

EUWID

Special: Wood-Based Panels

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A whole new world

The steps taken around the world to stem the spread of the coronavirus have jettisoned companies' plans for 2020 after just a few short months. Stay-at-home orders had a severe impact on trading activity at first. However, there are major variations from one country to another. While almost all sectors of the trade relevant for the wood-based panel industry in Italy, France, Spain and the UK had to shut down temporarily because of government decrees or voluntary decisions made by companies, DIY centres in large parts of Germany and the US were able to keep their doors open. On the whole, too, DIY shops have faced less severe restrictions than furniture retailers which had to cease operations in nearly all countries.

The closures of brick-and-mortar shops trickled down to industry suppliers after just a short time. Living room and bedroom furniture producers were the first to feel the effects. A halt to the receipt of goods by furniture retailers has disrupted sales logistics and thus led to furniture production being suspended. The kitchen furniture industry was able to maintain production for a little longer thanks to

longer order backlogs and occasionally continued assembly work. Variations in the DIY sector are even more pronounced from one country to another. Merchants in all countries have tried to offset a slump in over-the-counter sales by selling more online or offering click and collect services, albeit with only partial success.

Suppliers to the furniture and building product industry were also affected by restrictions at their customers with somewhat of a delay. In a few instances, wood-based panel and surface manufacturers started taking downtime in the second half of March. These stoppages expanded more and more in April. Even though several countries introduced the first measures to ease the lockdowns from the end of April onwards, many sectors' hopes of improvement were dashed in May. The outlook for June is also now viewed with a degree of scepticism.

Production stoppages sometimes lasting for weeks will leave a clear mark on businesses' second-quarter financials. Lower sales and revenues over the past two months will not be erased in the remainder of the year. Many companies have thus revised downward their forecasts for 2020 as a whole and launched additional cost-cutting measures. The economic upswing

evident in many sectors in January and February has thus completely evaporated as a result.

The knock-on effects of the coronavirus pandemic on different sectors of the wood-based panel and furniture industry also shape this issue of EUWID Special: Wood-Based Panels. Changes in market data and financials are depicted using different sectors and companies as examples. The next issue of EUWID Special in September will provide an update on the situation.

I look forward to your feedback and suggestions. You can contact me by emailing aruf@euwid.de.

Yours sincerely
Andreas Ruf
Publisher

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Assembly work is now almost finished at the new Egger particleboard mill in Lexington, North Carolina. The company still expects to commission the mill during the second half of this year. (Photo credit: Egger)

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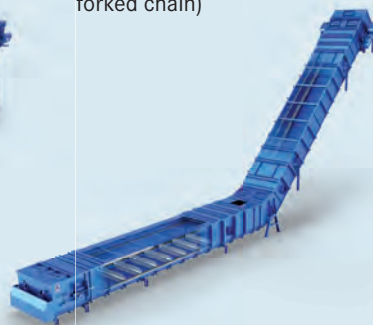
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Homag: Cooperation with 3Tec and imos



(Photo credit: EUWID)

Homag Group AG widened its partnership with 3Tec automation GmbH & Co. KG, a company specialising in software solutions for manufacturing execution systems (MES), and the software firm imos AG, both headquartered in Herford, during the first quarter of 2020. Homag has worked together with imos since the start of 2011 through the joint venture Homag eSolution GmbH, in which Homag owns a 51% majority stake. This partnership culminated in the 3D design software woodCAD/CAM for customers in areas including the furniture and interior remodelling industry, which was replaced by the Homag iX 2019 application on 1 April of this year. Homag iX 2019 is an integrated software solution that covers all stages of order processing from planning and presentation to design and manufacturing. According to Homag, planning can be customised to the end customers' specific spaces and then be exported into VR applications. Special features of this technology include the option to adapt NC manufacturing programmes through the iX CAM Edit module, Homag said.

Homag signed a partnership agreement with 3Tec towards the middle of March. This partnership aims to better connect different machinery made by different manufacturers using software, which aims to achieve overarching production control. A connection of this kind might be needed, for instance, for entire plant projects involving a variety of suppliers or when integrating new machinery and plants into an existing manufacturing structure.

Homag has also already worked together with 3Tec in recent years, initially on 3Tec

projects with companies in the kitchen and office furniture industry. 3Tec's service mainly targets producers wanting to manufacture customised machines. In the past, the company has also undertaken projects at series and wood-based panel manufacturers. For example, 3Tec systems control manufacturing at four furniture plants operated by the Polish cabinet furniture producer Fabryki Mebli Forte S.A., based in Ostrów Mazowiecka. 3Tec applications delivered to Unilin bvba, headquartered in Wielsbeke, Belgium, are used in its laminate flooring facilities around the globe. 3Tec reported having automated blockboard production for SWL Tischlerplatten Betriebs GmbH, based in Langenberg, Germany. The group employs 80 people at its Herford headquarters and generates annual revenues of more than €8m. □

Homag reports 10% drop in order intake and revenues

The coronavirus crisis made a dent into the financials of Homag Group AG in March after a relatively good January and February 2020. Order intake and revenues booked by Dürr AG's Woodworking Machinery and Systems division both dropped by almost 10% in the first quarter as a whole. This slump was less pronounced than Dürr had initially anticipated. Its spare parts and service business managed to maintain the previous year's level. Homag Group's order intake fell 9.8% to €301.7m (Jan.-March 2019: 334.6m) on the back of much weaker new machinery business from mid-March onwards, resulting in an order backlog of around €556m (622m) as of 31 March 2020. This figure was still about €10m higher than the figure of €546.1m recorded at the year's end. According to Dürr, Homag's large plants in Germany and Poland manufactured throughout the entire first quarter. Outside Europe, the company had to suspend production in Shanghai for around a fortnight in February because of the coronavirus crisis. Production gradually ramped up again starting in mid-February; the Shanghai plant has been running at full speed again since the end of March. The Chinese mar-

ket has also staged a relatively quick recovery; however, Homag's first-quarter order intake in China was already slightly higher than the previous year's level, which had been lower for economic reasons.

Homag Group's total revenues dropped 9.3% to €289.6m (319.2m) in the first quarter. Operating EBIT fell 21.5% to €16.1m (20.5m), while total EBIT was almost one-third lower at €12.5m (18.4m). Extraordinary expenses are related to restructuring measures adopted at the start of November 2019. Another €1.2m had been booked in this category in the first quarter. All told, extraordinary charges reached €3.5m (2.2m) in the first quarter. According to Dürr's CEO Ralf Dieter, around 100 of the 350 planned jobs were shed at Homag Group's sites in Germany. However, the firm is also raising its number of employees outside Germany in some cases. Homag Group's total number of employees dipped slightly to 6,613 (6,633) at the end of the first quarter; the group had 6,569 employees at the end of 2019. □

SCM: Production starts up again after lockdown



(Photo credit: SCM)

Following the easing of regulations adopted by the Italian government on 26 April 2020 to curb the coronavirus, machine and industrial equipment manufacturer SCM Group S.p.A. has recommenced production at its factories. In accordance with the regulations published in a new Decreto del Presidente del Consiglio dei Ministri (DPCM), in collaboration with its suppliers, the company plans to start up production gradually.

Since introduction of the first decrees in connection with the current corona crisis

at the end of March, in the area of mechanical engineering, which is attributed to ATECO code 28, production has only been permitted so far of dosage and packaging equipment as well as machinery for production of paper/cardboard and plastic/rubber. The current DPCM lifts all production restrictions for machine and industrial equipment manufacturers.

Over recent weeks SCM has expanded its portfolio in the area of remote servicing and online support. Via the Maestro connect platform, for example, support is offered in the area of equipment maintenance. By means of the Smartech augmented reality service, SCM technicians can also diagnose and rectify equipment failures in real time. Furthermore, the range of training offered on the e-Campus platform has been expanded. □

KBA sells six digital printers for decors



(Photo credit: KBA)

The printing machinery manufacturer Koenig & Bauer AG (KBA) still thinks that digital decor printing is one of its biggest growth fields alongside corrugated board printing and printing on beverage cartons. According to its annual report, which was published in mid-March, KBA-Digital & Web Solutions AG & Co. KG has so far sold six RotaJET digital printers to companies in the decor printing and wood-based panels industry. Interprint GmbH, based in Arnsberg, Germany, ordered what is now the third printer for its Arnsberg facility in February 2020. KBA booked orders from Swiss Krono Group and the Spanish firm Grupo Losán, headquartered in La Coruña, during the course of 2019. Another unnamed wood-based panel manufacturer ordered a RotaJET printer during

2018. However, a digital printer delivered to a site in St. Veit, Austria, of the Impress group in 2016 is no longer listed as a reference.

KBA's Digital & Web division registered order intake of €144.9m (2018: 176.6m), revenues of €164.6m (153.3m) and EBIT of -€16.5m (-10.2m) in 2019. The loss was due to factors including expenses for entering new markets. Thanks to follow-up orders from digital decor printing and corrugated board printing customers, the division boosted its order intake by more than one-third to €43.6m (Jan.-March 2019: 31.9m) in the first quarter of 2020. Nonetheless, its backlog of orders dwindled to €81.6m (85.4m) at the end of the first quarter. Revenues slipped 13.3% to €28.1m (32.4m). EBIT remained in the red at -€5.5m (-5.4m). □

Raute records losses for the first time since 2014

After six years of positive results, in the first quarter of 2020 Finnish machine and industrial equipment manufacturer Raute Oyj was faced with negative operating profit of -€3.0m (Jan.-March 2019: +2.6m). Prior to this, the last time operating loss had been recorded was in the period between January and March 2014 (-€1.9m). According to the company, in addition to the 42% drop in turnover to €23.8m (41.3m), the current development is to be attributed to customers postponing investment projects and, to a lesser extent, also to the effects of the current corona crisis. The measures imposed by the government to handle the crisis led to a several week long closure of the production plant in China. At the beginning of the year the strikes in the Finnish wood industry also restricted the service business.

In view of the recently increased uncertainties in the plywood and LVL industry, Raute achieved a satisfactory level of incoming orders to a value of €25m (32m) in the first quarter. The figure of €17m achieved in the previous quarter

was surpassed by almost 50%. Without taking into account the large order for a total order value of €58m placed by Russian Segezha Group in the third quarter of 2019, incoming orders in the period from July to September (€15m) were also significantly below the current figures. The majority of the recently signed contracts were already negotiated prior to the corona crisis. Raute sees the realisation of the investment projects as a signal that customers currently anticipate the restrictions caused by the corona crisis to be of a limited duration. At the end of the quarter, the value of orders in hand amounted to €92m (84m).

With regard to current incoming orders in the first quarter €14m (18m) concerned construction of new plants and €11m (14m) the area of technology services. The proportion of Russian and North American customers decreased to 50% (57%) and 12% (20%) respectively. On the other hand, the proportion of customers from Europe rose to 30% (16%). In the Asia-Pacific region an increase to 4% (3%) was recorded, the proportion of incoming orders from South America remained stable at 4% (4%).

With regard to turnover, however, the proportion of Russia increased considerably to 41% (25%), for South America the proportion of turnover as a whole amounted to 12% (7%) in the first quarter. Whilst North America continued to contribute 16% (16%) to total turnover, the proportions contributed by Europe and the Asia-Pacific region decreased to 25% (45%) and 6% (7%) respectively. □

Kadant finishes reorganising

The US technology manufacturer Kadant Inc. reorganised its business areas at the beginning of 2020. The fluid handling and doctoring, cleaning and filtration product lines, which used to be part of the Papermaking Systems segment, will be pooled in the Flow Control segment in the future. The third former Papermaking Systems product

line, stock preparation, has been combined with wood processing systems to create the Industrial Processing segment. The Material Handling segment thus consists of the remaining product lines: conveying and screening, baling and fibre-based products. Reporting will switch to reflect the new operating segments when its next quarterly report is published, something that was slated for the end of April. In the news release issued on 22 April, Kadant disclosed pro forma figures for the three new operating segments. Industrial Processing reportedly generated sales of US\$301.9m (2018: 314.2m) and operating profits of US\$49.6m (57.4m). Wood Processing Systems added net sales of US\$143.2m (151.4m) and operating profits of US\$28.2m (31.2m). Besides the Canadian firm Kadant Carmanah Design, headquartered in Surrey, British Columbia, this segment has also included Nicholson Manufacturing Ltd., based in Sidney, British Columbia, and Valon Kone Oyi, based in Lohja, Finland, since July 2017. The acquisition meant that its portfolio was expanded to include rotary debarking systems.

In its business year 2019, the former Wood Processing Systems division of Kadant received orders worth US\$129.9m (2018: US\$172.2m), a quarter less than the figure for the previous year. Double-figure percentage reductions were registered in all of the individual quarters (Q1: -34% to US\$34.9m, Q2: -18 % to US\$36.6m, Q3: -24% to US\$27.5m, Q4: -21 % to US\$30.9m). This led to a 28% reduction in the backlog of orders to US\$32.7m (US\$45.4m) at the end of the year.

Down 5 % to US\$143.2m (US\$151.4m), the losses in sales revenue turned out to be less pronounced. From the basis of a comparatively low initial value, the previous year's figure was only exceeded in the second quarter (+14 % to US\$37.9m). In the first (-13 % to US\$34.0m) and third quarters (-12% to US\$32.7m), on the other hand, sales revenue decreased sharply. Development was slightly better again in the fourth quarter with a reduction of 8 % to US\$38.5m (US\$42.0m). □

Dieffenbacher assembling three lines in North Africa



(Photo credit: Dieffenbacher)

Dieffenbacher GmbH Maschinen- und Anlagenbau is in the process of installing three wood-based panel production lines in Algeria and Egypt. These orders had been awarded in the past two years. Assembly of the continuous MDF line at the Bigstar subsidiary Panneaux d'Algérie S.à.r.l., based in El Tarf, Algeria, is already fairly advanced; the first board is supposed to be made in August 2020. The Algerian timber merchant EURL Ghahmoud, headquartered in El Eulma-Sétif, which entered the laminating business in the second quarter of 2019 by starting up a short-cycle press delivered by Dieffenbacher Maschinenfabrik GmbH ordered a complete particleboard line from Dieffenbacher in October.

Nile Wood SAE, which is part of Egyptian Kuwaiti Holding (EKH) and based in Gizeh, Egypt, awarded Dieffenbacher an engineering contract to supply an entire MDF line in 2018. All components for this project are being delivered from Dieffenbacher's headquarters in Eppingen. The Eppingen plant and Shanghai Wood-Based Panel Machinery Co. Ltd. (SWPM) are jointly handling the two other orders. □

Büttner supplies dryer and energy plant to Wotech

Egyptian company Wood Technology Co. (Wotech) has commissioned Büttner Energie- und Trocknungstechnik GmbH to supply a wood fibre dryer with a capacity of 27t/h; as well as an energy plant. According to Büttner, the BCB type multi-fuel burner has a firing capacity of 39MW. The scope of delivery also includes the

thermal oil heater designed for a capacity of 21MW as well as an indirect steam generator to produce 18.6t/h saturated steam. The equipment ordered from Büttner is part of a larger order for a plant for MDF production from rice straw, which Wotech placed with the Siempelkamp Group at the end of 2019. The greenfield project is involving a total investment volume of €210m. After completion the plant is to produce some 205,000m³ MDF per annum. This was already the second time that Siempelkamp has been commissioned to supply a rice straw plant. For the project of US CalPlant I LLC, based in Willows, California, Büttner had also supplied both a gas-operated wood fibre dryer and the energy plant. □

Wintersteiger achieves double-digit rise in sales

In the 2019 financial year Austrian special machinery manufacturer Wintersteiger AG, based in Ried, generated turnover to the amount of €182m (2018: 160m). The figure of the preceding year was therefore surpassed by €22m or 14%. Adjusted to account for turnover contributions ensuing from two acquisitions concluded at the beginning of the year (€9m), turnover still improved by 8% vis à vis 2018.

Result figures during the past financial year once again increased at more significant rates than turnover. The EBITDA, which was recorded separately for the first time, rose by €5m or more than one third to €19m, according to in-company information. The corresponding EBITDA margin thus amounts to 10.4%. In the 2018 financial year, at turnover growth of 6%, it was possible to increase the operating profit indicated by Wintersteiger at the time by 10% to €8.7m.

The woodtech business division contributed some €34m to total turnover in the past financial year, corresponding to a proportion of 19%. The €4m turnover increase, according to Wintersteiger, is to be attributed to the takeover of Serra Maschinenbau GmbH, based in Rimsting. □

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All key figures already showed growing decreases during the course of 2019

VDMA Woodworking group has doubts about production forecast for 2020

The coronavirus pandemic will likely pose challenges for German manufacturers of woodworking machinery for quite some time to come.

In the view of the VDMA Woodworking Machinery group, the ramifications will last well beyond 2020. Order intake, which had already been in decline since last year, collapsed towards the middle of March and has since to stage a recovery. Standard machinery manufacturers will have processed their backlog of orders soon. Most companies have already responded by reducing working hours to varying degrees. Producers will see their business activity remain limited into 2021 if orders fail to materialise. Companies operating in the mechanical engineering are busier thanks to longer lead times. A few companies are already able to keep their factories running until the end of 2020 based on the orders placed last year and in the first two months of this year. However, international travel restrictions are causing some significant delays to assembly and start-up work. A few construction sites had to be completely shut down for a while in

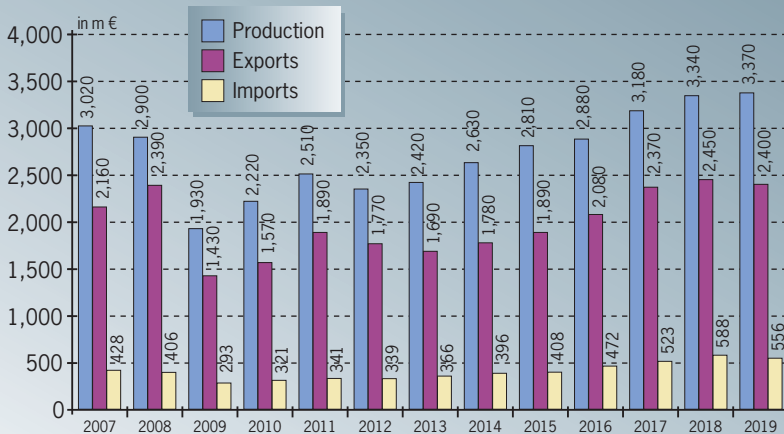
the wood-based panel technology arena in particular.

Industry statistics published by the Woodworking Machinery group on 5 May indicate that German woodworking machinery manufacturers raised their production slightly by 0.6% to €3.37bn (2018: 3.34bn) in the 2019 financial year. However, output slowed markedly during the course of last year. A double-digit growth of 14% in the first quarter of 2019 gave way to smaller increases of 5% in the second quarter and 2% in the third quarter. Production was then 10% lower than the prior-year period in the final quarter. This turn of events is connected to the economic slowdown that emerged in the second half of 2018, which sent order intake falling more and more over the next 18 months. Even though the downward spiral in production intensified from one quarter to the next, the full year still ultimately ended up with growth. This meant that the industry ended up slightly exceeding the forecast of stable output that the Woodworking Machinery group had issued in the fourth quarter of 2018 and confirmed in autumn. The 10% downturn that had been predicted for 2020

back in September 2019 will likely not be met because of the coronavirus crisis. The losses will likely be even more dramatic.

While the value of the machinery made was still slightly higher than in 2018 last year, foreign trade was already showing signs of softening. German woodworking machinery manufacturers saw the value of their exports slip 3.0% to €2.40bn (2.47bn). According to the VDMA Woodworking Machinery group, this drop was mainly due to a downswing in the three largest markets: China and Hong Kong (-3% to €319m), the US (-16% to €309m) and Poland (-19% to €147m). These decreases all materialised during the second half of the year, as well. All three countries had ended the first half of last year with significant growth. The next-largest markets turned in mixed performances for German manufacturers of woodworking machinery in the full year. Germany exported more woodworking machinery to France (€138m), UK (€106m), Lithuania (€82m), Switzerland (€75m), Spain (€71m), Czech Republic (€62m), Slovakia (€56m) and Turkey (€49m). However, shipments to Austria (€114m), Italy (€88m), Russia (€84m) and the Netherlands (€76m) all took a turn for the worse.

Germany: Woodworking machinery



Source: VDMA Woodworking Machinery group

Imports into Germany were 5.4% lower at €556m (588m) compared with the 2018's figure, which had been subsequently revised upward significantly. Up until autumn 2019, the association had projected imports valued at €568m for 2018. Most of Germany's suppliers sent slightly less than in 2018 in value terms. China held on to first place despite the small slide to €153m. In second place, imports from Poland improved slightly to €76m. The countries in the three next places, Austria (€62m), Italy (€56m) and Czech Republic (€43m), recorded varying downturns. Imports from Slovenia climbed to €21m. Taiwan (€11m), Sweden (€10m) and France (€10m) also sent slightly less to Germany than in 2018. □

Production down 9.9% and exports decreased by 8.2% last year

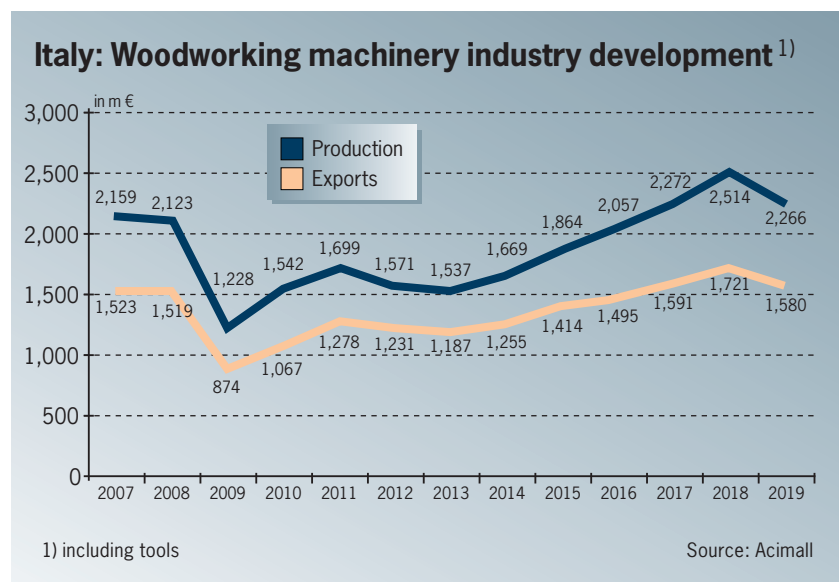
Italian machinery producers: All headline figures lower in 2019

Italian woodworking machinery manufacturers suffered a downturn in all relevant headline figures last year after persistent growth lasting more than the five previous years.

According to final figures published by the industry association Acimall, headquartered in Assago, Italy, on 9 May, woodworking machinery and tool production fell 9.9% to €2.266bn (2018: 2.514bn) last year, putting it roughly in line with 2017's level again. Exports did not fall quite as much, slipping 8.2% to €1.580bn (1.721bn), which boosted the export rate slightly to 69.7 (68.5) %.

Several headline figures even tumbled by double-digit percentages. Imports were 16.9% lower at €201m (242m). Apparent consumption - which is based on production, exports and imports - slipped 14.3% compared with 2018 to land at €887m (1.035bn). Imports accounted for 22.7 (23.4) % of this sum. A larger downturn in imports meant that the export surplus declined by just 6.8% to €1.379bn (1.479bn). Italian manufacturers saw their domestic sales drop 13.5% to €686m (793m). Tax incentives granted between 2016 and 2018 for modernising machinery had prompted an uptick in investment activity. A slump then materialised when the programme expired.

The Italian woodworking machinery industry turned in mixed performances in its different export markets. Acimall roughly outlined developments in key sales markets with the publication of its final figures for 2019. The annual report containing detailed information broken down by commodity group will likely be completed in June. Among the leading European sales markets, Italian woodworking machinery and tool manufacturers only managed to achieve growth in France. Exports to this country climbed by another 5% to approximately €110m.



Italian manufacturers registered declines in the upper single-digit percentage range in shipments to Germany (-9.3% to around €102m), Russia (-9% to €38m) and Spain (-8.9%). Exports to the UK were 13% lower in a year-on-year comparison. The Acimall statistics show a 20% slump in deliveries to Poland, which had experienced relatively high growth in previous years. Exports to Turkey were roughly halved to around €100m, Acimall stated.

Despite a 5% dive to €200m, the US was the largest export market for the Italian woodworking machinery industry by quite some margin last year. The most important markets in South America turned in mixed performances. Exports to Brazil rebounded by 30% to about €20m after a longstanding downturn. Argentina received just half of the previous year's total with €6m.

Shipments to China tumbled by 17.4% to about €63m. A 14% downturn to €33m was recorded in business with the Middle East. Exports to Africa slipped by a total of 25%. Italian producers even booked a 38% downturn in deliveries to Australia to

around €20m. As in Poland, an unusually high level of deliveries to Australia one year earlier should be taken into account, Acimall said.

In 2018, the key figures of the Italian wood processing machinery industry had increased at a slightly more significant rate than expected before. Production increased by 10.6% to €2.514bn (2017: 2.272bn). Exports rose by 8.2% to €1.721bn (1.591bn). This increase was mainly due to European markets, to which approximately 70% of exports are delivered, and North America. The rate of increase in domestic sales of Italian manufacturers, at +16.4% to €793m (681m), was twice as high as for export business. Imports, at €242m (187m), were 29.6% above the preceding year's figure. The largest supplier countries were Germany, China and Austria; increases were also recorded in imports from India, Poland and Turkey. This led to an improvement in the external trade balance of 5.5 % vis à vis the previous year to €1.479bn (1.404bn). Apparent consumption, according to Acimall figures, rose by 19.2% to €1.035bn (868m). □

Order intake has shifted more and more towards Asia in recent years

Dieffenbacher sold 18 lines for wood-based panel production

Dieffenbacher GmbH Maschinen- und Anlagenbau sold a total of 18 complete and partial lines for making wood-based panels with a continuous press in the 2019 financial year.

Twelve of these lines were made at its Eppingen headquarters and six at its Chinese majority shareholding Shanghai Wood-Based Panel Machinery Co. Ltd. (SWPM). Last year's order intake also included a 4 ft-wide multi-opening MDF line for Ethiopia, three more recycling projects and several composite presses for use in the automotive and aviation sectors.

Production at its Eppingen headquarters is being completely switched to the CPS+ press, which was unveiled in the second quarter of 2015, with the orders landed during 2019. The final order for the old CPS press now dates back three years. An LVL line with a 4 ft x 65 m CPS ordered by the US firm Roseburg Forest Products Inc., based in Roseburg, Oregon, for a new site in Chester, South Carolina, in the third quarter of 2017 started operating in September 2019. Dieffenbacher has thus delivered a total of eight CPS presses to

make LVL, all of which are 4 ft wide. Dieffenbacher also intends to switch its LVL press technology to the CPS+ in the event of a future order for an 8 ft-wide LVL line.

The CPS+ presses sold last year are 6 ft to 9 ft wide and 13 m to 65 m long. Six of the twelve orders were for lines making MDF/HDF (including THDF), four for OSB (including fine OSB) and two for particleboard (including super PB). Seven lines were sold to China. Including an MDF/HDF line for Thailand and one OSB line for the United Arab Emirates, nine of the twelve orders handled in Eppingen came from Asia. The other lines are made up of one OSB line for Russia, one MDF/HDF line for Turkey and one particleboard line for Algeria.

