

UTIPULP

LISBON – SEPTEMBER 27th, 2002

GENERAL MEETING

MINUTES

UTIPULP

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- ATTENDEES TO THE MEETING -

UTIPULP CHAIRMAN :

Mrs Gloria RICCONI CARTIERE BURGO

UTIPULP Secretariat :

Mr Guillaume ARNAULD DES LIONS UTIPULP

AUSTRIA :

Mr Paul BARTMANN NEUSIEDLER Aktiengesellschaft
Mr Peter DONNABAUER Dr. FRANZ FEURSTEIN
Mr Rudolf SEELMANN SCA GRAPHIC LAARKIRCHEN

BELGIUM :

Mr Firmin FRANCOIS COBELPA

DENMARK :

Mr Eilif LEDEGAARD DALUM PAPIR A/S

FRANCE :

Mr Jérôme DELALY ARJO WIGGINS S.A.
Mr Henri GILBERT SMURFIT CELLULOSE DU PIN
Mr Dariusz POWROZNIK INTERNATIONAL PAPER
Mr Jean-Olivier ROUSSAT PAPETERIES DE CLAIREFONTAINE

GERMANY :

Mrs Ute JOHNEN KANZAN SPEZIALPAPIERE GmbH
Mr Klaus-Dieter KIBAT V.D.P.
Mr Klaus KRIEG PAPIERFABRIK SCHEUFELN GmbH
Mr Franz-Josef OHLE STORA ENSO PULP Int. GmbH
Mr Peter WINKLER HAINDL PAPIER GmbH
Mr Oliver SÖDER MD PAPIER GmbH

ITALY :

Mrs Cinzia CARADINI ASSOCARTA.
Mr Antonio BOTTEGA CARTIERE FEDRIGONI & C s.p.a.
Mr Luigi LAZZARESCHI DELICARTA

THE NETHERLAND :

Mr	Victor	KAMM	SAPPI EUROPE S.A.
Mr	Théo	Van Der STEENSTRAETEN	Inkoop-combinatie De EENDRAGT b.v.

PORTUGAL :

Mr	Joao Gorjao	CLARA	RENOVA S.A.
Mr	Armando	FIALHO	ASPAPPEL
Mr	Manuel	MOREIRA DOS SANTOS	SOPORCEL S.A.

SWITZERLAND :

Mr	Bernhard	JÄGGI	PAPIERFABRICK BIBERIST AG
Mr	Jörg	BITTERLI	TELA-KIMBERLY Switzerland GmbH

UNITED KINGDOM :

Mr	John	GOVIER	ARJO WIGGINS Ltd
Mr	Richard	SEXTON	THE PAPER FEDERATION OF G. B.

EXCUSED

Mr	Graham	BARNARD	THE PAPER FEDERATION OF G. B
Mr	Enrico	BROUWER	V.N.P.
Mr	Armando	CAFIERO	ASSOCARTA
Mr	Luis	COSTA LEAL	CELPA
Mr	Lazlo	FORGO	AUSTROPAPIER
Mr	Michel	MARCK	INTERMILLS S.A.
Mr	Carlos	REINOSO	ASPAPPEL
Mr	Peter	STEIGENBERGER	SALZER PAPIER
Mr	Wayne	THOMAS	SAPPI FINE PAPER EUROPE

UTIPULP

General Meeting

Lisbon – September 27th , 2002

AGENDA

I - WELCOMES & APOLOGIES

II - APPROVAL OF THE AGENDA

III - APPROVAL OF THE PREVIOUS MEETING'S MINUTES

- The previous meeting was held in Nice on April 17th , 2002

IV - GENERAL ISSUES

a) UTIPULP structures:

- Changes in the composition of the National Delegations,
- Elections of the Chairman, the Vice Chairman and the Executive Committee Members

b) Communication:

- Statistics release: Development of the general statistics downloadings
- Reminder of the available information on the member pages of the web site.

c) Statistics:

- Analysis of UTIPULP statistics,
- Quality of UTIPULP statistics,
- Other issues (EPIS, precision on the statistical declaration...)

d) Other issues:

- UTIPULP 2002 accounts
- UTIPULP activities in regard to the competition law of the EU
- Date and location of next meeting.

