



2021

ANNUAL REPORT

IIVARI MIONONEN



IIVARI MONONEN GROUP ANNUAL REPORT 2021

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“Trust, Courage, Flexibility,
Sustainability and Collaboration.”



From the CEO of the Group

The COVID-19 pandemic has remained a core issue for 2021. A lot of information had been accumulated about the pandemic and vaccinations were running well. This allowed us to adapt and live with the pandemic. The pandemic continued to limit our activities, especially due to travel restrictions. This naturally played a major role in personnel management, acquisition of new customers and business development.

Due to the pandemic, the global raw material market changed significantly. Prices for raw materials and energy became severely inflated, which naturally resulted in exceptionally high cost pressure on the prices of wood raw material, sawn timber, chemicals, electrical supplies and freight. Though the profitability of our business decreased slightly, we made it through with hard work, especially thanks to our skilled personnel.

Despite the difficult pandemic and market situation, we continued our investment programme, in which the main focus was on cleaning up the storage areas of Scanpole group's Nurmes plant, asphaltting, and building rainwater collection systems, as well as renovating the PrimaTimber Karhunmäki plant, where a new office building and sawdust silo were built, the cladding of the planing building was renovated, and the storage areas were repaired and asphalted. Our management structures allowed us to act in accordance with our strategy.

During this century, we have concretely faced the financial crisis, the Arab Spring, Brexit, and the pandemic in our business operations.

These experiences, arising from the various crises, have developed our readiness to respond to difficult situations in a changing market.

Adapting to this change has been made possible by the digitalisation of operations as well as close monitoring and reporting via the ERP system.

Throughout the year, our operations continued uninterrupted, even though the number of sick leaves increased during the period. Thanks to our hard working and responsible personnel and a focus on occupational safety, we were able to keep operating and maintain the scale of our business. There were, of course, challenges in personnel management and coping, as the organisation of meetings was limited.

In 2021, our group employed 222 people. I want to thank all our employees for their important work in accordance with our values and, in particular, for their responsible actions in a difficult pandemic, whilst respecting the health safety of our work community and the needs of our customers.

Our pole business maintained its market position in the face of tough price competition and in spite of the pressures caused by increasing costs. Pole sales difficulties outside Europe were compensated for by the increase in the sales of fence products in the British Isles.

The turnover of our timber business grew and profitability improved, thanks to intensified efficiency as well as exceptional, highly vigorous price developments in the timber market.

With regard to our service business, the year was one of adaptation and reorganisation of operations. During the year, we reduced parts of our business responsible for low profitability and losses. At the same time, we focused on developing the inspection and maintenance



business and planning, which is a strategic cornerstone. During the year, we prepared our responsibility report, the key principles of which are a profitable business model, monitoring developments in the sector, taking care of the environment, and being a sustainable and reliable employer.

We want future generations to inherit a business with a sustainable foundation.

Future

Dark clouds are on the horizon of the future: the pandemic has not been eliminated and the coronavirus remains alive amongst us.

In the light of current information, circumstances will hopefully change for the better, and we will be able to lead normal lives without significant constraints. As the pandemic eases, a new threat has already arrived from the east, with Russia initiating military operations in Ukraine. This is the first time since the Second World War that a real threat of war has descended on Europe. In these difficult times, we want to look after our employees and their well-being at work, when simultaneously we can see people's anxiety and fear close to us. In addition to its political implications, the war will also have an extremely large impact on the European and global economies as the sanctions imposed on Russia and Russia's counter-sanctions raise global market prices affecting metals, food, and mechanical as well as chemical forest industry products.

Moreover, the situation is significantly changing logistical chains. The use of the Saimaa Canal through Russian territorial waters is likely to be blocked for a very long time.

The sectors in which we operate are in the middle of consolidation. Naturally, we want to be an active player in this development.

At the same time, extremely intense price inflation is resulting in cost pressures and the need to raise customer prices significantly.

Another major strategic policy is investments in the green transition. For fence products, we are looking into investments in increasing capacity in Northern Europe.

