



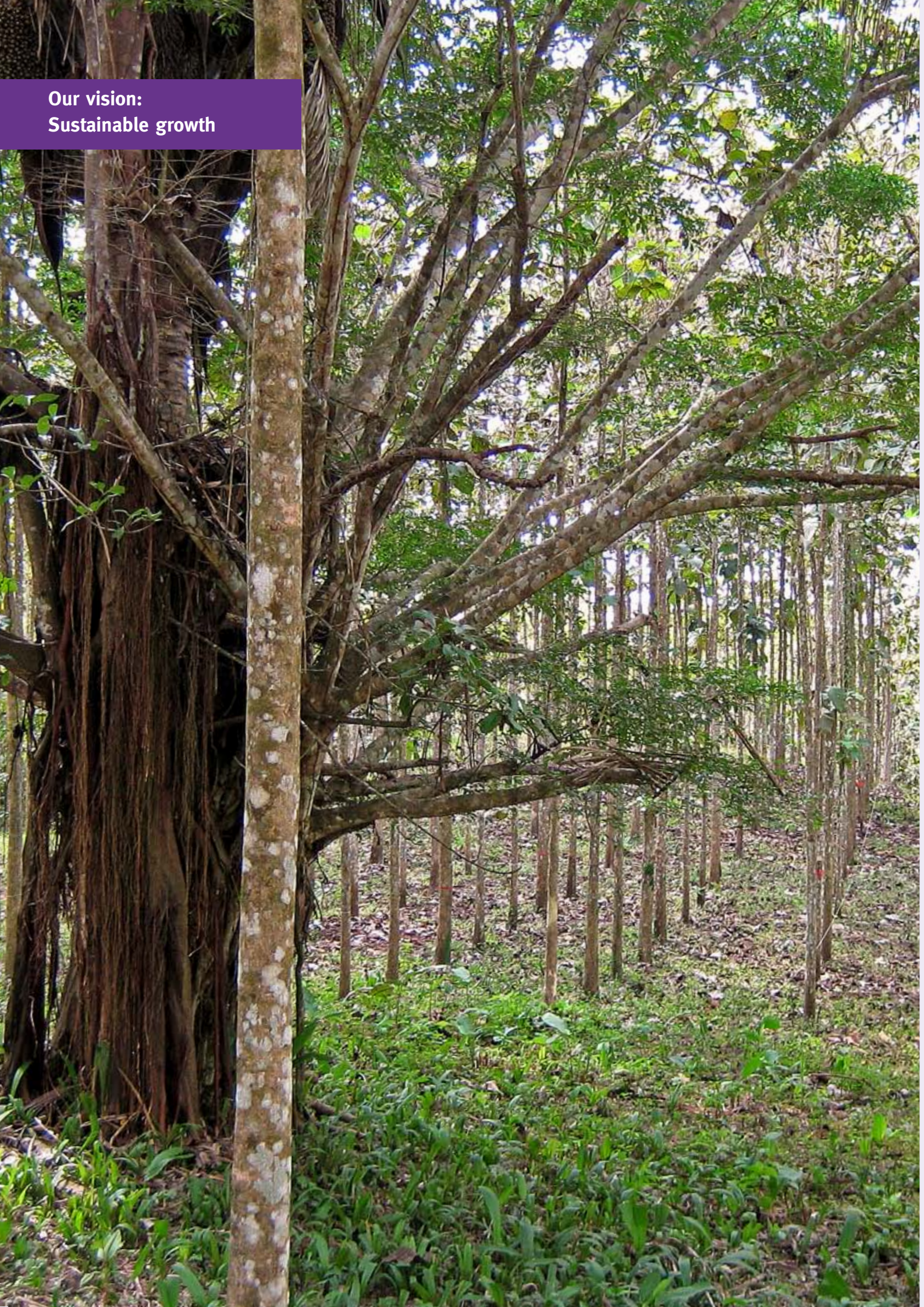
**THHAG**  
TEAK HOLZ INTERNATIONAL

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**  
AS OF SEPTEMBER 30, 2012, OF  
**TEAK HOLZ  
INTERNATIONAL AG,  
LINZ**

[WWW.TEAK-AG.COM](http://WWW.TEAK-AG.COM)



**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 for external business partners.
- ... **is supplying** the international markets (mainly in Asia) with premium quality teak logs.
- ... **is adapting** itself towards social expectations and harmonizes economic demands with ecological and social standards.

## 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 also as a service 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: AT0TEAKHOLZ8, WKN: A0MMG7, ticker symbol: TEAK. The TEAK share is also traded on the stock exchanges in Germany. 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 June 2013.

The responsibly managed teak forests on the Costa-Rican Pacific Coast currently cover an area of approx. 1,934 hectares, on which approx. 1.6 million individually cultivated teak trees are growing. It is intended to gradually increase the total plantation area. Since November 2008, four of the THI-plantations (850 ha) have been certified according to ecological and social criteria.

An investment in the THI business model is a sustainable and growing investment characterized by a long term focus. Further information and business reports can be downloaded from the internet pages: [www.teak-ag.com](http://www.teak-ag.com)

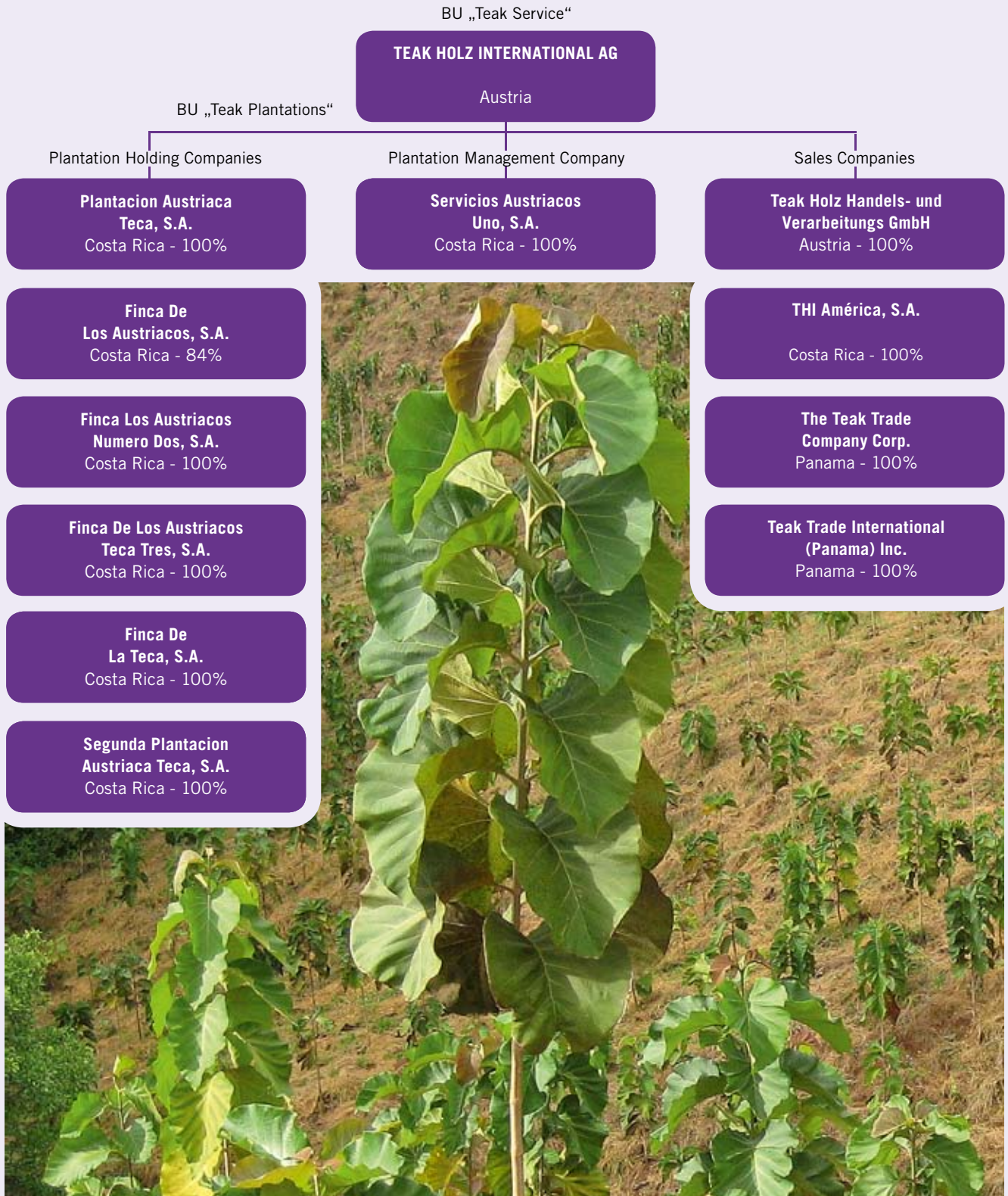








## THE COMPANY'S STRUCTURE



## Average growth of a teak tree



Teak seed  
Ø approx. 1 cm

after 5 months  
height: 1 m  
Ø 1 cm

after 2 years  
height: 5 m  
Ø 5 cm

after 10 years  
height: 20 m  
Ø 20 cm

after 15 years  
height: 25 m  
Ø 29 cm

after 20 years  
height: 29 m  
Ø 36 cm

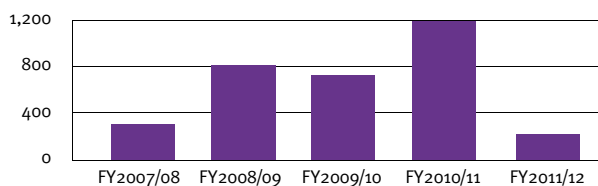
## FINANCIAL FIGURES OF THI-GROUP

| Key figures of consolidated statement of comprehensive income |         | FY 2011/12 | FY 2010/11 | FY 2009/10 | FY 2008/09 | FY 2007/08 |
|---|---------|------------|------------|------------|------------|------------|
| Revenue*  | TEUR    | 214        | 1,200      | 702        | 816        | 311        |
| Change in value of biological assets (teak trees)             | TEUR    | 11,366     | 7,309      | 8,049      | -4,271     | 6,549      |
| EBIT (operating result)*                                      | TEUR    | 8,378      | 2,377      | 4,446      | -11,820    | 2,632      |
| EBT (earnings before taxes)*                                  | TEUR    | 6,100      | 1,419      | 3,143      | -10,930    | 2,174      |
| Consolidated profit/loss for the year                         | TEUR    | 3,932      | 413        | 3,711      | -10,113    | 2,680      |
| Earnings per share (basic)*                                   | EUR     | 0.63       | 0.10       | 0.71       | -1.62      | 0.43       |
| <b>Cash flow key figures:</b>                                 |         |            |            |            |            |            |
| Net cash flow from operating activities                       | TEUR    | -3,422     | -4,849     | -3,510     | -3,512     | -3,839     |
| Net cash flow from investing activities                       | TEUR    | -238       | -1,165     | 446        | 1,672      | -405       |
| Net cash flow from financing activities                       | TEUR    | 3,521      | -2,066     | 11,592     | 1,919      | -958       |
| <b>Key figures of consolidated balance sheet:</b>             |         |            |            |            |            |            |
| Balance sheet total   | TEUR    | 154,403    | 143,395    | 143,472    | 125,723    | 135,218    |
| Biological assets (teak trees in plantations)                 | TEUR    | 135,363    | 123,997    | 117,637    | 109,665    | 117,787    |
| Share capital   | TEUR    | 31,205     | 31,205     | 31,205     | 31,205     | 31,205     |
| Equity  | TEUR    | 112,979    | 108,968    | 108,555    | 102,019    | 112,132    |
| Equity ratio  | %       | 73.17      | 75.99      | 75.66      | 81.15      | 82.93      |
| Return on equity*   | %       | 5.40       | 1.07       | 2.90       | -10.71     | 2.35       |
| <b>Key figures of personnel</b>                               |         |            |            |            |            |            |
| Total personnel (on average)                                  | Persons | 67         | 86         | 115        | 121        | 106        |
| Thereof personnel in Austria**                                | Persons | 10         | 13         | 22         | 22         | 23         |
| Thereof personnel in Costa Rica                               | Persons | 57         | 73         | 93         | 99         | 83         |

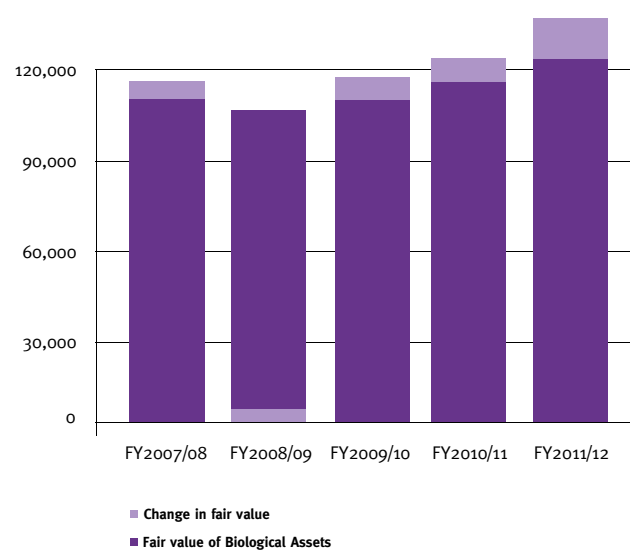
\* Note: The calculation of the values marked with an asterisk (\*) of the financial years 2011/2012, 2010/2011 and 2009/2010 is based on figures of continuing operations, see details in the comments. All other values of prior periods have not been adopted.

\*\* The Company occupied nine persons in Austria as of September 30, 2012.

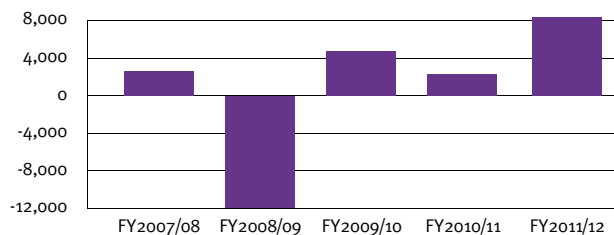
Net Revenue in TEUR



Biological Assets (Teak trees) in TEUR



EBIT in TEUR









We draw attention to the fact that these consolidated financial statements of TEAK HOLZ INTERNATIONAL AG, Linz, for the fiscal year from October 1, 2011 to September 30, 2012 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.

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## CHAIRMAN'S FORWARD

**Dear shareholders of THI AG,  
Ladies and Gentlemen,**

as announced by THI AG already in mid-December, I was appointed as a member with sole right of representation of the management board effective January 1, 2013.

January has already passed; my first four weeks at THI AG are already over. And it was intense weeks half of which I spent in Costa Rica. A few days before the publication of this annual financial report, which intends to bring you closer to the development of THI AG in the fiscal year October 2011 to September 2012, I returned from my stay in Costa Rica.



DI Stephan Dertnig, MBA

In addition to a series of administrative errands related to the change in the management board, I was able to see the THI plantations for the first time. I did not want to look selectively at just a few partial areas to get a general idea, but explored all Fincas together with our local team! Using all-terrain vehicles, on horseback and a lot by foot, we went through our teak forests situated in hilly mountainous landscape, with occasional views of the Pacific Ocean. I have been since greatly impressed by the knowledge that I gained through this thorough and sudatory assessment. Assessed - considered as good.

That only about five years old teak trees are already grown up to the impressive height of twelve to fifteen meters, is truly a powerful impression. And even more so the trees of the older plantations, e.g. at Finca Uno, where the trunks show circumferences of up to one meter, or about 30 cm diameter at breast height. Please see the pictures in this report. But not only the paradisiacal climate lets the "Tectona Grandis LF." as the teak tree is known in biology, grow so powerfully fast. It is the developed experience of many years, the modern unique tree care techniques and detailed forestry-technical knowledge that is envied by our competitors.

The visits of the own Fincas, as well as conversations with the THI team on site have clearly shown the differentiation of THI AG - leading expertise in teak plantation cultivation and well-integrated team, especially with the local supervisors, as the basis of the previously achieved plantation results which have had higher annual growth, significantly more usable trunk heights compared to other Fincas and high quality through straight knot-free trunks.

At the same time it is clear that the local companies need a steady, annual growth of the managed plots in order to maintain this essential differentiation factor in the long term. Further growth should strengthen the competitive advantage of the company and in the long term to expand. Therefore, in the recent weeks we have visited not only our own teak-plantations, but also reference-fincas and more than 1,000 ha of potential new areas.



In order to make this intended growth possible, it is important to provide the financing of the company on a solid foundation that enables long-term effective acting. Securing the company's liquidity, which has always been an essential task of the management, is only one aspect. When it comes to the financing of large-area growth, conversations are to be conducted all over the world in order to explore the best ways of future funding. First dialogues with investors and potential joint venture partners already took place in the past few weeks. The THI business model and forestry know-how have come across a great deal of interest from potential partners.

In general, a clear international trend towards more sustainable investments is becoming obvious. THI AG will benefit from this development. The task now is to put all the efforts into promptly implementing our ambitious growth target.

The long-term market framework for timber investment and responsible plantation management are still estimated positively. The worldwide demand for wood, especially in Asia, will significantly increase over the future decades. Experts from international organizations such as ITTO and FAO expect a significant shortage of the raw material wood.

Great global commitment will be needed in order to close this gap by plantation management. Nota bene, through professional plantation management, which can ensure the best quality of the wood – teak. An approach that the team of THI AG practiced for over 14 years and will provide us with very good market prospects.

I am looking forward to these challenging yet exciting tasks which are ahead of the whole THI team and myself in the current financial year 2012/2013.

Ladies and gentlemen, I invite you to read this 100-page report to the THI fiscal year 2011/2012. The THI team and I thank you for the confidence you have had so far, support us in our sustainable growth.

Linz, January 29, 2013



DI Stephan Dertnig, MBA  
CEO























**Jorge Chavez**  
Plantation worker















## 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.

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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 according to ecological and social criteria.

An investment in the THI business model is a sustainable and growing investment characterized by a long term focus. Further information and business reports can be downloaded from the internet pages: [www.teak-ag.com](http://www.teak-ag.com)

## CONSOLIDATED GROUP

As of the balance sheet date September 30, 2012, 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, 2012, the consolidated group is as follows:**

|    | COMPANY NAME                              | COUNTRY    | CORPORATE DOMICILE                         | SHARE 2011/2012 |
|----|---|------------|--|-----------------|
| 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 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%            |

\* These companies were established 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.

\*\* The subsidiary THI America, S.A. was established in the fiscal year 2010/2011.