V - ANALYSIS OF THE PULP AND PAPER MARKETS

VI - MISCELLANEOUS

- Press review

- MINUTES -

1. WELCOME & APOLOGIES

Mrs Gloria Riccioni, Chairman of Utipulp, opens the meeting at 8:30 a.m. She welcomes all the participants particularly the members of National Delegations attending the meeting for the first time : Mrs Caradini (*Assocarta*) for Italy, Mrs Johnen (*Kanzan Spezialpapiere GmbH*) and Mr Söder (*MD Lang Papier GmbH*) for Germany and Mr Donnabauer (Dr. Franz Feurstein) for Austria. She presents the apologies of the members who have not been able to attend the present meeting and regrets once again the absence of representative of the Spanish Delegation. She thanks the Portuguese Delegation for the nice evening they all enjoyed on the September 26th.

2. APPROVAL OF THE AGENDA

The agenda of the general meeting is unanimously approved

3. APPROVAL OF THE PREVIOUS MEETING MINUTES

The minutes of the previous meeting, which took place in Nice on April 17th, 2002 are unanimously approved.

4. GENERAL ISSUES

4.1 UTIPULP STRUCTURES

4.1.1 Changes in the composition of the National Delegations

Mrs Riccioni invites Mr Winkler and Mr Bartmann to express themselves on this matter .

Mr Peter Winkler reminds that, as explained during the previous meeting, his new responsibilities inside of UPM-Kymenee, will keep him away from the pulp buying. For this reason, Mr Winkler attends the current Utipulp meeting for the last time. He point out that it has always been a pleasure for him to participate to the Utipulp meetings and to chair the Association from 1991 to 1992.

⇒ **Mr Peter Winkler resigns from the German Delegation and from the Executive Committee.**

Mr Paul Bartmann, Vice-Chairman of Utipulp explains that he has to resign in regard to follow the new business principles introduced by the mother Anglo-American company. These principles include that no employee of any of the companies of the group attends meetings where competitors are around the table. He adds that he is personally convinced that Utipulp has always worked in line with the European competition laws. Nevertheless he has to accept and follow this decision which is out of his personal control. He indicates that his company will continue to report statistics and concludes by expressing his hope that the position of the mother company on this matter could change in the future and that he could be in position to join back Utipulp.

⇒ **Mr Paul Bartmann resigns from the Austrian Delegation, from the Executive Committee and from his mandate of Vice-Chairman.**

Mrs Gloria Riccioni thanks Mr Winkler and Mr Bartmann for their really good co-operation for numerous years inside of Utipulp and expresses her regrets to see them quitting the Association.

Before proceeding to the election of the new Chairman, the new Vice-Chairman and two new members of the Executive Committee, Mrs Riccioni invites the Secretary to present the current composition of each delegation. She notes that even if the situation is quite better than one year ago, several complementary changes have to be made inside of the delegations to be in perfect line with the number of seats defined by the statutes of UTIPULP.

Austria :

Mr Peter Steigenberger (Salzer Papier) succeeds to Mr Paul Bartmann (Neusiedler)

⇒ With three delegates and one representative of the National Association (Austropapier), the Austrian delegation is complete.

Belgium :

⇒ With three representatives, the Belgian delegation is complete

Denmark :

⇒ Two seats but only one delegates.

France :

⇒ With four representatives, the French delegation is complete.

Germany:

Mrs Johnen (Kanzan GmbH) succeeds to Mr Winkler (Haindl Papier GmbH).
Mr Söder (MD Land Papier GmbH) succeeds to Mr Löhr (Zanders Feinpapiere AG)
⇒ With four delegates and one representative of the National Association (VDP), the German delegation is complete.

Italy :

⇒ With four representatives, the Italian delegation is complete.

The Netherlands :

⇒ With three representatives, the Dutch delegation is complete.

Portugal :

⇒ With three representatives, the Portuguese delegation is complete.

