CIMEP

PELLET MARKET FROM TRADER'S PROSPECTIVE

Paolo Moscone – CM BIOMASS

COPENHAGEN MERCHANTS BACKGROUND

1977
Copenhagen Merchants formed as a commodity trader
(now 10 million t/y)

1979
Copenhagen Merchants becomes active in shipping (now 5 million t/y)

1985
Becomes active in terminal operations. (Now 11 terminals,
>500 kmt capacity)

2000
Start handling freight for pellets

2002
Pellet terminal operations begin in Kalundborg

2008
Start brokering/ trading pellet sales

2009
CM BIOMASS formed as dedicated trading company

2011
Established US terminal ops in Brunswick and Savannah

2015
CM Biomass trades >850k MT annually

2019
CM Biomass trades >2Mln MT annually

CM BIOMASS IN NUMBERS

- Dedicated team of 40 professionals
- Utilizes many of the back office and logistics functions of parent, Copenhagen Merchants
- Acted as principal on over 1,500,000 MT in 2018

Offices globally for purchasing, sales, and execution

- Copenhagen – DK
- St. Petersburg - RU
- Liepaja - LV
- Genoa – IT
- Houston – US

- Preferred counterparty for both industrial and premium markets. Offering integrated solutions with flexibility, dependability, storage, and expedited trade capability.

CM BIOMASS WOOD PELLET HUBS AND DISTRIBUTION

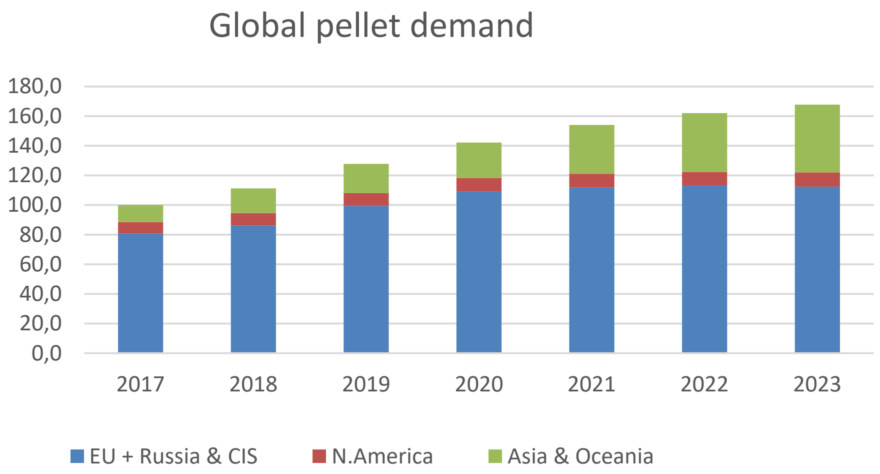
1. Petersburg, Russia
2. Novorossiysk, Russia
3. Ventspils/Riga, Latvia
4. Liepaja, Latvia (CM Group terminal)
5. Gdansk, Poland (CM Group terminal)
6. Aarhus, Denmark (CM Group terminal)
7. Grenaa, Denmark (CM Group terminal)
8. Aalborg, Denmark (CM Group terminal)
9. Kalundborg, Denmark (CM Group termir
10. Fredericia, Denmark (CM Group termina
11. Middelfart, Denmark
12. Ødis, Denmark
13. Ystad, Sweden (CM Group terminal)
14. Norrsundet, Sweden
15. Köping, Sweden
16. Oxelösund, Sweden
17. Oulu, Finland
18. Worms, Germany
19. Breisach, Germany
20. Eiselfing, Germany
21. Flixborough/Grove Port, UK
22. Grangemouth, UK
23. Ipswich/Ingham, UK
24. Bristol/Avonmouth, UK
25. Liverpool,UK
26. New Holland, UK
27. Plymouth, UK
28. Flushing, Holland
29. Waspik, Holland
30. Rouen, France
31. Arquata, Italy
32. Genoa, Italy
33. Carentino, Italy
34. Catania, Italy
35. Savona, Italy
36. Savannah, US
37. Tennessee, US
38. Halifax, Canada

