



Excellence in Transforming Wood

***Press Conference – Ministry of the Economy, Luxembourg
May 19, 2017***



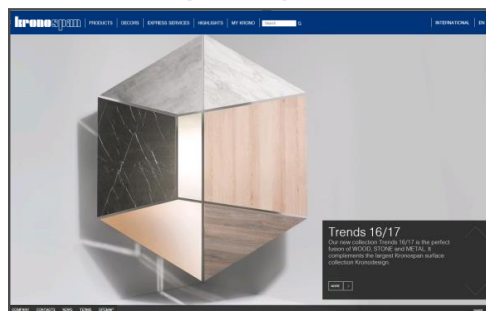
THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Economy

Table of Contents

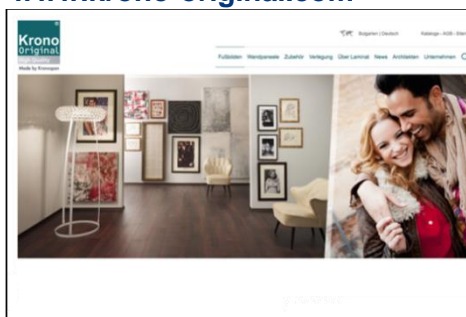
	Page
■ Introduction to Kronospan	3 – 6
■ The Future for Kronospan Luxembourg	7 – 10
■ Our Approach to Sustainability	11 – 16
■ Investment Plans	17 – 20
■ Conclusion	21 – 22
■ Contact Details	23

Explore our websites:

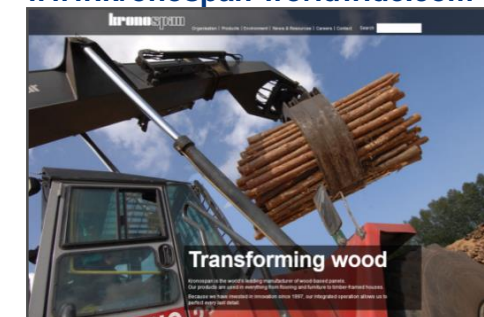
Kronodesign & Kronobuild
www.kronospan-express.com



Flooring & more
www.krono-original.com



Organization
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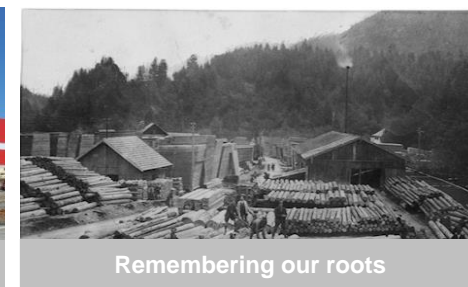
Introduction to Kronospan

Introduction to Kronospan www.kronospan-worldwide.com

- **Long history** – We have been producing since 1897, our first operation was a sawmill in Austria
- **Main activities** are in the forest products sector – Our core activity is the manufacture of wood-based panel products (particleboard, MDF and OSB) and related value-added products. Vertical integration enables Kronospan to lead the way in both cost and innovation. We have invested in developing a vertically integrated supply chain that allows us to constantly improve upon and perfect every aspect of our products
- **European focus** – Although we are globally the No. 1 producer, with more than 40 manufacturing and distribution sites, most of these are in Europe. In the last 20 years our major investments have been in Eastern Europe and Russia
- **Wealth creation** in the medium and long term – Being privately owned means that we take a long-term view rather than focusing on short-term achievements
- **Decentralized structure** – Kronospan is made up of several manufacturing groups. This allows decision-making by local management. As a result, we can be close to our customers, our suppliers of goods and services and our people. This provides a strong platform for growth. The structure also allows us to ring-fence political and economic risks where appropriate. With this we get more commitment, more ideas which allows individuals and the company to grow
- **Customer service** – We aim to be the most service-oriented supplier in our sector. Our extensive market coverage and wide product range give us a significant competitive advantage. At Kronospan, we are close to our customers and our locations are a maximum of 400km or 8 hours by truck from our customers which is a key advantage resulting in reduced transport costs, hence Kronospan can offer the best package throughout Europe
- **Advanced technology** – We have pioneered many of our industry's key advances and will continue to lead product development and innovation in the future. Our production asset quality is also first class. We are here to lead, not to follow; using for example state-of-the-art filter technology
- **Cost leadership** – Although our structure is decentralized, we benchmark our production sites and with the support of our technical shared service center, ensure that they remain efficient low-cost producers
- **Local financing** – Financing is obtained at a local level and we strive for long-term banking relationships. Our aim is to keep foreign exchange risks under control and therefore require finance as much as possible locally
- **Central support** – We use shared services where it is important and only centralise when and where it makes sense
- **Environmental responsibility** – Our aim is to manufacture with the least environmental impact and the maximum raw material yield – no waste



