

ANNUAL REPORT 2006/07

FAIR. THAT'S ONLY NATURAL.

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“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 definition of Fair Trade 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 32 years of experience in this field. EZA 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%).

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1. Activities

A new design

The reporting period saw the continuation and completion of the redesign programme for EZA's product packagings, which was started in the business year 2005/06. The new design ensures visual continuity of EZA's foodstuffs and enhances brand recognition. The motifs chosen reflect the artistic approach of illustrator Belicta Castelbarco and range from depictions of the original product to patterns inspired by different cultures, and the children's line, which invites customers to a colourful, merry world of animals. Now the initial steps have been taken to use the new design also in EZA's printed materials, and this process will be continued in the next business year.

World Shops Conference

Almost 120 participants took part in the national World Shops Conference, which was held from 15 to 18 September 2006 at Batschuns in the province of Vorarlberg. In this context EZA organised an education day to introduce the focal country campaign on Uganda and Kenya. The journey to partner organisations in the South in 2006 by EZA staff and 20 World Shop workers was a good starting point for this. The historical and present situation of these two countries of eastern Africa was presented by Walter Schicho, a specialist in African studies and author of a three-volume standard handbook on Africa, as well as other publications. Willington Wamayeye, general manager of Gumutindo Co-operative Enterprise Ltd, Uganda, provided an overview of the coffee sector in his home country. In the conference workshops Mr Wamayeye and Ms Alice Musimbi of the Undugu Society of Kenya, an NGO and Fair Trade organisation, talked about their work with small coffee farming families and craftspersons. Julia Pichler of Südwind guided a tour through an interactive exhibition on Uganda addressing young people. In addition two short videos on EZA's partner organisations in Uganda and Kenya were shown (see below). In the evening, Chandiru Straub-Mawa, a Ugandan dancer living in Vienna, accompanied by two musicians presented a powerful performance that got the audience moving.

Videos

Two new videos were produced to document the work of EZA's partner organisations: *Natürlich handgemacht* (about handicrafts) and *Jambo – Fairer Handel in Uganda* (about coffee). Manfred Wimmer collected the material for the films during his journey to Uganda and Kenya and eventually completed the videos in cooperation with EZA, to provide visual impressions for the new country focuses. The videos illustrate the production of soap stone products and sisal bags, and they follow the way that organic Jambo coffee takes from the small farmers' cooperatives to further processing in order to obtain green coffee ready for export. The two videos may be rented at EZA.

Photo: mawi

A moving picture: Chandiru Straub-Mawa

“In Fair Trade all people involved in the trade relationship learn to understand and respect what each of them is contributing.”

Willington Wamayeye, Gumutindo, Uganda

Focal countries

The focal country campaign on Uganda and Kenya was taken up and implemented by the World Shops in an impressive way. EZA supported their activities by holding a preparatory education day, providing audio-visual material and decorations, as well as by organising a visiting tour for Willington Wamayeye and Alice Musimbi, who, accompanied by EZA workers, travelled through Austria until the end of September 2006.

Alice Musimbi went to the west of Austria: to Wolfurt, Dornbirn, Bludenz, Imst, Innsbruck, Schwaz, St. Johann/Tyrol, Saalfelden and Salzburg. Her extensive schedule included numerous visits to schools and World Shops as well as contacts to journalists, and also personal meetings and tours. The central themes addressed were the comprehensive social programmes run by *Undugu Society of Kenya* and its activities to support street children in Nairobi as well as the role that Fair Trade plays for the promotion of Undugu's goals. A logistics manager, Alice Musimbi has worked with Undugu for many years and thus gathered much experience to share, complemented by know-how previously obtained at a pan-African handicrafts gallery.

Willington Wamayeye travelled to the eastern Austria: to Jennersdorf, Weiz, Gleisdorf, Fürstenfeld, Hartberg and Vienna. Thanks to the excellent organisational work by the World Shops, Willington had numerous opportunities to present to an interested audience the idea of Fair Trade and his small farmers' association Gumutindo. During his tour, in addition to giving interviews, he met a number of mayors and local government representatives of Styria's *Global Fairness* towns, and he visited the Renewable Energy Association at Gleisdorf as well as organic farms, where it again impressively showed that organic farming can be a cultural link across continents.

Photo: EZA
Willington Wamayeye visiting organic farmer Mr Scharler

A new World Shop in Vienna

On 11 September 2006 Südwind's bookstore with a special focus on world music was reopened at Mariahilfer Strasse 8 in Vienna's 7th district. In cooperation with EZA, it has become a World Shop where customers may discover new cultures in many different ways. In the new shop, EZA handicrafts and foodstuffs, books on development policies as well as fiction and musical specialities from different continents are displayed in an attractive setting. The interior has been modelled after EZA's own shops in the 1st and 8th districts of Vienna: the clear design created by Vienna-based architect Christian Heiss provides an adequate framework for a line of products that communicate open-mindedness and cultural diversity.

