

CM BIOMASS PARTNERS

Press Release

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CM Biomass doubles production capacity in the US with strategic acquisition

One of the world's largest players in the global wood pellet market, Danish CM Biomass, is doubling its production capacity in the USA with new acquisition.

The family-owned CM Biomass kicks off 2022 with a strategic acquisition into the US market. In acquiring all assets and activities of Mohegan Renewable Energy (MRE) including its three manufacturing facilities in Alabama, Mississippi and Tennessee, CM Biomass adds a total annual capacity of approximately 350,000 tons of wood pellets to their US operation.

The acquisition is part of the company's growth strategy and doubles CM Biomass' production capacity in the US. It will initiate a critical volume flow of products out of what will be a CM Biomass' hub facility in Mobile, Alabama in the Gulf of Mexico.

"We are incredibly pleased to have entered into an agreement for a complete acquisition of Mohegan Renewable Energy's assets and activities. We see an exciting growth potential for MRE, which we believe can be fulfilled with the right investments in the MRE factories combined with the synergy effect from our other facilities in the same region. The location of the factories fits with our existing and future Greenfield-projects and will be able to utilize Mobile as their port of shipment as well," says Simon Rodian Christensen, CEO of CM Biomass.

MRE's former owners, The Mohegan Holding Company, were pleased with the deal, which will ensure both employees and production can continue as usual under new management and a commitment to additional investment.

"Our factories and employees are important to us, but at the same time we have had to recognize that the market is complex and requires specialized insight and dedicated efforts. That is why, we are very pleased that our vision and work for green energy can continue and be expanded by CM Biomass, whom we have been following closely for years," says Mark Boivin, CEO of Mohegan Renewable Energy.

With the acquisition of Mohegan Renewable Energy, the USA will become the second largest origin for CM Biomass, while also becoming the largest market by far for production and sourcing for long-term offtake contracts.

Specialized markets drive the business

CM Biomass started its US in-house production in Huntsville, Texas, in December 2019, and with the acquisition of MRE, the wood pellet manufacturer will double its production capacity to over 700,000 tons of wood pellets in the USA alone in 2022.

The expectation is to achieve a capacity of one million tons by 2023/24, based on already decided projects and expansions of existing facilities.

In acquiring MRE, CM Biomass builds a strong supply chain in the USA, where raw materials for wood pellets are often secured from sawmills on long-term contracts. The

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stability of raw materials and sustained production is important for the ability to enter long-term contracts with customers in Europe and Asia.

"The spot market for wood pellets is very volatile; therefore, the long-term contracts with American raw material suppliers ensure a stable production volume that allows us to accommodate and optimize the short-term spot trade that characterizes the majority of the wood pellet market," says Simon Rodian Christensen and adds:

"Adding MRE's capacity, we can continue increasing contracting long-term sales for power plants that depend on stable and long-term supply."

An ambitious ownership supports the expansion

The acquisition of MRE, and thus the expansion of CM Biomass' own production network, supports an overall desire to strengthen the green transition through growth in sustainable energy at CM Biomass' parent company, USTC.

"With the addition of CM Biomass to USTC's portfolio of companies in 2021, our ambition was to add a new sustainable leg to the trading and shipping industry, which was a natural extension of our ongoing activities. With CM Biomass' acquisition of Mohegan Renewable Energy, we are pleased to stand by CM Biomass and support them in their continued sustainable development," says Nina Østergaard Borris, COO and co-owner of USTC.

CM Biomass has a distribution system of more than 50 storage hubs and in 2021, the company sold 3.5 million tons of wood pellets, primarily in Europe. This makes CM Biomass the second largest seller of wood pellets worldwide. From MRE, all 70 production employees, the existing contracts covering production capacity until 2026 as well as the rest of the customer portfolio will accompany CM Biomass, which will ensure that the business continues without interruption.

The acquisition of Mohegan Renewable Energy constitutes a significant multi-million-dollar deal with significant planned investments in factory upgrades.

More information:

Mikkel Wenzel Andreasen, Communications Officer, USTC

Phone +45 78 79 82 28 - miwa@ustc.dk

CM Biomass' majority owner is **United Shipping & Trading Company (USTC)**, which is represented in 38 countries via the group's activities within oil & energy, shipping & logistics, risk management, automotive activities, and IT.

CM Biomass employs more than 60 dedicated professionals in 8 countries and works with a variety of clients across several markets trading more than 3.5 million tons of industrial and premium grade pellets per year. In 2020, CM Biomass realized an annual revenue of USD 450 million with profit before tax of USD 20 million and with continued growth in 2021. CM Biomass has grown from the family-owned Copenhagen Merchants Group; both of which are under management by second generation owner Simon Rodian Christensen.