

# WESTAS

Westas Group's stakeholder magazine 1/2023

**KALLE PETRANEN, MANAGING DIRECTOR OF  
KULJETUSLIIKE S. KAKKO OY**

## **A PARTNER IN GOOD TIMES AND BAD**

**PAGE 10**

**ANNIINA KOSTILAINEN,  
PUBLIC AFFAIRS MANAGER AT THE  
FINNISH SAWMILLS ASSOCIATION**

## **SURVEY REVEAL SUCCESSIONS IN THE FOREST**

**PAGE 8**

**MIKKO PASSOJA, REGIONAL HEAD OF SALES  
IN WESTERN FINLAND AT BEST-HALL**

## **THE WORLD'S MOST DURABLE STRUCTURE TO PROTECT SAWN TIMBER**

**PAGE 16**



# WESTAS

Westas is Westas Group's magazine for forest owners, customers and other stakeholder groups. It is published twice a year.

Westas Group produces high-quality spruce and pine sawn timber for the domestic market and for global export markets. The Group is one of Finland's largest private wood-processing companies. Its current mills are located in Koski and in Pori.



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## EDITORIAL

# COMMITMENT TO NEW PEFC REQUIREMENTS



The acceptability of forest use is subject to constant challenge. In recent years, voluntary systems which steer forest use, such as the PEFC system, have also been criticised. We can respond to this criticism by showing our commitment to the certification requirements, our high-quality completion of action, and monitoring of the work. Given the scale of our operations, our shortcomings are exceptions, and generally speaking our operations are very professional. No system is watertight and mistakes do happen. We address any shortcomings we discover. The most important thing is to aim for the best possible outcome and to have the will to constantly improve operations.

In PEFC certification, operations are audited by independent certifying companies and inspections carried out by the certifiable bodies themselves, the latter of which increase in number under the new PEFC standard in force since the start of the year. The quality of actions is monitored through terrain inspections carried out by companies on sites. This is an indisputable advantage for forest owners, too, as monitoring can demonstrate good work quality and if necessary intervene in detected mistakes. On a broader scale this increases transparency.

The new PEFC standard further bolsters diversity. The number and thickness of living and

dead retention trees is increasing, and in future the site must present both dead and living retention trees. If there is not enough dead tree growth on sites, decaying wood is initiated by creating artificial stumps. The buffer zone demands for bodies of water are expanding, and only selective cutting is permitted on buffer zones. Attention has also been paid to prioritising a mix of tree species and increasing thickets. These actions increase diversity and offer habitats for species at various stages of forestry. A diverse forest is stronger against changing climate conditions.

Certification is a continual process, and over the 20-plus years during which PEFC certification has been awarded in Finland, the sector has seen constant improvement. It has played a large role in tackling the shadow economy and promoting nature management methods. For example, retention trees, buffer zones and thickets are nature management methods which have been introduced through certification. The positive development may be considered a shared resource of the entire forest industry. Together, we must all ensure this trend is maintained in the future. ✕

MARIA NYSTRÖM  
 EXECUTIVE DIRECTOR

KESTÄVÄN METSÄTALOUDEN YHDISTYS RY  
 (SUSTAINABLE FORESTRY MANAGEMENT ASSOCIATION)



# 1/23

- 2 Editorial  
Maria Nyström
- 3 Contents
- 4 Forest owner  
An ear for forest owners



- 6 Timber trade  
A busy spring ahead
- 7 Westas people  
Familiar and ample flavours
- 8 Biodiversity project  
Survey reveal successes  
in the forest
- 10 The book of friends of Westas  
A partner in  
good times and bad

- 11 Westas News  
Networking event for jointly  
owned forest stakeholders

Ground-breaking solution  
for Masku terminal

New director appointed to  
Forestry Department

- 12 Economy  
A year of financial stability
- 14 Saw trade markets  
Feeling the way forward

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*"Every few years, we sell  
timber, and on one occasion  
we really took a liking to  
Siv's fresh views and skills."*

— Jari and Tuija Rainio

- 16 Investment  
The world's most durable structure  
to protect sawn timber



- 18 Partner  
Towards greener operations



# AN EAR FOR FOREST OWNERS

*More and more forest owners associate a range of values and goals with their forests. Commercial forest farming does not exclude valuing recreation and natural conservation so long as the forest is managed correctly and with the right partners.*

**T**he history of the Alitalo farm, near the sea in Luonnonmaa, Naantali, goes back a long time, to 1696. Even though the land has been divided and reunited over the centuries, it has always been owned by the same family. The most recent generational shift happened in 1984, when the tenth generation of farmers took over the farm.

– The oldest surviving buildings are from the eighteenth century, says **Tuija Rainio**, who is the current

owner of the family farm.

The lands are in the municipalities of Naantali and Pargas and total around one hundred hectares. Over the centuries, the farm provided a livelihood through farming, fishing, livestock and of course forestry, but nowadays there are no longer any animals, and the fields have been rented out for almost a decade.

– I grew seed crops and sugar beet for 23 years. Having the Naantali sugar plant just three kilometres away was a big advantage, **Jari Rainio** says.



## MANY USES FOR FORESTS

The owners began to build cabins on the lands over 50 years ago. At that time, cabin rental was still completely new in Naantali, but very soon the seaside cabins in natural surroundings attracted renters. Nowadays, the cabins are a pillar of the Alitalo farm's finances.

– We have many regular renters, some of whom take a cabin for the whole summer. Many of them are keen ramblers and berry pickers in our forests, and we've made a nature path in our forest which our guests use, Tuija Rainio says.

Alongside holiday rentals and farming, the significance of the forest for the farm has been large. The forest has satisfied daily material needs as well as providing an income: the farmhouse and some of the other farm buildings are built of timber from the forest, and the farmhouse and other buildings were heated by timber from the forest for over 30 years. The Rainios actively follow the public conversation about forestry. The discussions about felling and limiting timber as a fuel, as well as the criticism of the forest industry, cause them concern.

– When I worked in the customs sector I understood how significant forestry exports are for Finland. I hope that managed forests and the forest industry are valued as they should, because the question is what will happen to our national economy if we can't use the forests any longer, Jari Rainio asks.

## NATURE FIRST

A short walk from the farmhouse is a building called Metsä-Jukola, the old South-west Finland forestry school, whose students for years visited the Alitalo forests to practise forest management. The forest owners themselves attended this school.

– We both learned about forest management as young children, but I learned a lot of new and valuable information when I had the chance to attend Metsä-Jukola to build on my knowledge, Jari Rainio says.

The Rainios say they use the forest in many different ways. In addition to a source of income, the forest is a place they ramble and pick berries, and its scenic values are important. Jari Rainio proudly presents his light-filled pine forest and regrets the number of poorly farmed forests in Finland.