EZA-INFO newsletter

The EZA-INFO newsletter of October 2006, a comprehensive double issue, in addition to articles on the focal countries of Uganda and Kenya, also included a review of EZA' 30-year

anniversary meeting, with messages of greeting by business friends and also by Austria's Federal President, congratulating EZA on its 30-year anniversary.

Cooperating with the Goddess of Fortune

Early in 2007, a very special pilot project was started with four young designers from Sofia, Zagreb, Baden (Austria) and Vienna, who produce creative fashion under the label *Göttin des Glücks* (Goddess of Fortune). They were looking for a partner who was able to ensure fairness in production, and finally found EZA.

The standards that EZA had already specified for its own collection of T-shirts for spring 2007 eventually also convinced the Goddess of Fortune: a transparent chain of production and trade from the cotton field to the shelf, use of FAIRTRADE certified organic cotton, compliance with defined minimum social standards at the intermediate processing stages (spinning and weaving) as well as contacts to the socially responsible manufacturing enterprise Craft Aid in Mauritius, which is run in line with the criteria of Fair Trade and directly cooperates with EZA. The designers created the models, while EZA, in cooperation with Craft Aid, coordinated manufacturing and the import. The result was tested in April 2007 as a pilot project in EZA's World Shops in Salzburg (Linzergasse shop) and Vienna (1st and 8th district) – with encouraging responses by both the media and customers.

Focal theme: cotton

In March and April 2007, EZA focused on the theme of cotton, and around 60 World Shops participated in the corresponding activities. A collection of Fair Trade T-shirts and other clothing from EZA's partner Craft Aid was offered, which had been produced under the same criteria and with the same partner organisations as the models designed by *Göttin des Glücks*. The positive response by the public proved that the combination of organic farming, fair trade relations and modern design is an attractive alternative to anonymous mass products: for an increasing number of people good looks alone are not enough. They want clothes that are acceptable in every respect. In the context of the cotton focus, EZA made available to the World Shops not only the corresponding products but also a wide range of materials with background information, decorations and suggestions for actions focusing on fair v. exploitive production of clothing.

Page 6:

Journey to Bolivia

This year, the journey EZA organised for World Shop workers took place in April 2007 and had Bolivia as its destination. Bolivia's barren plateau, the *altiplano* 4000 metres above sea level, gave the group of travellers an idea of how hard the conditions of living are for the local population, primarily indigenous people. At El Alto, they visited *Jilata*, a recently founded association of knitting workshops that produce attractive alpaca wool textiles. The guests from Austria were impressed by the professional way in which European fashion trends are integrated – and also by the warm welcome the members gave them. At *Señor del Mayo*, an association of craftspersons, which provides access to Fair Trade in particular for disadvantaged women in and around El Alto, one could feel how much hope the political change in Bolivia has brought about. According to Antonia Rodriguez, an activist of the present government party MAS and founder of *Señor de Mayo*, Fair Trade is as important a factor as the political fight to end discrimination against indigenous people and the negative effects of globalisation.

At the Anapqui association of cooperatives the Austrian guests became familiar with the special conditions of quinoa farming and the processing of this valuable seed. The strain of the journey to the origins of one of the oldest crops in the world was more than compensated

for by interesting contacts and the bizarre landscape around the world's largest salt lake. Still, strong nerves were needed during the breath-taking downhill journey to tropical Alto Beni, where many group members saw the golden fruit of the cocoa trees for the first time. Then they were shown the individual steps of cocoa production and met with representatives of the *El Ceibo* small farmers' cooperative, a trading partner of EZA's for 20 years.

Enlargement of headquarters

The enlargement of the distribution centre at Weng/Köstendorf that was started in February 2007 was completed in June. The annex to the existing building has increased the warehouse area by 1156 m², to 2766 m², which corresponds to floor space for 1000 additional pallets. Including the office and sales areas, the total floor space of the EZA headquarters now comprises 3568 m². The annex was built according to the same ecological criteria as the existing building, a low-energy house that won several awards. The solar collector area was expanded correspondingly.