Apart from that, there were no changes over the previous year.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from October 1, 2011 to September 30, 2012 (Prior year for comparison)

| in Euro   | NOTES * | 2011/2012         | 2010/2011        |
|---|---------|-------------------|------------------|
| <b>Continuing operations</b>  |         |                   |                  |
| Revenue   | 15      | 214,369           | 1,199,616        |
| Gains/losses arising from changes in fair value less point-of-sale costs of biological assets                         | 4       | 11,366,397        | 7,309,087        |
| Cost of materials and purchased services and write-downs of timber inventories  | 16      | -676,898          | -2,658,850       |
| Personnel expenses  | 17      | -1,135,205        | -1,392,391       |
| Depreciation and amortization   |         | -114,472          | -102,856         |
| Other operating income  | 18      | 77,656            | 228,287          |
| Other operating expenses  | 19      | -1,354,105        | -2,205,558       |
| <b>Earnings before interest and taxes (EBIT)</b>  |         | <b>8,377,742</b>  | <b>2,377,335</b> |
| Financial income  | 20      | 27,514            | 396,242          |
| Financial expenses  | 20      | -2,305,594        | -1,354,562       |
| <b>Financial result</b>   |         | <b>-2,278,080</b> | <b>-958,320</b>  |
| <b>Earnings before taxes (EBT)</b>  |         | <b>6,099,662</b>  | <b>1,419,015</b> |
| Taxes on income   | 21      | -2,167,714        | -817,442         |
| <b>Comprehensive income from continuing operations</b>  |         | <b>3,931,948</b>  | <b>601,572</b>   |
| <b>Discontinued operations</b>  |         |                   |                  |
| Result from discontinued operations   | 23      | 0                 | -188,454         |
| <b>Consolidated profit/loss for the year = Consolidated comprehensive income</b>                                      |         | <b>3,931,948</b>  | <b>413,119</b>   |
| <b>thereof attributable to:</b>   |         |                   |                  |
| Equityholders of the parent company   |         | 3,931,948         | 413,119          |
| 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  | 23      | 0.00              | -0.03            |
| - diluted earnings per share  | 23      | 0.00              | -0.03            |
| <b>Earnings per share (EUR) attributable to the equity holders of the parent company from continuing operations</b>   |         |                   |                  |
| - basic earnings per share  | 22      | 0.63              | 0.10             |
| - diluted earnings per share  | 22      | 0.57              | 0.10             |

\* **NOTES:** find comments on the consolidated financial statements



## CONSOLIDATED BALANCE SHEET

as of September 30, 2012 (Prior year for comparison)

| in Euro   | NOTES | 30.09.2012         | 30.09.2011         |
|---|-------|--------------------|--------------------|
| <b>ASSETS</b>   |       |                    |                    |
| Intangible assets   | 2     | 65,378             | 25,347             |
| Property, plant and equipment                                     | 3     | 10,751,938         | 10,883,939         |
| Biological assets   | 4     | 135,363,023        | 123,996,626        |
| Financial assets (restricted Cash)                                | 6     | 1,157,596          | 1,000,000          |
| Trade receivables and other non-current assets                    |       | 219                | 197                |
| Deferred tax assets   | 11    | 6,657,420          | 6,812,417          |
| <b>Non-current assets</b>   |       | <b>153,995,574</b> | <b>142,718,526</b> |
| Inventories   | 5     | 75,493             | 212,881            |
| Trade receivables   | 7     | 10,343             | 90,110             |
| Other receivables and current assets                              |       | 279,634            | 192,100            |
| Cash and cash equivalents   | 8     | 41,895             | 181,540            |
| <b>Current assets</b>   |       | <b>407,365</b>     | <b>676,631</b>     |
| <b>Total assets</b>   |       | <b>154,402,939</b> | <b>143,395,157</b> |
| <b>EQUITY AND LIABILITIES</b>                                     |       |                    |                    |
| <b>Equity</b>   |       |                    |                    |
| Share capital   | 9     | 31,205,160         | 31,205,160         |
| Other reserves  |       | 42,230,339         | 46,943,309         |
| Earnings reserves   |       | 39,543,100         | 30,819,227         |
| <b>Equity attributable to equityholders of the parent company</b> |       | <b>112,978,599</b> | <b>108,967,696</b> |
| Minority interests  |       | 324                | 324                |
| <b>Total equity</b>   |       | <b>112,978,923</b> | <b>108,968,020</b> |
| <b>Liabilities</b>  |       |                    |                    |
| Non-current financial liabilities                                 | 10    | 25,947,388         | 20,969,495         |
| Other non-current debt  |       | 0                  | 4,363              |
| Deferred tax liabilities  | 11    | 12,597,999         | 10,590,533         |
| <b>Non-current liabilities</b>                                    |       | <b>38,545,387</b>  | <b>31,564,391</b>  |
| Current financial liabilities                                     | 10    | 1,752,787          | 1,695,674          |
| Trade payables  | 12    | 196,887            | 336,653            |
| Employee benefits   | 14    | 32,040             | 134,746            |
| Other current payables and accrued liabilities                    | 13    | 896,915            | 695,672            |
| <b>Current liabilities</b>  |       | <b>2,878,629</b>   | <b>2,862,745</b>   |
| <b>Total liabilities</b>  |       | <b>41,424,016</b>  | <b>34,427,136</b>  |
| <b>Total equity and liabilities</b>                               |       | <b>154,402,939</b> | <b>143,395,157</b> |



**CONSOLIDATED CASH FLOW STATEMENT**

for the period from October 1, 2011 to September 30, 2012 (Prior year for comparison)

| in Euro   | NOTES | 2011/2012         | 2010/2011         |
|---|-------|-------------------|-------------------|
| <b>Cash flow from operating activities</b>  |       |                   |                   |
| Consolidated profit/loss for the year   |       | 3,931,948         | 601,572           |
| Adjustments for:  |       |                   |                   |
| Depreciation/amortization of non-current assets   |       | 114,472           | 102,856           |
| Depreciation/amortization of current assets   |       | 270,213           | 881,425           |
| Gains / losses from the disposal of property, plant and equipment and intangible assets |       | 57,672            | 41,244            |
| Change in value of biological assets  | 4     | -11,366,397       | -7,309,087        |
| Change in employee benefits   |       | 0                 | 68,837            |
| Interest expenses / income  | 20    | 2,278,080         | 958,320           |
| Other non-cash income / expenses  |       | -5,303            | 11,415            |
| Income taxes  | 21    | 2,167,714         | 817,442           |
|   |       | -2,551,601        | -3,825,974        |
| Change in trade receivables and other assets  |       | -54,009           | 63,809            |
| Change in inventories   |       | 137,388           | -102,241          |
| Change in trade payables, other debt and accrued liabilities                            |       | -25,584           | -212,909          |
| <b>Changes in working capital</b>   |       | <b>57,795</b>     | <b>-251,341</b>   |
| Interest paid   |       | -930,864          | -791,790          |
| Interest received   |       | 7,456             | 24,442            |
| Income taxes paid   |       | -5,250            | -4,657            |
| <b>Net cash flow from investing activities from continuing operations</b>               |       | <b>-3,422,464</b> | <b>-4,849,320</b> |
| <b>Net cash flow from investing activities from discontinuing operations</b>            |       | <b>0</b>          | <b>-226,163</b>   |
| <b>Cash flow from investing activities</b>  |       |                   |                   |
| Investments in property, plant and equipment and intangible assets                      |       | -87,406           | -176,586          |
| Proceeds from the disposal of property, plant and equipment and intangible assets       |       | 6,020             | 11,250            |
| Investments in financial instruments (restricted cash at banks)                         |       | -156,480          | -1,000,000        |
| <b>Net cash flow from investing activities from continuing operations</b>               |       | <b>-237,866</b>   | <b>-1,165,336</b> |
| <b>Net cash flow from investing activities from discontinuing operations</b>            |       | <b>0</b>          | <b>480,259</b>    |
| <b>Cash flow from financing activities</b>  |       |                   |                   |
| Repayment of borrowings   |       | -537,098          | -3,086,802        |
| Payments from borrowings  |       | 3,067,783         | 1,021,300         |
| Payments from convertible bond less borrowings costs                                    |       | 990,000           | 0                 |
| <b>Net cash flow from financing activities from continuing operations</b>               |       | <b>3,520,685</b>  | <b>-2,065,502</b> |
| <b>Net cash flow from financing activities from discontinuing operations</b>            |       | <b>0</b>          | <b>-957,199</b>   |
| <b>Change in cash and cash equivalents</b>  |       | <b>-139,645</b>   | <b>-8,783,261</b> |
| Cash and cash equivalents as of October 1   |       | 181,540           | 8,964,801         |
| <b>Cash and cash equivalents as of September 30</b>                                     | 8     | <b>41,895</b>     | <b>181,540</b>    |



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the period from October 1, 2011 to September 30, 2012 (Prior year for comparison)

| INTEREST OF SHAREHOLDERS IN<br>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, 2010</b>                      | <b>9</b> | 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>9</b> | <b>31,205,160</b> | <b>46,943,309</b> | <b>30,819,227</b>                       | <b>324</b>         | <b>108,968,020</b> |
| <b>Balance as of October 1, 2011</b>                      | <b>9</b> | <b>31,205,160</b> | <b>46,943,309</b> | <b>30,819,227</b>                       | <b>324</b>         | <b>108,968,020</b> |
| Consolidated comprehensive income                         |          | 0                 | 0                 | 3,931,948                               | 0                  | 3,931,948          |
| <b>Subtotal</b>   |          | <b>31,205,160</b> | <b>46,943,309</b> | <b>34,751,175</b>                       | <b>324</b>         | <b>112,899,968</b> |
| Issuance convertible bond less issuance costs             |          | 0                 | 71,191            | 0                                       | 0                  | 71,191             |
| Changes due to Stock Option Programs                      |          | 0                 | 7,764             | 0                                       | 0                  | 7,764              |
| Reclassifications   |          | 0                 | -4,791,925        | 4,791,925                               | 0                  | 0                  |
| <b>Balance as of September 30, 2012</b>                   | <b>9</b> | <b>31,205,160</b> | <b>42,230,339</b> | <b>39,543,100</b>                       | <b>324</b>         | <b>112,978,923</b> |





## GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2011/2012

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

#### 1.1. Material Events in Short

##### 1<sup>st</sup> Quarter from October to December 2011

- In October, THI AG announced the closure of the first contract for the development and management of teak plantations for external partners. The range of service includes all tasks in forestry from the plantation and care until the final harvest.
- Teak log trade on new focus. Since in Costa Rica third-party teakwood according to the Company's quality standards is no longer available in sufficient quantities, the company stops trading teak until further notice.
- Change and reduction in the management board from October 2011.

##### 2<sup>nd</sup> Quarter from January to March 2012

- At the 5th ordinary general meeting of THI AG, five of the seven resolutions were adopted unanimously by the shareholders, the other two by almost 100%. The supervisory board seats from Mister Hüttner and Graf Pilati were extended unanimously.
- In cooperation with the Vienna Stock Exchange and media, the management board presented the THI-Business model in Austria to interested investors, traders, analysts and journalists.

##### 3<sup>rd</sup> Quarter from April to June 2012

- The German rating agency for sustainability "oekom research AG" has rated THI AG amongst others as "Pioneers" and "the top among its peer group" concerning sustainability.
- In mid June THI AG was informed, that the TEAK-share continues to be included in the updated index composition of the VÖNIX Sustainability Index for the period until June 2013.
- During Costa Rica's best growing season the service agreement on plantation management was actively continued by replanting. In addition, on the existing area where teak trees of different ages had already been growing, caring measures were applied.

##### 4<sup>th</sup> Quarter from July to September 2012

- The company presents itself at further road shows, e.g. at the Small-Cap-Conference in Frankfurt/Main.
- Conversations with investors lead to an additional tranche of the convertible bond.

##### Material Events after September 30, 2012

- Strengthening of liquidity: Further meetings were finalized successfully and resulted in the issuing of further tranches of the convertible bond in the amount of over 2.3 million Euros.
- Change in management board: The supervisory board appointed Mister DI Stephan Dertnig, MBA effective January 1, 2013 as a member with sole right of representation of the management board of THI AG.



## 1.2. Introduction

Sustainable, responsible action in the economy increasingly comes in the spotlight of global media attention. Share analysts and investors more and more measure the companies against their ecological and social commitment. Investors base their investment decisions on the industry in which the company operates. Therefore, for example defence industry, nuclear power, fossil energy, tobacco, gambling, child labour etc., are the most frequent disqualifying criteria for investors who seek to invest their assets in a sustainable way. This upward trend towards consideration of the “ESG” Criteria (Environmental, Social and Governance Criteria) can be noted in Europe for years already, the volume of sustainable capital investments increases annually.

This is further shown by the “Market Report Sustainable Capital Investments 2012” of the FNG (Forum Nachhaltiger Geldanlagen, “Sustainable Capital Investment Forum”), according to which only in 2011 in Austria a plus of 62% was achieved compared to the previous year. On the Austrian sustainable investment market, according to the report, about 4.8 billion Euros are invested. Considering other criteria, a further 4 billion Euros could be accounted to the sustainable investment volume and amount to 8.8 billion Euros. The development potential, as experts comment, is enormous. Further strong growing impulses in the following years are expected to be from institutional investors (pension funds), which already form the main part of those investments. However, even for private investors with a strong financial base, sustainable criteria become more and more important.

Eurosif, (European Sustainable Investment Forum), the European umbrella organization for sustainable capital investment, regularly publishes studies to the development of the so called “Sustainable and Responsible Investments“ (SRI). In a study about High Net Worth Individuals (HNWIs, which are people with investable finance in excess of USD 1 million) it was shown, that sustainable investment of European HNWIs has increased a 60% in the past two years. SRI are at 1.15 trillion Euros in comparison to 729 billion Euros in 2009. Eurosif estimates that this trend should stay stable despite the unsecure market environment and that sustainable investments of HNWIS should grow strongly or very strongly.

In the USA the volume of sustainable capital investments also grew up to 3.74 trillion USD by the end of 2011 and thereby already achieved a market share of over eleven percent of the US assets under management. In comparison to 2009 this corresponds to an increase of 22 percent, as the US Social Investment Forum (US SIF) reports. Furthermore, according to US SIF many investors only are beginning to expand the internal resources for the analysis of ESG Criteria. Therefore, a further increase in sustainable capital investments is to be expected.

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 of raw wood and wood products until 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 China’s and India’s rising economic power, wood experts predict that the demand will rise even further. Until 2015, only China could lack approx. 180 million m<sup>3</sup> of different wood species.

Concerning Teak, the FAO (Food and Agriculture Organization of the United Nations) published the study “Teak Resources and Market Assessment 2010” in March 2012. In this worldwide gathering of statistics it was detected, that the teak forest stock in the Asian countries of origin is declining a lot. For 2010 a total area of 29 million hectares of primeval



teak forests in India, Laos, Thailand and Myanmar were determined, almost half of which are only in Myanmar. India, Laos and Thailand rendered a prohibition of harvest or export.

A positive fact that was stated in the report was that the area of teak plantations is increasing. For the issue of the report 38 countries announced a total area of teak plantations of 4.346 million hectares of which 83% are in Asia, 11% in Africa, 6% in the tropical regions of America and Oceania. 22 further countries are known to manage teak plantations, however no data was provided for the study. Therefore it is assumed that the worldwide area of teak plantations should be significantly higher in the approx. 60 countries. The countries with the largest area of teak plantations are: India (1.667 million ha), Indonesia (1.269 million ha), Myanmar (0.39 million ha), Ghana (0.214 million ha), Nigeria, Thailand, Bangladesh, Brazil, Panama and Ecuador. Costa Rica announced an area of 0.0315 million ha (= 31,500 ha).

The majority of the worldwide teak plantations are young. Regardless of the examined country, there is a similar age structure, according to which approx. 77% are younger than 20 years and 18% belong to the class between 21 and 40 years. Only 5% are older than 40 years. The assertiveness of the youngest class is the clear indicator to the intensified efforts towards afforestation and management of plantations in the last 20 years.

Nevertheless the efforts towards afforestation have to be put into perspective considering the worldwide deforestation. In the last 50 years approximately half of the tropical woods have been cleared, which concerns a lot of different wood species. Of originally 1.6 billion ha only about 1 Billion ha remains. Every year an area of rain forests in a dimension that would correspond to twice the size of Austria vanishes. The capacities of wood from sustainably managed plantations will have to be considerably increased in order to protect the primeval forest on the one hand and to be able to cover the wood demand on the other hand.

Against the background of the global climate problem, a growing critical environmental awareness in consumer behaviour can be noticed with regard to rejection of primeval forest clearings. Many buyers already consider it good etiquette to use wood exclusively 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 favour of a uniform EU legislation that ensures 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 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. Furthermore, in this segment all those revenues are included, which were earned by services in plantation management to external partners.

**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“

**General meeting:** The 5<sup>th</sup> ordinary general meeting of THI AG took place on February 23, 2012. Approximately 120 people accepted the invitation to the Old Town Hall of the City in Linz. Five of the seven resolutions were adopted unanimously by the present shareholders, the other two by 99.98%. The supervisory board seats from Mister Mag. Alexander Hüttner and Gotthard Graf Pilati von Thassul zu Daxberg were extended. Both of them have been members of the supervisory board since 2007 and were re-elected unanimously by the shareholders. All detailed voting results were published and made available online.

**The development of the TEAK-share:** At the last trading day in the fiscal year 2011/2012, September 28, 2012, the TEAK-share (ISIN: AT0TEAKHOLZ8) closed with a price of EUR 3.389. In comparison to the beginning of the fiscal year (EUR 4.85), the price decreased by approx. 30%, or rather absolutely by EUR 1.46. In the reporting period, the market capitalization was reduced by approx. 9.1 million Euros from approx. 30.3 Million Euros to approx. 21.2 Million Euros.

On October 3, 2011 (first trading day after the beginning of the fiscal year), the TEAK-share started at EUR 4.85. Two days later the trading day ended at EUR 5 which should remain the highest final price of the share in the reporting period. In the first quarter of the fiscal year the share price decreased and closed at EUR 3.607 at the end of December 2011. After a recovery between the end of March and mid May 2012, the price stayed below the EUR 3.50 line and reached its yearly low on September 20, 2012. Until the last trading day in the fiscal year (09/28/2012) the TEAK-share slightly increased to EUR 3.389.

From the beginning of October 2011 until the end of September 2012 1,200,536 TEAK shares (single count) with a value of EUR 4,468,878 were traded, annual average price: EUR 3.722 (PY: EUR 5.521). In the reporting period, on an annual average, 4,900 shares (single count) were traded daily on 245 trading days of the Vienna Stock Exchange, which is slightly under the prior year figure (approx. 5,100 shares). The top 10 trading volumes ranked between approx. 18,000 and 94,000 shares, both single count. The peak daily volume was 94,336 shares (single count) on March 27, 2012. In the ranking of the securities traded on the Vienna Stock Exchange, in this reporting period the TEAK-share again ranks in the middle, as regards total volumes, which is quite remarkable for a small cap company.

