

Mara Gazzi Ekman & Co

Biomass Day Athens Greece

Market developments in the
European Residential Pellet Business

April 27th, 2018



Business concept

Ekman is a global sales and marketing organization, strategically aligning buyers and sellers of forest products around the world.

We create additional value by offering deep expertise, strong financial solutions, competitive sourcing and highly committed people, providing outstanding service to our partners.



Vision

Ekman empowers global trade flows with an unrivaled combination of experience, knowledge and foresight.

We strive to be an indispensable trade partner.



Ekman at a glance



Incorporated in **1802**

~280 employees

40 locations

>4.6 million tons/year



Pulp



Paper & Packaging



Recovered Materials











Bioenergy

A truly global concept

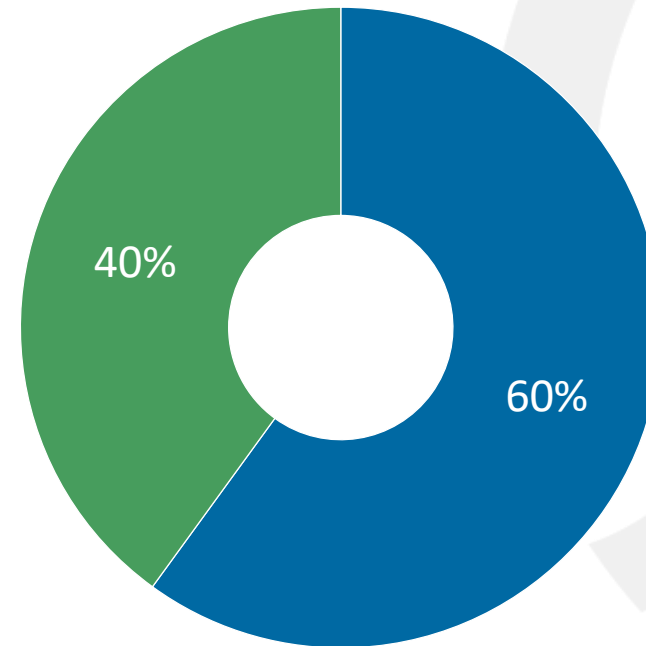


Ekman over five centuries

17th	18th	19th	20th	21st			
 <p>1663 The family founds its first business, selling iron and timber</p>	 <p>18th century Different businesses specialized in timber and herring</p>	 <p>1802 Ekman & Co incorporated</p>	 <p>1914 Shanghai office opens</p>	 <p>1992 Acquires ICS Inc.</p>	 <p>2002 200 year anniversary</p>	 <p>2008 Establishes Bioenergy Div.</p>	 <p>2011 Acquires Kwok Fung</p>
		<p>1890 One of the pioneers in Swedish production and export of pulp and paper</p>	<p>1980 In the early 80's business focus shifts to forest related products</p>	<p>1992-2010 Sales volume grow from 1 million to 3 million ton</p>	<p>2004 Enters the recovered materials business by acquiring KC International</p>	<p>2010 Vyborgskaya Cellulose collaboration on the world's largest wood pellet factory</p>	<p>2014 Celebrating 100 years in China</p> <p>2016 Acquires Reliance Fibres</p>

Ownership structure

- Ekman Family; individuals, trusts and foundations
- Employees within the Ekman Group



Board of Directors



Matts Ekman
Chairman



Jan Svensson
CEO



Oscar Ekman



Jessica Bodin
Employee Rep.



