

Activity in the US, China and Japan

During Q2 2014 activity in Japan and China had slowed down. Japan due slower than expected house demand and China seem to have an oversupply of Construction timber. USA remains positive but fears it may slow in Q4.

Demand outside Europe

Demand on the big markets outside Europe have slowed down from the demand in Q1/2. The US, China, Japan and the Middle East/North Africa continue to consume volumes of wood but not on the levels we have seen early 2014, whilst European countries in the main continue to be weak, England being the exception .

However there are big regional differences. Germany, who is the biggest economy and biggest timber market in Europe, remains strong building activity figures and in UK the building activity remains stable

Production levels and Inventories

European sawmill production remain positive and have good stocks .

In Sweden, due to the 2 storms and the slowing of China and Japan there are more centre cut materials ready available in spruce. Which is putting pressure on the market level on a short term basis . Pine remains stable with inventories reducing and order books still in a positive stance.

Swedish krona

During early 2014, the Swedish krona was strong against the British Pound, but heading into Q2 this has switched as the pound has gained on the pound..

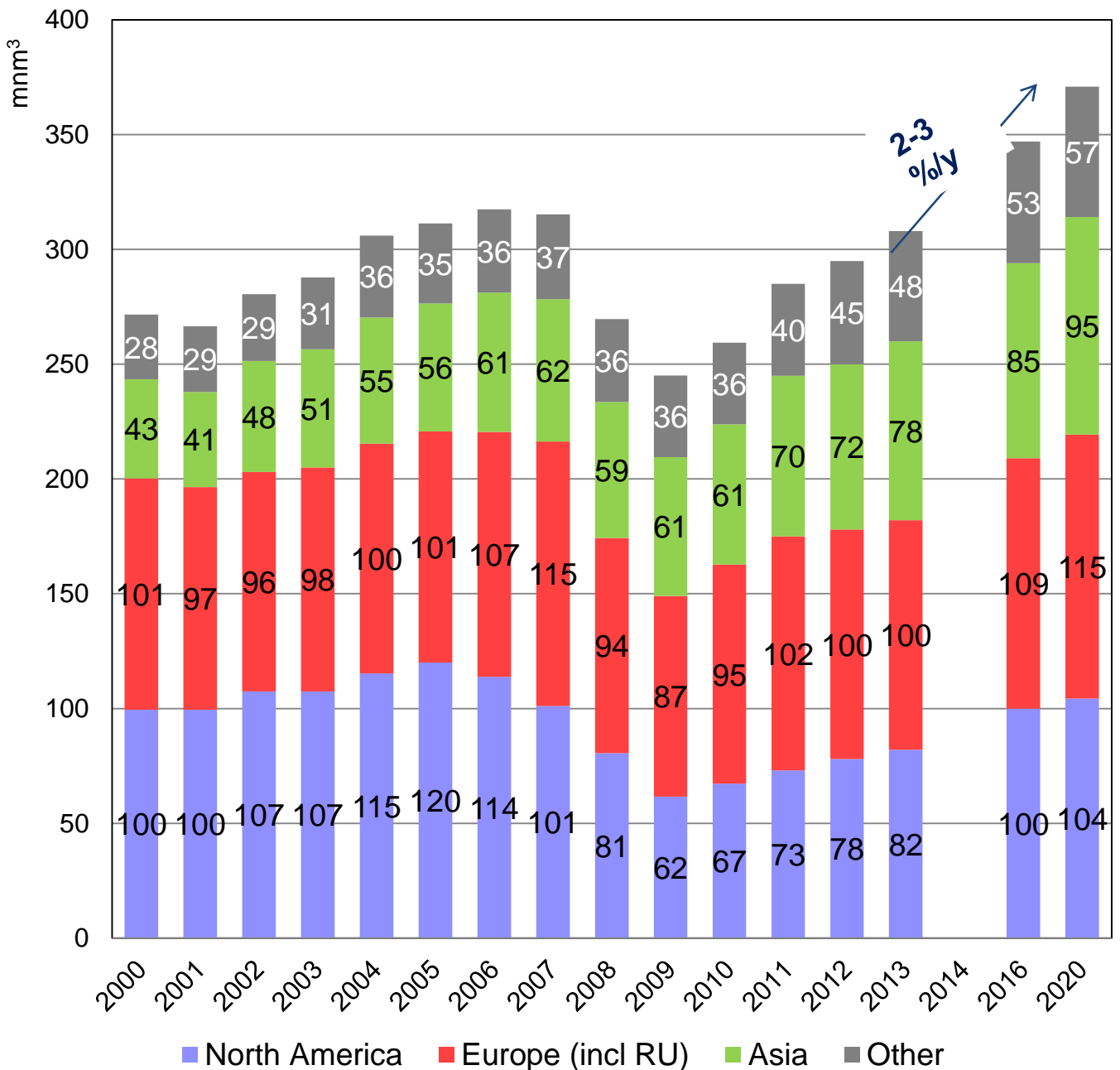
Stability on the supply side ?