– When you drive north from here, you see how the forests along the road have not been managed for some time. They're so wild, the light doesn't get into them. The forest ought to be managed in time to give the trees space and light to grow and to make the forest a pleasant place for walkers and berry pickers.

The Rainios avoid clear-cutting in their forests, instead preferring natural forest renewal and striving towards biodiversity. They also had a semi-natural biotope agreement on the lands for fifteen years.

– Every few years, we sell timber, and on one occasion we really took a liking to Siv's fresh views and skills. Because valuing nature is really important to us, I'm glad that Westas offered the opportunity to fell trees in the way we preferred, avoiding large clearings.

In addition to consideration of their wishes, the Rainios appreciate the advice they get from a forestry expert. When they inspect the tree growth together on the ground, they have a discussion and form new views, and at the same time even these experienced forest owners can bring their knowledge up to date. In timber trade, who harvests the trees is also important.

– Anyone can flatten things, but a good machine operator cuts carefully and ensures tidy harvesting.

# THE CALM OF THE FOREST IS THE BEST THING



When **Siv Vesterlund-Karlsson** graduated with a degree in forest engineering, she left for Germany, where she spent a few years working and learning more. On her return to Finland, she first found a job in the Kemitoön forestry association and then the timber procurement organisation of a forestry group. For the past few years, she was responsible for forestry at the Söderlångvik Manor, until in May 2022 started as a forestry specialist for the Turku area at Westas.

As a child, Siv dreamed of becoming a hairdresser, but as the years went on it became clear that she would find a profession in nature. If she were not working with the forest, she would be sure to be working with nature in some way.

– In this job, I get to work with nature and people. All kinds of people are what make this job what it is. As I get older, I've come to understand that even if you don't gel with everyone, you have to get along with them. When you manage to do that, it's rewarding.

In the forest, Siv does not have a particular favourite place, trait or type of landscape that appeals to her above all others. The most important and significant thing is the calm of the forest.

– I just love being active in the peace and quiet of nature. Having my dog with me is a bonus.

The forestry specialist Vesterlund-Karlsson usually feels safe in the forest, but once her heart skipped a beat.

– I was on my way back to my car when I first saw an elk calf and then, a little further on, its mother. I'd ended up between them and thought things could get dangerous. However, all ended well: I got back to my car and the mother elk kept walking with her calf.

Siv has an important message for forest owners. She would like to see them take a more diverse approach to managing and farming their forests. There is no one-size-fits-all solution, and there are numerous and varied opportunities for managing and farming forests. Owners have to be interested in their own forests, but they don't have to know everything.

– That's why we forest specialists are here. We're happy to help and provide advice. ✕



“From the forest owner’s perspective, now is the best time to sell.”

— Pietari Niemi

## A BUSY SPRING AHEAD

*Even though the timber trade is a local and national business, world events in the first months of the year have affected it. Reduced supply in various timber grades has to a certain extent redirected timber streams and raised the prices paid for logs.*

**T**he timber trade at the end of 2022 was good, partly due to good prices and partly due to continued staunch demand. Demand was heightened by the end of timber imports from Russia and the energy crisis, which saw more timber being burnt as fuel. In December, the Westas Forestry Department had its hands full as it finally transitioned from an old forest system to a new one.

— The transition was done in one fell swoop, which demanded an effort and learning new things of all of us. Because of this, we were a little sparing when it came to

timber purchasing, but we returned to normal very quickly, and the change was hardly visible to customers at all, **Pietari Niemi**, Purchasing Manager at Westas, says.

### PRICE PEAKS IN ALL TIMBER GRADES

The year began, in typical fashion, moderately. Sub-zero weather aided timber harvesting until an unexpected thaw brought rain, which softened the hard ground amenable to harvesting.

— It looked bad then: we had to stop working on winter stands and move on to the spring thaw stands. However, the winter returned and the spring harvesting went as usual.

The jump in prices for logs and fibrewood already happened last year. The most obvious reasons for this were the consequences of Russia’s invasion of Ukraine and the rising prices for sawn timber. Fibrewood prices experienced a relatively higher rise than logs, and the demand also grew as the pulping industry competed with dendroenergy users for slim supply. After a small decline at the end of the year, the price of logs started rising again and has now reached a record high level, notwithstanding the return of the sawn timber markets almost to the levels preceding Covid.

— Sawn timber prices have come down fast, but raw material costs are still high. It remains to be seen when and how the situation will begin to balance out.

### EASE AND RELIABILITY

Westas’s wood reserve has been at a normal level, and timber is still being bought actively. Niemi believes that the record price level will bring the start of spring purchases forward and that the purchase volumes will be high.

— We are buying as normal, and we’re open to offers on all kinds of summer and spring thaw stands, from first thinning to final felling. We’re particularly interested in final felling. From the forest owner’s perspective, now is the best time to sell.

As spring arrives, new specialists are joining the Forestry Department. Purchases and operations are being strengthened and the Department aims to provide forest owners with a more holistic service.

— More and more forest owners have started using our forest regeneration and management services, as well as Log Account. We want to offer forest owners ease and reliability, and it appears we’ve succeeded at that, Niemi says. ✕



# FAMILIAR AND AMPLE FLAVOURS

*The Pihkapirtti employee canteen has served the workers of Westas Raunio and drivers who pull up in the yard since 1993. Johanna Mäntsälä has managed the kitchen for about fifteen years and knows what kind of lunch the Westas workers like on a workday.*

**W**hen **Johanna Mäntsälä** finished school, she had a decision to make – what next? There were really only two choices: hairdressing school or studying institutional catering.

– I went to learn more about each school and ended up choosing catering, partly because of my mother's advice.

After graduation, Johanna ended up doing completely different work, however, at the Nokia mobile phone factory in Salo, where she sometimes substituted for others in the kitchen. A path through the kitchens of a catering service, school and a nursing home finally brought her to Westas and the Pihkapirtti employee canteen and the role of substitute for the head of the restaurant during a leave of absence. That was in 2008. Soon, the substitute found herself the head of the restaurant and business owner herself.

