

2020
ANNUAL REPORT

IVART — MONTEIN

IIVARI MONONEN GROUP

ANNUAL REPORT 2020

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Wood



Green values



MEGATRENDS

AT THE HEART OF OUR WORK

Our solutions are used around the globe – every day

The Iivari Mononen Group is a Finnish family-owned enterprise. As the world changes at an accelerating pace, we are part of the development, both sustainably and internationally.

Digitalization



Energy infrastructures



Ecosystems



IIVARI MONONEN

We continue to defend wood as a material with clear benefits such as sustainability, carbon sequestration and consumer values: "Wood is good".

– Ari Mononen,
Managing Director



Demand for wood as a construction material is increased by the need to mitigate climate change and to use long-lasting, ecological and climate friendly raw materials, says Ari Mononen, CEO of the Iivari Mononen Group.

Finland's tallest wooden apartment building and a wooden pedestrian bridge in Joensuu are prime examples of the new arrival of wood.

FROM THE GROUP CEO

2020

The year 2020 was a historical one for us all. The coronavirus pandemic brought unprecedented challenges, halting and affecting the whole world.

In this situation, our Group's consistent strategic work as well as our experience of previous crises and sudden changes in the markets proved highly valuable. We were able to analyse the situation and take the necessary actions, and thus our operations continued without interruption.

Our earlier investments in digitalization and an integrated management system allowed us to manage, plan, report and monitor operations remotely at different levels of the organization. Thanks to the hard work and great attitude of our staff towards safety, we continued our growth according to our strategy.

At the end of 2020, the Iivari Mononen Group had 219 employees. I want to express my sincerest thanks to them for their important work in accordance with our values. Special thanks are also due to them for their responsibility in relation to health and safety and meeting customer expectations in the difficult situation caused by the pandemic.

Our turnover grew to 85.7 million euros, which was 15% higher than in the previous year. We also improved our profitability.

The growth of our **pole business** was driven by long-term and loyal partnerships in our home markets and increased sales of fencing posts in Great Britain.

In the **construction timber business**, the sales of impregnated timber grew in the home markets.

Our **service business** continued robustly in projects. Multi-year maintenance contracts formed the cornerstone of operations.

During the year, we updated our strategy and observed societal and global changes that have an impact on our business. Green values, increased use of wood as a material, changes in energy production and accelerating digitalization are now the drivers of our business development.

2021

The coronavirus pandemic will stay with us at least for the year 2021. As an employer, we take special care of our employees and their health. The pandemic may still affect our deliveries, production and services, causing delays and extra costs.

Economic, social and environmental sustainability are built into our everyday actions. We strive to safeguard our customers' operations in sectors crucial for infrastructure. As part of our corporate social responsibility, we seek to employ young people and we sponsor culture and sports.

We make investments for the benefit of the environment and the mitigation of climate change. Our Group aims to be carbon neutral in 2035. To this end, we have launched a carbon footprint calculation project. The digitalization of the integrated management system and numerous processes will continue in 2021. These actions will make us stronger and readier to encounter the new normal.

Green values and digitalization are the megatrends we have placed at the heart of our strategy. They will cut across our operations, whether products, processes or production chains. We continue to defend wood as a material with clear benefits such as sustainability, carbon sequestration and consumer values: "Wood is good".

LONG-TERM R&D SHOWED ITS STRENGTH

The Scanpole Group broke many of its earlier records in 2020. Effective procurement, increased utilization of production and positive sales work were the key elements of its success.

Despite the unprecedented challenges posed by the coronavirus pandemic, the Scanpole Group experienced only minor impacts from the pandemic. We were particularly pleased about the positive developments in our fencing post business which, led by the boosted sales in Great Britain, obtained over 40% growth. Indeed, our products are necessary for society's infrastructure and they maintained their market position despite the prevailing circumstances.

Our unified operational strengths responded to a growing demand

The year 2020 was a highly successful year for the Scanpole Group as we broke earlier records both in operational and quantitative terms. The volume of wood procurement rose to a record level in Finland and strengthened our position for the year 2021.

In Norway, our business operations in Kirkenær and Ilseng were merged at the beginning of 2020. By combining the operational strengths and capacities of the two facilities, we were able to respond to the rising market demand. The year ended with a significant increase in production, a production record in Kirkenær and the highest turnover of the Scanpole Group to date.

RECORD
TURNOVER

47.8

MILLION EUROS

OPERATIVE
PROFIT 9,1 %

4.4

MILLION EUROS

The significance of Great Britain for our business has increased year after year as markets outside Europe have remained uncertain. In Newport, Wales, we reached a production record and maintained our position in pole markets. In addition, the sales of fencing products grew significantly thanks to our sales and marketing activities.

Our market position in the Nordic countries remained stable and the volume of our project business rose to a new level because of consistent network investments.