Production increased in the Nordic Countries with an estimated 11% compared to August 2013. The accumulated volumes are up overall by 9% higher than 2013. In saying this the outlook remains positive in Pine with order books and inventories remaining stable.

Centre cut Spuce is under pressure with the highest volumes being found .

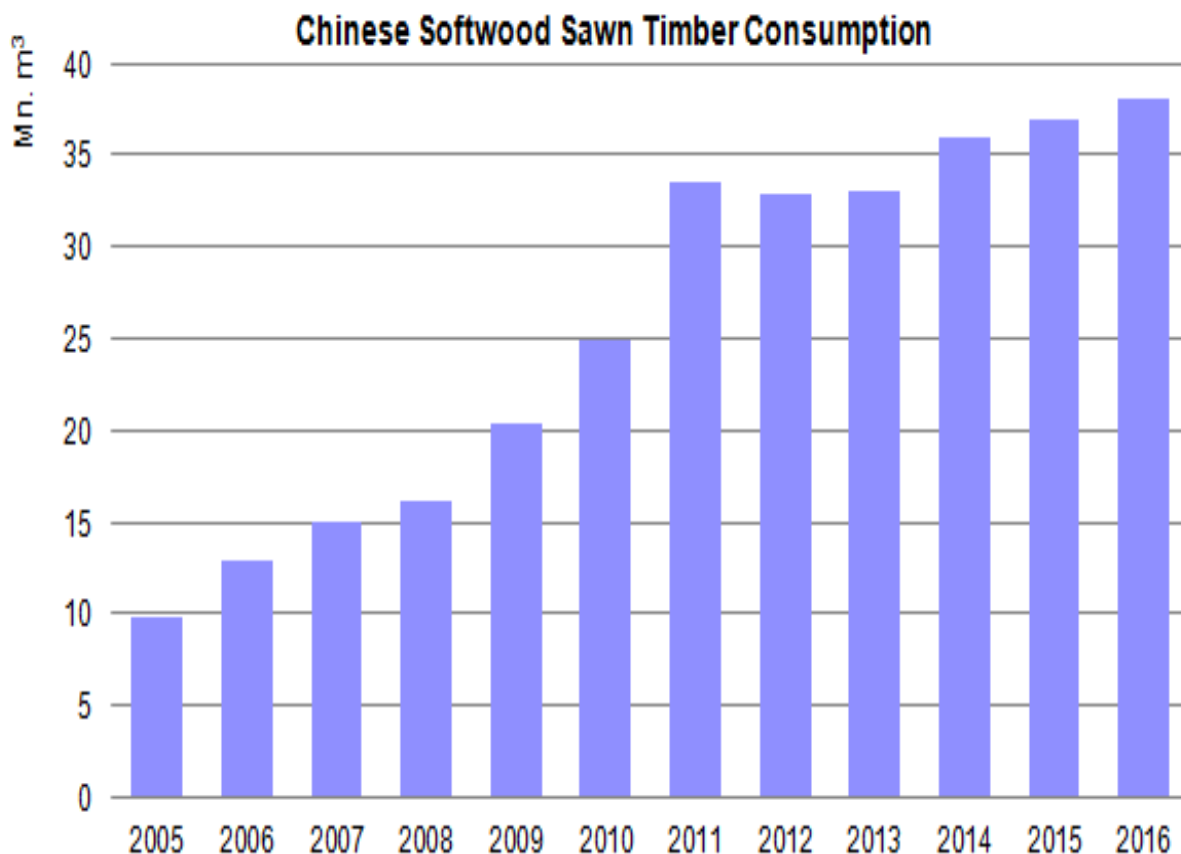
Global Softwood sawn timber demand predicted to grow with 15-20% from today's level up to 2020