In addition to the trade at the Vienna Stock Exchange, in the reporting period TEAK-shares to the value of EUR 1.659 million were directly traded outside the Vienna Stock Exchange, at the so called OTC market („Over-the-Counter“). The turnover value at the Vienna Stock Exchange and the OTC in total equals EUR 6.128 million. In addition to the Vienna Stock Exchange, the TEAK-shares are also traded on the stock exchanges in Frankfurt, Munich, Stuttgart and Berlin.



The earnings per share at balance sheet date are better in comparison to the previous year: Basic earnings per share from continuing operations: EUR 0.630 (prior year: 0.100) or diluted earnings per share from continuing operations: EUR 0.570 (prior year: EUR 0.100).

| <b>Share data (ISIN: AT0TEAKHOLZ8)</b>                     |                | <b>2011/2012</b> | <b>2010/2011</b> |
|--|----------------|------------------|------------------|
| Highest Price  | EUR            | 5.000            | 7.120            |
| Lowest Price   | EUR            | 3.290            | 3.400            |
| Closing price at the beginning of the fiscal year          | EUR            | 4.850            | 3.899            |
| Closing price at the balance sheet date                    | EUR            | 3.389            | 5.000            |
| Market capitalization at balance sheet date                | million EUR    | 21.151           | 31.205           |
| Change of market capitalization                            | million EUR    | -9.118           | +6.871           |
| Turnover volume at Vienna Stock Exchange (single count)    | million shares | 1.201            | 1.163            |
| Turnover value at Vienna Stock Exchange (single count)     | million EUR    | 4.469            | 6.418            |
| Turnover value outside Stock Exchange („Over-the-Counter“) | million EUR    | 1.659            | 4.930            |
| Turnover value Total (Vienna Stock Exchange and OTC)       | million EUR    | 6.128            | 11.349           |
| Source: Vienna Stock Exchange                              |                |                  |                  |
| Earnings per share (basic)                                 | EUR            | 0.630            | 0.100            |
| Earnings per share (diluted)                               | EUR            | 0.570            | 0.100            |

In the months from March to November 2012, the management board and investor relations attended several road show events in Austria and Germany in cooperation with the Vienna Stock Exchange. Investors, traders, analysts and journalists were introduced to the sustainable business model of THI AG. At these events, a particular interest in the THI presentations was noted, as compared to the other companies and the responsible plantation management was discussed in detail. Media frequently report on THI AG. In an Austrian weekly magazine, the acknowledged German sustainability rating agency “oekom research AG” described THI AG as “Pioneers” and “the top among its peer group” concerning sustainability.

In May 2012, the annual external evaluation regarding the continued participation 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 2012, 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 2013.



**Development of headcount:** In the fiscal year 2011/2012 the average number of persons employed in the Group was as follows:

|                        | <b>2011/2012</b> | <b>2010/2011</b> |
|------------------------|------------------|------------------|
| Austria                | 10               | 13               |
| Costa Rica             | 57               | 73               |
| <b>Total THI-Group</b> | <b>67</b>        | <b>86</b>        |

In the fiscal year from October 1, 2011 to September 30, 2012, an average number of 67 persons (prior year: 86) was employed by the THI Group. As the plantations are of a certain age, they require less caring measures. Therefore, the growth process directly influences the necessary number of plantation workers. The personnel in Costa Rica were reduced compared to the prior year. In Costa Rica, an average number of 57 persons (prior year: 73) was employed. In the Group’s head quarter in Linz the staff is reduced – among other things because of the changes in the management board – from 13 to 10 persons. As of the balance sheet date September 30, 2012, 9 persons were employed in Austria.



The proportion of women in the THI Group: The proportion of women in the THI Group was an annual average of approx. 16%. In the headquarters in Austria, an average of 50% of women was employed, prior year 50%. At the beginning of the fiscal year in October 2011 the proportion of women was 40% and increased to over a half because of taking over a female apprentice. At balance sheet date end of September 2012, five of the 9 persons employed in the company's headquarters, were female. As far as administration is concerned, the proportion of women in Costa Rica is approx. 50%. The majority of the plantation workers is male, the proportion of women is – as in the prior year – approx. 10%.

**Other disclosures:** The THI AG Groups' headquarter moved into a new office in the so called "Blumauer Tower" in mid-March 2012. The company's address is: A-4020 Linz, Blumauerstraße 46. All mandatory documents relating to the previous fiscal year 2010/2011 and the interim reports for the fiscal year 2011/2012 were also published on time under the mandatory disclosure regime. Consolidated and separate financial statements of THI AG were issued for the fiscal year from October 1, 2010 to September 30, 2011 and published as annual financial report on January 26, 2012. In this regard, the announcement of the results of the annually carried out analysis of the financial reporting of Austrian public limited companies in fall 2012 was good news. The assessment of the Online-Presence of the investor relations activities of THI  AG was especially pleasant. The homepage [www.teak-ag.com](http://www.teak-ag.com) was on 20<sup>th</sup> place and outranked 42 well-known companies with high both personnel and financial resources. In the overall ranking of the 62 examined stock  noted companies, THI AG held a good position in the mid-range on 33<sup>rd</sup> place.

## 1.5. Development of Business Unit „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. Furthermore, in this segment all those revenues are included, which were earned by services in plantation management to external partners. 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 – which is organized by THI-subsiidiary Servicios Austriacos Uno, S.A. – 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. The evaluation of the biological assets corresponds to the valuation principle in accordance with IAS 41 "Agriculture". Concerning the valuation premises and the valuation reference is made to the more detailed explanations under Point 4 "Biological Assets in Costa Rica" in the comments to the consolidated financial statements.

As of the balance sheet date September 30, 2012 the current value of the biological assets (the teak trees in the plantations) was estimated with EUR 135,363,023, PY: EUR 123,996,626. In the fiscal year 2011/2012 the fair value of the teak trees increased by a plus of EUR 11.366 million, PY: EUR 7.309 million.

The significant increase in value on one hand is based on the good growth of the trees, which was determined during the annual inventory in September 2012. The results of the data collection on the permanent measuring surfaces in the Fincas again confirmed that the so far applied caring measures of the over 1.63 million teak trees, individually taken care of, have proven themselves. Professional plantation management contributes to the natural increase of value of the biological assets. Furthermore, the excellent climate conditions, both during the dry and in the moist half years, made the ideal development of the trees in the 1,934 hectares of plantation possible. On the other hand, the favourable USD/EUR exchange rate at balance sheet date as a further essential factor has influenced the result in a positive way.



**Measures in the plantations during fiscal year:** During the reporting period, no teak trees were harvested, nor material investments were made. No significant damages caused by the influence of weather or natural phenomena were noticed in the plantations. The applied measures were focused on the regular tree care, e.g. pruning, grass cut, fertilization based on need and general maintenance activities in the plantation's infrastructure.

Due to the fact that most of the plantations are already older, also the 2007/2008 replanted areas of Segunda Plantacion (Finca Las Vegas and Finca Naranjal) are approx. four to five years old, the caring measures have been reduced. Hence the growth process has a direct influence on the necessary number of plantation workers. In comparison to the prior year the staff has been reduced by approx. 16 persons, in the fiscal year an average number of 57 persons were employed in Costa Rica, PY: 73.

**Teak plantations in Costa Rica:** THI AG deliberately decided to start forestry activities in the economically and politically secure Costa Rica. The ecological commitment of the country is distinctively above average, great parts of the paradisiacal country consist of national parks or nature reserves. Established environment programs such as "REDD+" (Reducing Emissions from Degradation and Deforestation), and subventions from the state for reforestations provide ideal conditions for an ecological and at the same time economic engagement in the Central American country. Furthermore, the measures for environmental protection set in the past decades already show positive results. Costa Rica is the only country in Central America where in the past ten years the pasture area increased, approx. by an annual 0.9 percent. In a certain extent, THI AG contributed to this with its plantations. In the last 14 years more than 2 million trees were planted on former pasture areas of almost 2,000 hectares (Equal areas would be the Austrian lake "Wörthersee" or 2,600 football fields); this way there was an active contribution to the capture of CO<sub>2</sub>.

The fact that the climate conditions for the cultivation of teak wood are ideal in Costa Rica belongs to the basic requirements of a plantation cultivation project. For a long-term business model such as wood investments already the site selection has to be made properly. Possible damages as a result of storms, landslides and other natural phenomena have to be avoided as much as possible. THI AG stucked to the safe ground and due to proper risk assessment and climate evaluation decided to pick areas in the regions of the protected Pacific Coast.

The western part of Costa Rica is protected by the foothills of the Cordilleras with an altitude of 3,000 m particularly against any storms from the Caribbean Sea, so that in the past decades no storms were registrated. The slightly hilly landscape at approx. 100 to 600 meters above sea level provides the ideal conditions for the cultivation of teak in the region Parrita. Furthermore, the annual amount of precipitation of approx. 2,000 – 4,000 mm in this region is favourable. The majority of it occurs in the months May to November. In the rainy season, however, it does not rain every day and not all day, either. The rains usually start in the highlands in the early afternoon and reach the Pacific Coast in the late afternoon. In the dry season (December to March), precipitation is less than 100 mm. The annual average temperature is 24 °C and the seasonal fluctuations in temperature as well as those between day and night at approx. 2 °C are relatively low.

The constantly occurring intense rains can lead to erosion, which in the THI plantations only has happened in a minor extent. 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. Such maintenance work is usually performed preventively during the dry season from December to April.



In the beginning of September 2012, earthquakes occurred on the Costa Rican peninsula Nicoya. The two strongest earthquakes were of 7.6 and 5.6 magnitude. The epicentres were located approx. 130 kilometres as the crow flies from the THI plantations, which are situated in the region of Parrita. As of our employee's information, they could feel the earthquake but it wasn't a threat for our plantation workers at any time. No damages were noticed in the plantations. Earthquakes are quite common in Costa Rica. As in Central America tectonic lines exist and numerous volcanoes are active, earthquakes with various intensities are registered in Costa Rica on a regular basis. In the Southwest of the country where the THI plantations are located, the trembling is only slightly perceptible and has not caused any harm yet.

**Economy in harmony with nature:** The THI plantations on the Costa Rican Pacific Coast are annually examined. As in prior years, all ecological standards were met again and show the high level of quality and environment of our teak forests; the combination of economic plantation management and consideration of ecological expectations is very well possible. Four teak plantations of THI AG extending over 850 hectares have been certified since November 2008. The certificate number is GFA-FM/COC-002406 and is issued to our Costa Rican subsidiary Servicios Austriacos Uno, S.A.

The presence of various plants and animals in the teak plantations attests to the ideal coexistence of economically oriented plantation management and pristine environment. Those biotopes, the so-called "Quebradas", provide important habitats for flora and fauna. However, not only there but also in the plantations 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 colourful frog species on the ground, there is also a varied bird life, such as toucan, macaw and numerous colourful singing birds. Statistics have shown, that the existence of several species was proven, which usually only exist in protected natural reserves. This is a point in favour of the very close to nature and careful management of the THI plantations.

**Tasks and Activities in Teak plantations:** The operation of the individual Plantation Holding Companies is organized by the Plantation Management Company Servicios Austriacos Uno, S.A. The experienced executives, forest technicians and plantation foremen guarantee the sustainable implementation of modern European forestry and management Know-How in Costa Rica. All measures taken on the plantations are organized by several Austrian-trained forestry experts and monitored periodically in accordance with the latest scientific findings. A staff of trained and semi-skilled Costa Rican workers is permanently employed throughout the entire year.

The cultivation of responsibly managed teak wood plantations contains several tasks. After selection and purchase of adequate areas, following forestry functions have to be implemented throughout the cultivation circle: soil analysis and fertilization, soil conservation, opening, creation and maintenance of infrastructure, selection of high-quality seeds and plants, planting, constant individual care/breeding of trees, pruning, mulching, several cuttings of individual trees, harvest/final cutting, preparation and planting of the next generation of trees.

The rainfalls and the previously extensive use as grassland have left a soil which is to be characterized as very suitable with regard to its mechanical properties and its depth. In order to provide soil conditions for the teak tree, under which it can be optimally supplied with nutrients and grow fast, the soils are analyzed in detail and any missing nutrients, lime or fertilizers are applied to the soils as needed. At the onset of the annual rainy season in April/May the seedlings, which had previously been raised from high-quality, certified seeds, can be planted at a distance of approx. three times three meters. Approx. 1,100 young plants are planted on one hectare. Past experience shows that this planting density guarantees the optimal development of plantations. In order to best promote the fast growth of the trees, the plantation is freed from scrub. This way it is prevented that other plants deprive the soil of nutrients and cast shadow on the young teak plants.

The cut scrub remains as mulch or natural fertilizer on the soil and thus protects the plantation base. The removal of the scrub around the teak saplings, especially in the beginning 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.

The teak plant grows fast and, under ideal conditions, after one year the trees can reach a height of up to two meters. With the growth in height and the increase in diameter, the value of the tree also rises steadily. As soon as, despite individual tree care – possibly due to competitiveness – a reduced growth can be observed with individual trees, those individual trees are removed. This cutting of individual trees or in a greater extent “sanitary thinning” is implemented according as forestry criteria between December and April. The reduction of the trees is aimed at creating the best growth conditions for the trees remaining in the plantations for the following years. Approximately between the 15<sup>th</sup> and 20<sup>th</sup> year, partial and final cutting of the teak trees can be initiated. After the harvest the preparation of the soils starts for the reforestation and replanting of the plantation areas.

Due to the unique forest Know-How our Fincas grew up to be “Model Plantations”. Teak plantations of such good quality as our oldest self planted Fincas UNO and DOS are rarely to be found in Costa Rica. The THI Fincas are virtually the “Benchmark” for other plantation managers and investors. This is the reason why our specialized knowledge in plantation management has been noted. Therefore THI AG offers this knowledge to external partners as a service; similar cooperations shall be expanded in the future.

**Plantation management as external service:** The company which has established teak plantations according to responsible criteria in Costa Rica since 1998 has gained a forest Know-How that since the beginning of the fiscal year 2011/2012 is also offered as a service to external partners. Such service revenues could increase the self-financing of THI’s subsidiaries in Costa Rica. In October 2011, THI AG announced the closure of the first contract for the development and management of teak plantations for external partners. The range of service includes all tasks in forestry from the plantation and care until the final harvest. Those activities will be organized and monitored from Austrian-trained experts taking the ecological and social standards into special consideration.

Our service activities concerning cultivation of plantations for external business partners are developing well. Already in the winter, in the first quarter of the fiscal year 2011/2012, the first project phase was successfully completed. The Fincas were purchased by the project partner and in the summer the replanting began. Replanting, as for example in “Finca Las Juntas”, proceeds as follows: After the first infrastructural preactivities, the greenhouse was built, so that during the rainy growing period the planting could begin. It is possible to cultivate up to 25,000 teak-seedlings in one greenhouse. In order to do so, so-called “Jiffy Pots” are used. Those are ultimately biodegradable plant vessels, where teak-seedlings grow and in which they are planted in the soil. A high quality teak-seedling is put into a Jiffy Pot which shortly after watering begins to germinate. Within a few days the first plant peaks are visible, which then divide into two leafs and sprout strongly. The plants grow rapidly in the hot, humid air and are left about inside the green house for two weeks. After that, the vessels that contain the Jiffy Pots are brought outdoors. Under a roof the already about 10 cm tall plants have time to adjust to the outdoors climate for a week. After this acclimatization period, the small teak trees have grown several leaf pairs and are about 12 cm high.

Now the seeding can begin on the prepared plantation areas. At a distance of approximately three by three meters, the Jiffy-Pots with the containing plants are placed in the soil. This density corresponds to about 1,100 trees per hectare (1



hectare = 10,000 m<sup>2</sup>). The total area of the approximately 100 hectares of "Finca Las Juntas" will be divided into four sub-areas. Whereas the next approx. 25,000 teak-seedlings grow in the greenhouse, the plants which are now ready, are being planted outdoors. With professional care the teak trees will thrive within a few years.

Chronologically parallel to the replanting on other properties, so-called existing spaces where teak trees in different age stages already had been growing, maintenance work was implemented. This includes our specially developed pruning technique, scrub cut, soil analysis and other forestry-related measures.

In the summer of 2012, therefore in the third quarter of fiscal year 2011/2012, the plantation services were started and generated an income of EUR 121,860 in the fourth quarter. Henceforth, from the service activities for external partners regular income will be generated. THI AG plans to expand such cooperations.

## **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. During the fiscal year 2011/2012 no teak logs were traded because no high quality timber was available. Therefore, in the reporting period, low revenues in the amount of approx. EUR 92,509 (prior year: EUR 1,179,729) were generated. In comparison, the revenues from the prior year reached a good level. As explained in prior interim reports, teak was rarely available in the appropriate quantity and quality since the fiscal year 2010/2011. Due the decline in supply of high quality teak, especially of certified wood, the trading activities were newly focused in fall 2011. The company stops trading teak from third parties until further notice.

Even though during the reporting period no active business with third party teak logs could be done, the company continues to pursue its goal to get back into the timber trade as soon as possible. This way, the temporal gap in supply can be compensated until the first major harvest of the own plantations. With a positive change in the environment and availability of timber meeting the premium quality standards of THI, future business opportunities can be exploited any time due to the existing internal sales structure. Adaptations regarding the main target markets are not necessary.

Nevertheless, Asia is still in demand for high-quality teak wood. In Southeast Asia, where the noble teak has long been known and used, always has a general teak demand. Demand is clearly dominated by India, where after being processed the timber mostly remains in the country. China more and more represents a new market, where manufacturing companies produce their products primarily for export. Due to the high demands of customers, for example the European market, Asian manufacturers set high quality standards. The trees have to have high diameters, be straight grown, free of knots and have low sapwood. The tree usually is shipped as unprocessed logs because customers want to cut them depending on the further use in their own sawmill. The teak trees are loaded into containers and shipped to their destination.

The supply of high-quality teak is still limited. Although in recent decades the teak plantation areas increased significantly, these trees are mostly very young. 77% of the world's teak plantations are 20 years. Currently, many market opportunities cannot be used. These can be implemented again in the future until an appropriate timber supply has grown. The capacity of timber from responsibly led forestry and plantation management have to be significantly increased in order to meet the demand on the one hand and, the protection of the forest resources on the other. Whoever is able to guarantee that to his customers, for example by an internationally recognized certification, will be more present in this market segment. In this way the importance and the market opportunities of wood from sustainable plantations - also from teak - continue to grow even further. THI AG sees a promising development on the international timber market and will be part of it.

## 1.7. Report on Branches

At balance sheet date, THI AG has no branches.

