Sawmilling Sector Update

- PAST
- PRESENT
- FUTURE

Past

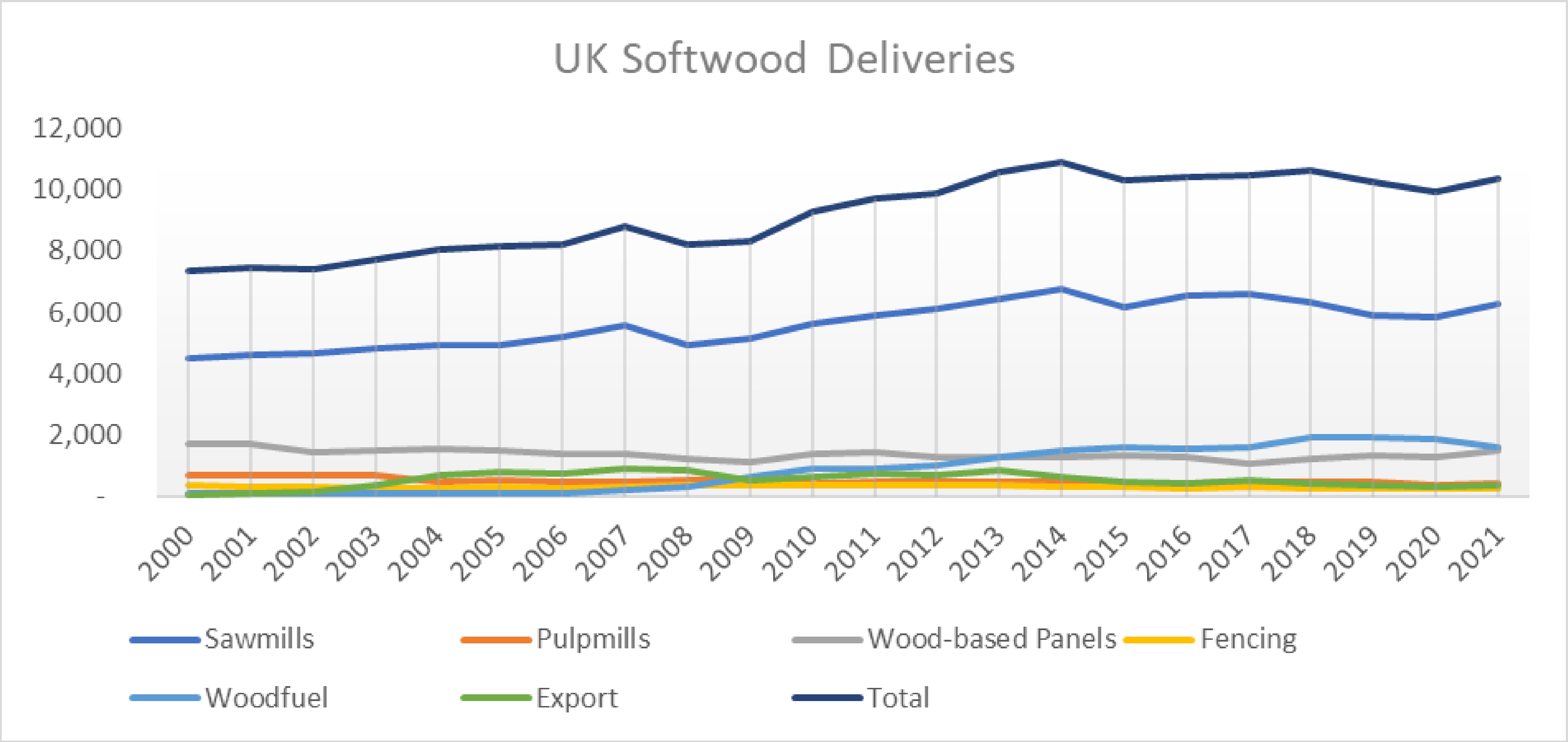
Pre - 2022

- Capacity has increased to match availability
- World leading sawmilling sites
- Maturing Industry
- Record high timber values

