

# EUWID

## Special: Wood-Based Panels

EUWID Wood Products and Panels – Special Issue 17.03.2023



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## *Little sign of improvement*

Following three turbulent years, 2023 was supposed to mark a return to normal for the wood-based panel, surfaces, furniture and building part industry. However, there has been little sign of this happening to date. Costs for most upstream products, energy and logistics have fallen sharply in recent months, but most of them are still much higher than they were in 2020. It remains to be seen whether they will return to their old level in the foreseeable future. The industry will likely have to adjust to higher costs for many items in the longer term. Companies could tolerate these costs as long as markets remained good. High order intake, plants running at full capacity and lengthy lead times have paved the way for manufacturers to raise their prices again and again over a longer period of time to offset spiralling costs. Prices even overcompensated for the trajectory taken by costs during 2021 and the first few months of 2022, which was reflected in much better earnings. The situation has now reversed course. Costs have decreased and demand plunged in the same period, eroding earnings from ongoing operations and resulting in much higher fixed costs as plants are operating at worse capacity utilisation.

The downswing started back in early summer 2022 in a number of areas, such as living room furniture and flooring. Other

areas, such as interior doors and kitchen furniture, initially held up better. The slump has now spread to almost all segments, though. The considerable downturn in the construction business, which is only taking effect with a delay due to the lead times for residential construction projects, will cause additional problems in the months ahead.

The start of the year has been better than expected in a variety of product areas. However, this minor upswing was primarily due to changes in inventory levels. Buyers have restocked a little following severe inventory reductions in the fourth quarter. It is now clear, though, that this effect has dispersed quickly, meaning that there are hardly any signs of a lasting improvement at the moment.

Machinery and plant manufacturers are reaping the rewards of order cushions built up in the past two years, which will allow them to keep their plants busy until the end of 2023 or even into 2024. That being said, lead times have become shorter in many cases. Order intake has

also taken a significant turn for the worse because many companies are investing more cautiously owing to the more challenging market climate.

This 15th edition of EUWID Special: Wood-Based Panels casts the spotlight on market, industry and corporate developments from various angles. These reports also provide an overview of issues covered in our weekly newsletter EUWID Wood Products and Panels.

I look forward to your feedback and suggestions. You can contact me by emailing [aruf@euwid.de](mailto:aruf@euwid.de).

Yours sincerely  
**Andreas Ruf**  
 Publisher

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## Imprint

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 Andreas Ruf

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 www.euwid.de  
 www.euwid-holz.de  
 (German website)  
 www.euwid-wood-products.com  
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### Advertising

Florian Mai  
 Tel.: +49-7224/9397-169  
 Email: anzeigen@euwid.de

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*Egger Group has  
 acquired 60% of the  
 shares in Società  
 Agglomerati Industri-  
 ali Bosi S.p.A. (SAIB),  
 which is running a  
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 (Photo credit: Egger)*





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## Dieffenbacher sold 22 wood-based panel lines

Dieffenbacher GmbH Maschinen- und Anlagenbau, slightly surpassed its 2021 order intake by selling 22 complete or partial lines to make wood-based panels last year. In 2021, Dieffenbacher sold 18 lines, 11 of which were handled by its main plant in Eppingen and seven by its Chinese majority shareholding Shanghai Wood-Based Panels Machinery Co. Ltd (SWPM).

The list of orders landed last year includes 14 projects for Eppingen and eight for SWPM. The SWPM orders are all particleboard lines for Chinese customers. Orders for Eppingen have also shifted somewhat more towards Asia. Five lines are to be installed in China, two in India and one each in Vietnam, Thailand and New Zealand. The company landed two orders from Canada. One project will take place in Egypt and another in Brazil. Six orders are for OSB lines, including four fine OSB projects for China. Five lines are to produce MDF/HDF. Three other orders were placed for particleboard lines, including one for Super PB.

Both of the Canadian orders are for replacement projects. Uniboard Canada Inc., based in Laval, Québec, will replace its multi-daylight press with a continuous forming and press line as part of the Renaissance project at its Val-d'Or, Québec site. Dieffenbacher will also deliver the

finishing equipment. The order placed by Tolko Industries Inc, based in Vernon, British Columbia, will see the technology provider install a continuous forming and press line with a 2.80 x 64 m CPS+ to replace a multi-daylight press that was severely damaged in a fire in May 2022.

Two customers placed the five orders from China. A wood-based panel manufacturer, which has already commissioned two OSB lines delivered by Dieffenbacher in 2015 and 2021, ordered four fine OSB lines in several orders placed in 2022. Dieffenbacher will also supply a Super PB line to China via another follow-up order. Last year, Dieffenbacher sold a particleboard line and an MDF/HDF line to India. The particleboard line is going to Greenlam Industries Ltd, headquartered in New Delhi. For its part, Greenpanel Industries Ltd., based in Tinsukia, Assam, ordered a thin MDF/HDF line. Just one of the two MDF/HDF lines ordered by the Vietnamese firm Kim Tin Group, based in Ho Chi Minh City, at the beginning of 2022 will move forward. The second has been postponed for the time being. Two other MDF lines were sold to Thailand and Egypt. The final orders placed in 2022 were for an OSB line headed to a newcomer from the Asia-Pacific region and an MDF/HDF line destined for a South American wood-based panel manufacturer. □



First board for a Dieffenbacher particleboard line

(Photo credit: Dieffenbacher)

## Sunds Fibertech modernises press at Betanzos site

The Swedish engineering company Sunds Fibertech AB, based in Timrå, Sweden, has won an order from Holding Tarnaise de Panneaux to modernise a multi-daylight press originally supplied by Motala Verkstad AB, headquartered in Motala, Sweden. The press is located at the Spanish hardboard manufacturer Betanzos HB S.L., based in Infesta-Betanzos. All major components are to be replaced, including the press cylinders and the press tables, during a shutdown scheduled for August 2023. In 2020, Sunds Fibertech carried out a similar project at a hardboard mill in Labruguière, Tarn, run by Tarnaise de Panneaux S.A.S., which also belongs to the holding company.

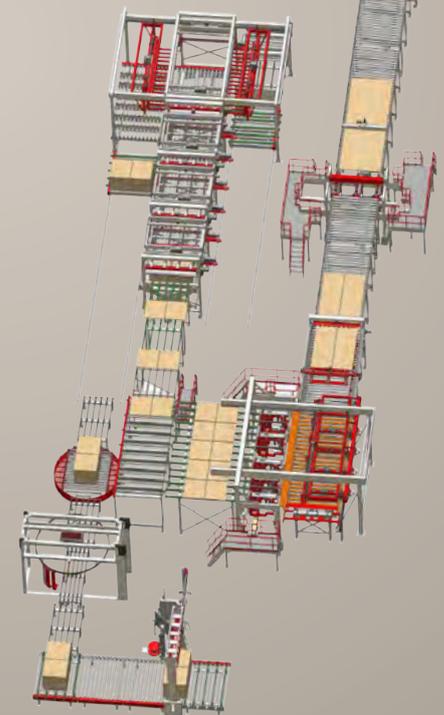
Betanzos HB was created in May 2015 when Tarnaise de Panneaux acquired the assets of Tableros de Fibras Ibéricas S.L. (Tafiber). In October 2022, these shares were transferred to the holding company Tarnaise de Panneaux, which is managed by Jean Laporte and Rénaud Rosier. At the same time, the holding company acquired a 20% stake in the South African distributor Interwil Wood Products (IWP), headquartered in Gauteng. The French consulting firm Acom Corporate Finance, which has also carried out various restructuring and financing projects for Holding Tarnaise de Panneaux, was involved in both transactions. The group generates annual revenues of around €60m from the two hardboard mills, which employ around 220 people.

Tarnaise de Panneaux and Betanzos HB are among Europe's few remaining hardboard manufacturers. The French company sells its board under the Le hardboard TDB name. Betanzos HB's portfolio of raw board is sold under the Tablex brand. The company also supplies Mobelpac lacquered board. Both companies list the furniture industry, the door industry, interior designers and the automotive and packaging sectors as their main sales segments. Both Betanzos HB and Tarnaise des Panneaux, which is owned by the Isoroy Group, were part of the Portuguese company Sonae Industria SGPS S.A., based in Maia, in the latter half of the 1990s. □

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## ***EWK Umwelttechnik merged into Valmet***

Almost one and a half years after the acquisition of all the shares in EWK Umwelttechnik GmbH of Kaiserslautern, completed by Valmet Oy on 1 July 2021, the company was merged into Valmet GmbH of Darmstadt, Germany, with effect from 5 December 2022.

Ongoing contracts with EKW Umwelttechnik GmbH were transferred to Valmet GmbH at the time of the merger. New orders will be handled by Valmet GmbH with managing director Frank Merl at the helm. The former EWK activities have been integrated into the environmental engineering subdivision of Valmet's pulp and energy division. The range of products covers various plant systems for exhaust-air, exhaust-gas, and process-gas purification (such as wet electrostatic filters, dry electrostatic filters, washers, catalytic gas treatment) as well as heat-recovery and water treatment. □

## ***Belt-dryer manufacturer New eco-tec insolvent***

The compact belt-dryer manufacturer NEW eco-tec Verfahrenstechnik GmbH of Mühldorf am Inn, filed for insolvency before Mühldorf district court at the beginning of December 2022. At the opening of the provisional proceedings on 7 December, Ivo-Meinert Willrodt of the lawyer firm Pluta Rechtsanwalts GmbH was appointed administrator. Business operations continue; the salaries of the 50 or so employees were covered by the insolvency compensation scheme until the beginning of March. The insolvency proceedings were opened on 1 February.

NEW eco-tec's managing director, Sebastian Bergler, had given cash-flow difficulties arising from the heavy increases in raw-material and energy costs as the reason for the application. According to a release published shortly after the proceedings were filed for, Willrodt is striving for restructuring by transfer. □

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NEW eco-tec, founded in 2008, has developed a belt-dryer concept based on commercially available 40-ft containers that can be extended by positioning the individual containers one behind the other in a modular system. The belt dryers sold under the name of "NEWtainer" are supplied to a variety of sectors; in the wood sector, one emphasis is on the pellet industry. The company had agreed a sales cooperation with Büttner Energie- und Trocknungstechnik GmbH in October 2021, through which Büttner wanted to sell the belt dryers made by NEW eco-tec to the wood-based panel industry as well. □

## ***Raute creates new structure with three business units***

The Finnish plant and machinery manufacturer Raute Oyj created a new organisational structure with three business units Wood Processing, Analyzers and Services with effect from 1 January 2023. At the same time, the company made several changes to its Executive Board after appointing a new CEO in the second quarter of 2022.

Each business unit has its own Executive Vice President. The Wood Processing business unit, which handles Raute's core business with technology for veneer, plywood and LVL production, is headed by Petri Strengell. He served as interim CEO from May following the departure of Tapani Kiiski, and handed over the reins to new CEO Mika Saariaho in early October. Jani Roivainen took over managing the Analyzers business unit, having already held responsibility for Metrix activities. Kurt Bossuyt is Executive Vice President for the Services business unit.

Alongside the CEO and the business unit heads, Raute's management team will also have three functional roles in the future. The newly created position of Chief Commercial Officer (CCO) was taken up by Jari Myyryläinen, who until now has led Raute's activities in the EMEA market region. Marko Hjelt became Chief People Officer (CPO). Minna Yrjönmäki will stay on as CFO, having held this role since May 2022. □

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*Enough orders to keep plants busy into the second half of 2023*

## VDMA Woodworking Machinery group sticking to 2022 forecast

**The German Engineering Federation (VDMA), headquartered in Frankfurt, twice scaled back its production forecast for the German machinery and plant construction sector as a whole during the first half of 2022 and now only expects a slight increase of 1% for 2022.**

By contrast, the VDMA Woodworking Machinery Association still thinks that a 5% growth to €3.510bn might be possible for this sector in the entire year. This estimate, which was made back in November 2021, was confirmed again at a board meeting held at the beginning of November. The growth might actually end up being even larger since prices have been raised to offset higher costs. However, things could well move in the opposite direction. In its latest forecast, the sector association predicted a 5% decrease to €3.350bn in 2023, which would be slightly lower than 2021's total of €3.360bn (+16.7%). In 2020, German woodworking machinery manufacturers faced a 14.4% drop in their production to €2.880bn in the wake of the pandemic.

The VDMA Woodworking Machinery Association described its forecast for 2023 as rather cautious. The year might end up being somewhat better, too, since order backlogs remain relatively high and new orders continue to trickle in. However, the outlook for 2024 was all the gloomier in such a scenario. These varying forecasts are rooted in how business has gone last year. A strong first quarter was the sole factor behind the growth in order intake in the first nine months. The second and third quarters were much weaker than the year before, with double-digit declines in some cases. Order postponements and cancellations have also become more commonplace in recent months amidst mounting uncertainty about what the future has in store. Nevertheless, most companies are still working to capacity into the second half of 2023. Some lead times in the plant construction business extend into 2024. The production of woodworking machinery and equipment is still running at a relatively high level as a result. Supply chain problems that surfaced during 2021 and in the first half of 2022 have been reduced or even resolved in many areas. Sourcing electronic components remains difficult.

The German foreign trade in woodworking machinery has seen imports fare better than exports last year. Moreover, the differences in the growth rates are more pronounced than last year. In 2021, exports had risen by 7.9% to €2.291bn (2020: €2.124bn), while imports were up 10.2% to €691m (€627m). These figures resulted in an export surplus of €1.600bn (1.497bn). According to figures meanwhile published by the German Federal Statistical Office, imports jumped by as much as 6.9% to €784m last year, while exports improved by 4.5% to €2.447bn. The result: an export surplus of €1.663bn.

The year 2021 ended with higher exports to the EU-27 (+16.2% to €1.070bn), the rest of Europe (+15.5% to €361.5m), North America (+21.2% to €288.3m), North Africa (+146.2% to €90.5m), Australia/Oceania (+32.9% to €37.6m), the Middle East (+18.3% to €23.3m) and Central/South Asia (+46.4% to €17.5m). By contrast, German companies exported much less to East Asia (-22.8% to €310.1m), South-East Asia (-62.3% to €23.9m) and South America (-32.6% to €47.9m).

### Germany: Production of woodworking machinery



These trends have been partly reversed in 2022. Deliveries within the EU-27 fell by 0.5% to €1.117bn, compared to 2021. East Asia received 0.3% more, with shipments valued at €309.6m. Australia/Oceania (-14.5% to €32.2m) also sourced less German woodworking machinery, with North Africa (-94.2% to €5.2m) and the Middle East (-33.1% to €15.6m) falling well short of the level of 2021. However, other regions experienced stronger growth (rest of Europe: +9.1% to €393.6m, North America: +23.3% to €354.1m, South America: +74.5% to €83.9m, Central America: +64.5% to €24.6m, South-East Asia: +108.5% to €49.8m, Central/South Asia: +186.3% to €50.1m). □

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*Current order backlog to drive an additional rise in revenues in 2024*

## *Imal-Pal Group sees growth potential by expanding new business areas*

**The Italian plant and machinery manufacturer Imal-Pal Group, based in San Damaso, has gradually increased its consolidated sales again over the past two years after suffering a Covid-related downturn in 2020.**

Fiscal 2022 closed with an increase of 7.2% to €202.7m (189.0m). The company has set its sights on achieving similar revenues in 2023. The current backlog of orders, which is strong enough to keep its plants running well into the coming year, might even pave the way for another growth in revenues in 2024. Along with a few major wood-based panel projects completed in the regions including the Baltic states, South/Central America and Asia, the further expansion of new business areas should also help to fuel this growth.

Until now, Imal s.r.l., based in San Damaso, has specialised in measurement systems, gluing technology and presses. Its portfolio includes the Dynasteam steam injection system, which now has 139 references. By the end of 2018, 105 Dynasteam systems

had been delivered. Since the beginning of 2019, another 34 systems have been added. Imal can also deliver its own continuous press with the DynasteamPress. Two presses to make OSB have been delivered in Europe to date. Two MDF lines using an Imal press are up and running in Vietnam. The company has also significantly expanded its belt dryer business in recent years. Pal s.r.l., headquartered in Ponte de Piave, focuses on providing screens, sifting technology, bunkers and forming stations. Globus specialises in front-end equipment, such as stranders and chippers. Imal-Pal Group can also deliver complete production lines for wood-based panels in partnership with other companies in the Panel Alliance, which was formed a few years ago, notably the energy plant manufacturer Vyncke Energietechniek N.V., the drum dryer specialist Recalor S.A., and Trasmec s.r.l. While its focus was initially on particleboard and OSB lines, the company has already widened its range to include MDF/HDF with the two complete lines in Vietnam. Its last major project involved delivering a complete OSB line to the

Russian group Monolit-Stroy LLC, based in Tuchkovo, Moscow Oblast, which was commissioned in the autumn of 2022. In 2021, Imal-Pal Group also delivered the first line to make wood-fibre insulating board to Renovo Bioedil s.r.l., headquartered in Iglesias, Sardinia.

The Imal-Pal Group has three other divisions in addition to Wood-Based Panels: Pressed Wood Packaging, Pellets & Energy and Wood Recycling & Waste Treatment. Imal has already delivered around 140 presses for pallet blocks. Imal is currently building a new plant for Grupo Iren in north-western Italy. Assembly work is largely finished, with commissioning scheduled to take place in April. This €38m contract includes a recycled wood line with an annual capacity of approximately 100,000 t, four presses for pallet blocks and a pallet press. Its pallet block capacity, currently listed at around 60,000 tpy, is to double at a later date. The reference list for waste wood processing includes 129 plants to date. Business could be expanded even further in recent years. Since 2016, Pal has installed a total of 49 cleaning towers; 22 thereof were realised in the past three years.

Belt dryers delivered by Imal had increasingly shifted their area of application towards the wood-based panel industry, too. The company has so far sold 29 belt dryers, including 15 to pallet block manufacturers, four to the pellet industry and one to dry wood chips. The nine remaining dryers are used in the wood-based panel industry. Four belt dryers each were or are being delivered to OSB and particleboard mills, while one was installed in an insulating board line on Sardinia. Swiss Krono S.A.S., based in Sully-sur-Loire, has ordered two belt dryers for OSB production. Kastamonu Entegre Agac San. ve Tic. A.S., headquartered in Istanbul, will receive two belt dryers from Imal for a replacement project at its Kastamonu particleboard mill. □



*Production at Imal-Pal*

*(Photo credit: Imal-Pal Group)*

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*Fluidised bed systems added to its portfolio / Fourth business unit will be created*

## *Dieffenbacher integrates Bertsch assets into new Dieffenbacher Energy GmbH*

**Dieffenbacher GmbH Maschinen- und Anlagenbau has acquired the assets and activities of the Austrian power plant manufacturer Bertsch Energy GmbH & Co KG, headquartered in Bludenz, Vorarlberg, with effect from 1 January 2023.**

The transaction was carried out by Dieffenbacher Energy GmbH, a new company established on 4 November. This firm retained Bertsch Energy's 150 or so employees upon closing. All shares in Dieffenbacher Energy GmbH are held by Dieffenbacher GmbH. Effective 1 March, Wolfgang Lashofer took over operational management of Dieffenbacher Energy GmbH and the newly established Energy Business Unit at Dieffenbacher. Lashofer previously worked for the Andritz Group for more than 35 years.

The Dieffenbacher Group will significantly expand its energy system portfolio by integrating Bertsch's activities. Up to now, Dieffenbacher has mainly supplied grate firing systems for biomass, dust burners, thermal oil waste heat

systems and hot gas cyclones. This product range limits Dieffenbacher to providing process heat for industrial manufacturing processes. In the past, the company has had to work with external partners on combined heat and power (CHP) projects that can also generate electricity. Examples of such projects include a thin MDF/HDF line in Orla, Poland, commissioned by Ikea Industry Poland Sp.zo.o. in July 2011 and an MDF/HDF mill operated by the Mexican firm Pro MDF S.A.P.I.B. de C.V., headquartered in Huimanguillo, Tabasco, which has been up and running since February 2016. Dieffenbacher had partnered with Bertsch Energy on the Orla project; the power plant components for Pro MDF came from another supplier.

The purchase of Bertsch Energy's assets will allow Dieffenbacher to offer fluidised bed combustion systems for solid fuels, gas and steam turbines for electricity and steam production, and industrial waste heat systems in the future. The addition of fluidised bed technology will

also significantly expand the range of fuels. The grate firing systems supplied by Dieffenbacher to date primarily incinerate production residues such as bark, waste wood, chip material or board residues. Grinding dust can be blown in via dust burners. To a lesser extent, the technology also uses waste wood as fuel. For this to happen, moisture must be distributed in a relatively uniform manner. Fluidised bed systems are much more tolerant with regard to fuel moisture, so they can incinerate even relatively inhomogeneous materials such as waste wood, biomass, production residues from paper/cardboard production, waste from animal husbandry, sludge or residual waste. The move also opens up access to other customer industries for Dieffenbacher. Its sales focus, which has so far been on the wood-based panel industry, will be expanded to include other sectors, such as the paper/cardboard industry, waste management companies and energy suppliers. According to Dieffenbacher, it is also receiving more and more enquiries from the wood-based panel industry for energy systems that can generate electricity. The company will be able to respond to these enquiries without involving an external supplier in the future.

Until now, Bertsch Energy has mostly supplied CHP plants to generate process heat and electricity, chiefly to the paper/cardboard industry, waste management companies and energy groups. Its largest order to date, for a €60m project, was placed in autumn 2020 by the Turkish company Gülsan Yatirim Holding A.S., based in Ankara, for a biomass power plant designed to incinerate chicken manure. Bertsch Energy has only carried out a few projects in the wood-based panel sector. In recent years, the company has acted as a general contractor for the construction of two biomass power plants at Kronospan Luxembourg S.A., based in Sanem. The joint venture A & U



*The former Bertsch employees started with Dieffenbacher Energy. (Photo credit: Dieffenbacher)*

Energie N.V., which was founded by Unilin bvba, based in Wielsbeke, and the Belgian energy group Aspiravi N.V., headquartered in Harelbeke, also built a power plant with Bertsch Energy next to the Bospan plant in Wielsbeke.

Bertsch Energy had been struggling with economic difficulties for some time. As a result, its parent company Bertsch Holding GmbH, headquartered in Bludenz, Austria, appointed Thomas Smetana from Vectis Management und Beteiligung AG, based in St. Gallen, Switzerland, to serve as Chief Restructuring Officer in 2020. The restructuring measures that he carried out included discontinuing production activities. Its site in Nüziders, previously specialising in boiler production, was shut down in March 2022; the property was sold in June 2022 for €34.2m gross (€28.5m net) to Getzner Mutter & Cie. GmbH & Co. KG, Bludenz, which does business in the textile and materials sector. A sales process was launched for Bertsch Energy in the first half of 2022, with the

Dieffenbacher Group entering the fray in July. In the following months, Dieffenbacher performed due diligence on Bertsch Energy. However, subsequent negotiations ran aground in November due to unresolved financing and warranty issues. Bertsch Energy GmbH & Co KG then announced that it was filing for insolvency at a works meeting held on 30 November. Smetana blamed this step on order cancellations, difficulties and delays in project execution and unexpected cost increases. The application was not filed with the Feldkirch Regional Court until 12 December. This court opened insolvency proceedings on 15 December. Dr Wilhelm Klagian from the Dornbirn law firm Sutterlüty Klagian Brändle Gisinger Lingenhölle was appointed as administrator. Dieffenbacher won the bid during the liquidation of Bertsch Energy, which Dr Klagian launched just after Christmas. The Feldkirch Regional Court approved the sale of Bertsch Energy's assets on 30 December. Bertsch Service GmbH, which also had to file for insolvency on 20 December, and the two sales and

service companies Bertsch Energy Deutschland GmbH, based in Heidelberg, Germany, and Bertsch Energy Turkey, headquartered in Istanbul, are not part of the transaction. Bertsch Holding will focus on supplying machinery and equipment for the food industry following the spin-off of its energy systems business. Bertsch Foodtec GmbH specialises in milk processing, while the main activity of Bertsch-Laska Produktions- und Handels GmbH, based in Vienna, is meat processing.

The addition of Dieffenbacher Energy GmbH will see the Dieffenbacher Group create a fourth business unit alongside its Wood, Recycling and Composites business units. These activities are expected to contribute annual revenues of around €100m in the medium term. Dieffenbacher likely generated group revenues in the region of €420m-450m in the 2022 financial year, according to preliminary figures. The three existing business units are forecast to post revenues in excess of €500m for the first time in 2023. □



## PASSION IN SIGHT

- New and efficient materials and products
- Improved wood processing technologies
- Research for new raw materials, wood protection and modification
- Test methods for better product monitoring and quality assurance
- Basic research of wood biology, chemistry and physics
- By EPH: certification of management systems (QMS, EMS, EnMS) accredited tests and product certification/surveillance worldwide (e. g. E1, CE, TÜV PROFiCERT, TMT, EPAL, CARB/EPA/IKEA)



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*First order for wet electrostatic precipitator expected to follow by end of this year*

## *Büttner to supply first dry electrostatic filter for doorskin project in the US*

**Büttner Energie- und Trocknungstechnik GmbH, part of the Siempelkamp group, will soon have roughly ten employees at the branch in Kaiserslautern founded in autumn 2022 as a centre of competence for environmental technology.**

The company intends to plan and construct dry electrostatic filters as well as wet electrostatic precipitators through the new branch in future. The dry electrostatic filters (ESP) are used above all for precipitating ash from hot flue gas. In the case of wet electrostatic filters (WESP), on the other hand, the focus is on reducing particles and fugitive emissions from exhaust air from drying and press systems. Like the dryers and power plants currently supplied by Büttner, the filter systems are to be produced by placing job orders with external suppliers. Sales and distribution are handled by the Büttner headquarters in Krefeld.

Using a dry electrostatic filter for the doorskin plant ordered from Siempelkamp Maschinen- und Anlagenbau GmbH by the US door manufacturer Steves & Sons Inc. (Steves) of San Antonio, Texas, in the first quarter of 2022, the Büttner branch in Kaiserslautern is meanwhile handling a first specific project. A few months after the conclusion of the contract with Siempelkamp, Büttner had received a separate order from Steves for items including two fibre dryers and a biomass-fired power plant. The order also covered a dry electrostatic filter for deashing the flue gases from the power plant. At the time the order was placed, the actual plan was for Büttner to buy in the electrostatic filter as in earlier projects and then integrate it into the plant. The creation of the environmental-technology segment now provides an in-house solution. Contract manufacturing of the filter developed at the new Büttner branch is already underway, delivery is scheduled for August. The power plant and the downstream dry electrostatic filter are



*Büttner dryer in Japan*

*(Photo credit: Büttner)*

scheduled for commissioning in summer 2024; the complete doorskin works is to be up and running by the end of 2024. In a next step, Büttner also wants to conclude a contract for a wet electrostatic filter by the end of 2023. The company is currently conducting negotiations with three wood-based panel manufacturers who also require a wet electrostatic filter for cleansing dryer exhaust as part of complete installation projects. Two of the potential customers are located in Europe, and one outside.

Büttner set up the Kaiserslautern branch in response to the increasing demand for flue-gas and exhaust-gas cleaning systems in the last few years. In the past, Büttner bought in these systems, particularly wet and dry electrostatic filters as well as washers, from specialist suppliers. Owing to the increasingly stricter regulations for reducing emission figures in many markets, buyers in the wood-based panel industry have an interest in integrating these systems in comprehensive projects as well and obtaining them from the main suppliers. For this approach, Siempelkamp

and Büttner had initially examined possible cooperations and had already held talks with EWK Umwelttechnik GmbH, based in Kaiserslautern, for this purpose. These talks ultimately came to nothing, however, after EWK was sold to Valmet Oy on 1 July 2021. The decision to establish an own environmental-technology segment was then made last year, and Kaiserslautern was chosen as the location for it. The focus, at least for the time being, is to be on applications in the wood-based panel industry. There are currently no plans for entry into other sectors, such as the pulp and paper industries or power plants.

Like the Hanover facility geared to power plants, the environmental centre of competence in Kaiserslautern will be operated as a branch of Büttner Energie- und Trocknungstechnik GmbH. The power-plant segment in Hanover had emerged from the takeover of Metso Panelboard GmbH completed in October 2007. The new company Siempelkamp Energy Systems GmbH (SES) formed at that time was merged into Büttner during the course of 2012. □

*New company will strengthen Deurotech's Environmental Technology division*

## *Oschatz Power will help Deurotech to supply energy plants in the future*

**Deurotech Group GmbH (DTG) has further expanded its Environmental Technology division by acquiring Oschatz Energy und Environmental GmbH, based in Essen, Germany, on 1 February 2023.**

The assets acquired in a transferring reorganisation were transferred to Oschatz Power GmbH upon closing. Oschatz Energy und Environmental GmbH, which has belonged to the Graz-based firm Christof Industries Global GmbH since 2017, had to file for insolvency proceedings at Essen District Court on 6 October 2022. Proceedings were opened on 1 January. Christof Industries Austria GmbH, which is also owned by Christof Industries, filed for reorganisation proceedings at the Graz Regional Court just over a week before Oschatz. This procedure affected about 350 employees at its Austrian sites in Wels, Graz, Vienna and Werndorf. Oschatz had around 95 employees at the time of the insolvency application. There had previously been relatively close business ties between the two companies. For instance, Oschatz had provided engineering services for major projects undertaken by Christof Industries Austria. Christof Industries' application for insolvency cited reasons including delivery delays and cost increases for preliminary products, additional costs for individual projects and payment defaults by customers. These effects could not be offset even though the company was actually performing well.

Oschatz Power primarily supplies boiler and firing plants, waste heat plants and technology for residue incineration and heat recovery. Its activities to date have focused on the iron/steel industry, the chemical industry and the power plant sector. The Oschatz Power product range should expand the portfolio of Deurotech's Environmental Technology division. The Deurotech Group, which was previously primarily active in me-

chanical and plant engineering with Vits Technology GmbH and IFA Technology GmbH, had built up and expanded these activities in recent years by carrying out several takeovers. The latest major transactions saw the company acquire a majority stake in Airprotech s.r.l. at the beginning of 2018, and buy Eisenmann Environmental Technology GmbH in November 2020. The group had previously acquired Wessel-Umwelttechnik GmbH. The three companies are primarily active in thermal and biological exhaust air purification, water treatment and waste disposal. The Deurotech Group will also be able to supply energy plants for biomass, residual materials and substitute fuels in the future through Oschatz Power.

According to the annual report, published at the beginning of June 2022, Deurotech Group GmbH (DTG) turned in a much stronger performance in 2021 after experiencing a Covid-related slump in 2020. Order intake of the company, which is split into the Mechanical and Plant Engineering and Environmental Technology divisions,

more than doubled in a year-on-year comparison to €121.7m (2020: €53.3m). Its order backlog thus swelled to a new record of €97.6m (53.8m) by the end of 2021. Group revenues rose by 29.5% to €75.9m (58.6m). DTG said that much stronger business with the wood-based panel industry had been the main factor fuelling this growth. Some 26% of total revenues were generated in Germany and around 40% in other European countries. The remaining 34% came from markets outside Europe.

DTG was founded at the end of April 2015. The company booked total revenues of €48.9m in the short financial year 2015, which started at that time, including Deurowood Produktions GmbH, based in Hard, Austria, which was sold on 1 January 2016. Consolidated revenues from the remaining companies were almost at the same levels, at €47.8m and €47.1m, in 2016 and 2017, respectively. Its purchase of a stake in Airprotech boosted revenues to €60.6m in 2018 and €81.2m in 2019. □



*Oschatz power plant*

*(Photo credit: Oschatz Power)*

## **Methanol contract price and Methanex ECPC on par**



Methanol plant (Photo credit: Thyssenkrupp-Ubde)

The European methanol contract price and the European Posted Contract Price (EPCP) charged by Methanex Corp. are at the same level again for the first time since the fourth quarter of 2018 after settlements were reached for the first quarter of 2023. On 21 December, initial settlements were negotiated for the contract price, which was fixed at €478/t via additional agreements. Methanex then also posted a price of €478 on 23 December. In the fourth quarter of 2022, the contract price had stood at €505, with Methanex charging slightly more (€510). In a quarter-on-quarter comparison, the contract price fell by €27 or 5.3%, while Methanex's EPCP was €32 or 6.3% lower than in the last three months.

By way of comparison, the contract price had stood at €495 in the first quarter of 2022. The second quarter brought a sharp increase to €550, before a decrease to €520 for the third quarter. Methanex had posted prices of €505 for the first quarter and €570 for the second quarter. The company adjusted its price only slightly in the third quarter to €555, widening the gap between the contract price and EPCP to €35. However, the EPCP was reduced more than the contract price in the next two quarters, which finally led to this recent alignment.

Amidst cool demand, especially in the formaldehyde sector, converters had actually sought even bigger price cuts in contract price negotiations, which were fleshed out in the second half of December. They had entered talks eyeing a goal of €460-470. For their part, suppliers had wanted to keep the contract price within a range of €490-500. Both sides ended up more or less in the middle in the settlements that were brokered. □

## **BP Gelsenkirchen ceased methanol production**

BP Europa SE, headquartered in Bochum, ceased methanol production at its Gelsenkirchen refinery, which does business as BP Gelsenkirchen GmbH, by the end of 2022, at least until further notice. The company had made this decision because of economic viability issues, BP said, underscoring the sharp rise in raw material and energy costs. A steep decline in demand for methanol in recent months has also played a role. The methanol plant in Gelsenkirchen, which is designed to have an annual capacity of around 280,000 t, has also repeatedly experienced major production problems in recent years. It did not manufacture anything for several months in the first half of the year and over the summer. The plant only resumed operations in late September at reduced capacity utilisation. It will continue to make methanol

for contracts on hand until it ceases production, although BP will not enter into any new contracts. The company may restart making methanol and sell it on a spot basis if economic conditions improve during 2023.

According to BP, the Gelsenkirchen refinery is its second largest refinery location in Germany. The two sections of the plant, known as Scholven and Horst, each process around 12m tpy of crude oil at a complex covering around 400 ha. BP Europe operates another refinery in Lingen in the Emsland region.

BP Gelsenkirchen is Germany's third-largest methanol producer. Total Raffinerie Mitteldeutschland GmbH, based in Leuna, and Shell Deutschland Oil GmbH, headquartered in Wesseling, have much larger annual capacities of around 800,000 t and 500,000 t, respectively. □

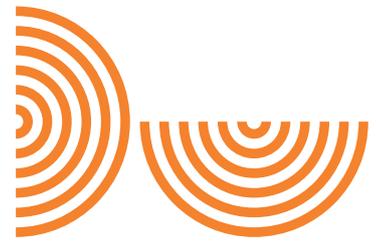
## **OCI: Fourth-quarter sales reached just 7,300 tonnes**

OCI Nitrogen B.V., based in Geleen, the Netherlands, has reported that its melamine sales fell even more strongly in the fourth quarter of 2022. The company had sold 31,000 t of melamine in the first quarter and 30,100 t in the second quarter of last year. Sales were only around half this level in the third quarter at 15,400 t. The fourth quarter saw sales halved again to 7,300 t (Oct.-Dec. 2021: 35,200 t). This trend is connected to production cutbacks in the second half of the year in response to the steep rise in natural gas and urea prices. Melamine sales were 36.5% lower than the previous year at 83,800 t (2021: 131,900 t) in 2022 as a whole. In previous years, OCI Nitrogen had sold significantly more melamine. Shipments had gradually declined from 152,699 t in 2017 to 149,300 t in 2018 and 135,800 t in 2019, followed by a slightly better performance in 2020 with 144,600 t.

Like other European melamine producers, OCI Nitrogen hardly manufactured any melamine in the second half of 2022.

The reason for this was the sharp rise in natural gas and urea costs, which made melamine production in Europe uneconomical, at least temporarily. Unconfirmed reports suggest that plants operated by OCI Nitrogen were not ramped up again to a somewhat greater extent until the beginning of 2023. However, the company did not comment on how melamine production or the melamine business had evolved in the annual report published by its parent company OCI N.V., based in Amsterdam, on 14 February.

According to an overview showing the trend in benchmark prices, which was included in OCI's quarterly reports, European melamine contract prices fell significantly for the first time in the fourth quarter. Prices then stood at €3,965/t in the first quarter and €3,765 in the second quarter before soaring to €4,715 in the third quarter. The benchmark price was then put at €3,315 for the fourth quarter. This figure was still 4% higher than the previous year's value of €3,190. The OCI analysis showed that an average price of €3,940/t was reached in 2022 as a whole, an increase of 73% compared to 2021's total of €2,279. □



Timber Institute

## ***Huntsman to close European HQ in Everberg***

Chemical company Huntsman Corp., based in The Woodlands, Texas, whose activities include polyurethane business, is preparing a major restructuring programme for its European activities, with which the company aims to adjust to the new normal business environment in Europe. The measures, presented on 4 November 2022 along with the figures for the third quarter, concern both administrative functions and the area of production. In production, longer-term shutdowns as well as the closure of individual sites and intensified supply of European markets from lower-cost plants in the USA and Asia are among the measures being investigated. In administration, the merging of offices, relocation of individual functions to the newly opened Global Business Services (GBS) hub in Kraków, Poland, and the adjustment of research/development capacities are topics under consideration.

According to Belgian media reports, Huntsman also intends to close its European Regional Headquarters and Technical Center in Everberg, Belgium, within the scope of the restructuring. Corresponding talks with employee representatives are to be held in coming weeks. Administrative functions located in Everberg could be relocated to Kraków or other European sites. The Polyurethanes Technical Center is to be

divided among smaller sites in the vicinity of Everberg. For some Everberg employees, a move into home office may also become a possibility. The measures planned in Everberg will affect up to 400 employees. The European HQ and the Polyurethanes Technical Center were integrated into the Huntsman Group via the summer 1999 acquisition of the polyurethane and titanium dioxide activities of Imperial Chemical Industries (ICI), London. These activities had initially been managed in a joint venture, which - with the transfer of ICI's 30% shareholding - was completely transferred to Huntsman at the beginning of 2002.

The planned restructuring of European activities, which is expected to incur expenses of approximately US\$65m, is to be completed by the end of 2023 and is to subsequently facilitate annual cost savings of approximately US\$40m. Optimisation of the supply chain and completion of the GBS network, also planned for by the end of 2023, are expected to generate combined savings of around US\$100m. Restructuring measures initiated in the course of 2020 and running until the first quarter of 2023 are expected to contribute a further US\$140m to savings. Through these three projects, Huntsman aims to reduce its costs by around US\$280m annually from the end of 2023 onwards. □

## ***Accsys not yet to complete Tricoya plant in Hull***

British company Accsys Technologies plc, based in London, has suspended work on completion of the Tricoya plant in Hull, Great Britain, for a period of at least six months. According to a statement issued on 2 November 2022, the greenfield project will only be pursued if an adequate return on the required investment can be expected.