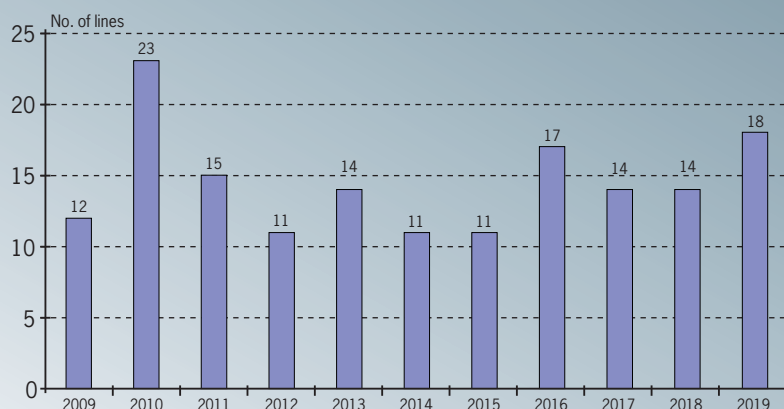
As in previous years, Dieffenbacher can handle more and more of the order volume in-house for the different projects. Eleven of the twelve orders at the Eppingen headquarters include the forming and press line and drying, screening and glueing systems. Dieffenbacher is also delivering energy plants equipped with grate firing or dust burners for five orders. Five orders also

include the lumberyard. The increase in production capabilities required for this to happen has now been largely completed. The last major project was the expansion of its plant in Brno, Czech Republic, which does business as Dieffenbacher CZ hydraulické lisy s.r.o. The Brno site can now make the majority of the range of products manufactured by B. Maier Zerkleinerungstechnik GmbH, which has been a Dieffenbacher subsidiary since September 2009.

The company has named the customer for seven of the twelve orders. The OSB order for delivery to Russia was placed by Swiss Krono Group in the fourth quarter of 2019; final production approval is expected to come during the third quarter. Dieffenbacher will deliver two dryers, two energy plants and the forming and press line with a 9 ft-wide and 65 m-long CPS+ for an OSB line planned in Sharya in the region of Kostroma. Swiss Krono Group ordered some of the upstream and downstream components and placed a contract for assembly services to other providers. Overall engineering, interface coordination, project management and assembly coordination are all handled by Dieffenbacher. An order for a long-planned new MDF/HDF production line that the Turkish MDF/HDF and laminate flooring producer Camsan Ordu Ağaç Sanayi ve Ticaret A.Ş., based in Ordu, placed with Dieffenbacher in the first quarter of 2019 includes the dryer, forming and press line with an 8 ft x 38 m CPS+ and final assembly. The Thai group Siam Riso Wood Products Co. Ltd., based in Surat Thani, also ordered an MDF/HDF line later on in the year. Dieffenbacher will supply all key components for this project from the debarking machinery to the sanding line, including the dryer, energy plant and 23.5 m-long CPS+.

In October, Dieffenbacher won a contract from the Algerian timber merchant EURL Ghamoud, headquartered in El Eulma-Sétif,

Dieffenbacher: Order intake ¹⁾



1) complete and partial lines for making wood-based panels with a continuous press

Source: EUWID (according to information from Dieffenbacher)

Low-temperature belt dryer for drying of wood flakes or OSB strands



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to deliver a complete particleboard line from wood chip production to the sanding line. The order also includes the dryer, a thermal oil heater and a 13 m-long CPS+. The company had previously entered the laminating business by commissioning a short-cycle press delivered by Dieffenbacher Maschinenfabrik GmbH, headquartered in Zaisenhausen, Germany, in the second quarter of 2019. Two of the seven Chinese orders came from Wanhua Ecoboard Co. Ltd. This company has ordered eight lines from Dieffenbacher since 2015. The new follow-up orders will widen its portfolio, which has so far focused on particleboard, to include fine OSB and MDF. Guangxi Fenglin Wood Industry Group Co. Ltd., based in Nanning, Guangxi, ordered another line to make super particleboard last year. Another Chinese wood-based panel producer not named by Dieffenbacher to date ordered one of the world's largest total lines for fine OSB. Like the Swiss Krono contract, this line will be delivered with a 65 m-long CPS+.

The six 4 ft lines sold by SWPM are all headed for Chinese customers. Order intake has shifted more towards fibreboard with four MDF/HDF lines and two particleboard lines. SWPM actually wanted to sell its first 4 ft line to make OSB last year; however, this order has yet to arrive. On the whole, its business is limited to 4 ft lines on the Chinese market, which are still sold under the ContiPlus concept. Outside China, there is hardly any demand for these kinds of lines, according to Dieffenbacher.

Dieffenbacher and SWPM's order intake was a little higher than the average of recent years with the 18 partial and complete lines ordered last year to make wood-based panels. The companies had sold 14 lines in both 2017 and 2018. The Eppingen headquarters handled nine orders and SWPM five orders in 2017; the company has yet to provide a breakdown of its orders for 2018. Dieffenbacher and SWPM had also landed 14 orders in 2013. Eleven orders had been booked in 2014 and 2015. The list of incoming orders for 2014 comprised eight lines with a CPS press, two SWPM lines with a ContiPlus and one multi-opening MDF line. Nine lines with a continuous press (four CPS, five CPS+) and one multi-opening OSB line were sold in 2015. Some

17 orders were booked in 2016, ten for Eppingen and seven for SWPM.

Dieffenbacher sold two more lines in the first quarter of 2020. A customer in China ordered an 8 ft-wide MDF/HDF line. The Italian particleboard manufacturer Lombardo S.p.A., based in Mortegiano, intends to replace an existing line with a new forming and press line with a single-use press. The coronavirus crisis curbed additional orders. In the view of Dieffenbacher, cautious buying will first come to an end in China. However, business is not expected to pick up again soon in most other markets, especially since the effects of the coronavirus have resulted in a significant deterioration in what were already tricky financing conditions in many countries. Major capacity building in recent years has also put the dampers on new orders being placed in several markets, such as the US and Thailand. Business will remain subdued in Europe, Russia, South America and the Middle East in the near future; the coronavirus is tending to intensify already cautious buying. Yet North Africa is becoming more appealing as a sales market. On the whole, Dieffenbacher thinks that order intake in the wood-based panel business will continue to shift towards Asia. The proportion of complete lines will also continue to grow in these countries, especially China and Thailand. Among the orders placed last year, Wanhua Ecoboard, Fenglin Group and Siam Riso ordered all key components from Dieffenbacher from shredding to final assembly technology.

Dieffenbacher has also advanced the development of machinery for speciality products in the past few years. Examples recently included strawboard lines delivered to Wanhua Ecoboard and production concepts for super PB and fine OSB. Dieffenbacher has so far landed a total of six orders for super PB lines. All six orders came from China; the Fenglin Group was the largest single customer to date, having ordered three lines. Dieffenbacher has so far sold eight fine OSB lines. Five of them came from China, two from Europe and one from the US.

Dieffenbacher has established another product area: waste wood recycling technology. While the company mainly delivered



Production of Fine OSB

(Photo credit: Dieffenbacher)

individual machines at first, it is now focusing on total systems. Dieffenbacher has won five of the seven major projects awarded in Europe over the past three years. The first two total systems were installed at Pfeleiderer Neumarkt GmbH, headquartered in Neumarkt, and Nolte Holzwerkstoff GmbH & Co. KG, based in Gernersheim. The line in Neumarkt has been up and running since the start of 2018, with the line at Nolte Holzwerkstoff operating since the middle of 2019. The recycling line installed at the Neudörfl particleboard line run by FunderMax GmbH, based in St. Veit, Austria, started operating

in autumn 2019. The two other customers have not been named to date. One line is currently being installed; the other project is in the engineering phase. Dieffenbacher next plans to deliver recycling technology to customers outside the wood-based panel industry. One example is machinery for making biofuel out of straw. Dieffenbacher uses shredders to process material for these projects; Dieffenbacher works with a partner on the biogas elements of these projects.

Despite a slump in order intake since March as a result of the coronavirus, Dieffen-

bacher can largely run its manufacturing sites in Eppingen, Brno (Czech Republic), Windsor (Ontario) and Shanghai at capacity until the beginning of 2021 based on its current order backlog. No orders have been cancelled to date. However, the coronavirus crisis has already resulted in delays to a few projects. Nonetheless, Dieffenbacher has already applied to reduce working hours at a few sites in the first quarter, meaning that the processing of its order cushion might be stretched out over a longer period of time.

The Dieffenbacher Group has yet to publish revenue figures for the 2019 financial year. The company had raised the prospect of a sharp rise in revenues to roughly €450m in May; this figure was poised to reach around €500m in 2020. These objectives had to be revised later due to the further economic downturn during 2019 and the impacts of the coronavirus crisis, which are hard to gauge. In 2018, revenues had tumbled 11.7% to €368.5m (2017: 417.3m), according to the annual report for Dieffenbacher Holding GmbH & Co. KG, which was published in the electronic version of the German Federal Gazette. This figure included €23.0m (32.0m) in Germany and €345.5m (385.3m) in other countries. The Wood division had generated €348.5m (387.3m) in revenues and the Composites division €19.7m (28.8m); other revenues were listed at €0.4m (1.1m). Total operating revenues had not fallen as much as revenues with an 8.1% drop to €352m (383m). However, order intake dipped to €365m (360m) in 2018. The different areas turned in mixed performances: Wood €324m (338m), Composites €29m (15m) and other €12m (7m). Earnings were slightly higher than the previous year in 2018. EBITDA rose to €17.1m (16.0m), earnings before ordinary activities to €9.8m (8.5m) and pre-tax profits to €8.8m (7.8m). Net profits increased to €6.6m (6.1m). Its consolidated financial statements for 2018 listed a total of 15 subsidiaries. Dieffenbacher holds all of the shares in 14 firms. Its stake in SWPM still stands at 70%. The group also has ten other 100% subsidiaries and two interests (50% and 26%) that were not listed in the consolidated statements. Dieffenbacher employed an average of 1,608 (1,603) workers in 2018. □



Production line for SuperPB

(Photo credit: Dieffenbacher)



DRYER

Upon closing, Homag Group is consolidating all activities in China into one company

Homag Group is planning complete takeover of joint ventures in China

Homag Group AG, headquartered in Schopfloch, has meanwhile concluded negotiations concerning the complete takeover of sales and service company Homag China Golden Field International Holdings Ltd. (HCGF), based in Hong Kong.

These negotiations had been delayed for a period due to the corona crisis. Fundamental agreement with previous HCGF majority shareholder Golden Field International Holdings, managed by company founder Addie Kwan, was already reached in the fourth quarter of 2019. In an extraordinary meeting held on 6 November 2019, originally convened to approve the restructuring measures planned within the Homag Group, the supervisory board of Dürr AG of Bietigheim-Bissingen, which is in a superordinate position to the Homag Group, agreed to the transaction.

The contract was signed in April. Chinese competition authorities have to give the green light for the deal to close. After regulatory approval, Homag Group is ex-

pected to wrap up full acquisition of HCGF in September. According to Dürr-CEO Ralf Dieter the purchase price will be a maximum of €30m. The exact amount will be determined based on different financial parameters. Homag Group and its partner Golden Field International Holdings have also agreed for the purchase price to be paid over several years.

According to Dieter, Homag Group had held initial negotiations about increasing its stakes in its two Chinese companies before Dürr purchased a majority stake in October 2014. Later held under the leadership of Dürr, these talks initially ran aground because Kwan's target purchase price was considered too high at that time.

Golden Field International Holdings currently holds 75% of the shares in HCGF and also owns an 18.75% stake in the production entity Homag Machinery (Shanghai) Co. Ltd.. Homag Group, via Homag Finance GmbH which ensued from former Homag Vertriebs Beteiligungs GmbH, has held a 25% share in

HCGF since the beginning of 2001. The takeover of the remaining 75% of shares means that the Homag Group will be sole shareholder of HCGF in future. In a second transaction, the 18.75% shareholding of Golden Field International Holdings in Homag Machinery is also transferred to the Homag Group, which subsequently becomes the sole owner of the Chinese production and engineering company.

Complete takeover of the sales and production company means that the Homag Group is consolidating all activities in China into one single company. From 2017 to 2019 the Homag Group generated average annual turnover of some €145m in China, 90% of which was invoiced via HCGF. Over the last three years HCGF generated an average of €100m per annum with products of other manufacturers. After the complete takeover, this turnover can be included in the figures to the full amount. Profit will also increase because in future the Homag Group will also receive the proportion of profit previously attributed to HCGF. Following the integration of HCGF, the total number of Homag employees in China will rise from previously 450 to approximately 750.

Homag China Golden Field sells machinery and equipment from Homag factories in Europe. To an increasing extent the Chinese market is supplied via the factory in Shanghai which trades under Homag Machinery (Shanghai). Sales and service company Homag China Golden Field, which was founded in Hong Kong in 1979, has its operational headquarters in Kunshan, province of Jiangsu. According to Homag, the company operates six further branches in China at the locations of Hong Kong, Beijing, Shanghai, Dongguan, Chengdu and Hangzhou, as well as 30 sales offices. At the headquarters in Kunshan there is also an exhibition centre extending over an area of 4,000m². In May



Headquarter of Homag China Golden Field in Kunsban

(Photo credit: Homag)

2019, moreover, Homag China Golden Field signed a cooperation agreement with Swedish company Vålinge Innovation AB, Viken, concerning the establishment of a support centre in Kunshan for technologies developed by Vålinge Innovation for the flooring and furniture industry. In the past, Homag China Golden Field had also represented other European machine and industrial equipment manufacturers on the Chinese market and in some cases also established production companies via this collaboration. This form of collaboration was reduced, however, in connection with the increasingly close cooperation with the Homag Group.

With the complete takeover now being planned within the scope of a succession arrangement, the Homag Group intends to take a strategic step in China similar to the move it made some years ago in North America. There, in the first quarter of 2014, the Homag Group acquired 73.3% of the shares in US sales and service agency Stiles Machinery Inc., Grand Rapids, Michigan, from Peter Kleinschmidt, who was managing partner at that time, for a US\$ purchase price in the low double-digit million range, thus expanding its shareholding to 100%. In a preparatory step, during the course of 2013 the shareholding held via Holzma Plattenaufteiltechnik GmbH, Calw-Holzbronn, had already been increased from 22.0% to 26.7%.

The Homag Machinery Shanghai plant, which was founded in 1994, was operated initially as a joint venture between Homag and Taiwanese machinery manufacturer Anderson Group, Taipei. Parallel to Homag becoming involved in sales partner Golden Field Woodworking Machinery Co. Ltd., Homag China Golden Field, which was newly formed as a consequence of the former move, took over the 20% share which had been held by Anderson. Over the course of recent years the plant in Shanghai has been expanded considerably. Within the scope of the most recent major expansion investment, which was implemented in 2018, the production area was increased from 20,000m² to 33,200m². Parallel to this the production portfolio was expanded, most recently to include edgebanding machines, for



(Photo credit: Homag)

example. In this context the workforce at the Shanghai factory was also increased to 350 employees.

Over recent years the main focus of the China business, which is processed primarily via Homag China Golden Field, has gradually moved in the direction of the furniture industry. The relatively high level of investment activity which has featured for a long time in the area of floor coverings has, in contrast, flattened off somewhat. After receiving numerous large orders in the last years, business dealings with the Chinese furniture industry, however, have also slackened off recently. As a consequence, there has also been a clear decline in the turnover figures of Homag China Golden Field, which are indicated separately in the Dürr business reports. The company, until now recorded there as at-equity consolidated, last year generated the equivalent of €173.4m (2018: 257.9m) in turnover. The result after tax dropped by almost 59% to €6.7m (16.3m). The cash flow, by contrast, improved in comparison to the preceding year. The cash flow from current business activity was again clearly positive at €39.3m (-23.0m). At +€4.9m (-2.9m), the operating profit was also back in the black. The cash flow from financing activity was reduced to -€15.0m (-19.2m). Equity capital to the amount of €48.5m (52.2m) was recorded in the balance

sheet. Liabilities amounted to €84.0m (86.9m) short-term and €0.4m (0.5m) long-term. Despite the significant decline in the result, for the 2019 financial year Homag China Golden Field again paid out a dividend of €2.6m (2.6m), i.e. exactly the same amount as in 2018, to Dürr and the Homag Group.

The figures for last year featuring in the current Dürr business report concerning Homag China Golden Field, however, deviate slightly from those recorded in the 2018 business report. For 2018 the company had initially announced a decline in turnover to €255.2m (2017: 295.4m). The pre-tax result figure recorded at that time instead of the result after tax was subsequently reduced to €12.7m (21.1m). In the 2017 business report Dürr, by contrast, had recorded a 63.0 % turnover increase for the Chinese sales company to €291.7m (2016: 179.0m) and an improved pre-tax result by 51.7% to €9.1m (6.0m).

Only a few key figures relating to production company Homag Machinery Shanghai are recorded in the Dürr business reports. The result after tax, based on the sum of €7.2m achieved in 2017, increased to €9.4m in 2018. In 2019 a sum of only €5.1m after tax was generated. Equity capital declined marginally to €23.0m (23.2m). □

Closure affects 80 employees / Company plans to cut further 200 full-time jobs worldwide

Weinig relocating Raimann activities from Freiburg to Illertissen by year end

The Weinig group of Tauberbischofsheim will be closing the facility of its subsidiary Raimann Holzoptimierung GmbH & Co. KG in Freiburg by the end of 2020 to concentrate all of its activities in the cutting technology segment at Weinig Dimter GmbH & Co. KG in Illertissen.

The production equipment installed in Freiburg will be dismantled and rebuilt at a new facility in Illertissen. Weinig had already acquired the grounds of the industrial-door manufacturer Butzbach GmbH for this purpose in 2019. The land is roughly 300 m away from Weinig Dimter's business premises, has a total area of approximately 2.5 ha and hall space of around 8,300 m². The closure affects roughly 80 employees at the Raimann facility. All of the present employees in Freiburg are being offered a job in Illertissen, roughly 230 km away.

Weinig says the closure of the facility is due to a cooling-down in business activity that had already occurred before the start

of the corona pandemic. This development has become more pronounced during the course of the last few weeks. The company is therefore anticipating a sharp slump in its receipts of orders.

From an economic perspective, Weinig believes that the change of location and the ensuing bundling of activities in the plant engineering segment for longitudinal and transverse saws will generate synergy effects in costs, quality, R&D, and in process optimisation. In the solid-wood segment, Raimann's range of products currently covers splitting saws of the Split series. The focus of Weinig Dimter's products is on optimising cross-cut saws (OptiCut) and gluing presses (ProfiPress).

Weinig has not specified what will happen with the roughly 1.3 ha facility in Freiburg once the move has been completed. The grounds contain an approximately 870 m² office building as well as an adjoining 5,470 m² or so hall complex. Weinig had taken over the Interholz Raimann group in 2001, subsequently transferring it into

the newly-founded company Raimann Holzoptimierung. At that time, the US sales company Raimann USA Inc. of Charlotte, North Carolina, was broken up and integrated into the Weinig subsidiary Weinig USA Inc. of Mooresville, North Carolina. The three European sales companies for Interholz Raimann in France, Switzerland and in Spain had not been taken over.

Aside from the closure of the Freiburg facility, Weinig has also announced its intention to reduce the number of employees worldwide by approximately 200 from the present 2,000. 100 of these job cuts are to occur in Tauberbischofsheim alone with the other 100 taking place at facilities around the world. The reason Weinig gives for the action is what is likely to be a longer-lasting recession. The group is working from the assumption that the effects of the corona pandemic are not short-term in nature but are going to put a strain on the company for a very long time to come.

The latest decision to relocate the Raimann activities to Illertissen is the first major restructuring measure implemented by Weinig in roughly five years. In 2015, the group had concentrated its high-performance planing technology and rip-saw technology product segments at its headquarters in Tauberbischofsheim and Raimann and terminated business at Waco Jonsereds AB of Halmstad, Sweden. Waco's mechanical manufacturing as well as the component manufacturing operations for tools at Michael Weinig S.A. in La Chaux-de-Fonds, Switzerland, had been moved to Tauberbischofsheim in 2013, entailing the discontinuation of business in Switzerland. In December 2013, NKT Holzoptimierung GmbH & Co. KG was renamed Weinig Grecon GmbH & Co. KG of Alfeld after the NKT facility had been moved from Eppingen to Alfeld, pooling the finger-jointing systems product segment into a single facility as well. □



(Photo credit: EUWID)

In 2019 incoming orders and turnover dropped for the first time since 2013

Biesse: Incoming orders declined by almost 25% in the first quarter

In the first quarter of 2020 incoming orders of Italian machine and industrial equipment manufacturer Biesse S.p.A., based in Pesaro, plummeted by 24.7% vis à vis the comparative period of 2019.

By the end of the quarter orders in hand had declined by 15% to €189m (31 March 2019: 223m). Over the entire period of 2019 incoming orders had already decreased by 17.0% to €507m. After a 9.5% decline to €134m had been recorded in the first quarter, double-digit rates of decline were recorded in all subsequent quarters (Q2: -22.8%, Q3: -16.1%, Q4: -21.7%).

Consolidated turnover in the first quarter dropped by 12.7% to €147.7m (Jan.-March 2019: 169.2m). The "Wood" division developed along somewhat better lines, with a decrease of 7.1% to €109.9m (118.2m). With regard to the individual sales markets, the declines recorded for North America (-9.8% to €32.5) and the rest of the world region (-8.7% to €5.4) were relatively moderate. In the Asia Pacific region (-16.8% to €22.0m) as well as in Eastern Europe (-14.0% to €19.9m) and Western Europe (-12.6% to €68.0m) double-digit rates of decline were recorded.

Results figures at group level also declined in the first quarter. The EBITDA dropped by more than one third to €12.4m (18.9m). For the EBIT a decline of 47.7% to €5.3m (10.4m) was recorded. The corresponding margins thus also decreased to 8.4% (11.2%) and 3.6% (6.0%) respectively.

In the 2019 financial year Biesse received orders to a total value of €507m (2018: 619m). This represents a 17.0% decline vis à vis the preceding year's figure. As of the end of December orders in hand declined by 12.8% to €197m (225m) and were thus below the €200m mark for the



Pesaro site

(Photo credit: Biesse)

first time since the first quarter of 2017 (€188m). On the basis of the figures of €131m and €78m recorded at the end of 2013 as a starting point, incoming orders and orders in hand increased for five consecutive years. Biesse attributes the current development mainly to the lower proportion of system deliveries. In the preceding year the company benefited in this area from several orders of large equipment for the North American market.

In 2019 Biesse's consolidated turnover also declined again for the first time since 2013 (-1% to €378m). Last year a decline of 4.8% to €705.9m (741.5m) was recorded. Turnover of the division Wood declined by 4.6% to €507.1m (531.8m) in the last financial year.

In the past financial year operating profit of the business division, at €25.5m (49.0m), only amounted to just under 50% of the preceding year's figure. According to Biesse this was mainly due to a lower operating profit margin. The results figures were furthermore burdened by extraordinary

expenses amounting to €4.2m which ensued in connection with the restructuring of China activities. Production in Dongguan (Guangdong province), which is focused on basic entry level machinery, is to be cut back gradually and the corresponding assets are to be sold. In a reciprocal move, the existing sales company Biesse Trading Shanghai and the plant in Bangalore (Karnataka, India) are to be expanded. In future China business is thus to focus increasingly on the requirements of medium-sized and large industrial customers, and the equipment required for this is to be manufactured at the sites in Bangalore and Italy.

At group level, the EBITDA, adjusted to account for extraordinary factors, declined by 17.2% to €76.7m (92.7m); the adjusted EBIT dropped by 53.5% to €29.6m (63.8m). The corresponding margins decreased to 10.9% (12.5%) and 4.2% (8.6%), respectively. Significant declines were also recorded for pre-tax (-59.8% to €23.4m) and net profit (-70.3% to €13.0m). □

European Commissioner describes special rules as contravening EU law

Mounting European opposition to new E05 rules in Germany

Objections raised by other EU member states have tended to increase in the five months since amended rules governing formaldehyde testing methodology and thus a switch from E1 to E05 took effect in Germany on 1 January 2020.

At a political level, 34 MEPs from Italy, Spain, Portugal, Belgium and Poland wrote to the EU Commissioner in charge of the Internal Market, Thierry Breton, on 11 February, criticising the switchover of the formaldehyde testing methodology and the resulting changes to emission class E1. The MEPs believe that the new rules prepared by the German Federal Environment Agency (UBA), based in Dessau-Roßlau, and adopted by the Federal/State Working Committee on Chemical Safety (BLAC) in late September 2018 break European law. By way of explanation, the MEPs note that formaldehyde emissions from wood-based panels are regulated at EU level by the European Construction Products Regulation 305/2011. The relevant harmonised standard, EN 13986, specifies two emission classes (E1 and E2) and determines formaldehyde

emissions in accordance with EN 717-1. Manufacturers complying with these rules can mark their products with the CE label. The new formaldehyde testing methodology introduced in Germany on 1 January and resulting reinterpretation of emission class E1, which the wood-based panel industry now characterises as E05 in most cases, is not envisaged in EN 13986 and thus not harmonised. The rules that have applied in Germany since 1 January thus represent illegal special national arrangements, in the view of MEPs, as do the Model Administrative Rules on Technical Building Regulations (MVV TB). Unlike with the MVV TB, Germany had also failed to notify the introduction of the new formaldehyde testing methodology using the Technical Regulation Information System (TRIS).

In an answer penned on 20 May, Breton largely sided with the arguments raised by the MEPs. He made it clear that, in his opinion, the new formaldehyde testing methodology introduced in Germany clearly contravened existing EU law. Moreover, it was inconsistent with existing jurisprudence from the Court of the European Union (CEU) and the European Court of

Justice (ECJ) relating to the Construction Products Ordinance. For instance, in a case on standards for wooden and sports flooring, the CEU ruled in April 2019 that additional national requirements for products governed by harmonised European standards were not permissible.

In this vein, Breton pointed out that the European Commission submitted a detailed opinion in September in the TRIS notification process (2019/306/DE) under way at the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs (DG Grow) since 24 June 2019 for the draft MVV TB revised by the German Institute for Construction Technology (DIBt), based in Berlin, in May 2019. In this opinion, Germany was urged to adjust the MVV TB to reflect the provisions of the European Construction Product Ordinance. After the UK had previously submitted an opinion, the European Commission extended the standstill period for the notification, originally set to expire on 25 September, for another three months until 27 December. Spain, Belgium and Portugal then filed additional opinions in September and October. In his response, Breton also mentions five other formal complaints against the draft version of the MVV TB that had been notified. Two of them were from companies and three from national wood-based panel associations, he reported. Unconfirmed reports suggest that the complaints came from associations in Italy, Spain and Belgium.

Similar position regarding MVV TB

Italian MEP Elena Lizzi, who signed the letter to change the formaldehyde testing methodology sent in mid-February, had previously contacted Breton about the MVV TB on 6 November 2019. In a response published on 6 February, Breton described national special arrangements relating to the EU Construction Products Regulation as illegal and noted that companies in the



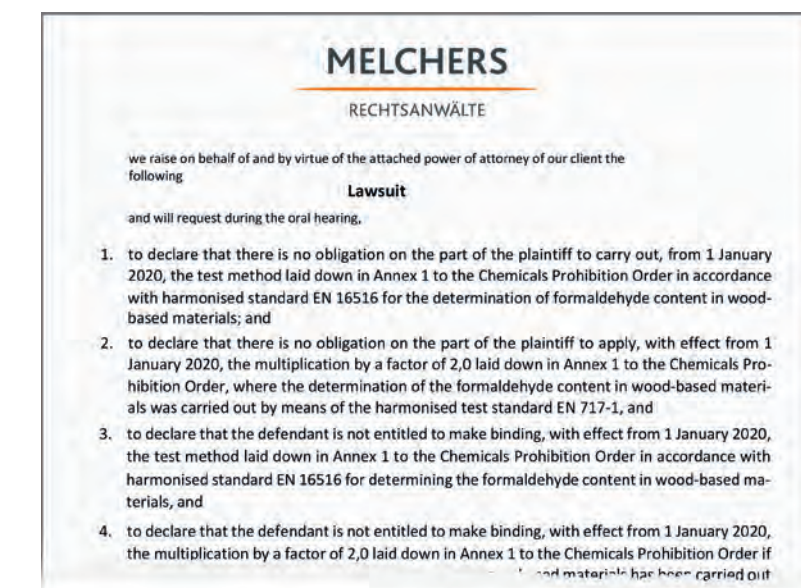
Letters of 34 MEPs and from Thierry Breton

affected sectors of industry can take legal action against these special rules. He had promised that the European Commission would support judicial proceedings of this kind. Swiss Krono Group had already filed two motions for judicial review of the MVV TB in Baden-Württemberg and Saxony in mid-December 2018, which were backed by the Kronospan Group. In simultaneous expedited proceedings, the Baden-Württemberg Administrative Court (VGH) in Mannheim prohibited implementation of the MVV TB, which was due to take place in Baden-Württemberg on 1 October, in a ruling issued on 10 July. Swiss Krono Group and Kronospan subsequently launched similar cases in other federal states, citing the verdict. Rulings in these main proceedings, which had been expected to be handed down in the course of 2020, will likely take even longer due to additional strains on administrative courts because of the coronavirus.