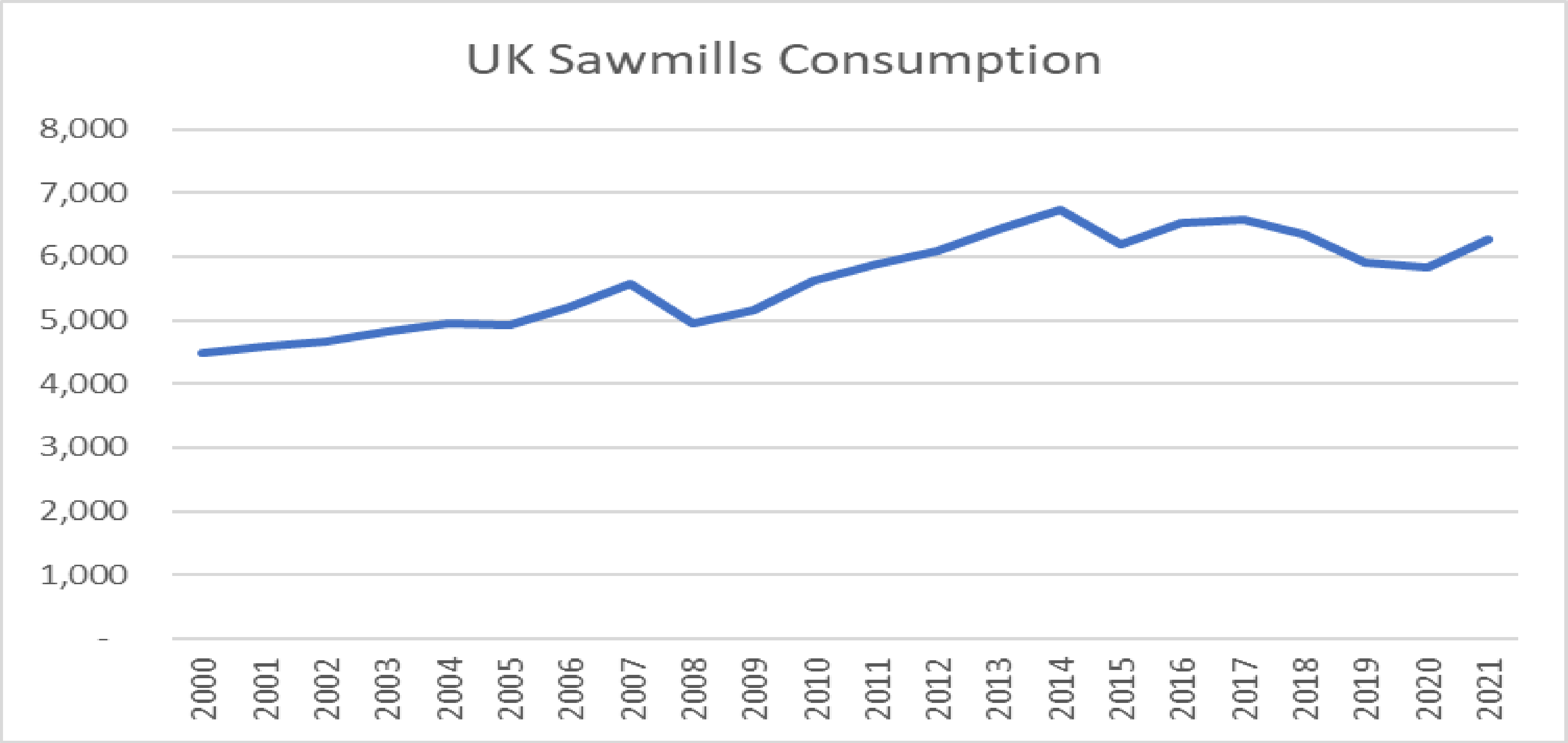
UK Sawmill Employment

Employment	Line & production workers	Managerial & administrative staff	Haulage of logs to the mill [note 23]	Total employment
Direct				
2017	2,369	428	79	2,875
2018	2,368	416	75	2,859
2019	2,220	395	76	2,691
2020	2,268	380	82	2,730
2021	2,469	408	86	2,963

