

ANNUAL REPORT 2005/6

EZA

FAIR. THAT'S ONLY NATURAL.

„Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South.

Fair Trade organisations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.“

This is the definition of Fair Trade that was agreed upon in December 2001 by representatives of FLO (Fair Labelling Organisation; www.fairtrade.net), IFAT (International Fair Trade Organisation; www.ifat.org), NEWS! (Network of European World Shops; www.worldshops.org) and EFTA (European Fair Trade Association; www.eftafairtrade.org).

EZA Fairer Handel is Austria's largest Fair Trade import organisation, looking back at 31 years of experience in this field. It was founded in 1975 under the name of EZA Dritte Welt as a limited partnership, taking a Dutch organisation as an example. EZA's shareholders are A3W Action Third World Association(40%), and the Catholic Men's Movements of Upper Austria (23.33%), Austria (20%) and Innsbruck (16.67%).

EZA Fairer Handel GmbH
Wenger Straße 5
A-5203 Köstendorf
Phone: +43 6216 20 200
Fax: +43 6216 20 200 999
E-mail: office@eza.cc
Web site: www.eza.cc

1 ACTIVITIES

JULY 2005

A NEW HOUSE – A NEW NAME

In July 2005 EZA started the new business year at its new location: an ecological low-energy building at Weng/Köstendorf in the Flachgau region of the province of Salzburg, 25 kilometres to the north of the provincial capital, under a modified name: EZA Fairer Handel GmbH, and with a new logo.

SEPTEMBER 2005

OPENING EVENT

A Fair Trade event to celebrate the opening of EZA's new Austria headquarters took place on 16 September, attracting more than one thousand guests. The ecological building, the wide range of Fair Trade products in the new sales store and the multi-cultural entertainment programme met with great approval by the visitors.

The notables who congratulated EZA included Gabi Burgstaller, Provincial Governor of Salzburg; Josef Kroiss, Mayor of Köstendorf; Michael Neureiter, Provincial MP; Walter Androschin, Vice President of the Chamber of Labour; Raimund Löffelmann, head of the Catholic Men's Movement of Austria; Father Anton Ringseisen representing Archbishop Kothgasser; Superintendent Luise Müller and last but not least more than a hundred guests from the World Shops, i.e. shops specialising in Fair Trade. EZA's partners in the South were represented by Moon Sharma, Shaista Habib Begum and Ram Ramasamy from India.

VISITS BY PRODUCERS

Invited by EZA, Ms Moon Sharma, President of India's Fair Trade Organisation TARA, and Ms Shaista Habib Begum, bead worker with a home work shop in Old Delhi, took part in the opening event at the new EZA headquarters in Austria and in the subsequent Austrian World Shop Conference in Salzburg, where they delivered much-noticed papers. Here the World Shops once again lived up to their reputation as invaluable cooperation partners. Moon Sharma und Shaista Habib Begum went to Salzburg, Scheibbs, St. Pölten, Tulln, Graz and Vienna, where they meet students at school, talked with journalists and at public events and discussed with World Shop workers, describing the situation of handicrafts producers in northern India and the perspectives that have opened up through Fair Trade. This was an

opportunity for the World Shops that had taken part in EZA's journey to India in spring 2005 to continue the contacts that they had established and to present to the guests from India the European world of Fair Trade.

OCTOBER 2005

PRIZES FOR THE NEW BUILDING

EZA's headquarters building at Weng/Köstendorf was granted the Province of Salzburg Energy Award on 6 October. The jury acknowledged the use of wood and other natural building materials, passive house standard windows, good insulation and the ecological heating system based on solar energy, waste heat from the offices and computer rooms and the use of wood pellets. The jurors were especially impressed by the fact that the building almost fulfils passive house criteria and that this applies to both the offices and the warehouse area.

EZA's building also was the award winner that was granted the Energy Globe Salzburg 2005, and won a prize in the Earth category at the Austrian competition for the Energy Globe Austria in November 2005.

