



**CONSOLIDATED FINANCIAL STATEMENTS**  
AS OF SEPTEMBER 30, 2013  
OF TEAK HOLZ INTERNATIONAL AG, VIENNA



**FINANCIAL FIGURES OF THI-GROUP**

<b>Key figures of consolidated statement of comprehensive income</b>		<b>FY 2012/13</b>	<b>FY 2011/12</b>	<b>FY 2010/11</b>	<b>FY 2009/10</b>	<b>FY 2008/09</b>
Revenue	TEUR	283	214	1,200	702	816
Change in value of biological assets (teak trees)	TEUR	-37,714	11,366	7,309	8,049	-4,271
EBIT (operating result)	TEUR	-41,183	8,378	2,377	4,446	-11,820
EBT (earnings before taxes)	TEUR	-39,638	6,100	1,419	3,143	-10,930
Consolidated profit/loss for the year	TEUR	-35,862	3,932	413	3,711	-10,113
Earnings per share (basic)	EUR	-5,75	0,63	0,10	0,71	-1,62
<b>Cash flow key figures:</b>						
Net cash flow from operating activities	TEUR	-2,317	-3,422	-4,849	-3,510	-3,512
Net cash flow from investing activities	TEUR	-6	-238	-1,165	446	1,672
Net cash flow from financing activities	TEUR	2,295	3,521	-2,066	11,592	1,919
<b>Key figures of consolidated balance sheet:</b>						
Balance sheet total	TEUR	116,477	154,403	143,395	143,472	125,723
Biological assets (teak trees in plantations)	TEUR	97,649	135,363	123,997	117,637	109,665
Share capital	TEUR	31,205	31,205	31,205	31,205	31,205
Equity	TEUR	77,239	112,979	108,968	108,555	102,019
Equity ratio	%	66.31	73.17	75.99	75.66	81.15
<b>Key figures of personnel</b>						
Total personnel (on average)	Persons	60	67	86	115	121
Thereof personnel in Austria	Persons	9	10	13	22	22
Thereof personnel in Costa Rica	Persons	51	57	73	93	99

**TEAK HOLZ INTERNATIONAL AG: SUSTAINABLE GROWTH!**

Teak Holz International AG (THI AG, the Company) domiciled in Vienna, Austria, and its subsidiaries (THI Group), is a company specialized in the sustainable management of teak plantations, which is listed on the Vienna Stock Exchange.

On March 28, 2007, Teak Holz International AG made an initial public offering at the Vienna Stock Exchange. The shares have been traded on the Vienna Stock Exchange in the standard market continuous segment since March 29, 2007, ISIN: AToTEAKHOLZ8, WKN: AoMMG7, ticker symbol: TEAK. The TEAK share is also traded 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 2014.

The responsibly managed teak forests on the Costa Rican Pacific Coast currently cover an area of approx. 1,934 hectares registered in the land register. Given the hilly terrain, this corresponds to a topological area of in total 2,324 hectares, on which individually cultivated teak trees grow. It is intended to gradually increase the total plantation area. Since November 2008, four plantations covering a total area of 850 hectares have been certified according to internationally accepted ecological and social criteria.

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

We draw attention to the fact that these consolidated financial statements of TEAK HOLZ INTERNATIONAL AG, Vienna, for the fiscal year from October 1, 2012 to September 30, 2013 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,

these consolidated financial statements of the fiscal year from October 2012 to September 2013 give you an detailed explanation of the changes within Teak Holz International AG, which were triggered and implemented by the new management in the months after balance sheet date September 30, 2013.



Persons from left to right: Lorenzo Subani (Member of the Supervisory Board), Dr. Benoît Leleux, MBA (Deputy Chairman of the Supervisory Board), DI Dr. Franz Fraundorfer (CEO), Dr. Reinhard Schanda (Chairman of the Supervisory Board)

In the Costa Rican plantations owned by THI AG a comprehensive inventory was conducted, which was much more difficult this time due to massive rainfalls. In addition to the inventory, the Company has commissioned a valuation of the Biological Assets (teak trees without properties) by an international forest expert.

The management followed - in coordination with the newly elected Supervisory Board - the expert's recommendations to adopt the forest strategy and update parameters of the valuation. These suggestions have already been considered in preparing the financial statements. The changes of the premises and assumptions are explained in detail in the comments on the consolidated financial statements in section 4 "Biological Assets in Costa Rica".

The Company also will follow the recommendation of the expert to thin the plantations more than planned, and thereby also achieve revenue even before the final harvest. The thinning of the plantations allows a stronger growth in thickness of every single tree, which has a positive effect on the value of the teak trees. This approach is broadly in line with the usual practice in most other plantations, not only in Central America.

From the second quarter of fiscal year 2013/2014 first proceeds from the sale of wood of thinnings were booked. We will keep you informed.

Ladies and Gentlemen, I invite you to read this extensive report to the THI fiscal year 2012/2013.

Vienna, March 28, 2014

DI Dr. Franz Fraundorfer  
CEO

## GENERAL INFORMATION

Teak Holz International AG (THI AG, the Company) domiciled in Vienna, Austria, and its subsidiaries (THI Group), is a company specialized in the sustainable management of teak plantations, which is listed on the Vienna Stock Exchange.

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

## CONSOLIDATED GROUP

As of the balance sheet date September 30, 2013, the THI Group, in addition to Teak Holz International AG, includes eleven subsidiaries (of which one domiciled in Austria, eight domiciled in Costa Rica, and two domiciled in Panama). All subsidiaries were fully consolidated.

**As of September 30, 2013, the consolidated group is as follows:**

	COMPANY NAME	COUNTRY	CORPORATE DOMICILE	SHARE 2012/2013
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	Vienna	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-Palmare, La Garita	100%

\* These companies were established 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.

There were no changes compared to the prior year.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from October 1, 2012 to September 30, 2013 (Prior year for comparison)

in Euro	NOTES *	2012/2013	2011/2012
Revenue	15	283,165	214,369
Gains/losses arising from changes in fair value less costs to sell of biological assets	4	-37,714,284	11,366,397
Cost of materials, cost of sales, other purchased services and write-downs of timber inventories	16	-622,477	-676,898
Personnel expenses	17	-1,052,736	-1,135,205
Depreciation and amortization	3	-893,452	-114,472
Other operating income	18	84,775	77,656
Other operating expenses	19	-1,267,915	-1,354,105
<b>Earnings before interest and taxes (EBIT)</b>		<b>-41,182,924</b>	<b>8,377,742</b>
Interest income from financial receivables and exchange differences		7,734	27,514
Financial income from adjustment of liabilities for minority interests and usufruct rights		3,326,880	0
Interest expenses from financial liabilities and exchange differences		-1,789,741	-1,444,048
Financial expenses adjustment of liabilities for minority interests and usufruct rights		0	-861,546
<b>Financial result</b>	20	<b>1,544,873</b>	<b>-2,278,080</b>
<b>Earnings before taxes (EBT)</b>		<b>-39,638,051</b>	<b>6,099,662</b>
Taxes on income	21	3,776,281	-2,167,714
<b>Loss/profit for the year</b>		<b>-35,861,770</b>	<b>3,931,948</b>
<b>Consolidated loss/profit for the year = Consolidated comprehensive loss/income</b>		<b>-35,861,770</b>	<b>3,931,948</b>
<b>thereof attributable to:</b>			
Equity holders of the parent company		-35,861,770	3,931,948
Minority shareholders		0	0
<b>Earnings per share (EUR) attributable to the equity holders of the parent company</b>			
- basic earnings per share	22	-5.75	0.63
- diluted earnings per share	22	-5.75	0.57

\* NOTES: find comments on the consolidated financial statements

## CONSOLIDATED BALANCE SHEET

as of September 30, 2013 (Prior year for comparison)

in Euro	NOTES	9/30/2013	9/30/2012
<b>ASSETS</b>			
Intangible assets	2	58,581	65,378
Property, plant and equipment	3	9,864,511	10,751,938
Biological assets	4	97,648,739	135,363,023
Financial assets (restricted Cash)	6	1,164,668	1,157,596
Trade receivables and other non-current assets		0	219
Deferred tax assets	11	7,423,542	6,657,420
<b>Non-current assets</b>		<b>116,160,041</b>	<b>153,995,574</b>
Inventories	5	106,272	75,493
Trade receivables	7	27,258	10,343
Other receivables and current assets		169,789	279,634
Cash and cash equivalents	8	13,547	41,895
<b>Current assets</b>		<b>316,866</b>	<b>407,365</b>
<b>Total assets</b>		<b>116,476,907</b>	<b>154,402,939</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	9	31,205,160	31,205,160
Capital reserves		13,587,404	42,230,339
Earnings reserves		32,446,513	39,543,100
<b>Equity attributable to equity holders of the parent company</b>		<b>77,239,077</b>	<b>112,978,599</b>
Minority interests		324	324
<b>Total equity</b>		<b>77,239,401</b>	<b>112,978,923</b>
<b>Liabilities</b>			
Non-current financial liabilities	10	25,381,180	25,947,388
Deferred tax liabilities	11	9,582,591	12,597,999
<b>Non-current liabilities</b>		<b>34,963,771</b>	<b>38,545,387</b>
Current financial liabilities	10	1,940,392	1,752,787
Trade payables	12	220,965	196,887
Employee benefits	14	32,071	32,040
Other current payables and accrued liabilities	13	2,080,307	896,915
<b>Current liabilities</b>		<b>4,273,735</b>	<b>2,878,629</b>
<b>Total liabilities</b>		<b>39,237,506</b>	<b>41,424,016</b>
<b>Total equity and liabilities</b>		<b>116,476,907</b>	<b>154,402,939</b>



**CONSOLIDATED CASH FLOW STATEMENT**

for the period from October 1, 2012 to September 30, 2013 (Prior year for comparison)

in Euro	NOTES	2012/2013	2011/2012
<b>Cash flow from operating activities</b>			
Consolidated loss/profit for the year		-35,861,770	3,931,948
Adjustments for:			
Depreciation/amortization of non-current assets		893,452	114,472
Depreciation/amortization of current assets		0	270,213
Gains / losses from the disposal of property, plant and equipment and intangible assets		128	57,672
Change in value of biological assets	4	37,714,284	-11,366,397
Interest expenses / income	20	-1,556,367	2,278,080
Other non-cash income / expenses		0	-5,303
Income taxes	21	-3,776,281	2,167,714
		<b>-2,586,554</b>	<b>-2,551,601</b>
Change in trade receivables and other assets		89,651	-54,009
Change in inventories		-30,779	137,388
Change in trade payables, other debt and accrued liabilities		1,147,501	-25,584
<b>Changes in working capital</b>		<b>1,206,373</b>	<b>57,795</b>
Interest paid		-939,634	-930,864
Interest received		7,734	7,456
Income taxes paid		-5,250	-5,250
<b>Net cash flow from operating activities</b>		<b>-2,317,331</b>	<b>-3,422,464</b>
<b>Cash flow from investing activities</b>			
Investments in property, plant and equipment and intangible assets		-13,328	-87,406
Proceeds from the disposal of property, plant and equipment and intangible assets		13,973	6,020
Investments in financial instruments (restricted cash at banks)		-7,071	-156,480
<b>Net cash flow from financing activities</b>		<b>-6,426</b>	<b>-237,866</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		0	-537,098
Repayment from borrowings		180,409	3,067,783
Repayment of convertible bond less borrowing costs		2,115,000	990,000
<b>Net cash flow from financing activities</b>		<b>2,295,409</b>	<b>3,520,685</b>
<b>Change in cash and cash equivalents</b>		<b>-28,348</b>	<b>-139,645</b>
Cash and cash equivalents as of October 1		41,895	181,540
<b>Cash and cash equivalents as of September 30</b>	8	<b>13,547</b>	<b>41,895</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

for the period from October 1, 2012 to September 30, 2013 (Prior year for comparison)

INTEREST OF SHAREHOLDERS IN TEAK HOLZ INTERNATIONAL AG						
in Euro	NOTES	Share capital	Capital reserves	Earnings reserves	Minority interests	Total equity
<b>Balance as of October 1, 2011</b>	<b>9</b>	31,205,160	46,943,309	30,819,227	324	108,968,020
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		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>
<b>Balance as of October 1, 2012</b>	<b>9</b>	31,205,160	42,230,339	39,543,100	324	112,978,923
Consolidated comprehensive loss		0	0	-35,861,770	0	-35,861,770
<b>Subtotal</b>		<b>31,205,160</b>	<b>42,230,339</b>	<b>3,681,330</b>	<b>324</b>	<b>77,117,153</b>
Issuance convertible bond		0	122,248	0	0	122,248
Reclassifications		0	-28,765,183	28,765,183	0	0
<b>Balance as of September 30, 2013</b>	<b>9</b>	<b>31,205,160</b>	<b>13,587,404</b>	<b>32,446,513</b>	<b>324</b>	<b>77,239,401</b>

## GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR 2012/2013

### 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 2012

- Strengthening of liquidity: Investor meetings were successfully finalized and resulted in the issue of further tranches of the convertible bond in the amount of EUR 2,350,000.

##### 2<sup>nd</sup> Quarter from January to March 2013

- Mr. Stephan Dertnig, MBA, assumed his function as CEO with sole right of representation at the beginning of January.

##### 3<sup>rd</sup> Quarter from April to June 2013

- At the 6<sup>th</sup> ordinary general meeting of THI AG held on May 10, 2013, all resolutions presented by the supervisory board and the management board were adopted either unanimously or with a 99% majority of valid votes. The previous member of the supervisory board, Mr. Erwin Hörmann, was re-appointed for another period. Dr. Monika Wildner, LL.M. (NYU) and Dr. Benoît Leleux, MBA, were newly appointed to the supervisory board.
- VÖNIX Sustainability Index: THI AG received information in June that the TEAK share was still included in the Index Composition, meaning that the share had been included for the fifth time since 2009.

##### 4<sup>th</sup> Quarter from July to September 2013

- At the supervisory board meeting held on July 17, 2013, the supervisory board accepted the offer made by Mr. Stephan Dertnig, MBA, to resign as CEO. Mr. Klaus Hennerbichler acted as interim CEO with sole right of representation from July 17 to September 21, 2013.
- On September 21, 2013 Dr. Franz Fraundorfer was appointed member of the management board of THI AG. Dr. Fraundorfer and the member of the management board, Mr. Klaus Hennerbichler, thus jointly represented THI AG.
- A first timber forward contract was entered into which led to an inflow of funds to secure the Company's liquidity.

##### Material Events after September 30, 2013

- At the beginning of November, two members of the supervisory board notified the Company of their resignation. In order to restore the quorum, an extraordinary general meeting was convened on December 9, 2013. All three candidates (Mr. Reinhard Schanda, Mr. Lorenzo Subani and Mr. Erwin Hörmann) were appointed to the supervisory board with the required majority.
- On December 20, 2013, Mr. Hörmann announced his resignation on the grounds that the shareholders present in the general meeting soundly rejected his availability for another term and his appointment to the supervisory board.
- Also on December 20, 2013, Mr. Klaus Hennerbichler notified the Company of his resignation from the interim function as member of the management board. Dr. Fraunhofer has since represented the Company as CEO with sole power of representation.
- After the balance sheet date, an agreement could be reached with investors on the subscription of further tranches of the convertible bond. Moreover, a medium term timber forward contract was entered into that generated additional liquid funds.
- With effect of January 27, 2014, the shareholding structure was changed. TECALUX CAPITAL S.A., domiciled in Luxembourg, acquired 925,000 no-par shares (approx. 14.82% of the voting rights in THI AG) from Hörmann Privatstiftung, domiciled in Linz.

## 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 increasingly base their purchase and investment decisions on the industry in which the company operates. Therefore, for example defense industry, nuclear power, fossil energy, tobacco, gambling, child labor etc., are the most frequent disqualifying criteria for investors who seek to invest their assets in a sustainable way. This upward trend towards considering the “ESG” Criteria (Environmental, Social and Governance Criteria) has been noticeable in Europe for years, the volume of sustainable capital investments increases annually.

The development potential, as experts comment, remains material. Further strong growing impulses in the following years are expected to be from institutional investors (pension funds and provision funds), which already form the main part of those investments. However, even for financially potent private investors sustainable criteria become more and more important when deciding on where to invest.

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 timber 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.

The FAO (Food and Agriculture Organization of the United Nations) published the study “Teak Resources and Market Assessment 2010” in 2012. In this worldwide gathering of statistics – which at present is the only study with regard to its type and the details presented – it was detected that the teak forest stock in the Asian countries of origin is declining considerably. A total area of 29 million hectares of primeval teak forests in India, Laos, Thailand and Myanmar were documented, almost half of this area being found in Myanmar. India, Laos and Thailand have already implemented bans on harvests or exports. Also in Myanmar, such legislative amendments are about to take place that are intended to become effective in the course of 2014.

This study highlights the positive fact that the area of teak plantations is increasing around the world. When the study was prepared, 38 countries announced the areas of their teak plantations and reported a total of 4.346 million hectares of which 83% grow in Asia, 11% in Africa, 6% in the tropical regions of the Americas and Oceania. Further 22 countries are known to manage teak plantations; however, they did not provide any data for the study. Therefore, the worldwide teak plantations in the about 60 countries are assumed to be significantly higher. The countries with the largest areas of teak plantations are: India (1.667 million hectares), Indonesia (1.269 million hectares), Myanmar (0.39 million hectares), Ghana (0.214 million hectares), Nigeria, Thailand, Bangladesh, Brazil, Panama and Ecuador. Costa Rica announced an area of 0.0315 million hectares (= 31,500 hectares).

