Overview 2021 and outlook of the European Hardwood market 2022/2023

9th INTERNATIONAL HARDWOOD CONFERENCE

LYON 2022, 28th of October

Presented by: Ad Wesselink

ETTF: Chairman Hardwood & President

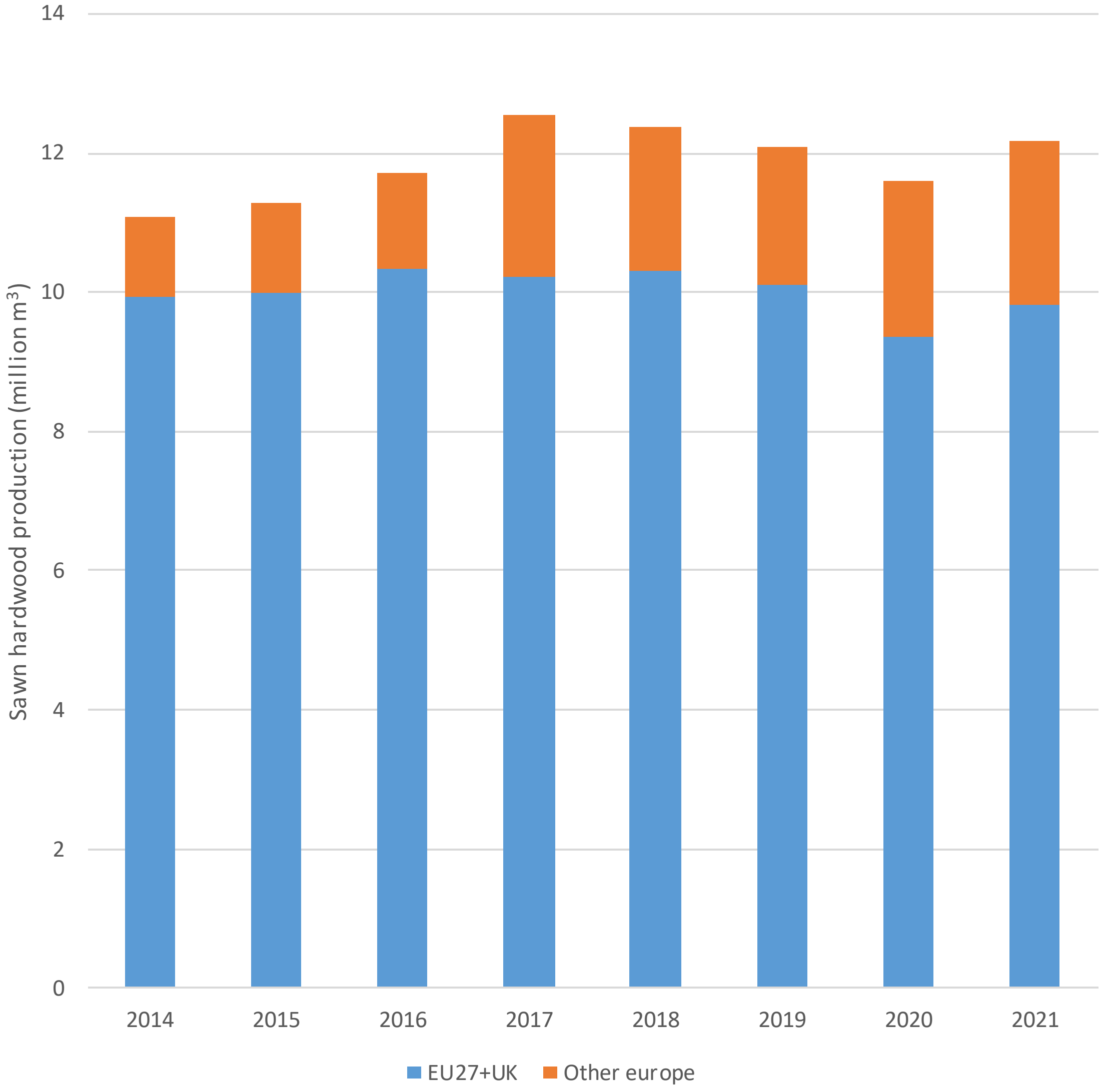
Company: Wijma Kampen B.V./Hupkes Wijma B.V.

The Netherlands

Un évènement organisé par

Avec le soutien de

European sawn temperate hardwood production 2014-2021



European sawn hardwood production increases in 2021

Although being low in 2020 due to Covid production increased since 2017

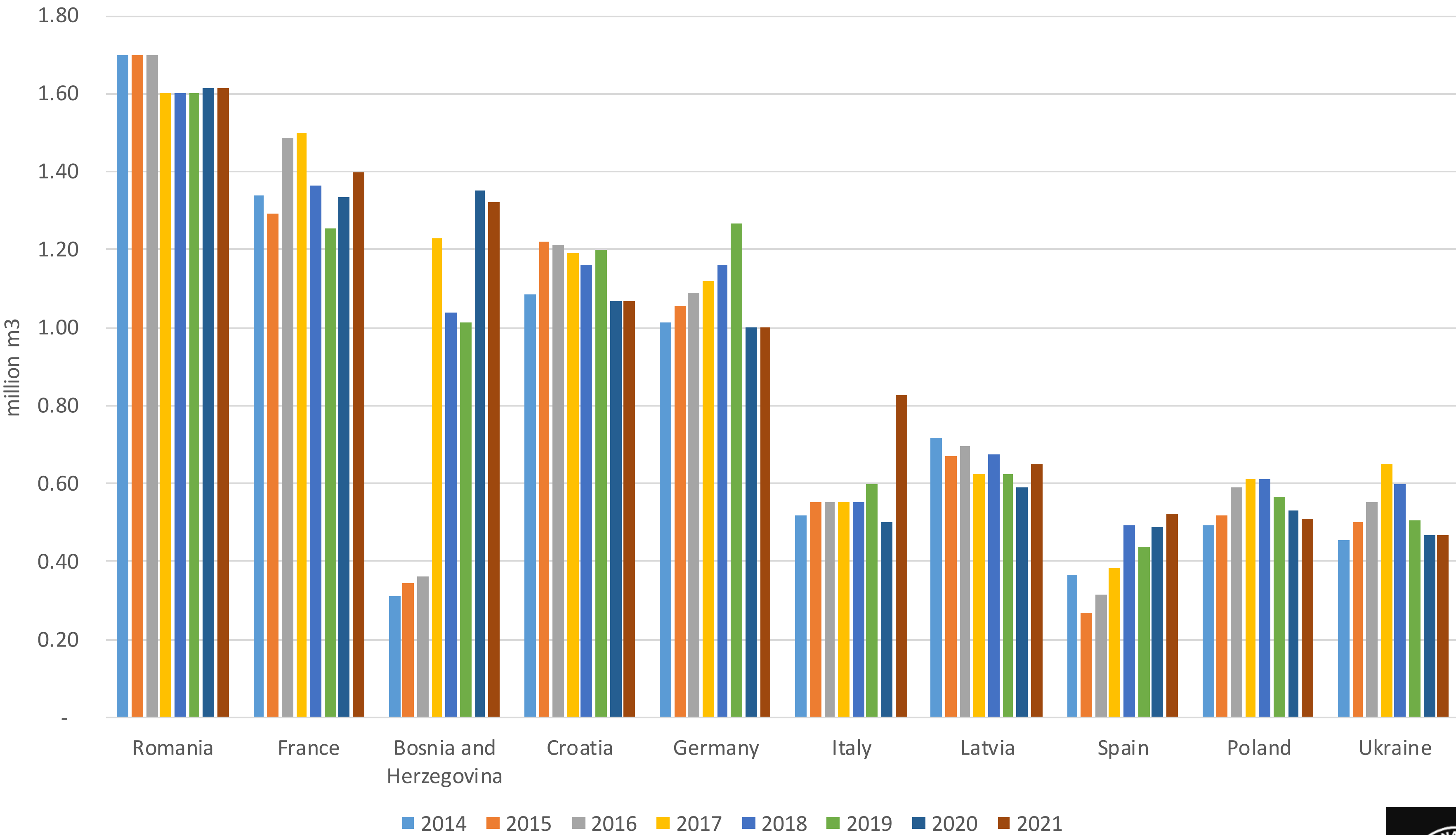
The increase in 2021 is to be expected:

+ 5.0% to 12,2 mln m^3

<1% consists of tropical timber

Source: FAO Stat, Country data and UNECE forecasts. Compiled and edited by Probos.
Note: "Other Europe" includes: Albania, Bosnia and Herzegovina, Iceland, Liechtenstein, Montenegro, Norway, Moldova, Serbia, Switserland, Macedona & Ukrain