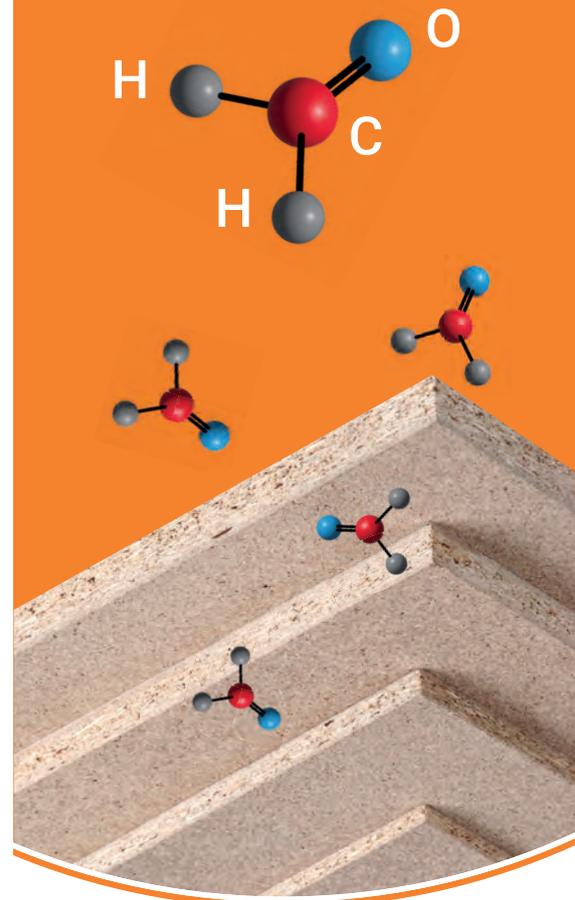
Construction of the first facility for production of acetylated woodchips had already been delayed several times before; in parallel, there had also been considerable additional costs. Accsys had therefore commenced negotiations with consortium partners at the end of June concerning

the financing of these additional costs. An additional €35m will likely be required to complete the plant. Total costs up until commissioning, which had still been stated at €94-103m at the mid-year point, have thus increased to as much as €138m.

The company has therefore reached an agreement with Ineos Acetyls Investments and Medite Europe, two companies currently involved in the consortium, as well as investment companies Business Growth Fund (BGF), London, and Volantis to acquire all shares in Tricoya Technologies Ltd. (TTL) and Tricoya Ventures UK Ltd. (TVUK). Accsys intends to finance the purchase of the remaining 38.2% of TVUK and 23.5% of TTL through the issuance of 11.9m new shares. □

**EPA/CARB (IKEA)  
CERTIFICATION**

**CE certification**



Head office:  
**Prague**  
**CZECH**  
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*Class E05, previously only required in Germany, to apply throughout Europe*

## *Twenty-six member states back planned formaldehyde rules*

**The Member States Committee (MSC) of the ECHA has agreed to a proposal to revise the formaldehyde emission limit values submitted by the European Commission in a consultation carried out via a written procedure that ran from 23 January to 10 February 2023.**

The proposal, which was based on positions adopted by the European Chemical Agency (ECHA) and the Committee for Risk Assessment (RAC) and the Committee for Socio-Economic Analysis (SEAC), which are part of the ECHA, that were already submitted in 2020, specifies a limit value of 0.062 mg/m<sup>3</sup> or 0.05 ppm via a test chamber. This limit value is half of emission class E1, which has been prescribed in several European countries (including Austria, Germany, Italy and Sweden) for some time now, and which states that emissions must remain below 0.124 mg/m<sup>3</sup> or 0.1 ppm.

The European Panel Federation (EPF) had previously proposed halving the E1 limit value in spring 2019 but had assumed that this would happen through a voluntary commitment by the wood-based panel

industry. Germany had unilaterally tightened the E1 requirement by changing its formaldehyde testing methodology with effect from 1 January 2020. Emission class E05 has since been mandatory for wood-based panels sold in Germany. The European wood-based panel industry had starkly criticised the resulting emission specification variations. In recent years, a variety of associations and companies have repeatedly called for Europe-wide harmonisation of formaldehyde regulations. The Italian wood-based panel manufacturer Fantoni S.p.A., based in Osoppo, had filed a lawsuit against the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety in front of the Cologne Administrative Court in May 2020 over the change in formaldehyde testing methodology. These demands for harmonisation also played a greater role for the ECHA. The proposal made by the European Commission means that emission class E05 will apply throughout Europe in the future.

The consultation on the European Commission's proposal, which closed on 10 February, was preceded by a hybrid meeting held on 13 and 14 December

2022. In the subsequent vote, 26 member states voted in favour of adopting the proposal. One country voted against it; there were no abstentions. The European Commission's communication on the voting result did not identify the country opposing the proposal. Based on that country's indicated population share of 15.2%, it can be deduced that the opposing vote came from France.

Following the approval of the Member States Committee, the European Parliament and the Council of the European Union have three months to give their opinions on the proposal. A possible objection in principle is considered rather unlikely due to widespread approval among member states. This would mean that the proposed E05 regulation would be adopted. The next step is publication in the EU Official Journal. A relatively long transition period of three years will apply before the new formaldehyde emission standards for wood-based panels or semi-finished and finished products made of wood-based panels, such as furniture, enters into force. The new emission class could apply from mid-2026. From then on, no wood-based panels or furniture may be placed on the market in the EU that exceed the limit value of 0.062 mg/m<sup>3</sup> when measured in a test chamber.

A five-page annex to the proposal now approved by the ECHA Member States Committee describes the test method to be used in future for determining formaldehyde emissions according to the European Commission and the reference conditions to be observed. The 10-page document accompanying the actual proposal contains 38 sub-items specifying the timeline for the new regulation as well as the positions of the ECHA, RAC and SEAC. A decision for the new limit value is derived from this basis. The European Commission published both documents on 10 February in 22 languages in the Comitology Register. □



*Strong swings in urea and melamine costs / Methanol shows a rather moderate trend*

## *Resin prices still higher than they were despite substantial corrections*

**The ups and downs on European natural gas markets have caused significant volatility in urea, methanol and melamine costs over the past two years. Adhesive and impregnating resin prices have fluctuated in keeping with these developments.**

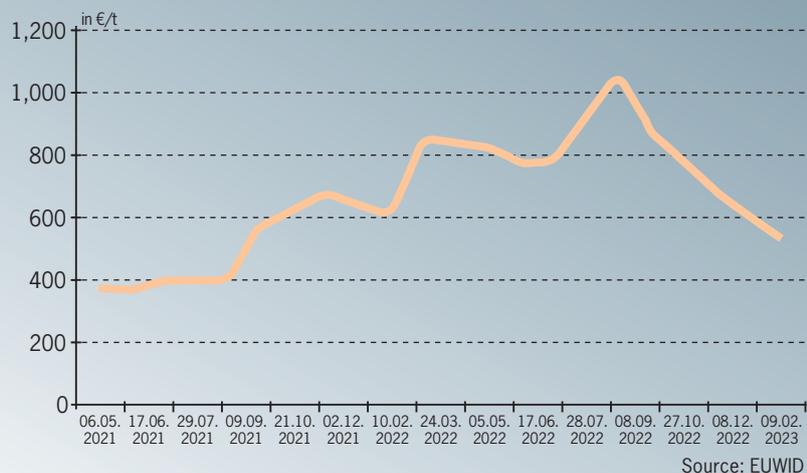
Urea prices had soared back in October and November 2021, peaking at over €1,000/t for a time. This first peak initially gave way to slightly softer prices at the end of 2021 and the start of 2022. Urea prices had slipped to just below €800 by the start of February 2022. The tide turned again after Russia invaded Ukraine. Just a short time later, prices were back in four digits, reaching €1,200-1,400 in the second half of March. The situation then eased during the spring. Urea prices were back just below €1,000 in early May before slipping to €800-850 in mid-June. Discussions about possible supply shortages in the winter half of the year sent natural gas prices soaring in the third quarter. European ammonia and urea manufacturers responded by carrying out wide-ranging production curtailments, which pushed urea prices higher and higher. Prices for urea made in Europe already topped €1,500 in the second half of August and stood at €1,800-2,000 in early September. Imported urea was also delivered for €800-900 during this time, with the jump to over €1,000 that had been expected at the end of the third quarter failing to materialise. The strong countermovement in natural gas prices then resulted in urea prices reversing course again from the middle of September onwards. European manufacturers were also able to deliver at prices just below €1,000 in the second half of October. In early December, prices stood at €750. Buyers had to hand over another €500 in early February. The variations in prices between European urea and imported urea have also largely vanished.

Melamine prices showed similar upheaval. The steep rise in natural gas prices prompted this trend, too, as it sent costs for the raw materials needed to make melamine soaring. In February and March 2022, European melamine manufacturers had already charged about €3,500/t. Producers had to revise their prices upward more and more after a slight countermovement in the spring, which briefly led to prices of €2,500-2,600 in June. Prices above €3,000 were sought again relatively quickly. Prices above €4,000 were quoted starting in late August, with peak prices tending to head towards €5,000. Chinese manufacturers that benefited from much lower raw material costs consistently invoiced less than €2,500 over the summer months for deliveries to Europe, including freight and incidental costs. Significant variations in prices at times have largely evaporated in recent weeks. The steep downturn in natural gas prices then meant that prices sought by European manufacturers have gradually moved closer to import prices. Prices for imported melamine dropped below €2,000 again in February, with only slightly higher prices for melamine made in Europe.

Methanol prices have shown a more moderate path in recent months. The European contract price had dipped to €405/t in the third quarter of 2021, before rising to €485 in the fourth quarter and €495 in the first quarter of 2022. The second quarter then ushered in a bigger jump to €550. The contract price has since fallen gradually, declining from €520 in the third quarter to €505 in the fourth quarter and €478 at the start of 2022.

The extreme swings in urea costs have culminated in unprecedented changes in urea-formaldehyde (UF) resin prices over the past two years. The slight upward and downward movement in methanol costs played less of a role. In keeping with the trajectory in urea costs, UF resin prices peaked in the fourth quarter of 2021, spring 2022 and late summer 2022. Prices peaked in September 2022 when a few manufacturers sought over €1,000 for a time. UF resin prices then fell just as quickly over the next few months. They were below €900 in the second half of October and less than €700 in early December. On average, prices were quoted at €520-550 in February. □

**Germany: Contract prices for UF-resins**



*Production of adhesive and impregnating resin is unaffected / TDI production to be ceased*

## *Among other things, BASF will close an ammonia plant in Ludwigshafen*

**At the same as releasing its 2022 financials, BASF SE also announced plans to adjust capacity at the Ludwigshafen Verbund site on 24 February 2023.**

Among other things, the company will shut down one of the two ammonia plants, the associated fertiliser facilities, a plant making caprolactam and a TDI plant that was just commissioned in December 2015. The divestments are to be implemented gradually by the end of 2026 and yield annual cost savings of around €200m.

BASF said that it had decided to shut down these plants because of the sharp increase in raw material costs and inadequate demand in various product areas. Both factors together caused profitability problems. This was especially true of TDI (toluene diisocyanate) and caprolactam production. TDI is a precursor for polyurethane foams, which are used in the upholstered furniture and mattress industries, among

others. Like other European producers, BASF is struggling above all with the deterioration of export opportunities for caprolactam. In the past, caprolactam was exported to regions including Asia. Now that China has built up its own caprolactam capacity, this country is largely self-sufficient, and manufacturers there are also increasingly supplying European markets. Caprolactam is mainly used to make polyamides and polyamide intermediates, which are further processed into technical plastics, films, fibres and monofilaments.

The fertiliser, TDI, caprolactam and adipic acid plants scheduled for decommissioning all need ammonia as a precursor. The smaller of the two ammonia plants in Ludwigshafen will be shut down as a result. Ammonia made at the second plant will primarily be used at the two urea plants upstream of the adhesive and impregnating resin production facility, the "AdBlue" plant and standard and special amine production. BASF Group only makes urea in Ludwigshafen. The

two plants have a listed annual capacity of 545,000 t. BASF's two ammonia plants in Ludwigshafen, one plant in Antwerp and the joint venture plant in Freeport have so far had a total capacity of 1.765m t, according to official figures. This level is to fall by 380,000 t to 1.385m t with the divestment in Ludwigshafen.

BASF had temporarily reduced ammonia production in Ludwigshafen and Antwerp starting in the third quarter of 2021 and then again in 2022 in response to the steep rise in natural gas prices. At the same time, the company adjusted urea production in Ludwigshafen by shutting down one of the two plants. These production curtailments were offset by purchasing more urea. BASF has now expanded procurement logistics at the Ludwigshafen site so that it can continue this 'make or buy' strategy in the future. If production costs are too high, more of the urea it needs can be purchased. If raw material costs ease, though, the firm can ramp up its own production again. BASF therefore restarted the previously idled urea plant in January after natural gas prices dropped.

BASF is the only adhesive and impregnating resin manufacturer with its own urea production capabilities. In the past, this backward integration was often an advantage. However, the extreme spike in natural gas and ammonia prices has made urea production in Central Europe so expensive in the past one-and-a-half years that it was no longer competitive at times. A similar trend occurred with melamine. Like other European melamine producers, BASF sharply reduced production or stopped production completely for a short time at the two melamine plants at the Ludwigshafen site during the second half of 2022. Earlier reports suggested that the two melamine plants combined can produce up to 60,000 t. □



BASF Verbund site in Ludwigshafen

(Photo credit: BASF)

## *Different approaches to reducing the carbon footprint of resins*

# *Ikea Industry to use more bio-based adhesives in particleboard production*

**Ikea Industry AB has now started using bio-based adhesives for wood-based panels on a commercial basis.**

This move comes after the company wrapped up a pilot project at its Kazlu Ruda particleboard mill in Lithuania last year. Over the coming years, the group plans to gradually replace conventional adhesives with bio-based alternatives. In a press release published on 1 March 2023, Ikea Industry said that it had started this development work around a decade ago. As part of this work, Ikea Industry had tested a variety of options to replace upstream resin products, which until now have typically been made using natural gas, with bio-based feedstock. This work initially focused on reducing formaldehyde emissions but has since been overshadowed by the company's goal to significantly reduce its carbon footprint in the next few years, which the Ikea Group has also added to its overall sustainability ambitions.

Ikea Industry has been working with the Canadian biopolymer company EcoSynthetix Inc., based in Burlington, Ontario, on adhesive resins for use in particleboard production since 2016. This partnership initially led to laboratory tests and smaller test runs in recent years. Production tests were next performed at the particleboard line in Kazlu Ruda. The DuraBind adhesive system, which was developed by EcoSynthetix and uses technical starch from corn, has been used in regular production there for a few months now. At the same time, tests are underway with feedstock based on starch made from other plants or compounds of plant proteins. According to Ikea Industry, this feedstock is made from industrially grown plants that are separated from the food value chain.

Ikea Industry intends to reduce the use of conventional adhesives in its own particleboard mills and at external suppliers by 40% by the year 2030. Working together



*Particleboard and furniture plant in Kazlu Ruda*

*(Photo credit: Ikea Industry)*

with external partners, the company has also launched an accelerator programme to increase the use of bio-based adhesives to 100% in the medium term. Along with switching the type of adhesive it uses, Ikea Industry also wants to use more waste wood in particleboard production. The goal is for the particleboard processed by the Ikea Group to have an 80% waste wood content by 2030. Last year, its waste wood rate stood at 27%.

Reducing its carbon footprint by changing the type of adhesive used is also on the radar of other resin and wood-based panel manufacturers. Several companies are working to adjust the urea-formaldehyde (UF resins) and melamine-urea-formaldehyde (MUF resins) used to make particleboard and MDF/HDF to date. So far, though, the technical prerequisites to directly replace natural gas with biogas or the use of green ammonia, urea and methanol have not been in place. An interim step are biomass-balanced products. One benefit of this approach is that the adhesive systems currently utilised to make wood-based panels

can remain in use. Adequate amounts of the required upstream products and resins are available. However, additional costs have to be taken into account associated with balancing biogas.

When switching adhesive systems to bio-based products, there are more unanswered questions from the perspective of the wood-based panel industry. Along with issues related to the availability of the required feedstock, resulting supply issues and additional costs, various technical issues also have to be addressed. For instance, companies need to look at the extent to which they can be converted using existing adhesive systems, their compatibility with the adhesive systems used to date and the consequences for the manufacturing process and board properties. Bio-based wood-based panel adhesives are sometimes combined with PMDI adhesives to achieve a better bond in order to guarantee the required properties in regular production in the long term. However, the development goal is to use bio-based products entirely. □

*Agreement followed just a few weeks after signing the contract for ICA Group*

## *Sherwin-Williams to acquire SIC Holding with Nolte and Klumpp*

**US chemical group The Sherwin-Williams Co. of Cleveland, Ohio, intends to acquire coatings manufacturers Oskar Nolte GmbH, based in Kirchleugern, and Klumpp Coatings GmbH, headquartered in Stuttgart, two companies combined under Specialized Industrial Coatings Holding (SIC Holding).**

According to a statement issued on 8 November 2022, the company has signed an agreement to this effect with current SIC shareholders Peter Möhrle Holding (PMH), based in Hamburg, and GP Capital UG, based in Kirchleugern. Conclusion of the transaction is expected in early 2023 following receipt of all necessary approvals. Sherwin-Williams intends to subsequently integrate Nolte and Klumpp into its Performance Coatings Group business division, which has already been increasingly expanded through acquisitions over the past several years.

As recently as the beginning of October, Sherwin-Williams announced the acquisi-

tion of Italian Industria Chimica Adriatica S.p.A. (ICA) headquartered in Civitanova Marche. The transaction was concluded in December as planned. With production locations in Italy and Poland as well as a stake in Indian joint venture ICA Pidilite Private Ltd., based in Mumbai, the ICA Group is primarily focused on wood coatings for the furniture, flooring and building components industries. In the 2021 financial year, the company generated turnover of €158m with around 600 employees. According to a statement issued after the acquisition agreement was signed, Sherwin-Williams intends to expand the ICA Group with the current management into a global competence centre in the field of wood coatings.

In the 2021 financial year, the Performance Coatings Group division generated turnover of US\$6.004bn (2020: 4.922bn) and pre-tax profit of US\$486.2m (500.1m). Approximately one-fifth of the business division's turnover was attributable to the industrial wood coatings division. The perfor-

mance coatings group is also active in the segments coil coatings, general industrial, automotive finishes and protective & marine. Consolidated turnover of Sherwin-Williams amounted to US\$19.945bn (18.362bn) in 2021. EBITDA of US\$3.156bn (3.441bn) resulted in a margin of 15.8% (18.7%). In 2021, pre-tax profit amounted to US\$2.249bn (2.519bn) and net profit was stated at US\$1.864bn (2.030bn).

According to the 2022 annual report published on 22 February, turnover of the Performance Coatings Group increased by 13.2% to €6.794bn and pre-tax profit by 51.2% to US\$734.9m (486.2m). Sherwin-Williams as a whole generated turnover of US\$22.149bn, which was 11.1% more than the year before. EBITDA amounted to US\$3.545bn (3.156bn). Pre-tax profit and net profit were reported at US\$2.573bn (2.249bn) and US\$2.020bn (1.864bn) respectively.

PMH had acquired coatings manufacturer Oskar Nolte in May 2018 and the film coatings business of AkzoNobel N.V. of Amsterdam in early November 2019. This was followed at the end of November 2020 by the acquisition of Klumpp Coatings, which is primarily focused on coatings for flooring applications. The activities of the individual companies were subsequently merged into SIC Holding. According to the latest PMH business report, the company holds 75.49% of the shares in SIC Holding; former Nolte shareholder Guido Pühse holds 24.51% via GP Capital. The production range of Nolte and Klumpp includes film coatings as well as radiation-curing and water-based coatings for the wood-based panels, furniture and flooring industries. With activities in Europe, Asia and South America, the two companies - which together employ around 220 persons - most recently generated annual turnover of approximately €91.5m. □



*Production plant for coatings in Statesville*

*(Photo credit: Sherwin-Williams)*

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*Annual Review: Consolidation might well intensify in the months ahead*

# *Operational challenges influenced WBP and surfaces businesses*

**Europe's wood-based panel and surfaces industry might be facing a period of stronger consolidation again in the wake of a strong economic downturn in the second half of 2022.**

Plummeting demand and inventory reductions along the entire value chain have caused significant capacity utilisation problems. Companies are responding by carrying out wide-ranging production curtailments. After summer shutdowns that were often longer than originally planned, companies took repeated short-lived downtime during the autumn. In many cases, shutdowns at year end were also longer than normal. Stoppages lasting as long as three to four weeks were performed by firms in some sectors, including decor paper companies, decor printers, treater operators and laminate flooring businesses. Ongoing production curtailments in almost all areas look set to at least reduce inventories further. However, it will probably be quite some time before a lasting balance between supply and demand is reached. Most companies in the wood-based panel

and surfaces industry do not expect an improvement before the second quarter, and it might take until the second half of the year for conditions to return to normal.

The negative effects of the economic downturn that has lasted for several months have so far been cushioned by price increases implemented during 2021 and the first half of 2022. Full-year revenues likely increased or only softened slightly despite falling sales in the second half of the year. These markups were intended to offset rising costs, especially for raw materials and energy. Raw materials costs have eased slightly in some areas. That being said, the combination of dwindling sales, mounting pressure on sales prices, costs that remain high, at least in some areas, and additional expenses for required adjustments and restructuring measures will eat away at earnings in many parts of the wood-based panel and surfaces industry in the coming months. In light of this situation, many companies have scrutinised more wide-ranging expansion plans. Their focus will tend to be on stabilising

their economic situation instead, at least in the coming months.

The Covid-19 pandemic, supply problems that emerged during the subsequent rapid recovery, the war in Ukraine and related upheaval in the energy sector had already culminated in just a few changes in the wood-based panel and surfaces industry over the past two years. The spotlight was on operational challenges, such as securing the supply of upstream products, optimising production, meeting demand and reducing lead times. By contrast, businesses will mainly have to contend with the economic downswing in the current year. Without an improvement to the situation, more far-reaching restructuring measures might be needed, such as carrying out longer-lasting production curtailments, removing capacity, exiting product segments or withdrawing from certain markets.

Sanctions imposed on Russia and Belarus following Russia's invasion of Ukraine will also prompt changes in the wood-based panel and surfaces industry. Ties between Russian companies and affiliated companies abroad have had to be limited or cut altogether. Several European companies have scaled back or completely shut down their activities in Russia. The assets in question have been spun off or put up for sale. Import and export bans have led to considerable changes in the flow of goods. Russian manufacturers want to redirect deliveries originally earmarked for Europe to other markets. They also have to move their sourcing of upstream products from Europe to other markets. In both cases, any gaps will mainly be closed by forging closer cooperation with China. India, the Middle East and South-East Asia are other target markets for Russian companies.

Current or planned investments in Russia and Belarus are also severely restricted. Many projects had to be postponed or completely ditched because of the ban



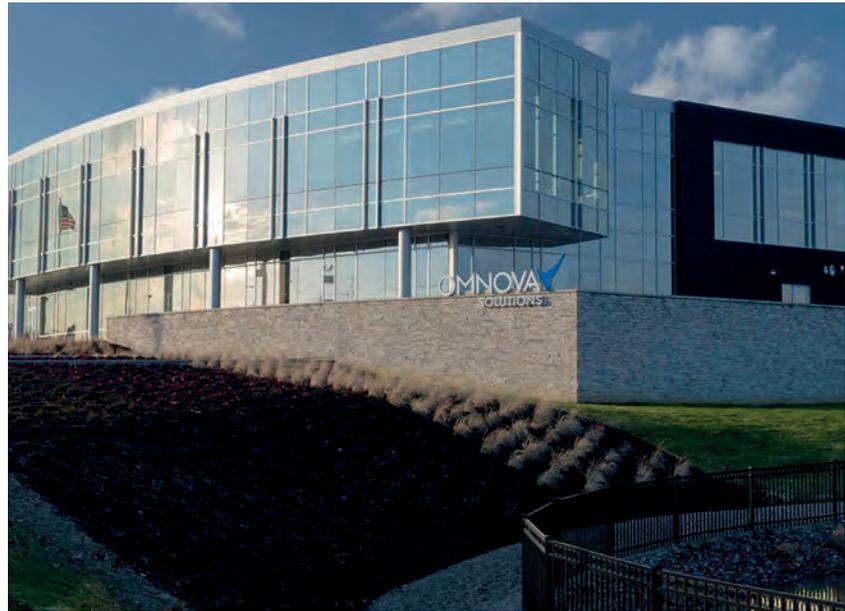
*Installation work at the new Kronospan site in Tortosa*

*(Photo credit: Kronospan)*

on machine deliveries from the EU. More advanced projects found that planned machinery and plants could no longer be delivered due to the sanctions. Some of this technology is now to be used at other locations. EU machinery and plant manufacturers are now largely denied access to the Russian market because of the sanctions. Along with deliveries of new machines and plants, the service and spare parts business is also facing severe restrictions. Russian companies are making do in part with replicas from local suppliers or with imports from Asia. These contacts are likely to produce shifts in the new plant business in the medium term. It will therefore remain tough for European machinery and plant manufacturers to return to the Russian market in the long term.

Turmoil on international energy markets caused by the war in Ukraine is also making European suppliers of raw materials and upstream products less competitive. Companies needing large amounts of energy, natural gas or urea, in particular, have encountered more significant challenges over the past few months. For example, virtually all European melamine producers had to slash production or even shut down completely for a longer period of time in the third quarter due to excessively high urea prices. As a result, European melamine converters have increasingly sourced what they need in China. Urea buying has shifted to North Africa in some cases over the last few months. Additional methanol was imported from North America, too. The market has since seen shifts in the flow of goods in other product areas, as well. Chinese decor paper manufacturers' made test deliveries to Central European converters during the second half of 2022, and have already moved to regular deliveries in a few cases.

Within Europe, too, cost differences from one company to another may lead to shifts in market share. Cases in point are energy and wood supply to wood-based panel manufacturers. In the current environment, firms with their own biomass power plants have a competitive edge. Manufacturers requiring more natural gas are lagging somewhat behind. Access to cheap grades is playing a role when it comes to wood supply. The logistics situation for chemical



*New headquarters of Omnova in Beachwood, Ohio*

*(Photo credit: Vocon)*

raw materials deliveries is also coming into play. Cost differences for surfaces are somewhat less pronounced. That being said, decor paper producers, decor printers, film producers and treater operators have for some time been making strenuous efforts to replace the natural gas needed for drying processes. Companies that are able to substitute natural gas more quickly may be able to gain an edge.

In light of these enduring operational challenges, the wood-based panel and surfaces industry encountered fewer changes in 2022 than in years past. One of the hot topics was the acquisition of Pflieger Polska Sp.zo.o., based in Grajewo, Poland, by Kronospan Holdings plc, headquartered in Nicosia, Cyprus. This deal had been agreed upon back in spring 2021 but will not take place after all owing to persistent concerns on the part of competition authorities. However, in March, the Turkish group Yildiz Entegre Agaç San. ve Tic. A.S., based in Kocaeli, did wrap up talks about acquiring the remaining assets of Yildiz Sunta Orman Ürünleri Sanayi Tesisleri İth. İhr. ve Tic. A.S., headquartered in İzmit. One thunderbolt came right at the year's end when the Egger Group, based in St. Johann, Austria, bought a stake in the Italian particleboard manufacturer Società Agglomerati Industriali Bosi S.p.A. (SAIB), headquartered in Fossadello di Caorso,

in mid-December. Furniture industry suppliers faced particular challenges due to economic developments. This sector also saw more wide-ranging restructuring connected to company-specific factors with steps such as the sale of the assets of D. Lechner GmbH (Rothenburg ob der Tauber) to the Livos Group, the end of production at Timbertex Möbelfertigteile GmbH & Co. KG (Rheda-Wiedenbrück) and another insolvency filing by Eltec Elemente GmbH (Arnsberg).

The spin-off of the Decor Solutions division from Ahlstrom-Munksjö Oyj (Helsinki), North American capacity additions announced by Felix Schoeller GmbH & Co. KG (Osnabrück), the launch of LLC Ultra Décor RUS (Lyudinovo, Kaluga Oblast, Russia) and the shutdown of pre-impregnated paper production at Kämmerer Spezialpapiere GmbH (Osnabrück, Germany) were the biggest changes in the decor paper sector. Examples of changes in the surfaces business included the Spanish decor printer and treater operator Decotec Printing S.A.U. (Tordera) being integrated into the Interprint Group (Arnsberg, Germany), Olbrich GmbH (Bocholt) being acquired by Matthews International Corp. (Pittsburgh, Pennsylvania) and surface activities belonging to the US firm Omnova Solutions Inc. (Beachwood, Ohio) being bought by Surteco North America Inc. (Myrtle Beach, South Carolina). □

## Huber seeking new location for sixth OSB mill



HEW site in Charlotte (Photo credit: Huber Engineered Wood)

The OSB manufacturer Huber Engineered Woods LLC (HEW), owned by J.M. Huber Corp. and based in Charlotte, North Carolina, has ditched plans to build a new OSB mill in Cohasset, Minnesota, after more than 18 months of preparations. In a notice published on 9 February 2023, the company pointed to considerable delays in the permit process. The project is now to be implemented in another US state. The communication did not specify which states would be considered. Prior

to choosing Cohasset due to factors including good timber supply, Huber had also examined various locations in the western USA and Canada.

Huber announced the greenfield project in Cohasset in June 2021 and estimated that it would invest around US\$440m. At the time, the company had planned to begin initial construction work in the second half of 2021, with commissioning planned by the end of 2023. However, the permit process had become increasingly protracted. After several objections, Huber Engineered Woods had to submit a new Environmental Assessment Worksheet (EAW) in January 2022, but this again met with resistance. In addition, various stakeholders, including the Leech Lake Band of Ojibwe, had called for the preparation of an Environmental Impact Statement (EIS). Local authorities

in Cohasset had wanted to waive this EIS. In a decision issued on 6 February, the Minnesota Court of Appeals ruled that this was improper. Huber Engineered Woods decided to drop the project three days later.

Huber currently operates five OSB mills in Easton (Maine), Commerce (Georgia), Crystal Hill (Virginia), Spring City (Tennessee) and Broken Bow (Oklahoma). Its total capacity stands at around 2m m<sup>3</sup>/year. Huber uses continuous presses commissioned in 1997 and 2004, respectively, at its Spring City and Broken Bow mills. The three other mills operate multi-opening presses. Unconfirmed reports suggested that Huber had already entered into engineering contracts for a continuous press for the sixth plant, which is designed to have an annual capacity of about 700,000 m<sup>3</sup>. The new mill will primarily make its ZIP System and AdvanTech product lines. □

## Tolko orders new continuous press

The Canadian OSB manufacturer Tolko Industries Inc., headquartered in Vernon, British Columbia, ordered a continuous forming and press line from Dieffenbacher GmbH Maschinen- und Anlagenbau during the fourth quarter of 2022. This technology will replace a multi-opening line in High Prairie, Alberta, site that suffered severe damage in a fire on 20 May 2022.

Dieffenbacher had delivered the original line in the mid-1990s in a partnership with Schenck Panel Production Systems GmbH (Schenk PPS). Commissioned in 1995, the Schenck Flexoplan line featured a 12-daylight Dieffenbacher press that was designed to make panels 6-30 mm thick in a finished size of 3,660 x 7,320 mm or 12x24 ft. At commissioning, the suppliers had guaranteed that the line would have a production capacity of around 1,400 m<sup>3</sup> per day or around 460,000 m<sup>3</sup> per year. The line most recently operated at an annual capacity of around 700m sqft (base 7/16") or 620,000 m<sup>3</sup>, according to Tolko. Sheathing OSB in a 4x8 ft size and

1/4", 7/16" and 22/32" thick accounted for the majority of its output. Tolko shut down the High Prairie mill indefinitely in February 2008 amidst the global financial crisis. It only resumed operations in the spring of 2018 after an upgrade carried out in 2017. The blaze caused by the rupture of a thermal oil line last spring caused irreparable damage to the forming and press line. Affected parts of the mill were demolished over the last few months.

In addition to the CPS+ continuous press, the contract now awarded to Dieffenbacher includes the forming station, the forming line, the raw board transport system and a press exhaust air cleaning system with hall exhaust air management. The order also includes the Cebro concept, the Evoris digitalisation solution and the MyDieffenbacher service platform. Technology deliveries are to start shortly, and the first piece of board is scheduled for production before the end of the year. The new press will boost the High Prairie mill's annual capacity to 734,000 m<sup>3</sup> in the future. □

## West Fraser postpones start of production in Allendale

The supply chain problems concerning machinery and plant engineering, which have still not been finally resolved, have led to further delays in the recommissioning of the OSB plant in Allendale, South Carolina. West Fraser Timber Co. Ltd., based in Vancouver, British Columbia, took over the plant, which had been shut down since the end of 2019, from Georgia-Pacific Wood Products LLC of Atlanta, Georgia, at the beginning of December 2021 and at that time set a target of starting production by the end of 2022. In August 2022, this date was postponed to the first quarter of 2023. In the meantime, the company anticipates starting production the end of the second quarter. Subsequently, within three years, the plant is to be brought up to full capacity at around 760m sqft, or 675,000 m<sup>3</sup>.

The supply chain problems and further cost increases have also made the modernisation project, initially estimated at around US\$70m when it was announced, even more expensive. Meanwhile, the company expects additional costs of 10%. □

## ***LP expands Houlton site with second line***



LP's Houlton site (Photo credit: Louisiana-Pacific)

US Louisiana-Pacific Corp. (LP), based in Nashville, Tennessee, plans to install a second forming and press line at the Houlton, Maine, site in order to further expand its siding capacities. A total of around US\$400m is to be invested in the site expansion, which is still subject to approval by the relevant authorities. According to current plans, the new facilities are to be commissioned during the second half of 2024. This will more than double capacity at Houlton, and Louisiana-Pacific's total siding capacity is expected to increase to approximately 2.6m sqft/year.

The former laminated strand lumber (LSL) plant had been converted to strand sidings only last year; production started toward the end of the first quarter. Since

then, the plant, designed for an annual capacity of 220m sqft (basis 3/8") after the conversion, has been ramped up.

With the stop in OSB production at the site in Sagola, Michigan, at the end of October, another conversion project has been entering the final work phase. This will reduce Louisiana-Pacific's OSB capacity by 420m sqft. After re-commissioning, planned for the end of the first quarter of 2023, the new siding plant is expected to reach an annual capacity of 320m sqft/year when fully utilised. Louisiana-Pacific estimates a ramp-up period of nine to twelve months, as in Houlton. In the meantime, siding capacity increases to 2.3m sqft/year.

In October, Louisiana-Pacific also announced its next expansion project in the area of laminating. According to the company, engineering commenced for a new plant near Spokane, Washington, for production of the ready-to-install strand sidings of the expert finish production line. At the site in Green Bay, Wisconsin, a second laminating line is to be ramped up shortly, and subsequently a further line is to be installed there. The new plant currently under construction in Bath, New York, is expected to start up as planned in mid-2023. □

## ***Berkshire Hathaway buys stake in Louisiana-Pacific***

The investment group Berkshire Hathaway Inc., which is headquartered in Omaha, Nebraska, and managed by Warren Buffett, acquired almost 5.8m shares in the US OSB manufacturer Louisiana-Pacific Corp, based in Nashville, Tennessee, in two transactions during the third quarter of 2022. According to an SEC filing by the company on 14 November 2022, Berkshire Hathaway spent US\$138.2m on 2.7m shares in a first tranche. It then invested US\$158.5m to acquire another 3.1m shares in the second tranche. The average price was US\$51.2 per share.

Louisiana-Pacific runs 12 OSB mills in the US, Canada, Chile and Brazil. It now manufactures siding at 11 locations in the

US, Canada and Chile. Engineered wood products are also produced at its site in Lautaro, Chile. Berkshire Hathaway's recent investment in LP marks its first foray into the wood-based panel sector. Until now, the company's holdings have focused on the reinsurance, financial services, IT and energy sectors. Its holdings in the construction and furnishings sector include the building materials manufacturer Acme Brick Co. (Forth Worth, Texas), the largest US prefabricated house manufacturer Clayton Homes (Maryville, Tennessee), the building supplier Johns Manville Corp. (Denver, Colorado), the flooring group Shaw Industries Group Inc. (Dalton, Georgia), the distributor Floor & Decor Holdings Inc. (Smyrna, Georgia) and the furniture retailers Jordan's Furniture, Nebraska Furniture Mart, Star Furniture and R.C. Willey Home Furnishings. □



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### **Group Forex applies for restructuring under CCAA**

The price decline on the North American OSB and lumber markets has led to liquidity problems at Groupe Forex in Canada. As a result, on 6 February 2023 the company applied for financial restructuring under the Canadian Companies' Creditors Arrangement Act (CCAA) at the Superior Court of the Province of Québec. The application was approved the following day and creditor protection was ordered. In a parallel step, the court also released interim financing for a total maximum amount of Can\$4m and appointed PricewaterhouseCoopers (PwC) as monitor. On 13 February, the court extended creditor protection until 20 February and also arranged for the first hearing in the insolvency proceedings to take place on the same date.

At the hearing, the Superior Court granted Forex further extension until 28 April. By then, the Sale and Investment Solicitation Process (SISP) applied for by the company on 17 February is expected to be completed. Through the bidding process launched on 22 February, Forex intends to find a buyer either for the company as a whole or for parts of it, or an investor to provide funding for the financial restructuring which is required. The deadline for submitting a binding offer subsequently expires on 30 March. The successful bidder is to be determined by 7 April and the bidding process completed by 24 April.

According to a pre-filing report published by PwC on 6 February, Groupe Forex's net income for the 2022 financial year slumped to Can\$10m. High investments to reactivate the former Wawa, Ontario, OSB plant, acquired by Forex in June 2022, also contributed to the liquidity shortage. According to application documents submitted to the court, Groupe Forex's total liabilities as of 1 February amounted to Can\$134.1m, of which Can\$108.1m was owed to six secured creditors.

The Wawa plant was intended to become Groupe Forex's second OSB site. To date, the company, for example, also operates two sawmills at the Ferme-Neuve and Mont Laurier sites in addition to an OSB plant in Amos. □

### **Arauco to expand Cholguán lines**

Chilean wood and pulp group Celulosa Arauco y Constitución S.A. of Santiago de Chile intends to build an OSB plant next to the MDF plant in Cholguán, Chile. The subsidiary Maderas Arauco S.A. submitted the environmental impact declaration (Declaración de Impacto Ambiental, DIA) to the Servicio de Evaluación Ambiental (SEA) of the Ñuble region on 18 October 2022 for the project, which is entitled Planta Fabricación de OSB - Planta Trupán.

According to the documents submitted to SEA, Maderas Arauco intends to invest approximately US\$280m in the construction of the OSB plant with a total capacity of 360,000 m<sup>3</sup> per annum. Of the annual production, 300,000 m<sup>3</sup> is expected to be standard OSB and 60,000-70,000 m<sup>3</sup> will be higher-value products, such as OSB sidings used as exterior cladding in residential construction.

The overall project foresees a common strand preparation system with one strander, two belt dryers and one drum screen. The thermal energy required for drying the strands will be generated in a biomass boiler with an output of 48 MW, which will provide hot water for drying (40 MW) as well as

thermal oil for the production process (8 MW).

From the dry bins, two production lines are then planned. According to Arauco, the use of PMDI adhesives is planned for the glue-preparation system in each of the lines. For OSB production, a continuous forming and press line is to be set up. The sidings will likely be produced on a multi-daylight system. In the forming station upstream of this, Arauco plans to install a feeding system for phenolic paper sheets. To prevent coarse particles from telegraphing through, a layer of fine shavings will be applied to the scattered OSB mat beforehand. In addition, the press is to be equipped with textured press plates for the upper layer of fine shavings, which is to be covered with phenolic paper. These plates create the necessary surface texture and are interchangeable to allow production of sidings with varying textures.