UK Softwood Consumption

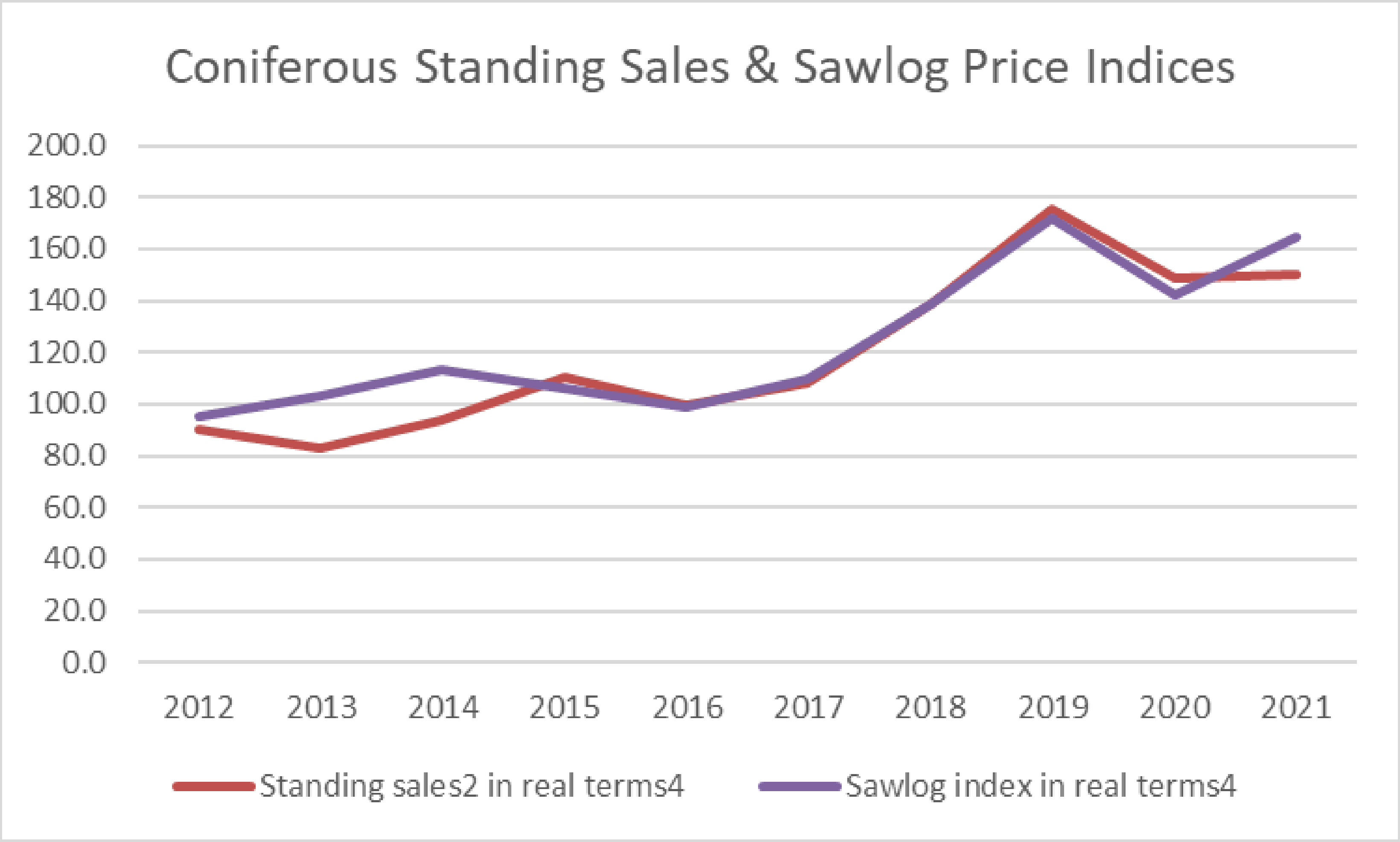


UK Sawmills Consumption



- Start of COVID mills took time out
- Boom in activity in home improvements and garden projects
- Demand outstripped capacity
- Customers on quotas
- Supply/demand price increases