In his response to the MEPs questions about changes in the formaldehyde testing methodology, Breton also explicitly mentioned the possibility of taking legal recourse. In his opinion, a case brought by affected German companies in front of a German administrative court might bring quicker results than proceedings launched by the European Commission against Germany over infringements of Article 258 of the Treaty on the Functioning of the European Union (TFEU). In such cases, the member state in question is asked to remedy the infringement of EU directives raised by the European Commission. The European Commission can refer the case to the ECJ if this does not happen within a specific deadline. Since the European Commission feels that the change in the formaldehyde testing methodology infringes EU law and thus cannot be applied, Breton feels that there is also the option of seeking a temporary injunction against implementation in individual cases. As with the MVV TB, the European Commission intends to support individual suits.

Fantoni files case against Environment Ministry

The Italian wood-based panel manufacturer Fantoni S.p.A., based in Osoppo, took legal action against the change in the formalde-



Part of Fantoni's complaint, filed in Cologne

hyde testing methodology. The company filed a suit at the Cologne Administrative Court against the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety on 25 May. In the case, which was filed by the Frankfurt-based law firm Melchers Rechtsanwälte, the company opposes the introduction of DIN EN 16516 as the new reference method for determining formaldehyde emissions from wood-based panels. These rules took effect as a result of a change to Annex 1 to the Chemicals Prohibition Ordinance (ChemVerbotsVO) and resulted in a de facto doubling of the measured data identified under testing standard EN 717-1. Fantoni is primarily critical of the introduction of national product rules. The fundamental goal of reducing formaldehyde emissions from wood-based panel throughout Europe is not being called into question.

In the 38-page complaint, the court is asked to find that Fantoni is not required to use the new testing method and that the Ministry of Environment was not entitled to introduce the new reference method. By way of explanation, Fantoni noted that the introduction of a new reference method applying solely to the German market contradicts the goal of European harmonisation of product rules and thus infringed European law, notably the Construction Products Regulation and European Court of Justice (ECJ) rulings. Moreover, formal

errors had occurred when changing the testing method. The Ministry of Environment had announced the switch in the formaldehyde testing methodology resulting from amendments to the Chemical Prohibition Ordinance in the German Federal Gazette. However, it did not publish the changes in the European Union Official Journal, as was required for building products. Moreover, Germany did not notify the new testing method under EU Directive 2015/1535. Thirdly, Fantoni noted that switching over the formaldehyde testing methodology in Germany alone limits international trade. The new rules thus infringed the free movement of goods in Europe.

Six other wood-based panel manufacturers from Italy and Belgium have joined Fantoni as parties to the action: Frati Luigi S.p.A. (Pomponesco), Saib S.p.A. (Caorso), Saviola Holding s.r.l. (Viadana), Arper S.p.A. (Monastier di Treviso), Panguaneta S.p.A. (Sabbioneta) and Unilin B.V. (Wielsbeke). However, major German, Austrian and Swiss wood-based panel groups are not involved. Sources in the wood-based panel industry think that their reluctance is likely due to these companies having long advocated a reduction in formaldehyde emissions below the E1 limit and having already made relatively significant progress in implementing the E05 rules, at least at their locations in Germany, Austria and Switzerland. □

EU: Duty-free quota for softwood plywood filled

The duty-free quota for softwood plywood imports into the EU was filled on 13 May, a little earlier than had been initially expected. Up until the end of April, most agents and importers had anticipated that the quota would be used up in the second half of May since call-offs were still rather sluggish at that time. However, the leftover amount was called off a little quicker starting in early May, raising expectations that it would be filled by the middle of May.

The European Commission's Directorate-General for Taxation and Customs Union allotted the last piece of plywood duty-free status on 19 May. The date of depletion was listed as 13 May. This date is the last day on which the final customs applications counting towards the duty-free quota were accepted. Almost 9,500 m³ of the recently notified plywood was thus not eligible towards the quota.

In the past few years, the duty-free quota has mainly been used for softwood plywood imported from Brazil, Russia and China. A 7% import duty now applies to deliveries from these countries since the quota has been filled. On the other hand, radiata pine plywood shipments from Chile are generally duty-free due to a customs agreement.

The duty-free quota has been left unchanged at 650,000 m³ each year since the 1990s, even though the EU has undergone enlargement in the same period. The number of member states decreased to 27 with the UK's exit on 31 January. The UK was still counted when calculating the amount of plywood imported duty-free into the EU because of the transition period.

Some 271,000 m³ of plywood had been imported duty-free into the EU-27 and UK in January. Just around 84,000 m³ was allotted duty-free status in February. March and April each saw imports of roughly 120,000 m³. The remaining 55,000 m³ plywood or so was imported in the first half of May. □

Minor improvement in Canadian OSB exports



(Photo credit: Weyerhaeuser)

Canada saw its OSB exports strengthen slightly during the course of the first quarter of 2020. That being said, shipments were down one third compared with the prior-year period in the first three months combined. Canadian OSB producers exported 414,138 m³ in January, 408,903 m³ in February and 468,967 m³ in March. The value of these exports increased even more, thanks to price hikes instituted during the course of the quarter. These figures were still fairly similar at CAD123.4m in January and CAD127.6m in February. Canada exported 14.5% more than February in March, while the value of these exports leapt 44.5% to CAD184.4m in the same period.

The difference between volumes and value was even more pronounced in the different quarters. According to data published by Statistics Canada, headquartered in Ottawa, Ontario, Canadian OSB exports were 38.3% lower than the same stretch last year at 1.292m (Jan.-March 2019: 1.803m) m³. Nevertheless, the value of these exports jumped by 18.6% to CAD435.4m (367.1m). Canada had exported 2.093m m³ valued at CAD422.0m in the second quarter of 2019. The agency reported exports of 1.554m m³ valued at CAD398.0m in the third quarter and 1.196m m³ valued at CAD350.9m in the fourth quarter.

Shipments to the US fared better than overall exports in the first three months. Volumes fell by 29.8 % to 1.205m (1.717m) m³; Statistics Canada recorded a 20.3% jump in the value of these exports to CAD407.4m (338.7m). Japan sourced 32,869 (37,688) m³ of OSB valued at CAD11.4m (14.0m) from Ca-

nada in the first quarter; these figures were higher than in the fourth quarter of last year (31,930 m³, CAD11.3m). Exports to Vietnam leapt to 21,684 (16,289) m³, coming on the heels of deliveries of just 2,768 m³ in the fourth quarter. China had only procured small amounts in the first half of 2019, which explains the sharp spike in its deliveries to 16,318 (5,258) m³. However, exports to South Korea slipped to 11,388 (16,021) m³. □

Finnish production still much lower than last year

The strikes in the Finnish timber industry led to significant declines in production in the first quarter. Finnish mills made one-third less plywood between January and March 2020 than they did in the prior-year period. This downturn was a little stronger than in other areas of the Finnish forestry industry, which were also in severe decline.

According to statistics published by the Finnish Forest Industries Federation (FFIF), headquartered in Helsinki, Finnish softwood lumber production slipped 22.8% to 2.310m (Jan.-March 2019: 2.990m) m³ in the first three months. Pulp production was down 18.2% at 1.730m (2.110m) t, while paper and cardboard output fell 18.4% to 2.100m (2.580m) t. Manufacturing of plywood was also much lower than in the fourth quarter of 2019. Plywood production had already dived 33.9% to 210,000 m³ in that timeframe. Finland's plywood industry manufactured just about 200,000 (300,000) m³ in the first quarter, 35.1% less than in the prior-year period. The FFIF had reported plywood production of 290,000 m³ in both the second and third quarters of 2019.

The full year thus ended with an 11.2% reduction in output to 1.090m (2018: 1.230m) m³. The production quantities reported in the FFIF statistics are identified based on estimates. The reported figures are rounded up and down, although the rates of change reported by the association are based on exact figures. □

Norbord plans further reduction in investments



(Photo credit: Norbord)

In order to generate additional liquidity reserves to handle the corona crisis, Canadian Norbord Inc., based in Toronto, Ontario, has postponed all investments not urgently required. As a consequence the budget, which at c. US\$100m was already down more than 50% by comparison with 2017 (US\$253m) and 2018 (US\$204m), has been further reduced to some US\$70m. Concerning 2021, no decision on larger projects has been made as yet. If there is no fundamental change in the market situation over coming months, therefore, the investment volume could be reduced even further. According to Norbord CEO Peter Wijnbergen, replacement and maintenance investments, amounting to at least US\$35m/annum, are required to maintain production activity.

This year only two larger projects are implemented, namely the construction of a second strander and dryer line at the Scottish OSB plant in Inverness-Murrayhill and preliminary work for recommissioning the Chambord, Québec, plant. Mechanical installation of the equipment in Inverness has meanwhile been completed to a large extent. Work still outstanding is being put on hold, however, due to corona-related restrictions, which means that commissioning, originally scheduled for the second quarter, will be postponed to the second half of the year. Work in Chambord has been stopped due to the general stoppage of construction work in Québec. In the first quarter Norbord invested a total of US\$25m. Of this figure, US\$9m was invested in Inverness and US\$2m in Chambord. As a consequence, some US\$9m of the US\$46m budgeted for the project as a whole is still outstanding in Inverness; in Chambord this applies to US\$18m of the original figure of US\$71m. □

Koskisen turnover declines in all divisions

In the 2019 financial year Finnish Koskisen Oy of Järvelä recorded a 4% decline in overall production in its panel industry division to 180,600 (2018: 188,800) m³. By comparison with the respective figures for 2018, the decline of 2% to 102,100 (104,400) m³ recorded for particleboard was considerably less significant than the decline recorded for birch plywood (-7% to 78,500 m³). In the 2018 financial year, slight production increases had been achieved in both product segments (particleboard: +2%, birch plywood: +3%). Thin plywood production also rose by 4% to 470 m³ in 2018 based on the volume of 450 m³ achieved in 2017. In the 2019 financial year, according to Koskisen, a total of 270,000 panels were produced. Softwood lumber production, by contrast, has declined continually over the last two years. In the 2018 financial year production fell 7% short of the volume of 381,708 m³ achieved in 2017. At a decline of 1% to 350,013 (354,316) m³, the production decrease in the sawn timber business division was considerably less serious in 2019.

In parallel to the production volumes, turnover also declined across these business divisions in the 2019 financial year. At €119.9m (121.6m), turnover in the panel industry business division fell 1% short of the preceding year's figure. Turnover generated with thin plywood activities decreased along similar lines, by 2% to €5.3m (5.4m). At a turnover decline of 12% to €80.8m (92.0m), the most significant decrease was recorded in the sawn timber industry business division. Separate turnover figures for the building industry business division, which was sold to Swedish investment company Mimir Invest AB (Stockholm) in July 2019 and had still contributed €15.2m to total turnover in 2018, were no longer indicated by Koskisen in the current publication. In the last financial year, the wood procurement and biofuels business division was the only division to achieve an increase in turnover of 4% to €36.5m (35.3m). 2019 group turnover, according to Koskisen, thus decreased by 2% vis à vis the preceding year to €263m (269m). 57% (56%) of this figure was attributed to export business. □

UPM-Kymmene faces another fall in sales

UPM-Kymmene Corp., based in Helsinki, has announced that its Plywood division sold 173,000 (Jan.-March 2019: 196,000) m³ of plywood in the first three months of 2020. The group said that this 12% slump in a year-on-year comparison was the result of factors including a production stoppage lasting around four weeks because of a strike.

Plywood sales had already dropped 11% in a year-on-year comparison to 169,000 m³ in the fourth quarter of last year. UPM-Kymmene had responded to the slump in plywood deliveries by curbing output and laying off workers temporarily last autumn, even before the strike in December. In most instances, sales had dropped by a middle single-digit percentage since the second quarter of 2018.

While higher prices managed to at least partly offset dwindling delivery volumes until the second quarter of 2019, this trend has recently reversed course. Revenues were hit by lower average prices related to shifts in the product mix in the third and fourth quarters of last year. Lower plywood prices also trimmed revenues by 15% to €105m (123m) between January and March of this year. External revenues slipped to €100m (117m).

Since earnings have deteriorated much more than revenues, margins have taken another turn for the worse in a year-on-year comparison. Comparable EBITDA declined by around a quarter to €14m (19m) in the first quarter, with the comparable EBITDA margin worsening to 13.0 (15.3) %. Earnings before interest and tax (EBIT) were cut in half to €7m (13m), with a margin of 6.5 (10.5) %. □

Segezha starts on foundation work in Galich

In April 2020 Russian Segezha Group, based in Segezha, Karelia, commenced foundation work for the new birch plywood plant at the Galich, Kostroma Oblast, site. The final building permission was granted by Galich city administration on 3 April. At the end of 2019 the company had initially commenced excavation work at the premises located in the newly established Galich Advanced Socio-Economic Zone. In the first quarter a tendering process for delivery of some 3,000 reinforced concrete piles had been conducted, and currently these piles are being set up. The planned production area is to cover an area of approximately 48,000 m². In addition, administrative buildings and warehouses will also be constructed. Overall Segezha has estimated an investment volume of some RUB10bn (equivalent to some €124m) for construction of the plant. Machinery will be supplied by Finnish equipment manufacturer Raute Oyj. According to the schedule, pilot operations at the plant will commence at the end of 2021. Start of regular production is anticipated for early 2022. With the new plant Segezha will increase its production capacity for birch plywood by 125,000 m³/annum. Currently the company owns two production lines at the Vyatsky, Kirov Oblast, site with

a total capacity of some 192,000 m³ birch plywood.

In the fourth quarter of 2019 the plywood and boards business division of Segezha Group was faced with a 33.3% turnover decline to RUB1.8bn (Oct.-Dec. 2018: 2.7bn). The special effect which had led to significant turnover increases in the three preceding quarters was no longer of influence in the fourth quarter. After commissioning of a second production line at the birch plywood plant in Vyatsky, Kirov Oblast, in July 2018, turnover improved by +50% in the first, +36% in the second and +25% in the third quarter.

With regard to the profits situation, the previous positive development also continued in the fourth quarter. The EBITDA of the division doubled to some RUB400m (299m). In the reporting period Segezha produced a total volume of 50,000 m³ plywood, an increase of 17.2%. Whilst last year the Vyatsky plant was not yet operating at full capacity, this has meanwhile changed and capacity virtually fully utilised.

Over the entire period of 2019, plywood sales increased by a total of 52.0% to 182,000 m³ (120,000 m³). Turnover of the plywood and boards division reached RUB7.3bn. □



Plywood production in Vyatsky mill

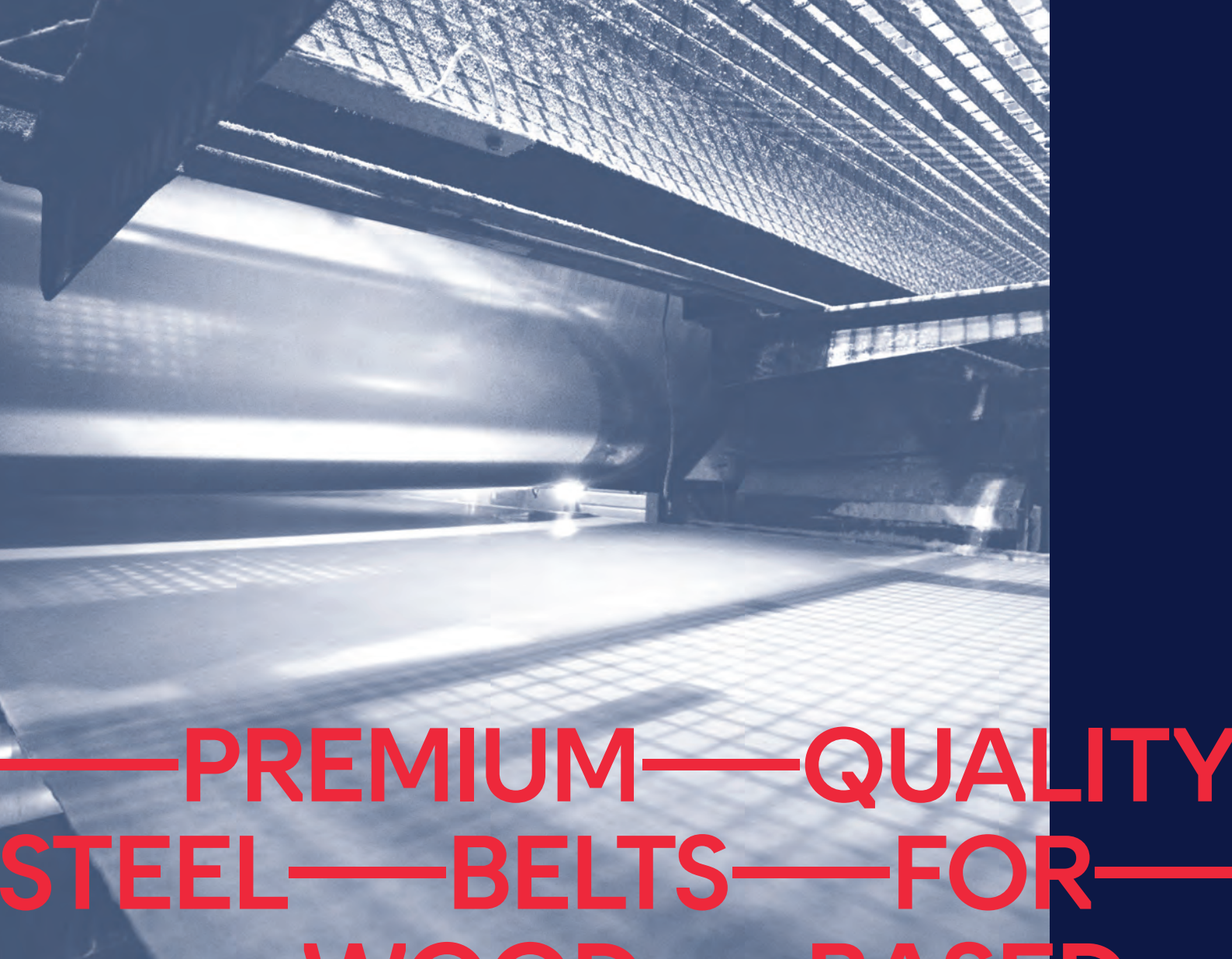
(Photo credit: Segezha Group)

Vanachai commissioned OSB equipment

With the commissioning of a continuous production line, Thai wood-based panels manufacturer Vanachai Group Public Company Ltd. of Bangkok commenced OSB production at the Surat Thani location. According to original plans, the company had intended to invest a total of THB2.0bn, corresponding to US\$61.2m, in constructing a particleboard plant with an annual capacity of 450,000 m³. The order for a forming and press line including finishing placed in October 2017 with Chinese Siempelkamp (Qingdao) Machinery Co. Ltd. was, however, changed to OSB at the beginning of 2018. By way of explanation for this decision, Vanachai referred to higher competitive pressure due to the expansion of Thai particleboard capacities at that time, and the corresponding rise in raw material costs.

Over the further course of 2018 Vanachai had then ordered additional equipment. The order for the OSB dryer was placed with Dieffenbacher GmbH Maschinen- und Anlagenbau. Vanachai ordered the strander at US Kadant Inc. According to Siempelkamp, the ContiRoll in 4ftx48.7m format, which is designed for processing of rubberwood and has a capacity of 210,000 m³/annum, was accepted on 14 March 2020. According to Vanachai, commercial production is to commence in the second quarter.

With the commencement of OSB production and the commissioning of a thin-board line for MDF/HDF (capacity: 210,000m³/annum) supplied by Siempelkamp Maschinen- und Anlagenbau GmbH in the first quarter of 2019, wood-based panel capacities in Surat Thani have increased by one third since the beginning of 2019. Vanachai thus meanwhile operates five particleboard and MDF/HDF systems in Surat Thani with annual capacities of 450,000 m³ and 1.020m³ respectively. Including the new OSB plant and two additional locations in the Chonburi and Saraburi provinces, the company now has a total wood-based panel capacity of some 2.43m³ per annum, which is comprised of 210,000 m³ OSB, 840,000 m³ particleboard and 1.38m³ MDF/HDF. □



—PREMIUM—QUALITY STEEL—BELTS—FOR— —WOOD—BASED— —PANEL—PRODUCTION—

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OSB prices have soared in a year-on-year comparison after collapsing in 2019

North American OSB producers improved revenues and earnings

North American OSB manufacturers delivered an improvement in their revenues and earnings in the first quarter of this year, even though demand has cooled over the past few months. This slump actually intensified for a time because of the coronavirus crisis.

On the other hand, 2019 as a whole had produced significant decreases in revenues and earnings in most cases. Almost all companies booked a fall in sales volumes year on year. This drop in sales had combined with falling prices during the course of the year to create sizeable double-digit reductions in revenues. Earnings had tumbled even more. Most OSB producers had reached just a fraction of their previous year's sums.

Norbord Inc., based in Toronto, Ontario, had seen its North American OSB sales dwindle by 5.2% to 6.145bn (2018: 6.484bn) sqft (3/8" basis) or 5.438m (5.738m) m³ in the 2019 financial year. Revenues from North American OSB activities had fallen 35.1% to US\$1.237bn (1.907bn). Adjusted EBITDA plummeted to US\$85m (652m), while total EBITDA

divided to US\$70m (570m). Including its European activities, Norbord even posted an operating loss of -US\$16m (+504m) on a group-wide scale.

Louisiana-Pacific Corp., headquartered in Nashville, Tennessee, even reported a 10.7% drop in sales from its OSB division to 3.743bn (4.192bn) sqft or 3.313m (3.710m) m³ last year. Revenues tumbled by 40.0% to US\$777m (1.305bn), while adjusted EBITDA collapsed to US\$10m (425m). Like Norbord, Louisiana-Pacific posted an operating loss of -US\$20m (526m) on a group-wide scale.

By contrast, Weyerhaeuser Co., headquartered in Seattle, Washington, boosted its OSB sales, including the amounts purchased via its distribution area, by 3.1% to 2.916bn (2018: 2.827bn) sqft or 2.581m (2.502m) m³ last year. Nonetheless, falling prices meant that its OSB revenues still subsided by 29.1% to US\$632m (891m).

After a challenging 2019, the situation on North American OSB markets took a turn for the better in January and February. US

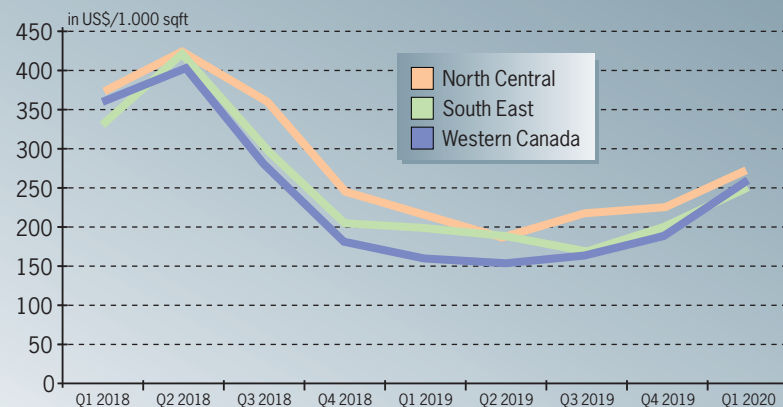
residential construction picked up strongly thanks to mild weather conditions, which also led to an upswing in demand for OSB. Average OSB prices were hence 20-30% higher than the prior-year period and the fourth quarter, depending on the region in question. However, the tide turned during March because of the coronavirus, although this had little impact on OSB producers' first-quarter revenues and earnings.

In its interim report for the first quarter, Norbord Inc. put the average price for the benchmark OSB grade, 7/16", at US\$271 (Jan.-March 2019: 211) for the North-Central region, US\$251 (197) for the South-East and US\$255 (160) for Western Canada. The average price in the North-Central area had tumbled even further to US\$188 in the second quarter of 2019 before staging a slight recovery in the third (US\$217) and fourth quarters (US\$223). 2019 as a whole thus ended an average price of US\$201 (2018: 351) in this region, which was 42.7% lower in a year-on-year comparison.

Norbord's first-quarter OSB sales decreased 7.0% in a year-on-year comparison to 1.459bn (1.569bn) sqft or 1.291m (1.389m) m³ in North America because of shutdowns at the mill in 100 Mile House, British Columbia, and Line 1 in Cordele, Georgia. Nonetheless, North American revenues improved by 4.8% to US\$346m (330m) thanks to higher prices. Adjusted EBITDA more than tripled compared with the prior-year period and the fourth quarter to land at US\$68m (23m).

Shipments by Louisiana-Pacific's OSB division fell by 4% to 918m sqft. Revenues increased by 5.7% to US\$220m (208m). Adjusted EBITDA more than quadrupled to US\$35m (8m). Weyerhaeuser sold a total of 770m sqft (717m) OSB in the first quarter, 7.3% more than last year. OSB revenues were 18.8% higher at US\$190m (160m). □

North America: Development of OSB prices¹⁾



1) average benchmark prices 7/16"

Source: EUWID (according to information from Norbord's quarterly reports)

Further production increases in insulating board, LVL and I-joists / Decline in hardboard

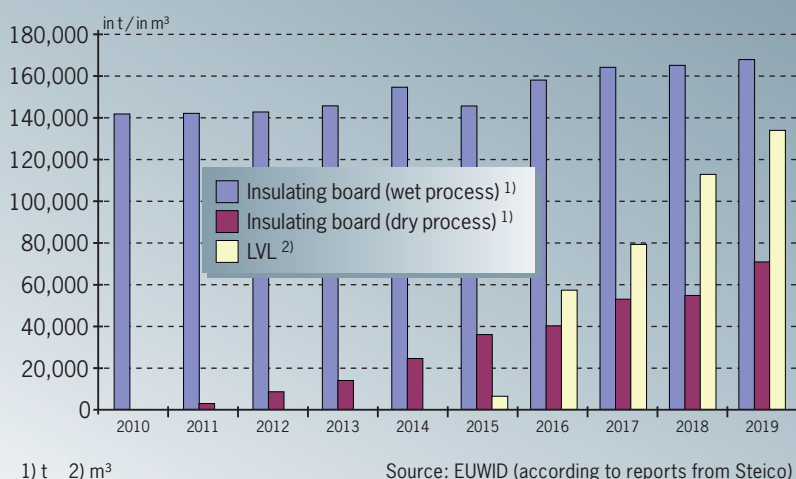
Steico has doubled turnover and quadrupled EBITDA since 2011

Last year insulating board and LVL manufacturer Steico SE (Feldkirchen) achieved production increases in all product areas except hardboard. Production at the two hardboard plants of the Czarna Woda (Poland) location declined by 21.7% to 28,686t (2018: 36,623t).

External sales once again decreased significantly. Internal further processing in I-joists production, in contrast, continued to increase. At the Czarnków (Poland) location Steico operates an I-joist production line; in 2019 the output increased by 25.1% to 12.115m m (9.685m m). The two LVL plants in Czarna Woda produced 134,070m³ (112,967m³), a rise of 18.7%. With the commissioning of the second plant in September 2017, Steico's LVL capacity increased to some 160,000m³/annum. In 2018, however, the second plant had not yet produced at full capacity. It has been running normally since 2019.

Production of all 14 insulating board lines was expanded by 8.5% to 319,427t (294,365t) last year. The individual product areas, however, developed along varying lines. On the seven production lines for stable wet-process insulation boards 168,115t (165,313t) were produced. This represents an increase of 1.7% vis à vis the preceding year's figure. Four systems continue to operate unchanged at the Czarnków location. As a result of the transfer of one system from the French Casteljalous location, concluded in the second quarter of 2019, the number of wet-process facilities in Czarna Woda increased to three. In Czarnków, furthermore, Steico operates two production lines for stable dry-process insulation boards, the output of which increased by 29.4% to 70,909t (54,793t) last year. In 2019 overall production of cavity insulation materials (flexible insulating board and air injected insulation made from wood fibres and cellulose) increased by 6.1%

Steico: Development of production volumes



to 73,327t (69,139t). For production of flexible insulating board and wood-fibre air injected insulation Steico uses three dry-process facilities at the Czarnków location, a further facility is operated at the Casteljalous site. Cellulose air injected insulation is manufactured at two lines in Czarnków.