At the same time, we are planning modernisation investment in improving the efficiency of production and increasing the capacity of our Kirkenær plant. In addition, regarding creosote impregnation, we are planning conversion investments in next-generation ecological impregnation solutions.

With regard to investments in responsibility, we will continue to invest in improvements related to soil pollution at our plants over the next few years.

The third theme during the early part of the year was updating our group's values. Our future values will be **trust, courage, flexibility, sustainability and collaboration**.

We will continue to calculate the carbon footprint of our operations. In every decision, we will consider our target of carbon-neutral operations by 2035 at the latest. Green values and digitalisation are megatrends that we have put at the heart of our strategy. They will be ingrained in our operations, including our products, processes and production chains. We defend wood as a material with undisputed advantages with regard to sustainability, carbon sequestration and customer values: **"Wood is good"**.

-Ari Mononen
Group CEO



Many positives in a challenging situation

On the second year of the pandemic 2021

After 2020, we believed the pandemic would gradually die down and life would return to normal as vaccinations were distributed. Sadly, as we know, it did not turn out that way.

Nevertheless, all our operations continued to withstand the pressures of various restrictions as well as other larger and smaller types of harm. Of course, obstacles to travel and the continuation of remote work reduced social interactions, necessitating the use of electronic communication and internal reporting tools.

It was also evident that significant efforts into the development of operations or customer relationships were not possible under the circumstances, and our main goal was to maintain our position in the market.

Despite the chaotic storm around us, it was particularly wonderful to see that the perseverance professionalism and competence of our staff never faltered. Surely everyone hopes that 2022 will be, at least partly, a return to normalcy in all our work communities!

Fiscal Period 2021

The pandemic significantly disrupted global raw material and service supply chains due to a strong increase in demand.

The simultaneous increase in cost levels was reflected in the decline of Scanpole's profitability, even though sales price levels were raised during the year.

Operationally, there were many positives during the year, and, despite the challenging situation, we broke production records in Norway and the United Kingdom. In our pole business, we missed our turnover target when a few larger ships were delayed in terms of their expected timetables, but the sales of agricultural sector fence products exceeded all our expectations, compensating nicely in terms of the year's overall outcome. The importance of Great Britain as a whole in our operations has gained significance year by year, and the intensified competition there, especially in the pole business, requires us to continuously improve the efficiency of our operations in order to maintain our competitive edge.

Our stable domestic markets in Finland, Sweden, Norway and the United Kingdom provide a good basis for this development, where investments in infrastructure construction can be assumed to remain fairly stable, even in more turbulent times.

All in all, driven by the growth in the fence business, we achieved our MEUR 50 turnover target, with an increase of approximately 4% from the previous year.



Outlook for 2022 and the future

The initial business outlook for 2022 was quite positive, but during the first half of the year, thoughts of a stable operating environment have significantly faded as a result of the war in Ukraine. The sanctions caused by the war have turned our well-functioning and refined supply chains of raw materials, services and products upside down, resulting in unprecedented cost increases in all our business sectors. This has and will continue to challenge both our sales organisation in price negotiations with our customers and our procurement with respect to raw materials and services. However, given the circumstances, we are currently headed in the right direction, though uncertainty has naturally increased in the market. Our determined work will also turn this into a new opportunity, and everything we do will enable us to continue to do well and succeed!

Acknowledgements

A special thank you once again to our able personnel, who have managed to work effectively in an unusual situation and environment and have given Scanpole the opportunity to remain at the forefront of development in its field! I would also like to thank our customers, suppliers and other stakeholders for their trust and excellent co-operation!

”Growth from last year was approximately 4%.”

-Janne Monni
CEO



Demand continued to accelerate

A dual year

The year 2021 literally continued from where 2020 ended with the increased market demand brought about by the coronavirus pandemic showing no sign of slowing down. At a rather early stage, we noticed our customers' response to the strong demand from the previous year. We observed customers placing far larger orders all the way up to midsummer.

