

2019
ANNUAL REPORT

MONTE IVARI

TECHNOLOGY

IIVARI MONONEN GROUP 2019	3
FROM THE CEO	5
SCANPOLE	
Steady growth and new timber treatment innovations	6-9
PRIMATIMBER	
Quality and target-oriented development	10-11
EXSANE	
Major projects and seamless collaboration	12-13
IIVARI MONONEN GROUP	
Values and Corporate Responsibility	14-15
Personnel	16-18
Financials 2019	20-21
Board of Directors	22
Contacts	23

IIVARI MONONEN

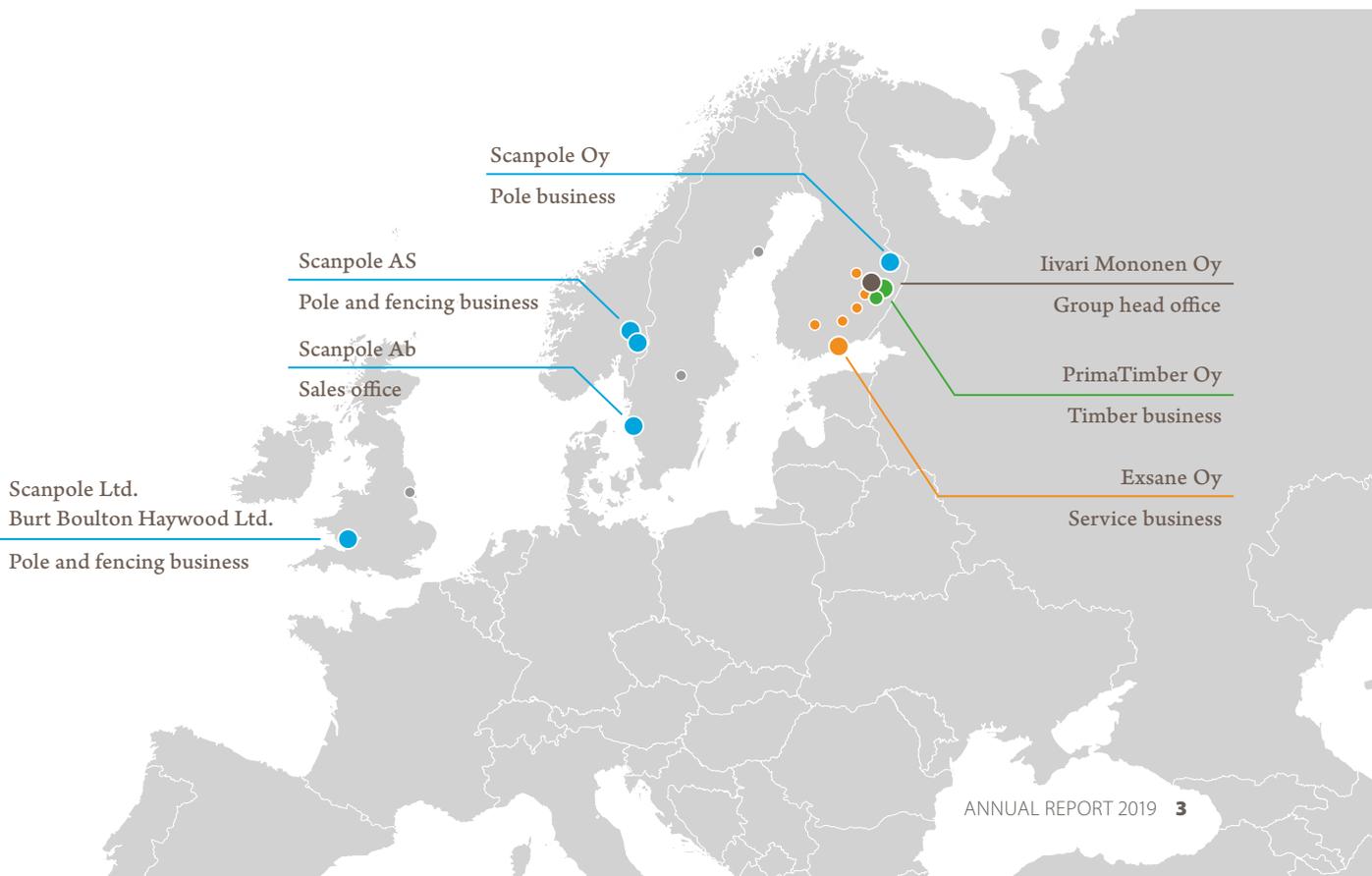
Our solutions are used around the globe
– every day