Michael Olsson

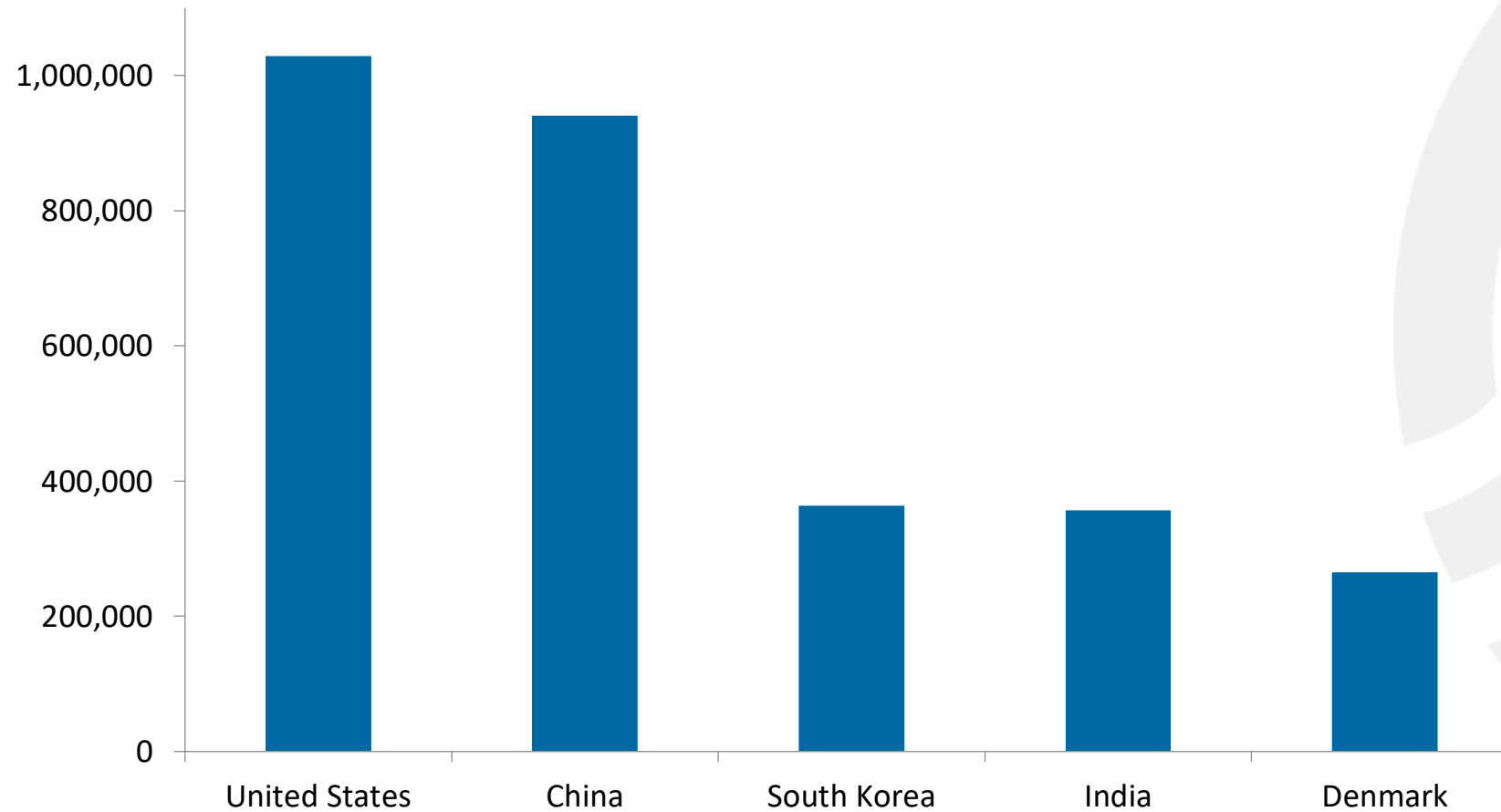


Caroline Ekman

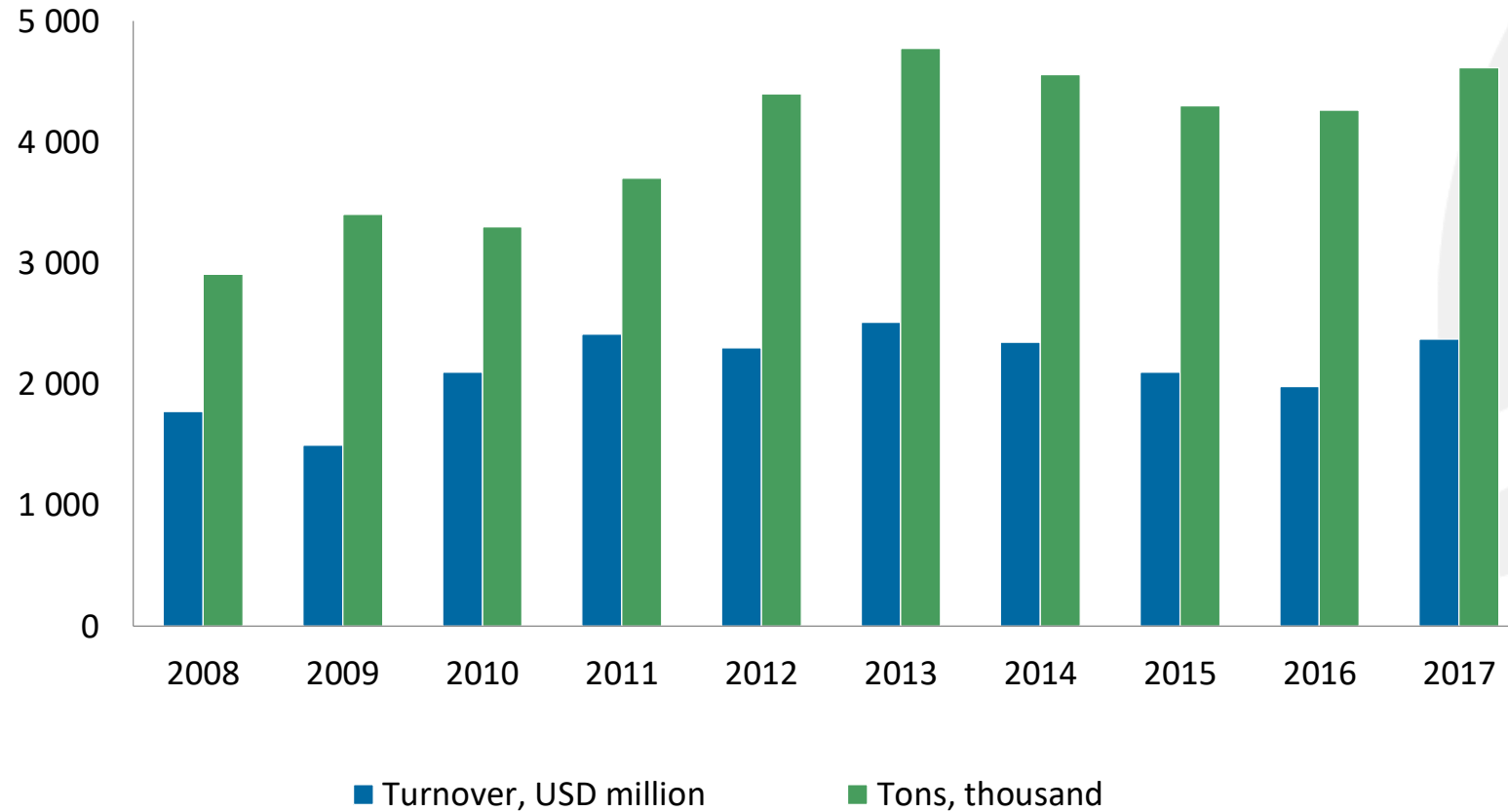


Frank Graves

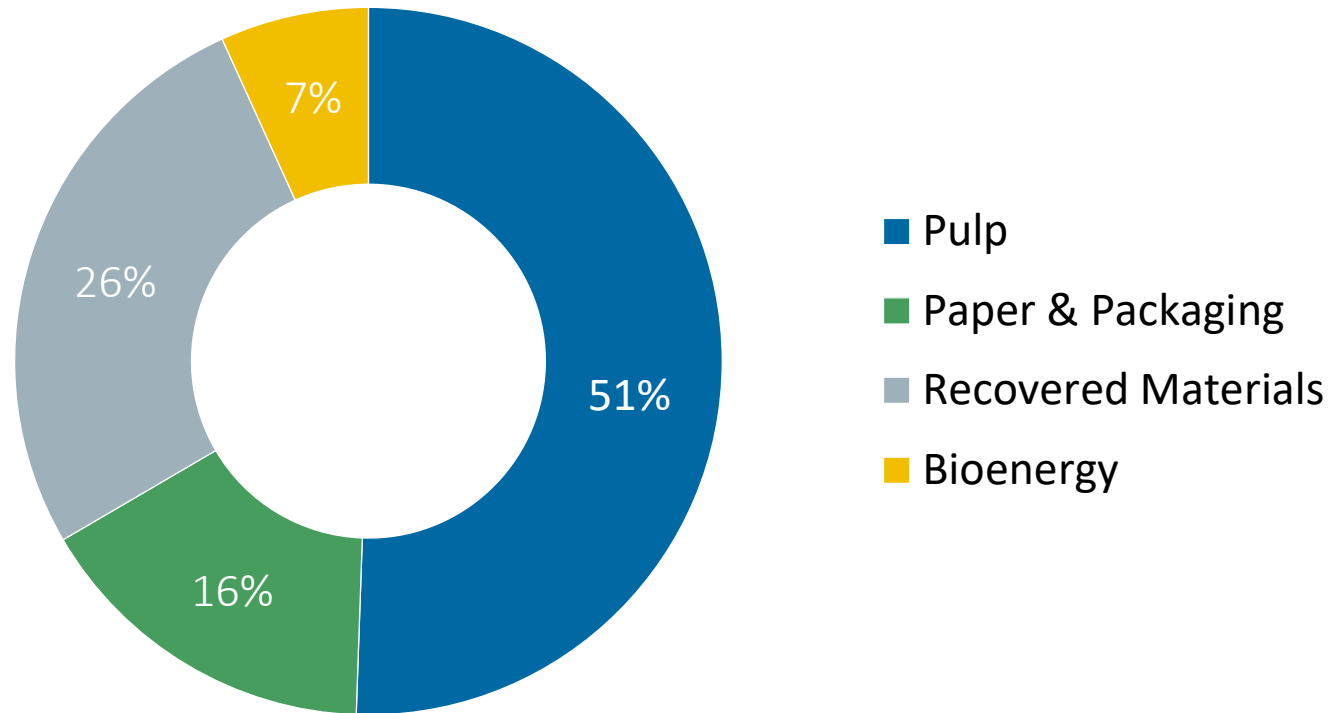
Ekman Group – Top 5 markets 2017



Ekman Group - Volume and turnover 10 years



Ekman Group – Volume per division 2017



Ekman Group – Key indicators

USD million	2016	2015	2014	2013	2012
Operating revenue incl. agency sales	1,981	2,093	2,341	2,510	2,310
Income after financial items	5.9	9.0	9.1	11.5	10.5
Total assets	243	244	319	324	296
Equity	43.8	46.2	44.7	53.3	51.7
Volume Tons, thousand	4,266	4,296	4,558	4,800	4,400

*2017 full financials not available

Operating revenue MUSD 2,372

Volume 4,612 thousand tons

Bioenergy – at a glance

- 15 employees in Sweden, Denmark, Italy and Latvia
- Leading biomass trader in Europe
- Regular sales of industrial wood pellets to all the major utilities as well as medium scale customers
- Agencies in Russia, Israel, Spain, USA and Sweden
- Delivering to residential wood pellet markets in Sweden, Finland, Denmark, Germany, Italy & Greece
- Present at all major exhibitions and conferences world wide
- Ca. 500.000 tons sold yearly – 50% Industrial and 50% residential (started back in 2008)