Photos: Shailan Parker, Craft Aid, Wolfgang Pohn
Fair working conditions from the cotton field to the finished product

2. OUR PARTNERS

Cooperation

By the business year 2006/07 the number of partner organisations with which EZA cooperates has risen to more than 130 in approx. 30 countries of Latin America, Africa and Asia. These organisations have different numbers of members and structures, and they produce different types of products. EZA cooperates with both small crafts associations and socially committed marketing organisations that cooperate with a several crafts groups, and also small farmers' umbrella organisations. Especially in the case of very large farming associations, EZA and the other Fair Trade organisations usually can only buy a certain part of their harvest. Still, fair prices and long-term cooperation are factors that help to consolidate these producers' federations and to bring about improvements, e.g., in the fields of education, health care, food and income security, which could never be achieved without Fair Trade relations.

EZA buys part of its products (and almost 100% of handicrafts) directly from the producers, and part is supplied by other Fair Trade importers. A central aspect here is to ensure transparent structures from the start of the production chain to the retail store and that the producers at the other end of the chain profit from the fair trade relations.

Fair networks

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 part in these networks has played a prominent role for EZA since they were established. They serve as platforms of 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 and to standardise, monitor and review them. At the same time EZA, as a member of these networks, has committed itself to take over and adhere to a number of criteria and obligations.

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 self-assessment process and they are obliged to report on their corporate policies. In addition, a system of mutual checks of the self-evaluations has been introduced, complemented by external spot checks. Regarding producers, at present it is primarily handicrafts producing organisations that have joined IFAT. Slightly more than half of the handicrafts partner organisations of EZA's are integrated in the IFAT system.

Photo: EZA
Franz Denk, EZA, visiting coffee farmers in Mexico

“The world can be a better place – with solidarity in business and with Fair Trade.

(Text of a poster in the meeting room of Señor de Mayo, Bolivia)

Importers organised in the structure of EFTA are often pioneers of Fair Trade in their countries. EZA takes an active part in a number of EFTA bodies, e.g., in the monitoring group, which in the reporting period prepared a standardised evaluation questionnaire for partner organisations in the South. This primarily serves the purpose of evaluating EFTA partners that have not been included in the producers' register of the Fair Labelling Organisation (FLO) and are no IFAT members either. As a first step, based on the EFTA, IFAT and FAIRTRADE standards, indicators were defined to be able to check whether partner organisations meet the required standards. In the first half of 2007, the new evaluation system was tested in pilot experiments and showed good results also in practice.

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. This includes the requirement that the partner organisations from which a licensee buys goods must be included in the international producers' register of the Fair Labelling Organisation. In the case of EZA, almost 80% of the food producing partners have been entered in the FAIRTRADE register, and also the organisation of the football producers in Pakistan and the cotton farmers in India.

New partner organisations

It is essential for EZA to know who our future partner organisations are and under which general conditions they are living and producing their goods. EZA's integration in the international and European Fair Trade networks makes it easier to gather the necessary information on our partners. Within EZA, a partners' committee decides whether a cooperation with the new partner organisation in question should be embarked upon.

In the reporting period, relations to 19 new partner organisations were established. The greatest increase is accounted for by small farmers' associations that grow organic coffee. Demand for this product further increased in the past business year.

Our new partners are Flor de Campanilla and Kabi Habin, Mexico (honey); OTPC San Juan Cancuc, 21 de Septiembre, Juan Sabines Gutierrez, Procafem, Redcafés, Flor del Cafetal and Paluchén, Mexico (organic coffee); Sidama Coffee Farmers Cooperative Union and Oromia Coffee Farmers Cooperative, Ethiopia (organic coffee); ASOCACEN, Paraguay (organic sugar); Kavokiva, Côte d'Ivoire (cocoa); La Sureñita, Honduras (cashew nuts); COOPERCUC, Brazil (fruit spreads); Ikuru, Mozambique (peanuts); Del Campo, Nicaragua (peanuts and peanut oil); ACP, Nepal (felt products); Streetwires, South Africa (wire art).

Photo: EZA

Capiz shells provide the raw material for creative crafts from the Philippines.

Visits and journeys

Visits by our partners in the South and journeys by EZA workers to our partner organisations serve to facilitate direct contacts and permit an exchange of mutual expectations and discussions on the development of our fair trade relations.

In the reporting period, EZA workers visited 26 partners in six countries: the organisations Silence, EMA, SASHA and CRC in India, where new designs for bags were a central issue; our long-standing partner organisation Pekerti in Indonesia; and Saffy, Preda and ESPC, our crafts partners in the Philippines. Autumn 2006 saw the annual journey to coffee partners in Mexico: the organisations visited included FIECH, Flor del Cafetal, ISMAM, Juan Sabines Gutierrez, OTCP, Paluchen, POSI, Redcafés, Tiemelonla nich k lum, Tzijib Babai, UCIRI and Yeni Navan. In Guatemala, we met with our coffee and honey partners Cecapro and Guaya'b, and in Bolivia, the alpaca knitting organisations Jilata and Señor del Mayo, as well as the small farmers' cooperatives of Anapqui (quinoa) and El Ceibo (cocoa).

