



**KOSKISEN**

Quality has a name.

**Koskisen's profitability  
was good considering  
the market situation –  
the Panel Industry  
business segment  
continued its strong  
profit performance**

Koskisen Corporation  
Half-Year Report  
January-June 2023

CEO Jukka Pahta

25 August 2023

# Agenda

- Financial and operational development
  - Raw material procurement
  - Wood products are a significant carbon sink
  - The growth strategy is progressing as planned
- 
- Questions can be asked through the question function of the webcast.  
Questions will be answered after the presentation.

# Highlights



The start-up of the new sawmill took place at the beginning of July, as planned. The ramp-up of production is under way.



The development of the Sawn Timber Industry segment continues – an investment of EUR 15 million in a new log yard and related functions



In spite of the challenging market conditions, sales of the wood products manufactured by Koskisen – particularly birch plywood – was good and in line with plans



The price of softwood logs is high relative to the market situation, which is a challenge for the Sawn Timber Industry segment. The procurement of raw material has gone according to plan.

# Financial and operational development



# Strong financial position



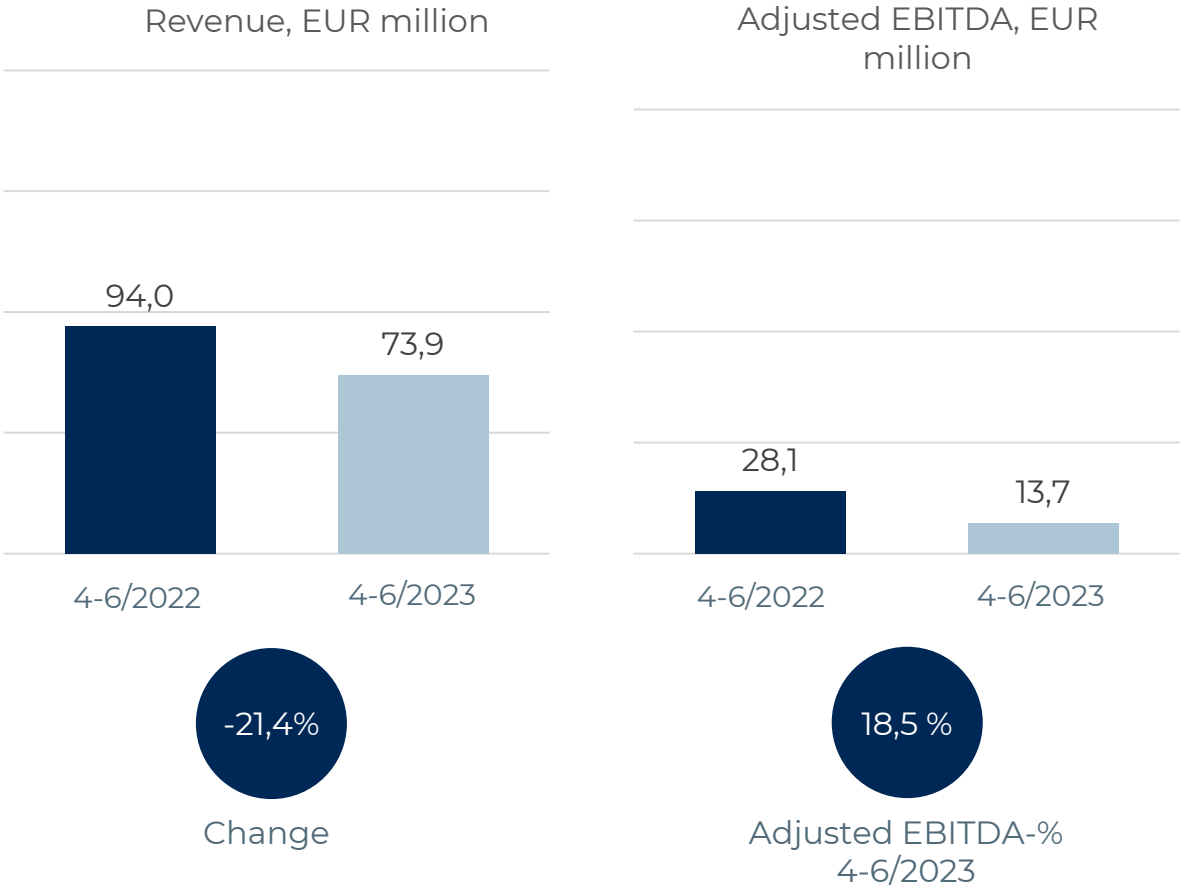
KOSKISEN

EUR million Unless otherwise stated	April-June			January-June		
	4-6 2023	4-6 2022	Change %	1-6 2023	1-6 2022	Change %
Revenue	<b>73.9</b>	94.0	-21.4	<b>147.1</b>	172.8	-14.9
EBITDA	<b>13.8</b>	30.1	-54.2	<b>26.4</b>	46.1	-42.7
Adjusted EBITDA	<b>13.7</b>	28.1	-51.4	<b>26.3</b>	44.3	-40.6
Operating profit (EBIT)	<b>11.7</b>	28.0	-58.2	<b>22.4</b>	42.0	-46.7
Profit for the period	<b>9.8</b>	21.8	-54.9	<b>18.6</b>	33.8	-45.0
Basic earnings per share, EUR	<b>0.43</b>	1.86		<b>0.81</b>	3.36	
Gross investments	<b>6.2</b>	8.5		<b>14.7</b>	12.1	
Equity per share, EUR				<b>6.3</b>	5.3	
Return on capital employed (ROCE), %				<b>22.2</b>	N/A	
Working capital, end of period				<b>39.7</b>	46.7	
Net cash flow from operating activities				<b>6.5</b>	15.6	
Equity ratio, %				<b>57.4</b>	45.6	
Gearing, %				<b>-8.1</b>	24.5	

