



## Pervanovo Annual Update 2023-2024

Pervan Holding AB ([www.pervanovo.se](http://www.pervanovo.se)) is a private holding company wholly owned by the Pervan family. The company owns 100% of the shares in the operational investment company Pervanovo Invest AB, hereinafter referred to as Pervanovo, which is the parent company of a group consisting of a Swedish division with R&D, floor manufacturing, and property management, and a Croatian division that manufactures wood-based semi-finished products and floors and also has a significant property portfolio with tourism activities in the Dubrovnik area.

Our long-term plan, adopted in 2016, aimed to restructure and diversify the business from licensing flooring and furniture technology to large-scale manufacturing of flooring and furniture. This plan is now largely implemented, and the results have exceeded expectations.

The diversification began with the construction of a large-scale factory in Viken to produce our wood-based Woodura floors. Subsequently, five production units were acquired in Croatia:

- Bjelin in Ogulin
- Bjelin in Bjelovar
- Bjelin Otok in Otok
- Bjelin Spacva in Vinkovci
- Spin Valis in Pozega

All companies have significant long-term contracts with Croatian Forests (Hrvatske Šume) for oak deliveries. The purpose of these acquisitions was to secure the availability of oak raw material and gain access to veneer production, a prerequisite for cost-effective manufacturing of Woodura flooring.

One of our primary goals was to acquire companies close to the forest to minimise transportation. Sixty-five per cent of the weight of an oak log is water, bark, and wood

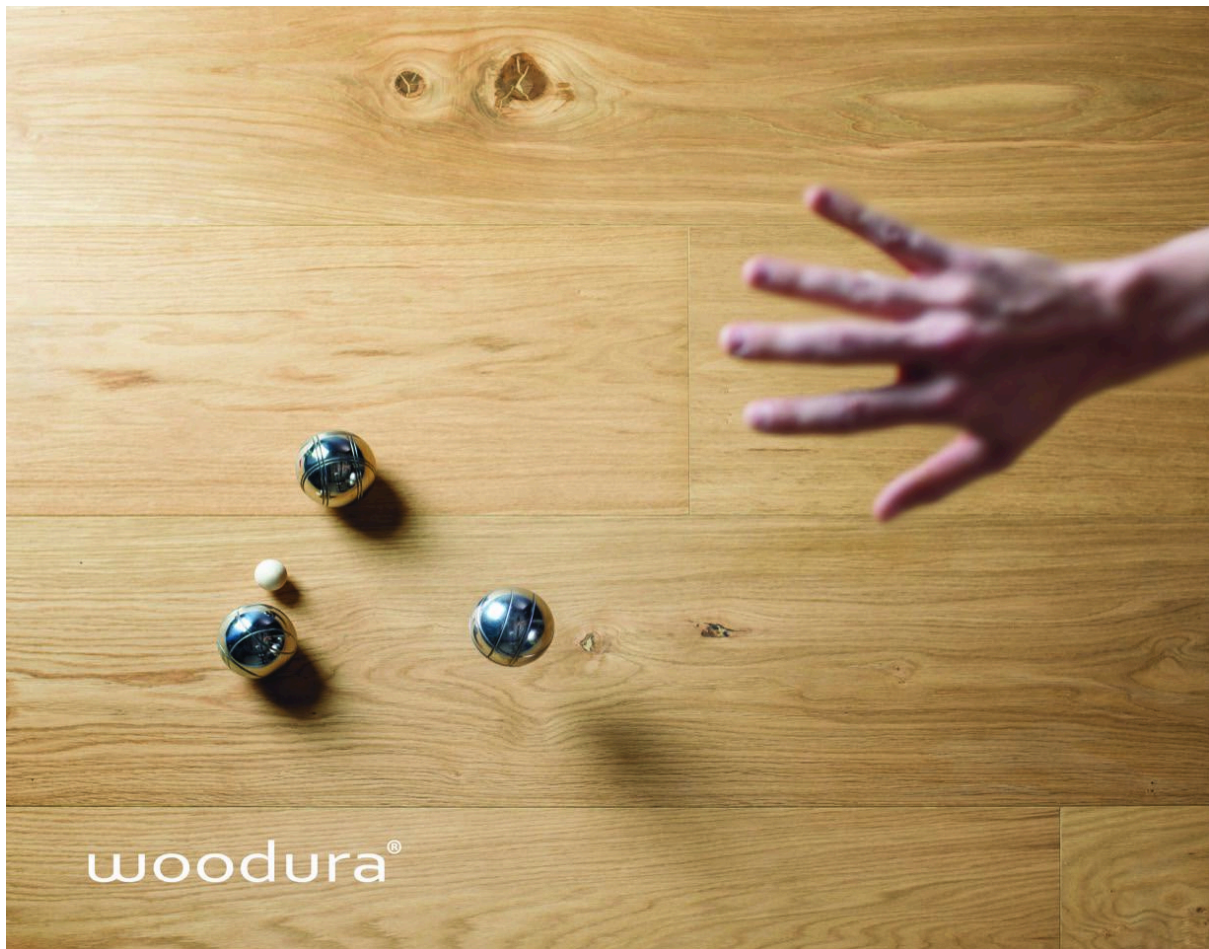
waste from sawing and processing. Low cost and low environmental impact can only be achieved with short transport distances from the forest to the production unit where the log can be sawn, dried, and processed into high-quality semi-finished or finished products that can then be transported cost-effectively to the final customers.