Securing the future



Remembering our roots



Excellence in transforming wood




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Organisation

Kronospan's vision
Kronospan's priorities
Strategy

Organisation

Excellence in transforming wood

Kronospan manufactures and distributes wood-based panels. Globally we are the leading manufacturer of

- Particleboard (PB)
- Medium density fibreboard (MDF)
- Laminate flooring
- UF, MUF and MF resins for wood-based panels
- The number one manufacturer of oriented strand board (OSB) in Europe

Kronospan also produces specialty and decorative paper as well as other associated value added products, such as melamine-faced panels, worktops, wall panels, window sills, lacquered HDF, compact boards, high pressure laminates (HPL) and others. Kronospan manufactures wood-based panels at more than 40 sites and is local in many countries. We employ over 14,000 people with 70% of total product sales generated in Emerging Markets.

More than 40 wood-based panel manufacturing sites, local in many countries

14,000 employees with 70% of total product sales generated in Emerging Markets



Industry Perspective

Kronospan's Key Competitive Advantages



We speak **30 languages** and therefore understand the needs of our customers



We have **excellent coverage across Europe** (including Russia, CIS states and Turkey), supplying a market of 859 million people, with a GDP of approximately €17,406 billion. We also have manufacturing activities in the USA and China



Our locations are maximum 400 km or 8 hours by truck from customers which is a key advantage resulting in reduced transport costs, increased **flexibility** and a **faster service**