38 hubs distributed in 13 Countries

Wood pellet Consumption 2018

34,8 Mton
+11% vs 2017

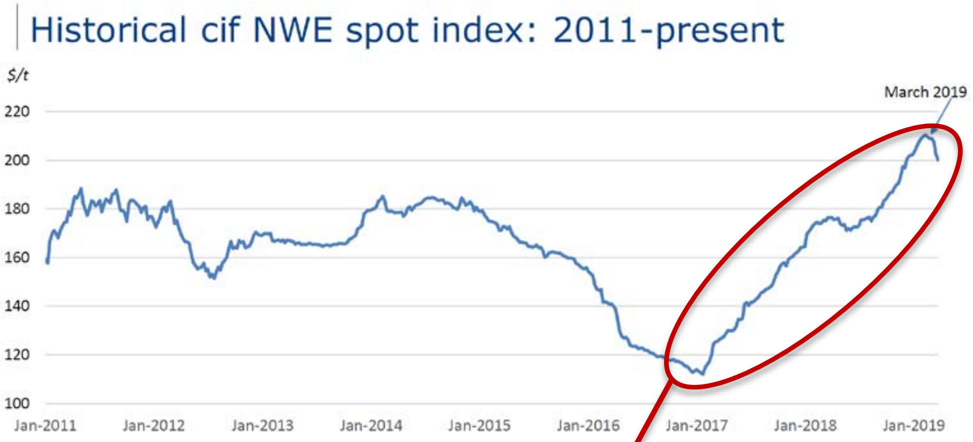
Global market



- ✓ Total demand in 2023 is forecasted +67% vs 2017
- ✓ The growth will be mostly related to the industrial market: in 2023 heating market is forecasted at +27% vs 2017 while industrial market at 112% vs 2017;
- ✓ Raw material price and availability will play an important role to keep the growth;
- ✓ The HOT SPOT is Asia (Korea & Japan) +297% 2023 vs 2017

Source: Hawkins Wright, Outlook for Pellets

Industrial market



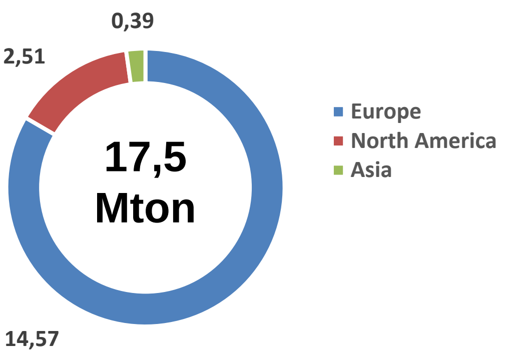
2017 fires in Portugal and flooding in Baltic forest
2018 fires across B. Columbia and Hurricane in US
No big problems in power plants (few days off line)

- ✓ Drivers: subsidies and enviromental political strategy (stop coal)
- ✓ Lack of flexibility:
  - A problem at large industrial user or producer can have huge impact to the whole market;
- ✓ Economics of the fuel: there is a cap above which it doesn't make sense burn pellet, during last season some utilities had to return co-firing with coal.
- ✓ Sustainability requirement, difficult to be matched from some region and demand for SPB compliant could drive the FOB price.