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

Nevertheless the efforts towards afforestation with regard to teak and other wood species 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 hectares only about 1 billion hectares remain. Every year an area of rain forests in a dimension that would correspond to twice the size of Austria vanishes. The capacities of timber 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 timber demand on the other hand.

Also against the background of the global climate problem, a growing critical environmental awareness in consumer behavior can be noticed with regard to rejection of primeval forest clearings. Many buyers already consider it good etiquette to use timber 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 favor of a uniform EU legislation that ensures that timber and wood products in the EU are of legal origin.

The EU Timber Regulation (EUTR) became effective at the beginning of March 2013. This regulation prohibits the placing on the EU market of illegally harvested wood products. Companies that place wood products on the market for the first time have to subject suppliers to due diligence proceedings and disclose relevant information, risk assessment and risk mitigation. The origin of the products has to be proven and information indicating the legal harvesting to be presented. Criminal proceedings will be initiated upon non-compliance. Some critics consider the regulation to be not strict enough. Even if there will be some obstacles in the course of its implementation, this regulation can be considered an important milestone on the road to establish a comprehensive ban on illegal wood. International bans on the trading of illegally lumbered wood will contribute to the continued increase of the importance and market chances of wood – and also teak – from sustainable plantations in the future.

### 1.3. Development of the individual Business Units

The THI Group is structured in business units. The three segments are: BU “Teak Service”, BU “Teak Plantations” and BU “Teak Sales”. This three-tier segmentation is in line with the group-wide budgeting and controlling structure, and the reporting system and other organizational procedures are based on it. 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 Sales”:** This business unit is responsible for the third-party teak log trade. Revenues generated from the global teak log trade are attributed to this unit.

**BU “Teak Plantations”:** In this business unit, all plantation-specific functions are performed for the six plantation holding companies. The biological assets (these are the reforested teak plants and trees in the plantations) and their changes in value are allocated to this unit. Furthermore, in this unit all those revenues are included, which were generated by services in plantation management to external partners.

## 1.4. Development of the “Teak Service” Business Unit

**Composition of the management board:** The following persons served on the management board of THI AG in the fiscal year 2012/2013:

NAME	YEAR OF BIRTH	FROM	TO
<b>DI Dr. Franz Fraundorfer</b> Member of the management board	1962	9/21/2013	
<b>Klaus Hennerbichler</b> Member of the management board	1969	9/21/2013	
Interim CEO		7/17/2013	9/21/2013
Interim CEO		12/12/2012	12/31/2012
<b>DI Stephan Dertnig, MBA</b> CEO	1961	1/1/2013	7/17/2013
<b>Mag. Siegfried Mader</b> CEO	1973	10/28/2011	12/12/2012

In its supervisory board meeting held on July 17, 2013, the supervisory board accepted the offer of Mr. Stephan Dertnig, MBA, to resign from his function as CEO. Mr. Klaus Hennerbichler acted as interim CEO with sole power of representation from July 18 to September 21, 2013. In the supervisory board meeting held on September 21, 2013, Mr. Franz Fraundorfer was appointed member of the supervisory board of THI AG with immediate effect. Dr. Fraundorfer and the member of the management board, Mr. Klaus Hennerbichler, have thus jointly represented THI AG.

Information on Dr. Franz Fraundorfer: Dr. Franz Fraundorfer was born in Vienna in 1962. He graduated from the University of Natural Resources and Life Sciences Vienna (BOKU) studying biotechnology and worked as an assistant at the Austrian Institute of Cancer Research (österreichisches Krebsforschungsinstitut). Dr. Fraundorfer was active in the field of international consulting at Arthur D. Little for several years and gained experience in groups such as Procter & Gamble and medium-sized companies in Germany and Austria. Dr. Fraundorfer has been a freelance adviser in Vienna focusing on corporate finance and interim management for eight years.

### Ordinary general meeting:

Due to the changes in the management board and the supervisory board, the ordinary general meeting of THI AG, which had previously taken place in February, was postponed to May. The 6<sup>th</sup> ordinary general meeting took place on May 10, 2013 at the council hall of the Old City Hall of the city of Linz (Altes Rathaus). About 100 shareholders, shareholder representatives and guests participated. In addition to information on the past fiscal year, the management board presented analyses regarding the development of the international teak market and worldwide teak plantations. All resolutions on the items of the agenda presented by the supervisory board and the management board were either adopted unanimously or with more than 99% of valid votes of shareholders present or their proxies. In the course of amending the Articles of Association, the registered office of THI AG was changed from Linz to Vienna. The detailed results of the voting were published and can be downloaded from the Company’s website under Investor Relations / Hauptversammlung (in German only).

In addition to the votes on the stipulated items on the agenda, appointments to the supervisory board were held, since two members of the supervisory board had resigned. Dr. Manfred Luger resigned from his function as member of the supervisory board at his own request and relinquished his duties following the general meeting. The Company expressed its gratitude for his long years of intensive support. With regard to the composition of the new supervisory board, the focus was on the members’ professional and personal qualification. Also, diversity was taken into account with regard to the

representation of both sexes and the age structure as well as internationality of the members. The previous member of the supervisory board, Mr. Erwin Hörmann, was re-appointed for another term. Dr. Monika Wildner, LL.M. (NYU), and Dr. Benoît Leleux, MBA, were appointed to the supervisory board for the first time.

**Composition of the supervisory board:** The following persons served as members of the supervisory board of THI AG in the fiscal year 2012/2013:

NAME	YEAR OF BIRTH	FROM	TO
<b>Gotthard Graf Pilati von Thassul zu Daxberg</b> Chairman of the supervisory board	1945	5/10/2013	
Deputy chairman		12/12/2012	5/10/2013
Member of the supervisory board		2/21/2007	12/12/2012
<b>Erwin Hörmann</b> Deputy chairman	1939	9/21/2013	
Member of the supervisory board		5/10/2013	9/21/2013
Chairman of the supervisory board		12/12/2012	5/10/2013
Deputy chairman		2/21/2007	12/12/2012
<b>Dr. Benoît Leleux, MBA</b> Aufsichtsratsmitglied	1961	5/10/2013	
<b>Dr. Monika Wildner, LL.M.</b> Deputy chairman	1971	5/10/2013	8/31/2013
<b>Dr. Manfred Luger</b> Member of the supervisory board	1953	2/18/2010	5/10/2013
<b>Mag. Alexander Hüttner, LL.M.</b> Chairman of the supervisory board	1973	1/26/2007	12/12/2012

**The development of the TEAK share:** At the last trading day in the fiscal year 2012/2013, September 30, 2013, the TEAK share (ISIN: AT0TEAKHOLZ8) closed with a price of EUR 2.529. In comparison to the beginning of the fiscal year (EUR 3.389), the price decreased by approx. 25% or by EUR 0.860 in absolute terms. In the reporting period, the market capitalization was reduced by approx. EUR 5.4 million from approx. EUR 21.2 million to approx. EUR 15.8 million.

On October 1, 2012, the TEAK share (first trading day identical with the beginning of the fiscal year) started at EUR 3.389. On the tenth and fourteenth day after the beginning of the fiscal year, the trading days ended at EUR 3.400; the closing prices on both days turned out to be the highest in the reporting period, because already from mid-October 2012, a rapid and significant price correction occurred that reached its low at around the end of November with approx. EUR 2.500. Volatility remained and the share price increased again in mid-December. At the last trading day in the fiscal year (which was also the end of the first quarter of THI's fiscal year) the closing price of the TEAK share was EUR 2.770.



Throughout January 2013, the share rose again by about 10% and reached an interim high for the year with a closing price of EUR 3.100 on February 28, 2013. In the months to come, the share price fell consistently, and on July 23, 2013 reached the lowest closing price at the end of the year at EUR 2.316. Until mid-August, the share price increased again to 2.800. In the second half of August, major trading volumes were recorded accompanied by a considerable drop in the share price. Despite the slight price increase in September, the fiscal year closed at the end of the year at EUR 2.529.

From the beginning of October 2012 until the end of September 2013, 1,496,504 (PY: 1,200,536) TEAK shares (single count) were traded on the Vienna Stock Exchange at a value of EUR 4.030 million (PY: EUR 4,468,878); annual average price of the closing rates: EUR 2.783 (PY: EUR 3.763). In the reporting period, on a daily average, 6,535 shares (single count) were traded on the Vienna Stock Exchange on 229 trading days, up 1,635 shares on the prior year (4,900 shares). The top 10 trading volumes per day ranged from approx. 28,000 to 84,000 shares (single count). The peak daily volume was 83,760 shares on August 30, 2013. In the ranking of the securities traded on the Vienna Stock Exchange, the TEAK share again ranks in the middle in terms of total volume, which is remarkable for a small cap company.

In addition to the trade at the Vienna Stock Exchange, TEAK shares in the amount of EUR 1.234 million (PY: EUR 1.659 million) were also directly traded at the OTC (over the counter) market. The turnover value of the Vienna Stock Exchange and the OTC market thus amounts to a total of EUR 5.264 million, prior year: EUR 6.128 million (single count). The TEAK shares are also traded on the stock exchanges in Frankfurt, Munich, Stuttgart and Berlin.

Earnings per share at the balance sheet date have significantly decreased year-on-year due to the change in measurement: Basic earnings per share: EUR -5.75 (PY: EUR 0.63) and diluted earnings per share: EUR -5.75 (PY: EUR 0.57).

<b>Share data (ISIN: ATOTEAKHOLZ8)</b>		<b>2012/2013</b>	<b>2011/2012</b>
Highest closing price	EUR	3.400	5.000
Lowest closing price	EUR	2.316	3.290
Closing price at the beginning of the fiscal year	EUR	3.389	4.850
Closing price at the end of the fiscal year	EUR	2.529	3.389
Market capitalization at the end of the fiscal year	million EUR	15.784	21.151
Change in market capitalization	million EUR	-5.367	-9.118
Turnover volume at Vienna Stock Exchange (single count)	million shares	1.497	1.201
Turnover value at Vienna Stock Exchange (single count)	million EUR	4.030	4.469
Turnover value outside Stock Exchange ("Over-the-Counter")	million EUR	1.234	1.659
Turnover value total (Vienna Stock Exchange and OTC)	million EUR	5.264	6.128
Source: Wiener Börse AG, Vienna Stock Exchange			
Earnings per share (basic)	EUR	-5.750	0.630
Earnings per share (diluted)	EUR	-5.750	0.570
Book value of gross plantation assets per share *	EUR	17.183	23.363
Book value of net plantation assets per share **	EUR	10.896	16.726

\* Value of biological assets plus land per number of shares basic

\*\* Value of biological assets plus land less debt per number of shares basic

In the fiscal year, the Company was present at several road shows in Austria and abroad. Potential investors, securities dealers, analysts and journalists were informed on the sustainable business model of THI AG. In May 2013, 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 2013, THI AG was informed that the TEAK share would again be included in the updated composition of the VÖNIX index in the period up to June 2014.



**Development of headcount:** In the fiscal year 2012/2013, the average number of staff employed with the Group is as follows:

	2012/2013	2011/2012
Austria	9	10
Costa Rica	51	57
<b>Total THI Group</b>	<b>60</b>	<b>67</b>

In the fiscal year from October 1, 2012 to September 30, 2013, an average of 60 persons was employed with the THI Group (PY: 67). As most of the plantations already are of a certain age, they require less caring. Therefore, the growth process also directly influences the necessary number of plantation workers. The personnel in Costa Rica were thus slightly reduced compared to the prior year. In Costa Rica, an annual average of 51 staff (PY: 57) was employed. The majority of the plantation workers are men, the proportion of women was about 10%. At the balance sheet date September 30, 2013, nine employees worked at the office in Linz (of which 4 women and 5 men).

**Other disclosures:** Since the landlord informed the Company that he required the office space for his own purposes, THI AG moved to another office at the end of September 2013. The administrative office of THI AG is now situated in an office building at “4020 Linz, Wiener Straße 131, TOP 10.03”. All mandatory documents relating to the prior fiscal year 2011/2012 and the interim reports for the fiscal year 2012/2013 were published on time under the mandatory disclosure regime. The consolidated financial statements and the financial statements of THI AG for the fiscal year from October 1, 2011 to September 30, 2012 were prepared and published as annual financial report on January 29, 2013.

### 1.5. Development of the “Teak Plantations” Business Unit“

In this business unit, all plantation-specific functions are performed for the six plantation holding companies. The biological assets (these 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 are organized by THI’s subsidiary 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.

As of the balance sheet date September 30, 2013, the current value of the biological assets (the teak trees in the plantations) was estimated at EUR 97,648,739 (PY: EUR 135,363,023). Since the measurement parameters have changed, the fair value of the teak trees dropped by EUR -37.714 million (PY: EUR +11.366 million) compared to the balance sheet date of the prior fiscal year.

Biological assets are measured based on the principles set forth under IAS 41, “Agriculture”. With regard to determining the value and the changes in measurement, reference is made to the detailed information provided in Item 4 “Biological assets in Costa Rica” in the notes to the consolidated financial statements.

**Measures in the plantations during the fiscal year:** In the reporting period, no teak trees were harvested on THI's fincas, nor were material investments made. No significant damage caused by the influence of weather or natural phenomena occurred in the plantations. The measures applied focused on regular tree care, e.g. pruning, grass clipping, 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 – even the planted areas of Segunda Plantacion (Finca Las Vegas and Finca Naranjal) are approx. five to six years old – the amount of caring measures has already gone down. Hence, the growth process also has a direct influence on the necessary number of plantation workers. In comparison to the prior year, the number of staff was reduced by approx. six persons; in the fiscal year, an average number of 51 persons were employed in Costa Rica, PY: 57.

**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 the forest area increased approx. by an annual 0.9 percent over the past ten years. To a certain extent, THI AG also 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"), which means an active contribution to an improvement of the soil and the capture of CO<sub>2</sub>.

The fact that the climate conditions for the cultivation of teak wood are of course also ideal in Costa Rica is one of 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 damage as a result of storms, landslides and other natural phenomena is to be avoided as much as possible. THI AG chose to act cautiously and, on the basis of 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 more than 3,000m particularly against any storms from the Caribbean Sea, so that in the past decades no major storms were registered. The slightly hilly landscape at approx. 100m to 600m above sea level provides the ideal conditions for the reforestation of teak in the Parrita region. Furthermore, the annual amount of precipitation of approx. 2,000mm – 4,000mm in this region is favorable. The majority of precipitation occurs in the months of 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 100mm. The annual average temperature is 24°C and the seasonal fluctuations in temperature as well as those between day and night are relatively low at approx. 2°C.

The constantly occurring intense rains can lead to erosion, which in the THI plantations only has happened to a minor extent. The reasons for this negligible damage 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 alongside roads etc., prevent or mitigate the consequences of heavy downpours. The paving 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. Earthquakes are common in Costa Rica. As tectonic lines exist and numerous volcanos are active in Central America, earthquakes of various intensities are registered in Costa Rica on a regular basis. In the THI plantations located in the southwest of the country, earthquakes are only slightly perceptible and have not caused any harm yet.

**Economy in harmony with ecology:** The THI plantations on the Costa Rican Pacific Coast are externally examined on an annual basis. As in prior years, all ecological standards are met and show the high level of quality and environmental standards of our teak forests; the combination of economic plantation management and consideration of ecological expectations is indeed 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 certificate was extended in the course of the current audit to a period of another 5 years.

The presence of various plants and animals in the teak plantations attests to the ideal coexistence of economically oriented plantation management and pristine environment. The areas reforested with teak wood are permeated by unspoiled forest areas, streams and river courses. Those biotopes, the so-called "Quebradas", provide important habitats for flora and fauna. However, not only in these biotopes 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 colorful frog species on the ground, there is also a varied bird life, such as toucan, macaw and numerous colorful 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 favor 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 in the plantations are organized by several Austrian-trained forestry experts and monitored regularly in accordance with the latest scientific findings. A team of trained Costa Rican workers is permanently employed throughout the entire year.

The cultivation of responsibly managed teak wood plantations includes several tasks. After selection and purchase of adequate areas, the following forestry functions have to be implemented throughout the cultivation circle: soil analyses and fertilization, soil conservation, opening, creation and maintenance of infrastructure, selection of high-quality seeds, plant breeding, planting, constant individual care/breeding of trees, pruning, grass clipping, terracing, mulching, liming and fertilization, cutting of individual trees for caring purposes, harvest/final cutting, preparation and planting of the next generation of trees.

The rainfalls and the previously extensive use as pasture lands 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 area around the planting site is freed from scrub. This prevents other plants from depriving the soil of nutrients

and casting shadows 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”. This means that – 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, the trees can reach a height of up to two meters after one year. With the growth in height and the increase in diameter, the value of the tree also rises steadily. If, despite individual tree care, a growth below average or crooked growth can be observed with individual trees, those individual trees are removed. This cutting of individual trees or, if used to a greater extent, “sanitary thinning” is carried out in the dry season between December and April according to forestry criteria. 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 forestry know-how, our Fincas have grown into “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 was one of the reasons why our specialized knowledge in plantation management has been noted. Therefore, THI AG offers its knowledge also to external partners as a service.

