



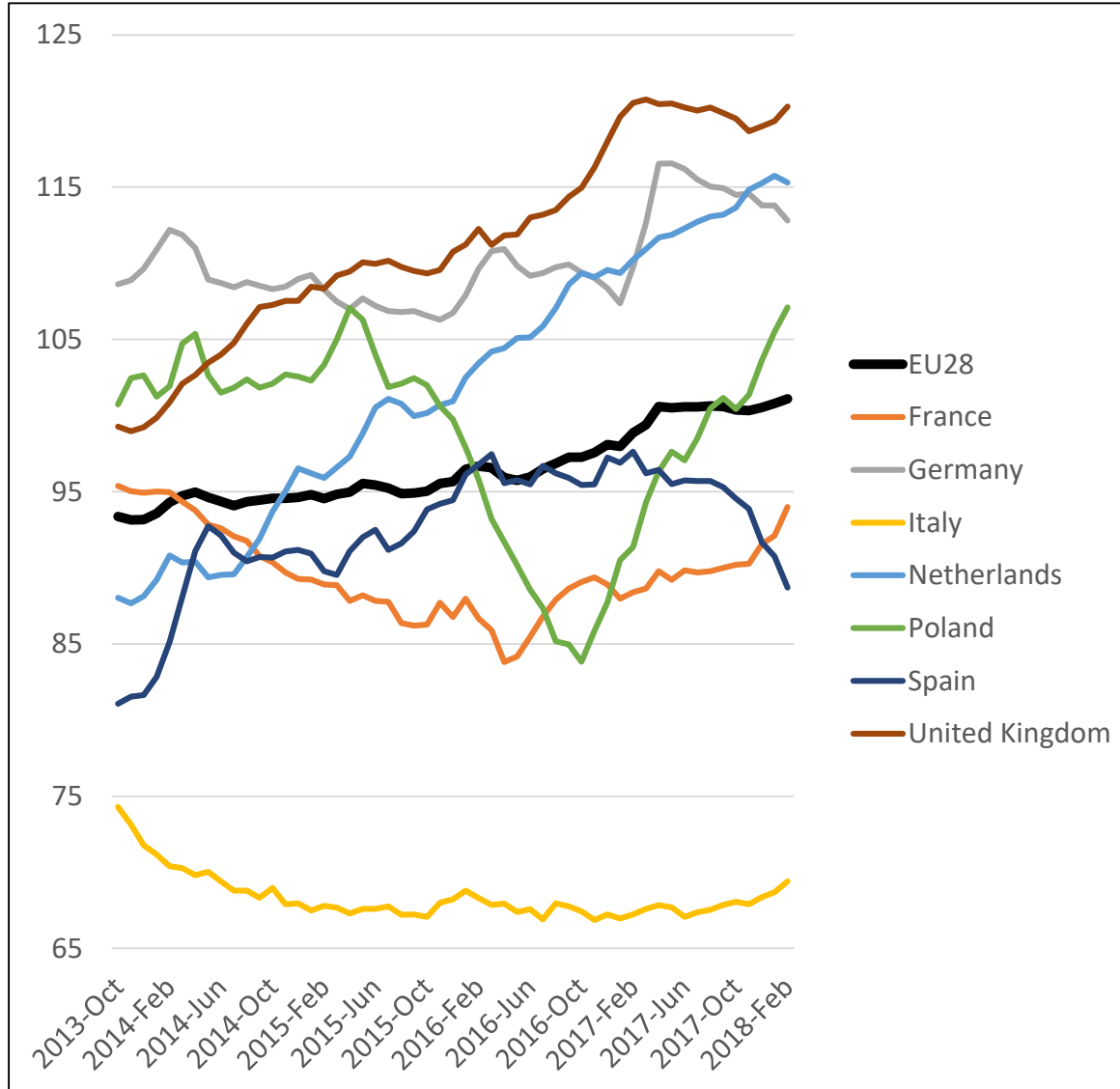
Overview of the European Sawn Softwood Market in 2018

International Softwood Conference Riga, October 2018

Andreas von Möller,
President ETTF

Eurostat construction production index for the EU Member States

Volume of seasonally and calendar adjusted production output (2010 = 100)
Running average of 3 months
Monthly for the period October 2013 to February 2018



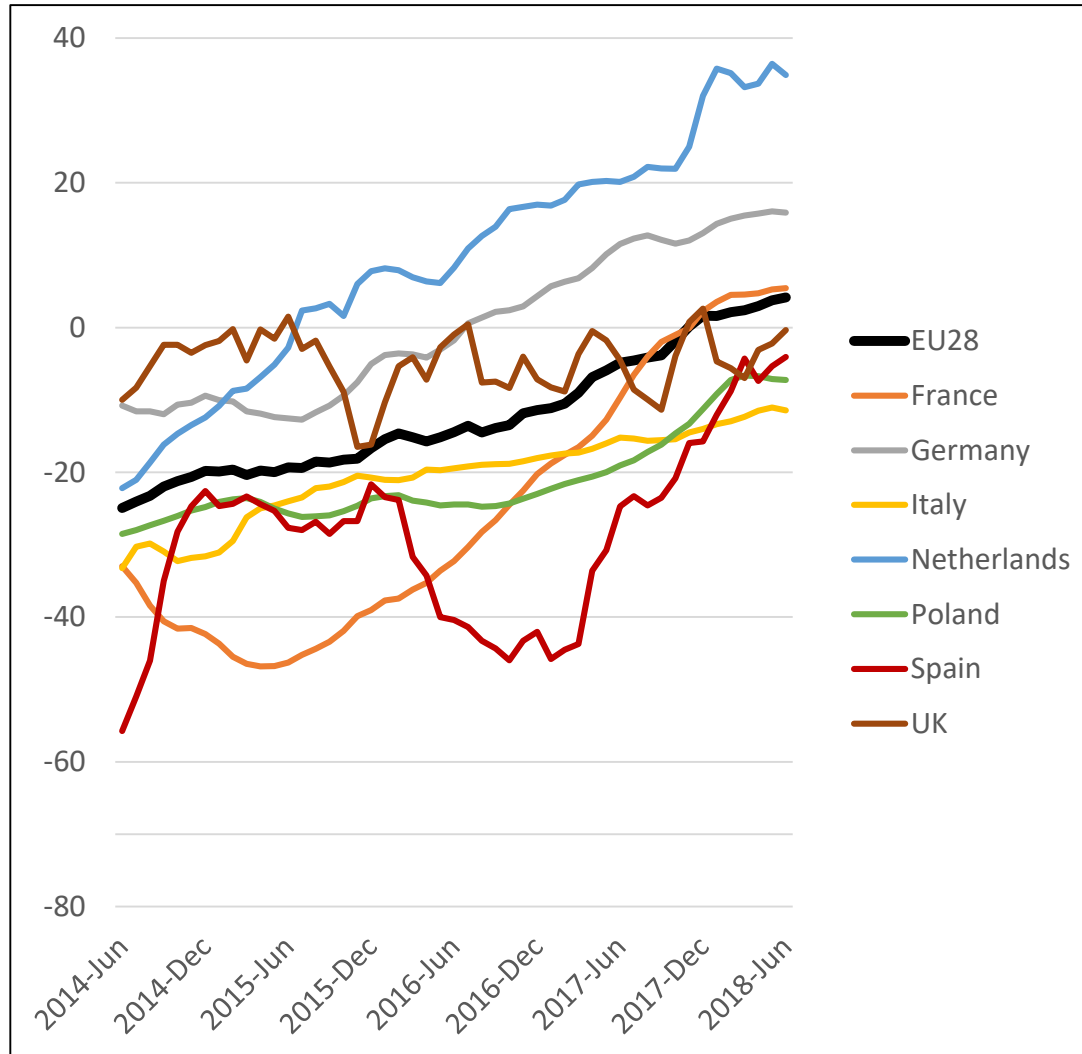
Source: Eurostat. Compiled and edited by Probos