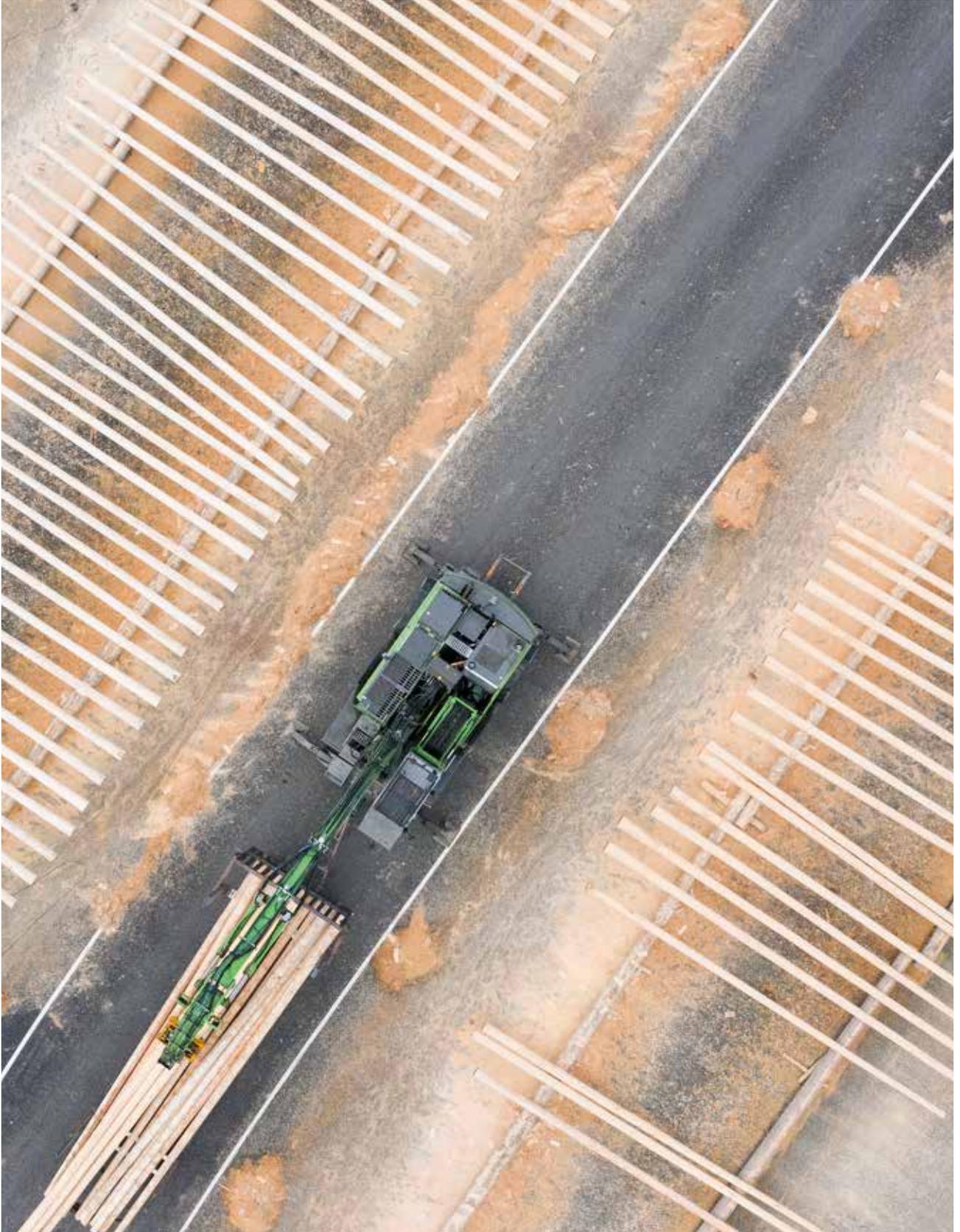
The Iivari Mononen Group knows how to make the best out of wood and make it last in all weather conditions.

We manufacture wooden poles and construction timber with a long service life. Attractive and safe outdoor and garden buildings are made with our professionally treated timber.