Residential market for Ekman & Co in Denmark

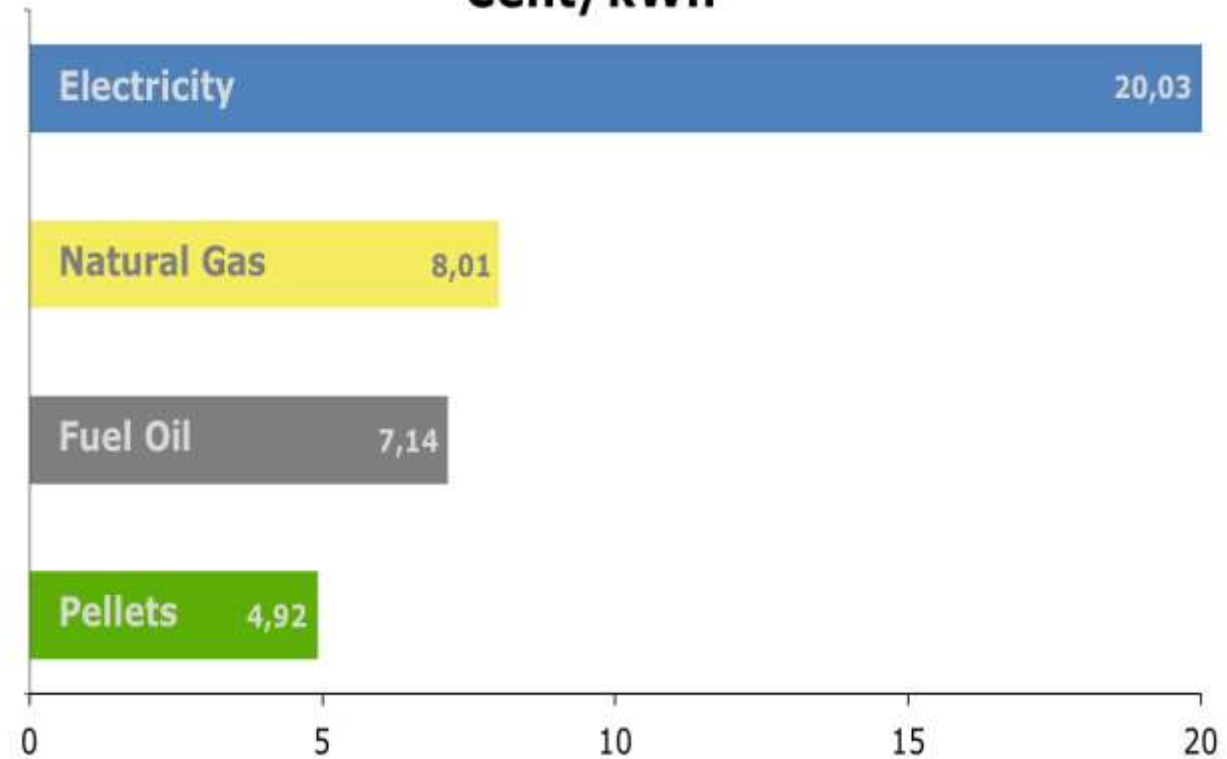
- Owns and operates the first wood pellet plant built in Europe in 1986
- Importing 200,000 tons in 2017 from Europe Russia & North America
- Vessels have ranged between 2,500 to 31,000 tons
- Expertise in sampling, quality management and logistics
- Possibility to store, bag and brand pellets
- Sales to heat plants requiring almost premium, commercial buildings and retailers
- Ekman Denmark service all client sectors from seven warehouses strategically located around Denmark



A short outlook on the main European market developments for residential wood pellets

- Wood pellets is a low cost heating solution
- Winter 2017/18 has traced a change in the Buyers attitude across Europe after a few years
- The unexpected cold snap in winter 2016/17 after 3 years of «no winter» was welcomed and helped deplete old stocks
- Prices didn't fall consistently in the pre-season of 2017/18 – and the waiting attitude to see them fall afterwards was not paying back at all

Fuel costs for residential heatings in Cent/kWh



Basics: ordered quantity 6 mt (pellets), 15.000 kWh (natural gas), 3.000 l (fuel oil), 3.500 kWh (electricity); incl. VAT, delivered, excl. delivery charge.
Source: proPellets Austria, e-Control, IWO. The reference value for the calculation is the heating value of the energy source. Date: **March 2018**.

