31,205,160, is fully paid in, and is divided into 6,241,032 no-par value bearer shares (ordinary shares with voting right) as of September 30, 2011. Holders of ordinary shares have a right to a dividend and one vote per share at the general meeting. No shareholder has special control rights. The regulations regarding the appointment and recall of members of the management board and supervisory board are derived exclusively from the relevant provisions of the Austrian Stock Corporation Act 1965 (AktG) as amended.

In the fiscal year 2010/2011, two reportable changes were reported by shareholders regarding their voting rights to the Company pursuant to Section 91 BörseGesetz (Stock Exchange Act), which immediately issued a release pursuant to Section 93 BörseGesetz.

At the balance sheet date September 30, 2011, the management board was aware of three shareholdings of at least 5%: Hörmann-Privatstiftung (private foundation) held 33.9%, Mr. Klaus Hennerbichler 19%, and ERSTE SPARINVEST Kapitalanlage-gesellschaft m.b.H., headquartered in Vienna, 5.39% of the voting rights in the Company. Apart from that, the management board is not aware of any shareholdings of at least 5%. Since no reportable changes in voting rights were reported to the Company by the shareholders, the identity of the remaining 41.71% of the voting rights is currently not known and have to be allocated to free float.

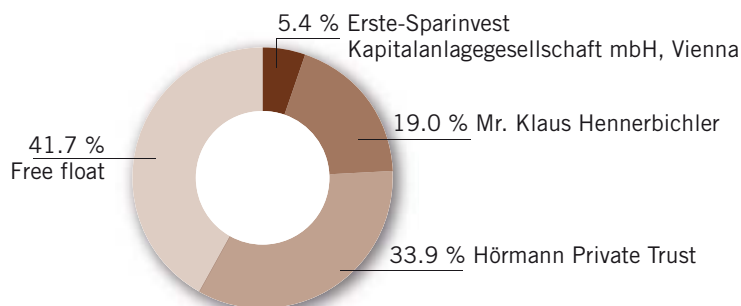


Chart: Shareholder structure of THI AG as of the balance sheet date September 30, 2011

At the 2nd ordinary general meeting on February 20, 2009, the management board, subject to the approval of the supervisory board, was authorized to increase the share capital of the Company, if need be 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 five 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 (authorized capital). In addition, the management board was authorized, subject to the approval of the supervisory board, to exclude the subscription right of existing shareholders. The supervisory board is authorized to resolve on amendments to the articles of association resulting from the issue of shares from the authorized capital.

At the extraordinary general meeting on June 23, 2010, the management board pursuant to Section 159 (2) No.1 AktG (Stock Corporation Act) was authorized to increase the share capital of the Company by up to EUR 15,602,580 through the issue of up to 3,120,516 no-par value bearer shares of the Company to creditors of convertible bonds (conditional capital). The convertible bond with a total nominal amount of TEUR 10,000 was issued on September 1, 2010 and has a maturity of 5 years and a nominal interest rate of 5%.

Linz, January 17, 2012

The Management Board

Mag. Siegfried Mader

Dr. Markus Baumgartner

**Financial calendar for the fiscal year 2011/12:**

- 26.01.2012 (Thu): Publication of annual financial report for the period from October 1, 2010 to September 30, 2011
- 08.02.2012 (Wed): Publication of Q1 interim report for the period October 1 to December 31, 2011
- 23.02.2012 (Thu): 5<sup>th</sup> ordinary general meeting, start 14:00 hours, Old Town Hall, council hall of the City of Linz, Hauptplatz 1, A-4020 Linz
- 29.05.2012 (Tue): Publication of half-year financial report for the period October 1, 2011 to March 31, 2012
- 09.08.2012 (Thu): Publication of Q3 interim report for the period October 1, 2011 to June 30, 2012





**CORPORATE GOVERNANCE REPORT**  
FISCAL YEAR 2010/11  
**TEAK HOLZ INTERNATIONAL AG, LINZ**



## CORPORATE GOVERNANCE REPORT

Teak Holz International AG (THI AG), domiciled in Linz, and its subsidiaries (THI Group), is a company specialized in sustainable management of teak plantations. THI Group provides its forestry expertise as service also to external business partners, as well as handles international teak log sales. On March 28, 2007, THI AG went public at the Vienna Stock Exchange, ISIN: AToTEAKHOLZ8, WKN: AoMMG7, ticker symbol: TEAK. The TEAK share is also traded on the stock exchanges in Frankfurt, Berlin, Stuttgart and Munich. Since June 2009, the “green” TEAK share has met the strict ecological and social criteria of the VÖNIX Sustainability Index, the membership was confirmed until 2012. THI AG complies with the guidelines of the “United Nations Global Compact”, a voluntary initiative to promote responsible global business ethics.

