

UTIPULP

ROMA – APRIL 2nd, 2004

GENERAL MEETING

MINUTES

UTIPULP

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- ATTENDEES TO THE MEETING -

UTIPULP CHAIRMAN :

Mrs Gloria RICCIANI CARTIERE BURGO

UTIPULP Secretariat :

Mr Guillaume ARNAULD DES LIONS UTIPULP

AUSTRIA :

Mr Peter DONNABAUER TRIERENBERG

BELGIUM :

Mr Markus V. de MENEZES GRUPPO CORDENONS
Mr Firmin FRANCOIS COBELPA
Mr Claus ORESNIK SAPPI EUROPE S.A.

DENMARK :

Mr Eilif LADEGAARD STORA PAPYRUS A/S

FRANCE :

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

GERMANY :

Mrs Ute JOHNEN KANZAN SPEZIALPAPIER GmbH
Mr Klaus-Dieter KIBAT V.D.P.
Mr Klaus KRIEG PAPIERFABRICK SCHEUFELN
Mr Franz-Josef OHLE STORA ENSO PULP Int. GmbH
Mr Oliver SÖDER MD PAPIER GmbH

ITALY :

Mr Antonio BOTTEGA CARTIERE FEDRIGONI & C s.p.a.
Mr Armando CAFIERO ASSOCARTA
Mrs Cinzia CARADINI ASSOCARTA

THE NETHERLANDS :

Mr Victor KAMM SAPPI EUROPE S.A.
Mr Norman SNEL Inkoop-combinatie De EENDRAGT b.v.

PORTUGAL :

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

SWITZERLAND :

Mr Jorg
Mr Bernhard

BITTERLI
JÄGGI

TELA-KIMBERLY
M-REAL BIBERIST

UNITED KINGDOM :

Mr John
Mr Richard

GOVIER
SEXTON

ARJO WIGGINS Ltd
THE PAPER FEDERATION OF G. B.

EXCUSED

Mr Graham
Mr Enrico
Mr Patrick
Mr Dariusz
Mr Carlos
Mr Rudolf
Mr Théo
Mr Luigi
Mr Luis

BARNARD
BROUWER
MADER
POWROZNIK
REINOSO
SEELMANN
Van Der STEENSTRAETEN
LAZZARESCHI
COSTA LEAL

THE PAPER FEDERATION OF G. B
V.N.P.
AUSTROPAPIER
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ASPAPPEL
SCA LAAKIRCHEN AG
Inkoop-combinatie De EENDRAGT b.v.
DELICARTA
CELPA

UTIPULP

General Meeting

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AGENDA

I - WELCOMES & APOLOGIES

II - APPROVAL OF THE AGENDA

III - APPROVAL OF THE PREVIOUS MEETING'S MINUTES

- The previous meeting was held in Brugge on September 19th, 2003

IV - GENERAL ISSUES

a) UTIPULP structures:

- Composition of the National Delegations,
- Membership

b) Communication:

- Website : evolution, new login and password
- Statistics release

c) Statistics:

- Point on the application of the new rules of operation of the UTIPULP statistics
- Modification of the producers statistics release and meeting UTIPULP – EPIS (25/02/04)
- Analysis of the last available UTIPULP statistics

d) Other issues:

- Presentation of the 2003 accounts and proposition for the 2004 budget
- Date and location of next meeting.

V - 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 and presents the apologies of the members who have not been able to attend the present meeting. She thanks Assocarta for the nice evening they all enjoyed on April 1st.

Mrs Riccioni informs the delegates that the Secretary, Mr Arnauld des Lions, is attending for the last time a UTIPULP meeting, taking a new professional orientation. He leaves the Paper Industry to join the French Nautical Industries Federation as General Secretary of the West.

He will be replaced by Mr Nicolas Oudin, Economic Manager of COPACEL, who has been presented to the Executive Committee but was not in a position to attend the General Assembly.

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 Brugge on September 19th 2003 are unanimously approved.

4. GENERAL ISSUES

4.1 UTIPULP STRUCTURES

Changes in the composition of the National Delegations

A point is made on the composition of the National delegations. The Austrian and Belgian delegations have been modified since the previous meeting.

Austria :

Mr Peter Steigenberger, Managing Director of Salzer Papier GmbH has decided to take over a new assignment as CEO of a worldwide enterprise in the plastics industry. Then he presented its resignation from the Austrian delegation of Utipulp. Austropapier has not yet appointed a new delegate.

Belgium :

Cobelpa has appointed Mr Marcus V. de Menezes, Group Supply Chain Director of Gruppo Cordenons, as delegate for the Belgian delegation of Utipulp.

4.2 COMMUNICATION

4.2.1. Website : evolution, new login and password

Two documents are included in the folders of the attendees :

- ⇒ The statistics of the connections on the website,
- ⇒ An updated “User Guide” for the members.

New login and password are communicated in session. It is reminded that the members have a restricted access to the data detailed country per country on the member’s pages of the website. New login and password are given by UTIPULP (only), during the General Meetings and to the National Associations every 6 months. To obtain the login and password the companies have to contact their National Association.