Turnover growth of previous years surpassed

In the 2019 financial year group turnover increased to €281.0m (2018: 252.0m), reflecting a rate of increase of 11.5%, which is considerably higher than rates of previous years. After a rise of only 1.2% had been recorded in 2012, turnover improved along considerably better lines in the following years (2013 +7.9%, 2014 +10.5%, 2015 +8.1%, 2016 +10.6%, 2017 +10.2%, 2018 +9.4%). The results have also meanwhile improved over eight consecutive years, usually at increase rates which were clearly in the double-digit range. 2011 was the last year to date in which the EBITDA (-18.3% to €14.8m) and EBIT (-35.6% to €7.0m) fell short of the preceding year's figures. Whilst turnover,

based on the figure of €144.8m generated in 2011, has only doubled since then, the EBITDA has quadrupled and the EBIT has increased four and a half times over. In 2019 alone, the EBITDA rose by 27.7% to €56.7m (44.4m). The margin calculated on the basis of total turnover thus increased to 19.7% (17.5%). The EBIT even improved by as much as 32.3% to €32.5m (24.6m) whilst the margin at 11.3% (9.7%) was in the double-digit range. In the first quarter of 2020, however, Steico's results figures remained below the figures of the preceding year for the first time.

Most sales markets and product areas contributed to the rise in turnover achieved last year. Insulation materials increased by 12.4% to €176.0m (156.6m), thus further reinforcing its position as the most important product group. The percentage as a proportion of total turnover increased marginally to 62.6% (62.1%). 15.4% (13.1%) of group turnover were generated with I-joists, 11.3% (11.2%) with LVL, 5.5% (5.5%) with special products, 1.8% (3.2%) with timber wholesale trade, 1.0% (2.1%) with hardboard and 2.3% (2.6%) with other business. □

Arauco North America shuts another MDF mill

The North American wood-based panel manufacturer Arauco North America, based in Atlanta, Georgia, is carrying out its fourth divestment within just a few months with the permanent closure of its MDF mill in Bennettsville, South Carolina. Commissioned in 1992 with a 20-opening press from WW and an annual capacity of 251,000 m³, the line took temporary downtime in March 2020 due to the coronavirus crisis. According to a statement issued on 22 April, this downtime will transition to a permanent closure on 18 May. Manufacturing in Bennettsville will thus be concentrated at a continuous particleboard line, which was commissioned in September 2001 and whose capacity increased from 469,000 m³ to 600,000 m³ in an upgrade project completed in June 2016.

Arauco North America shut down its particleboard mill in St. Stephen, Canada, which had an annual capacity of 216,000 m³, at the end of 2019. A particleboard line in Moncure, North Carolina, which last had an annual capacity of 262,000 m³, was powered down in April. An MDF mill in Eugene, Oregon, was set to close permanently on 1 May, removing 154,000 m³ of capacity. Arauco North America's last new investment project involved its particle-

board mill in Grayling, Michigan, which was commissioned in February 2019 and which can make around 800,000 m³ per year. This new facility and the divestments carried out in recent months mean that Arauco North America has a total particleboard capacity of roughly 1.842m m³ per year (Albany, Oregon: 442,000 m³, Bennettsville, Grayling). Its total MDF/HDF capacity has fallen to 1.065m m³ with the two divestments (Malvern, Arkansas: 310,000 m³, Moncure: 285,000 m³, St. Stephen: 160,000 m³, Sault Ste. Marie, Ontario: 310,000 m³). Apart from Malvern, Arauco North America has its own laminating capacity at all remaining sites.

Its parent firm Celulosa Arauco y Constitución S.A., headquartered in Santiago de Chile, also completed its December 2017 acquisition of mills in Durango and Zitácuaro, both in Mexico, from Maderas y Sintéticos S.A. (Masisa), based in Santiago de Chile, at the end of January 2019. The Durango mill makes particleboard and MDF/HDF, while the Zitácuaro mill specialises in producing particleboard. Arauco put the two sites' annual capacity at 339,000 m³ particleboard and 220,000 m³ MDF/HDF. Both sites have laminating capacity, while the Durango site also produces melamine film. □



Particleboard line in Grayling

(Photo credit: Arauco)

Lombardo invests in single-opening press

The Italian particleboard manufacturer Lombardo S.p.A. of Mortegliano fleshed out a long-prepared replacement project during the first quarter of 2020. The firm, which operates a multi-opening and a single-opening line at the moment, had explored several options beforehand. In addition to installing a small continuous line, it also looked into investing in a single-opening or multi-opening press. The company ultimately opted for a new forming and press line with a single-opening press and awarded the contract to Dieffenbacher GmbH Maschinen- und Anlagenbau. Lombardo's product range includes six different types of standard raw particleboard in thicknesses of 8-58 mm. The company solely processes fresh timber, primarily poplar. In addition to particleboard made entirely out of poplar, it also makes poplar/softwood panels. All of its products can also be provided with melamine coating. □

Nile Wood to commission MDF line in mid-2021

Egyptian Kuwaiti Holding (EKH), a company based in Gizeh, Egypt, that has so far specialised in natural gas and fertiliser, intends to start making MDF by installing a mill in Beni Suef. The project is being carried out by Nile Wood SAE and entails an investment of about EGP2bn or roughly €110m.

Dieffenbacher GmbH Maschinen- und Anlagenbau won the engineering contract for the forming and press line back in 2018. All components will be delivered from Dieffenbacher's Eppingen site. Andritz AG will supply the refiner, while Vyncke Energietechnik N.V. will provide the energy plant.

According to an investor presentation from EKH that was published in November 2019, the new mill is to be commissioned by the middle of 2021. Its initially planned annual capacity of around 150,000 m³ is to double to approximately 300,000 m³ at a later date. At the same time, Nile Wood wants to invest in downstream refining capacity, among others by installing laminating capacity. □

More normal production activity in the first three weeks of May

More wood-based panel lines taking downtime in late May

Particleboard and MDF/HDF manufacturers in Germany, Austria and Switzerland have dialled back their output a little more in late May after relatively extensive stoppages in April 2020 and more normal production activity in the first three weeks of May.

Several particleboard and MDF/HDF lines shut down in the week before Whitsun. Stoppages lasted a week to ten days on average; production was planned to resume in early June. Companies that had already been offline for a longer period of time in April wanted to shut down for just a long weekend. There are also variations in production planning for June. A few producers have already scheduled their next stoppage after manufacturing for a short time later on in the month. Others want to continue operating until at least the end of June and then make decisions about downtime, depending on order intake and inventories.

Most wood-based panel manufacturers are tending to keep their cards close to their chests when it comes to past and future downtime. A rough overview can be provided based on information from suppliers and buyers. Sonae Arauco Deutschland GmbH, headquartered in Meppen, idled its two single-opening lines in Beeskow in the second half of April, thus concentrating particleboard production at its Nettgau plant until the new production line in Beeskow is commissioned. The particleboard line run by Kronospan GmbH in Steinheim-Sandebeck stood still for almost two weeks in the second half of April.

Nolte Holzwerkstoff GmbH & Co. KG, based in Germersheim, had idled raw particleboard production for a good three weeks in April and restarted operations on the weekend after Easter. Another brief stoppage took place on 26 May, with production set to go back online from 3



Sonae Arauco interrupted particleboard production in Beeskow.

(Photo credit: Sonae Arauco)

June. Pfeleiderer GmbH, headquartered in Neumarkt, shut down its Leutkirch facility from 20 May to 2 June. The next stoppage is slated for mid-June. The Neumarkt mill was offline from 21 to 24 May; a one-week maintenance shutdown is slated for June. Swiss Krono AG, based in Menznau, held a one-week stoppage in May.

Relatively severe production restrictions in the Central European furniture, furniture supply and laminate flooring industry and much weaker retail business sent demand for MDF/HDF falling on Central European markets in April and May 2020. This downswing was not offset by largely stable deliveries to the interior door industry. MDF/HDF producers in Germany, Austria and Switzerland have faced a significant downturn in their capacity utilisation since the middle of April as a result. Several MDF/HDF lines halted operations for around one week in most cases in April and May. These stoppages were commercial in nature in the majority of cases. A few mills also shut for maintenance.

The MDF/HDF line run by M. Kaindl Holzindustrie KG, based in Wals, held a one-week stoppage in the week before Easter. Kronospan GmbH in Lampertswalde and Sonae Arauco Deutschland had reportedly reduced their MDF/HDF production by holding short-lived stoppages in the second half of April. Swiss Krono Tex GmbH & Co. KG, based in Wittstock-Heiligengrabe, idled its two MDF lines for maintenance in the first half of May.

MDF/HDF mills run by Unilin bvba Boards Division of Wielsbeke, Belgium, Kronospan Luxembourg S.A. in Sanem, Kronospan GmbH in Steinheim-Sandebeck, Egger Holzwerkstoffe Wismar GmbH and Pfeleiderer Baruth GmbH were slated for later on in May. Egger Holzwerkstoffe Brilon GmbH will close for several days of maintenance in June. In response to subdued demand, several MDF/HDF producers have also reduced their production speeds to bring supply in line with slower demand and to avoid greater inventory building. □

No major impact from coronavirus-related downtime until the start of April

North America: Slight downturn in composite panel sales in the first quarter

The first quarter of 2020 ended up still being largely normal for North American composite panel manufacturers. The coronavirus crisis did not start to affect particleboard and MDF/HDF sales until the second half of March as a result of a few production curtailments and stoppages, which initially still varied considerably from region to region.

According to statistics from the Composite Panel Association (CPA), based in Leesburg, Virginia, US particleboard manufacturers booked a 4% growth in sales to 1.014m (Jan.-March 2019: 976,900) m³ in the first three months of this year. Manufacturers in the West of the US (+6% to 389,400 m³) fared a little better than those in the South/East of the country (+3% to 624,700 m³). The start-ups of new particleboard mills run by Arauco North America, headquartered in Atlanta, Georgia, in Grayling, Michigan, and Kronospan LLC in Eastaboga, Alabama, in February and October 2019 respectively thus had little impact on sales

in this region. The CPA statistics show that Canadian sales decreased by 14% to 362,800 (412,200) m³. This slump was fuelled by the cessation of particleboard production at Arauco North America's mill in St. Stephen, New Brunswick, at the end of 2019 and a stoppage for rebuilding work lasting several weeks at Line 1 conducted by Tafisa Canada Inc., headquartered in Lac-Mégantic, Québec. Moreover, the Government of the Province of Québec ordered that all production activity cease on 23 March as part of efforts to stem the coronavirus. These orders initially included wood-based panel manufacturing. Just a few days later, Québec classified the wood-based panel industry as essential critical infrastructure and thus followed the line taken by other Canadian provinces and most US states. These diverging trends in the US and Canada resulted in a 2% decrease in North American sales to 1.377m (1.398m) m³.

By contrast, MDF/HDF sales were a little weaker in the US. MDF/HDF sales in the Western US slipped 9% to 162,800

(178,700) m³ after Arauco North America announced plans to close an MDF mill in Eugene, Oregon, at the start of May. The start-up of an MDF mill built by CalPlant I LLC in Willows, California, has still not happened after multiple delays; it was last scheduled for commissioning in the first quarter of 2020. Sales in the South and East of the US were close to the previous year's level at 520,300 (525,600) m³. Shipments from a new mill that Swiss Krono LLC, based in Barnwell, South Carolina, commissioned in August 2019 almost offset losses at other locations. The CPA statistics reveal a 3% drop in total US sales to 683,100 (704,300) m³. On the other hand, Canadian MDF/HDF sales rose 1% to 274,300 (272,500) m³. Total North American MDF/HDF sales hence dipped 2% to 957,400 (976,800) m³.

North American composite panel manufacturers also took growing downtime starting in late March due to the coronavirus crisis. The steps aimed to bring production into line with sometimes significantly lower demand. A relatively strong slump in demand from industry and trade emerged in the North-East of the US and in the neighbouring Canadian provinces of Québec and Ontario; other regions have been less severely affected to date. April sales figures published by the CPA on 22 May show that both particleboard and MDF/HDF sales are much lower than in March and April 2019. Canadian producers fared much worse than their US counterparts across all three product groups both compared with March and the same month last year. Total North American particleboard sales tumbled 29% in a year-on-year comparison (US: -18%, Canada: -53%). MDF/HDF sales were 21% lower (US: -16%, Canada: -33%). Thermally fused laminate (TFL) sales dropped 27% (USA: -1%, Canada: -50%). These figures were 26% lower for particleboard, 15% lower for MDF/HDF and 25% lower for TFL than in March. □

North America: Particleboard and MDF/HDF Shipments

in 1,000 m ³	Jan - March 2020	Oct - Dec 2019	Q1/Q4 % Change	Jan - March 2019	20/19 % Change
Particleboard					
US South/East	624.7	543.3	+ 15	608.8	+ 3
US West	389.4	384.0	+ 1	368.1	+ 6
Total US	1,014.1	927.3	+ 9	976.9	+ 4
Canada	362.8	378.7	- 4	421.2	- 14
Total North America	1,376.9	1,306.0	+ 5	1,398.1	- 2
MDF/HDF					
US South/East	520.3	504.4	+ 3	525.6	- 1
US West	162.8	162.8	± 0	178.7	- 9
Total US	683.1	667.2	+ 2	704.3	- 3
Canada	274.3	242.5	+ 13	272.5	+ 1
Total North America	957.4	909.7	+ 5	976.8	- 2

Source: EUWID (according to CPA – The Composite Panel Association)

Imports from Brazil more than doubled in the first three months

EU shipped 21% less particleboard to the USA in the first quarter

Europe exported less particleboard to the US in the first three months of 2020 after strong growth in 2019.

Foreign trade statistics from the US Department of Agriculture's Foreign Agriculture Service (FAS), headquartered in Washington DC, indicate that total imports from the EU-27 and the UK reached 66,861 (Jan.-March 2019: 84,233) m³, a 21% drop in a year-on-year comparison. However, the FAS reported a 3% growth in the value of these exports to US\$8.4m (8.1m). These diverging trends are possibly due to shifts in the product mix.

Imports from Italy, which is still the largest European supplier, tumbled 31% to 49,400 (71,790) m³. Italy had shipped 251,225 m³ of particleboard to the US in 2019 as a whole. The UK (25,952 m³) and Spain (23,353 m³) were the next largest suppliers last year, with Germany following in fourth place with deliveries of 13,709 m³. All four countries shipped more to the US during the course of the year. In the first quarter of 2020, the US imported 2,481 (2,453) m³ from Spain, roughly the same amount as one year earlier. Particleboard imports from Germany dived 15% to 2,319 (2,737) m³; deliveries from the UK plunged 43% to 1,808 (3,156) m³. Poland rose up the ranks to become the second-largest European supplier with 4,908 (63) m³; Belgium was between Spain and Germany with 2,391 (227) m³. The US imported 1,371 (1,412) m³ from Austria.

By contrast, the upward spiral in shipments from South America continued to play out between January and March. As in 2019, imports more than doubled (+132%), according to FAS data. Brazil was responsible for 28,661 (12,894) m³ or 75.0 (78.3)% of the 38,213 (16,477) m³ total. With 5,187 (222) m³, Ecuador already delivered more particleboard to the US in the first three months than in all of 2019 (4,640 m³), overtaking Argentina and Chile. Imports from

USA: Development of particleboard imports

in m ³	2015	2016	2017	2018	2019
North America	928,240	958,305	897,905	910,240	913,628
South America	8,446	85,190	102,025	65,408	142,195
Brazil	4,743	71,476	82,868	53,527	117,808
EU-27 + UK	66,209	180,094	199,542	232,443	336,767
Italy	21,531	97,531	68,686	148,284	251,225
Spain	5,094	7,724	16,939	11,484	23,353
East Asia	11,665	13,356	15,535	52,442	60,809
China	11,594	13,192	15,467	51,972	60,591
Total	1,017,516	1,237,730	1,216,094	1,262,474	1,456,421

The differences to the intermediate sums and the total sum derive from the data for the countries which are not listed separately.

Source: EUWID (according to data provided by US Department of Agriculture, Foreign Agriculture Service)

Argentina surged 82% to 3,714 (2,042) m³, while Chile continued to lose ground with its shipments halving to 622 (1,319) m³.

Deliveries from the Far East plunged 60% to 1,504 (3,800) m³, almost all of which came from China with 1,502 (3,699) m³. The sharp upswing in shipments from China over the past three years has thus apparently ground to a standstill. However, the bulk of imports from China occurred in a few quarters over the past couple of years. In 2018, the first quarter (17,228 m³) and fourth quarter (27,302 m³) were much stronger than the second quarter (3,862 m³) and third quarter (3,580 m³). Last year, more than 80% of the total was imported in the second quarter (48,666 m³). China had delivered similar amounts to the start of the year in the third quarter (4,815 m³) and fourth quarter (3,411 m³). South Asia, a rather insignificant region in the recent past, shipped 21,487 (0) m³ of particleboard to the US in the first three months. All of this particleboard came from India.

The US imported 209,792 (210,442) m³ of particleboard from its two North American

neighbours between January and March. Canada was just shy of the previous year's level with deliveries of 202,767 (204,445) m³, while shipments from Mexico jumped to 7,025 (5,997) m³. Diverging trends in the different regions boosted US particleboard imports by 7% to 338,214 (315,148) m³ in the first three months.

The US imported 1.457m (2018: 1.262m) m³ of particleboard valued in 2019 as a whole. Some 913,628 (910,240) m³ of this sum came from North America. Shipments from Canada fell to 878,359 (881,866) m³, while imports from Mexico improved to 35,269 (28,374) m³. The FAS recorded a 45% rise in total imports from the EU-27 and the UK to 336,767 (232,443) m³. Some 251,225 (148,284) m³ came from Italy, 25,952 (4,239) m³ from the UK, 23,353 (11,484) m³ from Spain and 13,709 (6,623) m³ from Germany. Shipments from South America had leapt to 142,185 (65,408) m³. The US's main suppliers in this region were Brazil with 117,808 (53,527) m³, Argentina with 13,245 (2,191) m³, Chile with 6,428 (7,947) m³ and Ecuador with 4,640 (609) m³. □

Upward trend on Brazil's wood-based panels market reversed course in 2019

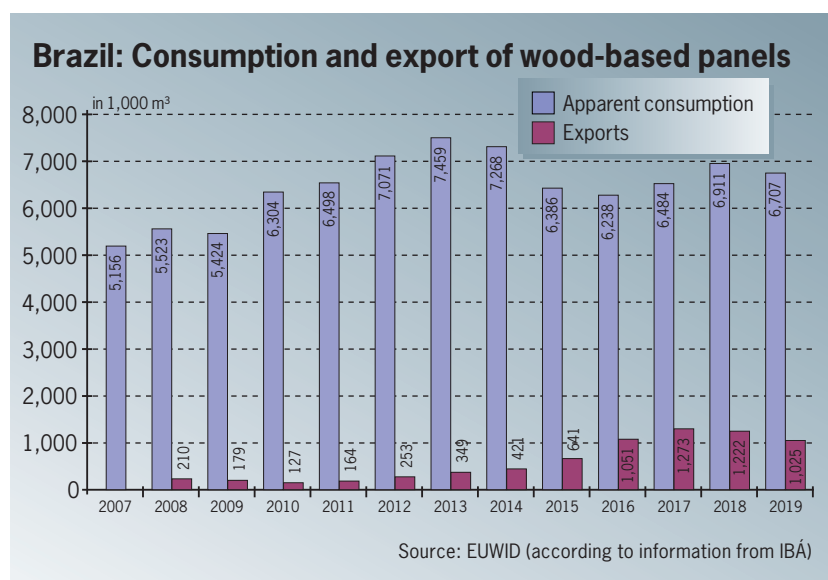
Brazil: Lower domestic sales almost offset by composite panels exports

The sales situation facing Brazil's wood-based panel industry levelled off a little in the first quarter of 2020 after worsening in 2019.

Data compiled by the industry association Indústria brasileira de árvores (IBÁ), based in Brasília and São Paulo, reveals that domestic sales decreased by another 1.2% to 1.601m (Jan.-March 2019: 1.621m) m³. Conversely, exports improved by 6.5% to 313,000 (294,000) m³. Adding up deliveries in Brazil and exports, the Brazilian wood-based panel industry's total sales of 1.914m (1.915m) m³ were hardly changed compared to last year. The IBÁ reported apparent consumption of 1.601m (1.626m) m³.

In a presentation about the first quarter published on 7 May, Duratex S.A., headquartered in São Paulo, broke down Brazilian sales into particleboard (MDP) and MDF/HDF. According to this report, particleboard sales were 3.0% lower at 674,000 (695,000) m³, while MDF/HDF sales were slightly higher than the previous year at 927,000 (926,000) m³. Altogether, domestic sales reached 1.601m (1.621m) m³, as had been indicated in the IBÁ statistics. However, there is a discrepancy in figures for exports and total sales. In its presentation, Duratex put total sales volumes at 1.883m (1.889m) m³. Duratex said that export sales had grown by just 4.8%, but did not list specific amounts. The total and domestic sales data reported by Duratex translate into exports of 282,000 (268,000) m³. The gap to the IBÁ figures remains unclear.

Last year, the upward trend that has been evident on Brazil's wood-based panels market since 2016 reversed course. The growth recorded in the first and second quarters of 2019 was more than erased by downswings in the second half of the year. The fourth quarter turned in an even weaker performance than the third quarter. Accord-



ing to IBÁ domestic sales slipped 11.9% to 1.708m (Oct.-Dec. 2018: 1.939m) m³ in the fourth quarter. Exports tumbled 41.1% to 155,000 (263,000) m³. Imports were virtually insignificant at 1,000 (1,000) m³. Like domestic sales, apparent consumption fell 11.9% to 1.709m (1.940m) m³. Apparent consumption was 1.2% higher in the first quarter at 1.627m m³; the second quarter fared better with a 6.2% rise to 1.568m m³. This situation was connected to production shutting down for a strike staged by lorry drivers in May 2018, which meant that comparison figures were lower. Apparent consumption then fell 4.5% to 1.803m m³ in the third quarter. Exports decreased compared with the prior-year period in all four quarters. Small decreases were only recorded in the first quarter (-4.5% to 294,000 m³) and second quarter (-2.6% to 304,000 m³). The third quarter was much worse with a 19.8% slump to 272,000 m³.

During all 12 months of last year, domestic sales dropped 3.0% to 6.698m (2018: 6.906m) m³, broken down into 2.802m m³ particleboard and 3.896m m³ MDF/HDF. Exports of both product groups headed

16.1% lower to 1.025m (1.222m) m³. Imports nearly doubled to 9,000 (5,000) m³. Apparent consumption also declined 3.0% to 6.707m (6.911m) m³.

Last year, the variations from one month to another were smaller than in 2018. At that time, apparent consumption had plunged to 397,000 m³ in May. Rising sales in the following three months helped to erase this reduction in consumption. August was the single-strongest month in 2018 with a figure of 663,000 m³. This level was almost maintained between September and November 2018; December was a little weaker, as is commonly the case. Last year, relatively consistent sales were recorded in January (613,000 m³), August (612,000 m³), September (613,000 m³), October (623,000 m³) and November (613,000 m³). The months of February (502,000 m³), March (505,000 m³), April (516,000 m³), May (539,000 m³) and June (513,000 m³) were also in a similar range. At 575,000 m³, July was a little stronger than the monthly average for the first six months. The final month of 2019 saw apparent consumption decrease to 477,000 m³. □

Total particleboard imports have fallen / Slight drop in MDF/HDF deliveries

Main suppliers shipped more particleboard to the UK in 2019

Germany and France delivered more particleboard to the UK in 2019 than in 2018. Imports from Portugal also increased. However, the country imported much less from Belgium, Ireland, Italy, Spain and Poland.

All told, British particleboard imports thus dropped 13.3% to 848,000 (2018: 978,000) m³ last year. Some 31 (26) % of this amount came from Germany, 26 (23) % from France, 14 (15) % from Belgium and 12 (9) % from Portugal. By contrast, British particleboard imports had risen in the two previous years. Foreign trade statistics from the Timber Trade Federation (TTF), headquartered in London, had reported an 11.7% growth for 2017 and a 6.9% rise for 2018. MDF/HDF imports had climbed 27.1% in a year-on-year comparison in 2017; they had declined by 4.5% in 2018. The TTF statistics showed another 2.9% decrease in deliveries to 720,000 (741,000) m³ last year.

By contrast, the upward trend in OSB shipments has continued. According to the TTF, the UK imported even more, 38.2% more, in 2017; imports were 6.3% higher than this in 2018. The UK registered another 14.1% upturn in imports to 399,000 (350,000) m³ last year.

British particleboard imports tended to soften during the course of the year. The first quarter was the best in absolute terms and compared with the previous year with an 8.2% increase to 243,000 m³. Imports had fallen 7.8% to 201,000 m³ in the second quarter; the third quarter had ended with a 31.3% plunge from the previous year's high level of 310,000 m³ to 213,000 m³. The fourth quarter had also produced a double-digit fall of 17.0% to 190,000 (Oct.-Dec. 2018: 229,000) m³. January was the strongest single month with imports of 85,000 m³, followed by February and October each with 82,000 m³. The UK received 62,000 m³ in both April and September, and 63,000 m³ in June. As usual, December was much weaker with deliveries of 41,000 m³.

MDF/HDF imports increased in the first quarter (+4.4% to 190,000 m³) and third quarter (+10.0% to 198,000 m³). The second quarter was then the weakest quarter with a 20.8% drop to 160,000 m³. The fourth quarter was a little better again with 169,000 (178,000) m³, but was still 5.1% lower than in the prior-year period. The variations between the different months were a little more pronounced than for particleboard. Imports peaked in September (74,000 m³) and

July (72,000 m³), but the weakest single months were June (45,000 m³) and December (36,000 m³).

OSB imports rose in all four quarters compared with the previous year. Deliveries were only slightly higher in the first quarter (+1.6% to 97,000 m³) and the third quarter (+2.9% to 107,000 m³). The growth was much more dramatic in the second quarter (+27.2% to 103,000 m³) and fourth quarter, which was 31.4% higher than the previous year at 92,000 (70,000) m³. January (40,000 m³), February (41,000 m³) and June (40,000 m³) were the strongest months, while March (16,000 m³) and December (24,000 m³) were much weaker.

Exports increased considerably across all three product groups last year. British particleboard exports were 25.0% higher at 87,000 (2018: 70,000) m³, while MDF/HDF shipments jumped 15.8% to 49,000 (42,000) m³. OSB exports climbed by almost two-thirds with a 64.0% hike to 147,000 (89,000) m³. By contrast, all exports had decreased in 2018 (particleboard: -38.4%, MDF/HDF -12.3%, OSB -10.7%); 2017 had ended with mixed trends (particleboard: +84.5%, MDF/HDF: +1.4%, OSB: -17.0%). □

UK: Development of imports of wood-based panels

in 1,000 m ³	Year	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
Particleboard	2019	85	82	76	62	77	63	80	71	62	82	67	41	848
	2018	79	65	78	61	79	78	94	108	108	92	91	46	978
MDF/HDF	2019	65	61	64	60	55	45	72	53	74	65	68	36	720
	2018	68	52	61	62	84	56	57	61	62	64	71	43	741
OSB	2019	40	41	16	32	31	40	38	39	29	32	36	24	399
	2018	34	33	28	20	30	31	41	31	32	26	29	15	350
Plywood	2019	200	132	163	103	116	101	129	103	100	107	118	181	1,454
	2018	195	139	137	142	127	111	126	120	132	143	127	100	1,598

Source: EUWID (according to TTF)

Short-cycle presses in test phase – Particleboard line to start up in autumn

Egger sticking to its timetable for particleboard plant in Lexington

The Egger Group intends to commission a particleboard mill built by Egger Wood Products LLC in Lexington, North Carolina, during the second half of 2020, as planned, despite increasingly difficult conditions as a result of the coronavirus crisis.