”

Protecting our health and that of our closest ones and colleagues became the number one priority overnight. As the pandemic continues, I can proudly say that our staff have managed amazingly well in such challenging circumstances. Warmest thanks to you all!

– Janne Monni,
Managing Director



A number of new appointments and operational developments took place at Scanpole Group during 2020. Janne Monni started as the Group's new CEO in April.



Wood is gaining the attention it deserves

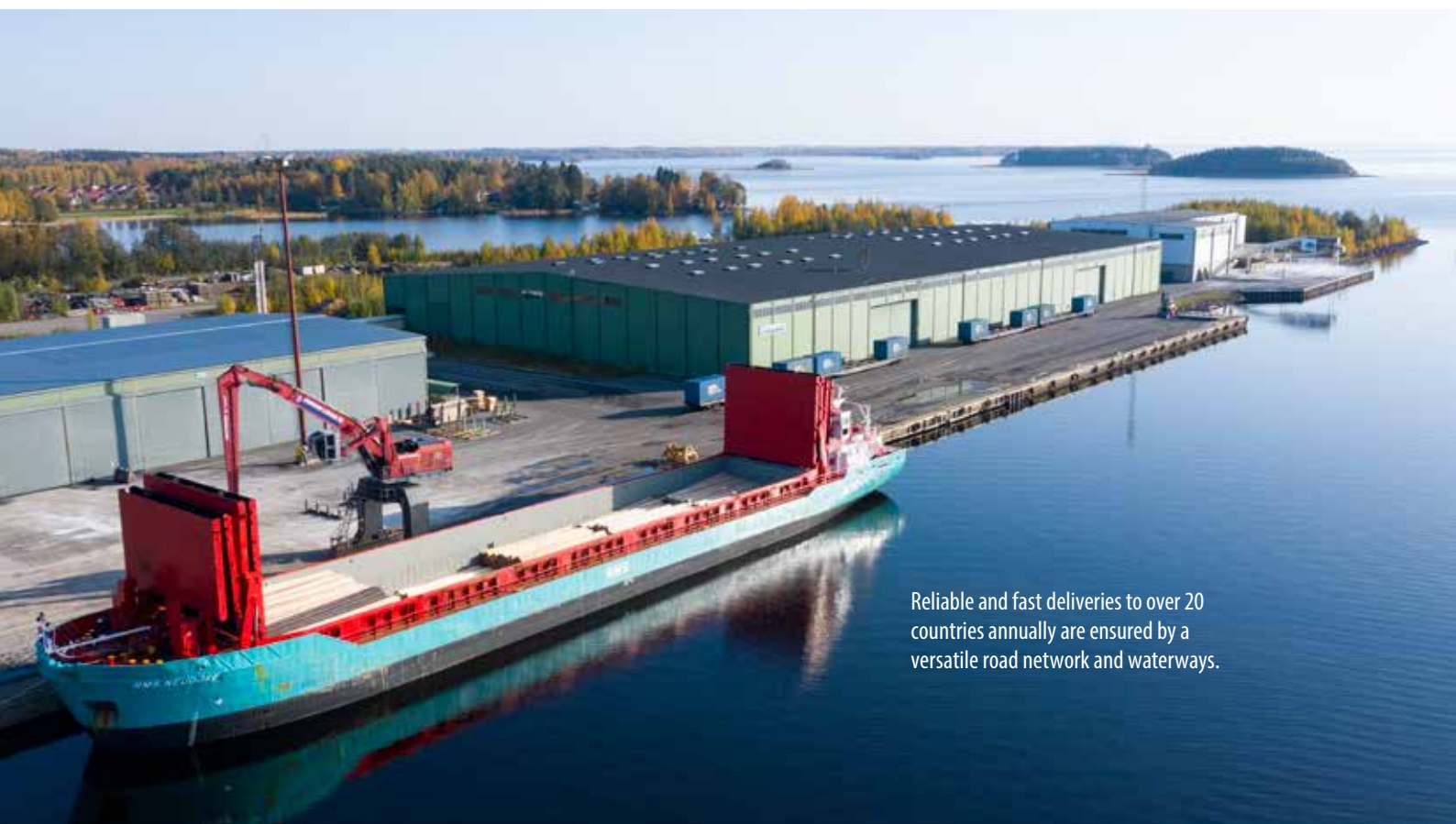
Although restrictions due to the coronavirus pandemic continue to affect our operations, we expect the year 2021 to be a successful one. We will continue developing delivery chains as well as company structures in all our market areas. Consequently, we will be able to offer improved

cutting-edge services and products to our long-term customers and partners.

In accordance with our strategy, we will keep investing in digitalization and effective teleworking practices in our company. We will especially focus on the enterprise resource planning system and the digitalization of production.