4.2.2. 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. It had been decided to stop the sending by e-mail and to insert the public figures on the website.

This method of diffusion works very well. It is 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 50,75 % 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.

4.3 STATISTICS

4.3.1. Point on the application of the new rules of the UTIPULP statistics

A point is made in session on the application of the new rules of the UTIPULP statistics further to the sending of the “OFFICIAL RULES OF OPERATION OF THE UTIPULP STATISTICS” to each National Association.

The Secretariat of UTIPULP has asked each person in charge of the statistics at the National level to identify the eventual difficulties of application of the new rules. Even if few remarks have been transmitted to UTIPULP, each statistical operator has declared having no difficulties to respect the new rules.

For memory, the document is joined in the folders of the participants.

4.3.2. Modification of the producers statistics release meeting with EPIS (25.02.04)

Mrs Riccioni asks Mr Arnauld des Lions to remind the situation with a chronological presentation. She informs her colleagues that they have in their folders a document prepared by the Utipulp secretariat.

a. Reminder of the situation until December 2003

Market pulp producers from USA, Canada, Finland and Sweden, released around the 13th of each month their figures of :

- ⇒ Production
- ⇒ Deliveries
- ⇒ Closing inventory
- ⇒ Utilisation rate

These figures constituted the well known NORSCAN data, which have been considered for many years as the main reference in the market.

EPIS (European Pulp Industry Sector) gathered the pulp producers data of the European countries and provided to us a global report (Norscan + Europe) around the 25th of the month. UTIPULP provided its own data (consumption, stocks and stocks in days of consumption) around the 15th of the month.

b. *Situation from January 2004*

⇒ Implementation of Phase 1

On December 2003, North American market pulp producers - *gathered inside of AF&PA American Forest & Paper Association) and MPA (Market Pulp Association; PPPC)* - decided to stop releasing their data separately (in the Norscan report) and before the global report.

In fact, as the Norscan data represent today less than 50% of the world capacities, concerned producers decided to release their data in conjunction with a global 19-country report on (or about) the 25th of each month.

Consequences :

- ✓ No statistics of pulp producers available for us before the 25th.
- ✓ We imagine that these data probably circulate before this date inside of the pulp producers associations.
- ✓ When the Utipulp statistics are available (the 15th), pulp sellers have a good vision of the market whereas the buyers have a partial one, until the release of the global report around the 25th of the month.

Reaction :

UTIPULP Secretary has been invited at the last EPIS Board meeting which took place in Brussels on February 25th, 2004. During this meeting, UTIPULP explained our position on the market pulp statistics exchange :

- ⇒ Even if Norscan Report represent just 50% of the global capacity, it constitutes an interesting picture of the producers activity and allow a vision on a long period (historical data)
- ⇒ UTIPULP position is to make the statistics available as soon as possible, both on the producers side and on the consumers side. A release around the 25th is too late and the data lose a lot of their interest in the decision-making help.
- ⇒ If the concern of the producers is to prevent that a part of their data are available before the buyers statistics, we propose to determine a common date of release or to be in contact each month to make the statistics available at the same time.
- ⇒ If AF&PA and PPPC maintain their decision to release their statistics on 25th, UTIPULP members will be questioned on the advisability of maintaining the release of UTIPULP statistics on 15th for the non-members.

EPIS Board members indicated that they agreed perfectly with the position of Utipulp and that they would ask AF&PA and PPPC to re-examine their position.

⇒ Proposal for Phase 2

AF&PA Pulp Group is now proposing moving forward with changes in the statistics themselves, for an implementation in September 2004.

On the supply side:

- ⇒ stop reporting monthly production data and operating rates,
- ⇒ stop reporting month-end inventories in tons,
- ⇒ continue reporting inventories in days, but based on 3-months moving average.

On the demand side:

- ⇒ report shipments in a 3-months moving average format,
- ⇒ report shipments only by 8 major regions of destination (instead of individual country of destination),
- ⇒ continue reporting the shipment-to-capacity ratio but as a 3-months moving average.

c. EPIS view (March 25th, 2004)

- ⇒ Even if data in terms of production is not so important, it should be maintained to be able to measure the effect of start-ups of new market pulp mills,
- ⇒ Showing operating rates should be avoided from a fair competition point of view,
- ⇒ Focus should in the future be on the largest global suppliers (19 countries),
- ⇒ Even if most important focus is on shipments, to manipulate statistics in order to hide raw data from analysts, press and public constitutes a big mistake. Raw data could, however be supplemented by moving averages trends to smoothen out the effect of sudden changes,
- ⇒ Industry still wants to see how markets like Germany, France, UK and Italy develops,
- ⇒ Producers should show the inventories data in the same manner as the consumer groups, i.e raw data,
- ⇒ Most fundamental thing is to make the global statistics available within 2 weeks time, following the month concerned,
- ⇒ Relationship between suppliers and customers is built upon a certain exchange of statistics and statistical formulas. We don't want to dismantle such a good cooperation,
- ⇒ If the captive pulp is taken out of the system, there have to be also changes in the reporting of hardwood figures in Finland and Sweden.