Local production provides a **natural foreign exchange** hedge



We are at the forefront of **technological developments** and **innovation**



We offer a **full product range** in each market

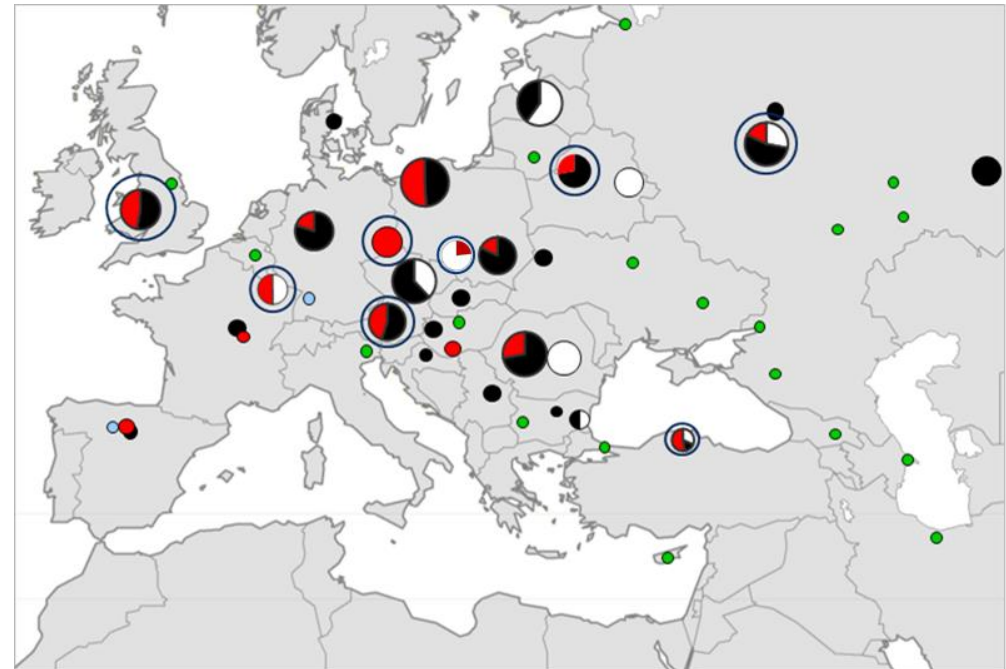


Leading position in **OSB** in Europe with 9 plants (capacity of 4.5 million m³)

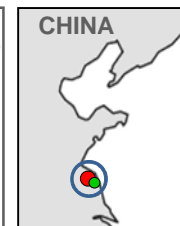
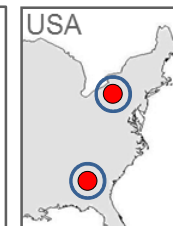
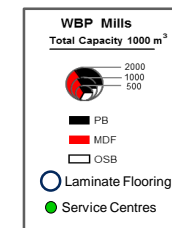


We have **one** IT system

Market Coverage



- 11 Flooring Sites
- 23 PB Sites
- 9 OSB Sites
- 17 MDF Sites



Overview of Kronospan Luxembourg S.A.

Kronospan Luxembourg S.A. (Kronospan Luxembourg) was established in Sanem in 1994

Key Data

- First MDF production August 1995
- First OSB production November 1996
- First Flooring production November 1999
- Continuous development in all aspects of the site. Production, technology and reduced environmental impact
- Construction of CHP Plant I *Ecogen* is now complete
- Employees: > 250
- FY2016/17 Turnover: €135 million



The Future for Kronospan Luxembourg

OSB: Looking to the Future

- OSB is a wood-based panel used in the construction of low energy housing
- Kronospan Luxembourg became the first Kronospan site to produce OSB in 1996. At this time OSB was still a relatively new and unknown product on the European market, with only 200,000 m³ produced annually
- Today, over 6.0 million m³ of OSB is produced annually in Europe and capacity is increasing by 5% per annum
- Kronospan Luxembourg has been a key influence on the OSB market, helping to develop the product in Europe
- Globally, Kronospan has an annual OSB capacity of more than 4.0 million m³, with 220,000 m³ from Kronospan Luxembourg
- To remain competitive in the market, a new investment is needed in OSB as current technology cannot maintain pace with demand and cannot produce the required formats of board. More than 20% of OSB sold by us in Luxembourg is imported from other Kronospan sites
- We are fully committed to Luxembourg and know that this substantial investment will secure our future

Our Industry: The Future

- Focus on the Circular Economy – Recycle, Reuse, Rebuild
- Maximum use of recycled products: Kronospan Forestry Standard
- Reduced energy consumption = a reduced CO₂ footprint
- Responsibility for products from raw material to the end consumer
- Information handling: automated interaction with suppliers and customers
- Flexible production: fast response to customer demands
- Reduced environmental impact
- Attract the most talented people to our industry
- Production efficiency
- Absolute respect for nature