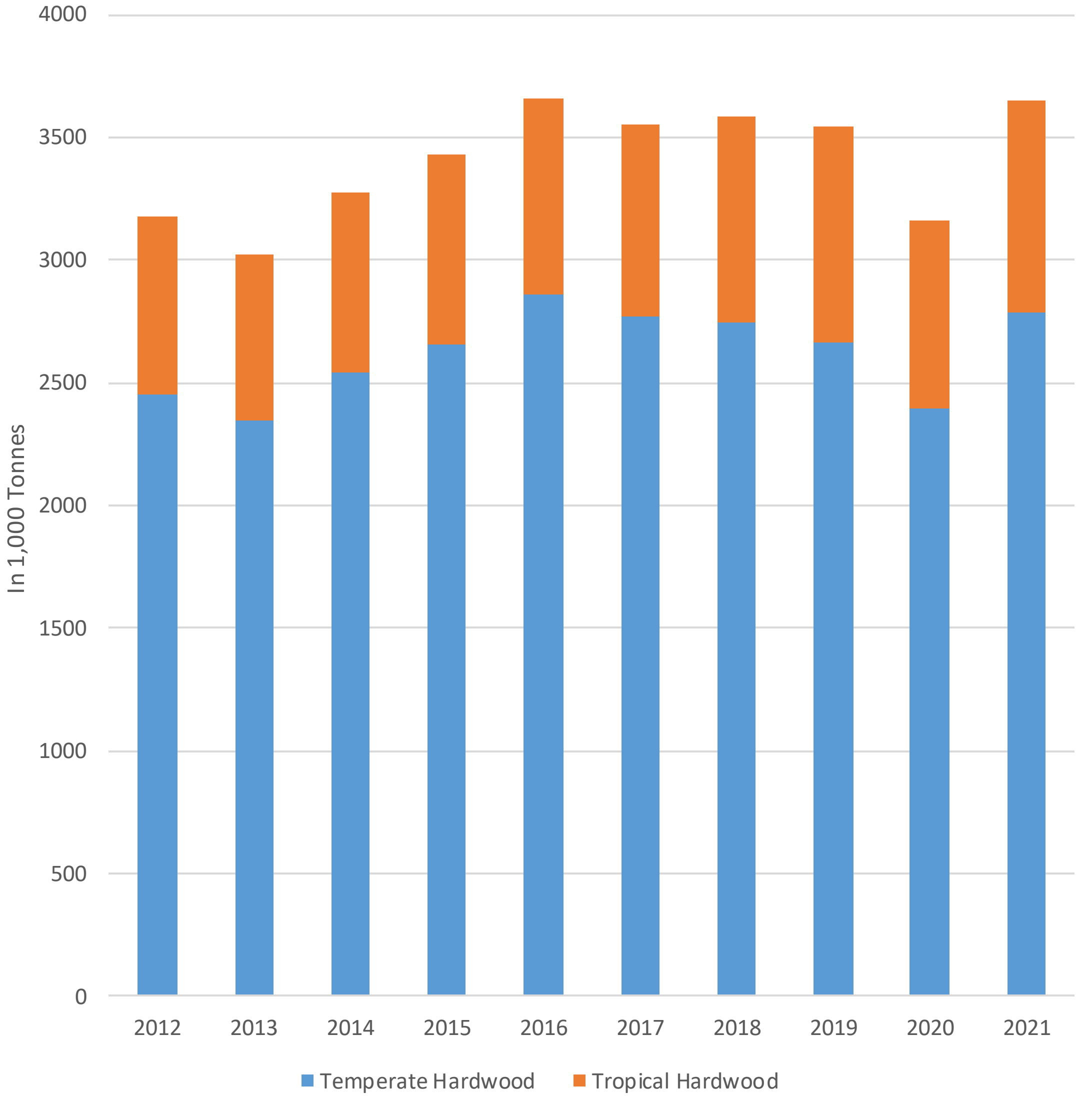
EU's 10 largest temperate hardwood producers 2015-2021



Source: FAO Stat, Country data and UNECE forecasts. Compiled and edited by Probos
Note: Rating based on 2021

280 m1 long Azobé bridge and waxed
softwood railing in Maasmechelen (Belgi

Total Imports of sawn hardwood (temperate & tropical) by EU27 + UK years 2012-2021



Imports increased in 2021

In 2021 the imports increased with highest number since 2016.

+ 15.4% increase to 3.65 million Tonnes

- Temperate + 16.5%
- Tropical + 11.8%

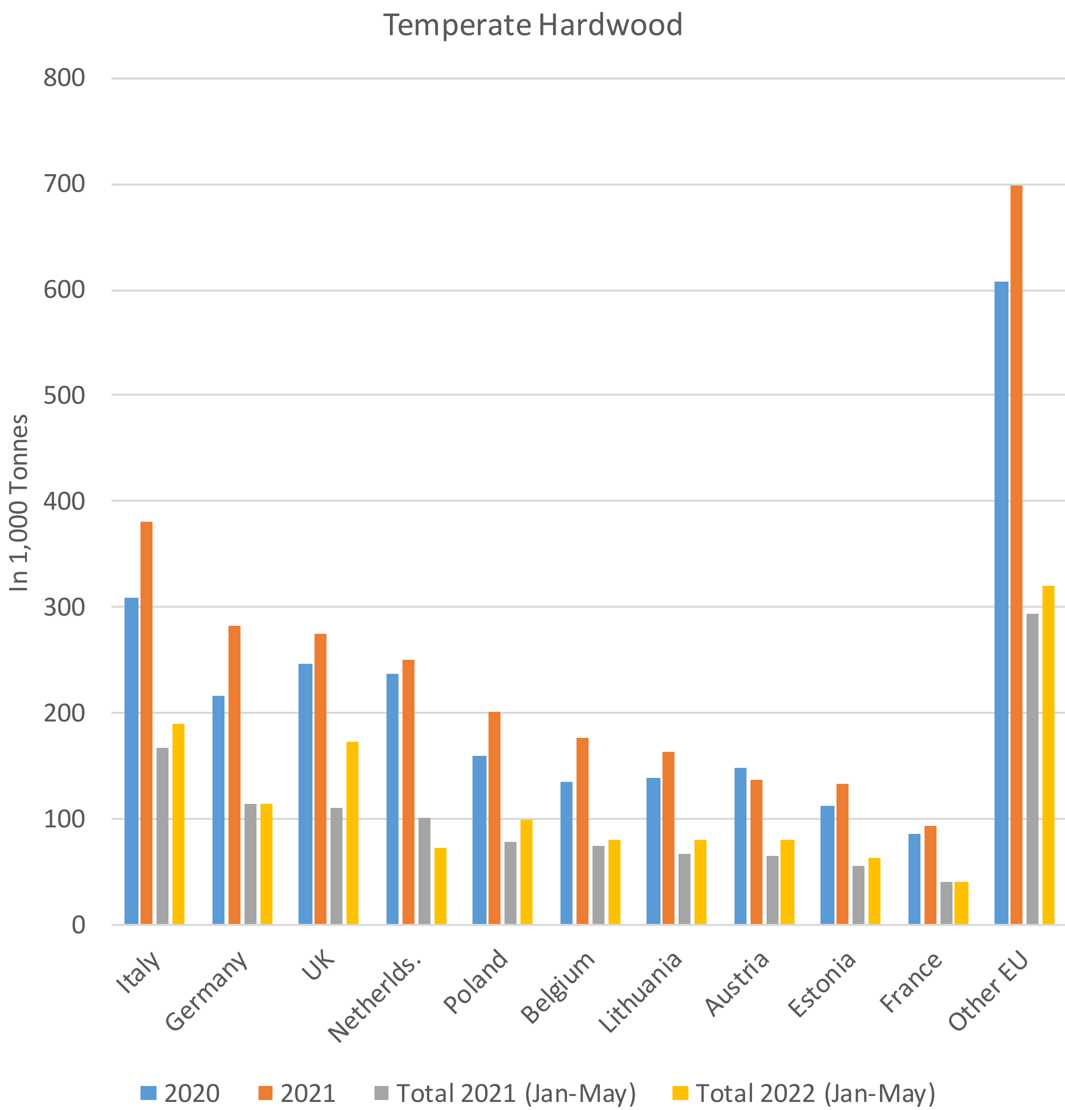
3/4 is Temperate Hardwood, 1/4 Tropical
or in money (US $):
2/3 is Temperate Hardwood, 1/3 Tropical

Clearly, the reduced imports in 2020 are due to COVID-19.

Source: FAO Stat, Comext and country reports. Compiled and edited by Probos

Azobé bridge near Winschoten (The Netherlands) – totally almost 800m1 long – main span over the highway is 43 m1
Longest foot- /cycle bridge in timber in Europe.

Imports of temperate sawn hardwood by EU27 + UK per country from both the EU and outside of the EU in 2020-2021 incl. January-May 2022



Imports increased in 2021

Imports of most countries increased due to recovery of COVID-19

Imports increased a lot in:

- Belgium + 31.8% to 0.18 m ton
- Germany + 31.1% to 0.28 m ton
- Poland + 26.2% to 0.20 m ton
- Italy + 22.7% to 0.38 m ton
- Austria is the only exception with -7.2%

Imports in the first 5 months of 2022

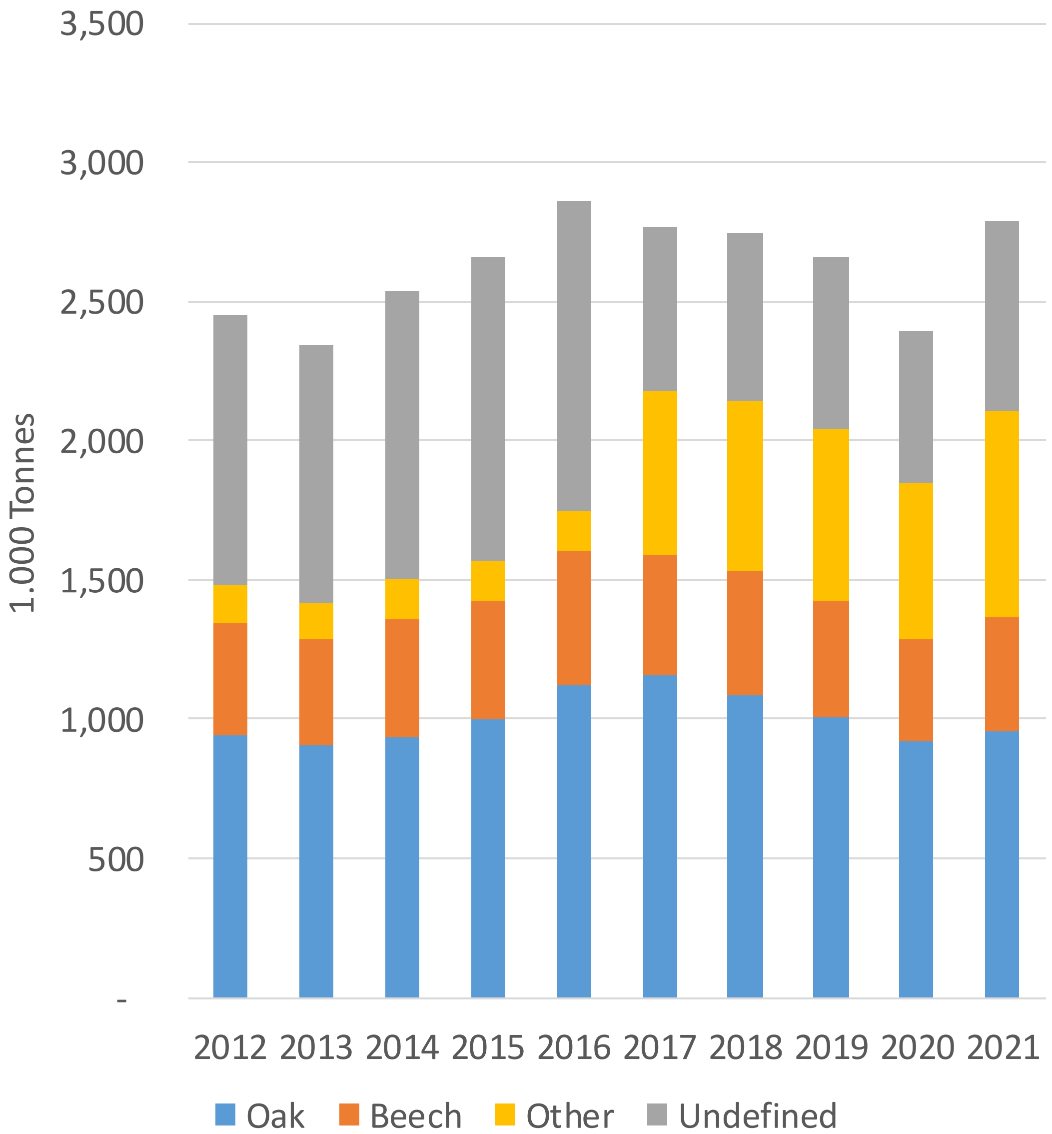
The first 5 months of 2022 showed another **+ 14.7%** growth on total imports compared with first 5 months in 2021