NOVEMBER 2005

A NEW DESIGN

November 2005 saw the first results of EZA's packaging reform campaign, when the coffee brand *Kaffee Orgánico* was presented in the new design. Step by step, other goods followed, showing EZA's products in a modern look that directly reflects their excellent quality and serves to enhance brand recognition. The redesign strategy was planned by the marketing specialists of Büro 16, Vienna, with illustrations by Belicta Castelbarco.

FAIR PRESENTS

Year after year before Christmas, the number of mailings that promote Fair Trade presents has grown, and EZA, cooperating with the World Shops has presented Fair Gifts that combine style, taste and meaning. In November 2005, more than 500 000 households all over Austria were addressed in this way, which is an increase by 50 000 compared to the previous year.

DECEMBER 2005

EZA-INFO NEWSLETTER 12/05

Make room for a change. Under this title, the EZA-INFO newsletter of December 2005 informed its readers about the new EZA building, the background and objectives of the packaging redesign campaign and also partner organisations in India (handicrafts and tea).

FEBRUARY/MARCH 2006

JOURNEY TO KENYA/UGANDA

Since the year 2000, EZA has organised journeys for World Shop workers to meet EZA's partner organisations in the South: in Mexico, Nicaragua, Ghana, Sri Lanka, Guatemala and India – and in February and March 2005, in Kenya and Uganda. Undugu Society, a committed NGO in Kenya's capital of Nairobi, presented its social work programme for street children and accompanied the European group to the soapstone carvers in the Kisii region. The Austrian guests made a trip to wood carvers with the Mango True Fair Trade marketing organisation, and representatives of the Machakos cooperative took them to a remote village, where the production of sisal bags is a central source of income for women. These contacts again underlined the significant role that committed marketing organisations are playing: on the one hand, they are links to the importers in Europe and on the other, they provide vital local assistance to handicrafts producers.

From Kenya, the group travelled to Uganda, to Gumutindo Cooperative Union, an association of small coffee farming families in the east of Uganda that plant organic highland coffee on the volcanic slopes of Mount Elgon. The guests from Europe followed the steps of coffee production from the local farmers to processing in Mbale – and were impressed by the great importance that is attributed to quality assurance at all levels.

APRIL 2006

FAIR TRADE EXPERT MEETING

EZA, on the occasion of its 30-year anniversary, organised a Fair Trade expert meeting under the heading: Can you buy a better world?, which took place on 29 April 2006 at Salzburg Kolpinghaus. Christian Felber, freelance publisher and founding member of attac, gave insight into global relationships; Ernst Halbmayr, organic farmer and committed activist at IG Milch, Austria, and Ofelio Angeles Ortega, coffee farmer from

Mexico, presented their positions regarding fairness in trade. Gerd Nickoleit (gepa/EFTA), Stefan Durweal (IFAT) and Alfred Elbertse (FLO), representing European and international networks, discussed the theme of control and partnership in Fair Trade. Roopa Metha of the Indian trading organisation SASHA and Lan Tran Tuyet of Craft Link, Vietnam, illustrated the issue of handicrafts production between aesthetic approaches and subsistence needs. Unfortunately Mohammed Tanko Bitugu of the Kalangu handicrafts cooperative was prevented from taking part on grounds of Austria's entry laws. Instead, Bella Bello Bitugu was present at the meeting. He had played an active role in the foundation of Kalangu and now lives in Austria, working as a consultant who shares his experience with EZA. After an interesting day of intensive, committed work, the meeting was concluded with a party at Salzburg's Marmorsaal.

VIDEO

EZA and Manfred Wimmer produced a new video: *Im Reichtum der Kulturen*, which deals with impressions of two journeys to EZA's partner organisations. For the video, Guatemala (CECAPRO coffee) and India (SASHA leather bags and silk embroidery) were taken as examples to illustrate the known-how and creativity of EZA's partner organisations in Latin America, Africa and Asia, which are reflected in EZA's products and show the effects that Fair Trade has in different cultural contexts. The video was presented at the 30-year anniversary expert meeting and is now available to all World Shops. It may be rented at EZA.