At the outset of the project, the company had aimed to start up production at the end of 2020. Based on the way things currently stand, the first piece of particleboard might actually be manufactured a few months ahead of schedule. Work to assemble the raw particleboard line, which began in August 2019, is already at a relatively advanced stage. The majority of the mechanical assembly work has now been completed and electrical systems are now being installed. SGS Industrial Services GmbH, based in Dorf an der Pram, Austria, won a US\$20m contract for the project. SGS is providing mechanical assembly services for all areas of the plant from chip preparation to final assembly. K industries GmbH, based in Sankt Andrä, Austria, won the contract to install the

two short-cycle presses. Assembly work, which commenced in November 2019, was wrapped up during the first quarter. Commissioning of the two presses got under way in February. Wernhöner Surface Technologies GmbH & Co. KG supplied the short-cycle presses. The main supplier of technology for the raw particleboard line is Siempelkamp Maschinen- und Anlagenbau GmbH. Siempelkamp's subsidiary Büttner Energie- und Trocknungstechnik GmbH provided the two dryers. Parts of the front end came from Imal-Pal s.r.l., Kontra Anlagentechnik GmbH was one of the firms involved in installing the final assembly systems.

Egger announced the project to build its first production site in North America in July 2017. Project planning work was largely completed by the end of 2017. Egger Wood Products LLC had subsequently applied for an air quality permit with the Raleigh-based North Carolina Department of Environmental Quality, Division of Air Quality (DAQ). Preparatory earthmoving work took place at the site after ground was broken on the project on 16 March

2018. Foundation and building construction work commenced in November of 2018 after the receipt of final approvals. The first production halls were finished in mid-2019, allowing actual assembly work to begin. The company moved into the new office building with the design centre at the end of 2019. Originally built in Atlanta, the sales office moved to Lexington in October 2017. A distribution centre built in Livonia, Michigan, near Detroit in October 2017, will also move to Lexington once particleboard production is up and running.

The 15-year project in Lexington is split into three major sections. According to a project description from Egger Wood Products, investments of around US\$500m or €440m are envisaged for the first two phases. After nearly finishing installing the particleboard line and two short-cycle presses, the group plans to install additional downstream refining systems by 2024. The firm then intends to install a second line to make wood-based panels by 2033, depending on how the market evolves. As things currently stand, the total investment will thus climb to around US\$700m. Egger has hired around 250 workers for the Lexington mill by the end of the first quarter of 2020. Its workforce is poised to climb to around 400 by 2024 with the expansion of its downstream refining capabilities. Egger hopes to employ some 770 people at its US mill in the medium term.

Initially equipped with a 10 ft x 43 m continuous press, the particleboard line will have a designed capacity of around 400,000 m³ per year, according to the permit application. Its final annual production capacity will be in the region of 424 million sqft (3/4" basis) or around 750,000 m³. Three treating lines with a total annual capacity of 165 million m² and four short-cycle presses with a total coating capacity of 40 million m² are to be installed to process raw particleboard by the time the final expansion phase has been completed. □



Particleboard plant in Lexington

(Photo credit: Egger)

Decrease of shipments and turnover continued from 2019 into the first quarter

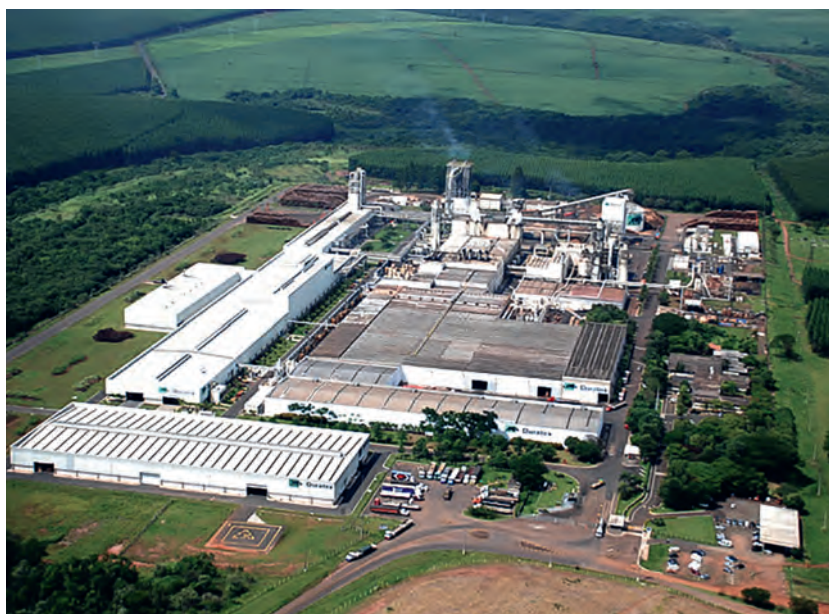
Duratex temporarily shut down all particleboard and MDF/HDF plants

As a reaction to the corona crisis, which is also becoming increasingly serious in Brazil, wood-based panels manufacturer Duratex S.A. (São Paulo) temporarily shut down all particleboard and MDF/HDF plants at the beginning of April 2020.

During the production standstill, orders in hand and new incoming orders were fulfilled from warehouse stocks. Overhauls planned for the further course of the year were carried out ahead of schedule during the downtime. According to an update on the effects of the corona crisis published on 09 April, the company intended to review its decision on potential resumption of production at regular intervals, depending on incoming orders and the development of warehouse stocks. In May, Duratex started resuming the activities in its wood-based panel plants. Due to demand management and inventory control the company aimed to reach a capacity use of 40% over the month of May.

Since the final termination of production at the MDF/HDF plant in Botucatu (São Paulo) in September 2019, Duratex has owned four wood-based panel locations in Brazil. In addition to the MDF/HDF sites in Agudos, São Paulo (capacity: 800,000m³/annum) and Uberaba, Minas Gerais (350,000m³/annum), the company also operates a particleboard plant in Taquari, Rio Grande do Sul (670,000m³/annum). In Itapetininga, São Paulo, particleboard (400,000m³/annum) as well as MDF/HDF (500,000m³/annum) can be manufactured on two continuous production lines. The Duratex Colômbia subdivision includes two smaller particleboard plants in Manizales (Caldas) and Yarumal (Antioquia) as well as the MDF site Barbosa (Antioquia).

In the first quarter of 2020 wood-based panel sales of Duratex declined by 1.7% to 587,958m³ (Jan.-March 2019: 598,258m³). In the preceding quarters



Botucatu plant

(Photo credit: Duratex)

even higher rates of decline (Q3: -16.3% to 642,728m³, Q4: -14.6% to 653,733m³) had been recorded. The lower rate of decline in the first quarter, however, is mainly due to the relatively low basis of comparison.

In the current period shipments of laminated boards in particular declined by 3.7% to 245,675m³ (255,216m³). Sales of raw boards, in contrast, at 342,283m³ (343,042m³), only fell just short of the preceding year's figure. With regard to individual sales markets export business developed along positive lines with a 2.9% turnover increase to BRL179.9m (174.8m). At BRL104.7m (105.8m), activities in Colombia remained slightly below the figure achieved last year. In terms of export to other markets, Duratex benefited from a decline in international freight costs and a favourable development of exchange rates. As a consequence export deliveries increased by 25% vis à vis the previous quarter. Domestic sales recorded a decline of 7% to BRL468.1m (503.3m).

The results figures improved considerably, one reason for this was cost reduction measures implemented in the past. The EBITDA of the business division increased by 25.0% to BRL215.8m (172.7m) in the first quarter, adjusted for extraordinary factors a 15.9% rise to BRL145.7m (125.8m) was achieved.

In the year 2019, the Wood division sold a total volume of 2.504m³ (2018: 2.748m³) of wood-based panels, comprising 1.492m³ (1.635m³) of raw and 1.014m³ (1.114m³) of laminated panels. The 8.9 % lower volume than a year earlier is attributable to unfavourable development in the second half-year. In the first half of the year, the total volume of sales was still on par with the year before. The division's sales revenue fell by 10.4 %. Without taking proceeds from the sale of forest assets into account, the company recorded a 6.0 % lower pro forma sales revenue at BRL2.802bn (2.980bn). Adjusted for extraordinary factors, recurring EBITDA was 4.7 % down at BRL569.9m (597.9m). □

Lower revenues and earnings for Sonae Arauco in 2019 and in the first quarter of 2020

Sonae Industria booked first net loss after three years in the black

Sonae Industria SGPS S.A., based in Maia, Portugal, has reported a net loss of -€13.4m (2018: +€11.0m) for the 2019 financial year after three years in the black.

This slump was mainly connected to €9.2m in exceptional charges related to reserves for the permanent closure of its mill in Horn-Bad Meinberg (€7.7m) at the end of 2020 and legal disputes (€1.5m). However, ongoing operations did not perform as well as the previous year, either. In a financial statement issued on 31 March, Sonae Industria said that the main challenges were mounting supply and price pressure on North American particleboard markets, unsatisfactory laminate business despite having made improvements and a more difficult situation on Iberian and South African markets for its joint venture Sonae Arauco S.A., based in Madrid.

Sonae Industria's consolidated revenues improved 4.5% to €230.0m (220.2m) last year. This figure comprises €56.5m in the first quarter, €59.6m in the second quarter, €58.4m in the third quarter and €55.2m in the fourth quarter. Recurrent

EBITDA came close to 2018's level at €26.5m (26.7m), with the related margin falling to 11.5 (12.1) %. Total EBITDA dropped 11.9% to €25.8m (29.2m). EBIT tumbled 72.8% to €4.4m (16.3m) in the wake of higher write-offs as well as value adjustments and reserves during the course of the year. EBIT had been in slightly positive territory in the first quarter at €0.7m. The second quarter (€4.0m) and third quarter (€4.2m) fared better, before an EBIT loss of -€4.5m in the fourth quarter. The group booked a pre-tax profit in the first quarter (€1.2m) and second quarter (€3.0m), before things headed into negative territory in the third quarter (-€5.5m) and the fourth quarter (-€8.7m) and the full year ended with a loss of -€10.0m (+17.2m).

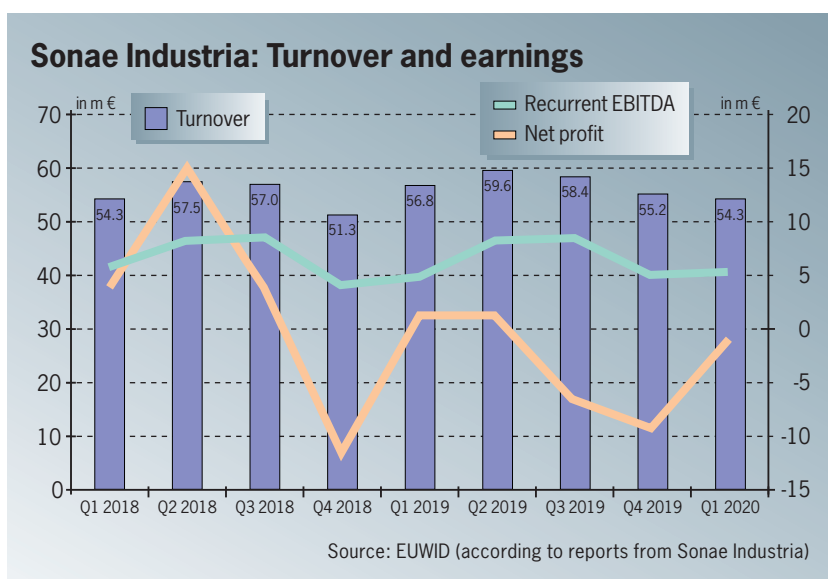
In addition to much lower operating income, a plunge in earnings from its joint venture to €0.7m (12.0m) also played its part. In keeping with stake, this position reports 50% of Sonae Arauco's net profits, which dived to €1.4m (24.0m). This downturn is due to the more challenging situation on markets served by Sonae Arauco. In 2018 the company received

insurance pay-outs for its mills in Oliveira do Hospital and Mangualde, Portugal, which suffered damage in forest fires in autumn 2017. Last year, however, its earnings were hit hard by reserves created for the divestment of the Horn-Bad Meinberg mill.

Proportional revenues, which are listed separately in Sonae Industria reports and which take full account of Sonae Industria's contributions and joint venture contributions based on the stake, fell €6.4m to around €606.m (612m) in 2019 as a whole. The €9.8m growth in revenues in its North America and Laminates & Components division was more than erased by a €16.2m drop in revenues from Sonae Arauco. Recurrent EBITDA dipped by €0.2m at Sonae Industria and a proportionate sum of €9.5m at Sonae Arauco in 2019 as a whole. Its proportionate recurrent EBITDA thus dropped €9.7m to €63.9m (73.6m). The margin narrowed to 10.5 (12.0) %.

An even stronger slump in North American sales caused by production stoppages towards the end of the quarter culminated in a 4.4% decline in Sonae Industria's revenues to €54.3m (Jan.-March 2019: 56.8m) in the first quarter of 2020. This figure was 1.6% lower than the fourth quarter's sum of €55.2m, mainly because of price cuts in North America and unfavourable currency effects. Recurrent EBITDA improved to €5.3m (4.8m) despite falling revenues; the resulting margin improved to 9.8 (8.4) %. Operating profits almost doubled to €1.3m (0.7m). However, the joint venture's contribution to earnings plunged to €0.6m (3.4m). Pre-tax earnings and net profit were slightly in the red in the first quarter at -€1.3m (+1.2m) and -€1.2m (+1.2m) respectively.

Proportionate revenues fell by €12.9m to €146m (159m) in the first quarter. Proportionate recurrent EBITDA was listed at €15.1m (17.0m), with the resulting margin deteriorating to 10.3 (10.7) %.



Revenues increased again in Germany and other EU member states

Homann Holzwerkstoffe boosted margin in financial year 2019

Homann Holzwerkstoffe GmbH, based in Herzberg, Germany, delivered a small growth in revenues and a significant increase in all key earnings figures in the 2019 financial year.

Reported revenues rose 1.7% to €273.8m (2018: 269.3m). Revenues climbed by 3.8% when adjusted for the €5.5m generated by Homanit Building Materials GmbH & Co. KG (HBM), based in Berga, Germany, which was deconsolidated with effect from 1 July 2018 and has now been renamed Olm GmbH & Co. KG. HBM had still generated revenues of almost €3.0m in Germany and €2.5m in other EU member states in 2018. Excluding the revenues booked by HBM in 2018, Homann Holzwerkstoffe's revenues climbed by 4.8% in Germany and 3.9% in the rest of the EU last year. Revenues were unchanged in a year-on-year comparison in other countries.

The loss of extraordinary effects booked in 2018 due to the departure of HBM's insulating material activities had an even greater impact on earnings. Moreover, Homann Holzwerkstoffe has reaped the rewards of a downward spiral in raw material prices, while sales prices had stayed largely stable. The cost reductions mainly reported for timber and adhesive cut the material expenditure rate by 2.4 percentage points to 54.8 (57.2) %. The personnel expense rate increased to 15.5 (15.0) % despite the slight reduction in the average number of people employed to 1,484 (1,498) people. Other operating expenses softened to €39.6m (43.5m), primarily due to the figure of €5.1m recorded one year earlier for HBM/Olm.

EBITDA adjusted for special effects associated with exchange rate fluctuations and expenses for HBM's insulating material activities rose 19.5% in a year-on-year comparison to €47.1m (39.4m); the resulting margin improved to 17.1 (14.5) %. Total EBITDA leapt as much as 34.8% to €47.6m



Losheim site

(Photo credit: Homanit)

(35.3m) due to the lack of special charges from HBM; the margin stood at 17.4 (13.1) %. Operating cash flow also soared to €40.9m (27.0m). Adjusted annual net profits jumped 28.0%. All in all, the net profit almost tripled to €22.0m (7.9m). At an equity sum of €246.1m (261.1m), equity swelled to €45.1m (38.4m). Both effects boosted the equity ratio to 18.3 (14.7) %. Conversely, total liabilities were trimmed to €191.9m (215.0m), especially by reducing its bank liabilities to €95.8m (112.4m).

Creditreform put bond rating on watch

On 8 April, Creditreform AG, headquartered in Neuss, Germany, added a 'watch new' label to its rating for Homann Holzwerkstoffe, which had been upgraded in several stages in recent years, due to the effects of the coronavirus crisis. Its previous outlook of "stable", which had been issued several times, has also been dropped. Its actual rating, which was upgraded from B+ to BB- at the end of October 2019, has stayed the same. Creditreform named

the potential effects of the coronavirus crisis on Homann's assets, financial and earnings position by way of explanation for the current review of its rating.

The organisation noted that the first quarter of the year had progressed largely as planned, according to Homann Holzwerkstoffe. However, Creditreform thinks that Homann Holzwerkstoffe might experience a "significant decline in sales and earnings", depending on how long the slump in demand from the furniture, door, coating and automotive industries lasts, which could be temporarily cushioned thanks to its good liquidity situation at the moment.

In the statement on the adjustment to its rating, Creditreform also made reference to Homann Holzwerkstoffe having applied for permission to reduce working hours at its German production site in Losheim on 24 March. However, buyers indicate that the mill was relatively busy in the past two months, too. Homann Holzwerkstoffe itself has removed information about the filing from the news area of its website. □

OCI faces another drop in melamine sales



(Photo credit: OCI)

OCI Nitrogen B.V., headquartered in Geleen, the Netherlands, saw its melamine sales take a turn for the worse again in the first quarter of this year after relatively strong growth in the final quarter of 2019. The quarterly report published by its parent group OCI N.V., based in Amsterdam, put melamine sales at 30,500 (Jan.-March 2019: 35,200) t, 13% lower than in the prior-year period. This figure was also 22% shy of the fourth quarter's sum of 39,200 t. OCI Nitrogen had sold 32,900 t of melamine in the second quarter and 28,500 t of melamine in the third quarter of last year. The benchmark price stood at €1,405 (1,575) per tonne in the first quarter, 11% lower than one year earlier and 3% lower than in the fourth quarter (€1,450).

Altogether, OCI has a total melamine capacity of 219,000 t per year or almost 55,000 t per quarter. Two lines at its Dutch facility in Geleen can make 164,000 t per year. Its 49% joint venture in China can manufacture 55,000 t each year. □

Ultra Dekor RUS plans to start making decor paper

Ultra Dekor RUS OOO, a new company founded in November 2019, is set to build a decor paper mill in the Russian Special Economic Zone of Lyudinovo, Kaluga oblast, over the next two years. According to the Agency for Regional Development of Kaluga Region (ARRKO), the company applied for a permit on 11 March. With an initial designed annual capacity of some 40,000 t, the paper machine is slated to get up and running in early 2022. The

project is said to entail an investment of RUB4.2bn or roughly €50m. A second paper machine is to be built at the site at a later date.

Ultra Dekor RUS is part of the Kronospan Group, which intends to build a production site in the Kaluga Special Economic Zone that is integrated across various products. The larger project involves the installation of an MDF/HDF mill. Some of the machinery and lines for this project were ordered a long time ago and have since been idled. Kronospan has ordered additional machinery for the MDF/HDF mill over the past few months.

The Polish decor paper manufacturer Malta-Decor S.A., also a Kronospan subsidiary, operates five paper machines at two mills at its Poznan headquarters and in Rudawa. The firm had announced the installation of a sixth decor paper machine towards the middle of 2010, but then repeatedly delayed this project, which was later concentrated at its Rudawa site. □

Ahlstrom-Munksjö Decor improves EBITDA again

Ahlstrom-Munksjö Oyj, headquartered in Helsinki, has announced that its Decor Solutions division experienced a 5.3% reduction in revenues to €106.2m (Jan.-March 2019: 112.2m) in the first quarter of 2020. Sales had increased amidst resurgent demand after a longer period of destocking. This positive impact on revenues was more than erased by the persistent decline in average sales prices. However, mixed trends emerged in terms of its earnings. Lower sales prices were more than wiped out by a growth in sales and additional cost-cutting measures thanks to lower raw material costs and restructuring measures. Total EBITDA thus leapt to €12.2m (1.1m) after already trending higher during 2019 (Q2: €7.1m, Q3: €6.8m, Q4: €9.9m). Adjusted for exceptional items of -€0.4m (-6.8m), EBITDA stood at €12.7m (8.0m). The related margin improved to 11.9 (7.1)%. A significant increase in stoppages in the European furniture industry because of the coronavirus since the middle of March

will likely unleash a palpable decrease in demand for paper-based surfaces, which will send decor paper and pre-impregnated paper sales lower in the second quarter, Ahlstrom-Munksjö believed. The Decor Solutions division has thus taken downtime at virtually all sites in April after continuing to operate without major restrictions in the first quarter.

Restrictions caused by the coronavirus pandemic, including severely restricted travel activity, will also delay the strategic reorganisation of Decor Solutions, which has been underway since September 2019. The acquisition of the Chinese decor paper manufacturer Hebei Minglian New Materials Technology Co. Ltd., which was agreed in a non-binding letter of intent towards the end of November 2019, will drag on into the second half of the year, according to Ahlstrom-Munksjö's quarterly report, which was published on 23 April. The company first had to complete due diligence and negotiate a final takeover agreement. When the letter of intent was signed, Ahlstrom Munksjö had thought that the deal would close before the end of the first quarter. Additional steps in the strategic reorganisation include bringing on board an external investor and subsequently spinning off Decor Solutions. □

Synthomer completes Omnova acquisition



(Photo credit: Vocon)

The British speciality chemicals group Synthomer plc, based in Harlow, Essex, has put the finishing touches to its takeover of Omnova Solutions Inc., a firm based in Beachwood, Ohio, that is active in areas including surface materials, in early April. This move comes after the European Commission gave the green

light to the deal, which was struck in early July 2019, in mid-March 2020. The EU institution had previously approved the transaction subject to conditions, including the sale of its relatively small vinyl pyridine latex business in Germany, in mid-January. These operations, which do business under the Pyratex brand and accounted for just 0.5% of Synthomer's total revenues in the 2019 financial year, were subsequently sold to the latex, rubber and plastic producer Trinseo S.A., based in Luxembourg.

With a value of £654m, the transaction is the largest acquisition in Synthomer's history. It will allow Synthomer to expand its product range and activities in North American markets. In addition, the acquisition will advance the group's expansion in Asian markets, especially to China. Synthomer will fully consolidate Omnova from the beginning of April. Omnova generated revenues of US\$736.2m and EBITDA of US\$70.0m in the 2019 financial year. Synthomer's revenues were listed at £1.459bn and its EBITDA at £177.9m. Consequently, pro forma revenues for the 2019 financial year reached around £2.1bn. □

Interprint to equip coating line with EBC



(Photo credit: EUWID)

The Interprint Group is to equip the planned fourth coating line at Polish subsidiary Interprint Polska Sp. z o.o. in Ozorków with electron beam curing. The electron beam curing system required for this has been ordered at US machinery manufacturer PCT Ebeam and Integration LLC, based in Davenport, Iowa. The coating line itself, according to information which has not been confirmed as yet, is to be supplied by Kroenert GmbH & Co. KG. Orders for additional components, such

as unwinding and winding systems, thermal drying, a corona unit and an excimer, have been awarded to different suppliers. The orders have been placed during the course of recent months. Once the necessary preparation work at the Ozorków factory has been completed, installation of the 2,750mm wide coating line is to commence in the second quarter; commissioning is planned for summer 2021.

Interprint currently operates three coating lines at the Polish factory, all of which have been supplied by different equipment manufacturers. The first line, supplied by former Vits Systems GmbH and later converted by Rotodecor GmbH Maschinen- und Anlagenbau, was commissioned in September 2007. Rotodecor subsequently also supplied the second line; production commenced in September 2012. The order for the third line was placed with Wifag-Polytype Holding AG in autumn 2014. Commissioning of this line, originally scheduled for the second quarter of 2015, was delayed until September 2015.

Over the course of recent years PCT Ebeam and Integration has already supplied several electron beam curing systems for coating of paper and plastic foils; the sales focus is on the packaging and decor industry. In the decor area, PCT Ebeam and Integration has realised several projects for DTS-Systemoberflächen GmbH with headquarters in Oberhausen and production in Möckern, and Schattdecor AG of Thansau, for example.

From April 2015 to November 2018 the company belonged to Swiss Comet Group, but was subsequently sold via a management buy out. This MBO was supported by an external investor from Davenport. □

ECCM Bank raises its stake in Surteco by nearly 3%

The Kronospan subsidiary ECCM Bank plc, based in Sliema, Malta, increased its shareholding in Surteco Group SE, based in Bittenwiesen, that it acquired in several increments in October and No-

vember 2018 from 12.28% to 15.17% on 3 April 2020. According to a voting rights notification published by Surteco on 14 April, ECCM Bank now owns 2,352,462 of the 15,505,731 shares in Surteco.

Surteco Group's pool and family shareholders, which include Klöpfer & Königer Management GmbH, based in Garching, and the Linnemann, Schlautmann, Bausch, Ahrenkiel and Schürfeld families, have also bought additional shares during the past 18 months. This group of shareholders has now boosted its total stake from 55.5% in December 2018 to 58.5%. ECCM Bank, its affiliate in Liechtenstein Luda Stiftung, Banasino Investments Ltd. and Matthias Kaindl as Luda Stiftung's authorised signatory have strengthened their position as Surteco's second-largest shareholder with their latest purchases. Rudolf Ostermann Stiftung, headquartered in Bocholt, still holds 5.67%. Lazard Frères Gestion S.A.S. had lowered its stake from 5.06% to 4.68% in early September 2019. The latest shareholder overview puts other shareholders' stake at 15.9%, down from 21.4% combined in December 2018.

Surteco's share price on the Xetra index initially receded at the start of 2020 before rebounding strongly. The share price only altered minimally between 23 January and 11 March and mostly hovered just above €22.50. The share price plummeted to €15.04 by 20 March in the wake of the coronavirus crisis. Surteco's share price then rebounded to €19.00 by 31 March as share markets generally recovered and after the company issued an ad-hoc statement on 24 March on reaching its revenue and earnings goals for 2019. This upward trend initially continued at a reduced speed in April, with the share price flattening out more and more from mid-April onwards. On 29 May, the closing share price was €19.75. Based on this price and its total number of shares, the company has a market cap of around €305m. Compared with its 52-week high on 10 May 2019 of €27.50 and the resulting market cap of about €426m, the firm has shed close to 28% of its value. The market cap was just €220m based on mid-March's short-lived 52-week low of €14.22. □

Schattdecor Group ramped up production

Schattdecor AG, headquartered in Thansau, Germany, has scaled back production at several locations in response to relatively extensive downtime taken by buyers and the resulting slump in demand. However, a few mills are back online again and other sites are preparing to resume operations.

The group's Chinese printing sites in Shanghai and Quzhou, Zhejiang Province, did not restart until 10 and 17 February 2020 respectively, one and two weeks later than originally planned, due to protective measures put in place after Chinese New Year. The two plants have since gradually ramped up operations. The decor paper joint venture Kingdecor Co. Ltd., headquartered in Quzhou, had shut down for a week in February but has otherwise manufactured as normal. The treating joint venture in the Wuhan metropolitan area, Huanggang Saintdecor Co. Ltd., had to shut down for almost two months because of quarantine measures put in place there. Production resumed there too towards the end of March, though. The treating site in Bestari Jaya, Malaysia, is offline at the moment due to a movement control order put in place by the Malaysian Government in mid-March.

In Europe, Schattdecor had idled its location in Rosate, Italy, which specialises in

making printed decors, finish foils and melamine film, for a week. The plant restarted operations to a reduced extent in the week before Easter. Rosate is also expected to operate at better capacity utilisation again once the wood-based panel, laminating, laminate and furniture industries ramp up production.

Schattdecor had previously only reduced output at its headquarters in Thansau by cutting shifts and taking other short-term measures. The complex shut down altogether for the Easter holidays. In Poland, Schattdecor initially lowered finish foil production in Glucholazy, before shutting altogether for a week after Easter. At the same time, a four-day stoppage took place in Tarnowo Podgórze. Both locations reopened their doors after Easter.