Stabilizing trend of recovery in construction

- Total volume of EU construction in February 2018 is 1.1% higher than in 2010.
- EU construction activity stabilized in 2017
- Construction activity Poland recovering after dip in 2016
- High construction activity in UK, the Netherlands and Germany
- Slight increase activity France and Italy
- Construction activity Spain better than shown

Eurostat construction confidence index for the EU Member States

Seasonally adjusted data, unning average of 3 months
Monthly, for the period June 2014 to June 2018

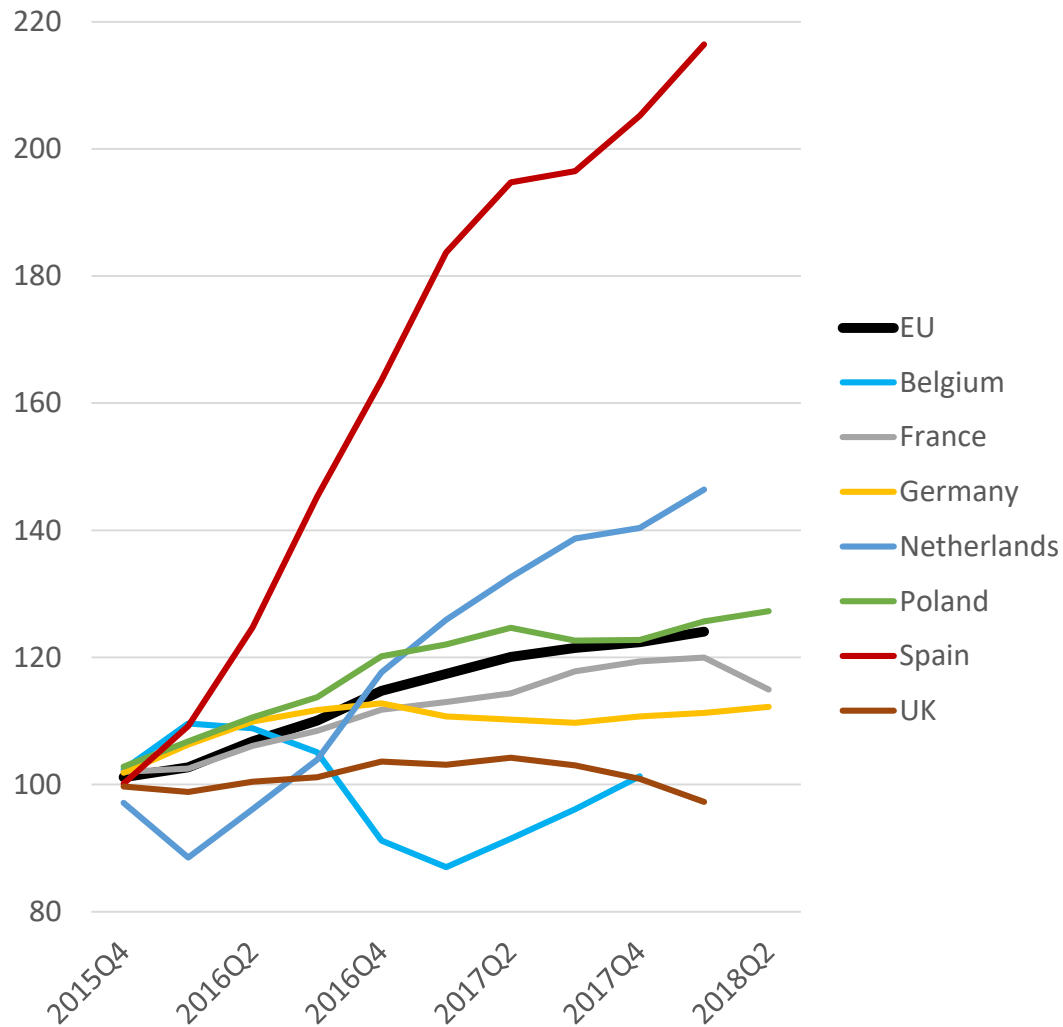


Confidence EU generally rising

- Increase France, Germany, Italy and Poland levels off
- Confidence the Netherlands high but slightly fluctuating in 2018
- Confidence Spain recovering strongly in 2017
- Confidence UK still fluctuating

EU Building Permits Index

Quarterly, for the period Q4 2015 to Q2 2018
(Q4 2015 = 100), running average of 3 months
Seasonally and calendar adjusted data.