Wood, as a renewable natural resource and with the ability to store carbon, is gaining the attention it deserves also in the infrastructure building sector. We want to communicate the benefits of wood as a material as well as develop alternative wood protection methods together with the wood and timber sector. The Scanpole Group is part of a responsible and sustainable chain that produces wood products with long service life for electricity and network companies and for agricultural use.

We managed the year 2020 in a challenging operational environment and we even reached new levels in many respects. Our warmest thanks for excellent collaboration go to our staff, customers, suppliers and other stakeholders.



Reliable and fast deliveries to over 20 countries annually are ensured by a versatile road network and waterways.

WOOD PROCUREMENT 2020

The wood procurement team of the Scanpole Group is part of a production chain that operates in a responsible and sustainable way. Durable wooden products with long service life provide carbon storage, which is crucial for the environment and climate change mitigation.

Scanpole Oy, Finland

The year 2020 started with normal targets and closed with a record volume of received wood. The first months were busy for pole felling because of quiet sawn timber markets. From mid-year onward the wood markets saw a notable increase in the price of logs. The year was active in the forests and pole felling stayed at a high level.

The total amount of procured wood was 128 000 m³, which is significantly more than in 2019.

One of our most important procurement areas is North Karelia in eastern Finland, where the annual volume increment of forests is 8.9 million m³ and removals 7.1 million m³. Consequently, the amount of wood in the region's forests is increasing by about 1.8 million m³ annually, capturing an increasing amount of carbon dioxide. This is an example of the Finnish forest sector operating in a highly responsible and sustainable way based on long-term forest research and regulations.

Scanpole AS, Norway

In Norway, the wood procurement system is different from that in Finland. Regional forestry organizations handle trade aspects and felling, and they inform us about the amount

193,000

VOLUME OF WOOD PROCUREMENT, M³

of wood transported to our company. Just as in Finland, the system takes the environment into consideration and works in a highly responsible manner. There are reforestation and certification obligations similar to those in Finland.

In 2020, wood procurement took place in difficult weather conditions in the winter. Felling and transport were challenging due to unpredictable weather. During the spring, the situation eased, and an adequate amount of raw material was supplied to our Ilseng factory. In the autumn, felling continued at a normal pace and 2020 turned out to follow our earlier expectations.

In the fencing post business, Scanpole AS aimed to increase the level of procurement to be able to respond to the demand in the export markets. The year was a good one, positively affected by reduced local demand for fibre wood. This directed raw wood with a small diameter to our Kirkenær plant. The total amount of wood procured by Scanpole AS was 65 000 m³.

TIMBER SALES BOOSTED TO A RECORD LEVEL

In 2020, **PrimaTimber Oy** exceeded many of its targets. Turnover increased, in particular, thanks to rising sales of impregnated timber. Growth was profitable, and prospects for the coming years are encouraging.

A year of challenges

The year 2020 was characterized by historical uncertainties. From the spring onward, we prepared to cope with the coronavirus pandemic and determined different scenarios of its consequences for our business. In addition to the pandemic, disputes in forest industries and nationwide interruptions at sawmills put unusual pressure on our operations.

Against all odds, the year turned out to be very different from what we had expected. The use of impregnated timber grew thanks to a garden and outdoor building boom which continued until late autumn. The consequent increased domestic sales compensated for the loss of strategic openings in exports originally planned for the year 2020.

Our two production plants managed to respond to the increased demand for timber, and both plants set new production records. We also expanded our product portfolio with planed larch products.

Investments and digitalization continued

PrimaTimber's business development continued consistently throughout the year. We successfully took into use a new integrated management system and purchased the property of our planing plant. The new integrated

management system will support our growing business by harmonizing the operations at our factories and by digitalizing various functions.

The acquisition of the land and buildings of the planing plant was the first step in our multi-year investment programme. Other investments included, for example, a new impregnation solution tank necessary for expected future production growth.

Positive market prospects in 2021

The pandemic will undoubtedly have an impact on our work and business during 2021. However, we will continue our daily work with a positive outlook and robust attitude and will be ready for new opportunities when the world opens up again.

Domestic markets are promising and we expect that home and cabin building projects will continue in the coming summer. We have learned a lot from the last year and we now have a great opportunity to continue our journey among the best in our field.

I wish to thank all our employees, customers, partners and everyone involved in our work for their great collaboration. My warmest thanks go to our staff for coping so well during the exceptional circumstances!

”

As travelling abroad became restricted, Finns took eagerly to building projects in their gardens and at their summer cabins.

– Joni Nousiainen,
Managing Director

23.7

RECORD TURNOVER
MILLION EUROS

125,000

AMOUNT OF
PROCESSED TIMBER, M³



PrimaTimber strives for superior quality and steady growth. In a decade we have quadrupled our deliveries, says Managing Director Joni Nousiainen.

TOWARDS A SAFER WORKING ENVIRONMENT

Despite the coronavirus pandemic, **Exsane Oy** had a busy year. New projects started and our project portfolio expanded. Our planning services acquired new sites, while maintenance, inspection and line clearing operations continued normally.