Our Approach to the Challenges of the Future

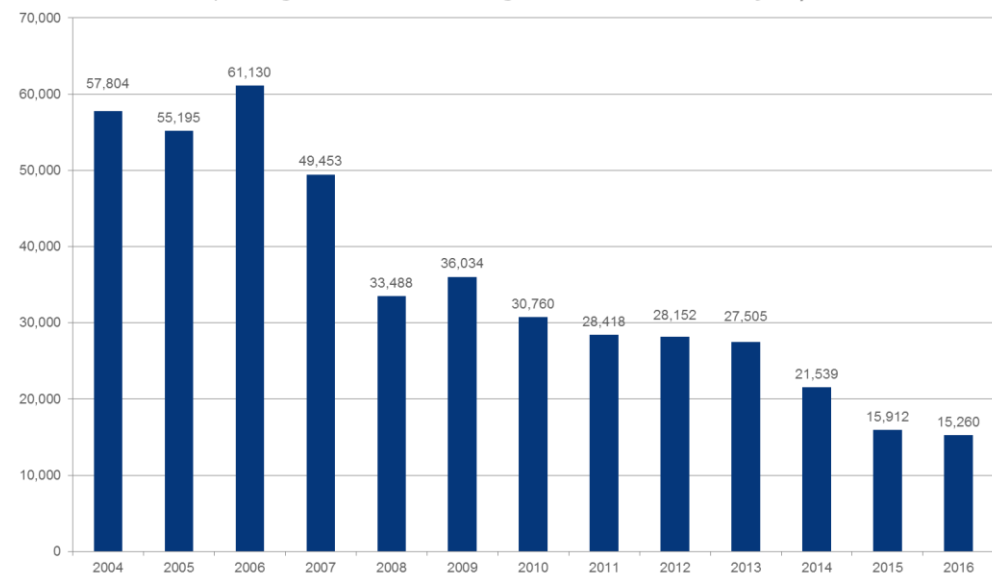
- Our approach to the future is to ensure we embody the Kronospan Forestry Standard principle:
Maximum use of recycled timber products and minimum use of virgin timber
- We look to reduce our CO₂ impact in every way possible. Our products provide Carbon storage (in furniture 10 – 15 years and in houses 30 – 50 years)
- Use Biomass for energy, only if it cannot be used as a raw material
- Ensure state-of-the-art automation in projects

Our Approach to Sustainability

Kronospan Luxembourg: Environmental Excellence

- Investing in R&D to develop low energy and environmental technology
- Kronospan Luxembourg created a pioneering low energy drying technology in 2010. It was selected as one of the five “Best Life Projects” in the EU
- Kronospan are currently finalising a second live project that concentrates on the use of less energy and water
- Kronospan have vast experience and knowledge in relation to timber buying and ensures that all virgin timber is from an ethical source verified by either the FSC or PEFC. We are continual innovators and ensure that we continue to look to the future

Decreasing CO2-Emissions
(Through the use of natural gas as a combustible - t/year)



Kronospan Forestry Standard



In our products, we prefer to source our materials from:

- Recycled fibre in the first instance
- Wood residues as a secondary choice
- Timber from FSC certified forests as the resource as last resort