We build, assemble and maintain infrastructure networks that are essential for society.

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





From the CEO

2019

The year 2019 was one of growth both in the domestic and international markets. Our turnover grew to 74.6 million euros, 24.3% higher than in the previous year. We also improved our profitability despite the challenging economic situation in the saw-milling sector and difficulties caused by the mild and wet winter.

At the end of 2019, the Iivari Mononen Group had 208 employees. I want to express my sincere thanks to them all for their important, professional work.

The production capacity of our **pole business** was strengthened through our acquisition of Solør AgroTre AS in Norway. Solør AgroTre specializes in the manufacturing of fencing posts and so this acquisition signifies a major step for our fencing post business. The sales of fencing posts grew especially in Great Britain.

In the **construction timber business**, strength graded spruce sales grew, while the sale of treated timber remained at the previous year's level. The price cycles in the sawn timber markets had an impact on the price development of both product categories.

Our **service business** took positive steps in building projects as we started new network projects and expanded geographically. At the end of the year, we received two major maintenance contracts lasting several years. This is an excellent indication of growth in accordance with our strategy.

We continued our **R&D activities** and, as a result, a new generation impregnation substance – Copper Oil – was launched at the end of the year. This innovation combines the best qualities of traditional wood treatment and renewable oil. Scanpole Copper Oil has a lower



environmental impact during all stages of a product's life cycle – in production, during use and when the product is recycled.

We have invested systematically in **environmental projects**. In 2019 we continued the soil restoration of Scanpole's production area in the village of Höljällä in eastern Finland.

2020

At the beginning of 2020, two mergers took place as Solør AgroTre AS and Joensuu Höyläyspalvelu Oy merged with their parent companies. Our timber business brands remain Scanpole for poles and fencing posts, and PrimaTimber for treated timber and strength graded sawn timber.

We are living in challenging times as the world markets are fluctuating because of the coronavirus pandemic. The impacts of the pandemic on our business will be significant over the coming months as deliveries, production and services may be delayed. Naturally this will bring us economic challenges. However, as a responsible family business, we want to look after our employees, customers and other stakeholders in accordance with our values also in difficult times.

Green values and digitalization are megatrends situated at the core of our strategy. These megatrends will be integrated throughout our activities, be it in products, processes or production chains. In order to succeed in this work, we continue to invest and actively review our field of business.

We stand for wood as a material which has obvious benefits such as sustainability, carbon sequestration and consumer values: "Wood is good".



We have worked closely with private forest owners for decades. For example, a total of 150 000 electricity and telecommunications poles are supplied to customers annually from our production plant in Nurmes, Finland. The raw material for these poles is mainly sourced from family-owned forests in eastern Finland.

Steady growth and new timber treatment innovations

The turnover of the Scanpole Group in 2019 was 42 million euros, 26% more than in the previous year. We now have over 300 pole types in production and we made deliveries to 18 countries from our four production plants.

Business acquisition in Norway strengthened our capacity

In September 2019, Scanpole AS acquired Solør AgroTre AS, a family business specializing in treated fencing posts in Kirkenær, Norway. For the past two years, fencing posts have been our product group that has seen the biggest growth. This business acquisition strengthens our position in the Nordic countries and Central Europe, as well as in Great Britain.

In addition to electricity poles, we also impregnate other infrastructure timber at our factory in Ilseng, Norway. By combining the know-how of our staff in Kirkenær with the impregnation capacity in Ilseng and with our extensive sales channels in Europe, we have gained a new and strong footing for our business. We manage the whole supply chain from the forest to the customer's yard.

Our investments continued at Scanpole and in 2019 a new Copper Oil impregnation line was built in our Ilseng factory. This plant responds to the increasing demand for sustainable impregnation solutions.

The volume of wood procurement was 140.000 m³ in total and it remained at the same level as in the previous year. The price of raw wood declined during the year.

Procurement Supervisor Petri Sissonen from Scanpole (left) and harvesting contractor Jari Tykkyläinen (right) met with Hannu Laukkanen (page on left) on a pole harvesting site in late autumn 2019.





“The new Copper Oil impregnation combines the long service life and effectivity of traditional protection substances with the hydrophobic qualities of a renewable oil”, Managing Director Janne Monni explains at Scanpole’s pole storage in Ilseng, Norway.