Substantial investments have been made to modernise the acquired factories. New factories to produce Woodura floors and veneer were built in Ogulin, Spacva, and Otok. Significant investments have been made in product development, an international sales organisation, and a new strong brand, "BJELIN."

During a troubled and challenging time characterised by COVID-19, the war in Ukraine, high inflation, and rising interest rates, the group has invested most of the approximately SEK 5 billion required to carry out the diversification and create a platform enabling strong organic growth. This significant investment has been largely financed by the cash flow from Välinge's licensing operations.

The group's largest company, Välinge, founded in 1993 and best known as the inventor of click flooring, is 50.7% owned by Pervanovo, 48.6% owned by Kirkbi AS, and 0.7% owned by Välinge's management. All other operations, such as the Swedish and Croatian properties, the Croatian Bjelin industrial part, and the tourist operations in Dubrovnik, are 100% owned by Pervanovo.

Most of the group's sales and operating profit come from Välinge's licensing of patented floor technology, where the group is a world leader. Over the past 30 years, this business has been very profitable and enabled investments in other areas.



The goal is that the production of floors should be based on our own wood raw material, which in a first step is upgraded into semi-finished products, such as surface layers and core material, and which is then further processed, pressed, profiled, and surface-treated into finished floor products, mainly newly developed Woodura floors. These new Woodura floors, with a thin veneer layer of hardened oak, are significantly better, more cost-effective, and more environmentally friendly than traditional parquet floors. They have already gained significant market shares, mainly in Sweden and Norway, where marketing first started in 2018.

Woodura technology and our oak components will also be used to produce furniture, such as tables, which will have better impact and moisture resistance than corresponding veneered furniture. Valinge's click technology will be used to easily and quickly join, for example, storage furniture.

This industrial activity, which aims for the group to become a world-leading producer of wood-based Woodura floors and a large producer of cost-effective oak-based furniture,

is expected to be significantly larger than the licensing business within a few years. Own production also creates a market for Woodura flooring, increasing the opportunities for Välinge to sell licences related to surface technology. Bjelin's ability to sell veneers to other floor manufacturers will also increase, as floors with thin but stronger surface layers are expected to gain significant market share in the future.

## Sustainability

The group's sustainability efforts consist of measures to improve our own sustainability profile and CO2 footprint, as well as development work that enables new technology to be licensed for the production of new and more sustainable products.

The group's sustainability profile has improved considerably during the financial year. The largest part of the energy consumed by the group is fossil-free thermal energy from wood waste. In Viken, a new bio boiler has been installed, replacing the gas previously used to heat our presses. Bioenergy from wood waste is also used to heat the two new presses in the new Ogulin 2 factory. In Croatia, additional solar panels have been installed. New equipment for the manufacture of veneers has been installed, which is considerably more efficient in terms of electricity consumption than the older equipment now being phased out. Deliveries of bioenergy and green electricity significantly exceed our own consumption of electricity and fuel.

All our products are made from FSC-certified wood raw material, and they store large amounts of CO2. The transport distances from the forest to our factories in Croatia that process the wood raw material are short. We have increased the yield, allowing an even greater volume of useful products to be made from an oak log. With our revolutionary Woodura technology, we can produce ten times more flooring compared to parquet flooring. One oak tree can be cut down while nine oaks may be left in the forest to grow and accumulate CO2.