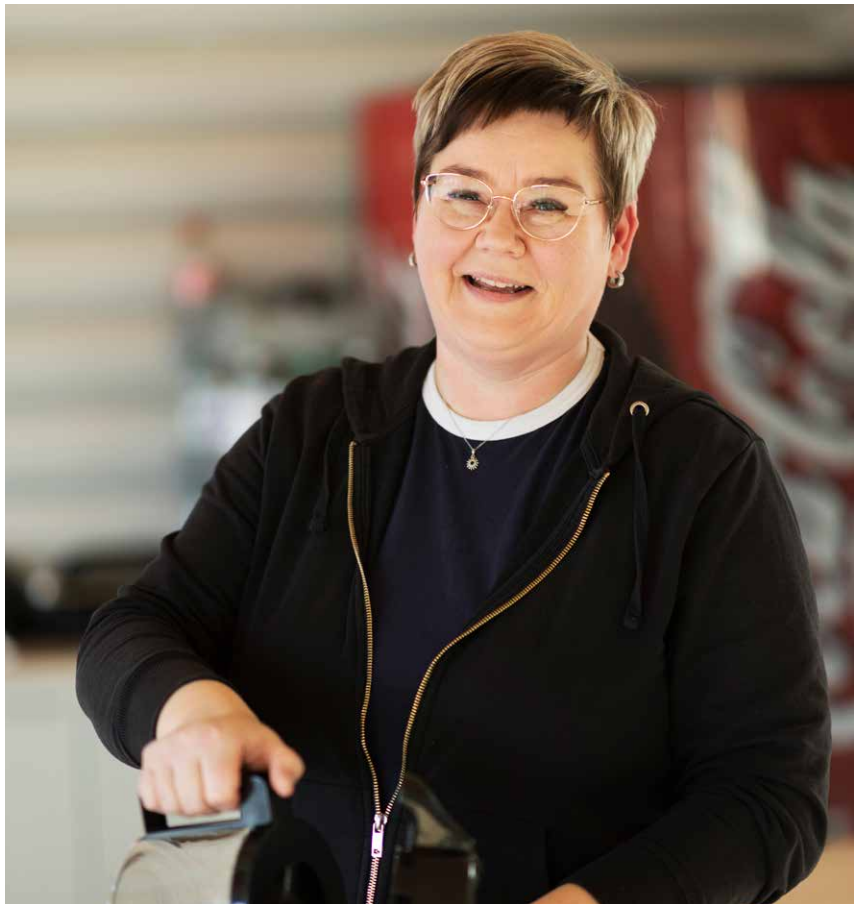
## WASTE NOT, WANT NOT

Nowadays, the employee canteen is run by Westas and Johanna is an employee of the sawmill. Foodstuffs are delivered from a kitchen nearby and Johanna ensures they are put out, dishes are washed and the kitchen is clean. However, mornings begin with arranging the 36-seater canteen, which was renovated four years ago, and laying the tables for breakfast.

– I cook the porridge, put out the breakfast things and prepare the gluten-free and dairy-free foods for lunch. I sometimes bake rolls and run meeting refreshments over to the office, even though baking is not one of my favourite things, she says with a laugh.

Johanna is strict about food waste. Leftover porridge is used for bread roll dough, Pihkapirtti sometimes sells food to go, and leftover salads feed the employees' goats and chickens.

– I like to keep the compost waste bin as empty as possible.



*“Westas employees like good home cooking which is on offer amply keeps them going.”*

– Johanna Mäntsälä

## SUMMER BRINGS LIFE TO THE KITCHEN

The irregular canteen user numbers cause problems. Because of the location of the restaurant, outsiders do not normally drop in, so some days nine portions are served and some days 35. Predicting is hard, meaning food has sometimes run out. The transition to working from home during Covid made the situation even worse, as there was only a handful of people at the sawmill each day.

– We did try requiring prior registration for lunch, but it wasn't successful.

However, some predictions can be made on the basis of the menu. Johanna says that Westas employees like good

home cooking which is on offer amply keeps them going.

– Pork fillets, beefburgers, oven-baked sausage. When they're on offer, there are more customers. The most popular dessert is sweet quark.

Johanna is the boss in her kitchen and does the work in her own way and to her own pace. She laughs and says that if something goes undone, she only has herself to blame. However, this catering professional who enjoys doing things by herself enjoys a full canteen most of all.

– In the summer, there are often external renovation and installation groups in the sawmill who work long days and come here to eat. I like to work in the summer most of all, as there's a buzz about the place here. ✕

# SURVEY REVEAL SUCCESSIONS IN THE FOREST

*The Finnish Sawmills Association, in association with Finnish Forest Industries, is conducting a study to chart biodiversity in forests. The goal is to document the impact of work already done, but also to establish which areas in forest management need stronger attention.*

**T**he two associations' biodiversity road-map work began from a kind of realisation in forest companies.

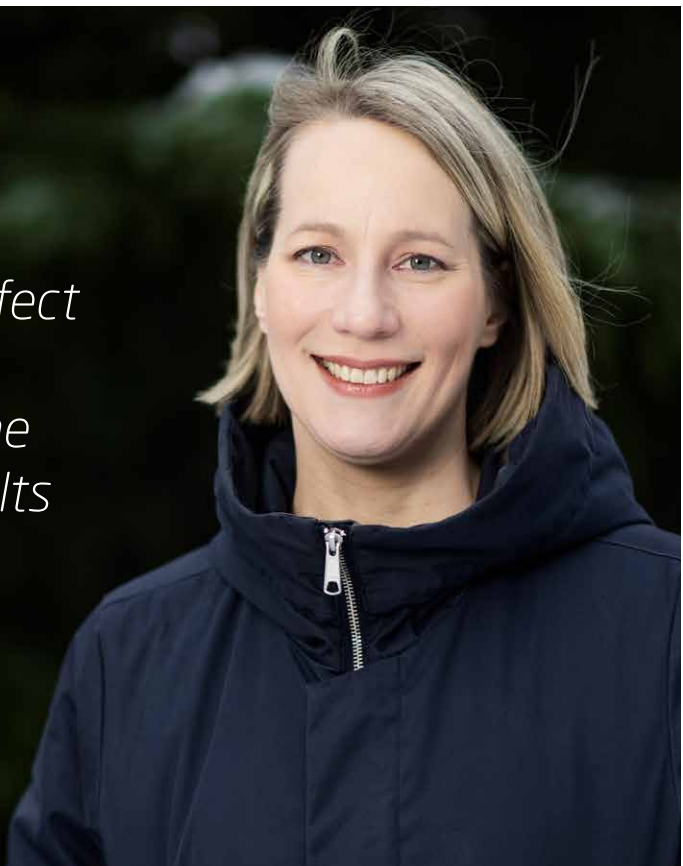
– It is expected that biodiversity issues will catch up with and overtake climate ones. For this reason, many sectors have begun making various road maps about their operations' nature impact, says **Anniina Kostilainen**, Public Affairs Manager at the Finnish Sawmills Association.

However, the forest industry woke up to the issue years ago, with commitments being made to improving the state of nature as early as the nineties.

– As a sector that uses natural resources, we've long understood our responsibility and I'd dare to say that Finland already has the world's best information in this field.

The purpose of the study under way is to again produce new, widely sourced scientific research data. The project, begun in November 2022, will continue until the autumn. In addition to the Finnish Sawmills Association and Finnish Forest Industries, the University of Eastern Finland, Metsäteho Oy, Natural Resources Institute Finland and the Finnish Geospatial Research Institute (FGI) are involved.





*“Actions with immediate effect can be done in the forests, but on the other hand some actions only generate results in 80 years’ time.”*

– Anniina Kostilainen

## **FROM THE CURRENT SITUATION TO FUTURE SCENARIOS**

In the first stage of the study, the current state of biodiversity in forests was established. The national forest inventory data were used to map the development of the characteristics that are important for the forests’ diversity.