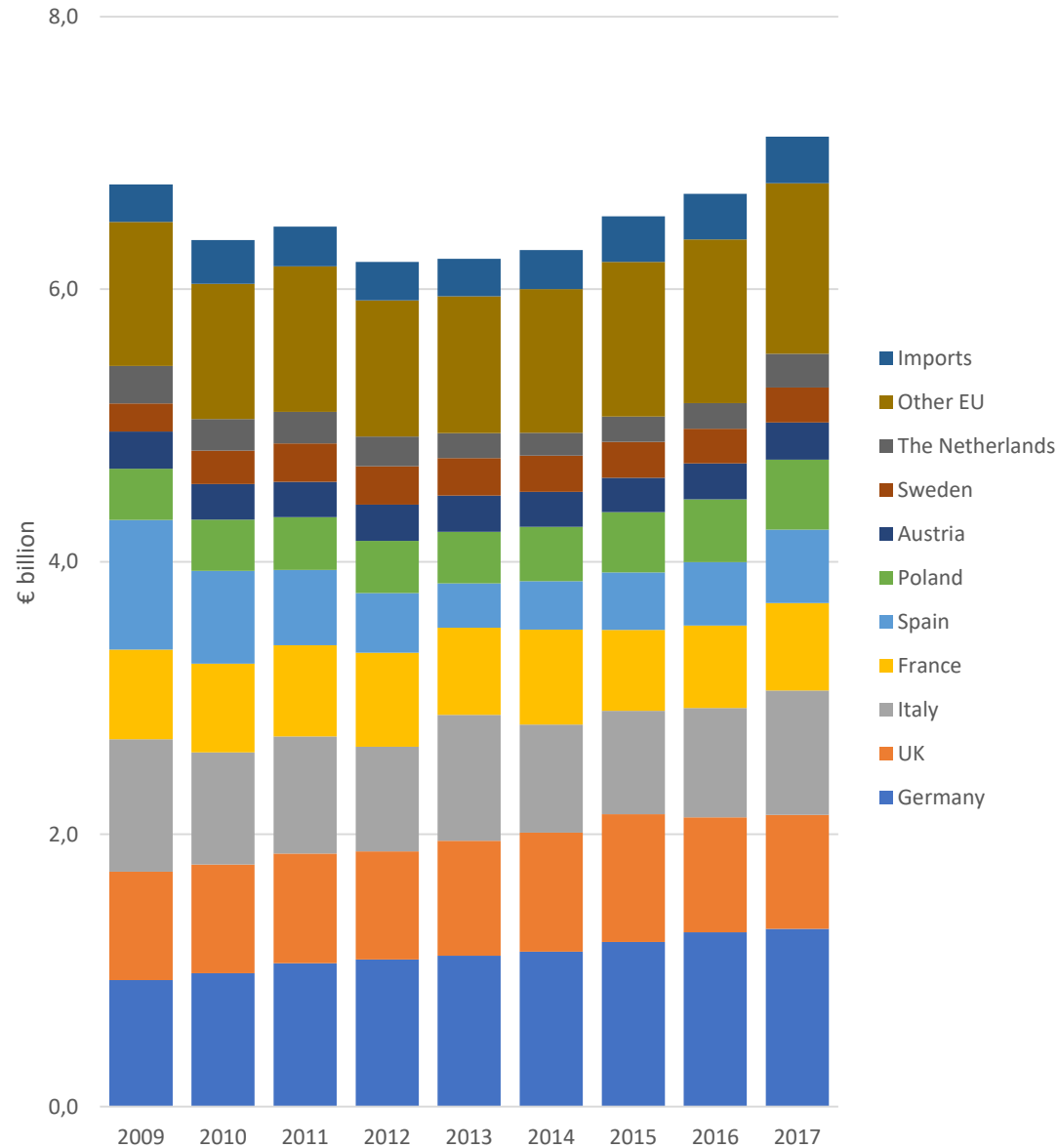


Building permits EU increasing since 2015.

- Strong increase in Spain and the Netherlands, slight increase in Poland and Germany
- Decrease in France and the UK
- Belgium recovers after dip at the start of 2017

Index EU below 100 before 2015

Value of wood doors supplied to the EU market by source



Source: Eurostat and PRODCOM. Compiled and edited by Probos

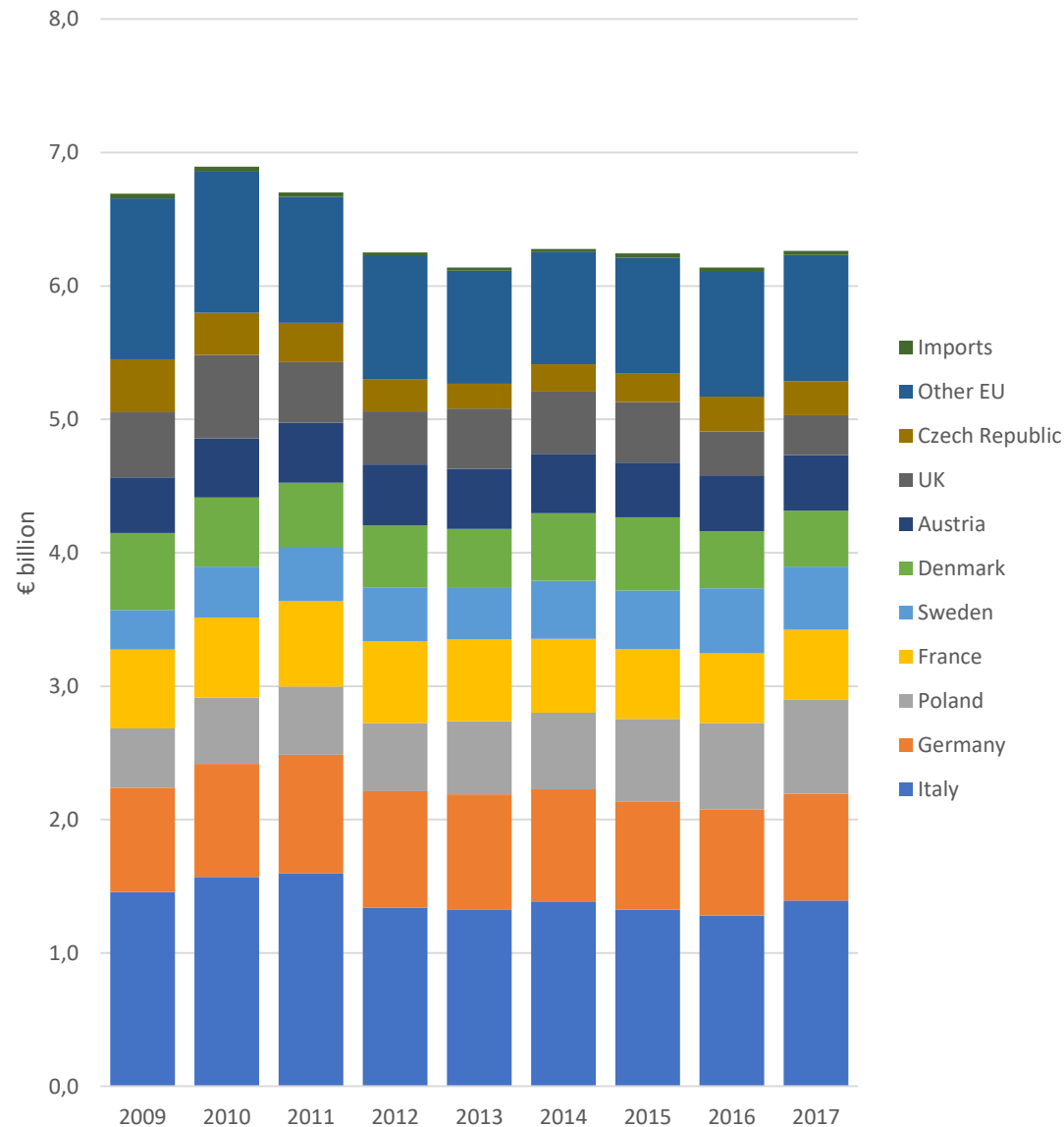
Gradual recovery EU wood door sector

- Total value of wood doors supplied to the EU28 increased 6.3% in 2017
- Production value in 2017 :
 - Substantial increase in