SCAN | POLE

Responsible and forward-looking R&D

Traditionally, wooden poles have been treated either with creosote oil or copper salt. Our new Copper Oil impregnation substance is an addition to our range of wood treatments. Its protection substances slow down rotting and its hydrophobic qualities are achieved thanks to its properties as a renewable oil.

A new production line for Copper Oil treated poles was initiated in Iiseng at the end of 2019. Copper Oil may also be used for glue laminated timber and infrastructure timber. Consumer goods may also be treated with it and the treated products can be recycled.

Investment in the environment

We continued a long-term soil renovation project at Scanpole Oy's plant in Höljällä, Finland. The project is due to be finalized in summer 2022. In 2019, we completed the surfacing for the first section of the storage field and built a rainwater collection system. The work will continue in 2021.

We also started a life-cycle analysis of the climatic and environmental impacts of poles. The life-cycle analysis of our products supports the R&D and decision-making in our Group.





The overall amount of impregnated timber used annually in Finland is 200 000 m³, and we aim to increase this by offering customers an expanded range of excellent products. High-quality work and strong raw material sourced from northern European forests continue to be the cornerstones of PrimaTimber.

PRIMA | TIMBER

Quality and target-oriented development

PrimaTimber Oy continued its growth and yielded a turnover of 22 million euros, 35% higher than in the previous year. We strengthened our position in the markets by offering a new and expanded product range to our customers.

Strong collaboration with customers

The acquisition of Joensuun Höyläyspalvelu at the end of 2018 brought new opportunities for PrimaTimber. We reorganized our business functions and added planed spruce to our product portfolio. We continued overall development with clear goals through lean and 5S and through high-quality work in our daily activities.

Various changes took place in the sawn timber markets over the year that had an impact on the demand and supply of timber products. The sales accelerated in the first part of the year but declined towards the end of the year.

New international prospects

PrimaTimber entered new international markets in 2019 to support our current

domestic sales. We therefore continue our strategic investments in international growth in 2020. Together with other partners in the saw milling industry we are participating in the “Wood from Finland 2.0” programme with an aim to open new markets in Asia.

2020 outlook

Fluctuations of sawn wood markets are part of our operating environment and we must be able to adjust to them accordingly. Looking at the current situation, we can assess the impacts of the coronavirus pandemic on our business field later in the summer. Undoubtedly, the situation will be challenging and close collaboration within our supply chain is more important than ever.

In the end of 2019, Joensuun Höyläyspalvelu Oy and PrimaTimber Oy merged. The company now runs an impregnation plant in the port of Joensuu and a planing factory in Karhumäki. The planing factory specializes in impregnated timber and strength graded spruce.

Following the merger, we now employ a total of 20 persons.



PrimaTimber products are made with high professionalism and we upgrade our expertise consistently. Here, our Sales Manager Marko Kovanen is learning the secrets of impregnation.



Petri Hartikainen led the preparations of the new office in Heinola, Finland, opened in February 2020. The office provides service works, maintenance as well as building and fault repairs in the Heinola region and its nearby municipalities.

Major projects and seamless collaboration

The turnover of Exsane Oy was 10 million euros in 2019, a 7.4% growth compared with the previous year. Over 60 Exsane experts in six locations provided electricity and telecom network services, and managed large projects. Our well-motivated professionals ensured a consistent supply of electricity across Finland even in difficult weather conditions.

Jukka Samola was appointed as the new Managing Director of Exsane Oy as Martti Mäkiranta retired in June 2019.



Project leadership role increased

Our network building projects and forestry operations for electricity network companies continued steadily. For example, a major project in the Finnish Lakeland consists of a total of 75 kilometres of cabling and the work is set to last until 2021. In December 2019, we opened a new office in Heinola, southern Finland.

We strengthened our project organization, trained our project team and further developed the digitalization of key functions. The practicality and functionality of our quality and environmental systems took a step forward as well. We also invested in the development of internal processes and customer satisfaction. Thanks to our latest investments, we are able to provide turnkey projects from design to final assembly.

Close collaboration with our partner networks was yet again rewarding as we participated together in major tenders.

Recruitment, training and safety at work

During 2019 our staff grew by 15 new employees and at the end of the year we had 66 staff members. We want to encourage our employees to take part in professional training to upgrade their expertise. Many staff members participated in internal training on the building and design of electricity and fibre networks, for example. We also provided opportunities by offering apprenticeships.