Sixth Exsane office established

Our new partnership agreement with Elenia Verkko Oyj for its Heinola region services was the most notable strategic development of the year 2020. The agreement includes maintenance, services and fault repairs of the network in the Heinola area, south Finland. We set up a new office in Heinola, which meant recruitment, investing in tools and equipment, finding subcontractors and synchronizing our systems with those of the customer.

Despite unusual circumstances and the lockdown situation in spring, we succeeded extremely well. All work was completed on schedule and with high quality. For example, we managed to keep the duration of power cuts to a moderate level despite an unusually high number of fault repairs.

Ambitious aims ahead

During the year, we continued to develop our quality and environmental systems. We also compiled a description of our service works, which will be finalized during 2021.

Improvement of safety at work was our number one priority in 2020. Thanks to this internal project, our daily safety culture reached a new level. For example, we now gather safety observations directly on-site into our integrated

RECORD
TURNOVER

14.2

MILLION EUROS

management system, which allows easy and efficient handling of observations and possible deviations. Exsane's monthly safety report has been well-received by our customers and partners. Safety issues will be in focus also in 2021, with the aim of gaining occupational health and safety certification ISO 45001.

In accordance with our values, we continue to emphasize responsibility and ethics. Along with our sister companies, we also aim to become carbon neutral by the year 2035.

Our greatest thanks go to our staff. They have stayed on schedule even during the lockdown. Let us keep on the same track and follow the restrictions to do our part to reduce the spread of Covid-19.

Many thanks are also due to our customers, subcontractors and other collaborators. Online meetings are now normal practice, but I hope we can also have a chance to meet face to face in 2021.

”

The coronavirus pandemic challenged our thinking and ways of working. We were lucky to have invested in digitalization and system development in earlier years. These valuable inputs helped us continue our work with only minor interruptions.

– Jukka Samola,
Managing Director



The number of our staff increased to 67 employees as we established a new office in Heinola, south Finland.

INVESTMENTS AND R&D WITH CORPORATE RESPONSIBILITY

Exemplary consideration for the environment is among our values and part of our corporate responsibility in the livari Mononen Group. In the coming years, we will make investments in systems that enhance environmental sustainability even further.

Our most significant environmental investment is currently ongoing at our Höljää production plant. This extensive soil restoration project includes the building of a levelling pool and a rainwater collection system. The project will continue in summer 2021 and is expected to be completed by autumn 2022.

This challenging year has shown the importance of transparency, ease of access to information and centralized data storage for successful business.

Certified quality and responsibility

- PEFC (Programme for the Endorsement of Forest Certification)
- FSC, Kirkenær, Forest certification
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- NSAI – Licence to use the Irish Standard Mark
- WPA – Benchmark Quality Approval Scheme
- ISO 45001 Occupational health and safety system, starting with Exsane Oy
- Participating in commercial pilot project for substituting creosote with copper oil based impregnation substances (Poleprotect)

Carbon stored in end products | 146,000 t/y

Products with a long life cycle, such as wood poles and construction timber, store plenty of carbon dioxide from the atmosphere. The amount of biogenic carbon stored in our products is six times greater than our annual fossil emissions.

The climate impacts of the year 2019 have been analysed according to the Greenhouse Gas Protocol.

Biogenic carbon

- Wood, raw material

Fossil carbon

- Impregnation chemicals

7%

OUR CARBON FOOTPRINT

CLIMATE NEUTRAL BY 2035

Climate change is an enormous challenge for humankind. Many of the world's leading organizations and companies have made voluntary pledges to become climate neutral by the year 2035. The Iivari Mononen Group stands among these pioneers. We aim to calculate the climate impacts of all our wood products at each production unit.

The first step on our journey to climate neutrality was to analyse our annual climate impacts from the year 2019 onward. This work started in 2019 and will continue until 2021.