### I. COMMITMENT TO THE AUSTRIAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 243B UGB

With the initial listing of the TEAK share, THI AG has undertaken to voluntarily comply with the Austrian Corporate Governance Code. In accordance with Section 243b UGB, THI AG is committed to the Austrian Corporate Governance Code as amended. At the balance sheet date September 30, 2011, this was the version of January 2010.

The Austrian Corporate Governance Code sets out standards of good governance for those companies that comply with it on the basis of voluntary self-commitment. Corporate Governance stands for responsible corporate management and control geared to long-term value creation. Efficient cooperation between management board and supervisory board, respect for shareholders’ interests, openness and transparency of corporate communications are key aspects of good corporate governance. It is intended to strengthen the trust of all stakeholders, in particular international investors, in the Company and its management and in Austria as a financial center. The complete text of the Code is available under [www.corporate-governance.at](http://www.corporate-governance.at). The commitment of THI AG to compliance with the Code, deviations from individual rules and the Annual Corporate Governance Report are publicly accessible on the websites of THI AG at [www.teak-ag.com](http://www.teak-ag.com) under Investor Relations.

### Outlook regarding the development of the Austrian Corporate Governance Code

Due to national and international developments, the Austrian Working Group for Corporate Governance adopted amendments to the Austrian Corporate Governance Code at the end of 2011. The focus of the Code revision is on the further development of the diversity rule and on new rules to enhance the cooperation between the supervisory board and the auditor. Further amendments relate to the fight against corruption and the restriction on the transfer from the management board to chairman of the supervisory board. The amended C- and R-Rules of the Code apply for fiscal years beginning after December 31, 2011.

### Corporate Governance rules and deviations

The rules of the Corporate Governance Code may be subdivided into three categories: **L-Rules** (“legal requirement”) describe mandatory regulations that apply to Austrian listed public limited companies in general, and irrespective of a commitment to a Corporate Governance Code. **C-Rules** (“comply or explain”) are to be complied with, any non-compliance or deviations have to be justified. **R-Rules** (“recommendation”) are recommendations, non-compliance does not have to be disclosed and explained.

**THI AG draws attention to the following exceptions and deviations:**

Rule C-18: Due to the small size and clear organizational structure, a separate staff unit “Internal Audit” has not been established yet. If a certain company size is reached, the appropriateness of an establishment will be reviewed.

Rule C-39, C-41 and C-43: Apart from the audit committee, no further committees are in place. Neither a nomination committee nor a compensation committee has been established. Instead, all related functions are performed by the supervisory board. If a certain company size is reached, the appropriateness of the establishment of further committees will be reviewed.

Rule C-49: The Company and its subsidiaries are advised in legal matters by Saxinger Chalupsky & Partner Rechtsanwälte GmbH (SCWP). The chairman of the supervisory board, Mag.iur. Alexander Hüttner, LL.M (NYC), is an attorney, managing director and shareholder of SCWP. The amount of the compensation for the services rendered is disclosed in the notes to the consolidated financial statements.

Rule C-31 and C-51: The compensation of the management board members is disclosed as an aggregate amount. An individualized presentation, as stipulated in Rule 31, is not published to protect the privacy of the individual members of the management board. The same applies to the presentation of the remuneration of the supervisory board, as required by Rule 51.

Rule C-54: When appointing supervisory board members, the Company takes into account the guidelines for independence as outlined in Annex 1 of the Corporate Governance Code. According to these guidelines, all members of the supervisory board of THI AG are deemed independent, with the exception of Mr. Erwin Hörmann.

**II. BOARDS OF THE COMPANY AND PROCEDURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD PURSUANT TO SECTION 243B (2) UGB**

**Organization and procedures of the management board**

Internal rules of procedure define the functions and cooperation of the management board. The members of the management board are in constant and close information exchange with each other in order to assess the corporate progress and take necessary decisions immediately. The management board as a whole informs the supervisory board regularly and comprehensively on all material events and developments in the Group, and obtains advice and recommendations at the supervisory board meetings.

At the balance sheet date September 30, 2011, the management board of Teak Holz International AG comprised three members.

