



Trends on the European Timber Market

Malaysian Timber Council

Kuala Lumpur 3 May 2018



Good economic conditions and prospects

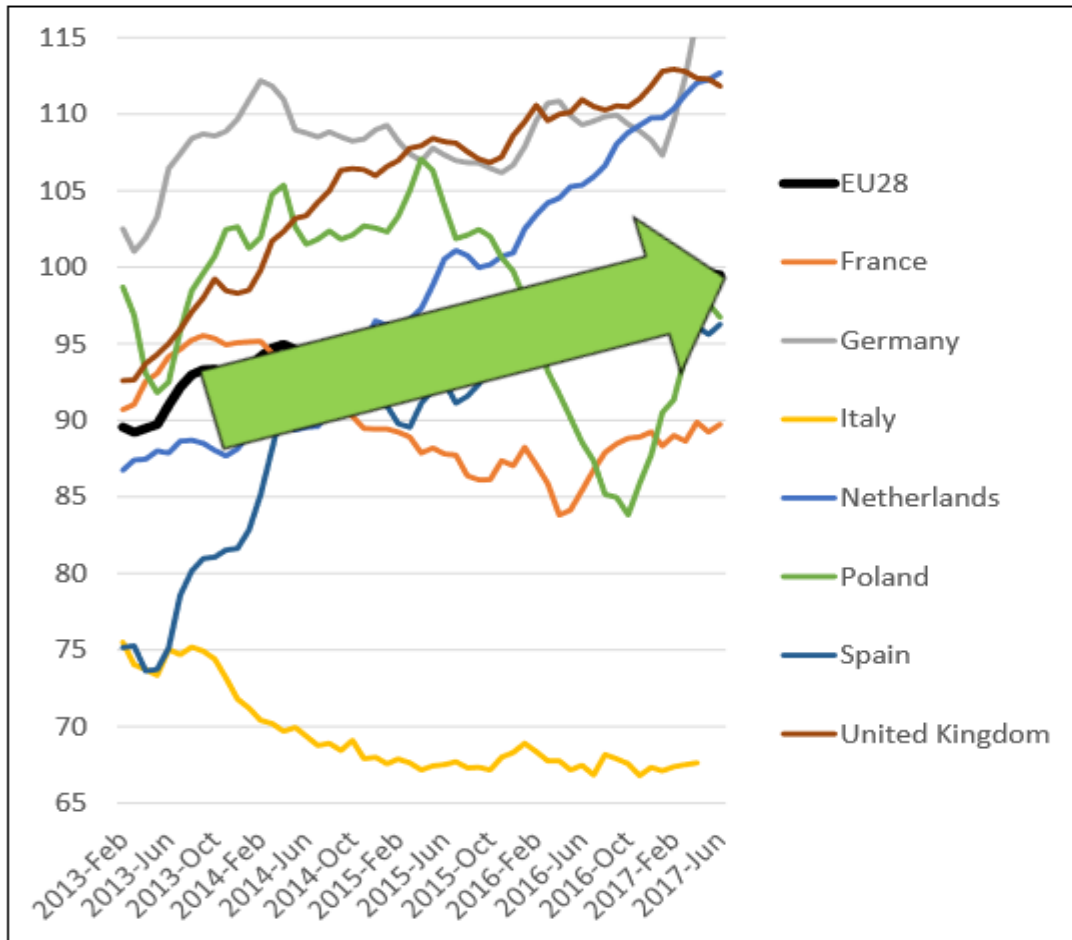
2017/2018 : 2.5 % economic growth in EU, 3.2% in the Netherlands

European tropical timber and timber products market healthy recovery from the 2008 crisis. Consumption growth 9% p.a., import growth 7% p.a.

Largest importing countries : Germany (16%) and the United Kingdom (15%), followed by France (13%), the Netherlands (12%) and Belgium (11%).