RECYCLED FIBRE



WOOD RESIDUES



TIMBER FSC Certified Forests

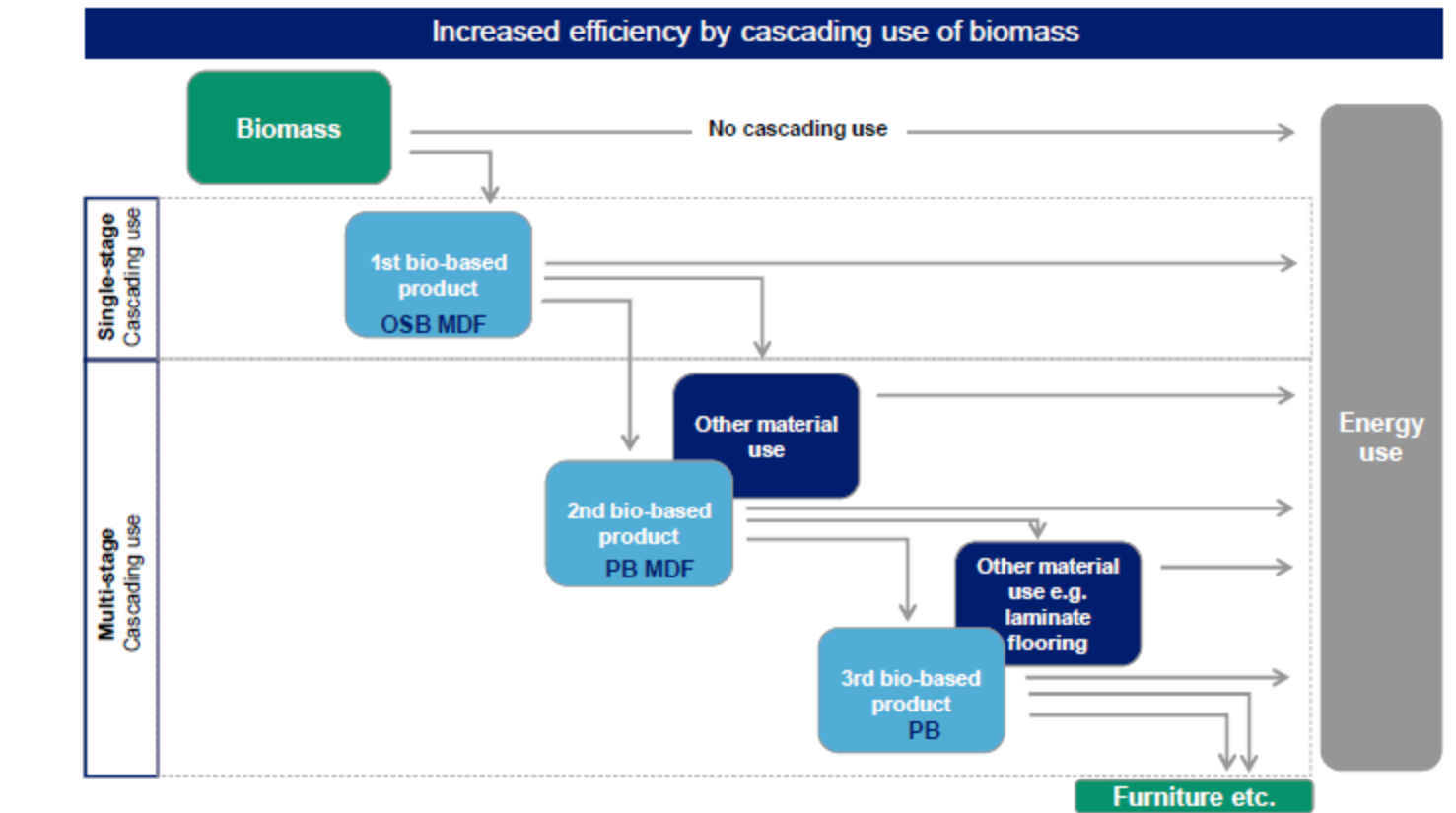


WE ALWAYS ATTEMPT TO MAXIMISE OUR USAGE OF RECYCLED FIBRE AND RESIDUES AND USE AS LITTLE VIRGIN TIMBER AS POSSIBLE

Green Economy in Action

Green Economy – Cascading Use of Wood-Based Panels

Reconstituted panels are a good example of cascading use of Biomass.



Investment Plans

Investment Stage I: 2017 to 2020

Kronospan Luxembourg forecast that between €150 million and €170 million will be invested at Sanem in the first phase of our investment plan. This phase will focus on the following investments:

- CHP: 105 MWe / 20 MWe output
 - High temperature output used to produce electricity
 - Middle temperature output used to make industrial steam from discharge water
 - Low temperature output (80° -120° Celsius) used for timber drying; process heat; condenser
- New technology in timber recycling
 - Used firstly as a raw material for wood-based panels and secondly as a fuel for energy production
- New drying process for OSB
 - Extreme low temperature drying process in order to minimize deformity of wood and to keep timber in its most natural form (similar to sawn timber)
- New OSB production line
 - Production of new products, more flexible formats produced and able to use a larger range of raw materials

Investment Stage I: 2017 to 2020

- Industry 4.0 Projects
 - Completion of automated internal production flows (e.g. installation of robots)
 - “Big Data” project for new production lines (e.g. self-learning processes)
- Modernization of value-added product lines (e.g. Flooring lines)
- Infrastructure investments (e.g. warehouses, internal roads, energy networks)