Schattdecor's sites in Chekhov and Tyumen, Russia, have continued operating without a break in March and April, although much weaker demand is resulting in lower output. Its site in Gebze, Turkey, has run at relatively normal levels. The same is true of its US plants in Maryland Heights, Missouri, and Lexington, South Carolina. On the other hand, its printing plant and treating location in São José dos Pinhais, Brazil, was idled for three weeks in early April and resumed operations on 24 April. □

Impress commissions its third printing machine

The Impress Group commissioned the third printing machine at a mill in Yaroslavl, Russia, doing business as OOO Sokol-Yar during April 2020. Contrary to original plans to install a new machine, the company decided to use a second-hand unit from its plant in Elk, Poland, for this project. The timetable was pushed back significantly as a result of this change in plans. When the upgrade project in Yaroslavl was announced, Impress had expected commissioning to take place in the first quarter of 2019. Impress decor Polska Sp. z o.o. recently operated five printing machines and two printing/coating machines. Following the dismantling and transfer of the printing machine earmarked for Yaroslavl, the Elk site has a total of six units up and running.

A project to modernise and upgrade Tabercolor printing ink production at its Spanish subsidiary Impress diseño Iberia S.A., headquartered in Sant Pere de Vilamajor, is slated for completion during the third quarter. The plan is to raise capacity by around 50% in order to meet additional demand that has arisen within Impress over the past few years. This additional demand is connected to capacity and output increases at existing locations and the creation of a Chinese joint venture with Shouguang Dongyu Hongxiang Wood Industry Co. Ltd., headquartered in Shouguang, Shangdong Province, via Impress New Materials Co. Ltd., based in Beijing, two years ago. This joint venture printed around 1,000 t in 2019, with a target of 1,300 t set for this year.

The increase in Russian printing capacity and upgrade in printing ink production in Spain are the Impress Group's largest investment projects this year. Conversely, the installation of a third treating line at the Brazilian group Impress decor Brasil Ltda., headquartered in Araucária, Paraná, which was also slated to happen in 2020, has been shelved because of the coronavirus crisis. The company's last major project to invest in its treating operations was the August 2018 start-up of a fifth treating line in St. Veit, Austria. □



Schattdecor's main site in Thansau

(Photo credit: EUWID)

Neodecortech restarting Filago but idling CDG

The Italian decor paper and surfaces manufacturer Neodecortech S.p.A. restarted manufacturing at its Filago headquarters, which specialises in printed decors, printed plastic foils and melamine film, on 20 April 2020. The Casoli di Atri site was slated to come back online on 27 April. Filago had initially suspended production between 23 and 29 March. Just before it was set to restart operations at the beginning of April, the stoppage was extended until further notice. At the same time, production was also powered down in Casoli di Atri. By contrast, decor paper production at Cartiere di Guarcino S.p.A., which had initially continued, was suspended in the week after Easter. Neodecortech said that this downtime, which was initially supposed to run until 3 May, was connected to a slump in internal demand arising from the stoppages in Filago and Casoli di Atri. In addition, external sales are being curbed by production restrictions extended by the Italian Government. CDG will carry out maintenance during the stoppage, meaning that a fortnight's worth of maintenance set to take place at a later date can be cancelled. Deliveries are able to be made from inventory during the stoppage. □

Abet resumes production at its main plant in Bra

The Italian laminate manufacturer Abet Laminati S.p.A. restarted manufacturing at its main plant in Bra on 14 April 2020 after a fortnight-long stoppage. According to Abet's managing director Ettore Bandieri, production can move forward as normal, based on the backlog of orders built up in the first half of April. The company has put in place additional measures to protect staff upon the restart.

Abet had powered down production in Bra, which employs 600 of its 800 workers, by 30 March. This voluntary shutdown was mainly connected to delays receiving upstream products and falling demand from Italy and other countries because of the coronavirus pandemic. Customer service remained operational at reduced levels. □

Westag & Getalit stops melamine treating

At the end of 2019, Westag & Getalit AG discontinued melamine resin impregnation activities at its headquarters in Rheda-Wiedenbrück. Since then, the melamine films required for laminate production have been acquired from an independent impregnating business on the basis of a long-term contract concluded in the fourth quarter. A proposal to this effect by the management board had been approved at the supervisory board meeting on 13 September.

Prior to decommissioning of the two treaters used for this purpose, Westag & Getalit had produced most of the melamine films required for laminate production themselves. Small amounts of melamine films had also been purchased from outside suppliers. The reason for discontinuing production, according to the company, is that considerable investment is required in the relatively old equipment. Even stricter emission regulations regarding impregnation systems meant that installation of an additional waste air purification system, such as a biological filter, would have been required and an investment on this scale would not have been economical due to the age of the treaters. Since outsourcing of the melamine resin impregnation, Westag & Getalit and the independent impregnating business have been gradually optimising the external supply. Particularly important in this context were transfer of the formulas and improvement of the supply chain. The phenolic resin impregnation which is also conducted at the site in Rheda-Wiedenbrück, on the other hand, is to be continued. As used to be the case with melamine films, Westag & Getalit are also able to cover most of their requirements for impregnated core papers themselves with the two phenolic treaters. A small part of the requirement is purchased externally.

Amendments to the impregnation activities are part of the strategic realignment which has been prepared over recent months and is meanwhile being gradually implemented. In the course of this strategic reorientation, changes will be

implemented in a number of different areas, including organisation, production and sales. Following a resolution, also passed at the supervisory board meeting on 13 September, the previous divisional organisation has been replaced by an organisational form based on functions. In a parallel move, the executive responsibilities have been redistributed. At the same supervisory board meeting, furthermore, the sale of the 49.0% share in customised worktop supplier AKP Carat-Arbeitsplatten GmbH, held by Westag & Getalit since 2006, was also approved. The contract of sale was signed on 1 October and, at the same time, a five-year supply contract for worktops in line sections as well as solid surface materials was concluded. The transaction was closed following payment of the purchase price which had been stipulated at €7.3m. Under consideration of the HGB book value of €1.2m, an accounting profit of €6.1m was therefore achieved.

At the supervisory board meeting on 29 October discussions focused predominantly on the production and sales strategy of the surfaces/elements division. The measures proposed there were worked on in more specific detail by the Westag & Getalit board of directors over past months and adopted in mid-February. With regard to sales of Getalit laminates, GetaCore solid surface materials and worktops/elements, the division will be focusing in future on the markets of Germany, Austria and Switzerland. In other markets, by contrast, Westag & Getalit products are to be marketed especially via the sales organisations of composite panel and laminate manufacturer Trespa International B.V. (Weert, Netherlands) and Arpa Industriale S.p.A. (Bra, Italy), which also belong to Broadvie Holding B.V. (s'Hertogenbosch, Netherlands). Parallel to these changes in marketing channels for laminates, the possibility of shifting laminate production from Rheda-Wiedenbrück to the affiliated companies is also being investigated. The considerations were discussed further at the supervisory board meeting on 6 December. Specific decisions are to be taken during the course of 2020. □

Decor paper manufacturers curbing output by similar levels to April in May

Too high inventories hindering swift recovery in order intake

A slump in decor paper sales prompted by the coronavirus crisis will likely last much longer than initially expected after all.

Order intake fell sharply from the beginning of April onwards after a mostly good first quarter of 2020. Many buyers from the wood-based panel and surfaces industry had consistently placed orders in January and February on the back of good workloads and sometimes built up reserve stocks in March. They had also trimmed output from the end of March amidst growing shutdowns in the furniture industry. Consequently, they have also scaled back their decor paper purchasing dramatically.

Most decor paper producers responded relatively quickly to the ensuing slump in demand and previous inventory building by taking downtime. The first paper machines had suspended production at the end of March and start of April. Most machines were idled in the fortnight before and after Easter. This downtime was limited to just a few days at some machines. In

most instances, these stoppages lasted ten days to two weeks. More companies idled machines and curbed output towards the month's end. Several decor paper producers thus removed up to 50% of their capacity from the market in April. These extensive stoppages, combined with the expected ramp-up of production in the wood-based panel and surfaces industry in May, led to an improvement in workloads in the decor paper industry. In actual fact, though, it has taken longer than expected for production activity to return to normal at printers, treater operators and wood-based panel manufacturers. These sectors sometimes also took additional downtime since sales remain weak, meaning that the anticipated recovery in demand for decor paper has not materialised yet.

Decor paper producers have thus taken similar downtime in May to April. The Technocell division within Felix Schoeller Holding GmbH & Co. KG, headquartered in Osnabrück, Germany, idled decor paper machines at its sites in Osnabrück, Günzach and Titisee-Neustadt for an average of

ten days at the beginning of May. PM 16 in Penig went offline in the second half of May. PM 6 at its Russian joint venture complex in Penza resumed operations on 12 May after a ten-day stoppage. PM 5, which solely makes decor paper, went offline for four weeks in May instead of the planned three weeks. PM 19 at Technocell's site in Drummondville, Canada, resumed operations in early May after a stoppage lasting two weeks.

The Decor Solutions division within Ahlstrom-Munksjö Oyj, based in Helsinki, executed alternating stoppages averaging two weeks at its decor paper machines in May. The mill in Tolosa, Spain, that shut down again in late April should go back online in mid-May. The Unterkochen mill and two decor paper machines in Arches, France, were offline mid-May, with a stoppage in Dettingen slated for the second half of May. Brief downtime is being taken at the mill in Caieiras, São Paulo; a longer stoppage is also scheduled there in June.

The Italian firm Cartiere di Guarcino S.p.A., based in Guarcino, suspended decor paper production in mid-April and resumed operations in the first week of May. Papierfabrik August Koehler SE (Oberkirch), Gebr. Hoffsummer Spezialpapier GmbH & Co. KG (Düren) and Kämmerer GmbH (Osnabrück) will tend to reduce output by taking brief downtime and shifting production. The Kronospan subsidiary Malta-Decor S.A., based in Poznan, Poland, seems to be the only producer still operating without major restrictions.

Capacity utilisation reduced to 50 %

Several decor paper producers will find that their capacity utilisation hardly exceeds 50% in May, too, as a result of existing or planned future actions to curb output. Workloads are hardly expected to improve before June at the earliest. The situation



(Photo credit: EUWID)

might remain challenging throughout the entire second quarter, though, since producers and converters still have relatively large amounts on stock. However, most companies tend to anticipate a growth trend in the second half of the year. Insiders already think that the decrease in sales that happened in April and May will not be caught up later on in the year. On the one hand, it is unclear how much the furniture business has been affected by the coronavirus crisis and precautionary and protective measures put in place by authorities. On the other hand, this recovery will be hindered by the inventories that have built up along the entire value chain in recent weeks. Even if the economy picks up, converters from the wood-based panel, surfaces, furniture and building products industry can support themselves using these stocks for some time to come. Customers are thus cautious to place new orders.

A development of this kind is currently evident in Italy, Spain and France, for instance. Many decor paper converters there have now restarted operations after taking downtime lasting several weeks in some instances. Many mills are only slowly ramping up production and to a reduced degree. In addition, companies are mainly using up their inventories at first for liquidity reasons. Therefore, production restarting has had hardly any impact on decor paper producers' order intake. Demand for decor paper in the UK, parts of Eastern Europe and Russia is stagnant at a very low level since downtime is continuing there in many cases. In Germany, Austria, Switzerland, the Benelux region, Scandinavia and a few directly adjacent Eastern European countries, the decor paper business remains much weaker than in previous months. Production cutbacks in the particleboard and MDF/HDF industry, which are currently estimated at 30-40%, and ongoing downtime at decor printers, treater operators, finish foil and laminate manufacturers have thwarted a recovery in demand until now. In April, the surfaces sector was operating at similar capacity utilisation to the decor paper industry at 50% less on average. Several printers and treater operators have slated additional downtime lasting one to two weeks for May. Most mills are only operating some of their machines. While these sites still operated five or six days



(Photo credit: EUWID)

a week in the first quarter, this has now been scaled back to three or four days.

Inadequate or non-existent demand in many markets also means that virtually no price negotiations are taking place. The first quarter's decor paper prices were carried forward into the second quarter and now apply until further notice. These stable prices are also being underpinned by largely unchanged raw material costs. Even though the situation for buying pulp and titanium dioxide is stable, doubts are now being raised regarding the current consensus about keeping decor paper prices the same. A few wood-based panel companies have contacted their suppliers with the first requests for price cuts since the start of May. Sources believe that the calls initially made for printed decor paper will also have an impact on the decor paper business. However, several decor paper producers have already indicated that they would rather reduce production than decrease prices that they already describe as no longer reasonable.

Similar downtime in the month of April

In April, Technocell and Ahlstrom-Munksjö Decor suspended production at most locations for an average of two weeks. Technocell first shut down its Penig plant, which specialises in backer paper and

dark decor paper, for a good ten days from the first weekend in April and used this downtime to perform maintenance. Its PM 16 then resumed operations after Easter. Its mills in Osnabrück, Günzach and Titisee-Neustadt took downtime on 9 or 10 April for ten days. Seven days of this break were handled by reducing working hours. PM 19 in Drummondville idled production for two weeks from 18 April. Felix Schoeller Group's Chinese joint venture plants have seen production return to normal. Machines there are operating normally again after curbing output for around two months.

Ahlstrom-Munksjö had idled its facility in Tolosa in late March. Decor paper production resumed there on 12 April after a fortnight-long stoppage. Its two sites in Germany, located in Aalen-Unterkochen and Dettingen, have been offline since the first weekend in April. The two paper machines in Unterkochen restarted on 16 April after scheduled maintenance. The Dettingen plant, which specialises in pre-impregnated products, came back online on 22 April. No downtime was planned for April in Arches, where the group uses two smaller paper machines to make coloured decor paper. Its site in Caieiras has also operated without any stoppages, but was scheduled to shut down production in the second half of April. □

Overlay paper turnover improves again in the first quarter of 2020

Glatfelter Composite Fibers increases shipments in all areas

Following heterogeneous development in the 2019 financial year, the composite fibers (CFBU) business division of P.H. Glatfelter Co. (York, Pennsylvania) achieved higher shipments in all product areas in the first quarter of 2020.

Total deliveries improved by 14% to 35,983t (Jan.-March 2019: 31,529t). In the food & beverage product area, which is by far the largest, only a slight 2% increase was recorded. In all other areas the rise was clearly in the double-digit range. Compared to 2019, business with overlay paper, which is conducted under the name composite laminates, developed along the strongest lines (+30%), followed by metallized papers (+27%), wall coverings (+18%) and technical specialties (+13%). These high increase rates, however, are to be viewed against the background of a relatively low basis of comparison. Average sales prices declined, in contrast and a negative turnover effect of US\$2.6m ensued across all product areas. Furthermore, changes were also made to the product mix.

Turnover improvement therefore fell short of the development in terms of volume. According to the quarterly report published on 5 May, turnover generated with overlay paper increased by 15.2% to US\$9.8m (8.5m). US\$71.5m (71.5m) was generated in the food & beverage area, US\$20.0m (19.3m) with technical specialties, US\$19.9m (18.6m) with wall coverings and US\$11.6m (11.0m) with metallized paper. Total turnover of the business division therefore rose by 3.1% to US\$132.7m (128.7m). Adjusted to account for currency fluctuations, turnover increased by as much as 5.5% compared to the preceding year. In the fourth quarter CFBU achieved turnover of US\$132.7m, which is similar to the first quarter.

Results figures, in contrast, improved considerably both vis à vis the previous quarter and the comparative figure of the preceding year. Glatfelter attributes this to lower raw material costs, particularly for wood pulp, increasing capacity utilisation as well as effects from cost-

reducing measures. As a consequence the EBITDA increased by 18.5% vis à vis the comparative period of the preceding year to US\$21.6m (18.0m), resulting in a margin of 16.3% (14.0%). Operating profit even rose by as much as 33.1% to US\$15.1m (11.3m).

In the second quarter the impact of the corona crisis will lead to significant sales declines. With regard to the entire CFBU division, Glatfelter anticipates a drop by 25% vis à vis the first quarter. This decrease is expected to ensue mainly in connection with wall coverings and metallized papers. In the other product areas it is considered possible that sales may remain stable or decline only slightly. The declines in wall coverings and metallized papers as well as the capacity adjustments planned for the Dresden factory are expected to burden the results of the second quarter with some US\$5.5-6.0m.

Over the whole year of 2019 turnover with overlay paper declined by 7.7% to US\$35.3m (2018: 38.2m). On the basis of the figure of US\$38.7m indicated for 2017 only a slight decline had been recorded in the preceding year. In 2019 all other product areas fell short of the respective turnover figures of 2018: food & beverage US\$278.8m (279.5m), wall covering US\$81.7m (103.7m), technical specialties US\$79.5m (81.3m) and metallized papers US\$46.4m (52.2m).

Turnover of the business division thus declined by 6.0% to US\$521.7m (554.9m). This figure breaks down into US\$128.7m in the first quarter, US\$132.6m in the second quarter, US\$127.7m in the third quarter and US\$132.7m in the fourth quarter. Operating profits were marginally lower than the year before at US\$47.9m (48.4m). Total shipments fell 7.2% to 133,473 (143,767) t last year (Q1: 31,529 t, Q2: 34,523 t, Q3: 33,394 t, Q4: 34,027 t). □



CFBU headquarter in Gernsbach

(Photo credit: EUWID)

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Earnings headed in different directions in full 2019 and in the first quarter of 2020

Surteco Group will not meet targets for 2020 due to corona crisis

Against the background of the effects of the corona crisis which have become increasingly noticeable since mid-March, Surteco Group SE of Buttenwiesen will not achieve the significant improvements in turnover and results originally anticipated for 2020.

The company expects that the effects of the crisis will significantly affect the business figures of the second quarter. Over the period of the entire year group turnover is likely to remain considerably below the range of €675-700m which had previously been forecast. Figures are also expected to fall clearly short of the planned EBIT of €40-45m. Last year, in contrast the Surteco Group turnover had been at the upper end of the last forecast of €655-685m. The adjusted EBIT even slightly surpassed the target figure of €38-40m.

In the first quarter group turnover declined by 6% vis à vis the preceding year to €171.6m (Jan.-March 2019: 181.9m),

but were only 1.5% lower in a year-on-year comparison when adjusted for the mid-July 2019 sale of North American treating activities. German revenues almost reached the previous year's level at €47.1m (47.7m). International revenues dropped 7% to €124.5m (134.2m) because of the divestment in the US. North and South American revenues tumbled 23%, but were just 2% lower on an adjusted basis. Revenues in Asia, Australia and other markets also softened by 2%. Surteco recorded a 1% reduction in revenues in the rest of Europe, as it had in Germany. The export rate thus dwindled to 72.6 (73.8) %.

The trends seen in 2019 continued in its three different divisions. The Profiles division booked an 8% growth in revenues to €26.6m (24.6m) despite the coronavirus crisis. The small slump in technical profiles caused mainly by weaker business in the UK was more than erased by growth in skirting board (+15%) and merchandise (+5%) categories. In the Decoratives division, growth in revenues booked in

January and February was more than offset by the coronavirus-related downturn in March. Total revenues thus slipped 3% to €125.7m (129.4m). Printed decors (+8%) delivered growth, while revenues from edgebanding (-2%), finish foils (-7%) and other products/merchandise (-15%) headed lower. Revenues in the Technicals division fell 31% to €19.3m (27.9m) because of the sale of its treating operations. The first effects of the coronavirus pandemic and persistently subdued business with the laminate flooring industry meant that adjusted revenues were also 5% lower than in the prior-year period. Revenues from plastic foils were up 5%, while the figure for special edgebanding for the furniture industry was down 4%. The group also recorded an adjusted 15% drop in revenues from impregnated products.

In spite of slightly lower revenues, Surteco Group managed to improve its earnings almost across the board. The main reason for this is significantly lower upstream product costs than at the same time last year. Personnel costs were also trimmed. EBITDA has hence improved by 6% to €23.9m (22.5m). EBIT shot up as much as 16% to €13.4m (11.6m). All three divisions played a part in the uptick in EBIT. The Decoratives division contributed €10.2m (9.4m), Profiles €3.4m (2.8m) and Technicals €1.9m (1.0m).

Slight decline in adjusted turnover

Last year group turnover of Surteco Group declined by 3.4% to €675.3m (2018: 699.0m). Meanwhile sold treating activities in North America contributed €16.9m to group turnover up to the closing in mid-July 2019; over the entire period of 2018 their contribution to turnover had been some €33m. Adjusted to account for this divestment, a 1.0% decline in group turnover is recorded for 2019.



Surteco sold its treating activities in North America.

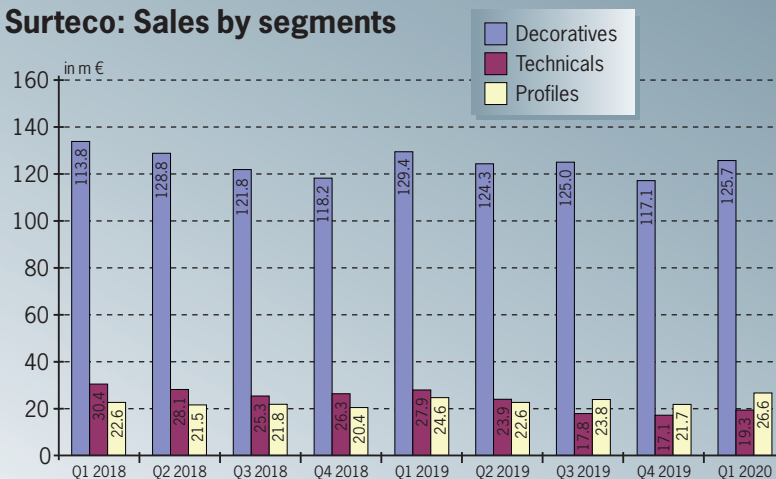
(Photo credit: EUWID)

At €495.9m (502.6m), turnover of the Decoratives division was 1.3% below the figure of the previous year. This decrease mainly ensued from the product areas of finish foils (-5%) and edge bands (-3%). Decor printing turnover was at the same level as 2018. Turnover generated with other products and trade items, in contrast, was up 13%. The sale of the North American treating activities led to a 21.3% decline to €86.7m (110.1m) in the Technicals division. Turnover generated with impregnation products dropped by 33%, and adjusted to account for the divestment by 23%. Thermoplastic foils remained 7% below the preceding year's figure, in the case of special edgings for the furniture industry an 8% increase was recorded. Turnover in the Profiles division improved by 7.4% to €92.7m (86.3m). All product areas contributed to this rise (skirtings +11%, technical profiles +2%, trade items +7%).

All results figures at group level declined last year. The EBITDA decreased by 8.9% to €66.3m (72.8m). The EBIT dropped by as much as 34.5% to €21.1m (32.2m); corresponding to a margin of 3.1% (4.6%). This figure includes provisions to the amount of €12.6m set aside for restructuring measures (in particular severance pay for the 175 employees), special amortisations on equipment and stocks amounting to €6.8m as well as additional costs for the streamlining of group structure. Adjusted to account for these items, an EBIT of €40.5m (38.3%) and a margin of 6.1% (5.6%) were achieved.

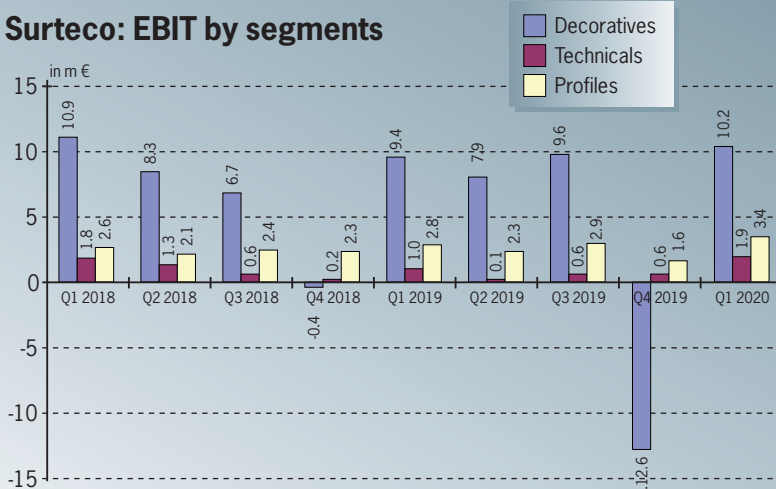
With regard to the three business divisions, Decoratives and Technicals were faced with considerable declines, whilst the EBIT of the Profiles division was up 2.2%. In the Decoratives division, in which the majority of restructuring costs occurred, the EBIT plummeted by 43.9% to €14.3m (25.5m). In the Technicals division this figure dropped by 41.0% to €2.3m (3.9m). All three business divisions benefited from declines, in some cases significant, in upstream product costs. This effect, however, was partly offset by increasing energy costs.

Surteco: Sales by segments



Source: EUWID (according to quarterly reports from Surteco)

Surteco: EBIT by segments



Source: EUWID (according to quarterly reports from Surteco)

The group financial result could be just slightly reduced to -€4.9m (-5.1m). The repayment in August 2019 of the final instalment of its US Private Placement (USPP) bond issued in 2007, specified at an amount of €60m, will not take full effect until the current financial year, according to Surteco. The effect on results achieved in 2019 was additionally reduced by the fact that Surteco made use of the option to take over the remaining 15% of shares in British Nenplas Holdings Ltd., based in Ashbourne. This option had been agreed within the scope of the acquisition of 85% of shares of this company concluded as of 1 December 2016. According to Surteco, the ensuing valuation effects have to be included in

the financial result. Pre-tax profit dropped by 40.2% to €16.2m (27.1m); at a figure of €9.4m (18.6m), the group result was down almost 50%.

Surteco Group slashed its debts and improved other key balance sheet figures in 2019 thanks to restructuring and refinancing measures carried out in the past few months. Its balance sheet was tightened by 8% to €780.3m (2018: 844.5m) by selling treating operations in North America and by repaying the final instalment of the USPP. However, equity was marginally higher than the previous year at €354.6m (353.2m). The equity rate was thus 3.6 percentage points higher at 45.4 (41.8) %. □

Neue Alno GmbH has cut about 60 jobs



(Photo credit: EUWID)

Kitchen manufacturer Neue Alno GmbH, based in Pfullendorf, has meanwhile cut about 60 jobs. 54 employees have left the company voluntarily and changed to a transition company with effect from 1 June 2020. Another five employees were dismissed for operational reasons effective 31 May. Thus, Neue Alno GmbH currently still employs about 240 persons. The reason for the redundancies apparently relates to the necessary adjustment of the structures and processes of a GmbH, and is not due to the current corona crisis.

Already in the past two years since the new start in January 2018 a variety of measures have been implemented to increase efficiency, and production has been concentrated in two factories. The entire component production (fronts, carcasses) for serial production as well as for production of batch size 1 has been consolidated in factory 1. Factory 2, where the carcass production used to take place, has been integrated into factory 1. The craftsmanship work and surface processing has been shifted from factory 4 to factory 3. This is where final assembly and dispatch are located. The portfolio has also been streamlined and in mid-August 2019 component production was transferred to a new company called BBT Bodensee Bauteile GmbH. Setting up BBT is intended to create the possibility of offering components on the market, independently of the Alno brand. Currently around 60% of components produced by BBT are purchased by Neue Alno GmbH and 40% are sold to external customers such as shop construction companies, furniture manufacturers and competitors from the kitchen furniture industry. □

Poggenpohl Möbelwerke files for insolvency

On 24 April 2020 kitchen furniture manufacturer Poggenpohl Möbelwerke GmbH based in Herford, which has belonged to Adcuram Group AG since the end of January 2017, submitted an application to the district court in Bielefeld for the opening of insolvency proceedings. Manuel Sack of law firm Brinkmann & Partner, who has been appointed preliminary insolvency administrator, intends in a first stage to stabilise business operations and ensure that completed orders are delivered. At the same time, he intends to introduce an investor process by the end of April already, by means of which the company and the brand are to be secured. Wages and salaries of the 270 employees at Poggenpohl Möbelwerke GmbH are to be paid through compensation money in connection with the insolvency for the period from April until June. The insolvency application refers exclusively to the parent company Poggenpohl Möbelwerke GmbH. Other businesses in the Poggenpohl Group in Germany and abroad are not directly affected.

