

PRESS RELEASE

Genan Holding A/S
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Genan group – Annual Report 2022: Record-high turnover – but high energy prices limit earnings

World-largest tyre recycler, Danish environmental company Genan, achieved a record turnover of more than EUR 62 million last year, representing a 4.6% increase in comparison with the previous year. Yet earnings dropped from close to EUR 3.5 million in 2021 to EUR 1.5 million in 2022 – mainly due to high energy and freight prices.

2022 was yet another unpredictable year for the many industrial enterprises for which the prices of energy and shipping are all-important. The 2022 Annual Report of the Genan group is no exception.

Despite these many challenges, recycling group Genan, which has the capacity to turn more than 400,000 tonnes of worn-down tyres in total into new, usable materials each year, at its six recycling plants in Denmark, Germany, Portugal and the USA respectively, achieved a turnover of more than EUR 62 million. This is record-high – and up 4.6% in comparison with 2021. Recovery of steel from these end-of-life tyres contributed less to business in 2022, as steel prices dropped from an exceptional high in 2021.

The decreasing steel prices and the significantly higher energy and freight costs led to a decrease of earnings from just under EUR 3.5 million in 2021 to less than EUR 1.5 million in 2022.

- 2022 turned out to be a most challenging year – for us as well as for many other companies; and it is a year that we will not soon forget. The price of electricity multiplied at extremely short notice – especially during the third quarter of 2022, when our monthly electricity bill went from EUR 7-800,000 to around EUR 2.2 million, Group CEO Poul Steen Rasmussen explains and continues:

- At the same time, we faced a considerable increase of freight rates, which of course made us less competitive in the many export markets to which we supply. With that in mind, we are pleased to have achieved our all-time highest turnover in 2022; yet it goes without saying that we are not satisfied with the fact that earnings have dropped this much. Extraordinary events, which we have been in no position to change, are the explanation, though. And in turn, our reaction to these increasing energy costs has been prompt at all plants. We have navigated successfully in an energy market with significant fluctuations, and looking back, the situation could have been far worse.

Poul Steen Rasmussen further explains that fully automatic on/off systems were quickly installed at all plants, so the production equipment automatically shut down when the price of electricity reached a certain level. Otherwise, production would have continued at full speed at a staggering cost level, which neither the energy surcharge nor price increases could have outweighed. Moreover, management and employees agreed on some more flexible work procedures – e.g. working on Sundays when electricity prices typically are lower:

- All our employees showed a great deal of initiative and flexibility when the energy crisis peaked, and I owe everyone a heartfelt thank you for this adaptability, Poul Steen Rasmussen continues.

Expediting investments in renewable energy

The price of electricity has now fallen, but the current price level is still historically high. Genan's production facilities are relatively energy-intensive – despite the fact that a number of energy-saving measures have been implemented in recent years; and Genan is thus now speeding up its ongoing work to invest in renewable energy sources.

Solar cell panels for own production of green energy are in the pipeline at more of Genan's locations – panels which will be mounted either on the roof constructions of factories or at undeveloped land in the immediate vicinity of factory buildings. Furthermore, the ambition is to contract for the delivery of green energy for the production equipment through several Power Purchase Agreements (PPA):

- For each tonne of end-of-life tyres that we process, the climate is spared at least 700 kg of CO₂. At our six factories, we thus have the capacity to provide 280,000 tonnes of CO₂ savings in total each year. Moreover, in the next few years, we plan to gradually introduce more renewable energy sources at as many of our locations as possible – to make our production as green as possible, Poul Steen Rasmussen continues.

Low visibility but positive expectations for 2023

After a turbulent 2022, Genan has a more positive outlook for 2023. Visibility is still low in respect of both raw material prices and cost level, however; and at the same time, indications are that growth will decline in general over the next few years. Energy and freight prices now seem to have stabilised at a lower level than in 2022 – but remain higher than before 2022:

- In terms of earnings, 2022 turned out to be a bump in the road, but in close cooperation with our owners, we follow a long-term strategy to improve both top line and bottom line. Thanks to global focus on sustainability and recycling of the resources of this planet, times are favouring environmental companies like us; and it is most positive to feel that an increasing number of both suppliers and customers choose to work with us, Poul Steen Rasmussen says, continuing:

- For 2023, we expect an increase in both turnover and earnings. Our ability to adjust our activities quickly and efficiently in a dynamic market remains crucial when it comes to tackling external factors such as the price development of both steel, energy and shipping.

About Genan Holding A/S

Genan Holding A/S is the parent company of environmental company Genan, the largest technologically highly advanced tyre recycler in the world. Sustainability is the core value of the Genan group; and by utilising the resources of vast amounts of end-of-life tyres, Genan helps solve a wide-ranging, global problem.

Genan operates six recycling plants in four different countries – and counts 320 employees in total worldwide. The annual production capacity of the company totals more than 400,000 tonnes of tyres; and with continuous optimisation of production and technology, Genan is constantly striving to run all plants so they are as environmentally friendly and energy-saving as possible.

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