Eurostat construction production index for the EU Member States

€ Value of seasonally and calendar adjusted production output (2010 = 100)
Monthly for the period February 2013 to June 2017

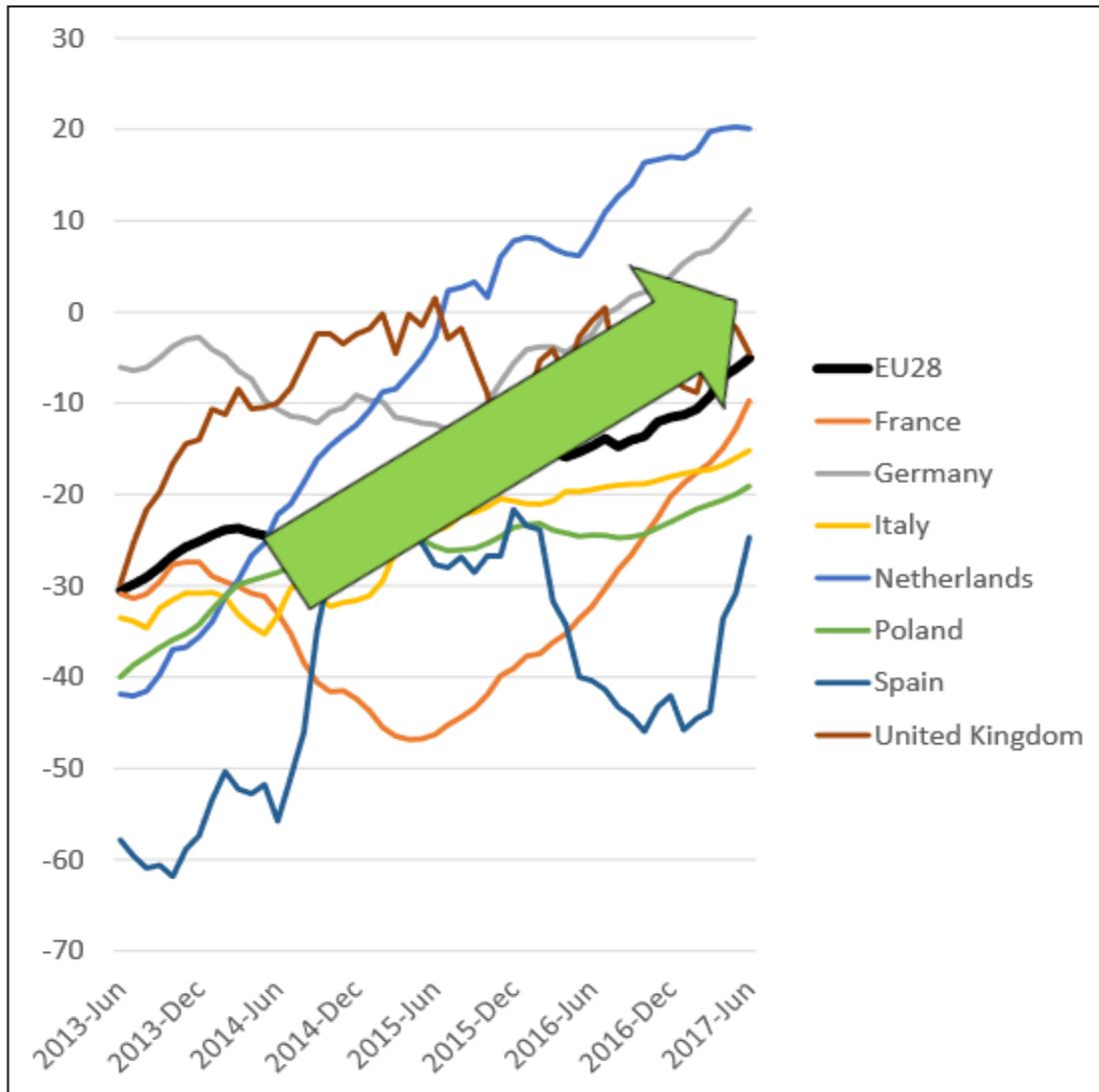


Source: Eurostat. Compiled and edited by Probos

Stabilizing trend of recovery in construction

- Value of EU construction in June 2017 only 0.5% lower than in 2010.
- Construction activity stabilizing in 2017
- Construction activity Poland recovering after dip in 2016
- Still high construction activity in Germany & UK
- Strong recovery The Netherlands
- Stabilizing activity Spain, France and Italy