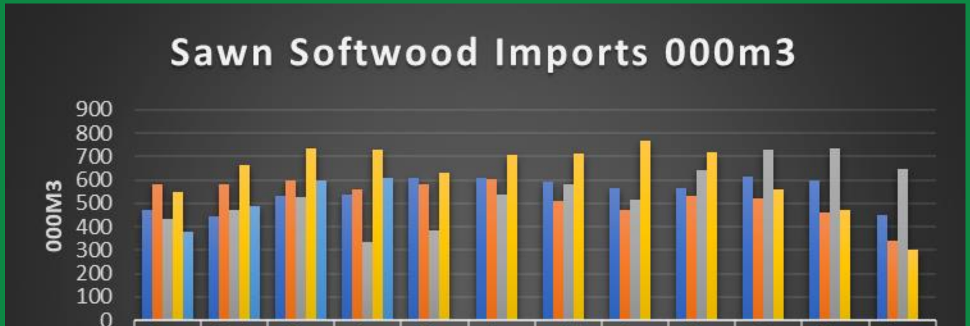
Price Indices



Present

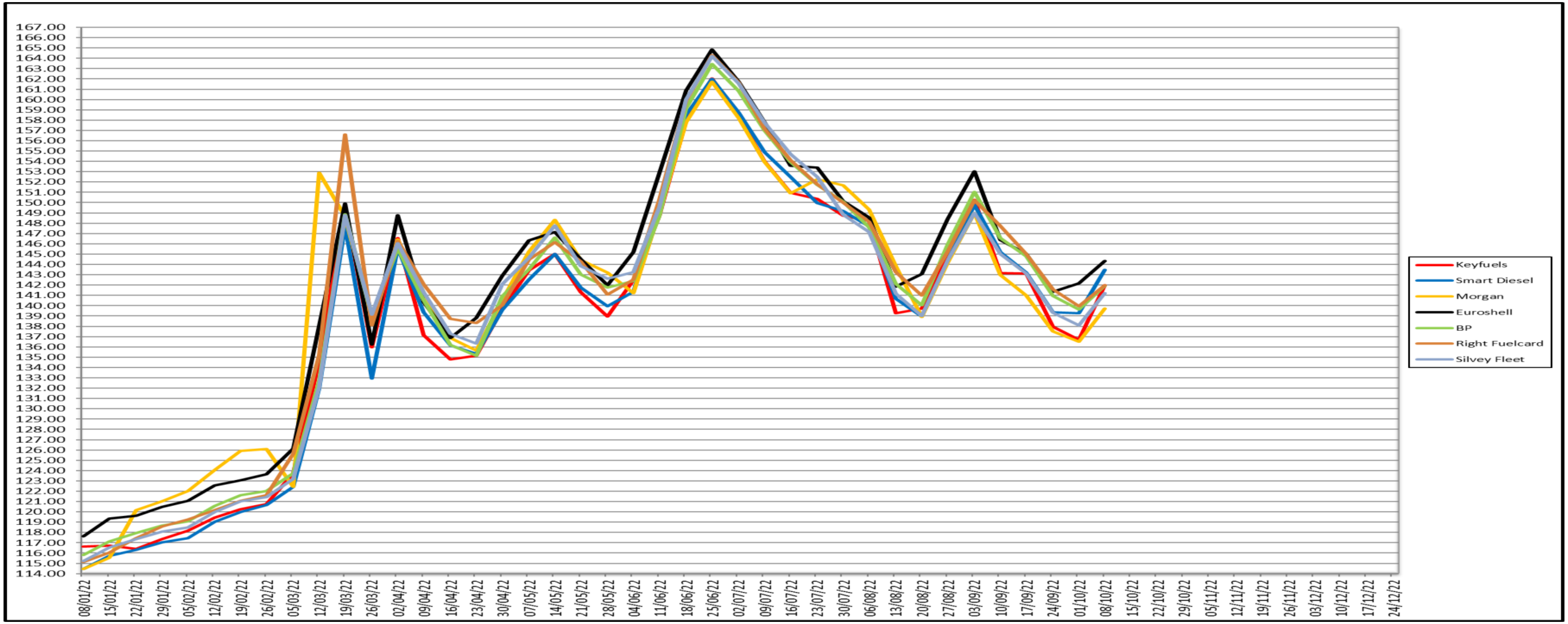
- Demand for Sawn Products has reduced
- Russia/Ukraine effect minimal
- Public could spend their money elsewhere
- Market Prices are dropping
- Back stocks of imported material at ports
- Increased costs/lack of availability of energy,equipment parts and labour