In a notification issued on 27 April, the company referred to the corona crisis as the reason for the considerable decline in orders and turnover. The shortages in liquidity directly ensuing from this crisis could not be compensated

by the counter measures which have been introduced, such as short-time work and adjustments to production. On account of the restructuring programme under way at Poggenpohl, it was not possible for the company to benefit from the funds provided by the federal government in connection with the corona crisis support programme.

In the 2019 financial year turnover remained stable at €76m (2018: 76m) by comparison with the preceding year. Poggenpohl kitchens, which are categorised in the premium segment, are manufactured on an area of 54,000m² at the company headquarters in Herford. The kitchens are sold via 32 own stores and 300 independent retail studios. Sales companies are located in the USA, Great Britain, Switzerland and France. Furthermore, last year Poggenpohl Möbelwerke GmbH, Herford, and Chinese furniture retailer Red Star Macalline Group Corporation Ltd., Shanghai, established a joint venture for sales in China. The company under the name Poggenpohl Shanghai Trading Ltd., in which Red Star Macalline holds a majority share, commenced operative business in autumn 2019, as planned. Until now the focus has been on expanding the Chinese project business. Managing director of Poggenpohl Möbelwerke GmbH is Gernot Mang. □

Assmann records turnover increase of 1.5% to €132m

In the 2019 financial year Assmann Büromöbel GmbH & Co. KG, Melle, increased turnover for the tenth consecutive time, by 1.5% to €132m (2018: 130m). By comparison with the preceding years, however, the growth rate has slackened off. In 2018 a turnover increase of 15% was still achieved. In 2016 and 2015, at 10.3% and 16.1% respectively, the increase rates recorded were also in the double-digit range. In 2017 a rise of 6% was recorded. Calculated on the basis of the €84m recorded in 2014, Assmann has increased turnover by almost 60% over the

past five years. The company exports some 10% of its output.

Last year Assmann opened three new showrooms in Aarau, Manchester and Vienna, thus increasing the number of showrooms in Europe to 16. Currently production at the company headquarters in Melle is operating at virtually full capacity, despite the corona crisis. The in-house exhibition originally planned for May is to be postponed to a later date.

The company specialises in production of storage and shelf systems, lounge furniture, communication zones and soft seating solutions. Currently Assmann employs 385 persons. □

Nobilium uses halls in Spexard as warehouses



(Photo credit: EUWID)

Since February 2020, Kitchen furniture manufacturer Nobilia-Werke J. Stickling GmbH & Co. KG, based in Verl, has stored upstream products purchased from Italy at the newly constructed plant III at the Gütersloh-Spexard location in order to ensure supply of ongoing production. To a lesser extent, additional safety stocks have also been accumulated for upstream products from other countries.

According to chairman of the management board Dr. Lars Bopf, a total of several hundred lorry loads were delivered to Spexard within a few weeks. In parallel, stocks of upstream products have also been increased at the plants in Verl-Sürenheide (plant I) and Verl-Kaunitz (plant II). As a result of these measures,

the company has been able to continue production at both plants without significant restrictions over the past weeks. With this uninterrupted production the company also aims to ensure the shortest delivery times possible; currently a period of three weeks is indicated for the entire range.

Delays occurring in connection with deliveries to individual markets more strongly affected by the corona crisis are to be offset as much as possible by adjustments in production planning. This applies in particular regarding the serious disruptions in deliveries to the main export market, France. In some cases production of orders from the French market has been postponed to a later date, following consultation with customers. In a reciprocal move, orders from other regions have been manufactured ahead of schedule.

Nobilium, furthermore, has considerably expanded its trailer capacity in order to create an additional buffer for orders already completed. The company has rented a substantial number of trailers. Finished commissions are loaded directly into the trailers as usual and, in cases

where restrictions in acceptance of incoming goods are in place, the delivery will take place at a later point.

According to Nobilia, a slight improvement in the situation can be observed meanwhile, in purchasing of upstream products as well as in sales. Various supplier firms in north Italy have begun to re-launch production after a shutdown period of two to three weeks. With regard to sales, the partial opening of the furniture trade in Germany and Austria, for example, is expected to lead to a revival in incoming orders.

Construction work at the new plants in Gütersloh-Spexard (Plant III) and Lisdorfer Berg in Saarlouis (Plant V) has so far been in line with schedule, according to Bopf. At both locations machinery and equipment is currently being installed; in some areas test runs have already commenced. Commissioning of both plants is scheduled for the end of the year. The two new plants are currently the largest investment projects of Nobilia. Apart from this, the company is also continuously investing in upgrading its two existing locations in Verl-Sürenheide (Plant I) and Verl-Kaunitz (Plant II). □

Schmidt's revenue from own production up

Schmidt Groupe S.A.S. of Lièpvre, France, boosted revenue from sales of its own output by 40m € or 7 % in its business year 2019 to €603m (2018: €563m). As such, the growth turned out to be similar to 2017 (+7 %) and 2015 (+9 %). The growth rate had slowed slightly in 2018 at 4 %. A double-figure increase of 14 % had been achieved in 2016. On the basis of the €405 reached for 2014, production revenue has increased almost 50 % over the last five years.

Revenue from sales through the specialist retailers including the built-in electrical appliances also increased by 7 % in 2019 to €1.74bn (2018: €1.61bn). The number of exclusive dealerships grew by 28 to 756 (728). In Germany, the number of partner stores

remained stable at 44 (44). In addition to the Schmidt brand, the company is also active with the "Cuisinella" brand in France and Belgium. At present, there are franchise holders in 27 (30) countries. One kitchen studio existed in each of the three markets in which Schmidt Groupe is currently no longer represented.

At the end of April, the company group began to successively resume production that had been halted at all manufacturing facilities on 17 March due to the coronavirus. Besides the factory at the headquarters in Lièpvre, the company also has three production facilities in Sélestat and a works at the location of the German subsidiary in Türkismühle. A logistics centre also exists in Bergheim in France. Besides kitchens, Schmidt

Groupe also manufactures made-to-measure living-room and bathroom furniture on a total area 223,000 m². In its business year 2019, the company invested 90m € in optimising production. The total number of employees fell to 1,750 (1,766) last year whereas the number in Germany rose to 187 (172). The number of employees in the franchise studios increased by 763 to 7,120 (6,357). □



(Photo credit: EUWID)

French furniture trader Alinéa is insolvent



(Photo credit: Alinéa)

French furniture trader Alinéa S.A.S., based in Aubagne, is insolvent. According to a report published by French newspaper La Provence on 15 May 2020, the commercial court in Marseille has already opened restructuring proceedings called "redressement judiciaire". The company operates some 30 stores in France. Approximately 2,000 employees are affected by the insolvency. At the beginning of the year Alinéa had already suffered from the yellow vests movement and the strikes against the French pension reform. The financial difficulties then intensified further due to the corona-related closure of the brick-and-mortar furniture trade in France. Business operations are to continue during the proceedings, the stores are to remain open. No jobs have been cut as yet.

The options to save the company include both the submission of a continuation plan by the shareholders as well as a sale of the company. □

Howdens' sales revenue exceeded by 4.8%

After an increase of 5.4% in sales revenue in the first half of 2019, the growth recorded by the British kitchen-furniture manufacturer and dealer Howden Joinery Group plc (Howdens) had slowed slightly to +4.8% by the end of the year. This put total sales revenue for the year at £1.584bn (2018: 1.511bn). £1.550bn (1.477bn) (+4.9%) was accounted for by the UK, and £33.3m (34.0m) (-2.0%) by continental Europe. Howdens attributes the reduction in continental Europe to its withdrawal from Germany and the Netherlands. The company had operated a kitchen studio in these countries for trial purposes. In local currency, revenue from the continued activities in France

and Belgium rose by 3.8% to a total of €37.7m (36.3m). Despite higher costs arising partly from the discontinuation of business and the opening of new branches, the operating profit increased 5.8% to £260.0m (240.1m). A price rise implemented in January, for example, had a positive impact. The operating margin improved to 16.4 (15.9) %. The after-tax result was 9.3% higher at £260.7m (£238.5m).

A total of 39 new kitchen studios were opened in the UK in 2019 and one studio was closed. In continental Europe, the opening of five kitchen studios in France coincided with the two closures in the Netherlands and Germany. The total number of branches operated by Howdens at the end of 2019 was 759 (732 in the UK, 25 in France, 2 in Belgium). Howdens is planning 30 new studios in the UK and five in France for 2020. □

Forte considers sale of shares or subdivisions



(Photo credit: Forte)

According to an ad hoc statement published on 16 April 2020, Polish cabinet furniture manufacturer Fabryki Mebli Forte S.A. of Ostrów Mazowiecka, is investigating various strategic options as well as a change in the ownership structure. In addition to the issuing of new shares and involvement of a new anchor investor, the company also refers to the possibility of a change in the ownership structure of the entire company or transfer of a subdivision into a cooperation. These measures are intended as a means to further strengthen Forte's position within the Polish and European RTA furniture industry. In its statement Forte drew at-

tention to the fact that no decision concerning the exact approach has been made as yet. The company has, however, already commissioned consulting companies to investigate the economic and legal issues ensuing in connection with the potential options.

Over the course of last year speculations had already arisen within the furniture and wood-based panels sector regarding potential changes in ownership at Forte. Furthermore, there were speculations concerning a potential divestment of the Suwałki particleboard plant, which was commissioned in the first quarter of 2018, either via a joint venture or a sale of the entire plant. The background to the speculation involved, for example, the unresolved issue of succession as well as financing topics in connection with major investments which had been prepared but subsequently only partially implemented over the last two years.

According to preliminary information, in the first quarter of 2020 Forte's turnover dropped by 14% to PLN276m (Jan.-March 2019: 319m). Some PLN16m were generated with external particleboard sales. After more positive development in January and February, due to the corona crisis turnover in March plummeted by PLN48m, or 42%, vis à vis the comparative figure of the previous year. Key results figures also developed along negative lines in March. The EBITDA declined to PLN5.3m (16.4); the EBIT was only just positive at PLN0.6m (11.5m). Over the entire first quarter, however, the EBITDA still improved by 8% to PLN41m (38m) and the EBIT by 12% to PLN27m (24m).

At the beginning of April Forte extended the production downtime which had been imposed initially from 24 March to 06 April. According to company information, these measures are being continually reviewed and will be lifted as soon as possible. In addition to the site at the company headquarters in Ostrów Mazowiecka, the group operates three further furniture plants in Hajnówka, Suwałki and Białystok as well as the particleboard plant in Suwałki. □

Grass to commission logistics centre in September

At the beginning of 2020 Austrian functional fittings manufacturer Grass GmbH of Höchst concluded construction of its new logistics centre in Hohenems. The office building is already in use. Full-scale commissioning of all areas is planned for September. Construction work for a new 73,000 sqft production and warehouse building at the US production location in Kernersville, North Carolina, has also been concluded recently. Parts of the additional storage area are already in use. Installation and commissioning of the new production equipment, however, is not planned to take place earlier than 2021. With the completion of the new production facility and warehouse complex, the total area in Kernersville has increased to 330,000 sqft.

For the 2020 financial year, investments to the amount of €75m are estimated. The majority of this sum will be used for the logistics centre in Hohenems. Furthermore, various modernisation and expansion projects are planned for all locations. The focus will be on the factories in Höchst and Götzis. In addition to the two locations in Vorarlberg and the Kernersville plant, Grass also operates production sites in Salzburg, Reinheim (Germany) and Český Krumlov (Czech Republic).

In 2019 turnover declined by €11m, or 2.8% to €380m (2018: 391m). After a 3.4% rise recorded in 2018, this means that turnover is now back at the level recorded in 2017, when €378m was generated. Grass managing director Albert Trebo explains the decline, in addition to a slight economic downturn in important markets, as being due to a reduction of warehouse stocks by the retail trade. After the bottlenecks in supply which ensued in 2018 due to the high level of demand at Grass, trading partners considerably increased their stocks in the fourth quarter of 2018 and therefore ordered less in the first half of 2019.

Despite the corona crisis, production has continued uninterrupted over recent weeks. Due to the clear decline in incoming orders, however, capacities have been adjusted accordingly. Potential difficulties in the supply chain could be avoided by

accumulating warehouse stocks from countries considered to be critical, such as Italy. As a result of the low demand, restrictions in the availability of transport capacities only affected Grass' ability to deliver in individual cases. □

Häfele's sales revenue boosted by 7.6 % to 1.5bn €

The fittings manufacturer Häfele GmbH & Co. KG of Nagold, Germany, generated sales revenue of around €1.5bn (2018: €1.397bn) in its business year 2019. This equates to an increase of 7.6 %. As such, the growth accelerated again last year. The group had last achieved a higher growth rate in 2015 with an 11.0 % increase in sales revenue. In the following three years of 2016 (+3.1 %), 2017 (+4.9 %), and 2018 (+1.6 %), the growth rates were all mid-range single-figure percentages.

On the basis of the €1.144bn recorded for 2014, sales revenue rose by almost a third over the next five years.

Last year's increase was contributed to in particular by the meanwhile 38 (37) foreign sales companies whose sales revenue rose by 8.8 %. Here, the markets in Asia and Eastern Europe developed positively again. The growth registered by the parent company in Nagold and the five production companies failed to meet the expectations at 3.3 %. The foreign share of the total sales revenue held steady at 80 (80) %.

Owing to the corona crisis, Häfele has put non-essential investments on hold. The company also registered for short-time working with effect from 1 April and until further notice. Besides the employees in production, the administrative and logistics segments in Germany are affected as well. The measures are to be lifted successively depending on the future developments. □



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Restrictions in several other European countries have also been lifted during May

Furniture retailers fully reopened throughout Germany

Retailers gradually reopened their branches' doors in a variety of countries during the second half of April after over-the-counter furniture retail activities ground to a standstill almost everywhere in Europe from the middle of March 2020 onwards.

Kitchen studios and furniture shops with retail space of less than 400 m² and DIY shops and garden centres in Austria were allowed to resume operations from 14 April onwards; a ban on large furniture retailers in Austria being open was then lifted with effect from 2 May. In Germany, the first steps to ease restrictions on shops with a floor space of less than 800 m², car dealerships as well as bike and book shops in most federal states took effect from 20 April. However, four federal states decided to implement the regulations at a later date. In Brandenburg and Berlin the restrictions were eased two days later i.e. with effect from 22 April, whereas Thuringia followed on 24 April and Bavaria finally on 27 April.

North Rhine-Westphalia was the only state to enact special rules for furniture shops and shops specialising in items for babies and allowed them to reopen on 20 April, regardless of their size. In this connection the government of North Rhine-Westphalia specifically referred to the 35,000 persons employed in the furniture trade in this state. As car dealers, furniture stores are not normally located in town centres and therefore the government of North Rhine Westphalia considered it reasonable, irrespective of the size of their sales area, to allow them to open again. In addition to the difference in timing and the exception in North Rhine-Westphalia, variations have also been seen in the implementation of measures in different federal states. Major retailers in a few states of Germany were permitted to close off parts of their floor space from the outset, reducing it to 800 m². Other federal states like Baden-Württemberg



Furniture retailers gradually reopened since mid-April.

(Photo credit: EUWID)

followed suit at a later date and thus reacted to different judicial decisions.

At the beginning of May, the floor space restriction was then fully dropped in Mecklenburg-Western Pomerania, Baden-Württemberg, Saarland, Thuringia, Saxony-Anhalt and Rhineland-Palatinate. On 6 May, the German Federal Government and federal states ultimately agreed to open all shops. In states where the floor space limitation had not previously been lifted, the rules were generally eased on 11 May and in Bremen and Hamburg on 13 May. Furniture retailers in Germany have thus been fully reopened again since the middle of May.

Shops in other European countries, such as Switzerland, France, Denmark and Belgium, have been able to reopen their doors nationwide since 11 May, as well. The Czech Republic allowed shops with a floor space of up to 2,500 m² to reopen already with effect from 27 April as long as they were not located inside shopping centres. Retailers located inside shopping centres in the Czech Republic have also

been able to reopen since 11 May. The Netherlands did not impose any mandatory restrictions on the retail trade. A few businesses still shut down or limited opening hours, though. In Italy, non-essential retailers managed to resume operations on 18 May in accordance with a decree released by the Italian government on 26 April.

In the UK, the gradual opening of non-essential retailers was planned from the start of June based on plans that Prime Minister Boris Johnson presented to the House of Commons on 11 May. However, the arrangements do not appear to be entirely clear. The Kitchen Bathroom Bedroom Specialists Association (Kbsa), based in Mansfield, therefore asked a number of members of Parliament and supervisory authorities for clarification and ultimately informed their members on 14 May that showrooms could reopen, at least in England. Shops in Wales and Scotland have yet to remain closed for the time being. In Spain, small shops were allowed to reopen in some regions at the beginning of May. □

Variations still exist between different countries and segments

Furniture manufacturers have ramped up production again

The furniture industry has now sometimes ramped up production activity, which had been dialled back to varying degrees in different markets and segments of the industry, since the middle of March 2020 after many European countries have now finished reopening brick and mortar furniture shops.

However, there are still fairly sizeable discrepancies among the different countries and companies. The actions to ease restrictions in the furniture trade carried out to date are proving key. The more advanced these measures, the quicker the effects are evident in the furniture industry.

The biggest production restrictions have occurred in Italy, France, Spain, the UK and parts of Eastern Europe. Many furniture producers and suppliers in these countries completely idled production for several weeks in the second half of March and in April. The process of restarting plants, which began in Italy and Spain from the end of April, is going rather slowly. Most companies have so far only manufactured at significantly reduced levels. In many instances, capacity utilisation barely exceeds 50-60% at the moment. Even lower workloads are not the exception. Production has also been scaled back dramatically in France and the UK on the whole. Many companies did not resume manufacturing until sometime in the first half of May. Eastern European furniture producers are also still operating at much lower levels. Insiders estimate that furniture plants in Poland, for instance, are only operating at an average of 50% capacity utilisation. It will likely take a longer time for them to ramp up production.

However, the process of production activity returning to normal is already more advanced in Germany, Austria and Switzerland. Average capacity utilisation is reportedly in the region of 65-70%. A few companies have already recorded work-

loads above 90%. It is harder to reach even higher figures due to the required protective and precautionary measures at production facilities. Downtime and production curtailments in a variety of segments within the German market were already much less dramatic than in other countries. This is especially true of the kitchen furniture industry, which operated at fairly normal levels into April in many cases and was then slow to trim capacity. Office and commercial furniture manufacturers have encountered larger variations from country to country, depending on their portfolios and sales focus. On the whole, the living room and bedroom furniture industry also took longer downtime in Germany, Austria and Switzerland in April. Several companies shut down production for two to three weeks. In a few instances, the stoppages lasted more than four weeks. Most companies restarted production by the end of April. A few manufacturers managed to run their plants at relatively good capacity levels, at least temporarily, thanks to the order cushion that built up during the stoppages.

The ramp-up of furniture production in Germany, Austria and Switzerland was made possible by restrictions on brick and mortar furniture shops being eased. Despite initial restrictions on shop size and somewhat lower foot traffic, these changes culminated in furniture producers landing orders fairly quickly. The product range, sales focus, export rate and export breakdown by country also had an impact on how quickly things returned to normal. Companies which focus their export efforts on markets that are still more limited, such as France and the UK, are lagging behind. It is currently hard to estimate how long better capacity utilisation will last. Most furniture producers in Germany, Austria and Switzerland presently think that order intake and thus manufacturing will continue returning to normal in June and July. Holiday stoppages slated for the summer might be shortened or cancelled altogether if the upward trend levels off. Several companies have already brought forward maintenance carried out during these stoppages. □



Closures in the furniture retail trade affected shipments in the industry.

(Photo credit: EUWID)

Net revenues dipped 1% to SEK3.445bn in the first quarter

Branch closures in the UK and Austria take a bite out of Nobia's profits

The closure of branches and plants in the UK and Austria in the second half of March resulted in a significant downturn in first-quarter earnings at the Swedish kitchen furniture manufacturer Nobia AB, based in Stockholm.

According to its interim report for the first quarter, which was published on 5 May, this factor cut earnings by about SEK60m. The UK, where Nobia operates production facilities via its four British subsidiaries in Darlington (Magnet Group), Dewsbury (Rixonway Kitchens Ltd.), Grays (Commodore Kitchens Ltd.), Halifax and Morley (both Gower Furniture Ltd.), was solely responsible for SEK50m. These facilities and the kitchen studios in the UK had to close their doors with effect from 24 March. The group thus temporarily laid off the majority of its British workforce of 2,300 employees at the end of March. Its Austrian subsidiary ewe Küchen GmbH shut down manufacturing at its Wels headquarters and site in Freistadt in mid-March. While manufacturing ramped up again in Austria after around four weeks on 14 April, British

sites will likely not return to full capacity utilisation before the middle of June, as things currently stand.

Nobia reported that its other seven production sites in the Netherlands (Dinxperlo), Sweden (Tidaholm), Denmark (Ølgod, Bjerringbo and Farsø), Norway (Eggedal) and Finland (Nastola) were able to continue operating without major disturbances and disruption to the supply chain. Altogether Nobia laid off 3,000 workers group-wide at the end of March. The 700 or so layoffs outside the UK are spread across different areas of the company in the remaining national markets. All told, the group employs some 6,100 workers.

Operating profits were almost halved to SEK134m (Jan.-March 2019: 260m) in the first three months. In addition to the extraordinary charges of SEK60m connected to the closure of sites in the UK and Austria, currency effects of SEK35m also had a negative impact. Nobia's British operations even booked an operating loss of -SEK21m (73m) for the first quarter. In addition to

the closings, costs of around SEK30m for previous restructuring measures and an increase in production capacity at the Magnet site in Darlington trimmed earnings. The Nordic division suffered a SEK16m reduction in operating profits to SEK198m (214m); Central European operating profits more than tripled to SEK18m (5m). Group earnings after financial items dropped 52% to SEK113m (236m), while post-tax profits fell 52% to SEK88m (183m).

Nobia reported a 1% reduction in net sales revenues to SEK3.445bn (3.469bn) in the first quarter. The organic decrease reached 2%. The Nordic region was the only division to record a 1% organic growth in revenues. Its Danish project and consumer business and retail operations in Finland and Norway turned in a particularly positive performance. By contrast, the UK and activities in Central Europe, which include ewe Küchen and the Dutch kitchen manufacturer Bribus Holding B.V., based in Dinxperlo, suffered respective organic decreases of 6% and 1%.

Nobia had SEK1.3bn in cash and unused lines of credit available at the end of March. In the past few weeks, the group took a variety of steps to cut costs and improve cash flow. In addition to the layoffs, the company also retracted its dividend proposal of SEK4.0 per share or around SEK675m and reduced investments. Nobia built up reserve stocks of upstream products in the past few weeks to minimise supply disruption.

Over the entire year of 2019 group turnover increased by 5% to SEK3.930bn (2018: 3.739bn). In this connection currency effects as well as the Bribus takeover had a positive effect. Organically, turnover was stable. Operating profit increased by 11% to SEK1.132bn (1.018bn). Profit after financial items rose by 5% to SEK1.039bn (986m) and profit after tax by 8% to SEK810m (753m). □



(Photo credit: Nobia)

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Clear cut-backs in production at Mohawk

Due to the corona crisis, US flooring group Mohawk Industries Inc., based in Calhoun, Georgia, has responded to a serious drop in demand in virtually all relevant sales markets by making significant adjustments to its production. In all three business divisions individual factories have been shut down for lengthy periods of time. Most other sites are closed repeatedly for short periods in order to adjust production to the reduced level of demand. Irrespective of the course of production, purchasers are receiving continuous supplies from warehouse stocks, which are at sufficient levels in all areas of production.

According to Mohawk CEO Jeff Lorberbaum, turnover and results figures had developed as planned until the outbreak of the corona crisis. Initial effects of the restructuring measures initiated over the course of 2019 had also become visible in the figures. The measures imposed by the governments of numerous countries to curb the coronavirus, which included a virtually complete stoppage of the retail trade as well as restrictions of production

activity, have subsequently also led to a serious decline in demand at Mohawk since mid-March. Private housing construction is most strongly affected by this development. DIY business, in contrast, has developed along relatively positive lines, according to Lorberbaum. This is partially attributed to positive effects from renovation business. Meanwhile contradictory trends have become noticeable on the different markets. Whilst in some countries the tendency is to impose even more strict protective and precautionary measures, other countries are beginning to ease their regulations. Nevertheless, Mohawk continues to struggle with significant declines in sales and turnover. In April alone turnover fell 35% short of the preceding year's figure. According to Lorberbaum, it is currently impossible to estimate how long this negative development will continue and at what point the easing measures initiated in various countries will start to have an effect. As a consequence, in the immediate future the company will be deciding on further production restrictions on a weekly basis. In parallel all cost-saving possibilities are

to be fully exploited. Personnel costs are to be reduced by means of redundancies and short-time work. Investments will be reduced and non-essential expenditure is to be postponed. The current share buyback programme has been put on hold. At present the company is also benefiting from a declining trend in upstream product and energy costs. With regard to financing Mohawk has recently concluded an additional credit line for an amount of US\$500m. Once bonds to the amount of US\$300, which are due in May, have been paid back, the group will have liquidity of some US\$1.3bn available.

Such influential factors have meant a decline in turnover and results figures of all three business divisions during the first quarter. In this connection, the flooring rest of the world division once again survived best. Turnover decreased by 5.3% to US\$589.0m (622.2m). Adjusted to account for exchange rate effects and the number of trading days, the level was virtually the same as last year. Including additional restructuring, acquisition and integration effects, a decline of 1.1% ensues. Operating profit dropped by 14.6% to US\$77.2m (90.4m). □

Tarkett reports a slight downturn in EBITDA

The coronavirus pandemic is already leaving its mark on first-quarter financials at the French flooring manufacturer Tarkett S.A., based in Paris-La-Défense. Revenues were down 2.2% at €610.7m (Jan.-March 2019: 624.5m). On an organic basis, revenues were 2.9% lower. Adjusted EBITDA decreased by 1.6% to €42.4m (43.1m). The adjusted EBITDA margin stayed at 6.9 (6.9) %.

Business had been largely satisfactory until the middle of March before significant downturns in sales mainly materialised in Southern Europe at first. This meant that revenues in the EMEA division, which pools its European activities, fell 4.7% to €227.7m (239.0m) in the first quarter. On an organic basis, revenues dropped by 3.7%. Tarkett said that the situation stayed relatively stable in Scandinavia and Germany until the end of the quarter. All

European manufacturing sites have been operating to a limited extent again since the middle of April after a few mills took temporary downtime in March.

Tarkett's North America division recorded similar revenues to 2018 at €196.1m (195.8m). Organic revenues also declined by 2.8% due to unfavourable currency effects. The firm temporarily idled one mill in the US and one in Canada, but has since resumed operations at these sites.

The CIS, APAC & LATAM division faced a 2.5% decline in revenues to €109.7m (112.5m), an organic slump of 1.1%. China and other Asian markets where the coronavirus already had negative effects in February were responsible for this downswing. Business in the CIS countries and Latin America had still been positive until the

end of the quarter. The situation has now eased in Asia. The two Chinese plants that were idled in February ramped up again in March and are now manufacturing at largely normal levels again.

The Sports division, which pools its sports flooring business, delivered stable revenues of €77.1m (77.2m). On an organic basis, revenues were 3.3% lower because of unfavourable currency effects between the euro and US dollar. Tarkett generates 80% of its sports flooring revenues in North America.

The coronavirus pandemic has been evident in all of Tarkett's core markets, apart from China, since April. Sales are expected to dive by 40% in April alone compared with the same month last year. Adjusted EBITDA will also likely be affected. However, the company is not currently making specific forecasts for the second quarter or the full year. □

Negative results posted by AFI again in first quarter

Sales revenue generated by the US flooring group Armstrong Flooring Inc. (AFI) of Lancaster, Pennsylvania, in the first quarter of 2020 was 2.1% down at US\$138.7m (Jan.-March 2019: 141.7m). The main contributing factor to this reduction was the poorer China business as the outbreak of the coronavirus had already led to significant losses in sales in January and February. The volume of sales in North America, however, initially developed better than expected, to the extent that revenues were still roughly 10% up after the first two months. The corona crisis then impaired the North American market as well in the second half of March. Overall, the company succeeded in boosting its revenue from sales in North America by around 2%, however.