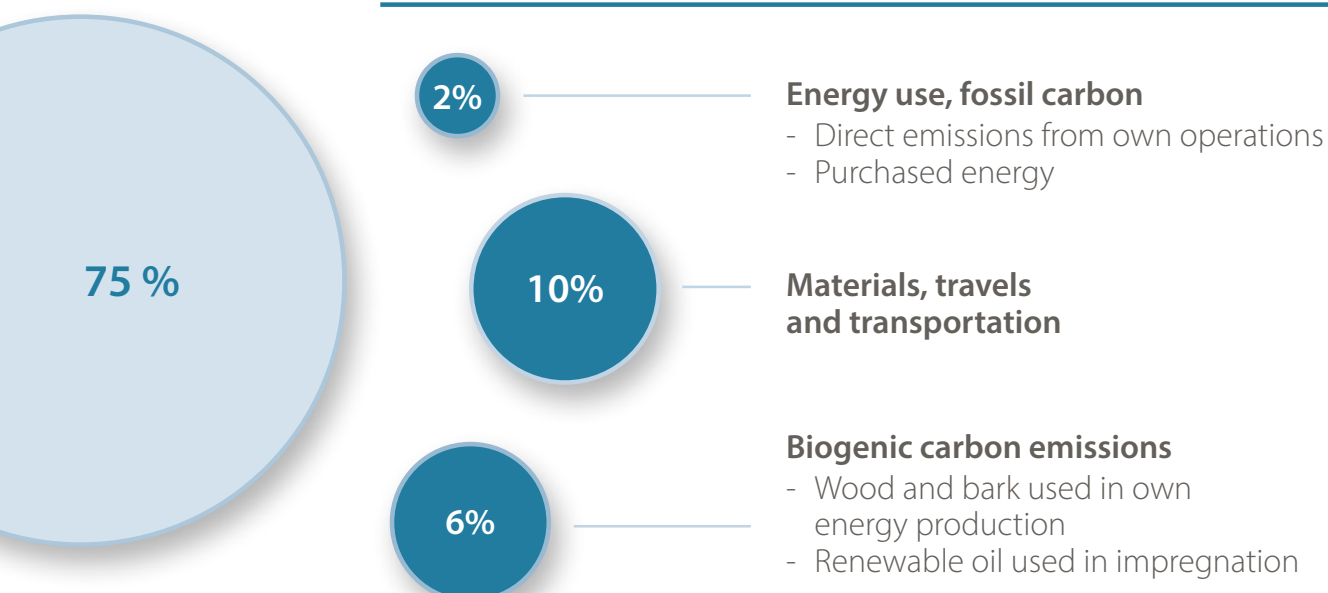
The first results show that we provide climate benefits to our customers. They also indicate that emissions from our commuting and business travel are low compared with other emission sources, while purchased materials and their transport form the biggest sources of fossil carbon in production.

For the Iivari Mononen Group, every step to reduce our carbon footprint is important.

Wood products are an environmentally and climate friendly choice because they store carbon throughout their life cycle.



Carbon emissions of supply chain | 31,000 t/y



STRONG GROWTH PATH CONTINUES

FINANCES AND HUMAN RESOURCES

Ensuring the strong financial position of the whole Group has been and continues to be one of the cornerstones of our business. Steady and strategically planned growth has therefore been possible for several decades.

A solid financial result

At the beginning of the year 2020, we decided to go forward with a new long-term financing arrangement. It provided us with a stable basis and adequate buffers for our operations in an uncertain and unpredictable business environment. Our priority was to secure cash flow and manage our long-term customer relations, both of which we achieved.

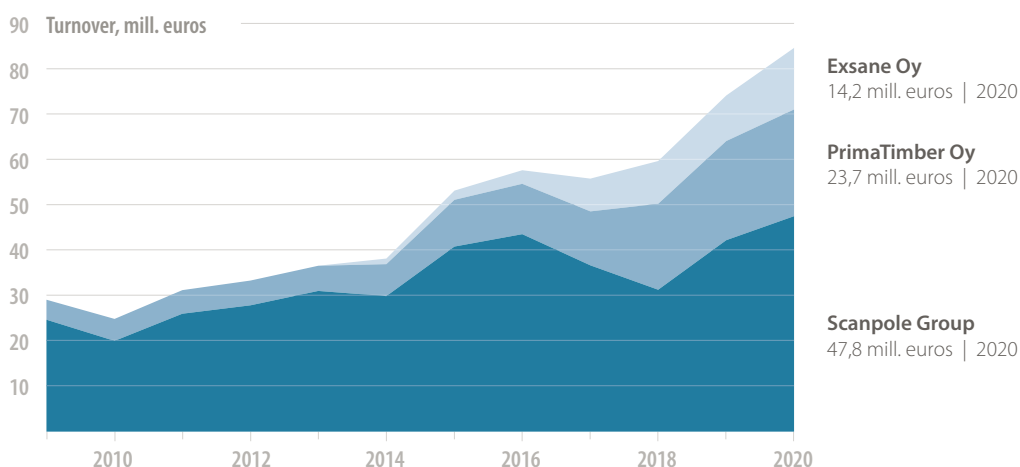
Despite the coronavirus pandemic, the turnover of the livari Mononen Group grew by 15%, totalling 85.7 million euros. The Group result doubled, reaching 4.3 million euros. With

this result, we start the year 2021 stronger than ever and we are ready to move towards our next targets.

Behind the successful year and positive business growth are our 219 employees with their great commitment and valuable input.

219

EMPLOYEES
IN FOUR COUNTRIES



”

Yet again, we saw that people are the strength of this family-owned company.

– Kaj Källasson,
Chief Financial Officer

Personnel

In our family-owned company, people are at the heart of our success. Skilled and highly professional personnel play a key role as we take on new challenges in our changing world.