Spain :

The case of Spain is problematic. They officially have three seats in Utipulp but have nominated only one representative who has never been in position to attend the meetings until now. So, for the present time, Spain is not represented during the Utipulp meetings.

Switzerland :

⇒ With two representatives, the Swiss delegation is complete.

United Kingdom :

The United Kingdom has four seats in Utipulp, but only three delegates.
⇒ U.K has to nominate a fourth delegate to have a full delegation.

4.1.2. Elections of two new members for the Executive Committee

Mr Riccioni indicates that, due to the resignation of Mr Winkler and Mr Bartmann, the General Assembly has to nominate two new members for the Executive Committee.

Articles of the Association related to the Executive Committee :

Article 5 - Executive Committee

1. - *The Association is managed by the Executive Committee, which is composed of four or five members.*
2. - *The Executive Committee is composed of the Chairman, the Vice-Chairman and three delegates appointed by the General Assembly. One of the members of the Executive Committee, has to have the Belgium nationality.*
Apart from the Chairman and the Vice-Chairman, whose term in office is two years, members shall be appointed for three years. They can be removed by the General Assembly by a vote of 2/3rd of the members present or represented.
The appointment can be renewed once.
3. - *Members of the Executive Committee shall be of different countries.*
4. - *The Executive Committee may only be validly held if 3 of its members are present.*
5. - *Decisions shall be taken on a simple majority. In the case of an equal vote, the Chairman shall have the casting vote.*
6. - *The Executive Committee is convened by the Chairman or any of its members and meets as often as it is necessary, but at least once a year.*
7. - *The purpose of the Executive Committee is in particular to study applications for membership as defined in Art. 3 of the Articles of Association, or any other special task according to a decision of the General Assembly.*
8. - *The Executive Committee has all power given by the General Assembly to achieve the object of the Association.*

Mrs Riccioni asks the national Delegations if they want to propose the candidacy of one of their members to join the Executive Committee.

The German delegation proposes Mr Franz-Josef Ohle (Stora Enzo Pulp International GmbH)

The British delegation proposes Mr John Govier (Arjo Wiggins Ltd).

The President asks if anybody else wants to apply for the seat. Any other candidacy being presented in session, Mrs Riccioni submit to the vote of the General Assembly the proposition to nominate Mr Franz-Josef Ohle and Mr John Govier at the Executive Committee.

⇒ **This proposition is unanimously approved .**

In conclusion, the new Executive Committee is composed of the following delegates:

- Mrs Gloria Riccioni – Italy -
- Mr John Govier – U.K. –
- Mr Michel Marck – Belgium -
- Mr Franz-Josef Ohle – Germany –
- Mr Jean-Olivier Roussat – France –

4.1.3. Election of Chairman and Vice-Chairman

Articles of the Association related to the election of the Chairman (Extract)

Article 4 - General Assembly

2. *The General Assembly elects from among its members a Chairman and a Vice-Chairman who must be of different nationalities. Their term of office is two years and it may be renewed once. If a member of the General Assembly so requests, the ballot will be secret. If the Chairman is prevented from attending to his duties for an indefinite period of time, the Vice-Chairman will replace him up to the end of their term of office.*

Rules of Application of the Articles of the Association (Extract)

Article 5 - The Chairman of the Association

- *represents the Association,*
- *convenes the Executive Committee,*
- *carries out the decisions of the General Assembly,*
- *opens bank accounts and the carries out of all basic banking operations in the name of the Association ("every-day" payments by check or transfer for operations related to the functioning of the Association. Decisions on investments shall be approved by the General Assembly). For transactions, the amount of which exceeds ECU 2 700, the signatures of the Chairman and the Vice-Chairman are required,*
- *prepares, organizes and convenes the General Assembly in co-operation with the Vice-Chairman,*
- *draws up the work programme, accounts and provisional budget of the Association for each financial year,*
- *represents legally the Association both as plaintiff and as defendant,*
- *has all the powers given by the General Assembly, to achieve the object of the Association.*

Mrs Riccioni reminds the General Assembly that the date of completion of her mandate of Chairman is today. Officially at the end of the current meeting, Mr Bartmann should have become Chairman of Utipulp. The General Assembly should have only had to nominate a new Vice-Chairman. Nevertheless, due to the resignation of Mr Bartmann, the General Assembly has to proceed to the election of a new Chairman and a new Vice-Chairman.

