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AUSTRALIA | NEW ZEALAND

Company & Industry News

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Tarpeena Reinvestment Continues

Our Tarpeena mill is now well and truly starting to reap the benefits of the joint Timberlink/South East Forestry Partnerships Program (SEFPP). This \$31m ongoing capital investment program commenced in 2013. Since then Tarpeena upgrades have resulted in capacity increases of 30% with the focus being on better recoveries, value extraction and an improved finished goods quality for the market.

The first stage of this investment programme focussed on the back end of the mill, with a planer mill upgrade and the installation of a state-of-the art Lucidyne board grade scanning machine. Last year we installed a new 119.2 metre Contraflow Kiln with the purpose of reducing energy costs and increasing the volume of timber that can be dried. We are thrilled to report that after being fully operational for a year, our plant is now 30% more energy efficient than when we were using traditional stone kilns. Even better, we have discovered that we can now produce higher quality boards due to the new kiln's ability to maintain a constant moisture level over the whole drying process.

The second stage involves upgrading the green mill to ensure a balanced and optimised process flow at the site. We are currently testing and conducting operator training on our new, second edger that was commissioned in May 2016. This edger is a four saw machine with full slewing and skewing capability that allows us to maximise recovery from every board. With a second edger the mill can process a higher volume of logs in the same amount of time thus increasing our output.

The next stage in the upgrade process relates to new sorting and trimming systems in the green mill that will allow us to increase our board processing rate. Over Christmas we will be working with our supplier, Acora, to install both a high speed board feeder and a clamshell trimmer. These will allow us to process over 100 boards per minute. The high speed board feeder improves the speed in which boards are fed into the sorter by improved machinery/technology while the Clamshell Trimmer allows us to trim boards at a much higher rate. We will be utilising MPM optimization software and Sick scanning technology to ensure accurate scanning and identification. With the new scanning, optimization and trimming technologies better fibre yields will be attainable.



Pine at the end of its 40 hour journey through Australia's longest (119.2metre) Contraflow Kiln

We are thrilled to see the difference this investment has made to our Tarpeena mill which is now well on its way to becoming one of the best sawmills in Australia.

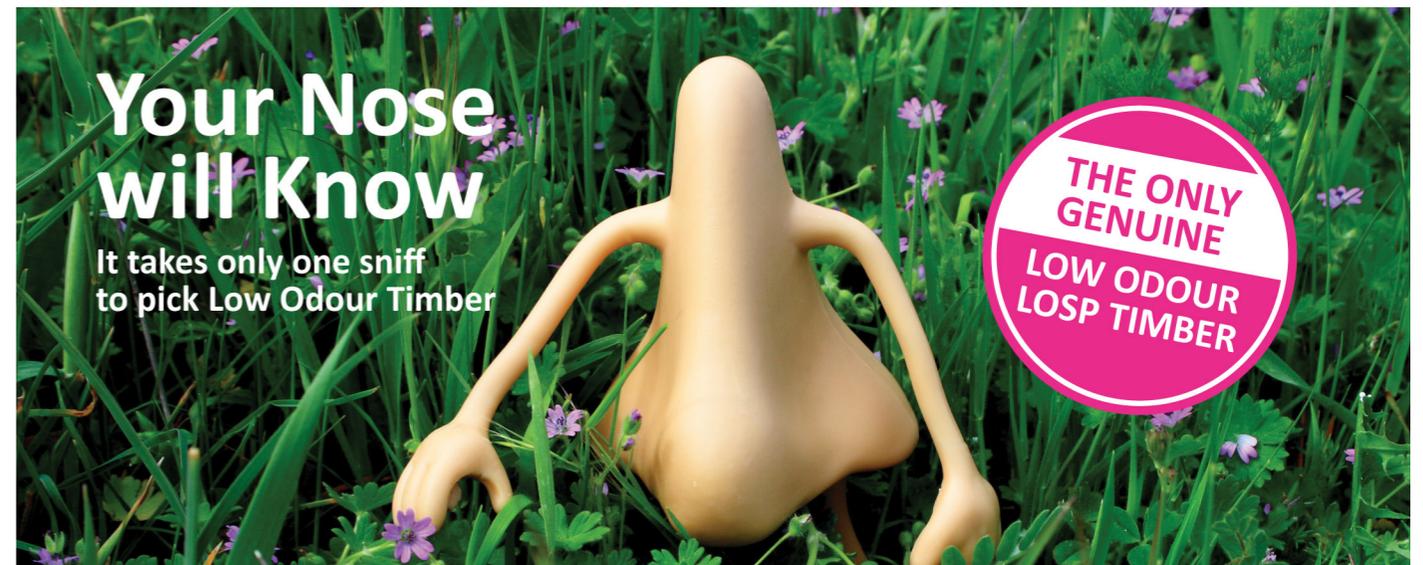
Timberlink and Lonza present the Low Odour Partnership Story