Arauco expects to implement preparatory measures for the construction of the new OSB plant from June 2023, including demolition of redundant buildings and infrastructure. From then, the company estimates a period of 22 months until the start of the commissioning phase. □



*Arauco is planning to invest in an OSB plant in Cholguán.*

*(Photo credit: Arauco)*

## Schilliger switches site for insulating board



Schilliger sawmill in Perlen (Photo credit: Schilliger)

The Swiss lumber and glued timber manufacturer Schilliger Holz AG, based in Küssnacht-Haltikon, will not build an insulating board plant in Perlen in the canton Lucerne, as announced in 2021. Instead, it will be constructed in the Fänn industrial estate in Küssnacht in the canton of Schwyz. On 17 November, Schilliger announced that the original building site on the premises of the Swiss paper mill Perlen Papier AG and near the Schilliger heavy timber sawmill in Perlen, was too small. The Fänn industrial complex run by Atinova AG, headquartered in Baar, proved especially suitable once the firm relaunched the hunt for a new location. In particular, its proximity to Schilliger's current production site in Haltikon will unlock synergies. The location will now be examined in detail as part of the planning and building permit process. Activities will be coordinated with the existing operations of Tschümperlin AG, based in Adliswil, a building materials manufacturer and trader operating on this site. Tschümperlin will retain its building material production and distribution activities. Unlike in Perlen, the

insulating board plant in Küssnacht will be supplemented by a medium-sized (25 MW) wood-fired power plant.

However, Schilliger is sticking to other plans related to the insulating board plant. Project plans unveiled in 2021 envisaged a line operating using the dry process that could make both pressure-resistant insulating board and flexible insulation mats. Its annual capacity is to be around 350,000 m<sup>3</sup>. Wood chips will serve as raw material and can now preferably be supplied from the neighbouring sawmill in Haltikon (cutting volume: 200,000 m<sup>3</sup>/year), but also from Perlen (cutting capacity 80,000 m<sup>3</sup>) and Volgelshheim, France (300,000 m<sup>3</sup>), as previously planned. Schilliger estimates its annual timber demand at around 50,000 t bone-dry. Investment costs have not yet been finalised, even after the relocation, but will be in the high double-digit million Swiss franc range. According to Schilliger Holz's managing director Ernest Schilliger, production will commence in 2024 rather than in 2023. However, the firm will only be able to provide specific information once the building permit has been issued. Dieffenbacher GmbH Maschinen- und Anlagenbau is supposed to get the contract to supply the main technology; decisions have not been made about the other suppliers. The insulating board and mats that will be produced in Küssnacht-Fänn will be sold primarily in Switzerland under the Lignatherm name. □

## Steico aims to boost group revenues to €750m in 2026

The insulating board and LVL manufacturer Steico SE, based in Feldkirchen, Germany, expects to enjoy additional significant revenue growth in the coming years. This forecast comes despite the insulating board business returning to normal in the second half of 2022, which was reflected in short lead times and customers reducing their stocks at the end of the year. The company has set itself the target of growth in the middle single-digit percentage range this year. Group revenues are forecast to reach around €750m by 2026 due to

current investment projects, in particular, the construction of a new plant in Gromadka, Poland.

According to preliminary figures, Steico generated revenues of €445.3m (2021: 388.2m) last year, representing a growth of 14.7%. Its total operating performance increased even more strongly, climbing by 18.2% to €467.6m (395.6m). However, earnings fell slightly. EBITDA dropped by 2.8% to €88.8m (91.3m) and EBIT by 5.6% to €63.8m (67.6m). The EBIT margin calculated from the total operating performance thus fell by 3.4 percentage points to 13.7 (17.1)%. □

## Monolit-Stroy made the first piece of OSB in September

The Russian company Monolit-Stroy LLC, headquartered in Tuchkovo, Moscow Oblast, has now started making OSB, too, after commissioning a continuous production line that Imal-Pal s.r.l delivered to its Siberian site in Tomsk. Technology deliveries and mechanical assembly were completed by the second quarter of 2022 - before the European Commission's sanctions on Russia came into force. Electrical installations and commissioning of the different plant sections followed over the summer. The first piece of board was produced in September. The mill, which is designed to have an annual capacity of around 250,000 m<sup>3</sup>, has been gradually ramping up operations since then.

Imal-Pal supplied all key components for this project, from the woodyard to the finishing line. The strander and other timber yard equipment came from its subsidiary Globus. Pal s.r.l. was responsible for the screens, the strand bunkers and the forming line, among other things. Imal s.r.l. supplied the belt dryer, the gluing system, the continuous press, the finishing line with stacking and automatic board storage, and measuring systems integrated into the production line. The belt dryer used to dry the strands is 50 m long and 6 m wide and can achieve water evaporation of around 30 t/hour. The dimensions of the continuous press are listed at 30 x 2.65 m. Vyncke Energietechnik N.V. and Trasmec s.r.l., which are connected to the Imal-Pal Group via the Panel Alliance, had won the orders for the energy plant and the mechanical conveyors, respectively.

Monolit-Stroy had previously specialised in project development but started making wood-based panels in 2017 when it acquired the insolvent MDF manufacturer OOO Partner-Tomsk. In 2010, its previous incarnation commissioned an MDF/HDF line in Tomsk that had been delivered by Dieffenbacher GmbH Maschinen- und Anlagenbau. This line was designed to have an annual capacity of 260,000 m<sup>3</sup> using a continuous press in dimensions of 9' x 36.6 m. A short-cycle press from Dieffenbacher Maschinenfabrik GmbH had also started operating in March 2011. □

## ***Lumin to build a second plywood mill in Uruguay***

Uruply S.A., headquartered in Montevideo, Uruguay, plans to build another plywood mill over the next three years. This company, which was spun off from Weyerhaeuser Co., based in Seattle, Washington, in September 2017, does business under the Lumin product name. The Board of Directors of Lumin, which mainly comprises representatives of its main shareholders BTG Pactual, Timberland Investment Group (TIG) and British Columbia Investment Management Corporation (BCI), has already approved the US\$136m investment. The first construction work is to begin in the first quarter, with commissioning scheduled for the first quarter of 2026.

Lumin currently has a total annual capacity of around 270,000 m<sup>3</sup> using two production lines at the plywood mill in Tacuarembó, which was built starting in 2004 and commissioned in June 2006. A third line was commissioned to produce thin plywood during 2021. Its annual capacity is listed as 34,000 m<sup>3</sup>. Lumin reported having invested about US\$34m in this project. Another US\$8m was invested in a new distribution centre, which was built in Canelones near the port of Montevideo. Tacuarembó is located about 350 km north of Montevideo. The new mill planned in Melo, which is located about 200 km east of Tacuarembó, will boost its listed capacity from a good 300,000 m<sup>3</sup> to over 500,000 m<sup>3</sup>. According to CEO Álvaro Molinari, this project will make Lumin the second-largest plywood producer in Latin America.

The new mill will create around 320 jobs. The company currently has about 780 employees. As with its existing mill, the company will primarily source wood for the new mill from its own plantations. Lumin has a forest estate of about 120,000 ha in Uruguay, where it has established about 65,000 ha of eucalyptus and pine plantations.

Lumin reported having made 239,215 m<sup>3</sup> of plywood and sold 236,677 m<sup>3</sup> in the 2021 financial year. The US was its largest sales market, with just over 100,000 m<sup>3</sup>. □

## ***Metsä Wood curbs production in Suolahti***



Suolahti mill (Photo credit: Metsä Wood)

Supply shortages of birch logs and sales problems with softwood plywood have prompted Metsä Group, based in Espoo, to cut production at its Finnish plywood mill in Suolahti, which is part of its Wood Products Industry business (Metsä Wood).

Birch plywood production has been suspended for one week since the beginning of January 2023. The softwood plywood mill was shut down for three weeks. Further measures are planned in both areas in March. Production cutbacks had already occurred at Metsä Wood's Finnish mills in April 2022 after it suspended roundwood purchasing in Russia. In addition to the Suolahti site, the Punkaharju birch plywood plant was also affected at that time.

The Suolahti mill has 390 employees and an annual capacity of 35,000 m<sup>3</sup> of birch plywood and 160,000 m<sup>3</sup> of spruce plywood. The Metsä Wood business area also operates three other mills in Finland. The Punkaharju mill produces birch plywood (230 employees, 55,000 m<sup>3</sup>/year) and LVL (200 employees, 190,000 m<sup>3</sup>/year). The Lohja site only makes LVL (115 employees, 90,000 m<sup>3</sup>/year). The veneer plant in Äänekoski can produce up to 58,000 m<sup>3</sup> of birch veneer with 30 employees, which undergoes downstream processing at the plywood mill in Pärnu, Estonia (156 employees, 50,000 m<sup>3</sup>/year), which started operations in the same year.

Metsä Wood runs three processing sites at Metsä Wood UK. Its site in Kings Lynn, Norfolk, makes engineered wood products, including I-Joists sold under the Finnjoist name made of LVL and OSB. Its plants in Boston, Lincolnshire, and Widnes, Cheshire, make items including solid wood products, MDF mouldings and door frames. □

## ***UPM's plywood sales at lowest level since 2009***

UPM-Kymmene Corp., based in Helsinki, Finland, has announced that its Plywood division sold 110,000 m<sup>3</sup> of plywood in the fourth quarter of 2022 (Oct-Dec 2021: 172,000 m<sup>3</sup>). This figure was 36% less than in the fourth quarter of 2021 and 17% less than in the third quarter of 2022 (-21% to 140,000 m<sup>3</sup>). The division had already recorded a 15% dive in sales to 168,000 m<sup>3</sup> in the second quarter after shutting its site in Chudovo, Russia, in March. This closure removed 40% of the company's own birch plywood capacity. The first three months of 2022 ended with a 4% increase to 198,000 m<sup>3</sup>. Full-year plywood deliveries were down 17% at 616,000 (2021: 738,000) m<sup>3</sup> in 2022, putting them at the lowest level in 13 years. Deliveries had previously climbed from 567,000 m<sup>3</sup> in 2009 to 811,000 m<sup>3</sup> in 2017. A downward trend since then was only interrupted in 2021 (+8%). □

## ***Latvijas Finieris receives €39m loan from EIB***

The European Investment Bank (EIB) has approved a €39m loan for Latvian birch plywood producer Latvijas Finieris AS, based in Riga. According to a statement issued on 22 December 2022, the funds will be used to modernise and expand production capacities at the integrated birch plywood mills in Riga and Rezeknes novads, operating under the names Lignums and Verems respectively, as well as to finance research and development projects.

Back in mid-July, Latvijas Finieris had approved an expansion investment that will double the annual capacity of the Verems mill to around 80,000 m<sup>3</sup> by 2024. The investment volume was stated at around €67m. In a second investment project, a plant for the production of lignin-based resins is to be constructed in Riga via the Viobond consortium. According to Viobond, the plant will be designed for an annual capacity of 45,000 t of lignin-phenol-formaldehyde (LPF) resins. It is expected to replace one-third of the fossil raw materials typically used. □

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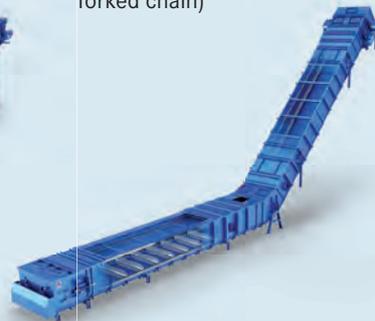
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## *Slump recorded in second half of year after slight growth achieved in first half*

# *First double-digit decline in Brazilian Elliotis pine exports since several years*

**Last year, Brazilian exports of elliotis pine plywood fell short of the preceding year's levels in five out of seven regions.**

Declines were in the double-digit percentage range in each case. According to the export statistics of the Associação Brasileira da Indústria de Madeira Processada Mecanicamente (ABIMCI), Curitiba, Paraná, the volume of exports to North America fell by 18% to 1.085m m<sup>3</sup> (2021: 1.318m m<sup>3</sup>). For the Central America/Caribbean region, a decline of 21% to 164,385 m<sup>3</sup> (208,315 m<sup>3</sup>) was reported. Deliveries within South America dropped by as much as 60% to 61,319 m<sup>3</sup> (151,412 m<sup>3</sup>). The upward trend observed in recent years concerning deliveries to Oceania also did not continue; a decline of 19% to 23,483 m<sup>3</sup> (29,078 m<sup>3</sup>) was recorded for this region last year. Europe once again took on a greater volume than in the preceding year, up 3% to 816,031 m<sup>3</sup> (793,672 m<sup>3</sup>). The volume of deliveries to Africa more than doubled to 101,500 m<sup>3</sup> (2021: 46,709 m<sup>3</sup>).

There have also been shifts in both directions in the individual countries. Within North America, Central America and the Caribbean, the largest sales markets each fell short of the respective figures of the preceding year. Similar year-on-year decline rates were recorded regarding exports to the USA (-17% to 891,022 m<sup>3</sup>) and Mexico (-18% to 175,154 m<sup>3</sup>).

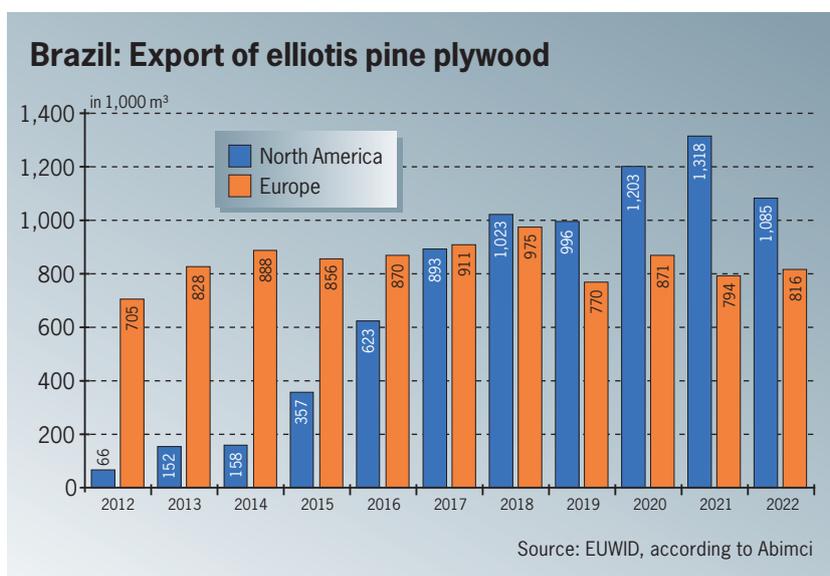
In Europe, differences between the countries were more pronounced than in the other regions, where individual markets mostly developed in the same direction. After declining 29% in 2021, exports to Great Britain dropped by a further 31% to 143,720 m<sup>3</sup> last year, meaning export volumes more than halved in two years. Deliveries to Italy, which had risen by almost 50% in the previous year, declined by 7% to 123,455 m<sup>3</sup>. For the Netherlands (-12% to 22,060 m<sup>3</sup>), a third consecutive decline was recorded.

For France, development was similar to that reported for Italy. After exports had increased by more than 50% in 2021,

a decrease of one-third was recorded last year (-33% to 11,444 m<sup>3</sup>). Exports to Belgium (+12% to 184,456 m<sup>3</sup>), Germany (+14% to 164,625 m<sup>3</sup>), Sweden (+34% to 49,597 m<sup>3</sup>) and Denmark (+57% to 30,949 m<sup>3</sup>) each increased at double-digit rates, after decline rates of varying severities had been recorded in each case in the preceding year.

Overall, Brazilian exports of elliotis pine thus declined by 11.5% to 2.260m m<sup>3</sup> (2.553m m<sup>3</sup>) last year. Prior to this, the last decline had been recorded in 2019 (-9.2% to 2.063m m<sup>3</sup>). Previously, export volumes had risen continuously since 2011 (865,639 m<sup>3</sup>). The strongest growth rates had been achieved in 2013 (+18.4%), 2016 (+19.4%) and 2017 (+19.1%). After the poorer development in 2019, exports had then increased by as much as 19.5% to 2.466m m<sup>3</sup> in 2020. 2021 had been concluded with an increase of 3.6%.

In the first half of 2022, export volumes were well above the 200,000 m<sup>3</sup> mark in each individual month. February (237,199 m<sup>3</sup>), April (239,261 m<sup>3</sup>) and May (244,532 m<sup>3</sup>) were the strongest individual months. January (231,307 m<sup>3</sup>), March (219,753 m<sup>3</sup>) and June (226,789 m<sup>3</sup>) were only slightly weaker. Accumulated over the first six months, elliotis pine exports were still up 2% year-on-year to 1.399m m<sup>3</sup> (Jan.-June 2021: 1.372m m<sup>3</sup>). In the second half-year, exports remained below the 140,000 m<sup>3</sup> mark in every month except July (157,456 m<sup>3</sup>) and October (178,355 m<sup>3</sup>). Development was particularly poor in August (128,655 m<sup>3</sup>) and September (116,258 m<sup>3</sup>); the volumes exported in November (139,965 m<sup>3</sup>) and December (139,991 m<sup>3</sup>) were comparable. For the entire second half-year, exports amounted to 860,680 m<sup>3</sup> (1.181m m<sup>3</sup>), corresponding to a year-on-year decline of 27.1%. □





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*Production of OSB down by 1% to 21.0m m<sup>3</sup>, plywood output declined by 5% to 8.6m m<sup>3</sup>*

# North America: Structural panels production falls back below 30m m<sup>3</sup>

**Following production increases in North America in 2021, slight declines were recorded again last year for both OSB and softwood plywood.**

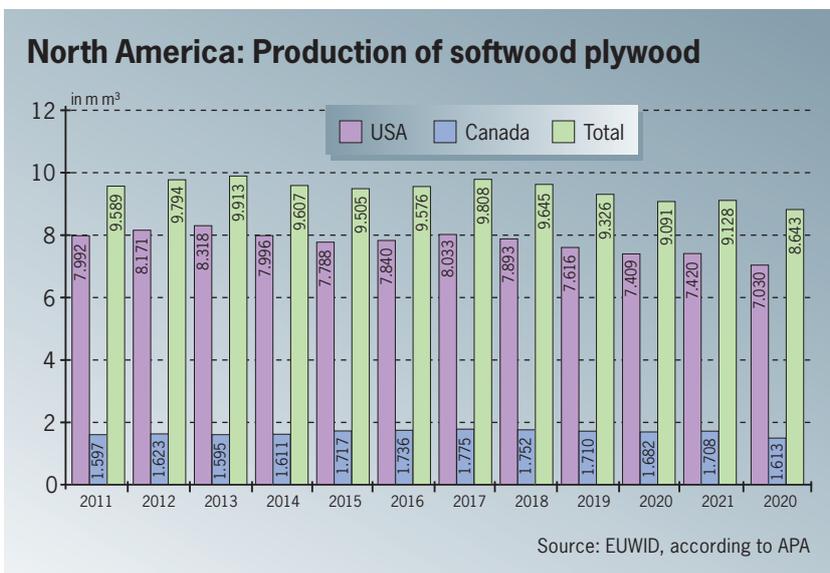
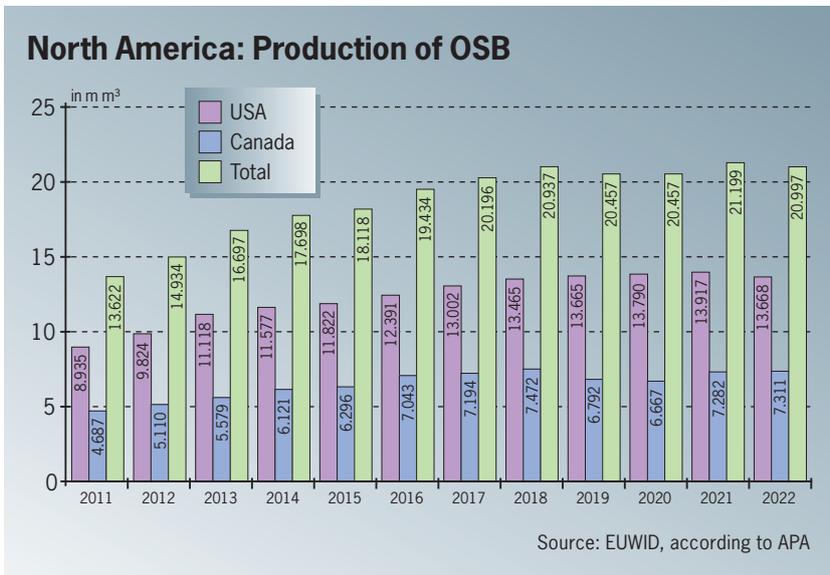
According to APA-The Engineered Wood Association, based in Tacoma, Washington, North American OSB production amounted to 20.979m m<sup>3</sup> (2021: 21.199m m<sup>3</sup>), corresponding to a year-on-year decline

of 1%. Canadian OSB producers reported another slight increase to 7.311m m<sup>3</sup> (7.282m m<sup>3</sup>), whilst US producers in the south/southeast (-2% to 11.123m m<sup>3</sup>) and north (-1% to 2.545m m<sup>3</sup>) regions reported slight declines in each case. Total US production thus decreased by 2% to 13.668m m<sup>3</sup> (13.917m m<sup>3</sup>). In the case of softwood plywood, production volumes in the USA (-5% to 7.030m m<sup>3</sup>) and in Cana-

da (-6% to 1.613m m<sup>3</sup>) developed along roughly parallel lines. In North America as a whole, softwood plywood production declined by 5% to 8.643m m<sup>3</sup> (9.128m m<sup>3</sup>). With the slightly declining development of OSB and softwood plywood, total North American production of structural panels decreased by 2% to 29.622m m<sup>3</sup> (30.327m m<sup>3</sup>) last year.

Total production volumes exceeded the 30m m<sup>3</sup> mark last year for the first time since 2017 (30.004m m<sup>3</sup>) and 2018 (30.582m m<sup>3</sup>); production volumes had fallen slightly short of this mark in both 2019 (29.783m m<sup>3</sup>) and 2020 (29.548m m<sup>3</sup>). North American OSB production had risen gradually until 2018 (20.937m m<sup>3</sup>). A volume of 20.457m m<sup>3</sup> had then been produced in both 2019 and 2020. Following the increase in 2021, production returned to the 2018 level last year. Softwood plywood production, by contrast, dropped below the 9m m<sup>3</sup> mark for the first time in a considerable period. In 2009 (9.087m m<sup>3</sup>) and 2020 (9.091m m<sup>3</sup>), this mark had been just slightly exceeded. Development had been somewhat more positive in 2019 (9.326m m<sup>3</sup>) and 2021. In all other years since 2010, however, softwood plywood producers had produced more than 9.5m m<sup>3</sup> in each case.

During 2022, North American softwood plywood production remained below the preceding year's levels in three out of four quarters (Q1: -3% to 2.266m m<sup>3</sup>, Q2: -10% to 2.225m m<sup>3</sup>, Q4: -8% to 2.003m m<sup>3</sup>); only in the third quarter did the production volume stagnate at the level of the preceding year, at 2.149m m<sup>3</sup>. OSB production in the second quarter was on par with the preceding year's level at 5.395m m<sup>3</sup>. A slight increase had been recorded in the first quarter (+2% to 5.314m m<sup>3</sup>). According to the meanwhile slightly adjusted figures, however, declines were then recorded in the second half-year (Q3: -2% to 5.263m m<sup>3</sup>, Q4: -5% to 5.007m m<sup>3</sup>). □



*In 2022 as a whole, OSB imports into the US remained slightly higher than last year*

## *OSB deliveries from the EU and CIS plummeted in the second half of 2022*

### **US imports of OSB developed in differing directions in the two half-years of 2022.**

According to the foreign-trade statistics produced by the US Department of Agriculture, Foreign Agriculture Service (FAS) of Washington, D.C., the first half-year closed with an increase of 14% to 3.388m m<sup>3</sup> (Jan.-June 2021: 2.982m m<sup>3</sup>). With the weakening of US residential-building activity, which led to a sharp drop in demand on the previously overheated OSB market and consequently to price decay as well, imports fell by 11% in the second half-year to 2.810m m<sup>3</sup> (July-Dec. 2021: 3.167m m<sup>3</sup>). As such, 6.198m m<sup>3</sup> (2021: 6.148m m<sup>3</sup>) of OSB was imported into the USA in 2022 as a whole, exceeding the previous year's figure by 1%.

From the basis of the 5.067m m<sup>3</sup> imported in 2016, US OSB imports rose in 2017 (5.570m m<sup>3</sup>) and 2018 (5.712m m<sup>3</sup>) before they returned to the 2016 level after poorer development in 2019 (5.419m m<sup>3</sup>) and 2020 (5.066m m<sup>3</sup>). The growth of 21% achieved in 2021 took the USA's OSB imports to a new peak figure, which was even slightly exceeded again last year. Deliveries from overseas have become increasingly important in the last few years. Imports from the EU had risen to 56,921 m<sup>3</sup> in 2017. They had initially halved again in 2018 to 28,021 m<sup>3</sup> before even more pronounced growth occurred in the years thereafter (2019: 44,634 m<sup>3</sup>, 2020: 96,048 m<sup>3</sup>, 2021: 394,523 m<sup>3</sup>). The extreme jump in OSB deliveries from the CIS countries to 171,916 m<sup>3</sup> did not occur until 2021.

This shift in the USA's OSB imports towards overseas was initially perpetuated in the first half-year 2022. Whereas deliveries from Canada did not even rise half as sharply as imports as a whole at +6% to 2.935m m<sup>3</sup> (Jan.-June 2021: 2.770m m<sup>3</sup>), those from the EU 27 doubled to 320,717

m<sup>3</sup> (159,152 m<sup>3</sup>). Up 130% to 92,425 m<sup>3</sup> (40,270 m<sup>3</sup>), imports from the CIS countries increased even more sharply than those from the EU. The situation was completely reversed in the second half-year. Whereas imports from Canada only fell by 2% to 2.711m m<sup>3</sup> (July-Dec. 2021: 2.758m m<sup>3</sup>), imports from the EU slumped by 66% to 79,657 m<sup>3</sup> (235,371 m<sup>3</sup>). Imports from the CIS countries fell by 88% to 16,123 m<sup>3</sup> (131,646 m<sup>3</sup>).

The differences turn out to be even more pronounced when looking at the individual quarters. In the first quarter, the imports from the EU rose by 129% to 111,179 m<sup>3</sup>, and those from the CIS countries were almost nine times as high at 44,488 m<sup>3</sup>. The second quarter brought growth of 89% for the EU at 209,538 m<sup>3</sup>, and the CIS countries registered an increase of 36%

to 47,937 m<sup>3</sup>. Deliveries from the EU in the third quarter were 57% lower than a year earlier at 59,371 m<sup>3</sup>, and those from the CIS countries were down by 80% to 12,084 m<sup>3</sup>. The fourth quarter turned out to be even weaker in both cases. Imports from the EU fell by 79% to 20,286 m<sup>3</sup>. Deliveries from the CIS countries were 94% short of the figure for a year earlier at 4,039 m<sup>3</sup>.

The heavily contrasting development in the two halves of the year caused the OSB imports from the EU to rise by 1% in the year as a whole to 400,374 m<sup>3</sup> (394,523 m<sup>3</sup>). The CIS countries remained 37% short of the figure for a year earlier at 108,548 m<sup>3</sup> (171,916 m<sup>3</sup>). Deliveries from the UK rose by 55% to 22,130 m<sup>3</sup> (14,242 m<sup>3</sup>), and those from South America by 92% to 13,311 m<sup>3</sup> (6,918 m<sup>3</sup>). □

### **USA: OSB imports**

in m <sup>3</sup>	2017	2018	2019	2020	2021	2022
North America	5,504,747	5,667,857	5,370,869	4,962,086	5,529,007	5,646,257
Canada	5,504,738	5,667,828	5,370,869	4,962,086	5,528,926	5,646,237
EU-27	56,921	33,193	44,634	96,048	394,523	400,374
Latvia	0	0	27,009	66,567	241,179	290,879
Romania	56,016	28,021	3,013	17,284	140,942	69,125
Ireland	0	1,870	14,356	11,686	9,678	33,691
CIS	4,572	3,313	3,513	3,511	171,916	108,548
Russia	2,780	3,313	0	3,478	113,977	57,117
Belarus	1,792	0	3,513	25	57,757	51,431
United Kingdom	0	0	0	0	14,242	22,130
South America	6	167	0	1,816	6,918	13,311
Chile	6	0	0	959	1,632	9,134
Brasilien	0	167	0	857	5,286	4,177
East Asia	3,460	7,153	3	1,341	30,272	7,022
China	3,460	7,153	3	1,341	30,245	7,022
<b>Total</b>	<b>5,569,706</b>	<b>5,711,925</b>	<b>5,419,267</b>	<b>5,065,500</b>	<b>6,148,226</b>	<b>6,197,937</b>

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 US Department of Agriculture, FAS

*Several projects in Europe, the Americas and Asia / First mill in Oceania**OSB capacity will continue to grow on all continents in the next few years*

**While investments in particleboard and MDF/HDF lines will continue to be concentrated in certain regions, OSB capacity looks set to increase on all continents in the years ahead.**

Investment plans that a number of companies had pursued in Russia and Belarus cannot move forward in the foreseeable future due to sanctions imposed by the European Commission. Projects in other Eastern European countries, especially in Ukraine and the Baltics, will at least encounter delays. Conversely, companies are launching projects in other regions with little or no OSB capacity to date.

One of the last spots left without any OSB capacity is to vanish as the New Zealand building materials group Fletcher Building Ltd. plans to add a line at the Laminex New Zealand site in Taupo. Laminex New Zealand operates an older particleboard mill in Taupo, which is in the central part of New Zealand's North Island, almost 280 km south of Auckland. It is to be replaced by a new line during the next three years. Unconfirmed reports suggest that the latest plans will see the firm install an OSB line.

In South-East Asia, the Malaysian company Pioneer OSB Sdn. Bhd., based in Jalan Pokok Sena, commissioned an OSB line with a designed capacity of about 150,000 m<sup>3</sup> in May 2015. OSB has also been made in the Middle East since Al Talah Board Manufacturing Co. LLC, headquartered in Abu Dhabi, UAE, started up a line with a designed capacity of around 120,000 m<sup>3</sup> in December 2021. Both lines use rather unusual feedstock to make OSB. Pioneer mainly processes wood from rubber trees, while Al Talah uses recycled date palm fronds.

Louisiana-Pacific Corp., based in Nashville, Tennessee, has been the only company to become more heavily involved in making

OSB in South America to date. The firm operates three OSB mills there, located in Ponta Grossa, Paraná, Brazil and at its Chilean sites in Panguipulli and Lautaro. Towards the middle of October 2022, Paneles Arauco S.A., based in Santiago de Chile, also unveiled an OSB project in South America. The firm intends to build an OSB mill alongside its MDF mill in Cholguán, Chile, between now and 2025. With two production lines, this new mill will be able to make around 300,000 m<sup>3</sup> of standard OSB and about 60,000 m<sup>3</sup> of OSB siding. Paneles Arauco currently has just one OSB mill in its portfolio. A line at its site in Nettgau, Germany, is assigned So-nae Arauco S.A., based in Madrid, a joint venture that was founded in mid-2016.

North America, Europe and China are experiencing much more change in their OSB capacity. Based on the latest timetable, West Fraser Timber Co. Ltd., headquartered in Vancouver, British Columbia, intends to restart an OSB mill in Allendale, South Carolina, by the middle of 2023. West Fraser acquired this mill from Georgia-Pacific Wood Products LLC, based in Atlanta, Georgia, in December 2021. The mill, which the previous owner shut down indefinitely at the end of 2019, should manufacture around 675,000 m<sup>3</sup> per year once it is up and running again. A new mill in Corrigan, Texas, built by Roy O. Martin Lumber Management Co. LLC, based in Alexandria, Louisiana, and a mill in Wawa, Ontario, reactivated by Wawa OSB Inc., are set to commence production in the third quarter of 2023. These new lines will boost North American OSB capacity by another 620,000 m<sup>3</sup> and 530,000 m<sup>3</sup>, respectively. An OSB line installed by One Sky Forest Products Ltd. (One Sky) in Prince Albert, Saskatchewan, will also make roughly 530,000 m<sup>3</sup> and come online in early 2024. By contrast, Huber Engineered Woods LLC (HEW), based in Charlotte, North Carolina, had to ditch its plans to build a mill in Cohasset, Minnesota, with

an annual capacity of 640,000 m<sup>3</sup> after problems arose in the approval process. The project is now to take place at another location, which will significantly push back the commissioning date originally scheduled for the end of 2023. Last year, Kronospan Group also moved forward with longstanding plans to build an OSB mill in the US. After reviewing a variety of locations, the company has decided to expand its existing mill in Eastaboga, Alabama.

In Europe, Kronospan's plans to raise its OSB capacity have recently focused on its site in Tortosa, Spain, where it is presently commissioning a new particleboard line. The second phase of the project will see Kronospan install an OSB line with an annual capacity of 360,000 m<sup>3</sup>. OSB projects in Chirk, UK, and Lampertswalde, Germany, that Kronospan has pursued with varying degrees of effort in recent years have been put on the back burner. Swiss Krono Group is thus the most active investor on the European OSB market at the moment. A project in Sharya in Russia's Kostroma Oblast, which was already at a fairly advanced stage, had to be halted because of EU sanctions on Russia. However, a portion of the technology earmarked for this project will now be used to expand other Swiss Krono locations. Projects of this kind are currently in progress at OSB mills in Vásárosnaményi (Hungary), Zary (Poland) and Sully-sur-Loire (France). The company wrapped up the expansion of an OSB line in a multi-stage project in Wittstock-Heiligengrabe in the past few months. Along with these projects, Swiss Krono Group is currently exploring a green-field project in Europe.

Chinese OSB capacity will also climb much more than North American and European capacity in the next few years. After starting up several new lines in 2022, companies are preparing to launch an even larger number of projects in 2023 and 2024. □

*Swiss Krono Group adding capacity at several sites / Press will go to Canada*

## *Technology earmarked for OSB mill in Sharya finding new use worldwide*

**After sanctions halted OOO Swiss Krono's OSB project in Sharya, Kostroma Oblast, the Swiss Krono Group and suppliers involved in the project have now found alternative uses for much of the machinery and systems originally intended for the site in Russia.**

Most of the components upstream of the forming and press line will be used in expansion projects at other OSB sites operated by the Swiss Krono Group. A large part of the lumber yard technology will go to its mill in Zary, Poland. Swiss Krono Sp.zo.o. will modernise and expand the lumber yard for MDF/HDF and OSB production there at the same time as it builds a waste wood processing plant for particleboard production. Wet chip bins and conveyor systems will be relocated to the mill in Sully-sur-Loire, France. The drum dryer and energy plant will be installed as part of an expansion project at the site in Vásárosnaményi, Hungary. However, Swiss Krono currently has no use of its own for the forming and press line planned for Sharya.

The company therefore reached an agreement with the supplier Dieffenbacher GmbH Maschinen- und Anlagenbau last year to resell the forming station and the continuous press. Dieffenbacher then contacted potential wood-based panel manufacturers. An agreement in principle has been reached with the Canadian OSB manufacturer Tolko Industries Inc., headquartered in Vernon, British Columbia. This firm will have to replace the multi-opening press at its High Prairie, Alberta mill that was severely damaged by a fire on 20 May 2022. On the other hand, the forming station earmarked for Sharya might be used in an OSB project in Asia.

The Swiss Krono Group announced plans to expand its Sharya mill in Russia by adding an OSB line in the summer of 2018. The final investment decision was made in December 2018. In return, the Swiss Krono Group ditched an OSB project announced in spring 2013 for a site in Krasnokamsk, Russia. Engineering orders were completed in the fourth quarter of 2019; the final plant orders and the approval of

orders had taken place in the first months of 2021. OOO Swiss Krono started preparatory work for the OSB project later on in the year. Technology deliveries were scheduled to start in the second quarter of 2022. However, the fifth package of sanctions against Russia adopted by the Council of the European Union on 8 April 2022 largely banned the export of machinery and equipment for wood-based panel production and spare and wear parts from the EU to Russia. This meant that the company was unable to move forward with the OSB project in Sharya.

Despite abandoning the project in Russia, the Swiss Krono Group continues to have a strategic focus on expanding its OSB capacity. Its total annual OSB capacity is to rise by around 600,000 m<sup>3</sup> through these expansion projects at its existing locations from just under 1.8m<sup>3</sup> at the beginning of 2022 to just under 2.4m<sup>3</sup> by mid-2024. The OSB mill in Wittstock-Heiligengrabe will be able to produce around 600,000 m<sup>3</sup> after commissioning the third strander in the third quarter of 2022. Its capacity was listed at around 450,000 m<sup>3</sup> before the start of the project. The mill in Vásárosnaményi, which has so far been designed to make approximately 350,000 m<sup>3</sup>, will boost its capacity towards 600,000 m<sup>3</sup> with an expansion project that started at the end of 2021. The Green Energy project in Sully-sur-Loire, which has been under way since September 2022 and includes the installation of a biomass energy plant and two low-temperature belt dryers for OSB strands, will boost capacity from 400,000 m<sup>3</sup> so far to around 550,000 m<sup>3</sup>. The Zary OSB mill has a capacity of about 450,000 m<sup>3</sup> so far; the work currently underway there should allow it to have a future capacity of about 500,000 m<sup>3</sup>. The Swiss Krono Group operates another OSB line with a capacity of around 130,000 m<sup>3</sup> in Kamianka-Buzka, Ukraine. □



*Swiss Krono mill in Sharya*

*(Photo credit: Swiss Krono)*

*Garnica's total revenues have soared almost six-fold since 2006*

## *Private equity firm Carlyle to acquire plywood producer Grupo Garnica*

**The private equity company The Carlyle Group L.P. (Carlyle), Washington DC, has emerged as the victor in the longstanding process of finding a new owner for the Spanish plywood manufacturer Grupo Garnica Plywood S.A., based in Logroño.**

In a press release published on 20 October, Carlyle announced that it intends to acquire the shareholding held by Intermediate Capital Group plc (ICG) since mid-2016, and additional shares from minority shareholders. Carlyle will hold a majority stake in the company as a result. Other shareholders, including family shareholders and managers, will remain involved. The transaction is subject to various approvals and is expected to close by early 2023. The transaction means that Grupo Garnica will once again change hands among private equity investors. Qualitas Venture Capital became a shareholder in 2006, buying a majority stake of 60%. Ten years later, it switched ownership to ICG.

Grupo Garnica has grown significantly since private equity investors came on board. According to a statement released when ICG acquired Qualitas Venture Capital's stake, its revenues nearly tripled to €173m in the ten years from 2006 to 2016. This significant growth continued in subsequent years. Revenues initially increased by 16% to €200m in 2017 before climbing to €230m in 2019. After the outbreak of the Covid-19 pandemic, revenues faced a moderate decline to €217m in the 2020 financial year. However, this 6% year-on-year downturn was more than erased in 2021 with a 25% spike to €272m. For 2022, the company targeted revenues of €350m. This would represent an upturn of around 29% compared to 2021 or almost six times the level recorded in the 2006 financial year.

Garnica has achieved growth in recent years by continuously expanding its existing mills, making new investments and carrying out acquisitions. Originally founded as a sawmill, the company first started making plywood in the 1970s when it commisi-

oned the Baños de Río Tobía I mill. Garnica then built a second plywood mill in Fuenmayor and a veneer mill in Valencia Don Juan in the mid-1990s. In 2004, the Valencia Don Juan site was expanded to include plywood production capabilities. The Baños de Río Tobía II mill was commissioned in 2009. Grupo Garnica installed a rotary veneer plant with an annual capacity of around 40,000 m<sup>3</sup> at its French site in Samazan, Nouvelle-Aquitaine, which specialises in poplar, by June 2010. This site was set up to supply the Spanish mills, whose total capacity was around 210,000 m<sup>3</sup> at the time (Baños de Río Tobía I: 45,000 m<sup>3</sup>, Baños de Río Tobía II: 60,000 m<sup>3</sup>, Fuenmayor: 60,000 m<sup>3</sup>, Valencia Don Juan: 45,000 m<sup>3</sup>). A new plywood press was commissioned in Valencia de Don Juan at the beginning of 2016.

