

15

December
2016

TIMBER LINK™

AUSTRALIA | NEW ZEALAND

Company & Industry News

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A message from our CEO

As another year passes it's always interesting to take a moment to reflect back. For Timberlink it has been a very busy year in continuing to develop and improve the business - on many fronts.

Significant investments continue to be made at our mills. These investments are representative of the need to ensure the ongoing viability and competitive capability of the Australian and New Zealand domestic softwood processing industry. For Timberlink, ensuring we are also focused on delivering increased customer value whilst having a sustainable business that can continue to improve, grow and invest.

The addition of the New Zealand business has opened new markets and products for us and enabled us to develop and regionally grow our business. Our existing customers have been very supportive, and we have also welcomed a number of new customers into the Timberlink family.

Safety in our business continues to be a key driver and focus for us. Over the year we have invested significantly in the training and development of our people and physical assets to ensure that a zero harm outcome is strived for. This has also extended into working closely with a number of our customers and suppliers sharing and co-operating as they also seek this outcome in their own businesses.

During the year we further extended the service capability of Timberlink by expanding our NSW sales team and committing to a physical stocking and distribution facility in Sydney. This now enables us to be highly responsive to our customers' product needs with next day deliveries able to be made. We are very appreciative of the support our NSW customers have given us during this time.

Finally, thank you to all our customers and supply partners for their support during this year. We appreciate this and don't take it for granted. The team at Timberlink remain committed to improving our business in ways that support you, in both the short and longer term.

On behalf of our team,
Best wishes for a safe and enjoyable Christmas.

Ian Tyson
Chief Executive Officer
Timberlink Australia | New Zealand



Sustainability at Timberlink is more than a policy; it is part of our DNA

"Sustainability at Timberlink is more than a policy; it is part of our DNA" is how our CEO, Ian Tyson, sums up Timberlink's stance on sustainability. Releasing our FY2016 Sustainability Report, Ian explains that to be successful in the long-term we need to look after our people, our environment and the communities in which we operate.

There are a number of highlights from the report that we would like to share.

Our employees

Timberlink employs 550 people, most of whom are employed in the regional areas of Bell Bay and Tarpeena in Australia and Blenheim in New Zealand. With a strong focus on Health and Safety we have continued to invest in improvements to our working environment over FY16. Significant safety improvements, such as installing equipment guards, have been made at Blenheim to bring the safety of our New Zealand mill (acquired September 2015) into line with our other mills.

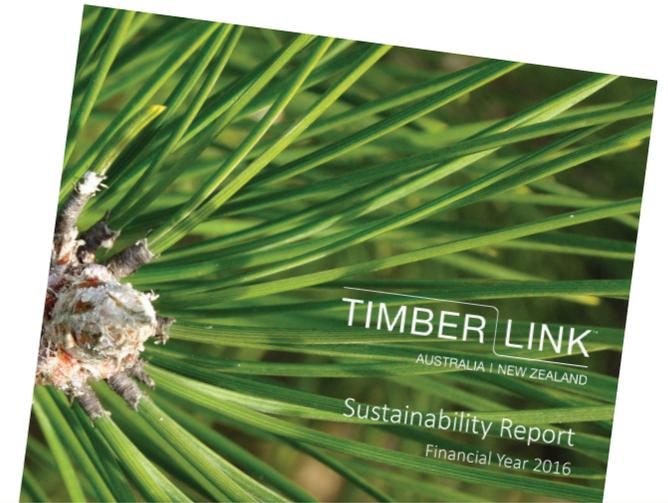
Our communities

We estimate that the indirect economic impact of our mills over FY16 is \$180M for Tarpeena, \$150M for Bell Bay and NZ\$60M for Blenheim. Timberlink is a major employer in these areas and wherever possible uses the support facilities available within these communities to provide external services to our business.

We also provide support to local community groups in these areas, such as sporting clubs and schools.

Our natural resources

Sustainable forestry is also extremely important to us and we strive to only process plantation grown Radiata Pine. Wherever possible the logs we process are certified as coming from sustainably and responsibly managed plantations, either through the Australian Forestry Standard (AFS)/Programme for the Endorsement of Forest Certification (PEFC) program or through the Forest Stewardship Council (FSC) program. The rest are controlled through a Due Diligence System.