– By bolstering the forests’ characteristics, such as increasing decaying wood, we can provide the habitats which species need. The stronger those characteristics are, the more the species thrive. Not all species do well in managed forests. However, many species benefit from nature management, which helps give the forests traits similar to those of natural forests, Kostilainen says.

The results received thus far have positively surprised the parties involved. The number of sturdy aspens has doubled, the amount of rarer deciduous trees and decaying wood, in particular, has grown, and the share of old forests has increased. Based on the extensive Operation Bilberry, the study has also assessed the coverage of plant species.

– Excessive soil preparation affected the vitality of the bilberry, but we can now see that lighter soil preparation methods mean there is no more concern for the state of the berry. In addition to bilberry, the lingonberry, crowberry and various mosses are also strongly growing in volume.

However, there is room for improvement. Mixed forests have not proliferated as hoped, and spruce has assumed a very prominent share in some forests. The development of mire species has also gone into decline.

The next phase of the study will create a range of scenarios for the development of Finnish forests’ biodiversity to the year 2100.

– Actions with immediate effect can be done in the forests, but on the other hand some actions only generate results in 80 years’ time. This makes a long analysis period necessary, Kostilainen says.

One part of the work is establishing how technology can be used in the future to measure biodiversity. A harvester’s log grab can be fitted with a sensor which provides information about the situation of the forest in real time, helps identify nature sites, and tracks buffer zones and where to leave decaying wood and retention trees.

– After felling, the forest owner immediately has access to information about how the harvesting was done, not just from a timber production perspective, but also from a biodiversity one.

## **FOR A STRONGER FOREST**

Kostilainen stresses that the results hitherto show that the work aimed at improving the natural state of the forest over the past 30 years has had a real impact and that the forest owners’ action has been in the right direction.

– I’d like to see both forest owners and forest industry players get the appreciation they deserve for the work they’ve done to promote biodiversity.

The new information provides the industry with tools for advocacy, communications and dialogue, both in Finland and at the EU level.

– Transparent research done by the industry itself is important for another reason: we want to keep the management of and decisions about forest resources in our own hands. If we don’t do this work actively, there’s a risk of forest use beginning to be directed from outside.

However, Kostilainen points out that biodiversity work has a mission more important than politics and industry: through its own actions, every company and forest owner can do a lot of good for the future, themselves and nature.

– A diverse forest grows better, yields more wood and is better prepared against forest damage. That is ultimately an insurance policy for forest owners. ✕

# A PARTNER IN GOOD TIMES AND BAD

*The transport company Kuljetusliike S. Kakko Oy, based in Koski, transports logs to the Westas Raunio mill. Even though the company is under new ownership, the cooperation between the sawmill and the transport company has continued for years.*

**S**ulo Kakko founded his company, focused on timber transport, in 1952, the year of the Helsinki Olympics. At the start, it was just a man and a lorry, but operations gradually expanded, and by the start of the eighties Sulo's sons **Kari** and **Reijo** came on board. When Kari Kakko, who had run the business, was ready to retire, his sons had already started other companies, leaving the business without an obvious successor. For the past four years, **Kalle Petranen** and **Sami Kakko**, who owns an HGV repair shop in Forssa, have run the transport business.

## WHO ARE YOU?

**Kalle Petranen**, managing director and part owner of Kuljetusliike S. Kakko Oy. I've driven machines and lorries all my life, and logs for the past eight years now.

## HEADCOUNT AND TURNOVER?

Turnover is about EUR 1.5 million, which we generate with six permanent drivers and a few entrepreneurs who we can call up if and when we need them.

## FLEET?

We drive five lorries, two of which are used in two shifts. At the moment, the average age of the fleet is around 4.5 years. We used to try to replace the lorries every 5–6 years, but that interval is longer now.

## WHAT ARE YOU GOOD AT?

Our drivers are professionals, and we've got to know the area and its forest owners well over the years. As for me, I think my familiarity with the sawmill as an operating environment is a strength, as I've also driven wood chips and worked on the Raunio mill log yard as a wheel loader driver.

## HOW DOES THE FUTURE LOOK?

I'm concerned about rising prices and the availability of skilled labour. The state of the roads causes hazardous situations almost every day: some bumps and shakes are sometimes enough to make small lorries uncontrollable. On the other hand, the partnership with Westas provides a sense of security. Westas has shown that the sawmill operates in both good times and bad and that there's enough work for us too.

## WHAT'S REWARDING?

My own freedom and the tangible sight of my own work when the roadsides are emptied. The new system we're operating with is like a to-do list where you can cross off jobs as they're done. That's rewarding. Driving a log lorry is also problem-solving work. It's very common for a lorry to be stuck somewhere every day in the winter, but an experienced driver can see the blackspots in advance and avoid them.

## A MESSAGE TO OTHER ROAD USERS?

I'd ask for moderation and understanding. Sometimes it feels like people think we dart out of side roads into the midst of traffic on purpose. However, a log lorry cannot stop or accelerate quickly and also needs space to turn.

## WHAT STORY WILL YOU NEVER FORGET?

I once fell asleep at the wheel of a wood chip lorry and rolled it over. Fortunately, I survived with just a scare and some body damage. From that I learnt that no matter what the situation, you have to take a break if you're feeling too tired.

## YOUR FAVOURITE SONG?

Dire Straits, Money for Nothing. ✕





# NETWORKING EVENT FOR JOINTLY OWNED FOREST STAKEHOLDERS



Pietari Niemi (left) and Ville Järvinen, photo: Westas

The Jointly Owned Forest Days event for people involved with this type of forest is held in Finland every three years. The event offers networking, training and information for people involved in running and administering jointly owned forests, as well as other people interested in the topic. The eleventh Jointly Owned Forest Days were held at the end of March this year in Tampere.

Westas had its own stand at the event. The company was there to strengthen existing relationships with the shareholders of jointly owned forests and to form new ones.

– There are jointly owned forests in all our procurement areas, and they are a highly important partner network for our company, **Pietari Niemi**, Purchasing Manager at Westas, says. ✕

# GROUND-BREAKING SOLUTION FOR MASKU TERMINAL

The demand for energy wood has increased, particularly as a result of the phasing out of coal and peat burning. The growth in wood fuel deliveries has mostly consisted of lopped energy wood which is delivered to terminals for chipping during the heating season as a fuel for heat and electricity generation. The growth in delivery volumes has allowed Westas to develop its terminals' functions, and in recent years the steps taken have significantly improved the security of supply of fuel deliveries in the winter season.

Now, an electric-powered chipping station, with chipper machinery inside a soundproofed building, has been built at the Westas Masku security of supply terminal. The chipping station is the first facility to be built by a wood fuel supplier in Finland and an example of Westas's open-mindedness when advancing the Finnish wood-fuel supply chain. The metalworking company Terco Oy, from Marttila, South-west Finland, built the facility, and the horizontal grinder is an HG 6000 E from American manufacturer Vermeer.