Timber markets around the world were sailing in brisk tailwinds, which began to be reflected in historically large price changes during the second quarter. The manufacturing costs of our products increased significantly in midsummer. In addition to sawn timber, prices of other raw materials increased.

As for impregnated timber, the demand from end users and, consequently, the distribution chains practically disappeared at the beginning of the third quarter.

Luckily, the strategic changes made in our operations over the years secured the normal running rate of our plants, as other timber products used for construction found buyers further into the autumn.

At the end of the year, both we and our partners were cautiously preparing for the next one, and for the last few months, operations were at a minimum in many respects.

”Our goal is clear
- stay in the front line and
be a significant player in
what we know!”

-Joni Nousiainen
CEO



Modernisation of the operating environment

We kicked off 2021 with a previously decided investment programme at the Karhunmäki planing mill. We built new office and social facilities as well as a new sawdust silo, renovated the cladding and roofs of the planing buildings, and carried out extensive site rehabilitation.

In the future, these measures will ensure the further development and efficiency of operations, as the conditions meet the requirements of modern business. The work will continue in the near future as planned.

In addition, we responded to the constantly evolving regulatory demands at our planing mill and impregnation plant, including measures related to occupational safety.



Continued growth

In the past fiscal year, we continued to grow with a turnover of MEUR 27.7. Our profitable growth was made possible by improving operational efficiency and by the strong market development at the beginning of the year.

High operational quality and responsiveness remain cornerstones of our operations, as changes in the operating environment may be significant.

Growth does not come about by itself, and I would particularly like to thank our committed and competent staff for their high quality work amidst the changes.

Future

Exceptional times seem to continue in 2022 as well. Our business underwent significant operational change due to sanctions and restrictions caused by the Ukrainian war, reflected, for example, in the procurement of raw materials. We have decided to concentrate raw material purchases on our domestic long-term partners, ensuring a high level of service into the future.

In terms of demand, we expect the domestic market to stabilise slightly from previous exceptional years, which at the same time will enable us to look for new pillars in the export market. We also want to play a major role in the comprehensive development of our sector in the coming years.



Safety and responsibility at the forefront - now and in the future

2021 was the second year in the shadow of the coronavirus pandemic. The situation eased at times, but the new variants of the virus, resulted in, for example general restrictive measures during the year. Although we were able to work almost uninterrupted despite the pandemic, the desire for normal interaction was strong.

Thanks to the new vaccines and vaccination coverage, it was great to have face-to-face meetings both within our own organisation and at the customer interface towards the end of the year.

Our company has enjoyed a period of strong growth in recent years. At the end of 2020, we already knew that 2021 would be exceptional in this respect. Large scale projects in, e.g. Pälkäne and the lake district of Finland were nearing completion and were successfully finished by the summer.

Similar large projects were no longer available in the market. In addition, tougher competition has not allowed for profitable growth in project construction. The theme for 2021 was, in fact, to improve profitability and the quality of work by perfecting processes.

Our most important goal was to remain faithful to the schedules promised to our customers.

In particular, we focused on operations related to service agreements and maintenance services. As operations changed, personnel adjustments were unavoidable during the year.

Our customer satisfaction survey and financial indicators for 2021 indicate that we achieved our goals with good marks at minimum.

In terms of service contracts, the investments were excellent for the customer meters, even though there is still room for improvement in the years to come. The schedules were maintained and the work performed as agreed, despite the challenges. Positive feedback from our customers is thanks to our competent and committed staff.

Work on a safe working environment continued in 2021. The aim was to create models and document operating methods for the ISO 45001 occupational health and safety certificate. The pre-audit at the end of the year showed that the target was nearly achieved, and that certification will be achievable in the next audit in spring 2022.



In general, it is a pleasure to note that the our company's safety culture has changed from a reactive approach to a proactive approach. All our personnel are committed to making our work community and sector safer.

Forecasting the future in our sector is currently challenging, and the market situation is rapidly changing quite rapidly. Changes to the Finnish Electricity Market Act are affecting the operations of electricity network companies alongside the energy revolution.