Our environment

Our mills utilise low-value by-product (shavings, sawdust and mulched waste pieces) generated through production to provide the energy required to dry our timber. Heat energy, generated in biomass fired heat plants provides 93% of the energy requirements of our mills – reducing our reliance on electricity and fossil fuels.

We operate within a carbon negative industry. For every cubic metre of dry finished timber we produce, we remove 631kg of carbon dioxide from the environment, with the carbon dioxide remaining in the timber over its lifetime.

The full report is available to download from our website www.timberlinkaustralia.com.au and www.timberlinknz.co.nz

Can MGP10 really be substituted for F7?

We are often asked if it is true that MGP10 can be used as a substitute for F7. If you are using Timberlink branded structural pine then the answer is a resounding “yes”! This is because our MGP10 structural pine is manufactured to achieve structural properties that exceed the structural requirements for both MGP10 and F7, as set out in the Australian Standards.

Australian Standards AS1720.1:2010 specify the properties that batches of timber must possess in order to meet a specific grade. Structural Timber is stress graded so that it can be classified into groups that will achieve the same basic structural design properties. These properties include, for example, bending stiffness and strength, tension strength and compression strength. Timber sold in Australia is stress graded as either MGP (Machine Graded Pine) or F (either visually or machine graded).

Stiffness and Strength are the two main indicators used to determine the grade a piece of structural timber achieves.

Stiffness measures how much a beam will deflect for any given load and is related to density, fibre quality, moisture content and pine defects. When grading timber, the majority of mills test firstly for stiffness, which is generally the basis on which most structural members are designed. MGP10 measures 10.0GPa (gigapascals), while F7 measures lower, at 7.9GPa – so in terms of stiffness MGP10 performs better than F7.

Equally important is bending **strength**, which refers to how much load a beam can take before it breaks. Bending strength is largely determined by the number and location of defects, with any large knots at the edge of

boards reducing overall bending strength. MGP10 measures 17MPa (megapascal) and F7 measure 18MPa – with F7 being the superior performing grade in terms of bending strength. Timberlink produces its MGP10 products to achieve the higher 18MPa result achieved by F7 which is why our MGP10 can be substituted for F7.

With Timberlink MGP10 being a substitute for F7, you may now be asking if it makes sense for the industry to continue to offer F7. The answer is again “yes”- especially when we are talking about outdoor structural pine. This is because New Zealand outdoor structural pine, much of which is sold in Australia, is predominantly graded as F7. Due to environmental differences, pine grown in New Zealand is naturally different to Australian grown pine. New Zealand pine has lower stiffness but higher strength properties than Australian pine due to the nature of its high quality pruned material which has very few defects – thus the F7 grading. New Zealand pine is better suited to producing mid to wide sizes – highly complementary to Australian pine which tends to produce narrow to mid wide sizes. Grading Australian pine as F7 allows the industry to offer a very wide range of sizes across the one grade.

Timberlink has access to quality Australian and New Zealand pine resources and grades according to the nature of the resource. We produce F7 outdoor structural pine in our New Zealand and Tasmanian mills. Our MGP10 structural range is produced at our Australian mills in Tasmania and South Australia – just check the ink jet mark to confirm that it is Timberlink branded before using it as a substitute for F7.

Timberlink has access to quality Australian and New Zealand pine resources and grades according to the nature of the resource.

Recent end-user market research by Timberlink shows that the most commonly known grade for outdoor structural projects is F7.



Timberlink invests in NSW

Timberlink's investment in the Australian market continues with the opening of our new Distribution Centre in Yennora, NSW. Recognizing the need to better support one of Australia's largest state markets, we have secured access to a warehouse, a logistics provider and an enhanced sales team.

Our NSW Distribution Centre has been fully stocked with packs of Blue, Green and White structural pine in a range of sizes and lengths favoured by the NSW market. With plenty of stock of Timberlink White, termite-treated Timberlink Blue, and our world-first low-odour LOSP treated outdoor Timberlink Green, Timberlink provides a reliable, competitive offer to our NSW customers.