Representatives of the following organisations came to EZA in the reporting period: Fred Masinde (Undugu Society, Kenya), Willington Wamayeye (Gumutindo, Uganda), Alice Musimbi (Undugu Society, Kenya), Gabriel Kamudu (Craft Aid, Mauritius), Sundarkumar (Palam, India), Ram Sami (SIPA, India), Lucas and Diana Caldeira (Asha, India), Simón Huanca, Humberto Aruquipa and Brigitte Landauer (Jilata, Bolivia), Orlando Vasquez (Intiraymi, Peru), Cathi Groß (Coopercuc, Brazil), Patrick M. Katingima and Martin K. Malila (Machakos, Kenya), Hernán Pérez and Gerardo Wijant (Viña Chequen and Comparte, Chile), Ruth Salditos (PFTC, Philippines).

In the interest of producers

In the reporting period, EZA backed the coffee producers' demand for an increase of the minimum price defined by FAIRTRADE, in a statement presented to FLO (Fair Labelling Organisation) and in the context of EFTA. By 1 June 2007, after consultations with producers, trade organisations and licensees, at first the premium system was modified. The organic premium was increased from USD 15 to USD 20 per sack, and the welfare premium from USD 5 to USD 10. The guaranteed minimum price of USD 121 has remained unchanged for the time being. For EZA, the original FAIRTRADE coffee price system was regarded as a guideline only in the previous business year. Actually, because of changes in the market situation, an average price of USD 152 per sack of arabica highland coffee was paid, which is considerably higher than the minimum price.

Photo: EZA
Leather and silk products made by EMA, a partner of EZA's in India

3. OUR CUSTOMERS

World Shops

The World Shops are EZA's largest group of customers, accounting for 40.4% of total sales. What is particularly encouraging is the growth by 8.6% compared to the previous year, to EUR 4.8 mill., EUR 1.9 mill. of which are accounted for by handicrafts, and EUR 1.1 mill., by coffee. The rest of sales results from other foodstuffs. Here chocolates are the most important group of products.

In the reporting period, 93 World Shops were run in Austria. Remarkably, a growth of sales by the World Shop to external points of sale has been registered: in addition to providing services to action groups, World Shops increasingly often also sell their products to institutional customers.

Again, the World Shops organised many events aimed at awareness raising. In the reporting period, the focus of activities was placed on children's rights and Fair Trade. The European World Shop Day, which was held in May, was the most prominent expression of this focus. In order to awaken more interest in Fair Trade especially among young people, many World Shops also run Fair Points, i.e. points of sale that are operated by students in schools).

In addition to the large number of advertising activities coordinated by the Austrian World Shop Association (for which EZA provided materials on hammocks/outdoor articles and jewellery), the focal country weeks and the organic cotton campaign organised by EZA deserve special mention (see also page 5). As a result of the trend towards professionalisation in the World Shops, which has actively been pursued for many years, the Austrian shops have further consolidated their top rank in the European World Shop movement: the average turnover in the shops has been as high as EUR 100 000, which reflects the impressive progress of the World Shops in Austria, in spite of rising competition.

Grocery Retailers

In this group of customers considerable growth rates were achieved also in the past year: for instance, sales figures rose by 12.2%, to EUR 2.9 mill. Here, coffee was the most important product, accounting for EUR 1.7 mill. The main reason for this growth is that supermarkets that already offered our products expanded their range of EZA articles.

At present EZA products are available in the following supermarkets: Interspar, Eurospar, SPAR supermarkets, Spar Gourmet, Merkur, Billa, Adeg, a number of privately run Adeg shops, dm drugstores, M-Preis, Kastner, Pfeiffer, Maximarkt, Winkler Märkte, Sutterlüty, Unimarkt, Prokaufland, E-Center, Tabor and Welas Park.

The campaigns launched by the FAIRTRADE labelling organisation also helped to win an increasing number of people for the idea of Fair Trade.

Photo: EZA
Südwind Weltmusik, a World Shop in Vienna (7th district)

Resellers

This group of customers primarily includes organic food shops and wholesale suppliers of organic food shops. Consumers frequenting organic food shops, in addition to environmental aspects, have attached more and more importance also to social responsibility. The corresponding sales rose by 13.7%, to almost EUR 1.2 mill.