Trevor Innes, GM Technical and Environment at Timberlink, along with Peter Carruthers, Marketing Manager, Lonza (previously known as Arch Wood Protection), jointly presented at the 2016 Wood Innovations Conference held in Melbourne and Rotorua late May/early June. Their presentation, titled "First in Australian Timber Treatment", was delivered as a case study example of successful innovation in the timber products market.

Trevor and Peter explained how the development and successful launch of Timberlink's Low Odour LOSP outdoor product was the result of a year long collaborative project between Timberlink and Lonza. With the market now preferring LOSP treatment for its stability but not much liking the smell, Timberlink took on the challenge of looking at the development of a low odour LOSP treated timber product.

As a result of Timberlink's customer feedback, Timberlink asked Lonza to commercialise with them a low odour version of their successful Vacsol® LOSP treatment preservative. Lonza's technical team spent countless weeks formulating and testing a less offensive smelling chemical. After numerous treatment trials at Timberlink's Bell Bay plant proved successful it was time to launch this innovative outdoor timber product to the market.

For more information please view the informative presentation at: timberlinkaustralia.com.au



30 times less odour than traditional LOSP.
Reliable supply, even in the peak season.
Strict appearance grade.

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Expo Showcases Timberlink Tech

The 2016 Melbourne Bunnings Expo was held at the showgrounds over three wet and freezing cold days at the beginning of July. Bunnings flew and bussed in about 4,000 team members from stores in Tasmania, South Australia and Victoria to meet with suppliers and learn more about their products. Timberlink, along with 189 other suppliers, set up a stand and our staff enjoyed meeting the many Bunnings' team members who came along. This year, Timberlink's focus was on highlighting the training we have available to make selling timber simpler. Mark Crotty, Timberlink's National Key Accounts Manager explains: "We continually look at ways to assist our customers and their staff. Our training approach, both online and in-store increases our customers' knowledge and assists them in selling the features and benefits of our products to the end user. Better informed staff results in customer satisfaction and more importantly more sales"

At the show we had a number of ipads on which staff could trial some on-line training to go into the draw to win \$250 towards their store's next social function. Josh, from Scoresby Bunnings was the lucky winner.



Anton from our Knoxfield office chatting to Damien about our training.



Allan Collier (Vic Sales) and Josh from Bunnings Scoresby, who was the lucky winner of \$250 towards his stores next social function.

New Timberlink Posts Coming Straight To You

Timberlink Arrow Posts are good-looking, strong, structural outdoor feature posts that will look amazing in any outdoor project. While technically of a Tight Knot appearance grade, in reality most of our Arrow Posts look so good they could pass for Clears.

Made at our Blenheim plant in New Zealand, Arrow Posts are an engineered glulam finger jointed product, made from renewable plantation pine and treated to withstand both the Australian and New Zealand climates.

Arrow Posts are manufactured to ensure that they remain perfectly straight all the way from our mill through to the final customer. Our mill individually moulds every Arrow Post after treatment, which means absolute dimensional squareness, resulting in a flawlessly straight DAR post every time.

Arrow Posts are graded to a GL8 level, which means they have a higher bending and compression strength than F7 posts. The GL grading system (Glue Laminate) indicates that the timber product has been manufactured with the use of an adhesive bond. We use a Service Class 3 adhesive to keep our Arrow Posts looking great regardless of the weather. In an exciting, recent development we are almost ready to move to a polyurethane adhesive which will make the joins almost invisible.

Arrow Posts can be used in any application requiring an H4 Hazard Class level. While this means that Arrow Posts are suitable for in-ground use, best performance will be obtained when posts are supported above the ground.

Timberlink Arrow Posts are available in seven different lengths, ranging from 2.4 to 6 metres and 3 different sizes (88x88mm; 112x112mm; 135x135mm). Please visit our website for further information: timberlinkaustralia.com.au or timberlinknz.co.nz.