Imports increased significantly in:

- Italy + 64.0%
- UK + 48.3%
- Belgium + 20.0%
- Germany + 17.6%
- Portugal + 12.2%
- 'Other' EU countries + 15%

Source: STIX Data.. Compiled and edited by Probos

Imports of temperate sawn hardwood by EU27 countries + UK from all sources (the EU and outside of the EU) in 2020-2021 by species



Oak and Beech have a significant share of the temperate hardwood import

Oak & Beech have a large share of the total temperate hardwood import:

- Oak: 0.95 million ton; 34%
- Beech: 0.41 million ton; 15%

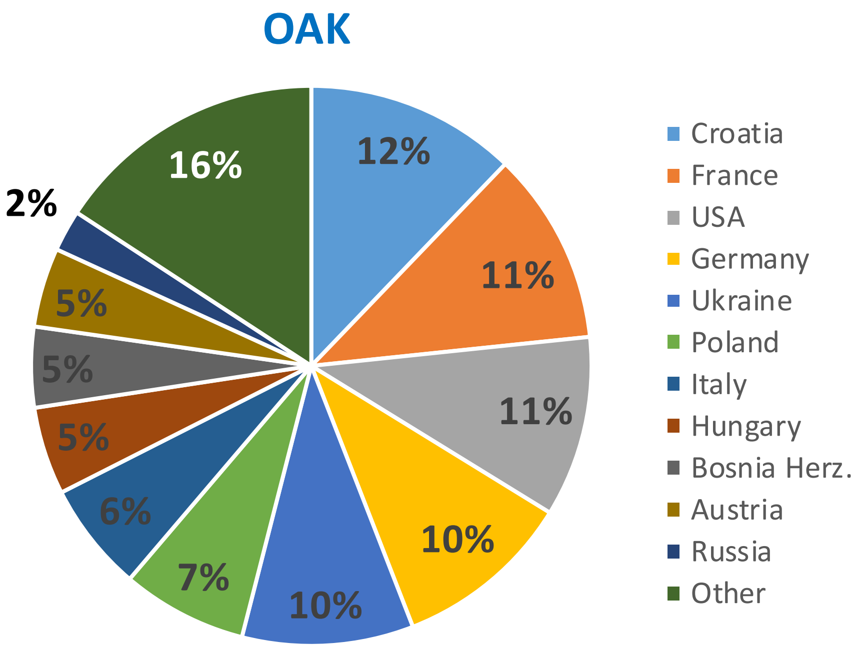
Species in the catagory 'Other':

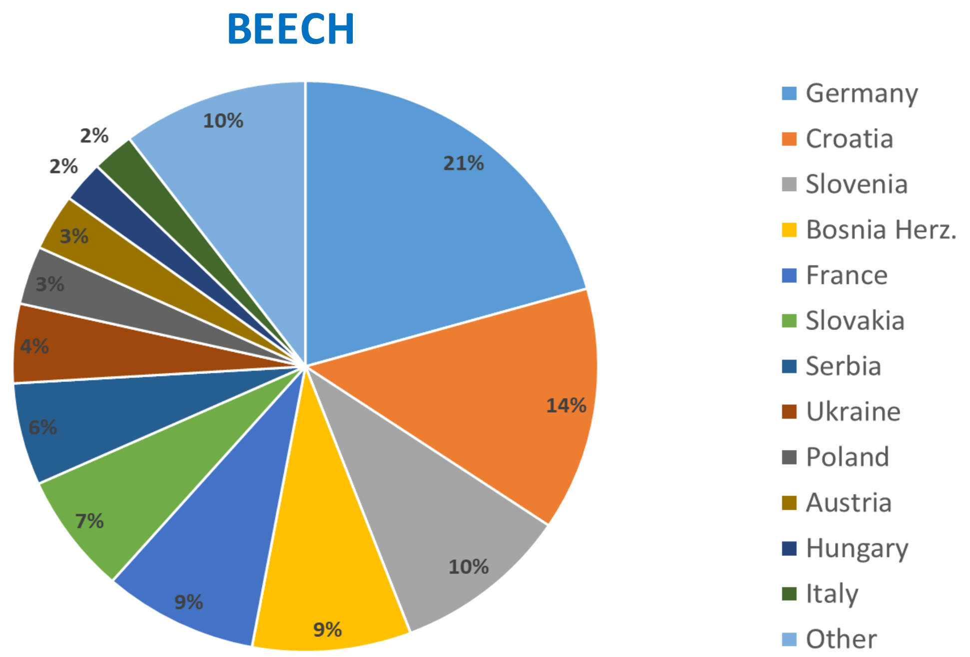
- Birch
- Poplar/aspen
- Ash
- Maple
- Cherry

The shift from undefined to other from 2017 is explained by the introduction of separate HS product codes for Birch and Poplar/Aspen.

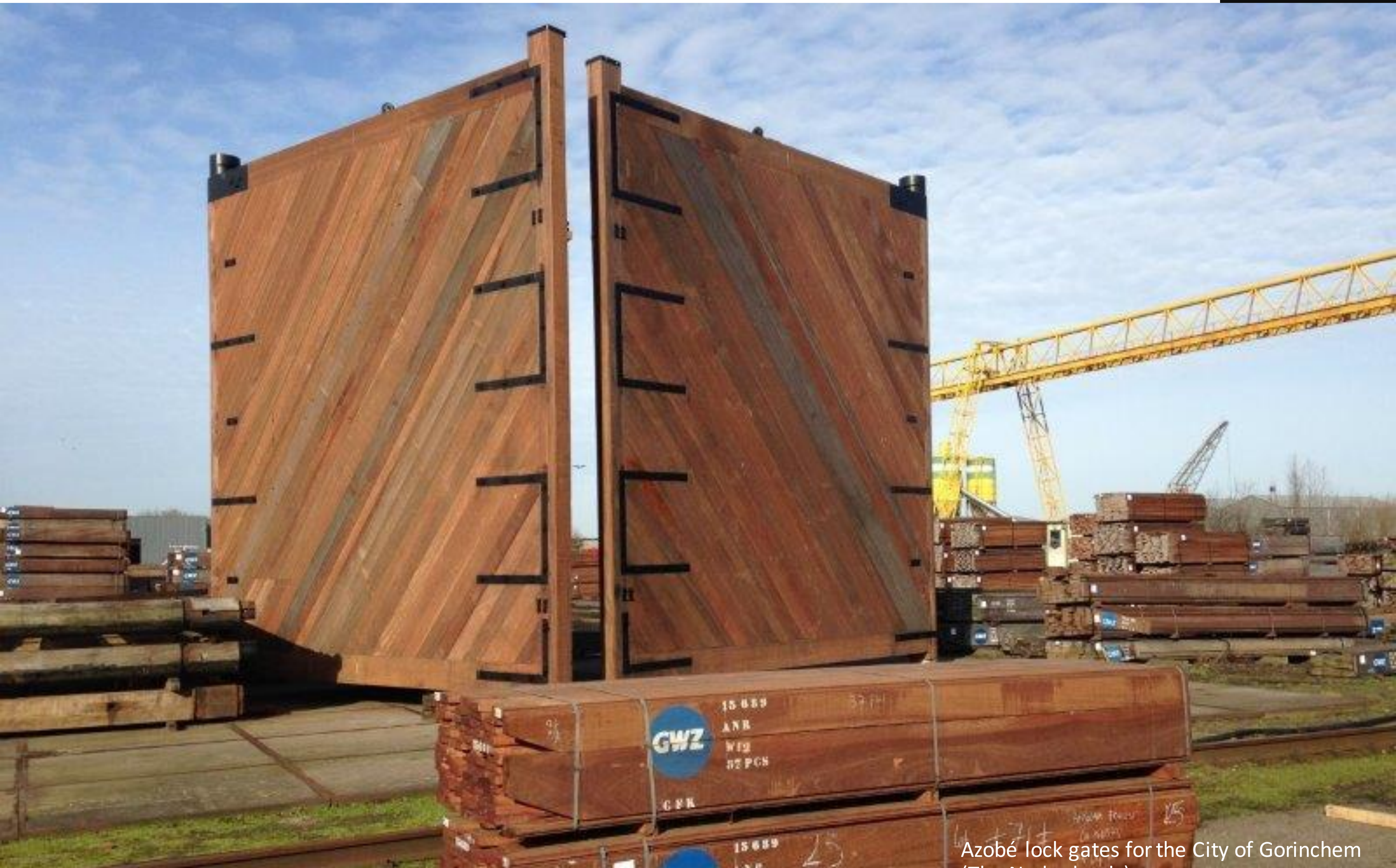
Source: STIX Data.. Compiled and edited by Probos