Investments by network companies have decreased or have been postponed to the years to come. In addition, the prices of energy and materials are at record levels at the moment. In recent months, the daily operations of our company have been influenced by, e.g. exceptionally high fuel prices. However, the new energy and technology solutions of the future will create new opportunities for the sector. In the future, we will invest in, e.g. charging services for electric cars. In line with our updated values, we will emphasise sustainability more and more in the future.

In concrete terms, we have made sustainability promises to our customers which each of our employees can commit to and impact through their own choices. Climate calculations have already been carried out throughout the group for a few years.

”Let's continue in the same vein and keep improving our operations together.”

-Jukka Samola
CEO

The key goals for our company will rest in reducing the emissions from vehicles in the future. Like the other companies in our group, we aim for carbon neutrality by 2035.

Finally, I would like to thank our personnel as a whole for their excellent achievements last year. I would also like to thank our customers, subcontractors and other partners for the past year.



On a stable basis

From the financial point of view, Iivari Mononen Group's past year was stable, and despite the challenging operating environment, our profits were positive.

This demonstrates the long-term and determined development of our operations. The growth of business to the current level reached in recent years has, above all, been built sustainably on top of a strong financial position. A strong balance sheet and efficient working capital management are the key to our financial success. In 2021, our group's turnover reached the previous year's level of MEUR 85.5. Our operating profit decreased by one per cent to MEUR 4.5.

Our equity ratio improved to 48.3%. Despite the price inflation seen globally and fluctuating market conditions, we managed to keep our profitability at a good level.

Last year, we again invested heavily in the environmental safety, functional capacity and development of digital ERP systems at our plants. In 2021, our investments totalled MEUR 3.4.

The past year was another demanding one in many ways, but we did an excellent job as we can see from the results. This is thanks to our skilled and committed personnel, who once again demonstrated where our strength lies!

This year marks 70 years from the founding of our group's parent company, Iivari Mononen Oy.

What better way to celebrate this milestone than to tell you more about the values that are important to us. We will soon publish Iivari Mononen Group's first corporate responsibility report.

Sustainability as a concept covers much more than just taking the environment into account.

Environmental responsibility is a central theme guiding operations for an industrial operator like us. This can be seen from raw material purchases to plant and occupational safety.

During the last three years, we have calculated the emissions of our operations, so that we can better understand the impact of our operations on the world around us.

At the same time, the timber products we manufacture function as carbon storage, binding carbon accumulated in wood for decades to come. For us, social responsibility means taking care of our employees as well as our living environment and its vitality. In addition to our jobs, we are also investing in the regional vitality of our sites by supporting local sports and cultural activities.

With our financial responsibility, many of the aforementioned activities are possible. By developing our business in the long term, we have been able to increasingly employ our partners over the years.

-Kaj Källarsson
CFO



Finland

The year 2021 marked a period when the global market prices of timber rose to record-high levels. The reason for this was the previous year's increased demand in construction products.

The use of wood in Finland and the world was at a high level as the pandemic forced people to continue spending time at home instead of travelling. In Finland, sawmills ran at full capacity throughout the year, and the stump rates for logs started to rise already in the early part of the year as peak prices were reached in spring and early summer.

A large number of timber sales were carried out nationally in Finland. The stump rates for logs started to decline after the summer, and returned to a few euros below peak prices.

Scanpole Oy's standing timber reserve was at a good level after the summer, and we were able to start stamping poles normally, immediately after the summer holidays in early autumn. Felling in the autumn was carried out at a more even rhythm than in the previous year, and Höljäkka's pole peeling and felling remained well balanced.

The total wood procurement in 2021 was 95,000 m³, which was well below the previous year. This is largely due to the fact that in 2020 we received more poles to dry in the warehouse than planned, added to less felling of logs and fewer fibres in relation to poles.