Softwood sawn timber Demand



GLOBAL TRENDS

Strong growth in softwood sawn timber consumption exceeding 38 million m³ by 2016



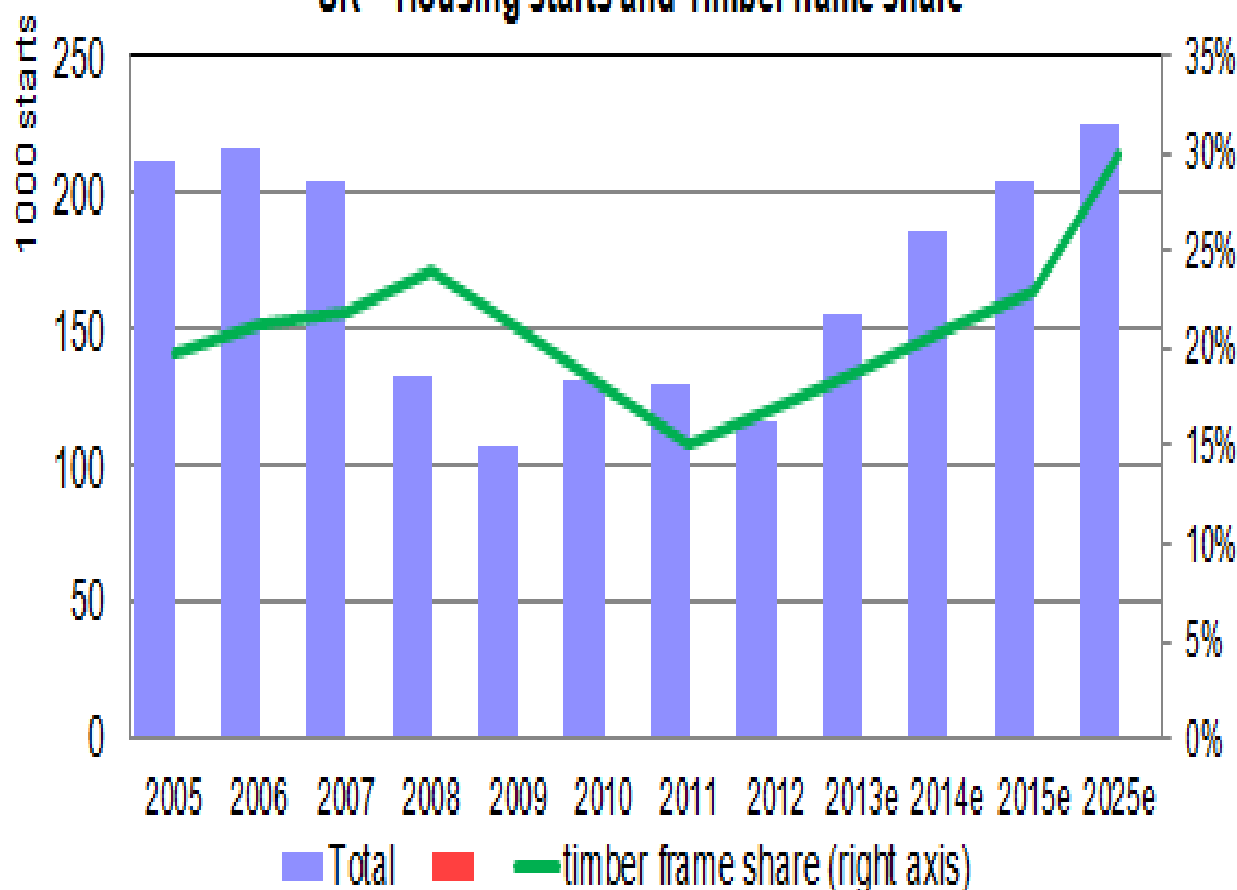
✦ Imports have played a large roll in China's increased sawn timber consumption, with an especially big increase in 2011