## 1.8. Financial and non-financial Performance Indicators

| Key figures in TEUR<br>Teak Holz International AG, consolidated financial statements | 2011/2012 | 2010/2011 | +/-% |
|--|-----------|-----------|------|
| Fully consolidated companies   | 11        | 11        | 0    |
| Domestic   | 1         | 1         | 0    |
| Foreign  | 10        | 10        | 0    |
| Revenue  | 214       | 1,244     | -83  |
| Change in value of biological assets   | 11,366    | 7,309     | 56   |
| Consolidated Profit for the Year   | 3,932     | 413       | 852  |
| Personnel expenses   | 1,135     | 1,508     | -25  |
| Property, plant and equipment  | 10,752    | 10,884    | -1   |
| Biological assets  | 135,363   | 123,997   | 9    |
| Balance sheet total  | 154,403   | 143,395   | 8    |
| Equity   | 112,979   | 108,968   | 4    |
| Cash and cash equivalents  | 42        | 182       | -77  |
| <b>Profitability ratios:</b>   |           |           |      |
| Operating result (EBIT)  | 8,378     | 2,140     | 292  |
| Return on equity*  | 5.40%     | 1.07%     | 404  |
| <b>Financial ratios:</b>   |           |           |      |
| Net debt*  | 27,658    | 22,484    | 23   |
| Equity ratio*  | 73.17%    | 75.99%    | -4   |
| Net gearing*   | 24.48%    | 20.63%    | 19   |
| <b>Cash flow ratios:</b>   |           |           |      |
| Net cash flow from operating activities  | -3,422    | -5,075    | 33   |
| Net cash flow from investing activities  | -238      | -685      | 65   |
| Net cash flow from financing activities  | 3,521     | -3,023    | 216  |

\* The calculation is based on KFS/BW 3 published recommendation for the computation of financial performance indicators in group management reports.

### 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 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 fulfilment of those social and ecological requirements that are demanded of eco-investments was confirmed for the TEAK share by external experts in June 2012.

The TEAK-share forms part of the composition of the VÖNIX Sustainability Index already the fourth year in a row (since 2009). Again THI AG fulfils the approx. 100 individual environmental and social criteria. The extension is a further confirmation of the THI Business model which is based on sustainability. 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. In May, the sustainability analyses are annually updated externally which decides the acceptance or the continuance in the VÖNIX. Of the approx. 60 examined stock noted companies, 21 are included in the composition of the index year 2012/2013 until June 2013. You can find further details on the 2005 initiated index (ISIN: AT0000496906) and on the current composition on the Webpages of the Vienna Stock Exchange “Wiener Börse AG”: [www.indices.cc/indices/details/vox/composition/](http://www.indices.cc/indices/details/vox/composition/).



The THI plantations on the Costa Rican Pacific Coast are annually examined by external auditors. As in prior years, all ecological standards were met again and show the high level of quality and environment of our plantations. The existence of several plant and animal species in the middle of our teak plantations prove the ideal combination of economic plantation management and natural environment. Four teak plantations of THI AG extending over 850 hectares have been certified since November 2008. The certificate number is GFA-FM/COC-002406 and is issued to our Costa Rican subsidiary Servicios Austriacos Uno, S.A.

Sustainable, responsible action which means the consideration of ecological and social goals, is becoming more and more important, as well as for companies as for investors. They base their investment decisions on the industry in which the company operates. Regularly published market reports and statistics on the topic sustainable capital investments show that the volume of responsible investments is growing dynamically in the German-speaking countries. In the following years, growth impulses are expected especially from institutional investors.

In March 2012 the FAO (Food and Agriculture Organization of the United Nations) published the worldwide study about “Teak Resources and Market Assessment 2010”, where a declining of teak forest stand in the Asian countries of origin was stated. Though the area of teak plantations in approx. 50 countries is increasing, the majority of the worldwide teak plantations still are very young. The capacities of wood from sustainably managed plantations will have to be considerably increased in order to protect the primeval forest on the one hand and to be able to cover the wood demand on the other hand ([www.fao.org/forestry/en/](http://www.fao.org/forestry/en/)).

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 the changing climate, 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.

## 1.9. Material Events after the Balance Sheet Date

**Additional strengthening of liquidity:** After the balance sheet date (September 30, 2012) meetings were finalized successfully and resulted in the issuing of further tranches of the convertible bond in the amount of over EUR 2,350,000.

**Changes in Management Board and Supervisory Board:** In its meeting on December 12, 2012 the Supervisory Board of THI AG has appointed Mr. Stephan Dertnig, MBA effective January 1, 2013 as a member with sole right of representation of the Board of Directors of THI AG. From December 13 to 31, 2012, Mr. Hennerbichler was appointed as a member with sole right of representation of the Board of Directors. On December 12, 2012 Mr. Siegfried Mader was recalled from his function as a director. In the meantime, the Company and Mr. Mader agreed an amicable termination of employment. After the meeting, Mr. Alexander Hüttner, LL.M. (NYU) announced his resignation as a member of the Supervisory Board effective December 12, 2012.

Mr. Stephan Dertnig, MBA was born in 1961 in Bad Ischl, Upper Austria. He studied mechanical engineering at the Technical University in Vienna and completed his Master studies at the well-known INSEAD Fontainebleu in France receiving the academic title Master of Business Administration MBA. Mr. Dertnig will contribute his many years of experience in project development, which he has gained in the international consulting company “The Boston Consulting Group”, BCG. Mr. Dertnig has occupied leadership positions at BCG for over a decade and established the branches in Vienna, Moscow and Kiev and most recently has been the chairman of BCG Russia and Ukraine. In addition to his knowledge in business development Mr. Dertnig – he speaks English, Russian, French and Spanish – has an international network in the financial domain. As Mr. Dertnig has been appointed as a new director, THI AG intends to realize the expansion strategy quickly and to become an internationally significant company in the teak market.

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

**THI AG has the following strategy:** teak as the only wood; unique plantation management principles with the aim of the best wood quality and the maximum timber volume at the time of harvest; consideration of environmental and social criteria in forest management, both in its own plantations, as well as on those operated for external partners; focusing on strong regional basic conditions; international sales of certified teak logs primarily to Asia and increase of the market importance due to growth by gradually amplifying the plantation area; THI AG focuses on one wood species: *Tectona grandis* Lf, the “diamond among the woods” with the best properties of wood and just such marketing chances. The importance of teak from certified responsibly managed plantations will continue to grow even further and allow relevant marketing opportunities.

The company will continue the already in previous fiscal years started comprehensive cost avoidance and cost reduction program to thereby continue to make a positive impact on the operating cash flow.



In the future, THI AG expects increased earnings from the service activities in forest management offered since the beginning of the fiscal year 2011/2012. By the impending revenue from 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 reduce the operational costs to a certain extent and partly increase the self-financing of the company in Costa Rica. First such revenues were generated since the fourth quarter of the fiscal year 2011/2012 and will henceforth generate recurring revenue.

Even though during the reporting period no active business with third party teak logs could be done, the company continues to pursue its goal to get back into the timber trade as soon as possible. As explained in the interim reports during the fiscal year, certified teak is rarely available in the appropriate quantity and quality. With a positive change in the environment and availability of timber meeting the premium quality standards of THI, future business opportunities will be exploited again. This way the temporal gap in supply can be compensated until the first major harvest of the own plantations planned in 2016.

The business model of the wood-investments: selecting ideal areas, planting trees, optimal caring, harvest wood and market internationally, replanting, etc., is generally long-term oriented. Anyone who has already dealt with the asset class timber is aware that until the harvest several decades, in northern climates even generations can pass. In comparison, the growing period of the species teak of 15 to 20 years is relatively short and crop yields are expected in a reasonable time period. THI AG has - compared to many start-ups - a significant time advantage, since the company is already active in the business for about 14 years. The first harvests are already predictable.

Teak wood from professional plantation management will be increasingly important, as a raw material and also as a promising material asset investment. THI AG sees a promising development on the international timber market and is confident that it can actively participate.

## **2.2. Material Risks and Uncertainties**

The development of the national debt of the United States and some European countries, the rising pressure of interest rate due to downgrading by rating agencies, the measures to stabilize the Euro and other events continue to have significant influence on the global financial and real economy. From the fall of 2011, the share prices have been moving significantly downwards across all industries. Signs of recovery were only noted from mid 2012.

As a stock-listed company, THI AG as well was exposed to the negative effects during the reporting period and beyond. The price of the TEAK share has grown negatively in the fiscal year 2011/2012. Nevertheless, the TEAK share, even with the current undervaluation, can be attractive to long-term investors. The exchange rate of USD/EUR has a significant impact on the evaluation of the company's assets (the teak trees). During the fiscal year 2011/2012, the volatile Euro exchange rate had significant influence on the respective period results for each quarter. Due to the improvement and stabilization of the Euro exchange rate, a lower volatility should be expected in the future.

In the reporting year, the 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.

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 and the newly included plantation service activities for external partners since this reporting period, 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 shall be secured through equity and borrowings. This was planned already at the time of the initial public offering. The liquidity risk is majorly influenced by the negative operating cash flow. Securing liquidity is a key responsibility of the management, which held and is still holding corresponding negotiations with several credit institutions and investors.

The company's liquidity during the fiscal year 2011/2012 was always secured by ongoing and newly agreed credit lines. In the fiscal year 2011/2012 an additional tranche of the convertible bond in the amount of EUR 1,000,000 could be issued. After the balance sheet date (September 30, 2012) further meetings were finalized successfully and resulted in the issuing of further tranches of the convertible bond in the amount of EUR 2,350,000. The management is optimistic and assumes that conversations with investors which are in an advanced stage will additionally lead to the strengthening of the liquidity.

The company which has established teak plantations according to responsible criteria in Costa Rica since 1998 has gained a forest Know-How that since the beginning of the fiscal year 2011/2012 is also offered as a service to external partners. Such service revenues could increase the self-financing of THI's subsidiaries in Costa Rica. In fall 2011, areas – pasture and existing areas – were assessed and selected. In the summer of 2012 the replanting of the partner plantations begun and the teak forests purchased by the project partner were intensively cared for. The plantation services generate steady turnovers since the fourth quarter 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 2011/12, 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, 2012. Management repeatedly indicated this during the year in its regular reporting.

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 and were already completed in prior periods. During the fiscal year 2011/2012 no development activities were carried out.



#### **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 structure 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 2011/2012, no reportable changes were reported by shareholders regarding their voting rights to the Company pursuant to Section 91 BörseGesetz (Stock Exchange Act). Therefore, at the balance sheet date September 30, 2012, 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 Kapitalanlagegesellschaft 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 has to be allocated to free float.

After the end of fiscal year 2011/2012, on November 29, the company received a reporting of voting rights pursuant to Section 91 Börsegesetz (Stock Exchange Act) of Erste Asset Management GmbH, headquartered in Vienna. It was reported, that ERSTE SPARINVEST Kapitalanlagegesellschaft m.b.H., headquartered in Vienna, as of November 12, 2012 held 3.24% of the company's voting rights and therefore fell below the threshold of 5%.

No further reportable changes were reported by the shareholders regarding their voting rights to the Company. Therefore the free float of the voting rights is 47.1% at the time of this publication.

With the entry into force of the regulations of the Federal Law Gazette Bundesgesetzblatt I 83/2012 there are some significant changes to the Exchange Act. With January 1, 2013 pursuant to section 91 (1) BörseGesetz, 4% is considered the lowest reporting threshold. If the threshold reaches, exceeds or falls below 4% on January 1, 2013, the stockholder must notify the Austrian Financial Market Authority (FMA), the exchange operating company (Vienna Stock Exchange) and the issuer (THI) within two months, by the end of February 2013.

At the 2<sup>nd</sup> 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%. In the fiscal year 2011/2012 an additional tranche of the convertible bond in the amount of TEUR 1,000 was issued. After the balance sheet date (September 30, 2012) meetings with investors were finalized successfully and resulted in the issuing of further tranches of the convertible bond in the amount of TEUR 2,350.

Linz, January 28, 2013

The Management Board



DI Stephan Dertnig, MBA

**Financial Calendar for the Fiscal Year 2012/2013:**

- 29.01.2013 (Tue): Publication of annual financial report for the period from October 1, 2011 to September 30, 2012
- 08.02.2013 (Fri): Publication of Q1 interim report for the period from October 1, to December 31, 2012
- 10.05.2013 (Fri): 6<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
- 29.05.2013 (Wed): Publication of half-year financial report for the period from October 1, 2012 to March 31, 2013
- 08.08.2013 (Thur): Publication of Q3 interim report for the period from October 1, 2012 to June 30, 2013



## 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, 2012 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, 2012 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. 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 three-tier 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 segment assets include such amounts that are directly attributable to a segment as well as those that can be allocated on a reliable basis. To create the segment reporting the data of the Group's information and reporting system are used. The allocation of internal services between individual segments is oriented to-arm's length allocation.

#### 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 group-wide 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. Furthermore, in this segment all those revenues are included, which were earned by services in plantation management to external partners.

## 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<br>30.09.2012 | PERIOD-END RATE<br>30.09.2011 | AVERAGE RATE<br>2011/2012 | AVERAGE RATE<br>2010/2011 |
|--------|-------------------------------|-------------------------------|---------------------------|---------------------------|
| TCRC*  | 0.63131                       | 0.68568                       | 0.64305                   | 0.71005                   |
| USD    | 1.28544                       | 1.35057                       | 1.29260                   | 1.39561                   |

\* Thousand Costa-Rica-Colones

## 5. 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.

## 6. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less systematic depreciation. Acquisition costs include the purchase price plus directly attributable incidental acquisition costs. Depreciation is charged on a straight-line basis over the expected useful lives of the assets and recognized directly in the consolidated 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.

## 7. 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 precious teak wood (plantation development), the care and intensive raising of teak-plantations (operation), as well as the distribution of the precious 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.

## 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., Costa Rica, 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 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 EUR 10,000,000. The term of the convertible bond 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 EUR 50,000 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 (EUR 5), 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 EUR 7,040,000, of which pro rata issuance costs of EUR 319,562 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 EUR 2,825,639 (after deduction of pro rata issuance costs in the amount of EUR 134,361). 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).

In the fiscal year 2011/2012 a further tranche in the amount of von EUR 1,000,000 of the conditional capital authorized on June 23, 2010 was issued. This convertible bond has the same conditions (term of 5 years and an interest rate of 5%) auf. 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 EUR 928,809. The residual value, representing the value of the equity conversion component, is recognized in equity under capital reserves in the amount of EUR 71,191.



## 9. Inventories

Inventories are stated at acquisition cost or production cost or the lower of cost and net realizable value. Cost is determined using the weighted average cost method. The acquisition costs of the harvested teak trees result from the fair value less the selling expenses. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The lower 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 carry forwards.

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.

Deferred tax assets and liabilities are balanced when an enforceable corresponding legal claim of set-off exists and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle on a net basis.

### 13. 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. 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.

### 14. 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.

### 15. Revenue recognition

#### a. Sales revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue from the sale of goods is recognized in the income statement when significant risks and rewards of ownership have been transferred to the buyer and when the amount of the revenue can be measured reliably.

#### b. Interest income

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

### 16. Government grants

Government grants are presented in the balance sheet as deferred income at the date of origin, if there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to them. Government grants received by the Group as compensation for expenses incurred are recognized in the consolidated 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.

### 17. Leases

Leases in which all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases at the lessee. Payments made under operating leases (net of any incentives received from the lessor) are charged to the



consolidated 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.

## **18. Research and development**

Expenses for research activities are expensed as incurred in the consolidated statement of comprehensive income (2011/2012: EUR 0, 2010/2011: TEUR 37). In the past fiscal year, no development activities have taken place. In the reporting period there were no development activities.

## **19. Share-based payment**

The fair value of the services of the option beneficiaries in return for the grant of options to purchase shares of Teak Holz International AG is recognized as an expense. The total expense to be recognized over the vesting period of the options is determined by reference to the fair value of the options granted. At each balance sheet date, the estimated amount of options that are expected to become exercisable, are assessed. The effects of any changes to be considered of original estimates are recognized in the consolidated statement of comprehensive income and by a corresponding adjustment in the equity over the remaining vesting period. Income earned from the exercise of options after deduction of any directly attributable transaction costs, are credited to the capital reserves.

## **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" 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. The escalating development of government debt in the USA and in individual European countries, the ongoing difficult conditions in financial and real economies, and the financial power of the Group are 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.

Emphasis is placed on the liquidity risk, which is caused by the negative operating cash flow, as the business model of the company in the growth stage focuses on the long term. 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. Therefore, securing long-term liquidity was and will be a key responsibility of the management, which holds corresponding negotiations with several credit institutions and investors.

The company's liquidity during the fiscal year 2011/2012 was always secured by ongoing and newly agreed credit lines. In the fiscal year 2011/2012 an additional tranche of the convertible bond in the amount of EUR 1,000,000 could be issued. After the balance sheet date (September 30, 2012) further meetings were finalized successfully and resulted in the issuing of further tranches of the convertible bond in the amount of EUR 2,350,000. The management is optimistic and assumes that conversations with investors which are in an advanced stage will additionally lead to the strengthening of the liquidity.

The company which has established teak plantations according to responsible criteria in Costa Rica since 1998 has gained a forest Know-How that since the beginning of the fiscal year 2011/2012 is also offered as a service to external partners. Such service revenues could increase the self-financing of THI's subsidiaries in Costa Rica. In fall 2011, areas – pasture and existing areas with already growing teak trees – were assessed and selected. In the summer of 2012 the replanting of the partner plantations was begun and the teak forests purchased by the project partner were intensively cared for. The plantation services generate steady turnovers since the fourth quarter 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, 2012. 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. As explained in interim reports in the fiscal year 2011/2012, due the decline in supply of high quality teak the trading activities were newly focused. Nevertheless, the company is constantly informed about the develop-



ments on the international teak market. Asia is still in demand for high-quality teak wood. In Southeast Asia, where the noble teak has long been known and used, always has a general teak demand. Demand is clearly dominated by India, where after being processed the timber mostly remains in the country. However, the supply of high-quality teak is still limited. The majority of the world's teak-plantations are younger than 20 years; this resource still has to grow in order to be marketable. Adaptations concerning the main target markets are not necessary. The management sees a promising development on the international timber market for the medium-to-long term, also concerning the expected market prices for high quality, certified teak.

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 EUR 113,222,144 would result as of September 30, 2012 (instead of the actually reported value of EUR 135,363,023, 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 EUR 22,140,878. After-tax profits would decrease by EUR 16,605,659. On the other hand, in this scenario, pre-tax and after-tax profits would have been EUR 1,038,165 (prior year: TEUR 573) 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. 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.

#### 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.

#### 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. 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.

If the exchange rate of the U.S. dollar as of September 30, 2012 (September 30, 2011) 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, 2012                    | September 30, 2011 |
| USD      | +10% (USD stronger) | -813,510                              | -898,659           |
| USD      | -10% (USD weaker)   | 994,290                               | 718,353            |

In the above-mentioned scenario, after-tax profits would have changed to the same extent. If the USD/EUR exchange rate (currently 1.28596) changed by 10% (i.e. 1.15736 or 1.41456) at the balance sheet date, the biological asset, provided all other variables remained constant, would have to be reported EUR 14,937,506 higher or EUR 10,429,268 lower. In this scenario, after-tax profits would be EUR 11,203,130 higher or EUR 7,821,951 lower.