**Plantation management as external service:** The Company, which has established teak plantations according to responsible criteria in Costa Rica since 1998, has gained a forestry know-how that is also offered as a service to external partners. Such service revenues can increase the self-financing of THI’s Costa Rican subsidiary Servicios Austriacos, S.A.

In October 2011, THI AG announced the closure of the first contract for the development and management of teak plantations for external partners. In the summer of the fiscal year 2011/2012, planting and breeding measures were carried out for the first time for the customer. Furthermore, maintenance measures were performed for this customer on other properties, so-called existing sites, on which teak trees of varying tree maturities already exist. These measures included the Company’s specifically developed pruning technique, scrub cutting, soil analyses and other forestry measures. The Company generated revenue from these services in the fiscal year 2011/2012. Revenue of the fiscal year 2012/2013 includes an amount of EUR 249,580 that resulted from the management of plantations for external partners, prior year: EUR 121,860.

## 1.6. Development of the “Teak Sales” Business Unit

Those revenues and activities are allocated to this business unit that relate to third-party teak log trade. The Company decided to not trade purchased teak wood also in the fiscal year 2012/2013. In the reporting period, there was thus no active teak log trade. In the reporting period, no revenues were generated (PY: EUR 92,509).

The Company now entirely concentrates on the future trade with own timber and focuses on the marketing of thinning wood that will be available in respective quantities; marketing will start in the fiscal year 2013/2014. Adjusting the distribution chain and optimizing the value chain is currently being worked on. The Company aims at finding itself a more direct access to relevant teak sales markets and major timber processing companies by avoiding the traditionally dominant position of mostly Indian distributors. To this end, the management board holds talks with other plantation managers in Costa Rica and neighboring countries as well as with potential buyers in the target markets outside of India. China is increasingly opening up as a new market in which processing companies primarily manufacture their products for export purposes. Due to the high demands of customers, e.g. on the European market, manufacturers set high quality standards. The trees have to have high diameters, be of straight growth, free of knots, and to have little sapwood. The timber is usually shipped as unprocessed logs in containers. THI AG will also try to directly supply customers in Europe and North America.

The supply of high-quality teak is still limited. Although in recent decades the teak plantation areas have increased significantly, these trees are mostly still very young. 77% of the world's teak plantations are up to 20 years old. In order to be able to make greater use of market opportunities in the future, the relevant timber supply still has to grow. The capacities of timber from responsibly led forestry and plantation management will have to be significantly increased worldwide in order to be able to meet the demand and to protect primeval forests. Whoever is able to guarantee this to customers, e.g. by an internationally recognized certification, will consequently have a stronger presence in this market segment. In this way the importance and the market opportunities of timber from sustainable plantations – also from teak – will continue to grow even further. THI AG sees here a promising development on the international timber market and will be part of it.

## 1.7. Report on branches

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

## 1.8. Financial and non-financial performance indicators

### Financial performance indicators

Key figures in EUR '000 Teak Holz International AG, consolidated financial statements	2012/2013	2011/2012	+/-%
Fully consolidated companies	11	11	0
Domestic	1	1	0
Foreign	10	10	0
Revenue	283	214	32
Change in value of biological assets	-37,714	11,366	-432
Consolidated profit/loss for the year	-35,862	3,932	-1,012
Personnel expenses	1,053	1,135	-7
Property, plant and equipment	9,865	10,752	-8
Biological assets	97,649	135,363	-28
Balance sheet total	116,477	154,403	-25
Equity	77,239	112,979	-32
Cash and cash equivalents	14	42	-67
<b>Profitability ratios:</b>			
Operating result (EBIT)	-41,183	8,378	-592
Return on equity*	-51.32%	5.40%	-1,050
<b>Financial ratios:</b>			
Net debt*	28,283	27,658	2
Equity ratio*	66.31%	73.17%	-9
Net gearing*	36.62%	24.48%	50
<b>Cash flow ratios:</b>			
Net cash flow from operating activities	-2,317	-3,422	-32
Net cash flow from investing activities	-6	-238	-97
Net cash flow from financing activities	2,295	3,521	-35

\* The calculation is based on the KFS/BW 3 published recommendation for the computation of financial performance indicators in management reports and/or 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 its shareholders and stakeholders. These approaches have been discussed for quite some time in politics, science and the general public under the terms "corporate social responsibility" and "sustainability".

The term sustainability originally stems from forestry. Used for the first time in 1713, thus exactly 300 years ago, sustainability means only removing from a forest the amount of wood that is regrowing. The business model of THI AG – investment in responsibly managed teak plantations – has a longstanding tradition while also being modern and forward-looking at the same time.



In June 2013, an external auditor confirmed to THI AG that the Company again meets the various sustainability criteria set forth in the VÖNIX Sustainability Index. The TEAK share forms part of the composition of the VÖNIX Sustainability Index already for the fifth time in a row (since 2009). Again, THI AG fulfills the approx. 100 individual environmental and social criteria. The extension is a further confirmation that the THI business model really is based on sustainability. VÖNIX (VBV Austrian Sustainability Index, ISIN: AT0000496906) is a stock index consisting of those Austrian

companies listed on the Vienna Stock Exchange that pay special attention to ecological and social objectives in their business activities. Once a year in May, the sustainability analyses are updated externally, thus creating a decision making basis for the acceptance or the continuance in the VÖNIX. Of the approx. 60 examined publicly listed companies, only 22 are included in the composition of the index year 2013/2014 until June 2014. 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 also annually examined by external auditors. As in prior years, all ecological and social 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 our teak plantations proves 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. The certificate was extended in the course of the current audit to a period of another five years.

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

A worldwide study on teak wood published by the FAO in 2012 states that the primeval teak forest stock in the Asian countries of origin is declining considerably. Although the teak plantation areas are indeed growing, these plantations are, however, still very young. The capacities of timber from responsibly led forestry and plantation management will have to be significantly increased worldwide in order to be able to meet demand and to protect primeval forests.

THI AG also contributes toward the capture of CO<sub>2</sub> by managing responsibly led plantations. For years, UNEP, the United Nations Environment Program, has called upon the international community to invest more money in forests and soils. The global debate on the impact of the climate change will lead to a further increase in the importance of the raw material wood. As a consequence, investments in the asset class of timber will be promoted.

## 1.9. Material Events after the Balance Sheet Date

**Changes in the supervisory board/extraordinary general meeting:** At the beginning of November 2013, two members of the supervisory board, Mr. Erwin Hörmann and Gotthard Graf Pilati von Thassul zu Daxberg, notified the Company of their resignation effective as of November 5, 2013 and December 6, 2013, respectively. As the member of the supervisory board, Dr. Monika Wildner, resigned with effect as from the end of August 2013, as of December 6, 2013 the supervisory board consisted only of one member appointed by the general meeting, Dr. Benoît Leleux. Hence, the supervisory board was no longer quorate.

In order for the supervisory board to be in a quorum, an extraordinary general meeting was convened in Linz on December 9, 2013 having only one item on the agenda: Appointments to the supervisory board. In the 6<sup>th</sup> general meeting held on May 10, 2013, all three proposed candidates were appointed to serve on the newly appointed supervisory board for the remaining term with the required majority. This was objected to by individual shareholders and/or shareholder representatives. As of December 9, 2013, the supervisory board of THI AG was composed of the following persons: Dr. Reinhard Schanda (chairman of the supervisory board), Dr. Benoît Leleux, MBA (deputy chairman of the supervisory board), Mr. Lorenzo Subani (member of the supervisory board) and Mr. Erwin Hörmann (member of the supervisory board).

Mr. Erwin Hörmann notified to Company of his resignation from the supervisory board effective as from December 20, 2013. The reasons Mr. Hörmann stated for his resignation were that his availability for another term and appointment to the supervisory board were met with resounding rejection by the shareholders and shareholder representatives present in the extraordinary general meeting that had taken place only on December 9, 2013. After much thought, he decided to announce his resignation with immediate effect. The members of the supervisory board and the management board expressed their gratitude to Mr. Hörmann for his many years of commitment.

**Changes in the management board:** Also on December 20, 2013, Mr. Klaus Hennerbichler informed the Company that he would be terminating his interim membership of the management board as of December 20, 2013. Mr. Hennerbichler acted as the Company's interim CEO with sole power of representation from July 17 to September 21, 2013. As of September 21, 2013, with Dr. Franz Fraundorfer being appointed member of the supervisory board, Mr. Hennerbichler and Dr. Fraundorfer jointly performed the management responsibilities on an interim basis. As of December 20, 2013, Dr. Fraundorfer now represents THI AG as CEO with the sole power of representation.

**Postponement of the publication of the annual financial report and the interim report for Q1:** The management board announced on December 23, 2013 the publication of the annual financial report as of 9/30/2013 (fiscal year 2012/2013), publication planned for January 30, 2014, to be postponed to the end of March 2014. Also the publication of the interim report for the first quarter (period from 10/1/2013 to 12/31/2013 of the fiscal year 2013/2014), which had been planned to take place on February 10, 2014, was postponed to the end of March. This was in connection with the preparation of forestry stock-taking in Costa Rica which is subject to weather-induced delays. The then pending data was required to prepare the balance sheet.

**Participation notifications:** On December 2, 2013, the Company was notified pursuant to §§91ff. of the Austrian Stock Corporation Act (BörseG) of the fact that Mr. Marcello Comoli (resident in the United Kingdom) had acquired financial instruments (call options) on November 29, 2013 that entitled him to acquire a total of 1,485,230 THI shares, i.e. about 23.80% of the voting rights in THI AG. In this context, THI AG was informed on December 4, 2013 that Mr. Stephan Dertnig, MBA, surrendered his rights under the option agreement – entered into on November 8, 2012 according to which he would have been entitled to acquire up to 1,485,230 no-par shares (about 23.80% of the voting rights of the issuer) – for the benefit of a new investor with effect of November 29, 2013.



On January 17, 2014, THI AG published three notifications pursuant to §93 BörseG. Mr. Marcello Comoli had previously informed THI AG of the release of all of his call options acquired at the end of November 2013 (1,485,230 shares or 23.80% of the voting rights) and thus of the fact that he fell below the reporting thresholds for voting rights. In addition, TECALUX CAPITAL S.A., domiciled in Luxembourg, an entity controlled by Mr. Marcello Comoli, announced the conclusion of share purchase agreements as of January 14, 2014 that entitle the company to acquire up to a total of 1,850,000 THI shares (about 29.64% of the voting rights of the issuer).

**Disclosure on the current composition of the shareholding structure:** Teak Holz International AG received several notifications pursuant to §§91ff. BörseG on January 28, 2014 stating that the Company's shareholding structure had changed with effect as from January 27, 2014. TECALUX CAPITAL S.A., domiciled in Luxembourg, an entity controlled by Mr. Marcello Comoli, purchased 925,000 no-par shares in THI AG from Hörmann Privatstiftung, domiciled in Linz. TECALUX CAPITAL S.A. thus has about 14.82% of the voting rights in THI AG. Moreover, TECALUX CAPITAL S.A. holds financial instruments entitling it to the acquisition of another 925,000 THI shares. By selling its shares, Hörmann Privatstiftung now no longer exceeds several reporting thresholds and informed the Company thereof on November 28, 2013. Hörmann Privatstiftung currently holds 1,191,110 no-par shares (that corresponds to about 19.08% of the voting rights) in THI AG. The current composition of the shareholding structure as of January 27, 2014 is as follows:

Shareholders (as of 1/27/2014)	Share in %	Share in pieces
Hörmann Privatstiftung (Linz)	19.08%	1,191,110
Mr. Klaus Hennerbichler	18.98%	1,184,400
TECALUX CAPITAL S.A. (Luxembourg)	14.82%	925,000
Free float	47.12%	2,940,522
<b>Total</b>	<b>100.00%</b>	<b>6,241,032</b>

**Plantation services for external partners:** In connection with the plantation services offered by THI AG, a management contract with a project partner has existed since October 2011. THI AG rendered various forestry services for the project partner, including replanting and tree care measures on existing sites. THI AG reported on these activities in its annual financial reports and interim reports. The originally targeted order volume could not be reached in the past years as the project partner was not able to make available the required areas to the extent planned at the beginning of the contract. As a consequence, THI AG decided to terminate the management contract effective as of the beginning of January 2014 and to no longer render any services for this project partner. THI AG will continue to perform the management of plantations for external partners, provided that this can be made economically attractive for the Company.

**Disclosures on securing liquidity:** In order to additionally secure the Company's liquidity, meetings with international investors were successfully finalized and led to a subscription of further tranches of the convertible bond in the total amount of EUR 2,250,000. Moreover, a medium term timber forward contract could be entered into that led to an additional inflow of liquid funds. Also, proceeds from the sale of thinning wood that is marketable for the first time are expected as of the fiscal year 2013/2014. Management is highly optimistic that further investor meetings will develop positively and lead to a strengthening of liquidity.

Other than as mentioned above, no further material events have occurred after the end of the fiscal year.

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

### 2.1. Expected Development of the Company

THI AG has the following strategy: management of teak plantations in accordance with internationally approved certification criteria aimed at the best timber quality and the maximum timber volume at the time of the harvest; consideration of environmental and social criteria in forest management; increase of the market importance due to growth by gradually expanding the plantation area in politically and economically stable regions; international sales of teak logs; THI AG focuses on teak wood (*Tectona grandis* Lf.) known as “diamond among the woods” due to its best properties that shows just such market potential. The importance of teak from certified responsibly managed plantations will continue to grow even further and allow relevant marketing opportunities.

In the medium term, THI AG will focus on stabilizing its business model and implementing forestry measures on the basis of intensive talks with international experts. In doing so, securing the yields from the planned thinning is the top priority. The Company is actively engaged in developing marketing strategies for the high-quality timber and optimizing the value chain. The already traditional dependency of Latin American plantation managers on Indian distributors has to be stopped. The Company aims to gain more direct access to the relevant teak sales markets and major wood processing companies by eliminating suppliers and middlemen. To this end, the management board has held talks with other plantation managers in Costa Rica and in neighboring countries as well as with potential buyers in the target markets outside of India, in Europe and North America. The Company has decided to not trade purchased teak wood also during the reporting period in order to be able to fully focus on the beginning marketing of its own timber.

The Company will continue its comprehensive cost avoidance and cost cutting program already started in prior fiscal years to continue to make a positive impact on the operating cash flow.

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

Teak wood from professional plantation management will become ever more important both as a raw material and also as a promising 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 sovereign debt of many countries as well as the overall economic development have a material impact on the global financial and real economy. As a publicly listed and internationally active company, THI AG is also affected by these influences.

In the reporting period, 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 are defined and described. The comments on liquidity risk, market risk, credit risk, foreign currency risk, and interest rate risk as well as capital risk management are described in detail in the notes to the consolidated financial statements under Item 21 Risk management. Subsequently, the main risk, this being liquidity risk, will be dealt with in detail.

**Liquidity risk:** The Company's liquidity during the fiscal year 2012/2013 was always secured by ongoing and newly agreed credit lines. In addition to a loan granted by Hörmann Privatstiftung in the amount of EUR 160,000, the issuing of additional tranches of the convertible bond in the total amount of EUR 2,350,000 most notably contributed to a considerable inflow of additional funds. A timber forward contract, which was entered into in the fiscal year 2012/2013 for the first time, generated additional funds in the amount of EUR 900,000 for the Company.

Also in the past fiscal year 2013/2014, further timber forward contracts could be set. THI AG has already received funds from one of these timber forward contracts. Additional measures to secure liquidity were taken due to the subscription of the remaining tranches of the convertible bond. The Company assumes that the existing financing can be extended in the fiscal year 2013/2014. The new management is aware that in order to refinance the liabilities falling due in 2015, the repayment of the convertible bond is of particular importance. Management thus strives for measures to timely redeem the existing convertible bond by issuing a new bond. For this purpose, management is currently holding talks with private and institutional investors and is supported by adequately experienced consultants in order to establish contact with interested family offices more easily. All of these measures will provide for additional means to hedge the operating business. An alternative may be to reduce liabilities by way of a partial disposal of fixed assets (property and teak trees) if need be prior to the planned times of the harvest. However, management considers issuing a new bond more appropriate to redeem the convertible from today's perspective. In addition to this, it is assessed if the Company's equity base may be strengthened by way of a capital increase.

According to the risk management hedging measures, the previously started comprehensive cost prevention and cost cutting program was continued, which also 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, 2013. Management repeatedly indicated this during the year in its regular reporting.

By securing liquidity through existing and planned financial activities and/or measures, the Company is expected to be able to continue as a going concern in the medium term until the first significant harvests. Based on the currently available information and the risk management measures taken, management at the present time assumes that the Company – despite the identified risks – will be able to continue as a going concern.

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

The research and development activities of THI were conducted through the subsidiary Teak Holz Handels- und Verarbeitungs GmbH and were already completed in prior periods. During the fiscal year 2012/2013, no research activities were carried out and no development activities were performed.