During recent years, we have significantly developed our operations both internationally and in digitalization. This requires a lot of adaptation from our staff, in terms of language, culture and technical skills. Our aim is to build a unified team where everyone is striving towards a mutual goal, regardless of their unit, company or location.

The year 2020 was exceptional in many ways, not least because of the pandemic. During the year, our personnel had to adapt and adjust to their maximum both in terms of well-being and ways of working. Despite the challenges, our personnel managed with flying colours, of which we can all be proud!



In terms of financial results, the year was a success for the livari Mononen Group. The Group's companies have been developed with consistency, determination and solid professional expertise.

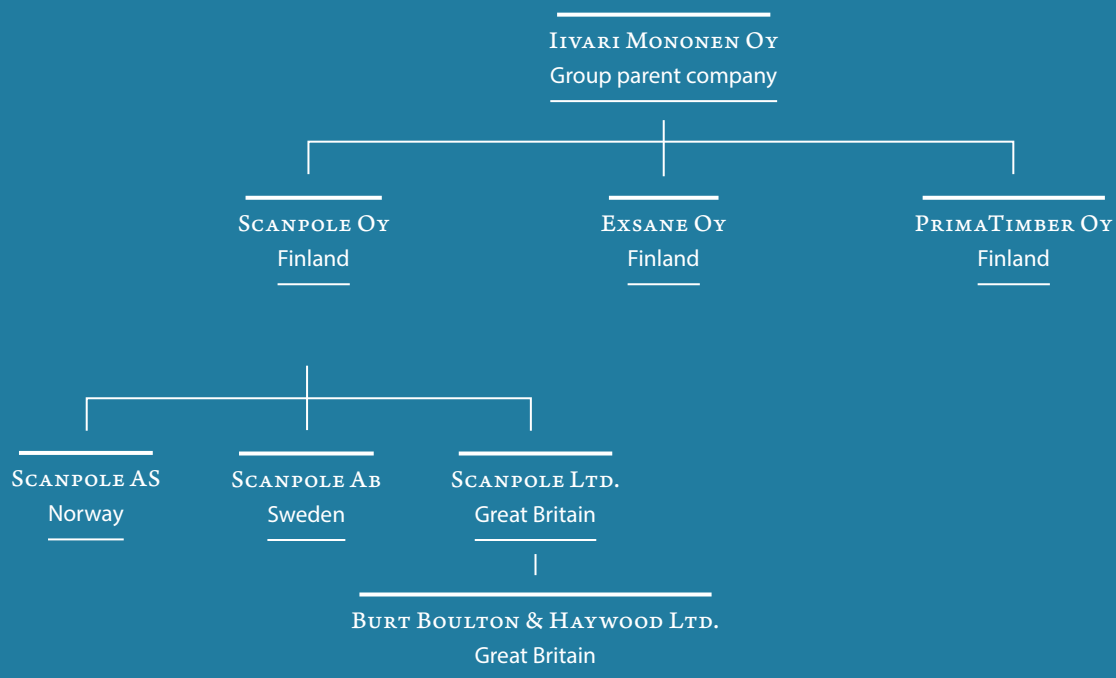
IIVARI MONONEN GROUP

FINANCIALS AND KEY FIGURES

The Iivari Mononen Group consists of three companies:

Scanpole Oy operates the pole business, PrimaTimber Oy specializes in impregnated and strength graded timber products, and Exsane Oy provides services for infrastructure networks. We export to over 20 countries each year.

We employ 219 professionals with a wide range of expertise. In 2020 our turnover was 85.7 million euros. We operate in seven locations in Finland and have offices and production facilities also in Great Britain, Norway and Sweden.



Subsidiaries of the Scanpole Oy: Scanpole Ab, Scanpole AS and Scanpole Ltd.
Scanpole Ltd. is the owner of Burt Boulton & Haywood Ltd., a leading pole producer in the Great Britain.

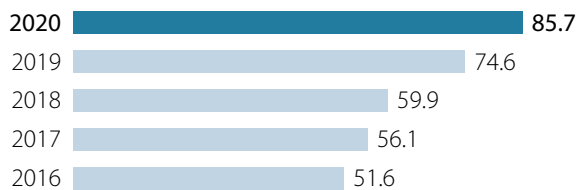
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With the digitalization of the integrated management system and hard work, we reached our goals. For that, I warmly thank our committed staff.

