



LIONEX NEWSFLASH

edition August 2009



A DEAD CAT BOUNCE OR A SUSTAINABLE REVIVAL.

Markets around the world have been sluggish and in a depressive mood the last 12-15 month. Production capacities around the world have been massively reduced or even eliminated. People have lost their jobs and timber companies are adjusting their organisations to the new environment. Cash flow or better called survival is first priority for many timber companies around the globe.

In contradiction to the activities in West Africa, logging activities and sawmilling in Malaysia have adapted relatively fast to the market situation. African mills are usually much bigger than its Malaysian opponents. They need more time to stop or reduce production, but will also need more time to start up again.

Importers in Europe have massively reduced stocks and are currently working on lead times of weeks instead of 3-4 months. Stock levels in Meranti and Merbau in Europa are at an unhealthy level and as a consequence of this and the reduced stocks in Malaysia, prices will rise. Certain sizes are simply not available. Importers will only be able to replace these sizes by the end of 2009. Obviously this will lead to increasing price levels.

Once prices in the leading specie Meranti will rise, it is expected that the substitute species like Sapeli and Angelim Pedra will follow immediately.

Buying activities have increased recently all over Europe and the Middle East. Time will tell whether this current revival is a sustainable change or a dead cat bounce.



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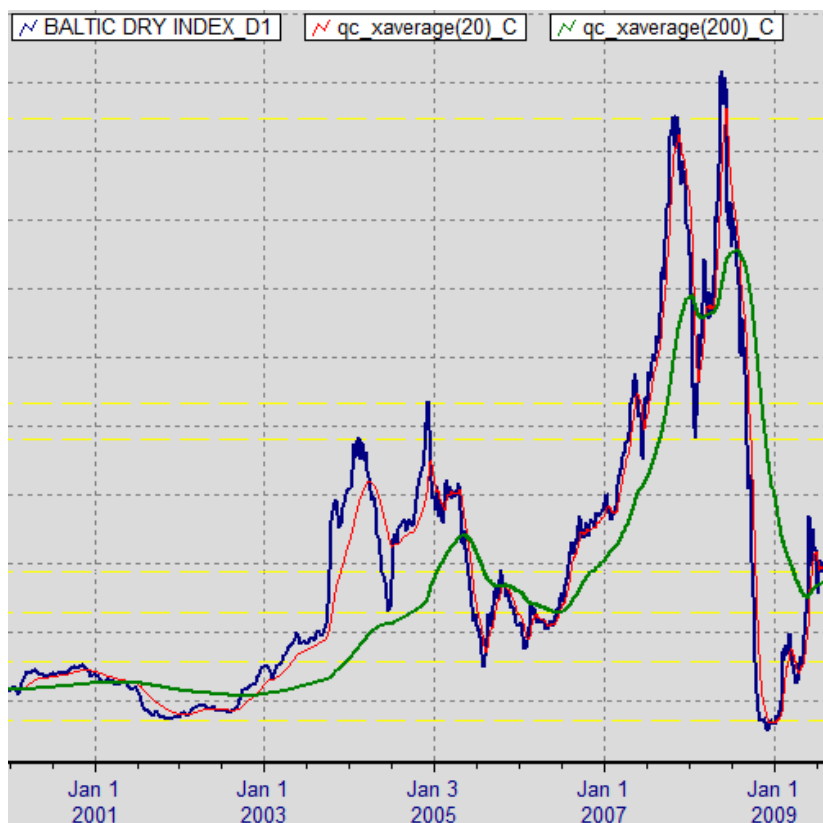


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FREIGHT DEVELOPMENTS:

As written in our previous Newsflash the freight cost from Asia to the main European and Gulf ports have hit their lowest level early this year. A massive elimination and consolidation of capacity of the major liners has ultimately resulted into a shortage on the main sectors around the world. Freight cost have started to rise in April by 60% and new increases of up to 80% have been reported on the 1 August 2009. Shipping liners (Baltic Dry Index) are usually good indicators of the world economy.