The goal is that almost all our production within five years will consist of finished products such as flooring and furniture, and that the production of semi-finished products delivered to other producers of flooring and furniture will be reduced. This reduces the transport volume from producer to end customer and the amount of CO2 generated by transport. A large amount of the parquet flooring and furniture sold in

Europe is currently manufactured in Asia from oak bought in France and Germany. This is not compatible with sustainable production.

The aim is also that our own production of green electricity should correspond to our entire electricity consumption within five years. Own production of core material for flooring should reduce transport considerably. New technology will be introduced that enables wood-based floors to have significantly better moisture properties so that they can replace ceramic floors, which generate large amounts of CO2 during production, transport, and installation.

Our mechanical locking systems for quick and easy joining of furniture enable a larger amount of furniture to be delivered in flat pack, reducing the transport volume. New products with lower weight will also be introduced.



Veneer splicing factory with solar panels

## R&D

During the year, several new systems for joining floors and furniture were launched, such as 5G Dry, which prevents moisture from penetrating the joint system.

The development of a new advanced wood-based core, HDPB (High-Density Particle Board), has been very successful. Advanced laboratory equipment has been installed in

Viken, and prototypes with improved properties regarding production cost and product characteristics have been developed. A new technology has been developed and patented, allowing the core and surface layer to be manufactured in one pressing operation (Woodura 2.0). Investment in machinery, buildings, energy consumption, and production costs can be significantly reduced, and high-performance Woodura flooring can be produced at a cost significantly lower than traditional veneer flooring or 3-strip parquet flooring.

The investment in a new factory to manufacture core material is estimated at approximately SEK 2.2 billion. Ordering of machinery and equipment will take place when suitable financing is secured and when the volumes of Woodura flooring and furniture reach a level that enables a significant part of the capacity to be used for in-house manufacturing.

Manufacturing high-performance and moisture-proof core materials and 5G Dry also enables large-scale commercialisation of our Nadura technology, which means that wood-based floors can achieve better performance than ceramic floors.

New techniques for manufacturing and joining veneers have been developed that increase yield and reduce production costs. Our technology for manufacturing floors has been adapted to furniture production, allowing furniture components to be manufactured with cost-efficient, thinner, and more impact-resistant Woodura surfaces.



Dining table with Woodura surface

## The Business During 2023

The financial year 2023 has been extraordinary and very challenging. High inflation and high interest rates have had a significant negative impact on the demand for new homes in Europe, while the renovation market has also declined. The downturn in the housing sector was exacerbated by distributors liquidating their overstock.

The decline was less severe in the commercial sector, which includes offices, hotels, public premises, etc. The market for wooden floors in Europe fell by 30%. The market situation in the USA was better than in Europe. We do not expect the market to improve in 2024, but we are convinced that with our new products we will continue to grow and gain market share.

The group's turnover, excluding the acquisition of Spin Valis, fell by 10%. Including Spin Valis, turnover fell by 2%. The decline in turnover is less than the overall market downturn. This is because our Woodura floors have increased their market share, and our market-leading position in high-quality oak veneers has enabled continued strong sales.

The licensing business, which is largely dependent on the US market, has been very stable. New technology has been introduced, which has largely offset the significant decline in the European market.

However, the group's EBITDA has fallen by 34%. This is mainly due to large costs associated with the start-up of new factories and the expenses involved in building an extensive global sales organisation for floors.

SEK m	2023	2022	2021	2020	23/22
Net sales	3,300	3,362	2,755	2,020	-2%
EBITDA	784	1,184	1,015	693	-34%

The group has approximately 2,625 employees, of which 341 are in Sweden, 2,232 in Croatia, and 52 in other countries. Investments during the financial year were the largest ever, amounting to SEK 1,283 million, including the acquisition of Spin Valis. During 2024, investments will drop significantly to approximately SEK 220 million.