Timberlink - Framing Fremantle's New Heirloom Apartments



Interior design of new apartment

In 1923 the Dalgety Wool Store was built in Fremantle, Western Australia, along Queen Victoria and Beach Streets. It, along with other wool stores in the area, was built to stockpile bales of wool as part of the government's plan to develop the Australian Wool Industry. Australia, at the time, was heavily in debt to Great Britain and it was believed that increased exports of wool would quickly solve the problem.

Over the years this substantial 9,660 m² building has seen a lot! It was commandeered by the US Navy during WWII, was home to the Fort Knox storage facility, became a popular skate park and was even transformed into a ballroom in 1987 when 2,500 people attended a ball to celebrate the America's Cup.

After being neglected for over twenty years the heritage listed (2008) building was purchased by developer Match and their joint venture partner Sirona Capital in 2013 with plans to develop the historical site into apartment buildings. The build is being conducted within the existing structure with the massive

jarrah floor beams and timber supports being retained. The value of the redevelopment is \$68m (the original building cost 75,000 pounds) and the expected completion date is February 2017.

The project is being undertaken by Built, a national construction company, which has been involved in other heritage listed building redevelopments in Western Australia, such as the Perth Mint and the old Treasury Building.

Worldwide Timber Traders is supplying the framing and has supplied over 400m³ of Timberlink Blue MGP10 structural framing in 3 sizes (90x45, 120x45, 190x45) for use in floors, walls and roof timbers. Worldwide Timber Traders' Teresa Cimetta (Timber Account Manager) says that "It is only fitting that an Australian company such as Timberlink should supply local Australian pine to help refurbish this iconic historical Australian building. Timberlink is easy to do business with and was asked to supply because of their product quality and their

ability to supply on time, every time, so that everyone's expectations are met."

Timberlink is very proud that our product is being used in such a major restoration. Given the nature of our products, which are often concealed behind gyprock, it's not often that we are made aware of the actual projects in which our products are being used. Thanks Worldwide Timber Traders for sharing this project with us!

Chuditch Carpentry and Flooring, based in Fremantle is responsible for the build and installation of all framing and flooring within the development.

The majority of the one and two bedroom and loft apartments have been presold.

To read more about the project please visit: <http://www.heirloombymatch.com.au/>



Dalgety Wool Store



Bales of wool stored on the top floor



Timberlink Blue providing the structure



Finished Heirloom apartments

The Demand Cycle & State Markets in Transition – Australia

For Pine demand today, the main driver in Australia is still the number of new detached houses being built with this segment accounting for approximately 50% of all softwood demand in Australia. Market and technology developments are growing the opportunities for Pine into more diverse non-traditional markets such as mid-rise commercial buildings so this is exciting for the medium to longer term.

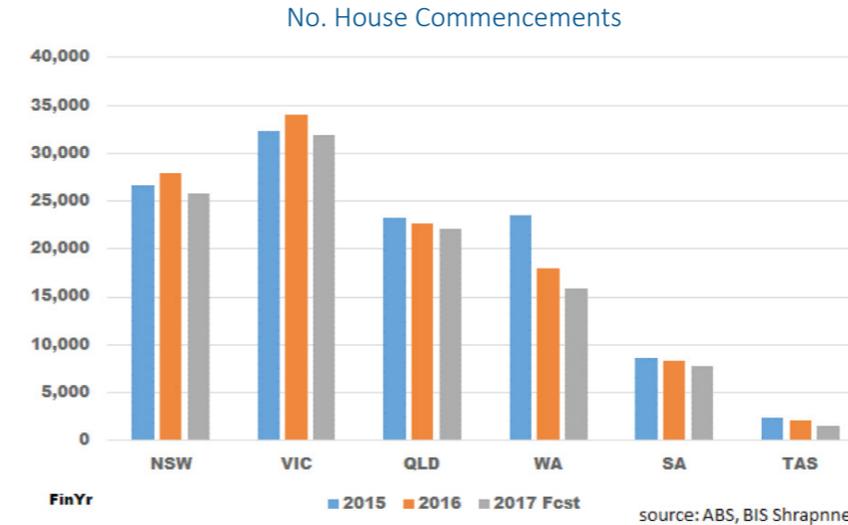
On the more immediate horizon, housing construction activity levels around Australia over the past 12 months have been mixed and many state markets are in transition – some reducing in activity and some improving to longer term stronger underlying demand. For example, NSW has shown growth of about 5% in the number of house construction commencements, whereas WA is more than 20% below last year. Demand for new housing in NSW is strong as population factors have outstripped housing stock levels and this has been exacerbated by the lack of development sites. These pressures are contributing to rising house prices which in turn are restraining an even stronger demand. Victoria is also experiencing growth of 5% in housing construction, buoyed by steady population growth and owner occupier upgrades. Western Australia however is experiencing the effects of a waning economy as a consequence of the downturn in the mining industry, with decreased employment growth and income that is dampening housing demand. Meanwhile, Queensland, SA and Tasmania are displaying signs of slowing with house commencements over the past 12 months lower by 2%, 4% and 13% respectively.