CERTIFICATION:

There have been lots of activities with regards to certification. More concessions in West Africa have been certified under the FSC scheme, however the most impressive news is the accreditation of the MTCS scheme under the PEFC flag. It is expected that by mid 2010 the first parcels of PEFC will enter the European market.

Traders and producers however, have gone through tough times with regards to certified timber products. Various companies have committed themselves to the various sustainable timber schemes and have stocked up volumes in mainly FSC timber. Various reasons have however resulted into significant price reductions of stocks available in the market:

Lack of commitment towards use of sustainable timber by building institutions, a growing supply of certified timber and the fact that due to the economic crisis clients are not willing to pay the premium for certified timber are the main reasons why this segment of certified timber is hit hard at the moment.

In the long run however, it is expected that there will be no issue on legality and or sustainability anymore which will definitely result into an increase of timber products in buildings. Timber will be one of the most sustainable products available.



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CSR:

Recently Lionex has launched its Corporate Sustainable Responsibility Policy plan. Various goals have been formulated and communicated with its stakeholders. The main goals are:

- To trade 100% timber with legal compliance and 50% sustainable timber by the end of 2010.
- To trade 100% sustainable timber by the end of 2011.
- To have all our suppliers assigned to the Accepted Timber Supply Program by the end of 2011.

Lionex has set these goals because it cares about forests and society. We also set them to stay focused and to stay creative regarding innovations in our business. As we believe the timber market is changing towards a more sustainable market, by setting these goals we hope to maintain a healthy business with compliance to social and environmental values and our reputation as a reliable partner in business.

By committing to these goals, Lionex (M) Sdn. Bhd. wants to demonstrate social and environmental responsibility for the forests, the people and the future.

For more information: www.LIONEX.biz.

NEW EUROPEAN SALES DIRECTOR:

From June 1st onwards, Lionex has expanded its business in Europe by appointing a European Sales Director. Frank Teeuwen has joined the Lionex Team and will be responsible for all European marketing and Sales activities with the exception of the Dutch and French market. With presence in Europe Lionex believes to further increase its market presence and customer service. Lionex will keep on focussing on the market development of major timber importers and distributors and will not penetrate the level of production companies in its existing markets.

Frank Teeuwen can be contacted at frank.teeuwen@lionex.biz or by phone at +31621590360.



MIDDLE EAST:

Together with its marketing partner Saleh International, Lionex has started its export of sawn timber from Malaysia into the Gulf region. Saleh International has a wide network of mainly mdf and plywood clients in the Middle East. Saleh International is based in Dubai. According to Robin Uittenbroek, partner of Saleh International, the cooperation between Saleh International and Lionex is a perfect match. "Meranti has never been part of the port folio of products of the company, but as our current group of clients were asking more and more for Meranti supplies we have started the business with Lionex.



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PRODUCT DEVELOPMENT:

One of the recent product developments of Lionex is a launch of a full range of Sapeli optimized finger jointed, laminated and finger joint/laminated products. The Sapeli optimized products are sold under the brand name "Sapeli Premium Select" and are superior to its substitute products produced out of eg Meranti, Durian, Bintangor. Sapeli laminated products have no defects like sapwood, pinholes, shot holes, density differences and are perfectly applicable for various technical window and door components. Due to its density and good properties various clients in the German and French markets have changed to Sapeli select. Belgium and UK importers have picked up the import of these optimized products already.



SAPELI FROM MALAYSIA:

Another interesting development is the supply of Sapeli from Malaysia. Lionex sources a variety of Sapeli from its partners in West Africa, kilns the timber in Malaysia, does another quality selection, which ensures its clients that only the best Sapeli sawn timber will be shipped to its clients around the world. Lionex ensures that the flow of materials has at least been sourced from legally verified sources in Africa.