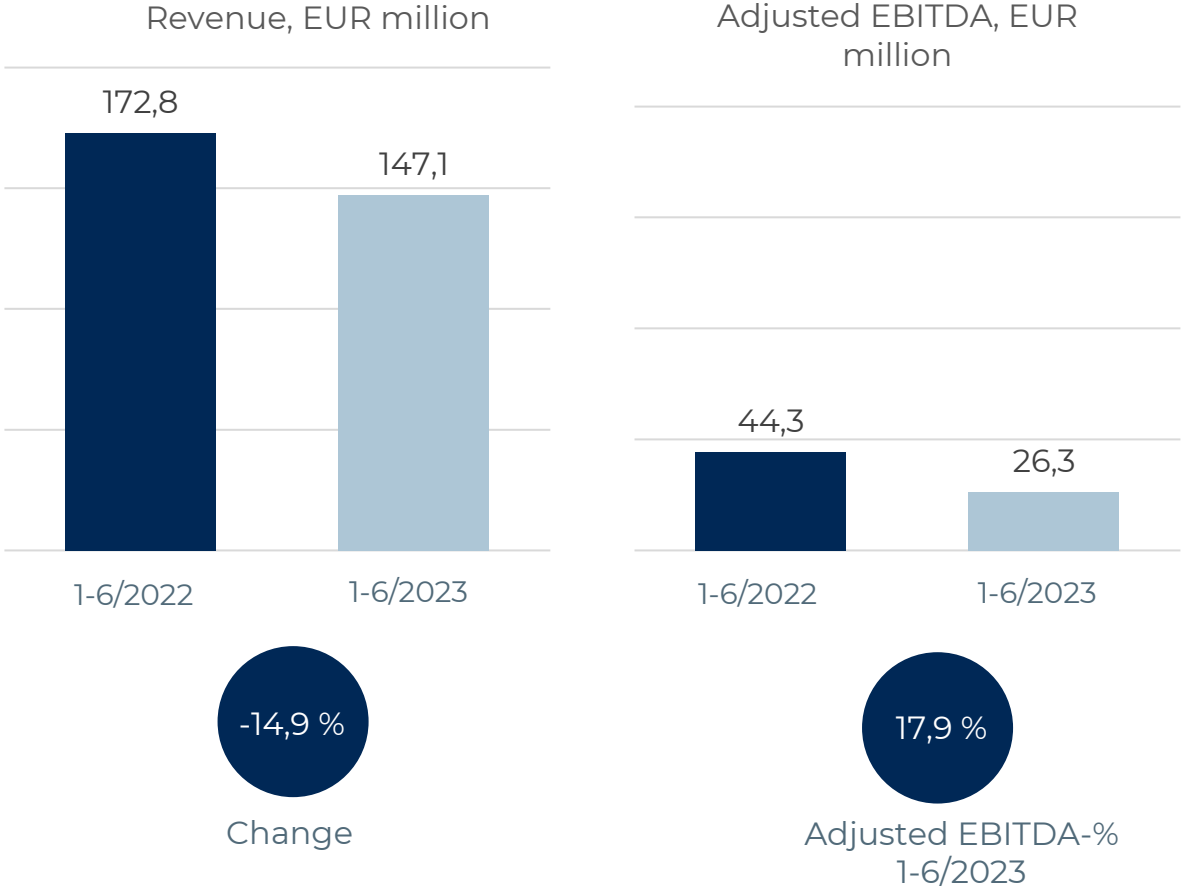
# Financial and operational development



## April-June



## January-June



# Profit guidance for 2023 unchanged



- Koskisen's revenue for 2023 is not expected to exceed the level of 2022. The adjusted EBITDA margin is expected to be 12–14 per cent.
- The profitability of the Sawn Timber Industry segment is expected to decrease compared to the level of 2022. The profitability of the Panel Industry segment is expected to remain unchanged or improve compared to the level of 2022.

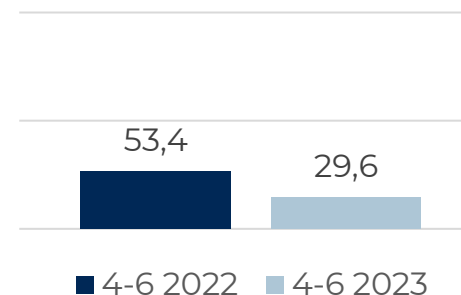
# Profitability at a satisfactory level considering the industry situation



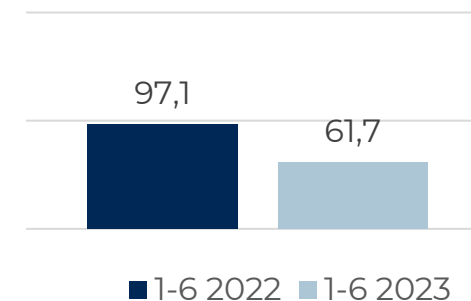
- The decrease in revenue was mainly due to
  - the decrease in prices caused by the global market situation
  - the lower level of construction activity
  - the somewhat lower volumes when compared to the reference period
- The decrease in EBITDA was mainly due to
  - lower selling prices
  - decreased volumes

The profitability of the Sawn Timber Industry segment was at a weak level, but it can be considered satisfactory in light of the current situation in the industry