Face to this exceptional situation underlined by Mrs Riccioni, Mr Bartmann thinks that Utipulp needs stability and proposes to renew the mandate of Chairman of Mrs Riccioni, if she agrees. Mrs Riccioni accepts the proposal but ask, before processing to the vote, if anybody else is candidate. No other candidacy being expressed in session, the renewal of the mandate of Chairman of Mrs Riccioni is proposed to the vote of the General Assembly.

⇒ **This proposal is unanimously approved by the General Assembly.**

Mrs Riccioni thanks all the members for the confidence they give her in the renewal of her mandate. She proposes France for the Vice-Chairmanship in the person of Mr Jean-Olivier Roussat (Clairefontaine).

⇒ **This proposal is unanimously approved by the General Assembly.**

Mr Roussat thanks all members and expresses his wish to see as soon as possible Mr Bartmann in position to join back Utipulp. He precises that if it was the case before the end of the second mandate of Mrs Riccioni, it would be a pleasure for him to let his seat of Vice-Chairman and future Chairman to Mr Bartmann.

4.2 COMMUNICATION

4.2.1. Statistics release :

As the statistics sent out of Utipulp concern just general figures without any details and are sent to the press, they constitute public figures. To save the secretariat of an exponential work and to open these public statistics to a largest population, it had been decided to stop the sendings by e-mail and to insert the public figures on the website.

This method of diffusion works very well. It's fast and efficient for the users (Press, Trade Associations, private companies), who can see immediately on the Homepage if the figures have been updated or not. If they have, the users can easily download the full document of the general figures.

Statistics of connections and downloading are presented in session, showing that 46% of the connections concern the home page where the user can download the general figures. The peaks of visits are always between the 15th and 18th of each month, showing the high interest for the Utipulp statistics.

4.2.2. Information available on the member pages of the website:

The connections of the Utipulp members on the secularised pages are still at a low level. It's a pity because numerous documents are available in the *Member Pages* of the website :

- ⇒ Detailed statistics (and historical figures)
- ⇒ Chilean and Romanian figures
- ⇒ Statutes and rules of articles of Utipulp
- ⇒ Minutes of the previous meetings
- ⇒ List (with address, phone, fax, e-mail..) of each delegate.
- ⇒ Composition of the National delegations and of the Executive Committee
- ⇒ Dates and places of the previous meetings
- ⇒ List of Chairmen, Vice-Chairmen and Secretaries of the previous years
- ⇒ Information and convocation for the next meeting
- ⇒ Etc...

An **User Guide** of the website is presented and joined in session to the folders of the attendees.

Mrs Riccioni explains that the best solution to make the members connections growing is to stop sending each month the detailed statistics by e-mail. If the only way to get these figures is to go on the Utipulp website, the members will immediately connect.

⇒ **This proposal is unanimously approved.**

The next figures will be sent by e-mail for the last time with a message explaining that the members will have to connect for the following month. In this message, the login and password will be indicated.

It is decided to give the same login and password to all the Utipulp members. These parameters will be changed at each General meetings in order to preserve confidentiality.

4.3. STATISTICS

4.3.1 Analysis of Utipulp statistics

Mrs Riccioni asks Mr Arnauld des Lions to comment the Utipulp monthly statistics.

✓ **World total inventories (July-August 2002)**

Referring to the total inventories graph showing the evolution of the world stocks both on the producers side and on the consumers side, it appears that the global stocks have decreased between January to June 2002 to go back on a growing trend in July.

The evolution is quite different between the stocks of purchasers stable since May 2002 and the stocks of producers decreasing on the first half year and strongly increasing in July.