MAY 2006

VISITS BY PRODUCERS

After the expert meeting in April 2005, Roopa Metha from India, Ofelio Angeles Ortega from Mexico and Bella Bello Bitugu representing Mohammed Tanko Bitugu from Ghana, started an intensive visiting tour of Austria, accompanied by EZA workers. They were present at a number of events that were mostly organised in cooperation with the World Shops and gave the latter an opportunity to present their activities and their commitment in a convincing, highly effective way.

In numerous contacts, the guests talked about their organisations, the situation in which producers live and work, how their products are made and about the general conditions in their home countries. On the other hand, many committed Austrians had opportunities to personal, direct contacts with producers' representatives – in schools, World Shops, in talks with journalists or in the context of public events.

Ofelio Angeles Ortega, head of the Yeni Navan coffee cooperative, was pleased to find "his" coffee (*Kaffee Orgánico*) everywhere he went: in the World Shops, at the university, in many

offices and super markets. He was also strongly motivated by the great interest shown in Yeni Navan, the cooperative's activities to assure top quality levels and the intensive work this requires. It had been his first journey abroad and travelling through Austria gave him a great variety of unique insights. For Roopa Metha, head of the SSA-SASHA marketing organisation in India, it was a delight to see the products of her producers displayed in the beautiful settings of the World Shops of Vienna. She had competent answers to the questions she was asked about the position of women in India and in her organisation as well as SASHA's view of Fair Trade. Eventually, Bella Bello Bitugu's presentation of the Kalangu cooperative awakened strong interest by young and old alike.

The following World Shops cooperated with EZA in the context of Ofelio Angeles Ortega's visiting tour: Steyr, Weyer, Amstetten, Waidhofen, St. Pölten, Stammersdorf, Vienna (1st and 8th districts), Scheibbs and Graz Citypark, as well as Welthaus Graz, Solidarity with Latin America Graz and SPAR Academy Vienna. The programme with Bella Bello Bitugu was organised in cooperation with the World Shops of Bischofshofen, Golling, Klagenfurt, St. Veit, Feldkirchen, Lienz and Saalfelden and the Austrian World Shop Association. Roopa Mehta travelled to St. Johann/Tyrol, Vöcklabruck, Vorchdorf, Stadl-Paura, Linz, Bad Schallerbach, Freistadt and Vienna (cooperation of World Shops in 1st, 8th and 9th districts).

WORLD FAIR TRADE DAY

In 2005 NEWS!, the Network of European World Shops, launched a three-year campaign focusing on child work and working conditions. The Stand Up for their Rights campaign aims to awaken interest for the situation of young people in the South among youths and young adults in the North and to raise the awareness of Fair Trade issues. In the first year of the campaign, for obvious reasons football was in the centre of activities. EZA provided a collection of materials on this theme to be used by the World Shops. In addition, the dialogue programmes carried out in May in cooperation with many World Shops (see above) were good opportunities for introducing and preparing this important action day.

JUNE 2006

TRAINING WITH A DIFFERENCE

When our partner organisation EMA (India) contacted EZA in spring 2005 and asked whether we were willing to receive a trainee who wanted to get to know Fair Trade in Austria and, in turn, could give our customers an understanding of the Fair Trade organisation EMA of India and its objectives, projects and products, we were not sure about the outcome, to be honest. However, after the three weeks that Sujaan Das, son of a long-standing worker at EMA, spent in Austria, it was clear that his stay had been a great success indeed. Sujaan, a 20-

year old student who works at EMA during his summer holidays, at first spent three days at EZA to get familiar with the organisation, then he visited 11 World Shops and as many schools from Vorarlberg in the west to Styria in the south of Austria as well as a Fair Trade youth camp at Lake Attersee. In many lectures and discussions, he talked about EMA's activities, social programmes and philosophy, the cooperation with local producers' groups and the individual stages of silk and leather production. The pictures he had brought with him were excellent complements to the know-how he communicated in his papers. On the other hand, Sujaan Das gained many insights himself. "My picture of Austria had initially been influenced by the film The Sound of Music. Then I thought Austria was similar to Germany. But that's not true either," says Sujaan looking back on his stay. His view of Austria has become more clearly defined, and the contacts to the people working at EZA and in the World Shops have sharpened his awareness of the situation of a Fair Trade partner in the North.