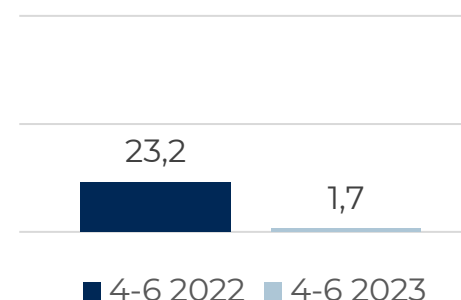
Revenue, EUR million



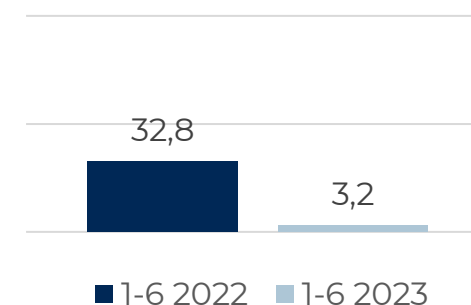
Revenue, EUR million



EBITDA, EUR million



EBITDA, EUR million



Q2  
2023  
5.7%



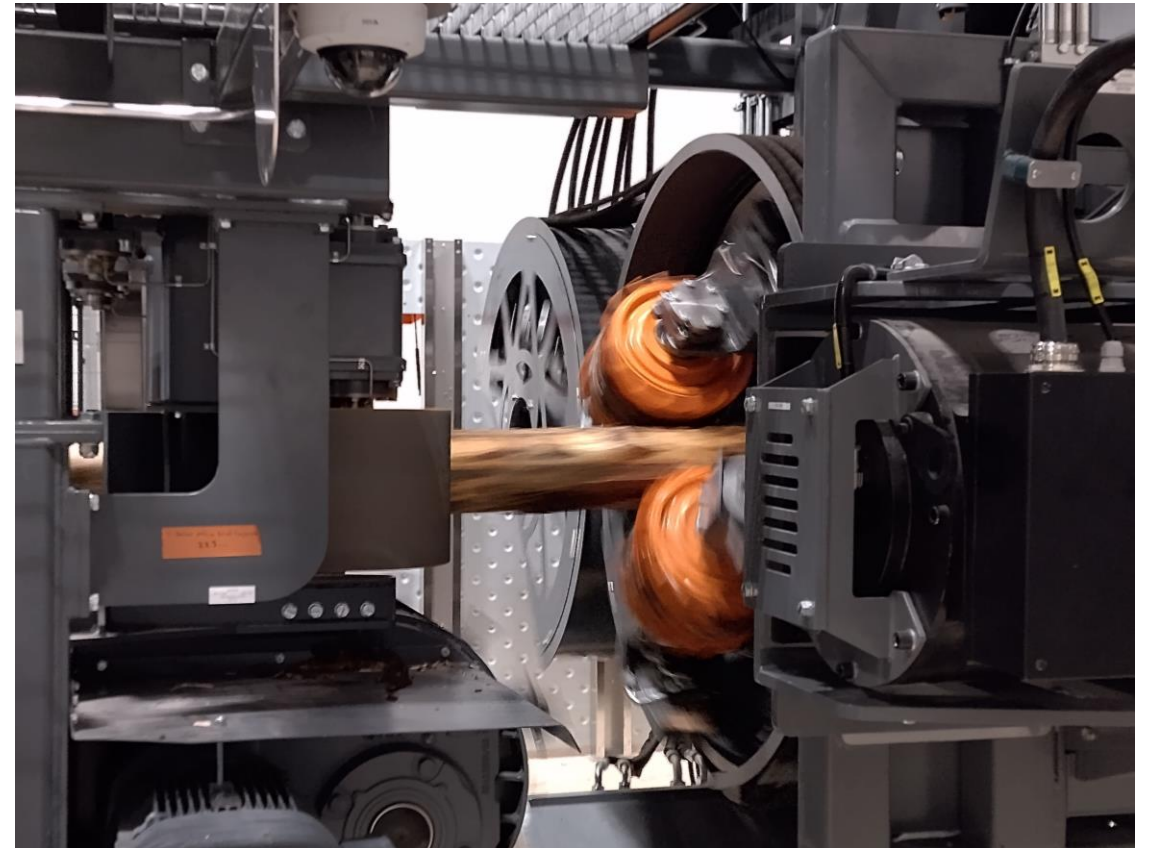
# The challenge is the price of softwood logs, which is too high relative to the market situation



- Normal production of sawn timber products was maintained in Q2
- Inventory levels have remained moderate due to active sales efforts
- While the selling prices agreed for Q2 initially showed a rising trend, they subsequently turned to a decline and began approaching the levels seen in Q1
- In spite of the weakened situation in the sawn timber market, the prices of softwood logs have been rising in Finland, unlike in the key competitor countries