Investments SEK m	Est 2024	2023	2022
Pervanovo properties, Sweden		23	173
Bjelin Industries, Croatia	120	548	470
Välinge Group	100	299	317
<b>TOTAL</b>	<b>220</b>	<b>870</b>	<b>960</b>
Acquisition Spin Valis		413	
<b>TOTAL incl acquisitions</b>	<b>220</b>	<b>1,283</b>	<b>960</b>

## Estimated Market Value of the Parent Company and the Group

Pervanovo's market value in June 2024 is difficult to calculate. The value is more uncertain than in previous years because today's economic situation is extraordinary



and does not reflect the company's future profit potential. When assessing the company value, the following circumstances have been considered:

- The housing shortage is increasing, and the expected decrease in interest rates will have a positive impact on demand for building-related products.
- Vålinge's operating profit during Q1 2024 was 60% higher than during the corresponding period in 2023.
- The Croatian companies increased their sales during Q1 2024 by 30% compared to Q1 2023.
- Investments in a global sales organisation are now yielding results, and we are significantly increasing our market share in a declining market.
- Our new Woodura factory in Ogulin 2 is in operation and performing as planned. Our Woodura factories in Viken and Ogulin 2 will improve our results by SEK 700 million when fully utilised.
- Our new veneer factories, which will be completed in the autumn of 2024, will be able to increase our profit by SEK 300 million in a normal market. Our oak contracts have a high market value.
- We assume that there is a significant control premium related to our 50.6% ownership in Vålinge.

Our assessment is that the parent company's market value in a normal state of the market is at the same level as last year, approximately SEK 15 billion. The group's total market value, including 100% of Vålinge, exceeds SEK 20 billion.

<b>Assets SEK m</b>	<b>Debt-Free Market Value 2023</b>	<b>Debt-Free Market Value 2022</b>
50.7% ownership in Vålinge Group	9,300	9,000
Swedish properties	1,600	1,800
Croatian properties	1,300	1,300
Bjelin Industries	4,400	4,400
<b>Net Debts Pervanovo</b>	<b>-1,400</b>	<b>-1,300</b>
<b>TOTAL</b>	<b>15,200</b>	<b>15,200</b>

## Market Trends

The global market for flooring is very large, amounting to approximately 20 billion m<sup>2</sup>. This corresponds to a value of SEK 4,000 billion at the producer level and SEK 8,000 billion at the end consumer level.

Global Flooring Market in Million m <sup>2</sup> , 2022		Locking Systems
Ceramic	10,000	
Carpets	4,000	
Resilient	3,100	
Vinyl SPC, LVT	500	Yes
Laminate	1,300	Yes
Wood	1,400	Yes
Other	600	
<b>Total</b>	<b>20,900</b>	

More than 3 billion m<sup>2</sup> are so-called floating floors, where the majority are installed with mechanical locking systems. The annual long-term growth trend is positive, at about 2%, driven by an increase in the number of inhabitants and disposable income. In the short term, demand is mainly affected by the general interest rate.

When new technologies are introduced, new flooring categories, such as laminate flooring, vinyl flooring, and now flooring with thin and stronger surfaces of wood, can, over a period of 10-15 years, reach very high growth rates exceeding 20%.

The market consists of two segments: object and consumer. The object market is dominant, with most of the floors delivered to residential projects, offices, hotels, etc., which take several years to complete and where the floors are installed at the end of the project period. The consumer market is considerably smaller, and demand can change quickly as a result of changing interest rates and loan opportunities.

In both segments, floors are used for installation in new construction and for renovation. Two-thirds of the global market is ceramics and textiles, and the rest is plastic flooring, laminate flooring, and wooden flooring.

The largest part of Välinge's licences comes from plastic floors, so-called vinyl floors, with mechanical locking systems, which are now the fastest growing floor category. These floors are mainly manufactured in Asia and sold primarily in the USA.

The demand for wooden floors is expected to increase over a business cycle, mainly because the product is environmentally positive and stores carbon dioxide. However, production capacity is limited due to the lack of oak raw material used in surface layers. Our new Woodura technology solves this problem because it allows ten times more surface layer to be produced from an oak log compared to traditional production of parquet floors, while the surface layer becomes stronger and lasts longer.

Wooden floors with thinner and stronger surface layers are expected to grow strongly in the future. With our investments in Croatia, we have secured all the oak raw material required for our future large-scale Woodura production. In addition, it is possible to provide certain licensees with veneer surface layers.

The high inflation and high interest rates that are eroding consumers' purchasing power will slow down, and the market will stabilise at a relatively low level during the current year. The object market will also be weak. Our assessment is that the market will start to grow significantly at the end of 2025.

Cost- and material-efficient products, such as our Woodura, benefit when the economy declines, and market growth slows down.