Netherlands	+31.9%
Spain	+16.0%
Italy	+13.8%
Poland	+11.2%
 - Slight decline in

The UK	-0.6%
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 - Small increase (up to 10%) in remaining countries and import (1.9%)

Value of wood windows supplied to the EU market by source



Source: Eurostat and PRODCOM. Compiled and edited by Probos

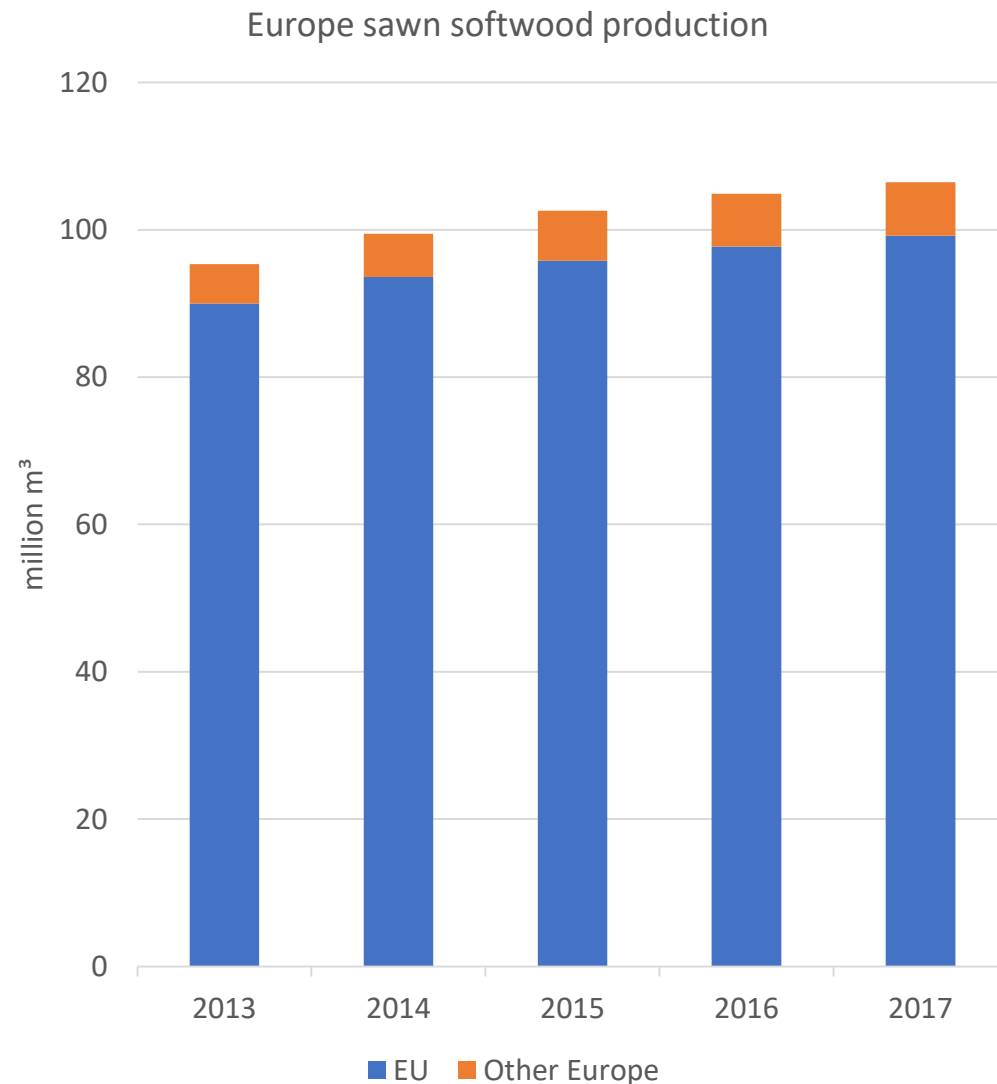
EU window sector stable, but slight decline in 2017.

- Total value of wood windows supplied to the EU28 increased 2.1% in 2017
- Production value in 2017:
 - Increased in

Poland	+5.0%
Italy	+3.8%
Austria	+11.7%
 - Declined in

The UK	-11.1%
Sweden	- 3.1%
Czech Republic	- 1.9%
Denmark	- 2.3%
 - Remained stable in France and Germany
 - Decreased Import - 5.7%