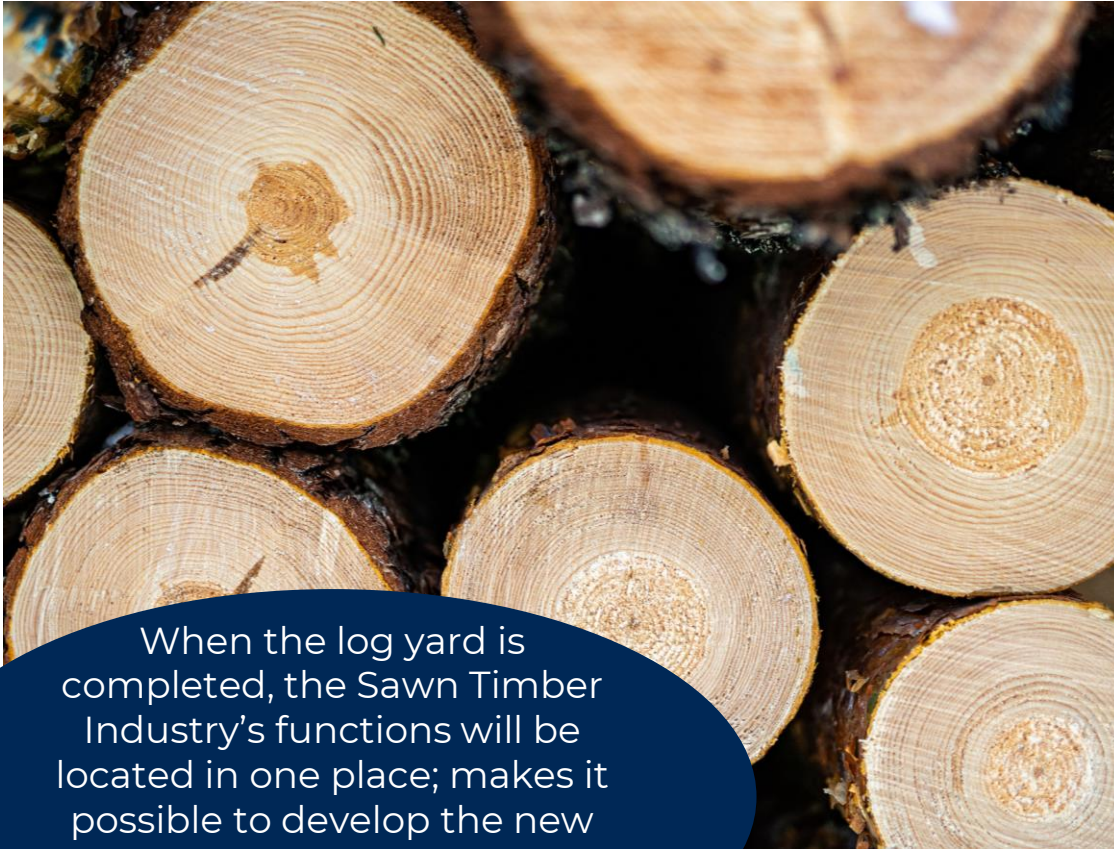
# The start-up of the new sawmill took place at the beginning of July, as planned

- Ramp-up is under way, the production volume is developing continuously
  - The unit is expected to operate at full capacity in early 2024
  - In the first stage, production will increase by about one-third
  - The Sawn Timber Industry segment's EBITDA will improve by approximately EUR 8 million annually when full production capacity is reached
- The sawmill was completed on schedule and on budget
  - An excellent achievement in the current operating environment





# The development of the Sawn Timber Industry segment continues – investment in a new log yard



When the log yard is completed, the Sawn Timber Industry's functions will be located in one place; makes it possible to develop the new sawmill into Finland's most competitive production facility of its kind.

- The size of the investment is approximately EUR 15 million and it comprises
  - a log sorting yard and sorting line, including a control room
  - a stormwater processing system
  - a new entryway to the mill area, including gate facilities and related functions
- To be completed at the beginning of 2025
- The investment supports the Sawn Timber Industry segment's growth strategy
  - by increasing the efficiency of sawn timber production
  - by significantly improving productivity







# Installation of the new veneer peeling line at the plywood mill is under way – the aim is to improve the efficiency of wood use



- Installation work on the new veneer peeling line at the plywood mill began slightly ahead of schedule
- The aim is to deploy the new veneer peeling line later this year
- It will improve the efficiency of wood use at the plywood mill and upgrade the manufacturing process
- It will also improve the energy efficiency of plywood production