Grupo Garnica also started making pine plywood by acquiring a plywood mill in Llodio in April 2018. The site, which does business as Maderas de Llodio, previously had a capacity of around 40,000 m<sup>3</sup>. Its capacity was expanded by around a quarter by the end of 2018. Garnica said that the capacity of the mill, which most recently had an annual output of 45,000-48,000 m<sup>3</sup>, should climb to 65,000 m<sup>3</sup> by the second quarter of 2023 by removing bottlenecks in the production process. The construction of its second French veneer plant in Troyes, Grand Est, which was announced in 2018 and subsequently delayed several times, has now been completed. The first peeling line designed to process 150,000 m<sup>3</sup> of poplar roundwood started up in the third quarter. Grupo Garnica's veneer capacity has thus increased by 70,000 m<sup>3</sup>.

Due to the persistently difficult sales situation since summer, in mid-November 2022 Grupo Garnica announced short-time working arrangements for its four poplar plywood plants as well as at the company headquarters. □



*Garnica site in Fuenmayor*

*(Photo credit: Swiss Krono)*

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## ***CalPlant: Another deadline extension***

In early January 2023, a judge at the US Bankruptcy Court of the District of Delaware granted the US strawboard manufacturer CalPlant I LLC, based in Willows, California, and its parent group CalPlant I Holdco LLC another extension until 28 April in Chapter 11 proceedings underway since October 2021. When the proceedings were opened, the company was initially placed under bankruptcy protection for 90 days until 3 January 2022. The latest verdict is the fourth time that the court has extended the period by 120 days.

The judge had approved another round of LIFO post-petition financing to maintain ongoing business operations on 7 November. CalPlant is to receive US\$10.2m

through the fourth debtor in possession (DIP) bond. The company had initially received US\$37.4m in two tranches at the start of Chapter 11 proceedings. Taking into account the first two supplementary DIP bonds approved in March and September for a total of US\$33.3m, post-petition financing initially amounted to US\$70.7m, US\$60.5m of which had been drawn down by the start of November.

In approving the LIFO post-petition financing, the court had also set out the terms for an additional US\$30m DIP bond. CalPlant's application to this effect, filed on 21 December, was approved on 3 January on the same terms as the original LIFO bond. This decision also

changed the maturity date from 31 January to 31 March. Series 2023 Bonds have increased the amount of post-petition financing approved since the beginning of the Chapter 11 proceedings to approximately US\$100m.

The MDF/HDF mill built by CalPlant in Willows was commissioned in November 2020, about two years behind the original schedule. Problems with the refiner's material feed system, in particular, have since prevented the mill from operating on a regular basis. Modifications made at the beginning of last year improved plant availability from 40-50% previously to 65-70%. However, CalPlant subsequently contacted the Austrian group Andritz AG to get help resolving these issues since no further fundamental progress was made later on in the first half. □

## ***Genesis Products to acquire Funder***

The US laminating company Genesis Products LLC, headquartered in Goshen, Indiana, intends to widen its portfolio to include thermally fused laminate (TFL) by acquiring Funder America Inc, based in Mocksville, North Carolina. The transaction, which was agreed upon in January 2023, is to close in the first quarter. Funder America will remain an independent division after the closing.

Founded in 1973, Funder America Inc. operates three laminating plants that operate six short-cycle presses at its headquarters in Mocksville, Hope (Arkansas) and Sebring (Florida). Funder America also entered the embossed-in-register (EIR) business during the second half of 2018 by starting up a plant delivered by Siempelkamp Maschinen- und Anlagenbau GmbH. The company has since been able to laminate boards with synchronous pores on one or both sides. The new line replaced an older press. The two other presses in Mocksville and the press in Sebring, which was started up in 2008, also come from Siempelkamp. Wemhöner Surface Technologies GmbH & Co KG had provided the two presses in Hope. In addition to making TFL, Funder America

also produces powder-coated MDF and furniture parts in Mocksville.

Genesis Products started out in 2002 as a supplier to the recreational vehicle industry with one laminating plant. It now has nine plants at its locations in Goshen, Elkhart (Indiana), Fort Wayne (Indiana) and Keysville (Virginia), which have a total production area of a good 90,000 m<sup>2</sup>. The group plans to add a tenth plant. The company now operates nine laminating lines at two plants in Goshen and at the sites in Fort Wayne and in Keysville. The other plants are designed for manufacturing semi-finished and finished products. Genesis Products' portfolio includes foil-coated wood-based panels, 3D furniture components, worktops, wrapped profiles, furniture doors and interior doors. Plywood (including North American spruce plywood, Spanish poplar plywood and Baltic birch plywood), MDF/HDF and particleboard are used as substrates. Its customers are in the recreational vehicle, building products, prefabricated building construction, project construction, shop fitting, kitchen/bathroom furniture industry, transport trade and vehicle construction sectors. □

## ***Greenplac plans to install new short-cycle press***

In the current financial year, Asperbras Brazil S.A. plans to invest BRL70m, equivalent to around US\$13.5m, into the expansion of its MDF/HDF plant at the site in Água Clara, Mato Grosso do Sul, which operates under the name Greenplac. Investment measures include the installation of a third short-cycle press. According to a statement issued at the end of December 2022, commissioning of the press will increase laminating capacities to around 200,000 m<sup>3</sup> per year. This corresponds to two-thirds of the annual MDF/HDF production volume, which is indicated at 300,000 m<sup>3</sup>.

To secure roundwood supply, the company also plans to expand forestry plantations. Prior to commissioning the MDF/HDF plant in January 2018, Greenplac had already established approximately 12,000 ha of eucalyptus plantations, which were gradually expanded to 17,000 ha in subsequent years. In parallel, the company also invested in expansion measures at the plant. In order to secure supply of upstream products, Greenplac commissioned an adhesive resin plant in 2020 and a formaldehyde plant in 2021. In the same year, the company also installed a treater as well as a short-cycle press. □

### ***Arauco: reorganisation of wood division concluded***

On 16 December 2022, Inversiones Arauco Internacional Ltda. (Santiago de Chile) also transferred all its shares in Arauco do Brasil S.A. (Curitiba, Paraná) and Arauco Argentina S.A. (Buenos Aires) to Arauco Wood Ltd. (London), a company founded by Chilean Celulosa Arauco y Constitución S.A. (Santiago de Chile) on 23 May. In June, Inversiones Arauco Internacional had already transferred its companies in the USA, Canada and Mexico, the 99% shareholding in Maderas Arauco S.A. (Chile) as well as the 50% shareholding in the Sonae Arauco joint venture to Arauco Wood.

Following implementation of this second step, Arauco has completed the reorganisation of its wood-based panels and lumber activities initiated in the first half of 2022. The new company is to manage activities more efficiently. Furthermore, its location in London and presence in the international financial centre is aimed at making it easier to address international investors.

In recent months, Arauco has announced two investment projects in the wood-based panels sector. Firstly, the Mexican site in Zitácuaro (Michoacán), which has so far focused on production of particleboard, is to be expanded to include an MDF/HDF plant. The company plans to invest around US\$235m of its own funds in construction of the MDF/HDF plant, designed for an annual capacity of around 300,000 m<sup>3</sup>, as well as laminating capacities for 150,000 m<sup>3</sup>.

In addition, the company plans to build an OSB plant adjacent to the MDF plant in Cholguán (Chile). So far, Arauco anticipates an investment volume of US\$280m for this expansion project. Designed for a total capacity of 360,000 m<sup>3</sup>/annum, after it has been commissioned the plant is expected to produce both standard OSB and higher-value products, such as OSB sidings used as exterior cladding in housing construction. □

### ***BTG Pactual acquires 33% share in Eucatex***

As part of mediation proceedings, Brazilian wood-based panels and laminate flooring manufacturer Eucatex S/A Indústria e Comércio of São Paulo has put an end to two court disputes pending before the 4th Tax Court of São Paulo. According to a statement released by Eucatex on 23 January 2023, the company is to pay approximately US\$7.2m to São Paulo city administration. The settlement also includes an agreement under which, through an indirect subsidiary, Brazilian bank BTG Pactual is to acquire all the Eucatex shares held by Kildare Realisations Ltd. and Macdoel Realisations Ltd. This represents 13% of ordinary shares issued by Eucatex and 38% of all preference shares. The purchase price for these shares, according to concurring Brazilian media reports, is also to be paid to the São Paulo city administration.

BTG Pactual is subsequently to transfer all but one ordinary share and 5% of the issued preference shares to the controlling shareholders of Eucatex, leaving the bank with 33% of the Eucatex preference shares after completion of the transactions.

The court cases refer back to the second term in office of Paulo Maluf, a member of

the Eucatex controlling family, as mayor of São Paulo in the period 1993-1996. Whilst in office he allegedly misappropriated public funds and used the money, for example, to purchase Eucatex shares through Kildare Realisations and Macdoel Realisations, companies based in the Virgin Islands and already in judicial liquidation since 2017. The proceedings pending against him and other members of the controlling family will continue unaffected by the current agreement with the company.

Until 31 July 2022 the family held a total of 23.9m shares, representing 24.8% of the 120.8m shares issued overall. Of the total number, around one-third consisted of ordinary shares whilst the remaining two-thirds were non-voting preference shares. Of the 31.3m ordinary shares, 18.2m or around 58.1% were owned by the family on 31 July. Additionally there were 4.8m preference shares, representing a proportion of 7.7% of the total number of 61.4m shares. On this basis, upon completion of the transactions which are still subject to various conditions, the family will hold more than 70% of all ordinary shares and approximately 40% of the preference shares of Eucatex. □

### ***Masisa also sells forestry assets in Argentina***

At the end of 2022, South American wood-based panels group Maderas y Sintéticos S.A. (Masisa), Santiago de Chile, also sold its forestry in Argentina. According to a statement submitted to the Comisión para el Mercado Financiero on 27 December, Proener S.A.U., a company belonging to Argentinian energy company Central Puerto S.A. (Buenos Aires), has acquired all shares in Masisa subsidiaries Forestal Argentina S.A. and Masisa Forestal S.A. for a purchase price of US\$69.4m. After deduction of taxes, Masisa generated proceeds of around US\$60m, according to company information.

Per end of 2021 Masisa was managing plantations in Argentina covering a total

area of 44,302 ha, of which 18,603 ha consisted of pine plantations and 25,699 ha of eucalyptus plantations. A further 10,045 ha were available for new plantations at that time. In addition, 14,795 ha of forest land not designated for plantation and 3,247 ha of other land were listed, resulting in a total area of 72,389 ha per end of December.

With the transaction now completed, Masisa has largely concluded the divestments implemented over recent years to restructure the company. The forestry assets in Brazil had already been sold to Taeda Empreendimentos Florestais S.A. and Klabin S.A. in two separate transactions during the first half of 2016. This was followed in mid-2020 by the sale of a total of 78,220 ha in Chile to US investment company Global Forest Partners LP (GFP), Lebanon, New Hampshire. □

## ***Egger establishes Timberpak system in the USA***

In early January 2023, Egger Wood Products Inc., based in Lexington, North Carolina, acquired the activities of waste wood recycling company Novem Industries Inc. of Charlotte, North Carolina, via its newly founded subsidiary Timberpak LLC. With the transaction on 3 January, concluded as part of an asset deal, the Egger Group intends to set up on the North American market the collection systems for waste wood previously established by Timberpak companies in various European countries.

Over the course of the last few months, Egger has already set up a waste wood recycling plant at the particleboard plant in Lexington, commissioned in September 2020. According to a statement released at the start of the project in early December 2021, the waste wood recycling plant was scheduled to become operational in early 2023. Meanwhile, Egger expects commissioning to take place in early spring. The investment volume, initially indicated at around US\$30m, has increased to around US\$38m, according to the current statement.

The recycling plant installed at the Egger particleboard plant is primarily designed

to process packaging timber sourced from logistics centres and industrial processors. The new Timberpak site, acquired together with the six employees previously working at the site in the context of taking over the Novem Industries assets, is to process primarily construction and demolition timber and deliver it as pre-crushed material to Egger's waste wood plant.

In recent years, the Egger Group has also expanded the Timberpak system, initially established primarily in Great Britain, in other European markets. At present, however, Timberpak only has its own companies in Great Britain (Timberpak Ltd., Woking, Surrey) and in Germany (Timberpak GmbH, Lehrte). The British company, which was initially managed as a majority shareholding, has been fully owned by Egger UK Ltd. since September 2014; Egger also holds all shares in the German company.

Via Egger Panneaux & Décors S.A.S. of Rion des Landes, France, Egger also holds a 50% stake in Timberpak 31 S.A.S., based in Belesta, which was founded in the second half of 2014. In Romania and Poland, Timberpak activities are attributed to the local production companies. □



*The Lexington particleboard mill will also process recycled wood.*

*(Photo credit: Egger)*

## ***VRG Dongwha adding third line to MDF mill***

The Vietnamese joint venture MDF VRG Dongwha JSC wants to install a third production line at an MDF mill operating at its headquarters in Minh Hung, Binh Phuoc Province. Founded in 2008 by the state-owned firm Vietnam Rubber Industry Group (VRG), based in Ho Chi Minh City, and the South Korean group Dongwha Holdings Group, headquartered in Seoul, the joint venture has set an investment budget of US\$150m. Commissioning is scheduled for the second quarter of 2024.

VRG Dongwha has placed its first plant orders after announcing the project in June 2022. The wood chip washing system and a defibrator system with an EVO 70 refiner were ordered from the Finnish company Valmet Oyi during the third quarter of 2022. This technology is expected to be delivered in September 2023.

Valmet and its previous incarnation Metso Corp. had supplied the chip washing and defibrator systems for the first two MDF lines. VRG Dongwha entered the MDF production business in 2012. A somewhat smaller EVO 64 refiner was used in the production line, which is designed to have an annual capacity of 400,000 m<sup>3</sup>. Siempelkamp Maschinen- und Anlagenbau GmbH delivered other key components such as the drying, sifting and glueing sections as well as the forming and press line with an 8 ft x 47.1 m ContiRoll press. According to VRG Dongwha, the first line entailed a total investment of around US\$160m.

In a first expansion project, VRG Dongwha spent US\$70m to add a thin board line to its Minh Hung location starting in 2016. Siempelkamp delivered the main components for this project, too. Designed to have an annual capacity of 230,000 m<sup>3</sup>, the 8 ft x 25.5 m ContiRoll produced its first piece of board at the end of March 2017. The laminating plant was commissioned at the beginning of September 2017. VRG Dongwha has also installed an adhesive resin plant to supply the MDF mill. □

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## Centuryply plans second particleboard line

Indian wood-based panels and laminates manufacturer Century Plyboards Ltd (Centuryply), based in Kolkata, West Bengal, has initiated planning for expansion of its particleboard plant in Chennai, Tamil Nadu. Commissioning the plant at this site represented the company entering the field of particleboard production in mid-2016. Originally designed for a capacity of 54,000 m<sup>3</sup>/year, the plant has meanwhile reached an annual capacity of 75,000 m<sup>3</sup>, according to a company statement published on 10 November 2022. In the 2021/2022 financial year (31 March), plant capacity was utilised at 97%.

By means of the expansion project, particleboard capacity is to be increased almost six-fold by the end of the 2024/2025 financial year. Centuryply plans to invest INR5.5bn - equivalent to around US\$67.6m - for construction of the second production line, which is significantly larger than the first and designed for an annual capacity of 360,000 m<sup>3</sup>. However, a final decision on the investment has not yet been made.

In the past, the company had initially been pursuing a greenfield project at the site in Sitapur, Uttar Pradesh, to expand particleboard capacities. According to these plans, last updated in early 2020,

a particleboard plant with a production capacity of 900 m<sup>3</sup>/day was to be built there. Due to withdrawal of the provisional permit granted for this plant following a ruling by India's National Green Tribunal (NGT), the project had to be temporarily suspended in mid-2020 due to insufficient roundwood supply.

At the end of 2021, the company also considered expanding the MDF and laminate plant currently under construction at the site in Gopavaram, Andhra Pradesh, by adding a particleboard plant. No further details concerning this project have been issued since, however. The laminates plant in Gopavaram, designed for an annual capacity of 4m sheets, is to be built in two stages; completion of the first project phase is expected for the second quarter of 2023/2024. Commissioning of the MDF plant, which has a capacity of 950 m<sup>3</sup>/day, is still targeted for the second half of the 2023/2024 financial year. In addition, ongoing expansion of the MDF plant in Hoshiarpur, Punjab, by means of a thin-board line supplied by the Dieffenbacher Group is to be completed by the end of November. At this site, Centuryply has been operating a system supplied by Chinese Dunhua Yalian Machine Co. Ltd. (Jilin) with a capacity of 198,000 m<sup>3</sup>/year since mid-2017. □

## Greenpanel orders thinboard plant

The Dieffenbacher Group will also be supplying the MDF/HDF thinboard line planned by Greenpanel Industries Ltd. of Tinsukia, Assam, in Routhu Suramala in Andhra Pradesh. The Indian wood-based panel manufacturer is already operating two MDF/HDF plants from Dieffenbacher. The plant set up in Rudrapur, Uttarakhand, in 2019, was the first in India to have a continuous press. At 56 m, the longest continuous press in use in India to date has been in operation at the plant in Routhu Suramala since 2018.

The latest order, placed in the fourth quarter of 2022, covers items including

the fibre dryer, the sifter, forming station and forming line, a CPS+ continuous press, the press exhaust-air cleaner, the raw board conveyor, and the raw-board storage depot. The new plant will also be equipped with the "MyDieffenbacher" digital service platform, "Evoris" digitalisation solution, and the "Cebro" Smart-Plant concept. Greenpanel also wants to retrofit the existing MDF/HDF plant at the facility with the Evoris system.

The new thinboard line, which according to earlier information from Greenpanel has an annual capacity of around 230,000 m<sup>3</sup>, is scheduled for delivery in the second half of 2023. Commissioning is planned for mid-2024. □



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## Commission approves sale of four Ikea plants

In the sales process concerning the four Russian Ikea plants, ongoing since mid-2022, final negotiations are currently being held with laminates and components manufacturer OAO Slotex of St. Petersburg and sawmill company OOO Luzales, based in Syktyvkar, Komi Republic. Both companies have agreed to continue operation of the plants following takeover with a production portfolio which will be independent of the previous Ikea product range. The particleboard plant operating under the name Ikea Industry

at the beginning of March 2022 following Russia's invasion of Ukraine. In mid-June, a decision was made to withdraw permanently from these markets. Ikea subsequently commissioned Ernst & Young to conduct sales proceedings.

Slotex, to date, has been active primarily in the product areas of HPL/CPL laminates, components and laminated panels. At Slotex-MK OOO in Proba melamine/phenolic films have been produced since 2006. The company had also



Particleboard and furniture plant in Novgorod

(Photo credit: Novgorodinvest)

OOO in Veliky Novgorod (Novgorod Oblast, Russia) and the adjacent furniture plant are to go to Slotex, while Luzales is interested in the two solid wood furniture plants Ikea Industry Tikhvin OOO and Ikea Industry Vyatka OOO. According to the companies involved in the sales process, however, further conditions still have to be met following approval by a Russian government commission, which has been available since mid-February. Due to confidentiality agreements, neither Ikea nor the prospective buyers wanted to issue specific statements either concerning these conditions or a possible date for the closing.

The Ikea Group had already suspended its business activities in Russia and Belarus

entered the decor printing business via OOO Slotex-Decor, a business founded at the same location in 2016. The supply of particleboard had last been secured, for example by a lease agreement for the Sergiev Posad plant of Russkiy Laminat Wood Chipboard Industry Ltd., the term of which actually ran until the end of January 2022. Luzales has so far operated several sawmills in the Komi Republic, each of which has been expanded in recent years to include pellet plants. In 2020 the company subsequently became involved in plywood production. A year later, construction of an MDF plant was announced, however this project had to be postponed due to the sanctions imposed on Russia last year. □

## Egger: bigger EBITDA declines for EFP and EBP

In the first half of the 2022/2023 financial year (30 April), concluded at the end of October 2022, the Egger Group (St. Johann, Austria) generated consolidated total turnover of €2.255bn (2021/2022: 1.978bn). This represents a 14.0% increase vis à vis the preceding year. Compared to the first half of the 2020/2021 financial year (€1.449bn), the increase amounted to as much as 55.6%. With the turnover increase achieved in only six months of the current financial year, the Egger Group has already exceeded total turnover generated in the full 2013/2014 financial year (€2.219bn). Turnover generated in the 2014/2015 (€2.265bn), 2015/2016 (€2.346bn) and 2016/2017 (€2.385bn) financial years has almost been reached.

Results figures, however, declined again compared to the unusually high levels of the previous years. Group EBITDA decreased by 26.1% compared to the corresponding period in the preceding year to €353.7m (478.6m), but nevertheless still exceeded the level of €293.9m achieved in the first half of 2020/2021. The EBITDA margin thus decreased again to 15.7%, following a rise from 20.3% to 24.2% in the prior-year period. All of the following results figures decreased vis à vis the first half of both the 2020/2021 and 2021/2022 financial years. EBIT dropped by 56.1% year-on-year to €151.8m (345.7m).

The largest division, Egger Decorative Products (EDP), outperformed the other two divisions in terms of both turnover and results. EDP turnover rose by 17.4% year-on-year to €1.874bn (1.597bn). EBITDA, on the other hand, fell by 12.2% to €302.6m (344.7m), resulting in a margin of 16.1% (21.6%). In the Egger Flooring Products (EFP) division, turnover increased by 11.4% to €269.8m (242.2m). EBITDA remained 49.1% short of the previous year at €15.4m (30.3m); the margin amounted to 5.7% (12.5%). In the Egger Building Products (EBP) division, turnover fell by 6.2% to €256.4m (273.4m), while EBITDA declined by 65.6% to €35.6m (103.6m). However, this still results in a margin of 13.9 (37.9) %. □

### ***Egger continues to increase investments***

Despite general conditions becoming more difficult again, the Egger Group, based in St. Johann, Austria, made significantly higher investments in the first half of the 2022/2023 financial year than in the two previous comparative periods. In the first half of the 2020/2021 financial year, Egger had spent a total of €112.4m on maintenance (€32.8m) and growth (€79.6m) investments. Last year, the total amounted to €141.1m, of which €53.2m was attributed to maintenance investments and €87.8m to growth investments. From May to October 2022, Egger invested a total of €229.7m. At €58.6m, maintenance investments were only slightly above the previous year's level, while growth investments almost doubled to €171.1m.

The largest individual projects were expansion measures at company headquarters in St. Johann as well as at the particleboard plant in Lexington, North Carolina. Measures implemented in St. Johann included construction of an additional high-bay warehouse. In Lexington, a third short-cycle press has been set up. Further projects in St. Johann, Brilon, Hexham and Lexington have been implemented to increase capacities for waste wood processing. Egger also pushed ahead with expansion of the glue factory in Wismar. Expansion and modernisation measures were implemented at the plants in Unterradlberg, Brilon, Gifhorn and Gebze, Turkey, among others.

At €193.8m (128.0m), 84.4% (90.7%) of the investment volume used in the first half of the financial year was attributable to the largest division, Egger Decorative Products (EDP). In the Egger Flooring Products (EFP) division, investments totalled €29.0m (12.4m); as a proportion of total investments this represents an increase to 12.6% (8.8%). Investments of €6.8m (5.7m) were reported for the Egger Building Products (EBP) division, corresponding to a proportion of 3.0% (4.0%). Egger thus gradually expanded investments in all three divisions over the last three years. In the first half of the 2020/2021 financial year, investments had amounted to €101.6m at EDP, €8.5m at EFP and €2.3m at EBP. □

### ***Particleboard line has been modernised***

After almost five weeks of standing still for conversion measures, the Egger group resumed operation at the raw-particleboard plant in St. Pölten-Unterradlberg, Austria, at the beginning of November 2022. During the conversion, which had actually already been planned for August 2021 but was then deferred due to the very high capacity utilisation at that time, the facilities that underwent modernisation work included the gluing plant originally supplied by Imal-Pal s.r.l. and the ContiRoll from Siempelkamp Maschinen- und Anlagenbau GmbH, which was put into service in October 2000. A new plant control system was installed as well. Combined with the measures completed beforehand, and the planned expansion of the power supply by the coming year, Egger is investing a total of approximately €25m in updating the Unterradlberg particleboard site, which has around 400 employees.

The particleboard production plant in Unterradlberg was powered down on 2 October as scheduled. The continuous press was completely dismantled down to the press frame. All of the press components, such as the heating system, the hydraulics including the press cylinders and the press belt, were replaced. The gluing plant was replaced with new equipment and a new core-layer glue mixer was installed as well. Preparatory work for converting the thermal

oil supply of the continuous press and the four short-cycle presses was also carried out during the standstill. The thermal oil is currently heated by two gas boilers. This task is to be performed by a heat exchanger in future. To do so, process steam will be extracted from the two existing biomass-fired boilers and fed into the heat exchanger. From here, the thermal oil will be fed into the respective presses. The Unterradlberg particleboard plant is to be switched to largely natural-gas-free operation with the planned start-up of the heat exchanger in the third quarter of 2023. The two gas boilers will be retained as a back-up, however.

The recently completed press conversion has no effect on the capacity of the particleboard line; with dimensions of 7 ft x 43.7 m, the ContiRoll can still achieve an annual output of approximately 650,000 m<sup>3</sup>. The raw boards are laminated on four short-cycle presses, one of which is a tandem press. The total annual capacity of plants supplied by Wemhöner Surface Technologies GmbH & Co. KG is around 40m m<sup>2</sup>. The laminated particleboard produced in Unterradlberg is mostly exported in the general direction of southern and eastern Europe. The plant also supplies the Asian markets, one of the focal points being the Japanese kitchen-furniture industry. □



*Continuous press in Unterradlberg*

*(Photo credit: Egger)*

## ***Kronospan Italia given go-ahead for new mill***

In mid-February 2023, the Trieste-based administrative court Tribunale Amministrativo Regionale (TAR) for the Autonomous Region of Friuli Venezia Giulia rejected five objections raised in the approval process for a particleboard mill planned by Kronospan Italia s.r.l. in San Vito al Tagliamento site. This process has been underway since the end of 2020. Local community groups and other wood-based panel companies had been among those raising objections over the past year. Confindustria Alto Adriatico and the Ponte Rosso consortium were among those supporting Kronospan in the approval process. The consortium aims to develop several industrial areas, the largest of which is the Zona Industriale Ponte Rosso, located a few kilometres north of San Vito al Tagliamento.

Kronospan Italia wants to undertake the project as soon as possible now that approval has been granted. Managing Director Massimo Cenedella noted that commissioning could take place by the end of 2024. The project is thus already running around 18 months behind the scheduled start-up date in the middle of 2023, which was outlined when it applied for approval in the first half of 2021. These delays, combined with other factors, have also sent costs

soaring. Italian newspaper reports mentioned an investment volume of about €200m when the project was revealed. A press release published by Confindustria Alto Adriatico after the court's decision now puts the figure at about €280m. In keeping with plans for its other locations, Kronospan wants to locate other downstream processing entities in the vicinity of the plant as part of its cluster concept.

The information available to date indicates that the planned particleboard mill will have a production capacity of about 1,750 m<sup>3</sup> per day or almost 600,000 m<sup>3</sup> per year. Particleboard made at the mill will primarily supply raw particleboard to coating plants already running at the site. Until now, they have received feedstock from other Kronospan mills that are mainly located in south-eastern Europe. The new mill will largely run on waste wood and is estimated to have an annual demand of around 550,000 t.

The laminating plant currently operates three short-cycle presses, which were delivered by Hymmen GmbH Maschinen- und Anlagenbau in 2008 and 2015, respectively. ColourBrain systems from Baumer Inspection GmbH are used for surface inspection. □



*Laminating plant in San Vito al Tagliamento*

*(Photo credit: Kronospan)*

## ***Kronospan embarks on project in Sandebeck***



*Sandebeck site*

*(Photo credit: Kronospan)*

In mid-January 2023, Kronospan GmbH began to modernise and expand two raw board lines at its site in Steinheim-Sandebeck, Germany, in a project that has been planned for some time. Customers report that the firm shut down the particleboard line for around six weeks on 16 January. An extension to the continuous press was among the work carried out during this period. The MDF/HDF line was idled for minor conversion work lasting two to three weeks. During the past year, Kronospan installed a new laminating plant with two short-cycle presses in Sandebeck to refine raw board. However, its commissioning, which was scheduled for mid-2022 when the project was announced in February 2021, has been delayed. Start-up of the two presses is now planned during spring.

The expansion of the Sandebeck particleboard mill is one of several investment projects that Kronospan Group is undertaking to raise its European particleboard capacity. The particleboard line installed via Kronospan Spain S.L., based in Burgos, in a new mill in Tortosa, Tarragona Province, made its first piece of board at the end of 2022, according to unconfirmed reports. The mill will switch to regular production during the first quarter once current optimisation work has been completed. It has a designed annual capacity of around 720,000 m<sup>3</sup>. Kronospan Luxembourg S.A., headquartered in Sanem, has begun work to install a new particleboard line in the last few months. Another particleboard project is in progress at Kronospan Italia s.r.l., based in San Vito al Tagliamento. Kronospan Orman San. ve Tic. A.S. plans to replace the older particleboard line operating at the Kastamonu-Merkez site in Turkey with a new production line over the next two years. □

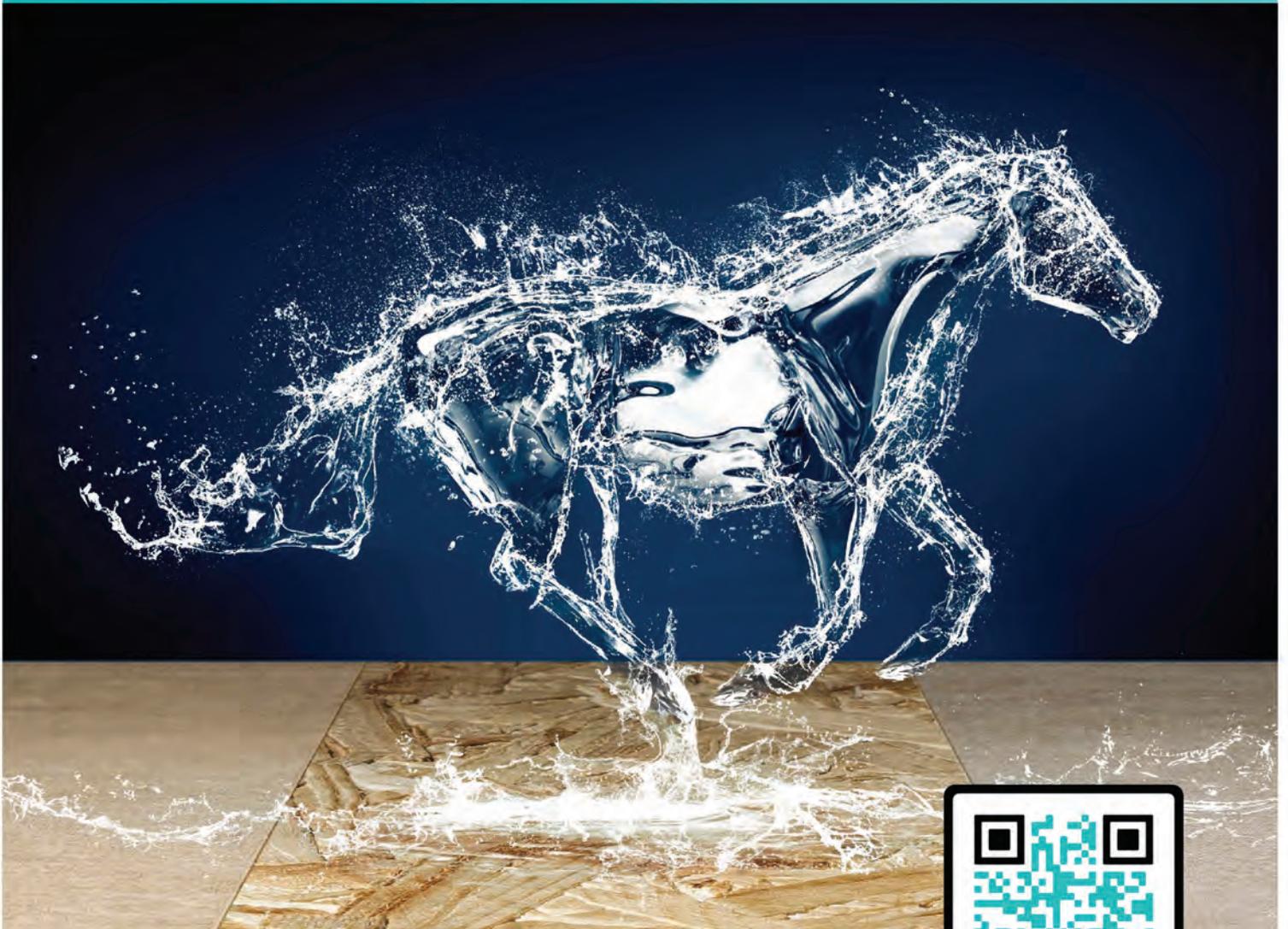
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## Significant decline in particleboard and MDF/HDF sales in fourth quarter

# North America: Development on composite panels market still weak

**Development in 2022 as a whole has also been inconsistent for North American particleboard and MDF/HDF producers.**

In the first half of the year, sales volumes increased at least slightly. This trend reversed in the third quarter; the declines recorded for MDF/HDF were more pronounced than in the case of particleboard. In the fourth quarter, even more significant declines were recorded in both product groups.

MDF/HDF sales decreased by 24% vis à vis the third quarter to 677,400 m<sup>3</sup>; sales thus fell short of the prior-year volume of 940,600 m<sup>3</sup> by as much as 28%. Development in the USA (-29% to 477,900 m<sup>3</sup>) and Canada (-25% to 199,500 m<sup>3</sup>) differed only slightly. The last time Canadian MDF/HDF producers had last sold a lower volume in the fourth quarter of 2014 (198,200 m<sup>3</sup>); in the USA, MDF/HDF sales fell to the lowest quarterly level recorded in many years. In the first (+1% to 988,800 m<sup>3</sup>) and second quarters (+2% to 1.036m m<sup>3</sup>), North American MDF/HDF producers had still reported slight increases vis à vis the

same period of the previous year. In the third quarter, MDF/HDF sales had already dropped by 10% to 894,600 m<sup>3</sup>.

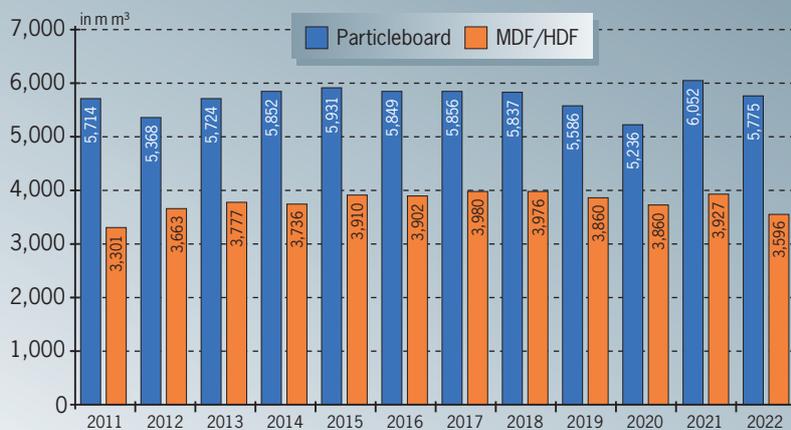
Concerning particleboard, the first (+3% to 1.515m m<sup>3</sup>) and second quarters (+3% to 1.600m m<sup>3</sup>) were concluded with similar year-on-year increases. In the third quarter, a decrease of 7% to 1.459m m<sup>3</sup> was recorded; in the fourth quarter particleboard sales dropped to 1.200m m<sup>3</sup>, representing an 18% decrease both vis à vis the previous year's volume of 1.456m m<sup>3</sup> and the third quarter. For particleboard, differences between the individual regions were significantly more pronounced than in the case of MDF/HDF. In Canada, particleboard sales decreased by 17% year-on-year to 312,900 m<sup>3</sup>. The 34% decline to 214,700 m<sup>3</sup> recorded in the west of the USA mainly ensued from the closure of the particleboard plant in Dillard, Oregon, by Roseburg Forest Products Inc. in October 2021. In the east of the USA, particleboard sales decreased by 11% to 671,900 m<sup>3</sup>. This was the lowest figure recorded since the fourth quarter of 2020 (612,400 m<sup>3</sup>). Sales in the west of the USA had last remained

slightly below 300,000 m<sup>3</sup> in the fourth quarter of 2009 (295,400 m<sup>3</sup>); this level was actually undercut by 27% in the fourth quarter. The last time Canadian particleboard manufacturers sold a lower volume than in the fourth quarter was in the second quarter of 2020 (270,800 m<sup>3</sup>).

As a result of the significant double-digit declines in the fourth quarter, over the entire year North American particleboard sales, at 5.775m m<sup>3</sup> (2021: 6.047m m<sup>3</sup>), also decreased by 4% year-on-year. For the first three quarters, CPA had still determined a slight increase of 1%. MDF/HDF sales had already decreased by 1% by the end of September. The drop in the fourth quarter resulted in a decline of 8% to 3.596m m<sup>3</sup> (3.927m m<sup>3</sup>) for the year as a whole. As in the fourth quarter, MDF/HDF sales figures developed almost in parallel in the USA (-9% to 2.568m m<sup>3</sup>) and Canada (-7% to 1.028m m<sup>3</sup>). In the USA, however, the differences between the individual regions were more pronounced. With the new mills, particleboard sales in the east of the USA increased by 6% vis à vis 2021 to 3.174m m<sup>3</sup>. By contrast, at 1.469m m<sup>3</sup>, sales of Canadian particleboard producers fell 9% short of the previous year's figure. In the west of the USA, the ongoing reduction in capacity actually led to a decline of 22% to 1.133m m<sup>3</sup>. Due to the contrasting development in the east and the west, total particleboard sales in the USA in 2022 declined by 3% to 4.307m m<sup>3</sup>.

Sales of thermally fused laminate (TFL) continued to develop along better lines than business with raw panels in 2022 as a whole. In the USA, an increase of 7% to 82.2m m<sup>2</sup> (77.0m m<sup>2</sup>) was recorded, while Canadian laminators reported a 2% decrease vis à vis the previous year's figure to 61.1m m<sup>2</sup> (62.1m m<sup>2</sup>). In North America as a whole, TFL sales in 2022 thus increased by 3% to 143.3m m<sup>2</sup> (139.1m m<sup>2</sup>). □

### North America: Composite panel shipments



Source: EUWID, according to CPA

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**19 new particleboard/OSB and seven MDF/HDF lines commissioned in China last year**

## Total annual capacity for particleboard and OSB will overtake MDF/HDF

**Altogether 19 new particleboard and OSB production lines with a total annual capacity of approximately 5m m<sup>3</sup> were commissioned in China last year.**

Six new OSB lines boosted the country's capacity by around 1.7m m<sup>3</sup> (+25.3%), while the 13 new particleboard lines added about another 3.3m m<sup>3</sup> of capacity. The new particleboard and OSB lines commissioned in China last year have an average annual capacity of roughly 263,000 m<sup>3</sup>. On average, the new OSB lines (283,000 m<sup>3</sup>) are a little larger than the particleboard lines (254,000 m<sup>3</sup>).

Conversely, a relatively large number of older lines were taken out of service in 2022. An industry overview drawn up by the China National Forestry and Grassland Administration (NFGA) and the China National Forest Products Industry Association (CNFPPIA) by the start of March showed that China was home to 295 particleboard and OSB manufacturers operating 314 lines at the end of 2022. Counting the new and divested lines, China's total capacity to make particleboard and OSB, a category of products jointly referred to as "Baohuaban" in

China, increased by a net sum of 2.25m m<sup>3</sup> or 6.5% to reach 41.48m m<sup>3</sup>. These figures translate into an average capacity of 132,000 m<sup>3</sup> per line.