Origin of sawn OAK and BEECH hardwood imported by EU27 + UK from all sources in- and outside of the EU in 2021



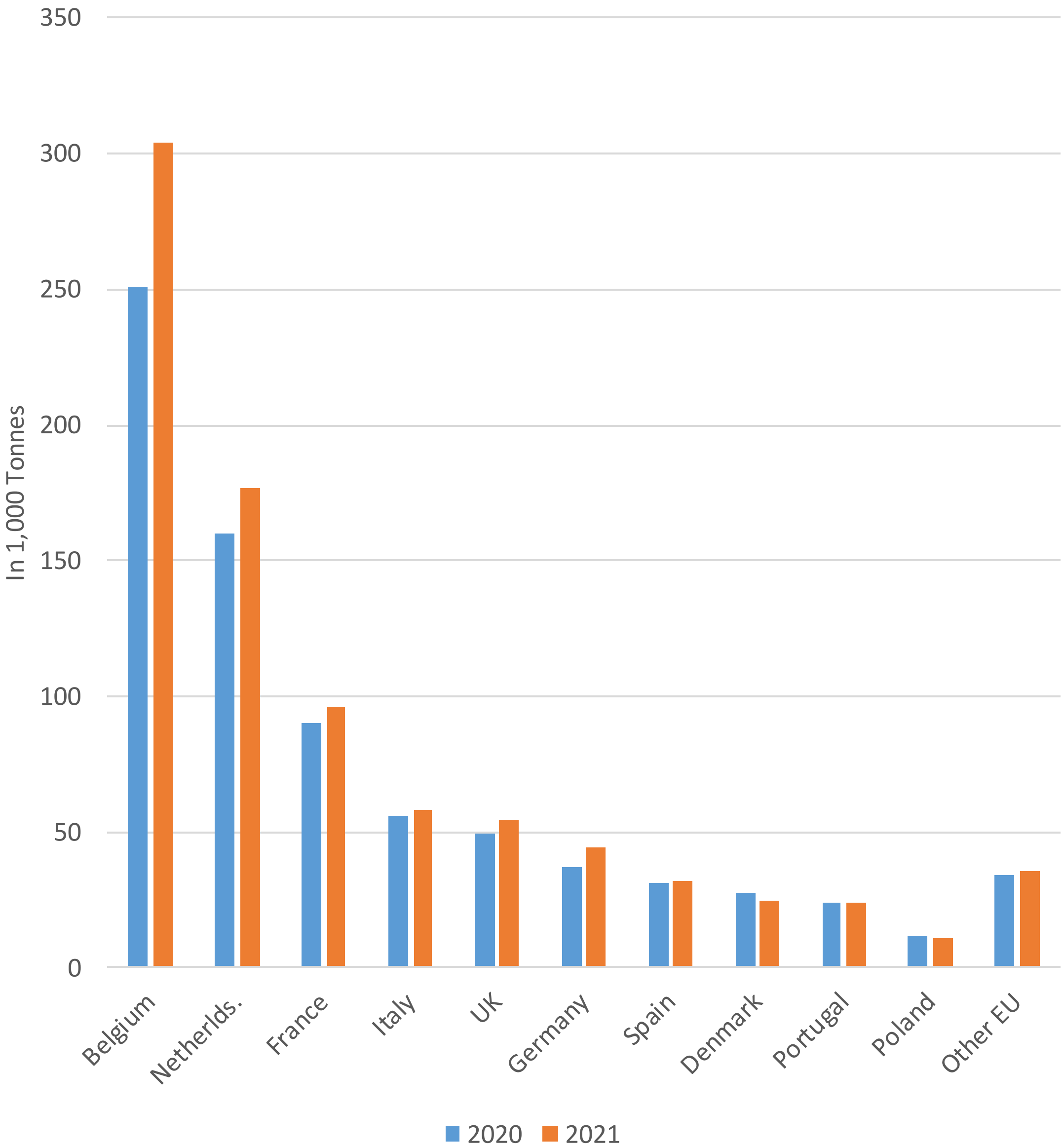


Source: STIX Data.. Compiled and edited by Probos



Azobé lock gates for the City of Gorinchem

Imports of tropical sawn hardwood by EU27 + UK Years 2020-2021 (incl. intra EU+UK trade)



Source: STIX Data.. Compiled and edited by Probos

Imports increased in 2021

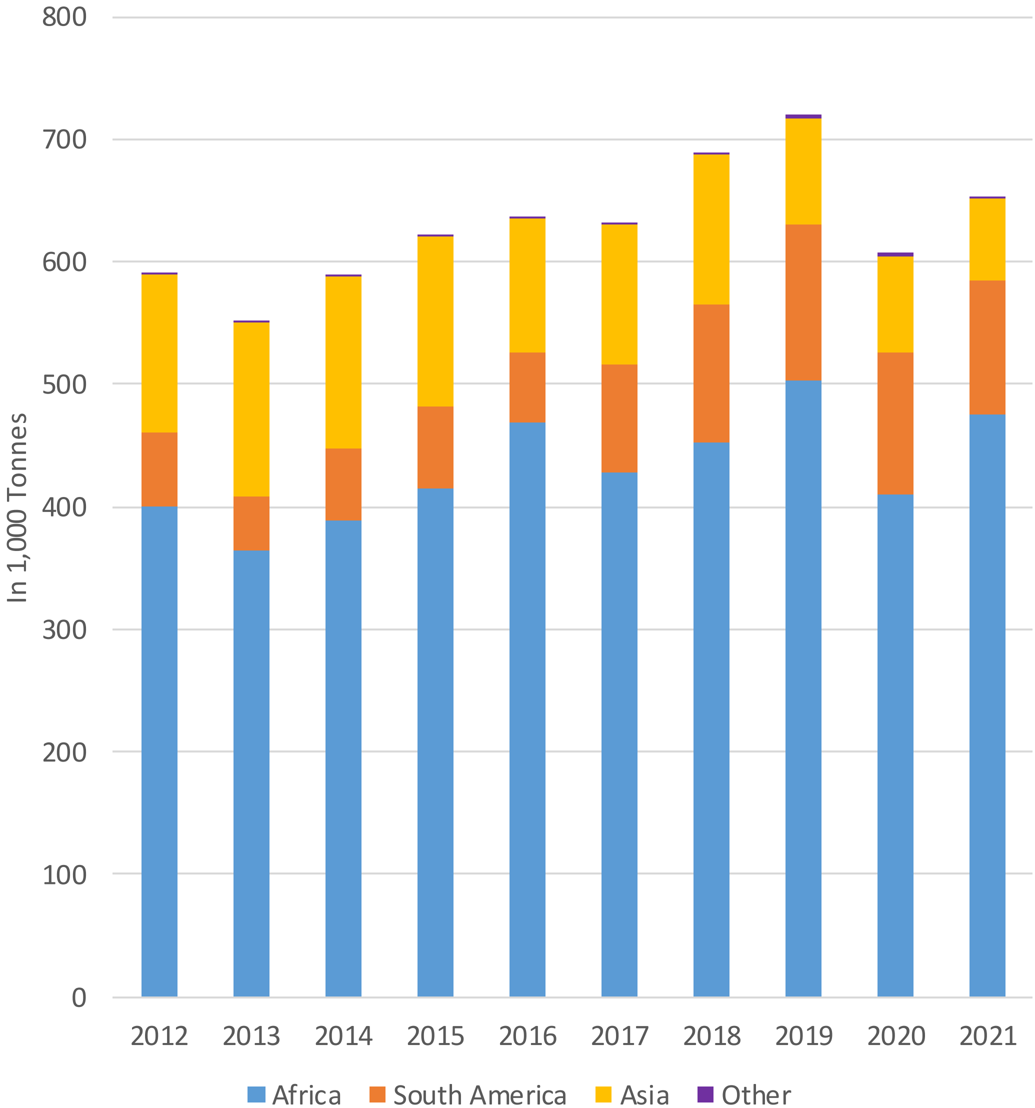
Imports of almost all countries seems to increase due to recovery of COVID-19

Imports increased significantly in:

- Germany + 21.4% to 0.04m ton
- Belgium + 21.1% to 0.30m ton
- Netherlands + 10.6% to 0.18m ton
- UK + 10.6% to 0.05m ton
- 'Other' EU countries + 11,8%
- Top 10 countries + 1% to 7%

Denmark and Poland's imports decreased with -10.5% and -3.9% respectively

Origin of imports of tropical sawn hardwood by EU27 + UK
Years 2012-2021 (excl. intra EU27+UK trade)



Region of Origin Tropical Sawn hardwood imports

- approx. 653,000 MT

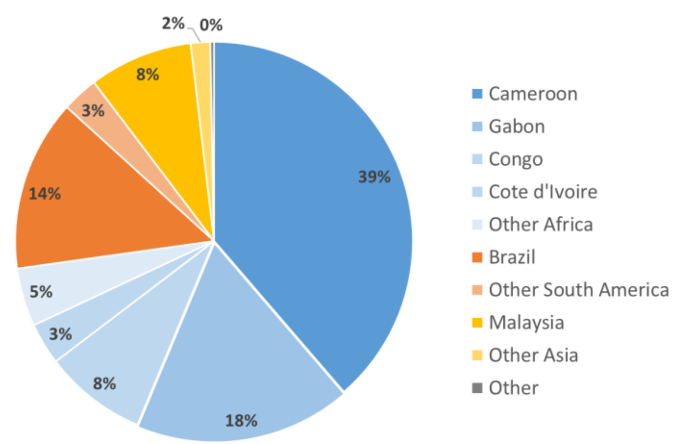
- Intra EU27+UK trade is about 210,000 MT

In 2021:

- 73% from Africa
- 17% from South America
- 10% from Asia
- 0.4% from Other countries