The whole wood pellet industry was wrong footed by conditions



- Winter 2017/18 did start aggressively on average and found buyers unprepared + with two quite penalizing factors to reckon with :
 1. Increase in demand beyond expectations for the time of the year (November)
 2. Unusual amount of rainfall in North West Europe throughout autumn caused floods in the Baltics and Russia reducing access to forests
- Most manufacturers could not produce enough to keep up with orders

The weather played havoc with the wood pellet market in NW Europe during the autumn of 2017

- It is a well known fact that the weather can cause big swings in the supply and demand of wood pellets +/- 20% is not unusual
- During the autumn of 2017 all of NW Europe suffered unusually high levels of rainfall this reduced access to forests for raw material
- The Latvian government declared a 'Natural disaster for forestry' 04 Jan 2018
- The Estonian government made a similar announcement a few weeks later
- Many wood pellet producers declared Force Majeure
- Ca. 2,5 Mio tons of export potential from the Baltics affected + ca. 1 Mio from Russia ;



A short outlook on the main European market developments in the residential wood pellet sector

Wood pellet trade statistics

Net EU28 trade of wood pellets in 2017 versus 2016

thousand tonnes	Imports			Exports			Net trade
	Extra-EU	Intra-EU	Total	Extra-EU	Intra-EU	Total	(+ export, - import)
Austria	5	374	380	27	587	615	+235
Belgium	965	99	1,064	-	196	196	-869
Bulgaria	11	22	33	14	127	141	+108
Croatia	14	2	16	25	217	242	+226
Cyprus	3	0	3	-	-	-	-3
Czech Republic	26	9	35	1	300	301	+266
Denmark	758	2,028	2,787	-	274	274	-2,513
Estonia	7	2	8	-	1,250	1,250	+1,242
Finland	86	1	87	-	37	37	-50
France	30	234	263	30	160	190	-73
Germany	72	288	359	49	364	413	+54
Greece	8	36	43	10	3	13	-30
Hungary	18	1	20	-	12	12	-8
Ireland	-	13	13	-	14	14	+1
Italy	355	1,309	1,664	1	14	15	-1,649
Latvia	138	65	203	1	865	866	+663
Lithuania	116	2	118	1	402	403	+285
Luxembourg	0	7	7	-	28	28	+21
Malta	-	0	0	-	-	-	-0
Netherlands	62	299	362	-	155	155	-207
Poland	65	8	73	1	303	304	+231
Portugal	-	31	31	-	489	489	+458
Romania	18	13	31	2	171	173	+142
Slovakia	12	7	19	1	71	72	+53
Slovenia	88	119	207	1	197	198	-9
Spain	0	37	37	3	105	108	+71
Sweden	133	117	250	29	151	180	-70
United Kingdom	5,697	1,136	6,833	0	66	66	-6,767
Total 2017	8,686	6,259	14,946	196	6,558	6,754	-8,192
Total 2016	8,098	6,072	14,170	118	6,900	6,058	-8,112
Change	+589	+187	+776	+78	-342	+696	-80
% Change	+7%	+3%	+5%	+66%	-5%	+11%	+1%

Source: Eurostat, adapted by Hawkins Wright

Source: HawkinsWright

- Trades in-out extra-EU increasing
- Exports within EU decreasing (local markets growing)
- Main importing countries for residential wood pellets: Italy Denmark and Belgium
- Net trade remained constant in 2017 vs. 2016