## Business Segments

Our business segments achieved the following operating result (EBITDA):

<b>EBITDA SEK m</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Välinge Group incl. Spin Valis	742	901	946
Bjelin Sweden (sales SE, DA, NO, FI)	-34	-12	-51
Pervanovo Properties, Sweden	78	54	50
Bjelin Industries, Croatia	24	272	89
Pervanovo, Croatia (properties & tourism)	-8	-9	-7
Pervanovo Invest, Sweden	-18	-21	-12
<b>TOTAL</b>	<b>784</b>	<b>1,185</b>	<b>1,015</b>

Underlying EBITDA is significantly higher than reported if adjustments are made for large R&D costs, start-up of new production lines, and extraordinary investments to build up marketing and sales in several countries. EBITDA increases to approximately SEK 1.1 billion if adjustments are made for costs related to the Woodura project that are booked as operating expenses.



## Floor locking technology

### Välinge

The group owns, via the holding company Bjelin Holding AB, 50.6% of the shares in the Välinge Group ([www.valinge.se](http://www.valinge.se)), which is a world leader in technology related primarily to mechanical locking systems for floors and furniture. Välinge also conducts large-scale flooring operations in Viken and in Ogulin 2 in Croatia. Välinge's subsidiary Spin Valis in Croatia manufactures furniture and furniture components.

The Välinge Group has shown very good profitability for many years. Turnover increased during the financial year by 8% from SEK 2,174 to SEK 2,351 million. The acquisition of Spin Valis had a positive effect of SEK 281 million. Turnover for the licensing business was unchanged compared to the previous year. The operating result EBITDA fell from SEK 900 to 742 million mainly due to significant costs for building up an international sales organisation and costs related to the start-up of production of Woodura floors. Välinge has more than 280 patent families covering several technologies primarily related to flooring and furniture and approximately 3,000

granted patents. The technologies are licensed to over 200 licensees around the world. Among the licensees are some of the world's largest floor manufacturers.

During the financial year, significant investments were made in Ogulin 2. The aim is to build the world's largest factory for wood floorings. The Ogulin 2 factory comprises 330,000 m<sup>2</sup> of land and 55,000 m<sup>2</sup> of buildings owned by Bjelin doo and leased by Välinge. Välinge has invested in energy plants, production lines for powder handling, pressing, profiling, surface treatment, and packing, which in the first step increases the group's Woodura capacity from 5 million m<sup>2</sup> to 10 million m<sup>2</sup>.



## Ogulin 2 factory

Subsequent steps aim to expand production in Ogulin 2 to 20 million m<sup>2</sup>. Significant investments will be made in large-scale manufacturing of a unique core material that is based on wood waste from all our production units in Croatia and is specially adapted for Woodura and Nadura floors. The total investment for the first stage amounts to approximately SEK 2 billion. SEK 1.2 billion refers to the production plant in Ogulin 2, and SEK 0.8 billion are investments in buildings and machinery for cutting and joining veneers in Bjelin's factories in Spacva and Otok. 90% of the total investment has been completed. The remaining part, which refers to the veneer operations, will be completed in 2025.

According to the plans, stage 2 is to begin in 2025. This second stage will increase the Woodura capacity by another 5 million m<sup>2</sup> to 15 million m<sup>2</sup>. The investment will be

significantly lower than for stage 1, about SEK 500 million, because the basic investment has already been made. During the financial year, the production of Woodura in the Ogulin 2 factory was limited to profiling, lacquering, and packing. Pressed boards were delivered from the Viken factory. In April 2024, the press line started, which is very cost-effective. The cost level of the Ogulin 2 factory will be significantly lower than that of the Viken factory, which is built for both production and R&D. The Ogulin 2 factory enables wooden floors in plank format to be manufactured more cost-efficiently than the cheapest 3-strip parquet floors on the market. The degree of automation is extremely high. Only 150 employees are required to manufacture 5 million m<sup>2</sup> of Woodura flooring.

Välinge owns 99% of the shares in the furniture company Spin Valis, which manufactures elements, glued panels, and furniture mainly made of solid oak. Spin Valis also has a significant production of electricity based on biomass and solar cells. The company will be restructured to become a producer of furniture with surface layers mainly based on veneer and Välinge's Woodura technology. Furniture will also be adapted to Välinge's Click technology for quick and easy assembly.

The operating profit (EBITDA) for the licensing business was SEK 1,031 million, unchanged from the previous year (SEK 1,029 million). The operating profit for Spin Valis fell from SEK 85 million to SEK 38 million.