According to the latest NAB Residential Property Survey of industry participants, the most significant constraint on new housing development is tight credit conditions for WA, VIC, SA and QLD. In NSW housing affordability is the most significant constraint, it is also of significance in VIC. Construction costs are also a significant constraint in NSW and VIC, while lack of development sites is a notable constraint in NSW.

So, depending on your business’ geographic footprint across Australia, and your linkage to the new housing market, the coming fiscal year’s activity looks as follows:

State/Region	New detached housing FY17 % on FY16	Alts & Adds Spend FY17 % on FY16
National	-6.8%	-4.8%
East Coast (QLD, NSW and VIC)	-5.1%	-4.2%
Northern Australia (NSW and QLD)	-4.8%	-3.5%
Great Southern (VIC, SA, WA and TAS)	-8.5%	-5.5%

It is expected that building activity for detached houses will decline in 2016/17 across all States as the housing cycle enters its downturn in NSW, Victoria, Queensland and SA while WA and Tasmania enter their second year of lower house commencements. Of some comfort is that the decline in the housing market will be against a positive national economic backdrop as the outlook for 2016/17 is for further gains in employment and continued low interest rates (RBA).



Market and technology developments are growing the opportunities for Pine into more diverse non-traditional markets such as mid-rise commercial buildings- exciting for the medium to longer term.

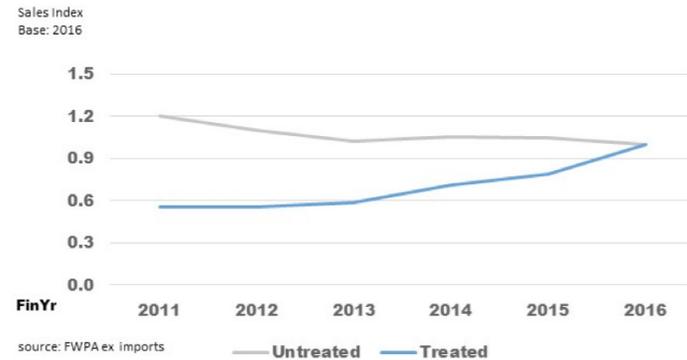
Whilst indoor structural demand is closely linked to the activity levels of new detached housing, there are some underlying changes to the nature of this demand in Australia. Firstly, as different state markets are in transition, we see the percentage of Blue Pine moving. Different state markets across Australia have very different market demand for Blue versus untreated pine due to a number of factors, with market forces at play.

Sales of Australian made structural timber that is treated against termite and European House Borer (EHB) infestation have increased dramatically over the last 5 years from around 400,000 m3 to near 700,000 m3 p.a. This has seen treated products share of total first grade structural timber sales rise from 28% in 2011 to 46% in 2016. The growth in the usage of Blue Pine is pleasing to see in terms of the market forces valuing this value add product. This growth in Blue Pine needs to sit alongside the ongoing promotion of Whole of House to ensure timber framing continues to compete on a level playing field with less popular alternatives such as steel. Installing physical barriers such as metal shields and chemically treating the soil surrounding and under the building are other measures that can be used in combination with treated timber. Finally, regular inspection and maintenance is also necessary to ensure a termite free site.