The company says the generated net sales revenue is still largely within the range of its targets. The same evidently applies for adjusted EBITDA, which was in the red at -US\$1.6m (0.0m). The subsequent key performance figures also turned out negative, though the losses against a year earlier were no longer as high. The operating result amounted to -US\$13.3m (-15.6m). In total, the group recorded a net loss of -US\$13.2m (-16.7m).

In view of the unsatisfactory earnings position for quite some time now, AFI recently launched a multiple-year restructuring programme. The company had previously set its sights on increasing sales revenue this year. Owing to higher expenditure in sales, however, a further reduction was forecasted in adjusted EBITDA. Whereas the medium-term targets are unlikely to be met due to the corona crisis, the company is sticking to its long-term goals. In reaction to the increasing prevalence of the coronavirus in North America, production was suspended for two weeks at all of the US facilities. AFI had previously shut down the works in China for almost the whole of February. All the works are up and running again in the meantime. There have not yet been any squeezes with raw materials arising from disrupted supply chains and none are anticipated either at the moment. □

Bauwerk Boen: Higher earnings, lower sales

The parquet manufacturer Bauwerk Boen Group, headquartered in St. Margrethen, Switzerland, delivered an improvement in its earnings in the 2019 financial year. A turnaround emerged during the second half of the year, as expected, after earnings had dived in the first six months of the year. The group said that profitability improved in the full year thanks to price increases and positive changes in the product mix. Another factor contributing to this upswing is measures to improve production efficiency, especially at its new location in Durdevac, Croatia. EBITDA rose 3.3% to CHF29.6m (2018: 28.6m), while the EBITDA margin increased to 10.5 (9.8) %. EBIT was 3.9% higher at CHF17.6m (17.0m); the EBIT margin stood at 6.3 (5.8) %. Adjusted for one-off effects, mainly costs associated with efficiency improvement measures at its sites in Lithuania and Croatia in 2018 and currency effects, EBIT reached CHF18.9m (18.2m) and the related margin stood at 6.6 (6.2) %. Group earnings leapt as much as 32.9% to CHF12.9m (9.7m). Bauwerk Boen benefited from lower interest charges, reduced negative currency effects and lower extraordinary charges.

The EBIT and EBITDA margins are in line with the targets set in spring 2019. However, the firm failed to meet its revenue forecast. Bauwerk Boen had originally raised the prospect of growth, but then

projected stable revenues in a year-on-year comparison after a correction last autumn. In actual fact, net revenues were 3.6% lower than the previous year at CHF281.4m (292.0m) in 2019. Adjusted for currency effects, revenues were 0.9% lower than in 2018. Higher prices helped to partly offset the downturn in sales volumes. The amounts of parquet sold under the Bauwerk and Boen brands decreased by 3.2% to around 8.7m (9.0m) m². The group had sold 9.2m m² of parquet flooring in 2017.

The company primarily blamed last year's downturn on it ending cooperation with customers in Sweden and Norway due to unprofitable projects. All told, Scandinavian revenues dropped 11.1% to CHF28.3m (31.9m). Revenues on the firm's main sales markets in Germany, Austria and Switzerland were marginally lower than the previous year at CHF163.7m (165.7m). The group reported stable revenues in Germany. Revenues dipped 3.4% to CHF67.0m (69.4m) in the rest of Europe. The rest of the world region contributed CHF22.3m (25.1m) or approximately 8% to group revenues. The group turned in weaker performances in both the US and Asia. The coronavirus crisis is expected to have a negative impact on its performance in the current financial year, although it has not issued a concrete forecast. □

Amorim achieves positive result with floor coverings

In the first quarter of 2020 the floor & wall coverings business unit of Portuguese cork group Corticeira Amorim SGPS S.A., Mozelos, achieved a turnover increase of 11.0% to €31.5m (Jan.-March 2019: 28.4m). This is the first increase recorded for the floor coverings-focused business unit for a considerable period. Amorim attributes the turnaround mainly to the contribution of the new Wise floor covering line, which generated turnover of €3.0m (0.4m) in the first quarter. Wise is waterproof flooring with a PVC-free cork rigid core.

The company recorded increases, for example, in Scandinavia, Germany and North America. In addition to higher sales volumes, increases in sales prices as well as a better production mix also contributed to the improvement in turnover. The business unit benefited additionally from the measures to improve efficiency in production implemented in 2019, as well as declining raw material prices and lower expenses in the areas of marketing and product development. As a consequence the segment EBITDA, at €1.3m (-1.0m), was back in the profit zone. Corresponding to, the EBITDA margin improved to 4.1% (-3.7%). □

International Trade Commission finds that 48 Unilin patent claims have been infringed

General exclusion to govern US vinyl flooring imports from China

In an initial determination published on 15 May, the US International Trade Commission (ITC) at the US Department of Commerce in large part sided with accusations that the intellectual property firm Flooring Industries Ltd S.à.r.l., headquartered in Bertrange, Luxembourg, made against 45 Chinese flooring producers and US distributors on 25 March 2019.

In a 269-page ruling (case reference 337-TA-1155), administrative law judge David Shaw stated that vinyl flooring with a rigid core or foamed core substrate imported into the US by the accused companies infringes 48 claims listed in three patents: US 9.200.460, US 10.208.490 and US 10.233.655. All of this flooring is installed using click flooring technology. Owned by Unilin bvba's Technologies Division of Wielsbeke, Belgium, the intellectual property group had originally based its suit, which was backed by the parent company Mohawk Industries Inc., based in Calhoun, Georgia, and another Mohawk entity IVC US Inc. of Dalton, Georgia, on 59 claims

relating to angle fold-down locking systems for resilient flooring and glue-free multi-layer vinyl flooring.

In an effort to make the substantive assessment easier, Flooring Industries had decided to remove 11 patent claims from the scope of the case in recent months due to thematic overlap. Flooring Industries and the intellectual property firm Innovations4Flooring N.V. (I4F), based in Willemstad, Curaçao, entered into an agreement at the end of October 2019 to settle patent disputes in the new material products area, which also reduced the number of businesses directly affected by the suit. The agreement between Flooring Industries and I4F also involved terminating all legal disputes between the two firms and their licensees. As a result, companies belonging to HMTX Industries, a holding firm based in Norwalk, Connecticut, which Harlan Stone founded in the second quarter of 2019, were removed from the case. Businesses within the HMTX group initially listed in the petition were Aspecta North America LLC, Halstead New England

Corp. and Metroflor Corp., also based in Norwalk. These companies are among the first I4F licensees. Over the past year, Flooring Industries also entered into separate licence agreements with a few of the Chinese producers affected by the filing, meaning that they can now deliver to the US without restrictions. Flooring Industries had listed 19 Chinese companies in the original petition – 13 of which are based in Jiangsu Province, four in Zhejiang and one each in Anhui and Hangzhou. Fifteen of the 26 US companies listed at that time were based in California, five in Texas, three in Connecticut, two in Georgia and one in Florida.

The initial determination affects more than just the companies listed in the petition. Based on the patent infringements upheld by the ruling, the administrative law judge has proposed a general exclusion that will generally ban importing products that infringe the patents. Any such products thus can be seized by US customs authorities and/or be returned to their countries of origin. The general exclusion applies for the entire duration of the underlying patents. The three patents cited by Flooring Industries in the case will likely expire around 2030.

The ITC still has to confirm the administrative law judge's verdict; a date has been slated for September. Flooring Industries will accept the decision in its current form. The company also thinks that no appeals will be filed, meaning that the ruling might be confirmed at an earlier date. Once this step has happened, the general exclusion will enter into force. Under the process, which is based on Section 337 of the US Tariff Act, once the ITC has upheld the verdict, there is still the option of a presidential review, which could allow US President Donald Trump to influence the verdict. However, he is thought unlikely to get involved since the initial determination targets products made in China that infringe patents. □



ITC has proposed a general exclusion for vinyl flooring.

(Photo credit: EUWID)

Intellectual property firm plans to step up efforts to market its partners' patents

Number of I4F licensees for locking of hard flooring climbs to over 100

The intellectual property firm I4F Licensing N.V., Hamont/Belgium, awarded ten new licences for glue-free locking of hard flooring during the first quarter of 2020.

The total number of licences for locking systems had thus risen to 104 by the end of March. Towards the end of 2019, I4F had issued a total of 94 locking licences. This figure is poised to increase to roughly 120 by the end of 2020. The majority of its licensees are still located in Asia. The bulk of them had been found in China until now, although the company also recently awarded licences in other countries in the region, too, such as Vietnam, Cambodia and Turkey. The new material products grouping, which comprises different types of floor coverings made out of plastic, still dominates.

I4F believes that it will be able to issue more licences for locking systems for laminate flooring in the future, as well. The group has just a few licensees in this area to date, though, such as Creative Flooring Solutions Holdings Ltd. (CFL, Shanghai) and the Kronospan Group. The licences that these companies secured from I4F cover different product categories. I4F has not awarded any licences solely relating to laminate flooring to date. However, the group is currently in final talks with two major laminate flooring producers.

Along with expanding its licence business for locking systems, I4F also wants to intensify licensing of other technologies. The company is working in these areas with 11 partners for which I4F provides patent marketing and defence services. The partners in question are the Classen Group (Kaisersesch), the Kronospan Group, Ulrich Windmüller Consulting GmbH & Co. KG (UWC, Schloss Holte-Stukenbrock), Tarkett S.A. (Paris-La-Défense, France), Li&Co AG (Müstair, Switzerland), HMTX Industries (Norwalk, Connecticut,



(Photo credit: I4F)

US), Quickstyle Industries Inc. (Montreal, Canada), Kowon R&C Corp. (Seoul, South Korea), CFL, Zhejiang Kingdom Plastics Industry Co. Ltd. (Kingdom Flooring, Jianxing, Zhejiang Province) and Benchwick Construction Products Ltd. (Changzhou, Jiangsu Province). A partnership forged in January 2017 with the Classen Group also includes a 49.9% stake in Classen Intellectual Property GmbH (Classen IP), headquartered in Kaisersesch. I4F has also purchased a 49.9% stake in Kowon.

I4F granted five licenses for its partners' patents during 2019. These licenses encompass solutions developed by Classen and Kronospan for the wall panel sector as well as Kingdom Flooring's grout technology. I4F is currently in negotiations with two firms interested in securing a licence for the Liquid Laminate Technology (LLT) developed by Classen to make laminate flooring. I4F intends to award 20-25 licenses for patents outside locking technology in 2020 as a whole. I4F developed a cluster strategy for marketing patents during the past year. The

first five clusters (Locking, Board & Wall Panels, Manufacturing Process, Materials and Panel Composition and Surface Finishing) were expanded by adding a separate area, Digital Printing, at the end of 2019. Classen and Kronospan mainly own the digital printing patents handled by this cluster. Additionally, I4F added digital structuring patents by forging a partnership with Benchwick in January 2020. In March, the group reached an agreement with Quickstyle Industries, which primarily covers True Grout joint technology that is part of the Materials and Panel Composition cluster. I4F is planning to further increase its number of partners and thus acquire rights of use for complementary technologies. It is currently in discussions with another company.

I4F licensees can now access a total of around 3,000 patents thanks to these clusters. I4F currently holds around 600 of its own patents, which primarily cover locking systems; the other 2,400 patents are held by its partners. □

Little change registered in distribution amongst product groups last year

Greater growth in Home Depot's sales revenue in the first quarter

After the flattening over the last three business years, net sales revenue generated by the US DIY group The Home Depot Inc. of Atlanta, Georgia, increased again with greater vigour in the first quarter of 2020/2021 (31 January).

The restrictions arising from the corona crisis, which manifested themselves at Home Depot only in the form of shorter opening hours, stricter access regulations, and the suspension of certain services, such as kitchen renovations, therefore had less of an impact on development in sales revenue than had originally been expected. Total store closures were not required because the DIY business in the three markets of USA, Canada, and Mexico were classified as relevant for the provision of supplies. In certain regions, such as the Canadian province of Ontario, sales were temporarily restricted to "buy online, pickup in-store" activities (BOPIS). The shift observed for some considerable time in revenues into online business has generally become more pronounced as a result of

the corona crisis; revenue generated from online sales were roughly 80% higher than a year earlier. In the first quarter of its business year 2020/2021 ending on the last day of April, Home Depot generated a total of around US\$28.3bn (Feb.-April 2019: 26.4bn). This exceeded the previous year's figure by 7.1%. Adjusting for changes in the salesfloor area and the number of trading days, Home Depot achieved growth of 6.4% in sales revenue (Feb. +9.3%, March +7.1%, April +4.2%). In the USA, where Home Depot operates 1,985 of its total number of 2,293 DIY stores, comparable sales even increased 7.5%. Development was slightly less pronounced in Canada (182 stores) and Mexico (126 stores).

In the quarterly report presented on 19 May, Home Depot divided business performance into three phases. In the first seven weeks, the company achieved high single-figure or double-figure growth rates in sales revenue in almost all product groups. Following the introduction of the restrictions on store access, Home Depot had to put up with losses in sales revenue

almost throughout the second half of March and the first two weeks of April. In the last three weeks of the quarter, on the other hand, sales revenue mostly rose sharply again, which Home Depot attributes to the greater renovation activity from the state "shelter-in-place" orders. Kitchen, bathroom, and flooring installations continued to develop poorly, however. Over the whole of the first quarter, Home Depot achieved growth in sales revenue in eleven of its 14 product groups (merchandising departments). In contrast, comparable sales fell in the Kitchen & Bath, Flooring, and Millwork departments.

Home Depot introduced the protective and precautionary measures against the coronavirus at its DIY stores from 19 March. The purpose of closing the stores earlier at 6 p.m. was to give the employees more time for replenishing stocks and for performing the additional cleaning work in the stores. Store traffic was limited by means of a variety of measures. In addition, particularly popular special events at the stores, such as "spring Black Friday", were cancelled. According to Home Depot CEO Craig Menear, the ensuing losses in sales revenue were more than compensated for by growth in other areas.

Parallel to the changes at the stores, Home Depot introduced additional benefits for the employees in mid-March. Full-time employees are granted 80 additional paid hours of absence; part-time staff get 40 additional hours. Unused hours will be paid out in cash at the end of the year. Employees testing positive for COVID-19 continue to receive wages for the duration of the illness or obligatory quarantine. Employees older than 65 years or belonging to a risk group are entitled to an additional 240 hours (full-time) or 120 hours (part-time). Employees paid by the hour receive weekly bonus payments; overtime pays double. Home Depot says these additional benefits result in expenditure to the tune of US\$850m



(Photo credit: Home Depot)

before tax or US\$640m after tax. It is partly due to this that the operating result for the first quarter of the business year fell by 8.9% to US\$3.3bn (3.6bn). The net result fell by 10.7% to around US\$2.2bn (2.5bn).

Owing to the growing uncertainty about the economic development due to the corona crisis, Home Depot has suspended the guidance for its business year 2020/2021. In its business year 2019/2020, sales revenue has risen by 1.9% to US\$110.2bn (2018/2019: 108.2bn). Comparable sales had increased 3.5%. The preceding business year 2018/2019 had closed with growth of 7.2% or an adjusted 5.2% in sales revenue; adjusted sales revenue had even risen by 6.8% in 2017/2018. Change in the performance figures has been less pronounced over the last few years. The operating result rose from US\$14.7bn in 2017/2018 to US\$15.5bn in 2018/2019, and 2019/2020 was only a little higher at US\$15.8bn. The pre-tax result took a similar course (2017/2018: US\$13.7bn, 2018/2019: US\$14.6bn, 2019/2020: US\$14.7bn) whereas the net result was down slightly in 2017/2018 due to high tax payments (2017/2018: US\$8.6bn, 2018/2019: US\$11.1bn, 2019/2020: US\$11.2bn).

Sales revenue generated in the USA and the two other countries developed parallel to one another in the last two years. US sales revenue had initially risen to US\$99.4bn in 2017/2018 from US\$92.4bn; the US\$100bn mark was crossed at US\$101.3bn in 2019/2020. The growth in Canada and Mexico in 2018/2019 was also greater than in the following year (2017/2018: US\$8.5bn, 2018/2019: US\$8.8bn, 2019/2020: US\$8.9bn). The development in sales revenue has been a little better across all three countries in the last few years (2017/2018: US\$96.0bn, 2018/2019: US\$102.9bn, 2019/2020: US\$105.2bn). Last year, revenue from the sale of services almost reverted to the 2017/2018 level (2017/2018: US\$4.9bn, 2018/2019: US\$5.3bn, 2019/2020: US\$5.0bn).

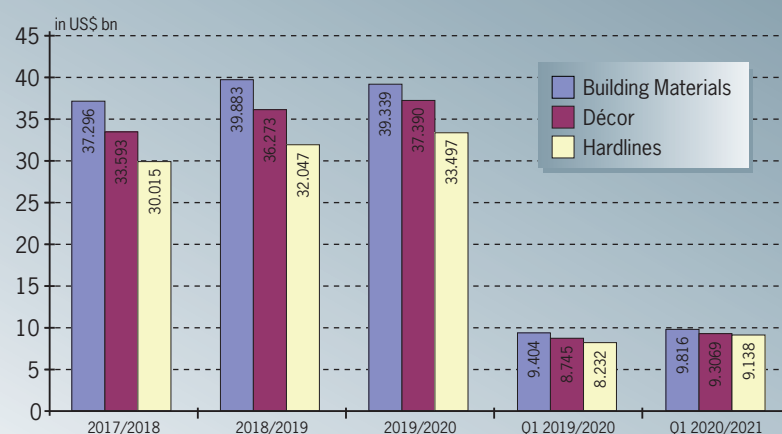
Home Depot's full range is divided into the three main product lines of "Building Materials", "Décor", and "Hardlines" with a total of 14 product groups. All three

Home Depot: Sales by merchandising segments

in US\$ m	2017/ 2018	% of sales	2018/ 2019	% of sales	2019/ 2020	% of sales
Appliances	8,167	8.1	9,027	8.3	9,852	8.9
Building Materials	7,266	7.2	7,770	7.2	7,712	7.0
Décor/Storage	3,175	3.1	3,583	3.3	3,758	3.4
Electrical/Lighting	9,441	9.4	9,941	9.2	9,844	8.9
Flooring	6,992	6.9	7,494	6.9	7,443	6.8
Hardware	5,878	5.8	6,203	5.7	6,381	5.8
Indoor Garden	9,785	9.7	10,45	9.7	10,989	10.0
Kitchen and Bath	7,275	7.2	7,728	7.1	7,717	7.0
Lumber	7,797	7.7	8,393	7.8	7,894	7.2
Millwork	5,382	5.3	5,757	5.3	5,757	5.2
Outdoor Garden	6,984	6.9	7,259	6.7	7,564	6.9
Paint	7,984	7.9	8,441	7.8	8,620	7.8
Plumbing	7,410	7.3	8,022	7.4	8,131	7.4
Tools	7,368	7.3	8,135	7.5	8,563	7.8

Source: The Home Depot

Home Depot: Sales by major product lines



Source: EUWID (according to reports from The Home Depot)

segments achieved similar growth in sales revenue from 2017/2018 to 2018/2019. In the company's last business year, sales revenue generated by Building Products with the product groups of building materials, electrical/lighting, lumber, millwork, and plumbing fell again slightly to US\$39.3bn (39.9bn). The sales revenue of the Décor segment (appliances, décor/storage, flooring, kitchen/bath, paint) rose to US\$37.4bn (36.3bn). In the case of Hardlines (hardware, indoor garden, outdoor garden, tools), the increase was slightly higher at US\$33.5bn (32.0bn). Of

the 14 product groups, eight increased in the last business year; the other six failed to match the figures for a year earlier. The product groups Building Materials (US\$7.712bn), Flooring (US\$7.443bn), and Kitchen/Bath (US\$7.717bn) were all just short of the previous year's figures. The millwork segment remained unchanged at US\$5.757bn, revenue from lumber sales, on the other hand fell to US\$7.894bn. Nevertheless, only minor changes occurred in the distribution of the group's sales revenue amongst the individual products groups in the last business year. □

Consolidated sales revenue down by up to 75 % in first three weeks of April

Kingfisher reopens half of its DIY stores in eight countries

Over the last few weeks, Kingfisher plc of London, UK, has restored almost half of its 1,370 DIY stores in eight countries to normal operation.

According to a trading update published on 12 May 2020, 631 facilities were open for customer traffic at that time. As such, there are no longer any general restrictions in France (99 Castorama stores, 121 Brico Dépôt stores), Portugal (3), Poland (81), and Romania (35). In the UK, Kingfisher opened 14 of its B&Q stores on 17 April for trial purposes. Following the success of this test, 274 other B&Q stores are now in operation. Now only one of the total 289 British B&Q stores remains closed. The total of 683 Screwfix stores in the UK, however, remain restricted to online sales with Click & Collect services. The 13 DIY stores in Ireland (eight B&Q facilities, five Screwfix stores) have been closed to the public since the lockdown decreed by the Irish government. The Irish government had announced a relaxation of the regulations on 1 May. Since then, Kingfisher has been examining the possibilities of a

reopening, but no measures have been implemented yet. The 28 Brico Dépôt stores in Spain are still closed. In Russia, 14 of the meanwhile only 18 Castorama facilities are currently only operating with a Click & Collect service. Of the other four stores, one is open for business as usual and three are only partly open.

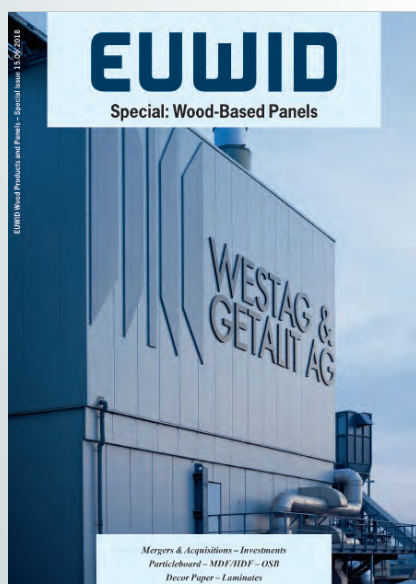
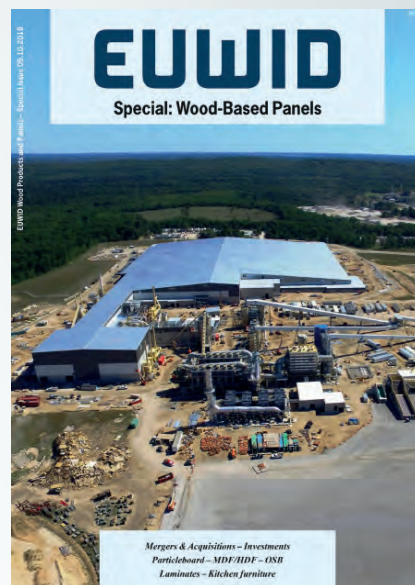
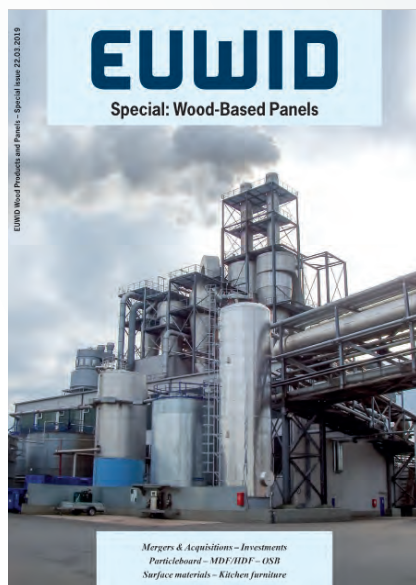
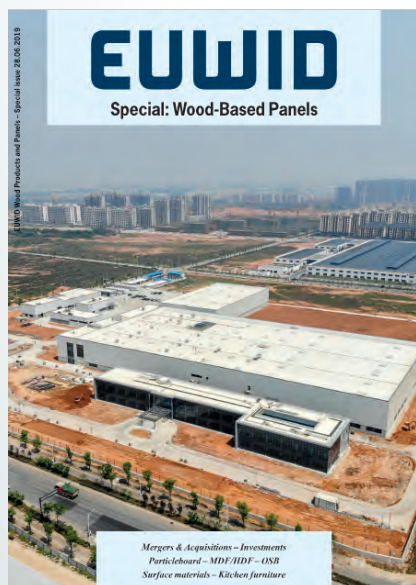
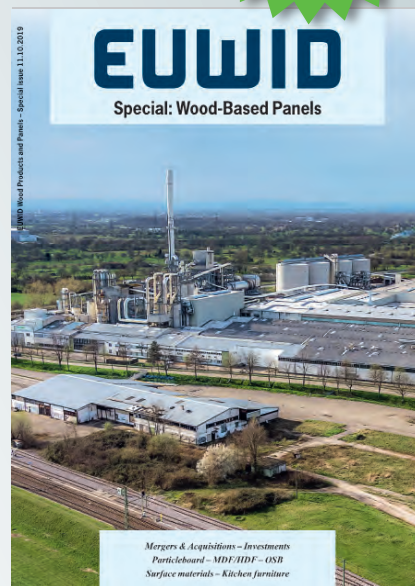
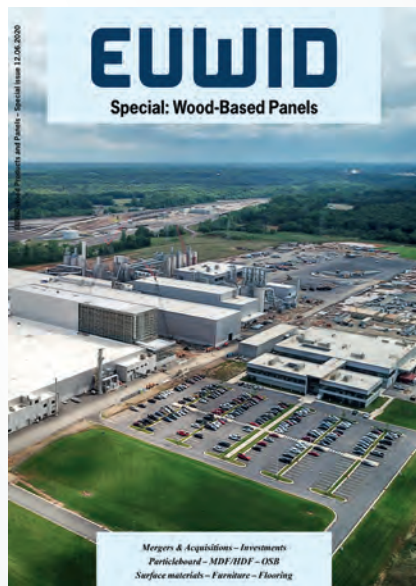
The chronological sequence of the closures in the individual countries is also given in the trading update. On 23 March, the British government had ordered the termination of all non-essential trading activities. The hardware segment is classified as relevant for the provision of supplies, however, and is therefore exempted from the closures. Kingfisher would therefore have been able to continue to operate the B&Q and Screwfix stores, but the company closed them to the public on 23 March, nevertheless; a Click & Collect service and a home-delivery service was introduced from 24 March. In contrast to the UK, the discontinuation of trade ordered by the Irish government on 28 March also includes the hardware segment; the "Online only"

rule therefore applicable for this segment, too, was initially limited until 18 May. In France, all trade segments not relevant to the provision of supplies were closed down on 14 March; the closure order ended on 11 May. Although DIY stores have been classified as relevant for the provision of supplies, Kingfisher closed all Castorama and Brico Dépôt stores to the public on 15 March. Click & Collect and home deliveries began on 23 March. After negotiations with the unions, Kingfisher began reopening its French stores on 24 April; all stores were reopened at the beginning of May. The Brico Dépôt stores in Spain had to be closed when the government declared a state of emergency on 14 March. At the end of March, Kingfisher introduced a delivery service in Spain as well. A Click & Collect service was added for commercial customers at the end of April. According to the Spanish government's relaxation measures announced on 28 April, DIY stores are permitted to reopen from the end of May. The Kingfisher stores in Portugal, Poland, and Romania were allowed to remain open, however. In Poland, the stores were only obliged to remain closed on Saturdays; this restriction was lifted on 4 May.

The store closures performed to differing extents in the individual countries led to considerable losses in sales revenue in the first quarter ending at the end of April in Kingfisher's business year 2020/2021 (31 January). According to the trading update, the group's sales revenue fell by 24.0% to £2.155bn; adjusted for currency and on a like-for-like salesfloor area, the figure was 24.8% down. The upward trend already observed in the final quarter of the business year 2019/2020 continued until the middle of March. In the weeks that followed, the development in sales revenue was increasingly held back by the impact of the corona crisis. The first three weeks of April turned out to be even poorer. □



(Photo credit: EUWID)



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