– This solution reduces disruptive noise in the area

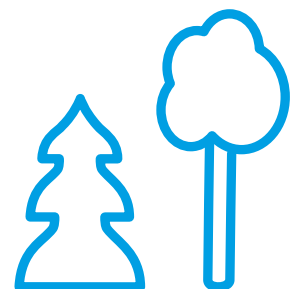
and reinforces the security of supply of production. It is also economical to run, Westas's Bioenergy Manager Juha Vahtera says of the benefits of the chipping station, and continues: – In the long run, the company intends to transition completely from combustion-engine chippers to electric ones, which are both environmentally friendly and significant less noisy than mobile chippers.

The chipping station started operating in production in March. In the future, the facility's capacity will allow for all wood fuel to be transported to Masku as a centralised delivery hub, which is excellently located for the area's heating and electrical plants. ✕

# NEW DIRECTOR APPOINTED TO FORESTRY DEPARTMENT

**Maija Perävainio**, M.Sc., has been appointed Forestry Director and a member of the management team of Westas Group Oy. Perävainio will move to the role from that of manager of the Metsä Fibre

sawmill in Rauma. Previously, Perävainio worked in a broad range of timber procurement and HR roles in the forest industry. The new forestry director will assume her new post from the end of June on. ✕



# A YEAR OF FINANCIAL STABILITY

*The last financial year was something of a year of two halves, with strong demand and rising prices for sawn timber in the first half both declining from the start of the autumn. In spite of this, the Westas Group companies ended the year with good results.*

**T**he sawmilling industry, traditionally one with low profitability, has experienced a positive business cycle for the past couple of years. Thanks to this positive period, sawmills have been able to bolster their finances and invest in enhancing and modernising production. Increased profitability has also strengthened forest owners' position, as they can now be sure that there is a solvent, local buyer for their logs.

## SIMPLER GROUP STRUCTURE

The parent company of the Westas group, Westas Group Oy, provides the raw materials for the sawmilling and biofuel business. It employs a total of 51 people and also provides sales and administration services for the entire group. Previously, the parent company had three subsidiaries – Westas Raunio, Westas Pihlava and Westas Bioenergia – but at the end of 2021 the group structure was simplified and Westas Bioenergia Oy, which is responsible for the biofuel business, was merged with the parent company.

At the end of the financial year, the turnover of the parent company, Westas Group, was EUR 120.2 million (2021: EUR 102.4 million) and the profit after intra-group financial transfers from the subsidiary companies, Westas Raunio and Westas Pihlava, was EUR 22.2 million. The parent company's balance sheet was EUR 88.7 million (2021: EUR 82.5 million) and the equity ratio, with consideration of capital loans, rose to 65.4% (2021: 48.8%). During 2022, Westas Group bought almost one million cubic metres of logs from western Finnish forest owners for its sawmills.

The turnover of the entire Westas group amounted to EUR 186.1 million (2021: EUR 175.2 million), and its profit was EUR 24.9 million (2021: 26.7 million). The share of by-products and energy products in turnover was just under a fifth. At the close of the financial year, the group's equity ratio, with consideration of capital loans, was 64.3% (2021: 54.6%).

## SUCCESSES DURING A DOWNWARD CYCLE

In the last financial year, Westas produced a total of 456,000 m<sup>3</sup> of sawn timber, of which 67% was spruce and 33% pine. The volume was a 5% decrease on the previous year, a decline due to a weakening in global demand in the second half of the year. At the start of the year, however, increased sawn timber prices boosted the turnover of both Westas Raunio and Westas Pihlava, both of which maintained profitability at the previous year's level.

The turnover of Westas Raunio, located in Koski, was EUR 84.6 million (2021: EUR 79.9 million). In spite of the sharp rise in production costs, the profit for the financial year was EUR 0.7 million (2021: EUR 0.4 million). In terms of turnover, the most important sawn timber markets were Europe (45%), East Asia (21%) and North Africa and the Middle East (14%). A tenth of the turnover of the 60-employee-strong Westas Raunio came from the Finnish sawn timber trade, and the share of by-products

in turnover remained at the previous year's level (EUR 8.9 million). Upgrades such as a replacement of the sawmill's automated technology were made during the financial year, with all investments totalling EUR 1.3 million.

The turnover of Westas Pihlava in the 2022 financial year was EUR 73.2 million and the profit for the financial year was EUR 0.6 million (2021: EUR 16.7 million; EUR 2.3 million). At this Pori-based business, sawmilling production decreased by 3% to 220,000 m<sup>3</sup>. Like Westas Raunio, the largest share of turnover, 46%, came from the sawn timber trade with Europe, and the second-largest share came from North Africa and the Middle East (16%). Sawn timber sales in Finland accounted for 10% of turnover, while by-products in the Finnish market constituted 14%. In all, investments of EUR 3.1 million were made in the 62-employee-strong Pihlava mill, an increase of EUR 500,000 on the previous year.

## CHALLENGING BUSINESS ENVIRONMENT

The new financial year has begun in an expectant mood. The war in Ukraine, rising interest rates and inflation have increased market uncertainty, and construction is not expected to show previous growth levels. Even though demand has for the moment remained stable, sawn timber prices have dropped to levels last seen before the rise in prices in the spring of 2020.