Norway

The year 2021 was a steady year in terms of pole procurement. As the spring progressed, the deliveries increased, and we received more raw material than during the previous winter for the Ilseng plant. In the autumn, when the new procurement period began, the delivery prices of the bars increased a lot, as the prices and demand for elevated logs increased in Norway as well. The pole felling of the autumn continued at normal rates, so the year was quantitatively as expected. Scanpole As fencing pole procurement target was at the same level as in 2020, whilst the demand for exports continued to be at a good level. For procurement, the year began steadily, and the plant still had enough material to ensure full production. During the autumn, the challenges faced by suppliers in felling increased and they faced challenges to maintain a sufficient delivery rate. We also received slightly less raw material for the Kirkenaer plant. In 2021, Scanpole As-based total timber procurement amounted to 56,000 m³ of poles and fencing.

-Tommi Mononen
Forest Director



A year of development

The year 2021 was a year also dedicated to developing ERP systems.

With all Group companies within the same core system, it was time to start developing operations and reporting to support business needs even more efficiently. In addition to development work, we introduced a new modern supplier invoicing system throughout the group.

Managing, maintaining, securing and developing the telecommunications environment plays an important role in the continuity of business. As the pandemic era continues, a secure corporate network and functional tools for remote work remained crucial.

Currently, our equipment base is approximately 400 registered and maintained devices/servers together with 60,000,000 MB of stored data.

On an annual basis, our email traffic is well over 400,000 messages and our calls/meetings over 1,000,000 minutes.

Digitalisation of production facilities continued in 2021. Production control and recording will be increasingly carried out on mobile devices. Our aim is to simultaneously provide everyone with up-to-date information and to get rid of paper-based reporting.

In addition to development and maintenance work, daily user support is an essential part of the ICT team's work.

A fully functional and secure telecommunications environment with its systems ensures that everyone can work effortlessly. At the end of the year, we formed a new ICT team to further improve effective co-operation. ERP and ICT experts alike, whose skills and experience complement each other, now work within the same team.

-Ilona Rannikko
ICT-Director



Environment and investments

With regard to environmental investments, the multi-annual soil restoration of the Höljäckä plant continued with soil purification in the stock area together with the installation of a rainwater collection and pumping system.

The restoration of the area will continue in the coming summer, and the project is expected to be completed by autumn 2022.

In development investments, we will renew the general look of PrimaTimber Oy's planing business plant. We improved the overall use of storage areas by expanding and asphaltting, added to the collection and handling of by-products with a new sawdust silo. The personnel obtained new office and social facilities.

"Sustainability investments have and will continue to play an important role in our group's values and strategy."

-Sami Lehtoranta
Chief Technical Director

Four themes in investments

Environmental investments

We invest in systems that will help us keep looking after the environment

Development investments

Investments related to more efficient and centralised production

Conversion investments

Conversion of production lines to next generation ecological impregnation solutions