## Panel Industry Q2 2023

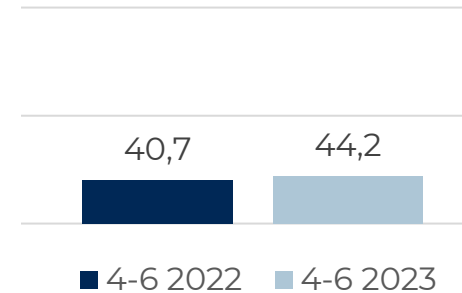
# Customer demand and improved average prices supported revenue growth and profitability



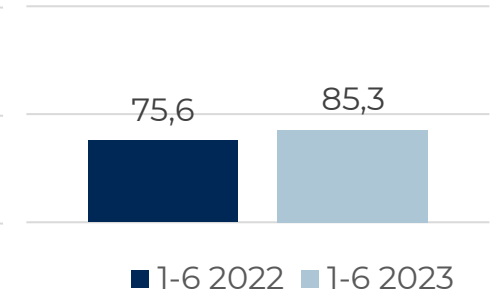
- The increase in revenue was mainly due to
  - continued strong customer demand
  - the strengthening of the average price of the higher added-value products manufactured by Koskisen
- The improvement in EBITDA was supported particularly by
  - the favourable development of average product prices
  - the price increases of raw materials levelling off
  - the optimisation of product-specific and customer-specific profitability

In particular, the demand for birch plywood products remained good in Q2

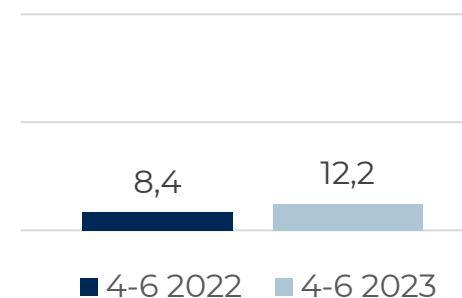
Revenue, EUR million



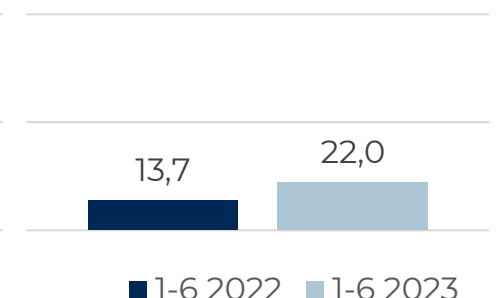
Revenue, EUR million



EBITDA, EUR million



EBITDA, EUR million



Q2  
2023  
27.6%

# Solar panels to generate electricity for plywood and particle board mills



We believe that there will be continued demand for sustainably manufactured products with a long-term carbon binding impact!

- Koskisen is investing approximately EUR 1.6 million in a solar power plant in Järvelä
- 3,670 solar panels will generate electricity for the plywood and particle board mills
- Construction on the solar power plant began in the summer and deployment is scheduled for late 2023
- The investment will also increase the share of renewable energy in Koskisen's electricity consumption
  - The heat energy required by the Group was already 96% bioenergy-based in 2022

# Raw material procurement



# Wood reserves are at the targeted levels

- The procurement of wood raw material went as planned despite the market situation remaining tight
- The outlook for the coming months is stable, and wood reserves are at the target level
  - Preparations have been made for the start-up of the new sawmill by increasing reserves
  - The procurement of birch logs has gone according to plan, and the availability of raw material for production has been stable
- Raw material purchase prices continued to rise in Q2
  - For wood harvesting and transport costs, the sharpest rise in prices has levelled off
- The demand for pulpwood and forest converted chips has remained strong



# **Wood products are a significant carbon sink**



# Wood products are a significant carbon sink – the positive climate impacts of sawn timber products as an example



**Wood replaces fossil materials**

Sawn timber products bind 20 times more CO<sub>2</sub> than the emissions generated by their production.



**Carbon is sequestered in wood products that have a long life cycle.**

In Finland, the products of the sawn timber industry bind 9 million tonnes of CO<sub>2</sub> annually.

A large proportion of the positive environmental impacts of using wood in construction arise from the replacement of non-renewable fossil materials such as steel and concrete.