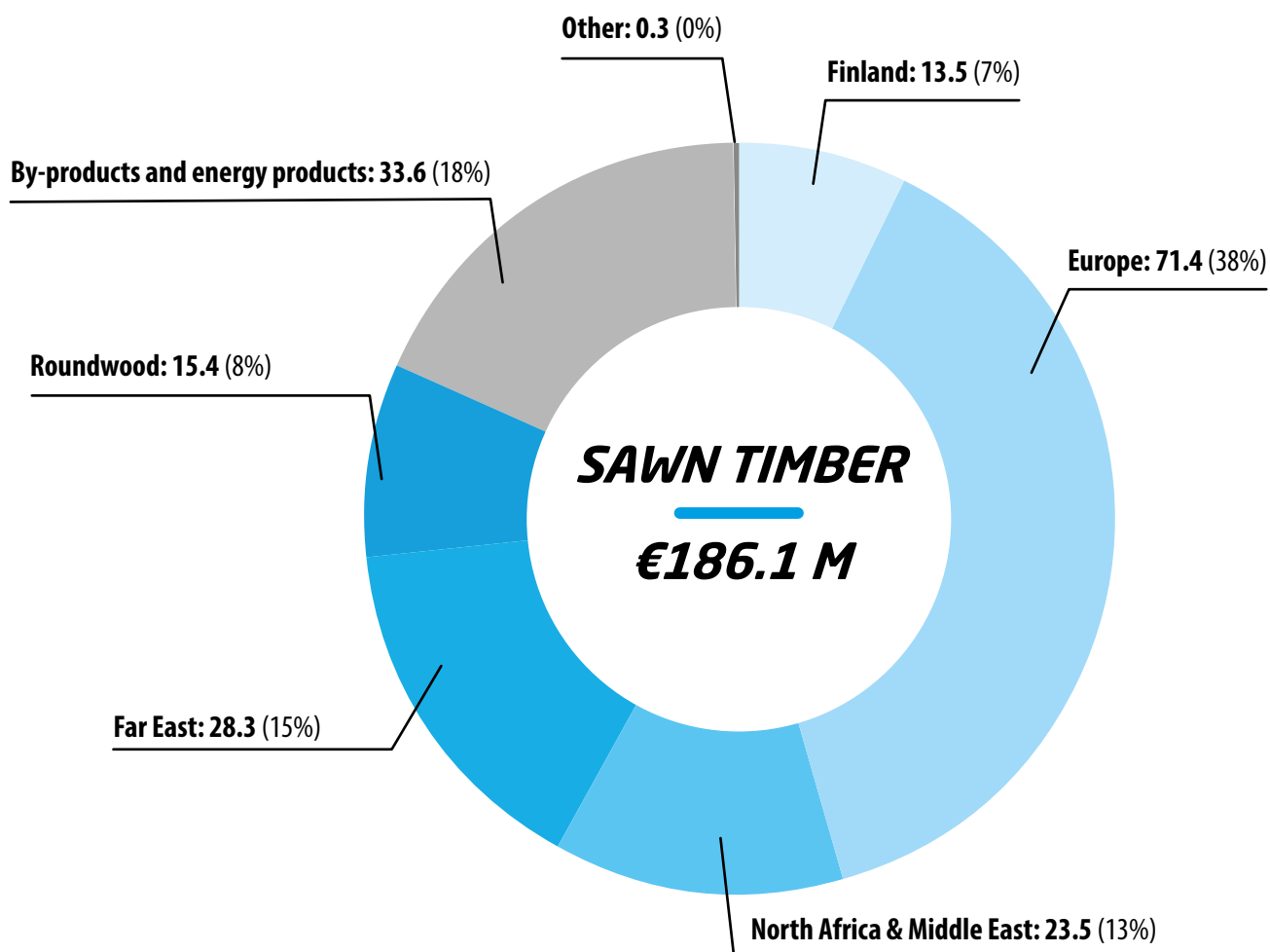
– At the same time, costs have risen across the board, in particular freight and energy prices, but log prices have not been flexible downwards during the fall in sawn timber prices. This year will be a challenging one in profitability terms, Westas CFO **Minna Saaranluoma-Carpelan** says.



Westas CFO Minna Saaranluoma-Carpelan



## DISTRIBUTION OF WESTAS GROUP'S NET SALES IN 2022

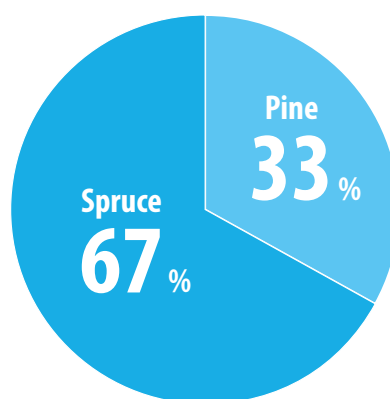


The transition from fossil to renewable fuels has accelerated demand for dendroenergy. She believes the demand for sawmills' by-products will continue to grow progressively if the business environment stays as it is now.

– Timber is a renewable energy source, and its use must continue to be allowed in Finland.

In addition to profitably challenges, the greatest uncertainty is related to the availability of timber. Competition for raw materials has intensified following the end of timber imports from Russia and the forest industry's investments' increased need for raw materials. However, Westas places its trust in good collaboration with its forest owner partners.

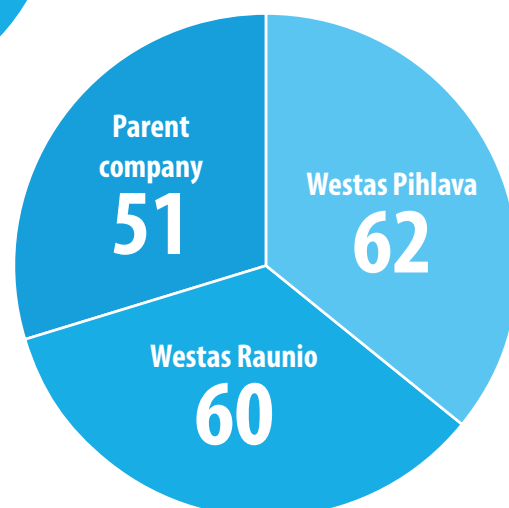
– As long as we retain control of forestry matters in Finland, I am confident that we can keep getting high-quality logs for Finnish sawmills in future. ✕



**PERSONNEL,  
AVERAGE:**

**GROUP**

**173**



# FEELING THE WAY FORWARD

*After a couple of good years, the momentum on the sawn timber market has slackened a little, and a drop has occurred, particularly in prices. Even though matters are now less predictable and the situation changes from one quarter to the next, Westas has retained its position and acquired new customers.*

**U**ncertainty began to creep onto the sawn timber market at the start of the autumn in 2022. The worry in the spring about sufficient supply levels had caused a strong demand which filled warehouses to the brim. At the same time, prices started rising and the passing on of the increase to retail prices eventually had a decisively dampening effect on trade. The sawn timber trade in October–November was weak, and prices dropped sharply. In the autumn, the price level also began to diverge. Unusual pricing made the market situation more difficult and confused customers.

– That can sometimes happen in a challenging market. As a result, customers are not clear about the true level of supply, which also affected the trade configurations at the start of the year, Westas Sales Manager **Arttu Jalas** says.

However, signs of recovery and reduced customer stock levels began to be seen in December, and in 2023 the first quarter sales almost reached the normal level in quantitative terms.

– Even though trade was brisk, the prices at the start of the year were far too low given the cost structure of the sawmill. All the sawmills had the same problem.

## NO RADICAL CHANGES

Construction activity in Finland has collapsed and starts on timber-framed houses have dropped to 2015 levels. Nevertheless, the market situation seems satisfactory. Renovation construction continues apace and sawn timber is now going primarily to further processing and industrial users. Hardware store sales are also predicted to pick up during the spring.

In Europe, the French market has retained surprising vigour. Demand exists, and warehouses' stock levels are low. Germany, by contrast, has divided into two camps. In the slab market and planing sector which are important for Westas, demand and outlooks are good, whereas in the glulam beam sector, the mood is somewhat more pessimistic. Exports to Denmark and the Netherlands remain steady, but the situation in the UK continues to be weak. The disruption arising from full warehouses was worse in the UK than in other markets, and has been slow to rebound. The situation has been worsened by the British driver shortage, which has contributed to slower warehouse emptying.