Europe sawn softwood production 2013-2017



Slight increase in European sawn softwood production

European production increased with 1.5% to 106.5 million m³ in 2017

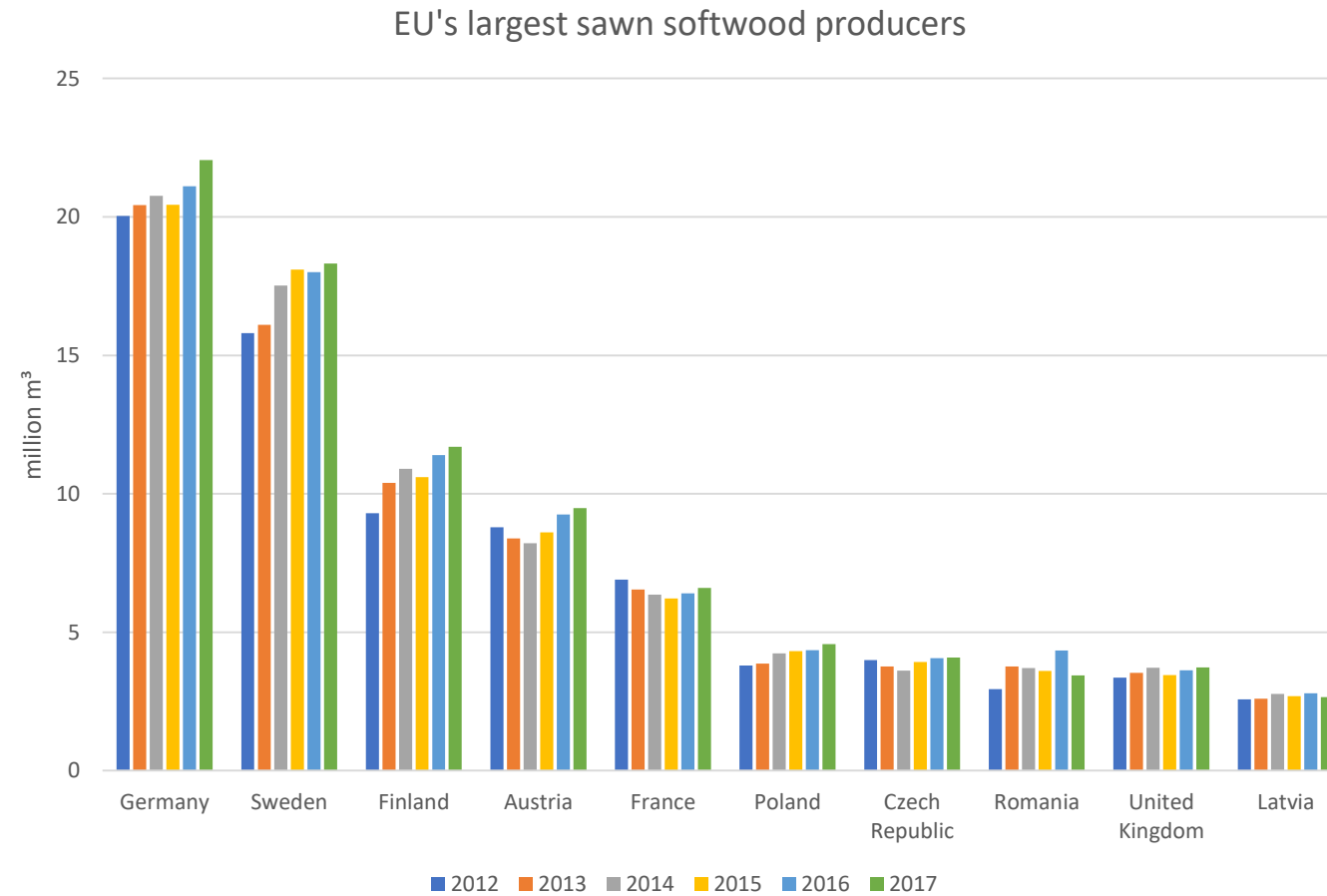
EU28 production increased with 1.5% to 99.2 million m³ in 2017

Source: ISC'18 questionnaires and FAOSTAT, compiled and edited by Probos.

Note: "Europe" includes all European countries, including Turkey and excluding Belarus and Russia

"Other Europe" includes: Albania, Bosnia and Herzegovina, Iceland, Liechtenstein, Montenegro, Norway, Moldova, Serbia, Switzerland, Macedonia & Ukraine

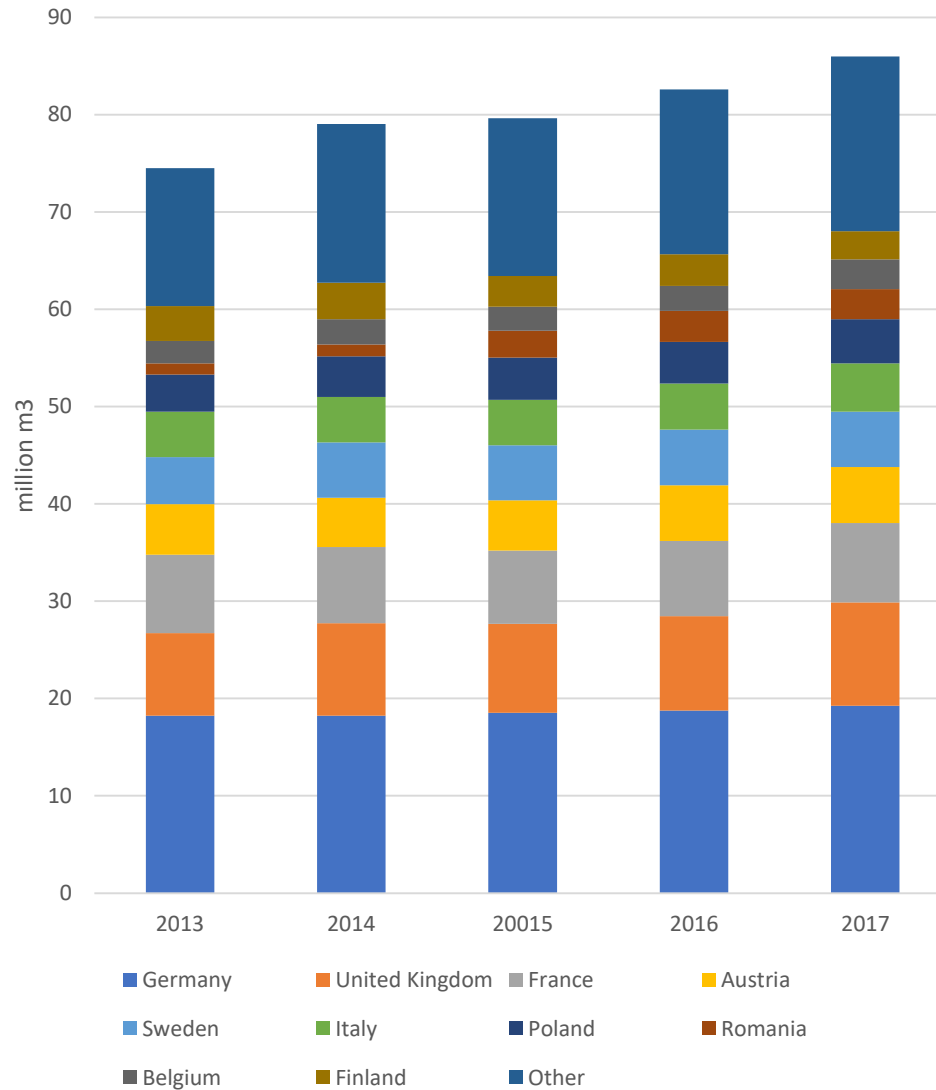
EU's 10 largest softwood producers 2012-2017



Source: ISC questionnaire and FAOSTAT. Compiled and edited by Probos

Note: Rating based on 2017, compared to 2016 the Czech Republic overtook Romania for the 7th place