The flooring business, which includes the production of Woodura flooring in Viken and Ogulin 2, development activities, sales, and marketing, generated a loss of just over SEK 300 million. This loss is mainly caused by the fact that the facilities, which are very capital-intensive with an extremely high degree of automation, have not been completed. In addition, we have had large costs for building up a global market organisation, starting up new production lines, and high fixed costs. The facility in Croatia is oversized and adapted for several production lines. The business will be profitable at 50% capacity utilisation. At full capacity utilisation, the profit level will be very high.

Our assessment is that no other competitor will have the opportunity to make the investments that Välinge and Bjelin have made. Several companies have recently introduced traditional veneer floors and we anticipate that these floors will become the main competitor to Woodura flooring. Veneer floors have lower impact and moisture resistance than Woodura floors. The advantage, however, is that smaller volumes can



be manufactured with limited investment. Larger volumes cannot be manufactured cost-effectively without large-scale veneer operations, which are very capital-intensive and impossible to build up without access to high-quality oak raw material. The extremely cost-effective production according to the Woodura 2.0 technology cannot be used to produce traditional veneer floors.

## Marketing and Sales

The company owns 100% of the shares in Bjelin Sweden AB ([www.bjelin.se](http://www.bjelin.se)), which is a sales and marketing organisation for the Nordic market. Bjelin's sales decreased by 20%, which increased the loss from -12 to -34 MSEK. The result is affected by the transfer pricing between Bjelin and the producing companies. The group's total global floor sales also decreased in volume by approximately 20%, mainly because the build-up of the international sales organisation was not completed. The decline was also mainly related to parquet floors. Our market share of Woodura flooring increased.

The sales organisation has now been significantly strengthened mainly in the US, UK, France, and the Nordic countries, and floor sales during Q1 2024 increased by 65% compared to Q1 2023, mainly due to increased market shares. The sales organisation has a capacity that enables a doubling of the sales volume with an unchanged cost level. Our significant market investments have been successful and the BJELIN brand is now one of the leading brands in the Nordic countries. We expect our global floor sales to increase by 60% during this year compared to 2023.

## Swedish Properties

Pervanovo Properties AB owns and manages several properties located in Viken and Helsingborg. All office and production premises in Viken, used by the group's companies and comprising a total of approximately 58,000 m<sup>2</sup>, are 100% owned by the group. Operating profit is slightly higher than last year due to increased rental income. A 13,000 m<sup>2</sup> central warehouse for Woodura has been completed in Helsingborg.



## Helsingborg warehouse

Pervanovo owns 100% of the shares in Skedvistrand AB, located near Stockholm. The facility includes conference rooms and 21 newly built villas. It is used by the group mainly for training and as a showroom for the group's floor products.

The building plan covering 110,000 m<sup>2</sup> of land for industrial purposes, owned by Pervanovo in Viken, has been finally approved. The plan enables an expansion with 45,000 m<sup>2</sup> of warehouse and industrial premises. The company also owns industrial land in Helsingborg that allows for the construction of 10,000 m<sup>2</sup>. This ensures the group's expansion plans in Viken and Helsingborg for a considerable time to come.

## **Bjelin Industries, Croatia**

Pervanovo owns all the shares in the Croatian holding company Bjelin Industries doo, which owns the production units Bjelin Ogulin 1, Bjelin Bjelovar, Bjelin Otok, Bjelin Spacva, and the sales company Bjelin Croatia. Bjelin Industries employs 1,748 people.

The business year has been very challenging. The costs for employees, electricity, and wood raw materials have increased sharply, while sales volume and prices have fallen. Turnover decreased by 22%. The operating result also decreased significantly from SEK 272 million to SEK 24 million, mainly due to losses in parquet flooring and bioenergy.

However, our main product, oak veneer for flooring and the furniture industry, remained profitable.

The group's most important industrial product is Woodura, which has a surface layer of wood powder and hardened oak veneer. This veneer surface layer is produced in our veneer factories in Bjelin Otok and Bjelin Spacva.



## Oak veneer

The part of the log not suitable for producing Woodura veneers is used in our production of conventional parquet floors, lamellas for parquet floors, as well as veneers and glued boards for the furniture industry. Wood waste is used for heating our presses and dryers, as well as to produce pellets and briquettes.