– Ari Mononen
CEO

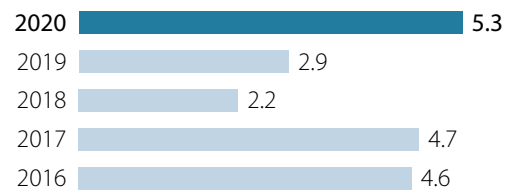
Revenue

Mill. euros



EBIT

Mill. euros



Assets

Mill. euros



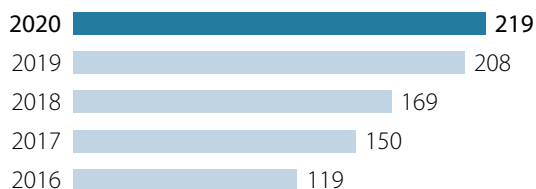
Equity ratio

Percent



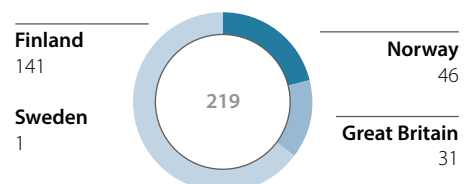
Employees

Persons



Employees per country

Persons



IIVARI MONONEN GROUP, INCOME STATEMENT	2020	2019
Turnover	85 686 428	74 596 646
Change in stock	-964 971	-229 122
Other operating income	574 784	592 907
Materials and services	-49 809 189	-48 352 576
Staff costs	-11 481 289	-9 309 868
Depreciations and value adjustments	-2 208 198	-1 752 799
Other operating costs	-9 365 149	-12 603 572
Share of income from associate companies	0	-2 375
Operative profit	5 336 855	2 939 239
Financial income and expenses	-60 543	-566 871
Profit before appropriations and taxes	5 397 398	2 372 369
Appropriations	-10 680	-18 637
Income taxes	-1 113 347	-525 787
PROFIT FOR THE PERIOD	4 273 371	1 827 944

BALANCE SHEET	2020	2019
Intangible assets	4 709 545	5 799 712
Tangible assets	10 775 909	10 456 397
Investments	281 257	418 957
Non-current assets	15 766 711	16 675 067
Stock	24 796 677	25 117 416
Long-term receivables	125 730	130 998
Short-term receivables	15 596 348	14 308 381
Cash in hand	168 067	98 872
Current assets	40 686 822	39 655 667
ASSETS	56 453 533	56 330 734

LIABILITIES AND EQUITY	2020	2019
Shareholder's capital	70 000	70 000
Retained earnings	21 510 457	22 334 549
Profit for the period	4 273 371	1 827 944
Equity	25 853 828	24 232 492
Long-term liabilities	12 264 402	11 967 444
Short-term liabilities	18 335 303	20 130 797
Liabilities	30 599 705	32 098 242
LIABILITIES AND EQUITY	56 453 533	56 330 734

IIVARI MONONEN GROUP, Board of Directors and Group Management Board 2020

Iivari Mononen Oy, Board of Directors 2020

Arvi Mononen, Chairman**Ari Mononen**, CEO

Aino Mononen

Jaana Mononen

Juha Mononen

Lasse Mononen

Pauli Mononen

Tommi Mononen

Business Companies, Board of Directors 2020

Ari Mononen, Chairman**Scanpole Oy****Janne Monni**, CEO

Vesa Korpimies

Arvi Mononen

Pekka Mononen

Tommi Mononen

PrimaTimber Oy**Joni Nousiainen**, CEO

Vesa Korpimies

Janne Monni

Arvi Mononen

Pekka Mononen

Tommi Mononen

Exsane Oy**Jukka Samola**, CEO

Martti Kallioniemi

Vesa Korpimies

Tommi Mononen

Antero Vehkala

Group Management Board 2020

Ari Mononen, Chairman

Kaj Källarsson

Sami Lehtoranta

Janne Monni

Tommi Mononen

Joni Nousiainen

Petri Rajasuo

Jukka Samola

CFO

Chief Technical Director

CEO (Pole Business)

Forest Director

CEO (Timber Business)

Business Director (Pole Business)

CEO (Service Business)

www.scanpole.com

 [scanpole](#)

 [burtboultonhaywood](#)

 [scanpolefencing](#)

+358 20 733 0500

Scanpole Oy

Head office
Rantakatu 25 C
80100 Joensuu
Finland

Scanpole AS

Linjeveien 47
2346 Ilseng
Norway

Scanpole Ltd.

Alexandra Dock
Newport, South Wales
NP20 2WA
Great Britain

Scanpole Ab

Askims Fornborgsväg 14
436 42 Askim
Sweden

Scanpole Oy

Höljäkkä impregnation plant
Höljäkantie 69
75990 Höljäkkä
Finland

Scanpole AS

Bruksveien 17
2260 Kirkenær
Norway

Burt Boulton & Haywood Ltd.