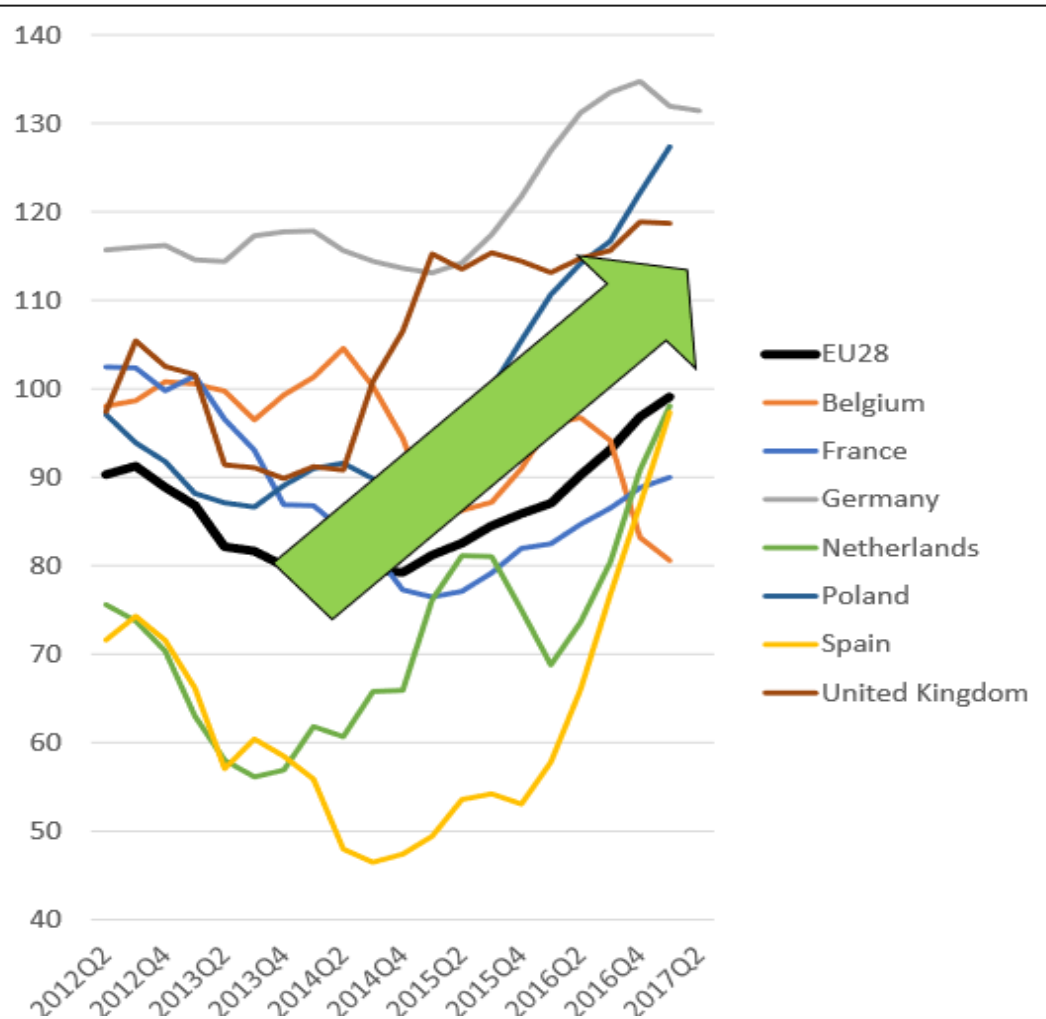
Eurostat construction confidence index for the EU Member States June 2013 to June 2017