Together with our Sydney based logistics partner, CTC Transport Services, we can now offer a next day delivery service for Sydney metro orders.

The local NSW Timberlink team comprises Sue Wood, Jacqui Eyles, Frank Milazzo and Geoff Hitchcock – all long term timber industry professionals who understand both the product and the NSW market.

Meet Timberlink's NSW Team



Sue Wood, our NSW State Manager, has worked in the timber industry from 1994 and is one of Timberlink's most valuable assets. Originally from Tasmania, where she led our Tasmanian Sales team, Sue relocated to Sydney earlier this year to lead the NSW team.



Frank Milazzo has only been part of the Timberlink team since June this year, but with over twenty three years' experience in the NSW timber industry is a great addition to the team. Frank is enjoying meeting current and new customers and advising them on the Timberlink range.



Jacqui Eyles, our NSW Sales Manager, has over fourteen years' timber industry experience and has been Timberlink's NSW Sales Manager for over four years. Jacqui has developed great relationships with our existing NSW customers and is well regarded for her responsiveness.



Geoff Hitchcock, with thirteen years' experience in the timber industry and four at Timberlink, is our dedicated NSW Customer Service Representative. Geoff provides great support to NSW team and strives to always assist our customers.

This Sydney warehouse used to be stocked with European timber that took three months to get here.

Now it's stocked with sustainable Australian pine that can get to you in one day.

TIMBER LINK
AUSTRALIA



NSW house commencements set to remain strong

The NSW residential market finished the 2015-16 year on a buoyant note with the residential property price index¹ showing a 2% increase for the Jun-16 quarter and a 4% annual increase. Meanwhile, residential rents increased by 1.7% for the Jun-16 quarter and 4.6% annually², while vacancy rates for Sydney³ are remaining tight at 1.9% as at Jul-16.

However, early indications in the 2016-17 year are for an easing off in demand and prices, for example the value of loan approvals for residential investors in NSW for the year to Aug-16 was 16% below the same period last year. Lending conditions have tightened as have buying rules for offshore investors, also contributing to this fall is the rise in Sydney residential prices outstripping rents and producing record low rental yields.

While housing loans for owner occupiers are 4% higher for the 12 months to Aug-16, the affordability of home loans for Sydney properties compares worst with all other capital cities, as at Jun-16 the average mortgage repayments were 39% of average household income, the next highest being Melbourne 35% followed by Brisbane 23%⁴.

Fuelling the high housing demand in NSW over recent years has been the underlying growth in population. A high level of overseas migration, steady natural increase and relatively low interstate outflow has resulted in the NSW population growing by 500,000 or 7% over the last 5 years. Economic conditions in NSW have aided the growing population to form new households with stable employment growth leading to the unemployment rate falling from 5.9% in 2014-15 to 5.5% in 2015-16 and expected to fall further in 2016-17. This has led to new households forming at an average annual rate of 34,000 since 2011-12, compared to only 30,700 in the five years preceding 2011-12. Correspondingly, the construction of new dwellings, even though reaching record levels in 2015-16, has not kept pace with this underlying demand with the outcome being a relatively high stock deficiency of around 70,000 dwellings as at Jun-16, predominately in the Sydney metropolitan area.

As the Dwelling Commencement chart shows, the greatest growth in dwellings commencements has been in high density developments which grew by an average annual growth rate of 30% between 2011-12 to 2015-16, over the same period

medium density (1 – 4 storeys) commencements grew by 16% p.a. and house commencements grew by an annual growth rate of 13%.