* Russian log tax was implemented on April 1, 2008 at the initial 25% rate

Source: FAO, Random Lengths Int, Timwood

A strong recovery in the UK housing market lifts starts to 205 000 by 2015, but the long-term realistic housing level remains at 225 000

UK – Housing starts and Timber frame share



- + UK housing experienced a strong support by government incentives
- + There are strong underlying drivers for housing in the UK but constraints to achieving the theoretical potential:
 - + Pent-up demand exists for a theoretical potential of up to 300 000 units year – but housing would require strong government support for social housing
 - + Given historic levels of support for social housing and builders conservative control of house prices, a realistic level of housing for 2025 is projected to be 225 000 units
- + Timber Frame market share to rebound with a housing recovery, reaching 30% by 2025

Swedish Sawmills' Stocks of Sawlogs*, August 31st 2014

- Stocks of sawlogs down 7% compared with one month earlier and up 49% from one year earlier.

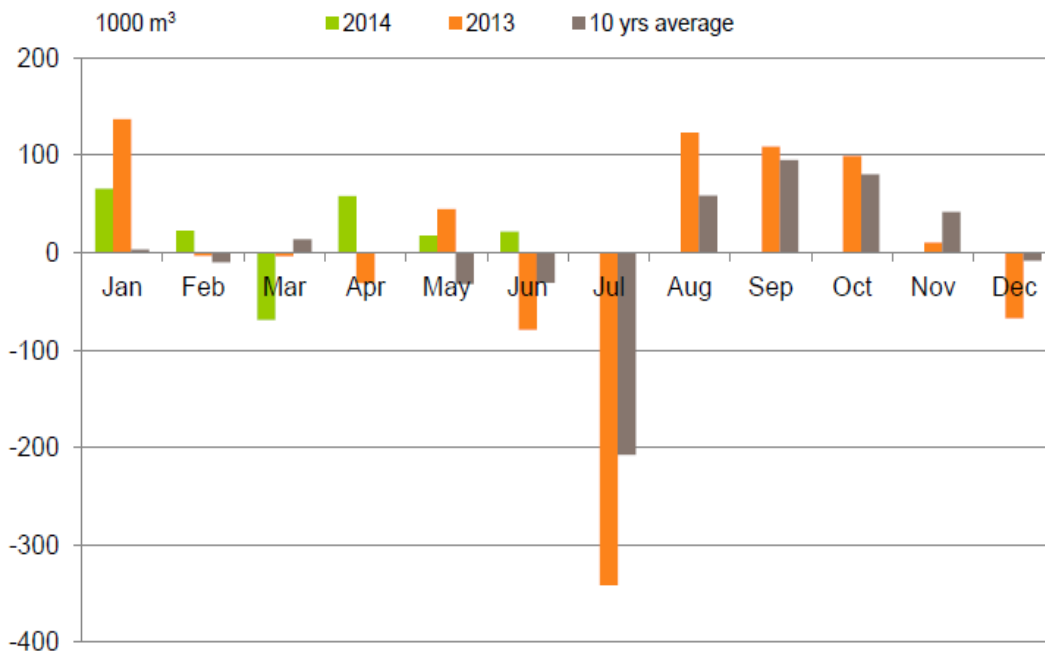
1.000 m ³	August 2014	% change 1 month	% change 12 months
North	851	-6%	101%
Central	316	-9%	16%
West	264	-9%	8%
South	517	-5%	41%
Total	1949	-7%	49%

*Only volumes reported by the statistical group of the Swedish Forest Industries Federation. The figures *does not* include the sawmills' stocks of standing timber in forests. The figures may be revised.