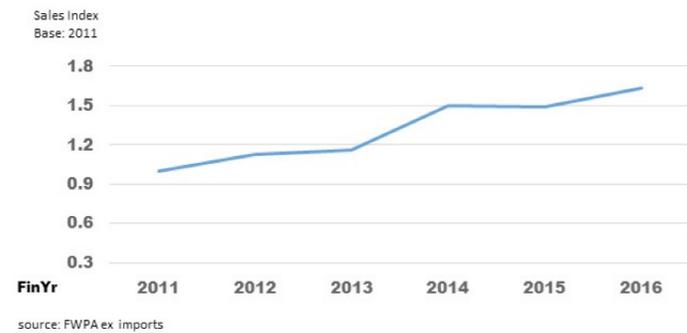


The Demand Cycle & State Markets in Transition – Australia

Structural Timber Sales- Australia



Outdoor Timber Sales- Australia



As previously mentioned, demand for pine in Australia comes from a number of different segments and the renovations or alternations and additions segment is another key market for pine products. Outdoor timber sales have grown by an average 10% p.a for the last 5 years, this category includes decking, treated structural, fencing, landscaping and roundwood posts. This extraordinary growth partly stems from the upturn in housing building activity since 2011 as purchases of established and new houses have led to alterations and additions. Another source is the rise in popularity of home renovations as evidenced by the growing number of home hardware outlets. Enhancing the outdoor timber market is also the improved product range of outdoor timber products. As indicated by expenditure on alterations and additions, which nearly reached \$8 billion in 2015/16, outdoor timber sales will be less affected by the downturn in the housing cycle in 2016/17.



Travis, John, Dale, Ken, Mark and Matt from Dahlsens take a quick break from watching harvesting activities in the plantation.

Dahlsens Team learns more about forest to frame with Timberlink

Our Victorian State Sales Manager, Alan Holter, recently invited a group of Dahlsens managers to Mount Gambier to learn more about pine – from beginning to end.

Starting at the nursery, the group learnt about seed selection, the planting of seedlings and the transplantation of only the strongest to plantations in the area. They were then driven through the Penola Plantation to see pine trees ranging from one year old through to trees approaching thirty – the age at which they are finally ready to be processed as sawlogs. The group was fascinated to witness the harvesting of these trees – in less than thirty seconds a machine can pull down, strip off branches and cut a 25 metre tree into 6 metre lengths. “It is truly like watching the Transformers’ movie technology but in a plantation!” said one of Dahlsens’ managers.

Visiting our Tarpeena plant the group was taken on a journey from our log delivery site and through the processing and treatment parts of the mill. They spent considerable time at our new Continuous Flow Kiln and Lucidyne Board Grader and were pleased to hear how these two major pieces of investment have improved our ability to consistently produce quality boards.

Alan loves sharing his passion for timber with customers and believes that “our customers really appreciate seeing what Timberlink is doing to keep its mills sustainable and among some of the best in the world. They always appreciate the level of technology and the friendliness of our people at the mills”.

Zero harm- All injuries are preventable



Steven Patrick (pictured) joined our business in May this year as our WHS – Business Leader, a newly created position reflecting the value and focus Timberlink places on safety. With significant experience in safety management as well as direct operation experience in other manufacturing businesses, Steven is dedicated to zero harm.

Steven is looking forward to becoming a regular contributor to Timberlink's newsletter and hopes that you may be able to use some of his recommendations to keep your workplace safe.

Safety Focus- Stairs

While using stairs at work does not spring to mind as being in any way dangerous, accidents involving stairs result in workers requiring hospitalisation every year. Safe Work Australia reports that almost 1,000 workers were hospitalised for accidents involving stairways over a three year period July 2006 – July 2009. It goes on to report that 3 people were killed by falling off stairs over the period 2003-04 to 2010-11.

In the workplace, workers can injure themselves when using stairs in a number of ways – falling down stairs, slipping on spills on stair treads or striking their arms or legs against the hand rails. While most injuries are likely to involve bruising or broken bones more significant injuries, or even fatalities can also occur.

Safety tips for using stairs

Always use 3 points of contact where stair design allows. As a mandatory requirement one hand must always be free to use on the handrail.

Never run or rush up or down stairs.

Only take one step at a time.

Never allow yourself to be distracted whilst using stairs- no reading, texting or talking on mobile phones, carrying on conversations.

Get help to carry heavy items up or down stairs.

Do not wear reading glasses on stairs.

If using external stairs, be prepared for weather conditions such as rain that can impact your safety.

Ensure correct lighting is in place above stairs.

Ensure handrails are functional and not decorative.

Ensure each step has non-slip strip fitted on the edge of the tread, and that it is replaced as required.

Report and arrange for the repair of any steps or rails that are not in an appropriate condition.