- 7.5M m3 of softwood imports in 2021
- 1M m3 higher than previous years

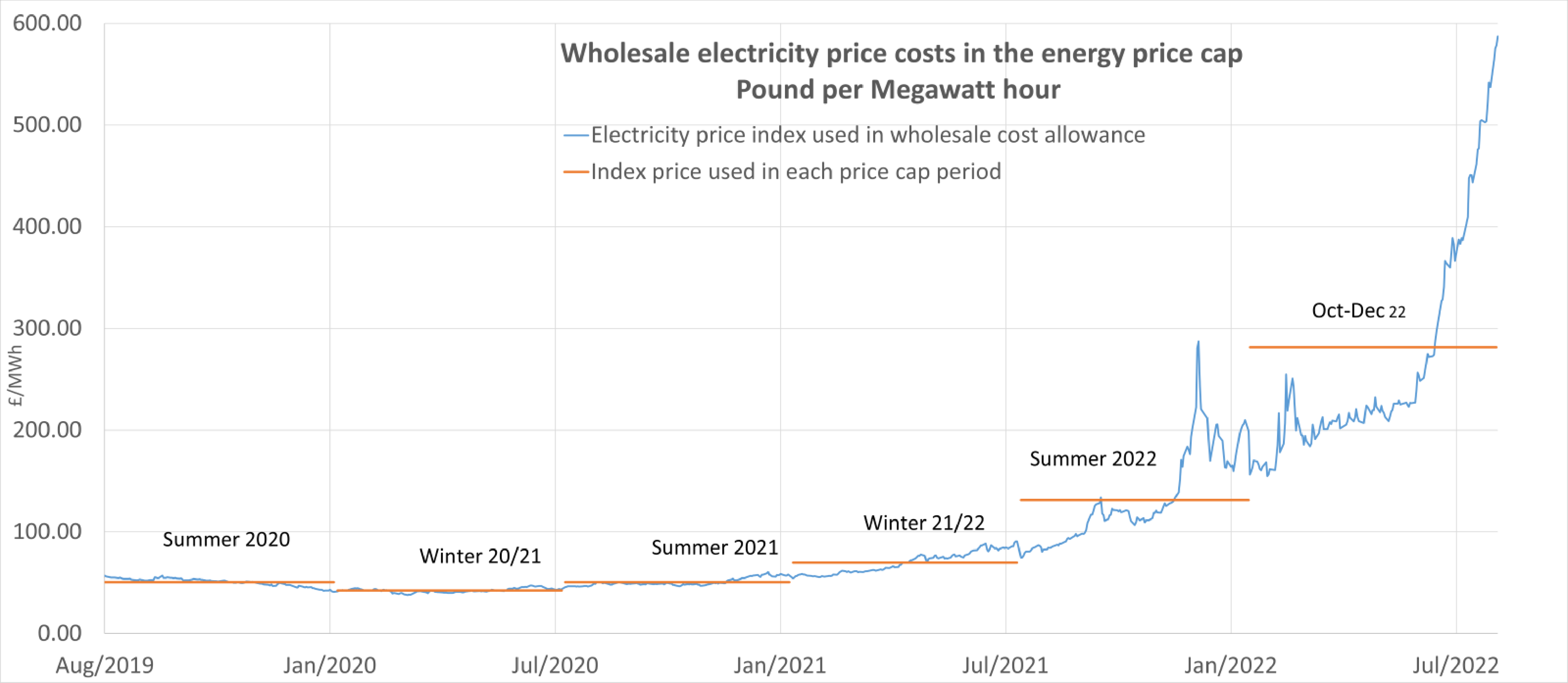


	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2018	472	446	532	538	609	611	592	566	562	614	600	451
2019	583	583	597	559	583	604	510	470	531	521	458	338
2020	434	471	524	333	383	538	580	515	642	727	737	648
2021	550	663	734	731	629	706	710	770	719	557	471	301
2022	379	486	599	608								