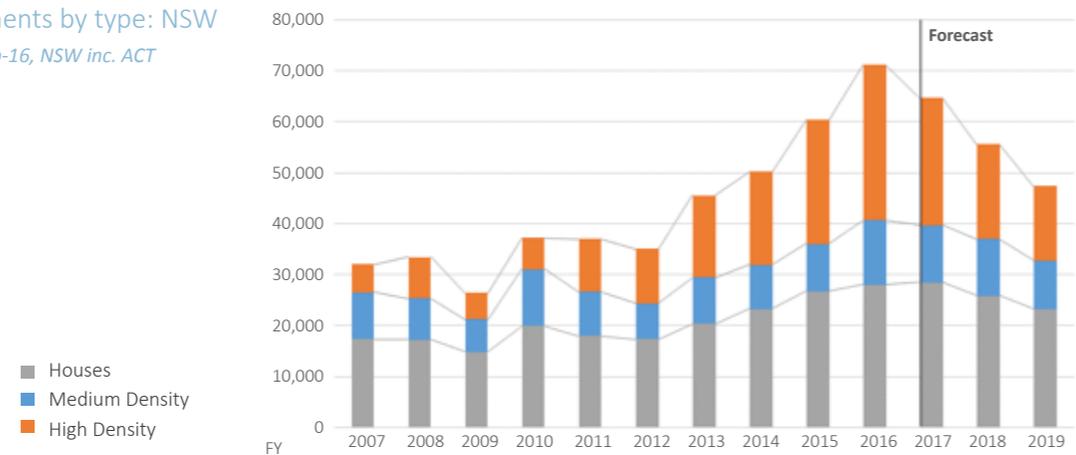
As the population growth rate is forecast to slow thereby weakening expectations of further capital gains, it is expected that there will be waning investor interest and a significant fall in high and medium density commencements in 2016-17 by 18% and 11% respectively, while house commencements are expected to grow in 2016-17 by a further 2%⁴.

While house commencements are forecast to continue falling in 2017 through to 2019 underlying demand will remain strong particularly as compared to the other large populace states in Victoria and Queensland. In line with the upturn in housing construction, NSW softwood demand has recovered quite strongly from a low point in 2012 when both Victoria and Queensland demand were higher. The NSW housing construction market for softwood is therefore anticipated to once again expand to be at least equal largest in Australia by 2018-19.