### **IV. REPORTING ON MATERIAL CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELATING TO THE ACCOUNTING PROCESS (DISCLOSURES PURSUANT TO §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 organization and procedures of the internal control system of THI AG take into account the clearly structured characteristics typical 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 comply with the International Financial Reporting Standards (IFRS) and are in accordance with the provisions of the Austrian Commercial Code (UGB) to be applied pursuant to §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 to 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 in the course of the regular reporting regime. 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, 2013. 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. Due to legislative changes which came into effect on January 1, 2013, new provisions are applicable with regard to the notification of voting rights pursuant to §§91ff. BörseG. For example, the lowest reporting threshold was reduced from 5% to 4%.

Pursuant to §91 BörseG, THI AG was notified by Erste Asset Management GmbH, seated in Vienna, that ERSTE SPARINVEST Kapitalanlagegesellschaft m.b.H., seated in Vienna, held 3.24% of the voting rights in the Company as of November 12, 2012 and therefore did not exceed the threshold of 5%.

THI AG also received a notification according to which Mr. Stephan Dertnig, MBA, entered into option agreements on November 8, 2012 under which he is entitled to acquire up to a maximum of 1,485,230 no-par shares (about 23.80% of the voting rights of the issuer).

Hörmann-Privatstiftung, seated in Linz, submitted to THI AG and the Austrian Financial Market Authority (FMA) two directors' dealings notifications stating that Hörmann-Privatstiftung entered into option agreements as of November 8, 2012 on the disposal of up to a maximum of 1,058,055 no-par shares (about 16.95% of the voting rights of the issuer).

No further reportable changes were reported by the shareholders during the fiscal year 2012/2013 to THI AG.

The management board knew of two participations of at least 4% as of the balance sheet date September 30, 2013: Hörmann-Privatstiftung held 33.9% and Mr. Klaus Hennerbichler held 19% of the voting rights in the Company. Since the shareholders did not inform the Company as to any reportable changes relating to shares in the voting rights, the identity of the remaining 47.1% of the shares in the voting rights is unknown and is considered to be in free float. Additional disclosures on participation notifications and the composition of the shareholding structure are presented under "Events after the Balance Sheet Date".

At the 2<sup>nd</sup> ordinary general meeting held 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 of registration of the amendment to the articles of association 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 held on June 23, 2010, the management board pursuant to §159(2) No. 1 AktG 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 EUR 10,000,000 was issued on September 1, 2010 and has a maturity of five years and a nominal interest rate of 5%. In the fiscal year 2011/2012, additional tranches of the convertible bond in the amount of EUR 1,000,000 were issued. In the fiscal year 2012/2013, investor meetings were successfully finalized and resulted in the issue of further tranches of the convertible bond in the amount of EUR 2,350,000. As of the balance sheet date (September 30, 2013), convertible bonds with a total nominal amount of EUR 13,350,000 were issued.

Vienna, March 28, 2014

The Management Board:

A handwritten signature in black ink, appearing to read 'Dr. Fraundorfer', with a long horizontal stroke extending to the right.

Dr. Franz Fraundorfer

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle 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, 2013 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 (UGB) 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 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, 2013 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 euro. 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 EU and applied for the first time in the fiscal year**

There are no new and/or amended standards and interpretations that are effective for the first time for the fiscal year that would be expected to have a material impact on the Group.

#### **b. Standards, interpretations and amendments to regulations that have not yet been applied**

A number of new standards as well as amendments to standards and interpretations exist that are applicable to the fiscal years beginning on or after January 1, 2012. These were not applied to these consolidated financial statements. Except for those amendments stated below, the impact of these amendments on the Group is not expected to be material.

IFRS 13, "Fair Value Measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the scope of fair value measurement but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The application of IFRS 13 is expected to require additional disclosures in the notes to the consolidated financial statements with regard to "fair value measurement" also in the case of non-financial assets (biological assets).

IFRS 9, “Financial instruments”, addresses the classification, recognition and measurement of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39, “Financial Instruments: Recognition and Measurement”, that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group will apply IFRS 9 at the latest in the fiscal year beginning on or after October 1, 2015. The Group will also analyze the additional phases of IFRS 9 as soon as the IASB adopted these phases.

IFRS 10, “Consolidated Financial Statements”, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Furthermore, the standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has not yet assessed the full impact of IFRS 10 and intends to apply IFRS 10 at the latest in the fiscal year beginning on or after October 1, 2013. IFRS 12, “Disclosure of Interests in Other Entities”, includes the revised disclosure requirements of IAS 27 and IFRS 10, IAS 31 and IFRS 11, as well as IAS 28. The Group has not yet assessed the full impact of IFRS 12 and intends to apply IFRS 12 at the latest in the fiscal year beginning on or after October 1, 2013.

There are no further standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

## **2. Consolidation**

The financial statements of companies included in the consolidated financial statements are 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 within the meaning of 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 the 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 three-tier segmentation is in line with the budgeting and controlling structure, on which the reporting, 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 is used. The allocation of internal services between individual segments is oriented to allocations carried out at arm’s length.

Description of the 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 which are generated from the global third-party teak log trade are attributed to this segment.

**Segment Teak Plantations:** In this segment, all plantation-specific functions are performed for the six plantation holding companies. The biological assets (these 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, Vienna. The functional currency of the Costa Rican subsidiaries is also the euro due to its activities as pure property companies and the financial structure in accordance with IAS 21.

##### b. Transactions and balances

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

The exchange rates used are as follows:

in EUR	PERIOD-END RATE 9/30/2013	PERIOD-END RATE 9/30/2012	AVERAGE RATE 2012/2013	AVERAGE RATE 2011/2012
TCRC*	0.661901	0.63131	0.64336	0.64305
USD	1.35096	1.28544	1.31180	1.29260

\*Thousand Costa Rican colón

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

A gain or loss arising on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of biological assets 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 Los Austriacos Numero Dos, S.A. are classified as 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 estimated revenues at the balance sheet date for different qualities of solid cubic meters of teak wood expected to be produced) are discounted to the respective balance sheet date and the liabilities 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 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 non-current financial 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 AKTIENGESELLSCHAFT (domiciled in Vienna).

In the fiscal year 2011/2012, a further tranche in the amount of EUR 1,000,000 of the conditional capital authorized on June 23, 2010 was issued. This convertible bond has the same conditions (also a term until August 31, 2015 and an interest rate of 5%). The fair value of the debt component, which is reported in non-current financial 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.

In the fiscal year 2012/2013, further convertible bonds with a total nominal value of EUR 2,350,000 of the conditional capital authorized on June 23, 2010 were issued. This convertible bond has the same conditions (also a term until August 31, 2015 and an interest rate of 5%). The fair value of the debt component, which is reported in non-current financial liabilities, was calculated using currently estimated market interest for similar, non-convertible bonds. At the date of issuance, the fair value of the debt component was EUR 1,992,741. The residual value, representing the value of the equity conversion component, is recognized in equity under capital reserves in the amount of EUR 122,248.

## 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 labor, 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 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 as of the date of acquisition, which are subject to only minor fluctuations in value, are included as cash equivalents. Bank overdrafts are shown within borrowings in current financial 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 pursuant to IFRS.

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 profits will be available against which the temporary differences can be utilized.

Temporary differences mainly arise from the differences in measurement of biological assets and tax loss carryforwards. Deferred tax assets/liabilities are provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed 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. 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**

A provision is recognized in the consolidated balance sheet when the 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 economic 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 specific 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. 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. 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 of 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 recognized in the consolidated statement of comprehensive income as costs incurred in the period in which the expenses were incurred (2012/2013: EUR 0, 2011/2012: EUR 0).

No development activities were carried out in the past fiscal year.

## 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 is credited to the capital reserves.

## 20. Risk management

### a. The risk management system of the THI Group

As an internationally operating group of companies, the 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. 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. The impacts of individual changes of financial parameters (estimated sales price teak wood/m<sup>3</sup>, discount rate, EUR/USD exchange rate) on the measurement of biological assets and the financial liabilities depending on this measurement are summarized in the chart on page 43. Detailed descriptions with regard to the changes are set out on the following pages.

#### **Liquidity risk**

The Company’s liquidity during the fiscal year 2012/2013 was always secured by ongoing and newly agreed credit lines. In the fiscal year 2012/2013 additional tranches of the convertible bond in the total amount of EUR 2,350,000 could thus be issued; Hörmann Privatstiftung granted a loan in the amount of EUR 160,000. Moreover, a timber forward contract could be entered into in the fiscal year that generated additional funds in the amount of EUR 900,000 for the Company.

After the balance sheet date, further measures to secure liquidity could be taken as a result of the conclusion of another timber forward contract (with regard to which liquidity had already been received), and the setting of additional contracts as well as the subscription of the remaining tranches of the convertible bond. It is assumed that the existing financing can be extended in the fiscal year 2013/2014. In order to refinance the financial liabilities falling due in 2015 under contractual obligations, most notably the convertible bond, the following measures are planned: Management has already directly and indirectly (with the help of adequately experienced consultants) contacted private investors (family offices) as well as institutional investors to timely redeem the existing convertible bond by issuing another bond, and to provide for additional means to finance the operating business. Although management is aware that liabilities can also be reduced by way of a partial disposal of fixed assets (property and teak trees) prior to the planned times of the harvest, management considers issuing a new bond more appropriate to redeem the convertible from today’s perspective.

In addition to this, it is assessed if the Company’s equity base may also be strengthened by way of a capital increase.

According to the risk management hedging measures, the previously started comprehensive cost prevention and cost cutting program was continued, which also 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, 2013. Management repeatedly indicated this during the year in its regular reporting.

By securing liquidity through existing and planned financial activities and/or measures, 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 in-



formation 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.

In this context, reference is made to the breakdown of the maturities of financial liabilities.

### **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 8 under Summary of significant accounting policies). Since there is no market price for plantation teak wood to be used for international and objective comparison, the price is fixed for each contract, depending on several factors.

As repeatedly illustrated in interim reports in the fiscal year 2012/2013, timber could not be traded actively as the supply of certified teak logs declined. Nevertheless, the Company is constantly informed about the developments on the international teak market.

Thus there is still demand for high-quality teak wood in Asia. Southeast Asia always has a general basic teak demand. Demand is clearly dominated by India. However, this demand is currently hardly met by timber from sustainable forestry, and as the majority of the world's teak plantations is younger than 20 years, this resource still has to grow in order to be marketable. Adaptations made by the Company concerning the main target markets for marketing activities are not necessary. The management thus 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 was used in the fair value measurement of the biological assets that is 10% below the actually used price in the measurement model for timber, a hypothetical book value of EUR 86,808,596 would result as of September 30, 2013 (instead of the actually reported value of EUR 97,648,739, based on the actually used prices per m<sup>3</sup>), i.e. a reduction of the sales price by 10% would result in a decrease of the biological assets by EUR 10,840,143. After-tax losses would increase by EUR 8,130,107.

On the other hand, in this scenario, pre-tax and after-tax losses would have been EUR 435,941 lower 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 a foreign ex-

change 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 timber trade and the target markets in Southeast Asia, the US dollar is the dominant trading currency.

If the exchange rate of the U.S. dollar as of September 30, 2013 (September 30, 2012) 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 EUR	
		September 30, 2013	September 30, 2012
USD	+10% (USD stronger)	-624,637	-813,510
USD	-10% (USD weaker)	511,066	994,290

In the above-mentioned scenario, losses would have changed to the same extent. If the USD/EUR exchange rate (currently 1.35096) changed by 10% (i.e. 1.21586 or 1.48606) at the balance sheet date, the biological assets, provided all other variables remained constant, would have to be reported EUR 10,849,860 higher or EUR 8,877,158 lower. In this scenario, after-tax losses would be EUR 8,137,395 lower or EUR 6,657,869 higher.

#### 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 current and non-current) 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, 2013 would have been lower (higher) by EUR 42,014 (prior year: EUR 41,783). In the above-mentioned scenario, the decline in the after-tax result would have amounted to EUR 31,510 (prior year: EUR 31,337). 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 assets, provided all other variables remained constant, would have to be reported EUR 11,798,293 higher or EUR 10,296,612 lower. In this scenario, after-tax losses would be EUR 8,848,720 lower or EUR 7,722,459 higher.

CHANGES IN INVENTORIES TEAK WOOD							
	Current value	Price	Price	Rate	Rate	Interest rate	Interest rate
Current value		100%	100%	1.35096	1.35096	12.750%	12.750%
Sensitivity		-10%	+10%	-10%	10%	-10%	10%
Value sensitivity		90%	110%	1.48606	1.21586	11.475%	14.025%
	<b>-37,714,284</b>	<b>-48,554,427</b>	<b>-26,874,141</b>	<b>-46,591,442</b>	<b>-26,864,424</b>	<b>-25,915,991</b>	<b>-48,010,896</b>
<b>Deviation from current value</b>		<b>-10,840,143</b>	<b>10,840,143</b>	<b>-8,877,158</b>	<b>10,849,860</b>	<b>11,798,293</b>	<b>-10,296,612</b>
	<b>after tax</b>	<b>-8,130,107</b>	<b>8,130,107</b>	<b>-6,657,869</b>	<b>8,137,395</b>	<b>8,848,720</b>	<b>-7,722,459</b>

*Sensitivity of the change in value of biological assets*

CHANGE IN VALUE OF LIABILITIES FROM MINORITY RIGHTS AND USUFRUCT RIGHTS							
	Current value	Price	Price	Rate	Rate	Interest rate	Zinssatz
Current value		100%	100%	1.35096	1.35096	12.750%	12.750%
Sensitivity		-10%	10%	-10%	10%	-10%	10%
Value sensitivity		90%	110%	1,48606	1,21586	11,475%	14,025%
	<b>3,326,880</b>	<b>3,908,135</b>	<b>2,745,625</b>	<b>3,837,946</b>	<b>2,702,243</b>	<b>2,885,394</b>	<b>3,729,397</b>
<b>Deviation from current value</b>		<b>581,255</b>	<b>-581,255</b>	<b>511,066</b>	<b>-624,637</b>	<b>-441,486</b>	<b>402,517</b>
	<b>after tax</b>	<b>435,941</b>	<b>-435,941</b>	<b>383,300</b>	<b>-468,478</b>	<b>-331,115</b>	<b>301,888</b>

*Sensitivity of the value of minority rights and usufruct rights*

### 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 revenues from harvests generated by the Group, the Company will for the most part 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.

in Euro	2012/2013	2011/2012
Non-current financial liabilities	25,381,180	25,947,388
Current financial liabilities	1,940,392	1,752,787
Cash and cash equivalents	-13,547	-41,895
<b>Net debt</b>	<b>27,308,025</b>	<b>27,658,280</b>
Equity	77,239,401	112,978,923
<b>Total equity</b>	<b>104,547,426</b>	<b>140,637,203</b>
Gearing ratio	26.12 %	19.67 %

The change in the gearing ratio is primarily due to the decreased equity, which resulted from the impairment of biological assets, and issuance of additional non-current financial liabilities. The negative cash flow from operating activities resulted in a decrease of cash and cash equivalents.

Based on the currently available information and the measures taken, management assumes at the present time that – despite the identified risks – 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.

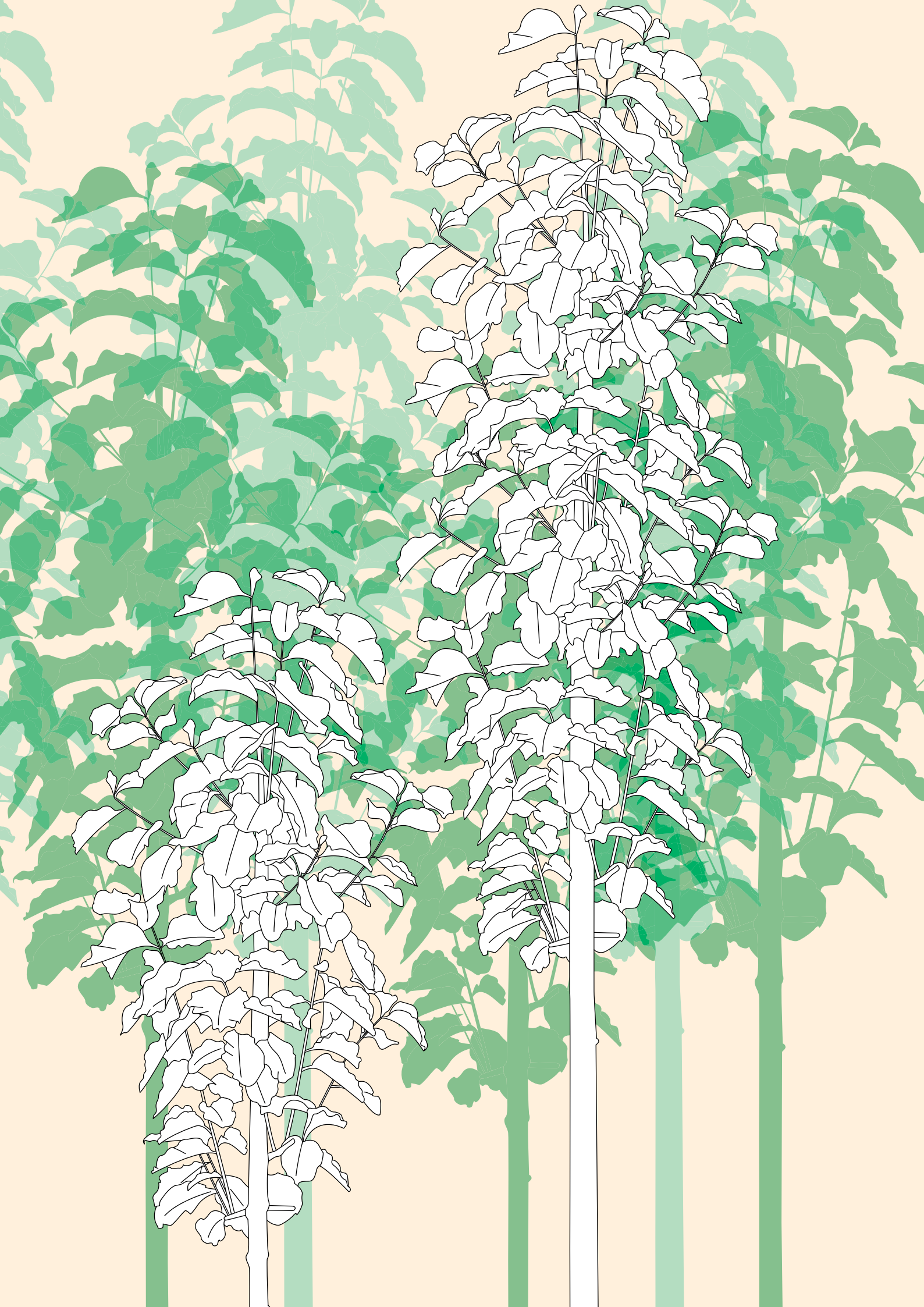
Estimates and respective assumptions are reviewed periodically. Changes in estimates are considered in the period in which the estimate was reviewed, if the review relates only to this period, or in the review period and future periods, if the review relates to both current and future periods.