Fuel Prices 2022



Wholesale Energy Prices



Storm Arwen, Corrie & Malik

- 3 storms back to back
- Extensive areas of pine/mixed conifer
- Significant volumes of oversize timber
- Lack of certified volume
- Introduction of felling licences for clearing windblow (delays/unnecessary felling etc)
- Commitments of harvesters elsewhere
- Management capacity shortfalls

Future

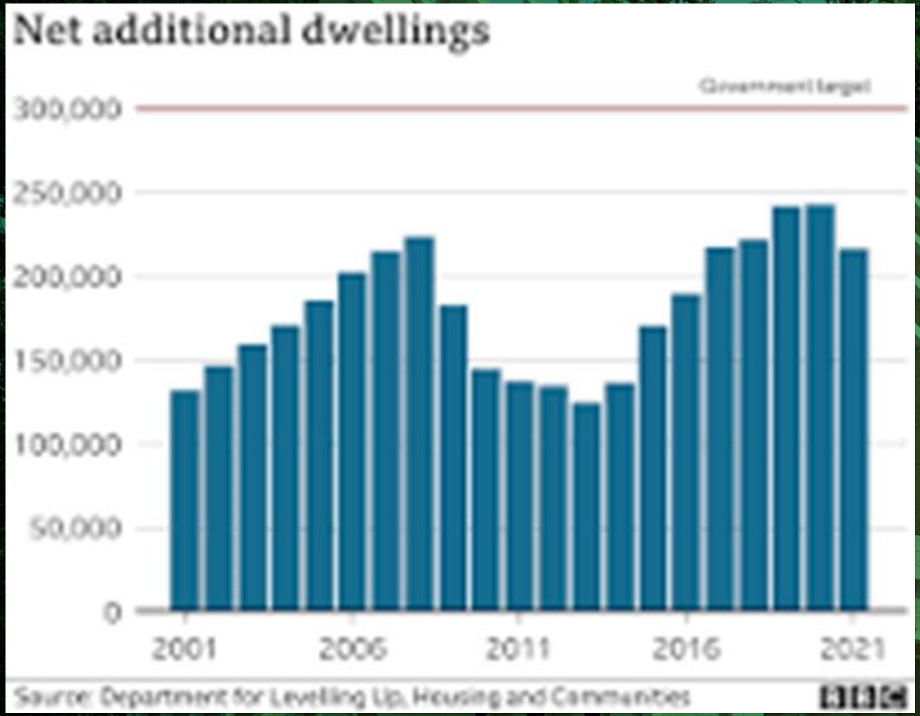
Carbon Targets- Net Zero 2050

The Government strategy is to set out policies and proposals for decarbonising all sectors of the UK economy to meet our **net zero target** by **2050**

“Climate change and nature loss are the greatest global threats we face. We can and must start to reverse these threats. Planting more trees, and sustainably managing our forests is one part of the global solution.

“By planting the right trees in the right place we can soak up more emissions, whilst also providing a boost to our environment, our economy, and the lives of people.

“As we welcome world leaders to Scotland, we extend an open invitation to share our success story so that other nations can grow and protect their own forests and woodlands.**” Environment Minister Màiri McAllan**