The country's overall Baohuaban capacity of 41.48m m<sup>3</sup> breaks down into 34.54m m<sup>3</sup> of particleboard capacity across 281 lines and 6.94m m<sup>3</sup> of OSB across 33 lines. On average, each particleboard line has a capacity of almost 123,000 m<sup>3</sup>. OSB lines, most of which were only commissioned in recent years, have a capacity averaging 210,000 m<sup>3</sup>.

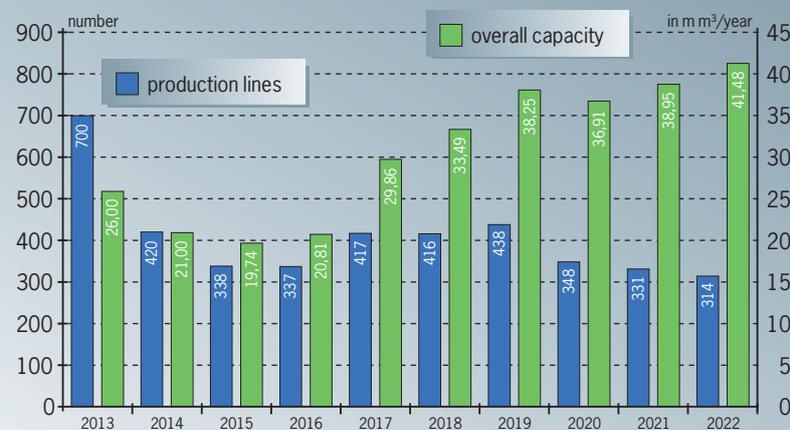
The NFGA/CNFPPIA industry overview showed that 49 new lines with a combined capacity of 16.19m m<sup>3</sup> were under construction in China at the start of the year. These projects comprise 31 particleboard lines with a combined capacity of 10.22m m<sup>3</sup> and 18 OSB lines with a capacity of 5.97m m<sup>3</sup>. The new lines will have an average capacity of approximately 330,000 m<sup>3</sup> per year on the whole and for both particleboard and OSB. The variations seen with existing lines have thus vanished with these new projects. However, there are differences in terms of the production

technologies used. Thirty-six new lines were designed to have a continuous press. These lines will make 13.99m m<sup>3</sup> in the future, representing 86.4% of the total new installed capacity of 16.19m m<sup>3</sup>. Another 13 projects are equipped with a single-daylight or multi-daylight press. With a total capacity of 2.2m m<sup>3</sup>, these lines will each have an average annual capacity of close to 170,000 m<sup>3</sup>, compared with almost 390,000 m<sup>3</sup> for the continuous presses.

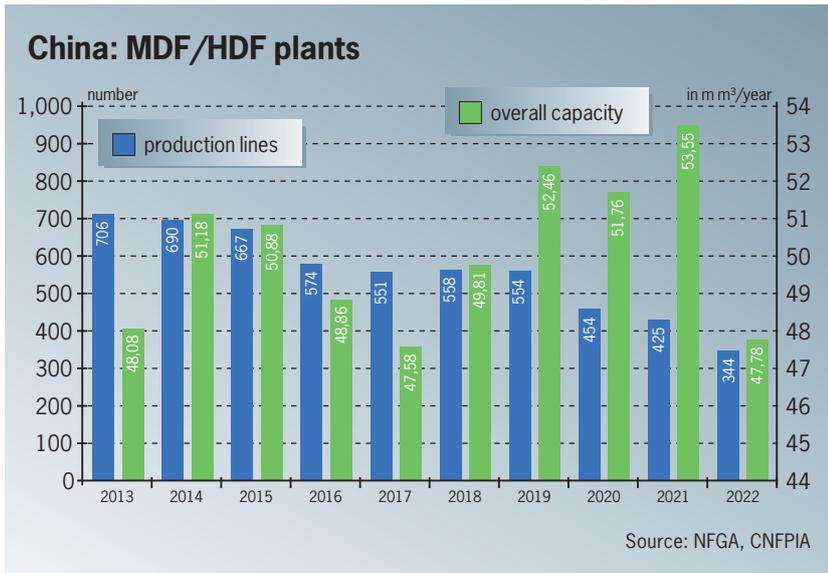
Counting total installed capacity at the end of 2022 and the capacity of lines presently under construction, total Chinese particleboard capacity would jump by 29.6% to 44.76m m<sup>3</sup> by the end of 2024. OSB capacity would reach 12.91m m<sup>3</sup> (+86.0%) by the same date. Altogether, the country's capacity would grow by 39.0% to 57.67m m<sup>3</sup>. However, the NFGA and CNFPPIA believe that companies will continue closing down older lines that are no longer competitive, especially those making particleboard. Consolidation pressure has intensified with the economic slowdown seen on the Chinese wood-based panel markets in the past two years. As a result, the actual capacity will be a little below the theoretical total capacity by the end of 2024. The NFGA and CNFPPIA do believe that the actual total Baohuaban capacity will top 50m m<sup>3</sup> as soon as the end of this year. This development would mean that, for the first time, China had more particleboard and OSB than MDF/HDF capacity.

The industry overview also breaks down total particleboard and OSB capacity by province and press technology. Shandong Province, which is located around 700 km north of Shanghai, has 9.19m m<sup>3</sup> or 22.4% of total capacity. The Linyi City area accounts for 5.30m m<sup>3</sup> (12.8% of total capacity, 57.7% of Shandong's capacity). The southern Chinese province of Guangdong holds second place with 4.24m m<sup>3</sup> (10.2% of total capacity), followed by Guangxi (3.86m m<sup>3</sup> or 9.3%), Hebei (3.84m m<sup>3</sup> or

**China: Particleboard and OSB plants**



Source: NFGA, CNFPPIA



9.3%) and Jiangsu (3.44 m<sup>3</sup> or 8.3%). All five provinces contributed towards the capacity increase recorded in 2022.

The industry overview shows that 92 or 29.3% of the 314 particleboard and OSB lines up and running in China at the end of 2022 had a continuous press. These continuous presses had a combined capacity of 23.96m<sup>3</sup>, representing 57.8% of the total capacity. On average, each continuous line had a capacity of around 260,000 m<sup>3</sup>. All told, 18 of China's provinces have particleboard and OSB lines with continuous presses, although their share of each province's capacity varies wildly. A total of 13 continuous lines with a capacity of 3.57 m<sup>3</sup> were up and running in Shandong at the end of 2022, representing a share of 38.8%. The next eight provinces on the list had higher shares of capacity: Guangdong (12 continuous lines, 2.88m<sup>3</sup>, 67.9%), Guangxi (9 continuous lines, 2.78m<sup>3</sup>, 72.0%), Jiangsu (10 continuous lines, 2.68m<sup>3</sup>, 77.9%), Henan (8 continuous lines, 2.23m<sup>3</sup>, 80.8%), Anhui (7 continuous lines, 1.95m<sup>3</sup>, 86.5%), Hubei (7 continuous lines, 1.8m<sup>3</sup>, 82.6%), Hebei (7 continuous lines, 1.62m<sup>3</sup>, 42.2%).

China's MDF/HDF capacity fell to 47.78m<sup>3</sup> (2021: 53.55m<sup>3</sup>) last year, even though seven new lines with an annual capacity of 1.65m<sup>3</sup> were commissioned. This year-on-year decrease of 5.77m<sup>3</sup> or 10.8% was much stronger than the downturns recorded in 2015 (-0.6%), 2016 (-4.0%),

2017 (-2.6%) and 2020 (-1.3%). In these years, a countermovement followed a lengthy period of continuous capacity building. On the other hand, MDF/HDF capacity increased a little more in 2018 (+4.8%), 2019 (+5.3%) and 2021 (+3.5%), culminating in a new record high in 2021.

The number of production lines has fallen even more as older lines continue to be taken out of service in the MDF/HDF business too. According to the industry overview drawn up by the NFGA and CNFPIA, China was home to 307 MDF/HDF manufacturers operating 344 (425) lines at the end of 2022. This was a decrease of 19.1% compared with 2021. Last year alone, ongoing consolidation raised average capacity per line to approximately 139,000 (126,000) m<sup>3</sup>.

A total of six other MDF/HDF projects slated for commissioning in 2023 and 2024 were in progress in Shandong, Jiangxi, Zhejiang and Anhui Provinces at the beginning of 2023. These projects have a total capacity of 1.17m<sup>3</sup>, of which 870,000 m<sup>3</sup> or 74.2% was associated with projects featuring continuous presses. These six new lines would theoretically boost total capacity to 48.95m<sup>3</sup> by the end of 2024. However, the NFGA and CNFPIA believe that additional divestments will mask this capacity expansion, meaning that China's total MDF/HDF capacity will likely dwindle to about 46m<sup>3</sup> by the end of 2023.

Like the associations' overview for particleboard and OSB, the report also breaks down total MDF/HDF capacity by province and press technology. Guangxi Province has overtaken Shandong by adding another 6.98m<sup>3</sup> of capacity (14.6% of total capacity). Shandong's MDF/HDF capacity has slipped to 6.71m<sup>3</sup> (14.0%). Hebei (5.47m<sup>3</sup> or 11.4%), Jiangsu (4.82m<sup>3</sup> or 10.1%) and Hubei (3.76m<sup>3</sup> or 7.9%) took the next spots on the list. The associations did not provide specific capacity figures for the next-largest provinces of Henan, Guangdong, Anhui, Sichuan and Fujian.

Altogether, 136 or 39.5% of the 344 MDF/HDF lines were equipped with continuous presses. These lines had a combined capacity of 29.84m<sup>3</sup> or 62.5% of the total capacity. Guangxi Province led the way when it came to continuous presses, too, with 22 lines and a capacity of 5.47m<sup>3</sup>. This represented 78.4% of the province's total MDF/HDF capacity. Shandong had 23 continuous presses with a capacity of 4.77m<sup>3</sup>, accounting for 71.1% of the total. Hebei (13 continuous presses, 2.92m<sup>3</sup>, 53.4%), Hubei (12 continuous presses, 2.43m<sup>3</sup>, 64.6%) and Jiangsu (10 continuous presses, 2.19m<sup>3</sup>, 45.4%) had lower figures. Anhui Province operated 11 continuous presses with a capacity of 2.42m<sup>3</sup>, translating into a higher rate of 80.7%. □

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## *India: Six projects at Centuryply, Greenply, Greenpanel, Greenlam and Merino Particleboard and MDF/HDF capacity poised to soar in the next few years*

**The Indian particleboard and MDF/HDF industry will see the growth in its manufacturing capacity continue to accelerate in the years ahead.**

In recent months, several companies have fleshed out what were, in some cases, longstanding plans and have wrapped up key technology orders. Other projects are still awaiting final approval to move forward with the investment. In the past, India's plywood producers, in particular, had widened their portfolios to include particleboard and MDF/HDF. Now, several new companies from the laminate sector are getting involved and want to start making particleboard in the future, such as Merino Industries Ltd., based in Kolkata, West Bengal, and Greenlam Industries Ltd., headquartered in New Delhi.

Greenply Industries Ltd., based in Tinsukia, Assam, which had focused on the plywood business after spinning off two MDF/HDF lines to the new firm Greenpanel Industries Ltd., also based

in Tinsukia, in mid-July 2019, will soon re-enter the MDF/HDF business. For its part, Greenpanel intends to boost its MDF/HDF capacity by investing in a thin board line, as well. Century Plyboards Ltd. (Centuryply), based in Kolkata, West Bengal, commissioned a new thin MDF/HDF line in the northern Indian site of Hoshiarpur, Punjab, towards the end of January 2023. In the next step, the company plans to embark on two greenfield projects for particleboard and MDF/HDF in southern India.

The five listed companies, which provided regular updates on the progress of their projects in quarterly reports and other mandatory disclosures, will thus commission a total of six new particleboard and MDF/HDF lines over the next two years. The three particleboard projects combined have an annual capacity of 895,000 m<sup>3</sup>. The three MDF/HDF lines are to have a total capacity of 755,000 m<sup>3</sup>. All six lines will be equipped with continuous presses delivered by the German manufacturers Dieffenbacher

GmbH Maschinen- und Anlagenbau and Siempelkamp Maschinen- und Anlagenbau GmbH. Dieffenbacher has landed three orders, while Siempelkamp will undertake two projects. The technology provider for Centuryply's particleboard project has yet to be disclosed. Four of the six lines will be installed in southern India, three of them in the state of Andhra Pradesh and one in Tamil Nadu. The two other projects will take place in the western Indian state of Gujarat.

Based on the latest plans, all six new lines are to be commissioned by the end of the first quarter of 2025. The start-up of Merino's new particleboard line in Halol, Gujarat, which was actually supposed to happen at the end of 2022, has been delayed, according to the information available to date. The first piece of particleboard has yet to be produced. The line's main technology supplier is Dieffenbacher, and its annual capacity is put at around 270,000 m<sup>3</sup>. The MDF/HDF line installed by Greenply in Sherpura, Gujarat (Siempelkamp, 240,000 m<sup>3</sup>) is slated to get up and running by the end of the first quarter.

Two commissioning dates are scheduled for the first quarter of 2024: Greenlam will start up a particleboard mill built via Greenlam South Ltd. in Naidupeta, Andhra Pradesh (Dieffenbacher, 265,000 m<sup>3</sup>) and Centuryply will begin operating an MDF/HDF mill in Gopavaram, Andhra Pradesh (Siempelkamp, 285,000 m<sup>3</sup>). A thin board line that Greenpanel is adding at its Routhu Suramala MDF/HDF mill is to follow by the middle of 2024 (Dieffenbacher, 232,000 m<sup>3</sup>). Towards the end of February, Centuryply's Board of Directors also approved a particleboard project with an annual capacity of 360,000 m<sup>3</sup> in Chennai, Tamil Nadu. Commissioning is set to happen in the first quarter of 2025. □



*Components for one of the first continuous presses delivered to India*

*(Photo credit: EUWID)*

## *Demand from the kitchen furniture and interior door industry now slowing too*

# *Particleboard and MDF prices remain under pressure in the first quarter*

**Demand for particleboard and MDF/HDF from both industrial buyers and traders remains lacklustre in Germany, Austria and Switzerland, which is putting continued pressure on prices.**

Manufacturers have tried to maintain the prices that were reached after markdowns in the second half of 2022 as far as possible. Particleboard and MDF/HDF markets have come under pressure again starting in the second half of January despite slightly stronger demand due to factors including companies replenishing inventories that they had depleted to a fairly significant degree in the fourth quarter. A few sales areas that had already been very subdued in the third and fourth quarters have staged a bit of a recovery at the start of the year. By contrast, other segments that had held up better until now are now also feeling the effects of the general downward trend, especially the kitchen furniture and interior door sectors.

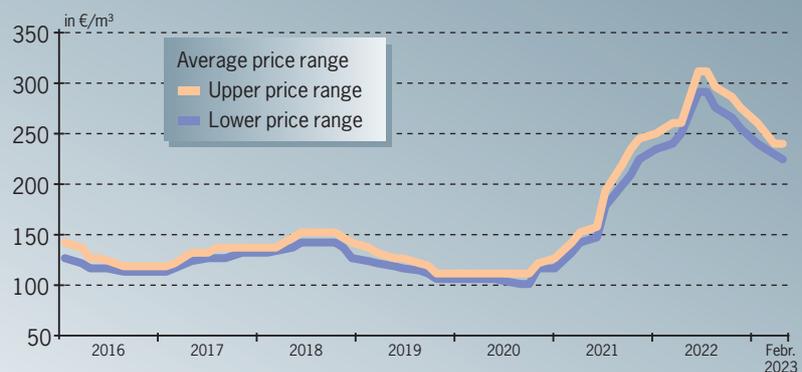
A variety of particleboard producers had unveiled plans to charge more for deliveries from January onwards but without success. Consequently, contracts with industrial customers initially kept prices at December's level. However, prices felt the pinch again in the second half of January amidst a further decline in timber and adhesive costs. New agreements for both raw and coated particleboard deliveries in February and March reflected small corrections as a result. Cheaper spot lots repeatedly undermined these prices, as had already happened in the fourth quarter. Raising MDF/HDF prices had not been an option anyway due to the plunge in demand for laminate flooring. Prices for sales to industrial buyers continued to slide in the first quarter, as well. Particleboard and MDF sales to merchants have also come under mounting pressure again in recent weeks.

Particleboard and MDF/HDF buyers want to seek additional price cuts in the next round

of talks. Their reasoning is that demand remains subdued and wood and energy costs are softening. However, regional differences still exist when it comes to timber costs. Adhesive and impregnating resin prices dropped more sharply in February than they had at the beginning of the year due to varying cuts in urea, methanol and melamine costs. Additional corrections occurred in March. Yet,

a variety of particleboard manufacturers maintain that timber and adhesive costs are still much higher than last year despite the recent downward trend. They claim that the steep spike in costs that mainly occurred in the third quarter of 2022 had not yet been fully offset. Other cost items were also continuing to increase, sources said, citing expected wage increases by way of example. □

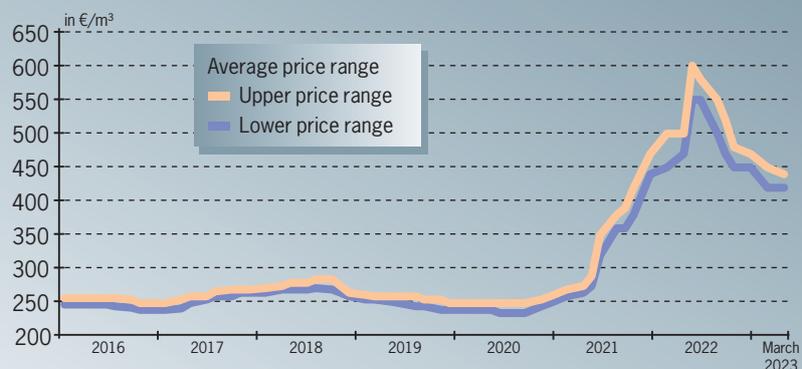
### EUWID Price Watch: Particleboard Germany <sup>1) 2)</sup>



- 1) Average purchase prices for E05 particleboard 16-19 mm for use in industry, free of all charges  
2) Previous Price Watch from EUWID No. 8/2023 of 23 February 2023

Source: EUWID

### EUWID Price Watch: HDF Germany <sup>1) 2)</sup>



- 1) Average purchase prices for HDF E05 6.8 mm for use in industry, free of all charges  
2) Previous Price Watch from EUWID No. 09/2023 of 2 March 2023

Source: EUWID

*Company intends to secure supply for its door factories in Texas, Tennessee and Virginia*

## *Door manufacturer Steves & Sons orders systems for door skin factory*

**With the construction of a new factory near Athens in the US state of Georgia, door manufacturer Steves & Sons Inc. (Steves), San Antonio, Texas, intends to enter door skin production and thus secure supply for its own door factories.**

At present, Steves & Sons has production facilities in San Antonio, Texas (interior and external doors), Lebanon, Tennessee (interior doors); and Richmond, Virginia (interior doors). Another factory is currently being commissioned in Brigham City, Utah, which is located some 100 km north of Salt Lake City. In December 2021, the company had also announced a greenfield investment in another production and logistics location in Ashburn, Georgia. The new factory will process prefabricated components from other sites. The planned logistics centre is intended to improve deliveries to customers in the southeast of the USA. In total, Steves & Sons plans to invest more than US\$16m in Ashburn; after commissioning, it is expected that

approximately 200 persons will be employed at the factory.

In an announcement issued by Steves & Sons on 21 November 2022, the investment volume for the new door skin factory was stated at around US\$100m. Current planning assumes a production area of approximately 310,000 sqft, or almost 29,000 m<sup>2</sup>; the project is to create around 170 jobs. Steves & Sons already ordered the essential production equipment from Siempelkamp Maschinen- und Anlagenbau GmbH during the first quarter of 2022. The order, which was negotiated through Siempelkamp L.P. of Marietta, Georgia, includes two forming and press lines, each of which is composed of a fibre sifter, scattering station, forming line and twelve-opening press. Büttner Energie- und Trocknungstechnik GmbH got a separate order later last year, which covers two fibre dryers and an energy plant to the project. The biomass-fuelled energy plant will provide process steam for the refiners and thermal energy for the dryers and will also be used to heat the

thermal oil for the multi-daylight presses. According to Siempelkamp, commissioning is scheduled for the end of 2024 in each case.

The decision of Steves & Sons to enter door skin production, taken during the course of last year, was preceded by a several-year-long legal dispute with previous supplier Jeld-Wen Holding Inc., based in Charlotte, North Carolina. In the course of this legal dispute, Jeld-Wen had to commit to selling its door skin plant in Towanda, Pennsylvania.

The proceedings against Jeld-Wen had been initiated in June 2016. In an action filed by Steves, the group was accused of insinuating itself into a dominant position in the market through its October 2012 takeover of Craftmaster Manufacturing Inc. (CMI), Chicago, Illinois. According to the allegation, in the wake of the CMI acquisition, which included the door skin plant in Towanda and four additional production locations, Jeld-Wen artificially reduced the supply of door skins, thereby driving up prices. In addition, the supply agreements concluded between Steves and CMI in the run-up to the CMI takeover had not been honoured. On 14 December 2018, the first-instance ruling of the district court of Virginia's state capital Richmond ordered a forced sale of the Towanda plant. Jeld-Wen had subsequently initiated appeal proceedings. This ruling was upheld by the United States Court of Appeals for the Fourth Circuit on 18 February 2021.

In the 2020 financial year, the Towanda plant generated gross turnover of approximately US\$205m. Of this figure, around US\$150m was attributable to sales of door leaves to Steves and other third-party customers. The remaining door skins manufactured at this site were further processed directly by Jeld-Wen. □



*Siempelkamp production line for door skins.*

*(Photo credit: Siempelkamp)*



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*New MDF/HDF line scheduled to reach continuous production until spring 2023*

## *Kastamonu Entegre installing four short-cycle presses in Balikesir*

**Parallel to the new MDF/HDF plant, Kastamonu Entegre Agac San. ve Tic. A.S. of Istanbul will be installing four short-cycle presses at its Balikesir facility.**

The company has purchased two second-hand plants from AZ MDF Co. Ltd. of Baku, Azerbaijan, which had begun MDF, laminate-flooring, and door production shortly after each other in the years from 2011 to 2013. At that time, the two presses had been supplied by Wemhöner Surface Technologies GmbH & Co. KG. In the course of last year, Kastamonu also ordered two new plants from Wemhöner for the project in Balikesir. These two plants are to be delivered to Turkey in March and October 2023. The used plants purchased at the end of 2021 will start up earlier.

The assembly of the new MDF/HDF line was completed until beginning of this year; first board was produced on 6 February. Originally, the company had set a target of starting production by the end

of 2022. Compared to this schedule, the start of production has now been delayed only by a few weeks. Over the course of the next few weeks, the system is to be brought up to three-shift operation.

Kastamonu had completed the orders for the key plant components in summer 2021. The project has been handled by GIM Export Group GmbH & Co. KG. The Siempelkamp group supplied components such as the fibre dryer, the sifter, the 8 ft x 63.7 m forming and pressing line with an ContiRoll Generation 9, the cooling/stacking station, the intermediate storage depot, and the sanding line. The disc chipper and refiner were supplied by Andritz AG of Graz, Austria, and a twelve-head sanding machine by Steinemann Technology AG. Kastamonu awarded the order for the power plant directly to Vyncke Energietechnik.

Another Wemhöner press has been undergoing construction at the Kastamonu facility in the last few months, parallel to the installation of a treater, supplied

by Vits Technology GmbH in a new hall. Kastamonu had actually ordered the short-cycle press and the treater for extending the value-adding capacity at the Alabuga facility in Tatarstan, Russia. Owing to the economic sanctions that have meanwhile been imposed on Russia, however, the deliveries had to be diverted to Turkey. The short-cycle press and the treater are part of a major replacement-investment project that Kastamonu is implementing to relocate the particleboard-production operations situated in the city to the premises of the MDF/HDF works that was opened on the outskirts of the city in 2008. In the course of this move, the multi-opening plant running at the old site is being replaced with a continuous production line. Like the Balikesir project, the main suppliers are the Siempelkamp group (7 ft x 37 m forming and pressing line with a ContiRoll, cooling/stacking station, large-format panel depot, and sanding line), Steinemann (sanding machine), and Vyncke (power plant). The orders handled either through GIM Export Group or directly were finalised mostly during the course of the second quarter. Delivery of the systems to Turkey is scheduled to commence in December, followed by assembly in the first half-year 2023. Commissioning remains scheduled for September.

The project to replace the multi-opening line in Kastamonu was originally supposed to take place in parallel with a similar project at the Samsun particleboard mill. However, the firm decided not to carry out the two projects at the same time during preparatory planning work. The technology ordered for the Samsun project in December 2019 was installed in 2020, and the first board was produced at the end of February 2021. Based on the experience gained in Samsun, a similar concept was implemented for the Kastamonu plant. □



*Installation work at the Balikesir site*

*(Photo credit: Vyncke)*

***EIB rubberstamped a €115m loan for Saviola's investment programme 2021-2025***

## ***Gruppo Mauro Saviola boosts stake in particleboard producer Rheinspan***

**The Italian company Saviola Holding s.r.l., based in Viadana, is poised to increase the 50% stake that it has held in the particleboard manufacturer Rheinspan GmbH & Co KG, headquartered in Germersheim, Germany, since June 2020 by purchasing another 24.9%.**

As a result, the firm will have a 74.9% shareholding in the future and assume management control over Rheinspan. The remaining blocking minority of 25.1% will remain in the hands of companies controlled by Georg Nolte. The holding firm Nolte GmbH & Co KGaA, also based in Germersheim, has owned 5.2% of the shares in the company formerly known as Nolte Holzwerkstoff GmbH & Co KG since its shareholder structure was reorganised in August 2016. The 94.8% stake transferred to Echo Büromöbel Vertrieb GmbH & Co. KG at that time tumbled to 44.8% when Gruppo Mauro Saviola came on board. Echo Büromöbel's shareholding will be reduced to 19.9% as a result of Gruppo Mauro Saviola raising its stake. The corresponding contracts were signed on 22 December 2022.

The deal is subject to terms including approval by the German Federal Cartel Office. On 27 January 2023, Saviola Holding submitted the acquisition of sole control over Rheinspan for approval. Once the approvals have been granted, closing is to take place retroactively as of 1 January. The purchase of more shares by Gruppo Mauro Saviola was stipulated in the participation agreement signed at the end of December 2019. The recent deal brought forward the call option scheduled for 1 July 2026 by three and a half years.

The increase in Gruppo Mauro Saviola's stake should speed up the implementation of planned investment projects. The



*Particleboard plant in Germersheim*

*(Photo credit: Rheinspan)*

last major projects involved installing a new processing plant for waste wood and a second short-cycle press. The waste wood technology supplied by Dieffenbacher GmbH Maschinen- und Anlagenbau was commissioned in July 2019. Rheinspan laminated the first board using a short-cycle press supplied by Wemhöner Surface Technologies GmbH & Co. KG in mid-August 2022. The next projects planned by Rheinspan include revamping its energy supply setup, increasing waste wood processing and optimising intralogistics. The company is also examining building an acclimatisation warehouse between raw particleboard production and the sanding line, along with further automating the feeding of sanded raw particleboard into downstream processing areas (TFL production, cut-to-size). Rheinspan wants to concentrate its wood use on waste wood and industrial wood and has increasingly scaled back its processing of sawmill residues in recent months. Its efforts to revamp its energy supply will focus on reducing the use of natural gas.

At the end of November 2022, the European Investment Bank (EIB) rubberstamped a €115m loan for Saviola Holding. The wood-based panel manufacturer intends to use the funds for an investment programme running from 2021 to 2025, which includes an expansion of waste wood recycling, a replacement project at the Sustinente particleboard mill and an increase in its laminating capacity. At the same time, the firm will take appropriate measures to reduce energy consumption in its manufacturing processes. The planned investments are slated to have a total volume of €239m.

According to the latest published figures, Gruppo Mauro Saviola generated revenues of €707m (€508m) and employed 1,412 (2020: 1,464) people in the 2021 financial year. The group also recorded EBITDA of €130.7m (91m), EBIT of €83.6m (42m) and net profits of €57m (35m). This disproportionate improvement in earnings hoisted the EBITDA margin to around 18 (15) % and the EBIT margin to 12 (7) %. □

*Pfleiderer to operate with three divisions EWP, Silekol and Panel East again*

# *Kronospan Group has ditched plans to acquire Pfleiderer's Polish mills*

**The Kronospan Group abandoned its plans to become the sole owner of Pfleiderer Polska Sp. z o.o., based in Grajewo, Poland, a short time before the 5 December 2022 deadline for a decision set by the European Commission's Directorate General for Competition.**

On 29 November, the company informed the European Commission that it was not moving forward with the takeover project notified on 15 February. A contract signed between Kronospan Holdings plc and Pfleiderer Group B.V. & Co. KG on 16 May 2021 has been terminated. The deal was originally supposed to include the particleboard mill in Wieruszów, the particleboard mill in Grajewo and the thin MDF/HDF mill at the same location. The adhesive and impregnating resin manufacturer Silekol Sp. z o.o., headquartered in Kedzierzyn-Kóźle, which also used to be part of Pfleiderer Polska, was transferred within Pfleiderer to PCF GmbH during the first quarter of 2020 so it was excluded from the transaction.

According to a notice published by the European Commission on 30 November, the decision made by the two companies to terminate the contract came in response to longstanding concerns raised by the competition authority, which had led to multiple delays in the review process. After the deal was notified in mid-February, the European Commission initially set 22 March as the date for a decision. On 8 March, the Polish competition authority (UOKiK) requested that the examination of the planned takeover be referred to it. This request pushed back the date until 5 April. The competition authority then announced that a further review had been initiated on the evening of 5 April. Under EU law, the institution had 90 working days to complete a Phase II review. This would have meant that a decision would have had to be taken by 22 August. The European Commission suspended this deadline twice, on 3 May and 29 June, via the stop-the-clock option contained in the Merger Regulation. The re-scheduled decision date was extended by ten working days each time on 12

August and 22 September, which would have resulted in a decision being made on 10 November. Proposals for further concessions submitted by Kronospan on 6 October finally led to a further postponement until 5 December.

The European Commission reiterated its position in its latest notice. The remedies offered by Kronospan during the proceedings had not been sufficient to dispel concerns about possible restrictions on competition. Therefore, Kronospan was informed in the final phase of the investigation that the transaction could not be approved, even in the latest planned scope. The European Commission did not specify which remedies Kronospan had offered. Early on in the investigation, the concessions reportedly related more to the Grajewo mill. Along with possibly closing or moving the mill, converting it to make OSB had also been considered at the time. Unconfirmed reports suggest that Kronospan had put the Wieruszów particleboard mill on the table in recent months. The takeover would thus only have included the Grajewo mill with its particleboard line and thin MDF/HDF line. Pfleiderer would have looked for a new buyer for the Wieruszów mill.

The termination of this contract marks another setback for the private equity company Strategic Value Partners LLC (SVP), which is headquartered in Wilmington, Delaware, in its efforts to sell Pfleiderer operations since the beginning of 2018. The divestment process launched in the first quarter of 2022 for the five German mills and for Silekol has yet to be completed, either. The main reason was likely different purchase price expectations on the part of SVP and the final remaining interested parties. For the time being, Pfleiderer will continue operating in its old structure with three divisions: Engineered Wood Products (formerly Panel West), Silekol and Panel East. □



Particleboard plant in Grajewo

(Photo credit: Pfleiderer)

*Continuing operations and division Panel East posted similar growth in revenues*

## *Pfleiderer reported slight growth in EBITDA margin for the year 2021*

**Pfleiderer Group B.V. & Co. KG, based in Neumarkt, Germany, has reported that its Panel East business unit, which had been up for sale at the time, and continuing operations clustered in the Engineered Wood and Silekol business units delivered comparable growth in revenues during the 2021 financial year.**

Net revenues from its Polish activities climbed by 27.0% to €224.6m (2020: €176.9m). Continuing operations generated net revenues of €989.7m (776.7m), representing a 27.4% year-on-year improvement. Deliveries to the Panel East business unit accounted for €66.9m (50.7m) of this sum. Pfleiderer's Engineered Wood and Silekol business units generated revenues of €922.7m (726.0m) from business with external customers.

On the earnings front, the Panel East business unit performed much better than in the previous year. EBIT tripled to €23.4m (7.9m). Pre-tax earnings leapt to €27.3m (6.0m), while net profits soared to €21.1m (2.8m). The annual report did not list EBITDA figures for Pfleiderer's Polish mills. Adjusted EBITDA from continuing operations increased by 38.6% to €174.6m (126.0m) in the 2021 financial year. The related margin rose by 1.4 percentage points to 17.6% (16.2%). Pfleiderer reported an EBITDA margin of 15.1% for all three business units for the 2020 financial year, compared with 10.8% in the 2019 financial year.

EBIT from continuing operations more than doubled to €84.8m (37.2m) in the 2021 financial year. The EBIT margin thus improved to 8.6 (4.8) %. Pre-tax profits, which were barely in positive territory in the previous year, soared to €33.8m (0.2m). Taking into account a positive tax effect of €20.5m in the previous year, profits from continuing operations jum-



*Particleboard line in Neumarkt*

*(Photo credit: EUWID)*

ped to €26.4m (20.7m). Together with net profits from Panel East, this resulted in a consolidated net profit of €47.4m (23.5m).

Pfleiderer's Annual Report also broke down its revenues from continuing operations by country and product group. The Engineered Wood and Silekol business units generated gross revenues of €990.7m (758.0m) from product sales. Adjusted for the €66.9m from deliveries to Panel East, external product revenues amounted to €923.7m (707.3m). Gross revenues comprised €178.4m (140.1m) from the sale of basic products, €200.6m (149.2m) from the sale of value-added products, €446.7m (362.0m) from the sale of high-value-added products and €95.2m (53.5m) from the chemicals business run by Silekol. The remaining €3.1m (2.4m) came from products not assigned to a cluster. Pfleiderer groups raw particleboard and uncoated MDF/HDF together in the basic products category. Specialty raw particleboard and melamine-coated

particleboard are classified as value-added products. The high-value-added products segment includes decorative particleboard, decorative MDF, lacquered boards, laminates and elements. These high-value-added products accounted for 48.4 (51.2) % of external product revenues. Value-added products contributed 21.7 (21.1) %, and basic products 19.3 (19.8) %. Silekol's share of revenues rose to 10.3 (7.6) %.

According to Pfleiderer, higher sales volumes and price hikes instituted to offset spiralling costs, particularly for purchasing raw materials, helped to boost revenues in the 2021 financial year. These markups, combined with further steps to optimise its product/customer mix, also translated into a higher gross margin. Ongoing cost-cutting measures in production and administration in 2021 and productivity increases also contributed to a significant improvement in earnings. Pfleiderer reported that its revenues and adjusted EBITDA far exceeded the targets set in the budget and forecasts. □

*Turnover and results figures of SAIB develop in opposite directions*

## *Egger Group acquired a 60% stake in particleboard manufacturer SAIB*

**Following closing on 15 December 2022, the Egger Group has acquired 60% of the shares in Italian particleboard manufacturer Società Agglomerati Industriali Bosi S.p.A. (SAIB), Fossadello di Caorso.**

The other 40% remains with the previous owner families. Egger intends to take over further shares in the long term but has not indicated any specific plans with regard to timing. Both companies had been negotiating an Egger shareholding since the beginning of the year; exclusivity was agreed relatively swiftly. The purchase agreement was signed at the beginning of November. Details of the agreed conditions - in particular, the purchase price - were not disclosed.

SAIB, which produces raw and coated particleboard with 223 employees, is managed by Giuseppe Conti, Clara Conti and Sergio Doriguzzi; they will continue to run the company in the new constellation. All three belong to SAIB's owner families, which have held all shares since

the company's founding in 1962. Within the Egger Group, which was founded in 1961, SAIB will be assigned to the Egger Decorative Products (EDP) division, and more specifically to the Decorative Products Mitte (EDP Mitte) subdivision.

To date, this subdivision has comprised the ten Egger plants in Austria, Germany and Turkey; the addition of the SAIB plant represents a new Italian location. The Decorative Products division also includes the subdivisions EDP West, with four plants in France and Great Britain; EDP East, with four plants in Poland, Romania and Russia; and EDP Americas, with two locations in the USA and Argentina. Flooring business is run via the Egger Flooring Products division. In addition, the Egger Building Products division was reactivated at the beginning of May 2021. The SAIB plant is the Egger Group's 21st production location; there are also 24 sales offices worldwide for export sales. In the 2021/2022 financial year (30 April), the Egger Group generated consolidated turnover of €4.234bn

(2020/2021: 3.083bn) and EBITDA of €877.5m (622.3m). The Decorative Products division contributed unconsolidated turnover of €3.472bn (2.542bn) and EBITDA of €657.4m (508.4m).

In future, the majority of SAIB's turnover will be generated at Egger via the Central-Southern Europe sales region, which comprises activities in Austria, Switzerland and Italy and which accounted for €243m (182m) in the past financial year, or 5.7% (5.9%) of Egger's group turnover. SAIB generated turnover of €140.6m (2020: 114.6m) in the 2021 financial year, exceeding the preceding year's figure by 22.7%. Of this, €113.3m (94.1m) was attributable to Italy, €13.4m (12.7m) to the rest of Europe, €12.3m (6.4m) to Asia, €1.1m (1.2m) to Africa and €0.5m (0.2) to North/South America. Overall, export turnover rose by 33.2% to €27.3m (20.5m); as a proportion of total turnover, this corresponds to 19.4% (17.9%). The largest sales segment was the furniture industry, accounting for a proportion of 55% (58%). The furniture supply industry accounted for 19% (20%). The proportion attributable to the kitchen furniture industry, on the other hand, rose to 17% (16%), and the trade share to 9% (6%). Results figures declined significantly under the influence of cost increases during the year. EBITDA also fell back below the 2019 level to €15.2m (23.4m). The margin amounted to 10.8% (20.4%). At €6.6m (18.1m), EBIT was around one-third of the preceding year's figure.

By selling the majority stake to Egger, the current owners of SAIB intend not only to strengthen the position of the plant located in the Po Valley between Piacenza and Cremona but also to create the potential for further growth. The company currently operates two continuous production lines with an annual capacity of approximately 600,000 m<sup>3</sup>, of which around 70% can be coated on the four existing short-cycle



SAIB production site in Fossadello di Caorso

(Photo credit: Egger)

presses. With the installation of a new drum dryer, front end capacities were increased over the last year. In parallel, SAIB invested in additional filter systems. The next major investment project is the installation of a fifth short-cycle press. The press was already ordered in the fourth quarter of 2021 from Wemhöner Surface Technologies GmbH & Co. KG. After commissioning, which is scheduled for 2023, SAIB will be able to coat almost the entire raw particleboard production volume. Across the individual projects, SAIB's investment expenditure increased by almost 54% to €17.4m (11.3m) last year.

SAIB has been using exclusively waste wood in particleboard production since the mid-1990s. A total volume of 483,724 t (441,465 t) was processed at the Fossadello di Caorso plant last year. Particleboard production volumes, which had slightly decreased in previous years, increased again to 597,581 m<sup>3</sup> (529,008 m<sup>3</sup>). The proportion of boards with reduced formaldehyde emissions rose to 29.2% (28.7%). All upstream products are



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(Photo credit: SAIB)

purchased from external suppliers. Former shareholdings, such as that in adhesives and impregnating resins manufacturer Fabbrica Resine Collanti S.p.A. (Farcoll), Filago, or impregnator Coveright Surfaces Spain S.A.U. (Martorelles, Spain) were given up several years ago. In the course of the integration of SAIB, purchasing of upstream products is also to be carried out to an increasing extent via other Egger plants, especially in the areas of melamine films, CPL and edgebandings.