Include stairways in all auditing, inspection and job safety activities.

New Forests' CEO forecasts ongoing demand for timber

David Brand is the CEO of New Forests, an international investment management business that invests in and manages sustainable assets such as timber plantations. New Forests also manages Timberlink, which was established by its investors in 2013 and David is the chairperson on Timberlink's Board of Directors. The New Forests connection is great for Timberlink – New Forests owns the plantations from which we source our pine, giving us a reliable, ongoing supply of sustainable pine.

With over thirty years' experience in timberland investment, forest management, science and public policy, David was invited to speak at the International Council of Forest and Paper Associations meeting held in Sydney on July 4, 2016. David's speech, titled "How Institutional Investment Can Support the Growth of the Forest Sector" discusses worldwide demand for timber out to 2050.

David considers two scenarios – one where world demand grows at a steady 1.5% per annum, allowing existing plantations to meet demand with investment in better genetics, better management systems and by operating on a best practice basis. In the second scenario, demand for timber grows at a higher rate as the market moves towards multi-story wood dwellings and existing plantations are unable to meet demand. In this scenario, David suggests, new plantations will need to be established in Australia, New Zealand and other parts of the world. Whichever scenario comes to fruition ongoing demand for timber is a certainty.

Read David's full speech at:

<https://www.newforests.com.au/#insights>

Tasmania set to develop Australia's first state level wood encouragement policy

Tasmania is set to be the first Australian State to develop a Wood Encouragement Policy, with Peter Gutwein (Tasmania's Treasurer, and Minister for a number of portfolios including forestry) announcing the plan as part of the 2016-17 state budget. Wood Encouragement Policies ensure that, where feasible, responsibly sourced wood is considered as the primary construction material for all public building projects.

Wood Encouragement Policies (or similar policies in place in Japan, Finland, France and other major economies) are developed primarily to drive environmental improvements. Using responsibly sourced wood to build, instead of non-renewable building materials such as concrete or steel, benefits the environment in a number of ways. Plantation Pine Trees (like all trees but on a much larger scale) absorb carbon dioxide from the environment whilst growing and retain this carbon once harvested, processed into wood products and used as a building material. In fact, approximately half of the dry weight of wood is carbon! The production of wood also uses less energy than the production of other building materials – again good for the environment. Furthermore, a number of studies have highlighted the health benefits of being exposed to wooden fittings and fixtures including a reduction in heart rate and stress levels.

Timberlink Australia congratulates the Tasmanian State Government on taking this important step towards creating a sustainable building environment through the use of wood. As one of Australia's major Pine Products manufacturing businesses we cherish the unique environmental benefits of wood and ensure that all our wood is certified as responsibly sourced. With one of our three mills located in Tasmania's Bell Bay, employing almost 200 Tasmanians, we are thrilled that Tasmania is leading the way for Australia.

Timberlink and WoodSolutions going for gold with mid-rise



Responding to a call out to industry by Forest & Wood Products Australia (FWPA) in December 2015, Timberlink is proud to be one of the first industry gold sponsor partners to sign up for the WoodSolutions Field Force pilot program in Victoria.

Overseas experience has shown the value of having a technical field force to advise architects, engineers and others involved in the design and construction process about the use of wood and wood products. Following support from industry, FWPA will launch its WoodSolutions Field Force pilot in FY17.

For Timberlink, supporting this initiative in Victoria has potentially valuable returns for our company, our industry sector and our channel customers. Field force personnel will establish direct connections with material specifiers and grow market volume for participants' products and services. Timberlink is also contributing data to an FWPA project which is reviewing the design requirements for mid-rise and the specification of structural Sawnwood products that are reliably and commercially available to develop this new market opportunity.

There are already some 200 potential mid-rise projects that have been listed in the greater Melbourne region which may be suitable to specify timber as the structural solution. The main activity of the pilot program will be directed towards exploiting the opportunities created by the recent amendments to the National Construction Code, specifically as they apply to the use of timber framing and massive timber in the mid-rise multi-residential market.

A management Committee is being formed, with representation based on sponsorship contributions. John Summers, our GM Sales & Distribution, has been nominated to be Timberlink's representative on this committee.