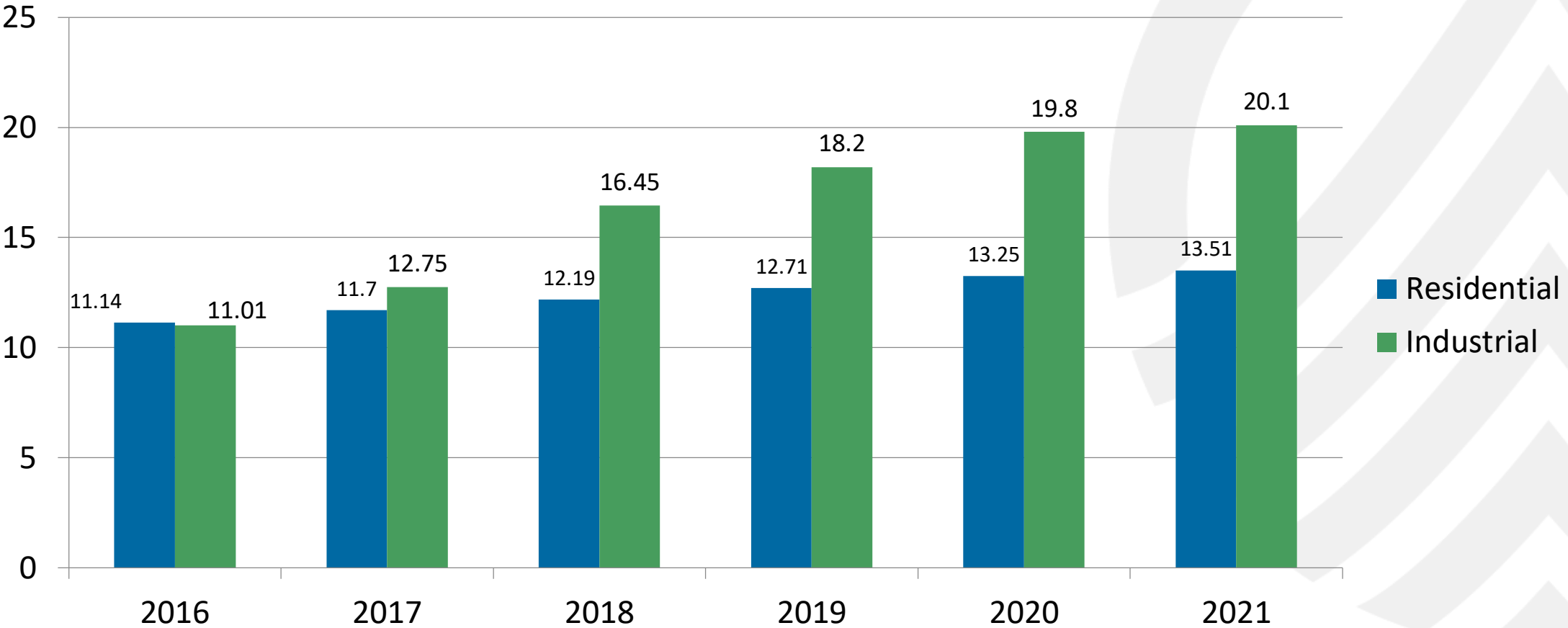
Perspectives for the residential wood pellet sector 2018/19

- Price is holding quite high until the end of the Heating Season
- Italy set at €220/ton still in March 2018 vs. €195/ton in 2017
- CIF bulk Italian port €165 vs. €140 in 2017
- Most buyers in a rush to close contracts January 2018 vs. May 2017 – CIF winter prices up to 170€ /Ton Italian ports
- Supply scenario changing – Industrial Sector growing fast , local markets growing in continental Europe
- Supplies from US and Canada are coming back
- New producers in the Mediterranean growing



Anticipated European wood pellet demand to 2021

Source: Hawkins Wright



Greece ..a market with a great potential

- In the Mediterranean the changing supply scenario is creating a golden occasion for Mediterranean producers to succeed
- Investments are boosted by increasing demand and this will hopefully increase quality and professionalism in those areas
- Around the Mediterranean several countries including: Israel, Tunisia, and Egypt have a total potential of 100.000+ tons
- The first target market has been Italy so far, but Greece might become more and more interesting with further supply diversification of the market



Greece a new market and with a good potential connected to increasing internal lobbying !



Ekman

BRINGING THE WORLD TO YOUR BUSINESS

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