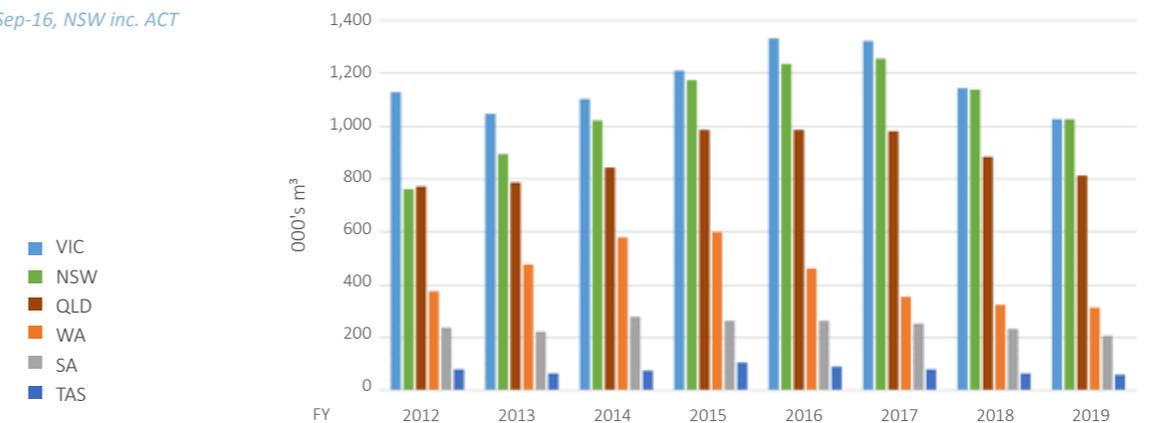
Dwelling Commencements by type: NSW

Source: ABS, BIS Schrapnel Sep-16, NSW inc. ACT



Softwood: Residential Construction Demand

Source: TLA, BIS Schrapnel Sep-16, NSW inc. ACT



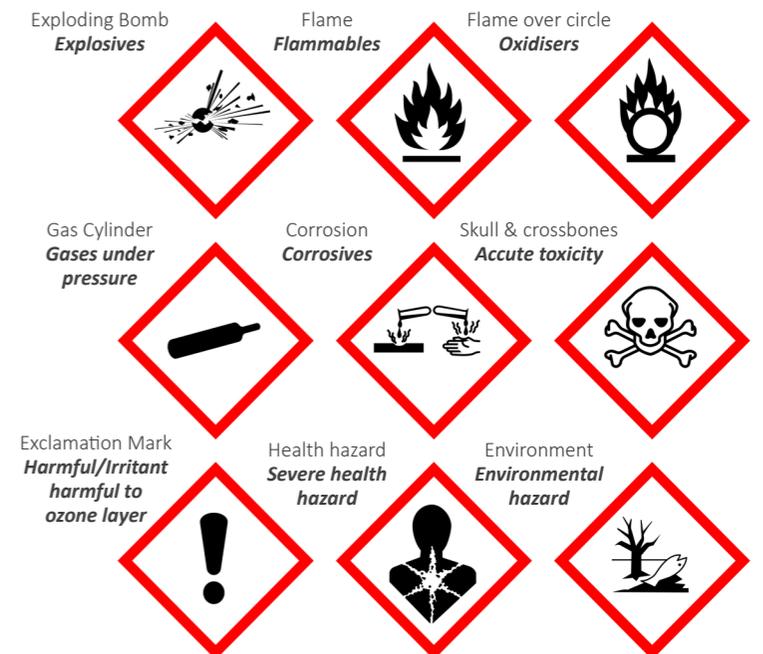


New Safety Data Sheet compulsory from 1 January 2017

The Globally Harmonised System of Classification and Labelling of Chemicals (GHS) was developed by the United Nations Economic Commission for Europe (UNECE) in 2003. The intention was to create a set of internationally standardised chemical classifications, labelling and safety data sheets (SDS) that could be used and understood around the world.

Most major countries have now moved to the new GHS SDS system – New Zealand in 2006, The United States of America and Japan in 2012, China in 2013 and the European Union countries in 2015. They will be compulsory in Australia from January 1, 2017.

Timberlink Australia and New Zealand Safety Data Sheets are GHS compliant and can be downloaded from our websites: www.timberlinkaustralia.com.au or www.timberlinknz.co.nz





Blenheim's Kenny Sherriff (production manager), Darren Topless (kiln supervisor) and Kirk Wilson (kiln operator) are all thrilled with the new kilns.

Blenheim successfully installs four contraflow kilns

Timberlink successfully installed four contraflow kilns at its New Zealand mill in August this year- two weeks ahead of schedule. Well done by the installation team!

NZ\$2.4m has been invested in the conversion of four of the old batch-style kilns over to new contraflow kilns. These new, state-of-the art kilns are superior due to their ability to run the entire drying process in one step whilst maintaining a constant moisture level- resulting in better quality boards. The new kilns are also 30% more energy efficient than the older style kilns.

These four new kilns are incredibly efficient and can dry the same volume of wood that previously required the use of seven kilns. Blenheim staff are happy to report that the bottle-necks previously created at the drying stage are no longer occurring with the improved efficiencies of the new kilns.

WoodSolutions releases free Mid-rise Timber Building Technical Guide

WoodSolutions is an Australian industry initiative designed to provide information about timber and wood products to the building industry. Providing free downloadable resources, professional seminars and other activities, it is funded by Forest and Wood Products Australia Ltd (FWPA), a not for profit company established to support the Australian forest and wood products industry. The technical design guide, "Mid-rise Timber Buildings – Class 2, 3, and 5 Buildings" was released in October 2016 and explains how to achieve the targeted fire and sound performance requirements set out in the National Construction Code (NCC).

With the May 2016 changes to the National Construction Code (NCC), allowing the use of mid-rise (up to 25 metre) timber constructions systems under the Deemed-to-Satisfy (DTS) Provisions for Class 2, 3, and 5 buildings, Wood Solutions is developing a series of guides to advise the industry. The purpose of these guides is to assist design and construct building professionals understand the performance requirements and design options available to them.

The first of the guides to be released looks at two of the major design considerations in mid-rise timber construction, fire and sound. The guide looks at the fire resistant construction of walls, floors and ceilings and any additional fire safety measures required to achieve the necessary fire-safety levels. It also looks at the sound insulation of wall, floor and ceiling elements.

The second guide to be released is titled "Fire Safety Design of Mid-Rise Timber Buildings" and reviews NCC requirements and solutions for mid-rise timber buildings.