EZA World Shops

EZA runs three World Shops: in Salzburg (Linzergerasse) and Vienna (1st and 8th districts) which, as a result of good locations, attractive interiors and competent shop assistants, are top sellers among the World Shops in Austria. In addition, they serve as test shops for EZA: for instance, in spring 2007 the pilot stage for the cooperation with the *Göttin des Glücks* design label took place here (see also page 5). Between the shops, sales to private consumers amounted to a total of more than EUR 1.1 mill., with handicrafts accounting for approximately 70%.

Institutions

More and more private organisations and public agencies have turned to Fair Trade products for internal use. In this context, the decisions by public authorities to support Fair Trade have also shown effect. Fair Trade coffee has been consumed in a rising number of educational organisations and offices. And other large customers of EZA's have also increased their sales volumes: this year Missio, in the context of its 2006 youth action, offered dried pineapples and chocolates, and our handicraft sales strongly benefited from the purchases by the Dreikönigsaktion Christmas Carol Singers and Salesianer Don Bosco.

Action Groups

As the network of World Shops has grown, many action groups have been able to buy products for their activities directly at the local shops. This explains the decline by 16.8% of EZA's sales to action groups. EZA welcomes this development because this eventually strengthens fair structures in the individual regions. An important aspect here is that the good network of World Shops and the availability of EZA products also in grocery shops makes it possible for the customers of sales events organised by action groups to buy fair products also afterwards. The action groups, through their sales and activities, continue to contribute to awareness raising in the field of Fair Trade. Thus the commitment of these volunteer activists is of great importance for the entire movement.

Final Consumers

The increase regarding final consumers by 6.0% is another promising development. This group of customers primarily consists of the rural population in towns near EZA's headquarters at Köstendorf, and excursion groups to our low energy eco-building. Thus EZA, after only two years at the new location, has already been able to establish an adequate clientele.

European Union

Sales in this field primarily come from EZA's purchasing cooperation with our European Fair Trade partners, and rose by 9.7%, 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. The cooperation with our partner in Slovenia has developed very favourably: it has been possible to consolidate the establishment of a Fair Trade network in our neighbouring country, with a strong World Shop in the capital of Ljubljana, which is a good basis for further trade cooperation. Hungary also saw attempts to start Fair Trade structures, in cooperation with EZA. In December, a World Shop was opened in Budapest.

Photo: EZA

The strong network of World Shops facilitates direct cooperation with action groups

4. OUR PRODUCTS

Coffee

EZA was able further to increase the sales of roasted coffee, its most important product. In sum, 506 tons of coffee were sold, 93% of which was organic coffee. In the past year, Nica coffee was converted to organic production. Orgánico coffee from Mexico continued to be the top article in this field, while the greatest growth was accounted for by Jambo coffee from Uganda, obviously a result of the special advertising campaigns in the context of the focal country activities. As more and more households have used professional coffee-making machines, the share of coffee beans compared to ground coffee has risen by 20%, to 42% of the total amount of coffee sold.

Chocolate

The second-most important product group in the food sector, chocolate accounts for a share in total sales of 16.7%. Although competition has increased especially in this field, a growth by 5.3% could be achieved nevertheless. As in previous years Missio, because of its youth action, was one of our most important chocolate customers.

Other Foodstuffs

This group includes rice, tea, orange juice, spices, wine, rum, muesli, honey, dried fruit, fruit gums, etc. Here, a growth rate of 5.1% was registered.

Handicrafts

Today, EZA cooperates with 58 handicrafts producing partner organisations in Latin America, Africa and Asia. The 10.8% increase in sales is especially encouraging as Fair Trade often is the only opportunity for the producers to sell their products. Local markets are hardly a realistic alternative for them because in the majority of countries the purchasing power is too small. Handicrafts, which accounted for 29.0% of our total sales, are almost exclusively sold via the World Shops. In Austria, 93 World Shops exist, and the corresponding sales figures amount to EUR 3.4 mill., which is very good compared to other European countries. Because of the attractive design and good quality, a rising number of European Fair Trade partners have bought their products through EZA.

Photo: mawi

Top growth rates: Jambo coffee from Uganda

“EZA’s sales by products group are composed as follows:

Coffee: 33.4%, chocolate: 16.7%, other foodstuffs 20.9%, and handicrafts: 29.0%. With a share of 71% in food sales, the group of organic products saw a further growth.