Safety at work and a good work environment are among our most important values. In 2019, we made a pledge with the electricity grid company Elenia and over 40 other actors for the joint development of safety at work in our field of business. The “Safely to home” manifesto ensures that all actors are aware of the best operating culture and act accordingly.

WE ARE COMMITTED TO BUILDING A BRIGHT FUTURE



Values and corporate responsibility

In the Iivari Mononen Group, responsibility means exemplary care for the environment, employee well-being and safety, and customer satisfaction. **Trust, customer knowledge, flexibility, courage, consideration of the environment, and originality** are our core values, and these are integrated into all our activities. We carefully follow the laws and regulations of each country we operate in and we always strive to do more than is officially required. Fair play and reliable communication characterize our operations.

Environment

In our field, considering the environment is essential. Our responsibility in this respect runs through the whole production chain as certified raw material is sourced from sustainably managed forests and our own processes are ISO certified. Our production plants work in accordance with strictly defined environmental permits. In 2019, we continued our extensive soil restoration programme in our Höljässä factory. We continue to invest in systems that ensure a healthy environment also in the future.

Chain of custody

The chain of custody in all our companies is certified in accordance with the Programme for the Endorsement of Forest Certification (certificate number PEFC/02-31-152), which ensures environmental considerations and responsibility in timber harvesting and sourcing of timber.

Quality Management System and certifications:

- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System

Environmental permits:

- Scanpole Oy; Höljässä plant, Finland
- Scanpole AS; Ilseng plant, Norway
- Burt Boulton & Haywood Ltd. Newport plant, UK
- PrimaTimber Oy Joensuu plant, Finland

People

Over 200 professionals work in our Group every day. We want to offer employment opportunities in which individual situations are taken into account. Occupational health services and support for coping at work are readily available to all employees. We encourage and support learning and development at work and maintaining physical and mental fitness.

Quality

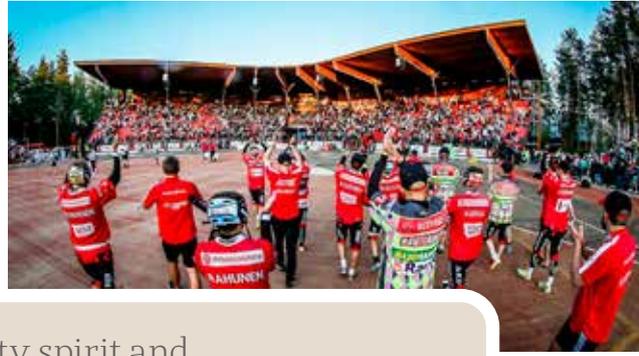
We invest in the quality of our daily work and R&D. During 2019, we developed our quality management even further with the help of new digital tools.



Carbon footprint

Wood products are an environmentally and climate-friendly choice because they store carbon throughout their life cycle. We aim to find out the climate impacts of our products during their life cycle and we started a two-year study on the subject in 2019. Our aim is to calculate the climate impacts of all the wood products we manufacture at our production facilities.

These calculations will be included in environmental indicators which allow us to follow our climate impacts annually. We can detect the sources of climate impacts and improve our operations accordingly, and in this way achieve a lower carbon footprint.



Community spirit and social responsibility

We want to promote local vitality and we value community spirit. That is why we want to work together with local businesses and other actors as much as possible. We were among the partners of the local baseball team that won the Finnish national championship for the second time in a row, and we support also other successful sports teams. We are also a dedicated supporter of various sports clubs and associations that work with teenagers and younger children.

Collaboration

We work closely with responsible partners. We know our long-term subcontractors well and we can trust the quality of their work. We are active members of professional networks both domestically and internationally in organizations such as the Finnish Wood Preserving Association, the European Institute for Wood Preservation WEI-IEO, the North Karelia Chamber of Commerce, Entrepreneurs of Finland and in the Union of Family Enterprises, Finland.



PERSONNEL



Back row: Janne Remes, Anssi Koivula

Centre: Kari Kröger, Juha Lappalainen, Ants Voitka

Front row: Anttu Yletyinen, Jukka-Pekka Lahti, Marko Tahvanainen, Kari Kolehmainen



Michael Anderssen
Scanpole AS, Kirkenaer, Norway

Iivari Mononen Group Our know-how extends from forests to IT and from finances to production

During 2019, the number of employees in the Iivari Mononen Group grew by 23%, and 208 professionals in four countries now work in our company. As we have expanded, good internal communication has become increasingly important. Be it a small matter or big news, we share it openly and in a timely manner. We also encourage our staff to share information.