Mrs Riccioni asks the participants to present their point of view. After a round table the official position of UTIPULP is determined as follows :

- ⇒ **UTIPULP members** don't agree with the arguments of the North American producers because a speculative market is much more dangerous for everybody than a volatile market.
- ⇒ **UTIPULP members** are for a strong reaction, but refuse to defer the release of the consumer's statistics, estimating that it would be going on the same way than the producers.

- ⇒ **UTIPULP members** decide to send an official letter to the Producers' Association, showing the convergence of view between UTIPULP and EPIS and to propose the organisation of a meeting on this matter in May in Vancouver with :
- UTIPULP
 - EPIS
 - AFPA
 - PPC
 - BRACELPA
 - EUROPULP

4.3.3. Analysis of the last available Utipulp statistics

Mrs Riccioni asks the Secretary to present promptly the last available statistics.

✓ World total inventories (February 2004)

Referring to the total inventories graph, showing the evolution of the world stocks both on the producer's side and on the consumer's side, it appears that the global stocks have almost continuously increased since June 2002.

This trend is principally due to an increase of producer's stocks while consumer's stocks are still relatively stable on the period.

Usually, when the global inventories increase, there is an effect on the pulp prices which tend to drop. In opposition, when the global inventories decrease, the pulp prices tend to growth. This is a logical functioning of the market.

However, since the beginning of the year 2003, the stocks and the pulp prices are increasing in parallel.

At the end of February 2004, we can observe a slight decrease of the stocks of the North American pulp producers.

✓ Stocks in the European ports

Referring to the Europulp statistics, we can observe a decline of the pulp inventories in the European ports on the beginning of the year 2004.

In February, the pulp inventories in the European ports decreased of 81.000 tonnes (- 5,4%) compared to January and of 135.000 tonnes (- 8,6%) compared to December.

Nevertheless, the level is still high compared to the same period of the previous year (+ 25% for January and + 19% for February)

NB: The figures of the Italian ports were not reported before January 2003.

✓ **Pulp consumption and inventories**

The European market pulp consumption is progressively increasing (January and February) after the seasonal fall of activity of the end of the year.

The UTIPULP consumption increased of 1,1% in February compared to January and is close to the level reached at the same month of the previous year (February 2003) : + 1,9%

The European market pulp inventories decreased of 2% (26.000 tonnes) in February and decreased of 4,6% (61.000 tonnes) compared to the same period of the previous year.

4.4. OTHER ISSUES

4.4.1. Presentation of the 2003 account and proposition for the 2004 budget

Utipulp 2003 accounts

The total of the expenditures correspond to 28.318,07 euros (+2,5% compared to the budget)

- ⇒ Meeting expenses have been superior of 983,19 euros to the budget, due to the fact that the cost of the statistical meeting of September 18th had not been taken in account in the budget .
- ⇒ Secretariat expenses are inferior of 386 euros to the amount voted in the budget 2003
- ⇒ Website: the expenses correspond exactly to the budget.
- ⇒ Transaction expenses have been exceeded the estimation. The reason is that several National Association didn't paid the bank transfer fees when they paid their contribution to Utipulp. Then these fees have been supported by Utipulp.

The resources (contributions + interests) correspond to 28.046,94 euros. The comparison of the expenses and the resources shows a deficit of 271,13 euros. After having affected the 2003 deficit to the reserves, the reserves of Utipulp correspond to 8.092,21 euros.

Mrs Riccioni submitted the 2003 accounts (and the affectation of the deficit to the reserves) to approbation of the General Assembly. The 2003 accounts and the affectation of the deficit to the reserves are unanimously approved by the General Assembly.

Utipulp 2004 budget (proposal)

In 2004, the expenditures will seriously decrease compared to 2003, due to the fact that the 8.000 euros of the Baker & McKenzie have not to be supported in 2004.

With a comparable level 2003/2004 for the other accounts (excepted for the meeting expenses decreasing of 10%), it is proposed to come back to a level of charge of 20.004,35 euros, corresponding to the annual contribution (-41,6% compared to 2003).

The resources (contributions + interests) are estimated to 28.050 euros. The comparison of the expenses and the resources should make appear a benefit of 4.565 euros. After having affected the 2004 deficit to the reserves, the reserves of Utipulp should correspond to 8.137,86 euros.

Mrs Riccioni submitted the proposal budget for 2004 to the approbation of the General Assembly. The proposal of 2004 budget is unanimously approved by the General Assembly.

4.4.3. Date and location of the next meeting

In the name of the English Delegation, Mr Sexton proposes to invite UTIPULP in Great Britain for the next meeting and proposes the city of Bath. After a short discussion it's decided to hold the meeting on **September 16th and 17th, 2004 in Bath**. The English Delegation is thanked for the invitation. The secretariat of UTIPULP will be in contact with CPI to prepare the organisation of the meeting.

NB: Finally it has been decided several days after to hold the next UTIPULP meeting in Maastricht (NL) on September 16th and 17th, 2004

5. 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 and thanks in the name of all Members Mr Arnould des Lions for his great contribution to UTIPULP during the three passed years.

Having gone through all the items of the agenda, the President closed the meeting at 12:30 p.m.