On the four first months of the year, the prices were slightly decreasing, in accordance with the high level of the stock in a period of moderate consumption. Several price increases have been registered before the summer stabilising between 480 USD and 500 USD/t in July for the NBSK and 515 USD/t for Eucalyptus.

✓ **Producers inventories and utilisation rates**

The utilisation rate in the Norscan mills has been strongly growing since May, reaching a level close to 100% in July (referring to the figures received by Utipulp). This speeding up of the production has for effect to make the stock level growth. After three months under the significant level of 1.5 million tons, the Norscan stocks increased of 113.000 tons in August.

✓ **Stocks in the European ports**

Referring to the Europulp statistics, it appears that the trend of the stocks in the European ports is approximately similar to the trend of the producers stocks. It shows an increase of 90.000 tons in August after a slight decrease since the beginning of the year.

✓ **Pulp consumption and inventories**

The market pulp consumption has significantly decreased in August (-15,7%) after the high level of consumption reached since March 2002.

As seen on the global on the global inventories graph, the chemical pulp inventories of the purchasers are quite stable since May 2002 after an increase between March and May.

4.3.2 **Quality of Utipulp statistics**

✓ **Declarations availability**

A document is distributed in session, showing the date of reception of the National Figures each month by UTIPULP. Referring to this document, it appears a clear improvement since the previous meeting. Nevertheless several countries are still often late in the sending of there figures.

Mrs Riccioni reminds that the final statistics have to be available (after compilation, checking and making up) for the 14th of each month for the members and for the 15th for the Press and external contacts. It implies that National Associations send their own figures to Utipulp at the latest on 13th of each month. So the President asks the National Associations to make an effort to transmit their statistics on time. **If a company is not in position to give the figures in time, the National Association has to estimate them.**

✓ **Quarterly statistics**

It appears that the quarterly statistics released by Utipulp are not really used by the members. In fact these statistics concern approximately the same data than for the monthly statistics.

Mr Winkler proposes to stop providing the quarterly statistics. Mr Riccioni asks if anybody is against this proposal. Without reaction, it's decided to stop the publishing of the Utipulp Quarterly statistics. It is announced that the secretariat of Utipulp is currently working on a new and more detailed document for the presentation of the monthly statistics in the future. The new version of these statistics will be presented at the next meeting for approbation.

✓ **EPIS and MPA**

The main characteristics of EPIS (European Pulp Industry Sector) and MPA (Market Pulp Association) are reminded. The lists of the members of these two associations are released in session.

The Market Pulp Association (MPA) is an industry association representing market pulp producers with operations in North America. MPA members receive comprehensive global market research services on market pulp and the end use sectors. Other MPA services include a communications program aimed at customers, with the Market Pulp Open Forum and the Pulp World newsletter, and a training program with the Pulp Tech course

On June 1, 2001 the European Pulp Industry Sector (EPIS), the industry association representing European market pulp producers, as well as suppliers in Africa and Latin America, joined the PPPC.

The new global alliance brought together the two strongest organisations in the pulp industry, EPIS and MPA, whose members together represent over 70 percent of global market pulp capacity. As part of the agreement, statistical and Internet operations were transferred to the PPPC's data centre in Montreal.

✓ **Pulp consumption : what is really declared ?**

Mrs Riccioni explains that the Secretariat of Utipulp has recently discovered that the declarations of pulp consumption made by the national associations are not homogeneous. For certain countries, the figures provided correspond to the total pulp consumption, for others the figures correspond only to the consumption of market pulp. So the consumption of integrated pulp is taken in account in one case and not in the other.

For example : Mr Kibat (VDP) indicates that the figures sent by Germany to Utipulp take in account the total consumption of pulp.

After a discussion it is decided that a survey will be made by Utipulp to know precisely what is sent by each National association and what is the part of market pulp in the Utipulp final figures of pulp consumption.

4.4. OTHER ISSUES

4.4.1. UTIPULP 2002 provisional account

- Mrs Riccioni presents the Utipulp accounts for the first 9 months in euros. A benefit of 8.028,67 euros is registered at the end of September, but some expenditures are still to be paid like the Lisbon meeting costs and the hosting of the website.