The rate of absence from work was low, 4.9%, and we consider the individual life circumstances of our employees. We are happy to have seen many long careers in our Group as this is a strong sign of wellness at work and commitment to our values.

Safety at work is of major importance at our production facilities and in our fieldwork. We continue to invest in safety and we carefully follow the quality systems and safety standards of each part of the business. We have also actively engaged in voluntary safety at work campaigns, such as the “Safely to home” campaign.



Kirsti Pyöriäinen
Scanpole Oy,
Joensuu, Finland



Mika Tolvanen
PrimaTimber Oy,
Joensuu, Finland



Tommi Mononen • Scanpole Oy, Joensuu, Finland



Olav Ottesen • Halvor Harkinn
Scanpole AS, Kirkenaer, Norway



Ole Petter Valby • Scanpole AS,
Kirkenær, Norway



Simon Pears • Scanpole Ltd.
Newport, UK



Everton Pingue • Scanpole Ltd.
Newport, UK

Hanna Multanen
Iivari Mononen Oy, Joensuu, Finland



Samu Vottonen • Jussi Lipponen ja Ruokolainen Jouni
Scanpole Oy, Höljäkkä, Finland



Kaj Källarsson
Iivari Mononen Oy, Joensuu, Finland



Tuukka Mönkkönen
Exsane Oy, Joensuu, Finland



Petri Rajasuo
Scanpole Oy, Joensuu, Finland

And many visitors
& great business
partners ...

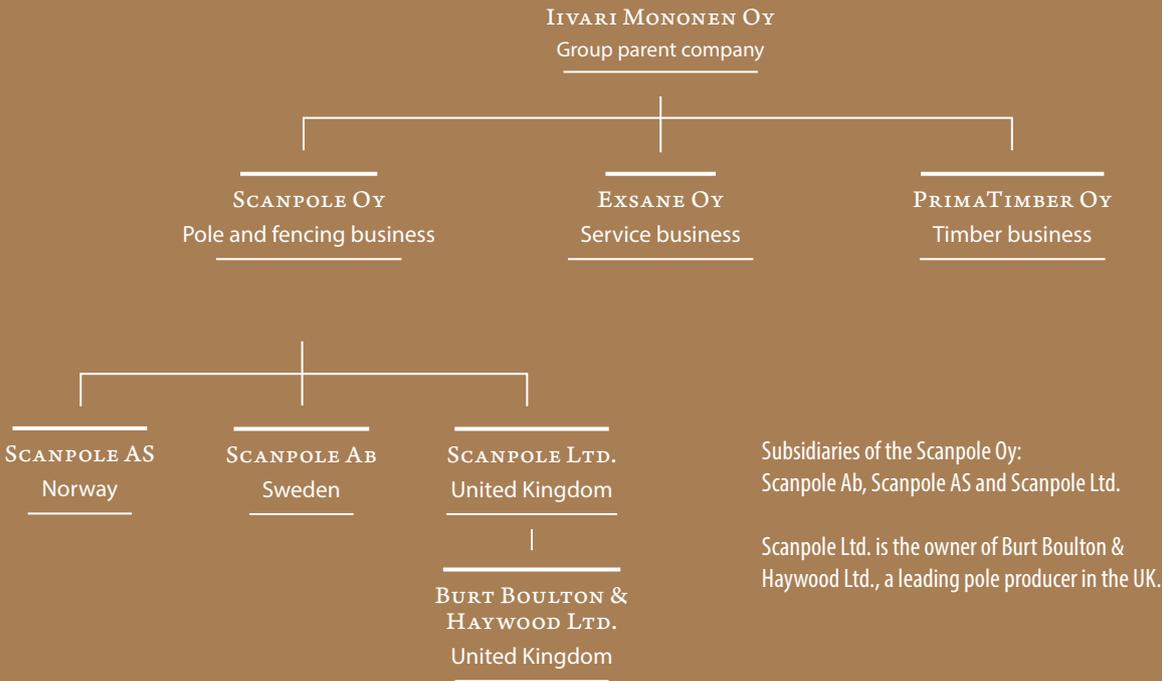


Procurement supervisor Laura Farsch, Hiram GmbH, Germany
and Heli Martikainen, PrimaTimber Oy, Joensuu, Finland