EU sawn softwood consumption Years 2013-2017



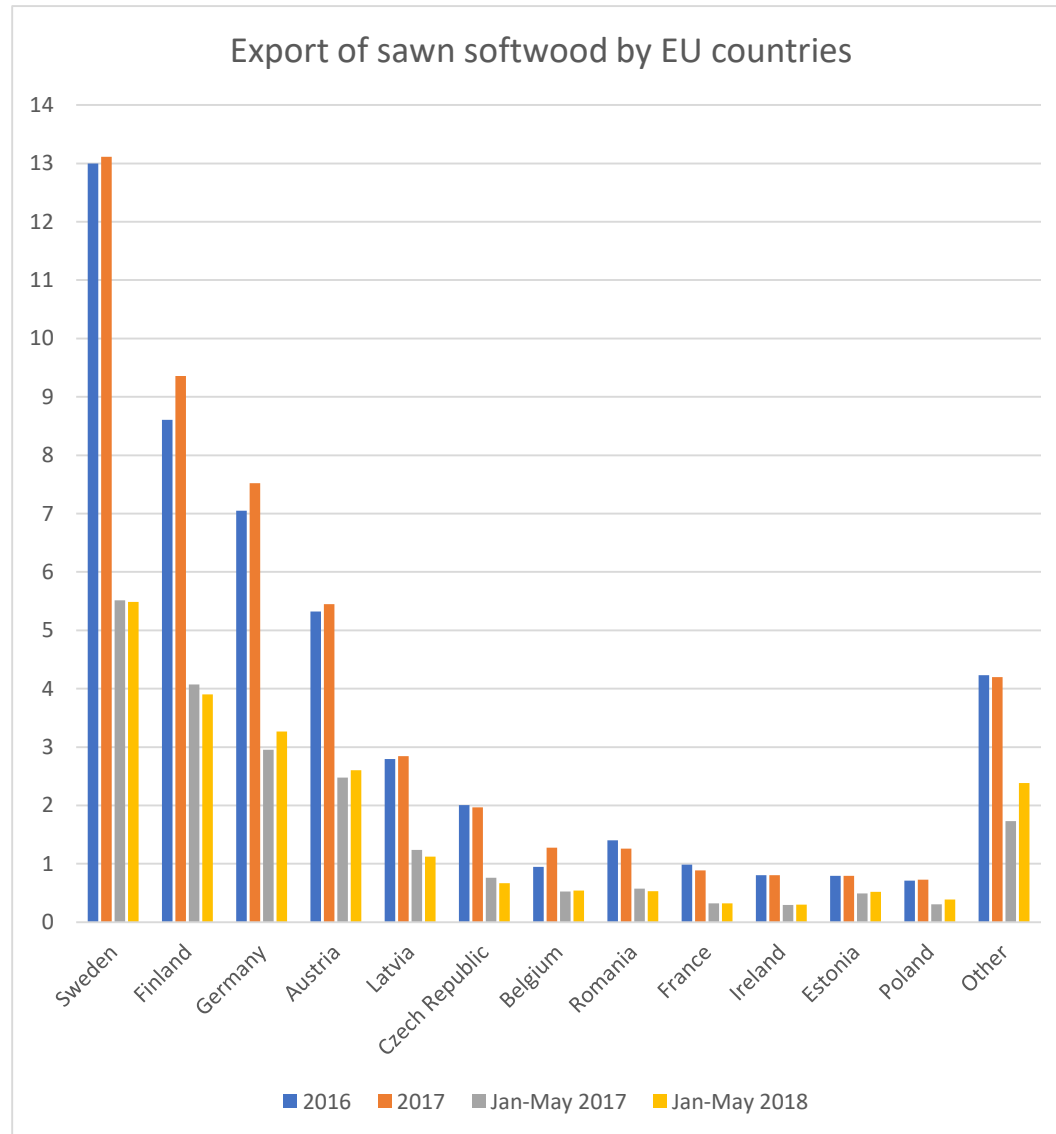
Estimated increase EU sawn softwood consumption 4.1% in 2017

- Consumption rises from 82.6 million m³ in 2016 to 86.00 million m³ in 2017
- Consumption top 10 countries
 - Increased in:

Germany	+ 2.6%
UK	+ 9.7%
Italy	+ 4.6%
Poland	+ 5.8%
Belgium	+19.3%
 - Decreased in

France	- 5.6%
Romania	- 2.7%
Italy	-10.9%
 - Remained stable in Austria and Sweden
- Other countries had a cumulative increase of 6.1%

Exports of sawn softwood by EU countries Years 2016-2017, Jan-May 2017-2018



Slight growth in exports by EU countries

2.0% in 2017 to 50.2 million m³

3.7% in Jan-May 2018 to 22.0 million m³

In the first 5 months of 2017:

Exports increased in:

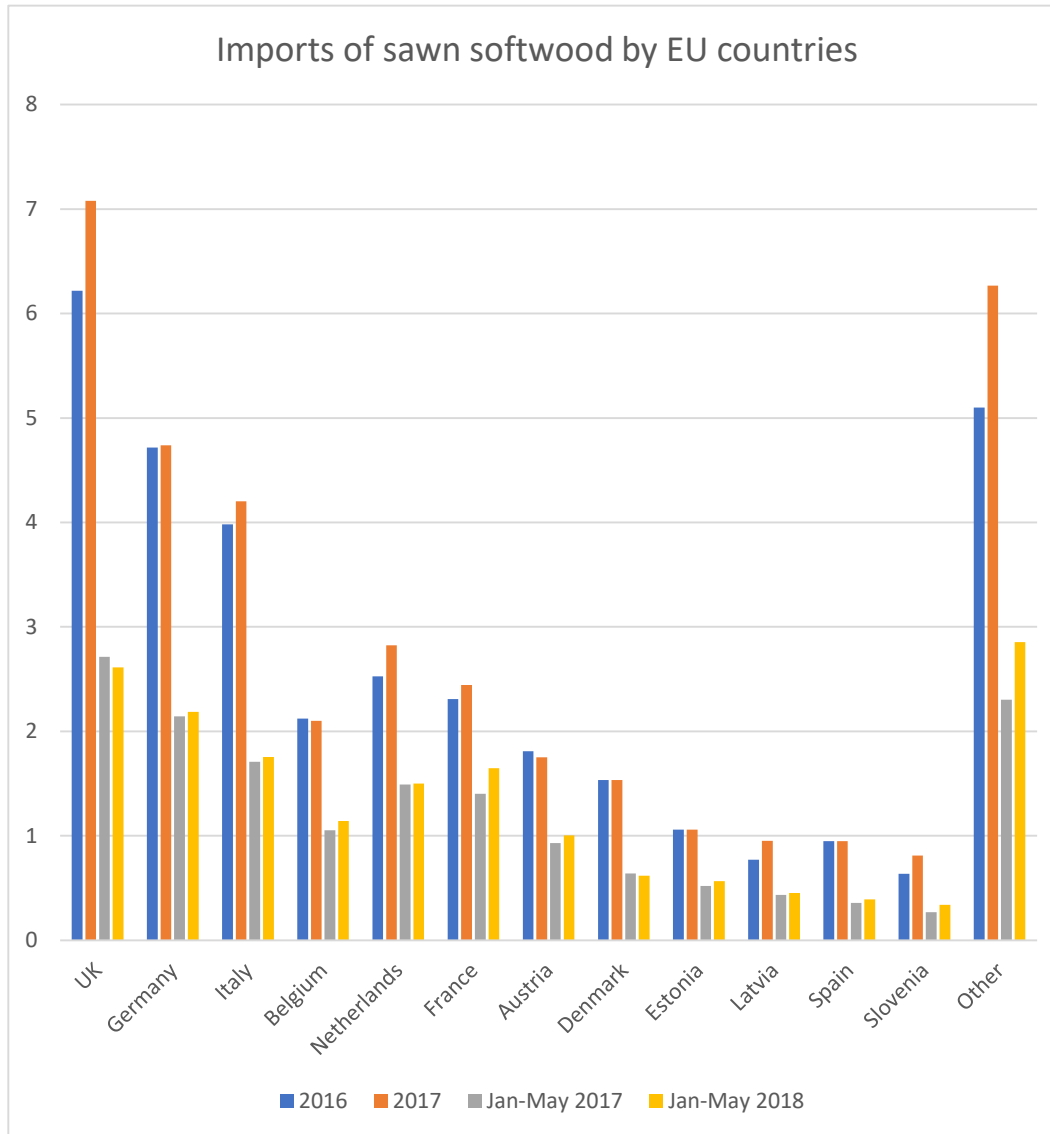
- Germany +10.7% to 3.3 m m³
- Austria +5.2% to 2.6 m m³
- Belgium +2.9% to 0.5 m m³
- Poland +26.6 to 0.4 m m³

Exports stable in Sweden

Exports decreased in:

- Finland -4.2% to 3.9 m m³
- Latvia -9.2% to 1.1 m m³
- Czech Republic -11.9% to 0.7 m m³
- Romania -7.2% to 0.5 m m³

Imports of sawn softwood by EU countries Years 2016-2017, Jan-May 2017-2018



Growth in imports by EU countries

2.2% in 2017 to 36.7 million m³

6.8% in Jan-May 2018 to 17.0 million m³

In the first 5 months of 2018:

Imports increased in:

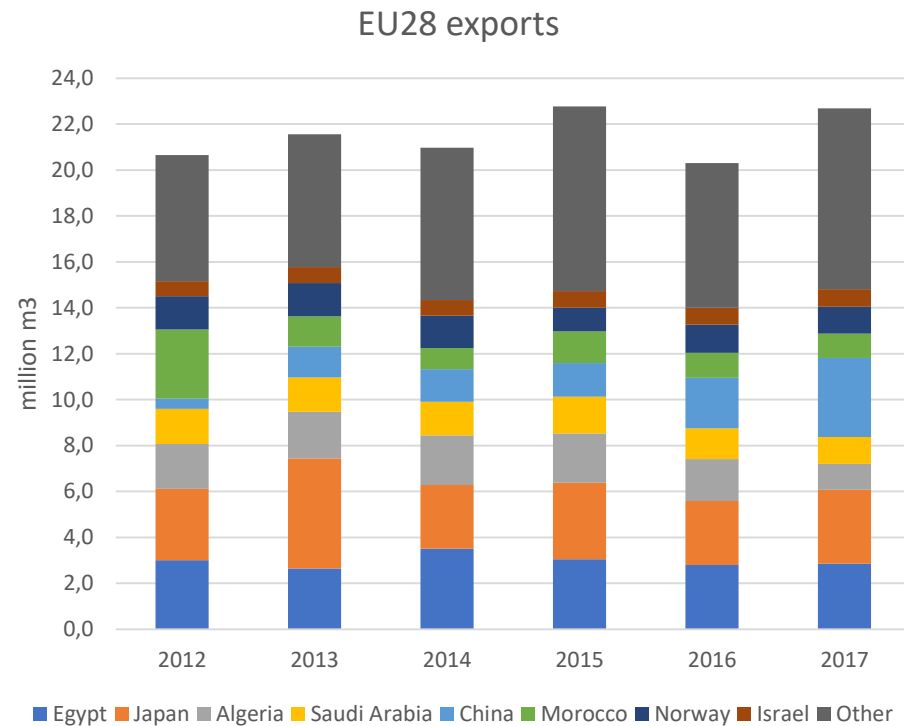
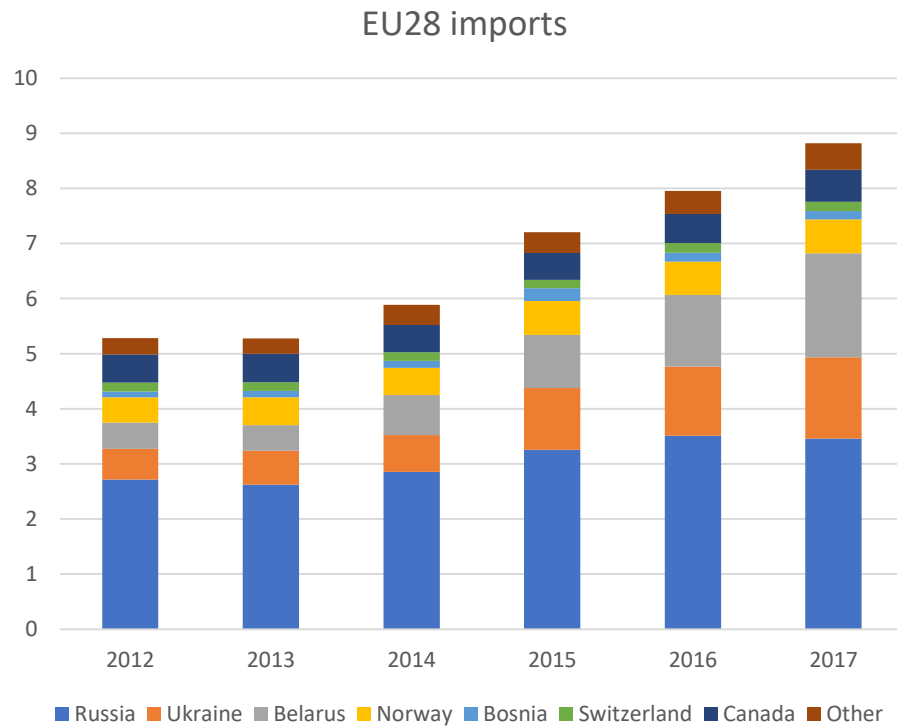
- Germany +2.0% to 2.2 m m³
- Italy +2,7% to 1.8 m m³
- Belgium +8.4% to 1.1 m m³
- France +17.4% to 1.6 m m³
- Austria +7.9% to 1.0 m m³
- Estonia +8.9% to 0.6 m m³
- Latvia +3.7% to 0.5 m m³
- Spain +9.8% to 0.4 m m³
- Slovenia +26.2% to 0.3 m m³