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 comments on the consolidated balance sheet in the notes to the consolidated financial statements. For a sensitivity analysis of the parameter, which is crucial in the measurement, reference is made to the comments on the main risks of the Company.

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 loss carryforwards can be utilized. Based on the current valuation of biological assets it is assumed that from the future disposal of biological assets, appropriate tax profits arise. The existing tax loss carryforwards are explained in more detail in Note 11 in the comments on the consolidated balance sheet.

Estimates and assumptions are also required for the 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 going concern assumption. In this connection, reference is made to the above explanations regarding material accounting policies, Item 20 Risk management, for more information on the 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 2012/2013

in Euro	Teak Service	Teak Sales	Teak Plantations	Total Segments	Con-solidation	THI Groupe IFRS
<b>Revenue operating</b>	<b>0</b>	<b>0</b>	<b>283,165</b>	<b>283,165</b>	<b>0</b>	<b>283,165</b>
Third country revenue external	0	0	283,165	283,165	0	283,165
Domestic revenue external	0	0	0	0	0	0
Losses/gains arising from changes in fair value less costs to sell of biological assets	0	0	-37,714,284	-37,714,284	0	-37,714,284
Cost of sales/external services	-101,816	0	-520,661	-622,477	0	-622,477
Depreciation and amortization	-44,114	0	-849,338	-893,452	0	-893,452
Other expenses and income	-1,693,888	0	-541,988	-2,235,876	0	-2,235,876
<b>EBIT (segment result)</b>	<b>-1,839,818</b>	<b>0</b>	<b>-39,343,106</b>	<b>-41,182,924</b>	<b>0</b>	<b>-41,182,924</b>
Financial result						1,544,873
Taxes						3,776,281
<b>CONSOLIDATED COMPREHENSIVE LOSS</b>						<b>-35,861,770</b>

The revenues reported for the fiscal year from October 1, 2012 to September 30, 2013 were generated in Costa Rica. The revenues of the Teak Plantations segment include revenues from customers that generated more than 10% of total revenues (EUR 239,157).

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

in Euro	Teak Service	Teak Sales	Teak Plantations	Total Segments	Con-solidation	THI Groupe IFRS
<b>Revenue operating</b>	<b>0</b>	<b>92,509</b>	<b>121,860</b>	<b>214,369</b>	<b>0</b>	<b>214,369</b>
Third country revenue external	0	92,509	121,860	214,369	0	214,369
Domestic revenue external	0	0	0	0	0	0
Losses/gains arising from changes in fair value less costs to sell of biological assets	0	0	11,366,397	11,366,397	0	11,366,397
Cost of sales/external services	-3,200	-249,437	-424,261	-676,898	0	-676,898
Depreciation and amortization	-80,708	-85	-33,679	-114,472	0	-114,472
Other expenses and income	-1,841,479	-59,189	-510,986	-2,411,654	0	-2,411,654
<b>EBIT (segment result)</b>	<b>-1,925,387</b>	<b>-216,202</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 COMPREHENSIVE INCOME</b>						<b>3,931,948</b>

The revenues reported for the fiscal year from October 1, 2011 to September 30, 2012 were generated in India and Costa Rica. Revenues of the Teak Sales segment include revenue shares of customers which amount to more than 10% of total revenue (EUR 57,124). The revenues of the Teak Plantations segment were generated from only one customer.

## COMMENTS ON THE CONSOLIDATED BALANCE SHEET

### 2. Intangible assets

in Euro	Intangible assets	prior year	Intangible assets
in Euro		in Euro	
<b>Acquisition cost</b>		<b>Acquisition cost</b>	
October 1, 2012	80,319	October 1, 2011	34,199
Additions	8,000	Additions	46,120
Disposals	0	Disposals	0
<b>September 30, 2013</b>	<b>88,319</b>	<b>September 30, 2012</b>	<b>80,319</b>
<b>Amortization</b>		<b>Amortization</b>	
October 1, 2012	14,941	October 1, 2011	8,853
Amortization of the fiscal year	14,797	Amortization of the fiscal year	6,088
Disposals	0	Disposals	0
<b>September 30, 2013</b>	<b>29,738</b>	<b>September 30, 2012</b>	<b>14,941</b>
<b>Carrying amount</b>		<b>Carrying amount</b>	
October 1, 2012	65,378	October 1, 2011	25,347
<b>September 30, 2013</b>	<b>58,581</b>	<b>September 30, 2012</b>	<b>65,378</b>

Intangible assets only include acquired intangible assets.

In the fiscal year 2012/2013 as well as in the prior year, no write-downs and/or write-ups were recorded.

### 3. Property, plant and equipment

in Euro	LAND (PLANTATIONS)	FACTORY AND OFFICE EQUIPMENT, VEHICLE FLEET	TECHNICAL EQUIPMENT AND MACHINERY	TOTAL
<b>Acquisition cost</b>				
October 1, 2012	10,445,556	340,270	287,322	11,073,148
Transfers	-30,868	30,868	0	0
Additions	0	3,748	1,581	5,329
Disposals	0	-33,090	-2,946	-36,036
<b>September 30, 2013</b>	<b>10,414,688</b>	<b>341,796</b>	<b>285,957</b>	<b>11,042,441</b>
<b>Depreciation</b>				
October 1, 2012	0	222,586	98,624	321,210
Depreciation of the fiscal year	820,955	29,110	28,590	878,655
Disposals	0	-20,212	-1,723	-21,935
<b>September 30, 2013</b>	<b>820,955</b>	<b>231,484</b>	<b>125,491</b>	<b>1,177,930</b>
<b>Carrying amount</b>				
October 1, 2012	10,445,556	117,684	188,698	10,751,938
<b>September 30, 2013</b>	<b>9,593,733</b>	<b>110,312</b>	<b>160,466</b>	<b>9,864,511</b>



Prior year:

in Euro	LAND (PLANTATIONS)	FACTORY AND OFFICE EQUIPMENT, 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>

In the fiscal year 2012/2013, land was impaired by EUR 820,955 based on the assessments of the expert opinion which was made in connection with the measurement of biological assets. In the prior year, no write-downs and/or write-ups were recorded.

In the fiscal year 2012/2013, rental and leasing expenses in the amount of EUR 91,274 (prior year: EUR 91,221) arose from the use of property, plant and equipment not recognized in the balance sheet. These recognized expenses do not include rent payments or payments from subleases. Based on currently existing leasing and rental agreements, the obligations for the years are as follows:

Operating lease obligations towards third parties:

in Euro	2012/2013	2011/2012
Within the following year	15,604	56,211
Between one and five years	60,822	258,794
<b>Total</b>	<b>76,426</b>	<b>315,005</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 costs to sell.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset shall be included in profit or loss for the period in which it arises. In the case of the THI Group, biological assets exclusively include the teak plants and trees (the teak plantations) reforested in Costa Rica.

The measurement of biological assets is based on the independent expert opinion of Legacy Appraisal Services, Gainesville, USA, and is adjusted annually. This expert was commissioned for the first time to prepare an expert opinion. 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 has to be determined on the basis of the discounted cash flow method in accordance with IAS 41. The discounted proceeds to be expected for the harvests less discounted costs necessary for the establishment and care of a plantation and harvest are calculated. The parameters used are the values of physical stock-taking (number of trees per hectare), assumptions on the wood mass per tree, the number of trees to be cut in thinnings and harvests, and assumptions on future teak wood prices on international markets at the estimated time of the harvests. As non-financial measures, the qualities of the inventory and the plantation areas are assessed by forestry experts.

The Company determines the discount factor to be used based on the WACC (weighted average cost of capital) taking into account the comparison parameters and risk premiums usually used when applying the discounted cash flow valuation. The discount rate used is 12.75% (prior year: 12.75%). At the balance sheet date, assumptions with regard to the risk-free interest rate (yield 10-Year-Treasury-Note), a country-specific risk premium, market risk premium and beta factor, have been taken into account in order to calculate the discount rate used for discounting future cash flows.

Necessary changes in these estimate parameters may also lead to a significant decrease/increase in the measurement of biological assets in future years. In the fiscal year 2012/2013, assumptions regarding the following parameters used in the discounted cash flow measurement model were changed as a new independent expert opinion was commissioned and the forestry strategy adjusted: times of harvest, and distinction in terms of time with regard to the quantities of timber generated, distinction and adjustment in terms of time with regard to expected sales revenues and costs, as well as a reduction regarding areas. We refer to the detailed following explanations below.

When determining the number of trees based on the planting density and the net planting area, the Company considers the total area of the plantations based on the official map plus an addition made with regard to topology of the largely hilly terrain and a respective deduction rate for protection areas, roads, watercourses, etc. This was expected to amount to 30%, based on the current expert opinion.

**The carrying amounts of biological assets (teak plantations) in Costa Rica in accordance with IAS 41 are as follows:**

in Euro	2012/2013	2011/2012
Carrying amount as of October 1	135,363,023	123,996,626
Change in fair value	-37,714,284	11,366,397
Harvest	0	0
<b>Carrying amount as of September 30</b>	<b>97,648,739</b>	<b>135,363,023</b>

**Share in the change in fair value of biological assets:**

Change in exchange rate USD/EUR	13.1%
Adjustment wood prices	34.0%
Adjustment cost rate	7.7%
Adjustment forestry strategy (rotation period and harvest volumes)	45.2%
	100.0%

To calculate the change of the fair value (in per cent), the parameters used in the prior year (i.e. exchange rate, wood prices, costs) were applied to the new calculation model. The remainder of the change is assumed to be an effect arising from the adjustment of the forestry strategy.

**Thinning/harvest**

As harvests within 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 2012/2013, no thinnings or final cuttings of material extent were carried out that affect the fair value of biological assets.

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

The THI Group considers the measurement of teak plantations by the independent expert opinion 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: With regard to the growth of teak trees in Costa Rica, the Company initially assumed that the densely planted trees (starting at approx. 1,100 trees per hectare and then thinned to 600 trees per hectare through several interim harvests), which were thus made to depict stronger longitudinal growth, would already reach a volume of 0.75m<sup>3</sup> per tree in about 15 years. This assumption was based on experiences gained in horticulture, particularly in tree nurseries, that seemed also to apply to Costa Rica. Although in the meantime the cultivation of trees being densely planted in the beginning can be considered an accepted process that is often copied, most plantations use considerably stronger thinning processes that in general are carried out in three phases (at about 6, 10 and 15 years). In particular, significant yields are already generated in the second and third thinning ("commercial thinning"). Using this method, the originally planted approx. 1,100 trees are reduced to 600 and later to 450 trees, which results thus in stronger thickness growth.

The inventory led by Dr. Diego Perez, one of the most renowned teak experts in Latin America, showed now that the previous strategy with regard to forestry pursued by the Company has indeed led to a considerable increase in total volume per hectare which, however, mainly results from trees being planted more densely and not from an extraordinary thickness growth. At the same time it remains questionable if the target volume of 0.75m<sup>3</sup> per tree can be reached by keeping with traditional forestry, most notably with regard to density, in a rotation period of only 15 years.

Change in the forestry strategy and measurement assumptions: The Company thus commissioned an expert opinion to assess the plantations and to further develop the original forestry strategy. This expert opinion suggests a thinning of the stock of trees (at present 12 years old) from currently approx. 600 to 450 trees in the coming years (until the 15<sup>th</sup> year of growth) in order to let the remaining trees grow thicker and thus significantly improve the value of these trees' logs in another 3 to 5 years (18<sup>th</sup> to 20<sup>th</sup> year of growth) for which higher prices can be achieved.

Younger stocks (6<sup>th</sup> to 7<sup>th</sup> year of growth) of currently 800 trees per hectare will be reduced to approx. 750 trees in the coming year (winter 2014/2015), and in 2017 another 150 trees will be removed. In the 15<sup>th</sup> year of growth (2021-2023), the stock will have been reduced to the target of 450 trees that will be cultivated until the 18<sup>th</sup> to 20<sup>th</sup> year of growth.

This is meant to generate a marketable volume of approx. 450m<sup>3</sup> per hectare through the two interim harvests/thinnings and the final harvest.

When directly comparing the previously applied management and measurement model, two significant changes can be seen: the economic harvest volume of approx. 450m<sup>3</sup> is only reached over a rotation period of 18 to 20 years (instead of 15 years) from today's perspective; about one third of this volume is already generated in interim harvests.

As part of this forestry strategy, the Company intends to adjust the specific times and volumes of harvest also to market conditions and its own financing needs.

- b. Management has now decided to take into account in the measurement expected revenues on the basis of expected inflation and also on an expected real increase in timber prices. This is among other things due to the longer rotation period and the significantly differing times of harvest with regard to individual plantations. The prices assumed with regard to the aforementioned can be retraced with the help of external expert opinions, price information received, credible price indications and also from offers for timber. For 2020, USD 629 per m<sup>3</sup> was assumed for timber from 20 year old teak trees in the new measurement model.

### **Securing the harvest**

The estimated value of 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	9/30/2013	9/30/2012
Teak stock	8,981	0
Fertilizer and seedlings	97,291	75,493
<b>Net carrying amount</b>	<b>106,272</b>	<b>75,493</b>

In the past fiscal year, an allowance in the amount of EUR 13,611 was made for the teak stock.

In the prior 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 1,164,668 (prior year: EUR 1,157,596). 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 27,258 in the past fiscal year (prior year: EUR 10,343). No receivables from related parties are included (prior year: EUR 0) (see Note 27 – Related party transactions). Trade receivables include an allowance in the amount of EUR 45,997.

## 8. Cash and cash equivalents

in Euro	9/30/2013	9/30/2012
Cash and cash equivalents	13,547	41,895
<b>Cash and cash equivalents in cash flow</b>	<b>13,547</b>	<b>41,895</b>

All cash and cash equivalents have a remaining maturity of less than 3 months as of the date of acquisition.

## 9. Equity

### Share capital

The share capital of Teak Holz International AG, Vienna, amounts to EUR 31,205,160 and is fully paid in. As of September 30, 2013, 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 notes to the consolidated financial statements under Note 8 under Summary of significant accounting policies.

**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 bearer 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 reserves**

The release of capital reserves in the amount of EUR 28,765,183 (prior year: EUR 4,792k) equals the net loss for the year reported in the financial statements of Teak Holz International AG, Vienna, 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 and EUR 2,350,000 in 2013 an equity share of EUR 3,153,440, less proportional transaction costs of EUR 134,361, results from splitting the proceeds from issuance ("split accounting", see also Note 8 under Summary of significant accounting policies). The netted amount of EUR 3,019,078 is reported under capital reserves.

**10. Financial liabilities and additional disclosures on financial instruments****Non-current financial liabilities**

in Euro	9/30/2013	9/30/2012
Secured loans from banks	4,960,177	4,967,375
Secured loans from related persons	3,000,000	3,000,000
Loan from the Austrian Research Promotion Agency (Forschungsförderungsgesellschaft, FFG)	283,771	283,771
Secured convertible bond	11,515,503	8,747,633
Usufruct rights	1,097,026	2,107,978
Liabilities to minority shareholders	4,524,703	6,840,632
	<b>25,381,180</b>	<b>25,947,388</b>

The collateral for the bank loans includes a cover bill and a mortgage on the property of Gotthard Graf Pilati von Thassul zu Daxberg (former member of the supervisory board) in the amount of EUR 5,225,000. A mortgage on the properties of Segunda Plantacion in the amount of USD 10,672,000 exists of which Gotthard Graf Pilati von Thassul zu Daxberg is the beneficiary.

Regarding the loans from related persons contained in the non-current financial liabilities, reference is also made to the information in Note 27 in the comments on the consolidated financial statements.