2021 compared with 2020 in absolute m3

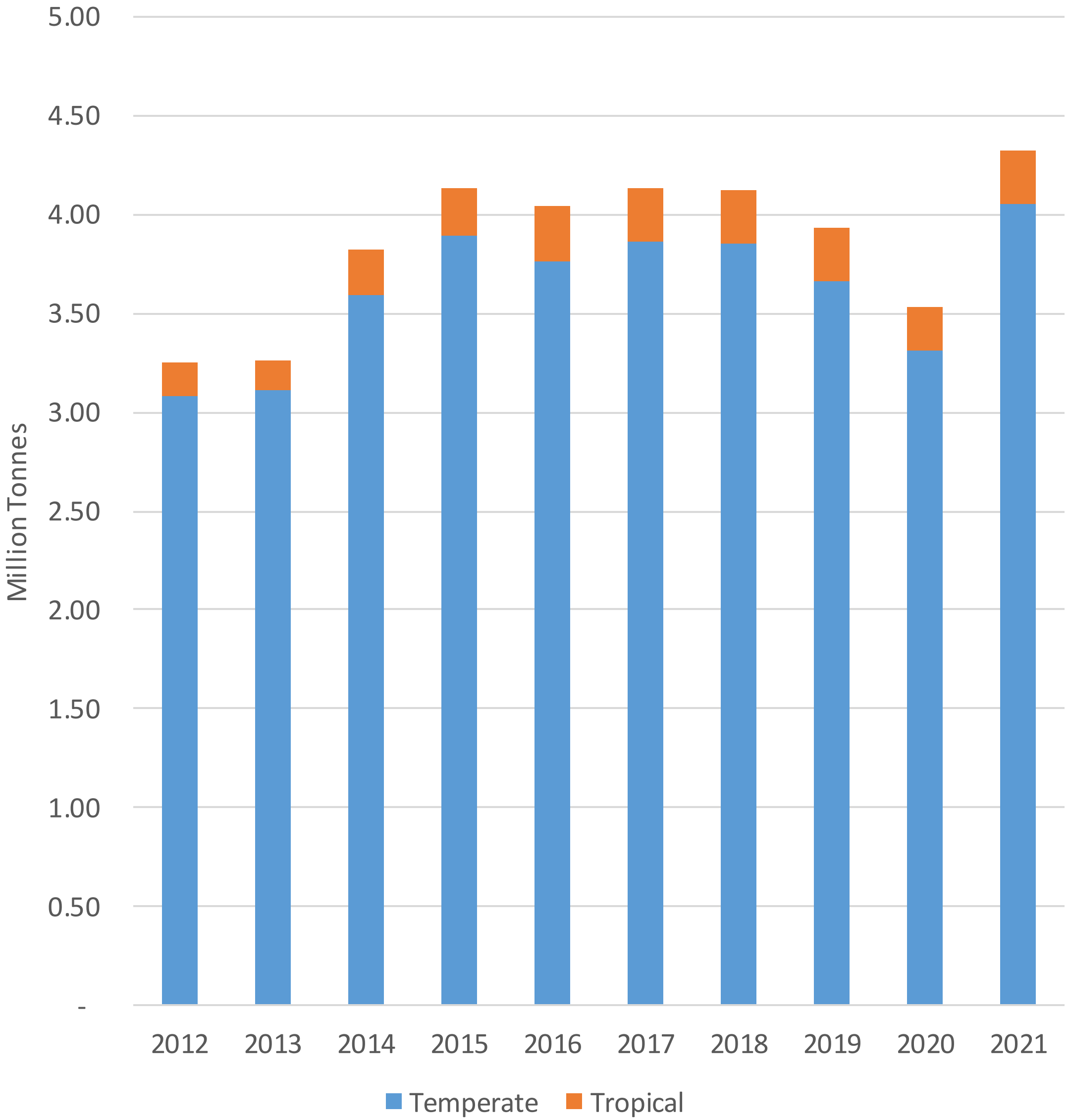
- Africa + 15.8%
- South America - 5.3%
- Asia - 16.4%
- Other + 34.8%



Source: STIX Data.. Compiled and edited by Probos

Azobé bridge in Oirschot (The Netherlands)
main truss bridge crossing a canal 42m1 long

Exports of mainly temperate sawn hardwood by EU27 + UK
Years 2012-2021



Total export of EU27 + UK increased in 2021 compared with 2020

Approx. 95% of the exports is temperate Hardwood

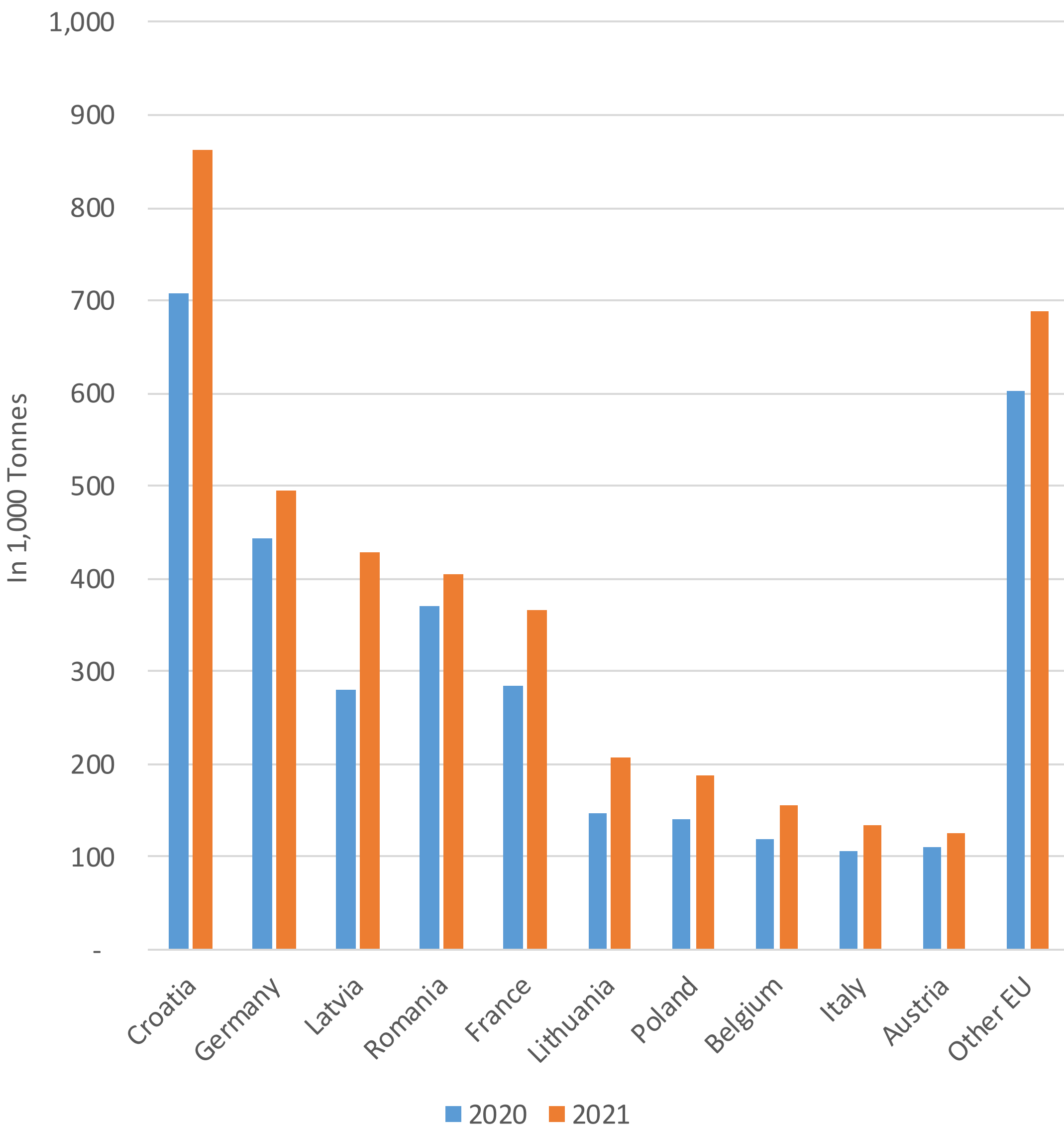
Obviously we see reduced exports in 2020 due to COVID-19 problems, but in 2021 the exports increased importantly:

+ 22.4% to 4.32 Million Tonnes

- Temperate + 22.5%
- Tropical + 22.2%

Source: STIX Data.. Compiled and edited by Probos

Exports of temperate sawn hardwood by EU27 + UK
Years 2020-2021



Total export of EU27 + UK increased in 2021 compared with 2020

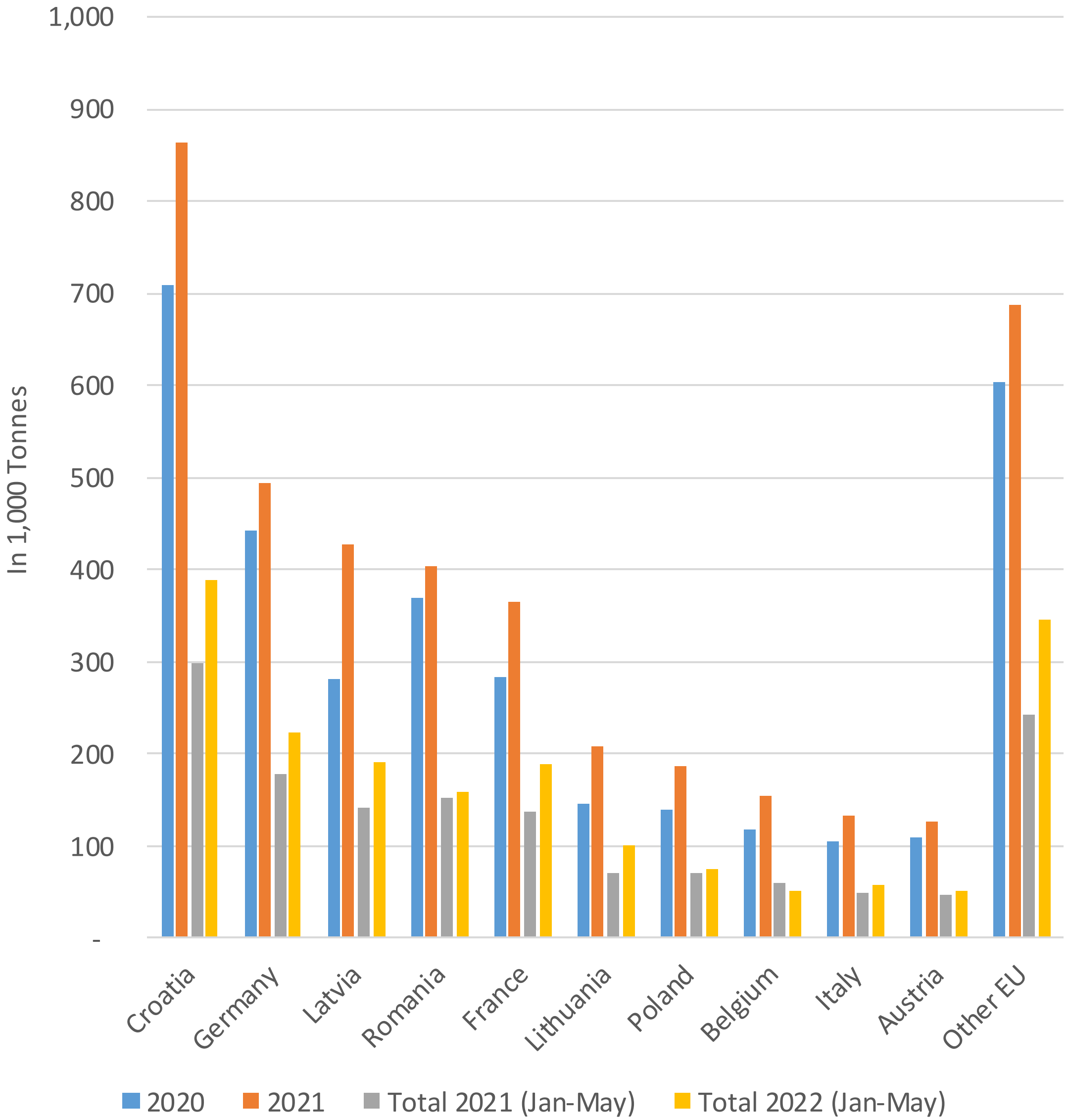
Export increased from all countries
+ 22.5% to 1.84 million tonnes

Exports increased most from:

- Latvia + 52.7% to 0.43 m ton
- Lithuania + 42.0% to 0.21 m ton
- Poland + 34.0% to 0.19 m ton
- Belgium + 31.5% to 0.16 m ton
- Remaining top 10 exporting counties ranged between 10% - 30% increase in exports.
- 'Other' countries increased by 14%, Hungary, Slovakia, Slovenia and the Netherlands represent 65% of these 'other' countries

Source: STIX Data.. Compiled and edited by Probos

Exports of temperate sawn hardwood by EU27 + UK Years 2020-2021 incl. first 5 months of 2022



Export of EU27 + UK increased in first 5 months of 2022.

Based on the first 5 months of 2022, the increase in exports from the EU and the UK seems to continue with **+ 27%**

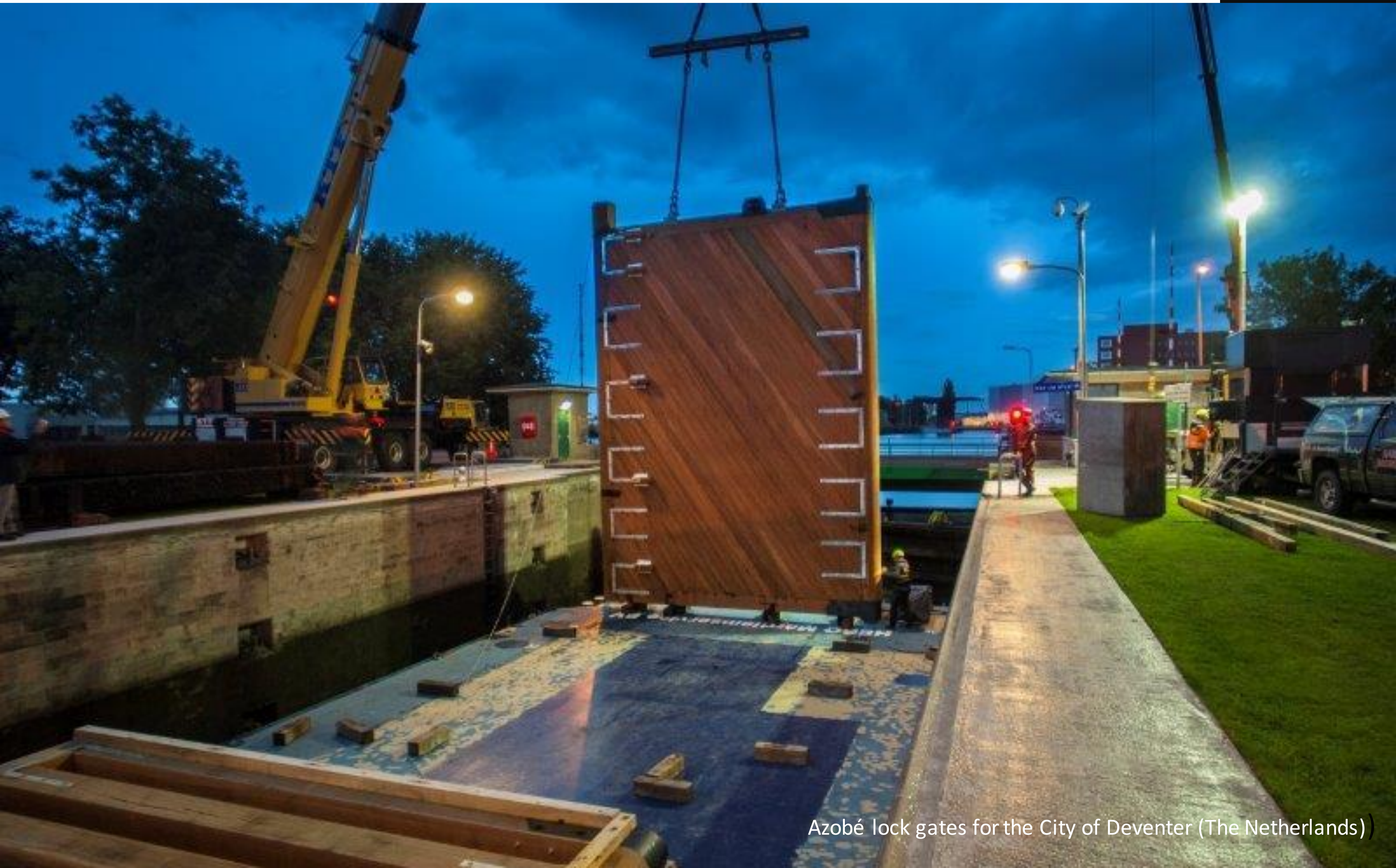
Exports increased significantly from:

- Lithuania + 45.5%
- France + 37.4%
- Latvia + 35.7%
- Croatia + 30.1%
- Germany + 26.0%
- Top 10 + 4% to 17%
- 'Other' + 43%

Exports only decreased from Belgium

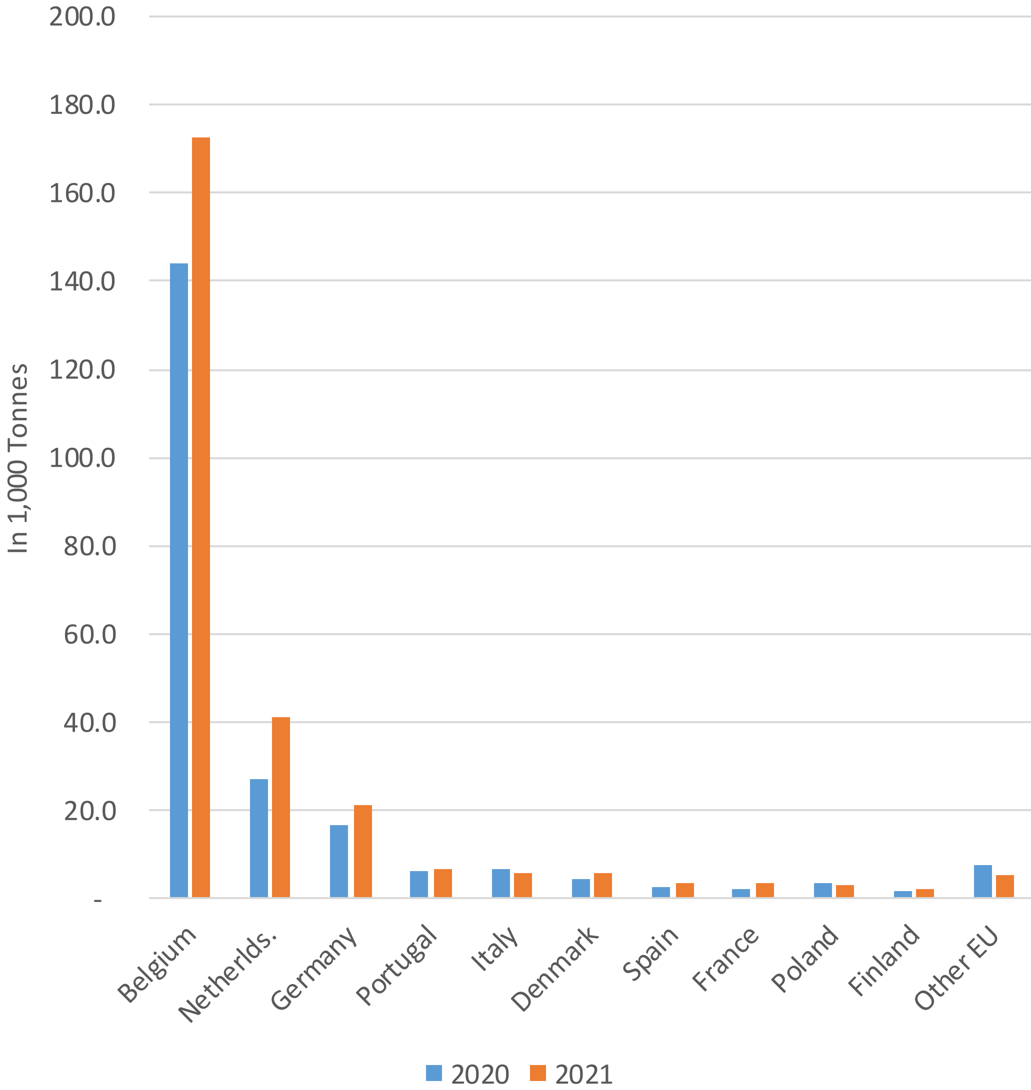
- -12.2%

Source: STIX Data.. Compiled and edited by Probos



Azobé lock gates for the City of Deventer (The Netherlands))