2 OUR PARTNERS

COOPERATION

EZA's corporate growth has also increased the number of partner organisations with whom we are cooperating: to around 130 partners in 30 countries of Latin America, Africa and Asia in the business year 2005/6, ranging from small associations of craftspersons with less than 50 members and socially responsible marketing organisations that work with various groups of craftspersons and support the development of their skills and know-how, to small farmers' umbrella organisations with more than 40 000 members. In the case of very large associations, EZA and other Fair Trade organisations usually cannot buy but a small part of their harvest. Still, even buying those quantities and paying fair prices contributes to the consolidation of producers' associations and helps to achieve improvements, for instance in the fields of education and training, health care, or food and income security, which would not be possible without Fair Trade relations.

EZA buys part of its products (and almost 100% of handicrafts) directly from the producers, and another part is supplied by other Fair Trade importers. It is essential in this respect to be integrated in an international network of Fair Trade organisations, as this permits cooperation, for instance, in issues such as product development, procurement as well as information on and assistance to, partner organisations in the South. A central aspect here is to ensure transparent structures from the start of the production chain to the retail store and that those at the start of the chain profit from the fair trade relations.

EZA is an active member of two large Fair Trade organisations: the European Fair Trade Association (EFTA) and the International Fair Trade Association (IFAT). Taking an active part in these networks has played a prominent role for EZA since their establishment. They serve as platforms for an exchange and cooperation between fair importers in the North (EFTA) and import organisations in the North and producers' organisations in the South (IFAT), and in addition they make it easier to take joint efforts to advance the criteria of Fair Trade, their standardisation, monitoring and review. At the same time EZA, as a member of these networks, has committed itself to take over and meet a number of criteria and obligations.

Importers organised in the structure of EFTA are often pioneers of Fair Trade in their countries. Many of today's partner relations have been built and consolidated over many years. The experience gathered in this way also forms the basis of several of the criteria defined by the present fair labelling organisations.

EZA is a founding member of EFTA and takes part in the regular meetings of representatives responsible for food and for handicrafts, meetings of managers and of representatives responsible for partner attendance. In the reporting period, the EFTA monitoring group revised the standardised questionnaire for partner organisations, which is used for gathering initial information and for the continuous documentation of changes in our partner organisations. In addition, a complementary evaluation questionnaire was drawn up for a periodic collection of data on new developments, which will contribute to the aim to get a detailed profile of our partners. EFTA also maintains a joint, protected data base in which new information on the individual partners is stored and which is accessible to all EFTA members at any time.

As a member of IFAT, EZA may contribute to the respective international meetings its experience as a Fair Trade importer. The members of IFAT have agreed to undergo a defined self evaluation process: every two years, they are presented a questionnaire to report on their corporate policies. In addition, a system of mutual checks of this self-evaluation process has been introduced, which is complemented by external spot checks. Regarding producers, at present it is primarily handicrafts producing organisations that have joined IFAT. Around one out of three handicrafts partner organisations of EZA's are integrated in the IFAT system.

EZA is also a licensee of the FAIRTRADE label, which ensures an external control of the Fair Trade criteria for a number of selected products, in particular in the food sector. For instance, the partner organisations from which a licensee buys goods must have been included in the international producers' register. In the case of EZA, 80% of our food producing partners are registered there.