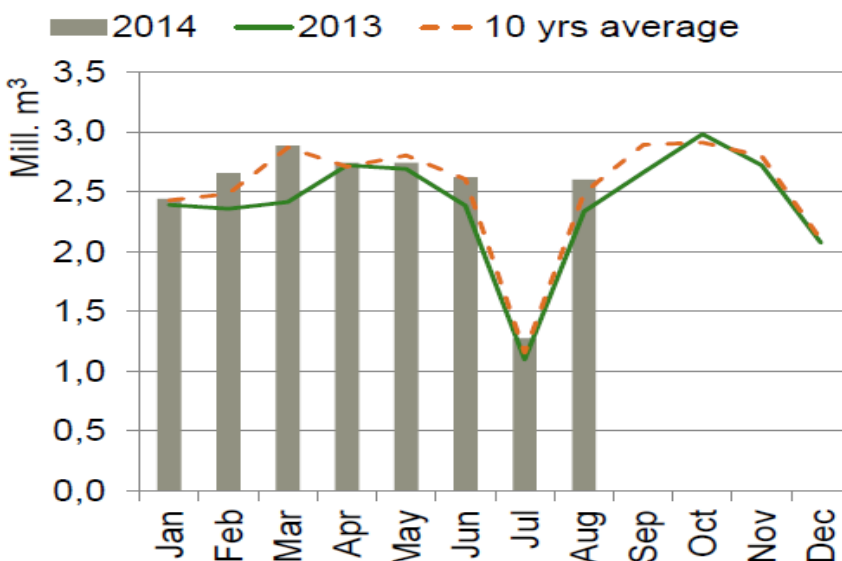
2014-09-18 Source: Swedish Forest Industries Federation

Finish export

Change in stock level per month 2014, 2013 and the ten years' average

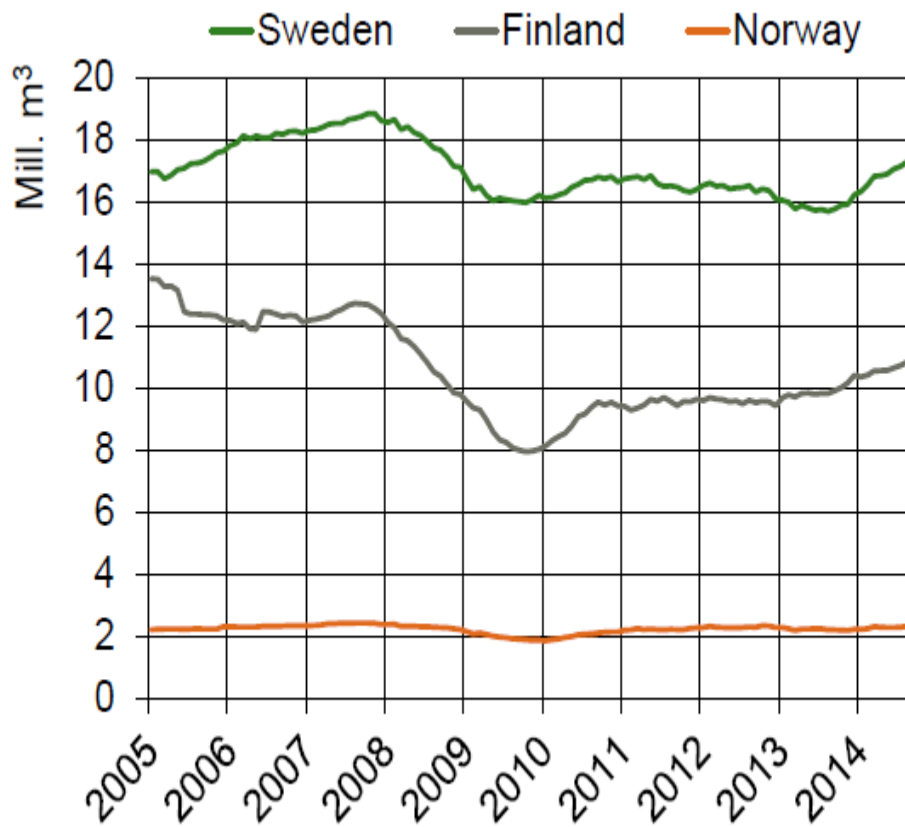


Nordic Sawn Softwood Production



Change compared with the same month 2013 (%)	
Month	+11%
Accumulated 2014	+9%
Total prod. estimate (1.000 m³)	
Month	2.600
Rolling 12 months	30.420

Production per Nordic Country



Sweden	
Change compared with 2013 (%)	
Month	+10%
Accumulated 2014	+10%

Finland	
Change compared with 2013 (%)	
Month	+13%
Accumulated 2014	+6%

Norway	
Change compared with 2013 (%)	
Month	+16%
Accumulated 2014	+7%



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