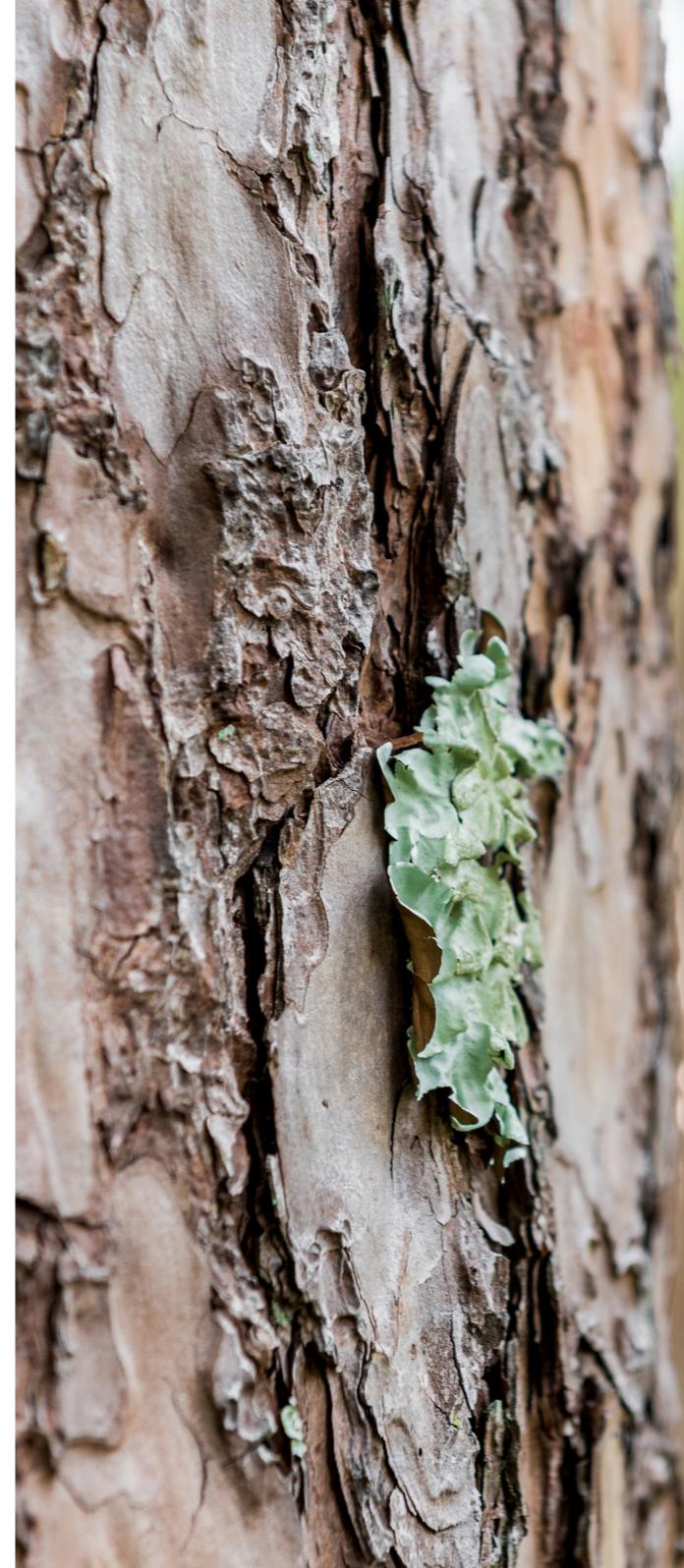
The consensus is that the program will be totally generic regarding reference to products and manufacturers. Field staff will be instructed not to preference one particular producer over others in their communications with building specifiers. However, to assist in training and product knowledge, the concept of embedding field staff in the operations of gold level sponsors for a specific number of days annually was supported in principle.

Timberlink New Zealand New Website

It is hard to believe that it is over a year since New Zealand's Flight Timbers business became Timberlink New Zealand. Thanks to the efforts of staff on both sides of the Tasman we are now operating as one Timberlink team.

We have developed a Timberlink NZ website to showcase its unique product offer.

check it out at timberlinknz.co.nz



Our business is built on six pillars that we believe are vital to our success:

1. We always do our work safely and look out for our mates.
2. We continuously grow value for our shareholders, our employees, our communities, our suppliers and our customers. To achieve this continuous improvement we foster innovative thinking in everything we do.
3. We enjoy what we do.
4. We communicate openly and don't like surprises.
5. We achieve results through having and developing superior talent.
6. We are focussed on achieving great results through individual behaviour and great teamwork.

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