Non-current financial liabilities include liabilities to minority shareholders, 65 hectares (prior year: 65 hectares) in Finca De Los Austriacos, S.A., Costa Rica. In addition, one minority interest (1 hectare) in Finca De Los Austriacos, S.A., Costa Rica, is property of Teak Holz Handels- und Verarbeitings GmbH. As the subsidiary Teak Holz Handels- und Verarbeitings GmbH is fully consolidated, the Group now retains 65 shares = 65 hectares minority interests.

Furthermore, the non-current financial liabilities include liabilities to holders of usufruct rights (26 hectares in Finca De Los Austriacos Numero Dos, S.A., Costa Rica), the majority of which will fall due after planned harvests in approx. 7 or 9 years.

Non-current financial liabilities also include the debt share less proportional transaction costs of the convertible bond in the nominal amount of EUR 13,350,000. 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 at that time) is 13.5% p.a. For the tranche of the convertible bond in the nominal amount of 1,000,000 issued in 2012, the effective interest rate is 7.75% p.a. For the tranches of the convertible bond in the nominal amount of EUR 2,350,000 issued in the fiscal year 2013, the effective interest rate is 12.75% p.a.

With regard to financial liabilities bearing variable interest rates, the fair values approximate the carrying amounts of the liabilities.

#### Current financial liabilities

in Euro	9/30/2013	9/30/2012
Liabilities to banks (overdrafts)	1,779,346	1,752,787
Shareholder loans	161,046	0
<b>Total</b>	<b>1,940,392</b>	<b>1,752,787</b>

The current financial liabilities in the amount of EUR 197,904 (prior year: EUR 43k) are not secured as at the balance sheet date. The remaining current financial liabilities in the amount of EUR 1,742,488 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 1,164,668. The fair values approximate the carrying amounts of the liabilities.

The average interest rate of the liabilities to banks ranges between 2.750 and 3.976%. The interest rate for FFG loans is 2%.

## Additional disclosures on financial instruments

	MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT 9/30/2013	AMOUNT RECOGNIZED IN THE BALANCE SHEET PURSUANT TO IAS 39 Amortized acquisition cost	FAIR VALUE 9/30/2013
in Euro				
<b>ASSETS</b>				
Trade receivables	LaR	27,258	27,258	27,258
Financial assets (restricted cash)	LaR	1,164,668	1,164,668	1,164,668
Other receivables and current assets	LaR/n.a.	169,789	169,789	169,789
Cash and cash equivalents	LaR	13,547	13,547	13,547
<b>EQUITY AND LIABILITIES</b>				
Non-current financial liabilities				
Usufruct rights	FLAC	1,097,026	1,097,026	1,097,026
Liabilities to minority shareholders	FLAC	4,524,703	4,524,703	4,524,703
Convertible bond	FLAC	11,515,503	11,515,503	*
Bank liabilities	FLAC	5,243,948	5,243,948	5,243,948
Other non-current financial liabilities	FLAC	3,000,000	3,000,000	3,000,000
Trade payables	FLAC	220,965	220,965	220,965
Current financial liabilities	FLAC	1,940,392	1,940,392	1,940,392
Other non-current liabilities	FLAC	960,000	960,000	960,000
Of which accumulated according to classification categories pursuant to IAS 39:				
Loans and receivables (LaR)		1,375,262	1,375,262	1,375,262
Financial Liabilities measured at amortized cost (FLAC)		28,502,537	28,502,537	16,987,034

\* The convertible bond was last traded on the Vienna Stock exchange with 73% (prior year: 95%) of the nominal value.



MEASUREMENT CATEGORY PURSUANT TO IAS 39	CARRYING AMOUNT 9/30/2012	AMOUNT RECOGNIZED IN THE BALANCE SHEET PURSU- ANT TO IAS 39 Amortized acquisition cost	FAIR VALUE 9/30/2012
LaR	10,343	10,343	10,343
LaR	1,157,596	1,157,596	1,157,596
LaR/n.a.	279,634	279,634	279,634
LaR	41,895	41,895	41,895
FLAC	2,107,978	2,107,978	2,107,978
FLAC	6,840,631	6,840,631	6,840,631
FLAC	8,747,633	8,747,633	*
FLAC	5,251,146	5,251,146	5,251,146
	3,000,000	3,000,000	3,000,000
FLAC	196,887	196,887	196,887
FLAC	1,752,787	1,752,787	1,752,787
FLAC	0	0	0
	1,489,468	1,489,468	1,489,468
	27,897,062	27,897,062	19,149,429

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

in Euro	Book values		Cash flows (incl. interest)	
	9/30/2013	9/30/2012	9/30/2013	9/30/2012
Up to 1 year	3,148,633	1,949,674	4,000,955	2,827,544
Between 1 and 5 years	20,653,331	23,839,411	24,433,103	33,817,812
Over 5 years	4,700,573	2,107,978	11,471,808	4,330,772
<b>Total</b>	<b>28,502,537</b>	<b>27,897,063</b>	<b>39,905,866</b>	<b>40,976,128</b>

The change in liabilities shown under “Between 1 and 5 years” and “Over 5 years” mainly results from postponed payments in connection with minority interests and usufruct rights. These payments will be postponed for five years due to the change in the forestry strategy.

**11. Deferred tax assets and liabilities**

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

in Euro	ASSETS		LIABILITIES		NET	
	2012/2013	2011/2012	2012/2013	2011/2012	2012/2013	2011/2012
Property, plant and equipment	0	0	-4,633	-4,819	-4,633	-4,819
Biological assets	0	0	-9,547,333	-12,546,578	-9,547,333	-12,546,578
Issuance costs convertible bond	0	0	-30,625	-46,603	-30,625	-46,603
Tax advantage due to tax loss carryforwards	7,423,542	6,657,420	0	0	7,423,542	6,657,420
<b>Gross amount</b>						
<b>Deferred tax assets/liabilities</b>	<b>7,423,542</b>	<b>6,657,420</b>	<b>-9,582,591</b>	<b>-12,597,999</b>	<b>-2,159,049</b>	<b>-5,940,580</b>
Netting	0	0	0	0	0	0
<b>Net amount</b>						
<b>Deferred tax assets/liabilities</b>	<b>7,423,542</b>	<b>6,657,420</b>	<b>-9,582,591</b>	<b>-12,597,999</b>	<b>-2,159,049</b>	<b>-5,940,580</b>

**Tax loss carryforwards**

As of September 30, 2013, the THI Group has tax loss carryforwards in the amount of EUR 30,958,180 (prior year: EUR 27,893,686), which will expire in the next years as follows:

in Euro	2012/2013	2011/2012
2012/2013	0	0
2013/2014	1,136,017	1,136,017
2014/2015	177,423	177,423
2015/2016	247,162	247,162
Unlimited	29,397,577	26,333,084
<b>Total</b>	<b>30,958,179</b>	<b>27,893,686</b>
Recognized as deferred tax assets	-29,644,735	-26,580,247
<b>Unrecognized tax loss carryforwards</b>	<b>1,313,444</b>	<b>1,313,439</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 disposal of biological assets will accrue in Austria.

Deferred tax assets and liabilities do not include material amounts that are expected to be realized or fulfilled in less than twelve months.

### Changes in deferred tax assets and liabilities during the year

in Euro	BALANCE 10/1/2012	CHANGE THROUGH PROFIT OR LOSS	BALANCE 9/30/2013
Property, plant and equipment	-4,819	186	-4,633
Biological assets	-12,546,578	2,999,245	-9,547,333
Convertible bond	-46,603	15,978	-30,625
Tax advantage due to tax loss carryforwards	6,657,420	766,122	7,423,542
<b>Total</b>	<b>-5,940,580</b>	<b>3,781,531</b>	<b>-2,159,049</b>

### Prior year:

in Euro	BALANCE 10/1/2011	CHANGE THROUGH PROFIT OR LOSS	BALANCE 9/30/2012
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>

## 12. Trade payables

Trade payables amount to EUR 220,965 in the past fiscal year (prior year: EUR 196,887). They include payables to related parties in the amount of EUR 1,123 (prior year: EUR 55,617); for this purpose it is referred to the explanation under Note 27 on related party transactions.

## 13. Other current payables and accrued liabilities

in Euro	9/30/2013	9/30/2012
Legal and consulting costs	111,755	132,350
Liabilities to shareholders	70,962	70,962
Liabilities from levies and tax	100,459	119,876
Liability commissions	629,500	391,000
Liabilities from timber forward contracts	960,000	0
Passive accruals and deferrals	26,648	49,211
Commission	36,000	0
Accrued coupon interests	55,625	45,833
Liabilities to supervisory board members	32,000	40,000
Accrued liabilities from the preparation of financial statements and publication	38,100	28,503
Other	19,258	19,180
<b>Total</b>	<b>2,080,307</b>	<b>896,915</b>

The other current payables and accrued liabilities include liabilities to related parties in the amount of EUR 700,462 (prior year: EUR 521,962) (see Note 27 – Related party transactions).

In the fiscal year 2012/2013, THI AG for the first time entered into a forward contract on own teak wood from thinnings carried as from January 2014. In the reporting period, the Company received a payment in connection with this contract. At the same time, THI AG undertook to repurchase the teak wood itself if this wood is not sold to third parties within the contractually defined period. Due to the transfer of risk as set forth under the contract, no revenue was generated in this context in the fiscal year 2012/2013. Reference is made to Note 15 Revenue recognition.

#### 14. Employee benefits

Employee benefits exclusively consist of current liabilities (primarily accrued vacation) and amount to EUR 32,071 (prior year: EUR 32,040) in the past fiscal year.

### 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	2012/2013	2011/2012
Third country revenue	283,165	214,369
Domestic revenue	0	0
<b>Total</b>	<b>283,165</b>	<b>214,369</b>

The revenues result from the sale of teak wood in the amount of EUR 33,585 (prior year: EUR 92,509) and from service activities on plantation management for external partners in the amount of EUR 249,580 (prior year: EUR 121,860).

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

in Euro	2012/2013	2011/2012
Cost of sales teak logs	0	78,867
Cost of purchased services	480,735	294,846
Write-down on harvested teak trees	0	86,155
Write-down on timber inventory (third-party timber)	0	156,518
Fertilizer and other consumables	141,742	60,512
<b>Total</b>	<b>622,477</b>	<b>676,898</b>

**17. Personnel expenses**

in Euro	2012/2013	2011/2012
Wages/salaries	807,999	855,818
Expenses for termination benefits	6,620	9,385
Statutory social security contributions	137,060	168,582
Other personnel expenses	101,057	101,420
<b>Total</b>	<b>1,052,736</b>	<b>1,135,205</b>

As in the prior year, expenses for termination benefits solely include contributions to staff provision funds.

**18. Other operating income**

in Euro	2012/2013	2011/2012
Income from reimbursement expenses	9,591	16,896
Grants received	9,798	40,590
Income from the reversal of accrued liabilities	36,000	9,679
Other	29,386	10,491
<b>Total</b>	<b>84,775</b>	<b>77,656</b>

**19. Other operating expenses**

in Euro	2012/2013	2011/2012
Legal fees	178,961	98,585
Audit and consulting fees	72,884	100,518
Other consulting fees relating to financing	136,106	214,626
Expenses for supervisory board compensation	35,000	48,000
Liability provisions	238,500	222,250
Other provisions to third parties	44,868	45,250
Other services, charges	32,486	131,801
Advertising and marketing	67,292	64,332
General administration	152,125	161,888
Automobile expenses / forest vehicles	90,654	85,130
Transport and travel expenses, further training	62,518	33,992
Other	156,521	147,733
<b>Total</b>	<b>1,267,915</b>	<b>1,354,105</b>

## 20. Financial result

in Euro	2012/2013	2011/2012
<b>Financial income</b>		
Exchange rate differences	0	20,058
Interest income from bank deposits	7,734	7,456
Adjustment liabilities from minority interests and usufruct rights	3,326,880	0
<b>Financial expenses</b>		
Exchange rate differences	-11,655	0
Interest expenses from bank liabilities	-1,778,086	-1,444,048
Adjustment liabilities from minority interests and usufruct rights	0	-861,546
<b>Financial result – net</b>	<b>1,544,873</b>	<b>-2,278,080</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 2012/2013: 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	2012/2013	2011/2012
<b>Taxes recognized in the statement of comprehensive income</b>		
Current tax of the fiscal year	-5,250	-5,250
<b>Deferred taxes</b>		
Allocation and reversal of temporary differences	3,015,409	-2,009,535
Changes in recognized deferred tax assets on tax loss carryforwards	766,122	-152,929
<b>Total taxes on income in the statement of comprehensive income</b>	<b>3,776,281</b>	<b>-2,167,714</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	2012/2013	2011/2012
<b>Taxable income</b>	<b>-39,638,051</b>	<b>6,099,675</b>
Tax at applicable tax rate (25%)	9,909,513	-1,524,919
Effect of foreign tax rates	60,598	25,892
Effect of tax loss carryforwards not accounted for/recognized	-48,370	-218,956
Effect from tax loss carryforwards from prior years	-160,518	-855,051
Effect from differences from biological assets not recognized as deferred tax assets	-6,429,326	820,051
Other	444,384	-414,731
<b>Total taxes on income in the statement of comprehensive income</b>	<b>3,776,281</b>	<b>-2,167,714</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, 2013 was based on the loss/profit share attributable to the ordinary shareholders (EUR -35,861,770) in the amount of EUR -5.75 (prior year: EUR 0.63) per share and the average number of ordinary shares outstanding during the fiscal year 2012/2013 of 6,241,032 shares (prior year: 6,241,032).

### b. Diluted earnings per share

A dilution would occur if earnings per share were reduced through the issue of potential shares from option and conversion rights. At the balance sheet date, such rights existed from a convertible bond. However, taking these rights into account in the fiscal year 2012/2013 increases earnings per share; hence, these option and conversion rights do not result in any dilution of earnings. The diluted earnings per share thus also amount to EUR -5.75 (prior year: EUR 0.57).

## 23. Acquisitions of Costa Rican property companies

In the fiscal year 2012/2013, no property companies were acquired.

## 24. Business combinations

In the fiscal year 2012/2013, no business combinations were formed.

## OTHER DISCLOSURES

### 25. Number of employees

The average number of employees was:

	2012/2013	2011/2012
Austria	9	10
Costa Rica	51	57
<b>THI Group</b>	<b>60</b>	<b>67</b>

### 26. Contingent liabilities

As collateral for current bank debt of Teak Holz Handels- und Verarbeitungs GmbH, Teak Holz International AG issued a guarantee in the amount of EUR 1,350,000 as well as a letter of comfort for the subsidiary.

## 27. Related party transactions

### Identification of related parties:

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

### In the fiscal year 2012/2013, the following persons served on the management board:

Dr. Franz Fraundorfer (member of the management board) – since September 21, 2013

Mr. Klaus Hennerbichler – CEO from December 12 to December 31, 2012 and from July 17 to September 21, 2013 as well as member of the management board from September 21 to December 20, 2013

Mr. Stephan Dertnig, MBA (CEO) – from January 1 to July 17, 2013

Mr. Siegfried Mader (CEO) – until December 12, 2012

### In the fiscal year 2012/2013, the following persons served on the supervisory board:

Gotthard Graf Pilati von Thassul zu Daxberg (member of the supervisory board until December 12, 2012, deputy chairman of the supervisory board from December 12, 2012 to May 10, 2013 and chairman of the supervisory board from May 10 to December 6, 2013)

Erwin Hörmann (chairman of the supervisory board until May 10, 2013, member of the supervisory board from May 10 to September 21, 2013 and deputy chairman of the supervisory board from September 21 to November 5, 2013 as well as member of the supervisory board from December 9 to 20, 2013)

Dr. Benoît Leleux, MBA (member of the supervisory board from May 10 to December 9, 2013, deputy chairman of the supervisory board since December 9, 2013)

Dr. Monika Wildner, LL.M. (NYU) (deputy chairman of the supervisory board from May 10 to August 31, 2013)

Dr. Manfred Luger (member of the supervisory board until May 10, 2013)

Mr. Alexander Hüttner, LL.M. (NYU) (chairman of the supervisory board until December 12, 2012)

With regard to changes in the supervisory board after the balance sheet date, we also refer to the disclosures on the following pages.

### Management board remunerations and supervisory board emoluments

in EUR	MANAGEMENT BOARD REMUNERATIONS/ SUPERVISORY BOARD EMOLUMENTS	
	2012/2013	2011/2012
Management board	244,474	244,147
Supervisory board	35,000	40,000
	<b>279,474</b>	<b>284,147</b>

Individualized compensation is as follows: Mr. Klaus Hennerbichler (CEO – from 12/12/2012 to 31/12/2012 and from 7/17/2013 to 12/20/2013) EUR 13,950.00; Mr. Stephan Dertnig (CEO – from 1/1/2013 to 7/17/2013) EUR 96,909.92, Mr. Siegfried Mader (CEO – until 12/12/2012) EUR 133,613.85.

As of the balance sheet date, no loans and advances were granted to the members of the management board or the supervisory board of the THI Group.



**Stock options**

Mr. Siegfried Mader's management board contract includes the 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 October 27 of each calendar year	EUR 5,00	100.000	10/27/2012 to 4/27/2017	10/27/2012

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 through profit or loss 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 at the latest after the expiration of the employment contract in part or in full. The option rights of Mr. Mader totaling 20,000 shares expired in the fiscal year 2012/2013.