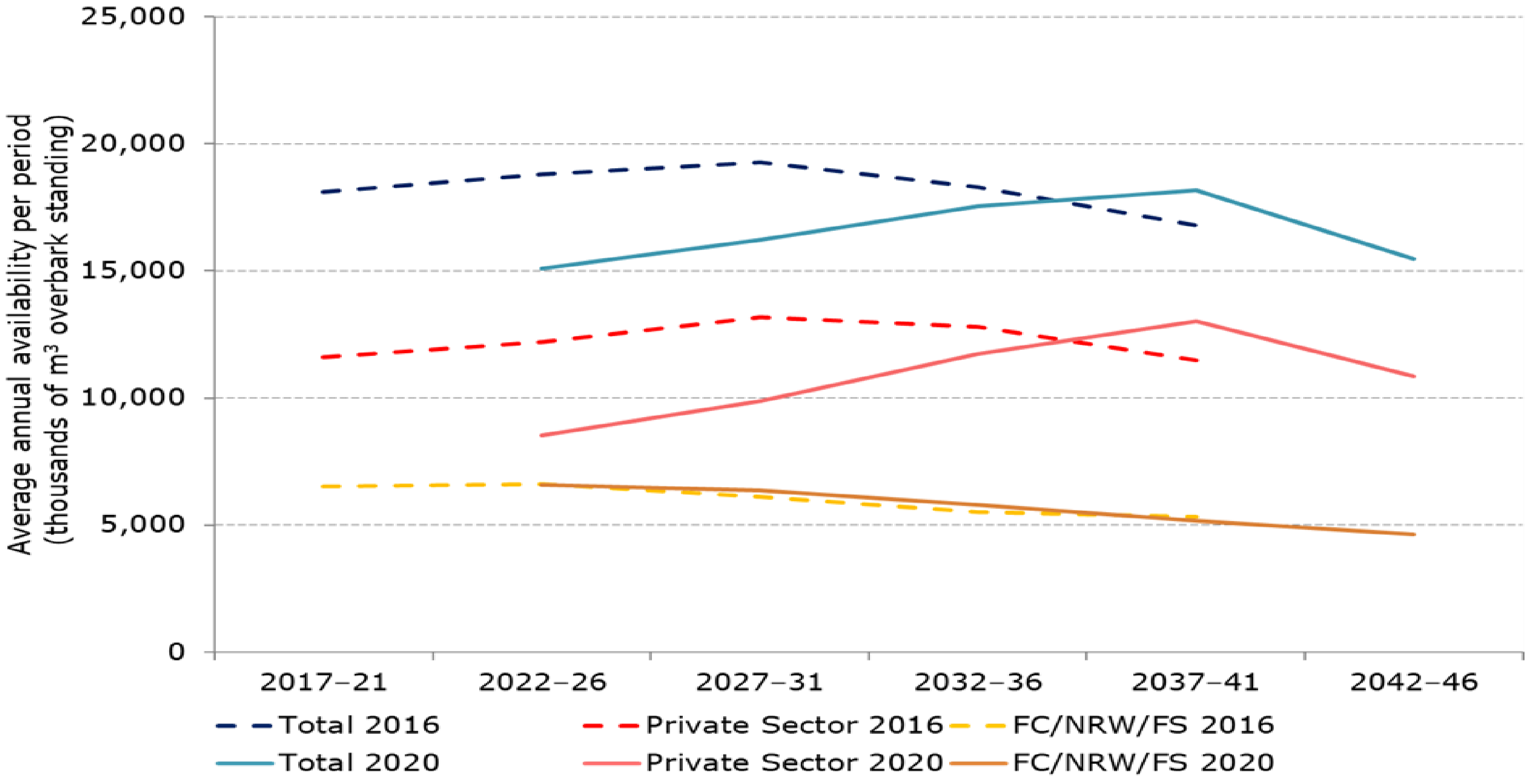
Government Target of 300,000 new Houses per annum
Average UK home uses 10m3 of timber
3M m3 required

Repair, Maintenance and Improvement of 1950's housing stock

UK timber is generally used in the RMI market.

Demand will continue to increase as aging housing stock is upgraded.