Confidence EU generally rising

- Increase in confidence The Netherlands levels off
- Confidence France, Germany, Italy and Poland rising consistently
- Confidence UK still unstable
- Confidence Spain recovering strongly in 2017

**EU Building Permits Index
Q2 2012 to Q2 2017
2010=100**



Building Permits:

‘EU getting close to index level 2010 again’

- Strong increase Germany leveling of in 2016
- Building permits increasing strongly in Poland, The Netherlands and Spain.
- UK and France rising slowly.
- Decline in Belgium in 2016

Changes in demand and supply

Fashion trends can change very quickly and vary from one European country to another.

Tropical timber will become scarcer and European buyers will have more difficulty finding suppliers.

Consumer awareness of deforestation, climate change and carbon-neutral operating is rising. Work on certification.

Substitution with lesser-known species and non-tropical timber alternatives

Changes in consumer preferences

Tropical timber is still needed for various outdoor purposes and garden furniture.

But current tropical hardwood exporters have to differentiate and think about creative and innovative new products. (f.i. cross-laminated timber with a top layer of high-quality timber).

Construction

Consumers are spending more on construction, renovation and buying houses, resulting in increased demand for products such as floors, decking, mouldings and doors.

For large buildings : European Directive on the Energy Performance of Buildings green building initiatives (GBIs).

Stricter energy saving requirements are in place. Likely shift from using solid tropical timber to more engineered products.

160
Million consumers
within a 300 mile radius

#1 DHL Global
Connectedness

#4 World
Competitiveness
Report

90% Of all Dutch
people speak
English

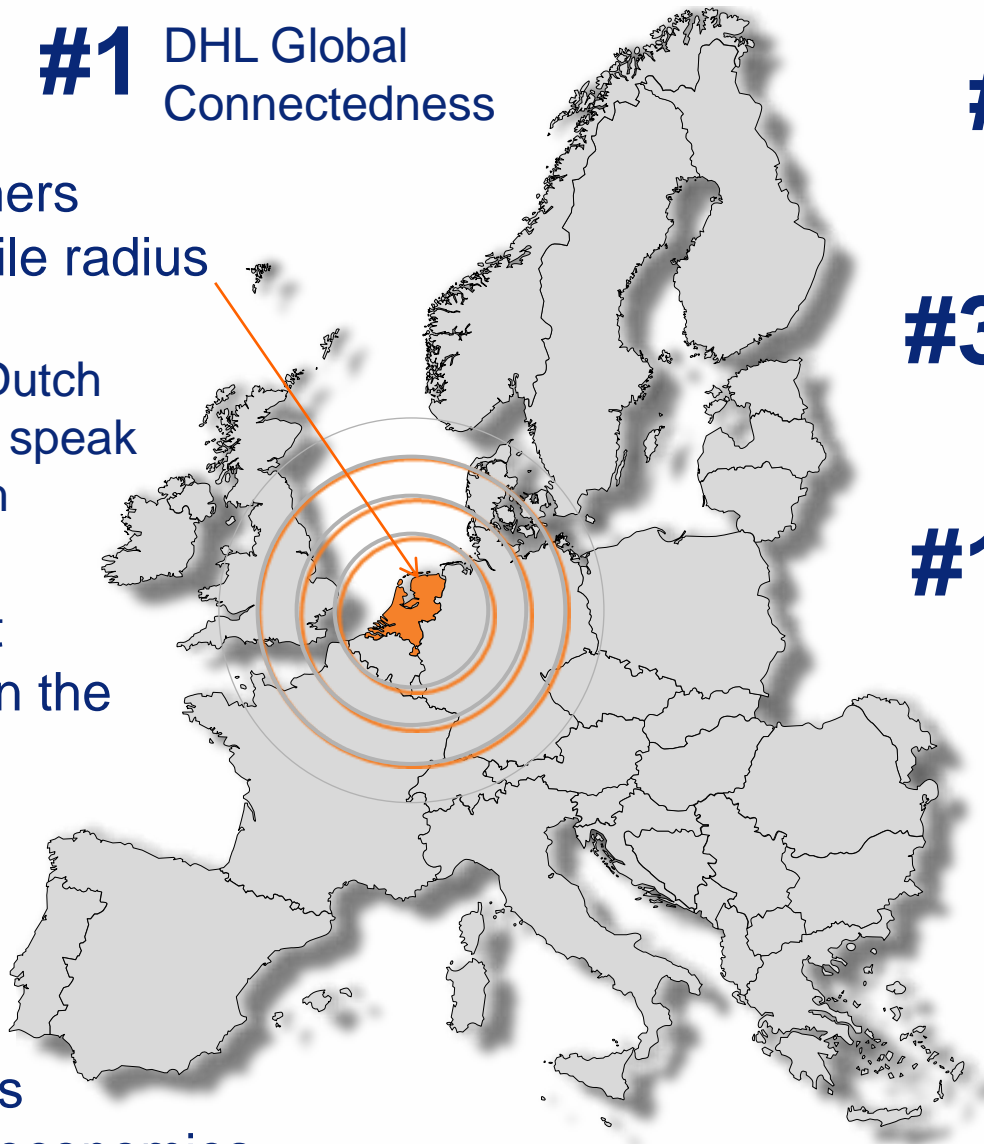
#3 WIPO-INSEAD
Global Innovation
Index 2017