Dr. Fraundorfer's (member of the management board since September 21, 2013) management board contract includes the following stock option model as part of the compensation:

Time of Allocation	Exercise price	Amount of the options	Period	First possible time of exercise
Allocation of 20,000 pieces upon appointment as a member of the management board	EUR 5.00	20,000	9/21/2013 to 9/20/2018	9/21/2013
Allocation of 20,000 pieces after restructuring of financing	EUR 5.00	20,000	Up to 5 years following allocation	Following allocation
Allocation of 10,000 pieces upon excess of sustainable price target of THI AG	EUR 5.00	10,000	Up to 5 years following allocation	Following allocation

Due to materiality reasons, the fair value of the option of Dr. Fraundorfer was omitted.

Changes in the stock of receivable option rights:

	2012/2013
As of October 1, 2012	20,000
Issued	20,000
Expired	20,000
Exercised	0
<b>As of September 30, 2013</b>	<b>20,000</b>

**Transactions with related parties:**

The information relates to the period in the course of which close relationships with persons/companies existed.

Through the legal representation/consulting of Teak Holz International AG, Vienna, by Saxinger, Chalupsky & Partner Rechtsanwälte GmbH, Linz (Mr. Alexander Hüttner, LL.M. (NYU), chairman of the supervisory board until December 12, 2012), current fees in the amount of EUR 17,230 (prior year: EUR 77,713) were incurred.

Through the legal representation/consulting of Teak Holz International AG, Vienna, by Dr. Monika Wildner, deputy chairman of the supervisory board from May 10 to August 31, 2013, current fees in the amount of EUR 37,130 incurred.

In current business transactions (incl. offsetting) with Klaus Hennerbichler GmbH u. Co KG (Mr. Klaus Hennerbichler, management board member until October 27, 2011, CEO from December 13 to December 31, 2012 and from July 18 to September 21, 2013, member of the management board since September 21, 2013) the THI Group incurred expenses of EUR 0 (prior year: EUR 1,073). At the balance sheet date, no outstanding payables to or receivables from Klaus Hennerbichler GmbH u. Co KG exist (prior year outstanding payables in the amount of EUR 1,977).

Furthermore, a business relationship exists with THP GmbH (shareholder Mr. Klaus Hennerbichler). In current business transactions (incl. offsetting) expenses were incurred in the amount of EUR 12,489 (prior year: EUR 65,417). At the balance sheet date, the Company has no payables to THP GmbH (prior year: EUR 0).

At the balance sheet date, payables to Mr. Klaus Hennerbichler exist in the amount of EUR 70,962 that result from contractual rights to severance pay.

Gotthard Graf Pilati von Thassul zu Daxberg (member of the supervisory board until December 12, 2012 and chairman/deputy chairman of the supervisory board from December 12, 2012 to December 6, 2013) granted the Company a loan in the amount of EUR 3,000,000 in the fiscal year 2011/2012. Interest is charged at arm's length. For given collateral of EUR 7,950,000 of the supervisory board member Gotthard Graf Pilati as collateral for current and non-current bank loans, an expense for liability commissions in the amount of EUR 238,500 (prior year: EUR 222,250) was incurred in the fiscal year 2012/2013. The accrued liabilities at September 30, 2013 amount to EUR 629,500 (prior year: EUR 391,000).

As a counter-security, Gotthard Graf Pilati registered a mortgage on Company properties of Segunda Plantacion Austriaca Teca, S.A. in the amount of USD 10,672,000.

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.

THI AG has entered into a middleman contract with Tassilo Graf Pilati von Thassul zu Daxberg for procuring unsubscribed equity of THI AG to third parties. No income, expenses or payables result from this contract. This contract has been terminated by THI AG in the meantime.

THI AG has signed a service contract with DD Management & Advisory GmbH (shareholder Dagmar Dertnig, wife of Mr. Stephan Dertnig) at arm's length. On November 11, 2012, DD Management & Advisory GmbH subscribed for 13 convertible bonds at an issue price of EUR 45,000 per piece.

Mr. Stephan Dertnig, MBA, subscribed for 32 convertible bonds at an issue price of EUR 45,000 per piece on November 8, 2012.

Mr. Stephan Dertnig, MBA, was granted an option on the acquisition of a total of 23.8% of shares in the Company by the shareholders Mr. Klaus Hennerbichler and Hörmann Privatstiftung. Mr. Dertnig, MBA, did not exercise this option. The options were transferred to third parties after the balance sheet date.

In the fiscal year 2012/2013, Mr. Erwin Hörmann granted THI AG a non-secured loan in the amount of EUR 160,000. Interest is charged at arm's length.

At the balance sheet date, outstanding payables exist to Dr. Benoît Leleux (member of the supervisory board) in the amount of EUR 1,123 from expense reports. In total, THI AG incurred expenses in the amount of EUR 2,824.

In September 2013, THI AG made use of services provided by Aspect Management Limited (managing shareholder Dr. Franz Fraundorfer) in the amount of EUR 1,625. At the balance sheet date, no outstanding receivables from or payables to Aspect Management Limited exist.

At the balance sheet date, no outstanding payables to Mr. Mader (CEO until December 12, 2012 (prior year: EUR 36,000)) exist.

## 28. Expenses for the auditor

Expenses for the auditor amount to EUR 58,477 (prior year: EUR 63,420) and are broken down as follows:

in EUR	2012/2013	PRIOR YEAR
Audit of the consolidated financial statements	24,500	23,950
Other assurance services	33,977	31,100
Other services	0	8,370
<b>Total</b>	<b>58,477</b>	<b>63,420</b>

## 29. Events after the balance sheet date

### Additional strengthening of liquidity

After the balance sheet date (September 30, 2013) investor meetings were successfully finalized and resulted in the issuing of further tranches of the convertible bond in the amount of EUR 2,250,000. Furthermore, a medium term timber forward contract could be concluded that generated additional liquid funds. Moreover, proceeds from the sale of thinning are expected that become marketable for the first time in the fiscal year 2013/2014.

### Changes in the supervisory board

After the balance sheet date, several changes occurred in the supervisory board. The following persons served on the supervisory board of THI AG at these consolidated financial statements were published: Dr. Reinhard Schanda (chairman of the supervisory board), Dr. Benoît Leleux, MBA (deputy chairman of the supervisory board), and Mr. Lorenzo Subani (member of the supervisory board).

### Changes in the management board

Mr. Klaus Hennerbichler ended his interim function as CEO as of December 20, 2013. Dr. Franz Fraundorfer now represents the Company as CEO with sole right of representation.

No further material events occurred after September 30, 2013.

These consolidated financial statements were prepared by the management of the parent company and authorized for publication on March 24, 2014.

Vienna, March 28, 2014

The Management Board:



Dr. Franz Fraundorfer































**CORPORATE  
GOVERNANCE  
REPORT**  
AS OF SEPTEMBER 30, 2013, OF  
**TEAK HOLZ  
INTERNATIONAL AG,  
VIENNA**

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

## CORPORATE GOVERNANCE REPORT

Teak Holz International AG (THI AG, the Company), domiciled in Vienna, Austria, and its subsidiaries (THI Group), are a company specialized in the sustainable management of teak plantations, which is listed on the Vienna Stock Exchange.

On March 28, 2007, Teak Holz International AG made an initial public offering at the Vienna Stock Exchange. The shares have been traded on the Vienna Stock Exchange in the standard market continuous segment since March 29, 2007, ISIN: AToTEAKHOLZ8, WKN: AoMMG7, ticker symbol: TEAK. The TEAK share is also traded 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 2014.

The responsibly managed teak forests on the Costa Rican Pacific Coast currently cover an area of approx. 1,934 hectares, on which individually cultivated teak trees grow. It is intended to gradually increase the total plantation area. Since November 2008, four plantations covering a total area of 850 hectares have been certified according to internationally accepted ecological and social criteria.

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 website: [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 of the Austrian Commercial Code (UGB), THI AG is committed to the Austrian Corporate Governance Code as amended, this currently being the Austrian Governance Code of July 2012. THI AG's commitment to comply with this Code, deviations from individual rules and the annual Corporate Governance Report are publicly available on the Company's website, [www.teak-ag.com](http://www.teak-ag.com), under Investor Relations.

The Austrian Corporate Governance Code sets out standards of good governance for those companies that comply with it on the basis of voluntary self-commitment. Corporate Governance stands for responsible corporate management and control geared to long-term value creation. Efficient cooperation between management board and supervisory board, respect for shareholders' interests, openness and transparency of corporate communications are key aspects of good corporate governance. It is intended to strengthen the trust of all stakeholders, in particular international investors, in the Company and its management and in Austria as a financial center. The complete wording of the Code is available under [www.corporate-governance.at](http://www.corporate-governance.at).

#### 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 neither has to be disclosed nor explained.

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

Rule C-16: The management board of THI AG currently consists of only one member with sole power of representation. THI AG's articles of association provide for such possibility.

Rule C-18: Due to the small size and clear organizational structure of the Company, a separate staff unit "Internal Audit" will not be set up for the time being. If a certain company size is reached, the appropriateness of an establishment will be reviewed.

Rules C-30 and C-31: Due to the small size of the Company and because the Company's business is managed exclusively by one member of the management board with sole power of representation, the Corporate Governance Report does not state any further disclosures with regard to the fixed and variable portions of the remuneration granted to the management board.

Rules C-39, C-41 and C-43: Apart from the audit committee, no further committees are in place due to the specific circumstances of the Company (for example its small size). Neither a separate nomination committee nor a separate 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 2012/2013, THI AG was advised and represented in legal matters by Saxinger, Chalupsky & Partner Rechtsanwälte GmbH, Linz; by Alexander Hüttner, LL.M. (NYU), member of the supervisory board; and also by Dr. Monika Wildner, LL.M. (NYU), member of the supervisory board. Financing contracts are in place with Gotthard Graf Pilati von Thassul zu Daxberg, and a loan agreement existed with Hörmann-Privatstiftung during the reporting period. Details on the subject matter of the respective contracts and the related expenses are disclosed in the notes to the consolidated financial statements in section "Related party transactions".

Rule C-51: Remuneration of the members of the supervisory board is disclosed as an aggregate amount. An individualized presentation, as stipulated in Rule C-51, is not published to protect the privacy of the individual members of the supervisory board.

Rule C-54: Mr. Erwin Hörmann (member of the supervisory board) could not be considered independent since he has business relations to Hörmann-Privatstiftung, which at the balance sheet date (September 30, 2013) had a voting interest in THI AG of more than 10%.

Rule L-65: The annual financial report will be published at the latest four months after the end of the reporting period; the interim reports at the latest six weeks after the end of the reporting period. The Company could not fulfill this legal requirement for the first time. The management board announced on December 23, 2013 that the publication of the annual financial report as of 9/30/2013 (fiscal year 2012/2013), publication planned for January 30, 2014, as well as the publication of the interim report for the first quarter (from 10/1/2013 to 12/31/2013 of the fiscal year 2013/2014), publication planned for February 10, 2014, had to be postponed. The postponement was related to the preparation of forestry stock-taking in Costa Rica which was subject to weather-induced delays.

Rule C-81a: In addition to those situations set out by law, the chairman of the audit committee did not convene any further meetings. This was owed to the changes in the supervisory board during the fiscal year 2012/2013.

## II. BOARDS OF THE COMPANY AND RULES OF PROCEDURE OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD PURSUANT TO SECTION 243B (2) UGB

### Organization and rules of procedure of the management board

According to the articles of association of THI AG, the management board of THI AG consists of one, two, three or four members. The management board is nominated by the supervisory board. The management board manages the Company in accordance with the law, the articles of association and the rules of procedure to be adopted by the supervisory board. The rules of procedure set out the responsibilities of the management board which include: corporate strategy and development, plantation management, accounting and controlling, treasury, risk management, technology, quality management, purchasing, trading, communications and investor relations, organization and HR, IT and any other areas governed by the rules of procedure.

The management board informs the supervisory board regularly, or in the case of important events without delay (special report), and comprehensively of all material events and developments and the implementation of the corporate strategy within the Group, most notably of the risk situation. The management board provides the supervisory board with the basis for those decisions that require the supervisory board's approval (transactions requiring approval) and turns to it for any advice and recommendations in open discussions. The management board reports to the supervisory board at least once a year on any anti-corruption measures taken in the Company.

In the fiscal year from October 1, 2012 to September 30, 2013, the following persons stated in the table served as members of the management board of Teak Holz International AG:

NAME	YEAR OF BIRTH	FROM	TO
<b>DI Dr. Franz Fraundorfer</b> Member of the management board	1962	9/21/2013	*
<b>Klaus Hennerbichler</b> Member of the management board	1969	9/21/2013	*
Interim CEO		7/17/2013	9/21/2013
Interim CEO		12/12/2012	12/31/2012
<b>DI Stephan Dertnig, MBA</b> CEO	1961	1/1/2013	7/17/2013
<b>Mag. Siegfried Mader</b> CEO	1973	10/28/2011	12/12/2012

\* The missing dates in the column "TO" relate to members of the management board as of the balance sheet date September 30, 2013.

In the fiscal year, the management board members of THI AG did not hold any supervisory board mandates in other domestic or foreign listed companies. The Group has D&O (directors and officers) insurance. The premium is borne by THI AG.

## Remuneration of the management board

In the determination of the total remuneration with regard to the members of the management board, the supervisory board ensures proportionality between the tasks assumed of and performance delivered by the individual member of the management board, between the situation of the Company and the ordinary remuneration and undertakes that long-term incentives with regard to a sustained corporate development are taken into account.

Total remuneration of the members of the management board in the fiscal year 2012/2013 amounted to EUR 244,474, in the prior year EUR 244,147. Individualized remuneration of the individual members of the management board is as follows: Mr. Siegfried Mader (CEO – until 12/12/2012) EUR 133,614; Mr. Stephan Dertnig, MBA (CEO – from 1/1/2013 to 7/17/2013) EUR 96,910; Mr. Klaus Hennerbichler (CEO – from 12/12/2012 to 12/31/2012 and from 7/17/2013 to 12/20/2013) EUR 13,950. At the balance sheet date, payables to Mr. Klaus Hennerbichler exist in the amount of EUR 70,962, which result from contractual rights to severance pay. As of the balance sheet date, no loans and advances were granted to the members of the management board of the THI Group.

## Changes in the management board

On December 20, 2013, Mr. Klaus Hennerbichler informed the Company that he would be terminating his interim membership of the management board as of December 20, 2013. Mr. Hennerbichler acted as the Company's interim CEO with sole power of representation from July 17, 2013 to September 21, 2013. As of September 21, 2013, with Dr. Franz Fraundorfer being appointed member of the management board, Mr. Hennerbichler and Dr. Fraundorfer jointly performed the management responsibilities on an interim basis. As of December 20, 2013, Dr. Fraundorfer now represents THI AG as CEO with sole power of representation.

The management board of Teak Holz International AG consists of the following member as of December 20, 2013:

NAME	YEAR OF BIRTH	FROM	TO
<b>DI Dr. Franz Fraundorfer</b> CEO with sole power of representation	1962	9/21/2013	9/30/2014*

\* End of the current term as stipulated in the employment contract for members of the management board.

## Stock options

Stock options are agreed upon in the contract of the respective member of the management board as part of remuneration. The fair value of the options is determined using the Black-Scholes option pricing model. The key parameters for the valuation model are the share price at grant date, the exercise price, the period of the option and the risk free rate for that period at the time of grant. 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 through profit or loss in personnel expenses. The management board member is not obliged to exercise the stock options immediately. He/she is entitled to exercise stock options up until a maximum of six months after the expiration of the employment contract in part or in full.

Stock options of Mr. Siegfried Mader: The option rights agreed upon with Mr. Mader have expired upon his resignation as CEO (as of 12/12/2012) and upon expiry of the exercise date in the fiscal year 2012/2013.

Stock options of Dr. Franz Fraundorfer: The following stock option model was agreed upon to be a part of the remuneration in the employment contract for members of the management board entered into with Dr. Fraundorfer (member of the management board since September 21, 2013):

Time of Allocation	Exercise price	Number of options	Period	First possible time of exercise
Allocation of 20,000 pieces upon appointment as a member of the management board	EUR 5.00	20,000	9/21/2013 to 9/20/2018	9/21/2013
Allocation of 20,000 pieces after restructuring of financing	EUR 5.00	20,000	Up to 5 years following allocation	Following allocation
Allocation of 10,000 pieces after exceeding a sustainable price target of THI AG	EUR 5.00	10,000	Up to 5 years following allocation	Following allocation

Due to materiality reasons, the fair value determination of the option of Dr. Fraundorfer was omitted.

### Organization and rules of procedure of the supervisory board

The supervisory board is informed on a regular basis by the management board on the current corporate development and receives information on risks, as well as opportunities, arising in the course of business operations in a timely manner. 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.

Laws and regulations, applicable for listed companies in Austria, e.g. the Austrian Stock Corporation Act (AktG) and the Stock Exchange Act (BoerseG) serve as a basis for the activities of the supervisory board. 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.

In accordance with the articles of association of THI AG, the supervisory board consists of a minimum of three and a maximum of five elected members and, if applicable, any members delegated pursuant to the Labor Constitution Act (Arbeitsverfassungsgesetz). When elections are held to appoint members of the supervisory board, the general meeting has to pay attention to the professional and personal qualifications and the balanced composition of the supervisory board in terms of expertise. Also, diversity aspects have to be appropriately taken into account with regard to the representation of both sexes and the age structure as well as internationality of the members. Newly appointed members of the supervisory board are to obtain sufficient information on the activities of the Company as well as the tasks and responsibilities of members of the supervisory board.