R&D Projects

Kronospan will establish various R&D projects in order to achieve targets and prepare for future investments. These investments include the following:

- Recycling technology
- Production process technology
- Logistics projects – Kronospan has entered into the “Logistics Cluster” and will also participate in the “Green and Lean” programme

Investment Stage II: 2020 & Beyond

Kronospan Luxembourg forecast that between €150 million and €170 million will be invested at Sanem to maintain the sites competitiveness, offer operational efficiency and ensuring a broad product range is offered to our customers. In the second stage of the investment programme, Kronospan Luxembourg have the following projects planned:

Particleboard Line

Following the successful implementation of the first phase of the investment programme, Kronospan will install a particleboard line at the site in Sanem.

The instillation of this line will enable Kronospan Luxembourg to expand the sites product portfolio and utilise recycled materials within the production process.

Resin Plant

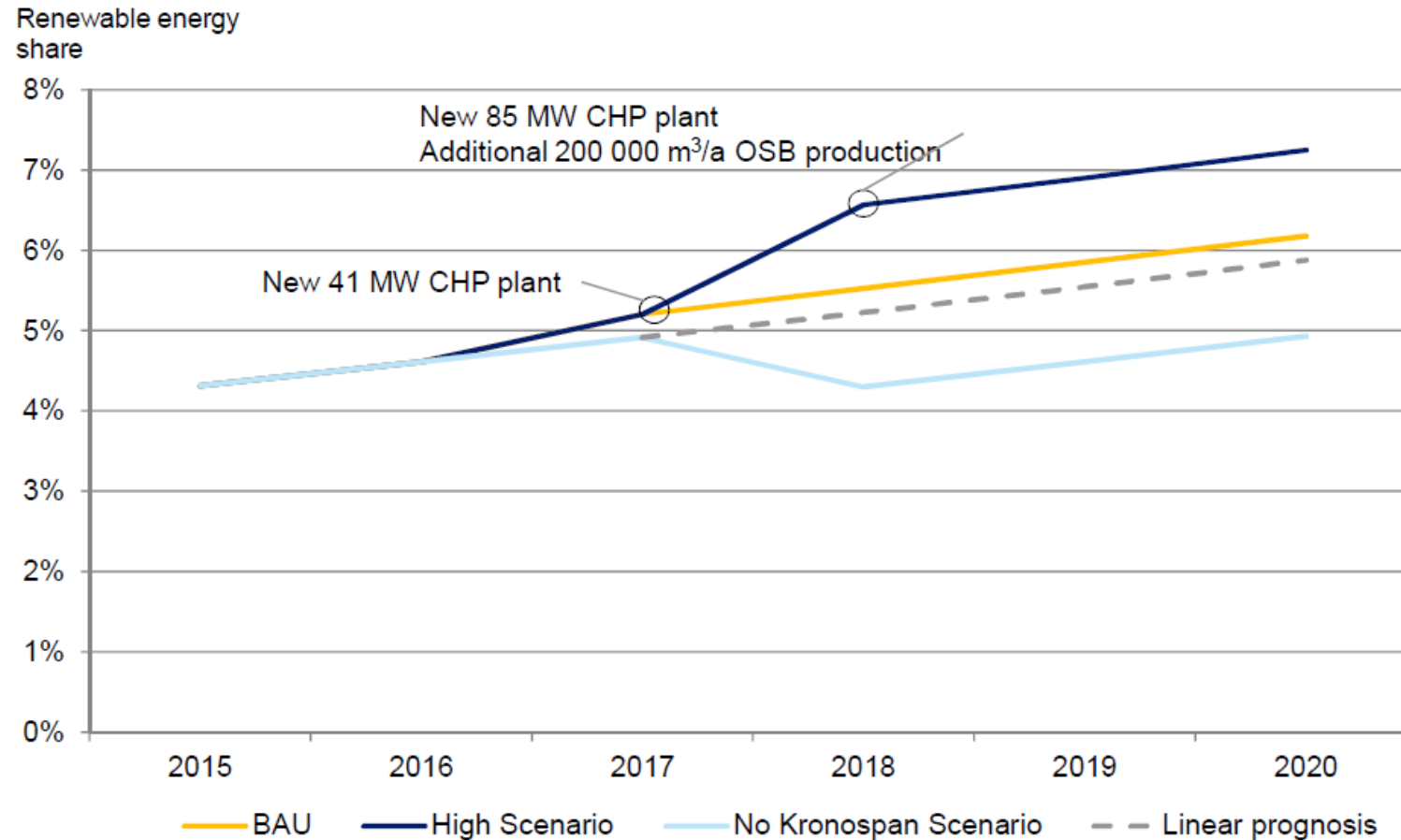
Globally, Kronospan is a key player within resin production for the wood-based panels industry. Our continual product and technological innovation enables us to maintain a leading role within the industry.