### **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.

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, 2012 would have been lower (higher) by EUR 41,783 (prior year: TEUR 60). In the above-mentioned scenario, the decline in the after-tax result would have amounted to EUR 31,337 (prior year: TEUR 45). 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 EUR 12,726,282 higher or EUR 9,565,644 lower. In this scenario, after-tax profits would be EUR 9,544,712 higher or EUR 7,174,233 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 Euro                           | 2011/2012          | 2010/2011          |
|-----------------------------------|--------------------|--------------------|
| Non-current financial liabilities | 25,947,388         | 20,969,495         |
| Current financial liabilities     | 1,752,787          | 1,695,674          |
| Cash and cash equivalents         | -41,895            | -181,540           |
| <b>Net debt</b>                   | <b>27,658,280</b>  | <b>22,483,629</b>  |
| Equity                            | 112,978,923        | 108,968,020        |
| <b>Total capital</b>              | <b>140,637,203</b> | <b>131,451,649</b> |
| Gearing ratio                     | 19.67%             | 17.10%             |

The change in the gearing ratio is due, among other things, to the issuance of 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.

## 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.

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.

The recoverability of deferred tax assets depends on the fact that in the future sufficient taxable income will be available in order to ensure that the underlying tax losses can be utilized. Based on the current valuation of biological assets it is assumed that from the future sale of biological assets, appropriate tax profits arise. The tax loss carryforwards are explained in more detail in Note 11 of the Notes to the Consolidated Financial Statements.

Estimates and assumptions are also required for other balance sheet items. In case estimates and assumptions change, this would not have material effects on the Group's financial position and financial performance. The consolidated financial statements have been prepared under the assumption of a going concern. In this connection, reference is made to the above explanations about liquidity risk.



## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

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## COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Segment reporting

#### Segments THI Group Fiscal Year 2011/2012

| in Euro   | Teak Service      | Teak Sales      | Teak Production* | Teak Plantations  | Total Segments   | Con-solidation | THI Gruppe IFRS  |
|---|-------------------|-----------------|------------------|-------------------|------------------|----------------|------------------|
| <b>Revenue operating</b>  | <b>0</b>          | <b>92,509</b>   | <b>0</b>         | <b>121,860</b>    | <b>214,369</b>   | <b>0</b>       | <b>214,369</b>   |
| Third country revenue external  | 0                 | 92,509          | 0                | 121,860           | 214,369          | 0              | 214,369          |
| Domestic revenue external   | 0                 | 0               | 0                | 0                 | 0                | 0              | 0                |
| Losses/gains arising from changes in fair value less point-of-sale costs of biological assets | 0                 | 0               | 0                | 11,366,397        | 11,366,397       | 0              | 11,366,397       |
| Cost of sales/estemal services  | -3,200            | -249,437        | 0                | -424,261          | -676,898         | 0              | -676,898         |
| Depreciation and amortization   | -80,708           | -85             | 0                | -33,679           | -114,472         | 0              | -114,472         |
| Other expenses and income   | -1,841,479        | -59,189         | 0                | -510,986          | -2,411,654       | 0              | -2,411,654       |
| <b>EBIT (segment result)</b>  | <b>-1,925,387</b> | <b>-216,202</b> | <b>0</b>         | <b>10,519,331</b> | <b>8,377,742</b> | <b>0</b>       | <b>8,377,742</b> |
| Financial result  |                   |                 |                  |                   |                  |                | -2,278,080       |
| Taxes   |                   |                 |                  |                   |                  |                | -2,167,714       |
| <b>CONSOLIDATED PROFIT/LOSS FOR THE YEAR</b>  |                   |                 |                  |                   |                  |                | <b>3,931,948</b> |

\* The business unit "Teak Production" was outsourced from THI Group effective December 31, 2010. (discontinued operation).

The revenues reported for the fiscal year from October 1, 2011 to September 30, 2012 were generated in 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 (EUR 57,124). The revenues of the Teak Plantations segment includes revenue were generated from only one customer.



Trees in „Finca Uno“ achieved circumferences of up to 100 cm in their 11<sup>th</sup>/12<sup>th</sup> year, which corresponds to approx. 30 cm of diameter at breast height.

**Segments THI Group Fiscal Year 2010/2011**

| in Euro   | Teak<br>Service   | Teak<br>Sales    | Teak<br>Production | Teak<br>Plantations | Total<br>Segments | Con-<br>solidation | THI Gruppe<br>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/estemal 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   | 0                 | -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>     |

The revenues reported 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). The Teak Production segment does not include revenue shares of a customer which amount to more than 10% of total revenue. The item "impairment charge" recognized in the segment reporting includes write-downs of timber inventories.



## COMMENTS ON THE CONSOLIDATED BALANCE SHEET

### 2. Intangible assets

| in Euro                         | Intangible Assets | Prior year:<br>in Euro          | Intangible Assets |
|---------------------------------|-------------------|---------------------------------|-------------------|
| <b>Acquisition cost</b>         |                   | <b>Acquisition cost</b>         |                   |
| October 1, 2011                 | 34,199            | October 1, 2010                 | 19,343            |
| Additions                       | 46,120            | Additions                       | 22,485            |
| Disposals                       | 0                 | Disposals                       | -7,629            |
| <b>September 30, 2012</b>       | <b>80,319</b>     | <b>September 30, 2011</b>       | <b>34,199</b>     |
| <b>Amortization</b>             |                   | <b>Amortization</b>             |                   |
| October 1, 2011                 | 8,853             | October 1, 2010                 | 9,447             |
| Amortization of the fiscal year | 6,088             | Amortization of the fiscal year | 3,682             |
| Disposals                       | 0                 | Disposals                       | -4,277            |
| <b>September 30, 2012</b>       | <b>14,941</b>     | <b>September 30, 2011</b>       | <b>8,852</b>      |
| <b>Carrying amount</b>          |                   | <b>Carrying amount</b>          |                   |
| <b>October 1, 2011</b>          | <b>25,347</b>     | <b>October 1, 2010</b>          | <b>9,896</b>      |
| <b>September 30, 2012</b>       | <b>65,378</b>     | <b>September 30, 2011</b>       | <b>25,347</b>     |

The intangible assets only include acquired intangible assets.

### 3. Property, plant and equipment

| in Euro                         | LAND BUILDINGS    | FACTORY AND OFFICEEQUIPMENT, VEHICLE FLEET | TECHNICAL EQUIPMENT AND MACHINERY | TOTAL             |
|---------------------------------|-------------------|--|-----------------------------------|-------------------|
| <b>Acquisition cost</b>         |                   |  |                                   |                   |
| October 1, 2011                 | 10,445,556        | 384,256                                    | 316,809                           | 11,146,621        |
| Additions                       | 0                 | 16,201                                     | 25,713                            | 41,914            |
| Disposals                       | 0                 | -60,187                                    | -55,200                           | -115,387          |
| <b>September 30, 2012</b>       | <b>10,445,556</b> | <b>340,270</b>                             | <b>287,322</b>                    | <b>11,073,148</b> |
| <b>Depreciation</b>             |                   |  |                                   |                   |
| October 1, 2011                 | 0                 | 186,256                                    | 76,426                            | 262,682           |
| Depreciation of the fiscal year | 0                 | 74,237                                     | 34,147                            | 108,384           |
| Disposals                       | 0                 | -37,907                                    | -11,949                           | -49,856           |
| <b>September 30, 2012</b>       | <b>0</b>          | <b>222,586</b>                             | <b>98,624</b>                     | <b>321,210</b>    |
| <b>Carrying amount</b>          |                   |  |                                   |                   |
| <b>October 1, 2011</b>          | <b>10,445,556</b> | <b>198,000</b>                             | <b>240,383</b>                    | <b>10,883,939</b> |
| <b>September 30, 2012</b>       | <b>10,445,556</b> | <b>117,684</b>                             | <b>188,698</b>                    | <b>10,751,938</b> |



Prior Year:

| in Euro                         | LAND<br>BUILDINGS | ACTORY AND<br>OFFICEEQUIPMENT,<br>VEHICLE FLEET | TECHNICAL<br>EQUIPMENT AND<br>MACHINERY | TOTAL             |
|---------------------------------|-------------------|---|---|-------------------|
| <b>Acquisition cost</b>         |                   |   |   |                   |
| October 1, 2010                 | 10,922,412        | 526,537   | 741,874                                 | 12,190,823        |
| Additions                       | 0                 | 86,526  | 67,575                                  | 154,101           |
| Disposals                       | -476,856          | -228,807  | -492,640                                | -1,198,303        |
| <b>September 30, 2011</b>       | <b>10,445,556</b> | <b>384,256</b>                                  | <b>316,809</b>                          | <b>11,146,621</b> |
| <b>Depreciation</b>             |                   |   |   |                   |
| October 1, 2010                 | 333,756           | 211,074   | 395,911                                 | 940,741           |
| Depreciation of the fiscal year | 7,662             | 93,794  | 37,996                                  | 139,452           |
| Disposals                       | -341,418          | -118,612  | -357,481                                | -817,511          |
| <b>September 30, 2011</b>       | <b>0</b>          | <b>186,256</b>                                  | <b>76,426</b>                           | <b>262,682</b>    |
| <b>Carrying amount</b>          |                   |   |   |                   |
| <b>October 1, 2010</b>          | <b>10,588,656</b> | <b>315,463</b>                                  | <b>345,965</b>                          | <b>11,250,084</b> |
| <b>September 30, 2011</b>       | <b>10,445,556</b> | <b>198,000</b>                                  | <b>240,383</b>                          | <b>10,883,939</b> |

In the fiscal year 2011/12, rental and leasing expenses in the amount of EUR 91,221 (prior year: TEUR 151) 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:

Operating-Leasing obligations towards third parties:

| in Euro                    | 2011/2012      | 2010/2011      |
|----------------------------|----------------|----------------|
| Within the following year  | 56,211         | 31,629         |
| Between one and five years | 258,794        | 139,192        |
| <b>Total</b>               | <b>315,005</b> | <b>170,821</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, 2011           | 123,996,626        |
| Change in fair value                            | 11,366,397         |
| Harvest   | 0                  |
| <b>Carrying amount as of September 30, 2012</b> | <b>135,363,023</b> |
| <b>Prior year:</b>                              |                    |
| 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> |

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

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

| in Euro  | 2011/2012         | 2010/2011        |
|--|-------------------|------------------|
| Change in value of existing plantings              | 11,366,397        | 7,309,087        |
| <b>Increase in fair value of biological assets</b> | <b>11,366,397</b> | <b>7,309,087</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 2011/2012, no thinnings were carried out.

**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 to 10 years in the respective tables - it was assumed that 500 trees or approx. 50 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. Due to the changed market situation concerning timber harvested in the thinnings scheduled for the 8<sup>th</sup> year of the plantation's existence the estimated revenue was adjusted to USD 100 per m<sup>3</sup>. Until this situation improves in the future, through a risk-adequate consideration no income will be considered for the assessment of thinnings. Unaffected by that, the assumptions on the expected yields for high quality teak wood are retained at the time of harvest. 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 circumference. 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.
- d. The responsibly managed teak forests on the Costa Rican Pacific Coast currently cover approx. 1,934 ha, on which according to the inventory of September 2012, are 1,630,000 individually cultivated teak trees. The average age of all the trees is 6.7 years. The inventory values are raised with mathematical and statistical methods based on permanent representative sample plots. Using methods of recognized forest biometrics both the current wood supply as well as the growth momentum can be calculated from the inventory data. The results of growing stock, the quantity of the trees and their age are included in the calculation of the value of biological assets as partial parameter.



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).

Due to new findings estimate changes have been made in this year. The trade of third-party-timber and the last year's thinning of the Group's own plantations have brought more evidence regarding the harvesting and transportation costs. Therefore, cost rates underlying the calculations for the final harvest were adapted. The time of the final harvest for small plantations for economic reasons was adapted at the time of the final harvest of larger plantations. The changes in the assumptions regarding the thinning revenues are described above.

- Maintaining the previously assumed proceeds from the sale of young wood from thinning of USD 100 per m<sup>3</sup> the biological assets, if all other variables remained constant, would have to be set higher by EUR 2,036,390.
- Maintaining the previously assumed cost rate in the year of harvest, the biological assets, if all other variable costs remained constant, would have to be set higher by EUR 2,455,420.
- Maintaining the previously assumed time of harvest for plantations (adaptation of 72 ha of plantation area by one to three years), the biological assets, if all other variables remained constant, would have to be set higher by EUR 1,629,251.

#### 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

| in Euro                    | 30.09.2012    | 30.09.2011     |
|----------------------------|---------------|----------------|
| Teak stock                 | 0             | 204,588        |
| Prepayments on inventories | 0             | 8,293          |
| Fertilizer and seedlings   | 75,493        | 0              |
| <b>Net carrying amount</b> | <b>75,493</b> | <b>212,881</b> |

In the past fiscal year an allowance in the amount of EUR 242,673 was made for the teak stock (own teak from thinning and teak from third parties of the trade).

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

Non-current financial assets include restricted cash deposited with banks in the amount of EUR 1,157,596 (prior year TEUR 1,000). The restricted cash with interest serves as collateral for a debt financing and is restricted until May 31, 2016.

## 7. Trade receivables

Trade receivables amount to EUR 10,343 in the past fiscal year (prior year: TEUR 90). No receivables from related parties are included (prior year: TEUR 33) (see Note 28 - Related party transactions).

## 8. Cash and cash equivalents

| in Euro                                       | 30.09.2012    | 30.09.2011     |
|---|---------------|----------------|
| Cash and cash equivalents                     | 41,895        | 181,540        |
| <b>Cash and cash equivalents in cash flow</b> | <b>41,895</b> | <b>181,540</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, 2012, 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 2<sup>nd</sup> 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 4,791,925 (prior year: TEUR 6,043) 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 in 2010 in the amount of EUR 10,000,000 and EUR 1,000,000 in 2012 an equity share of EUR 3,031,191, 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 2,896,830 is reported under capital reserves.

## 10. Financial liabilities

### Non-current financial liabilities

| in Euro                                      | 30.09.2012        | 30.09.2011        |
|--|-------------------|-------------------|
| Secured loans from banks                     | 4,967,375         | 5,367,603         |
| Convertible bond                             | 8,747,633         | 7,241,728         |
| Shareholder loan                             | 3,000,000         | 0                 |
| Loan from Austrian Research Promotion Agency | 283,771           | 273,100           |
| Usufruct rights                              | 2,107,978         | 1,797,434         |
| Liabilities to minority shareholders         | 6,840,632         | 6,289,630         |
|  | <b>25,947,388</b> | <b>20,969,495</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 5,225,000. Regarding the loans from related persons contained in the non-current financial liabilities, it is referred to the information in Note 28 of the notes to the consolidated financial statements.

Non-current financial liabilities include liabilities to minority shareholders, 65 ha (prior year: 65 ha) in Finca de los Austriacos, S.A., Costa Rica. 1 minority interest = 1 ha in Finca De Los Austriacos, S.A., Costa Rica, is property of Teak Holz Handels- und Verarbeitungs GmbH. As the subsidiary Teak Holz Handels- und Verarbeitungs GmbH is fully consolidated, the Group now retains 65 shares = 65 ha minority interests. Furthermore, the non-current financial liabilities include liabilities to holders of usufruct rights (26 ha in Finca los Austriacos Numero Dos, S.A., Costa Rica), the majority of which will fall due after planned harvests in approx. 5 or 6 years.

Non-current financial liabilities also include the debt share less proportional transaction costs of the convertible bond in the nominal amount of EUR 11,000,000. 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 convertible bond was issued at various time points. For the issuance of the nominal amount 10,000,000 the effective interest rate (market interest rate of a comparable bond without conversion right) is 13.5% p.a. For the tranche of the convertible bond in the nominal amount of 1,000,000 issued in this fiscal year, the effective interest rate is in the amount of 7.75% p.a.



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

| in Euro               | Carrying amounts  |                   | Cash flows (incl. interest) |                   |
|-----------------------|-------------------|-------------------|-----------------------------|-------------------|
|                       | 30.09.2012        | 30.09.2011        | 30.09.2012                  | 30.09.2011        |
| Less than 1 year      | 1,542,074         | 1,367,603         | 2,352,851                   | 1,999,363         |
| Between 1 and 5 years | 22,297,336        | 11,532,098        | 32,442,348                  | 13,548,741        |
| More than 5 years     | 2,107,978         | 8,069,793         | 4,330,772                   | 17,279,904        |
| <b>Total</b>          | <b>25,947,388</b> | <b>20,969,495</b> | <b>39,125,971</b>           | <b>32,828,008</b> |

The fair values approximate the carrying amounts of the liabilities. The convertible bond was last traded on the Vienna Stock Exchange with 95% (previous year: 90%) of the nominal value.

**Current financial liabilities**

| in Euro                           | 30.09.2012 | 30.09.2011 |
|-----------------------------------|------------|------------|
| Liabilities to banks (overdrafts) | 1,752,787  | 1,695,674  |

Liabilities to banks in the amount of EUR 42,787 (prior year: TEUR 35) are not secured at the balance sheet date. The remaining bank liabilities in the amount of EUR 1,710,000 were secured by intra-group guarantees in the amount of EUR 1,350,000, a cover bill and the pledge of restricted cash in the amount of EUR 1,157,596. The fair values approximate the carrying amounts of the liabilities. The average interest rate of the liabilities to banks ranges between 2.875 and 4.5%. The interest rate for FFG loans is 2%.