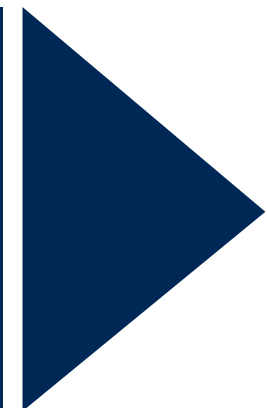
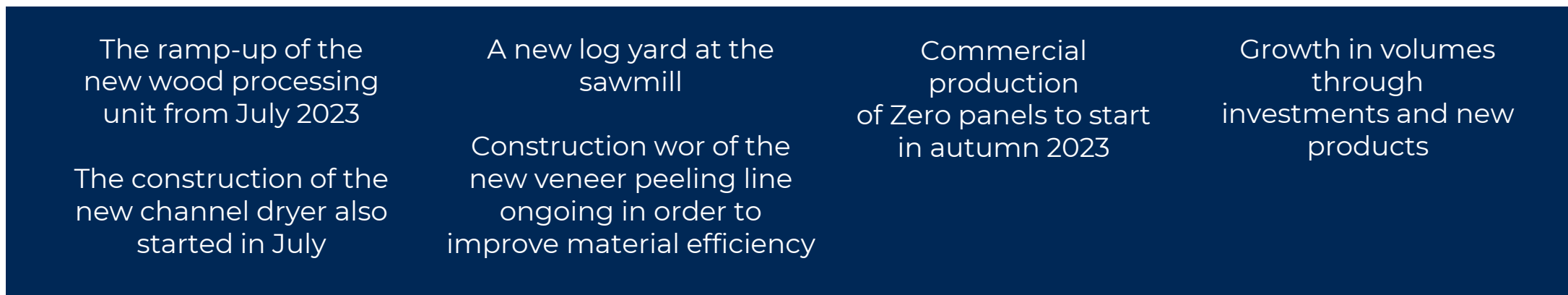
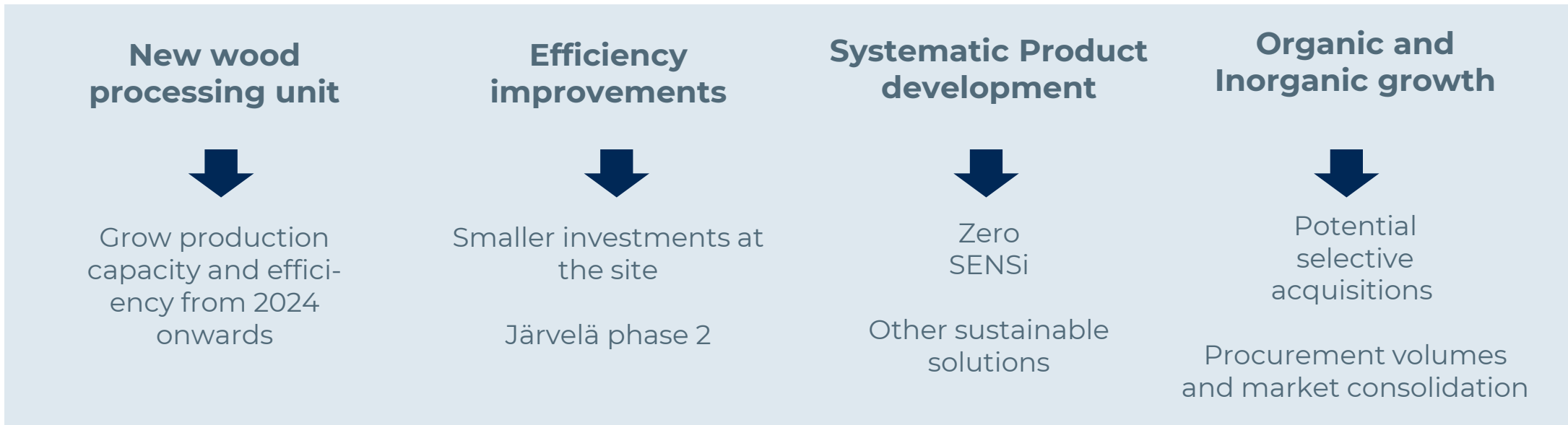
**Growing forests bind carbon**



**The growth strategy  
is progressing as  
planned**



# Strong growth strategy is being executed as planned



**Thank you.**