In the fiscal year from October 1, 2012 to September 30, 2013, the following persons stated in the table served as members of the supervisory board of Teak Holz International AG:

NAME	YEAR OF BIRTH	FROM	TO
<b>Gotthard Graf Pilati von Thassul zu Daxberg</b> , independent Chairman of the supervisory board	1945	5/10/2013	*
Deputy chairman		12/12/2012	5/10/2013
Member of the supervisory board		2/21/2007	12/12/2012
<b>Erwin Hörmann</b> , non-independent Deputy chairman	1939	9/21/2013	*
Member of the supervisory board		5/10/2013	9/21/2013
Chairman of the supervisory board		12/12/2012	5/10/2013

Deputy chairman		2/21/2007	12/12/2012
<b>Dr. Benoît Leleux, MBA</b> , independent Member of the supervisory board	1961	5/10/2013	*
<b>Dr. Monika Wildner, LL.M.</b> , independent Deputy chairman	1971	5/10/2013	8/31/2013
<b>Dr. Manfred Luger</b> , independent Member of the supervisory board	1953	2/18/2010	5/10/2013
<b>Mag. Alexander Hüttner, LL.M.</b> , independent Chairman of the supervisory board	1973	1/26/2007	12/12/2012

\* The missing dates in the column "TO" relate to the members of the supervisory board and their function as of the balance sheet date September 30, 2013.

### Independence of the supervisory board

Rule C-53 and Appendix 1 of the Austrian Corporate Governance Code (as amended in July 2012) state the guidelines on how the independence of members of the supervisory board is to be established. The supervisory board bears these criteria in mind. All members of the supervisory board, except for Mr. Erwin Hörmann, were independent. In accordance with Rule C-54, Mr. Hörmann was not to be qualified as independent, since he has business relations to Hörmann-Privatstiftung that had more than 10% of the voting rights in THI AG as of the balance sheet date (September 30, 2013). The majority of the members of the supervisory board were considered independent. The members of the supervisory board of THI AG did not have any supervisory board mandates with other domestic and foreign listed companies during the fiscal year.

### Remuneration of the supervisory board

The remuneration for the supervisory board is set at the annual general meeting for the past fiscal year. On May 10, 2013, the 6<sup>th</sup> ordinary general meeting set the total remuneration for the members of the supervisory board at EUR 40,000 for the fiscal year 2011/2012 (prior year: EUR 40,000), leaving it up to the supervisory board members how to split this amount. An individualized presentation of remuneration, 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 2012/2013, the total remuneration of EUR 35,000 of all members of the supervisory board was recognized in the income statement. At the balance sheet date September 30, 2013, no loans or advances had been granted to members of the supervisory board.

### Audit committee and other committees

An audit committee was established to implement the regular monitoring functions. This committee is obligated to fulfill the functions specified in the Austrian Stock Corporation Act (AktG). 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 financial statements and consolidated financial statements. It is the committee's responsibility to make sure that, from the Group's perspective, adequate processes have been properly established in the Company and its subsidiaries. Another responsibility of this committee is to review the Corporate Governance Report.

In the fiscal year 2012/2013, the audit committee comprised the chairman of the audit committee, Mr. Erwin Hörmann, and the audit committee members Mr. Alexander Hüttner and Gotthard Graf Pilati von Thassul zu Daxberg. Moreover, the audit committee consisted of the chairman of the audit committee, Dr. Monika Wildner and the audit committee members Dr. Benoît Leleux, MBA, and Gotthard Graf Pilati von Thassul zu Daxberg in the fiscal year 2012/2013. In the reporting period, the audit committee convened twice, and the supervisory board held ten ordinary meetings. No supervisory board member was absent at more than half of the meetings in the fiscal year 2012/2013.

Apart from the audit committee, no further committees are in place (Rule C-39). Neither a separate nomination committee (Rule C-41) nor a separate compensation committee (Rule C-43) has been established due to the specific circumstances (for example the small size of the Company). 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.

### Changes in the supervisory board/extraordinary general meeting

At the beginning of November 2013, two members of the supervisory board, Mr. Erwin Hörmann and Gotthard Graf Pilati von Thassul zu Daxberg, notified the Company of their resignation effective as of November 5, 2013 and December 6, 2013, respectively. As the member of the supervisory board, Dr. Monika Wildner, resigned with effect as from the end of August 2013, the supervisory board consisted only of one member appointed by the general meeting, Dr. Benoît Leleux, as of December 6, 2013. Hence, the supervisory board was no longer quorate.

In order for the supervisory board to be in a quorum, an extraordinary general meeting was convened in Linz on December 9, 2013 having only one item on the agenda: Appointments to the supervisory board. In the 6<sup>th</sup> general meeting held on May 10, 2013, all three proposed candidates were appointed with the required majority to serve on the supervisory board for the remaining term of the newly appointed supervisory board, which means until the general meeting for the fiscal year 2016/2017. The new members of the supervisory board obtained sufficient information on the activities of the Company as well as the tasks and responsibilities of members of the supervisory board.

Mr. Erwin Hörmann notified the Company of his resignation from the supervisory board effective as from December 20, 2013. The reasons Mr. Hörmann stated for his resignation were that his availability for another term and appointment to the supervisory board were met with resounding rejection by the shareholders and shareholder representatives present in the extraordinary general meeting that had taken place only on December 9, 2013. After much thought, he decided to announce his resignation with immediate effect.

Since December 20, 2013, the following three persons have served on the supervisory board of Teak Holz International AG:

NAME	YEAR OF BIRTH	FROM	TO
<b>Dr. Reinhard Schanda</b> , independent Chairman of the supervisory board	1965	12/9/2013	General Meeting for FY 2016/2017
<b>Dr. Benoît Leleux, MBA</b> , independent Deputy chairman	1961	5/10/2013	General Meeting for FY 2016/2017
<b>Lorenzo Subani</b> , independent Member of the supervisory board	1970	12/9/2013	General Meeting for FY 2016/2017



### III. OTHER DISCLOSURES

#### Issuer Compliance Guideline

Upon its initial public offering in March 2007, the Company implemented a mandatory compliance guideline in order to avoid insider trading. This guideline is in compliance with the capital market regulations and the Issuer Compliance Decree currently in place in Austria. In consultation with the management board, a compliance officer oversees, among other things, the tasks in connection with the implementation of and compliance with the guideline, training and information, updating insider registers, publication of retention periods, and preparation of an annual activity report.

#### Measures for the promotion of women

In the field of administration, the proportion of women in the THI Group was at an annual average of approx. 50% in Austria. At the balance sheet date September 30, 2013, four of the nine persons employed in the office in Linz were female. As far as administration is concerned, the proportion of women in Costa Rica was approx. 50% as well. The majority of the plantation workers are male. Although the strenuous forestry work in the teak plantations is primarily carried out by men, women are involved in the planting and the care of trees; here, the percentage of women is approx. 10%.

Since the Company is a rather small corporation and few staff members are employed, no explicit program to increase the percentage of women is in place. Vacant positions are always filled with the best possible candidate, regardless of gender.

With regard to the composition of the supervisory board, the new members to be appointed to the supervisory board at the 6<sup>th</sup> ordinary general meeting were chosen based on the professional and personal qualification of the candidate. Also, diversity aspects were taken into account with regard to the representation of both sexes and the age structure as well as internationality of the members. With Dr. Monika Wildner, a woman was appointed to the supervisory board of THI AG for the first time. Dr. Wildner, however, resigned from the supervisory board at the end of August 2013. The supervisory board, thus, is currently composed of three male members.

#### Auditor

PwC Wirtschaftsprüfung GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, domiciled in Vienna, Austria, was proposed to audit the financial statements and consolidated financial statements of THI AG for the fiscal year 2012/2013 and appointed by the 6<sup>th</sup> ordinary general meeting on May 10, 2013. Expenses for the auditor amount to EUR 58,477 (prior year: EUR 63,420). The breakdown into the individual activities is presented in the notes to the consolidated financial statements and financial statements.

Vienna, March 28, 2014

The Management Board:



DI Dr. Franz Fraundorfer



We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

## AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Teak Holz International AG, Vienna, for the fiscal year from October 1, 2012 to September 30, 2013. These consolidated financial statements comprise the consolidated balance sheet as of September 30, 2013, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended September 30, 2013, and the notes to the consolidated financial statements.

#### Management's Responsibility for the Consolidated 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 the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under Section 245a UGB. 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; 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 (ISA) 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, 2013 and of its financial performance and its cash flows for the fiscal year from October 1, 2012 to September 30, 2013 in accordance with International Financial Reporting Standards (IFRS) 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 20b in the Summary of significant accounting principles) where management refers to the special risks of the Group, most notably the liquidity risk. Management assumes that the currently pursued specific measures to obtain additional financing will be completed successfully and on time and previously existing financings will also be available in the future and/or be extended in order to secure the Group's liquidity. If this should not be the case and no alternative financing can be obtained that cover the necessary financial means until initial material harvest proceeds from the teak plantations (which according to the Company's current assumptions will not be the case before 2016/17) are generated, there is a material uncertainty regarding the Group's ability to continue as a going concern. The Group is exposed to special risks which, by their nature, are typical of a company in the development stage, thus is generally 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 fully marketable.

We also refer to the comments of the management board on the measurement of biological assets in Costa Rica (Note 4 in the 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 under Note 4 in the consolidated financial statements. In preparing the balance sheet, the value was significantly adjusted downward in the fiscal year 2012/13. The loss resulted from changes in the forestry strategy pursued with regard to the harvest procedure and assumptions (particularly as to the realizable selling price) made in the prior years and is based on a newly commissioned forestry expert opinion. In this context, reference is made to the comments on the market risk in the consolidated financial statements (Note 20b in the Summary of material accounting principles) according to which the sales price of teak wood significantly influences the measurement of biological assets at fair value, but no comparable market prices for plantation teak wood exist. If any changes in the measurement parameters become necessary in the future, the fair value of biological assets may change significantly.

#### **Comments on the Management Report of 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 as to whether the other disclosures are not misleading with respect to the Company's 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 UGB (Austrian Commercial Code) are appropriate.

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

Vienna, March 28, 2014

PwC Wirtschaftsprüfung GmbH  
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft



Karl Hofbauer  
Austrian Certified Public Accountant

## REPORT OF THE SUPERVISORY BOARD

### Composition of the Supervisory Board

At the time of preparation of this report, the current Members of the Supervisory Board were elected to the Supervisory Board on 10.05.2013 (Dr. Benoît Leleux) and on 12.09.2013 (Lorenzo Subani and Dr. Reinhard Schanda). At the constituent meeting of the Supervisory Board on 10.12.2013 the signatory of this report was elected Chairman of the Supervisory Board.

### Activities of the Supervisory Board during the reporting year

For the purpose of writing this report, the signatory requested his predecessor in the role of Chairman of the Supervisory Board to report on the activities of the Supervisory Board during the reporting year 01.10.2012 to 30.09.2013. The former Chairman of the Supervisory Board, Gotthard Graf Pilati (Member of the Supervisory Board since 21.02.2007, Chairman from 10.05.2013), reported as follows:

*“During the meetings of the Supervisory Board on 05.07., 17.07., 22., 23.08. and 21.09.2013 the Supervisory Board mainly dealt with the short-term and long-term financing and the search for investors. The Supervisory Board accepted the resignation of CEO Stefan Dertnig and of the Supervisory Board Member Monika Wildner. The Supervisory Board appointed Mr. Franz Fraundorfer as CEO and Mr. Klaus Hennerbichler as a Member of the Management Board.”*

The signatory of this report also contacted all the other persons who were Members of the Supervisory Board during the reporting year, to give them an opportunity to supplement the above report by Gotthard Graf Pilati. The former Chairman, Mr. Erwin Hörmann (Member since 21.02.2006, Chairman from 13.12.2012 to 10.05.2013), granted the supplementary information, that the Supervisory Board focussed intensively on personal agendas (leaving of Management Board Members Mr. Mag. Mader on 12.12.2012 and Mr. DI Dertnig on 17.07.2013, and respective reappointment). He also confirmed that the Supervisory Board fulfilled the duties assigned to it by law and articles and that the Management Board provided regular reports concerning the course of business and the status of the plantations and the Company including its group's subsidiaries.

The incumbent Supervisory Board recognizes from the documents of the Company that during the reporting year - in addition to the meetings mentioned above - also meetings of the Supervisory Board took place on 24.10.2012, 14.11.2012, 12.12.2012, 17.12.2012, 18.01.2013 and 09.04.2013.

### Audit of the financial statements as of 30.9.2013

With the participation of the Member of the Supervisory Board, Mr. Benoît Leleux, additional meetings took place on 28.10.2013 and 06.11.2013.

The current incumbent Supervisory Board held meetings on 10.12.2013, 06.03.2014 and 28.03.2014. On these days, also meetings of the Audit Committee were held, with the Chairman of the Audit Committee, Mr. Lorenzo Subani.

The annual financial statements, the management report, as well as the consolidated financial statements and the group management report for the financial year from 01.10.2012 to 30.09.2013 were audited by the PwC Wirtschaftsprüfung GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, domiciled in Vienna, (as resolved by the Annual General Meeting on 05.10.2013).

During the Audit Committee meeting on 06.03.2013 the draft versions of the annual financial statements, the management report, as well as the consolidated financial statements and the group management report were discussed with the Management Board and PwC Wirtschaftsprüfung GmbH. Topic of this discussion was primarily the forestry appraisal by Legacy Appraisal Services, Gainesville, USA, from 27.02.2013 which was commissioned by the Company. This report showed a significantly lower value of the Biological Assets compared to the previous approach of valuation. During the Audit Committee meeting held on 06.03.2013, on one hand, the reasons for the deviation of the evaluation compared to previous reviews were discussed. On the other hand, the resulting change in valuation according to IAS 41 was discussed with the auditors.

After clarification of the need for adaptation in accordance with IAS 41, as a result the Management Board created the annual financial statements, the consolidated financial statements, management report and group management report, dated 28.03.2014.

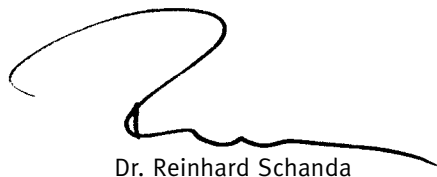
PwC Wirtschaftsprüfung GmbH issued the audit opinion on 28.03.2014 for the financial statements and the consolidated financial statements.

The Audit Committee reviewed reading versions of the annual financial statements, consolidated financial statements, management report and group management report and the reports of the annual financial statements and consolidated financial statements and discussed the documents with the auditors in the Audit Committee meeting held on 28.03.2014. The Supervisory Board also reviewed a draft version of the Corporate Governance report.

Thus the Supervisory Board accepted the annual financial statements on 28.03.2014, which in accordance to section 96 (4) of the AktG (Austrian Stock Corporation Act), are therefore taken as approved. The Supervisory Board also consented to the annual consolidated financial statements and the group management report.

Vienna, March 28, 2014

The Chairman of the Supervisory Board:



Dr. Reinhard Schanda

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

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

Vienna, March 2014

The Management Board:

DI Dr. Fraundorfer

The statement of all legal representatives  
pursuant to § 82 (4) (3) of the BörseG  
was signed by the CEO in the German Document.





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) "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) "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) "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>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>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.
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## 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. Since March 3, 2013, the "EU Timber Regulation" prohibits the entry of illegally produced timber products on the EU market. Companies must show the origin of the products and the evidence of legal production. Failure to comply will be prosecuted.
<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.
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## 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.
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<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 AT0000A0K1F9</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.
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**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% or 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.

**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.
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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/ 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- 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-subsiary "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 A0MMG7</b>	Security Identification Number of the TEAK-share on german stock markets.

## IMPRINT

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WKN: AOMMG7



The consolidated financial statements for the fiscal year from October 1, 2012 to September 30, 2013 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.

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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, Vienna, for the fiscal year from October 1, 2012 to September 30, 2013 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: March 28, 2014

Photos: All photos from TEAK HOLZ INTERNATIONAL AG; portrait picture on page 5 from Martina Draper; share chart from Vienna Stock Exchange & Interactive Data.  
Production: Ingeborg Schiller, Salzburg  
Coordination: THI AG, Mag. Paul Rettenbacher, MAS

### Financial Calendar for the Fiscal Year 2013/2014:

- 28.03.2014 (Fri): Publication of annual financial report for the period from October 1, 2012 to September 30, 2013 ✓
- 31.03.2014 (Mon): Publication of Q1 interim report for the period from October 1, to December 31, 2013 ✓
- 12.05.2014 (Mon): 7th ordinary general meeting, Vienna
- 28.05.2014 (Wed): Publication of half-year financial report for the period from October 1, 2013 to March 31, 2014
- 08.08.2014 (Fri): Publication of Q3 interim report for the period from October 1, 2013 to June 30, 2014

**THHAG**  
TEAK HOLZ INTERNATIONAL

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**  
AS OF SEPTEMBER 30, 2013, OF  
**TEAK HOLZ  
INTERNATIONAL AG,  
VIENNA**

**WWW.TEAK-AG.COM**







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