## 10. Additional disclosures on financial instruments

|   | MEASUREMENT<br>CATEGORY<br>PURSUANT<br>TO IAS 39 | CARRYING<br>AMOUNT<br>30.09.2012 | AMOUNT<br>RECOGNISED IN<br>BALANCE<br>SHEET PURSU-<br>ANT TO IAS 39 | FAIR VALUE<br>30.09.2012 |
|---|--|----------------------------------|---|--------------------------|
| in Euro   |  |                                  |   |                          |
|   |  |                                  | Continued<br>purchase costs   |                          |
| <b>ASSETS</b>   |  |                                  |   |                          |
| Trade receivables   | LaR  | 10,343                           | 10,343  | 10,343                   |
| Financial assets (restricted cash)  | LaR  | 1,157,596                        | 1,157,596   | 1,157,596                |
| Other receivables and current assets  | LaR/n.a.   | 279,634                          | 279,634   | 279,634                  |
| Cash and cash equivalents   | LaR  | 41,895                           | 41,895  | 41,895                   |
| <b>EQUITY AND LIABILITIES</b>   |  |                                  |   |                          |
| Non-current financial liabilities   |  |                                  |   |                          |
| Usufruct rights   | FLAC   | 2,107,978                        | 2,107,978   | 2,107,978                |
| Liabilities to minority shareholders  | FLAC   | 6,840,632                        | 6,840,632   | 6,840,632                |
| Convertible bond  | FLAC   | 8,747,633                        | 8,747,633   | *                        |
| Bank loans  | FLAC   | 5,251,146                        | 5,251,146   | 5,251,146                |
| Other non-current financial liabilities                                       | FLAC   | 3,000,000                        | 3,000,000   | 3,000,000                |
| Trade payables  | FLAC   | 196,887                          | 196,887   | 196,887                  |
| Other liabilities   | FLAC   | 928,955                          | 928,955   | 928,955                  |
| Current financial liabilities   | FLAC   | 1,752,787                        | 1,752,787   | 1,752,787                |
| Of which accumulated according to measurement category<br>pursuant to IAS 39: |  |                                  |   |                          |
| Loans and receivables (LaR)   |  | 1,489,468                        | 1,489,468   | 1,489,468                |
| Financial Liabilities measured at Amortised Cost (FLAC)                       |  | 28,826,017                       | 28,826,017  | 20,078,383               |

\* The convertible bond was last traded on the Vienna Stock Exchange with 95% (previous year: 90%) of the nominal value.





| MEASUREMENT<br>CATEGORY<br>PURSUANT<br>TO IAS 39 | CARRYING<br>AMOUNT<br>30.09.2011 | AMOUNT<br>RECOGNISED IN<br>BALANCE<br>SHEET PURSU-<br>ANT TO IAS 39 | FAIR VALUE<br>30.09.2011 |
|--|----------------------------------|---|--------------------------|
|  |                                  | Continued<br>purchase costs   |                          |
| LaR  | 90,110                           | 90,110  | 90,110                   |
| LaR  | 1,000,000                        | 1,000,000   | 1,000,000                |
| LaR/n.a.   | 154,196                          | 154,196   | 154,196                  |
| LaR  | 181,539                          | 181,539   | 181,539                  |
|  |                                  |   |                          |
|  |                                  |   |                          |
| FLAC   | 1,797,434                        | 1,797,434   | 1,797,434                |
| FLAC   | 6,289,630                        | 6,289,630   | 6,289,630                |
| FLAC   | 7,241,728                        | 7,241,728   | *                        |
| FLAC   | 5,640,703                        | 5,640,703   | 5,640,703                |
|  |                                  |   |                          |
| FLAC   | 336,653                          | 336,653   | 336,653                  |
| FLAC   | 241,106                          | 241,106   | 241,106                  |
| FLAC   | 1,695,674                        | 1,695,674   | 1,695,674                |
|  |                                  |   |                          |
|  | 1,426,042                        | 1,426,042   | 1,426,042                |
|  | 23,242,927                       | 23,242,927  | 16,001,199               |





## 11. Deferred tax assets and liabilities

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

| in Euro   | ASSETS           |                  | LIABILITIES        |                    | NET               |                   |
|---|------------------|------------------|--------------------|--------------------|-------------------|-------------------|
|   | 2011/2012        | 2010/2011        | 2011/2012          | 2010/2011          | 2011/2012         | 2010/2011         |
| Property, plant and equipment                       | 0                | 2,881            | -4,819             | -3,735             | -4,819            | -854              |
| Biological assets                                   | 0                | 0                | -12,546,578        | -10,525,030        | -12,546,578       | -10,525,030       |
| Issuance costs convertible bond                     | 0                | 0                | -46,603            | -62,581            | -46,603           | -62,581           |
| Tax advantage due to tax loss carryforwardse        | 6,657,420        | 6,810,348        | 0                  | 0                  | 6,657,420         | 6,810,349         |
| <b>Gross amount deferred tax assets/liabilities</b> | <b>6,657,420</b> | <b>6,813,230</b> | <b>-12,597,999</b> | <b>-10,591,346</b> | <b>-5,940,580</b> | <b>-3,778,116</b> |
| Netting   | 0                | -813             | 0                  | 813                | 0                 | 0                 |
| <b>Net amount deferred tax assets/liabilities</b>   | <b>6,657,420</b> | <b>6,812,417</b> | <b>-12,597,999</b> | <b>-10,590,533</b> | <b>-5,940,580</b> | <b>-3,778,116</b> |

### Tax loss carryforwards

As of September 30, 2012, THI Group has loss carryforwards in the amount of EUR 27,893,686 (prior year: TEUR 33,211), which will expire in the next years as follows:

| in Euro                                    | 2011/2012         | 2010/2011         |
|--|-------------------|-------------------|
| 2011/2012                                  | 0                 | 2,038,930         |
| 2012/2013                                  | 0                 | 1,146,087         |
| 2013/2014                                  | 1,136,017         | 1,258,447         |
| 2014/2015                                  | 177,423           | 2,455,636         |
| 2015/2016                                  | 247,162           | 0                 |
| Unlimited                                  | 26,333,084        | 26,311,537        |
| <b>Total</b>                               | <b>27,893,686</b> | <b>33,210,638</b> |
| Recognized as deferred tax asset           | -26,580,247       | -27,086,418       |
| <b>Unrecognized tax loss carryforwards</b> | <b>1,313,439</b>  | <b>6,124,220</b>  |

The tax loss carryforwards expire in different years. Deferred tax assets on tax loss carryforwards that exceed the deferred tax liability arising from taxable temporary differences (primarily biological assets), have not been recognized when it is not likely that future taxable profits will be available against which they can be utilized. The significant tax loss carryforwards are in Austria. It is planned that the majority of the expected taxable profits from the sale of biological assets will accrue in Austria. Neither the active nor deferred tax liabilities include material amounts that are expected to be realized or fulfilled in less than twelve months.

### Changes in temporary differences during the year

| in Euro                                     | BALANCE<br>01.10.2011 | CHANGE THROUGH<br>PROFIT OR LOSS | BALANCE<br>30.09.2012 |
|---|-----------------------|----------------------------------|-----------------------|
| Property, plant and equipment               | -854                  | -3,965                           | -4,819                |
| Biological assets                           | -10,525,030           | -2,021,548                       | -12,546,578           |
| Convertible bond                            | -62,581               | 15,978                           | -46,603               |
| Tax advantage due to tax loss carryforwards | 6,810,349             | -152,929                         | 6,657,420             |
| <b>Total</b>                                | <b>-3,778,116</b>     | <b>-2,162,464</b>                | <b>-5,940,580</b>     |

**Prior Year:**

| in Euro                                     | <b>BALANCE<br/>01.10.2010</b> | <b>CHANGE THROUGH<br/>PROFIT OR LOSS</b> | <b>BALANCE<br/>30.09.2011</b> |
|---|-------------------------------|--|-------------------------------|
| Property, plant and equipment               | -3,735                        | 2,881                                    | -854                          |
| 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 | 4,843,194                     | 1,967,155                                | 6,810,349                     |
| <b>Total</b>                                | <b>-3,028,587</b>             | <b>-749,529</b>                          | <b>-3,778,116</b>             |

**12. Trade payables**

Trade payables amount to EUR 196,887 in the past fiscal year (prior year: TEUR 337). They include payables to related parties in the amount of EUR 55,617 (prior year: TEUR 0), for this purpose it is referred to the explanation under Note 28.

**13. Other current payables and accrued liabilities**

| in Euro                        | <b>30.09.2012</b> | <b>30.09.2011</b> |
|--------------------------------|-------------------|-------------------|
| Legal and consulting costs     | 132,350           | 98,350            |
| Liabilities to shareholders    | 70,962            | 227,102           |
| Liability Commissions          | 391,000           | 168,750           |
| Passive accruals and deferrals | 49,211            | 26,226            |
| Other                          | 253,392           | 175,244           |
| <b>Total</b>                   | <b>896,915</b>    | <b>695,672</b>    |

The other current payables and accrued liabilities include liabilities to related persons and companies in the amount of EUR 521,962 (prior year: TEUR 227), see Note 28 – Related party transactions.

**14. Employee benefits****Termination benefits**

| in Euro                              | <b>2011/2012</b> | <b>2010/2011</b> |
|--------------------------------------|------------------|------------------|
| Net liability on October 1           | 0                | 158,265          |
| Allocation                           | 0                | 68,837           |
| Reversal                             | 0                | -227,102         |
| <b>Net liability on September 30</b> | <b>0</b>         | <b>0</b>         |

There are also short-term liabilities from employee benefits (particularly accrued vacation) in the amount of EUR 32,040.

## COMMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

### 15. Revenue

| in Euro               | 2011/2012      | 2010/2011        |
|-----------------------|----------------|------------------|
| Third country revenue | 214,369        | 1,199,616        |
| Domestic revenue      | 0              | 0                |
| <b>Total</b>          | <b>214,369</b> | <b>1,199,616</b> |

The revenues result from EUR 92,509 from the sale of teak and from EUR 121,860 from service activities on plantation management for external partners.

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

| in Euro                            | 2011/2012      | 2010/2011        |
|------------------------------------|----------------|------------------|
| Cost of sales teak log wood        | 78,867         | 1,085,388        |
| Cost of purchased services         | 294,846        | 691,708          |
| Write-down of harvested teak trees | 86,155         | 768,452          |
| Write-down of timber inventory     | 156,518        | 112,973          |
| Consumables                        | 60,512         | 328              |
| <b>Total</b>                       | <b>676,898</b> | <b>2,658,850</b> |

### 17. Personnel expenses

| in Euro                                 | 2011/2012        | 2010/2011        |
|---|------------------|------------------|
| Wages/salaries                          | 855,818          | 1,075,666        |
| Expenses for termination benefits       | 9,385            | 78,757           |
| Statutory social security contributions | 168,582          | 198,634          |
| Other personnel expenses                | 101,420          | 39,334           |
| <b>Total</b>                            | <b>1,135,205</b> | <b>1,392,391</b> |

Expenses for termination benefits in the fiscal year 2011/2012 include contributions to staff provision funds in the amount of EUR 9,385 (prior year: TEUR 10).

### 18. Other operating income

| in Euro                               | 2011/2012     | 2010/2011      |
|---------------------------------------|---------------|----------------|
| Income from reimbursement of expenses | 16,896        | 26,057         |
| Grants received                       | 40,590        | 128,685        |
| Other                                 | 20,170        | 73,545         |
| <b>Total</b>                          | <b>77,656</b> | <b>228,287</b> |



## 19. Other operating expenses

| in Euro   | 2011/2012        | 2010/2011        |
|---|------------------|------------------|
| Legal, audit and consulting fees                | 461,729          | 577,433          |
| Provisions to third parties                     | 267,500          | 203,688          |
| Other services, charges                         | 131,801          | 3,521            |
| Advertising and marketing                       | 64,332           | 63,321           |
| General administration                          | 161,888          | 394,398          |
| Automobile expenses                             | 85,130           | 160,655          |
| Research expenditure                            | 0                | 36,432           |
| Transport and travel expenses, further training | 33,992           | 85,861           |
| Other   | 147,733          | 680,249          |
| <b>Total</b>                                    | <b>1,354,105</b> | <b>2,205,558</b> |

## 20. Financial result

| in Euro  | 2011/2012         | 2010/2011       |
|--|-------------------|-----------------|
| <b>Financial Income</b>  |                   |                 |
| Exchange rate differences  | 20,058            | 0               |
| Interest income from bank deposits                                 | 7,456             | 24,441          |
| Adjustment liabilities from minority interests and usufruct rights | 0                 | 371,801         |
| <b>Financial Expenses</b>  |                   |                 |
| Exchange rate differences  | 0                 | -46,809         |
| Interest expenses from bank liabilities / loans                    | -1,444,048        | -1,307,753      |
| Adjustment liabilities from minority interests and usufruct rights | -861,546          | 0               |
| <b>Financial result - net</b>                                      | <b>-2,278,080</b> | <b>-958,320</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 2011/2012: 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  | 2011/2012         | 2010/2011       |
|--|-------------------|-----------------|
| <b>Tax recognized in the statement of comprehensive income</b>     |                   |                 |
| Current tax of the fiscal year                                     | -5,250            | -4,657          |
| <b>Deferred taxes</b>  |                   |                 |
| Allocation and reversal of temporary differences                   | -2,009,535        | -2,779,939      |
| Income from recognized tax loss carryforwards                      | -152,929          | 1,967,155       |
| <b>Total income taxes in the statement of comprehensive income</b> | <b>-2,167,714</b> | <b>-817,442</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  | 2011/2012         | 2010/2011        |
|--|-------------------|------------------|
| <b>Taxable Income</b>  | <b>6,099,675</b>  | <b>1,419,015</b> |
| Tax at the applicable tax rate (25%)   | -1,524,919        | -354,753         |
| Effect of foreign tax rates  | 25,892            | 133,939          |
| Effect from tax loss carryforwards not accounted for/recognized                      | -218,956          | -50,590          |
| Effect from tax loss carryforwards from prior years                                  | -855,051          | 0                |
| Effect from differences from biological assets not recognized as deferred tax assets | 820,051           | -1,498,528       |
| Other  | -414,731          | 952,490          |
| <b>Total income taxes in the statement of comprehensive income</b>                   | <b>-2,167,714</b> | <b>-817,442</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, 2012 was based on the profit share attributable to the ordinary shareholders (EUR 3,931,948) in the amount of EUR 0.63 (prior year: EUR 0.10) and the average/mixed number of ordinary shares outstanding during the fiscal year 2011/12 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. It is assumed that the convertible bonds are converted into shares and that the net profit is adjusted by interest expense and the tax effect (EUR 816,172). The calculated number of shares amounts to 8,285,964 shares (prior year: 8,241,032) and the diluted earnings per share were EUR 0.57 (prior year: 0.10).

## 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   | 2011/2012 | 2010/2011       |
|---|-----------|-----------------|
| Revenue   | 0         | 44,656          |
| Expenses  | 0         | -295,927        |
| <b>Earnings before taxes from discontinued operations</b> | <b>0</b>  | <b>-251,271</b> |
| Taxes   | 0         | 62,818          |
| <b>Earnings after taxes from discontinued operations</b>  | <b>0</b>  | <b>-188,454</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  | 2011/2012 | 2010/2011 |
|--|-----------|-----------|
| <b>Earnings per share from discontinued operations</b> |           |           |
| basic  | 0         | -0.03     |
| diluted  | 0         | -0.03     |

## 24. Acquisitions of Costa Rican property companies

In the fiscal year 2011/12, no property companies were acquired.

## 25. Business combinations

In the fiscal year 2011/12, no business combinations were formed.

## OTHER DISCLOSURES

### 26. Number of employees

The average number of employees was:

|                  | 2011/2012 | 2010/2011 |
|------------------|-----------|-----------|
| Österreich       | 10        | 13        |
| Costa Rica       | 57        | 73        |
| <b>THI-Group</b> | <b>67</b> | <b>86</b> |

### 27. Contingent liabilities

As collateral for short-term bank debt of Teak Holz Handels- und Verarbeitungs GmbH, Teak Holz International AG issued a guarantee.

### 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 2011/2012, the following persons served on the management board:**

Klaus Hennerbichler (COO) until October 27, 2011 (see explanation in Note 30 - Events after the balance sheet date)

Dr. Markus Baumgartner (CFO) until May 31, 2012

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

Mag. Siegfried Mader (CEO) since October 28, 2011 (see explanation in Note 30 - Events after the balance sheet date)

**In the fiscal year 2011/2012, the following persons served on the supervisory board:**

Mag.iur. Alexander Hüttner, LL.M.(NYU) (chairman of the supervisory board) (see explanation in Note 30 - Events after the balance sheet date)

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)

**Management board remunerations and supervisory board emoluments**

| in EUR            | MANAGEMENT BOARD REMUNERATIONS/<br>SUPERVISORY BOARD EMOLUMENTS |                |
|-------------------|---|----------------|
|                   | 2011/2012   | 2010/2011      |
| Management board  | 244,147   | 489,699        |
| Supervisory board | 40,000  | 40,000         |
|                   | <b>284,147</b>  | <b>529,699</b> |

Individualized compensation is as follows: Klaus Hennerbichler (COO – until October 27, 2011): EUR 25,959; Markus Baumgartner (CFO – until May, 31 2012): EUR 60,551; Siegfried Mader (CEO – from October 28, 2011): EUR 157,637. The compensation of Mr. Mader also contains variable elements in the amount of EUR 7,763 from the valuation of the stock options. At balance sheet date, no loans or advances have been granted to members of the management or supervisory board of the THI-Group.

**Stock Option**

Mr. Siegfried Mader's management board contract includes following stock option model as part of the compensation:

| Time of Allocation   | Exercise price | Amount of the options | Period                      | First possible time of exercise |
|--|----------------|-----------------------|-----------------------------|---------------------------------|
| Annual allocation of 20,000 pieces<br>October 27 of each calendar year | EUR 5.00       | 100,000               | 27.10.2012 to<br>27.04.2017 | 27.10.2012                      |

The fair value of the options was determined using the Black-Scholes option pricing model. The key parameters for the valuation model are the share prices at grant date, the exercise price, and the period of the option and the risk free rate for that period at the time of grant (November 18, 2011). At Teak Holz International AG the amount of the annual grant of the options is transferred to the capital reserve and at the same time recognized in the personnel expenses. During the reporting period, an amount of EUR 7,763 was recognized in the personnel expenses. The management board member is not obliged to exercise the stock options immediately. He is entitled to exercise stock options up until six months after the expiration of the employment contract in part or in full extent.

## Changes in stock of receivable option rights:

|                                 | 2011/2012     |
|---------------------------------|---------------|
| As of October 1, 2011           | 0             |
| Issued                          | 20,000        |
| Expired                         | 0             |
| Exercised                       | 0             |
| <b>As of September 30, 2012</b> | <b>20,000</b> |

**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 EUR 77,713 (prior year: TEUR 162) were incurred.

In current business transactions (incl. offsetting) with Hennerbichler GmbH & Co KG (Klaus Hennerbichler, management board member of THI AG until October 27, 2011) income of EUR 1,073 (prior year: TEUR 14) was generated for the THI Group. At the balance sheet date, payable in the amount of EUR 1,977 exist. At the balance sheet date, payable in the amount of EUR 70,962, which result from contractual rights to severance pay.

In the fiscal year 2011/2012, the member of the supervisory board Gotthard Graf Pilati von Thassul zu Daxberg has granted the company a loan in the amount of EUR 3,000,000. Interest is charged at arm's length. For given collateral of EUR 7,950,000 of the supervisory board member Gotthard Graf Pilati von Thassul zu Daxberg as collateral for short-and long-term bank loans in fiscal year 2011/2012, an expense for liability commissions in the amount of EUR 222,250 (prior year: TEUR 169) were incurred. The accrued liabilities at September 30, 2012 amounted to EUR 391,000 (prior year: TEUR 169).

THI AG has signed a service contract with Francesca Gräfin Pilati von Thassul zu Daxberg - Filo della Torre (wife of supervisory board member Gotthard Graf Pilati von Thassul zu Daxberg) at arm's length.

Furthermore, a business relationship exists with THP GmbH (shareholder Klaus Hennerbichler). In current business transactions (incl. offsetting) expenses were incurred in the amount of EUR 65,417 (prior year: TEUR 55). At the balance sheet date, the Company has no outstanding receivables (prior year: TEUR 18) from THP GmbH.