NEW PARTNERS

When we start new trade relations, intensive research is the first step. It is essential for us to know who our prospective partners are and under which conditions they are living and producing their goods. An internal partners' committee at EZA then decides whether a cooperation with the new partner organisation in question should be embarked upon. In the reporting period, relations to eight new partner organisations in the handicrafts sector were established: Third World Craft, Nepal (felt bags); CRC, India (leather products and textiles); Mikono, Tanzania (wood carvings); Mai Vietnamese Handicrafts, Vietnam (bags), Mango True Mirage, Kenya (stone and wood carvings); Agrocel, India (organic cotton T-shirts); Maikaal, India (organic cotton T-shirts); Craft Aid, Mauritius (organic cotton T-shirts).

We also found six new food suppliers: Sindyanna, Israel (spices); Coronilla, Bolivia (quinoa pops); Masfa, Malawi (peanuts); Viña Chequen, Chile (wine); Cosatin, Nicaragua (honey); CDS, Burkina Faso (mangos for mango sweet bars).

VISITS AND TRAVELS

Visits from our partners in the South and journeys by EZA workers to our partner organisations serve to strengthen direct relationships and permit an exchange of mutual expectations and discussions on the development of fair trade relations. When travelling to our partners, it is important for us to get to know their export and marketing structures and to meet the local producers in order to gain an overall picture of the trade chain and to gather firsthand information.

In the reporting period, EZA staff travelled to 7 countries, where they met 15 partner organisations of EZA's: in Mexico, the organic coffee producers of UCIRI, Yeni Navan-Michizá, FIECH, ISMAM and Posi; in Guatemala, Guaya'b (honey and coffee) and CECAPRO (coffee, also organic coffee); in Vietnam, Craft Link (ceramics, silk embroidery, bamboo products); in India, SASHA (leather bags); in Ghana, Getrade and Kalangu (drums, wood products, baskets); in Kenya, Undugu (soapstone products), Mango True Mirage (wood and sisal products), Machakos Co-operative Union (sisal baskets); and eventually in Uganda, Gumutindo Co-operative Union (organic coffee).

Representatives of the following organisations visited EZA during the reporting period: Allpa (Peru; jewellery, Chulukanas ceramics), Pop Atziak (Guatemala; hammocks), Getrade (Ghana; djembe drums, Bolga baskets), Sipa (India; textiles, glass figures, soapstone products), EMA (India; musical instruments, silk scarves, leather articles, etc.), TARA (India; costume jewellery, decoration articles, soapstone products), SASHA (India; leather bags, silk scarves), Grameen Crafts (India; ceramics, baby slings), Safrudi (Philippines; capiz and coconut fibre products), Craft Link (Vietnam; ceramics, bamboo products, silk embroidery), Craft Aid (Mauritius; T-shirts), ACP (Nepal; felt products), Sagrada Familia (Chile; wine), Yeni Navan (Mexico, organic coffee).

SUPPORT FOR HURRICANE VICTIMS

More than a year ago, large areas of southern Mexico were struck by hurricane Stan. It was in particular our partner organisations ISMAM and POSI that were among the most massively affected victims. In this situation EZA, the World Shops and many of our customers showed practical solidarity: in sum, EUR 21 280 was donated, including an

EUR 10 000 donation by EZA. This amount was equally divided between our two trading partners.

In the case of ISMAM, the meeting of delegates decided that each of the 930 member families should get part of the donation sum because almost all families were directly or indirectly affected by the disaster. Many families used the money to buy food because the hurricane had massively damaged their harvests and caused a food shortage, as in addition to the coffee plants, many of their bean and maize batches had been devastated. Others spent the money for necessary repair and restoration works, because, for instance, the ways leading to the coffee gardens had been destroyed in many cases.

The meeting of POSI delegates also decided to give the donation money to the member families affected by the hurricane. POSI reports that the largest part of the sum was used for repairs in the coffee gardens and for measures to improve or restore soil fertility.

3 OUR CUSTOMERS

WORLD SHOPS EZA's sales to World Shops amounted to EUR 4.4 million, which is an increase by 5.6% compared to the previous year, resulting from sales increases of EZA products, especially handicrafts, by the World Shops on the one hand and on the other, new World Shops were opened also in the past business year: at present, a total of 90 World Shops are run in Austria. The World Shops, accounting for 40.1% of total sales volume, continue to be EZA's largest group of customers.