The now-concluded acquisition of the 60% stake in SAIB is already the Egger Group's third commitment in Italy. Since

the beginning of November 2020, Egger has held a 27.5% stake in coating company Cleaf S.p.A. (Macherio). This company generated turnover of €167.9m (2020: 122.2m) in the 2021 financial year, according to information from the Italian register of companies. The Cleaf investment has since been consolidated at equity in Egger's annual accounts. On the other hand, the 40% stake in particleboard manufacturer Annovati S.p.A. (Frossasco), which was concluded at the end of March 1998, was sold again to the then joint venture partner Gruppo Trombini S.p.A. after just two-and-a-half years. □

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*Three carcass lines and two front lines are to run on 32,000 m<sup>2</sup> in the future*

## *Egger to invest €55m in expanding Bünde component facility by 2024*

**Once it has wrapped up work to expand its front production capabilities, the Egger Group, based in St. Johann, Austria, will also install an additional production line to make carcass parts.**

This capacity will be added at a newly constructed hall complex within the Bünde furniture component plant, which is operated by Egger Holzwerkstoffe Brilon GmbH & Co KG. The two projects, which will be carried out from 2022 to 2024, will entail a total investment of around €55m. Work to install the new production line for furniture fronts is largely completed, with commissioning scheduled to begin in May 2023. The technology, which is being supplied by IMA Schelling Deutschland GmbH is designed to have a weekly output of around 65,000 fronts. Including the first front line, which started up in August 2020 and can produce approximately 35,000 fronts per week, Egger's Bünde complex will raise its total capacity to make fronts to around 100,000 units per week, translating into an annual output of around 4.5m parts.

Egger has so far had the capacity to make around 270,000 carcass components per week using two IMA lines. The new production line, also ordered from IMA, will be designed to make around 145,000 units per week. Once the new line is commissioned, currently slated for June 2024, Egger will be able to produce up to 400,000 carcass parts per week or 19m parts per year in Bünde. Once the currently planned investments have been completed, the Bünde complex will have a total capacity of around 23.5m fronts and carcass parts from 2025. Its capacity will have almost doubled within five years.

The expansion projects will increase the production area of the Bünde furniture component plant by a third to around 32,000 m<sup>2</sup>. Egger acquired this plant in 1994 and renamed it Egger Elemente GmbH & Co. KG at the end of 2000. The main facility, which has exclusively made carcass parts since the front lines were installed, has an area of around 10,000 m<sup>2</sup>. In 2019, Egger acquired a new hall with a total area of about 7,000 m<sup>2</sup> for front

production on a site approximately 200 m away from the main plant.

The new hall complex for the expansion of carcass capabilities is being built on a plot of land opposite the main factory. The new edge processing unit and a drilling line will be installed inside a 4,700 m<sup>2</sup> production hall, adjoined by a 3,600 m<sup>2</sup> hall for cutting and packaging and a 2,700 m<sup>2</sup> warehouse. Construction work started at the beginning of January; the three halls are to be completed by the end of the third quarter, after which machinery will be installed.

The Egger Group had previously invested around €50m in expanding its three furniture production sites in Bünde, St. Johann and Rambersvillers between 2013 and 2020. In Bünde, the company modernised its carcass component plant and installed the first front system during this period. The biggest single investments in St. Johann were a four-sided edge processing line, a drilling line and a new machining centre. This allows carcass parts to be produced in batch sizes of 50 units or more; the production programme also includes specialities such as click parts, lightweight components with Eurolight substrates and free-form parts. In Rambersvillers, a furniture component plant supplied by Homag was commissioned at the end of 2015. This plant is primarily geared towards large series with batch sizes of 1,000 units or more. Its early 2014 acquisition of a 25.55% stake in Horatec GmbH, based in Hövelhof, Germany, ran parallel to the investments in the three Egger facilities. Its purchase price is therefore not included in the €50m sum.

Egger's three furniture component plants have an annual capacity of around 35m units. The current expansion work in Bünde will boost their capacity to around 45m units, making Egger one of Europe's largest furniture component manufacturers. □



*Construction work for the new production line in Bünde*

*(Photo credit: EUWID)*

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### ***Munksjö now operating as an independent company***

Ahlstrom-Munksjö Oyj, based in Helsinki, completed the transfer of its Decor Solutions division with effect from 1 October 2022 after reaching a deal to this effect in mid-May 2022. Some 75% of the shares in Munksjö were transferred to the investment entities Ahlstrom Capital B.V., based in Amsterdam, and Nidoco AB, headquartered in Stockholm. Ahlstrom Capital is the new majority shareholder with a 60% stake. Nidoco acquired 15% of the shares. The other 25% is still in the hands of Ahlstrom-Munksjö Holding 3 Oy, based in Helsinki. All three companies are indirect or direct shareholders in Ahlstrom-Munksjö Oyj, which is focusing on its remaining speciality paper activities with the spin-off and was renamed Ahlstrom with effect from 3 October.

The new company created by the spin-off, which does business as Munksjö AB, claims to be the world's only company specialising almost entirely in decor paper manufacturing. Munksjö operates 11 paper machines with a combined capacity of around 250,000 tpy at its sites in Unterkochen and Dettingen (both in Germany), Tolosa (Spain), Arches (France), Caieiras (Brazil) and at its joint venture Hebei Minglian New Materials Technology Co. Ltd. in Xingtai (China's Hebei Province). Along with the production and distribution entities based at its factory sites, the group has five sales branches in Aalen, Turin (Italy), Istanbul-Uskudar (Turkey), Broomfield (Connecticut, US) and Shanghai. Its research and development operations are pooled in Apprieu, France. All in all, Munksjö employs around 1,200 people. The company aims to book annual revenues of about €500m including the Chinese joint venture. The firm generated full-year revenues of €442.1m (2020: 369.7m) in 2021. The division had been listed under 'discontinued activities' in Ahlstrom-Munksjö's consolidated financial statements starting in the second quarter of 2022 due to the upcoming spin-off. These activities generated first-half revenues of €282.9m (Jan.-June 2021: 178.6m). □

### ***Ultra Décor has started decor paper production***



(Photo credit: Invest Kaluga)

LLC Ultra Décor RUS, which is part of the Kronospan Group, commissioned the first of two decor paper machines planned in the Russian special economic zone of Lyudinovo, Kaluga Oblast, at the beginning of December 2022. The

group has since been optimising different components. The new mill officially opened on 21 December. According to a report published by the Russian news agency Interfax on the same day, about RUB9.3bn or the equivalent of about €120m has so far been invested in Ultra Décor. The first phase includes paper machines designed to have an annual capacity of about 40,000 tonnes, three printing machines and three treating lines. Two lines are currently up and running, with the third scheduled to go into production in the first quarter. The printing machines are now fully assembled so commissioning can begin in the next few weeks. The next phase will include installing a second paper machine. □

### ***Unilin awards two digital printing licences***

Surteco Group SE, based in Buttenwiesen, has secured patent protection for its digital printing activities by concluding a licence with the Unilin Technologies division of Unilin bvba, headquartered in Wielsbeke, Belgium, in January 2023.

The company has gradually expanded these operations in recent years after initially entering the digital printing market with smaller systems. A full-width system was also installed at its Buttenwiesen-Pfaffenhofen site in the past year. The new licence allows Surteco to use Unilin's patents in the field of roll-to-roll digital printing.

In November 2022, Unilin Technologies granted its first licence for digital printing or digital structuring directly on substrates to the US SPC manufacturer United Surface Solutions LLC, based in Chatsworth, Georgia, which was only founded in 2018. This licence allows the company to draw on patents from Unilin Technologies' partners Barberán S.A., based in Castelldefels, Spain, and Zeetree s.r.l., headquartered in Quarto d'Altino, Italy. United Surface Solutions is currently installing a Barberán digital printing plant under the terms of this licence agreement. □

### ***Schattdecor equips plants with inspection systems***

BST GmbH has supplied twelve iPQ-Check inspection systems and iPQ-View web monitoring systems to Schattdecor AG, based in Thansau, in recent months. Eight of these systems were installed across Schattdecor's German locations; the remaining four went to foreign group locations. The order was preceded by the installation and test operation of a pilot system adapted to the conditions of gravure printing. In the past, BST systems had only been used in other areas of printing.

The iPQ-Check inspection system uses high-resolution line-scan cameras and LED illumination to provide comprehensive inspection of printed images. The system can be used for web widths of up to 2,800 mm and printing speeds of up to 1,000 m/min. Abnormalities in the decor detected by iPQ-Check are reported to the iPQ-View web monitoring system for further analysis. The quality control thus achieved during the production process enables detection of both one-off and recurring defects.

For decor inspection, the paper web is guided over a steel structure integrated in the printing press, to which the cameras and lighting elements are attached. □

## **Interprint has acquired all shares in Decotec**



Decotec site

(Photo credit: Toppan)

The Japanese company Toppan Printing Co. Ltd. has transferred the majority stake that it has held in the Spanish decor printer and treater operator Decotec Printing S.A.U., based in Tordera, since the middle of 2017 to Interprint GmbH of Arnsberg. At the same time, Interprint acquired a minority shareholding held by the Spanish wood-based panel manufacturer Financiera Madeira S.A. (Finsa), based in Santiago de Compostela. This means Interprint now owns all shares in Decotec, which was renamed IP Decor Spain S.A.U. upon the transfer of shares.

Decotec operates three printing machines and its own decor development unit in Tordera. The firm also entered the treating business by starting up two treating lines in the first quarter of 2021 and the second quarter of 2022. According to Interprint, the Tordera site employs around 110 workers. The new site means that Interprint has nine production sites around the globe. Its facilities in Arnsberg, Egorievsk (Russia), Nilai (Malaysia), Changzhou (China) and Pittsfield (Massachusetts, US) mainly specialise in printed decors. Arnsberg is also home to three digital printing machines. Pittsfield prints both decor paper and thermoplastic foils. Its site in Ozorków, Poland, makes printed decor paper and finish foils, while its location in Curitiba, in Paraná, Brazil, prints and treats paper. Samara, Russia, is a dedicated treating site. Interprint also operates two laboratory sites in Affi (Italy) and Istanbul (Turkey). The firm has its own decor development site in Arnsberg, Nilai, Pittsfield and now in Tordera, too. Arnsberg also engraves printing cylinders. Its total number of employees now stands at about 1,540, including about 450 people at its Arnsberg headquarters. □

## **Rehau relocates production to Mexico**

At the end of October 2022, plastics processor Rehau Industries SE & Co. KG announced construction of a new edgeband production facility at its Mexican site in Apaseo del Grande, located a few kilometres east of the city of Celaya, Guanajuato. Commissioning is scheduled as early as in the second half of 2023; full capacity utilisation is to be achieved by the beginning of 2024. In a reciprocal move, probably by the end of 2023, Rehau plans to discontinue edgeband production at Industries Rehau Inc. at its Canadian site Baie d'Urfé, Québec. Production here was launched in 2005 and expanded to include laser edgebands in the second quarter of 2014. In a statement issued at the end of October, Rehau Americas, based in Leesburg, Virginia, cited the shortage of skilled workers in the greater Montréal area as the primary reason for the relocation. Despite additional shifts, the Canadian plant would therefore no longer be able to fully cover the increasing demand for edgeband on the North American markets. Discontinuation of furniture edgeband production in Baie d'Urfé will affect around 200 employees. The new

plant in Mexico is expected to employ around 300 persons. Rehau México y Centroamérica, established in 1993, already operates two plants for other products at the Apaseo del Grande site. With the last major expansion investment, the company had also commenced production of PVC window profiles in April 2017.

According to earlier information, Rehau's furniture solutions business division operates twelve production sites worldwide for thermoplastic furniture edgeband made of PP, ABS, PVC, PMMA and PET, each sold under the name Raukantex. The lead plant for the furniture segment is located in Visbek. Here, the company produces ABS and PP edgeband as well as cabinet shutter profiles made of PP on more than 50 extrusion lines. Commissioning in the second quarter of 2022 of the Visbek logistics centre, which includes a second high-bay warehouse, warehousing and delivery were automated to an even greater extent. Other important edgeband locations are Rehau, Tortosa (Spain), São Paulo (Brazil), Taicang (Jiangsu Province, China), Pune and Vadodara (both India). □

## **Neuhofer commissions additional digital printer**



Neuhofer site in Zell

(Photo credit: Neuhofer)

In December 2022, moulding manufacturer Neuhofer Holz GmbH commissioned a third digital printer at company headquarters in Zell am See. The system, which was supplied by Durst Phototechnik AG, enables Neuhofer to print directly onto substrate boards for the first time. Materials that can be used include MDF, particleboard, solid wood panels, cardboard/corrugated cardboard, aluminium panels, rigid/soft foam plastic and glass.

The UV flatbed printer is equipped with 120 individual print heads and has a print width of 2,500 mm, which enables both single and multi-web printing with a resolution of up to 1,000 dpi. With this concept, Neuhofer's annual capacity amounts to around 3.3m<sup>2</sup>, according to company information.

The narrower digital printers previously used by Neuhofer are exclusively used to print on finish foils and veneer, which are then used for wrapping of profiles and mouldings. The first system was supplied by Hymmen GmbH Maschinen- und Anlagenbau in 2010 and was modernised in the course of 2017. This modernisation included expanding print width, increasing speed as well as doubling resolution from 360 dpi to 720 dpi. In parallel, Neuhofer invested in a second digital printing system. The system supplied by Durst has been in operation since July 2017. □

*In 2021, decor paper shipments increased by 19.3% / Revenues were 26.9% higher*

## *Felix Schoeller Group adding second North American decor paper machine*

**Felix Schoeller Holding GmbH & Co. KG, based in Osnabrück, plans to more than double its North American decor paper capacity within the next three years as part of a major investment programme.**

The group will first increase capacity at PM 19 in Drummondville, Canada, which does business as Technocell Inc., from 32,000 tpy to around 40,000 tpy. Felix Schoeller then plans to invest in a second decor paper machine with a designed capacity of around 50,000 tpy by 2025. The location and technical details are to be finalised by the end of 2023 as part of a project planning process that is now getting underway.

Alongside these decor paper projects, the Felix Schoeller Group also intends to boost its North American release liner capacity. To improve local siliconised release liner supply, the firm will commission a silicone coater at a refining site in Pulasky, New York, that is part of Felix Schoeller North America Inc. by the middle of 2023.

In the medium term, the company also intends to start making release liner base papers in North America. A total of more than US\$100m is to be invested in the various projects between now and 2025.

The Felix Schoeller Group is looking to expand its North American production capacity with these investments, after focusing more on China and Russia in recent years. In Russia, the company commissioned PM 6, which is designed to make decor paper, at the joint venture OOO Mayak-Technocell (MTC) in Penza, Russia, during the second half of 2018. In China, the Felix Schoeller Group established a joint venture called Winbon Schoeller New Materials Co. Ltd, based in Longyou, Zhejiang Province, at the beginning of 2017. This venture has since established production capabilities for various speciality papers, including decor paper. The last major investment in Europe was a project to rebuild PM 14 at the Günzach site, which was completed in the first half of 2016. This machine has since been able to make pre-impregnated paper and nonwovens, as well.

In the 2021 financial year, Felix Schoeller Group sold 234,300 (2020: 196,400) t of decor paper, generating revenues of €454.7m (358.4m). This detail is contained in its annual report, which was published in early December 2022. Sales volumes were 37,900 tonnes or 19.3% higher than the previous year. The product mix and price increases implemented during the year also had positive effects. Revenues were also 26.9% higher than in the previous year.

All relevant regions contributed to the increase in revenues from decor paper. Germany and Central/South America achieved the highest growth rates compared to the previous year. German revenues were up 41.1% at €113.7m (80.7m). The rest of the EU saw a 24.2% growth to €199.9m (161.0m), while European markets outside the EU showed a more modest upswing of 8.6% to €32.9m (30.3m). Total European revenues thus climbed by 27.4% to €346.5m (271.8m).

Felix Schoeller's North American revenues from decor paper increased by 23.4% to €70.1m (56.8m). Markets in Central/South America grew twice as fast, with a 46.4% improvement to €20.2m (13.8m). Asian revenues were up 16.5% at €15.5m (13.3m). Other regions were the only area where revenues fell, slipping 11.1% to €2.4m (2.7m). Altogether, 25.0 (22.4) % of the Felix Schoeller Group's decor paper revenues were generated in Germany. The rest of the EU accounted for 44.0 (44.9) % and the rest of Europe for 7.2 (8.5) %. North America added 15.4 (15.8) % and Central/South America 4.4 (3.9) %; Asia contributed 3.4 (3.7) %.

The company saw its 2021 group revenues leap by 26.8% to €771.4m (608.4m), almost in line with the growth in decor paper revenues. As in the previous year, decor paper accounted for 58.9% of total revenues. □



*Decor paper mill in Drummondville*

*(Photo credit: Felix Schoeller Group)*

*High specific energy demand and steep rise in costs made production unprofitable*

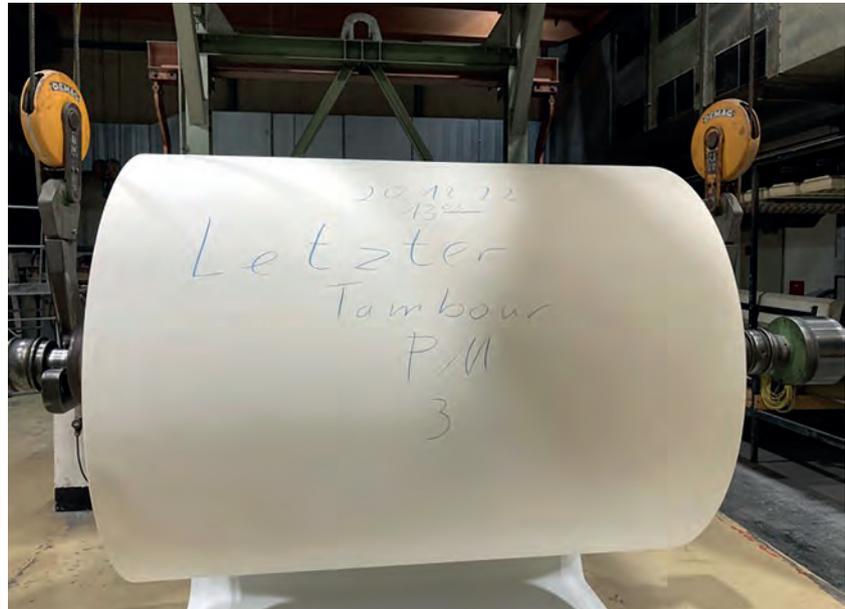
# *Kämmerer stopped production of pre-impregnated paper in December*

**Kämmerer Spezialpapiere GmbH, headquartered in Osnabrück, Germany, shut down PM 3, which was specialised in making pre-impregnated paper, by the end of 2022.**

This decision marked Kämmerer's exit from the decor paper business. The company last produced around 20,000 t in a grammage range of 45-200 g/m<sup>2</sup> using this machine. Most of its output was pre-impregnated paper used to make finish foils, which was marketed under the Kaefoflex HOL name and also offered in formaldehyde-free or low-formaldehyde versions. PM 3's portfolio included the Kaefoflex RW product line, which was used for coating furniture back panels and as a priming film. Until two years ago, Kämmerer also made standard decor paper using PM 3 for a time but then withdrew from this market segment.

In a statement published on 6 October, Kämmerer explained that it had decided to close PM 3 because of the high specific energy demand needed to make pre-impregnated paper. Additionally, its position in the market also played a role. According to managing director Jürgen Oess, Kämmerer is a market leader in all other product areas. In the pre-impregnated paper market, however, which Oess describes as highly competitive, there has been a gap between Kämmerer and the largest producers, Munksjö AB, based in Stockholm, and Felix Schoeller Holding GmbH & Co. KG, headquartered in Osnabrück, partly due to the width of the paper machine. With a working width of 2,250 mm or 7 ft, PM 3 is narrower than the two other companies' main machines, which can also deliver double-widths. A few years ago, Kämmerer had looked into widening the machine but ditched this project because it required too steep of an investment.

But PM 3's energy consumption was a much more critical issue. The steep rise in



*Last tambour with pre-impregnated paper*

*(Photo credit: Kämmerer)*

gas and electricity costs in recent months could not be passed on to pre-impregnated paper prices to the necessary degree, which made manufacturing unprofitable in the longer term, too. PM 3 required about 50% of the energy purchased externally by the Osnabrück site. On the other hand, the machine accounted for only about 15% of its recent total output of about 130,000 t.

After the shut-down of PM 3, Kämmerer focusses on operating PM 4 and PM 6. PM 4 specialises in making heavy abrasive base papers. PM 6 produces nonwoven papers, wallpapers papers, poster papers and silicone base papers. Both paper machines can largely source energy from the company's own 90 MW power plant, which had converted from coal to untreated waste wood and substitute fuels over the past two years with an investment volume of about €8m. The company wants to become independent of external energy deliveries by taking this step. The gas boiler installed last year is to be modified and run on green

hydrogen in the medium term to further optimise its energy supply.

According to Kämmerer, about 100 employees have been affected by the decision to exit the pre-impregnated paper business. Negotiations with the economic committee and the works council explored whether some of these employees can be reassigned to other company divisions. Altogether the three companies belonging to Kämmerer Paper Holding GmbH (Kämmerer Spezialpapiere GmbH, Kämmerer Paper GmbH and Kämmerer Energie GmbH) employed around 400 people in Osnabrück. PM 3 and PM 4 are assigned to Kämmerer Spezialpapiere GmbH with the main product areas of pre-impregnated paper and abrasive base papers. The product areas with PM 6 acquired from the firm then known as Ahlstrom Oyj, based in Helsinki, at the beginning of 2017 are handled by Kämmerer Paper GmbH. The electrical insulation paper product area was transferred to Ahlstrom-Munksjö Oyj, based in Helsinki, at the end of August 2021. □

**Earnings improved markedly despite higher costs / EBITDA margin reached 19.5%**

## *Schattdecor's holding company Retis Group raised revenues by almost 20%*

**Retis Holding GmbH, headquartered in Rohrdorf-Thansau, Germany, generated consolidated revenues of €880.4m (2020: €734.9m) in the 2021 financial year, according to its recently published annual report.**

Retis Holding includes Schattdecor AG, the lightweight panel manufacturer Pyrus Panels GmbH (Bad Aibling) and several property companies. Revenues were 19.8% higher than in 2021, they would have leapt by as much as 23.0% to €903.8m when adjusted for currency effects. Revenues outside Germany improved by 21.2% to €827.5m (682.5m). The export rate thus stood at 94.0 (92.7)%. These figures clearly surpassed the forecast issued for the 2021 financial year, which predicted growth in the mid-single-digit percentage range.

All sales regions contributed towards this stronger performance. That being said, revenues in Germany were only marginally higher than in 2020 at €52.8m (52.4m). All other regions enjoyed double-digit in-

creases. The Far East region accounted for €219.1m (196.7m) or 24.9% of group turnover. The rest of the EU contributed €217.9m (193.8m) or 24.8%, while the rest of Europe added €152.1m (127.0m) or 17.3%. South American revenues rose by more than two-thirds to €100.6m (60.1m) on the back of investments at Schattdecor's Brazilian location. In North America, revenues were up 39.4% at €68.7m (49.3m). These two regions boosted their share of revenues to 11.4% and 7.4%, respectively. The Middle East region accounted for revenues of €50.1m (45.2m). Revenues doubled to €12.6m (6.6m) in Australia and €6.5m (3.9m) in Africa.

Rising upstream product prices during the year boosted the cost of materials by 30.0% to €539.8m (415.1m), which was even more than the increase in turnover. Personnel costs were put at €113.4m (99.6m). Depreciation amounted to €57.0m (59.1m) and other operating expenses to €122.3m (111.9m). Earnings improved markedly despite much higher costs at times. EBITDA was 29.3% higher

at €171.4m (134.7m), translating into an EBITDA margin of 19.5% (18.3%). Consolidated net profits soared by as much as 61.8% to €92.7m (57.3m).

Cash flow from operating activities increased to €102.5m (85.6m). Cash flow from financing activities was in slightly positive territory at €0.6m (-22.9m). Cash flow from investment activities, which again jumped to -€114.9m (-3.6m), includes payments for investments in fixed assets amounting to €52.6m (30.2m) and payments for the acquisition of interests amounting to €57.9m (0). The single-largest investments were the start-up of construction work on a new office building in Thansau, the installation of two coating lines in Tarnowo Podgórze, Poland, and Lexington, South Carolina, the installation of another treating line and a resin reactor in São José dos Pinhais, Paraná, and the sixth decor paper machine in Zhejiang. The only relevant acquisition was the purchase of a 50% stake in Fine Decor GmbH, based in Oelde, Germany, and RHS Immobilien GmbH, headquartered in Bielefeld, Germany, in a deal completed on 30 September 2021.



(Photo credit: EUWID)

In addition to Retis Holding, the consolidated financial statements encompassed eight German and eleven foreign subsidiaries. GSB Group Inc., based in Lexington, merged with Schattdecor Inc., headquartered in St. Louis, Missouri, as of 1 January 2021. Fine Decor, RHS and the Chinese joint ventures Kingdecor (Zhejiang) Co. Ltd., based in Quzhou, Zhejiang Province, and Huanggang Saintdecor Co. Ltd., headquartered in Wuhan, Hubei Province, were consolidated at a rate of 50% in keeping with Retis' shareholding. In addition, the group has three associated companies, including Tricosol AG, based in Waldstatt, Switzerland, which was created in 2019 when Arcolor Holding AG changed its name. Retis Holding still holds 48.1% of the shares in Tricosol after shares were sold back in 2019. □

*Six lacquering machines with nine EBC units now up and running in the Group*  
**Schattdecor has wrapped up projects**  
*at sites in the USA, Poland and Brazil*

Over the course of last year, Schattdecor AG, based in Thansau, Germany, has put the finishing touches to work on projects announced since mid-2020 at its sites in Lexington (South Carolina, USA), Tarnowo Podgórze (Poland) and São José dos Pinhais (Paraná, Brazil).

Investments in the finish foil manufacturer US Coating Co., which it acquired in December 2018 and merged into Schattdecor Inc, based in Maryland Heights, Missouri, at the beginning of 2021, entailed a move to a new location. In 2021, the company modernised a production/warehouse hall on a newly acquired plot of land and subsequently installed a lacquering line delivered by the South Korean machine manufacturer Sung An Machinery Co. Ltd. (SAM). This 5 ft-wide line, equipped with two EBC units and known as PML 11, was commissioned during the second quarter of 2022.

Once qualification work was completed, PML 10, which is also 5 ft wide and equipped with one EBC unit, ceased operations and was dismantled. The old production site was sold once it was cleared. The dismantled lacquering plant underwent a retrofit and has since relocated to the new site. Assembly work has been largely completed, with commissioning scheduled for the first quarter of 2023.

A lacquering line installed at Schattdecor Sp.zo.o. in Tarnowo Podgórze started operating in September. With a working width of 2,750 mm and two EBC units, PML 12 was supplied by Kroenert GmbH & Co. KG. This line has a similar configuration to the PMD 42 printing/lacquering line at the same location, which was initially commissioned as a printing press in May 2012 and has also been used to make finish foils since



*PMD 42 in Tarnowo Podgórze*

*(Photo credit: Schattdecor)*

September 2014 following the installation of the EBC units.

Schattdecor Sp.zo.o. operates five more lacquering lines in Glucholazy, Poland. PML 5, PML 6, PML 7 and PML 8, all provided by Rotodecor GmbH Maschinen- und Anlagenbau, also have a width of 2,750 mm, so they can lacquer items up to 2,500 mm wide. PML 1, which was acquired from PrismaDekor Sp.zo.o. and originally supplied by Wematech AG, has a working width of 2,200 mm. All the lacquering lines in Glucholazy use acid-curing coating systems. Another EBC unit has since been retrofitted at two of the wide lines, making single-stage EBC lacquering an option there up to now.

Altogether, Schattdecor now operates six lacquering lines with nine EBC units in Glucholazy, Tarnowo Podgórze and Lexington. The two lines in Glucholazy and the older line in Lexington employ

single-stage EBC lacquering. Two-stage EBC lacquering is feasible using the printing/lacquering line, the new lacquering line in Tarnowo Podgórze and the new line in Lexington.

The company completed work to expand its Brazilian printing and treating site in São José dos Pinhais, which does business as Schattdecor do Brasil Indústria e Comércio Ltda., in October. Its impregnating resin capacity jumped to around 54,000 tpy thanks to the installation of a second reactor. The complex will be able to supply itself with resins and additives in future. At the same time, a fifth treating line is now up and running. With a working width of 9 ft, PMI 23 is largely identical in design to PMI 19, which was commissioned in March 2021. Vits Technology GmbH supplied both lines. Schattdecor has a capacity of around 220m<sup>2</sup>/year in São José dos Pinhais with these five treating lines. □

*New company wants to bring melamine film sales relatively quickly towards 60m m<sup>2</sup>*

## *Coveright Surfaces Spain was sold out of insolvency in late December*

**A solution was found to safeguard the future of the Spanish treater operator Coveright Surfaces Spain S.A., headquartered in Martorelles, at the end of last year.**

This move came after prolonged economic difficulties led the firm to file for insolvency at the Commercial Court in Barcelona at the end of August 2022. Investors Jorge Tornini and Angel Riudalbas, who specialise in restructuring companies in financial difficulties, purchased all assets and activities through a new firm, Coveright S.L., with effect from 1 January 2023. An agreement in principle was reached in mid-November, with the parties putting pen to paper on the final contracts on 27 December.

Some 34 of the 51 people employed by its previous incarnation will be retained. Francesc Xavier Gomez Miro, who served as Managing Director of Coveright Surfaces Spain, which was then owned by Sherpa Capital, since July 2020, was appointed as Managing Director of Co-

veright S.L. Gomez Miro had previously worked in similar positions for a variety of Spanish companies and specialised in restructuring projects. He had been brought to Coveright Surfaces Spain with a similar goal. However, workforce disputes had long hampered the planned restructuring process. A major bone of contention was the reduction in wages and salaries sought by the company; it was not until February 2022 that an amicable solution was reached. Nevertheless, there was a relatively high level of absenteeism among the staff during the rest of the year; at times almost half of the staff was on sick leave.

A sales process for Coveright Surfaces Spain was launched last year as part of the restructuring measures implemented by Gomez Miro, which initially attracted several interested parties. However, Tornini and Riudalbas were the only bidders left standing in the final phase. The buyers reportedly paid around €100,000 for Coveright's assets. Upon closing, €500,000 was provided to fund ongoing

operations. A further €3.5 million is to be financed through subsequent negotiations with lending banks. The takeover also included the renegotiation of the lease agreement with the owner of the property in Martorelles. At the same time, the conditions of various supply contracts, including for natural gas, were improved.

Coveright Surfaces Spain was created when Coveright's Spanish plant was sold to the Spanish investment company Sherpa Capital in a deal completed in May 2011. At the time of the sale, the company had generated annual revenues of around €20m; its export rate had stood at around 95% at the time. Its technology has remained unchanged in recent years; the company continues to operate four treater lines with a total annual capacity of about 75m m<sup>2</sup>. Three reactors are used to supply resins in-house. Coveright Surfaces Spain has experienced relatively strong fluctuations in revenues over the past few years. Revenues fell to around €15m in 2021, before rebounding to €23m in 2022, and are projected to reach €26m in 2023. Exports now account for about 75% of revenues. Its leading markets in Europe are Italy, France and the UK. Outside Europe, the company mainly serves South America (Mexico, Colombia and Ecuador) and Australia. After starting a new chapter, the new company wants to bring melamine film sales relatively quickly towards 60m m<sup>2</sup>. It aims to run its lines at full capacity in the medium term, with revenues climbing to €35m-40m. The new owners want to make a decision fairly quickly on whether to invest in a new treating line if business performs well.

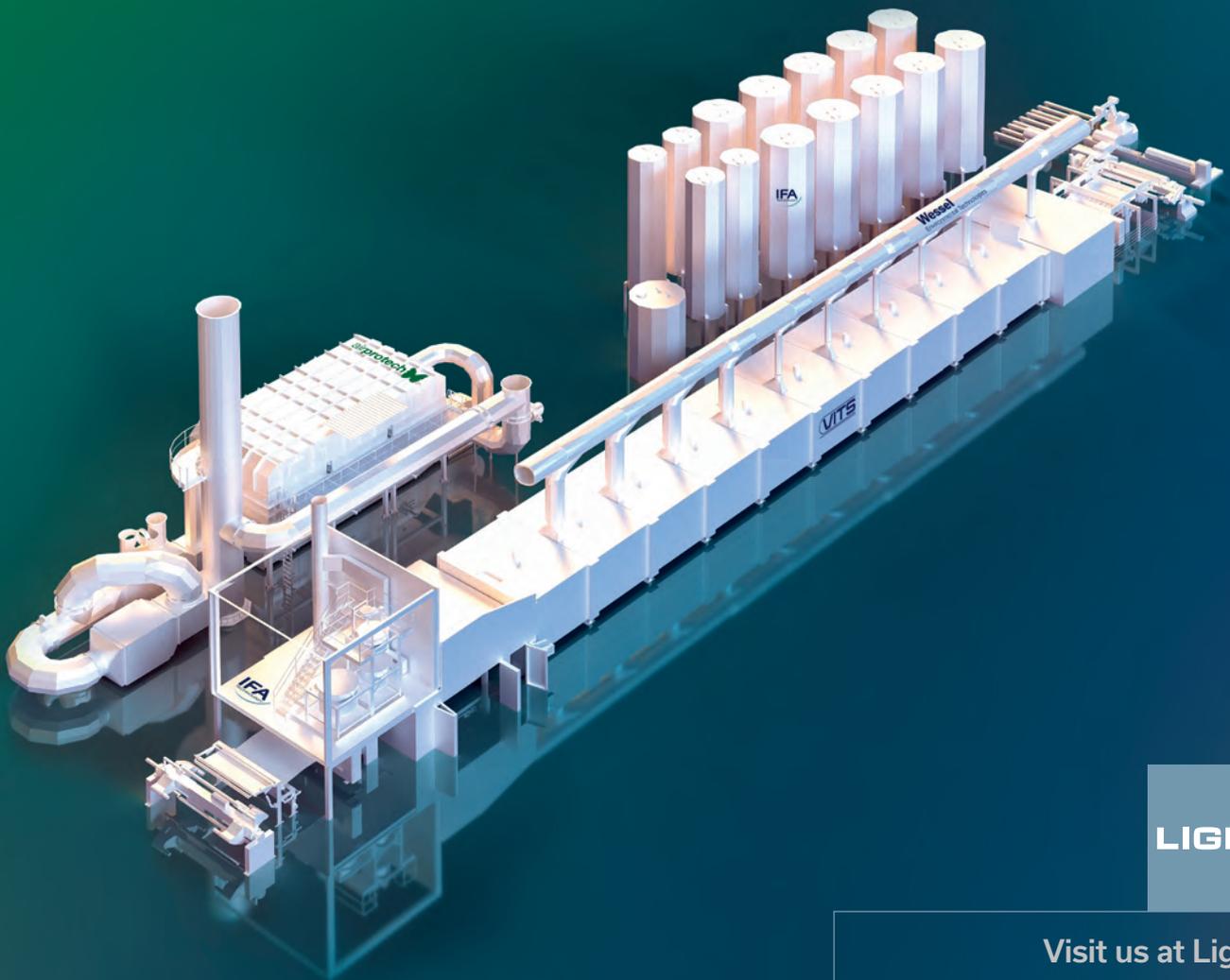
The two investors have so far invested in a good ten companies from various sectors, which have revenues of around €350m and approximately 1,500 employees. □



(Photo credit: Coveright)

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*More phenolic film, melamine film and CPL capacity to be added until next year*

## *Egger approved more investments at its laminate plant in Gifhorn*

**Shortly after launching a project to install a new treating line for phenolic films, the Egger Group, based in St. Johann, Austria, has approved additional investments in melamine treating, CPL production, downstream processing, energy supply and logistics for its laminate plant in Gifhorn, Germany.**

This site does business as Egger Kunststoffe GmbH & Co KG. Along with the new phenolic film line, the firm has already installed a PerfectSense coating line for laminates. Two new melamine treaters and two more double-belt presses to make CPL will be installed over the next few months. Egger will also add a photovoltaic system of around 5,000 m<sup>2</sup> in size on the hall roofs, extend the existing high-bay warehouse for impregnated products and build a new performance warehouse for CPL sheets. The additional projects, which are to be completed by the end of 2024, will boost its initial investment from around €18m to about €70m.

About €20m of this sum will be spent on the North sub-project, which includes a new production and storage hall in the north of the plant site, the phenolic film line, the paint shop and further automation measures. A total of about €50m is to be invested in the Middle (two new melamine lines) and South sub-projects (new production/warehouse hall, two CPL lines, expansion of the high-bay warehouse). Expansion possibilities at the Gifhorn site will then be largely exhausted, as the plant is bordered on three sides by federal and district roads, a nature reserve and neighbouring commercial enterprises.

The three projects will eliminate capacity bottlenecks caused in all three production areas by the continuous growth of recent years. The new phenolic film line, which is 2,600 mm wide, has an annual capacity of around 100m m<sup>2</sup>. The old line, which dates back to 1997, can only produce about 55m m<sup>2</sup>. The two new, largely identical melamine lines, which have a working width of 1,500 mm, will replace two older lines dating back to

1989. Commissioned in December 2014, the third line will continue to operate. The first new line will go into operation at the beginning of 2024; the second line will follow in the third quarter of 2024. This should increase the Gifhorn plant's total capacity to make melamine film from 50m m<sup>2</sup> to date to around 60m m<sup>2</sup>. Vits Technology GmbH supplies the phenolic film line and the two planned melamine lines.

The two new CPL presses, which are largely identical in construction with a 2m press zone, are currently being pre-installed at Hymmen GmbH Maschinen- und Anlagenbau. The first press, known as L1, is scheduled to start up in April/May. The second press, L10, should also be running by the end of the year. The eight existing presses, designated L2 to L9, so far have a capacity of about 45m m<sup>2</sup>/year. The two new presses will bring the total capacity to about 55m m<sup>2</sup>.

The new phenolic film line was installed in a newly constructed 2,700 m<sup>2</sup> production and storage hall. Assembly was completed during the fourth quarter; individual plant components have since been commissioned. It is to commence regular production by March. As soon as the plant reaches regular operations, the existing phenolic line will be dismantled and sold as second-hand technology. The two new melamine lines will be installed in the area freed up in the course of 2024. The hall housing the two older melamine lines will be kept as a reserved area for future investments after old technology is dismantled. The two new double-belt presses will be installed in a production and storage hall of around 3,500 m<sup>2</sup> built at the south end of the plant. To expand its logistics, the firm will enlarge the high-bay warehouse for impregnated products, which went into operation at the beginning of 2018, and build a performance warehouse for CPL sheets. □



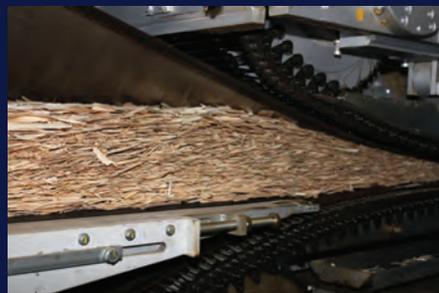
*High-bay warehouse in Gifhorn*

*(Photo credit: EUWID)*



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## **Rotpunkt's revenues top €100m for the first time**

Rotpunkt Küchen GmbH, based in Bünde, Germany, has reported that its revenues broke the hundred-million-euro mark for the first time in the 2022 financial year after a 15% growth to €100m (2021: €87m). Price effects contributed about two-thirds of this increase. Rotpunkt put the upturn in sales volume at about 5%. The company also noted that increasingly high-quality kitchen fittings and the expansion of its portfolio to include utility rooms, bathrooms, cloakrooms and dressing rooms had a positive impact on its performance.