– In the Baltic countries, though, demand has been good. Estonia has become an important and significant market where we've managed to get new customers, Jalas says.

Westas's important Japanese market has remained stable, predictable and reliable, above all in terms of spruce. It remains to be seen how much rising construction costs and, on the other hand, the drop in production in Canada, which serves Japan, as well as the decreased imports from Russia, will affect the coming year's demand.

In the North African pine market, the environment is still challenging. Export volumes to Algeria and Morocco declined somewhat on the previous year, but Egypt, by contrast, increased imports. However, Finland's largest pine export destination is weighed down by economic problems.

– The Egyptian population and need for construction are growing strongly. That means there's demand, but trade has been dogged by an unstable economy and the related red tape.

## WAR CHANGES CUSTOMERS' BUYING HABITS

In spite of the small setback in the markets, Westas's warehouse levels have remained normal and production has continued as planned. The stevedores' strike in February, however, briefly filled up yards and warehouses. Jalas considers the situation regrettable.

– A situation like this can quickly cause big problems for an export industry. Customers are concerned by the uncertainty of the logistics chain. Fortunately, a deal was reached and the backlog was cleared.

Russia's invasion of Ukraine has changed the configurations on the global sawn timber markets. With Russia, Belarus and Ukraine out of global production, the flow of goods on the European markets have reorganised themselves somewhat, and Westas has acquired new customers, particularly in the Baltic countries.

– Some customers need new suppliers, some have to have Scandinavian sawn timber because of the war. For some, the pressure comes from their own customers. In many cases, turning away from Russian sawn timber is a clear choice, Jalas says.

The war has now lasted over a year and is not believed to bring any changes larger than the current ones to the markets. By contrast, prolonged inflation, increased interest rates and weak consumer confidence are bound to cramp demand in the future. However, demand is expected to perk up in the second quarter, accompanied by a rise in prices to a certain extent.

– Even though the spring and early summer seem brisker than the start of the year, it's impossible to say anything about the end of the year. The third quarter is still anyone's guess, Jalas says. ✕



A man wearing a bright yellow high-visibility jacket with reflective silver stripes and an orange safety cap is standing in a wood processing facility. He is holding a long wooden beam. The background shows industrial equipment and wood stacks.

*"Renovation construction continues apace and sawn timber is now going primarily to further processing and industrial users."*

— Arttu Jalas



# THE WORLD'S MOST DURABLE STRUCTURE TO PROTECT SAWN TIMBER

*Almost fifty years ago, three buddies started a company in Kälviä, Finland, which manufactured and erected hall frames. It became a global path breaker in hall construction. Best-Hall is also famous as a reliable partner to sawmills.*

**L**eif Kempanen and his partners **Bjarne Skog** and **Taisto Virtanen** may be considered pioneers in hall construction. When the idea for the Best-Hall company arose, several steel-framed fabric structures had already been built in Sweden. However, in Finland the sector was completely new. Nevertheless, interest in the durable construction arose quickly, and the business took off. In the beginning, the business employed a small team, but as operations expanded with time, the company's premises expanded and queries started to come in from elsewhere in Europe in addition to Finland.





*“Best-Halls are the largest and most durable structures on the market.”*

– Mikko Passoja

In 1997, the company was acquired as part of the Wiklöf group. At the time, Best-Hall was still exclusively manufacturing fabric-covered structures, but in 2010 it began manufacturing steel halls too. The company now turns out over one hundred halls annually, and over the decades the factory in Kälviä has dispatched around six thousand PVC and steel halls worldwide. The company, with a turnover of almost EUR 70 million, employees 150 top-notch hall construction professionals and is represented in 14 countries. The company exports half of its output: the most important markets outside Finland are Austria, the UK and Norway.

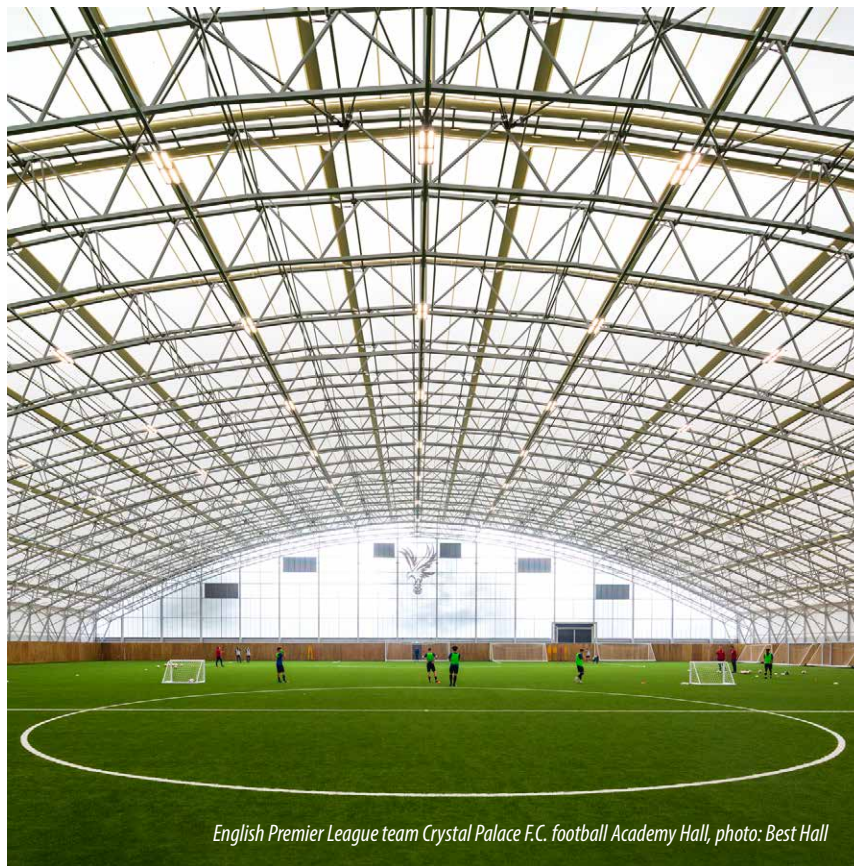
– We are constantly developing our products and production, as well as continually investing in them. Our company's strategy has long been to seek growth, says **Mikko Passoja**, regional head of sales in Western Finland at Best-Hall.

### **RELIABILITY AT THE HEART OF OPERATIONS**

The Best-Hall product, which is adaptable to customer needs, suits a wide variety of applications. In addition to hangars, sport halls, warehouses, logistics centres and manufacturing, harbour, waste and recycling facilities, Best-Halls have been built as riding halls and agricultural sheds.

– For example, we've delivered several halls to Scotland which are used as indoor football pitches, Passoja says proudly.