#4 Happiest
country in the
world

#1 Largest gross weight
of goods handled in
E.U. ports

3.2%
GDP growth
rate (2017),
one of Europe's
most dynamic economies

#95% of
Europe's major
markets can be
reached within 24
hours from
Amsterdam or
Rotterdam



Ease of doing business is supported by regulations

Executive Opinion Survey (2016) based on an index from 0 to 10

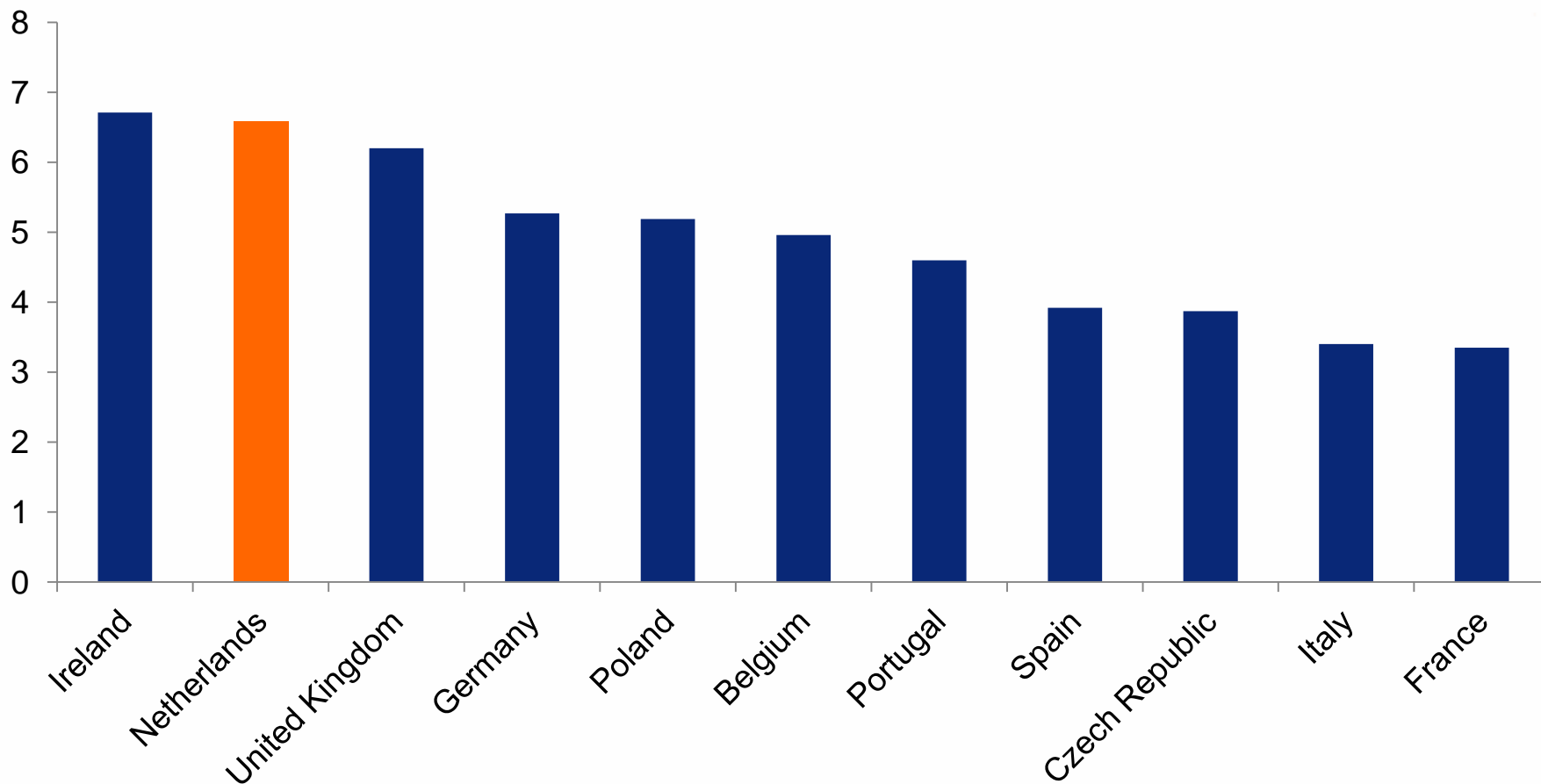
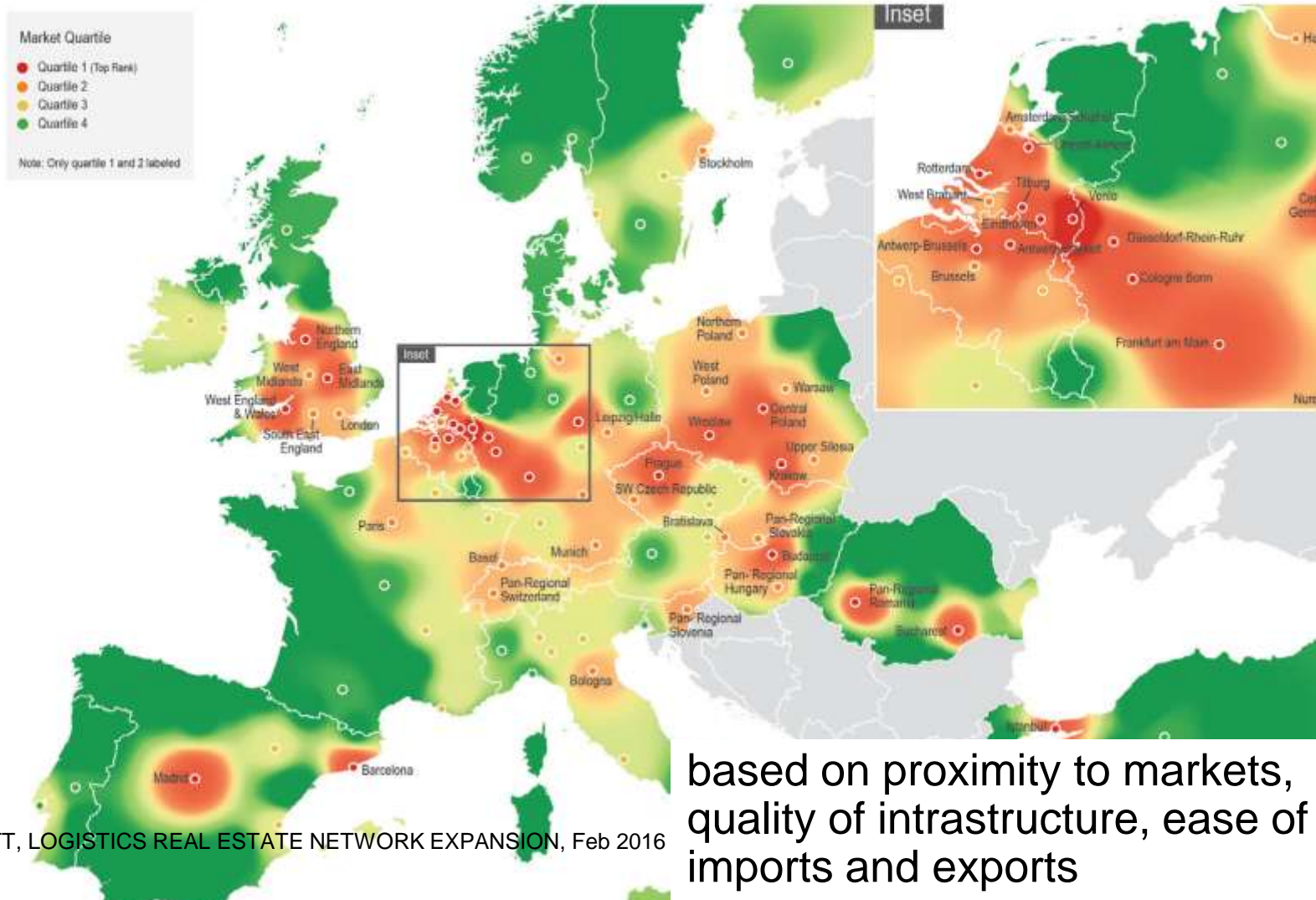