The goal is to cease all parquet production of so-called 1-strip floors in the future and replace it with Woodura. Production of 3-strip flooring will be made more efficient, and the production capacity for the manufacture of herringbone parquet will be increased. Woodura in herringbone format will be introduced in 2024.

The production of pellets and briquettes will be significantly reduced in the future, and the wood raw material will be used to produce core material.

When our restructuring is completed, the group will be the only wood flooring company in the world with large-scale integrated manufacturing of surface layers, core materials, semi-finished products, and floor products. This enables us to optimise and use the entire log, ensuring nothing is wasted. Integrated manufacturing is capital-intensive but provides great synergy in the form of high product quality, high efficiency, reliable deliveries, and low environmental impact. Knowledge of the cost structure at all levels also improves the opportunities to develop and patent new technology.

## **Additional Production Facilities**

### **Ogulin 1**

In Ogulin 1, there is a modern sawmill, wood dryers, and a state-of-the-art factory for parquet floors in 3-strip, 1-strip, and herringbone formats. Wood waste is processed into biofuel in the form of pellets and briquettes.

### **Bjelovar**

In Bjelovar, the oak raw material is sawn, dried, and processed into high-quality lamellas and elements for parquet floors. Some of the semi-finished products manufactured in Bjelovar are transported to Ogulin and used in our own parquet production. Some are sold to Europe's leading parquet companies.

In both Ogulin and Bjelovar, significant investments have been made in buildings and machinery to increase capacity, the degree of automation, and to enable the manufacture of new products such as herringbone parquet. Both units now have modern buildings and machinery. Access to high-quality oak raw material harvested close to our factories provides significant competitive advantages for all our wood processing plants.

The manufacture of herringbone floors is profitable, but the result was negatively affected by low demand and low prices for parquet floors in 3-strip and 1-strip formats, as well as for lamellas. Profitability will increase when we get opportunities to manufacture herringbone floors based on pressed Woodura boards from Ogulin 2, which will be profiled, surface treated, and packed in Ogulin 1. The production of samples, displays, and pallets will also increase as floor sales rise.

## **Bjelin Otok**

Bjelin Otok is one of Europe's leading manufacturers of high-quality oak veneer. Profitability has been extremely high for many years. A significant part of the best veneers is now delivered to Viken and used to produce Woodura flooring. Ogulin 2 will consume considerable veneer volumes when production increases. The remaining veneer volume will be sold to manufacturers of furniture, flooring, and wall panels.

During the year, significant efforts were made to adapt the production to long and wide veneers used in our Woodura production. Modern new production lines especially adapted for joining veneers (splicing) for floors have been installed. New veneer technology has been developed, greatly increasing the yield when manufacturing veneers for Woodura floors. The log yard area has doubled. The logs are sprayed with water that is purified and reused. Solar panels have been installed.

## **Bjelin Spacva**

Bjelin Spacva is Croatia's largest manufacturer of oak-based products such as veneers, elements, lamellas, glued boards, and solid parquet floors. The company is one of Europe's largest producers of pellets and briquettes.

An extensive investment programme is underway, which will increase the veneer slicing capacity considerably while streamlining the sawmill and timber handling. A new modern log yard has been built with spraying, purification, and recycling of water. New modern and specially designed equipment has been installed, significantly increasing veneer capacity and productivity while reducing energy consumption. The new veneer factory will be in operation in the autumn of 2024 and will be Europe's largest and most modern factory for the manufacture of oak veneer specially adapted for floor production.

A new production line to produce glued boards has been installed. The business will be extended with furniture production, mainly using surface layers of veneer and layers produced with our Woodura technology.



Spačva veneer slicing factory

## Real Estate and Tourism in Croatia

The group owns 100% of the shares in Pervanovo d.o.o. ([www.pervanovo.com](http://www.pervanovo.com)), a Croatian sub-group. Pervanovo d.o.o. has acquired several properties in Dubrovnik, one of Europe's fastest-growing tourist destinations. The properties are primarily investment objects, but they are also used as exclusive hotels, villas, and apartments for tourists.

The tourism business is burdened with property maintenance and project management costs for five major tourism projects where land acquisition took place during the period 2006-2018. We have started two new projects, one in Dubrovnik and one in Slano near Dubrovnik. Hotel Slano will be our first investment in tourism on a larger scale. The investment amounts to approximately SEK 300 million, and the project will be completed in 2027.