Imports stable in the Netherlands

Imports decreased in:

- UK -3.8% to 2.6 m m³
- Denmark -3.4% to 0.6 m m³

EU external sawn softwood trade





Overview by country

Compiled by our Federation Members



The Netherlands (1)

- Economy recovered from economic crisis and is stabilising. GDP +2.9% in 2017. Domestic industrial production +4.1% and export +5.3%
- Housing industry is important for the softwood industry. After the sharp decline in completed house-buildings of abt -40% from 2008 – 2012. In recent years bottomed out then turned around
- Period of decreasing imports and consumption since 2007. Softwood market improves since 2015. Recovery continues. Imports and consumption 2017 increase almost 6%



The Netherlands (2)

- CPB (Netherlands Bureau for Economic Policy Analysis) forecasts Dutch economy will grow by +2.8% in 2018 and +2.5% in 2019
- Shortages in the availability of skilled personal and building materials
- As a result of the improving situation in the building industry import of sawn softwood is expected to increase in 2018 and will stabilise in 2019

Denmark (1)



- Economy is growing continuously. Key economic parameters show a positive development. Anticipated to continue throughout 2018 and positive into 2019
- 2017 softwood-imports reached 1.278 tm³ , which was a decrease by 70 tm³ compared to 2016. However, in the terms of trade value, softwood grew by 1.7 % in 2017
- Till 5/18 import of softwood has increased +3.2% compared to the same period last year and further increase into 2019

Denmark (2)



- A combination of diminishing stockpiles in Sweden + an unusual dry summer with risk of forest fires + increasing demand for pulpwood for the paper industry is challenging the supply side. Importers are anticipating tighter supply in coming months

UK



- Economy has improved in 2017 and so in 2018
- Especially house construction gone up 2017/18
- Sawn softwood production small increase again to impressive 3,7 mm³. Consumption at a big 10mm³
- Imports dropped 2018 slightly due stock levels. Small increase in 2019 predicted
- Stiff price increases 2018 vs 2017. Now levelling off
- Politics and Brexit bring uncertainty to future

France (1)



- France imported 2 mm³ of sawn softwood in 2017. Abt. same volume as 2016
- Building sector has experienced a further increase in 2017 with 497.000 units permitted and 418.900 new dwellings starts. Stabilizing in 2019
- 1Q18 good, 2Q18 quieter, but overall satisfactory. As last 3 months - 5% the peak of building activities is behind us
- Domestic and German > Scandinavian wood

France (2)



- Regular increase in timber prices since 4Q16. Continued in 2017 and 2018. It is also a result of strong demand in Asian countries bringing more tension on the contracts in the consumer countries in Europe. No prospect for change this year
- Technical products like gluelam, i-beams, CLT, a. o. enjoy growing sales, replacing traditional products
- GDP growth of +1,8% is expected year.

Belgium (1)



- Positive messages of economic situation in general.
- But: strong worries over impact of Brexit on Belgian, especially Flemish economy: Consequences are a reality already. UK is main trading partner
- 1H18: Wood sector doing well after a good year 2017
 - Turnover vs 1H17: +3.6%
 - Subsectors: Panels +2.8%, Construction elements +5.5%, Packaging & pallets +2.3% and other +4.8%
- Slowdown over the summer: 3Q18 results?
- Furniture sector: downward trend continuing
- Construction: positive development. No big increase in 2019

Belgium (2) Challenges



- Local wood supply:
 - bark beetle infestation; log quality?
 - African porcupine pest: forests closed for harvesting
- EUTR
 - Government steps up controls
 - Expansion to imports of softwoods from outside EU being expected
 - Discussion over notion of “due diligence”: clarification needed. Companies be prepared!
- Availability of skilled workers

Spain



- Construction activity is developing well. Current situation at acceptable levels in main cities. But consumption still limited, mainly to renovation sector. Tourism remains at a strong pace which benefits the construction of new hotels and renovation of existing ones.
- Future remains uncertain and difficult to make forecasts, esp. due political situation, evolution of financial markets
- Forecasts indicate +4% softwood imports for 2018 and 2019

Germany (1)



- The German economy is in its longest economic upswing; non-stop since 2014
- Economy is still solid: GDP +1,9% in 2018
- Strong private consumption and excellent job market
- Low inflation with slightly rising wage levels
- State surplus of 1.2% of GDP

Germany (2)



- In 1H18 German timber trade +5.6%. Sales growth in wood construction sector is key driver.
- Comparably optimistic for 2019
- The timber construction sector in Germany has been on the upswing for years. In 2007 turnover € 4.6 bn in 2017 already € 6.9 bn
- Window market continues to develop positively in 2018. Sales expected to rise to 14.6mio window units, up +2.8%
- Shortage of skilled labour reaches significant level

Italy



- After a 2017 of uncertainty, construction industry expects in 2018 a rise of investments by +2.4%
- The forecast shows an increase in public works by 2.5% due to measures established by the budget law, mainly for renewal of rebuilding activity in earthquake areas. New Urban living construction will go up by 2.8% compared to -0,7% in 2017
- Also a reinforcement of Private non-residential investments is expected.
- Timber market 1-3Q18 ran well. Expectations cautious

Summary



- 2017 has done good to most of us
- 2018 will be between fairly good and very good. Slowdown of increase seen over the last months. Overall 2018 fine
- 2019 should start well but will become tougher
- However more uncertainties: > Beetle/storm logs? Demand China? Real estate bubble? Export to USA? Chaotic Brexit? Trade-tarrifs on 'our' products?
- Let's stay optimistic



- Thank you for your interest
- Questions, criticism, debate welcome