The World Shops carried out numerous activities: in addition to long-standing, highly effective standard actions such as the World Shop Day in May and the focal country weeks in autumn, the advertising campaigns (hammocks, outdoor ceramics, jewellery) recommended by the Austrian World Shop Association and organised in cooperation with EZA, have shown good results. Furthermore, the World Shops launched a special youth programme in order to awaken interest in Fair Trade among young people, which increased the number of Fair Points (sales points run by students in schools), and they also organised a wide range of events, often with producer partners of EZA's delivering lectures: the World Shops thus play an essential role with regard to awareness raising and promoting the issue of Fair Trade among the general public.

GROCERY RETAILERS In this group of customers a strong growth by 34.6% was registered, which corresponds to a sales volume of EUR 2.6 million. This increase was primarily due to the wider range of products offered by EZA and by intensified local services. In addition to traditional starter products such as coffee, tea and chocolate, private consumers may now choose among a great variety of grocery articles presented in separate EZA shelves. Meanwhile EZA products are available in the following supermarkets: Interspar, Eurospar, Spar supermarkets, a number of privately run Spar shops, Spar Gourmet, Merkur, Billa, M-Preis, Adeg, a number of privately run Adeg shops, E-Center, dm drugstores, Nah&Frisch (Kastner und Pfeiffer), Maximarkt, Winkler, Sutterlüty, Unimarkt, Prokaufland, Tabor, Welas Park and C+C (Pfeiffer und Kastner). The campaigns launched by the FAIRTRADE labelling organisation also helped to win an increasing number of people for the idea of Fair Trade.

EZA WORLD SHOPS As a result of their good locations, attractive interior design and competent shop assistants, the World Shops owned by EZA were able to increase their sales volumes by 5.6%, which makes them top sellers among the World Shops in Austria and also Europe.

The total external sales volume of the three shops (Salzburg, Vienna 1st and 8th districts) was EUR 1.1 million, around 70% of which was accounted for by sales of handicrafts.

RESELLERS The majority of these customers are organic food shops. Consumers who attach great importance to ecological products also tend to set high value on social responsibility. EZA's turnover in this field was EUR 1 million, which is a growth by 9.3% compared to the previous year.

INSTITUTIONS The past business year again saw many private organisations and public agencies change to Fair Trade products for internal use. For instance, Fair Trade coffee has been consumed in a rising number of educational organisations and offices. The quantities sold to other big customers were further increased as well: Missio again offered the popular EZA chocolates in the context of its 2005 Youth Action, and our handicrafts sales strongly benefited from the purchases by the Dreikönigsaktion Christmas Carol Singers and Salesianer Don Bosco.

ACTION GROUPS Regarding action groups we registered a promising rise in the number of groups of young people who promote Fair Trade by organising sales and information events. This explains the slight growth in sales even though EZA foodstuffs are now available in many supermarkets.

FINAL CONSUMERS The group of final customers accounted for an impressive 24.5% rise in sales. In spite of moving to a new location and thus losing regular customers from Bergheim, our successful opening event and the subsequent advertising measures awakened interest in Fair Trade by many new customers who live near the new headquarters.

EUROPEAN UNION The sales due to EZA's purchasing cooperation with our European Fair Trade partners rose by 54.1%, but as the trade margin here is markedly lower than for other sales, the effects this growth has on the general profits situation are not overly strong. We expanded our cooperation with the World Shop in Ljubljana, whose establishment had been supported by EZA, and as a result the Fair Trade movement in Slovenia, backed by EZA, is also growing.