Machinery investments

Systematic updates of our machinery base



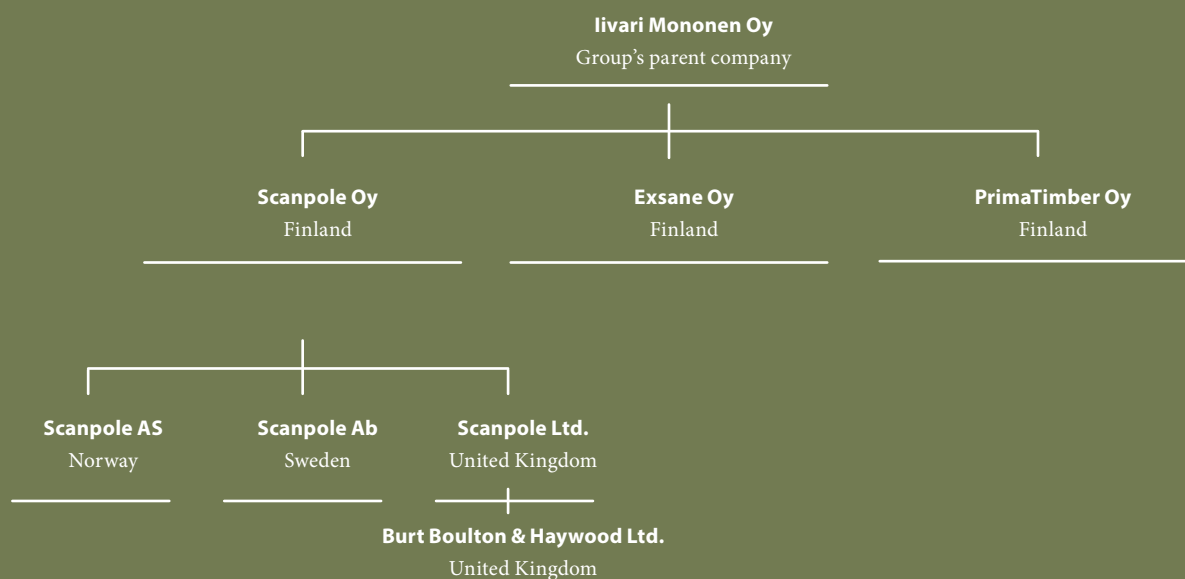
IIVARI MONONEN GROUP

FINANCIAL STATEMENTS AND KEY FIGURES

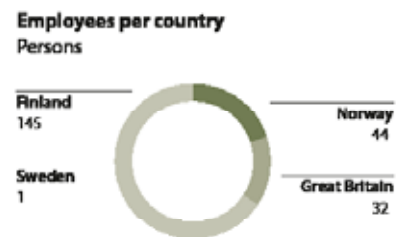
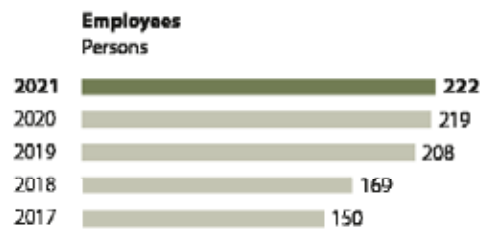
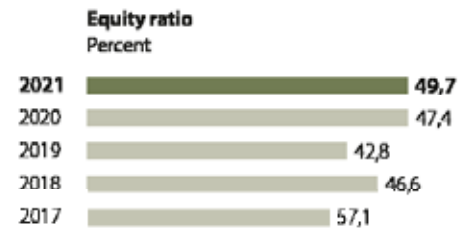
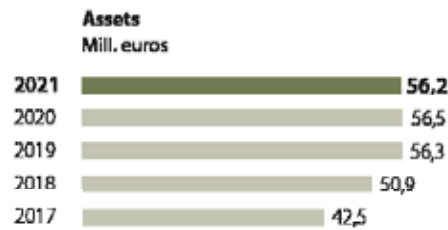
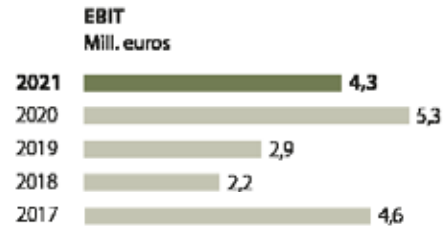
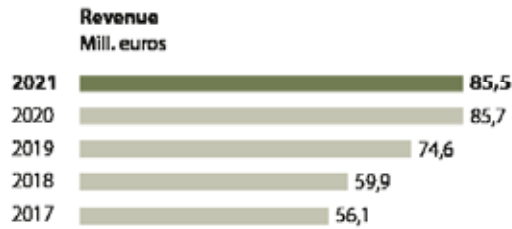
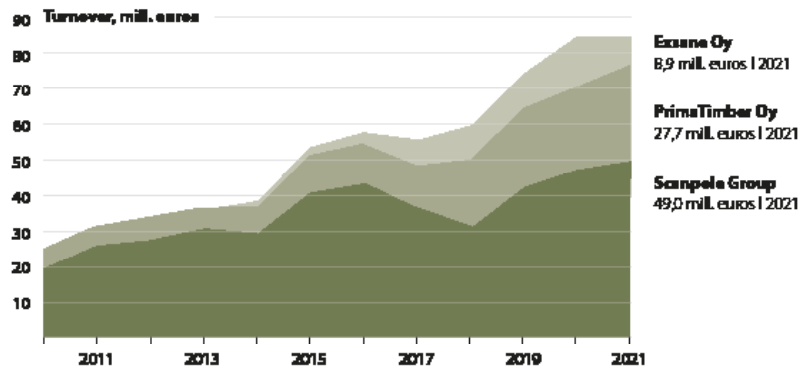
Our group's business operations are divided into three operating companies:

- Pole business (**Scanpole Oy**)
- Construction and impregnated wood business (**PrimaTimber Oy**)
- Service business (**Exsane Oy**)

We employ a total of 222 experts in our facilities in four countries. Our foreign facilities are located in Sweden, Norway, and the United Kingdom.



Scanpole Oy's subsidiaries are: Scanpole Ab, Scanpole AS and Scanpole Ltd. Scanpole Ltd, the English subsidiary of the Scanpole Group, owns Burt Boulton & Haywood Ltd, the leading pole manufacturer in the United Kingdom.



IIVARI MONONEN GROUP, INCOME STATEMENT	2021	2020
Turnover	85 532 502	85 686 428
Change in stock	858 125	-964 971
Other operating income	702 421	574 784
Materials and services	-51 877 358	-49 809 189
Staff costs	-12 462 297	-11 481 289
Depreciations and value adjustments	-2 158 613	-2 208 198
Other operating costs	-16 093 649	-9 365 149
Share of income from associate companies	0	0
Operative profit	4 501 132	5 336 855
Financial income and expenses	-84 385	-60 543
Profit before appropriations and taxes	4 416 747	5 397 398
Appropriations	15 556	-10 680
Income taxes	-936 298	-1 113 347
PROFIT FOR THE PERIOD	3 496 005	4 273 371

BALANCE SHEET	2021	2020
Intangible assets	5 472 060	4 709 545
Tangible assets	11 778 399	10 775 909
Investments	32 636	281 257
Non-current assets	17 283 095	15 766 711
Stock	26 339 002	24 796 677
Long-term receivables	126 247	125 730
Short-term receivables	12 369 228	15 596 348
Investments	0	0
Cash in hand	96 079	168 067
Current assets	38 930 556	40 686 822
ASSETS	56 213 650	56 453 533

LIABILITIES AND EQUITY	2021	2020
Shareholder's capital	70 000	70 000
Retained earnings	23 545 237	21 510 457
Profit for the period	3 496 005	4 273 371
Equity	27 111 241	25 853 828
Long-term liabilities	11 488 516	12 264 402
Short-term liabilities	17 613 892	18 335 303
Liabilities	29 102 408	30 599 705
LIABILITIES AND EQUITY	56 213 650	56 453 533

IIVARI MONONEN GROUP

BOARD OF DIRECTORS AND MANAGEMENT GROUP 2021

livari Mononen Oy Board of Directors 2021

Ari Mononen, Chairman of the Board

Arvi Mononen
Aino Mononen
Jaana Mononen
Juha Mononen
Lasse Mononen
Pauli Mononen
Tommi Mononen

Operating Companies' Boards 2021

Ari Mononen, Chairman of the Board

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

Management Group 2021

Ari Mononen Chairman of the Board

Kaj Källarsson
Sami Lehtoranta
Janne Monni
Tommi Mononen
Ilona Rannikko
Joni Nousiainen
Petri Rajasuo
Jukka Samola

CFO
Chief Technical Director
CEO (Pole business)
Forest Director
ICT-Director
CEO (Construction and impregnated wood business)
Business Director (Pole business)
CEO (Service business)

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Scanpole Ab

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PrimaTimber Oy

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PrimaTimber Oy

Impregnation plant
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PrimaTimber Oy

Planing mill
Susiraja 2
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Exsane Oy

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