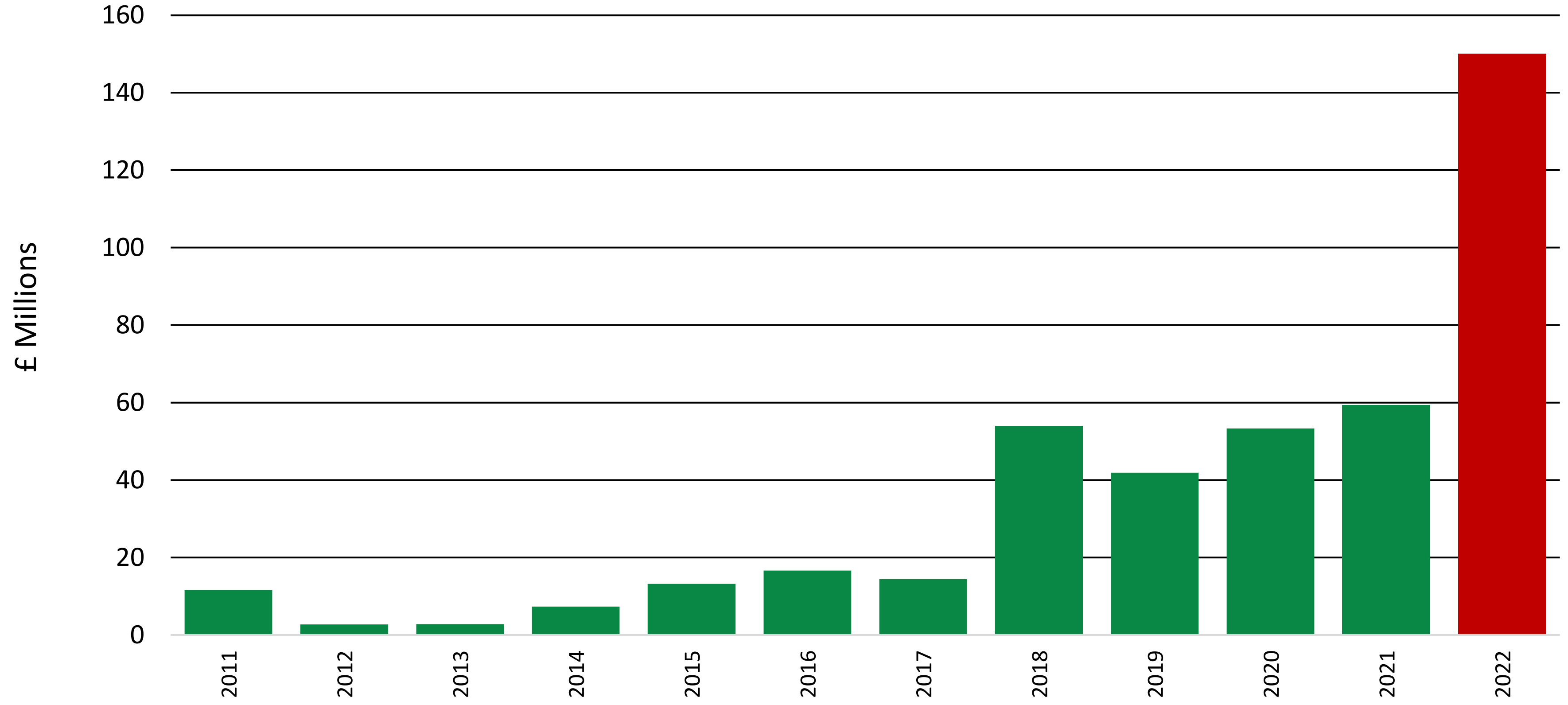
Comparison of 2016 and 2022 softwood timber availability forecast



CAPEX & INVESTMENTS

James Jones
Building for future opportunities

CAPEX & INVESTMENTS



Further expansion of our £17.5M investment at Hangingshaw, Lockerbie : a unique secondary processing, storage and distribution facility for the Group.

£3M investment in a northern extension at our Lockerbie site facilitating additional storage and logistics optimisation.

DURHAM

£6.9M investment into new log sorting line and treatment tank at Durham.

Advanced planning submitted for a new state of the art sawline at Durham.

Investment at Aboyne of over £10m which has increased processing capacity by 30% - albeit prioritising spruce log processing.

MOSSTODLOCH

Planned mill redevelopment at Mosstodloch to double capacity by 2025.

Storm Arwen – What next

- Clear up remaining windblow whilst SRW markets are reasonable and logs are still merchantable (despite the market!)
- Manage existing forests to maximise revenue, provide sustained industry supply, improve infrastructure resilience and diversify age classes
- Expedite felling of over mature stands before they get too big/unmerchantable and vulnerable to future blow
- Learn the lessons from this one – faster and more accurate assessment, faster licencing (withdraw ridiculous Felling license rules!), Communication **with all stakeholders**
- Certify the forests – access to market
- Be prepared for the next one – more frequent, more widespread and **more trouble?**

North-East Scotland – Wood availability & species mix

North East Scotland 18-54cm

	2017-21	2022-26	2027-31	2032-36	2037-41
Spruce	447	496	643	564	646
Scots Pine	352	408	482	650	647
Larch	127	108	77	66	50
Other conifers	109	104	100	119	61

Current Estimated Capacity/Demand – 380k m3

Significant additional availability of spruce/pine 2022-41

THANK YOU