Sales by customer group

| | |
|------------------------|----------|
| World Shops | + 8.6 % |
| Grocery retailers | + 12.2 % |
| Resellers and catering | + 13.7 % |
| EZA World Shops | + 0.4 % |
| Institutions | + 1.6 % |
| Action groups | - 16.8 % |
| Final consumers | + 6.0 % |
| EU + non-EU | + 9.6 % |

TOTAL SALES

2005/06: € 10 781 728.—

2006/07: € 11 589 543.—

Sales by group of products

| | |
|------------------|----------|
| Coffee | + 7.6 % |
| Chocolate | + 5.3 % |
| Other foodstuffs | + 5.1 % |
| Handicrafts | + 10.8 % |

TOTAL SALES

2005/06: € 10 781 728.—

2006/07: € 11 589 543.—

5. ANNUAL STATEMENT

EZA's previous business year covered the period from 1 July 2006 to 30 June 2007.

Assets

The increase in assets primarily results from tangible assets (+34.6% compared to the previous year) and inventories (+20.6%). From February to June 2007, the distribution centre was completed. The cost of the annex, which originally had been scheduled for 2008, amounted to EUR 783 000. Now the land that EZA's shareholders of the Catholic Men's Movements of Austria and of Upper Austria bought and leased to EZA is built up completely. Only part of the increase in inventories results from the growth in sales. It is mostly due to advance deliveries by our partner organisations in the South so that during the quiet summer months, preparations can be made for a smooth shipment of their goods as of early September.

Liabilities

In the business year 2006/07, a profit of EUR 227 934 was made. Added to the profits of previous years, the cumulative net income amounts to EUR 972 262. The due to banks item includes the loan for the distribution centre (a total of EUR 2.51 mill. at present) and has risen by 33.2% because of the annex building. As at 30 June 2007, due to banks include a loan for the new building of EUR 2 million. As at 30 June 2006, EZA's liabilities resulting from the small loan initiative amounted to EUR 2 256 106, provided by 643 lenders.

Income Statement

EZA's sales revenues rose by 7.5% to EUR 11 589 543. In spring 2007, the property of EZA's former regional centre in the 5th district of Vienna was sold. Set off against the remaining book value, this resulted in an extraordinary income of EUR 245 142, which explains the great increase in other operating income.

Regarding cost of sales, the strongest growth was accounted for by handicrafts. As the margins are higher here than in the case of foodstuffs, this led to a disproportionately small increase in cost of sales. In addition, the low dollar exchange rates were an advantage in this respect. Personnel expenses rose to a smaller extent than sales revenues, which improved the personnel-to-sales revenue quota. The new annex has considerably reduced rental costs, as expenses for renting external storage areas have thus gone down to a minimum. The corresponding item therefore primarily covers rentals paid for leased land at Köstendorf and the three EZA-owned World Shops as well as the respective operating costs.

The above-average rise in selling expenses is primarily due to activities aimed at a further expansion of our distribution network and the sales-related increase of various costs. The administrative costs item also includes summarised other expenses, which grew because of streamlining of the product range and damage of chocolate in the course of operations. The new annex is the reason for increases in depreciation and in part also in interest payments, which, however, has also been caused by growing interest rates.

Photo: EZA

Since June 2007, the annex has given EZA more room for Fair Trade.

In the reporting period, EZA employed 60 workers (at the headquarters and in the three EZA-owned World Shops): 39 women and 21 men. In terms of FTEs, this corresponds to an annual average of 48.1 fulltime employees.

Although overall profits in this business year have primarily been earned through selling property in Vienna, if we take into account the additional investment in our distribution centre we have reason to be satisfied with what has been achieved.

ANNUAL STATEMENT as at 30 June 2007

| Figures refer to euros | 05/06 | 06/07 | Comparison |
|--------------------------------------|------------------|------------------|--------------|
| Intangible assets | 3 594 | 5 617 | 56.3% |
| Tangible assets | 2 399 480 | 3 229 863 | 34.6% |
| Financial assets | 42 262 | 36 575 | -13.5% |
| FIXED ASSETS | 2 445 336 | 3 272 055 | 33,8% |
| Inventories | 3 589 849 | 4 328 638 | 20.6% |
| Accounts receivable and other assets | 1 272 770 | 1 243 591 | -2.3% |
| Cash on hand & cash in banks | 56 814 | 67 647 | 19.1% |
| CURRENT ASSETS | 4 919 433 | 5 639 876 | 14.6% |
| Prepayments and accrued income | 79 765 | 74 955 | -6.0% |
| ASSETS | 7 444 534 | 8 986 886 | 20.7% |

| | | | |
|----------------------------|------------------|------------------|--------------|
| Share capital | 378 000 | 378 000 | 0.0% |
| Revenue reserve | 123 628 | 123 628 | 0.0% |
| Cumulative net income/loss | 744328 | 972 268 | 30.6% |
| CAPITAL STOCK | 1 245 956 | 1 473 890 | 18.3% |
| ACCRUED LIABILITIES | 418 085 | 472 940 | 13.1% |
| Due to banks | 2 430 158 | 3 237 752 | 33.2% |
| Due to small lenders | 2 075 634 | 2 256 106 | 8.7% |
| Other liabilities | 1 244 513 | 1 527 972 | 22.8% |
| LIABILITIES | 5 750 305 | 7 021 830 | 22.1% |
| Deferred income | 30 188 | 18 226 | -39.6% |
| LIABILITIES | 7 444 534 | 8 986 886 | 20.7% |