SALES BY CUSTOMER GROUP

| | |
|---------------------------|--------|
| World Shops | +5.6% |
| Grocery retailers | +34.6% |
| Resellers and restaurants | +9.3% |
| EZA World Shops | +5.6% |

| | |
|------------------------|--------|
| Institutions | +17% |
| Action groups | +3.8% |
| Final consumers | +24.5% |
| EU and other countries | +54.1% |

Total sales (EUR)

| | |
|-----------|------------|
| 2004/2005 | 9 476 593 |
| 2005/2006 | 10 781 728 |

Shares in total sales

| | |
|---------------------------|-------|
| EU and other countries | 4.4% |
| Final consumers | 1.2% |
| Action groups | 3.6% |
| Institutions | 7.8% |
| EZA World Shops | 10.3% |
| Resellers and restaurants | 9.3% |
| Grocery retailers | 23.3% |
| World Shops | 40.1% |

4 OUR PRODUCTS

Our sales volumes rose for both foodstuffs and handicrafts. In the case of foodstuffs, the new packagings have obviously played a relevant role in this respect, and regarding handicrafts, the attractive product line that EZA is offering was much appreciated by our customers.

The high share of organic products in the group of foodstuffs is another encouraging point: in the previous business year, it was raised to an impressive 70%.

Our sales by product group share are as follows: coffee: 33.4%; chocolate: 17.0%; other foodstuffs: 21.4%; handicrafts: 28.2%.

COFFEE

EZA bought 485 tons of green coffee from its partner organisations in Central America and Uganda. This corresponds to 457 tons of roasted coffee, and a strong rise by 15.5%. Thus, the amount of coffee sold by EZA has doubled within the past five years. As the coffee market is characterised by massive price pressure and great brand loyalty, this growth is remarkable indeed. The strongest increases were again registered for *Kaffee Orgánico*, but the other two organic coffee brands, *Jambo* and *Mundo*, have also attracted new customers. The positive response to the new packagings was a decisive factor as well.

CHOCOLATES

Chocolates also saw a rise by 20.8%, primarily brought about by sales to grocery retailers. In the World Shops, the stronger competition in this field led to slight decreases.

As in previous years Missio, in the context of its youth action, was one of our most important chocolate customers.

OTHER FOODSTUFFS

This group includes rice, tea, orange juice, spices, wine, rum, dried fruit, muesli, honey, sugar, fruit gums, etc. Here, a sales increase by 6.9% was registered. Especially good results were achieved for traditional organic Thai Hom Mali fragrant rice.

HANDICRAFTS

Today, EZA cooperates with 54 handicrafts producing partner organisations in Latin America, Africa and Asia. For many of them, Fair Trade is their only chance to sell their products because the local markets are too small to permit sales of larger quantities of high quality products at profitable prices.

Therefore the growth in handicrafts sales by 15.2% is so important. The share of handicrafts in the total turnover thus amounts to 28.2%.

Sales by product group

| | |
|------------------|--------|
| Coffee | +15.5% |
| Chocolates | +20.8% |
| Other foodstuffs | +6.9% |
| Handicrafts | +15.2% |

Total sales (EUR)

| | |
|-----------|------------|
| 2004/2005 | 9 476 593 |
| 2005/2006 | 10 781 728 |

Shares in total sales

| | |
|------------------|-------|
| Coffee | 33.4% |
| Handicrafts | 28.2% |
| Other foodstuffs | 21.4% |
| Chocolates | 17% |

5 ANNUAL STATEMENT

EZA's previous business year covered the period from 1 July 2005 to 30 June 2006.

ASSETS

The two largest items are tangible assets, which include the newly built distribution centre at Weng/Köstendorf, and inventories, with the latter rising by 15.4% in the business year 2005/6. This is due to rises in sales on the one hand and to the fact that large quantities have to be made available to grocery retailers at short notice on the other.

The increase in accounts receivable results from extended periods of payment, which are typically granted to World Shops that are newly established or to support the rebuilding and relocation of shops.

LIABILITIES

In the business year 2005/6, a profit of EUR 76 600 was made. Added to the profit of the year before, the cumulative net income is EUR 744 328. The amounts owed to banks include a loan for the new building of EUR 2 million. As at 30 June 2006, EZA's liabilities due to the small loan initiative amounted to EUR 2 075 634, provided by 622 lenders.