EXHIBIT 2 Heatmap: Europe's Most Favored Locations



Stimulating Entrepreneurship and Foreign Direct Investment

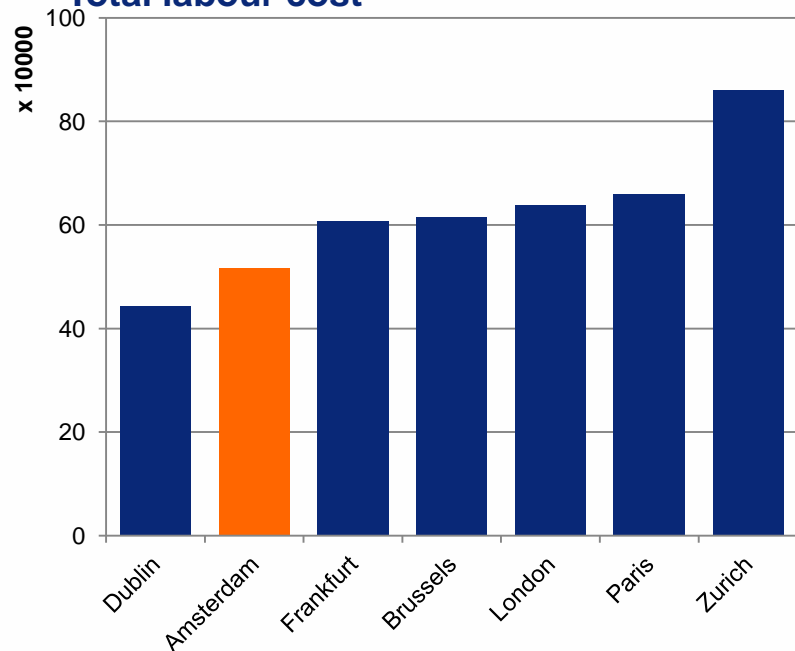
- A competitive corporate tax rate: 25% (20% on the first € 200.000), to be reduced in annual steps to 21% (16 % on the first € 200.000) by 2021;
- One of the world's widest networks of international tax treaties;
- No withholding tax on outgoing dividends, interest and royalty payments;
- Favorable tax treatment for expats (30% of income for expats is exempt from taxes for 5 years);
- VAT deferment upon import: no upfront payment of VAT by importer. VAT is paid by customer.