Exports of tropical sawn hardwood by EU27 + UK
Years 2020-2021



Total export of EU27 + UK increased with

+22.2% to 270,000 tonnes

Belgium represents 64% of total export

Exports increased most from:

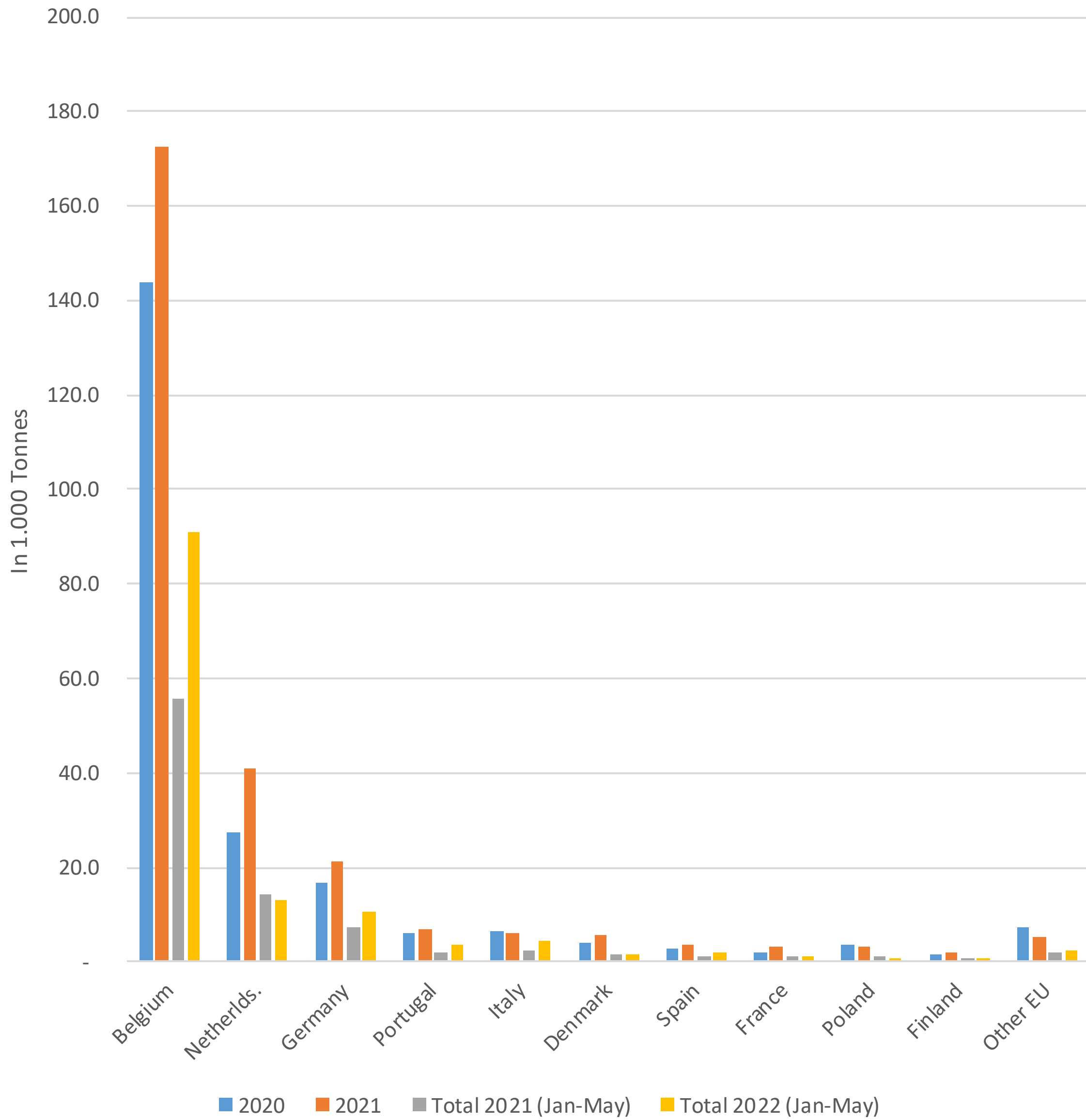
- France + 69.8% to 3,300 ton
- Netherlands + 50.8% to 41,000 ton
- Spain + 36.7% to 3,600 ton
- Denmark + 34.9% to 5,600 ton
- Belgium + 20,0% to 172,600 ton
- Top 10 exporters + 15% to + 26%

Exports decreased from:

- Poland - 11.8% to 3,000 ton
- Italy - 9.3% to 5,900 ton
- Other' countries decreased by 27.8%
  UK, Estonia, Austria, Lithuania & Slovenia represent 75% of 'other EU' 15%-26%

Source: STIX Data.. Compiled and edited by Probos

Exports of tropical sawn hardwood by EU27 + UK
Years 2020-2021 incl. first 5 months of 2022



Export of EU27 + UK increased in first 5 months of 2022.

Based on the first 5 months of 2022 the increase is + 46.5% compared with first 5 months in 2021

Exports increased a lot from:

- Portugal + 83.2%
- Italy + 71.6%
- Spain + 66.9%
- Belgium + 63.3%
- Germany + 45.3%
- Finland + 5.9%
- 'Other' EU countries + 16.2%
- France's export remained stable (<1%)

Exports decreased from:

- Poland - 19.0%
- Denmark - 11.3%
- Netherlands - 8.3%

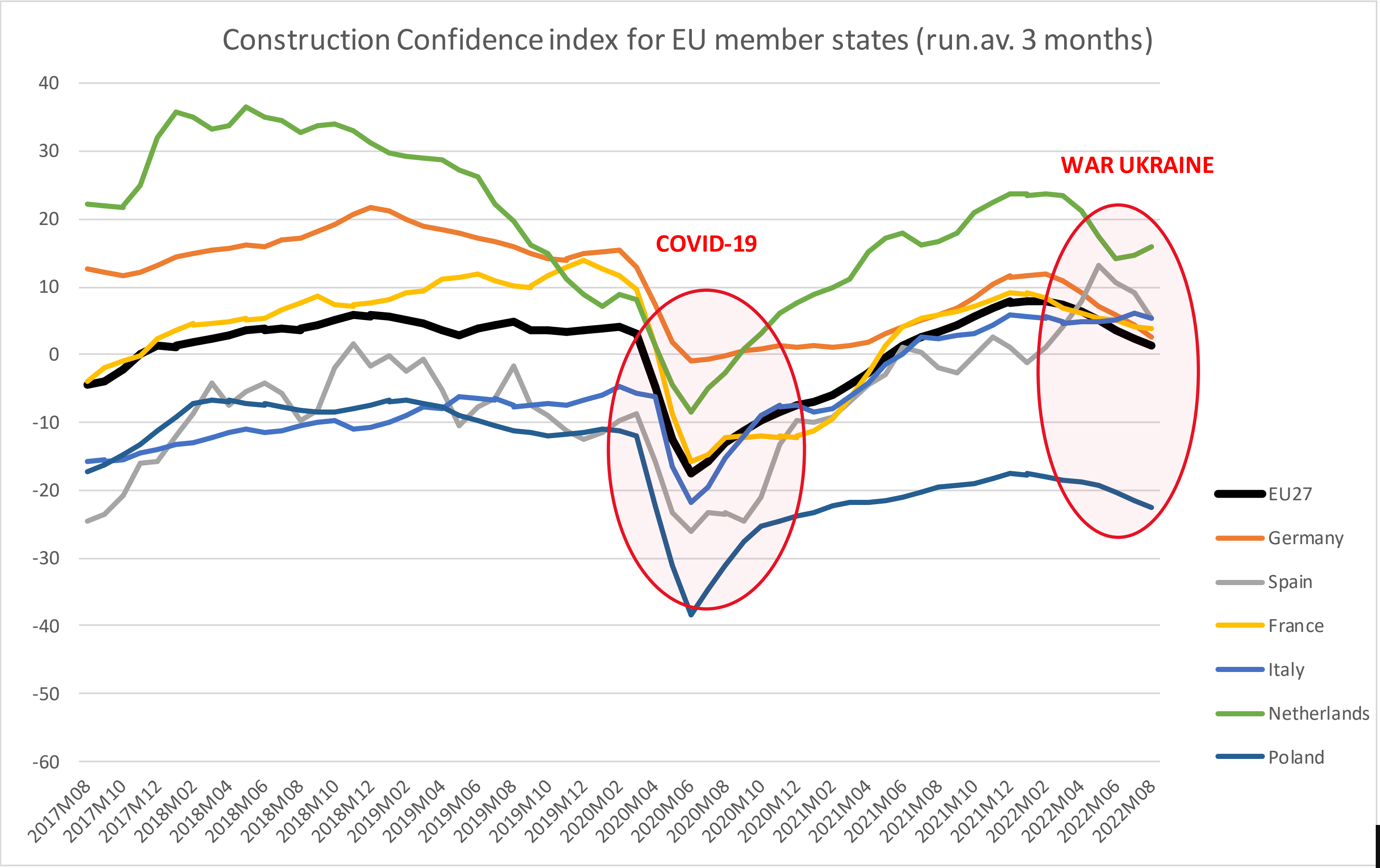
Source: STIX Data.. Compiled and edited by Probos

What happened in 2022 until now

- first quarter of the year still effected by Covid-19
- war in Ukraine started end February
- full stop on Russian and Belarusian sawn timber in July, which is about 22,000 tons of Oak from Russia
- lots of activity in building and DIY
- prices went up
- stock increased at importers
- interest increased
- inflation increased
- wages went up
- cost of energy sky high, mainly diesel related to production in the forest – local transportation to the mill - production - transportation to the port of discharge
- transportation cost in Europe a lot more expensive
- sea freight rates to Europe creeped up except from the Far East

Eurostat construction confidence index for the EU Member States

Seasonally adjusted data, running average of 3 months
Monthly, for the period Aug 2017 to Aug 2022



Source: Eurostat. Compiled and edited by Probos

What to be expected end of 2022 & 2023

Uncertainties:

- Covid-19?
- war in Ukraine will end; when and than what?
- cost of energy / gas / diesel?
- activity in building and construction?
- new EUDR regulations for wood will replace EUTR – good or bad?
- prices went up, but will go down as usually?