Alexandra Dock
Newport, South Wales
NP20 2WA
Great Britain

www.primatimber.fi

 [primatimber](#)

+358 400 355 445

PrimaTimber Oy

Head office
Rantakatu 25 C
80100 Joensuu
Finland

PrimaTimber Oy

Planing plant
Susiraja 2
80230 Joensuu
Finland

PrimaTimber Oy

Impregnation plant
Kuhasalontie 31
80230 Joensuu
Finland

www.exsane.fi

 [exsaneoy](#)

 [Exsane Oy](#)

 [exsane_oy](#)

+358 400 979 733

Exsane Oy

Head office
Pienteollisuustie 23
06450 Porvoo
Finland

Exsane Oy

Rahtitie 1
50150 Mikkeli
Finland

Exsane Oy

Rantakatu 25 A 1
80100 Joensuu
Finland

Exsane Oy

Onkkaalantie 67
36600 Pälkäne
Finland

Exsane Oy

Tietäjäntie 1
70900 Toivala
Finland

Exsane Oy

Tähtiniementie 1
18100 Heinola
Finland

www.iivarimononen.fi

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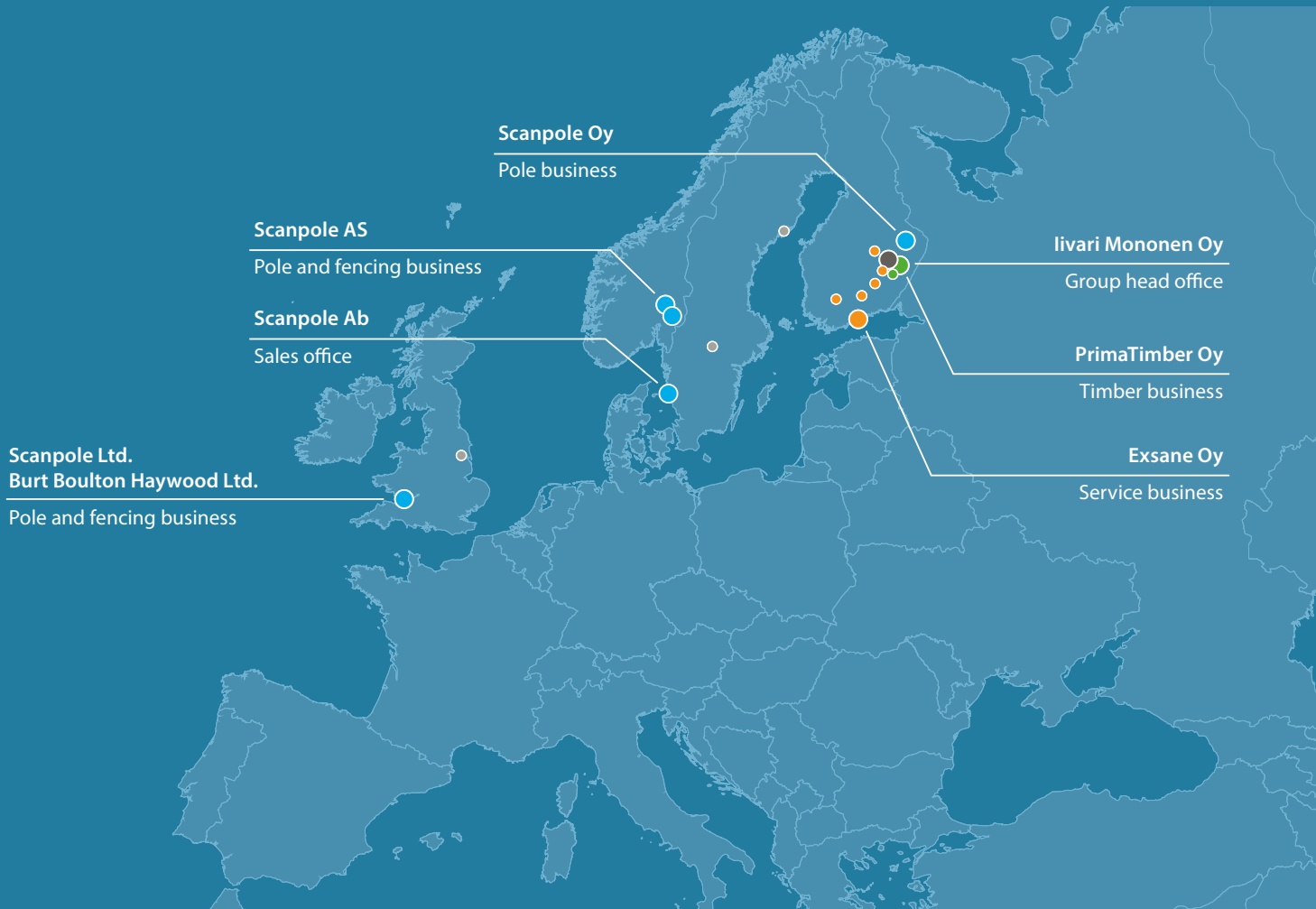
+358 20 733 0500

livari Mononen Oy

Rantakatu 25 C

80100 Joensuu

Finland





Iivari Mononen Group

Rantakatu 25 c
80100 Joensuu
Finland

www.iivarimononen.fi
+358 20 733 0500

