

## ZIEGLER GROUP – “IT IS OUR INTENTION TO SOURCE WOOD FROM ROMANIA”

\* Why did Ziegler Group choose to invest in Eastern Europe? Why is Romania important for the future of the company in the wood sector?

Eastern Europe is one of the most interesting regions in the world, as there was and still is a lot of development in the recent years. Our headquarter is close to the Czech Republic, so we also have a lot of Czech employees, we like this kind of intercultural enterprise, that we have. Romania is a country with a lot of chances for society and of course enterprises. The region around Sebes also has a history connected to Germany, so we feel very comfortable in this location. The wood sector will be one of the important sectors on the way to CO<sub>2</sub>-neutrality, as you practically can use the whole tree for products and they save a lot of CO<sub>2</sub>. Our approach is sustainable use of timber in every way, from the production set-up to the product itself.

\* Why did Ziegler Group choose to buy the HS Timber factory in Sebes instead of building a new sawing mill in the country?

As we know that timber is a valuable resource it makes more sense to take over an existing location than building a new one, which would increase the demand for logs. Furthermore, the existing location has a very good set-up in every way and also the staff impressed us.

\* When did Ziegler Group start the negotiations with HS Timber management, for the acquisition of the Sebes mill, and what are the terms of the contract?

At the request of our contractual partner, the HS Timber Group, we are unable to give an answer on the individual terms of the contract. We ask you to respect this at this point.

\* Does Ziegler management plan to continue the collaboration with the HS staff (management and workers) already in place in Sebes, local contractual partners and international ones, or the company will start everything from ground zero?\*

We have a very good impression of the employees at the Sebes plant and the partners in Romania. The employees are very experienced and ambitious, so we are looking forward to working with them. It is always important for us to have a local approach at our sites and to work with partners close to us, because the whole region should benefit from a company like us.

\* Do you think that the Ukrainian conflict will affect the processing activity in the newly bought factory in terms of access to wood for processing?

At the moment there is probably no affect or change, as Ukraine was not supplying sawmills apart from Ukraine with logs, so we can only see what the future might bring.

\* Do you consider the limitation of 30% of the annual volume of each assortment will affect the activity of the group in Romania? If so, how and what are your plans to counterbalance this limitation?

Of course we are aware of this fact and we have various ideas to secure the supply of the site in Sebes. Unfortunately, we did not have the opportunity to discuss this topic in detail with the employees in Sebes before the final takeover. We have now already discussed our ideas in the first week and are now checking the feasibility and the corresponding framework conditions.

\* Will the company focus on the acquisition of wood for Sebes mill only from the internal market, or do you have in plan importing wood from other EU/Non EU countries? If so, which ones?

Of course it is our intention to source wood from Romania. An important decision criterion when buying the sawmill was the connection of the site to a railway line. This gives us the opportunity to import wood from other countries as well. Transport by rail is the best choice for a voluminous and heavy raw material like wood, both economically and ecologically.

\* What kind of products will Ziegler produce in the Sebes factory?

We will produce several sawn timber products and pellets, as this was already the case.

\* Does Ziegler group plan to expand their business in Romania and consider buying also the HS Timber mills from Radauti and Reci?

There are no plans to acquire further locations at the moment. Our aim is to have a good start in Romania in Sebes and in the future we can imagine to expand the business in Romania following our philosophy "From the tree to the building" to offer sustainable living in Romania.

\* What are the main issues that Ziegler Group considers will face in Romania once the deal is closed and the mill in Sebes will start producing for Ziegler Group?

In the beginning the main task is always to integrate a site into the group, but also acknowledging the specifics of a location and the people working there. So the beginning will be a lot about communication and understanding each other.

Romania was indicated as a country where illegal logging is considered a phenomenon that affects legal business and also impacts the EUTR legislation. Also the country is in the middle of EU infringement process for illegal logging and mismanagement of natura 2000 forests.

\* What measures will Ziegler Group impose in Sebes to fight illegal logging and assure that the company will buy only legally harvested wood from partners?

For us, no matter where our location is, a sustainable and legal sourcing of logs is a basic condition. As we understand in the last years there were a lot of measures to fight illegal logging and we will also act with utmost accuracy to assure this. There were already measures installed in the Sebes location, which we will develop further and also implement measures, which will support this.

\* Does Ziegler plan to use the HS Timber Timflow application for the traceability of the wood coming from internal partners, or the company considers investing in another system?

As far as we understand the state-owned system SUMAL offers the traceability of timber products, Tim Flow application is a software developed and used exclusively by HS Timber, so we have no access to this application. Nevertheless, supply chain traceability is one of the core tasks that we continue to pursue and develop at the site.

\* HS Timber's policy was no logs from National Parks. Will Ziegler continue this policy?

We will also work on this basis, that is correct.

\* What is your opinion about the SUMAL system implemented by the Romanian authorities?

Honestly, we have no deeper insights into the system by now, but from what we heard, the system is set up to control every single step in the logistics chain, so from our point of view the system makes definitely sense.

HS Timber (formerly known as Holzindustrie Scwheighofer) was the target for several investigations regarding the companies involvement in processing illegally harvested wood and influencing the wood market (see the Competition Council decision from 2020).

\* Considering that Sebes mill was the first and biggest HS mill in the country, indicated as the ending point for illegal logs in many cases, do you think Ziegler group image/activity could be affected by

this? How does Ziegler plan to fight this perception/suspicious of illegalities surrounding the Sebes mill?

First of all, we cannot say anything about the past or whether there were illegal logs in Sebes, we can only speak for ourselves and the future. The Ziegler Group is a company that wants to work with local partners and has an open door policy, so we are not afraid that our image/activity will be affected by this. We want to be transparent from the beginning and create a benefit for us and the locals.