To further enhance Kronospan's vertical integration philosophy, it is planned that a resin plant will be constructed at our site in Sanem. This resin plant will ensure the supply of resin and other specialist chemicals for the production process to the Sanem site.

Kronospan's Contribution to Renewable Energy

Luxembourg's Renewable Energy Share

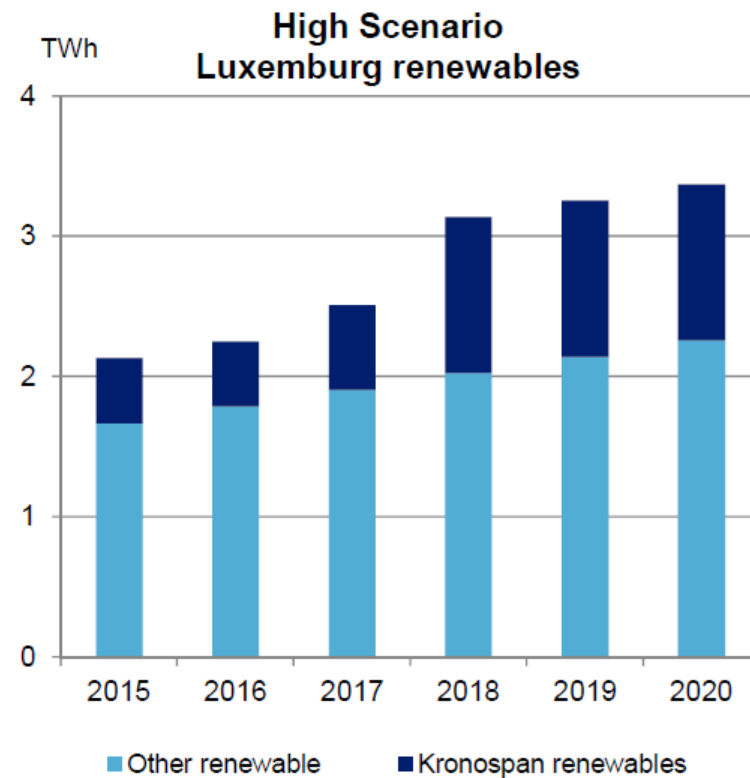
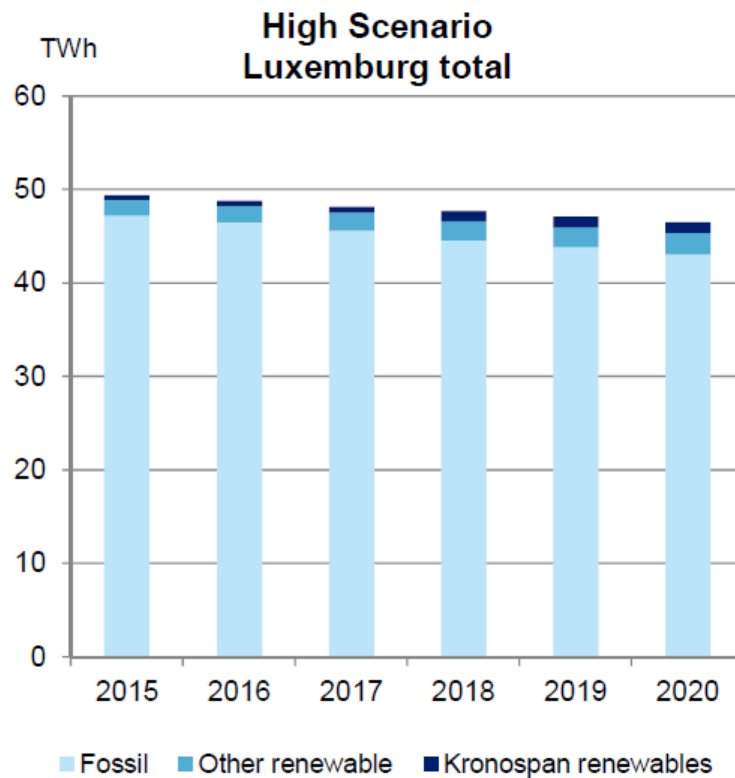
Kronospan can contribute over 20% to Luxembourg's renewable energy share by bringing it closer to the 11% RES target.