Kaj Källarsson • Arto Yletyinen • Arvi Mononen
Scanpole Oy, Joensuu, Finland

Iivari Mononen Group
Financials

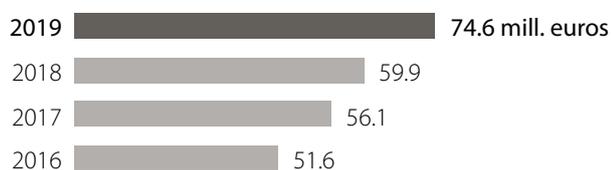


Group turnover and investments

The Group's total turnover in 2019 was 74.6 million euros, being 24.3 % higher than the previous year. The Group's investments reached the total of 2.4 million euros.

INCOME STATEMENT	2019	2018
Turnover	74 596 646	59 990 364
Change in stock	-229 122	628 576
Other operating income	592 907	1 679 834
Materials and services	-48 352 576	-40 051 511
Staff costs	-9 309 868	-8 282 223
Depreciations and value adjustments	-1 752 799	-1 583 147
Other operating costs	-12 603 572	-10 020 100
Share of income from associate companies	-2 375	-193 732
Operative profit	2 939 239	2 168 062
Financial income and expenses	-566 871	-387 472
Profit before appropriations and taxes	2 372 369	1 780 590
Appropriations	-18 637	-4 192
Income taxes	-525 787	-645 975
PROFIT FOR THE PERIOD	1 827 944	1 130 423

Turnover development 2016-2019



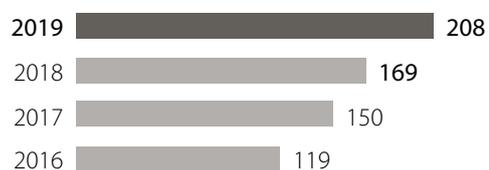
Distribution of turnover 2019



BALANCE SHEET	2019	2018
Intangible assets	5 799 712	2 742 281
Tangible assets	10 456 397	8 893 002
Investments	418 957	421 332
Non-current assets	16 675 067	12 056 616
Stock	25 117 416	25 074 992
Long-term receivables	130 998	0
Short-term receivables	14 308 381	13 526 455
Cash in hand	98 872	219 912
Current assets	39 655 667	38 821 359
ASSETS	56 330 734	50 877 974

LIABILITIES AND EQUITY	2019	2018
Shareholder's capital	70 000	70 000
Retained earnings	22 334 549	22 494 135
Profit for the period	1 827 944	1 130 423
Equity	24 232 492	23 694 558
Long-term liabilities	11 967 444	6 945 813
Short-term liabilities	20 130 797	20 237 603
Liabilities	32 098 242	27 183 416
LIABILITIES AND EQUITY	56 330 734	50 877 974

Number of employees 2016-2019



Employees per country 2019



Board of Directors, 2019

Iivari Mononen Oy

Arvi Mononen Chairman	Aino Mononen Jaana Mononen Juha Mononen
Ari Mononen CEO	Lasse Mononen Pauli Mononen Tommi Mononen

Board of Directors, 2019

Business company

Scanpole Oy	PrimaTimber Oy	Exsane Oy
Ari Mononen Chairman	Ari Mononen Chairman	Ari Mononen Chairman
Vesa Korpimies Janne Monni Arvi Mononen Pekka Mononen Tommi Mononen	Vesa Korpimies Janne Monni Arvi Mononen Pekka Mononen Tommi Mononen	Martti Kallioniemi Vesa Korpimies Arvi Mononen Pekka Mononen Tommi Mononen Antero Vehkala
CEO, Ari Mononen	CEO, Joni Nousiainen	CEO, Jukka Samola

Group Management Board 2019

Ari Mononen	CEO, Chairman
Kaj Källarsson	CFO
Janne Monni	CEO, Pole Business
Joni Nousiainen	CEO, Timber Business
Jukka Samola	CEO, Service Business
Petri Rajasuo	Business Director, Pole Business
Simon Pears	Sales Director, Fencing Business
Tommi Mononen	Forest Director
Sami Lehtoranta	Chief Technical Director
Hannu Boren	Director, R&D and BI
Niko Varis	Business Controller & Head of ERP Team

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