These guides can be downloaded for free at:
<http://bit.ly/MidRiseTimber>



Gold sponsor, Timberlink, applauds initiative to grow light-weight framing in mid-rise construction

Recognising the exciting opportunities for timber use in mid-rise buildings arising from changes to the National Construction Code, Timberlink was one of the first industry gold sponsor partners to support the establishment of the WoodSolutions Technical Field Force pilot program in Victoria.

The program has resulted in the establishment of an advisory group, consisting of a team of industry Program Development Managers, with extensive experience in property development, construction, timber engineering and architecture. Program Development Managers are ideally placed to liaise with development, design and construction professionals, providing generic information and advice on making the most of the cost, time, environmental and other advantages of timber building systems. The team is available to provide free one-on-one in-house assistance and advise on any mid-rise design and construction questions you may have.

The Victorian team comprises four industry experts. Gerard Neylan is a qualified town planner with over thirty five years' experience in construction, planning and architecture. Robert Pradolin has been in the property industry for over thirty years with the last eighteen years being at Frasers Property Australia (formerly Australand). Paolo Lavisci has worked in the timber industry for over twenty five years and authored a book on timber structures. David Bylund is an architect with experience across a wide range of architectural projects ranging from large scale, multi-million-dollar commercial, institutional and industrial projects to residential, office and retail fit-outs.

The program has also been established on a smaller scale in Brisbane, with Steven Gerber managing the state, with over twenty years' experience in the industry.

Read more about this initiative and how to contact the team at: woodsolutions.com.au/Articles/Resources/mid-rise-advisers

Timberlink invests in Blenheim Management Team

Since acquiring our New Zealand mill fourteen months ago we have been heavily investing in its future as a profitable and sustainable part of our business. With a number of major capital projects underway, an increased focus on safety, and the integration of the New Zealand mill into the wider Timberlink business, we felt that the time was right to invest in our Blenheim leadership team. Phil Cave joined the team in October 2016 into the newly created role of Operations Manager and Romon Spiers has been appointed as the mill's Supply Chain and Procurement Manager.

Timberlink is confident that its Blenheim mill will continue to perform well under the leadership of Phil and Romon.

Phil Cave

Phil comes to Timberlink with over thirty years' experience in the timber industry. With senior management roles at Carter Holt Harvey and Fletcher Building Products Timber division, Phil brings valuable skills to our Blenheim mill. Phil's prior roles and experience cover sawmilling, processing, remanufacturing, site management, supply chain, HR, and training and development.

Romon Spiers

Romon has been part of the Timberlink team since the acquisition of Flight Timbers and was invaluable to Timberlink over the transition to the new business. Romon has over twenty years' experience in the timber industry, joining Flight Timbers seven years ago from Carter Holt Harvey. In his new role, Romon will manage, among other things, Blenheim's log supply, supply chain and logistics.



Phil Cave



Romon Spiers

Timberlink's third annual survey completed

Timberlink has sought the opinions and feedback of our customers through our third independently conducted Customer Satisfaction survey. Over 200 Australian and New Zealand customers were randomly selected to participate in the survey which was conducted in September. Customers responded to a range of topics including customer service, account management, communication, pricing, delivery, product quality, range and availability.

Customer feedback will now be analysed and considered before being incorporated into Timberlink's future strategic business plans. Past surveys have been instrumental in improving customer service, training and product quality initiatives that have recently been undertaken. Customer survey feedback has also provided positive reinforcement of our current business practices and the way in which we engage with our customers.

We look forward to sharing the results of the September 2016 customer survey with our customers in the new year.



Timberlink Australia | New Zealand 2016 Christmas Closure Dates

Timberlink Site	Last day of business (2016)	First day of business (2017)
Distribution Centres (VIC, TAS, WA, NSW Deliveries)	Friday 23 December	Tuesday 3 January
Customer Service- Australian Sites	Friday 23 December	Tuesday 3 January
Tarpeena Despatch	Wednesday 21 December	Tuesday 3 January
Bell Bay Despatch	Thursday 22 December	Tuesday 3 January
Blenheim Despatch	Thursday 22 December	Monday 9 January
Blenheim Customer Service	Thursday 22 December	Monday 9 January

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