4.4.1. UTIPULP activities in the eyes of European competition law

Mrs Riccioni reminds that the Companies (specially the Groups and mother companies) are more and more attentive to the fact that the presence of some of their employees at meetings of professional associations doesn't comport risk for them to be suspected of antitrust activities. The new business principal mentioned by Mr Bartmann concerning his company is the perfect reflect of this growing concern.

Mrs Riccioni explains other members of Utipulp have expressed similar concern from their Company. With the authorisation of the author she reads in session the letter sent by Mr Victor Kamm (Sappi) to Utipulp.

In this letter Mr Kamm explains that, even if his company *“has no and has never had in the past any reason to believe that Utipulp would not have been in full compliance with the all applicable laws and regulation, his participation in the Utipulp meetings remains under serious reconsideration”* by principle of precaution. To avoid such a problematic situation (which could exist in other companies), Mr Kamm submit the following proposal in the name of his company :

“Utipulp’s actual functioning should – as soon as possible – undergo a thorough anti-trust assessment by specialist outside counsel in order to make sure that it is fully in compliance with the applicable laws and regulations.”

Mr Riccioni underlines how important is this subject and reminds that before resigning (to follow the instructions of his company) Mr Bartmann asked the same assessment. The President invites each delegation to express its point of view on this matter.

Mr Winkler reminds that the statutes of Utipulp had been approved by a lawyer at the creation of the association.

From the general opinion, it is in the interest of both Utipulp and its members to get an assessment on legal compliance.

In conclusion, it is decided to ask a lawyer to proceed to the UTIPULP competition compliance program. The choice of the firm will be made by the Executive Committee and the costs integrated in the 2003 Budget.

4.4.3. Date and location of next meeting

In the name of the Swiss Delegation, Mr Bitterli proposes to invite UTIPULP for the next meeting and proposes to hold the meeting on the **28th of March, 2003**. The meeting place will be confirmed by ZPK as soon as possible. Swiss Delegation is thanked for the invitation in Switzerland. The secretariat of UTIPULP will contact Mr Martin Häberli from ZPK to prepare the organisation.

5. ANALYSIS OF THE PULP AND PAPER MARKETS

5.1. General Economy:

The evolution of the general economic environment has a direct effect on the paper and board market. On this end of third quarter 2002, the main indexes are still pessimistic. The average of the GDP of the European countries should not go beyond 1% (between stabilisation for Switzerland to a growth of 2% for Spain). The private consumption should not be growing compared to the previous year and the inflation is still at a low level in most of the European countries.

5.2. Paper markets:

Even if the global production of paper and board of the CEPI zone is increasing of 2,6% compared to the previous year (9 months 2002 / 9 months 2001), the situation is really different from one country to the other. For example, Denmark announced a decrease of 0,7% on this period and Portugal a growth of 6,3%.

The activity on the Newsprint sector is strongly decreasing, affected by the weakness of the advertising. The other sectors are stable or on a slightly increasing trend. The only well oriented activity concerns the tissue market.

Globally the apparent consumption and the activity are better than in 2001, but the order books are not full. The general feeling is that market has been dynamic on the first half of the year but the second one seems to be more difficult. Then, after a relatively quiet summer, the situation is gloomy in this month of September in a context of limited visibility.

5.3. Pulp markets:

- The pulp prices, which have significantly decreased on the first quarter 2002, have been on a growing trend in May and July before stabilizing during the summer. The seasonal and economic weakness of the request for pulp is weighing again on the prices, in particular on the softwood.
- The Norscan stocks, which decreased from January to June are now increasing again, reaching (and going beyond) the level of 1.500 thousands tons, which is determinant for the evolution of the pulp prices. Under this level, the tentative of pulp price increase often success, over this level it rarely success.

6. MISCELLANEOUS

A selection of documents and articles of interest for the participants is quickly presented.

To conclude, Mrs Riccioni thanks all the participants for their kind co-operation.

Having gone through all the items of the agenda, the President closed the meeting at 12:45 p.m.