Due to contractual agreements with Mr. Mader, referring to the period before his appointment to the management board, expenses of EUR 36,000 were incurred, which as of September 30, 2012 are taken into account as a liability.

**29. Expenses for the auditor**

Expenses for the auditor amount to EUR 63,420 (prior year: TEUR 61) and are broken down as follows:

| in EUR   | 2011/2012     | 2010/2011     |
|--|---------------|---------------|
| Audit of the consolidated financial statements | 23,950        | 23,650        |
| Other assurance services                       | 31,100        | 31,350        |
| Other services                                 | 8,370         | 6,350         |
|  | <b>63,420</b> | <b>61,350</b> |

### 30. Events after the balance sheet date

#### **Additional strengthening of liquidity**

After the balance sheet date (September 30, 2012) investor meetings were finalized successfully and resulted in the issuing of further tranches of the convertible bond in the amount of over EUR 2,350,000.

#### **Changes in Management Board and Supervisory Board**

In its meeting on December 12, 2012 the Supervisory Board of THI AG has appointed Mr. Stephan Dertnig, MBA effective January 1, 2013 as a member with sole right of representation of the Board of Directors of THI AG. From December 13 to December 31, 2012, Mr. Hennerbichler was appointed as a member with sole right of representation of the Board of Directors. On December 12, 2012 Mr. Siegfried Mader was recalled from his function as a director. In the meantime, the Company and Mr. Mader agreed an amicable termination of employment. After the meeting, Mr. Alexander Hüttner, LL.M. (NYU) announced his resignation as a member of the Supervisory Board effective December 12, 2012.

No further material events occurred after September 30, 2012.

These consolidated financial statements were prepared by the Company's management and authorized for publication on January 28, 2013.

Linz, January 28, 2013

Management Board:



DI Stephan Dertnig, MBA





**CORPORATE  
GOVERNANCE  
REPORT**  
AS OF SEPTEMBER 30, 2012, OF  
**TEAK HOLZ  
INTERNATIONAL AG,  
LINZ**

[WWW.TEAK-AG.COM](http://WWW.TEAK-AG.COM)

## 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: AT0TEAKHOLZ8, WKN: AoMMG7, ticker symbol: TEAK. The TEAK share is also traded in Germany. 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 2013. The responsibly managed teak forests on the Costa-Rican Pacific Coast currently cover an area of approx. 1,934 hectares, on which approx. 1.6 million individually cultivated teak trees are growing. It is intended to gradually increase the total plantation area. Since November 2008, four of the THI-plantations (850 ha) have been certified. An investment in the THI business model is a sustainable and growing investment characterized by a long term focus. Further information and business reports can be downloaded from the internet pages: [www.teak-ag.com](http://www.teak-ag.com)

### 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. Various legislative changes, e.g. in the Stock Corporation Act and the Companies Act, which entered into force on July 1, 2012, have resulted in the following adjustments in the Austrian Corporate Governance Code, which appear in the Code revision 2012. Since these rules are effective for fiscal years beginning after December 31, 2011, THI with its reporting period for the financial year from October 1, 2011 to September 30, 2012 does not apply yet to these regulations. At balance sheet date September 30, 2012 THI AG is committed to the version of the Code 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 centre. The complete wording 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.

#### Development of the Austrian Corporate Governance Code

With the Austrian Corporate Governance Code already in 2002 the working group on Corporate Governance created a set of rules and regulations for responsible business management of enterprises corresponding to international standards. Due to national and international developments several revisions were made since then, most recently in the code revision 2012. Focus of this code revision lies on the development of the diversity rule and new rules in order to improve the cooperation of supervisory board and auditors. Other changes relate to the fight against corruption, the increased focus on the academic and personal qualifications of the newly elected members of the supervisory board as well as with respect to the requirements of professional balanced composition of the supervisory board. Aspects of diversity (gender balance,

age structure and international character) will have to be adequately taken into account in the composition of the supervisory board. A point will consist in carrying out the final audit in accordance with International Standards on Auditing (ISA).

### **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: In the fiscal year 2011/2012 the Company and its subsidiaries were 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-51: The compensation of the supervisory board members is disclosed as an aggregate amount. An individualized presentation, as stipulated in Rule 51, is not published to protect the privacy of the individual members of the supervisory board.

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**

According to the statute of THI AG the management board consists of one, two, three or four members. The management board is nominated by the supervisory board. The management board shall manage the Company in accordance with the law, the statutes and the rules of procedure to be adopted by the supervisory board. The rules of procedure set the responsibilities of the management board. The members of the management boards have to practice a close and constant exchange of information in order to assess the company's progress and make the necessary decisions in a timely manner.



The responsibilities of the management board include: corporate strategy and development, plantation management, accounting and controlling, treasury, risk management, technology, quality management, purchasing, trading, communications and investor relations, organizational and human resources issues, IT, and any further tasks regulated by the rules.

The management board 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.

During the fiscal year 2011/2012 the following people were members of the management board of Teak Holz International AG:

| NAME   | YEAR OF BIRTH | DATE OF INITIAL APPOINTMENT | END OF CURRENT TERM OF OFFICE |
|--|---------------|-----------------------------|-------------------------------|
| <b>Klaus Hennerbichler</b><br>Management Board Member    | 1969          | 26.01.2007                  | 27.10.2011                    |
| <b>Dr. Markus Baumgartner</b><br>Management Board Member | 1973          | 01.04.2010                  | 31.05.2012                    |
| <b>Pavel Brenner</b><br>Management Board Member          | 1975          | 01.04.2010                  | 31.05.2012                    |
| <b>Mag. Siegfried Mader</b><br>Management Board Member   | 1973          | 28.10.2011                  | 28.10.2016                    |

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

In the fiscal year 2011/2012, total compensation of the management board members amounted to EUR 244,147, in the prior year to EUR 489,699. Individualized compensation is as follows: Klaus Hennerbichler (Management board member until October 27, 2011): EUR 25,959; Dr. Markus Baumgartner (Management board member until May, 31 2012): EUR 60,551; Pavel Brenner (Management board member until October 27, 2011): EUR 0; Mag. Siegfried Mader (Management board member from October 28, 2011): EUR 157,637.

The compensation of Mr. Mader also contains variable elements in the amount of EUR 7,763 from the valuation of the stock options, details on this below. Due to contractual agreements with Mr. Mader, which refer to the period before his appointment to the management board, expenses of EUR 36,000 were incurred, which are taken into account at September 30, 2012 as a liability. At balance sheet date there are liabilities of EUR 70,962 to Mr. Klaus Hennerbichler, resulting from contractual termination benefits.

At balance sheet date, no loans or advances have been granted to members of the management board. Furthermore, there were no agreements on company pensions for management board members.

### Stock Option

The management board contract agreed at Mr. Mader's appointment also includes variable components and stock options. As part of the compensation following stock option model has been agreed on.

| Time of Allocation   | Exercise price | Amount of the options | Period                      | First possible time of exercise |
|--|----------------|-----------------------|-----------------------------|---------------------------------|
| Annual allocation of 20,000 pieces<br>October 27 of each calendar year | EUR 5.00       | 100,000               | 27.10.2012 to<br>27.04.2017 | 27.10.2012                      |

The fair value of the options was determined using the Black-Scholes option pricing model. The key parameters for the valuation model are the share prices at grant date, the exercise price, and the period of the option and the risk free rate for that period at the time of grant (November 18, 2011). At Teak Holz International AG the amount of the annual grant of the options is transferred to the capital reserve and at the same time recognized in the personnel expenses. During the reporting period, an amount of EUR 7,763 was recognized in the personnel expenses. The management board member is not obliged to exercise the stock options immediately. He is entitled to exercise stock options up until six months after the expiration of the employment contract in part or in full extent.

Changes in stock of receivable option rights:

|                                 | 2011/2012     |
|---------------------------------|---------------|
| As of October 1, 2011           | 0             |
| Issued                          | 20,000        |
| Expired                         | 0             |
| Exercised                       | 0             |
| <b>As of September 30, 2012</b> | <b>20,000</b> |

New legal requirements, for example, by the 2nd Stability Act 2012, have influence on the future appointment of management board members. In determining the total remuneration of the members of the management board, the supervisory board has to ensure that the payments are in proportion to the duties and performance of the individual management board member, to the Company and to the usual remuneration and that long-term incentives for sustainable business development are considered.

### Changes in management board

The supervisory board of THI AG has appointed Mr. Stephan Dertnig, MBA effective January 1, 2013 as a member with sole right of representation of the management board of THI AG. Between December 13 and December 31, 2012, Mr. Hennerbichler was appointed as a member with sole right of representation of the management board. On December 12, 2012 Mr. Siegfried Mader was recalled from his function as a director. In the meantime, the Company and Mr. Mader agreed an amicable termination of employment.

From January 1, 2013, the management board of Teak Holz International AG comprises:

| NAME  | YEAR OF BIRTH | DATE OF INITIAL APPOINTMENT | END OF CURRENT TERM OF OFFICE |
|---|---------------|-----------------------------|-------------------------------|
| <b>DI Stephan Dertnig, MBA</b><br>Management Board Member | 1961          | 01.01.2013                  | 31.12.2017                    |

### 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.

According to the statute of THI AG the supervisory board consists of minimum three and maximum five elected members and at best the members delegated according to the labour constitution act (Arbeitsverfassungsgesetz).

During the fiscal year 2011/2012 the following four persons were members of the supervisory board of Teak Holz International AG:

| NAME  | YEAR OF BIRTH | DATE OF INITIAL APPOINTMENT | END OF CURRENT TERM OF OFFICE |
|---|---------------|-----------------------------|-------------------------------|
| <b>Mag.iur. Alexander Hüttner, LL.M. (NYU)</b><br>Chairman of the supervisory, independent  | 1973          | 26.01.2007                  | GM on FY 2015/2016            |
| <b>Erwin Hörmann</b><br>Deputy chairman of the supervisory board,<br>not independent        | 1939          | 21.02.2007                  | GM on FY 2011/2012            |
| <b>Gotthard Graf Pilati von Thassul zu Daxberg</b><br>Supervisory board member, independent | 1945          | 21.02.2007                  | GM on FY 2015/2016            |
| <b>Dr. Manfred Luger</b><br>Supervisory board member, independent                           | 1953          | 18.02.2010                  | GM on FY 2013/2014            |

After the supervisory board meeting on December 12, 2012, Mr. Alexander Hüttner, LL.M. (NYU) submitted his resignation as a member of the Supervisory Board effective December 12, 2012.



### **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, 2012), 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 23, 2012, the 5<sup>th</sup> ordinary general meeting set the total remuneration for the members of the supervisory board at TEUR 48 for the fiscal year 2010/2011, leaving it up to the supervisory boards how to split this amount. TEUR 40 of this total remuneration was used, prior year: TEUR 40. 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 2011/2012, 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, 2012, no loans or advances had been granted to members of the supervisory board.

### **Audit committee and other committees**

To perform the regular monitoring functions, an audit committee has been established which shall fulfil 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 2011/2012 the audit committee comprised the chairman of the audit committee, Mr. Erwin Hörmann, and the audit committee members Mag.iur. Alexander Hüttner and Gotthard Graf Pilati von Thassul zu Daxberg. In the reporting period, the supervisory board held nine ordinary meetings, the audit committee convened twice. No supervisory board member was absent at more than half of the meetings in the fiscal year 2011/2012.

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. Due to the new legal requirements or recommendations in the code revision 2012, in future elections of members to the supervisory board attention will be paid on the requirements in terms of technical and personal skills and the professionally balanced composition of the supervisory board. Further aspects of diversity are reasonably considered in terms of gender balance, age and international structure. New board members are required to inform themselves adequately about the structure and activities of the company and the roles and responsibilities of supervisory board members.

### 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 2011/2012, four reports were submitted to the compliance officer of THI AG, according to which one member of the management board had made reportable securities transactions. Those 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

The proportion of women in the THI Group: The proportion of women in the THI Group was an annual average of approx. 16%. In the headquarters in Austria, an average of 50% of women was employed, prior year 50%. At the beginning of the fiscal year in October 2011 the proportion of women was 40% and increased to over a half because of taking over a female apprentice. At balance sheet date end of September 2012, five of the nine persons employed in the company's headquarters, were female. As far as administration is concerned, the proportion of women in Costa Rica is approx. 50%. The majority of the plantation workers are male; the proportion of women is – as in the prior year – approx. 10%.

At replacing any vacant positions the Company assesses both female and male candidates, regardless of gender. According to experience, in administration and accounting the tendency is towards female candidates. The aforementioned second apprenticeship is also occupied by a woman. In addition to that the company did not occupy any new administrative positions in the fiscal year 2011/2012.

The composition of the management and supervisory board of THI AG: In the fiscal year 2011/2012 no women were members either of the management board or the supervisory board of THI AG. During the fiscal year, the number of management board members was reduced to two. After the end of the contract of one member, the vacant position was not filled. Within the fifth annual general meeting in February 2012, the supervisory board election was an agenda item. Besides the two seasoned male candidates for re-election neither female nor male candidates were proposed by the shareholders. Two former supervisory board members were re-elected. During the reporting period and at balance sheet date September 30, 2012 the supervisory board consisted of four men.

Due to the new legal requirements and recommendations within the Code revision 2012, in future elections the supervisory board will consider the appropriate representation of both genders.

## Auditor

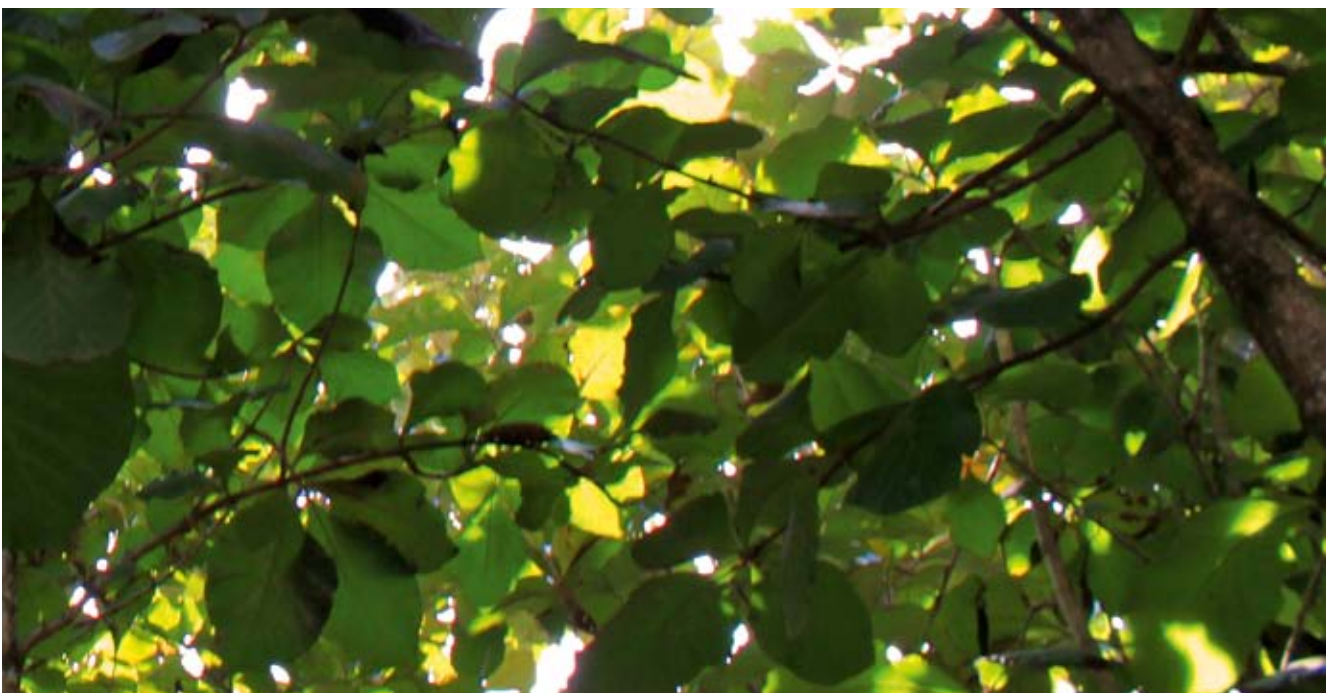
PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, domiciled in Vienna, Austria, was proposed as auditor of the financial statements and the consolidated financial statements of THI AG for the fiscal year 2011/2012 and elected by the 5th ordinary general meeting on February 23, 2012. Expenses for the auditor amount to EUR 63,420 (prior year: TEUR 61). The subdivision into the individual fields of activities is presented in the notes of the consolidated financial statements and the separate financial statements.