## Hotel Slano

### Pervanovo Invest

Pervanovo Invest AB ([www.pervanovo.se](http://www.pervanovo.se)) is an operational investment company owned by the parent company Pervan Holding AB. The company handles the group's overall financial activities. It also conducts R&D activities mainly related to core materials in collaboration with Valinge, as well as project management of new investments.

### Financial Key Figures and Outlook for 2024

The operating margin has fallen to 26% but remains high. The leverage ratio (net bank loans/EBITDA) has increased from 2.0 to 5.0, primarily due to large investments and lower operating profit. While this is higher than our target, it is acceptable in the short term given that Valinge maintains a stable and high profit level. A significant part of the assets are properties that allow higher leverage.

<b>Consolidated Income Statement in SEK m</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net sales	3,300	3,362	2,755
EBITDA	784	1,184	933
Depreciations fixed assets & Goodwill	-383	-263	-240
Interest	-190	-128	-99
Result before tax	211	793	594
Tax	-130	-160	-168
Net result	81	633	426



<b>Consolidated Balance Sheet in SEK m</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Goodwill	421	261	318
Fixed assets	4,608	3,752	2,847
Financial assets	48	44	49
Inventories	1,139	715	401
Receivables	796	767	805
Cash	390	781	316
<b>Total assets</b>	<b>7,402</b>	<b>6,320</b>	<b>4,738</b>
Shareholders equity	1,857	1,820	1,319
Long term bank loans	730	1,261	1,329
Short term bank loans	3,594	1,914	899
Other liabilities	1,221	1,325	1,190
<b>Total liabilities</b>	<b>7,402</b>	<b>6,320</b>	<b>4,737</b>

<b>Additional Information</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net bank loans	3,934	2,394	1,912
Bank loans / EBITDA	5.0	2.0	2.0
EBITDA margin	24%	35%	34%

All costs for the Woodura project have been booked as operating expenses. If these expenses are considered as extraordinary costs, the group's adjusted EBITDA will increase to SEK 1.1 billion, and the leverage ratio drops to 3.6. Since Woodura sales are increasing and the gross margin per m<sup>2</sup> of flooring is high, it is only a matter of time before our Woodura sales become profitable.

We expect sales to increase in 2024 and EBITDA to exceed SEK 900 million. Investments will decrease significantly, and the leverage ratio will decrease to 4.0. In 2025, the leverage ratio will drop further to 3.0 when completed investments begin to generate profits. The LTV ratio for Pervanovo Invest is 9%.

## Significant Events After the Financial Year

Välinge has refinanced its bank loans and signed a long-term credit agreement with Nordea and Swedbank, which increases the credit facilities by SEK 700 million to SEK 2.5 billion. Pervanovo has also signed new loan agreements with Nordea and Swedbank. The bank loans have been reduced by SEK 300 million, from SEK 1,800 million to SEK 1,500 million.

The owners of Välinge, Pervanovo, and Kirkbi, have agreed that Välinge should be split into two business segments:

- **Välinge Innovation:** This includes R&D, patents, and licensing.
- **Välinge Industries:** This includes floor production in Viken and Ogulin 2, the sales companies in the US, UK, and France, as well as Spin Valis.

The intention is that Välinge Industries will be acquired by Pervanovo and coordinated with Bjelin Industries. Välinge Innovation will be listed on the stock exchange as soon as possible during 2025 or later, depending on market conditions. At the listing, Pervanovo and Kirkbi will together sell 40% of the shares in Välinge Innovation, with Pervanovo selling 20% and Kirkbi 20%. After the listing, Pervanovo's share of the capital and votes will be 30.6%.

The owners believe that Välinge, which has shown very high and stable profitability for many years, is suitable for a stock market listing. The group's industrial part, which is not yet profitable but has significant future potential, can be developed better as a

privately owned business. The intention is that Pervanovo will acquire all shares in Valinge Industries at the end of December 2024.

Our assessment is that Valinge Innovation, in the event of a listing at the end of 2025, will have a turnover of approximately SEK 1.8 billion. EBITDA should be around SEK 1.2 billion. Under normal market conditions, the value may be SEK 16 billion. By selling 20% of the shares in Valinge Innovation, Pervanovo will receive about SEK 3 billion. This capital will be used partly to buy Kirkbi's share in Valinge Industries, and partly to reduce loans and finance continued investments in industrial operations.