NAME	YEAR OF BIRTH	DATE OF INITIAL APPOINTMENT	END OF CURRENT TERM OF OFFICE
<b>Dr. Markus Baumgartner</b> CEO since 2010	1973	04/01/2010	01/25/2012
<b>Klaus Hennerbichler</b> Management board member since 2007	1969	01/26/2007	01/25/2012
<b>Pavel Brenner</b> Management board member since 2010	1975	07/01/2010	01/25/2012

In the reporting year, the management board members of THI AG did not hold any supervisory board mandates in other domestic or foreign listed companies. In the fiscal year, THI AG had D&O (directors and officers) insurance for management board members.

## Compensation of the management board

The compensation of management board members is based on the scope of their responsibilities and comprises only fixed components, paid out in 14 monthly salaries. In the fiscal year 2010/11, total compensation of the management board members amounted to TEUR 490, in the prior year to TEUR 490. An individualized presentation, as stipulated in Rule 31, is not published to protect the privacy of the individual members of the management board. The compensation of the management board includes an expense for the transfer to the provision for termination benefits in the amount of TEUR 69, in the prior year of TEUR 61. At the balance sheet date, no loans or advances have been granted to members of the management board who left the Company after the balance sheet date, and the Company had no stock option plans or similar share-based compensation systems. Furthermore, there were no agreements on company pensions for management board members.

## Changes in the management board as of the end of October 2011

Since the contracts with the members of the management board who were serving on the board in the past fiscal year were concluded for a fixed term until January 25, 2012, the supervisory board discussed the future organizational composition and make-up of the management board at the supervisory board meeting in the evening of October 27, 2011 and made the following decisions: The contracts with the management board members Klaus Hennerbichler and Pavel Brenner were terminated – in agreement with these board members – effective October 28, 2011. Effective October 28, 2011, Mag. Siegfried Mader was appointed to the management board for a period of five years. Dr. Markus Baumgartner will focus on financial agendas until the termination of his contractual relationship as CFO.

From October 28, 2011, the management board of Teak Holz International AG comprised two members.

NAME	YEAR OF BIRTH	DATE OF INITIAL APPOINTMENT	END OF CURRENT TERM OF OFFICE
<b>Mag. Siegfried Mader</b> CEO since 2011	1973	10/28/2011	10/28/2016
<b>Dr. Markus Baumgartner</b> Management board member since 2010	1973	04/01/2010	04/30/2012

The responsibilities of the management board members are as follows:

Mag. Siegfried Mader (CEO)

Responsibilities: corporate strategy and development, plantation management, engineering, purchase, trade, staff agendas, communications and investor relations, organization, IT, risk and quality management

Dr. Markus Baumgartner (CFO)

Responsibilities: accounting and controlling, treasury

## Organization and procedures of the supervisory board

The supervisory board is informed on a regular basis by the management board on the current corporate development and immediately receives information on risks, as well as opportunities, arising in the course of business operations. In addition to its supervisory functions, the supervisory board also gives advice and makes recommendations. In an open and constructive manner, the supervisory board assists the management board in strategic decisions.



Basis for the activities of the supervisory board are laws and regulations, applicable for companies listed in Austria, e.g. the Stock Corporation Act and the Stock Exchange Act. In addition, the supervisory board has undertaken to comply with the rules of the Austrian Corporate Governance Code. With regard to internal company regulations, the articles of association and the rules of procedure are of key importance. The members of the supervisory board are appointed by the general meeting of THI AG and may be recalled by it.

At the balance sheet date September 30, 2011, the supervisory board of Teak Holz International AG comprised four members.

NAME	YEAR OF BIRTH	DATE OF INITIAL APPOINTMENT	END OF CURRENT TERM OF OFFICE
<b>Mag.jur. Alexander Hüttner, LL.M. (NYU)</b> Chairman of the supervisory board since 2008, independent	1973	02/21/2007	GM ON FY 2011/12
<b>Erwin Hörmann</b> Deputy chairman of the supervisory board since 2007, not independent	1939	02/21/2007	GM on FY 2011/12
<b>Gothard Graf Pilati von Thassul zu Daxberg</b> Supervisory board member since 2007, independent	1945	02/18/2010	GM on FY 2013/14
<b>Dr. Manfred Luger</b> Supervisory board member since 2010, independent	1953	06/23/2010	GM on FY 2013/14

In the fiscal year 2010/11, the following person also served on the supervisory board: Dr. Karl Arco, year of birth 1961, until 09/02/2011

### Independence of the supervisory board

The supervisory board of THI AG has adopted the guidelines for the definition of independence of members of the supervisory board as outlined in Annex 1 to the Austrian Corporate Governance Code (as amended January 2010). According to these guidelines, the majority of the members of THI AG's supervisory board are deemed independent. Except for the deputy chairman, Mr. Erwin Hörmann, all other supervisory board members are independent. At the balance sheet date (September 30, 2011), Mr. Hörmann holds more than 10% of the shares in the Company and thus is not deemed independent according to the criteria of Rule C-54. In the reporting year, the members of THI AG's supervisory board did not hold any supervisory board mandates in other domestic and foreign listed companies.