Linz, January 28, 2013

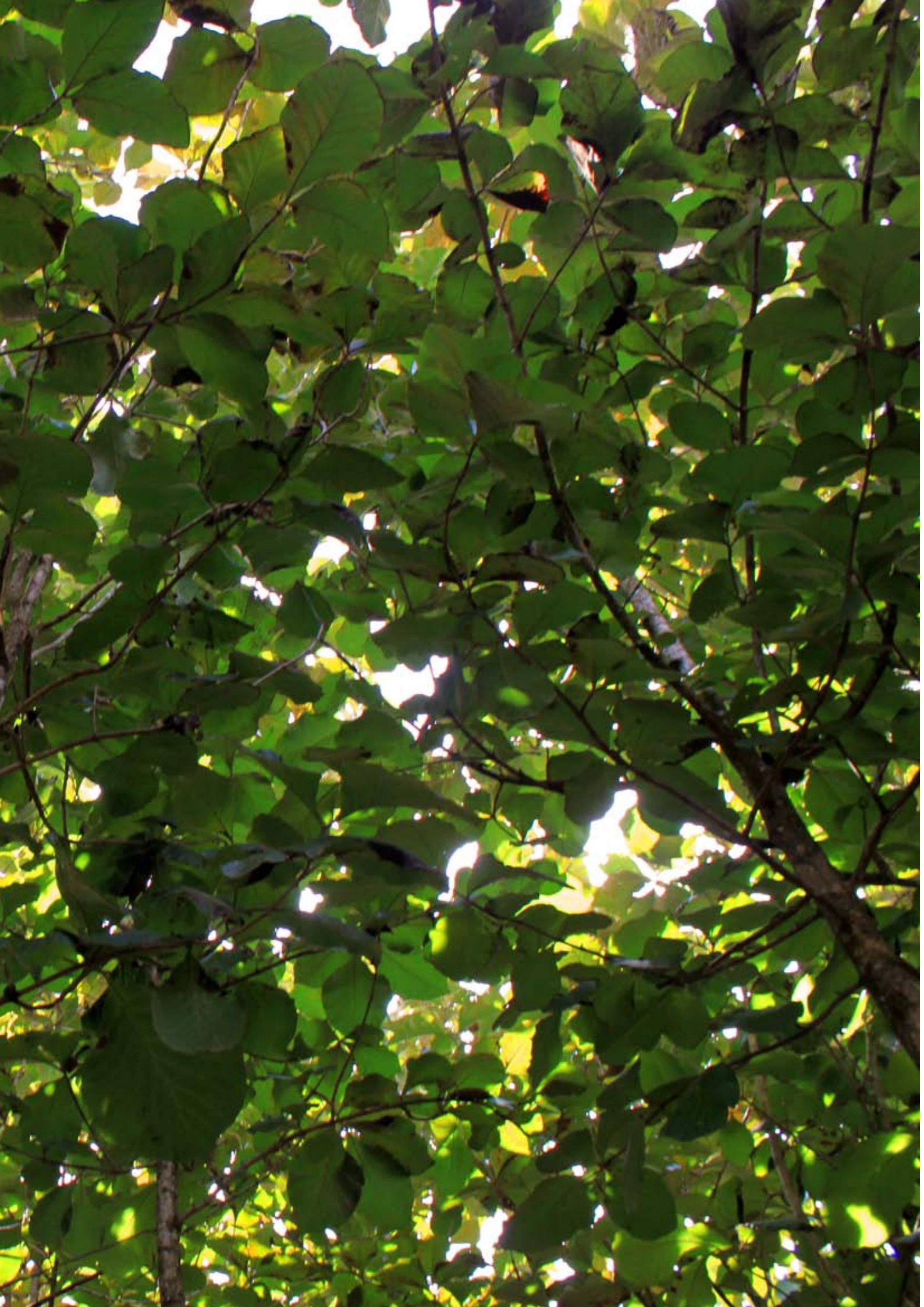
The Management Board:



DI Stephan Dertnig, MBA









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, 2011 to September 30, 2012 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, 2011 to September 30, 2012. These consolidated financial statements comprise the consolidated balance sheet as of September 30, 2012, 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, 2012, 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 giving a true and fair view of the assets, liabilities, financial position and profit and loss of the group 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, 2012 and of its financial performance and its cash flows for the fiscal year from October 1, 2011 to September 30, 2012 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 investors for obtaining additional financing will be completed successfully in order to secure the Company's liquidity until revenues from yields of the teak-plantations (according to current plans of the Group not before 2016/17) can cover the financial needs. 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. 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 UGB are appropriate.

Vienna, January 28, 2013

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Mag. Karl Hofbauer  
Austrian Certified Auditor

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 fiscal year 2011/2012, the supervisory board fulfilled the duties assigned to it by law and articles. The management 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, 2011 to September 30, 2012 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, 2012 and company earnings for the financial year from October 1, 2011 to September 30, 2012 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, 2012 and of its earnings and cash flows for the fiscal year from October 1, 2011 to September 30, 2012, in accordance with International Reporting Standards (IFRS) 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 (on page 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 investors for obtaining additional financing 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, which can cover the financial needs until the time of significant revenues from yields of the teak-plantations (according to current plans of the Group not before 2016/17) there is a material uncertainty regarding the Company's ability to continue as a going 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 the management refers to the special risks of the Company, most notably the liquidity risk. The management assumes that the current negotiations with investors for obtaining additional financing 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, which can cover the financial needs until the time of significant revenues from yields of the teak-plantations (according to current plans of the Group not before 2016/17) there is a material uncertainty regarding the Group's ability to continuing 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.

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 15<sup>th</sup> 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 28, 2013. 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, 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 to section 96 (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 Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, A-4020 Linz, Hafenstrasse 2a, be appointed as the auditors for the fiscal year 2012/2013.

Linz, January 28, 2013

The Chairman of the Supervisory Board:



Erwin Hörmann



**STATEMENT OF ALL LEGAL REPRESENTATIVES PURSUANT TO § 82 (4) (3)  
OF THE BÖRSEGG (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 2013

The Management Board

  
DI Stephan Dertnig MBA









| A  |  |
|--|--|
| <b>Asset class woods</b>                   | Financial asset class invested in woods; Advantages investing in forests consist in the biological growth of the trees and the possibility to be able to plan the exact time of harvest. Thanks to the sustainable cultivation as implemented by THI AG, it represents a responsible investment.   |
| B  |  |
| <b>BHD</b>                                 | Breast Height Diameter; describes the diameter of a tree at breast height and helps determine the growth and volume. THI AG responds to the Central European value of a height of 1.30 m.  |
| <b>Biological Assets</b>                   | Biological assets of THI AG consist in the fair value of the teak trees in the plantations.  |
| <b>BU (Segment)<br/>"Teak Service"</b>     | 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.   |
| <b>BU (Segment)<br/>"Teak Plantations"</b> | In this business unit, all plantation-specific functions are performed for the six plantation holding companies. The biological assets (which are the reforested teak plants and trees in the plantations) and their changes in value are allocated to this unit. Furthermore, in this segment all those revenues are included, which were earned by services in plantation management to external partners. |
| <b>BU (Segment)<br/>"Teak Production"</b>  | The former business unit „Teak Production“ was outsourced of the Group effective December 31, 2010, therefore at the end of the first quarter of fiscal year 2010/2011.  |
| <b>BU (Segment)<br/>"Teak Sales"</b>       | 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.   |
| C  |  |
| <b>Certification</b>                       | Since November 2008, four of the THI plantations of 850 ha are certified according to international ecological and social criteria. Certificate number: GFA-FM/COC-002406 held by THI subsidiary "Servicios Austriacos Uno, S.A."  |
| <b>CO<sub>2</sub></b>                      | Carbon dioxide; Carbon fixation is the removal of carbon dioxide from the air and its incorporation into solid compounds such as teak. THI contributes to carbon fixation by afforestation of teak.  |
| <b>Continued operations</b>                | If a company outsourced a division or has the intention, pursuant to IFRS 5 it must present the results and cash flows of this discontinued operation separately from the continued operations. In fiscal year 2010/2011 the division "Teak Production" was discontinued.  |
| <b>Convertible Bond</b>                    | Bonds/convertible of a corporation; the owner can either keep the bonds until their final maturity or convert the bond into stock. Before the conversion he is entitled to fixed interest rates.   |
| <b>Cordillera</b>                          | The Cordillera de Talamanca is the largest and highest mountain range in Costa Rica and stretches from the northern province of Cartago to the Volcán Barú to Panama. Those Cordillera protect the THI-plantations from storms coming from the Caribbean.  |
| <b>Corporate Governance-Code</b>           | The Austrian Corporate Governance Code creates standards of good governance for those companies that comply with it on the basis of voluntary self-commitment as THI AG. Details see Corporate Governance-Report.  |
| <b>Cost convention</b>                     | States that assets are recognized at acquisition cost less accumulated depreciation.   |
| <b>CRC</b>                                 | The Costa-Rica-Colón is the national currency in Costa Rica.   |
| <b>CSR</b>                                 | Corporate Social Responsibility; corporation based based on consideration of social and ecological criteria in harmony with economic demands.  |
| D  |  |
| <b>DCF</b>                                 | Discounted Cashflow; method in order to determine the biological assets (teak trees) at a time of valuation, e.g. at balance sheet date. The expected discounted revenues for the harvest less discounted costs necessary for the implementation, cultivation and harvest of a plantation are calculated.  |



|                                |   |
|--------------------------------|---|
| <b>Deferred Taxes</b>          | Result from temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.  |
| <b>Discontinued operations</b> | The Business Unit „Teak Production“ was outsourced from the THI-Group effective December 31, 2010 and represents a discontinued operation. Opposite: Continued operations.  |
| <b>DOS</b>                     | Spanish "two"; internal nickname of the THI subsidiary "Finca Los Austriacos Numero Dos, S.A."  |
| <b>Dry and rainy season</b>    | Costa Rica only has two seasons: The summer (verano) with low precipitation lasts from December to April and is also called dry season. The winter (invierno) with high precipitation lasts from May to November. The terms "dry season" and "rainy season" are not very popular in Costa Rica. |

**E**

|                      |   |
|----------------------|---|
| <b>EBIT</b>          | Earnings before Interest and Taxes. Often referred to as operating result.  |
| <b>EBITDA</b>        | Earnings before Interest, Taxes, Depreciation and Amortization. Operating result before capital expenditure.  |
| <b>ESG</b>           | Environmental, Social and Governance Criteria. The three most important factors at measuring sustainability and ethical consequences of an investment in a company. |
| <b>Existing Area</b> | Land with teak stock at time of purchase which henceforth are cultivated. Opposite: pasture areas.  |

**F**

|                             |   |
|-----------------------------|---|
| <b>Fair Value</b>           | Technical term in the IFRS, the amount at which between knowledgeable, willing and independent business partners, an asset is exchanged or a liability is settled.  |
| <b>Fertilization</b>        | Enrichment of the soil with nutrients and supply of missing nutrients through vegetable measures and controlled application of fertilizer, in order to achieve ideal growth.  |
| <b>Final Cutting</b>        | Final harvest of teak trees.  |
| <b>Final Cutting Volume</b> | Timber volume in m <sup>3</sup> extractable at final harvest.   |
| <b>Finca</b>                | Spanish: "land"; designation of the lands with teak-plantations, for example plantation holding companies of THI AG.  |
| <b>FLAC</b>                 | Financial Liabilities measured at Amortised Cost; Accounting and measurement category for financial instruments pursuant to IAS 39. Financial liabilities measured at amortized cost.   |
| <b>FLEGT</b>                | Forest Law Enforcement, Governance and Trade; EU regulation with the aim to prevent the import of illegally logged timber. On March 3, 2013, the "EU Timber Regulation" prohibits the entry of illegally produced timber products on the EU market. Companies must then can show the origin of the products and the evidence of legal production. Failure to comply will be prosecuted. |
| <b>FNG</b>                  | Forum Nachhaltiger Geldanlagen; "Forum of Sustainable Investments", the Association for Sustainable Investment in Germany, Austria and Switzerland, informs regularly about market development and news from the financial sector regarding Responsible Investment since 2001.  |
| <b>FONAFIFO</b>             | Fondo Nacional de Financiación Forestal; a fund of the Costa Rican Ministry of Agriculture, which provides funding for reforestation and forest protection.   |

**G**

|                       |   |
|-----------------------|---|
| <b>Grass clipping</b> | Manual cutting of the scrub in the areas surrounding the trees. The cut grass remains on the ground as mulch for natural fertilization. |
|-----------------------|---|

**H**

|                           |  |
|---------------------------|--|
| <b>ha</b>                 | hectare; square measure, corresponds to 10,000 m <sup>2</sup>  |
| <b>Heart and sap wood</b> | Teak consists of heart and sap wood. The inner darker part of the trunk is surrounded by a thin sap wood ring below the rind. Teak's mechanical properties are quite homogeneous and have an almost identical shrinkage level. The dryer the light sapwood, the more it darkens and finally it hardly differs from the heart wood. |

| I                            |  |
|------------------------------|--|
| <b>IAS 41 Agriculture</b>    | International Accounting Standard 41 of the IFRS; this standard's aim is the regulation of the balancing of agricultural activities. In general, biological assets have to be balanced at fair value deducting selling costs.  |
| <b>IFRS</b>                  | International Financial Reporting Standards; pursuant to section 245a UGB stock-noted companies have the obligation to prepare the Consolidated Financial Statements according the International Financial Reporting Standards.  |
| <b>Individual cutting</b>    | If in spite of individual care for the trees below-average growth or a crooked growth can be observed, these individual trees are removed.   |
| <b>ISIN</b>                  | International Securities Identification Number   |
| <b>ISIN AT0000AOK1F9</b>     | International Securities Identification Number of the TEAK-bond  |
| <b>ISIN ATOTEAKHOLZ8</b>     | International Securities Identification Number of the TEAK-share   |
| <b>ITTO</b>                  | International Tropical Timber Organization; ITTO is an intergovernmental organization based in Japan to promote the conservation as well as sustainable management, use and trade of tropical forest resources. Its members represent about 80% of the world's tropical forests and 90% of international trade in tropical timber. ITTO set ready relevant statistics. |
| J                            |  |
| <b>Jiffy Pot</b>             | Jiffy Pots are biodegradable planting vessels, in which teak-seeds are grown into teak-seedlings under protected conditions. After approx. 3 weeks the Jiffy Pots are placed in the soil with the containing plants.   |
| L                            |  |
| <b>LaR</b>                   | Loans and Receivables; Accounting and measurement category for financial instruments pursuant to IAS 39. Loans and receivables are assessed using the effective interest method at amortized cost.   |
| <b>Liming</b>                | Lime is used to neutralize the soil and create best soil conditions for teak-seedlings. On some areas the soil shows a higher pH-value due to former use as grass lands which can be neutralized in an efficient way with lime.  |
| M                            |  |
| <b>m<sup>3</sup></b>         | Solid cubic meter, corresponds to a cube of 1 m length of a side, cubic measurement for calculation of timber volume.  |
| <b>Minority Interests</b>    | Shares of minority shareholders, who hold 16.3%/66 ha of the subsidiary of the THI "Finca De Los Austriacos, SA" and going back to the beginnings of the business. These minority shareholders pursuant to a contractual agreement are entitled to a payment of a share of proceeds obtained after harvest.  |
| <b>Mulch</b>                 | Mulch is unrotted, organic material, for example grass clipping and teak-leaves which covers, protects and fertilizes the soil.  |
| P                            |  |
| <b>Parrita</b>               | Place on the Pacific Coast of Costa Rica, the operational headquarters of THI subsidiary "Servicios Austriacos Uno, SA". The teak plantations of THI AG are situated in the ideal climatic region around Parrita.  |
| <b>Pasture area</b>          | Fallow land without tree stock which is to be afforested with teak. Opposite: Existing area.   |
| <b>Plantation Management</b> | THI AG cultivates its plantations intensely which means that expensive and unique caring methods are implemented in order to secure high-quality, straight grown, knot-free teak logs at time of harvest. This forestry management expertise is offered as a service to external partners.   |
| <b>Pruning</b>               | With increasing tree growth the branches are continuously removed up to a height of about eight feet using a careful technique. Thus a knotless, homogeneously grown trunk can be ensured at harvest.  |
| <b>PwC</b>                   | Price Waterhouse & Coopers Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Auditor of THI AG.  |

| Q                                      |  |
|--|--|
| <b>Quebradas</b>                       | Protected areas within the plantations, which mostly can be found along creeks and stream courses. Those biotopes can not be intruded, they provide important habitats for fauna and flora.  |
| R                                      |  |
| <b>REDD+</b>                           | Reducing Emissions from Deforestation and Degradation. Integration of climate relevance of forests in a UN climate successor agreement. The program will provide financial incentives to preserve forests and thereby reduce emissions. Costa Rica is a major pioneer state.   |
| <b>Rotation Time/<br/>Life cycle</b>   | Period of one tree generation from planting the seed until the harvest of the teak tree; THI AG plans a period of approx. 15 to 20 years.  |
| S                                      |  |
| <b>S.A.</b>                            | Spanish: Sociedad Anónima, designation for "Public limited company" in the spanish-speaking areas. The Costa Rican THI subsidiaries are S.A. according to Costa Rican law.   |
| <b>Sanitary thinning</b>               | Tree removals to a greater extent, which are made in accordance with forestry scientific criteria in the dry season between December and April. The tree reduction is used to optimize the growth conditions for the remaining trees.  |
| <b>Scrub</b>                           | Low bushes and herbage that grow around teak trees, opposite top growth, the teak trees.   |
| <b>Sustainability-<br/>Index VÖNIX</b> | The VÖNIX (VBV Austrian Sustainability Index) is a share index, consisting of those Austrian companies at the Vienna Stock Exchange who are pioneers regarding social and ecological achievement. The TEAK-share is included in the VÖNIX-composition since 2009.  |
| T                                      |  |
| <b>Teca</b>                            | Spanish: "Teak"  |
| <b>Tectona Grandis lf.</b>             | Latin designation for "Teak". The teak tree is a deciduous tree that grows only in the tropics, reaching heights up to 30 meters and diameters of 40 to 80 cm. The hardwood with about 700 kg/m <sup>3</sup> is very durable and ideal for exterior uses. The wood has a high natural oil content, does not splinter and has an above-average persistence. |
| <b>Terrassing</b>                      | Creation of a flat surface / slight depression around a planting site. Especially in steep terrain the terracing is conducive to improved nutrient and water supply of the plant or the tree.  |
| <b>TEUR</b>                            | Thousand Euro  |
| U                                      |  |
| <b>UNO</b>                             | Spanish "one"; internal nickname for the THI-subsiidiary "Finca de los Austriacos, S.A."   |
| <b>UNO FAO</b>                         | Food and Agriculture Organization of the United Nations, special organization of the United Nations with the aim to globally improve the production and distribution of agricultural products in order to ensure food supply. Also deals with forestry and provides global statistics.   |
| <b>UNO UNEP</b>                        | United Nations Environment Programme; Key tasks are global climate data collection, development of political instruments for environmental protection. Has long been recommending to protect and reforest forests and soil in order to counteract global warming.  |
| <b>Usufruct Rights</b>                 | Of the THI subsidiary "Finca Los Austriacos Numero Dos, SA" usufruct rights of 26 ha were granted, which date back to the early days of the business. Current holders of usufruct rights under contractual arrangements have a right to payment of a share of the proceeds generated by the harvest.   |
| W                                      |  |
| <b>WKN AOMMG7</b>                      | Security Identification Number of the TEAK-share on german stock markets.  |





Paul Rettenbacher,  
Investor Relations, Press Spokesman of THI AG



## IMPRINT

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ISIN: ATOTEAKHOLZ8  
Share symbol: TEAK  
WKN: AOMMG7



The consolidated financial statements for the fiscal year from October 1, 2011 to September 30, 2012 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.

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, 2011 to September 30, 2012 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 29, 2013

Photos: All photos from TEAK HOLZ INTERNATIONAL AG  
Production: Ingeborg Schiller, Salzburg  
Concept, coordination, picture selection, text: THI AG, Mag. Paul Rettenbacher, MAS

### Financial Calendar for the Fiscal Year 2012/2013:

- 29.01.2013 (Tue): Publication of annual financial report for the period from October 1, 2011 to September 30, 2012 ✓
- 08.02.2013 (Fri): Publication of Q1 interim report for the period from October 1, to December 31, 2012
- 10.05.2013 (Fri): 6th ordinary general meeting, start 14:00 hours, Old Town Hall, Council Hall of the City of Linz, Hauptplatz 1, A-4020 Linz
- 29.05.2013 (Wed): Publication of half-year financial report for the period from October 1, 2012 to March 31, 2013
- 08.08.2013 (Thur): Publication of Q3 interim report for the period from October 1, 2012 to June 30, 2013

**THI AG**  
TEAK HOLZ INTERNATIONAL

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**  
AS OF SEPTEMBER 30, 2012, OF  
**TEAK HOLZ  
INTERNATIONAL AG,  
LINZ**

**WWW.TEAK-AG.COM**



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