The export rate was stable at 80% last year. Rotpunkt's largest market is the Netherlands, followed by Germany, Belgium, France, the UK, Scandinavia and Austria. All markets played a part in the growth in revenues booked in 2022. Rotpunkt has recently started to make a foray into Slovenia and Croatia.

The number of employees had grown in parallel with its revenues, also rising by 15% to 369 as of the end of December. The company has continuously increased its revenues in the four years since 2018 with a cumulative growth of €45m or 54%. Its revenues exclusively come from kitchen furniture; Rotpunkt does not sell electrical appliances.

The group plans to carry out several modernisation and expansion projects in the next few years. Rotpunkt will first invest about €15m in increasing its warehouse and logistics capacity. All permits for the new hall at the company headquarters in Bünde have now been granted. As things currently stand, construction is to begin in April. Rotpunkt had previously said that the new part of the factory would house the storage and commissioning area, relieving the strain on its existing site in Bünde. Kitchens are assembled and loaded in Bünde. Rotpunkt's second plant in Preußisch Oldendorf-Getmold makes parts and carries out prefabrication on an area of more than 20,000 m<sup>2</sup>. Along with boosting capacity, the company plans to modernise and replace technology. For example, it is to invest about €2.5m in a new automatic drilling machine. □

## **Rational terminated operations in December**



(Photo credit: Rational)

Rational Einbauküchen Solutions GmbH of Melle, which has been insolvent since mid-September 2022, has not been able to find an investor. The company therefore terminated operations at the beginning of December. The 61 employees still working for Rational were informed of the closure at a staff meeting.

The reason given for the insolvency application was a complete production stoppage caused by a power failure. The failure had led to irreparable IT damage after problems with the emergency power supply. Furthermore, the control software developed in-house was damaged, and the production processes in Italy, which are controlled from Melle, could no longer be carried out. Since the IT problem could not be solved in the short term for technical and economic reasons, the company was seeking an investor to manufacture and sell kitchens under the Rational brand on the basis of the existing product range. According to

the insolvency administrator, more than 60 potential investors were contacted. Initial negotiations were held with three companies following confidentiality agreements; these could not be brought to a conclusion, however. In addition to the unusual initial situation at Rational, the difficult overall economic situation probably also contributed to the fact that no bid was ultimately submitted.

Rational has belonged to the Bravat Group since 2021, which acquired the company from Italian Snaidero Rino S.p.A., based in Majano, within the scope of an asset deal. The two subsidiaries Rational Built-in Kitchens Ltd. of Purley, Great Britain, and Regina GmbH of Bad Fischau, Austria, were also part of the transaction. For several years now, only sales, marketing, administration, development and design have been located at the company's headquarters in Melle. Snaidero had acquired Rational in 1993. Following closure of the Rational production location in Waldmünchen in 2015, production was completely relocated to Snaidero in Majano. The Rational plant in Melle-Riemsloh was closed back in 2010, and production was transferred partly to Majano and partly to Waldmünchen. Production of Rational kitchens for the German market had continued in Majano after the takeover by the Bravat Group. According to the last business report published in the Federal Gazette, in 2020 Rational had still generated turnover of €13.9m (2019: 15.3m). □

## **Warendorf filed for insolvency in November**

Warendorf Küchenfabrik GmbH, headquartered in Warendorf, Germany, filed an application for the opening of insolvency proceedings with the Münster Local Court on 30 November 2022. The company is to continue business operations. Around 100 employees are affected by the insolvency filing.

A statement by the insolvency administrator blamed liquidity difficulties facing a Chinese investor, which is also the company's distributor in China, as the re-

ason for filing. He noted that China's zero-covid policy was also adversely affecting Warendorf's project business. A big order booked for November and December has been delayed indefinitely into 2023. This postponement led to a considerable loss of revenues and consequently to a liquidity bottleneck. The current situation in China means that the investor is not currently able to continue providing financial support to Warendorf. Its previous incarnation, Warendorf-Die Küche GmbH, which also ended up insolvent, was acquired by the Wangs in July 2019 in a transferring restructuring. The transaction was handled via German Kitchen Holding GmbH. □

## ***NIU Tech new majority shareholder at Störmer***



Störmer site in Enger

(Photo credit: Störmer)

In mid-November 2022, Berlin-based NIU Tech GmbH acquired a 60% stake in kitchen furniture manufacturer Störmer AG, based in Rödinghausen. Seller was Neue Design GmbH of Berlin, which had acquired a stake in Störmer at the turn of the year 2020/2021. Neue Design GmbH had acquired the shares from former managing partner Michael Otto as well as Investor Partners GmbH, based in Limburg a. d. Lahn. The financial investor had joined Störmer at the end of 2018. Christoph Fughe, who moved from the executive board to the supervisory board in March, continues to hold the remaining 40%. Fughe will focus on managing INTI SE - a subsidiary of NIU Tech GmbH - and will only be involved in the sales side of Störmer AG. In the past eighteen months or so, Störmer had built up the digital platform architecto, the focus of which is on furnishing solutions for the entire living area and which will now be continued under the new brand INTI. Currently, architecto is active in the B2B segment and works primarily with real estate companies and project developers. In a next step, collaboration could be extended to the furniture trade and, from 2023 at the earliest, to the B2C segment. The central feature of architecto is an app that can be used to measure living spaces precisely before digitally furnishing them. In addition to Störmer products, other suppliers' furniture and furnishings can also be used in this process.

Störmer AG was formed in mid-December 2021 from Störmer GmbH & Co. KG and Eschebach GmbH & Co. KG. Production takes place at the two sites in Rödinghausen and Enger. Kitchen and bathroom furniture is sold via the specialised trade sector. The export proportion amounts to some 50%. □

## ***Palmberg aims for further turnover increase in 2023***

In the 2022 financial year, office furniture manufacturer Palmberg Büroeinrichtungen+Service GmbH, based in Schönberg, increased its turnover by 14.7% compared to the preceding year to €134.0m (2021: 116.8m). According to the company, however, part of this increase is attributable to price effects. Adjusted to account for the price increases implemented in March and August, turnover rose by 8-9% in real terms last year. In 2021, turnover had increased by 6.7%. In 2020 and 2019, an increase in the low single-digit percentage range was recorded, at +1.4% and +2.2% respectively. The company indicates the export rate to be around 8%. Outside the German market, Palmberg is active in Austria and Switzerland as well as the Benelux region.

Of total turnover, €11.7m (9.5m) was generated by the plant in Rehna, which was opened in May 2019. Compared to 2021, this corresponds to an increase of 24.1%. In Rehna, Palmberg manufactures acoustic elements such as noise-absorbing partition systems, mobile walls and desktop partitions. In terms of volume, Palmberg was able to increase production of acoustic elements by 23.1% to 35,909 (29,180) units. Less significant growth was recorded in the three remaining product groups comprising tables (+1.3% to 167,724 units), cabinets (+2.4% to 169,840 units) and containers (+4.9% to 56,494 units). □

## ***Maja-Möbelwerk forced to cut almost 200 jobs***

Flat-pack furniture manufacturer Maja-Möbelwerk GmbH, based in Wittichenau, is to cut 198 jobs in order to adjust production capacities. The company explains the measure with the ongoing reluctance to purchase and the resulting decline in the number of orders as well as the overall economic situation. 155 jobs are to be axed immediately. The exact date on which the dismissals take

effect depends on the respective notice periods, however. At a later stage, an additional 43 jobs, for which there is only a temporary requirement, will also be cut. Management, works council and representatives of the IG Metall trade union have already negotiated a social plan and a reconciliation of interests. At the turn of the year, the Wittichenau plant switched from three-shift to two-shift operation. The night shift thus no longer takes place. Weekend shifts have also been cancelled.

A total of around 750 persons are employed in Wittichenau. At the site, the company produces mainly dressers, drawer elements and shelves in lightweight construction technology for main customer Ikea, on an area of 85,000 m<sup>2</sup>. The company belongs to Vivonio Furniture GmbH. □

## ***Hülsta-Werke bundles production in Stadtlohn***

Insolvent living room and bedroom furniture manufacturer Hülsta-Werke Hüls GmbH & Co. KG, based in Stadtlohn, is to close the plant in Ahaus-Ottenstein and relocate activities from this site to Stadtlohn. Following concentration of production at company headquarters, the plant in Stadtlohn is to be converted to single-shift operation. As already announced in mid-December, 229 of the approximately 600 jobs are to be cut. In consultation with the works council, 196 employees were offered the opportunity to join a transfer company before the end of December, according to a statement dated 13 January 2023. Almost 90% of the employees concerned have accepted the offer. 33 employees have received redundancy notices. 24 employees have already found another job or are retiring.

The self-administration proceedings concerning Hülsta-Werke and service company DIHUG GmbH (Stadtlohn), which have been ongoing on a preliminary basis since mid-October, were opened on 28 December. Proceedings should be concluded in the second quarter. □

### ***TCM adjusts capacities to weaker market***

Danish kitchen and bathroom furniture manufacturer TCM Group A/S, based in Holstebro, responded to the weaker market environment in the third quarter of 2022 with various measures. To reduce costs and increase efficiency in production, the third shift at the Tvis site was cancelled in mid-September. In addition, ten full-time administration positions were axed. Further capacity adjustments will be implemented as required. Furthermore, in response to rising energy costs, TCM Group has announced another price increase to take effect from December. Due to the uncertain macroeconomic environment, the company will also refrain from paying out an extraordinary dividend. □

### ***Lechner plans to cut 100 jobs in Rothenburg***

In response to declining incoming orders, worktop manufacturer and fabricator Lechner GmbH, which has been part of the Livos Group since the beginning of March 2022, plans to cut around 100 jobs at its Rothenburg ob der Tauber site. Management and the works council have adopted a voluntary social plan for the employees affected. The job cuts are part of a package of measures presented at a works meeting held on 27 October. This package also includes measures for improving efficiency as well as process optimisation intended, for example, to reduce material use and the complaints rate.

Livos had acquired Lechner - located in Rothenburg - as well as independent production company Lechner Svenska Holding AB, located in Strömsnäsbruk near Markaryd, Sweden, within the scope of a sales process initiated after the insolvency application for D. Lechner GmbH and parent Lechner Holding AG filed in November 2021. However, the Swedish production company was only indirectly affected by the insolvency proceedings. At the time of the takeover, a total of around 600 persons were employed at the Rothenburg and Strömsnäsbruk sites. □

### ***Decruy increases drawer parts capacity by 30%***



*Drawer production*

*(Photo credit: Decruy)*

Belgian drawer manufacturer Decruy N.V., based in Houthulst, set up a new profile wrapping line. This line, designed for a capacity of around 30,000 m per shift, is expected to increase total capacity for wrapped drawer profiles by around 30%. The company will thus be able to produce approximately 110,000 m/shift in future. In parallel, Decruy will also process paper foils as well as PP and PVC films on the new line, which runs at up to 80 m/min and is able to process component heights of up to 300 mm.

The first parts of the system were delivered to the Decruy plant in early November. Main suppliers are Düspohl Maschinenbau GmbH, which belongs to Cefla s.c., and Michael Weinig AG. Weinig supplied a profiling line on which the substrate boards for drawer elements are profiled. Düspohl supplied a vertical wrapping line as well as a downstream cross-cut system. The system as a whole

### ***Timbertex discontinued due to lack of successor***

Timbertex Möbelfertigteile GmbH & Co. KG, based in Rheda-Wiedenbrück, ceased production at the end of October 2022, marking the shutdown of another medium-sized manufacturer of prefabricated furniture parts. The reason is a lack of successor solution. Thus, in the second quarter of 2022, the decision to liquidate the company was taken. Shortly thereafter, Timbertex reached an agreement with a logistics company concerning the sale of the property. In June, employees and customers of Timbertex were also informed of the planned cessation of

also includes automated feeding, conveyors, and a de-stacking unit. According to Decruy, the investment volume amounted to €1.4m. Including the installation of a new drilling machine in 2019 and other measures, once the current project has been completed the company will have invested a total of around €3m in the modernisation and expansion of drawer production over the last three years.

Originally, Decruy mainly produced drawers for the furniture industry, but later expanded its production programme to include other furniture parts and profiles for interior fittings. At the same time, the company also established new distribution channels. Apart from the furniture industry, Decruy meanwhile also supplies door and flooring manufacturers, the timber trade as well as the DIY sector. In addition to drawers, the product range includes furniture parts, door elements, wall and ceiling panels, flooring profiles, stair profiles and partition elements.

The expansion of Decruy's product range and distribution channels in recent years has meanwhile led to four business divisions: drawer profiles, prefabricated drawers (Decruy drawer concepts), furniture/floor/stair profiles and wall/ceiling panels. The company currently employs around 85 persons. In the 2020 financial year, turnover amounted to €12.5m; in 2021, this figure increased to €14.5m. □

production in the second half-year. After consulting with customers, Timbertex produced in advance and stored part of the serial supply contracts in the course of the third quarter so as to ensure supply during the transition period. The volumes produced in advance since then were delivered by the beginning of December. Now that production has been discontinued, the company's machinery and equipment, which had been regularly modernised up until 2018, will also be sold off. Some of the newer machines have already been sold to previous customers, primarily from Italy. The remainder was sold in an auction organised by Surplex GmbH on 24 November. □

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*Significant restrictions have recently occurred in several cases*

## *Cyberattacks on the rise also in the wood and furniture sector*

**In keeping with the developments in the wider economy, the wood and furniture sector has also encountered a growing number of cyberattacks in recent months.**

In several cases, hackers have penetrated companies' IT systems. In some instances, operational and customer data has also been stolen. The countermeasures taken in response usually severely limit business activities. Communication with suppliers and customers is typically halted altogether while affected systems are disconnected or shut down. Generally speaking, order or delivery data cannot be exchanged using electronic means. E-mail and telephone contact is also interrupted. Employees working for companies can, at least temporarily, only communicate using mobile phones or separately established emergency numbers. Internally, ERP systems, which are used to manage procurement, production, sales, logistics, cost accounting, financing and human resources processes, are disrupted, leading to problems. The more automated these processes are, the greater the problems become. Paperless production processes or chaotic warehousing used in high-bay warehouses are cases in point. Less complex processes

may have to be organised manually after a cyberattack while IT systems are shut down. In such cases, a few companies have returned to working with Excel statistics or even handwritten docketts. This data must also be manually reentered after IT systems have been restored, which takes additional time.

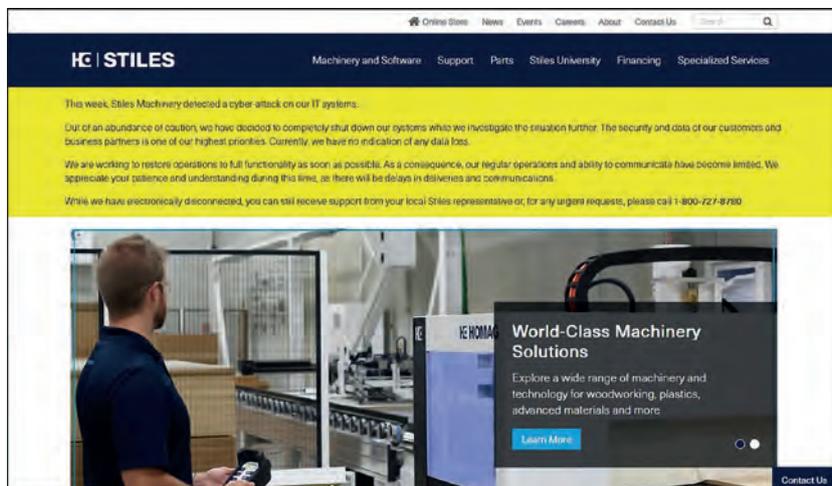
Disruption to production and sales processes caused by cyberattacks and subsequent countermeasures have often lasted for several weeks, including in recent cases in the wood and furniture sector. Production downtime could mostly be limited to a few days. External interfaces meant that sales and logistics were affected for longer. In some cases, it takes several months for systems to be fully restored. According to statements made by affected companies, reactivating customer and service networks, in particular, takes longer.

Cyberattacks are usually blackmail attempts. After penetrating IT systems, hackers often operate behind the scenes for a long period of time to install malware and extract data. The actual attack is then carried out by encrypting data or by disrupting production processes, sales and logistics functions. A ransom is then

demanded to remove the encryption or halt the disruption. A second approach to extortion involves publishing the extracted data or disclosing such data to suppliers and customers. In several cases, suppliers and customers have also been blackmailed by hackers threatening to publish data concerning them.

Cyberattacks with ransomware have become more and more common, especially since 2016. Larger corporations were mainly attacked at first, but such attacks have shifted to authorities, administrations and organisations, as well as medium-sized companies of late. This switch is connected to large corporations having now put security systems in place; smaller companies often still have some catching up to do. Foreign production and sales locations, mainly in Eastern Europe, Asia or South America, are often used to penetrate medium-sized companies' IT systems.

Companies affected by cyberattacks often try to keep the incident under wraps. However, information does leak out where contact with customers or the ability to make deliveries are severely limited. As a result, various companies have provided direct information about the attacks and the resulting problems. The most prominent case within the wood and furniture industry at the moment is the furniture fittings manufacturer Häfele SE & Co KG, based in Nagold, Germany, which had to cut back production and shipping fairly severely after an attack on 2 February. The door system and door technology manufacturer Geze GmbH, headquartered in Leonberg, could only operate to a limited extent in February following a cyberattack. Interprint GmbH, based in Arnsberg, was also affected at the end of December 2022. In the mechanical engineering sector, Stiles Machinery Inc., which is based in Grand Rapids, Michigan, and part of the Homag Group AG, has shut down its systems after a cyber-attack was detected in mid-February. □



*Stiles Machinery experienced operational constraints in February. (Photo credit: Stiles Machinery)*

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*Double-digit increase in the first half contrasted with a slight growth in the second half*

# German Furniture industry increased turnover by 6.9% in full year of 2022

**The German furniture industry concluded the full year 2022 with a turnover increase of 6.9% to €18.8bn (2021: 17.6bn).**

However, the Verband der Deutschen Möbelindustrie (VDM), Bad Honnef, attributes the increase primarily to price effects. A double-digit increase of 13.4% in the first half of the year contrasted with only a slight increase of 0.9% in the second half. In the fourth quarter turnover declined by 3.3% compared to the corresponding period in the preceding year. In terms of volume, VDM estimates the decline across all segments to amount to 2-3%.

Following virtually stable development in 2021, domestic turnover increased again last year (+5.5% to €12.5bn). At 9.8% to €6.2bn, the increase recorded in exports was nevertheless once again more significant. Demand for furniture made in Germany developed along positive lines in various European markets, the USA and the Near and Middle East, among others.

Whereas in full 2022 export turnover grew stronger than domestic turnover, it

has been the other way round in the first half of the year. Per end of June, domestic turnover had increased by 13.8% to €6.366bn and export turnover by 12.6% to €3.133bn.

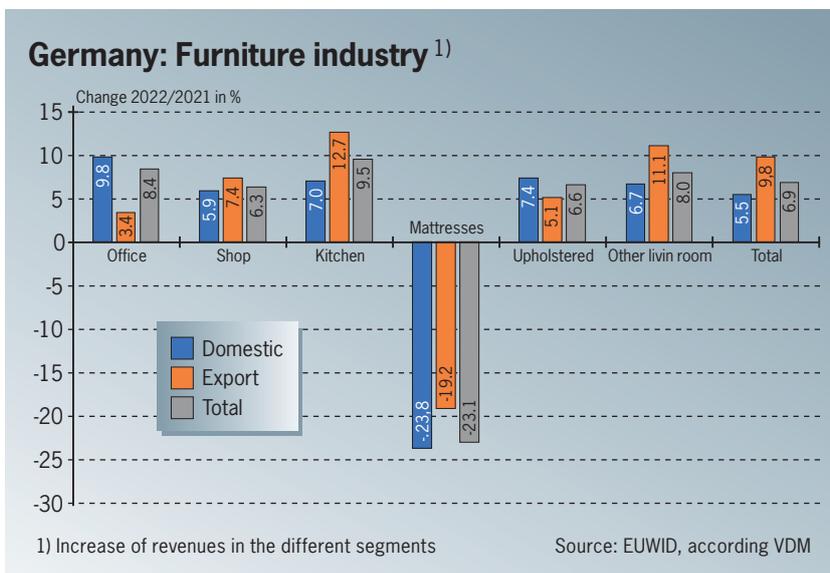
On account of changes in the general conditions, VDM had revised its turnover forecast for 2022 as a whole to 6-8 % in August. In February, before the outbreak of war in Ukraine, the association had still expected turnover to increase by around 10%.

The two most important segments in terms of turnover, kitchen furniture (+9.5% to €6.2bn) and miscellaneous furniture (+8.0% to €6.5bn), both developed along positive lines last year. This was also the case for upholstered furniture (+6.6% to €1.1bn), office furniture (+8.4% to €2.2bn) as well as shop and contract furniture (+6.3% to €2.2bn). By contrast, turnover generated with mattresses plummeted by 23.1% to €599.7m. According to VDM, however, the decline is mainly due to statistical effects caused by the shift in the production focus of individual companies, for example to upholstered furniture or beds, or fluctuations in the

number of employees. The statistics, which are based on data of the Federal Statistical Office, include companies with at least 50 employees. The number of employees in the German furniture industry as a whole decreased slightly by 1.1% to an annual average of 78,322 (79,163).

From the perspective of VDM president Elmar Duffner, the current market environment remains difficult for the German furniture industry. However, the situation is no longer assessed quite as pessimistically as in autumn, when the unabated rise in energy and material costs, possible restrictions in the supply of gas as well as a strong recession had a significant effect on the general mood. Meanwhile, government measures such as the gas and electricity price brakes have also contributed to greater predictability for consumers and companies and thus to an overall easing of the market situation. Furthermore, inflation is expected to slacken off from March onward. However, weak construction activity and high demand for photovoltaic systems and heat pumps could have a restricting effect.

For the first half of 2023, VDM anticipates subdued development, followed by a gradual recovery in the second half of the year. For the year as a whole, the association expects turnover to remain at approximately the same level as in the previous year. In terms of volume, the decline is also expected to remain in the low single-digit percentage range in 2023. Due to the ongoing high cost pressure, manufacturers will have to implement further price adjustments in the current year. Overall, however, these will probably not be quite as significant as in 2022. According to a VDM survey, 47% of the companies, and thus almost half of them, are planning short-time working measures in the first quarter. However, this usually concerns individual days and in rare cases week-long shutdowns. □



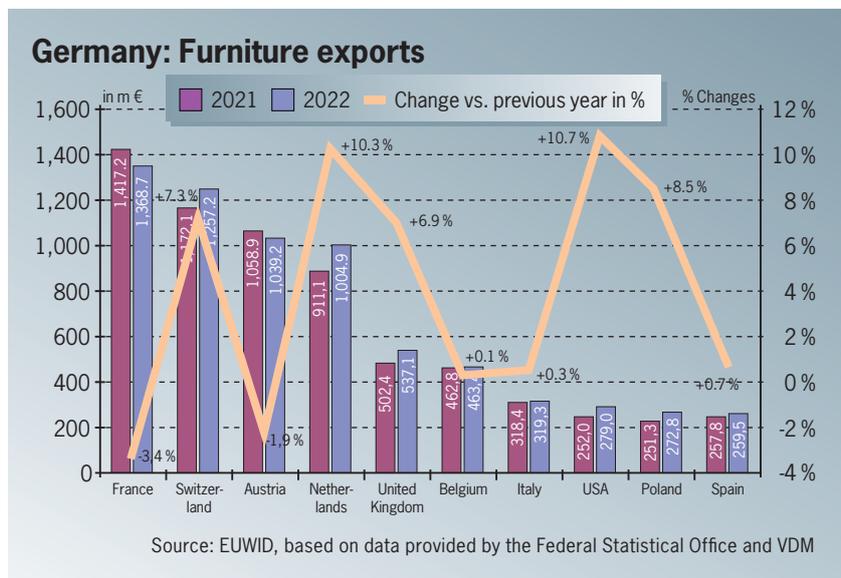
*Exports to the Netherlands and USA increased at low double-digit rate*

## *German furniture exports increased by 3.1% in 2022, imports rose by 2.8%*

**In 2022, the value of German furniture exports rose by 3.1% vis à vis the preceding year to €8.744bn (2021: 8.481bn).**

Following double-digit growth of 11.8% in the first quarter, increase rates slackened off noticeably in the further course of the year. By the end of June, growth had already reduced to 4.2%, then to 3.4% by the end of September. Whilst exports to the most important purchasing country France (-3.4% to €1.369bn) as well as to Austria (-1.9% to €1.039bn) declined over the year as a whole, increases were recorded in exports to Switzerland (+7.3% to €1.257bn) and the Netherlands (+10.3% to €1.005bn). Exports to Great Britain (+6.9% to €537.1m), Poland (+8.5% to €272.8m) and the Czech Republic (+5.7% to €206.8m) also increased. According to preliminary figures published by the Verband der Deutschen Möbelindustrie (VDM), Bad Honnef, based on data supplied by the Federal Statistical Office, exports to Belgium, Italy, Spain, Luxembourg and Sweden remained stable at approximately the same level as the previous year. Exports to Denmark, by contrast, fell 18.0% short of the previous year's figure, down €20.7m to €94.2m (114.9m).

The two most important non-European purchasing countries, the USA (+10.7% to €279.0m) and China (-5.4% to €151.2m), developed along contrasting lines. However, the increase in exports to the USA is partly attributable to currency effects ensuing from depreciation of the euro against the US dollar. Moreover, the increase lessened following a weak fourth quarter; at +20.4%, the increase rate recorded for the first nine months had been twice as high. In China, development was slowed by the government's zero-covid strategy, which was not relaxed until the end of last year. Exports to



South Korea, by contrast, increased significantly by 28.2% to €52.4m (40.8m). The value of furniture exports to Saudi Arabia amounted to €50.1m (44.4m), representing a 12.8% increase.

German furniture imports in 2022 rose by 2.8% year-on-year to €10.745bn (10.448bn). Double-digit increases were recorded in imports from Turkey (+51.6% to €364.8m), Vietnam (+23.8% to €350.8m) and Lithuania (+22.1% to €230.5m). By contrast, imports from the two largest supplier countries by far, China (+6.0% to €3.215bn) and Poland (+0.1% to €2.923bn), increased at a less significant rate or stagnated at the prior-year level. Imports from Italy decreased by 2.9% vis à vis the preceding year to €451.5m (465.1m). Declines were also recorded in imports from Romania (-3.2% to €283.3m), the Netherlands (-6.2% to €253.5m), France (-7.3% to €177.0m) and Denmark (-19.9% to €163.5m). Compared to 2020, total imports increased by 24.8%. In the two-year comparison, especially imports from various Asian and Eastern European countries such as China (+50.3%), Turkey (+114.0%), Viet-

nam (+58.0%), Lithuania (+51.9%), India (+45.6%), Bosnia-Herzegovina (+44.0%) and Indonesia (+51.7%) increased at above-average rates. By contrast, growth in imports from Poland (+11.0%), Italy (+5.3%), Romania (+6.1%), and the Netherlands (+9.7%) was less significant. Compared to 2020, imports from Austria generally remained stable at the previous year's level.

Furniture exports increased by 19.7% in the two-year comparison. Regarding the 25 most important purchasing countries, a slight decrease was recorded only in the case of China (-0.4%). Exports to Denmark increased by 2.9% and thus at a comparatively low rate. For all other countries, furniture exports rose at double-digit rates. Regarding the four most important export markets, the most significant increase in terms of value was recorded in deliveries to the Netherlands (+26.4%), followed by France (+23.0%), Switzerland (+17.2%) and Austria (+13.3%). German furniture exports to the Netherlands exceeded the €1bn mark for the first time last year. □

*Prospects for this year rather subdued after a slow start*

## *Kitchen manufacturers enjoyed growth in Germany and abroad again last year*

**Major German kitchen furniture manufacturers achieved even stronger growth in their revenues last year than in 2021 thanks to a positive trend in sales almost all year long, which did not level off until the fourth quarter, and price increases instituted during 2022.**

Most companies reported double-digit growth. The longstanding upward trend in the kitchen business, which even continued unchecked for a few companies during the Covid-hit year of 2020, will at least flatten out this year. Revenues might fall if the downturn in order intake that surfaced in recent months continues or even intensifies in the second half amidst a weaker trend in residential construction. Cooler order intake has also resulted in much shorter lead times, which topped ten weeks at many companies at times last year. In most instances, lead times were typically back at a few weeks by the year's end. They have become even shorter in January and February. As a result, just a few kitchen furniture manufacturers have lead times going beyond six weeks. The slowdown in demand has already led

many companies to face capacity utilisation issues at their plants. Manufacturers of entry-level-priced kitchen furniture had repeatedly idled their operations for days at a time during the second half of last year amidst a slowdown at big-box shops. This trend has continued in the first quarter of this year, as well. Companies specialising in mid-range or higher-end kitchen furniture now have to scale back production, too. Capacity increases carried out over the past two years, especially by larger kitchen furniture manufacturers, are also contributing to the current capacity utilisation problems. This year had thus started on a much worse note than the old one ended.

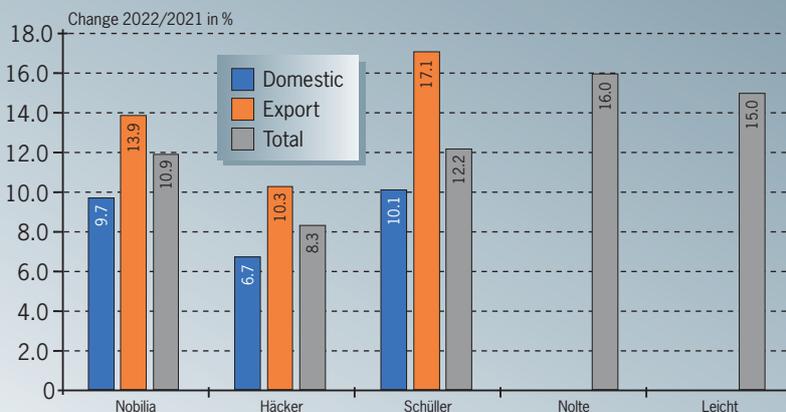
This challenging start to the year and rather subdued outlook at the moment means that kitchen furniture producers will not be able to repeat the growth recorded in recent years. All major kitchen furniture manufacturers have published revenue figures for last year in the past few weeks. All companies enjoyed growth in Germany and abroad in 2022, following at times diverging trends in previous years. Most companies reported improvements in revenues that were slightly in the double

digits. Nobilia-Werke J. Stickling GmbH & Co. KG, based in Verl, raised its revenues by 9.7% to €762.8m (2021: 695.5m) in Germany and by 13.9% to €896.3m (786.6m) abroad. Altogether, its revenues jumped by 11.9% to €1.659bn (1.482bn), and the export rate swelled to 54.0 (53.1) %.

Häcker Küchen GmbH & Co. KG, headquartered in Rödighausen, which had performed better than most other kitchen furniture manufacturers in 2021 with a 12.5% increase, reported a somewhat smaller growth of 8.3% to €786m (727m) last year. Business in Germany improved by 6.7% to €476m (446m), while exports were up 10.3% at €310m (281m). The export rate improved to 39.4 (38.7) % on the back of more robust growth outside Germany. Schüller Möbelwerk KG, based in Herrieden, recorded a double-digit rise in revenues for the second year in a row in 2022. Its total revenues were 12.2% higher at €753.2m (671.5m). Like Nobilia and Häcker, exports (+17.1%) outperformed business within Germany (+10.1%), although it did not report specific figures. However, based on the previous year's level, German revenues stood at €522.4m and export revenues at €230.7m, resulting in an export rate of 30.6%.

Several other kitchen furniture manufacturers have announced at least rounded figures and the year-on-year change for the 2022 financial year. Leicht Küchen AG, headquartered in Waldstetten, boosted its revenues by 15% to €180m (160m). Its export rate reached 64 (62) %. Die Rotpunkt Küchen GmbH, based in Bünde, also posted a 15% upturn in revenues to €100m (87m) and an export rate of 80%. Nolte Küchen GmbH & Co. KG, based in Löhne, has disclosed only the rate of change (+16%). Its affiliate, Express Küchen GmbH & Co. KG, based in Melle, also enjoyed double-digit growth, although the rate of change was not specified. □

### Germany: Kitchen furniture industry <sup>1)</sup>



1) Increase of revenues of selected manufacturers of kitchen furniture

Source: EUWID, according to company reports

*Restructuring includes closure of two production facilities in Dewsbury and Grays*

## *Nobia Group investigates up to 500 redundancies at UK sites*

**Swedish kitchen furniture manufacturer Nobia AB, based in Stockholm, plans to shut down its two production facilities in Dewsbury and Grays in connection with restructuring of its business in Great Britain, and to discontinue its unprofitable project business.**

The planned measures will mean up to 500 job cuts. As a consequence, annual cost savings of more than SEK300m, equivalent to around €27m, are expected. In addition to closing the facilities, the company also plans to streamline the organisation structure in Great Britain. The planned measures are still subject to the usual negotiations with trade unions, however. In addition, certain positions in the Nordic region and at Group level are to be cut.

According to a statement released by Nobia on 20 January, the restructuring measures announced for Great Britain will result in extraordinary expenses of around SEK300m in the first quarter of 2023. In the fourth quarter of 2022, the company had recorded expenses of SEK156m for measures already in progress. This amount also includes expenses for the ramping-up of the new production facilities in Jönköping.

In addition to the production facilities in Dewsbury and Grays, Nobia also operates British production sites in Darlington (Magnet Group) as well as in Halifax and Morley (both Gower Furniture Ltd.). The Dewsbury location now affected by the closure plans had become part of the company within the scope of the acquisition of British kitchen manufacturer Rixonway Kitchens Ltd. in December 2014. Rixonway is involved primarily in project business, selling kitchens manufactured in Dewsbury mainly to developers active in construction of subsidised housing. At the time of the acquisition, Rixonway employed 480 persons and generated



*Former Rixonway Kitchens plant in Dewsbury*

*(Photo credit: Alamy)*

turnover of £40m. The plant is located approximately 15 km southwest of Leeds. British kitchen furniture manufacturer Commodore Kitchens Ltd. and its production facilities in Grays were acquired by Nobia in November 2015. Commodore is also active in project business and manufactures kitchens in the medium price segment. The Grays plant is located around 30 km east of London.

By the end of December 2022, Nobia had invested SEK1.6bn in the new plant in Jönköping. This represents almost half the estimated total investment sum of SEK3.5bn. According to the company, building construction is now almost complete. Production of the first components has already commenced. The plant has consequently been ramped up earlier than originally planned. Full commissioning is planned for 2024.

By insourcing part of the component production, costs are expected to be reduced and the supply situation improved. Further machines are to be assembled in

the new plant during the course of the year. Construction commenced at the end of 2021. According to Nobia, building investments amount to SEK1.5bn; the remaining SEK2bn is allocated to purchases of new machinery and equipment.

Total area of the Jönköping plant will be 123,000 m<sup>2</sup>. In future, kitchens under the Marbodol, HTH and Norema brands, among others, as well as products certified with the Nordic eco-label Svanen are to be manufactured at the site. In the medium term, the plant in Jönköping is intended to replace the site in Tidaholm. In addition, according to earlier information, parts of the production currently taking place in Ølgod in Denmark were to be relocated to Jönköping and the capacities thus freed up used for expansion purposes in Central Europe.

In 2022, Nobia increased turnover by 9% to SEK14.929bn (2021: 13.719bn). EBIT plummeted to SEK191m (1.009bn). Even adjusted for one-off effects, operating profit halved year-on-year to SEK497m. □

### **FEP: European parquet markets decline by 8.2%**



(Photo credit: EUWID)

Following the 6.2% increase to 88.2m m<sup>2</sup> achieved in 2021, parquet consumption in the countries covered by the European Parquet Federation (FEP), Brussels, decreased again last year, by 8.2% compared to the preceding year. This FEP forecast was determined on the basis of reports from member companies and national associations compiled at an FEP board meeting held in Brussels in early January. The final figures are to be published at the FEP general meeting scheduled for 15 and 16 June in Barcelona.

According to FEP, almost all relevant markets contributed to the decline. A 9%

increase in parquet consumption was reported for Switzerland only. Sweden was approximately on par with the previous year, however more significant declines are expected for the current year due to the slump in housing construction. All other FEP markets declined. In Germany, Austria and France, the rates of decline compared to the preceding year were actually in the double-digit percentage range.

In the first quarter of 2022, development across the FEP region had still been more positive. During the second and third quarters, however, a consistent decline in parquet consumption began, which intensified in the fourth quarter. A key factor was the significant slump in renovation activity, which slowed down DIY business in particular. In the second half of the year, business of the specialist retail trade was also negatively impacted by the reduction in stock levels that had been built up previously to secure supplies. FEP expects that the decline in residential construction will impact parquet sales primarily in 2023 and 2024. □

### **Kährs Group plans to cut almost 12% of jobs**

In response to the slowdown in demand on the flooring markets, which is expected to continue in the longer term, AB Gustaf Kähr of Malmö, Sweden, plans to reduce production at its European plants. In this context, around 175 jobs are to be cut. At the Nybro parquet plant in Sweden, according to a statement published on 12 January 2023, 95 blue collar jobs as well as five white collar positions will be affected. The necessary negotiations with the works council representatives are already underway. The employees affected are to be informed in the course of the first quarter; the redundancies are then expected to take effect from the beginning of April. In the fourth quarter, temporary employment contracts for 25 employees at Nybro had already expired. Approximately 50 further jobs are to be cut at other Kährs sites over the coming months.

Currently, the Kährs Group employs around 1,500 persons. Accordingly, the measures now planned mean that almost 12% of all jobs will be axed. In July 2022, Kährs BondCo AB, which holds all shares in the Kährs Group, also initiated a sales process for its activities in Russia. These include the multilayer parquet plant in Maklino, Kaluga oblast, operating under LLC Karelia-Upofloor CIS as well as the sales organisation located at the same site. Kährs Group has not commented on the progress of the sales process in recent months, however. □



Parquet factory in Maklino

(Photo credit: Kährs)

### **ter Hürne plans fully integrated production**



Warehouse in Südlohn

(Photo credit: EUWID)

ter Hürne GmbH & Co. KG of Südlohn, Germany, is planning to set up a fully integrated production plant over the next two years for the Wood-Powder coverings with veneer surfaces sold under the name of "Hywood".

Before marketing began in March 2022, the company had already invested around €1.5m in upgrading the existing surface-processing facilities as well as roughly €3m for the installation of a new profiling line for the Hywood coverings. Veneer application, powder application, and substrate-board pressing currently takes place at the licensor Välinge Innovation AB of Viken, Sweden. The laminated boards are subsequently lacquered and profiled at ter Hürne's Südlohn plant.

In the next two years, ter Hürne also wants to set up a powder-production plant and a short-cycle press in Südlohn. The decision to go ahead with the investment project has already been taken; the orders for the plant and machinery are to be placed over the next few months. ter Hürne can use an existing hall for setting up the coating plants with the upstream powder-application section. The activities accommodated there at present will be moved to a new building.