### Compensation of the supervisory board

The compensation for the supervisory board is set at the annual general meeting for the past fiscal year. On February 24, 2011, the 4th ordinary general meeting set the total remuneration for the members of the supervisory board at TEUR 40 for the fiscal year 2009/10, leaving it up to the supervisory board how to split this amount. TEUR 32 of this total remuneration was used. An individualized presentation of remunerations, as stipulated in Rule C-51, is not published to protect the privacy of the individual members of the supervisory board. In the fiscal year 2010/11, TEUR 40 in total remuneration of all members of the supervisory board was recognized in the income statement. At the balance sheet date September 30, 2011, no loans or advances had been granted to members of the supervisory board.

## **Audit committee**

To perform the regular monitoring functions, an audit committee has been established which shall fulfill the functions specified in the Stock Corporation Act. The responsibilities of the audit committee include, among others, monitoring the accounting process, monitoring the effectiveness of the internal control system and risk management system, as well as audit procedures regarding individual financial statements and consolidated financial statements. It is the committee's responsibility to make sure that, from the Group's perspective, adequate processes are in place in the Company and its subsidiaries. Another responsibility of this committee is to review the Corporate Governance Report.

In the fiscal year from October 1, 2010 to September 30, 2011, the audit committee comprised the chairman of the audit committee, Dr. Karl Arco, and the audit committee members Mr. Erwin Hörmann, Mag.iur. Alexander Hüttner and Gotthard Graf Pilati von Thassul zu Daxberg. Since September 3, 2011 Mr. Erwin Hörmann has been chairman of the audit committee, the audit committee members are Mag.iur. Alexander Hüttner and Gotthard Graf Pilati von Thassul zu Daxberg. In the reporting period, the supervisory board held four ordinary meetings, the audit committee convened twice. No supervisory board member was absent at more than half of the meetings in the fiscal year 2010/2011.

Apart from the audit committee, no further committees are in place. Neither a nomination committee nor a compensation committee has been established. All functions which are usually carried out by these committees were performed by the supervisory board as a whole. If a certain company size is reached, the appropriateness of an establishment of further committees will be reviewed.

## **III. OTHER DISCLOSURES**

### **Directors' dealings**

Pursuant to Section 48d (4) BörseGesetz (Stock Exchange Act), members of the management board and supervisory board of a public limited company have to report their transactions (purchases and sales) in shares and stock-like securities of their own Company to the Austrian Financial Market Authority (FMA) and to the public limited company. In the fiscal year 2010/2011, two reports were submitted to the compliance officer of THI AG, according to which two members of the management board had made reportable securities transactions. Both directors' dealings reports were subsequently published on the websites of the FMA, [www.fma.gv.at](http://www.fma.gv.at).

### **Measures for the promotion of women**

Currently, there are no women on the management board and supervisory board of THI AG. The number of members of the management board as well as those of the supervisory board decreased recently. From today's perspective, it cannot be predicted if or when the vacant positions will be filled. In general, the Company tests female as well as male job applicants in its recruitment of staff. In the fiscal year 2010/11, however, the Company deliberately decided to recruit women for a distribution and an apprenticeship position and thus take a concrete measure to promote women. On an annual average, the proportion of women employed at the Austrian headquarters amounts to 50% (prior year: 27%). In Costa Rica, the majority of the administrative positions are held by women. The large majority of plantation workers are men, the proportion of women – as in the prior year – is approx. 10%.

## Auditor

PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, domiciled in Vienna, Austria, was proposed as auditor of the financial statements and the consolidated financial statements of THI AG for the fiscal year 2010/2011 and elected by the 4th ordinary general meeting on February 24, 2011. Disclosures of expenses for the auditor are presented in the notes to the consolidated financial statements and the separate financial statements.

Linz, January 18, 2012

The Management Board



Mag. Siegfried Mader



Dr. Markus Baumgartner





We draw attention to the fact that the following auditor's report issued in German on the consolidated financial statements of Teak Holz International AG, Linz, for the fiscal year from October 1, 2010 to September 30, 2011 has been translated into English for the convenience of the reader and that the German wording is the only legally binding version.