Kronospan's Contribution via Investment in Renewables

Kronospan's Contribution to Luxembourg

The positive impact Kronospan can have on Luxembourg's energy portfolio is significant and very unusual for one company.



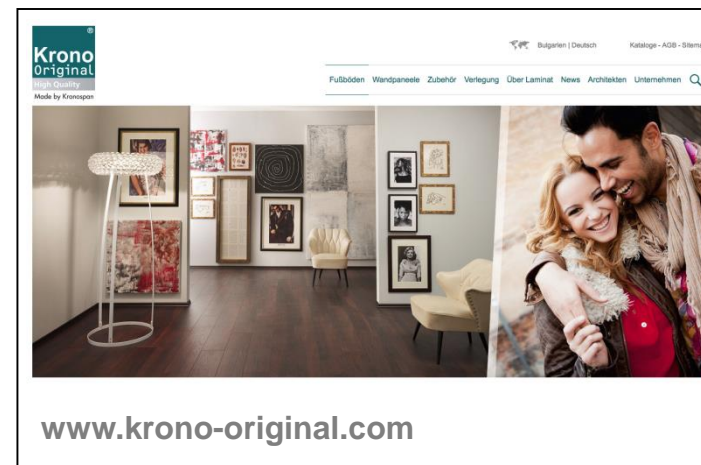
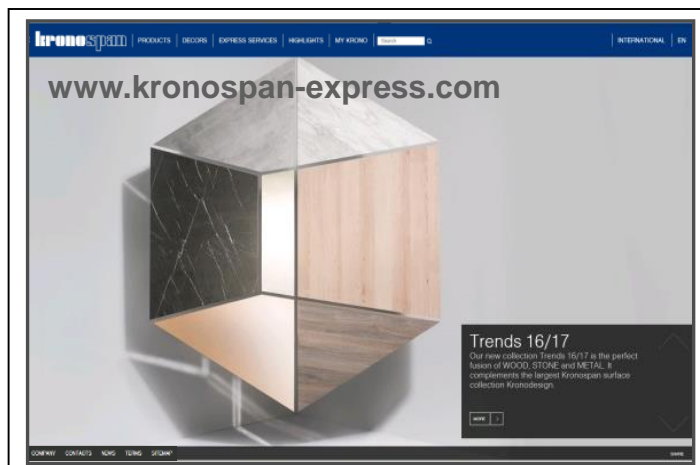
Conclusion

Conclusion

- We believe in the principles of the Circular Economy
- Environmental protection is at the forefront of our thinking at all times
- We remain fully committed to Luxembourg
- We have a clear plan and strategy to execute which will bring substantial benefits to the site
- We want to work together with the local community and continue to be a force for good locally
- We need the support of all key stakeholders in the community, local and national government and the wider Luxembourg business community

We want to thank you for attending today and ask you to toast our future success

Contact



Any Questions? Please contact:

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