According to the current schedule, the new short-cycle press is to be put into service during the course of 2024. The annual capacity will be around 3m m<sup>2</sup> to start with, but further enlargement towards 5m m<sup>2</sup> is planned depending on market development. ter Hürne says the investment in the measures as they stand will cost a low single-figure million amount of euros. □

## MeisterWerke to raise Lindura production

Over the coming months, MeisterWerke Schulte GmbH, headquartered in Rütten-Stein, Germany, will significantly increase its capacity to make Wood Powder hard floor coverings with a veneer surface that it has sold under the Lindura name since 2014. An older short-cycle press that was previously used to produce design flooring is to be retrofitted to press Lindura by the first quarter of 2023. A short-cycle press purchased as a second-hand unit from Windmüller GmbH, based in Augustdorf, Germany, will be commissioned a short time later. This press was originally supposed to be relocated to Meiste starting in mid-2023. This schedule is now being brought forward a little, so commissioning can take place in the second quarter. This short-cycle press, which was originally supplied to Windmüller by Wemhöner Surface Technologies GmbH & Co. KG, will then be used to make Lindura coverings and design flooring. These two projects will help MeisterWerke to boost its total Lindura capacity to around 2.5m<sup>2</sup>/year. The next step will see the firm prepare to invest in a new, large-format short-cycle press; a decision is to be made by mid-2023.

MeisterWerke initially used a rebuilt small-format short-cycle press to make Lindura. This press had been delivered by Siempelkamp Maschinen- und Anlagenbau GmbH in the mid-1990s. Units for veneer laying and powder application had still been added.

In 2016, the company invested in two new Wemhöner short-cycle presses to replace two older units. MeisterWerke had set up one of the new presses to focus on coating design flooring. The second unit was primarily intended to produce hard floor coverings with a powder surface sold under the Nadura brand. MeisterWerke suspended production and sales of Nadura floor coverings during the second quarter of 2022, instead focusing on making Lindura products in the Powder segment. The short-cycle press that was actually designed to manufacture Nadura has since been used to press Lindura boards. This means that two presses are currently making Lindura. One of the three other coating lines is used exclusively to produce laminate flooring and one to make design flooring. The fifth will be converted from design flooring to Lindura in the coming months. It will then be joined by the press acquired from Windmüller, which can coat substrate for laminate flooring and make Lindura and design flooring.

Lindura production and sales have risen continuously in recent years. This upward trend has intensified significantly last year as parquet production was temporarily suspended from the end of March to September; sales were around 1.4m<sup>2</sup>. This level should grow slightly in 2023 despite the current economic slowdown. MeisterWerke has set its sights on reaching sales volumes of around 1.5m<sup>2</sup> in 2023. □

## Kastamonu extends licence to Unicoat

The Turkish wood-based panel and laminate flooring manufacturer Kastamonu Entegre Ağaç San. ve Tic. A.Ş., headquartered in Istanbul, extended a laminate flooring licence granted by the Unilin Technologies division of Unilin bvba, based in Wielsbeke, Belgium, to include Unicoat technology during the fourth quarter of 2022. Kastamonu Entegre is the first Unilin licensee to be able to use the technology, which was initially developed to use in laminate flooring in areas exposed to higher moisture.

The company plans to start marketing moisture-resistant laminate flooring as early as February. Sales are to take place both on the Turkish market and in the export business.

The Unicoat technology, which is marketed among other things via a cooperation agreement concluded in January 2022 with Schiele Maschinenbau GmbH, treats the profiled edges of laminate flooring elements with a water-repelling agent. The click connection's special design also prevents moisture from entering via the edges. The technology has already been used for some time in Unilin's laminate flooring, parquet and SPC plants. □

## Classen commissions recycling facility



PP recycling

(Photo credit: HC Plastics)

On 28 November 2022, the plastics recycling facility built by joint venture HC Plastics GmbH within twelve months at the Swisttal-Ollheim site officially went into operation. Around 15,000 t of polypropylene packaging material is to be recycled annually in the facility. The PP flakes obtained in the process are used by Akzenta Paneele+Profile GmbH, a member of the Classen Group (both Kaisersesch), as a secondary raw material in the production of Ceramin substrate boards. The second upstream product is talc, used as a mineral filler. The substrate boards, which are thus completely recyclable, are further processed in Kaisersesch into design flooring and wall coverings; these are now marketed by Classen primarily under the name GreenVinyl. HC Plastics registered the two word marks HC Plastics and Industry meets Recycling with the European Union Intellectual Property Office (EUIPO) for its own company, in spring 2021 and December 2022 respectively.

The joint venture established at the beginning of April 2021 between the Classen Group and sorting plant operator Hündgen Entsorgungs GmbH & Co. KG, based in Swisttal, has ten employees so far. Managing directors are Christian Hündgen and Simon Schumacher. Hündgen represents the sorting plant operator and Schumacher has been head of finance in the Classen Group since May 2019. The equipment for the joint venture was supplied by companies such as Engineering Recycling Maschinen und Anlagen Ges.m.b.H. (Erema Group) and Metzen Industries GmbH. Joint venture partner Hündgen operates two collection and sorting sites in Swisttal (located between Euskirchen and Bonn) and in Bonn-Beuel, employing a total of around 120 persons. □

*Patent debates have shifted towards digital printing and moisture-resistant flooring*

## *I4F and Unilin Technologies reach a deal on digital printing issues*

**Several new patent issues are emerging after companies reached agreements on locking systems in recent years.**

Such new areas include digital printing or digital structuring, moisture-resistant flooring, herringbone installation systems, ways to save material when making design floors and fastening systems for wall coverings. They have been the subject of discussion for several years. However, implementation is taking much longer than with locking systems, which were swiftly established as the industry standard for laminate flooring, parquet and new material flooring products.

The situation related to patents for locking systems has now been largely resolved after the intellectual property companies and flooring manufacturers in question entered into patent partnerships, awarded cross-licenses or signed non-assert agreements. Early agreements had been reached for laminate flooring, parquet and other types of hard flooring. Enduring con-

flicts and legal disputes for new material flooring products with click connections were settled when several non-assert agreements were signed at the end of March 2021. A sub-licensing agreement for hard flooring with a mineral substrate followed in January 2022.

New patent-related controversies related to digital printing processes used in the flooring sector, among other areas, surfaced in 2020 and 2021. This development was prompted by Hymmen GmbH Maschinen- und Anlagenbau filing a patent infringement suit against the Jetmaster digital printing systems of the Spanish company Barberán S.A. at the Düsseldorf Regional Court in April 2020. The legal uncertainty was resolved when the companies brokered a deal in January 2023.

Under the terms of the agreement, Hymmen GmbH, which has been cooperating with I4F Licensing N.V., based in Hamont, Belgium, to defend and market its digital printing patents since January 2021, and Barberán S.A., which agreed on a patent

cooperation with the Unilin Technologies business unit of Unilin bvba, headquartered in Wielsbeke, Belgium, in the course of 2021, have mutually exempted each other from patent claims. This exemption covers digital printing and digital structuring directly onto a substrate. This substrate can be wood, cork, plastic or mineral materials.

I4F Licensing also included digital printing patents from Classen Intellectual Property GmbH (Kaisersesch) and the Kronospan Group in its deal with Hymmen. Unilin Technologies has expanded its portfolio of digital printing patents via a cooperation agreed upon in November 2021 with Zeetree s.r.l., based in Quarto d'Altino, Italy. The agreement, which follows several months of negotiations, settles all patent disputes pending between the companies before the Düsseldorf District Court, other civil courts and the European Patent Office (EPO) in Munich. It also means that current and future licensees of I4F Licensing and Unilin Technologies can use the digital printing and digital structuring patents held by the two companies and their partners without restrictions.

The next patent issue on the horizon might be technologies for moisture-resistant flooring, which have been developed over the last few years and in some instances are already in production. The excessively high cost of moisture-resistant substrate materials, such as HDF with low swelling values, was a factor here. As a result, the approaches presented in recent years by companies including Unilin Technologies, I4F Licensing, Välinge Innovation AB, Classen and the Egger Group are based on coating or treating profiled edges, a step that, when combined with special click profiles, is intended to make it difficult or impossible for moisture to penetrate the joints. The various technologies are each protected by patents. However, no cooperations or cross-licences have been agreed upon yet. □



*DLE production on a Hymmen line*

*(Photo credit: Hymmen)*

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*Similar losses in Western and Eastern Europe / Exports to Asian markets halved*

## *24% slump pushes global laminate flooring sales below 2003's level*

**European laminate flooring manufacturers faced an unprecedented plunge in their sales last year after enjoying small growth in 2020 and 2021.**

The 16 ordinary members of the Association of European Producers of Laminate Flooring (EPLF), headquartered in Brussels, sold just 367.2m (2021: 483.4m) m<sup>2</sup> from their European plants. The last time that sales were this low was in the early 2000s (2000: 351m m<sup>2</sup>, 2001: 363m m<sup>2</sup>, 2002: 334m m<sup>2</sup>, 2003: 391m m<sup>2</sup>). In 2004, European laminate flooring manufacturers had delivered stronger growth to 437m m<sup>2</sup>. Additional increases in 2005 (465m m<sup>2</sup>) and 2006 (468.2m m<sup>2</sup>) culminated in the record of 507.4m m<sup>2</sup> set in 2007.

The 500m m<sup>2</sup> mark has not been passed since then. Sales had fallen markedly in 2008 (462.7m m<sup>2</sup>) and 2009 (442.6m m<sup>2</sup>) in the wake of the global financial crisis. Things then headed in the opposite direction in 2010 (486.7m m<sup>2</sup>). Over the next decade, the EPLF figures had bobbed

up and down, with annual sales volumes hovering between 445m m<sup>2</sup> and just under 480m m<sup>2</sup>. 2019 (446.8m m<sup>2</sup>), 2015 (452.4m m<sup>2</sup>) and 2018 (453.5m m<sup>2</sup>) were the weakest years in this period. Sales had again approached the 480m m<sup>2</sup> in 2016 (477.5m m<sup>2</sup>) and 2017 (477.0m m<sup>2</sup>), although this threshold was not passed until 2021.

The EPLF sales statistics presented on 1 March indicate that sales were 24.1% lower than in 2021 last year. The first quarter had held up somewhat better, with a 12.1% drop to 110.1m (Jan.-March 2021: 125.2m) m<sup>2</sup>. Sales had even been stronger than the first quarter of 2020's figure of 109.7m m<sup>2</sup>. However, the next three quarters produced significant downturns compared to the previous year and the respective quarters in 2020. Laminate flooring sales declined by 22.6% to 96.0m (April-June 2021: 124.1m) m<sup>2</sup> in the second quarter. The third quarter was even worse, with a 31.1% dive to 85.1m (July-Sept. 2021: 123.5m) m<sup>2</sup>. Just 76.0m (Oct-Dec 2021: 110.7m) m<sup>2</sup> was sold in

the fourth quarter, which was 31.3% less than in the prior-year period. The second quarter of 2020 saw laminate flooring sales tumble to 102.2m m<sup>2</sup> because of the pandemic. An unexpectedly swift recovery then followed in the third (127.0m m<sup>2</sup>) and fourth quarters (120.2m m<sup>2</sup>).

According to the EPLF statistics, Western Europe and Eastern Europe saw a similar decrease in sales to the overall trend in 2022. EPLF members sold 179.1m (2021: 231.6m) m<sup>2</sup> in Western European markets, which was 22.1% less than last year. Eastern European markets, which had achieved disproportionately high growth rates in years past, turned in an even weaker performance with a 24.4% fall to 107.7m (142.4m) m<sup>2</sup>. In 2020, EPLF members sold 225.7m m<sup>2</sup> in Western Europe and 134.8m m<sup>2</sup> in Eastern Europe. In a two-year comparison, sales dived by 20.6% in Western Europe and 20.1% in Eastern Europe.

EPLF members delivered 37.3m (42.7m) m<sup>2</sup> to North America last year. This was 12.8% less than in 2021 and 24.0% less than 2020's total of 49.1m m<sup>2</sup>. Shipments to South and Central America showed a strong countermovement after a steep rise in 2021 (+61.6%). Sales more than halved to 11.2m (22.8m) m<sup>2</sup> and were 21.0% lower than 2020's figure of 14.1m m<sup>2</sup>.

The EPLF reported a 34.2% year-on-year decline in Asian shipments to 21.5m (32.7m) m<sup>2</sup>. Africa recorded a similar downturn of 33.2% to 3.8m (5.8m) m<sup>2</sup>. Deliveries to Australia/Oceania fell only half as much, tumbling by 16.1% to 3.0m (3.6m) m<sup>2</sup>. Australia/Oceania (3.2m m<sup>2</sup>) also held up better than Asia and Africa when comparing figures with 2020. In that year, shipments to Asia had stood at 25.1m m<sup>2</sup> and sales to Africa at 4.7m m<sup>2</sup>.

Looking at individual countries, too, the statistics revealed double-digit decreases



*Unsold laminate flooring stocks*

*(Photo credit: EUWID)*

almost across the board last year. The US (-2.4% to 29.2m m<sup>2</sup>), Hungary (-1.4% to 7.6m m<sup>2</sup>), Croatia (-1.5% to 2.5m m<sup>2</sup>) and Latvia (-1.6% to 1.4m m<sup>2</sup>) were the only markets with sales above 1m m<sup>2</sup> to come anywhere near to replicating 2021's performance. The downturn in Slovakia stayed in single digits (-7.8% to 4.1m m<sup>2</sup>). All other relevant markets suffered double-digit percentage losses compared with 2021. The Netherlands (-33.5% to 14.2m m<sup>2</sup>), Canada(-36.9%to8.1mm<sup>2</sup>),Belgium(-34.8% to 6.0m m<sup>2</sup>), Chile (-67.9% to 4.5m m<sup>2</sup>), China (-53.1% to 3.8m m<sup>2</sup>) and Finland (-34.3% to 2.1m m<sup>2</sup>) suffered especially large slumps. Russia (-30.3% to 37.4m m<sup>2</sup>) and Ukraine (-55.2% to 3.8m m<sup>2</sup>) also fell more sharply due to the war and the sanctions imposed by the EU. In the past year, sales only increased in markets that had been rather insignificant to date, such as Argentina (+9.6% to 0.8m m<sup>2</sup>) and Iceland (+10.1% to 0.7m m<sup>2</sup>).

The plunge in Russia meant that Germany was the single-largest market again last year, with sales of 38.1m m<sup>2</sup> (-23.1%). France came closer, though, with a much smaller decline of 14.0 % to 36.1m m<sup>2</sup>.

The US, UK (-26.2% to 25.8m m<sup>2</sup>) and Poland (-16.6% to 25.1m m<sup>2</sup>) occupied the next places on the list. Within Western Europe, Spain (-17.4% to 13.5m m<sup>2</sup>) and Turkey (-13.4% to 10.3m m<sup>2</sup>) joined France in holding up somewhat better than other markets. All three countries are almost back at 2020's level, as well. By contrast, the Netherlands and the UK fared worse in a two-year comparison. In Eastern Europe, Hungary, Slovakia and Croatia have gained some ground.

The quarterly EPLF sales statistics only include laminate flooring delivered from its members' European plants. The figures do not take into account laminate flooring made at plants operated by individual EPLF members in North America, South America and Asia. The fact that some members have not reported the sales volumes of their Russian plants in full has also proven challenging for several years.

EPLF currently has 39 companies as ordinary and extraordinary members and 11 institutions and organisations as supporting members. The number of ordinary members has not changed since

the departures of HDM GmbH, based in Moers, and Laminate Park GmbH & Co KG, headquartered in Heusweiler-Eiweiler, at the end of 2019. This means that the EPLF still has 16 laminate flooring manufacturers as ordinary members. Windmüller GmbH, headquartered in Augustdorf, is expected to switch to associate membership after it discontinued laminate flooring production at the end of 2022. This founding member of the EPLF will only be active as a supplier to the laminate flooring industry that makes PU underlay mats in Detmold.

A total of 23 companies from the supplier industry presently belong to the EPLF. By way of comparison, the association had 26 associate members at the start of 2020. BASF Schweiz AG (Basel), Impress Decor GmbH (Aschaffenburg) and Neuhofer Holz GmbH (Zell am Moos, Austria) then left in 2020, followed by the Polish moulding and profile manufacturer Cezar, headquartered in Elk, in 2021. The EPLF membership did not alter in 2022. Wemhöner Surface Technologies GmbH & Co KG became a new associate member at the beginning of February 2023. □

## EPLF: Laminate Flooring Market <sup>1)</sup>

in m <sup>2</sup>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Western Europe</b>														
Germany	84.6	83.4	80.0	76.3	71.9	68.9	65.7	63.3	57.0	52.3	49.7	52.7	49.5	38.1
France	38.6	40.6	40.9	40.4	38.8	39.3	37.4	37.4	37.6	36.1	36.5	37.1	42.0	36.1
United Kingdom	32.5	28.6	30.2	29.0	29.1	31.6	30.6	33.0	33.8	29.8	32.6	37.1	35.0	25.8
Netherlands	21.4	21.1	20.8	18.6	19.2	17.6	19.1	19.3	19.7	18.3	18.6	21.1	21.3	14.2
Spain	19.3	18.2	17.9	14.9	14.1	14.7	15.3	16.7	16.8	16.5	16.7	14.6	16.4	13.5
Turkey	36.2	54.2	53.8	66.2	65.6	57.2	32.2	27.5	24.9	18.5	13.1	11.7	13.7	10.3
<b>Eastern Europe</b>														
Russia	17.7	24.7	25.5	23.7	19.8	28.5	28.9	33.8	35.5	39.3	43.7	46.2	53.7	37.4
Poland	29.3	28.9	25.6	24.0	24.8	26.3	28.1	30.6	30.4	29.4	31.1	29.0	30.1	25.1
Romania	12.5	13.4	9.2	9.8	10.1	11.5	11.2	13.6	13.2	11.1	10.1	9.6	9.9	8.7
Hungary	6.1	6.2	5.5	4.3	4.6	6.0	6.1	6.2	6.5	7.1	6.9	7.7	7.7	7.6
Ukraine	4.7	5.8	8.3	8.2	9.5	7.5	4.8	6.2	7.4	7.6	10.3	10.4	8.5	3.8
<b>World</b>														
Western Europe	284.7	301.6	299.4	297.7	290.1	282.3	254.1	250.2	243.0	223.3	218.0	225.7	231.6	179.1
Eastern Europe	97.5	108.7	103.5	98.9	103.4	110.4	111.2	126.0	128.4	128.0	135.1	134.8	142.4	107.7
North America	35.6	41.2	26.9	23.5	27.9	29.2	38.5	47.2	49.4	44.3	40.1	49.1	42.7	37.3
<b>World</b>	<b>442.6</b>	<b>486.7</b>	<b>467.9</b>	<b>459.6</b>	<b>462.7</b>	<b>466.9</b>	<b>452.4</b>	<b>477.5</b>	<b>477.0</b>	<b>453.5</b>	<b>446.8</b>	<b>459.0</b>	<b>483.4</b>	<b>367.2</b>

1) Sales volumes of EPLF members from European production

Source: EUWID, according to information of EPLF

*Pervanovo and Kirkbi want to sell a 25% stake in VBG in an IPO*

## *Välinge Innovation and Bjelin merging to form the Välinge Bjelin Group*

**A single company will be created in the first quarter of 2023 that brings together the intellectual property firm Välinge Innovation AB, based in Viken, Sweden, the wood fibre floor production and marketing specialist Bjelin Sweden AB, headquartered in Helsingborg, Sweden, and Bjelin production entities in Croatia assigned to Pervanovo d.o.o.**

This step will also change shareholder ratios. Up to now, Pervanovo Invest AB, based in Viken, which is controlled by Darko Pervan, has held 50.4% of the shares in Välinge Innovation. The Danish investment company Kirkbi A/S, headquartered in Billund, acquired a 48.3% stake in Välinge Innovation in the first quarter of 2018 and now owns 48.6%. The remaining 1.0% is in the hands of Välinge Innovation's management. By contrast, the different Bjelin companies belong entirely to Pervan Holding AB and Pervanovo Invest. Pervanovo Invest is now slated to acquire about 70% of the shares in Välinge Bjelin Group (VBG).

Kirkbi will become a minority shareholder in the newly formed company with a stake of about 30%. Once shares have been transferred to Pervanovo Invest and Kirkbi, Välinge Innovation's management and employees will be offered up to 5% of the shares. The shareholdings held by Pervanovo Invest and Kirkbi are expected to fall to approximately 67% and 28%, respectively, as employees take up this offer.

Thoughts of merging Välinge Innovation with Pervanovo Invest's other holdings had existed for some time but were fleshed out in the past year. Planning moved forward in the months after a decision in principle was made in the summer of 2022. Customers were informed on 12 January 2023. The sales and brand strategies of Välinge Innovation and Bjelin will be unified in advance of the planned merger. Until now, Woodura and Nadura flooring has been marketed through Välinge Innovation or Bjelin, depending on the market and region. Välinge Innovation has its sales focus in the UK, France,

North America and Asia. Bjelin is mainly active in Scandinavia, Croatia and China. In the future, the Bjelin umbrella brand will distribute wood fibre flooring around the globe. The biggest markets so far are Scandinavia and North America. The new structure will also help to boost sales in other European countries and in Asia. By contrast, licensees of Välinge Innovation will primarily handle distribution in Germany, Austria and Switzerland. A third Woodura licensee, ter Hürne GmbH & Co KG (Südlohn) was added last year, joining Meister-Werke GmbH (Rüthen-Meiste) and the Austrian parquet manufacturer Stöckl Ges.m.b.H. (Kematen, Ybbs).

In the next step, the Välinge Bjelin Group will be listed on the stock exchange via an initial public offering (IPO) planned for the second quarter of 2024. The latest plans indicate that Pervanovo Invest and Kirkbi will each sell 12.5% of their shares. Along with placing this 25%, the IPO will also see the group issue new shares. The Välinge Bjelin Group intends to raise around €100m-200m by issuing new shares, which will be used to finance investments planned in the coming years. However, the group will continue to finance the majority of the investments through cash flow. Pervanovo Invest will retain the majority of the shares and voting rights in Välinge Bjelin Group after the IPO and the issue of new shares.

Välinge Innovation continues to focus on developing and marketing production technologies for the flooring and furniture industry. The company also started producing and marketing flooring in 2018 by commissioning its wood fibre flooring plant. In the same year, Pervanovo Invest AB completed its first two acquisitions in Croatia, snapping up the parquet manufacturer Tehno Drvo d.o.o., based in Ogulin, and the veneer manufacturer Furnir Otok d.o.o., headquartered in Otok. In June 2021, it acquired Drvna industrija



Headquarters and factory in Viken

(Photo credit: Välinge Innovation)

Spacva d.d., based in Vincovci, which produces veneer, hardwood lumber, glulam board, wood flooring and pellets, among other products. Pervanovo has further expanded its production activities in Croatia by purchasing an 85% stake in the integrated Croatian furniture manufacturer Spin Valis d.o.o., Požega, in November 2022. All of these companies apart from Spin Valis have since been renamed Bjelin. The two Tehno Drvo plants in Ogulin and Bjelovar operate as Bjelin d.o.o., the veneer plant in Otok does business as Bjelin Otok d.o.o. and the Spacva activities have been renamed Bjelin Spacva d.o.o.

Pervan Holding is pursuing two objectives by carrying out these takeovers in Croatia. Existing timber purchase contracts will safeguard wood supply to its production plants. The company will also invest in new and expanded sites in Croatia to industrialise the production technologies developed by Välinge Innovation and thus boost its licensing business. In the flooring sector, the firm is currently concentrating its efforts on the Ogulin 2 wood fibre flooring plant, whose first lines went into operation at the beginning of January. Furniture plants operated by Bjelin Spacva and Spin Valis will create capabilities to make click furniture in the future. Pervanovo Invest says it has already raised around €400m in investments and acquisitions completed since 2016. Another €700m is to be earmarked for land purchases, construction work, machinery and equipment and more acquisitions in the next five years. The majority of these investments will be made at its six locations in Croatia (Ogulin 1, Ogulin 2, Bjelovar, Požega, Vinkovci, and Otok). Some €400m is slated for Ogulin 2 alone; about €100m will be set aside for modernising and boosting veneer capacity in Vincovci and Otok. Smaller projects are planned at its Swedish sites in Viken and Helsingborg. The construction of a North American Woodura plant, which was planned two years ago, has been postponed for the time being.

According to Pervanovo Invest, Välinge Innovation and the Bjelin companies together generated sales revenues of around €350m and EBITDA of around

€120m in the 2022 financial year. This year, the company expects to book consolidated sales revenues of around €400m; EBITDA is expected to be higher than last year, too. Diverging trends are forecast for Välinge Innovation's licensing operations and the Woodura/Nadura flooring, parquet, hardwood products, furniture components and furniture business, which will in future be run by the various Bjelin companies. While the licensing business will tend to weaken due to the difficult situation in the flooring markets worldwide, revenues generated from the sale of products is expected to continue to increase as the company ramps up activities, makes investments and consolidates Bjelin Spacva for the entire year. These shifts will continue as the group makes wide-ranging investments in its own production capacities, even if flooring markets improve in the coming years. The Välinge Bjelin Group has set a target

of total revenues of around €1bn and EBITDA of up to €450m for 2027.

In the 2020 and 2021 financial years, Pervan Holding enjoyed substantial growth in its revenues and earnings. This improvement was spurred by the company expanding its current activities, making further investments and acquisitions. Consolidated revenues leapt by 36.4% in a year-on-year comparison to land at SEK2.755bn (2020: 2.020bn) or approximately €268.9m (€201.1m) in 2021. EBITDA improved by 34.6% to SEK933m (693m) or €91.1m (69.0m). The EBITDA margin was essentially unchanged at 33.9% (34.3%). Taking into account depreciation and amortisation of SEK240m (303m) and interest of SEK99m (62m), Pervan booked pre-tax profits of SEK594m (328m), which represented an 81.1% jump. Net profits almost doubled to SEK426m (SEK218m). □

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*About €400m to be spent on further expanding the Ogulin 2 plant for wood fibre floor*

## *Pervanovo set to invest another €700m in expanding its six Croatian sites*

**Since the start of 2016, Pervanovo Invest AB, headquartered in Viken, Sweden, has invested some €400m in building the first plant to make wood fibre floor (WFF) in Viken, acquiring several hardwood processing entities in Croatia and carrying out various replacement and modernisation projects at these plants.**

The group, which is controlled by Pervan Holding AB, has also taken the first steps to invest in a new WFF plant in Ogulin, Croatia, known as 'Ogulin 2'. Pervanovo plans to invest another €700m in expanding its six Croatian production sites (Ogulin 1, Ogulin 2, Bjelovar, Pozeega, Vinkovci and Otok) over the next five years to the end of 2027. About €400m of this sum is to be channelled into the Ogulin 2 project. Two new short-cycle presses are to be installed there over the next two years. At the same time, it plans to add more coating and profiling lines and packaging plants.

Pervanovo next wants to invest about €200m in a line to make substrate.

The current plans indicate that it will make a type of high-density particle-board primarily using residual materials from the Croatian processing plants. It has already started modernising and increasing veneer capacities, which will attract investments of some €100m. Pervanovo also intends to enter a new product category in the next two years by building two plants for LVT/SPC flooring in Helsingborg and Ogulin.

A lacquering line, profiling line and packaging unit were first installed at the new WFF plant Ogulin 2. Biele S.A. planned and designed the entire plant. Homag GmbH delivered the double-end profilers. Commissioning took place at the beginning of January; it has since slowly ramped up lacquering and profiling operations. The required veneer panels with powder coating will be delivered to Ogulin from its Swedish plant in Viken during the initial phase. Pervanovo plans to install the first short-cycle press for veneer coating and the upstream powder

application equipment in Ogulin during the second half of the year; commissioning is planned to take place by the end of 2023. The second press line will follow about one year later. The materials required for powder application are also to be produced on-site. While the first short-cycle press will be designed exclusively for pressing veneers and thus for Woodura production, the second line will be used to press both Woodura and Nadura flooring. A digital printer will therefore be integrated into the second line to structure Nadura surfaces. Biele is envisaged as the press supplier, the orders have not yet been placed.

The two existing press lines in Viken, a short-cycle press from Dieffenbacher Maschinenfabrik GmbH and a double-belt press from Hymmen GmbH Maschinen- und Anlagenbau, process MDF/HDF sourced from various suppliers. The two short-cycle presses planned for Ogulin will initially operate using MDF/HDF bought from other providers. Over the next three years, Pervanovo intends to add its own substrate production facility in addition to the WFF plant now being built in Ogulin. In the future, the substrate production unit will supply the downstream WFF manufacturing technology. The current project planning is based around a 'high-density particle-board' with a raw density of around 900 kg/m<sup>3</sup>. Development work, which has been going on for several years, has now been largely completed with production tests at a purpose-built laboratory plant and the design of the production plant. Engineering and negotiations with potential technology suppliers have also begun, with orders to be placed before the end of the year.

From this point on, Pervanovo expects that it will take about two years to start production. As things currently stand, start-up might take place during 2025.



Construction site for Ogulin 2

(Photo credit: Pervanovo)

For this to happen, though, Pervanovo's WFF plants in Viken and Ogulin must have already reached an annual production of around 10-15m m<sup>2</sup> by that time. Based on the latest plans, the board plant should have an annual capacity of 200,000 m<sup>3</sup>. The plant could produce around 20m m<sup>2</sup> of substrate per year when operating at full capacity based on board 10 mm thick. Capacity could reach up to 25m m<sup>2</sup> for 8 mm-thick board. As soon as the plant reaches full capacity, Pervanovo wants to invest in a second substrate plant at one of the Croatian locations. This plant could then also supply Woodura licensees with substrate once it is completed, a step that is scheduled for 2027. It is also to make furniture board for Pervanovo's sites in Croatia. Pervanovo thus intends to install a facility to make kitchen cabinets alongside the work to build the second board plant. However, both projects are not yet included in the €400m budget for the period from 2023 to 2027.

Residual wood from Pervanovo's own sawmills, veneer mills and furniture factories and from other Croatian sawmill companies will primarily provide wood for the panel plants. In this vein, Pervanovo also wants to explore whether the current pellet/briquette production facility, which has an annual capacity of about 70,000 tonnes, should be abandoned so that the residual wood it uses can be made available for substrate production. To a lesser extent, it also intends to process industrial wood, primarily hardwood. Oak will account for about 50% of the wood used for core board production. This mix of wood species and production technology will result in panels with a relatively high raw density. Wood that cannot be recycled will be used to generate energy. To this end, the plant will be equipped with a biomass power plant in the first phase of the project.

The existing WFF plant in Viken can produce up to 5m m<sup>2</sup> annually, depending on its portfolio and how much development work is carried out. Ogulin 2 is expected to reach a similar size using its current infrastructure. Its WFF capacity in Ogulin is to increase to around 20m m<sup>2</sup> by 2026 by building more lines. Conversely,

Pervanovo wants to gradually reduce parquet and wood flooring production at its Croatian mills and phase it out altogether by the end of 2025.

Besides expanding its WFF business, Pervanovo also wants to start making LVT/SPC in the next few years. By 2025, the company will first build a mill with an annual capacity of around 2m m<sup>2</sup> on a site it acquired in Helsingborg, Sweden. A second LVT/SPC plant is to be built in Ogulin starting in 2026 and will be expanded to reach a capacity of up to 10m m<sup>2</sup> in several phases. The first LVT/SPC products will be designed based on PVC. Pervanovo also wants to process other

types of plastics in subsequent phases of development. It aims to achieve the highest possible recycled content in all approaches.

Its site in Ogulin, in Karlovac County, is about halfway between the Croatian capital Zagreb and the Adriatic coast. The motorway provides a direct link to the port city of Rijeka, where products can be exported. The new WFF plant was built on a plot of land around 330,000 m<sup>2</sup> in size. Over the last months, Pervanovo has purchased another 400,000 m<sup>2</sup>, which will be home to the substrate plant and the LVT/SPC production facility. □



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*Further decline in sales revenue generated by Flooring RoW division in the fourth quarter*

## *Mohawk is planning to increase LVT capacity at sites in Belgium and USA*

**In spite of the currently difficult underlying conditions, the US flooring group Mohawk Industries Inc. of Calhoun, Georgia, wants to enlarge its production for LVT/SPC coverings in North America as well as in Europe.**

Last year, in addition to the LVT plant in Dalton, Georgia, set up from 2021 through the former IVC US Inc., the company invested in a new production facility on the US West Coast, which is meanwhile operating normally. In Belgium, Unilin bvba of Wielsbeke, which belongs to Mohawk, will be realising two projects designed to gear LVT production even more heavily to rigid coverings. Corresponding expansion investment measures are planned for the IVC works in Avelgem.

In contrast, a plant upgrade is being prepared for the Unilin site in Wielsbeke. The LVT production line operating there is to be gradually phased out during the course of 2023 and then be shut down. In turn, a new plant will be built for rigid LVT, scheduled for commissioning in October

2023. According to Unilin, the technology planned for this project permits the use of up to 100% recycled PVC material. A total of around €20m is to be invested in the two projects by the end of this year. The Unilin group is planning to invest a total of around €150m in its divisions this year.

According to the report for the fourth quarter published by Mohawk on 9 February, the measures planned for the group's European LVT production operations will entail expenditure to the tune of around US\$45m (roughly equivalent to €42m). US\$7.5m of this is accounted for by cash costs. The measures are expected to generate annual cost savings of around US\$15m. Some of the employees currently working on the production line for flexible LVT are to be redeployed to the new plant; the others will be offered new jobs at the laminate-flooring plant at the same location.

The greater restraint in consumption in residential business caused by inflation

and the continuing depletion in buyers' stocks led to reductions in sales revenue generated by Mohawk's "Flooring Rest of World" division, which mainly comprises the Unilin group's activities. The product categories of laminate flooring, parquet and wood-based panels as well as the sales regions of Australia and New Zealand all had to struggle with regressive sales figures and adjustments in output. Business in sheet vinyl and rigid LVT was better than in other flooring types. The insulation segment continues to profit from the increase in energy costs. The division's sales revenue fell by 9.9% to US\$717.0m (Oct.-Dec. 2021: 795.7m) as a result of these developments. If exchange rates and delivery days had remained consistent, sales revenue would have been 1.9% below the figure for a year earlier.

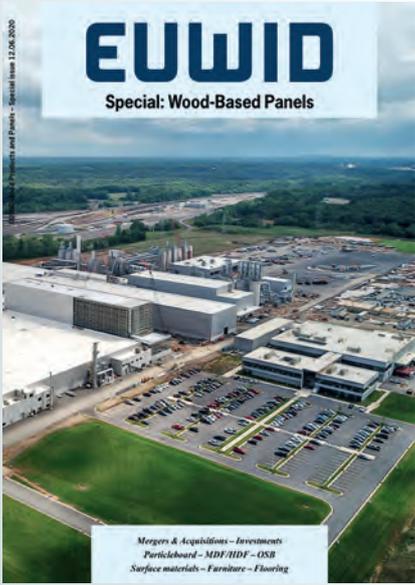
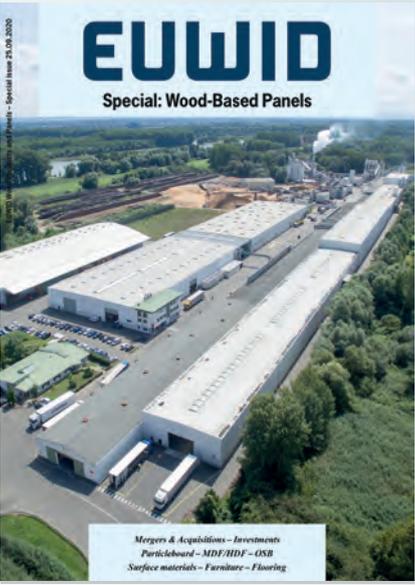
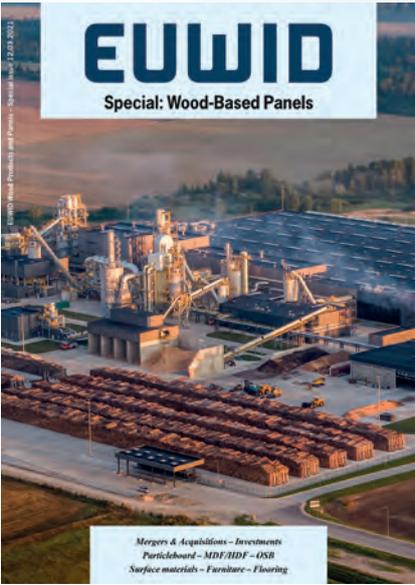
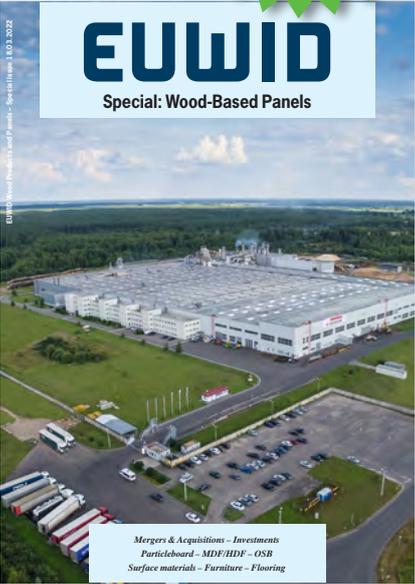
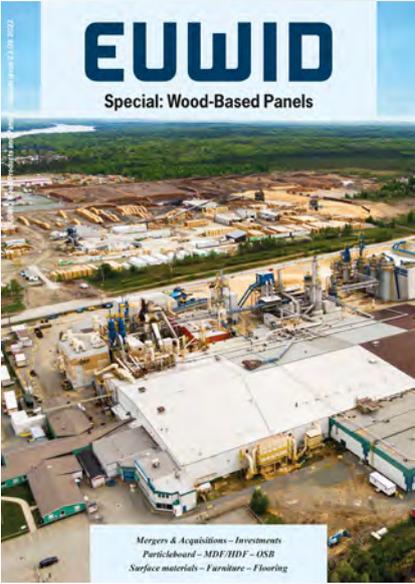
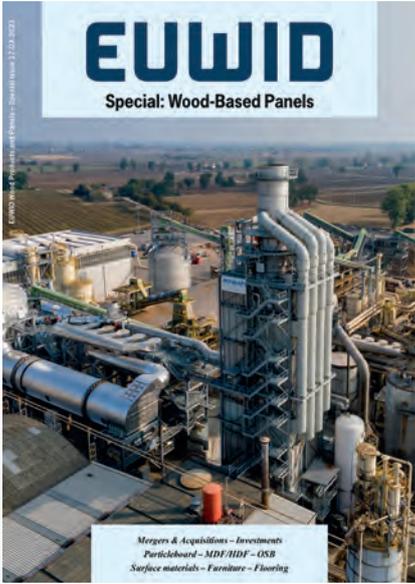
As such, the situation was even poorer than in the third quarter. At that time, sales revenue had fallen by 4.8%; the adjusted figure was up by 9.4%. In terms of the operating result, the third and fourth quarter were almost parallel in a year-on-year comparison. Under the influence of the continuing increases in costs, it dropped to only a third in both instances. As such, US\$35.9m (114.3m) was reached in the fourth quarter, another reduction of around US\$10m on the third quarter.

The widely varying development in the two half-years left the Flooring RoW division with slightly higher sales revenue than a year earlier at US\$3.222bn (2021: 3.167bn). The operating result, on the other hand, fell by 40.4% to US\$340.2m (571.1m). The growth achieved in the other two divisions enabled the group's consolidated sales revenue to rise slightly to US\$11.737bn (11.200bn), but the operating result slumped to US\$244.2bn (1.335bn). □



(Photo credit: Unilin Flooring)

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**September 2023**



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