## 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, 2010 to September 30, 2011. These consolidated financial statements comprise the consolidated balance sheet as of September 30, 2011, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ending September 30, 2011, and the notes to the consolidated financial statements.

#### Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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 and Description of Type and Scope of the Statutory Audit

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 Austrian Standards on Auditing, as well as 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 professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group'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 reasonable basis for our audit opinion.

#### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of September 30, 2011 and of its financial performance and its cash flows for the fiscal year from October 1, 2010 to September 30, 2011 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

Without qualifying our audit opinion, we refer to the comments on the liquidity risk in the consolidated financial statements (Note 20 b in Summary of significant accounting principles) where management refers to the special risks of the Company, most notably the liquidity risk. Management assumes that the current negotiations with banks for obtaining additional credit facilities will be completed successfully in order to secure the Company's liquidity. If this should not be the case and no alternative financing can be obtained, there is a material uncertainty regarding the Company's ability to continue as a going concern. Thus, the Group is exposed to special risks which, by their nature, are typical of a development stage company. The Group is dependent on the future economic development of its Costa Rican plantation companies and the activities of the sales companies. Contrary to expectations, the teak trees planted and managed by the Costa Rican subsidiaries are not yet marketable.

We also refer to the comments of the management board on the measurement of biological assets in Costa Rica (Note 4 in Comments on the consolidated financial statements). The value of the teak plantations determined pursuant to IAS 41 depends on various external and internal measurement parameters, which are explained at this point in the consolidated financial statements. With respect to the harvest (final cutting) of the teak trees, the Company assumes that this will take place in the 15th year of the respective plantation's existence and that 600 trees or 450 m<sup>3</sup> teakwood per ha will be harvested. The income generated in the future from this teakwood is estimated at USD 800 per m<sup>3</sup>. In this context, we also refer to the comments on the market risk in the consolidated financial statements (Note 20 b in Summary of significant accounting principles), according to which the selling price of teak, due to the measurement of the biological assets at fair value, significantly affects the result of the Company, but that there are globally no objectively comparable market prices for plantation teak. If a change in measurement parameters becomes necessary in the future, the fair value of the biological assets might change significantly.

#### **Comments on the Management Report for the Group**

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether the other disclosures in the management report for the Group do not give rise to a misstatement of the Group's financial position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a (2) UGB are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a (2) UGB are appropriate.

Vienna, January 17, 2012

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Mag. Karl Hofbauer  
Austrian Certified Public Accountant

Disclosure, publication and duplication of the financial statements together with the auditor's report according to Section 281 (2) UGB in a form not in accordance with statutory requirements and differing from the version audited by us is not permitted. Reference to our audit may not be made without prior written permission from us.

## REPORT OF THE SUPERVISORY BOARD

At its meetings during the 2010/2011 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's subsidiaries.

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, 2010 to September 30, 2011 were audited by the PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, A-1030 Vienna, Erdbergstrasse 200.

The audit did not lead to any objections. The auditor confirms, that the annual financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of September 30, 2011 and Company earnings for the financial year from October 1, 2010 to September 30, 2011 in accordance with the Austrian principles of orderly accounting and that the Management report was consistent with the annual financial statements. In addition, the auditor confirms that the consolidated financial statements comply with legal requirements and give a true and fair view of the asset and financial position of the Group as of September 30, 2011 and of its earnings and cash flows for the fiscal year from October 1, 2010 to September 2011, in accordance with International Reporting Standards (IFRSs) as adopted by the EU. Furthermore, the auditor confirms that the Group Management report was consistent with the consolidated financial statements.

Without qualifying his opinion, the auditor refers to the comments on the continued existence of the Company in the annual financial report (annex 3/1 f.) where the Management refers to the risks of the growing Company, especially to the liquidity risk. Management assumes that the current negotiations with banks for obtaining additional credit facilities will be completed successfully in order to secure the Company's liquidity. If this should not be the case and no alternative financing can be obtained, there is a material uncertainty regarding the Company's ability to continuing as concern.

Without qualifying his opinion, the auditor refers to the comments on the liquidity risk in the consolidated financial statements (Note 20 b in Summary of significant accounting principles) where Management refers to the special risks of the Company, most notably the liquidity risk. Management assumes that the current negotiations with banks for obtaining additional credit facilities will be completed successfully in order to secure the Company's liquidity. If this should not be the case and no alternative financing can be obtained, there is a material uncertainty regarding the Company's ability to continuing as concern. Thus, the Group is exposed to special risks which, by their nature, are typical of a development stage Company. The Group is dependent on the future economic development of its Costa Rican plantation companies and the activities of the sales companies. Contrary to expectations, the teak trees planted and managed by the Costa Rican subsidiaries are not yet marketable.