INCOME STATEMENT

| | | | |
|-------------------------|------------------|------------------|---------------|
| Sales revenues | 10 781 728 | 11 589 543 | 7.5% |
| Other operating income | 50 952 | 282 917 | 455.3% |
| Cost of sales | 6 463 608 | 6 864 412 | 6.2% |
| INCOME | 4 369 072 | 5 008 048 | 14.6% |
| Personnel expenses | 1 950 552 | 2 073 538 | 6.3% |
| Rental | 211 733 | 189 693 | -10.4% |
| Selling expenses | 1 072 177 | 1 236 589 | 15.3% |
| Administrative expenses | 663 011 | 733 917 | 10.7% |
| Depreciation | 253 646 | 290 223 | 14.4% |
| Interest | 107 147 | 183 789 | 71.5% |
| Corporate income tax | 34 206 | 72 365 | 111.6% |
| EXPENSES | 4 292 472 | 4 780 114 | 11.4% |
| NET INCOME/LOSS | 76 600 | 227 934 | 197.6% |

6. FAIR NETWORKS

AGEZ

EZA is a member of the AGEZ working group of development cooperation and understands itself as part of Austria's development policy network. AGEZ appreciates Fair Trade as an important aspect of development cooperation and international economic relationships. AGEZ also plays a central role in defining positions on current themes of North-to-South relationships. In addition, its lobbying activities at national level deserve mention.

www.oneworld.at/agez

Austrian World Shop Association

The umbrella organisation of Austria's World Shops, the World Shop Association has represented the interests of Fair Trade shops for 25 years. It receives 1.5% of the World Shops' annual sales revenues in order to consolidate the system of World Shops.

On the basis of a cooperation agreement, the Association also takes over activities in the fields of promotion, communication, further training and theme-oriented focuses. We are convinced that the promotion of professionalised shop work, combined with information, education and public relations activities on development policy issues, is essential for the propagation and acceptance of Fair Trade approaches.

In order to strengthen the World Shops' status as specialised Fair Trade shops, the World Shop Association initiated the foundation of the Fair Trade Academy, which offers a modular training programme where World Shop assistants and interested private persons may train to become Fair Trade consultants. EZA supported this exemplary training model by making available lecturers from EZA to deliver papers on the subjects of EFTA monitoring, value added in Fair Trade as well as selecting, monitoring of and sustainable cooperation with partner organisations in the South.

www.weltlaeden.at

Bio-Austria

Since 1998, the organic farming association Bio Austria has awarded the *Bio-Partner rund um die Welt* quality label for Fair Trade and organic products. This reflects the worldwide partnership that exists between organic farmers, who advocate ecological and social sustainability in economic life. In the reporting year, EZA cooperated with Bio Ernte Austria of Upper Austria in the context of a training event for organic farmers focusing on the subject of organic farming and Fair Trade.

www.bio-ernte.at

EFTA

EZA is a member of EFTA, the European Fair Trade Association of 11 alternative trade organisations in nine European countries. Its members cooperate in fields such as product development, gathering of information on and providing assistance to, partner organisations in the South. In sum, EZA took part in eight meetings at European level and also hosted a meeting of food buyers. What should be highlighted as well is the active participation in the EFTA monitoring group, whose work in the reporting period focused on the preparation of a standardised evaluation system (for further details please consult the chapter on our

partners). In the past business year EZA, in the context of its membership in EFTA, again provided financial support for the advocacy post in Brussels of the four large Fair Trade networks (EFTA, IFAT, NEWS!, FLO) in order to promote Fair Trade issues also at the level of the European Union.