The range of halls includes warehouse models as well as fully individually designed products. In addition to various roll-up door options, structures can be insulated, furnished with a number of interior solutions, from saunas to offices, with the help of partition walls, and features such as gutter and snow-catching systems can be installed on roof edges. All of these features can be installed immediately upon delivery, but can also be delivered as additional parts later.



*English Premier League team Crystal Palace F.C. football Academy Hall, photo: Best Hall*

The standard height of the Best-Hall structures is five metres, but at their highest the roofs can reach 40 metres. The smallest surface area is 24 x 12 metres, and there is no limit on how large a structure can be. Passoja gives an example: in Oman, the company has built a giant, half-kilometre long structure.

– The maximum width without a central pillar is 80 metres. That means our structures are in high demand in sites where the central space has to be kept clear.

Passoja says that Best-Halls are the largest and most durable structures on the market.

– The roofs can take really heavy weights. In Austria, the snow loads can weigh three times as much as in Finland.

In addition to design and installation, the company provides life-cycle services for its structures. Life-cycle services include maintenance, repairs, condition assessments and alterations, as well as consultations on transfer and reuse if necessary. However, the customer is at the core of everything.

– Reliability is one of the most important values for us. We deliver cost-effective, customer-friendly and process-efficient solutions, and we invest to ensure we have sufficient resources to help our customers. We are extremely reliable providers, and we can deliver a standard hall in as little as four weeks.

### **NEW HALL FOR PIHLAVA**

At the start of the summer, a 90 x 45 metre double-aisle Best-Hall structure with four doors will be built at the Pihlava sawmill. The plans for the structure are ready, and construction began on the foundations this March. The structure is the first of its kind in Pihlava, but the sixth such one for Westas.

– Sawn timber at Pihlava has been stored in old timber-framed shelters or out in the open. The hall now under construction means finished timber products can be brought indoors, **Sakari Virtanen**, production director at Westas, says.

Maanrakennus Mykrä Oy is responsible for the foundations, and Best-Hall is building the structure to turnkey condition. The last equivalent PVC structure was built at the Raunio sawmill in 2018, and the first was built in 1993. Virtanen says that previous experiences weighed in the balance when Westas was choosing a hall supplier.

– The cooperation has always gone smoothly, and the product has met expectations. The structure is filled with light, and because it has no intermediate pillars, it's an easy space to work in. The structures are durable and built for the long term, and have barely needed any repairs. On the other hand, because the shelter is made of PVC, which is not impact-proof, our drivers know they need to drive in the right way, Virtanen says. ✕

# TOWARDS GREENER OPERATIONS

*The role of harbour operator includes processing, warehousing, if necessary, and dispatch of incoming freight. The responsibility for customers' products is great, but a modern operator is aware of and responsible for their shared future.*

**T**he operator of the Mäntyluoto harbour in Pori changed in the autumn of 2022 when Hacklin sold its operations to the Dutch-owned Olmar. At the same time, the Port of Pori's crane business was fused into this harbour operating business. This meant that the new owner also acquired 14 cranes and 25 employees as well as all the properties in the Mäntyluoto and Tahkoluoto harbours in the Port of Pori.

— A total of 50 buildings and 200,000 square metres, Olmar Finland's new Managing Director, **Timo Lehtinen**, says.





With the former employees of Hacklin in Pori moving to a new employer, Olmar Pori now employs a total of 120 logistics and harbour professionals.

— Our experienced employees know and understand customers, the sector and shipping companies. Not everyone has this kind of know-how, ranging from the port to the sea.

### THE FIRST BUT NOT THE LAST

Olmar is a new player among harbour operators. The company is the first such one to be owned by the Dutch pension fund Stichting Depository PGGM Infrastructure Fund, and Pori was the first investment of its kind by Olmar. However, Olmar benefits from a number of skilled people with long experience in logistics ownership, supply chain solutions and organisational structuring. It has ambitious targets for future growth, both through expansion and local operations.

— We intend to invest more in Finland, but also in Sweden and major European markets. More investments are in the pipeline for product warehousing and handling here in Pori, which I'm unfortunately unable to go into more detail on at present, Lehtinen says.

The owner is closely involved in planning investments and determines the criteria, which include a strong focus on sustainability and responsibility aspects. Pori was chosen as the company's first location, in part precisely due to a strong sustainability agenda. For the same reason, an investment in sawn timber is being made in Pori.

— The region is home to a host of industry related to sustainable development and, for example, a lot of copper and nickel — the raw materials of battery industry — pass through our hands. Sawn timber is part of the same category; after all, timber is an environmentally friendly and renewable product. It's old and familiar but at the same time a material of the future.

Lehtinen knows what he is talking about. He previously served as Head of Operations at the metals company Boliden and most recently directed the UPM Seikku sawmill.

— My background means I know the customers and their needs well. I also have good contacts both in the shipping companies and other key players.

### SUSTAINABLE INVESTMENTS

The annual freight volume passing through the Port of Pori is around four million tonnes, of which sawn timber constitutes 15 per cent. Two thirds are bulk products, and Mäntyluoto harbour is exceptionally endowed with open spaces for handling various large items, such as wind turbine components. Lehtinen says the harbour's other strengths are the absence of an archipelago off Mäntyluoto and the deep, ice-free fairway. Extensive experience and good equipment allow operations of many kinds of freight, and the harbour is also suitable for large ships. The electrified harbour railway and good land connections



*“Extensive experience and good equipment allow operations of many kinds of freight, and the harbour is also suitable for large ships.”*

— Timo Lehtinen

serve both the freight dispatchers and recipients.

— For sawmills in the west of Finland, the location of the Port of Pori is excellent, as you can see.

Lehtinen points at a quay, where a ship, the Sagitaurus, is currently being loaded. A large volume of Westas sawn timber awaits on the quayside, and one package after another vanishes into the bulk's hold. In addition to a crane, forklifts, which for the moment run on combustion engines, are used for loading. However, change is on the way.

— The sustainability aspect has come up here, too. We've ordered our first electric forklift and more are due later on. In future, the intent is for all cranes and mobile machinery to be electric-powered.

Lehtinen believes strongly that this direction is the right one.

— As recently as about five years ago I doubted that the sustainability agenda could be anything more than an overhead, and instead something that generated business and growth. It's now totally clear that these things really mean something to our customers and that they also have a positive impact in light of the figures.

Even though the operator is not a shipping company and does not decide on naval fleet procurements, the pressure on customers to prioritise environmentally friendly, low-income freight traffic is also an issue Lehtinen faces.

— So far, around fifteen LNG-fuelled ships are being built around the world, which is a trace amount out of all naval traffic. So it's understandable that there are not yet enough of them for a lot of routes. Maybe some day we can offer carbon-neutral transport of carbon-binding sawn timber to ports the world over, Lehtinen says. ✕





# WESTAS

***YOU HAVE A FOREST.  
WE HAVE A SAW.***

***THANK YOU FOR  
YOUR CO-OPERATION.***

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