INCOME STATEMENT

EZA's sales revenues rose by 13.8%, to EUR 10 781 728. Our purchasing prices for coffee, which are often above the Fair Trade minimum prices, and higher valuations of handicrafts in the context of moving to the new building resulted in an increased cost of sales. Personnel expenses rose to a smaller degree than sales revenues, thus the personnel-sales revenue quota was improved. Rentals costs have gone down and include lease and rentals paid for leased property at Köstendorf and the three EZA-owned World Shops as well as for Bergheim until the end of 2005. The above-average rise in selling expenses is primarily due to activities and the further expansion of our distribution network as well as the sales-related increase of various costs. This item also includes the advertising cost of the new CD line and the costs of the opening and 30-year anniversary events, as well as a donation of EUR 10 000 to our producing partners in Mexico after the hurricane. The depreciation was caused by the new building, as was the rise in interest.

In the reporting period, EZA employed 56 workers (at the headquarters and in the three EZA-owned World Shops): 37 women and 19 men. In terms of FTEs, this corresponds to an annual average of 44.2 fulltime employees.

ANNUAL STATEMENT as at 30 June 2006

| Figures refer to euros | 04/05 | 05/06 | Comparison |
|---|------------------|------------------|--------------|
| Intangible assets | 5 328 | 3 594 | -32.5% |
| Tangible assets | 2 444 090 | 2 399 480 | -1.8% |
| Financial assets | 42 262 | 42 262 | 0.0% |
| FIXED ASSETS | 2 491 680 | 2 445 336 | -1.9% |
| Inventories | 3 111 528 | 3 589 849 | 15.4% |
| Accounts receivable and other assets | 970 389 | 1 272 770 | 31.2% |
| Cash on hand & cash in banking accounts | 118 321 | 56 814 | -52.0% |
| CURRENT ASSETS | 4 200 238 | 4 919 433 | 17.1% |
| Prepayments and accrued income | 76 632 | 79 765 | 4.1% |
| ASSETS | 6 768 550 | 7 444 534 | 10.0% |
| Share capital | 378 000 | 378 000 | 0.0% |
| Revenue reserve | 123 628 | 123 628 | 0.0% |
| Cumulative net income/loss | 667 727 | 744 328 | 11.5% |
| CAPITAL STOCK | 1 169 355 | 1 245 956 | 6.6% |
| ACCRUED LIABILITIES | 404 258 | 418 085 | 3.4% |
| Due to banks | 2 254 285 | 2 430 158 | 7.8% |
| Due to small loan initiative | 1 756 300 | 2 075 634 | 18.2% |
| Other liabilities | 1 184 352 | 1 244 513 | 5.1% |
| LIABILITIES | 5 194 937 | 5 750 305 | 10.7% |
| Deferred income | 0 | 30 188 | |
| LIABILITIES | 6 768 550 | 7 444 534 | 10.0% |

INCOME STATEMENT

| Figures refer to euros | 04/05 | 05/06 | Comparison |
|-------------------------|------------------|------------------|---------------|
| Sales revenues | 9 476 593 | 10 781 728 | 13.8% |
| Other operating income | 81 486 | 50,952 | -37.5% |
| Cost of sales | 5 409 540 | 6 463 608 | 19.5% |
| INCOME | 4 148 539 | 4 369 072 | 5.3% |
| Personnel expenses | 1 732 554 | 1 950 552 | 12.6% |
| Rental | 269 885 | 211 733 | -21.5% |
| Selling expenses | 862 016 | 1 072 177 | 24.4% |
| Administrative expenses | 635 394 | 663 011 | 4.3% |
| Depreciation | 196 624 | 253 646 | 29.0% |
| Interest | 82 405 | 107 147 | 30.0% |
| Taxes | 33 245 | 34 206 | 2.9% |
| EXPENSES | 3 812 123 | 4 292 472 | 12.6% |
| NET INCOME/LOSS | 336 416 | 76 600 | -77.2% |