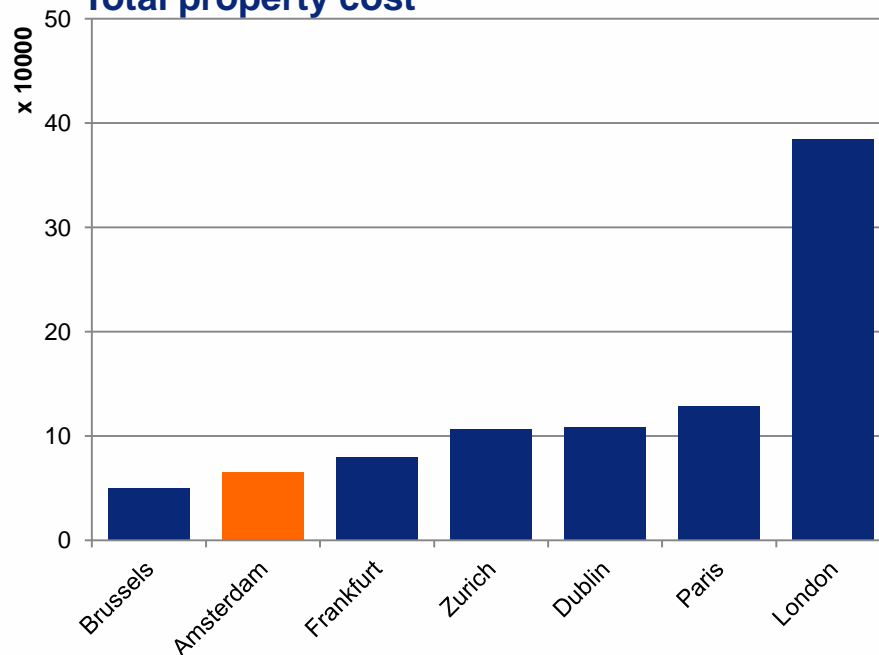
For a head count of 5 persons across typical job functions, Amsterdam has the 2nd lowest total labour costs at € 0.5 m per annum, 17% lower than the average among other major European cities.

For an office of this size, Amsterdam also has the 2nd lowest total Property costs of all the 7 locations at € 65,250 per annum, 51% lower than the average among other major European cities. Cost in other Dutch cities are 50% lower.

Total labour cost



Total property cost



NFIA Services

For foreign companies wishing to establish their business in the Netherlands and to take advantage of the Dutch business environment as a strategic base to cover Europe, the Netherlands Foreign Investment Agency (NFIA) is the first port of call. We can:

- Tailored information and counseling, starting in the country of origin, on growth opportunities
- Arrange contacts with relevant business partners, government authorities, a variety of Dutch networks and service suppliers, and other relevant contacts
- Organize customized fact-finding trips together with network of regional economic development partners
- Present concrete solutions that simplify and optimize establishment in the Netherlands
- Offer special services such as:
 - Logistics Matchmaking Service (with NDL/HIDC)
 - Tax ruling practice for large foreign investors (with Tax Inspectorate and Ministry of Finance)
 - Work Permit arrangements for new foreign investors (with IND/Immigration & Naturalisation Service)
 - Orange Carpet Visa Facility (with relevant consular departments)
- Find out more on: <http://investinholland.com>

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