Furthermore, the auditor refers to the Management Board's comments on the measurement of biological assets in Costa Rica (Note 4 in Comments on the consolidated financial statements). The value of the teak plantations determined pursuant to IAS 41 depends on various external and internal measurement parameters, which are explained at this point in the consolidated financial statements. With respect to the harvest (final cutting) of the teak trees, the Company assumes that this will take place in the 15th year of the respective plantation's existence and that 600 trees or 450 m<sup>3</sup> teakwood per ha will be harvested. The income generated in the future from this teakwood is estimated at USD 800 per m<sup>3</sup>. In this context, we also refer to the comments on the market risk in the consolidated financial statements (Note 20 b in Summary of significant accounting principles), according to which the selling price of teak, due to the measurement of the biological assets at fair value, significantly affects the result of the Company, but that there are no objectively comparable market prices for plantation teak. If a change in measurement parameters becomes necessary in the future, the fair value of the biological assets might change significantly.

The annual financial statements, the Management report, the annual consolidated financial statements, the Group Management report and the Corporate Governance report were discussed at a meeting of the audit committee on January 18, 2012. 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, the annual consolidated financial statements, the Supervisory Board's examination of the Corporate Governance Report and the Management, the final conclusion was 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, the annual consolidated financial statements and the Supervisory Board's examination of the Corporate Governance Report also did not give cause to any objections.

Thus the Supervisory Board accepted the annual financial statements, which in accordance with § 96 paragraph 4 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 Steuerberatungsgesellschaft, Erdbergstrasse 200, A-1030 Vienna, be appointed as the auditors for the 2011/2012 financial year.

Linz, January 18, 2012

The Chairman of the Supervisory Board



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 2012

The Management Board

Mag. Siegfried Mader

Dr. Markus Baumgartner

STATEMENT OF  
ALL LEGAL  
REPRESENTATIVES



## IMPRINT

Publisher:  
TEAK HOLZ INTERNATIONAL AG  
Investor Relations  
A-4040 Linz  
Phone: +43 (0)732 / 908 909-91  
Fax: +43 (0)732 / 908 909-97  
rettenbacher@teak-ag.com  
www.teak-ag.com

Company's ID: FN 271414p, Linz Provincial Court  
TAX ID: UID ATU 62255507  
ISIN: ATOTEAKHOLZ8  
Share abbreviation: TEAK  
WKN: AOMMG7



The consolidated financial statements for the fiscal year from October 1, 2010 to September 30, 2011 can be downloaded from the company's homepage [www.teak-ag.com](http://www.teak-ag.com) section Investor Relations/ Financial Reports. The report can be read in an online version, too.

# WWW.TEAK-AG.COM

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 of TEAK HOLZ INTERNATIONAL AG, Linz, for the fiscal year from October 1, 2010 to September 30, 2011 issued in German have been translated into English for the convenience of the reader and that the German wording is the only legally binding version.**

German edition published: January 26, 2012  
Photos: All photos from TEAK HOLZ INTERNATIONAL AG  
Production: Ingeborg Schiller, Salzburg  
Concept and coordination: THI AG, Mag. Paul Rettenbacher, MAS

### Financial calendar for the fiscal year 2011/12:

26.01.2012 (Thur): Publication of annual financial report for the period from October 1, 2010 to September 30, 2011 ✓  
08.02.2012 (Wed): Publication of Q1 interim report for the period October 1 to December 31, 2011  
23.02.2012 (Thur): 5th ordinary general meeting, start 14:00 hours, Old Town Hall, council hall of the City of Linz, Hauptplatz 1, A-4020 Linz  
29.05.2012 (Tue): Publication of half-year financial report for the period October 1, 2011 to March 31, 2012  
09.08.2012 (Thur): Publication of Q3 interim report for the period October 1, 2011 to June 30, 2012





**TEAK HOLZ INTERNATIONAL AG**

Investor Relations

A-4040 Linz

Phone: +43 (0)732 / 908 909-91

Fax: +43 (0)732 / 908 909-97

[rettenbacher@teak-ag.com](mailto:rettenbacher@teak-ag.com)

[www.teak-ag.com](http://www.teak-ag.com)