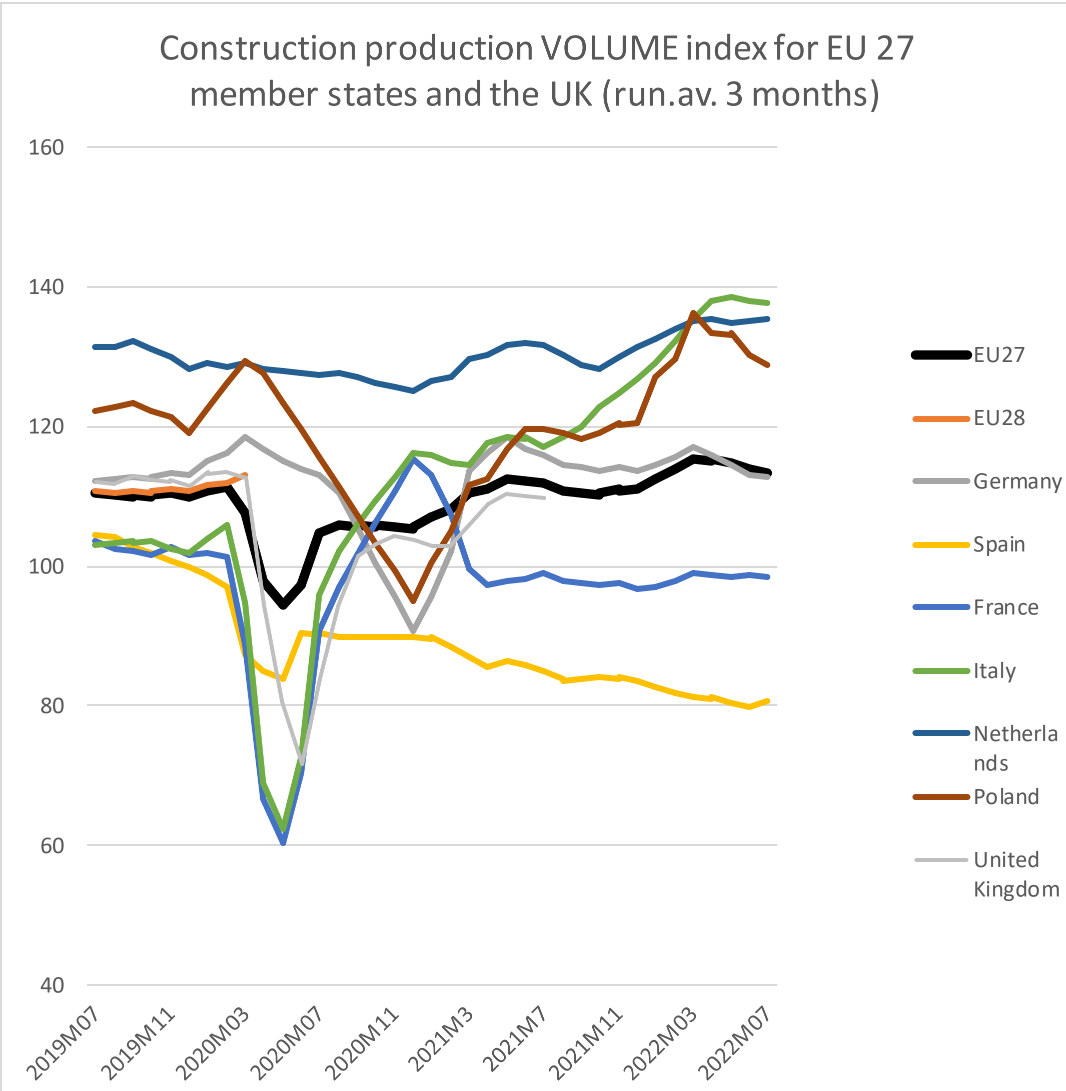
Certainties:

- stock increased at importers
- interest increased
- inflation increased
- wages went up and labour people are scarce
- consumer confidence went down

Azobé bridge crossing highway A28 near Harderwijk (The Netherlands)

Eurostat construction (building) production index for the EU Member States

Volume of seasonally and calendar adjusted production output (2015 = 100)
Running average of 3 months. Monthly for the period July 2019 to July 2022



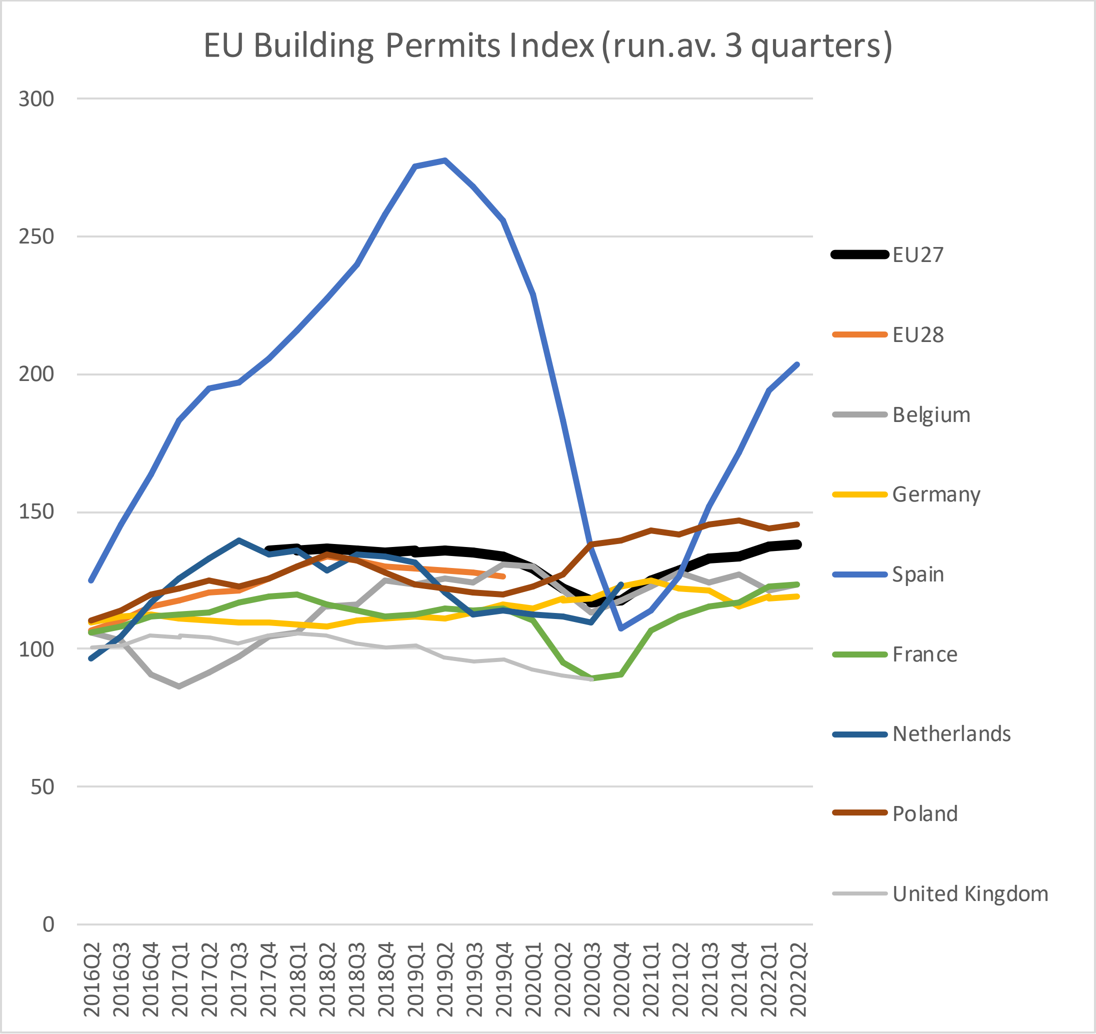
Gradual recovery trend of building production

- Total volume of EU27+UK building in december 2019 is 13.5% higher than in 2015.
- Evident impact of COVID-19 can be seen in March 2020.
- Since the initial COVID-19 outbreak a recovery in building can be seen.
- Huge difference between Spain (80%) vs Italy and the Netherlands (135%)

Source: Eurostat. Compiled and edited by Probos

EU Building Permits Index

Quarterly, for the period Q2 2016 to Q2 2022
(2015 = 100), running average of 3 months
Seasonally and calendar adjusted data.



Building permits EU increasing since 2015.

- Gradual increase of 38,2% for EU27+UK total
- Spain shows dramatic curve. With an increasing trend since 2021 again.
- Germany still above 2015 levels
- France recovers after dip at the start of 2020

Index EU below 100 before 2015

Source: Eurostat. Compiled and edited by Probos

POSITIVE NEWS FOR 2023?

Just some thoughts…

European Timber Trade Federation

- Building with wood is **HOT**
  - circularity
  - bio-based
  - EU Zero Carbon Building Strategy
- Probably less building but more in wood
- More building activity in hydraulical sector due to climate change

❑ Q2 next year…..

INTERNATIONAL HARDWOOD CONFERENCE IHC 2022

THANK YOU

Un évènement organisé par

Avec le soutien de