www.eftafairtrade.org

FAIRTRADE

An independent association, FAIRTRADE is backed by development policy organisations, religious and environmental organisations. The FAIRTRADE label that is awarded makes it possible also for conventional traders to take part in Fair Trade on the basis of an independent control system. The label also ensures that Fair Trade products in supermarkets may easily be distinguished from conventional products. EZA has been a licensee of the FAIRTRADE label from the beginning and offers by far the widest range of FAIRTRADE licensed products in Austria. In the reporting period, cotton clothing made of FAIRTRADE certified cotton was added to this group of products. Part of the licensing fees that EZA pays for using the label is spent for the intensive public relations work by FAIRTRADE Austria, and part goes to the international structure of the FLO Fair Labelling Organisation, which ensures an external control of the compliance with FAIRTRADE criteria on the part of producers' organisations and importers/traders.

www.fairtrade.at

Fair Trade Forum

EZA is also part of the Fair Trade Forum, which was founded in 2002 on the initiative of the World Shop Association, to unite actors that focus on the field of Fair Trade. The goals of the Forum are to exchange information and also to speak with one voice in central matters of Fair Trade.

www.fairtradeforum.at

IFAT

EZA is one of the founding members of the International Fair Trade Association, a world-wide association of approximately 320 alternative traders' and producers' organisations. IFAT provides a wide forum of discussion regarding Fair Trade issues and problems of conventional trade. In addition, all IFAT members are obliged to participate in the self-assessment process: on the basis of defined criteria, every two years a written documentation of one's Fair Trade practices has to be drawn up and submitted to the other member organisations, and in addition, external spot checks are made.

Photo: Thomas Freteur

Participants in the 2007 international IFAT conference in Blankenberghe (NL): a strong impression of Fair Trade.

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In the past business year, EZA participated in the European IFAT conference held in Paris in September 2006, where the official foundation and registration of IFAT Europe was announced and the new working schedule of IFAT Europe was put to the vote. The following focal themes were defined: consolidation and networking of advocacy activities in Europe and active participation in campaigns by the European IFAT members. The primary objective of IFAT Europe is to build a tight, strong network of Fair Trade organisations in Europe, to promote the philosophy of the Fair Trade Organisations (FTOs) and to position it against other ethically oriented enterprises and organisations.

In addition, EZA took part in the international IFAT conference in Blankenberghe (NL) that took place in May 2007. More than 350 participants from over 60 nations met to discuss

the future development of this Fair Trade association in view of its strong growth since its foundation in 1989 by a number of Fair Trade organisations mostly from the North. Today, the majority of members are producers' organisations from the South. Consequently, the focus of IFAT's work has changed. While the Northern IFAT members emphasise the importance of a strong, reliable monitoring system, well-coordinated lobbying and advocacy activities as well as the definition of joint standards, our partners in the South particularly stress the need for larger orders in order to provide better support to their producers. There is no doubt that quality and product development are essential for a market expansion, but many members stress that it is equally important to establish a handicrafts label for Fair Trade crafts, similar to the FAIRTRADE food label. A working group was convoked in order to prepare recommendations in this regard.

www.ifat.org

Climate Alliance

In the past business year EZA again supported the eco relay race that the Climate Alliance organises each summer to carry the idea of Fair Trade and climate protection to every part of Austria.

EZA, a Climate Alliance enterprise, put into practice its strong environmental commitment also in its new building: EZA's environmentally sound headquarters is a low-energy house characterised by an economical heating system based on solar energy, wood pellets and waste heat. In addition, EZA uses eco electricity, and by now the majority of the food in the company canteen consists of organic and/or Fair Trade products, and eventually, the share of organic foodstuffs in EZA's range of products has grown further. In the reporting period, EZA also cooperated with the Salzburg Climate Alliance in the context of the 2006 regional Climate Alliance meeting held at Bischofshofen.

www.klimabuendnis.at

Südwind

An organisation specialising in development policy information, education and public relations activities, Südwind is an important actor also in the context of Fair Trade. Aspects of Fair Trade have been integrated in numerous workshops and exhibitions, which have turned out to be vivid and motivating pillars for the communication of this theme, in particular in school settings. In the business year 2006/07, EZA supported an exhibition on Sri Lanka organised by Südwind and also cooperated with the independent regional SÜDWIND development policy association in Salzburg.

www.suedwind-agentur.at, www.suedwindsalzburg.at

Welthaus

Welthaus is a development policy institution of the Catholic Church, with centres in seven provincial capitals of Austria. In the past business year, Welthaus of Linz, Upper Austria, invited EZA to send a representative to Prague (Czech Republic) to hold a lecture on Fair Trade there, at an event organised by the Ecumenical Academy of Prague. In addition, EZA cooperated with the Linz Welthaus in the context of a training programme for multipliers of the "biofair snack" project.

www.welthaus.at

Photo: IFAT

The 2006 international IFAT conference took place in Paris.

EZA – Fair. That's only natural.

December 2007