



LIONEX NEWSFLASH

edition November 2009



IS THE CURRENT ECONOMIC REVIVAL SUSTAINABLE?

In the August Newsflash 2009 I have highlighted the possibilities of a dead cat bounce. It seems that the European market is sustainably picking up. Importers are replenishing their stock and are currently placing orders for shipments Jan-March 2010. The general price level of hardwoods out of Malaysia and Indonesia has gone up and will further increase due to a weak USD, steep increases of freight rates and for example the new "Reduced Impact Logging" system (RIL) in Sabah. A 50% drop of supply is expected by early 2010 from Sabah due this "Reduced Impact Logging" system. Various mills have already closed down in Sabah and sawmills in West Malaysia can't meet the current demand from the European importers. Volumes from West Africa remain low although the demand from the Chinese market is still strong. There are rumours that a few mills in Northern Congo and Cameroon are increasing their production again by early 2010 to meet the demands in Asia. The market seems to have bottomed out and shows sustainable improvements globally. The general outlook looks much brighter than 6 month ago.



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MERBAU

The availability of Merbau for the European market is limited. The majority of the Merbau supply from Indonesia flows to Australia, whereby the Chinese importers have aimed their attention on the supply of Merbau from Malaysia. Lower quality requirements and a higher demand for Merbau out of China have resulted in explosive price increases of nearly 30%.



NEW PRODUCTS

Early January Lionex will introduce 2 new products:

1. WESTERN RED CEDAR FSC CERTIFIED WHITE PRIMED AND CLEAR COMPONENTS.

Wall paneling, facial boards and claddings are just a few products which will be offered soon. A cooperation with FSC and PEFC certified mills in British Columbia has been established to ensure a continuous flow of these raw materials. The finished products are being produced in Malaysia and are a supplement to the wide variety of products Lionex offers.

2. KOMO WHITE PRIMED GLAZING BEADS

Currently Lionex offers komo certified glazing beads in dark red Meranti. As the demand for white primed moldings with komo certification is increasing, Lionex' production partner has invested in a new coating line to ensure top quality semi-finished moldings. It is expected that the komo certification on this white primed product will be available by January 2010.





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DEMAND FOR FSC CERTIFIED PRODUCTS IN THE NETHERLANDS

The supply of FSC certified Dark Red Meranti is limited and currently not sufficient for the demand especially in the Dutch market. There are various housing and government projects at the moment in which FSC certified products are required by Architects and Building Associations. As the flow of FSC certified DRM will be limited the next 6-12 month, it is expected that various projects will be carried out in either Sapeli or Angelim Pedra FSC certified materials.



LIONEX DISTRIBUTION CENTRE FOR FINISHED PRODUCTS (LDC)

The trend of "Just In Time" deliveries is becoming stronger in mainly Europe. Lionex realizes this trend and has therefore opened a warehouse in Port Klang for finished and semi-finished products.

The warehouse facilities enable Lionex to react faster to any market changes and facilitate its clients with shorter lead times. Optimizing logistics and working capital for the clients of Lionex are critical elements to gain market share in its individual markets in the near future.

Main products which will be stored in the LDC are a full range of Komo finger jointed and optimized products in DRM, Angelim Pedra and Sapeli, general moldings for the Dutch market and a variety of 3-ply finger jointed and laminated products for other European markets.





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LIONEX IN GERMANY

Until April 2009 the general production output of finished and semi-finished products has decreased by 24%. The shrinkage in capital investments has been even more significant by 30%. Currently the occupancy rate is increasing for most of the productions of finished and semi-finished products, which shows a sign of recovery in the production sector. The increase of capital investments however is lower as these investments will only follow after a further increase of the general production capacity. In Germany, which has suffered substantial losses, the recovery of the industrial output (+6.5%) has been substantially higher. These higher output figures have recovered about 1/3 of the suffered losses of the last year.

Since February 2009, the order intake of German production companies has risen by 17%. The decrease of order intake has however been 27% in the last 6 months. The growth has been mainly realized by orders from outside the Eurozone. Impressive has been the increase of export from Germany to China by 8% since August 2008.

WHAT ARE THE EFFECTS FOR THE BUILDING INDUSTRY IN GERMANY ?

The first 6 months of 2009 have been very dull for the German timber importers. However, just after the summer break order intake started to rise. Low stock levels of building components like laminated window scantlings as well as sawn timber and Bangkirai decking have resulted in increases in demand in Asia.

From January 1st 2010, Lionex will double its capacity of the production of laminated scantlings in Malaysia to meet the demand in this market. We signal an increase of higher quality products in the German market whereby Sapeli laminated and finger joint / laminated components are gaining market share.

Lionex has increased its presence in the German market, but will solely work with large distributors and importers and not



focus on the smaller distributors and end users of door and window components.

As part of the Lionex CSR Policy plan we strive towards a 50% sustainable and 100% third party verified legal flow of timber products in 2010. Please do ask for our CSR Policy plan "IMPACT" or visit www.LIONEX.biz. Most of the laminated products for the German market will be MTCS certified in 2010.

The use of timber in the renovation market of private houses is increasing and gaining market share over PVC.