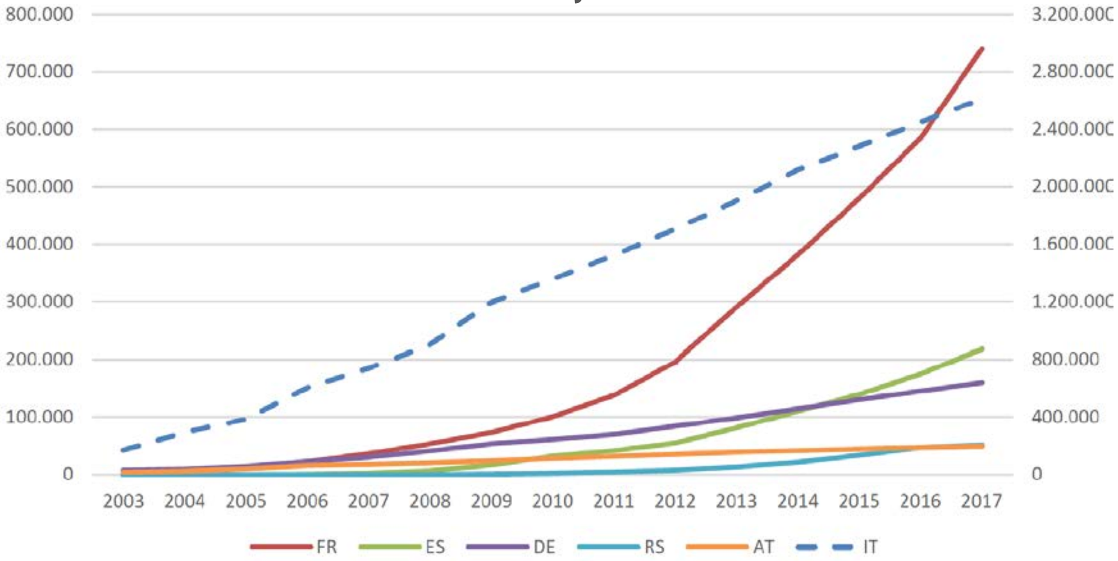
Source: Argus

Heating market

Breakdown of global heating demand in 2018

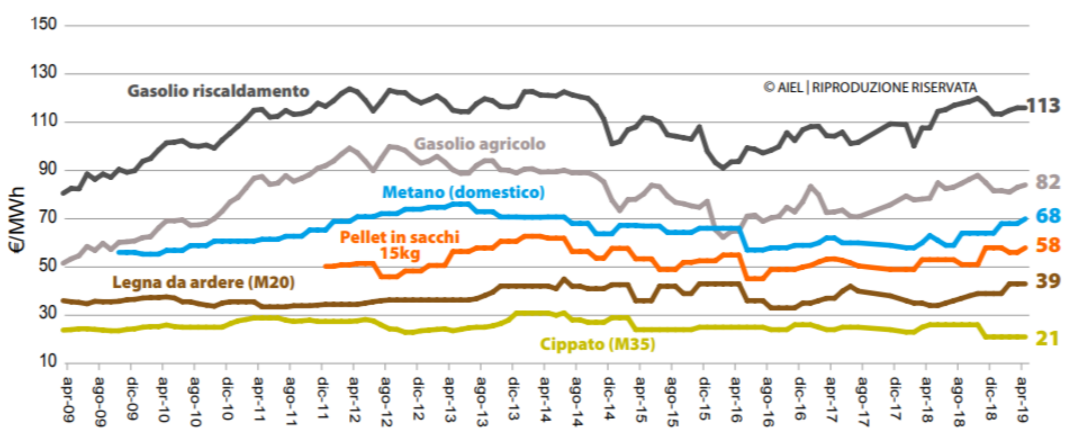


Evolution of installed stoves in some major EU countries



Source: Hawkins Wright, Outlook for Pellets and Aebiom statistical report 2018

Heating market

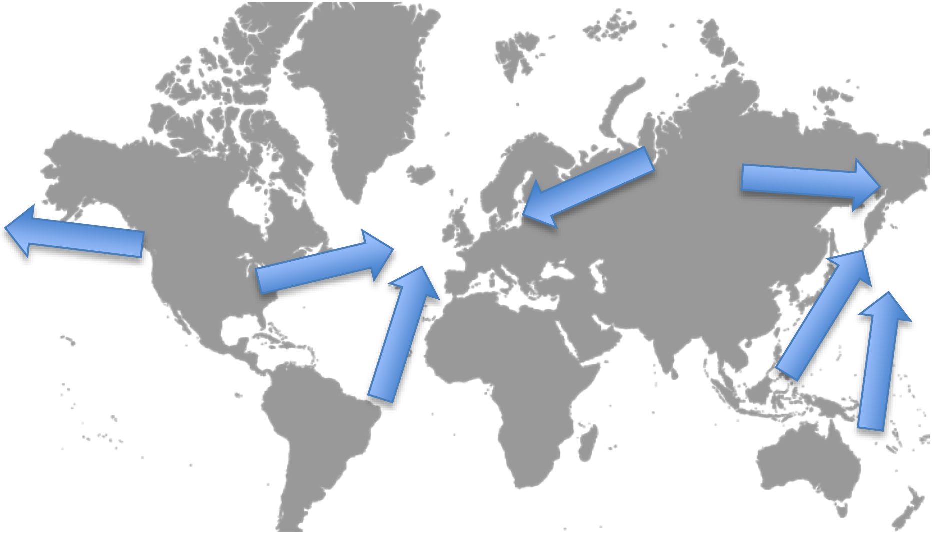


In 2018 significant growth (double digit) in Bulgaria, Ireland, Poland, Portugal and France.

- ✓ Driver: there are different incentive systems country by country, but in most of the case the pellet reppresents the best balance between economics and easy of use.
- ✓ EVERY COUNTRY/MARKET has it's own specific feautures: certification (EN PLUS/DIN PLUS/BSL), color (white or brown), size (6 or 8), bulk or bagged.
- ✓ Challenging market: unpredictable consumption since it's deeply related to the weather, multiple players, economics trend not directly linked with the industrial's one.

Source: AIEL

Supply/Demand balance



- ✓ Global wood pellet production capacity is estimated to be 45,9 Mton at the end of 2018;
- ✓ Global wood pellet demand of 34,8 Mton indicates a capacity utilization of 76%, and in 2019 of 85% (quite challenging);
- ✓ In Industrial market the capacity margin is quite tight and SPB is becoming more and more essential; moreover the new demand is moving from EU to Asia;
- ✓ European heating market is unpredictable: after the short of winter 2017/2018, it seems more balanced, thanks also to the increase of production in some regions (Russia and Brazil).

Todays Trading landscape

The biomass industry has become a minefield

…..HOW TO SURVIVE?

- ✓ DIVERSIFICATION:
  - ✓ Be present in both industrial and heating market and better in more heating markets
  - ✓ Geographical diversification of the purchasing portfolio
- ✓ FLEXIBILITY:
  - ✓ Logistic: be able to load from container, coaster till handy, train, trucks;
  - ✓ Manage warehouse both in upstream and downstream
  - ✓ Most of the suppliers with both certifications for industrial and residential markets
- ✓ Optimization and development: margins are generally tight, it's mandatory to look always for optimization/sinergies and always trying new ideas, keeping in mind that……

…..WHAT WORKS TODAY WON'T WORK TOMORROW!!

Thank you :: Gracias

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